



CEO Report March 24, 2010

1. CEO Transition Plan and projects.
 - a. Mitch Felchle has been focusing on Revenue Cycle Department since March 2. The objective is to complete an assessment of operations and evaluate each job description, process and benchmark for Admissions, Coding and Billing functions. Mitch has completed 5 trips to BMH for training and has completed an inpatient/outpatient mock patient test case. A Revenue Cycle Oversight team has been organized and will meet every other week to report on progress with the assessment and implantation plans.
 - b. I completed a Medical Staff needs assessment for prioritizing projects, capital and patient service improvement.
 - c. TVHC is now into its 6th month of the current fiscal year and I have begun YTD performance evaluations by department. Will review variances with each manager for adjustments for balance of the FY.
 - d. The Learning Center has been unable to reverse the loss trend of LY. We had an unexpected closure 3/1/10 due to water leak so we evaluated the operation while families were finding alternate care locations. The results were that the childcare operation will lose approximately \$30k by year end while serving 2 employee families. We decided to close the operation effective April 1, 2010. Gloria Baird, past manager is in the process of getting licensed as independent childcare provider to continue providing the service at the Learning Center location.

2. Driggs and Victor Clinics
 - a. Victor, 250 in Dec., 200 in Jan., 252 in Feb.
 - b. Driggs, 961 in Dec., 1040 in Jan., 1133 in Feb.
 - c. Clinic rev was +38% for Feb. with an operating loss of 23% due to salary adjustment from audit and 3 additional FTE's for non-budgeted plan for Victor.

3. Foundation Audit completed an inventory of See N Save on Thursday, 3/ 18. Rudd and Co. of Rexburg will perform the audit and work with Dingus, Zarecor and Assoc, the hospital auditors, to reclassify the total audit from Qualified to clean audit by April 1, 2010. Estimated cost will be between \$5k and \$8k. The goal for FY 2010 is clarification on handling the retail inventory.

4. Information Technology department just completed a user survey and we plan to use the results for improved customer service. A revised capital plan will be presented to the Board in April.

5. Hospital operations had a 51% revenue gain for Feb. with an increase of 3.8% in operating expense. However, adjusting journal entries for the audit and contractual adjustments totaled -\$160k. The result was a total operating loss of \$180k and YTD loss of \$74k.

6. We started a voluntary Mock Survey of hospital quality measures and operations to provide a picture of our compliance with State Hospital Survey Standards.

7. Visiting Specialist activity was 93 in Dec., 76 in Jan. and 71 in Feb. No new specialists have been added for Feb.

8. The 457b, 401a, 403b, and Defined Benefit Plan documents need a signature change.

Finance Committee Report
Mar. 19, 2010

The Finance Committee met on Mar. 18 and has the following items to report:

- Treasury Management RFP – Data and fact gathering continues regarding the TM products available for TVHC. Wells Fargo and US Bank packages appear as leading contenders. A formal request for actual proposals will be ready bidding later this spring.
- S/T Investments Policy – deferred the target to produce an appropriate policy until June.
- Surplus Asset Evaluation – management identified potential surplus TVHC assets that consist of two vehicles and two ¼ acre Driggs building lots that contain 3 structures. The vehicles have only modest value above existing debt balance and serve a current use. The last appraisals of the real property are very outdated but it appears these assets may have more strategic and/or financial value in the longer term.
- Accounting Items – Management has secured an external auditor to perform an audit of the Hospital Foundation and work has commenced on this front. Management deferred discussion on the FC controller recommendation pending the outcome of its staffing analysis (see next business item below).
- Revenue Cycle Management Project – previously named the A/R & Billing Improvement Project, management reported on progress made to date to evaluate the current processes, performance metrics and staffing situation at TVHC and ongoing efforts to learn more from Bingham. Management will present a complete project plan at the April BOT & FC meetings that will include improvement goals, measurement standards and appropriate staffing revisions. Management also reported on analyzing a plan to bifurcate old A/R from current A/R and employ external collection agents to focus on this issue. A management decision on this path is expected by month end.
- Alternate Operating Plans – the FC requested management prepare financial forecasts for review that reflect prudent choices for operating TVHC should the current levy request be rejected in May and the current severe capital constraints continue. Considerable discussion ensued and the FC reiterated its intent not to dictate strategic plans but its responsibility to develop reasonable financial forecasts for ‘what-if’ scenarios for the BOT. A very candid discussion of debt to total capital levels, enterprise value, capital needs and future cash flows followed. Management agreed to prepare a pro forma forecast of TVHC assuming the current TVHC financial condition is on-going. An update will be provided at the April FC meeting.

Steven E. Dietrich
Chairman

Monthly Financial Report for February 2010

Summary

TVHC produced net revenue of \$905,691 and net loss of \$180,126 during February 2010 compared to revenue of \$720,861 and net loss of \$324,795 for the same period last year. These results compare to budgeted February 2010 revenue of \$885,129 and profit of \$15,936, respectively.

The 25.7% higher year over year actual revenue reflects the benefit of higher In-Patient and Out-Patient volume at the hospital and the addition of the Victor Clinic during the current period. The 54.5% lower year over year net loss reflects the benefit of higher utilization rates, which more than offset the impact of higher reserves and operating expenses during the current period.

TVHC used approximately \$233,202 of cash during February 2010, primarily due to a significant increase in Accounts Receivable balance and a decrease in Accounts Payable & Payroll liabilities. TVHC ended FY09 and January 2010 with a cash balance of approximately \$234,813 and \$1,010,816, respectively, compared to a cash balance of \$777,614 at the end of February 2010. The provision for bad debt was \$189,363 for the month of February 2010 compared to \$161,969 for the month of January 2010 as a result of placing more accounts with Outsource.

Operations Review

Clinics – Combined gross revenue (both clinics) was \$231,892 during February 2010 compared to \$167,236 for the same period last year. The 38.7% higher revenues reflect the benefit of higher volume in the Driggs Clinic and the Victor Clinic start-up operations in Victor in September 2009. The clinics produced a net operating loss of \$52,531 during February 2010 compared to a net operating loss of \$57,648 for the same period last year. The 8.8% operating performance primarily reflects the elimination of Sterling expenses, a higher utilization factor and lower operating expenses at the Driggs Clinic.

Hospital – gross in-patient revenue was \$280,870 during February 2010 compared to \$185,169 for the same period last year. The 51.7% higher revenue reflects the benefit of increased higher acuity surgeries during the current period. Gross out-patient revenue was \$712,243 during February 2010 compared to \$530,420 during the same period last year. The 34.3% increase in comparable revenue reflects the impact of higher Anesthesia, IV Therapy, Radiology, and Ambulance revenue during the current period.

Operating Expenses – total operating expenses were \$1,131,792 during February 2010 compared to \$1,090,997 for the same period last year. The 3.8% increase in expenses during the current period primarily reflects the addition of increased staff (a clinic manager and family practice doctor), increased supply expense, the Bingham consulting fee, increased insurance premiums and costs related to the Emcare contract compared to prior year levels.

Other Items–the Clinic had a software upgrade. Ski hill was slower than anticipated for the winter.

Teton Valley Hospital & Surgicenter
STATEMENT OF REVENUES & EXPENSES
FISCAL YEAR 2010

| | February 2010 Actual | February 2,009 Actual | February Variance | February 2,010 Budget | Y-T-D FY 2010 Actual | Y-T-D Last Year | Y-T-D vs Last Yr. | Y-T-D FY 2010 Budget | Percent Change |
|--|----------------------------|-----------------------------|----------------------|-----------------------------|----------------------------|-----------------------|-------------------------|----------------------------|-------------------|
| Patient Revenue: | | | | | | | | | |
| Clinic Revenue | 243,718 | 167,236 | 76,482 | 266,882 | 1,423,247 | 890,155 | 533,092 | 1,465,254 | 59.9% |
| In-Patient Revenue | 280,870 | 185,169 | 95,701 | 202,647 | 1,143,595 | 923,151 | 220,444 | 1,103,079 | 23.9% |
| Out-Patient Revenue | 712,243 | 530,420 | 181,823 | 877,363 | 3,756,376 | 3,254,224 | 502,152 | 3,660,420 | 15.4% |
| Gross Patient Revenue | 1,236,831 | 882,825 | 354,006 | 1,146,892 | 6,323,218 | 5,067,530 | 1,255,688 | 6,228,753 | 24.8% |
| Deductions from Revenue: | | | | | | | | | |
| Contractual Allowances | 141,777 | (11,436) | (153,213) | 135,474 | 753,167 | 761,874 | 8,707 | 730,591 | -1.2% |
| Bad Debt | 189,363 | 173,400 | (15,963) | 126,289 | 676,104 | 597,887 | 78,217 | 681,059 | 13.1% |
| Total Deductions from Revenue | 331,140 | 161,964 | (169,176) | 281,763 | 1,429,271 | 1,359,861 | (69,410) | 1,411,650 | 5.1% |
| Net Patient Revenue | 905,691 | 720,861 | 184,830 | 865,129 | 4,893,947 | 3,707,669 | 1,186,278 | 4,817,103 | 32.0% |
| Other Revenue | 8,633 | 10,360 | (1,727) | 11,548 | 42,453 | 62,755 | (20,302) | 62,276 | -32.4% |
| Day care Revenue | 6,355 | 4,714 | 1,641 | 6,829 | 34,204 | 32,258 | 1,946 | 36,829 | 6.0% |
| Teton County Ambulance District contract | 30,987 | 30,267 | 720 | 28,525 | 154,935 | 151,335 | 3,600 | 153,834 | 2.4% |
| | 45,975 | 45,341 | 634 | 46,902 | 231,592 | 246,348 | (14,756) | 252,939 | -6.0% |
| Total Net Revenue | 951,666 | 766,202 | 185,464 | 932,031 | 5,125,539 | 3,954,017 | 1,171,522 | 5,070,042 | 29.6% |
| Operating Expenses | | | | | | | | | |
| Salaries | 670,916 | 658,857 | (12,059) | 508,263 | 2,906,379 | 2,746,937 | (159,442) | 2,740,991 | 5.8% |
| Benefits | 106,216 | 143,723 | 37,507 | 88,397 | 464,698 | 547,575 | 82,877 | 476,705 | -15.1% |
| Supplies/Minor Equipment | 119,901 | 56,922 | (62,979) | 85,263 | 547,295 | 378,067 | 169,228 | 459,717 | 44.8% |
| Contracted Services | 87,715 | 73,808 | 6,093 | 87,898 | 484,661 | 462,630 | (22,031) | 474,024 | 4.8% |
| Physician Services | 43,058 | 8,640 | (34,418) | 27,064 | 208,076 | 8,640 | (199,436) | 145,953 | 2308.3% |
| Utilities & Telephone | 14,979 | 12,107 | (2,872) | 13,406 | 66,088 | 68,867 | 2,779 | 72,041 | -4.0% |
| Maintenance & Repairs | 15,332 | 14,384 | (948) | 12,163 | 76,103 | 52,968 | (23,135) | 65,593 | 43.7% |
| Insurance | 10,445 | 13,565 | 3,120 | 12,427 | 53,096 | 58,818 | 5,722 | 67,019 | -9.7% |
| Depreciation & Amortization | 39,975 | 49,435 | 9,460 | 38,059 | 197,897 | 247,173 | 49,276 | 205,248 | -19.9% |
| Other Expense | 43,255 | 59,556 | 16,301 | 43,155 | 195,291 | 241,226 | 45,935 | 230,958 | -19.0% |
| Total Expenses | 1,131,792 | 1,090,997 | (40,795) | 916,095 | 5,199,594 | 4,812,901 | (386,693) | 4,938,249 | 8.0% |
| Operating Income | (180,126) | (324,795) | 144,669 | 15,936 | (74,045) | (658,884) | 784,839 | 131,793 | -91.4% |
| Non Operating Revenue & Expense | | | | | | | | | |
| Interest income | 193 | 1 | 192 | 38 | 972 | 5 | 967 | 204 | 19340.0% |
| Interest Expense | (361) | 50,872 | (51,233) | (8,934) | (37,303) | (56,336) | 19,033 | (50,202) | -33.8% |
| Grants | 0 | 214 | (214) | 1,918 | 39,480 | 127,580 | (88,100) | 2,377 | -68.1% |
| Teton County Tax Levy | 110,684 | 0 | 110,684 | 83,333 | 525,774 | 500,000 | 25,774 | 416,665 | 5.2% |
| Gain (loss) disposal of capital assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0% |
| Total Non Operating Income | 110,516 | 51,087 | 59,429 | 76,355 | 528,923 | 571,249 | (42,326) | 369,044 | -7.4% |
| Excess of Revenue over Expenses | (69,610) | (273,708) | 204,098 | 92,291 | 454,876 | (287,635) | 742,513 | 500,837 | -258.1% |
| Capital Grants | 0 | 41,926 | (41,926) | 0 | 0 | 79,486 | (79,486) | 8,332 | -100.0% |
| Capital contributions from Foundation | 3,989 | 0 | 3,989 | 7,671 | 73,639 | 82,138 | (8,499) | 41,003 | -10.3% |
| Change in net assets | (65,621) | (231,782) | 166,161 | 99,862 | 528,517 | (126,012) | 654,529 | 550,172 | -519.4% |
| Excess Revenue over Expense Margin | -7.3% | -35.7% | 28.4% | 9.9% | 8.9% | -7.3% | 16.2% | 9.9% | 9.9% |
| Change in Net Asset Margin | -6.9% | -30.3% | 23.4% | 10.7% | 10.3% | -3.2% | 13.9% | 10.9% | 10.9% |

**TETON VALLEY HEALTH CARE
COMPARATIVE BALANCE SHEET
FY 2010**

| ASSETS | February 10 | January 10 | Variance | Sept 09 |
|--|--------------------|-------------------|-----------------|------------------|
| Current assets | | | | |
| Cash, Cash Equivalents and Bond Fund | 777,614 | 1,010,816 | (233,202) | 234,813 |
| Receivables | | | 0 | 0 |
| Patient Receivables, net of est. reserves | 2,555,263 | 2,511,767 | 43,496 | 2,368,565 |
| Estimated third-party payor settlements | 529,000 | 537,000 | (8,000) | 502,000 |
| Grants/Tax Levy | 728,896 | 510,094 | 218,802 | 194,089 |
| Supplies Inventory | 489,447 | 473,807 | 15,640 | 476,293 |
| Prepaid Expenses | 80,218 | 95,097 | (14,879) | 37,691 |
| Total current assets | 5,160,438 | 5,138,581 | 21,857 | 3,813,451 |
| Noncurrent assets | | | | |
| Deferred Financing Costs | 28,432 | 28,806 | (374) | 30,303 |
| Net pension benefit | 0 | 0 | 0 | 0 |
| Capital assets, net | 2,510,112 | 2,549,712 | (39,600) | 2,632,792 |
| Goodwill | 0 | 0 | 0 | 0 |
| Total noncurrent assets | 2,538,544 | 2,578,518 | (39,974) | 2,663,095 |
| Total assets | 7,698,982 | 7,717,099 | (18,117) | 6,476,546 |
| LIABILITIES AND NET ASSETS | | | | |
| Current Liabilities | | | | |
| Accounts Payable & Accrued Expenses | 563,321 | 704,578 | (141,257) | 677,239 |
| Accrued Salaries & Benefits | 1,201,570 | 1,124,643 | 76,927 | 1,117,096 |
| Accrued interest payable / excess checks | 43,153 | 37,663 | 5,490 | 15,703 |
| Estimated third-party payor settlements | 0 | 0 | 0 | 0 |
| Deferred Tax Levy Revenue | 774,786 | 666,668 | 108,118 | |
| Current maturities of long-term debt/Bond | 128,717 | 128,717 | 0 | 128,717 |
| Current maturities of capital lease obligations Roadman&Cars | 22,860 | 22,860 | 0 | 22,860 |
| Operating line of credit | 0 | 0 | 0 | 0 |
| Loan payable to Teton County | 0 | 0 | 0 | 80,000 |
| Total current liabilities | 2,734,407 | 2,685,129 | 49,278 | 2,041,615 |
| Noncurrent liabilities | | | | |
| Long-term debt-less current maturities. | 889,176 | 890,926 | (1,750) | 888,049 |
| Capital lease obligations-less current maturities. | 92,490 | 92,490 | 0 | 92,490 |
| Net pension obligation | 45,999 | 45,999 | 0 | 45,999 |
| Total noncurrent liabilities | 1,027,665 | 1,029,415 | (1,750) | 1,026,538 |
| Net assets | | | | |
| Prior year Net Assets | 3,408,393 | 3,408,393 | 0 | 3,408,393 |
| Year-to-date Net Income | 528,517 | 594,162 | (65,645) | 0 |
| Total net assets | 3,936,910 | 4,002,555 | (65,645) | 3,408,393 |
| Total liabilities and net assets | 7,698,982 | 7,717,099 | (18,117) | 6,476,546 |
| Current Ratio: | 1.9 | 1.9 | (0.0) | 1.9 |

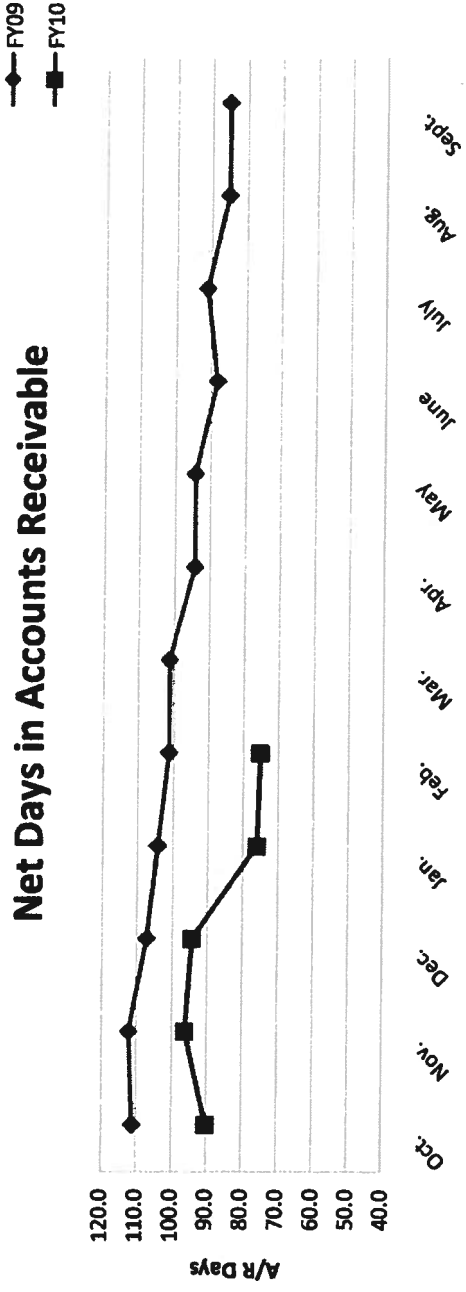
TVHC

Statement of Cash Flows-February 2010

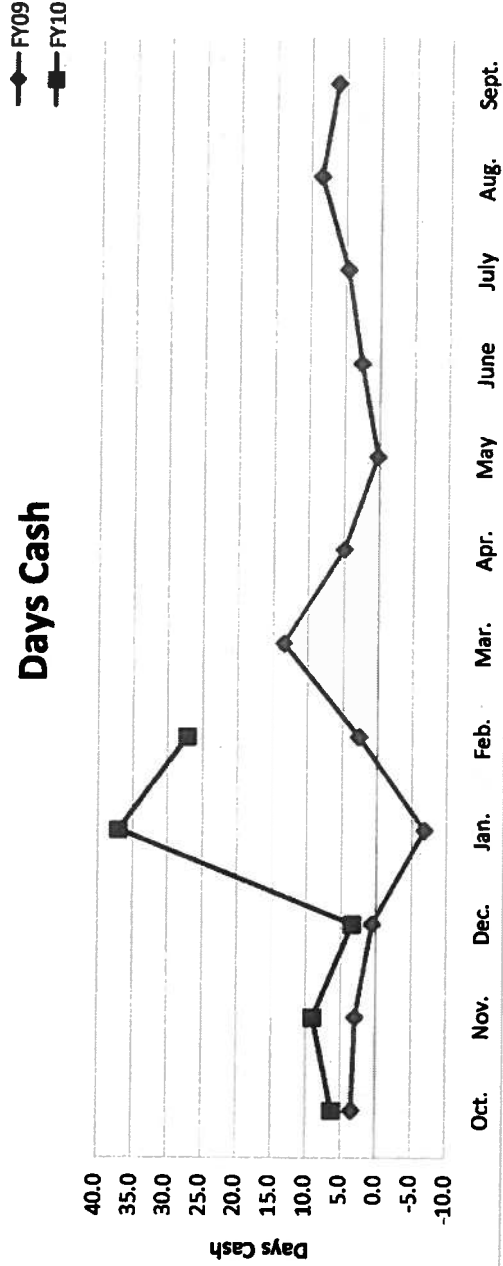
| | | | |
|---|------|-----------|-------------------------|
| Net Income | | | (65,645) |
| Cash flows from Operating Activities: | | | |
| Add (deduct) to reconcile net income to net cash flow: | | | |
| Depreciation & Amortization | | 39,600 | |
| Changes in Accounts Receivable | | (254,298) | |
| Changes in Inventory | | (15,640) | |
| Changes in Prepaid Expenses | | 14,879 | |
| Changes in payables & payroll | | (64,330) | |
| Changes in Interest payable and 3rd party | | 5,490 | |
| Changes in Deferred Tax Levy | | 108,118 | |
| Changes in net pension | | - | |
| Changes in current debt (4 lines) | | - | |
| Net cash inflow from Operating Activities | | <hr/> | (166,181) |
| Cash flow from Capital & Investing Activities: | | | |
| Capital Expenditures | | - | |
| Deferred financing costs/goodwill | | 374 | |
| | | <hr/> | |
| Net cash outflow from Investing Activities | | | 374 |
| Cash flow from Financing Activities | | | |
| Principal paid on long-term debt | | (1,750) | |
| Principal paid on capital lease obligations | | - | |
| Net cash outflow from Financing Activities | | <hr/> | (1,750) |
| Net increase (decrease) in cash during period | | | <u>(233,202)</u> |
| Cash Balance start of period | 2/1 | 1,010,816 | |
| Cash Balance end of period | 2/28 | <hr/> | |
| Net increase (decrease) in cash during period | | | <u>(233,202)</u> |

TETON VALLEY HEALTHCARE

Net Days in Accounts Receivable

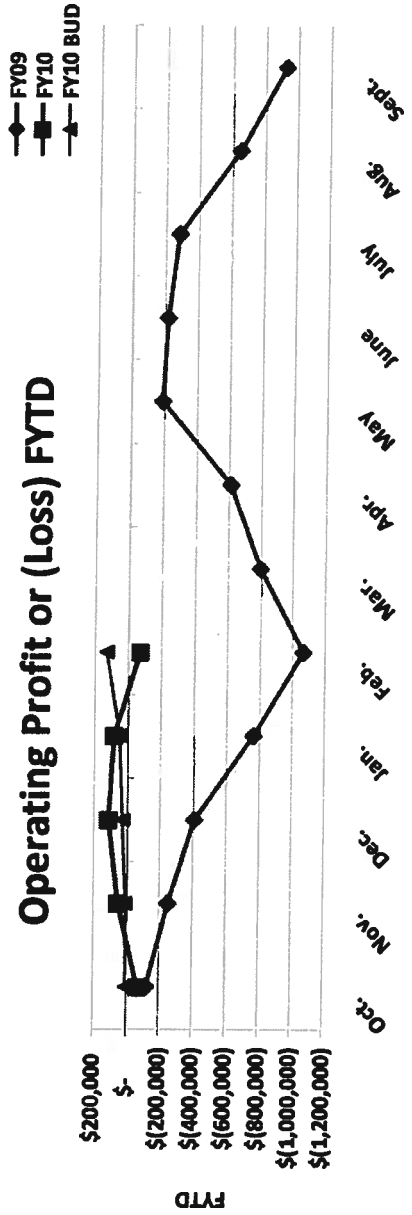


Days Cash

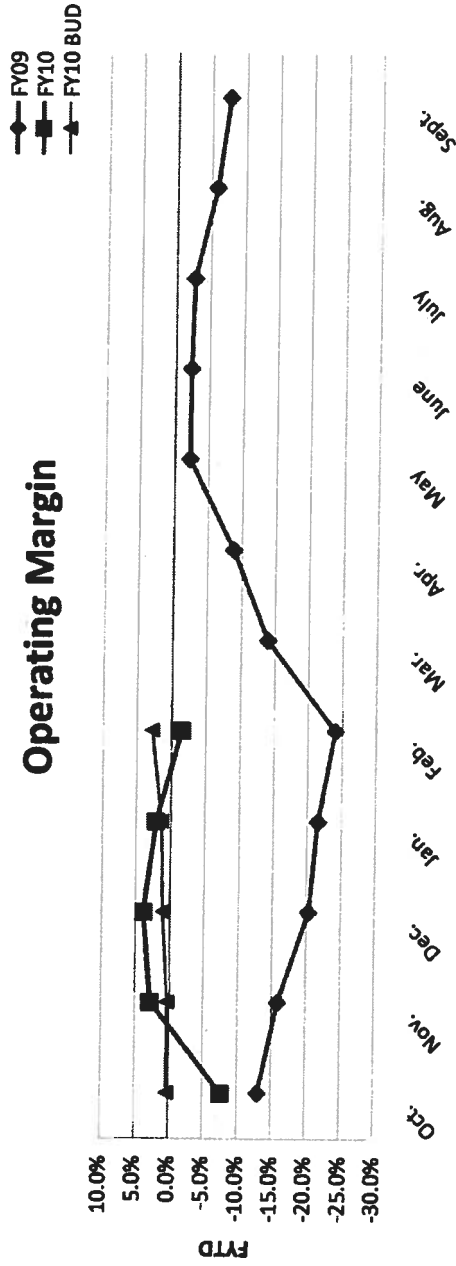


TETON VALLEY HEALTHCARE

Operating Profit or (Loss) FYTD



Operating Margin



Teton Valley Health Care
Statistical Information

| | Desired Trend | 2008 FYE Actual | 2009 FYE Actual | Oct, 2009 | Nov, 2009 | Dec, 2009 | Jan, 2010 | Feb, 2010 | 2010 Budget/Targets |
|---|---------------|-----------------|-----------------|-----------|-----------|-----------|-----------|-----------|---------------------|
| Payroll Overhead to Salaries | ↓ | 15.8% | 14.5% | 16.3% | 14.8% | 15.4% | 17.5% | 17.8% | 17.2% |
| Salary to Net Revenue | ↓ | 57.4% | 55.8% | 58.3% | 50.2% | 52.4% | 58.6% | 65.8% | 50.9% |
| TVH Paid Full-Time-Equivalent | ↓ | 119.0 | 110.3 | 116.2 | 116.3 | 118.6 | 117.1 | 120.9 | 113.0 |
| TVH Worked Full-Time-Equiv. w/o Vacation & Sick Leave | ↓ | 107.7 | 99.3 | 106.4 | 104.1 | 105.9 | 108.4 | 114.1 | 102.4 |
| Long Term Debt to Equity | ↓ | 65.4% | 42.2% | 30.0% | 28.2% | 26.3% | 25.7% | 26.1% | 19.5% |
| Net Days In Receivables | ↓ | 90 | 85 | 90 | 96 | 94 | 76 | 75 | 65 |
| Gross Days in Receivables | ↓ | 125 | 127 | 131 | 133 | 126 | 115 | 112 | 97 |
| Expenses Per Calendar Day | ↓ | 43,745 | 34,976 | 32,805 | 34,102 | 32,673 | 35,988 | 37,749 | 37,515 |
| Unbilled Amount in Accounts Receivable | ↓ | 2.5% | 1.7% | 1.9% | 2.3% | 2.3% | 2.2% | 2.6% | 3.0% |
| Net Pt Revenue Per Calendar Day | ↑ | 36,846 | 31,864 | 29,251 | 36,707 | 33,360 | 33,768 | 32,346 | 36,165 |
| Net Margin | ↑ | -14.38% | -5.04% | 1.90% | 18.73% | 25.38% | 8.08% | 0.97% | 8.98% |
| Current Ratio | ↑ | 1.03 | 1.49 | 1.61 | 1.70 | 1.88 | 1.91 | 1.89 | 2.60 |
| Days Cash on Hand | ↑ | 1.5 | 8.5 | 6.2 | 8.9 | 3.4 | 36.9 | 27.1 | 58.9 |

FTE increase because of CEO, New nurse being trained, Pharmacy and over time.
 Benefits had increase starting January 2010.
 Expense ratio higher because of short month.
 Cash lower because reduced liabilities.



TETON VALLEY HEALTH CARE

Partners in Health for a Lifetime

120 East Howard Avenue, Driggs, Idaho 83422
208-354-2383

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James L. (Jim) Gaines, paramedic, joins the Teton Valley Healthcare family as our new EMS Director. With over 18 years emergency medical experience, including Advance Life Support experience in ground and air transport, patient care, education, and administration. Jim will be a great addition to Teton Valley Healthcare and the community.

Prior to joining Teton Valley Healthcare, Jim worked as an EMS Sub-Regional Coordinator in Western Alaska, an Advanced Education Coordinator in Anchorage Alaska, and a 911 Supervisor for Rocky Mountain EMS in Las Vegas, Nevada. Jim was also the owner and operator of a private ambulance service for two and a half years in San Antonio, Texas.

Jim attended The University of Texas, Health Science Center, from 1995-1996 where he received his EMT/Paramedic certificate. In 2007, he received a BA in History and a Minor in Justice. Jim is currently attending Gonzaga University School of Law, in Spokane, Washington to earn his J.D.

Although Jim is just finishing his degree in law, he wants to go back to his roots in EMS service and find a rural area that is similar to his upbringing in Alaska. He also feels that having a law degree can be an asset in being a manager as well. When he saw the advertisement for this opening in Teton Valley, he and his wife were very excited. They can hardly wait to move here. Jim will be coming in late May of 2010, bringing with him his wife and two young children.

