

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

MINUTES – August 26, 2009

BOARD MEMBERS PRESENT: Jerry Schulze (Chair), Bill Paddock, Pat Thompson, M.D. (Vice Chair), Steve Kessel, M.D., Terry Murray, Susan Williams, Andrea Allen, James Simmons, M.D.

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

ABSENT: David Tedder (Secretary/Treasurer), Scott Stowe, Pat Foulger.

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. Paddock 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 Mrs. Williams, and unanimously approved. The meeting re-convened to Open Session at 8:55 a.m.

INVOCATION: Mrs. Allen gave the Invocation.

INTRODUCTION: Mr. Schulze welcomed Paul Sommerville and Bill McBride (Beaufort County Council Members) and David Black from Howell, Gibson and Hughes.

APPROVAL OF MINUTES – July 29, 2009: Mrs. Murray made a motion, which was seconded by Dr. Kessel, to approve the minutes of the July 29, 2009 meeting. Unanimous approval.

COMMITTEE REPORTS

Finance Committee: Mrs. Murray said July financials were good. Our average daily census was 120.6, outpatient volumes were higher than last year primarily due to the new physical therapy clinic and the Beaufort Memorial Surgical Specialists clinic, and ER visits were also higher. Operating income totaled \$677K and YTD we are at \$6.5M, which is \$1.1M below budget. Our consolidated income totals \$7.3M and the total operating margin is 5.4%, which is very good. She mentioned that there was much discussion regarding bad debts in the Finance Committee on Monday, and a question arose as to what percentage of bad debts was inpatient vs. outpatient and it was determined that it's about 50/50. We had no real anomalies in July, and no changes are expected for the remaining rest of the fiscal year. The financial report was unanimously approved.

Mrs. Murray introduced Jennifer Smith and Greg Taylor from Dixon Hughes, our accounting firm. Mr. Taylor stated that they are required to communicate their responsibilities of what they will be doing during this year's audit of 2009. He discussed the following:

- timeline of services and noted that they will file the 990 IRS form for BMH this year
- audit areas of concentration
- recent developments
- fair value measurements (FASB #157 – a new standard)

- accounting and financial reporting for pollution remediation (GASB #49)
- accounting for uncertainty in income taxes (FIN 48)
- communication and internal control related matters (SAS 115)
- fraud considerations.

Overview of 2010 Budget First Reading – Mr. White presented the highlights at the Finance Committee on Monday.

Statistics Summary

CATEGORY	BUDGET	NOTES
Average Daily Census	126.0	Currently at 126.04 and last year we were at 128.3
Occupancy Percentage	75.5%	Based on total beds of 197
ER Visits	38,195	We are currently running at 33K with a budget of 36K
Deliveries	1,838	Deliveries will remain flat
Average length of stay	4.1	
Outpatient Registrations	136,347	Currently at 128K and our budget this year was 131K
Surgery (Inpatient)	2,597	Budgeted 2,400 this year
Surgery (Outpatient)	2,155	Budgeted 2,100 this year

Preliminary Income Statement

CATEGORY	BUDGET	NOTES
Inpatient Revenues	\$250,192,282	6.6% increase over annualized FY 2009
-- Room Rate Increase	5%	
Outpatient Revenues	\$182,863,040	7.2% increase over annualized FY 2009
-- Outpatient Charge Increase	5%	Activity slight increase
Contractual Adjustments	58.4% of gross revenues	Up from 57.0% (impact is over \$6M)
Charity Write-offs	3.9% of gross revenues	
Total Revenue Deductions	62.7%	Up from 61.3% - Impact of \$6,379,015
Net Patient Revenue	\$4.8M	3.1% increase over annualized FY 2009
TOTAL REVENUE	\$166,964,344	Compared to annualized FY 2009 of \$162,002,871 = 4.3% increase
Salaries Increase	\$61,408,113	\$3.2M over the annualized FY 2009, which includes seven new physicians
Merit Increase	2%	Effective January 1, 2010
Benefits	27.4% of salaries	
Health Care Costs	\$7,363,518	\$6,712 per FTE – plan adjustments to help control costs
Workers Compensation Costs	\$1,225,000	Almost doubled since FY 2008
Contract Labor	0	Departments budgeted at 100% payroll staffing
Labor Costs	48.4% of net revenue	
Supply Expenses Increase	17% of net revenue	1.3% over annualized FY 2009
Physician Fees Increase	8.8%	\$4.2M
On-Call Costs	TBD	Expect full year on-call costs

Preliminary Income Statement (continued)

CATEGORY	BUDGET	NOTES
Provision for Bad Debts	4% of gross revenues; 10.8% of net revenues	Increase from current year of 9.4% of net revenues – increase of \$2,323,447
Depreciation		Will increase
Interest Expense		Remain constant
Other Expenses to Drop	5.2%	Due to reductions in consulting contracts
TOTAL OPERATING EXPENSES	\$159,723,669	Increase of 3.6% over current year (annualized)

First reading of budget is \$7,240,675.

Margins for FY10: Operating Margin is 1.17% and Cash Flow Margin is 10.90%.

Consolated Income Statement: \$8,368,306 – which brings our operating margin to 4.98% and the cash flow margin to 11.5%.

Mrs. Murray noted the budget does not include a Gain Sharing provision. She stated that the Finance Committee will have to schedule a called meeting to review projections, as well as the second reading of the budget, and will then present it to the Board for final approval on September 30th. Mr. Schulze invited all Board members to attend the second reading.

Quality Improvement Committee: Dr. Kessel presented the following reports: Medical Staff Performance Improvement, Customer Satisfaction and Core Measure Reports. Mr. White mentioned that the dietary personnel are working on creating a daily menu, which can be viewed on a special channel on the TV in the patients’ rooms. Dr. Kessel reported that we exceeded the national average in our second quarter core measurements in all areas but one, and that we saw improvement in our Customer Satisfaction Report. Mrs. Allen made a motion, which was seconded by Mr. Paddock, to approve the Medical Staff Performance Improvement, Customer Satisfaction and Core Measure Reports.

COMMUNITY OUTREACH: Mr. Paddock questioned what happens to people that have been screened via the LifeFit Mobile Wellness Unit (CHIP) that have been diagnosed with abnormal findings – is there a way to track whether or not they sought treatment. Mr. Toomey stated that Mr. Senn is currently working on developing a tracking mechanism to determine if they sought treatment. Unanimous approval.

MEDICAL STAFF – Credentials: Dr. Mazzeo presented the Credentials and the Medical Staff reports as discussed in Executive Session. Mrs. Murray made a motion, which was seconded by Mrs. Williams, to accept the MEC and Credentials Committees recommendations. Unanimous approval.

STAFF REPORTS: Support Services, Human Resources, Information Systems, Patient Care Services, Public Relations, and Quality Services: Mrs. Murray questioned why BMH will maintain the crisis diversion contract with Coastal Empire Mental Health Center without receiving funding (they cut 21% of their budget), and what happens after 3 bed days? Mrs. Carroll stated we will be able to maintain the crisis diversion contract with CECMHC, which pays for indigent care for clients of CEMHC who need hospitalization; however, the terms of the contract will be less favorable. Instead of a prepayment of 3 bed days, it will be a retro payment

of authorized days up to a max of 7 days per patient. We will continue to provide services for all mental health patients under our care.

Mr. Paddock noted the recycling committee efforts, and Mr. Homyk said this committee (the "Green Team") is working diligently on finding opportunities to reduce costs for trash and to come up with strategies for waste reduction and recycling programs.

Mr. Homyk mentioned that a listing of the Culture Team meetings at the Technical College of the Lowcountry (TCL) is in the board packet. He stated that he and Mr. Toomey, along with members of the Culture Team, will be meeting with every single employee (mandatory) over the next several months and he encouraged the Board members to attend one of these meetings as well.

Mr. Schulze noted the loss of Mary Groves a cardiologist Nurse Practitioner. Dr. Kessel stated that she transferred with her husband to Tennessee. Mr. Toomey said that we are currently recruiting for a cardiologist.

Mrs. Williams made a motion, which was seconded by Mrs. Murray, to approve the staff reports. Unanimous approval.

BMH FOUNDATION: Mrs. Moss presented in Mr. Stowe's absence. She stated that the Foundation Board Retreat is tentatively scheduled at Palm Key in Ridgeland on November 19-20, and this meeting will serve as a substitute for the annual meeting as well. She also mentioned that the Foundation will be covered under the Dixon Hughes audit. She noted that the Pirate Committee has raised \$423K in contributions from our employees.

MANAGEMENT REPORT – BMH "Warm Site" and Hurricane Preparedness: Mr. Toomey asked Mr. Ricks to give an update. Mr. Ricks said we have 98% of the equipment to have duplicate data at a separate site. He is currently working with Hargray and Embarq for a disaster recovery site in Beaufort or south of Bluffton, and awaiting proposals from both with expectation that in 90 days we will be on-site with one of them. Backups would include real time data with the potential for recovery within a two hour window when a disaster hit. He said he will communicate the plans once they are finalized.

Mr. Ricks said we currently have 1,000 computers (400 are in direct clinical areas within the hospital; actually have 200 of those in patient rooms, and 600 for non-clinical areas). With CPOE going live in 18 months, he said we will have more computers for physicians. The ER will be the first to use CPOE with their new software. Dr. Mazzeo commented that he would like to see Web Ambassador installed on every clinical computer. *Mr. Ricks will have one of his team view it.*

Mr. Toomey said that on Monday evening the subcommittee of the Board and Strategic Planning Committee continued to work on reviewing the engineering limitations of different sites.

Mr. Toomey also mentioned the TAP conference, which will be held on September 17-18 and to notify Dawn if you wish to attend.

ADJOURN: The meeting adjourned at 10:25 a.m.

Respectfully submitted,

Jerry Schulze, Chairman