

**STILLWATER MEDICAL CENTER AUTHORITY
BOARD OF TRUSTEES
Regular Meeting, April 26, 2011
Stillwater Medical Center Honska Conference Center
5:30 p.m.**

Present: Calvin Anthony, Lowell Barto, Beth Buchanan, Cary Couch, M.D., Jonathan Drummond, M.D. and Bobby Lauvetz, M.D.

Absent: Mayor Nathan Bates

Others: Jerry Moeller, Alan Lovelace, Denise Webber, Steven Taylor, Liz Michael, Blake Weichbrodt, Dr. Malinda Webb, Teresa Hopkins, Shyla Eggers, Ricky O'Bannon and Susan Taylor

Board Chairman Calvin Anthony called the meeting to order at 5:33 p.m.

APPROVAL OF MINUTES

Drummond moved the Board approve the minutes of the March 22, 2011 regular meeting of the Stillwater Medical Center Authority Board of Trustees with the following changes, which were pointed out by Board member Barto: In the discussion about charity care on page 2, adjusted net revenue was lower (not higher) than last year. In that same paragraph, FTEs were slightly above (not below) budget. On page 4, where the bid of Heritage Construction for the third floor remodel is discussed, Alternate "3" should read Alternate "4". Barto seconded the motion, and Anthony, Barto, Buchanan, Couch, Drummond and Lauvetz voted in favor of the motion.

POSTED ITEMS

Acceptance of March 2011 Financial Report

Alan Lovelace gave a PowerPoint presentation of the summary of operations for March 2011. Total patient revenue for March was \$17,235,799, higher than budget by 2.13%, and higher than March 2010 by 10.26%. Acute inpatient admissions were 342. This compares with 344 admissions in March 2010. The emergency department saw 2,198 patients compared to 2,155 in March 2010. Outpatient visits were 8,234 compared to 7,844 this time last year. There were 102 inpatient surgeries and 136 outpatient surgeries performed, compared to 103 inpatient and 140 outpatient surgeries in March 2010. There were 353 surgeries performed at the Surgery Center West.

Total deductions from revenue in March were 58.49% of gross patient revenue. The budget for deductions is 54%. Payer mix remained consistent with prior months. Medicare length of stay was 4.0 days, and case mix was 1.43. Charity care totaled \$483,140 for the month, and \$604,801 was written off as bad debt

expense. The combined total for charity and bad debt equaled 6.25% of gross patient revenue. The budget is 7.8%.

Salary expense was slightly higher than budget by 0.64%. Benefit expense was lower than budget by 5.45%. Salary and benefit expense represents 45% of net operating revenue. Supplies, other expenses and purchased services are in good shape compared to budget. Total operating expense was below budget by 8.19% and lower than last year by 4.31%.

Total non-operating revenue was a loss of (\$35,623) which consisted of realized gains and investment income of \$62,428, unrealized losses of (\$28,205), and interest expense of (\$69,846).

Total net income for the month was \$751,245. Gain from operations was \$786,867. Operating margin for the month was 6.4% and total margin was 7.8%.

Total assets at March 31, 2011 remain strong. Cushion ratio, which measures the number of times future peak debt service can be paid with available cash, equals 15.5. This compares to 15.3 for Moody's A3 rated hospitals. Total return on assets for the month equals 2.0%. This ratio measures how much profit is generated for each dollar of assets. Unrestricted cash to long term debt equals 222.0%, compared to Moody's A3 median of 118%. This ratio measures the percentage of existing debt that could be retired immediately with existing available cash balances. And lastly, days net revenue in net accounts receivable, represents the number of days net revenue that is tied up in net accounts receivable, which can have a dramatic impact on cash flow. Days revenue in net AR for SMC equals 41.4 days compared to Moody's A3 rated hospitals of 50 days.

Accounts payable remained consistent with prior months. Average payment period for accounts payable remains good at 44.3 days, compared to 55 days for Moody's A3 rated hospitals. The long-term debt to equity ratio was 22.3%. This ratio for Moody's A3 rated hospitals is higher at 37.3%. The annual debt service coverage ratio is 6.0, compared to Moody's ratio of 4.4. This ratio was 4.7 at year-end 2010.

Total net assets (assets minus liabilities) increased to \$73.7 million. This compares with \$67.4 million year to date in 2010. As a benchmark, Moody's A3 rated hospitals median net assets equal \$150 million.

Lovelace also reviewed the minutes of the April 20, 2011 Finance Committee meeting with Board members.

Buchanan moved the March 2011 Financial Report and Finance Committee minutes be accepted as presented. Couch seconded the motion, and Lauvetz, Drummond, Couch, Buchanan, Barto and Anthony voted in favor of the motion.

Presentation and Acceptance of 2010 Audit

Carley Williams of Baird, Kurtz & Dobson (BKD) was present to discuss the 2010 audit. Mr. Williams did so in the form of a Power Point presentation. Board members were not provided copies of the audit prior to tonight's meeting, so it was decided that no official action would be taken on the audit until next month, giving Board members the opportunity to review the same.

Oklahoma Certified Healthy Business

Total Health/Rehab Director Blake Weichbrodt attended tonight's meeting to speak to the Board about SMC's recent award. SMC has been recognized as an Oklahoma Certified Healthy Business for 2010 because of our wellness activities. The Oklahoma Certified Healthy Business program is sponsored by the Oklahoma Academy for State Goals, the Oklahoma Turning Point Council, the State Chamber and the Oklahoma State Department of Health.

Weichbrodt told Board members that in years past, SMC has received a certificate, then a certificate of merit, and finally this year, the highest level awarded – the Certificate of Excellence. Weichbrodt told Board members about some of the programs hosted by SMC that helped to garner this award. He also read thank you notes from elementary students who are using stability balls in class, thanks to a grant from SMC. Board members thanked Weichbrodt for his interest in the health of the community and the excellent job he is doing at Stillwater Medical Center.

Approval of Nurse Call System Replacement

Liz Michael, VP Patient Care Services, discussed the need for an upgrade to the Nurse Call system at Stillwater Medical Center. Upgrading the current system while the 3rd floor construction is taking place would make the upgrade more economical and easier for the patients to reach the nurse directly. The system has a few automatic options that let the nurse know if the patient needs to use the restroom, needs something to drink, etc. The nurses would receive calls on their phone by voice or text. \$300,000 was budgeted for this project this year. Rauland has given us replacement pricing at \$289,491.55. This price includes installation of the system on 3rd floor and wiring the 5th floor. Bidding is unnecessary due to Rauland offering government contract pricing.

On the recommendation of the Finance Committee, Drummond moved the Board approve the upgrade of the SMC nurse call system at the price of \$289,491.55. Lauvetz seconded the motion, and Couch, Anthony, Drummond, Barto, Lauvetz and Buchanan voted in favor of the motion.

Stillwater Medical Center Clinic Review

Denise Webber, VP Administrative Services, discussed the Stillwater Medical Center Clinic quarterly report with Board members. Total clinics (with walls) made \$116,000 for the month. If you add in the CBO and practice management

department with those, it increases to \$118,000 for the month. Webber went on to say that the hospital-based clinics (physicians without walls – anesthesiologists and hospitalists) lost \$5,000 for the month.

Chairman Anthony congratulated Webber on this general overall improvement. Webber shared with Board members some information on national benchmarks, where net loss per employed physician was trended. Numbers from 2005 to 2009 show a growing loss vs. investment. National numbers are now over \$200,000. Comparing this to our employed physicians with walls, which would be comparable data, we are just under \$22,000 per physician.

CONSENT AGENDA

Board Resolutions

Included in the Board packets were two resolutions. CFO Lovelace discussed each of these with Board members, and answered questions. The first was a resolution for extension of credit and incumbency certificate with PNC Bank. Board members noted that on page 1 of this resolution, wording needs to be changed from “Stillwater Municipal Hospital Authority” to “Stillwater Medical Center Authority”. Drummond moved the Board approve the resolution with this correction. Buchanan seconded the motion, and Couch, Anthony, Buchanan, Lauvetz, Barto and Drummond voted in favor of the motion. The second resolution was to establish an investment management account with BancFirst. After discussion, Barto moved the Board approve this resolution as presented. Buchanan seconded the motion, and Drummond, Barto, Lauvetz, Couch and Buchanan voted in favor of the motion. Anthony abstained from the vote, due to his position as an advisory member of the BancFirst Board.

Medical Staff

Included in the Board packet was an Approval of Revised Peer Review Evaluation form. Dr. Webb explained that as part of the DNV survey, the medical staff must make sure that all medical staff certifications are kept current. This form will help make it easier for the medical staff office to accommodate this.

Drummond moved the Board approve the revised form as presented. Couch seconded the motion, and Lauvetz, Buchanan, Drummond, Anthony, Couch and Barto voted in favor of the motion.

DISCUSSION CONCERNING THE PHILOSOPHY, POLICIES AND OPERATIONAL PARAMETERS OF OUR CURRENT PHYSICIAN RECRUITMENT AND RETENTION PROGRAM

Drummond began the discussion by commending the fantastic job that Denise Webber has done. Drummond mentioned that the next meeting of the Physician Recruitment/Retention Committee is scheduled for Monday, May 9th, and invited anyone present at tonight's meeting to attend if they so wished. He said that hopefully, the committee expects to begin a discussion of what we are going to do with our employed physicians, how we can retain and recruit physicians, etc.

Drummond suggested that this committee meet on a regular basis – perhaps monthly or bi-monthly, where we can be addressing the needs in a proactive way and continuing the great trend we already have.

Drummond mentioned a serious need for primary care physicians. Our latest recruited primary care physician is now at 67% Medicare patients. The benchmark is 20%. Drummond suggested that we might need to underwrite this type of practice, because it will be very difficult for physicians in this type of situation to make a profit. Drummond wants the Board of Trustees and the Physician Recruitment/Retention Committee, under the guidance of Denise Webber, to act proactively in recruiting primary care physicians to Stillwater. Lauvetz also mentioned that many physicians, such as pediatricians, see a huge number of Medicaid patients – 2 out of 3 – and this is another group of physicians that we might need to look at underwriting.

Anthony said that he believes that in our modeling for primary care physicians, we need to give latitude, whether it would be a bonus system on RVUs or something else. Anthony said that we have an obligation to provide these physicians to our citizens, and the physicians should not be penalized for having to see a huge number of Medicare patients. Anthony said that he agrees with Drummond that the committee needs to be a little more aggressive in recruitment/retention efforts. Drummond suggested that the name of the committee might be changed to include the words “Physician Integration”.

Anthony suggested that after the next meeting of the Physician Recruitment/Retention Committee, the Board get a verbal report regarding the possible name change of the committee and/or an updated meeting schedule for the committee.

CEO REPORT:

Topics of Mr. Moeller's CEO Report included the following:

Provide Fee Bill

Moeller told Board members that the provider fee bill was passed yesterday in the Senate by a vote of 39-9. The bill will now go back to the House.

DNV Accreditation Survey

Our correction action plan for the 9 non-conformities has been officially approved by DNV, and the accreditation of Stillwater Medical Center remains effective through March 26, 2013.

Core Measures Comparison

Last month Chairman Anthony asked that we compare our core measures with some other hospitals in our market. Behind my report is our core measure scorecard that also has Cushing and Ponca City scores for comparison.

Oklahoma Certified Healthy Business

Stillwater Medical Center was recently recognized as an Oklahoma Certified Healthy Business for 2010 because of our wellness activities. The Oklahoma Certified Healthy Business program is sponsored by the Oklahoma Academy for State Goals, the Oklahoma Turning Point Council, the State Chamber and the Oklahoma State Department of Health.

Just last month the Oklahoma Hospital Association Board of Directors took a position encouraging all board member hospitals and all hospitals throughout the state to become a certified healthy business. At the board meeting of about 15 individuals, Stillwater Medical Center was one of four hospitals that had been named a certified healthy business. Previously, SMC has received a certificate, then a certificate of merit, and this year we received the highest level awarded, which is the certificate of excellence. Blake Weichbrodt, who made the application and is in charge of many of our programs, is here to present us the award.

LifeNet Starts Ambulance Service May 1st

The Western Payne County Ambulance Trust Authority (WPCATA) Resident Benefit Program has had great participation – 87% of Stillwater utility accounts are enrolled, as are 91% of Perkins and 90% of Glencoe. LifeNet services will officially begin on Sunday, May 1st.

Flu Shot Discussion

It's been the thinking of both the Foundation and hospital staff that we probably should cut back considerably on our drive-thru flu shot program. With all the different entities now giving flu shots in Stillwater, we only gave 2,750 last year. Normally, we would give 5,000 – 6,000. Therefore, we are considering just having a half day drive and offer only half the number of shots.

Employee Forums Held

On April 21st and 22nd, nine different sessions were held for employees to attend and learn more about our core measure and patient satisfaction results, as well as things that will be happening in the hospital down the road. 444 employees attended one of the 45 minute sessions.

Pediatrician to Join Warren Clinic

I am pleased to report that Dr. Steve Smalley from Texas will be joining the Warren Clinic this summer. This will provide an opportunity for some of the Warren Clinic pediatricians who have expressed an interest in slowing down to do so. We look forward to Dr. Smalley's arrival.

Charity Care Impact

It was previously mentioned in the financial report the emphasis on providing charity care. Behind my report is a letter from a family that shows what the real difference between charity care and bad debt means.

NEW BUSINESS


None.

BOARD EDUCATION

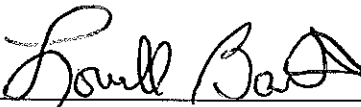
Included in the Board packet was information from the recent VHA Annual Conference, which Moeller briefly discussed with Board members.

ADJOURN

There being no further business, Barto moved the meeting be adjourned. Couch seconded the meeting, and Buchanan, Barto, Lauvetz, Anthony, Drummond and Couch voted in favor of the motion. The meeting was adjourned at 6:55 p.m.



Calvin Anthony
Chairman of the Board



Lowell Barto
Secretary/Treasurer of the Board