



Panel Discussion HJR 20 Subcommittee on Transparency

JJ Carmody, Director of Reimbursement

September 12, 2017



Mission

*Health Care, Education
and Research*

Vision

*Billings Clinic will provide
best in nation clinical
quality, patient safety,
service, and value.*



Values

- **Quality and Safety.** We are committed to the highest standards of quality, safety and high reliability to achieve optimal clinical outcomes.
- **Service.** Our goal is to deliver outstanding service to our patients and communities in the region by anticipating and meeting their needs with compassion.
- **People.** We care about each other and value all team members.
- **Teamwork.** Each individual contributes as a member of the team accomplishing more than an individual can alone. Flexibility, mutual trust, and cooperation are essential.
- **Integrity.** We take responsibility for our actions and communicate openly and honestly with each other and the public while remaining humble even in times of achievement.
- **Value and Efficiency.** We take pride in providing efficient cost effective care, recognizing the significant importance of this to our patients and families and to purchasers of health care.

Who We Are

An outstanding medical foundation built upon the following cornerstones:

- A multi-specialty physician group practice in which a “community of physicians” work together in a collegial manner is at the core of this model.
- The partnering of excellent physicians, business leaders, nurses and professional staff, and volunteers create a team whose synergies drive our success.
- **Not-for-profit, community-owned and governed.**
- Mission-driven decision-making dedicated to a higher purpose in the community and the region.
- **An obsessive dedication to quality, safety, service and value.**

Operating Margin Goal

Billings Clinic's goal is to attain an A+ rating

- Future viability
- Secure Financing when needed
 - Standard & Poor's A-rated organizations range from 3.3% to 7.1%
- Investments in Facilities and Infrastructure
- Future Programs
- Advancements in Care

Standard & Poor's Medians

Table 2A

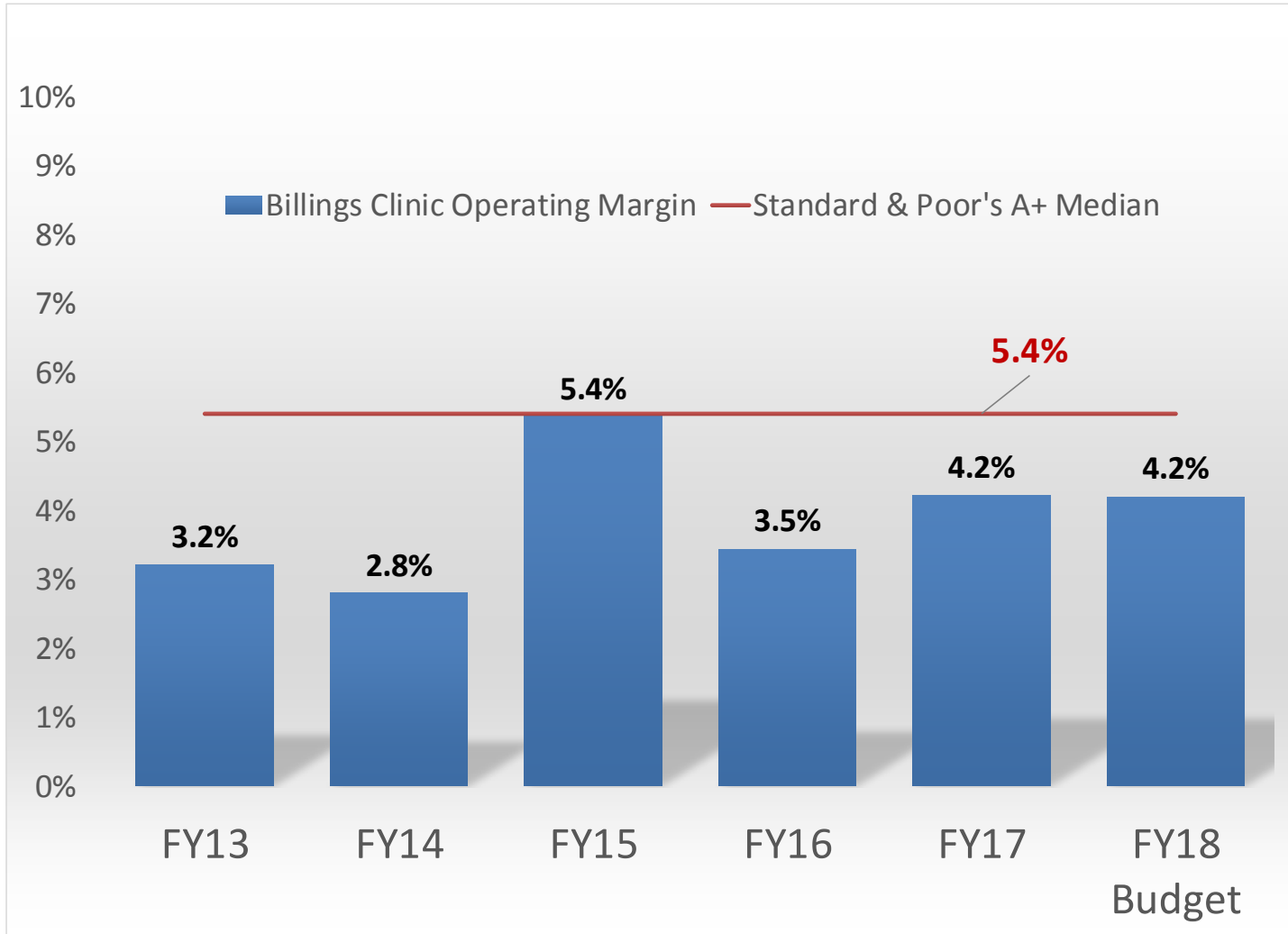
U.S. Not-For-Profit Acute Stand-Alone Hospital Medians By Rating Level -- 2015 vs. 2014 (cont.)

Fiscal year-end	AA+/AA**		AA-		A+		A		A-	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Operating lease-adjusted coverage (x)*	5.6	6.6	4.7	4.7	4.4	4.7	3.4	3.7	3.1	3.2
Debt burden (%)	2.1	2.2	2.3	2.7	2.6	2.6	2.8	2.7	3.0	3.1
EBIDA (\$000)	318,211	329,062	129,972	123,699	79,303	81,798	53,982	47,534	41,652	40,411
Nonoperating revenue/total revenue (%)	2.5	4.9	2.9	3.5	2.8	3.5	2.1	2.9	1.7	2.1
EBIDA margin (%)	15.8	16.1	15.3	14.7	15.0	15.4	12.6	12.9	11.5	11.5
Operating EBIDA margin (%)	12.4	13.4	12.3	10.9	12.6	12.0	10.6	9.9	10.0	9.8
Operating margin (%)	7.1	6.0	5.8	4.6	5.4	4.3	3.4	2.5	3.3	3.0
Excess margin (%)	10.0	9.4	8.8	7.9	8.2	7.8	5.2	5.8	5.0	5.1
Capital expenditures/depr. & amort. exp. (%)	137.2	134.3	129.8	111.1	109.9	105.9	103.7	104.7	121.2	119.0

Balance sheet

Operating Margin %

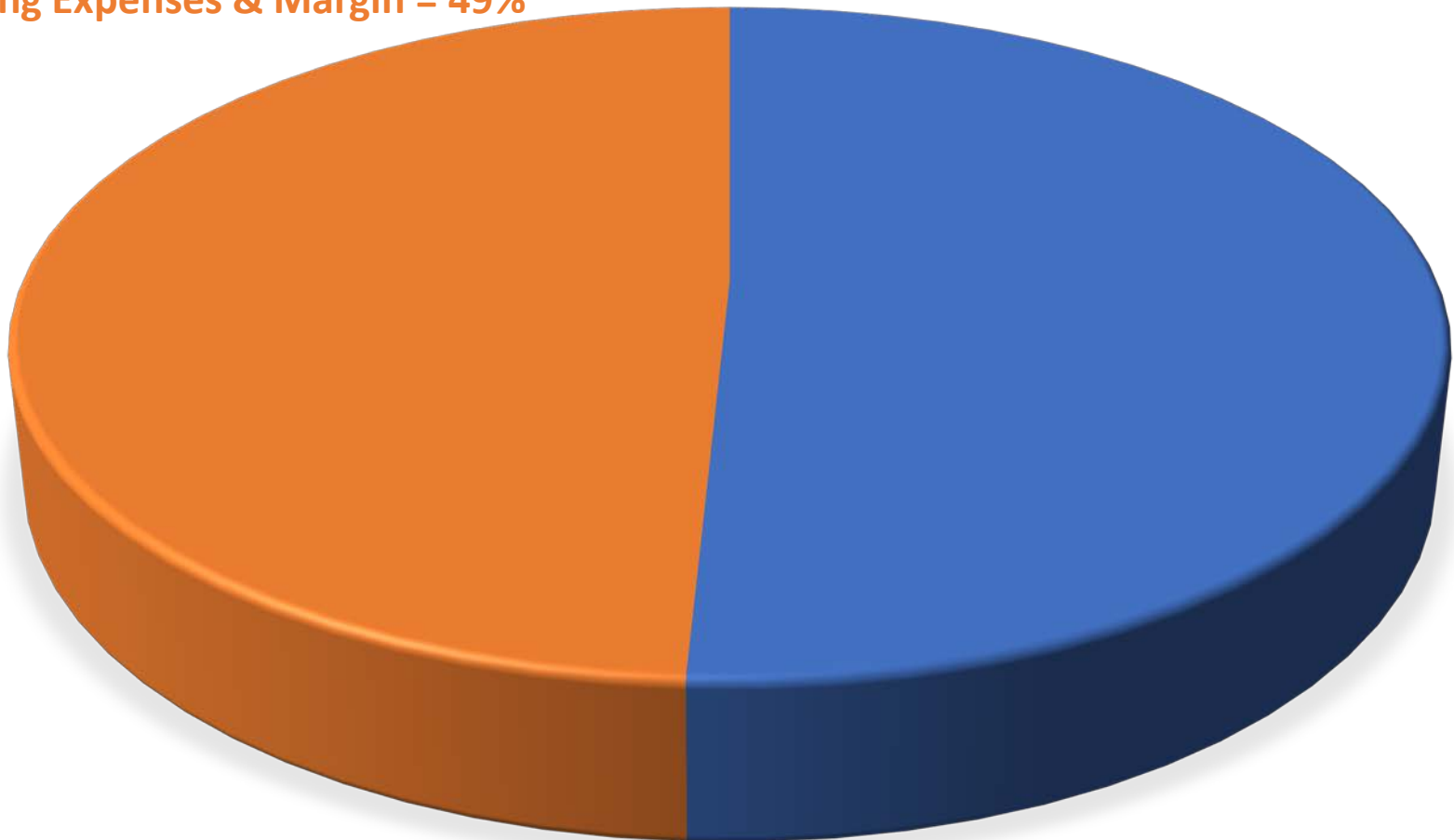
Billings Clinic including ExpressCare



For Every Dollar that Billings Clinic Charges...

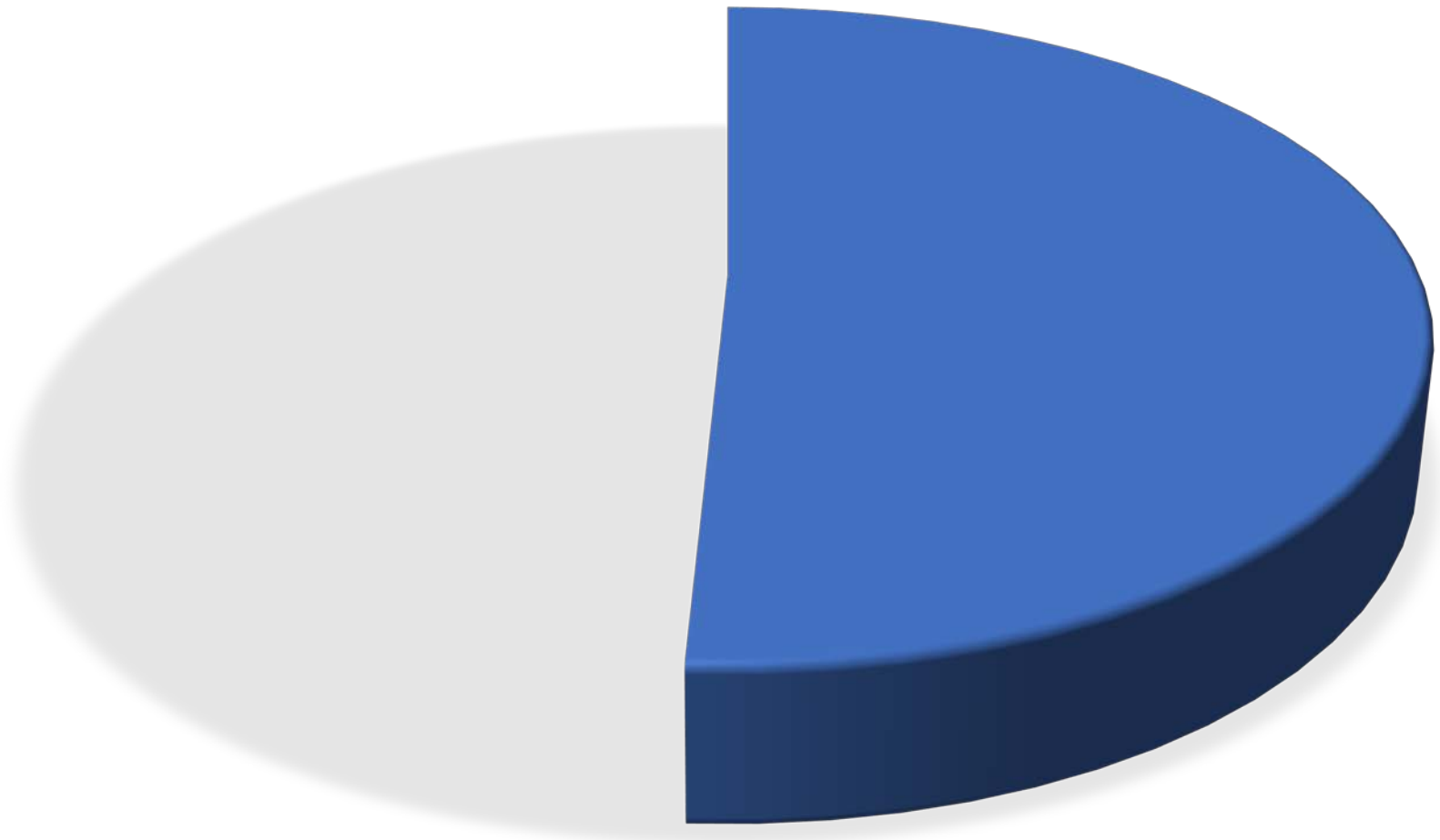
Contractuals/Writeoffs/Charity/Bad Debt = 51%

Operating Expenses & Margin = 49%

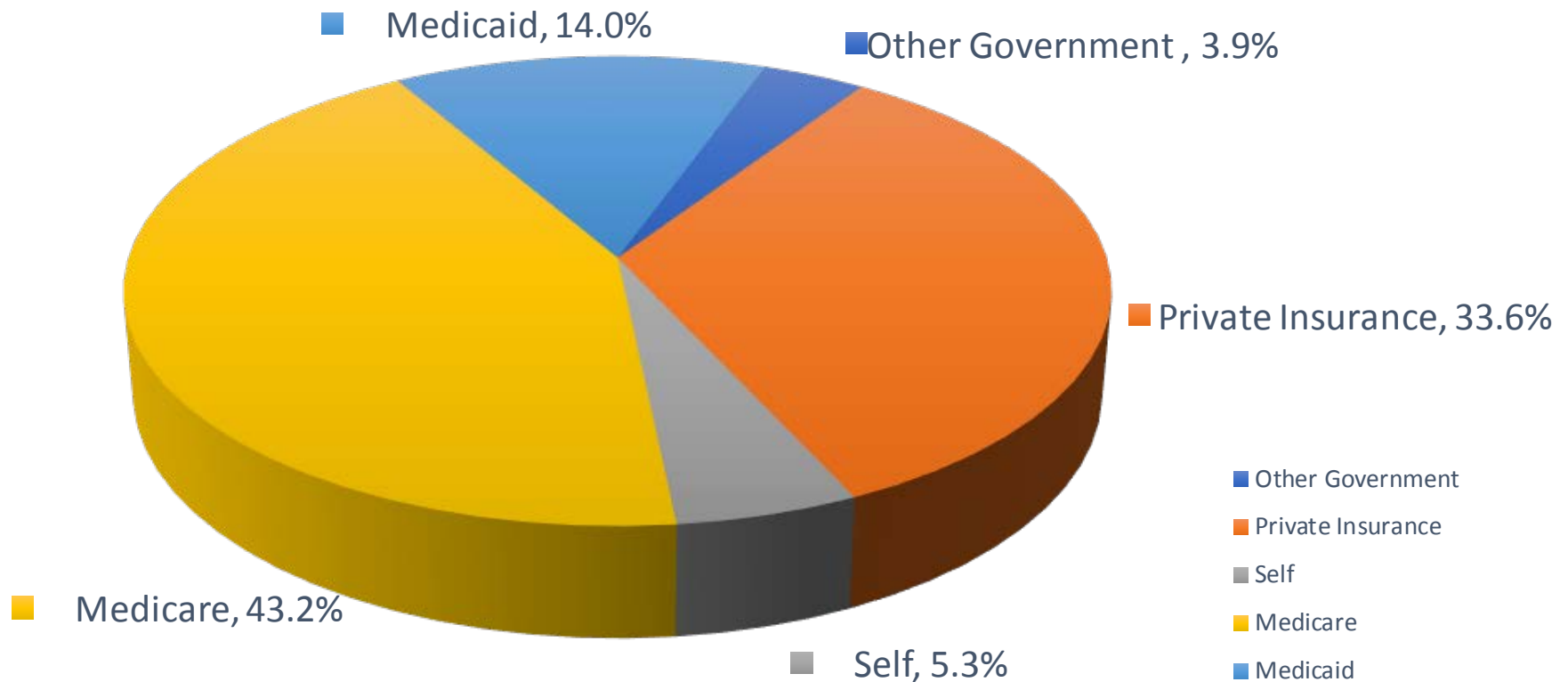


For Every Dollar that Billings Clinic Charges...

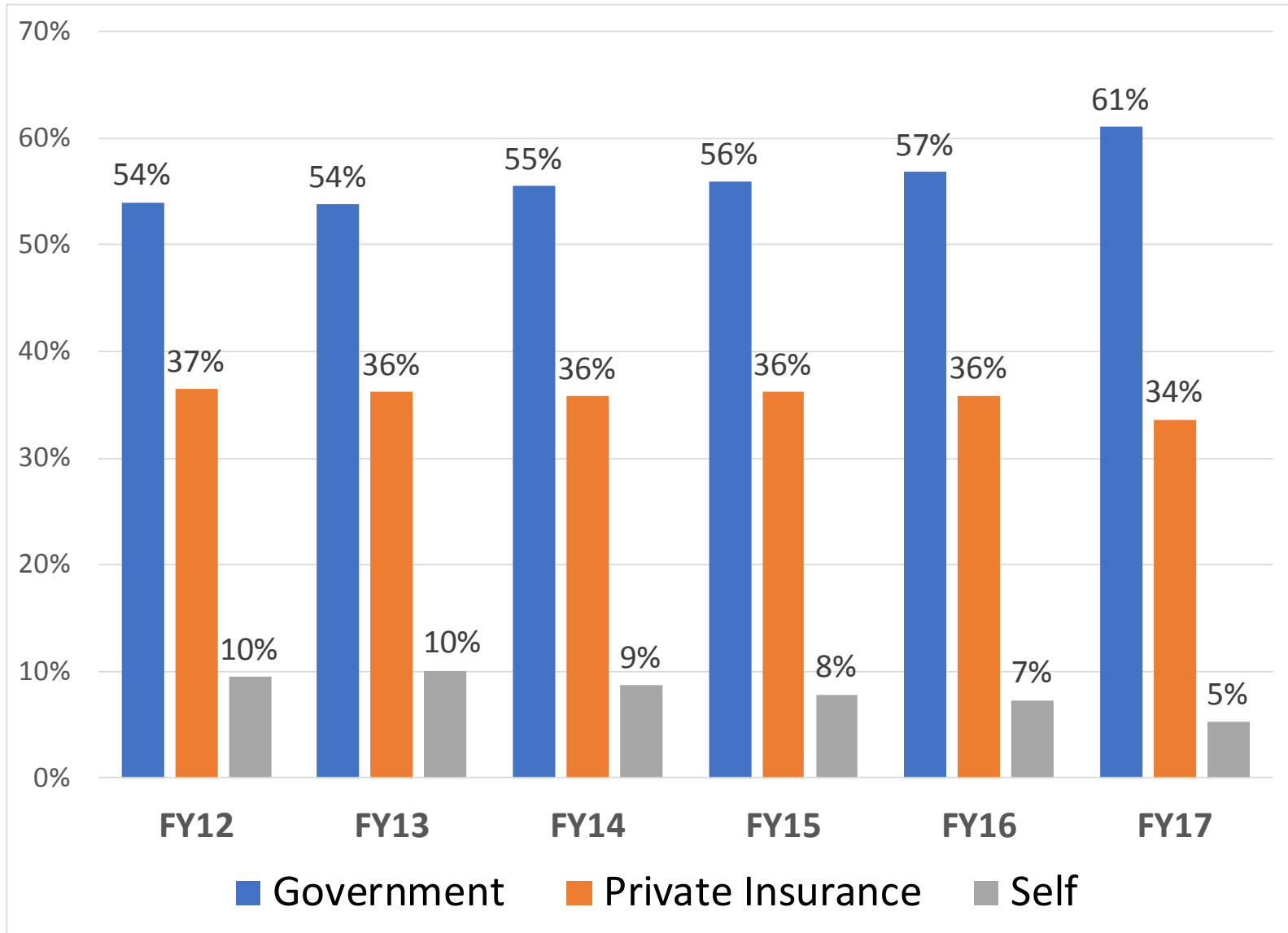
Contractuals/Writeoffs/Charity/Bad Debt = 51%



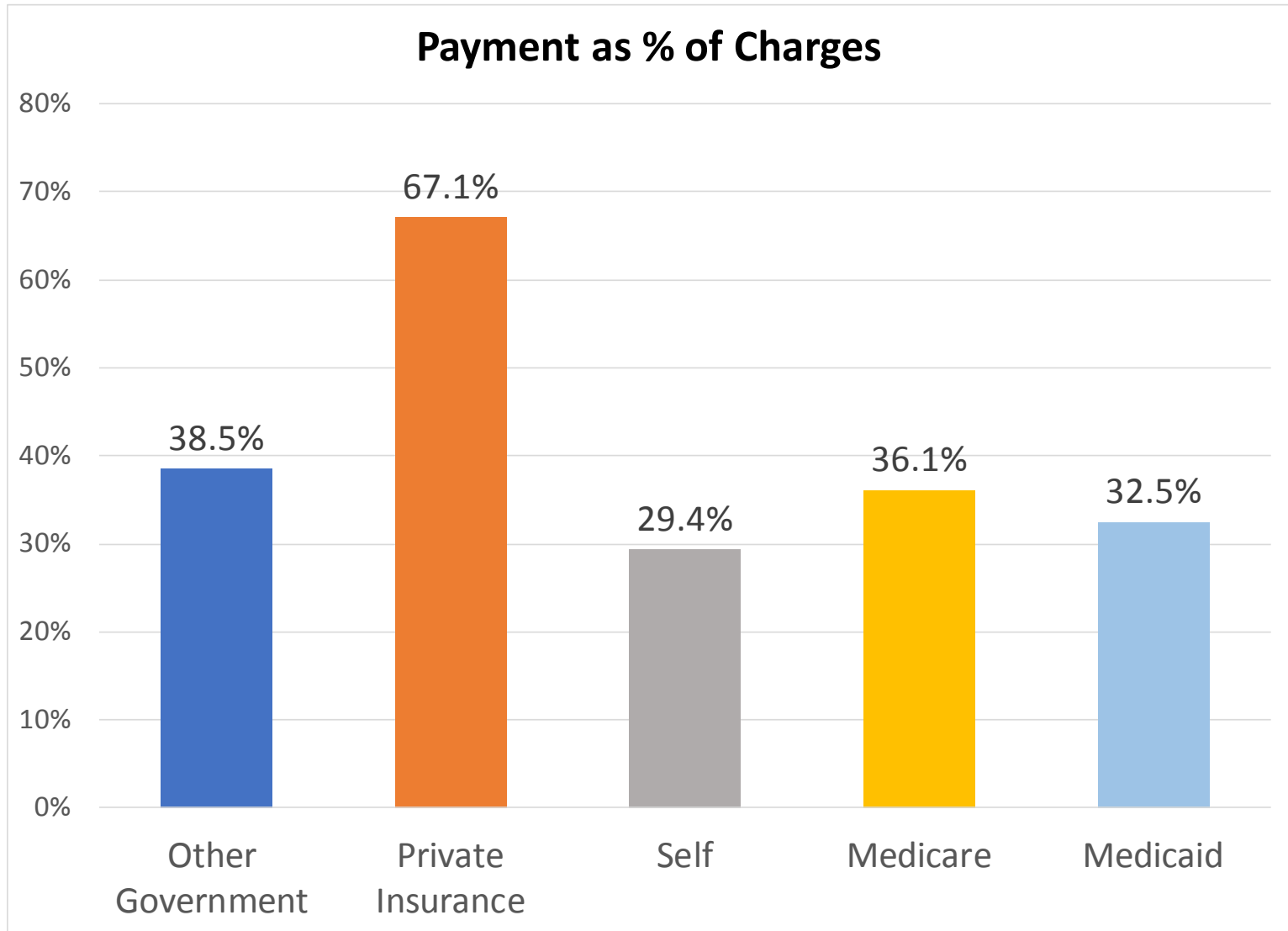
Fiscal Year 2017 Payer Mix



Payer Mix Trends



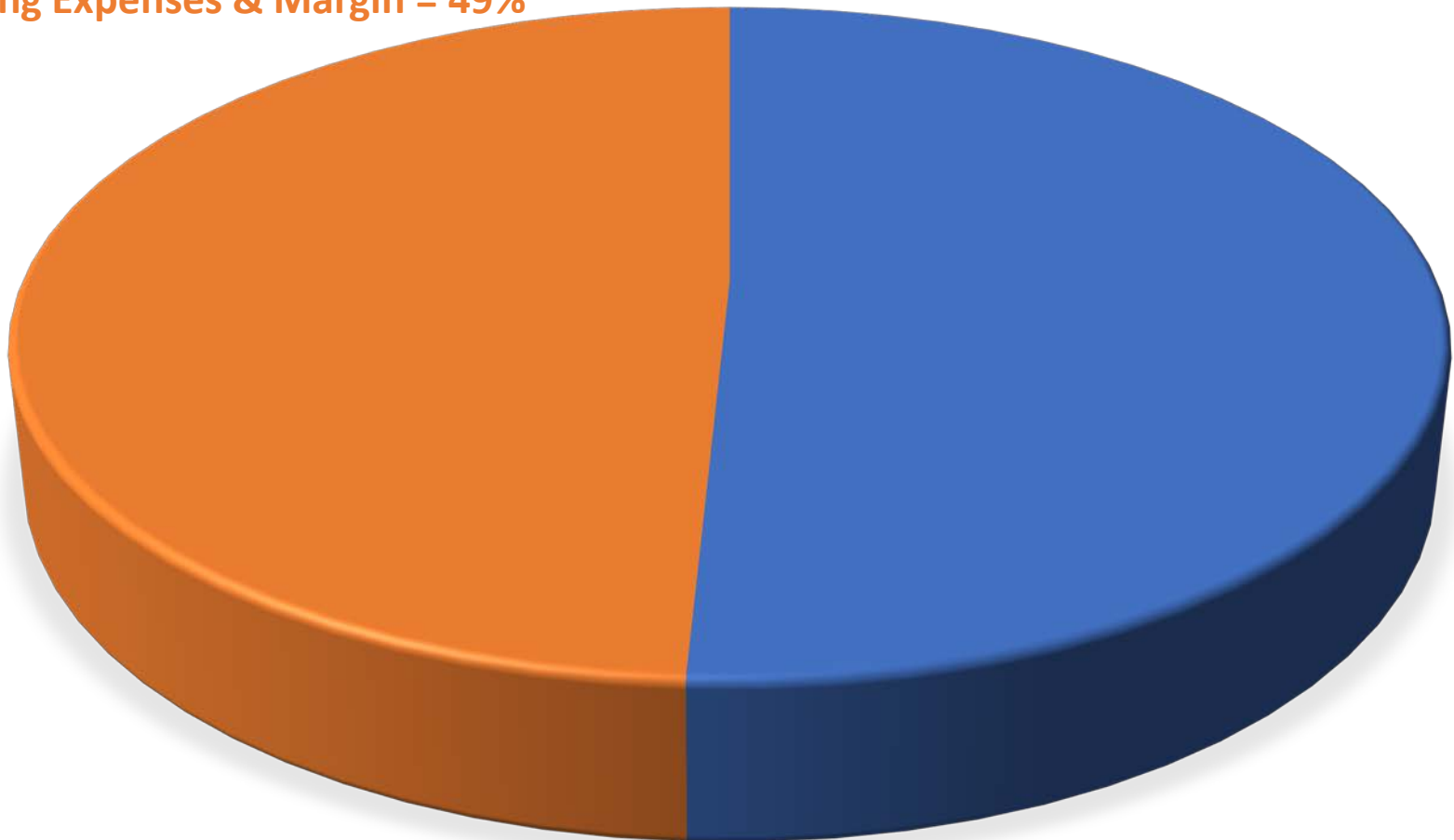
FY17 Payment Data



For Every Dollar that Billings Clinic Charges...

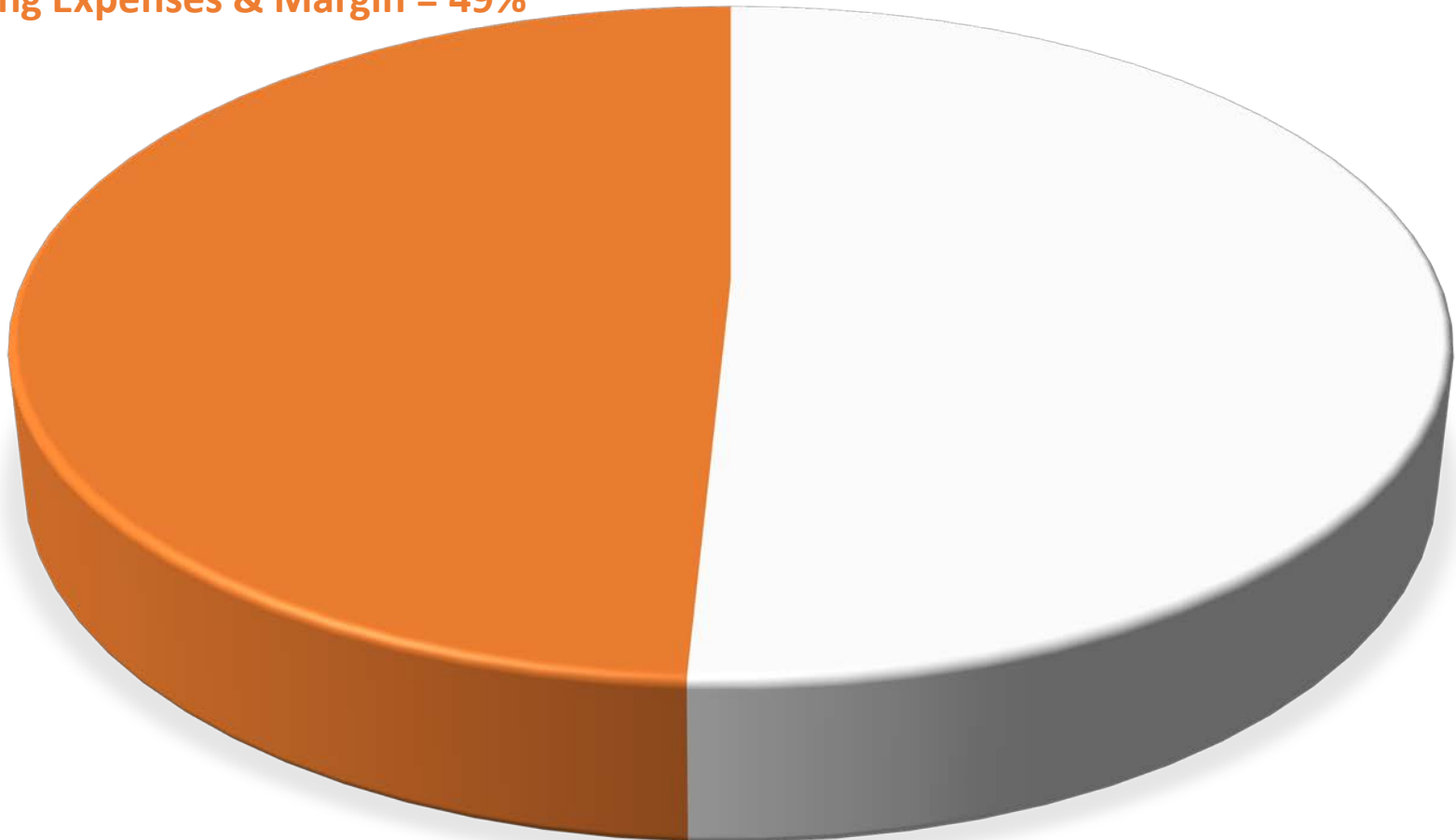
Contractuals/Writeoffs/Charity/Bad Debt = 51%

Operating Expenses & Margin = 49%

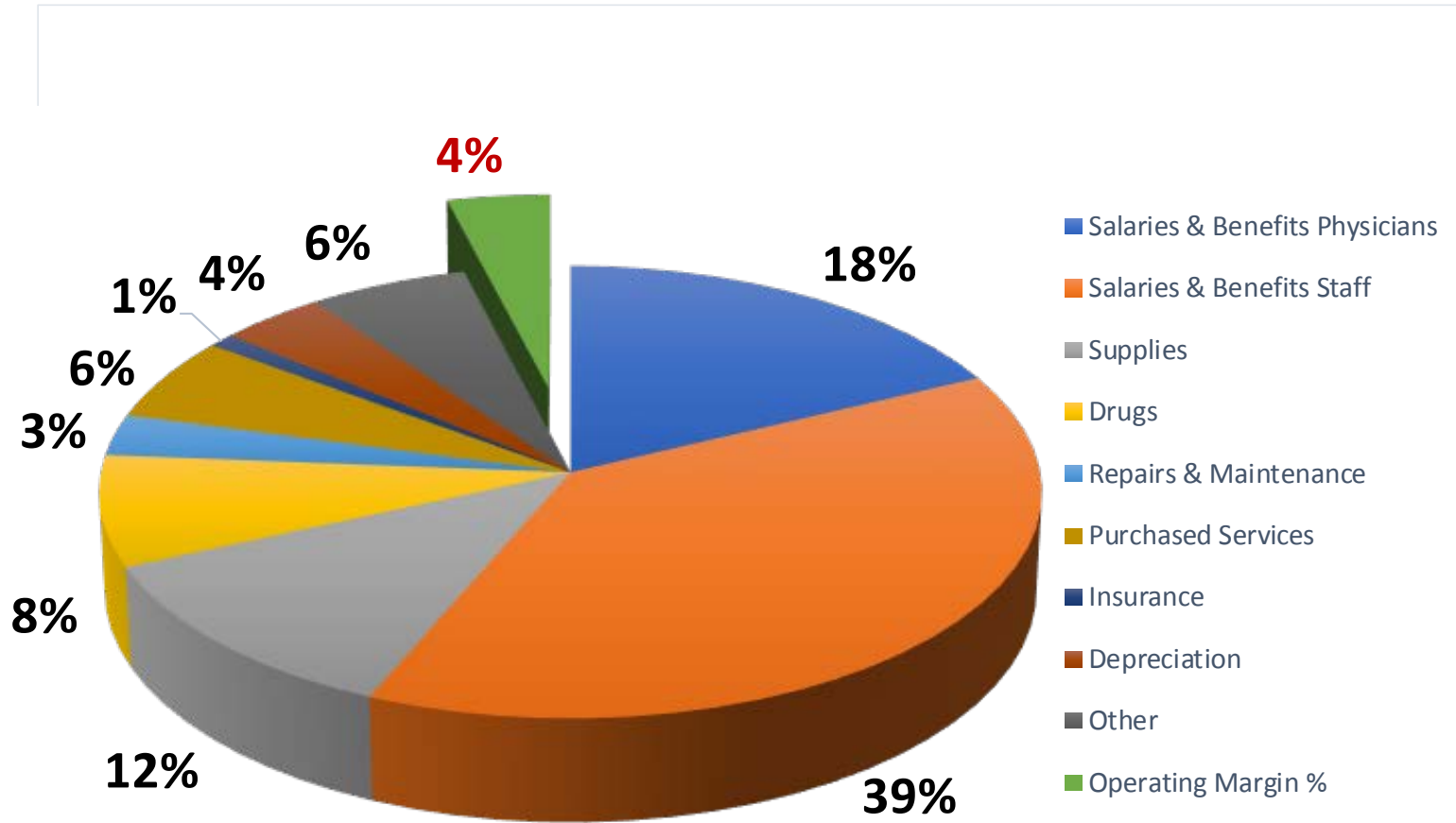


For Every Dollar that Billings Clinic Charges...

Operating Expenses & Margin = 49%



FY17 Operating Expense % of Operating Revenue



Expense Inflation

Salary and Benefits

- FY 17= 3.2% over prior year
- FY 18 projection = 4.2% over prior year

Supplies

- FY 17= 1.1% over prior year
- FY 18 projection = 1.1% over prior year

Drugs

- FY 17= 5.9% over prior year
- FY 18 projection = 7.4% over prior year

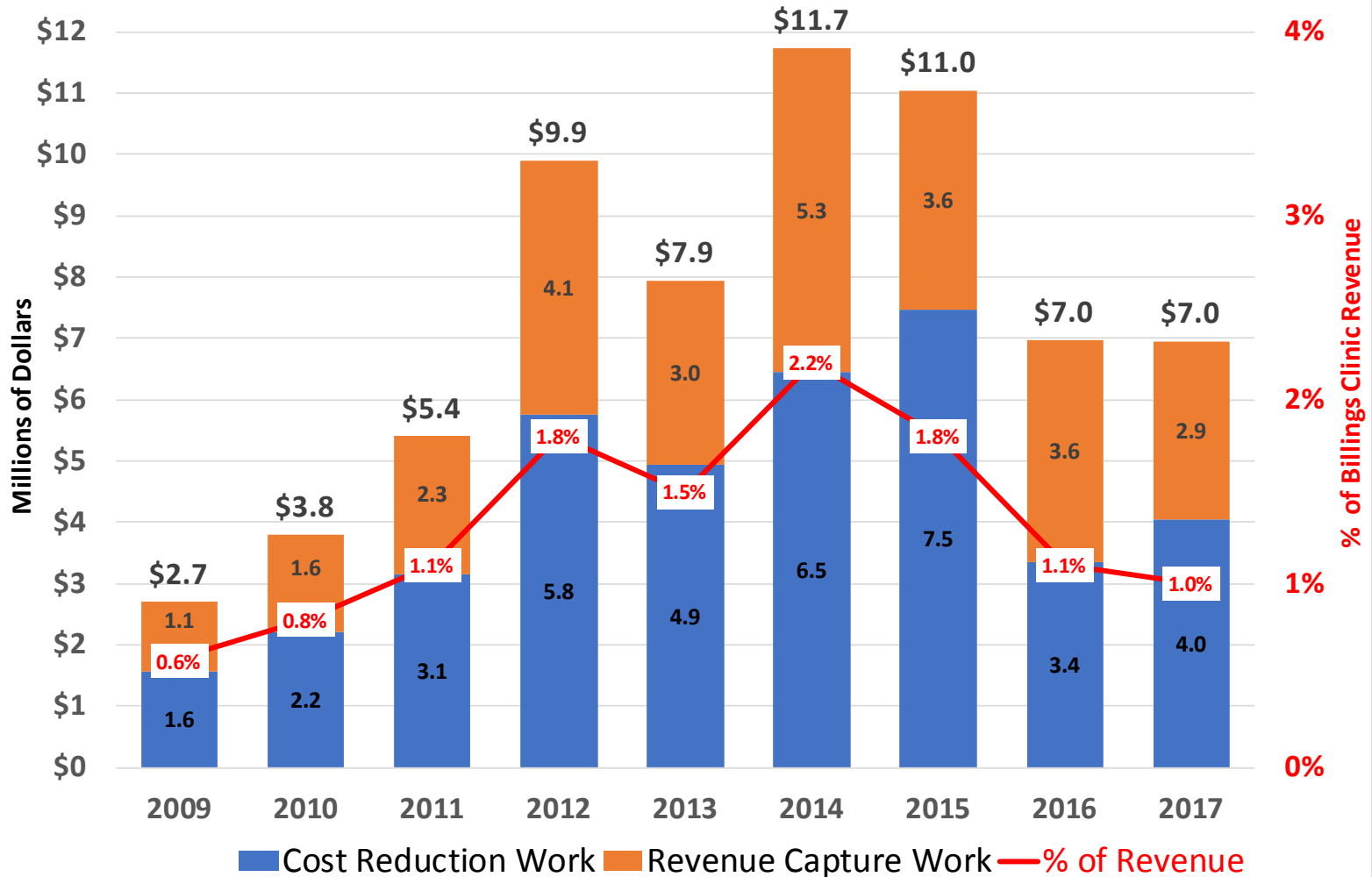
Has Billings Clinic been able to reduce costs?

- In 2009, Billings Clinic implemented our Operational Excellence program which is our *lean six sigma* performance improvement program which focuses on eliminating waste and increasing efficiency
- Since 2009, Billings Clinic has recognized \$66.4 Million in financial benefits to the organization

Reduction Efforts

Operational Excellence Program Financial Benefits

Billings Clinic & Express Care: \$66.4 million to date



Rate Increase History

Billings Clinic Rate History

- Average Increase = .4% over last six years
- 5 out of 6 years = 0% increase

Government Rate Increase History

- Average Increase = 1.2% over last six years

Commercial Insurance Rate Increase History

- Average Increase = .2% over last six years
- 4 out of 6 years = negative



Billings Clinic
Foundation

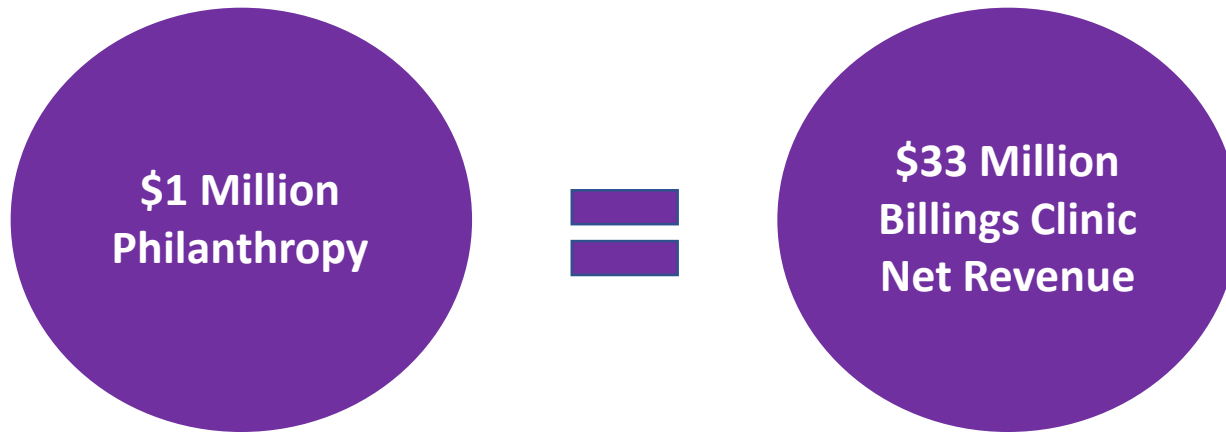
Thanks in large part to philanthropy, Billings Clinic has become one of Montana's finest health care organizations serving a vast rural region and diverse population.

Billings Clinic Foundation, the philanthropic arm of Billings Clinic (a separate 501(c)(3) corporation), is an integral partner in Billings Clinic's mission to provide best in nation clinical quality, patient safety, service and value. Under the direction of a volunteer Board of Directors, the Foundation conducts campaigns and programs that raise dollars that are critical to sustaining Billings Clinic's mission.



Billings Clinic
Foundation

The Value of the Philanthropic Dollar at Billings Clinic



Billings Clinic has to generate \$33 million in net revenue from operations to equal \$1million in philanthropy. This statistic underscores the power of philanthropy.



Billings Clinic
Foundation

Philanthropy at Billings Clinic

Billings Clinic strives to address vital needs in a measured & balanced approach. Strong philanthropic partnerships are crucial to our organization as we address today's complex challenges. From helping us build state-of-the-art facilities, to supporting the training of critically needed primary care physicians, to giving a family the resources they need to care for their child with cancer, philanthropy continues to make a true difference through all corners of our organization.

The Foundation At-A-Glance

**Fund Distribution in FY17:
\$8,745,537**

**Fund Distribution Since the
Foundation was Established in
1982**

Over \$75 million

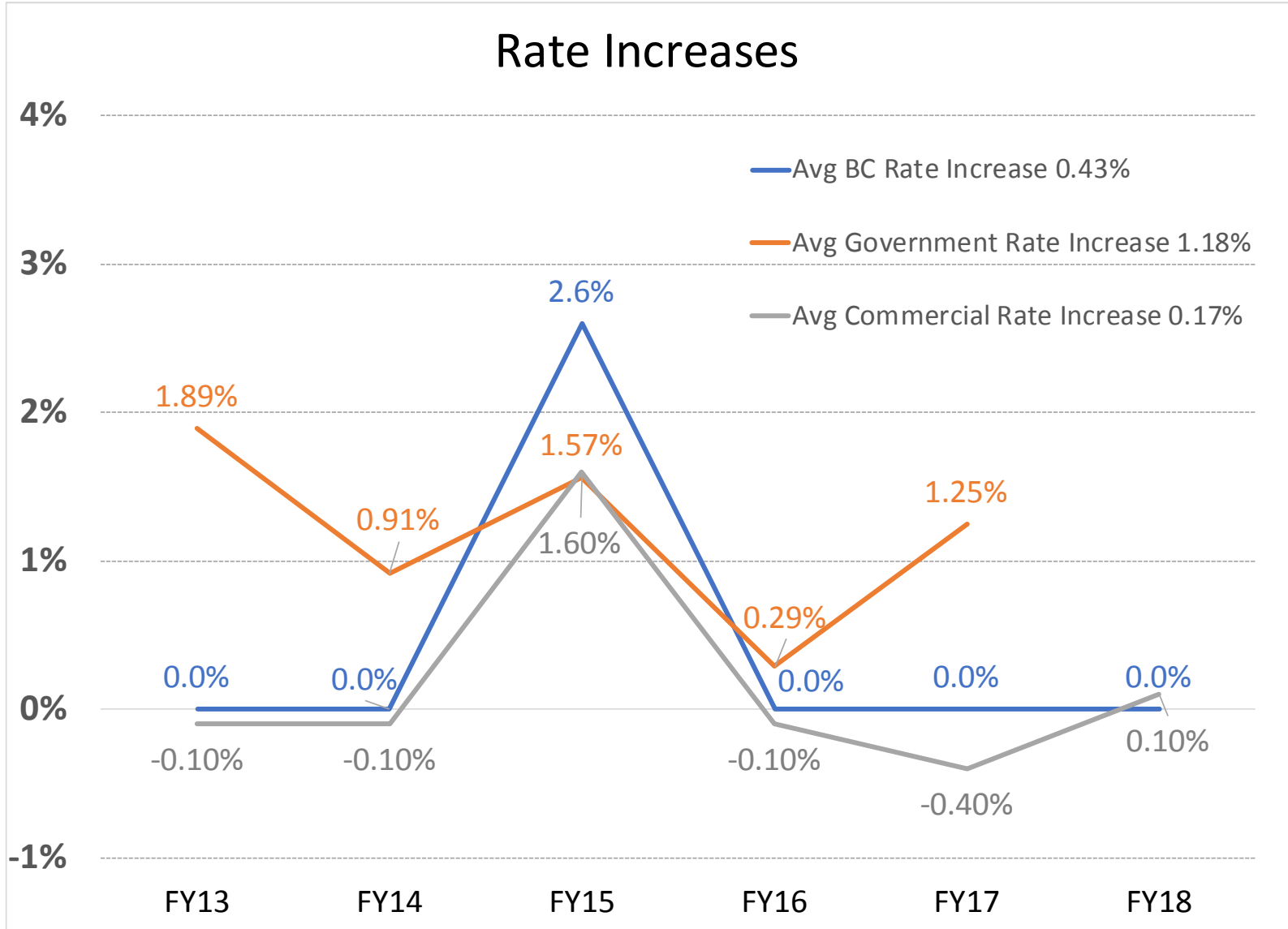
Appendix

Population Health - Bending the Cost Curve

Population Health

- Value is the product of Quality and Cost
 - Utilization management
 - Wellness
 - Chronic disease management
 - Avoided admissions/readmissions
 - Appropriate site of service

Rate Increase History





Billings Clinic
Foundation

Philanthropy At Work

- Emergency & Trauma Care
- Educational Scholarships
- Mental Health Care
- Cardiac Services – state of the art equipment
- Cancer Care Unit
- Da Vinci Robot Surgical System
- Neonatal Intensive Care Unit – state of the art equipment
- Friends of Nursing (professional development for staff)



- Women's Wellness
- Patient Assistance
- Neuroscience Patient Education Center
- Cancer Center
- Cancer Research
- Intensive Care Unit
- John R. Burg Cardiac Center



Billings Clinic

Foundation

- Cardiovascular Unit
- Bob & Penni Nance Pediatric Unit
- Expansion & renovation of the Operating Rooms, addition of a Hybrid Operating Room
- Expansion of the Cath Lab
- Reger Family Center for Breast Health
- Psychiatric Stabilization Unit
- Sexual Assault Nurse Examiner Program
- Expansion of the Family Birth Center & Neonatal Intensive Care Unit
- Pediatric Infusion Center
- Tomosynthesis Technology
- Alter G – anti gravitational treadmill
- Internal Medicine Residency Program
- Healing Environment
- Intensive Care Unit
- Project Echo
- Research
- Senior Services
- And more...



Billings Clinic
Foundation

Capital Campaigns

- Our last two capital campaigns have raised over \$10 million each for capital construction needs at Billings Clinic
- Significant gifts in support of these campaigns have come from physicians, employees, and the community

Price Transparency

<http://www.billingsclinic.com/patients-visitors/price-estimator/>