

**FRANKLIN COUNTY BOARD OF COUNTY COMMISSIONERS
SPECIAL MEETING
FRANKLIN COUNTY COURTHOUSE ANNEX
DECEMBER 30, 2015
9:00 AM**

MINUTES

Commissioners Present: William Massey – Chairman, Joseph Parrish – Vice Chairman, Noah Lockley, Cheryl Sanders, Rick Watson

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

Call to Order

Chairman Massey called the meeting to Order.

Mr. Moron read the following prepared statement:

We are here this morning because Weems Memorial Hospital is experiencing a cash flow issue. To resolve this issue, Mr. Mike Cooper, CEO, is requesting from the Board, a loan from the Health Care Trust Fund of possibly (6) installments of \$180,000 – the first one beginning today and afterwards every two weeks until March 9th. If all six of these payments are made, this would amount to \$1.08 million from the trust fund – if the \$280,000 emergency loan on December 1, 2015 is included – the balance owed to the Health Care Trust Fund would be: \$1,360,000.

The local discretionary sales surtax rate of 1% was implemented January 1, 2008. In 2014/2015, sales tax revenue proceeds totaled \$1,928,777.14. Weems received 50% of the sales tax proceeds (\$964,388.60) for hospital operating expenses and an additional \$120,000 of the sales tax proceeds for operating expenses relative to the clinics. The 2014/2015 capital portion proceeds of \$844,388.54 remain in the HCTF until Weems asks for reimbursement for expenditures authorized by the BOCC. In the future, it is this capital portion of the proceeds that will fund the annual payment on the USDA construction loan. Mr. Cooper has stated the payment to be around \$400,000.00/year – this would leave about \$444,000.00/year that would go into the HCTF to be used for any other capital needs for health care.

The current balance in the HCTF is \$2,222,649.61. Included in this balance is approximately \$150,000.00 which is already obligated to pay for a new ambulance to be delivered sometime in the spring. Through March 9th, the fund will receive an estimated \$335,000.00 in discretionary sales surtax proceeds – per usual distributions, of this \$335,000, Weems will receive 50% + \$10,000/mo. for operational expenses (\$197,500) and the balance of the sales proceeds \$137,500 shall remain in the HCTF. Prior to the estimated re-payment date in March,

if all six draws were made, the ambulance invoice paid and estimated revenues proceeds receipted - the HCTF would have an estimated available balance of: \$1,130,149.61 in March.

Mr. Mike Cooper, Weems Memorial Hospital, discussed an email he sent to the Commissioners yesterday. He explained the original request was for \$180,000 per pay period through March and this is the maximum they would ever need but he did not think all of the money would be needed. He reported they are in a better position now with collections. Mr. Cooper referenced the 4 things that contributed to the cash flow issue and said all but one happened in prior years. He said collections dropped off significantly starting in September and they could not determine how much was from the ICD-10 slow down. He stated they have now determined there was no slow down from the ICD-10 conversion. Mr. Cooper reported in August when the new computer system was put in, the average collections per month went down from \$360,000 to \$270,000 in September. He said October collections were \$213,000 and November collections were back to \$270,000. He explained the December collections are above \$300,000; almost to \$340,000. He stated if they have recovered from the lull in collections and January repeats with the same collections then the necessity for this money will go away. He stated billing on the new computer system caused the problem and it was longer and deeper than was expected. He said they would have normally gone to the cash reserves to fill in but unfortunately the federal government has a hold of all of the reserves. He explained the federal government owes them \$1.2 million on cost report issues that should be paid in March. Mr. Cooper stated they have been in contact with Medicare and expect to get the money on an expedited basis. He reported Congresswoman Gwen Graham has been contacted about helping to expedite the payment. Mr. Pierce asked if money is needed now. Mr. Cooper said when the first email was sent it did not look like they would make the last payroll in December since there were 3 payrolls but yesterday because collections increased they were able to meet payroll. He explained they have got some bills they need to pay to catch up but will not need anywhere near the amount they requested. He estimated they may need \$100,000-\$400,000. He reminded the Board this will all be reimbursed in March once they receive the cost report payment. Commissioner Sanders questioned if the reason they have enough for payroll is because the County Commission gave them \$280,000 at the beginning of the month. Mr. Cooper agreed but also said the collections are at \$340,000 and that is exceptionally good for the month. Commissioner Sanders questioned if they need \$180,000 every 2 weeks until March. Mr. Cooper said they will not need all 6 payments but they will need some of the money. Mr. Cooper stated Mr. Moron asked him to provide a figure of how much money he would need. Mr. Cooper reported payroll plus the salary for the emergency room doctor is \$180,000 every two weeks. He stated they are collecting money; it is just a matter of how much is collected. Commissioner Sanders stated she asked Mr. Graham at the December 1st meeting what the financial status of the hospital was and was never given a real answer. She reported the Board needs to know what the financial status is and what the real problem is so it can be fixed. Commissioner Sanders reported this is more than just the County providing money for payroll. Commissioner Sanders reported they absolutely do not need a line of credit. She stated the Board is over the HCTF and that is the way it was set up so the people would feel more comfortable. She explained they must find a solution to the problem. Mr. Cooper stated

from the balance sheet perspective on a scale of 1-10 the hospital is a 7. He explained they have twice the assets over liabilities. He said 1 in 2 hospitals across the country lose money. He reported the Hospital made money but with the tax support. He went on to say without the Health Care Trust Fund (HCTF) tax support the hospital will not exist. Mr. Cooper said the Hospital is financially in decent shape but he would like to see the revenues grow. He reported cash flow is the problem and they do not control when the money is received. He explained the root of the problem is the hospital is small and cash flow is a common issue in small hospitals. He stated most small hospitals are part of a larger system so money can be shifted down when needed or they are large enough to have reserves to cover the problems. Mr. Cooper reported other small hospitals have lines of credit in the amount of \$500,000-\$700,000 that they access on a normal basis. He said cash flow will always be an issue. Commissioner Watson asked what percentage of the funding for the Hospital depends on Medicare, Medicaid, and insurance reimbursements. Mr. Cooper said the payor mix is 38% Medicare, 25% Medicaid, \$1.2 million in bad debt and charity so about 15% or 16%, and 15% commercial insurance. He explained they lose money on 85% of the patients. Commissioner Watson questioned if the federal government is slow at paying. Mr. Cooper reported based on being a Critical Access Hospital they are paid at last year's rates and then they make it up at year end on the cost report which is 4-5 months after the year ends. He said Medicare is not covering the costs and then holding the payments for up to 18 months. Commissioner Watson questioned if Mr. Cooper is confident this is a cash flow issue and the account receivables are solid. Mr. Cooper answered yes. Commissioner Sanders stated the HCTF is for this reason to save using ad valorem tax money but some people in the community are very concerned about the Hospital. She reported some smaller hospitals have management contracts with large hospitals. Mr. Cooper stated last night they reached an agreement with a physician for a contract and the doctor is scheduled to begin on 1/11/16 as a permanent doctor. He said they are also interviewing a resident the end of the month but that person may not be available for 18 months. Chairman Massey asked how far back the Hospital is billing. Mr. Cooper explained if the account is over 365 days old they will not receive the money. He explained these bills are reserved at 100% on financial statements as they are not expecting to collect the money. He reported they are extremely conservative on accounts receivable. Commissioner Parrish discussed the cost report and trying to recapture money from 2011 and 2012. Mr. Cooper explained the issue was Medicare bad debt which is an expense on the cost report that can be reimbursed but there are very strict guidelines about accounting for it. He went on to say in 2011, 2012 and 2013 the Hospital staff did everything they should on the cost report but during a Medicare audit they found a computer file still showing the account balances. He explained Medicare did not consider this bad debt as the balances were still showing so they took back \$400,000. He explained this is the money they borrowed last spring from the HealthCare Trust Fund. Mr. Cooper said if they can prove it is bad debt then Medicare will return the \$400,000. He stated Medicare told them they could get the money back if they filed an interim cost report. Mr. Cooper said when the interim cost report was filed; Medicare reviewed it and went through all of the files to declare these accounts as bad debt. He reported then they were told they could not collect the money on the interim cost report and must wait to collect the money when the end of the year cost report was filed. He informed the Board operational money was used to

pay the HCTF back and the money has still not been received from Medicare. He stated \$380,000 in meaningful use money will also come in. He said in 2013 when the CSS contract was signed it should have been fully operational by last fall and the \$400,000 would have been received last year. He reported a new company was implemented and now they are in the process of getting the money. He stated no one at the hospital did anything wrong but there is no review process with Medicare and the only appeal is to them. Commissioner Sanders asked what is needed today. Mr. Cooper answered \$100,000 to pay bills. He explained if collections continue like they have the last 2 weeks then he will stay in contact and plans to attend the second Board meeting in January. Commissioner Lockley asked what they need today so they will not need to come back. Mr. Moron explained he asked Mr. Cooper to provide the amount he needed through March so the Board would not need to come back. Mr. Cooper stated it is difficult to tell a number for the next 2 months when he cannot predict the collections. He explained numbers he knows for sure is the payroll amount is \$150,000 every two weeks and \$30,000 for the emergency room doctors every two weeks. He said they may need 3 payrolls between now and March but he may not need all those either. Commissioner Sanders stated she does not want to give the money if they do not need it. Mr. Cooper stated he will not take money if it is not needed. Commissioner Watson asked how the money is structured. Mr. Pierce said the payroll is every two weeks. Chairman Massey reported if the money is not needed for payroll then it should not be used for something else. Commissioner Sanders reported the money has to be paid back and they still owe the other money. Mr. Pierce reminded the Board the Finance Department will not cut any checks unless they are authorized by the Board. He questioned if the Board is interested in pre-authorizing 3 payrolls. Commissioner Parrish made a motion to allow the Hospital to draw 3 payrolls in the amount of \$180,000 each if needed and to authorize the Clerk to cut the checks. He explained the County will be repaid when the money comes in. Commissioner Lockley seconded the motion. Mr. Alan Feifer, Concerned Citizens of Franklin County, asked how much is owed to Tallahassee Memorial Hospital (TMH). Mr. John Graham, Weems Memorial Hospital, answered \$300,000. Mr. Feifer stated the Hospital owes money other than payroll. He explained the County needs to know the Hospital's sources of revenue and expenditures. Mr. Feifer reported cumulative losses over the last 10 years have exceeded \$13 million and are accelerating. He said 58% of the HCTF has been used for operations according to the report prepared by Finance. Mr. Feifer stated this is 8% more than was stated on the ballot initiative. He reported these figures are before the \$280,000 was advanced to the Hospital. He said uncompensated care is increasing while reimbursements are decreasing nationally. He discussed the final numbers for the September income statement. He reported there is a profit at the Hospital because the HCTF funds are being provided. Mr. Feifer explained just last month the County loaned them \$280,000 and now 3 weeks later they are back. He said the Hospital Board and Commission have been warned about the lack of a budget for hiring new physicians. He explained the cash flow issues from the ICD-10 coding should have been anticipated. He questioned if there is a limit to the amount of money the County will provide and if the citizens would be better served by another entity. Mr. Feifer suggested the Board only fund 1 payroll and hold a public workshop. He suggested the Board ask the Clerk as the Chief Financial Officer for her opinion and any suggestions or remedies she proposes to help the Commissioners on their decisions.

He said the Board needs to find out the root of the problem at the Hospital and find a permanent solution to protect the citizens while at the same time providing quality health care. Ms. Donna Butterfield, a resident of St. George Island, suggested the County consider a health care system to support Weems. She stated Sacred Heart has quality care and half of the indigent care they serve comes from Franklin County. She said Sacred Heart is not even billing Weems for indigent care as they know it will not be paid. Ms. Butterfield reported Sacred Heart Hospital is more than willing to help at no costs to taxpayers. She stated the County should not replace a Hospital that will never be self sufficient. Mr. Brian Robinson, a property owner in Franklin County, informed the Board he is a hospital CEO and was an advisor to Congress and an advisor to the centers for Medicare and Medicaid services on health policy and on emergency treatment. He reported he has written clinical guidelines and was called in response to 911 to help prepare nuclear, biological and chemical preparedness policies for the United States. He reported he was a regional president of Hospital Corporation of America. Mr. Robinson said Mr. Cooper cannot guarantee the cost report will be funded in March. He explained the way the HCTF is structured it cannot be used as a line of credit so every time it needs to be accessed the matter has to come back to the Board. He said there could be stipulations built in to accessing the system so it does not require a special meeting. He stated 3-4% of patients that enter a hospital contract an infection but Weems has not had a nosocomial infection in 3 years. He reported Sacred Heart Hospital cannot bill the Hospital but can bill the County for indigent care. He expressed his opinion that Sacred Heart Hospital would like Weems Memorial Hospital to close so they can get the Critical Access Hospital License. He reported this License is a special designation under Medicare. He said more than 50% of hospitals in the country are under 100 beds yet only 18% of the Medicare budget is associated with Critical Access Hospitals. He estimated the License is worth an additional \$2-4 million of income for Sacred Heart Hospital. Mr. Cooper said it may be worth more because of depreciation on the Sacred Heart building. He stated today Sacred Heart Hospital is losing money but this would make them profitable and then they could also bill the County for the indigent care. Mr. Robinson reported last year Weems classified \$1.2 million as indigent care and that does not include what leaves the County. Mr. Robinson said once the County does not provide health care then the County is responsible for the indigent care and additional emergency transport services. He stated if the Hospital is not here then the ambulances have to drive another half hour and another ambulance may be needed during peak hours. He reported healthcare bad debt will continue to escalate and nationally co-pays and deductibles have gone up 67% in 3 years. He stated when a new Hospital is built, more people will come. Mr. Robinson informed the Board he has seen an overview of the proposed facility and believes the average increase in revenue with a new facility is 25-30%. He said there are state and federal dollars available to hospitals in similar situations. He discussed how the Hospital impacts this community with jobs and expenditures in local businesses. Mr. Robinson said business and industry will locate or stay here because of health care. He reminded the Board tourism is also dependent on health care. He explained about 35% of the increased expenses this year will come back through the cost report. He reported some things being cleaned up are from prior management. Mr. Robinson stated things are going better than a year ago and the numbers look better. He asked the Board to look at a structure that allows you to create a separate entity for the hospital that still

reports and is under the control of the Commission but keeps it from coming to the Board and may make it possible for affiliations. He felt there were opportunities to increase revenue and he offered his services and suggestions and said he has been offering them to Mr. Cooper. He suggested the Board work with Mr. Cooper and use the Sunshine statute to their benefit. He reported Weems Memorial Hospital is a gem and people will die without this facility. He went on to say the people who will die will be the frail, elderly, those who do not have transportation and people who do not know what to do. He suggested the Board meet the needs of the community and work to get a viable system. Commissioner Parrish reported several people have suggested Sacred Heart Hospital is not billing the County for indigent care but they are billing the County. Mr. Robinson questioned how many employees are on the County insurance. Mr. Pierce answered about 80. Mr. Robinson suggested the County go with the Hospital to Capital Health Care (CHP) and request a preferred relationship with Weems Memorial Hospital where the covered employees can stay here if it is a service the Hospital provides and then the Hospital will discount the co-pay as an encouragement to stay here. Mr. Pierce said Mr. Cooper tried to work with CHP. Mr. Robinson stated it may take a collaborative effort of the County and Mr. Cooper to approach CHP. Mr. Robinson reported there are also tourists who have CHP. Mr. Robinson thanked the Commissioners for their service. Mr. Moron questioned what is needed today. Mr. Cooper stated \$100,000 today. Mr. Moron questioned if the motion included 3 payrolls up to \$180,000 each. Commissioner Sanders agreed up to 3 payrolls. Commissioner Parrish amended his motion to allow the Hospital to get \$100,000 today and the ability to collect 3 payments for payroll up to \$180,000 each if needed and the request can be made to the Clerk's Office and they are authorized to cut the checks. Commissioner Lockley amended the second. Motion carried; 5-0.

There being no further business to come before the Board, the meeting was adjourned at 10:07 a.m.

William Massey - Chairman

Attest:

Marcia M. Johnson - Clerk of Courts