



Guam Memorial Hospital Authority Aturidat Espetat Mimuriat Guahan



CITIZEN - CENTRIC REPORT

October 1, 2008 to September 30, 2010



Current GMHA Board Members:

Lee P. Webber
Chairman

Albert Gurusamy
Vice Chair

Michael Limtiaco
Secretary

Frances Taitague-Mantanona
Treasurer

Edna V. Santos, MD
Board Member

Ricardo M. Terlaje, MD
Board Member

Mission Statement

"To provide quality patient care in a safe environment."

Vision Statement

The Hospital believes in the following core values:

- i. Quality service and standards compliance;
- ii. Open and consistent communication between clinical and non-clinical staff, the Board of Trustees, and the public as a whole; and,
- iii. Fiscal responsibility and accountability at all levels.

Strategic Goals

1. Attaining and Maintaining Joint Commission Accreditation
2. Improving the Fiscal Performance of GMHA
3. Establishing Greater Self Reliance
4. Developing a Facilities Master Plan

Brief History

Guam Memorial Hospital (GMH), the only public hospital on Guam, was built at Oka Point in 1956, representing a major change in the history of the local government's role in the delivery of medical care to the community. The establishment of GMH as a line agency of the Government of Guam's Executive Branch in 1964 separated the administration of hospital services from the community health services provided by the Department of Public Health and Welfare. Then, in 1977, the Guam Memorial Hospital Authority (GMHA) was created as a public corporation and has been operating as a governmental, non-profit institution serving the people of Guam under the governance of a nine-member Board of Trustees.

In 1974, the local and federal government's plans to replace the rapidly deteriorating Guam Memorial Hospital facility began to develop. The U.S. Department of the Interior purchased and transferred the nearby Medical Center of the Marianas to the Government of Guam, to serve as the new Guam Memorial Hospital. The Medical Center of the Marianas facility was initially constructed by the Catholic Diocese to serve as a private maternal-child health facility. Financial difficulties, however, prompted the Diocese to consider the sale of the facility to meet the government's need to replace its old facility at Oka Point.

In 2010, Guam Memorial Hospital Authority received full accreditation by the Joint Commission, a non-profit organization that accredits hospitals worldwide.

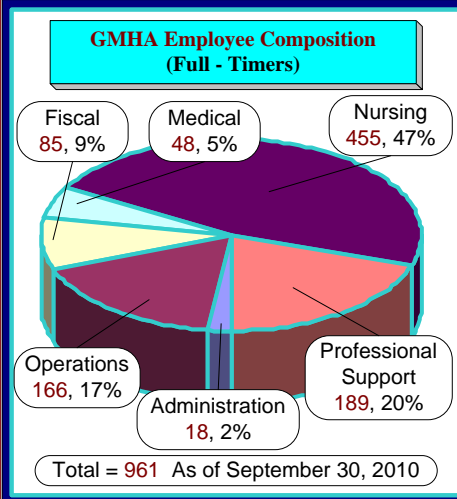
Table of Contents

Page 1 - Introduction: Overview, Mission and Vision Statement

Page 2 - Performance Assessment: How are we doing

Page 3 - Financial Report: Revenues and Expenses

Page 4 - Future Outlook: Challenges Moving Forward



Patient Mix	Method of Reimbursement to GMHA	Percentage
Medically Indigent Program	Daily per diem funded 100% by the Government of Guam	15%
Medicaid	Daily per diem which is 50% funded by the Government of Guam and 50% by the Federal Government	19%
Medicare	Daily per diem funded 100% by the Federal Government	20%
Self Pay - Insured and Uninsured	100% from the Patient and/or Guarantor	16%
All other	Based on allowed covered benefits of the medical health plan	30%



Huge Accomplishment in 2010

If we were to summarize both the goals and challenges we faced in 2010, it would be all focused in our journey towards accreditation. Once the decision was made to pursue accreditation, which was crystallized by our Board of Trustees Chairperson, Mr. Daniel L. Webb, in 2008, it was clearly understood by those involved that it would not only translate into an increase in Hospital costs, but also an intensification of time, effort, and hard work by all of our employees. **The Joint Commission (JC) Accreditation means that the level of medical care provided by the facility has been assessed to be of quality standards and that the accredited organization has demonstrated compliance to the most stringent standards of performance.**

GMHA'S 3-Year Period Comparison

Description	FY 2008			FY 2009			FY 2010		
	Patient Count		\$ Value	Patient Count		\$ Value	Patient Count		\$ Value
Self-Pay	4,764	9%	7,281,896	4,292	8%	7,735,301	5,478	11.2%	10,890,788
MAP	13,475	26%	23,425,311	15,539	30%	31,103,210	14,052	28.8%	32,418,757
MED	1,394	3%	3,944,746	1,287	2%	4,955,210	1,709	3.5%	7,373,592
MIP	3,631	7%	12,613,944	5,977	11%	23,312,738	5,808	11.9%	21,838,742
All Other	28,213	55%	73,784,305	25,168	48%	74,190,245	21,706	44.5%	71,374,785
Total	51,477	100%	121,050,202	52,263	100%	141,296,704	48,753	100%	143,896,664
Self-Pay Demographics									
Employed	2,492	52%	3,383,061	2,039	48%	3,023,946	2,284	41.7%	3,801,101
Unemployed	1,588	33%	2,213,369	1,643	38%	2,796,727	2,896	52.9%	6,265,347
Disability	28	1%	46,390	49	1%	200,117	7	0.1%	3,055
Retired	599	13%	1,512,045	468	11%	1,629,019	163	3.0%	645,454
Student	57	1%	127,032	93	2%	85,491	128	2.3%	175,832
Total	4,764	100%	7,281,897	4,292	100%	7,735,300	5,478	100%	10,890,789
Self-Pay Demographics									
Emergency	2,921	61%	1,703,924	2,697	63%	2,108,143	3,493	63.8%	3,204,546
In-Patient	859	18%	5,019,930	895	21%	5,124,945	1,391	25.4%	7,243,875
Out-Patient	984	21%	558,042	700	16%	502,213	594	10.8%	442,366
Total	4,764	100%	7,281,896	4,292	100%	7,735,301	5,478	100%	10,890,787

MAP: Medical Assistance Plan, MED:Medicaid, MIP: Medically Indigent Program. As of September 30, 2010, 55,067 patient accounts were referred to an external contracted collection agency with an aggregate unpaid amount of over \$99 million. Life of these accounts stem back at least five fiscal years.

Maintaining the Accreditation

GMHA is the only component of the Government of Guam in which services cannot be withheld due to the financial ability of the patient.

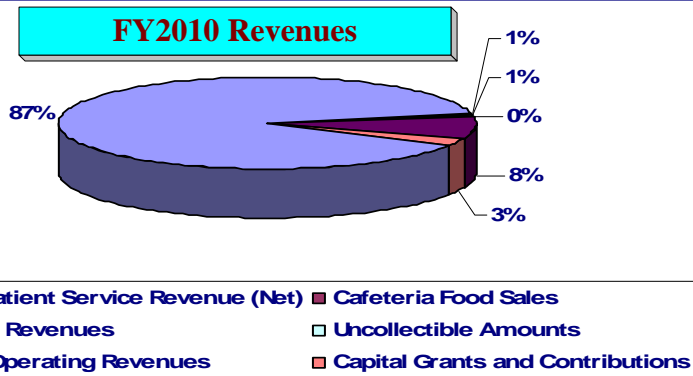
The negative impact of this mandate is clearly illustrated in the following page. The mandate is hampering the goal to establish greater self reliance. Additionally, the hospital did realize an increase in operational expenses due to JC Accreditation pursuit because the Accreditation requires a certain number of clinical staffs to be maintained. To maintain the Accreditation, the GMHA executes monthly and quarterly evaluation of performance indicators that are geared toward determining compliance with JC standards because of periodic JC's via on-site visits to examine whether the facility is maintaining adherence to the standards of care.

The Hospital continues to depend heavily on the government of Guam for payments of medical services to MIP and Medical Assistance Program clients. Furthermore, the Hospital saw an increase 27% in Uninsured Self-Pay Patients who were self declared to be unemployed at 76% between FY 2009 and FY 2010. The Hospital, as a part of extending its effort to collect on all outstanding accounts, has made it a standard operating procedure to refer unpaid accounts to external contracted collection agencies.



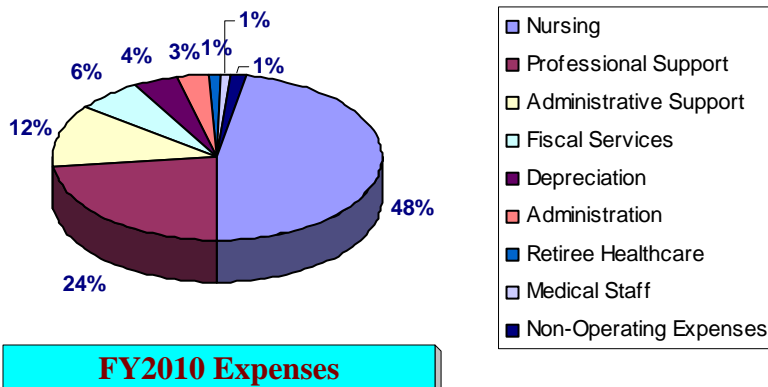
Gold Medal
JC Accreditation is equivalent to a gold medal of hospitals across the USA.

The measures reported on this page were included based on the Management Discussion and Analysis (MD&A) in Fiscal Year 2010 Financial Statements of GMHA. Complete performance measurement information can be found on Website: <http://www.gmha.org>



Dilemma
 In FY 2010, GMHA's total revenues decreased by \$16.7 million or 15% compared to FY 2009. As such, the Hospital continues to depend heavily on the government of Guam for payments of medical services to MIP and Medical Assistance Program clients. The Hospital, as a part of extending its effort to collect on all outstanding accounts, has made it a standard operating procedure to refer unpaid accounts to external contracted collection agencies.

REVENUES	FY2007	FY2008	FY2009	FY2010	CHANGE %
Net Patient Service Revenue (Net)	\$74,785,155	\$88,745,514	\$92,560,551	\$83,481,135	-9.8%
Cafeteria Food Sales	481,676	581,065	655,976	642,581	-2.0%
Other Revenues	266,898	119,828	323,154	502,652	55.5%
Uncollectible Amounts	(782,371)	(267,893)	0	0	0.0%
Non-Operating Revenues	7,356,034	8,410,141	15,850,579	7,235,032	-54.4%
Capital Grants and Contributions	1,002,135	1,920,307	2,130,307	2,944,847	38.2%
Total Revenues	\$83,109,527	\$99,508,962	\$111,520,567	\$94,806,247	-15.0%



GMHA's operating expenses have grown faster than its revenues. GMHA has been operating at a loss. Its biggest expense is personnel costs. GMHA continues to operate at a loss and suffer negative cash flows; its revenues continues to be insufficient to pay current expenses and payments to vendors. Because of these cash flow challenges, GMHA is unable to take advantage of discounts offered by suppliers.

An independent audit report of GMHA's financial statements prepared by Deloitte & Touche, LLP concluded that the statement was prepared in accordance with generally accepted accounting principles in the USA. Guam OPA released the audit report on January 12, 2010.

Expenses	FY2007	FY2008	FY2009	FY2010	CHANGE %
Nursing	\$42,243,389	\$43,287,310	\$44,987,065	\$50,644,738	12.6%
Professional Support	20,875,459	23,217,442	24,019,534	24,612,076	2.5%
Administrative Support	10,827,182	11,812,954	12,815,703	13,276,551	3.6%
Fiscal Services	6,913,197	6,715,014	7,603,052	6,935,431	-8.8%
Depreciation	4,395,187	4,177,908	4,426,926	4,581,714	3.5%
Administration	3,946,895	3,587,582	3,001,911	3,277,114	9.2%
Retiree Healthcare	Not Available	Not Available	1,584,754	1,383,548	-12.7%
Medical Staff	678,580	648,403	916,431	1,051,028	14.7%
Non-Operating Expenses	1,686,689	1,814,542	1,306,580	1,485,478	13.7%
Total Expenses	\$91,566,578	\$95,261,155	\$100,661,956	\$107,247,678	6.5%
Change In Net Assets	(\$8,457,051)	\$4,247,807	\$10,858,611	(\$12,441,431)	-214.6%



Economic Outlook

What will Fiscal Year 2011 be like for the Hospital? One thing will be prominent in the minds of all Hospital employees - the commitment to ensure out-patients receive quality medical care in a safe environment. Despite the financial challenges in FY 2010, our employees continue to come in to work everyday because of our patients. Our employees are dedicated to ensuring patient care will never be compromised. The Hospital has worked too hard and long to re-attain accreditation from the Joint Commission, but moving forward our challenges will continue to mostly exist in FY 2011 thus make our journey interesting.

Through the forethought and planning between the Hospital's new Board of Trustees, the Senators of the 31st Guam Legislature, and the Administration, the negative impact of P.L. 29-132 may be lessened in the next year.

Much like Fiscal Year 2010, overall Government of Guam collections will likely be sluggish and this will likely be reflected in delayed collection/reimbursement to the Hospital for adjudicated MIP and MAP accounts and/or other appropriated funding sources.

Sluggish collection from the government of Guam, increase in unemployed/uninsured Self-Pay Patients, and increases in patient/ operational needs should be warning indications to our community, elected Legislators and elected officials, GMHA needs to be provided additional funds in order to meet its organic mandate of provided care to all who present themselves regardless of their ability to pay.

Military Buildup

The economic boom of the projected military buildup on Guam may not be fully possibly until 2014. Until then, the Hospital is beginning talks with organizations on the impact of the influx of H-2 workers. Currently sponsoring companies do not have to retain medical health insurance for their H-2 workers. With the Hospital's mandate to accept all patients who present themselves a medical condition at the Hospital, the expected fourteen thousand H-2 workers over the next couple of years will most certainly result in the increase of uncompensated care to the Hospital.

In line with the military buildup and the expected increase in the civilian population, the Hospital is working on determining the feasibility of retro-fitting its existing structure or building an entirely new Hospital. Completion of the feasibility study is one of the steps necessary to allow access by the Hospital to federal funding from the United States Department of Agriculture. The Hospital currently has available 158 acute beds. For the size of Guam, we are planning to add one hundred additional adult acute beds bringing the total to two hundred and fifty private acute beds.

The World and Guam

Nationally, according to United States Bureau of Labor Statistics report dated: December 22, 2010, it is anticipated that the age group of 55 and older will encompass a larger portion of the population between the years 2008 and 2018, in other words, the baby boomers are living longer. If they are living longer, we will have to contend with the health needs of these aging baby boomers. Coupled with the projected nursing shortage in the United states and the health conditions associated with an aging population one can easily perceive how it will impact Guam - increase challenges in recruiting and maintaining qualified licensed/ registered clinical staff - from nurses, physicians, pharmacists, respiratory technicians, physician assistants, phlebotomists, and on and on. The federal government predicts that, by 2010, retirement will contribute to a shortage of approximately 24,000 doctors and nearly one million nurses - a serious clinical personnel deficit that will have a direct impact on Guam's ability to recruitment efforts.



About This Report

We want to hear from you. Do you like this report? Do you believe it should include any other information? Please let us know by contacting Assistant Chief Financial Officer, Mr. Jun Infante at jun.infante@gmha.org or call 671-647-2256 or 2190.

References

Guam Memorial Hospital Authority, Fiscal Year 2010 Financial Statements, Management Discussion & Analysis
GMHA Independent Audit Report, FY2010, Deloitte & Touche, LLC
Guam Memorial Hospital Authority, Fiscal Year 2009 Financial Statements
Guam Memorial Hospital Authority, Fiscal Year 2008 Financial Statements