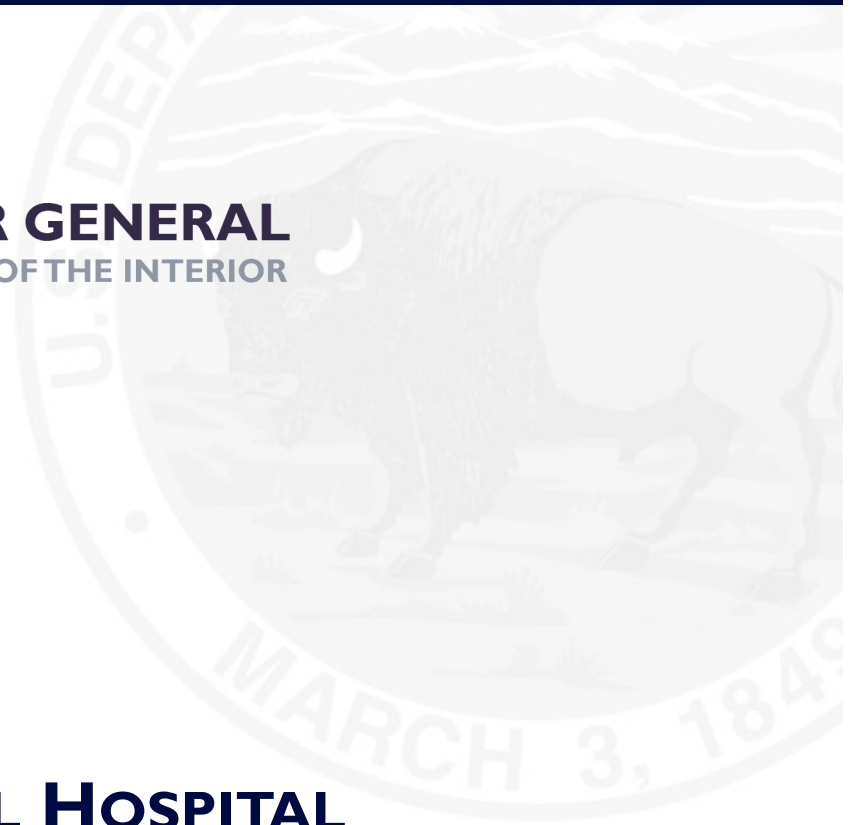




OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR



GUAM MEMORIAL HOSPITAL AUTHORITY



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

DEC 03 2014

The Honorable Eddie Baza Calvo
Governor of Guam
Ricardo J. Bordallo Governor's Complex
Adelup, Guam 96910

Subject: Final Evaluation Report – Guam Memorial Hospital Authority
Report No. HI-EV-GUA-0002-2012

Dear Governor Calvo:

This report presents the results of our evaluation of the Guam Memorial Hospital Authority (GMHA). We examined GMHA's ability to meet the medical care needs of the citizens of Guam and prepare for the increase in population expected to result from the upcoming U.S. military buildup on the island. We found that GMHA's cash flow is negative and its reimbursement rates and fee schedules are out of date. GMHA's financial situation may jeopardize the future medical needs of the citizens of Guam. Unless GMHA can generate enough revenue, collect appropriate fees, and secure adequate revenue sources to cover expenses for uninsured patients, it will be unable to sustain the services it currently provides or prepare for future population growth.

We offered eight recommendations to which we requested your response. We appreciate your response to the draft report on October 13, 2014 (Appendix 3). Based on your response, we consider recommendations 1 and 3 through 8 resolved but not implemented. We also consider recommendation 2 unresolved. As the U.S. Department of the Interior's conduit for coordinating Federal policy and activities with insular area territories and governments, the Office of Insular Affairs (OIA) monitors and tracks recommendations contained in the attached report. Accordingly, we have requested that OIA track the progress Guam makes in implementing and resolving these recommendations.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, evaluation, and inspection reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

If you have any questions regarding this report, please contact Mr. Charles Haman, Regional Manager, at 303-236-9243.

Sincerely,

Mary L. Kendall
Deputy Inspector General

Table of Contents

Results in Brief	1
Introduction.....	2
Objective	2
Background	2
Funding.....	2
Buildup	3
Challenges	3
Ongoing Efforts	4
Findings.....	5
Revenue and Cash Flow Shortages	5
Hospital Fee Schedule	5
TEFRA Reimbursement	6
Outstanding Vendor Liabilities	7
Outstanding Patient Receivables	8
Infrastructure, Equipment and Supply, and Staffing Challenges	9
Capital Improvement Projects	9
Infrastructure Weakness	9
Equipment and Supply Shortages.....	11
Staffing Challenges.....	12
Conclusion and Recommendations.....	14
Conclusion.....	14
Recommendations Summary.....	14
Appendix 1: Scope and Methodology.....	18
Scope	18
Methodology	18
Appendix 2: Prior Office of Inspector General Report.....	19
Appendix 3: Governor of Guam Response.....	20
Appendix 4: Status of Recommendations.....	26

Results in Brief

Access to quality medical and health care services is important for the well-being of Guam's citizens. Currently, the Guam Memorial Hospital Authority (GMHA) located in Tamuning, Guam, is the only public hospital on Guam. It services over 159,000 citizens. We evaluated GMHA's ability to provide medical care to the people of Guam and prepare for an anticipated increase in population resulting from the U.S. military buildup on Guam.

Our review revealed that GMHA's cash flow is negative and its reimbursement rates and fee schedules are out of date. GMHA's financial situation may jeopardize future medical needs of the citizens of Guam.

Many of the weaknesses we found relate to GMHA's inability to generate revenues, collect fees, and secure revenue sources that compensate for the care of uninsured patients. Without enough income, the hospital cannot expand and upgrade its infrastructure, maintain and replace supplies and equipment, or recruit and maintain necessary staffing. Further, a new private hospital is currently under construction and, once it opens, might exacerbate GMHA's financial challenges by drawing away some of its self-paying and insured customers.

We initiated this evaluation in light of previous planning efforts that projected a population increase of nearly 80,000 people, which includes not only Marines and their families, but also those relocating to the island for jobs that arise with a population increase. While relocation projections have dropped significantly, GMHA faces ongoing challenges that need to be addressed to meet service expectations for the current population. As a step, the hospital has been using bonds issued by the Government of Guam (GovGuam) to focus on projects that will help meet short-term needs.

GMHA and GovGuam need to address these challenges to meet the medical care needs of Guam's citizens. Unless additional actions are taken to collect needed revenue and secure funding sources for GMHA, the quality of health care services for the people of Guam will be at risk.

Introduction

Objective

We examined Guam Memorial Hospital Authority's (GMHA's) ability to meet the medical care needs of the citizens of Guam and prepare for the increase in population resulting from the U.S. military buildup on Guam. In addition, we looked for opportunities for the hospital to enhance its medical care services. See Appendix 1 for scope and methodology of this evaluation.

Background

GMHA is the only public hospital on Guam, servicing over 159,000 citizens with its staff of 1,103 full-time employees.¹ GMHA currently has a bed capacity of 158 acute care beds, plus 40 licensed long-term care beds at its Skilled Nursing Facility in Barrigada Heights. By law, GMHA has to provide emergency medical care to both the citizens of Guam and the nationals of the Federated States of Micronesia, regardless of a patient's ability to pay. A large percentage of GMHA patients are unable to pay for their health care, thus placing a burden on the hospital's operation. GMHA has written off millions of dollars in bad debt and has provided care, without charge, for patients who do not have coverage.

Funding

GMHA receives partial funding from Government of Guam (GovGuam) appropriations through budget requests set by the priorities stipulated by the board of trustees and GMHA management. In fiscal year 2013, GMHA's operational budget was \$93.5 million, a decrease compared to the previous 2 fiscal years.

GovGuam receives about \$16.8 million in annual Compact Impact funds from the U.S. Department of the Interior (DOI) to offset some of the costs for medical services, social services, and education that GovGuam faces due to the unrestricted migration of citizens coming from the Federated States of Micronesia, the Marshall Islands, and Palau.² In 2013, GovGuam allocated \$6 million of those funds to GMHA alone.

GMHA also receives Medicare and Medicaid reimbursements toward covering the cost of patient care. In 1982, Congress passed the Tax Equity and Fiscal Responsibility Act (TEFRA), which included changes to Medicare. These changes created a new payment system for Medicare patients, but hospitals in Guam, American Samoa, the Commonwealth of the Northern Marianas, and Puerto Rico were not included as part of this payment system. These exempted hospitals were to continue to be reimbursed per cost rates as established in the 1982 Medicare Cost Report.

¹ The service population does not include U.S. military residing on Guam or their dependents.

² Compact of Free Association Amendments Act of 2003, Public Law No. 108-188, December 17, 2003.

Buildup

When news of the U.S. military buildup on Guam hit in 2009, OIG began a series of evaluations to take a closer look at how the impending population increase would affect GovGuam and the U.S. Government's ability to meet the needs of Guam's people. Previous planning efforts indicated that about 8,600 U.S. Marines would be relocating from Okinawa, Japan, to Guam causing a projected increase of 80,000 people in Guam. The projected increase of nearly 80,000 people included not only the Marines, but their families, construction workers, and other staff for jobs that arise with a population increase. DOD recently reduced the number of troops intended for relocation, and GovGuam is now expecting a relocation of approximately 5,000 Marines and 1,300 dependents. The timeline for the relocation was also revised from the 2014 target date to the first half of 2020. Growth in the overall population spurred by the military buildup may now pose a less-significant challenge than previously anticipated, as fewer jobs may be created from the buildup, although the exact impact is unknown.

Regardless, the U.S. Department of Defense's (DOD) Final Environmental Impact Statement for the relocation predicts an indirect impact as a result of the buildup. While DOD health care providers will continue to handle most routine care for military and DOD dependent care, GMHA will handle medical services necessary for all those who move to the island to carry out the jobs that come with a military buildup.

Challenges

In previous planning efforts, GovGuam envisioned a long-term plan to develop a medical center, with the hospital and the Guam Department of Public Health and Social Services all on one campus. GovGuam planned this to help meet the 2014 timeframe for anticipated peak demand due to the military buildup. Plans also included an expansion and renovation project at the current hospital to construct a new 90-bed wing, renovate the existing 45-bed facility, and build an air ambulance helipad. The medical campus project will not likely move forward without Federal financial assistance, and such investment is not likely to come from the military due to changes in the National Defense Authorization Act and the revised realignment plan.

In the absence of military assistance, and in light of GovGuam's own financial constraints, GMHA has focused on upgrades based on short-term needs rather than any anticipated population growth. The hospital used GovGuam bonds to proceed with a \$7.56 million expansion project in the Emergency Room (ER), Critical Care Unit (CCU), and Intensive Care Unit (ICU). The expansion increased the CCU-ICU bed capacity to 15.

A new private hospital currently under construction is expected to be completed in 2014. The new hospital will add a 130-bed capacity for Guam. While this new for-profit facility might offer certain specialty medical services that GMHA is unable to provide, we anticipate that the new hospital may exacerbate GMHA's

already challenged ability to retain staff, as well as those customers with the best payment records.

Ongoing Efforts

In 2012, a new administration took over the management of GMHA with the recruitment of a new chief executive officer (CEO), followed by a chief financial officer. The new CEO used the input of the board of trustees, medical staff, executive leadership, and staff to develop a strategic plan in 2013 to meet goals, objectives, and priorities to move GMHA into the future.³ The new strategy outlines plans for improving organization and enhancing delivery of quality health care on Guam. Reforms and improvements at GMHA continue (e.g., ongoing efforts to revise hospital fees, pay down vendors, collect patient receivables, and resolve Medicare reimbursement rates). Recently GMHA received \$1.3 million in Federal funding to implement an electronic health record system to help the hospital replace its paper record keeping system. According to the GMHA CEO, the \$1.3 million is the first phase of a three-phase program and, if GMHA demonstrates meaningful use of the funds, the hospital will be eligible for the next phase of funding.

³ OIG did not evaluate the strategic plan.

Findings

GMHA provides a variety of medical services to the people of Guam, but is not well funded and does not maximize opportunities to generate revenues. GMHA has not adjusted its fees since the early 1990s and current fees are not sufficient to cover operating costs. In addition, the hospital's Medicare and Medicaid reimbursement rates have not kept pace with the cost of providing medical services. Without the necessary funding, GMHA cannot pay vendors, leaving the hospital with long-standing and increasing accounts payable. GMHA also has difficulty collecting payment from patients. Further, GMHA's funding challenges make it difficult to develop and maintain the infrastructure necessary to provide medical services. Finally, a new private hospital opening in 2014 may exacerbate GMHA's current difficulties in maintaining staff and retaining patients who can afford to pay for services.

Revenue and Cash Flow Shortages

We found that GMHA's funding and cash flow is not enough to provide the necessary medical services for Guam's citizens. The hospital cannot get the funds it needs or manage its cash flow because—

- its fees have not kept pace with rising costs;
- the Federal government does not fully reimburse it for costs of providing Medicare and Medicaid services;
- vendor costs are rising due to GMHA's outstanding invoices; and
- the hospital is not efficient in its collection of accounts receivable.

Hospital Fee Schedule

Under the Guam Code Annotated, GMHA has the authority to establish fees for care and services to generate funding to meet its financial obligations.⁴ The fee schedule must be presented to the Guam legislature. If the legislature does not disapprove or amend the proposed new fee or increase in rates within the 45 days, the new fees or rate increases will immediately become effective. GMHA, however, does not have a regular schedule for reviewing its fee schedule and has not adjusted its fees since the early 1990s. Current fees are not sufficient to cover operating costs. For example, according to GMHA's chief financial officer, costs for physician services are below the fees that Medicare, Medicaid, or the Medically Indigent Program (MIP) reimburses. In fiscal year 2012, the hospital's total operating revenues were \$85.6 million and its total operating expenses were \$104.8 million, a deficit of about \$19 million. This trend has continued. From October 2013 through June 2014, GMHA officials reported that the hospital lost \$22.2 million from operations because government and local insurers are inadequately reimbursing the hospital. GMHA's new management is attempting

⁴ 10 G.C.A., Chapter 80 § 80105.

to address this and has submitted its 2015 budget to the Guam legislature; hearings have taken place.

Recommendations

We recommend that GMHA:

1. Fully implement the new hospital fee schedule when it is approved; and
2. Review the fee schedule on a regularly scheduled basis and, where necessary, make adjustments to ensure costs are covered.

TEFRA Reimbursement

The hospital's Medicare and Medicaid reimbursement rates have not kept pace with the cost of providing medical services, negatively affecting GMHA's cash flow. GMHA bills on a fee-for-service basis, while compensation from Medicare, Medicaid, and MIP are on a per diem rate. GMHA is only reimbursed for part of these programmatic costs. For example, GMHA receives a reimbursement of only \$1,100 per day per patient, while a hospital administrator reports that costs should be about \$1,600. In 2013, the adjusted total cost per patient day for the Medicaid program was \$14.5 million for 11,318 Medicaid days. This calculates to an adjusted cost per day of \$1,280, representing a reimbursement under cost of about \$180 per patient day, or a total reimbursement loss of \$2 million for Medicaid alone. GMHA receives the lower reimbursement because the TEFRA rate is set based on cost data from 1992 through 1994. GMHA is unable to provide the documentation that the U.S. Center for Medicare and Medicaid Services (CMS) needs to update the TEFRA rate because the records were lost during a 1995 and 1996 computer overhaul.

GMHA has hired a consultant to help find a solution, working with CMS and the U.S. Congress. Specifically, GMHA would like to change the current TEFRA reimbursement model to a reimbursement-at-cost model. According to a GMHA official, resolving the reimbursement rate may require Federal legislation because it cannot be resolved administratively by CMS. Until this issue is resolved, GMHA will continue to pay significantly more in costs to treat Medicare and Medicaid patients than the reimbursement it receives.

Recommendations

We recommend that GMHA:

3. Continue to work with Congress and the Centers for Medicare and Medicaid Services (CMS) to develop a plan for recovering the hospital's costs for its Medicare and Medicaid programs; and
4. Work with the Guam legislature to address compensation for services that are not covered by MIP, Medicare, or Medicaid.

Outstanding Vendor Liabilities

During our review, GMHA owed about \$22 million to vendors on accounts that were long overdue and continuously increasing because of GMHA's cash flow challenges. In August 2013, CMS garnished GMHA's Medicare reimbursements through the U.S. Treasury because GMHA was behind on making payments to a major medical supply and pharmaceutical company. As a result, GMHA lost about \$1 million, but the garnishment was lifted in September 2013 after Governor Calvo and Congresswoman Madeleine Bordallo formally requested that U.S. Health and Human Services give GovGuam a chance to make arrangements to pay the vendor.

In addition, GMHA's primary vendors often refuse to extend credit, forcing GMHA to seek other suppliers. Secondary suppliers tend to charge nearly double for supplies, so the hospital finds that it is paying higher rates for some supplies and services. For example, intravenous infusion tubing from a primary vendor costs GMHA \$98.65 per case of 24. The secondary vendor charged \$212.40 per case of 24, more than double the primary vendor's price for the same item. Unless the vendor liability is reduced, GMHA will also continue to accrue nearly \$100,000 in interest payments a month on its outstanding balance to suppliers and vendors. GMHA does not have a formal payment plan in place to repay monies owed to each vendor.

To address immediate concerns about the funding shortfall, GovGuam allocated \$6 million in 2013 DOI Compact Impact funds, which GMHA used to pay down some of its vendors. GMHA also secured a \$25 million loan with plans to pay down its debts to a medical supply company and other vendors. Although the loan provides some measure of relief by restructuring debt and avoiding another garnishment by CMS, it does not address GMHA's longstanding history of not paying vendors on time. These practices have created supply shortages, and at times departments of GMHA rely on the U.S. Naval hospital to loan them supplies. Ultimately, the late payment practices and growing debt affect patient care by diverting funds to interest payments and higher costs.

Recommendation

We recommend that GMHA:

5. Analyze the availability of funds and patient needs to develop a vendor repayment plan to reduce accounts payable balances to maximize patient health care services.

Outstanding Patient Receivables

GMHA has long-standing and ever-increasing patient accounts receivable. Absorbing the cost of care from the uninsured population is a huge problem for GMHA. The Guam Office of Public Accountability reported that GMHA collected only about 70 percent of the \$112.2 million billed to health insurance providers between fiscal year 2009 through fiscal year 2011, while collections from Medicare, Medicaid, and the Medically Indigent Program only accounted for 55 percent of the \$238.3 million in total billings, or 47 cents, on the dollar. In fiscal year 2012 alone, the uninsured accounted for nearly \$17 million in uncollected revenues.

By improving its receivables collection practices, GMHA can increase its cash flow. To help enhance collections, GMHA offered a 60-day amnesty in 2013 to allow uninsured patients to pay half of what they owed, forgiving the other half. After the amnesty period, GMHA also offered a 30-percent discount to patients who pay their bills on time. The response was not overwhelming, as only about \$239,000 of the estimated \$123 million owed by uninsured patients was collected.

GMHA can manage its billing and collection processes by considering other payment options for patients. Currently, GMHA patients can pay their hospital bill by phone using a credit card, as the hospital does not bill or accept debit or credit card payments online. Allowing patients to pay online via a secure online portal could protect financial data while making it faster and easier for GMHA to process payments. In addition, GMHA still relies on the costly process of mailing invoices and account statements. By moving to a paperless mode of billing and payments as a first option, GMHA could also save a large percentage of its paper and postage costs.

Recommendations

We recommend that GMHA:

6. Develop a plan to actively pursue payments from self-paid and insured patients; and
7. Expand payment options to increase patient collections.

Infrastructure, Equipment and Supply, and Staffing

We found that GMHA's funding challenges hinder its ability to develop and maintain the infrastructure, equipment and supplies, and staff needed to provide Guam's citizens with adequate medical services.

Capital Improvement Projects

GMHA has a plan that includes a series of capital improvement projects (CIP). OIG was informed, however, that because of the lack of funding many of the projects in the plan continuously get postponed. The 2014 CIP contains 14 projects totaling \$5.7 million that have yet to be approved for funding. Without a functional building and usable equipment, GMHA faces challenges in providing adequate care for the citizens of Guam.

Infrastructure Weakness

The GMHA infrastructure is deteriorating and not adequate to meet the needs of the population of Guam, presenting concerns about the health and safety of patients, staff, and visitors. GMHA has identified \$9.9 million in needed capital improvement updates, but has only 9 percent of the funding necessary to make those updates. Some of the critical areas we identified are detailed below.

Administrative Building

This building is 50 years old and in need of renovation. Structural deterioration has led to concrete falling from the ceilings. Although the area is not routinely accessed by patients, it is unsafe for hospital personnel and equipment. GMHA is addressing short-term safety concerns for the employees who work in the building, but the hospital needs funding sources to address its long-term plans for renovation and improvements.

Ventilation System

In 2008, OIG reported that the ER, OR, and nursery needed ventilation repairs or upgrades.⁵ Currently, the ER is the only remaining upgrade needed. According to an official, the hospital ventilation system in the new Emergency Department (Trauma Side) and the new CCU/ICU that opened in December 2013 have a brand new ventilation system serving those new areas. The old ER area is currently under renovation and will also be served by a new ventilation system.

Elevators

GMHA's elevators need to be modernized, as they may not meet recertification requirements in the future and have been identified as being in need of capital improvement. A poorly functioning elevator affects GMHA staff's ability to efficiently transfer patients and staff between departments and deliver food, medications, and supplies. Worse, failure of the elevator would pose safety concerns in patient movement for emergency procedures or in the event of an evacuation.

Generator

One of the hospital's backup generators needs replacement because it has outlived its useful life. GMHA struggles to maintain its generators. They have gone without regular maintenance for two years. Generators are necessary to keep the hospital running in case of a natural disaster, for example, a typhoon. In such a situation, emergency power would be needed to keep lifesaving medical equipment running without disruption.

Typhoon Shutters

GMHA's Skilled Nursing Unit located in Barrigada, Guam, does not meet the appropriate typhoon wind rating. Without the needed upgrades, the staff and patients at the unit are at risk.

Main Chiller

GMHA needs to upgrade its main chiller. Chillers are a key component of GMHA's heating, ventilation, and air conditioning system. They keep the hospital at an appropriate temperature for the medical equipment and system operation, as well as staff, visitor, and patient safety. Without a good system, GMHA cannot effectively provide quality patient care in a safe environment. For example, chillers help maintain infection control throughout the hospital.

⁵ September 2008, "Insular Area Health Care – At the Crossroads of a Total Breakdown." Report No. Hi-EV-OIA-0001-2008

Air Handling Units

GMHA will soon need to replace most of its air handling units as they are coming close to the end of their useful life. Like the main chiller, air handling units are also a component of GMHA's heating, ventilation and air conditioning system. About 60-68 units serve the whole hospital, excluding patient rooms. According to an official, 85 percent are becoming obsolete because replacement parts are difficult to obtain due to funding. In addition to cost issues, the units will need to be replaced in phases to ensure minimal disruption to hospital services and operation.

Hospital Beds

The island of Guam has a significant shortage of acute-care bed capacity. GMHA has 158 acute-care beds but has neither the funds nor the space to expand. GMHA reported that they have an estimated deficiency of 276 acute beds per U.S. National Hospital Standards for comparable communities. If the ICU needs beds due to patient overflow, they resort to placing patients in other units. When no beds are available, some patients have to wait in stretchers placed in hallways. The new ICU/CCU expansion will provide only a slight increase to meet the current and future healthcare needs for its residents and growing population.

Office Space and Parking

GMHA has limited office space, causing overcrowding and tight working conditions. This space shortage has resulted in offsite storage of medical records. In some cases, medical records are stored offsite, which can potentially be harmful if a physician or nurse needs immediate access to a patient's file to support a diagnosis or to prevent the administration of any known allergic medications. In addition, GMHA has limited parking space to serve its personnel and patients, their families, and other visitors. This presents an issue with access to medical care and a safety concern with added pedestrian traffic.

Equipment and Supply Shortages

Equipment

GMHA uses software to track the maintenance conducted on equipment. When equipment does fail, GMHA is often unable to procure needed parts because of the expense of service, parts, and shipping. Without functional equipment, GMHA cannot provide necessary medical services. For example, GMHA needs or will soon need to replace its—

- computerized tomography scanner;
- fluoroscopy machine;
- electrocardiogram machine;
- angiogram machine;
- chemo drug refrigerators; and
- steam boiler.

In addition, GMHA does not have a biomedical engineer supervisor for the hospital's equipment program. This person would keep abreast of advances in medical technologies and be responsible for assuring that all equipment used in patient care is operational, safe, and properly configured to meet GMHA's mission of providing quality and patient safety.

Supplies

As previously mentioned, GMHA cannot get the supplies it needs at a reasonable cost because its primary vendors often place the hospital on credit hold, forcing GMHA to rely on more expensive secondary vendors. In addition to the extra costs from the secondary vendors, the cost of shipping some of those supplies is an added burden.

GMHA has, at times, been able to borrow supplies from the U.S. Naval Hospital. Still, the hospital has difficulty acquiring needed items. GMHA's volunteer association fundraises to supplement the hospital's needs. The association provided \$669,541 worth of equipment, furnishings, and services to GMHA and the Skilled Nursing Unit between 2010 and 2013, but this assistance still does not cover all of the supplies GMHA needs to provide adequate healthcare.

Staffing Challenges

GMHA continues to struggle with its ability to identify, attract, and retain specialty nurses and physicians. Most physicians at GMHA are not employees of the hospital, and instead have credentials to admit and treat their private patients. GMHA has difficulty in recruiting specialists from the U.S. mainland because of Guam's remote location and typically lower pay scale. GMHA has many vacancies in key positions such as nurses, physicians, and pharmacists. GMHA is not authorized by law to use outside agency recruiters to assist GMHA in contracting health care professionals, a limitation that hampers the hospital's ability to find and retain appropriate, qualified health care professionals. These issues may be even more challenging with the addition of a new private hospital scheduled to open on Guam in 2014.

The shortage of pharmacists, specialized nurses, and doctors limits GMHA's ability to meet the medical care needs of its patients. About 300 to 350 people per month leave Guam for off-island medical services, often shouldering the cost for family members' travel, food, and lodging as well. Having available procedures on the island would allow GMHA patients to receive care by skilled physicians, without the added time, expense, and risk of travel.

With the ER, CCU, and ICU expansion, the hospital will need additional general and specialized nursing staff to cover the new beds. In addition, GMHA has no critical-care program to support and train nurses interested in working in the ICU. Without the appropriate staffing, GMHA will continue to face difficulties meeting the medical needs of the community.

Recommendation

We recommend that GMHA:

8. With input from medical and administrative staff, patients and family members, GovGuam and the Guam legislature, and the DOI Office of Insular Affairs, continue to assess and refine capital improvement projects and prioritize projects based on service delivery goals.

Conclusion and Recommendations

Conclusion

We commend GMHA's new leadership team and its development of a strategic plan to help guide them toward improving hospital operations. GMHA, however, is in a fiscal crisis. With the substantial need for improvements, there is no room for GovGuam or GMHA to be complacent. GMHA needs sufficient resources to provide adequate medical care to the citizens of Guam. Without additional revenue, the hospital cannot sustain the level of services it currently provides or expand and upgrade its infrastructure to enhance its services for its residents and growing population.

GMHA has the potential to remain a valuable asset for the citizens it serves. In collaboration with GovGuam, however, GMHA has to take a realistic view of what services Guam's population needs and what services the hospital can and cannot provide due to financial and operational constraints. Action is needed to remedy the hospital's current state of affairs and the potential future impacts GMHA may face in light of the new private hospital and potential population increase from impending military buildup. If GMHA takes the lead and coordinates discussions within Guam's medical community, GMHA and the new hospital can work together and use their respective strengths to offer the best services possible to the people of Guam.

Recommendations Summary

We recommend that GMHA:

1. Fully implement the new hospital fee schedule when it is approved.

GovGuam Response: GovGuam concurs that GMHA has not increased its fees for many years. GMHA's administration presented its new fees in a September 2013 public hearing and subsequently submitted the fees to the Guam legislature in March 2014. GMHA, however, withdrew the submittal to negotiate new contracts with Guam insurers. GMHA plans to resubmit the fee increase to the legislature in October 2014. GovGuam will work with the Guam legislature and GMHA to finalize the long overdue fee increase.

OIG Reply: Based on the information provided, we consider this recommendation resolved, but not implemented. We will refer this recommendation to the DOI Office of Insular Affairs (OIA) to track implementation.

2. Review the fee schedule on a regularly scheduled basis and, where necessary, make adjustments to ensure costs are covered.

GovGuam Response: GMHA recently signed a contract with an internationally recognized company that will complete a detailed analysis of GMHA's charge master—GMHA's list of procedures billable to patients or their health care providers—and has begun working with GMHA's chief financial officer and project team. GMHA expects the contractor's report in December 2014.

OIG Reply: We acknowledge ongoing work to review the hospital's charge master. Based on the information provided, however, we consider this recommendation unresolved. We request that GMHA provide OIA with additional information on how the fee schedule will be reviewed regularly or whether any future reviews will be required through policy. We are referring this recommendation to OIA to track its resolution and implementation.

3. Continue to work with Congress and CMS to develop a plan for recovering the hospital's costs for its Medicare and Medicaid programs.

GovGuam Response: GovGuam responded that GMHA administrators have been working with a Washington, DC, based consultant since fall 2013 to rebase (permanently change) the cost basis of GMHA's Medicare reimbursement. A 2013 Adjustment Request was signed and submitted to CMS on October 15, 2014, asking CMS to increase GMHA's FY 2013 reimbursement by over \$2.2 million. A Permanent Adjustment Request, also known as a rebasing, is being finalized for submission. GMHA will ask CMS to permanently fix the cost basis for reimbursements. If CMS rebases its reimbursement for prior fiscal years, the administration plans to work with the Guam legislature to ensure that Guam's Medicaid and MIP matches CMS's revised reimbursement.

OIG Reply: Based on the information provided, we consider this recommendation resolved, but not implemented. We are referring this recommendation to OIA to track its implementation.

4. Work with the Guam legislature to address compensation for services that are not covered by MIP, Medicare, or Medicaid.

GovGuam response: GovGuam responded that GMHA plans to adjust its fees and is negotiating its contracts with Guam-based insurers. The hospital administrator has asked the Guam legislature and the Governor's office to develop a methodology for reimbursing the hospital for services to self-insured and uninsured patients.

OIG Reply: Based on the information provided, we consider this recommendation resolved, but not implemented. We are referring this recommendation to OIA to track its implementation.

5. Analyze the availability of funds and patient needs to develop a vendor repayment plan to reduce accounts payable balances to maximize patient health care services.

GovGuam response: GovGuam responded that, subsequent to OIG's on-site review, the Governor committed Compact Impact funds to GMHA to allow the hospital to consolidate outstanding liabilities totaling \$25 million. GMHA received these funds in the first quarter of calendar year 2014. Approximately \$14 million was used to pay vendor liabilities. The Governor acknowledged that GMHA's cash receipts are not adequate to meet operating expenses and that the possible increase in Medicare reimbursement followed by improved Medicaid and MIP reimbursement will reduce this shortfall of funding. GovGuam further stated that the Guam legislature and the current administration will ensure GMHA has adequate funds for payroll, vendor payments, capital expenditures, and infrastructure improvements. Recently, GovGuam has worked with GMHA and the Guam legislature to fund a needed \$12 million upgrade to GMHA's maternal and child departments.

OIG Reply: We are hopeful that the Guam legislature and the administration will work together to ensure that GMHA receives adequate funding to reliably meet its vendor obligations in the future. Based on the information provided, we consider this recommendation resolved, but not implemented. We are referring this recommendation to OIA to track its implementation.

6. Develop a plan to actively pursue payments from self-paid and insured patients.

GovGuam response: GovGuam responded that GMHA's executives are actively pursuing initiatives to improve collections. These initiatives include a signed contract with a collection agency. The agency would manage GMHA's receivables from self-pay and uninsured patients and their guarantors, and provide training in collection processes. In addition, GMHA is increasing efforts to garnish income tax refunds paid through Guam's Department of Revenue and Taxation. In its latest submission, GMHA identified accounts exceeding \$150 million for which garnishments could be collected. GovGuam further indicated that GMHA is negotiating a contract with an independent third party to outsource billing and claims collections. The contract stipulates that the vendor will be paid based on collections, thus encouraging proactive management of outstanding claims. GMHA's staff is also completing its first ever reconciliation of claims with Medicaid and the MIP program.

OIG Reply: We believe the actions planned will help increase receivables. Based on the information provided, we consider this

recommendation resolved, but not implemented. We are referring this recommendation to OIA to track its implementation.

7. Expand payment options to increase patient collections.

GovGuam Response: GovGuam will instruct GMHA to consider expanding its use of online and telephonic payments through debit and credit cards. Other initiatives are also underway to improve GMHA's management of receivables and collections.

OIG Reply: We believe that expanding the availability of online and telephonic payment options can improve patient collections. Based on the information provided, we consider this recommendation resolved, but not implemented. We are referring this recommendation to OIA to track its implementation.

8. With input from medical and administrative staff, patients and family members, GovGuam and the Guam legislature, and OIA, continue to assess and refine capital improvement projects and prioritize projects based on service delivery goals.

GovGuam response: GovGuam responded that at a legislative oversight hearing held on September 18, 2014, the Senators learned of GMHA's capital needs, which included over \$43 million of infrastructure improvements and capital equipment. The Governor's office will be working with the GMHA Board of Trustees and its leaders, and the Guam legislature, to plan the hospital's long-term capital needs and assess the community's need for a new hospital. GovGuam also stated that the GMHA medical staff vocally supports initiatives to improve the hospital's service. For example, the OB/GYN physicians have worked very hard to obtain funding for the badly needed upgrade of GMHA's labor and delivery department. GMHA is evaluating architectural quotes for this \$12 million project. An otolaryngologist recently became credentialed at GMHA and has identified equipment required to serve GMHA's patients. Also, a board-certified neurosurgeon identified clinical equipment to ensure patients have access to the latest technology. GMHA requested and received new pieces of clinical equipment from the new U.S Naval hospital with a value of \$2 million to supplement its current technology.

OIG Reply: We acknowledge GovGuam's and GMHA's ongoing efforts to identify capital improvement needs, with input from various stakeholders. Based on the information provided, we consider this recommendation resolved, but not implemented. We are referring this recommendation to OIA to track its implementation.

Appendix I: Scope and Methodology

Scope

We conducted our evaluation in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

Methodology

As part of our review, we relied on the work of several GMHA internally-generated reports and assessments, as well as the Department of Defense's Environmental Impact Statement. Our work was completed prior to implementation of the Affordable Care Act (ACA) and is not an assessment of ACA implementation or its impact on the people/patients of Guam.

We interviewed officials and staff from the Guam Memorial Hospital Authority (GMHA), the Guam Office of Public Accountability, and the Governor of Guam's office. In addition, we—

- reviewed applicable laws, regulations, policies and other criteria;
- reviewed information from GMHA Web sites, publications, and reports;
- reviewed various studies, assessment reports and financial information; and
- attended a Guam legislative hearing on GMHA.

We visited—

- GMHA, Tamuning, Guam;
- U.S. Department of the Interior, Office of Insular Affairs, Washington, DC;
- Guam Department of Labor, Tamuning, Guam; and
- Maui Memorial Medical Center, Wailuku, Hawaii.

Appendix 2: Prior Office of Inspector General Report

September 2008, “Insular Area Health Care At the Crossroads of a Total Breakdown.” Report No. HI-EV-OIA-0001-2008

The U.S. Department of the Interior, Office of Inspector General uncovered myriad health care problems facing the insular areas. The report identified and recommended five critical areas that insular area hospitals need to address: 1) shortage of fundamental supplies and medicines; 2) inadequate management of patient records; 3) shortage of specialty physician care; 4) inadequate, antiquated, and damaged facility infrastructure; and 5) inappropriate biohazardous waste disposal.

Appendix 3: Governor of Guam Response

The Governor of Guam's response follows on page 21.



Guam Memorial Hospital Authority Aturidå Espetå Mimuriå Guåhan



850 GOV. CARLOS CAMACHO ROAD
OKA, TAMUNING, GUAM 96913
TEL: 647-2444 or 647-2330
FAX: (671) 649-0145

October 15, 2014

Ms. Kimberly Elmore,
Assistant Inspector General for Audits, Inspections, and Evaluations
U.S. Department of the Interior
Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW.
Washington, DC 20240

Reference Draft Evaluation Report – Guam Memorial Hospital Authority
Report No. HI-EV-GUA-0002-2012

Dear Ms. Elmore:

I have received and reviewed the draft report containing the results of your evaluation of Guam Memorial Hospital Authority ("GMHA"). Thank you for providing me the draft report and allowing Governor Calvo and me to respond to its contents.

First, let me thank the Department of the Interior and its OIG staff who participated in the 2013 evaluation of GMHA.

As the primary source of acute care medical care for Guam's residents, guests and workforce, Guam's Governor and I work together to ensure there are fiscal resources to support the hospital's mission.

When Governor Calvo entered office in 2011, he committed to upgrading the hospital's administrative, clinical and fiscal affairs. Your report acknowledged the Governor's recruitment of GMHA's Chief Financial Officer and me and went on to commend our efforts to achieve the turn-around of the hospital.

Your report identified eight (8) recommendations. In Appendix A, I will identify the status of GMHA's initiatives with regards to your recommendations. These actions, when combined with GMHA's other clinical and fiscal initiatives will ensure the quality, safety and scope of medical services available at GMHA for Guam's current and future residents and visitors.

After reviewing this response, my team and I look forward to receiving your final report.

Respectfully,



Joseph P. Verga, MS, FACHE
Hospital Administrator/CEO

cc: The Honorable Edward J.B. Calvo, Governor of Guam
Alan C. Ulrich, Chief Financial Officer, GMHA

GMHA Response to Department of Interior Office of Inspector General
Page 1 of 5

APPENDIX A

DOI RECOMMENDATION	GMHA'S ACTIONS AND STATUS
<p>Full implementation of the new hospital fee schedule when approved.</p>	<p>As noted in your report, GMHA has not increased its fees for many years.</p> <ol style="list-style-type: none"> 1. GMHA' Administration presented its new fees in a September 2013 public hearing. 2. GMHA submitted the fees to the Guam legislature in March 2014 but withdrew the submittal in order to negotiate new contracts with Guam insurers. 3. GMHA will re-submit the fee increase to the legislature in October 2014. GMHA Administration will work with the Guam Legislature to finalize this long-overdue fee increase.
<p>Review fee schedule on regularly scheduled basis and ... ensure costs are covered</p>	<p>Governor Calvo recently signed a contract with CraneWare, an internationally-recognized company that will complete a detailed analysis of GMHA's ChargeMaster (CDM). CraneWare has begun working with GMHA's Chief Financial Officer and project team.</p> <p>CraneWare's staff will be on Guam in early November to interview GMHA staff and review clinical documentation to ensure GMHA's CDM is accurate and in compliance with Medicare billing guidelines. We expect their report by early December 2014.</p>
<p>Continue to work with Congress and... (CMS)... for recovering the hospital's costs for its Medicare and Medicaid programs</p>	<p>GMHA is excited to provide an update concerning this recommendation!</p> <p>GMHA is very, very close to announcing a "break-through" in this re-basing initiative that has continued for many years without results before their involvement.</p> <p>Mr. Ulrich, GMHA's Chief Financial Officer, and I have been working with a Washington, DC-based consultant since Fall 2013 to achieve the "re-basing" of GMHA's Medicare reimbursement.</p> <p>Under the consultant's guidance, GMHA submitted the preliminary re-basing request on August 28, 2014.</p> <p>A 2013 Adjustment Request and a Permanent Adjustment Request were signed and submitted to CMS earlier today (October 15, 2014). This request asked CMS to consider re-basing retro to October 1, 2012.</p> <p>GMHA's consultants have provided information for all fiscal years from 1998 through 2013 as well as in-depth analyses that CMS has responded to positively.</p>

DOI RECOMMENDATION	GMHA'S ACTIONS AND STATUS
	<p>In fact, CMS has been very helpful by directing GMHA to request Target Rate Exceptions, otherwise known as adjustments, to provide for GMHA's immediate needs while concurrently expediting the re-basing request which will resolve this issue for GMHA in the long term.</p> <p>CMS has stated that additional adjustments may be available not only for Fiscal 2013 but Fiscals 2007 through 2012!</p> <p>If CMS re-bases its reimbursement for prior fiscal years, GMHA will work with the Guam Governor and legislature to ensure that Guam's Medicaid and Medically-Indigent Program ("MIP") "match" CMS's revised reimbursement.</p>
<p>Work with the Guam legislature to address compensation for services that are not covered by MIP, Medicare or Medicaid.</p>	<p>This response noted that:</p> <ul style="list-style-type: none"> • GMHA would adjust its fees • GMHA was negotiating its contracts with Guam-based insurers <p>GMHA Administration has asked the Guam legislature and the Governor's office to develop a methodology for reimbursing the hospital for services to self-insured and un-insured patients. GMHA will continue to work with the Governor's Office and the Legislature to identify the funding you have cited in the report.</p> <p>GMHA will provide data to the Governor's office to support his request to the Department of Interior to adequately reimburse Guam for its services to people from the Freely Associated States as quantified in Guam's request for Compact Impact funding.</p> <p>GMHA hopes the Department of the Interior will favorably support Guam's requests for adequate Compact Impact funds.</p>
<p>Analyze the availability of funds and patient needs to develop a vendor repayment plan...</p>	<p>Subsequent to the OIG's on-site review, the Governor committed Compact Impact funds to GMHA to allow the hospital to add \$14 million of new debt and consolidate outstanding liabilities – to a total of \$25 million.</p> <p>GMHA received these funds in the first quarter of Calendar 2014. Approximately \$14 million was used to pay vendor liabilities.</p> <p>GMHA's cash receipts are not adequate to meet operating expenses. The possible increase in Medicare reimbursement followed by improved Medicaid and MIP reimbursement will reduce this short-fall of funding.</p>

DOI RECOMMENDATION	GMHA'S ACTIONS AND STATUS
	<p>GMHA's Administration will work with the Guam legislature and the Governor's Office to ensure GMHA has adequate funds for:</p> <ol style="list-style-type: none"> 1. Payroll 2. Vendor payments 3. Capital expenditures, and 4. Infra-structure improvements <p>In the past two months, Governor Calvo has worked with GMHA and the Legislature to fund a needed \$12 million upgrade to GMHA's maternal and child departments.</p>
<p>Develop a plan to actively pursue payments from self-paid and insured patients</p>	<p>GMHA Administration is actively pursuing initiatives to improve collections: These initiatives:</p> <ol style="list-style-type: none"> 1. Governor Calvo recently signed a contract with a collection agency to manage GMHA's receivables from self-pay and un-insured patients and their guarantors. 2. The collection agency will train GMHA staff in collection processes. 3. GMHA has increased its efforts to garnish income tax refunds paid through Guam's Department of Revenue and Taxation. In its latest submission, GMHA identified accounts exceeding \$150 million for which garnishments could be collected. 4. GMHA is negotiating a contract with an independent third party to out-source the billing and collection of claims. The contract stipulates that the vendor will be paid based on collections – requiring their aggressive management of outstanding claims. 5. GMHA's staff is completing its <u>first ever</u> reconciliation of claims with Medicaid and the MIP program.
<p>Expand payment options to increase patient collections</p>	<p>GMHA Administration and the Governor's Office appreciate the suggestions presented in your report. Many of GMHA's initiatives to improve collections were mentioned above.</p> <p>GMHA will consider on-line and telephonic payments with greater transactions through debit/credit cards.</p> <p>GMHA is also defining a relationship with a third party collection agency to improve:</p> <ul style="list-style-type: none"> • Pre-collection processes • Receivables resulting from motor vehicle accidents • Services to patients who have medical insurance from off-island (non-governmental) insurers • Collections from a guarantor's estate
<p>With input from ... assess and</p>	<p>At an Oversight Hearing on September 18, 2014, the</p>

DOI RECOMMENDATION	GMHA'S ACTIONS AND STATUS
<p>refine capital improvement projects and prioritize projects based on service delivery goals</p>	<p>Senators learned of GMHA's capital needs. This included over \$43 million of infra-structure improvements and capital equipment.</p> <p>Working with the GMHA Board of Trustees and its Administration, the Guam's legislature and Governor's Office will plan the hospital's long-term capital needs.</p> <p>In his strategic plan, Mr. Verga identified the need for a new hospital – a project cited in your report. GMHA Administration will work with the Governor's Office to assess the community's need for this facility and will quantify the fiscal impact of this endeavor.</p> <p>The GMHA medical staff vocally supports initiatives to improve the hospital's services:</p> <ol style="list-style-type: none"> 1. The OB-Gyn physicians have lobbied very hard to obtain funding for the badly-needed upgrade of GMHA's labor & delivery department. GMHA is evaluating architectural quotes for this \$12 million project. 2. GMHA is prioritizing these capital requirements for new specialists practicing medicine at the hospital: <ol style="list-style-type: none"> A. An otolaryngologist recently became credentialed at GMHA. He has identified equipment required to serve GMHA's patients. .Previously, Guam did not have this service available for its population. B. A Board-Certified neuro-surgeon identified clinical equipment to ensure patients have access to latest technology <p>With the Navy's opening of the new naval hospital, GMHA requested and received new pieces of clinical equipment with a value of \$2 million to supplement its current technology.</p>

Appendix 4: Status of Recommendations

Recommendation	Status	Action Required
1, 3 through 8	Resolved but not implemented.	We are referring these recommendations to the Office of Insular Affairs to track its implementation.
2	Unresolved.	We request that GMHA provide the Office of Insular Affairs with additional information as to how the fee schedule will be reviewed on a regularly scheduled basis or whether any future reviews will be addressed through policy. We are referring this recommendation to the Office of Insular Affairs to track its implementation.

