



Board Informational Report

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President and CEO

DATE: September 19, 2022

Our overall health system volumes appear to be lower after two months in our new fiscal year versus the same two months last year. I estimate we are about 1% below the prior year in overall volume change year to date.

We are also about 500 provider office visits year to date below the same two months last fiscal year as well. Patient experience and access remains a very high priority for our health system.

We experienced a net loss in July and anticipate while August will be profitable, we will still be behind our year to date Net Income budget target.

After the first 11 weeks of this fiscal year, we are seeing a shortfall in top line gross patient revenues of about \$617,000 per week. This underperformance is showing slight improvement as the month of September matures, but September is still underperforming as well.

Our medical staff continues to grow. Over the last seven years, we have grown from 115 active and courtesy medical staff team members to 164, the highest number in our history. We have two new primary care physicians who have joined us in recent weeks, a new urologist and we believe we will have two more primary care physicians joining us late this calendar year.

For any patient who needs access to a provider, please call 530-582-6205. We are working hard to increase the speed of access for patients to see our providers.

It is estimated by 2030, there could be a physician shortage of up to 120,000 physicians across the entire United States.

It is also estimated by 2030 that US healthcare may need another 1,200,000 registered nurses.

We at Tahoe Forest Health System (TFHS) are feeling the very high annual inflation expense growth of labor, benefits, and other expenses to operate a quality healthcare system, coupled with very low inflation revenue increases from our payors for healthcare.

Our maximum price increase is 5% when inflation is at least twice that. We are hearing some businesses are seeing high insurance price increases, approximately in the 13% range, when payors are only paying us up to a 5% increase. This large gap between what health insurance companies charge in annual premium increases versus what they pay hospitals and physicians continues and has existed for more than 30 years.

We are very grateful our turnover rate for non-physicians and for physicians, PAs, and NPs is extremely low versus any hospitals in an 80 mile radius. Our team has and is working hard over the past seven years to create this positive outcome in the tough external world.

We continue to make many positive changes every year, for our entire team, because we listen, as we desire to retain where possible, a material positive margin in how we treat our team versus other health systems in the region.

We have been listening carefully to our team and will continue to listen to our team on improvements we can make to our working environment and other topics that are supportive of long-term sustainability.

We have almost no “temporary traveler” team members here. Again, we are the only health system in a large geographic area around us that has been able to recruit and retain staff much better, which allows us to avoid the disruption and extra work burden on our team from many “traveler” staff working here.

We continue to look nationwide for a full time experienced physician leader to serve as our next Chief Medical Officer. We do have two candidates coming in over the next few weeks and are hopeful we can rapidly fill this important foundational position.

One of many very foundational improvements we are making that illustrates we continue to listen to our team each year, is to add a new Physician/Administration Partnership Council. This new council will review and act on a large variety of important topics involving but not limited to Quality, Patient Experience, Burnout, Business operational improvements and other changes which are needed to assure we are a vibrant and sustainable organization for the long term. We must not sacrifice long-term sustainability due to short-term actions.

We have health systems in our region who are having to reduce or remove clinical programs, reduce staff, lower pay and benefits and cut other expenses just to return to sustainability. These tough improvement changes are ongoing and will likely take many months.

Because of the growing very tough variables hitting several of our neighboring health systems, we believe this new reality is causing a greater desire for patient immigration to see our providers and health system.

I will be speaking with all area healthcare CEOs over the next few weeks to learn what is going well or what is causing new struggles for their healthcare system.

It is quite clear our region and country is experiencing a recession with two quarters of negative GDP growth and an inverted yield curve on short-term interest rates versus longer term interest rates. We must carefully monitor all variables over the next several months and years, as we will likely see some of the most profound changes in healthcare and possibly in other industries in the next two to seven years than have been seen in the past 45 years.

Some of the largest financial and transportation companies in the world are forecasting something tougher than just a recession in the months and years ahead.

We continue to monitor state and federal law proposed changes as there some really concerning actions being contemplated, which can really harm quality, sustainable healthcare.