

Straight Talk

A weekly update from management on the issues that matter most



September 14, 2007

Dear Friends and Colleagues,

Earlier this week, Board Chair Carl Westman and I reviewed the year just past, in terms of quality, finances and overall state of NCH, with the *Naples Daily News*.

This communication with the newspaper has become an annual event, simultaneous with our final filing to the IRS of all materials for the fiscal year and our posting of audited financial information on the NCHMD.org website. Although the information filed includes the fiscal year ended Sept. 30, 2006, the *Naples Daily News* story also included more recent results.

In case you missed this article, headlined ***“Improved financial picture likely to mean employee raises in Oct., NCH officials say,”*** here are some highlights as well as some additional relevant information.

- The current year has been the best ever for NCH, in terms of quality recognition and financial performance. After a difficult start, NCH has made a dramatic turnaround, thanks in part to the DSI sale and the hard work of 3,000 dedicated employees.
- With the improved bottom line, NCH is planning, subject to final board approval later this month, to reward employees with \$17 million in raises, with nearly 1,000 RNs and LPNs slated to receive raises of 8-10% and other employees to receive raises of 6-8%.
- Also over the past year, senior management has been trimmed from 15 people to eight, and executive compensation has been cut from \$5.6 million in 2006 to a projected \$2.2 in 2007. That’s a decrease of more than \$3 million.
- For the fiscal year ended Sept. 30, 2006, the entire system recorded net operating income of a little over \$19 million, with total revenue of approximately \$475 million. This was nearly a 5% increase in total revenue from the prior year.
- The NCH System provided more than \$105 million of total uncompensated care, including \$52 million of total charity and welfare. NCH also absorbed \$53 million of bad debts in the 2006 fiscal year. This increase in the number of uninsured patients places a continuing stress on healthcare across the nation, and our community is no exception.

These strong financial numbers are important, because they allow us to continue to increase salaries, obtain benefits, and buy the supplies we need to care for the more than 33,000 in-patients and 99,000 outpatients we see each year. As we end this year, we are in good shape but need to continue to be prudent in staffing appropriately, managing our expenses, increasing efficiencies, and improving on our already outstanding quality.

Speaking of quality, this has been another banner year. Being named one of the Thomson Top 100 Performance Improvement Leader Hospitals, as well as being named for the third straight year among the top 5% for overall clinical quality, should make all of us proud of our accomplishments.

None of these notable accolades would happen if we didn’t all work together. As I’ve said before, *“None of us is as smart as all of us.”* So let’s keep working together.

Respectfully,

A handwritten signature in blue ink, appearing to read "Allen".

Allen S. Weiss, MD
President and CEO