

Straight Talk

A weekly update from management on the issues that matter most

April 30, 2009

Dear Friends and Colleagues:

This past week Vicki Hale, our CFO, and I attended the national American Hospital Association meetings in Washington, D. C. Although the weather was warmer than southwest Florida the mood from over half of the hospitals was chilly.

Hospitals need to be financially prudent to be able to carry out their missions of caring for people. Traditionally there have been three ways for hospitals to remain solvent: earn money from patient care, have investment income or receive gifts from philanthropists. Over 54% of hospitals are losing money from operations (caring for patients) and even more are losing money from their investments. Philanthropic support is variable but generally down. These current facts were shared with a group of hospital trustees from across the country by the “Dean” of hospital governance, James Orlikoff.

Fortunately, NCH has been lucky lately (although I always believe you make your own luck and I have some facts to support this theory) by having a particularly busy season caring for patients and consequently a better than predicted financial first half of the year. We also have been prudent with our investments having stayed close to neutral during this whole drop in the world economy due to the prudence of the Board investment committee led by Linda Flewelling. As I shared in last week’s *Straight Talk*, our community is still very supportive of NCH as recognized by the success of the Magnolia Ball.

Unfortunately, no one knows where we are going from here. The next six months of our fiscal year that ends September 30 are a mystery. Yogi Berra once said, “You got to be very careful if you don’t know where you’re going, because you might not get there.” We do know where we want to be at the end of the summer and we have been very diligent in the recent past. I’m optimistic about the *long term* future of NCH as we continue to grow market share by providing great quality and service for our patients. *Short term*, I remain cautious.

Concerning making your own luck, there is a recent article, “Accounting for Cross-Country Differences in Income Per Capita,” in the Philadelphia Fed’s quarterly publication (www.philadelphiafed.org) proposing the differences in per capita income across countries don’t arise primarily from differences in the quantities of capital or labor, but rather from differences in the efficiency with which these factors are used. In plain English, individual productivity matters greatly. The more efficient we are, the better NCH does and ultimately the better off our region and subsequently our country becomes.

To the end of being more efficient, we have been examining and changing the way we do things by using process improvement. We have almost one hundred people who are yellow and green belt trained as well as two more who are almost Black Belt certified—Sue Manning and Chris Vasta and an additional person, Jodi Swarhout who has been a Black Belt for years. We are much more efficient in obtaining many of the Center for Medicare and Medicaid Services (CMS) clinical goals. We are much more effective in our revenue cycle that has culminated in the best balance sheet ever for NCH. When I was referring to being lucky, I suspect that everyone’s hard work over the past few years has made us so “lucky” or successful. For this hard work, I thank everyone.

On a different but very current concern, we are following the Swine Flu situation very closely and we are in a perpetual state of preparedness. We have a rotating stock of masks and other equipment for respiratory precautions. We were scheduled for a tabletop exercise for Pan Flu next week along with many County participants. This current situation reminds us how important and relevant these exercises have become.

Respectfully,



Allen S. Weiss, M.D., President and CEO

P. S. Feel free to share *Straight Talk* and ask anyone to email me at allen.weiss@nchmd.org to be added.