

**Campbell County Health
Finance Committee
August 22, 2016**

Mr. Dugan called the Finance Committee meeting to order at 12:03 p.m. on Monday, August 22, 2016. The meeting was held in the Hospital Board Room.

Present:

Mr. Mike Dugan, Trustee
Dr. Sara Hartsaw, Trustee
Mr. George Dunlap, Trustee
Mr. Dalton Huber, Chief Financial Officer
Mr. Andy Fitzgerald, Chief Executive Officer
Ms. Deb Tonn, Vice President of Patient Services
Mr. Steve Crichton, Vice President of Facilities
Mr. Doug Montgomery, Interim Controller
Mr. Bill Stangl, Vice President of Clinic Services
Ms. Karen Clarke, Director of Community Relations
Ms. Kim Johnson, Director of Health Information Management and Compliance
Ms. Wendy Kaufman, Recorder

Excused:

Dr. Alan Mitchell, Chairman
Dr. Lowell Amiotte, Chief of Staff

Approval of Agenda:

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

Approval of Minutes:

ACTION: Mr. Dunlap moved, seconded by Dr. Hartsaw to approve the minutes of the July 18, 2016 Finance Committee meeting. Motion carried.

OLD BUSINESS

- **Refinancing Bonds:** Mr. Huber noted that Piper Jaffray will provide representation for investigating the feasibility of a private issue bond.
- **2016 Capital Clarification:** Mr. Huber reported that there was a typo in the 2016 Capital Budget where the detail did not match the total. The total of \$32,000,000 that was approved is adequate for 2017.

NEW BUSINESS

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

CAPITAL REQUESTS

Data Storage Expansion: This request will add an additional SANS Disc Storage Array for Meditech. Migration to the MT 6.15 platform has created a need for increased data storage due to the massive information captured for our patient's medical records. The new storage array will double the size of the existing SANS. All hardware, software and professional services needed for a turnkey installation are included in this request.

Budget: \$167,268**Actual: \$164,962**

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

JULY 2016 FINANCIAL PRESENTATION

Mr. Huber presented the July 2016 financial data.

- Total operating revenue was below budget at \$12,600,000.
- Expenses were well below budget. Part of this was due to over accrual from the previous fiscal year. Mr. Montgomery explained that what happens is at the end of the year Accounting attempts to get all of the previous year's expenses into the previous year's budget, causing over accruals in that year going into the next fiscal year and the first month always tends to look better. Accrual processes in Accounting have changed, going from month-to-month to starting in July for the entire fiscal year. This process change was discussed with the auditor who concurred.
- Admits were 235, which is below budget of 253.
- Average daily census for the hospital was 25 versus a budget of 26.
- Average daily census for Pioneer Manor was 120 versus a budget of 127.
- Outpatient visits were 14,900 compared to a budget of 16,200.
- Emergency room visits were under budget and down from a year ago by 100 visits.
- Walk-In Clinic visits continue to slide. August is busier.
- Surgeries are right on track with budget, very strong.
- Net revenues were short of budget by \$1,703,000.
- Bad debt and charity was under budget \$279,000.
- Operating expenses were \$12,500,000 compared to a budget of \$15,200,000.
- Operating gain was \$14,000 versus a budgeted loss of \$1,069,000.
- Net gain was \$1,237,000 versus a budgeted gain of \$150,000.
- Current assets decreased by \$2,091,000 in July due to decreases in cash.
- Accounts receivable days increased by 5 for a total of 84.
- With new ownership of PRSC there is a requirement to have an individual NPI for Medicare. There is an ongoing struggle to get approval for the new NPI number. Medicare has not been billed due to this.
- There is a contract issue with Blue Cross Blue Shield. They are rejecting all claims. The billing is being done as a hospital service, which is what it should be. Mr. Huber and Mr. Fitzgerald will be meeting with them on Monday, August 29, 2016.
- Mr. Montgomery reported on the days of cash on hand. Cash balance was just under \$80,000,000.
- Fiscal year 2016 profitability by division for the organization shows the hospital had \$6,500,000 loss from operations. All of the global overhead is on the hospital side. The system functions all reside on the hospital's profit and loss. The mil levy is also on the hospital side but could be spread out. Home Health & Hospice shows \$900,000 loss from operations. Pioneer Manor had \$1,800,000 loss from operations. Contract labor took profitability down at Pioneer Manor. PRSC had \$2,300,000 profit for six months. PROS had a loss of \$868,000. This is in large part due to the timing issue of when bonuses are paid out. This is only the professional fees from PROS. CCMG showed \$5,600,000 loss from operations. In total, there was \$13,300,000 operations loss for 2016.
- Health insurance was up \$2,600,000 from last year. Surgical supplies were up \$2,400,000 but the charges were up \$18,000,000. Orthopedic business has been up significantly from last year. Drugs were up \$2,000,000; some was utilization and some was price. Drug companies nationwide have been increasing prices. Charges were up \$3,800,000 which includes price increase and some utilization changes. The 340B drug purchasing program has been approved and will be started October 1, 2016. Contract labor was up \$2,700,000. The three major contributing departments were OB, Med/Surg/Dialysis, and Pioneer Manor. Mr. Dunlap questioned if all of this was reflected in the

new budget. Mr. Huber explained that some changes were budgeted for as well as less contract labor and this was reflected in the 2017 budget. Continued growth in Surgery was not budgeted for.

DISCHARGE OF UNCOLLECTIBLE DEBT

The uncollectible debt for July 2016 by category is as follows:

INPATIENT UNCOLLECTIBLE	\$ 279,458.49
ER UNCOLLECTIBLE	\$ 154,141.98
OUTPATIENT UNCOLLECTIBLE	<u>\$ 157,356.63</u>
COMBINED TOTAL FOR JULY 2016	\$ 587,957.10

ACTION: Dr. Hartsaw moved, seconded by Mr. Dunlap, to discharge the July 2016 uncollectible debt in the amount of \$587,957.10. Motion carried.

DISCUSSION

Dr. Hartsaw questioned if the accounts receivable numbers were for the entire organization or only the hospital. It was noted that the commercial accounts receivables were as high as self-pay. Mr. Huber stated that this is not due to the Blue Cross Blue Shield issue.

The Board meeting for September has been changed to September 29, 2016. In response to the question of changing the Finance Committee meeting to the same week, Dr. Mitchell will be contacted for a decision.

INVESTMENTS

There was \$4,000,000 reinvested into bonds in July.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

The meeting adjourned at 12:40 p.m. The next regularly scheduled Finance Committee meeting will be held on Monday, September 19, 2016.