

August 20, 2009

Dear Friends and Colleagues:

Three interrelated “**core competencies**” drive a successful healthcare organization like NCH:

- First and foremost, **quality**; second, **rigorous operations management**, to help deliver that quality; and third, **financial prudence**, to enable and support the other two competencies.

Hospital patients, most of all, want to get well and not be harmed. At NCH, we have the enviable distinction of having been cited, by HealthGrades (www.HealthGrades.com), as ranking among the top 5% national healthcare institutions for overall clinical competency for five years in a row. We have been ranked first in the state for cardiac care and best in the region for maternity care and adult women’s health—again by an independent third-party, based on objective comparative data. Moreover, we are the busiest joint replacement hospital in the state and fourth busiest in the nation. These are just some of the recent “*quality*” accolades that NCH has received from independent evaluators.

In terms of “*operations management*,” as was shared with the NCH Medical Executive Committee last week, we have an extraordinarily low rate of methicillin-resistant Staph Aureus in our hospital system. This is an extremely important statistic, in that it means surgery patients have a lower chance of contracting an infection in our hospital. The national average of such infected patients ranges in the low double digits, while our rate is an astoundingly low 0.15%, according to Interim Director of Infectious Diseases **LeAnna Hatcher**. While no hospital can prevent infections from occasionally occurring and NCH isn’t perfect, nonetheless we have been more successful than ever before in controlling harmful events for patients. And we are clearly better than most hospitals in the country.

Faced with the current challenging financial environment for hospitals and healthcare, we are fortunate to enjoy such outstanding quality and operations management. We pride ourselves in running a prudent financial ship. This has become even more important, in light of three troubling financial trends over the past three months:

1. Admissions have dropped off recently. While we are still, on average, 1.6% busier than we were for the same 10-month period last year, the recent softness is worrisome, in that we don’t know if it is temporary or a trend that might continue.
2. Our payer mix—the ratio of patients with insurance to those who have no or limited insurance—has deteriorated over the past three months, as the recession has held on.
3. By virtue of national policy change, Medicare patients previously classified as “*inpatients*” have been reclassified as “*observation patients*,” with their payments half of what we formerly received.

As I suggested, at this stage we are uncertain how long-term these negative factors might be. Fortunately, we started this fiscal year with strength, but these recent trends make the year’s outcome far less clear. We continue to have a strong balance sheet (that is, money-in-the-bank). And we have benefited from the sale of non-performing, non-core assets and from managing labor and supply costs wisely.

What it really comes down to is “working smarter” at all levels of the institution. Our challenge is to deliver successful results for patients, while lowering the cost of accomplishing a clinical or non-clinical outcome. Such prudence requires a change in mindset for all of us. But that’s where 21st century healthcare is headed, and I have great confidence that NCH will continue to set the quality standard.

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.