Emailed questions answered by Richard Roodman, CEO of Valley Medical Center

KHN, Q: We portray your 2011 and 2013 bonus structures (margin, expand clinical services, building Covington etc.) as giving you, as VMC CEO, incentive to continue the kind of growth and volume that has made health care increasingly expensive across the country and unaffordable for many. Do you agree with that characterization, and why or why not?

Richard Roodman, A: If you read through our Board Pillar Goals, you'll note that we emphasize "providing the highest quality, safest and most effective care to every patient, every time," and we "ensure effective financial planning and economic performance necessary to invest in strategies that improve the health of our patients." Improving the health of our patients through the highest quality, safest and most effective care cannot occur in a vacuum.

Our expansion/growth/volume goals are closely aligned with providing high quality services, such as joint replacement, cardiac services, thoracic surgery and the like, to an *underserved* constituency. You can look at growth purely for the sake of growth, or you can look at who the growth is intended to serve, and why. We plan to continue to grow and expand our clinical services because it meets the needs of our constituents, but *how* we grow is changing. For example, recently, we changed our plans from opening a free-standing Emergency Department within our hospital district, to opening expanded Urgent Care and Specialty Services as we determined that would best serve the community while helping to contain unnecessary healthcare costs such as expensive ER visits for non-emergent needs. To this end we also aligned with UW Medicine 19 months ago to allow us to become an Accountable Care Organization. I think it's important to acknowledge that for us, growth is necessary as long as the demand remains, AND we are growing as responsibly as possible.

Q: Consultants say incentive design for hospital CEOs will move away from growth and toward efficiency. As evidence of this, one expert noted that your HAI targets for 2013 are considerably more ambitious than the earlier ones. Do you expect hospital CEO bonus incentives to change over the next decade, and if so how?

A: Currently our executive team has a maximum of about 30% of their compensation at risk. Of that 30%, 6 percent reflects a profitability goal for financial performance. The other components of the "Practice Fiscal Responsibility" goal are linked to keeping the organization healthy (days of cash on hand) and facilitating the continued transformation of care and integration with UW Medicine, a goal that will reduce redundant delivery locations for similar services and reduce costs. The other remaining goals are around clinical outcomes and patient satisfaction.

Like all other hospitals in our area and across the country for that matter, the changes in healthcare reimbursement have shifted our focus to align with what CMS dictates, and we will be factoring in more clinical quality measures into our executive compensation packages as a result. However, between 2009 and 2011 the percentage of Medicaid and low income Medicaid/Medicare patients seen at Valley rose from 18.94% to 20.42%. Uncompensated care rose from $47mm to $51mm between 2010 and 2011. We are a safety net for the poor and disenfranchised and cannot care for them without maintaining a positive margin. That means increasing revenue AND being more cost-effective along with retaining and growing our patient base through quality - better outcomes. And again, we are focused on delivering care in the most cost effective manner.