



Board Informational Report

By: Harry Weis
President and CEO

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It tentatively appears the Health System's overall growth rate was about 7.2% in fiscal year 2022 versus 2021. This is the first year in many years where we have single digit year over year growth for the entire Health System.

We did reach another major milestone in that gross revenues exceeded \$500,000,000 in fiscal year 2022. They were less than \$260,000,000 in fiscal year 2015 if I recall correctly. The important "value proposition" context here for all patients in our region is that TFHS is still 49% below the average for inpatient charges per discharge versus the average of all hospitals in California. We are also in a much higher cost of living zone and have much higher construction and maintenance costs as well, yet we remain way below the average inpatient charges per discharge. This information can be reviewed in last month's budget package.

Our health system has on an overall basis more than doubled in its activities over the past seven years.

July, month to date, is running below budget volumes and revenues. Hopefully the last half of the July will pick up quite a bit.

We are definitely seeing an uptick in COVID positive cases in the month of June and it is continuing into July. June was about three times busier in terms of daily positive COVID lab results versus the months of March, April and May. We also saw our inpatient COVID census go from zero for many weeks to a range of 2 to 5 inpatients for the past 6 to 7 weeks. We still call this an uptick because it is way below the number of cases per day illustrated in late December and January.

We had 79 team members catch COVID-19 in June and we have more than 50 team members so far in July who have caught COVID-19. I am really proud of every team member's effort over the past 29 months in the most important public health and general healthcare efforts anyone has dealt with in the last 100 years.

Our provider office visits continued to grow in fiscal year 2022 versus 2021 but not nearly as high as we had hoped. Again, we have increased from roughly 47,000 provider office visits in fiscal year 2015 to about 115,000 in provider office visits in fiscal year 2022.

We are deeply concerned about timely patient access and patient experience. This is a critical daily conversation by many of us. We are looking at all processes and ideas to increase timely patient access. We have four primary care physicians who are away for important personal reasons right now and this really impacts us as well.

We do have several physicians coming in the second half of this calendar year, so these new arrivals coupled with changing other processes, will hopefully make a difference within the next 3 to 4 months. We have increased our medical staff team by 39% since I arrived which is a much larger increase than the total population and its growth in our primary service area during these same years. We are seeing many more patients each year travel from distant rural and urban areas driving regularly to receive care from our physicians. Patient access is becoming less available in many rural and urban areas around us as well. We have been able to retain and recruit better than most health systems, but patient access remains our number one concern for at least the next three years.

We want to congratulate our entire Extended Care Facility team upon achieving a 5-Star rating on the quality of their services. They have worked really hard for many years to be the best extended care facility in the region.

We continue to see the year over year national consumers price index (CPI) inflation rate grow each month. At the end of May, it was 8.6% and now at the end of June, it is 9.1%. The producer's price index (PPI) was over 11% increase year over year in June which indicates that the CPI will likely go much higher as it can lag the PPI index a bit. We are definitely seeing a familiar repeat of our US inflation economy from the late 70's and early 80's being illustrated right now. Expenses for most companies could rise faster than revenues.

The price of lumber has recently gone way down and new housing starts are slowing. The changes in the housing market as to sales and as to new starts will be something to watch closely over the next many months. We have had more than a 10-year upswing in home prices, so our economy is due for a flattening out or decline, for several years.

Supply chain disruption or the ability to not predict that you will receive the products you need on time, is a real and significant continuing problem for many industry segments including us in healthcare.

We as a health system have taken several actions to help our team over the past year with these inflation pressures and will continue to look at reasonable actions we can take so that we can recruit and retain our staff.

We should all expect that we will see a rapidly growing healthcare worker shortage over many future years. This applies to physicians and many skilled healthcare worker categories. We will have to continue to make changes to try to overcome these new and growing challenges. These workforce shortages could become more material than anything I have seen in the last 45 years so we are taking this very seriously.

We continue to monitor state and federal rule and law changes as there continues to be a growing desire by states and the feds to impose new rules or laws upon us. Many are unfunded mandates and many really increase the administrative burden of running a healthcare system.