

**BOARD OF COMMISSIONERS – SPECIAL MEETING
PUBLIC HOSPITAL DISTRICT NO. 1 OF PEND OREILLE COUNTY**

November 13, 2015

In Attendance: Commissioners: Lynnette Elswick, Thomas Garrett, John Jordan, Raymond King, and Lois Robertson; Thomas Wilbur, CEO; Directors: Kim Manus, Chris Wagar, Walter Price, and Michele Page; Other: Ken Fisher, Leif Furman, Bob Eugene, and Nancy Shaw.

Excused: Joseph Clouse, Director HR.

CALL TO ORDER:

Chairperson Robertson called the meeting to order at approximately 12:30 p.m.

READING OF LEGAL NOTICE:

The regular meeting legal notice was distributed as required.

APPROVAL OF AGENDA:

The agenda was reviewed and approved as presented.

BUSINESS FROM THE AUDIENCE

Budget Hearing: A public hearing to present the District's 2016 Operating Budget and Maintenance & Operations property tax request to the County was opened at approximately 12:35 pm. A notice of the hearing was published to inform the public of the opportunity to comment on the District's proposed budgets. A resolution to establish the District's standard M&O tax rate increase is also required at this meeting.

Bob Eugene introduced himself, noting that he is a local resident of the community. He stated he obtained a draft summary budget from Administration on November 2, noting he was surprised at the lack of detail. He requested a 2015 budget summary for comparison, noting that he felt there was not enough data available to compare. In reviewing the resolution, he noted the following differences he felt to be significant: gross revenues appear to be over 8% higher than the previous year; he had difficulty reconciling an 8-10% increase in revenues when considering expenses. He asked if the figures were created as a means to merely balance the budget and noted salaries increased by 4-6% and benefits 3.2%. He stated that he feels that the Board has a responsibility to challenge these numbers based upon current inflation rates and other industry increases that run closer to 1.5%. Mr. Eugene noted that professional fees were budgeted at \$1.78M – which is over a million more than what they have been traditionally. He questioned whether this is due to hiring hospitalists?

Tom Wilbur responded, explaining that the pro fees costs were higher due to hiring contracted vs. employed providers. This would increase purchased services and decrease salaries/wages/benefits. He also noted wages/benefits should increase due to the FTE's associated with our continued development of the care coordinated/patient centered medical home program under a new Medicare, Accountable Care Organization model. The care model is designed to build broader wellness-based programs. Tom invited Mr. Eugene to attend a Personnel/Finance committee meeting to review and discuss more detailed information if he were interested.

2016 Operating Budget: Kim Manus presented the 2016 operating budget and provided information on detail line items and a summary of significant assumptions. The budgeted financial statements appear as internally reported and also with 340B revenues reclassified. She noted the following:

- Individual items relating to our 340B pharmacy program were reflected in the financial statements – it includes \$3M in gross revenue that is not reflected “above the line” on our current financial statements. Kim noted 340B revenue is usually posted as a consolidated item under non-operating revenue on monthly financials (an internal reporting decision to better show operating results) and the net 340B revenues were kept at a conservative level of \$1.4M for 2016. Kim provided a brief history of the program to the group.
- Patient service revenues were budgeted for a 6.0% rate increase effective on Jan. 1st.
- Total employee FTE’s (Full Time Equivalent) is budgeted at 264. Kim noted that two FTE’s were not “mapping” on our current financial statements and fourth quarter FTE’s were 257. She noted an FTE was added in the IT department and a care coordinator to the clinic in September. The IT position was included in the budget for 2015, but had not been reflected during the year in the financial statements.

Mr. Eugene asked whether the increase in IT costs over the prior year was considered reasonable. Walter Price, IT Director explained the hospital has been hit with additional IT support fees (INHS) and many new requirements for data collection and reporting (for ACO, Meaningful Use, etc...). He also noted that our facility was at the 90th percentile nationally for the number of help desk tickets (w/two technicians) to service the needs of the entire District. He noted an immense amount of work remained to comply with future requirements of Meaningful Use, especially in terms of programming databases.

Tom noted there were add-ons associated with network security and information. He explained that a portion of the ACO requirements is the ability to create chronic disease data registries for diabetes, CHF, COPD populations and evidence care plan compliance.

- A 1.5% annual increase is anticipated for all non-contract staff.
- A shift differential for non-contract staff was factored in the budget; (as this had not been updated with the Milliman market for seven years).
- Salaries expense for 2016 increased with FTEs budgeted at 264, up from the current quarter’s 257. Kim noted the amount reported under budgeted salary no longer reflects payments made to providers covering the Emergency Room. Effective January 1, 2016, all provider services in the ED will be professional fees.

Kim noted additional review of staffing expense is underway and a final budget will be presented in December after all FTE and salary adjustments have been verified/finalized with department managers/directors and Finance Committee.

Kim also noted she was working with our CPA firm to review the impact the change to a professional services model will have on cost reimbursement. In the past, a large portion of salary and benefits paid to our ED providers was considered a non-allowable expense on our Medicare Cost report (only the hours when no patients are being treated in the ED are provider hours/cost reimbursable as a technical expense); Medicare considers these hours as “availability hours.” Under our new model, all cost paid for professional services to cover the ED will be an *allowable* expense which will result in additional reimbursement on our cost report in 2016. It is estimated that \$120K of the approx. \$720K in fees paid in 2016 will be reimbursed.

- Contractual adjustments were approx. 34% of gross revenue; which is a historic rate.
- Tax Revenues: due to the new construction, was held at 1% above the prior year's tax amount of \$445,000.
- Several grant funds are anticipated to offset costs for care coordination; however, to be conservative, no amounts were included in the budget (no grant in hand, as yet).

Kim will provide further budget details, our historic actual financial trend (w/budget), and a cross walk from annualized 2015 to the 2016 final budget next month. She will also have all of the minor and capital equipment expenditures as compiled by the District managers/directors.

Tom announced that a Joint Board/Medical Staff meeting will be held on November 19, 2015 beginning at 9:30 in the morning with the regular board session to follow. Tom noted that the preliminary budget calculations are typically conservative. Kim stated that the final updated budget would be available at the December meeting of the Commission.

ACTION ITEM AGENDA:

Via a motion made, seconded and passed unanimously, **Resolution No. 2015-08** was approved, passing the 2016 Operating Budget.

M&O Tax Assessment: Kim Manus explained that the District's 2016 M&O property tax increase is limited to 1.0% of prior year collections, per RCW regulations, which makes the levy amount requested \$445,000 for 2016.

Resolution No. 2015-09 - Via a motion made and seconded, the 2016 M&O Tax Levy increase in the amount of \$445,000 was unanimously approved. This is an increase of 1% of the amount of regular property taxes levied in the highest of the three most recent years.

No further comments were received. Commissioner Robertson adjourned the budget/taxation hearing at 1:08 pm.

OTHER BUSINESS

There was no other business to discuss.

NEXT MEETING DATE

The next regular meeting of the Board of Commissioners is scheduled for Thursday, November 19, 2015 at 12:30 pm in the Sandifur Meeting Room at Newport Hospital & Health Services. A joint Board and Medical staff business planning conference is scheduled at 9:30 am prior to the meeting.

Minutes recorded by Nancy J. Shaw, Administrative Assistant and Tom Wilbur, CEO.



Lois Robertson, President
Board of Commissioners



Thomas Garrett
Board of Commissioners