

**Southern Coos Health District**  
Board of Directors Meeting  
June 21, 2012 – 7:30 p.m.

**Minutes**

- I. **Call to Order** - The regular monthly meeting of the Board of Directors for Southern Coos Health District was called to order at 7:30 p.m. by Chairman, Bob Hundhausen. Mr. Hundhausen also announced the opening of the Budget Hearing.

Members Present: Bob Hundhausen, Chair; Esther Williams; David Allen; and Brian Vick.

Others Present: Jim Wathen; Alan Dow; Robin Triplett; Dennis Jurgenson; Carol Meijer; Cyndy Vollmer; Mary Kemp; Melody Gillard-Juarez; James & Donna Reilly; Chris Cox; Jim Giambrone; Carol Acklin; and Amy Moss-Strong.

- II. **Public Input** – Jim Giambrone – Is glad the Board packet is now available on the website. That is a big help. Thank you. It has been 6 months since the outside consultant reported for the vast array of problems. He reminded the Board that they would review the concept of hiring a consultant in about 4-6 months. I think the public has a right to know if you will do that and if you are considering it. Our hospital has been struggling in so many ways. Employees, past and present still contact me to complain. Yes, they are afraid to speak up at work for fear of termination or retribution. Who do you complain to when you have an issue with the CEO? The current finance report, that is, the one I got to look at today, that is a report for utilization, they're still getting failing grades. I wonder why there are no statistics available for last year for lab tests and respiratory visits that were under utilization. Overall in utilization, I doubt the local population has suddenly fallen prone to sudden health. I am sure they are going to other hospitals, in fact, Bay Area Hospital advertises down here. With Dr. Holland moving her practice, will that result in less referrals to SCH and thus worsening our financial situation? Who was selected to the new Finance Committee? I applied and have got neither an acknowledgement nor notice of non-selection. I mentioned that good communication is a matter of professional respect. In reality, how much time does it take to fire off an email to someone and say thanks, you didn't get it, and say who did? That is a common business practice. Speaking of communication, two months ago in April, I sent to each Board member a list of complaints against the CEO. I did speak by phone with Bob (Hundhausen) and in person with Marilyn (Noorda). No other Board member responded or even acknowledged getting my message. Ironically, one of my complaints was a lack of communication with the CEO. Is there a policy to investigate complaints against the CEO? Has the Board even discussed my complaints? Last year, in one of these Board meetings, I was told the meetings are not the place to grill the Board. What is the time and manner to communicate with the Board? Overall, we need a dynamic manager who could bring the community and employees together. We don't have that now. There is an elephant in the room, the emperor is not wearing clothes. If I had the money, I

would donate the \$300,000 to fire the CEO and pay his buy-out package. Eight months after near financial death, we are only clinging to life as an organization. Other medical professionals are shaking their heads at us. I will continue to be involved in the tilted windmills. Not because I am insane and don't know what they are, going back to the story of Don Quixote, but rather because of the courage to do so. Sir Edmond Burke taught us, all that is necessary for evil to succeed is for good men to do nothing. I am not calling anyone here evil, but action is needed. As a citizen, as a voter, I ask you the Board, to set aside personal or fraternal relationships and make the decision that will lead our hospital into better times.

Mr. Hundhausen thanked Mr. Giambrone and said his comments are appreciated and noted. Communication with the Board is encouraged at all times, as individual members and as a group, as you did this evening. Some of your concerns have been considered and addressed, and that is a matter of record. I am not going to go into the details at this time. Some of the concerns are in the process of being addressed and met. We are in a much improved position than we were a year ago and I think if you examine your packet closely you will see that we compare a little more favorably with some of our peer hospitals which are all struggling. We have a lot of problems coming down the road right at this hospital. Our doors are still open, we are still available for emergency care and hospital care, acute and otherwise. And that message still needs to get out to the public. We are still being under-utilized as you know. He thanked Mr. Giambrone again. He then said the Finance Committee issue is on the agenda and will be discussed later.

**III. Consent Agenda** – Mr. Hundhausen asked for a motion to accept the Consent Agenda. Mr. Vick **Moved** for approval. Ms. Williams **Seconded** the motion. Motion carried.

**VI. Staff Reports** – A. CEO Report – Referred Board to his report in their packet and said he would address any questions they may have. Mr. Wathen said he takes great pleasure in introducing our new Financial Officer, Robin Triplett. She comes to us after approximately seven years of tenure at Lower Umpqua Hospital in Reedsport and has over 20 years of experience in hospital accounting and we are very pleased to have her on our team. In addition to the narrative in the packets, there are a couple of other items he wanted to make known to the Board because it is very recent information. 1) The Centers for Medicare and Medicaid services at the federal level issued a new regulation which would have mandated that all hospital Boards in the US appoint a physician to their Board as a voting member. This is something that was never shared in their initial publication of the regulation and, therefore, was not open to public comment which is something that is required under the law. They were petitioned by hospitals around the country, as well as, the American Hospital Association and, as of today, they have postponed that element of the regulation so that part of the regulation has not been added and we will see where it goes from there. The issue is that you have government-based hospitals throughout the country whose Board members are elected. Because of the way they are structured under State law, only Board members can be there if they are elected by the public. The way the laws are structured, Board members cannot appoint another Board member, unless that person has been elected by the public or is being voted in to replace a vacant seat until the next election takes

place. We're glad to see they have withdrawn or postponed the activation of that portion of the regulation. 2) A year and a half ago, the State of Oregon received a great deal of money from the federal government to allow them to use those funds for healthcare providers, including hospitals, who were initiating Electronic Health Records and moving toward Meaningful Use requirements under the current Federal Board of Caring. When we initially discussed that with the State Hospital Association and the Oregon Office of Rural Health, we were told that we could not apply for those funds unless our Medicaid average utilization in our facility was 10%. We hit that level once back in July, but it's always been around 7 or 8 percent. Our interpretation of what they told us is that we would not be able to apply. I want to thank Robin Triplett for bringing it up this week. Ms. Triplett directed the question to the cost reporting firm we use. They told us the 10% average was not the only requirement. They did show in our most recent cost report, by their calculations, our Medicaid average was above 10%. We also met two other requirements which opened the door to us to petition the State for qualifying under their rules so we could get some of these funds from the Federal government. According to our cost reporting firm, we can apply for this and we should be subject to, and qualified for, reimbursement based on our 2010-11 fiscal year in the amount of \$425,000, provided we meet Meaningful Use within a year, which we intend to meet by the end of this fiscal year for the Stage One Meaningful Use. That being accomplished, we will be eligible for an additional \$320,000 for this fiscal year. Then slightly over \$200,000 for the 2013-14 fiscal year and another \$100,000 for the 2014-15 fiscal which is a total of slightly over \$1,000,000. 3) A comment was made during Public Input whether the Board wished to re-entertain the possibility of QHR services for our hospital. Mr. Wathen said he had been approached by an individual that was a part of their assessment and analysis in November. He wanted an opportunity to talk with Board members when he is in the area on July 5 and 6. I will let people know by email if they want to meet with this individual. He will want to know how the Board feels about how things are going and how are we performing with respect to elements they might have mentioned in our analysis assessment. Mr. Hundhausen thanked Mr. Wathen and said it is an option that the Board has. He doesn't think the opportunity to consult with QHR and other similar services will go away in the near or distant future. He said he speaks for the Board when he says we have not considered, at this time, to proceed with consultation. As Mr. Wathen indicated they want to approach Board members again and that will be up to the individual. Mr. Allen commented it was an awfully big fete. Mr. Hundhausen thanked Ms. Triplett for alerting us to possibly applying to the State for Federal funds. He then reminded everyone of the Men's meeting on Tuesday, June 26. Ms. Williams inquired about the collective CCO application. Mr. Wathen explained it was the only option from the south coast. We participated in a joint application with DOCS, CVH, LUH, and CGH. It is the Alliance plus LUH, which is not a member of the Alliance, so we could make sure a level of services could be guaranteed on the hospital level for Medicaid residents and beneficiaries that live in our area. What has not yet been accomplished with respect to that is a coming together on the part of all parties that are a part of the CCO in terms of how available reimbursements will be distributed between the hospitals. Mr. Allen asked for confirmation that he is saying we are protecting our position going forward to participate but we are not bound to anything yet. Mr. Wathen affirmed Mr. Allen's comment.

B. CFO Report – A negative bottom line of (\$111,833) was reported for May. Fiscal year was reported with a positive bottom line of \$143,467. Gross patient revenues being down \$364,271 was the main cause for the loss. Contractual Allowances and Bad Debts were lower than last month and total Operating Expenses were below budget by \$218,379 for May. Professional fees were up significantly due to higher costs of Locum Tenens coverage. Days in AR declined by an additional 7.1 days during the month of May, from 63.1 to 56, the first time our days have ever been in the 50s.

V. **Old Business** – A. Finance Committee Appointments – Mr. Dow asked for a 6-month delay in activating the Finance Committee. He is happy that Ms. Triplett is here. Auditors will be here in 2 weeks. We have three applicants qualified to be considered for the Finance Committee. All candidates sent in resumes. He suggested putting out another ad for potential candidates. Mr. Allen **Moved** to postpone the application of a Finance Committee and extend the deadline for application for another six months. Ms. Williams **Seconded** the motion. We need to let current applicants know we are extending time to apply to December 1. Mr. Hundhausen asked if Mr. Allen would include that in the motion. Mr. Allen agreed. Motion carried. Ellen will contact applicants and let them know. Mr. Wathen said we will extend the deadline to December 1, 2012.

VI. **New Business** – A. USDA Loan Payoff – Mr. Hundhausen thanked Mr. Dow for his work to make this happen. Mr. Allen asked Mr. Dow to give us his presentation of his reasoning for the payoff. Mr. Dow said we have a loan of approximately \$400,000 that was unusual in the sense that to get the loan from USDA we had to put up 100% of the loan value in cash as collateral. Why would you borrow money when you have to put up the same amount of money as collateral? The reason was because there was a matching fund attached to it. At the time we put the funds in a CD that earned 3¼ percent, which makes us look like geniuses to me. It is rolling over at the end of this month. The good news is you can prepay this loan. There are some expenses if it is less than 3 years old. The rollover date is October, so we will wait 3 months and pay it off. That will save us about \$15,000 a year in loan interest. The proposal is to pay it off with the funds that are currently held as collateral and those funds came from the Board Reserve funds. We are essentially asking that we pay it off with those funds and then repay the Board Reserve Account under the same terms as we were paying USDA. We will make a principal payment back to the permanent general funds to the Board Restricted Fund so those funds are returned at the same payment schedule as the USDA. There is no extra risk to the Board because those funds are already held as collateral. Mr. Hundhausen asked if it would be better to refinance the loan? Mr. Dow said he did not believe so. I really believe this is the best way to go. He then said he would entertain a motion for the USDA payoff. Ms. Williams made a **Motion** to accept the USDA Loan Payoff. Mr. Vick **Seconded** the motion. Motion carried.

B. Benchmark Report – Surgical Care Improvement – Mr. Wathen said the report was there for the Board's information and reminded them that the information was one year old.

C. CEO Contract Renewal – Mr. Allen said it is his understanding that since Mr. Wathen has been here, he was accorded a 2-year contract and it was the practice of the Board, so long as they were pleased with his service, that at the end

of the first year, they would extend the contract for an additional year, such that Mr. Wathen always had at least one more contract, somewhere between 1 and 2 years, but not less than one year. I have reviewed his evaluation and I think we are going into uncertain times and I certainly would hate to lose the CEO. Mr. Allen **Moved** to extend Mr. Wathen's existing contract for an additional year. Mr. Vick **Seconded**. Mr. Hundhausen said it has been moved and seconded to extend the contract for an additional year. He said since we did not complete the evaluation on a timely basis, that the contract automatically extends, but it is a moot point and called a vote. There were 2 Ayes with Mr. Hundhausen abstaining and Ms. Williams abstaining. Mr. Hundhausen added, 'pending further evaluation'. Mr. Allen said he takes that it passes 2 to 0. Mr. Hundhausen responded it failed for lack of a majority. Mr. Allen said he did not think so. 2-0 is not a failed motion. Mr. Hundhausen said it takes three, a majority to pass. Mr. Allen said his suggestion would be that we have a quorum and we have a 2-0 which is a majority of the quorum, and said he was entirely willing to let our Counsel advise us on that question whether that is a sufficient vote or not. Mr. Hundhausen read the Bylaws out loud and said he stood corrected and the motion carried.

D. Annual Appointments – Mr. Vick **Moved** to accept Annual Appointments as presented. Ms. Williams **Seconded** the motion. Motion carried.

Mr. Dow went over the accepted Budget. Mr. Vick **Moved** to accept the Budget through the Budget Resolution. Ms. Williams **Seconded** the motion. Motion carried to approve the Budget Resolution.

### **Open Discussion**

Mr. Allen – Nothing to say.

Ms. Williams – Congratuled to Business Office for good job.

Mr. Vick – Had a fruitful Planning Session. Board and Staff Management are working very hard to fix the financial situation.

Mr. Hundhausen – Open House was well attended. Thanked all who attended and those who participated.

## **VII. Adjournment**

Mr. Hundhausen adjourned the meeting at 8:36 p.m. The next regular meeting of the Southern Coos Health District Board will be Thursday, **July 26, 2012** at 7:30 p.m. in the Conference Room.

---

Robert J. Hundhausen, Chairman

---

Esther Williams, Secretary