



SPECIAL MEETING OF THE BOARD OF DIRECTORS

MINUTES

Monday, January 26, 2015

Eskridge Conference Room, Tahoe Forest Hospital
10121 Pine Avenue, Truckee, CA

1. **CALL TO ORDER**

Meeting called to order at 1:30 p.m.

2. **ROLL CALL**

Board: Karen Sessler, M.D., President; Charles Zipkin, M.D., Vice President; Greg Jellinek, M.D., Secretary; Dale Chamblin, Treasurer; John Mohun, Director.

Staff: Bob Schapper, Chief Executive Officer; Crystal Betts, Chief Financial Officer; Virginia Razo, Chief Operating Officer; July Newland, Chief Nursing Officer/IVCH Administrator

Others: Gary Hicks, President G.L. Hicks Financial, LLC; Sandra Jacobs and Keri Whitehead with Jacobus Consulting

3. **CLEAR THE AGENDA/ITEMS NOT ON THE POSTED AGENDA**

Correction to December financials reference to reflect 2014.

4. **INPUT – AUDIENCE**

Gerald Herrick provided background related to his civic participation. Mr. Harrick has knowledge of hospital via his Measure C involvement and through experience as a patient. Mr. Harrick indicated he has total confidence in the hospital. Mr. Harrick spoke to the 1/27/15 board agenda as he will not be able to attend. Supports the CEO transition plan as proposed by the Board. Recommends not going to an outside consultant, and not pursuing recruitment for a minimum of 6 months to allow the District to heal. Recommends an outside consultant be engaged to conduct an assessment of the leadership and that an advisory committee of citizens be established.

5. **INPUT FROM EMPLOYEE ASSOCIATIONS**

None.

6. **ITEMS FOR BOARD DISCUSSION AND/OR ACTION**

6.1. **Finance Review**

CFO provided a quick overview of the expectation for today's education session. Intent of scheduling the January Finance Committee as a special board meeting finance orientation is to allow new board members to familiarize themselves with the reporting and provide a refresher to existing board members.

6.1.1. **Financial statement orientation**

A sheet reflecting various financial term definitions was provided to the Board for reference. The CFO provided a review of District's balance sheet by line item.

Background was provided related to the Clawback provision legislation impacting our skilled nursing facility.

Discussion took place related to the municipal lease. The interest rate is very low and it is more beneficial to the District to maintain the lease and retain cash on hand as it factors into the District's bond rating.

Discussion took place related to the board designated fund reflecting a \$2000 balance. It is not known for what this money was designated; the CFO will research with prior treasurer and look at prior Board minutes to identify its original purpose before making a recommendation to the Board on whether to undesignate the funds.

Explanation of the term defeasance was provided.

Gary Hicks provided background related to the bond references included under the current liabilities section of the Balance Sheet.

Incurred but not recorded (IBNR); relates to health insurance claims that have been received but have not been paid. Workers compensation works in a similar manner as the District is self insured for both.

A review of the good, better, best ratios was provided by Gary Hicks and relates to financial ratios looked at on a monthly basis. A review of the various bond rating options was provided. Bond ratings impact an organization's ability to obtain funding with better interest rates.

Discussion took place related to Medicare, Medi-cal and Medicaid payor mix trends. The District needs to focus on revenues (what is charged) and staffing. Covered California will make this worse following an initial pick up.

Discussion took place related to payor contract rates and trends being seen related to reimbursements. TFHD has been able to maintain their reimbursement rates though it is anticipated that the insurance companies will be coming back to TFHD to reduce the reimbursements. The Board has been very outspoken about not changing rates to compete with Reno.

Discussion took place regarding the EBIDA ratio and looking at the ratios with and without the property tax dollars.

Cash flow and cash reserves are the most important factors for the bond rating. Compared to other critical access hospitals, TFHD is doing very well. TFHD is one of only two small hospitals with a BBB-rating.

CFO will work with Finance Chair to look at additional opportunities for Board education related to finance.

6.1.2. Financial Report – November 2014 Package

November financials were not reviewed in detail as December financials would reflect pertinent updates.

6.1.3. Financial Report – December 2014 Quarterly Package

Discussion took place related to the self pay program. A significant amount of work is being done and staff is looking at outsourcing funding payment plans in advance. An update will be coming to the Board in the future.

The trend for bad debt indicates the no-pays are migrating to Medi-cal.

TFH outpatient volumes were above budge in the following departments by at least 5%: Emergency visits, Laboratory Testing, Oncology Lab, Diagnostic Imaging, Oncology procedures, Nuclear Medicine, Ultrasounds, Pharmacy Units, Physical Therapy, Speech Therapy, and Occupational Therapy.

TFH outpatient volumes were below budget in the following departments by at least 5%: Surgical cases, MRI exams, and Respiratory therapy.

Net patient revenue as a percentage of gross patient revenue was 60.0% in the current month compared to budget of 55.3% and to last month's 47.7%.

EBIDA was 7.5% above budget; year to date EBIDA was 1.3% over budget.

Cash collections for the current month were 83% of targeted net patient revenue.

Gross days in AR were 70.4, compared to prior month of 66.1. The percent of gross accounts receivable over 120 days is 29.5% compared to the prior month of 32.4%.

Working capital days cash on hand is 17.9 days. S&P days cash on hand is 141.6.

Overview of the IVCH financials was provided. IVCH is doing better than they were at this time last year. IVCH is seeing a significantly different payor mix than that of TFH. It was noted that an increase in the Medicaid population may require an annual report filing which has not historically been required.

6.1.4. Review of Quarterly Payor Mix

TFH is seeing the lowest commercial insurance and the largest increase in Medicare and Medi-cal for the second quarter.

Director Mohun left the meeting at 3:15 p.m.

Trends are being watched and will play significantly into the budget process.

6.1.5. Review of Financial Status of Separate Entities

6.1.5.1. Separate Business Enterprises

The CFO provided a review of the separate business enterprises.

Home Health has a net operating loss, with a net loss of \$63k making it off budget by approximately \$80k; Hospice is doing better than budget resulting in a combined status for Home Health/Hospice better than budget.

Children's Center is \$8k better than budget and better than this time last year. It was noted that the Director has done a stellar job of operating the non employee portion of the center very well.

Health Clinic is \$10k off from budget and about on track with this time last year.

Retail Pharmacy – employee drug program. Discussion took place related to the self insured program and payments made to outside pharmacies and how these relate.

Director Mohun rejoined the meeting at 3:20 p.m.

Discussion took place related to how to encourage employees to use the TFHD pharmacy to help reduce costs. It was reported that a third party entity is encouraging employees to go elsewhere. Employees who live in Reno are a loss due to convenience. The COO provided some background related to the steps being taken in this area.

6.1.5.2. Center for Health and Sports Performance

Exceeding budget. Lab is off, but other areas are right on budget. Net income better than budget. Overall operations is within \$500 of budget.

6.1.5.3. Cancer Program

Medical oncology is \$150k better than budget and better than this time last year.

Physician oncology is off of budget by \$96k. Combined, medical oncology represents a positive aspect to budget.

Radiation oncology (nursing/equipment side). Better than budget. MSC Radiation oncology off from budget. Combined, \$11k off of budget.

Labs better than budget and this time last year. Pharmaceuticals off from budget. Discussion related to costs of pharmaceuticals and benefit of centralized pharmacy.

All combined departments' net income off by approximately 49k.

6.1.5.4. Tahoe Institute for Rural Health Research

Available balance of \$285k. It was noted that there was an error in including the interest in the \$2m letter of credit and the available balance has been adjusted.

6.1.6. General Obligation Bond Refinancing Update

Gary Hicks provided an update related to the general obligation bond market. Results in a net savings to the public/property owners won't be known until the bonds are sold.

Summary of the process of paying off the 2008 bonds and the defeasement was provided. Issue is scheduled to go to the Board on February 24th for authorization; approximately a week after approval the bonds will be sold.

Discussion took place regarding the timing of the sale. Interest rates are low so it may be beneficial to move up the approval process by two weeks requiring a Special BOD meeting around February 12th to initiate the sale of the bonds.

The Board approves moving forward with a special board meeting as indicated to approve the sale, legal documents, and final resolution.

Meeting recessed at 3:40 p.m.

6.1.7. Revenue Cycle Project Update – Jacobus Presentation

Meeting reconvened at 3:46 p.m.

Sandra Jacobs introduced herself and provided a summary of her professional background and overview of Jacobus Consulting.

Topics reviewed during today's update include:

- *Industry Trends Driving Revenue Cycle Optimization*
A brief review of industry trends and pressures was provided.
- *Jacobus Service and Strategy*
A summary of the services and strategy for Jacobus was provided.
 - *3) Management Consulting/Advisory Services*
 - Health Care Performance Improvement
 - Consultant as Trusted Advisor
 - *2) HC Information Systems Delivery*
 - Projects – Clinical and Financial
 - ADVANCE Delivery Methodology
 - Multi-Vendor HCIS
 - *1) Staff Augmentation*
 - IT Systems Consultants
 - Interim Leadership
 - SWAT Team Services
- *Project Goals and Comparisons*

Comparisons:

Typical Project: 18 months to 2 years

TFHD on track for 12 month Completion

Project Goals: Overview Cash Acceleration Focus

SWAT Cash Collections \$10.8 m

People, Process, Systems (By Pillar)

Gap Analysis

How to Sustain the Gain

- *Key financial indicators:*

BEFORE OPTIMIZATION PROJECT	CURRENT STATUS
Days in AR: 85.9 Days	70 Days
Cash Collections: 86% of Goal	115% of Goal
Discharged Not Final Billed: 2,575 accounts Estimated Days: 14.25	1,464 accounts 8.1 AR days
Aged AR >120 Days: 34.33%	29.5%
Clean Claim Validation Rate: 30%	71%

- *Revenue Cycle Pillar Project Status, Gap Analysis*

Patient Access Pillar:	project status: estimated completion date 2/13/12
Case Management Pillar:	project status: 30%
Revenue Integrity Pillar:	project status: close to 100%
Health Information Mgmt:	project status: 100%
PFS Pillar Accomplishments:	project status: 45%

A detailed breakdown of the various metrics will be provided. Benchmarked from commencement, to today, and projected for tomorrow. Finance Committee to review and make recommendation for presentation to the Board.

6.1.8. Approval of Revised Charity Care Financial Assistance Policy

On September 28, 2014 the Governor of the State of California approved SB1276: Hospital Fair Billing Policies (Charity Care and Discount Payment Plans). Notification to Hospitals was provided by the California Department of Public Health on December 4, 2014. SB1276 was effective January 1, 2015 and requires modifications to Hospitals existing Charity Care and Financial Assistance Policies.

Discussion took place related to the reference to “high deductible” and how that is defined in the

legislation. Not clearly defined but appears to be based on individual income.

ACTION: Motion made by Director Sessler, seconded by Director Chamblin, to approve the revised ABD-9 Financial Assistance Program Full Charity Care and Discount Partial Charity Care Policy incorporating the required changes from SB1276. Roll call vote taken. Approved unanimously.

6.1.9. Agenda Input and Date for Next Finance Committee Meeting

The next Board Finance Committee meeting will be scheduled on Monday, January 23 or early in the day on Tuesday, January 24th.

6.2. BREAK

Meeting recessed at 4:38 p.m.

APPROXIMATELY 5:00 P.M.

6.3. Compliance Education Session

Meeting reconvened at 5:03 p.m.

Compliance Officer introduced speaker, Diane Racicot, with Procopio law firm as the guest speaker. Ms. Racicot provided a summary of the training objectives for the education session.

These include:

- Review the framework for an effective compliance program including the role of the Board of Directors
- Discuss recent laws impacting compliance programs in health care organizations
- Identify evolving governance considerations
- Summarize fraud and abuse and other relevant health care laws

The Board's role:

- Formally adopt the agency's compliance program
- Be familiar with health care and other applicable laws that impact the agency's business operations
- Support the Compliance Officer's independence and direct reporting line to the Board
- Require an effective reporting system that allows the Board to properly exercise its oversight role
- Exercise reasonable inquiry of management to obtain information necessary to satisfy Board's obligations
- Establish a Board level quality committee and make quality of care a standing Board agenda item
- Perform regular assessments of the Board and its committees
- Actively review results of compliance program (internal and/or external) performance evaluations

Public Agency Considerations:

- Conflicts of interest
- Gift of public funds

- Procurement and bidding
- Gifts and honoraria
- Transparency

It was noted that it is not common for a board to be held liable, but they could be; especially if they were personally involved in the event. Discussion took place related to the burden proof.

Discussion took place related to role of a small hospital district with limited resources in addressing issues. The Board needs to have a basic understanding of the law and must ask questions of key subject matter experts within the organization to determine if engagement of outside resources is warranted.

7. INPUT – AUDIENCE

None.

Open session recessed at 6:54 p.m.

8. CLOSED SESSION

8.1. Government Code Section 54956.9(d)(2): Exposure to Litigation (3 matters)

Discussion held on privileged matters.

9. OPEN SESSION

Open session reconvened at 8:54 p.m.

10. REPORT OF ACTIONS TAKEN IN CLOSED SESSION

General Counsel provided a report out related to closed session item 8.1.

REPORT OUT: By unanimous approval, the Board authorized the compliance officer to expend no more than \$5k to investigate a compliance risk matter related to exposure to litigation.

11. ITEMS FOR NEXT MEETING

No items identified.

12. BOARD MEMBERS' REPORTS/CLOSING REMARKS

No closing remarks provided.

13. NEXT MEETING DATE

The next regular meeting of the Board of Directors will be January 27, 2015.

14. MEETING EFFECTIVENESS ASSESSMENT

The Board will identify and discuss any occurrences during the meeting that impacted the effectiveness and value of the meeting.

15. ADJOURN

Meeting adjourned at 8:55 p.m.