

2016 ANNUAL REPORT
PRESENTED TO THE
UPPER SAN JUAN HEALTH SERVICE DISTRICT
BOARD OF DIRECTORS

by

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INTRODUCTION

The Upper San Juan Health Service District (USJHSD) Board of Directors began planning for a Critical Access Hospital (CAH) in Pagosa Springs in 2005. By January of 2008, the long-held dream of area residents was realized when the 11-bed hospital opened. In addition to the 11 inpatient beds, which can be used as both acute and swing beds, the hospital provides 24-hour emergency care, observation, a broad range of imaging services, laboratory, and surgery. The board of directors (BOD) requires detailed business plans for each new service to assess community need, alignment with the hospital's strategic plan, financial viability, and to identify resources required for ongoing operations.

Connected to the hospital is a Rural Health Clinic where full-time primary care physicians, physician assistants, and specialists provide care to area residents. Growth in visits to the clinic providers has been significant, and construction is nearing completion that will bring a new clinic building that is integrated with the hospital.

The hospital prepared its first strategic plan in February 2011; updates are crafted each year. These plans include an in-depth analysis of the service area demographics and economics as well as a review of historical volume and financial trends. Those trends are derived from monthly financial and statistical reports that are shared with management and with the hospital board. The strategic plans also assess physician supply and demand, by specialty, and use the results to recruit new medical staff members. Out-migration trends are studied annually to learn where service area residents are receiving care and whether they generate adequate volume to justify offering various services at Pagosa Springs Medical Center.

The strategic planning process provides an opportunity to evaluate the hospital each year. Internal data as well as data from the Colorado Department of Public Health and Environment, the Colorado Health Institute, the Colorado Rural Health Center, and the Colorado Hospital Association are gathered and analyzed. Other resources are used when the situation requires data that is not available from these sources. At the conclusion of each strategic planning process, the hospital's board reviews and approves the strategic plan.

This annual report provides a high-level review of our 2016 accomplishments as well as a more detailed report on our quality and patient safety activities.

MISSION, VISION, AND VALUES

The hospital crafted the following mission, vision, and values statements as the foundation for all of its key strategic initiatives.

MISSION	The Upper San Juan Health Service District will be developed into a sustainable integrated health care resource system through service, leadership, and community partnership.	
VISION	The Upper San Juan Health Service District will become an integrated delivery system and will strive to serve as the focal point for our community's wellness and medical care.	
VALUES	Wholeness	We value the physical, spiritual, and emotional health of the whole person.
	Integrity	We are transparent, truthful, and fair in all of our relationships.
	Stewardship	We use our resources wisely to meet our community's health and wellness needs.
	Excellence	We support our staff in their quest to provide quality, compassionate care in a safe environment.
	Respect	We acknowledge the worth and dignity of our patients, visitors, physicians, and staff.
KEY STRATEGIC AREAS	Quality care and patient safety Financial stability Strategic growth	Community relationships Culture and talent

2016 ACCOMPLISHMENTS

The following is a summary of our accomplishments during 2016.

Financial Stability	<ul style="list-style-type: none"> Increased net income between 2015 and 2016 by nearly \$1.3 million; achieved the highest net income in the hospital's history. Increased gross patient revenues by nearly 7%; tax revenues increased by a modest 2% following a 15% decline between 2013 and 2014. Achieved 87 days of cash on hand by the end of 2016. Reduced days in accounts receivable from 79 to 61, a 23% improvement.
Strategic Growth	<ul style="list-style-type: none"> In 2015, the PSMC Board approved several improvements to the physical plant. Those plans were put on hold in 2016 to allow adequate time to address a more comprehensive array of facility needs. In late 2016, alternative solutions were identified and will be presented to the Board in 2017. Updated market share and physician demand studies as a basis for identifying potential opportunities to expand services based on community need.

Strategic
Growth
(continued)

- See also the Performance Improvement section later in this report
- Continued working with Boulder Associates Architects and GE Johnson to expand the Rural Health Clinic. Following a decision to relocate the clinic, the hospital secured financing (including donations) for the new facility. Below is the architect's rendering of the new clinic. Groundbreaking occurred in the spring of 2016 and the grand opening is scheduled for June 2017.



Community
Relationships

- Continued to strengthen the relationship with the Jicarilla Apache Nation in Dulce, NM: 1) tribal president Ty Vicenti spoke at the groundbreaking ceremony for the new Rural Health Clinic; and, 2) attend two events in Dulce (sportsman's expo and a program on behavioral health awareness).
- Participated in the Archuleta County Relay for Life and related supporting events.
- Donated helmets and provided basic first aid education to fourth grade students.
- Continued the Emergency Medical Services program to educate students in the Archuleta County schools.
- Participated in the Archuleta County 9Health Fair; 20 volunteers staffed the Ask-the-Doc Table, Patient Navigation Booth; and, the Promotional/Awareness Booth.
- Held four "meet and greets" to introduce new providers to the community.
- Helped sponsor the 19th Hole Concert Series, a program of the Community Foundation Serving Southwest Colorado.
- Participated in the Festival of Trees to raise money for the Dr. Mary Fisher Medical Foundation's Patient Need Fund.
- Supported Breast Cancer Awareness Month in the community.
- Presented healthcare topics to multiple groups and organizations.

Culture and
Talent

- Integrated values/personality testing into the interviewing and hiring processes.
- Restructured the new-employee orientation process.
- Conducted a comprehensive compensation survey that was used to assure that employee wages were competitive with specific market targets.
- Implemented incentive pay plans for all full-time care providers.
- Educated medical staff to support cultural sensitivity.

- Culture and Talent (continued)
- Created a tool that managers and directors use to report progress on their departmental goals and how they align with facility goals.
 - Trained managers to write meaningful job descriptions and to understand their roles with regard to the Emergency Operations Plan (e.g., responding to fire, emergency, and other drills).
 - Continued to train staff to use Cerner, the new electronic health record (EHR).
 - Surveyed staff on training and other needs.

VOLUME TRENDS

Each month, the senior leadership team reviews key volume indicators and the relationships between and among the various statistics. This review provides current information that is critical to our day-to-day operations as well as to our ability to prepare a viable annual budget. For example, we assess the source of our imaging volumes, by type of exam, so that we know how many are generated by the emergency department, by our inpatients, and so forth. Tracking these relationships helps us make more accurate volume forecasts; it also documents the community's increasing use of our growing array of services.

The table below summarizes key statistics for each of the last eight years. Highlights include:

- Since 2009, inpatient admissions have grown nearly five-fold. Between 2014 and 2015, the number of inpatient admissions increased 12% following a 91% increase in the prior year. Between 2014 and 2016, the number of observation visits nearly doubled. Both of these patient populations use the hospital's inpatient beds.
- GI procedures have been offered at PSMC since 2011. Although the first-year volume was impressive, the number of procedures has increased 61% since the program began.
- The number of procedures generated by the full-time general surgeon increased each year until 2016 when volume decreased 24%.
- The implementation of an orthopedic surgery program has proven to be a major success for Archuleta County and the surrounding environs. Volumes increased from 177 cases in 2014 to 296 in 2016.
- Emergency department volume has grown steadily, with particularly large increases between 2013 and 2014 (36%) and between 2014 and 2015 (30%) and between 2015 and 2016 (12%). At the same time, visits to the primary care clinic have increased, suggesting that the ED volume increases are unrelated to a shortage of primary care

physicians. And, an all-physician ED staff has been key to the increase in visits.

- The number of Rural Health Clinic visits increased more than 28% between 2015 and 2016. The gain is attributable to an increase in the number of providers and a concerted effort to improve patient throughput.
- Impressive growth has also occurred in the imaging business. In 2009, nearly 3,200 radiology exams were provided to 2,300 patients. By 2016, volumes had increased to more than 13,000 exams and 10,100 patients. The growth is attributed to state-of-the-art equipment, which gives patients confidence in using PSMC. In addition, bone density screening and mammography were added in 2014, and nuclear medicine in 2015.
- As the hospital has been able to offer increasingly sophisticated services to Archuleta county residents and visitors, more and more individuals are being transported to PSMC by ambulance in lieu of continuing on to other facilities. In 2016, the number of ambulance transports increased 5% over the previous year although 15 fewer patients were transported to PSMC in 2016 than in 2015.

Hospital Services	2009	2010	2011	2012	2013	2014	2015	2016	% Change 2012 - 2016
Inpatients									
Inpatient Admissions	104	167	167	187	245	468	523	493	163.6%
Inpatient Days	227	443	519	531	707	1,107	1,251	1,299	144.6%
Inpatient ALOS	2.2	2.7	3.1	2.8	2.9	2.4	2.4	2.6	-7.1%
Swing Bed Admissions	18	29	31	24	19	9	8	1	-95.8%
Swing Bed Days	119	279	280	189	169	74	34	3	-98.4%
Swing Bed ALOS	6.6	9.6	9.0	7.9	8.9	8.2	4.3	3.0	-62.0%
Observation Visits	-	127	150	230	235	206	413	395	71.7%
<i>Total Average Daily Census</i>	<i>0.9</i>	<i>2.3</i>	<i>2.6</i>	<i>2.6</i>	<i>3.0</i>	<i>3.8</i>	<i>4.7</i>	<i>4.6</i>	<i>76.9%</i>
Surgical Patients									
Gastroenterology			318	412	400	438	461	513	24.5%
General Surgery			39	82	103	135	214	163	98.8%
Eye Surgery			15	28	44	23	20	-	-100.0%
Orthopedic Surgery			-	-	1	177	256	296	
Pain Management							52	75	
All Other			-	16	18	5	10	7	-56.3%
Total			372	538	566	778	1,013	1,054	95.9%
Emergency Room Visits	3,980	4,228	4,139	4,270	4,782	6,519	6,983	7,812	83.0%
Rural Health Clinic Visits	-	3,778	10,549	14,085	15,438	12,757	16,753	21,493	52.6%
Specialty Clinic Visits							2,329	4,171	
Outpatient Lab Tests	10,561	11,116	11,958	13,871	15,531	17,459	20,481	19,584	41.2%
Imaging Statistics:									
Dx Radiology Exams	2,317	2,669	3,364	3,745	4,434	6,728	7,475	7,383	97.1%
CT Scans	705	674	748	947	1,107	2,163	2,414	2,621	176.8%
MRIs	156	163	244	263	188	629	748	770	192.8%
Ultrasound		88	662	770	767	954	1,096	1,147	49.0%
Echocardiography			204	72	139	238	269	228	216.7%
Nuclear Medicine							13	19	
Mammography						585	700	825	
Bone Density						282	248	392	
Total Imaging Exams	3,178	3,594	5,222	5,797	6,635	11,579	12,963	13,385	130.9%
# Radiology Patients	2,331	2,658	4,207	4,501	5,292	8,450	9,696	10,097	124.3%
Ambulance Statistics									
EMS Calls	1,013	1,067	1,103	1,057	1,184	1,580	1,896	2,057	94.6%
EMS Transports	694	666	684	651	734	933	1,056	1,107	70.0%
EMS Transports to PSMC	381	403	361	386	435	601	693	678	75.6%
% Transports to PSMC	55%	61%	53%	59%	59%	64%	66%	61%	3.3%

ALOS = average length of stay

FINANCIAL TRENDS

The hospital's net income (unaudited) nearly doubled in 2016 over 2015 even though tax revenues increased by only a small (2.0%) percentage. The favorable bottom line is due primarily to grants and donations related to the clinic expansion project and continued growth in core services.

In 2016, Medicare accounted for 35.9% of total charges, just a slight change from 35.3% in 2015. Colorado's Medicaid expansion program resulted in Medicaid charges at 21.6%, a significant increase over the 2012 when Medicaid accounted for 8.7% and 2014 when it reached 17.9%. The increase in Medicaid was largely responsible for a significant decrease (to 5.3%) in self-pay. The percent of Medicaid in 2016 is similar to what it was in 2015.

Following is an income statement summary that compares 2016 to 2015 and 2013. The increase in other revenues (grants) (2016 over 2015) combined with donations resulted in net income almost doubling.

	<u>Unaudited</u>		<u>% Change</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>	<u>2015 to 2016</u>			<u>2013 to 2014</u>
Gross Revenues	49,760,319	46,227,164	7.6%	34,983,889	24,349,054	43.7%
Contractual Loss and Charity	23,366,265	21,449,850	8.9%	15,500,141	10,269,996	50.9%
Net Revenues	26,394,054	24,777,314	6.5%	19,483,748	14,079,058	38.4%
Other Revenues	3,363,435	1,241,586	170.9%	1,710,955	1,415,511	20.9%
Expenses						
Personnel	19,434,212	16,959,619	14.6%	14,269,772	11,316,993	26.1%
Purchased Services and Other	1,434,834	942,568	52.2%	874,522	758,263	15.3%
Supplies	3,271,577	3,223,344	1.5%	2,207,201	1,719,067	28.4%
Depreciation and Interest	2,040,327	2,146,048	-4.9%	1,944,466	1,505,770	29.1%
All Other Expense	2,796,301	2,695,633	3.7%	2,536,646	1,783,802	42.2%
Total Expense	28,977,251	25,967,212	11.6%	21,832,607	17,083,895	27.8%
Operating Gain (Loss)	780,238	51,688		(637,904)	(1,589,326)	-59.9%
Tax Revenues	1,144,735	1,122,124	2.0%	1,106,311	1,299,227	-14.8%
Donations	1,114,864	579,698	92.3%	312,597	451,397	-30.7%
Net Income	3,039,837	1,753,510	73.4%	781,004	161,298	384.2%

Tax revenues have declined steadily since 2011 when PSMC received nearly \$1.7 million. By 2015, the total was \$1.1 million, or a reduction of about \$600,000. Tax revenues have increased slightly over the last two years. PSMC has been successful in its efforts to generate adequate revenue to offset the reduction in tax dollars by offering new services that meet community need.

PERFORMANCE IMPROVEMENT

Revenue Cycle. PSMC contracted with an outside organization to review its Charge Master and to provide training to department managers about key elements of the charging process. This training was completed in December 2016. In 2017, we will continue to update and improve the charging process.

Days in Accounts Receivable (A/R). Days in gross A/R decreased from 79 days to 61 days as a result of significant collection efforts by the business office and other staff.

Days Cash on Hand. Cash on hand at the end of 2016 exceeded the Board's 60-day goal and also exceeded by 25% the 70-day goal mandated by the 2016 bond obligations, resulting in days cash on hand of 87 days. Calculations exclude the 2016 bond funds.

Community Access to and Use of the Primary Care Clinic. PSMC hired a full-time physician recruitment and retention specialist early in 2016 who helped the organization accomplish the following:

- Add a primary care physician in the third quarter of 2016 and will add another in October 2017.
- Engage a gynecologist to provide services monthly.
- Recruit an ENT to begin providing services on-site monthly, effective in 2017.
- Supplement the cardiologist provided by Mercy in Durango with a PSMC-employed cardiologist who will provide services on-site 2 days/month, effective in 2017.

The number of visits per primary care provider increased as a result of using lean processes to improve patient throughput. Enrollment in the patient portal and its utilization increased as a result of work done by a Patient Portal Engagement task force. In partnership with the hospital's EMR (Cerner), began using MoodTrek, a behavioral health tool to help manage patients with mild or moderate depression.

Surgery inventory improvements. Implemented processes to control the inventory in surgery.

QUALITY IMPROVEMENT ACTIVITIES

Patient Safety and Quality

- The Quality Council was formed to review progress toward achieving best practice goals and desirable clinical outcomes. Results of system-wide clinical process improvement

practices are reported through this committee to the Board of Directors. Quality and safety are discussion topics on the agenda of every medical staff meeting.

- The Patient Safety and Performance Improvement Plan was approved by leadership, the Medical Executive Committee, and the Quality Council.
- The Quality and Informatics Departments were reorganized to enhance regulatory reporting through the E.H.R. and to leverage skill sets and talent.
- In addition, reports from other clinical committees are brought to the council for discussion. Specific quality-related accomplishments reported to the Council or other committees included:
 - Implementing transition of care process improvements related to critical care transfer orders and SBAR (Situation, Background, Assessment, and Recommendation) reporting at the point of transition.
 - Reviewing reports from the infection prevention specialist nurse and infection control committee on the system-wide infection control plan, including the antibiotic stewardship program and infection surveillance data.
 - Reviewing reports from the pharmacy and therapeutics committee on the ongoing modification of the formulary and working to enhance drug safety, including reporting of medication variances to the committee, and expanding the PYXIS system to include anesthesia, EMS, and the ED trauma room.
 - Reporting on quality and regulatory issues, including HQIP, PQRS, QHI, Meaningful Use Attestation, and preparing for 2017 MIPS reporting.
 - Expanding daily ED and inpatient huddles to include surgery and imaging.
 - Reducing imaging wait times an average of 10 minutes.
 - Forming the utilization management committee in April 2016.
 - Forming the health information management committee to monitor, assess, and make recommendations related to patient records and coding.

Patient Experience

- The Patient Experience Department focused on advancing its previous work related to gaining patient feedback about care at PSMC. Accomplishments included:
 - Surveying all PSMC inpatients using the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey tool. We converted from a paper format to telephone surveys to improve the completion rate.
 - Assigning responsibility to the Patient Experience Department for coordinating PSMC's service recovery program; previously, each department was responsible for this activity.
 - Using a new software vendor, Clarity, for all event reporting, including patient compliments and concerns.
 - Implementing a process to respond to billing-related concerns promptly.
 - Creating a patient handout that explains the bill and the billing process.
 - Developing a staff training program for the new patient education information that will be included in the patient admission packet.

- Improving the average turn-around time for releasing patient records from 1.9 to 1.2 days.
- Implementing a patient tracking sheet in surgery that includes patient experience feedback and that is reviewed daily by surgery staff.

Emergency Operations (Disaster Preparedness)

- During 2016, PSMC enhanced its efforts to be prepared for a wide variety of emergency situations. Specific activities that supported this commitment included:
 - Participating in a mock regional pandemic event sponsored by the Colorado Department of Public Health and Environment (CDPHE); PSMC's participation was successful.
 - Training managers to respond appropriately to drills and emergencies.
 - Planning for the implementation of a new EMS Command Vehicle.
 - Distributing an updated emergency contact list.
 - Preparing an overall Emergency Operations Plan (EOP) for communication failures and directing managers to develop department-specific plans.
 - Developing an EOP for water failure.
 - Training appropriate staff to respond to utility and generator fires.
 - Including the updated EOP in Policy Manager.

Compliance

- Conducted 13 department-level mock surveys throughout the year; each addressed preparing a survey tool, conducting the survey, and preparing a report that included feedback and action items, as appropriate.
- Entered into a contract with Cerner to provide IT security consultation (a HIPAA requirement).
- Completed a review of all IT policies and procedures; performed an IT security risk assessment.
- Developed a work plan for complying with all HIPAA requirements.
- Contracted with a neutral party to conduct two environment of care and life safety surveys; updated processes and practices as needed.
- Achieved successful surveys of the pharmacy and the laboratory related to licensing.
- Reviewed and revised 896 internal policies and procedures.
- Achieved a high rate (83%) of policy competency by employees.
- Assured that every financial department undergoes at least one internal and one external audit as well as ongoing monitoring annually.
- Coordinated with the Colorado Rural Health Center on an annual evaluation, policy review, and mock survey of the Primary Care Clinic.

- Completed a tool to assess compliance with CDPHE Appendix W regulations.

Conclusion

PSMC has continued to improve existing and create new processes to optimize its resources and to support the hospital's mission, vision, and values.