

**STILLWATER MEDICAL CENTER AUTHORITY
BOARD OF TRUSTEES
Regular Meeting, June 28, 2011
Stillwater Medical Center Honska Conference Center
5:30 p.m.**

Present: Calvin Anthony, Cary Couch, M.D., Dan Duncan and Mayor Nathan Bates

Absent: Bobby Lauvetz, M.D., Lowell Barto and Beth Buchanan

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

Board Chairman Calvin Anthony called the meeting to order at 5:36 p.m.

BALANCED SCORECARD

CEO Moeller presented the balanced scorecard for the period of May 2011 and year to date. Moeller told Board members that at this time, we only have 77 responses, with our goal being 230 responses. Moeller discussed each score with the Board, and provided more in-depth information in regard to inpatient, outpatient and ED patient satisfaction.

Also discussed was the Value Based Purchasing Report for the period of July 1, 2009 through June 30, 2010.

Results of the recent Employee Satisfaction Survey were also included in the Board packet. Overall, the results were outstanding! Moeller reported that the overall satisfaction of employees was at 90%, compared to 52% and 83% in years past.

APPROVAL OF MINUTES

Bates moved the Board approve the minutes of the May 31, 2011 special meeting of the Stillwater Medical Center Authority Board of Trustees as presented. Couch seconded the motion, and Anthony, Duncan, Couch and Bates voted in favor of the motion.

POSTED ITEMS

Acceptance of May 2011 Financial Report

In the absence of CFO Alan Lovelace, CEO Jerry Moeller gave a PowerPoint presentation of the summary of operations for May 2011. Total patient revenue for May was \$16,814,698, higher than budget by 10.29%, and higher than May 2010 by 23.5%. Acute inpatient admissions were 330. This compares with 294 admissions in May 2010. The emergency department saw 2,216 patients

compared to 2,157 in May 2010. Outpatient visits were 7,889 compared to 6,637 this time last year. There were 109 inpatient surgeries and 168 outpatient surgeries performed, compared to 91 inpatient and 124 outpatient surgeries in May 2010. There were 310 surgeries performed at the Surgery Center West.

Total deductions from revenue in May were 58.72% of gross patient revenue. The budget for deductions is 54%. Payer mix remained consistent with prior months. Medicare length of stay was 4.3 days, and case mix was 1.43. Charity care totaled \$328,005 for the month, and \$702,769 was written off as bad debt expense. The combined total for charity and bad debt equaled 6.07% of gross patient revenue. The budget is 7.8%.

Salary expense was higher than budget by 6.62%. Benefit expense was lower than budget by 12.37%. 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 0.88% and lower than last year by 4.71%.

Total non-operating revenue was a loss of (\$170,505) which consisted of realized gains (losses) and investment income of \$37,272, unrealized losses of (\$95,414), and interest expense of (\$112,363).

Total net income for the month was \$321,599. Gain from operations was \$492,103. Operating margin for the month was 5.67% and total margin was 3.78%.

Total assets at May 31, 2011 remain strong. Cushion ratio, which measures the number of times future peak debt service can be paid with available cash, equals 16.0. This compares to 15.3 for Moody's A3 rated hospitals. Total return on assets for the month equals 3.1%. This ratio measures how much profit is generated for each dollar of assets. Unrestricted cash to long term debt equals 242.9%, 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 38.1 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 41.8 days, compared to 55 days for Moody's A3 rated hospitals. The long-term debt to equity ratio was 20.8%. This ratio for Moody's A3 rated hospitals is higher at 37.3%. The annual debt service coverage ratio is 5.6, 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 \$74.4 million. This compares with \$67.5 million year to date in 2010. As a benchmark, Moody's A3 rated hospitals median net assets equal \$150 million.

Moeller also reviewed the minutes of the June 15, 2011 Finance Committee meeting with Board members.

Duncan moved the Board accept the Financial Report as presented. Couch seconded the motion, and Duncan, Anthony, Couch and Bates voted in favor of the motion.

Acceptance of June 1, 2011 Physician Recruitment/Retention Committee Minutes

Denise Webber, Vice President/Administrative Services, discussed the latest meeting of the SMC Physician Recruitment/Retention Committee. Topics covered at that meeting included changing the name of the committee to the "Medical Staff Integration Committee". This had been suggested by prior committee member Jonathan Drummond, as the purpose and philosophy of the committee over the years has broadened to include employment issues and other items along with recruitment and retention. The committee will now meet bi-monthly on the 4th Wednesday of the month unless there is a need for a meeting to be held sooner.

Also discussed in the recent meeting was old business to include physician support for the Medicare population. Webber told Board members that our newest physician, Dr. Dan Brown, is at 70% Medicare patients. The benchmark is actually between 30% - 40%. Other discussion in the Physician Recruitment/Retention Committee meeting included hospitalist back-up coverage, the Pawnee market expansion and recruitment for interventional cardiology, neurology, pediatrics and Pulmonology. New business covered at the meeting included cardiology recruitment, oncology coverage and physician recruitment process and philosophy.

Since it has been a while since the last physician survey, we plan to distribute that document to the medical staff in the near future.

Bates moved the Board accept the minutes of the June 1, 2011 Physician Recruitment/Retention Committee meeting as presented. Duncan seconded the motion, and Bates, Anthony, Couch and Duncan voted in favor of the motion.

Approval of Purchase of Fetal Monitors for MCHU

Liz Michael, VP Nursing Services, spoke to the Board about the purchase of fetal monitors for our Maternal Child Health Unit. Michael explained that our existing fetal monitors have reached their end of life and are no longer supported. Fetal monitoring is vital to the safe care of our OB patients.

Fetal monitors are used to measure the labor patterns of the expectant mother and the fetal heart rate of the unborn baby. The monitors also measure maternal blood pressure and pulse oximetry. The monitors we currently have are 12 years old. Due to the age of the monitors, they are no longer supported by the manufacturer and if they were to break down, there would be no way to get them repaired. The purchase of new fetal monitors will allow the MCHU nurses to continue to provide excellent care to the childbearing population in our community. The new monitors will also have the capability to transfer the information into our documentation system, saving valuable time and improving accuracy.

After discussion, Couch moved the Board approve the purchase of the new fetal monitors at a price of \$119,231.25 from GE. This price includes a 5-year full service maintenance agreement. Duncan seconded the motion, and Duncan, Anthony, Couch and Bates voted in favor of the motion.

COMMITTEE APPOINTMENTS

Included in the Board packet was a list of the Stillwater Medical Center committee appointments for the current year.

CONSENT AGENDA

Medical Staff Matters

Included in the packet was a request for privileges for active staff privileges for Krystal Marie Dickens Voight, M.D. Dr. Voight attended the University of Oklahoma College of Medicine and did her internship/residency in Internal Medicine-Pediatrics at OU Health and Science Center. Dr. Voight is board eligible in Internal Medicine and Pediatrics, and her appointment to the medical staff was recommended by the SMC Credentials Committee and the Board Executive Committee. She will be working at the Warren Clinic.

Bates moved the Board approve the application of Dr. Krystal Voight. Duncan seconded the motion, and Couch, Duncan, Anthony and Bates voted in favor of the motion.

CEO REPORT:

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

RAC Program

Moeller told Board members that the Recovery Audit Contractors (RAC) Program has been in place for nearly a year now, and is basically the government auditing all of our submitted claims for errors. Nationally, VHA did a survey and the results showed the following:

- Nearly three out of four medical records reviewed by RACs were not determined by the RAC to have an improper payment.

- 84% of hospitals surveyed in the first quarter of 2010 experienced RAC denials for medical necessity. The majority of these were for one-day inpatient stays, judged by the RAC to be an inappropriate setting.
- Hospitalization for syncope and collapse was the diagnosis most commonly associated with a RAC denial for medical necessity.
- Hospitals reported appealing nearly one in four RAC denials, with a 71% success rate in the appeals process.
- 52% of hospital respondents reported problems with reconciling RAC recoupments and untimely RAC correspondence.

Storm Update

Moeller mentioned that the tornado that went through the south part of Stillwater the week of May 23rd did structural damage to the homes of three of our employees. There was a great outpouring of support for the employees, including the night of the event when many employees showed up to help with the cleanup. The Stillwater Medical Center Sunshine Fund provided a \$1,000 grant to each of the three employees, and the VHA Foundation has a program to help employees as well. They contributed \$650 to each of our employees. This was a real boost for our employees.

Heartland Health Care Reciprocal Risk Retention Group

RRRG is our self-insured captive for our professional liability insurance. Moeller told Board members that it has done very well in its seven years of existence.

Patient Compliments

Moeller included copies of some recent patient compliments received.

NEW BUSINESS

None.

EXECUTIVE SESSION

Bates moved the Board convene to executive session for the purpose of confidential communication regarding the item stated in the agenda. Duncan seconded the motion, and Anthony, Bates, Duncan and Couch voted in favor of the motion.

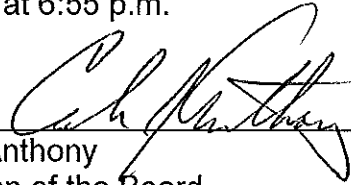
Present in Executive Session were Board members Couch, Anthony, Bates and Duncan, as well as Jerry Moeller, Susan Taylor, Liz Michael, Denise Webber and Steven Taylor.

Couch moved the Board return to open session. Duncan seconded the motion, and Couch, Duncan, Bates and Anthony voted in favor of the motion.

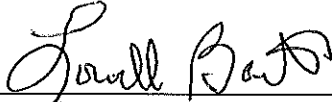
Chairman Anthony stated that nothing other than what was listed on the agenda was discussed in the executive session, and that no votes had been taken.

ADJOURN

There being no further business, Bates moved the meeting be adjourned. Duncan seconded the motion, and Anthony, Duncan, Couch and Bates 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