



## Board Informational Report

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CEO

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We have been busier on an IP basis this summer to date vs. the prior year, though it's important to note that roughly 73% of our budgeted Revenues come from OP activities. This comment is true for both our Truckee and our Incline Village campuses.

It is great to see the broader region enjoy a higher resident and visitor population this summer as well.

We are actively searching for a very experienced Executive Director of Physician Services to really assist in our journey of every improving and supporting physician services here in our system and across this region.

We have begun our early review of possible Rural Health Clinics as a business backdrop for some physician services here and at Incline Village both to honor our commitment to our physician teams and to deal with the expanding Medicaid or MediCal business that is occurring in our region, across CA and across the US. This business model is found in nearly all rural towns in America so to have none in Incline Village or Truckee is very unusual. It is the backbone of sustainable physician care in nearly all rural towns in America. Our goal is to rule in or out this clinic option during this calendar year.

We are active in our Master Planning critical strategy to ensure we have the right location, space and future space for individual physician practices, patient parking and other hospital programs both for the present and for the future. We hope to reach some major conclusions on this segment by the end of this calendar year. We have many complex variables that are overdue for consideration.

We are also commencing some benchmarking of our operations to other CA healthcare facilities to examine opportunities for further operational improvements. These efforts will continue during FY 17.

We have started a monthly communication to improve awareness and to facilitate a dialog to all of our medical staff on a long list of operational and strategic improvements that we need to complete over roughly the next 24 months. These communications are intended to honor our commitment to transparent communication with our medical staff in this region. We have been in a reactive mode as we seek to bring our aligned healthcare system principles to a more current state with the rest of the forward looking health systems in America.

Again, we are the fastest 4 to 8 year change era in healthcare vs. the last 100 years, so ideas that worked 3 years ago, 6 years ago or 20 years ago, may be very obsolete today.

We are continuing our journey of connecting better with all residents in our region each month via multiple types of communications. We also have upcoming community Town Hall meetings to talk about “Fact and Fiction Healthcare 101” sessions. Watch for the times and dates of these public meetings.

We really enjoyed a community get together with our Foundation Board members and their significant others at Incline Village this past month as together we focus on honoring the residents of that region with better facilities and care in the future.

We are deeply committed to improving the access, care and efficiency of all that we do every year! Every commendation or recognition that we receive as we seek to improve all that we do is “simply a thank you back to all residents in our region for the privilege of serving you!” “All that we do is for you!”

We appreciate hearing feedback on our operations as this is highly valuable to our long term future. We also always seek out both sides of any issue or story to make sure we clearly understand the issue and what the real facts of the matter are.

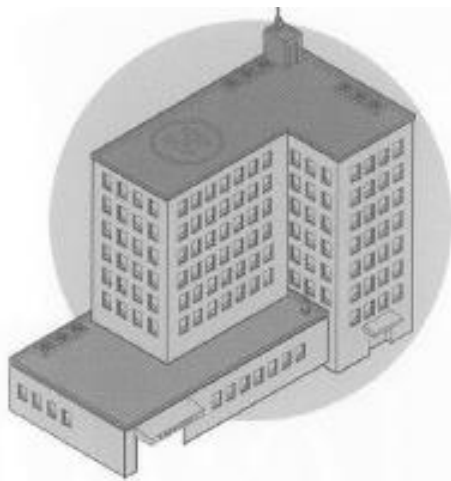
We are targeting the start of our Patient Navigation Program, a critical strategy; first in one service line by the end of September and then it’s my hope that within 3 to 4 months we can take it hospital wide.

You will be hearing a lot more soon from our CIO on our journey to have a leading edge electronic health record across our system, which is another critical strategy for our system.

As we are entering a peak political season, we respectfully and humbly ask that anyone who is interested in the “real” facts of healthcare come talk to the source on healthcare vs. speaking to people “who know of healthcare” but really “don’t know healthcare.” This path is critical to honor all residents in our region for the true path to sustainable healthcare as there aren’t multiple paths to sustainable healthcare!

We also valued the time spent with our employees and their families at our annual employee picnic on Friday August 12.

We also continue with many other areas of improvement and active engagement at the state or federal level on legislation.



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## How Hospitals Have Transformed

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**1946**

The Hill-Burton Act (The Hospital Survey and Construction Act) is passed to fund the construction of hospitals. The statute also requires hospitals to provide a "reasonable volume" of charitable care and prohibits discrimination on the basis of race, religion, or national origin, but allows for "separate but equal" facilities. <sup>1</sup>

**1954**

The IRS rules that employer-sponsored health insurance is not considered taxable income. This ruling establishes the employer as the primary purchaser of health insurance in the United States. <sup>2</sup>



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## How Hospitals Have Transformed

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**1965**

President Lyndon Johnson signs two new programs into law: Medicare for hospital, nursing and physician care for the elderly, and Medicaid to help states provide health care coverage for poor and disabled people. Neighborhood health centers are also established. Medicare Part A is to pay for hospital care and limited skilled nursing and home health care. Optional Medicare Part B is to help pay for physician care. <sup>3</sup>

**1968**

Harvard and Massachusetts General Hospital develop a preliminary EMR, the Computer Stored Ambulatory Record (COSTAR), implemented in the public domain in 1975 and used at hundreds of sites worldwide. <sup>4</sup>

**1972**

The Anti-Kickback Statute is signed into law as part of the Social Security Amendments. The legislation establishes penalties for paying for referrals or patient volumes; penalties increased from misdemeanor to felony in 1977. <sup>5</sup>



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## How Hospitals Have Transformed

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**1974**

The Health Planning Resources Development Act establishes requirements that state health agencies have processes for approving hospitals' major capital projects. Many states establish Certificate of Need (CON) programs. Federal mandate is repealed in 1987.<sup>6</sup>

**1980**

U.S. hospital occupancy rates hover around 77 percent.<sup>7</sup>

**1981**

The Omnibus Budget Reconciliation Act of 1981 (OBRA 81) enables hospitals that serve a disproportionate share of Medicaid and low-income patients to receive additional payments from states. OBRA 81 also establishes waivers that allow states to mandate managed-care participation for certain Medicaid groups and cover home and community-based long-term care for those at risk of being institutionalized.<sup>8</sup>



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## How Hospitals Have Transformed

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**1983**

Medicare introduces Diagnosis Related Groups (DRGs) as a possible payment system for hospital payment,<sup>9</sup> which establishes fixed reimbursement for hospital inpatient discharges.

**1984**

49 percent of hospitals have an Outpatient Department (OPD); by 1989, that number rises to 81 percent.<sup>10</sup>

**1989**

The Omnibus Budget Reconciliation Act of 1989 (OBRA 89) includes legislation prohibiting physicians from referring to laboratories in which they have an ownership stake. Known as "Stark I" (in honor of former Congressman Fortney "Pete" Stark, D-CA), it is the first of three laws limiting physician self-referrals, which were slated to take effect in January 1992.<sup>11</sup>



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## How Hospitals Have Transformed

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**1996**

The Health Insurance Portability and Accountability Act (HIPAA) restricts the use of pre-existing conditions in determinations of health insurance coverage. HIPAA also creates guidelines and standards for privacy and medical records.<sup>44</sup>

**2002**

The Health Center Growth Initiative is created by President George W. Bush, increasing the quantity of community health centers dedicated to the medically underserved.<sup>45</sup>

**2006**

In July, Massachusetts passes new legislation requiring residents to have coverage. Within two years, the uninsured rate has been cut in half. Vermont also passes new legislation that requires near-universal coverage.<sup>46</sup>



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## How Hospitals Have Transformed

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**2008**

National survey finds that only 17 percent of U.S. physicians have basic or fully functional EHR systems.<sup>47</sup>

**2009**

HITECH Act establishes incentives for the purchase and "meaningful use" of electronic health records.<sup>48</sup>

U.S. hospital occupancy rates at 64 percent.<sup>49</sup>

**2010**

On March 21, the House of Representatives passes the Senate bill, the Patient Protection and Affordable Care Act (A.C.A.). The A.C.A. mandates that employers provide, and individuals carry, health insurance coverage; establishes state level individual markets for health insurance; and creates the Center for Medicare and Medicaid Innovation (CMMI) to test and pilot innovative delivery models.<sup>50</sup>



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## How Hospitals Have Transformed

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**2012**

Hospital mergers more than double to 105 in 2012 from 50 in 2009.<sup>19</sup>

**2014**

Urgent care now worth an estimated \$14.5 billion business and Urgent Care Association of America estimates 7,100 urgent care centers exist in the U.S.<sup>20</sup>

Hospital bed occupancy rate dips to 61 percent.<sup>21</sup>

64 percent of newly hired physicians are employed by hospitals and health systems, up from 11 percent in 2004.<sup>22</sup>

**2015**

On January 26, HHS announces that 30 percent of Medicare payments will be tied to quality or value through alternative payment models like Accountable Care Organizations (ACOs) by the end of 2016 and 50 percent by the end of 2018.<sup>23</sup>