

**BOARD OF TRUSTEES MEETING  
TVHC Board Room  
TUESDAY, DECEMBER 21, 2010**

**Trustees Present: Steven Dietrich, Aaron Hansen, Chris Larson, Janine Jolley, David Work, Bob Benedict, Michael Whitfield**

**Ex-Officio Present: Virgil Boss, Deborah Ray-Malheiro**

**Guest Ex-Officio: Jeff Daniels, Jake Erickson, Kurt Williams, Guido Van Drunen**

**Minutes Recorded by: Marni Vasseur**

Meeting called to order by Steven Dietrich, Board Chair, at 5:32 pm.

S. Dietrich welcomed the KPMG auditors, Kurt Williams and Guido Van Drunen. Dietrich said there would be a slightly different format at this meeting. The board would quickly cover agenda items 2-5 then on item 6 they would move into Executive Session and afterwards cover item 7 in public session.

**MINUTE APPROVAL:**

● **MOTION:** B. Benedict moved to approve the 12.1.10 minutes as amended. Motion seconded by J. Jolley and carried unanimously.

**MED STAFF APPOINTMENTS:**

L. Piquet presented med staff bios for reappointment. Piquet mentioned that TVHC will be keeping Jennifer McGill, PA-C credentialed so she can cover some upcoming summer shifts. She also reported that she is credentialing counselors for the Suicide Prevention Program that TVHC is affiliated with. Piquet is checking licenses, education and references for counselors that will be working in this program.

● **MOTION:** B. Benedict moved to approve med staff bios. Motion seconded by D. Work and passed unanimously.

**QUALITY SERVICE COMMITTEE:**

D. Ray-Malheiro said that she will report on 1<sup>st</sup> quarter statistics after December numbers are compiled. Yearly reporting to the Idaho Hospital Association will also be completed after December numbers are in. Malheiro said that she is pursuing a patient safety culture survey and that priority needs to be given to the organization's compliance program. This needs attention.

L. Piquet reported on Studer Pillars. See attachment for details. Piquet reported that TVHC reclaimed 200 of 600 orphan patients that were marketed to last year. These are patients that had not been seen by our providers since the closing of the Victor Clinic in 2008.

**FINANCE REPORT: SEE ATTACHMENT**

A. Hansen reported higher gross revenue in clinic and outpatient areas. In expenses, there were decreases in salary, nursing, home health, physical therapy and daycare. Hansen reported a positive operating income for the month of November.

M. Whitfield asked why contractals were up 50%.

A. Hansen replied that it is based on the payor mix. It depends on the insurance agreements. For example, if Blue Cross pays 80% of a claim, the other 20% goes to contractals.

C. Larson asked how admission clerks are handling self pay fees.

V. Boss said that the admission clerks should ask for payment at time of service in addition to asking for up to 10% of past due clinic balances. Boss said that with ER billing, they can't ask for payment until after services are rendered. At this time, they are only measuring the clinic, not the hospital, for payment-up-front processes. The computer system is set up to prompt the admission clerk as to whether they need to ask for payment on past due balances at the time the patient checks in.

### **STAFF SERVICES REPORT: SEE ATTACHMENT**

J. Jolley said that the employee engagement survey will be administered again in January or February. Jolley also reported that TVHC is above the national average, at 88%, of collecting co-pays at the time of visit.

D. R-Malheiro asked at what level TVHC is in collecting co-pays for ancillary services.

V. Boss said they are not measuring co-pays on ancillary services because it is associated with hospital billing. Boss reported that it costs TVHC \$60-\$80 to do billing on each case. The goal is to get payment up front in order to avoid the cost of producing bills in the case of self pay accounts. Boss is spot checking the clinic accounts as they occur throughout the day and has also instructed the admission clerks to ask for the co-pay amount plus 10% of any old balance when making new appointments. Boss spot checks the Victor Clinic as well and has instructed the staff in Victor to follow the same procedure for collecting payment at time of service.

### **CEO REPORT: SEE ATTACHMENT**

V. Boss reported that revenue was up 25% for the month. Visiting specialists have been successful. Revenue generated by visiting specialists in the hospital and clinic will be reported in January. Boss has been reporting quarterly on visiting specialists.

M. Whitfield brought up the expectation of revenue generated in the OR by visiting specialists.

V. Boss said that we have been looking at professional fees only, not including hospital and ancillary services. Boss also mentioned that the pain management specialists do not generate a lot of revenue and patient appointments mostly consist of prescriptions and injections at the hospital. There were 4 surgery procedures in pain management totaling \$4000 for the month. Other visiting specialists brought in \$39,000 for the month. Drs. Lofaro, Hanks, Talcott, Waterhouse and Rosenberg all performed surgery procedures in November.

M. Whitfield said that we are seeing activity from visiting specialists but still waiting to see revenue.

V. Boss said that December should be a good surgery month due to people having met their co-pays and deductibles. Boss also reported that providers are tracking referrals and keeping as many patients in house as possible.

C. Larson asked to see a patient referral report from B. Teckmeyer more often. V. Boss agreed to do so.

V. Boss said that we are preparing for Levy II funds to come in and have set up a separate checking account to track the money that is being spent on capital purchases. The new CT purchase will bring big improvements for Dr. Brown's patients and for radiology patients with organ issues. The CT will be installed close to the OR instead of in the old pool area of Physical Therapy like originally planned. The current mammo and CT rooms will be remodeled to accommodate the new machinery and should be operational by March. The digital mammo will create improvements such as better images that are easier to read, faster image turnaround time and no more film storage.

Boss also reported that it will take 4 weeks to build the floor to hold the new machinery. Preliminary construction for the digital mammo will cost about \$8,000 and close to \$20,000 for the CT; this is just to get the rooms ready for the new equipment to be installed. The plan is to rent a portable CT during the construction phase. This will cost about \$7,000 per week. Boss said we are not ready to contract these 2 items until we know how much the levy payment will be. We can lease a CT scanner until the levy funds are disbursed. It will be the same arrangement as the blade server purchase where we had to pay for the equipment upfront then we got grant money, or in this case, levy money to pay back the hospital. The

Finance Committee will be involved in all decisions to lease or buy equipment. They need to make a decision by the end of year on the two items discussed here in order to get optimal pricing. Boss added that the service contract on the 16 slice CT scanner is more than double the cost of the 4 slice scanner service contract.

● **MOTION:** M. Whitfield moved to go forward with the purchase of the CT scanner and the digital mammography machine. Motion seconded by B. Benedict and passed unanimously.

S. Dietrich asked if we reassess contracts as they come up for renewal.

A. Hansen thought we should revisit contracts annually.

J. Daniels said that operating contracts do not go to the board.

S. Dietrich reminded the board that there is a vacancy on the medical services committee. He asked M. Whitfield if he was interested.

Whitfield said he would consider it.

V. Boss said it is not pressing and can be revisited at the January meeting.

### **KPMG FORENSIC AUDIT REPORT:**

Guido Van Drunen and Kurt Williams reported from KPMG.

S. Dietrich said that in regards to the final audit report, it is disclosed only to the board and the CEO at this time, and he asked that anyone wanting to see the report submit a written request.

G. Van Drunen said that the report will be in draft form until it is approved by TVHC management.

K. Williams said that they started the audit in August to assess billing issues and how TVHC handled those issues. They also looked at fraud risks facing TVHC and gave recommendations. Procedures that were reviewed included document collection, billing inquiries, and review, extraction and analysis of electronic records. The auditors looked at payable transactions in addition to billing. They reviewed risk based samples, supporting documents, conclusions to transactions and gave recommendations on improvements to be made. The auditors have been updating the finance committee as progress is made. They later presented a written report. Observations in the report included billing transactions that were questionable, weaknesses in controls of the billing process, electronic analysis which showed issues with incompleteness in transactions, and procurement process issues. The auditors looked at internal inquiries before documents were turned over to the prosecutor. The auditors made further recommendations should this type of issue arise again. KPMG made compliance recommendations and noted potential process improvements.

● **MOTION:** S. Dietrich moved to go into Executive Session pursuant to Idaho Code 67-2345 1 (b) to conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency. Motion seconded by D. Work and carried unanimously by roll call vote at 6:55 pm.

The meeting went back to public session at 8:15 pm.

In summary, S. Dietrich said that the results of the KPMG audit exposed significant and serious internal control and compliance issues. Dietrich said he is digesting the nature of remediation necessary with an eye on the budget, cash, and resources and is not minimizing the seriousness of the advice given by KPMG. S. Dietrich said he would like to see a cash flow assessment for Levy II. On December 6, A. Hansen discovered the cash positive had decreased to \$170,000, a 71% decrease from October, well below the year end estimate for the cash flow assessment. Hansen had forecast that the hospital would be looking at \$550,000 cash on hand at year end. Dietrich did not think that was a practical number for a hospital of this size. Hansen will work with hospital management to comprise a cash flow report. Dietrich added that V. Boss needs cash flow information in order to operate effectively and that it is not Boss' job to compile the

information. B. Benedict and S. Dietrich said that the board expects maximum effort from staff to get daily cash position reporting to Boss.

A. Hansen commented on cash flow by saying that managers will get an accurate view of cash flow and that it needs to be in sync with the A/R position. TVHC is not converting A/R to cash and will run out of cash if this trend continues. Revenue will help but can cause cash flow problems if not managed well. As A/R continues to age, its value decreases.

S. Dietrich said he accepted the board chair position in order to address the administrative side of the hospital so it operates smoothly. Upon hiring V. Boss, the agenda was to reorganize management, not to focus on another tax levy. TVHC has had a balance sheet problem and an operating problem. The levy addressed the balance sheet side, now hospital management needs to address the operating side. Financial assumptions have not panned out as of yet. Last spring, the finance committee advised the accounting side of the business. By mid year, a study of the billing office was completed with no published results. In addition, TVHC may spend up to \$75,000 on the KPMG audit. Fraud occurred due to lack of controls that the billing office had already been advised on. In July, accounting was warned of cash flow issues, this situation worsened on Dec 6<sup>th</sup>. In September the board asked for a contingency plan for a financial emergency.

Dietrich reiterated that there is no wavering of the goal to keep the hospital open. He said he challenges the board to look at the facts, assess the situation and find solutions. The financial situation has progressed to the point where it demands an immediate solution. Dietrich said that V. Boss has specific comments about reorganization of management. If there are no other comments, Dietrich said he would like to go into executive session.

C. Larson commented that there are so many good things happening for the hospital but if the cash flow issues are not resolved, the hospital would close.

S. Dietrich responded by saying that V. Boss has novel solutions to hard problems. Dietrich said he would not chair the board for long. He is planning to serve his term and he wants to see dramatic and healthy changes. If the hospital can become financially stable, its options will expand in terms of operating funds and financing options. Within 3 years, there should be a permanent solution and TVHC should be well capitalized. Some options that the hospital had back in February are no longer viable.

B. Benedict added that the board is moving ahead and investing in the hospital. He wants the staff to understand that the board is behind them.

● **MOTION:** S. Dietrich moved to go into Executive Session pursuant to Idaho Code 67-2345 1 (b) to conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency. Motion seconded by J. Jolley and carried unanimously by roll call vote.

#### **Executive Session began at 8:58 pm**

**Trustees Present:** Steven Dietrich, Aaron Hansen, Janine Jolley, Chris Larson, David Work, Michael Whitfield, Bob Benedict

**Ex-Officio members present:** Virgil Boss, Deborah Ray-Malheiro

**Guest Ex-Officio members present:** Jeff Daniels, Jake Erickson

#### **Executive Session ended at 12:18 am.**

● **MOTION:** M. Whitfield moved to approve V Boss' plan to engage with ACSI pending legal review and further discussion. Motion seconded by B. Benedict and passed unanimously.

S. Dietrich stated that it was time for V. Boss' performance review. This should be completed by the next board meeting.

B. Benedict agreed to develop the protocol to do so.

S. Dietrich stated that V. Boss is correct in his analysis that the expense of Bingham Memorial Hospital's consulting contract with TVHC is out of proportion with the services we are using. Dietrich requested V. Boss help along with B. Benedict, to renegotiate the contract with Bingham to reduce costs and increase efficiencies.

S. Dietrich stated that "Plan A" is reorganization of the administrative side of the hospital, and that the board will be there to help Boss in any way possible. The board needs Boss to help develop a logical set of criteria in order to forge ahead quickly on options to be called "Plan B" in case "Plan A" is not successful.

Fiduciary responsibility after a long restructuring process is crucial.

V. Boss brought up the upcoming med staff changes and stated we need a medical staff relations board member.

● **MOTION:** J. Jolley made the motion to adjourn at 12:35 am. D. Work seconded the motion and passed unanimously.

**12:35 am: Meeting adjourned.**

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Steven Dietrich, Chairman

ATTEST: \_\_\_\_\_  
Marni Vasseur, Executive Assistant