

April 27, 2011

Dear Colleagues,

In our April 11 letter to you, we described the financial situation due to budget cuts at the state level and other healthcare reform initiatives. The governor's proposed 19-percent cut to Medicaid providers for July 1, 2011, through June 30, 2013, would mean about a \$10 million hit to our bottom line.

To get ahead of that financial impact we are taking a number of steps that will result in expense savings and revenue growth. These efforts were recently described in an all-employee e-mail and also posted on the Salem Health intranet site. You can find the link to the letter, and the questions and answers document, on the main intranet page under the heading "Preparing for our future."

As stated, we are exploring ways to reduce expenses, to encourage growth, and to improve value and decrease waste through continued implementation of the Salem Health Production System.

The current review

We began the work in earnest last week by looking at labor costs. With each director we looked at how jobs in his or her department contribute to the Salem Health mission and how functions might be combined. Reviewing the director and other management positions in the department was a key element in those discussions. In addition to looking at departments and management positions we also took a close look at the Executive Leadership Council.

This review included looking at job titles, level and breadth of responsibility, and span of control both with leaders who supervise no one to those with responsibility for hundreds. The total dollars for which the individual is responsible, and the consequences of the actions and decisions by the person in that role, were also taken into account.

We were not looking for quick, short-term fixes. We wanted solutions that protect our future. The criteria used to decide which departments and functions to eliminate or reconfigure were designed to support the organization's strategic direction, be sustainable, maintain quality, be value-added, and recognize medical staff role and impact.

The decisions

At the executive level, we will eliminate one vice president. We recognize we have added three vice president positions recently, which probably seems odd in the midst of budget tightening. However, these positions are essential for revenue growth for the organization.



These are the Chief Marketing Officer, Willamette Health Partners Vice President, and the Surgical Services Vice President position for which we are still recruiting.

Sixteen leadership positions are being eliminated or are being re-classed to a lower level. Three directors are moving into open positions and the others are going through the redeployment process.

We think that two of the changes likely call for a fuller description. One is the move of Care Management in with Patient Satisfaction and other related continuum of care functions, such as discharge phone calls, patient advocates and chaplains. This change frees up the Emergency Department management to focus exclusively on ED patients. Our ED is the main service many of our patients receive and it really is our front door. It is imperative that ED services and our ED patient experience improve.

Another change combines Nutrition Services, diabetes education, community benefit and the Community Health Education Center under one director. This change is intended to shift our focus for food services to one that supports a culture of health, including more healthful food offerings throughout the organization.

As you will see in the attached description of the changes below, we have also continued our commitment to the Salem Health Production System as a means to build our skills in improving value and decreasing waste.

We are making progress on our path to reducing the \$10 million. With the work that was done in the last week we expect to save \$3.175 million in salaries and benefits and we identified an additional \$789,000 in non-labor savings. With the addition of a new coding role in surgery, we believe we can capture \$3.585 million in revenue.

Description of changes

The individuals on this list have been notified of the changes and are in the process of notifying their staff. The changes will be official by July 1, 2011.

Positions, departments, and programs eliminated

The following positions are being eliminated and will not be replaced:

- Education Services: Director
- Financial Services: Financial Planning and Budget Manager
- Hospitality Services: Director
- Information Services: Clinical Applications Manager
- Information Services: Project Management Director
- Kaizen Operations Team Ambulatory Services: Director



- Neonatal Intensive Care Unit: Manager
- Patient Financial Services: Director
- Patient Safety and Clinical Effectiveness: Director
- Pharmacy: Manager
- Security: Supervisor
- Willamette Health Partners: Executive Administrative Director

These positions will be eliminated and replaced with a different role:

- Executive Offices: Vice President/General Counsel and legal secretary. Services will move to external counsel and be supported by an on-site paralegal.
- Hospitality Services: The clinical nutrition manager and retail restaurant manager positions will be eliminated, and replaced by one manager position.
- Patient Satisfaction: Diversity manager will be converted to a staff position.
- Salem Hospital Foundation: Development Director. External support will be utilized on a project basis.

New assignments

- Dan Grigg, current director of Patient Safety and Clinical Effectiveness, will serve as the Leadership Transition Director. He is filling an open position that takes on open leadership positions, saving the organization costly contracts for interim directors. This position was previously filled by Pam Cortez prior to her becoming the Clinical Director at West Valley Hospital.
- Jaime Nichols, current Patient Financial Services Director, will become the Kaizen Operations Team Director for Corporate Services. She will focus on administrative services such as finance and human resources.
- Debbie Goodwin, current Education Director, takes on an open position in the Kaizen Promotion Office as a Kaizen Intern. This is a transitional appointment planned for three months to a year. People in these intern positions get in-depth exposure to the Salem Health Production System and then when operations positions open in the organization they take that knowledge with them, further spreading the system throughout the organization. Debbie's focus will be on preparing educational support around Kaizen.
- Nancy Schimmel's position as Surgical Kaizen Promotion Office Director will be expanded to include the Ambulatory Kaizen Operations Team, eliminating a planned director position.



Reporting changes

These changes are planned to better support achieving strategic goals, or to better align responsibilities.

Department program	Reporting changes from this department/division	Moving to reporting to this department/division
Care Management	Emergency Department	Service and Care Continuum (formerly Service Excellence)
Clinical Education	Human Resources	Nursing Research and Quality
Clinical Informatics and Clinical Engineering	Nursing	Information Services
Diversity	Service Excellence	Human Resources, Workforce Management and Leadership Development
Education services (HealthStream, Salem Health orientation and Salem Health Leadership Academy)	Education Services	Human Resources, Workforce Management and Leadership Development
Emergency Preparedness	Risk Management	Security
Employee Health	Human Resources	Infection Prevention
Environmental Services, patient transport and lift teams	Executive Offices	Nursing Administration
Family Birth Center supply chain position	Family Birth Center	Supply Chain
Five-Star Excellence program	Service Excellence	Human Resources
Health Information Management	Executive Offices	Information Services
Infection Prevention	Patient Safety and Clinical Effectiveness	Nursing Research and Quality
IS project managers	Information Services	Project Management Office
Institutional Review Board	Patient Safety and Clinical Effectiveness	Corporate Integrity
Joint Commission Accreditation	Patient Safety and Clinical Effectiveness	Corporate Integrity
Laboratory	Executive Offices	Nursing Administration
Neonatal Intensive Care Unit	Family Birth Center	Pediatrics
Observation Unit	Medical-Surgical	Cardiac Services
Patient Financial Services	Finance and Strategy	Finance Department



Department program	Reporting changes from this department/division	Moving to reporting to this department/division
Patient Safety Alerts	Patient Safety and Clinical Effectiveness	Risk Management
Performance Improvement Consultants	Patient Safety and Clinical Effectiveness	Kaizen Operations Teams
VTE Coordinator	Patient Safety and Clinical Effectiveness	Nursing Research and Quality
Webmaster and web developers	Information Services	Marketing and Communications
Workers' Compensation	Human Resources	Risk Management

New positions

- An Information Services head hunter will be added to Human Resources. With competition for top-notch information technology staff at a premium, this new position will seek out the best candidates to support progress with Epic and other organizational initiatives. This position will save money by not having to use outside recruiters.
- A surgery coder position will be added to capture lost revenue by providing accurate codes to insurance companies during the pre-authorization process prior to surgery.

New projects

One of the outcomes of this review was an extensive list of potential projects that could lead to further efficiencies or could generate revenue. Examples of some of the potential projects that will immediately be explored more in-depth are:

- **Access Services.** Admitting and other related roles can be found throughout the department. This review will determine whether those functions should be centralized.
- **Data.** Leaders in the organization are often frustrated in their efforts to locate necessary data for decision-making. This review will identify where data is collected and housed throughout the organization, and how we can make it readily available.
- **Dispatch.** A number of departments carry out a dispatch role. This review will explore centralized dispatch roles.



The remaining potential projects on the list will be evaluated and prioritized in conjunction with department directors to determine organizational capacity to accomplish them and ensure the best return on investment of time and resources.

We are beginning a major organizational restructure. All of us play an important role in making it successful, which in turn will help Salem Health be successful and viable into the future. If you have suggestions, please let your manager know. When you are asked to participate in any of these activities, please embrace the challenge.

Thank you for your support and commitment.

Sincerely,

A handwritten signature in black ink that reads "Norm Gruber".

Norm Gruber
President/CEO

A handwritten signature in black ink that reads "Cheryl Wolfe".

Cheryl Nester Wolfe
Chief Operating Officer