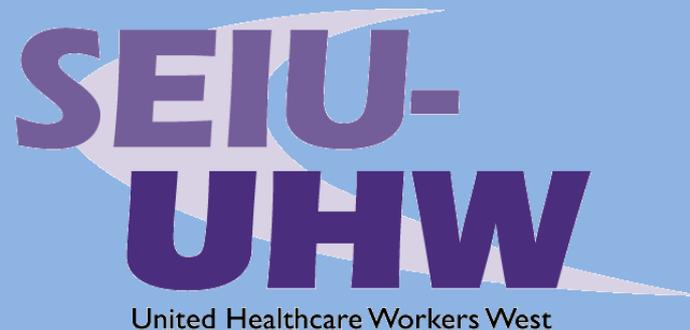


Prime Healthcare's Record & Prospective Payment in California



Background

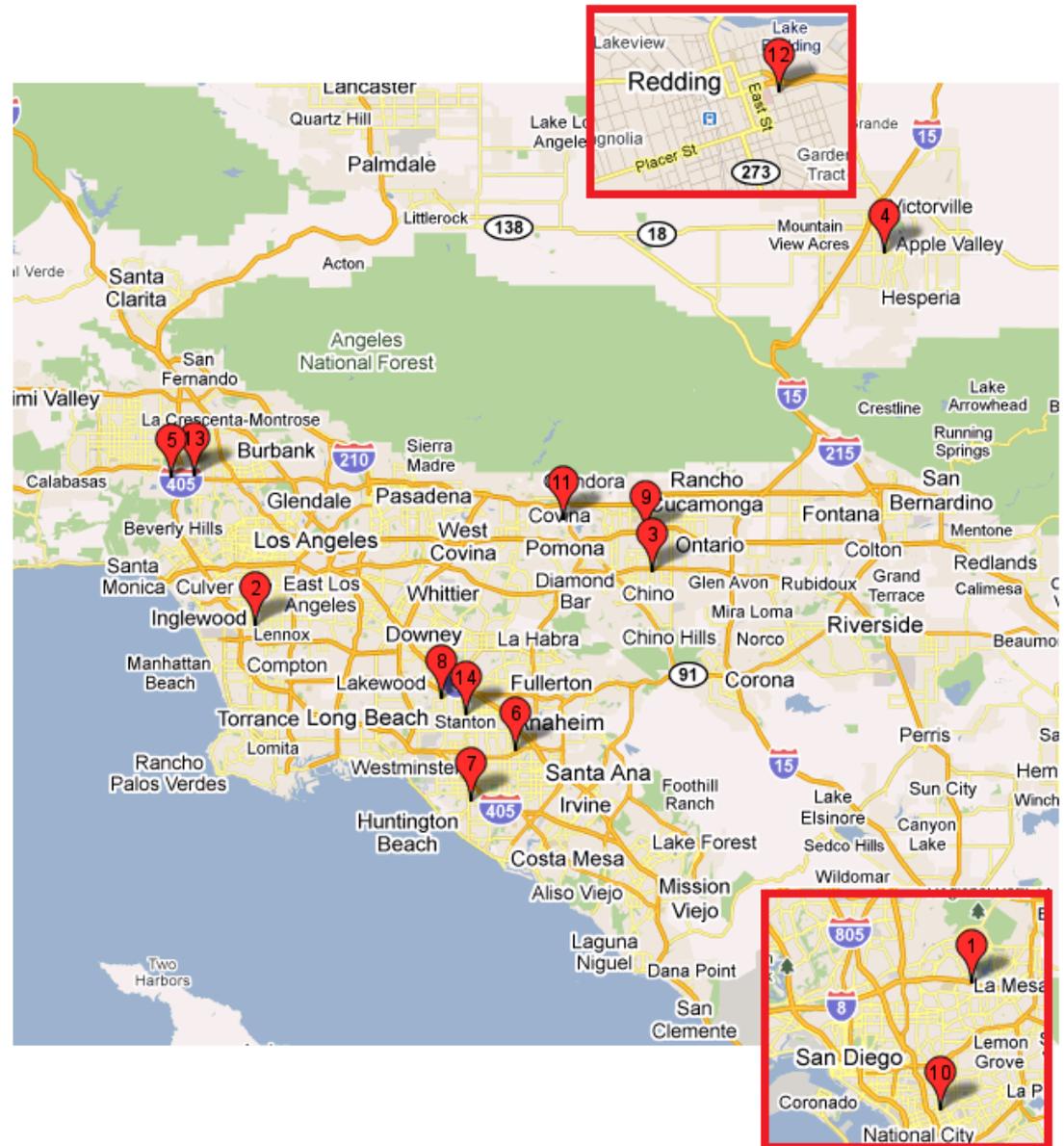
SEIU-UHW is engaged in a labor dispute with Prime Healthcare. Not surprisingly, we often find that the same corporate employers who fail to treat their employees with dignity, respect and fairness are also failing to be responsible corporate citizens in other areas.

In this presentation, as always, SEIU-UHW stands up for fair treatment of California hospital workers, and integrity in dealing with patients, caregivers and the public.



Prime Hospitals

- 1 Alvarado Hospital Medical Center
- 2 Centinela Freeman Regional Medical Center - Centinela Campus
- 3 Chino Valley Medical Center
- 4 Desert Valley Hospital
- 5 Encino-Tarzana Regional Medical Center - Encino Campus
- 6 Garden Grove Hospital And Medical Center
- 7 Huntington Beach Hospital
- 8 La Palma Intercommunity Hospital
- 9 Montclair Hospital Medical Center
- 10 Paradise Valley Hospital
- 11 San Dimas Community Hospital
- 12 Shasta Regional Medical Center
- 13 Sherman Oaks Hospital & Health Ctr
- 14 West Anaheim Medical Center



APR-DRGs can be gamed

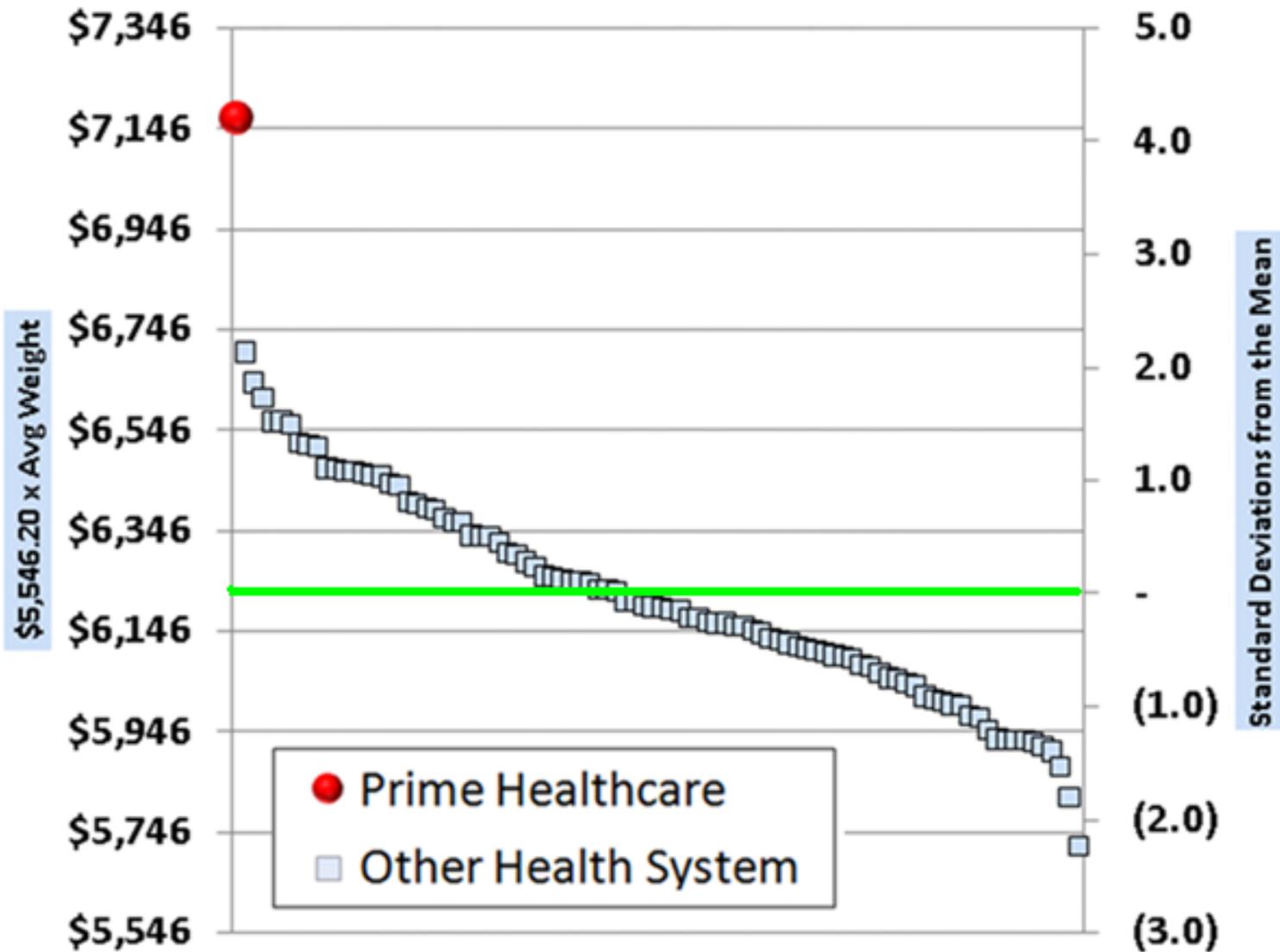
- Prospective payment: DRG weights
- ICD-9 codes broken into 4 groups corresponding to 4 levels of payment
- Similar to CMS MS-DRGs

Table 2–1. Examples of severity of illness levels

Severity of Illness Level	Examples	
Minor	Uncomplicated Diabetes	Bronchitis
Moderate	Diabetes with Renal Manifestations	Asthma with Status Asthmaticus
Major	Diabetes with Ketoacidosis	Viral Pneumonia
Extreme	Diabetes with Hyperosmolar Coma	Respiratory Failure

Source: HCUP

Health System Medicare Reimbursement per Inpatient Discharge, FFY 2009 Standardized Dollars per Discharge



Septicemia: Top U.S. Hospitals, 2009

Hospital	State	Prime-Operated?	Hospital Stays	Septicemia Stays	Septicemia Rate
Northeast Regional Medical Center	MO		1,028	244	23.7%
Montclair Hospital	CA	Prime	597	136	22.8%
Encino Hospital Med Ctr	CA	Prime	1,192	268	22.5%
Northern Hospital of Surry County	NC		1,010	225	22.3%
Sherman Oaks Hospital	CA	Prime	1,599	351	22.0%
West Anaheim Med Ctr	CA	Prime	1,799	385	21.4%
Loris Community Hospital	SC		1,044	222	21.3%
Hudson Valley Hospital Center	NY		2,297	443	19.3%
Desert Valley Hospital	CA	Prime	1,335	257	19.3%
Sonoma Valley Hospital	CA		547	105	19.2%
Garden Grove Hospital	CA	Prime	1,121	215	19.2%
San Dimas Hospital	CA	Prime	820	155	18.9%

Severe Malnutrition in CA, 2010

OSHPD Hospital ID	Hospital Name	Number of Patients 65+ With Severe Malnutrition	Number of Patients 65+	Severe Malnutrition Rate among Patients 65+
450940	Shasta Regional Medical Center	1,284	4,025	31.9%
301209	Huntington Beach Hospital	278	1,643	16.9%
301379	West Anaheim Medical Center	544	3,333	16.3%
370759	Paradise Valley Hospital	294	2,328	12.6%
190148	Centinela Hospital Medical Center	889	7,902	11.3%
364144	Desert Valley Hospital	365	3,254	11.2%
190570	Norwalk Community Hospital	97	969	10.0%
190673	San Dimas Community Hospital	163	1,770	9.2%
121080	St. Joseph Hospital - Eureka	205	2,281	9.0%
361166	Montclair Hospital Medical Center	117	1,350	8.7%
190708	Sherman Oaks Hospital	184	2,190	8.4%
301283	Garden Grove Hospital	181	2,275	8.0%
Statewide Totals: All hospitals except Prime		10,954	920,317	1.2%
Statewide Totals: All Prime Hospitals		4,651	35,953	12.9%

Encephalopathy: Top 10 U.S. Hospitals

Hospital	State	Prime Operated?	Hospital Stays	Hospital Stays with Encephalopathy	Encephalopathy Rate
Sherman Oaks Hospital	CA	Prime	1,770	505	28.5%
Chino Valley Medical Center	CA	Prime	1,217	341	28.0%
Encino Hospital	CA	Prime	1,404	375	26.7%
Centinela Hospital	CA	Prime	5,176	1,070	20.7%
Garden Grove Hospital	CA	Prime	1,307	235	18.0%
Montclair Hospital	CA	Prime	623	109	17.5%
Sonoma Valley Hospital	CA		651	99	15.2%
San Dimas Community Hospital	CA	Prime	916	132	14.4%
Desert Valley Hospital	CA	Prime	1,645	226	13.7%
Oakwood Heritage Hospital	MI		2,075	276	13.3%
National Median					1.1%

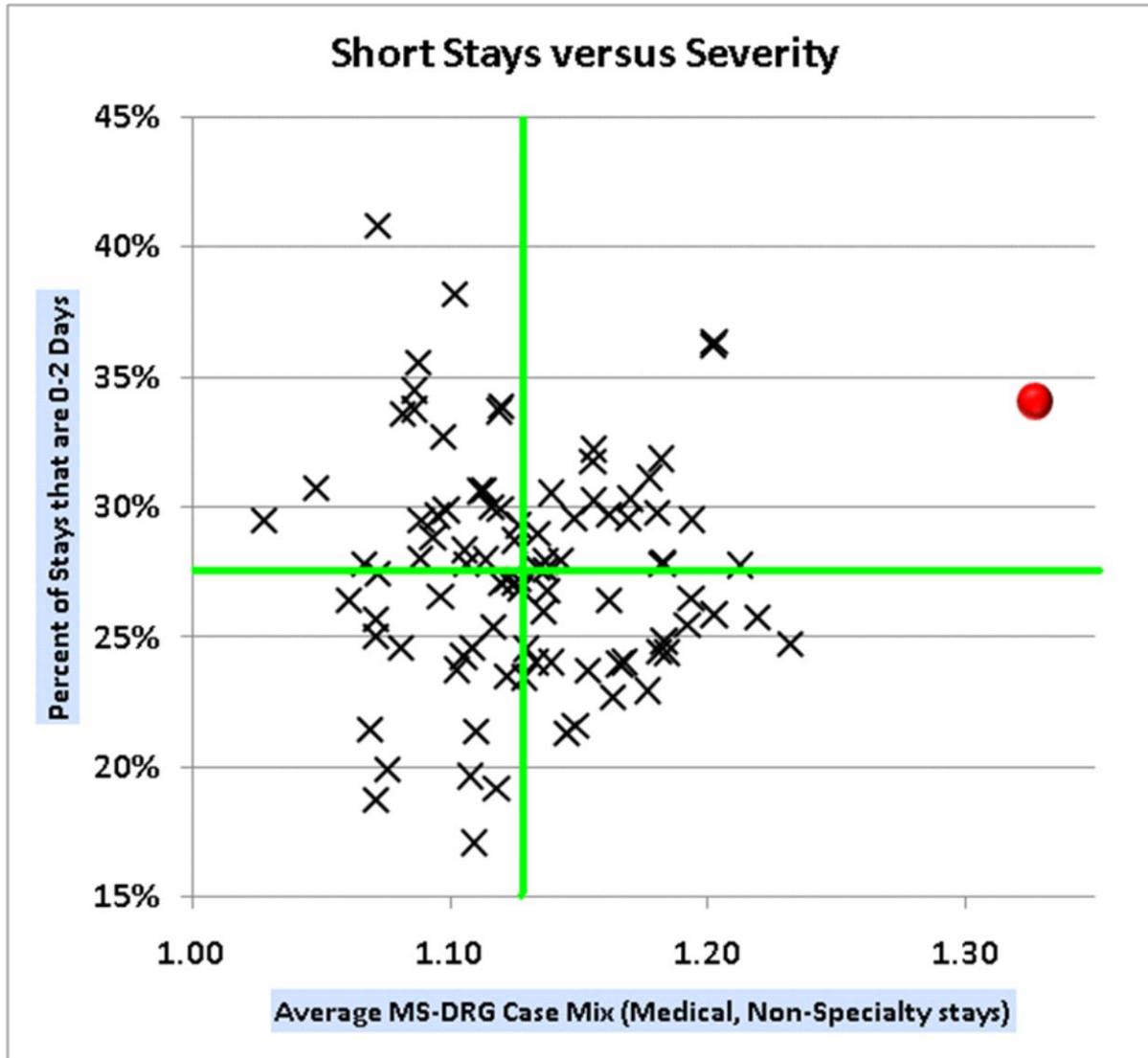
MS-DRG Severity

Top 10 U.S. Hospitals, 2010

General Medical cases for Medicare Patients, 65+

Hospital	State	System	Stays	Average MS-DRG weight	Percent above average	Extra Dollars per Case (normalized)
Memorial Hospital of Gardena	CA	Avanti	1,073	1.47	31%	\$ 1,750
Garden Grove Hospital	CA	Prime	1,047	1.46	30%	\$ 1,691
San Gabriel Valley Medical Center	CA	AHMC	1,590	1.45	28%	\$ 1,610
West Anaheim Medical Center	CA	Prime	1,874	1.45	28%	\$ 1,604
Encino Hospital Medical Center	CA	Prime	915	1.44	28%	\$ 1,591
Alhambra Hospital Medical Center	CA	AHMC	1,379	1.44	27%	\$ 1,551
Montclair Hospital Medical Center	CA	Prime	560	1.40	25%	\$ 1,396
Genesys Regional Medical Center	MI		5,443	1.40	25%	\$ 1,390
Chino Valley Medical Center	CA	Prime	1,200	1.40	25%	\$ 1,386
Shasta Regional Medical Center	CA	Prime	2,374	1.39	23%	\$ 1,321
National Average				1.13	0%	\$ -

Short Stays for High-Cost Patients



This chart compares all 94 health systems with at least 10,000 qualifying Medicare claims in 2009

Prime has the highest average severity, but many short stays

● Prime Healthcare
× Other Health System

ER Business Model - example

Background: Prime is suing Wal-Mart and Arkansas BCBS for emergency care for Wal-Mart employees in Redding, CA. Prime is *out of network* and its markup in Redding is **646%**

Cost of Care:

$$\$2,866,081 \times \frac{1}{1 + 646\%} = \$384,269$$

Wal-Mart Paid:

\$477,117, which is 24% over the cost

Prime's demand:

\$2,866,081, which is 646% over the cost

Recap

- DRGs can be gamed
- Prime's model may be spreading
- Caution needed:
 - Reimbursement could increase much more than expected
 - Disproportionate share could go to most aggressive companies
- ER business model raises costs and concerns