

Campbell County Memorial Hospital
Finance Committee
April 22, 2014

Mr. Dugan called the Finance Committee meeting to order at 12:09 p.m. on Tuesday, April 22, 2014. The meeting was held in the Campbell County Memorial Hospital Board Room.

Present:

Mr. Mike Dugan, Chairman
Dr. Sara Hartsaw, Trustee
Mr. Randy Hite, Trustee
Dr. Billie Wilkerson, Chief of Staff
Mr. Andy Fitzgerald, CEO
Mr. Dalton Huber, CFO
Ms. Deb Tonn, Vice President of Patient Services
Mr. Carl Sorensen, Vice President of Facilities and Plant Operations
Ms. Nancy Long, Accounting Manager
Ms. Karen Clarke, Community Relations
Ms. Marilyn Grant, Recorder

Approval of Agenda:

ACTION: Dr. Hartsaw moved, seconded by Mr. Hite, to approve the agenda. Motion carried.

Approval of Minutes:

ACTION: Mr. Hite moved, seconded by Dr. Hartsaw, to approve the minutes of the March 25, 2014 Finance Committee meeting. Motion carried.

OLD BUSINESS

No old business was presented.

NEW BUSINESS

Appointment of Corporate Compliance Officer

Mr. Huber stated that as part of his responsibilities as CFO, he will assume the duties of the corporate compliance officer. He has experience in corporate compliance from his previous employment. The responsibilities of this position include following-up on compliance calls, completing risk assessments and addressing any areas of concern. He will establish a compliance committee to ensure employees are aware of compliance and provide education for the staff. Mr. Fitzgerald served as corporate compliance officer when he was the CFO.

ACTION: Dr. Hartsaw moved, seconded by Mr. Hite, to recommend the full Board approve the appointment of Mr. Huber as the Corporate Compliance Officer. Motion carried

CAPITAL REQUESTS

- **Crosscut Shredder – Plant Operations.** This request is for the purchase an industrial grade shredder with an attached bailer. It will replace the existing 12 year old shredder that breaks down frequently causing disruptions in departmental operations. The new shredder must be upgraded to a crosscut shred to meet new the new Federal HIPPA regulations. The crosscut shredder is more expensive and will take this purchase over budget.

Budget: \$25,351**Actual: \$30,080**

- **Starters for Chiller Pumps – Plant Operations.** This request is for the purchase and installation of 3 primary pump starters in our chiller system. Starter replacement is recommended by consulting mechanical engineers to realize more efficient operations. The new starters will have sequential start-up and additional pressure transducers placed at critical areas in the system. Flow rates will be more accurate and response more immediate for cooling patient rooms with reduced cost.

Budget: \$48,500**Actual: \$48,500**

Discussion: Mr. Sorensen stated that the new starters will improve water pressure throughout the hospital.

ACTION: **Mr. Hite moved, seconded by Dr. Hartsaw, to approve the capital requests as presented. Motion carried.**

Discussion: Mr. Fitzgerald asked Mr. Sorensen to bring the exterior redesign for replacing the revolving door in the main lobby to the May Finance meeting. This is not a budgeted item; however, there are funds available. The revolving door was not purchased for the facility expansion project. It was purchased in 2004 or 2005 and was in storage. The door may be used at Pioneer Manor or it may be sold.

MARCH 2014 FINANCIAL PRESENTATION

Ms. Long presented the March financial data.

- Inpatient admits were 48 which is 17.4% under budget for the month and 1.3% above the prior year.
- Pioneer Manor admits were 4 under budget.
- The average daily census increased 4 days to 29 in March; however, this was still under budget.
- Pioneer Manor average daily census was 9 under budget. This was an increase from 108 last month to 111.
- Outpatient visits were 388 or 1.8% under budget.
- Clinic visits were 9.7% more than the prior year and 4.6% below budget.
- Emergency room visits were 1,979 for the month which is 2.4% under budget and 1.3% below last year.
- Walk-in Clinic visits were 4.1% over budget and 12.2% above last year.
- Total surgeries were 14.1% under budget for the month and 27.4% less than the prior year.
- Net revenues were \$2,105,000 (17%) under budget. Gross revenue was unfavorable by \$1,861,000. This was made up of inpatient revenues \$834,000 under budget and outpatient revenues were \$1,028,000 under budget.

- Combined bad debt and charity care were under budget \$124,000. Separately bad debt was under budget and charity care was slightly over budget.
- Operating expenses were under budget \$461,000 or 3.6% for the month
- The total operating expenses were \$461,000 under budget. Salaries and benefits were under budget \$258,000, part of this is attributed to health insurance which was under budget \$189,000. Supplies were under budget \$178,000 this is due to lower volumes in lab, surgery, and pharmacy. In March we had a net loss of \$700,000 (-6.0% margin) vs. a budgeted gain of \$973,000 (7.1% margin).

Balance Sheet

The total current assets increased \$3,673,000 in March. The increase is due to transferring cash from WYO Star into the operating bank account. We have an increase in our tax levy receivable. This is due to an expected significant tax levy payment in June. Current liabilities increased by approximately \$1,000,000. This is due to the accrual for salaries and interest for the three pay periods in May. In addition, we have the semi-annual interest payment due in May.

Accounts Receivable

The accounts receivable days were 66 in March. This is an increase of 2 days.

Cash Days On Hand

Total cash decreased \$1,745,000. This was due to paying \$1,128,000 for the cath lab project. Total days cash on hand decreased by 4 days from the prior month.

Net Revenue

Mr. Fitzgerald stated that net revenue has decreased approximately 8 to 10 million dollars since March of 2013. During this same period the accounts receivable days have increased. Mr. Huber stated that a cash flow statement will be prepared on a year to date basis that will include all of the sources and uses of cash.

Inpatient Volume

Mr. Fitzgerald stated that over the last 3 to 4 years there has been a downward trend in inpatient volume. In our industry, when there is a decrease in inpatient volume we are still left with 80 to 90 percent of the facility and staffing cost. Ms. Tonn stated that we flexing the staffing in the acute care area. The decline in admissions is happening throughout the state and nationally. Mr. Fitzgerald stated that if this decline in inpatient volume continues, we may consider changing the hospital's status to critical access. This change in status would significantly increase our reimbursement from Medicare. The Medicare reimbursement to critical access hospitals is actual costs plus 1%. Another opportunity to decrease cost is through the pharmacy 340B program. Implementing these changes could improve our margin by 7 to 8 million dollars.

ER and Walk-In Clinic Billing

Dr. Hartsaw asked if patients who initially go to the Walk-In Clinic and then are sent to the ER get two separate bills. Mr. Fitzgerald stated that if the patient is admitted to the hospital, they may be billed for two professional charges; however, they should not be billed for two facility charges. Mr. Huber will follow-up.

Provider Based Clinic Status

Mr. Huber met with the CBO manager to review the billing process and discovered an opportunity to improve our Medicare reimbursement. Medicare recognizes that hospital based clinics have higher facility costs and will assist us in covering those costs. The facility charges must be billed on a hospital form and the physician charges on a clinic form. We are working with the current software to assist us

with the process. In addition to the Medicare reimbursement, we have several other good initiatives to improve reimbursement that are in the process of being fully implemented.

- In April, Executive Health Resources (EHR) began reviewing our outpatient observation patient status to ensure we capture any that should be inpatient.
- Clinic physician coding education has been scheduled for May 5.
- We are in the process of implementing provider based billing in some clinics.
- We entered into a contract with J.A. Thomas to assist us in clinical documentation to ensure we are capturing all of the charges for any complications and co-morbidity the patient may have.
- Cardon Health staff is working in the ER to assist uninsured patients to determine if they are eligible for any state or federal assistance.

DISCHARGE OF UNCOLLECTIBLE DEBT

The uncollectible debt for the month of March 2014 by category is as follows:

| <u>CATEGORY</u> | <u>AMOUNT</u> | <u>NUMBER OF PATIENTS</u> |
|------------------------|----------------------|----------------------------------|
| INPATIENT | \$75,549.64 | 9 |
| ER | 36,024.98 | 17 |
| OUTPATIENT | <u>31,315.55</u> | <u>16</u> |
| TOTAL | \$142,890.17 | 42** |

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- 4 patients had accounts in all three categories
 - 2 patients had an ER and inpatient account
 - 2 patients had an ER and outpatient account
 - 1 patient had an outpatient and inpatient account

ACTION: Dr. Hartsaw moved, seconded by Mr. Hite, to discharge the March, 2014 uncollectible debt in the amount of \$142,890.17. Motion carried.

Discussion: Mr. Huber stated that the aging of the accounts receivable on the hospital side has decreased from last year. Ms. Polonic, Patient Accounts Manager, and her staff have done a nice job.

Public Comment

No public comments

Adjournment

The meeting adjourned at 12:50 p.m.

The next regularly scheduled Finance Committee meeting will be held on Tuesday, May 20, 2014 at 12:00 p.m. in the Board Room.

Marilyn Grant, Recorder