Stoughton Health
Executive Committee Meeting

February 28, 2022

7:30 a.m. – 8:30 a.m.

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Agenda – Monday, February 28, 2022

- Call to Order
- 2026 Key Assumptions
- Master Facility Plan
- Organizational Structure Update/Review
- Operations Update
- January Financials ***(Approval Required)***
- February Gross Revenue Month-to-Date
- Conflict of Interest Statement Update
- Final Audit Report – FY2021
- Adjourn

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2026 Key Assumptions (Dan DeGroot)

2026 KEY ASSUMPTIONS AS OF 2/20/22					
STRATEGIC	**WORKFORCE**	**DEMOGRAPHICS**	**SERVICES**	**FINANCE**	**OPERATIONS**
SH will continue to be Affiliate of SSM (who will continue with 40% ownership status).	Workforce issues (wage inflation, labor shortages) will persist into foreseeable future.	SH's primary service area will continue to see steady population growth both organic and due to immigration as housing development continues (esp. Oregon, Stoughton, McFarland).	Where care delivery occurs will continue to change, being driven by payers to lower cost and consumers to increasingly convenient settings.	There will be an intense downward pressure on health care costs and reimbursement at all levels (Federal, State, and Commercial).	Combination of employed specialists, independent specialists and outreaching SSM/UW specialists will dictate need for 3 vs 2 ORs.
Creation of an ASC IV between SH and SSM would serve both organizations well, mitigating historical outmigration challenges for SH while creating additional revenue stream and thus ROI for SSM Specialty outreach services.	Future facilities will need to reflect optimally efficient environments maximizing workflows and leveraging technology to reduce reliance on workforce.	Demand for healthcare services associated with the aging of general population (Boomers) will increase over next decade: • Cardiology Services • Pulmonary Services • Orthopedics • Urology • Cardiac Rehab • Physical Therapy • Medical admissions • GI • Breast Health • Chemotherapy • Long term infusion therapy	95% of SH surgical and procedural volumes will be provided as outpatient services.	Given aging Boomer population, payor mix will reflect increasing % Medicare, Medicaid vs other payers with subsequent downward pressure on margins.	SH will need to preserve IP OR, pre - post surgery space for remaining IP cases and/or emergent IP cases.

2026 Key Assumptions
(Dan DeGroot)

STRATEGIC	WORKFORCE	DEMOGRAPHICS	SERVICES	FINANCE	OPERATIONS
SH will continue to operate as a Critical Access Hospital paneled by both Quartz and DHP for their full portfolio of products.	Due to workforce challenges (supply : demand inequity) employee engagement, wellbeing and retention will be critical to sustain services and programs.	Services driven by population growth (vs aging population) will grow more slowly • General Surgery • ENT	Creation of micro-niche services within broader service portfolios will be critical to sustain volume growth and brand strength. • General Surgery o EVLT o LYNX • Orthopedics o Shoulder o Conformis o Therapy	The shift from Fee for Service (FFS) to Value Based Alternative Payment Models will accelerate as 2026 approaches.	
		Behavioral Health availability will continue to fall far short of demand. Dementia related I.P. care (Geri Psych) will continue to grow as a result of Boomer aging.	UC sites will increase volumes as PCP shortage grows. SWAC services return to SH campus.	SH will need to partner with other systems in order to add value within an ACO structure.	
				Disruptive technologies will impact historical procedural volumes (i.e., Cologuard testing vs screening colonoscopies)	

2026 Key Assumptions - Strategic
(Dan DeGroot)

STRATEGIC
SH will continue to be Affiliate of SSM (who will continue with 40% ownership status).
Creation of an ASC JV between SH and SSM would serve both organizations well, mitigating historical outmigration challenges for SH while creating additional revenue stream and thus ROI for SSM Specialty outreach services.
SH will continue to operate as a Critical Access Hospital paneled by both Quartz and DHP for their full portfolio of products.

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2026 Key Assumptions - Workforce
(Dan DeGroot)

WORKFORCE
Workforce issues (wage inflation, labor shortages) will persist into foreseeable future.
Future facilities will need to reflect optimally efficient environments maximizing workflows and leveraging technology to reduce reliance on workforce.
Due to workforce challenges (supply : demand inequity) employee engagement, wellbeing and retention will be critical to sustain services and programs.

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2026 Key Assumptions - Demographics
(Dan DeGroot)

DEMOGRAPHICS

- SH's primary service area will continue to see steady population growth both organic and due to immigration as housing development continues (esp. Oregon, Stoughton, McFarland).

Demand for healthcare services associated with the aging of general population (Boomers) will increase over next decade:

- Cardiology Services
- Pulmonary Services
- Orthopedics
- Urology
- Cardiac Rehab
- Physical Therapy
- Medical admissions
- GI
- Breast Health
- Chemotherapy
- Long term infusion therapy

Services driven by population growth (vs aging population) will grow more slowly

- General Surgery
- ENT

Behavioral Health availability will continue to fall far short of demand. Dementia related I.P. care (Geri Psych) will continue to grow as a result of Boomer aging.

2026 Key Assumptions - Services
(Dan DeGroot)

SERVICES
Where care delivery occurs will continue to change, being driven by payers to lower cost and consumers to increasingly convenient settings.
95% of SH surgical and procedural volumes will be provided as outpatient services.

Creation of micro-niche services within broader service portfolios will be critical to sustain volume growth and brand strength.
• General Surgery
  o EVLT
  o LYNX
• Orthopedics
  o Shoulder
  o Conformis
  o Therapy

UC sites will increase volumes as PCP shortage grows. SWAC services return to SH campus.

2026 Key Assumptions - Finance
(Dan DeGroot)

FINANCE
There will be an intense downward pressure on health care reimbursement at all levels (Federal, State, and Commercial).
Given aging Boomer population, payor mix will reflect increasing % Medicare, Medicaid vs other payers with subsequent downward pressure on margins.
The shift from Fee for Service (FFS) to Value Based Alternative Payment Models will accelerate as 2026 approaches.
SH will need to partner with others in order to add value within an ACO structure.
Disruptive technologies will impact historical procedural volumes (i.e., Cologuard testing vs screening colonoscopies)

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2026 Key Assumptions - Operations
(Dan DeGroot)

OPERATIONS
Combination of employed specialists, independent specialists and outreaching SSM/UW specialists will dictate need for 3 vs 2 ORs.
SH will need to preserve IP OR, pre - post day surgery space for remaining IP cases and/or emergent IP cases.

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Master Facility Planning
(Dan DeGroot)

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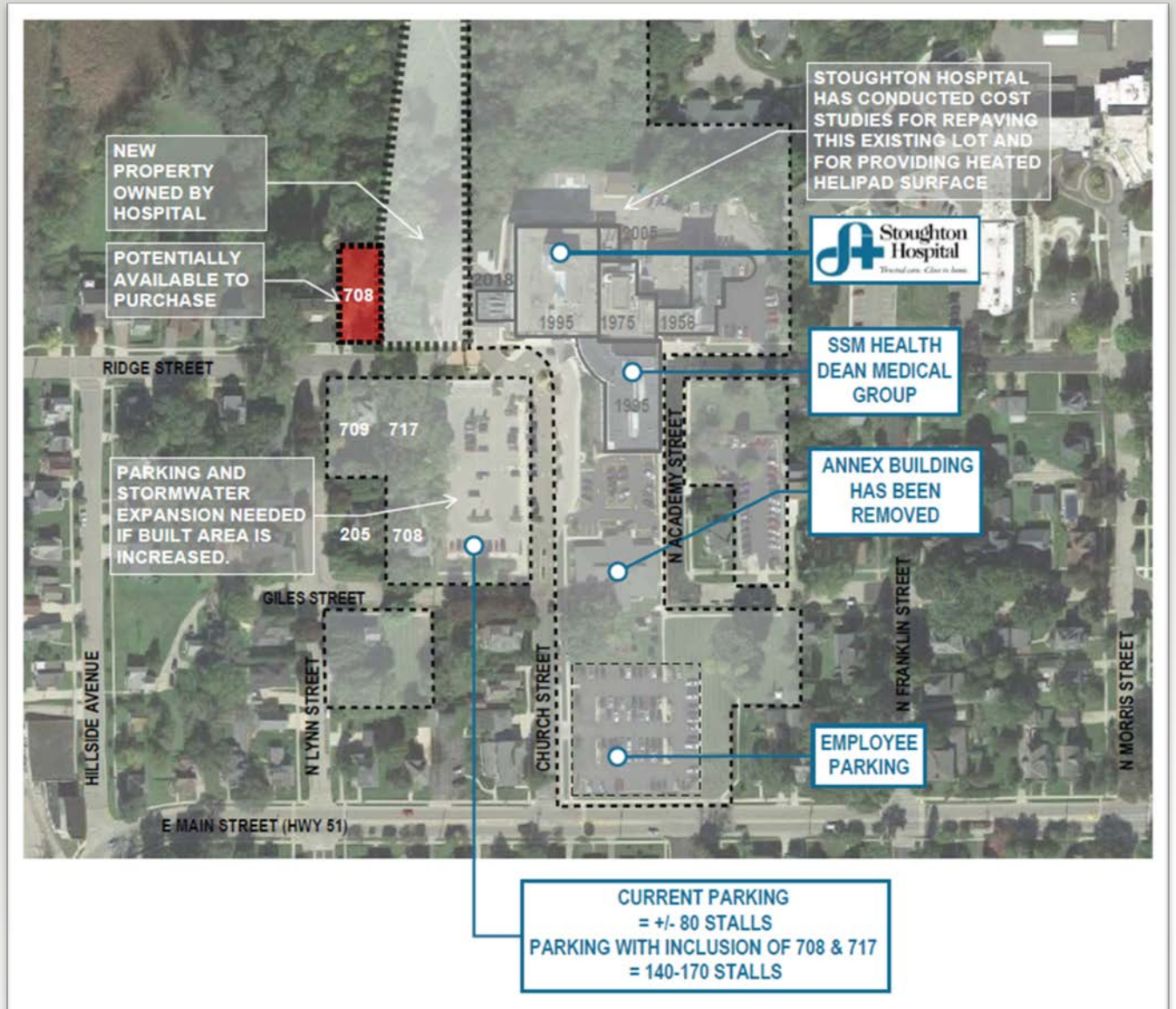
Master Facility Planning
(Dan DeGroot)



Site Aerial of Current Campus

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Master Facility Planning
(Dan DeGroot)

Proposed New Building

STOUGHTON HEALTH
CONCEPTUAL BUILDING PROGRAM
SQUARE FOOTAGES ARE APPROXIMATED

FIRST FLOOR

SWAC REHAB-	5400 SF
ORTHO AND GEN SURG-	2500 SF
SPECIALTY, PODIATRY, X-RAY-	4000 SF
LOBBY AND PUBLIC SPACE-	800 SF
MECH. AND BLDG. SUPPORT-	1200 SF
GROSSING AT 20%-	1780 SF
TOTAL-	15680 SF

SECOND FLOOR

ASC-	13500 SF
PUBLIC AND BLDG SUPPORT-	400 SF
GROSSING @ 20% -	2700 SF
TOTAL-	16600 SF

THIRD FLOOR

CARDIAC REHAB-	2200 SF
INFUSION-	2000 SF
SHELL-	9700 SF
PUBLIC AND BLDG SUPPORT-	400 SF
GROSSING @ 20% -	2700 SF
TOTAL-	16600 SF

TOTAL BUILDING- 50,0000 SF

CONNECTOR SF VARIES PER OPTION
OPTION 1 CONNECTOR 1350 SF
OPTION 2 CONNECTOR 925 SF PER FLOOR

*GROSSING INCLUDES EXTERIOR WALL THICKNESS, CIRCULATION, STAIRS, ELEVATORS, AND MISC. MECHANICAL FUNCTIONS. ROOF MOUNTED AIR HANDLING ASSUMED FOR BUILDING.

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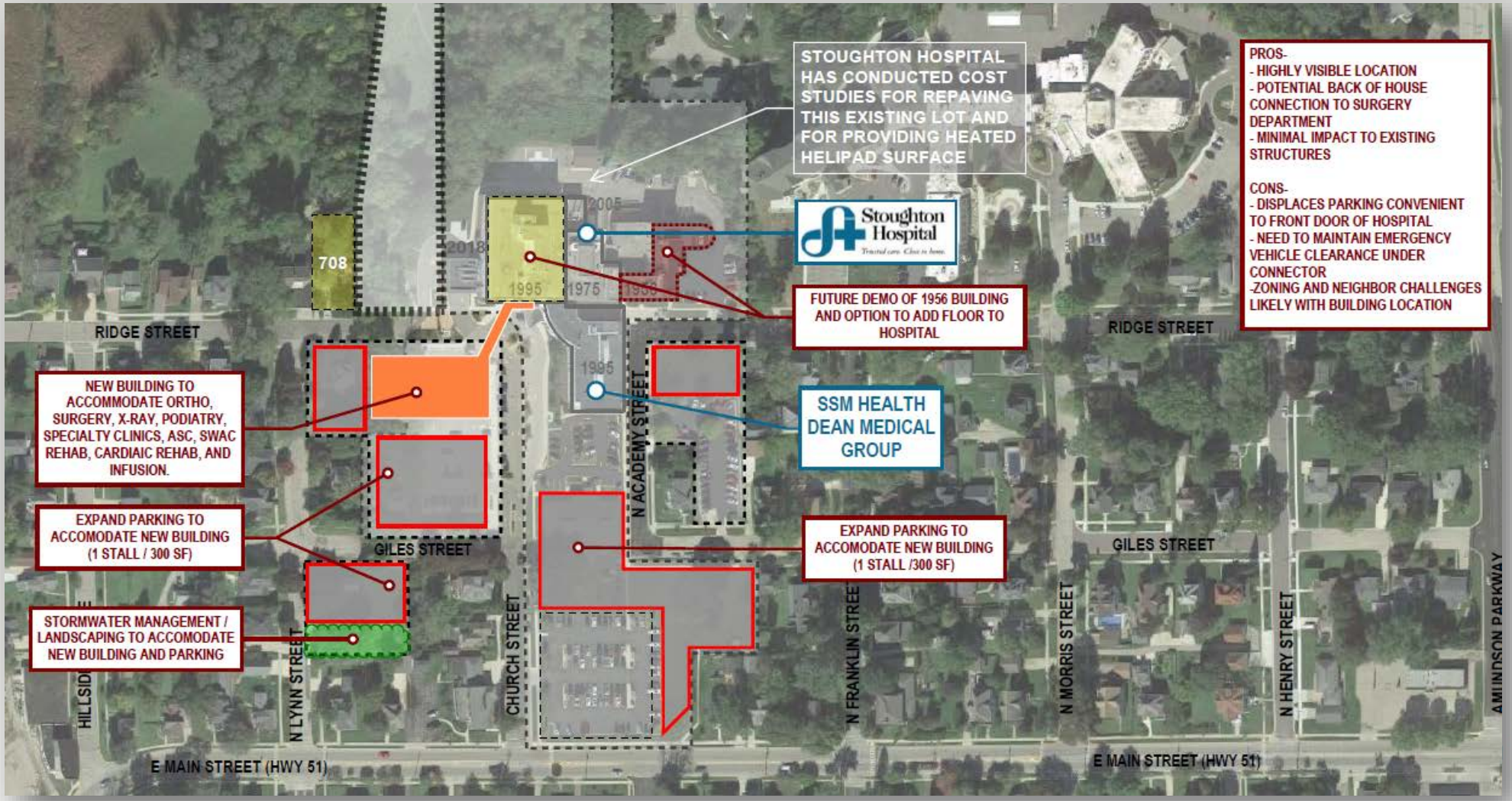
Master Facility Planning
(Dan DeGroot)



Site Aerial of Expansion

Option 1

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Master Facility Planning
(Dan DeGroot)

Site Study

Option 1

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Master Facility Planning (Dan DeGroot)

Site Aerial of Expansion

Option 2

(Preferred)

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Master Facility Planning (Dan DeGroot)

16,600 SF x 3 = 50,000 SF NEW BUILDING
8,800 SF BUILDING REMOVED (ANNEX)
42,000 SF ADDED

42,000 / 300 = 140 NEW STALLS

140 NEW STALLS + 27 DISPLACED STALLS = 167 REQUIRED TOTAL

APPROX 190 STALLS PROVIDED

Site Study

Option 2

(Preferred)

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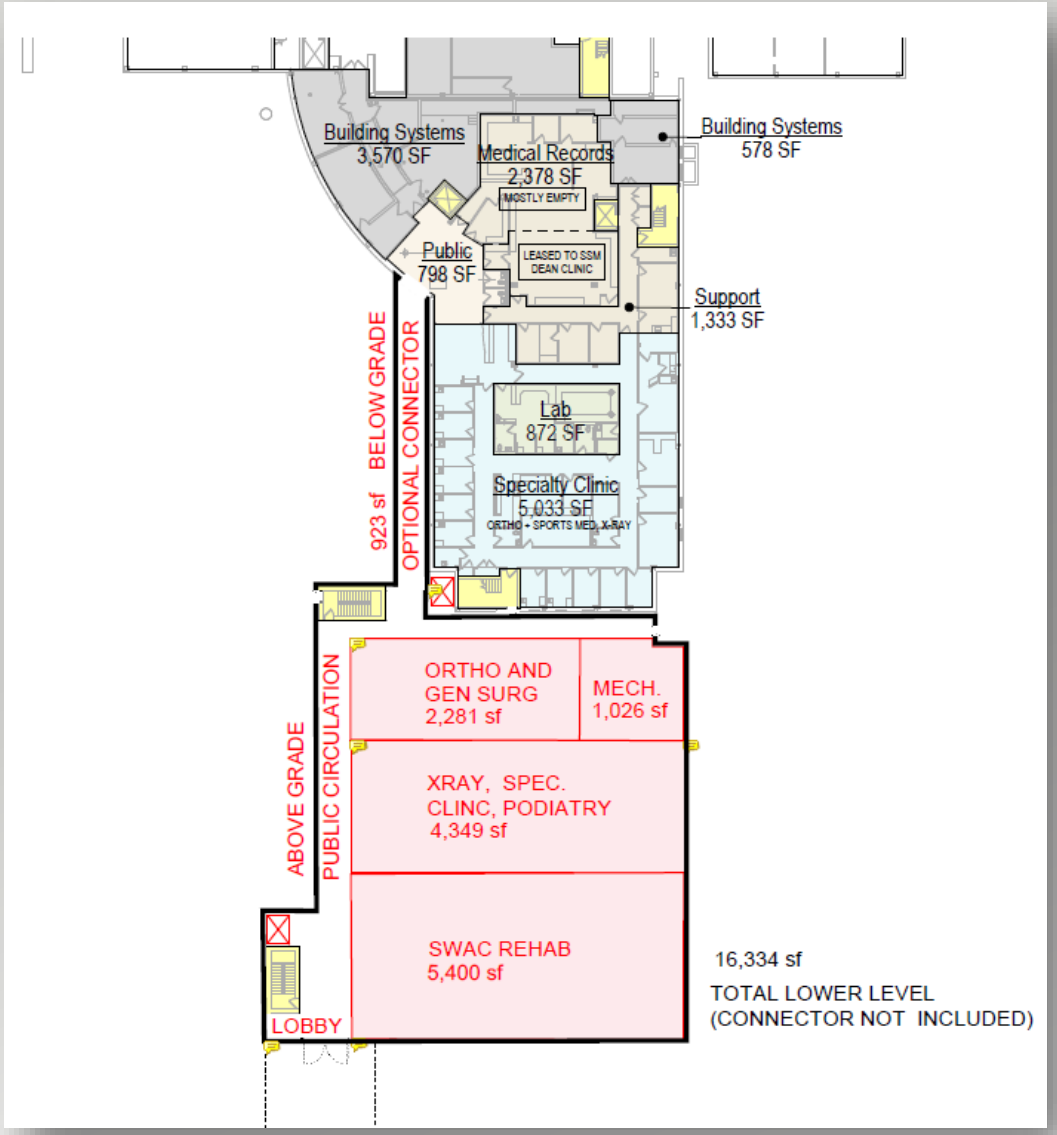
Master Facility Plan
(Dan DeGroot)



Lower Level Plan

Option 2

(Preferred)

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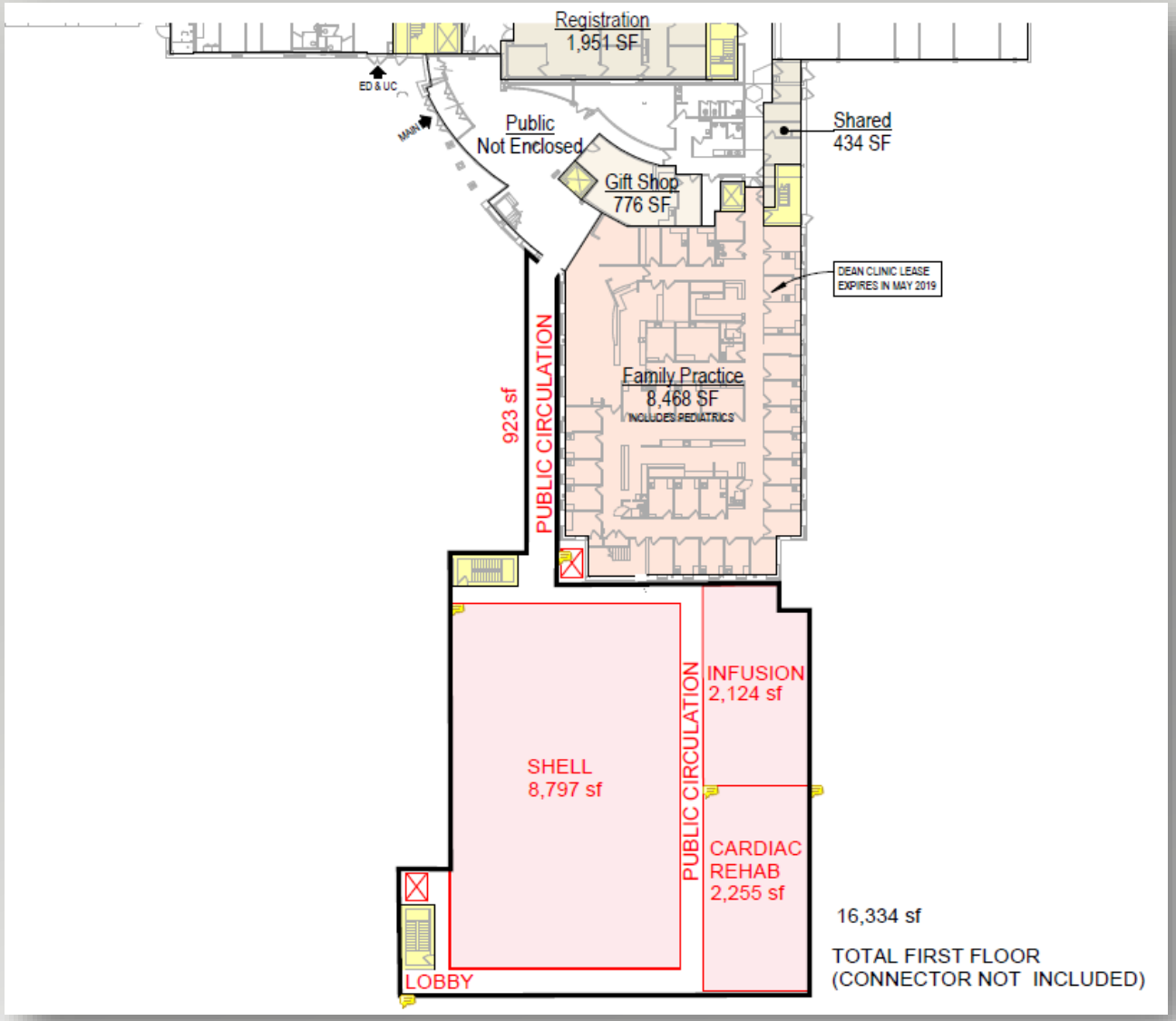
Master Facility Plan
(Dan DeGroot)



First Floor Plan

Option 2

(Preferred)

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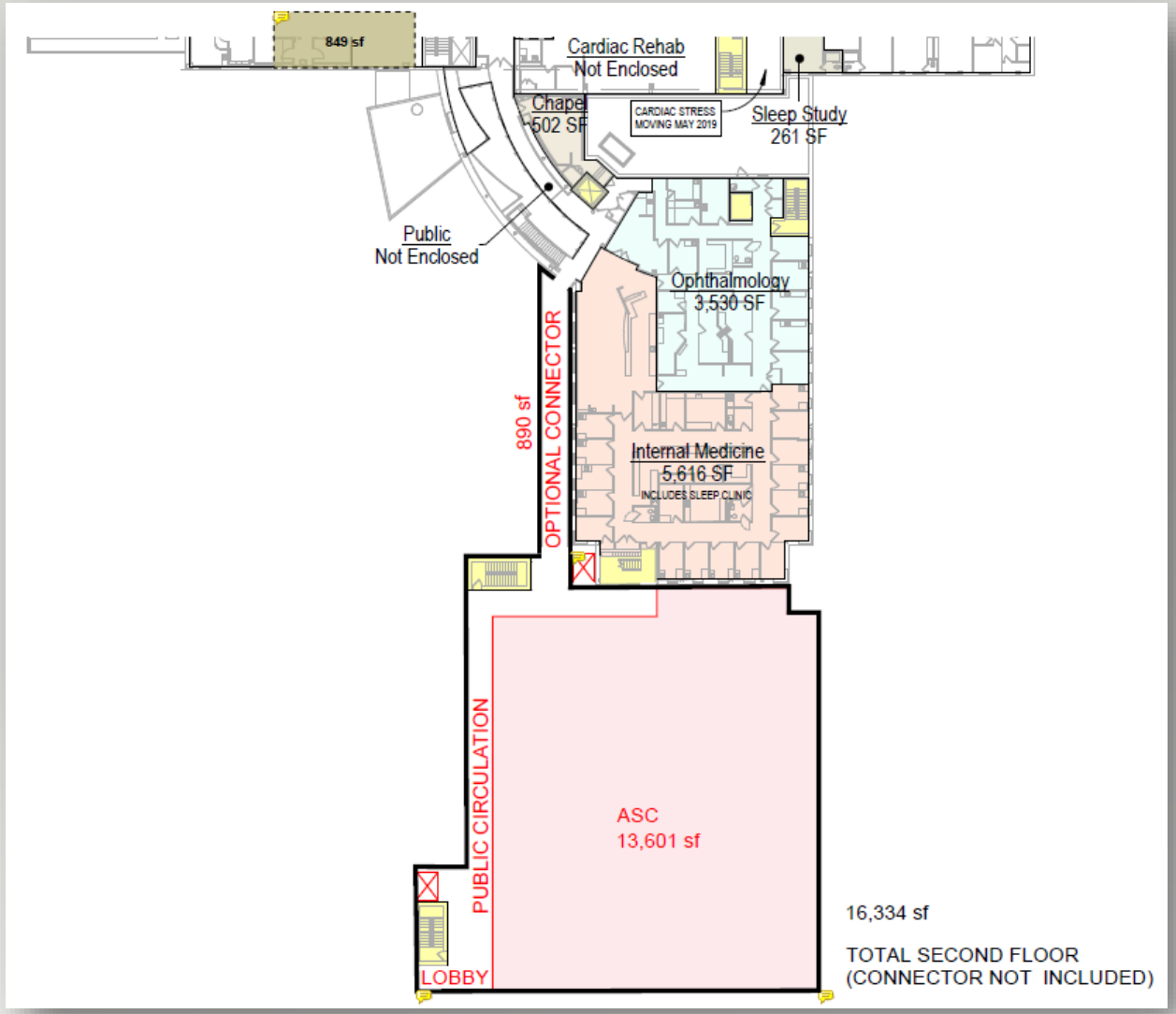
Master Facility Plan
(Dan DeGroot)



Second Floor Plan

Option 2

(Preferred)

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Master Facility Plan – Zoning Notes
(Dan DeGroot)

Nonresidential intensity requirements:

- Maximum number of floors (F): Four

Minimum Setbacks:

- Building to front or street side lot line: 25 feet
- Building to residential rear lot line: 30 feet
- Required bufferyard: See section 78-610 along zoning district boundary
- Maximum building height: 40 feet

Parking Requirements:

- Hospital: One space per two patient beds, plus one space per staff doctor and one space per two employees on the largest work shift.
- Personal or Professional Service: One space per 300 square feet of gross floor area.

Landscaping Requirements for Buffer Yard:

- Bufferyards shall be located along (and within) the outer perimeter of a lot wherever two different zoning districts abut one another. Bufferyards shall not be required in front yards. (Opacity: 0.40, # Landscaping Points/100 Feet: 53, Width: 10'+, Required Structure: Minimum 6' Solid Fence)

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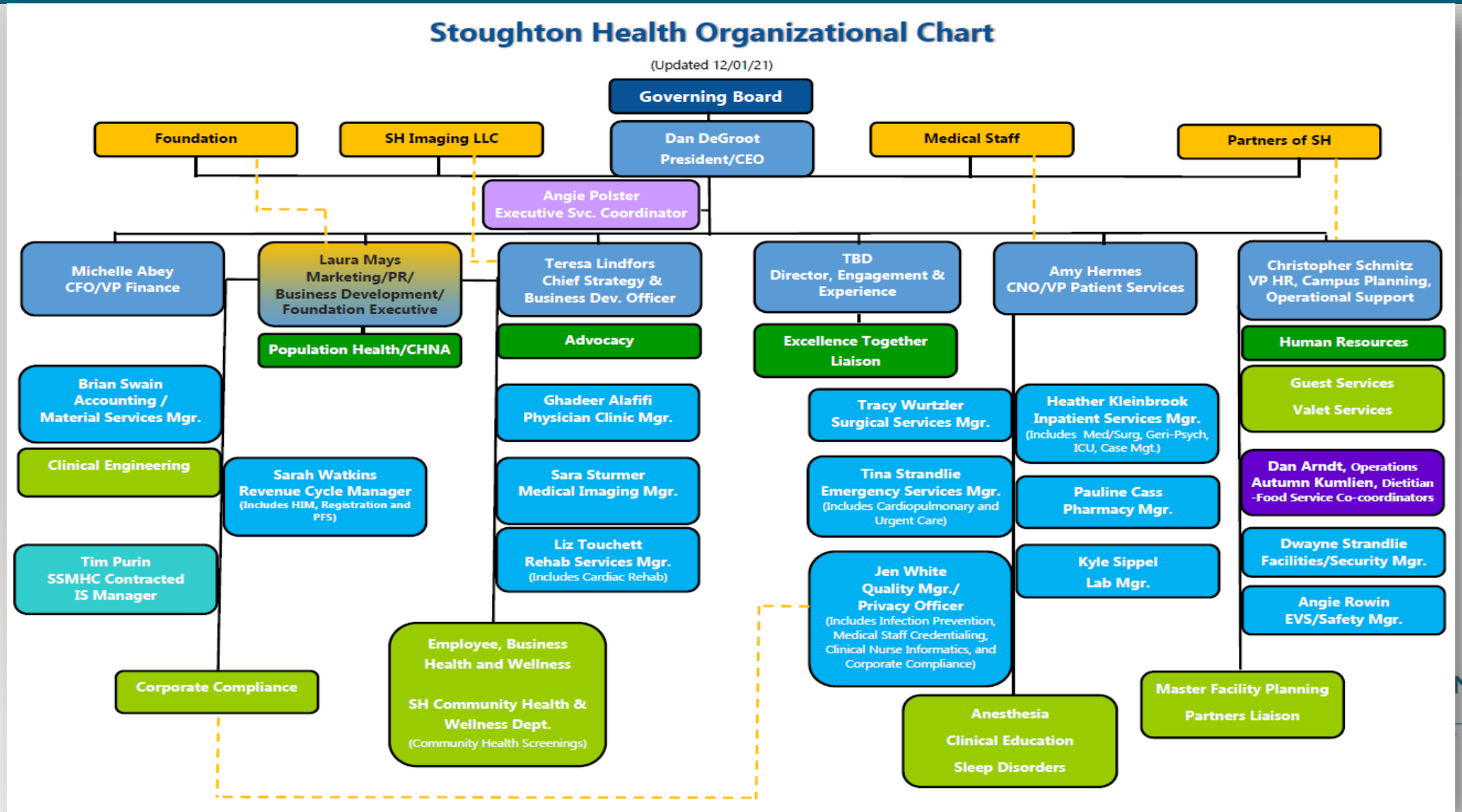
Organizational Structure Update/Review
(Dan DeGroot)



Operations Update - COVID
(Dan DeGroot)

*** Dane County Mask Mandate to end March 1, 2022 *(hospital mandate still in effect)* ***

Cases:

- Locally, statewide, and nationally cases continue to decline. Nationally, cases have declined more than 80% from their peak in mid-January. Hospitalizations continue to decrease, and deaths have started to decrease as well, though remain at high levels.
- 7-day average: 159.7 cases per day (last week: 294.3 cases). Dane County's 7-day average hasn't been below 200 since late November 2021.
- 5.9% positivity; last week was approximately 8.9% positivity.
- In the past two weeks, 53% of cases occurred outside the city of Madison.

Hospitalizations:

- Dane County COVID hospitalizations continue to decrease. There were 73 hospitalizations and 14 in the ICU with COVID. We are unable to discern the county of residence among these patients.
- Average number of people hospitalized with COVID: 82.6 (last week it was 98.7); for ICU: 15.4 in ICU with COVID (last week it was 17.3). The last time the inpatient average was below 90 was in late November 2021. The ICU average hasn't been consistently under 20 since August of 2021.
- There is currently 1 pediatric hospitalizations and there is a 7-day average of 2.3 pediatric inpatient cases. (last week it was 5.4)

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Operations Update - Robotic Exploration (Orthopedics)
(Dan DeGroot)

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Operations Update - Workforce Management
(Dan DeGroot)

State of Staffing:

- Turnover: 20%
- New Hire Turnover: 24%
- Vacancy Rate: hovers around 10-12% (regular staff vacancy) plus need for per diems
- Biggest threat: No applicants, or very, very few applicants for some RN, FNS, EVS job openings

Three Bonuses in Play:

- Employee Referral: $1500
- Critical Staffing – Shift Bonus 1.5x
- Pilot RN 6-week Schedule Commitment Bonus: $40/hour of block hours paid after 6-week commitment to picking up a block of hours

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Operations Update - DNV vs. The Joint Commission
(Dan DeGroot)

DNV Healthcare	
Organization Focus	DNV Healthcare, Inc. is an operating company of Det Norske Vertas. DNVHC corporate offices are in Houston, Texas and Cincinnati, Ohio. DNV's corporate purpose is safeguarding life, property, and the environment.
Number of Accredited Hospitals	DNV has accredited more than 600 hospitals in the United States.
Survey Frequency	• Annual on-site survey
History	• Operating in United States since 1898. • Received deeming authority for hospitals from CMS on September 26, 2008.
Survey Process	• Integrates Conditions of Participation with International Standards Organization 9001 Quality Management Systems Requirements (ISO 9001). • Currently 25 chapters in NIAHO® manual. Most chapters coincide with the CMS CoPs and departments/functions within a hospital. • Focus on outcomes

The Joint Commission	
Organization Focus	The Joint Commission has collaborated with healthcare organizations for more than half a century to focus on safe, quality care for the American public through a voluntary independent evaluation process. The Joint Commission is a not-for-profit organization dedicated to providing the highest value service to healthcare organizations and healthcare is the sole industry served.
Number of Accredited Hospitals	The Joint Commission has accredited about 4,200 hospitals and another 380 critical access hospitals
Survey Frequency	• On-site surveys every three (3) years. An annual self-assessment – Periodic Performance Review – is prepared by the hospital.
History	• Began in 1952 • Unique statutory hospital deeming authority • November 2009: CMS approval
Survey Process	• Targets important elements of patient care functions within an organization's structure that are essential to providing safe, high quality care. • Reach beyond the CMS Conditions of Participation

Operations Update - Pharmacy Renovation
(Dan DeGroot)

- Expect permission for occupancy to follow DHS approval (Thursday 2/24) and installation of last remaining vent hood.

- Occupancy expected first week of March.

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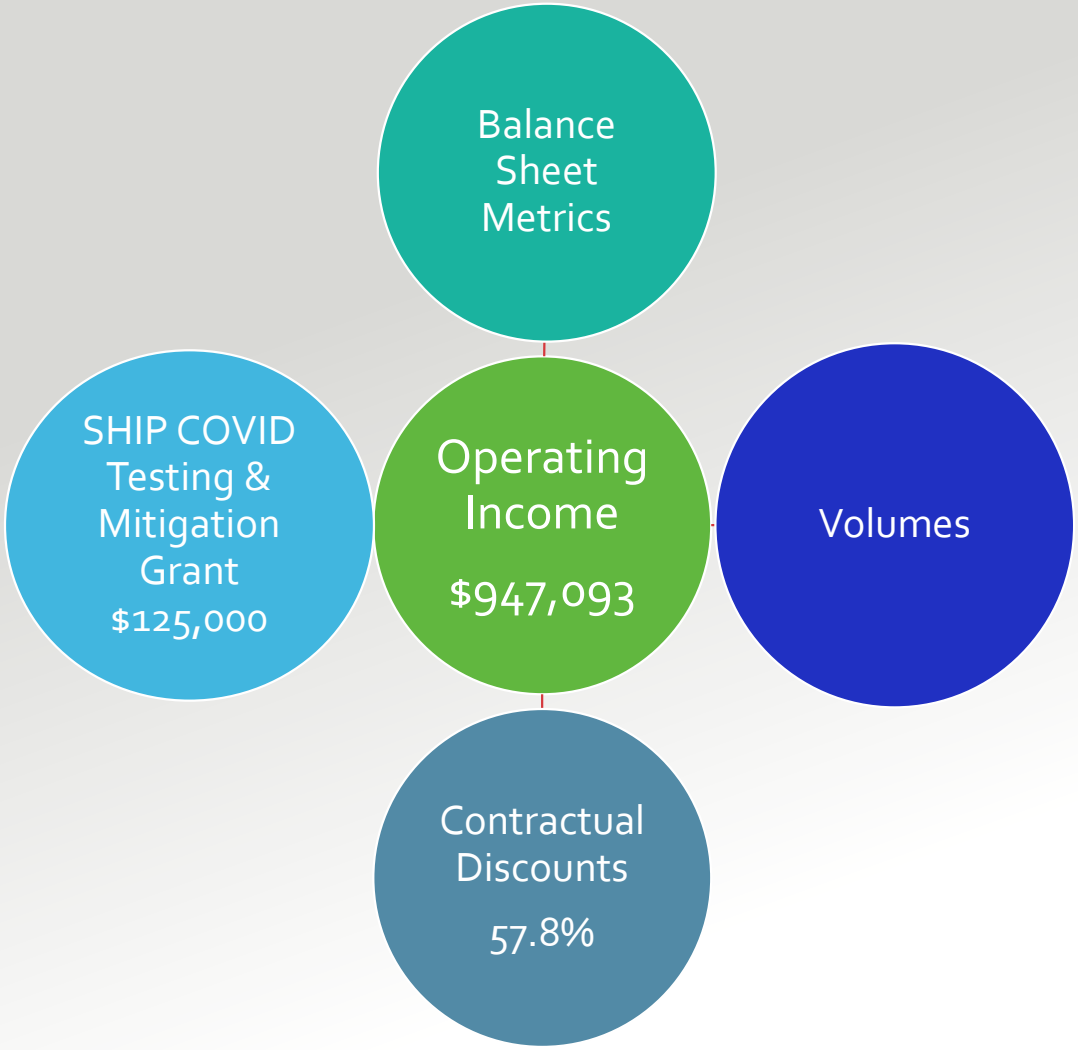
January Financials
(Michelle Abey)



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January Financials
(Michelle Abey)

Specialty	YTD FY21	YTD FY22	% Change from LY	Budget	% Change from Budget
Orthopedics	62	111	79%	107	4%
Gynecology	0	0	0%	0	0%
Urology	0	4	0%	4	0%
General	82	81	-1%	92	-12%
Ophthalmology (Phaco)	77	49	-36%	93	-47%
Podiatry	18	22	22%	32	-31%
Dental	73	49	-33%	75	-35%
ENT	11	12	9%	17	-29%
Total OR Procedures	323	328	2%	420	-22%
GI Endoscopy	127	199	57%	133	50%
Total Surgical Procedures	450	527	17%	553	-5%

***Approval required**

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February Gross Revenue Month-to-Date
(Michelle Abey)

Stoughton Health Projected Gross Revenues Variance to Budget
Departmental Analysis
2/1/2022 through 2/24/2022

Red = Projected Variance to Budget Less than -10%, Yellow = Projected Variance to Budget Between -10% and 0%, Green = Projected Variance to Budget Greater than or Equal to 0%

		Revenues			
		Projected Month		Variance	
	Department	Actual	Budget	Amount	%
●	ER/UC Total	1,580,605	1,344,216	236,389	17.6%
◆	Geriatric Psychiatry	268,731	444,005	(175,274)	-39.5%
▲	Inpatient Total	606,907	642,673	(35,766)	-5.6%
●	Medical Imaging Total	2,805,227	2,250,381	554,846	24.7%
●	Other Ancillary Total	2,581,742	1,994,543	587,199	29.4%
●	Rehab Services Total	906,865	890,785	16,080	1.8%
◆	Specialty Clinics Total	408,020	716,651	(308,630)	-43.1%
▲	Surgical Services Total	1,440,157	1,553,020	(112,864)	-7.3%
●	Stoughton Health Total	10,598,359	9,839,248	759,111	7.7%

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Conflict of Interest
(Michelle Abey)

On February 22, 2022, Dan DeGroot (CEO) and Michelle Abey (CFO) reviewed responses of questionnaires and noted the following:

- Dr. Ashish Rawal noted that he is an employed physician of Stoughton Health. *Dr. Rawal should abstain from any voting or decisions related to his physician compensation or credentialing by the Governing Board.*
- Dr. Aaron Schwaab is also an employed physician of Stoughton Health. *Dr. Schwaab should abstain from any voting or decisions related to his physician compensation or credentialing by the Governing Board.*
- Ms. Margo Francisco noted inter-organizational service agreements between SSM and Stoughton Health. *Ms. Francisco should abstain from any voting or decisions related to SSM service agreements.*
- In previous years, Kris Krentz noted that he is an officer for Skaalen Retirement Services which refers patients to/from Stoughton Hospital and purchases some laboratory services from the hospital. *Mr. Krentz should abstain from any voting or decisions related to that entity by the Governing Board.*

These responses are in the normal course of business and not deemed significant nor prohibitive to either of these members completing their duties as members of the Governing Board.

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Final Audit Report
(Michelle Abey)

- Finalized in late January 2022
- Included so that you have the finalized version

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Adjourn Meeting

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