

Three Rivers Hospital

Board of Commissioners Special Meeting

May 19, 2015

Minutes

The Three Rivers Hospital Board of Commissioners called a special meeting to order at 12:11 p.m. Tuesday, May 19, 2015 in the Hillcrest Commons Area, 415 Hospital Way, Brewster, WA 98812. The presiding officer was Vicki Orford, Chair.

A quorum was present, including:

Vicki Orford, Chair
Tracy Shrable, Secretary
Mike Pruett, Member

Others present:

J. Scott Graham, Chief Executive Officer
Melanie Neddo, Chief Operating Officer
Jennifer Munson, Chief Financial Officer
Anita Fisk, Director of Human Resources
Jennifer Marshall, Administrative Assistant
Shar Sheaffer; Dingus, Zarecor and Associates PLLC
Ty Witt, M.D.

Mission, Vision & Values

Board members took turns reading the mission, vision, and values statements.

Agenda

V. Orford explained that the special meeting is only to hear the following presentation.

DZA Audit and Cost Report Presentation

S. Sheaffer reviewed the financial statements. The independent auditors' report gives an unqualified opinion, which is the highest opinion that can be given. All in all, Three Rivers stayed fairly consistent from one audit to the next in terms of assets, with the exception of new equipment such as the mammography and ultrasound machines. It's good to be adding to assets.

Overall, there was about a 4 percent increase in total liabilities.

There was a 4 percent increase in net patient service revenue, which is good. About 76 percent of total expenses are staffing - salaries and wages, benefits and professional fees such as locums.

There was an operating loss, but it was \$3,000 better than the year before. There are positive indicators in the financial statement showing the hospital is moving forward.

No internal control issues were found, but DZA is required to report last year's two findings. She appreciates that when findings are given to the hospital, J. Munson takes action to fix them.

S. Sheaffer reviewed the graphs. If the hospital can break even on its operations, that would leave tax revenue and donations to pay down warrants. S. Graham noted that "operational break-even" is one of the hospital's top two Wildly Important Goals. The operating margin was -13 percent and is the most important measure to watch. Very few hospitals have a positive operating margin, but she believes Three Rivers can break even. She recommended getting registered warrants down to \$1 million by the end of the year. S. Graham said our goal is to be at zero by the end of 2016. She thinks that's possible.

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Assets and liabilities are broken up between items that can be liquidated within a year, and items that are due within a year. She'd like to see it closer to \$2 million.

Because there are a lot of registered warrants that don't appear as long-term debt, the hospital's long-term debt to net position is healthier. That figure signals that once the hospital is stable, it would be able to take on more debt.

Average net accounts receivable days are 54, and she likes to see that figure between 40 and 50.

The hospital's bad debt and charity care amounts are within the recommended percentages, which means the hospital is able to identify charity care patients and help avoid losing more money.

The number of full-time equivalent (FTE) employees is trending down, but salaries and benefits have been increasing. These figures exclude contracted employees.

There was a six percent increase in salaries and benefits, but a nine percent increase in revenues per FTE. The type of employees hired also factors into that ratio.

Dr. Witt pointed out that when the FTEs were highest, the amount of revenue was also highest.

S. Graham stated there were more services at that time. J. Munson said there were several more physicians in the area as well.

S. Sheaffer reviewed the required audit findings letter and management letter. There were no difficulties or other issues with the audit, and there were no findings this year.

J. Munson said the only new exit item since last year is IT, regarding inventory. The staff is working on following the internal controls process. She thinks most of the exit items are already being addressed or are simple fixes. We created policies last year restricting who can make adjustments to patient accounts and adding more oversight in order to tighten controls and guard against fraud.

V. Orford asked if the board can have a plan for getting inventory straightened out. S. Graham said the central supply staff are working to address that. He stated it's easier in a small hospital for internal controls to go by the wayside, and that's why it's important to have external audits to emphasize the importance of internal controls.

V. Orford asked if the financial statement would look better without the warrants. S. Sheaffer said yes, but the hospital still had an operating loss of \$1.3 million.

J. Munson thanked S. Sheaffer and the other DZA auditors for being so easy to work with. There is a receivable on the cost report of about \$220,000 from Medicare. There's also a \$138,000 receivable from Medicaid, but that may not arrive for two years.

Dr. Witt asked how often these audits are done; every year. S. Graham asked him if this would be valuable information for medical staff. Dr. Witt said a quick summary may be useful.

Adjournment

T. Shrable motioned and M. Pruett seconded to adjourn the meeting at 12:58 p.m. Motion passed unanimously.

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ABSENT WITH PERMISSION

Vicki Orford, Chair

Jerry Tretwold, Vice-Chair

Tracy Shrable, Secretary

Mike Pruett, Member

ABSENT WITH PERMISSION

Cherri Thomas, Member