

**STILLWATER MEDICAL CENTER AUTHORITY
BOARD OF TRUSTEES
Regular Meeting, September 27, 2011
Stillwater Medical Center Honska Conference Center
5:30 p.m.**

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

Absent: Mayor Nathan Bates

Others: Jerry Moeller, Alan Lovelace, Denise Webber, Steven Taylor, Teresa Hopkins, Shyla Eggers, Tina Koemel, Ricky O'Bannon, Terry Baartman and Susan Taylor

Board Chairman Calvin Anthony called the meeting to order at 5:30 p.m.

BALANCED SCORECARD

CEO Jerry Moeller discussed SMC's balanced scorecard for the scoring period of August 2011. As a reminder, these measurements are divided into the areas of service, quality, people, finance and growth. Moeller discussed in greater detail with Board members just what the numbers on the scorecard reflect. Lovelace interjected that there are 700+ hospitals in this data base to which we are being compared. Raw scores of responses are what are compared (9's and 10's), and we have approximately 52% that answered 9's or 10's. To be in the 50th percentile, you have to be at about 55% in the data base. Since we are at 52%, that puts us at about the 27th percentile so far for this quarter, because we are not at the median for 9's or 10's in responses.

To further clarify, Moeller asked Board members to turn to the Board Education portion of their Board packets. There, Moeller went into further detail about the HealthStream top box percentile rankings and SMC's scores.

Moeller also discussed the quarterly patient grievance report. During the second quarter of 2011 we saw the lowest number of patient grievances in several years. Moeller said that this is another indicator that patient satisfaction is increasing.

APPROVAL OF MINUTES

Duncan moved the Board approve the minutes of the August 23, 2011 regular meeting of the Stillwater Medical Center Authority Board of Trustees as presented. Buchanan seconded the motion, and Anthony, Duncan, Barto, Lauvetz and Buchanan voted in favor of the motion. Couch abstained from the vote.

POSTED ITEMS

Acceptance of August 2011 Financial Report

CFO Alan Lovelace gave a PowerPoint presentation of the summary of operations for August 2011. Total patient revenue for August was \$16,770,683, higher than budget by 5.29%, and higher than August 2010 by 11.95%. Acute inpatient admissions were 363. This compares with 328 admissions in August 2010. The emergency department saw 2,326 patients compared to 2,260 in August 2010.

Outpatient visits were 7,684 compared to 7,627 this time last year. There were 128 inpatient surgeries and 151 outpatient surgeries performed, compared to 112 inpatient and 113 outpatient surgeries in August 2010. There were 325 surgeries performed at the Surgery Center West.

Total deductions from revenue in August were 54.03% of gross patient revenue. The budget for deductions is 54%. Payer mix shifted slightly with an increase in commercial and a slight decrease in Medicare, Medicaid and self pay. Medicare length of stay was 4.1 days, and case mix was 1.40. Charity care totaled \$376,880 for the month, and \$581,781 was written off as bad debt expense. The combined total for charity and bad debt equaled 5.66% of gross patient revenue. The budget is 7.8%.

Salary expense was higher than budget by 9.52%. Benefit expense was lower than budget by 21.34%. Salary and benefit expense represents 44% of net operating revenue. Supplies, other expenses and purchased services are in good shape compared to budget. Total operating expense was below budget by 0.02% and higher than last year by 5.09%.

Total non-operating revenue was a loss of (\$658,183) which consisted of realized gains (losses) and investment income of \$3,305, unrealized losses of (\$603,013), and interest expense of (\$58,475).

Total net income for the month was \$96,238. Gain from operations was \$754,421. Operating margin for the month was 8.25% and total margin was 1.13%.

Total assets at August 31, 2011 remain strong. Cushion ratio, which measures the number of times future peak debt service can be paid with available cash, equals 17.0. This compares to 15.3 for Moody's A3 rated hospitals. Total return on assets for the month equals 3.7%. This ratio measures how much profit is generated for each dollar of assets. Unrestricted cash to long term debt equals 261.6%, 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 34.4 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 49.7 days, compared to 55 days for Moody's A3 rated hospitals. The long-term debt to equity ratio was 20.4%. This ratio for Moody's A3 rated hospitals is higher at 37.3%. The annual debt service coverage ratio is 4.9, 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 \$74.99 million. This compares with \$68.9 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 September 21, 2011 Finance Committee meeting with Board members, in which Committee members had reviewed a request for purchase of autoclaves. Their recommendation is coming to the Board tonight.

Buchanan moved the Board accept the Financial Report and Finance Committee minutes as presented. Couch seconded the motion, and Couch, Duncan, Anthony, Buchanan, Lauvetz and Barto voted in favor of the motion.

Approval of Purchase of Autoclaves

Terry Baartman, Director of Surgery at Stillwater Medical Center, was present and spoke to the Board about the need for the purchase of autoclaves for Stillwater Medical Center and for Stillwater Surgery Center. Our current sterilizers (Steris) on campus are 20 years old and utilize 164 gallons of water per load. We use 18-20 boxes of instruments per day, which requires us to run approximately 20 loads per day. Belimed sterilizers only use 6.2 gallons of water per load, and take up a lot less space. Baartman told Board members that we have spoken to other facilities using Belimed sterilizers, and they all speak highly of the equipment. Belimed sterilizers have their own generator and do not heat the room like our current sterilizers do. Sterilizers must reach a temperature of 270 degrees for proper sterilization.

The Stillwater Surgery Center also needs a new autoclave. Their current sterilizer has a problem with the door closing completely, and is a safety hazard. By purchasing their sterilizer now, it can be installed during the construction phase and will not necessitate further remodeling next year.

\$325,000 has been budgeted for the equipment. The total cost of three Belimed autoclaves is \$394,256. CFO Lovelace explained that we have "under spent" for capital this year, and we are in a good cash position to purchase all three autoclaves at this time.

After discussion, Lauvetz moved that we purchase the three autoclaves from Belimed at the total purchase price of \$394,256. Couch seconded the motion, and Lauvetz, Anthony, Barto, Buchanan, Duncan and Couch voted in favor of the motion.

Acceptance of August 31, 2011 Medical Staff Integration Committee Minutes

Denise Webber, Vice President of Administrative Services, discussed the meeting minutes, which were included in the packet. Webber also reported that Dr. Riemer has signed his employment agreement, and that we have been in

discussion with a mid-level provider (Ashley Myers) who may be interested in joining Dr. Riemer.

After brief discussion, Duncan moved the Board accept the minutes as presented. Barto seconded the motion, and Lauvetz, Anthony, Duncan, Barto, Couch and Buchanan voted in favor of the motion.

CONSENT AGENDA

Medical Staff Matters

- **Approval of Policy for Telemedicine Services**
- **Approval of Telemedicine Privileges**
 - **Lawrence Davis, M.D. (Neurology)**
 - **Travis Kanaly, M.D. (Neurology)**
 - **Joshua Kershen, M.D. (Neurology)**
 - **Ashish Masih, M.D. (Neurology)**
 - **Charles Morgan, M.D. (Neurology)**
- **Approval of Active Staff Membership & Privileges**
 - **Stephen E. Smalley, D.O. , FAAP (Pediatrics)**
 - **Randell B. Chapman, M.D. (Emergency Medicine)**
 - **Garret C. Olson, D.O. (Emergency Medicine)**
 - **Mark R. Damon, II, D.O. (Emergency Medicine)**

Moeller discussed the Consent Agenda with the Board. Lauvetz moved approval of the Policy for Telemedicine Services and privileges for Dr. Davis, Dr. Kanaly, Dr. Kershen, Dr. Mashi and Dr. Morgan. This would be for privileges only; not medical staff membership. Barto seconded the motion, and Couch, Buchanan, Anthony, Barto, Duncan and Lauvetz voted in favor of the motion.

Board members then discussed the request for active staff membership and privileges for Dr. Smalley, Dr. Chapman, Dr. Garret Olson and Dr. Damon. Barto moved approval of this portion of the Consent Agenda. Duncan seconded the motion, and Buchanan, Lauvetz, Barto, Duncan, Couch and Anthony voted in favor of the motion.

CEO REPORT:

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

Leadership Development Institute

Moeller told the Board members that since we began our "Good to Great" program, we have been having quarterly LDIs for our department directors and supervisors. This is critical training for our managers in the various components of good to great that we want to implement. This session was on implementing AIDET. AIDET is a simple acronym that represents a very powerful way to communicate with people who are often nervous, anxious and feeling vulnerable – like our patients.

A - Acknowledge: calling the patient by his last name, eye contact and a smile

I – Introduce: introduce yourself to the patient by name, title and position, along with your training and experience.

D – Duration: where you explain to the patient how long the procedure will take

E – Explanation: provide an explanation of the procedure

T – Thank: thank the patient and let them know that we appreciate them choosing Stillwater Medical Center.

When done properly and consistently, AIDET has been known to reduce patient anxiety, increase patient compliance and improve clinical outcomes and patient satisfaction.

Strategic Planning Session

The executive team had its annual 1-day strategic planning session at the Atherton Hotel, where we spent the day reviewing demographic and hospital data. We explored issues and possible programs that will be distilled and later presented at the Board retreat.

Mock Survey

September 21st – 23rd representatives from VHA performed a “mock” accreditation survey. This is a mid-year assessment to help us find areas of vulnerability for the ‘real deal’ this coming spring.

They were very complimentary of the facility and our staff. As for findings, they have pointed out some documentation concerns for anesthesia and document control, some practices for us to evaluate for multi-dose and bulk meds, and have identified some areas for improvement for quality assurance (refrigeration logs, calibration logs, etc.)

Foundation Golf Tournament

The Stillwater Medical Center Foundation board and honorary chair Glen Henry, M.D. welcomed 126 golfers to the 14th annual golf classic on Friday September 23, at the Stillwater Country Club. After months of planning and scorching heat, the SMC Foundation couldn't have asked for a more perfect day.

Proceeds from this year's golf classic will be split among three scholarship endowments. The six week internship introduces area high school students interested in health care to the many career opportunities available to them. The internships include the original Orville Rippey, M.D. internship followed by the Bill Franklin and the Dr. Robert Breedlove internship.

Change of Date for October Board of Trustees Meeting

CEO Moeller reminded the Board that in October, we will be meeting on Monday, October 17th due to scheduling conflicts. Board packets will be delivered on Friday, October 14th.

Mark Your Calendar for VHA Conference

The annual VHA Oklahoma/Arkansas Trustee/Physician/CEO Conference will be held April 18-21, 2012 at the Hyatt Regency Hill Country Hotel in San Antonio, Texas. More information will be forthcoming, but these conferences are always top-notch, and if you are interested in attending, I would urge you to mark your calendar now.

No Drive-Thru Flu Shots at SMC This Year

We will not be doing a Drive Thru flu shot event this year due to lower demand over the past few years and shots being more readily available in the community. We will, however, hold a community walk-in event.

The dates for community flu shots are November 17 from 7 am to 1 pm, and November 18 from 11 am to 6 pm. Each clinic will be held in the Honska Conference Room in the Medical Office Building.

Construction Update

Construction progress on the 3rd floor should pick up now that we have finally received the patient room headwall units. We are still hopeful to be near completion by the end of October. We will be moving to the north wing next which will include part of the main nurse station. We have been delayed in completing phase 1 at the Surgery Center due to arrival of light fixtures for the operating rooms. We anticipate the lights to arrive on site the last week of September. Once they arrive we should be able to complete the remaining work in phase 1 in approximately 10 days.

Rezoning application for the 12th street property was approved by the City Council in early September. Civil engineering has submitted plans to the city of Stillwater and FEMA for building up 24 acres out of the flood plain.

Board Retreat

This year's fall Board of Trustees retreat will be held on Friday, November 4th at the Cimarron Hotel & Suites. More information will follow.

Pink Glove Video

Board members viewed the Pink Glove video, in which over 100 SMC employees were filmed.

EXECUTIVE SESSION

Barto moved the Board convene to executive session for the purpose of confidential communication regarding the item stated in the agenda. Couch

seconded the motion, and Anthony, Duncan, Buchanan, Barto, Couch and Lauvetz voted in favor of the motion.

Present in Executive Session were Board members Anthony, Barto, Buchanan, Lauvetz, Couch and Duncan, as well as Jerry Moeller, Alan Lovelace, Denise Webber and Susan Taylor.

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

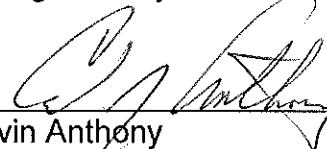
Chairman Anthony stated that nothing other than what was listed on the agenda was discussed in the executive session, and that no votes had been taken.

NEW BUSINESS

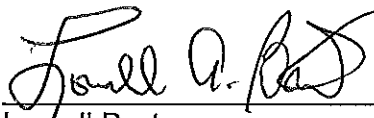
None.

ADJOURN

There being no further business, Barto moved the meeting be adjourned. Couch seconded the motion, and Anthony, Duncan, Couch, Lauvetz, Buchanan and Barto voted in favor of the motion. The meeting was adjourned at 6:30 p.m.



Calvin Anthony
Chairman of the Board



Lowell Barto
Secretary/Treasurer of the Board