

Services

1. Angels Camp Medical Center (ACMC)

As I am certain you are all aware by now, our ACMC project hit a bump in the road this past week. On May 29, our project went before the Angels Camp Planning Commission for rezoning the property on Dogtown Road (intersection of highways 4 and 49) to allow our clinic to be built on it. After significant debate and input from the public, the project was approved by a 3 to 2 vote and passed on to the Angels Camp City Council for final approval. The public that spoke at the meeting were not against MTMC, or the clinic, but opposed the traffic mitigation plan contained in our proposal.

The traffic mitigation plan (right in and right out only on Highway 49 and Dogtown Rd., and legal U-turn on south bound Hwy. 49 at the intersection of 4 and 49) was a compromise between us, the City of Angels and Caltrans. Most of us believe that our project will have little or no impact at the intersection of Dogtown Road and Highway 49, however, Caltrans believes there is a problem there now and wants it mitigated. The challenge with their plan is that it will force trucks and other vehicles to use Gardner Lane and Murphys Grade Road. To say the least, this upset the local residents tremendously. Despite the concerns of the residents about the traffic mitigation plans, especially potential truck traffic on Gardner Lane, the Planning Commission did not believe it was reasonable or good for the City of Angels to not approve our project, and passed it on to the City Council. They understood the traffic plan was not perfect, but believed all the concerns of the citizens would be dealt with.

On June 17, the project was presented to the Angels Camp City Council for approval of the Planning Commission's recommendations. The meeting was held at the Bret Hart auditorium because a large crowd was expected, and no one was disappointed as a very large contingent of citizens were there to voice their opinions. While the project was fairly presented by city of Angels Camp representatives, Daymon Doss and traffic consultants, the presentation failed to adequately address traffic mitigation concerns. In addition, the local citizens opposed to the traffic mitigation plan were vocal and outnumbered the citizens in favor of the project. It must be emphasized that no one opposed the clinic plan; they opposed the traffic mitigation plan.

As a result, the City Council voted to send the project back to the Planning Commission for further work on the traffic mitigation plan. It should be noted that prior to the City Council meeting, representatives from MTMC and the District met with Council Members that were willing to meet with us. As we have dug into this traffic issue further, we discovered that the City of Angels Camp has known about the traffic concerns at Dogtown Road and Highway since 49 before the Highway 4 Bypass went in. In fact, the Angels Camp City Council approved a resolution in 2000 to address issue so that Caltrans would proceed with the bypass. While the issue was studied, no action was taken by the City, and is now impacting all development around the Highway 4 and 49 intersection.

As a result of the action taken by the City Council we are doing several things. First, we are not abandoning the site. We are only one vote away from being able to put a shovel in the ground. We are collectively working with the local residents, City of Angels and Caltrans to explore all feasible traffic mitigation plans. I believe this project would work very well at the site and is worth some additional effort. However, at the same time, we are exploring additional sites throughout the Angels Camp area. I emphasized to the City and the City Council members that they need to act quickly because we are not going to wait for years to begin this project. The District is also planning to extend the purchase option on this property for 60 days as work continues on the traffic mitigation plan. If it appears that it will be impossible to complete our project within Angels Camp, we will also consider sites outside of Angels Camp, such as Murphys. We will be very busy in the coming weeks as we work to keep this project moving forward. While this is a significant bump in the road, we will overcome it and complete this very needed project. I will keep you posted about the future developments and welcome your thoughts regarding this challenging situation.

2. Cardiology

With the recent success in recruiting an outstanding cardiologist, Dr. Courtney Virgilio, we have been studying ways to make cardiology a Center of Excellence at MTMC. In addition to recruiting an excellent multi-boarded cardiologist another simple way is with the name of the service. After much discussion with Dr. Virgilio and leaders at MTMC, we are recommending that we call the service the Mark Twain Heart Center. We believe the name is welcoming and fits with Calaveras County. Secondly, we need an outstanding facility that presents our provider and the services we offer well. Because many of the services offered in a Heart Center are hospital-based (e.g. echocardiography, stress testing, transesophageal ultrasound, cardiac rehab, IP consultations), we began exploring options within our current hospital space. After much discussion we are recommending a plan to convert our current physical therapy (PT) departments into the Heart Center and move PT to a renovated area where cardiac rehab services are currently provided (Attachment A). While the drawings are preliminary, we believe we can provide space and a healing environment for both services at a relatively low

renovation cost. Larry Cornish will review the plans (which were developed by Aspen Street Architects) at the June Board meeting.

It should be noted that while PT will shrink in size; we are planning new PT services in Angels Camp and Valley Springs, which will reduce their need for the space they currently occupy. Also, as we complete our clinic expansion project in Angels Camp and Valley Springs, Dr. Virgilio is planning to have clinic hours in both communities. This cardiology model follows the model we developed for our very successful Cancer Center. As we expand into new services it will take capital dollars and you will note that we are recommending a Capital Budget that includes the development of this new services.

3. Community Health Needs Assessment

Included in your packet is a community health needs assessment (Attachment B) that was recently completed in conjunction with dignity health. The assessment was completed with the participation of several local agencies including the district, county health department, County Sheriff's Department, senior center, public schools, etc. The assessment identifies our strengths and opportunities to enhance the health of our greater community. This was the most participation we have ever had by our community and outcome was greatly enhanced. It should be noted that many of the local photos in this document were provided by Jacob Lewis. We will not be reviewing this document at our board meeting, but if you have any questions or comments regarding the assessment, please let me know.

Financial Stewardship

1. FY2015 Operating and Capital Budgets

With the completion of our FY2015 Strategic Plan and approval by the Board last month, we are now presenting our proposed FY2015 Operating and Capital Budgets (Attachment C and D) for review and approval by the Board. It should be noted that our Operating Budget was approved by Dignity Health, but will now require some reworking as a result of MTMC moving to a new service area. This change will affect our corporate allocation, and hopefully reduce it as we were told that our new service area has lower overhead costs.

These budgets were developed based on the initiatives included in our Strategic Plan and also on the input received from our Medical Staff, Dignity Health and our employees. The initiative that continues to have the largest financial impact on MTMC is the planned recruitment of 10 new physicians in FY2015, to go along with 6 physicians we recruited in FY2014. This recruitment will increase our inpatient census, surgeries, outpatient volumes, etc., which will also increase our gross and net revenues. This growth is crucial as we continue to see our reimbursement levels decline and our costs increase.

We are projecting and planning for significant growth in providers and the services we offer at MTMC in FY2015 and beyond. As this growth occurs, we face several challenges. As we recruit new providers and launch new services, these additions will not be profitable immediately. In fact, it typically takes 2 to 5 years for new providers and services to become profitable. However, once they are mature, the returns on the investments are significant. Thus, as this growth occurs, one of our major challenges will be to closely monitor and control our expenses, especially salary costs. Because we currently have excess capacity, we are not planning to increase our full-time equivalents (FTE's) except for new services, physician growth and sustained growth beyond our capacity.

Despite these measures, we are proposing an Operating Budget for FY2015 with an operating loss of \$2.6 million and bottom line loss of \$839,614. While this budget was approved by Dignity Health, as I discussed last month. I believe we can and will strive to achieve break-even from operations and a bottom-line profit of \$466,587. While these figures fall short of our Financial Stewardship Pillar goal of achieving a 4% operating margin for FY2016, we are establishing the foundation that will enable us to achieve that lofty goal in the future

In addition to our proposed Operating Budget, we are also asking the Board to approve a Capital Budget for FY2015. A key to the long-term success of all hospitals is the ability to fund capital improvements (e.g. equipment, facility improvements), which enable them to stay technologically current and competitive in a very competitive industry. Fortunately, MTMC has experienced financial success in the past and has built up cash reserves that will enable it to invest in necessary capital improvements, now and in the future. However, we must continue to maintain positive margins in order to maintain these reserves. For FY2015 we are recommending capital expenditures totaling \$2.5 million (Attachment D).

Several significant projects are included in this total including the development of a Heart Center, expansion of GI services, the relocation and expansion of PT services, new patient monitors for the entire hospital and a new PACS system. In addition, we will be completing several significant projects from FY2014 including the installation of a 128 slice CT scanner, the Emergency Department facelift, a new roof for the original hospital and construction of the new Angels Camp Medical Center. We are also expecting to expend significant dollars in FY2015 (not yet determined by Dignity Health) on enhancing the overall healing environment throughout MTMC with new paint, floor coverings, etc. Capital expenditures at this level will enable us to reduce the average age of our facility and remain competitive.

2. Doris Barger Golf Outing

On June 9th the Seventh Annual Doris Barger Golf Outing was held at Greenhorn Creek Resort. The MTMC Foundation hosted the event and did a wonderful job. Participation in the event was once again very high and approximately \$23,500 was raised for the Angels Camp Medical Center Project. Participants in the event were very supportive of MTMC and are excited about our planned facility in Angels Camp and all the new physicians that are joining us. A huge thank you goes to Peggy Lucas and Paul Mundy for their outstanding leadership in organizing this wonderful event. I would also like to thank the Foundation Board and all the participants and financial supporters that helped make this great event! While the weather was a little warm, okay it was hot, at least it didn't rain and a good time was had by all. With this event and all recent pledges and donations, the Angels Camp Medical Center Capital Campaign has now received pledges and donations totaling \$1.7 million. Outstanding! Keep up the good work!

Medical Staff Development

1. Physician Recruitment

Our recruitment efforts continue at a very brisk pace. In the coming months will be joined by Drs. Faryan (family practice) McCoy (general surgery), Greenfeld (internal medicine/pediatrics), Anderson (pediatrics) and Virgilio (cardiology). In addition, we are currently in contract negotiations with a husband (Ob/GYN) and wife (psychiatrist) team that love the opportunities here and would like to raise their children here. We are also continuing discussions with a gastroenterologist and have a urologist visiting us this weekend. We definitely can and will continue to recruit outstanding physicians to Calaveras County.

Employee Development

1. Employee Engagement Survey

Employee Development holds a very significant place in our organization and in our vision of success. We recognize that employee engagement, and dedication to MTMC and our patients will lead us to success. To that end, each year we survey our staff to identify what they like about MTMC and opportunities for improvement. This satisfaction/engagement survey is being completed at all Dignity Health hospitals in June. With a few days to go on the survey, I am pleased to report that over 80% of our staff have participated in the survey. At

our current level of participation, we are in the top 10 of all Dignity Health hospitals and we still have a chance to get to the top. I am proud of our staff and what we have accomplished this past year (Attachment E). With feedback from our staff we can improve our weaknesses and continue to grow our strengths. A big thank you to all of our staff members that participated in the survey and I look forward to working with our staff in 2015 as we continue our journey to make MTMC a great Medical Center!

2. Employee Open Forums

As a follow-up to the Lloyd Dean Open Forum held last month for 50 members of our team (employees, volunteers, Board members, physicians), Open Forums are being planned at MTMC to review highlights from Mr. Dean's visit. These forums will be held in late July or early August and will provide an opportunity for staff to meet my new boss, Mr. Jon Van Boening, the Senior Vice President of our new Service Area. We hope to have 85% of our staff attend an Open Forum to learn about the new direction of Dignity Health. As soon as we have firm dates and times for these events, we will communicate them to everyone through e-mail, flyers, etc. Stay tuned.

Quality

1. Dignity Health Service Areas

This past week, Dignity Health announced that several changes were being made to their service area alignments (Attachment F). Effective July 1, MTMC will now be part of the Central California Service Area under the leadership of Jon VanBoening in Bakersfield. MTMC, St. Joseph's Medical Center (Stockton) and St. Joseph's Behavioral Health Center (Stockton) will be joining Mercy Medical Center, Merced and the three Dignity Health hospitals in Bakersfield (Bakersfield Memorial, Mercy Southwest, Mercy Hospital Bakersfield) in the newly named Central California Service Area. This should not impact MTMC in any significant way and we look forward to developing relationships with our new service area partners (e.g. Tele-health services with Sacramento will not change). We look forward to meeting Mr. VanBoening and his team in the coming weeks.

2. Patient Safety First

Our statewide partnership with Anthem Blue Cross, National Health Foundation and the Regional Hospital Association; Patient Safety First..... A California Partnership for Health was recently awarded the esteemed Jon M. Eisenberg patient safety and quality award for our work in reducing early elective deliveries; hospital acquired infections and avoiding 3,576 deaths and more than \$63 million otherwise unnecessary hospital costs between 2009-2012 statewide. To honor and recognize the participating hospitals in our region including MTMC, Wellpoint

place the attached ad (Attachment G) in the June 12 “San Francisco Chronicle” and “Sacramento Bee”. Congratulations to the MTMC staff that made this happen!

3. Lease Amendment #6 / Administrative Services Agreement (ASA) / Bylaws

The Sixth Amendment to the lease between the Mark Twain Healthcare District and MTMC has been revised and approved by Dignity Health and the District. The Amendment is currently being reviewed by MTMC legal counsel, Drew Caprile. Mr. Caprile will attend the June board meeting (by phone) to discuss the lease amendment, ASA, Bylaws and the Management Agreement with Dignity Health. It is hoped that the board will be able to approve the Amendment, ASA Bylaws revision at the June meeting. Once the documents are approved by MTMC, they will be sent to the appropriate parties for their approval (Dignity Health, District). While this has taken over a year to accomplish, the outcome is very good and establishes a firm foundation for us to build upon.

4. Board Action Plan

Based on the Board's discussion last month regarding the results of the Board Self-Evaluation, I drafted a Board Action Plan for FY2015 (Attachment H) for the Board to review and act on in June. The plan is intended to assist the Board in improving their performance and provides a way to track process being made of each objective. Progress on the plan can be monitored as frequently as the Board would like, but at a minimum, it will be reviewed annually.

5. Board Meeting Dates

Just a reminder that at our Board meeting dates in July our July 1 (June meeting) and July 29. Also a reminder that we are not planning on having a Board meeting in August (including Finance Committee). We will send out a Board packet that will include financial statements. This could change if something suddenly comes up that needs attention. If so, we will contact you.

If you have any questions regarding this report or other Medical Center activities, please contact me at (269) 214-8185 or stop by and see me at the Medical Center.

