



Board Informational Report

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President and CEO

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After two months in the new fiscal year, we are seeing at least a 13% overall volume increase across the Health System. Incline Village area growth is nearly double the overall health system growth based on the first 2 months.

Our provider clinic visits were 117,000 in Fiscal Year 2022, 129,000 in Fiscal Year 2023 and they are annualizing out at 139,000 based on the first two months of FY 24.

After the first two months, we are seeing revenue and volume growth at a higher level than year over year expense growth. Again, we never put in a price increase greater than 5% even though we have experienced much higher expense growth year over year for several years.

As we focus on our Strategic Plan and the improved outcomes it suggests to be sustainable and continue to improve our quality and how we serve our patients, we needed to engage with Vizient Consulting. They are here to help us with improved management systems, guiding us first in a narrow focus area and then branching out across the health system to make sure we remain nimble, sustainable and capable of absorbing the massive changes that lie ahead for healthcare in a successful way.

Choosing to keep the status quo for any health system is a dangerous strategy. Nearly all health systems across California and the United States are faced with increased regulatory forces and high expense inflation.

As a licensed and accredited health system in California, we are required to respond by January 1, 2024, as to how we will meet structural strengthening of our applicable buildings, and how we will “become a true independent city as to power, water, and sewage” should electric, natural gas, potable water and public sewer services be disrupted, for the 2030 seismic related regulatory deadline. The state is very prescriptive as to the type of power they will allow us to operate on when public electricity or natural gas sources are disrupted.

The lack of sufficient parking continues to be our number one dissatisfier for our patients and our team members as we are all focused on improving timely access to care for all patients.

We have been holding training sessions on the Management Systems approach with Managers and Directors as well as our Board. In addition we are holding Town Halls in October to provide updates on Management Systems and many other topics of interest as together we plan our future.

Healthcare appears to be singled out, along with at least one other industry in California for a major minimum wage increase versus all other industries. These are unfunded expense increase mandates.

Artificial Intelligence (AI) is already involved in healthcare and we expect that its contributions and involvement in nearly all aspects of healthcare will grow significantly for the indefinite future.

Nearly 200 rural hospitals have closed in the US from 2005 to June of 2023. Becker's Hospital CFO Report revealed on May 22, 2023 that 646 rural hospitals across the US or about 30% of all rural hospitals are at risk for closing. The highest closure risk state in the US has 81 hospitals at risk for closing while California has 17 at risk hospitals. Only four states in the US have zero hospitals noted as at risk for closing.

For these reasons and many more, we are very grateful for our positive team performance over the last eight years and it causes us to proactively focus even more on how to be strongly sustainable for the long-term future.