



Bay Area Hospital

Strategic Plan 2020



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THE STRATEGIC PLANNING PROCESS – AN OVERVIEW

In July 2019, Bay Area Hospital leadership began a process to review the current state of the organization and the surrounding national and regional market, and to chart a strategic course for the next several years. The process was facilitated by Galloway Consulting, a national healthcare consulting firm.

The following document describes the process and outcome for the 2019-2020 Strategic Plan for Bay Area Hospital.

Leadership at BAH provided guidance at the project outset to ensure the strategic planning process followed several principles. First, there was to be involvement from the Board of Directors. Five members of the Board participated in each meeting. Second, the senior executive leaders were to drive the process. While the consultants helped facilitate the meetings and prepared the material, the process was designed so that senior executives participated throughout and led many of the sessions. This was a CEO-led process. Third, the middle management was meaningfully included in several instances. This included a multi-hour meeting in the middle of the process with the direct reports to the senior executive team and several iterative work sessions, refining key elements of the plan. It also included over 60 interviews with key leaders at BAH and a comprehensive market analysis. This work focused the organization and resulted in specific action elements that drove the strategy.

Annex A, following this report, describes the Strategic Planning Process in more detail.

This report will make several references to the Strategic Planning Team; this is the group that created the strategic plan and includes BAH CEO Brian Moore, the senior executives that report to Mr. Moore and the Board Members who were active participants. Annex B outlines the members.

This process began in July 2019 and was substantially finished in early March 2020. Then, COVID-19 appeared. BAH, like every healthcare provider in the world, was significantly impacted. In September 2020, once a level of stability in the virus was achieved, the BAH Strategic Planning Team reconvened to review the Strategic Plan, considering COVID-19, and made some minor adjustments to the operational initiatives. The BAH Strategic Planning Team revalidated the main portion of the strategic plan.

Brian Moore
CEO, Bay Area Hospital

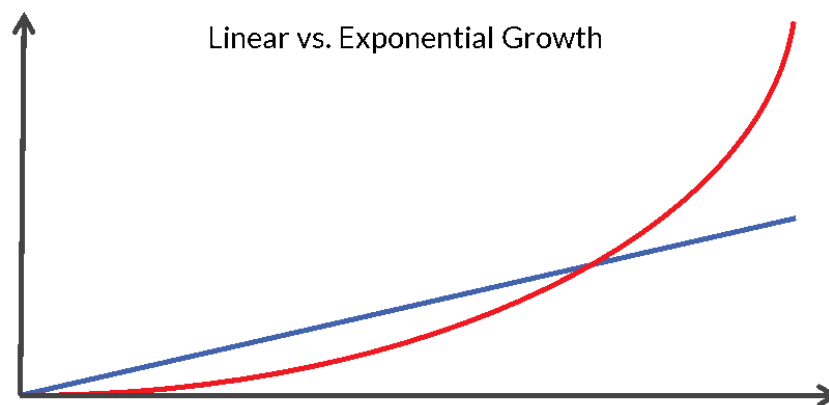
INTRODUCTION

Ten years from now, the health care industry will even more transformed than we see today. Patients will map their journey of health, using a combination of data and personalized medicine. Traditional and nontraditional competitors will work together to focus on health and well-being, clouding the lines of competition and partnership. Payor and Provider lines will blur. Emerging digital technologies and artificial intelligence will fulfil their promise to deliver better quality care at a lower cost. The government's role as a likely facilitator of major structural change and innovation in healthcare remains; this means leaders must take chart a decisive course for their organization yet remain nimble and financially sound enough to respond to seismic shifts in the future.

All around us we can see the world moving at exponential speed, and as a result, constructs we have come to know are going to profoundly change. Accelerated improvement in technology performance and its associated economics continue to generally follow the principles of Moore's Law; a world that was local and predictable is now global and unknowable. Adoption will take place at record speed in some places and in fits and starts in others ... but it is coming. While it used to cost a billion dollars to sequence a single genome, researchers can now access entire databases for free. Data, 3D printing, algorithms, computing power all cost a fraction of what they did a few years ago. Perhaps more importantly, there is an explosion of data, sensors, networks, storage and speed and the ability to analyze them for patterns and intelligence. These technologies stack on to each other and are reinforcing, which makes the acceleration that much faster.

Healthcare remains one of the most dynamic markets in the United States with a variety of private and public sector forces that merge to create great unknowns.

A characteristic of exponential change is that it feels slower than linear change in the beginning – until it hits the inflection point and takes off, as shown in the chart below.



We believe that we are seeing the inflection point. Experts have been predicting major changes in industry structure and metrics for 10 years; now we are seeing the things we predicted happening at scale. Some of these changes are exacerbated and accelerated by the COVID pandemic.

NATIONAL TRENDS

These national trends will impact BAH, some in more ways than others:

Expect Non-Traditional Providers to Enter our Market

Each day, dozens of new companies are building new competitors centered around interoperable data, open and secure platforms, and consumer-driven care. To remain in the market and lead the future, traditional players will need to find ways to become agile innovators.

- If BAH is doing something profitable, there is likely a well-funded, private equity backed company or large provider coming to our town to take it away from us. If we ignore a segment of our market, expect competition faster, rather than later.
- Optum (and others) are entering markets by buying physician practices / groups to drive population health initiatives and turning hospitals into cost centers. The “Kaiserization” of healthcare is well underway.
- App-based care and direct-to-consumer telemedicine are skimming off patients in lucrative specialties without investing in local bricks and mortar – and lowering the barriers to entry in many markets.

Prepare for Increased Consumerism and a Greater Demand for Transparency

Patients are taking greater responsibility in their care and seeking medical information and guidance online, increasingly using online services for prescriptions, medical and lab appointments, and looking up personal medical records, etc. “Dr. Google” has educated many consumers to not only medical information but the business side of healthcare, as well.

- Expect physician and hospital quality, service, and pricing to be available on an app to any patient
- We need to make sure we are happy about what it will say about us because the information can spread instantaneously, and viral effects can profoundly change our brand and market share
- We must increase our ability to deliver digital care to meet these demands

Invest More in Scanning the Horizon

In a matter of only a few years, we have watched entire industries displaced – taxis, music, retail, publishing. An article in Harvard Business Review cited several studies that looked at the S&P 500 over a 60-year period; in 1958 a company could expect to stay on the index for 61 years. In 2011, the time frame was 18 years, and in eight years from now, one can expect to see 75% of the organizations gone from the index – dissolved, merged, or replaced.

Healthcare faces these same technological forces and its own business challenges - thin margins, compressed reimbursement, provider consolidation and new disruptive entrants like Amazon and or private equity firms, as well as political forces from each side of the spectrum. How this marriage of technology and business upheaval will impact the hospital system in Southwestern Oregon is unclear.

- Ensure BAH treats strategy and strategic communication as on-going efforts, rather than episodic events
- Find our new Competitors and Collaborators
- Reprioritize our investments; focus on our biggest opportunities and vulnerabilities

Identify Non-Traditional Sources of Revenue Growth

While efforts to streamline cost structures are block and tackle essential, cost cutting alone will do little more than provide a momentary reprieve in the race to irrelevancy.

- Revenue growth is vital to a successful organization
- Leverage data for new revenue; other people want this information and often organizations are giving it away for free – or worse, paying companies to take it and feed it back to them in a different analytical format. Data should and can be a revenue stream.
- Traditional revenue sources will continue to decline and/or be displaced by new competitors
- Growth will come from new markets, new services, new partnerships

Consider your next Strategic Offset

An offset strategy is asymmetrically compensating for a disadvantage. Rather than matching a competitor in an unfavorable competition – or investing tons of resources to turn a weakness into a strength - one changes the competition to a more favorable footing by inventing another way to achieve dominance or mitigate the competitor's advantage. Many hospitals have factors that place them at a competitive disadvantage, depending on market: capital intensive buildings to pay for, poor demographics, weak payor mix, high labor costs. At the same time, their advantages could include being the economic engine and largest employer in the market.

- The question we should continue to ask ourselves periodically: what is BAH's inherent competitive disadvantage (e.g., balance sheet, investment in bricks and mortar, legacy relationships, location, etc.)?
- What technology or approach will BAH use to overcome that disadvantage?

Learn How to Be a Good Partner

To create competitive advantage in the healthcare future, providers must place strategic bets that will differentiate them from the competition, both traditional competitors, as well as disruptive new entrants. This will require a new construct to achieve those capabilities, entirely new partners, and partnership strategies.

- We must recognize we cannot do it all ourselves nor own it all
- We must develop win-win partnership frameworks

Create a Fertile Ground for Innovation and Build Skills in Man-Machine Partnerships

AI is going to have profound effect on labor. While patient facing jobs like nursing are likely to be impacted less, even those could be effected. An AI-enabled Avatar that has effectively provided a basic level of behavioral health counseling exists, able to detect subtleties like voice inflection, body language and the like. As the technology improves and “stacks”, where will this technology be in a few years?

The power of today’s digital technologies extends to tasks traditionally performed by humans, such as transcribing human speech, detecting and characterizing abnormalities in medical images, predicting complications or patient deterioration, providing real-time decision support, and in some clinical domains even suggesting possible diagnoses. Done right, digital solutions can create substantial efficiency gains, quality improvements, and superior experience for consumers and health care practitioners. To increase our ability to adapt to and adopt these technology changes, BAH should:

- Solve for the Corporate Immune System – the organizational resistance to change that exists in every organization.
- Refine and further mature our organizational platform for Innovation
- Invest to increase Staff Engagement and Alignment
- Develop adaptive skills and level of comfort with technology within our workforce
- Integrate new technologies as a matter of routine

SUMMARY OF THE STRATEGIC ENVIRONMENT

That is a lot to absorb.

So how does all this strategically impact Bay Area Hospital over the next several years and more specifically for our current strategic plan?

- There will still be a need for hospitals like Bay Area Hospital – especially in geographically isolated areas – but much of the care delivery will gradually shift away from the hospital setting, driven by technological advances in telemedicine, clinical care, and scientific discovery (e.g. personalized medicine, genomics, DNA sequencing, for instance).
- Many hospitals will convert their operating models toward fewer service lines, focused on the most acute cases, and with increased digital and virtual offerings. Instead of investing in beds or more physical space, hospitals will need to focus capital investments on digital and technology capabilities. BAH will need to decide if this model fits, given its location and patient expectations.
- An event like COVID-19, previously seen as unrealistic, is now part of a competent organizations' planning DNA. BAH will need to consider what parts of their COVID-19 response should remain as part of our new normal, particularly in an environment when additional government assistance cannot be guaranteed.
- BAH will need to develop partnerships and alliances to execute organizational goals; we will not be able to do everything by ourselves. There is a robust healthcare ecosystem in SW Oregon and a financially healthy BAH can lead the various elements toward a best in class coordinated care model.
- Nationally, COVID has created a migration out of large, expensive cities to less expensive rural towns with a better quality of life enabled by working remotely; can BAH take advantage of this trend, if it continues?
- These market forces create an accelerated need to rethink workforce, employee skills, and collaboration models.

As we entered this strategic planning process, given the strategic landscape, we tackled questions such as:

- What is our market position today and what do we want it to be?
- What are our competitors now and who are our competitors of the near and mid future?
- What are our organizational strengths and weaknesses?
- Are the BAH mission, values, and vision still relevant?
- How can we meet consumer expectations, and how are the expectations of our patients and market changing?
- How should our capital investment strategy change, considering our internal strengths and weaknesses and the SW Oregon market dynamics?

This strategic planning document answered these questions.

STRATEGIC ASSESSMENT

The Strategic Plan began with an assessment of the market and the internal strengths and weaknesses of the hospital. BAH was provided a detailed assessment report under separate cover, that will not be repeated here; however, we will summarize the major themes.

The Market

Social determinants of health are the conditions in which people are born, grow, live, work and age. They include factors like socioeconomic status, education, neighborhood and physical environment, employment, and social support networks, as well as access to health care.

The state of Oregon captures and reports various of these elements for the state as a whole – and reports some of them on a county-by-county basis. Coos County does not perform well in many of the reported items, reflecting a likely high underlying need for health intervention.

In addition, the potential healthcare requirements in a community are affected by the prevalence of chronic disease in the population. The state also reports the percentage of the population in each county with a set of chronic conditions and compares it to other counties and the state average overall. Coos County ranks near the bottom in every category.

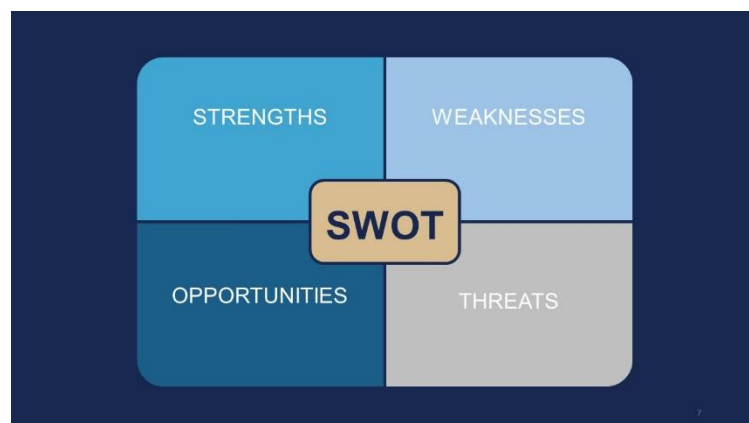
CMS tracks the prevalence of certain chronic conditions in the population by examining the Medicare claims submitted for payment by physicians. Using data from physicians serving patients from Coos County, we found a high prevalence of chronic conditions in the Medicare population in issues such as COPD, depression, diabetes, hypertension and chronic kidney and heart disease.

In this high need population, access is an acknowledged issue and unfortunately shows up in many health screening results tracked by the state. In basic screenings such as mammograms, colorectal cancer, pap test, cholesterol, again, Coos County performs poorly compared to state and national norms.

In short: we have a very challenging situation. A geographically isolated market and a population that suffers from some of the most challenging economic, social and health conditions.

SWOT Analysis

SWOT Analysis is a time-tested analytic, that provides a high-level overview of the internal condition of the organization (strengths and weaknesses) and the external factors (opportunities and threats). Based on a review of the local market, social and economic factors, hospital operating metrics and interviews with over 60 individuals, to include Board Members and local leaders



outside the hospital, the SWOT Analysis, led by Galloway Consulting, for BAH found:

Strengths

- Board leadership and governance of the hospital – the Board team’s background is diverse and consists of locally respected leaders, who are trained in Board governance.
- Quality and experience level of senior executive team – the senior team has experience outside of BAH and brings those fresh ideas and perspectives to the community.
- Cash position and strength of balance sheet – compared to many hospitals of similar size and scale, BAH enjoys a solid financial footing and ample cash. This cash position can deteriorate quickly if management is not attuned to changing market and business conditions.
- Long tenured employees, particularly in nursing, provides continuity in operations and with the community.
- The behavioral health program provides needed benefit to community and brand awareness for BAH – although its capacity is well below community needs
- Revenue Cycle operations appear comprehensive and well run – helping the BAH financial position.

Weaknesses

- Recent operating performance and declining margin – while the cash position is strong, the operating performance over the past few years (pre COVID) is below average.
- Legacy EMR system is cumbersome and detracts from productivity – this may be the organizations biggest weakness, and it impacts so many other aspects of hospital efficiency.
- Legacy operating systems (e.g. IT, HR, cost accounting) detract from efficiency – making operating harder than it must be.
- Variance of staff experience (many long tenured and without non-BAH) experience is a double-edged sword – loyalty and continuity are helped but an outside perspective and innovation mindset is sometimes lacking.

Opportunities

- The Hospitalists Program has the potential to improve access by freeing up capacity – this could make significant inroads into the overarching problem of access.
- EMR has the potential to improve operations and create a cooperative clinical network in SW Oregon; the other hospitals and physician practices in the region will have the ability to piggyback off BAH’s work, creating an integrated ecosystem.
- The Behavioral Health Program is well thought of and addresses a true community need - but is not a contributor to hospital financial performance; if expansion can be made financially viable, the community could benefit
- The relationship with local community college produces a steady supply of nurses and other employees and this predictable source of critical skilled labor helps BAH.

Threats

- Access for primary care and many specialties is difficult, taking weeks or months in many cases, but there is not universal acceptance of this fact among the physician groups
- Limited access creates an opportunity for a new, disruptive third party to enter the market
- Recruiting and retention is challenging in all areas, due to geographic location and perceived lack of amenities and opportunity

- North Bend and other physician groups serve as the key provider constituencies in the area, yet are also competitive
- Brand awareness is lacking for BAH, without a clear point of differentiation, except in behavioral health
- A disruptive change in the CCO economics would create a fundamental shift in access and potentially payor mix.

Core Competency Assessment

As part of the initial assessment, BAH was compared to the highest performing providers in the nation, using a 16-factor Core Competency Model (CCM) assessment by Galloway Consulting.

This assessment looked at current state and projected BAH into the future, assuming no changes were made, and the market conditions continued to become more competitive.

The Board was briefed on the CCM Assessment, and detailed descriptions of each of the competencies were included in earlier report. The summary table can be summarized here:

		CURRENT PRACTICE	FUTURE RISK	COMMENTS
Business Model	Volume/Revenue	Red	Red	IP volume declining but OP not increasing
	Margin	Yellow	Red	Margin not keeping up with investment requirements
	Brand/Results	Yellow	Red	Non-differentiated quality and service
Core Competency Factors	Physician Alignment	Yellow	Red	Physician Groups competitive; hospital as junior partner
	Sales	Red	Red	No sales function
	Referral Management	Red	Red	Access and capacity failures invite a competitive response
	Access/Capacity Management	Red	Red	
	Productivity	Yellow	Red	Strong balance sheet, ample cash but low margins
	Supply Chain	Yellow	Yellow	
	Finance	Yellow	Yellow	
	Quality/Safety	Yellow	Yellow	Recovering from 1-Star rating; substantial emphasis
	Strategic Intent	Red	Red	Over the horizon and portfolio planning absent
	Community Benefit	Green	Yellow	BAH is not seen as a destination of choice
Brand	Yellow	Red		
Customer Service	Yellow	Red		
Heart Competency Factors	Leadership/Governance	Green	Green	Board is well constructed, diverse experience
	Staff Engagement	Yellow	Yellow	While a core value, there is little evidence of it occurring
	Innovation Mindset	Yellow	Red	
	Transparent Measurement	Yellow	Yellow	

We need to confront reality. As can be seen, much of the BAH chart is in yellow or red (caution or alert), meaning that we act in a way that is below the highest performing organizations. As we project ourselves into the future, the situation gets worse – unless we affect our strategy successfully.

The main findings from the strategic assessment, as it relates to the strategic plan include:

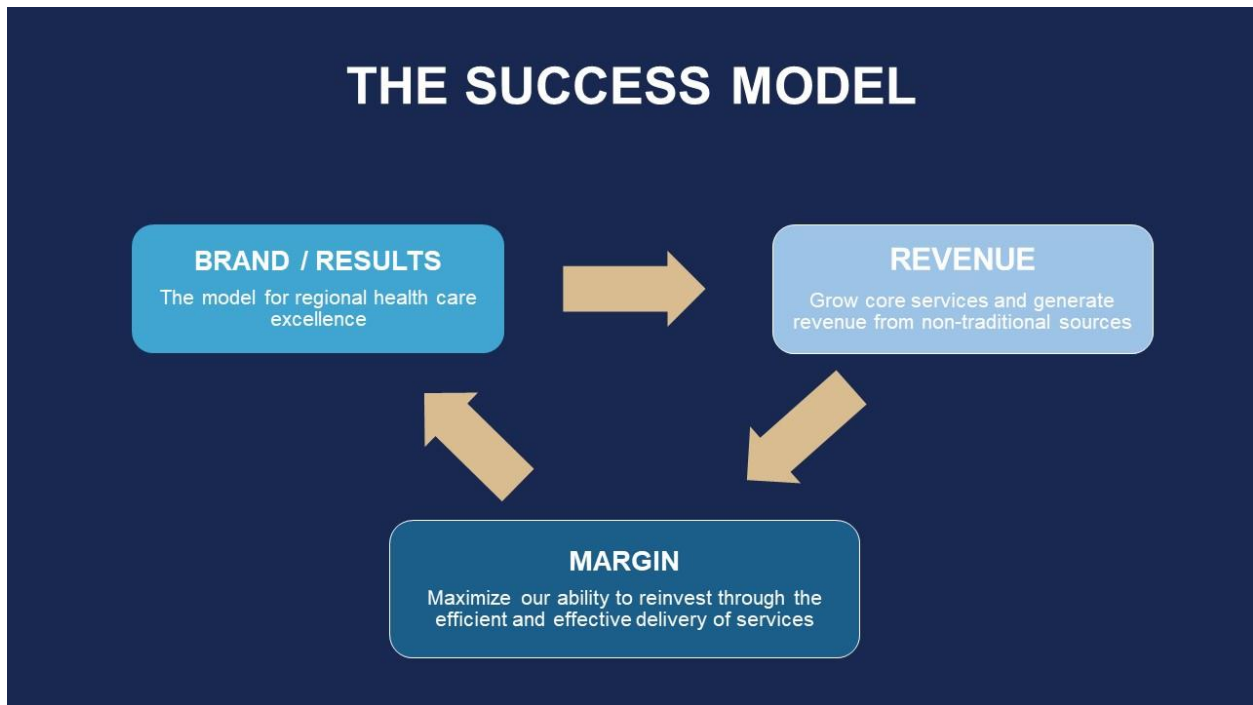
- Access is really “*the*” issue – and it is a complicated issue
 - The local physicians have a relatively lucrative Managed Medicaid reimbursement plan which encourages Medicaid access and *reportedly* reduces the incentive for high physician productivity

- The combination lucrative reimbursement and low productivity reduces the incentive for the practices to recruit new physicians to the community, and hurts access for new patients
- With a low incentive to recruit, it is difficult to overcome the difficulty in recruiting to the market
- The relationship between the hospital and the practices makes it difficult for the hospital to recruit its own physicians to fill the need without annoying the practices
- The relationship with local physician groups and North Bend in particular, is cooperative – but only to a point. Initiative such as joint recruiting and portfolio strategy decisions should be a priority with this group and other providers.
- An EPIC investment is necessary and considerable and will remind others in the SW Oregon ecosystem of BAH’s core role and importance.
- It is not clear that the Aspirational Goal of creating a SW Oregon medical community with BAH as the hub is shared by many, outside of BAH; achieving the Goal will necessitate buy-in and alignment from numerous entities, many with incentives that do not align.
- BAH has a solid balance sheet and should take advantage of its cash position to accelerate investments in internal systems such as EPIC and WORKDAY
- The issue of Recruiting is the top talent management issue; recruiting and retention directly impacts access which links to brand, profitability, and physician relations
- A material change to the economics of the Managed Medicaid program could significantly disrupt the market, requiring higher productivity to sustain current physician compensation and possibly pushing physicians out of the market.
- Ongoing access issues – especially for commercial patients – invites competition for the practices. This competition could come from non-traditional players or Eugene/Portland entities eager to pick off your market.

The Success Model – How Does a Hospital Succeed in the Marketplace?

The outcome of the strategic assessment can feel daunting. There is a lot to change and even with our strengths, the market position is very challenging. While executing strategy takes a skilled management team, the way to achieve marketplace success is not magic: it relies on successful management of three key areas: revenue, margin, and brand/results. It can be visually described by the chart below:

THE SUCCESS MODEL



To a healthcare organization, “Brand” is its reputation for quality and service. “Results” imply that the organization delivers against their reputation. Physicians want to work with organizations that provide exceptional quality and excellent customer service. Their individual reputation is inextricably linked to their patients’ experience at the hospital that they recommend (or where they work).

Patients expect high quality and can differentiate physicians and hospitals based on publicly available data regarding their clinical processes and outcomes. We expect this trend to accelerate to the point that Reputation (Brand) will be replaced by Reality (Results). Patients have always been able to differentiate physicians and hospitals based on their perceptions of customer service (e.g., wait times, personal interactions, cleanliness, etc.).

Our experience demonstrates that an organization’s reputation for quality and service – its “Brand” – is what creates a fertile environment for profitable growth. It is necessary but not sufficient to sustain profitable growth. While other initiatives may drive growth in the short run, “Brand” is required to sustain growth in the long run.

To a healthcare provider, “Revenue” is its ability to leverage its brand to drive profitable sources of revenue. Because profitability can vary widely based on market, product, and patient, healthcare organizations cannot assume that the patients that walk through their front door will necessarily be a profitable mix. They must intentionally drive the revenue that they need to generate a profitable portfolio.

Our experience demonstrates that healthcare organizations can intentionally drive revenue through both strategic and tactical growth initiatives. Strategic initiatives generally involve entering new markets and / or product lines. Tactical growth initiatives generally involve driving more revenue from existing channels by improving focus on operational core competencies. While “Brand” is required to

sustain growth in the long run, these types of “Revenue” initiatives are required to convert the brand into margin.

As the market changes, we anticipate that new sources of revenue will emerge tied to things other than volume, such as Pay-for-Performance incentives, capitated payments for managing a population, outsourcing of services to others, monetizing data streams, etc. Given the expected continued reduction in revenue for traditional volume, these new sources of revenue will become more important to sustainable success.

To a healthcare organization, “margin” is its ability to optimize the margin it generates from the volume and revenue that it captures. Since hospitals are generally high fixed cost organizations, small changes in revenue can have disproportionate impact on margin – both positively and negatively. Targeting and driving the “right” revenue can have an even greater disproportionate impact on margin. However, healthcare organizations can manage internal processes to optimize the margin they generate from the revenue that they capture.

Our experience demonstrates that healthcare organizations can optimize margin by maximizing the yield of net revenue that they receive per case and by rigorously managing their labor and supply costs.

The Brand/Results drives Revenue drives Margin drives Brand/Revenue circle is a foundational part of the Model of Excellence. Each build and feeds the other in a self-supporting way.

Each element must also generate the right mix and right profit margin to support operational initiatives that eventually, if completed, make the strategy a success.

The Bay Area Hospital Model of Excellence

Given the internal and external assessment, the broad strategic conclusions, and the success model in healthcare, we turned to creating a model of excellence that is unique for BAH. In other words, what business model will we adopt that will drive our strategy.

For Bay Area Hospital we adopted this:

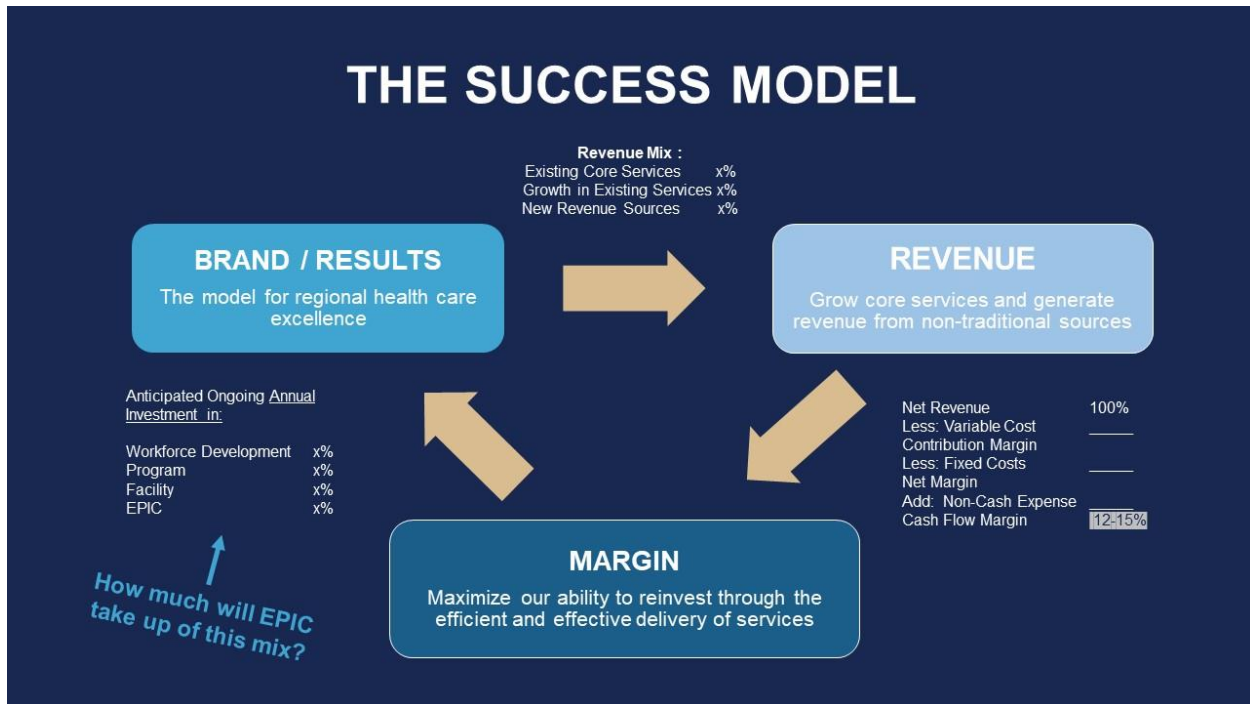
We can no longer be a hospital-centric model. We must come down off the hill and move into the community.

The phrase “come down off the hill” is meant to emphasize BAH’s desire to engage with the community, physician practices, and surrounding providers to create a community healthcare ecosystem that addresses the issues such as access. This is in contrast to a more passive stance in which the hospital waits for patients, physicians, and partners to come to them, otherwise keeping its focus on only its campus activities.

Our Model of Excellence has the following characteristics:

- Others seek to copy it – because it works
- Maintains relevance and adapts to changing preferences and environment – it is flexible as needed
- Earns more volume from our market and partners through a compelling value proposition – the growth we achieve, we earn

- Forms high-value, win-win partnerships to generate new sources of revenue and serve our community – because we cannot afford do it all alone
- Creates a frictionless system of care across the region – a system of ease for all who experience it – patients, doctors, suppliers, families



We made the Success Model more real by calling out the implications of our thinking on key operating metrics:

- While we will continue to earn revenue from the continuation and growth of our core services, we will also need to plan for generating a meaningful percentage of our revenue from new revenue sources.
- We will need to squeeze significantly more Cash Flow Margin out of our revenue than we have in the past to afford the investments we will need to make in our future. A cash flow margin of 12-15% seems an unrealistic stretch to some, yet it is achieved by many providers.
- We will need to intentionally invest our increased margin in strategic priorities beyond facilities, including Workforce Development, Programs, and Technology infrastructure like EPIC.

These elements formed the foundational building blocks for the Strategic Plan.

THE STRATEGIC PLAN

Vision, Values and Mission Statement

The Strategic Planning Team discussed the current vision, mission, and values statement at length, particularly considering the detailed strategic assessment. It was agreed that the current statements represented BAH fully and did not need to be changed.

A vision statement is the aspirational goal for the organization.

The Bay Area Hospital Vision Statement:

Bay Area Hospital will be the model for regional health care excellence.

The Values or Value Statements are those characteristics, behaviors, and expectations for every employee. It serves as a guiding belief system and is a visible display of the attributes that should be modeled by all leaders on a day to day basis or that the organization values.

The Bay Area Hospital Values:

- *Kindness*
- *Innovation*
- *Ownership*
- *Teamwork*
- *Excellence*

A mission statement is the concise phrase that tells everyone in clear terms why BAH exists; it should easily stand on its own and need no explanation.

The Bay Area Hospital Mission Statement:

We improve the health of our community every day.

Strategic Principles

The Strategic Principles act as guideposts for the executive team in that they help judge the value and efficacy of the Strategic and Operational Initiatives that serve as the engine for the Strategy. Every organization, in every business confronts resource constraints such as cash, borrowing capacity, internal talent, and leadership “bandwidth”. Management must prioritize, often tabling important initiatives for critical ones. The Principles help management “score” those initiatives so that the most important ones, with the most strategic value given the current conditions, are given the resources needed.

The Bay Area Hospital Strategic Principles:

- *Increases patient safety and quality*
- *Delivers increased value for customers*
- *Develops the culture we want*
- *Builds new revenue streams*
- *Builds win/win partnerships*

- *Increases or sustains operating margins*
- *Meets the community needs*

It was important for BAH to have a balanced set of principles. Each of the principles is of equal importance. For instance, we cannot have a new partnership that fundamentally detracts from building our culture or is opposed by a large portion of the community. We must add services that meet the community need but they will need to be consistent with our operating margin requirements.

Strategic Foundation

The strategic national and regional market assessment, the SWOT analysis, and creation of strategic principles combine to create the **Strategic Foundation**.

The **Strategic Foundation** model stands on its own and is a visual representation of the core elements of the BAH strategy.

At the center is a simple but powerful statement: ***Put Patients First.***

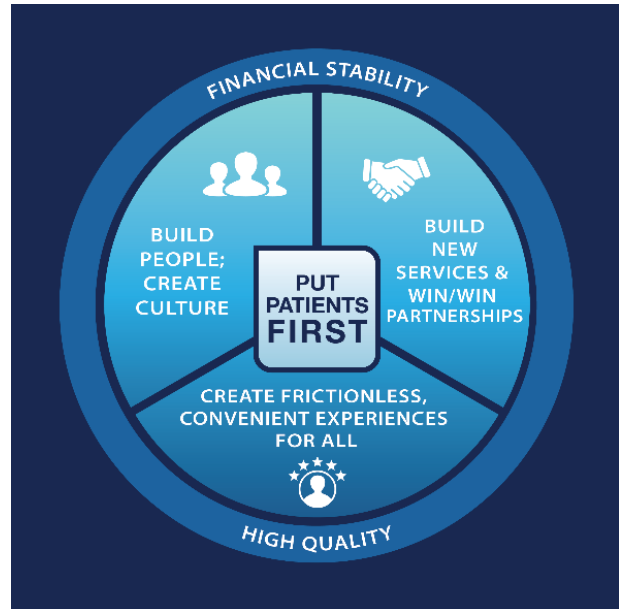
While the concept of putting patients first is not novel, it's also not without controversy. Much has been written on the benefits of putting patients, employees, or physicians first from a strategic perspective. BAH is making the statement that patients are first. In doing so there is a natural corollary that elevates employees and physicians because, at its core, healthcare is about people taking care of people. Without supporting the success of employees and physicians, BAH will never succeed at putting patients first. The statement clarifies that the purpose of employee and physician support is for the gain of the patient and not an end unto itself.

Presenting this core statement at the center of the strategic plan graphic serves to center the organization around the most important aspect of healthcare. It is in the middle because Patients are the most important element to Bay Area Hospital.

Supporting the core element of Put Patients First are the five strategic foundation statements:

- **Build People; Create Culture**
- **Build New Services & Win/Win Partnerships**
- **Create Frictionless, Convenient Experiences for All**
- **High Quality**
- **Financial Stability**

To further explain each:



Build People; Create Culture. This foundation statement highlights the importance workforce development, which starts before people even become employees and extends throughout their career at Bay Area Hospital. For years Bay Area Hospital has been constrained in its ability to accomplish its mission by shortages in human talent. BAH’s remote location requires that the organization take a more proactive approach to talent recruitment, development, and retention.

The statement “build people; create culture” recognizes the direct relationship between people and culture, and that by constantly investing in people BAH will create an organization that fully and consistently represents the BAH values. BAH also acknowledges that it must continue to create greater levels of accountability, employee skill, and patient safety culture. This culture supports the realization of BAH’s mission and vision and the success of the strategic plan and associated initiatives.

Build New Services & Win/Win Partnerships. BAH has successfully served the community for over forty years as a hospital. Focusing on that unique role in the fabric of the local health care system worked historically. However, as we saw in the survey of the health care landscape there are many factors putting pressure on that historic model of success. The organization will be forced to build new services to replace shrinking revenue on legacy services.

It’s also clear that going it alone in the future will not lead to the same levels of success that it has in the past. The organization must seek out and create new collaborations and partnerships. BAH seeks to pursue these partnerships in structures that provide long-term benefits to all parties. Healthy relationships with physician groups and surrounding hospitals – and finding ways to make everyone’s strategy a success – are an implied and necessary goal for the hospital.

Create Frictionless, Convenient Experiences for All. Today’s healthcare system is full of friction; patients fight to navigate a costly and confusing system, and providers wrestle with ever increasing documentation and administrative hurdles. BAH wants its experiences to be smooth and easy – for patients, physicians, providers, suppliers, and families. Delivering experiences like this will make BAH a choice destination for patients to receive care. BAH also wants to create a frictionless experience for physicians and all members of the hospital team where the systems make it easy to provide the best care and customer experiences.

On the outside of the circle are two additional foundational elements: **financial stability** and **high quality**.

Financial Stability allows the hospital to grow, serve the community, operate, and thrive. Without it, few positive things can happen. The hospital’s not-for-profit status means that revenues greater than expenses are reinvested in capital improvements, digital technology, information technology systems, and employee programs rather than being paid to shareholders. Without a healthy bottom-line, these things are not possible, and the BAH vision cannot be achieved.

High Quality. Patients and health care organizations often emphasize different perspectives of high quality. The truth is that high quality should encompass excellent performance in both area. Many patients and family members define high quality from the perspective that emphasizes the experience that the organization provides; how does it make them feel? Getting needed health care services often produces anxiety for patients and their friends and family. High quality health care organizations

recognize these stresses and support patients by demonstrating empathy and compassion, listening actively, communicating clearly, and respecting patients' time.

Health care organizations often focus on quality from a different perspective, tracking dozens of metrics across multiple dimensions of quality. The Institute for Healthcare Improvement defined six dimensions of health care quality still useful today in *Crossing the Quality Chasm: A New Health System for the 21st Century*. Bay Area Hospital's advancement of quality will continuously improve performance across these dimensions.

- **Safety**—Care should be free from harm.
- **Effectiveness**—Care should match science, neither overusing nor underusing the best techniques available.
- **Patient-centeredness**—Caregivers should actively involve patients in their care, and their individual culture, social context, and needs should shape the way care is delivered.
- **Timeliness**—Prompt attention delivers value to all parties, and waiting time that does not add value should be eliminated.
- **Efficiency**—Waste should be removed from the system; this includes supplies, equipment, space, capital, ideas, and energy.
- **Equity**—All people should receive the same high-quality care regardless of gender, race, ethnicity, age, socioeconomic status, etc.

Financial stability and high quality reinforce each other. Financial stability allows us to invest in High Quality. High Quality prevents unnecessary and often costly work and attracts providers and patients, which helps BAH finances.

Symbolically, these two elements are on the outer ring of the circle. Visually this shows us that is financial stability and high quality “protect” the other elements; indeed, if they are missing, the other elements of the Strategic Foundation are unlikely to survive.

Also, symbolically, the outer ring of the model represents how Bay Area Hospital interacts with the marketplace. Visualize the marketplace on the outside of the circle. The market looks at healthcare providers foremost on two factors: cost and quality. Insurers, patients, and employers want to know that BAH is financially sound and an effective operator. They also judge BAH based on the quality of its providers and services. If either is underperforming, the market will react negatively.

The **Strategic Foundation** statements are meant to stay constant until the Board approves the next strategic plan.

Strategic Initiatives

The Strategic Foundation Statements help the Board and the management team set broad and logical priorities that are then organized into the **Strategic Initiatives**. These are broad, directional strategic goals - not a detailed task list. They will be translated eventually into commitments to action and performance goals for tactical and operational level leaders.

The Strategic Initiatives are the performance goals of the CEO. They emerge from the Strategic Foundation but are more action oriented. In setting these, the Board considered the practical realities,

such as organizational bandwidth and resources, and balanced those against organizational need, market pressure, and urgency.

For Bay Area Hospital, the Strategic Initiatives are:

- **Implement Foundational Systems**
- **Transform the Culture**
- **Establish the Fundamentals**
- **Develop the Workforce**

Strategic Initiatives may take months and years to accomplish fully and stay constant until the Board updates them, in consultation with the CEO, usually annually. They are written in a way to need little further description. One should be able to map a Strategic Initiative back to one or more Strategic Foundation Statements; for instance, Implement Foundational Systems ties most directly to Financial Stability and Create Frictionless, Convenient Experiences for All – and it arguably links to other Foundational Statements as well. There is not necessarily a one to one correlation between the Strategic Foundation level and the Strategic Initiative level and this is because the level of specificity and longevity between the two levels.

Implement Foundational Systems: BAH lacks some of the basic systems that are found in most community hospitals. The EMR system is outdated and the human resource system is largely manual in many cases. Performance Reviews, as an example, are still done on paper, by hand. This issue weighs over many aspects of the organization, limiting productivity and innovation. BAH will implement EPIC and WORKDAY, two leading edge and important systems, that will serve as enablers for other operational initiatives, now and in the future.

Transform the Culture: Feedback from the middle managers in the group and in various interviews in the Assessment point to a lack of accountability in the organization. By working to implement the two key systems mentioned above, BAH will inject new accountability into the organization. Additionally, patient satisfaction and quality fall below expectations, for an organization that desires to be the model for regional health care excellence.

Establish the Fundamentals: Coupled with the issue of foundational systems, there are other fundamental system such as scheduling, backlog, admission flow, capacity management, overtime management that falls well short of what a leading hospital has. This stunts financial stability and hurts quality.

Develop the Workforce: BAH's geographic location and its lack of sophisticated systems, hurts its ability to recruit, resulting in unstable staffing, employee turnover, and an overreliance on temporary employees. This limits talent management and development.

One can see how these four strategic building blocks relate to each other; poor systems and fundamentals makes recruiting difficult and increases expensive temporary labor; this hurts the hospitals finances and makes developing a unique and sustained culture difficult.

Nested under **Strategic Initiatives** are **Operational Initiatives**, which provide further clarity on the projects and programs that will be done at BAH.

Operational Initiatives

Operational Initiatives bring the Strategic Plan to life. They are the noticeable “things” that people work on and that the organization achieves. They can include process improvements, strategies, systems implementation, and large-scale projects. Rarely does a single person achieve an operational initiative; rather they are typically consisting of multiple, smaller projects or milestones that should be identified, assigned a specific due date and resources, and given to operational managers to achieve. Some organizations will call these objectives or tactical initiatives.

Bay Area Hospital refers to the pieces that combine to accomplish the operational initiative as Commitments to Action.

The Operational Initiatives can change frequently and should be updated quarterly, or as circumstances change. Bay Area Senior Executives approve these initiatives and they do not require Board approval.

Annex B provides a list of Operational Initiatives as of October 1, 2020.

Each Operational Initiative has an “Owner” and they have assigned specific portions of the initiative to leaders in their functional area.

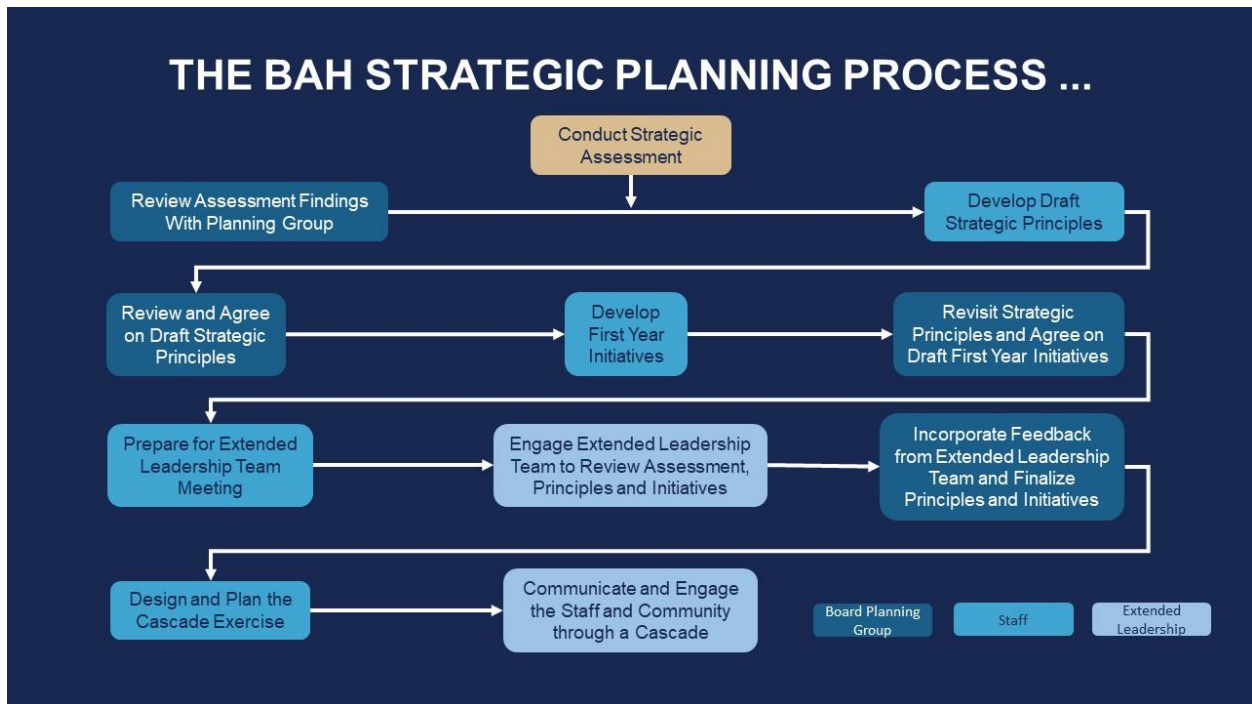
These initiatives were pared down from an initial list that was approximately three times as long. Some of the initiatives were in the realm of the current leader to “just do”. Others were aspirational or were not deemed to be as urgent as the ones that remain. This list was scrubbed again, in August 2020, and assessed for relevance considering COVID. A few were tabled until 2021, where additional initiatives will be added.

ANNEX A - The Strategic Planning Process Explained

Overview

Following the Strategic Assessment, the summary results of which are in this report, BAH began work on the 2020 Strategic Plan.

Bay Area Hospital followed a logical and thorough process to complete its strategic plan. This can be seen graphically below:



Galloway Consultants helped facilitate the process and spent several sessions on site with the Board Planning Group and with the BAH Executive Team, as we worked our way through each phase of the process.

Each session lasted from two to six hours and was collegial, transparent and had a high degree of participation from all participants, frequently being very thoughtful about word choices and direction.

The first meeting clarified the strategic assessment, so we level-set everyone's base of knowledge.

Next, we clarified the mission, values, and vision statement. From there, we developed a list of strategic principles and then moved to the strategic foundation, strategic initiatives, operational initiatives, and cascade.

Each meeting started with goals and objectives and was frequently facilitated using structured dialogue, so that each person on the team had an equal chance of participating. For instance, typical questions were:

Do you believe the BAH needs to change to thrive in the future? If so, what do you think needs to change most?

What part of the Aspirational Vision do you believe will be received well?

What part of the Aspirational Vision do you believe will be misunderstood or not received well?

Do you think, on average, most employees and medical staff members live the Bay Area Hospital Values on a day to day basis?

What are the behaviors associated with these values that you would expect to see on a day to day basis?

What can leaders do to better institutionalize the vision and values?

What part of the Strategic Foundation do you believe will be received well? What part of the Strategic Foundation do you believe will be misunderstood or not received well?

What additional initiatives should be on the “must have” list for this year?

What bold things can we do to create the right culture and successfully implement the main initiatives?

What short-sighted things must we avoid during the next 12-18 months?

Are you satisfied with the changes to the Strategic Foundation statement?

Are you satisfied with the prioritization and quantity of the strategic initiatives?

What additional resources are needed to accomplish those things we must do?

Extended Leadership Team

An important part of this process was the ELT, or Extended Leadership Team. The ELT consisted of a majority of senior and mid-level managers at Bay Area Hospital. This group, approximately 60 people, was invited to critique and help focus the strategic plan as it was being developed. This group met for approximately four hours at a local hotel and broke into working groups to review each section of the plan, when it was in the final draft stage. Structured dialogue technique was used for this group as well.

The summarized feedback they provided to the Board Planning Group:

- The overall strategic foundation, vision and values resonates with most of the group as is
- There is a strong desire to be less vague about the word quality (as opposed to reliability) and put the phrase “put patients first” at the beginning of the statement
- Words like partnership and frictionless will need clarity in the supporting documents
- There is a general understanding that BAH needs to focus on the core infrastructure items initiatives like Workday and EPIC to be successful; that said, there is also a desire to move to fix the other critical shortcomings such as access and recruiting.
- Part of the initiatives, communication plan and cascade should continue to educate the workforce and the community on the market’s social and economic factors

- There is a resounding call for increased accountability and ownership – walking the walk – and doing this throughout the organization

A point of clarification: in the first draft, the phrase “High Quality” was presented as “High Reliability”. The group found this terminology confusing and the Board Planning Group subsequently changed it. Also, the phrase “Put Patients First” was presented as part of one of the Foundation Statement and not separated on its own. The executive team accepted these recommendations in the final strategic plan.

CTA and CTA process

The BAH strategic planning process took high level concepts and analysis and eventually drilled down to the individual level. This makes the process effective and probably unique.

At many companies, the step of understanding what the team needs from each person within the context of the strategic direction is typically missing.

Often goals are set only between an employee and his or her direct manager, usually with no specific understanding or dialogue about the company strategy and without any dialogue with the rest of the peer team on what is needed from that individual.

Frequently, the only documents discussed at an individual goal-setting session might be a copy of last year's performance review and a draft of the new year's performance review document for the individual. The session becomes an administrative task of filling in blanks rather than having a real dialogue about priorities, personal commitments, and job design for the coming year.

The entire organization needs to engage in the process of developing and committing to act on a limited set of individual commitments that are in alignment to the strategic foundation statements.

For this strategic planning process, the first step in transitioning from planning to doing is setting **Individual Commitments to Action (CTAs)** throughout the organization.

These commitments need to be

- relevant for their level of contribution
- aligned to support the top strategic foundation statements and strategic objectives
- things that they were able to help design. The commitments need to be "their" commitments to support the transformation.

For a CEO, the Strategic Initiatives are his/her CTAs:

- Implement Foundational Systems
- Develop the Workforce
- Establish the Fundamentals
- Transform the Culture

The CTAs for the mid-level managers are formed after a process called the Cascade.

The Cascade

The Cascade is the process of taking the strategic planning process and subsequent goal setting and driving that down in the organization; do to this an organization engages in dialogue through a tightly structured, high-engagement, all-employee process that is leader-led.

Speed is Important: One should expect top-to-bottom engagement in a matter of a couple weeks by leveraging the natural management structure. The Cascade process keeps each level of management in direct dialogue with their team and does not just rely on communicating broadly to the masses to get the message across.

One key to a successful cascade is to keep the engagement focused on the top BAH priorities; it should not create a “wide-open” suggestion box to generate thousands of new, random ideas. That part of the process is over.

Overall, we are looking to present the Transformation Story – confronting reality about the market, the local population health challenges, the lack of access, the competing partnership with the medical group, the organization’s sound financial health. We set the conditions for understanding the known obstacles and how we will mitigate those.

The Cascade meeting is led by the CEO, who tells the overarching story of how the strategic plan was created and the high-level content.

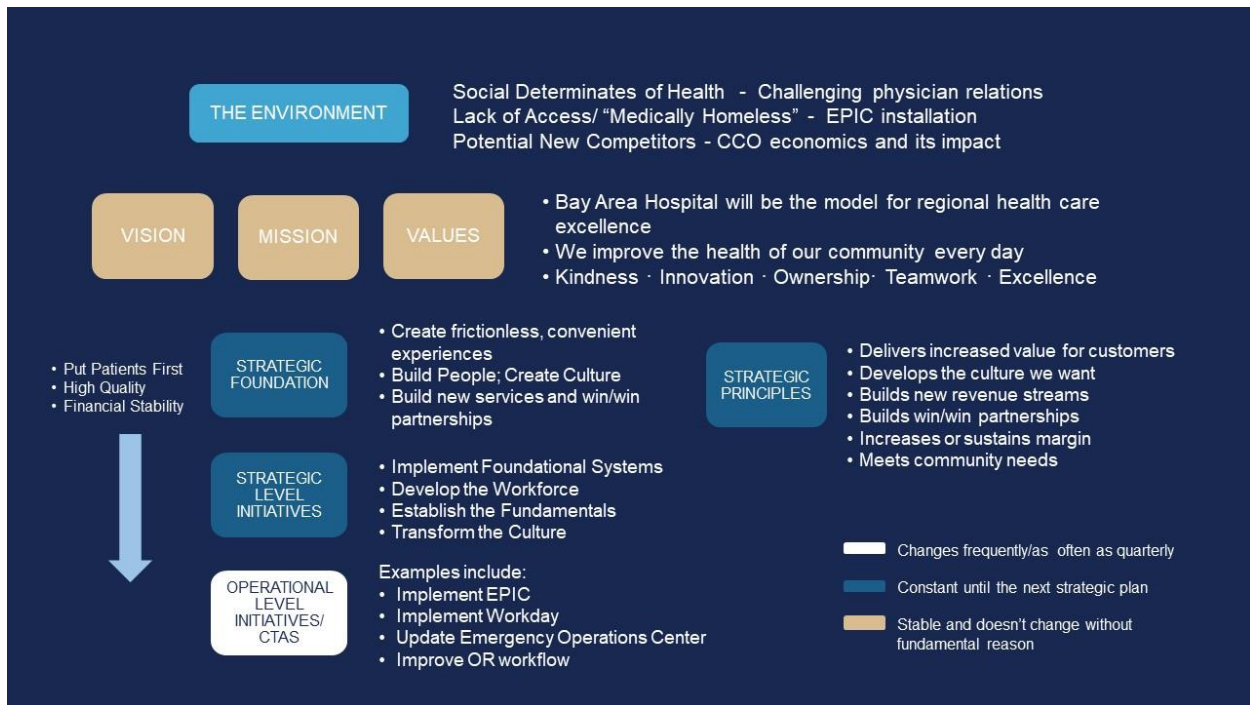
Then, each senior leader meets with their functional group. They outline the Strategic Vision, Foundation, and Initiatives. Here they repeat how the ELT helped you fine tune your thinking.

Next the functional leaders present the CTAs, Goals and Metrics of the CEO and for themselves. The CEO has previously approved these.

The process is then repeated; the ELT group meets with their direct reports. The ELT members meets with each of the members of the next group.

At the end of the process, each manager has specific CTAs that they can tie back to the Strategic Initiatives and the Strategic Foundation process.

The chart below summarizes each of these steps and shows how often the various elements will change. For instance, the vision and mission of the hospital do not change without fundamental reason, while the operational initiatives change quarterly.



Board Involvement

The BAH Board had extensive involvement in the creation of the Strategic Plan. The following Board members were regular participants in many of the sessions:

- Donna Rabin, MD
- Tom McAndrew, MD
- Mark Sheldon
- Lynn Menashian
- Barb Taylor
- Patty Scott

Naturally, the Senior Executive Team participated:

- Regina Rose, CNO
- Brian Moore, CEO
- Michael Van Duren, CMO
- Kelli Dion, CQO
- Sam Patterson, CFO
- Patrick Varga, CIO
- Clay England, CHRO

COVID-19's Impact

No discussion of healthcare in 2020 is complete without discussing the impact of COVID-19. Like all hospitals in the US, COVID resulted in BAH's cancellation of elective surgery for several weeks, which put

a significant financial strain on the hospital. Government assistance eventually provided some relief, but COVID also delayed the full implementation of the Strategic Plan and the finalization of the process.

The executive team and Board took time in the fall of 2020 to review the work that had been completed, pre COVID, and made some adjustments to the operational initiatives. The bulk of the strategic plan was deemed relevant and ready for implementation.

ANNEX B – Operational Initiatives

Operational Initiatives bring the Strategic Plan to life. They are the noticeable “things” that people work on and that the organization achieves. They can include process improvements, strategies, systems implementation, and large-scale projects. Rarely does a single person achieve an operational initiative; rather they are typically consisting of multiple, smaller projects or milestones that should be identified, assigned a specific due date and resources, and given to operational managers to achieve. Some organizations will call these objectives or tactical initiatives.

Implement Foundational Systems

- Implement Epic_- Replace outdated electronic health record with Epic through Community Connect model with St. Charles Health System in conjunction with Bay Clinic and North Bend Medical Center.
- Implement Workday - Replace outdated accounting, supply chain, and human resource systems with Workday enterprise resource planning software.
- Build systems to reduce operational effort – P&P, contracts
- Update the Emergency Operations Plan

Transform the Culture

- Strengthen culture of living our values through Epic and Workday implementations and leader training.
- Enhance culture of patient safety

Establish to Fundamentals

- Re-engineer the outpatient scheduling process and permanently remove backlog
- Expand scope and capacity of hospitalist program
- Improve hospital throughput as measured by door to admission time for emergency department patients
- Define and adopt standardized approach to Process Improvement projects based on IHI training completed by leaders in 2019.
- Build Partnerships with regional community hospitals
- Build Partnerships that tangibly improve access
- Improve operating room workflow
- Increase capacity for higher acuity patients
- Implement intensivist services

Develop the Workforce

- Update Peer Review Process with Medical Staff Leaders
- Improve recruitment process including position control
- Stabilize staffing by filling key open positions; eliminate overreliance on premium labor
- Improve engagement and retention
- Create system of aligned leadership goals