



## Board Informational Report

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President and CEO

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Our health system is reporting one of the lowest year over year estimated overall patient volume increases of roughly 4.5% year to date after ten months. Most prior years were large double-digit year over year increases. The year over year slowing is helpful to see.

Material unreimbursed healthcare expense inflation is harming us and all health systems across the US. We are seeing a repeat of the high inflation levels that happened in the late 1970's and early 1980's.

We are pleased to see that our Incline Village Community Hospital operations are outperforming the prior fiscal year while our other locations are under performing versus the prior year.

After ten months, we are seeing overall expense inflation year over year of 17.1%.

Supply increases especially drug increases are rising 22.9% year over year.

Our health insurance costs have increased 35.2% year over year.

Labor and other benefit expenses have increased 17.3% year over year excluding the health insurance increase noted above.

We only raise our rates/prices no more than 5% in any single year. Our bottom line has declined 55% year to date versus the prior year as a result of very small revenue increases and large expense inflation.

We continue to have about \$18,000,000 of capital expenditures on hold due to the drop in earnings to preserve a proper amount of cash and days of cash on hand at June 30.

Our team is grateful to be operating in the black when most large health systems and many individual health systems are operating in the red.

Again, a CA industry report suggest that one in five hospitals are at high risk for closure in the near term. No one must ever take local healthcare for granted, as there is a growing list of hospitals that are not surviving.

We are seeing several new proposed actions by the State of California, which will elevate the cost of healthcare significantly, even though they have a new program called the Office of Healthcare Affordability.

In recent weeks, our team has completed reaccreditation surveys at the Truckee Surgery Center, Tahoe Forest Hospital and Incline Village Community Hospital.

Further, our team also performed in an excellent manner on our verification visit for Level III Trauma by the American College of Surgeons trauma inspection team.

Last week was National Nurses Week and National Hospital Week. We had daily engagement and thank you events each day of the week to honor the great work our team does 365, 24/7. We are very, very proud of our team!

Every Medicaid and Medi-Cal enrollee will have to reaffirm they continue to qualify for the program this calendar year. Even seniors with Medicare and Medicaid will need to reaffirm they are still eligible for Medicaid. Hospitals are anticipating a surge in uninsured patients across the US due to this federal requirement.

Starting January 1, 2024, major Medi-Cal/Medicaid managed care changes are coming to Northern California. Partnership Health Plan has been approved by the state to replace the prior MediCal/Medicaid managed care plans that served our region.

Our team is busy at work on preparing the budget for Fiscal Year 2024 and a new 10-year Balance Sheet and Income Statement forecast. This information will be presented to the board in June.

Safety and reliability of hospital operations continue to face increased regulatory performance where we must be able to safely deliver longer duration care (more days of care) when all public utilities, including water and power, are not available. These increased stand-alone highly reliable safety requirements are costing us several million dollars to complete. Patient safety and reliability requirements are elevating.

Our team remains very active in California and Nevada and on US laws and regulations to keep healthcare sustainable, cost effective and nimble so that great healthcare can always exist in this region.