1. National Healthcare Trends
2. Healthcare Outlook in Idaho
3. North Idaho Healthcare Environment
4. Background About Kootenai Health
5. Questions
National Trends

Healthcare Spending Trend

- 17.5% of U.S. GDP
- $9,523 per Capita

Bending the Cost Curve

- $415B in Medicare payment cuts 2013-2022
- 1.5% price increase is lowest in a decade

Medicare Payment Cuts

Includes hospital, skilled nursing, hospice, home health

Annual % Change in Hospital Prices

1A: CMS.gov - National Health Expenditure Accounts
1B: CMS.gov - National Health Expenditure Accounts
2: The Advisory Board Company
3: Health Affairs (2014)
### Idaho Compared to U.S.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Idaho</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Spending % Idaho GDP, 2014&lt;sup&gt;1&lt;/sup&gt;</td>
<td>6.9% ($4.3B)</td>
<td>17.5% ($3.0T)</td>
</tr>
<tr>
<td>Hospital Expense per Capita, 2013&lt;sup&gt;2&lt;/sup&gt;</td>
<td>$2,201</td>
<td>$2,473</td>
</tr>
<tr>
<td>ED Visits per 1,000, 2013&lt;sup&gt;2&lt;/sup&gt;</td>
<td>366</td>
<td>423</td>
</tr>
<tr>
<td>Inpatient Admissions per 1,000, 2013&lt;sup&gt;2&lt;/sup&gt;</td>
<td>78</td>
<td>106</td>
</tr>
<tr>
<td>Active Physicians per 100,000, 2013&lt;sup&gt;3&lt;/sup&gt;</td>
<td>184</td>
<td>260</td>
</tr>
</tbody>
</table>

1: U.S. Dept of Commerce – Bureau of Economic Analysis  
2: AHA Hospital Statistics 2015 Edition  
3: Association of American Medical Colleges

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**Idaho ranked 17th in U.S. for overall health status**

**High Performing Health Indicators**
- Preventable Hospitalizations (4<sup>th</sup> Nationally)
- Diabetes (4<sup>th</sup> Nationally)
- Physical Inactivity (5<sup>th</sup> Nationally)
- Smoking (12<sup>th</sup> Nationally)

**Needs Improvement Health Indicators**
- Obesity (22<sup>nd</sup> Nationally)
- Suicides (44<sup>th</sup> Nationally)
- Child Immunization (45<sup>th</sup> Nationally)
- Primary Care Physicians (50<sup>th</sup> Nationally)

4: America's Health Rankings – United Health Foundation  
5: Centers for Disease Control
<table>
<thead>
<tr>
<th>Hospital Impact</th>
<th>Icon</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical Access Hospitals</td>
<td>⚫</td>
<td>27</td>
</tr>
<tr>
<td>Large Urban Hospitals</td>
<td>🟢</td>
<td>10</td>
</tr>
<tr>
<td>Physician Owned Hospitals</td>
<td>⬇️</td>
<td>4</td>
</tr>
<tr>
<td>Other (VA, LTAC, Rehab, Psych)</td>
<td>⤻</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total Hospitals in Idaho</strong>¹</td>
<td></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

¹: Idaho Dept of Health & Welfare
Healthcare Outlook

Stable National Outlook, but healthcare is in transition

1. Moody’s & S&P raising outlook for 2016³
   - Raised from Negative to Stable outlook for non-profit healthcare environment
   - Operational strength, improving access, reduction of bad debt and uncompensated care post ACA

2. Rising health needs of aging population
   - Population growth in Medicare sector outpacing total¹
     2010-2014: Overall = 4.1%, 65+ y/o = 19%

3. Increasing population with health insurance
   - Uninsured rate dropped from 15% in 2013 to 11% in 2014²

Idaho Hospitals – Modest Growth

<table>
<thead>
<tr>
<th>Hospital Impact</th>
<th>2014 Total</th>
<th>Change From Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Economic Impact - Sales</td>
<td>$8.0B</td>
<td>4.2% increase</td>
</tr>
<tr>
<td>Total Economic Impact – Jobs*</td>
<td>73,626</td>
<td>1.9% increase</td>
</tr>
<tr>
<td>Total Economic Impact - Taxes</td>
<td>$169M</td>
<td>4.3% increase</td>
</tr>
<tr>
<td>Total New Hospital Jobs</td>
<td>374</td>
<td>1.4% increase</td>
</tr>
</tbody>
</table>

Source: 2015 Report on the Local and Statewide Economic Impacts of Idaho’s Community Hospitals

¹: U.S. Census Bureau (2010-2014)
²: Kaiser Family Foundation (2014)
³: Becker’s Hospital Review (2015)
Idaho Hospital Challenges

1. Centers for Medicare & Medicaid Services reporting mandates require expensive technology investments
   - Federal Information Technology (IT) requirements
   - St. Luke’s spent $200M transitioning to Epic electronic health record in 2013¹
   - Kootenai Health considering $50M electronic medical record transition

2. Costly infrastructure required to better manage full continuum of care
   - Kootenai Care Network, St. Luke’s Clinic Coordinated Care, St. Alphonsus Health Alliance Integrated Care
   - Care management, quality data capture and reporting, physician buy-in and involvement

3. Chronic Idaho Physician Shortage
   - 50th nationally in primary care physicians per capita²

4. Reduced Reimbursement
   - Payers withholding more reimbursement as incentive/risk
   - Focused on patient experience, quality outcomes, reduced costs

5. Consolidation is a common response

¹: Becker’s Hospital Review (2013)
²: Idaho Dept of Labor (2012-2013)
There were 14 mergers, acquisitions, or affiliations around Idaho since 2008. This trend reflects the increasing consolidation in the healthcare industry.
Physician Shortage in Idaho

Physician Shortage¹

50th
in U.S. for primary care

Average Physician Age¹

> 50 y/o
for primary care physicians

Primary Care Residencies

3³
Family Medicine residencies

³In Pocatello, Boise, Coeur d’Alene

Family Medicine Residents

87³
Family Medicine resident slots

³In Pocatello (21), Boise (48), Coeur d’Alene (18)

Stay in Idaho¹

57%
of residents stay in Idaho

State Funding Assistance

$32,378
in state funding per resident per year

¹Idaho Dept of Labor (2012-2013)
Global Trend Summary

- Increasing Patient Volumes (mostly in larger hospitals)
- Medicare Reimbursement
- Disproportionate Share Hospital Cuts
- No Medicaid Expansion
- More Patients on High Deductible Plans

North Idaho - Background

Northern 10 Idaho Counties

1. Total population of 325,000 residents\(^1\)
   - Nearly half reside in Kootenai County

2. Eleven hospitals
   - 5 County/District, 5 private non-profit, 1 private for-profit
   - 8 designated as critical access hospitals

3. Barriers to access & physician shortage\(^2\)
   - Only 111 physicians per 100,000 residents (U.S. Avg = 260)

4. Outmigration to WA for healthcare services significant
   - $300M gross charges for North Idaho residents discharged from WA hospitals in 2014 mostly because we lack physicians\(^3\)

5. Mental Health needs are rising
   - Suicide rate in North Idaho is 20 per 100,000 (Healthy People 2020 goal of 10.2)\(^2\)

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1: U.S. Census Bureau (2014)
3: WA DOH CHARS Dataset (2014)
Kootenai Health - Background

Service Offering
- Women’s & Children’s Services
- Cardiovascular Services
- Orthopedics & Neurosurgery
- Behavioral Health
- Oncology Services
- Level III Trauma Center

Affiliations
- Mayo Clinic Care Network
- Northwest Hospital Alliance
- InnerPacific Alliance for Cancer Care
- Idaho Health Partners
- Hospice of North Idaho Partnership

Background
- District Hospital - Elected Board
- No use of taxing authority since 1995
- 271 inpatient beds (3/16)
- 2,700+ employees

- 110+ employed physicians
- 400+ physicians on medical staff

Awards

Kootenai Health | 2016 Economic Outlook & Revenue Assessment Committee
> Kootenai Health is 1 of 36 distinguished members\(^1\)

> Kootenai Health is the only network member in the northwest

\(^1\): MayoClinic.org
Keeping Idaho Patients in Idaho

3 Key Strategies to Keep Idaho Patients in Idaho

1. Focus on access and availability of Primary Care Physicians
   - Family Medicine Residency Program established in 2014
2. Develop regional partnerships and affiliations
3. Add physician specialty services
   - Growth from under 20 employed physicians in 2012 to over 110 in 2015

Related Kootenai Health Activity

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart Clinics Northwest joins Kootenai Health</td>
<td>Partnership w/ Ernest Health for acute rehab</td>
<td>Master Facility Plan &amp; Expansion</td>
<td>Inner Pacific Alliance for Cancer Care</td>
</tr>
<tr>
<td>Insourced I.T. to support regional strategy</td>
<td>Shoshone Medical Center and Benewah Community Hospital affiliations</td>
<td>Mayo Clinic Care Network</td>
<td>Established Kootenai Care Network</td>
</tr>
<tr>
<td>Boundary Community Hospital affiliation</td>
<td></td>
<td>Family Medicine Residency Program</td>
<td>Hospice of North Idaho Affiliation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ACS Level III Trauma Designation</td>
<td>Preparing to open a Level III NICU</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Opened Crisis Center</td>
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</tbody>
</table>
Questions