

**RANGELY DISTRICT HOSPITAL
BOARD OF DIRECTORS MEETING**

May 23, 2019

BOARD MEMBERS PRESENT

John Payne, Chairman
Jason Kurrasch, Vice Chairman
Nathaniel Polley, Secretary/Treasurer
Stephen Petersburg, Director
Shad Peters, Director

OTHERS PRESENT

Nick Goshe III, CEO
Bernie Rice, CCO
James Dillon, CFO
Sharma Vaughn, CNO
Dr. Sutton
Jodi Dillon, Executive Assistant/HR Director/Business Office Manager

Dr. Urish
Tammy Dunker
Terrah Patch
Frank Huitt
Roxie Fromang
Danny Vaughn

I. WELCOME/CALL TO ORDER

A. A quorum being present, this regular meeting of the Rangely Hospital District Board of Directors was called to order at 6:00 p.m. by John Payne, Chairman of the Board.

II. APPROVAL OF MINUTES

A. Minutes of the Rangely District Hospital Board of Director's meeting dated April 25, 2019, were presented for review. A motion was made and seconded to accept the meeting minutes as presented. The motion carried unanimously. **ACTION/TAKEN/CLOSED)**

III. PUBLIC FORUM

A. **Correspondence:** No Correspondence were presented.

B. General Public: Tammy Dunker introduced Kelly and Matt with Colorado Rural Health Center, the State Office of Rural Health. Tammy sits on the Board for Colorado Rural Health Center, an advocate for Colorado's Rural Health needs, policy, and finance. They are here now doing a feature of Rangely District Hospital, on the sustainability of Rural Health Care. Kelly went on to explain that they provide resources and support to ensure that rural health care facilities, whether hospital or clinics, and their communities can remain sustainable. They track and analyze policies that are related to the impact on us, and advocacy building to help legislators better understand who we are, and how rural health care is different. This video series is a huge piece of that. Colorado Rural Health was here a few years ago and also did a feature telling our story. Kelly went on to say, "What you guys have here is incredible, we have been to so many places across the State, and this is really unique; a gift you all have here. What you have here is incredible." As a resource, Kelly shared Snapshots of Rural Health in Colorado, showing what rural health care looks like in a community, whether its health care outcomes or economic impact. Not only does CRH develop these for the State, but regions across the State. As a result of the last video, Nick was invited to speak in front of the State Legislators in Denver. Matt added that this is their 15th video in this series, and Rangely's video was by far the most viewed.

Frank Huitt was invited to address the board regarding his concerns for the Mill Levy. Mr. Huitt introduced himself as a member of Rangely's Community since 1978, Town Council Member, and former Mayor. He first questioned the board on why they do not start the Board Meeting with the Pledge of Allegiance and invitation. John Payne thanked him for bringing that to their attention and stated that would be addressed. Mr. Huitt went on to say, "Most of you know that I am adamantly opposed to this huge Mill Levy increase." He stated he does want this hospital to succeed, and he has been well satisfied with the medical care he has received here, but he doesn't think this will pass. The first reason he listed was Nick's "take it or leave it" approach, with no other alternative. Frank Huitt believes there are other alternatives. He suggested 5% pay cut across the board, with a 10% pay cut for upper management. He also suggested asking for 8 Mills vs 15. All this in an effort to show the public you are willing to accept part of the pain, and not put it all on the taxpayer's backs. Mr. Huitt obtained a copy of the salaries, listing several, and combed through them making suggestions on where we could make cuts, and what we could do away with. John Payne addressed Mr. Huitt and explained how they address and base salaries off of the Colorado Hospital Association survey. Mr. John Payne told Mr. Huitt that the Board did have an Executive Session the prior week to address, and discuss Mr. Huitt's suggestions and invited him to watch a presentation that was a "fruit of that discussion," seeing if those propositions were viable. Mr. John Payne reiterated that they have been working on this issue for five years, trying to do everything to avoid going to the voters for this. Mr. Huitt went on to ask what we are doing to generate new business. He concluded with "you have a spending problem, not a revenue problem."

IV. MEDICAL STAFF REPORT

A. Review of Medical Staff Report: Medical Staff was canceled for the Month of May, due to lack of quorum.

V. COMPLIANCE REPORT

- A. **EMR:** For two years now, we have put off the software updates for the computer systems, but they will be out of service in January, of this next year. The server that houses the Meditech accounts recently went down. We are working with GuauxTech now to get the needed information. We are not going to change that server out though, because they are \$12,000.00 a piece, and shortly after we will have the new ones up. We are still using Meditech for home health as Athena did not have that model.
- B. **OIG:** The Office of Inspector General has determined that all of these EMR's do not communicate together. I anticipate legislation coming mandating that they communicate. I don't know if this will mean interfaces or one system, but its coming and I am 100% sure it's going to cost us money. I've made it very clear I believe this is a data mining source for the government. That has been confirmed with the last round of insurance quotes and the GRX report.

VI. FINANCIAL REPORTS

- A. **April 2019 Financial Report:** Overall stats remain relatively flat as expected. Revenue is 2% less than last year but 1% better than budget. Gross profit is 10% less than last year but 9% better than budget. These large variances are mostly due to the timing of Medicare payments, not in expected total amounts for the year. Total expense is 6% below last year and 5% under budget mostly due to payroll. Payroll expense is 9% below last year and 6% under budget. Net income year to date is \$746,510 which is less than last year's \$897,024, but more than the budgeted amount of \$11,977.00 Net income is still expected to be close to budget by year-end. The large amount is related to the effect of the timing of Medicare payments of gross profit. The same pattern occurred last year, but we still ended the year with a near breakeven Net Income. A motion was made and seconded to accept April 25, 2019, Financial Report as presented. **(ACTION TAKEN/CLOSED)**

VII. OLD BUSINESS

- A.

VIII. NEW BUSINESS

- A. **Cash Flow Presentation with Discussion of Downsizing if Vote Fails:** Nick Goshe began the presentation by saying this is difficult, and he wishes he could make this easy. But people don't understand the changes that have happened in health care in the last ten years, and whoever says what he is saying is the bad guy. He hears what Frank is saying; he hears the frustration from the people who have come to him with complaints, peoples who's deductibles have gone from virtually non-existent, to four thousand dollars. People are paying out of pocket, and it is expensive. The cost of employees is a lot more than people realize. He knows Frank believes we are on the high end with salaries, but we are actually on the low end with almost everyone here. Eide Bailey confirms this, but a lot of people don't believe him, or the Eide Bailey study, even going so far as to say he "paid" for that review. Eide Bailey is 100 million dollar plus revenue-generating company; our little Hospital isn't going to be worth jeopardizing their government contracts with HUD or their standing with the top three credit rating agencies. Nick stated he really didn't want to present this in public because he thinks it will create fear. But when he talks to

our Cost Report preparer, who has been with us for years and used to work with CMS; it is completely obvious what we need to cut. The cost report is how we get paid from the government for having a Critical Access Hospital. A lot of the services we offer are not typically part of a Hospital. We are the only Hospital that does Assisted Living, Long Term Care, Pharmacy, Clinic, and EMS. There are some hospitals that do some of these services, but we are the only one that does all of these services. He verified this with the American Hospital Association and the Colorado Hospital Association. He then turned the presentation over to Jim Dillon. Jim began by explaining how Critical Access Hospital designation works, our cost structure, and how we get paid. (Slide show attached)

Nick Goshe reviewed our Cash flow projections. Our first quarter is extremely low due to a provider being out, which has accelerated our projections by six months. If our revenue goes up 3% (not guaranteed), with 30% going to benefits, payroll taxes ect, and our payroll expense, Medicare payments (1.51 million less in payments), an average 9% fall in our property value (which results in an operating loss of 1.3 million since 2014), Medicaid expiation (loss of 700,000.00) we have a total of 3 million less in revenue. Capital expenditure is the next big thing. We moved into a brand new facility in 2013 and have had to spend very little. However, we are getting to where we will have equipment upkeep and software updates, upwards of 1 million dollars a year. Assuming revenue and cost go up 3%, we will run out of cash around January of 2021. Once you get to the 2 million mark, you are operating a very risky business. All it would take is a physician leaving, a rooftop unit going down, or life safety update to eat that up and you'd miss payroll. We have 28 people who live in our facilities, if this vote fails we have to take action. If you plug in pay cuts of 10% across the board like Frank Huitt suggested (which is not legal in some cases as we have to comply with minimum wage) with a 4% operating cut, we still run out of money by 2022. More than half of our staff are licensed healthcare professionals that may choose not to accept the pay cut, and move somewhere else. We already have a nurse shortage of 1/3 this next year. Locum physicians, allied staff, and RN are at least double the cost. Pharmacist and Physical Therapist used to require a bachelors degree; now it's a doctorate. Their education expenses are outrageous with over \$100,000 in student loan debt; they have a choice if they want to accept that cut. We would have to do a 25% pay cut with a 15% reduction in operations to start balancing. We would not be able to get Dr.'s or nurses with that, nowhere could. He believes the public has a right to say if they want these services, or not. Every day we read about hospitals, in towns the size of ours or bigger, closing. There have been 100 hospitals that have closed, not including the ones that have been bought up by other entities. Our facility is going to be paid off in 2026 with the last taxing year being 2025, so property taxes are going to drop back down, even a little lower than they are now. We need to be honest with the taxpayers and give them the choice. This is all up to them.

John Payne concluded the presentation by saying over the last five years they have tried to bring our community the health care that everyone needed and wanted in hopes that our economy would come back, and our community would grow. That didn't happen. Our economy has not come back, we haven't grown, and we've been inundated with pay cuts that we have no control over. What we are trying to do now is show the community what services we provide, with the limited amount of money we receive; and see if the community wants to keep the services. This is what we have, this is what it's going to cost, does the community want to support it? All we can do is present the facts, which is

what we are doing tonight and what we'll continue to do until the election. Mr. Payne stated that he doesn't want to have to ask the community for more money in two years, and that's why they worded the Mill Levy with a flexible amount up to 15. He also said if we start cutting wages, we risk a mass exodus, which they are trying to prevent. The Board of Directors is committed to keeping the hospital and services intact for our community. They are doing everything they can to keep that commitment. If the community decides they don't want or can't afford these services, then that's what they'll vote for. Mr. Payne addressed Mr. Huitt saying they did take the information he provided and discussed it as a board. He then gave each board member an opportunity to address the room and state how they felt.

Nate Polley said he's been on the board for 5 or 6 years, and he agrees with what they are doing. He went on to say the school is out of money and going to have to ask for more taxes again, something he wants to prevent. Even though they are asking for 15 Mills, they will assess where they need to be each August, and only use what is needed. He's committed to staying lean and only use what's need to maintain the current services offered.

Jason Kurrasch stated he agrees wholeheartedly with Nate Polley and John Payne. Noting it would be foolish not to take the information presented, the Eide Bailey report, and what they've seen for the last six years; and make concise decisions.

Stephen Petersburg discussed the fact that he has been on the Board, for most of the time, since 1986. He has seen a lot of administrators come and go, and Nick is "hands down" the best administrator we've ever had. He has never seen, nor had a management team who has been more effective in "looking out in front" to see what we are likely to contend with. He properly commends this management team. He noted Eide Bailey commended them for calling while we have a year or two to do something, and not before we're about to miss payroll, like most calls they get. "After 28 years of dealing here, this is the best set up I've seen in my time".

Shad Peters stated he is the newest member on the board, and the reason he wanted to be on the board was the newspaper article he read last year. That article showed the cash flow and what is going to happen in 2021 if the Mill Levey fails. He makes the point that, annually, hospital employees put 12 to 56 million back into the community. If the hospital fails, Napa will go away, Giovanni will go away, and he wants our community to be sustainable. He believes the Mill Levey was structured in such a way to allow for uncertainties with government programs, that are likely to fail, and changes in health care. "I think we are running about as lean as we possibly can."

John Payne again addressed Mr. Huitt thanking him for bringing these things forward and acknowledges it's probably not what he wanted to hear, but going forward the board has to do what they think is right. He then opened the meeting to anyone else who wanted to address the board, administration, or members of the public.

Kelly, with Colorado Rural Health Center, addressed the room stating that there were two things she couldn't help but point out. While these cuts to the hospital may seem like they are happening in a bubble, in a rural community, this health care center is an economic infrastructure for your community. One rural physician's employment creates approximately 26 additional jobs and nearly 1.4 million dollars in income for the clinic

and hospital. The second point is she believes we are being generous when we say Medicare's 101% reimbursement "covers overhead."

Nancy Drosty, Director of Radiology, addressed the room saying most of the employees here are multi-talented. If you cut wages and these employees leave, they can make the same amount of money, or more doing one job somewhere else. Here Nancy works the ER, takes call, does Mamos, CT's, X-ray and is the Director. We are all working managers who could go somewhere else, make more money, and do one job. We are here because we choose to be, but if we leave, you won't be able to replace us, and all we do, for the wages we have now. Nancy also said she has been through six CEO's and thinks Nick is doing a fantastic job.

Terrah Patch addressed the room stating she has lived in Rangely her entire life, seeing and grown up with most of the people in this room, including Frank Huitt. This is something that really matters to the community, and I know it's going to affect my family, my friends, and the business I like to frequent. I know the hospital has cut clear down to the bone, and I don't see these board member, administration, or staff driving fancy cars or putting boats out. I see that they are here with us, in this rural community, trying to make it happen for everybody here, across the board. Nobody is excited about taxes, but what it comes with is life or death. If we don't pass this, something that is engraved in this community is going to die and take a lot with it. This matters, just like the things that are going to pass with oil and gas, this matters. This is going to make the community succeed, or it's going to shut it down.

Sharma Vaughn, CNO, addressed the room saying she holds a more simplistic view. She is here with some of the smartest people she knows, and they can give you numbers and facts, but she has a patient in a bed, and that's her world. It's not a secret that rural communities are struggling. We are struggling. There is legislation that attacks our industry, and our ability to provide for our self; we have a difficult time getting resources for the education of our children, it's hard to get fresh food in our grocery store. Rural populations have worse health outcomes just because of where they live and yet their not often identified as one of the underserved populations; they just are. We are standing on the shoulders of giants who have taken an ER and Inpatient bed and turned it into a mini health care system for our community that has brought in more revenue and has provided for a sustainable status of health, a quality of health, a quality of life for our community. A lot of our community does not have the choice to go to a clinic in another town. Many of us can put gas in a car, and it will get us there, but there are a lot of people in our community who don't have that opportunity. We have a political climate that has identified rural health care as expensive, and their goal is to shut us down. I would be negligent if I didn't get over my self and ask for help. I'm asking you to advocate for what has been built here. Our community has a heritage in our residents and a history to pass on to our kids. It's going to be me who is calling trying to find a place for our residents, and I am not going to find a place as good as we are. We need help, this is worth investing in, this is for the future of Rangely, and our kids too.

IX. BUSINESS FROM THE FLOOR

- A. There was no business from the floor presented.

X. EXECUTIVE SESSION

A. There was no need for an executive session this evening.

XI. ADJOURNMENT

A motion was made and seconded to adjourn this regular meeting of the Rangely Hospital District Board of Directors at 7:56 pm. Motion approved. **(ACTION TAKEN/CLOSED)**

Submitted By:



Nathaniel Polley, Secretary/Treasurer, Board of Directors

Date: 6-27-19



Jodi Dillon, Interim Executive Assistant

Date: 6-27-19