



SONOMA VALLEY HOSPITAL

2018 Three-Year Rolling Strategic Plan

*Our mission is to restore, maintain
and improve the health of everyone
in our community.*

Sonoma Valley Hospital

Strategic Priorities 2018-2020

1. Achieve the highest levels of health care safety, quality and value
2. Be the preferred hospital for patients, physicians, employers and health plans
3. Implement new and enhanced revenue strategies
4. Continue to improve financial stability
5. Lead progress toward being a healthier community



Environment Assessment:

Trends In Hospital Health Care

SVH continues to navigate a disruptive period in health care that shows no signs of abating. Like most hospitals, we have adapted to changes brought about by the Affordable Care Act but now face a new period of uncertainty because it is unclear what changes to the Act may follow and how they will affect hospital revenues. Small community hospitals like ours are more at risk during this period because of our narrow patient base and already tight margins. Our hospital is at particular risk because of the outsized role that government insurance plays in our financials.

In addition, there are a number of industry trends that continue to affect our operations:

- ◆ Continued declines in reimbursement for services by both government and commercial payers.
- ◆ Continued mandates to reduce hospital inpatient care utilization.
- ◆ The challenge of managing operations with greater efficiency while simultaneously meeting ever higher quality of care standards.
- ◆ Increased competition among regional hospitals that necessitates even small hospitals expanding core services, especially for outpatient services.
- ◆ The critical importance of maintaining a convenient and well-managed Emergency Department with the attendant high-value services this requires.
- ◆ Continued integration of various providers and payers linked to an overall patient management regime, one that increasingly extends beyond the hospital and into the home.

In response to these and other challenges, hospitals have by necessity become more creative in addressing patient needs. This includes increased emphasis on outpatient services; employing a team approach that coordinates inpatient and outpatient care for defined populations; forging new relationships with physicians; and monitoring quality of care outcomes even outside of the hospital. There also is growing awareness of the need for strategic partnerships among hospitals to efficiently provide certain critical services.

The future role of a primary care hospital in smaller communities like ours continues to emerge. However, as health care trends take shape, we have taken steps in a number of areas with positive results.

Payer Reimbursement

We continue to see declines in reimbursement, driven by government payer programs, which impact all types of insurance and place increased pressure on

Environment Assessment: Trends In Hospital Health Care *(cont)*

margins. This requires hospitals to become more efficient while searching for new revenue. For small hospitals in California, the dominance of government as the main reimbursement source underscores the need for greater efficiency, especially as the level of that reimbursement is low. With over 70% of our patients depending on Medicare or Medi-Cal programs, SVH has made considerable progress in managing costs and improving margins, even while increasing quality.

Emergency Care

Emergency care remains our number one priority. Our modern Emergency Department, which opened in 2014, continues to provide advantages in operating efficiency and patient satisfaction. Since opening the new wing, we have seen patient visits to the Emergency Department increase by 20 percent while maintaining wait times shorter than the industry average and high levels of patient satisfaction.

Outpatient Services

It's clear that access and efficiency for outpatient services is the key to a sustainable hospital. Following industry trends, we continue to grow those outpatient services important for our future while strategically adding new services by recruiting physician specialists. As part of this effort, we have opened two physician timeshare offices near the hospital to make it easier for specialists to see patients here. We also have increased revenues by marketing certain specialized services, such as bariatric and orthopedic surgery, outside of our immediate market.

Services Integration

Moving ahead, tighter integration of physicians, providers and hospital networks is needed to deliver comprehensive and coordinated care, including wellness/prevention, episodic care, and management of chronic conditions. Effective integration management can ensure sustainable delivery systems, especially as reimbursement moves toward bundled payments and capitation arrangements based on the wellness, outcomes and the health status of individuals. SVH is well positioned for this because we offer services across the entire continuum of care including Skilled Nursing, Home Health Care and Outpatient Rehabilitation. In addition, we are aligned with Prima Medical Foundation and are expanding our 1206b physician clinics.

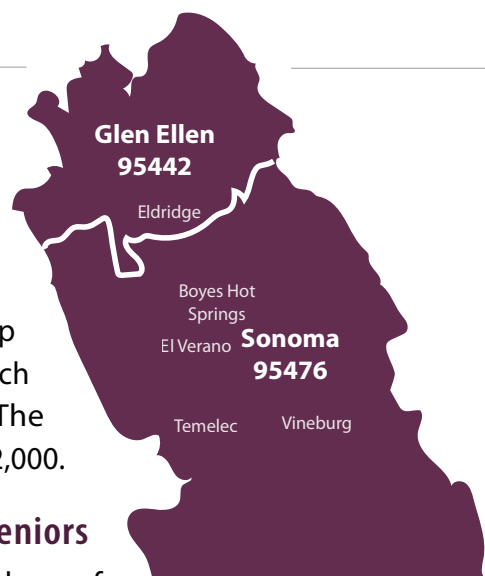
Quality of Care

Finally, we will always place a very strong emphasis on quality, patient safety and outcomes, as well as advances in information technology, electronic health records and telemedicine. While positive and necessary, these contribute to rising health care expenditures and must be managed appropriately.

SVH Situation Analysis

The Community Served

SVH serves a small community, running from Glen Ellen through the City of Sonoma, including Boyes Hot Springs, El Verano, Fetters Hot Springs and Agua Caliente, and also Temelec, Shellville, Eldridge and Vineburg. The two main zip codes served are 95476 and 95442, which identify the primary service area. The population of the district is approximately 42,000.



Age of Residents and Growth Rate of Seniors

SVH's service area has a disproportionate share of 50+ residents and is under-represented in younger age categories. In 2016, residents aged 65 and older made up 23.2% of the total population and this segment of the population is growing the fastest. There are significantly more young people living in the Springs area compared to the rest of Sonoma Valley.

Growth of Latino Population

Over the past three years, Sonoma Valley's Latino population has increased to 28% and is projected to grow to 30% within the next several years. The Springs area has a significantly larger proportion of Latino residents at over 50%. In the Sonoma Valley overall, 35% of Latinos are uninsured. SVH continues to support the Latino population with increased access to health care services as well as bilingual health education and communication.

Payer Mix Trends

The dominance of government as the main reimbursement source underscores the need for additional sources of revenue and community support. Medicare volumes are stable and continue to represent over half of our payer mix. Medi-Cal has increased over the years. The percentage of patients with commercial insurance is approximately 20%.

Patient Experience

SVH has above-average patient satisfaction and continues to improve. The Centers for Medicare and Medicaid Services (CMS) measures satisfaction in 9 domains, and each domain is compared to a national percentile rank. SVH is consistently above the 60th percentile in almost every domain. This means that

SVH Situation Analysis *(cont)*

SVH has higher inpatient satisfaction than 60 percent of all hospitals in the country. The Emergency satisfaction is in the top quartile.

Quality Outcomes

SVH is in the top 25 percent of hospitals in the nation based on quality of patient outcomes. We are also rated by CMS as a 4-star hospital. There are very few 4-star hospitals in the Bay Area; we are one of just six in the entire North Bay. In addition to the CMS outcome measures, safety and quality indicators are regularly monitored and reported to the board Quality Committee and all exceed national benchmarks. SVH staff and our physicians strive to provide excellent care for all of our patients.

Inpatient and Skilled Nursing Care

We are beginning to see an improvement in the number of inpatient admissions over the prior year after declining rapidly for many years. In the first six months of FY 2017, patient days were 11% above the prior year. In addition, Skilled Nursing Facility patient days have decreased due to shorter lengths of stay, but admissions are increasing in FY 2017. Obstetrics is down 23% in the first six months of FY 2017. This corresponds to the trend of a lower number of births in the Valley.

Emergency Care

SVH's market share for our Emergency Department is over 70%. The volume continues to increase each year from approximately 9,500 visits before the new department opened to almost 11,000 visits per year currently. Patient satisfaction is very high and in the top quartile as compared to national benchmarks.

Outpatient Services

Outpatient services overall continue to grow by over 3% per year. MRI volumes increased over prior year. Mammography and Nuclear Medicine continue to decline due to technological advances. SVH has high market share in Diagnostics, Occupational Health, Wound Care and Physical Therapy. There is an opportunity to increase Echocardiograms with the addition of another Cardiologist in the community. The new 3D Mammography will also increase volumes.

Surgical Services

While it took a couple of years to increase surgeries, SVH has enjoyed great success in FY 2017 with surgical procedures growing by 10% over the prior year. Bariatrics has experienced a significant increase and this service line now attracts patients from outside the District. General Surgery, Orthopedics, Surgical Pain Management and Endoscopy have all increased. There is still opportunity to increase Ophthalmology and Urology.

SVH Situation Analysis *(cont)*

Managing Service Line Profitability

SVH continues to show improvement in direct operating margins in 8 of its 10 service units. The cost accounting system allows SVH to complete initiatives such as the consolidation of services and payor contract negotiation leverage. With this system, SVH has a more detailed level of analysis to continuously improve and adjust to reductions in reimbursements without compromising safety and quality.

Financial Stability

Over the past three years, SVH has decreased all non-staff and physician expenses. The cash on hand has improved in FY 2017. In addition, the amount of trade payables is now in line with cash. Much of the deferred maintenance from the past 30 years has been addressed, but there are still major physical plant and equipment upgrades needed. Some of the long-term debt has been paid off except for the line of credit.

Primary Care

The shortage of Primary Care coverage is becoming more of a challenge for Sonoma Valley. In a recent survey, 70% of our PCPs report they are not accepting new patients. This situation recently has been improved with the addition of two new primary care providers and a concierge physician.

Charity Care

The hospital serves all patients who require it, regardless of the ability to pay. As such, SVH provides substantial amounts of uncompensated care. When this care is provided to patients who lack the financial resources, it is classified as Charity Care. In FY 2016, the hospital provided \$294,762 in Charity Care.

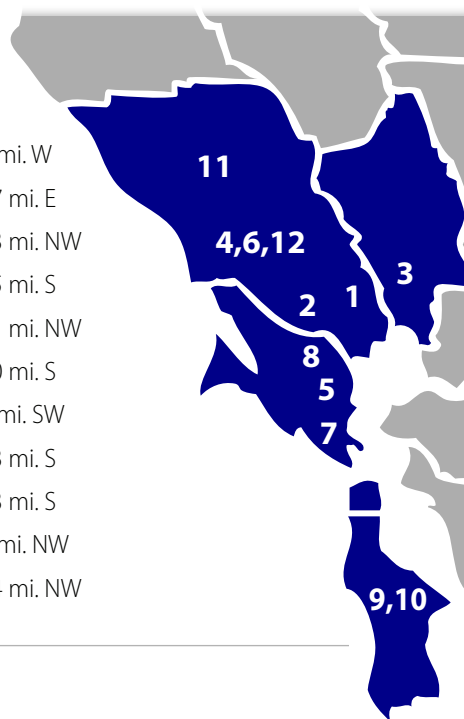
Community Benefit

Hospital leadership provides many innovative health improvement programs to the community. We participate in many community activities such as health fairs and educational events. A number of our programs are offered in collaboration with organizations such as Vintage House, La Luz Center, the Sonoma Valley Community Health Center and Integrative Health practitioners.

Competitive Assessment

As the only hospital in a relatively isolated Valley, SVH has a distinct market with over 80% of our patients coming from the District. The closest hospital is 14 miles away (Petaluma Valley Hospital). While Kaiser, Sutter and St. Joseph's continue to have some inpatient market share in our primary market area, SVH has experienced a slight growth in our own inpatient market share. Emergency market share also continues to increase each year. Outpatient services have increased or maintained market share. Skilled Nursing and Home Health Care have very high market share.

1. Sonoma Valley	Total Beds 75
2. Petaluma Valley	Total Beds 80 - 14 mi. W
3. Queen of the Valley Napa	Total Beds 181 - 17 mi. E
4. Kaiser Santa Rosa	Total Beds 173 - 23 mi. NW
5. Kaiser San Rafael	Total Beds 116 - 25 mi. S
6. Santa Rosa Memorial	Total Beds 256 - 21 mi. NW
7. Marin General	Total Beds 218 - 30 mi. S
8. Novato Hospital (Sutter)	Total Beds 47 - 20 mi. SW
9. UCSF Medical Center	Total Beds 660 - 43 mi. S
10. Kaiser San Francisco	Total Beds 236 - 43 mi. S
11. Healdsburg Hospital	Total Beds 25 - 35 mi. NW
12. Sutter Santa Rosa	Total Beds 120 - 44 mi. NW



Sonoma Valley Hospital has made a concerted effort in recent years to reduce the migration of patients to competitors outside of our market, mainly by adding specialist services in our community. As a result, local referrals have increased 10% in the past year. Santa Rosa Memorial Hospital continues to be the largest competitor for inpatient and outpatient migration outside of our market. Most inpatient admissions that are not provided by SVH are for services that a primary care hospital should not provide.

Strategies & Tactics FY 2018

Achieve the highest levels of health care safety, quality and value as measured by Patient Satisfaction and National Quality Benchmarks

- ◆ Continue to implement cutting edge practices for Emergency Care
- ◆ Develop goals and standards for becoming a “Highly Reliable Organization” and begin implementation
- ◆ Implement more evidence-based medicine tools such as Choose Wisely and National Registries
- ◆ Improve inpatient satisfaction by adding “What Matters to You” program
- ◆ Remain in the top quartile for staff engagement and satisfaction
- ◆ Continue the “Culture of Safety” initiatives and monitoring
- ◆ Use the departmental Quality Assurance/Performance Improvement plans to create an organization-wide quality goal

Be the preferred hospital for patients, physicians, employers and health plans as measured by volume and referrals

- ◆ Begin the construction of an Outpatient Diagnostic Center with state-of-the-art equipment
- ◆ Add a patient engagement tool such as “Rate My Hospital” to obtain immediate feedback from outpatients
- ◆ Increase physician and office staff outreach to ensure we are meeting their needs
- ◆ Implement a transparency tool for patients to show financial obligations up front
- ◆ Market our value (high quality/lower cost) to employers and health plans
- ◆ Track and increase physician loyalty in referrals to all services and measure their satisfaction

Implement new and enhanced revenue strategies as measured by increased direct margins in each service area

- ◆ Continue to increase volumes by drawing patients from outside of the District
- ◆ Implement the Chronic Pain Network using alternative therapies addressing addiction such as opioids
- ◆ Create awareness of our high quality and value General Surgery service line from bariatrics to colorectal services
- ◆ Open a Rural Health Center with local primary care physicians
- ◆ Evaluate opening an Urgent Care Center after hours in Occupational Health
- ◆ Continue to expand marketing of Occupational Health to regional employers
- ◆ Evaluate a mobile wound care clinic to increase access and patient convenience

Strategies & Tactics FY 2018 *(cont)*

- ◆ Work with other hospitals to increase outside referrals to the Skilled Nursing Facility
- ◆ Evaluate the feasibility of an Acute Detox Unit
- ◆ Evaluate offering Chemotherapy locally with possible connection to a larger name-brand hospital in the upgraded Pharmacy
- ◆ Work with the Cardiology Associates of Marin to open a new office and Cardiology Center
- ◆ Implement a Bariatric Institute
- ◆ Work with current physicians on staff to expand Urology and OB/GYN
- ◆ Expand the Birthplace into a Women's Center with new procedures and a breast surgeon
- ◆ Continue to expand Orthopedic services through state contracts
- ◆ Increase SNF admissions and recruit a dedicated physician
- ◆ Work with Employer Direct to become a destination hospital


Continue to improve financial stability as measured by operating margin

- ◆ Use the cost accounting system to maximize Outpatient services margins
- ◆ Negotiate with larger hospitals to keep patients local
- ◆ Work with Meritage Medical Network to increase our Western Health Advantage revenue
- ◆ Implement a sustainable solution for energy to decrease costs and waste
- ◆ Determine the best purpose of the South Lot while retaining the parking lot
- ◆ Develop a plan to improve Healing at Home margin
- ◆ Evaluate the revenue cycle and identify opportunities to improve stability
- ◆ Ensure the 1206b clinics are financially stable

Lead progress toward being a healthier community as measured by community benefit and reduced readmissions

- ◆ Utilize Community Health Coaches for care transitions and to reduce readmissions
- ◆ Continue to offer Wellness University and increase the number of ambassadors
- ◆ Increase Outpatient Nutrition counseling services for Diabetes such as "Sweet Success"
- ◆ Collaborate with the Integrative Health Network to enhance team approach to healing
- ◆ Work closely with the Community Health Center to ensure patients have access to primary care and specialty services
- ◆ Continue health education and outreach through Girltalk, Active Aging Series and other programs
- ◆ Increase the number of "Clinical Healers" as the foundation for the Healing Hospital™
- ◆ Assist SVHF to meet their annual giving goals and in leading a capital campaign
- ◆ Use the Health Needs Assessment by La Luz to improve outreach to the Latino population

SONOMA VALLEY HOSPITAL



OUR MISSION:
To restore, maintain
and improve the health
of everyone in our community.

OUR VISION: SVH will be a nationally
recognized, compassionate place of healing
known for excellence in clinical quality. We
serve as the guide and indispensable link in our
community members' health care journey.

**FOUR LEVELS
of HEALING**
SONOMA VALLEY HOSPITAL

Healing Here at Home

OUR VALUES: C.R.E.A.T.I.N.G **Compassion:** We show consideration of the feelings of others at all times. **Respect:** We honor and acknowledge the value of the people, places and resources in providing care. **Excellence:** We strive to exceed the expectations of the people we serve. **Accountability:** We are reliable, self-responsible owners of the outcomes of our organization. **Teamwork:** We are productive and participative staff members who energize others. **Innovation:** We seek new and creative solutions to deliver quality healthcare. **Nurturing:** We cultivate, develop and educate those with whom we work to achieve their highest potential. **Guidance:** We direct and lead our community members through their healthcare journey and in health improvement.

