



BROOKS-TLC HOSPITAL SYSTEM, INC.

A message to staff and the community on behalf of Ken Morris, President and CEO:

I am honored to be serving now as the President and CEO of Brooks-TLC Hospital System. The Brooks-TLC System is a special place filled with a committed team dedicated to caring for communities across our region (Northern Chautauqua County, Cattaraugus County/Southern Erie County). In this message, my hope is to express gratitude and to share insights as well as optimism for the future.

Gratitude:

First, our employees and medical staff are our greatest asset. Since being at Brooks-TLC there has not been a day during these 4 years that I have not been proud to be a part of this group. Rural healthcare is a challenging environment in and of itself and this group bands together challenge after challenge to care for the community 24/7. The last two plus years have been even more difficult as we navigated COVID-19 challenges, but this team is resilient and persevered through the rough times. Thank you for your dedication.

I would like to thank the Brooks-TLC Board of Directors for their support and confidence in me as the next leader for Brooks-TLC. As a member of the Brooks-TLC team for the last 4 years, I have witnessed this group's unwavering commitment. This is a passionate group and I thank you for the support to Brooks-TLC.

Last, I have been in healthcare for over twenty years. To rise to the executive level, one must surround themselves with good people and select high quality mentors. Fortunately, my path has provided me that opportunity. Thank you to all the people that have helped in my success for the last 20 plus years.

Insights:

As noted earlier, rural healthcare is a very challenging and complicated environment. Rural healthcare is facing growing financial pressure from all directions. First, I would like to share insights and facts at a national level. In May of 2022, a group called the Bipartisan Policy Center, made up of rural hospital leaders and policy experts across multiple states, published a report "The Impact of COVID-19 on Rural Health Care Landscape." This was a follow up to a report published in April of 2020 titled, "Confronting Rural America's Health Care Crisis." This group was formed to analyze and address the growing rural health care challenge and reports were written to bring to light the challenges and summarize opportunities to transform rural health care facilities for the future. Here are some interesting figures.

- 441 out of 2,176 rural hospitals are at risk of closure

- 116 rural hospitals closed between 2010 and 2019
- Federal relief during the last couple years helped stabilize facilities, however that is temporary

The financial struggles of Brooks-TLC are well known (understatement). But the organization is not alone. The financial position of many, if not all rural hospitals are available on a web page titled, "Saving Rural Hospitals." This webpage provides a 3-year review of the patient service margin as well as total margin. When drilling down to review facilities in the state of New York, Brooks Memorial and TLC can easily be found as well as many other struggling rural healthcare facilities. Out of 54 facilities listed, 40 have a negative 3-year patient service margin. Another 8 facilities have less than a 3% margin. Almost 89% has either a negative or narrow positive patient service margin from 2019 to 2021. The intent to share this information is to point out that Brooks-TLC is not alone. Together, rural health care facilities band together for advocacy and eventually policy changes. We will do our part.

Optimism:

Many of you may have read a recent article in the Observer titled, "Leaders Scurry, State Balks at Brooks' Plan." You might be asking yourself, "why is this optimism?" Specifically, to our employees and medical staff, it was clear this week that this message struck a nerve... rightfully so. To you and others that are interested in knowing, I would like to share a few things to help clarify some statements.

Clarifications:

1. "A recent proposal put forth by the Brooks-TLC Hospital System for the building of a new hospital has been declined by the New York state Health Department."

The new hospital has not been "declined." Neither Kaleida Health Care Systems nor Brooks-TLC have received any communication indicating such. In fact, we continue to meet with the New York State Department of Health and continue to revise and amend a plan that makes sense to support the region. This plan is the only plan made public that incorporates and maintains inpatient beds in Northern Chautauqua county. With the support of Kaleida, we also have partnered with a third-party consulting firm, that has a national reputation for supporting healthcare facilities, analyze the business and support the future hospital plan. I will add that our plan aligns with most of the recommended strategies outlined in the reports written by the Bipartisan Policy Center (previously mentioned).

2. "Brooks-TLC officials — in its presentation to the state — forecast *"a multi-million-dollar annual operating loss even with a new hospital."*

True. However, when a hospital with an operating loss integrates with a larger health care system there are gains that exceed the losses. Along with a plan that outlines a multi-million-dollar improvement by building a new hospital, the Brooks-TLC losses are overcome with the benefits gained integrating into a larger system. If you don't believe me, refer to the web page previously mentioned, "Saving Rural Hospitals" and look up local hospitals that are part of a larger system. Then ask, 'why are these large health systems willing to maintain these rural facilities with negative losses'? There are synergies gained through higher care (tertiary care), cost savings, as well as through increased size and scale of a larger health system.

Kaleida Health has been the selected partner for a number of years at Brooks-TLC. They have benefited Brooks-TLC countless times. They are committed to supporting Brooks-TLC.

3. "In an effort to solidify the future of a north county hospital, (Senator George) Borrello, state Assemblyman Andrew Goodell and Chautauqua County Executive PJ Wendel have put together a commission of area residents who have a background in health care to look over the Brooks

and Kaleida Health proposal as well as its finances. This committee would also be tasked with modifying a proposal that would then go back to the state... “

“These individuals provide a fresh set of eyes and have experience,” Borrello said.

True. This idea was created by the local leaders and was pitched to Kaleida Health, Brooks-TLC leaders and Board of Trustees. All parties agreed to move forward to support the initiative. The Commission’s primary objective would be to focus on the region and create a position paper for the need of a hospital and/or inpatient beds.

4. “Since 2016, Brooks has been working closely with Kaleida when it comes to its administrative leadership and the future facility. There’s no question, from observers and other local officials, the partnership has been shaky at best. Kaleida has invested barely any capital into the effort while Brooks has paid the largest health-care provider in Western New York for LaRowe’s assistance as well as other services.”

First, the current relationship between Brooks-TLC and Kaleida Health does not allow the means to have direct capital investments. It is a management agreement for the CEO position as well as a number of administrative support services that the Brooks-TLC facility has benefited from at a reduced rate.

Note, there are a number of Kaleida human capital investments such as physicians. These physicians have been recruited to the area either through our hospitalist program, the General Physicians PC (Kaleida Health’s employed physician group) located on Vineyard drive in Dunkirk as well as other specialists. These providers are specifically recruited with the intent to help support Brooks-TLC and minimize travel for our community. These are a few examples of Kaleida’s support.

5. “Most of the Dunkirk-Fredonia area doctors who have privileges to Brooks are tied to UPMC, which has a partnership with the Jamestown hospital that has been well received.”

This is an interesting topic. Within the immediate Dunkirk/Fredonia area, there are growing practices in addition to the UPMC/GLPP provider groups. The Chautauqua Center and General Physicians have added a number of providers in recent years. Some of these new providers have privileges and some do not. However, the organization does benefit from physicians without privileges by referring patients for services and referrals to physicians that do have privileges at Brooks-TLC.

When reviewing 2022 year to date numbers, just over 52% of the patients are located in immediate Dunkirk and Fredonia zip codes. That means that almost half of the patents that seek care at Brooks-TLC are located throughout all of Chautauqua county and parts of Erie as well as Cattaraugus Counties.

This evidence suggests that Brooks-TLC is supported by a well-diversified group/physician panel.

To conclude, there are many challenges ahead but we are committed to successfully transform health care in our region. Again, I am thankful to be a part of this organization and am thankful for this great opportunity.

Regards,



Ken Morris
President and Chief Executive Officer