OFFICE OF THE GOVERNOR
TERRITORY OF GUAM

MAY 3 0 1995

Date: 5-31-95
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ALICIA GUZMAN

The Honorable Don Parkinson
Speaker
Twenty-Third Guam Legislature
424 West O'Brien Drive
Julale Center - Suite 222
Agana, Guam 96910

Dear Speaker Parkinson:

Enclosed please find a copy of Substitute Bill No. 186 (LS), "AN ACT TO DISAPPROVE THE PROPOSED GUAM MEMORIAL HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY", which I have **signed** into law today as **Public Law No. 23-21.**

Very truly yours,

Madeleine Z. Bordallo
Acting Governor of Guam

Attachment

230483

OFFICE OF THE LEGISLATIVE SECRETARY
Received by: Alic
Time: 3:50 P.M.
Date: 6-1-95

TWENTY-THIRD GUAM LEGISLATURE
1995 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 186 (LS), "AN ACT TO DISAPPROVE THE PROPOSED GUAM MEMORIAL HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY," was on the 13th day of May, 1995, duly and regularly passed.

TED S. NELSON
Acting Speaker

Attested:

JUDITH WON PAT-BORJA
Senator and Legislative Secretary

This Act was received by the Governor this 19th day of May, 1995, at 4:20 o'clock P.M.

Assistant Staff Officer
Governor's Office

APPROVED:

MADELEINE Z. BORDALLO
Acting Governor of Guam

Date: May 30, 1995

Public Law No. 23-21

TWENTY-THIRD GUAM LEGISLATURE
1995 (FIRST) REGULAR SESSION

Bill No. 186 (LS)
As substituted by the Committee
on Health, Welfare & Senior Citizens
and as further substituted on the floor.

Introduced by:

Committee on Rules
At the request of the
Governor

AN ACT TO DISAPPROVE THE PROPOSED GUAM MEMORIAL HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

The proposed Guam Memorial Hospital Authority's Professional Fee Model for use in the establishment and adjustment of fees for professional services, attached hereto as Exhibit "A", is hereby disapproved and shall have no force and effect.

GUAM MEMORIAL HOSPITAL AUTHORITY

NET REVENUE ENHANCEMENT ENGAGEMENT

FEBRUARY 7, 1992

EXHIBIT "A"

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

Executive Summary

The primary objective associated with the Deloitte & Touche Net Revenue Enhancement Project for the Guam Memorial Hospital Authority (GMHA) involves the establishment of an effective, ongoing pricing process for current and future use by the Hospital in the rate-setting process. This objective also relates to the identification of operational and net revenue enhancement opportunities and the development of cost-based pricing methodologies which focus on individual, departmental contribution margins.

The Net Revenue Enhancement Project was initiated partly as a result of the current financial condition of the Hospital. Because GMH has not implemented a broad price increase since January, 1988, the resultant flat level of revenues have not been able to offset sharply rising costs. On a per patient basis, patient revenues were two percent lower in Fiscal Year 1991 than in Fiscal Year 1987. However, the Hospital's operating expenses increased significantly. Operating expenses increased 35 percent from the 1987 to the 1991 period. A key result of the Hospital's relatively flat revenue and rising costs has been increased subsidies from the Government of Guam to the Hospital. The subsidy increased from $5.8 million in Fiscal Year 1989 to $11.6 million in Fiscal Year 1991. Although the Hospital has survived due to these increased government subsidies, the current operating environment indicates that the subsidy may be required to increase several million dollars each year in order to guarantee GMH's financial solvency.

The objective of this report is therefore to present a cost-based, flexible pricing methodology which focuses on realistic goals associated with the Guam Memorial Hospital's achievement of improved financial results.

A major reason for the study was the Hospital's concern that costs, including hospital overhead, exceeded charges in many of the patient service departments. In order to determine the propriety of rates charged, it was believed that the Hospital needed to have an ongoing methodology with which to internally assess allocated costs and the corresponding rates charged for departmental services. This is an important concept because it results in an analyses that differs from previous "across the board" rate change implementations.

To this end, Deloitte & Touche has developed a cost-based pricing methodology for Guam Memorial Hospital which combines the results of departmental net revenue determinations with cost allocation results in order to provide an overall pricing strategy. An important concept with respect to this methodology is the fact that the Hospital's actual net reimbursement is substantially less than its charges on both an aggregate level and within individual departments. The following results are from the Hospital's 1991 fiscal year:

Description	Amount	Percent
Gross Revenue (Charges)	$ 44,936,492	100.0%
Net Revenue (Actual Reimbursement)	32,957,166	73.3
Resulting Write-off Allowance (Uncollectible Charges)	$ 11,979,326	26.7%

The figures indicate that more than twenty-six cents of every dollar charged by GMH was not collected due to contractual allowances comprised of Medicare and Medicaid reimbursement limitations, bad debts, write-offs, and insurance coverage policies which denied payment to the Hospital for medical services provided to individuals in need of health care.

Given the write-off allowance which exits, the cost-based pricing methodology entails the identification of direct costs in the Hospital's revenue producing departments and the addition to these costs of a department-specific overhead allocation. These two components comprise "allocated costs". The allocated costs which are determined are then combined with the write-off allowance figure in order to develop "adjusted allocated costs". The adjusted allocated costs are then compared with departmental net revenues for the purpose of calculating departmental profits and losses, and any resultant shortfalls in GMH patient charges.

Based upon the Deloitte & Touche analysis of the Hospital's 1991 fiscal year results, most departments are experiencing significant losses. Of the 27 operating areas which generate gross revenues from patient services, 22 departments experienced a net operating loss. The net departmental operating losses are especially great in the direct patient care areas such as the individual nursing units, the skilled nursing facility, intensive care unit, and emergency department. The individual departmental operating losses for FY 1991 totaled $16 million. The financial results indicate that because of write-offs and uncollectible charges, a gross charge increase of approximately $29 million would be necessary in order to realize the $16 million of net revenue that is required to achieve breakeven results in the operating departments which are currently losing money.

The rate increases that would be required to eliminate losses would entail, on a weighted average basis, a five-year phased increase of approximately 10.5 percent per annum. This increase excludes the consideration of an inflation factor that would be in addition to any real dollar increases.

It is important to note, however, that the dynamics of the Hospital's operating environment vary greatly from one year to the next. Therefore, it may not be appropriate to consider addressing the increasing operating deficit with a lump sum governmental subsidy or even a pre-determined phase-in schedule of price increase allowances. Instead, Guam Memorial Hospital is perhaps best served by utilizing the Deloitte & Touche pricing methodology to annually assess the current status of departmental results and the appropriate rate increases for the subsequent year. If price increases are firmly established years in advance, they are not likely to accurately reflect changes in operating conditions which will undoubtedly occur in the interim.

In addition to the development of a cost-based pricing methodology for existing charges at the Hospital, a cost allocation process was developed for the purpose of introducing new charges into the Hospital's pricing system. The methodology for pricing new charges applies to pharmaceuticals, medical supply items, and nursing procedures.

Operational issues, which are unrelated to the cost allocation methodology and new rate structure development, have also been identified. The operational issues concern cost reduction and/or revenue enhancement opportunities in the areas of materials management and inventory control, physician billing, and charge capture methodologies. It is important to note that these opportunities require a focused and sustained effort over a measured period of time (rather than a short-term approach) in order to realize implementation results.

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

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Net Revenue Enhancement Engagement

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Exhibits

I. STATEMENT OF OBJECTIVES AND OVERVIEW OF ACTIVITIES

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

I. Statement of Objectives and Overview of Activities

As a result of its designation and standing as a government-funded provider, Guam Memorial Hospital (GMH) has been required to manage its financial operations while balancing the concern of self-sustaining net income results with the mission of a not-for-profit, municipal entity. The geographic locale of Guam combines with the Hospital's standing as the primary health care provider for the Micronesian Islands to result in a patient payor mix and reimbursement structure that is not typical of most acute care providers. In addition, the low percentage base of Medicare-insured patients and the rate structure adjudication process that the facility is required to adhere to adds to the complexity of the Hospital's operating environment. These factors, which are unique to Guam Memorial Hospital, present distinct challenges with respect to maximizing net revenue while concurrently remaining responsive to the price sensitivity of the marketplace. A typical mainland hospital facility has a revenue structure which allows for independent determination of charges. Negotiated contractual arrangements exist with the dominant insurers and specify payment terms and/or applicable discount percentages. Subject to such contractual arrangements, the mainland provider is always able to make internal management decisions regarding patient charges without conferring with or receiving approval from legislative authorities or insurance companies. The result is that these providers are more easily able to maximize net revenue by strategically structuring their patient charges.

Guam Memorial Hospital management, in the fall of 1991, requested a review of its cost centers and cost allocation practices so that patient charges and associated expenses could be more properly aligned and correlated. An important management objective also related to the development of a charge capture monitoring and control system that would reduce lost or missing patient charges and enhance internal efforts to reduce the amount of the General Fund subsidy. Given this scenario, the overall objectives of Guam Memorial Hospital in conjunction with the Net Revenue Enhancement Project may be summarized as follows:

- To establish an effective, ongoing pricing process for current and future use by Guam Memorial Hospital personnel;
- To incorporate a net revenue driven, Hospital-wide rate restructuring philosophy;
- To identify additional operational and net revenue enhancement opportunities;
- To develop cost-based pricing methodologies which focus on individual, departmental contribution margins.

It was neither the intent nor the result of this study to address the reasonableness of departmental expense levels. Therefore, to the extent that expenses may be excessive now or in the future in one or more departments, it would not be identified solely through the rate-setting methodology presented in this report.

Overview of Activities Conducted

Subsequent to the downloading of twelve months of operating data (October 1, 1990 to September 30, 1991) for Guam Memorial Hospital to the Deloitte & Touche Net Income Realization Model with substantial assistance from Hospital personnel, Deloitte & Touche personnel conducted the following activities:

- Introductory meeting with management to review engagement scope and objectives;
- Discussions with Hospital management to define reimbursement methodology for each third party payor and construct definition of model inputs to allow for calculation of realization by payor and operating department;
- Development of "base case" summary and departmental reports in order to provide detailed information for Hospital management and staff to review prior to implementing any targeted rate alternatives;
- Detailed individual interviews with department managers to explain net revenue enhancement concepts and procedures;
- Evaluation of departmental charge capture methodologies and inventory control;
- Presentation of a summary listing of chargeable service and supply items currently missing from the Hospital's fee schedule (missing charges);
- Utilization of a micro-computer based pricing methodology for ongoing use by Hospital personnel in developing and modifying charges for the purpose of structuring a cost-based pricing methodology;
- A detailed analysis of Hospital costs, including creation of a cost allocation model for the Hospital's continuing use, to accurately identify the appropriate allocation of overhead expenses on a departmental basis;
- Review of Medical Records coding and procedures;
- Training of GMH finance, accounting and other management personnel in the use of the Deloitte & Touche Net Income Realization Model.

II. INTRODUCTION - HEALTH CARE TRENDS AND ISSUES IN GUAM AND THE UNITED STATES

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

II. Introduction - Health Care Trends and Issues in Guam and the United States

Health care costs in the United States have been receiving increasing attention in recent years as they continue to increase faster than the overall rate of inflation and account for a larger percentage of the nation's Gross National Product (GNP).

Based on data from R-C Publications, Inc. in Phoenix, Arizona, the United States Consumer Price Index (CPI) averaged a 4.70 percent annual increase from 1986 through 1990, while the index of hospital prices averaged an 8.55 percent annual increase during the same period. Modern Healthcare magazine reported in its January 6, 1992 issue that American healthcare spending rose 11 percent in 1991 and that health care as a percentage of the GNP increased from 12 percent in 1990 to 13 percent in 1991.

For comparison, the Guam CPI during the same 1986 through 1990 period averaged a 7.48 percent annual increase, while Guam's CPI for Medical Care averaged a 7.93 percent annual increase, according to data obtained from the Department of Commerce, Government of Guam.

At a glance, it is obvious that Guam has been experiencing a higher overall inflation rate than the United States. In contrast, medical prices on Guam appear to have been kept much closer to the overall inflation rate than those achieved in the United States. This is deceptive for one major reason. Guam's medical care CPI includes hospital expense as a major component of the CPI. However, this component consists of what Guam Memorial Hospital charges its patients, i.e., the expense to the patients, rather than the expense of operating the Hospital. Because the Hospital has not implemented a broad price increase since January 1988, the rise in the Guam CPI for Medical Care has apparently resulted from significant increases in other services, such as physician fees, insurance premiums, etc.

The implications of this are evident in the recent financial history of the Hospital. Listed below are some key indicators of the Hospital's performance during the last five fiscal years, based on available data.

Fiscal Year	Gross Patient Revenues	Operating Expenses	Adjusted Patient Days (1)	Revenue Per APD	Expense Per APD
1987	$31,662,175	$25,064,274 (79.2%)	49,129	$644	$510
1988	33,365,674	27,849,778 (83.5%) ↑	57,001	585	489
1989	34,929,654	32,959,697 (94.3%)	56,809	615	580
1990	39,765,632	40,799,527 (102.6%)	64,644	615	631
1991	44,960,651	49,061,267 (109.1%)	71,500	629	686

(1) Adjusted patient days (APD) is a commonly used and accepted industry statistic used to adjust actual patient days upward to take into account outpatient volume and still provide a meaningful statistical basis. The formula for computing APDs is: Patient Days x (Total Patient Revenue / Inpatient Revenue).

While patient revenues have increased substantially since 1987, the APD statistic helps in determining that the increase is volume based, not price based. Patient revenues in 1991 were 42 percent higher than in 1987, yet patient revenues per APD were two percent lower. This is reflective of the fact that much of the Hospital's increased revenue volume is from relatively low intensity outpatient volume. The Hospital's outpatient revenues have consistently increased in recent years from approximately $2.2 million in 1987 to $18.1 million in 1991, resulting in continued increases in APDs.

In comparison, the Hospital's operating expenses increased significantly, both in total dollars (96 percent higher in 1991 than in 1987) and in expenses per APD (35 percent higher). Much of the increased operating expenses were beyond the Hospital's control, e.g., legislative initiatives such as the $5,440 salary increase, which will have a continuing impact on the Hospital's finances. The Hay salary study, to be implemented in fiscal year 1992, is also expected to have a significant and ongoing impact.

The results of the Hospital's relatively flat revenues and rising costs are numerous. As discussed in Section III of this document, the number of Hospital departments with deteriorating margins are increasing, even before taking into account Medicare and Medicaid contractual allowances, bad debts and other uncollectible charges.

An additional result is the deterioration of the relationship between the Hospital's departmental revenues and expenses. Following is a comparison of the Hospital's mark-up ratios in selected departments with those of United States hospitals and various subsets thereof. Certain ancillary departments generally represent the highest "mark-up" areas. We have compared the Hospital's 1991 mark-up ratios, based on the cost allocation methodology described in Section III of this document, with the median comparable ratios

for all United States hospitals, all Hawaii hospitals, all freestanding Government owned hospitals and those hospitals designated by Medicare as Sole Community Hospitals (hospitals in a relatively isolated location). The comparable data represents 1990 median amounts (the latest data available) and is from Medicare cost reports which, as described in Section III, is based on the same general methodology. The mark-up ratios are defined as all applicable department charges divided by fully allocated costs for all applicable department services. Higher amounts represent higher charges in relation to costs. Physician expenses related to patient care are excluded from all amounts.

Because these ratios are based on fully allocated departmental costs and exclude a factor for uncollected charges, which varies from hospital to hospital, they are not suitable for use in setting rates. They are, however, the best comparable data available. In Section VI of this document, recommended mark-up methodologies for setting rates are presented for medical supplies and drugs based on the actual cost of the supply or drug involved, and includes recognition of uncollected charges.

dept charge ÷ dept allocated cost

Mark-up Ratio, All Ancillary Services

GMHA	1.16
All U.S. Hospitals	1.93
All Hawaii Hospitals	1.97
Government Hospitals	1.81
Sole Community Hospitals	1.81

Mark-up Ratio, Medical Supplies

GMHA	1.19
All U.S. Hospitals	2.38
All Hawaii Hospitals	1.65
Government Hospitals	2.38
Sole Community Hospitals	2.24

Mark-up Ratio, Drugs Sold

GMHA	1.45
All U.S. Hospitals	2.73
All Hawaii Hospitals	2.19
Government Hospitals	2.58
Sole Community Hospitals	2.58

Mark-up Ratio, Laboratory

GMHA	1.10
All U.S. Hospitals	2.12
All Hawaii Hospitals	2.31
Government Hospitals	1.91
Sole Community Hospitals	1.83

Mark-up Ratio, Radiology

GMHA	1.23
All U.S. Hospitals	1.82
All Hawaii Hospitals	1.81
Government Hospitals	1.68
Sole Community Hospitals	1.66

Source of comparative data: The Sourcebook, 1991 Edition, published by Health Care Investment Analysts, Inc. and Deloitte & Touche.

It is apparent from the above comparison that the Hospital marks up its services significantly less than the vast majority of hospitals in the United States. The fact that the Hospital has not had a general rate increase since January 1988 obviously impacts this comparison, because expenses have continued to rise.

Another result of the Hospital's relatively flat revenues and rising costs has been increased subsidies from the Government of Guam to the Hospital. Subsidies since 1988 have been as follows:

Fiscal Year	Subsidy
1988	$ 6,470,199
1989	5,808,252
1990	9,105,125
1991	11,610,922

By 1991, the subsidy reached 35 percent of net patient revenues, i.e., revenues collected after Medicare and Medicaid contractual allowances, bad debts and other uncollectible charges.

Mainland hospitals typically increase rates annually with Board approval. Increases are based on financial objectives, market share strategy and competitive factors. Most mainland hospitals are not physically isolated from competitive facilities. Therefore, high profile items such as room and board charges, chest x-rays, EKGs and common laboratory tests may be influenced as much or more by the pricing of competitors as by the cost of providing such services in a hospital environment. Other less publicized procedures often receive the bulk of rate increases. Over time, this tends to result in a number of highly profitable departments that subsidize the operations of losing departments.

Perhaps most importantly, mainland hospitals have the autonomy to set their rates. Without the ability to consistently cover their operating expenses and future capital requirements, they would not be able to continue operating.

Guam Memorial Hospital has historically lacked this autonomy to set their own rates, even in the face of significant expense increases. The Hospital has survived due to the increasing government subsidies described above. It is questionable how long the government will be willing and able to continue subsidizing Hospital operations in ever increasing amounts.

Substantial rate increases, as discussed later in this document, would be required if the Hospital were expected to operate self-sufficiently. The size of the required rate increase is a function of two major items: the lack of regular rate increases since January 1988 and the continued escalation of operating expenses. As mentioned previously, much of the increase in operating expenses over the last few years was beyond the Hospital's control. However, it was neither the intent nor the result of this study to address the reasonableness of departmental expense levels. Hospital management must continue to address and manage costs in order to keep future required rate increases as low as possible.

Further sections of this document discuss our recommended methodology and rationale for establishing and increasing rates over a period of time and consistent with the Hospital's cost structure.

Section III reviews the recommended cost allocation methodology for determining departmental profitability before uncollected charges.

Section IV reviews the Deloitte & Touche Net Income Realization Model, which assists in determining uncollected charges by charge item, payor and department.

Section V reviews the methodology by which to combine the analyses to compute required revenue increases to reach a breakeven level. The breakeven level is used to reflect the revenue increases required to cover the cost of current operations. As discussed in Section III, operating at breakeven would not provide funds for future investment in assets and improved technology.

Section VI reviews use of the recommended methodology to set rates for new drugs, medical supplies and nursing procedures which are not currently being charged to patients.

III. COST ALLOCATION

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

III. Cost Allocation

Background

A major reason for this study was the Hospital's concern that costs, including hospital overhead, exceeded charges in many of the patient service departments. In order to determine the propriety of rates charged, it was believed that the Hospital needed to have an ongoing methodology with which to internally assess allocated costs and the corresponding rates charged for departmental services. There are several benefits to the consistent use of such an ongoing methodology. These include:

- Identification of financial results by department so that rate increases can be varied by department. This will, over time, allow for a more equal matching of department rates with the costs of providing such services. Across-the-board rate increases will serve to increase the disparity of the various department results.

- The ability to assess changes from year to year in the relationship of departmental revenues and expenses and therefore to measure progress by department.

- A quantifiable basis from which to substantiate requested rate increases.

It is important to note that a comparison of departmental costs and revenues does not result in the final departmental profit or loss. Not all payors pay full charges. There are additional departmental write-offs which further affect departmental profits and losses. Notable examples include Medicare and Medicaid, which limit their payments, and insurance companies that have historically denied certain charges. This concept is discussed further in Section IV which describes the Net Income Realization (NIR) Model and New Rate Structure Development.

Cost allocation refers to a method by which all Hospital expenses of overhead departments, i.e., non-revenue producing departments, are reasonably allocated to the appropriate patient service, or revenue producing, departments. The terms cost and expenses are assumed to be interchangeable for purposes of this report.

Existing Methodology

Medicare has historically required the annual filing of the Medicare cost report. This report determines reimbursable cost based on Medicare regulations and is the basis by which Medicare and the Hospital settle up any differences between such reimbursable cost and interim payments received by

the Hospital during the year on an estimated basis. Included in the cost report methodology is a step-down cost allocation (Worksheets B and B-1) used as a means of allocating overhead department costs to revenue producing departments. This methodology involves developing certain statistics for each overhead department as a basis for allocating each department's costs to other departments. After all overhead department costs have been allocated, the revenue producing department costs include their allocated share of all hospital overhead. The result is a more realistic depiction of total departmental costs, as the various overhead departments are a necessary part of the operation of a hospital.

Recommended Methodology

Deloitte & Touche recommends that the Hospital utilize the general Medicare cost allocation methodology to determine departmental costs. We have developed a Lotus-based model to assist the Hospital to this end. Benefits of utilizing this general methodology include:

- The methodology has been in existence approximately 25 years and is generally accepted.

- The Hospital already develops departmental statistics which can be utilized. Additional work is, therefore, kept to a minimum.

- A totally new methodology would be unproven, open to criticism and require substantially more additional work by Hospital staff than the recommended methodology.

- The methodology allows for the segregation of physician revenues and expenses from Hospital service revenues and expenses.

The cost allocation methodology and model are described below. There are several notable differences between the recommended methodology and the requirements under Medicare regulations. These differences generally relate to the elimination of certain costs under Medicare regulations which are not eliminated under our recommended methodology. We are not suggesting that Medicare regulations be ignored for purposes of preparing the Hospital's cost report. For purposes of comparing departmental costs with revenues as a means to establish rate increases, all costs should be included. Major exceptions to Medicare regulation requirements include the following:

- Physician Payments

  Payments to physicians for patient care services are eliminated from Hospital costs under Medicare methodology. This is because physicians services are paid by Medicare under a different system than hospitals and such payments are not cost-based.

Our recommended methodology includes expenses related to payments to physicians for patient care services, but segregates such expenses within each applicable department. In this way, most overhead allocations are applied to the department, not the physician services, and it is possible to compare physician charges with physician costs in the same manner as with other departmental charges and costs.

- Unfunded Pension Costs

  Medicare regulations require the elimination of costs associated with the Hospital's unfunded pension costs because they will not be paid within the next year.

  Our recommended methodology includes such costs because they are an actuarially determined liability of the Hospital. This is an expense that will have to be funded eventually, either through rates or subsidies, and should be included in the determination of total Hospital costs.

- Government of Guam Expenses

  Because the Government of Guam is a related party to the Hospital, Medicare allows documented expenses of the Government, which relate specifically to the Hospital, to be included in reimbursable costs of the Hospital. This is true even though such expenses are not reflected on the books and records of the Hospital.

  Our recommended methodology excludes such costs because they are neither the obligation of nor paid by the Hospital. Therefore, in establishing rates, such expenses should not be included.

Cost Allocation Methodology and Model

Preliminary drafts of the model methodology and related output were discussed with Hospital personnel in December 1991. It was agreed that the recommended methodology was practical, relatively easy to use, and provided the necessary documentation to support allocated departmental costs.

The recommended methodology and how the model incorporates such methodology are described below. Sample printouts of applicable sections of the model referred to below are included in the Appendix as Exhibit I.

The model will operate in any version of Lotus 1-2-3, preferably version 2.3. Additionally, the various print commands are set up for optimal use on a laser printer. We understand this will not require any additional expenditure by the Hospital.

Menu System

The model includes a series of menus to allow for ease of use. The menus include the following main sections:

- Input To access appropriate sections for the input of departmental expenses and indirect expenses, departmental revenues, other operating revenue, reclassifications, statistics and other data.

- Review To review on the screen grouped expenses, grouped revenue, allocated cost, the departmental ratios of cost to charges (RCC) and other data.

- Print To print any or all of the categories described above.

- Save To save the file with a designated file name.

The menu system is controlled by a series of macros. The only macro command that need be memorized is Alt-Z, which will return the user to the main menu from anywhere on the spreadsheet.

While we have attempted to build a reasonable amount of flexibility into the model, there is the distinct possibility that, at some point in the future, some modifications to the model will be desired or required. The model is simple enough that a user with a solid intermediate knowledge of Lotus, and familiarity with the cost allocation methodology, should be able to make any required changes.

Input Section

The input section of the model has been designed to correspond with the Hospital's general ledger organized by department. This general ledger lists all accounts in account number order and is ideal for summarizing the Hospital's direct departmental expenses, patient revenues, other indirect expenses and other operating revenues.

The input section lists each department name and the first four digits of the corresponding account number for each department. For example, the first expense department listed in the Input Section of Exhibit I is Board of Trustees. The account number is 6-000, which is the first four digits of all expense accounts included in the Board of Trustees department.

Expenses

Two amounts are required to be input for each expense department and an additional amount may be input, as follows:

- Salaries, which includes all accounts where the last three digits are from 111 through 117, are a required input.

- Benefits, which includes all accounts where the last three digits are from 121 through 125, are an optional input.

- Total Department Expense, which is provided as a sub-total for each department on the general ledger, is a required input.

The remaining column in this section, Other Expense, is computed automatically.

Also included in the expense section are accounts which are classified as Other Indirect Expenses and Depreciation Expenses.

Depreciation expense represents the cost of the Hospital's buildings and equipment over the estimated useful lives of the applicable assets. While depreciation is not a cash expense, cash was expended up front for every building, renovation project and piece of equipment. By including Depreciation expense in the cost allocation methodology for use in setting rates, the Hospital will be reflecting the cost of these assets as they are used, rather than in the year of purchase.

To exclude depreciation expense from the cost allocation is to ignore that a cash investment was required for each asset purchased. If the Hospital's rates were to be increased to the point where the Hospital breaks even, such rates would include a means of recapturing the past investment in depreciable assets. Even then, the rates would not be adequate to fund future investments in assets. The Hospital would have to consistently show overall profits to be able to internally fund future asset purchases.

Revenues

Similar to expenses, the revenue input section is also listed by general ledger account number with the department name listed. Required input for patient revenues is the amount of inpatient and outpatient revenues in the applicable column of the Input Section (see Exhibit I). There are additional lines in the model to accommodate revenue from physician billing which are not currently being billed.

Other revenues, which include those accounts beginning with the numeral 9, also require input. These revenues are generally used to reduce expenses in corresponding departments. In addition, this section requires additional input items, as follows:

- Cafeteria meal charge. On the same line as Cafeteria revenues in the Other Revenues input section, there is a place to enter the average charge for a patient-equivalent meal when purchased in the Cafeteria. The current average charge was determined to be $5.10. This is used to compute a dietary statistic for Cafeteria meals which are equivalent to a typical patient meal.

The following items are input in the Drugs and Supplies input section:

- Direct medical supplies expense. The actual expense related to CSR chargeable supplies should be entered. This input includes account numbers 6-311-401 and 6-311-404. This amount will be used to assist in setting rates for new supplies (supplies not previously used or not currently charged for).

- The current year collection rate for CSR supplies from the NIR 1 report, which is further discussed in Section IV of this document. This is also used to assist in setting rates for new supplies.

- Direct drugs expense. The actual expense related to drugs sold to patients should be entered. This input is account number 6-530-403. This amount will be used to assist in setting rates for new drugs (drugs not previously used or not currently charged for).

- The current year collection rate for Pharmacy from the NIR 1 report, which is further discussed in Section IV of this document. This is also used to assist in setting rates for new drugs.

- The current year collection rate for inpatient nursing units (Adults and Pediatrics) from the NIR 1 report, which is further discussed in Section IV of this document. This is used to assist in setting rates for nursing procedures.

Reclassifications

This section is used to reclassify certain expenses to a more appropriate cost center or to segregate certain expenses. Copies of supporting workpapers describing the computation of the reclassifications will be provided to Hospital personnel under separate cover. The following is a description of the reclassifications we identified and incorporated into the model for the Hospital's fiscal year 1991.

- Segregate Cafeteria expenses from Dietary. All expenses are currently grouped in one general ledger department. However, similar to the Medicare cost report, there are different statistics used to appropriately allocate Dietary and Cafeteria, as further discussed in the following Statistics section. This reclassification was based on an available analysis of hours worked and a review of cost allocations between the departments in prior years.

- Reclassify Anesthesiologist salaries and benefits related to patient care services to a separate line on the cost allocation model. As described previously, physician expenses are included in this allocation but are segregated from other department expenses. Amounts were derived from a physician time analysis already prepared for use in the Medicare cost report.

- Because the remaining expense in the Anesthesiology department after the above reclassification is minimal, it was reclassified to the Operating Room department.

- Most contracted physician expenses are included in the applicable department on the general ledger. These expenses, to the extent they related to patient care services, were reclassified to segregate them from other department expenses. Amounts were derived from a physician time analysis already prepared for use in the Medicare cost report.

- Physician employees, other than Anesthesiology described above, are expensed in the Medical Director department on the general ledger. These salaries and benefits, to the extent they related to patient care services, were reclassified to the applicable department where services are performed, but segregated from other department expenses. The portion of salaries and benefits for these same physicians that did not relate to patient care services was reclassified to the applicable department.

- Documentation for prior year encumbrances (account 9-003) paid during the current year were analyzed for major expense categories. An electric bill for $50,676 was reclassified to the Maintenance department and a Radiology maintenance contract for $104,400 was reclassified to Radiology. The balance of this account was made up of a large number of relatively small items (generally under $10,000) and was reclassified to Administration.

- Documentation for expired inventory items written off during the year were analyzed for major expense categories. The majority of the expired items were drugs or medical supplies and were reclassified as such. The balance of this account was reclassified to Administration.

It is important to note, however, that additional reclassifications are likely to be necessary in the future, and Hospital personnel should be alert to identify such and incorporate them into future cost allocations. More than any other single area, new reclassifications may require formula changes in the cost allocation model.

Statistics

The cost allocation statistics are an integral part of the process. The statistics are what determines how the expense of the overhead departments is allocated to the revenue producing departments.

As discussed previously, most statistics to be utilized on the model are consistent with those required on the Medicare cost report. The statistics we have recommended that are not currently utilized on the Medicare cost report have proved readily available with little or no extra effort required. Similar to the Reclassifications, copies of statistical summaries utilized in the model for fiscal year 1991 will be provided to Hospital personnel under separate cover.

The statistics recommended and the corresponding departments used for allocation are as follows:

Statistic Used:	Departments:
Square footage	Depreciation-Building Maintenance and Repairs
Equipment Depreciation by Department	Depreciation-Equipment
Gross Salaries (4)	Employee Benefits (1) and Personnel
Accumulated Cost (4)	Administration
Gross Revenues (4)	Business Office (2) HCRS (2)
Number of Phone Lines	Communications Center (2)
Costed Requisitions	Procurement (2) Central Supply (3) Pharmacy (3)
Pounds of Laundry Used	Laundry and Linen
Time Spent (Departmental Surveys)	Housekeeping Medical Records Social Services
Number of Patient Equivalent Meals Served	Dietary
Full-Time Equivalents (FTEs)	Cafeteria
Nursing Hours Worked	Nursing Administration

Notes:

(1) Includes only employee benefits not directly assigned to departments.

(2) Department is generally included in Administration on cost report. It is recommended to be kept separate for this cost allocation as more appropriate cost allocation statistics are available.

(3) Allocation based on costed requisitions is dependent on the proper matching of revenues and expenses. Currently, all CSR and Pharmacy expenses are being allocated to Medical Supplies Sold to Patients and Drugs Sold to Patients, respectively.

(4) Separate statistics do not need to be gathered. Statistics are generated from expenses or revenues input on the model.

Print-outs of statistical summary forms for the applicable departments are included in Exhibit II of this document. These are Lotus-based documents which can be used manually as a form to input from or, preferably, be combined with the cost allocation model to allow for automatic statistical updates.

Department Grouping

The numerous general ledger departments are grouped on the cost allocation model, similar to groupings performed on the Medicare cost report. The departments listed above in the Statistics section represent the grouped overhead departments used in the allocation. For reference, below is a summary matching all general ledger departments, indirect expense line items and other revenue line items with the grouped departments used in the cost allocation:

Department for Cost Allocation	General Ledger Department
Depreciation-Building	Depreciation-Building
Depreciation-Equipment	Depreciation-Equipment
Employee Benefits and Personnel	Hospital Education
	Personnel
	Annual Leave
	Unfunded Retirement Contr.
	Employee Physical Exam
Administration	Board of Trustees
	Administration
	Volunteers
	Planning
	Safety
	Medical Director
	Data Processing
	General Accounting
	* Recovery of PY Expenses
	Bank Charges
	* Other Misc. Revenue
	* Interest Income
	* Assess. of Liq. Damages
	Prior Year Encumbrances (partial)
	Expired Inventory (partial)
Business Office	Patient Affairs
	Admissions
	* Returned Check Svc Chg
	* Recovery from Write-Off
	* MIP $5 Cost Share

* Represents revenue or a reduction of expense. Therefore, expenses used in the cost allocation are net of non-patient service revenues.

Department for Cost Allocation	General Ledger Department
Communications Center	Communications Center
Procurement	Procurement and Supply
Maintenance and Repairs	Maintenance Office
	Bio-Medical
	Boiler
	Carpentry
	Electrical
	General Repairs
	Grounds Maintenance
	Painting
	Plumbing
	Refrigeration and A/C
	Welding
	Prior Year Encumbrances (partial)
Laundry and Linen	Laundry and Linen
Housekeeping	Housekeeping
Dietary	Dietary (partial)
	* Dietary Sales
Cafeteria	Dietary (partial)
	* Cafeteria Sales
Nursing Administration	Nursing Administration
Central Supply	Central Supply Room
	Expired Inventory (partial)
Pharmacy	Pharmacy
	Expired Inventory (partial)
Medical Records	Medical Records
	Medical Library
	* Medical Records Revenue
HCRS	HCRS
Social Service	Social Service
Adults and Pediatrics	Medical/Surgical
	Obstetrics
	Pediatrics
	Surgical Ward
ICU	ICU and CCU
	Medical Telemetry
Nursery	Nursery
	Intermediate Nursery
	NICU
Skilled Nursing	Skilled Nursing
Operating and Recovery Room	Operating Room/PAR
Labor and Delivery Room	Labor and Delivery
Anesthesiology	Anesthesia
Radiology	Radiology
	Nuclear Medicine
	Prior Year Encumbrances (partial)

* Represents revenue or a reduction of expense. Therefore, expenses used in the cost allocation are net of non-patient service revenues.

Department for Cost Allocation	General Ledger Department
Laboratory	Laboratory
	* Morgue Revenue
	* Laboratory Services
Cardiopulmonary	Cardiopulmonary
Physical Therapy	Physical Therapy
Hemodialysis	Hemodialysis
Emergency Room	Emergency Room

* Represents revenue or a reduction of expense. Therefore, expenses used in the cost allocation are net of non-patient service revenues.

Several of the departments listed above include more than one unit or more than one type of service. The model will allow for segregation of such units or types of service if and when all revenues, expenses, patient statistics and cost allocation statistics reflect such units or services separately. The applicable units or services are as follows:

Obstetrics
Pediatrics
Medical/Surgical
Surgical Ward **

ICU & CCU
Medical Telemetry

Nursery
Intermediate Nursery
NICU

Radiology
Nuclear Medicine
CT Scanner
Ultrasound

Cardiopulmonary (Respiratory Therapy)
EKG/EEG

** General ledger expenses include this unit called the Surgical Ward. Detailed revenue code data has a Medical Unit, but nothing referred to as a Surgical Ward.

Results of Cost Allocation for Fiscal Year 1991

After all input sections have been accurately completed, the model groups the expenses and revenues as described above, allocates the overhead department costs based on the statistics used, and summarizes the relationship between costs and charges for each department. Summarized data, included in Exhibit I, includes the following:

- Ratio of cost to charges (RCC). This represents the relationship between fully allocated departmental costs (including overhead cost allocations) to departmental revenues. Ratios less than 1 indicate charges exceed costs (prior to Medicare and Medicaid contractual allowances, bad debts and other uncollected charges). Ratios greater than 1 indicate costs exceed charges. These ratios are then utilized in the NIR model to factor in the effects of individual department realization and determine gross revenue increases necessary to reach the breakeven point. This process is further discussed in the Section IV, New Rate Structure Development.

  NOTE: It is likely that cost-to-charge ratios will change significantly in some departments over the next two to three years as the data supporting this methodology is refined and improved. Additionally, any rate changes implemented, which may vary from department to department, will impact future cost-to-charge ratios, as will the rate of departmental expense increases. This is, in effect, a self-correcting mechanism of the recommended methodology that will adjust required departmental rate increases in the future.

- Comparison of indirect (overhead) expenses allocated to each department as a percentage of direct departmental expenses. This data provides the basis for future trend analysis of major changes in departmental expenses.

- Mark-up ratios for selected departments, which can be compared to industry norms for the United States or selected states. Mark-up ratios are the inverse of cost-to-charge ratios; a cost-to-charge ratio of 0.50 results in a mark-up ratio of 2.00 (two dollars of revenue for every one dollar of fully allocated cost).

- Specific mark-up ratios for Medical Supplies, Drugs and Nursing Procedures to be used in the recommended methodology for establishing rates for new supplies and drugs. These ratios are based on the relationship of total allocated costs to the cost of direct supplies and drugs sold during the year. This recommended methodology is further discussed in Section IV, New Rate Structure Development.

Findings

We used data for the Hospital's fiscal year ended September 30, 1991. This was based on the Hospital's departmental general ledger for that period dated October 21, 1991 and known adjusting entries from that date through December 10, 1991.

As previously noted, the Hospital's concern over departmental losses was a key factor in seeking this analysis. Because rates were not increased during fiscal year 1991, departmental results (the relationship between departmental revenues and expenses) generally deteriorated. The Hospital's cost report for the fiscal year ended September 30, 1990, dated January 15, 1991, reflected losses in all inpatient units and Operating Room, Physical Therapy, Hemodialysis and Emergency Room.

The 1991 data based on the cost allocation methodology reflects losses in all inpatient units, Operating Room, Anesthesiology, Physical Therapy and Emergency Room. Anesthesiology consists of physician expense, and is, therefore, excluded from the cost report. Virtually every department experienced an increase in their RCC. Continued deterioration in departmental results can be expected unless substantial rate increases, as further described in Section V, are implemented. The cost allocation model also highlights physician services to patients being performed in several departments without appropriate billing for such services. These departments include Skilled Nursing, Labor & Delivery, Radiology and Laboratory, with Radiology and Laboratory being the most significant.

Below are the 1991 departmental ratios of cost-to-charge based on the recommended methodology. Again, these indicators of departmental profit (less than 1) or loss (greater than 1) are before Medicare and Medicaid contractual allowances, bad debts and other uncollected charges, which averaged approximately 26 percent of gross revenues during fiscal year 1991.

Hospital Department	Ratio of Cost to Charge
Adults and Pediatrics	1.392
ICU	1.959
Nursery	1.058
Skilled Nursing	5.221
Operating & Recovery Room	1.096
Labor and Delivery Room	.618
Radiology	.908
Laboratory	.813
Cardiopulmonary	.488
Physical Therapy	2.237
Medical Supplies Charged	.839
Drugs Charged	.690
Hemodialysis	.852
Emergency Room	2.281
Physician Services	
Skilled Nursing	N/A-No Billing
Labor & Delivery	N/A-No Billing
Anesthesiology	1.035
Radiology	N/A-No Billing
Laboratory	N/A-No Billing
Emergency Room	.721

It should be noted that, even though physician fees are billed for Anesthesiology and Emergency Room, these fees are not billed for services performed for Medicare patients, resulting in foregone revenues.

The RCC for Skilled Nursing stands out as being exceptionally high. There are a number of reasons for this. The daily room rate is low by industry standards at $82.19. The expenses for this unit are also high by industry standards for several reasons. As a department in the hospital, overhead expenses are allocated to Skilled Nursing as to any other department. However, hospital overhead tends to be much higher than it would be for a separate nursing home facility. Skilled Nursing is located in a nursing unit designed for acute care. There is much more space per bed allocated to this unit than would typically be expected in a separate nursing home facility. Finally, the staffing for this unit, based on direct departmental cost, appears to be similar to the Hospital's acute care nursing units. Conversely, in spite of the high costs resulting from the cost allocation process, the Hospital is utilizing available space to provide a necessary community service. Many of the patients in this unit, requiring custodial or intermediate care nursing services, do not have a choice of using alternative facilities due to the lack of nursing home beds on Guam.

Important Issues

As mentioned previously, the ratios of costs to charges are likely to fluctuate in some departments, especially over the next two to three years, as cost allocation data is refined and improved, revenue rate increases are implemented and expenses continue to escalate. When the Hospital compares departmental cost-to-charge ratios each year, these factors should be taken into account.

For this cost allocation methodology to work optimally, it is very important that hospital expenses, revenues and statistics be recorded in the proper departments. For example, some nurses may work in more than one department or may move from one nursing unit to another full time. It is critical that their wages be expensed to the actual department(s) worked for the cost allocation data to be as accurate as possible. It is also important that revenues and expenses be matched in the appropriate departments. Using Central Supply as an example, if the revenue from all supplies sold remains in Central Supply, then all the expenses associated with the supplies sold should be applied to Central Supply. Conversely, if the supply revenue is allocated to the department where the supply is used, the expenses associated with Central Supply should be allocated accordingly. We recommend the hospital review their internal systems to verify and document the matching of departmental revenues and expenses.

Revenue departments on the cost allocation model are based on the departmental groupings of general ledger revenue accounts as previously described. As discussed in Section IV, a data download of all Hospital charge codes was performed from the Hospital's detail revenue codes on the data processing system. This data included the utilization of each charge code by payor and the current rate charged for each charge code. The resulting revenue from this analysis is required to be used in the NIR models. However, revenue departments in the Hospital's detailed charge system differ somewhat from the general ledger departments. Therefore, the

revenue departments listed in Section IV and V reflect the descriptions from the detailed charge system, rather than the grouped revenue departments described in this section.

Following is a comparison, based on discussions with Hospital personnel, of the grouped revenue departments from the cost allocation model and the departments utilized from the detailed charge system. RCCs generated in the cost allocation model were applied to each of the comparison departments listed.

Cost Allocation Departments	Revenue Departments	Charge System Departments
Adult and Pediatrics (Inpatient Units)	Obstetrics	Obstetrics
	Pediatrics	Pediatrics
	Medical/Surgical	Medical/Surgical
	Surgical Ward	Medical Unit
ICU	ICU and CCU	ICU and CCU
	Telemetry	Medical Telemetry
Nursery	Nursery	Nursery
	NICU	Intermediate Nursery
		NICU
Skilled Nursing	Skilled Nursing	Skilled Nursing (SNF)
Operating Room/PAR	Operating Room	Operating Room
		Cast Room
Labor and Delivery	Labor and Delivery	Labor Room
Anesthesiology	Anesthesiologist	Anesthesia Costs
Radiology	Radiology	X-Ray
	Nuclear Medicine	Nuclear Medicine
Laboratory	Laboratory	Laboratory
		Lab Blood Administration
		Laboratory Off Island
Cardiopulmonary	Inhalation Therapy	Inhalation Therapy
	EKG/EEG	EKG, EEG, EMG
Physical Therapy	Physical Therapy	Physical Therapy
	Occupational Therapy	Occupational Therapy (1)
Medical Supplies	CSR	CSR Supplies (2)
		Gelfoam CSR Item
		Patient Equipment
Drugs Charged	Pharmacy	Pharmacy
		Pharmacy Codes
Hemodialysis	Hemodialysis	Hemodialysis
Emergency Room	ER Physician Services	Emergency Room
	Emergency Room	(Physicians)
	Doctor's Visit	ER Items
	Consultation	Medical Summary

(1) Also listed as "Physical Therapy" in detailed charge codes.
(2) There are two separate detailed charge codes named "CSR Supplies".

This schedule will assist the reader in reconciling the departments presented and Hospital personnel in updating this analysis in the future. The Hospital should consider consolidating and standardizing the detail revenue charge codes to match the general ledger presentation of revenues.

Each charge code in the Hospital's Fee Schedule contains a three-digit Uniform Billing (UB) code. These UB codes are required for Medicare billing and are printed on the Hospital's computerized billing forms. Some UB codes on the Fee Schedule do not match the detailed revenue charge code department in which they reside. For example, the Medical Summary department includes the charge code for the Alternate Birthing Center (ABC) Room. We were advised that Medical Summary revenues are attributable to the Emergency Room, however, the UB code for the ABC Room charge is 722, which reflects a Delivery Room charge. The ABC Room charge code should reside in the Labor Room Department of the detailed revenue charge codes.

Some chargeable medical supplies, with the proper UB code of 270, reside in other detailed revenue charge code departments such as Operating Room or Inhalation Therapy. We recommend the Hospital review the Fee Schedule for proper UB coding and departmental classification of charges.

We compared patient revenues on the Hospital's general ledger to patient revenues from the detailed fee schedule activity. Overall, total revenues agreed to within 0.15 percent. However, certain departmental revenues did not reconcile nearly as well. The most significant case was between Obstetrics (one of the inpatient units) and Labor & Delivery. Labor & Delivery revenue on the general ledger exceeded Labor & Delivery revenue on the detailed fee schedule activity by approximately $580,000, while Obstetrics revenue on the general ledger was less than that on the detailed fee schedule activity by approximately $580,000. Similar instances occurred in other departments for much smaller amounts. We used the general ledger revenue amounts for purposes of determining the Hospital's departmental ratios of cost-to-charges, but we recommend the Hospital investigate the internal revenue coding mechanisms as described in the preceding paragraphs to assure accurate departmental revenue recognition.

While the Hospital is hoping to eventually establish rates at a level to cover their costs in each department, there are some practical considerations to be addressed. The Hospital is unique in that there is truly no local competition and, therefore, no competitive facility with which to compare rates. Most hospitals do not breakeven or make a profit in all departments. While it is a worthwhile goal to eliminate, or at least lessen, the disparity in departmental profitability, it is not realistic to assume that GMHA will ever be in a position to breakeven or profit in all departments. To the extent that there are losing departments, these funds need to be made up in other, profitable departments. Consequently, as further discussed in Section V, we do not recommend the Hospital reduce rates or keep them unchanged in the few profitable departments.

IV. NEW RATE STRUCTURE DEVELOPMENT

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

IV. New Rate Structure Development

Introduction

Deloitte & Touche has developed a cost-based pricing methodology for Guam Memorial Hospital which combines the results of departmental net revenue determinations with cost allocation results in order to provide an overall pricing strategy that:

- Identifies target areas for cost containment;
- Presents information regarding the individual profit or loss contribution of the twenty-four primary revenue-producing departments at the Hospital;
- Provides a necessary alternative to "across-the-board" pricing increases which do not consider the specific financial or operating environments of individual services or resolve the financial constraints presented to GMH.

The cost-based rate structure which is proposed assesses required pricing modifications on a departmental level and provides weighted average percentage increase scenarios.

Development of Payor Information

During the 1991 fiscal year, the delivery of patient care services at GMH resulted in the generation of revenue from 118 varying payor classifications. These payor classifications consist of insurance companies, Medicare and Medicaid, and various government entities (e.g. FSM) who reimburse the Hospital for medical care provided to their citizens. A particular insurance company may reimburse GMH for care provided to its customers who are inpatients, outpatients or skilled nursing facility patients. Given this possible scenario, one payor may contribute to the volume in each of the three major classifications outlined below. The following information reflects payor classification results at GMH for the 1991 fiscal year:

43	Inpatient (IP) Payors
59	Outpatient (OP & HA) Payors
16	Skilled Nursing Facility (SNF) Payors
118	Total Payors

A download of patient billing information from the 1991 fiscal year to the Deloitte & Touche Net Income Realization Model was then accomplished in order to develop and confirm the gross and net revenue contribution of each different payor to the Hospital's financial performance. The patient services gross revenue payor contribution by patient classification is as follows:

Inpatients	$28,202,524
Outpatients	15,928,947
Skilled Nursing Facility Patients	805,021
Total	$44,936,492

It is important to note that the total gross charges of approximately $45 million reflects patients services revenue only and does not include ancillary sources of revenue such as gift shop sales and cafeteria sales. The Deloitte & Touche NIR 2 report in Exhibit III provides a comprehensive listing of the gross patient services revenue contribution by each of the 118 payors that have been identified. Subsequent to the determination of gross revenue amounts, Deloitte & Touche worked closely with Guam Memorial Hospital Business Office personnel in order to determine third party payor payment methodologies and the associated net cash remuneration to the Hospital.

Payment Methodologies and Contractual Allowance

GMH is reimbursed for services rendered and supplies used. Reimbursement comes from many sources (referred to as payors) such as the individuals, insurance companies and government entities which comprise the 118 payors of the Hospital. The simplest case occurs when a hospital invoices an individual for a service and the individual pays (or reimburses) the Hospital for the billed amount when he/she is invoiced. In this case the realization is 100 percent because the Hospital is reimbursed 100 percent of its charges (i.e., it realized 100 percent of charges). Most often, however, a payor such as GMHP, FHP or Medicare reimburses GMH less than 100 percent of charges. The difference between what is charged and what is reimbursed is identified as the contractual allowance. Subsequent sections of this report present the critical nature of the contractual allowance at GMH in connection with the cost-based rate setting methodology. The following is a brief discussion of the four different types of reimbursement categories applicable to GMH and the impact these methodologies have on contractual allowance and realization. Of note is the fact that the reimbursement methodologies which are employed for a specific payor in the Deloitte & Touche Net Income Realization Model attempt to correlate with the payment results rather than with the terms (written or unwritten) of the payor agreement. For example, even though commercial insurers are generally expected to pay the Hospital based on billed charges, many do not remunerate the Hospital 100 percent of billed charges. This is a result of the fact that some charge amounts are deemed "excessive" by the insurers and therefore payment to GMH is denied.

Other charges will be denied by insurance companies for billed services which are not covered under their policy. Notwithstanding this policy by the insurance companies, the Hospital remains committed to its mission of providing quality health care to all individuals without making distinctions between a particular patient's type of insurance coverage or their ability to pay denied charges from their own pocket. Given this practice, certain payors are classified, for purposes of the NIR model, as "DFC", or Discount From Charges even though the contractual arrangement or unwritten agreement does not have a fixed, inherent discount amount which is considered as part of the payment methodology to the Hospital.

The lack of written contracts specifying payment terms between the Hospital and major insurance companies/HMOs could well be a disadvantage to the Hospital in aggressively pursuing reimbursement for denied charges.

Guam Memorial Hospital is unique in that it is reimbursed by a very large component of its payor base on a charge-based payment methodology. This is evidenced by the segmentation of payment methodologies which characterize GMH's payor base. Mainland hospital providers are reimbursed by a relatively small percentage of charge-based payors (i.e., insurance companies). Typically charged-based payors make up between 25 and 40 percent of the payor base due to the fact that Medicare pays mainland hospitals for inpatients on a fixed-fee, predetermined basis and Health Maintenance Organizations (HMOs) typically pay on a per diem or capitated methodology based on negotiated contracts. Theoretically, a high percent of charge-based payors is optimal because it implies that a hospital is reimbursed at an amount which is equal to its established prices for patient care that is delivered. Although this occurs among charge-based payors at mainland providers, the scenario at Guam Memorial Hospital is quite different. The descriptions which follow and elaborate on the payor methodology at GMH illustrate that a large majority of the Hospital's reimbursement is charge-based. However, the charge-based payors in Guam are different in that they do not reimburse the Hospital dollar for dollar for health services which are provided. Therefore, despite an initial review which would indicate advantages to GMH as a result of its high charge-based payor mix, the denial rate of payments by insurance companies to the Hospital serves to undermine GMH's financial stability.

The 118 payors which have been identified are segmented in the following manner with respect to their effective payment methodology to the Hospital:

Reimbursement Category	Payor Total
Per Diem	2
Discount From Charge	76
Full Charge	37
Capitation	3
Total	118

It is important to note that the reimbursement categories assigned above are not determined on the basis of any contractual agreement between the payor and provider but instead reflect the results of Hospital collections for its 1991 fiscal year. An example would be the GMHP insurance company. In theory, GMHP reimburses the Hospital on the basis of its full patient charge amounts. In practice, however, the Hospital only collects approximately 80 percent of its GMHP charges (refer to Table 2 later in this Section). The 20 percent "write-off" or contractual allowance amount essentially translates into actual Hospital reimbursement that is a discount from the total charge that is assessed. The frequency of this scenario is evidenced in the table above which indicates that 76 payors effectively remunerate the Hospital based upon a discount from charge methodology.

The four general reimbursement methodologies which apply to Guam Memorial Hospital are described below:

- Per diem - This methodology is neither cost or charge based. Under this methodology, payors reimburse a hospital a set amount for each day a covered patient is in the hospital. Medicaid effectively pays the Hospital on a per diem basis.

- Discount from Charges (DFC) - This is a charge based reimbursement methodology. The payor reimburses the hospital for the patient's charges less a negotiated or effective discount. The discount may vary from one charge code to another or may be consistently applied to all charges attributable to that payor.

- Full Charge - This is a charge based methodology. Under this methodology, payors reimburse hospitals at or very close to 100 percent of charges.

- Capitation - Under this methodology, a payor reimburses the Hospital a pre-negotiated amount for each of the payor's customers who designate the Hospital as their provider, regardless of the amount of services or supplies the customers receive from the Hospital. Capitation is neither a cost nor charge based methodology. Medicare effectively pays the Hospital on a capitated basis for inpatients because the Hospital has historically exceeded TEFRA reimbursement limits.

Three other categories of reimbursement either do not apply to GMH due to the unique operating environment which exists on Guam or are not a significant component of overall rates:

- Ratio of Cost to Charge (RCC) - This is a cost based methodology. Payors using this methodology determine a ratio of cost to charges for every department. Based on this ratio, they reimburse the hospital a ratio (or percentage) of the charge from each department. Medicare, for example, generally uses this methodology for TEFRA-based inpatient and outpatient reimbursement, subject to certain limitations which impact the effective reimbursement method at GMH.

- DRG - Remuneration based on each patients' diagnosis that characterizes Medicare inpatient payments to mainland facilities.

- Cost Plus - Remuneration is not applicable due to the absence of any reimbursement based upon the cost of a procedure plus a prenegotiated premium over cost.

The contractual allowance at Guam Memorial Hospital is thus a function of the payment terms (i.e., discount from charges, full charge) through which the many payors reimburse for medical service and supplies rendered.

Crossovers and Reclassifications

A key component of the cost-based rate setting methodology involves the calculation of net cash reimbursement (or net revenue) paid to GMH by the various payors. This is required because, as illustrated above, contractual allowances exist whenever the Hospital does not receive a portion of the amount which is billed. The matching of net revenue to the gross revenue provided by the original chargemaster, or fee schedule, proved to be a very complex task at Guam Memorial Hospital. This is primarily due to crossovers and reclassifications which occur as a result of payor adjustments that are made by the Business Office after an initial bill is issued. An example of this may be an individual who entered GMH under the premise that medical services rendered would be reimbursed through Medicare. However, due to the nature of services rendered or a technicality in the patient's Medicare qualification status, it is realized after patient discharge that a different type of insurance (perhaps VA or a commercial payor due to all inclusive spousal insurance coverage elsewhere) is applicable for payment purposes.

The result of this process is one set of Hospital data that provides gross revenue figures based upon initial payor classification and another set of data that provides net revenue figures based upon payor reclassifications which have been made for various reasons by the Business Office. The Hospital should implement improved processes which allow for an efficient, reconcilable matching of gross and net revenue payor information by engaging in either of the following:

- Coding adjustments to the Hospital original chargemaster which reflect the crossovers that are subsequently determined.

- Improving the process whereby the determination of patient payor information at the time of either admission or discharge from the Hospital is completed with a much greater level of certainty than currently exists. This would result in a significant reduction in the occurrence of crossovers and improve the ability to match cash receipts with gross revenues by payor.

In addition, net revenue data was collected by the Hospital on an aggregate level. Once Deloitte & Touche performed the reconciliation of gross and net revenue, the allocation of net reimbursement into payor classifications was performed strictly on a pro rata basis. This is due to the fact that for each payor, gross revenue was segmented by the three major patient classifications: Inpatient, Outpatient, and SNF. Net revenue was not segmented by the three classifications but instead determined as a lump sum amount. Net revenue was then allocated among the three patient classifications based upon the corresponding percentage factor that comprised the gross revenue figure.

Notwithstanding the data constraints which were presented, the reconciliation and pro rata allocation tasks were conducted so that meaningful financial results could be inferred. The results of the analysis were compared against general ledger financial results and empirical data concerning individual payor contractual allowances in order to confirm the reasonableness of the Deloitte & Touche findings.

Payor Financial Results

For the 1991 fiscal year, the aggregate results of the Deloitte & Touche patient services revenue analysis indicate that Guam Memorial Hospital's net reimbursement for services provided amounted to less than 74 percent of actual gross charges:

Table 1
Guam Memorial Hospital Authority
FY 1991 Revenue Analysis

Description	Amount	Percent
Gross Revenue (Charges)	$44,936,492	100.00%
Net Revenue (Actual Reimbursement)	32,957,166	73.3
Resulting Contractual Allowance (uncollected charges)	$11,979,326	26.7%

Stated differently, more than twenty-six cents out of every dollar charged by GMH was not collected due to contractual allowances comprised of Medicare and Medicaid reimbursement limitations, bad debts, write-offs, and insurance coverage policies which denied payment to the Hospital for medical services provided to individuals in need of health care. Results from a sample of GMH's primary payors, based on the data available as described above, are as follows:

Table 2
Guam Memorial Hospital Authority
FY 1991 Selected Payor Revenue Analysis

Payor Description	Gross Revenue	Net Revenue	Contractual Allowance
Inpatient:			
Aetna Casualty	$ 85,026	$ 68,576	19.35%
Blue Cross	208,059	129,307	37.85
Connecticut General	96,297	64,049	33.49
GMHP	6,080,232	4,885,234	19.65
HML	747,300	549,549	26.46
Self-Pay	5,473,977	2,424,564	55.71
Staywell	1,836,112	1,113,861	39.34
Outpatient:			
GMHP	2,949,510	2,369,818	19.65
Government/Mental Health	193,990	182,331	6.01
Self-Pay	3,065,842	1,357,940	55.71
Medicare	3,159,140	2,883,174	8.74
Staywell	1,112,956	675,165	39.34

It is significant to note that one of the Hospital's largest payors, the self-pay group, remunerates GMH less than one-half of its charges.

The result of the significant level of contractual allowances indicates that even if GMH bills its patients at a level which equals costs and expenses incurred in the delivery of medical care to its patients, a large imbalance would remain between actual net revenue collections and aggregate expenses. In 1991, an $11.98 million shortfall existed between patient services billings and collections.

The average contractual allowance (uncollected charges) for mainland hospitals is approximately 33 percent. However, it is not appropriate to assume that GMH's lower contractual allowance percentage results in improved financial standing as compared with mainland providers. This is due to two factors:

- The pricing structure and charge amounts at GMH are generally lower than mainland hospitals even though underlying cost structures in Guam and on the mainland appear to be similar. Therefore, the 26.7 percent contractual allowance figure at GMH is not a relevant basis for comparison because the higher collection rate for the Hospital applies to a significantly lower charge structure. Some comparisons of GMH and mainland charges are presented in Sections V and VI of this report.

- The charge-based payors at mainland hospitals reimburse providers at a rate of almost 100 percent of all charges. As a result, any price increases result in additional payment to the provider. Mainland providers are typically not confronted with situations in which charge-based payors deny payment to the Hospital on the basis that the charges are arbitrarily deemed "excessive". If GMH's charge-based payors truly paid full charges, a significantly lower contractual allowance would result.

An additional matter which relates to the deductions from revenue at GMH concerns the fact that formal contractual agreements governing payment rates do not exist between the Hospital and insurance companies/HMOs. This situation is of critical importance because, in the absence of stipulated payment methodologies, it appears that the insurers enjoy the unfair benefit of not paying the Hospital full charge amounts. Concurrent with this practice of denying payment to GMH, the insurers are raising their insurance premiums that Guam's citizenry must pay while the Hospital has maintained its prices at 1988 levels. It is the practice of mainland hospitals to affiliate with a particular insurer only after a detailed contractual agreement has been outlined which clearly presents the binding payment terms to the Hospital.

Departmental Financial Results

There are twenty primary patient services-related revenue producing departments at Guam Memorial Hospital. They are as follows based on the Hospital's detailed revenue codes:

- Anesthesia
- Cast Room
- CSR Supplies
- Dietary
- EKG, EEG, EMG (Cardiac Services)
- Emergency Room
- Emergency Room Items
- Hemodialysis
- Inhalation Therapy
- Lab Blood Administration
- Labor Room
- Laboratory
- Laboratory Off Island
- Medical Summary
- Nuclear Medicine
- Operating Room
- Pharmacy
- Physical Therapy
- Room and Board
- X-Ray

These twenty revenue areas accounted for $44,929,443 in gross patient services billings for fiscal 1991. Six other revenue centers accounted for $7,049 in gross billings for the same period. Given the disparity in revenue contribution, they are classified separately:

- EKG
- EMG
- Gelfoam CSR Items
- Patient Equipment
- Pharmacy Entry Codes
- Therapy

Each of the twenty-six revenue centers at GMH has a series of individual procedure charges which comprise the service regimen of a particular department. For example, the Pharmacy Department has a procedural charge for each of the more than 1,400 medications that are provided to patients while the Anesthesia Department has charges for only seven different types of physician charges and "surgeon assistance fees". In total, the Hospital has approximately 3,200 different procedural level charges in its patient chargemaster system. Although not an uncommon amount, the 3,200 figure is somewhat below the number of various charges for a typical hospital similar in size to GMH.

The Deloitte & Touche Net Income Realization Model (NIR) allowed for a combined analysis of each of the Hospital's 3,200 procedural level charges against the 118 different payor classifications that comprise the FY 1991 gross revenue base. This resulted in the ability to develop theoretical net revenue reimbursement figures for all patient services which are rendered. Previously, when the Hospital received a payment from any payor for services provided to a patient by several different departments (i.e., X-Ray, CSR Supplies, Anesthesia, etc.), it was not practical to allocate the cash received to the departments providing service to that patient. However, the NIR model's allocation methodology enables just such a financial allocation to occur. When the financial results of the individual procedures are aggregated and "rolled up" to a departmental level, it enables the determination of net revenue (actual cash collections and reimbursement) on a departmental basis. The ability to reasonably determine net revenue on a departmental basis is fundamental to the cost-based rate setting methodology. It has been noted previously that GMH realized $32,957,166 on gross patient services revenue of $44,936,492 for FY 1991. The individual results by the twenty-six revenue centers are as follows:

Table 3
Guam Memorial Hospital Authority
Departmental Revenue Analysis

Department	Gross Revenue (Original Revenues)	Net Revenue (Original Reimbursement)	Realization
Anesthesia Costs	$ 377,228	$ 275,241	73.0%
Cast Room	23,477	14,912	63.5
CSR Supplies	2,517,286	1,830,732	72.7
Dietary	42,643	33,111	77.6
EKG	47	33	71.3
EKG, EEG, EMG	455,855	330,035	72.4
Emergency Room	1,616,220	1,091,622	67.5
Emergency Room Items	1,363,292	913,766	67.0
EMG	113	90	80.3
Gelfoam CSR Item	1,564	1,134	72.5
Hemodialysis	2,851,204	2,430,492	85.2
Inhalation Therapy	3,200,979	2,395,358	74.8
Lab Blood Administration	71,963	53,714	74.6
Labor Room	2,700,761	1,938,530	71.8
Laboratory	4,594,514	3,297,646	71.8
Laboratory Off Island	136,746	94,676	69.2
Medical Summary	138,076	83,807	60.7
Nuclear Medicine	149,564	111,661	74.7
Operating Room	3,411,231	2,474,313	72.5
Patient Equipment	2,171	1,393	64.2
Pharmacy	5,677,762	4,338,266	76.4
Pharmacy Entry Codes	229	156	68.3
Physical Therapy	429,682	326,359	76.0
Room and Board	11,657,834	8,463,348	72.6
Therapy	2,925	2,003	68.5
X-Ray	3,513,128	2,454,768	69.9
Total	$44,936,494	$32,957,166	73.3%

Typical of many acute care providers, GMH experiences very high realizatio: rates in the area of hemodialysis services. In this revenue cente: department the Hospital collects more than 85 cents on every dollar o: services that is charged. Conversely, less than 70 percent of billed charge: was collected for radiology (x-ray) services. The departmental variances ar: representative of the different patient classifications in each area (i.e. inpatient versus outpatient) and the unique payor mix with respect to the 11: different payor classifications that determine the net revenue for eac: department.

Incremental Realization

Incremental Realization (IR) is the percentage increase in net revenue that the Hospital may anticipate in connection with a corresponding increase in charges (gross revenue). Stated differently, the incremental realization percent answers the question: "For every dollar that prices (gross revenue) are increased, what is the anticipated net reimbursement (cash collections) that the Hospital will receive?"

It has been noted that the Hospital actually collects less than 74 cents on every dollar of billed patient services. However, the 73.3 percent realization which has been established (refer to Tables 1 and 3) is not an appropriate basis for determining collections on any incremental charges which are billed. This is due to the fact that the reimbursement basis on some payors is not contingent upon Hospital charges (the "payment methodology" paragraph of this section elaborates on this matter). Therefore, if a payor reimburses GMH on the capitation methodology, a price increase would not result in increased net revenue due to the fixed fee nature of the payor's reimbursement to the Hospital. There are currently five major payors whose reimbursement methodology to GMH is not related to patient charges. These payors are as follows:

- Inpatient Map/Medicaid
- Inpatient Medicare
- Inpatient Veterans Administration
- Skilled Nursing Facility Map/Medicaid
- Skilled Nursing Facility Medicare

The extent to which these payors comprise the payor mix of the various procedures and departments (revenue centers) will directly affect the difference between the current realization and the incremental realization. For example, it would be anticipated that the labor room would have a minimal amount of patients with Medicare insurance while operating room patients would be comprised of a greater percent of Medicare recipients.

The calculation of Departmental Incremental Realization percentages is based on the output of the NIR 3 Report from the Net Income Realization Model (refer to sample NIR 3 reports in Exhibit IV). This report lists the gross and net revenue contribution of each of the possible 118 payor classifications on a segmented basis by department. A brief analysis of the IR determination for anesthesia costs will serve as an illustration which applies to all 26 revenue centers. The following data is utilized in our analysis (refer to Exhibit IV and Table 3):

- Anesthesia Original Revenues of $377,228
- Anesthesia Original Reimbursement of $275,241
- Realization of 73.0% (275,241/377,228)
- Noncharge-based Payor Net Revenue Amounts:

Inpatient Map/Medicaid	$18,548
Inpatient Medicare	9,657
Inpatient Veterans Administration	191
SNF Map/Medicaid	0
SNF Medicare	145
Total	$28,541

The $28,541 represents the net revenue base within Anesthesia that i comprised of payors whose reimbursement to GMH is not based upon any pric changes. Therefore the reimbursement from these payors will remai unchanged, regardless of any price increases or decreases. As note previously, this includes the per diem and capitation payment methodologies The $28,541 is then subtracted from the Original Reimbursement in order t isolate the net revenue for only the charge-based payors. This revise figure is matched against the original gross revenue amount for the purpos of determining the incremental realization percentage. The following data i employed to perform this calculation:

- $275,241 - $28,541 = $246,700 of charge-based payor departmental ne revenue

- $246,700/$377,228 = 65.40%

Thus, the departmental incremental realization for Anesthesia calculates t 65.40%. Therefore, even though empirical data suggests that the Hospita collected 73.0 percent of all charges to date ($275,241/$377,228), ar additional or incremental price increases will yield a collection rate c only 65.40%. The IR percentages will need to be updated annually.

The IR calculation is also fundamental to the cost-based pricing methodolo because it serves as a key component from which required gross revenue pric increases are based.

Ratio of Costs to Charges (RCC)

The RCCs which are presented in Section III of this document are the fina component which is required for the development of the cost-based pricir methodology. The RCC figure provides for the implied, fully allocated cost of each department at Guam Memorial Hospital. Implied cost amounts ar necessary so that they may be compared against departmental net revenu numbers to yield departmental profit or loss results. Refer to Section II of this report for a detailed discussion of the departmental RC calculations.

Cost-Based Pricing Methodology - Existing Charges

The individual components and bases for the New Rate Structure Development are described in detail in the previous paragraphs of this section of the report. The actual formula for the development of the cost-based pricing methodology is presented in the four-step process which is outlined below:

Step 1.
Gross Charges (Original Revenues)
x Ratio of Costs to Charges (RCC)
= Implied Departmental Costs

Step 2.
Implied Departmental Costs
- Actual Net Revenue (Original Reimbursement)
= Net Departmental Operating Loss

Step 3.
Net Departmental Operating Loss
+ Incremental Realization

= Breakeven Gross Charges Required Increase

Step 4.
Breakeven Gross Charges Required Increase
÷ Original Gross Charges (Original Revenues)

= Required Percentage Departmental Charge Increase for Breakeven Results

The process which applies the formula to the revenue departments of the Hospital is outlined in detail in Section V.

V. DEPARTMENTAL OPERATING RESULTS

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

V. Departmental Operating Results

The process entailed in the Deloitte & Touche cost-based pricing methodolog is significantly different than previous pricing analyses and resultan "across-the-board" pricing allowances which have been permitted by the Gua Legislature. Instead, the detailed, departmental approach attempts t evaluate on a specific basis the individual components which comprise th financial structure of Guam Memorial Hospital. An assessment of GMH on a aggregate pricing and profit/loss level does not allow for specific financia problem solving and cost to charge management. Similarly, "across-the-board pricing increases do not take into account the unique payor mixes and patien profiles which are specific to each department at the Hospital. Eac operating department at Guam Memorial Hospital generates varied financia results due to differences in the type and volume of patients served and i the type of services provided. An example would entail a comparison of th reimbursement characteristics of the Skilled Nursing Facility with those o the Physical Therapy Department. The Skilled Nursing Facility patien profile consists exclusively of inpatients whose insurer is quite ofte either Medicare or Medicaid. Conversely, the Physical Therapy Departmen works primarily with Hospital outpatients whose underlying insurance coverag is more likely to be GMHP or one of the other private insurers on the island The financial differences between the departments are also affected b underlying, department-specific costs. The labor costs in one department ma be largely contingent upon registered nurse wage rates while anothe department's labor cost structure might be based upon technician or clerica wage rates.

The analyses with respect to the Ratio of Cost-to-Charges in Section III an the net revenue and incremental realization determinations in Section I allow for the development of net operating gains or losses on a departmenta basis. The process outlined in this section illustrates and utilizes th Deloitte & Touche cost-based rate setting methodology and presents "breakeven analysis" with respect to the departmental losses which occurre during the 1991 fiscal year. Although the immediate, near-term objective c breakeven operating results on a departmental basis may not be eithe reasonable or achievable, the analysis is conducted in this manner for th purpose of presenting a starting point for prospective financial planning an possible legislative adjudication and approval of the methodology and proces of any charge modifications. The realization of breakeven operating result on a departmental level will be difficult to achieve on the basis of 199 financial information due to market sensitivity issues. Table 8 within thi Section illustrates that seven areas would require substantially greater tha a 100 percent charge increases in order for net revenue to at least equa fully allocated departmental costs, including uncollected charges (i.e. breakeven results). The implementation of very large price increases would

be difficult to maintain given the great concern which would most likely b voiced by the Hospital's patients and insurers. The breakeven analysis i presented to offer guidelines with respect to the achievement of departmenta financial objectives. It is therefore appropriate that some department continue to generate profits at GMH and offset the losses of othe departments. However, a gradual and phased-in implementation of th cost-based pricing methodology will serve to reduce departmental operatin losses over time and in turn support the future financial viability of Gua Memorial Hospital.

The analysis which follows illustrates the first two steps in the developmer of the Cost-Based Pricing Methodology for existing charges:

- Step One - Gross revenue multiplied by the Ratio of Cost-to-Charges i order to calculate Implied Departmental Costs

- Step Two - Implied Departmental Costs (re-stated as Net Revenu Breakeven Point) Minus Actual Net Revenue in order to calculate Ne Departmental Operating Gains or Losses

Step One

The results are presented below in Table 5. The EKG and EMG revenue center are excluded due to their minimal combined gross revenue contribution o $160.

Table 5
Guam Memorial Hospital Authority
Departmental Implied Costs Calculation

Department	Gross Charges	Ratio of Costs to Charges	Implied Departmental Costs
Anesthesia	$ 377,228	1.035385	$ 390,576
Cast Room	23,477	1.095549	25,720
CSR Supplies	2,517,286	0.839148	2,112,376
Dietary	42,643	0.839148	35,784
EKG, EEG, EMG	455,855	0.488143	222,522
Emergency Room	1,616,220	0.721210	1,165,634
Emergency Room Items	1,363,292	2.281283	3,110,055
Gelfoam CSR Item	1,564	0.839148	1,312
Hemodialysis	2,851,204	0.851652	2,428,234
Inhalation Therapy	3,200,979	0.488143	1,562,535
Lab Blood Administration	71,963	0.813461	58,539
Labor Room	2,700,761	0.617592	1,667,968
Laboratory	4,594,514	0.813461	3,737,458
Laboratory Off Island	136,746	0.813461	111,238
Medical Summary	138,076	2.281283	314,990
Nuclear Medicine	149,564	0.907700	135,759
Operating Room	3,411,231	1.095549	3,737,171
Patient Equipment	2,171	0.839148	1,822
Pharmacy	5,677,762	0.690094	3,918,189
Pharmacy Entry Codes	229	0.690094	158
Physical Therapy	429,682	2.237296	961,326
Therapy	2,925	2.237296	6,544
X-Ray	3,513,128	0.907700	3,188,866
Room & Board*	7,601,501	1.392195	10,582,772
SNF*	399,197	5.220518	2,084,015
ICU/CCU/Med Telem*	2,188,552	1.958779	4,286,890
Nursery*	1,468,584	1.057887	1,553,596
Total	$44,936,334		$47,402,049

* The availability of additional cost and revenue data allowed for th segmentation of Room and Board into the major sub-categories noted above.

The results of the first step of the cost based rate setting methodolo analysis indicate that (excluding the Room and Board sub-categories) or third of the 24 primary revenue centers have a gross charge structure whic is actually below the level of departmental costs. This is indicated by Ratio of Cost-to-Charges figure which is greater than 1.00. However, it wil be noted that this does not translate into profitable operating results fc the remaining two-thirds of the departments.

Of note is the fact that the predominant dollar value of costs in excess c charges occurs in the direct patient care departments such as the operatir room, SNF, ICU/CCU and Medical Telemetry areas and the other inpatier nursing units.

Step Two

The second step of the cost-based rate setting methodology involves th calculation of departmental profits or losses for the most recently complete fiscal year. The results indicate operating losses in 19 of the 24 primar patient services revenue departments. The departmental operating deficit are further emphasized by the fact that all of the sub-categories under th Room and Board classifications experienced significant operating losse during the 1991 fiscal year. The departmental operating margins ar presented below and are calculated as a result of determining actua departmental net revenue and operating costs:

Table 6
Guam Memorial Hospital Authority
Departmental Contribution Margins

Department	Implied Departmental Costs	Actual Net Revenue	Net Departmental Operating Profit (Loss)
Anesthesia	$ 390,576	$ 275,241	$ (115,335)
Cast Room	25,720	14,912	(10,808)
CSR Supplies	2,112,376	1,830,732	(281,644)
Dietary	35,784	33,111	(2,673)
EKG, EEG, EMG	222,522	330,035	107,513
Emergency Room	1,165,634	1,091,622	(74,012)
Emergency Room Items	3,110,055	913,766	(2,196,289)
Gelfoam CSR Item	1,312	1,134	(178)
Hemodialysis	2,428,234	2,430,492	2,258
Inhalation Therapy	1,562,535	2,395,358	832,823
Lab Blood Administration	58,539	53,714	(4,825)
Labor Room	1,667,968	1,938,530	270,562
Laboratory	3,737,458	3,297,646	(439,812)
Laboratory Off Island	111,238	94,676	(16,562)
Medical Summary	314,990	83,807	(231,183)
Nuclear Medicine	135,759	111,661	(24,098)
Operating Room	3,737,171	2,474,313	(1,262,858)
Patient Equipment	1,822	1,393	(429)
Pharmacy	3,918,189	4,338,266	420,077
Pharmacy Entry Codes	158	156	(2)
Physical Therapy	961,326	326,359	(634,967)
Therapy	6,544	2,003	(4,541)
X-Ray	3,188,866	2,454,768	(734,098)
Room & Board	10,582,772	5,586,438	(4,996,334)
SNF	2,084,015	323,972	(1,760,043)
ICU/CCU/Med Telem	4,286,890	1,620,476	(2,666,414)
Nursery	1,553,596	932,462	(621,134)
Total	$47,402,049	$32,957,043	$(14,445,006)

The net operating losses of $14.4 million clearly indicate the significar shortfall in the comparison of actual collections (i.e., net revenue) wit departmental costs. Due to the effect of the significant contractua allowances which characterize the financial environment within which acut care providers must operate, an assessment of gross patient services revenu is not an appropriate measure for determining the financial viability of healthcare institution. In the absence of significant charge increases th $14.4 million deficit shown above could easily grow at a rate c approximately $3.75 million per annum based on the recent Guam average CI for Medical Care as described in Section II. This amount could increase at substantially higher rate due in part to recently mandated salary increases.

Given that the dynamics of GMH's operating environment vary greatly from on year to the next, it would not be appropriate to consider addressing th increasing operating deficit with a lump sum governmental subsidy or a fiv year schedule of price increase allowances. Rather, the Hospital shoul utilize this methodology annually to assess the current status o departmental results and to determine appropriate rate increases for the nex year. If price increases are established years in advance, they are no likely to accurately reflect changes in operating conditions which wil undoubtedly occur in the interim.

The following observations are made with respect to departmental operatin losses:

- Despite the fact that most departments have costs which are below gros charge amounts, the consideration of contractual allowances results i costs in excess of net reimbursement.

- A typical acute care profit center such as Hemodialysis has departmental profit margin of only one-tenth of one percent.

- A significant portion of operating losses are comprised of deficits i the Room and Board and Operating Room Departments.

The appropriate course of action in response to the departmental operatin losses involves the achievement of a balance between those areas with positive contribution margin (Pharmacy, Inhalation Therapy, etc.) and th majority of departments which experience net operating losses. A flexibl phased-in approach of pricing changes may not be able to completely alleviat departmental operating losses but it will serve to bring many area significantly closer to breakeven results. Given the majority of department do realize operating losses, those areas with positive contribution margin should maintain their existing charge structures and allow for increase based on expense inflation in order to provide some offset to the net revenu shortfall which exists on the aggregate Hospital-wide level.

The remaining two steps in the cost-based rate setting methodology allow fc the translation of departmental operating deficits into required percentag departmental charge increases to achieve breakeven results:

- Step Three - Net departmental operating loss divided by the incrementa realization percentage (as defined in Section IV) equals the gros charges required increase.

- Step Four - The required increase in gross charges is then divided b original department gross revenue in order to determine the require percentage increase for breakeven results.

Step Three

The capitalizing of the departmental operating results by the incremental realization percentage results in the required gross charge increase in order to achieve breakeven results. Prior to the illustration of the analysis, it is important to note that the Deloitte & Touche methodology does not institute price decreases for those departments currently experiencing a positive operating margin, i.e., Inhalation Therapy, Labor Room, etc. It is believed that the current positive margins experienced by these departments are critical to minimizing the gap between costs and net revenue and provide an important basis for the financial viability of the Hospital. As a result of the positive margins experienced by five of the departments at GMH pricing increases based only on historical expense inflation appears to be appropriate in these areas.

Additionally, the focus on departmental breakeven results does not constitute a legislative request for the required pricing increases contained herein. Instead, the charge increases which are needed for breakeven results are presented simply as a scenario from which additional financial planning and pricing opportunities may originate.

The results from step three are presented below:

Table 7
Guam Memorial Hospital Authority
Gross Charges Required Increase

Department	Net Departmental Operating Loss	Incremental Realization	Gross Charges Required Increase
Anesthesia	$ 115,335	65.40%	$ 176,354
Cast Room	10,808	62.24	17,365
CSR Supplies	281,644	58.22	483,757
Dietary	2,673	47.47	5,630
EKG, EEG, EMG	0	64.88	0
Emergency Room	74,012	67.02	110,433
ER Items	2,196,289	67.03	3,276,576
Gelfoam CSR Item	178	68.99	259
Hemodialysis	0	81.83	0
Inhalation Therapy	0	56.49	0
Lab Blood Administration	4,825	62.28	7,747
Labor Room	0	61.28	0
Laboratory	439,812	62.24	706,639
Lab Off Island	16,562	62.87	26,343
Medical Summary	231,183	60.04	385,049
Nuclear Medicine	24,098	65.53	36,774
Operating Room	1,262,858	65.31	1,933,636
Patient Equipment	429	57.53	745
Pharmacy	0	65.16	0
Pharmacy Entry Codes	2	56.33	4
Physical Therapy	634,967	62.52	1,015,622
Therapy	4,541	59.25	7,664
X-Ray	734,098	66.07	1,111,092
Room and Board	4,996,334	53.63	9,316,304
SNF	1,760,043	42.56	4,135,440
ICU/CCU Medical Telemetry	2,666,414	51.28	5,199,715
Nursery	621,134	57.38	1,082,492
Total	$16,078,239		$29,035,640

Of note is the fact that the net departmental operating loss is restated a $16,078,239 versus the lower figure in Table 6 due to the exclusion of th positive contribution margin by five of the departments. These department are identified in the table above by the designation of "zero" in th departmental operating loss column.

The financial results of step three, as illustrated in Table 7, indicate tha because of contractual allowances and the resultant incremental realizatio percentages, a gross charges increase of approximately $29 million i necessary in order to realize the $16.1 million of net revenue that i required in order to achieve breakeven results in the operating department which are currently losing money.

Step Four

The fourth and last step in the cost-based pricing methodology involves tl determination of the required charge increase to meet financial objectives In this circumstance, the analysis proceeded under the premise that breakev results may eventually be desired by Guam Memorial Hospital.

For purposes of this analysis, a five year phase-in percentage is al determined. Due to the compounding effect that this approach creates, t phase-in percentages are slightly less than one-fifth of the aggregat one-time amount. The Hospital must decide if the five year phase-in reasonable. All departments need not be on the same phase-in schedule. T five year phase-in percentages are presented to allow the Hospital understand the impact of slower, though still potentially significan revenue increases. Exhibit V is a printout of a Lotus model (which will provided to Hospital personnel) which combines RCCs from the Cost Allocati Methodology (Section III) with results of the NIR model (Section IV) compute rate increases required to breakeven by department. The results step four are presented below:

Table 8
Guam Memorial Hospital Authority
Required Percentage Departmental Charge Increases

Department	Gross Charges Required Increase	Original Gross Charges	Required % Increase	Five Year Phase-In %
Anesthesia	$ 176,354	$ 377,228	46.75%	7.97%
Cast Room	17,365	23,477	73.97	11.71
CSR Supplies	483,757	2,517,286	19.22	3.58
Dietary	5,630	42,643	13.20	2.51
EKG, EEG, EMG	0	455,855	0.00	0.00
Emergency Room	110,433	1,616,220	6.83	1.33
ER Items	3,276,576	1,363,292	240.34	27.76
Gelfoam CSR Item	259	1,564	16.54	3.11
Hemodialysis	0	2,851,204	0.00	0.00
Inhalation Therapy	0	3,200,979	0.00	0.00
Lab Blood Administration	7,747	71,963	10.77	2.07
Labor Room	0	2,700,761	0.00	0.00
Laboratory	706,639	4,594,514	15.38	2.90
Lab Off Island	26,343	136,746	19.26	3.59
Medical Summary	385,049	138,076	278.87	30.53
Nuclear Medicine	36,774	149,564	24.59	4.50
Operating Room	1,933,636	3,411,231	56.68	9.40
Patient Equipment	745	2,171	34.33	6.08
Pharmacy	0	5,677,762	0.00	0.00
Pharmacy Entry Codes	4	229	1.58	0.31
Physical Therapy	1,015,622	429,682	236.37	27.46
Therapy	7,664	2,925	262.03	29.35
X-Ray	1,111,092	3,513,128	31.63	5.65
Room and Board	9,316,304	7,601,501	122.56	17.35
SNF	4,135,440	399,197	1,035.94	62.58
ICU/CCU Medical Telemetry	5,199,715	2,188,552	237.59	27.55
Nursery	1,082,492	1,468,584	73.71	11.68
Total	$29,035,640	$44,936,334	64.62%	10.48%

The results indicate that on a one-time, weighted average basis, GMH would be required to institute a 64.62 percent pricing increase within its core operating departments. Deloitte & Touche recognizes that the implementation of such a significant increase may not be realistic in the short-term given the pricing concerns that are held by the citizenry and legislature of Guam. When requesting legislative approval of future rate increases, the Hospital must balance these concerns with the financial performance of the Hospital and the fact that the required breakeven revenue increases presented do not reflect future expense inflation. Conversely, any improved efficiencies in charge capture of currently adjudicated items, as discussed in Section VII of this document, will serve to dampen future required breakeven revenue increases.

Table 8 indicates that on a weighted average basis, a five year phase-in fc breakeven results would entail a 10.48% annual price increase. This figur is provided only for purposes of understanding the aggregate impact of th required price increases. The implementation of equal across-the-board pric increases at GMH would serve to undermine the purpose of the cost-base pricing methodology. The financial success of any hospital involves "bottom-up" approach in which individual departments which comprise tota operations are continuously evaluated. "Across-the-Board" increases woul only result in continued and increased losses in many operating department because the methodology would ignore the unique payor mix and reimbursemer components of each separate service area of GMH.

It is also important to note that the required breakeven revenue increases c not reflect future expense inflation but instead represent a scenario base upon 1991 fiscal year results. Stated differently, the price increase presented on Table 8 are in real dollar terms and would require furthe adjustment based upon cost increases that result from inflationary pressures The Guam CPI for Medical Care may be an appropriate bench mark with respec to determining needed price increases on top of the percentage change indicated on Table 8. As discussed in Section II of this document, the CP for Medical Care averaged 7.93 percent from 1986 through 1990. Therefore, i the Hospital decided to utilize the five year phase-in schedule presente above (updated annually to take into account changes in operations), th minimum departmental rate increase would be 7.93 percent for those fe departments currently operating at a profit. Losing departments would ad 7.93 percent to the five year phase-in amount presented in Table 8. Fc example, the first year rate increase in Laboratory would be 10.83 percen (7.93 + 2.90). Radiology would increase 13.58 percent (7.93 + 5.65) an Acute Care Room and Board Charges would increase 25.28 percent (7.93 17.35).

From Table 8, several key departments can be identified as those requirin the largest revenue increases to breakeven and those with the mos significant revenue impact on the Hospital. These include all of th inpatient units and Emergency Room services (described as "ER Items" on th revenue codes).

Several recent project files were reviewed to provide a basis for comparisc to typical mainland rates for these services. Presented below for selecte charges are GMH's current rate inflated for the five year phase-in amount and expense inflation factor described above, the typical mainland rat derived from our review, and the percentage increase that would be require for GMH, even after the first year increase, to get to the typical mainlan rate.

Department	Inflated GMH Charge	Typical Mainland Charge	Percent Increas Require
Routine Inpatient	$287.02	$ 350	21.94
ICU	831.40	1,000	20.28
Medical Telemetry	512.30	800	56.16
Nursery	117.96	200	69.55
Intermediate Nursery	358.83	400	11.47
Nursery ICU	734.01	1,000	36.24
SNF	140.14	130	(7.24
Emergency Room	39.65	50*	26.10

* Typical Emergency Room charge is based on a Limited visit. Man hospitals have five levels of charges based on the level of service similar to the various charge levels GMH currently has in place fo Emergency Room Physician fees. In ascending order, levels of servic are often referred to as Brief, Limited, Intermediate, Extensive an Critical Care, the first three categories being the most common.

In most of the departments listed above, the percent increase required to ge to a typical mainland rate is higher than the five year phase-in amount show on Table 8, but lower than the total rate increase required for the Hospita to breakeven.

The most notable exception is SNF, the Skilled Nursing Facility. Th analysis shows a 1,036 percent increase is required for the department t breakeven, which would result in a daily charge of over $900. As discusse in Section III of this document, SNF costs, including allocated overhead, ar very high for a number of reasons. However, it will be hard to justify rate equal to or greater than the routine inpatient care rate due to th lower level of care typically provided in the SNF. This is a good example o why it makes sense for the Hospital to continue to make a departmental profi in certain departments. In the current operating environment, it is unlikel that the SNF department will ever approach a breakeven level.

Hospital management will be required to use proper judgment when requestin rate increases in situations such as this.

VI. NEW CHARGE IDENTIFICATION AND DEVELOPMENT

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

VI. New Charge Identification and Development

The cost-based pricing methodology which has been developed by Deloitte Touche also serves as a basis for the development of new charges which a introduced to the Hospital's Fee Schedule. Patient chargeable items at Gu Memorial Hospital can be categorized into four primary classifications:

- Pharmacy Charges
- Supplies Charges
- Procedure and Equipment Charges
- Sterile Supply and Equipment Charges

The cost-based pricing methodology is based upon empirical direct expen cost statistics for each of the first three classifications which a outlined above. Section III of this document describes the data required f developing these charges.

It is important to note that subsequent to the first year in which an item introduced as a new charge, its future pricing will be dictated by t departmental pricing structure which is outlined in Section V of the repor Therefore, the cost-basis which determines what to charge for servic rendered at GMH only applies to the first fiscal year during which t charges are implemented.

The recommended mark-up rate discussed below for medical supplies and dru is an average based on fiscal year 1991 actual allocated costs a uncollected charges. It may be unrealistic, however, to use this mark- rate for higher cost items due to the high absolute dollar margin that c result. An example would involve a medical supply item with a $200.00 co basis. The 5.343 mark-up rate which has been calculated and described bel would therefore result in a suggested patient charge of $1,068.30, with absolute dollar margin of $868.30. This dollar margin may understandably perceived in the market place as excessive and could result in third par payor denials. Deloitte & Touche recommends the implementation of capitation policy in which a mark-up price relative to a supply cost n exceed an absolute dollar margin of, for example, $500.00. Implementation such a capitation policy would result in a charge of $700.00 for an item wi a $200.00 cost basis. This is $368.30 below the price that would be dictat by the 1992 mark-up schedule. The $500.00 absolute mark-up would therefo place a flat rate ceiling on all supply items with a cost basis greater th $115.13. Similarly a possible capitation policy for drugs would be a marg limit of $200. Based on the 2.756 recommended mark-up factor discuss below, this would impact all drugs with a cost basis greater than $113.90.

While the absolute mark-up limits discussed here are reasonable compared t our experience in mainland hospitals, they are arbitrary by their ver nature. However, by limiting the mark-up in these situations the resultin charges will be conservative based on the cost allocation methodology.

Pharmacy Charge Methodology

The average mark-up of pharmaceuticals for the 1991 fiscal year reflected charge which was an average of 2.98 times greater than the cost of the iten sold. This average mark-up figure is higher than the "2.15 times" mark-u which is currently employed in Pharmacy due to previous pricing methodologie that were perhaps implemented outside of the current schedule.

The proposed, cost-based Deloitte & Touche methodology dictates that a 2.7 mark-up be applied to new drugs to match revenues with total costs, includin contractual allowances, based on the results of the cost allocation and NI analysis. This mark-up amount is actually less than the average departmenta mark-up rate of 2.98 which has been noted above. The Deloitte & Touch methodology will result in a different required mark-up rate each year however, due to changing medication expenses and allocation costs across th entire Hospital. The critical factor for this and other new pricin methodologies is that consistency in the applied methodology exist from yea to year. New mark-up rates will invariably change, but the fundamenta methodology should consistently drive the pricing determinations of ne charges. The Pharmacy Department medication mark-up rate formula, which i included in the cost allocation model, is therefore calculated as follows:

Adjusted Allocated Costs
÷ Direct Drug Costs
= Total Mark-up Required for Breakeven

The direct drug cost figure is a straightforward amount which simply reflect the aggregate product cost to GMH for pharmaceutical items charged for in th delivery of patient care. This amount is input into the cost allocatio model as discussed in Section III. Adjusted allocated costs are developed a follows:

Direct Costs of Pharmaceuticals
+ Pharmacy Department Overhead Expense
+ Hospital-Wide Overhead Factors
+ Departmental Write-Offs/Bad Debt
= Adjusted Allocated Costs

Pharmacy Department Overhead Expense is simply all direct expenses, includin labor, that are expensed to the Pharmacy Department on the general ledger other than the actual cost of drugs sold, plus the cost of expired inventor expensed. The calculation of the Hospital-wide overhead expense, which i also outlined in Section III of report, recognizes that there are man indirect expenses relating to Physical Plant, Administrative Expenses Housekeeping, etc. that are also inherent in the costs of Pharmac operations.

The departmental write-off/bad debt amount is also a necessary expense consideration due to the fact that the Pharmacy experiences a contractual allowance of approximately 24 percent on all of its billings. This figure is calculated as follows:

FY 1991 Departmental Gross Revenue (Charges)
x (1 - Departmental Realization)
= Departmental Write-Offs/Bad Debt

The application of the formulas to the financial results for pharmacy operations in order to determine the mark-up rate is as follows:

1. $5,645,652 FY Gross Revenue Per General Ledger
x (1 - .764)
= $1,332,374 Departmental Write-Offs/Bad Debt

2. $1,896,762 Direct Pharmaceutical Costs
+ 973,076 Pharmacy Department Overhead
+ 1,026,192 Hospital-Wide Overhead Factor
+ 1,332,374 Departmental Write-Offs/Bad Debt
= $5,228,404 Adjusted Allocated Costs

3. $5,228,404 Adjusted Allocated Costs
÷ 1,896,962 Direct Supplies Costs
= 2.756 Total Mark-Up Required for Breakeven

The cost-based pricing methodology for newly adjudicated pharmacy items therefore attempts to realistically reflect the fully-allocated Hospital costs which apply to existing pharmaceuticals at GMH. The figure of 2.756 which is illustrated above reflects the recommended mark-up of pharmacy items during the Hospital's 1992 fiscal year. The results could then be adjusted for the expense inflation factor as discussed in Section V.

Supply Item (CSR) Charge Methodology

The cost-based pricing methodology for medical supplies which dictates the mark-up for these items is determined in a manner which is similar to the methodology associated with the Pharmacy Department mark-up rate.

The average mark-up of medical supplies for the 1991 fiscal year reflected a charge which was 4.80 times greater than actual costs of supplies sold. However, this average mark-up figure is less than the 5.34 mark-up factor that is dictated by the Deloitte & Touche pricing model.

The medical supplies mark-up rate formula, which is included in the cost allocation model, is calculated as follows:

Adjusted Allocated Costs
÷ Direct Medical Supplies Costs
= Total Mark-up Required for Breakeven

The direct medical supplies cost figure is the amount which reflects th aggregate product cost to GMH for patient chargeable supplies charged for b the CSR Department. This amount is input into the cost allocation model a discussed in Section III. Adjusted allocated costs are developed as follows

Direct Costs of Medical Supplies
+ CSR Department Overhead Expense
+ Hospital-Wide Overhead Factors
+ Departmental Write-Offs/Bad Debt
= Adjusted Allocated Costs

CSR Department Overhead Expense is simply all direct expenses, includir labor, that are expensed to the CSR Department on the general ledger, othe than the actual cost of medical supplies sold, plus the cost of expire inventory expensed. The calculation of the Hospital-wide overhead expense which is also outlined in Section III of report, recognizes that there ar many indirect expenses relating to Physical Plant, Administrative Expenses Housekeeping, etc. that are also inherent in the costs of CSR Departmer operations.

The departmental write-off/bad debt amount is also a necessary expens consideration due to the fact that the CSR Department experiences contractual allowance of approximately 27 percent on all of its billings This figure is calculated as follows:

FY 1991 Departmental Gross Revenue (Charges)
x (1 - Departmental Realization)
= Departmental Write-Offs/Bad Debt

The application of the formulas to the financial results for CSR operatior in order to determine the mark-up rate is as follows:

1. $2,545,069 FY Gross Revenue Per General Ledger
   x (1 - .727)
   = $ 694,804 Departmental Write-Offs/Bad Debt

2. $ 529,773 Direct Medical Supply Costs
   + 537,284 CSR Department Overhead
   + 1,068,632 Hospital-Wide Overhead Factor
   + 694,804 Departmental Write-Offs/Bad Debt
   = $2,830,493 Adjusted Allocated Costs

3. $2,830,493 Adjusted Allocated Costs
   ÷ 529,773 Direct Supplies Costs
   = 5.343 Total Mark-Up Required for Breakeven

The cost-based pricing methodology for newly adjudicated Medical Supply ite therefore attempts to realistically reflect the fully-allocated Hospit costs which apply to existing medical supplies at GMH. The figure of 5.3 which is illustrated above reflects the recommended mark-up of CSR ite during the Hospital's 1992 fiscal year. The results could then be adjust for the expense inflation factor as discussed in Section V.

As noted above, both the drug and medical supply mark-up formulas a included in the cost allocation model. Only four items are required to input: actual drug costs and medical supply costs from the general ledge and the Pharmacy and CSR Department Collection Rate from the NIR 1 report.

Nursing Procedure Charge Methodology

Many equipment pieces and nursing procedures which reflect the provision care over and above the basic medical treatment which is provided in an acu care setting is not charged to patients at Guam Memorial Hospital. Th practice of not assessing charges for specialized nursing procedures does n fairly assess to each patient the costs associated with the nursing ca provided during that individual's particular admission.

Standard levels of care in a medical/surgical unit setting dictate that patient receive a certain amount of direct nursing care per twenty-four ho period. Stated differently, this would imply that for each eight ho nursing shift in the day, nursing personnel will allocate approximate one-third of the standard time for each patient, therefore resulting in standard patient to staff ratio which will vary depending on patient acui and staffing mix (the relative use of RNs, LPNs and Nurse Aides). This ev allocation of nursing time rarely occurs in practice, however, due unforeseen circumstances that surround the care required by each patien Abnormal vital signs, trauma codes, and emergency procedures such as che tube insertions can cause nursing personnel to allocate an inordinate amou of time to one particular patient. This occurs either to the detriment other patients (who may have their direct care nursing time reduced) or may significantly increase hospital costs due to the heavier nurse staffi requirements which are mandated by increased patient acuity. Addition nursing care which is required for special procedures that are n consistently or equally needed by patients should therefore be reflected an incremental charge.

Section V of this report, which applies the new rate structure development departmental operating results, indicates that the greatest dollar losses both absolute terms and in percentage required increases for breakev results occur within the Room & Board department classification. Therefor the implementation of special procedure charges in these areas is not on reasonable given the added nursing time which is required, but it will al serve to reduce the departmental operating shortfalls which currently exi in the primary nursing care departments and the amount of future Room & Boa required rate increases. The list of nursing procedure charges which a presented for adjudication in this Section serve only as a starting point f introducing a pricing structure which adequately captures specialized nursi input for individual patient medical needs.

As new technologies and procedures are introduced at GMH, the listing of special procedure charges would be modified accordingly. It should also be noted that Guam Memorial Hospital is an exception to the process whereby mainland hospitals aggressively apply charges on the nursing units for specialized nursing procedures. It is generally accepted practice to implement added charges for a process such as a lumbar puncture due to the nurse's exclusive commitment to an individual patient for the time required to complete the procedure.

The methodology that has been developed with regard to a cost-based pricing structure for nursing procedures is similar to that which has been developed for pharmacy and medical supply items. Once the direct cost of the nursing procedure has been developed, both a departmental and a Hospital-wide overhead allocation are applied. Included in the departmental overhead allocation would be expenses associated with employee benefits and other non-salary costs. The price determination process is essentially a five step process. This process is described below:

- Step One - Determine average length (in minutes) of nursing labor input required for procedure and compute in terms of percent of one hour

- Step Two - Apply time input to average hourly Registered Nurse Wage rate in order to compute direct procedural costs

- Step Three - Compute applicable nursing department write off/bad debt figures (uncollected charges)

- Step Four - Compute departmental and Hospital-wide allocated overhead amounts

- Step Five - Compute Adjusted Allocated Cost amounts and apply to direct departmental costs in order to determine the appropriate mark-up from direct costs

An example of procedure charge development could involve the Lumbar Punctures which are frequently performed on the nursing floors. The following information is employed in our analysis. The first six items are available from the cost allocation model (Section III and Exhibit I).

- Departmental Direct Salaries of $1,147,816*
- Annual Worked Hours of 58,605*
- Adult and Pediatric Total Direct Salary Expense of $3,838,804
- Total Direct Adult and Pediatric Nursing Expense of $4,438,784
- Hospital Allocated Overhead Expense of $5,436,888
- Adult and Pediatric Nursing Revenue of $7,093,601
- Departmental Realization of 72.6%**

* Represents salaries and hours of Operating Room department to more closely estimate the wage rates of RNs.

** From NIR 1 report. This collection rate can also be found in Exhibit V.

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Analysis of the aforementioned data elements indicates that the followinc mark-up factor is appropriate for the Lumbar Puncture nursing charge:

Step One - Determine labor input and compute in terms of percent of one hour:

Nursing Time Input	20 minutes
Hour Converted to Minutes	÷ 60 minutes
Percentage Hourly Input	.333 hours

Step Two - Apply time input to average hourly wage rate in order to compute direct costs:

Average Hourly RN Wage ($1,147,816 ÷ 58,605)	$19.59
Percentage Hourly Input	x .333
Direct Procedural Labor Expense	$ 6.52

Step Three - Compute applicable Adult and Pediatric nursing department write off/bad debt expense:

Gross Revenue	$7,093,601
Complement of Departmental Realization	x (1 - 72.6%)
Departmental bad debt and write-offs	$1,943,647

Step Four - Compute Total Departmental and Hospital-wide allocated overhead amounts:

Total Direct Adult and Pediatric Wage Expense	$ 3,838,804
Total Direct Adult and Pediatric Other Expenses	599,980
Hospital Allocated Overhead Expense	5,436,888
Departmental bad debt and write-offs	1,943,647
Total Adjusted Allocated Costs	$11,819,319

Step Five - Compute and apply Total Allocated Overhead to direct departmen costs in order to determine the mark-up schedule:

Total Adjusted Allocated Costs	$11,819,319
Direct Adult and Pediatric Wage Expense	÷ 3,838,804
Mark-up Percentage Required	307.9%

The mathematical computation of a 307.9% mark-up translates into a mark-u multiplier of 3.079. Therefore, the cost-based pricing methodology woul result in the following suggested charge for a nursing procedure associate with a Lumbar Puncture:

Direct Procedural Expense	$ 6.52
Mark-up Rate	3.079
Patient Charge	$20.07

Inflating for the average Guam CPI for Medical Care (7.93 percent) woul result in a new charge of $21.67.

An example of the nursing procedure formula is included in the cos allocation model. The only items required to be separately input are th Adults and Pediatrics (Nursing Units) collection rate from the NIR 1 report the procedure name and nursing time in minutes.

The Deloitte & Touche review of nursing procedures performed at Guam Memoria Hospital indicates the need for patient charge adjudication for the followir services and procedures:

- Bedside Monitor Tracking
- ABD Paracentesis
- Insertion of Subclavian
- Inter-Costal Block
- Lumbar Puncture
- Code 72 Trauma Response
- Thoracentesis
- Bone Marrow Aspiration
- Paracentesis
- Central Line Insertion
- Incision/Drainage/Wound Care
- Arthrocentesis
- Thoracotomy
- Buck Traction
- Isolation Room Charges
- Pelvic Traction
- Trapeze Traction
- Other Traction
- Suctioning
- Cardiac Monitoring
- Photo Therapy
- Steinmann Pin Insertion
- Swan Ganz Monitoring
- Arterial Line Monitoring
- Insertion of Temporary Pace Make:
- Insertion of Swan Ganz
- Cardioversion
- Gastroscopy
- Operating Room Set-up and Clean-u
- - Major Procedures
  - Minor Procedures

Nursing input for medical procedures which results from new medica technology that is introduced at Guam Memorial Hospital can also ha procedural charges developed in the manner which has been outlined Therefore, the list above should be considered as a starting point from whi additional procedure charges can be developed and applied to the Hospit rate schedule.

It is also important to note that the cost-based pricing methodology whi has been presented results in procedure charges which, although accurate reflective of GMH-specific operations, are still below typical mainla hospital charges. An obvious comparison involves the lumbar punctu procedure price of $21.67 which has been preliminarily developed. A revi of mainland hospital charges for the nursing component of the lumbar punctu procedure indicates a typical charge of $50.00, more than double the arriv at price for GMH patients. The comparison effectively serves as a check a addresses concerns about whether the cost-based pricing methodology resul in relatively high prices. Preliminary analyses indicate, however, that t cost-based pricing methodology results in relatively modest patient charg with regard to mainland hospitals. The schedule below presents some of t common nursing procedures that are patient chargeable with the correspondi typical mainland charge and the proposed GMH charge based on the co allocation methodology.

Procedure Description	Estimated Direct Nursing Time (Minutes)	Typical Mainland Charge	Propose GMH Charge
Swan Ganz Monitoring - Daily	90	$100.00	$ 97.66
Arterial Line Monitoring - Daily	30	75.00	32.57
Insertion of Temporary Pacemaker	90	150.00	97.66
Insertion of Swan Ganz	75	275.00	81.38
Cardioversion	30	200.00	32.57
Insertion of Subclavian	30	75.00	32.57
Lumbar Puncture	20	50.00	21.67
Chest Tube Insertion	40	75.00	43.43
Thoracentesis	30	75.00	32.57
Gastroscopy	60	100.00	65.10
Code 72 Trauma Response	180	250.00	195.30

The additional patient charge which can be assessed to patients who requir care in an isolated environment may be calculated in the same manner as th charge determination for nursing procedures. This is due to the fact tha medical care which is dictated by isolation room procedures involves mor nursing time than would be typically required in the normal regimen o patient care. Given this situation, isolation room care meets the criteri which justifies segmented charges for care that is not rendered on consistent and equal basis to all patients.

New Supply Charge Identification

Deloitte & Touche worked with materials management and Procurement personne at the Hospital in order to identify the comprehensive listing of items whic were released by the Procurement Department to the various department throughout GMH. An analysis was then conducted for the purpose of isolatin any medical supply and pharmacy-related items. Consistent with GMH interna policies, goods which are provided directly to the departments and bypass th CSR distribution process are generally not "patient-chargeable" but ar instead utilized as part of the normal regimen of care with the associate expenses absorbed by the Hospital.

A selection process was undertaken whereby a determination was made regardin medical supply and pharmacy-related goods that should be classified a patient chargeable items. This determination was predicated upon tw factors:

- A comparative analysis of patient chargeable, adjudicated items a mainland hospitals
- A review and subsequent identification of those items which are no utilized on an equal basis by patients

The members of the Deloitte & Touche project team have, on a combined basis, worked with more than one hundred mainland hospitals in performing various finance-related engagements. The result of this experience, along with a database that illustrates the allowed chargeable services of many acute care institutions, provides specific insight into the added charges which are potentially available for adjudication by Guam Memorial Hospital.

The second factor is very important because it establishes that only goods which are utilized on a consistently equal basis by all patients should be part of an inclusive charge. An example of items and services utilized on an equal and consistent basis by all patients would involve admission kits, linens, bed pans, two to three meals daily, and vital sign testings for blood pressure, pulse, and respirations. Beyond what is defined as part of a core group of the basic healthcare service regimen, each patient will initiate varying usage levels of supplies, drugs, and nursing services (and resultant costs for the Hospital) dependent upon individual illness and diagnosis characteristics.

Fiscal year 1991 usage rates were developed for the purpose of determining the anticipated net revenue impact to the Hospital which could result if adjudication is granted for the supplies that have been selected from the procurement listing. The usage level was estimated to be 90 percent of the supply amount actually delivered to an individual department. An assumption is made that minimum par level requirements, inventory shrinkage and inventory turnovers result in less than 100 percent utilization of goods released by the Procurement Department to the individual departments.

It has been noted that the items selected for potential adjudication consist of goods that are typically charged for by mainland hospitals and are not required on an equal basis by all patients. It is also important to note that the items selected are also closely related to supplies which are currently classified as "patient chargeable." An example of this relates to 5cc syringes. Exhibit VI, "Unadjudicated Medical Supplies and Proposed Charges," indicates an annual utilization of 61,250 and a resultant gross revenue contribution of $35,368. The 5cc syringes are not adjudicated. However, 10cc, 20cc, 40cc, and 60cc syringes all have adjudicated charges associated with them. Similarly, many other items contained in the unadjudicated medical supply listing in Exhibit VI are closely related to currently adjudicated charges at the Hospital.

The medical supplies which have been selected from the Procurement Department listing consist largely of needles, catheters, syringes, and examination gloves. These materials are all utilized in varying quantities by patients at GMH. Exhibit VI illustrates the calculation of the potential gross revenue contribution on an itemized basis. The total gross revenue contribution amount is $468,573. The incremental net revenue potential which can accrue to the Hospital as a result of adjudication is calculated as follows:

- $468,573 of additional Medical Supply billings
- CSR departmental incremental realization of 58.22%

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Analysis of the aforementioned data elements indicates that the following ne revenue impact may be anticipated:

. $468,573 x 58.22% = $272,803

Sterile Supply and Equipment Charges

There are currently a significant amount of sterile supply charges which ar adjudicated and reflect charge utilization during FY 1991. Exhibit VI illustrates the adjudicated sterilization charges and charge codes which ar included in the Hospital's legislated fee structure. Notwithstanding curren utilization levels, the Hospital employs a significant amount of steril trays, packs, and individual instruments for which no current adjudicate charge exists. The volume usage in this area is very high and the resultin financial opportunity cost to GMH is of significant value to the Hospital.

Deloitte & Touche conducted a detailed analysis of every sterilization car generated by CSR for a random three month period. The results of th quarterly analysis were then annualized in order to provide a cleare indication of the net revenue enhancement opportunity available to GMH on a aggregate yearly basis. Although the first page of Exhibit VII indicate that the existing, adjudicated sterile supply items have varying charges o between $12.05 for an I&D Tray and $51.14 for a Steinmann Pin Tray, Deloitt & Touche recommends that the Hospital request adjudication based upo specific sterile supply classification rather than for each one of the man dozen sterile equipment and supply pieces. A comparative analysis o mainland hospital sterilization charges, in addition to the existing pric structure of adjudicated sterile charges at GMH have served as a base for th proposed classifications and associated charges:

Sterile Instrument Classifications	Proposed Charge
Individual Instrument Pieces	$ 9.00
Patient Utensils	9.00
Major Trays	30.00
Minor Trays	15.00
Major Packs	30.00
Minor Packs	15.00

The application of a cost-based pricing methodology for sterile supplies wa considered but not utilized in favor of a comparative review due to the fac that sterile processing is just one component of the CSR Department' operations and the identification of segmented costs and related overhea expenses applicable only to sterile supplies is not available. The propose charges and classifications result from utilization of the lower range o existing, adjudicated charges at GMH. An example involves the fact that man minor trays and packs are currently adjudicated at prices in the range c $16.00-$24.00 (Pelvic Set, #1701629 priced at $16.08 and Thoracotomy Tray,

#1702106 priced at $24.11). Thus, the proposed charge illustrated above $15.00 actually falls just below the current range for minor trays. addition, the proposed charges which are noted are generally comparable mainland hospital charges.

The incremental net revenue potential which may accrue to GMH as a result allowed charges for the many unadjudicated sterile instrument items can determined based upon the recommended price schedule which is present above. Exhibit VII illustrates the results of the Deloitte & Touche analys of sterilization cards for unadjudicated procedures and indicates that on annualized basis, implementation of the proposed price schedule would resu in $289,416 of additional gross revenue for GMH. The incremental net reven potential which can be realized by GMH as a result of legislative approval these currently unadjudicated charges is calculated as follows:

- $289,416 of incremental sterile supply billings
- CSR departmental incremental realization of 58.22%

Analysis of the aforementioned data elements indicates that the following n revenue impact may be anticipated:

- $289,416 x 58.22% = $168,498

EXHIBIT I

COST ALLOCATION MODEL PRINT-OUTS

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- DEPARTMENTAL EXPENSES
FISCAL YEAR: 1991

SOURCE: GENERAL LEDGER BY DEPT.

DEPT CODE	EXPENSE DEPARTMENTS	MAIN ACCT #	SUB-ACCT #s: 111,112,113, 114,115,116 & 117 (INPUT) DIRECT SALARIES	121,122,123, 124 & 125 (INPUT) DIRECT BENEFITS	ALL OTHERS OTHER EXPENSE	(INPUT) TOTAL EXPENSE
4	BOARD OF TRUSTEES	6-000	0	505	87,667	88,172
4	ADMINISTRATION	6-100	436,429	54,907	698,387	1,189,723
4	VOLUNTEERS	6-101			443	443
4	PLANNING	6-120	164,969	22,222	6,218	193,409
6	COMMUNICATIONS CENTER	6-130	212,849	34,263	70,085	317,197
3	HOSPITAL EDUCATION	6-140	56,380	6,719	13,826	76,925
4	SAFETY	6-150	159,408	8,610	18,641	186,659
4	MEDICAL DIRECTOR	6-200	1,809,080	218,766	192,723	2,220,569
13	NURSING ADMINISTRATION	6-301	711,227	82,574	106,844	900,645
14	CENTRAL SUPPLY ROOM (CSR)	6-311	238,530	36,652	590,175	865,357
52	EMERGENCY ROOM	6-312	1,405,256	157,026	114,601	1,676,883
23	ICU & CCU	6-313	985,535	103,452	116,227	1,205,214
32	LABOR & DELIVERY	6-314	604,136	78,985	234,834	917,955
21	MEDICAL/SURGICAL	6-315	849,524	92,706	48,592	990,822
24	MEDICAL TELEMETRY	6-316	1,065,436	135,644	43,184	1,244,264
25	NURSERY	EXPENSES NOT CURRENTLY RECORDED SEPARAT			0	
26	INTERMEDIATE NURSERY	INCLUDED IN NICU			0	
27	NICU	6-317	665,228	72,316	55,129	792,673
19	OBSTETRICS	6-318	1,008,050	116,724	20,988	1,145,762
30	OPERATING ROOM/PAR	6-319	1,140,789	140,996	708,925	1,990,710
20	PEDIATRICS	6-320	1,172,929	123,900	69,993	1,366,822
29	SKILLED NURSING	6-321	701,140	91,689	15,366	808,195
22	SURGICAL WARD	6-322	808,301	95,408	31,669	935,378
50	HEMODIALYSIS	6-323	666,223	61,838	562,205	1,290,266
34	ANESTHESIA	6-325	305,507	29,424	12,345	347,276
3	PERSONNEL	6-410	216,475	34,880	14,337	265,692
4	DATA PROCESSING	6-420	336,020	55,355	63,623	454,998
18	SOCIAL SERVICES	6-431	268,769	39,935	4,955	313,659
17	HCRS (UR)	6-432	700,661	106,218	9,916	816,795
16	MEDICAL RECORDS	6-433	831,478	111,920	152,037	1,095,435
16	MEDICAL LIBRARY	6-434	38,817	5,119	25,707	69,643
4	GENERAL ACCOUNTING	6-441	760,672	120,885	132,513	1,014,070
5	PATIENT AFFAIRS	6-442	981,768	130,934	198,820	1,311,522
5	ADMISSIONS	6-443	559,471	87,200	43,179	689,850
7	PROCUREMENT & SUPPLY	6-450	424,072	70,431	25,151	519,654
9	LAUNDRY & LINEN	6-460	203,836	34,017	278,664	516,517
10	HOUSEKEEPING	6-470	828,318	126,685	209,196	1,164,199
8	MAINTENANCE OFFICE	6-480	379,544	49,231	968,487	1,397,262
8	BIO-MEDICAL	6-481	218,846	31,876	165,901	416,623
8	BOILER	6-482	182,756	24,525	106,281	313,562
8	CARPENTRY	6-483	102,110	14,534	27,192	143,836
8	ELECTRICAL	6-484	203,792	31,393	64,522	299,707
8	GENERAL REPAIRS	6-485	202,613	25,320	48,514	276,447
8	GROUNDS MAINTENANCE	6-486	161,649	26,078	2,003	189,730
8	PAINTING	6-487	111,217	18,176	15,484	144,877
8	PLUMBING	6-488	101,584	16,969	29,162	147,715
8	REFRIGERATION & A/C	6-489	136,465	19,513	37,465	193,443
8	WELDING	6-491	82,822	8,498	3,659	94,979
46	PHYSICAL THERAPY	6-510	475,573	76,661	22,620	574,854
41	LABORATORY	6-520	1,373,002	212,877	874,983	2,460,862

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- DEPARTMENTAL REVENUES
FISCAL YEAR: 1991

SOURCE: GENERAL LEDGER BY DEPT.

REVENUE DEPARTMENTS	MAIN ACCT #	INPATIENT REVENUE	OUTPATIENT REVENUE	TOTAL REVENUE
MEDICAL/SURGICAL	3-010	5,476,307		
PEDIATRICS	3-020	1,124,456		
OBSTETRICS	3-030	479,848		
NURSERY	3-040	1,199,284		
TELEMETRY	3-050	1,063,356		
ICU & CCU	3-060	1,141,801		
NICU	3-070	286,711		
SKILLED NURSING	3-080	400,318		
SURGICAL WARD	3-091	12,990		
LABORATORY	4-101	2,446,092		
RADIOLOGY	4-102	819,263		
NUCLEAR MEDICINE	4-103	65,859		
EKG/EEG	4-104	366,059		
INHALATION THERAPY	4-105	2,775,667		
HEMODIALYSIS	4-106	263,452		
PHYSICAL THERAPY	4-107	220,501		
OCCUPATIONAL THERAPY	4-108	0		
PHARMACY	4-109	3,377,869		
CSR	4-110	1,974,905		
LABOR & DELIVERY	4-111	3,051,613		
OPERATING ROOM	4-112	534		
ANESTHESIOLOGIST	4-114	246,962		
ER PHYSICIAN SERVICES	4-115	48		
EMERGENCY ROOM	4-116	9,356		
DOCTOR'S VISIT	4-117	128		
CONSULTATION	4-118	22,623		
LABORATORY	4-501		2,260,475	
RADIOLOGY	4-502		2,688,947	
NUCLEAR MEDICINE	4-503		76,631	
EKG/EEG	4-504		300,574	
INHALATION THERAPY	4-505		348,806	
HEMODIALYSIS	4-506		2,581,970	
PHYSICAL THERAPY	4-507		292,326	
OCCUPATIONAL THERAPY	4-508		4	
PHARMACY	4-509		2,267,783	
CSR	4-510		570,164	
LABOR & DELIVERY	4-511		238,166	
OPERATING ROOM	4-512		3,354,764	
ANESTHESIOLOGIST	4-514		119,154	
ER PHYSICIAN SERVICES	4-515		1,689,486	
EMERGENCY ROOM	4-516		1,343,205	
DOCTOR'S VISIT	4-517		1,069	
CONSULTATION	4-518		1,125	

ADDITIONAL PHYSICIAN BILLINGS (NOT CURRENTLY ON GENERAL LEDGER)

RADIOLOGY (ALL)
LABORATORY
CARDIOPULMONARY (RT)
EKG/EEG

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- DEPARTMENTAL EXPENSES
FISCAL YEAR: 1991

SOURCE: GENERAL LEDGER BY DEPT.

DEPT CODE	EXPENSE DEPARTMENTS	MAIN ACCT #	SUB-ACCT #s: 111,112,113, 114,115,116 & 117 (INPUT) DIRECT SALARIES	121,122,123, 124 & 125 (INPUT) DIRECT BENEFITS	ALL OTHERS OTHER EXPENSE	(INPUT) TOTAL EXPENSE
15	PHARMACY	6-530	711,564	103,560	1,937,142	2,752,266
11	DIETARY	6-540	1,018,338	137,487	1,314,542	2,470,367
12	CAFETERIA	EXPENSES NOT CURRENTLY RECORDED SEPARATELY-SEE RECLASSIFICATION				
36	RADIOLOGY	6-550	846,561	97,419	1,358,645	2,302,625
37	NUCLEAR MEDICINE	EXPENSES NOT CURRENTLY RECORDED SEPARAT			0	
38	CT SCANNER	INCLUDED IN RADIOLOGY			0	
39	ULTRASOUND				0	
43	CARDIOPULMONARY (RT) & (EKG)	6-560	505,969	63,549	503,670	1,073,188
45	EKG/EEG	EXPENSES NOT CURRENTLY RECORDED SEPARAT			0	
3	ANNUAL LEAVE	9-001			186,119	186,119
3	UNFUNDED RETIREMENT CONTRIBUTION	9-002			1,736,247	1,736,247
RECLS	LIQUIDATION OF P/Y ENCUMBRANCES	9-003			683,993	683,993
4	RECOVERY OF P/Y EXPENSES	9-003-001			(10,730)	(10,730)
	LIQUIDATION OF P/Y ENCUMB.-EQUIP	9-003-520			325,263	325,263
3	EMPLOYEE PHYSICAL EXAM	9-004			32,274	32,274
RECLS	EXPIRED INVENTORY ITEMS	9-005			357,684	357,684
	LOSS ON DISPOSAL OF ASSETS	9-006			208,927	208,927
	OPTION 1 RETRO PAY	9-032			69,886	69,886
4	BANK CHARGES	9-035			4,135	4,135
1	DEPRECIATION - BUILDING	9-120			704,027	704,027
2	DEPRECIATION - EQUIPMENT	9-130			1,061,936	1,061,936
	GRAND TOTALS		28,131,688	3,646,571	17,817,198	49,595,457

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- DEPARTMENTAL REVENUES
FISCAL YEAR: 1991

SOURCE: GENERAL LEDGER BY DEPT.

REVENUE DEPARTMENTS	MAIN ACCT #	INPATIENT REVENUE	OUTPATIENT REVENUE	TOTAL REVENUE
HEMODIALYSIS				
SKILLED NURSING				
LABOR & DELIVERY, OB				
OTHER *				
OTHER *				
		26,826,002	18,134,649	44,960,651
	ROUTINE	11,185,071		
	ANCILLARY	15,640,931		

* Input here requires revising formulas in section summarizing grouped revenues.

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- OTHER OPERATING REVENUES
FISCAL YEAR: 1991

DEPT CODE		MAIN ACCT #			OTHER REVENUES
11	DIETARY SALES	5-105			0
12	CAFETERIA SALES	5-110	Avg. Charge:*	5.10	554,596
5	RETURNED CHECKS SERVICE CHARGE	5-131			2,320
	DONATIONS	5-140			86,060
16	MEDICAL RECORDS	5-160			9,980
41	MORGUE REVENUE	5-162			11,825
41	LABORATORY SERVICES	5-163			56,942
5	RECOVERY FROM WRITE OFF	5-170			122,184
4	OTHER MISCELLANEOUS REVENUE	5-180			87,019
4	INTEREST INCOME	5-180-001			4,725
5	MIP $5 COST SHARE	5-181			123
4	ASSESSMENT OF LIQ DAMAGES	5-182			26,554
	SUBSIDIES	5-200			11,610,922
					12,573,250

* Average charge in the Cafeteria for a patient equivalent meal.
Used to compute Dietary meal statistic.

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- SUPPLIES AND DRUGS EXPENSE
FISCAL YEAR: 1991

		AMOUNT
CSR MEDICAL SUPPLIES	6-311-401	494,637
CSR MED. SUPPLIES-SPECIAL ORDER	6-311-404	35,136
		529,773
CSR COLLECTION RATE (ORIGINAL REALIZATION FROM NIR 1)		72.7%
PHARMACY SUPPLIES	6-530-403	1,896,762
		1,896,762
PHARMACY COLLECTION RATE (ORIGINAL REALIZATION FROM NIR 1)		76.4%
NURSING UNIT COLLECTION RATE (ORIGINAL REALIZATION FROM NIR 1)		72.6%

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- RECONCILIATION OF REVENUES AND EXPENSES
FISCAL YEAR: 1991

RECONCILIATION:	ACCOUNT	AMOUNT
GENERAL LEDGER DEPARTMENTAL EXPENSES W/ ADJUSTMENTS	6-xxx	44,235,696
OTHER INDIRECT EXPENSES	9-xxx	5,359,761
OTHER REVENUES	5-xxx	(12,573,250)
LINE ITEMS NOT USED:		
LIQUIDATION OF P/Y ENCUMB.-EQUIPMENT	9-003	(325,263)
LOSS ON DISPOSAL OF ASSETS	9-006	(208,927)
OPTION 1 RETRO PAY	9-032	(69,886)
DONATIONS	5-140	86,060
SUBSIDIES	5-200	11,610,922
		48,115,113
EXPENSES PER ADJUSTED SCHEDULE		48,115,113
DIFFERENCE (SHOULD EQUAL ZERO)		0

GUAM MEMORIAL HOSPITAL AUTHORITY
INPUT SHEET -- RECLASSIFICATIONS
FISCAL YEAR: 1991

		SOURCE	% PART B	DIRECT SALARIES	DIRECT BENEFITS	OTHER EXPENSE	TOTAL EXPENSE	
A	FROM DIETARY TO CAFETERIA	W/P		448,069	60,494	460,090	968,653	
B	ANESTHESIOLOGIST SALARIES & BENEFITS TO PROF COMPONENT LINE		97.7%	298,480	28,747		327,228	
C	ANES. OTHER EXP. TO OPER. ROOM	100.0%		7,027	677	12,345	20,048	
D	PHYSICIANS' COST TO PROPER DEPT.	AMOUNT						
	CONTRACT: A/C #							
	NEMODIALYSIS 6-323-301	30,000				30,000	30,000	MEDICAL DIRECTION--NO RECLASS.
	RADIOLOGY 6-550-301	700,000	100.0%			700,000	700,000	
	CARDIOPULMONARY 6-560-301	45,000				45,000	45,000	MEDICAL DIRECTION--NO RECLASS.
	EKG/EEG	0				0	0	MEDICAL DIRECTION--NO RECLASS.
	MEDICAL DIR./SVCS? 6-200-301	47,632				47,632	47,632	MEDICAL DIRECTION--NO RECLASS.
	OTHER	0				0	0	
	EMPLOYEES:							
	EMERGENCY ROOM (Incl. Med. Dir. %)		86.0%	1,065,260	136,673		1,201,933	
	LABORATORY (PATHOLOGY)		96.6%	293,172	37,614		330,786	
	SKILLED NURSING		64.0%	112,115	14,384		126,499	
	LABOR & DELIVERY (and 08)		100.0%	23,105	2,964		26,069	
	OTHER						0	
	OTHER						0	
E	PRIOR YEAR ENCUMBRANCES	JOURNALS						
8	UTILITIES - ELECTRIC BILL					50,676	50,676	
36	RADIOLOGY - MAINT. CONTRACT					104,400	104,400	
4	ADMIN - OTHER					528,917	528,917	
	OTHER *						0	
	OTHER *						0	
F	EXPIRED INVENTORY	JOURNALS						
15	PHARMACY					117,572	117,572	
14	MEDICAL SUPPLIES					201,700	201,700	
4	ADMIN - OTHER SUPPLIES					38,412	38,412	
	OTHER *						0	
	OTHER *						0	

* Input here requires revising formulas in section summarizing grouped expenses.

GUAM MEMORIAL HOSPITAL AUTHORITY — Updated: 31-Jan-92
COST ALLOCATION STATISTICS
FISCAL YEAR: 1991

STATISTICS / EXPENSE DEPARTMENTS	(SQUARE FOOTAGE) DEPRECIATION BUILDING	(EQUIPMENT DEPRECIATION) DEPRECIATION EQUIPMENT	(SALARY EXPENSE) EMPLOYEE BENEFITS & PERSONNEL	(ACCUMULATED COST) ADMINISTRATION	(GROSS REVENUES) BUSINESS OFFICE	(NO. OF PHONE LINES) COMMUNICATION CENTER	(COSTED REQUISITIONS) PROCUREMENT	(SQUARE FOOTAGE) MAINTENANCE & REPAIRS	(POUNDS OF LAUNDRY) LAUNDRY & LINEN	(TIME SPENT) HOUSEKEEPING	(NUMBER OF MEALS) DIETARY	(FULL-TIME EQUIVALENTS) CAFETERIA
DEPRECIATION - BUILDING	156,579											
DEPRECIATION - EQUIPMENT		1,121,127										
EMPLOYEE BENEFITS & PERSONNEL	1,946	4,411	27,858,833									
ADMINISTRATION	8,086	62,391	2,013,518	41,310,580								
BUSINESS OFFICE	4,380	9,942	1,541,239	2,033,663	44,960,651							
COMMUNICATIONS CENTER	360	21,551	212,849	356,879		156						
PROCUREMENT	6,922	20,006	424,072	604,893		7	2,596,856					
MAINTENANCE & REPAIRS	11,205	27,313	2,042,806	4,101,167		13	7,538	123,680				
LAUNDRY & LINEN	2,232	3,759	203,836	547,016		1	1,071	2,232	648,610			
HOUSEKEEPING	1,087	2,346	828,318	1,239,997		1	7,802	1,087		52,756		
DIETARY	4,972	5,868	570,269	1,576,917		1	4,258	4,972	4	605	219,333	
CAFETERIA	3,352	2,271	448,069	468,436		2		3,352		604	108,744	1,158,786
NURSING ADMINISTRATION	875	1,343	711,227	964,830		8	3,090	875		1,660		36,503
CENTRAL SERVICES & SUPPLY	4,784	38,667	238,530	1,144,973		2	1,548,797	4,784	3,246	2,490		19,752
PHARMACY	2,490	3,823	711,564	2,943,661		4	13,085	2,490	203	2,306		49,788
MEDICAL RECORDS	3,589	25,045	870,295	1,267,127		26	26,189	3,589		1,209		80,426
HCRS (UR)	978	1,880	700,661	881,075		2	3,019	978		605		42,359
SOCIAL SERVICES	372	461	268,769	338,056		3	991	372		604		17,121
OBSTETRICS	6,532	5,013	1,008,050	1,263,472	479,848	4	8,373	6,532	39,146	2,562	12,234	61,075
PEDIATRICS	6,610	11,438	1,172,929	1,504,641	1,124,456	5	30,430	6,610	39,377	2,680	9,523	74,266
MEDICAL/SURGICAL	11,630	4,197	849,524	1,117,536	5,476,307	5	28,444	11,630	83,830	2,801	24,566	61,468
SURGICAL WARD	8,100	4,426	808,301	1,043,019	12,990	4	17,082	8,100	68,453	1,400	21,031	53,100
TOTAL ADULTS & PEDS	32,872	25,074	3,838,804	4,928,668	7,093,601	18	84,329	32,872	230,806	9,443	67,354	249,909
ICU & CCU	2,251	41,999	985,535	1,336,842	1,141,801	5	18,550	2,251	30,607	1,890	4,394	47,204
MEDICAL TELEMETRY	1,860	20,331	1,065,436	1,360,236	1,063,356	3	31,992	1,860	70,954	1,644	9,108	81,050
TOTAL ICU	4,111	62,330	2,050,971	2,697,078	2,205,157	8	50,542	4,111	101,561	3,534	13,502	128,254
NURSERY			0	0	1,199,284	4		0	48,311	1,890		
INTERMEDIATE NURSERY			0	0	0			0				
NICU	2,719	13,753	665,228	873,089	286,711	1	17,118	2,719	22	2,195		37,339
TOTAL NURSERY	2,719	13,753	665,228	873,089	1,485,995	5	17,118	2,719	48,333	4,085	0	37,339
SKILLED NURSING PROF COMP			71,754	0	0			0				
SKILLED NURSING OTHER	13,224	4,937	741,501	979,359	400,318	5	6,966	13,224		2,505	12,907	50,661
TOTAL SKILLED NURSING	13,224	4,937	813,255	979,359	400,318	5	6,966	13,224	0	2,505	12,907	50,661
OPERATING ROOM/PAR	11,409	119,820	1,147,816	2,270,733	3,355,298	9	60,334	11,409	58,192	2,110		60,445

GUAM MEMORIAL HOSPITAL AUTHORITY
COST ALLOCATION STATISTICS
FISCAL YEAR: 1991

Updated: 31-Jan-92

STATISTICS / EXPENSE DEPARTMENTS		(SQUARE FOOTAGE) DEPRECIATION BUILDING	(EQUIPMENT DEPRECIATION) DEPRECIATION EQUIPMENT	(SALARY EXPENSE) EMPLOYEE BENEFITS & PERSONNEL	(ACCUMULATED COST) ADMINIS-TRATION	(GROSS REVENUES) BUSINESS OFFICE	(NO. OF PHONE LINES) COMMUNICATION CENTER	(COSTED REQUISITIONS) PROCUREMENT	(SQUARE FOOTAGE) MAINTENANCE & REPAIRS	(POUNDS OF LAUNDRY) LAUNDRY & LINEN	(TIME SPENT) HOUSEKEEPING	(NUMBER OF MEALS) DIETARY	(FULL-TIME EQUIVALENTS) CAFETERIA
LABOR & DELIVERY	PROF COMP			23,105	0	0			0				
LABOR & DELIVERY	OTHER	7,489	26,801	604,136	1,027,112	3,289,779	4	45,434	7,489	58,743	2,590	138	26,122
TOTAL LABOR & DELIVERY		7,489	26,801	627,241	1,027,112	3,289,779	4	45,434	7,489	58,743	2,590	138	26,122
ANESTHESIOLOGY	PROF COMP			298,480	0	366,116			0				
ANESTHESIOLOGY	OTHER			0	0	0			0				
TOTAL ANESTHESIA		0	0	298,480	0	366,116	0	0	0	0	0	0	0
RADIOLOGY (ALL)	PROF COMP			0	0	0			0				
RADIOLOGY	OTHER	5,171	465,539	846,561	2,241,437	3,508,210	6	184,373	5,171	21,010	2,236		58,987
NUCLEAR MEDICINE	OTHER	490		0	2,203	142,490			490				
CT SCANNER	OTHER	396		0	1,772	0			394				
ULTRASOUND	OTHER	90		0	405	0			90				
TOTAL RADIOLOGY		6,145	465,539	846,561	2,245,816	3,650,700	6	184,373	6,145	21,010	2,236	0	58,987
LABORATORY	PROF COMP			283,204	0	0			0				
LABORATORY	OTHER	5,601	66,874	1,382,970	2,606,551	4,706,567	13	126,039	5,601	17	2,382		108,361
TOTAL LABORATORY		5,601	66,874	1,666,174	2,606,551	4,706,567	13	126,039	5,601	17	2,382	0	108,361
CARDIOPULMONARY (RT)	PROF COMP			0	0	0			0				
CARDIOPULMONARY (RT)	OTHER	2,475	36,675	505,969	1,161,012	3,124,473	3	30,699	2,475	2,942	4,366		41,210
EKG/EEG	PROF COMP			0	0	0			0				
EKG/EEG	OTHER	176		0	791	666,633			176				
TOTAL CARDIOPULMONARY		2,651	36,675	505,969	1,161,804	3,791,106	3	30,699	2,651	2,942	4,366	0	41,210
PHYSICAL THERAPY		3,528	5,322	475,573	635,195	512,831	3	8,145	3,528	17,652	4,582		39,224
MEDICAL SUPPLIES CHARGED				0	0	2,545,069			0				
DRUGS CHARGED				0	0	5,645,652			0				
HEMODIALYSIS	PROF COMP			0	0	0			0				
HEMODIALYSIS	OTHER	3,120	47,992	666,223	1,404,999	2,845,422	4	318,151	3,120	37,072	2,425	10,417	44,084
TOTAL HEMODIALYSIS		3,120	47,992	666,223	1,404,999	2,845,422	4	318,151	3,120	37,072	2,425	10,417	44,084

GUAM MEMORIAL HOSPITAL AUTHORITY
COST ALLOCATION STATISTICS
FISCAL YEAR: 1991

Updated: 31-Jan-92

STATISTICS / EXPENSE DEPARTMENTS		(SQUARE FOOTAGE) DEPRECIATION BUILDING	(EQUIPMENT DEPRECIATION) DEPRECIATION EQUIPMENT	(SALARY EXPENSE) EMPLOYEE BENEFITS & PERSONNEL	(ACCUMULATED COST) ADMINIS-TRATION	(GROSS REVENUES) BUSINESS OFFICE	(NO. OF PHONE LINES) COMMUNICATION CENTER	(COSTED REQUISITIONS) PROCUREMENT	(SQUARE FOOTAGE) MAINTENANCE & REPAIRS	(POUNDS OF LAUNDRY) LAUNDRY & LINEN	(TIME SPENT) HOUSEKEEPING	(NUMBER OF MEALS) DIETARY	(FULL-TIME EQUIVALENTS) CAFETERIA
EMERGENCY ROOM	PROF COMP			916,124	0	1,716,479			0				
EMERGENCY ROOM	OTHER	5,180	14,933	1,554,392	2,011,487	1,352,561	7	48,886	5,180	64,676	2,415	390	68,241
TOTAL EMERGENCY		5,180	14,933	2,470,516	2,011,487	3,067,040	7	48,886	5,180	64,676	2,415	390	68,241
TOTALS - HOSPITAL OPERATIONS		155,679	1,121,127	27,858,833	41,310,580	44,960,651	155	2,596,856	122,780	644,457	52,756	213,452	1,158,786
GIFT SHOP		900					1		900				
MEALS - MENTAL HEALTH									0			5,881	
LAUNDRY - FIRE DEPT.									0	4,153			
COST TO BE ALLOCATED		704,027	1,061,936	2,310,185	4,180,957	2,239,485	392,998	683,748	4,550,972	687,309	1,410,065	1,939,280	1,621,854
UNIT COST MULTIPLIER		4.496305	0.947204	0.082925	0.101208	0.049810	2519.219924	0.263298	36.796348	1.059665	26.728054	8.841704	1.399614

GUAM MEMORIAL HOSPITAL AUTHORITY
COST ALLOCATION STATISTICS
FISCAL YEAR: 1991

STATISTICS / EXPENSE DEPARTMENTS	(NURSING HRS. WORKED) NURSING ADMINISTRATION	(COSTED REQUISITIONS) CENTRAL SERVICES & SUPPLY	(COSTED REQUISITIONS) PHARMACY	(TIME SPENT) MEDICAL RECORDS	(GROSS REVENUES) HCRS (UR)	(TIME SPENT) SOCIAL SERVICES
DEPRECIATION - BUILDING						
DEPRECIATION - EQUIPMENT						
EMPLOYEE BENEFITS & PERSONNEL						
ADMINISTRATION						
BUSINESS OFFICE						
COMMUNICATIONS CENTER						
PROCUREMENT						
MAINTENANCE & REPAIRS						
LAUNDRY & LINEN						
HOUSEKEEPING						
DIETARY						
CAFETERIA						
NURSING ADMINISTRATION	657,391					
CENTRAL SERVICES & SUPPLY		100				
PHARMACY			100			
MEDICAL RECORDS				69,804		
HCRS (UR)					44,960,651	
SOCIAL SERVICES						6,676
OBSTETRICS	62,512			6,000	479,848	209
PEDIATRICS	69,857			4,328	1,124,456	582
MEDICAL/SURGICAL	65,690			5,406	5,476,307	1,455
SURGICAL WARD	52,420			5,961	12,990	834
TOTAL ADULTS & PEDS	250,479	0	0	21,695	7,093,601	3,080
ICU & CCU	47,684			2,679	1,141,801	562
MEDICAL TELEMETRY	80,323			6,449	1,063,356	
TOTAL ICU	128,007	0	0	9,128	2,205,157	562
NURSERY				3,774	1,199,284	105
INTERMEDIATE NURSERY					0	
NICU	37,798				286,711	
TOTAL NURSERY	37,798	0	0	3,774	1,485,995	105
SKILLED NURSING PROF COMP					0	
SKILLED NURSING OTHER	51,371			2,199	400,318	1,218
TOTAL SKILLED NURSING	51,371	0	0	2,199	400,318	1,218
OPERATING ROOM/PAR	58,605			6,324	3,355,298	

GUAM MEMORIAL HOSPITAL AUTHORITY
COST ALLOCATION STATISTICS
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STATISTICS / EXPENSE DEPARTMENTS		(NURSING HRS. WORKED) NURSING ADMINISTRATION	(COSTED REQUISITIONS) CENTRAL SERVICES & SUPPLY	(COSTED REQUISITIONS) PHARMACY	(TIME SPENT) MEDICAL RECORDS	(GROSS REVENUES) HCRS (UR)	(TIME SPENT) SOCIAL SERVICES
LABOR & DELIVERY	PROF COMP					0	
LABOR & DELIVERY	OTHER	29,344			5,454	3,289,779	
TOTAL LABOR & DELIVERY		29,344	0	0	5,454	3,289,779	0
ANESTHESIOLOGY	PROF COMP					366,116	
ANESTHESIOLOGY	OTHER					0	
TOTAL ANESTHESIA		0	0	0	0	366,116	0
RADIOLOGY (ALL)	PROF COMP					0	
RADIOLOGY	OTHER				4,647	3,508,210	
NUCLEAR MEDICINE	OTHER					142,490	
CT SCANNER	OTHER					0	
ULTRASOUND	OTHER					0	
TOTAL RADIOLOGY		0	0	0	4,647	3,650,700	0
LABORATORY	PROF COMP					0	
LABORATORY	OTHER				4,905	4,706,567	
TOTAL LABORATORY		0	0	0	4,905	4,706,567	0
CARDIOPULMONARY (RT)	PROF COMP					0	
CARDIOPULMONARY (RT)	OTHER					3,124,473	
EKG/EEG	PROF COMP					0	
EKG/EEG	OTHER					666,633	
TOTAL CARDIOPULMONARY		0	0	0	0	3,791,106	0
PHYSICAL THERAPY					2,974	512,831	
MEDICAL SUPPLIES CHARGED			100			2,545,069	
DRUGS CHARGED				100		5,645,652	
HEMODIALYSIS	PROF COMP					0	
HEMODIALYSIS	OTHER	38,114			831	2,845,422	1,662
TOTAL HEMODIALYSIS		38,114	0	0	831	2,845,422	1,662

GUAM MEMORIAL HOSPITAL AUTHORITY
COST ALLOCATION STATISTICS
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STATISTICS / EXPENSE DEPARTMENTS		(NURSING HRS. WORKED) NURSING ADMINISTRATION	(COSTED REQUISITIONS) CENTRAL SERVICES & SUPPLY	(COSTED REQUISITIONS) PHARMACY	(TIME SPENT) MEDICAL RECORDS	(GROSS REVENUES) HCRS (UR)	(TIME SPENT) SOCIAL SERVICES
EMERGENCY ROOM	PROF COMP					1,714,479	
EMERGENCY ROOM	OTHER	63,673			7,873	1,352,561	49
TOTAL EMERGENCY		63,673	0	0	7,873	3,067,040	49
TOTALS - HOSPITAL OPERATIONS		657,391	100	100	69,804	44,960,651	6,676
GIFT SHOP							
MEALS - MENTAL HEALTH							
LAUNDRY - FIRE DEPT.							
COST TO BE ALLOCATED		1,211,101	1,947,359	3,478,262	1,744,707	1,087,524	433,883
UNIT COST MULTIPLIER		1.842284	19473.586825	34782.620317	24.994371	0.024188	64.991488

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INCLUDES GROUPINGS & RECLASSIFICATIONS

DEPT CODE	DEPARTMENTS	DIRECT SALARIES	DIRECT BENEFITS	OTHER EXPENSE	TOTAL UNALLOCATED EXPENSE	TOTAL UNALLOCATED EXPENSE	INPATIENT REVENUE	OUTPATIENT REVENUE	TOTAL REVENUE
1	DEPRECIATION - BUILDING	0	0	704,027	704,027	704,027			
2	DEPRECIATION - EQUIPMENT	0	0	1,061,936	1,061,936	1,061,936			
3	EMPLOYEE BENEFITS & PERSONNEL	272,855	41,599	1,982,803	2,297,257	2,297,257			
4	ADMINISTRATION	2,013,518	281,005	1,624,010	3,918,533	3,918,533			
5	BUSINESS OFFICE	1,541,239	218,134	117,372	1,876,745	1,876,745			
6	COMMUNICATIONS CENTER	212,849	34,263	70,085	317,197	317,197			
7	PROCUREMENT	424,072	70,431	25,151	519,654	519,654			
8	MAINTENANCE & REPAIRS	2,042,806	274,723	1,537,987	3,855,516	3,855,516			
9	LAUNDRY & LINEN	203,836	34,017	278,664	516,517	516,517			
10	HOUSEKEEPING	828,318	126,685	209,196	1,164,199	1,164,199			
11	DIETARY	570,269	76,993	854,452	1,501,714	1,501,714			
12	CAFETERIA	448,069	60,494	(94,506)	414,057	414,057			
13	NURSING ADMINISTRATION	711,227	82,574	106,844	900,645	900,645			
14	CENTRAL SERVICES & SUPPLY	238,530	36,652	791,875	1,067,057	1,067,057			
15	PHARMACY	711,564	103,560	2,054,714	2,869,838	2,869,838			
16	MEDICAL RECORDS	870,295	117,039	167,764	1,155,098	1,155,098			
17	HCRS (UR)	700,661	106,218	9,916	816,795	816,795			
18	SOCIAL SERVICES	268,769	39,935	4,955	313,659	313,659			
19	OBSTETRICS	1,008,050	116,724	20,988	1,145,762	1,145,762	479,848		479,848
20	PEDIATRICS	1,172,929	123,900	69,993	1,366,822	1,366,822	1,124,456		1,124,456
21	MEDICAL/SURGICAL	849,524	92,706	48,592	990,822	990,822	5,476,307		5,476,307
22	SURGICAL WARD	808,301	95,408	31,669	935,378	935,378	12,990		12,990
	TOTAL ADULTS & PEDS	3,838,804	428,738	171,242	4,438,784	4,438,784	7,093,601		7,093,601
23	ICU & CCU	985,535	103,452	116,227	1,205,214	1,205,214	1,141,801		1,141,801
24	MEDICAL TELEMETRY	1,065,436	135,644	43,184	1,244,264	1,244,264	1,063,356		1,063,356
	TOTAL ICU	2,050,971	239,096	159,411	2,449,478	2,449,478	2,205,157		2,205,157
25	NURSERY	0	0	0	0	0	1,199,284		1,199,284
26	INTERMEDIATE NURSERY	0	0	0	0	0			0
27	NICU	665,228	72,316	55,129	792,673	792,673	286,711		286,711
	TOTAL NURSERY	665,228	72,316	55,129	792,673	792,673	1,485,995		1,485,995
28	SKILLED NURSING PROF COMP	71,754	9,206	0	80,959	80,959	0	0	0
29	SKILLED NURSING OTHER	741,501	96,867	15,366	853,735	853,735	400,318		400,318
	TOTAL SKILLED NURSING	813,255	106,073	15,366	934,694	934,694	400,318	0	400,318
30	OPERATING ROOM/PAR	1,147,816	141,673	721,270	2,010,758	2,010,758	534	3,354,764	3,355,298

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DEPT CODE	DEPARTMENTS		DIRECT SALARIES	DIRECT BENEFITS	OTHER EXPENSE	TOTAL UNALLOCATED EXPENSE	TOTAL UNALLOCATED EXPENSE	INPATIENT REVENUE	OUTPATIENT REVENUE	TOTAL REVENUE
31	LABOR & DELIVERY	PROF COMP	23,105	2,964	0	26,069	26,069	0	0	0
32	LABOR & DELIVERY	OTHER	604,136	78,985	234,834	917,955	917,955	3,051,613	238,166	3,289,779
	TOTAL LABOR & DELIVERY		627,241	81,949	234,834	944,024	944,024	3,051,613	238,166	3,289,779
33	ANESTHESIOLOGY	PROF COMP	298,480	28,747	0	327,228	327,228	246,962	119,154	366,116
34	ANESTHESIOLOGY	OTHER	0	0	0	0	0			0
	TOTAL ANESTHESIA		298,480	28,747	0	327,228	327,228	246,962	119,154	366,116
35	RADIOLOGY (ALL)	PROF COMP	0	0	700,000	700,000	700,000	0	0	0
36	RADIOLOGY	OTHER	846,561	97,419	763,045	1,707,025	1,707,025	819,263	2,688,947	3,508,210
37	NUCLEAR MEDICINE	OTHER	0	0	0	0	0	65,859	76,631	142,490
38	CT SCANNER	OTHER	0	0	0	0	0			0
39	ULTRASOUND	OTHER	0	0	0	0	0			0
	TOTAL RADIOLOGY		846,561	97,419	1,463,045	2,407,025	2,407,025	885,122	2,765,578	3,650,700
40	LABORATORY	PROF COMP	283,204	36,335	0	319,539	319,539	0	0	0
41	LABORATORY	OTHER	1,382,970	214,156	806,216	2,403,342	2,403,342	2,446,092	2,260,475	4,706,567
	TOTAL LABORATORY		1,666,174	250,491	806,216	2,722,881	2,722,881	2,446,092	2,260,475	4,706,567
42	CARDIOPULMONARY (RT)	PROF COMP	0	0	0	0	0	0	0	0
43	CARDIOPULMONARY (RT)	OTHER	505,969	63,549	503,670	1,073,188	1,073,188	2,775,667	348,806	3,124,473
44	EKG/EEG	PROF COMP	0	0	0	0	0	0	0	0
45	EKG/EEG	OTHER	0	0	0	0	0	366,059	300,574	666,633
	TOTAL CARDIOPULMONARY		505,969	63,549	503,670	1,073,188	1,073,188	3,141,726	649,380	3,791,106
46	PHYSICAL THERAPY		475,573	76,661	22,620	574,854	574,854	220,501	292,330	512,831
47	MEDICAL SUPPLIES CHARGED					0	0	1,974,905	570,164	2,545,069
48	DRUGS CHARGED					0	0	3,377,869	2,267,783	5,645,652
49	HEMODIALYSIS	PROF COMP	0	0	0	0	0	0	0	0
50	HEMODIALYSIS	OTHER	666,223	61,838	562,205	1,290,266	1,290,266	263,452	2,581,970	2,845,422
	TOTAL HEMODIALYSIS		666,223	61,838	562,205	1,290,266	1,290,266	263,452	2,581,970	2,845,422

GUAM MEMORIAL HOSPITAL AUTHORITY
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DEPT CODE	DEPARTMENTS		DIRECT SALARIES	DIRECT BENEFITS	OTHER EXPENSE	TOTAL UNALLOCATED EXPENSE	TOTAL UNALLOCATED EXPENSE	INPATIENT REVENUE	OUTPATIENT REVENUE	TOTAL REVENUE
51	EMERGENCY ROOM	PROF COMP	916,124	117,539	0	1,033,662	1,033,662	22,799	1,691,680	1,714,479
52	EMERGENCY ROOM	OTHER	1,554,392	176,160	114,601	1,845,154	1,845,154	9,356	1,343,205	1,352,561
	TOTAL EMERGENCY		2,470,516	293,699	114,601	2,878,816	2,878,816	32,155	3,034,885	3,067,040
	TOTALS - HOSPITAL OPERATIONS		28,131,688	3,646,571	16,336,854	48,115,113	48,115,113	26,826,002	18,134,649	44,960,651

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ALLOCATED COST EXPENSE DEPARTMENTS	DEPRECIATION BUILDING	DEPRECIATION EQUIPMENT	EMPLOYEE BENEFITS & PERSONNEL	ADMINISTRATION	BUSINESS OFFICE	COMMUNICATION CENTER	PROCUREMENT	MAINTENANCE & REPAIRS	LAUNDRY & LINEN	HOUSEKEEPING	DIETARY	CAFETERIA
DEPRECIATION - BUILDING	704,027											
DEPRECIATION - EQUIPMENT	0	1,061,936										
EMPLOYEE BENEFITS & PERSONNEL	8,750	4,178	2,310,185									
ADMINISTRATION	36,357	59,097	166,970	4,180,957								
BUSINESS OFFICE	19,694	9,417	127,807	205,823	2,239,485							
COMMUNICATIONS CENTER	1,619	20,413	17,650	36,119	0	392,998						
PROCUREMENT	31,123	18,950	35,166	61,220	0	17,635	683,748					
MAINTENANCE & REPAIRS	50,381	25,871	169,399	415,071	0	32,750	1,985	4,550,972				
LAUNDRY & LINEN	10,036	3,561	16,903	55,362	0	2,519	282	82,129	687,309			
HOUSEKEEPING	4,887	2,222	68,688	125,497	0	2,519	2,054	39,998	0	1,410,065		
DIETARY	22,356	5,558	47,289	159,596	0	2,519	1,121	182,951	4	16,170	1,939,280	
CAFETERIA	15,072	2,151	37,156	47,409	0	5,038	0	123,341	0	16,144	961,485	1,621,854
NURSING ADMINISTRATION	3,934	1,272	58,978	97,648	0	20,154	814	32,197	0	44,369	0	51,090
CENTRAL SERVICES & SUPPLY	21,510	36,626	19,780	115,880	0	5,038	407,796	176,034	3,440	66,553	0	27,645
PHARMACY	11,196	3,621	59,006	297,922	0	10,077	3,445	91,623	215	61,635	0	69,684
MEDICAL RECORDS	16,137	23,723	72,169	128,243	0	65,500	6,896	132,062	0	32,314	0	112,565
NCRS (UR)	4,397	1,781	58,102	89,172	0	5,038	795	35,987	0	16,170	0	59,286
SOCIAL SERVICES	1,673	437	22,288	34,214	0	7,558	261	13,688	0	16,144	0	23,963
OBSTETRICS	29,370	4,748	83,592	127,873	23,901	10,077	2,205	240,354	41,482	68,477	108,169	85,481
PEDIATRICS	29,721	10,834	97,265	152,282	56,009	12,596	8,012	243,224	41,726	71,631	84,200	103,944
MEDICAL/SURGICAL	52,292	3,975	70,447	113,103	272,774	12,596	7,489	427,942	88,832	74,865	217,205	86,032
SURGICAL WARD	36,420	4,192	67,028	105,562	647	10,077	4,498	298,050	72,537	37,419	185,950	74,320
TOTAL ADULTS & PEDS	147,803	23,750	318,332	498,820	353,332	45,346	22,204	1,209,570	244,577	252,393	595,524	349,776
ICU & CCU	10,121	39,782	81,725	135,299	56,873	12,596	4,884	82,829	32,433	50,516	38,850	66,067
MEDICAL TELEMETRY	8,363	19,258	88,351	137,667	52,966	7,558	8,423	68,441	75,187	43,941	80,530	113,439
TOTAL ICU	18,484	59,039	170,076	272,966	109,839	20,154	13,308	151,270	107,621	94,457	119,381	179,506
NURSERY	0	0	0	0	59,736	10,077	0	0	51,193	50,516	0	0
INTERMEDIATE NURSERY	0	0	0	0	0	0	0	0	0	0	0	0
NICU	12,225	13,027	55,164	88,364	14,281	2,519	4,507	100,049	23	58,668	0	52,260
TOTAL NURSERY	12,225	13,027	55,164	88,364	74,017	12,596	4,507	100,049	51,217	109,184	0	52,260
SKILLED NURSING PROF COMP	0	0	5,950	0	0	0	0	0	0	0	0	0
SKILLED NURSING OTHER	59,459	4,676	61,489	99,119	19,940	12,596	1,834	486,595	0	66,954	114,120	70,906
TOTAL SKILLED NURSING	59,459	4,676	67,439	99,119	19,940	12,596	1,834	486,595	0	66,954	114,120	70,906
OPERATING ROOM/PAR	51,298	113,494	95,182	229,816	167,127	22,673	15,886	419,810	61,664	56,396	0	84,600

GUAM MEMORIAL HOSPITAL AUTHORITY
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ALLOCATED COST EXPENSE DEPARTMENTS		DEPRECIATION BUILDING	DEPRECIATION EQUIPMENT	EMPLOYEE BENEFITS & PERSONNEL	ADMINIS-TRATION	BUSINESS OFFICE	COMMUNICATION CENTER	PROCUREMENT	MAINTENANCE & REPAIRS	LAUNDRY & LINEN	HOUSEKEEPING	DIETARY	CAFETERIA
LABOR & DELIVERY	PROF COMP	0	0	1,916	0	0	0	0	0	0	0	0	0
LABOR & DELIVERY	OTHER	33,673	25,386	50,098	103,952	163,864	10,077	11,963	275,568	62,248	69,226	1,220	36,561
TOTAL LABOR & DELIVERY		33,673	25,386	52,014	103,952	163,864	10,077	11,963	275,568	62,248	69,226	1,220	36,561
ANESTHESIOLOGY	PROF COMP	0	0	24,751	0	18,236	0	0	0	0	0	0	0
ANESTHESIOLOGY	OTHER	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ANESTHESIA		0	0	24,751	0	18,236	0	0	0	0	0	0	0
RADIOLOGY (ALL)	PROF COMP	0	0	0	0	0	0	0	0	0	0	0	0
RADIOLOGY	OTHER	23,250	440,960	70,201	226,851	174,744	15,115	48,545	190,274	22,264	59,764	0	82,559
NUCLEAR MEDICINE	OTHER	2,203	0	0	223	7,097	0	0	18,030	0	0	0	0
CT SCANNER	OTHER	1,772	0	0	179	0	0	0	14,498	0	0	0	0
ULTRASOUND	OTHER	405	0	0	41	0	0	0	3,312	0	0	0	0
TOTAL RADIOLOGY		27,630	440,960	70,201	227,294	181,841	15,115	48,545	226,114	22,264	59,764	0	82,559
LABORATORY	PROF COMP	0	0	23,485	0	0	0	0	0	0	0	0	0
LABORATORY	OTHER	25,184	63,343	114,682	263,804	234,434	32,750	33,186	206,096	18	63,666	0	151,664
TOTAL LABORATORY		25,184	63,343	138,167	263,804	234,434	32,750	33,186	206,096	18	63,666	0	151,664
CARDIOPULMONARY (RT)	PROF COMP	0	0	0	0	0	0	0	0	0	0	0	0
CARDIOPULMONARY (RT)	OTHER	11,128	34,739	41,957	117,504	155,630	7,558	8,083	91,071	3,118	116,695	0	57,678
EKG/EEG	PROF COMP	0	0	0	0	0	0	0	0	0	0	0	0
EKG/EEG	OTHER	791	0	0	80	33,205	0	0	6,476	0	0	0	0
TOTAL CARDIOPULMONARY		11,920	34,739	41,957	117,584	188,835	7,558	8,083	97,547	3,118	116,695	0	57,678
PHYSICAL THERAPY		15,863	5,041	39,437	64,287	25,544	7,558	2,145	129,818	18,705	122,468	0	54,898
MEDICAL SUPPLIES CHARGED		0	0	0	0	126,770	0	0	0	0	0	0	0
DRUGS CHARGED		0	0	0	0	281,209	0	0	0	0	0	0	0
HEMODIALYSIS	PROF COMP	0	0	0	0	0	0	0	0	0	0	0	0
HEMODIALYSIS	OTHER	14,028	45,458	55,246	142,197	141,730	10,077	83,769	114,805	39,284	64,816	92,104	61,701
TOTAL HEMODIALYSIS		14,028	45,458	55,246	142,197	141,730	10,077	83,769	114,805	39,284	64,816	92,104	61,701

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ALLOCATED COST EXPENSE DEPARTMENTS		DEPRECIATION BUILDING	DEPRECIATION EQUIPMENT	EMPLOYEE BENEFITS & PERSONNEL	ADMINIS-TRATION	BUSINESS OFFICE	COMMUNICATION CENTER	PROCUREMENT	MAINTENANCE & REPAIRS	LAUNDRY & LINEN	HOUSEKEEPING	DIETARY	CAFETERIA
EMERGENCY ROOM	PROF COMP	0	0	75,969	0	85,398	0	0	0	0	0	0	0
EMERGENCY ROOM	OTHER	23,291	14,145	128,897	203,578	67,371	17,635	12,872	190,605	68,535	64,548	3,448	95,511
TOTAL EMERGENCY		23,291	14,145	204,867	203,578	152,769	17,635	12,872	190,605	68,535	64,548	3,448	95,511
TOTALS - HOSPITAL OPERATIONS		440,858	843,059	1,332,833	2,311,780	2,239,485	214,134	258,300	3,607,845	679,250	1,140,566	925,797	1,277,620
GIFT SHOP		4,047	0	0	0	0	2,519	0	33,117	0	0	0	0
MEALS - MENTAL HEALTH		0	0	0	0	0	0	0	0	0	0	51,998	0
LAUNDRY - FIRE DEPT.		0	0	0	0	0	0	0	0	4,401	0	0	0
TOTAL COST ALLOCATED		704,027	1,061,936	2,310,185	4,180,957	2,239,485	392,998	683,748	4,550,972	687,309	1,410,065	1,939,280	1,621,854

GUAM MEMORIAL HOSPITAL AUTHORITY
OVERHEAD EXPENSE ALLOCATION
FISCAL YEAR: 1991

ALLOCATED COST EXPENSE DEPARTMENTS	NURSING ADMINISTRATION	CENTRAL SERVICES & SUPPLY	PHARMACY	MEDICAL RECORDS	HCRS (UR)	SOCIAL SERVICES	TOTAL OVERHEAD ALLOCATED	DIRECT EXPENSES	TOTAL EXPENSES	GROSS REVENUES	RATIO OF COST TO CHARGES	RATIO OF COST TO CHARGES EXCLUDING PHYSICIANS
DEPRECIATION - BUILDING												
DEPRECIATION - EQUIPMENT												
EMPLOYEE BENEFITS & PERSONNEL												
ADMINISTRATION												
BUSINESS OFFICE												
COMMUNICATIONS CENTER												
PROCUREMENT												
MAINTENANCE & REPAIRS												
LAUNDRY & LINEN												
HOUSEKEEPING												
DIETARY												
CAFETERIA												
NURSING ADMINISTRATION	1,211,101											
CENTRAL SERVICES & SUPPLY	0	1,947,359										
PHARMACY	0	0	3,478,262									
MEDICAL RECORDS	0	0	0	1,744,707								
HCRS (UR)	0	0	0	0	1,087,524							
SOCIAL SERVICES	0	0	0	0	0	433,883						
OBSTETRICS	115,165	0	0	149,966	11,607	13,583	1,116,051	1,145,762	2,261,813	479,848	4.713603	
PEDIATRICS	128,696	0	0	108,176	27,199	37,825	1,213,339	1,366,822	2,580,161	1,124,456	2.294586	
MEDICAL/SURGICAL	121,020	0	0	135,120	132,463	94,563	1,910,717	990,822	2,901,539	5,476,307	0.529835	
SURGICAL WARD	96,573	0	0	148,991	314	54,203	1,196,781	935,378	2,132,159	12,990	164.138508	
TOTAL ADULTS & PEDS	461,453	0	0	542,253	171,582	200,174	5,436,888	4,438,784	9,875,672	7,093,601	1.392195	
ICU & CCU	87,847	0	0	66,960	27,618	36,525	830,927	1,205,214	2,036,141	1,141,801	1.783271	
MEDICAL TELEMETRY	147,978	0	0	161,189	25,721	0	1,039,011	1,244,264	2,283,275	1,063,356	2.147235	
TOTAL ICU	235,825	0	0	228,149	53,339	36,525	1,869,938	2,449,478	4,319,416	2,205,157	1.958779	
NURSERY	0	0	0	94,329	29,009	6,824	301,684	0	301,684	1,199,284	0.251554	
INTERMEDIATE NURSERY	0	0	0	0	0	0	0	0	0	0	ERR	
NICU	69,635	0	0	0	6,935	0	477,658	792,673	1,270,331	286,711	4.430701	
TOTAL NURSERY	69,635	0	0	94,329	35,944	6,824	779,342	792,673	1,572,015	1,485,995	1.057887	
SKILLED NURSING PROF COMP	0	0	0	0	0	0	5,950	80,959	86,910	0	ERR	
SKILLED NURSING OTHER	94,640	0	0	54,963	9,683	79,160	1,236,133	853,735	2,089,867	400,318	5.220518	
TOTAL SKILLED NURSING	94,640	0	0	54,963	9,683	79,160	1,242,083	934,694	2,176,777	400,318	5.437620	5.220518
OPERATING ROOM/PAR	107,967	0	0	158,064	81,159	0	1,665,137	2,010,758	3,675,895	3,355,298	1.095549	

GUAM MEMORIAL HOSPITAL AUTHORITY
OVERHEAD EXPENSE ALLOCATION
FISCAL YEAR: 1991

ALLOCATED COST EXPENSE DEPARTMENTS		NURSING ADMINISTRATION	CENTRAL SERVICES & SUPPLY	PHARMACY	MEDICAL RECORDS	HCRS (UR)	SOCIAL SERVICES	TOTAL OVERHEAD ALLOCATED	DIRECT EXPENSES	TOTAL EXPENSES	GROSS REVENUES	RATIO OF COST TO CHARGES	RATIO OF COST TO CHARGES EXCLUDING PHYSICIANS
LABOR & DELIVERY	PROF COMP	0	0	0	0	0	0	1,916	26,069	27,985	0	ERR	
LABOR & DELIVERY	OTHER	54,060	0	0	136,319	79,574	0	1,113,787	917,955	2,031,742	3,289,779	0.617592	
TOTAL LABOR & DELIVERY		54,060	0	0	136,319	79,574	0	1,115,703	944,024	2,059,727	3,289,779	0.626099	0.617592
ANESTHESIOLOGY	PROF COMP	0	0	0	0	8,856	0	51,843	327,228	379,071	366,116	1.035385	
ANESTHESIOLOGY	OTHER	0	0	0	0	0	0	0	0	0	0	ERR	
TOTAL ANESTHESIA		0	0	0	0	8,856	0	51,843	327,228	379,071	366,116	1.035385	
RADIOLOGY (ALL)	PROF COMP	0	0	0	0	0	0	0	700,000	700,000	0	ERR	
RADIOLOGY	OTHER	0	0	0	116,149	84,858	0	1,555,534	1,707,025	3,262,559	3,508,210	0.929978	
NUCLEAR MEDICINE	OTHER	0	0	0	0	3,447	0	31,000	0	31,000	142,490	0.217562	
CT SCANNER	OTHER	0	0	0	0	0	0	16,449	0	16,449	0	ERR	
ULTRASOUND	OTHER	0	0	0	0	0	0	3,757	0	3,757	0	ERR	
TOTAL RADIOLOGY		0	0	0	116,149	88,304	0	1,606,740	2,407,025	4,013,765	3,650,700	1.099451	0.907707
LABORATORY	PROF COMP	0	0	0	0	0	0	23,485	319,539	343,024	0	ERR	
LABORATORY	OTHER	0	0	0	122,597	113,844	0	1,425,268	2,403,342	3,828,610	4,706,567	0.813461	
TOTAL LABORATORY		0	0	0	122,597	113,844	0	1,448,753	2,722,881	4,171,634	4,706,567	0.886343	0.813461
CARDIOPULMONARY (RT)	PROF COMP	0	0	0	0	0	0	0	0	0	0	ERR	
CARDIOPULMONARY (RT)	OTHER	0	0	0	0	75,576	0	720,735	1,073,188	1,793,923	3,124,473	0.574152	
EKG/EEG	PROF COMP	0	0	0	0	0	0	0	0	0	0	ERR	
EKG/EEG	OTHER	0	0	0	0	16,125	0	56,677	0	56,677	666,633	0.085020	
TOTAL CARDIOPULMONARY		0	0	0	0	91,701	0	777,413	1,073,188	1,850,601	3,791,106	0.488143	0.488143
PHYSICAL THERAPY		0	0	0	74,333	12,405	0	572,501	574,854	1,147,355	512,831	2.237296	
MEDICAL SUPPLIES CHARGED		0	1,947,359	0	0	61,561	0	2,135,689	0	2,135,689	2,545,069	0.839148	
DRUGS CHARGED		0	0	3,478,262	0	136,559	0	3,896,030	0	3,896,030	5,645,652	0.690094	
HEMODIALYSIS	PROF COMP	0	0	0	0	0	0	0	0	0	0	ERR	
HEMODIALYSIS	OTHER	70,217	0	0	20,770	68,826	108,016	1,133,043	1,290,266	2,423,309	2,845,422	0.851652	
TOTAL HEMODIALYSIS		70,217	0	0	20,770	68,826	108,016	1,133,043	1,290,266	2,423,309	2,845,422	0.851652	0.851652

GUAM MEMORIAL HOSPITAL AUTHORITY
OVERHEAD EXPENSE ALLOCATION
FISCAL YEAR: 1991

ALLOCATED COST EXPENSE DEPARTMENTS		NURSING ADMINISTRATION	CENTRAL SERVICES & SUPPLY	PHARMACY	MEDICAL RECORDS	HCRS (UR)	SOCIAL SERVICES	TOTAL OVERHEAD ALLOCATED	DIRECT EXPENSES	TOTAL EXPENSES	GROSS REVENUES	RATIO OF COST TO CHARGES	RATIO OF COST TO CHARGES EXCLUDING PHYSICIANS
EMERGENCY ROOM	PROF COMP	0	0	0	0	41,470	0	202,838	1,033,662	1,236,500	1,714,479	0.721210	
EMERGENCY ROOM	OTHER	117,304	0	0	196,781	32,716	3,185	1,240,421	1,845,154	3,085,575	1,352,561	2.281283	
TOTAL EMERGENCY		117,304	0	0	196,781	74,187	3,185	1,443,259	2,878,816	4,322,075	3,067,040	1.409201	2.281283
TOTALS - HOSPITAL OPERATIONS		1,211,101	1,947,359	3,478,262	1,744,707	1,087,524	433,883	25,174,363	22,844,669	48,019,032	44,960,651	1.068023	
GIFT SHOP		0	0	0	0	0	0	39,683	0	39,683			
MEALS - MENTAL HEALTH		0	0	0	0	0	0	51,998	0	51,998			
LAUNDRY - FIRE DEPT.		0	0	0	0	0	0	4,401	0	4,401			
TOTAL COST ALLOCATED		1,211,101	1,947,359	3,478,262	1,744,707	1,087,524	433,883	25,270,444	22,844,669	48,115,113	44,960,651	1.070161	
								TOTAL ANCILLARY		27,388,572	31,694,985	0.864130	
								TOTAL ANCILLARY MARK-UP RATIO				1.16	

GUAM MEMORIAL HOSPITAL AUTHORITY
SUMMARY OF OVERHEAD EXPENSE ALLOCATION
AND RCC SUMMARY
FISCAL YEAR: 1991

Updated: 31-Jan-92

		DIRECT DEPARTMENT EXPENSE	ALLOCATED OVERHEAD EXPENSE	TOTAL EXPENSE	OVERHEAD AS PERCENT OF DIRECT EXP.	GROSS REVENUES	RATIO OF COST TO CHARGES	ANCILLARY MARK-UP RATIOS	COMMENTS:
INPATIENT UNITS									
TOTAL ADULTS & PEDS		4,438,784	5,436,888	9,875,672	122.5%	7,093,601	1.392195		REVENUES AND EXPENSES ARE NOT ADEQUATELY SEGREGATED BY UNIT
TOTAL ICU		2,449,478	1,869,938	4,319,416	76.3%	2,205,157	1.958779		REVENUES AND EXPENSES ARE NOT ADEQUATELY SEGREGATED BY UNIT
TOTAL NURSERY		792,673	779,342	1,572,015	98.3%	1,485,995	1.057887		REVENUES, EXPENSES AND STATISTICS ARE NOT SEGREGATED BY UNIT
SKILLED NURSING	OTHER	653,735	1,236,133	2,089,867	144.8%	400,318	5.220518		
		8,534,670	9,322,301	17,856,970		11,185,071	1.596500		
ANCILLARY DEPTS.									
OPERATING ROOM/PAR		2,010,758	1,665,137	3,675,895	82.8%	3,355,298	1.095549	0.91	
LABOR & DELIVERY	OTHER	917,955	1,113,787	2,031,742	121.3%	3,289,779	0.617592	1.62	
ANESTHESIOLOGY	OTHER	0	0	0	ERR	0	ERR	ERR	MINOR EXPENSES OTHER THAN PHYSICIANS WAS RECLASSIFIED TO OR
TOTAL RADIOLOGY		1,707,025	1,606,740	3,313,765	94.1%	3,650,700	0.907707	1.10	REVENUES, EXPENSES AND STATISTICS ARE NOT SEGREGATED BY UNIT
LABORATORY	OTHER	2,403,342	1,425,268	3,828,610	59.3%	4,706,567	0.813461	1.23	
TOTAL CARDIOPULMONARY		1,073,188	777,413	1,850,601	72.4%	3,791,106	0.488143	2.05	
PHYSICAL THERAPY		574,854	572,501	1,147,355	99.6%	512,831	2.237296	0.45	
MEDICAL SUPPLIES CHARGED		1,067,057	1,068,632	2,135,689	100.1%	2,545,069	0.839148	1.19	
DRUGS CHARGED		2,869,838	1,026,192	3,896,030	35.8%	5,645,652	0.690094	1.45	
HEMODIALYSIS	OTHER	1,290,266	1,133,043	2,423,309	87.8%	2,845,422	0.851652	1.17	
EMERGENCY ROOM	OTHER	1,845,154	1,240,421	3,085,575	67.2%	1,352,561	2.281283	0.44	INCLUDES HOSPITAL FEES AND EXPENSES ONLY
		15,759,437	11,629,135	27,388,572		31,694,985	0.864130	1.16	
PHYSICIAN SERVICES									
SKILLED NURSING	PROF COMP	80,959	5,950	86,910	ERR	0	ERR		PHYSICIAN FEES FOR PATIENT SERVICES ARE NOT BEING BILLED
LABOR & DELIVERY	PROF COMP	26,069	1,916	27,985	ERR	0	ERR		PHYSICIAN FEES FOR PATIENT SERVICES ARE NOT BEING BILLED
ANESTHESIOLOGY	PROF COMP	327,228	51,843	379,071	15.8%	366,116	1.035385		INCLUDES PHYSICIAN FEES AND EXPENSES ONLY
RADIOLOGY (ALL)	PROF COMP	700,000	0	700,000	ERR	0	ERR		PHYSICIAN FEES FOR PATIENT SERVICES ARE NOT BEING BILLED
LABORATORY	PROF COMP	319,539	23,485	343,024	ERR	0	ERR		PHYSICIAN FEES FOR PATIENT SERVICES ARE NOT BEING BILLED
CARDIOPULMONARY (RT)	PROF COMP	0	0	0	ERR	0	ERR		PHYSICIAN FEES ARE VERY MINOR; APPEAR TO BE FOR MEDICAL DIRECTION OF DEPT.
EKG/EEG	PROF COMP	0	0	0	ERR	0	ERR		PHYSICIAN FEES ARE VERY MINOR; APPEAR TO BE FOR MEDICAL DIRECTION OF DEPT.
HEMODIALYSIS	PROF COMP	0	0	0	ERR	0	ERR		PHYSICIAN FEES ARE VERY MINOR; APPEAR TO BE FOR MEDICAL DIRECTION OF DEPT.
EMERGENCY ROOM	PROF COMP	1,033,662	202,838	1,236,500	19.6%	1,714,479	0.721210		INCLUDES PHYSICIAN FEES AND EXPENSES ONLY
		2,487,458	286,032	2,773,489		2,080,595	1.333027		

NOTE: RCCs AND MARK-UP RATIOS ARE BEFORE TAKING INTO ACCOUNT ACTUAL COLLECTION RATES.

Emergency Department - Supplies for the Emergency Room are reportedly bei "borrowed" by EMS crews. A mechanism is required to ensure that ambulan personnel subsequently charge the patient for these supplies and thus enab the associated costs of these supplies to be recovered by GMH.

Hemodialysis Department - The concept of an all inclusive fee and prici structure is a hindrance to the Hospital's objective of financial viabilit As new supplies and medications are included in the regimen of servic offered, charges for the individual items are not implemented and the overa Hemodialysis charge is not increased either. There are several high volu supply items which, due to their adjudicated status, may be considered part of the unbundled fee structure.

Intensive Care/Critical Care Unit - The implementation of the modified char capture sheet which has been presented to the Acting Head Nurse and ICU sta is intended to provide a mechanism for capturing both missing charges a lost charges. Lost charges include those items for which a pink voucher currently employed. The charge capture sheet would, therefore, replace the vouchered items:

Subclavian Introducer Set	Blood Warming Kit
Hemodynamic Monitoring Kit	Tribumen Central Venous Cathete
Dual Lumen Catheter Insertion Tray	Pacemaker programmer
Vascular Introducer Set	Air Mattress
Swan Ganz Catheter w/thermodilution	Cooling Blanket
PAC Tray Catheter Introducer	Dyna Prep Scrub Tray
MI Code	IVAC Pump
Intercostal Block	IMED Pump

Labor and Delivery Department - The Labor and Delivery Medication Sheet (G Form 0138) requires updating in order to reflect charge codes which a department specific for reconciliation and audit purposes.

Laboratory - The Laboratory Off Island test volume represents reference l procedures completed formerly by Accupath and now by Diagnostic Service GMH is assessed by the off-island laboratory a charge and handling fee whi is simply passed through to the patient. However, the Hospital experiences significant contractual allowance of 30.8 percent of its Laboratory C Island accounts. GMH should consider renegotiating any contractu arrangement so that the Hospital does not simply serve as a money losi intermediary between the reference lab and patients. If this renegotiati is possible, GMH could receive up to a 30.8 percent refund on all charges the end of each month.

The alternative to a renegotiated contractual arrangement would be a pri increase for GMH patients in order to alleviate the operating loss incurr by the Hospital in the reference lab area. In either circumstance, t result could be an annual net revenue increase to GMH of approximate $42,000.

Nursing Units - The charge capture sheets on the unit require updating in order to include routinely performed procedures and equipment usages. Use of the separate pink charge vouchers should be eliminated.

Nursery/NICU - The current voucher system which requires the written completion of a form and an individual patient addressograph may be replaced by a single charge capture sheet with a section for stickered items and preprinted voucher items. Nursery personnel could then simply be required to "check" an item rather than initiate the cumbersome process of completing a voucher sheet for the following items:

- Circ Tray, 1800406
- Bilirubin Mask, 1703336
- Bilirubin Therapy, 0702587
- IMED Pump
- Pulse Oximeter, no current charge
- Umbilical Catheter
- Endotracheal Tube Holder, 1702262

Operating Room - The current restraints of the existing surgical services charge capture sheet indicates that segmentation by service line of operating room service is required in order to maximize the charge capture rate and reduce the amount of lost charges. Given this, Deloitte & Touche has worked with the head nurse in order to create individual charge capture sheets in the following areas:

- Eye procedures
- Orthopedic procedures
- Anesthesia
- General surgical procedures

Physical/Occupational Therapy - The new charge capture sheets for PT and OT which have been developed by the Department Manager should result in a significant increase in net revenue due to the preprinting of all procedure codes and the immediate chart to bill entry process which will be incorporated.

We stress that these issues cannot be addressed without careful planning and oversight. Many of the opportunities presented in this section are time-consuming, some will require investment (computer software, etc.) and all require administrative and clinical departments to work closely together. Additionally, changes to revenue coding we have recommended will require careful integration into the data processing system. All hospitals can benefit from occasional review of long-established procedures. We appreciate the enthusiasm with which GMH personnel discussed these issues with us.

GUAM MEMORIAL HOSPITAL AUTHORITY
MARK-UP RATIOS NEEDED TO BREAKEVEN
FISCAL YEAR: 1991

MEDICAL SUPPLIES AND DRUGS:	(A) DIRECT COST OF SUPPLIES OR DRUGS SOLD	(B) DEPARTMENT OVERHEAD	(C) DEPARTMENTAL DIRECT COST (A)+(B)	(D) ALLOCATED HOSPITAL OVERHEAD	(E) TOTAL ALLOCATED COST (C)+(D)	(F) UNCOLLECTED CHARGES *	(G) ADJUSTED ALLOCATED COST (E)+(F)	(H) TOTAL MARK-UP ** REQUIRED FOR BREAKEVEN (G)/(A)	AVERAGE MARK-UP ** FISCAL YEAR: 1991
MEDICAL SUPPLIES	529,773	537,284	1,067,057	1,068,632	2,135,689	694,804	2,830,493	5.343	4.804
DRUGS	1,896,762	973,076	2,869,838	1,026,192	3,896,030	1,332,374	5,228,404	2.756	2.976

* REPRESENTS ADJUSTMENT FOR ACTUAL REVENUE COLLECTION RATE FROM HIR 1 REPORT. THIS IS TO INCLUDE UNCOLLECTED CHARGES IN TOTAL ADJUSTED ALLOCATED COST TO BE RECOVERED FROM THE MARK-UP RATIO.

** MARK-UP RATIOS PRESENTED HERE ARE BASED ONLY ON THE ACTUAL COST OF THE SUPPLY OR DRUG SOLD, AND FACTORS IN OTHER DIRECT DEPARTMENTAL COST.

NURSING PROCEDURES--EXAMPLE:	(A) DIRECT TIME INVOLVED (MINUTES) (INPUT)	(B) CONVERSION TO HOURS (A)/60	(C) AVERAGE RN HOURLY WAGE *	(D) DIRECT PROCEDURAL WAGE EXPENSE (B)*(C)	(E) DIRECT INPATIENT UNIT WAGE EXPENSE	(F) DEPARTMENT OVERHEAD	(G) DEPARTMENTAL DIRECT COST (E)+(F)	(H) ALLOCATED HOSPITAL OVERHEAD	(I) TOTAL ALLOCATED COST (G)+(H)	(J) UNCOLLECTED CHARGES **	(K) ADJUSTED ALLOCATED COST (I)+(J)	(L) TOTAL MARK-UP *** REQUIRED FOR BREAKEVEN (K)/(E)	(M) COMPUTED PROCEDURAL CHARGE (L)*(D)	(N) INFLATED PROCEDURAL CHARGE (M)*CPI 1.0793
SWAN GANZ MONITORING-DAILY	90	1.500	19.59	29.39	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	90.49	97.66
ARTERIAL LINE MONITORING-DAILY	30	0.500	19.59	9.80	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	30.17	32.57
INSERTION OF TEMPORARY PACEMAKER	90	1.500	19.59	29.39	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	90.49	97.66
INSERTION OF SWAN GANZ	75	1.250	19.59	24.49	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	75.40	81.38
CARDIOVERSION	30	0.500	19.59	9.80	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	30.17	32.57
INSERTION OF SUBCLAVIAN	30	0.500	19.59	9.80	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	30.17	32.57
LUMBAR PUNCTURE	20	0.333	19.59	6.52	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	20.07	21.67
CHEST TUBE INSERTION	40	0.667	19.59	13.07	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	40.24	43.43
THORACENTESIS	30	0.500	19.59	9.80	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	30.17	32.57
GASTROSCOPY	60	1.000	19.59	19.59	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	60.32	65.10
CODE 72 TRAUMA RESPONSE	180	3.000	19.59	58.77	3,838,804	599,980	4,438,784	5,436,888	9,875,672	1,943,647	11,819,319	3.079	180.95	195.30

* REPRESENTS SALARIES AND HOURS OF OPERATING ROOM DEPARTMENT TO MORE CLOSELY ESTIMATE THE WAGE RATES OF RNs.

** REPRESENTS ADJUSTMENT FOR ACTUAL REVENUE COLLECTION RATE FROM HIR 1 REPORT. THIS IS TO INCLUDE UNCOLLECTED CHARGES IN TOTAL ADJUSTED ALLOCATED COST TO BE RECOVERED FROM THE MARK UP RATIO.

*** MARK-UP RATIO PRESENTED HERE IS BASED ONLY ON THE ACTUAL COST OF THE NURSING WAGES, AND FACTORS IN OTHER DIRECT DEPARTMENTAL COST.

EXHIBIT II

COST ALLOCATION STATISTICS - SUMMARY FORMS

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION

PERIOD ENDED: 30-Sep-91

1 STATISTICS FOR: DEPRECIATION – BUILDING

STATISTIC USED: SQUARE FOOTAGE

SOURCE:

NOTES & GROUPINGS

1	DEPRECIATION – BUILDING	
2	DEPRECIATION – EQUIPMENT	
3	EMPLOYEE BENEFITS & PERSONNEL	
4	ADMINISTRATION	
5	BUSINESS OFFICE	
6	COMMUNICATIONS CENTER	
7	PROCUREMENT	
8	MAINTENANCE & REPAIRS	
9	LAUNDRY & LINEN	
10	HOUSEKEEPING	
11	DIETARY	
12	CAFETERIA	
13	NURSING ADMINISTRATION	
14	CENTRAL SERVICES & SUPPLY	
15	PHARMACY	
16	MEDICAL RECORDS	
17	HCRS (UR)	
18	SOCIAL SERVICES	
19	OBSTETRICS	
20	PEDIATRICS	
21	MEDICAL/SURGICAL	
22	SURGICAL WARD	
23	ICU & CCU	
24	MEDICAL TELEMETRY	
25	NURSERY	
26	INTERMEDIATE NURSERY	
27	NICU	
29	SKILLED NURSING	
30	OPERATING ROOM/PAR	
32	LABOR & DELIVERY	
34	ANESTHESIOLOGY	
36	RADIOLOGY	
37	NUCLEAR MEDICINE	
38	CT SCANNER	
39	ULTRASOUND	
41	LABORATORY	
43	CARDIOPULMONARY (RT)	
45	EKG/EEG	
46	PHYSICAL THERAPY	
47	MEDICAL SUPPLIES CHARGED	
48	DRUGS CHARGED	
50	HEMODIALYSIS	
52	EMERGENCY ROOM	
53	OBSERVATION BEDS	
	NON-HOSPITAL	
	TOTAL STATISTIC	0
	TOTAL STATISTIC TO BE ALLOCATED	0

TOTAL ADULTS & PEDS 0

TOTAL ICU 0

TOTAL NURSERY 0

TOTAL RADIOLOGY 0

TOTAL CARDIOPULMONARY 0

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION
PERIOD ENDED: 30-Sep-91

2 STATISTICS FOR: DEPRECIATION – EQUIPMENT
STATISTIC USED: ACTUAL DEPARTMENTAL COST
SOURCE:

		NOTES & GROUPINGS
1 DEPRECIATION – BUILDING		
2 DEPRECIATION – EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		
39 ULTRASOUND		0
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	0	
TOTAL STATISTIC TO BE ALLOCATED	0	

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION

PERIOD ENDED: 30-Sep-91

3 STATISTICS FOR: COMMUNICATIONS CENTER

STATISTIC USED: NUMBER OF PHONE LINES

SOURCE:

		NOTES & GROUPING
1 DEPRECIATION - BUILDING		
2 DEPRECIATION - EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		
39 ULTRASOUND		0
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	0	
TOTAL STATISTIC TO BE ALLOCATED	0	

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION

PERIOD ENDED: 30-Sep-91

4 STATISTICS FOR: PROCUREMENT

STATISTIC USED: COSTED REQUISITIONS

SOURCE:

		NOTES & GROUPINGS
1 DEPRECIATION - BUILDING		
2 DEPRECIATION - EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		
39 ULTRASOUND		0
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	0	
TOTAL STATISTIC TO BE ALLOCATED	0	

GUAM MEMORIAL HOSPITAL AUTHORITY

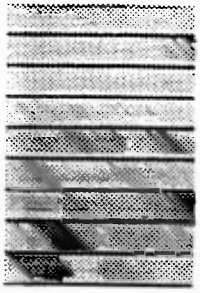
STATISTICS FOR EXPENSE ALLOCATION

PERIOD ENDED: 30-Sep-91

5 STATISTICS FOR: LAUNDRY & LINEN

STATISTIC USED: POUNDS OF LAUNDRY

SOURCE:

		NOTES & GROUPING
1 DEPRECIATION - BUILDING		
2 DEPRECIATION - EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		
39 ULTRASOUND		0
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	**0**	
TOTAL STATISTIC TO BE ALLOCATED	**0**	

GUAM MEMORIAL HOSPITAL AUTHORITY
STATISTICS FOR EXPENSE ALLOCATION
PERIOD ENDED: 30-Sep-91

6 STATISTICS FOR: HOUSEKEEPING
STATISTIC USED: TIME SPENT
SOURCE:

		NOTES & GROUPING
1 DEPRECIATION – BUILDING		
2 DEPRECIATION – EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		
39 ULTRASOUND		0
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	0	
TOTAL STATISTIC TO BE ALLOCATED	0	

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION

PERIOD ENDED: 30-Sep-91

7 STATISTICS FOR: DIETARY

STATISTIC USED: NUMBER OF MEALS

SOURCE:

		NOTES & GROUPINGS
1 DEPRECIATION - BUILDING		
2 DEPRECIATION - EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL
38 CT SCANNER		RADIOLOGY
39 ULTRASOUND		0
41 LABORATORY		TOTAL
43 CARDIOPULMONARY (RT)		CARDIOPULMONARY
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	**0**	
TOTAL STATISTIC TO BE ALLOCATED	**0**	

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION
PERIOD ENDED: 30-Sep-91

8 STATISTICS FOR: CAFETERIA
STATISTIC USED: FULL-TIME EQUIVALENTS (FTEs)
SOURCE:

		NOTES & GROUPINGS
1 DEPRECIATION - BUILDING		
2 DEPRECIATION - EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		
39 ULTRASOUND		0
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	**0**	
TOTAL STATISTIC TO BE ALLOCATED	**0**	

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION

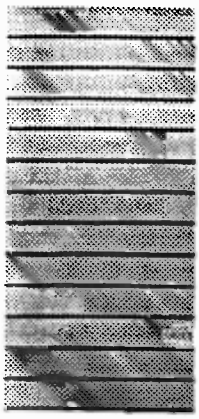
PERIOD ENDED: 30-Sep-91

9 STATISTICS FOR: NURSING ADMINISTRATION

STATISTIC USED: NURSING HOURS WORKED

SOURCE:

NOTES & GROUPING:



1	DEPRECIATION - BUILDING	
2	DEPRECIATION - EQUIPMENT	
3	EMPLOYEE BENEFITS & PERSONNEL	
4	ADMINISTRATION	
5	BUSINESS OFFICE	
6	COMMUNICATIONS CENTER	
7	PROCUREMENT	
8	MAINTENANCE & REPAIRS	
9	LAUNDRY & LINEN	
10	HOUSEKEEPING	
11	DIETARY	
12	CAFETERIA	
13	NURSING ADMINISTRATION	
14	CENTRAL SERVICES & SUPPLY	
15	PHARMACY	
16	MEDICAL RECORDS	
17	HCRS (UR)	
18	SOCIAL SERVICES	
19	OBSTETRICS	
20	PEDIATRICS	
21	MEDICAL/SURGICAL	
22	SURGICAL WARD	
23	ICU & CCU	
24	MEDICAL TELEMETRY	
25	NURSERY	
26	INTERMEDIATE NURSERY	
27	NICU	
29	SKILLED NURSING	
30	OPERATING ROOM/PAR	
32	LABOR & DELIVERY	
34	ANESTHESIOLOGY	
36	RADIOLOGY	
37	NUCLEAR MEDICINE	
38	CT SCANNER	
39	ULTRASOUND	
41	LABORATORY	
43	CARDIOPULMONARY (RT)	
45	EKG/EEG	
46	PHYSICAL THERAPY	
47	MEDICAL SUPPLIES CHARGED	
48	DRUGS CHARGED	
50	HEMODIALYSIS	
52	EMERGENCY ROOM	
53	OBSERVATION BEDS	
	NON-HOSPITAL	

TOTAL ADULTS & PEDS: 0

TOTAL ICU: 0

TOTAL NURSERY: 0

TOTAL RADIOLOGY: 0

TOTAL CARDIOPULMONARY: 0

TOTAL STATISTIC: 0

TOTAL STATISTIC TO BE ALLOCATED: 0

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION

PERIOD ENDED: 30-Sep-91

10 STATISTICS FOR: CENTRAL SERVICES & SUPPLY

STATISTIC USED: COSTED REQUISITIONS

SOURCE:

NOTES & GROUPINGS

1	DEPRECIATION - BUILDING	
2	DEPRECIATION - EQUIPMENT	
3	EMPLOYEE BENEFITS & PERSONNEL	
4	ADMINISTRATION	
5	BUSINESS OFFICE	
6	COMMUNICATIONS CENTER	
7	PROCUREMENT	
8	MAINTENANCE & REPAIRS	
9	LAUNDRY & LINEN	
10	HOUSEKEEPING	
11	DIETARY	
12	CAFETERIA	
13	NURSING ADMINISTRATION	
14	CENTRAL SERVICES & SUPPLY	
15	PHARMACY	
16	MEDICAL RECORDS	
17	HCRS (UR)	
18	SOCIAL SERVICES	
19	OBSTETRICS	
20	PEDIATRICS	
21	MEDICAL/SURGICAL	
22	SURGICAL WARD	
23	ICU & CCU	
24	MEDICAL TELEMETRY	
25	NURSERY	
26	INTERMEDIATE NURSERY	
27	NICU	
29	SKILLED NURSING	
30	OPERATING ROOM/PAR	
32	LABOR & DELIVERY	
34	ANESTHESIOLOGY	
36	RADIOLOGY	
37	NUCLEAR MEDICINE	
38	CT SCANNER	
39	ULTRASOUND	
41	LABORATORY	
43	CARDIOPULMONARY (RT)	
45	EKG/EEG	
46	PHYSICAL THERAPY	
47	MEDICAL SUPPLIES CHARGED	
48	DRUGS CHARGED	
50	HEMODIALYSIS	
52	EMERGENCY ROOM	
53	OBSERVATION BEDS	
	NON-HOSPITAL	
	TOTAL STATISTIC	**0**
	TOTAL STATISTIC TO BE ALLOCATED	**0**

TOTAL ADULTS & PEDS: 0

TOTAL ICU: 0

TOTAL NURSERY: 0

TOTAL RADIOLOGY: 0

TOTAL CARDIOPULMONARY: 0

GUAM MEMORIAL HOSPITAL AUTHORITY
STATISTICS FOR EXPENSE ALLOCATION
PERIOD ENDED: 30-Sep-91

11 STATISTICS FOR: PHARMACY
STATISTIC USED: COSTED REQUISITIONS
SOURCE:

		NOTES & GROUPING
1 DEPRECIATION - BUILDING		
2 DEPRECIATION - EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		0
22 SURGICAL WARD		TOTAL ICU
23 ICU & CCU		0
24 MEDICAL TELEMETRY		
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		0
39 ULTRASOUND		
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		0
45 EKG/EEG		
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	0	
TOTAL STATISTIC TO BE ALLOCATED	0	

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION

PERIOD ENDED: 30-Sep-91

12 STATISTICS FOR: MEDICAL RECORDS

STATISTIC USED: TIME SPENT

SOURCE:

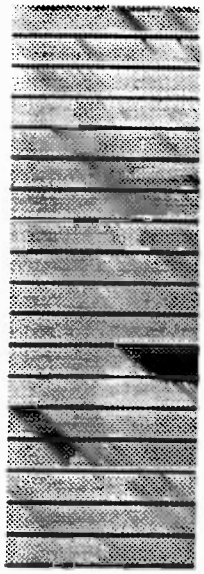
		NOTES & GROUPINGS
1 DEPRECIATION - BUILDING		
2 DEPRECIATION - EQUIPMENT		
3 EMPLOYEE BENEFITS & PERSONNEL		
4 ADMINISTRATION		
5 BUSINESS OFFICE		
6 COMMUNICATIONS CENTER		
7 PROCUREMENT		
8 MAINTENANCE & REPAIRS		
9 LAUNDRY & LINEN		
10 HOUSEKEEPING		
11 DIETARY		
12 CAFETERIA		
13 NURSING ADMINISTRATION		
14 CENTRAL SERVICES & SUPPLY		
15 PHARMACY		
16 MEDICAL RECORDS		
17 HCRS (UR)		
18 SOCIAL SERVICES		
19 OBSTETRICS		
20 PEDIATRICS		TOTAL ADULTS & PEDS
21 MEDICAL/SURGICAL		
22 SURGICAL WARD		0
23 ICU & CCU		TOTAL ICU
24 MEDICAL TELEMETRY		0
25 NURSERY		
26 INTERMEDIATE NURSERY		TOTAL NURSERY
27 NICU		0
29 SKILLED NURSING		
30 OPERATING ROOM/PAR		
32 LABOR & DELIVERY		
34 ANESTHESIOLOGY		
36 RADIOLOGY		
37 NUCLEAR MEDICINE		TOTAL RADIOLOGY
38 CT SCANNER		
39 ULTRASOUND		0
41 LABORATORY		TOTAL CARDIOPULMONARY
43 CARDIOPULMONARY (RT)		
45 EKG/EEG		0
46 PHYSICAL THERAPY		
47 MEDICAL SUPPLIES CHARGED		
48 DRUGS CHARGED		
50 HEMODIALYSIS		
52 EMERGENCY ROOM		
53 OBSERVATION BEDS		
NON-HOSPITAL		
TOTAL STATISTIC	0	
TOTAL STATISTIC TO BE ALLOCATED	0	

GUAM MEMORIAL HOSPITAL AUTHORITY

STATISTICS FOR EXPENSE ALLOCATION
PERIOD ENDED: 30-Sep-91

13 STATISTICS FOR: SOCIAL SERVICES
STATISTIC USED: HOURS SPENT
SOURCE:

NOTES & GROUPINGS



1	DEPRECIATION - BUILDING	
2	DEPRECIATION - EQUIPMENT	
3	EMPLOYEE BENEFITS & PERSONNEL	
4	ADMINISTRATION	
5	BUSINESS OFFICE	
6	COMMUNICATIONS CENTER	
7	PROCUREMENT	
8	MAINTENANCE & REPAIRS	
9	LAUNDRY & LINEN	
10	HOUSEKEEPING	
11	DIETARY	
12	CAFETERIA	
13	NURSING ADMINISTRATION	
14	CENTRAL SERVICES & SUPPLY	
15	PHARMACY	
16	MEDICAL RECORDS	
17	HCRS (UR)	
18	SOCIAL SERVICES	
19	OBSTETRICS	
20	PEDIATRICS	TOTAL ADULTS & PEDS 0
21	MEDICAL/SURGICAL	
22	SURGICAL WARD	
23	ICU & CCU	TOTAL ICU 0
24	MEDICAL TELEMETRY	
25	NURSERY	
26	INTERMEDIATE NURSERY	TOTAL NURSERY 0
27	NICU	
29	SKILLED NURSING	
30	OPERATING ROOM/PAR	
32	LABOR & DELIVERY	
34	ANESTHESIOLOGY	
36	RADIOLOGY	
37	NUCLEAR MEDICINE	TOTAL RADIOLOGY 0
38	CT SCANNER	
39	ULTRASOUND	
41	LABORATORY	TOTAL CARDIOPULMONARY 0
43	CARDIOPULMONARY (RT)	
45	EKG/EEG	
46	PHYSICAL THERAPY	
47	MEDICAL SUPPLIES CHARGED	
48	DRUGS CHARGED	
50	HEMODIALYSIS	
52	EMERGENCY ROOM	
53	OBSERVATION BEDS	
	NON-HOSPITAL	
	TOTAL STATISTIC	0
	TOTAL STATISTIC TO BE ALLOCATED	0

EXHIBIT III

PAYOR SUMMARY (NIR 2)

** 0

GUAM MEMORIAL HOSPITAL AUTHORITY NET INCOME REALIZATION MODEL
P a y o r S u m m a r y (form NIR2)
Run on: Thursday, 01/16/92 at 14:35:41

	CURRENT REVENUES	CURRENT REIMBURSEMENT	% CHANGE IN PAYOR UTILIZATION	% CHANGE IN REIMBURSEMENT LEVEL	REVISED REVENUES	REVISED REIMBURSEMENT	ORIGINAL REALIZATION	REVISED REALIZATION
HA-Calvo Insurance	1399	1290	0.0	N/A	1399	1290	92.2	92.2
HA-GMHP	57	46	0.0	N/A	57	46	80.3	80.3
HA-MAP/Medicaid	285	285	0.0	N/A	285	285	99.8	100.0
HA-Medicare	4296	3252	0.0	N/A	4296	3253	75.7	75.7
HA-Self Pay	1346	596	0.0	N/A	1346	596	44.3	44.3
HA-Staywell	1094	664	0.0	N/A	1094	664	60.7	60.7
HA-UIU Insurance	143	94	0.0	N/A	143	94	65.6	65.8
IP-Aetna Casualty	85026	68576	0.0	N/A	85026	68577	80.7	80.7
IP-American Federation	18047	18047	0.0	N/A	18047	18047	100.0	100.0
IP-Bad Debt Res. 90	879	0	0.0	N/A	879	0	0.0	0.0
IP-Blue Cross	208059	129307	0.0	N/A	208059	129306	62.1	62.1
IP-CMNI Healthplan	23709	0	0.0	N/A	23709	0	0.0	0.0
IP-CMNI Rota	21002	0	0.0	N/A	21002	0	0.0	0.0
IP-CMNI Saipan	165915	165915	0.0	N/A	165915	165915	100.0	100.0
IP-Calvo Insurance	642405	592382	0.0	N/A	642405	592381	92.2	92.2
IP-Champus	68208	42382	0.0	N/A	68208	42382	62.1	62.1
IP-Connecticut General	96297	64049	0.0	N/A	96297	64049	66.5	66.5
IP-FHP	3225808	2138710	0.0	N/A	3225808	2138711	66.3	66.3
IP-FHP Commercial	3992	0	0.0	N/A	3992	0	0.0	0.0
IP-FHP/SDA	25	0	0.0	N/A	25	0	0.0	0.0
IP-FSM/Ponape	19697	19697	0.0	N/A	19697	19697	100.0	100.0
IP-FSM/Truk	258280	242861	0.0	N/A	258280	242861	94.0	94.0
IP-FSM/Yap	68512	68512	0.0	N/A	68512	68512	100.0	100.0
IP-GMHP	6080232	4885234	0.0	N/A	6080232	4885223	80.3	80.3
IP-GMHP	938	0	0.0	N/A	938	0	0.0	0.0
IP-Gmha Physical Exam	483	0	0.0	N/A	483	0	0.0	0.0
IP-Goverment/DVR	9804	7113	0.0	N/A	9804	7114	72.5	72.6
IP-Govt Employee Plan	112913	41056	0.0	N/A	112913	41056	36.4	36.4
IP-Govt Public Health	1915	1915	0.0	N/A	1915	1915	100.0	100.0
IP-Govt/Corrections	12156	12156	0.0	N/A	12156	12156	100.0	100.0
IP-Govt/DYA	3113	2572	0.0	N/A	3113	2572	82.6	82.6
IP-Govt/Work Injuries	37867	22231	0.0	N/A	37867	22231	58.7	58.7
IP-HML	747300	549549	0.0	N/A	747300	549550	73.5	73.5
IP-HML Commercial	1902	0	0.0	N/A	1902	0	0.0	0.0
IP-Hawaii Medical Service	27773	21860	0.0	N/A	27773	21859	78.7	78.7
IP-Kaiser Cement	14684	0	0.0	N/A	14684	0	0.0	0.0
IP-MIP	2540621	2540621	0.0	N/A	2540621	2540621	100.0	100.0
IP-MIU Insurance	4690	0	0.0	N/A	4690	0	0.0	0.0
IP-Map/Medicaid	2017683	2017683	0.0	0.0	2017683	2017683	100.0	100.0
IP-Medicare	3643116	2758077	0.0	0.0	3643116	2758077	75.7	75.7
IP-Misc Insurance	125454	69424	0.0	N/A	125454	69423	55.3	55.3
IP-Nanbo Ltd.	297506	284503	0.0	N/A	297506	284502	95.6	95.6
IP-Republic Of Belau	14376	14376	0.0	N/A	14376	14376	100.0	100.0
IP-SDA	31705	22046	0.0	N/A	31705	22046	69.5	69.5
IP-Self Pay	5473977	2424564	0.0	N/A	5473977	2424589	44.3	44.3
IP-Staywell	1836112	1113861	0.0	N/A	1836112	1113859	60.7	60.7
IP-Tuberculosis	3160	0	0.0	N/A	3160	0	0.0	0.0
IP-UIU Insurance	233299	153519	0.0	N/A	233299	153518	65.8	65.8
IP-Unajud Charges	842	0	0.0	N/A	842	0	0.0	0.0
IP-Veterans Admin	23042	23042	0.0	0.0	23042	23042	100.0	100.0
[illegible]	[illegible]	[illegible]	0.0	N/A	[illegible]	[illegible]	80.7	80.7

OP-American Federation	3360	3360	0.0	N/A	3360	3360	100.0	100.0
OP-Blue Cross	78210	48607	0.0	N/A	78210	48607	62.1	62.1
OP-CNMI Tinian	855	0	0.0	N/A	855	0	0.0	0.0
OP-CNMI	8461	0	0.0	N/A	8461	0	0.0	0.0
OP-CNMI Rota	499	0	0.0	N/A	499	0	0.0	0.0
OP-CNMI Saipan	36684	36684	0.0	N/A	36684	36684	100.0	100.0
OP-Calvo Insurance	346860	319851	0.0	N/A	346860	319850	92.2	92.2
OP-Champus	38259	23772	0.0	N/A	38259	23773	62.1	62.1
OP-Connecticut General	54922	36530	0.0	N/A	54922	36530	66.5	66.5
OP-FHP	765912	507800	0.0	N/A	765912	507800	66.3	66.3
OP-FHP Denials	143	0	0.0	N/A	143	0	0.0	0.0
OP-FHP Federal	217	0	0.0	N/A	217	0	0.0	0.0
OP-FSM Govt Emp Plan	30811	11203	0.0	N/A	30811	11203	36.4	36.4
OP-FSM/Ponape	1442	1442	0.0	N/A	1442	1442	100.0	100.0
OP-FSM/Truk	34660	32591	0.0	N/A	34660	32591	94.0	94.0
OP-FSM/Yap	19686	19686	0.0	N/A	19686	19686	100.0	100.0
OP-GMHA Injuries/Illness	40	0	0.0	N/A	40	0	0.0	0.0
OP-GMHA Physical Exam	33512	0	0.0	N/A	33512	0	0.0	0.0
OP-GMHA Visitor	2373	0	0.0	N/A	2373	0	0.0	0.0
OP-GMHP	2949510	2369818	0.0	N/A	2949510	2369813	80.3	80.3
OP-GMHP	522	0	0.0	N/A	522	0	0.0	0.0
OP-GMHP	145	0	0.0	N/A	145	0	0.0	0.0
OP-GMHP Co-Share	97	97	0.0	N/A	97	97	99.8	100.0
OP-Govt/Corrections	58752	58752	0.0	N/A	58752	58752	100.0	100.0
OP-Govt/DVR	14550	10557	0.0	N/A	14550	10557	72.6	72.6
OP-Govt/DYA	11677	9649	0.0	N/A	11677	9650	82.6	82.6
OP-Govt/Employee Hosp	489	0	0.0	N/A	489	0	0.0	0.0
OP-Govt/Guam Police	7606	908	0.0	N/A	7606	908	11.9	11.9
OP-Govt/Mental Health	193990	182331	0.0	N/A	193990	182331	94.0	94.0
OP-Govt/Public Health	7924	7924	0.0	N/A	7924	7924	100.0	100.0
OP-Govt/School Injury	22340	22340	0.0	N/A	22340	22340	100.0	100.0
OP-Govt/Work Injuries	53486	31401	0.0	N/A	53486	31400	58.7	58.7
OP-HML	304858	224186	0.0	N/A	304858	224186	73.5	73.5
OP-HML Co-Share	154	154	0.0	N/A	154	154	99.7	100.0
OP-HML Federal	41	0	0.0	N/A	41	0	0.0	0.0
OP-Hawaii Medical Services	8811	6935	0.0	N/A	8811	6935	78.7	78.7
OP-MAP/Medicaid	1008821	1008821	0.0	N/A	1008821	1008821	100.0	100.0
OP-MIP	2068682	2068682	0.0	N/A	2068682	2068682	100.0	100.0
OP-MIU Insurance	61	0	0.0	N/A	61	0	0.0	0.0
OP-Medicare	3159140	2391676	0.0	N/A	3159140	2391690	75.7	75.7
OP-Medicare Non-Allowable	636	0	0.0	N/A	636	0	0.0	0.0
OP-Misc Insurance	50527	27961	0.0	N/A	50527	27961	55.3	55.3
OP-Nanbo Ltd.	159054	152102	0.0	N/A	159054	152102	95.6	95.6
OP-Naval Hospital	6080	6080	0.0	N/A	6080	6080	100.0	100.0
OP-Republic Of Belau	1031	1031	0.0	N/A	1031	1031	100.0	100.0
OP-SDA	9040	6286	0.0	N/A	9040	6286	69.5	69.5
OP-Self Pay	3065842	1357940	0.0	N/A	3065842	1357953	44.3	44.3
OP-Staywell	1112956	675165	0.0	N/A	1112956	675164	60.7	60.7
OP-UIU Insurance	115367	75915	0.0	N/A	115367	75915	65.8	65.8
OP-Veterans Admin	14420	14240	0.0	N/A	14420	14420	98.8	100.0
OP-Workmens Comp	1068	1068	0.0	N/A	1068	1068	100.0	100.0
SNF-Aetna Casualty	2250	1815	0.0	N/A	2250	1815	80.7	80.7
SNF-Blue Cross	8989	5587	0.0	N/A	8989	5587	62.2	62.1
SNF-CNMI Rota	7166	0	0.0	N/A	7166	0	0.0	0.0
SNF-CNMI Saipan	4771	4771	0.0	N/A	4771	4771	100.0	100.0
SNF-FHP	17378	11522	0.0	N/A	17378	11521	66.3	66.3
SNF-FSM/Truk	2840	2670	0.0	N/A	2840	2670	94.0	94.0
SNF-FSM/Yap	3891	3891	0.0	N/A	3891	3891	100.0	100.0
SNF-GMHP	97748	78537	0.0	N/A	97748	78537	80.3	80.3
[illegible]	[illegible]	[illegible]	0.0	N/A	[illegible]	[illegible]	73.5	73.5

SNF-MAP/Medicaid	154306	154306	0.0	0.0	154306	154306	100.0	100.0
SNF-MIP	96337	96337	0.0	N/A	96337	96337	100.0	100.0
SNF-Medicare	294509	222963	0.0	0.0	294509	222963	75.7	75.7
SNF-Misc Insurance	4242	2347	0.0	N/A	4242	2347	55.3	55.3
SNF-Republic Of Belau	1621	1621	0.0	N/A	1621	1621	100.0	100.0
SNF-Self Pay	101621	45011	0.0	N/A	101621	45011	44.3	44.3
SNF-Staywell	1450	880	0.0	N/A	1450	880	60.7	60.7
GRAND TOTAL	44936492	32957166			44936492	32957379	73.3	73.3

EXHIBIT IV

DEPARTMENTAL SUMMARY BY PAYOR (NIR 3)

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GUAM MEMORIAL HOSPITAL AUTHORITY NET INCOME REALIZATION MODEL
D e p a r t m e n t a l S u m m a r y B y P a y o r (form NIR3)
Run on: Monday, 01/13/92 at 15:12:01

ANESTHESIA COSTS

	ORIGINAL REVENUES	ORIGINAL REIMBURSEMENT	ORIGINAL REALIZATION	PROPOSED % CHANGE IN CHARGES	% CHANGE IN PAYOR UTILIZATION	REVISED REVENUES	REVISED REIMBURSEMENT	REVISED REALIZATION
HA-Calvo Insurance	202	186			0.0	202	186	
HA-GMHP	0	0			**********	0	0	
HA-MAP/Medicaid	0	0			**********	0	0	
HA-Medicare	202	153			0.0	202	153	
HA-Self Pay	0	0			**********	0	0	
HA-Staywell	0	0			**********	0	0	
HA-UIU Insurance	0	0			**********	0	0	
IP-Aetna Casualty	776	626			0.0	776	626	
IP-American Federation	0	0			**********	0	0	
IP-Bad Debt Res. 90	0	0			**********	0	0	
IP-Blue Cross	1744	1084			0.0	1744	1084	
IP-CHNI Healthplan	574	0			0.0	574	0	
IP-CHNI Rota	0	0			**********	0	0	
IP-CHNI Saipan	1575	1575			0.0	1575	1575	
IP-Calvo Insurance	6648	6130			0.0	6648	6130	
IP-Champus	191	119			0.0	191	119	
IP-Connecticut General	978	650			0.0	978	651	
IP-FHP	24864	16485			0.0	24864	16485	
IP-FHP Commercial	0	0			**********	0	0	
IP-FHP/SDA	0	0			**********	0	0	
IP-FSM/Ponape	585	585			0.0	585	585	
IP-FSM/Truk	2580	2426			0.0	2580	2426	
IP-FSM/Yap	404	404			0.0	404	404	
IP-GMHP	55214	44363			0.0	55214	44363	
IP-GMHP	0	0			**********	0	0	
IP-Gmha Physical Exam	0	0			**********	0	0	
IP-Goverment/DVR	382	277			0.0	382	277	
IP-Govt Employee Plan	1056	384			0.0	1056	384	
IP-Govt Public Health	203	203			0.0	203	203	
IP-Govt/Corrections	191	191			0.0	191	191	
IP-Govt/DYA	11	9			0.0	11	9	
IP-Govt/Work Injuries	574	337			0.0	574	337	
IP-HML	6029	4434			0.0	6029	4434	
IP-HML Commercial	0	0			**********	0	0	
IP-Hawaii Medical Service	393	310			0.0	393	310	
IP-Kaiser Cement	382	0			0.0	382	0	
IP-MIP	15667	15667			0.0	15667	15667	
IP-MIU Insurance	191	0			0.0	191	0	
IP-Map/Medicaid	18548	18548			0.0	18548	18548	
IP-Medicare	12756	9657			0.0	12756	9657	
IP-Misc Insurance	1045	578			0.0	1045	578	
IP-Nanbo Ltd.	4464	4269			0.0	4464	4269	
IP-Republic Of Belau	191	191			0.0	191	191	
IP-SDA	0	0			**********	0	0	

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GUAM MEMORIAL HOSPITAL AUTHORITY NET INCOME REALIZATION MODEL
Departmental Summary By Payor (form NIR3)
Run on: Monday, 01/13/92 at 15:12:01

	ORIGINAL REVENUES	ORIGINAL REIMBURSEMENT	ORIGINAL REALIZATION	PROPOSED % CHANGE IN CHARGES	% CHANGE IN PAYOR UTILIZATION	REVISED REVENUES	REVISED REIMBURSEMENT	REVISED REALIZATION
ANESTHESIA COSTS (Continued)								
IP-Self Pay	46003	20376			0.0	46003	20376	
IP-Staywell	23588	14309			0.0	23588	14309	
IP-Tuberculosis	0	0			**********	0	0	
IP-UIU Insurance	2945	1938			0.0	2945	1938	
IP-Unajud Charges	0	0			**********	0	0	
IP-Veterans Admin	191	191			0.0	191	191	
OP-Aetna Casualty	991	799			0.0	991	799	
OP-American Federation	0	0			**********	0	0	
OP-Blue Cross	968	602			0.0	968	602	
OP-CNMI Tinian	0	0			**********	0	0	
OP-CNMI	0	0			**********	0	0	
OP-CNMI Rota	0	0			**********	0	0	
OP-CNMI Saipan	800	800			0.0	800	800	
OP-Calvo Insurance	4538	4185			0.0	4538	4185	
OP-Champus	405	252			0.0	405	252	
OP-Connecticut General	1183	787			0.0	1183	787	
OP-FHP	6901	4575			0.0	6901	4575	
OP-FHP Denials	0	0			**********	0	0	
OP-FHP Federal	0	0			**********	0	0	
OP-FSM Govt Emp Plan	394	143			0.0	394	143	
OP-FSM/Ponape	0	0			**********	0	0	
OP-FSM/Truk	1231	1157			0.0	1231	1157	
OP-FSM/Yap	956	956			0.0	956	956	
OP-GMHA Injuries/Illness	0	0			**********	0	0	
OP-GMHA Physical Exam	0	0			**********	0	0	
OP-GMHA Visitor	0	0			**********	0	0	
OP-GMHP	46882	37668			0.0	46882	37668	
OP-GMHP	0	0			**********	0	0	
OP-GMHP	0	0			**********	0	0	
OP-GMHP Co-Share	0	0			**********	0	0	
OP-Govt/Corrections	393	393			0.0	393	393	
OP-Govt/DVR	979	710			0.0	979	710	
OP-Govt/DYA	0	0			**********	0	0	
OP-Govt/Employee Hosp	0	0			**********	0	0	
OP-Govt/Guam Police	0	0			**********	0	0	
OP-Govt/Mental Health	0	0			**********	0	0	
OP-Govt/Public Health	382	382			0.0	382	382	
OP-Govt/School Injury	191	191			0.0	191	191	
OP-Govt/Work Injuries	382	225			0.0	382	225	
OP-HML	4692	3451			0.0	4692	3451	
OP-HML Co-Share	0	0			**********	0	0	
OP-HML Federal	0	0			**********	0	0	
OP-Hawaii Medical Services	0	0			**********	0	0	
OP-MAP/Medicaid	9834	9834			0.0	9834	9834	
OP-MIP	7842	7842			0.0	7842	7842	

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GUAM MEMORIAL HOSPITAL AUTHORITY NET INCOME REALIZATION MODEL
Departmental Summary By Payor (form NIR3)
Run on: Monday, 01/13/92 at 15:12:01

	ORIGINAL REVENUES	ORIGINAL REIMBURSEMENT	ORIGINAL REALIZATION	PROPOSED % CHANGE IN CHARGES	% CHANGE IN PAYOR UTILIZATION	REVISED REVENUES	REVISED REIMBURSEMENT	REVISED REALIZATION
ANESTHESIA COSTS (Continued)								
OP-MIU Insurance	0	0			**********	0	0	
OP-Medicare	12070	9138			0.0	12070	9138	
OP-Medicare Non-Allowable	0	0			**********	0	0	
OP-Misc Insurance	574	317			0.0	574	317	
OP-Nanbo Ltd.	847	810			0.0	847	810	
OP-Naval Hospital	0	0			**********	0	0	
OP-Republic Of Belau	0	0			**********	0	0	
OP-SDA	0	0			**********	0	0	
OP-Self Pay	16339	7237			0.0	16339	7237	
OP-Staywell	23311	14141			0.0	23311	14141	
OP-UIU Insurance	2208	1453			0.0	2208	1453	
OP-Veterans Admin	202	200			0.0	202	202	
OP-Workmens Comp	0	0			**********	0	0	
SNF-Aetna Casualty	0	0			**********	0	0	
SNF-Blue Cross	0	0			**********	0	0	
SNF-CNMI Rota	0	0			**********	0	0	
SNF-CNMI Saipan	0	0			**********	0	0	
SNF-FHP	0	0			**********	0	0	
SNF-FSM/Truk	0	0			**********	0	0	
SNF-FSM/Yap	0	0			**********	0	0	
SNF-GMHP	0	0			**********	0	0	
SNF-HML	0	0			**********	0	0	
SNF-MAP/Medicaid	0	0			**********	0	0	
SNF-MIP	191	191			0.0	191	191	
SNF-Medicare	191	145			0.0	191	145	
SNF-Misc Insurance	0	0			**********	0	0	
SNF-Republic Of Belau	0	0			**********	0	0	
SNF-Self Pay	0	0			**********	0	0	
SNF-Staywell	0	0			**********	0	0	
DEPARTMENT TOTAL	377228	275241	73.0	0.0		377228	275243	73.0
CAST ROOM								
HA-Calvo Insurance	0	0			**********	0	0	
HA-GMHP	0	0			**********	0	0	
HA-MAP/Medicaid	0	0			**********	0	0	
HA-Medicare	0	0			**********	0	0	
HA-Self Pay	0	0			**********	0	0	
HA-Staywell	0	0			**********	0	0	
HA-UIU Insurance	0	0			**********	0	0	
IP-Aetna Casualty	0	0			**********	0	0	
IP-American Federation	0	0			**********	0	0	
IP-Bad Debt Res. 90	0	0			**********	0	0	
IP-Blue Cross	0	0			**********	0	0	
IP-CNMI Healthplan	42	0			0.0	42	0	

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GUAM MEMORIAL HOSPITAL AUTHORITY NET INCOME REALIZATION MODEL
Departmental Summary By Payor (form NIR3)
Run on: Monday, 01/13/92 at 15:12:01

CAST ROOM (Continued)

	ORIGINAL REVENUES	ORIGINAL REIMBURSEMENT	ORIGINAL REALIZATION	PROPOSED % CHANGE IN CHARGES	% CHANGE IN PAYOR UTILIZATION	REVISED REVENUES	REVISED REIMBURSEMENT	REVISED REALIZATION
IP-CNMI Rota	0	0			**********	0	0	
IP-CNMI Saipan	190	190			0.0	190	190	
IP-Calvo Insurance	42	39			0.0	42	39	
IP-Champus	0	0			**********	0	0	
IP-Connecticut General	0	0			**********	0	0	
IP-FHP	1099	729			0.0	1099	729	
IP-FHP Commercial	0	0			**********	0	0	
IP-FHP/SDA	0	0			**********	0	0	
IP-FSM/Ponape	0	0			**********	0	0	
IP-FSM/Truk	0	0			**********	0	0	
IP-FSM/Yap	32	32			0.0	32	32	
IP-GMHP	950	763			0.0	950	763	
IP-GMHP	0	0			**********	0	0	
IP-Gmha Physical Exam	0	0			**********	0	0	
IP-Goverment/DVR	0	0			**********	0	0	
IP-Govt Employee Plan	121	44			0.0	121	44	
IP-Govt Public Health	0	0			**********	0	0	
IP-Govt/Corrections	0	0			**********	0	0	
IP-Govt/DYA	0	0			**********	0	0	
IP-Govt/Work Injuries	0	0			**********	0	0	
IP-HML	278	204			0.0	278	204	
IP-HML Commercial	0	0			**********	0	0	
IP-Hawaii Medical Service	0	0			**********	0	0	
IP-Kaiser Cement	32	0			0.0	32	0	
IP-MIP	463	463			0.0	463	463	
IP-MIU Insurance	0	0			**********	0	0	
IP-Map/Medicaid	135	135			0.0	135	135	
IP-Medicare	219	166			0.0	219	166	
IP-Misc Insurance	0	0			**********	0	0	
IP-Nanbo Ltd.	88	85			0.0	88	85	
IP-Republic Of Belau	0	0			**********	0	0	
IP-SDA	0	0			**********	0	0	
IP-Self Pay	2954	1309			0.0	2954	1309	
IP-Staywell	871	528			0.0	871	528	
IP-Tuberculosis	0	0			**********	0	0	
IP-UIU Insurance	32	21			0.0	32	21	
IP-Unajud Charges	0	0			**********	0	0	
IP-Veterans Admin	0	0			**********	0	0	
OP-Aetna Casualty	0	0			**********	0	0	
OP-American Federation	0	0			**********	0	0	
OP-Blue Cross	0	0			**********	0	0	
OP-CNMI Tinian	0	0			**********	0	0	
OP-CNMI	0	0			**********	0	0	
OP-CNMI Rota	0	0			**********	0	0	
OP-CNMI Saipan	0	0			**********	0	0	

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GUAM MEMORIAL HOSPITAL AUTHORITY NET INCOME REALIZATION MODEL
Departmental Summary By Payor (form NIR3)
Run on: Monday, 01/13/92 at 15:12:01

	ORIGINAL REVENUES	ORIGINAL REIMBURSEMENT	ORIGINAL REALIZATION	PROPOSED % CHANGE IN CHARGES	% CHANGE IN PAYOR UTILIZATION	REVISED REVENUES	REVISED REIMBURSEMENT	REVISED REALIZATION
CAST ROOM (Continued)								
OP-Calvo Insurance	265	245			0.0	265	245	
OP-Champus	0	0			**********	0	0	
OP-Connecticut General	26	17			0.0	26	17	
OP-FHP	1149	762			0.0	1149	762	
OP-FHP Denials	0	0			**********	0	0	
OP-FHP Federal	0	0			**********	0	0	
OP-FSM Govt Emp Plan	32	12			0.0	32	12	
OP-FSM/Ponape	0	0			**********	0	0	
OP-FSM/Truk	0	0			**********	0	0	
OP-FSM/Yap	0	0			**********	0	0	
OP-GMHA Injuries/Illness	0	0			**********	0	0	
OP-GMHA Physical Exam	0	0			**********	0	0	
OP-GMHA Visitor	0	0			**********	0	0	
OP-GMHP	3009	2418			0.0	3009	2418	
OP-GMHP	0	0			**********	0	0	
OP-GMHP	0	0			**********	0	0	
OP-GMHP Co-Share	0	0			**********	0	0	
OP-Govt/Corrections	63	63			0.0	63	63	
OP-Govt/DVR	0	0			**********	0	0	
OP-Govt/DYA	0	0			**********	0	0	
OP-Govt/Employee Hosp	0	0			**********	0	0	
OP-Govt/Guam Police	0	0			**********	0	0	
OP-Govt/Mental Health	0	0			**********	0	0	
OP-Govt/Public Health	0	0			**********	0	0	
OP-Govt/School Injury	291	291			0.0	291	291	
OP-Govt/Work Injuries	100	59			0.0	100	59	
OP-HML	223	164			0.0	223	164	
OP-HML Co-Share	0	0			**********	0	0	
OP-HML Federal	0	0			**********	0	0	
OP-Hawaii Medical Services	0	0			**********	0	0	
OP-MAP/Medicaid	1040	1040			0.0	1040	1040	
OP-MIP	455	455			0.0	455	455	
OP-MIU Insurance	0	0			**********	0	0	
OP-Medicare	330	249			0.0	330	249	
OP-Medicare Non-Allowable	0	0			**********	0	0	
OP-Misc Insurance	51	28			0.0	51	28	
OP-Nanbo Ltd.	299	286			0.0	299	286	
OP-Naval Hospital	0	0			**********	0	0	
OP-Republic Of Belau	0	0			**********	0	0	
OP-SDA	0	0			**********	0	0	
OP-Self Pay	6784	3005			0.0	6784	3005	
OP-Staywell	1571	953			0.0	1571	953	
OP-UIU Insurance	241	159			0.0	241	159	
OP-Veterans Admin	0	0			**********	0	0	
OP-Workmens Comp	0	0			**********	0	0	

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GUAM MEMORIAL HOSPITAL AUTHORITY NET INCOME REALIZATION MODEL
Departmental Summary By Payor (form NIR3)
Run on: Monday, 01/13/92 at 15:12:01

CAST ROOM (Continued)

	ORIGINAL REVENUES	ORIGINAL REIMBURSEMENT	ORIGINAL REALIZATION	PROPOSED % CHANGE IN CHARGES	% CHANGE IN PAYOR UTILIZATION	REVISED REVENUES	REVISED REIMBURSEMENT	REVISED REALIZATION
SNF-Aetna Casualty	0	0			**********	0	0	
SNF-Blue Cross	0	0			**********	0	0	
SNF-CNMI Rota	0	0			**********	0	0	
SNF-CNMI Saipan	0	0			**********	0	0	
SNF-FHP	0	0			**********	0	0	
SNF-FSM/Truk	0	0			**********	0	0	
SNF-FSM/Yap	0	0			**********	0	0	
SNF-GMHP	0	0			**********	0	0	
SNF-HML	0	0			**********	0	0	
SNF-MAP/Medicaid	0	0			**********	0	0	
SNF-MIP	0	0			**********	0	0	
SNF-Medicare	0	0			**********	0	0	
SNF-Misc Insurance	0	0			**********	0	0	
SNF-Republic Of Belau	0	0			**********	0	0	
SNF-Self Pay	0	0			**********	0	0	
SNF-Staywell	0	0			**********	0	0	
DEPARTMENT TOTAL	23477	14912	63.5	0.0		23477	14912	63.5

EXHIBIT V

REQUIRED PERCENTAGE DEPARTMENTAL

CHARGE INCREASE FOR BREAKEVEN RESULTS

Guam Memorial Hospital Authority

Required Percentage Departmental Charge Increase For Breakeven Results

Description	Anesthesia Costs	Cast Room	CSR Supplies	Dietary	EKG, EEG EMG	Emergency Room	ER Items	Gelfoam CSR Item	Hemodialysis
Gross Charges (Original Revenue NIR 1)	377,228	23,477	2,517,286	42,643	455,855	1,616,220	1,363,292	1,564	2,851,204
Ratio Of Costs To Charges	1.035385	1.095549	0.839148	0.839148	0.488143	0.721210	2.281283	0.839148	0.851652
Implied Departmental Costs	390,576	25,720	2,112,376	35,784	222,522	1,165,634	3,110,055	1,312	2,428,234
Implied Departmental Costs	390,576	25,720	2,112,376	35,784	222,522	1,165,634	3,110,055	1,312	2,428,234
Collection Rate (Original Realization NIR 1)	73.0%	63.5%	72.7%	77.6%	72.4%	67.5%	67.0%	72.5%	85.2%
Initial Breakeven Gross Revenue Point	535,036	40,504	2,905,606	46,113	307,351	1,726,865	4,641,873	1,810	2,850,039
Implied Departmental Costs	390,576	25,720	2,112,376	35,784	222,522	1,165,634	3,110,055	1,312	2,428,234
Actual Net Revenue (Original Reimbursement NIR 1)	275,241	14,912	1,830,732	33,111	330,035	1,091,622	913,766	1,134	2,430,492
Net Departmental Operating Loss	115,335	10,808	281,644	2,673	0	74,012	2,196,289	178	0
Net Departmental Operating Loss (Gain)	115,335	10,808	281,644	2,673	0	74,012	2,196,289	178	0
Incremental Realization (NIR 3)	0.6540	0.6224	0.5822	0.4747	0.6488	0.6702	0.6703	0.6899	0.8183
Gross Charges Required Increase	176,354	17,365	483,757	5,630	0	110,433	3,276,576	259	0
Gross Charges Required Increase	176,354	17,365	483,757	5,630	0	110,433	3,276,576	259	0
Gross Charges (Original Revenue NIR 1)	377,228	23,477	2,517,286	42,643	455,855	1,616,220	1,363,292	1,564	2,851,204
Final Breakeven Gross Revenue Point	553,582	40,842	3,001,043	48,273	455,855	1,726,653	4,639,868	1,823	2,851,204
Required Percentage Departmental Charge Increase For Breakeven Results	46.750%	73.968%	19.217%	13.204%	0.000%	6.833%	240.343%	16.536%	0.000%
Five Year Phase In	7.973%	11.710%	3.578%	2.511%	0.000%	1.331%	27.757%	3.108%	0.000%

Guam Memorial Hospital Authority

Required Percentage Departmental Charge Increase For Breakeven Results

Description	Inhalation Therapy	Lab Blood Admin	Labor Room	Laboratory	Lab Off Island	Medical Summary	Nuclear Medicine	Operating Room	Patient Equipment
Gross Charges (Original Revenue NIR 1)	3,200,979	71,963	2,700,761	4,594,514	136,746	138,076	149,564	3,411,231	2,171
Ratio Of Costs To Charges	0.488143	0.813461	0.617592	0.813461	0.813461	2.281283	0.907700	1.095549	0.839148
Implied Departmental Costs	1,562,535	58,539	1,667,968	3,737,458	111,238	314,990	135,759	3,737,171	1,822
Implied Departmental Costs	1,562,535	58,539	1,667,968	3,737,458	111,238	314,990	135,759	3,737,171	1,822
Collection Rate (Original Realization NIR 1)	74.8%	74.6%	71.8%	71.8%	69.2%	60.7%	74.7%	72.5%	64.2%
Initial Breakeven Gross Revenue Point	2,088,951	78,471	2,323,076	5,205,373	160,748	518,930	181,739	5,154,718	2,838
Implied Departmental Costs	1,562,535	58,539	1,667,968	3,737,458	111,238	314,990	135,759	3,737,171	1,822
Actual Net Revenue (Original Reimbursement NIR 1)	2,395,358	53,714	1,938,530	3,297,646	94,676	83,807	111,661	2,474,313	1,393
Net Departmental Operating Loss	0	4,825	0	439,812	16,562	231,183	24,098	1,262,858	429
Net Departmental Operating Loss (Gain)	0	4,825	0	439,812	16,562	231,183	24,098	1,262,858	429
Incremental Realization (NIR 3)	0.5649	0.6228	0.6128	0.6224	0.6287	0.6004	0.6553	0.6531	0.5753
Gross Charges Required Increase	0	7,747	0	706,639	26,343	385,049	36,774	1,933,636	745
Gross Charges Required Increase	0	7,747	0	706,639	26,343	385,049	36,774	1,933,636	745
Gross Charges (Original Revenue NIR 1)	3,200,979	71,963	2,700,761	4,594,514	136,746	138,076	149,564	3,411,231	2,171
Final Breakeven Gross Revenue Point	3,200,979	79,710	2,700,761	5,301,153	163,089	523,125	186,338	5,344,867	2,916
Required Percentage Departmental Charge Increase For Breakeven Results	0.000%	10.766%	0.000%	15.380%	19.264%	278.867%	24.588%	56.684%	34.331%
Five Year Phase In	0.000%	2.066%	0.000%	2.903%	3.586%	30.526%	4.495%	9.397%	6.080%

Guam Memorial Hospital Authority

Required Percentage Departmental Charge Increase For Breakeven Results

Description	Pharmacy	Pharmacy Entry Codes	Physical Therapy	Room & Board	Therapy	X-Ray	Deduct From Room & Board SNF	ICU/CCU Med Telem	Nursery
Gross Charges (Original Revenue NIR 1)	5,677,762	229	429,682	7,601,501	2,925	3,513,128	399,197	2,188,552	1,468,584
Ratio Of Costs To Charges	0.690094	0.690094	2.237296	1.392195	2.237296	0.907700	5.220518	1.958779	1.057887
Implied Departmental Costs	3,918,189	158	961,326	10,582,772	6,544	3,188,866	2,084,015	4,286,890	1,553,596
Implied Departmental Costs	3,918,189	158	961,326	10,582,772	6,544	3,188,866	2,084,015	4,286,890	1,553,596
Collection Rate (Original Realization NIR 1)	76.4%	68.3%	76.0%	72.6%	68.5%	69.9%	81.2%	74.0%	63.5%
Initial Breakeven Gross Revenue Point	5,128,520	231	1,264,902	14,576,821	9,553	4,562,040	2,566,521	5,793,094	2,446,608
Implied Departmental Costs	3,918,189	158	961,326	10,582,772	6,544	3,188,866	2,084,015	4,286,890	1,553,596
Actual Net Revenue (Original Reimbursement NIR 1)	4,338,266	156	326,359	5,586,438	2,003	2,454,768	323,972	1,620,476	932,462
Net Departmental Operating Loss	0	2	634,967	4,996,334	4,541	734,098	1,760,043	2,666,414	621,134
Net Departmental Operating Loss (Gain)	0	2	634,967	4,996,334	4,541	734,098	1,760,043	2,666,414	621,134
Incremental Realization (NIR 3)	0.6516	0.5633	0.6252	0.5363	0.5925	0.6607	0.4256	0.5128	0.5738
Gross Charges Required Increase	0	4	1,015,622	9,316,304	7,664	1,111,092	4,135,440	5,199,715	1,082,492
Gross Charges Required Increase	0	4	1,015,622	9,316,304	7,664	1,111,092	4,135,440	5,199,715	1,082,492
Gross Charges (Original Revenue NIR 1)	5,677,762	229	429,682	7,601,501	2,925	3,513,128	399,197	2,188,552	1,468,584
Final Breakeven Gross Revenue Point	5,677,762	233	1,445,304	16,917,805	10,589	4,624,220	4,534,637	7,388,267	2,551,076
Required Percentage Departmental Charge Increase For Breakeven Results	0.000%	1.575%	236.366%	122.559%	262.027%	31.627%	1035.940%	237.587%	73.710%
Five Year Phase In	0.000%	0.313%	27.457%	17.352%	29.345%	5.650%	62.581%	27.549%	11.677%

Guam Memorial Hospital Authority

Required Percentage Departmental Charge
Increase For Breakeven Results

Description	*Total*
Gross Charges (Original Revenue NIR 1)	44,936,334
Ratio Of Costs To Charges	N.A.
Implied Departmental Costs	47,402,050
Implied Departmental Costs	47,402,050
Collection Rate (Original Realization NIR 1)	73.3%
Initial Breakeven Gross Revenue Point	64,668,554
Implied Departmental Costs	47,402,050
Actual Net Revenue (Original Reimbursement NIR 1)	32,957,043
Net Departmental Operating Loss	16,078,238
Net Departmental Operating Loss (Gain)	16,078,238
Incremental Realization (NIR 3)	N.A.
Gross Charges Required Increase	29,035,639
Gross Charges Required Increase	29,035,639
Gross Charges (Original Revenue NIR 1)	44,936,334
Final Breakeven Gross Revenue Point	73,971,973
Required Percentage Departmental Charge Increase For Breakeven Results	64.615%
Five Year Phase In	10.483%

EXHIBIT VI

UNADJUDICATED MEDICAL SUPPLIES AND

PROPOSED CHARGES

Unadjudicated Medical Supplies And Proposed Charges

WHS Stock #	Alpha Description	FY 1991 Usage	Unit Cost	Per Item Charge	Gross Revenue
11150045	Amnihook, Amniotic Membrane	1,350	0.77	4.11	5,549
11150111	Arm-Board, w/Cover 9"L Disp.	1,188	0.49	2.62	3,113
11150126	Arm-Board, w/Cover 18"L	86	0.71	3.79	324
11150925	Crutch, Adj.Wooden (Med.)	137	8.94	47.77	6,535
11150425	Brush, Scrub Surg. w/Iodophor	12,582	0.70	3.74	47,057
11150437	Cannister, Syringe, 2-gal. Cap.	469	6.55	35.00	16,412
11151105	Dressing, Micro Surg. 2"Wx4"L	990	0.92	4.92	4,871
11151396	Hemovac, 400ml O.D. 1/4" 19Fr.	18	5.50	29.39	529
11152156	Suction Canister T/Wall 1500cc	2	2.49	13.30	24
11152230	Syringe, Eccentric Tip 60cc	72	1.75	9.35	673
11152270	Syringe, Insulin 1cc M/Fine	15,660	0.12	0.64	10,022
11152286	Syringe, w/o Needle 3cc Disp.	112,680	0.10	0.53	59,720
11152295	Syringe, w/o Needle 5cc Disp.	69,210	0.11	0.59	40,834
11152305	Syringe, w/o Needle 12cc Disp.	2,160	0.17	0.91	1,966
11152733	Tube, Nasogastric w/Sent. 18Fr.	111	2.42	12.93	1,431
11152790	Tube, Poole Suction Set w/12'	676	4.30	22.97	15,525
11152800	Tube, Yankauer Suction Set	288	2.37	12.66	3,646
13150010	Catheter, Veri-Pace Balloon	8	86.15	460.30	3,728
13150020	Catheter, Thermodilution, Vip	5	131.51	702.66	3,794
33150221	Needle, Hypo., (18gax1-1/2")	35,280	0.06	0.32	11,290
33150226	Needle, Hypo., (19gax1")	51,210	0.05	0.27	13,827
33150231	Needle, Hypo., (19gax1-1/2")	14,940	0.04	0.21	3,137
33150236	Needle, Hypo., (20gax1")	26,370	0.03	0.16	4,219
33150240	Needle, Hypo., (20gax1-1/2")	2,205	0.06	0.32	706
33150250	Needle, Hypo., (21gax1-1/2")	1,215	0.06	0.32	389
33150256	Needle, Hypo., (22gax1")	23,130	0.09	0.48	11,102
33150265	Needle, Hypo., (22gax1-1/2")	9,450	0.17	0.91	8,600
33150271	Needle, Hypo., (23gax1")	39,510	0.17	0.91	35,954
33150276	Needle, Hypo., (25gax5/8")	6,930	0.03	0.16	1,109
33150277	Needle, Hypo., (25gax1-1/2")	1,530	0.04	0.21	321
33150280	Needle, Hypo., (27gax1/2")	360	0.06	0.32	115
33150285	Needle, Spinal, 18gax3-1/2"	23	1.44	7.69	173
33150286	Needle, Spinal, 20gax3-1/2"	90	1.46	7.80	702
33150287	Needle, Spinal, 22gax3-1/2"	45	1.59	8.50	383
33150385	Needle, Multi-Sample 21gax1"	43,236	0.12	0.64	27,671
44200010	Basin, Emesis, Autoclave 12oz.	57	1.56	8.34	473
55150045	Bag, Double-Blood Pack CPDA-1	2,030	8.19	43.76	88,850
55150050	Irrigation Set, Continous Blad	2,074	3.05	16.30	33,800
	Medical Supply Total	477,375	-	-	$468,573

EXHIBIT VII

UNADJUDICATED STERILE SUPPLY ITEMS

AND PROPOSED CHARGES

GUAM MEMORIAL HOSPITAL AUTHORITY
AJUDICATED STERILE SUPPLY ITEMS
AND CURRENT CHARGES

Charge Code	Description	Adjudicated Fees
1700415	Swan Ganz Catheter 6 FR	$115.58
1701017	Sets, PT	$2.92
1701573	Biopsy, Minor	$9.36
1701629	Tray, Cervical Biopsy	$16.08
1701660	Tray, Angiogram	$11.24
1701744	Pack, Burn	$14.60
1701769	Tray, Cardiac Arrest	$36.52
1701835	Tray, I&D	$12.05
1701876	Tray, Sut. Sm	$62.91
1701926	Tray, OB Precipitate	$40.19
1701942	Tray, Parancentisis	$24.11
1701967	Tray, Salpingogram	$16.08
1701983	Biopsy, Liver	$12.05
1702072	Tray, Steinman Pin	$51.14
1702106	Tray, Thorocatomy	$24.11
1702122	Tray, Tracheatomy	$24.11
1702189	Tray, Venisection	$24.11
1702924	Cathetor, French	$6.85
1703062	Tray, Cutdown	$14.60
1703419	Pack, Individual	$20.75
1703518	Towels	$5.70
1704805	Tube, Connecting	$3.68
1705489	Tray, Nasal	$4.01
1706067	Wire Guide	$10.26
1800125	Bandage Gauze Stretch 4 in	$2.40
1800240	Catheter Thoracic 20 FR	$10.78
1800406	Circumcision Set Up	$20.90
2001202	Tray, Fistula	$67.58
5300089	Croupette/Circuits	$14.60
7010086	Pack, C-Section	$80.80

GUAM MEMORIAL HOSPITAL AUTHORITY
UNADJUDICATED STERILE SUPPLY ITEMS
AND PROPOSED CHARGES

Charge Grouping	Description	Total for the Quarter	Annualized Total	Proposed Charge	Annualized Proposed Charges
	Operating Room				
Inst	AV Ivon	6	24	9.00	216.00
Inst	Bone Marrow	2	8	9.00	72.00
Inst	Crilles, St & Curve	1	4	9.00	36.00
Inst	Currette, Bone	7	28	9.00	252.00
Inst	Currette, Spinal	1	4	9.00	36.00
Inst	Drill, Neuro	1	4	9.00	36.00
Inst	Drill, Synthesis	19	76	9.00	684.00
Inst	Forceps, Bone	1	4	9.00	36.00
Inst	Hand Box	8	32	9.00	288.00
Inst	Individual Wrapping	212	848	9.00	7,632.00
Inst	Instr, Basic	7	28	9.00	252.00
Inst	Instr, Individual	692	2768	9.00	24,912.00
Inst	Instr, Wire	4	16	9.00	144.00
Inst	Meshgraft	4	16	9.00	144.00
Inst	Oscillator Rec	7	28	9.00	252.00
Inst	Ototome, St & Curve	1	4	9.00	36.00
Inst	Ret, Peds	1	4	9.00	36.00
Inst	Retractor, Chest	2	8	9.00	72.00
Inst	Retractor, Hallman	7	28	9.00	252.00
Inst	Retractor, Upper Hand	27	108	9.00	972.00
Inst	Retractor, Wilkenson	4	16	9.00	144.00
Inst	Retrs, Craniotome	1	4	9.00	36.00
Inst	T&A	11	44	9.00	396.00
MJT	Arthroscope	6	24	30.00	720.00
MJT	C-Section	131	524	30.00	15,720.00
MJT	Hysterectomy	29	116	30.00	3,480.00
MJT	Instr, Synthesis Basic	4	16	30.00	480.00
MJT	Instr, Synthesis DHS	3	12	30.00	360.00
MJT	Iron Intern	8	32	30.00	960.00
MJT	L. Ext. Fix	2	8	30.00	240.00
MJT	Major Laps	127	508	30.00	15,240.00
MJT	Tray, Bone Lg	24	96	30.00	2,880.00
MJT	Tray, Cardiovascular	15	60	30.00	1,800.00
MJT	Tray, Chest I	8	32	30.00	960.00
MJT	Tray, Chest II	5	20	30.00	600.00
MJT	Tray, Chest III	2	8	30.00	240.00
MJT	Tray, C-Section	35	140	30.00	4,200.00
MJT	Tray, DCS	2	8	30.00	240.00
MJT	Tray, DHS	3	12	30.00	360.00
MJT	Tray, Gallbladder	49	196	30.00	5,880.00

GUAM MEMORIAL HOSPITAL AUTHORITY
UNADJUDICATED STERILE SUPPLY ITEMS
AND PROPOSED CHARGES

Charge Grouping	Description	Total for the Quarter	Annualized Total	Proposed Charge	Annualized Proposed Charges
MJT	Tray, Intestinal	20	80	30.00	2,400.00
MJT	Tray, Laminectomy	1	4	30.00	120.00
MJT	Tray, Synthis	8	32	30.00	960.00
MJT	Tray, Thyroidectomy	13	52	30.00	1,560.00
MJT	Tray, Total Hip	2	8	30.00	240.00
MJT	Vagatomy	2	8	30.00	240.00
MNT	Chest Insertion	1	4	15.00	60.00
MNT	Compression, Outboard	2	8	15.00	120.00
MNT	Key Elevator	2	8	15.00	120.00
MNT	Local Broncho	3	12	15.00	180.00
MNT	Ortho, Hand	1	4	15.00	60.00
MNT	Ortho Gauzes	1	4	15.00	60.00
MNT	Osteotome, Rack	1	4	15.00	60.00
MNT	Osteotome, St & Curve	8	32	15.00	480.00
MNT	Othro Minor Knee	2	8	15.00	120.00
MNT	Ototome, New	1	4	15.00	60.00
MNT	Ototome, Old	5	20	15.00	300.00
MNT	Pan, Ortho Hand	20	80	15.00	1,200.00
MNT	Set, Fragments	5	20	15.00	300.00
MNT	Set, Peds Basic	2	8	15.00	120.00
MNT	Synthesis External	4	16	15.00	240.00
MNT	Tracheostomy	14	56	15.00	840.00
MNT	Tray, Appendectamy	97	388	15.00	5,820.00
MNT	Tray, Bone	1	4	15.00	60.00
MNT	Tray, Bone Sm	35	140	15.00	2,100.00
MNT	Tray, Cremotry	1	4	15.00	60.00
MNT	Tray, Dr. Espaldon	12	48	15.00	720.00
MNT	Tray, Dr. Weinstein	15	60	15.00	900.00
MNT	Tray, Dr. Werthman	5	20	15.00	300.00
MNT	Tray, D&C	104	416	15.00	6,240.00
MNT	Tray, Individual	72	288	15.00	4,320.00
MNT	Tray, Mayo	6	24	15.00	360.00
MNT	Tray, Pechal	2	8	15.00	120.00
MNT	Tray, Peds Basic	5	20	15.00	300.00
MNT	Tray, Prep	78	312	15.00	4,680.00
MNT	Tray, Rectal	12	48	15.00	720.00
MNT	Tray, Rectal Tube	1	4	15.00	60.00
MNT	Vascular	8	32	15.00	480.00
PU	Basin, Kidney	12	48	9.00	432.00
PU	Basin, Large	347	1388	9.00	12,492.00
PU	Pan, Cysto	53	212	9.00	1,908.00

GUAM MEMORIAL HOSPITAL AUTHORITY
UNADJUDICATED STERILE SUPPLY ITEMS
AND PROPOSED CHARGES

Charge Grouping	Description	Total for the Quarter	Annualized Total	Proposed Charge	Annualized Proposed Charges
PU	Urinal	2	8	9.00	72.00
	PAR				
PU	Bedpans	3	12	9.00	108.00
PU	Utensils	7	28	9.00	252.00
	Emergency Room				
Inst	Inst, Individual	2	8	9.00	72.00
Inst	Knife Hndl	2	8	9.00	72.00
MNT	D&C, Emergency	2	8	15.00	120.00
	Labor & Delivery				
Inst	Forceps, Allis	8	32	9.00	288.00
Inst	Forceps, Long Simpson	1	4	9.00	36.00
Inst	Forceps, Tissue	1	4	9.00	36.00
Inst	Forceps, Tucker Mclean	1	4	9.00	36.00
Inst	Forceps, Uterine	6	24	9.00	216.00
Inst	Foreps, Piper	7	28	9.00	252.00
Inst	Inst, Delivery	331	1324	9.00	11,916.00
Inst	Inst, Indiv	120	480	9.00	4,320.00
Inst	Vaginal Retractor	1	4	9.00	36.00
Inst	Vaginal Speculum	4	16	9.00	144.00
MNT	Tray, Hemorrage	2	8	15.00	120.00
MNT	Tray, Laceration	1	4	15.00	60.00
PCK	Pack, Delivery	177	708	15.00	10,620.00
PCK	Pack, Individual	151	604	15.00	9,060.00
PU	Basin, Kidney	260	1040	9.00	9,360.00
PU	Basin, Large	1	4	9.00	36.00
PU	Bedpan	116	464	9.00	4,176.00
PU	Patient Utensils	17	68	9.00	612.00
	Nursery				
Inst	Inst, Individual	14	56	9.00	504.00
PCK	Packs, Individual	11	44	15.00	660.00
		0			
	CCU	0			
Inst	Inst, Individual	2	8	9.00	72.00
	CSR				
MNT	D&C Emergency	3	12	15.00	180.00
PU	Bed Pans	120	480	9.00	4,320.00

GUAM MEMORIAL HOSPITAL AUTHORITY
UNADJUDICATED STERILE SUPPLY ITEMS
AND PROPOSED CHARGES

Charge Grouping	Description	Total for the Quarter	Annualized Total	Proposed Charge	Annualized Proposed Charges
PU	Utensil, Pts	2408	9632	9.00	86,688.00
	Inhalation Therapy				
Inst	Inst, Individual/Ind.Wraps	21	84	9.00	756.00
	Physical Therapy				
PU	Utensils	28	112	9.00	1,008.00
	Total				$289,416.00

Inst	Individual Instrument Pieces
PU	Patient Utensils
MJT	Major Trays
MNT	Minor Trays
PCK	Packs (Minor)

VII. INTERNAL OPERATIONAL AND NET REVENUE ENHANCEMENT OPPORTUNITIES

GUAM MEMORIAL HOSPITAL AUTHORITY

Net Revenue Enhancement Engagement

VII. Internal Operational and Net Revenue Enhancement Opportunities

The Cost Allocation Methodology and the New Rate Structure Development whi is outlined in earlier sections of the report essentially address key prici issues which are not under direct control of the management of Guam Memori Hospital. These external analyses highlight operating losses in the vario departments at the Hospital and provide insight into future General Fu subsidies which may be required in the absence of any legislative approv for significant price increases. This section, however, presents operation issues which are unrelated to the cost allocation methodology and new ra structure development.

Notwithstanding the operating deficit which currently exists, management Guam Memorial Hospital does not have any intention of placing the enti burden of financial solvency upon the Guam legislature with regard to a adjudicated pricing charges which may be requested. Concurrent with t development of a cost-based pricing and rate-setting methodology, Deloitte Touche and personnel at GMH have worked together in order to identify ma net revenue enhancement and cost reduction opportunities which can implemented outside of the legislative arena. The opportunities which ha been identified are not "quick fix" financial panaceas, but are inste challenges which can only be successfully addressed as a result of measured, long-term focus. The enhancement and efficiency opportuniti which have been identified relate to the following areas of operations Guam Memorial Hospital:

- Inventory Control/Materials Management - Improved materials manageme procedures may be possible with respect to a reduction in the varic locations where a particular inventory item may be warehoused;

- Physician Billing - Under Medicare and certain other third party pay reimbursement terms, it may be possible for the Hospital to increase billings for physician services which are rendered;

- Charge Capture Methodology - The development of modified Patient Cha Sheets (PCS) can allow for faster, more efficient charge capture Hospital personnel for health care services which are provided patients.

An assessment of operations was also conducted on a departmental basis order to determine the specific relation of the three macro issues presen above as they apply to individual areas within the Hospital. The informat which follows categorizes each of the departmental issues into one of three categories identified above.

Deloi
To

Inventory Control/Materials Management

Central Supply Department - Deloitte & Touche suggests a more in-depth revie of inventory management procedures at GMH. Opportunities exist to reduce th level of remote location (i.e., in the individual nursing departments inventory and thereby result in a corresponding increase in centralized CS inventory levels. CSR could then have an even greater role in the monitorin and control of floor inventories and a reduced reliance on clinical lin personnel in this process.

Inhalation Therapy - The Chief Inhalation Therapist can work with nursir personnel in order to educate them regarding the appropriate pulse oximetr charge methodology. In addition, pulse oximetry services can be assigned ne charge code numbers which allow for revenue reconciliation by individua nursing units and a subsequent improved financial monitoring system in thi area as a result of supply and procedure utilization by specific nursir unit.

Nursing Units - Deloitte & Touche reviewed the current charge procedures fc nursing units and determined that the nursing floors do not consistentl apply appropriate patient charges. Although the impact of these misse charges is difficult to accurately measure, the following adjudicated iter are not being charged consistently and therefore preclude the implementatic of materials management processes:

- Nonsterile gloves
- Syringes
- Needles
- Xylocaine
- Dinamapp Machine
- IVAC pump

Nursery/NICU - All patient chargeable items should be processed by the C Department. The 30cc and 60cc syringes employed by the nursery can included as part of the supplies stocked on the CSR exchange cart and c allow for more accurate inventory control.

Pharmacy - In a similar manner as has been recommended with regard to C supply issuances, Deloitte & Touche recommends that reconciliations conducted on a quarterly basis in order to quantify and, if significan subsequently limit lost drug charges. Specifically, this would involve comparison and audit of medications dispensed to the units by Pharmacy wi both the medication order sheets and the charge records actually submitted GMH's billing office.

Procurement - The item supply and stock numbers in the Procuremer Department of GMH do not correlate with the charge code numbers that t Hospital uses in order to generate patient billings for the items. Giv that the Procurement Department is currently preparing for the use of a n materials management software system, Deloitte & Touche recommends that t new process account for a matching of charge code and stock numbers. Th will allow for more accurate inventory control and tracking and result in expedited process whereby supply usage by individual hospital departments c be reconciled against GMH purchases.

Physician Billing

As noted in the Cost Allocation Methodology section of this report, t Hospital is not billing for certain physician services related to patie care activities. This matter affects primarily the following departments:

- Labor and Delivery - A physician is employed by the Hospital to provi medical direction to the department as well as to provide a significa amount of patient care services;

- Laboratory - Pathologists are employed by the Hospital to perform significant amount of patient care services;

- Skilled Nursing - A physician is employed to provide medical directi to this department in addition to the delivery of patient care service

- X-Ray/Radiology - Radiologists are contracted by GMH and perform significant amount of patient care services.

Other physicians are contracted with to provide medical direction in t Hemodialysis and Cardiopulmonary Departments. It appears that little, any, time for these physicians relates to patient care services. Therefor billing for patient services would not generally be required in the departments.

Charge Capture Methodology

Anesthesia - Deloitte & Touche recommends the utilization of a separa charge capture sheet for all anesthesia-related services that are used conjunction with surgical procedures.

Central Supply Department - Per a recommendation by the Department Manage Deloitte & Touche subscribes to the policy of redefining the ward clerks' a head nurses'/Department Managers' (on the individual units serviced by CS job descriptions to include responsibility for assuring that charge captu percentages for supply items and procedures are maintained at a minimum lev of perhaps 90 or 95 percent.

TWENTY-THIRD GUAM LEGISLATURE

1995 (FIRST) Regular Session

6

Date: 5/13/95

VOTING SHEET

Bill No. 186
Resolution No. _____
Question: _____

NAME	AYE	NO	NOT VOTING/ ABSTAINED	ABSENT/ OUT DURING ROLL CALL
ADA, Thomas C.	✓			
AGUON, John P.	✓			
BARRETT-ANDERSON, Elizabeth	✓			
BLAZ, Anthony C.	✓			
BROWN, Joanne S.	✓			
CAMACHO, Felix P.	✓			
CHARFAUROS, Mark C	✓			
CRISTOBAL, Hope A.	✓			
FORBES, MARK	✓			
LAMORENA, Alberto C., V	✓			
LEON GUERRERO, Carlotta	✓			
LEON GUERRERO, Lou	✓			
NELSON, Ted S.	✓			
ORSINI, Sonny L.	✓			
PANGELINAN, Vicente C	✓			
PARKINSON, Don	✓			
SAN AGUSTIN, Joe T.	✓			
SANTOS, Angel L. G.	✓			
SANTOS, Francis E.			✓	
UNPINGCO, Antonio R.	✓			
WONPAT-BORJA, Judith	✓			
TOTAL	20	0	1	

TWENTY-THIRD
GUAM LEGISLATURE
324 W. SOLEDAD AVENUE
AGAÑA, GUAM 96910
TEL: (671) 472-3543/44/45
FAX: (671) 472-3832

SENATOR LOU LEON GUERRERO, *RN, MPH*
CHAIRPERSON
COMMITTEE ON HEALTH, WELFARE, AND SENIOR CITIZENS

5 May, 1995

The Honorable
Don Parkinson
Speaker, 23rd Guam Legislature
Agana, Guam

via: Committee on Rules

Dear Mr. Speaker:

The Committee on Health, Welfare & Senior Citizens to which was referred On Bill 186 - **"RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY",** herein reports back with the recommendation **TO PLACE IN THE INACTIVE FILE.**

Votes of committee members are as follows:

__To Pass
__Not To Pass
9 To The Inactive File
__Abstained
2 Off-Island
1 Not Available

Sincerely,

Lou Leon Guerrero, RN, MPH

attachments

Committee On Health, Welfare, And Senior Citizens
VOTE SHEET

on

Bill 186: RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

COMMITTEE MEMBER	TO PASS	NOT TO PASS	ABSTAIN	INACTIVE FILE
Sen. Lou Leon Guerrero, RN, MPH, Chair				✓
Sen. Ben C. Pangelinan, Vice Chair				✓
Sen. Tom C. Ada, member				OFF ISLAND
Sen. Mark C. Charfauros, member				✓
Sen. Hope A. Cristobal, member				OFF ISLAND
Vice Speaker Ted S. Nelson, member				✓
Sen. Angel L.G. Santos, member				✓
Sen. Judith Won Pat-Borja, member				✓
Sen. Anthony C. Blaz, member				✓
Sen Felix P. Camacho, member				
Sen. Alberto Lamorena V, member				✓
Sen. Carlotta Leon Guerrero, member				✓

Twenty-Third Guam Legislature

CHAIRMAN, COMMITTEE ON RULES

Bill no. 186

Introduced at the Request of the Governor

"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority"

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. A new subsection (f) is added to section 80105 of 10 GCA to read:

"Section 80105 (f). Notwithstanding any Section or Subsection to the contrary, in an effort to establish professional fees sufficient to cover the costs of services provided by Physicians and other professional practitioners, the Hospital has developed a Professional Fee Model based on the Resource Based Relative Value System (RBRVS) developed by the Federal Government for Medicare reimbursement and traditional methods used for pricing of professional services using national averages for fees adjusted to reflect local market practices.

The Guam Memorial Hospital Authority is hereby authorized to use the Professional Fee Model for the pricing of Professional fees at the Authority. On the first day of January of each calendar year the Hospital will implement adjustments to the Professional Fee Model which will result in an upward or downward adjustment to the Professional Fees of the hospital based upon changes to the Federal RBRVS schedule, changes to the Current Procedural Terminology (CPT) codes published annually by the American Medical Association, changes to the National Fee Ranges, and changes in the cost of living for the region. Use of this model for fee setting purposes will exempt the Authority from the provisions of the Administrative Adjudication Act.

Annual Adjustments to the Professional Fee Model will be implemented at the beginning

of each calendar year and will coincide with the publication of the most recent CPT code book and the published changes via the Federal Register to the relative value units established by the Federal RBRVS system or a relative value unit based on an Adjusted National Fee Range. These relative value units will be multiplied by one of several conversion factors established for medical services, surgical services, primary care services, anesthesia services, and any other conversion factor developed by the Federal Government to be used in conjunction with the RBRVS methodology. The conversion factors will be adjusted annually based on the actual costs of employing professional staff at the Authority.

Public Notice of the Annual Adjustments to the Professional Fee Model will be provided to all payors in the form of a letter indicating the nature of the adjustments. Additional notice to the people of Guam will appear in a newspaper of general circulation prior to the start of the calendar year in which the professional fee adjustments are to be implemented. In all cases a minimum of fifteen (15) days notice will be given before revised fees are implemented at the Authority.

As a means of assuring the people of Guam that the Hospital is cost effective in the delivery of professional services, the Authority will establish monitors to measure the quality, appropriateness, productivity and financial performance of the professional staff. A report of the results of the monitoring efforts will be shared with all third party payors to assure that the professional services rendered by the Authority are consistent with what other professionals in the community are offering.

Initial implementation of the Professional Fee Model will use the following conversion factors to arrive at the professional fees. The medical conversion factor will be 43.31 for Primary 44.26, for Surgical 46.06 and for Anesthesia 22.02."

COMMITTEE REPORT
HEALTH, WELFARE & SENIOR CITIZENS

Bill 186-"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority"

PUBLIC HEARING

The Health, Welfare & Senior Citizens Committee scheduled a public hearing on Tuesday, April 25, 1995 at 9:00 a.m. to hear testimonies on **Bill 186-"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority."**

On Saturday, April 22, 1995, the attached letter was received from Governor Carl T.C. Gutierrez withdrawing Administrative support for this bill at this time.

COMMITTEE RECOMMENDATION

On **Bill 186-"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority",** the Committee on Health, Welfare & Senior Citizens hereby recommends **TO WITHDRAW.**

COMMITTEE ON RULES

Twenty-Third Guam Legislature
155 Hesler St., Agana, Guam 96910

April 26, 1995

MEMORANDUM

TO: The Committee on Health, Welfare and Senior Citizens

FROM: Chairman, Committee on Rules

SUBJECT: Governor's Message

The following Governor's Message was received by my office and is being forwarded to you for your information.

GOVERNOR'S MESSAGE WITHDRAWING ADMINISTRATION SUPPORT AT THIS TIME OF A DRAFT LEGISLATION, WHICH WAS INTRODUCED AS BILL 186, "RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY".

SONNY LUJAN ORSINI

Attachment

#107 REFERRED TO LEGISLATIVE SECRETARY
RECEIVED BY:
Date & Time: 4/25/95
PRINT NAME:

CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

OFFICE OF THE SPEAKER
Date: 4-24-95
Time: 12:17
Received By: Sam Hill
Print Name: Sam Hill

(P)

APR 2 2 1995

The Honorable Don Parkinson
Speaker
Twenty-Third Guam Legislature
424 West O'Brien Drive
Julale Center - Suite 222
Agana, Guam 96910

Dear Speaker Parkinson:

I previously transmitted to you draft legislation which was introduced as Bill No. 186, "RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY".

There is a public hearing scheduled for this bill on April 25, 1995, however, I would like to inform you that I am withdrawing Administration support for this bill at this time.

Very truly yours,

Carl T. C. Gutierrez

cc: Senator Lou Leon Guerrero
Chairperson, Committee on Health, Welfare,
and Senior Citizens

230378

Post Office Box 2950, Agana, Guam 96910 • (671)472-8931 • Fax: (671)477-GUAM

FISCAL NOTE
BUREAU OF BUDGET AND MANAGEMENT RESEARCH

APR 10 1995

BBMR-F7

Bill No. 186
Amendatory Bill YES [X] NO [ ]

Date Received 3/27/95
Date Reviewed 4/7/95

Department/Agency Affected: GUAM MEMORIAL HOSPITAL AUTHORITY
Department/Agency Head: HELEN B. RIPPLE
Total FY Appropriation to Date: $61,642,689

Bill Title (preamble) : "RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY."

Change in Law: Yes. Add a new Subsection (f) to Section 80105 of 10 GCA.

Bill's Impact on Present Program Funding:
X Increase ___Decrease ___Reallocation ___No Change

Bill is for: X Operations ___Capital Improvement ___Other (_____)

FINANCIAL/PROGRAM IMPACT

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)

PROGRAM CATEGORY	GENERAL FUND	OTHER	TOTAL
HEALTH & WELFARE			

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)

FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND						
OTHER						
TOTAL						

FUNDS ADEQUATE TO COVER INTENT OF THE BILL? YES/NO-IF NO, ADD'L AMOUNT REQUIRED $_____
AGENCY/PERSON/DATE CONTACTED: GMHA / Jeff Moylan / 4/6/95

ESTIMATED POTENTIAL MULTI-YEAR REVENUES

FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND	1/					
OTHER						
TOTAL						

ANALYST Orilda L. Guerrero DATE 4/7/95 DIRECTOR Joseph E. Rivera Acting DATE _____

FOOTNOTES: 1/ Pursuant to GMHA, it is estimated that $3.0M in potential revenues will be realized in FY95. Revenues is anticipated in succeeding years thereafter, however, the extent of the impact cannot be determined due to the unavailability of data regarding the different number of patients & types of services utilized (i.e. ultrasound, cat scan, monitoring reading).

BILL 186

The undersigned have appeared and/or submitted testimony to the Committee on Health, Welfare & Senior Citizens to testify on Bill 186, RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

Name J S BROOKS
Representing SELF
Address/Phone B + B 259 MAIN AGAWA

Name _____
Representing _____
Address/Phone _____

Name _____
Representing _____
Address/Phone _____

Name _____
Representing _____
Address/Phone _____

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Representing _____
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Representing _____
Address/Phone _____

Name _____
Representing _____
Address/Phone _____

Name _____
Representing _____
Address/Phone _____

DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES
GOVERNMENT OF GUAM
P. O. BOX 2816
AGANA, GUAM 96910

APR 0 1 1995

Honorable Lou Leon Guerrero
Chairperson, Health, Welfare And Senior Citizens
23rd Guam Legislature
Guam

Dear Madam Chair:

Thank you for allowing me to share with you some of my comments on Bill 186:

> "Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority"

This Bill authorizes and exempts GMHA from the provisions of the Administrative Adjudication Act on the use the Professional Fee Model for the pricing of professional fees at the Hospital. Furthermore, this is in an attempt by the Hospital to assure the people of Guam that the Hospital is cost effective in the delivery of services by physicians and other professional practitioners.

The implementation of RBRVS as a basis for physician reimbursement was started in Jan.1,1992 with full implementation by Jan.1996. Actually what spurred Congress' interest in physician payment reform was the dramatic increase in the Government spending for physician services and Medicare Part B services. This prompted Congress to establish in 1986, the Physician Payment Review Commission (PPRC) which together with Department of Health Human Services (DHSS) made an extensive set of recommendations that was incorporated in the Omnibus Budget Reconciliation Act of 1989 (OBRA'89) to authorize the development of the RVS.

The ultimate goals of using this payment system is **fairness**, in that physician reimbursement is based on the amount of work it takes a doctor to diagnose and/or treat patients, instead of basing payment on physicians' charge histories. By basing payments on work, adjusted by cost of practice in different localities, the assumption is that reimbursement will be equitable across specialties and geographic areas. Ultimately this will **slow down the rise in government (Medicare) spending for physician services.** This is made possible by reduction of reimbursement for overvalued procedures.

Commonwealth Now!

The significant reimbursement impact that accompanies RVS, aside from a departure from the basic ways physicians are reimbursed for services, is, the overall shifting of Medicare dollars from specialist to physicians who provide evaluation and management services.

With this background information, I do not envision a problem in the Hospital wanting to use the Medicare's Resource Based Relative Value Scale (RBRVS) scheme as a basis for pricing professional services on Guam.

The principle of reimbursement from federal funded programs like Medicaid (which is being administered by DPHSS), will still remain the same. Medicaid's reimbursement cannot be more than what Medicare would pay.

On a related matter, I am concern with the Hospital's inability to bill for professional services of house staff. Concurrent efforts should be directed into streamlining billing activities as this will help the Hospital recover cost at the same time lift the financial burden from the government. Let us try to shift the cost to the rightful payors in this community.

Thank you.

DENNIS G. RODRIGUEZ
Director,

April 3, 1995

#126

New StayWell Building
430 W. Soledad Avenue
Agana, Guam
Mailing Address:
P.O. Box CZ, Agana, Guam 96910 U.S.A.
Phone: (671) 477-5091
Fax: (671) 477-5096
Administered by D.B. Davis & Associates, General Agents

TO: The Committee on Health, Welfare & Senior Citizens
Chairperson: Senator Lou Leon Guerrero

FROM: StayWell Health Plan

RE: Proposed FEE SCHEDULES

GENTLEMEN:

The proposed fee schedules provide for increases over Medicare allowable conversion factors at the following percentages:

Medical	31.62%
Primary:	31.26%
Surgical	31.01%
Anesthesia	25.47%

We believe that these increases are excessive in that they result in fees that in many cases exceed the fees currently being charged by local health care providers and may result in inflationary increases of the cost of health care for the entire island.

The Clinton health plan and others that have been proposed all have one aim and that is to control medical care costs. This GMH rate proposal is contrary to national efforts at controlling health care costs. We oppose these increases and believe that GMH should look into current operations to obtain cost savings in order to avoid price increases.

Finally we oppose the hospital's proposal that they be allowed to set future rates without legislative review. Such freedom would encourage rate increases without internal cost controls.

GUAM MEMORIAL HEALTH PLAN
142 West Seaton Blvd.,
Agana, Guam 96910
Tel.: 472-GMHP
Fax: (671) 477-1784

April 3, 1995

Honorable Lourdes Leon Guerrero, RN, MPH
Chairperson, Committee on Health,
Welfare and Senior Citizens
Twenty-Third Guam Legislature (First)
Regular Session
342 W. Soledad Avenue
Agana, Guam 96910

Dear Senator Leon Guerrero:

My testimony relates to bills 184, 185, 186, and 187 respectively.

Bill 184 approves the existing fee schedule at the Guam Memorial Hospital reflecting price adjustments developed from the Net Revenue Enhancement Model.

While the annual adjustment sought in this fee schedule is an aggregate 13.5 percent, we looked at some of the most common procedures we currently cover at GMH to determine what the impact would be on our future costs. We offer the following for your information:

DIAGNOSIS	INCREASE
Chronic Cholecystitis	31%
Benign Prostatic Hyper-trophy	45%
Appendicitis	42%
Torn Ligament Knee	69%
Pyelonephritis	37%
Chest Pain R/O MI	52%
C-Section	48%
Term Pregnancy	85%*

*(Assumes we will be required to pay for three separate room charges on the day of admission, i.e., Labor Room Observation, Delivery Room, and Obstetrics Floor Bed

As you can see, most of our common costs are going to increase much more than the 13.5 percent aggregate. To put this in another perspective, we estimate that the anticipated increase in premium for the Government of Guam, Commercial Accounts, and Federal Government Accounts for **Hospital costs alone** will be: 12%, 8%, and 8%, respectively.

While we appreciate the Hospital's need to charge fees sufficient to meet their costs, we also will have to adjust our charges to meet the anticipated increase in charges to us. We would also be very interested in looking for more cost effective alternatives to Hospital based care and will be working with other Third Party Payors to encourage the development of those kinds of alternatives.

Bill 185

This bill seeks to add fifty-seven pharmaceutical items to the current fee schedule. We have done a cursory review and find that some of the charges proposed exceed our current Formulary Charges by 100 percent.(Our current Formulary is based upon the January 1, 1995 Medispan report for Average Wholesale Price (AWP)). The cost increases in all Pharmacy items used by in-patients will, of course, have to passed on in Premium increases. We currently do not have an agreement to use the Out-patient Pharmacy services at the Hospital due to the higher charges.

Bill 186

This bill seeks adoption by law of a Professional Fee Model for the development of fees for professional services. The bill would give the Hospital the authority to adjust these fees annually with out recourse to Administrative Adjudication Requirements.

GMHP endorses the concept of agreement on **any** reasonable method for establishing fees for Professional services. Using the CPT and the Resource Based Relative Value Scale (RBRVS) is a forward thinking concept on the part of the Hospital and the Consultants and Physicians who put it together. It recognizes time and skills required to provide a service, and also takes into account the complexities of the settings in which the provider operates. It appears on its face to be eminently equitable.

I am sure most physicians would agree that the CPT adequately describes the services provided, and the RBRVS allows for an equitable **method** to determine how much is to be paid for the service provided.

What becomes somewhat troublesome for me, however, are the proposed fees that would become effective with the passage of this act. They are easily 10 to 20 percent higher than the fees GMHP currently pays to its providers. This fee schedule will eventually effect our providers when they see what a GMH "House" Physician will be getting reimbursed. This schedule will cause upward pressures on our rate schedule any will probably force us to increase our RVS.

I do not support exempting the fee schedule from the Administrative Adjudication process. As can be seen from the record of attendees at the last few AAA hearings, only the Third Party Payors, interested Government Agencies and Legislative staff were in attendance. The general public is I'm sure somewhat hesitant to become involved in this process as it is quite complex and even confusing. As long as the Hospital remains a Governmental Agency, as long as it continues to provide care paid for by General Revenues and as long as it is the only civilian source of acute care, some public accounting must be given of all the activities of the facility. The Legislature has I feel an obligation to use its best efforts to determine for the people of Guam, whether any proposed fee or charge by any Government Agency is reasonable and appropriate. Perhaps there is a way to streamline the process, but the Public's best interest is served by requiring some sort of Administrative Review Process

Bill 187

This bill would allow for the adoption of the Guam Memorial Hospital's Pricing Model for use in the establishment and adjustment of fees set by the Hospital. The model was the result of a revenue enhancement project undertaken by Deloitte and Touche several years ago.

We agree that a reasonable and rational **method** for determining the rate structure should be adopted. The model used by the consultants is as good as any used in other hospitals. Our basic concern is that in the development of the model, the consultants did not question the hospital's costs in order to determine whether they were appropriate as the base for the development of the model.

We do not agree that the Pricing Model needs to be adopted by legislation, that should be a policy decision made by the Board of Trustees. The model for the development of Professional fees also should not be adopted by legislation. The Hospital should have the flexibility to use any rational methodology for developing its fee schedules.

We are opposed to any exemption from the Administrative Adjudication process for the same reasons as stated in our position on Bill 186. Some would lead you to believe that the AAA process hampers their ability to establish rates and fees on a timely basis. We do not agree. The example of the anti clotting agent Activase has been used by the Hospital several times as an example of what happens when they do not get their new drugs adjudicated in a timely manner. Is that drug still not adopted in the fee schedule? We would be very disappointed if that were so since the hospital has had many years to properly include it in the fee schedule. Indeed, there was enough information available on that drug early enough that it could have been adopted in the schedule of fees in a relatively timely manner.

We would support a streamlined adjudication process for medically necessary pharmaceuticals and supplies with provision for retrospective review of the circumstances causing the 'medical necessity'.

Thank you for the opportunity to present this testimony.

Sincerely,

James W. Gillan
Chief Operating Officer

GUAM MEMORIAL HOSPITAL AUTHORITY

PROFESSIONAL FEE MODEL

GMHA PROFESSIONAL FEE MODEL

- Relative Value Units are national uniform units established by the Federal Government for Medicare payment purposes and are adjusted annually
  - Annual updates address new technology, new CPT-4 codes, payment inequities within the RBRVS system, and/or changes in the practice of medicine
  - Adjusted for Guam's geographic factor

GMHA PROFESSIONAL FEE MODEL
EXAMPLE MEDICAL & SURGICAL FEE EXAMPLES

- **Appendectomy (CPT-4 44950)**

Total Adjusted RVUs	12.60
GMHA Surgical Conversion Factor	46.06
Professional Fee	$ 580.36
Adjusted Fee Range*	$ 1,244.16 - $1,466.64

- **Biopsy of Thyroid (CPT-4 60100)**

Total Adjusted RVUs	2.27
GMHA Medical Conversion Factor	43.31
Professional Fee	$ 98.31
Adjusted Fee Range*	$ 203.04 - 244.08

*Physician Fee Guide (Used to test reasonableness of Model Generated Fee)

AGENDA

PUBLIC HEARING
Tuesday, April 25, 1995
Legislature Public Hearing Room
starting at 9:00 a.m.

Bill 184, AN ACT TO ACCEPT THE HOSPITAL'S IMPLEMENTATION OF AN ANNUAL ADJUSTMENT TO THE NET REVENUE ENHANCEMENT MODEL REFLECTING PRICE ADJUSTMENTS TO THE EXISTING FEE SCHEDULE ITEMS OF THE GUAM MEMORIAL HOSPITAL AUTHORITY.

Bill 186, RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

COMMITTEE ON HEALTH, WELFARE & SENIOR CITIZENS

Sen. Lou Leon Guerrero, RN, MPH, Chairperson
Sen. Ben C. Pangelinan, Vice Chair

Sen. Tom C. Ada, member
Sen. Mark C. Charfauros, member
Sen. Hope A. Cristobal, member
Vice Speaker Ted S. Nelson, member
Sen. Angel L.G. Santos, member
Sen. Judith Won Pat-Borja, member
Sen. Anthony C. Blaz, member
Sen. Felix P. Camacho, member
Sen. Alberto Lamorena V, member
Sen. Carlotta Leon Guerrero, member

TWENTY-THIRD
GUAM LEGISLATURE
324 W. SOLEDAD AVENUE
AGAÑA, GUAM 96910
TEL: (671) 472-3543/44/45
FAX: (671) 472-3832

SENATOR LOU LEON GUERRERO, *RN, MPH*
CHAIRPERSON
COMMITTEE ON HEALTH, WELFARE, AND SENIOR CITIZENS

MEMORANDUM

DATE: April 7 1995

TO: Committee Members

FROM: Chairperson

SUBJECT: **NOTICE of PUBLIC HEARING**

The Committee on Health, Welfare & Senior Citizens will hold a public hearing on **Tuesday, April 25, 1995 at 9:00 a.m. in the Public Hearing Room in the Temporary Legislature Building** on the following bills:

Bill 184, AN ACT TO ACCEPT THE HOSPITAL'S IMPLEMENTATION OF AN ANNUAL ADJUSTMENT TO THE NET REVENUE ENHANCEMENT MODEL REFLECTING PRICE ADJUSTMENTS TO THE EXISTING FEE SCHEDULE ITEMS OF THE GUAM MEMORIAL HOSPITAL AUTHORITY.

Bill 186, RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

cc: All Senators
Executive Director/Protocol
All Media

4/7/95

Twenty-Third Guam Legislature

APR 0 5 1995

CHAIRMAN, COMMITTEE ON RULES

Bill no. 186 (LS)

Introduced at the Request of the Governor

"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority"

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. A new subsection (f) is added to section 80105 of 10 GCA to read:

"Section 80105 (f). Notwithstanding any Section or Subsection to the contrary, in an effort to establish professional fees sufficient to cover the costs of services provided by Physicians and other professional practitioners, the Hospital has developed a Professional Fee Model based on the Resource Based Relative Value System (RBRVS) developed by the Federal Government for Medicare reimbursement and traditional methods used for pricing of professional services using national averages for fees adjusted to reflect local market practices.

The Guam Memorial Hospital Authority is hereby authorized to use the Professional Fee Model for the pricing of Professional fees at the Authority. On the first day of January of each calendar year the Hospital will implement adjustments to the Professional Fee Model which will result in an upward or downward adjustment to the Professional Fees of the hospital based upon changes to the Federal RBRVS schedule, changes to the Current Procedural Terminology (CPT) codes published annually by the American Medical Association, changes to the National Fee Ranges, and changes in the cost of living for the region. Use of this model for fee setting purposes will exempt the Authority from the provisions of the Administrative Adjudication Act.

Annual Adjustments to the Professional Fee Model will be implemented at the beginning

of each calendar year and will coincide with the publication of the most recent CPT code book and the published changes via the Federal Register to the relative value units established by the Federal RBRVS system or a relative value unit based on an Adjusted National Fee Range. These relative value units will be multiplied by one of several conversion factors established for medical services, surgical services, primary care services, anesthesia services, and any other conversion factor developed by the Federal Government to be used in conjunction with the RBRVS methodology. The conversion factors will be adjusted annually based on the actual costs of employing professional staff at the Authority.

Public Notice of the Annual Adjustments to the Professional Fee Model will be provided to all payors in the form of a letter indicating the nature of the adjustments. Additional notice to the people of Guam will appear in a newspaper of general circulation prior to the start of the calendar year in which the professional fee adjustments are to be implemented. In all cases a minimum of fifteen (15) days notice will be given before revised fees are implemented at the Authority.

As a means of assuring the people of Guam that the Hospital is cost effective in the delivery of professional services, the Authority will establish monitors to measure the quality, appropriateness, productivity and financial performance of the professional staff. A report of the results of the monitoring efforts will be shared with all third party payors to assure that the professional services rendered by the Authority are consistent with what other professionals in the community are offering.

Initial implementation of the Professional Fee Model will use the following conversion factors to arrive at the professional fees. The medical conversion factor will be 43.31 for Primary 44.26, for Surgical 46.06 and for Anesthesia 22.02."

TWENTY-THIRD
GUAM LEGISLATURE
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SENATOR LOU LEON GUERRERO, *RN, MPH*
CHAIRPERSON
COMMITTEE ON HEALTH, WELFARE, AND SENIOR CITIZENS

5 May, 1995

The Honorable
Don Parkinson
Speaker, 23rd Guam Legislature
Agana, Guam

via: Committee on Rules

Dear Mr. Speaker:

The Committee on Health, Welfare & Senior Citizens to which was referred On Bill 186 - **"RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY",** herein reports back with the recommendation **TO PLACE IN THE INACTIVE FILE.**

Votes of committee members are as follows:

__To Pass
__Not To Pass
9 To The Inactive File
__Abstained
2 Off-Island
1 Not Available

Sincerely,

Lou Leon Guerrero, RN, MPH

attachments

Committee On Health, Welfare, And Senior Citizens
VOTE SHEET

on

Bill 186: RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

COMMITTEE MEMBER	TO PASS	NOT TO PASS	ABSTAIN	INACTIVE FILE
Sen. Lou Leon Guerrero, RN, MPH, Chair				✓
Sen. Ben C. Pangelinan, Vice Chair				✓
Sen. Tom C. Ada, member				OFF ISLAND
Sen. Mark C. Charfauros, member				✓
Sen. Hope A. Cristobal, member				OFF ISLAND
Vice Speaker Ted S. Nelson, member				✓
Sen. Angel L.G. Santos, member				✓
Sen. Judith Won Pat-Borja, member				✓
Sen. Anthony C. Blaz, member				✓
Sen Felix P. Camacho, member				
Sen. Alberto Lamorena V, member				✓
Sen. Carlotta Leon Guerrero, member				✓

Twenty-Third Guam Legislature

CHAIRMAN, COMMITTEE ON RULES

Bill no. 186

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Initial implementation of the Professional Fee Model will use the following conversion factors to arrive at the professional fees. The medical conversion factor will be 43.31 for Primary 44.26, for Surgical 46.06 and for Anesthesia 22.02."

COMMITTEE REPORT
HEALTH, WELFARE & SENIOR CITIZENS

Bill 186-"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority"

PUBLIC HEARING

The Health, Welfare & Senior Citizens Committee scheduled a public hearing on Tuesday, April 25, 1995 at 9:00 a.m. to hear testimonies on **Bill 186-"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority."**

On Saturday, April 22, 1995, the attached letter was received from Governor Carl T.C. Gutierrez withdrawing Administrative support for this bill at this time.

COMMITTEE RECOMMENDATION

On **Bill 186-"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority",** the Committee on Health, Welfare & Senior Citizens hereby recommends **TO WITHDRAW.**

COMMITTEE ON RULES

Twenty-Third Guam Legislature
155 Hesler St., Agana, Guam 96910

April 26, 1995

MEMORANDUM

TO: The Committee on Health, Welfare and Senior Citizens

FROM: Chairman, Committee on Rules

SUBJECT: Governor's Message

The following Governor's Message was received by my office and is being forwarded to you for your information.

GOVERNOR'S MESSAGE WITHDRAWING ADMINISTRATION SUPPORT AT THIS TIME OF A DRAFT LEGISLATION, WHICH WAS INTRODUCED AS BILL 186, "RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY".

SONNY LUJAN ORSINI

Attachment

#107 REFERRED TO LEGISLATIVE SECRETARY
RECEIVED BY:
Date & Time: 4/25/95
PRINT NAME:

CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

OFFICE OF THE SPEAKER
Date: 4-24-95
Time: 12:17
Received By: Sam Hill
Print Name: Sam Hill

(P)

APR 2 2 1995

The Honorable Don Parkinson
Speaker
Twenty-Third Guam Legislature
424 West O'Brien Drive
Julale Center - Suite 222
Agana, Guam 96910

Dear Speaker Parkinson:

I previously transmitted to you draft legislation which was introduced as Bill No. 186, "RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY".

There is a public hearing scheduled for this bill on April 25, 1995, however, I would like to inform you that I am withdrawing Administration support for this bill at this time.

Very truly yours,

Carl T. C. Gutierrez

cc: Senator Lou Leon Guerrero
Chairperson, Committee on Health, Welfare,
and Senior Citizens

230378

Post Office Box 2950, Agana, Guam 96910 • (671)472-8931 • Fax: (671)477-GUAM

FISCAL NOTE
BUREAU OF BUDGET AND MANAGEMENT RESEARCH

APR 10 1995

BBMR-F7

Bill No. 186
Amendatory Bill YES [X] NO [ ]

Date Received 3/27/95
Date Reviewed 4/7/95

Department/Agency Affected: GUAM MEMORIAL HOSPITAL AUTHORITY
Department/Agency Head: HELEN B. RIPPLE
Total FY Appropriation to Date: $61,642,689

Bill Title (preamble) : "RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY."

Change in Law: Yes. Add a new Subsection (f) to Section 80105 of 10 GCA.

Bill's Impact on Present Program Funding:
X Increase ___Decrease ___Reallocation ___No Change

Bill is for: X Operations ___Capital Improvement ___Other (_____)

FINANCIAL/PROGRAM IMPACT

ESTIMATED SINGLE-YEAR FUND REQUIREMENTS (Per Bill)

PROGRAM CATEGORY	GENERAL FUND	OTHER	TOTAL
HEALTH & WELFARE			

ESTIMATED MULTI-YEAR FUND REQUIREMENTS (Per Bill)

FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND						
OTHER						
TOTAL						

FUNDS ADEQUATE TO COVER INTENT OF THE BILL? YES/NO-IF NO, ADD'L AMOUNT REQUIRED $_____
AGENCY/PERSON/DATE CONTACTED: GMHA / Jeff Moylan / 4/6/95

ESTIMATED POTENTIAL MULTI-YEAR REVENUES

FUND	1st	2nd	3rd	4th	5th	TOTAL
GENERAL FUND	1/					
OTHER						
TOTAL						

ANALYST Orilda L. Guerrero DATE 4/7/95 DIRECTOR Joseph E. Rivera Acting DATE _____

FOOTNOTES: 1/ Pursuant to GMHA, it is estimated that $3.0M in potential revenues will be realized in FY95. Revenues is anticipated in succeeding years thereafter, however, the extent of the impact cannot be determined due to the unavailability of data regarding the different number of patients & types of services utilized (i.e. ultrasound, cat scan, monitoring reading).

BILL 186

The undersigned have appeared and/or submitted testimony to the Committee on Health, Welfare & Senior Citizens to testify on Bill 186, RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

Name J S BROOKS
Representing SELF
Address/Phone B + B 259 MAIN AGAWA

Name _____
Representing _____
Address/Phone _____

Name _____
Representing _____
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Address/Phone _____

DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES
GOVERNMENT OF GUAM
P. O. BOX 2816
AGANA, GUAM 96910

APR 0 1 1995

Honorable Lou Leon Guerrero
Chairperson, Health, Welfare And Senior Citizens
23rd Guam Legislature
Guam

Dear Madam Chair:

Thank you for allowing me to share with you some of my comments on Bill 186:

> "Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority"

This Bill authorizes and exempts GMHA from the provisions of the Administrative Adjudication Act on the use the Professional Fee Model for the pricing of professional fees at the Hospital. Furthermore, this is in an attempt by the Hospital to assure the people of Guam that the Hospital is cost effective in the delivery of services by physicians and other professional practitioners.

The implementation of RBRVS as a basis for physician reimbursement was started in Jan.1,1992 with full implementation by Jan.1996. Actually what spurred Congress' interest in physician payment reform was the dramatic increase in the Government spending for physician services and Medicare Part B services. This prompted Congress to establish in 1986, the Physician Payment Review Commission (PPRC) which together with Department of Health Human Services (DHSS) made an extensive set of recommendations that was incorporated in the Omnibus Budget Reconciliation Act of 1989 (OBRA'89) to authorize the development of the RVS.

The ultimate goals of using this payment system is **fairness**, in that physician reimbursement is based on the amount of work it takes a doctor to diagnose and/or treat patients, instead of basing payment on physicians' charge histories. By basing payments on work, adjusted by cost of practice in different localities, the assumption is that reimbursement will be equitable across specialties and geographic areas. Ultimately this will **slow down the rise in government (Medicare) spending for physician services.** This is made possible by reduction of reimbursement for overvalued procedures.

Commonwealth Now!

The significant reimbursement impact that accompanies RVS, aside from a departure from the basic ways physicians are reimbursed for services, is, the overall shifting of Medicare dollars from specialist to physicians who provide evaluation and management services.

With this background information, I do not envision a problem in the Hospital wanting to use the Medicare's Resource Based Relative Value Scale (RBRVS) scheme as a basis for pricing professional services on Guam.

The principle of reimbursement from federal funded programs like Medicaid (which is being administered by DPHSS), will still remain the same. Medicaid's reimbursement cannot be more than what Medicare would pay.

On a related matter, I am concern with the Hospital's inability to bill for professional services of house staff. Concurrent efforts should be directed into streamlining billing activities as this will help the Hospital recover cost at the same time lift the financial burden from the government. Let us try to shift the cost to the rightful payors in this community.

Thank you.

DENNIS G. RODRIGUEZ
Director,

April 3, 1995

#126

New StayWell Building
430 W. Soledad Avenue
Agana, Guam
Mailing Address:
P.O. Box CZ, Agana, Guam 96910 U.S.A.
Phone: (671) 477-5091
Fax: (671) 477-5096
Administered by D.B. Davis & Associates, General Agents

TO: The Committee on Health, Welfare & Senior Citizens
Chairperson: Senator Lou Leon Guerrero

FROM: StayWell Health Plan

RE: Proposed FEE SCHEDULES

GENTLEMEN:

The proposed fee schedules provide for increases over Medicare allowable conversion factors at the following percentages:

Medical	31.62%
Primary:	31.26%
Surgical	31.01%
Anesthesia	25.47%

We believe that these increases are excessive in that they result in fees that in many cases exceed the fees currently being charged by local health care providers and may result in inflationary increases of the cost of health care for the entire island.

The Clinton health plan and others that have been proposed all have one aim and that is to control medical care costs. This GMH rate proposal is contrary to national efforts at controlling health care costs. We oppose these increases and believe that GMH should look into current operations to obtain cost savings in order to avoid price increases.

Finally we oppose the hospital's proposal that they be allowed to set future rates without legislative review. Such freedom would encourage rate increases without internal cost controls.

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April 3, 1995

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Chairperson, Committee on Health,
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GMHP endorses the concept of agreement on **any** reasonable method for establishing fees for Professional services. Using the CPT and the Resource Based Relative Value Scale (RBRVS) is a forward thinking concept on the part of the Hospital and the Consultants and Physicians who put it together. It recognizes time and skills required to provide a service, and also takes into account the complexities of the settings in which the provider operates. It appears on its face to be eminently equitable.

I am sure most physicians would agree that the CPT adequately describes the services provided, and the RBRVS allows for an equitable **method** to determine how much is to be paid for the service provided.

What becomes somewhat troublesome for me, however, are the proposed fees that would become effective with the passage of this act. They are easily 10 to 20 percent higher than the fees GMHP currently pays to its providers. This fee schedule will eventually effect our providers when they see what a GMH "House" Physician will be getting reimbursed. This schedule will cause upward pressures on our rate schedule any will probably force us to increase our RVS.

I do not support exempting the fee schedule from the Administrative Adjudication process. As can be seen from the record of attendees at the last few AAA hearings, only the Third Party Payors, interested Government Agencies and Legislative staff were in attendance. The general public is I'm sure somewhat hesitant to become involved in this process as it is quite complex and even confusing. As long as the Hospital remains a Governmental Agency, as long as it continues to provide care paid for by General Revenues and as long as it is the only civilian source of acute care, some public accounting must be given of all the activities of the facility. The Legislature has I feel an obligation to use its best efforts to determine for the people of Guam, whether any proposed fee or charge by any Government Agency is reasonable and appropriate. Perhaps there is a way to streamline the process, but the Public's best interest is served by requiring some sort of Administrative Review Process

Bill 187

This bill would allow for the adoption of the Guam Memorial Hospital's Pricing Model for use in the establishment and adjustment of fees set by the Hospital. The model was the result of a revenue enhancement project undertaken by Deloitte and Touche several years ago.

We agree that a reasonable and rational **method** for determining the rate structure should be adopted. The model used by the consultants is as good as any used in other hospitals. Our basic concern is that in the development of the model, the consultants did not question the hospital's costs in order to determine whether they were appropriate as the base for the development of the model.

We do not agree that the Pricing Model needs to be adopted by legislation, that should be a policy decision made by the Board of Trustees. The model for the development of Professional fees also should not be adopted by legislation. The Hospital should have the flexibility to use any rational methodology for developing its fee schedules.

We are opposed to any exemption from the Administrative Adjudication process for the same reasons as stated in our position on Bill 186. Some would lead you to believe that the AAA process hampers their ability to establish rates and fees on a timely basis. We do not agree. The example of the anti clotting agent Activase has been used by the Hospital several times as an example of what happens when they do not get their new drugs adjudicated in a timely manner. Is that drug still not adopted in the fee schedule? We would be very disappointed if that were so since the hospital has had many years to properly include it in the fee schedule. Indeed, there was enough information available on that drug early enough that it could have been adopted in the schedule of fees in a relatively timely manner.

We would support a streamlined adjudication process for medically necessary pharmaceuticals and supplies with provision for retrospective review of the circumstances causing the 'medical necessity'.

Thank you for the opportunity to present this testimony.

Sincerely,

James W. Gillan
Chief Operating Officer

GUAM MEMORIAL HOSPITAL AUTHORITY

PROFESSIONAL FEE MODEL

GMHA PROFESSIONAL FEE MODEL

- Relative Value Units are national uniform units established by the Federal Government for Medicare payment purposes and are adjusted annually
  - Annual updates address new technology, new CPT-4 codes, payment inequities within the RBRVS system, and/or changes in the practice of medicine
  - Adjusted for Guam's geographic factor

GMHA PROFESSIONAL FEE MODEL
EXAMPLE MEDICAL & SURGICAL FEE EXAMPLES

- **Appendectomy (CPT-4 44950)**

Total Adjusted RVUs	12.60
GMHA Surgical Conversion Factor	46.06
Professional Fee	$ 580.36
Adjusted Fee Range*	$ 1,244.16 - $1,466.64

- **Biopsy of Thyroid (CPT-4 60100)**

Total Adjusted RVUs	2.27
GMHA Medical Conversion Factor	43.31
Professional Fee	$ 98.31
Adjusted Fee Range*	$ 203.04 - 244.08

*Physician Fee Guide (Used to test reasonableness of Model Generated Fee)

AGENDA

PUBLIC HEARING
Tuesday, April 25, 1995
Legislature Public Hearing Room
starting at 9:00 a.m.

Bill 184, AN ACT TO ACCEPT THE HOSPITAL'S IMPLEMENTATION OF AN ANNUAL ADJUSTMENT TO THE NET REVENUE ENHANCEMENT MODEL REFLECTING PRICE ADJUSTMENTS TO THE EXISTING FEE SCHEDULE ITEMS OF THE GUAM MEMORIAL HOSPITAL AUTHORITY.

Bill 186, RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

COMMITTEE ON HEALTH, WELFARE & SENIOR CITIZENS

Sen. Lou Leon Guerrero, RN, MPH, Chairperson
Sen. Ben C. Pangelinan, Vice Chair

Sen. Tom C. Ada, member
Sen. Mark C. Charfauros, member
Sen. Hope A. Cristobal, member
Vice Speaker Ted S. Nelson, member
Sen. Angel L.G. Santos, member
Sen. Judith Won Pat-Borja, member
Sen. Anthony C. Blaz, member
Sen. Felix P. Camacho, member
Sen. Alberto Lamorena V, member
Sen. Carlotta Leon Guerrero, member

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SENATOR LOU LEON GUERRERO, *RN, MPH*
CHAIRPERSON
COMMITTEE ON HEALTH, WELFARE, AND SENIOR CITIZENS

MEMORANDUM

DATE: April 7 1995

TO: Committee Members

FROM: Chairperson

SUBJECT: **NOTICE of PUBLIC HEARING**

The Committee on Health, Welfare & Senior Citizens will hold a public hearing on **Tuesday, April 25, 1995 at 9:00 a.m. in the Public Hearing Room in the Temporary Legislature Building** on the following bills:

Bill 184, AN ACT TO ACCEPT THE HOSPITAL'S IMPLEMENTATION OF AN ANNUAL ADJUSTMENT TO THE NET REVENUE ENHANCEMENT MODEL REFLECTING PRICE ADJUSTMENTS TO THE EXISTING FEE SCHEDULE ITEMS OF THE GUAM MEMORIAL HOSPITAL AUTHORITY.

Bill 186, RELATIVE TO THE ADOPTION OF THE HOSPITAL'S PROFESSIONAL FEE MODEL FOR USE IN THE ESTABLISHMENT AND ADJUSTMENT OF FEES FOR PROFESSIONAL SERVICES SET BY THE AUTHORITY.

cc: All Senators
Executive Director/Protocol
All Media

4/7/95

Twenty-Third Guam Legislature

APR 0 5 1995

CHAIRMAN, COMMITTEE ON RULES

Bill no. 186 (LS)

Introduced at the Request of the Governor

"Relative to the Adoption of the Hospital's Professional Fee Model for use in the Establishment and Adjustment of Fees for Professional Services set by the Authority"

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. A new subsection (f) is added to section 80105 of 10 GCA to read:

"Section 80105 (f). Notwithstanding any Section or Subsection to the contrary, in an effort to establish professional fees sufficient to cover the costs of services provided by Physicians and other professional practitioners, the Hospital has developed a Professional Fee Model based on the Resource Based Relative Value System (RBRVS) developed by the Federal Government for Medicare reimbursement and traditional methods used for pricing of professional services using national averages for fees adjusted to reflect local market practices.

The Guam Memorial Hospital Authority is hereby authorized to use the Professional Fee Model for the pricing of Professional fees at the Authority. On the first day of January of each calendar year the Hospital will implement adjustments to the Professional Fee Model which will result in an upward or downward adjustment to the Professional Fees of the hospital based upon changes to the Federal RBRVS schedule, changes to the Current Procedural Terminology (CPT) codes published annually by the American Medical Association, changes to the National Fee Ranges, and changes in the cost of living for the region. Use of this model for fee setting purposes will exempt the Authority from the provisions of the Administrative Adjudication Act.

Annual Adjustments to the Professional Fee Model will be implemented at the beginning

of each calendar year and will coincide with the publication of the most recent CPT code book and the published changes via the Federal Register to the relative value units established by the Federal RBRVS system or a relative value unit based on an Adjusted National Fee Range. These relative value units will be multiplied by one of several conversion factors established for medical services, surgical services, primary care services, anesthesia services, and any other conversion factor developed by the Federal Government to be used in conjunction with the RBRVS methodology. The conversion factors will be adjusted annually based on the actual costs of employing professional staff at the Authority.

Public Notice of the Annual Adjustments to the Professional Fee Model will be provided to all payors in the form of a letter indicating the nature of the adjustments. Additional notice to the people of Guam will appear in a newspaper of general circulation prior to the start of the calendar year in which the professional fee adjustments are to be implemented. In all cases a minimum of fifteen (15) days notice will be given before revised fees are implemented at the Authority.

As a means of assuring the people of Guam that the Hospital is cost effective in the delivery of professional services, the Authority will establish monitors to measure the quality, appropriateness, productivity and financial performance of the professional staff. A report of the results of the monitoring efforts will be shared with all third party payors to assure that the professional services rendered by the Authority are consistent with what other professionals in the community are offering.

Initial implementation of the Professional Fee Model will use the following conversion factors to arrive at the professional fees. The medical conversion factor will be 43.31 for Primary 44.26, for Surgical 46.06 and for Anesthesia 22.02."