

April 17, 2008

Dear Friends and Colleagues,

At Tuesday's Department Directors meeting, we shared the first half of the fiscal year's financial results with the leaders of the system. The intent was to come up with ideas to navigate through the current economic period. The mood in the room, despite the difficult environment and disappointing numbers, was confident and committed.

We have a loss for the first six months of the fiscal year compared to a gain over the same period last year. The primary reason for the year-to-year difference is, of course, the difficult condition of the nation's and Florida's economies. Like many hospitals and other organizations in the region, we, too, are experiencing the economic downturn.

As is typical, we anticipate slower summer months due principally to an annual drop in patient volumes (according to the Naples Chamber of Commerce, about 350,000 residents go elsewhere each summer), as well as the fixed costs of running a 681-bed system. Maintaining that capacity in the winter makes us less efficient in the summer.

On the other hand, we are more fortunate than many hospitals in that our balance sheet is the strongest in our history, due to philanthropic support and some recent transactions. That means we have plenty of staying power to ride out the downturn. But we can't depend on our reserves to pull us through. These are needed to continue to ensure that our patients are served with the highest level of technology and the most updated physical plant.

We must manage our resources. That was the charge this week to the department directors. And it is what I would ask of all of you—to recommend ways that will help us answer our current economic challenges.

Obviously, there are some conditions we can control, others we can influence, and still others that we can't control, no matter what we do. Areas we can directly affect quickly include supply costs, staffing, support services, contracts, and market share. Those we can influence include helping physicians ensure high quality, while keeping costs in line. What we can't control is the local economic situation—particularly the increasing numbers of uninsured and underinsured.

We need everyone's ideas on how to become more efficient and effective. *Efficiency* is performing better with fewer resources. *Effectiveness* is selecting the right things to do. These ideas should be collected from the people closest to the work -- be it direct care such as nursing, those supporting the caregivers, or those associated with NCH's business side. A daily focused approach to match patients with nurses and other caregivers can be extremely effective in providing quality care that is also efficient. Support services also need to be as efficient and effective as possible. We look forward to everyone's input.

Switching gears, on a wonderful and different subject, please walk through the Garden of Hope and Courage to see the newest and most beautiful resident—Serenity, who is gazing out over the pond. She is a Greek-style Goddess carved out of a single block of marble. Mr. and Mrs. Windfeldt graciously shared this statue with the Garden of Hope and Courage.

This magnificent gift from the Windfeldt's underscores the community's commitment to NCH and all of us. That's one reason that despite the current economic downturn, I remain confident that by working together and making the necessary adjustments as we move through this challenging summer, we and our institution will emerge with renewed strength.

Respectfully,

Allen S. Weiss, M.D.