THE POWER OF BEING UNDERSTOOD

HEALTHCARE MARGIN IMPROVEMENT

2021 ICAHN Annual Conference

Star Valley Health

November 2021

Agenda

INTRODUCTIONS

Speaker Introduction

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STAR VALLEY HEALTH

Star Valley, Wyoming

Located in western Wyoming, Star Valley is approximately 45-miles long and 5 to 10 miles wide, surrounded by the Salt River Range and the Webster Range. The Valley is comprised of 12 communities, 4 of which are incorporated.

Afton, Wyoming has a population of 2K and is centrally located within the valley. The valley's population is estimated to be approximately 14K as of 2019, which represents a 4.75% increase over 2018 estimates*.

**The Bank of Star Valley 2019 Star Valley Economic and Demographic Review; Aug 2019*

Star Valley's proximity to Yellowstone National Park and Jackson, Wyoming make it a desirable tourist destination with both summer and winter activities.

Star Valley Health

22 Bed Critical Access Hospital

6 Primary Care and Specialty Clinics

3 Urgent Care Locations

6 Orthopedic Locations

1 Nursing Facility

3 Physical Therapy Clinics

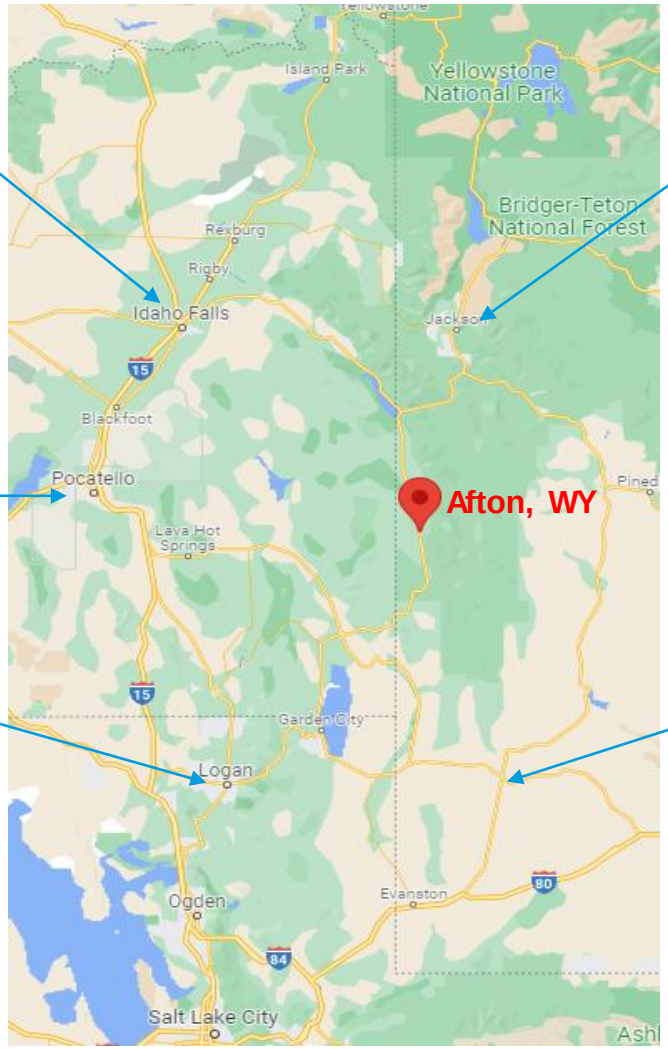
RSM

Star Valley Health

Idaho Falls, ID
2 hours
Eastern Idaho Medical Center (HCA)
Mountain View Medical Center
Idaho Falls Community Hospital

Pocatello, ID
2.25 hours
Portneuf Medical Center

Logan, UT
2.25 hours
Logan Regional Medical Center (IHC)
Cache Valley Hospital (HCA)



Jackson, Wyoming
1.5 Hours
St. John's Medical Center

Kemmerer, WY
1.5 hours
South Lincoln Medical Center

RSM

Star Valley Health

Why engage RSM?

- Star Valley Health was experiencing growth with current services and was interested in expanding services to better serve the residents and visitors of the community.
- Requested a profitability analysis of current services and potential additional service lines to allow for re-investment into the growth strategies of the health system.
- Create robust operational and financial dashboards for Management and the Board of Trustees.

MARGIN IMPROVEMENT ENGAGEMENT

Margin Improvement Scope

CLINICAL OPERATIONS

- Perioperative logistics – streamline workflow processes to achieve improved performance and reduced operating expenses
- Evaluate provider staffing performance and productivity of key clinical departments

SUPPLY CHAIN

- Review current group purchasing organization (GPO) activity to determine market basket opportunities through greater tiered pricing
- Explore opportunities to drive savings in areas including product pricing and utilization, physician preference items (PPI) and standardization, and purchased services and service contracting
- Review perioperative and sterile processing

SERVICE LINE ANALYSIS

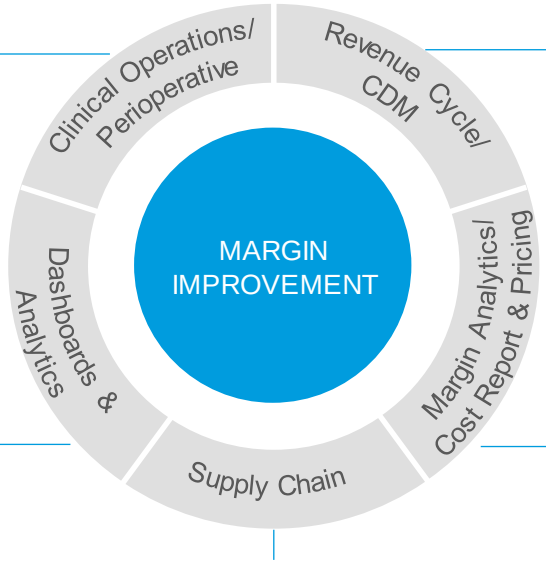
- Assess current portfolio of services and established plans for service expansion
- Review successes with recent plans
- Analysis of current market share by service line, highlighting notable volume shifts as well as root causes for aforementioned volume shifts

REVENUE CYCLE

- Rapid revenue cycle assessment which includes data review, interviews, observations, and account sampling to assess the overall health of the revenue cycle and determine financial benefit
- Perform pricing study to assess opportunities within the middle revenue cycle

Margin Improvement Scope

- Surgical suite process mapping to understand bottlenecks, focusing on turn-over time, block utilization and pre-admission testing
- Develop KPIs and Quality Dashboard
- Develop Policies and Procedures for Surgery, Anesthesia, and Pre-Admission Testing
- Review Pharmacy formulary for possible efficiencies
- Develop Nurse staffing model/Improve overtime utilization
- Establish roadmap and strategy for on-boarding and recruitment



- Reduce Discharge Not Final Billed (DNFB) backlog through workflow improvements and resource allocation
- Develop and deliver Financial Clearance training and tools to assist in improved POS collections and reduction of billing denials
- Develop recommended Financial Assistance Policy (FAP) changes and early-out vendor activities to accelerate patient payments and capture bad debt
- CDM review to identify potential issues, opportunities and advise on CDM strategy

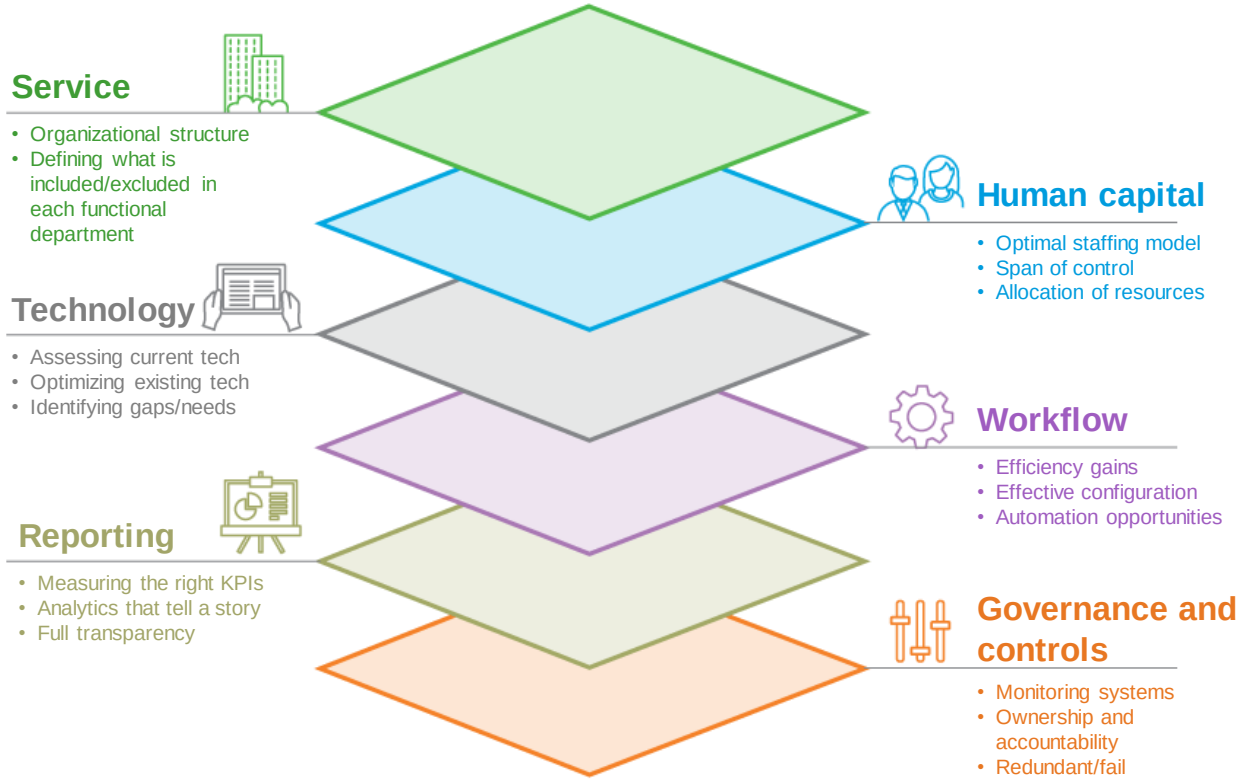
- Perioperative Dashboard to track block-time availability and OR usage
- Labor Management Dashboard
- RevNsight Dashboard suite to include RCM metrics, denial management, Cash projection tracking, and DNFB.
- Financial and Physician performance dashboards and scorecards

- Review GPO activity to determine market basket opportunities through greater tiered pricing
- Explore opportunities to drive savings in areas including product pricing and utilization, physician preference, purchased services, and service contracting

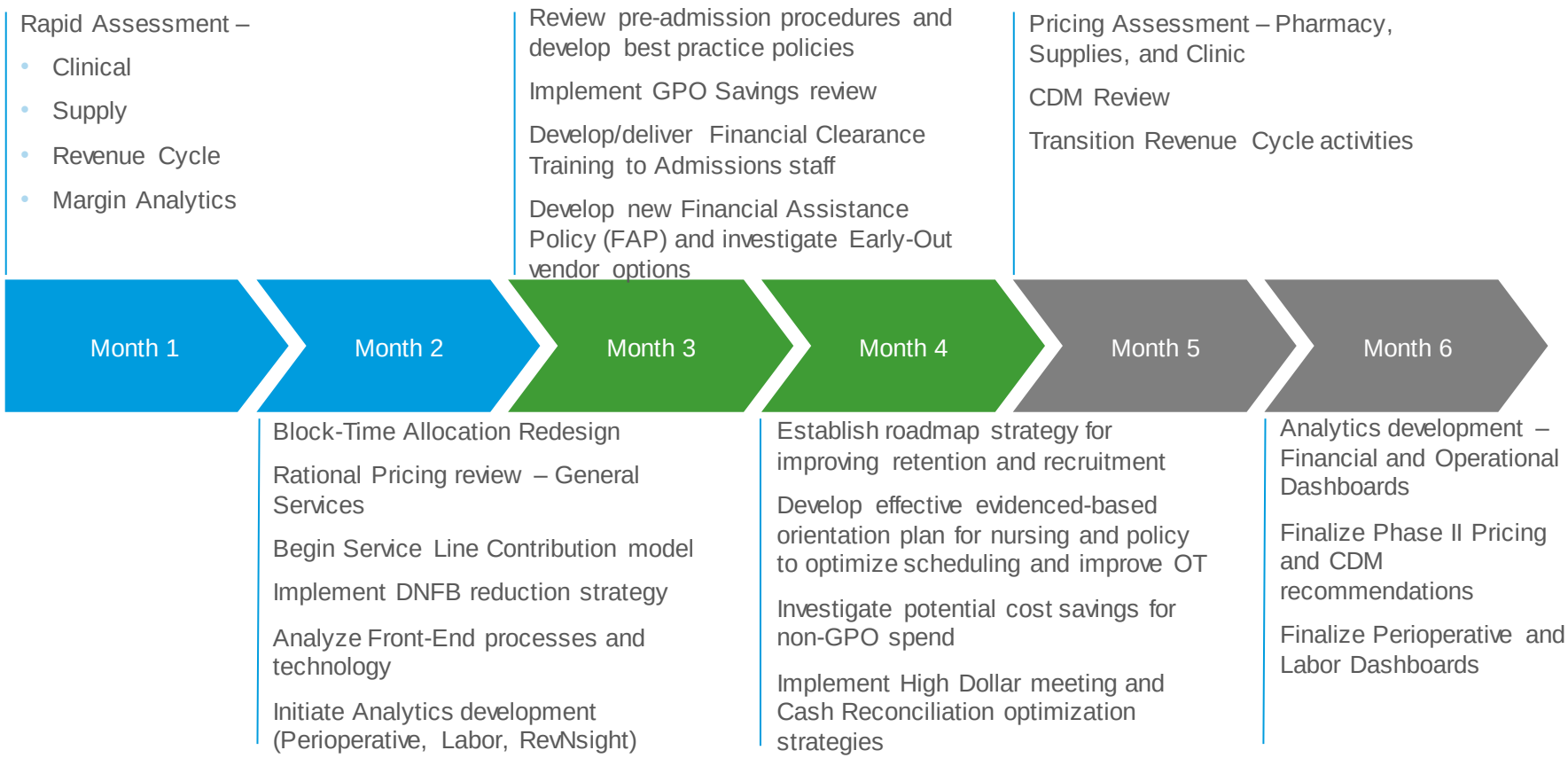
- Conduct a profitability analysis by Service Line/location to understand services that excel versus those that struggle to make profit
- Perform a Rational Pricing review for General Services, Pharmacy, Supplies, and Clinic charges
- Cost Report review to optimize opportunities and determine effect of cost reductions

Our Approach

We utilized our Target Operating Model (TOM)



Margin Improvement Timeline



Assessment Financial Opportunity Estimates

Below is our estimated opportunity from the assessment

Benefit	Source of Opportunity	Low	High
Income Statement Opportunity	- Clinical & Supply Chain	$1,870,000	$2,820,000
	- Revenue Cycle	$1,030,000	$1,540,000
Annual Opportunity		$2,900,000	$4,360,000
One-Time Cash Flow Opportunity	- Revenue Cycle	$1,900,000	$2,500,000
One-time Cash Flow		$1,900,000	$2,500,000
Total Opportunity		$4,800,000	$6,860,000

Margin Improvement Benefit

Financial Benefit: $8.4M achieved through engagement activities

Realized

Implemented initiatives have led to

$6.6 million

in realized benefit

DNFB Reduction

$3M cash acceleration achieved due to focused DNFB (unbilled) reduction and maintenance

Rational Pricing

$1.6M realized in additional revenue due to implementation of rational pricing recommendations

Supply Chain Savings

$1.28M Obtained in cost savings related to Physician Preference Items (PPI) and non-clinical purchased services

Identified

Recommended initiatives will lead to

$1.8 million

When implemented, initiatives will lead to additional benefit

OR Revenue

$940K in additional benefit expected upon implementation of OR Revenue Enhancement recommendations ($750K obtained)

FAP & Early Out

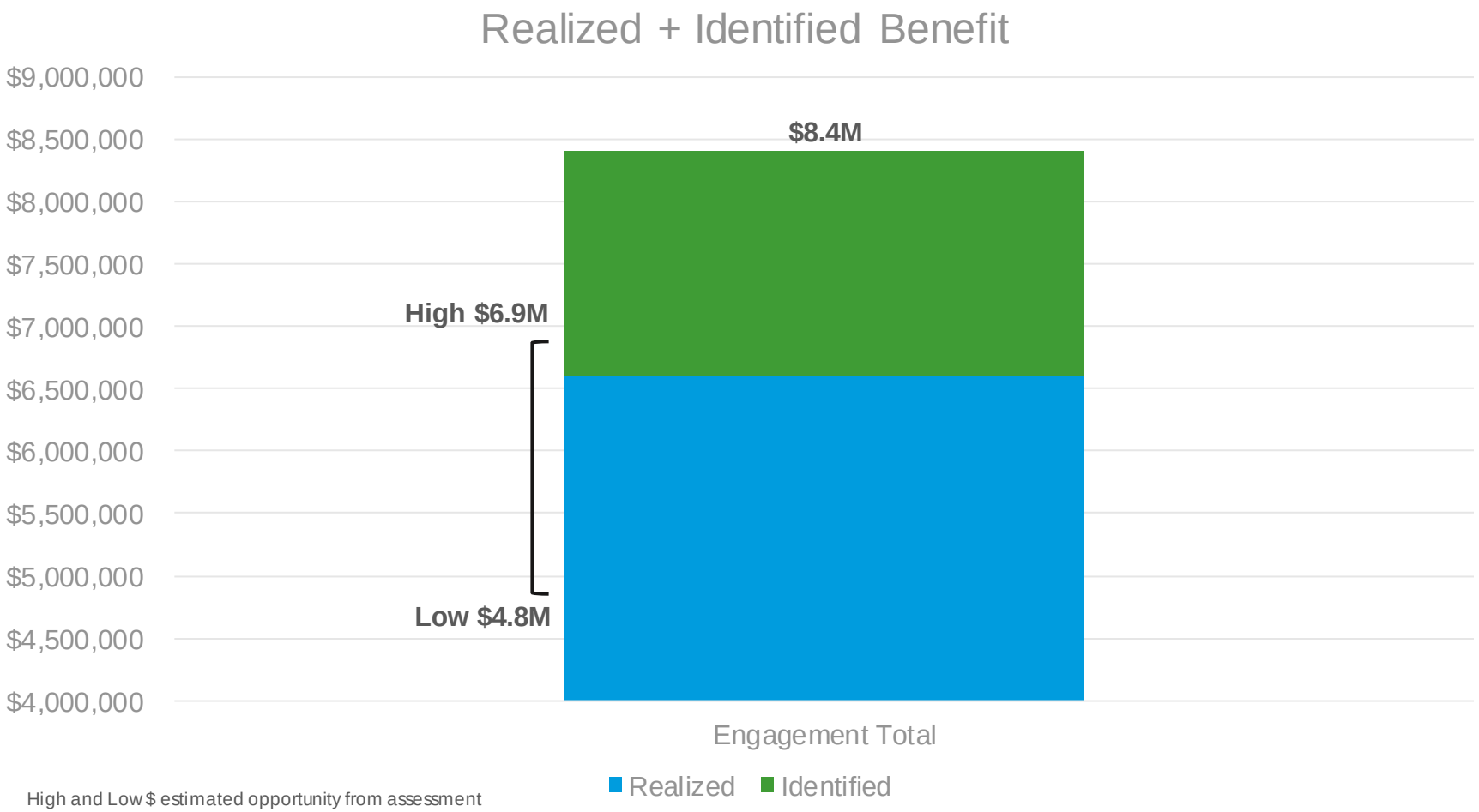
$611K in benefit expected upon adoption of aggressive FAP policy (cost report recoupment) and Early-Out vendor (accelerated self pay collections)

Labor/Staffing

$165K in savings by decreasing the CNA to patient ratio to 1:8 which will result in a reduction of 4.6 FTEs

Implementation Benefit Realization

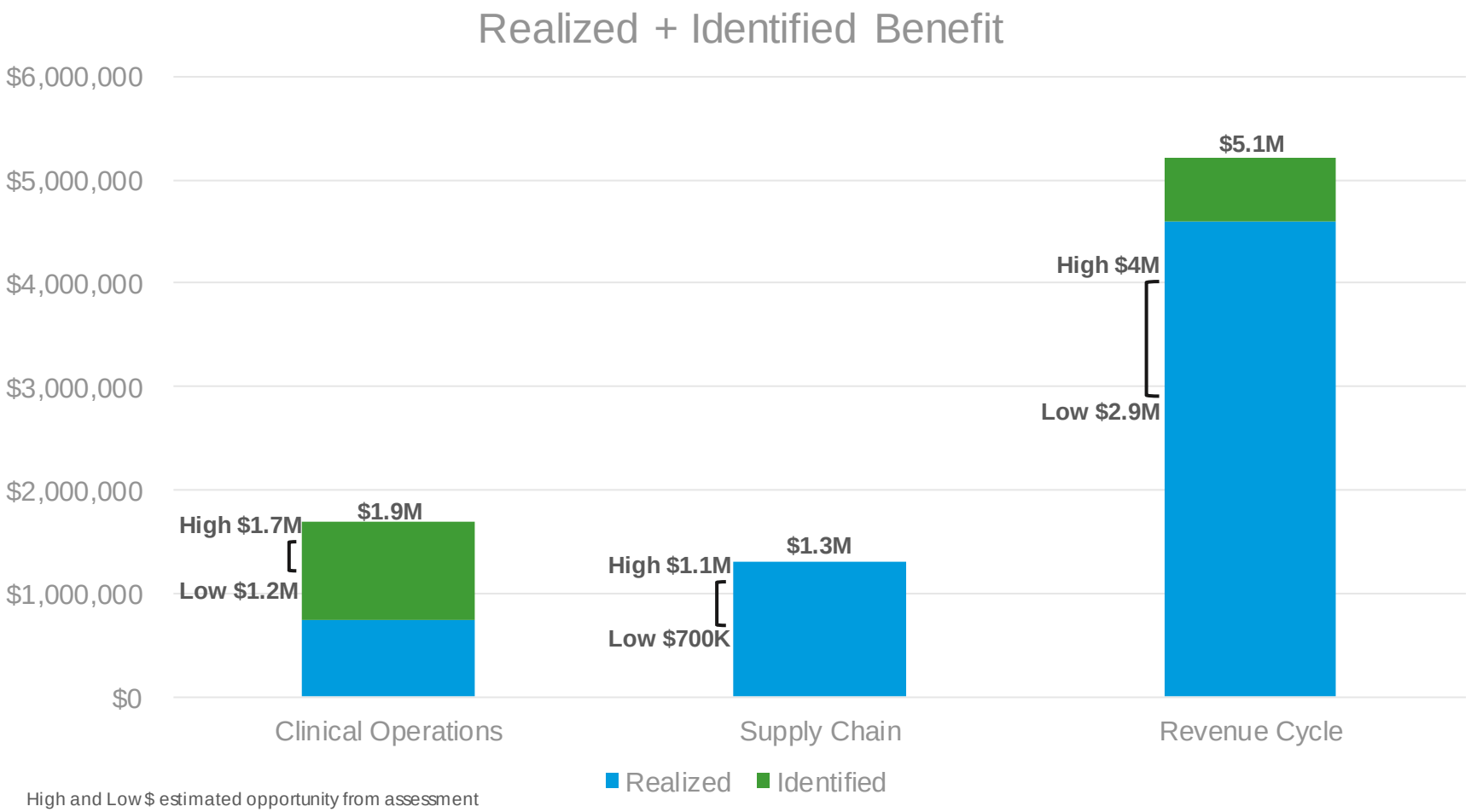
Engagement Total



High and Low $ estimated opportunity from assessment

Implementation Benefit Realization

Engagement by Functional Area



High and Low $ estimated opportunity from assessment

STAR VALLEY – WHAT'S NEXT?

Work-in-Process Initiatives

RSM initiatives currently in-process

Analytics Development and Support

- Development of Financial and Physician Performance Dashboards
- Includes hosting of RevNsight Dashboards
- Expected completion: November (development)

Pricing Study Phase II and CDM Assessment

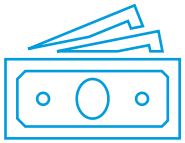
- Review of Supplies, Pharmacy, and Clinic pricing
- CDM review of Hospital, Pharmacy, and Clinic item master
- Expected completion: November

Margin Analytics

- Finalize metrics
- Expected completion: November

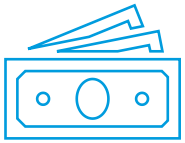
Star Valley Health Future Investment

As a result of the Margin Improvement project, SV Health plans to reinvest in the following areas:



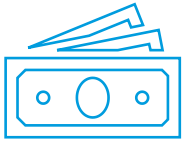
Cardiology Services

- Recruit Cardiologist
- Develop practice
- Implement cardiology interventions



Free Standing Emergency Facility

- Provide more accessible emergency services to communities in remote areas of Star Valley



OB-GYN Services

- Recruit Obstetrician
- Develop practice
- Grow OB-GYN service offerings

QUESTIONS AND ANSWERS

APPENDIX

Labor Dashboard

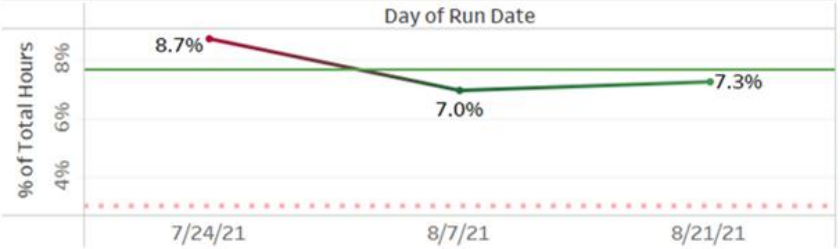
Clinical Operations

Payroll Data | Workforce Analysis

SHOW FILTERS & PARAMETERS

Percent Overtime Trend

Click to learn more



Total Hours by Department

Click to learn more

Work Dept Desc	
Emergency Dep..	3,082.1
Infusion	292.3
Labor/Delivery	853.1
Med/Surg	6,565.4
Grand Total	10,792.9

Hours by Pay Type

Click to learn more

Pay Type	Hours	Percent of Hours
Call Back	20.0	0.2%
Doubletime C..	708.1	6.6%
Overtime	117.5	1.1%
Regular	9,432.8	87.4%
Regular-Shor..	0.4	0.0%
Supplemental..	514.1	4.8%
Grand Total	10,792.9	100.0%

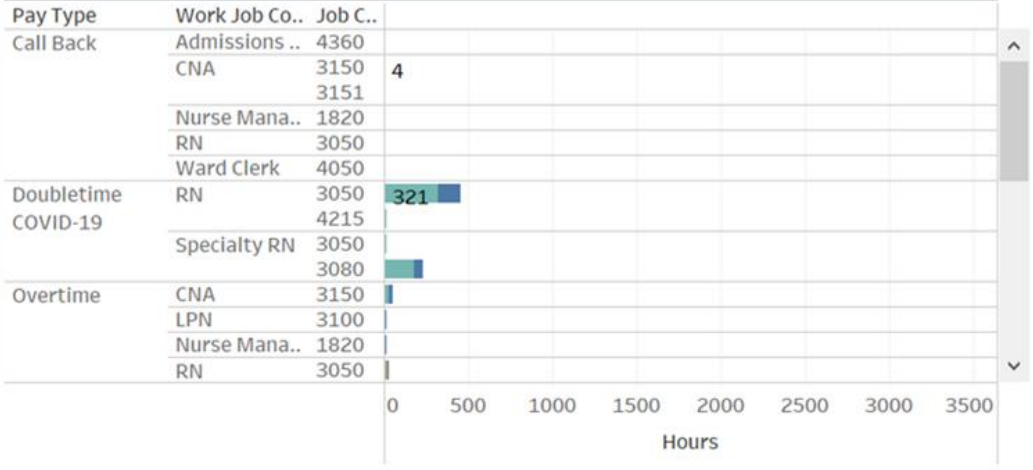
Hours by Job Code

Click to learn more

Work Job Code De..	Job Code	Hours	Staff Per Shift
Admissions Clerk	4010	12.0	0.1
	4360	266.1	2.4
CNA	3150	2,378.4	7.1
	3151	77.3	0.2
ER Tech Advanced	3170	158.9	0.7
	3275	12.0	0.1
ER Tech Basic	3160	0.3	0.0
LPN	3100	457.3	1.4
Nurse Manager	1820	437.0	5.2
RN	1820	13.5	0.0
	3050	4,214.7	14.8
	4215	110.3	0.3
RN OB Coordinator	3075	856.7	2.5
Specialty RN	3050	72.8	0.2
	3075	58.1	0.7
	3080	1,255.7	3.7

Hours by Pay Type and Job Code Combined

Click to learn more



Labor – Nursing Staffing Plan

Clinical Operations

Nursing Staffing Plan, PRN Usage, Special Pay Practices

CURRENT STATE

Nursing Staffing Plan/Prn staff

- Scope to include ED, Med Surg and OB nursing staff

FINDINGS

- Staffing plan Med Surg area does not measure HPPD/Man hours stat
- RN to patient ratios 1:5-6 which is appropriate
- CNA to patient ratio is 1:4-5 at the average daily census(ADC) of 8-9 patients which is above national averages
- OT in Med Surg is less than 3% (payroll data 03/2021-07/2021 sent by T. Merritt)
- Agency spend from X to X was $ 28,000.00 which is less than national average
- Nursing staff are documenting on an acuity tool which has not been validated or referenced in MEDITECH-1 for low, 2 for medium and 3 for high. Points are added to determine staffing needs. System is not being utilized at this time.
- Opportunity for a labor "report" card
- Prn: Weekends are not required, only required 1 shift per month but are not addressed unless 3 months have passed
- ICU volume is very minimal
- Med Surg unit Volume has seasonal patterns-surge in July and Jan-Feb
- Med Surg CN able to cross function in ICU, ED and L&D (baby nurse)
- Staffing Council loosely organized
- Position control not utilized to fullest extent
- Staffing effectiveness not measured at this time

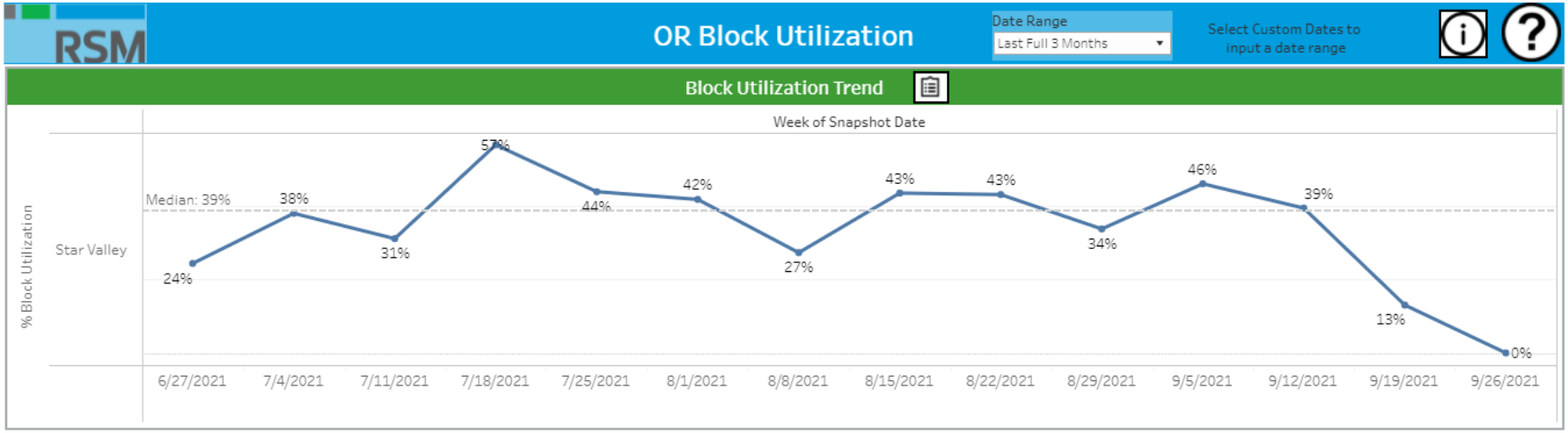
EVIDENCE

Solutions Identified/Implemented

- Med Surg Staffing RN and CN ratios are appropriate 1:5-6. No further reccomendations.
- Med Surg must have a Charge Nurse without an assignment who has a higher skill level to help meet staffing requirements in OB(baby) and ED (ENA and AWOHNN standards)
- L&D needs an L&D RN on site and a "Baby" trained nurse on site that is available.
- Recommend a CNO led structured nurse staffing committee. Committee structure reccomendations and staffing effectiveness measure reccomendations in Labor Management training
- CNA staffing is 2 CNA's per shift-1:4-1:5 ratio. Can move to a 1:8 ratio on days and 1:10 on nights. Will save an estimated 2.1 FTE's
- Staffing grid built and implemented
- Labor Management Class held for nursing leaders on 08/24/2021. Content give to SVH leadership
- Position control built and given to SVH leadership for better management of FTE's. New requisition process identified and position numbers implemented.
- Staffing effectiveness can be measured by the following:
    - Patient experience scores: Nurse responsiveness and nurse communication, falls, HAPI, CAUTI, CLABSI

OR Dashboard – Block Utilization

Perioperative



OR Block Utilization

Block Name	% Block Utilization	% Released of Blocks	# of Surgeries
ProviderBlock:	40%	0%	13
ProviderBlock:	53%	0%	15
ProviderGroupI	23%	0%	31
ProviderBlock:	42%	0%	34
ProviderBlock:	40%	0%	38
ProviderGroupI	30%	0%	40
ProviderBlock:	29%	0%	48
ProviderBlock:	29%	0%	78
UNBLOCKED			135
ProviderBlock:	65%	0%	145

Over Utilization Goal ■ Under Utilization Goal ■

OR Metrics by Surgeon

Primary Surgeon	# of Surgeries	% In-Block	% Out-of-Block	% Unblocked	Unblocked Minutes
	34	80%	20%	0%	0
	6	0%	0%	100%	546
	26	24%	3%	73%	1,137
	41	36%	1%	63%	1,673
	20	44%	30%	26%	436
	90	86%	4%	10%	454
	72	74%	14%	12%	664
	201	83%	1%	15%	733
	2	0%	0%	100%	157
	17	47%	31%	23%	260
	68	68%	9%	23%	1,177

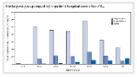
Health Care Appendix

GOVERNMENT | FALL 2021

RESEARCH

HEALTH CARE INDUSTRY OUTLOOK

These are challenging times. Now more than ever, data-driven analysis can help mitigate uncertainty created by the pandemic's shocks to the economy. Our health care specific insights can help. Our Outlooks are developed by RSM's senior analysts dedicated to studying economic and industry data, market trends and emerging issues.



THE REAL ECONOMY HEALTH CARE BLOG

Health care industry analysts interpret data and share timely insights for health care leaders and media.

THE REAL ECONOMY

Monthly publication to help the middle market anticipate and address unique issues and challenges facing the industries in which they operate. Written by chief economist, Joe Brusuelas, and professionals throughout the firm.

RSM CORONAVIRUS RESOURCE CENTER

Stay on top of the evolving issues related to the pandemic in order to mitigate risks and plan accordingly. Find insights about the Provider Relief Fund and CARES Act.

IN THE NEWS

Modern Healthcare, HIMSS21: To pay or not to pay ransomware payments, 08/13/2021
Becker's Healthcare Podcast, Rick Kes' Biggest Takeaways from HIMSS, 08/13/2021
Becker's Healthcare Podcast, Focus on using analytics and technology to drive clinical outcomes as a goal, the power of automation and more, 8/12/2021
Becker's Healthcare Podcast, Future of healthcare, the need to invest in healthcare technology, data security and more, 8/11/2021
The Scott Becker Private Equity Podcast, Jobless claim numbers going up and what it means, 8/9/2021
Modern Healthcare, How the surprise billing ban changes MultiPlan's business, 08/04/2021
The Scott Becker Private Equity Podcast, The current state of the private equity industry, 8/4/2021
Health Tech World, Problems and promise amid health tech's complex investment environment, 08/04/2021
The Scott Becker Private Equity Podcast, What we're seeing in private equity investing, technology and more, 8/3/2021
Modern Healthcare, Avera Health sells eCare telehealth business to PE firm, 07/29/2021
The Scott Becker Private Equity Podcast, Trends Matt Wolf is watching in private equity today, 7/15/2021
Modern Healthcare, Why 17 systems invested $95M in data after a tough year, 07/14/2021
Health Tech World, Will telehealth retain its importance post-pandemic?, 07/13/2021
Health Care Dive, Health tracking tech revenue to reach $13B this year amid sustained consumer demand, 07/16/2021
Inside Health Policy, Provider Relief Reporting Portal Goes Live, Brief Glitch With Guidance, 07/01/2021
Modern Healthcare, CEO turnover was low during the pandemic, but that may not continue, 06/29/2021
The Scott Beck Private Equity Podcast, Investing in Nashville Healthcare Businesses, 6/29/2021
The Scott Becker Private Equity Podcast, Today's Private Equity Trends, 6/28/2021
Modern Healthcare, Hospitals again ask HHS for more time to spend relief funds, 06/23/2021
Modern Healthcare, Hospitals are largely not complying with price transparency rule 06/23/2021
D Magazine, State of Healthcare: A Roundtable Discussion, 06/22/2021
CNBC, Key inflation indicator posts biggest year-over-year gain in nearly three decades, 06/25/2021
The Scott Becker Private Equity Podcast, What Private Equity Funds Need to be Great at to Keep Thriving, 6/18/2021
The Scott Becker Private Equity Podcast, What Service Firms Need To Do To Be Trusted by Private Equity Firms, 06/16/2021
Modern Healthcare, Deadline to spend HHS relief funds extended for some providers, 06/11/2021
FTE Trends, Post-Pandemic Healthcare Could Feature More Biotech M&A, 06/10/2021
The Scott Becker Private Equity Podcast, Comments Recently Made by the CIO at Blackstone, 6/4/2021
The Scott Becker Private Equity Podcast, Service Firms in Private Equity, 06/01/2021
The Scott Becker Private Equity Podcast, Strategy and Priorities, 5/24/2021
Wall Street Journal, JPMorgan Takes Another Crack at Healthcare, Starting With Its Own, 05/20/2021
The Scott Becker Private Equity Podcast, The Potential Rise of Inflation, 05/18/2021
STAT, Telehealth companies are fueling a lobbying frenzy to protect their Covid boom, 05/12/2021
The Scott Becker Private Equity Podcast, Trends in the Market, 05/12/2021
The Scott Becker Private Equity Podcast, Trends in the Market, 05/7/2021
* The Scott Becker Private Equity or Healthcare Podcast

EVENTS

Don't miss the RSM Virtual Health Care Day Thursday, Sept. 30, 2021 | **REGISTER NOW**

- Get the latest on the pandemic from epidemiologist, Dr. Michael Osterholm
- Hear an economic outlook from our RSM chief economist, Joe Brusuelas
- Ask your specific provider relief fund questions during a live Q&A
- Learn from your peers in two panel discussions
- Choose your educational path of on-demand sessions
- Yes! CPE is available – up to 7.5 hours

HEALTH CARE WEBCASTS– Live and on-demand

Health care industry webcast series - spring 2021
Financial sustainability and growth in a changing environment
Click here for more information and recordings

Click here and here to access previous health care on-demand sessions.

ADDITIONAL RSM VIRTUAL EVENTS

Additional events

RSM Classic PGA event
HOSTED BY
DAVIS LOVE III
November 15 – 21, 2021

- RSM Welcomes Abraham Ancer to T
- 2020 RSM Classic H Thap
  $4.6M for Children
  Enhance Educational Opportunities

REGULATORY & TAX UPDATES

Exclusive access period coming to PPP; other changes forthcoming
Biden-Harris administration announces changes to PPP including a 14-day exclusive access period for businesses with fewer than 20 employees.
New IRS guidance on health FSAs and dependent care assistance programs
Employers can add flexibility to their health flexible spending accounts and dependent care assistance programs per Notice 2021-15.
Guidance issued for employers claiming the Employee Retention Credit
Notice 2021-20 clarifies retroactive changes made to ERTC and PPP interaction and incorporates several previous frequently asked questions.
IRS issues memorandum on section 501(c)(4) examination procedures
The IRS released a memo to TE/GE division examiners providing guidelines on enforcement of the section 506 notification requirement.
American Rescue Plan Act provisions affecting exempt organizations
The American Rescue Plan Act of 2021 extends and expands support for exempt organizations affected by the coronavirus pandemic.
Form 990-T electronic filing mandate now in effect
Taxpayers must electronically file 2020 Forms 990-T with due dates on or after April 15, 2021. Limited exceptions apply.
IRS extends relief for leave-based donation programs
Notice 2021-42 provides guidance for cash payments from foregone vacation, sick or personal leave made by employers to charities.
California amends remote worker nexus guidance
California FTB amends remote worker nexus guidance, teleworking employees will create nexus and exceed P.L. 86-272 protections.
Paid leave for employees impacted by COVID-19 in 2021
Some employers can give paid leave to employees impacted by COVID in 2021 and claim a payroll tax credit per the American Rescue Plan Act.
IRS proposes new regulations for mandatory e-filing
IRS proposes new regulations for mandatory e-filing of business and information returns. IRS reduces form threshold numbers.
ACE Act introduced, SCOTUS overturns donor disclosure mandate and more
Learn about the ACE Act, SCOTUS overturning donor disclosure mandates and more in this July 2021 exempt organization update.

IRS TE/GE Division releases its fiscal year 2020 accomplishments letter
On February 8, TE/GE released its annual accomplishments letter with information about the divisions efforts in the prior fiscal year, including compliance programs and examinations, determinations, and compliance contacts, educational letters, and outreach.

IRS issues memo to employees regarding section 9100 relief for applications for exemption
The IRS released a memorandum providing interim guidance to TE/GE Division rulings and agreements employees on procedural changes with respect to the provision of section 9100 relief in light of clarification provided in Rev. Proc. 2021-5 on the application of such relief.

American Rescue Plan Act of 2021
The $1.9 trillion relief and stimulus package known as The American Rescue Plan Act of 2021 was signed into law on Thursday, March 11. See RSM's full alert for an overview of the relief package.

Paycheck Protection Program
President Biden has signed the PPP Extension Act of 2021, which will extend the Paycheck Protection Program (PPP) until May 31, 2021. See RSM alert.

OTHER NEWS

Ononuju v. Commissioner
The Tax Court upheld intermediate sanctions against the spouse of a formerly tax-exempt medical clinic's founder, finding that the organization was an applicable tax-exempt organization and that the spouse was a disqualified person that received compensation despite providing no services to the clinic.

Nonqualified Deferred Compensation Audit Technique Guide
The IRS recently updated Pub. 5228, which focuses on the tax treatment of amounts deferred under nonqualified deferred compensation plans.

New York and California announce that Form 990, Schedule B no longer required
In light of the Supreme Court's recent decision in Americans for Prosperity, neither New York nor California will require charities to submit donor information on Form 990, Schedule B.

? Questions? Your RSM professional can connect you with any of our presenters or authors.
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