

**FRANKLIN COUNTY BOARD OF COUNTY COMMISSIONERS
HOSPITAL WORKSHOP
FRANKLIN COUNTY COURTHOUSE ANNEX
AUGUST 18, 2015
1:30 PM**

MINUTES

Commissioners Present: William Massey – Chairman, Joseph Parrish – Vice Chairman, Pinki Jackel, Noah Lockley, Cheryl Sanders

Others Present: Alan Pierce – Director of Administrative Services, Michael Morón – County Coordinator, Michael Shuler – County Attorney, Lori Hines-Deputy Clerk to the Board.

Chairman Massey called the workshop to Order.

Mr. Alan Pierce, Director of Administrative Services, said one of the things that initiated this meeting was the Board signing a letter of commitment to the USDA for the creation of a new hospital. He explained a \$10 million loan package is available to the County with a 3.5% interest rate. He stated the money is reserved and now the Board has to make decisions on how to move forward.

Mr. Mike Cooper, Weems Memorial Hospital, said a State of the Hospital Report has been put together on the current status of the hospital. He conducted a slide presentation of this report. Mr. Cooper said the federal government is tying payments to the quality of services provided. Mr. Cooper presented a slide showing the number of patient days, emergency room visits, clinic visits, radiology procedures, lab tests and colonoscopies. Mr. Cooper reported colonoscopies are becoming more difficult to do economically and efficiently. Commissioner Lockley asked Mr. Cooper to explain more about this situation. Mr. Cooper stated the hospital use to break even on colonoscopies. He said the recent analysis shows the reimbursement rates have gone down, the costs have gone up and

they are now losing money on colonoscopies. He said the hospital is still doing colonoscopies but it is becoming more difficult to do them at a profit. Mr. Pierce asked if the rates are set by the federal government. Mr. Cooper answered they are for anyone on Medicare. Mr. Pierce asked if the majority of colonoscopies are for individuals on Medicare. Mr. Cooper answered quite a few as colonoscopies usually start at age 50. Mr. Cooper expressed concern about reimbursement rates being tied to quality results. He explained if they are not meeting the guidelines then a penalty will be assessed and money will be taken back. Mr. Cooper reported the hospital is doing well from a quality standpoint. Mr. Cooper presented a slide concerning hospital acquired infections (HAIs). He said the hospital has not had any HAIs in the last three years. Mr. Cooper discussed the length of time in the emergency room. He reported this area creates the most complaints about an emergency room. Mr. Cooper stated it is all about what the local community expects. He explained reimbursement rates are also being tied to readmission rates. He presented a slide on the readmission rates. Mr. Cooper reported patient falls account for the majority of injuries in a hospital and he presented a slide on the national averages and the average at Weems Memorial Hospital. Mr. Cooper explained the figures for national standards are all within the last five years. Mr. Cooper informed the Board the Hospital has a policy that each employee must be CPR certified. He reported the Hospital has over a 95% compliance rate with the policy. He stated out of 120 employees well over 100 people are CPR certified. He presented a slide addressing patient satisfaction. He reported the Hospital has a survey and collects their own data but may not be able to do it for much longer. He explained again the federal government will tie payments to what patients think is done versus what is actually done. Mr. Cooper said the government needs a place to collect this data so they can compare hospitals to other facilities. He stated discussed emergency room wait times. He said the most negative comments from patients in the hospital are about the physical appearance and food. Mr. Cooper presented a slide of a report conducted by Mr. Patrick Conrad, Weems Director of Emergency Room Services, showing 13% of all transfers come

from a critical situation. He informed the Board this Hospital cannot take care of a stroke victim but if you catch them early this Hospital can apply the medicine needed to stop the bleed. He said early treatment is the key to saving stroke victims. Mr. Cooper discussed the slide about people (staff) of the hospital. He said the staff is the essence of the hospital. Mr. Cooper reported it is the largest expense and the biggest asset. He presented slides showing Weems Memorial Hospital employees 120 people, 80 of which are full time, with an annual payroll of \$3.6 million dollars. He discussed the slides in relation to the Employee Opinion Survey. He reported according to the survey over half of the people working at the hospital believe the quality of care is better than last year. He stated the employees are taking a lot of pride in their jobs. Mr. Cooper discussed the slide concerning the salaries of the employees in relation to other hospitals. Mr. Cooper stated 1 out of 2 hospitals in the United States are losing money. He presented the net income for the Hospital for the last three years and the fund balance. He explained the current assets are outpacing the current liabilities. Mr. Cooper discussed the slides pertaining to the Office of Rural Health Report for Critical Access Hospitals. He explained the Hospital is doing well in the areas of finance, quality and service but is not doing a good job of taking care of the people (staff). Mr. Cooper presented several slides about growth. He discussed implementing the Razor contract. He explained the Hospital will now meet meaningful use deadlines and receive incentive monies. Mr. Cooper stated the staff accomplished this implementation in 6 months when most facilities take years. Mr. Pierce questioned if these incentives are reimbursements. Mr. Cooper stated this incentive money will come from the federal government. He explained once you meet the guidelines then you are reimbursed for all the expenses used to implement the program. He said they take your Medicare percentage of 37%, add 20% and will then give you 58% of those expenses. Mr. Cooper reported they will probably turn in close to \$1 million in expenses. Mr. Cooper stated the Razor contract was for \$480,000 and was structured differently as no money was paid for the program and none will be paid for updates. He said the Hospital will start to pay when the system goes live. He explained the

incentive monies will be set up in an escrow account to pay monthly for this system so there will be no expenses for this system for the next five years. He said there is no charge for software updates. He reported this system is cloud based so there is no need to spend money on servers. Mr. Cooper informed the Board he had a conversation with Tallahassee Memorial Hospital (TMH) yesterday about upgrading the Management Services Organization (MSO) agreement to a clinical affiliation. He said over the years everyone thought this was already a clinical affiliation with TMH but it was just a MSO agreement. Mr. Cooper discussed the benefits of a clinical affiliation with TMH. Mr. Cooper informed the Board revenue management and risk management is now being done in house. He stated Becky is the Risk Manager. He stated in Florida this person must be certified and a lot of organizations contract this position out. He explained the person who they contracted with for risk management was leaving the area so Becky studied and is now certified as the in house Risk Manager. Mr. Cooper said in 2016 the Hospital should look at a out-patient geriatric psychiatry program. He reported this program will service only Medicare patients. He said this program will not be a high volume service but he hopes to maintain at least a community of 5 people at all times. He expressed his opinion that over the years this program will grow and on its face will make money. He explained the expenses you put into the program versus the fees generated will not be in the black; however, due to a quirk in the Critical Access financing it will put \$80,000 on the bottom line of the hospital annually because of the way they are reimbursed. He went on to say it affects every other program in the hospital and that is why it generates money. He reported it will be a net increase of \$80,000. Mr. Pierce asked if patients come there during the daytime. Mr. Cooper stated it is a counseling program. He explained they do a one on one intake and then group sessions. He said the patients are not kept overnight. He reminded the Board this program is for Medicare patients only. Mr. Cooper said they hope to occupy space they are not using and increase the square footage of the hospital. He reported it they get 5 people there every day they will raise their reimbursement rates. Mr. Cooper discussed the \$10 million in debt and accelerated depreciation.

Mr. Pierce asked if this program will require any change to the scheme of the new construction. Mr. Cooper said they will occupy the area behind the west clinic. He stated this area is about 1000 square feet. Mr. Cooper discussed physician recruitment and said it should be a focal point for next year. He stated a clinic on St. George Island would have multiple, positive impacts on the hospital. Mr. Cooper informed the Board the next three slides are important in reference to an integration and incorporation strategy. He said the group needs to start talking about these issues. Commissioner Jackel asked Mr. Cooper to be more specific about a joint venture. Mr. Cooper described the hospital situation in Perry. He said the hospital is a TMH partner and it is a joint venture. He said it was a County hospital then the County and TMH went into partnership and created a separate 501.3c. He explained the Board consists of appointments from the County and appointments from TMH. He said if money is lost then each organization equally puts money in. He reported if they make money he thinks the County takes their money out but TMH leaves their money in the hospital. He reported this is one possibility but not the only one. Mr. Cooper discussed an incorporation strategy. He said right now nothing can be done for the employees in relation to benefits as they are neither employees of the hospital or county employees. Mr. Cooper suggested the Board appoint a committee to review these options and make recommendations. Commissioner Parrish requested more information about the incorporation strategy. Mr. Cooper expressed his opinion the easiest thing to do is to create a separate 501.3c that the County owns. He explained it will be a separate organization controlled by the County and the employees would be employees of this organization and not of a third party. Mr. Cooper explained a benefit plan for employees could be created under this organization. He stated only 4 employees were interested in the current benefit plan. Commissioner Parrish reported the employees were interested but could not afford to participate. Mr. Cooper agreed the Hospital could not contribute to the current plan so it was more feasible for employees to secure their own plan. Mr. Cooper discussed a building strategy. He said the USDA approval and building a new facility would definitely provide an advantage to

attracting a company for integration. He also recommended the County move forward with a building as they are in a solid financial situation now. He said the situation will not be any better in three years but could remain the same. He explained if the Hospital made a big profit then the reimbursement rates would be decreased. Commissioner Jackel stated Medicare reimbursement rates are one portion of the financial situation but no one can predict the economy of the County or how much will be generated in the Health Care Trust Fund. Mr. John Graham, Weems Memorial Hospital, discussed the payments for the \$10 million loan and depreciation. He agreed to provide a report to the Board about this matter. He stated depreciation is an expense on their cost report and interest on the note is an expense approved by Medicare. He discussed the reimbursement rates and the loan payment amount for the new facility. Mr. Graham said the reimbursement amount they receive for filing their cost reports is almost the same as the payment amount. He informed the Board the first ten years is when they will get the most benefit from the depreciation expense and the cost report reimbursement. He stated hopefully after 10 years in a new facility they will have come a long way. Mr. Graham agreed to send an email to the Board with a spreadsheet explaining this issue. He volunteered to meet with the Board members to discuss this spreadsheet. Chairman Massey asked Mr. Graham if the money they received back will be enough to make the payment. Mr. Graham answered yes because no check is written for depreciation expense. Commissioner Lockley asked for a recommendation. Mr. Cooper informed the Board this is his 6th critical access hospital and he has never seen a community do worse with a new facility. Mr. Doug Creamer, Hospital Board member, reported the Board needs to move forward with a new hospital to serve the citizens of the county. He stated the Hospital Board has looked at this issue and now is the time to move forward with the new hospital. Mr. Cooper discussed healthcare costs and said they are growing at a rate of 10% per year. He reported when Medicare began in 1964 or 1965 about 15 people were paying in and 1 person was getting the benefit and now 2.7 people are paying for every 1 who is receiving the benefit. Chairman Massey asked how the County would be in a better position if

they build the facility now versus three years from now. Mr. Cooper said the hospital will gain cash due to the depreciation expense on the income statement. Mr. Cooper stated the physical presence it is the worst he has seen and is also a problem with physician recruitment. He reported the new facility is critical for growth. He questioned what the County would do if they did not have a hospital. Mr. Pierce reported the County could have free standing clinics, an emergency room and an ambulance service. Mr. Cooper presented a slide showing the costs of a hospital versus just an emergency room. He said federal money will not be available if you are not a critical access hospital. Chairman Massey asked how many patients are treated monthly that do not pay. Mr. Cooper described bad debt as people who can pay but choose not to and charity as people who do not have the money to pay. Chairman Massey asked if there something people can sign up for to make payments. Mr. Cooper said there are packages available at every portal and there is a sliding scale. He stated these two categories represent 20% of patients and he estimated the overall bad debt this year to be \$1.2 million. Mr. Robert Davis, Hospital Board, asked how the Board will answer the referendum if they do not move forward with the hospital. Mr. Pierce said there is a need for better health care but there is a recruitment issue with doctors. He reported the lack of a new facility is not the only problem with recruiting physicians. Commissioner Sanders said the County also needs providers. Mr. Creamer agreed the Hospital needs about 3 doctors. He explained being a third party employee is not good and causes a problem with recruitment. He said no one wants to be a leased employee. Commissioner Sanders said being a leased employee was the only option the Board had at that time. She stated if they don't bring in providers then there will be no use for clinics or a hospital. Commissioner Sanders reported the Board helped this morning with the purchase of a new ambulance. Commissioner Sanders stated the information provided today helps but they are receiving complaints from citizens all the time. She explained one of the complaints is because the ambulance will not take them straight to Tallahassee. Mr. Cooper explained once the paramedic sees the patient they become a patient of the emergency room

doctor. Commissioner Sanders reported citizens in the Carrabelle area are concerned about the delay of first having to go to Apalachicola and then to Tallahassee. Mr. Creamer stated they are stabilized at the hospital and if it is critical then life flight can be used. Commissioner Jackel reported citizens also ask why they have to go to Panama City. She stated they were told TMH was busy so they had to go to Panama City. Mr. Cooper reported TMH has been at 90% capacity for the last 6 months. He explained sometimes they have waited two days to get a bed at TMH. Commissioner Jackel said the problem is the individuals have CHP insurance and there are not providers in Panama City. Commissioner Lockley expressed concern the State could close the facility and then the County will not get a new hospital. Commissioner Jackel discussed incentives for doctors. Mr. Cooper stated he believes he can get doctors but not without a new facility. Commissioner Jackel reminded Mr. Cooper if it takes two years to build a facility then the County would still not have physicians. Mr. Cooper said it is different if there are plans to build a hospital and you can show the plans to a physician. Mr. Cooper stated a physician signed a contract yesterday and is starting September first. Mr. Cooper reported the physician will be graded over 4 months and if he is performing well then he will be offered a position. Commissioner Parrish said the neighbors to the west have a nationwide network and a pool of doctors who work for this network across the country. Commissioner Parrish stated, in his opinion, the Hospital needs the integrated strategy to help with many things including recruitment of doctors. He said this issue needs to be explored. He reported when a new hospital is being built they could assist as they have already been through these issues. Commissioner Parrish stated an interlocal agreement was signed with the City of Carrabelle to provide a facility and it has been done. He said there is also an interlocal agreement with the City of Apalachicola stating something would also be done here to provide health care and it has not been done. Commissioner Parrish said the Board is getting to a point where they can do this but he wants to make sure the hospital is on solid ground. He explained he always thought the loan payments would need to come out of the Health Care Trust Fund and that is one of the reasons he voted against buying a new

ambulance this morning. He reported he does not want to see the Trust Fund depleted and then the Board has not done what they told the citizens they would do. He stated the voters wanted something done with these two facilities and the one in Carrabelle has been done but the one in Apalachicola has not moved forward. He reported he understands the County needs a better ambulance service but to do that the ambulance budget would need to be increased as you will need more employees to man additional ambulances to reduce response times. He said the people on St. George Island can afford to pay for a clinic on St. George Island but that is not what the people were told would be done. Commissioner Parrish said people were told they would make improvements or build a new facility to improve health care in Apalachicola but it has been 8 years and nothing has been done. He reported he wants to make sure the Hospital is economically stable to move forward. Commissioner Parrish said if the County can't do the things they agreed to do then the issue should go back to the voters of the county. Commissioner Jackel stated the Board is under an obligation to provide ambulance service. Commissioner Parrish discussed the items required by the interlocal agreements. He reported the City of Carrabelle and the City of Apalachicola agreed to leave their money in the Trust Fund if these two items stipulated in the agreements were going to be provided. Commissioner Parrish said he has a problem with not doing what you told the people you were going to do. Mr. Creamer stated if the hospital is built it will help draw more businesses into the county. Mr. Creamer expressed concern the County would delay with moving forward with the Hospital. Commissioner Jackel reported the County has not delayed and just signed the USDA agreement. Commissioner Parrish left the meeting at this time. Mr. Cliff Butler, a resident of Franklin County, said he hopes the economy will improve but it may be harder and more expensive to build a building later. He informed the Board 25 years ago he was involved with trying to recruit doctors and unless the Board is willing to make financial commitments beyond the hospital it will be harder to bring them here. He said they lost doctors to other communities that were constructing homes for them. He stated there is even more of a doctor shortage now and the County should be prepared to offer

incentives. Commissioner Parrish returned to the meeting at this time. Mr. Butler reported a new hospital is one of the steps in the right direction. Commissioner Sanders said the numbers look good and it looks like you could proceed but what if the numbers are not what is projected. She questioned how it will be paid for and who will be responsible. Mr. Cooper said some of the risk could be reduced by going with the integration strategy. Commissioner Sanders said it may be better to take the county out of it and sell the hospital. Mr. Cooper reported, from past experience, the County will probably have only 1 suitor and will have no health care within 5 years. Commissioner Sanders stated the Board has worked hard to keep the doors open. She expressed concern about incurring debt for 40 years and who would be responsible for paying if the numbers do not work out. Commissioner Jackel asked how the integration partner works day to day in management of the hospital and the clinics. Mr. Cooper said it can be operated at different levels but if the clinics are included then it will add a level of security. He explained if one doctor leaves then another one would replace them without having down days waiting for another doctor.

Meeting recessed at 3:12 p.m.

Meeting reconvened at 3:24 p.m.

Mr. Creamer said the Board needs to look at spending \$100,000 on a clinic on St. George Island as it will be an investment and a money maker. He stated if you wait then it will be a money maker for someone else. He reported all Hospital Board members are in agreement on this issue. Commissioner Jackel asked what the collection ratio would be on St. George Island. Mr. Cooper said he requested the civic club complete a survey but he has not received it back. He said the commercial insurance base is on St. George Island. He explained the commercial insurance base is where the highest payors are located. He reported they need to secure this area or someone else will. Commissioner Parrish stated there have been no decisions on the hospital and nothing has been done on the east side. Chairman Massey asked how the clinic on St. George Island would be staffed. Mr.

Cooper said the clinic would be staffed with 1 nurse practitioner/physician assistant, 1 LPN and one reception person. He stated it would be licensed as a rural health clinic which would also be a cost base reimbursement unit. He reported it would be seasonally staffed and would be full time in the summer and they would maintain a schedule of 3 days in the other months. Commissioner Parrish said the Board should not consider other facilities until the hospital issue has been resolved. He stated he is not going to vote to expand anything until they address what they told the people they were going to do. Mr. Creamer asked if Commissioner Parrish will make a motion at the next meeting to build the hospital. Commissioner Lockley said he will. Commissioner Parrish stated the Board needs to make a decision. He said the people voted a tax for these items. Commissioner Jackel reported the Board is supportive of the hospital. She said the Board has taken money from the Health Care Trust Fund for operating the hospital. She stated the Hospital is the largest local employer. She stated the Board needs to arrive at the best economically feasible place for the clinics, ambulance and hospital. Commissioner Jackel asked if the Hospital Board is all in agreement with exploring the idea of integration. Mr. Duffie Harrison, Hospital Board member, said it would be foolish to move forward without a partner. He reported an affiliation with TMH would be good as it is a brand that people recognize and it comforts people but he doesn't know enough about the specifics to recommend it at this point. Mr. Cooper talked about integration and population health or capitated insurance. He explained with populated health you get paid a certain amount of money for each person on Medicare or Medicaid and then you are responsible for all of their expenses. He reported there have been several models and they fail every time but this concept is very popular in Washington. He said there are not enough people in Franklin County to offset the expense of one person with a major health crisis. He said this is another reason to be affiliated with a large group so the risk can be spread out between a lot more people. Chairman Massey asked if TMH is interested in integration. Mr. Cooper reported they are definitely interested in having a conversation with the County. Mr. Alan Feifer, Concerned Citizens of Franklin County, stated they want

quality health outcomes, affordable health care and the best management. He said he has been here a long time and this is the best management team he has seen. He explained one of the reasons there is a problem is because Weems is on the edge and if something big hits then the Board will have to pick it up and this is not going to change. He said his understanding is you need between \$150,000-\$200,000 per physician to recruit physicians. He questioned where the money is coming from to recruit physicians. He asked what furniture, fixtures and equipment will be required for a new hospital and what equipment is included in the price of the hospital. He expressed concern about using reimbursement money from Medicare to pay the hospital note. Mr. Feifer discussed competition and said Sacred Heart Hospital is looking for land in Apalachicola. He reported today is the first time he has heard of the integration or incorporation strategy. Mr. Cooper responded the Hospital is not looking at purchasing any new major equipment as the equipment they have meets the needs and will be moved into the other facility. He stated a generator will be needed and the cost of any of these items will be included in the \$10 million budget. He said how the depreciation money is spent is a management decision. Mr. Feifer listed the items that will still be missing when the hospital is built are digital radiology, accreditation, surgical dialysis, physical therapy and ultrasound machines. He reported these items are standard in hospitals and need to be addressed for the long haul. Commissioner Jackel asked if Mr. Cooper will bring something back from Mr. Marco Bryant, TMH. Mr. Cooper said the Board needs to create a group and meet with Mr. Bryant and ask questions. He reported Mr. Bryant is a leader in healthcare in the state and could give some good direction and let them know his interest level. Chairman Massey said TMH serves about 20-30 counties. Commissioner Jackel stated Mr. Bryant cares about Franklin County. She agreed with Mr. Harrison about the TMH branding. She said people relate to the TMH sign and know what to expect. Chairman Massey agreed they need to talk to TMH. Commissioner Lockley asked if this is the only company they are going to talk to. Chairman Massey reported they are the best system to get connected to. Commissioner Jackel said they are the biggest provider for CHP

insurance which is the County's insurance plan. Mr. Harrison thanked the Board for this meeting and said it is the most productive meeting he has attended since he has been on the Hospital Board. He explained he has been on the Board 3-5 years and it has taken him this long to understand what is going on as the reimbursement issue is very complicated. He discussed the issue of blood being drawn locally but the lab tests being done in Tallahassee. He explained if the tests could be done at the hospital then the money could stay here.

Commissioner Parrish said Mr. Cooper was working on this issue. Commissioner Jackel said she thought this item was resolved. Commissioner Parrish said he appreciates the Hospital Board who are volunteers and he will take seriously their recommendation. He thanked the Board for the time they spend on behalf of this county. Mr. Jim Bacharach, Hospital Board member, thanked the Board for their support and said they are united in planning to construct a new hospital. He said he hopes the Board will take action at the next Board meeting.

Meeting adjourned at 3:50 p.m.

William Massey - Chairman

Attest:

Marcia M. Johnson - Clerk of Courts