

Three Rivers Hospital

Board of Commissioners Special Meeting

May 17, 2016

Minutes

The Three Rivers Hospital Board of Commissioners called a special meeting to order at 1:13 p.m. Tuesday, May 17, 2016 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
Mike Pruett, Vice Chair
Tracy Shrable, Secretary
Cherri Thomas, Member (via phone)

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 & Associates

Mission, Vision & Values

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

DZA 2015 Audit and Cost Report

Shar Sheaffer of Dingus, Zarecor and Associates reviewed three separate reports for the hospital's 2015 financial audit, starting with the Independent Auditors' Report.

M. Pruett asked how our finances compare to other facilities. S. Sheaffer noted that charity care is 1.8 percent, and it should be higher on the spectrum considering the volume of private pay patients. That would in turn lower bad debt, which was on the rise this year at 4.2 percent.

S. Sheaffer reviewed internal controls. There was one finding this year relating to the supply chain management. The hospital's purchasing policy was not always followed correctly, so items may not have been billed properly. J. Munson explained that we've had a staffing change and the new manager is working with her to streamline the purchasing and inventory system and tighten controls. She explained how the purchasing process works, and that the policy is being followed now. All of the changes staff is making should result in a significant increase in revenue.

V. Orford asked what "concentration of risk" means. That notes where the highest percentages of receivables come from. In 2015, 47 percent of receivables came from patients; 19 percent came from Medicare; 14 percent from Medicaid, and 20% from other third-party payers.

S. Sheaffer reviewed the Financial Indicators booklet. The total margin trend is going up, which is good. The total margin in 2015 was 4.1 percent, and S. Sheaffer likes to see between 3 and 6 percent. The operating margin in 2015 was -6.2 percent, but the trend is still improving. She advised drawing in more patients who are going elsewhere for services we offer. The hospital was at -39 days cash on hand in 2015, including registered warrants. That's an improvement over -55 days in 2014 and -59 days in 2013. The eventual goal is 120 days.

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The number of full-time equivalent (FTE) employees has been declining every year, from 113 in 2011 to 89 in 2015. Salaries and benefits for employees in 2015 increased by about \$6,000. The net patient service revenue increased in 2015 by about \$17,000, which is good because the goal should be to compensate employees competitively while also increasing revenue commensurately.

S. Sheaffer always appreciates the help that hospital administration and staff provides during these annual audits. V. Orford thanked J. Munson for her hard work.

Referring to the cost report, J. Munson noted the Medicare receivable will be about \$286,000, and the estimated receivable for the EHR is \$76,775. The board does not need to approve the cost report.

Adjournment

T. Shrable motioned and M. Pruett seconded to adjourn the meeting at 2:06 p.m. Motion passed unanimously.

Vicki Orford, Chair

Mike Pruett, Vice Chair

Tracy Shrable, Secretary

Cherri Thomas, Member