



*Office of the*  
**INDIAN RIVER COUNTY  
ADMINISTRATOR**

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Jason E. Brown, County Administrator  
Michael C. Zito, Assistant County Administrator

**MEMORANDUM**

**TO:** Members of the Board of County Commissioners

**FROM:** Jason E. Brown  
County Administrator

**DATE:** January 9, 2018

**SUBJECT:** Indian River Medical Center Potential Financial Impact on County

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**Background**

On January 9, 2017, the Board of County Commissioners requested that staff provide a summary of the potential financial impact of a sale or lease of the hospital to another partner would have on the County organization. Additionally, the Board requested that staff provide information regarding indigent care expenses funded by the Hospital District. Please find a brief summary and analysis below:

**IRMC Potential Financial Impact on County**

The County provides health insurance to County employees as well as the five (5) Constitutional Officers' employees (e.g. Sheriff, Property Appraiser, etc.) through a self-insured health insurance program. About 1,550 employees and retirees are covered under the plan. Last year, total expenditures were about \$18.5 million. Of that amount, approximately \$1.5 million was paid to Indian River Medical Center (IRMC).

In 2016, hospital officials provided information to County staff about the average reimbursement rates for IRMC as well as some surrounding hospitals. County staff's understanding is that the amounts represented average reimbursement rates reimbursed by private insurers for services per admitted patient. Furthermore, staff's understanding is that this is the same information that was presented to the Hospital District by the former hospital CFO, Greg Gardner. These rates were expressed as a percentage of the rates paid by Medicare. The table below contains this information as well as a comparison of rates among the local hospitals:

**Table 1**  
**Local Hospital Reimbursement Rates – 2016 (As provided by Hospital Staff)**

Hospital Name	Private Insurer Reimbursement Rates (Average)
Indian River Medical Center	141%
Hospital A (located in Sebastian)	298%
Hospital B (located in St. Lucie County)	397%
Hospital C (located in St. Lucie County)	363%

*Note: This information was provided by hospital staff. County staff does not make any representations about the accuracy of the data. Additionally, staff's understanding is that these were averages of negotiated rates with private insurers per admitted patient. These rates do not account for private pay, Medicare, Medicaid or indigent patients.*

It is important to note that these are average rates reimbursed by private insurers. The County's network provider, Florida Blue, could have reimbursement rates that are higher or lower than the average. County staff does not have underlying data, therefore, the ability to analyze these rates is limited. Assuming that the information is accurate, the data does point to significant differences in reimbursement rates at different hospitals. This data indicates that the reimbursements provided to other hospitals may be two or three times the amount reimbursed to IRMC per admitted patient

Since the initial data was provided, IRMC's negotiated reimbursement rates were increased by about 25% according to hospital staff. If the 25% increase is applied to the 2016 data, then the difference between IRMC and the surrounding hospitals would decrease by 25% as shown in Table 2 below. It is important to note, that this table assumes no change in the reimbursement rates of the other area hospitals. Since the original data set, these rates could have increased or decreased.

**Table 2**  
**Local Hospital Reimbursement Rates – 2018 (Assumes 25% increase for IRMC, no change for others)**

Hospital Name	Private Insurer Reimbursement Rates (Average)
Indian River Medical Center	166%
Hospital A (located in Sebastian)	298%
Hospital B (located in St. Lucie County)	397%
Hospital C (located in St. Lucie County)	363%

*Note: This information was provided by hospital staff. County staff does not make any representations about the accuracy of the data. Additionally, staff's understanding is that these were averages of negotiated rates with private insurers per admitted patient. These rates do not account for private pay, Medicare, Medicaid or indigent patients.*

After adjusting for the 25% increase in reimbursement rates to IRMC, the data suggest that some surrounding hospital reimbursement rates could still be over double those of IRMC. Since the County is self-insured, any change in expenses has a direct financial impact on the plan. If the Florida Blue reimbursement rates show similar differences between hospitals, a sale or lease to a partner could result in a significant financial impact to the County's health insurance fund if the partner's reimbursement rate with Florida Blue is higher than the current rate with IRMC.

It is important to note here that one of the four finalists in the selection process does operate one of the hospitals located in St. Lucie County shown in the table above. If the reimbursement rates for that hospital or a similar rate were used at IRMC, the potential impact on the County's health insurance costs could be significant. It is also necessary to point out that staff does not have data regarding the reimbursement rates charged by the other three finalists. Those rates could be higher or lower than the rates shown at the table above. In summary, staff does not currently have access to reliable data to determine the amount of any financial impact. Based upon the current \$1.5 million expenditure with IRMC, though, any significant change in rates from those currently charged by IRMC could potentially create a detrimental impact on the County's health plan.

### **Hospital District Indigent Care Expenses**

The current fiscal year (2017/18) budget for the Indian River County Hospital District totals \$12,807,297 (see attached). This includes funding for indigent care at the Indian River Medical Center as well as several other programs (e.g. State Health Department support, Visiting Nurse Association, Mental Health Association, etc.). The budget is supported primarily by ad valorem taxes, plus rental and interest income. The current year millage rate is 0.8894 mills, which provides about \$13.6 million after accounting for early pay discounts, commissions and uncollectible amounts. The current year budget provides funding of \$7,983,449 for indigent care at the hospital, with the remainder of the budget expended for other healthcare related services as listed above.

Attachments: Preliminary Budget FY 2017-2018  
Profit Loss Budget vs. Actual FY 2017-2018

Agenda Item January 16, 2018