

**MINUTES  
BOARD OF TRUSTEES  
INDIAN RIVER COUNTY HOSPITAL DISTRICT  
Regular Monthly Meeting  
February 16, 2017  
4:30 PM**

<b>TRUSTEES:</b>	Marybeth Cunningham Ann Marie McCrystal Karen Deigl	Allen Jones Omar Hussamy, MD Barbara Bodnar
<b>EXSCUSED:</b>	Dr. Michael Weiss	
<b>STAFF:</b>	Ann Marie Suriano Kate Voss	Jennifer Frederick Jennifer Peshke, Esq.
<b>OTHER ATTENDESS:</b>	Vicki Soule Gerri Smith Thomas Hardy Tracey Zudans Daniel Vandenberghe Lewis Clark	George Andreassi Miranda Hawker Val Zudans Jeff Susi George Eighmy Michelle Genz

***Convene Meeting – Marybeth Cunningham, Chairwoman IRCHD***

Mrs. Cunningham convened the regular monthly meeting of the Indian River County Hospital District (“IRCHD”) at 4:30 p.m.

***Consent Agenda – Marybeth Cunningham, Chairwoman***

Mrs. Cunningham asked for a motion to approve of the Chairman Meeting Minutes dated January 18, Regular Monthly Meeting Minutes dated January 19, and a February disbursement of \$1,480,897.42. Mrs. McCrystal made the motion to approve, which was seconded by Ms. Deigl. The motion carried unanimously.

Mrs. Cunningham stated that at the Chairman’s meeting, the Board of Trustees agreed to suspend the RFP process. To date the Board approved three requests for funding which total \$281,759 for the current FY. The Board will reevaluate the process during the budget review for FY 17-18.

Further, Mrs. Cunningham stated that the Trustees approved to form a joint collaborative committee made up of two District Trustees, two IRMC Board of Directors, and the Chairman of

the IRMC Foundation, to look at all options as to the governance structure of the hospital and what is best for the health of the community. The first meeting of the collaborative committee will take place next week.

***District Counsel Report, Jennifer Peshke, Esq.***

Mrs. Peshke provided the District Counsel report and stated that her office is in receipt of the original bonds for the new sitting Trustees. She continues to work to memorialize a memo of understanding regarding recommendations made by Mr. Jones in his Asset Valuation report and will report on the same in the upcoming months. Additionally, work and review concerning the Indigent Care Agreement continues and the District and the Hospital are preparing for those discussions in the coming months. Further, Ms. Peshke met with the District staff and continues to monitor the Care Card Program and provide assistance if needed. Additionally, she continues to monitor monthly the active House and Senate Bills related to Special Districts and their authority to levy taxes. To date, she has no further updates to report on this item.

Mrs. Peshke explained that the District is monitoring and has sent correspondence to the local legislators Bill Posey, Debbie Mayfield, and Erin Grall, to assure their position on Governor Scott's push for deregulation of the health care industry. This deregulation could have a very negative impact on the ability of a non-for-profit hospital to care for the poor and indigent populations. This is in regard to a bill proposed by Senator Rob Bradley, to repeal the law that determines how many hospitals, nursing homes, and hospices can be in one area at a time based on demand for their services. She explained that this debate dates back years regarding the repeal of the state's certificate of need process. If this bill were to pass and become a law, this deregulation would target not-for-profit and mission based hospitals, which must serve all patients, regardless of their ability to pay. She stated that she will report back more on this matter, as the District receives responses back from our local legislators.

Lastly, since the District has three new Trustees, she has been instructed to provide a summary of the process for public comment at all public meeting. This process is detailed within Article XI of the Bylaws entitled "Rules for Conduct of Board Meetings". Mrs. Peshke read the article aloud. ("Attachment 1")

***Financial Statement Review- Allen Jones, Treasurer***

Mr. Jones provided a review of the financial statement for January 2017. He stated that the District has received \$10.5 million in tax revenues out of the approximate \$12 million that they expect to receive. He further stated that there is \$11 million in the District accounts, with \$2 million in reserves. Additionally, the District is a half a million under for their program budget, mostly due to the fact that many of the health agencies are running lower than their monthly budgeted amount. However, this could change later in the year as volumes fluctuate. Further, administrative expenses are under budget by only \$5,000.

***IRMC Monthly Report- IRMC Annual Audit- Daniel Vandenberghe & 1<sup>st</sup> Quarter Financial Results- George Eighmy, Sr. VP/CFO***

Mr. Vandenberghe provided a review of the IRMC Audit for FY 15-16. He stated there were no significant or unusual transaction, no audit adjustments, no uncorrected misstatements, along with no significant change in accounting policies. He further stated that there were no significant issues discussed with management other than follow up on prior year control deficiencies. Mr. Vandenberghe explained that his firm had no significant difficulties encountered with management during audit process and received all requested documentation in a timely manner. (A copy of the Audit is available at the District offices)

Mr. Jones inquired how many other hospitals the firm provides services, to which Mr. Vandenberghe responded and stated that they serve over 3,000 health care organizations with many of them located in Florida. Mr. Jones asked Mr. Vandenberghe to characterize the results of this audit verses other audit of similar institutions. Mr. Vandenberghe stated that for the size of the organization, the hospitals audit is consistent with other similar organizations. However, in terms of financial performance, IRMC has struggled financially for a number of years from an operating margin standpoint and their performance is below the benchmark for similar organizations. He further discussed the challenges that many smaller rural hospitals encounter which results in many hospitals partnering with other large health systems. This helps them to be able to contract at a much higher level and maintain higher reimbursement rates. There was further discussion surrounding for-profit hospitals verses not-for-profit hospitals. Mr. Vandenberghe explained that many for-profit hospitals operate more efficiently than not-for-profit due to their business mind set. He feels that not-for-profits tend to operate with a community mindset and may make decisions that lose money, to secure that community driven mission.

***First Quarter Financial Results- George Eighmy, Sr. VP/CFO***

Mr. Eighmy began his presentation by stating that the hospital fell short of their budget by \$3.5 million in the first quarter. He cited Hurricane Matthew as a significant contributor to that loss. They estimate that the hospital lost \$1.2 million in canceled cases and had to increase staff due to the storm. He indicated that he has seen significant improvement in their results for January and there was a net revenue increase over budget of approximately \$1.2 million. There was also \$1 million in net income for the month of January, which is \$500,000 over budget.

Mr. Eighmy discussed the pending negotiations and discussion with the four commercial insurance payors and three of the four have been very responsive and are working with the hospital. He further stated that with the budget increases through the renegotiations of the contracts, he feels the hospital will end the year at a slight profit.

Mrs. Cunningham inquired how many days cash on hand the hospital has currently. Mr. Eighmy stated given the results of the first quarter, there was a draw on cash and currently there is 55-60 days cash on hand. Further, the physician practice groups have grown rapidly and each physician must be credentialed with the payers. This credentialing process can take up to 90-120 days, which results in a delay in payment. Additionally, there was an issue in the accounts

payable department and payments were released prematurely, which artificially reduced the days cash on hand.

Dr. Hussamy asked for further detail regarding the hospital's negotiations with the commercial insurance payors and requested information regarding when they can expect to see the new rates take effect. Mr. Eighmy stated that two of the payors rates would increase on April 1<sup>st</sup>. The third payor is still in negotiations and the fourth payor is refusing to negotiate, which lead the hospital to issue a termination letter stating that they will no longer participate in their network. There was question from the Trustees as to who the fourth payor was, who is not cooperating. Mr. Susi explained that since negotiations are still taking place, he would prefer this information to remain private until a final resolution has been established.

Mr. Jones addressed Mr. Eighmy's comments regarding his projection that the hospital will end the year by breaking even financially. He expressed his concerns due to the fact that it is currently season, but the patient population is low, with the expectation that historically it becomes even lower throughout the rest of the year, resulting in lower profits. He inquired what would make up a \$4 million loss, given the low volumes over the last months. Mr. Eighmy stated that through his research the second and third quarters tend to boost revenues by 8%. He believes the negotiations with the commercial payors will provide additional revenues as well. He further discussed that there is opportunity to drive change through the system with Medicare's relaxed regulations regarding the observation period for patients. Mr. Jones offered the District support and assistance with the reimbursement negotiations. Mr. Susi feels that having the District involved in the negotiations could potentially cause further issues in the process. As further clarification, Mr. Susi said that beginning April 1, the hospital will begin to show those increased rates on the profit and loss statement but in terms of cash flow, that will still lag for a few more months.

Dr. Hussamy publically thanked Dr. Val Zudans for bringing this insurance reimbursement issue to public light. He feels that if these changes are made, it can help the financial performance of the hospital drastically. Mr. Susi stated that Mr. Greg Gardner deserve much of the credit who provided this information to the public and administration at the hospital.

***Funded Agencies Quarterly Report- Mental Health Association- Dr. Robert Brugnoli***

Dr. Brugnoli provided the quarterly report for the Mental Health Association ("MHA"). He reviewed financial performance as well as patient satisfaction data. MHA has maintained a relatively stable financial position over the last year and patient satisfaction rates continue to be at or above average. Further, Dr. Brugnoli stated that MHA has currently begun telephonic screening for patients, which is an asset to those who cannot get to the clinic for services. They have also added a support group for First Responders and Veterans who suffer from PTSD. Their staff is also undergoing further training to manage these patients

***Trustee Reports from IRMC Committee Meetings-***

Ms. Deigl stated that she attended the IRMC Finance Committee meeting and Mr. Eighmy already addressed that information at this evenings meeting.

Mrs. Cunningham stated that she attended the IRMC Strategic Planning Committee meeting. During the meeting, the committee reviewed and discussed the quarterly metrics for the Strategic Plan initiatives. The two strategic initiatives were reviewed in depth including working collaboratively with the District on specific aspects of the Needs Assessment, which included lung cancer initiatives related to early screening and the Emergency Department diversion program. There was further discussion regarding the hospitals upcoming trip to Virginia Mason Institute. The goal of the retreat was to learn and understand the execution of patient focus, quality and lean principles and how those apply to the hospital.

***New Business- Adoption of 2017 Federal Poverty Guidelines- Jennifer Frederick,  
Program Liaison***

Mrs. Frederick stated that each year the District must adopt the updated federal poverty guidelines. Mrs. McCrystal made a motion to accept the guidelines, which was seconded by Ms. Deigl. The motion to passed unanimously.

***Public Comment-***

Dr. Val Zudans of Vero Beach made a public comment. He acknowledged Mr. Susi's comments regarding Mr. Gardner and his efforts concerning negotiation of better insurance reimbursement rates. He voiced his concern with Mr. Eighmy's statement regarding the issue with patients presenting at the ED and being placed into observation instead of being admitted. Dr. Zudans feels that issue is a large part of the financial problem due to the fact the hospital is not being properly reimbursed for those patients in observation. Further, he would like the hospital to identify the fourth insurance company who is refusing to negotiate with the hospital to obtain better reimbursement rates. He stated that two thirds of the private insurance utilized by the county is provided by one company. If that one company is the company refusing to negotiate, it could have a very negative impact on the community. Additionally, Dr. Zudans voiced his concern over the operation of the ED and stated they are losing \$400,000 a month. He would like the hospital to comment further on the status of operations and their utilization of locum tenens. Lastly, he stated that Governor Scott and the Speaker of the House Corcoran are moving forward with their push to deregulate the health care industry. This legislation is a direct threat to our hospital and speeds up the urgency for IRMC to join a network to improve their financial position.

***Adjournment-*** The meeting adjourned at 5:45 PM

Respectfully Submitted,



Ann Marie McCrystal  
Secretary