

# We Met The Challenges Of Fiscal Year 2019

Some have painted a dire picture of the financial situation at Sonoma Valley Hospital.

It's time to tell the other side of the story.

The claim that our hospital is foundering is not true. The fact is, Sonoma Valley Hospital has improved its financial situation significantly and is now stronger than it has been in a decade.

Certainly, our hospital has faced many challenges in recent years, as have most of the country's community hospitals. Dramatic changes in how healthcare is delivered and compensated have financially impacted small hospitals almost without exception.

The start of this past fiscal year, which ended on June 30, was an especially challenging time for us. But we are pleased to report that we made the necessary changes and the hospital is already doing better, and we are well positioned for the future.

**We ended Fiscal Year 2019 with a small positive Net Income** (prior to restricted contributions) versus a deficit of almost \$3M in Fiscal Year 2018.

**Hospital financials have been improving over the longer term.** We have increased revenue by an average of 3% per year over the last eight years while keeping expense increases to 2% annually, with operating margins improving by almost 6% in that time.

**We have made necessary upgrades since 2010,** including the Electronic Health Record, physical plant improvements and building a new wing which we have almost completely paid off.

**We recently ended the 2019 fiscal year with around \$5.6M cash on hand** and will retire an additional \$3 million of debt shortly as a result of the South Lot sale. With this, we will have reduced hospital total debt by close to 50% in the past three years.

**Even as we reduced costs this year, we were mindful of maintaining needed and highly utilized services,** such as the ER and Outpatient Diagnostics. We closed just one underutilized service – Obstetrics – that was losing a half-million dollars a year, while finding ways to retain two other costly services our community asked us to maintain: Home Health Care and Skilled Nursing.

**We've raised \$17.9 million in donations to date to replace critical diagnostic equipment** that is at the end of its useful life. SVH diagnostic volumes continue to increase despite changes in regulations and insurance practices.

While things are improving, dramatically in some areas, we will always be small and at the mercy of a tough market. We will continue to develop revenue sources and maintain a tight rein on expenses. We also will continue to depend on the parcel tax to fund emergency services and keep the hospital open.

We are reinventing what a community hospital must look like to be financially sustainable, with an experienced management team and board making sound decisions serving the interests of Sonoma Valley residents.

Our community can have confidence that its hospital will continue to be here to meet its healthcare needs with dedication, skill and compassion in the years ahead.

**Joshua Rymer, Chair**  
Sonoma Valley Health Care District Board

**Kelly Mather, President and CEO**  
Sonoma Valley Hospital

