

**Nocona General Hospital
Board of Directors Meeting
November 19, 2019**

Board Members Present:

Charles May, President
Ken Koontz, Vice-President
Chris Keck, Secretary
Ron Brown
Kristal Ferguson
Cris Lemon

Absent:

Melissa Murphey

Hospital Administration:

Lance Meekins, C.E.O.; Rebecca Hamilton, Admin. Assistant/HR

Medical Staff:

Len Dingler, MD

Others Present:

Brian Jackson, Jackson & Carter, PLLC

Meeting was called to order by President, Charles May at 12:39 PM.

Approval of Previous Minutes

Ron Brown made a motion to accept the minutes from the October 15, 2019 board meeting. Ken Koontz seconded. Motion carried unanimously.

Community Input: None

Old Business: None

New Business:

Discussion and Possible Vote on October 2019 Financial Statements

Lance reported that, for the month of October, the hospital had 34 admissions, all acute, 530 outpatient discharges, including 25 surgeries, 207 ER visits, 72 ambulance calls, 526 home health visits and 1773 clinic visits. Additionally, there were 9 observation admissions. The average daily census was 4.6 patients overall including 3.6 average acute patients. He stated that many of the indicators are comparable to last year including admissions, inpatient days, ADC, ER visits and length of stay. In addition, outpatient discharges are up 14%, ambulance calls are up 17%, observation admissions have doubled, and outpatient surgeries are up 24%.

This utilization resulted in gross revenue of \$1,972,561, exceeding budget by about 18%. Year to date gross revenue is up 34% with the clinic revenue making up approximately half that increase. Individually all departments have seen an increase in revenue ranging from 7% to almost 40%.

Lance added that, on the net revenue front, the hospital benefited from the quarterly county ambulance subsidy of about \$15,000. Allowances were expectedly over budget as gross revenue also exceeded budget. The aging of the accounts receivable did increase as the hospital did not have a great collection month, and the A/R increased by about \$500,000.

He went on to report that overall expenses came in slightly over budget. Salaries in lab (new employee added after budget) and ER salaries made up the majority of the overage. It was a transition month in the ER as we adjusted for the ADON's resignation and the move of the ER director to the ADON spot. Supplies and expenses were disappointedly well over budget, but a bit expected with the busier month. Lab (large quarterly supply purchase) and pharmacy were the main contributors to the overage.

Lance reported that he made about \$400,000 in transfers from savings. He stated that, since the clinic acquisition, he has been pulling anywhere from \$50,000-\$125,000 per month to subsidize operations. This was expected until the cost report is filed and a new all-inclusive Medicare rate is calculated. He pointed out that the hospital paid 3 biweekly payrolls and the corresponding tax liability (total of about \$140,000) and \$50,000 for the new lab analyzer.

Cash Position

Current Savings	\$1M
LOC outstanding	\$0
Outstanding QIPP IGT	\$3.3M
Outstanding QIPP IGT receivable	\$100,000 (estimate)
Outstanding QIPP receivable (Comp 2, 3 year 2,3), 3qtrs	\$1.1M
Current Cash Position	\$5.4M

(This position does not take into account any possible need to supplement operations with savings or vice versa.)

Ken Koontz made a motion to accept the October 2019 financials as presented, and Cris Lemon seconded the motion. Motion passed unanimously.

Discussion and Possible Vote on Oak Shores Tract 2, Lot 2 and Tract 1, Lot 1

Ken Koontz made a motion to accept the resale deeds presented, and Ron Brown seconded. Motion passed unanimously.

Discussion and Possible Vote on Approval of Finalized 2019 Tax Roll

Lance stated that the finalized tax roll was received from the appraisal district, and, as a formality, they ask that each entity to approve it for the record.

Cris Lemon made a motion to accept the finalized 2019 tax roll. Chris Keck seconded the motion, and the motion carried unanimously.

Discussion and Possible Vote on Employee Health Insurance Renewal

Lance shared the renewal quotes received for the 2020 employee health insurance. He included his normal spreadsheet showing the various quotes received. Overall, he stated, the quotes were good. He stated that, from his perspective, the board has two quotes that are possibilities. He pointed out that the renewal utilizing the same reinsurance carrier has a 2.1% increase in fixed costs and an overall potential increase of 6% if the annual aggregate attachment point is met.

The second option utilizes a new reinsurance carrier and increases fixed costs by 1% and the overall costs by 5.7%. He shared his calculations utilizing the first renewal since it stays with the current carrier, but stated that, if the board wishes to change, he could make the adjustments on the spreadsheet quickly.

He pointed out that claims did go up, but another 20 employees were added to the plan, and as seen on the hospital net cost worksheet, the percentage of total costs covered by the hospital actually decreased slightly from last year based on 9 months of prorated data. Lance reiterated that, as in previous years, these are just educated guesses. The true total cost of the plan will not be known until the year is over and estimates are able to be based on historical claim volume. Lance stated that the numbers blocked in red on the spreadsheet were his best guesses as to what the net cost of the plan to the hospital would be compared to the current year (\$475,971 2020 estimate; \$437,682 2019 estimate). In addition to claims, he pointed out, several factors can change these estimates, including choosing a different renewal, changing employee contributions, and changing the plan design.

With the quote being decent, he reported that he had locked in the rates with the carrier as any future claims could impact the quote if it was not.

Lance stated that the Board would need to decide what to do with employee contributions. The amount to offset the increase in fixed costs per employee is detailed in the spreadsheet as well as what the overall expense to the hospital for the current year is projected to be.

Ron Brown made a motion to go with Renewal Option 1 as presented and increase employee contributions 4% across the board. Cris Lemon seconded the motion, and the motion passed unanimously.

Convene to Executive Session for the Following Purpose:

(a) Texas Government Code Section 551.071-Consultation with Attorney

Did not convene Executive Session

**Discussion and Possible Vote on Capital Equipment Purchase/Lease: Anesthesia Machine
Discussion and Possible Vote on Capital Equipment Purchase/Lease: Surgical Scopes**

Lance reported that, with the prospect that Dr. Khaira will partially be able to replace Dr. Aujla, the hospital will need to replace the current anesthesia machine which will no longer be supported at the end of the year. He stated that the surgery staff is most comfortable with the GE product presented in the board packet. The purchase price is about \$31,000. He commented, that, in most cases his recommendation would be to purchase, but with some uncertainty regarding the surgery department and its ability to continue as is, he included information on lease options as well.

In addition, the hospital is also at the point in time that the aging scopes also need to be replaced. He pointed out that the information in the packets details the scopes, but the biggest difference is the HD capabilities. Additionally, the hospital is having to send the current scopes in for repairs, with normal repair costs being around \$2000. The hospital has spent in the neighborhood of \$12,000 in repairs over the past two years. He included a quote for 3 scopes and a quote for 2 scopes. He stated that the surgical and medical staffs believe it is most prudent to go with 3 scopes, as it will limit any wait times for the patients and providers due to cleaning. Again, he

pointed out that he had included information on multiple leasing options because of the large purchase and current cash flow issues due to IGTs. Those are detailed on the quotes.

Lance also commented that, from a financial standpoint, and for the Board's information, during fiscal year 2019, total cash receipts from the surgical department including ESIs were about \$382,000. Total expenses including CRNA were about \$300,000. However, about \$244,000 of those receipts were from Aujla cases. Lance stated that, from the reports he has, he is unable to determine exactly how many of those cases were referrals from our medical staff and how many were cases that Aujla brought over from his clinic. However, he conservatively estimated that at least 75% were Aujla's own patients. He pointed out that removing the receipts from those patients would most likely result in the department losing money.

Chris Keck made a motion to purchase the anesthesia machine as presented, and Cris Lemon seconded the motion. Motion passed unanimously.

Ken Koontz made a motion to enter into a capital lease for 60 months in order to purchase three new scopes. Cris Lemon seconded the motion, and the motion passed unanimously.

Discussion and Possible Vote on Employee Retention Payments for 2019

After a brief discussion, this item was tabled.

Administrative Report

Lance reminded the board that we had resubmitted our sole community request based on the evidence that we are the only hospital by CMS definition with the 35-mile distance requirement. As of this date CMS has acknowledged our request. They have 180 days to make a final determination.

He also reported that staff had a good meeting with the North Texas Medical Center CEO, Tom Sledge, regarding the possibility of Dr. Khaira returning to perform surgeries at least one day per week to replace Dr. Aujla. All indications are that he is willing to do that on referrals sent from our medical staff. The next step is for Dr. Khaira to make a trip over to check out the surgery department and determine if he will need any additional equipment or supplies.

In addition, Lance reported that the end of November will bring another round of QIPP IGT of about \$3.4M. At this time, it appears that there will be a need to access about \$2M on the line of credit. The current interest rate is 6%. His plan will be to pay the loan back as the monthly component 1 payments are received. He reminded the board that, typically, these monthly amounts are about \$520,000-\$550,000, so if he is able to cash flow otherwise, he should be able to pay it back in 3-4 months. Interest expense would be in the \$25,000 range.

Regarding the SCU remodel, Lance stated that he is waiting on bids, so hopefully he will have something for the Board at the December meeting. The initial plans are to match the flooring and paint from the rest of the renovation as well as matching the headboards and bathroom design with the one big exception of moving any walls.

Medical Staff Report

Nothing to report.

Other Business: None

Meeting was adjourned at 1:39 PM.

Charles May, President

Chris Keck, Secretary