

June 20, 2013

Dear Friends and Colleagues,

A key reason NCH has persevered—even prospered—in a time of increased uncertainty and hardship for national healthcare is the unparalleled support and commitment of the people who work here.

Nowhere was this more on display than this past week, when we held the best-ever-attended series of Town Hall meetings among our more than 3,900 colleagues. Our message at the town halls was one of thanks, optimism, reality, and prudence as we face the daunting challenge of decreased reimbursement and increased need for high-value community healthcare.

All of us have reason to be proud. This past year, we've seen a host of achievements—measurable improvement of the patient experience; growth of the NCH Physician Group; affiliation with Mayo Clinic; retention of the Fitch A2 Bond rating (Moody's is pending); designation of "Silver" by the American Heart Association Stroke program; expansion of Smart Rooms; participation at the Institute for Healthcare Improvement; and the implementation of the health information exchange, now christened Sunshine Connect.

At the same time, we face unprecedented new pressures. Federal and state governments are challenged financially, with one new prediction that Medicare will run out of money in 13 years rather than 11. Florida, at the moment, has rejected the federal government's offer to pay about \$50 billion dollars over a decade to place on Medicaid slightly more than one million Floridians who have no insurance. The impact of all this on our hospitals is huge, with many Florida institutions being taken over by for-profit systems, which, in some cases, are being examined by Federal regulatory agencies.

We have chosen a different path: Managing to Medicare; aligning with physicians and payers to form narrow networks and migrate towards an Accountable Care Organization; affiliating with Mayo; collaborating with the folks who bring us supplies and services to obtain the best value; restructuring for efficiency; employing tele-health as we try to keep patients at home and out of the hospital; and even curtailing services that don't add value or are too costly.

Even with this approach, today NCH only makes 2 cents on every dollar of care that we provide. As of April 1, 2013, Medicare enacted a 2% sequestration (a take-back) from all providers in our industry. That puts us in a precarious situation as our projection in 2019 shows a rough road leading to over 70 million dollars in losses if we continue to operate as we do today. Obviously we can't and won't let that happen. We will venture forward with great focus on revenue cycle, intentional growth, and lean operations in order to best prepare us for the approaching reform.

At the same time, we recognize that all of us must be paid competitively for what we do. We have devised key performance indicators for all job functions and refocused expectations on living the NCH values. This ensures that, should we receive compensation adjustments, those who perform at or above expectations can be rewarded as we all focus on the same organizational goals. As the rising cost of providing employee health benefits becomes unsustainable, we also need to better link providing those benefits to personal health improvement, rewarding colleagues who take care of themselves with more incentives, so we all benefit. An example was our decision over two years ago not to hire smokers and provide help for current smokers to stop. We are down to less than 11% smokers; the national average is about 19%. To continue this progress, we will convene focus groups, take suggestions from colleagues to the *myIDEA Program*, and hold additional employee forums to seek your input.

I have great faith that we will continue to progress on a wonderful journey, not only for ourselves but for all those we serve. Together, we have already made a huge difference in our community. For that, I thank you all.

Respectfully,

Allen S. Weiss, M.D., President and CEO

P.S. DO YOU HAVE A COLLEAGUE OR FRIEND WHO WOULD BE INTERESTED IN THESE UPDATES?

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