Campbell County Health
Finance Committee
June 19, 2017

Dr. Swift called the Finance Committee meeting to order at 12:00 p.m. on Monday, June 19, 2017. The meeting was held in the Campbell County Health Board Room.

Present:
Dr. Ian Swift, Chairman
Mr. Randy Hite, Trustee
Mr. Andy Fitzgerald, Chief Executive Officer
Mr. Dalton Huber, Chief Financial Officer
Ms. Deb Tonn, Vice President of Patient Services
Mr. Bill Stangl, Vice President of Physician Services
Dr. Sara Hartsaw, Trustee
Ms. Karen Clarke, Director of Community Relations
Ms. Kim Johnson, Director of Health Information Management and Compliance
Ms. Heather Stucker, Controller
Ms. Jonni Belden, Vice President of Legacy Living & Rehabilitation
Mr. Steve Crichton, Vice President of Facilities
Ms. Kathy Brown, News Record
Ms. Wendy Kaufman, Recorder

In Attendance as an Observer and Not Voting:
Ms. Ronda Boller, Trustee

Guest:
Mr. Jerry Means

Absent:
Mr. Mike Dugan, Trustee
Dr. Jennifer Thomas, Chief of Staff

Approval of Agenda:
ACTION: Dr. Hartsaw moved, seconded by Mr. Hite, to approve the agenda as presented. Motion carried.

Approval of Minutes:
ACTION: Dr. Hartsaw moved, seconded by Mr. Hite, to approve the minutes of the May 22, 2017 meeting as presented. Motion carried.

OLD BUSINESS

- **Refinancing Bonds:** Mr. Huber explained the Summary of Interest Expense and proposal from Siemens to refinance the Series 2009 bonds. With the current interest rates the interest savings would be approximately $600,000 per year for the first several years. The first year there will be less interest due to timing of the payments on the bonds. There is significant interest savings going forward. Mr. Huber outlined the calculations of the maximum debt service payments, which includes both the Series 2013 and the proposal for the Series 2009, which are very comparable to present debt service levels. A balloon of 10 years was considered as an option, but the interest savings was not significant. There was only a fraction of a percentage point that would have been gained by going with a shorter term. The debt service payments will remain relatively unchanged with more of the payment going toward the principal. The current debt service reserve is one year and with the new proposal it will be six months. Goal is to close on this in August 2017.

ACTION: **Dr. Hartsaw moved, seconded by Mr. Hite, to approve refinancing the Series 2009 bonds with Piper Jaffray and Siemens. Motion carried.**

- **Budget Update:** Mr. Huber reminded the committee that this is an update on the budget assumptions only and that the final budget approval will be in July.
  - **Charges** - Price increase of 3% for hospital, long-term care, and physicians.
  - **Volume** - Includes (1) an additional 120 inpatient admissions to account for patients that were diverted to other facilities or sent home that could have been admitted, (2) projecting 151 residents at Legacy, (3) no growth on outpatient side, and (4) additional clinics and providers in the Medical Group.
  - **Building Project Assumptions** – The 2nd floor building project will begin in March or April 2018.
  - **Expenses** – Includes (1) salary increase of 3% for merit and market combined, (2) increase in FTEs but elimination of travel staff, (3) supplies budgeted flat with inflation and 340b savings, (4) reduce contract services $1.5 million due to reducing or eliminating contract labor, and (5) interest expense not including possible savings from refinancing.
  - **Other Revenue** - Use of the recommendation from the county on the valuation for the tax levy, which is close to a 20% reduction.
  - **Profitability** - Operating margin budgeted at -7.4% versus the projected -8.8%. EBIDA will decrease from 13.2% in 2017 to 11.8% in 2018 due primarily to the reduction in tax levy.

NEW BUSINESS

- **Compliance:**
  Ms. Johnson stated that there were no compliance issues to report at this time.

- **CAPITAL REQUESTS**
  - **Transport Stretchers – ECD.** This request will replace three (3) transport stretchers in the Emergency Care Department. The current stretchers were purchased in 2006, have manual propulsion, and show extensive wear on the mattresses and bed frames. Ordinary stretchers have a useful life of ten (10) years. They will be replaced by powered stretchers with heavy duty hydraulics creating a greater weight bearing capacity of 700 pounds. The acquisition of the three stretchers will complete a phased replacement of all transport stretchers in the ECD from manual to powered devices. Patient and staff safety will be supplemented and enhanced with more capable stretchers.

    Budget: $32,077 **Actual: $32,077**

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

MAY 2017 FINANCIAL PRESENTATION

Ms. Stucker presented the May 2017 financial data.

- Inpatient admits were 40 under budget in May.
- Legacy admits 3 under budget and up 2 compared to last year.
- Total average daily census was 22 versus a budget of 26.
- Legacy average daily census was 134 versus a budget of 127.
- Outpatient visits 1,269 under budget. Visits decreased by 535 compared to May 2016.
- Clinic visits 403 below budget and decreased by 535 compared to a year ago.
- ER visits 44 under budget and up 74 compared to a year ago.
- Walk-In Clinic visits 367 under budget and up 56 from a year ago.
- Total surgeries: PRSC surgeries were 201 compared to a budget of 199. Inpatient surgeries were 67 versus a budget of 74. Outpatient cases 366 versus a budget of 306.
- May's net patient revenue was $740,000 under budget.
- Bad debt and charity care under budget $693,000.
- Operating expenses under budget $196,000 in May.
- EBIDA over budget $58,000.
- May's operating loss of $1,154,000 versus a budgeted loss of $975,000.
- Net loss was $29,000 versus a budgeted gain of $221,000.
- Current assets increased by $2,920,000 in May due to an increase in cash and accounts receivable.
- Current liabilities increased by $1,545,000 as a result of an increase in accounts payable and accrued salaries.
- Accounts receivables stayed flat at 68 for the month of May.
- Days cash on hand increased to 174. Cash balances increased by $2,500,000.

Discussion: Ms. Stucker explained that the bulk of the loss on the sale of assets in May was due to the cleanup of Pioneer Manor. Approximately $100,000 of assets were sold for $20,000, resulting in the $80,000 net loss. The loss is due to the items not being fully depreciated. We were able to get off of the fixed asset schedule. A check from the county for $6.1 million was received in June for the tax levy. The expectations for year-end cash balance is approximately $80 million if profitability is as budgeted. The budgeted capital expenditures and cash generated for FY 2018 is pretty even.

Point of Service Collections: Point of service collections increased from approximately $5,000 per month to $35,000 per month. As patients come in with higher deductibles, point of service collections becomes more productive. The price estimating tool will be utilized upon completion of training. Utilizing the Advanced Beneficiary Notice (ABN) will also generate more revenue.

DISCHARGE OF UNCOLLECTIBLE DEBT

The uncollectible debt for May 2017 by category is as follows:

INPATIENT UNCOLLECTIBLE	$ 94,763.43
ER UNCOLLECTIBLE	$ 161,870.17
OUTPATIENT UNCOLLECTIBLE	$ 390,655.77
COMBINED TOTAL FOR APRIL 2017	**$ 647,289.37**

Discussion: It was pointed out that the uncollectible debt is down from what it has been. Mr. Huber sent a letter to the collection agency asking them to move the accounts older than three years to a secondary placement agency by September 1, 2017.

ACTION: **Mr. Hite moved, seconded by Dr. Hartsaw, to discharge the May 2017 uncollectible debt in the amount of $647,289.37. Motion carried.**

INVESTMENTS

There were no changes to investments in the month of May.

PUBLIC COMMENTS

In response to Mr. Means' question of how much this year's tax mil levy was, Mr. Huber stated it was $15 million. Mr. Means shared that while attending School Board meetings, City Council meetings, and County Commissioner meetings he has noted that quite often the mil levy is requested to be increased. Mr. Means commended the Finance Committee for not requesting the same.

Adjournment

ACTION: **Dr. Hartsaw moved, seconded by Mr. Hite, to adjourn the Finance Committee meeting. Motion carried.**

The next regularly scheduled Finance Committee meeting will be held on July 17, 2017 at 12:00 p.m.

Wendy Kaufman, Recorder