

**BOARD OF TRUSTEES
JUNE MEETING MINUTES
WEDNESDAY, JUNE 23, 2010 3:00 P.M.**

MEMBERS PRESENT: Harlan Rasmussen, Michael Strahan, M.D., Randy Bomar, Ron Mischke, Bill Huppert, Gary Miller and Dixie See

MEMBERS ABSENT: None

CALL MEETING TO ORDER

Harlan Rasmussen called the meeting to order at 3:00 p.m.

APPROVAL OF MINUTES

The minutes from the May Board meeting, held on May 26, 2010 were reviewed. A motion was made by Randy Bomar to approve the minutes; Dr Strahan seconded the motion and the motion carried.

PUBLIC COMMENTS, INTRODUCTIONS

None

INTRODUCTIONS

Mark Walter, M.D., new Psychiatrist was introduced by Mike McCafferty. Dr. Walter stated that he is excited and anxious to get started and was looking forward to working with everyone. He will officially begin consultation services Monday, June 28, 2010. Harlan Rasmussen extended a welcome on behalf of the Sheridan Memorial Hospital Board of Trustees.

QUALITY COMMITTEE REPORT

Randy Bomar discussed HCAHP scores as it relates to Communications about Medications. The percentile appears low but he noted that compared to national scores, SMH ranks right in line with other facilities. Lajune Bacon explained that the CHF section has several months of low running scores due to the fact that documentation is for only 3 patients out of 4 instances recorded. Because of this, our scores were in the red. Not all CHF patients have the same indicators and this is an area of challenge for other hospitals as well. Mike McCafferty requested the AVATAR scores be reported quarterly rather than a rolling total. AVATAR scores for January-March were 91%. The score for the previous two quarters was over 90%; however, rolling total for 12 months is 89%. It was noted this is an important factor as Gainsharing is based on the AVATAR score for the last quarter of the Fiscal Year.

The scores for the last quarter won't be reported on until August. Dr. Strahan asked if both quarterly and running year totals could be reported on since both figures are important. Our AVATAR score goal is 90%. Quarterly scores will provide the ability to see the trend movement whether positive or negative. Ms. Bacon will begin to include quarterly reporting as well as a running year score. Ron Mischke said discussion on Gainsharing policy needs to be held to see if any policy changes are required. Mr. Bomar thanked Ms. Bacon for a good job with the patient fall data information. Board members asked Ms. Bacon if she could remove the background shadowing on the HCAHP graph so that it was easier to read.

MEDICAL STAFF REPORT

In the absence of Dr. Hanebrink, no medical staff report was presented.

ADMINISTRATIVE REPORT

Welch Cancer Center update – Mr. McCafferty reported that we continue to move forward on getting conceptual drawings from CTA. A meeting was held on the development of expansion, where options of building and the internal working of the cancer center were discussed. A guaranteed maximum price will not be available until the floor plan and exterior of the building have been decided upon.

Urgent Care – Mr. McCafferty noted that we continue to pursue different options on the model we would be using, and reviewing the long term financial perspective of the business. Long lease vs building a facility are also being considered. Recommendations will be made within the upcoming month.

Cardiology – Mr. McCafferty stated that the practice of Dr. Brennan, Big Horn Heart Center, is going well. Dr. Brennan is seeing patients Monday-Wednesday and will be looking at expanding services he is offering. Good feedback has been received from both community members and patients.

Physician Recruitment – Mr. McCafferty announced that Jacob Lieb, M.D. will start practicing in the Emergency Department in July, 2010. Mr. McCafferty commented that he continues to work with physicians on the physician needs assessment. Recent conversations were held with Dr. Bowers, Dr. Oss, and Dr. Wohl on pediatric care. He will be meeting with them again to discuss the future needs of pediatric care in the community. Mr. McCafferty is also meeting with the OB/GYN physicians. In reviewing recommendations and needs assessments, these are areas where the community expects physicians to always be available. He will continue to work with current physicians in their business. Dr. Arnold Miller, Oncologist in a locum tenens capacity, is here as long as we need him. We will continue to recruit for oncology.

Ron Mischke expressed his appreciation to Mr. McCafferty for his administrative report and his open lines of communication to talk about future plans with physicians. Mr. Mischke thanked Mr. McCafferty for the good job of taking the initiative and foresight for strategic planning with cooperation from the medical community for meeting the needs of the community.

Mike McCafferty noted that he had a recent meeting with Harlan Rasmussen, Randy Bomar and the County Commissioners. Mr. Bomar stated that he visited with the County Commissioners and would be submitting his letter of resignation by the end of the month. His resignation comes as a result of changes in the rules and regulations made by the Wyoming Board of Registration for Professional Engineers. The rules and regulations have been passed and will be adopted by the end of the month. The rules govern the engineers in the state and as a result have created a conflict of interest for Mr. Bomar serving as a Trustee. Mr. Bomar thanked everyone for the honor and opportunity to serve on the Sheridan Memorial Hospital Board. Harlan Rasmussen acknowledged and thanked Mr. Bomar for his time, dedication and efforts to serve the community. County Commissioner, Tom Ringley, also thanked him for his service and stated that it was with regret that they would accept his resignation.

FINANCE COMMITTEE REPORT

Gary Miller acknowledged that the Finance Committee had met and had been busy with the capital budget. Ed Johlman reviewed financials and reported that May was a good financial month. Gross revenue was \$8.0M and inpatient revenue finished at \$4.06M. Lower contractual write-offs and the lower length of stay per patient all contributed to the strong financial month. Expenses totaled \$4.5M, which was under budget by \$91K. Supplies were over budget; however the variance was lower than in past months. Mr. Johlman explained Gainsharing and how it is based on patient satisfaction, AVATAR score. The score for the last quarter was above 90%, which is the threshold that triggers the distribution payout amount. Until May, Mr. Johlman explained, Finance had planned on a 25% distribution. The final quarter score won't be determined until August; however based on the improved score, Finance has increased the accrual to 30% of net income which resulted in a big adjustment.

Accounts Receivable days reached a new low of 49 days. Mr. Johlman acknowledged the amazing results achieved by the staff of patient financial services who continue to work to improve cash flow. Mr. Johlman noted that much of the lower contractual write-off was due to the Medicare rebased rate. Mr. Miller reported that all vouchers for May 2010 and Mr. McCafferty monthly credit card statement were reviewed and approved.

Mr. Rasmussen discussed the process to purchase capital equipment, after it has already been approved by the Board during the initial Capital Budget process, and wanted to revamp the current process and develop a resolution today. Today, during the capital budget presentation, capital equipment requests will be discussed and considered for approval during the fiscal year budget process. It will be important to know when the

major purchase has been made and when the item is acquired to show the community where the money was spent, but that it did not have to go back through the process of re-approving the item. Gary Miller felt that if an item is ready to be purchased, but is over the original approved budget amount there needs to be a standard set that requires the request to come back for final approval. Mr. Rasmussen stated that if any request has a change in price, compared to what is in the approved budget, or if there is any kind of trading involved to acquire equipment, it does need to come back for Board approval. Discussion was held on what amount the Board wants to set for when the Finance Committee needs to bring back a request for Board approval. Ron Mischke likes the current comprehensive presentation that is in place and feels there is a benefit to the one page form explaining the equipment, cost and how it ties back to the hospital mission. Mr. Mischke therefore, made the recommendation to continue the current process.

Susan Novak, Controller, presented the Fiscal Year 2011 Budget for Capital Equipment requests totaling \$639,072. The preliminary requests started with 32 items from 17 different departments totaling over \$2.1 million. Mrs. Novak explained that this was lowered, as of today, to the requested amount of \$639,072 due to several meetings with managers and Leadership to meet financial targets. Three items were considered when looking at the benefit elements of capital equipment requests; cost reduction, financial growth, and patient care. Mrs. Novak then reviewed all equipment requests in great detail with discussion which included the following items: High-level Disinfectant; Hysteroscopic Morcellation System; C-Arm; Stellaris Vision System; Reliance Vision Washer; Ultrasonic Washer/Disinfectant; Olympus Gastroscope; Room Service Equipment for Nutritional Services; ½ the cost of Coal delivery and Ash Removal System - the remainder to be part of the capital equipment request in FY 2012; Information Systems request to Replace the Firewall; Information Systems Call Management System upgrade software; Email Encryption software system; and a Telemetry hardware and software upgrade for Med Surg/TCU.

Projected capital renovations/remodels for \$1,070,000 were presented from the Building Committee. Discussion on financial details and project renovations was facilitated by Facilities Manager, Rob Forister to include: Admissions Area – combining three waiting areas into one and the remodel of Admissions Area; Physician Lounge; Surgery - Women's Locker Room; Big Horn Surgical; Canopy at front entrance of hospital; Cardio/Pulmonary - Wound Care; Nutritional Services - Room Service this remodel is in addition to equipment request; Emergency Department Manager's Office; Pathology; and a Information System Training Room.

Gary Miller explained the overall process for capital equipment and renovations/remodel requests were determined from a compiled list of projects determined by staff and leadership and then presented to the Building Committee. Capital construction projects were allocated \$1M for use and then requests were prioritized. Ron Mischke recommended that when there is a remodel project that includes capital equipment, to propose it as a whole unit for total cost of project, i.e. room service remodel costs with equipment.

Discussion was held by Trustees on the equipment list provided in the FY 2011 Capital Budget packet and noted that all but one item was marked urgent or mandatory.

Conversation focused on the need to forecast purchase of equipment before becoming mandatory. Randy Bomar stated that the Building Committee brings forth these recommendations, but questioned the urgent and mandatory items and asked if there is any maintenance priority list of high items that are reviewed weekly, annually or all done during regular budget process.

Mr. Miller explained that for the FY 2011 Capital Budget equipment requests, any item in the list of equipment can be pulled out, but Board would be voting yes or no for the entire capital budget. Gary Miller made a motion to adopt the proposed Fiscal Year 2011 Capital Budget Requests for \$639,072 in capital equipment; Bill Huppert seconded the motion and the motion carried. Mr. McCafferty explained that the building renovations/remodel figures were presented at this time for informational purposes only. These amounts have not been part of the budget presentation in the past. This was a preview of what projects are being targeted for FY2011 and was not presented for Board approval at budget reading. Rob Forister explained that each building project will be brought back before the Board for approval by the Building Committee. The project goes through a bid process and then when approved, each project is assigned a contingency plan.

Ed Johlman presented the Fiscal Year 2011 Operational Budget. Mr. Johlman explained that for a 2nd consecutive year the budget reflects very modest activity and revenue projections based on operating results for SMH over the last few months and the profound economic slow-down that continues to impact the U.S. and Sheridan. Mr. Johlman stated that he projects an activity decrease of 2% for 2011 with inpatient activity projected 4% below FY 2010, and outpatient activity is projected as flat. A 3% across-the-board price increase will be in effect beginning July 1, 2010. The price increase will be modest but workable and is reflective of our commitment to our community to keep our prices low and as competitive as possible. This increase is well below the national average according to information supplied by VHA which showed many area hospitals are planning price increases of 3%-8%.

Mr. Johlman recognized the hard work done by the managers on the expense sheet and the excellent job over the last 11 months on expense control. It is anticipated that there will be an increase in net revenues of 7.4% over FY 2010 for total revenue increase of approximately \$4.5 million. Increases are due to improved Medicare reimbursement rate and also because of growth primarily from new start up activities from Big Horn Mountain Health Network. Mr. Johlman estimates an overall 2.7% increase in hospital expenses for 2011 fiscal year. Staffing is budgeted for 446 full time equivalent employees, mostly due to start-ups for Psychiatry and Cardiology services. Projecting \$4.2M in operating income for a net operating margin of 4% (our target is 2.5%) and net income of \$5.6M (after Gainsharing) for a Net Margin of 5.3% (target is 3.5%). Five-year projections for cash flow and capital funding were also presented.

Mr. Rasmussen thanked Mr. Johlman and Mrs. Novak for the budget presentation that it is a very complex process but was handled in a very professional fashion. Ron Mischke made a motion to approve the proposed 2011 Operating Budget for \$58.5M; Randy Bomar seconded the motion. Motion carried.

Mr. Rasmussen stated that now that the FY 2011 Operating & Capital Budget has been approved, he would like to set a level at which the administration can work within that budget for future requests that may require Board approval. Currently minor equipment purchased for over \$10,000 requires Board approval. Bill Huppert made a motion to give a \$10,000 flexibility variance in approved capital purchase budget and anything over that amount must be brought back with explanation for additional approval; Dixie See seconded the motion. Mr. Bomar discussed the fact that there is a building variance of 10% contingency per project due to the fact that many projects require change orders which can't wait for the Board to meet for approval. After no further discussion, motion carried.

FOUNDATION REPORT

Ada Kirven, Foundation Director, reported on the Nursing Scholarship distribution of \$12,500 for the FY 2010-2011. The Scholarship Committee, made up of hospital clinical managers, and foundation board members, reviewed applications, interviewed students, and selected two scholarship recipients.

Bob Bishop Dialysis Endowment funds will be distributed on July 1, 2010. Mrs. Kirven met with Lynette Bede and Rob Forister to discuss present needs for the Watt Dialysis Center. The following projects were agreed upon to be awarded for a total of \$12, 250:

- Improvements to curb and doorway access for patients to easily access the facility - \$3,250
- Blanket warmer for patients to help maintain body heat during dialysis-\$6,000
- Crit Line unit to assist with a more accurate measure of fluid volume to be removed from patients during dialysis for optimal weight - \$3,000

A Partner event was held on June 17, 2010 for employee members. The Foundation is proud to announce it finally reached a huge participation goal and major accomplishment, 400 employee partners.

BUILDING COMMITTEE REPORT

Rob Forister announced that the Building Committee met and that both the Pharmacy and Lab projects are complete. Mr. Forister reported that the Operating Room #1 remodel project is continuing. Work is being completed at night and on weekends when no surgeries are scheduled. Completion date is set for late August. Move-in date is set for September.

OTHER BUSINESS

The July Board of Trustees meeting will be held on August 4, 2010 to accommodate year-end financial reporting.

Dixie See reported that the Board Nominating Committee met. Nominations for Board Officers for 2010-2011 were presented as follows: Ron Mischke, Chairman; Bill Huppert, Vice-Chair; Michael Strahan, M.D., Secretary and Gary Miller, Treasurer. Elections will be held next month.

EXECUTIVE SESSION

The public meeting moved into closed session for personnel matters and real estate discussion.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 5:15 p.m.

Recorder,
Roxanne Araas
Dixie See, Secretary