



Department of Pediatrics Faculty Meeting

May 14, 2020

Topic: Finance

Presenters: Mary Leonard and Mike Propst



Lucile Packard
Children's Hospital
Stanford



- Clinical Department Chairs with the Dean and CEOs
- Clinical Department Chairs with DFAs and SoM
- Clinical DFAs with SoM Sr. Assoc Dean Finances and Ops
- Stanford Medicine Town Halls
- LPCH Physician-in Chief Call
- FPO Clinical Chiefs Call
- LPCH Finance Town Hall
- LPCH Intranet
- CORT Calls and Reports
 - PPE
 - Testing
 - Occupational Health
- Ambulatory Transformation Team
 - Ambulatory Activation, Digital Channel, Facilities
 - Analytics, Four Ambulatory Models, Communication
 - Access, Equity and Patient Experience
- Department of Pediatrics Grand Rounds
- Division Chiefs and Division Managers
- Division Meetings
- Research
 - Continuity Committee
 - Research Town Halls, zoom meetings and website
- Education: GME

Department Faculty Meeting Cadence and Topics

- Finance stabilization and mitigation
- Plans and strategies to re-open clinics and resume elective procedures
 - Procedural Operations Ramp-up Team (PORT)
 - Ambulatory Transformation Team (ATT)
 - Respond, Recover and Re-Open Team (R3)
- Telehealth
- LPCH Operations
- Scientific developments and lessons learned
- New clinical research and trials underway
- Wellness
- Plans to ramp-up clinical and basic science research
- Advocacy updates
- Education updates
- Academic Affairs and HR
- Real and potential Impact of COVID on patient safety and quality of care



The Academic Mission



Education

Research

Clinical Care

Community
Engagement

Finances
Academic Affairs

Department of Pediatrics Associate Chairs



Christy
Sandborg



Scott
Sutherland



Gary
Shaw



Becky
Blankenburg



Lisa
Chamberlain



Eric
Sibley



Mike
Propst



Dept of Pediatrics COVID Finance Update

Faculty Meeting, May 2020

Impact of COVID

- Department
- LPCH
- SoM
- University

Department: Projected Clinical Losses in FY20

- Inpatient – projected drop to ~80% of usual levels: **-\$3.1M**
- Outpatient – projected drop to ~40% of usual levels: **-\$4.1M**
- Assumes modest ramp up; at about 85% of “usual” by end of August
- Department budgeted bottom line was **~\$7.2M**

LPCH: Projected Losses

- LPCH estimates losses of \$173M - \$186M
- Payor mix expected to shift 5%+
- LPCH Staff taking 20% forced PTO
- All non-essential MD adds and replacements are being deferred
- MDs are being considered case by case

School of Medicine

Estimated impact to Dean's financials are \$37M in FY20 and \$57M in FY21

	FY20 (\$M)	FY21 (\$M)
COVID-19 Revenue Impacts		
Loss of Variable Academic Grant	-26	-36
EFP Payout Lowered	0	-28
Loss of IDC	-6	-15
Lower Dean's Assessment	-7	-2
Lost Tuition	-2	0
Increased Support	-5	-1
Expense Mitigations		
Hiring and Comp Reductions	1	8
Dean's Commitments	3	5
Strategic Initiatives	2	5
Capital Plan	2	2
Other	2	4
Total Net Impact	-37	-57
Net Surplus	-42	-55

Key drivers:

- No variable academic grants
- Incorporates lower Dean's assessment due to lower wRVU payments
- Includes increased support in subsidies to Service Centers and VSC.

***Potential upside:** If impact of COVID is not as severe as we modeled, we will likely receive VAG and higher dean's assessment.*

Estimated wRVU revenue shortfall – by department (anonymized)

	①	②	③	④	⑤			⑥	⑦
	FY20 wRVU Payment (\$M)								
	FY20 Pre-COVID	Q3	Q4	FY20 COVID	FY20 Shortfall		FY20 excl. DA Shortfall	FY19 wRVU Payments	
	\$12	18%	42%	\$8	(\$4)	-35%	(\$4)	\$12	
	\$13	30%	67%	\$8	(\$4)	-28%	(\$4)	\$12	
	\$22	25%	50%	\$16	(\$7)	-23%	(\$6)	\$20	
	\$12	82%	75%	\$11	(\$1)	-22%	(\$1)	\$14	
	\$45	37%	70%	\$33	(\$12)	-21%	(\$11)	\$42	
	\$16	75%	85%	\$13	(\$3)	-21%	(\$2)	\$16	
	\$19	47%	76%	\$15	(\$4)	-19%	(\$4)	\$19	
	\$22	50%	43%	\$16	(\$6)	-19%	(\$6)	\$19	
	\$8	27%	67%	\$6	(\$2)	-19%	(\$2)	\$7	
	\$34	33%	80%	\$26	(\$8)	-19%	(\$8)	\$33	
	\$56	55%	70%	\$45	(\$11)	-12%	(\$11)	\$51	
	\$22	55%	88%	\$18	(\$4)	-12%	(\$3)	\$21	
	\$90	55%	85%	\$76	(\$14)	-12%	(\$13)	\$86	
Pediatrics	\$57	68%	74%	\$48	(\$9)	-10%	(\$8)	\$54	
	\$23	79%	75%	\$21	(\$3)	-8%	(\$3)	\$23	
	\$27	46%	77%	\$21	(\$6)	-8%	(\$6)	\$23	
	\$24	70%	73%	\$21	(\$3)	-2%	(\$3)	\$21	
	\$104	77%	100%	\$97	(\$7)	4%	(\$7)	\$93	
Total	\$607	52%	72%	\$499	(\$108)	-12%	(\$101)	\$566	

FY19 Months cash on hand by clinical department (anonymized)

0-3 Months		3-9 Months		>9 Months	
	3.4	Dean's Office	5.7		11.0
			5.7		11.2
			6.1		11.5
			6.1		11.7
			6.9		13.3
			7.1		13.5
			7.7		14.4
		Pediatrics	7.7		17.1
			7.8		19.7

Across the University

- Salary freeze – no increases on Sept 1st
- Hiring freeze – no new hires without exceptions
- Pay continuation for staff through June 15th
- Possible additional steps
 - Staff vacation usage
 - Changes to benefits
- 15% reduction to endowment payouts in FY21

More Globally

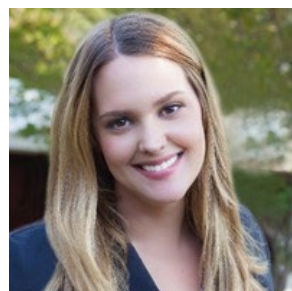
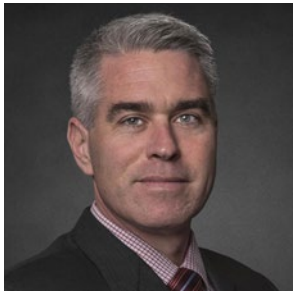
⊕ Indicators ⊕ Comparison | 📅 Date Range 1D 5D 1M 3M **6M** YTD 1Y 2Y 5Y Max | 📄 Interval 1D ▾ 📈 Line ▾ 🖌 Draw ⚙️ ⬆️ ↻



As of close 5/13/20

Still to come...

- Faculty incentives
- Clinical revenue “patch”
- COVID Financial Responsibility Task Force
 - Scott Sutherland, Surabhi Agarwal, Michael Propst, Lana Henthorn, Nam Ly-Sarmiento, David Maahs, Steve Roth



COVID Financial Responsibility Task Force

- Objective: To address the departmental financial shortfall.
- Sub-objectives:
 - Determine departmental level financial gap that needs to be covered
 - Create principles to allocate responsibility for that gap to central department operations and divisions
 - Identify specific solutions that either decrease expenses or increase revenue in both central operations and in divisions
 - Determine how to apply this process fairly across divisions in the spirit of the department's high priority on transparency and values
 - Communicate findings and recommendation of this committee to Chiefs and Managers.

Potential Mitigation Solutions

- Individual executive fund allocations: reduce annual allocation by x% and only infuse up to \$y.
- Reductions in non-salary expenses: travel, food, wellness budgets (e.g. holiday parties, picnics, etc.), coaching, memberships, computers/iPads
- Assess feasibility and encourage use of sabbatical and PDLs
- Look at under-deployed faculty, add clinics or reduce FTE
- Reducing Dept/Div-supported protected time for faculty academic activities
- R01 Incentive Plan (\$25k per R01, per year)
- Reductions/deferment to faculty bonuses
- Coordinated vacations within units
- Use of Department/Division reserves (endowments, executive funds, etc.)

Q&A