TANNER CLINIC

Dear Provider,

Last Friday Lindsey and Kevin, having watched the numbers, informed me that the production of the clinic had fallen to 50% of normal this past week. We requested an immediate economic prediction for the impact on the clinic if the 50% production continued for 2 months. With many of the surgeons being those most impacted by the pandemic this affords a double dose of bad news. Much of the revenue generated by the surgeons is at the hospital or surgical center. Therefore the on-site overhead remains much the same but revenue falls dramatically. Also of significance, is that the clinic for tax purposes spends up to literally our last dollar to avoid paying taxes at the end of each year.

Kevin and Lindsey project that we need to cut physician draws to 50% for two to three months and decrease employee hourly expense by 25% to weather the dramatic decrease in production. Many of us more affected should reduce the draws even more. Remember that draws are an advance of wages. Decreasing a draw doesn't cost anyone money, all it does is increase the amount of the next distribution. If we keep the draws at 70% of last year, at the same time production is at 50% of last year, then Lindsey estimates over 50% of the docs not only will not receive a distribution in July, but they will have been paid more than they have earned. In essence, they would owe their partners a significant amount of money. By Kevin and Lindsey's estimation to weather the storm we need to decrease spending by $5,000,000 in the quarter.

Our hope is that the two measures will close the gap. Please keep in mind that this change is only being recommended for two to three months. Theron and I, with the help of our lawyers, have gone over the CARES act very carefully. The much talked about payroll loans touted by UMA, some legislators, and the media only apply to businesses with less than 500 employees. There are two exceptions to this rule, the accommodation and restaurant industries. There is no exception of the 500 employee rule by location for medical practices. There are other hints of loans or grants that may be available, but as of today, nobody knows the details. We are monitoring this option closely.

I apologize for the vague text sent Friday. We did not want you to be blindsided by the Nursing Supervisors when they came to talk to you about decreasing staff hours. We have intentionally not been specific about how to get to the goal of 25% reduction of all Tanner Clinic employee wages. There are no exempt departments or employees. We know that each department is unique and we want supervisors and managers to have full flexibility to get to the 25% reduction in the least disruptive way possible. For some this may mean furloughs for others over-all reduction in hours. In all cases we wish management to work with the physicians to meet this goal. Please note that a 25% reduction for April and May equates to only a 4.2% annualized drop in wage. Considering the magnitude of the challenge we face this reduction seems doable.

We have looked at a myriad of other options in trying to alleviate the cash flow problem we face. We are being very proactive even though it may not appear to be the case. We have discussed stopping retirement contributions for the clinic, asking medical building to delay rent, and loans from institutions to help get over the hurdle. All of these options come with additional consequences and not insignificant cost. In other words the idea has been deal with the reality quickly, don't increase cost, and get back to normal in 3 months without added expense.