

# SONOMA VALLEY HOSPITAL

## 2016 Three-Year Rolling Strategic Plan



**SONOMA  
VALLEY HOSPITAL**  
SONOMA VALLEY HEALTH CARE DISTRICT

*Healing Here at Home*



# Executive Summary

---

**Sonoma Valley Hospital** ("SVH") has made great progress over the last few years toward becoming a model for the modern community hospital, one well prepared to succeed in the health care environment that is emerging. By all objective measures, SVH now demonstrates performance that is commensurate with or outperforms hospitals across the country. To continue this trajectory, SVH will focus on improving the health of our community and delivering the highest quality of care to patients. We also will continue to improve financial results in a dynamic and challenging market.

**Patients and the industry** have begun to recognize the extraordinary level of **safety and quality of service** that SVH provides. Feedback from patients through ongoing surveys confirms that SVH physicians and staff provide responsive, responsible and thoughtful care to those served. SVH is the preferred choice among Sonoma Valley residents for Emergency Services, Diagnostics, Rehabilitation, Skilled Nursing, Home Health Care and Occupational Health. On all measures of effectiveness, including safety and quality of health care delivered, SVH is a leading provider and scores well above industry averages, frequently ranking among the top 25 percent of hospitals in the nation. The Hospital has been recognized as one of the top 15 hospitals for safety in the country, quite an achievement for a small community hospital.

**SVH has made great progress** in recent years toward **financial stability** by reducing costs, paying down debt, upgrading the physical plant, improving technology, and growing service lines. SVH's new Emergency Department is a tremendous success, reporting increases in both volumes and excellent patient satisfaction. However, the type of insurance used by our patients is changing rapidly and has presented new challenges. The expansion of Medi-Cal has increased the volume of clients using the Emergency Department at very low reimbursement rates. Over the coming years, SVH must continue to identify and grow higher-margin services, review and adjust pricing, expand market share where possible – all while continuing to streamline services and maintaining a high level of quality and staff satisfaction.

**The implementation** of the Affordable Care Act, expansion of Medi-Cal, the secular decline in inpatient services, changes in payment or reimbursement models and levels, and increased regulations have all come together to create a volatile environment for hospitals and other health care providers. While no one knows exactly what the final **health care regulations and payment models** will be, SVH has been proactive by focusing on improving fundamentals: high patient safety and satisfaction, excellent quality outcomes such as reduced patient re-admissions, excellent staff and physician satisfaction, increased efficiencies, increased market share and revenues, and creating a

*(continued)*

## Executive Summary *(cont.)*

modern and welcoming facility. That work will continue and will position SVH well no matter what shape changes to health care regulation and payment models may take. Ensuring a **healthy community** is a top priority for SVH and is critical for the Hospital's future. Industry incentives increasingly will be geared toward population health, continuing to emphasize disease prevention while adjusting to the shift away from inpatient care. SVH will continue to work closely with our excellent and efficient physicians to improve the health of our community. SVH also will continue to be a leader in developing and supporting community-wide programs that address awareness and early detection, keeping healthy people healthy, and leading healing for life.

While a great deal has been accomplished in recent years in upgrading the facility, including the addition of a state-of-the-art Emergency Department and Surgery Center, the Hospital continues to see volumes shift from inpatient to outpatient services. Sonoma Valley residents deserve a more efficient, easy-to-access and modern outpatient center in the future. In addition, SVH must continue to invest in the latest technology in order to continue to maintain high quality of care.



# Strategic Priorities 2016-2018

---

## **1. CONTINUE TO PROVIDE THE HIGHEST LEVELS OF SAFETY AND QUALITY HEALTH CARE TO SONOMA VALLEY HOSPITAL PATIENTS:**

Transparency is now the norm in health care and SVH has excellent quality outcomes by most every measure. However, all hospitals are improving their results and therefore we will continue to improve our service excellence scores to above the 75th percentile, continue to meet or exceed national safety and quality measures, and continue to receive the Center for Medicare Services bonus payment due to an excellent Value Based Purchasing score. In addition, we will continue to maintain our staff satisfaction in the top decile, or above the 90th percentile.

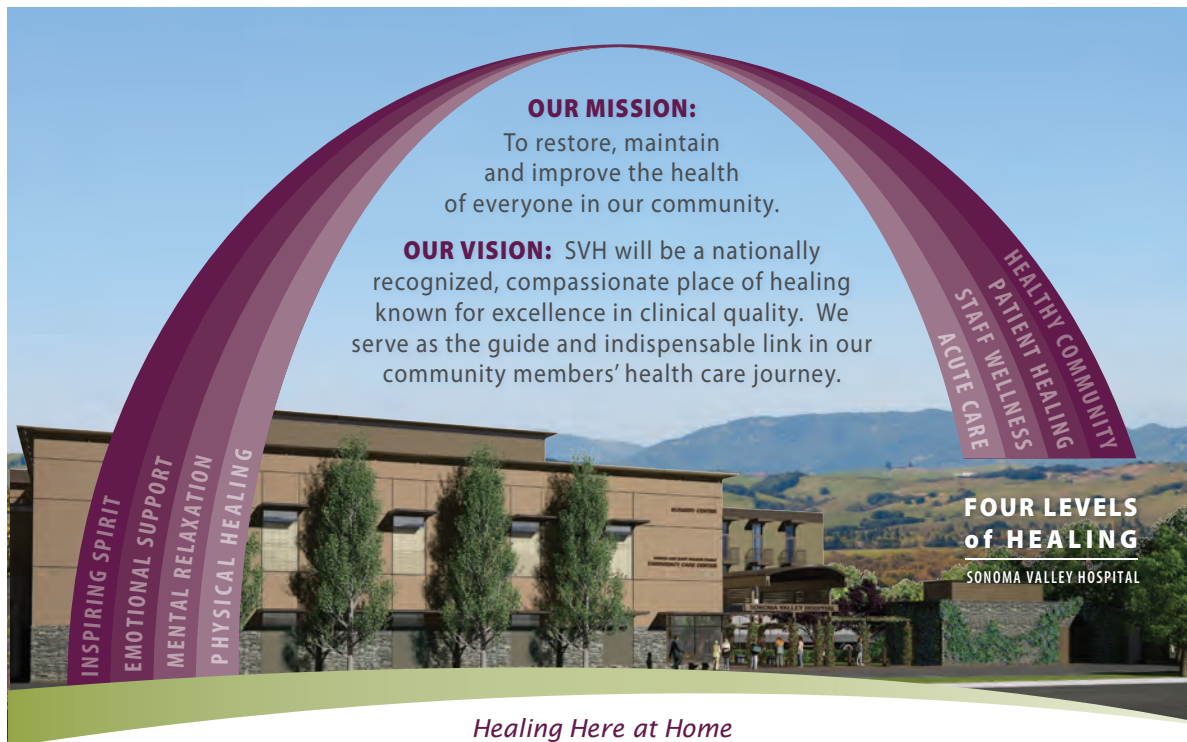
**2. IMPROVE HOSPITAL FINANCIAL STABILITY:** SVH is a small hospital in a small community and must have a laser focus on financial management and efficiency. With new financial leadership and systems, we will enhance our reimbursement, collections and operational efficiency, improve our volumes through physician loyalty, and further increase our market share in several areas including surgery, outpatient diagnostics, rehabilitation and home health. In addition, we will begin to discuss continuation of the parcel tax which is due for renewal at the end of 2017.

## **3. ANTICIPATE AND PREPARE FOR CONTINUED CHANGES IN HEALTH CARE REGULATIONS AND PAYMENT MODELS:**

SVH currently uses many different types of payment systems and the incentives are competing with one another. Throughout the next year, we will evaluate each system and determine the best model for our organization. This includes working even more closely with our physician network and several large hospital partners which have leverage with health plans or with organizations which have many patient lives in our area.

**4. SUPPORT SONOMA VALLEY IN BECOMING A HEALTHY COMMUNITY:** We will continue to implement the Healing Hospital™ model whereby the Hospital focuses on having a “culture of health,” encourages staff to serve as health role models and patients to participate in their healing in order to create a healthy community. SVH will lead population health in three ways: implement “Healthy Kids are Contagious™” initiatives, create health awareness and “Keep Healthy People Healthy,” and help those with chronic disease “Lead Healing for Life.” Also, we will expand the role of the SVH Foundation in community engagement.

# The Future



**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.

While great progress has been made, challenges remain. The focus on, and outstanding results in, safety and quality outcomes, and patient, physician and staff satisfaction will continue. New and sustainable sources of revenue are being developed to replace diminishing income from traditional inpatient services. Increased efficiency will continue to be key to our future. New models and sources of revenue must be identified such as regional expansion of selected services (e.g., Home Health), expanded outpatient services, and increased market share of inpatient procedures. In addition, continued increases in philanthropic support and the parcel tax revenue for capital expenditures will ensure our Hospital's success.

Sonoma Valley Hospital is uniquely positioned to succeed in the continually evolving landscape that is health care today and become a model for "The New Community Hospital." The old hospital model, in which the economics of health care was largely based on serving those who are acutely ill, is no longer viable. The "Future" is a hospital model growing from the need to serve the entire community as a place of healing, with a culture of safety and quality and excellent efficiency and financial stewardship. In proactively addressing these priorities, SVH is at the forefront in reimagining the role of the modern community hospital in the 21st century.

# Environment Assessment: Trends in Hospital Health Care

Most hospitals in the United States are in the process of transitioning to a different business model. Health reform and increasing government mandates are reducing the utilization of hospital inpatient care in the health care delivery system, and hospitals must move from the model of providing inpatient and outpatient care into a team approach that coordinates care for defined populations. SVH is using a new decision support system to monitor and determine the best approach to these changes. While the role of a primary care hospital in smaller communities is still in question, and the new model is not yet fully formed, we are finding our way. Sonoma Valley Hospital is now breaking even on Medicare and is growing outpatient services, which is the first step to ensure our future.

Tighter integration of providers and hospital networks is required to deliver comprehensive and coordinated care to defined populations, including wellness/prevention, episodic care, management of chronic conditions, mental/behavioral health, and appropriate end-of-life care. This will be critical to ensure sustainable delivery systems, and payment will move toward capitation arrangements based on the wellness, outcomes and the health status of individuals. SVH is unique in that it offers almost the entire continuum of care including Skilled Nursing, Home Health Care and Outpatient Rehabilitation.

The implementation of the Affordable Care Act has stimulated a wide variety of changes: a decrease in the number of uninsured; restrictions on access to some physicians and hospitals (narrow networks); higher out-of-pocket costs for patients who selected certain options; and an increase in the numbers of individuals covered by Medi-Cal. In 2014, SVH experienced a 7% increase in Medi-Cal patients from 11% to 18%. As traditional commercial insurance continues to decrease, hospitals must continue to address the cost structure in order to adjust to the lower reimbursement from government payers.

Finally, there is an increased emphasis, including transparency and public scrutiny, 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.

Human behavior (consumer-driven care based on increased involvement and responsibility for their health care and decision-making) and the aging of the population are becoming greater drivers of health care policy. This latter factor is important in the Sonoma Valley where a quarter of the population is over 65.

EVOLVING FROM	→	TO
MD/ HOSPITAL PARALLEL	→	MD/ HOSPITAL COLLABORATION
HOSPITAL- CENTRIC	→	INTEGRATED MANNER
DISEASE- EPISODIC CARE	→	CONTINUUM OF CARE
PAY FOR PROCEDURES	→	PAY FOR VALUE
FEE FOR SERVICE	→	CASE RATES/CAPITATION
INDIVIDUAL ILLNESS CARE	→	POPULATION/MAINTAIN HEALTH
SILO	→	SYSTEM



# SVH Situation Analysis

- SVH serves a very small community. The primary service area is the 95476 zip code which includes the city of Sonoma. The secondary service area extends north and includes Glen Ellen, Boyes Hot Springs, Vineburg and El Verano. This area lines up with the SVHCD boundary and has a population of approximately 42,000 residents.

- SVH's service area has a disproportionate share of 50+ residents and is under-represented in younger age categories. Seniors make up a significant portion of the primary and secondary service area, representing one out of every four residents. This is significantly higher than the national average of 14%.

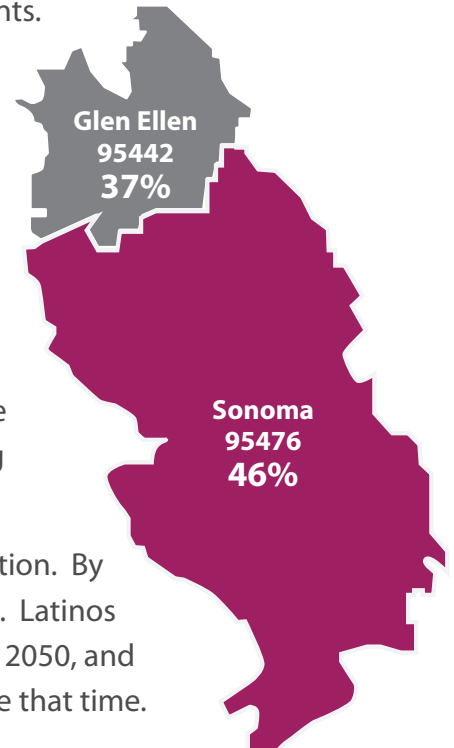
- Consistent with industry trends, SVH is experiencing an increase in Medi-Cal patients as a percent of total volumes. Due to the very low reimbursement for these patients, this is placing great pressure on margins.

- SVH's service area has a large and fast growing Latino population. By 2016, more than 32% of the Valley's population will be Hispanic. Latinos are expected to make up over 50% of California's population by 2050, and that benchmark could be reached in the SVH service area before that time.

- The nationwide patient satisfaction survey system monitored by the Center for Medicare Services uses eight domains to compare hospitals in service excellence. SVH ranks above the 50th percentile in 5 out of 8 of those domains, and often ranks above the 75th percentile. This means the patients rating SVH are happier with our care than with most other hospitals in the nation.

- The inpatient admissions for SVH went from 1,658 in 2010 to 1,168 in FY 2014 due to regulatory changes on how to qualify a patient for admission. This dramatic decrease had a major impact on revenue. The inpatient admissions for FY 2015 seem to have stabilized and are now projected to be over 1,200.

- There are 10 major service areas at SVH. The highest volume/highest margin areas are Outpatient Diagnostics (radiology, lab and cardiopulmonary), Emergency, Outpatient Surgery and Rehabilitation. Our low volume, high margin service is Inpatient Acute Services. Contributing high volume, low margin service include Occupational Health, Special Procedures and Home Health. Although Obstetrics and the Skilled Nursing Facility have low volumes and low margins, the efficiency has improved greatly in FY 2015, and we receive offsetting special supplemental payments because we offer these two services. Every service area has at least a positive direct margin now.



(continued)

## SVH Situation Analysis *(cont.)*

---

- The Hospital is still mainly known and valued by the community for our Emergency Services with over 80% market share.
- The Hospital has a good share of the market in Radiology, Laboratory, Outpatient Rehabilitation, Home Health Care, Inpatient Rehabilitation/Skilled Nursing Facility, Medicine and Gynecology. Orthopedics has increased over the past two years. There is still a great opportunity to increase market share in inpatient services and outpatient surgery.
- We continue to monitor Primary Care for demand. We now have physicians covering almost every specialty, with new physicians in ENT, Urology, Orthopedic Spine Surgery and Pain Management. If there is a need for more providers in FY 2015, a mid-level practitioner will be considered to join Prima Medical Foundation.



# Competitive Assessment

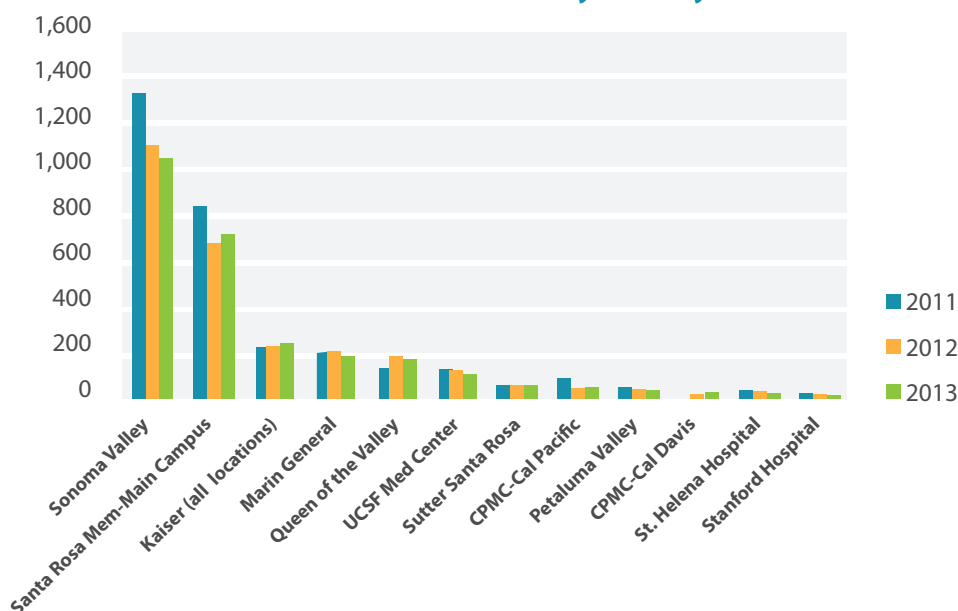
SVH's continued improvement in operational strategy is critical, but it is not a substitute for strategically responding to competition. Many hospitals continue to make the strategic error of becoming more similar to their competition, rather than creating differentiation.

The SVH strategy is to move away from a narrow approach to service lines in order to capture the full continuum of care. Additionally, we are developing a regional strategy in certain services to reduce dependence on the local market. This is important to our future because of our competitive marketplace. SVH sits among 12 hospitals within a 50 mile radius, including three Kaiser facilities.

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



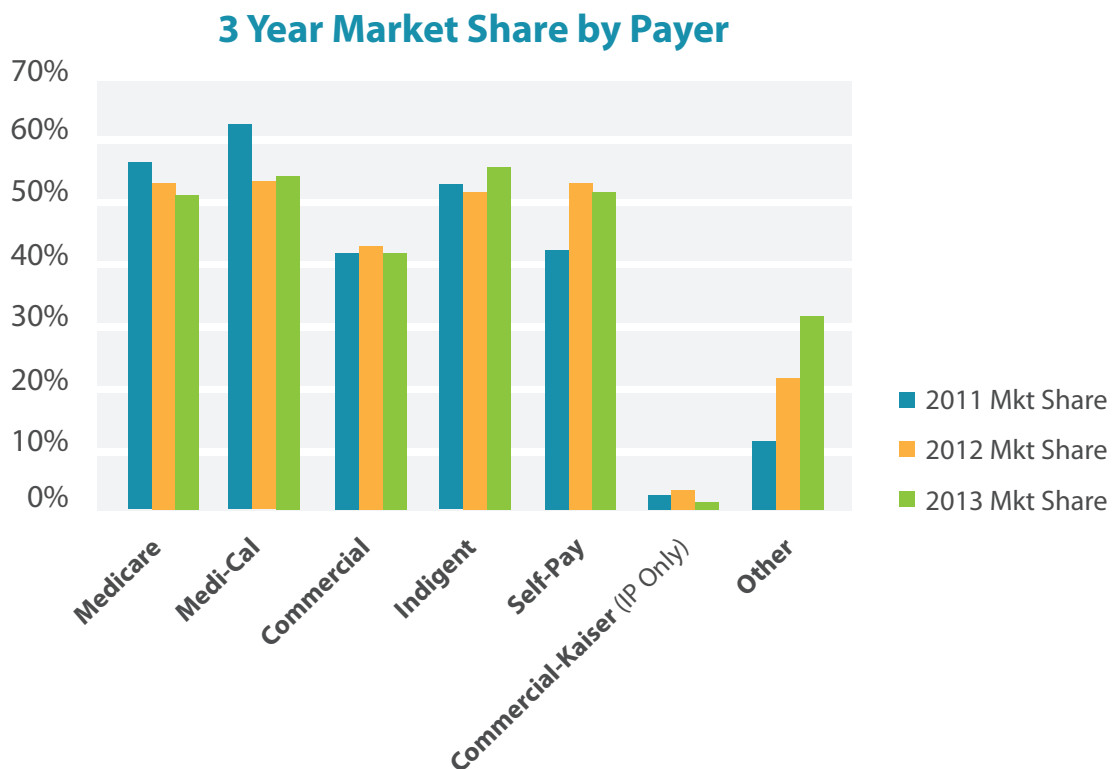
3 Year Market Share by Facility



## Sonoma Valley Hospital Inpatient Market Position

[Contractual shifting and reduction in governmental reimbursement](#), accompanied by a shift from inpatient to outpatient services, has resulted in a significant decline in inpatient volumes for all hospitals. In our service area, hospital admissions dropped from 3,436 to 2,871, a decrease of 16.4%. Sonoma Valley Hospital has 49.3% market share excluding Kaiser, and 37.1% market share including Kaiser hospitals. There are 1,096 inpatient admissions which go to other area hospitals with the first being Santa Rosa Memorial, followed by Marin General Hospital, then Queen of the Valley Medical Center, and finally UCSF Medical Center. Acting proactively, SVH is now partnering with these hospitals on health plan and physician alignment.

[SVH market share by payer](#) is still relatively high for all payers at above 50%, except for commercial insurance which is 40%. This data is the most recent available and reflects calendar year 2013; therefore the effect of the Affordable Care Act is not visible yet.



# Implementation Plan for the Strategic Priorities

## Continue to provide the highest levels of safety and quality health care to Sonoma Valley Hospital patients

	QTR 1	QTR2	QTR3	QTR4	FY 2017	FY 2018
Maintain staff satisfaction above 90th percentile through Healthy Culture initiatives	X	X	X	X	X	X
Improve Inpatient satisfaction above 50th percentile with hardwriting & verification	X	X	X	X	X	X
Maintain Emergency patient satisfaction above 75th percentile according to the new HCAHPS	X	X	X	X	X	X
Increase physician engagement through maintaining satisfaction, quality outcome & utilization alignment	X	X	X	X	X	X
Continue to receive national recognition and awards for excellence	X	X	X	X	X	X
Maintain a culture of safety and develop a patient harm score	X	X	X	X	X	X

## Improve hospital financial stability

	QTR 1	QTR2	QTR3	QTR4	FY 2017	FY 2018
Review physician outreach & loyalty to increase volumes through Cost Accounting initiatives	X	X	X	X	X	X
Maximize savings and margins with performance improvement process	X	X	X	X	X	X
Review and adjust pricing to attract more patients	X					
Increase Orthopedic and General Surgery volumes using CMA approach			X			
Implement a timeshare office for specialists in Sonoma	X					
Consider options for a new Outpatient Service Center			X	X	X	X
Begin the discussion of the parcel tax renewal for vote in 2017			X	X	X	X
Consider new options for the South Lot and Master Campus Plan	X	X				

(continued)



## Implementation Plan for the Strategic Priorities *(cont.)*

### Anticipate and prepare for continued changes in health care regulations and payment models

	QTR1	QTR2	QTR3	QTR4	FY 2017	FY 2018
Continue to improve Medicare margins and ensure we are ready for regulatory changes	X	X				
Improve the reimbursement and partnership with Medi-Cal providers	X					
Review options to partner with large hospital systems and health plans	X	X	X	X	X	X
Work with physicians to increase alignment and consider new models of integration	X	X				
Study capitation versus other reimbursement options through modeling		X	X			
Complete ICD-10 readiness	X	X				
Hardwire use of the EHR to meet meaningful objectives		X	X			

### Support Sonoma Valley in becoming a healthy community

	QTR1	QTR2	QTR3	QTR4	FY 2017	FY 2018
Continue Population and Community Health Awareness & Education Initiatives	X	X	X	X	X	X
Expand role of SVH Foundation in community engagement		X	X	X	X	X
Complete the Employer Wellness Program Pilot project		X				
Begin Community Care Network		X	X	X		
Implement a Disease Reversal Program			X	X		
Offer Wellness University to the community and complete the Healing Hospital Implementation	X		X		X	X
Provide Advanced Healthcare Planning education	X	X				
Complete Community Opinion Surveys	X	X	X			
Work with the SVHF on raising \$750,000 or more	X	X				



*Leading the health care district of Sonoma Valley in  
becoming and being known as a Healthy Community*



347 Andrieux Street Sonoma, CA 95476 • 707.935.5000 • [www.svh.com](http://www.svh.com)