



# Iron County Medical Center

## Iron County Hospital District Board Meeting Thursday, November 15, 2017

Meeting was called to order by Board President Kevin Adams at 4:03 pm. Board Members present were: Kevin Adams, Norma Owens, Randy Matthiesen, Bob Dunn and newly appointed member Eddie Kelley. Guests included: Joshua Gilmore (CEO), Brantley Hickman (Controller), and Angie Nations (HR) who took minutes.

Adams first extended a warm welcome to new member Eddie Kelley then asked if minutes from the October 19, 2017 board meeting had been received and if so, were there any objections, corrections, or additions. There were no changes and Mattheison made a motion to approve the minutes, Dunn seconded.

*5 yeas. Motion carried.*

### **Hospital & Board Administration/Operation Matters**

#### **a. Financial Report/Payment of Bills**

Gilmore shared that October had been a very rough month for ICMC, that when the final financials came out it was one of those moments that give you pause. While we had previously maintained a slight margin year to date, the month of October had a \$233,407 loss which brought us to a total loss of (\$146,986). Of particular significance was October came in with the highest gross revenue ever for ICMC, but netted only \$1.09 million, a drop in our Net to Gross collections of roughly 6% over the prior month. This decrease was due to our payer mix and subsequent contractual adjustments. An on-going effort is being made to get better contracts with the commercial insurance companies. We were able to get a new agreement in place with UHC effective December 15<sup>th</sup> that pays as a percent of billed charges; Commercial insurers are approximately 19% of our total revenue. It is imperative that we get Anthem to finalize a new contract with us if we are to become sustainable.

Gilmore stated that his fundamental concern with the financials is that while we are getting better overall operationally, we still have a gap between our revenues and expenses and that this gap is slated to get larger if we don't decrease costs and increase revenues. Moving forward, there will be more expenses added as we increase services, and in addition, our Medicare and USDA are both set up on graduated repayment plans. Our Accounts Payable has continued to grow and we don't have a mechanism to pay down the large AP back log without driving revenues and cash flow. Revenues are not yet on track yet to keep up with anticipated expenses from paying back our liabilities. We are continually looking at ways to increase revenue and decrease costs. It's not enough to simply add new services. We must determine the needs of the community and make sure we provide those services that are sustainable.

The 340b pharmacy plan is a prime example of a program we must get going. Being a part of that would allow us to get special pricing on medications. It's designed to help facilities like ours obtain sustainability. We are doing everything in our power to drive this initiative because getting this in place could mean a minimum net of 1/4 million dollars per year. Because of our high debt to Cardinal, McKesson – who is the contracted pharmaceutical company that Parkland Pharmacy uses – is not willing to sign on with us. We simply do not have the money right now to get Cardinal



## Iron County Medical Center

caught up. They are working with us on the backlog and we will be entering into a loan agreement with them.

We are absolutely pulling out all the stops to try to make the 340B program a reality – even to the extent of going to Congressman Jason Smith, who is meeting with his contacts at McKesson on our behalf.

Gilmore went on to say that we expected to have a loss of \$663,000 at this point in the fiscal year – not that we wanted to, but it is what we expected. We are \$516,000 better than that.

While the AP ebbs and flows, what we need to see is a downward trend. He reviewed the analysis of where we were at the end of 2016 on AP vs. where we are now which reflected we closed out 2016 (on 6/30/2016) owing \$1,567,186. We are now at \$1,885,136. Some change, fluctuations are to be expected, but the upward trend is a problem. If we aren't driving revenues to at least stay consistent on AP, then expenses are outpacing revenues. If we can't turn this around, the Board has an obligation say "we can't keep doing this". If that happens, I am researching the options determine what is best practice. "In my entire career in healthcare, I have never seen this amount of challenges."

Gilmore shared that he envisions a three-lane highway. Lane 1 represents our expectation to be here for the long term. From that perspective we have to determine how to get through the next several months, so we can plan for the future. Lane 2 is what happens if we have an event that forces us to restructure as an organization (Bankruptcy). An example is a major vendor we cannot operate without (ER, Pharmacy, etc.) calling in our debt to them. If this happens, we must develop an emergency plan which may mean a total re-organization – re-aligning our services and eliminating some. If nothing goes our way and it goes really bad and we end up in lane 3, that means we cease to exist.

The challenges we are facing are such that we need more than just a few thousand dollars here or there. The upcoming ballooning payments with Medicare and the USDA require that we do much more than that. Aside from the lack of payments due to contractual adjustments, we did fair in October: We had 45 swing bed days, 54 acute days, an average of 13 patients per day for ER, 9 observations, 32 infusions and 535 RHC visits. Again, it was the highest gross revenue month ever, but we didn't get reimbursed at a sustainable level.

Hickman shared the following financial information:

On the balance sheet, note the rising AP balance in comparison with operating loss of \$283,000. The key contributors were poor net to gross collections due to high contractual adjustments. Our expenses increased \$30,000 due to the upfront payment to BKD -- they were onsite for a week working through our audit and prepping for cost reports. In addition purchased services and contractual labor increased when we brought on Dr. Doerr, the new orthopedic physician. Projected sustainability for orthopedics is 100 days out, so it is a delayed process with regard to profitability. In addition, Dr. Garigga, the Rheumatologist, doubled up in October because he had to be off 2 weeks in November. We will see an income from that in November and early December. Sales tax continues to be down. In FY 15, we received \$420,000, FY16 \$400,000 and in FY17 we are on track for \$290,000.



## Iron County Medical Center

Total billable supplies increased costs due to high dollar drugs. Billable supplies are much friendlier on the cost report than non-billable. HRG, the company we contracted to help clean up our aging A/R invoiced us for \$62,000; this included a missed invoice from back in May as well as half of September and all of October – something we did not anticipate. In addition, we have an annual charge of \$16,000 from TrueCode for the software that assists us with ICD-10 coding that hit October. In the future, that expense will be allocated as a monthly expense over 12 months. In addition, we had to pay Athena an up-front \$20,000 to start working on the transition from CPSI to Athena that will take place July 1, 2018.

Adams asked what CLA was still doing for us. Hickman shared that they are preparing monthly Medicare Settlement amounts so that we can closely monitor any pay backs due and put that money in reserve. Due to the CDM changes, we have to monitor this very closely and make sure we reserve any payback, so we won't add to what we owe Medicare. CLA also does the compilation of the portion of the 350b program we are participating in through Medicare. It is a highly regulated process which requires very close, consistent monitoring. Even with our loss this month, we are reserving the funds needed to pay Medicare back for anything we owe for the current year. Recently, WPS sent new rate information indicating they owed us \$210,000. In reality, they did NOT owe us anything. In actuality, we owed them. We only knew that because of the monthly monitoring being done by CLA. We absolutely do not want them to send us a check then later add that to our debt.

After a question from Dunn about how Medicare payments were determined, Gilmore provided an example of how Medicare calculates what will be paid.

Gilmore then shared that at the end of the day in looking at October financials, we had a variety of this occurring – adding an Ortho, extra Rheumatology days, an increase in infusion and other medications. Our challenge is making sure we are being paid well enough to cover our expenses. We are continually looking at reducing costs and driving revenues in every possible way. If we get to a point in time where you all, as the governing board, determine we can't keep up, then you have to determine it is time to go to plan b. The scary part is not just the next 3-4 months, it's what happens when we get to those balloon payments in 24 months. Gilmore noted that we have updated our charge master, we continue to negotiate commercial insurance contracts, we are diligently working to get the 340B plan in place for commercial insurance payers, we are looking at driving services that impact revenue in a positive way and simultaneously provide quality care to the community. We continue to constantly analyze all aspects of our operations to make sure we are being fiscally responsible.

Adams asked Gilmore to provide him a list of what we are doing and planning to do to cut costs and to include all revenue enhancements and all capital projects. He then stated that he respects the opinion of each Executive Team member and requested that each Executive team member submit a list individually. He added that he would like the Leadership Team members included in discussions about ways to cut costs and enhance revenues. Gilmore said he would make that happen.



# Iron County Medical Center

Adams asked for a motion to pay bills as cash allowed. Owens made a motion for bills to be paid as cash allows and Dunn seconded.

*5 yeas. Motion carried.*

## **a. CEO Report and Board Notifications/Approval Items**

Gilmore stated that an ongoing analysis is being done to determine which specialists are proving to be a cost benefit to us. Some of this is tied to commercial insurance contracts, basically, who is using these services and who is and isn't paying; and, with contract renegotiations still underway with Anthem, it is hard to project what the effect will be on revenues once those are finalized.

Adams mentioned that the auditors had requested he provide them with copies of closed session minutes for a couple of the board meetings. He stated that it made him realize that the board is currently without a Secretary Treasurer. Owens nominated Randy Mattheison, and Adams seconded the motion. Mattheison asked that they share with him the responsibilities required of that position; Adams shared that with him and the motion and second were re-iterated.

*5 yeas. Motion carried.*

## **Policies and Procedures**

Gilmore shared a plain language document regarding ICMC's availability of financial assistance that will be going out to all our patients to help them understand what types of financial assistance we offer here. The document was reviewed by the board. Owens made a motion to approve this policy, Dunn seconded.

*5 yeas. Motion carried.*

Gilmore than reviewed 3 business office policies, all three that were revised:

The first policy was a Financial Assistance Policy that allows case-by-case considerations for extenuating circumstances and also changes the timeframe for verifying patient's financials. Previously, financials may be reviewed once and the record remains the same in perpetuity. The new policy allows for redetermination when a patient's financial circumstances have changed. Owens made a motion to approve policy, Dunn seconded.

*5 yeas. Motion carried.*

The second policy revised how discounts will be administered. It outlines how discounts will be applied going forward and prevents the possibility of discount stacking, complementing the Financial Assistance Policy. Owens made a motion to approve the no discount stacking policy, Dunn seconded.

*5 yeas. Motion carried.*



# Iron County Medical Center

## **Policies and Procedures (Cont'd.)**

The third policy addresses billing and collecting of self-pay accounts. It combined and updated several outdated policies into one policy. Owens made a motion to approve this policy, Dunn seconded.

*5 yeas. Motion carried.*

Gilmore announced that ICMC is working with Ameren Missouri to move from current lighting to LED based lighting. He shared that Ameren will cover a portion of the cost to change out the bulbs which will cost \$15,896. ICMC would pay \$6,000 of that cost and Ameren would grant the rest. Analysis has proven that we would gain a break-even on our cost due to reduced electricity cost in 6 months and after that it would save us \$24,000 per year. Dunn made a motion that ICMC be allowed to make this switch, Owens seconded.

*5 yeas. Motion carried*

Gilmore reviewed the results of the on-going QUAPI initiatives -- hand-washing, equipment PM's and outdated supplies. Owens made a motion to accept the QUAPI report, Dunn seconded.

*5 yeas. Motion carried*

### **b. Auxiliary Report**

Nothing to report.

### **c. Audit/Finance Committee**

Gilmore explained that, due to Boyer's resignation from the Board, Gary Boyer will need to be removed from the Operating Account (1063057) signature card and add Norma Owens and Brantley Hickman. A New Construction Account for the purpose of receiving USDA Grant funds needs to be established. The signature card for the accounts should include Kevin Adams, Norma Owens, Joshua Gilmore, Cindy Sadler, and Brantley Hickman as authorized signers. Dunn made a motion to add/remove signers from the Operating Account and to open the New Construction account as noted. Kelley seconded.

*5 yeas. Motion carried.*

Gilmore shared that the Notice of Election of Board members to replace Gary's and Maxine's position will appear in next week's Mountain Echo as required by law.

### **d. Governance Committee**

Owens reported that Attorney Bryan Parker will begin his review of the Board by-laws in January, 2018.

### **e. Approval of President's signature on hospital documents**

Owens made a motion to allow Adams to sign all documents needing a Board signature. Dunn seconded.

*5 yeas. Motion carried*



# Iron County Medical Center

## **5. Old Business**

No old business to discuss.

## **6. New Business**

Gilmore announced that he had put the brakes on with regard to going out for bid for ER docs while we try to catch up on back pay amounts to ECI.

Gilmore shared that Cardinal health is wanting to consolidate all of our past due amounts into a loan and offered three scenarios to choose from with varying interest rates. He stated that we really don't have a choice as to whether we will or will not do that – they are requiring it. The only choice is which option we choose. He asked for permission to make the choice that best impacts our cost report. Owens made the motion for Gilmore to review the options and make the decision; Dunn seconded.

*5 yeas. Motion carried*

Gilmore reported that the Community Health network initiative is progressing well with four entities actively involved at this time – ICMC, Missouri Highlands, the County Health Department and SEMO Behavioral Health. He shared that there is an opportunity for a grant to move the process along and MoHi has agreed to prepare the paperwork. Gilmore requested permission from the board to jointly assist MoHi with the grant opportunity. Dunn made a motion to proceed with participating in the grant process for this initiative. Owens seconded.

*5 yeas. Motion carried*

Gilmore then asked for the board's approval for him to sign an MOU with MO-HI to continue with Community Health Network initiative. Dunn made a motion to allow Gilmore to sign an MOU with Mo-Hi, Owens seconded.

*5 yeas. Motion carried*

Gilmore shared that he had spent over an hour on the phone with a representative of the Delta Grant which is also an initiative to support our Community Health Network. He stated that they are very supportive of our plan to improve rural population health in this region and that they will be making a recommendation to give us this grant which will provide us access to technical assistance from the granting party.

## **6. New Business (Cont'd.)**

Gilmore stated that he would like to hold strategic planning meetings with the Board in January. He asked that each of them review their calendars for afternoons in January that might work for them



## Iron County Medical Center

so he could arrange a mutually-agreeable date and time. The meetings will focus on long-term sustainability and how we can get there.

Gilmore announced that the annual employee Christmas party will have a revised venue due to our current financial situation, that we are planning a pot luck dinner at a place to be determined and that the Executive Team has offered to pay the cost of the meat. Adams offered his services to cook the meat and Owens stated that she would also contribute to the cause. Gilmore agreed to provide additional details as soon as everything was decided.

Owens made a motion to adjourn the meeting; Dunn seconded.

*5 yeas. Motion carried*

**NOTE:** Randy Mattheison had to depart meeting at 5:17 PM