

RANGELY DISTRICT HOSPITAL  
**BOARD OF DIRECTORS MEETING**  
February 26, 2015

**BOARD MEMBERS PRESENT**

Stephen Petersburg, Chairman  
Buford Adams, Vice Chairman  
John Payne, Secretary/Treasurer  
Jason Kurrasch, Director  
Nathaniel Polley, Director

**OTHERS PRESENT**

Nick Goshe III, CEO  
Bernie Rice, CCO  
Jim Dillon, CFO  
Cynthia Stults, Executive Assistant/HR Director  
Nancy Droste, Radiology

**I. WELCOME/CALL TO ORDER**

A quorum being present, this regular meeting of the Rangely Hospital District Board of Directors was called to order at 6:01p.m. by Stephen Petersburg, Chairman.

**II. APPROVAL OF MINUTES**

Minutes of the Rangely District Hospital Board of Director's meeting dated January 22, 2015 were presented for review. A motion was made and seconded to accept the minutes as presented. The motion carried unanimously. **(ACTION/TAKEN/CLOSED)**

**III. PUBLIC FORUM**

- A. Correspondence:** There was no correspondence presented at this meeting.
- B. General Public:** There were no speakers from the general public present.

**IV. MEDICAL STAFF REPORT**

- A. Review of Medical Staff Report (Accepted):** Minutes of the February 12<sup>th</sup>, 2015 Medical Staff Report were presented for review. A motion was made and seconded to approve minutes as corrected. The motion carried unanimously. **(ACTION TAKEN/CLOSED)**

- B. It was recommended to approve David S Patz MD's reappointment to Consulting Staff. A motion was made and seconded. The motion carried unanimously. **(ACTION TAKEN/CLOSED)**
- C. It was recommended to approve Jimmy G Gilbert MD's reappointment to Consulting Staff. A motion was made and seconded. The motion carried unanimously. **(ACTION TAKEN/CLOSED)**
- D. It was recommended to approve Andrew Morse DO's reappointment to Consulting Staff. A motion was made and seconded. The motion carried unanimously. **(ACTION TAKEN/CLOSED)**
- E. It was recommended to approve Craig Lastine MD's reappointment to Consulting Staff. A motion was made and seconded. The motion carried unanimously. **(ACTION TAKEN/CLOSED)**

#### V. COMPLIANCE REPORT

- A. **EMR update:** We are doing a coding/billing meeting with our clinic and billing staffs to ensure all our bases are covered and we are recovering all charges with appropriate documentation. Jim and I met with our billing company in Grand Junction on Monday to ensure that we were capturing charges with the necessary documentation that they needed in order to bill correctly. They assured us that we were.
- B. **RAC concerns:** There has been a shakeup in Fruita where their CFO and business manager were both dismissed. Of concern the CFO said that if he was going down so would the billers. Monument Medical also bills for us and that brought up RAC audit concerns. We expressed our concern to Monument and asked if it was due to RAC. They assured us that no, it was not due to billing, but that it had to do with land use or some other issue and they did not foresee RAC doing a regional audit in that respect.

#### VII. OLD BUSINESS

- A. **Eagle Crest Generator:** This item was left off the old business agenda. Nick believes it is operational. He will get an update from Mike and will email the Board the update.
- B. **Dr. Ken Sutton:** Dr. Abigail Urish whom is starting in late August is now engaged to a physician. As mentioned last month we are arranging to meet him this March. I do not know that we will have a position for him but we are going to bring him out for an interview and if he seems good we will proceed with credentialing him. He is going to be living in town with Dr. Urish and it sounds like they are getting married before she arrives in August. Over the phone he seems like a nice guy. He has been out of residency for 2.5 years and is a family practice doctor comfortable with what we do here. Unfortunately he has no interest in weekend work at least any on a regular basis and would prefer the same schedule as Dr. Urish. At any rate I will know more about him once he comes out for a visit.

## VI. FINANCIAL REPORTS

**A. VA approved Provider:** We have just been approved as a Veterans Choice Provider. This is for veterans that live more than 40 miles from the nearest VA facility can now select our facility for their needs. We will be advertising this new designation in the newspapers here, and in Steamboat, Craig, and Vernal, This will provide services to the veterans in our area and can save them traveling to Grand Junction or Salt Lake. I think it will be well received.

**B. Cash Flow Study:** No one has a crystal ball Forecasts are based on assumptions which may or may not turn out to be correct. Unforeseen events can and do occur. The cash flow projections we have presented to this board include assumptions we believe to be the most likely, given current knowledge. As future events unfold, those projections may prove incorrect. We will continue to update the projections as future events unfold, but by their nature, forecasts are simply a best guess. Given our current forecast, we are estimating that we will need to cut expenses by about \$75,000 per month (900,000) starting in July of this year to get by and additional cuts where possible to build reserves against unforeseen events. For the last several months, management has been working with the board on cash flow issues and the implications for Rangely Hospital of the implementation of the ACA (Obamacare) EMR requirements, changes in Medicare payments patterns, the local economy, future conservative projections and so on. This started with presentations about sources and uses of cash, changes in payor mix, shortage of physicians, etc. and culminated this information into a five year cash projection. This projection indicated that given current expectations, the hospital will face negative cash balances in 2-3 years if action is not taken. One change that has arisen since the conclusion of this study is that our projections had included \$1,200,000 that the state of Colorado said we were going to receive in 2015 as part of the Healthcare Provider Fee (HPF) program. The State has since rescinded that amount as a calculation error. This affects every hospital in the state. Given the nature of the error, it is very likely that we will receive a much smaller increase. Thus moving the timetable to act from late 2017 as originally calculated to early 2017. The outlook remains uncertain for several reasons, including:

The price of oil remains at very low levels. This affects our operating tax revenue. State and Federal regulations and reporting requirements continue to increase. Medical insurance co-pays and deductibles continue to increase which in turn reduces demand for services. ICD10 , a new mandated medical coding system that is set to go live October 2015. Experts have warned to expect a 90 -120 day delay in Medicare payments in which hospitals will need reserves. Demand for services are low due in part to the local economy, the price of oil, and reduced demand. Administration has met with Department managers to look into reducing costs by \$1,000,000 in order to keep the hospital viable in the interim. Actions being considered are: scrutinized operating expenditures including travel, training, overtime and capital expenditures. Placing a hiring freeze for now. Reducing FTE's and requiring employees' to pay part of their health insurance premiums.

**C. Presentation of January's Financial Report:** We are still waiting for the State's recalculations of the HPF. To date we still have not heard from them. In January, we borrowed \$750,000 from our line of credit (LOC) as expected. However in January

we only received \$35,376.24 in contractual payments from Medicare compared to \$490,872 in January 2014. In order to ensure cash through mid-March, we borrowed another \$500,000 from the LOC in February. This is not due to any changes in payment procedure from Medicare, but is because we had very little Acute activity in December. Acute activity is volatile but tends to even out over the year. This point just happened to occur at our annual cash low point. Note that the Medicare figured mentioned above are for cash payments, the number in our reported revenue include a Cost Report Accrual of \$250,000 for 2014 and \$201,368 for 2015. Our cost report preparer will be onsite April 15-17, so our cost report should be filed by the end of April. This means that Medicare's response has to be made by the end of June (60 days) and we should receive our 2014 payment shortly after. Medicare paid us \$295,488 against the 2014 cost report in October but still owes us about \$2.5 Million. Stats were mixed in January. Inpatient Acute, Swing and Long Term Care did especially well with favorable variances to both budget and last year. Thus we should receive some healthy Medicare payments within the next couple of months. However Lab and Home Health had negative variances to both budget and last year. Revenue was 11% more than last year and 2% better than budget. Gross Profit is 23% less than last year and 7% less than budget due to lower Medicare monthly payment. This was not due to any change in the Medicare payment process, but rather an unusually small number of Acute days in December. Total Expenses are 1% greater than budget and even with last year. Payroll Expense is at 12% above budget and 14% more than last year, mostly due to higher provider costs. Purchased service expenses are 60% better than budget and 77% less than last year due to the reduction in locum tenens usage. Net Income for the month is (184,859) which is less than last year's figure of \$183,329 as well as less than the budgeted figure of (57,771). Most of the variance is due to lower than expected Medicare payments which reduced Gross Profit. Cash balances for January are lower than expected due to the lower Medicare payment. Balance includes the \$750,000 borrowed in January from the Line of Credit. The Check Register for January was reviewed. A motion was made and seconded to accept the January 2015 Financial Report as presented. The motion carried unanimously. **(ACTION TAKEN/CLOSED)**

- D. Community Power Point Presentation:** The board and administration will be reviewing a presentation to present to the staff and community about the financial future of healthcare in Rangely.

## **VIII. NEW BUSINESS**

- A. No new business was presented.

## **IX. BUSINESS FROM THE FLOOR**

- A. John was aware of two RX's filled for a work comp claim for an employee of his, but they could not fill them with our pharmacy as Pinnacle Insurance does not have RDH and the clinic is not listed as a provider. Nick will look into it and see if we can be listed with them. Many insurance providers are narrowing providers they will approve.

**X. EXECUTIVE SESSION**

A motion was made and seconded to enter Executive Session at 7:06 p.m. per C.R.S. §24-6-402(4) (f) “personnel matters.” The motion was approved unanimously. **(ACTION TAKEN/CLOSED)**

**XI. ADJOURNMENT**

A motion was made and seconded to adjourn this regular meeting of the Rangely Hospital District Board of Directors at 7:48 p.m. Motion approved. **(ACTION TAKEN/CLOSED)**

Submitted By:

\_\_\_\_\_  
John Payne, Secretary/Treasurer, Board of Directors

Date: \_\_\_\_\_

\_\_\_\_\_  
Cynthia Stults, Executive Assistant

Date: \_\_\_\_\_