Financial Recovery
Disaster Planning For Hospitals
Michael Martinet, MS, CEM
California Hospital Association.
September, 2009

**Disclaimers:**

- Any information given today may be incorrect tomorrow!
- Disasters, politics and conditions change constantly!
Types of “Applicants*”

- Public
- Private, Not for profit
- Private, For Profit
- ?? ? P–P Partnerships ?? ?

* For the “Public Assistance” program

Hospital Disaster Types

- Less than catastrophic (operating expenses)
- Less than catastrophic (insured facility damage)
- Catastrophic (extensive uninsured facility damage)

What is at Risk in California?

- Munich Re: Natural Hazard Total Risk Index
- Tokyo – Yokohama: Score 710
- San Francisco: Score 167
- Los Angeles: Score 100
- Osaka-Kobe-Kyoto: Score 92
- Munich Re: Natural Hazard Total Risk Index
- Tokyo – Yokohama: Score 710
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- Los Angeles: Score 100
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Where is the Risk Going?

Munich Re Annual Review of Natural Catastrophes 2002

Total World Wide Economic Losses (2002 Values)
Total World Wide Insured Losses (2002 Values)
Trend of Economic Losses
Trend of Insured Losses

The Good News & The Bad News*

*Regarding the tracking of employees disaster response hours

FEMA DA Policy 9525.4

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Rx - 1x - 30 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 Days</td>
<td>Equipment (durable)</td>
</tr>
<tr>
<td>Overtime</td>
<td>Vaccinations</td>
</tr>
<tr>
<td>R.T./O.T. extras</td>
<td>Information provision</td>
</tr>
<tr>
<td>Transport</td>
<td>Temporary structures</td>
</tr>
<tr>
<td>Triage</td>
<td>Equipment leases</td>
</tr>
<tr>
<td>First Aid</td>
<td>Security</td>
</tr>
</tbody>
</table>
Ineligible: Ineligible = Ineligible  
Inpatient care Congregate care  
Follow-on care Duplication of benefits  
Increased costs Preparation costs  
Lost revenue In-jurisdiction M.A.  

Also see FEMA Policy 9523.17

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**Preliminary Damage Assessment**

Why is the Damage Assessment so important?

Why is it so difficult to do?

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**The Uphill Climb: Disaster Aid**

World Trade Center  
Promised: $3.319 b  
Disbursed*: 1.593 b  
48% reimbursement  

*as of June 2003  Source: USGAO
Public Assistance Timelines

The Federal Assistance Paradox

FEMA giveth and the OIG* taketh away.

*Office of the Inspector General

Private Hospital – Options?

Mitigation?
NDMS Designation?
In-Jurisdiction Mutual Aid

“Public or private nonprofit medical service providers working within their jurisdiction do not qualify as mutual aid providers under DAP9523.6”

(Source: FEMA Disaster Assistance Policy 9525.4)

Audit Problems: Take 2 Tylenol…

Getting “Public Assistance” from FEMA is only half of the battle.

The Audit: The Campus
The Audit: The Floor Plan (1)

First Floor Plan

Second Floor Plan

The Audit: The Floor Plan (2)

First Floor Plan
75% Used by Hospital

Second Floor Plan
66% Used by Hospital

The Audit: Building Elevations

Building End View

Building Side View
The Audit: Showing the Damage

Building End View
Building Side View

The Audit: Detailing the Damage

Photographs showing cracking or other damage.

The Audit: Mapping the Damage
The Audit: Timing Is Everything

The Audit: Throwing Good $ After Bad

How Much Does $26,000 Cost?

<table>
<thead>
<tr>
<th></th>
<th>Bldg 100</th>
<th>Bldg 200</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Paid @ 66%</td>
<td>Paid @ 75%</td>
</tr>
<tr>
<td>Paint &amp; Patch 1</td>
<td>$20,638</td>
<td>$16,886</td>
</tr>
<tr>
<td>Sand Blast 1</td>
<td>$6,811</td>
<td>$5,572</td>
</tr>
<tr>
<td>Paint &amp; Patch 2</td>
<td>$20,638</td>
<td>$16,886</td>
</tr>
<tr>
<td>Sand Blast 2</td>
<td>$6,811</td>
<td>$5,572</td>
</tr>
<tr>
<td>Paint &amp; Patch 3</td>
<td>$20,638</td>
<td>$16,886</td>
</tr>
<tr>
<td>Total Hard Cost*</td>
<td><strong>$137,338</strong></td>
<td><strong>$75,535</strong></td>
</tr>
<tr>
<td>Net Reimbursement</td>
<td>$26,286</td>
<td>$13,621</td>
</tr>
<tr>
<td></td>
<td><strong>$12,665</strong></td>
<td></td>
</tr>
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</table>

* No administrative or staff costs are included in this estimate

Where Are We Going?

First they want repairs, then they want replacement.

There must be an overarching strategy!
The Audit: Damage Inspections

The importance of understanding “damage” and its consequences.

The Audit: Hiring Experts?

Partial plans
Relying on verbal promises
Inadequate reports
A & E report
A lack of technical data
No engineering calculations

In Summary

- Know the P.A. process
- Have a plan
- Appoint a team
- Train the team
- Monitor progress
- Adapt & adjust
- Be prepared for reversals
Recovery from a Disaster

Jeff Nye MBA
Controller
Adventist Health/Feather River Hospital

Outline

- Who is Feather River Hospital?
- What happened the summer of 2008?
- How did we recover?

Who is Feather River Hospital?
Who is Feather River Hospital?

- 101 Bed Acute Care Facility located in Paradise which is nestled in the foothills of the Sierra Nevada Mountain range 90 miles north of Sacramento.
- Primary Service Area is a population of roughly 40,000.

Who is Feather River Hospital?

Key Services Provided by FRH
- Inpatient care (e.g. obstetrics, surgery, medical, critical care, hospice)
- Clinics (e.g. Feather River Health Center, Cancer Center)
- Outpatient services (e.g. emergency, outpatient surgery)
- Home care (e.g. home health, hospice, home oxygen)
Who is Feather River Hospital?

Volumes
- 4,850 Discharges
- 18,362 Emergency Department Visits
- 3,010 Combined Surgeries
- 134,862 Outpatient Visits
- 870 Deliveries

What happened the summer of 2008?

On Saturday, July 5, lightening strikes started over 74 fires in Butte County.
Throughout Saturday, Sunday and Monday (July 5-7) the fire burned steadily closer to FRH.

At 8 p.m. Monday, the decision was made to evacuate and close FRH.

What happened the summer of 2008?
FRH closed for the first time in 60 years. We didn't own a closed sign.

50 fire trucks and 10 strike teams stood by to defend the hospital.

Only a narrow strip of river kept the fire from crossing the canyon and roaring up the hillside to engulf Feather River Hospital.
### What happened the summer of 2008?

<table>
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<tr>
<th>Date</th>
<th>Event Description</th>
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<tr>
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<td>Monday, July 14</td>
<td>Contacted Regulatory Agencies to begin reopening process</td>
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<tr>
<td>Thursday, July 17</td>
<td>Inspection Day (Go/No Go)</td>
</tr>
<tr>
<td>Friday, July 18</td>
<td>REOPENED</td>
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### How did we recover?

- Hospital Evacuated
- With fire threat gone, focus changed to reopening the hospital
- Contacted Regulatory Agencies to begin reopening process
- Inspection Day (Go/No Go)
- REOPENED
How did we recover?

Property Loss Period

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How did we recover?

Property Loss Trigger:

- Need a $50,000 or greater loss of property.
- Business Interruption trigger is property loss or Government Agency Egress/Regress restriction.

How did we recover?

- Fire Property Loss Including Pharmacy: $1,527,312
- Unreimbursed Salary/Benefit Cost for the Period: $4,401,836
- Funding for Employee Assistance: $50,000
- Recovery (Insurance): ($2,612,223)
- Recovery (FEMA): ($58,000)
- Total Unreimbursed Cost: $3,308,925
How did we recover?

- Meet with insurance early and often
- Full disclosure with the insurance agent from the on-set
- Early site visit with the insurance representatives
- Document, Document, Document
- PURCHASE ORDINARY PAYROLL COVERAGE!

Firestorm Financial Recovery
Where there is Smoke….

Mary Gallagher
Manager, Risk & Insurance
Scripps Health

Scripps Health
Vital Statistics 2007

- 1 Governing Board
- $1.8 Billion in assets
- $1.7 Billion annual revenues
- 1,000 Employees
- Four Acute Care Hospitals on Five Campuses
- 1,431 Licensed Beds
- 2 Trauma Centers
- 2,800 Physicians
- Medical Office Buildings (7)

Integrated Physician Groups
- Medical Foundation- 400 physicians
  - Scripps Clinic Medical Group
  - Scripps Mercy Medical Group

Ambulatory Services
- Home Health
- Mental Health
- Chemical Dependency
- Rehab
- Gamma Knife
- Integrative Medicine

Research, Education & Fund Development
- New Central Research Organization
- New Genomics and Translational Research Program
- 3 Graduate Medical Education Programs
- Scripps Health Foundation

Subsidiaries
- The Whittier Institute for Diabetes
- Scripps Clinic Health Plan Services
Scripps Health Hospitals
Our System

Scripps Green Hospital
Scripps Memorial Hospital La Jolla
Scripps Mercy Hospital Chula Vista
Scripps Mercy Hospital San Diego
Scripps Mercy Hospital Encinitas
Scripps Health Encinitas

Clinic Locations 2007
Torrey Pines
Carmel Valley
Del Mar
Encinitas (2)
Carlsbad (planned)
Rancho Bernardo
Mission Valley
Hillcrest
Rancho San Diego
Santee
Bonita/Eastlake

Firestorm 2007 San Diego
What: Multiple Wildfires – Declared Disaster
When: October 21st to November 7th
Where: San Diego County
Who: 300,000 Acres Destroyed
Who: 500,000 Evacuated
1350 Homes and 100 Business Destroyed
Why: Drought, weather, wind
Estimated $2 Billion in Damages County-Wide
Scripps Costs $1.38 Million in Extra Expenses
Harris Fire - South County

Red Sky October 22, 2007
Sunrise of Smoke – East County

Firestorm 2007 – Challenges

- Loss
  Tracking system with data backup
  Costs incurred and estimated

- Coverage / Reimbursement
  Insurance
  FEMA
Firestorm 2007 – First Steps

- System-wide notice of Firestorm cost code to be utilized for all related expenses.
- Meeting of site financial directors and managers to determine estimate of expenses and incurred costs.

Firestorm 2007 – Communication

Insurance Meeting
- Claims representative
  Guidance on covered loss
- Forensic accountant
  Requirements to report expenses
- Site Finance personnel
  Estimates incurred and projected

Firestorm 2007 – Insurance Claim

Insurance Time Line
11/07 Initial claim meeting
12/07 Pre-payment of claim $600,000
1/08 Preliminary claim submitted
3/08 Interviews with site finance personnel
4/08 Final claim submitted
6/08 Final check issued for $750,000
**Firestorm 2007 – FEMA**

**FEMA Time Line**
- 11/07 Filed Public Assistance Request
- 1/08 OES/FEMA Representative Meeting
  - Preliminary insurance claim discussed
- 3/08 Filed List of Projects
  - Provided copy of insurance claim
- 5/08 Project Completion and Certification Report
- 6/08 Final Inspection Report OES
- 4/09 Notification of Payment
- 5/09 Check Received

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**Firestorm 2007 – Coverage Detail**

**Categories of Covered Loss**
- Supplies
  - Masks, filters, negative air machines
- Outside Services
  - Registry, day care, cleaning crew, security
- Food Services
  - Command centers, hospital sites
- Labor – extra expenses
- Loss of Income – Clinic locations

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**Firestorm 2007 – Summary**

**Keys to Successful Claim**
- Comprehensive insurance coverage
- Pre-selection of experienced adjuster
- Agreement of tracking methodology
- Understanding covered costs
- Frequent communication
- Open discussions and collaboration
- Timely followup