



Board Informational Report

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CEO

DATE: 8/16/18

The Health System's summer patient volumes continue to be strong and we are grateful that patients are choosing us for their healthcare needs as they do have choices across this region.

Our financial performance is strong and well above budget for the month of July. Please see the complete financial report included in the board packet information.

Our provider office visits continue to grow year over year. We were just below 68,000 visits as fiscal year 2018 ended. This was a 15% increase over the previous fiscal year. Based on the first few weeks of fiscal year 2019, the Health System is forecasting provider office visits to be in the 74,000 to 80,000 range. As a reference point, in 2015, we had 47,000 provider office visits.

We are working to find office space for several new physician providers who are joining us this fiscal year in the specialties of Family Practice, Neurology, Orthopedics and mental health.

Administration has moved to Spring Lane from Pine Avenue on our campus. We hope to take down our old Administration building within two months to create important additional patient parking.

We were pleased to collaborate with Barton Health in South Lake Tahoe and the Tahoe Fund a few weeks ago in support of a healthy Lake Tahoe region from the perspectives of ever improving the trails, quality of the forests and water quality which are important topics to all of us. The CEO of Barton Health, our Board President, Dale Chamblin, and I were able to sit at the same table and visit with several federal Senators and Representatives at this event. We were very happy Ted Owens and Judy Newland were able to attend as well.

Our senior management team has been focused on continuing to develop our strategic plan which looks forward to 2021 and to begin to share it with key internal stakeholders. We remain on target for a late September strategic plan presentation.

We received an unannounced but expected General Acute Care Hospital Relicensing Survey from California Department of Public Health last week. This particular survey happens every three years. Our team performed well and with these types of surveys we will always have opportunities to improve.

We are now approximately 10 months post go live on our new EPIC electronic health record system and on the installation of several related important business software applications. We have performed some very in depth reviews with Mercy EPIC our partner in this post go live

journey. As a result of all of these discussions, it is our team's conclusion we need to activate and develop the Physician Billing module of EPIC, a module we have not activated to date.

All of the research and team conclusions reached well in advance of our 11/1/2017 "go live" concluded we should try to have a single billing module accomplish all hospital and physician billing activities regardless of the work locations of physician work. An important part of this pre-go live conclusion is the fact that all hospital based inpatient and outpatient physician activities that our health system bills for, have to be placed on the patient's "hospital" bill when the patient is a Medicare patient. This is known as method 2 billing for physician services on Medicare patients.

The level of complexity and customization that has been required by Mercy EPIC out of St. Louis has been enormous. There are version updates every few months from EPIC and the variety of customization that was built for our health system is not guaranteed to optimally perform after each EPIC version update. After all of this input, we have concluded we have to have a "vanilla" or more "native" EPIC software build in the hospital and physician topic areas.

The Health System will activate the Physician Billing module of EPIC and have this module talk to the Hospital Billing module as needed for physician services. The time frame for completing this important change is calendar year 2019. We have included the resources needed for this important change in our fiscal year 2019 budget that was approved a week ago.

We believe our ability to extract critical management reports on physician services will be improved and the module will be more efficient and accurate for all providers who use it. It will also appear more standard to providers who have learned to use EPIC in other health systems.

We continue to be very active at the state and federal level on healthcare regulatory or legislative changes. A highlight of our August Board of Director meeting will be a presentation from California Hospital Association on future possible changes, challenges or opportunities that lie ahead either at the state or federal level.

Keeping you informed.

Harry