



Board Informational Report

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CEO

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The first significant winter in several years has made a real positive impact on Tahoe Forest Health System (TFHS) and upon our entire local region. Our entire team of physicians and staff have been extraordinarily busy this winter focusing on a much larger volume of patient healthcare needs as a result. Our volumes and our Financial Report for the first seven months of this fiscal year, especially the performance of December and January, strongly reflect this major winter season this year.

Important Board Retreat during the Month of February.

I really believe our 2 day board retreat to review current conditions in healthcare and to reflect on critical “go forward” strategies for our health system was very valuable. Many look back and look forward reviews of our collective work were conducted. A new Mission and Vision Statement was crafted. We are looking to refresh our important list of Values by the March Board meeting as well.

A short list of critical forward looking Strategies were presented and affirmed by the Board. They are:

1. A complete makeover of our Physician service line with a strong focus of moving towards “best practices” as a more integrated and aligned true system of care, operating in a sustainable manner.
2. Choosing and implementing the correct new Electronic Health Record for our system that spans all physician, OP and IP services. Plus acquiring any other critical companion business operations software.
3. Creating and implementing a New Master Plan that will have to reach out several years into the future to assure we have the appropriate clinical space for physicians, hospital activities and critical parking for all.
4. Developing and implementing a comprehensive Care Coordination Plan coupled with Patient Navigation for all patients that touch our healthcare system.
5. In the “Just Do It” categories: Continue to show measureable annual improvements in Quality, and Patient Satisfaction. Also continue to improve our financial performance that will also result in upgrades to our Investment Ratings. And continue to improve an ever strengthening Compliance Program.

6. Begin to, over this entire year, and continuing in future years, to develop solid connections and relationships with our communities we serve.

All of these 6 critical strategies for our long term success are being actively worked on each week.

Other areas of critical follow up by the CEO and his team are:

A. We are researching “outmigration” from several angles and are planning on bringing a fresh report on outmigration within the next 3 months to the Board.

B. We are pursuing a legal review of our compensation processes for our Physician service line, and we are hoping to bring back a written legal review of this matter by the end of March 2016.

Important Objective – getting to know the TFHD team and the Community.

I continue to meet with many individuals in our community in one on one and in large group settings as we work to listen to their views of our strengths and weaknesses and to share that we are committed to the highest ethics, quality and compassion in all we do and to hear gaps or opportunities to improve in serving the healthcare needs of our community. We are also meeting with other healthcare providers/healthcare systems to contemplate areas of collaboration as well.

We are also beginning to share in group settings what is going on in America, CA and in our local region regarding healthcare, and the tremendous speed of change that is happening via market forces, that most residents in the US aren't fully aware of.

There is a real “value proposition” here at TFHS relative to healthcare as compared to healthcare costs at hospitals in other local or distant locations, that's critical to be understood.

Separately when we study the various elements of a local “Cost of Living Index” healthcare is the second lowest cost element tracked and reported in this region. On a relative basis, housing, fuel, utilities, and groceries, all noted as separate cost of living indexes are much higher than healthcare as a cost of living index in this region. In healthcare we still have to pay the same for our supplies and equipment as other more expensive and less costly areas do, and we pay more for construction due to our weather conditions than most other regions, and our personnel costs are equally expensive as many other regions as well.

Strategic Initiative 5.3:

Explore potential opportunities to collaborate with local medical providers to improve healthcare delivery.

We have met with ECG Consulting, with Kaufman Hall and with Walter Kopp to understand efficient future strategies for TFHS in critical service lines and in our physician service line so that we are properly prepared as a system to fully deal with market force and regulatory force changes.

Having worked in many large for profit and not for profit healthcare system, I am focused on managing TFHS in the most efficient manner where we as 2 hospital system do not have to pay Millions per year in Corporate Overhead Allocation fees as occurs in all not for profit and for profit healthcare systems to the east and the west of us. So we don't have to "hurdle" these Corporate Overhead Allocation fees to break even as a free-standing healthcare system. On the flip side we don't have all of the deep areas of expertise these larger healthcare system have to be responsive to many of the deep complex areas of healthcare.

From time to time, we do need specialized expertise, for example now in physician services and for us this is a variable cost from a consulting perspective vs. the large fixed costs of being in a large healthcare system. So we are focused on a "best of both worlds" low cost strategy to make sure we have the expertise needed to start and complete any project.

All three of these just named healthcare consulting firms are used as a thoughtful variable cost, not an annual fixed cost, just for the duration needed, and they are critical for us to timely complete service line improvements and to transform physician services into a more aligned system of care.

Areas of Change or Needed Improvement:

It is my goal to be really responsive to our community and to requests from our Board as well.

To facilitate great responsiveness and efficiency within the leadership team at TFHS to information requests from our Board, I would like to respectfully suggest that we create an "Information Request Sheet" that is available to each Board member to complete when they have a request for information or wish to receive important information on a topic of interest that applies to TFHS; all such forms should be sent to my office by the interested Board member, we will identify if the information is readily available or not, and an estimate of internal or external resources and a time frame to complete the request will be noted. We will then create a log all such Board requests so that all Board members can see the requests of their colleagues, to avoid duplication of requests and then the CEO will respectfully ask the Board for approval to commence action on responses to items before the team commences work when the information isn't readily available which will consume resources either internally or externally over a period of time. To close the loop the CEO or his designee will then provide the request and the response by the stated time to all Board members on all approved items by the Board to pursue.

The above simple process can really assist when for example two different leadership areas of my organization received an identical request for information from a board member in just one week. We do desire to be responsive and efficient and to share findings will all board members.

Separately, new federal legislation is being proposed in Washington for "critical access hospitals" all across the US. This federal action is in response to growing evidence that more than 680 rural hospitals in America are at risk to close. There is a growing realization that small rural hospitals do not have the financial capacity to "cost shift" losses they experience in critical programs they offer on Medicare or Medicaid patients to Commercial healthcare insurers.

We'll have to watch how this progresses. This region is fortunate to have a very strong rural healthcare system which is atypical in many areas of the US and CA.