

Southern Coos Health District
Board of Directors Meeting
June 17, 2010 – 7:30 p.m.

Minutes

- I. **Call to Order** - The regular monthly meeting of the Board of Directors for the Southern Coos Health District was called to order at 7:35 p.m. by Chairman, David Allen.

Members present: David Allen, Chair; Brian Vick; Marilyn Noorda; Vicki Gernandt; and Bob Hundhausen.

Others present: Jim Wathen; Alan Dow; Dennis Jurgenson; Lonnie Scarborough; Gail McClave M.D.; Darwin Noorda; Monica Reisner; Barbara Dodrill; Carol Acklin; Esther Williams; and others.

- II. **Public Input** – Barbara Dodrill expressed how distressed she is that we have lost the Bates from the community. We need to work hard to try and remedy that. It is a real disaster to our community. Carol Acklin said she was hoping the Bates would be here so she could thank them for their long service to the people of Bandon and they will be sorely missed. As a Board, I would think you might be concerned to find out why, what is the environment that is causing so many of the Medical Staff to leave Bandon in the last 3 years? Jim Smith said he was a newcomer to the community and had a doctor a few years ago that saved his life and he left this community and he was very distressed about that. I don't know a great deal, but I have seen the Bates and I think they have made a wonderful contribution. My concern is how can you replace a team like that when you lose it?

- III. **Approval of Consent Agenda** – Mr. Allen told the Board they had two sets of Minutes before them and the Foundation report. If there are no questions I will entertain a motion. Mr. Hundhausen said he had a correction to make and directed the Board to Pg. 7 of the Board report where he said he was not in favor of the 5% increase of prices and that is correct. He also said that the Administrative reserve built into the budget is \$1,157,375 and that is correct. The next sentence about the increase is not correct and he asked that it be changed. It was noted and the error will be changed in the May 20 minutes. Mr. Allen asked if there were any more comments. Being none, Mr. Allen said he would entertain a motion to accept the Consent Agenda. Mr. Vick **Moved** to accept. Marilyn Noorda **Seconded** the Motion. Motion passed unanimously.

IV. Staff Reports

CEO Report – Referred members to his narrative in their packet. Our new Community Health program, 'Bandon's Waist Aweigh' starts June 28 in the Bandon Library Conference Room. Paragon go-live has been delayed until June 2011. Paragon is coming out with an upgrade needed to meet federal requirements. It is to our advantage to wait for upgrades to be fully tested. Laws that have come out, and the meaningful use regulations that are being proposed, are leverage for the people who provide these programs. Knowing that it is mandated by the federal government, it allows them to increase their prices, it allows them to do anything they want because there are no controls on them by the federal government, only mandates for hospitals and physicians. This applies only to Paragon 10. We will not

have to get into the trainings for it and avoid the duplication of personnel expenses that otherwise would have occurred with that. Mr. Hundhausen asked about the problems we are having with our Brother printers. Mr. Wathen referred his question to Jeff Lepley. Mr. Lepley said there was some confusion. OCE Printers are basically Brother printers inside, hardware and software are Brothers and the certification was listed under the Brother system. The OCE printers are certified and we have no problems.

CFO Report – Mr. Dow added to his written report. We had a month where we sustained a loss of about \$75,000. Our gross revenues at about \$1.7M were right on budget. Net revenues were about \$23,000 below budget. Our operating budget was about \$43,000 higher than budget. Collections have been good the last 3 months. We got our A/R days to 70 and they are still holding. We made a \$300,000 payment to Medicare. Ms. Noorda said it sure seems like we are not having many people sick. Outpatient Clinic is not too good, we did not have as many acute patients. Respiratory, laboratory was down a lot. Maybe we should start getting some more patients or something. Radiology was down, and ultrasound, swing bed days. Did we have any good days during the last month and do we have any money coming in? Discussion followed regarding some of the excessive expenses, such as Contract Nursing. Ms. Scarborough said that last month we had a low census and called nurses off, but we also an unexpected illness and during a 40-hour period we had 5 nursing staff that were ill. It is significant to have that many sick at once. It was then noted that Administrative expenses were down significantly. Mr. Dow explained that this was the administrative reserve that we have in this year's budget, last year we had a similar reserve. That was for Paragon expenses. Another piece of it was a reserve for revenues that were below budget or expenses that were above budget. This is all because we are not having as bad a year as anticipated. In the Paragon training, there is a need in nursing and various other departments to budget additional staff for those that are training.

CNO Report – Ms. Scarborough deferred to her report and had a couple of items to add to it. Nursing has not begun the Paragon build yet. They had a wonderful opportunity to meet with the City to participate with Charlie Davis who is involved in the preparation of getting Bandon tsunami-ready. She then told the Board that they have a census of 2 patients and she will be calling staff off.

Mr. Allen welcomed Dr. Megan Holland to the meeting.

Medical Staff – Dr. Holland told the Board she appreciated the opportunity to represent the Medical Staff. They had a long conversation at the last Medical Staff meeting about exactly what we should be conveying to you. Focus of last 2 meetings has been credentialing and privileging new physicians and providers. As a Medical Staff we had to sit down and look at what our procedures are for credentialing and privileging to be sure the providers we bring in have the appropriate skill sets and that we are providing the best care we can for the community. A lot of time was spent talking about that and as a result the Medical Staff voted to establish a Medical Executive Committee made up of three physicians who will review: credentialing that is being requested; privileges in more detail; references in more detail; and their qualifications and present that to the Medical Staff in a more formal report. They are also working on Peer Review and how they can bring more physicians into the community who are more comfortable working in the hospital. Finally, we are trying to go through the Medical Staff Rules & Regulations which is something we tend not to like to do; they are pretty old and need to be in conjunction with where the hospital is now. Ms. Noorda was asked who was on the Board. Dr. Holland asked which Board, then said the Medical Executive Committee is made up of 3 people, Dr. Steve Riddick, Dr. Sandy Wilson, and her. They were the 3 that agreed to sit on the Executive Committee. It is a pretty big commitment to take the time to do that. Ms. Noorda said it seems since we aren't taking care of a lot of patients, it seems we have quite a few nurses

and doctors and so are you giving them all the hours they are contracting for. Dr. Holland responded that she has nothing to do with that and she is not sure what that question really is about. There have been shortages in physicians and actually less people available with the Bates leaving, so it has caused some hardships on the physicians that currently work with filling hospital weekend shifts and ER shifts. In response to a comment from Ms. Noorda, Mr. Wathen said that originally the Bates indicated their intent to resign their role as Hospitalists effective September 1. They were dissatisfied with the way things were going and they then changed their minds and it was their intent to resign their Hospitalist role with 5 days notice. Dr. Ken Bates said he would fulfill his obligations through the end of June and that he would consider filling in now and then in the ER physician role. They also indicated that it was Dr. Janet Bates intent to resign her position as President of the Medical Staff and they did not wish to participate actively in the Medical Staff. Ms. Gernandt said we have doctors that have privileges that rarely come here as a physician. If they do not say they are withdrawing from the Medical Staff, then they can still come to the hospital. Mr. Wathen responded that we did not initiate anything in terms of limiting their privileges. The initiation of resignations came from them. We have begun trying to cover things given the fact that they submitted those resignations. Mr. Hundhausen said he received an email from Dr. Bates indicating that there were problems with use of the computers and of the facilities. He said that Dr. Holland had also received that email. Dr. Holland indicated that she had received the email. Mr. Hundhausen asked Dr. Holland if we have any problems that need to be resolved. Dr. Holland said she knew of no problems or conflicts and no reason they would not have access to computers, imaging, or lab. Mr. Wathen said it sounds like misunderstanding or miscommunication because we have given no directives to cut anyone off from accessing necessary information.

- V. **Old Business – Property Acquisition Status** – Mr. Allen said he had received an email from Counsel. He asked Mr. Wathen if he would address this. Mr. Wathen said one of the things that is associated with the purchase of the property, and Ms. Gernandt brought this up when we were first looking at the lots, is a small strip of land between those 2 lots that was not large enough to put anything on. As we moved forward with purchase, we found out it was deeded to the County. We approached the County and asked if they would sell it for a nominal fee and they called us after their meeting this morning and they are willing to consider. We will have to spend a little bit of money to have them write a detailed description for this property. Then the deed would be prepared by District Counsel. We would have the land surveyed to make sure everything was proper and then petition the County formally for the property. We would have to pay a nominal fee, we do not know yet what that would be. Mr. Allen said nominal would be about \$10.00. Filing fees will be between \$40 and \$50. Mr. Wathen said if that is acceptable to the Board, it would help to have a motion to that affect to move forward with these activities with the County. Mr. Hundhausen **Moved** to acquire the strip of property for a nominal fee. Mr. Vick **Seconded** the motion. Motion passed unanimously.

Consideration of Budget Approval: Resolution 2010-03 – Mr. Vick **Moved** to accept Resolution 2010-03. Mr. Allen accepted the motion. Mr. Hundhausen said he would like to amend the proposal to adopt a budget foregoing the scheduled price increase of 5% that is scheduled for July 1, 2010. Mr. Allen asked for a second so they could discuss it. Ms. Noorda said she would **Second** the motion and said we are raising it 5% and we are asking for another 5% and that would be a 10% increase, the way she is reading this. Mr. Allen asked Mr. Dow to comment on that. Mr. Dow said he would like to point out that it is 5% in the current year and 5% in the new budget year. In a calendar year it would be 10% because there is an acceleration of the timing of the increase, but there is only 5% in the current budget year. Mr. Hundhausen said there was a price increase on February 1, 2010. As he understands it, that was a 5% increase that was not authorized except by adopting that budget. The budget we would adopt would reflect a retroactive price increase of 5% on February 10, 2010. Mr. Allen said that has already been done. It was approved

last year and is already in effect. Mr. Hundhausen said his wish still stands. He said he did read the very interesting memo regarding the difference between anticipated revenue and actual revenue. He was also encouraged by the fact that some of our administrative expenses are not going to be as high as we earlier anticipated. Mr. Allen said his comment would be twofold. First, I have been in more of these budget committee meetings than anyone else at this table. He said the participation in the Budget Committee is the best I have seen and he was impressed and appreciative of it. This sends a message to our lay members of that committee, 'Why are they there?' Second, our administration says we need this. The difference in our bottom line is \$200,000 if we accept this. We operate on an extremely thin margin as it is. Mr. Allen said we should go with the Budget Committee and we should go with the Administration. Ms. Noorda said she keeps on thinking we can cut expenses in the hospital. Mr. Dow said he had one comment that Mr. Allen raised last time. If the Board chooses to turn down the first proposal, and you do when you vote on Mr. Hundhausen's proposal, I wonder if you might consider what Mr. Koch talked about, and that is rather than forego the 5%, approve the budget with the additional provision that the 5% increase does not go into effect without Board approval at a later date. The advantage is that it is technically there if we need it as opposed to having to amend the budget later in the year. He asked if the Board would consider that. Mr. Allen said there was some sympathy for that when Mr. Koch brought it up last time, but I am a little confused on how we would fit that into the procedure we are running with now. Mr. Wathen explained that this would require that we accept the recommendation of the Budget Committee, approve the budget as written, but in association with that there is also a portion of that motion, or a separate motion, that states that no price increase would go into effect without the approval of the Board. Mr. Allen said he would take it from the procedural standpoint, that this is what we really want to do. If we want to retain the ability to bring the 5% into the budget without having to go through the formal budget amendment procedure, what we need to do is vote down Mr. Hundhausen's proposal and let someone propose a motion that the 5% increase will not go into effect until further Board action. Ms. Gernandt said if we did that, we would accept the budget as it was presented to us, the budget would already have the 5% increase in it. She thought we should have a budget we can work within. Mr. Hundhausen said that his preference was to balance the budget based on foregoing the 5% increase at this time. That is going to be a more realistic application. Mr. Vick stated that the Budget is a working document. You have to have a budget in place to figure out what your expenditures and costs are going to be. If you don't have a working document, you cannot go in later and amend it without doing the statements and going through a whole new noticing process. We don't have to raise it without Board action in the future unless we need it, but we can't just go ahead and raise it if it is not in the Budget. Mr. Wathen said he could understand where this could be confusing. Ms. Noorda said because we are fiscal. Mr. Wathen continued by saying you have got to understand that the 5% that was instituted in February of this fiscal year was included in the budget for the current fiscal year; it was a timing issue, we felt we could wait until February to institute that 5% and still be in a position to break even in the fiscal year. That 5% was only applicable to what we anticipated happening in the current fiscal year budgetarily. We anticipated that because we felt costs would increase at a certain rate and the 5% initiated in February would help us cover those costs that were increasing in this fiscal year. The new budget anticipates that you are going to have costs that are going to also increase in the new fiscal year. The 5% taken into account for price increases in the current year will not cover price increases in the coming year. That is why you have one on top of the other. Another thing that is very important for you to keep in mind is that when we institute a 5% rate increase, given the demographics of our service and our revenue profiles, 80% of our business will generate nothing out of that 5% increase, because 80% of our business is paid at less than cost or there is no payment whatsoever. So when you put in a 5% increase you only generate, in real revenues, a 1% increase. If your costs in a given year, across the board, go up 1½% to 2%, you will not break even. There is no way

that it can be done. Mr. Hundhausen said that may be so, however, the Budget is predicated on a 5% increase which is going to generate \$1,157,000. Mr. Hundhausen said he had asked Mr. Dow specifically if we did not implement the 5% increase where would you cut the budget and Mr. Dow had said the Administrative Reserve. Mr. Allen and Mr. Dow both said they did not recall that. Mr. Dow said the 5% will generate a little over \$1,000,000 in gross revenue income but for money to pay bills, it will only be about \$200,000. He said he wanted to acknowledge that in the memo just recently, it is possible we can do without the 5% if we could have better payer mix, less charity, a better ratio of commercial insurance; the problem is, look at the economy. Do we really think that will happen? One of the things to really understand on operating expenses, if it is salary or supply, Medicare picks up 60% of that because we get cost-based reimbursement and that is a good thing. For charity we don't get anything. When we provide Charity care, Medicare does not recognize that as an operating cost of the hospital, it has no impact on reimbursement from them. If charity goes up it has a disproportionate impact on our ability to break even. Given the economy, I am just as concerned that the 5% will not be enough. Mr. Hundhausen said we have \$1,259,000 in administrative reserve under this budget right now. Mr. Wathen said, given where we stand with Paragon, there may be a reduction in the need for that. But, at the same time, we are in an industry where you cannot predict what is going to happen. In many cases you can make your predictions based upon what most recently has occurred. That is why we take the most recent 12 months of information when we are developing the budget. Our current budget was based upon the past 12 months and then was adjusted based upon reinstatements of previous cuts and benefits. That is where we stand with it. It would be nice to be able to approve the budget and simply hold the power of the rate increase in your own hands; hold it back and see if it is needed during the year. Otherwise, we will have to have another Board meeting between now and the end of the fiscal year. That is condensing a lot of work within a very short amount of time. My recommendation would be to seriously consider the adoption of the present budget, but you hold the absolute power in your hands. It doesn't happen unless you say so.

Mr. Allen addressed the Board and said if you are of a mind to accept the compromise that Mr. Wathen just described, then procedurally what we need to do is vote down Mr. Hundhausen's amendment and have a new amendment to adopt the proposed budget with the provision that the 5% rate increase will not take place until such time as the Board takes further action. Crowding it in the last 13 days of the year is going to be a real burden on the staff. Ms. Noorda said it was a compromise in trying to save money salary-wise, or extra doctors, or extra time or all of the above. Mr. Hundhausen said he did not think it was that much of a burden so, I think we can forego the 5% price increase and if necessary, have a new hearing and adopt a new budget and that would be my preference. Mr. Allen asked if there were any other comments. Ms. Gernandt said she was going to reiterate what she said before; what we are trying to say is we think that we need to be more in control of our expenses. That is what we are trying to say. Mr. Wathen said he understood what was being said, but it's a flawed position because, keep in mind, the 5% increase limits our cost increases to less than 1%. That is all we can generate out of that 5% increase. So the budget by itself limits any increases to less than 1%. We will see significantly more than that in terms of supply and pharmaceutical costs alone during the coming year. We have people who are moving up annually with some kind cost of living adjustment that comes through our step and grade program. Regardless of positions which may have been added, the budget that is there limits our total increases and the revenue that covers them to less than 1%. Ms. Noorda said you are talking salaries. Mr. Wathen said he is talking all of our expenses. Ms. Noorda said no one I know of got a salary increase.

Mr. Allen said to be clear, Mr. Hundhausen has moved to eliminate the 5% rate increase. Mr. Allen asked that all in favor of Mr. Hundhausen's amendment say Aye. There were 3

Ayes. He then asked for all opposed to say No. There were 2 Nos. Mr. Allen said he had a procedural question. I don't believe we can adopt a budget that we have not published. If we do not have a 5% increase in it, it is not a balanced budget and I am not sure we can adopt that. Mr. Dow said he would like to comment on that question. The Resolution asks for authorization for expenditure. Our Budget Resolution as far as the legality of it, doesn't concern itself with revenues. It is: are you authorizing us to spend this amount of money? If the intent of Mr. Hundhausen's resolution is to say we won't do the rate increase, but if you are right Mr. Dow, you have less charity and more BlueCross, we will still let you spend this money if you can do it without a rate increase. If that is the intent, I think we can actually still pass it as is. If your intent is to take the \$1,000,000 out of the expenditures side, you are right we have to republish. Mr. Hundhausen said that is what they want to do. Mr. Dow said then if that is your intent then we do need to come back and make the effort. Mr. Wathen said that would be his interpretation.

VI. New Business – Medical Staff Membership/Privileges - At its March meeting the Medical Staff approved and accepted the credentialing processes of any Nighthawk physicians that are used for reading medical imaging films or videos. Their recommendation to the Board is to accept for membership physicians who represent physician services because all their credentialing and procedures as an organization are within the guidelines of the Joint Commission for the Accreditation of Hospitals and Health Organizations and because Nighthawk Physicians is an approved organization by the Joint Commission. The Medical Staff based their recommendation on approval of Nighthawk Physicians based upon that and recommend that approval to you. Dr. Harry Sourinian, is an orthopedic surgeon and was approved for provisional staff members with privileges in orthopedic surgery. Dr. Gregory Saunders and Don Moulton are still under consideration. Their process has not been completed. Mr. Allen asked if you say they are still under consideration we are not going to vote on them. Mr. Wathen said that is correct, there is no recommendation to the Board at this time for Dr. Saunders or Don Moulton, RN. The Medical Staff forwards to the Board a recommendation for Dr. Jeffrey Scott, Family Medicine and Christopher Riehl, PA and orthopedic assistant, and they forward to the Board for approval for Allied Staff membership and provisional privileges for Mary Anker, ANP, of the Bandon Community Health Center. Mr. Allen asked if we are asking for approval for all those listed except Saunders and Moulton. Mr. Wathen affirmed this. Mr. Allen asked if there was a motion. Ms. Gernandt **Moved** to accept the recommendations of the Medical Staff. Ms. Noorda asked who is Nighthawk Physicians. Mr. Wathen explained who they are. Mr. Vick **Seconded** the motion. Motion passed unanimously.

Benchmark Reports – Reports are there for the Board's perusal.

- Surgical Care, Improvement Program
- Staff Satisfaction Report

2010-2011 Board Meeting Schedule - Mr. Vick stated he would not be at the August Board meeting. Mr. Vick **Moved** to accept the 2010-2011 Board Meeting Schedule. Mr. Hundhausen **Seconded** the motion. Motion passed unanimously.

Resolution 2010-05 – District Staff Recognition – Mr. Vick **Moved** to accept Resolution 2010-05. Mr. Hundhausen **Seconded**. Motion passed unanimously.

VII. Open Discussion

There was no discussion

Mr. Allen then recessed the meeting to go into Executive Session at 8:50 p.m. The regular meeting was reconvened at 9:43 p.m.

VIII. Adjournment - Meeting adjourned at 9:44 p.m. The next regular meeting of the Southern Coos Health District Board will be Thursday, **July 22, 2010**, at 7:30 p.m. in the Conference Room.

David R. Allen, Chairman

Vicki Gernandt, Secretary