

September 15, 2014

## A Letter from the CEO of Stamford Healthcare System

Since our cost reduction efforts began in early July, many unanticipated changes have occurred. Most significant of course, is the departure of two of our physicians. As you have probably heard, Dr. Gibson and Dr. Hart have both chosen to leave Stamford due in part to the changes we enacted in July. With such a devastating result, many people have appropriately asked why and if this was necessary. Others have probably wondered just what is going on at our hospital.

All of the taxpayers in the Stamford Hospital District are entitled to know what is going on and on behalf of myself and the Board of Directors, I hope this letter will answer your questions and clear up any miscommunication that may have developed over the past few months.

Simply put, we did not have enough patient volume to support three physicians and three nurse practitioners in Stamford, Texas any longer.

The hospital and clinic have two sources of patient revenue: inpatient admissions and outpatient care which includes clinic visits, lab tests, x-rays and physical therapy. When I arrived in 2008, we had three providers including Dr. Hart and two nurse practitioners. We saw an average of 236 patients per month per provider in our clinic and had 346 hospital admissions.

In the last five years, we have added Drs. Gibson and Joplin to the clinic, and yet for numerous reasons, clinic visits in 2013 decreased 26 percent from 2008 levels with an average of 174 visits per month per provider. Hospitalizations were down 35 percent vs. 2008 with 222 annual admissions. In 2014, patient volumes continued to decline. Clinic visits were down 12 percent and hospital admissions were down 28 percent compared to the already low 2013 volumes. Unfortunately, we had too many medical providers with too few patient encounters and something had to give. As a result, the difficult decision to reduce provider staffing by one nurse practitioner was made in July.

Additionally, as we have reported before, eleven employees were laid off, many others had their hours reduced, the CEO took a 25 percent salary reduction and asked the physicians to also accept the same 25 percent salary reduction. At this time, the physicians worked a four day work week, except for Dr. Gibson who worked three and a half days in the clinic. Regretfully, Drs. Hart and Gibson chose not to accept this salary reduction and to pursue other opportunities. I am happy to report that Dr. Joplin has signed a new contract and will remain with us. Additionally, Segelle Bryan, nurse practitioner will be joining the clinic staff on September 29<sup>th</sup>. Allana Hicks has announced that she will be leaving us mid-November. We have already begun the time consuming process of finding another permanent physician and

are looking for other providers who will work in our clinic on a short term basis to assist Dr. Joplin and Segelle Bryan in caring for you.

The hospital has secured over \$3 million per year in non-patient money over the past several years. This is money that comes from sources other than direct patient care and has come through participating in various governmental programs. In addition, the District collects approximately \$1 million a year in taxes. These two sources, when added to the hospital's patient revenues of \$4.6 million, provide the resources to cover the total operating costs of the hospital and clinic.

Unfortunately, these non-patient sources are scheduled to decrease in the future. Obamacare and Medicare regulations are decreasing patient revenues and the previously mentioned declining patient volumes in our hospital and clinic have left us in the inevitable operating loss scenario.

The painful choice to cut operating costs was clear. Before the reduction in force in July and the departure of Drs. Hart and Gibson, employee salaries were approximately \$4.1 million annually. Additionally, physician compensation including ER physicians was \$1.2 million per year. Supplies and contracted services equal \$1 million and other costs are \$2.5 million. You can see that there is no way to reduce costs without dramatically impacting employee salaries and physician compensation. Cutting expenses is never fun. In this case, we had no other choice.

While the loss of these providers is extremely difficult, the declining patient volumes we have seen indicate that we need two physicians and two or three nurse practitioners for our community. We are working diligently to ensure that we have the resources to care for the healthcare needs of the community while striving to provide for a strong future for your healthcare system, the hospital, clinic, assisted living facility, home health agency and health club.

In January 2013, the hospital district leased the operations to a locally controlled not-for-profit organization named Jones County Regional Healthcare System (JCRHS). JCRHS adopted the following mission statement: "Jones County Regional Healthcare System is a Christian healthcare system providing Courteous, Respectful, and Engaging care with an Attitude of Thoughtful compassion provided for members of the community in an Enjoyable atmosphere. We are CREATE-ing outstanding healthcare." We will do our utmost to live up to this mission and appreciate your patience and support during these challenging times. Please feel free to contact Rick DeFoore, CEO at any time at 325-773-2725 if you need assistance or have questions about the information shared here.