



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

Committee: Board of Trustees Regular Meeting - Public Session - via Hybrid

Meeting Date: June 20th, 2023

Minutes Prepared By: Morgan Gurney, Senior Executive Assistant

Members Present:

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

Members Absent: Others Present:

Jeff Sollis, CEO	Tom Lubnau
John Kren, COO/CFO	Jake Becker
Morgan Gurney	Jen Simon
Thom Kinney	Jessica
Karen Connelly	Laurie
Janette Boner	LS SJH
Jen Chiappa	Richelle Heldwein
Naomi Floyd	Roger Perkins
Mary Ponce	Sean Ryan
Anna Olson	Seth Hayes
Lee Brown	Seth Robertson
Alisa Lane	Shari Murrell
Allie Truelove	Sherry Simpson
Becca Radley	Whitney Matson
Lindsay Love	Bill Stangl
Tiffany Logan	Brian Smith
Sheldon Perkins	Dr. Marty Trott
iPhone	307-739-7617
GT	307-760-2437
	303-489-1706
	307-739-9145

Board Advisors Present:

Bob Hopkins
Dr. Jim Little Jr.

Call to Order

The public board meeting was called to order at 12:00 p.m. MST by Katharine Conover-Keller, Chair.

Approval of Agenda

Ms. Conover-Keller presented for approval the agenda of the July 20th Regular Public Meeting of the Board.

It was moved by Jim Hunt, seconded by Evan Jones to approve the agenda of the Regular Public Meeting of the Board. Members voted as follows: six Ayes. The motion carried unanimously.

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

Ms. Katharine Conover-Keller thanked Jeff Sollis, the KaufmanHall team, and all members within the Strategy and HR Committee for all of their hard work and time spent working on the strategic plan.

2023-2024 Fiscal Year Operating and Capital Budget Review (presented by Jeff Sollis, CEO and John Kren, CFO/COO)

Jeff Sollis presented the SJH Budget at 12:16 pm MT. A copy of the 2023-2024 Fiscal Year Operating and Capital Budget presentation materials is attached as a permanent part of these minutes. The 30-minute legal waiting period from presentation to approval concludes at 12:46 pm MT.

Approval of Minutes

Ms. Conover-Keller presented for approval the minutes of the June 29th Regular and July 7th Special Meeting of the Board.

It was moved by Jim Hunt, seconded by Cynthia Hogan to approve the minutes of the June 29th Regular and July 7th Special Meeting of the Board as presented. Members voted as follows: six Ayes. The motion carried unanimously.

CEO Report *(presented by Jeff Sollis, CEO)*

Mr. Jeff Sollis announced his presentations, both the 2023-2024 Fiscal Year Operating and Capital Budget review and the strategic update within the Strategy Committee. A copy of Mr. Sollis' presentation materials, which provide information on each of the above topics, is attached as a permanent part of these minutes.

Strategy, Development, and HR Committee *(presented by Mr. Evan Jones and Mr. Sollis)*

Mr. Evan Jones reported on the monthly Committee meeting which focused on the progress on the strategic planning effort to date and results from the employee survey. A copy of Mr. Sollis' and Mr. Jones presentation materials, which provides information on both of the above topics, is attached as a permanent part of these minutes.

Joint Compliance and Quality Committee *(presented by Dr. Pam Cutler)*

Dr. Cutler presented that the JCQC Committee had credentialing recommendations from the Medical Executive Committee (MEC) for approval.

It was moved by Dr. Brent Blue, seconded by Dr. Bruce Hayse to approve the credentialing recommendations as presented within the Board Packet from the MEC meeting in July. Members voted as follows: seven Ayes. The motion carried unanimously.

Finance, IT, and Facilities Committee *(presented by Mr. Jim Hunt and John Kren, CFO/COO)*

The 30-minute legal waiting period from the presentation of the proposed budget to the recommended budget concludes at 12:46 pm MT. It was after 12:46 pm MT when Jim Hunt gave the Finance, Facilities, and IT Committee update.

Mr. Hunt reported on the monthly Committee meeting, which focused on capital expenditures, mainly, the new CT scanner which will provide more availability and faster service to the community. St. John's is currently performing about four thousand CT scans annually. Both machines will be up and running. Additionally, the operating rooms and equipment capital project has been discussed by the committee who has submitted a proposal to the Board.

It was moved by Jim Hunt, seconded by Dr. Brent Blue to approve the two recommended capital expenditures projects, the new CT scanner and upgrades to the operating rooms and equipment not to exceed \$3 M. Members voted as follows: seven Ayes. The motion carried unanimously.

Mr. Hunt gave a monthly financial update. June financials show a slowdown in outpatient care and expenses, roughly \$2.6 M below budget. The Committee discussed the tunnel project, the Hitching

Post Project, and the King and Karns project. The Committee is focused on the overall project scope, with the key discussion on additional two-bedroom units included in the unit mix, for the Hitching Post Project.

The Committee recommended the Board of Trustees to approve the 2023/2024 SJH Fiscal Year Budget as presented earlier.

It was moved by Jim Hunt, seconded by Evan Jones to approve the recommended 2023/2024 SJH Fiscal Year Budget. Members voted as follows: seven Ayes. The motion carried unanimously.

SJH Foundation (*presented by Ms. Anna Olson*)

Ms. Anna Olson announced that the Foundation Board had their annual Foundation retreat which had a KaufmanHall presentation on the strategic plan. The Foundation reviewed their mission and looked at their size and scale compared to other regional Foundations. The diabetes event is this weekend, followed by the annual donor recognition event next week, July 24th at the Cloudveil Hotel. There are four more events scheduled for the remaining summer months.

Old Business - None

New Business – Ms. Conover-Keller discussed the planning of the 2024 calendar which will include at least ten Public Board Meetings annually.

Public Comment – None

Next Meeting

The next regular monthly meeting is scheduled for Thursday, August 31st, 2023, via Hybrid. The Executive Session begins at 2:30 am and the monthly Public Session begins at 4:00 pm.

Adjournment

With nothing additional to discuss, Katharine Conover-Keller adjourned the meeting at 1:05 p.m. It was moved by Jim Hunt, seconded by Dr. Pam Cutler to adjourn this Public Meeting.

Respectfully submitted,
Morgan Gurney, Senior Executive Assistant



Monthly Public Board Meeting Highlights

St. John's Health Board of Trustees – July 20, 2023

The St. John's Health (SJH) Board of Trustees met on Thursday, July 20, 2023 for the regular public monthly board session. The following topics are the meeting highlights:

Fiscal Year 2023/24 Budget

As required by Wyoming State Statute, the Board of Trustees approved the budget for the new fiscal year, ending June 30, 2024. Throughout SJH, departments began work to develop the annual budget in March. The Finance Committee considered several key local and national trends and pressures facing SJH as they prepared the final budget numbers. One negative trend is that operating expenses are growing faster than net revenue. Staffing expenses and other inflationary pressures are drivers behind the increase in operating expenses. A significant reason that net revenue is lagging is that SJH is experiencing a payor mix shift, with a growing number of patients having Medicare as their insurance and fewer patients with commercial insurance such as Blue Cross/Blue Shield. Commercial insurance reimburses at a much more favorable rate for SJH than Medicare. The impact of even a small shift can translate to millions of dollars.

The 2023/24 Budget includes a 3.5% average price increase, approved by the Trustees in June, and \$2.5 million for employee compensation plan adjustments. The budget also includes investment in new medical staff providers to improve access to care for the community, including Internal Medicine, Pulmonology, and Teton County's first full-time medical Oncologist. Other reinvestments into the community will include a remodel at Wilson Internal Medicine, new fetal monitoring equipment, new OR equipment, and renovation and improvements at SJH employee housing units. Strategic capital investment will include an additional CT/ultrasound to reduce patient wait time and major updates to equipment and facilities in the surgical suites.

Strategic Plan 2023

SJH has been working with Kaufman Hall & Associates (KHA) to develop a Strategic Plan. This week, KHA visited Jackson to share some preliminary information based on national trends and initial interviews with approximately 10 SJH administrative and physician leaders and more than 200 members of the staff. On the national level, healthcare systems are struggling with post-pandemic conditions, including patient volume still in a period of recovery and expenses at high levels. These circumstances are helping to drive a negative outlook for the U.S. healthcare sector. At SJH, emergency department visits have not yet returned to pre-pandemic numbers, and there is a negative operating margin. Emerging themes from the staff surveys were issues with electronic medical record integration across the organization and the perception of market gaps in the areas of behavioral health, radiation oncology, gastroenterology, obstetrics, and neurology. *(Continued on next page)*

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www.stjohns.health



The community will be invited to learn more about the strategic plan and offer insights on August 7th from 4:00-6:00 pm in the Jackson Room at the Wort Hotel. Refreshments will be served.

The regular August Public Board Meeting will be held on August 31st at 4:00 pm in the SJH Boardroom. The public is also invited to attend by zoom. Details and zoom link will be provided at www.stjohns.health/board.

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Strategic Planning Update

Board of Trustees
July 20, 2023



KaufmanHall Presentation

Healthcare Trends and Challenges

- **Discussed national healthcare trends and challenges impacting payors and providers**
 - Rating agencies have a negative outlook for the healthcare industry
 - Increased compensation costs, staffing challenges including retention, increased supply chain costs, increased denials (coding & documentation)
 - New players emerging across healthcare industry. Focused on outpatient care
- **St. John's Health trends**
 - Emergency department visits have not recovered to pre-pandemic levels
 - Total expenses up 8% from prior year. Revenue shortfall of 6% from budget. The variance is primarily due to staffing and supply chain costs, as well as volume deterioration which has led to a net revenue shortfall in the current fiscal year.
 - Negative operating margin since fall 2023
- **St. John's Health needs and opportunities**
 - Strengthen working relationships with large employers
 - Continue to build strength of management team

Strategic Vision & Opportunity Slides

Hospital Leadership Interview Themes (1 of 2)



Strategic Vision

- Be the **first choice for primary and secondary care** in the region, with easy and appropriate access
- Ensure St. John's maintains **high operational excellence**, and does "the basics" well
- Provide **high quality, safe, holistic care in an ethical manner**, with a focus on prevention
- 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 care
- **Appropriate expansion of housing developments** for immediate hospital staff
- **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 industry



Employee Engagement Survey – St. John's Health Has Sought Employee 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?

Survey Results

25 hospital leaders, physicians, and employees surveyed (231 employee responses)

- Market gaps: Behavioral health/ substance abuse • Radiation oncology • Pulmonology • Obstetrics • Neurology • Gastroenterology • GI Surgery
- Community needs: Housing for staff/potential staff • Help with commuters • Lack of access to mental health care
- Greatest challenges: • Retaining staff amidst increases in the cost of living; employees continue to move to afford housing • Long-term sustainability of quality providers and staff • Remote geography makes it difficult to expand presence in rural counties • Better EHR/EMR functionality and training
- Need to develop clear organizational goals
- Opportunity for Digital integration and strengthen electronic medical records



Strategic Planning Principles

What Principles Should Guide the Strategic Planning Process?

Guiding Principles

- Supports a commitment to clinical quality and patient experience
- 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 financial sustainability

KaufmanHall Presentation Overview

- **Reviewed SJH Primary Service Area (PSA) and Secondary Service Area (SSA) data:**

- Volume and market share estimates and trends
- Demand projections by specialty across the PSA and SSA
- Service line procedure summaries
- SJH payor market share by patient category

- **Discussion topics & observations:**

- Opportunity to focus on performance and quality of core SJH services
- Significant amount of outmigration of potential inpatient cases from St. John's
- Continued trend towards older patients (>65 years old) with Medicare
- Opportunities to partner with providers in SSA
- What is the role of St. John's in the region?



Community Outreach

Community Outreach Event

- Town Hall scheduled for August 7, 2023 – 4-6 pm Wort Hotel
- Community survey
- Community needs assessment
- Request for comments by email or other communication methods



Proposed Operating and Capital Budget

Fiscal Year 2024



Budget Introduction – Trends

CEO

- Operating Expenses growing faster than Net Revenue
- Payor Mix
- Staffing Pressures
- Inflationary Pressures
- Service Line Pressures (Behavioral Health/OB)
- Cyber Security



Reinvestment in the Community



FY 2024 Assumptions

- 3% Outpatient Volume Increase
- 1% Inpatient Volume Increase
- 3.5% Price Increase
- Compensation Plan Adjustments
 - ✓ Market adjustments
 - ✓ Structured step and grade system
 - ✓ Comp Adjustment
 - ✓ Merit Adjustment
- Medical Staff Development
- SJ Health Foundation Contributions
- Reinvestment in the Community



FY 2024 Proposed Statement of Operations

OPERATING REVENUE	
Net Patient Service Revenue	182,763,433
Other Operating Revenue	<u>4,266,709</u>
Net Operating Revenue	<u>187,030,140</u>
OPERATING EXPENSES	
Salaries / Wages / Contract Staff / Benefits	108,216,995
Supplies and Other Expenses	74,684,961
Interest Expense	971,125
Depreciation and Amortization	<u>11,120,317</u>
Total Expenses	<u>194,993,397</u>
Gain / (Loss) Before Other Income	<u>(7,963,256)</u>
NON-OPERATING	
Nonoperating Revenue and Expense	13,481,433
Grants	2,563,541
SJH Foundation Contribution	<u>1,000,000</u>
Total Gain	<u>\$ 9,081,718</u>



FY 2024 Operating / Routine Capital Request

Operating and Routine Capital

Operations	2,786,053
Facilities	562,000
Lodging	340,000
Information Systems	<u>983,000</u>

Operating and Routine Capital Total **\$ 4,671,053**

(Does not include any capital projects currently in progress)



FY 2024 Strategic Capital Request

Strategic Capital

OR Remodel	3,000,000
CT / Ultrasound Remodel / Construction	<u>2,200,000</u>
Strategic Capital Total	<u><u>\$ 5,200,000</u></u>





Preliminary Draft - Confidential

KaufmanHall



St. John's Health

Board of Trustees Strategic Planning Retreat

**CONFIDENTIAL
DRAFT**

July 17, 2023

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Agenda

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

Opening Remarks

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DRAFT

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

National Industry Trends

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DRAFT

National Healthcare Trends Impacting Payers and Providers

As St. John's defines its near- and long-term strategy and investments, we must do so recognizing 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



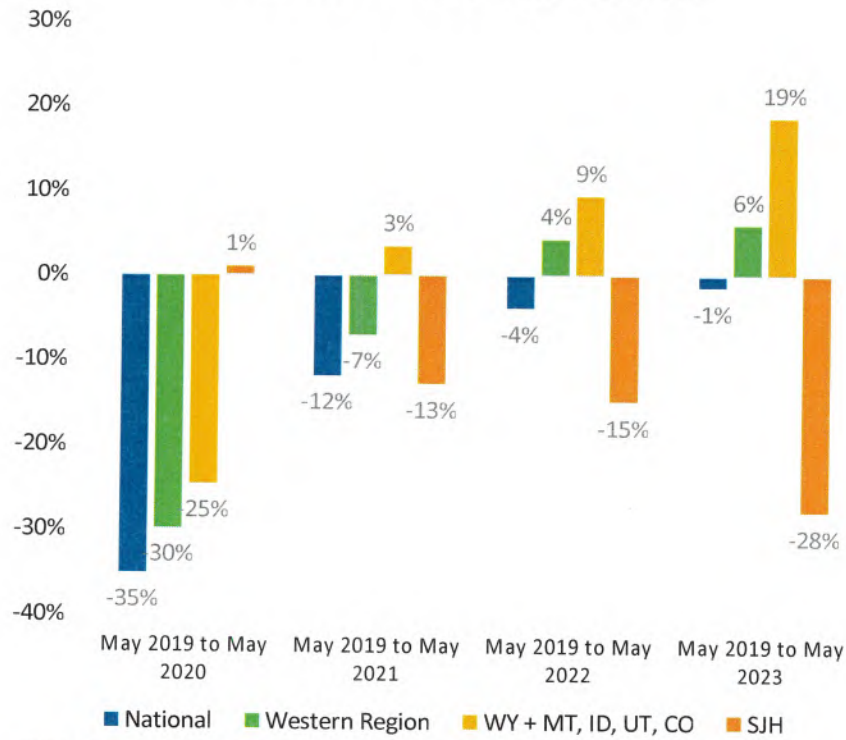
A divisive political/business environment



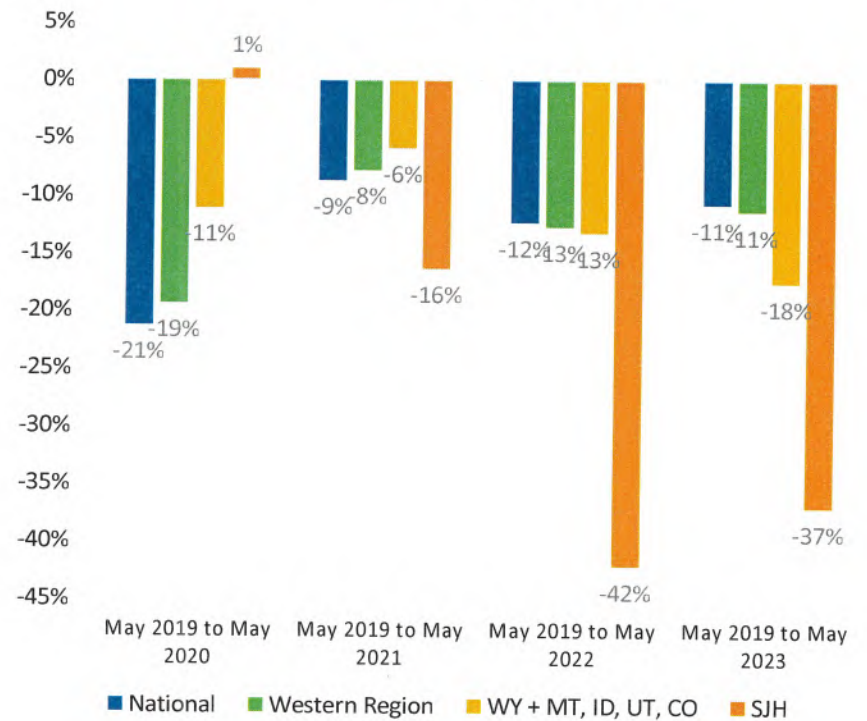
Disruption of new players in the healthcare space and the great disintermediation

ED Visits and Discharges at SJH Have Not Recovered to Pre-Covid Levels

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%

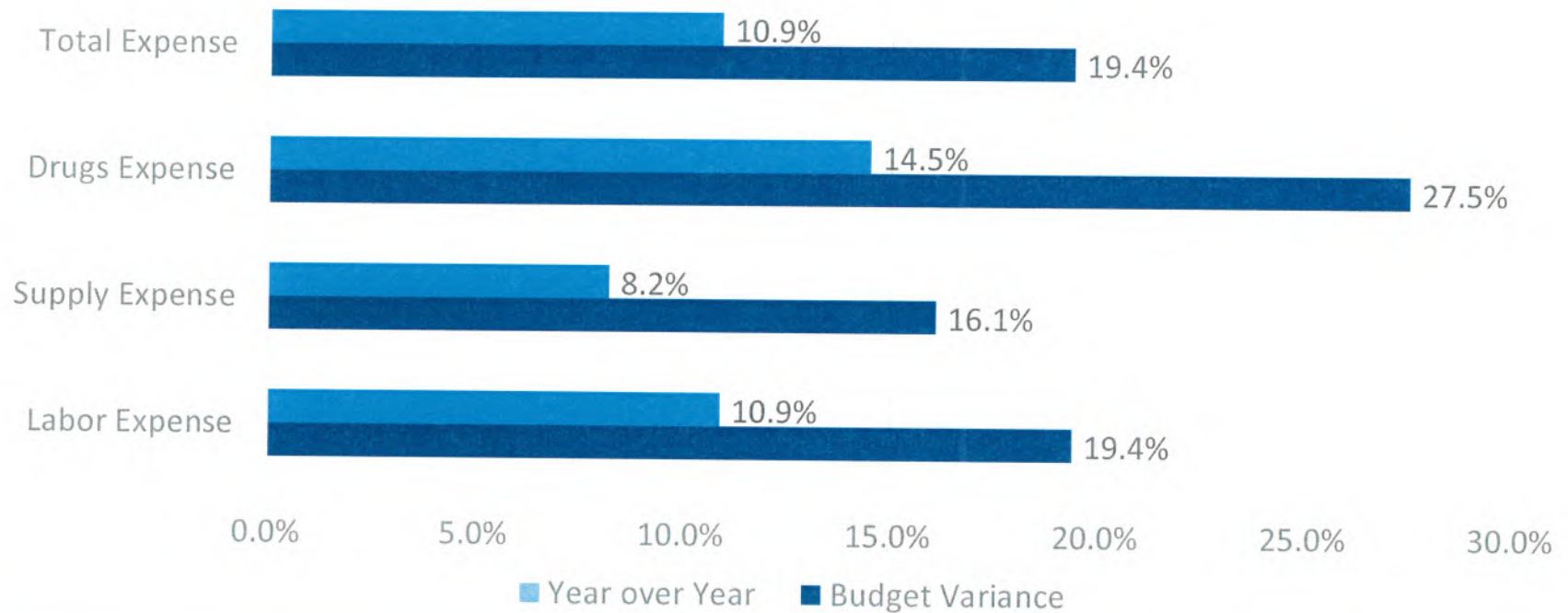
18% described their organization's level of investment in automation technologies as "significant" or "robust"

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 Labor and Supply Costs

Hospital Expense Pressure
Per Adjusted Discharge

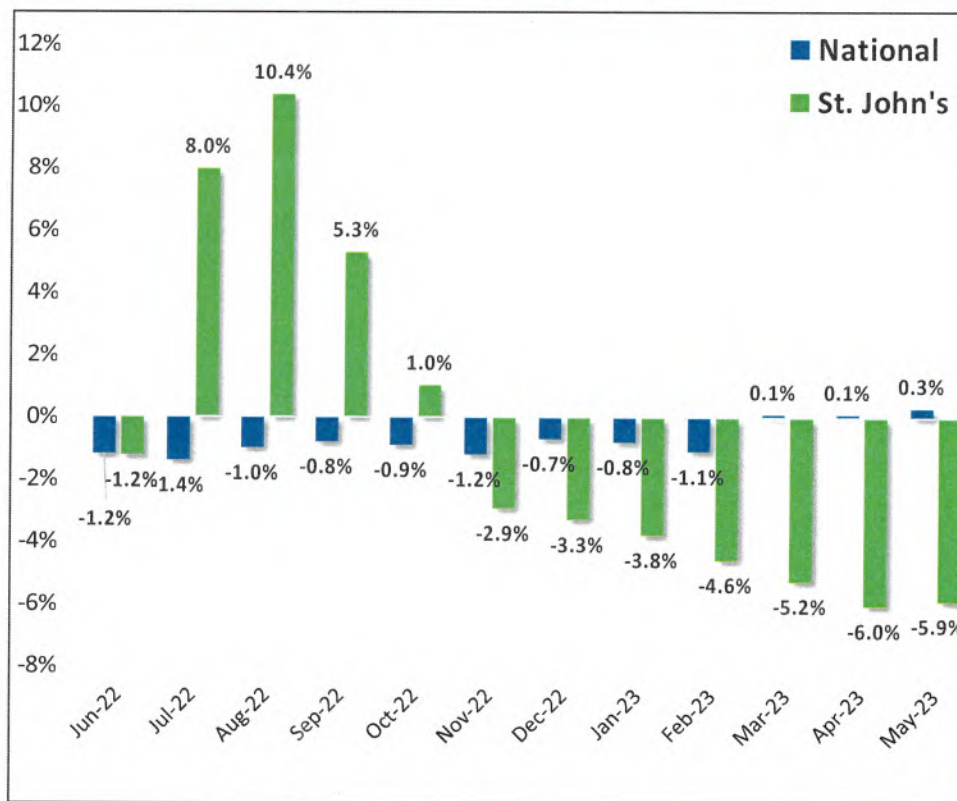


Kaufman Hall National Hospital Flash Report

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 Sector

MOODY'S

Outlook: Negative

S&P Global

Outlook: Negative

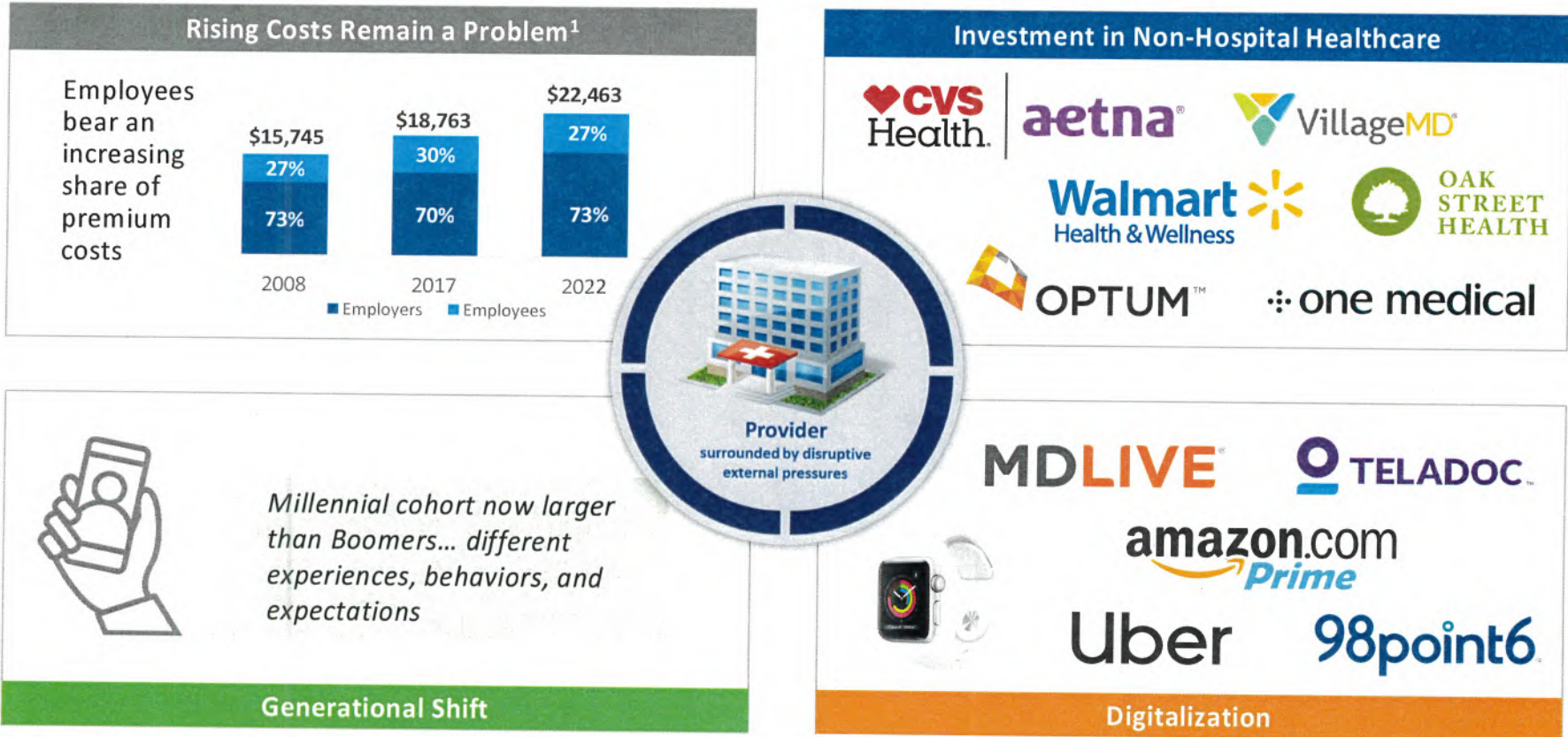
Fitch Ratings

Outlook: Deteriorating

- **The sector continues to experience severe labor shortages** and will be the largest driver of operating 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 labor 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 increases following some delay during the pandemic
- **Organizations with strong balance sheets are less likely to experience a negative rating or outlook action**; weaker credits may continue to struggle
- Barring significant regulatory pushback, **M&A activity will continue** as providers seek size and scale 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 speed-to-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 price and drug scrutiny and the end of the Public Health Emergency

Source: Moody's, S&P, and Fitch sector outlook reports; KH Webinars.

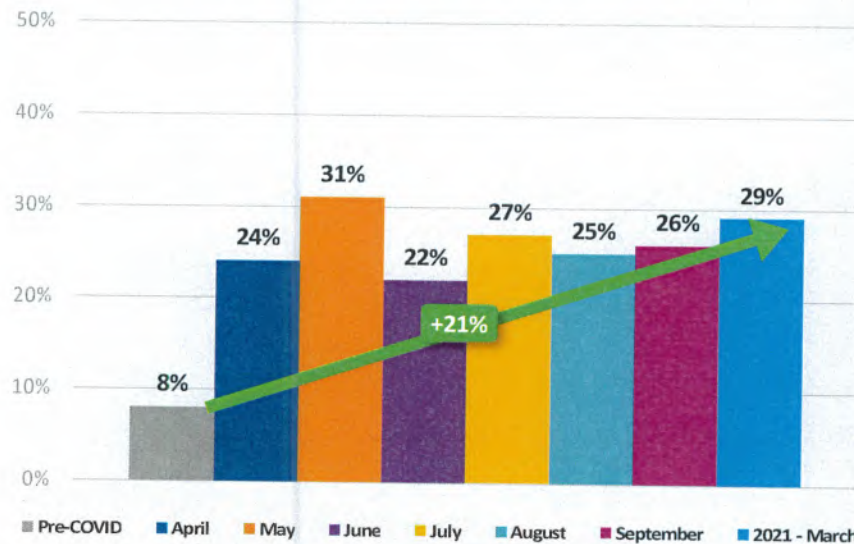
A Perfect Storm: Converging Forces Are Driving Longer Term Healthcare Change Even As Hospitals Struggle to Emerge from COVID



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

Changes in Consumer Expectations Were Accelerated by Covid

Consumer Preference for Receiving Care Virtually



Characteristics of young healthcare consumers:



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

Healthcare Must Accelerate the Shift of its Delivery Model

Source: Kaufman Hall 2020-2021 Covid-19 Consumer Survey; Kaufman Hall Proprietary Millennial Consumer Research

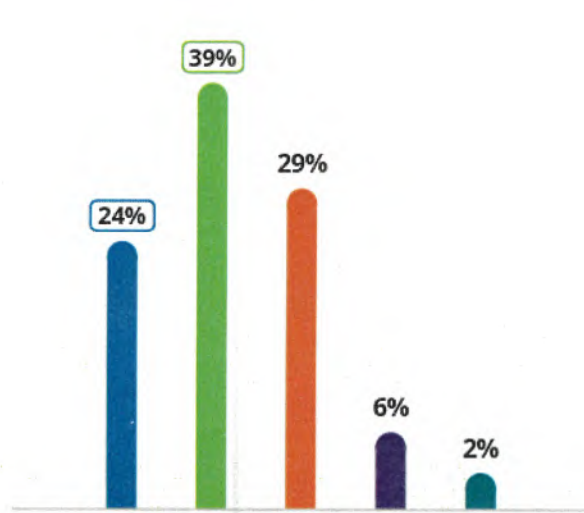
“On Demand” and “Ease of Access” Is an Expectation, Not a Request As Healthcare Organizations Leverage Non-Healthcare Technologies

The graphic is divided into two main sections by a central image of three people (a man, a woman, and another woman) standing in a hallway. The left section is titled 'Daily Life' and lists logos for Uber, amazon Prime, G (Google), GRUBHUB™, TaskRabbit, NETFLIX, and Lyft. The right section is titled 'Healthcare Disruptors' and lists logos for CVS Health, Walmart, one medical, edenhealth, OPTUM®, RadNet, TELADOC, and zipnosis®.

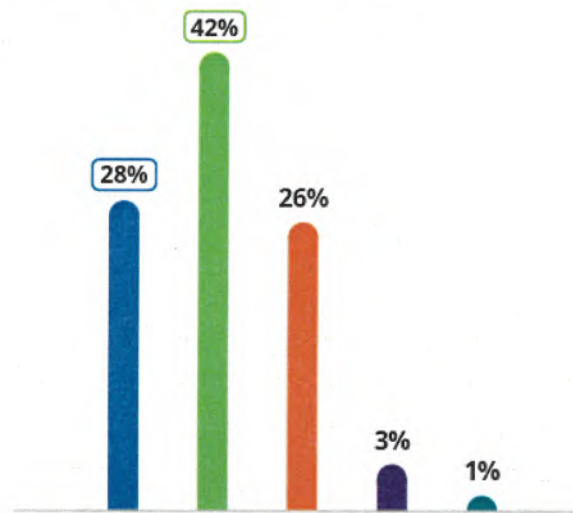
Note: Copyrights of images belong to their respective owners.

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
- Undecided
- 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 Providers

Competitive Erosion of Core Hospital Services



Logos for Medically Home, HOSPITAL OF HOME, and CONTESSA.

Logos for OPTUM, Livongo, United Surgical Partners International, RadNet, and Hinge Health.

Logos for TELADOC, one medical, CVSHealth, Walmart, OAK STREET HEALTH, and ChenMed.

Logos for SOLIS Mammography, Luna, and CVSHealth.
















Logos for Walmart and amazon.

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 of Payor vs Provider Continuum of Care

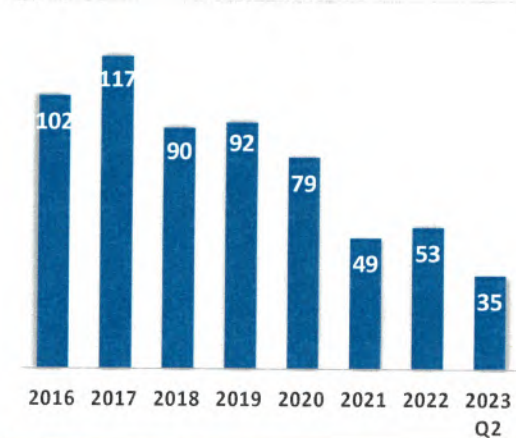
Competitor Archetypes	Representative Examples			
<p>Health plans focused on tech enablement and/or owning select delivery assets</p>	 	 	 	 
<p>Integrated payer/provider looking to expand into select markets</p>	  	 	 	

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 over the years
- Organizations are focused on partnerships with a strong strategic rationale and have become increasingly selective in identifying potential partners.
- In addition to traditional synergies and access to capital, they seek partnerships that will 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

Total Transactions Remain Below Pre-Pandemic Levels But Size of Transactions Reach Record Highs

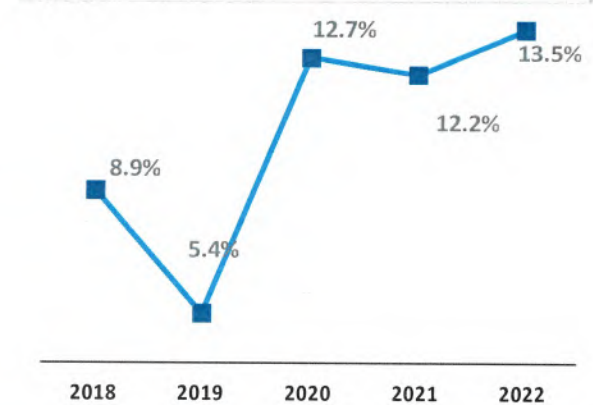
Number of Announced Transactions by Year
 Figure 1 2016 – 2022



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



% Smaller Partner ≥ A- Credit Rating
 Figure 3

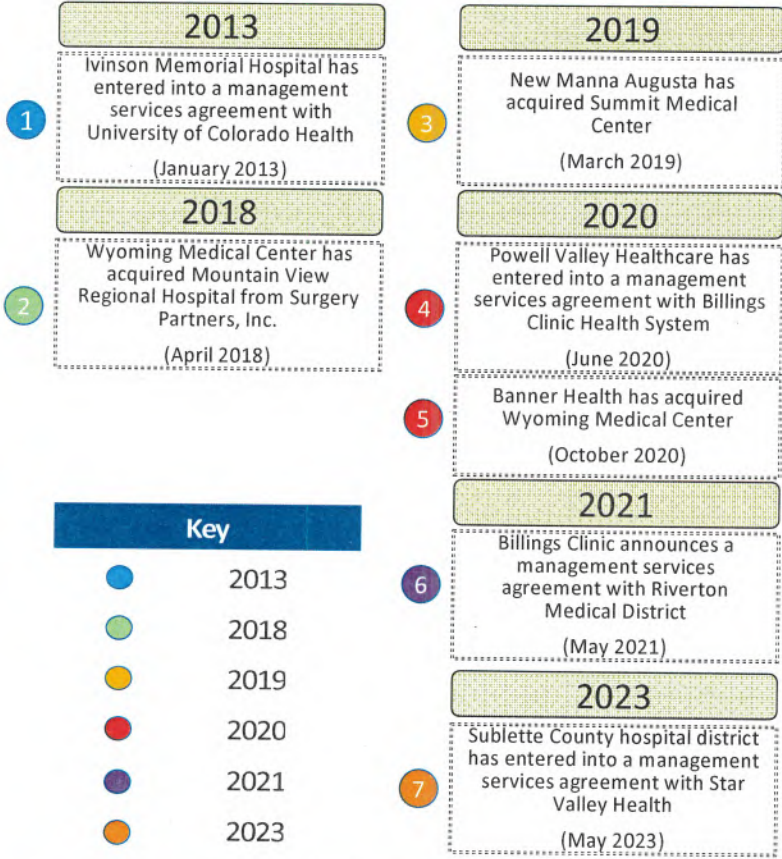


OBSERVATIONS

- 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 hospitals receptivity to being acquired.

Source: Kaufman Hall Proprietary Transaction Database

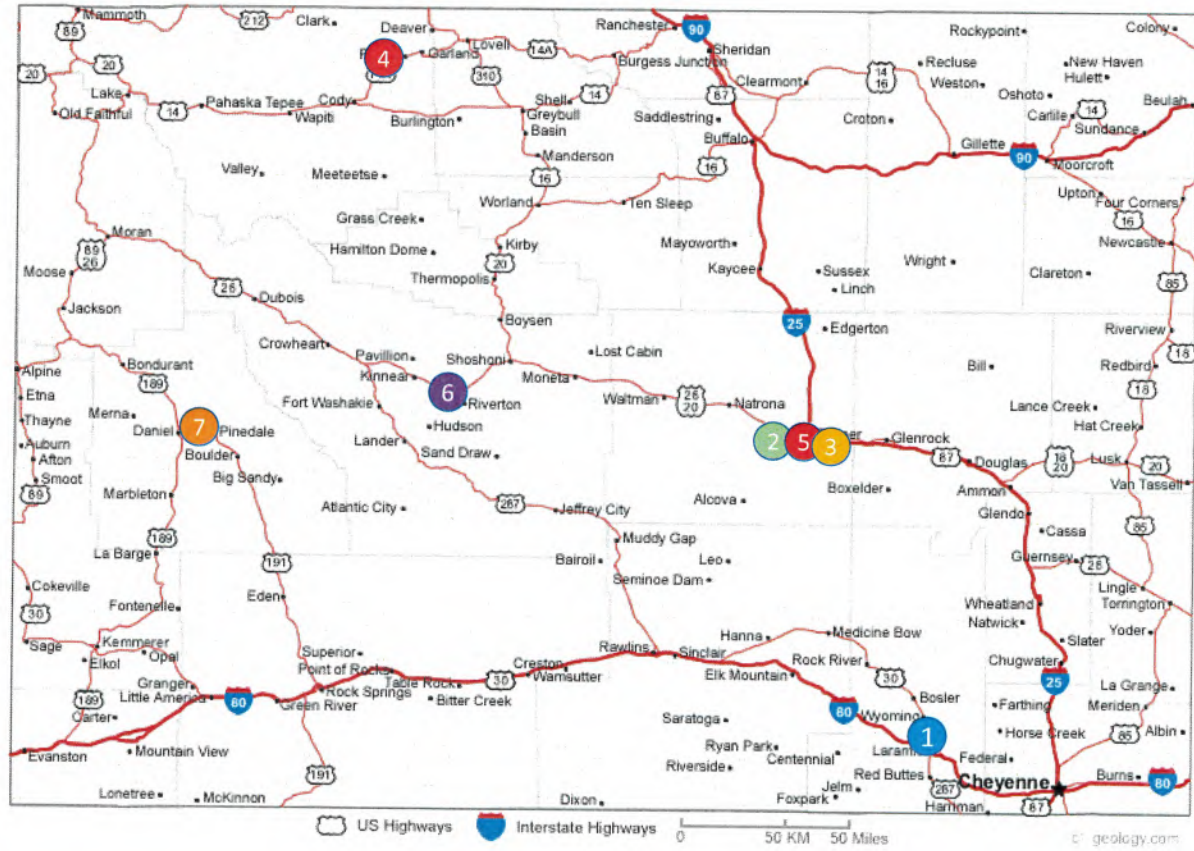
Wyoming Has Had Its Share of Partnership Activity



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 ³	
	2019 Audited	2020 Audited	2021 Audited	2022 Audited	2023 Forecasted ¹	2024 Budgeted ²	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
Profitability								
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%		
Op EBIDA Margin – Without Tax Levy	4.8%	0.2%	7.4%	5.9%	0.8%	2.2%		
Op EBIDA Margin – With Tax Levy	16.7%	11.2%	11.7%	10.4%	6.3%	8.7%	9.0%	9.3%
Excess Margin	3.0%	2.7%	8.5%	4.5%	1.7%	4.0%	4.6%	7.2%
Debt Position								
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	--	--
Liquidity								
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.

KEY OBSERVATIONS

- Strong net patient revenue growth of 8.6% CAGR (FY19-FY24).
- Historically, St. John's Health has not achieved breakeven operating margins excluding Tax Levy except for FY21
- Operating performance is expected to improve in FY24 with Operating EBIDA margins incl tax levy budgeted at 8.7%
- Strong balance sheet position driven by low leverage and healthy liquidity levels.
- Liquidity position over the last 2 years has been strong at ~200 days cash, however due to capital spending exceeding cash flow it is expected to decline to 187 days in FY24
- Over the planning horizon, a return to historical operating performance level will enable St. John's to generate incremental debt capacity to support strategic investments or other capital projects

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 easy and appropriate access
- Ensure St. John's maintains **high operational excellence**, and does "the basics" well
- Provide **high quality, safe, holistic care in an ethical manner**, with a focus on prevention
- 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 care
- **Appropriate expansion of housing developments** for immediate hospital staff
- **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 industry

Employee Engagement Survey – St. John’s Health Has Sought Employee 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?

2. What Do Patients View As St. John's Greatest Strengths?

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



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 in the market moving forward:

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

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

Next Steps for St. John's Health

- Conducting Community Needs Assessment in Summer 2023, with results to be released in Fall 2023
- Hosting Community Engagement Session on August 7
- Finalizing Long-Term Strategic Plan by Fall 2023

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