

Sonoma Hospital Observations ¹

Draft Report

Presented to Sonoma Valley Healthcare District Board of Directors Meeting
December 5, 2019



A Little Background

- ▶ **Who are we?**
- ▶ **What motivated us?**
- ▶ **Who is the report for?**
- ▶ **Not much new here for the board.**

Key Findings

- ▶ Medicare and Medi-Cal are +/- 61% of net revenue
 - ▶ Medicare patients generated \$8.5 million loss in 2019
 - ▶ Medi-Cal generated \$1.3 million loss in 2019
 - ▶ Average losses of \$11.2 million per year - over last three years
- ▶ SVH is the only hospital in its District Hospital peer group of 13 hospitals, not classified as Rural/Critical Hospital - huge disadvantage!
- ▶ Half or more of 42,000-person Sonoma Valley residents are Kaiser members and “no shows” at SVH except for ED visits (only 10% of ED visits and 8% of SVH revenues)
- ▶ ED must care for all - Charity and bad debts were \$2.3 million in 2019

Key Findings (cont.)

- ▶ **SVH & ED are vital & accessible resources in times of medical emergencies or natural disasters**
 - ▶ **Wildfires, earthquakes - 2-lane congested roads - an hour at best**
 - ▶ **Heart attacks, strokes, accidents - Minutes matter**
- ▶ **By law, ED must be part of a hospital**
- ▶ **Urgent care centers are not the answer**
- ▶ **If no ED/SVH, fewer doctors, adverse economic impact**

Key Findings

▶ The numbers are improving!

- ▶ Net income of \$200,000 in 2019 - best since 2012
 - ▶ Plus \$2.3 of “book depreciation” to add back = \$2.5 million
- ▶ Roughly \$3.6 million turnaround - Cut losing service lines & payroll
- ▶ Highest Net Worth (Fund Balance) ever. More than \$22 million
 - ▶ up from \$6 million in 2010
- ▶ Oct 31 - \$2.6 million cash, Payables, Line of Credit paid down
 - ▶ (\$1.2m & \$.625m respectively)
- ▶ Solvency still an issue, but much progress
- ▶ Even with these significant achievements, SVH is highly likely to need a parcel tax beyond June 2022

Key Findings (cont.)

- ▶ **SVH has recently made significant progress**
 - ▶ Achieved CMS 4-Star rating - top 25% in U.S.
 - ▶ Made and implemented difficult, important decisions to close or transfer three money losing operations (OB, SNF, Home Care)
 - ▶ 2019 Financial results best in years with \$200,000 net income - \$3.6 million better than 2018
 - ▶ Affiliated with USCF Health in early 2018
 - ▶ Prima >\$500k savings, Stroke Accreditation, Diagnostic Center, and more
 - ▶ Strategic Plan and focus appropriate for today's circumstances
 - ▶ Huge increases in philanthropy - last several years - \$1 - 2 million per year, \$11 million for new ER and nearly 90% (\$18 million of \$21 million estimated cost) pledged for new Diagnostic Center

Key Findings (cont.)

- ▶ **Recent Community Survey**
 - ▶ Public perception remains high, but
 - ▶ Most favorable ratings dropped
 - ▶ Most unfavorable ratings increased.
- ▶ Based on our interviews, the public does not believe the hospital has an active community outreach program.
- ▶ Although the balance sheet has improved significantly recently, the cash reserve may not be enough to bridge an unexpected Medi-Cal or other funding delay.

Some Thoughts

- ▶ **Consider building on the new communications strategy by:**
 - ▶ **Creating a volunteer team to bring the community on board with SVH's significant progress and current financial condition**
 - ▶ **Weekly or monthly local newspaper columns or pages**
 - ▶ **Social Media and even more outreach**

Additional Thoughts (cont.)

- ▶ Consider a full court press on obtaining Rural/Critical Access status by engaging willing community leaders
- ▶ Search for ways for non-Prima doctors to have an affiliation with UCSF
- ▶ Amplify efforts to involve physicians early on key issues and decisions plus outreach
- ▶ Continue building a strong bench of superb volunteers and recruit solid expertise for Committees & Board slots

Thank You

Questions? Comments?

2018 CEO Total Compensation
Sonoma Valley Hospital Peer Group

