

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

**MINUTES – September 28, 2011**

**BOARD MEMBERS PRESENT:** Jerry Schulze (Chair), Bill Paddock, 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, Ann Mecherle, Bill McBride (Beaufort County Council Member), Paul Sommerville (Beaufort County Council Member), David Black (Howell, Gibson & Hughes), & Dawn Crawford

**ABSENT:** Terry Murray (Vice Chair) & Pat Thompson, M.D.

**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. Paddock 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. Williams, and unanimously approved.

**MOTION:** A motion was made by Mr. Paddock 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. Tedder, and unanimously approved. The meeting re-convened to Open Session at 9:25 a.m.

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

**APPROVAL OF MINUTES – August 31, 2011:** Mrs. Williams made a motion, which was seconded by Mr. Tedder, to approve the minutes of the August 31, 2011 meeting with noted correction on page 2. Unanimous approval.

### **COMMITTEE REPORTS**

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

- Annual PI Plan Assessment
- Review and Approval of PI Plan
- Patient Care Services – Medication Reconciliation for Admission, Transfer & Discharge policy
- Medical Staff – Evaluation of non-employed individuals assisting Licensed Independent Practitioners policy
- Medical Staff – Medical Student Documentation policy

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

**Community Outreach and Wellness Committee:** Dr. Kessel introduced Cindy Coburn-Smith, who gave a presentation from LifeFit Wellness Services on the Community Health Information

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Program (CHiP). She outlined the highlights of the programs offered through this arm of LifeFit Wellness Services, which are as follows:

- Baby University
- Camp Sea Breeze Asthma Camp
- Cancer Support
- Medical Career Group (Workforce Development)
- Health Promotion
- Collaboration: 1) KidFest (strong military/community partnership), 2) Sheldon Township and 3) Community Coalitions (*Tobacco Cessation Programs; Together for Beaufort County; Eat Smart, Move More; ACCESS Health; CHiP Mobile Unit*)

Mr. Toomey suggested this presentation be shared with Mr. McBride's committee, in order to show how much the hospital touches people not only in the traditional manner, but also in our outreach efforts. The Community Outreach and Wellness report was unanimously approved.

**Finance Committee – Dashboard (pg. 6):** Mr. Schulze said our operating margin was positive at 6.37%, our cash flow margin was also positive at 15.47%, and days cash on hand increased to 196.67. Salaries and benefits as a percentage of net patient revenue decreased to 48.71% and with contract labor at 49.01% (*he noted that most hospitals are at or above 50%*). Supply expense as a percentage of net patient revenue increased to 15%; however, we are still below budget of 16.6%. Bad debt as a percentage of net patient revenue dropped to 5.82% and bad debt as a percentage of gross patient revenue also dropped to 2.28%. Days in accounts receivable fell slightly to 53.04. Current ratio is 5.87 and our turnover rate was 22.7%. Our outpatient volumes were up; however, our inpatient census was below budget at 108.4. Cash collections were over 100%.

**Income Statement (pg. 10):** Mr. Schulze stated that inpatient revenue was \$4.6M below budget, and on a Year-To-Date (YTD) basis, we are \$30M below budget. However, he noted that in outpatient revenue we were above budget by \$1.9M for the month; YTD outpatient revenue is \$12.8M above budget, which offset the underperforming inpatient revenue most of the year. Net patient revenue was offset by lower contractual adjustments from revenue, so we were only \$168K below budget for the month, and YTD we are \$5M over budget (positive). Mr. White explained that on a monthly basis we perform a contractual adjustment analysis by payor. He said the primary two are Medicare and Medicaid. He said what we had in the past years is a contractual calculations for what he terms "old A/R", which is any A/R that exceed 361 days. He said the reason we had this calculation is because most insurance companies will not pay you after a year, so we always used this as an additional conservative calculation to ensure our contractual adjustments were appropriate. He said that when we went through the Meditech 6.0 conversion, we found that the A/R did slow down to the point that all of our A/R was being properly reserved by payor in our contractual calculations each month. So this "old A/R" calculation was to an extent, a double reserving for about \$3M of A/R that we no longer needed to have it on our books. He said both A/R and days are going down, cash is strong, so we made about a \$3M adjustment to get it to the appropriate amount. He said we did this for 2 reasons: 1) we did not need it and 2) we felt it was over reserved. Mr. Schulze said that our operating income margin was about 6.4% for the month and 2.77% YTD vs. a budget of 2.24%. He stated we should meet budget for the full year.

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***FY 2012 Budget (pgs. 15-25):*** Mr. Schulze stated this was a bottoms up budget starting with units of service and drills up to staffing requirements. He said total patient revenue will be about \$478.8M and deductions will be about \$297M, which will give us net patient revenue of \$181.6M and total revenues of \$185.3M. Operating expenses will be \$178.5M leaving the operating income for next year at \$6.76M. Operating margin budgeted for 1.7% (*lower than this year*), total margin of 3.65% and cash margin of 8.97%. He said this budget does not include operating income from Broad River Healthcare (BRHC), which would bring our total margin to 3.99%.

He said our total patient revenues will be about \$445.6M this year and budgeting \$478.8M next allowing for growth in services of about 7.5% (*modified pg. 17, attached*). He said about 5% is an increase in our ChargeMaster and the rest is growth in service lines, e.g. cardiology. Total deductions from revenue will be up 10.9%, and he stated we do expect an increase in contractals. Total revenues are budgeted for \$185.3M as compared to \$181.4M this year, which is a growth of 2.1%. Our total operating expenses are budgeted at \$178.5M compares to \$172.9M this year, so our expenses are growing 3.2% and our revenues are growing less than that at 2.1%. We expect about a 20% decline of operating income from \$8.5M this year to \$6.8M.

Mr. Paddock inquired about the anticipated provision for bad debt next year. Mr. White said we are budgeting about 10% of our gross patient revenues written off to charity care and bad debt, compared to 11% this year. He said we are challenging ourselves and our systems next year to try and reduce these percentages, so that we do not write-off as much as we have this year. He said we believe this year was influenced by an increasing volume of uninsured patients both on the inpatient and outpatient side. He said we experienced about a 2% increase of uninsured patients for both of those payor sources during the year. Mr. Paddock said this is an aggressive effort and applauds the team to take on this challenge and meet this number.

Mr. Schulze reviewed the Five Year Capital Projections (pg. 20), Five Year Cash Projections (pg. 21), and the Five Year Income Statement Projections (pg. 22). Mr. Homyk noted that there are no pay adjustments in the budget for employees this year, which will be a challenge. Mr. Toomey said we have been fortunate over the last several years in these challenging economic times to be able to provide increases for employees; however, with the tight budget we did not budget for it in FY 2012. He said we are hosting employee sessions this week to present a summary of the budget and inform everyone there will not be a merit increase in the budget, in order to give people a chance to respond.

Lastly, Mr. Schulze stated that on page 23, it is our attempt to look at what would happen if all insurers reimbursed at the Medicare level (worst case scenario). Mr. Paddock stated that some hospitals are already managing at this level. Mr. Toomey said he will research hospitals that are currently doing this.

***FY 2012 Gain Share & Operational Goals:*** Mr. Toomey presented and reviewed the Gain Share and Operational Goals.

Mr. Paddock made a motion, which was seconded by Mrs. Allen, to approve the second reading of the FY 2012 Budget. Unanimous approval.

The financial report was unanimously approved.

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**Corporate Compliance Committee:** Mrs. Wadas reported on behalf of Susan Williams, who could not attend the meeting. She said we continue to have problems with reimbursement for one-day admissions, and that we should consider making those patients “observation” patients, rather than admitting them. She also presented the second quarter Corporate Compliance Report. She also stated that Mr. Rick’s is conducting an Information Services Security Audit/Gap Analysis as part of BMH’s continuing practice, and to comply with HIPAA, Sarbanes/Oxley, and the new Meaningful Use criteria. The report was approved as presented.

**Governance Committee:** In Dr. Thompson’s absence, Mr. Tedder reported that we plan to have two candidates to present to County Council in November to fill Mr. Paddock’s seat, when he rotates off the Board next March. He said they have met one of the candidates and plan to meet the second one on October 19<sup>th</sup>.

**Strategic Planning Committee:** Mr. Paddock said they are developing plans for physician recruitment, which is an evolving process.

**MEDICAL STAFF – Credentials:** Dr. Mazzeo presented the following practitioners for relinquishment of privileges: Tameeka L. Law, MD, Locum Tenens (Coverage for Dr. Davis Tolbert – OB/Gyn) and Ugochi Cantave, MD, Associate Staff (Pediatrics).

Requesting reappointment: Kimberly Thorpe, PA-C, Allied Health (Gastroenterology); Demetrajane Kokinakis, DO, Active Staff (Ophthalmology); Hy Sussman, MD, Community Active (Nephrology); Ramsay Lee, PA-C, Allied Health Staff (Emergency Medicine); Lika Schrock, PA-C, Allied Health Staff (Orthopedics); Amanda Kessler, PA-C, Allied Health Staff (Emergency Medicine).

New Appointees: Philip A. Cusumano, MD, Provisional/Community Active (Internal Medicine); Stuart Shippey, MD, U.S. Navy, Provisional/Active (OB/Gyn); Randall Lewis, PA-C, Allied Health (Internal Medicine).

One year review/change of status: F. Simmon Hane, DMD, Active – should be Associate (pending 2<sup>nd</sup> part of Boards); Deidra Foreman, MD, U.S. Navy, Provisional Associate to Associate (OB/Gyn); Kimberly Davis, MD, Temporary Privileges to Provisional Active (Pediatrics).

Requesting leave of absence: Richard Biggs, MD, U.S. Navy, Active (OB/Gyn) – 1 year deployment to Afghanistan.

Mrs. Allen made a motion, which was seconded by Mr. Tedder, to accept the Credentials Committees and MEC recommendations.

**STAFF REPORTS: Support Services, Human Resources, Information Systems, Patient Care Services, Public Relations, and Quality Services:** Mr. Toomey asked Mr. Ricks to give more detail on his report on CPOE (Computerized Physician Order Entry). Mr. Ricks said it is going very well, due to a lot of staff collaboration. He said he believes we will attain the percentage needed to qualify for Meaningful Use.

Mr. Toomey also asked Mrs. Carroll to give an update on the status of the Pathway to Excellence designation. Mrs. Carroll said things are going well, and that we hope to have a positive answer in November. She said if we do get the designation, BMH will be the first hospital in South Carolina to have that designation and one of the first in the Southeast. She said this is a step in our goal of achieving Magnet status. She also commented that the Magnet standards have been

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revised – by January 2013, we must have 75% of our nursing leaders educated at the baccalaureate level, and by 2014, we must have 100% of our leaders at the BSN level. She said we have made a commitment to reach this goal, which means that those who do not reach this level will need to resign their management position. Mrs. Williams applauded this decision and said it will only result in improved satisfaction in both patient care and staff. Mr. Tedder made a motion, which was seconded by Mr. Paddock, to approve the staff reports. Unanimous approval.

**BMH FOUNDATION:** Mr. Nettles asked the Board to approve the appointment of Tei Tober to an open seat on the Foundation Board. Mrs. Williams made a motion, which was seconded by Mrs. Allen, to approve the appointment of Mrs. Tober. Unanimous approval.

Mr. Nettles pointed out that close to \$600K of the capital expenses for FY12 are being covered by the Foundation. He and Ms. Moss gave details of the upcoming Estate Sale for Geri Charlesworth's estate, and encouraged board members to attend. She was a former BMH nurse, who left her estate to the Foundation. The sale is being held October 1<sup>st</sup> and 2<sup>nd</sup>. He also reminded everyone of the Annual Foundation meeting on November 8<sup>th</sup> at 5:30 p.m. at the Keyserling Cancer Center.

**MANAGEMENT REPORT – PACE Update:** Mr. Toomey said PACE is a collection of nursing homes, geriatric, psych and LTACH of beds. They have the CONs and are now looking at equity partnerships necessary for the funding of that facility. He said they have a for-profit entity that could manage the operational aspects of billing and medical records, etc. They asked if they could contract with us for certain back office or business functions. He said they are not sure when they will close on their property or break ground.

**Physician Contracts:** Mr. Toomey said in closed executive session this morning, they discussed negotiations of 3 contracts with Drs. Baker, Jones and Trask. He asked the board to make a motion for us to continue and to finalize an offer for each of them as discussed. Mr. Schulze made a motion, which was seconded by Mr. Paddock, to finalize the contracts for Drs. Baker, Jones and Trask, unanimous approval.

**CHAIR ANNOUNCEMENTS:** Mr. Schulze stated that tickets were available for the Concours d'Elegance for October 29-30 in Savannah and at Honey Horn Plantation on Hilton Head Island November 5-6. Please see Ms. Crawford for tickets.

Mr. Toomey said that we have a table at the State of the Region Breakfast on October 12<sup>th</sup> in Hilton Head. He stated the keynote speaker is Governor Nikki Haley.

**ADJOURN:** The meeting adjourned at 10:58 a.m.

Respectfully submitted,

David Tedder  
Secretary/Treasurer