



Board Informational Report

By: Harry Weis
CEO

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Our overall healthcare patient volumes in most sectors seems to be increasing now vs the past few months. Our physician/provider office visits are growing at a strong pace year over year which is a major focus of our health system as we focus on same day, this week or very soon provider access for our residents in the region.

We are thrilled to have Dr. Racca here, a new GI physician who joined us more than a week ago. She will be working with Dr. Jerry Schaffer.

In just a few weeks Dr. Wainstein a new full time Urologist will be joining us in early July.

Additionally, as we've shared earlier we have more physicians arriving between now and December than we've ever had in our health system history.

Our focus is on keeping our residents healthy and out of the hospital to the greatest degree possible and its important to note in both of our primary service areas of the Truckee region and in the Incline Village region, we have some of the lowest "total IP discharges" per 1000 population anywhere in the country. Both of these primary service areas are averaging 40 discharges per 1000 population. The CA average is 82 discharges per 1000 population and the NV average is 94 discharges per 1000 population. Our areas are materially below other nearby regions in our extended services areas.

This very, very low level of IP discharges per 1000 population saves the payors of healthcare which include Medicare, Medicaid, health insurance companies and patients a combined 20 M plus per year vs. the CA average number of IP discharges per year. So, this is a small part of our value proposition in this multi-factorial topic of promoting wellness in our region.

We've observed our IP Med/Surgical census is down about 10% this year vs. last year as well.

When we do provide a service, we do need a fair payment as we aren't paid a per member or per patient per month amount of monies regardless of the amount of services a patient uses. Large health systems like Kaiser, and many more receive monthly capitated revenues regardless of the amount of IP services they provide.

Our health system is clearly focusing on more and more OP services for our patients which are of high quality and of lower cost than IP services.

As a result of our EPIC electronic health record conversion and 2 related business software conversions as well, as we've stated earlier, these are the most challenging projects ever taken on in any health system. We are conducting audits, reviews, education sessions and working with Mercy EPIC to fix all system issues for optimal performance in this complex new health system. We welcome all input from any patients both positive and negative as we rapidly work to perfect this important resource for all of our residents, even those just visiting our area.

We've always tracked and followed up on all Quality, and Patient Satisfaction patient feedback. In addition, we have similarly tracked and followed up on all patient financial concerns regarding their healthcare services.

They existed before but especially since 2014 we've seen a rapid explosion of "high deductible" health insurance plans being sold all across America. These high deductible health insurance plans coupled with the state and federal policy requirements all hospitals are required to operate under is one of the top 3 healthcare topics of concerns by residents all across America.

Since 1987, we've seen all across America, a rapid growth of "free-standing" healthcare providers such as imaging centers, surgery centers and lab centers. The total annual expense of healthcare has increased greatly year over year since 1987 where just 11 years later the total annual healthcare expenses across America reached 1 trillion per year, then just 8 years later in 2006, they reached 2 trillion per year and now its forecasted by 2019 that the total healthcare expenses will be 4 trillion and by 2023 they are estimated to reach 5 trillion per year.

Excess capacity is one of the great annual inflation increase variables in healthcare. Excess capacity doesn't lower the cost of healthcare like excess capacity lowers the cost of goods sold in all other industries.

The greatest fear of these "free standing healthcare providers" is to awaken tomorrow and learn that the regulations have changed and that they are required to be open 24/7 and to take all patients. These "free standing healthcare providers" want nothing to do with these adult level responsibilities, and so if this regulatory change happened, you'd immediately see permanently closed signs on nearly all the doors of these providers. We as consumers in America should all be aware of this and should have hopefully already reach this individual conclusion as well.

They are not interested in competing with hospitals on a flat playing field basis where they would have to be open 24/7 and would have to take "all comers or all patients!"

It's important that every resident in our region and in America understand the business principles of these "free standing healthcare providers" and that everyone also understands they have no concern if local 24/7 hospitals were to disappear in their communities. They are only concerned that the patients they see meet their financial requirements and what their bottom line is.

If any person is ill or injured and goes and knocks on the doors of these free-standing healthcare providers at 7 PM, or at 5 AM or all day on weekend days, no matter how hard a person beats on the door or yells, that business isn't interested in the illness or injury concerns of that person.

Lowering excess capacity in healthcare within each region to the degree it exists, has to be a major new policy direction for states and the US. Only as excess capacity decreases does the cost per unit of service in healthcare entities drop.

I attended 2 important days recently with the governance committee of small and rural hospitals. There are existing and several new entrants into the healthcare picture that are viewed as "disrupters" to the healthcare system. Many of these new topics we read about in healthcare, one for example which is a retail pharmacy company merging with a health insurance company or if Amazon is contemplating doing something with Berkshire Hathaway regarding healthcare; the areas of interest are not in serving the uninsured or the underinsured or the Medicaid populations that exist in large numbers in America. Presently we have over 100 M underinsured residents in American, over 32 M uninsured residents in America. Its estimated there are between 70 and 80 M Medicaid residents in America. These populations are not of interest by most "new disrupters" in the healthcare industry.

America needs to be a country of innovation where many innovation programs are underway in different regions of the country regarding healthcare. This isn't happening correctly in America.

What I'm seeing in general is a continual flow of new entrants or niche providers into the healthcare picture who are looking to only serve a small segment of the healthcare needs of any region; that small population that can afford to pay the financial requirements of these new entrants into healthcare.

These new entrants into healthcare again create new levels of excess capacity which will boost the annual level of inflation in healthcare even more than in the past, as those individuals and organizations still really don't know how healthcare works from an economics perspective.

We had a great community fundraiser, "The Best of Tahoe Chefs" recently which was sold out. We really thank our communities for their strong support cancer and other healthcare services here in this region. As I reflected during this event on the important work that every team member does here, I asked myself how can I or anyone out there really put a value on the amazing dedication and skill of this team as it serves this region?

We had a great community get acquainted event over in Incline Village also recently where Dr. Kim was introduced to that community. Our provider office visits are really growing strongly there and there is real excitement there with the strong full-time team of providers we have there.

We have future community events in the near future in Incline Village and here in the Truckee area as well.

We continue to work on many state or federal level legislative matters both in NV and in CA.

Keeping you Informed!

Harry