2010 to 2012 Strategic Plan

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I. Executive Summary

I. Executive Summary

In 2010, Sonoma Valley Hospital (SVH) initiated a strategic planning process aimed at defining the initiatives that will move SVH toward achieving its mission in the years ahead. The organization held a visioning retreat with key stakeholders, including the Board of Directors, administration, and representatives from the medical staff, to reflect on SVH's vision and outline key goals for the future. The outcome of the retreat was the development of a refined vision statement that will guide SVH's future direction. In addition, SVH held a focus group of 25 major community stakeholders to gather input on the strategic direction and initiatives.

Toward the end of 2010, SVH engaged ECG Management Consultants, Inc., to provide further assistance in developing SVH's 3-year strategic plan. SVH had already made a great deal of progress toward building the foundation for the plan, including identifying key initiatives and service lines for growth.

A. Planning Process

ECG's process included obtaining input from key stakeholders, conducting a situational assessment, refining the key initiatives, and developing a strategic plan document that can be utilized by SVH management and the board. The situational assessment included an internal assessment (interviews and financial, operational, and cultural analysis), an external assessment (demographics, competition, industry trends, medical staff planning), and an assessment of SVH's market position (strengths, weaknesses, opportunities, and threats).

B. Strategies

The mission of Sonoma Valley Hospital is to restore, maintain and improve the health of the community. The major initiatives below were selected by hospital leadership and the board to align with the mission, meet the evolving medical needs of the community and to enhance SVH's success. Descriptions of the initiatives are detailed in the body of the report.

- ***Become a best practice hospital that is nationally recognized for quality*** by improving the patient experience, quality statistics and culture using best practices, including implementing and training staff in the Studer methodology, quality and care management, and other known practices that create a quality place to work and receive care.
- ***Pursue a regional strategy with other organizations*** to develop partnerships with regional hospitals that enable Sonoma residents to keep care local, when possible, and have SVH act as a "guide" for services that are not provided in the community. This strategy is the first step in preparing SVH for healthcare reform.
- ***Develop and implement a physician alignment strategy*** as a platform for physician growth by enhancing recruitment and retention of primary care and specialty care providers to the community. As Accountable Care Organizations (ACO's) redefine the healthcare delivery system, this strategic alignment with physician partners will likely lead to a more integrated delivery system with health insurance organizations.

- ***Develop a 5-year master facility upgrade and campus plan*** in order to become more attractive and functional while meeting the seismic requirements of California.
- ***Identify and invest in service lines for strategic growth*** to enhance the ability of SVH to provide the care needs of the community and to grow SVH's market share over the next 5 years.
- ***Develop a long term financial stability plan*** to insure we are able to cover any debt incurred and to be able to afford the on-going maintenance of the aged plant while expanding our campus. This would involve significant increased philanthropic and community development.

Together, these six strategic initiatives will set the direction for SVH and represent the areas in which administration will concentrate its planning efforts and management focus for the next several years. Successful implementation of these initiatives will have a tangible effect on all areas of the organization. In 2011, SVH will work to complete detailed business plans for each of the initiatives, including market analyses and financial projections.

II. Introduction

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A. Background

SVH is a nonprofit district hospital located in the city of Sonoma, California, with a publicly elected Board of Directors. The hospital has 83[1] licensed beds, 6 of which are critical care beds and 27 of which are skilled nursing beds, and an average daily census (ADC) of approximately 43.[2]

SVH has approximately 150 physicians on the medical staff, with most specialties represented. In 2010, nearly 90 were active staff physicians; 39 had courtesy privileges; and the remaining were consulting, temporary, or locum tenens physicians.[3]

The hospital has recently experienced a period of instability characterized by turnover in the management ranks, poor financial performance, and declining market share. As a result, SVH leadership initiated a strategic planning process in fall 2010 to gain an understanding of market trends and identify a series of strategic initiatives that will enable the hospital to better serve the patients in the hospital district while simultaneously improving financial performance.

Throughout fall 2010 and into early 2011, leadership worked with key stakeholders, including physicians, patients, board members, and SVH staff, to review market issues and consider a variety of strategic options. As a result of this process, five distinct initiatives were identified; these are described in detail in this plan. Further, SVH engaged ECG, a national healthcare consulting firm, to document the key initiatives, seek additional input from key stakeholders, and expand the market assessment.

B. Mission, Vision, and Values

A mission articulates an organization's purpose or why it exists. SVH's mission is *"to restore, maintain and improve the health of everyone in our community."* While the mission remains constant, leadership and the board perceived that the vision and values need to be refined to reflect the future direction for SVH based on the current and future healthcare environment.

In fall 2010, a retreat was held with several key stakeholders to create a new vision for SVH that would guide the hospital in the future. The outcome of this meeting was a revised vision for SVH, which was approved by the Board of Directors in fall 2010.

1. SVH Vision

SVH is a warm, comfortable, familial place of healing that is nationally recognized as a best practice quality hospital.

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1 Source: OSHPD's 2009 Hospital Summary Individual Disclosure Report for SVH.

2 Data provided by Mr. Rob Feldman, CFO, SVH, in an interview on November 9, 2010.

3 Source: SVH Current Provider Listing, dated November 3, 2010.

We are the heart of healthcare for our community and we guide the Sonoma District residents through their healthcare journey.

We inspire health improvement through education and compassionate support to help restore and maintain physical, mental, emotional and spiritual health.

In early 2011, new values were created that reflect SVH's fundamental beliefs and that will guide all of SVH's actions.

2. SVH Values

- *Compassion* – Shows consideration of the feelings of others at all times.
- *Respect* – Always acknowledges the value and gifts of another person.
- *Excellence* – Exceeds the expectations of the people served.
- *Accountability* – Reliable, self-responsible owner of the outcomes for the organization.
- *Teamwork* – Productive, participative employee who energizes all other staff members.
- *Innovation* – Seeks new and creative solutions and ways to exceed expectations.
- *Nurturing* – Cultivates, develops and educates those with whom they work.
- *Guidance* – Directs and leads the community members through their healthcare journey.

C. Brand Promise

While a mission statement looks inwards to what an organization stands for, a brand promise is external. It identifies what customers should expect for all interactions with an organization and provides differentiation from competitors. SVH leadership is in the process of re-branding the organization to align with the new vision and values and is expected to finalize the brand promise in the first half of 2011. A draft of the SVH brand promise is outlined below.

3. Promise Concepts

What should our experience be? *Your guide to living well.*

What distinguishes our products and services? *Compassionate professionals.*

How do we offer superior value? *Personalized care for your body, mind and spirit.*

D. Planning Process

The strategic planning process was guided by SVH senior leadership in collaboration with the Board of Directors. The board provided input, challenged ideas, and, in conjunction with senior

leadership, ultimately crafted the strategic direction for SVH. A list of the SVH board members is included in Table 1.

Table 1 – SVH Board of Directors 2010 to 2011[4]

Name	Position
Ms. Madolyn Agrimonti	First Vice-Chair
Mr. Bill Boerum	Treasurer
Mr. Kevin Carruth	Secretary
Mr. Peter Hohorst	Chair
Dick Kirk, M.D.	Previous Member
David Chambers, Ph.D.	Previous Member

In addition, the planning process incorporated feedback from key stakeholders through interviews and meeting discussions. APPENDIX A presents a list of all interviewees; the findings from the interviews are provided in the situational assessment section of this strategic plan, including in the strengths, weaknesses, opportunities, and threats (SWOT) analysis.

1. Process Steps

The strategic development process included three phases: data identification and collection, situational assessment, and strategy development. Table 2 outlines the specific elements of each phase.

Table 2 – Strategic Development Process

Phase	Tasks
Initial Phase **– Identification and collection of data needs.**	• ***Data Collection*** **– Collected and reviewed relevant internal and external data.** • ***Interviews*** **– Conducted interviews with key stakeholders to gain an understanding of SVH's cultural and political environment.**
Situational Assessment **– Evaluation of internal and external market issues.**	• ***Internal Assessment*** **– SVH's financial status, service mix, and current alignments and affiliations were analyzed.** • ***External Assessment*** **– SVH's key competitors, physician relationships, and current market position were evaluated.** • ***SWOT Analysis*** **– Key insights from SVH's internal and external analyses were synthesized.**
Strategic Initiative Formulation **– Evaluation of the detailed initiatives**	• ***Strategy Components and Associated Initiatives*** **– Based on the assessment, strategic plan initiatives were identified.**

[4] Directors serve 4-year terms, with elections taking place during general elections for local, state, or national offices.

Phase	Tasks
that support the overall strategic direction of the hospital.	• ***Initiative Evaluation* – Primarily through the interviews, a high-level evaluation of the impact of the preferred strategic initiatives was performed.** • ***Next Steps* – Next steps related to the vetting of the strategic initiatives were identified.**

2. Next Steps Required for Implementation

This plan represents a summary document and is a starting point for the additional work that will need to be conducted by SVH administration for the implementation of the identified strategic initiatives. Further interviews and committee meetings are being scheduled to enhance input, and additional business planning work (including the development of detailed financial projections) will be required to develop a detailed implementation plan for each initiative, especially with regard to the service line planning initiatives.

Business planning around the identified strategic initiatives is expected to be completed throughout 2011, as outlined in the implementation plan timeline in Section V of this document. Once the detailed initiative business planning has been completed, the strategic plan document will be updated, including the finalization of the 5-year financial projections.

III. Situational Assessment

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A situational assessment was conducted to better understand key trends and issues affecting SVH and the surrounding community. The assessment was divided into two segments: internal and external.

The purpose of the internal assessment was to gain insight from SVH leadership (physician, administrative, and board) and to establish a baseline regarding its current financial and operational performance. The internal assessment focused on stakeholder interviews and current SVH financial and operating trends.

The goal of the external assessment was to identify critical external drivers and emerging trends expected to impact SVH in the next 5 years. The external assessment incorporated several inputs such as demographic studies, competitor analyses, a physician community need study, and market share analyses.

The remainder of the situational assessment is organized as follows:

- Internal Assessment
- External Assessment
- SWOT Analysis

A. Internal Assessment

The internal assessment provided considerable insight regarding the perceptions and ideas of various constituencies while also documenting trends in SVH's financial and operating performance.

1. Interview Findings

Approximately 14 interviews were conducted with key SVH stakeholders. The purpose of the interviews was to identify interviewee opinions and perceptions regarding: (1) the services provided at SVH relative to competitors, (2) the program needs of the community, and (3) how SVH could strategically differentiate itself in the market.

Several major themes emerged from the interviews:

- Although there is some trepidation based on experience with previous administrations, stakeholders are generally optimistic about the ability of the new leadership to move SVH in a positive direction.
- All of the interviewees were excited about the planning process and see it as an indicator of the new CEO's commitment to growing and expanding services to meet the needs of the community.

- Unanimously, all of the interviewees expressed appreciation for being consulted and involved in the strategic planning process.
- Several stakeholders articulated concerns regarding past financial performance and the ability of SVH to become profitable.
- Several interviewees commented on the need to complete additional detailed planning and due diligence regarding the service line initiatives prior committing scarce hospital resources.
- Finally, a high-level of concern was expressed regarding the overall healthcare environment and the ability for SVH to survive as an independent hospital in the future.

Other perspectives from the interviews are outlined throughout the remainder of this document, particularly in the SWOT analysis and the description of the strategic initiatives.

The themes outlined above are also similar to what has been heard in a comprehensive effort to engage the community regarding the future of the hospital. Over the past several months, hospital leaders and board members have met with community members in a variety of forums, the opinions expressed during these forums have been incorporated into the strategic plan.

2. Hospital Performance

SVH measures internal performance on a monthly basis using a balanced scorecard approach. SVH's dashboard is composed of the following six pillars, each having specific metrics and annual goals: excellence, quality, people, finance, growth, and community. These metrics represent key areas of focus that will be required for SVH to realize its goals. As illustrated in Table 3, SVH is exceeding the annual goal in five of the metrics and is approaching the annual goal in the other areas. In addition, the hospital has a quality dashboard that reflects consistent excellent scores of 99%.

Table 3 – SVH Hospital Performance Dashboard – December 31, 2010

Performance Goal	Measurement	Annual Goal	Actual Performance
Excellence	Patient Satisfaction	50th Percentile 90%	83.9%
	Number of Complaints	Fewer Than 10 Per Month	10
Quality	Clinical Outcomes	90%	99%
	Physician Satisfaction[5]	75%	TBD
People	Staff Satisfaction[5]	75%	TBD
	Productivity	5.0 FTEs/AOB	3.86

[5] Measured on an annual basis. Amounts will be updated when SVH receives results.

Performance Goal	Measurement	Annual Goal	Actual Performance
Finance	YTD Net Income	3%	4.9%
	Expense Management (Operating Expense Per Adjusted Patient Day)	$1,550	$1,700
Growth	Inpatient Volumes	1% Above FY 2010	5%
	Outpatient Revenue	2% Above FY 2010	8%
Community	Market Share	50%	47%

4. Hospital Financial Performance

As a component of the strategic planning process, SVH's historical financial trends and performance were analyzed and compared to that of key competitors.

a. Historical Financial Performance

Over the last 3 years, from 2008 to 2010, SVH's net revenues and labor expenses increased by approximately 2.2 percent, while nonlabor expenses decreased by approximately 4.4 percent. Although SVH's contribution margin remains negative, it improved 27.2 percent over this time period.

In general, the community's tax support continues to represent an important source of revenue for the hospital. Table 4 below summarizes key financial performance trends.

Table 4 – SVH Historical Financial Performance Trends[6,7]

(Dollars in Thousands)

	FY 2008	FY 2009	FY 2010	Percentage Change	FY 2011 Budget
Net Revenues	$39,403	$41,115	$40,272	2.2%	$42,375
Labor Expense	26,561	27,628	27,158	2.2%	27,784
Nonlabor Expense	16,498	15,285	15,774	-4.4%	14,913
Total Expenses	$43,059	$42,913	$42,932	-0.3%	$42,697
Operating Margin	$ (3,656)	$ (1,798)	$ (2,660)	27.2%	$ (322)
Other Income	2,836	2,748	3,477	22.6%	2,891
Net Income/(Loss)	$ (820)	$ 950	$ 817		$ 2,569

6 Source: 2011 budget from Mr. Feldman, CFO, SVH. 2008 through 2010 data from SVH's Annual Financial Report, prepared by Mr. Thomas L. Camp.

7 Years are based on SVH's fiscal year, which is July 1 through June 30.

b. Fiscal Year 2011 Comparison to Budget

SVH has budgeted for a significant improvement in net income for 2011; however, for the 6 months ending December 31, 2010, SVH's net income was $1,111,113, which was 9.5 percent under budget. A comparison of actual annualized YTD December 31, 2010, performance to the FY 2011 budget is outlined in Table 5.

Table 5 – SVH Current Financial Performance[8]

(Dollars in Thousands)

	Annualized YTD December 31, 2010	FY 2011 Budget	Variance	Percentage Change
Revenues				
Net Revenues	**$45,228**	**$42,375**	**$ 2,853**	**6.7%**
Expenses				
Labor Expense	$29,452	$27,784	$ 1,668	6.0%
Nonlabor Expense	17,516	14,913	2,603	17.5%
Total Expenses	**$46,968**	**$42,697**	**$ 4,271**	**10.0%**
Operating Margin	**$ (1,740)**	**$ (322)**	**$(1,418)**	**440.4%**
Other Income	3,962	2,891	1,071	37.0%
Net Income/(Loss)	**$ 2,222**	**$ 2,569**	**$ (347)**	**-13.5%**

a. Projected Future Performance

Based on high-level financial projections compiled by ECG, SVH's contribution margin is projected to improve over the next 3 years, but in the near future it is predicted to remain negative. These financial projections will need to be revised in the future, once the service line business plans have been completed.

[8] Source: SVH Statement of Revenue and Expenses from Ms. Kathleen Gebhardt, Finance, SVH.

Table 6 – SVH 3-Year Projected Financial Performance

(Dollars in Thousands)

	Annualized FY 2011 YTD	FY 2012	FY 2013
Net Revenues[9]	**$45,228**	**$46,361**	**$47,407**
Labor Expense[10]	29,452	30,336	31,246
Nonlabor Expense[11]	17,516	17,604	17,692
Total Expenses	**$46,968**	**$47,939**	**$48,937**
Operating Margin	**$ (1,740)**	**$ (1,578)**	**$ (1,530)**
Other Income[12]	3,962	3,972	3,982
Net Income	**$ 2,222**	**$ 2,394**	**$ 2,451**

c. Payor Mix

Over the past several years, SVH's payor mix has shifted. SVH's Medicare payor mix of 52.5 percent well exceeds the state average of 36.3 percent and is expected to rise due to the projected increase in the age 65 and older cohort in the next 5 years. Since 2007, SVH's Medi-Cal payor mix has decreased significantly and is well below the California state average of 26.8 percent.[13] SVH's third-party insurance payor mix has increased 39.4 percent during the same period. Figure 1 provides detail on SVH's historical payor mix trends and California's 2008 payor mix.

9 Assumes net revenue will increase 2.5 percent in Year 1 based on historical 3-year average (2008 to 2011 budget) and then decrease 0.15 percent each year thereafter.

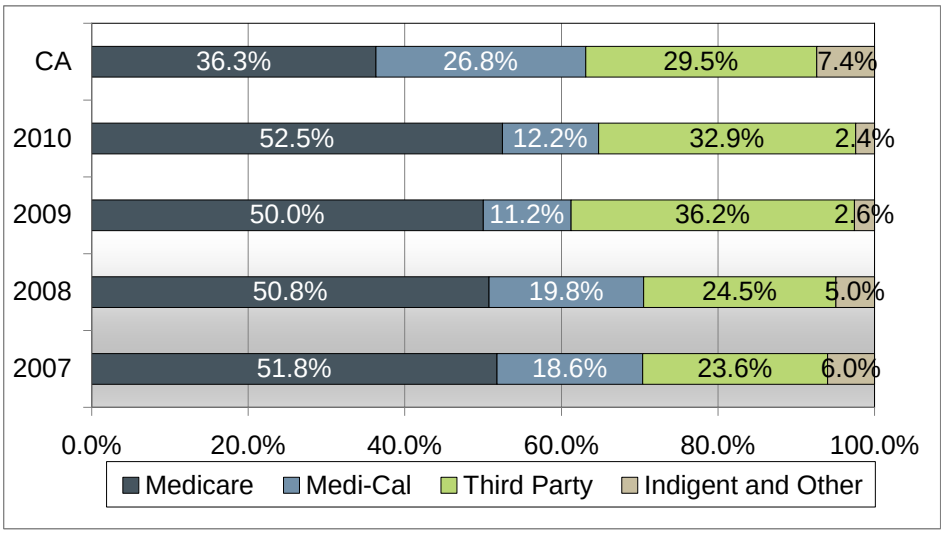
10 Assumes labor expense will increase 3 percent each year in order to bring SVH salaries to market.

11 Assumes increase of 0.05 percent each year.

12 Assumes increase of 0.025 percent each year.

13 Source: OSHPD Financial Disclosure Reports, FY 2006 through 2008. California data based on 2008 report.

Figure 1 – SVH Payor Mix[14]



B. External Assessment

ECG conducted a market assessment of relevant local and regional trends to identify potential areas of strategic relevance in the service area.

1. Definition of Service Areas

For the external assessment, volume and demographic statistics were analyzed based on distinct definitions of the primary service area (PSA) and the secondary service area (SSA), as illustrated in Table 7. These designations were outlined in a report prepared for SVH by Health InfoTechnics, LLC, and have formed the basis for the external assessment in this plan.

Table 7 – Service Area Designation[15]

2010 Service Area Designation	ZIP Code	City
PSA	95476	Sonoma
SSA	95416, 95431, 95433, 95442, 95487	Glen Ellen and Sonoma

Although SVH is the only hospital within the PSA and SSA, there are multiple competitors in the general area, including those in Table 8.

Table 8 – SVH Competitors[16]

[14] Source: Mr. Leo Jeffers, Finance, SVH, and OSHPD Financial Disclosure Reports, FY 2006 through 2008. California represents all other California hospitals in 2008.

[15] Data provided by Health InfoTechnics, LLC.

[16] Source: OSHPD Financial Disclosure Reports, FY 2009.

Facility	Location	Distance From SVH	Licensed Beds[17]	Available Beds[18]	Major Services
Healdsburg District Hospital	Healdsburg	31.9 Miles	43	38	Acute and critical care.
Kaiser Permanente Santa Rosa Medical Center	Santa Rosa	18.8 Miles	117	117	Acute and critical care.
Marin General Hospital	Greenbrae	23.8 Miles	235	235	Acute, critical, and psychiatric care; level III trauma and NICU.
Novato Community Hospital	Novato	14.5 Miles	47	47	Acute and critical care.
Palm Drive Hospital	Sebastopol	20.7 Miles	37	37	Acute and critical care.
Petaluma Valley Hospital	Petaluma	9.2 Miles	80	59	Acute and critical care.
Queen of the Valley Medical Center	Napa	9.3 Miles	191	191	Acute, critical, and psychiatric care; level III trauma.
Santa Rosa Memorial Hospital	Santa Rosa	16.7 Miles	414	263	Acute, critical, and psychiatric care; level II trauma and NICU.
Sutter Medical Center Santa Rosa	Santa Rosa	18.1 Miles	135	135	Acute, critical, and psychiatric care and NICU.
Sutter Solano Medical Center	Vallejo	16.3 Miles	102	102	Acute and critical care.

Figure 2 illustrates SVH's PSA and SSA and identifies the location of the major competitors.

[17] Ibid.

[18] Ibid.

Figure 2 – SVH Service Area Map[19]

NOTE: Denotes enclosed ZIP codes that are typically P.O. boxes within a delivery area.

[19] Ibid.

1. SVH.
2. Queen of the Valley Medical Center.
3. Petaluma Valley Hospital.
4. Santa Rosa Memorial Hospital.
5. Kaiser Permanente Santa Rosa Medical Center.
6. Sutter Solano Medical Center.
7. Sutter Medical Center Santa Rosa.
8. Novato Community Hospital.
9. Marin General Hospital.
10. Palm Drive Hospital.
11. Healdsburg District Hospital.

2. Competitor Financial Comparison

While SVH and many of its competitors have experienced negative operating margins, more than half have realized financial gains over the last 3 years. Table 9 summarizes the recent financial performance of SVH and several of its major competitors.

Table 9 – Hospital Financial Performance[20]

(Dollars in Millions)

	FY 2006 Performance	FY 2009 Performance	Percentage Change
Net Patient Revenue			
Sonoma Valley Hospital	$36.8	$41.1	11.7%
Healdsburg District Hospital	$17.2	$29.3	70.2%
Marin General Hospital	$246.8	$273.7	10.9%
Novato Community Hospital	$60.3	$61.7	2.3%
Palm Drive Hospital	$15.3	$28.2	84.9%
Petaluma Valley Hospital	$74.6	$74.3	-0.4%
Queen of the Valley	$204.0	$244.6	19.9%
Santa Rosa Memorial Hospital	$286.7	$322.2	12.4%
Sutter Medical Center Santa Rosa	$163.4	$138.6	-15.2%
Sutter Solano Medical Center	$97.8	$111.4	13.9%
Operating Margin			
Sonoma Valley Hospital	-4.9%	-4.3%	14.0%
Healdsburg District Hospital	-12.2%	-7.2%	40.7%
Marin General Hospital	5.9%	8.8%	49.9%

[20] Source: OSHPD Hospital Summary Individual Reports for 2006 and 2009. Kaiser Permanente Santa Rosa Medical Center not reported in OSHPD.

	FY 2006 Performance	FY 2009 Performance	Percentage Change
Novato Community Hospital	8.8%	0.5%	-94.5%
Palm Drive Hospital	-48.9%	-6.4%	86.9%
Petaluma Valley Hospital	-2.7%	-6.1%	-125.9%
Queen of the Valley	5.8%	3.1%	-47.4%
Santa Rosa Memorial Hospital	5.0%	4.0%	-19.7%
Sutter Medical Center Santa Rosa	-7.0%	-3.5%	50.8%
Sutter Solano Medical Center	-4.1%	-2.9%	29.8%

3. Demographics

a. Population Growth

Demographic trends in the SVH service areas are consistent with comments made during the interviews regarding the aging of the overall service area population.

- The largest and fastest-growing population segment for the PSA is age 65 or older, which currently represents 19.7 percent of the PSA's population and approximately 34 percent of SVH's combined PSA and SSA.[21]
- This cohort is expected to grow 13.6 percent in SVH's PSA and 32.4 percent in SVH's SSA by 2014.[22]
- Although the overall population of the combined PSA and SSA is expected to grow by 1 percent, the population of individuals age 24 and under is expected to decline by 6.3 percent by 2014.[23]

Table 10 summarizes the population growth projections for SVH's PSA and SSA, relative to California and the U.S.

[21] Source: Report dated August 30, 2010, from Health InfoTechnics, LLC.

[22] Ibid.

[23] Ibid.

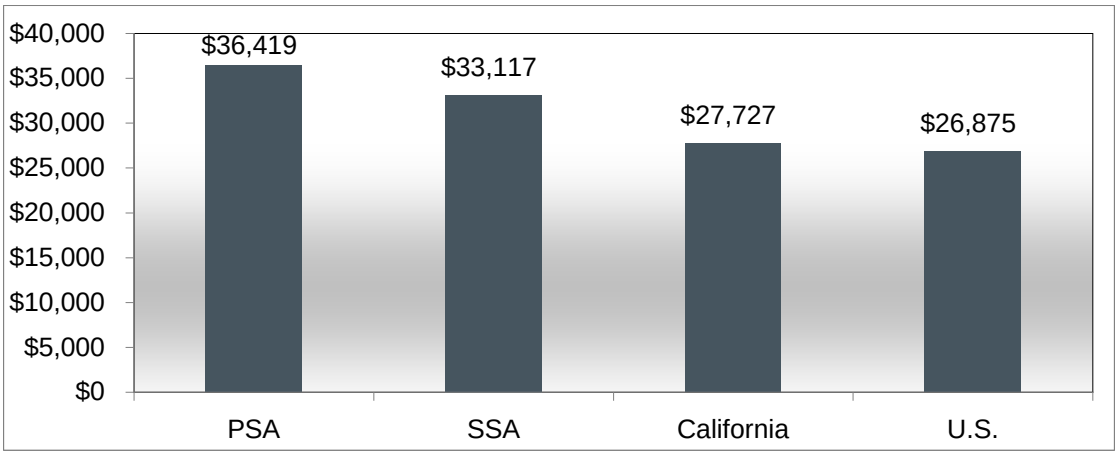
Table 10 – Projected Growth – 2009 to 2014[24]

	2009					2014					Projected Growth				
Age	PSA	SSA	Combined	CA	US	PSA	SSA	Combined	CA	US	PSA	SSA	Combined	CA	US
00–14	5,913	491	6,404	8,147,901	62,462,181	5,882	469	6,351	8,565,170	65,223,691	-0.52%	-4.48%	-0.83%	5.12%	4.42%
15–24	3,934	590	4,524	5,653,653	43,465,432	3,783	492	4,275	5,642,301	43,883,789	-3.84%	-16.61%	-5.50%	-0.20%	0.96%
25–34	3,996	554	4,550	5,516,528	41,067,838	4,351	768	5,119	6,081,835	44,047,552	8.88%	38.63%	12.51%	10.25%	7.26%
35–44	4,106	688	4,794	5,286,683	42,483,496	3,947	633	4,580	5,137,714	41,504,251	-3.87%	-7.99%	-4.46%	-2.82%	-2.31%
45–54	5,199	841	6,040	5,300,064	45,350,324	4,657	702	5,359	5,173,004	43,764,882	-10.43%	-16.53%	-11.27%	-2.40%	-3.50%
55–64	5,223	789	6,012	3,891,460	35,270,554	5,104	695	5,799	4,424,911	39,872,098	-2.28%	-11.91%	-3.54%	13.71%	13.05%
65+	6,962	562	7,524	4,136,866	39,617,963	7,909	744	8,653	4,857,205	45,752,468	13.60%	32.38%	15.01%	17.41%	15.48%
Total	35,333	4,515	39,848	37,933,155	309,717,788	35,633	4,503	40,136	39,882,140	324,048,731	0.85%	-0.27%	0.72%	5.14%	4.63%

b. Resident Incomes

The per capita income of residents in SVH's PSA and SSA is higher relative to state and national figures, as illustrated in Figure 3. Although the service area's per capita income is well above average, its Medicare population is 14.5 percentage points higher than the California State average of 36.3 percent.[25] Therefore, the higher incomes in the area do not necessarily indicate a better payor mix.

Figure 3 – PSA and SSA Per Capita Income Compared to California and U.S.[26]



4. Physician Needs Study

A detailed needs assessment was conducted in July 2009, by the Champion Group, LLC,[27] to evaluate the current and forecasted supply of physicians necessary to care for SVH's service area population.

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[24] Source: Report dated August 30, 2010, from Health InfoTechnics, LLC.

[25] Source: OSHPD Financial Disclosure Reports, FY 2009.

[26] Ibid.

[27] Data has not been verified by ECG. For the purposes of this assessment, the information was taken as provided.

Based on the needs study, the average age of physicians in the service area is approximately 55.1 years, which is well above the national average of 46.1 years. This trend confirms concerns expressed during the interviews regarding the overall aging of the physician population. Consequently, there is a need to recruit and replace those physicians nearing retirement.

The Champion Group projected that by 2012 the SVH PSA primary care deficit, including family practice (FP), internal medicine (IM), and pediatrics combined, would be nearly 16 FTEs, assuming that the FTE count remains constant. Currently, SVH's volume cannot support the Champion Group's recommendations. Table 11 below summarizes physicians recruited by SVH in 2010 and the projected future needs for key specialties.

Table 11 – SVH Physician Needs

	2010 Need	2010 SVH Recruited	Future Needs
Family Practice	2.00	1.00	1.00
Internal Medicine	1.00	0.00	1.00
Endocrinology	0.25	0.00	0.25
Gastroenterology	0.50	0.00	0.50
General Surgery	1.50	1.50	0.00
Hem./Oncology	0.50	0.00	0.50
OB/GYN	1.50	0.00	1.50
Orthopedic Surgery	1.00	1.00	0.00
Otolaryngology	1.00	0.50	0.50
Psychiatry	1.00	0.00	1.00
Urology	1.00	0.00	1.00
Total	**11.25**	**4.00**	**7.25**

5. Market Share Analysis

The market share analysis was conducted by evaluating inpatient and outpatient data, based on information provided by Health InfoTechnics, LLC, and the California Office of Statewide Health Planning and Development (OSHPD).

a. Inpatient Findings

SVH's inpatient volumes have declined 12.3 percent from 2007 to 2010, while SNF discharges increased 26.3 percent during the same period. In 2011, SVH budgeted for a nearly 6 percent increase in inpatient discharges from the previous year. Over the next 5 years, OSHPD is projecting volume growth of 7.3 percent in SVH's PSA, including the service lines that SVH has identified as areas of strategic investment. Detailed inpatient volume projections for the service area are presented in APPENDIX B.

Table 12 – SVH Inpatient Discharges[28]

	2007	2008	2009	2010	Percentage Change
Acute Discharges	1,736	1,809	1,785	1,586	-12.3%
SNF Discharges	385	372	424	470	26.3%
Total	**2,121**	**2,181**	**2,209**	**2,056**	**-5.7%**

From 2006 to 2009, the total combined service area market increased by 13.4 percent, or nearly 500 cases.[29] During this time, SVH experienced a 7.6 percent increase in cases. Table 13 illustrates the inpatient case volume trends of SVH and its local competitors.

Table 13 – 2006 Through 2009 Inpatient Volume Trends From SVH PSA and SSA[30]

Facility	2006 Cases	2007 Cases	2008 Cases	2009 Cases	Percentage Change
SVH	1,838	1,672	1,757	1,977	7.6%
California Pacific Medical Center	95	85	86	88	-7.4%
Kaiser Combined	578	567	605	679	17.5%
MGH	137	172	162	190	38.7%
Queen of the Valley	117	123	165	171	46.2%
Santa Rosa Memorial Hospital	280	302	276	275	-1.8%
Sutter Medical Center Santa Rosa	148	111	98	84	-43.2%
UCSF Medical Center	148	147	126	161	8.8%
All Other Hospitals	323	425	432	529	63.8%
Total	**3,664**	**3,604**	**3,707**	**4,154**	**13.4%**

In 2009, SVH had a 47.6 percent inpatient market share, measured in cases, in the combined service area. Since 2006, SVH's inpatient market share has decreased 5.1 percent, while other competitor hospitals, including Queen of the Valley and MGH, experienced sizeable increases in market share.[31] Market share trends for SVH and its competitors are presented in Table 14.

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[28] 2007 through 2009 data from OSHPD Discharge Summary Report. 2009 SNF data and 2010 and 2011 budget data from Mr. Feldman, CFO, SVH.

[29] Source: California OSHPD Public Patient Discharge Data Set 2007–2009. Volume based on DRGs. Includes rehabilitation cases.

[30] Source: 2006–2008 Health InfoTechnics, LLC, report based on OSHPD data from SVH. 2009 data from the 2009 OSHPD Public Patient Discharge Data Set. Includes rehabilitation cases.

[31] Source: California OSHPD Public Patient Discharge Data Set 2007–2009. Volume based on DRGs. Includes rehabilitation cases.

Table 14 – 2006 to 2009 Inpatient Market Share Trends for Combined Service Area[32]

Facility	2006	2007	2008	2009	Percentage Change
SVH	50.2%	46.4%	47.4%	47.6%	-5.1%
California Pacific Medical Center	2.6%	2.4%	2.3%	2.1%	-18.3%
Kaiser Combined	15.8%	15.7%	16.3%	16.3%	3.6%
MGH	3.7%	4.8%	4.4%	4.6%	22.3%
Queen of the Valley	3.2%	3.4%	4.5%	4.1%	28.9%
Santa Rosa Memorial Hospital	7.6%	8.4%	7.4%	6.6%	-13.4%
Sutter Medical Center Santa Rosa	4.0%	3.1%	2.6%	2.0%	-49.9%
UCSF Medical Center	4.0%	4.1%	3.4%	3.9%	-4.0%
All Other Hospitals	8.8%	11.8%	11.7%	12.7%	44.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

b. Overall Service Line Market Share

Table 15 illustrates SVH's changes in service line market share from 2007 to 2009 for the combined service area. Although vascular, thoracic surgery, and neurosurgery service lines have the largest increases in market share, their volume is very minimal – 20 cases total for all three service lines. SVH's service lines with the largest volume in 2009 included: general medicine at 609 cases, rehabilitation at 385 cases, obstetrics and GYN at 271 cases, cardiac services at 113 cases, general surgery at 104 cases, orthopedics at 100 cases, neurology at 82 cases, ENT at 14 cases, and all other inpatient cases at 94, for a total of 1,977 cases.

[32] Ibid.

Table 15 – SVH Market Share Trends by Service Line[33]

	2007	2008	2009	Percentage Change
Vascular Services	8.5%	11.0%	20.3%	137.5%
Thoracic Surgery	9.5%	20.0%	21.1%	121.1%
Neurosurgery	0.0%	0.0%	4.2%	100.0%
ENT	13.9%	21.8%	23.0%	65.2%
Gynecology	47.1%	64.5%	59.2%	25.5%
Neurology	47.7%	54.6%	57.3%	20.1%
Spine	27.7%	22.0%	30.3%	9.5%
Rehabilitation	86.6%	88.4%	93.7%	8.1%
General Medicine	51.5%	53.6%	53.4%	3.7%
Cardiovascular	34.2%	35.7%	32.6%	-4.8%
Oncology/Hematology	27.1%	27.2%	25.6%	-5.6%
Obstetrics	53.3%	50.4%	48.9%	-8.3%
Orthopedics	33.9%	31.3%	30.8%	-9.2%
Neonatology	52.7%	49.9%	47.1%	-10.6%
General Surgery	39.7%	38.6%	32.0%	-19.3%
Urology	31.0%	21.4%	14.8%	-52.4%
Other Trauma	42.1%	22.9%	18.0%	-57.3%
Total	**47.1%**	**47.7%**	**47.6%**	**1.1%**

c. Targeted Service Line Market Share

Further detailed analysis was conducted for the service lines that SVH has selected as strategic areas of focus. Figure 4 and Table 16 highlight the volume and market share trends in SVH's combined service area. Although Geriatrics in not addressed in this chart, the major specialties that address Geriatrics are Internal Medicine, Urology, Orthopedics, Vascular Services and General Surgery.

[33] Ibid.

Figure 4 – 2007 to 2009 SVH Inpatient Volume Trends (Cases)[34]

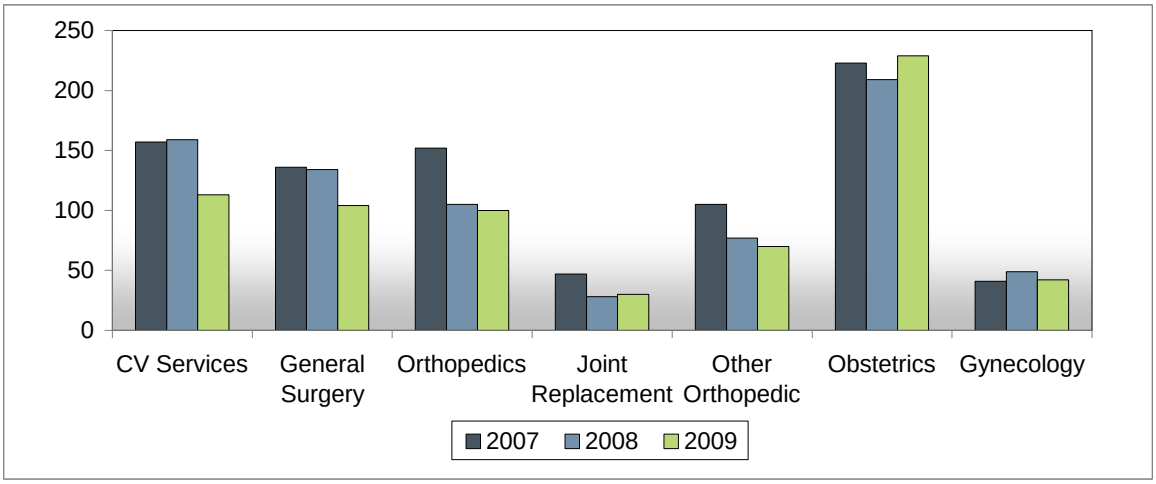

Table 16 – 2007 to 2009 SVH Inpatient Market Share Trends[35]

Service Line	2007	2008	2009	Percentage Change
Cardiovascular Services	34.2%	35.7%	32.6%	-4.8%
General Surgery	39.7%	38.6%	32.0%	-19.3%
Bariatrics	0.0%	0.0%	0.0%	0.0%
Orthopedics	32.6%	31.3%	30.8%	-5.7%
Joint Replacement	26.3%	16.0%	18.6%	-29.0%
Other Orthopedic	36.6%	47.8%	42.7%	16.7%
Obstetrics	53.3%	50.4%	48.9%	-8.3%
Women's Services (Gynecology)	47.1%	64.5%	59.2%	25.5%

Key findings related to the market share analysis are outlined below.

Cardiovascular Services[36]

- Since SVH does not perform cardiac surgery or interventional procedures, all of its inpatient cases are classified as medical cardiology. Therefore, SVH's cardiovascular market share potential is somewhat limited.
- SVH's cardiovascular volume declined 28 percent from 2007 to 2009, while its market share declined only 4.8 percent.

[34] Ibid.

[35] Ibid.

[36] Ibid.

Orthopedics – Joints[37]

- SVH's current market share in orthopedics and joint replacement is 30.8 percent and 18.6 percent, respectively.
- From 2007 to 2009, SVH experienced declines in volume and market share in orthopedics, including joint replacements. Joint replacement volume and market share decreased 36.2 percent and 5.7 percent, respectively.
- During this same period, all of SVH's close competitors' volume and market share increased.
- Much of the loss in volume and market share can be attributed to one of SVH's busiest orthopedic surgeons shifting his business to another facility.
- In May 2010, SVH recruited Michael Brown, M.D., who specializes in joint replacement, to help recapture and grow orthopedic market share. Since Dr. Brown's arrival, SVH has experienced increases in orthopedic volumes.

Bariatrics[38]

- The total inpatient bariatric volume for SVH's combined service area is minimal; the volume for the four-county area (Sonoma, Marin, Solano, and Napa Counties) for 2009 was 370 inpatient cases, and approximately 43 percent of these cases were performed at a Kaiser facility.[39]
- Kaiser facilities had over half of the market share from 2007 to 2009.
- Further market research will need to be conducted to identify the demand for bariatric services and the catchment area.

Table 17 – Inpatient Bariatric Market Volume Trends[40]

	2007	2008	2009
SVH Combined SSA/PSA	13	7	8
Four-County Area (Marin, Sonoma, Solano, and Napa)[41]	344	365	370

Obstetrics[42]

37 Ibid.

38 Ibid.

39 Source: Intellimed – 2009 volume of MS-DRGs 619, 620, and 621 for Sonoma County, Marin County, Napa County, and Solano County.

40 Source: California OSHPD Public Patient Discharge Data Set 2007–2009. Volume based on DRGs.

41 Source: Intellimed – 2009 volume of MS-DRGs 619, 620, and 621 for Sonoma County, Marin County, Napa County, and Solano County.

42 Source: California OSHPD Public Patient Discharge Data Set 2007–2009. Volume based on DRGs.

- SVH's current obstetric market share in the combined service area is 48.9 percent.
- From 2007 to 2009, SVH's OB volume increased 2.7 percent, while its market share decreased 8.3 percent.
- During this period, Queen of the Valley's OB market share increased dramatically, by nearly 49 percent. Sutter Santa Rosa and Santa Rosa Memorial Hospital's OB market share declined by 13.5 percent and 18.1 percent, respectively.
- Normal newborn volume is projected to increase by nearly 7 percent by 2014[43] in SVH's PSA. Since SVH currently has only one OB/GYN performing deliveries, the hospital plans to recruit an additional OB/GYN in 2011 to meet the increasing demand.

Table 18 – Obstetric Market Share Trends[44]

	2007	2008	2009	Percentage Variance
SVH	53.3%	50.4%	48.9%	-8.3%
K-SR	17.2%	18.1%	17.7%	3.0%
SRMH	7.7%	4.1%	6.6%	-13.5%
SMCSR	5.7%	5.8%	4.7%	-18.1%
MGH	5.0%	4.1%	4.5%	-10.7%
QVH	2.9%	5.1%	4.3%	48.9%
Other	8.1%	12.5%	13.2%	62.9%
Total	**100.0%**	**100.0%**	**100.0%**	

NOTES: Figures may not be exact due to rounding. See APPENDIX D for the list of hospitals and abbreviations.

Women's Services (Gynecology)[45]

- Currently, SVH is capturing 59.2 percent of the GYN market share in the combined service area.
- Although SVH's women's service line volume remained relatively flat from 2007 to 2009, its market share increased 25.5 percent.
- The total volume in the combined service area declined 18.4 percent during the same period.
- SVH should be able to regain some of the market share with its focus on senior services for women, including urogynecology.

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43 Source: Health InfoTechnics, LLC, report provided by SVH.

44 Source: OSHPD Public Patient Discharge Data Set 2007–2009. Volume based on DRGs.

45 Ibid.

Detailed inpatient market share data by service line and sub-service line is presented in APPENDIX C.

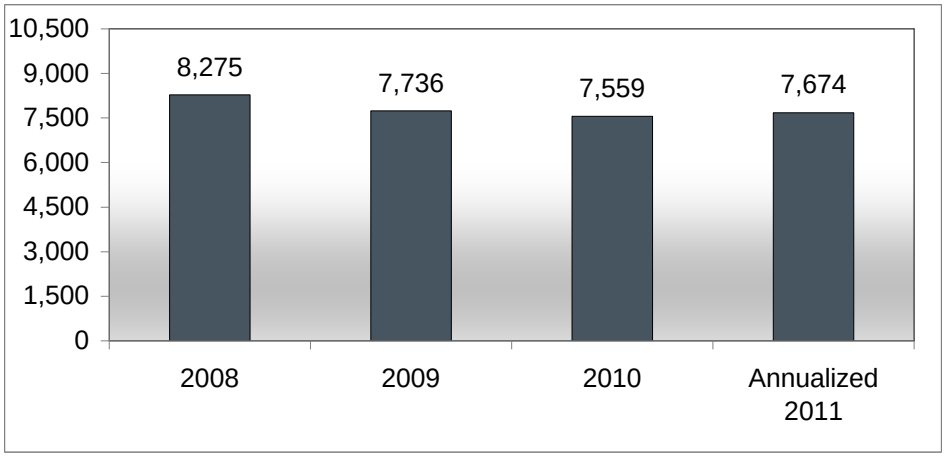
d. Outpatient Findings

Emergency Department Trends

An analysis of the emergency department (ED) volume and market share reinforced the belief that the community views the ED as one of SVH's most important services, as measured by its extremely high market share of approximately 70 percent. Kaiser has the next-highest market share at 12.2 percent.

From FY 2008 to FY 2009, the hospital experienced declining ED volumes, but volume has remained somewhat flat over the last 3 years, as illustrated in Figure 5.

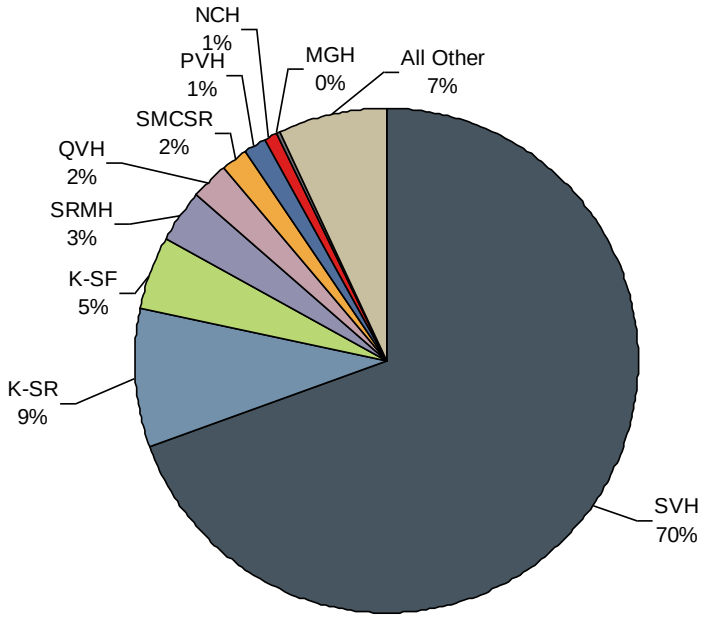
Figure 5 – SVH ED Visits[46]



As illustrated in Figure 6, SVH's market share in ED services in the combined PSA/SSA is substantial.

[46] Source: Mr. Leo Jeffers, Finance, SVH. FY 2011 annualized is based on data July 1 through December 31, 2010.

Figure 6 – 2009 ED Market Share[47]



Outpatient Surgery Trends

Relative to ED volume, SVH's market share with ambulatory surgery cases is low. SVH is capturing 28.8 percent of the ambulatory surgery cases in its PSA and 21.4 percent in its SSA. It is expected that SVH's outpatient surgery market share will increase in the near future, given the recent or planned recruitment of specialists in the orthopedic, ENT, and general/bariatric surgery specialties.

Table 19 – 2008 SVH Ambulatory Surgery Market Share[48]

	PSA Ambulatory Surgery	PSA Market Share	SSA Ambulatory Surgery	SSA Market Share	Combined SA Visits	Combined Market Share
SVH	729	28.8%	73	21.4%	802	27.9%
Kaiser	314	12.4%	55	16.1%	369	12.9%
Santa Rosa Memorial Hospital	159	6.3%	49	14.4%	208	7.2%
Queen of the Valley	155	6.1%	5	1.5%	160	5.6%
Petaluma Valley Hospital	123	4.9%	19	5.6%	142	4.9%
UCSF Medical Center	124	4.9%	7	2.1%	131	4.6%
Marin Specialty Surgical Center	101	4.0%	6	1.8%	107	3.7%
Marin General	95	3.8%	–	0.0%	95	3.3%

47 Source: 2009 OSHPD data for PSA and SSA.

48 Ibid.

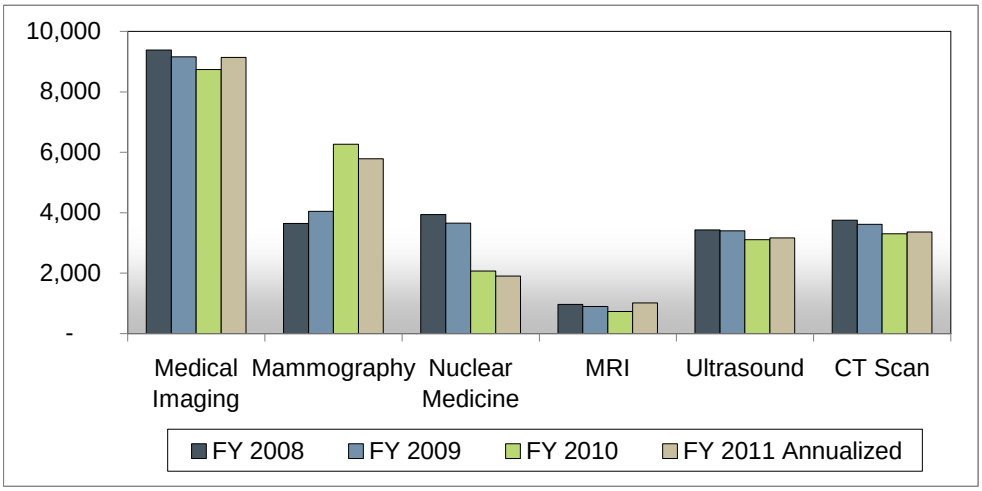
	PSA Ambulatory Surgery	PSA Market Share	SSA Ambulatory Surgery	SSA Market Share	Combined SA Visits	Combined Market Share
Sutter Medical Center Santa Rosa	68	2.7%	27	7.9%	95	3.3%
Health South Surgical Center Santa Rosa	74	2.9%	13	3.8%	87	3.0%
California Pacific Medical Center	64	2.5%	11	3.2%	75	2.6%
Novato Community Hospital	51	2.0%	8	2.3%	59	2.1%
All Other Hospitals	472	18.7%	68	19.9%	540	18.8%
Total	**2,529**	**100.0%**	**341**	**100.0%**	**2,870**	**100.0%**

NOTE: Figures may not be exact due to rounding.

Medical Imaging Trends

In total, SVH imaging volume has decreased 3 percent from FY 2008 to FY 2011 (annualized). Volume has been decreasing in all modalities except mammography and MRI. Nuclear medicine has experienced the most significant volume decline due to technology advances in other modalities.

Figure 7 – SVH Medical Imaging Volume Trends[49]

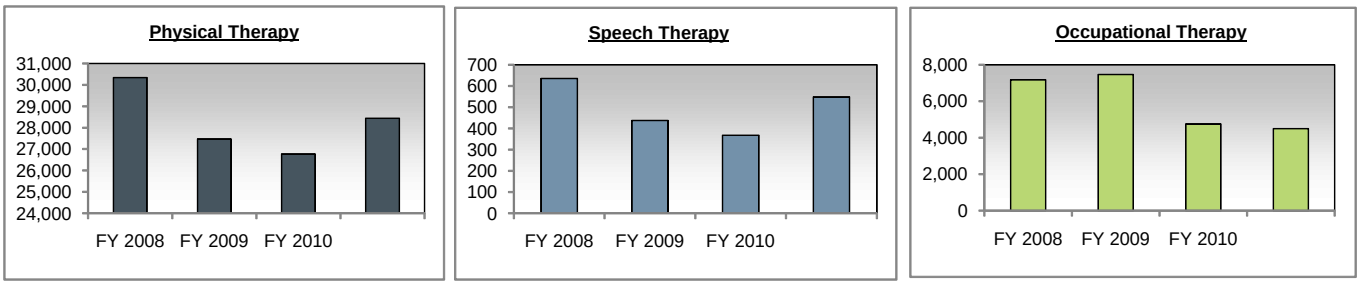


Rehabilitation Therapy Trends

SVH rehabilitation therapy volumes have declined over the last 3 years, as illustrated in Figure 8. PT volume is projected to rise as the number of joint replacement surgeries increase.

[49] Source: Mr. Leo Jeffers, Finance, SVH. FY 2011 annualized is based on data July 1 through December 31, 2010.

Figure 8 – SVH Rehabilitation Therapy Volume Trends[50]



Other Outpatient Trends

SVH's volume in both home care visits and occupational health has increased substantially over the last 3 years, while echo and respiratory therapy visits have decreased.

Table 20 – SVH Other Outpatient Volume Trends[51]

Department	FY 2008	FY 2009	FY 2010	FY 2011 Annualized	Percentage Change
Echo	388	268	359	344	-11.3%
EKG	2,410	2,468	2,353	2,422	0.5%
Home Care Visits	9,511	10,578	10,809	10,814	13.7%
Lab	115,514	115,599	119,117	118,614	2.7%
Occupational Health	5,099	4,440	5,252	5,656	10.9%
Respiratory Therapy	1,799	1,882	1,741	1,718	-4.5%

B. SWOT Analysis

Based on perspectives voiced during the stakeholder interviews and conclusions reached through a review of available market data, the following represents the SWOT currently facing SVH:

Table 21 – SVH SWOT Analysis

Strengths	Weaknesses
Small and nimble organization with minimal bureaucracy. Adaptable and flexible leadership, Board of Directors, and physicians, enabling expeditious decision making and change. Excellent quality outcomes. Physicians that are well respected in com-	Weak historical financial performance that resulted in cost cutting and survival mode Aging physical plant viewed as unattractive and dysfunctional. Below-market staff salaries. Perception in the community that the hospital is just a place to receive emergency

50 Source: Mr. Leo Jeffers, Finance, SVH.

51 Ibid.

munity. Emergency department reputation and satisfaction. Successful SNF and Home care agency that provides excellent patient care and a reliable revenue stream. Through PMF, a strong platform for enhancing physician recruitment. High staff satisfaction and low turnover. Strong community support, as measured by parcel tax and general bond issuance. Desirable location. Geographically, somewhat isolated from competitors, providing a unique advantage to capture market share. Strong continuum of care offered with Diagnostic, Acute, Skilled Nursing, Rehab and Home Care	services. Lack of contracting clout with payors and vendors. Low and highly variable patient volumes. Small and aging medical staff that makes securing adequate call coverage difficult. Lower level of consumer awareness. Perception in the community that a small hospital means lower quality. Financial viability and reliability is dependent on very few physicians.
Opportunities	**Threats**
New leadership's commitment to serving the community and growing market share. Likely partnership with MGH. Opportunity to use PMF as a platform for physician growth and retention. Ability to use SVH as a "destination" hospital to receive care and focus on healing and wellness. Opportunity to capitalize on Sonoma's aging population. Master plan and upgrade of the physical plan and facility. Creative partnerships such as with Napa State Hospital	Overall healthcare environment (e.g., unknowns around reform, ACOs, declining reimbursement). Impending further cuts in Medicare and Medi-Cal. Potential difficulties in stemming the tide of patients migrating to larger surrounding competitors. Lack of ability for residents to choose where they receive medical care due to employers only offering Kaiser (perceived to be the low-cost provider). Dependency on parcel taxes.

IV. Strategic Initiatives

IV. Strategic Initiatives

As a result of the planning process, SVH's senior leadership and board have identified five major strategic initiatives:

- Become a best practice hospital that is nationally recognized for Quality
- Pursue a regional strategy with other organizations.
- Develop and implement a physician alignment strategy.
- Develop a 5-year master facility upgrade and campus plan.
- Identify and invest in service lines for strategic growth.
  - Cardiovascular services.
  - Orthopedic services, with a focus on a joint program.
  - Bariatric surgery.
  - Women's health.
- Develop a long term financial stability plan with philanthropy and community

These initiatives represent the areas in which SVH's administration and board will concentrate their planning efforts. To allow for maximum operational and developmental flexibility, guidance regarding specific initiatives has been provided by the board, and SVH administration will be responsible for building specific business plans for each initiative.

Under each potential initiative, this document has been organized as follows:

- Background.
- Potential Tactics.
- Next Steps.

A. Become a Best Practice, Quality Hospital

1. Background

SVH is committed to the process of engaging with the community and incorporating their feedback into becoming a best practice quality hospital.

The Core Measures according to the Joint Commission on Accreditation of Hospitals include Surgical Cite Infection Prevention, Acute Myocardial Infraction, According to the Hospital Consumer

Assessment of Healthcare Providers and Systems (HCAPS)[52] scores for SVH and several of its competitors, the hospital scored low relative to competitors in most patient experience questions.[53] Specifically, in the question related to patients recommending the hospital to others, which is highly correlated with loyalty and satisfaction, SVH scored 65 percent, while all other competitors scored above 70 percent. See APPENDIX G for detailed scores.

In general, the scores likely reflect perceptions that existed prior to the recent management turnover. All indications are that the hospital is moving in the right direction in terms of quality and patient satisfaction. SVH has recently implemented a process to track, trend, and resolve complaints in a timely fashion, greatly reducing the number of patient complaints.

2. Potential Tactics

a. Improve Quality Perception by Way of Quality Initiatives

- Participate in case management collaborative with CHA.
- Core Measures: mandated quality measures reported to the Center for Medicare Services. They include quality measures for : Heart Attack, Heart Failure, Surgical Care Infection Prevention (SCIP); Stroke; Outpatient Surgery, Chest Pain and Heart Attack
- California Department of Public Health Mandated Reporting of Infection Prevention Data which includes: MRSA infections, Catheter associated infections and surgical site infections
- National Patient Safety Goals
- Timeouts prior to any invasive procedure.
- Central Line Infection reduction
- Reduction in the occurrences of Foley Catheter related Urinary Tract Infections and pressure sores
- Hospital wide adoption of checklist based procedures
- Mock drills for Code Blues and crash C-Sections
- Implementation of an Electronic Health Record
- Adoption of evidence base order sets and nursing care plans
- Design and implementation of longitudinal outcome studies for Total Joint Replacements and Bariatric Surgery
- Adoption of telemedicine programs for acute stroke and Infectious Disease

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[52] HCAPS is the first national, standardized, publicly reported survey of patients' perspectives of hospital care.

[53] Hospital Compare, updated November 24, 2010, *www.hospitalcompare.hhs.gov/hospital-search.aspx?loc=95476&lat=38.2817058&lng=-122.4586563&stype=GENERAL.*

- Perform Root Cause Analysis for Near Misses and Sentinel Events
- Environment of Care management plans improvement projects & disaster preparedness
- Patient, Employee and Physician Satisfaction
- Technological infrastructure development to support quality initiatives

b. Improve Patient Experience

The hospital is committed to improving the overall patient experience, and has identified the following related tactics:

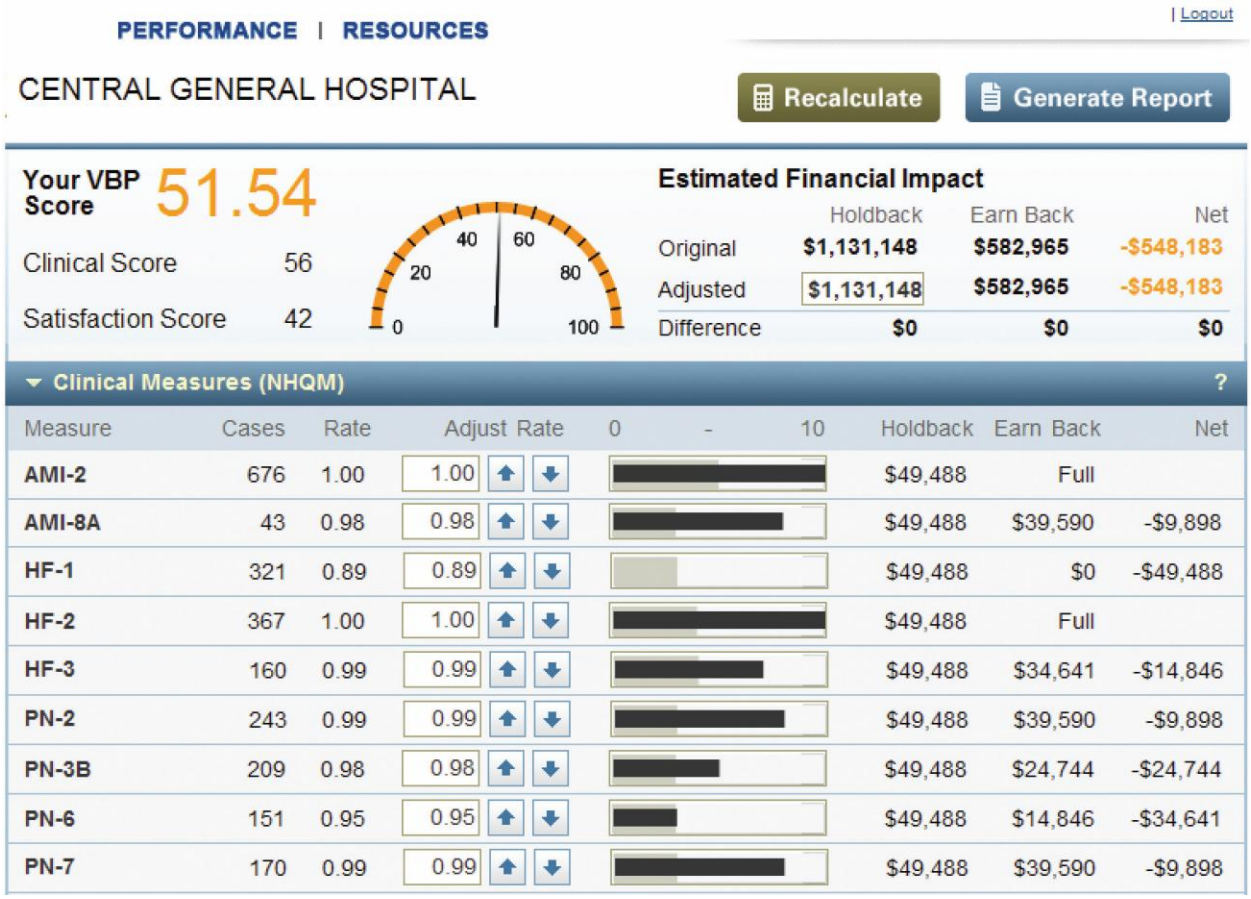
- Partner with Press Ganey Associates, Inc., to improve service excellence and quality scores.
- Partner with Studer Group to increase patient, staff, and physician satisfaction.
- Hold quarterly leadership development institutes to inspire continuing education for leaders.
- Brand Mindset [2/18/11, CJG: "Brand Mindset" is a company per JBC and is OK as is.]leadership and staff training.

c. Financial Incentives Based Upon Quality of Care Initiatives and Patient Satisfaction

The Centers for Medicare and Medicaid's (CMS) value-based purchasing (VBP) plan is a program which calculates DRG reimbursement based upon a complex calculation of each Hospital's performance in the areas of Quality and Patient Satisfaction. A portion of each hospitals current DRG reimbursement is withheld and beginning in FY 2013 will be disbursed to hospitals based upon their improvement from baseline measurements obtained in 2009 and 2010. A second payment will be based upon a score which measures attainment of the same goals. Incentive payments will initially be 1% beginning in 2013 and will increase to 2% in 2017.

Press-Ganey has developed a tool known as the VBP Calculator which will allow Sonoma Valley Hospital to remain informed about both our quality measurements as well as patient satisfaction scores which impact our DRG reimbursement and allows us to benchmark ourselves against our peers.

The following is a screen shot example of this tool.



d. Information Technology

Improvements in information technology are a critical component of becoming a best practice hospital; the following tactics have been identified for the near term:

- Continue and complete plans to improve reliability of network infrastructure.
- Invest in single-sign-on technology to improve easy and secured access to data by all providers.
- Implement systems that improve work flow and create efficiencies in providing quality patient care and meet the ARRA Stage 1 meaningful use criteria.
- Conduct technology and access-security risk analysis to meet new regulations.
- Conduct research to become a best practice community hospital for EHR implementation.
- Consider recommendations from McKesson's Stimulus Assessment Report.
- Invest in appropriate information technology (IT) resources – staffing and systems management tools.
- Consider collaborating with MGH on upgrades.

e. Partner With Sodexo

A partnership with Sodexo is expected to improve overall hospitality, including through the following:

- Hire experienced and trained managers in support services.
- Provide staff training on best practices for cleaning, cooking, and safety.
- Implement plan for SVH to “go green” using the “Green Team.”
- Add the “At Your Request” system.
- Upgrade hospitality services for visitors.
- Systematically address the deferred maintenance in the physical plant

f. Become a Learning Organization

The hospital will work to implement best practices throughout the organization through the following tactics:

- Identify current best practices at SVH and market them (e.g., emergency department, revenue enhancement, home care).
- Select targeted areas to become a best practice such as admitting, food services, resource management, and quality.
- Research best practices in patient-centered care and implement when feasible.

3. Next Steps

- Start a Quality Committee with the Board of Directors
- Implement and train staff in the Studer Group methodologies, which are proven to improve employee and patient satisfaction by creating a great place to work and to receive care.
- Evaluate implementing Press Ganey Clinical Performer, which integrates financial, operational, satisfaction, and quality information to measure SVH’s performance and to identify areas of greatest improvement.
- Continue developing the SVH brand and using best practices such as the brand promise.
- Implement the Healing Hospital module, a demonstrated best practice in healing developed by SVH’s new CEO. Commence the program by providing training to SVH staff.
- Continue to implement best practices that foster better communication with and among the medical staff and other clinicians.

B. Pursue a Regional Strategy With Other Organizations

1. Background

Concerns exist about the ability of the hospital to survive independently in the future for a variety of reasons.

- *Prevalence of Industry Mergers and Acquisitions* – Several smaller hospitals around the state and country are increasingly joining larger health systems for a variety of reasons. Given this overall trend in the market, concerns exist regarding SVH's ability to survive as an independent hospital in the future.
- *Financial Concerns* – The hospital's financial position is a continuing source of concern from the perspective of many stakeholders. A strategic or operating partnership is seen as a potential opportunity to obtain better contracting rates and achieve operating efficiencies.
- *Access to Capital* – SVH's size makes acquiring capital for facility and other needs difficult.
- *Contracting Leverage* – SVH is not large enough to possess the level of negotiating clout with payors that is enjoyed by Sutter Health and other large health systems. As a result, the hospital is potentially leaving millions of dollars "on the table" every year.
- *Healthcare Reform* – The high degree of uncertainty around healthcare reform, including the impending shift from a volume- to a value-based healthcare system and the development of accountable care organizations (ACOs), is a source of concern for a small hospital. SVH might benefit from the expertise that a larger partner could bring in preparing for the implementation of the Patient Protection and Affordable Care Act (PPACA).

The concerns outlined above are supported by several recent articles in the healthcare press, including a comprehensive survey of hospital executives published by HealthLeaders in 2010.[54] According to the survey:

- Of the respondents, 86 percent believe that merger and acquisition activity in the acute care hospital industry will increase over the next year.
- Access to capital was mentioned by healthcare executives as the most challenging issue that will drive merger and acquisition activity. According to the survey, 65 percent of healthcare executives rated this as extremely challenging.
- Of the respondents, 87 percent believe that the PPACA will result in an increase in the number of merger and acquisition transactions.

[54] "Hospital Mergers and Acquisitions: Opportunities and Challenges," HealthLeaders, November 2010.

2. Potential Tactics

SVH has identified three primary tactics to mitigate concerns regarding SVH's ability to survive as a small independent hospital. All involve creating strategic partnerships with local and regional organizations.

a. Regional Hospital Partnership

Ideally, SVH's goal is to act as a "guide" for its patients along their healthcare journey. This means providing service locally, where possible, and directing patients to other facilities for care that is not provided by SVH. SVH would then guide these patients back to their own community for follow-up care.

The opportunity to develop an even closer relationship with MGH (or another regional hospital partner) may help SVH address many of the potential issues summarized above. In addition to cosponsoring PMF, SVH and MGH have been engaged in intensive discussions regarding a potential affiliation agreement that would meet the needs of both parties. Aligning with MGH would provide several opportunities for SVH, including:

- Enhancing joint contracting with commercial payors between the entities, thereby enhancing revenue potential.
- Realizing operating efficiencies through shared services in business office or administrative functions as well as clinical areas such as pharmacy.
- Achieving cost savings by joint contracting of supplies/services and other expenses such as employee benefits.
- Possibly increasing SVH's access to capital.
- Allowing SVH to participate in a clinical network that provides the community with greater access to the right specialty mix of physicians and expanded healthcare.
- Providing SVH with the opportunity to learn from another organization and share best practices.
- Enabling local physicians to be connected to and participate in a full-service, high-quality network that covers the entire spectrum of healthcare, from primary care to tertiary care.
- Sharing physician call coverage.

There are also many benefits to a regional partner in creating an affiliation, including gaining efficiencies and increasing volume. Additionally, SVH would provide a source of referrals for the regional partner for more complex medical procedures that are not performed at SVH. We also anticipate this arrangement increasing our success with current payors.

b. Regional Action Plan

The RAP is a physician-driven strategy to bring non-Sutter and non-Kaiser hospitals and physicians together to compete against larger competitors in the marketplace (primarily Sutter Health and

Kaiser). The RAP is being driven by the Marin IPA (MIPA), which currently operates throughout Marin County and in the SVH service area and recently worked to establish the PMF. Under the RAP initiative, MIPA is expected to partner with other hospitals in an expansion into the Santa Rosa area, while simultaneously working to partner with Medicare and other payors in the development of an ACO.

ACOs were originally outlined in the PPACA passed in 2010 as a mechanism to improve accountability and lower costs and serve as a catalyst in the overall transition from a volume- to a value-based healthcare reimbursement system. Although the formal regulations have not yet been issued, an ACO is envisioned as a local entity and related set of providers that can be held accountable for the cost and quality of care delivered to a defined set of beneficiaries (Medicare). ACOs will be required to have formal management and legal structures that include PCPs and that are sufficient for a minimum of 5,000 Medicare fee-for-service beneficiaries. ACOs will also be required to demonstrate that they meet patient-centered criteria as determined by the U.S. Department of Health & Human Services.

The RAP envisions that it would become the driving force behind the creation or an ACO or ACOs in the region, as it would encompass key non-Sutter and non-Kaiser hospitals, as well as a significant physician component. The RAP may need to develop a health plan or a substantial partnership with an existing health plan to succeed in the new healthcare environment. SVH fully supports the Community Health Center as a primary driver in building an ACO in Sonoma.

c. Joint Powers Agreement With Multiple Hospitals

The SVHCD and several other public hospital districts in the North Bay area have established a JPA[55] to realize efficiencies with other public hospital districts, including the public health districts affiliated with Palm Drive Hospital, Healdsburg District Hospital, Mendocino Coast Hospital, and Jerold Phelps Community Hospital. The JPA is envisioned as the first step in creating a "regional" entity to pool resources for greater efficiency, to present a larger client base for physicians and to negotiate better reimbursement rates from insurers. The JPA is exploring ways to share management and clinical services between hospitals to create efficiencies.

The JPA discussions have been ongoing for several years, and the planning has accelerated in recent months with the hiring of an executive director. Planning for the JPA, however, has been challenging due to the multiple hospitals participating, each with its own conflicting priorities. Additionally, SVH has the highest concentration of Medicare/Medi-Cal enrollees of any of the five hospitals in the JPA discussions. As such, the hospital stands to benefit the least from realizing contracting benefits, as Medicare/Medi-Cal rates will be unchanged.

3. Next Steps

- Continue discussion with MGH to develop an affiliation agreement.

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[55] Government Code Section 6500 et seq. provides for the joint exercise of powers by public agencies. Public agency is broadly defined to include the federal government and its agencies and departments, the state, another state, or any state department or agency, as well as cities and counties and other districts.

- Continue working with non-Sutter/non-Kaiser hospitals and physicians with the development of the RAP.
- Continue discussions with the district JPA.

C. Develop and Implement a Physician Alignment Strategy

1. Background

Physician recruitment and retention in SVH's service area has become increasingly difficult for a variety of reasons, including the high cost of living, physicians' preference to practice in large multispecialty groups, and intense competition for recruits from large health systems such as Sutter Health and Kaiser. According to the recent physician community need study conducted for SVH, which was referenced earlier in this plan, the hospital faces shortages in key specialties, aging of physicians, and aging of the population.

- Key shortages were noted in the plan pertaining to the primary care specialties (family medicine, IM, and pediatrics).
- The average age of the SVH medical staff is 55.1,[56] which is a major concern and illustrates that the hospital will need to recruit heavily to replace retiring physicians.

As a result of these difficulties, SVH has sought to enhance physician alignment and physician recruitment and retention through the development of a medical foundation and improved ambulatory office space.

2. Potential Tactics

a. Prima Medical Foundation

SVH worked with hospital and physician partners in 2009 and 2010 to create PMF, a 1206(l) California medical foundation sponsored jointly by the MIPA; Marin General Hospital Corporation (MGHC); Sonoma Valley Health Care District (SVD); and Marin Medical Practice Concepts, Inc. (MMPC).

One of the main purposes of the foundation is to enhance recruitment and retention of physicians to Marin and Sonoma Counties, including subspecialists who otherwise would not be economically viable in the community. Further, the establishment of the foundation is expected to provide stability to Prima Medical Group (PMG), the PMF-affiliated group that operates in SVH's service area and has been supported financially since 2006 by the MIPA. Based on the recently completed PMF business plan, other PMF goals include creating an integrated group practice model that is adaptable to changing payment models and future health reform initiatives and developing a clinically integrated, seamless referral and care system across the region that will improve patient access and quality.

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[56] SVH's 2009 Physician Needs Study completed by the Champion Group.

SVH is strongly committed to the success and growth of PMF and views the foundation as the key component to the hospital's overall physician strategy. Ensuring that SVH has adequate primary care and specialty care in the community is very important to the SVH board and leadership. There are some potential concerns regarding PMF, which are primarily financial, including the ability of SVH to afford the operating losses and capital costs generated by PMF.

Physician Recruitment Plans

PMG currently employs five physicians in three specialties in Sonoma, with plans to recruit several additional physicians over the next 5 years. Based on the recent PMF business plan that was developed by its four sponsors, PMF will recruit approximately eight physicians to Sonoma over the next 3 years, as illustrated in Table 22.

Table 22– Summary of PMF Recruitment Plans – Sonoma[57]

	2010	2011	2012
Primary Care	**1.00**	**1.00**	**1.00**
Subspecialty	**3.00**	**3.25**	**2.00**
Total	**4.00**	**4.25**	**3.00**

It should also be noted that the recruitment plans outlined in this business plan do not include PMG physicians to be based in Marin County, which is expected to be a much larger PMG practice location relative to Sonoma.

Financial Projections

Financial projections were developed originally for the PMF business plan with a combination of actual historical data, benchmarks from various industry surveys, and data compiled by ECG. Assumptions used were intended to be conservative and based on historical practice data for existing PMG physicians, as well as national and regional benchmarks.

In the long-term, PMF will fund operations through operating revenues; however, PMF is not expected to generate a profit during the initial 3-year projection period. As a result, the sponsors will need to provide ongoing funding. The funding will be commensurate with the level of benefit for each sponsor. Table 23 shows the 3-year projected income statement for Sonoma County; losses will be funded by SVH. These projections were developed recently and were updated since the completion of the PMF business plan in July 2010. In January 2011, the SVH board approved the 2011 funding requirement of $965,000 for the recruitment of physicians.

[57] Source: PMF Business Plan dated July 15, 2010, and updated based on known changes as of December 2010.

Table 23– Sonoma County Financial Impact[58]

Funding Requirement	2011	2012	Total
Conservative Growth Scenario			
Operating Margin	$(700,000)	$(730,000)	$(1,430,000)
Capital Expense	(30,000)	(60,000)	(90,000)
Working Capital	(235,000)	(180,000)	(415,000)
Total Funding Requirement	**$(965,000)**	**$(970,000)**	**$(1,935,000)**

Detailed overall financial projections for PMF Sonoma County are included in APPENDIX F.

b. Medical Office Building Strategy

SVH is dedicated to become the guide to the healthcare journey for its community members. SVH envisions the citizens of the Sonoma Valley Healthcare District starting their healthcare journey locally, with its aligned physicians. The fact is, the majority of the healthcare needs can be met by SVH local physicians and hospital.

Patients value their time, most of all. In order to improve service and efficiency for SVH's patients, it plans to participate in creating medical office space that brings the primary care and specialist physicians together in one building and offers high-volume services to patients and physicians in a convenient location. The new spaces will have common reception, medical records, and staff.

3. Next Steps

- Although PMF will be independently managed, SVH will need to address the following next steps in this process:
  - Participate in the PMF operations committee and board to provide input regarding PMF's strategy and operations.
  - Work closely with PMF leadership to ensure recruitment plans are well aligned with overall SVH strategic initiatives, particularly as they pertain to service line initiatives.
  - Develop downstream revenue projections to better understand the hospital's return on investment of PMF.
- Continue to implement MOB strategy.
  - In 2011, the hospital will create enough space for Prima Medical Foundation primary care and specialist physicians to achieve the first phase of this goal, and they will come together on First Street.
  - In 2012, physician investors will have created a new medical office building whereby the hospital services, Prima physicians, and many physicians aligned with Sonoma

[58] Source: Amounts were updated based on input from Mr. Casey J. Morgan, ECG. Final update will be developed during business planning cycle in spring 2011.

Valley Hospital will be able to offer a place that can meet the majority of outpatient needs in one space.

D. Develop a 5-Year Master Facility Upgrade and Campus Plan

1. Background

In November 2008, district voters approved the issuance and sale of $35 million in general obligation bonds to pay for improvements to SVH. The first phase of SVH's master plan includes building a new ED, adding three operating rooms (ORs), and upgrading the central utility. SVH is scheduled to break ground in fall 2011, and the first phase should be completed in spring 2013. SVH plans to build a new outpatient entrance after the PMF physicians currently located in the hospital move to the new MOB when it is completed. The breakdown of projected expenses for the initiative is outlined below.

Table 24 – SVHCD Bond Issue Budget[59]

	Master Plan	Project Management	Construction/ Equipment	Total
Master Plan	$1,300,000	$ 200,000	$ –	$ 1,500,000
Central Utility Plant	-	250,000	7,500,000	7,750,000
New Wing	-	780,000	20,000,000	20,780,000
Central Wing Seismic Upgrades	-	50,000	700,000	750,000
Electrical Panel Upgrades	-	20,000	240,000	260,000
Information Technology	-	100,000	2,000,000	2,100,000
Furniture, Fixtures, and Equipment	-	100,000	3,500,000	3,600,000
Total	**$1,300,000**	**$1,500,000**	**$33,940,000**	**$36,740,000**

2. Potential Tactics

Table 25 outlines activities accomplished in 2010 and those planned for 2011 and 2012. The hospital still suffers from significant deferred maintenance and long neglected replacement of technology. Major progress will made to bring the hospital up to date by the end of 2012.

Table 25 – SVH Master Campus Plan

Accomplished in 2010	Planned for 2011	Planned for 2012
■ Finalized master facility plan. ■ Upgraded Labor &	■ Master design concepts. ■ Central utility plant upgrade.	■ Human resources and plant operations. ■ ICU facelift.

[59] Source: Sonoma Valley Healthcare District, Board Approved Project Budget as of February 3, 2011.

Delivery. ■ Purchased MRI. ■ Moved rehab service to hospital. ■ Refurbished SNF. ■ Expanded home health. ■ Upgraded café. ■ Provided a facelift to ED waiting room.	■ Prima offices. ■ Lobby facelift. ■ Materials management receiving upgrade. ■ Refurbishment of med/surg. ■ Patient accounting offices. ■ Senior wellness center and staff health center. ■ Showcase healing gardens. ■ Expand campus. ■ Expand rehabilitation services ■ IT infrastructure upgrade.	■ New emergency department. ■ Three new operating rooms. ■ Medical office building. ■ Architecture plans for new diagnostic imaging center and laboratory. ■ Expand campus to south lot.

3. Next Steps

- Continue to implement master facility plan.
- Launch capital campaign to raise $2,000,000 for second-floor upgrade.
- Assess the ability to fund the $5 million difference with Board at agreed upon go/no go decision milestones.

E. Identify and Invest in Service Lines for Strategic Growth

Hospitals across the country are increasingly organizing their key clinical services into service lines. In essence, a service line is a program designed to provide a seamless continuum of care across multiple specialties, disciplines, and sites of care. The driving principle of service lines is that coordination of services improves quality and efficiency; often this is what attracts purchasers looking to lower healthcare spending and provides leverage in negotiating payment and reimbursement with payors.

Service lines are designed to enhance physician recruitment and alignment, improve patient outcomes/experience, and create a market-competitive edge. In general, the service line structure increases the ability for hospitals to attract patients and identify new revenue sources and, as a result, grow volume and market share.

A major differentiator among successful programs is the high degree of physician support and involvement in the early states of service line planning. Key elements of a service line include the following:

- Recognizable to patients as a collection of service needed for specific conditions.
- Provides a central point of access throughout the treatment process.
- Offers team-oriented, coordinated, patient-based services and care.

- Incorporates standardized processes and protocols.
- Demands strong hospital/physician alignment and a commitment from senior leadership.
- Normally reflects explicit organizational decisions regarding areas of growth, market advantage, and resource allocation.

1. Background

SVH has identified four service lines that hospital executives and the board believe provide the best opportunity to expand the hospital's market share over the next 5 years. These initiatives represent the areas in which SVH can become a destination for patients to receive these services. To this end, efforts in growth and development will center on the following areas:

- Orthopedic services, with a focus on a joint program.
- Bariatric services.
- Cardiovascular services.
- Women's health.

In November 2010, SVH created a Service Line Director position; the individual hired for this position (Ms. Rebecca Hengehold) is fully devoted to service line development and growth. A differing degree of work has been initiated and completed in each of these areas and is described in the subsections below. SVH will be developing detailed service line plans that are aligned with the hospital goals and community needs.

The remainder of this section provides detail regarding the progress and planning for each of the identified service lines, including:

- Key market background elements.
- Major accomplishments.
- Planned tactics.
- Tactics for potential future consideration.

2. Service Lines

Orthopedic Services – Joint Program

a. Market Background

As noted previously, the senior population is a major segment of SVH's service areas, and projections indicate this cohort is the fastest-growing demographic. Joint replacements, particularly

knees, are expected to increase nearly fivefold nationally in the next 20 years.[60] In fact, many people in their 40s and 50s are having their joints replaced.

Although several of SVH's competitors currently perform joint replacement surgeries, demand for joint replacement is expected to dramatically increase. According to OSHPD, over the next 5 years, the volume of orthopedic cases is projected to increase by 10.8 percent in SVH's PSA and 31.8 percent in its SSA, specifically in the age 65 and older cohort.

b. Major Accomplishments

The stakeholders involved in the development of the service line have realized the following major accomplishments in 2010:

- *Physician Recruitment* – In May 2010, SVH recruited Dr. Brown, an orthopedic surgeon specializing in joint replacement, to practice in the SVH service area and to help regain market share that was lost when one of the hospital's busiest surgeons shifted his patients to a surgery center in Novato. Dr. Brown, who joins two other respected community orthopedic surgeons, Noah Weiss, M.D., and Robert Harf, M.D., brings a great deal of experience and has been embraced by the community. Since his arrival, overall orthopedic volume has increased.
- *Nurse Navigator Position* – SVH created a position to manage total joint program patients efficiently and safely along the entire journey of care, from preadmission and admission to discharge and post-discharge care.
- *Community Engagement* – SVH and its aligned orthopedic surgeons have been busy engaging members of the community and educating them regarding the variety of orthopedic services, particularly joint health, offered at the hospital. These forums, which have involved talks primarily at civic clubs, will be continued and potentially expanded.
- *Program Evaluation* – Referring physicians were interviewed to gain an understanding of what is working well, what can be improved, and what is missing from the current orthopedic/joint program. These visits were also used to provide education to physicians on SVH's current orthopedic service offerings.
- *Improved Flow in PT and OT* – Processes in rehabilitation therapies were streamlined to improve patient and physician satisfaction.
- *OR Staff Training* – Specialized training to orthopedic staff was provided to help improve patient and physician satisfaction and potentially reduce orthopedic length of stay.

c. Planned Tactics

The following tactics are areas of focus for the Service Line Director and other major stakeholders:

[60] Source: Paper by Dr. Richard Lorio, senior orthopedic surgeon, Lahey Medical Center.

- *Business Plan and Market Study* – Continue service line planning process, including developing detailed financial projections and an orthopedic/joint program business plan.
    - *Communication – Develop and implement processes to improve flow and communication.*
    - *Program Meetings – Establish regular total joint program team meetings with program leaders (clinical and administrative).*
- *Joint Program Marketing* –
    - *Create branding specific to SVH's orthopedic/joint program.*
    - *Develop and enhance marketing.*
- *Physical Therapy and Occupational Medicine* –
    - *Recruit additional PT and OT staff, as necessary, to meet current and projected demand.*
    - *Relocate PT to expand space and increase volume.*
- *Data Tracking and Measurement of Outcomes* – Implement patient data-tracking system for total joints to monitor clinical outcomes, improve quality, and enable benchmarking against best practice organizations.

d. Other Tactics to Consider

The following tactics were mentioned by stakeholders as potential future tactics for consideration:

- *Better Imaging Access* – Evaluate providing imaging services in orthopedic surgeons' offices.
- *Specialized Orthopedic Wing* – Assess dedicating a specialized orthopedic area of the hospital.
- *Center of Excellence* – Evaluate strategic and financial implications and determine whether SVH should become an orthopedic Center of Excellence.
- *Marketing and Branding* –
    - *Develop a total joint-specific Web site.*
    - *Market outside current service areas to widen catchment area for total joints.*

Bariatrics

a. Market Background

Based on initial research, the closest bariatric Centers of Excellence are in San Francisco, Modesto, and Sacramento, although SVH's major community hospital competitors are also performing bariatric services. Further, as identified in the market analysis section of this plan, overall bariatric volume from the four counties immediately surrounding SVH is low, and most of the

volume is being captured by Kaiser. Sonoma County's obesity and diabetes rates are 19.8 percent and 6.3 percent, respectively, which are lower than the state averages of 21.3 percent and 7.3 percent, respectively.[61]

Even though current volume is low for the market, SVH's goal is to become a destination for bariatric procedures. Start-up costs for the program are minimal, and SVH already has two surgeons who are certified in bariatrics and are extremely interested in growing the program. Further, the presence of the surgeons has resulted in a large increase in the hospital's overall general surgery volumes.

Initially, the program will focus on low-risk patients and low-risk procedures. There are already more than 10 patients waiting for a procedure at SVH, and there are 103 primary care providers in the MIPA network for referrals into this program.

b. Major Accomplishments

The stakeholders involved in the development of the service line have realized the following major accomplishments:

- *Physician Recruitment* – SVH, in conjunction with PMG, has recruited two fellowship-trained and ASMBS-certified bariatric surgeons, Scott Perryman, M.D., and Crystine Lee, M.D., to provide bariatric services in the SVH service area. Both physicians are passionate about bariatric surgery and are committed to developing a bariatric program at SVH and securing the patients necessary to meet the Center of Excellence standards.
- *Program Planning and Operations* – The hospital has completed a number of activities to prepare to provide bariatric services, including:
  - Purchased necessary medical supplies and equipment to be able to perform bariatric surgeries.
  - Provided training for clinical staff.
  - Obtained approval from SVH's Medical Executive and Surgical Committees to proceed with bariatric surgery.
  - Initiated program design, including development of education materials, protocols, order sets, patient flow, etc.
  - Established monthly support group meetings and informational seminars for people considering bariatric surgery.
  - Conducted site visit to Stanford Medical Center Bariatric Center of Excellence to gain an understanding of best practice as it pertains to bariatrics.

[61] Source: *www.city-data.com/city/Sonoma-California.html#ixzz16huvPA7g*.

c. Planned Tactics

The following tactics are areas of focus for the Service Line Director and other major stakeholders:

- *Business Plan and Market Study* –
  - Conduct market research to identify the demand for bariatric service and to identify the catchment area.
  - Continue to update and refine service line and business plans.
  - Develop detailed financial projections.
- *Nurse Navigator Position* – Hire a nurse navigator to manage patients throughout their entire journey.
- *Achieve Center of Excellence Status* – This is critical to broaden the payor base for bariatric services.
- *Proctorships* – The director of the bariatric program will complete appropriate proctorships and then be responsible for providing proctorships to providers that seek bariatric privileges at SVH.
- *Best Practices* – Conduct best practice research on bariatric programs regionally and nationally, with a specific focus on programs at smaller hospitals.
- *Measurement and Data Collection* – Implement process to collect and monitor metrics to measure outcomes of the bariatric program.
- *Outreach and Marketing* – Develop an outreach plan to educate primary care and other referral bases in the region about SVH's bariatric program.

d. Other Tactics to Consider

The following tactics were mentioned during the interviews conducted by ECG as potential future tactics for consideration:

- *Partnership* – Explore options to develop a partnership with another tertiary hospital as an extension strategy for bariatrics at SVH.
- *Marketing and Branding* –
  - Create specific bariatric branding.
  - Develop a bariatric-specific Web site, dedicated telephone, etc.
- *Creative Partnerships* –
  - Partner with hotels to provide accommodations for patients from out-of-area.
  - Collaborate with local gyms for reduced membership fees.
  - Consider selling vitamin and protein products; this will also provide an additional revenue stream.

Cardiovascular Services

a. Market Background

Demographic data indicates that the elderly population, which typically most heavily uses cardiac services, will see relatively strong growth in SVH's service area in the coming years, thereby increasing the demand for these services. OSHPD is projecting that the need for cardiac services will increase approximately 8 percent in SVH's PSA and nearly 9 percent in SVH's combined service area by 2014 for the senior population over age 65.[62] SVH currently has a 36.5 percent inpatient medical cardiovascular market share in its combined service area. Kaiser San Rafael has the second-largest market share in SVH's service area at 27.7 percent. Based on interviews with key stakeholders, concerns exist that: (1) patients are leaving Sonoma for services that are already provided or could be provided at SVH, and (2) patients are simply not obtaining the cardiovascular services that they need.

At present, SVH provides non-interventional cardiology and vascular services to the community. Services are supplied primarily by the following physicians:

- James Price, M.D., cardiology. Dr. Price recently became the Medical Director of the Department of Cardiovascular Medicine.
- Laura Pak, M.D., vascular surgery.

The hospital is also in an active recruiting mode for additional physicians in this specialty. We are highlighting our vascular screening services and cardiac rehab program in order to enhance referrals.

b. Major Accomplishments

The stakeholders involved in the development of the service line have realized the following major accomplishments:

- *Department of Cardiovascular Medicine* – At the end of 2010, SVH formally created a Department of Cardiovascular Medicine and named Dr. Price as Medical Director. The department will begin meeting on a regular basis in 2011. This partnership should lead to a significant increase in Echocardiograms offered by SVH.
- *Vascular Planning* – A team of clinicians and administrators was established to focus on enhancing and growing vascular services at SVH.

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[62] Source: Report dated August 30, 2010, from Health InfoTechnics, LLC.

c. Planned Tactics

The following tactics are areas of focus for the Service Line Director and other major stakeholders:

- *Program Development* – Engage the department members, as well as referring primary care physicians, to develop a cardiac service line.
  - The department will meet regularly and provide input regarding key clinical, programmatic, and financial decisions related to cardiac services in the community.
  - The department will review volume and referral data and provide input over the development of a series of cardiovascular management reports.
- *Physician Education* –
  - Provide education to, and collaborate with, PCPs to ensure patients are being referred to the hospital for the proper cardiac workups.
  - Engage with the hospitalists and ED physicians to ensure patients receive the proper cardiac workups during and subsequent to hospitalization. This will involve developing protocols to ensure proper care.
- *Patient Education and Screening* –
  - Increase marketing and community outreach, including holding vascular screenings to identify at-risk patients to refer to SVH for services.
  - Consider expanding these screenings to other areas, including carotid artery disease, peripheral vascular disease, and overall wellness.
  - Reestablish formerly successful coronary artery calcium-scoring CT scan for the community in early 2011.
- *Cardiovascular Program Marketing* – Create branding specific to SVH's cardiovascular program and develop marketing and outreach plan.

d. Other Tactics to Consider

The following tactics will be considered in the future:

- *MGH Partnership* – Consider the possibility of building a shared cardiovascular service line with MGH.
- *Cardiovascular Service Line Leadership* – Evaluate hiring a cardiovascular service line administrator to grow and optimize cardiac services. Given budgetary concerns, one option may be to collaborate with MGH on this position, which would facilitate integration with MGH on this critical program.
- *Operations Improvement* –

- Improve work flows from the ED to the cardiac testing areas to enhance patient satisfaction, operational efficiencies, and patient volumes.
- Improve scheduling for hospital cardiac diagnostics. Although a new scheduling program has been instituted, better education is necessary for the ED physicians to improve volumes and services.

- *Program Development* –
  - Consider expanding SVH's cardiovascular rehabilitation program.
  - Evaluate enhancing outpatient diagnostic services.
  - Assess the feasibility of establishing a wound care program.
- *Comanagement Agreement* – Consider the possibility of a collaborative initiative to comanage cardiovascular services with a regional partner.

Women's Health

a. Market Background

At present, SVH has only one board-certified OB/GYN, Dominic P. Amara, M.D., who is constantly on call. Current volumes suggest that the community could support at least 1.5 OB/GYN FTEs, but SVH has had difficulty recruiting OB/GYNs in the past. Dr. Amara's patients are very satisfied, and he is highly rated by HealthGrades. In addition to seeing his own patients, Dr. Amara is contracted to deliver all of the babies at the Sonoma Valley Community Health Center (SVCHC). The clinic provides maternal child services to uninsured and Medi-Cal patients.

SVH's GYN market share has increased substantially (25.5 percent) from 2007 to 2009, while at the same time its OB market share declined 8.3 percent. Over 50 percent of obstetric services provided to service area residents are performed at other facilities (see APPENDIX C).

The current services provided by SVH include mammography, breast surgery, urogynecology, and low-risk deliveries. SVH provides a caring, personal environment for patients to receive treatment. Its OB program has a dedicated ARNP and boasts an attractive birthing center. In addition, we offer a continuum of care with our primary care physicians and services at the Community Health Center.

b. Major Accomplishments

The stakeholders involved in the development of the service line have realized the following major accomplishments:

- Developed a program to provide obstetrical and gynecological care to women in the community.
- Established the Carolyn J. Stone Center, which offers diagnostic services of digital mammography and bone density exams.

- Held focus groups across all demographics to gain an understanding of community needs related to women's services.
- Remodeled birthing suites.
- Branded "The Birth Place."

c. Planned Tactics

The following tactics are areas of focus for the Service Line Director and other major stakeholders:

- *Business Plan and Market Study* – Continue the service line planning process, including developing detailed financial projections and a women's services program business plan.
- *Physician Recruitment* – Recruit an additional OB/GYN to the community to cover current demand, recapture market share from those residents who are currently leaving the area for services, and expand the program.

d. Other Tactics to Consider

The following tactics will be considered in the future:

- *Women's Health Marketing and Outreach* –
  - Enhance marketing efforts in women's health services to grow the program.
  - Offer educational forums that address topics of interest to women, including specific sessions for women over 60 years of age.
- *Focus on Senior Services* – Consider expanding the focus on senior women's health services, including incontinence and preventive health, based on the demographics in SVH's PSA and SSA. Women age 65 and above are the largest-growing demographic in SVH's PSA; this cohort is expected to grow over 12 percent by 2014.[63]
- *Alternative Medicine* – Explore creating an OB healing center that offers alternative birthing options (e.g., water birthing, midwives).

F. Implement a Long Term Financial Stability Plan

The history of SVH has led us to a weaker financial position than necessary. The revenues and volumes have not grown enough to support the hospital's necessary expenses. The net revenues are not yet stable and there is significant deferred maintenance and debt to be incurred in order to maintain quality and services at the level the community expects. With the support of the general obligation bond, the community showed serious support of the hospital. However, there is some misunderstanding of the on-going need for financial support.

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[63] Source: Report dated August 30, 2010, from Health InfoTechnics, LLC.

1. Potential Tactics

a. A feasibility study and analysis of the potential to improve the financial position of the hospital through philanthropic support seems to be the most direct approach to address the aging of the plant and equipment.

b. The hospital needs a strong marketing and community outreach plan that consistently informs the community of the progress the hospital has made to improve the services and the continuous cost to provide service close to home.

c. Sonoma Valley Hospital should pursue becoming designated as a rural hospital with the State of California in order to have participate in any potential protection of small, rural hospitals.

d. The leadership shall be very involved in the legislative efforts of the hospital organizations.

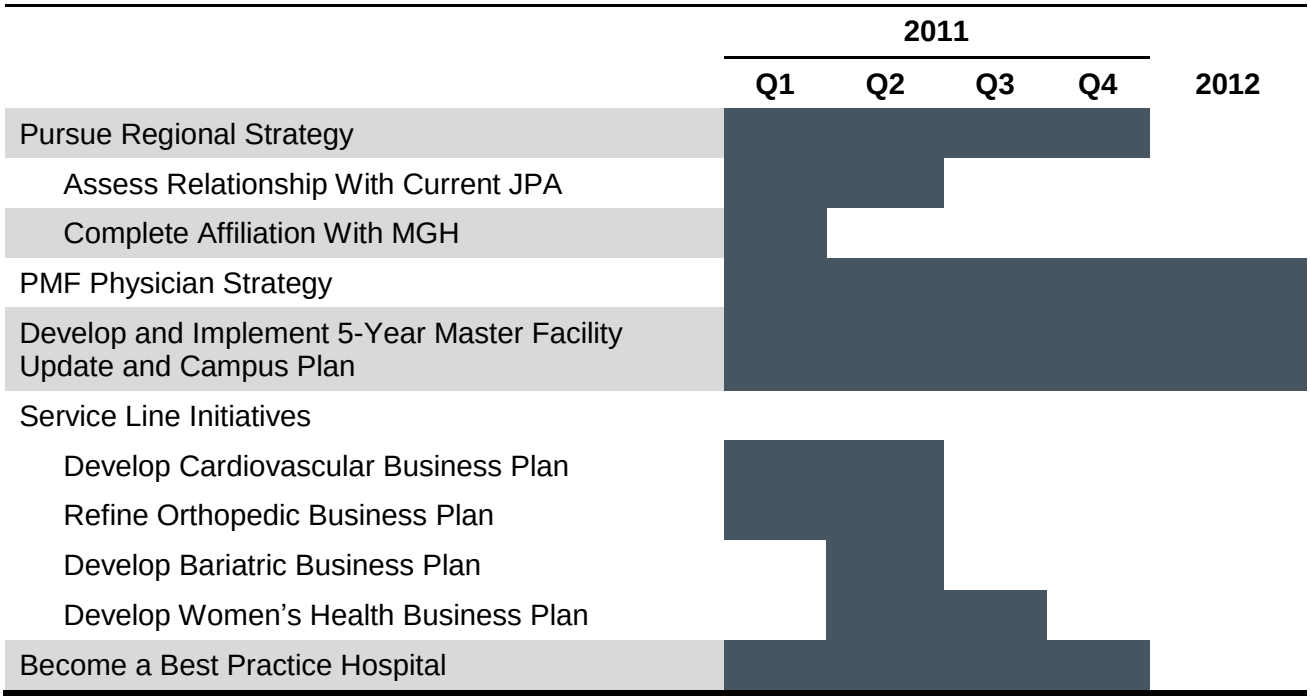
2. Next Steps

- *Philanthropy Steering Committee*
- *Community Outreach*
- *Comprehensive Marketing Plan*
- *Legislation on rural designation*

V. Timeline

V. Timeline

Below is a high-level timeline for SVH's strategic priorities developed based on input from SVH leadership. The timing of some initiatives may change based on findings after detailed planning and analyses are completed.



Appendix A
Interview Participants

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

INTERVIEW PARTICIPANTS

NOTE: Will be updated after interviews are completed in February.

Physician Participants	Hospital Participants
• Dominic Amara, M.D., OB/GYN, Chief of Surgery. • Michael Brown, M.D., Orthopedic Surgery. • Robert Cohen, M.D., CMO. • Richard Kirk, M.D., Psychiatrist. • Laura Pak, M.D., Vascular Surgeon. • Scott Perryman, M.D., General and Bariatric Surgeon. • James Price, M.D., Cardiologist. • Brian Sebastian, M.D., Chief of Staff. • Jerome Smith, M.D., Pediatrics. • Dennis Verducci, M.D., Internal Medicine.	• Ms. Paula Davis, Director of Human Resources. • Ms. Bonnie Durrance, Director of Public Relations. • Mr. Rob Feldman, Chief Financial Officer. • Ms. Rebecca Hengehold, Service Line Director. • Ms. Kelly Mather, President and CEO. • Ms. Goni Naidoo, R.N., Chief Nursing Officer. • Bill Boerum, SVHD • Peter Hohorst, SVHD

Appendix B
SVA PSA Inpatient Volume Projections

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

SVH PSA INPATIENT VOLUME PROJECTIONS[1]

Service Line	2009 Estimated Cases	2014 Estimated Cases	2009–2014 Volume Change	2009–2014 Percent Change
Cardiovascular	295	318	23	7.9%
ENT	16	18	2	14.9%
General Medicine	528	555	28	5.2%
General Surgery	120	136	16	13.0%
Gynecology	9	12	3	26.6%
Mental Health	16	18	2	12.0%
Neurology	95	100	5	5.0%
Neurosurgery	10	12	2	22.0%
Oncology/Hematology	53	58	5	9.9%
Orthopedics	182	202	20	10.8%
Other Trauma	22	22	0	0.3%
Rehabilitation	322	332	10	3.0%
Spine	39	44	5	12.2%
Thoracic Surgery	8	9	1	11.2%
Urology	26	28	3	9.7%
Vascular Services	51	59	8	14.7%
Total	**1,791**	**1,921**	**130**	**7.3%**

[1] Source: Health InfoTechnics, LLC, Report provided by SVH. Data based on cases.

Appendix C
Market Share Data

Appendix C-1
SVH Market Share and Volume Trends

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

MARKET SHARE DATA AND VOLUME TRENDS

2009 Inpatient Market Share By Service Line[1]

Service Line	SVH	K-SR	SRMH	K-SF	MGH	QVH	UCSF	CAPMC	SMCSR	Other
Cardiac Services	32.6%	7.8%	4.6%	13.5%	12.4%	5.5%	1.2%	2.3%	5.2%	15.0%
ENT	23.0%	11.5%	11.5%	14.8%	1.6%	4.9%	19.7%	3.3%	0.0%	9.8%
General Medicine	53.4%	9.4%	4.0%	9.5%	1.8%	3.3%	3.4%	1.4%	0.6%	13.1%
General Surgery	32.0%	7.1%	10.2%	6.2%	3.1%	6.2%	7.7%	5.5%	1.2%	20.9%
Gynecology	59.2%	8.5%	1.4%	11.3%	1.4%	4.2%	0.0%	1.4%	4.2%	8.5%
Neonatology	47.1%	17.9%	8.7%	0.0%	4.1%	4.6%	3.4%	1.4%	4.1%	8.5%
Neurology	57.3%	8.4%	4.2%	8.4%	2.1%	2.1%	3.5%	2.8%	0.0%	11.2%
Neurosurgery	4.2%	0.0%	4.2%	0.0%	4.2%	0.0%	41.7%	8.3%	0.0%	37.5%
Obstetrics	48.9%	17.7%	6.6%	0.0%	4.5%	4.3%	2.4%	1.1%	4.7%	9.8%
Oncology/Hematology	25.6%	8.9%	22.2%	10.0%	13.3%	0.0%	1.1%	4.4%	1.1%	13.3%
Orthopedics	30.8%	13.2%	12.6%	10.5%	4.3%	6.5%	4.0%	1.8%	2.2%	14.2%
Other Trauma	18.0%	6.0%	34.0%	10.0%	4.0%	0.0%	0.0%	0.0%	0.0%	28.0%
Rehabilitation	93.7%	0.0%	1.2%	0.0%	0.0%	0.7%	0.0%	0.7%	0.0%	3.6%
Spine	30.3%	0.9%	6.4%	2.8%	9.2%	6.4%	11.0%	9.2%	0.0%	23.9%
Thoracic Surgery	21.1%	0.0%	5.3%	15.8%	0.0%	15.8%	15.8%	0.0%	5.3%	21.1%
Urology	14.8%	11.5%	0.0%	8.2%	11.5%	13.1%	16.4%	4.9%	1.6%	18.0%
Vascular Services	20.3%	6.8%	6.8%	8.1%	35.1%	4.1%	1.4%	0.0%	2.7%	14.9%
Total Market Share	**47.6%**	**9.9%**	**6.6%**	**6.5%**	**4.6%**	**4.1%**	**3.9%**	**2.1%**	**2.0%**	**12.7%**

NOTE: See APPENDIX D for a list of hospitals and abbreviations.

[1] Source: 2009 OSHPD Public Discharge Data Set for SVH PSA and SSA.

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

MARKET SHARE DATA AND VOLUME TRENDS

2009 Inpatient Volumes By Service Line[2]

Service Line	SVH	K-SR	SRMH	K-SF	MGH	QVH	UCSF	CAPMC	SMCSR	Other
Cardiac Services	113	27	16	47	43	19	4	8	18	52
ENT	14	7	7	9	1	3	12	2	0	6
General Medicine	609	107	46	108	21	38	39	16	7	150
General Surgery	104	23	33	20	10	20	25	18	4	68
Gynecology	42	6	1	8	1	3	0	1	3	6
Neonatology	205	78	38	0	18	20	15	6	18	37
Neurology	82	12	6	12	3	3	5	4	0	16
Neurosurgery	1	0	1	0	1	0	10	2	0	9
Obstetrics	229	83	31	0	21	20	11	5	22	46
Oncology/Hematology (Medical)	23	8	20	9	12	0	1	4	1	12
Orthopedics	100	43	41	34	14	21	13	6	7	46
Other Trauma	9	3	17	5	2	0	0	0	0	14
Rehabilitation	385	0	5	0	0	3	0	3	0	15
Spine	33	1	7	3	10	7	12	10	0	26
Thoracic Surgery	4	0	1	3	0	3	3	0	1	4
Urology	9	7	0	5	7	8	10	3	1	11
Vascular Services	15	5	5	6	26	3	1	0	2	11
Total	**1,977**	**410**	**275**	**269**	**190**	**171**	**161**	**88**	**84**	**529**

NOTE: See APPENDIX D for a list of hospitals and abbreviations.

[2] Ibid.

Appendix C-2
Cardiovascular Market Share and Volume Trends

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

CARDIOVASCULAR MARKET SHARE AND VOLUME TRENDS

2009 Inpatient Cardiac Market Share By Sub-Service Line[1]

	Medical Cardiology	Cardiac Cath	Cardiac EP	Cardiac Surgery	Grand Total
SVH	36.5%	0.0%	0.0%	0.0%	21.5%
K-SF	27.7%	2.0%	17.2%	0.0%	18.7%
MGH	4.7%	33.3%	31.0%	43.5%	17.1%
K-GEARY	4.7%	23.5%	0.0%	17.4%	9.2%
QVH	6.1%	13.7%	3.4%	8.7%	7.6%
K-SR	6.8%	0.0%	10.3%	0.0%	5.2%
SMCSR	4.1%	2.0%	13.8%	0.0%	4.4%
Other	9.5%	25.5%	24.1%	30.4%	16.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Source: 2009 OSHPD Public Patient Discharge Data Set for SVH PSA and SSA.

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

CARDIOVASCULAR MARKET SHARE AND VOLUME TRENDS

Cardiovascular Service Line Volume and Market Share Trends[2]

Inpatient Cardiovascular Services Volume Trends				
	2007	**2008**	**2009**	**Percent Variance**
SVH	157	159	113	-28.0%
K-SF	45	48	47	4.4%
MGH	55	41	43	-21.8%
K-GEARY	33	35	23	-30.3%
QVH	11	22	19	72.7%
K-SR	46	31	27	-41.3%
SMCSR	40	34	18	-55.0%
Other	72	75	57	-20.8%
Total	**459**	**445**	**347**	**-24.4%**

Inpatient Cardiovascular Services Market Share Trends				
	2007	**2008**	**2009**	**Percent Variance**
SVH	34.2%	35.7%	32.6%	-4.8%
K-SF	9.8%	10.8%	13.5%	38.2%
MGH	12.0%	9.2%	12.4%	3.4%
K-GEARY	7.2%	7.9%	6.6%	-7.8%
QVH	2.4%	4.9%	5.5%	128.5%
K-SR	10.0%	7.0%	7.8%	-22.4%
SMCSR	8.7%	7.6%	5.2%	-40.5%
Other	15.7%	16.9%	16.4%	4.7%
TOTAL	**100.0%**	**100.0%**	**100.0%**	

[2] Source: 2007–2009 OSHPD Public Patient Discharge Data Set for SVH's PSA and SSA. Volume based on DRGs and MS-DRGs.

Appendix C-3
Orthopedic Market Share and Volume Trends

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

ORTHOPEDIC MARKET SHARE AND VOLUME TRENDS

2009 Inpatient Orthopedic Market Share By Sub-Service Line[1]

Facility	Medical Trauma (Orthopedics)	Surgical Trauma (Orthopedics)	General Medical Orthopedics	Sports Medicine	Other Surgical Orthopedics	Joint Replacement	Foot	Hand	Total
SVH	60.7%	49.3%	33.3%	30.8%	22.2%	18.6%	0.0%	0.0%	30.8%
K-SR	7.1%	8.0%	16.7%	19.2%	0.0%	14.3%	66.7%	40.0%	13.2%
SRMH	0.0%	9.3%	5.6%	19.2%	0.0%	17.4%	0.0%	0.0%	12.6%
K-SF	7.1%	10.7%	11.1%	7.7%	11.1%	11.2%	33.3%	0.0%	10.5%
QVH	7.1%	2.7%	11.1%	7.7%	11.1%	6.8%	0.0%	20.0%	6.5%
MGH	0.0%	0.0%	11.1%	7.7%	22.2%	5.0%	0.0%	0.0%	4.3%
UCSF	0.0%	2.7%	0.0%	3.8%	22.2%	5.0%	0.0%	0.0%	4.0%
All Other	17.9%	17.3%	11.1%	3.8%	11.1%	21.7%	0.0%	40.0%	18.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Source: 2009 OSHPD Public Patient Discharge Data Set for SVH PSA and SSA.

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

ORTHOPEDIC MARKET SHARE AND VOLUME TRENDS

Orthopedic Service Line Volume Trends[2]

Inpatient Orthopedic Volume Trends					Inpatient Joint Replacement Volume Trends				
	2007	**2008**	**2009**	**Percent Variance**		**2007**	**2008**	**2009**	**Percent Variance**
SVH	152	105	100	-34.2%	SVH	47	28	30	-36.2%
K-SR	37	43	43	16.2%	K-SR	15	28	23	53.3%
SRMH	69	41	41	-40.6%	SRMH	26	20	28	7.7%
K-SF	43	36	34	-20.9%	K-SF	18	25	18	0.0%
QVH	14	14	21	50.0%	QVH	5	9	11	120.0%
MGH	14	16	14	0.0%	MGH	7	12	8	14.3%
UCSF	26	9	13	-50.0%	UCSF	7	7	8	14.3%
All Other	111	72	59	-46.8%	All Other	54	46	35	-35.2%
Total	**466**	**336**	**325**	**-30.3%**	**TOTAL**	**179**	**175**	**161**	**-10.1%**

[2] Source: 2007–2009 OSHPD Public Patient Discharge Data Set for SVH's PSA and SSA. Volume based on DRGs and MS-DRGs.

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

ORTHOPEDIC MARKET SHARE AND VOLUME TRENDS

Orthopedic Service Line Market Share Trends[3]

Inpatient Orthopedic Services Market Share Trends					Inpatient Joint Replacement Market Share Trends				
	2007	2008	2009	Percent Variance		2007	2008	2009	Percent Variance
SVH	32.6%	31.3%	30.8%	-5.7%	SVH	26.3%	16.0%	18.6%	-29.0%
K-SR	7.9%	12.8%	13.2%	66.6%	K-SR	8.4%	16.0%	14.3%	70.5%
SRMH	14.8%	12.2%	12.6%	-14.8%	SRMH	14.5%	11.4%	17.4%	19.7%
K-SF	9.2%	10.7%	10.5%	13.4%	K-SF	10.1%	14.3%	11.2%	11.2%
QVH	3.0%	4.2%	6.5%	115.1%	QVH	2.8%	5.1%	6.8%	144.6%
MGH	3.0%	4.8%	4.3%	43.4%	MGH	3.9%	6.9%	5.0%	27.1%
UCSF	5.6%	2.7%	4.0%	-28.3%	UCSF	3.9%	4.0%	5.0%	27.1%
All Other	23.8%	21.4%	18.2%	-23.8%	All Other	30.2%	26.3%	21.7%	-27.9%
Total	**100.0%**	**100.0%**	**100.0%**		**Total**	**100.0%**	**100.0%**	**100.0%**	

[3] Source: 2007–2009 OSHPD Public Patient Discharge Data Set for SVH's PSA and SSA. Volume based on DRGs and MS-DRGs.

Appendix C-4
Bariatric Market Share and Volume Trends

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

BARIATRIC MARKET SHARE AND VOLUME TRENDS[1]

Inpatient Bariatric Volume and Market and Market Share Trends

Inpatient Bariatric Volume Trends

	2007	2008	2009
California Pacific Med Center	2	-	1
El Camino Hospital	-	1	1
Kaiser – Oakland	-	-	1
Kaiser – Richmond Campus	6	3	-
Kaiser South San Francisco	-	-	3
Kaiser – San Rafael	-	1	-
Peninsula Medical Center	1	-	-
Queen of the Valley	1	-	-
St. Mary's Medical Center, SF	1	-	-
Sutter Santa Rosa	0	1	0
Santa Rosa Memorial Hospital	1	0	1
UCSF	1	1	1
Total	**13**	**7**	**8**

Inpatient Bariatric Market Share Trends

	2007	2008	2009
California Pacific Med Center	15.4%	0.0%	12.5%
El Camino Hospital	0.0%	14.3%	12.5%
Kaiser – Oakland	0.0%	0.0%	12.5%
Kaiser – Richmond Campus	46.2%	42.9%	0.0%
Kaiser South San Francisco	0.0%	0.0%	37.5%
Kaiser – San Rafael	0.0%	14.3%	0.0%
Peninsula Medical Center	7.7%	0.0%	0.0%
Queen of the Valley	7.7%	0.0%	0.0%
St. Mary's Medical Center, SF	7.7%	0.0%	0.0%
Sutter Santa Rosa	0.0%	14.3%	0.0%
Santa Rosa Memorial Hospital	7.7%	0.0%	12.5%
UCSF	7.7%	14.3%	12.5%
Total	**100.0%**	**100.0%**	**100.0%**

[1] Source: OSHPD Public Patient Discharge Data Set 2007–2009. Volume based on DRGs for SVH combined PSA and SSA.

Appendix C-5
Obstetric and Gynecology Market Share and Volume Trends

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

OBSTETRIC AND GYNECOLOGY MARKET SHARE AND VOLUME TRENDS

2009 Inpatient Obstetrics Market Share By Sub-Service Lines[1]

	Post-Partum	Delivery	Antepartum Care/High Risk Pregnancies	Abortion/ Miscarriage	Obstetrics Total
SVH	62.5%	49.5%	43.5%	0.0%	48.9%
K-SR	0.0%	18.9%	6.5%	100.0%	17.7%
SRMH	0.0%	6.3%	10.9%	0.0%	6.6%
SMCSR	0.0%	4.4%	8.7%	0.0%	4.7%
MGH	0.0%	4.4%	6.5%	0.0%	4.5%
QVH	0.0%	4.4%	4.3%	0.0%	4.3%
Other	37.5%	12.1%	19.6%	0.0%	13.2%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

2009 Inpatient Gynecology Market Share By Sub-Service Lines[2]

	Medical Gynecology	General Surgical Gynecology	Gynecology Surgical Oncology	Gynecology Total
SVH	83.3%	57.7%	28.6%	59.2%
K-SF	8.3%	13.5%	0.0%	11.3%
K-SR	8.3%	7.7%	14.3%	8.5%
QVH	0.0%	5.8%	0.0%	4.2%
SMCSR	0.0%	5.8%	0.0%	4.2%
Other	0.0%	9.6%	57.1%	12.7%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 Source: 2009 OSHPD Public Patient Discharge Data Set for SVH PSA and SSA.

2 Ibid.

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

OBSTETRIC AND GYNECOLOGY MARKET SHARE AND VOLUME TRENDS

Obstetrics Service Line Volume and Market Share Trends[3]

Inpatient OB Volume Trends

	2007	2008	2009	Percent Variance
SVH	223	209	229	2.7%
K-SR	72	75	83	15.3%
SRMH	32	17	31	-3.1%
SMCSR	24	24	22	-8.3%
MGH	21	17	21	0.0%
QVH	12	21	20	66.7%
Other	34	52	62	82.4%
TOTAL	**418**	**415**	**468**	**12.0%**

OB Market Share Trends

	2007	2008	2009	Percent Variance
SVH	53.3%	50.4%	48.9%	-8.3%
K-SR	17.2%	18.1%	17.7%	3.0%
SRMH	7.7%	4.1%	6.6%	-13.5%
SMCSR	5.7%	5.8%	4.7%	-18.1%
MGH	5.0%	4.1%	4.5%	-10.7%
QVH	2.9%	5.1%	4.3%	48.9%
Other	8.1%	12.5%	13.2%	62.9%
TOTAL	**100.0%**	**100.0%**	**100.0%**	

Gynecology Service Line Volume and Market Share Trends[4]

GYN Volume Trends

	2007	2008	2009	Percent Variance
SVH	41	49	42	2.4%
K-SF	7	6	8	14.3%
K-SR	10	7	6	-40.0%
QVH	4	2	3	-25.0%
SMCSR	2	3	3	50.0%
Other	23	9	9	-60.9%
TOTAL	**87**	**76**	**71**	**-18.4%**

Inpatient GYN Market Share Trends

	2007	2008	2009	Percent Variance
SVH	47.1%	64.5%	59.2%	25.5%
K-SF	8.0%	7.9%	11.3%	40.0%
K-SR	11.5%	9.2%	8.5%	-26.5%
QVH	4.6%	2.6%	4.2%	-8.1%
SMCSR	2.3%	3.9%	4.2%	83.8%
Other	26.4%	11.8%	12.7%	-52.1%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**62.7%**

[3] Source: 2007–2009 OSHPD Public Patient Discharge Data Set for SVH's PSA and SSA. Volume based on DRGs and MS-DRGs.

[4] Ibid.

Appendix C-6
ENT Market Share and Volume Trends

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

ENT MARKET SHARE AND VOLUME TRENDS

2009 Inpatient ENT Market Share By Sub-Service Lines[1]

Facility	Otology	Other ENT	Head and Neck Surgery	Oral and Maxillofacial Surgery	Tracheostomy (ENT Only)	Total
SVH	54.2%	6.7%	0.0%	0.0%	0.0%	23.0%
UCSF	0.0%	26.7%	42.9%	14.3%	100.0%	19.7%
K-SF	20.8%	0.0%	21.4%	14.3%	0.0%	14.8%
K-SR	16.7%	6.7%	0.0%	28.6%	0.0%	11.5%
SRMH	0.0%	26.7%	21.4%	0.0%	0.0%	11.5%
CHO	4.2%	6.7%	0.0%	14.3%	0.0%	4.9%
QVH	0.0%	6.7%	7.1%	14.3%	0.0%	4.9%
CAPMC	0.0%	13.3%	0.0%	0.0%	0.0%	3.3%
Other	4.1%	6.5%	7.2%	14.2%	0.0%	32.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

ENT Service Line Volume and Market Share Trends[2]

Inpatient ENT Volume Trends

	2007	2008	2009	Percent Variance
SVH	5	12	14	180.0%
UCSF	7	5	12	71.4%
K-SF	6	7	9	50.0%
K-SR	4	7	7	75.0%
SRMH	4	10	7	75.0%
CHO	1	4	3	200.0%
QVH	3	2	3	0.0%
Other	6	8	6	0.0%
Total	**36**	**55**	**61**	**69.4%**

Inpatient ENT Market Share Trends

	2007	2008	2009	Percent Variance
SVH	13.9%	21.8%	23.0%	65.2%
UCSF	19.4%	9.1%	19.7%	1.2%
K-SF	16.7%	12.7%	14.8%	-11.5%
K-SR	11.1%	12.7%	11.5%	3.3%
SRMH	11.1%	18.2%	11.5%	3.3%
CHO	2.8%	7.3%	4.9%	77.0%
QVH	8.3%	3.6%	4.9%	-41.0%
Other	16.7%	14.5%	9.8%	-41.0%
TOTAL	**100.0%**	**100.0%**	**100.0%**	

[1] Source: 2009 OSHPD Public Patient Discharge Data Set for SVH PSA and SSA.

[2] Source: 2007–2009 OSHPD Public Patient Discharge Data Set for SVH's PSA and SSA. Volume based on DRGs and MS-DRGs.

Appendix D
List of Hospitals and Abbreviations

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

LIST OF HOSPITALS AND ABBREVIATIONS

Abbreviation	Facility
CAPMC	CALIFORNIA PACIFIC MED CTR-PACIFIC CAMPUS
CHO	CHILDREN'S HOSPITAL AND RESEARCH CTR AT OAKLAND
K-SF	KAISER FND HOSP – SAN RAFAEL
K-SR	KAISER FND HOSP – SANTA ROSA
MGH	MARIN GENERAL HOSPITAL
NVH	NOVATO COMMUNITY HOSPITAL
PVH	PETALUMA VALLEY HOSPITAL
QVH	QUEEN OF THE VALLEY HOSPITAL – NAPA
SRMH	SANTA ROSA MEMORIAL HOSPITAL-MONTGOMERY
SNMH	SIERRA NEVADA MEMORIAL HOSPITAL
SVH	SONOMA VALLEY HOSPITAL
STAN	STANFORD HOSPITAL
SMCSR	SUTTER MEDICAL CENTER OF SANTA ROSA
SSMC	SUTTER SOLANO MEDICAL CENTER
UCSF	UCSF MEDICAL CENTER

Appendix E
Cardiac Advisory Committee – Draft Charter

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

CARDIAC ADVISORY COMMITTEE – DRAFT CHARTER

A. Overview

The purpose of the Cardiac Advisory Committee is to provide input regarding Sonoma Valley Hospital (SVH) cardiology program strategy, operations, and finances. This committee will consist of hospital administrators and hospital-contracted cardiologists and will meet frequently to discuss issues related to SVH's cardiac strategy, finances, and operations.

Ultimately, the goal of the committee is to improve cardiac program quality and service, grow cardiac services provided at the hospital, and generally enhance the ability to serve the community's cardiac needs. It is anticipated that these goals will be furthered through the development of a comprehensive cardiac service line with defined administrative and governance structures.

Key components of the advisory committee are outlined below.

B. Meetings

The Cardiac Advisory Committee will initially meet monthly or more frequently, as necessary, at such times and places that are convenient to the committee members. The chair shall approve the meeting agenda, frequency of meetings, hospital staff appointment, and minutes of each of the committee's meetings, as well as oversee the proceedings at each meeting or appoint a chair in his/her absence. As the committee develops, the need for monthly meetings may diminish and a quarterly meeting schedule could be established.

C. Reporting

The Cardiac Advisory Committee will have no formal reporting relationship and will serve solely as an advisory group to the SVH Board of Directors and administration. The committee will regularly provide recommendations to the board regarding overall cardiology program strategy and operations. The SVH CEO's committee position is expected to enable frequent physician/administrator interaction regarding program finances and operations.

D. Responsibilities

The responsibilities of the Cardiac Advisory Committee shall include, but not be limited to, the following:

1. Strategy

Assist in planning and development of a cardiac service line.

- Define the goals of all key stakeholders related to the implementation and operations of a defined cardiac service line.

- Conduct research of existing models of similar size and scope to identify advantages and disadvantages of programs already in existence.
- Provide recommendations to the SVH Board pertaining to the optimal service line management and governance structure, and interview potential administrative candidates to lead the service line.
- Develop and plan specific cardiac-related initiatives, including development of new services and enhancement of existing services. Initiatives may include patient and physician education and research programs.

2. Operations

- Consult with hospital administration regarding overall practice operational issues and the realization of operational efficiencies. This will include input on staffing, hiring, and termination in the cardiology clinics.
- Provide input regarding potential cardiac-related improvements to clinical quality and patient service. This will include development and implementation of quality and patient satisfaction metrics.

3. Finance

Provide ongoing financial monitoring and budget development related to the cardiac program. This will include:

- Reviewing periodic financial statements related to the cardiac program.
- Participating in and providing input regarding the annual budgeting process.

E. Membership

The initial Cardiac Advisory Committee shall consist of the following participants:

- TBD.
- SVH Board member, to be identified.
- SVH administration representative.

The committee will initially need to agree on a chair; it is assumed that the committee will always be chaired by a physician.

Appendix F
PMF Sonoma County Income Statement

Appendix G
SVH and Competitor HCAPS Scores

SONOMA VALLEY HOSPITAL
STRATEGIC PLAN DEVELOPMENT

SVH AND COMPETITOR HCAPS SCORES[79]

	SVH	SMCSR	SSMC	SRMH	MGH	PVH	QVH
Patients who reported that their nurses "Always" communicated well.	69.0%	73.0%	74.0%	70.0%	70.0%	74.0%	74.0%
Patients who reported that their doctors "Always" communicated well.	74.0%	77.0%	81.0%	74.0%	75.0%	81.0%	77.0%
Patients who reported that they "Always" received help as soon as they wanted.	53.0%	63.0%	58.0%	53.0%	55.0%	57.0%	56.0%
Patients who reported that their pain was "Always" well controlled.	66.0%	68.0%	73.0%	66.0%	66.0%	71.0%	71.0%
Patients who reported that staff "Always" explained about medicines before giving it to them.	51.0%	57.0%	62.0%	55.0%	50.0%	60.0%	61.0%
Patients who reported that their room and bathroom were "Always" clean.	54.0%	65.0%	71.0%	70.0%	62.0%	74.0%	67.0%
Patients who reported that the area around their room was "Always" quiet at night.	41.0%	41.0%	56.0%	36.0%	41.0%	49.0%	41.0%
Patients at each hospital who reported that YES, they were given information about what to do during their recovery at home.	83.0%	82.0%	82.0%	81.0%	74.0%	82.0%	77.0%
Patients who gave their hospital a rating of 9 or 10 on a scale from 0 (lowest) to 10 (highest).	58.0%	65.0%	67.0%	63.0%	66.0%	65.0%	70.0%
Patients who reported YES, they would definitely recommend the hospital.	65.0%	70.0%	72.0%	76.0%	71.0%	73.0%	78.0%

NOTE: See APPENDIX D for list of hospitals and abbreviations.

[79] Source: Hospital Compare Updated November 24, 2010 – *http://www.hospitalcompare.hhs.gov/hospital-search.aspx?loc=95476&lat=38.2817058&lng=-122.4586563&stype=GENERAL*.