



St. John's Health  
P.O. Box 428  
Jackson, Wyoming 83001  
307-733-3636

**Committee:** Board of Trustees Special Meeting - Public Session – via hybrid

**Meeting Date:** July 17<sup>th</sup>, 2023

**Minutes Prepared By:** Morgan Gurney, Senior Executive Assistant

**Members Present:**

Katharine Conover-Keller, Chair  
Pam Cutler, MD, Vice Chair  
Cynthia Hogan, Secretary  
Brent Blue, MD Trustee  
Jim Hunt, Treasurer  
Evan Jones, Trustee

**Members Absent:**

Bruce Hayse, MD, Trustee

**Others Present:**

Jeff Sollis  
John Kren  
Morgan Gurney  
Anna Olson  
Max Fairclough  
Jannette Boner  
Karen Connelly  
Greg Densmore

Nick Norris  
Tyler Wertenbruch  
Patrick Smyth  
Dr. Pitud Rangsitienchai  
Robert Turner  
Matt Laird  
Niel Rosacker  
John Poziemski

**Board Advisors Present:**

Jane Carey Hopkins  
Bob Pisano  
Bob Hopkins

**Call to Order**

The public board meeting was called to order at 3:01 p.m. MST by Katharine Conover-Keller, Chair.

**It was moved by Ms. Conover Keller to call to order of the Special Public Meeting of the Board of Trustees.**

**Comments from the Chair** *(presented by Ms. Katharine Conover-Keller)*

Ms. Katharine Conover-Keller called this meeting to order to discuss the strategic plan data with the KaufmanHall team, administrative team, and the Board of Trustees. The information was presented by the KaufmanHall representatives and is attached this will be made available on the St. John's Health public website.

**Old Business** - None

**New Business** - None

**Public Comment** - None

**Next Meeting**

The next regular monthly meeting is scheduled for Thursday, July 20<sup>th</sup>, 2023, via Hybrid. The Executive Session begins at 10:30 am and the monthly Public Session begins at 12:00 pm.

**Adjournment**

**With nothing additional to discuss, Katharine Conover-Keller adjourned the meeting at 5:44 p.m. It was moved by Ms. Conover Keller, seconded by Dr. Pam Cutler to adjourn this Public Meeting.**

Respectfully submitted,  
Morgan Gurney, Senior Executive Assistant

**KaufmanHall**



**St. John's Health**

***Board of Trustees Strategic Planning Retreat***

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July 17, 2023

# Agenda

	Agenda	Pr
2:45pm	Arrive	
3:00pm	<b>Introduction and Opening Remarks</b> 15 min	Jeff Sollis
3:15pm	<b>National Industry Trends</b> 30 min	Kaufman
3:45pm	<b>Strategic Discussion</b> 15 min	Kaufman
4:00pm	<b>St. John's Executive Session</b>	St. John's Kaufman
5:45pm	<b>Re-Group/Close</b> 15 min	St. John's

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# Opening Remarks

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# Introduction

St. John's Health is undertaking a strategic planning process. Its **PURPOSE** is to develop a plan to guide the organization into the future on a path that supports the *delivery of high-quality care* that addresses the community's healthcare needs, is *financially sustainable*, and is aligned with the *evolving healthcare* industry

The **INTENT** of this meeting is to *provide the public insight* into the many national, regional and local healthcare industry trends that affect or may affect St. John's Health in its mission to address the healthcare needs of the community, and to *seek preliminary feedback* from the Board regarding priorities

St. John's Health is at the **BEGINNING of the planning process** with much remaining to be done. There will be additional opportunities as the process continues for the public to provide their perspective on St. John's Health's opportunities, challenges, and priorities and learn about the emerging strategic plan

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# National Industry Trends

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# National Healthcare Trends Impacting Payers and Providers

As St. John's defines its near- and long-term strategy and investments, we must do so with awareness of the impacts of today's 'externalities':



The unknown post-COVID care and economic environment



Credit Market Volatility and Inflation



Rapidly evolving consumer demand



Unprecedented business technological changes



A divisive political/business environment

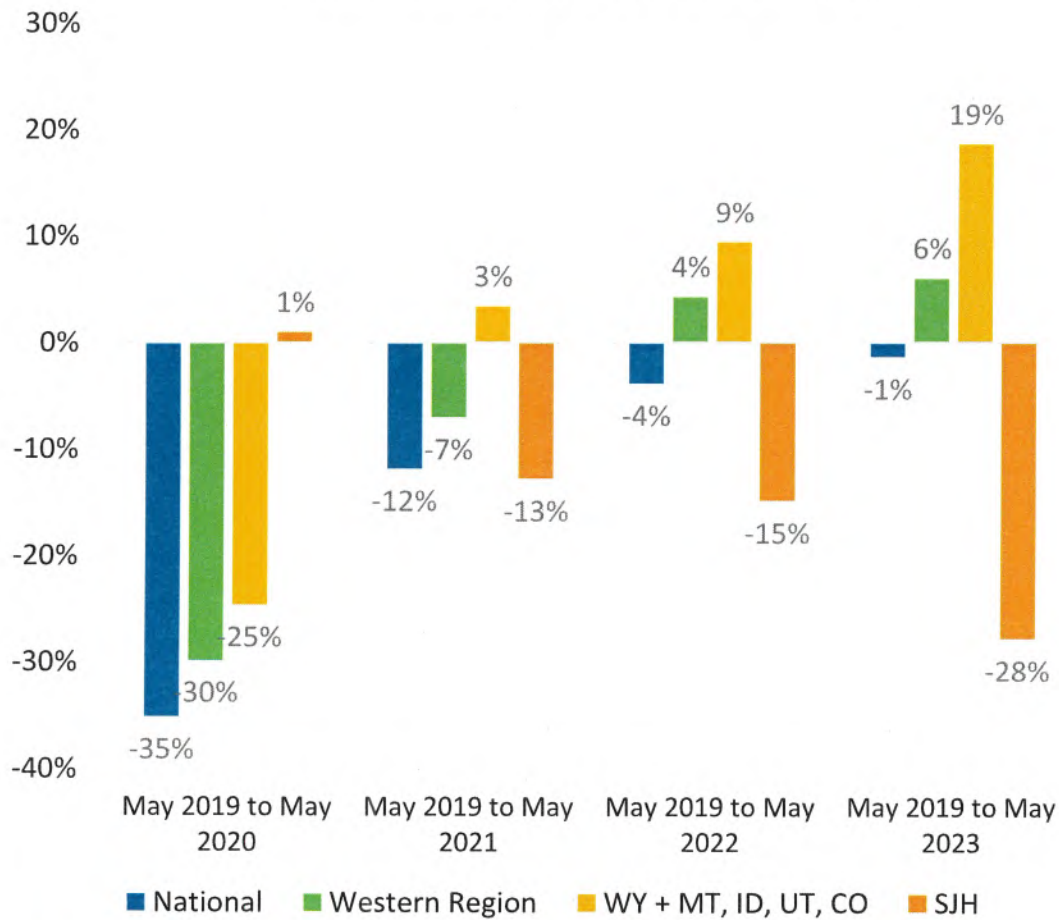


Disruption of new players in the healthcare space and the great disintermediation

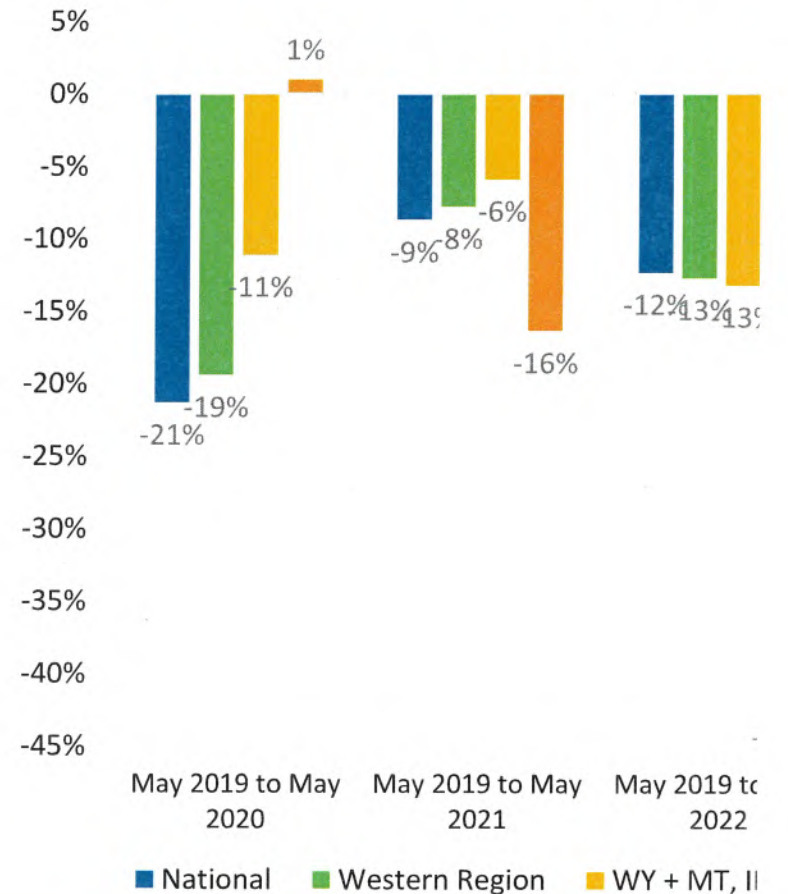
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# ED Visits and Discharges at SJH Have Not Recovered to Pre-Covi

## Cumulative ED Visit Growth



## Cumulative Discharge Growth



\*Note: Western Region includes: CA, CO, ID, MT, NM, NV, OR, WA, WY, UT

Source: Kaufman Hall 2023 Flash Report



# 2022 State of Healthcare Performance Improvement: Mounting Pressures Pose New Challenges

## Survey Highlights

**100%** of respondents have adopted some type of recruitment and retention strategy

**98%** have raised starting salaries or minimum wage

**69%** reported an increase in inpatient length of stay over the past year

**67%** have seen wage increases of more than 10% for clinical staff

**67%** reported an increased rate of claim denials

**66%** have run their facilities at less than full capacity because of staffing shortages

**63%** have pursued at least one outsourcing solution; the most common areas were revenue cycle, environmental services, and IT

**56%** have at least a 1-to-1 ratio of advanced practice providers to physicians in their physician enterprise; 40% have a ratio of 2-to-1 or higher

**40%** said that oncology volumes had reached pre-pandemic levels, the only service line that saw a significant year-over-year increase from last year's survey results

**22%** have seen non-labor expenses rise by more than 15%

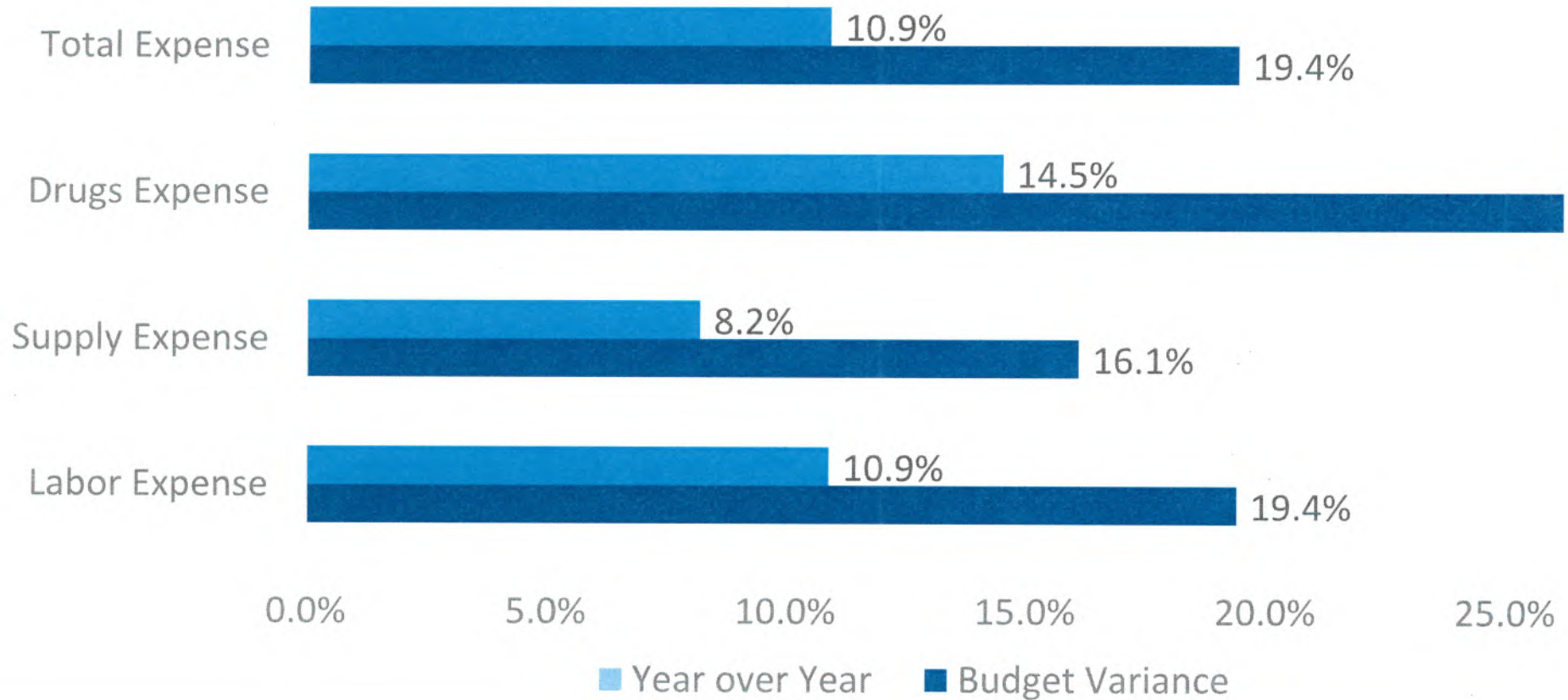
**18%** described their organization's level of investment in automation technologies as "significant" or "robust"

**9%** have not experienced any supply chain disruptions; in contrast, 71% have experienced distribution delays

Source: Kaufman Hall State of Healthcare Performance Improvement(2022).

# Hospitals Across The Country Are Experiencing Skyrocketing Supply Costs

Hospital Expense Pressure  
*Per Adjusted Discharge*

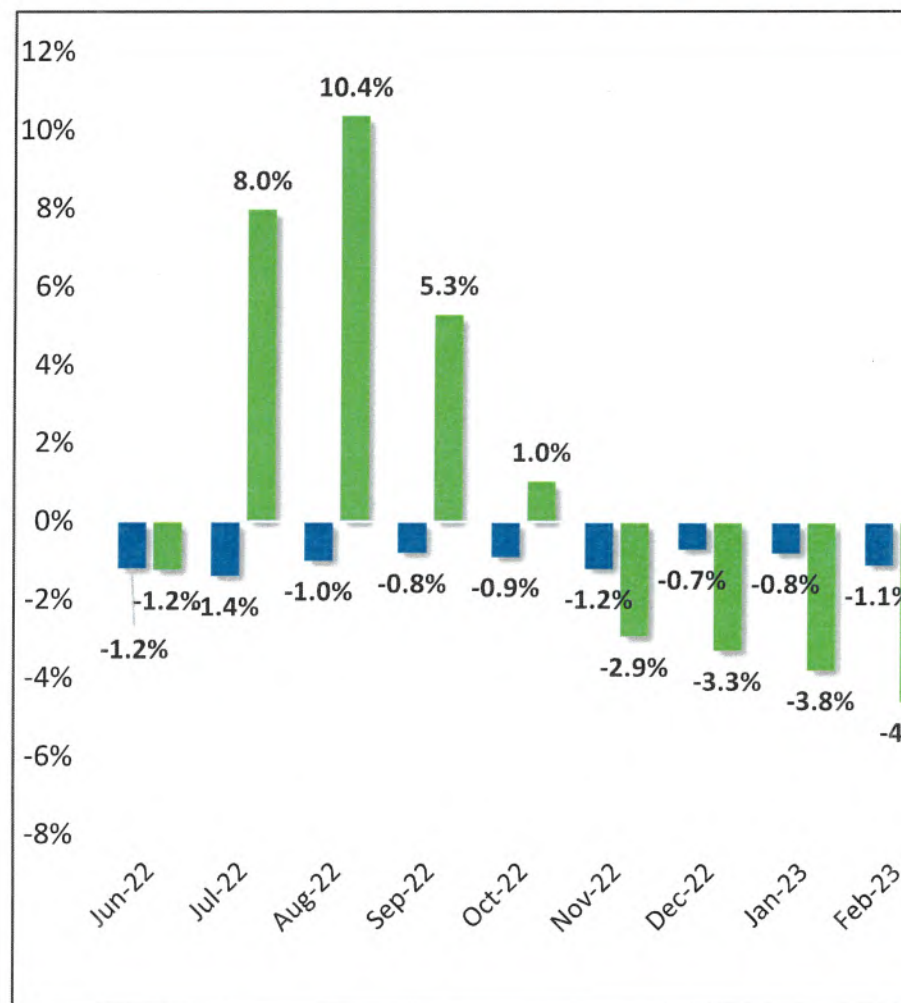


# Kaufman Hall National Hospital Flash Report

## Key Observations – May 2023

- Hospitals' operating margins moved back into positive territory in May.**  
However, operating margins continue to stand well below historical norms.
- People are becoming more comfortable with inpatient care.**  
Discharges, emergency department visits and operating room minutes all climbed, although very modestly on a year-to-date basis.
- There is a sizeable and growing gap between primary hospital revenue sources.**  
Revenue from outpatient care is increasing at a much greater rate than revenue from inpatient care.
- Labor expenses are beginning to decline.**  
While labor costs remain significant, expenses in May were well below comparable levels from May 2022.

Kaufman Hall CYTD Operating Margin Index



Note(s): Cumulative YTD Operating Margin Source(s): Kaufman Hall National Hospital Flash Report

# All Rating Agencies Maintain Negative Outlooks on the S

MOODY'S

Outlook: Negative

S&P Global

Outlook: Negative

FitchRatings

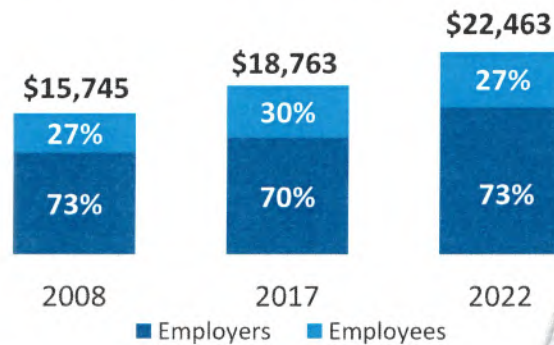
Outlook: Deteriorating

- **The sector continues to experience severe labor shortages** and will be the largest driver of operational challenges
- **Operating performance will continue to be pressured in 2023**, as expense growth will likely outpace revenue growth; performance will have a longer runway to pre-pandemic margins
- **Revenue gains will be limited** by lingering pandemic strains, inability to meet demand because of capacity constraints, deteriorating payer mix and the continued shift of care to low-cost settings
- **Unpredictable volumes** will make budgeting and forecasting increasingly difficult
- **Liquidity will decline** as market turbulence continues, cash flow is weak and capital spending is delayed following some delay during the pandemic
- **Organizations with strong balance sheets are less likely to experience a negative rating change**; weaker credits may continue to struggle
- Barring significant regulatory pushback, **M&A activity will continue** as providers seek to consolidate to achieve stability and part
- **Partnership opportunities** for efficiencies and strategic investments are likely to evolve
- **Significant shifts in care delivery models are occurring**, with disruptors seeking to gain a market advantage
- **The credit quality gap may continue to widen** between stronger and weaker providers
- **Legislative, regulatory and judicial activity will continue to add risk** to the sector including drug scrutiny and the end of the Public Health Emergency

# A Perfect Storm: Converging Forces Are Driving Longer Term Health Change Even As Hospitals Struggle to Emerge from COVID

## Rising Costs Remain a Problem<sup>1</sup>

Employees bear an increasing share of premium costs



## Investment in Non-Hospital Health



*Millennial cohort now larger than Boomers... different experiences, behaviors, and expectations*

## Generational Shift

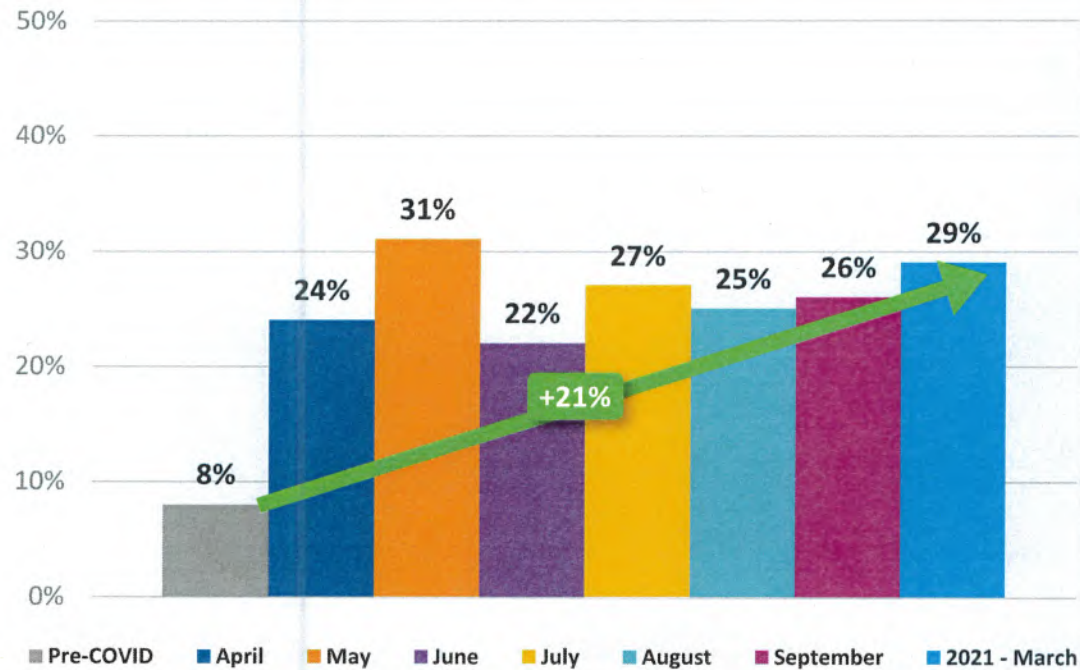


## Digitalization

Source(s): 1) KFF 2022 Employer Health Benefits Survey. [Link](#).

# Changes in Consumer Expectations Were Accelerated by

## Consumer Preference for Receiving Care Virtually



## Characteristics of young healthcare consumers:

- More cost sensitive relative to other segments
- More likely to actively search online selecting services/providers
- More frequently visit urgent care as
- Expect easier access to video visits and evening appointments
- More accepting of retail clinics and a wide range of needs

*Healthcare Must Accelerate the Shift of its Delivery Model*

# “On Demand” and “Ease of Access” Is an Expectation, Not a Reality Healthcare Organizations Leverage Non-Healthcare Technology

**Daily Life**

- Uber
- amazon Prime
- G
- GRUBHUB™
- TaskRabbit
- lyft
- NETFLIX

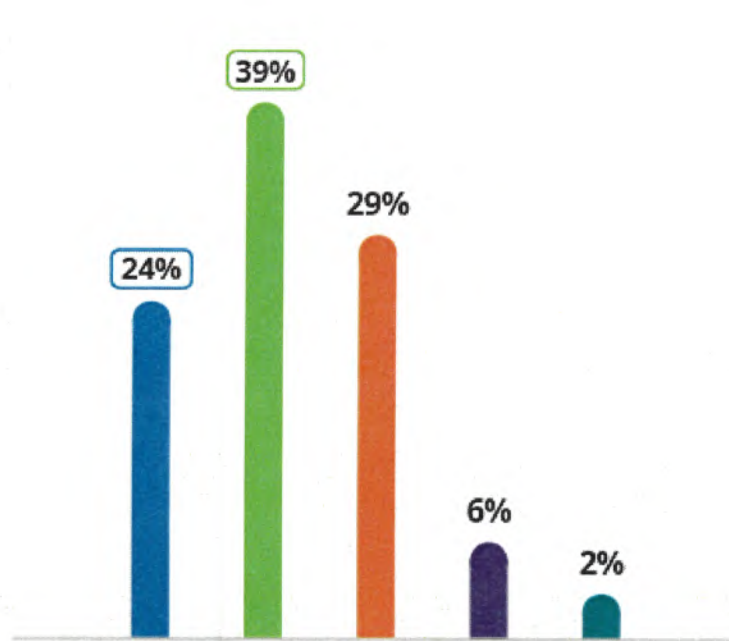
**Healthcare Dis**

- CVS Health
- Walgreens
- one medical
- eden
- OPTUM®
- zipnosis®

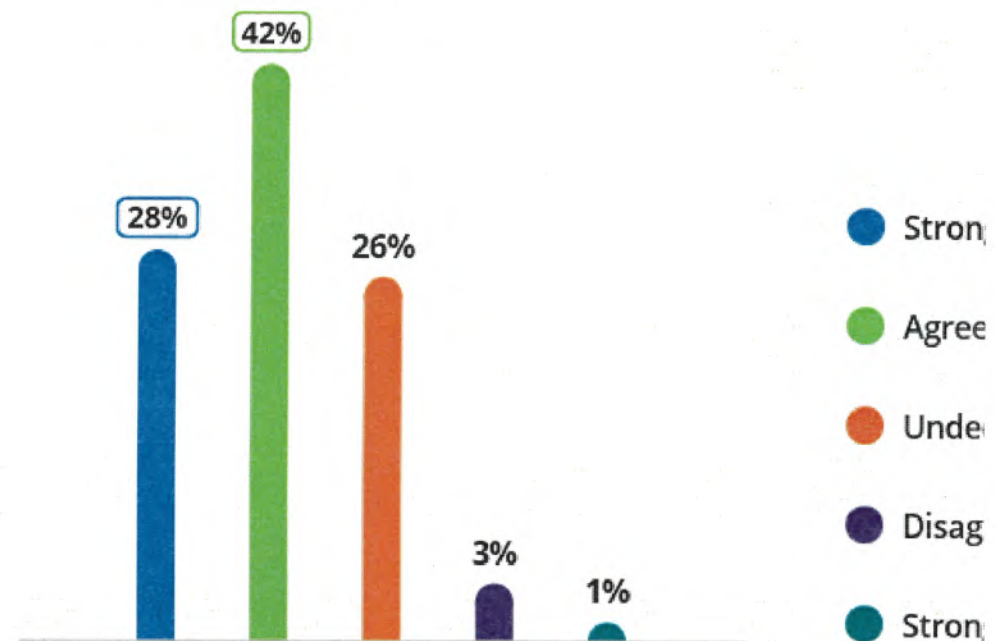
Note: Copyrights of images belong to their respective owners.

# Consumers Believe that Health Systems Support Health Management but Desire Even More Involvement

“Health systems in my area are actively involved in supporting health management activities.”



“I would like health systems in my area to be more actively involved in supporting health management activities.”



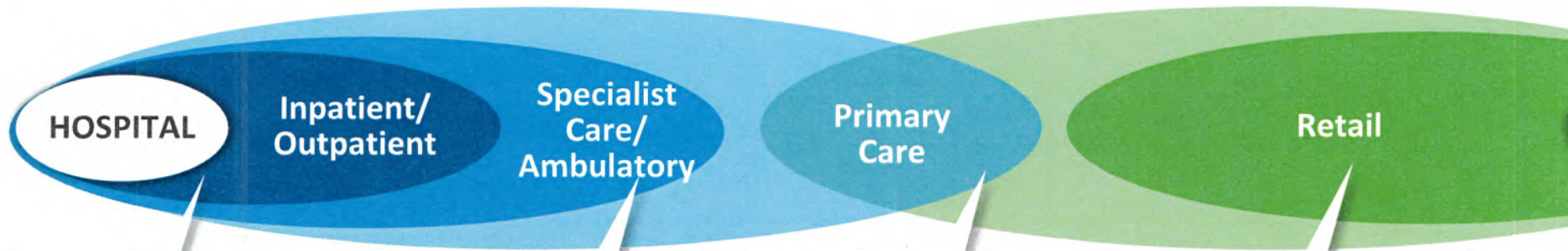
- Strongly Agree
- Agree
- Understand
- Disagree
- Strongly Disagree

Source: Kaufman Hall State of the Consumer Survey (2022).



# New Players Are Emerging Across The Continuum that Address Consumer Expectations and Disintermediate Traditional Payers

Competitive Erosion of Core Hospital Services
















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The future will be won or lost outside the hospital setting:

- ✓ Consumers now expect it
- ✓ Disruptors provide it
- ✓ Payers steer toward it
- ✓ CMS mandates it

*The most potentially disruptive players have largely avoided Wyoming to date – likely due to population density*

# Aggressive Growth By Large Players Along the Industry Vertical c vs Provider Continuum of Care

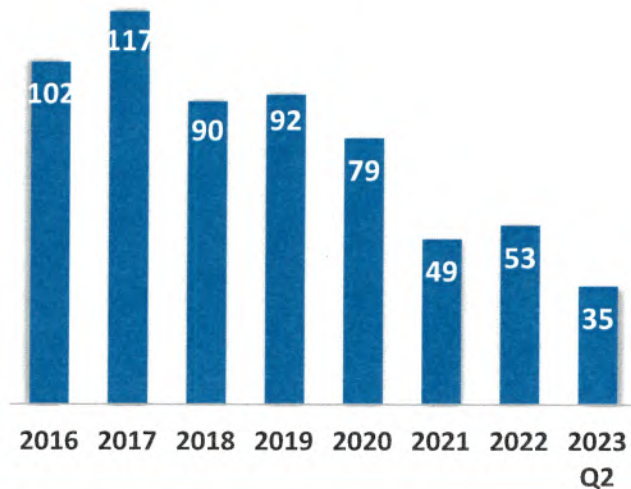
Competitor Archetypes	Representative Examples		
<p>Health plans focused on tech enablement and/or owning select delivery assets</p>	 	 	 
<p>Integrated payer/provider looking to expand into select markets</p>	  	 	 

# Partnerships, Mergers, and Acquisitions Are One Tool For Addressing These Emerging Threats and Opportunities

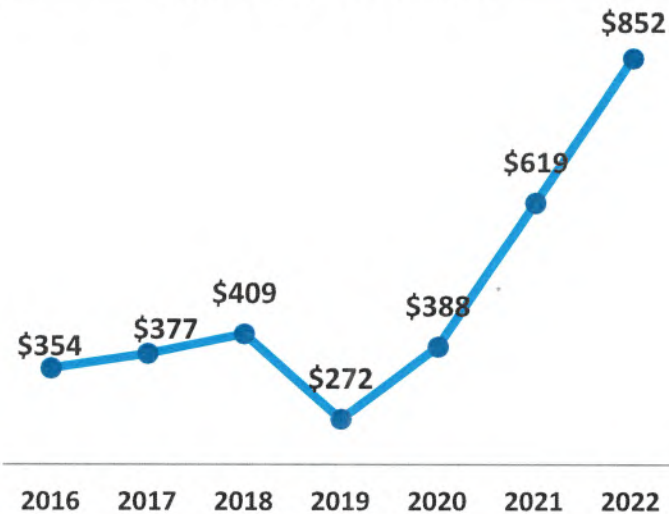
- There has been a significant amount of hospital and health system consolidation in recent years
  - Organizations are focused on partnerships with a strong strategic rationale and become increasingly selective in identifying potential partners.
  - In addition to traditional synergies and access to capital, they seek partnerships that have a transformative impact through the addition of new capabilities, enhanced intellectual capital, and access to new markets, services or lives.
  - There are fewer independent, unaffiliated community hospitals seeking partnerships; some like St. John's Health, value their independence and strive to preserve it.
  - However, there has been significant partnership activity over the last several years in Wyoming
  - Smaller hospitals have remained independent by maintaining a strong financial position and relevance to their community
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# Total Transactions Remain Below Pre-Pandemic Levels But Size Transactions Reach Record Highs

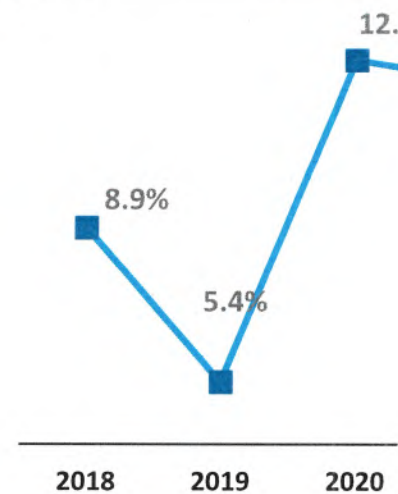
**Number of Announced Transactions by Year**  
*Figure 1* 2016 – 2022



**Average Smaller Party Size by Annual Revenue**  
*Figure 2* 2016 – 2022 (\$s in Millions)



**% Smaller Partner ≥ A**  
*Figure 3*



## OBSERVATIONS

- The 53 total announced transactions for 2022 moved up from 2021's recent historic low of 49 announced transactions. Transactions through the second quarter suggest another year of growth by year end (**Figure 1**).
- The high percentage of mega mergers and other significant transactions over the course of 2022 resulted in an historically high average smaller party size by annual revenue of \$852 million (**Figure 2**), more than \$200 million higher than last year's historic high of \$619 million.
- ~85% to 95% of all acquired hospitals had a credit rating below A- (**Figure 3**). Financial performance is a significant factor in hospital receptivity to being acquired.

Source: Kaufman Hall Proprietary Transaction Database

# Wyoming Has Had Its Share of Partnership Activity

2013

Iverson Memorial Hospital has entered into a management services agreement with University of Colorado Health

(January 2013)

2018

Wyoming Medical Center has acquired Mountain View Regional Hospital from Surgery Partners, Inc.

(April 2018)

2019

New Manna Augusta has acquired Summit Medical Center

(March 2019)

2020

Powell Valley Healthcare has entered into a management services agreement with Billings Clinic Health System

(June 2020)

Banner Health has acquired Wyoming Medical Center

(October 2020)

2021

Billings Clinic announces a management services agreement with Riverton Medical District

(May 2021)

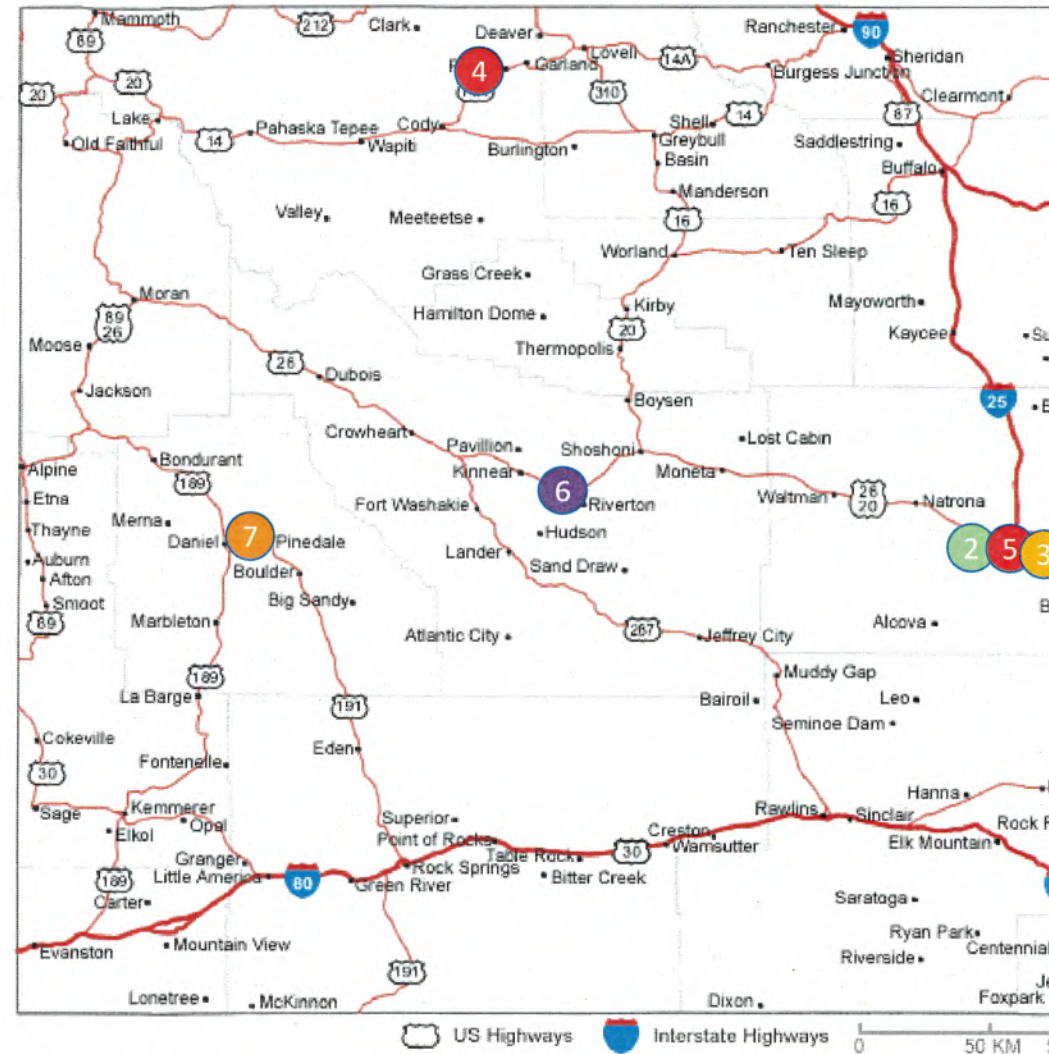
2023

Sublette County hospital district has entered into a management services agreement with Star Valley Health

(May 2023)

## Key

- 2013
- 2018
- 2019
- 2020
- 2021
- 2023



Note: Dates correspond to close date if available

# St. John's Financial Trajectory Post Covid

RATIO / STATISTIC (\$ million)	St. John's Health (Fiscal Year Ended June 30)						S&P Standalone Hospital Medians <sup>3</sup>	
	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Forecasted <sup>1</sup>	2024 Budgeted <sup>2</sup>	BBB	A
Net Patient Revenue	\$121.1	\$125.5	\$151.4	\$165.5	\$170.3	\$182.8	\$381.8	\$505.4
Operating EBIDA – Without Tax Levy	\$6.0	\$0.2	\$11.4	\$10.0	\$1.4	\$4.1	--	--
Operating EBIDA – With Tax Levy	\$20.8	\$14.4	\$18.1	\$17.6	\$11.0	\$16.2	--	--
Unrestricted Cash	\$54.3	\$59.6	\$74.5	\$95.0	\$94.8	\$94.2	\$183.4	\$424.6
Total Debt	\$23.9	\$22.7	\$27.3	\$44.1	\$42.3	\$39.3	\$144.7	\$149.8
<b>Profitability</b>								
Operating Margin – Without Tax Levy	(2.1%)	(6.9%)	0.7%	(1.2%)	(5.7%)	(4.3%)	2.5%	3.8%
Operating Margin – With Tax Levy	9.7%	4.0%	5.1%	3.3%	(0.2%)	2.2%	9.0%	9.3%
Op EBIDA Margin – Without Tax Levy	4.8%	0.2%	7.4%	5.9%	0.8%	2.2%	4.6%	7.2%
Op EBIDA Margin – With Tax Levy	16.7%	11.2%	11.7%	10.4%	6.3%	8.7%	--	--
Excess Margin	3.0%	2.7%	8.5%	4.5%	1.7%	4.0%	--	--
<b>Debt Position</b>								
MADS Coverage	4.8x	4.6x	9.0x	5.7x	4.2x	5.7x	3.7x	5.5x
Long-Term Debt to Capitalization	24.5%	24.7%	23.9%	29.2%	27.8%	24.5%	35.3%	23.7%
Long-Term Debt to Cash Flow	2.1x	1.9x	1.1x	2.3x	3.1x	2.0x	--	--
<b>Liquidity</b>								
Cash to Long-Term Debt	227.6%	262.3%	272.8%	215.5%	224.3%	239.8%	148.1%	243.2%
Days Cash on Hand (days)	165	168	189	217	199	187	186	309

Sources: St. John's audited financial statements for FY2020, FY2021 and FY2022. FY2023 financial data is based on internal financials provided by management team.

Note: Net Revenue Available for Debt Service, Cash Flow, Operating Margins and Operating EBIDA margins exclude benefit of Property Tax Revenue and SPET payments.

1) FY23 P&L and YTD May FY23 balance sheet provided by client. June 2023 cash flows estimated.

2) FY24 operating budget and cash flow projections provided by management team. S&P Standalone Hospital blended medians per 2021 report utilized.

- Strong growth FY24).
- Historic not ach operati Levy ex
- Operate expect with Op incl tax
- Strong driven healthy
- Liquidity years h days ca capital flow it 187 da
- Over th return perform John's 1 debt ca strateg capital

# Strategic Discussion

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# Hospital Leadership Interview Themes (1 of 2)



## Strategic Vision

- Be the **first choice for primary and secondary care** in the region, with appropriate access
  - Ensure St. John's maintains **high operational excellence**, and does "the best we can"
  - Provide **high quality, safe, holistic care in an ethical manner**, with a focus on patient and community health
  - Pursue a **cautious and disciplined growth strategy**
  - Emphasize a **community-focused, patient-centered experience**
  - Remain **independent and financially sustainable** to best serve our community
  - Be a **leader in the outpatient care setting** in the region
-



# Hospital Leadership Interview Themes (2 of 2)



## Opportunities

- **Enhancing leadership development and succession** - Professional development leadership training has lagged Post-COVID
  - **Elevating St. John's continuum of care** from inpatient to outpatient to virtual
  - **Appropriate expansion of housing developments** for immediate hospital
  - **Perception of high-quality care** drives high quality scores and positive community perception of care
  - **Reduce outmigration** by providing appropriate services for residents
  - **Advance scope of ICU capabilities** with additional training
  - **Further align physicians and service lines** to drive and enhance productivity
  - **Build upon current EMR capabilities** to keep up with evolving state of the market
-

# Employee Engagement Survey – St. John’s Health Has Sought E Insights

Kaufman Hall engaged internal audiences at St. John’s with high-level strategic questions for potential insights around St. John’s future

Survey was sent to key stakeholders via website link, with **231 total responses received**

## Survey Questions:

1. What Do You See As The Key Healthcare Market Gaps And Community Needs?
  2. What Do Patients/Potential Patients View As St. John's Greatest Strengths?
  3. What Do You Think Are The Greatest Challenges Facing St. John’s?
  4. What Are The Opportunities For St. John’s To Become Even Stronger?
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# 1. What Do You See As The Key Healthcare Market Gaps And Community Needs?

## *Key Themes*

### Market Gaps

- Behavioral health/ substance abuse
- Radiation oncology services
- Pulmonology services
- OBGYN provider shortage / burnt out
- PCP services
- Need for a full-time neurologist

### Community Needs

- Housing for staff/potential staff
- Help with commuters
- Lack of access to mental health care



## 2. What Do Patients View As St. John's Greatest Strength

### Key Themes

- A friendly and caring staff known for their compassionate and personalized care
- Proximity to the primary community and well-maintained access to care, including a “personal touch” to care
- Strong performance in orthopedics, OB / Gyn, oncology, radiology services, and emergency care services





## 4. What Are The Opportunities For St. John's To Become Even S

### *Key Themes*

- Development of clear organizational goals and coordination into departmental objectives
- Employee engagement and retention
- Digital integration hospital-wide to enable core business operations (e.g., patient communications, document storage)



# What Principles Should Guide the Strategic Planning Process

## Guiding Principles

- Engages the community, workforce, and medical staff
  - Advances partnership with the Foundation
  - Ensures cultural compatibility
  - Recognizes the value of independent governance & management
  - Advances the vision of St. John's as the first choice for primary and secondary care in the wider region
  - Supports a commitment to clinical quality and patient experience
  - Supports a commitment to financial sustainability
-

## Point of View on Opportunities and Threats

Key strategic questions regarding St. John's current and potential role market moving forward:

1. What other forms of disruption (e.g., virtual care, value-based care and regional players, shift to ambulatory) could impact the market significant is the risk?
  2. What are the top three most important strategic priorities for St. J
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# Executive Session

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# Regroup/Close

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# Recap and Takeaways

St. John's Health is undertaking a strategic planning process. Its **PURPOSE** is to develop a plan to guide the organization into the future on a path that supports the *delivery of high-quality care* that addresses the community's healthcare needs, is *financially sustainable*, and is aligned with the *evolving healthcare* industry

The **INTENT** of this meeting is to *provide the public insight* into the many national, regional and local healthcare industry trends that affect or may affect St. John's Health in its mission to address the healthcare needs of the community, and to *seek preliminary feedback* from the Board regarding priorities

St. John's Health is at the **BEGINNING of the planning process** with much remaining to be done. There will be *additional opportunities*, as the process continues, for the public to *provide their perspective* on St. John's Health's opportunities, challenges, and priorities and *learn about the emerging strategic plan*

**KEY TAKEAWAY** – While it is currently insulated from many of the national industry disruptions by its size and location, St. John's Health faces the same financial and operational headwinds that hospitals across the country are experiencing. Addressing these headwinds is complicated by the same factors – size and location – that have shielded it in other ways

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## Next Steps for St. John's Health

- Conducting Community Needs Assessment in Summer 2023, with results released in Fall 2023
  - Hosting Community Engagement Session on August 7
  - Finalizing Long-Term Strategic Plan by Fall 2023
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**Qualifications, Assumptions and Limiting Conditions (v.12.08.06):**

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