

Statement of Terry G. Hoff, Chief Executive Officer and  
President

Trinity Health, Minot, ND

**An Examination of Health Care Costs:  
Challenges and Opportunities for Reform"  
before the Committee on the Budget,  
United States Senate**

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During the early 1920s, Lutheran pastors from across the Northwest Territory gathered in Minot, ND, to sketch out plans for a hospital “Consecrated to Christian Service in the Name of The Father, Son and Holy Ghost,” hence, the name “Trinity.” It quickly grew to become the region’s premier healthcare provider. Today, Trinity Health keeps faith with that tradition of caring and compassion. As a nonprofit, fully-integrated healthcare system, our network of doctors, hospitals, nursing homes, clinics and other facilities has been recognized for its dedication to quality care and science-based medicine. Trinity Health is governed by a community-based board of directors who voluntarily donate their time and talents.

A full-service community-based organization, Trinity Health is the region’s largest employer with more than 2,800 employees and is the third largest healthcare organization in ND. Responding to decreasing reimbursements and escalating costs, Trinity acquired longtime competitor UniMed Medical Center in 2001 and has since moved to consolidate services to maximize efficiency of community resources. This consolidation was a reflection of industry cost pressures continually forcing the highest levels of efficiency.

Trinity’s footprint encompasses most of northwest ND, a service area of about 20,000 square miles where more than 140,000 people call home. Trinity operates facilities in 10 communities (see **Appendix A**) across the region, demonstrating its commitment to rural medicine. For example, Trinity operates a clinic as well as a Critical Access Hospital and nursing home in Kenmare, ND.

Trinity serves as a tertiary care center for hospitals and providers throughout central and western ND, where patients needing advanced or specialty services are referred for care. For example, as a Level III Trauma Center and home to one of only two helicopter ambulances in the state, area patients with severe injuries are typically transferred to Trinity for definitive care. Additionally, a number of hospitals in the region are Critical Access Hospitals and have a relationship with Trinity Hospitals as their designated referral link. For a full list of services, see **Appendix B**.

There are nearly 140 medical providers representing 43 specialties that are employed by Trinity and comprise Trinity Medical Group. Members serve as faculty and preceptors for UND’s School of Medicine in Minot. For a list of specialties in the Medical Group, see **Appendix C**.

Trinity partners with other rural medical providers through informal and formal relationships, including joint ventures with hospitals and nursing homes in the region in an effort to recruit physicians and provide medical services in these communities.

**Quality of Care**

The quality of medical care in ND overall is reputed to be of the very best. In fact, ND was ranked best in the nation in the quality of hospital health care in the sixth annual *HealthGrades Hospital Quality in America Study*. Researchers evaluated each of the country's nearly 5,000 hospitals, measuring them on 26 common procedures and conditions (September 2003). Trinity Hospitals' quality indicators have compared very favorably in national and state comparisons; during the past two years, Trinity has led its peer hospitals nearly every quarter in Appropriate Care Measures, a compendium of indicators used in CMS' Core Measures.

While Trinity Health supports the efforts to improve healthcare quality and promote the widespread use of evidence-based best practices, the resources we allocate to gather and report data in compliance with federal mandates is becoming onerous. More than 10 full-time-equivalents are currently assigned in Trinity Hospitals to manage the quality reporting requirements, and that number is expected to double and even triple under the proposed reporting requirements.

**Health Insurance: Benefit vs. Burden**

As the region's largest employer, offering employees cost-effective health insurance is certainly a growing challenge. Trinity Health's self-funded health insurance plan contains an employer- and employee-share component (contribution per month):

	<b>2007</b>	
<b>SINGLE</b>		
Employee	76.12	24.8%
Trinity	306.50	75.2%
<b>SINGLE + DEPENDENT</b>		
Employee	150.39	28.9%
Trinity	520.30	71.1%
<b>FAMILY</b>		
Employee	249.82	33.0%
Trinity	756.57	67.0%

As illustrated above, Trinity Health pays about 75% of the employee's premium for the Single contract, while other options vary depending on coverage. With the increasing cost of health insurance Trinity, as every other employer must, balances this financial burden with its effect on our employee recruitment and retention. The only way these increasing costs can be mitigated is through either modifying contract design or increasing premium cost.

Total maximum costs assumed by the organization in fiscal year 2007 were over \$12.8 million, whereas total premiums paid by employees were approximately \$3,130,000. These costs have increased more than 25% over the past four years. At this rate of increase, it soon may become a benefit which Trinity cannot sustain.

	2004	2005	2006	2007
Avg. # Contracts	1,649	1,664	1,703	1,712
Avg. # Members	3,785	3,806	3,894	3,879
Avg. Pd/Contract/Mo	\$337.08	\$391.36	\$428.75	\$460.39
Aggregate Stop-Loss	\$8,636,477	\$ 9,113,215	\$ 9,734,009	\$11,594,308
Administrative Ser. Agree	\$ 552,735	\$ 583,246	\$ 622,977	\$ 742,036
Stop Loss Premium	\$ 323,513	\$ 373,981	\$ 419,855	\$ 473,057
<b>Total</b>	<b>\$9,512,725</b>	<b>\$10,070,442</b>	<b>\$10,776,841</b>	<b>\$12,809,401</b>

Trinity has tried various contract designs over the past several years, and years ago even participated in the development of an HMO which ultimately failed after just a short time. Currently the Plan's design is that of a self-funded contract with a \$300 deductible (\$600 per family); co-insurance is \$1,000 per member (\$2,000 per family) per year. Today, physician office visits are subject to a \$20 co-pay. This contract has both in-network and out-of network components. The contract carries an individual stop-loss of \$150,000/member/benefit period. With this type of design the vast majority of the stop-loss risk rests with the employer. Trinity strives to capture as much of the service possible, and in doing so provides appropriately designed coverage at the most affordable price.

One example of manipulating plan design to achieve maximum benefit is our recent change to the Pharmacy coverage. Trinity added a network component to that plan, which allow for discounts on in-network purchases.

Another benefit for employees at Trinity Health is paid sick-leave. Trinity's costs for employee sick-leave amounted to \$1.3 million in 2007.

## Workforce Safety & Insurance (WSI)

WSI is designed to ensure that employees who because of injury or occupational disease on- the- job or disabled on the job are provided with fixed monetary awards, and medical benefits. These laws also provide benefits for dependents of those workers who are killed because of work-related accidents or illnesses. Trinity Health's costs in 2006 exceeded \$353,257.

### **Employee Discounts**

In addition to providing healthcare coverage, one strategy aimed at enticing qualified candidates to consider employment with Trinity, and to keep our valued employees during increasing competitive pressure from healthcare and other industries, is to provide certain discounts on hospital services in addition to the health benefits paid for by Trinity Health. All discounts apply to the employee, their spouse and dependents:

1. There is a discount on the difference in charges between a private and a semi-private room after the health benefit payment.
2. There is up to a 50% discount on any hospital balance remaining after the health benefit payment has been made, if applicable, up to a limit of \$ 300.00 per occurrence. This discount shall be limited to the hospitals in Minot and Kenmare only. Between 2003 and 2007, employees' discount on fees rose from \$149,000 to \$264,000, or nearly 44%.
3. There is up to a 20% discount on the purchase of glasses and or frames when purchased through an affiliated optical store; a second pair for the same person discounted 25%.
4. 10 % off prescription price if not covered by insurance plan.

To receive the available discounts, the employee must either pay their account in full or make arrangements for repayment through payroll deductions subject to the terms as established by the business office. Regardless of the service rendered the maximum discount may not exceed 20% of the total charges per occurrence.

Additionally, all employees, medical staff and/or students that are actively enrolled in Trinity Health's educational programs are entitled to a 10% discount at on-site cafeteria prices. Trini-Tots Daycare is operated within one of Trinity's facilities, Trinity Homes, and offers low-cost childcare for employees. The public is invited to use this program, too. Finally, discounted movie tickets and car wash coupons are available to all employees.

### Promoting a Healthy Workplace

Trinity Health encourages employees to live healthy lifestyles. Trinity tries to influence healthy behavior through programs and financial incentives. Some examples include:

- Health in Motion is an employee wellness program which provides qualifying participants up to 70% savings in YMCA membership fees (2006 benefit was more than \$70,000 in reimbursement). Members keep track of their exercise time/activities under the consultation of exercise physiologists, who help to develop goals to be measured. Participants have averaged meeting 5.32 goals out of a total possible 6, while meeting nearly 80% of the program’s exercise requirement. Members have improved in cardiovascular, body fat, strength and flexibility measures.
- Serving as a model for other organizations in our area, Trinity is moving towards a Tobacco-free campus, inside and out, effective 11/15/07. Staff, patients and visitors will be restricted from using tobacco while on the premises.
- Annual influenza vaccines are offered employees at no charge to minimize their risk during its active season, at a cost to the organization of \$13,000 last year.

### Profitability of Healthcare

Despite consolidating healthcare organizations in Minot six years ago, today’s financial picture resembles that of a pre-consolidation environment: the organization’s operating margin shows minimal growth. In 2001, more than a \$2 million annual loss was recorded between the two organizations. In the first few post-consolidation years, consolidation of services and elimination of duplication achieved economies of scale, resulting in modest to average profits and enabling technology investments that were sorely needed. In the past couple of years, however, the system’s ability to maintain an adequate profit margin has diminished.

	2001	2002	2003	2004	2005	2006	2007
<b>Operating Margin</b>	-1.11%	0.12%	1.75%	2.33%	2.17%	0.88%	-0.87%

Some of the factors influencing the net income include escalating drug costs, rising materials and other technology costs, and necessary investments in wages

and benefits to recruit and/or retain quality staff. While these strategies are essential to maintaining strong healthcare services into the future, they are opposed by federal policies which further reduce payments to providers on one front or another.

### Drug costs

One of the most volatile expenses we face in our hospital's operation is the cost of pharmaceuticals. Since 2003, our costs for drugs have risen more than 67% - which results in more than \$4.8 million increase in expenses over the past few years!

### Compensation and Workforce

To remain competitive in an expanding workforce marketplace, Trinity has had to significantly increase wages for employees. For example, Trinity's nursing salaries have increased 41% over the past five years, and that rate of increase shows no sign of slowing down. Total payroll costs have increased from just over \$100 million in 2002, to more than \$140 million in 2007. As a percentage of total costs, payroll hovers in the 56% range.

While we compete at a national level for physicians and other key healthcare professionals, we get lower reimbursement from Medicare and other payors for the same services. Recruiting physicians and other healthcare professionals to this region of the country requires more than an attractive organization - it takes a significant investment in resources and wages, at rates equal to or even higher than many other markets. In fiscal year 2007, recruitment costs for physicians alone were \$2.2 million, compared to 2004's \$594,000.

Trinity Health partners with Minot State University to educate nurses, technicians and other candidates for healthcare careers. Last year, Trinity paid \$130,000 in nursing scholarships. Unfortunately, the supply of graduates willing to work in this region is not adequate to satisfy openings in the organization.

For an integrated delivery system like Trinity Health, reductions to any component, whether it be physicians, or hospitals, or home health services, or outpatient tests, serve to negatively impact the organization's ability to achieve its mission.

Trinity Health began its conversion to an electronic medical record across the enterprise: clinics, nursing homes, and hospitals. Over the next few years, this

investment in technology to improve the quality of care and access to care will amount to more than \$25 million. The amount of change to an organization that must occur during a massive conversion like this, in terms of how care is delivered, is phenomenal.

## **Health Education**

A vital part of Trinity's mission is to help educate the public about living healthier lives. Physicians and other providers regularly offer community presentations on topics like diabetes, arthritis, menopause and other subjects of interest. Another important function of Trinity's community education is providing health screenings to help promote early detection and prevention. Just a few weeks ago, Trinity partnered with Senator Conrad and the Cancer and Research Prevention Foundation to conduct a prostate screening clinic at the North Dakota State Fair. This event resulted in testing more than one thousand men for elevated prostate-specific antigen. This effort netted seventy higher-than-normal blood specimens, and may lead to early detection of prostate cancer for some of these patients. Screenings like this one are typically offered for free or at a reduced charge as part of Trinity's mission.

Other examples of Trinity-sponsored outreach within the region include a Reduce Obesity campaign in Garrison, Heart Health screenings in a number of communities, health fairs and screenings in Cando and many other communities, cholesterol screenings during the regional Ag Expo, and so on.

For about eight years, Trinity operated a Wellness Center to promote healthy lifestyles and the importance of exercise to good health. In 1996, Trinity closed that facility and began an innovative partnership with the Minot Family YMCA. Today, Trinity Health and the YMCA are still partners in health; Trinity occupies space in the YMCA and runs its exercise Physiology program and sports performance out of that facility. Together, Trinity and the YMCA bring other events to the region, including sports tournaments and marathons.

## **Inadequate Coverage -Assistance**

The proportion of senior citizens to the general population in ND is higher than in the rest of the country, which is one reason our residents are struggling with rising healthcare costs while living with fixed incomes. At the same time, providers like Trinity are also struggling with the reimbursement rates offered by our major payors, Medicare and Medicaid, since this population has become a higher



percentage of our total patient base. Overall, payments from these payors have not kept up with inflation.

Trinity Health employs one full-time person to work with the uninsured and underinsured patients applying for public and private insurance programs and helps patients seek assistance paying for their prescription drugs. These efforts helped our patients save more than \$200,000 last year alone.

In one recent case, a transient was involved in a serious accident requiring hospitalization and considerable rehabilitation. His income was not low enough to qualify for federal healthcare programs, but he didn't have the means with which to pay for these services out-of-pocket. His care resulted in a write-off amounting to well over \$200,000. This is not an isolated case; rather this scenario is repeated often.

People with no means to pay can qualify for Trinity's charity care. Each year, Trinity writes off around \$1.4 million for services performed in the hospital and clinics.

For the past few years, a group of volunteers have operated a Free Clinic which serves the uninsured who may not have the ability to pay for care. Trinity helped the clinic to get established through donations of equipment and supplies. Support for the free clinic continues today, with ongoing contributions of equipment, services and personnel. For example, last year Trinity Hospitals' laboratory donated more than \$26,000 worth of lab services.

## Conclusion

While Trinity Health is a non-profit, community organization, it still must maintain modern facilities, utilize current medical technology, and retain a high quality workforce. So while no person receives any share of its profits, these obligations require a return on investment at a sufficient level to continue to maintain services. We are committed to provide the needed medical services for people living in this region, even though some of them have a negative financial impact to the organization. For example, our Level II Trauma Center, kidney dialysis clinics, and the only helicopter ambulance in western ND are all a financial drain but vital to the quality of life in our region.

Regulatory mandates and the quest for improving quality in healthcare are placing heavy burdens on providers. For example, the billing and coding complexity brought by reclassification of DRGs from today's 538 to an expected 745, will place an enormous challenge on staff training. Additionally, the proposed 1.2% payment decrease, supposedly to reflect a case-mix adjustment, illustrates the difficult and increasingly complex environment we are subjected to.

CMS' quality indicators, expected to balloon from 10 to a projected 1000 in three years, will place a huge financial and staffing burden on healthcare providers. We all support improving quality, but the current approach actually detracts from quality at the bedside due to the additional resources that must be dedicated in that effort rather than directed towards patient care.

ND's healthcare system is in an extremely fragile state, with declining reimbursements, increasing costs and the burdens of complicated regulations, an aging population and a workforce shortage. With "healthcare reform" mentioned frequently, providers are carefully watching to ensure the remedy is not simply to reduce their payments.

## Trinity Health: Minot Area Facilities

## Appendix A

### Minot:

Trinity Hospital  
Trinity Hospital-St. Joseph's  
Trinity Homes  
Health Center-East  
Health Center-West  
Health Center-Town & Country  
Health Center-3rd Street  
Health Center-5th Avenue  
Health Center-Centennial  
Health Center-Medical Arts  
Health Center-Riverside  
Regional Eyecare-Williams Center  
CancerCare Center, Town & Country Center  
B & B Northwest Drug  
KeyCare Pharmacy  
KeyCare Medical  
KeyCare Optical

### Outreach

Trinity Community Clinics:  
Belcourt (KDU)  
Garrison  
Kenmare  
Mohall  
New Town (2)  
Parshall  
Velva  
Westhope  
Williston (2)

Formal Affiliations

Cando Hospital

Tioga Hospital

UND Minot Center for Family Medicine

Joint Venture Partners

St. Andrew's Clinic Bottineau

Mountrail County Medical Center – Stanley

Minot YMCA

## Trinity Hospitals: Services

## Appendix B

Adult and Adolescent Addiction Services / Mental Health Services

Anesthesia

CancerCare Center

Cardiopulmonary

Dietary/Nutrition Education

Emergency/Trauma (verified Level II)

NorthStar Criticair Helicopter Ambulance

Home Health / Hospice

IV Therapy

Wound Care

Kidney Dialysis (Minot & Belcourt clinics)

Laboratory / EKG Services

Outreach Laboratory Services

Orthopedics

Sports Medicine

Exercise Physiology

Neurodiagnostics

Occupational Therapy

Outpatient Physical Therapy

Pediatrics

Newborn Nursery

Neonatal Intensive Care Unit (NICU)

Physical Therapy-Inpatient

Pharmacy

Inpatient

Retail (2)

Radiology Services

Breast Imaging / Mobile Mammography Unit

Cardiac Cath

CT-scanner

MRI

Ultrasound

Nuclear Medicine  
RehabCare Center-Inpatient Unit  
Sleep Center  
Social Services  
Speech Pathology  
Surgery  
Ambulatory Surgery  
Same Day Surgery  
GI Same Day Surgery  
Women's Health Center  
    Labor & Delivery  
    Work Injury Management Program

Additional Community Services

B&B Northwest Pharmacy  
Community Resource Coordinator  
Convenient Care Clinic  
EMS Education & Outreach  
Oral Facial Surgery  
Pain Management Center  
Plastic Surgery  
Pacemaker Clinic  
Protimed Clinic  
School of Radiology Technology

## Trinity Medical Group: Specialties

## Appendix C

Addiction Services  
Allergy/Immunology  
Anesthesiology & Critical Care Medicine  
Audiology  
Cardiology  
Cardiovascular & Thoracic Surgery  
Convenient Care Clinic  
Dermatology  
Emergency Medicine / Family Medicine  
Family Medicine  
Family Practice  
Gastroenterology  
General Practice  
General, Laparoscopic & Vascular Surgery  
Hematology/Oncology  
Hospitalist  
Internal Medicine  
Low Vision  
Mental Health Therapy  
MidWifery  
Neonatology  
Nephrology  
Neurology  
Neuropsychology  
Neurosurgery

Obstetrics & Gynecology  
Occupational Medicine/  
Family Medicine  
Ophthalmology  
Optometry  
Oral & Facial Surgery  
Orthopedic Surgery  
Otolaryngology/ENT  
Pathology  
Pediatrics  
Physical Medicine &  
Rehabilitation  
Plastic & Reconstructive  
Surgery  
Podiatry  
Psychiatry/Adult & Child  
Psychiatry  
Pulmonary Medicine  
Radiation Oncology  
Radiology  
Rheumatology  
Sports Medicine  
Urology