




Healthcare Reform – Our Role

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Something's Gotta Give

“The one thing we can be reasonably sure of is that taxes alone cannot solve the Medicare problem.... We know that now. No politician wants to confront this. And this is a very sad event because what’s at stake here is the fiscal stability of the American government.”

Alan Greenspan





Trust Counts Now

- The public's trust in our health care system is alarmingly low
- Insurers rank lowest, but hospitals have been in a race for the bottom
- Media is focused on negative stories tied to cost and quality, business is piling on
- Organized labor fans the flames at every turn in their efforts to organize by “softening up” their targets – the corporate campaign



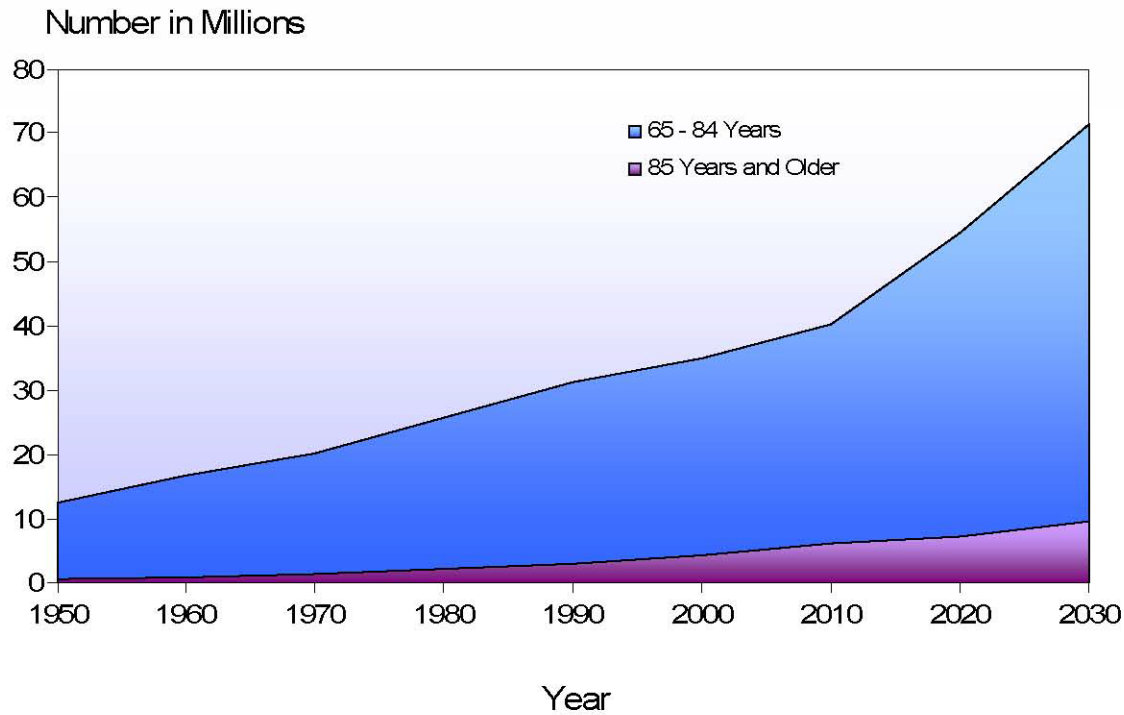
Random Healthcare Facts

- **48 million** uninsured Americans and growing
- **68%** of America's hospitals went on ED divert w/in last 12 months due to overcrowding
- **1 in 8 jobs** in U.S. is in the health care sector
- Wennberg/Dartmouth Atlas reports avg **60% cost variation** across US (driven by hospital bed and specialist supply)
- Rand reports Americans getting only **55% of recommended care**
- **74%** of all Medicare expenditures consumed by patients with **5 or more** chronic conditions
- **\$350 BILLION** a year spent on administration by hospitals, physicians and plans

Environmental Scan

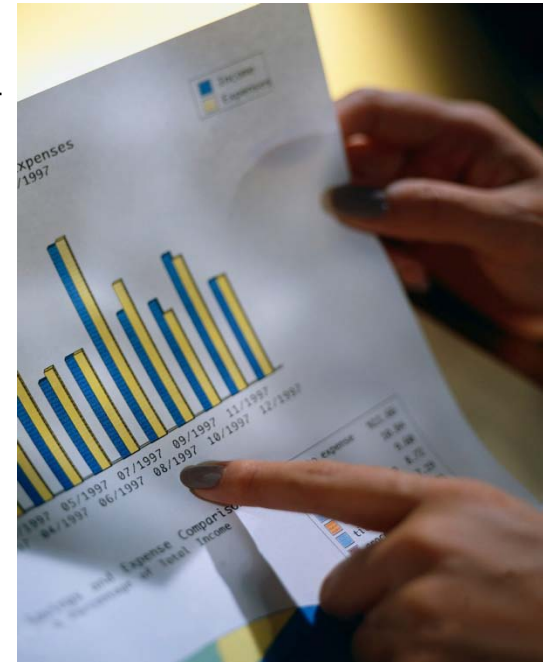
Healthcare Workforce Shortages: Aging Demographics

Population 65 Years of Age and Older: US 1950-2030

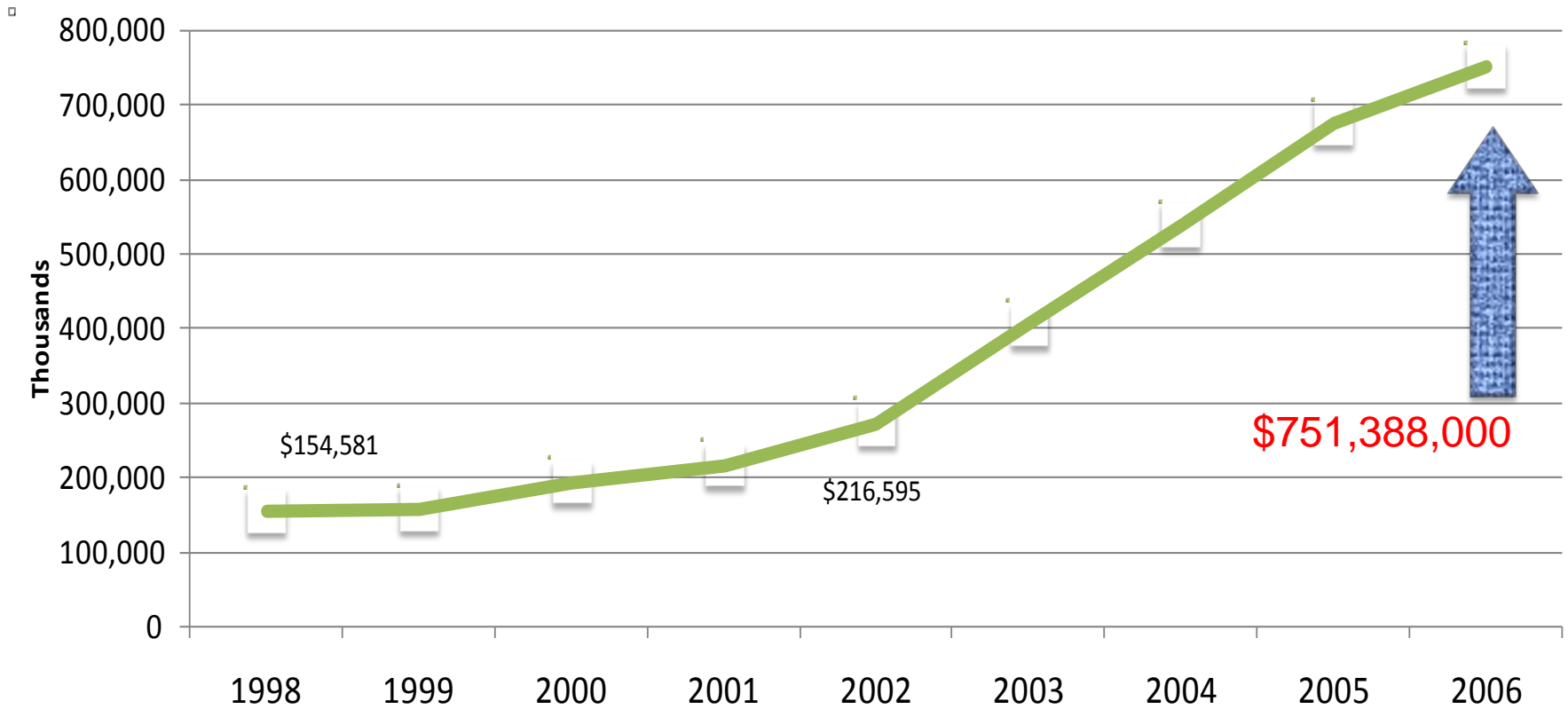


OREGON Hospitals' Declining Financial Health

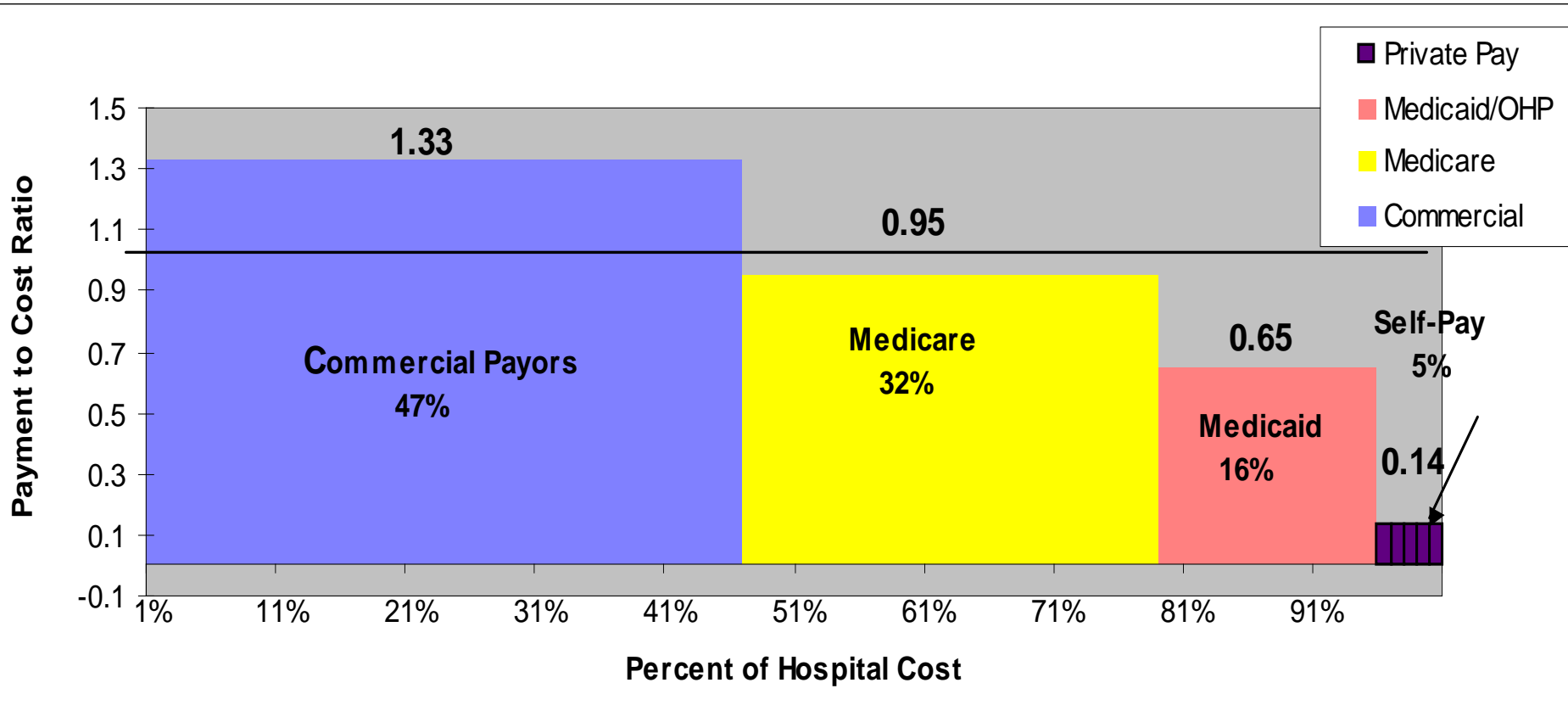
- Margins are in Sharp Decline
 - 72% of all hospitals < 5%
 - 54% of all hospitals < 3%
 - 27% of all hospitals < / = 0%
 - 13% of all hospitals < ~ 10%
- Uncompensated care skyrocketing
 - 5X increase since 1998
- Medicare and Medicaid chronically underpay the actual cost of service in Oregon



Oregon's Uncompensated Care



Hospitals' Significant Need to Shift Costs



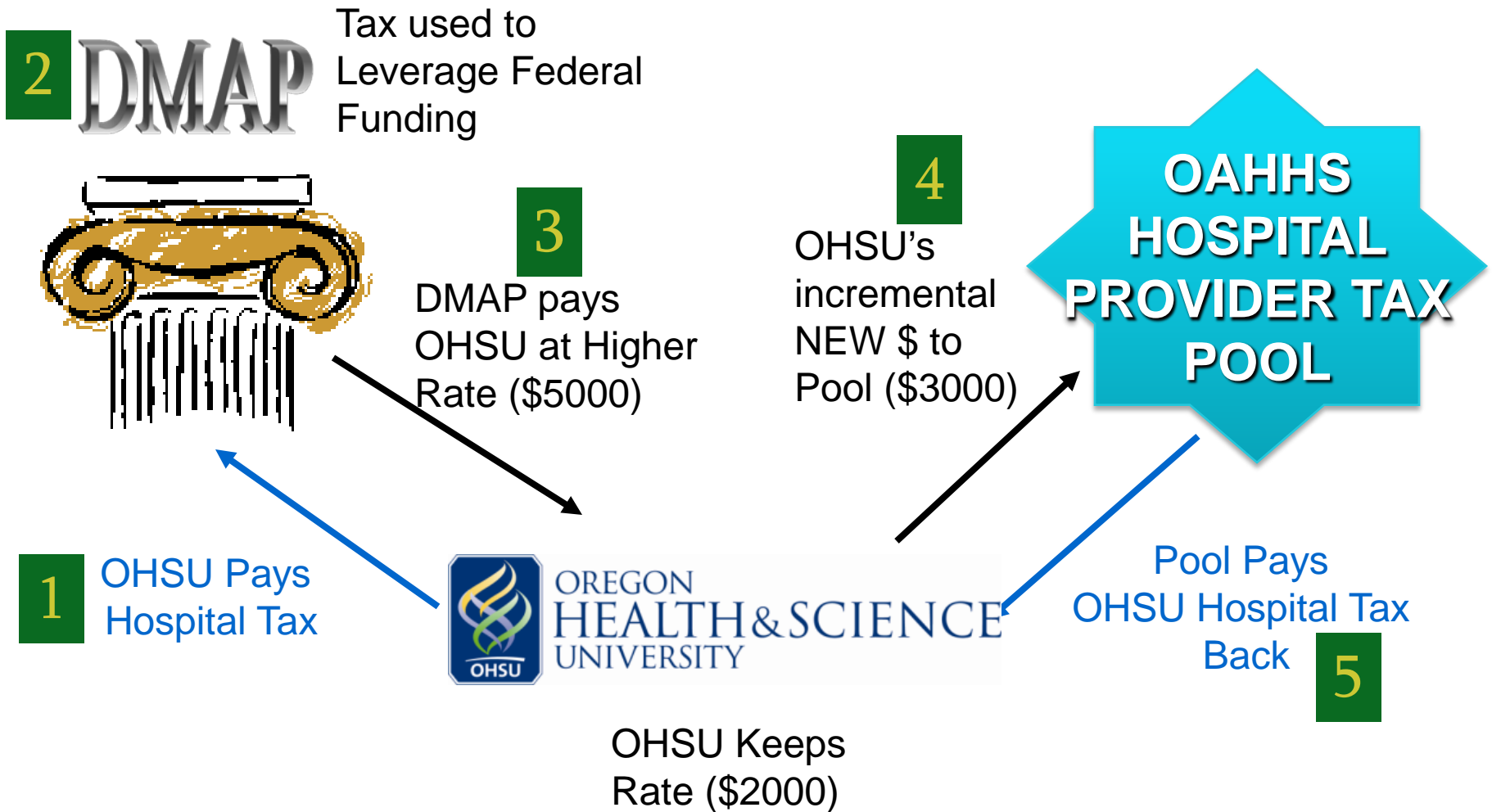
LifeWise of Oregon Medical Cost Trends

	2005	2006	2007	2008	Average
Overall Medical Trend	9.4%	10.9%	15.8%	10.7%	11.7%
Facility Trend	11.5%	12.4%	16.7%	12.0%	13.2%
Physician Trend	6.4%	9.0%	13.8%	9.8%	9.7%
Ancillary Trend	7.0%	7.2%	17.6%	5.1%	9.2%

OREGON Hospital Tax Package

- Increase in Covered Lives
- DRG Hospitals – “Rebased”
 - FFS Rate Increased to 70% of Medicare
 - Annual increases to be “indexed” to Medicare going forward
- Hospital Tax @ 3% = Rates to 100% of Medicare
 - NET NEUTRAL to HOSPITALS

Hospital Provider Tax Flow of Funds



We Have Opportunities...

■ Our Mission

- **Principle:** *Be who we say we are.*
- **Challenge:** Does the public believe the mission of hospitals is to improve health of the community or just our bottom line?
- **Opportunity:** Live the mission. Adopt a public health model to compliment your business model.
Demonstrate through meaningful and measurable community benefit.

We Have Opportunities...

■ Our Leadership

- **Principle:** *Hospitals CEOs and their Trustees are community leaders.*
- **Challenge:** Are hospitals and their board members visible community leaders and are they accountable to the community for their performance?
- **Opportunity:** Serve as an agent for social change. Lead with vision, accountability and a willingness to partner with competing hospitals and local leaders to tackle social problems that threaten the health of the community. **Collaboration balances competition.**

We Have Opportunities...

■ Quality

- **Principle:** *Crossing the quality chasm will bridge the confidence chasm.*
- **Challenge:** Is the public aware of how your hospital is improving the quality of care, protecting your patients, and assuming accountability by providing clinical and performance info to your community?
- **Opportunity:** The public gains confidence in your hospital for **improving** the quality of care and **the culture of safety**.

We Have Opportunities...

■ Transparency and Accountability

- **Principle:** *Information is the oxygen of public trust.*
- **Challenge:** Do hospitals resist making public reliable information on patient safety, quality and cost?
- **Opportunity:** Hospital CEOs improve credibility and public standing by sharing usable/meaningful information around patient safety, quality and cost.



Core Themes

- Your hospital is/is one of your community's largest employers and purchaser of goods
- In a recession, health care is one of only 2-3 growth engines
- Your hospital performs medical miracles each and every day
- Like the fire department or the police force, we are always there – 24/7
- Your hospital is one of your community's greatest assets. We **MUST** reaffirm its rightful place in the community