

RIVER'S EDGE HOSPITAL & CLINIC COMMISSION MEETING

River's Edge Hospital & Clinic – Helen G. White Conference Center

Wednesday, May 25, 2016

Present: Margie Nelsen, Chairperson; Bob Meeks, Vice-Chairperson; Blake Combellick, Secretary; Trustees: H. Stuart Johnson, Gary Swedberg, John Lammert, and Charles Zieman; Robert Christensen, MD, Medical Staff President; George Rohrich, CEO; Janelle Rauchman, Chief Quality Officer; Paula Meskan, Chief Nursing Officer; Jackie Kimmet, Chief Human Resources Officer; Stephanie Holden, Chief Marketing Officer; Todd Prafke, St. Peter City Administrator; Teah Malecha, Finance Manager; Paulette Redman, Recorder.

Absent: Roger Parras, Trustee.

CALL TO ORDER

The regular meeting of the Hospital Commission was called to order at 12:29 p.m. by Chairperson Margie Nelsen.

APPROVAL OF CONSENT AGENDA

The consent agenda includes the following:

- Approval of the Hospital Commission Meeting Agenda for May 25, 2016.
- Approval of the April 27, 2016, Hospital Commission Meeting Minutes.
- Acceptance of the May 10, 2016, Medical Staff Meeting Minutes.
- Acceptance of the May 18, 2016, Finance Committee Minutes.
- Acceptance of the April 20, 2016, Quality Management Committee Meeting Minutes.

The agenda for the May 25, 2016, Hospital Commission meeting was reviewed. One request to revise the Agenda was made:

- 1) George Rohrich requested to add an agenda item to the beginning of the agenda: Recognition of Hospital Awards.

ACTION: A motion was made by Blake Combellick to approve the consent agenda to include the amendment to the Hospital Commission Meeting agenda. The motion was seconded by John Lammert and carried with all members voting in favor.

HOSPITAL AWARDS

George Rohrich announced the recognitions recently received by the River's Edge Hospital and Clinic:

- Five-star award for patient satisfaction. The award is based on HCAHPS scores, with five stars being the highest rank. Of approximately 3,500 hospitals across the country, the top 4% achieve a five-star rank. A recognition ceremony was held for REHC staff, and each staff member received a five-star pin to wear with their name badge.
- Two awards from the Minnesota Hospital Association, received May 20, 2016, at the MHA awards banquet: Best Minnesota Hospital Workplace for small hospitals and a Patient Safety Improvement Award, recognizing the work of the Falls Task Force.

GENERAL VISITOR COMMENTS

Visitors: Mark Dale, EideBailly; Bill Donatelli, Joe Abeu and Richard Lewis from Quorum Health Resources (QHR).

EDUCATION REPORT

A webinar on the topic of strategic positioning was held on May 17, 2016, with over 10 commissioners and others in attendance. The next educational webinar will be held June 14, 2016, topic to be announced.

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The MHA summer Trustee Conference will be held in Alexandria. Commissioners interested in attending should contact Samantha Pherson in Administration to make arrangements. There will be reimbursement to the commissioners attending for travel expenses. Mr. Rohrich noted the conference brochure also contains information regarding the board certification program, and asked that commissioners consider participating in this program.

AUDIT REPORT

Mark Dale, representing EideBaily, LLP, presented the results of the financial audit for the year 2015, as outlined in the formal report.

Mr. Dale noted the financial statements and management letters that were distributed for review. He then discussed the following:

- Communication with the Board –
 - Auditor's responsibility under generally accepted auditing standards.
 - Responsibility for financial statements – management.
 - Audit consists of tests, not complete verification.
 - Engaged to perform audit in accordance with auditing standards generally accepted in the United States of America.
 - Significant accounting policies.
 - The most significant accounting changes made during the year included adoption of GASB State No. 68, *Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*. The changes have been retrospectively applied to financial statements beginning January 1, 2014.
 - No changes in existing accounting policies.
 - Management judgments and accounting estimates and qualitative aspects of accounting practices.
 - Key factors and assumptions used to develop estimates (Allowance for Contractuals and Doubtful Accounts, Estimated Third-Party Payor Settlements, and Accrued Pension Liability) were determined to be reasonable in relation to the financial statements taken as a whole.
 - Corrected and uncorrected misstatements – Misstatements detected as a result of audit procedures have been communicated to and corrected by management. These include:
 - To decrease beginning net position due to implementing GASB 68 - \$6,794,000.
 - To increase pension expense (\$148,000), record deferred outflows of resources (\$1,359,000), record deferred inflows of resources (\$1,592,000), and increase pension liability (\$6,649,000).
 - To increase allowance for doubtful accounts - \$690,000.
 - To increase Medicare receivable - \$308,000.
 - The net effect of the adjustments was to decrease net position by \$7,324,000.
 - Difficulties encountered in performing the audit – No difficulties in dealing with management.
 - Disagreements with management – none.
 - Management consultations with other independent accountants – none noted.
 - Other matters discussed prior to retention – none.
 - Supplementary information accompanies the financial statements.
- Internal control matters.
 - A material weakness was identified in that the hospital does not have an internal control system designed to provide for the preparation of the financial statements, related financial statement disclosures, and required supplementary information as required by generally accepted accounting standards, on a periodic or annual basis.

- Also identified as a material weakness -- significant audit adjustments were proposed to the Hospital's estimated third-party settlement, allowance for doubtful accounts, and pension liability.
- A significant deficiency was noted to be the limited size of office staff.

Health Care Environmental Trends were noted and discussed. Current trends include rising costs and reduced reimbursement, health care reform, physician recruitment and retention, and availability of workforce.

Mr. Dale reviewed the balance sheets, noting the cash position improved by \$500,000, and accounts receivable has decreased. Total cash and current assets stands at \$9,686,048, an increase from \$9,082,614 in 2014. Overall net position increased from \$97,429 in 2014 to \$873,558 in 2015. Other revenue included a one-time payment for electronic health record implementation and use. Days cash on hand stands at 120 days, a decrease from 146 days in 2014. Days revenue in patient receivables decreased from 89 in 2014 to 60 in 2015. The current ratio stands at 3.3, compared to 2.5 in 2014.

The Statement of Revenues, Expenses and Changes in Net Position was reviewed. River's Edge showed an increase of \$8,104,995 in revenue for 2015. Expenses increased by 30%. Overall the facility showed a gain of \$776,129 in revenues in excess of expenses, which is improved from the 2014 loss of (\$1,398,803). Net margin for 2015 is 2.9%, EBIDA ratio 9.9%, debt service coverage ratio 2.4.

Review of Operating Activities showed a total of 2,019 inpatient/swing bed days. Inpatient revenue accounted for 46.3% of total revenue, outpatient revenue 53.7% of the total. Total expenses per adjusted patient day of \$6,042.00. Personnel expenses and market share data were also reviewed.

ACTION: A motion was made by H. Stuart Johnson to accept the audit report as presented. The motion was seconded by John Lammert and carried with all members voting in favor.

MEDICAL STAFF

- A. Medical Staff Report.** Dr. Christensen noted that the Medical Staff had donated money toward the purchase of 165 bicycle helmets which were given out free to children and youth at the recent bicycle rodeo. The staff also sponsored six \$500.00 scholarships to be given to students graduating from St. Peter High School with plans to enter a health care career field. The six recipients were chosen out of 11 applicants.
- B. Medical Staff Credentialing.** A report from the Executive/Credentials Committee of the Medical Staff was presented for review. A recommendation was made by the Credentials Committee to approve medical staff membership and granting of privileges to the physicians and allied health professionals as listed on the report:

Initial Appointment to the Medical Staff:

Kristin Olson, CNP

Courtesy Staff, Urgent Care

Christopher Swanson, MD

Active Staff, IM/Hospitalist

Reappointment to the Medical Staff:

Gerald Berberick, OPA-C

Courtesy Staff, Orthopedic Physician Assistant

Lori Krome, MD

Courtesy Staff, Emergency Medicine

Stanley Kurisko, MD

Courtesy Staff, Radiology/Teleradiology

Mark Austin, MD

Courtesy Staff, Teleradiology

Susan Austin, MD

Courtesy Staff, Teleradiology

Mary Hestness, MD

Courtesy Staff, Teleradiology

Change in Category – Provisional to Full Membership:

Daniel Dingman, CRNA	Courtesy Staff, Nurse Anesthetist
Alan Johnson, PA-C	Courtesy Staff, Emergency Medicine
Timothy Kao, MD	Courtesy Staff, Ophthalmology
Michele Whaylen, PA-C	Courtesy Staff, Emergency Medicine
Amin Yousuf, PA-C	Courtesy Staff, Emergency Medicine
Kenneth Dodd, MD (remains provisional)	Provisional Staff, Emergency Medicine

Increase in Privileges: None

Withdrawn from Medical Staff:

Benjamin Chaska, MD	Courtesy Staff, Emergency Medicine
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ACTION:

- 1) A motion was made by Bob Meeks to accept the recommendation of the Credentials Committee and grant appointment, reappointment or change in status for each of the practitioners listed above. The motion was seconded by H. Stuart Johnson and carried with all members voting in favor.
- 2) A motion was made by Blake Combellick to accept the recommendation of the Credentials Committee and grant clinical privileges to each of the practitioners as listed above as requested and approved by the Credentials Committee. The motion was seconded by H. Stuart Johnson and carried with all members voting in favor.

QUALITY REPORT

The Quality Management Committee minutes from the April meeting were reviewed. The Quality Dashboard report was reviewed by Janelle Rauchman. The dashboard contains results from a number of measurable and reportable quality measures. Ms. Rauchman noted that the falls rate has gone up in Quarter 2, 2016. The Falls Committee continues to meet, assesses each fall and looks for opportunities for improvement. Staff education is also a component of the falls program.

ADMINISTRATIVE REPORT

A. Executive Summary.

The written report submitted by George Rohrich was reviewed.

- April's activity represented one of the facility's best months, both financially and statistically. The number of inpatient surgeries rose to 76. River's Edge is showing a month-to-date bottom line of approximately \$550,000, versus a month-to-date budget of \$96,000. Year-to-date Actual is \$51,000 vs Year-to-date Budget (\$485,000).
- March results show an increase of cash on hand of \$185,000 resulting in balance of \$8.3 million. The 2016 cash budget is to increase cash by \$1,055,000.
- Inpatient surgical procedures continue to trend positively.
- Lori Zook has been hired to fill the CFO position. She is board certified by HFMA in revenue cycle, and has audit experience. She will be starting work in late June.

B. Statistical Dashboard.

The statistical report for April, 2016, was reviewed. Of the 18 measured activities, 11 are green. The ADC (average daily census) and APD (adjusted patient days) both exceeded budgeted amount for the first time this year. Surgery numbers continue to rise, with an increase in the number of outpatient orthopedic procedures being done, corresponding to the call schedule established for the orthopedic surgeons. Urgent Care is operating close to budget. The program is being advertised and hours of operation continue to be assessed. The number of admissions from the Emergency Department remains low. Dr. Christensen noted that although the presence of the hospitalists

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increases the hospital's capacity for handling medical patients, the lack of available beds has been hindering admissions and necessitating patient transfers for acute admission. The ED does not turn away patients, and all patients who present are provided with a medical screening exam. If Med-Surg does not have the bed capacity for admitting an ED patient, the patient then is transferred to another hospital for admission. The providers and staff are doing daily bed huddles to keep staff aware of what the bed status is for the hospital that day. Commissioners requested that the staff present a consistent and positive message to patients when they are unable to be admitted to River's Edge and need to be transferred elsewhere.

ACTION: Paula Meskan, Stephanie Holden and Carrie Lager to develop talking points for staff members to use to ensure a positive transition for patients needing to be transferred from the ED to another acute facility.

FINANCIAL REPORT

A. April Financial Summary.

George Rohrich presented the financial report for April, 2016. Minutes from the May 18, 2016, Finance Committee meeting were available for review. Gross operating revenue was \$4,948,986 for the month, with net patient revenue at \$2,962,419. Year-to-Date gross revenue is \$17,055,935 which is ahead of budget, and net patient revenue is \$9,416,235 which is ahead of budget. Operating expenses stood at \$2,426,442. Year-to-date operating expenses are above budget by (\$485,571). April resulted in a net operating income of \$552,317. The EBIDA (expense before interest, depreciation and amortization) calculation showed a monthly gain of \$712,499.

Cash flow for April was positive at \$185,192. Operating cash is standing at \$4,389,311 and funded depreciation at \$3,921,697. Current Ratio at the end of March stands at 3.13. Days Cash On Hand is 113.78 days, and Days Revenue in Accounts Receivable stands at 64.01 days.

B. Write-Off to Collection.

Community Care and Presumptive Community Care grants totaled \$34,661.54 in April, covering 3 accounts that qualified for 100% write-off and 3 accounts at 50% write-off, with Presumptive Community Care covering 31 accounts, including 7 uninsured patients. Year-to-Date Community Care grants total \$54,904. Collection activity approval totaled \$112,507.90. Year-to-Date collection activity stands at \$155,713. Year to date \$146,575 of gross bad debts have been recovered. The Revenue Recapture program through the State of Minnesota resulted in receipt of \$151,041.

ACTION: A motion was made by John Lammert to accept the recommendation made by the Finance Committee for approval of \$34,661.54 in Community Care grants and \$112,507.90 in write-offs to collection. The motion was seconded by H. Stuart Johnson and carried with all voting in favor.

C. Accounts Payable Review.

Accounts Payable review for April included a total of \$1,205,023.86 paid via check.

ACTION: A motion was made by H. Stuart Johnson to recommend approval of checks totaling \$1,205,023.86. The motion was seconded by Blake Combellick and carried with all voting in favor.

D. Capital Equipment Requests.

1) Ambulance.

A recommendation was brought forward from the Finance Committee for purchase of a 2016 Ford E450 Road Rescue Ambulance from Everest Emergency Vehicles at a total cost of

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\$210,463.00. The bid was more expensive than the second bid obtained, but the range of features, including enhanced safety features, support the recommendation. A third bid was requested but not received. The REHC Foundation has raised \$125,000 toward the purchase of the ambulance, and the hospital would supply the remaining \$85,463.00 out of operating funds.

ACTION: A motion was made by John Lammert to approve the purchase of the 2016 Ford E450 Road Rescue Ambulance from Everest Emergency Vehicles at a total cost of \$210,463.00. The motion was seconded by Blake Combellick and carried with all voting in favor. The recommendation will be forwarded to the St. Peter City Council for review and approval.

2) Security Doors.

A recommendation was brought forward from the Finance Committee for installation of security features on the entrances to the Med-Surg area of the hospital. The enhanced security would include badge readers for the north and west doors, as well as a door release for the ED entrance. The doors would be secured after 7 p.m. each night when staffing is low, providing additional security for staff and patients. Patients and visitors arriving after 7 p.m. would be buzzed in by registration staff. The cost of the project is \$28,110.97; the hospital has received a capital improvement grant from the Minnesota Department of Health for \$20,000, bringing the cost of the project down to \$8,110.97.

ACTION: A motion was made by Bob Meeks to approve the installation of security features on the Med-Surg doors at a cost of \$28,110.97, supplemented by grant monies of \$20,000, bringing the cost down to \$8,110.97. The motion was seconded by Chuck Zieman and carried with all members voting in favor.

3) ECG Machines.

A recommendation was brought forward from the Finance Committee for purchase of two 12-lead Resting Electrocardiograph machines, one for the Lab/Med-Surg and one for ED, at a total cost of \$27,900. A grant totaling \$24,000 was received toward the purchase of the machines, bringing the purchase price down to \$3,900.00.

ACTION: A motion was made by Bob Meeks to approve the purchase of two ECG machines at a cost of \$27,900, supplemented by grant monies of \$24,000, bringing the out-of-pocket cost to \$3,900.00. The motion was seconded by Gary Swedberg and approved with all voting in favor.

4) PT Treatment Table.

A recommendation was brought forward from the Finance Committee for purchase of a physical therapy treatment table. The table includes the capacity to provide traction; currently the department has only one other table that provides traction capabilities. The cost of the table is \$5,787.72.

ACTION: A motion was made by H. Stuart Johnson to approve the purchase of a PT Treatment Table from Dynatronics at a cost of \$5,787.72. The motion was seconded by John Lammert and carried with all voting in favor.

E. Debt Capacity Study and Revenue Cycle Review.

A recommendation was brought forward from the Finance Committee to contract with Quorum Health Resources (QHR) to perform a debt capacity study and revenue cycle review in preparation for the next phase of facility remodeling. The cost of this project is \$32,500, and it would be completed within 30-60 days. Proposals were also received from three other companies – Wipfli, EideBailly and Huron.

ACTION: A motion was made by Bob Meeks to approve the hiring of Quorum Health Resources, at a cost of \$32,500, to perform a debt capacity study and revenue cycle review. The motion was seconded by Blake Combellick and carried with all voting in favor.

F. QHR Financial Management Support Proposal.

Bill Donatelli, Joe Abeu and Richard Lewis from Quorum Health Resources (QHR) presented an overview of their company and the services they provide. The company currently has 123 multi-year hospital clients across the country, including approximately 65 critical access hospitals. Services available through QHR include operations support, consulting services, education, a group purchasing organization and software applications. Areas of expertise include physician services, compliance, strategic affiliation, process improvement, revenue cycle, strategic positioning, clinical operations, supply chain, workforce efficiency, strategy and marketing, healthcare finance and reimbursement and IT optimization. QHR is putting forward a proposal for a one-year Advisory Services Agreement with River's Edge to include the following: Financial management support, critical access hospital reimbursement support, comparative data, compliance support, trustee and leadership education, management education and revenue cycle consulting. The one-year contract for services would cost \$129,500; should River's Edge contract for these services, QHR would drop the price of the debt capacity study by 50%.

ACTION: Following discussion, the commissioners requested that the proposal for provision of additional services be brought forward for further discussion at the June Commission meeting.

ROUNDTABLE COMMENTS

Bob Meeks – Mr. Meeks brought up the topic of local drug court programs, wondering if there was an appropriate role for the hospital to play in this type of program. He also noted summer feeding programs within the community, and offered to serve as a representative of the Commission should the opportunity be available.

Chuck Zieman – This is Mr. Zieman's last Commission meeting; Susan Carlin will be returning to St. Peter and will assume her role as Hospital Commissioner for the June meeting. Mr. Zieman also noted that a number of St. Peter residents have expressed to him their satisfaction with the care they have received from River's Edge.

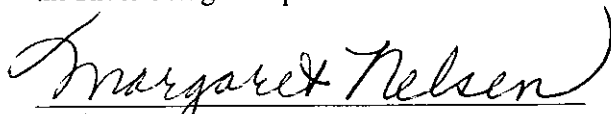
Stephanie Holden – The new website REHC.org has been launched. Strategic planning meetings will be upcoming later in the summer. There will be one meeting set for a Community Forum to receive input from community members, a second forum will be held for business and community leaders. An full-day offsite Strategic Planning meeting for Commissioners and leadership will be held in August.

ADJOURNMENT


ACTION: A motion was made by H. Stuart Johnson to adjourn the meeting. Motion seconded by Chuck Zieman and carried with all voting in favor. Meeting was adjourned at 2:45 p.m.

NEXT MEETING

The next regular meeting of the Hospital Commission will be Wednesday, June 29, 2016, at 12:30 p.m. This meeting will convene in the River's Edge Hospital Helen G. White Conference Center. The Finance Committee meeting will be held on Wednesday, June 22, 2016, at 1:30 p.m. This meeting will convene in the River's Edge Hospital Helen G. White Conference Center.



Chairperson



Secretary