

Southern Coos Health District
Board of Directors Meeting
November 17, 2011 – 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; Brian Vick; Esther Williams; Marilyn Noorda.

Others Present: Jim Wathen; Shirley Holt; Dennis Jurgenson; Melody Gillard-Juarez; James & Donna Reilly; Carol Acklin; Linda Olsen; Harv Shubotho; Chris Cox; Julie & Jack Jones; Barbara C. Mudge; John Hull; Helen and Robin Stewart; Maude Capps; Pete Hughes; James & Paula Smith; Mike Claassen; Bob & Carol Fischer; Julie Hedig; Brenda Schulz; Nancy Drew; Doug Walberg; Beth Ridenour; Blaine Rose; Deloris Morris; Linda Maxon; Don Chance; and others.

Moss-Adams representatives Tony Andrade and Paul Holden presented the Audit for Southern Coos Hospital & Health Center to the Board and those present. They started with the Auditor's Report and Unqualified Opinion "...*financial statements referred to above present fairly, in all material respects, the financial position of Southern Coos Health District as of June 30, 2011 and 2010,...*" This is in compliance with Oregon Minimum Standards. Mr. Andrade explained:

- Emphasis Paragraph
 - "assuming the District will continue as a "**going concern**"
 - Accounting Term – "substantial doubt about ability to continue"
 - Through next "Operating Cycle" (June 2012)
 - Factors considered
 - Low Utilization
 - Decreasing Cash Reserves
 - Factors mitigating "going concern" emphasis
 - Cost Report Adjustment of \$850k resulted in a positive income statement
 - Property Tax Revenue in November / Cost Report in Early 2012
 - Uptick in Census and Volumes in Sept and October

They completed their report with an Overview of the Financial Statements, Comparisons to Other Hospitals, and Health Care Trends, all of which showed that Southern Coos compared favorably with other Critical Access Hospitals.

QHR – Rick Drake, Senior Vice President of QHR, introduced John Johnson, VP of Business Development, NW Region; Bill Henning, Regional VP, Client Executive, for the NW Region; and Arnie Katz, CFO for Hospitals in their NW Region, and explained what they were doing here. In all aspects of care, we need to coordinate that care. He said these issues are not insurmountable for a small rural hospital, but it is going to take a lot of work to get where you want to be. They have

interviewed 42 people in the hospital and in the community and if they need to do more they can. Mr. Hundhausen asked if they could elaborate on their experience with Curry General. Mr. Johnson said he was personally involved in the contract relationship and arrangement with Curry General. We have an ASA, Advisory Service Agreement with Curry. It is a management affiliation where the CEO and CFO remain the hospital's employees. On the other side we have full services, where the CEO becomes their employee and are still provided all the consulting.

- II. **Public Input** – Jim Giambrone – Thanked hospital for service and said we need to stay diligent. Still stands by his opinion that we need new management. Need to find a method to become successful. Strive for excellence. Exit interviews are important. Don Chance – Great step taken here. Information is power. Commend what you are doing here. Great direction you are taking the hospital. Mike Claassen – Encouraged exit interviews by the Board. He told the Board if you do patient interviews while the patient is still in the hospital, you are not going to get true facts. Patients will not tell you what they think until they are out of the hospital. He suggested that the hospital was falsifying inpatient surveys in order to control patient survey outcomes.

Mr. Wathen clarified that the hospital does not conduct the patient satisfaction interviews. We send the name and address of the patients to an independent firm back east and they send out the interview 2 or 3 months after the patient leaves the hospital. The patients return their responses to the firm. The firm compiles all the responses and sends only the compiled responses to the hospital. Southern Coos Hospital does not handle the patient reviews or see the individual responses.

Pete Hughes asked if he could have a copy of the Auditor's Report. Mr. Wathen said we would provide him with one.

- III. **Consent Agenda** – Mr. Hundhausen asked for a motion to accept the Consent Agenda. Ms. Noorda asked if Julie Jones if she had received responses to all her questions and requests. Ms. Jones affirmed she had. Mr. Vick **Moved** to accept the Consent Agenda. Ms. Noorda **Seconded** the motion. Motion passed unanimously.

- VI **Staff Reports - CEO Report** - Copy of his report is in member's packet. He added that November 17 has been declared National Rural Health Day by Governor Kitzhaber. He expressed his appreciation to the QHR consultants. They will assess Southern Coos Hospital and report back to us. He then told those present he has invited the local providers to meet with our Board. He asked how the Board wanted to meet, as a full Board or just 2 members at a time.

Mr. Allen said it would be beneficial and productive to meet a couple at a time. Need coordination in this, so when they give us suggestions, we can get back to them and it won't fall through the cracks. He felt that this is a person-to-person effort. Ms. Williams and Ms. Noorda will meet with Dr. Holland. Mr. Allen and Ms. Williams will meet with Dr. Scott, Dr. Suarez and Susie Yost, FNP. Mr. Allen and Mr. Hundhausen will meet with BCHC during the first week in December. Mr. Vick and Ms. Williams will be visiting with Dr. Hongola.

Mr. Hundhausen asked Mr. Wathen to elaborate on the \$840,000 we will be receiving from CMS. Is it an extraordinary large amount, do we need to examine our accounting. Mr. Wathen said that we do not need to examine any of our accounting in consequence of that settlement. We do not know where we are going to stand in any given year until our Cost Report has been completed. At the end of the year, you are either even with Medicare or they owe you or we owe them. It was determined through our cost report that they owe us \$850,000. Based upon that cost report, there will be a movement, on the part of our intermediary to increase our payments for patient stays that come under Medicare. We will take a hard look at that and determine, given the reduction in our operating cost, if we want to go back to them and ask them to reduce that so we do not owe them a significant amount at the end of our fiscal year. Question was asked if we could sequester the money and Mr. Wathen said we could put it aside. We would have to be very specific with our analysis in-house so we are certain we put aside what we think we might owe them. Mr. Allen asked who does the estimating. Can we improve this process so we do not get these surprises? We can go through our own generation of a cost report at any time and determine where we stand and whether we set aside extra funds or if we are going to be okay. We can also ask Medicare for an interim report and they could let us know exactly where we stand and whether they should be reducing what we get paid or increasing it. Mr. Allen said it would be better for everybody if we did not get these surprises. Ms. Holt respectfully said it is not entirely in-house. The function is a function of expenses, revenue, and utilization, so when you have high expenses and low utilization, you have to figure you are going to book money then but that is the estimate you are asking us to do. You would be asking me to overstate our revenue as an estimate based on our low utilization and increased cost. There are 2 accounting philosophies about that we can discuss. She discussed it with the auditors and their recommendation was to do an interim cost report to avoid us owing, which she completely agrees with. Mr. Allen asked if we had done this interim Cost Report previously. Mr. Wathen's reply was once, when Mr. Rollins was here.

CFO Report - Ms. Holt reported that patient utilization for both in and outpatient services remains significantly down from prior year and year-to-date. Total patient revenue was above budget and above prior year by \$99,732 and year-to-date the revenues have recovered to within \$5,000 of prior year with the goal being level to prior year. Expenses in October were \$(171,305) below prior year and year-to-date expenses are now tracking at (3.26)% below prior year with a goal of (5)% below year. October's stronger revenues combined with the expense reduction efforts initiated in August brought the year-to-date bottom line to \$(88,348) loss.

Ms. Noorda asked if Accounts Payable were up-to-date. Ms. Holt she was happy to say that last Friday we caught up and brought everything back to, I usually keep things between 40-45 days, so everything is caught up.

CNO Report - None

Medical Staff Report – None.

IV. Old Business - None.

V. **New Business** – A. Investment Policy – Investment Policy is to be reviewed annually. Mr. Allen **Moved** to approve the proposed Investment Policy. Mr. Vick **Seconded** the motion. Mr. Hundhausen suggested that the following wording be added to the last paragraph on Investment Policy Review: “and at other times as may be decided by the Board.” Mr. Allen amended the motion and **Moved** to accept as amended. Mr. Vick **Seconded** the motion. Motion passes unanimously

Mr. Allen **Moved** to establish a Board policy that all Medical incidents be brought to the Board for review in Executive Session. Ms. Noorda **Seconded** the motion. The motion was unanimously approved.

Ms. Noorda commented that the Board should have an Open House for the public to meet the physicians in town. Question was raised who was going to pay for it.

B. Benchmark Reports – There for Board review. We are still second in the State for Patient Satisfaction.

Open Discussion

Mr. Allen – Glad to be back and appreciate all the interest in the hospital.

Ms. Williams – She is glad David is back. Ms. Williams and Mr. Vick will visit with Dr. Hongola. We are doing interviews but cannot force that.

Ms. Noorda – Thanked Ms. Holt for all her work.

Mr. Vick – Enjoyed the QHR interview. Looking forward to their report.

Mr. Hundhausen – Expressed his thanks to all staff members and Administration for their credible performance in these challenging times.

VII. Adjournment

Mr. Hundhausen adjourned the meeting at 9:30 p.m. The next regular meeting of the Southern Coos Health District Board will be Thursday, **December 15, 2011**, at 7:30 p.m. in the Conference Room.

Robert J. Hundhausen, Chairman

Esther Williams, Secretary