



Board Informational Report

By: Harry Weis
President and CEO

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As I have shared in previous months, our health system does not create even one patient visit or any of the large annual patient volume growth we see in our health system. Again, as I have shared in previous months, our annual patient volume growth has been quite large especially in the last eight years as we listen and respond to the growing healthcare demands of our communities.

We report a 6% increase in provider clinic visits this fiscal year YTD versus last year. This clinic visit increase puts us on a path to grow from 116,800 provider clinic visits in fiscal year 2022 to 124,100 provider clinic visits in fiscal year 2023. The fiscal year is not finished so this is our estimate after 9 months are completed in our new fiscal year.

Back in 1952, our health system had 1125 outpatient visits of all types including hospital or other visits and no provider clinic visits were reported at that point in time. We provided about 35 births per year in 1952 and today we are performing approximately 380 births per year. We had two medical staff members back in 1952 and today our active and courtesy medical staff consists of 180.

We are seeing a large outpatient volume increase year over year with a 5% overall health system volume increase this fiscal year YTD versus the same period last year but we have incurred a 16% decline in inpatient census volumes year to date, year over year.

We do have a duty unlike other non-hospital providers to respond to the demands for physical and mental healthcare needs of all patients and visitors who seek our services especially as we are state and federally licensed and accredited. These requirements also exist because we have provider obligations as to how we have to timely and properly provide care to all Medicare and Medicaid patients, which are more than 50% of our patient population.

The cumulative effective of actions taking by individuals, families, businesses, governmental agencies (including states, counties and towns) over the last 74 years do have a direct effect on every single patient visit to our health system, as well as all future patient visits.

As a licensed and accredited 24/7 healthcare system, we are tightly regulated by state and federal requirements as to how we manage all aspects of our operations including: workforce staffing levels, handling and storing electricity, humidity, temperature, fresh water, sewage, natural gas, fire protection mitigation, medical waste and all other waste materials, and generator utilization. We must be able to utilize backup generators of a certain type to be able to provide reliable service 24/7, 365 days in the year. We also have to be self-sufficient for the proper number of required days when all other water and energy sources are not available.

No other governmental or private sector business has the above list of responsibilities 24 hours a day, 7 days a week, 365 days a year to be reliably up and operational. Because of this our Board approved the three-year Strategic Plan, which also includes our vital Master Plan to honor and respect the growing and changing needs of our patients. Our leadership team is fully authorized to complete all aspects of our Strategic Plan and Master Plan utilizing all applicable resources.

We are experiencing, as are all CA and US hospitals, very high annual expense inflation year over year. We only raise our prices a maximum of 5% per year yet our year over year YTD expenses have grown 19% with very high supply and labor cost increases. This out of balance expense growth to operate a high quality health system has caused our net income to decline 53% versus the same YTD period last year.

Kaufman Hall, a respected national healthcare advisory firm, shows 20% of CA hospitals are at high risk for closure. Our health system is strong, but we too, are taking the same hard financial hits other CA health systems are feeling. We must never take sustainability for granted!

The focus of all of our team members must be an outward focus only on our patients and on health system sustainability as our industry faces tremendous challenges in the months and years ahead.

Our board education topic in April will address vital and changing bills/laws as to actions CA intends to put upon hospitals and separately, how California hospitals are performing

Many state elected and appointed officials, policies or new laws/bills do not illustrate a proper understanding as to how they are driving up the expenses of delivering healthcare, with many new unfunded mandates causing a rapid growth in health system failures.

As always, timely patient access to our providers in our very limited clinic space is a top priority for us.