

MINUTES OF
THE REGULAR MEETING OF THE
CITRUS COUNTY HOSPITAL BOARD

AUGUST 23, 2010 10:00 A.M.

(1) CALL TO ORDER

The regular monthly meeting of the Citrus County Hospital Board of Trustees [CCHB or Hospital Board] was held Monday, **August 23, 2010**, at the Citrus Memorial Hospital Administration Building, 2nd floor Boardroom, 502 W. Highland Blvd., Inverness, Florida. The Chairman called the meeting to order at 10:00 A.M.

(2) PUBLISHED MEETING LEGAL NOTICE

(Agenda & Published Legal Notice Copies On File)

(3) ATTENDANCE

Board Members: V. Upender Rao, MD (Chairperson); Deborah L. Ressler, (Vice Chairperson); Deborah O. Frankel, Esquire (Secretary) and Michael Smallridge (Trustee), arrived @ Agenda Item 8 / Governance.

Also in attendance:

William J. Grant, Esquire, CCHB General Counsel
Vickie LaMarche, CCHB Executive Director
Harry Kilgore, CCHB Director of Finance
Karla Dozier (CCHB Staff)

Tim Westgate, Purvis Gray & Company, Citrus County Hospital Board, Certified Public Auditor

Ryan Beaty, Citrus Memorial Health Foundation, Inc., CEO
Jerry DeLoach, Citrus Memorial Health Foundation, Inc., COO
Mark Williams, Citrus Memorial Health Foundation, Inc., CFO
George Mavros, Citrus Memorial Health Foundation, Inc., Director of Professional Services
Joy Hayes Court Reporter Services (CMHF, Inc.)

Members of the Public: Chris Van Ormer, Citrus County Chronicle; Sandra Chadwick, CMHF, Inc.; David Langer, CMHF, Inc., Chairman; Pareshkumar G. Desai, MD, Citrus County Medical Society; William Dixon, M.D., Florida Well Care Alliance, Daryl Oster, Brenda Oster, Joe Chrietzberg, Michael Reed and additional members of the public.

(4) APPROVAL OF MINUTES

MOTION by Mrs. Ressler, seconded by Mrs. Frankel, to approve the May 24, 2010 Budget Minutes & Exhibits. The Motion passed unanimously, 3-0.

MOTION by Mrs. Ressler, seconded by Mrs. Frankel, to approve the May 24, 2010 Minutes & Exhibits. The Motion passed unanimously, 3-0.

MOTION by Mrs. Ressler, seconded by Mrs. Frankel, to approve the July 06, 2010 Minutes & Exhibits. The Motion passed unanimously, 3-0.

MOTION by Mrs. Ressler, seconded by Mrs. Frankel, to approve the July 26, 2010 Minutes & Exhibits. The Motion passed unanimously, 3-0.

(5) PUBLIC COMMENT

A. Joe Chrietberg: Mr. Chrietberg inquired regarding the status of Citrus County Hospital Board Trustee Mr. James Wood. Mr. Grant advised Mr. Wood is not seeking re-appointment to the Board, however remains a voting member until the Governor appoints a successor.

B. Daryl Oster: Mr. Oster encouraged the Board to tentatively set the tax millage rate at zero.

(6) CORRESPONDENCE

The following correspondence items were received:

- A. 07.27.2010 Stillwell/Grant: Stillwell public record request re Grant FWA/CCMS 7.29.2010 presentation.
- B. 07.27.2010 Grant/Stillwell: Grant PR response: 7.29.2010 presentation documents not currently available.
- C. 08.13.2010 Grant/Stillwell: Grant PR Response: 7.29.2010 FWA/CCMS documents provided.
- D. 08.03.2010 Ressler/Compliance Concepts: Concerns regarding appropriate use of Compliance Hotline.
- E. 08.10.2010 Ressler/Langer: Hospital Board commitment to a joint negotiation workshop - addressing all issues – HB commitment to workshop without preconditions of any nature.
- F. 08.17.2010 Stillwell/Grant: Workshop counter – proposal: limited meeting to singularly address indigent care issues; conference to be attended by two HB Trustees & two CMHF Directors.
Mr. Grant noted the Foundation rejected the Hospital Board proposal for a joint workshop without preconditions and that the Foundation did not want to meet to discuss all issues and continued to set the pre-condition that CMHF contested funds be paid in the amount determined by the Foundation prior to any resolution discussions.
- G. 08.17.2010 Grant/Stillwell: Response to CMHF counter-proposal for limited workshop addressing singular issue of indigent care matters.
- H. 08.18.2010 Shepard/Kennedy: HB response to CMHF 7.22.2010 PR request, as modified 8.10.2010 advising an estimated cost of \$16,000.

*(Negotiation Joint Workshop Correspondences Copies Attached)
(Correspondence Copies on File)*

(7) HOSPITAL BOARD STAFF REPORT

(A) Finance Report July 2010:

Mr. Kilgore, Hospital Board Director of Finance, presented the July 2010 Citrus County Hospital Board financial reports including the monthly "CCHB Governmental Fund Balance Sheet", "CCHB Statement of Revenues, Expenditures and Changes in Fund Balance", "CCHB Statement of Cash Flows" and List of Payees (7.27.2010 – 8.23.2010) (July 2010 Financial Report & List of Payees, Copies On File)

Mr. Kilgore noted the July report recognizes the Hospital Board 2009 \$3,815,476 overpayment to CMHF as a revenue receivable. While CMHF July 2010 Notice of Default alleges the Hospital Board under-funded 2009 indigent care and capital expenditures by \$1,200,000 - in actuality - based upon CMHF, Inc.'s Audited Financial Reports & Capital Disbursement documents, the Hospital Board over-funded 2009 indigent care costs & capital expenditures by \$3,815,476. CMHF, Inc. AFS & capital analysis reflect that during the fiscal year ended September 30, 2009, the costs of charity care pursuant to the CMHF Sponsorship Program was \$4,623,153; total actual budgeted non bond financed capital expenditures was \$773,127 and total actual unbudgeted capital expenditures totaled \$1,688,244. Based upon the CMHF, Inc. 2009 financial documents, the total cost of charity care and capital expenditures totaled only \$7,084,524 versus the remitted \$10,900,000 resulting in a Hospital Board overpayment of \$3,815,476. See: *HB July Financial Report Note 1.*

Noting the corporate 2009 financials substantiate the Hospital Board indigent care & Capital expenditure Hospital Board over-funding, Mrs. Frankel advised she was uncomfortable reflecting the \$3,815,476 as a Hospital Board receivable asset, given the contested positions. Mrs. Frankel additionally noted that the Hospital Board should not move forward pursuing repayment of the contested amount as the Foundation had already expended the amount. Mr. Grant advised it was his opinion the Hospital Board had a fiduciary duty to pursue the matter as the contested amount is due back to the taxpayers. Mr. Kilgore further advised, based upon the 2009 CMHF, Inc. financial documents, it is appropriate to show the amount as an accrual. Mr. Grant & Mr. Kilgore advised the Board will work with the Foundation toward resolution of the contested amounts.

MOTION by Mrs. Frankel, Seconded by Mrs. Ressler to approve the Financial Report List of Payees. Upon being called, the Motion passed unanimously, 3-0.

7(B) Citrus County Hospital Board Banking RFP: Mr. Kilgore presented 5 banks that have completed an RFP for banking services. RFP packages were distributed at a previous meeting for the Trustees to review. Mr. Kilgore presented a summary of the interest that would be paid on the account based on the assumed balance as well as the charges that would apply. Mr. Kilgore asked that the Trustees evaluate the proposals to make a selection of the bank to be used by the Citrus County Hospital Board. Discussion ensued regarding the different banks and their respective rates. Mr. Kilgore explained that all 5 banks are qualified to perform the services that we are looking for. All 5 banks are members of the State Depository System and have been audited and reviewed and approved by the Department of Financial Services as a depository for governmental funds. Due to the ongoing 2011 budget workshops, Mrs. Frankel requested to review the banking information at the next regular meeting and via consensus, the matter was tabled.

7(C) Acceptance of the Citrus County Hospital Board Audited Financial Report: Mr. Tim Westgate with Purvis, Gray and Company presented the 2009 Citrus County Hospital Board Audited Financial Statements final draft for Board discussion & input. Mr. Westgate stated that Purvis, Gray and Company would be providing an unqualified opinion which is the highest level of assurance provided, noting no significant deficiencies, nor material weaknesses were identified during the audit. Mr. Grant inquired with Mr. Westgate to be sure that there were no minor deficiencies. Mr. Westgate stated that he found no deficiencies that would be anything more than inconsequential. It was noted the draft Hospital Board Audited Financial Statements identify the \$1,200,000 2009 contested CMHF, Inc. funding amount as a liability owed by the Hospital Board nor as an account payable to CMHF, Inc., rather the amount is included in the 2009 Unreserved Fund Balance. Mrs. Frankel requested all available low-income funding including the Florida LIP program, Disproportionate Share, Self-Exemption & Buy-Back funding amounts received by CMHF, Inc. be referenced. Mr. Williams, CMHF CFO, & Mr. Beaty advised that some 2009 AHCA funding may not have been received in 2009, rather received by CMHF in 2010. Mrs. Frankel noted, if appropriate, the additional funding information should be referenced in the Audit to clarify all available funding received by the hospital to assist with indigent or sponsorship care services. Mr. Beaty advised the amounts would be verified. Mr. Grant discussed noting the 2009 \$3.8M Hospital Board excess funding amount as a contingent asset. Mr. Westgate stated that he would be working with Mr. Kilgore regarding recommendations made by this Board Audited Financial Report. **Via consensus**, approval of the draft 2009 AFS was tabled pending final revisions with final approval prior to September 30, 2010. (Draft 1 2009 Hospital Board AFS, Copy on File)

UNFINISHED BUSINESS:

(8) Status of Governance Matters

Mr. Grant advised the CMHF, Inc. July 2010 Notice of Default against the Hospital Board (alleging Hospital Board failure to fund 2009 indigent care & capital expenditures and 2010 indigent care expenditures) remains outstanding with the Foundation not demonstrating a good faith interest further mediation or negotiations. Mr. Grant further advised he is preparing the Hospital Board Notice of Default against CMHF, Inc. Mr. Grant further advised the Hospital Board request for an Attorney General opinion (regarding sovereign immunity & lease validity) is also currently being prepared.

Mr. Grant noted six areas of concern, including the potential corporate shift of bad debt accounts to tax-payer funded charity and addressed the need for forensic audit of CMHF, Inc. 2006 – current.

Mrs. Frankel addressed the 2009 CMHF bad debt expense of \$21.6M compared to 2010 corporate bad debt expense of \$10.1M, and commented Mr. Williams' previous explanation of 2010 transference of bad debt accounts to charity services seemed incongruent as 2009 sponsorship services were approximately the same as 2010 sponsorship services. The similarity of 2009 & 2010 sponsorship service amounts suggested that the 2010 50% reduction in bad debt expense was not attributable merely to increased transference of bad debt account to classification as sponsorship services. Moreover, Mrs. Frankel noted the proffered explanation of 2009 additional bad debt expenses due to multi-year, older accounts, being expensed also appeared incongruent as a look-back analysis indicated bad debt expense had been uniform. Mrs. Frankel expressed concern that the 2010 bad debt expense - given the 10% 2010 organizational charge rate increase - should be slightly higher than 2009, not reduced by over 50%. Mr. Williams advised the 2009 bad debt expense was a "clean-up" of prior years bad debt & classification issues of services classified as bad debt as opposed to contractual adjustments. Mrs. Frankel noted that 2008 bad debt of \$20.9 was consistent with 2009 bad debt of \$21.6 which did not support the position that 2008 bad debt was understated necessitating additional 2009 write-offs. It was noted that 2008 corporate sponsorship services, at cost, were \$1.8M compared with 2009 sponsorship services, at cost, of \$4.6M. Discussion ensued regarding changes in the corporate sponsorship policy. Mr. Williams noted he was originally concerned with the significant reduction in 2010 bad debt, but felt comfortable with the accounting methodology.

Mrs. Frankel additionally addressed the significant reduction in the medical malpractice reserve which Mr. Williams advised was due to payment of large malpractice claim with the reserve account not yet refunded.

MOTION by Mrs. Frankel, Second by Mrs. Ressler to move ahead with a forensic audit of CMHF, Inc. Upon being called, the Motion passed unanimously, 4-0.

NEW BUSINESS:

(9) Consideration of Ad Hoc Personnel Committee Recommendation

Mrs. Ressler advised The Personnel Committee met August 3, 2010 to discuss staff, job descriptions and compensation. Mrs. Ressler presented the Personnel Policies including job descriptions, PDO, Holiday, organizational chart information and other pertinent personnel matters. Compensation ranges included analytical and market based state-wide comparisons. Based upon the analysis, the Committee recommended approval of policies, job descriptions and compensation. (*Personnel Policies & Recommendations Copies On File*)

MOTION by Mr. Smallridge, Second by Mrs. Frankel to approve the policies and recommendations of the Personnel Committee.

Discussion ensued. Mr. Smallridge commented it was his opinion, regarding policy, Hospital Board members should communicate directly with the media, and staff should address factual press releases. Mrs. Ressler noted the Hospital Board COO job description includes serving as the Hospital Board representative for communications. The Board noted the expensive and comprehensive PR campaign by CMHF has effectively obscured the true challenges facing CMHS including CMHF underperformance against AHCA financial benchmarks and consistent and significant CMHF losses from patient service operations that threaten long-term organizational viability. Dr. Rao appointed Mr. Smallridge as Chair of the Communications Committee to review staff media releases. Upon being called, the Motion passed unanimously, 4-0.

10) Budget Hearing Information

Mr. Grant advised September 15th at 5:01pm at the Citrus County Commission Chambers is the first public tax hearing wherein the 2011 tentative millage rate & tentative budget will be addressed. The 2010 millage rate was established at 1.0000 Mills. Mr. Grant noted once the tentative rate is established, the rate may be further reduced, however, the millage may not be increased and advised the final tax hearing has been established as September 29, 2010.

Mr. Grant commented it is his understanding CMHF Administration has encouraged hospital employees to attend the tax hearings with signs. Mr. Grant further advised many community members have contacted the Hospital Board with concerns regarding the Foundation and a large attendance is expected.


(11) Next Scheduled Meeting Dates:

August 23, 2010 at 11:40 AM / 2011 Hospital Board Budget Workshop 1
September 13, 2010 at 8:30 AM / Regular Meeting (2009 AFS Audit Approval)
September 13, 2010 / 2011 Hospital Board Budget Workshop 2
September 15, 2010 / 2011 Hospital Board Tax Hearing 1 (Tentative Millage Rate & Budget)
September 29, 2010 / 2011 Hospital Board Tax Hearing 2 (Final Millage Rate & Budget)

(12) Adjournment

MOTION by Mrs. Ressler. Second by Mrs. Frankel to adjourn meeting. The Motion was approved unanimously, 4-0 and the meeting adjourned at 11:32 AM.

Respectfully Submitted,



Deborah Osmond Frankel, Esquire
Secretary Deborah Ressler, VC

08.23.2010 Minutes "Copy Attached":

1. Negotiation Joint Workshop Correspondences

08.23.2010 Minutes "Copy on File"

1. Agenda 08.23.2010
2. Legal Notice Publication
3. Correspondences 7.27.2010 – 8.18.2010
4. July 2010 Hospital Board Financial Report & List of Payees (07.27.2010 – 08.23.2010)
5. 2009 Hospital Board Draft 1 Audited Financial Statements
6. 2010 Hospital Board Personnel Committee Personnel Policies & Recommendations

dfo draft