TAHOE FOREST HOSPITAL DISTRICT

Board Informational Report

By: Harry Weis
CEO

DATE: 6/17/16

Our team has been energetically working on many operational and strategic improvements for the System during the last month.

We are actively searching for a highly skilled Executive Director of Physician Services, to assure that our most critical service lines have the strategic, administrative and operational support needed. Our Executive in this area left a few months ago and we have a great Interim Executive Director Tom Wright assisting us in the interim. This leadership position is extremely critical to healthcare systems today and for the rapidly changing future of healthcare.

We have named Judy Newland as Chief Operating Officer for the District, who has many years of experience in our Health System. She has also been serving as the Administrator of our Incline Village Community Hospital (IVCH), and as our CNO in the past. She will continue to serve as the Administrator of IVCH and we have begun the process to find and name a Chief Nursing Officer for the System. We will really work to optimize the span of control across departments to assure that we can maintain and improve Quality, Patient Satisfaction and increase entrepreneurial results.

We were very happy to honor our Volunteers this month with a lunch for their many hours of dedicated hard work in nearly all departments of our hospitals. We thank each of our Volunteers so much for the positive impact they make on our patients and on our system of care!

We really enjoy getting out in the public and sharing a bit about Tahoe Forest Health System and receiving comments back. I also had the privilege of speaking at Good Morning Truckee this month.

We are increasing our ways of connecting with all residents in our community in the weeks and months to come and this will continue indefinitely.

We have also released a new program to reach out to our communities 24/7 on www.TFHD.com and the program is titled Mountain Health Today. It also airs at select times on TTCTV. We hope to produce at least 5 more programs in the next several months.

We have been actively working with our Physician Task Force on the issues around starting up "Newco", a critical management services organization, which will be brought to the Board on June 23 for your consideration and approval. This critical entity will serve as the hub for all physician activities within the healthcare system for physicians who serve in IP or OP roles. It will allow us to incrementally build Newco over time while improving skills at the staff and

supervisory levels of those who serve our physicians. This will allow us to be more proactive in our efforts to improve community wellness thereby decreasing non-emergency visits to our Emergency Department or Inpatient Services. We believe having this new hub entity for physician services will greatly increase access to providers, improve quality and financial efficiency over time.

Our team has also been very busy working on the Budget for FY 17 over the past few months. We have also proposed thoughtful revisions to a critical Board Fiscal policy, raising the bar just a little so that we consistently pursue rating agency ratings of at least A- instead of the old goal of BBB- to provide a much higher assurance that TFHS is a sustainable system through the difficult years which lie ahead. We are also recommending development of a policy that will keep the District sustainable while focusing on Finances, Quality, and Patient Satisfaction.

Our budget has carefully considered the resources needed for our 6 Critical Strategies that we regularly speak of as well.

Our Capital improvement needs remain strong and very large over the next several years, so this is one of 10 or more reasons to have the improved Board Fiscal policy just noted. We have critical capital requests just over the next 2 years that total more than 40 M dollars.

We look forward to connecting with our Community in the Fall to have an Open House with our District to share all of the results of the Measure C Bond issue. So please watch for announcements on this!

Other Projects:

We continue to work on our research on Out-migration. We also have substantial In-migration that we don't speak about often enough. We hope to have an approximate date by the actual Board meeting as to when we can bring forward critical information on this topic.

Board and Community Education Information:

Last month I shared a rather large list of educational topics and information and created a record of comments I've received along with thoughtful, objective source information for responses to these various comments so that together we can begin a more positive journey of what is true in healthcare vs what is perception, myth, or anecdote. Responding to employee and public comments was a key driver last month to content shared in my CEO report.

We will continue this journey of what is really true about healthcare for as long as it takes. Again healthcare is a very expensive industry, the cost path is rapidly growing and there is no greater champion out there, than I, for "sustainable" high quality healthcare that is as cost efficient as possible.

Last month we took a "macro" view, not using my words or my hypothesis or anecdotes but using real independent data to show how TFHS looks vs. the rest of CA and vs some local area hospitals in CA and in Reno.

We should review that our Cost of Living index (COLI) for Truckee is 1.57 compared to a COLI for all of CA that is 1.36 and for Sacramento which is 1.17 and for Reno which is 1.1. This

COLI must be acknowledged for sustainable businesses where they are healthcare or in any other industry to be sustainable in this local region. These indices come from www.areavibes.com.

Further, if you look at www.areavibes.com for Truckee, "healthcare" is the second lowest index noted. Groceries and Fuel are noted as more expensive than healthcare with Housing being the most expensive index, really driving upwards our local COLI index to 1.57.

It is important to share that construction costs are much more expensive for hospitals in this region than across CA in total or in the Reno area. Also the wear and tear, maintenance expenses are much higher here per year vs Reno and many other areas of the State of CA.

Only a portion, about half of our Depreciation, Interest Expense, and Principle payments on debt are covered by the Measure C bond issue, which we very much respect relative to the hard earned dollars that assist us in this issue.

Also to review on a 600K assessed value home, we receive approximately 70 dollars per year in general property tax support per year and separately we receive about 168 dollars per year for our Measure C bond issue and this amount will decline over the next 24 years as we have shared a 15.8 M savings with our district property tax payers.

With the above COLI information, using objective sources, not my words, which are from the Office of Statewide Health Planning and Development, Tahoe Forest Hospital is 49% below the statewide average in IP Revenue per Discharge right now when our comparable state data is more than a year old and the state wide data is increasing 4 to 7% per year. Further Tahoe Forest Hospital is 64% below the statewide average on OP Revenue per Visit as well using the same more than a year old comparison. Again this is done in a COLI zone that is 21 percentage points higher than the State of CA and 47 percentage points higher than Reno.

Last month I noted that we were taking a "Macro" view. This month we are taking a "Micro" view and so I've attached a sheet of our top 25 individual hospital prices. These top 25 individual hospital prices cover the Emergency Department, Laboratory, Radiology, and Room Rates. The Macro view is critically important because this is the way all hospitals bill for patient care, which is at the end of the IP discharge or at the end of OP visit, or OP surgery. Hospitals have more than 20K individual charges so it's very relevant to see how they commonly add up per visit or per discharge.

We have an attachment to this memo which shows we are significantly lower than our comparator local hospitals on the top 25 individual retail prices again in ED, Lab, Radiology and in Room rates and we are only able to see data on our comparator hospitals which is possibly around 2 years old and we are sharing our current prices so this understates just how much lower we really are vs these comparator hospitals.

We also have an attachment shared last month on a Macro basis which shows deep discounts in our retail charges per IP discharge or per OP visit vs the State and other local hospitals.

Then we have a new Attachment which shows how just the labor portion only of a healthcare business grows if its open 5 days a week, 6 days a week or 24/7. 24/7 hospitals have baseline labor costs which are at least 318% higher than a 5 day a week free standing business. 24/7

hospitals have just labor costs which are at least 309% higher than a free standing business which is open 6 days a week. Again, 24/7 hospital costs are further aggravated by the obligation to provide service regardless of the ability to pay.

Again, high hospital retail prices across the 50 states is not a root cause issue but a symptom of a serious problem somewhere else. The root causes of high retail hospital prices are:

1. The obligation to provide service regardless of the ability to pay, coupled with 24/7 operational costs.
2. The fact that we have 32 M uninsured individuals in America.
3. The fact that we have per my estimate 100 M underinsured individuals in America.

TAHOE FOREST HOSPITAL DISTRICT
CHARGE COMPARISON
HOSPITAL TO HOSPITAL WITHOUT ANY OUTPATIENT LOWER TIERED PRICING

		Note Reference	CPT Code	Current TFHD	5% Proposed Rate Increase Effective 8/1/16 TFHD	Percentile Ranking	Inclusive of TFHD Average	Inclusive of TFHD Median	CALIFORNIA: Barton Memorial	CALIFORNIA: Sutter Auburn Faith	CALIFORNIA: Marshall Medical	CALIFORNIA: Dignity Sierra Nevada	NEVADA: Renown	NEVADA: Prime St. Mary's Regional	6 Hospital Average	6 Hospital Median	6 Hospital Average % Var.	6 Hospital Median % Var.
Emergency Room	Visit - Level 1	(A)	99281	$ 334	$ 351	33%	$ 445	$ 370	$ 390	$ 637	$ 706	$ 390	$ 323	$ 321	$ 461	$ 390	-23.9%	-10.0%
	Visit - Level 2	(A) (B)	99282	$ 567	$ 595	0%	$ 785	$ 685	$ 652	$ 983	$ 1,119	$ 775	$ 717	$ 654	$ 817	$ 746	-27.1%	-20.2%
	Visit - Level 3	(A) (B)	99283	$ 866	$ 909	17%	$ 1,250	$ 1,035	$ 957	$ 1,636	$ 1,985	$ 1,259	$ 1,114	$ 889	$ 1,307	$ 1,187	-30.4%	-23.4%
	Visit - Level 4	(A) (B)	99284	$ 1,399	$ 1,469	17%	$ 2,082	$ 2,065	$ 2,344	$ 2,505	$ 2,785	$ 2,517	$ 1,785	$ 1,166	$ 2,184	$ 2,425	-32.7%	-39.4%
	Visit - Level 5	(A)	99285	$ 2,264	$ 2,377	17%	$ 2,989	$ 2,878	$ 3,380	$ 3,002	$ 3,900	$ 3,870	$ 2,755	$ 1,636	$ 3,091	$ 3,191	-23.1%	-25.5%
Laboratory	Basic Metabolic Panel	(B)	80048	$ 97	$ 102	17%	$ 244	$ 192	$ 284	$ 182	$ 435	$ 62	$ 203	$ 439	$ 267	$ 243	-61.9%	-58.1%
	Blood Gas Analysis, including O_2 saturation	(B)	82805	$ 208	$ 218	33%	$ 284	$ 218	N/A	$ 464	$ 298	$ 157	N/A	N/A	$ 306	$ 298	-28.7%	-26.7%
	Complete Blood Count, automated	(B)	85027	$ 69	$ 72	17%	$ 150	$ 123	$ 193	$ 167	$ 332	$ 39	$ 102	$ 144	$ 163	$ 156	-55.5%	-53.5%
	Complete Blood Count, with differential WBC, automated	(B)	85025	$ 88	$ 92	17%	$ 165	$ 134	$ 252	$ 141	$ 286	$ 41	$ 127	$ 213	$ 177	$ 177	-47.7%	-47.8%
	Comprehensive Metabolic Panel	(B)	80053	$ 120	$ 126	17%	$ 285	$ 226	$ 268	$ 230	$ 652	$ 64	$ 221	$ 435	$ 312	$ 249	-59.6%	-49.4%
	Cratine Kinase (CK), (CPK), Total	(B)	82550	$ 80	$ 84	17%	$ 156	$ 118	$ 212	$ 191	$ 328	$ 45	$ 131	$ 104	$ 169	$ 161	-50.2%	-47.8%
	Lipid Panel	(B)	80061	$ 151	$ 159	33%	$ 274	$ 185	$ 212	$ 487	$ 616	$ 83	$ 139	$ 223	$ 293	$ 218	-45.9%	-27.1%
	Partial Thromboplastin Time	(B)	85730	$ 74	$ 78	17%	$ 163	$ 161	$ 197	$ 175	$ 252	$ 62	$ 147	$ 234	$ 178	$ 186	-56.3%	-58.2%
	Prothrombin Time	(B)	85610	$ 49	$ 51	17%	$ 114	$ 83	$ 103	$ 117	$ 244	$ 47	$ 62	$ 173	$ 125	$ 110	-58.7%	-53.3%
	Thyroid Stimulating Hormone (TSH)	(B)	84443	$ 190	$ 200	33%	$ 237	$ 207	$ 214	$ 458	$ 269	$ 99	$ 193	$ 224	$ 243	$ 219	-17.9%	-8.9%
	Troponin, Quantitative	(B)	84484	$ 174	$ 183	17%	$ 275	$ 241	$ 316	$ 214	$ 501	$ 76	$ 268	$ 367	$ 290	$ 292	-37.1%	-37.5%
	Urinalysis, without microscopy	(B)	81002-81003	$ 30	$ 32	0%	$ 67	$ 40	$ 99	$ 43	$ 155	$ 36	$ 74	$ 32	$ 73	$ 59	-56.9%	-46.2%
	Urinalysis, with microscopy	(B)	81000-81001	$ 37	$ 39	20%	$ 79	$ 46	N/A	$ 95	$ 162	$ 34	$ 101	$ 46	$ 88	$ 95	-55.7%	-59.1%
Diagnostic Imaging	Xray - Chest two views	(B)	71020	$ 303	$ 318	17%	$ 458	$ 403	$ 501	$ 103	$ 1,023	$ 452	$ 440	$ 366	$ 481	$ 446	-33.8%	-28.7%
	Xray - Lower Back - four views	(B)	72110	$ 551	$ 579	17%	$ 833	$ 799	$ 875	$ 198	$ 1,409	$ 1,023	$ 722	$ 1,023	$ 875	$ 949	-33.9%	-39.0%
	MRI - Head or Brain without contrast followed by contrast	(B)	70553	$ 3,674	$ 3,858	17%	$ 4,907	$ 4,660	$ 5,548	$ 5,466	$ 6,859	$ 3,301	$ 4,476	$ 4,844	$ 5,082	$ 5,155	-24.1%	-25.2%
	Mammography - Screening, Bilateral	(B)	77057	$ 276	$ 290	50%	$ 321	$ 279	$ 438	$ 175	$ 437	$ 268	N/A	N/A	$ 329	$ 352	-12.0%	-17.8%
	US - OB, 14 weeks or more, transabdominal	(B)	76805	$ 695	$ 730	33%	$ 881	$ 873	$ 1,017	$ 649	$ 1,064	$ 661	$ 1,022	$ 1,022	$ 906	$ 1,019	-19.4%	-28.4%
	US - Abdomen complete	(B)	76700	$ 695	$ 730	0%	$ 1,276	$ 1,192	$ 1,540	$ 1,208	$ 1,680	$ 1,525	$ 1,175	$ 1,076	$ 1,367	$ 1,366	-46.6%	-46.6%
	CT Scan - Pelvis, with contrast	(B)	72193	$ 2,122	$ 2,228	17%	$ 3,224	$ 2,732	$ 3,680	$ 4,437	$ 5,041	$ 1,719	$ 2,865	$ 2,598	$ 3,390	$ 3,273	-34.3%	-31.9%
	CT Scan - Head or Brain without contrast	(B)	70450	$ 1,394	$ 1,464	17%	$ 2,434	$ 2,390	$ 2,851	$ 2,899	$ 3,854	$ 1,189	$ 2,304	$ 2,476	$ 2,595	$ 2,664	-43.6%	-45.1%
	CT Scan - Abdomen with contrast	(B)	74160	$ 2,122	$ 2,228	17%	$ 3,482	$ 2,879	$ 4,086	$ 5,079	$ 5,508	$ 1,719	$ 3,023	$ 2,734	$ 3,691	$ 3,554	-39.6%	-37.3%
Room Rates	Intensive Care Unit			$ 6,498	$ 6,823	40%	$ 7,642	$ 6,823	$ 8,352	$ 8,976	$ 9,184	$ 6,329	N/A	$ 6,188	$ 7,806	$ 8,352	-12.6%	-18.3%
	Medical/Surgical Unit - Private			$ 2,853	$ 2,996	20%	$ 3,496	$ 3,507	$ 3,628	$ 3,844	$ 4,200	$ 2,804	N/A	$ 3,507	$ 3,597	$ 3,628	-16.7%	-17.4%
	Nursery Unit			$ 893	$ 938	0%	$ 1,905	$ 1,323	$ 1,096	N/A	$ 3,570	$ 2,369	N/A	$ 1,550	$ 2,146	$ 1,960	-56.3%	-52.1%
	Skilled Nursing Facility			$ 431	$ 453	0%	$ 1,717	$ 453	N/A	$ 2,981	N/A	N/A	N/A	N/A	$ 2,981	$ 2,981	-84.8%	-84.8%
	Average of all 25 common outpatient procedures noted by (B) above			$ 641	$ 673	0%	$ 1,003	$ 933	$ 1,167	$ 1,132	$ 1,492	$ 690	$ 931	$ 934	$ 1,058	$ 1,033	-36.3%	-34.8%

Note Reference:

(A) Level 1 - low severity - example a toothache with treatment other than a prescription, Plan B Rx.
Level 2 - low to moderate severity - minor illness with no lab or x-ray other than a simple strep screen or UTI, abrasions, small cuts with no suturing
Level 3 - moderate severity - labs, x-rays, medications simple lacerations with sutures, simple asthma that resolves, sprains
Level 4 - moderate to high severity - IV's for hydration, IV medications, splinting of fractures that are straight forward, simple chest pain, asthma that needs repeated breathing treatment or medications
Level 5 - high severity - traumas, transfers, GI bleeds, overdoses, sedation for fracture reductions

(B) Charge is listed in the 25 most common outpatient procedures performed in a hospital per the OSHPD web site listed below under Source.

Charge is lower than TFHD
Charge is higher than TFHD

TFHDs percentile ranking is lower than the 50th
TFHDs percentile ranking is higher than the 50th

Source: California Hospitals - Office of Statewide Health Planning and Development (OSHPD) Healthcare Information Division - Annual Financial Data - Hospital Chargemasters (http://www.oshpd.ca.gov/Chargemaster), charges effective 6/1/2015.
Nevada Hospitals - MedAssets, 2014 data
Charges for Tahoe Forest Hospital District are as of today.

Definitions: Median - is the middle value in a list ordered from smallest to largest.
N/A - Not Applicable or Not Available

Simple Illustration of a 5 and 6 Day Office Hour Comparison to a 24/7 Illustration

Notes: A 5 day a week office hour healthcare operational entity requires at least 1.1 Full Time Equivalent Employees (FTE) to cover the office 52 weeks per year.

A 6 day a week office hour healthcare oprational entity requires at least 1.2 Full Time Equivalent Employees to cover the office 52 weeks per year.

A 24/7 day a week healthcare entity requires at least 4.6 Full Time Equivalent Employees to cover the department 52 weeks per year. The below cost illustration for a 24/7 healthcare entity, a hospital exlcudes the economic impact of the exclusive requirement on hospitals to provide a services regardless of the ability to pay, that other non hospital healthcare entities have no burden to meet!

If we use a simple example of just 1 FTE/shift in three different businesses, one open 5 days a week, one open 6 days a week and a 24/7 hospital we see the following cost different if we assume a person costs 40 dollars per hour including benefits.

	Total Annual Labor Cost	**Percent Difference**	
5 Day a week office hour operation	91,520	Baseline	
6 Day a week office hour operation	99,840	9.1%	
24/7 coveage operation	382,720	318.2%	<<< excludes the loss or cost impact of having to provide a service regardless of the ability to pay!

How Does Tahoe Forest Hospital Compare to Several Other Local Hospitals and the Statewide Average?

Description	CA Statewide Average	Tahoe Forest Hospital	Barton Memorial Hospital	Sierra Nevada Memorial Hospital	Sutter Auburn Faith Hospital	Marshall Medical Center	Sutter Roseville Medical Center	Southern Mono Healthcare	Renown Regional Medical Center	St. Mary's Regional Medical Center	Carson Tahoe Regional Med Ctr
Average IP Gross Revenue Per Discharge	73,875	37,668	61,204	61,011	47,944	97,581	63,275	53,331	54,672	47,541	44,977
Average OP Gross Revenue Per Visit	2,594	923	2,429	1,434	5,146	1,508	6,773	1,427	3,040	5,939	2,202
Average Gross Revenue Per ER Visit	n/a	3,780	6,852	5,236	5,117	9,121	5,982	3,082	7,502	2,872	3,436
Average Gross Revenue Per OP Surgery	n/a	6,833	9,131	10,801	12,434	7,793	11,404	15,433	20,371	23,373	10,642

Note: The CA Statewide average data comes from a 9/15/15 data extract from OSHPD Hospital Annual Disclosure Data Website: http://oshpd.ca.gov/HID/Hospital-Financial.asp#Profile. The Data for Tahoe Forest Hospital IP and OP Gross Revenue per Discharge or Per OP Visit comes from this just mentioned OSHPD source. Other CA or NV hospital data and other Tahoe Forest data comes from a data company in S. CA who can provide information if any person purchases work from their company. This source can be provided if a a person seeks to purchase their own independent research.