

Campbell County Memorial Hospital
Finance Committee
July 15, 2014

Mr. Dugan called the Finance Committee meeting to order at 12:04 p.m. on Tuesday, July 15 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
Ms. Karen Clarke, Community Relations, Manager
Ms. Kim Johnson, Health Information and Records, Manager
Mr. Chris Harrison, Information Systems, Director
Mr. Paul Christiansen, News Record
Ms. Marilyn Grant, Recorder

Approval of Agenda:

Mr. Huber made one change to the Agenda. He requested that the capital request for the contingency fund for the Cath Lab be removed. Mr. Fitzgerald stated that the Cath Lab came in under budget and the remaining balance may be used for any additional requests for the Cath Lab.

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

Approval of Minutes:

ACTION: Dr. Hartsaw moved, seconded by Mr. Dugan, to approve the minutes of the June 24, 2014 Finance Committee meeting. Motion carried.

OLD BUSINESS

Proposed Fiscal Year 2015 Budget

Mr. Huber stated that the majority of the budget has remained the same since it was reviewed last month. Overall, the projections are conservative. Inpatient admissions may not be as high as projected. The number of outpatient observation status to inpatient may not meet projections. Based on information from the County Assessor, we did not budget for an increase in the tax levy. The County notified us after we published the budget in the newspaper that the tax levy was increased.

Changes to the Capital budget include:

- \$11,928 was added for additional KRONOS licenses
- Legacy Living project was increased from \$40,184,000 to \$47,331,697. The increase will carry over into 2016.
- \$112,355 was added to the Pharmacy remodel carryover
- \$42,631 was added to the carryover for flooring
- \$253,182 was added for the image document system for Provation that is used in Surgery

- \$13,314 to the Cath Lab carryover. This was added to the budget before the final billing for the project was available.

Changes to the Operating Budget include:

- \$128,046 was added to the Administration salaries. The increase is for the increase in Mr. Fitzgerald's salary and for a full year of Mr. Huber's salary. Mr. Huber's salary was only budgeted for half the year in 2014.
- Contract Services – \$6,000 in Human Resources and \$26,453 for legal expense. The increase in legal expense is due to some of the acquisitions we are considering for the upcoming fiscal year.
- Other Expense - \$170,000 for Marketing advertising; \$8,149 for Med Staff travel; and \$12,000 for the Education Pool.

The Committee discussed three specific items from the Capital budget.

- The piano for the hospital lobby. \$26,000 has been included in the budget for this purchase. We are looking into donations to assist with the purchase. Ms. Clarke stated that the piano we would like to purchase is capable of playing by itself. This feature will allow us to provide music to our patients and their family members when we do not have a volunteer to play it. We rented a piano last year for the holiday season and the feedback from the public was positive. Including the piano in the budget does not guarantee it will be purchased. The request for the piano will be brought back to the Finance Committee for final approval during a regular meeting later this year.
- Juice machine for the Coffee Shoppe. Mr. Dugan stated that the Coffee Shoppe is profitable and the juice machine is expected to pay for itself in the first year.
- Way finding kiosk. The courtesy desk is not staffed in the evenings or weekends. The way finding kiosk will assist people during these times. Mr. Sorensen stated that the system is expandable to other areas. Installation is included in the price.

Following discussion, it was agreed to keep all three of these items in the Fiscal Year 2015 Capital Budget.

NEW BUSINESS

APPOINTMENT OF MS. KIM JOHNSON AS CORPORATE COMPLIANCE OFFICER.

Mr. Huber stated that Clifton Larson Allen completed a privacy and security audit for us this year. One of their recommendations is to appoint a compliance officer other than our CFO. Ms. Johnson, Health Information and Records Manager, has the skills necessary for this position. Ms. Johnson stated that she will follow the internal audit plan for facilities from the Office of the Inspector General to ensure we are meeting the required scope of service. In addition, she will monitor the hotline that is used by employees for anonymously reporting of any areas of concern.

ACTION: Dr. Hartsaw moved, seconded by Mr. Hite, to approve the appointment of Ms. Johnson as Corporate Compliance Officer. Motion carried.

CAPITAL REQUESTS

o INFORMATION SYSTEMS

Meditech 6.1X Platform. This will approve the incremental expenses expected in the migration to our new clinical and financial transaction system through FY 2015 with carryover into FY16. The

project budget includes all aspects of implementation with hardware, software, training and professional consulting services. The project is an enormous undertaking which will span more than 2 years and require several thousand work hours before it is complete.

Budget: \$6,579,303

Actual: \$6,579,303
Not to exceed

Discussion: Mr. Harrison stated that the amount requested is the entire budget for the software, hardware, and training. This is in addition to the 10% down payment that was paid earlier this year. The hardware consists of virtualized servers for storage. The existing servers will be used for other applications. The hardware must be in place before we can begin the software installation. We have an agreement with Cornerstone for temporary staff to assist us with the implementation process. Mr. Fitzgerald recommended having the Cornerstone staff use Kronos to maintain accurate timekeeping for reimbursement.

- **PC, Monitors, Printers and Scanners Fund.** This will approve the fund for the replacement and upgrade of established workstations and new workstations where needed. Approximately 100 Planar LCD displays, 100 Dell CPU's, 20 Fijitsu scanners, and 30 HP printers will be replaced or installed new as needed.

Budget: \$250,000

Actual: \$250,000
Not to exceed

- **Server Replacement Fund.** This will approve the replacement of 9 designated servers that are at "end of life" on the network. The servers will be replaced in sequence, scheduled to minimize network downtime. Hardware and operating systems are included to virtualize the most appropriate servers.

Budget: \$81,452

Actual: \$81,452
Not to exceed

- **Remodel Wiring Closet in the Emergency Care Department.** This request will fund a minor remodel of the network wiring closet in the Emergency Care Department. This particular part of the network handles, via fiber, the internet connection for the hospital, ECD network activity and connectivity to the Gillette Campus. The current physical configuration in the closet is haphazard and prone to failure without backup. Our network will be more reliable with new wiring chassis, mounting hardware and cable management systems. Completion of this minor project will eliminate this single point of failure hazard in our network.

Budget: \$10,060

Actual: \$10,060

HOME MEDICAL RESOURCES

- **Home Medical Resources Equipment for Patient Rental Fund.** This will approve a reserve fund to use in the situation where a patient requires a medical device which is not kept in stock at HMR. The requested budget would cover up to 13 various pieces of equipment as needed.

Budget: \$24,655

Actual: \$24,655

SURGERY

- **Instrument Contingency Fund.** This will approve the contingency fund in Surgery for the acquisition of equipment and instruments throughout the fiscal year. Technical accessories, endoscopes and instrument sets are used intensively and are kept in limited quantity. This contingency fund will cover urgent and emergent purchase request as they arise during the fiscal year.

Budget: \$100,000**Actual: \$100,000
Not to exceed**

Discussion: Mr. Huber stated that in addition to the contingency fund for Surgery, specific pieces of equipment have been requested and are included in the FY2015 Capital Budget.

CAMPBELL COUNTY CLINICS

- **Contingency Fund.** This will approve a contingency fund for all the clinics in this service line and the Central Billing Office. IT infrastructure, software updates and interfaces are the primary concern for the contingency. The expansive increases in services provided by the clinic service line require a reserve fund to access when an urgent need has been identified.

Budget: \$200,000**Actual: \$200,000
Not to exceed****LABORATORY**

- **Phlebotomy Tracking Software.** This request will purchase a complete system for the phlebotomy in the laboratory. This software tracks all blood draws, performs positive identification, combines orders and looks for future orders. The new system will print barcode labels in real time at the bedside to eliminate labeling errors. The predictive aspect of the software will eliminate redundant blood draws and combine orders.

Budget: \$103,390**Actual: \$103,390****SURGERY**

- **TURP Generator.** This request will purchase an electro surgical cautery device with specific applications in Urology. The current equipment does not work in all types of prostate procedures and complicates care for our patients. The new generator will be more versatile using longer scopes and shavers. It will eliminate cancellations and the rescheduling of patients due to equipment lamentations.

Budget: \$44,965**Actual: \$44,965**

OCCUPATIONAL HEALTH

- **Replacement Hearing Trailer.** This will fund the replacement of the current hearing trailer use to do testing at industrial worksites. The old trailer is now 13 years old and requires regular maintenance to remain functional. The new trailer will be 10' X 24" goose neck style with 5 hearing booths. The ROI for the trailer in our existing service levels will be about 1 year.

Budget: \$42,399**Actual: \$42,399****PHYSICAL THERAPY**

- **Mist Therapy System.** This request will purchase an advanced wound care system for physical therapy. The device and accessories will use a combination of water mist and ultrasound to clean wounds with less pain. It has been documented that this type of therapy will reduce the healing time for serious wounds. It would be used about 8 times per day.

Budget: \$19,400**Actual: \$19,400****PLANT OPERATIONS**

- **Replacement Hot Water Heater.** This request will purchase and install a new hot water heater at Pioneer Manor. The current tank and heating unit are more than 19 years old and leak. This is the only hot water heater we have at Pioneer Manor. The new tank will have increased capacity and quick recovery so that our residents will have constant and reliable hot water.

Budget: \$11,864**Actual: \$11,864**

- **Remodel the Central Billing Office and Daycare in Pioneer Manor** This request will fund the remodel of the CBO and daycare areas at Pioneer Manor Apartments. This space was recently inspected and found to be deficient for the projected occupancy and use. The fire rating for all walls, ceilings and doors will be increased from 1 hour to 2 hours. Egress openings will be enlarged and increase in number. ADA bathroom fixtures will be installed. Funds for the remodel will come from unutilized monies in the Cath Lab project.

Available Funds: \$997,791**Actual: \$105,648**

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

JUNE 2014 FINANCIAL PRESENTATION

Ms. Long presented the June financial data:

- Inpatient admits were 21 (7.9%) under budget for the month and 9.2% below the prior year
- Pioneer Manor's admits were 3 below budget
- Hospital's daily census was 25, this was the same as in May. Dr. Hartsaw asked why the daily census has been consistently below budget; and how has it been budgeted for next year. Mr. Fitzgerald

stated that we have incentivized the hospitalists to reduce the length of stay. The hospitalists' length of stay went from 4.1 to 3.2. This is cost effective because reimbursement from 80% of our patients is on a fixed DRG basis. Medicare, Medicaid, and Blue Cross reimburse us on a fixed rate by DRG. The hospitalists carefully balance the patient's length of stay with their plan of care. Mr. Huber stated that the length of stay was budgeted the same at the same level as this year.

- Pioneer Manor's average daily census decreased by 3 to 111 for the month. This was 7.5% under budget
- Outpatient visits were 9% over budget
- Clinic visits were at budget for the month and 23% over the previous year
- Emergency Room visits were slightly under budget; however, they were 3.8% over the prior year
- Walk-in Clinic visits were at budget for the month and were 23.4% over the prior year
- Surgeries were 4 (1.3%) over budget for the month and 3.4% over the prior year
- Net revenues were \$705,000 (5.9%) under budget. Gross revenue was favorable by \$808,000. Inpatient revenues were \$282,000 under budget and outpatient revenues were \$1,091,000 over budget
- Bad debt and charity care were both over budget for the month. 9.2% of gross revenue versus a budget of 9%
- Operating expenses were over budget \$440,000 or 3.5%. Salaries and benefits combined were under budget by \$149,000. Total health insurance costs were \$150,000 over budget. Supplies were over budget due to year-end inventory adjustments. Contract Services were over budget due to temporary staffing, consulting fees, writing off the remaining previous master facility plans and expensing architectural fees associated with remodeling the existing Pioneer Manor. We elected to build a new long term care facility rather than remodel Pioneer Manor.
- The June operating loss was \$1,639,000 versus a budget loss of \$494,000
- The net gain was a \$697,000 which is a 5.1% margin our budget was a positive \$918,000 or 6.8% margin

Discussion: Mr. Dugan requested that the EBIDA information, similar to what was presented at last month's Board meeting, be included in the financial presentation. Mr. Huber will provide the information beginning next month.

Balance Sheet

Ms. Long stated that our current assets decreased by \$2,807,000. This is due to receiving the tax levy payment which decreased our receivable. Current liabilities decreased \$492,000 due to the semi-annual interest payment for both of our bonds. It was offset by an increase in our construction and progress on the payable side.

Accounts Receivable Days and Days Cash on Hand

The accounts receivable days remained the same as last month at 66. The days cash on hand increased by 10 days. Cash increased by \$4,172,000, this was due to the receipt of \$7,178,000 from the tax levy. We had significant capital expense in June for the Cath Lab, Radiology, and the clinics construction project.

DISCHARGE OF UNCOLLECTIBLE DEBT

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

CATEGORY	AMOUNT	NUMBER OF PATIENTS
INPATIENT	\$69,890.08	10
ER	68,976.73	27
OUTPATIENT	<u>13,500.05</u>	<u>17</u>
TOTAL	\$152,366.86	54**

** 4 patients had an account in all three categories
 2 patients had an ER and inpatient account
 7 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 June, 2014 uncollectible debt in the amount of \$152,366.86. Motion carried.

Discussion: Dr. Hartsaw requested that a graph of the uncollectible debt be included next month. Ms. Long will prepare the graph.

INVESTMENTS

\$4,000,000.00 was reinvested in the WYOStar operating account, the interest rate fluctuates monthly.

ACTION: Dr. Hartsaw moved, seconded by Mr. Hite, to approve the June, 2014 reinvestment. Motion carried.

Discussion: Ms. Long stated that the deposit was from the tax levy payment.

Public Comment

There were no public comments.

Adjournment

The meeting adjourned at 12:55 p.m.

The next regularly scheduled Finance Committee meeting will be held on Tuesday, August 26, 2014 at 12:00 p.m. in the Board Room.

Marilyn Grant, Recorder