

# A HOSPITAL'S DRAMATIC TURNAROUND

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November 20, 2016

## Before HCCA

- District losses during 6 months prior to HCCA (first half of F14)  
**-\$4,444,000**
- District losses during the last fiscal year prior to HCCA (F13)  
**-\$8,556,000**
- District losses for the 7 years prior to HCCA (F2007 – F2013)  
**-\$5,695,005**

# The day before HCCA

- Loss of ~\$1,000,000/month
- Less than one month's Days Cash on Hand
- No clear plan forward
- Federal Corporate Integrity Agreement (CIA) in place
- “Going Concern” qualification (audit)
- Fitch Ratings Watch **NEGATIVE**
- Revenue bonds in default
- New tower construction stalled, in disarray & with multiple lawsuits
- Employee morale at an all-time low

# Before HCCA – years of turmoil

- 6 CEOs in 7 years
- Multiple CFOs
- Multiple board changes
- Constant turnover in staff at all levels
- Outdated overpriced information technology system dysfunctional leading to millions in losses and inability to meet the federal government's Meaningful Use requirements (with forfeiture of additional funding)

# Before HCCA



# Medical staff dysfunctional

- Bylaws not updated since 2009 (requirement is every 2 years)
- Peer Review years behind
- Zero attendance at Board meetings
- No mandatory joint conference committee meetings in years
- Mandatory Proctoring inadequately done or not done at all
- Mandatory on-going focused practice evaluations non-existent
- No elections for medical staff officers in 6 years
- Years of boycott by members of medical staff leadership (long before HCCA came on board)
- Abandonment of pediatric service

# Under HCCA Leadership

- New management with new vision
- A unique management agreement that insulates operations from political uncertainties
- By the third month, District became profitable
- Average monthly Profit of ~\$500K for 30 consecutive months
- CIA successfully completed and lifted
- “Going Concern” qualification removed
- Revenue bonds out of default
- FITCH Ratings upgrades bonds and upgrades to Ratings watch **POSITIVE**
- Moody’s outlook upgrades to **STABLE**
- New tower construction ready to move forward and now in a position to obtain completion funding without new taxes
- Employee morale at an all time high

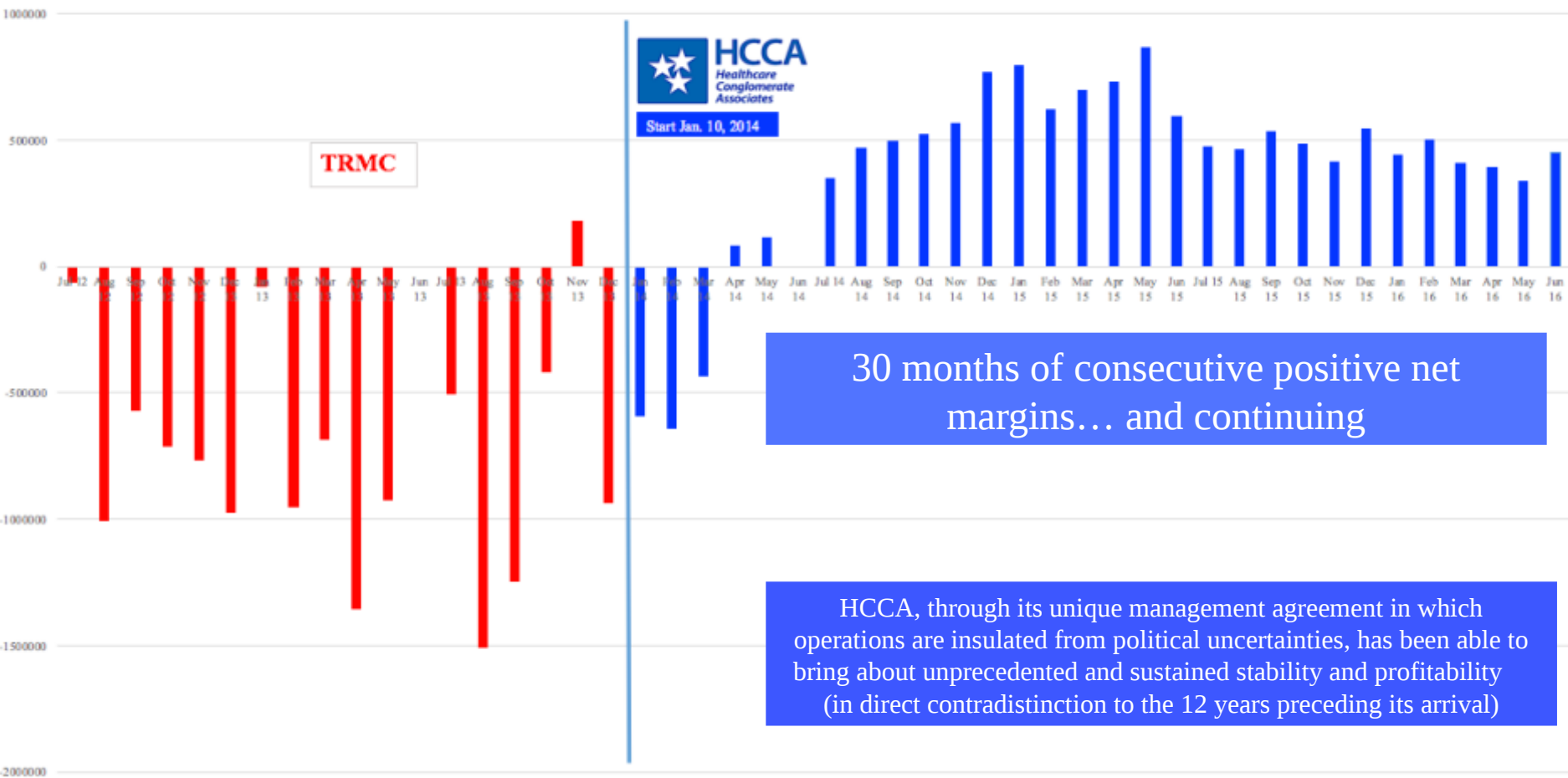
# Under HCCA Leadership



- Lawsuits with contractor resolved
- Soft costs reduced by more than \$600,000 per month
- Exterior of building completed (in spite of bond funds having been exhausted)



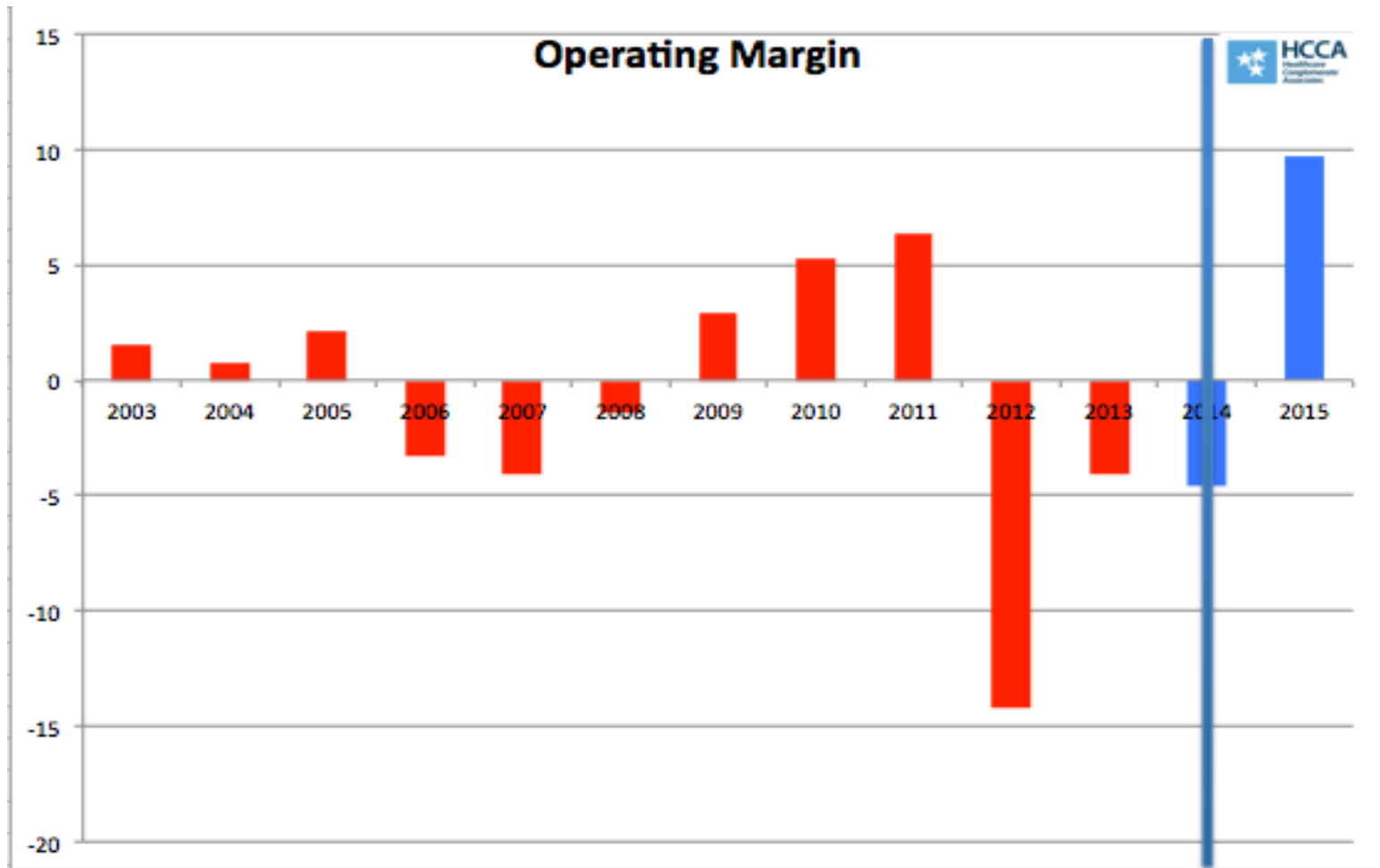
Monthly net operating margin at Tulare  
July 2013 through June 2016



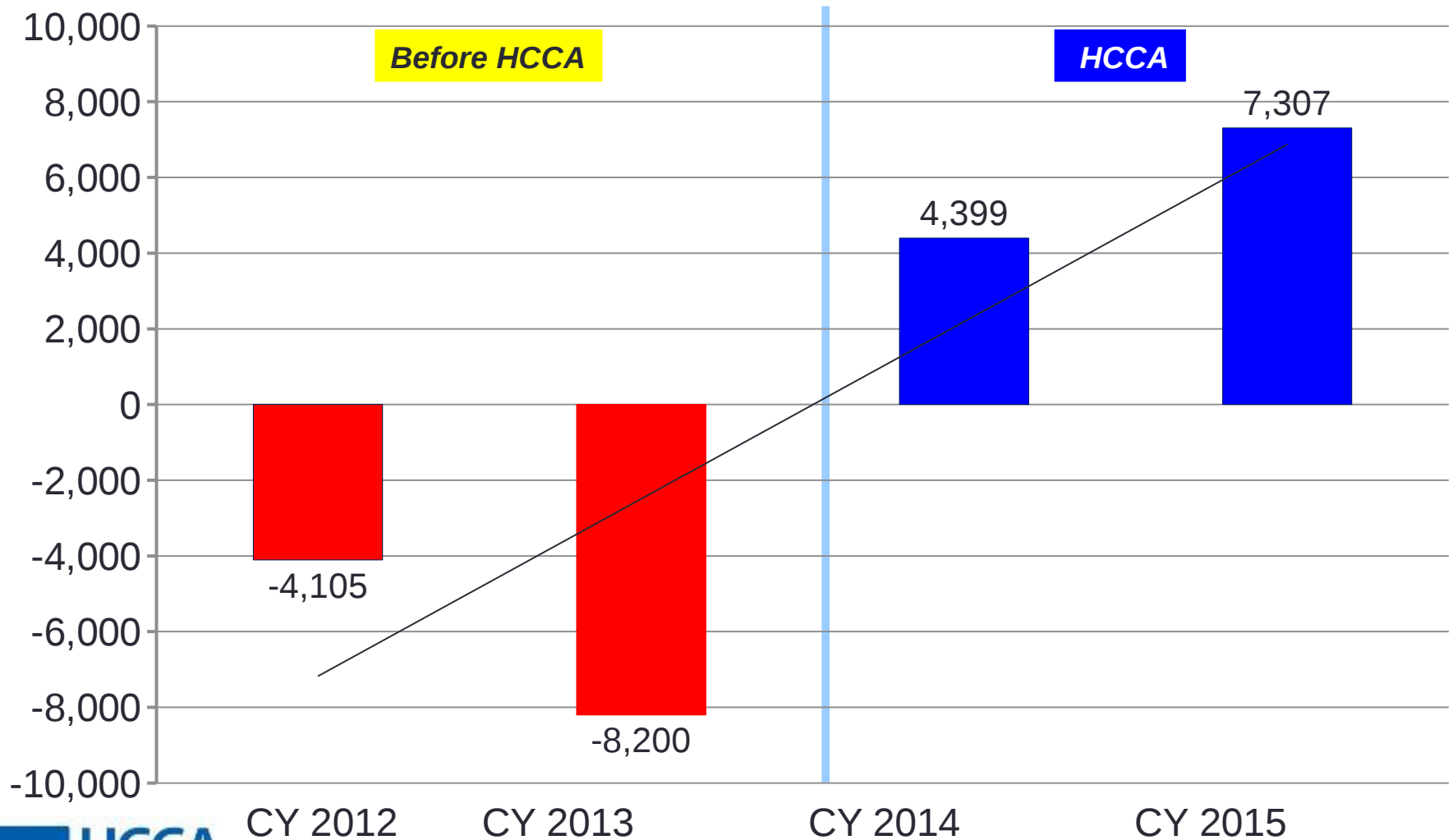
30 months of consecutive positive net margins... and continuing

HCCA, through its unique management agreement in which operations are insulated from political uncertainties, has been able to bring about unprecedented and sustained stability and profitability (in direct contradistinction to the 12 years preceding its arrival)

# Operating margin last 12 years

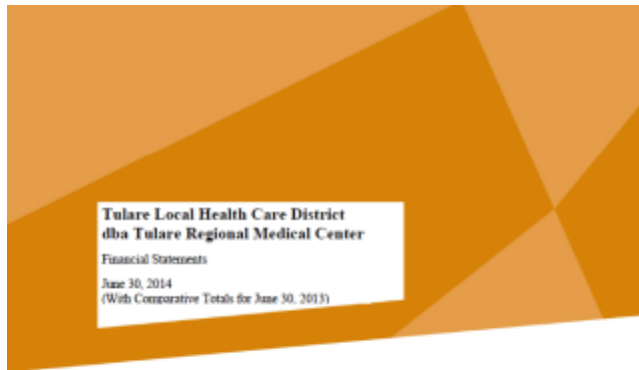


# Operating Margin – Trended (in \$1,000's)

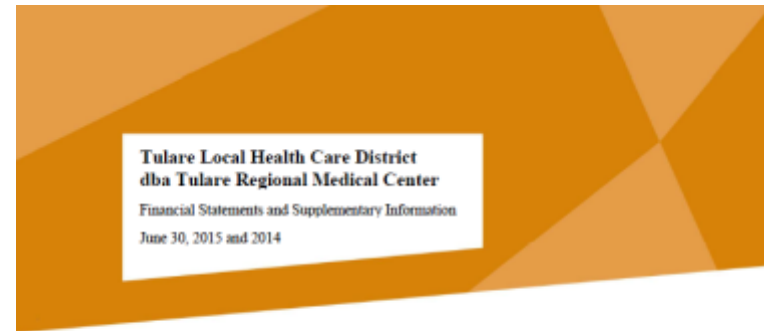


**\$28,000,000 increase  
in net position in two years with HCCA**

# Audits and Rating agencies reviews



armanino



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- **Two** annual audits by an external auditing firm completed both confirming the hospital's dramatic turnaround (a third one being completed presently)
- **Four** raving **credit agency** reviews:
  - Fitch Ratings** reviews
    - First one (8.28.14) changed outlook from negative to "stable and called the turnaround "dramatic"
    - Second one (8.27.15) upgraded the bond ratings!
    - Third one (8.23.16) changed Ratings Watch to "positive"
  - Moody's** review
    - (10.25.16) changed outlook from "negative" to "stable"



All specifically emphasize HCCA's instrumental and critical role in saving the hospital and in its continued sustainability

# 8.28.2015 Fitch Rating Report: UPGRADE !!

## Stabilizing Operational and Financial Performance

*Under HCCA's leadership, operating and financial performance improved dramatically over the last 18 months. Since April 2014, TRMC has posted positive operating income. In fiscal 2015, operating income was \$8.5 million (10.5% operating margin) compared to a loss of \$2.2 million (negative 3.2% operating margin) in 2014 and a loss of \$9.9 million in 2013 (negative 13% operating margin). Similarly, operating EBITDA margin recovered to a strong 16.9% in 2015 compared to 4.4% the prior year.*

# HCCA increases workforce and pay

- **More jobs** created (even with the recent reduction in force)
- **Across the board pay raise** on the first day with HCCA and a **second across the board pay raise** last year
- **Over 170 additional targeted pay raises** since

	District	HCCA (today)
HEAD COUNT (actual number of people working)	462 (Nov. 2014)	586 (August 4, 2016)
PAYROLL (2 week pay cycle)	\$598,000	\$760,303 (August 4, 2016)

# HCCA recruits and retains top talent



**Shawn Burgess**  
Chief Information  
Officer



**Samantha Phillips-  
Bland**  
Vice President,  
Ambulatory Services

**Alan Germany**  
Chief Financial Officer/  
Chief Operating Officer  
Healthcare  
Conglomerate  
Associates



And many more highly talented and experienced people



# HCCA opens two new clinics and expands hours in others

Earlimart



NEW

Women's Pavilion



NEW

Earlimart was "in the works" for nearly 5 years with nothing to show for it before HCCA came on-board, completed and opened it for business in less than a year

Westside



# HCCA brings much needed stroke services



Now, stroke patients can be treated by a top neurologist right here in Tulare!

# HCCA implements cutting-edge information technology system



Purchased at below market rates and implemented successfully

# HCCA adds critical community preventive services

- Outpatient Registered Dietician service implemented



A **registered dietitian** (RD) or **registered dietitian nutritionist** (RDN), is a **dietitian** who meets all of a set of special academic and professional requirements, including: the completion of a bachelor's degree with an accredited nutrition curriculum.



- Outpatient diabetic clinic implemented
- Major investments and long-overdue improvements to Evolutions Fitness Center

The dramatic financial turnaround and all these accomplishments in spite of major political uncertainties such as:

- Physician boycott by four physicians with large practices and in leadership positions within the medical staff
- Overwhelming number of PRA requests (over 4000 pages of documents requested just in the last year alone)
- Multiple investigations unnecessarily initiated by specific individuals against District (all cleared but at great cost to the District)
- No funding for the tower completion

HCCA, through its unique management agreement in which operations are insulated from political uncertainties, has been able to bring about unprecedented and sustained stability and profitability (in direct contradistinction to the 12 years preceding its arrival)