

Campbell County Health
Finance Committee
July 14, 2015

Dr. Mitchell called the Finance Committee meeting to order at 4:02 p.m. on Tuesday, July 14, 2015. The meeting was held in the Hospital Board Room.

Present:

Dr. Alan Mitchell, Chairman
Mr. Randy Hite, Trustee
Mr. Mike Dugan, Trustee
Mr. Andy Fitzgerald, Chief Executive Officer
Mr. Dalton Huber, Chief Financial Officer
Dr. Lowell Amiotte, Chief of Staff
Ms. Deb Tonn, Vice President of Patient Services
Mr. Bill Stangl, Director of Clinic Services
Ms. Nancy Long, Controller
Ms. Karen Clarke, Director of Community Relations
Ms. Brittany Thrall, Job Shadowing Mr. Dalton Huber
Ms. Marilyn Grant, Recorder

Excused:

Ms. Kim Johnson, Director of Health Information Management and Compliance

Approval of Agenda:

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

Approval of Minutes:

ACTION: Mr. Dugan moved, seconded by Mr. Hite, to approve the minutes of the June 22, 2015 meeting. Motion carried.

OLD BUSINESS

• **Preliminary Fiscal Year 2016 Operating & Capital Budget**

Mr. Huber stated the bottom line is approximately \$100,000 better than what was included in the proposed budget that was presented last month. Benefits decreased significantly following the fiscal year-end review of health insurance. Salaries increased slightly. The contractual for Blue Cross payment rates was adjusted to provide a little more conservatism in the budget projections. The operating margin is a negative 5.6%. Dr. Mitchell asked if patient care will suffer as a result of the reduction in the number of requested FTEs. Mr. Huber stated that the reduction in FTEs were not in patient care areas. They were primarily in support areas. Dr. Mitchell asked for more information on the medical directorship, what the responsibilities are for these positions. We want to ensure there are no Stark violations associated with the new positions. Mr. Stangle provided the job description for the Chief Medical Officer and Campbell County Medical Group Organization Chart (copies appended to the minutes). The CMO is a half time position who will work with all of the providers in the medical group. The duties include looking to accomplish the goals of the organization and provide clinical direction. Going forward, we will be paying close attention the changes implemented by CMS. CMS plans to save one trillion dollars over the next ten years through care coordination. We do that here through case management and patient centered medical homes. In order for us to achieve these things with our employed group, we need to provide the structure, direction and the clinical

standards so we can be successful in the future. The clinic has structure today; however, going forward we will have to provide chronic care programs, i.e. diabetes care and other care management. The CMO and medical directors will facilitate the development and management of the chronic care programs. They will be responsible for ensuring that we develop the necessary guidelines for the programs and that we are able to enforce them. Mr. Fitzgerald stated that job descriptions for the .1 FTE medical director positions will have to be created. We may want to hire the CMO and allow that person to assist in the selection of the medical directors. This will be discussed at a Physician Leadership Committee meeting. Dr. Mitchell stated that it could take six months to a year to hire the CMO. And the CMO would require some time in the position before he or she could select the medical directors. Mr. Fitzgerald stated that the CMO is a half time position in the new budget. Mr. Huber stated that for budget purposes, we made the assumption that the other half of the CMO position will be filled by a practicing physician.

NEW BUSINESS

- **CAPITAL REQUESTS**

Mr. Huber stated that the capital requests are all included in the proposed Fiscal Year 2016 Budget, and will be contingent on the approval of the Fiscal Year 2016 Budget.

INFORMATION SYSTEMS

Paging System Upgrade. This request is for new speakers and VOIP hardware for our paging system that will integrate into the network. The addition of the new speakers will eliminate areas where paging is unintelligible. Better volume control and audio fidelity will result from the installation of the new hardware. A substantial amount of cabling to the speakers is included. They will replace approximately 150 analog speakers connected to our paging system.

Budget: \$128,882

Actual: \$128,882

Virtual Desk Top Licenses and Hardware. This request will fund the upgrade of approximately 250 workstations to a virtual environment. This is the first phase of a multi-year migration to a virtual environment. The infrastructure and licensing required for virtualization is extensive and will affect every workstation on the network when completed. This implementation will create session portability which has been requested by our medical staff. Virtualization will reduce the labor cost in IS required to build, deploy and troubleshoot workstations on the network. Increased productivity and a more efficient HIS will result with virtualization.

Budget: \$500,000

Actual: \$500,000

Not to exceed

Discussion: The virtual desktop environment will eliminate the need for a PC at every location.

Server Replacements. This request will replace 9 heavy duty physical servers used to anchor and host virtual servers in the network. The hardware designated for replacement ranges in age from 5 to 7 years and will be scheduled for replacement throughout the year to minimize disruption in the network. Although the equipment is operating within specifications, it is beginning to show signs of failure. Proactively replacing important hardware will limit network downtime and facilitate quick recovery if an outage occurs.

Budget: \$94,618

Actual: \$89,263

Standard IT Hardware Replacements, Additions and Upgrades. This will fund the periodic replacement of various obsolete PC's, printer's and peripheral hardware deployed throughout our system. The fund will be used throughout the year as needed to replace old hardware where memory, computational power or operational utility is deficient. The funding will cover approximately 1/6 of the total PC hardware in the system and is a contingency for up to 30 new workstations.

Budget: \$323,000

Actual: \$323,000
Not to exceed

Virtual Blade Expansion. This purchase will add 2 Cisco blade chassis to the data center server farm to expand our virtual environment. The additional hardware is needed to keep pace with the Meditech migration and the ever increasing demand for data storage in our network. Expansion of the virtual environment will be halted without this essential hardware.

Budget: \$91,805

Actual: \$91,805

OUTPATIENT BEHAVIORAL HEALTH

Flooring Upgrade and Minor Remodel. This will fund a minor remodel to replace the public-facing intake counter where patients check in and replacement flooring for all public areas. The façade at the intake area is open providing less privacy than needed to ensure HIPPA compliance. The replacement counters will have discrete sections with a structure conducive to privacy. All public areas will have new flooring installed to replace extensive areas of high foot traffic.

Budget: \$108,000

Actual: \$108,000
Not to exceed

ACTION: Mr. Dugan moved, seconded by Mr. Hite, to approve the capital requests as presented pending approval of the Fiscal Year 2016 Budget. Motion carried.

JUNE 2015 FINANCIAL PRESENTATION

Mr. Huber stated that we exceeded budget by approximately \$200,000 from operations. The tax levy was \$1.5 million dollars higher than what we anticipated. Operating revenues were under budget by \$1.2 million dollars. Given our volumes, we did not get the payment rates budgeted for in 2015. Operating expenses were 2.9 million dollars under budget. This was due to positive variance in salaries of \$1.4 million dollars and benefits of \$800,000. There is a negative variance in contract services due to the need for travelers. Some open positions have been challenging to fill. The operating loss decreased \$6.5 million dollars from the previous year. And year-to-date the net gain is \$3.2 million dollars better than budget. Cash balance increased to just under \$100 million dollars. Overall, this is a financial statement we can feel good about. Mr. Fitzgerald stated that year-to-date EBIDA is \$25 million dollars. This is \$2 million dollars better than budget. Mr. Huber stated that cash flow was just over \$20 million dollars. Accounts receivable days by 2 days to 72. The days of cash increased due to the receipt of the tax levy payment. Mr. Fitzgerald stated that on the Inventory Summary, the inventory increased \$318,000, on the Financial Statement the supplies for the month were over budget. Ms. Long stated that many of the changes in supplies were in Surgery and the Cath Lab. The Cath Lab was not a perpetual inventory until just a few months ago. This was due to the initial supplies setup.

DISCHARGE OF UNCOLLECTIBLE DEBT

The uncollectible debt for the month of June 2015 by category is as follows:

<u>CATEGORY</u>	<u>AMOUNT</u>	<u>NUMBER OF PATIENTS</u>
INPATIENT	\$203,352.01	15
ER	160,591.37	63
OUTPATIENT	<u>64,376.81</u>	<u>51</u>
TOTAL	\$428,320.19	129

ACTION: Mr. Hite moved, seconded by Mr. Dugan, to discharge the June 2015 uncollectible debt in the amount of \$428,320.19. Motion carried.

Discussion: Mr. Hite stated that the increasing level of uncollectible debt is a nationwide issue. What are we doing as an organization to stay on top of uncollectible debt? And are we educating our clients so they know in advance that a copay will be expected? Mr. Stangl stated that the clinics have implemented processes to insure that we are collecting copays at the time of service. The copay and deductible amounts vary depending on the client's insurance. Cathy Treadway, of MedMan, will be here in August to work with the CBO to assist us in making improvements in our financial processes. Ms. Clarke stated that we are working on educational information for the clients to fit the specific clinics. Dr. Mitchell stated that even with all of these things in place, the client may not always be forthright about their financial responsibility.

- **INVESTMENTS**

For the month of June 2015 the following amounts was reinvested:

A \$2,500,000.00 investment with Wells Fargo Securities with an interest rate of 2.15% to mature June 30, 2020.

Discussion: Ms. Long stated that the investment is from the funds received from the tax levy.

ACTION: Mr. Hite moved, seconded by Mr. Dugan, to approve the June 2015 reinvestments. Motion carried.

Public Comment

There were no public comments.

Adjournment

The meeting adjourned at 4:35 p.m.

The next regularly scheduled Finance Committee meeting will be held on Monday, August 24 at 12:00p.m. in the Board Room.

Marilyn Grant, Recorder