

**Campbell County Health
Finance Committee
July 18, 2016**

Dr. Mitchell called the Finance Committee meeting to order at 12:02 p.m. on Monday, July 18, 2016. The meeting was held in the Hospital Board Room.

Present:

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

Excused:

Dr. Lowell Amiotte, Chief of Staff

Approval of Agenda:

ACTION: Mr. Dunlap added Central Billing Office (CBO) to be presented as an item of Old Business after Separate Tax ID#. Mr. Dunlap moved, seconded by Mr. Dugan, to approve the agenda. Motion carried.

Approval of Minutes:

ACTION: Mr. Dugan moved, seconded by Mr. Dunlap to approve the minutes of the June 20, 2016 meeting. Motion carried.

OLD BUSINESS

• **Preliminary Fiscal Year 2017 Operating & Capital Budget:**

- Mr. Huber presented the assumptions for Fiscal Year 2017, including a decrease in inpatient volumes of approximately 3% - 5%, some growth in Outpatient Behavioral Health of approximately 1% - 2%, and growth for Powder River Surgery Center operating for a full year. Clinic numbers are decreasing, as we are losing some providers. The assumption is to add some providers back in with a few locums to help cover those that are leaving and a general 3% price increase across all divisions with some flexibility. Some charges may not increase and some may increase a little more, but will keep it to an average of 3%. Average census is right on track with 2016 at 26. Budgeting fewer surgeries in 2017 than in 2016. With one ENT provider, two OB providers, and Dr. Fort leaving, clinic projections are lower. Pioneer Manor showing some growth after the beginning of 2016 calendar year and has seen growth this year. Census is up from where it has been the last few years. Next year the bottom line is \$1,700,000 which includes \$1,800,000 added for depreciation expense for Legacy.
- The budget includes a 1% salary market adjustment.
- A variation was proposed of a 1% market increase with 1.5% merit. This will not be 2.5% for everyone, but will be based on merit and market. Mr. Dunlap suggested all of the supervisors, managers, and directors not get an increase but all other employees get a 2% increase to show

appreciation. Dr. Mitchell requested that an email be sent to the Board prior to this week's meeting identifying the difference in costs of all options including cost with 1% market, cost with 1% market and 1.5% merit (2.5% all inclusive), 2.5% excluding supervisors, managers, and directors, and a 2% increase excluding supervisors, managers, and directors. Mr. Fitzgerald clarified that in past discussions the plan was to do a survey and market analysis and give merit based on that. Last year it was 2.5%. Market and merit average is 2.5% - 3%.

- FTEs have increased at Legacy by 25, which includes elimination of travelers. Powder River Surgery Center FTEs are going up, as this will be a full year of operation. Total FTEs for the entire organization are staying flat.
- Tax levy decreased by 20% in budget 2017 compared to budget 2016 tax revenue. Proposal is to keep it at \$14,000,000, which should be conservative. Total expenses are flat. Revenue is up a bit on the operating side for the entire organization. The assumption of revenue being up is due to growth in the Cath Lab, new orthopedic surgeons with more cases, and Powder River Surgery Center operating for a full year. Some small growth in outpatient along with a 3% price increase.
- Equipment and facilities capital budget is lower than the last few years. Contingencies are seldom used entirely.
- **Support for Gillette College:** The ongoing contribution for the nursing program is \$160,000 for the year and is budgeted to remain that way.
- **Separate Tax ID# for Clinics:** A letter received from legal counsel stated that having a separate tax ID# is not advisable due to the risk of losing the \$1,000,000 liability cap as a result of the Wyoming governmental claims act. The potential for liability exposure outweighs the convenience of management and billing facilitated by the separate entity.
- **Central Billing Office (CBO):** Mr. Dunlap asked how things were going at CBO without a manager. Mr. Stangl stated that the former manager did a wonderful job going through all of the personnel's duties and responsibilities and ensuring that everything was assigned. She did a great job while she was there and over the years picked up other duties that were outside of the CBO realm that should have fallen in the lap of IT and Accounting. She went through those duties and had them reassigned back to those areas. Things seem to be going okay and caught up at this point. Mr. Stangl will be going over on a periodic basis to touch base and identify any problems or issues that need to be addressed. The position has been posted as of last Friday. Mr. Dunlap stated that the former manager only spent about 30% of her time on CBO duties and the rest of the time she was doing other jobs she had to do, so she really had a hard time running the CBO. Mr. Dunlap asked Mr. Stangl if the new manager would be doing do all of the same jobs that the former manager was doing. Mr. Stangl stated the duties that were outside of the job description have already been assigned back to the appropriate departments and he would prefer that they stay in those departments. Going forward with Meditech Ambulatory software and should begin the project in September. Hopefully the build will begin in November and go live in April or May. Goal is to get somebody who is dedicated full time to the CBO and to the Meditech project. CCH works with G2N, an outsourcing company that does some coding for us so if there are changes in personnel there will be enough lined up that to reach out to those other resources. Mr. Dunlap asked if he thinks it is wise to keep the CBO open or would it be good just to close it and outsource all of it. Mr. Stangl stated that there are questions regarding certain aspects of the CBO, one being denials. A coding report came back and there is room for improvement. Mr. Stangl stated that it would be helpful to straighten that out. Mr. Dunlap asked who was going to do the training since the former manager is not there. Mr. Stangl stated that some of the training has been reassigned to certain individuals within the operation. If we have to go back to Greenway, they have training staff that can be brought on site. Some of the staff met with those people and the staff recognizes the benefits that it can provide. A lot will depend on the person filling the position, their background, and what they can bring to the table as far as strengths and experience. Mr. Stangl stated he has worked in both realms before, in-house and outsourcing and there are benefits to both sides. He wants the best for the organization and stated whichever way is best is the way the organization should go. Mr. Dunlap asked if the plan was to just let it run like it is. Mr. Stangl stated that they will hold the course and get through day to day with

how it is set up now with the interim manager. Accounting and IT will pick up the duties that the former manager was doing.

- **Refinancing Bonds:** John with Piper Jaffray will give a presentation on refinancing bonds at the July 21, 2016 Board meeting.

NEW BUSINESS

- **Financial Assistance Policy:** Revised Financial Assistance policy. CCH operates under Regulation §1.501 (r)-6, which is a federal regulation that mandates guidelines for nonprofit organizations to offer financial assistance. The revised Financial Assistance policy is for the hospital only, not clinics or Powder River Surgery Center. Criteria for clinic financial assistance is exactly the same as the hospital; however, benefits are different. Staff are working on aligning the process with the clinics and the hospital. When patient applies for assistance the hospital looks at last year's tax return, recent pay stubs, and a credit report is done. If approved, approval is for three months. As of now the patient does not have to apply for Medicaid prior to applying for assistance.

ACTION: Mr. Dunlap moved, seconded by Mr. Dugan, to take this policy to the full Board for approval. Motion carried.

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

CAPITAL REQUESTS

Surgical Instrument Fund – Surgery. This is our annual PRN request for purchases derived from the Surgery Instrument Fund. The fund will be used as needed throughout the fiscal year to replace old instruments as they come out of service. The request will keep our stock of critical instruments in the best condition possible for our patients.

Budget: \$100,000

Actual: \$100,000

PRN Not to exceed

Server Replacements – Information Systems. 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 specification, 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: \$109,264

Actual: \$109,264

PRN Not to exceed

Standard IT Hardware Replacements, Additions and Upgrades – IS. This will fund the periodic replacement of various obsolete PCs, printers and peripheral hardware deployed throughout our system. The budgeted monies 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: \$122,845

Actual: \$122,845

PRN Not to exceed

VDI Hardware – IS. This request will begin the conversion to VDI workstations in certain areas on the ground and 1st floor. VDI, Virtual Desktop Interface, will create a standard functionality on a server and push that functionality out to designated workstation. Network and application

updates will be easier to accomplish once at the server rather than at each individual workstation PC. Upgrades will take less time and fewer IT assets to accomplish.

Budget: 203,775

Actual: 203,775

Meditech Platform Maintenance and Upgrades – IS. This funding will provide replacement servers, module enhancements and general platform maintenance on our Meditech HIS for the FY. There are 17 physical servers providing data management in the platform. They will be sequentially replaced with powerful and reliable hardware.

Budget: \$638,007

Actual: \$638,007

PRN Not to exceed

Replacement PCeA Pumps – Maternal Child. This request will replace 17 Epidural and PCA pumps for use in Labor and Delivery and Anesthesia. The new smart pumps will have complete and on-going documentation capabilities throughout the entire course of therapy for our patients. Color coding of the pump face plates and pump sets will enhance patient safety.

Budget: \$73,880

Actual: \$73,880

Telemetry Access Points – Biomed. This request will add approximately 80 additional access points for medical telemetry on the first floor between the Surgery and Radiology Departments. Several areas within the departments and in the connecting corridors have poor signal fidelity where signals can be lost. The addition of the access points will eliminate lost documentation while patients are being transported in these vital areas.

Budget: \$155,528

Actual: \$155,528

Replacement Multifunction Devices – Materials Management. This request will provide new multifunction copiers in 11 departments. The MDF fleet is more than 7 years old with 6 devices over 1.4 million images. This is the first request in a multi-year replacement strategy. The oldest devices with the largest output count will be replaced first. The new devices will be fully integrated into our network and will function as a copier, printer, fax and scanner. The cost of image output on the proposed devices.

Budget: \$67,900

Actual: \$67,900

PRN Not to exceed

Misc. Durable Medical Equipment – Home Medical Resources. This will create a fund from which Home Medical Resources can purchase medical equipment for customers as needed. Each year there are several instances where customers come to HMR for equipment which is too expensive to stock on a regular basis. This funding will allow HMR to meet the needs of ad hoc patients and the community.

Budget: \$30,000

Actual: \$30,000

PRN Not to exceed

Cast Iron Pipe Replacement – Plant Operations. This request will fund the on-going replacement of cast iron pipe in the main facility. The work will be conducted and coordinated with the remodel project now underway and planned for FY17. Several hundred feet of cast iron pipe needs to be replaced in this phase of the project.

Budget: \$100,000

Actual: \$100,000

PRN Not to exceed

New High Capacity Washer and Dryer – Linen Services. This will purchase an additional 140 pound capacity washer extractor and 120 pound capacity steam dryer. The additional equipment is needed to meet the demand for laundry service as the Legacy project and the laundry remodel are completed. Installation, training and chemical dispenser hook up is included in the purchase. Two separate capital line items are combined in this request, CA170064 and CA170065. Freight cost will take us slightly over budget.

Budget: \$36,440

Actual: \$41,423

ACTION: Mr. Dunlap moved, seconded by Mr. Dugan, to approve the capital requests as presented pending approval of the Fiscal Year 2017 Budget. Motion carried.

JUNE 2016 FINANCIAL PRESENTATION

Mr. Huber presented the June 2016 financial data.

- Total operating revenues were 14.7 compared to budget of 13.8.
- Operating expenses were under budget by \$150,000.
- Operating gain was \$129,000 versus a budgeted loss of \$888,000.
- Net gain was \$3,375,000 in June versus a budgeted gain of \$628,000.
- YTD the net gain is \$6,480,000 versus budget of \$8,700,000.
- Total average daily census was 28 versus a budget of 28.
- Pioneer Manor's average daily census was 120 versus a budget of 114.
- Outpatient visits were 1,106, or 7.1%, above budget.
- Clinic visits were 1,602 under budget and increased 304 visits compared to June 2015.
- Emergency Room visits were 1,885, which is 123 under budget and 33 below a year ago.
- Walk-In Clinic Visits were 1,790, which is 995 under budget and 274 below the level of a year ago.
- Total surgeries were 105 above budget and 102 higher than June 2015.
- Net patient revenue was \$865,000 over budget.
- Bad debt and charity care were over budget \$211,000.
- EBIDA was over budget \$2,985,000. EBIDA increased \$1,310,000 compared to a year ago.
- Accounts receivable days increased by 2 for a total of 79.
- Days cash on hand increased 14 to 189. Cash increased by \$5,958,000.

DISCUSSION Applied for change of ownership of Powder River Surgery Center with Medicare. This was approved, but now need to apply for a National Provider Identification (NPI) number with Medicare for Powder River Surgery Center. This will take 2-4 weeks. After this is obtained, billing Medicare will back date to the beginning of the year. Entries for Powder River Surgery Center acquisition have been made. A \$7,000,000 error was found in entries in Fiscal Year 2015 related to Powder River Surgery Center, overstating last year. Clifton Larson Allen will do a restatement of last year's financial statements to correct this error.

DISCHARGE OF UNCOLLECTIBLE DEBT

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

INPATIENT UNCOLLECTIBLE	\$ 215,322.37
ER UNCOLLECTIBLE	\$ 230,479.50
OUTPATIENT UNCOLLECTIBLE	<u>\$ 102,433.16</u>
COMBINED TOTAL FOR JUNE 2016	\$ 548,849.86

ACTION: Mr. Dunlap moved, seconded by Mr. Dugan, to discharge the June 2016 uncollectible debt in the amount of \$548,849.86. Motion carried.

INVESTMENTS

The following bonds were called at the end of June:

- FHLMC \$1,500,000
- FNMA \$1,500,000
- FHLMC \$1,500,000

- Money market funds of \$2,076,000 were re-invested at the end of June in an FHLMC (non-callable) bond, bearing interest at 1.10%.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

The meeting adjourned at 1:02 p.m. The next regularly scheduled Finance Committee meeting will be held on Monday, August 22, 2016 at 12:00 p.m. in the Board Room.

Wendy Kaufman, Recorder