TETON VALLEY HEALTH CARE

Partners in Health for a Lifetime

CEO Viewpoint by Virgil Boss, CEO

August 2011

Making Progress in 2011

As we approach the end of our fiscal year at TVHC, I can see some similarities to how many of us feel on the brink of a new calendar year; what did we accomplish, how can we improve, and what plans should we make for the New Year?

Fiscal year 2011 will close chronologically at midnight September 30, 2011. This has been a year of great importance; a year that could signify a turn-around for a hospital that was preparing for closure just three years ago. At the start of the year October 1st, 2010, our Hospital Board of Trustees set three essential performance benchmarks that TVHC had to reach by the end of fiscal year. These three measurements were determined to be the trifecta that would signal a true recovery, or alert everyone to continued poor performance that would necessitate significant operational changes.

Let's start with number three: Net Days in Accounts Receivable. Our goal is to have 65 Days in AR (lower is better.) The industry standard is 60. At the beginning of 2011, TVHC showed 84 days which means we were waiting an average of 84 days to be paid for services. Today, we're at 71 days and moving lower.

Number two: Days in Cash. Over the past year, we've talked a lot about Days in Cash in our news articles and public meetings. This figure represents how much cash is unrestricted and in reserve in the event of an emergency. Personal financial advisors often tell their clients that they should have at least three months of living expenses put aside in the event of a personal emergency. Hospitals strive to save at least 90 Days in Cash. The ability to secure ample Days in Cash generally shows that the organization is financially sound and on the path to sustainability. At the end of the first quarter of 2011, TVHC had almost 19 Days in Cash compared to 56 today. Our year-end goal is 59. Please note that these cash reserves reflect operating revenue and do not include tax levy funds.

Number three: Net Operating Margin. Our target is .5% compared to -5.4% in 2010. Our current Year to Date is 1.2%. The Critical Access Hospitals of the far west average 1.5% Net Operating Margin. Again, this figure is based on operational revenue, not tax levy funds, Foundation donations or interest income.

In other words, TVHC is showing every sign of a successful operational turn-around. However, I doubt that there will ever be a time when any Critical Access Hospital is safe from financial crisis. Sustainability rests on various factors that are out of our control including utilization, governmental changes in health care, acts of nature, and the general economy. Recent studies have also shown that the increase in charitable care across our nation is resulting in closures of hospital facilities that have stood for decades. Private philanthropy and grant applications will continue to be very important to our organization.

Given the many risks associated with stand-alone County hospitals, leadership has decided to officially open a dialogue with the administrative team at Bingham Memorial Hospital to determine if an alliance would help place both facilities on firmer ground with less reliance on Teton County tax support. Thursday August 11th, The Board of County Commissioners voted unanimously to endorse a Letter of Intent between TVHC and BMH to begin the discussion. As always, the objective of our BOCC and hospital leaders will be the continual enhancement and sustainability of our community hospital.

Please feel free to contact me with your questions or concerns at (208) 354-6317 ext. 153 or vboss@tvhcare.org*****