

**DukeHealth**

October 27, 2017

**Duke University Hospital**

DUKE UNIVERSITY HEALTH SYSTEM

The Honorable Greg Walden, Chairman  
Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515-6115

The Honorable Morgan Griffith, Chairman  
Subcommittee on Oversight and Investigations  
2125 Rayburn House Office Building  
Washington, DC 20515-6115

Dear Sirs:

At our meeting with Committee staff on October 6, 2017, staff posed three questions to which they desired a written response. Answers to two questions were provided in the companion document submitted today by Duke University Hospital ("DUH") under separate cover. The answer to the third question is below. At the invitation of Committee staff, we respectfully request that this letter and the confidential internal business information contained in the response below be treated as confidential, nonpublic information restricted to Committee members and staff only.

Q: What was DUH's margin last year?

A: DUH's margin for FY2016, which corresponds with the latest year for which responses were provided in the companion document, was approximately \$230 million. We would respectfully request that the Committee note, however, that this margin was due in large part to rigorous, system-wide initiatives undertaken by DUHS itself over the past three years to mitigate looming financial risks associated with precipitous declines in reimbursements and substantial national economic pressures facing healthcare delivery in general. One highlight of these efforts included \$180 million in targeted improvements to operating margin over the past three fiscal years, achieved through organization-wide patient care redesign, process improvements, and cost reductions.

We believe that we have now fully responded to the Committee's inquiry. Should you or your staff have any questions about DUH's responses, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'KS', written over a horizontal line.

Kevin W. Sowers, MSN, RN, FAAN  
President, Duke University Hospital