

July 16, 2009

Dear Friends and Colleagues:

Our friends in Washington are committed to dramatically changing our nation's healthcare system. And while the final designs are unknown, it's clear that systems like NCH will be called on to do more with less government assistance. That means our response to government change is even more important than the change itself.

Ultimately, the Senate and House must agree on a healthcare plan that President Obama is willing to approve. So far, this plan has been a "moving target," influenced heavily by the healthcare lobby—which is larger than any other industry interest group in Washington. The healthcare lobby is a diverse mix of pharmaceutical firms, medical device manufacturers, insurance companies, physicians and hospital lobbyists, each with different goals in vying for the same dollars from the government, which pays for Medicare and Medicaid.

We care about these deliberations because together, Medicare and Medicaid account for more than 70% of NCH's patients. Even so, according to *Modern Healthcare* magazine, Medicare currently pays hospitals an average of 94 cents for every dollar spent caring for a Medicare patient. Medicaid is even worse, paying 86 cents for every dollar spent. So the fact is we lose money caring for Medicare and Medicaid patients.

While the House of Representatives continues to debate its best course, last week the hospital coalition reached agreement with the Senate to accept \$155 billion less in government payments over the next decade, with the savings directed to caring for the 47 million Americans who have no health insurance.

What would this agreement mean for NCH? Well, if the nation's 5,100+ hospitals were to share equally, each hospital would receive about \$3 million less in government aid each year. To offset this shortfall, according to the Senate plan, hospitals like NCH would be given some dispensation for revenues lost from uninsured patients. Last year, the cost to NCH of providing uncompensated care was \$38 million.

The net of all this is that we must continue to plan for such realities as decreased government payments by building up reserves on our balance sheet. (Check our audited financials on our website www.NCHMD.org.)

Here are some of the actions we're taking to deal with these challenging financial times.

- Since Medicare will no longer pay for "readmissions," we've modified our approach to patients observed for less than one day in the hospital. Specifically, we'll address only the precipitating problem and deal with other chronic or non-acute medical conditions after discharge, as outpatients. Consequently, as the *Naples Daily News* has noted, NCH readmission rates are below the national average.
- To cut waste and inefficiency, Associate CNO **Laurie Zone Smith** and Director **Mary Jo Felix** are examining with nurses and the clinical support team, how to use our supplies more efficiently.
- Similarly, Director **Renee Thigpen** and CHRO **Brian Settle** are working with employee focus groups to engage employees and their family members in healthier life styles through assessments, diagnostic screens, guidance from health coaches, and the design of our health care plans. For example, smoking cessation alone will save the nation 20% in health care costs. NCH should be a leader in such a worthwhile cause.

We are just starting to come up with ways like this to continue to serve the healthcare needs of our community, despite reduced government aid. All suggestions on how we can "accomplish more with less" will be very much appreciated.

Respectfully,



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

P.S. Feel free to share *Straight Talk* and ask anyone to email me at allen.weiss@nchmd.org to be added.