



DATED: 1/22/14

PAGE: 1

**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING MINUTES**

AGENDA ITEM	DISCUSSIONS/CONCLUSIONS	ACTIONS/FOLLOW-UP/ RESPONSIBLE PARTY
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<p><b>PRESENT AT MEETING:</b></p>	<p><b>Board Members:</b> Roger Kahn, President; John Mohun, Vice President; Larry Long, Treasurer; Karen Sessler, M.D., Secretary; Dale Chamblin, Board Member</p> <p><b>Staff:</b> Bob Schapper, Chief Executive Officer; Virginia Razo, PharmD, Chief Operating Officer; Crystal Betts, Chief Financial Officer; Judy Newland, RN, Chief Nursing Officer/IVCH Administrator; Jaye Chasseur, Controller; Jim Sturtevant, Director, Inpatient Services; Larry Larson, Director, CHSP,; Paige Thomason, Director, Marketing and Communications; Ted Owens, Director, Community Development; Jayne O’Flanagan, Director, Human Resources; Michelle Cook, Executive Assistant</p>	
<p>1. <b>Call to Order</b></p>	<p>Mr. Kahn called the meeting to order at 2:08 p.m.</p>	
<p>2. <b>Roll Call</b></p>	<p>The roll call reflected that all Board Members were present.</p>	
<p>3. <b>Clear the Agenda/Items Not On the Posted Agenda</b></p>	<p>The agenda was cleared. There were no changes to the agenda as posted.</p>	
<p>4. <b>Input - Audience Employee Associations</b></p>	<p>Audience input was sought, but none was offered.</p>	
<p>5. <b>Approval of TFHD Budget FY 2014</b></p>	<p>Ms. Betts reviewed the TFHD Budget FY 2014, highlights as follows:</p> <ul style="list-style-type: none"> <li>✓ Statement of Revenue and Expense, Pages 1-4:                             <ul style="list-style-type: none"> <li>○ We are back on track with our normal reporting cycle;</li> <li>○ The data will be prepared a week ahead of time for the next budget;</li> <li>○ We are projecting \$193 million in Gross Revenue;</li> <li>○ Deductions from revenue is \$84.7 million;</li> <li>○ Other Operating Revenue (not direct patient care) is \$6.9 million;</li> <li>○ The Operating Property Tax Revenue is a new line</li> </ul> </li> </ul>	<p><u>It was moved Mr. Chamblin and seconded by Mr. Long to Approve a 15% increase on room rates for Med/Surg and ICU, and an overall rate increase of 5% in aggregate and for Approval of the Tahoe Forest Hospital District Budget for year 2014.</u></p> <p><u>A roll call vote was taken:</u> <u>Mr. Kahn, Aye,</u> <u>Dr. Sessler, Aye,</u></p>



DATED: 1/22/14

PAGE: 2

**BOARD OF DIRECTORS**  
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-------------	-------------------------	---

	<p>added and is used to offset operations of the Wellness Neighborhood;</p> <ul style="list-style-type: none"> <li>○ Total Operating Revenue is \$115.8 million;</li> <li>○ Projected expenses is approximately \$114 million</li> <li>○ The EBIDA is at \$1.9 million;</li> <li>○ Non-operating expenses had a loss of \$8.4 million and generated Property Tax Revenue (not for the Bond) at almost \$4.9 million. There was a net loss of \$1.6 million because a large portion of the non-operating expenses is for depreciation from the Measure C and Cancer Center projects being completed;</li> <li>○ Mr. Chamblin asked if this is accelerated depreciation;</li> <li>○ Ms. Betts replied that it is all straight-line depreciation;</li> <li>○ The Return on Gross Revenue EBIDA is at 1.0 percent and the Return on Equity is -1.7 percent;</li> </ul> <p>✓ Page 5, Statement of Revenue and Expense for the Years Ended June 30, 2008-12, Actual 2013, and Budget 2014 was reviewed and explained, highlights as follows:</p> <ul style="list-style-type: none"> <li>○ Last year there was \$178 million in Total Gross Revenue compared to \$193 million for 2014. The change is due to the Cancer Center project and there was some growth in Multi-Specialty Clinics revenue;</li> <li>○ There were deductions from revenue, an increase in charity care, and decrease in bad debt;</li> <li>○ The bad debt was explained and is because we are now moving towards more Medicare;</li> <li>○ On Page 20, the Gross-Revenue payor mix was reviewed and explained. The payor mix is shifting to a Medicare and Medi-Cal population and County and Commercial payor mix are down;</li> </ul>	<p><u>Mr. Mohun, Aye,</u> <u>Mr. Long, Aye,</u> <u>Mr. Chamblin, Aye,</u> <u>Motion passed unanimously.</u></p>
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**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING MINUTES**

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	<ul style="list-style-type: none"> <li>○ In the Projection of Gross Revenue, we were aggressive in volumes; this data is available in detail but is not included in this report;</li> <li>○ Total deductions were discussed;</li> <li>○ Property Tax Revenue – Wellness Neighborhood is \$648,000 for 2014 compared to \$94,000 from 2013;</li> <li>○ Total Operating Revenue is \$115.8 million and \$108.1 million for 2013, a \$7.1 million dollar increase in 2014;</li> <li>○ Operating Expenses are \$53.3 million compared to \$52 million for 2013;</li> <li>○ The 2.25% bargaining unit increase was built into the budget;</li> <li>○ They did not budget FTE from the system conversions in to the 2013 budget. The comparison of what actually ran is a seven FTE increase;</li> <li>○ Discussion was held on the increases in medical insurance and benefits- workers compensation;</li> <li>○ Ms. Betts said a workers compensation claim is being settled that is a one time settlement and is built into the budget. The medical insurance line is reflecting an increase because we are self insured and there is unpredictability in the patient payor mix;</li> <li>○ Ms. O’Flanagan stated that changes made to the benefits in January will not be reflected until the April statements;</li> <li>○ Supplies reflects an increase due to Oncology supplies;</li> <li>○ Purchase Services is at \$2.4 million and showed an increase compared to 2013. \$1.3 million is connected to resources in the business office/revenue cycle areas, Wellness Neighborhood Property Tax, Rural Health Care Symposium, fees related to the EMRs,</li> </ul>	
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**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING MINUTES**

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	<p>etc;</p> <ul style="list-style-type: none"> <li>○ Total Operating Expense is \$114 million;</li> <li>○ Net Operating Rev(Exp) EBIDA is \$1.9 million;</li> <li>○ Non-Operating Revenue is \$4.9 million;</li> <li>○ District and County Taxes is \$4.7 million;</li> <li>○ District and County Taxes – GO Bond is at \$4.7 million;</li> <li>○ Interest income is \$229,000;</li> <li>○ Donations is \$682,000;</li> <li>○ \$8.9 million in depreciation expense;</li> <li>○ Normal interest expense is going down. The Municipal Lease is going away at the end of the year;</li> <li>○ Mr. Kahn asked about county district and county taxes and the projection made of them decreasing. He said taxes will go up because properties will be sold at higher prices;</li> <li>○ Ms. Betts said the projection amount is not significant;</li> <li>○ Mr. Kahn and Dr. Sessler asked about the donations;</li> <li>○ Ms. Chasseur said the IVCH capital campaign costs are under donations;</li> <li>○ Mr. Schapper added that these are estimated numbers for donations. Fund Development will evaluate performance against their plan;</li> <li>○ Page 6, the blue arrows highlight payor mix changes;             <ul style="list-style-type: none"> <li>▪ Distribution of net revenue reviewed;</li> </ul> </li> <li>○ Page 7, IVCH Statement of Revenue and Expense reviewed and explained:             <ul style="list-style-type: none"> <li>▪ Revenue is down from 2013 by \$800,000 and deductions from revenue are up by \$2.1 million. The projections indicate what they are currently seeing at IVCH;</li> <li>▪ Contractual allowances were discussed. There are</li> </ul> </li> </ul>	
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**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING MINUTES**

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	<p>dramatic shifts in payor mix. More bad debt in IVCH market than historically. \$400,000 increase in operating. Revenue and the payor mix change is reflecting these changes and the negative EBIDA at \$649,656;</p> <ul style="list-style-type: none"> <li>○ Mr. Kahn stated that at the next IVCH Foundation they will to discuss how IVCH is doing financially;</li> <li>○ Ms. Newland noted that she will discuss with the current IVCH Foundation Chair;</li> </ul> <p>✓ Professional Fees Paid Analysis – For Year 2013 Handout:</p> <ul style="list-style-type: none"> <li>○ This is for the \$19.2 million of professional fees budgeted;</li> <li>○ Physician fees are 55.7% (\$10.6 million) of the professional fees;             <ul style="list-style-type: none"> <li>▪ \$2.4 million of the physician fees is for Medicine Call related to the hospitalists;</li> <li>▪ \$4.8 million is for Multi-Specialty Clinic Physician fees;</li> </ul> </li> <li>○ Mr. Mohun asked Ms. Betts what the increase is for the professional fees compared to last year;</li> <li>○ Ms. Betts stated the increase is 5.8%, \$17.7 million from 2013 to \$19.2 million;             <ul style="list-style-type: none"> <li>▪ Discussion was held on sustaining an increase of 6%;</li> </ul> </li> <li>○ Mr. Long asked Ms. Betts why the current Medical Director fees were not included;</li> <li>○ Ms. Betts responded it would have taken too long to research all of the fees and capture in exact detail the 7%. The Medical Director fees and physician fees had taken an effort to populate;</li> </ul>	
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**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING MINUTES**

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	<ul style="list-style-type: none"> <li>○ Therapist Fees are 23.7% (\$4.5 million) of the total professional fees;</li> <li>○ Legal Fees are 5.1% (\$975,000) of the total professional fees;               <ul style="list-style-type: none"> <li>▪ Reviewed and explained the subaccounts;</li> </ul> </li> <li>○ Consulting Fees are 15.5% (\$2.9 million) of the total professional fees;               <ul style="list-style-type: none"> <li>▪ 94.8% of the consulting fees was pulled from \$2.9 million budgeted;</li> <li>▪ Reviewed and explained subaccounts;</li> <li>▪ Discussion was held on the small amount of consultants utilized in the hospital, as indicated in the consulting fees, and proving to the community that these fees are beneficial;</li> <li>▪ Mr. Mohun recommended that management discuss the benefits of the consulting fees. Analyze the fees and show the Board so the Board members can tell the community what they are getting for the consulting fees;</li> <li>▪ Mr. Schapper recommended the consulting fees be discussed in detail in the Finance Committee and from there reported to the Board;</li> <li>▪ The Board was in agreement with Mr. Schapper's recommendation;</li> </ul> </li> <li>✓ Separate Business Units:               <ul style="list-style-type: none"> <li>○ Home Health has a Net Operating Loss of \$119,000. Hospice has a loss of \$160,457. There is a positive to \$90,000 when both are combined;</li> <li>○ The Children's Center, without the employee discounts, is operating well at \$75,000 positive net revenue, and</li> </ul> </li> </ul>	
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**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING MINUTES**

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	<p>at a loss at \$422,000, after the employee discounts are included;</p> <ul style="list-style-type: none"> <li>○ Occupational Health has a loss of \$127,000;</li> <li>○ Health Clinic has a loss of \$306,000. In the 2013 budget for the Health Clinic, there was a Keane error in salaries and wages that impacted the numbers. This has been addressed in the 2014 budget;</li> <li>○ Retail Pharmacy is at a loss of \$350,000. The Employee Drug Plan was explained;</li> <li>○ Total Separate Business Entities has a net loss of \$915,000;</li> <li>○ Page 10, Tahoe Center for Health and Sports Performance was reviewed and explained:             <ul style="list-style-type: none"> <li>▪ The net income is \$638,000 and adjusted to \$417,000;</li> <li>▪ Fitness and Wellness had a loss of \$209,000;</li> <li>▪ Occupational Health Testing net income is at \$82,000;</li> <li>▪ Total \$84,000 income and last year loss of 158,000;</li> </ul> </li> <li>○ Page 11, Cancer Program was reviewed and explained:             <ul style="list-style-type: none"> <li>▪ Increases in revenue for the Radiation Oncology and PET CT pharmaceuticals. Total Cancer Program has \$5.4 million in net revenue;</li> </ul> </li> <li>○ Page 12-16, the Multi-Specialty Clinics operations was reviewed and explained:             <ul style="list-style-type: none"> <li>▪ Total Net Operating Loss is \$5.6 million on and last year \$5.4 million. There is not a huge difference in the net loss line;</li> </ul> </li> </ul>	
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SPECIAL BOARD MEETING MINUTES**

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-------------	-------------------------	---

	<ul style="list-style-type: none"> <li>✓ Page 17, Tahoe Institute for Rural Health Research was reviewed and explained:               <ul style="list-style-type: none"> <li>○ \$549,000 is the amount drawn against the credit line;</li> </ul> </li> <li>✓ Page 18, Volumes were reviewed:               <ul style="list-style-type: none"> <li>○ Mr. Schapper indicated that the health clinics service lines are consolidating. The Multi-Specialty Clinics will be operating under Ms. Razo and the Health Clinic under Ms. Spencer;</li> <li>○ Mr. Kahn asked Ms. Betts why the Oncology procedures are down in volumes;</li> <li>○ Ms. Betts replied that it is a challenge to determine what is seen as a procedure;</li> </ul> </li> <li>✓ Statement of Cash Flows:               <ul style="list-style-type: none"> <li>○ The District is projecting at the end of fiscal year there will be approximately \$46.1 million in cash available for the Standard &amp; Poor's (S&amp;P) Days Cash on Hand calculation, which represents 145 days;</li> <li>○ She discussed the median ratios for Days Cash on Hand;</li> <li>○ We are still rated as a small hospital, even through our net patient revenue exceeds \$90 million;</li> <li>○ Our annual review with S&amp;P was a BBB- rating, a downgrade from positive to stable;</li> <li>○ EBIDA line is \$1.9 million. The interest income cash is being received;</li> <li>○ Property Tax Revenue is \$4.9 million;</li> <li>○ Donations is \$656,000;</li> <li>○ The 2007 Municipal Lease is paid off as of May – \$422,000 out this year;</li> </ul> </li> </ul>	
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**SPECIAL BOARD MEETING MINUTES**

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	<ul style="list-style-type: none"> <li>○ The copier leases are \$103,000 and this cost will drop off in June and July;</li> <li>○ 2002 revenue bond is a debt service requirement;</li> <li>○ We still have some physician recruitment due to the student loan amount for \$206,000;</li> <li>○ Equipment reviewed:               <ul style="list-style-type: none"> <li>▪ The Municipal Lease will bring money back for equipment;</li> <li>▪ GO Bond Project Personal Property IT is \$920,000;</li> <li>▪ Building Projects is \$1.5 million;</li> <li>▪ Changes in Accounts Receivable is \$874,000;</li> <li>▪ Changes in Settlement Accounts is \$1.2 million;</li> <li>▪ Change in Other Assets is \$1 million;</li> <li>▪ Change in Other Liabilities \$710,000;</li> <li>▪ Change in Cash Balance is \$2.1 million increase;</li> <li>▪ Ending Unrestricted Cash at \$46.1 million;</li> <li>▪ There was an increase in cash in the bank but expenses are raising, so there will be lower Days Cash on Hand;</li> </ul> </li> <li>○ Mr. Chamblin asked about the anticipated change in Accounts Receivables (AR);</li> <li>○ Ms. Betts said the first and second quarters are based on actual. If the AR is 60 days, then you bill, and will receive cash in 60 days. She removed 60 days and put in last quarter what she thought she conservatively projected we would receive in cash.</li> </ul>	
<p><b>6. Approval of TFHD Rate Analysis and Increase Proposal</b></p>	<p>Ms. Betts reviewed and explained the TFHD Charge Comparison, highlights as follows:</p> <ul style="list-style-type: none"> <li>○ She reviewed the Note Reference located at the bottom of the worksheet. Note Reference (B) indicates data from the OSHPD website;</li> </ul>	



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-------------	-------------------------	---

	<ul style="list-style-type: none"> <li>○ The pricing for our hospital is as of today and has not been revised for the rate increases she is proposing for approval today. The rest of the charge master is as of June 2013;</li> <li>○ Yellow indicates a charge is lower than TFHD;</li> <li>○ Blue indicates a charge is higher than TFHD;</li> <li>○ Green shows TFHD percentile is lower than the 50<sup>th</sup> percentile;</li> <li>○ Red shows TFHD percentage is higher than the 50<sup>th</sup> percentile;</li> <li>○ The second page compared TFHD to Barton. TFHD is lower in pricing than Barton;</li> <li>○ The third page shows a comparison of TFHD with Barton Memorial, Auburn Faith, and Marshal Medical;</li> <li>○ Mr. Chamblin asked Ms. Betts if there is a comparison with the Renown;</li> <li>○ Ms. Betts said that Renown and the other Reno hospitals was not included because they do not have the state mandated nursing ratios, reporting requirements, and OSHPD requirements. Nevada and California are different in these areas;</li> </ul> <p>Ms. Betts reviewed and explained the Comparison of TFH P L with 8 California Hospitals in TFH's Market Region, highlights as follows:</p> <ul style="list-style-type: none"> <li>○ The data analysis was made by Mr. Gerlach. He looked at ranking and our ability to generate revenue. We rank the lowest of the group and the comparison was with 21 other hospitals appearing to be in our peer group. We were lowest on revenue patient day in the state of California. Discussion was held.</li> </ul>	
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DATED: 1/22/14

PAGE: 11

**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING MINUTES**

AGENDA ITEM	DISCUSSIONS/CONCLUSIONS	ACTIONS/FOLLOW-UP/ RESPONSIBLE PARTY
	Ms. Betts proposed a 15% on room rates for Med/Surg and ICU, and an overall rate increase of 5% in aggregate. Further discussion was held on the District's low pricing and room rates as shown in the TFHD Charge Comparison and the Comparisons of TFH PL with 8 California Hospitals in TFH's Market Region.	
7. <b>Financial Report – November 2013</b>	A copy of the November Financial Report is in the packet and is self explanatory. The report will be included in the Regular Board Meeting packet and for further discussion, if needed. The December and January financials will be discussed at the next Finance Committee.	
8. <b>Adjourn</b>	The meeting adjourned at 4:52 p.m.	