

Date: June 24, 2009
Time: 1:00 P.M.
Location: Mayers Memorial Hospital
Burney, California

(These minutes are not intended to be a verbatim transcription of the proceedings and discussions associated with the business of the board's agenda; rather, what follows is a summary of the order of business and general nature of testimony, deliberations and action taken.)

1. CALL MEETING TO ORDER: President Kerns called the regular meeting to order at 1:02 p.m. on the above date with the following present:

Mike Kerns, President
Gail McClung, Vice President
Jim Hamlin, Treasurer
Allen Albaugh, Trustee
Ruth Knoch, Secretary

Staff Present: Katharine Ann Campbell, CEO

2. ADDITIONS & CHANGES TO AGENDA, SECTION 54954.2(b)2:

Added (Closed Session/Personnel): 7.5 CFO Evaluation
Correction: 7.4 "Resignation" changed to "Appointment"

3. CALL FOR REQUEST FROM AUDIENCE TO SPEAK TO ISSUES OR AGENDA ITEMS:

CEO Campbell introduced Sherry Wilson, Interim CNO for SNF. Requests to speak as follows:

- 1) Martha Lucero was present and provided comments regarding clarification pertaining to Brown Act Sections 54954.2 and 54954.3, claiming board responded to statements made by public at March meeting but now will not respond.
- 2) Martha Lucero was present and provided comments about addressing the board during "call for request from audience" and unable to address board because a couple minutes late but at May 27th meeting, Shasta Orthopaedics' doctor and staff late to respond during "call for request from audience" but provided opportunity to speak to board.
- 3) Lucero presented on behalf of Calzia and Withrow (not present) a statement in regard to Agenda Item 5.1.4 Dress Code P&P: Business Office staff work in building off site and, given condition of building, requested board to allow Capris and/or Gauchos.

4. APPROVAL OF MINUTES – A motion/second (McClung/Knoch) to accept, as presented, the minutes of the regular meeting of May 27, 2009. M/S/C.

5. BOARD COMMITTEE REPORTS:

5.1 Quality Committee Report: Jane Atkins, CQO, presented May 2009 Balanced Scorecard (BSC) to board members and summarized. CQO reported the most significant issue was in regard to contracted labor for SNF; less than 1 percent. CEO commented the percent in acute is even less. Atkins also reviewed state licensing surveyor findings on self reports for 2008 totaling 27 self reports plus 1 complaint (39 incidents) resulting in 5 deficiencies and 1 citation. McClung expressed concern for A/Rs reported on BSC at 94 in comparison to prior month—CEO Campbell responded the current number has decreased this month.

CQO provided the board members an annual Health Insurance Portability and Accountability Act (HIPAA) update. She provided history, background information and an overview of the law to protect patient privacy as well as new standards being set to move forward with electronic medical records (EMRs) due to Stimulus money now available. Due to business implications in regard to HIPAA, safeguards have been put in place by management to protect patients rights and prove worthy of stimulus monies.

CNA Program In-house: Jane Atkins, CCO, reported the next two CNA trainings will be funded by SMART, an employment assistance program for Shasta County that will actually recruit students, pay for books and uniforms, and provide background checks and other preliminary work necessary for training. The program will include 15 students, by law, and targets young people just starting out their career in Shasta County. She further stated the two classes will be conducted this summer through the SMART program, and another class later through the Feather River College.

Optima (professional insurance carrier): CEO Campbell dispersed each board member Optima's Annual Policyholder Report. She reported Optima representatives will be presenting an educational piece to board members at the next board meeting pertaining to risk management from a board's perspective. Hamlin asked if Optima can provide workers' compensation and CEO responded they can broker service.

Dress Code Policy & Procedure (Revised): ***A motion/second (Knoch/Hamlin) to adopt, as presented, the Dress Code Policy & Procedure; discussion followed—and motion was amended defining the length of slacks/pants being no shorter than below the knee. Vote: Ayes 4 (Albaugh, Hamlin, Kerns, Knoch) – Noes 1 (McClung).*** Kerns noted it is expected that the front line supervisors will also manage employees to look businesslike and appropriate for their specific position.

BOD Self Assessment: Kerns reported the Governance Institute (GI) offers a comprehensive survey with no additional fees due to current membership—and would like to initiate same board assessment as last year. Board concurred with recommendation to initiate GI process.

MMHD District Board Bylaws: CEO Campbell suggested a review of bylaws to see if amendments are necessary or to leave alone. Kerns suggested group formed utilizing board, hospital employees and community members to walk through process. Kerns and McClung volunteered to serve on committee.

Strategic Planning: CEO Campbell briefed board on mold issues discovered within part of the hospital's original building. ***A motion/second (Knoch/Hamlin) was made authorizing CEO to proceed with architect recommendations and cost research.***

Finance Committee Report: Committee chair Hamlin reviewed and discussed the May 2009 financial reports. He reported May revenue and expenses compared to budget with the most significant variances in:

- Employee benefits: workers compensation rates changed so re-invoiced in April causing variance in May. More adjustments to occur last 2 months of FY.
- Other purchased services: Largely due to legal fees—up for month but down YTD.
- Non-operating revenue: MIHF (foundation) monies did not transfer and are to be booked in June. The bulk in that category is tax monies.
- Bottom line good month: \$574,170 for month of May.

Other discussions and concerns:

- A/R increase: HRG working accounts plus biller training but A/R not decreasing. Campbell reported reason partially due to late TARs, which has been rectified, and

- reassured board that June collections would be substantially higher thus A/Rs to decrease in June. HRG will eventually reduce A/Rs but will also impact write off's, hopefully within the next three months as per plan. Hamlin reported goal is 70 days.
- Contractuals and process booking figures to that category. The category is a combination of actual accrued and projected. Not booked to contractual account until billed thus skews net monthly revenue.
 - A/P decreased compared to prior month.
 - Only one surgery cancelled and now not taking patients not cleared from collections.
 - Last two weeks, receipt of over \$400,000 from Medicare and Medi-Cal and not indicated on Balance Sheet this month but would impact contractuals and cash reported Campbell. Also received over \$99,000 payment for swing bed reimbursement due to increase in daily rate and \$253,000 for Medi-Cal inpatient rate change previously booked as contractual. She reported finance is working through year end adjustments and figures look good, predicting a breakeven at this point, however, unaudited—and the final audit report may change that prediction for FYE09.
 - Option II: Other CAHs experiencing similar problems with Option II billings for pro fees and problems with Palmetto due to their first year as fiscal intermediary for CMS. Campbell concluded it is not Mayers' issue but a bigger systems issue.
 - Current debt ratio improvement. JP Marion explained bond debt outstanding per Balance Sheet—and that it is basically an insurance policy for Mayers. If Mayers fails to make payment, the insurance makes payments to bond holder. The "Bond Reserve Funds held by trustee" category is essentially the amount (\$685,493) currently held by Bank of New York/Aaron Masters earning money-market rates that helps offset monthly bond payments. During the final year bond due, the reserves accrued pays bond balance through that account. The "Bond Indenture agreement held by trustee" is where monthly payments accrue; including principal and interest, and then bond holder makes semi-annual payments to pay down—it is the current portion due to bond holder in one year. As of June 1st number will go away to pay bond—and on the P&L the interest expense booked.
 - Summary of services: \$1.8 million in deposits. Campbell reported another \$500,000 deposit due in June.

Hamlin reported board finance committee business from 6/10/09 meeting:

- Option II billing (pro fees): Recommendation by Michael Bell, Finance Consultant, to bill professional fees under Option I to collect \$300,000 (conservative) now instead of waiting for Option II and the remote possibility of getting 115 percent. Campbell stated that task had already been done and hopes to recoup additional dollars in cost report.
- Medi-Cal patients seeking voluntary surgeries: Internally not accepting elective Medi-Cal patients through administrative policy April 1st as Medi-Cal only pays 20% of cost. Campbell checking with legal for opinion to define service area vs. district. Essentially two choices: 1) take all Medi-Cal electives; or, 2) Medi-Cal from district or defined service area. Kerns recommended issue referred to Board Strategic Planning Committee agenda to draw data where patients come from, paid and not paid—and to talk to LAFCO representatives as to process in place to include others in District.
- CEO directed to start advertising for CFO. Campbell, at that time, asked to address issue and asked for a vote by board. She stated, as the responsibility of CEO, and believes it to be her decision to employee that position. With help of Medical

Management Corporation (MMC) evaluation and employee identified in-house a plan is in place to restructure without paying extra \$100,000 in wages for a CFO. Hamlin concerned employee does not have skill set and expertise to provide complex oversight and good understanding of the hospital's finances. Campbell responded she does not have skill set yet but she is developing it and along with new IT system in place and newly trained billers she will have support and skills necessary for financial tasks required. Skill set recommendations by board included: contract reviews and expertise in budgeting, financial analysis, balance sheet, P&L, as well as capability of generating reports timely. Board also discussed contract criteria that need evaluated before executed and brought before board finance monthly. Albaugh expressed concern of hospital's overall existence as its current total liability is over \$6 million and current assets \$5 million—and feels necessary financial oversight is not being done. He added we must prepare and plan to build model to absorb the probable reduction in payments with the proposed national healthcare reform. The hospital's finances are complicated and a CFO would hopefully bring a confidence level to the board as well as take pressure off CEO stated Hamlin. CEO asked board to clearly define CFO's job description. Hamlin stated almost every other hospital district he knows of has a CFO and that the board has expressed numerous a desire for a CFO with no progress. Campbell reported then that she would delay plan until further instructed but that financial plan progress would come to a standstill. At that time, Hamlin stated the importance of working together. Albaugh questioned the success of the plan due to poor references received from other rural hospitals utilizing same billing consultant agency. Kerns then asked Campbell how her plan would fix concerns—and she responded it addresses computation of contractials, billed, collected by function by month, and capacity to generate reports. Additionally, she has secured services from Bill Petersen, CPA, Matson & Isom, to provide general accounting practices as well as Michael Bell, CPA, to provide cost reporting audits. Plan takes people already available and re-designs how to accomplish. Hamlin asked if interim CFO would not be beneficial—and Campbell responded that was not necessary. Albaugh added the new McKesson system coming would be a job of its own. Board members concurred with Finance Committee's recommendation to recruit CFO; Kerns directed Finance Committee to define CFO role and come back to board with outline to discuss—a special meeting was suggested if necessary.

A motion/second (McClung/Knoch) was made to accept the finance report for May 2009. M/S/C unanimously.

MMHD Budget 2010: Budget Summary (Attachment D) reviewed and discussed. Campbell reported the operating budget FYE2010 is based on history and projected business models. The rate schedule effective 7/1/09 was discussed. Hamlin reported the board finance committee recommended weighted rate for the first 15 minutes in operating room and Campbell explained the category was broke out into "major" and "minor" rates which will net more income. She further reported the rates listed are only those with changes—that not all rates were included on list. The projected revenue, because June not complete at this time, nets \$23,175,290, which does not include general surgeon or provider-based clinic. A full pro forma with add-ons will be completed when appropriate. The net bottom line projection is \$1,001,714. She concluded the budget is built to have a net excess of \$1 million to meet board's expectation for a breakeven or better organization.

