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DIGNITY HEALTH POSTS 2015 FINANCIAL RESULTS

Health system strengthens focus on new models for health care delivery

SAN FRANCISCO – September 23, 2015 – Dignity Health, one of the nation’s largest health systems, today announced the results of its 2015 fiscal year, posting a net income of \$558 million for the year ended June 30, compared to \$885 million in 2014.

Operating income totaled \$423 million on \$12.4 billion in revenue, compared to \$288 million in fiscal year 2014. Officials attributed the increase in operating income to a four percent increase in patient volume during the fiscal year, and recognition of 18 months of California Provider Fee funds covering the FY15 year and half of FY14. Investment earnings totaled \$178 million, down from the prior year as a result of market fluctuations. Results were released following a standard audit of Dignity Health’s financial statements by its public accounting firm.

Over the course of the fiscal year, Dignity Health invested \$715 million in capital improvements, including the implementation of electronic health records, seismic upgrades, and new patient towers in Las Vegas, Nev., Chandler, Ariz., and Redwood City, Calif. As a not-for-profit health system Dignity Health reinvests its operating and investment income in hospital improvements, technology enhancements, charity care, and community health programs. The national health system also invested \$1.7 billion in charity care, grants, investments, discounted care, and the unreimbursed costs of government and other indigent programs.

Cost Pressures to Continue Across Industry

Lloyd H. Dean, Dignity Health’s president/chief executive officer, said the organization has remained true to its core mission while focusing on achieving the promise of health reform – lower costs and higher quality – but noted that more challenges are ahead as the industry transitions away from a fee-for-service model.

“We remain on the forefront of this historic transition, and Dignity Health will continue to be a leader in the industry for innovation and quality care,” Dean said. “In order to realize the full potential of health reform it is vital that all sectors of the industry work together to build a national health system that truly works for people. Dignity Health will continue to be part of the solution to the health care crisis.”

Dignity Health, and the industry as a whole, will face ongoing challenges as they adjust to reform measures and work to establish a sustainable cost structure. In particular, Dignity Health will experience pressure from private payers to reduce costs, while sizeable investments will be required to comply with unfunded mandates such as the implementation of electronic health records, ICD-10, and ongoing seismic upgrades in California.

Health Care Reform Working

The success of the Affordable Care Act, in particular with the growing numbers of people who have health insurance, is a cause for optimism in the industry. As the largest private safety net system in California, the decline in uninsured patients is a positive sign for the health and well-being of the communities Dignity Health serves.

“We are encouraged by the increase in insured patients as a result of the Affordable Care Act,” said Michael Blaszyk, chief financial officer. “We have seen a 28 percent reduction in self-pay patients, a shift that we attribute largely to the enrollment in health care marketplaces and the expansion of Medicaid,” said Blaszyk. “We think this will continue to be a meaningful way to stabilize the system, but there is still work to be done to adjust our cost structure to this new reality.”

Dignity Health saw a 17 percent decrease in charity care write-offs, down to \$144 million in costs for the fiscal year, which it attributes primarily to the expansion of Medicaid coverage. At the same time it saw a \$583 million shortfall in Medicaid reimbursements, compared to the cost of providing those services.

Improving Quality of Care

Dignity Health was one of the first health systems in the nation to sign the Partnership for Patients pledge and was one of only 26 to receive status as a Hospital Engagement Network. With an \$8 million initial grant from the Centers for Medicare and Medicaid Services, Dignity Health established a system-wide program to reduce hospital-acquired conditions and preventable readmissions.

In FY15, Dignity Health completed this pilot study. For a core set of ten hospital acquired conditions the health system achieved at least 40 percent improvement in four conditions and more than 30 percent improvement in three others. Compared to the baseline period, Dignity Health estimates a favorable impact on more than 16,000 patients and a cost savings of \$60 million (based on literature review and research studies).

“We are very proud of our pilot results and appreciate the opportunity from CMS to participate in the Hospital Engagement Network,” said Dr. Robert Wiebe, chief medical officer for Dignity Health. “We learned a lot from this initiative and will continue to provide compassionate, high-quality, and affordable care to all of the patients we are privileged to serve.”

Innovating to Improve the Care Experience

Dignity Health is an established industry leader in working with innovative start-up companies and entrepreneurs to help introduce technologies, novel physician alignment approaches, and business models to the organization to help accelerate business performance, improve quality, and reduce the cost of care.

During the 2015 fiscal year the health system partnered with One Medical Group, the fastest-growing primary care system in the country, to open three new locations in Arizona, and invested in Doctors on Demand, which provides 24-hour access to physicians through mobile devices. Additionally, Dignity Health’s ongoing partnership with NaviHealth resulted in more than 20

bundled payment initiatives that hold both Dignity Health and NaviHealth jointly responsible for improving quality and reducing cost of care for Medicare patients up to 90 days post discharge.

The organization's strategic emphasis on physician alignment has also resulted in a number of novel approaches to collaboration that focus on quality and the patient experience, while moving to value-based compensation models. Dignity Health now utilizes clinical integration chapters, bundled payments, and co-management arrangements with physicians. Of particular note, the Dignity Health Medical Foundation implemented a 72-hour post discharge home visit by the care management team, which resulted in an 80 percent success rate in preventing these patients from being readmitted to the hospital.

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About Dignity Health

Dignity Health, one of the nation's largest health care systems, is a 21-state network of nearly 9,000 physicians, 59,000 employees, and more than 400 care centers, including hospitals, urgent and occupational care, imaging centers, home health, and primary care clinics. Headquartered in San Francisco, Dignity Health is dedicated to providing compassionate, high-quality and affordable patient-centered care with special attention to the poor and underserved. For more information, please visit our website at www.dignityhealth.org. You can also follow us on [Twitter](#) and [Facebook](#).