



Annual Review & Evaluation Report

An overview of operations for 2016

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OVERVIEW – Looking Back, Looking Forward

Schoolcraft Memorial Hospital (SMH) had a successful year in the areas of finance, quality, recruitment and community involvement.

SMH experienced major organizational changes in 2016 due to the resignation of several director level personnel. During the pursuit of a permanent CEO, Interim CEO, Jeanne Goche, led SMH through the transition period until, Robert Crumb, CEO was hired in August of 2016.

New employees joined the SMH leadership team or had a change of duties including Chief Quality Safety Officer - Robin Veltkamp; Director of Ancillary Services – Kent Lacroix; Rural Health Clinic Supervisor – Kim Shiner; Human Resources Generalists – Fawn Freeborn & Deborah Fragel; CEO - Robert Crumb & CFO – Boyd Chappell. All employees have brought a fresh perspective to the team and maintained the quality of care during the transitional phases.

SMH was recognized at a national level by two organizations in 2016: the Centers for Medicare and Medicaid Services (CMS) and the National Organization of State Offices of Rural Health (NOSORH).

SMH's **unaudited** 2016 year end Income Statement ended with a Net Loss of \$319,000 compared to a budgeted loss of \$1,129,000. This positive variance to budget was primarily the result of increased volumes and net revenue in a number of service lines including, emergency room, outpatient, ancillary (lab, imaging and physical/occupational rehab) and surgery, as well as the RHC and Home Care.

New strategies have been put into place to achieve a positive budget for 2017. Several purchasing arrangements have been switched to the Group Purchasing Organization (GPO) and service costs are being analyzed for future review. In addition, a complete revenue cycle and expense review will be completed in an effort to identify additional revenue and expense reduction opportunities.

Schoolcraft Memorial Hospital is now in full participation with the Accountable Care Organization. ACOs are groups of physicians, hospitals, and other health care providers who come together to provide coordinated care to their patients. The goal of coordinated care is to ensure that patients get the right care at the right time while avoiding unnecessary duplication of services and preventing medical errors. SMH appointed a Care Coordinator and the role has proven to be an invaluable resource for patients and staff alike.

In addition to these recognitions in 2016, there were many improvements and changes at Schoolcraft Memorial Hospital, which are reflected throughout this report. The Community Health Needs Assessment was completed in December and included a wide range of community leaders in all health and wellness sectors. The results of the assessment will propel SMH forward for the next 3 years with the community's priorities in mind.

The hospital has a renewed vision and mission and a commitment to serve the region with quality health care:

Our Mission: To provide quality health and wellness services for the people of our region.

Our Vision: We will be the trusted first choice for patients, staff and physicians.

The Schoolcraft Memorial Hospital (SMH) looks forward to another successful year with collaborative efforts between the Board of Trustees, Management, Physicians and employees.

CORNERSTONE

SMH uses a program named Cornerstone to provide a framework for organizational alignment of strategic initiatives through goal setting and to create and sustain a culture of excellence for both patients and employees. The program uses “Pillars” to identify specific areas of focus to ensure the organization stays well balanced.

The seven pillars are:

- Strategic
- People
- Finance
- Growth
- Service
- Quality
- Community

This report will outline SMH’s progress in 2016 as reported under each respective Pillar.

STRATEGIC:

SMH met two out of three of its organizational goals for 2016. The results are shown below.

Goal 1: To increase the employee satisfaction percentage on “Likelihood I would recommend SMH to others as a good place to work” by 3% from the 2015 rate of 73%.

Result: 7% increase (80%)

Goal 2: To increase overall patient satisfaction percentage of patients who are “Completely Satisfied” score by 1% from the 2015 rate of 76%.

Result: 3% decrease (73%)

Goal 3: To keep the Annual Operating Income Above Budget.

2016 Budgeted Operating Income is \$(1,195,306)

Result: \$(396,936) = Above Budget

Strategic Planning for 2017

A committee consisting of board members, medical staff and senior leadership employees attended a Strategic Planning retreat to lay the framework for 2017 goal setting. This collaborative effort resulted in a variety of initiatives based on the Cornerstone pillars.



Our strategic initiatives are built on our pillars of success and each is a critical part of the puzzle – all fitting together to make the whole and fulfill our Vision for the future.



PEOPLE:

Interim Management Staff

Jeanne Goche, Interim CEO

Duane Coulter, Interim CFO

Recruitment Efforts

A CEO Search Committee was formed at the end of May 2016 to aid in the search of a CEO for Schoolcraft Memorial Hospital. The committee was charged to review and evaluate applications, identify candidates to screen and interview, check references, and present two or three top candidates to the SMH Board for consideration. The committee consisted of two SMH Board members: Jim Harmes and Marcia TeVelde, two providers: Dr. Kristi Kusnier and Rod Riesland, and four leadership staff members: Kent LaCroix, Scott Chartier, Kristin Peterson, and Cindy Olli. Also involved in the overall process was Kris Boyd (organization of documents/scheduling), Sara Giles (marketing/employees relations), and Scott Nagy (employee relations).

On August 15th, 2016 it was announced that Robert Crumb accepted the position of Chief Executive Officer. Mr. Crumb has over 25 years of experience, including critical access

hospitals, Rural Health Clinics, and strategic planning. He holds a Bachelor of Science Degree in Healthcare Administration and Masters of Science Degree in Healthcare Operations Management. His extensive experience in Northern Michigan and the Upper Peninsula region will be an asset to our local community hospital as he has great working relationships with most area CEOs and physicians throughout the region. Robert Crumb began his leadership role as CEO at Schoolcraft Memorial Hospital on August 29th 2016.

New Management Positions Appointed

Robert Crumb, CEO
Boyd Chappell, CFO
Robin VeltKamp, Chief Quality & Safety Officer
Fawn Freeborn, HR Generalist
Deborah A. Fragel, HR Generalist
Kim Shiner, Rural Health Clinic Supervisor

New Medical Staff

Kristi King-Flath, M.D.
Jessica Rochefort, NP-C, FNP
Mike Johnson, PA

Current Senior Leadership Team

Bob Crumb, Chief Executive Officer
Boyd Chappell, Chief Financial Officer
Cindy Olli, Chief Nursing Officer
Kent Lacroix, Director of Ancillary Services
Robin VeltKamp, Chief Quality & Safety Officer
Kristen Boyd, Executive Assistant
Fawn Freeborn, HR Generalist
Sara Giles, Marketing/Communications

Dr. John Galey, M.D. - 2016 Chief Medical Officer
Christon Dums, M.D. – 2016 Chief of Staff

Rural Health Clinic

- Established a RHC Supervisor Position to oversee the daily functions/operations of the clinic.
- Established lead positions of Business/Clerical Lead to oversee admitting and scheduling staff, Nurse lead to oversee nursing staff and medical records lead to oversee medical records staff.
- Implemented the use of scribes for some providers

Training

- Employees attended Equal Employment Opportunity Commission (EEOC) training in September of 2016.
- Employees attended “Rock Your Role” training session presented by Capstone Leadership Solutions in December of 2016. This training session offered a refresher for the current Cornerstone programs in place. Leadership training took place in January of 2017.

Recognition

- Employees are being recognized during Department Celebration Weeks in the weekly Newsletter “Weekly Links”.

FINANCE:

SMH’s **unaudited** 2016 year end Income Statement ended with a Net Loss of \$319,000 compared to a budgeted loss of \$1,129,000. See the summarized Income Statement below:

Schoolcraft Memorial Hospital

2016 Income Statement (*in thousands*)

	<u>2016 Actual</u>	<u>Budget</u>	<u>% Var</u>	<u>2015 Prior Year</u>	<u>% Var</u>
Net Patient Revenue	\$28,081	\$26,529	6%	\$25,936	8%
340B Revenue	1,229	1,612	-24%	1,632	-25%
Other Operating Rev	395	363	9%	517	-23%
Total Operating Rev	29,705	28,504	4%	28,085	6%
Total Expenses	30,102	29,699	-1%	28,999	-4%
Operating Inc/(Loss)	(398)	(1,195)	67%	(915)	57%
<u>Other Non-Oper Inc</u>	<u>78</u>	<u>67</u>	<u>18%</u>	<u>83</u>	<u>-5%</u>
<u>Net Income/(Loss)</u>	<u>(319)</u>	<u>(1,129)</u>	<u>-72%</u>	<u>(832)</u>	<u>62%</u>

- Net Patient Revenue was up 8% from prior year based on increases in emergency room, outpatient, ancillary and surgical volumes, as well as increases in RHC and home health volumes as well.
- 340B Revenue was down 25% from prior year due in part to changes in drugs available through the 340B program.
- Total Operating Income increased 6% over prior year, due to increase in Net Patient Revenue.
- Total Expenses were up 4% over prior year due to significant increases in Contracted Health Services and Supplies Expense.
- Other Non-Operating Income had a negative variance of 5% from prior year.

SMH achieved its financial goal of ending the year with a Net Operating Income/Loss (NOI or NOL) above the budgeted loss of \$1,195,000. SMH also achieved the following key financial ratios during 2016. These ratios, along with NOI or NOL are key indicators of the financial health of rural hospitals. These ratios are:

1. EBIDA / Gross Revenue Ratio: 9.7% (benchmark = 8%)
2. Days Cash on Hand: 35 days (benchmark = 40 days)
3. Days Net Revenue to Net Accounts Receivable: 41 days (benchmark = 58 days)

Major New Equipment

SMH purchased approximately \$493,000 in capital equipment in 2016. Capital equipment is defined as a purchase of more than \$5,000 with a useful life of more than one year. The items are listed below.

HomeCare Car	\$17,866
2 ALS Defibrillators	30,270
Ultrasound Equip	279,277
Pharmacy Software	39,930
Hematology Analyzer	49,500
Utility Doors	9,157
MAC 5500 HD	11,870
2 Patient Beds	19,271
Maint. Truck /w Plow	36,340
Total	\$493,481

Schoolcraft Memorial Hospital Receives \$50,000 in Trauma Education Grants

On August 11th Schoolcraft Memorial Hospital received notification from the Bureau of EMS, Trauma & Preparedness (BETP) that two Trauma grant requests were selected for funding. Only ten grants are issued in the Upper Peninsula and Schoolcraft Memorial Hospital was awarded two of the ten. Each grant will be issued in the amount of \$25,000.

Ed Unger, LPN/Paramedic, American Heart Association Training Center Coordinator and Med-Control Coordinator at SMH is the lead for the Michigan Trauma System Development Project titled, Pre-Hospital Trauma Life Support (PHTLS) Region 8. PHTLS promotes critical thinking in addressing multi-system trauma with the latest evidence-based treatment practices. This grant will fund PHTLS classes taught to Paramedics and EMT's in 4 regions of the Upper Peninsula and the purchase of new trauma training equipment.

Amber Hoholik, RN Trauma Coordinator at SMH is the lead on the Michigan Trauma System Development Project titled, Trauma Nursing Core Course (TNCC). The two day intensive TNCC training will be offered to SMH nursing staff. The grant will also fund TNCC instructor training for two staff members to promote continued education for SMH and other Hospital/Paramedic staff from other facilities. TNCC is recognized as the premier course for hospitals and trauma centers worldwide and empowers nurses with the knowledge, critical thinking skills, and hands-on training to provide expert care for trauma patients.

GROWTH:

SMH experienced positive growth in volume in most service lines in 2016, including surgeries, outpatient visits, ancillary services, home health and RHC visits. Inpatient days and swing bed days declined in 2016. Five years of statistics are shown below:

Statistic	2012	2013	2014	2015	2016	% Var from 2012
Inpatient Days	1,115	1,141	1,146	1,099	981	-12%
Swing Bed Days	662	731	681	576	543	-18%
Inpatient Surgeries	49	96	112	103	117	139%
Outpatient Surgeries	247	330	322	285	385	56%
Scopes	331	567	544	471	483	46%
Outpatient Visits	35,319	35,711	36,479	37,501	40,362	14%
Lab Procedures	n/a	91,861	102,085	102,852	100,386	9%
Rehab Treatment (PT, OT, and Speech)	12,871	14,502	15,375	16,593	19,788	54%
Imaging Procedures	12,885	13,260	13,818	14,696	15,505	20%
Cardiology Treatments	4,876	4,805	5,300	5,909	5,566	14%
Emergency Visits	4,376	4,077	4,221	4,371	4,765	9%
Home Health Visits	7,374	8,003	7,124	7,083	8,326	13%
RHC Visits	20,858	19,779	22,258	23,541	25,155	21%

SERVICES:

Rural Health Clinic

- Providers accepting new patients: Kelly Freberg-Ash, M.D., Kristi King-Flath, M.D. and Rod Riesland, APRN-BC, FNP
- Jessica Rochefort, NP-C, FNP is now working in the RediCare Clinic.
- Wound Care Clinic was expanded to two days with expected growth.
- Full participation in the ACO (Accountable Care Organization) which included the hiring of a patient care coordinator. The Patient Care Coordinator will be working with the systems, data, and clinicians to provide payers the information required to earn value-based payment for quality standards in areas such as preventative care and chronic disease management.

Traveling Specialists

- Cardiology
- Obstetrics
- Oncology
- Ophthalmology (Surgeries Only)
- Neurosurgery
- Urology
- Vein & Pain Clinics
- **Hearing Services (NEW)**
- **Pulmonology (NEW)**

Imaging

- Hours of Operation have been expanded. 7 Days a week open until Midnight.
- Access to evening procedures such as mammography, CAT scan, ultrasound, x-ray until 6:00pm.
- New ultrasound equipment has allowed more studies per day and updated technology has enhanced image quality.

Laboratory

- BioFire PCR testing: Gastrointestinal Panel, Upper Respiratory Panel, Meningitis/Encephalitis Panel and Positive Blood Culture Pathogen Identification
- Serum and Urine Osmolality
- PCR Group A strep
- Lyme Disease
- New Hematology analyzer: added benefits: automatic body fluid cell counts and reticulocyte counts with HE analysis.

CardioPulmonary

- Two new monitors were purchased for 24 hour Ambulatory Blood Pressure Monitoring.

Social Work

- The KARS program (KIDS ALWAYS RIDE SAFE) is now being offered through SMH. Car seats can be purchased at a discounted rate of \$40 and are offered to families with WIC for \$15. Both parents and caregivers can benefit with this program.

QUALITY:

Documentation for the Blue Cross Blue Shield of Michigan Hospital Pay-for-Performance Program was completed, demonstrating value to our communities and earning all bonus payment possible via this program (up to six percentage points of the hospital's payment rate). This will translate into a payment of over \$200,000.

SMH, led by Cathy Flores and Cindy Olli, performed very well in the State's June site visit to survey our readiness for Ebola patients. Surveyors determined that SMH is a Level IV provider. A Level IV designation means that SMH is expected to hold and isolate an Ebola patient(s) for a short time until transportation to a treatment center is provided. SMH is not expected to begin treatment.

The **National Rural Health Association (NRHA)** has recognized SMH as one of the **Top 20 Critical Access Hospitals (CAHs)** in the United States on patient satisfaction. "Schoolcraft Memorial Hospital is proud of the efforts of its physicians and staff who have contributed to our hospital achieving this designation," said Cindy Olli, Chief Nursing Officer. "Our result as a top 20 hospital in patient satisfaction mean our community can count on us to deliver the quality care they need now and in the future." An awards ceremony was attended by Robin Veltkamp, Chief Quality & Safety Officer during NRHA's Critical Access Hospital Conference in September in Kansas City, Mo.

In the fall of 2016, the **National Organization of State Offices of Rural Health (NOSORH)**, in partnership with **iVantage Health Analytics**, announced the results of their analysis of performance metrics for 4,000 acute care hospitals. Once again, the clinical care at Schoolcraft Memorial Hospital stood out with a finding that SMH is **a top quartile performer among all acute care hospitals in the nation** in both Quality and Patient Perspectives. Michigan was recognized as having 77 hospitals reach top quartile performance status in *Quality, Outcomes, Patient Satisfaction, and Financial Strength* compared to all acute care hospitals in the nation. SMH was one of 17 Rural Hospitals recognized for Excellence in Quality and 1 of 21 Rural Hospitals recognized for Excellence in Patient Satisfaction.

The NOSORH was established in 1995 to help improve access to, and the quality of, health care for America's rural citizens. NOSORH has joined iVantage Health Analytics to develop a data-

driven program designed to identify excellence across a broad spectrum of indicators relevant to hospital performance and patient care. Public data sources such as Medicare Cost Reports, Medicare claims data, and Hospital Compare are used in this program.

Schoolcraft Memorial Hospital received a four star rating in 2016 based on CMS “Star Ratings” on its Hospital Compare website. The **Hospital Compare Star Ratings** relate to patient experiences from almost 3,500 acute care hospitals. The ratings are based in part on data from the Hospital Consumer Assessment of Healthcare Providers and Systems Survey (HCAHPS Survey), a standardized survey and data collection system to measure patients’ perspectives on their hospital care. These ratings are intended to help the consumer make more informed health care decisions. SMH rated above the National Average in Patient Experience.

Schoolcraft Memorial HomeCare & Hospice received a five star rating in patient satisfaction based on the HHCAHPS Survey and Home Health Compare Star Rating system. Home Health participated in a national CMS mandated medical review in May 2016 titled “Probe and educate medical review.” Five medical records were requested by CMS for prepayment review. This mandate applied to all home health agencies across the nation. All five records that were submitted were compliant with the set standards.

Hospice unannounced state survey was completed the week of October 24, 2016. Surveyors were very complimentary of the staff and program operations. The State recommended full recertification for the Hospice program.

SMH underwent an unannounced state survey in August of 2016 and the hospital was found in full compliance receiving continuation of full licensure.

COMMUNITY:

The Community Health Needs Assessment was conducted in 2016. SMH led the effort with Ray Sharp of the Western Upper Peninsula Health Department. Focus groups were held with community stakeholders representing diverse interests and populations. The Community Staff Relations Team will be working hard with community leaders to execute the 3 objectives identified as priority health needs for Schoolcraft County. SMH plans to participate in a U.P. wide Community Health Needs Assessment in the near future to allow for comparative data and collaborative efforts to fill in the gaps. The full report can be viewed on the SMH Website at: <http://www.scmh.org/community/community-health-needs-assessment/>

SMH participates in several community events throughout the year. SMH participated in the following events during 2016:

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| • CBC | March |
| • Money Smart Presentation | April |
| • High School Physicals | May |
| • Healing Garden Ground Breaking Ceremony | June |
| • 4 th of July Parade | July |
| • Folk Fest | July |
| • Art for A Start | August |
| • Community Resource Fair | October |
| • Harvest Gathering Food Drive | October |
| • Health Fair | October |
| • Dig for a Cure Volleyball Event | October |
| • Bells for Hospice | November |
| • Love Lite Tree Ceremony | December |
| • Stockings for Hospice | December |
| • Pet Photo Contest for Humane Society | December |
| • U.P. Blood Drives | |

Respectfully Submitted by:

Robert Crumb, Chief Executive Officer

Date