

**BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES  
BOARD MEETING – OPEN SESSION**

**MINUTES – April 29, 2009**

**BOARD MEMBERS PRESENT:** Jerry Schulze (Chair), Pat Thompson, M.D. (Vice Chair), David Tedder (Secretary/Treasurer), Susan Williams, Andrea Allen, Bill Paddock, Steve Kessel, M.D., James Simmons, M.D.

**OTHERS PRESENT:** Rick Toomey, Jeff White, Karen Carroll, Pat Foulger, David Homyk, Ed Ricks, Paul Mazzeo, M.D., Scott Stowe, Paul Sommerville (Beaufort County Council Member), David Black (Howell, Gibson and Hughes), Nora Kresch, Ann Mecherle, Dawn Crawford

**ABSENT:** Terry Murray, Alice Moss

**CALL TO ORDER:** Mr. Schulze called the meeting to order at 7:30 a.m., and stated that the Press had been notified. A motion was made by Mr. Tedder to go into Executive Session at 7:31 a.m. to discuss Quality Improvement, Medical Staff Credentialing, Strategic Planning, Contractual Arrangements, Legal and Personnel Matters. The motion was seconded by Mr. Paddock, and unanimously approved. The meeting re-convened to Open Session at 8:44 a.m.

**LOW COUNTRY ANESTHESIA AGREEMENT:** Upon the introduction of this agenda item, Dr. Patricia Thompson excused herself from the Board meeting, because she is the spouse of Dr. Gary Thompson, President of LCA.

Mr. Toomey noted that the Trustees had received a written summary of the proposed Anesthesiology Services Agreement (the "Agreement"), and an opinion letter from Don Meyer of Moore and Van Allen, PLLC.

Mr. Toomey reviewed with the Board the material terms of the Agreement, to include the compensation terms, using a Power Point presentation. Available to the Trustees at the meeting was the fair market value and comparability valuation report and certification prepared by HealthCare Appraisers, Inc. ("HAI") and copies of the Agreement.

Upon review and discussion by the Trustees of the material terms of the Agreement, the Board found that:

- (i) entering into the Agreement is in the best interest of the hospital;
- (ii) the compensation to be paid to LCA is fair market value, comparable to other similar arrangements, and reasonable for the professional anesthesia, coverage and administrative services to be rendered by LCA;
- (iii) BMH cannot obtain similar high quality anesthesia professional services from another anesthesia provider at a lower cost to BMH;
- (iv) the valuation certification provided by HAI is relied upon by the Trustees to determine fair market value compensation; and
- (v) the Agreement be approved in all respects.

Mr. Tedder made a motion, which was seconded by Mr. Paddock, to approve the Agreement, effective May 1, 2009.

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The motion was approved unanimously. All seven (7) Board members in attendance approved (Jerry Schulze, David Tedder, Bill Paddock, Steve Kessel, M.D., Susan Williams, Andrea Allen, and James Simmons, M.D.). One (1) member was absent (Terry Murray), and one (1) member (Dr. Thompson) excused herself for this action item.

The meeting took a short recess at 8:45 a.m. and reconvened at 8:53 a.m.

**INVOCATION:** Mr. Paddock gave the Invocation.

**INTRODUCTION:** Mr. Schulze welcomed Susan Williams and Andrea Allen (our newest Board members), as well as David Black from Howell, Gibson and Hughes.

**APPROVAL OF MINUTES – March 25, 2009:** Mr. Paddock made a motion, which was seconded by Mr. Tedder, to approve the minutes of the March 25, 2009 meeting. Unanimous approval.

## **HOSPITAL PROGRAMS**

**Wound Care Update:** Mr. Toomey introduced Terrence Mabry, Director of the Wound Care Center with Diversified Clinical Services, who presented an overview of the center's first six months results. Mr. Mabry stated that they have seen 147 patients and had a total of 1,442 patient visits, healed 171 wounds and had 226 hyperbaric treatments. He also mentioned that most of the patients are from Beaufort, and he hopes to market into other communities.

Mr. Mabry introduced Mrs. Marty Keyes-Goodemote, Area Vice President, and Jim Fagnoli, Director of Reimbursement. Mr. Fagnoli noted that the center has generated \$130K YTD (six months), which is outstanding for the initial start up. Mr. Mabry credited the doctors who work at the Center for the outstanding results; they have a panel of 8 physicians. He reminded the Board that each doctor had to receive specialized training on wound care before joining the Wound Care Center staff. *Mr. Schulze asked for an update every six months, and asked Mr. Mabry to include a graph of the payor mix as compared with the hospital.*

**Culture Team:** Mr. Homyk mentioned that they are close to coming up with a set of core values that all employees can be comfortable with, *and the Culture Team will give an update to the Board at next month's meeting.* Hospital managers have been invited to a Leadership Retreat at the Dataw Island Club on Friday, June 5<sup>th</sup>. The Culture Team will roll out the core values, which will become the foundation for actions at BMH.

## **COMMITTEE REPORTS**

**Finance Committee:** Mr. Schulze presented the financial results for March in Mrs. Murray's absence. He said it was a very positive month. Operating margin was 3.56% and YTD at 2.16% above our budget and Gainsharing goals. Rolling six month average operating margin moved up to 2.2%. Cash flow margin was 12.18%, which is above the A3 rating of 8.70%; YTD we are slightly under 12% and last year this same time we were at 14%. Revenues are growing faster than expenses, which are exactly what we want to see – we were at 7.7% in revenue and 6.8% in expenses for March. Wages and benefits as a percentage of net revenue were down coming in at 46% with contract labor and 45.6% without. Supply expense as a percentage of net revenue was

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18.5%, primarily due to spine and orthopedic surgeries. Case mix index was 1.4286, which is very good. Bad debts as a percentage of net revenue moved up from 6.9% in February to 8.8% in March. Charity care as a percentage of gross patient revenue was 4.2%. Days in accounts receivable was 49.4. Cash on hand was 194.9. Debt to cash flow was 1.4. Cash to debt was 297.3%, which is excellent and we are better than the medians. Debt service coverage was 7.3. Average age of plant was 7.94. Return on assets was 5.14%. The average daily census was almost 130, which is above our budget of 124.8 and also higher than last year this same time. Inpatient revenue is \$1.1M above budget and outpatient revenue was \$300K above budget, and YTD total patient revenue was \$1.4M over budget. However, deductions from our contractals went up netting the hospital \$14.5M in total revenues, which is \$1.1M over budget. Salaries and wages were over budget YTD by \$1.8M and over \$548K in employee benefits YTD. The operating income was above budget at \$934K with a variance of \$63K and YTD we are \$350K below budget. Our operating margin YTD was 2.16%. Our balance sheet is very strong with \$76M in cash and restricted investments. We have increased our cash flow by \$4M in this last 3 month period. The financial report was unanimously approved.

**Quality Improvement Committee:** Dr. Kessel presented the Environment of Care (EOC) Report and a Mass Casualty policy and procedure. Both were reviewed in Executive Session. Dr. Thompson made a motion, which was seconded by Mr. Paddock, to approve the EOC report and policy on Mass Casualty. Unanimous approval.

**Governance Committee:** The Governance Committee did not meet in April. Dr. Thompson welcomed Andrea Allen and Susan Williams, who filled the vacancies left by Charlene Robinowich and Alice Wright. Dr. Kessel was reappointed by County Council for another term.

Mr. Tedder brought forward that the Broad River Healthcare Board had recently nominated Dr. John Adams for his 3<sup>rd</sup> term. Dr. Thompson made a motion, which was seconded by Mr. Paddock, to approve Dr. John Adams appointment for his 3<sup>rd</sup> term. Unanimously approved.

**COMMUNITY OUTREACH:** Report reviewed and approved.

**MEDICAL STAFF – Credentials:** Dr. Mazzeo presented the Credentials and the Medical Staff reports during the Executive Session. Mr. Tedder made a motion, which was seconded by Dr. Thompson, to accept the MEC and Credentials Committees recommendations. Unanimous approval.

Dr. Mazzeo also presented the following policies during Executive Session:

- Code Blue-Cardiac/Pulmonary Arrest
- Patient's Choice of Practitioner
- Assessment of Provisional Practitioners
- Reappointment to the Medical Staff

Mr. Paddock made a motion, which was seconded by Dr. Thompson, to accept the policies as presented in Executive Session. Unanimous approval.

Mrs. Foulger also presented the policy on Management of Conflict between Members of Leadership. Mr. Paddock made a motion, which was seconded by Dr. Thompson, to accept the policy as presented. Unanimous approval.

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**STAFF REPORTS: Ancillary & Support Services, Human Resources, Information Systems, Patient Care Services, Public Relations, and Quality Services:** *Mr. Paddock requested that the historical data on vacancy rates show the past year annualized for trending purposes in Mr. Homyk's next report.* Mr. Paddock also inquired about the Coastal Empire Community Mental Health Center and our contract with them. Mrs. Carroll said the contract is for six months and will end on June 30<sup>th</sup> this year. She mentioned that because of their budget cuts, they are now paying us on a per case basis and will most likely not be able to continue to partner with us. Mr. Tedder made a motion, which was seconded by Mr. Paddock, to approve the staff reports. Unanimous approval.

Mr. Homyk reminded everyone of National Hospital Week (May 11 – May 15<sup>th</sup>). On May 13<sup>th</sup>, we will have a BBQ picnic in the Kate Gleason Park for all employees and invited all board members to attend. We will have a dunking booth to raise money for the H.O.P.E. (Helping Overcome Personal Emergencies) fund by charging \$1.00 for two throws.

**BMH FOUNDATION:** Mr. Stowe said we received the \$1.5M donation from Bruce Pratt, DVM, in memory of his parents (George N. Pratt, Sr., MD and Sarah Pratt) and requested the Emergency Room to be named in their honor. Dr. Kessel thanked Mr. Stowe for the use of his home for the Honor a Caregiver Reception.

**MANAGEMENT REPORT – Finance:** Mr. Toomey asked Mr. White to reprise his Finance Committee summary of the departmental operating margins, which he did.

**Gainsharing Goals Update:** Mr. Toomey reviewed the report on Gainsharing goals and stated that we are close to reaching our goals, but need to continue to work hard to attain them. This information is published monthly in each edition of our *You First* newsletter.

**CON for da Vinci Surgical Equipment:** Mr. Toomey stated that our CON for this equipment has been approved by DHEC. The goal is to have the physicians using the system in the next 45-60 days following their education, which is currently being scheduled. A press release will be sent out.

Mr. Toomey mentioned that Brian Cain (President, Chartwell Capital Company), who is working with the development of Sunnyside Healthcare Commons in Bluffton, contacted him regarding a CON they are submitting for additional rehab and LTAC, and want to explore whether we would be supportive of this project or not. The new development would be located off the Bluffton Parkway. A meeting will be scheduled soon.

**Dr. James McNab's Agreement:** Mr. Toomey said we are in the process of finalizing Dr. McNab's recruitment agreement; however, there have been complications because he was granted active staff privileges while working as a locum tenens physician. He will begin his full time practice on May 27<sup>th</sup>, when his locums' contract ends.

**Executive Summary from Planning Retreat (handout):** Mr. Toomey handed out the summary and recapped the presentations from the planning retreat held on March 20-21st. In addition, he referenced an article on the cover of the Spring edition of *Health Scene*, which tells the story of Dr. George Pratt's contribution to BMH and the community during its early years.

**Quality SWOT Assessment (handout):** Mr. Toomey gave an update on Quality and stated that Mrs. Foulger has done a superb job on quality along with her staff; however, he said we do have

opportunities for improvement. Mr. Ricks is in the process of installing a software application that will make data collection quicker and provide us much faster results.

**COMPLIANCE:** Mr. White presented a “Red Flag” policy for approval. The primary purpose of the policy is to prevent identity theft, and the policy is required to be in place by May 1<sup>st</sup>. The policy was not included in the Board packet. Mr. Paddock made a motion, which was seconded by Mrs. Allen, to send out the Red Flag policy electronically to the board members. All board members responded to approve the policy as written.

**CHAIR ANNOUNCEMENTS:** Mr. Toomey reminded Board members to join hospital leadership at a Healthcare Forum on Thursday, May 21<sup>st</sup> for a reception and dinner at the Holiday Inn starting at 6:00 p.m. The featured speakers are from SCHA, AHA and SCMA.

**ADJOURN:** The meeting adjourned at 10:36 a.m.

Respectfully Submitted,

David Tedder  
Secretary/Treasurer