

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

**MINUTES – August 31, 2011**

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

**OTHERS PRESENT:** Rick Toomey, Jeff White, Karen Carroll, Pat Foulger, David Homyk, Ed Ricks, Sam Derrick, Nora Kresch, Diane Wadas, Alice Moss, Paul Mazzeo, M.D., Bill Nettles, Bill McBride (Beaufort County Council Member), Paul Sommerville (Beaufort County Council Member), David Black (Howell, Gibson & Hughes), Dawn Crawford

**ABSENT:** Terry Murray (Vice Chair) & Ann Mecherle

**MOTION:** 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 Closed Executive Session at 7:31 a.m. with Mr. Toomey and the nine Board members. The motion was seconded by Mrs. Allen, and unanimously approved.

**MOTION:** A motion was made by Dr. Thompson to go into Executive Session at 8:28 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 9:28 a.m.

**MOMENT OF SILENCE:** Mr. Schulze asked for a moment of silence in memory of Scott Stowe.

**INVOCATION:** Dr. Thompson gave the Invocation.

**APPROVAL OF MINUTES – July 27, 2011:** Mr. Paddock made a motion, which was seconded by Dr. Simmons, to approve the minutes of the July 27, 2011 meeting with noted correction on page 3. Unanimous approval.

**COMMITTEE REPORTS**

**Finance Committee – *Dashboard* (pg. 7):** Mr. Schulze reported in Mrs. Murray's absence. He reported that due to a low census, combined with a low case mix index, we were not able to cover expenses for the month of July. Our operating margin was a negative 12.50% and our cash flow margin was negative 3.32%. Good news was that our days cash on hand rose slightly to 189.02 and we were able to bring down our days in accounts receivable to 53.37. Salaries and benefits as a percentage of net patient revenue both with and without contract labor were over budget at 56.42% respectively. Supply expense as a percentage of net patient revenue went down to 12.01%, primarily due to the well-controlled job by department managers. Bad debt as a percentage of both net (19.96%) and gross (7.88%) patient revenue rose significantly, and on a YTD basis it's up 66.6% from the prior year. He noted that we do not see this improving.

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Current ratio is strong at 5.77 and overall our balance sheet is still in good shape. Turnover rate rose to 26.60%

**Income Statement (pg. 8):** Mr. Schulze reported that we were below budget in July for both inpatient and outpatient revenues. Currently, YTD we are \$26M below budget in inpatient revenue and \$11M over budget in outpatient revenue for a total variance of -\$15M in patient revenue; however, we made up for it in deductions from revenue of \$20.3M. Our net patient revenue YTD is \$5.2M and total operating expenses are over budget by \$4.7M, giving us an YTD operating income variance of \$403K. He noted the variance of expense is about the same as it has been all year. He stated we are running over budget on salaries and are over budget \$8M in bad debt, which is 67% higher than on an YTD basis last year. He stated that even though we had negative margins for the month, we are still profitable with an operating margin of 2.42%, total margin of 4.41% and EBITDA margin of 10.61%. The financial report was unanimously approved.

**First Reading FY 2012 Budget:** Mr. Schulze stated there were no objections of the first reading in the Finance Committee on Monday; however, there were some questions regarding the format. They would like to see the comparison of the income statement with the 2011 YTD budget and variance, along with changes between the first and second readings. He said there was agreement of the committee members that the budget was good overall. ***He stated he would also like the FTE Chart to show the current FY 2011 FTEs for comparison.*** Mr. Toomey stated that both Mr. White and Mrs. Richardson did a great job putting together the budget, along with the Department Managers. He said the budget will be worked to reduce more of the expenses wherever possible. He also said there are no merit assumptions incorporated, so if we are able to reduce more of the expenses we may be able to include merit; however, it would most likely not be paid out until the first of the calendar year. Mrs. Williams said it would be helpful to see what the previous FTE level was for FY 2011. She also inquired how selection is made from the Foundation which items to fund on the capital equipment list. Mr. Nettles responded that the hospital identifies possibilities and the Foundation then makes the final determination. Mr. Schulze said the budget has improved over the years and it's truly bottoms up with the department managers taking ownership.

**Bond Resolution:** Mr. Schulze stated that John Cheney from Ponder & Associates, our financial consultant, gave a presentation to the Finance Committee on Monday. Mr. White gave a quick review of the presentation (*handout*). He said that currently, for a hospital to get tax exempt bonds in the public market with a BBB bond would be around 5.8-5.9%. He said we also looked at tax exempt bond issue through commercial banks. The banks will allow us to borrow the funds that we need, along with refinancing the existing balance of the 1997 bonds at a significantly lower interest rate. He noted the biggest difference between the public bond issue and through the banks is that at the end of a period of time, 5, 7, or 10 year – there is a put risk. There would be a number of options available to the hospital:

1. We would either renew the bonds at the same rate
2. Renew at a new negotiated interest rate
3. Go back to the public bond market
4. Go to another commercial bank

He said the public bond market at 5.8% to 5.9%; we could get the same amount of funds at 2.5% interest rate at a commercial bank for a 7 year period or around 3% for 10 years. He said the closing costs are about half using a commercial bank. He said the recommendation is to use this

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debt structure of financing with a commercial bank. He noted the risk involved with this is what happens at the end of the 7 or 10 year period. He said if we go with a 10 year period, the savings could be up to \$8M+, although it's a higher interest rate at 3%. He stated that the market will most likely not be significantly worse in either a 7 or 10 year period and is confident we would not be renegotiating for higher interest rates. Mr. Toomey said in order to begin this process; we need a corporate resolution to begin the process to go out to market. Mr. Schulze read the board resolution. Mr. Tedder made a motion, which was seconded by Mr. Paddock, that the resolution be amended to include Margaret Pope as bank counsel (*amended resolution attached*). Unanimous approval.

**Quality Improvement Committee:** Dr. Simmons presented the following reports and policies:

- Environment of Care Report
- Medical Staff PI Report
- Value Based Purchasing Report (draft)
- Prevention of Central Line Associated Bloodstream Infections Policy
- Customer Service – Key Drivers of Excellence

Mr. Tedder made a motion, which was seconded by Mr. Paddock, to approve the aforementioned reports and policies as discussed. Unanimous approval.

**Compliance Committee:** Did not meet in July.

**Governance Committee:** Did not meet in July. Next meeting has been scheduled for September 14<sup>th</sup> at 5:30 p.m. Dr. Thompson will present 2 candidates for the Board of Trustees.

**Community Outreach and Wellness Committee:** Dr. Kessel reported that BMH was named a Center of Excellence for Wellness for the South Carolina Hospital Association (SCHA). Work continues on BMH's participation in the SCHA Working Well program. BMH is also working with the Access Health program on issues of the uninsured population. Mrs. Foulger stated that our Transitional Care program is addressing similar issues, and suggested she and Dr. Kessel work together on both programs. The Community Outreach and Wellness report was unanimously approved.

**Strategic Planning Committee:** Did not meet in August. Mr. Paddock stated at the next meeting, scheduled for Tuesday, September 27<sup>th</sup>, will focus on the plan for expansion of in-house physicians presented by Mr. Toomey and Mr. Derrick.

**MEDICAL STAFF – Medical Executive Committee:** Did not meet in August. He stated that the new slate of officers to be elected in October:

1. Dr. Chad Tober, Chairman/Chief of Staff
2. Dr. H. Tim Pearce, Vice Chief of Staff
3. Dr. Rosalind Dawson for Secretary-Treasurer.

Mrs. Williams made a motion, which was seconded by Mrs. Allen, to accept the nominations as presented.

**STAFF REPORTS: Support Services, Human Resources, Information Systems, Patient Care Services, Public Relations, and Quality Services:** Mr. Tedder suggested we advertise about our ER upgrade. Mr. Derrick said interviews are taking place in September for Internal Medicine candidates. *Mr. Schulze asked Mrs. Kresch to find out more about Optimum Health.*

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*Mr. Toomey stated he will be meeting with a couple of our orthopedists to find out additional information concerning minimally invasive hip surgery. Mr. Schulze recommended that all of our primary care physicians attend the upcoming Cancer Symposium.* Mr. Paddock stated the staff is doing a nice job recognizing the You Make A Difference program. Mr. Paddock made a motion, which was seconded by Mr. Tedder, to approve the staff reports. Unanimous approval.

**BMH FOUNDATION:** Mr. Nettles reminded everyone that the Foundation Annual meeting is scheduled for Tuesday, November 8<sup>th</sup>, at the Keyserling Cancer Center and encouraged the board members to attend. He also noted that donations are up!

**MANAGEMENT REPORT – Bluffton Land:** Mr. Schulze made a motion as follows:

“To authorize Administration to finalize a contract to purchase the 20 acres at the McGarvey Corners area, which is substantially consistent with the terms as discussed in Executive Session, and to deposit \$50,000 earnest money with the escrow agent upon acceptance of the contract by Seller, and upon acceptance, for the Administration to formally terminate the contract regarding the Buckwalter Commercial site and take such other steps as are appropriate to conclude that matter, including notification to the County.”

Mr. Tedder stated that he does not believe he has a conflict of interest with BMH or the City of Hardeeville in this matter, nor an economic interest, having already recused himself in writing from working on this property as the city attorney for Hardeeville. Mrs. Allen made a motion, which was seconded by Mrs. Williams, to accept the motion as presented. Unanimous approval.

**BMH 2020:** Mr. Toomey said the voting period for the 9 different categories has ended and we had good feedback from the community, medical staff and employees. He said he is working on setting up a time for Mr. Sloate, senior management and senior directors to get together to synthesize this material and how the comments relate to our strategy. Then will meet with the Strategic Planning Committee and medical staff.

**SCHA/SCMA Annual TAP Conference:** Mr. Toomey reminded everyone of the conference being held on Hilton Head on September 15-17.

**Board Governance Portal:** Ms. Crawford gave a brief demonstration of the portal. Mr. Tedder stated that discussion forums are discoverable.

**Diversity Leadership Institute (DLI):** Mr. Toomey stated he has been nominated to the 2011 DLI class at The Riley Institute at Furman University. He said he attended his first meeting and noted there are 6 attendees from the Beaufort area of the 42 class members. He said it's over a 5 month period, one day per month.

**CHAIR ANNOUNCEMENTS:** Mr. Schulze

**ADJOURN:** The meeting adjourned at 10:55 a.m.

Respectfully submitted,

David Tedder  
Secretary/Treasurer