

**BOARD OF TRUSTEES  
OCTOBER MEETING MINUTES  
MONDAY, OCTOBER 4, 2010 1:00 P.M.**

**MEMBERS PRESENT:** Ron Mischke, Harlan Rasmussen, Dixie See, Bill Huppert, Gary Miller and Gene Davis.

**MEMBERS ABSENT:** Dr. Michael Strahan

Others Present: Mike McCafferty, Ed Johlman, Susan Novak, Chris Bilyeu, Tom Ringley, Rob Forister, Len Gross, Nyle Morgan, and Peggy Callantine.

**CALL MEETING TO ORDER**

Ron Mischke called the meeting to order at 1:00 p.m. Mr. Mischke stated that the special Board Meeting would be limited to one business item; to consider the request for capital equipment purchase.

**FINANCE COMMITTEE REPORT**

Mike McCafferty distributed Governance Institute White Paper on Federal Health Reform to the Board Members for their information.

Mr. McCafferty stated that the only agenda item for the Special Board Meeting was to discuss his recommendation to acquire capital equipment and to ask for Board authorization to move forward on the acquisition. In July 2010, Mr. McCafferty was approached by Dr. Stears of Sheridan Medical Imaging, LLC, to see if SMH would be interested in acquiring equipment as he was considering moving his family and business to Billings. The equipment items are: a 64-slice CT scanner and a MRI. Sheridan Memorial Hospital is currently in the market for a MRI and CT scanner to be utilized within the hospital. Neither piece of equipment is a budgeted item for this Fiscal Year. Dr. Stears also discussed with Mr. McCafferty, the potential to donate some of his equipment to the hospital in the memory of his mother. The donated equipment could include: Ultrasound and chair; Stress Table; X-ray machine, Biopsy device-MRI compatible; Injector; Warmer; Colonoscopy Insufflator; Pig-O-Stat and Aprons. The equipment has an estimated current fair market value of \$90,000.

Dr. Stears currently leases equipment from CIT on behalf of Toshiba. Dr. Stears has a current \$1.5M obligation to the company. In 2008, Dr. Stears purchased the mobile MRI and 64-slice CT scanner from Toshiba at a purchase price of \$1.2M for the CT and \$750,000 for MRI. Over a period of time, Mr. McCafferty stated that he has worked with Dr. Stears to discuss lease arrangement and agreement to assume the liability on the lease. Mr. McCafferty's proposed recommendation to the Board is to purchase the MRI and CT scanner, which is currently leased by Dr. Stears, from CIT for \$1M. Fair market value rates

on both the CT scanner and MRI were researched to obtain a good sense of value on refurbished equipment.

Mr. McCafferty again stated his recommendation is to spend \$1M toward the settlement of this liability for the lease and take the equipment to utilize for hospital purposes. Mr. McCafferty then provided MRI history and noted that during the last three months, the hospital has operated without an MRI machine within the hospital, as it was sold. Therefore, SMH is in the market to purchase an MRI to replace the old one. We would take that MRI value and trade it in and get what we want/need. Initial purchase cost is \$1M upfront for both MRI and CT and funds would be due to the leasing company, CIT. With net trade-in values, net cost would be \$726,000 for our net financial outlay.

Mr. McCafferty explained that our plan would be to take the 64-slice CT scanner and replace it with our current CT. We would then trade in our current scanner for the right CT needed in the future for the Cancer Center. If we were to acquire the 64-slice CT, we would be looking at a one-month timeframe before it would be in place. The Cancer Center currently has a 1-slice CT scanner. The CT, which is part of the project budget, is in need of upgrade for treatment planning purposes for radiation planning. Ron Mischke asked if total cost included moving of equipment, service contracts, etc. Mike McCafferty noted those items were all included in the stated figures. Both the MRI and CT scanner are all under service contract. Sheridan Radiology does not operate with service contracts as Brian Hooge works on them in-house. Harlan Rasmussen asked what the plan would be if we did not purchase the equipment from Dr. Stears. Mike McCafferty explained that we would still look at purchasing a MRI and CT and would be spending \$750,000 for a new (refurbished) one. Another reason for the recommendation was the projected additional volume of CT and MRI procedures due to the relocation of Sheridan Medical Imaging. Gene Davis asked if the MRI that we acquire would be new state-of-the-art. Mr. McCafferty said it would probably be refurbished but state-of-the-art. Mr. McCafferty noted that the timing is good for the acquisition. He also stated that the equipment is not in the FY budget, because we thought we could continue to operate the old MRI but it became a risk and would have cost more, operationally.

Mr. Rasmussen made a motion to purchase the MRI and 64-slice CT equipment, currently leased by Dr. Stears of Sheridan Medical Imaging, LLC for initial purchase of \$1M; Gary Miller seconded the motion; motion passed.

### **OTHER DISCUSSION**

Mr. McCafferty announced the signed 7-year contract with Dr. Brennan.

Rob Forister provided a CTA meeting update. The latest design for the future cancer center was presented to staff for review. There were only minor plan changes but the design is very feasible. The next step will be to meet with KWN with the design so they can run numbers for projected cost. Harlan Rasmussen noted some concern of the appearance of the exercise room next to the staff lounge. Public perception could be that it was a staff exercise room instead of a patient exercise room. Mr. Rasmussen wanted to make sure that it isn't presented that way and his concern was discussed with Dr. Stamato.

**ADJOURNMENT**

There being no further business to come before the Board, the meeting adjourned at 1:25 p.m.

Recorder,  
Roxanne Araas  
Michael Strahan, M.D., Secretary