

**Southern Coos Health District**  
Board of Directors Meeting  
November 18, 2010 – 7:30 p.m.

**Minutes**

- I. **Call to Order** - The regular monthly meeting of the Board of Directors for Southern Coos Health District was called to order at 7:30 p.m. by Chairman, Bob Hundhausen.

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

Others Present: Jim Wathen; Alan Dow; Megan Holland, M.D.; Lonnie Scarborough; Amy Strong Moss, Reporter; Melody Gillard-Juarez; Donna & James Reilly; Cyndy Vollmer; Carri Wathen; Esther Williams; Leslie Clarke; Darwin Noorda; Dan Gehring; Christopher Cox; Carol Acklin; Linda Olsen; and others.

- II. **Public Input** – Carol Acklin – Asked the Board to consider putting lights at the entrance to the hospital, tonight it is raining and very dark and it is very hard to see. Need something to indicate where the turn-in is.
- III. **Consent Agenda** – Mr. Hundhausen asked for a motion to approve the Consent Agenda. Mr. Hundhausen said there was an error in the last paragraph of the Street/Alley Vacation vote. The vote should read 3-0, Mr. Allen was absent and Ms. Noorda abstained from the vote. It was noted that the 4-0 vote would be changed to 3-0. Ms. Noorda **Moved** to accept the Consent Agenda as corrected. Mr. Vick **Seconded** the motion. Motion passed unanimously.

Mr. Allen advised the Board that he would have to leave at 9 p.m. and if there was anything critical and would require his vote, he asked to do that before he leaves.

Mr. Hundhausen asked if there was active business that would require a vote from the Board. Mr. Wathen replied the only thing that required a vote from the Board was the McKesson Paragon purchase approvals. Mr. Hundhausen changed the order of business and addressed the McKesson Paragon Purchase Approval.

McKesson Paragon Purchase Approvals - Mr. Wathen asked the Board to move to the last page and the totals involved. He said we are looking for approval for up to \$500,000 in expenditures for additional software packages for our Paragon system. Paragon has made changes to comply with Federal Rules and Regulations in the new act passed by Congress that applies to meaningful use and mandating that hospitals must meet meaningful use criteria in order to be fully compensated. When we bought the Paragon system 2½ years ago, we bought what we thought we would need. Less than a year ago, the government finally determined what meaningful use meant, and the result is that software vendors had to scramble to meet meaningful use criteria. There are a number of items that we need for our system to meet the meaningful use requirements by July 2013 in order to generate

as much as 50% more in reimbursement from the government for the systems we have purchased. We need it not just for reimbursement purposes in terms of getting higher levels of reimbursement on depreciating items, it also means future reimbursement for the service to patients because the government is dictating reduction in those patient payments if hospitals are not meeting meaningful use criteria for their electronic records. We have a number of software items that we need to purchase, the largest among these is the Paragon computerized data entry portion of the package including annual software maintenance. Initially this will cost us \$70,000 and \$13,000 annually after that. What we need to purchase now in additional packages, plus additional programs to make it easier to use and interface with other items, and prepare us to participate in health information exchange with local hospitals, also a requirement of the government, will be between \$500,000 & \$600,000 over the next year. We have \$500,000+ of that on hand in terms of moneys that have already been dedicated toward the system implementation. These are primarily what we received from USDA as a loan/grant. What you have before you in terms of necessary expenditures will take all of that plus some. It is an expenditure that, over the next 6- to 12-months, we can adequately handle, since we have \$500,000 on hand. The software we need is necessary to meet the Federal criteria to assure our position in terms of reimbursement beginning in our 2013-14 fiscal year. Discussion followed about the \$500,000 set aside. Mr. Wathen added that we will be getting \$46,000 in reimbursements for software packages we do not need. Mr. Dow said total reimbursements were closer to \$60,000. Mr. Allen said we do not have much choice, we have committed to this, we will get reimbursed later on. Mr. Allen then **Moved** to approve the proposed purchase. Ms. Noorda **Seconded**. Ms. Gernandt asked if we had to pay all at once. Mr. Dow said there is an initial payment, then we have 5 months to pay the rest. He is going to ask for a longer pay out time. Motion to approve the proposed purchase passed unanimously.

Mr. Hundhausen then went back to the regular order of the Agenda.

- IV. Staff Reports - CEO Report** – Mr. Wathen referred members to his report in their packet. He then expressed appreciation to Mary Kemp for her contribution in time and interaction with members of the public in terms of the past ‘Passport to Chronic Wellness’ program. He said that Leigh Anne Jasheway, a comedian out of Eugene, gave a tremendous presentation with over 100 people there. He encouraged the Board to attend the Rural Health Symposium on January 30 – February 3, 2011. Mr. Wathen said he had received an email invitation to the Board members to attend the annual meeting of the South Coast Health Alliance on the evening of December 2 in Coos Bay. There will be a Webinar on November 30 from 9-10:30 a.m. at the hospital. It is provided by the Vice President for the American Hospital Association Center for Governance and gives a detailed presentation on where healthcare is going from a Board perspective, how Boards should be looking at where healthcare is being taken by the government, and how Boards should be gauging their organizations as a result of that. He encouraged everyone’s attendance. He then expressed his pleasure in Dr. Sandra Wilson’s attainment of Fellowship status with the American College of Physicians. There are not very many physicians on the South Coast who have attained that status. It is a good thing for us in her perspective of patient care and teaching. I am happy to see her attain that honor. The Leadership Team talked with Troy Soenen from the Oregon

Office of Rural Health who gave us a summary presentation on the Needs Assessment that was conducted on our behalf by the Office of Rural Health in October. We will have that information provided to you in our December Board packet. If it is possible and he is available, I will have him come down for the Board meeting and give you the overall perspective from his side. He has done this for many, many hospitals all over Oregon, you will get a feel for what he is seeing and where we stand in comparison to other small communities. Mr. Hundhausen said he would really appreciate the presentation.

Mr. Wathen then asked everyone to contact our Oregon congressional contingent and strongly urge them to take affirmative action against the programmed cuts of Physician compensation by CMS. If we do nothing to stop the cut, CMS will cut physician payments by more than 20% effective December 1<sup>st</sup> and another 5% effective in January. If this happens, some physicians may stop providing care to Medicare recipients. Mr. Wathen then expressed his appreciation to all employees of the District for continuing to significantly set us apart from other hospitals on the south coast and in the State of Oregon. We are now rated #2 in all of Oregon in patient satisfaction. This has happened largely because of our employees and providers. They are the best!

Mr. Hundhausen indicated that he would like to attend the South Coast Health Alliance meeting in Coos Bay on November 30. He noted in the CFO report that our Administrative Expenses are under budget by more than \$107,000 for the fiscal year. Mr. Wathen said he was not going to take credit for that because some of that is still a contingency that is built into the budget after we had taken a huge sum out. Mr. Hundhausen said he had indicated to Mr. Wathen before the meeting that it would be very good to hear in our January meeting how we are dealing with the budgetary constraints. Mr. Allen said he had received Mr. Hundhausen's memo and that he took exception to much of it – he is aware that some of the Board feels the hospital is over staffed and he disagrees with that. In healthcare organizations you can reach a point where you can't do much more on the expense side, and I think we are there. Particularly, you can't do much on the expense side due to our unique reimbursement process. He suggested concentrating on providing and promoting our services and not cutting staffing levels. Secondly, you make comments about the Hospitalist and the comments are not appropriate. Thirdly, the statement 'please include review of the continued subsidy of the Southern Coos Health Foundation, it should be able to stand on its own merits'. Mr. Allen said he disagrees with that, at least at the current time. Mr. Wathen, several years ago when we set up the Foundation as a separate entity, correctly saw that in marginal hospitals like ours, our saving grace may be the Foundation. I think it will be and can be, and if we have to feed it for 5 to 10 years, then so be it. I don't think it is an organization where pinching pennies and squeezing personnel are appropriate. The last thing he would like to recommend you make the opportunity to attend the Rural Health Care Leadership Conference. As a Board member he found this conference extremely helpful and would recommend Board consideration of attending. It was really valuable. It focused on problems that are unique to small, rural hospitals.

CFO Report – Mr. Dow thanked Cyndy Vollmer and Donna Reilly for doing a great job on the audit. He was pleased to have a clean opinion on the audit. For the

month of October we had mixed results. Gross revenues were on target for budget. Bad debts concerned him, they had to write off some big cases. Losses could have been more substantial, but Medicare allowances were quite a bit lower. Operating expenses were 2% over budget, 3% higher than last month. Mostly labor-related. Lab was \$9,500 higher and that was for training, we have to double staff when others are in training. We are below budget year-to-date, but anticipate it being eaten up when we start training. ER had higher costs because of double time. This is in lieu of agency and is a better deal. We also had unbudgeted costs for an ultrasound tech we hired while someone was on leave. These are the primary reasons our expenses went up. Our bad debts were higher by 24%, \$46,000 higher than last month, and \$92,000 higher than budget. Because of Medicare, our contractals still came out relatively positive. Balance Sheet – we made our annual payments for the building which required using some of our unrestricted reserves. We also had a setback in our A/R. Mr. Dow said he was pleased, and the auditors noted, we have had a good track record with our receivables improving and we generated another \$300,000 to \$400,000 in cash last year. Loss of a coder set us back for awhile, but we have that solved now. Ms. Gernandt asked about staffing in the lab. Mr. Wathen said he could provide statistics for the lab. He said we have to have the staffing required to run the machines and draw the blood for every shift.

CNO Report – Ms. Scarborough deferred to her report. She updated everyone on TeamSTEPPS and said after the December 8 meeting we would have 100% of employees trained and the hard work begins of holding everyone accountable to the standards to which TeamSTEPPS has been presented.

Medical Staff Report – Dr. Holland said at the last Medical Staff meeting they unanimously voted to recommend approval of Michael McQueen, M.D. as active Medical Staff. She then told the Board that right now, as of December 1, there is a Medicare pay cut, physician pay will be cut 21%. This affects outpatient doctors and the hospital doctors and the hospital's ability to generate income. Mr. Wathen said it would be a 23% cut, then another 5% in January. It would condemn physicians' ability to appropriately care for Medicare patients. He then asked for approval of Michael McQueen, M.D., to become a part of our Active Medical Staff and; he will be working in our Emergency Department. Mr. Hundhausen suggested that the staff prepare a letter to our congressmen for his signature and perhaps the entire Board regarding Medicare reimbursement for the physicians, if this is the consensus of the Board. Mr. Vick said, with the press here, they should make people aware that this is happening. This is something that affects everyone. Most people are probably not even aware of what is happening. Dr. Holland said when doctors were asked if they would stop seeing Medicare patients, 80% said they would no longer care for Medicare patients. Mr. Wathen said he would prepare a letter. Mr. Vick **Moved** to approve Dr. McQueen to the Medical Staff. Ms. Noorda **Seconded** the motion. Motion carried.

**V. Old Business - Auxiliary Bylaws** – Counsel did not have a report back to us until yesterday. The Bylaws will be put on the December agenda.

## **VI. New Business**

McKesson Paragon Purchase Approval was Moved to the front of the Agenda

Benchmark Reports - Reports are for the Board's review. They got this information in the auditor's presentation.

- Peer Group Comparisons
- HCAHPS Inpatient Satisfaction – Comes from HCAHPS website that shows national averages, Oregon averages, and comparison of Coos County averages. Mr. Wathen told all present that Southern Coos Hospital is #1 in seven of the main categories and the #2 hospital in the State of Oregon.
- Outpatient Satisfaction Report - Southern Coos is #1 among all participating CAHs.

457b Retirement Program – Mr. Wathen will bring formal resolution to December meeting. This resolution allows anyone who is contributing at the maximum level and wants to make additional contributions, the ability to set more money aside.

## **VII. Open Discussion**

Mr. Vick – He referred to Mr. Hundhausen's memo and said it is important for hospitals to have a Hospitalist.

Ms. Gernandt – Asked if hospital has considered looking at business model of hospital and where we are going with the hospital's future. Clinic has been a great asset and asked if we had renewed our lease. Mr. Wathen said we had.

Ms. Noorda – Asked about drive-thru flu shots. Ms. Scarborough said within the first hour we gave 200 shots. We gave 625 total injections. We have gone to West Wind, Harmony Estates, and the Senior Center and offered flu shots.

Mr. Hundhausen – Getting an increasing appreciation for the difficulties that a small rural hospital/Critical Access Hospital faces in these economic times. Despite the difficulties and problems we have a very dedicated and capable staff from the top down who are working to provide healthcare and have been doing a good job of it in the process.

## **VII. Adjournment**

Meeting adjourned at 9:35 p.m. The next regular meeting of the Southern Coos Health District Board will be Thursday, **December 16, 2010**, at 7:30 p.m. in the Conference Room.

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Bob Hundhausen, Chairman

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Vicki Gernandt, Secretary