

CLALLAM COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
FORKS COMMUNITY HOSPITAL

Board of Commissioners Meeting Minutes
Lee Merrick Conference Room
November 6, 2019

Those present were Commissioners: Don Lawley, President; Patty Birch, Vice President attended via teleconference; Daisy Anderson, Commissioner; and Sandy Schier, Commissioner. Additional attendees included: Tim Cournyer, CEO; Paul Babcock, CFO; and Andrea Perkins-Peppers.

The meeting was called to order at 3:08 p.m. by Donald Lawley

Discussion and Adoption of the 2020 Budget:

Paul Babcock, CFO reported:

All department directors have had the opportunity to participate in the budget process for their respective departments. The CFO has met with each director reviewing their department's actual performance through August/September 2019, their projected performance to the end of 2019, and the 2020 preliminary budget. Directors were then asked for their input and any suggested changes to the budget based on what they thought would change in 2020. Most suggested changes have been incorporated into the final 2020 budget being presented. Activity for September 2019 was subsequently incorporated into the 2019 projection file to further refine the 2020 Budget.

ASSUMPTIONS:

(A) Revenues:

- 1) 8% across the board price increase for Outpatient, ER, Pro Fees, and Clinic Revenue.
- 2) WEOS Grant Funds are expected to decrease by 300k, however, we expect to receive some additional small grants to make up some ground. Overall Grant Revenue will do down by nearly 14% year over year.
- 3) We are also budgeting for improved revenue in Surgery between changes to our intake process and with the new Orthopedic surgeon starting in January 2020.
- 4) There are also some slight volume increases anticipated for Lab and for Physical Rehab, due to added staff.
- 5) We have also budgeted for volumes in the new Forks Family Medical Clinic, which should add more than 1.1M in annual revenue.

(B) Expenses:

- 1) Salaries have been increased overall by 15% compared to the current year-to-date projection. There is a 5% increase built in for raises consistent with the

Union contracts, however, some departments with large numbers of minimum wage positions were increased above this for the change that will be effective 1/1/20, moving the minimum wage from \$12.00 to \$13.50. We also have signed an Orthopedic Surgeon and Mid-level for the new clinic who will both start in 2020. this has increased our salary expense and lowered our Pro Fee expense by 13%. The salary budget reflects the changes for additional FTEs that the District will need in the coming year. The budget also includes the staffing plan at the new Forks Family Medical Clinic.

- 2) Benefits have been increased by 12% to accommodate the change increased employees as well as continuing inflation of the OPEB expense.
- 3) Supplies have been increased by 5%, and Pharmaceutical supplies (drugs) have been increased by 8%. We have also anticipated 600k in savings due to starting participation in the 340B Drug program. We have also moved up Minor Equipment significantly for the next year to replace existing non-capital items throughout the District. However, with the 340B program, we anticipate that supplies will decrease overall by 12%.
- 4) Utilities were increased overall by 6% primarily for PUD increases. We have also added the new clinic and estimate that overall this category will rise by 11%.
- 5) Purchased Services has increased 12%; we know that we will have to pay some significant recruitment costs (75k) in 2020 for the Orthopedic Surgeon and Mid-level that will start in 2020. Additionally, we expect some additional costs for DNV (who have not surveyed us yet due to the bed issue), 340B Auditing, and increased Nursing Inservice Education.
- 6) Depreciation has been increased 3.4% for anticipated capital needs and our current run rate.
- 7) Other Expenses increased by 7.2%. We believe that there will be higher auditing costs and significant legal fees in 2020.

KEY OPERATING STATISTICS:

(A) Patient Volumes:

- 1) 20% increase in Surgery volumes. We anticipate strong improvement in Surgeries. This includes 8 more IP Surgeries, 29 more OP Surgeries, and 13 more Scopes, this would take us to 300 procedures per year.
- 2) 1% increase in Radiology volumes.
- 3) Similar volumes in all other areas.
- 4) 60 budgeted newborns, an average of 5 per month.

EMPLOYEE STAFFING:

The 2019 Budgeted FTEs were 242.86 while as of September we are projecting 221.01 FTEs for 2019. The 2020 FTE Budget is 243.50, which is a significant increase. Part of this increase is due to the fact that through 2019 we still have not had the mechanism to track our contracted (not-employed) labor. We have had approximately 7 FTEs that have not been recorded and were paid in Professional Fees. This tracking (through Kronos) should be in place by January. We also have 6.15 FTEs for the new Forks Family Medical Clinic. Our Budget also shifts most of the FTE's from Swing Bed back to Long Term Care, anticipating moving the 8 beds back to our LTC license. I have included the 2016 FTE count to illustrate that the change back should keep us at the same overall FTE number for both cost centers. There were also several departments with turnover that led to lower FTE numbers, but are currently fully staffed and we anticipate they will be in 2020 as well. The remaining increase is due to additional staff we are currently recruiting for in various departments, Lab, Physical Rehab, Housekeeping, and WEOS. Overall, we are increasing 22.49 FTEs from our current run rate of 221.01, and Salary Expense will rise by 15% or \$2,348,944.

INCOME STATEMENT:

Net Patient Revenues: We are projecting an increase of 12.7% from CY 2019 projected.

Other Operating Revenues: We are projecting a decrease of 14% from CY 2019 projected in Grant funding, primarily from WEOS grants that will not be as strong in 2020 as they have been in this year. Although we expect some other grant funding to materialize in 2020, this is unlikely to overcome the change at WEOS. We anticipate a rise in Miscellaneous Income of nearly 5%, due primarily to increased ProShare funds for the Nursing Home as we convert our 8 beds back to LTC.

Operating Expenses: Operating expenses are projected to have an 8.5% overall increase from CY 2019 projected.

Net Income: The 2020 Budget projects a Net Loss of (\$195,390) versus the CY 2019 projected loss of (\$781,520). This projected loss is a mathematical projection based on all 2019 prior months, but does not incorporate annual trends or cost report adjustments. However, the Projected 2019 loss does include an estimate of 575k in OPEB Expense and 559k for 2014-2017 RHC Reconciliations. Removing these two items we would be at about 350k for the year. We have budgeted OPEB expense of \$617k for 2020. This non-cash expense recorded in December to comply with GASB 75. We will not have a repeat of the 2014-2017 RHC Reconciliations in 2020, and may possibly have this payable forgiven by the legislature. However, the conversion of the 8 Custodial Swing Beds back to Long Term Care, will negatively affect us in Cost Report reimbursement for approximately (\$750,000). Although we will offset much of this through participation in the 340B program, which will net a positive \$580,000 for us, the decrease in WEOS grants of (\$300,000) and recruitment fees (\$75,000) will take us to a loss of (\$195,390) for 2020.

CAPITAL REQUESTS: Upcoming Capital requests and needs for the facility in 2020 are \$2.6 million. Because we are unsure of the complete impact of the conversion of the Custodial Swing Beds, we believe it is best to hold off on the HVAC and EHR projects for a year to ensure that we do not have a cash crunch with a new bond. Also included are a couple of expected capital items in 2021, 2022 and onward.

The CFO walked the Board of Commissioners through four budget scenarios for 2020. After a discussion, the Board agreed to move forward with budget two. This will reduce the borrowing amount for the HVAC and EHR but will include refinancing the current bond.

Adopting the 2020 Budget

Commissioner Anderson made a motion to approve the 2020 budget as presented, Commissioner Schier seconded, and the motion carried.

ACTION: It was moved, seconded, and passed to approve the 2020 budget as presented.

Resolution 2019-521

Paul presented the Board with Resolution No. 2019-521 for increasing the tax levy for 2020 by one percent. Commissioner Anderson made a motion to approve Resolution No. 2019-521, Commissioner Schier seconded, and the motion carried.

ACTION: It was moved, seconded, and passed to approve Resolution No. 2019-521.

Resolution 2019-522

Paul presented the Board with Resolution No. 2019-522 for increasing the EMS tax levy for 2020 by one percent. Commissioner Schier made a motion to approve Resolution No. 2019-522, Commissioner Anderson seconded, and the motion carried.

ACTION: It was moved, seconded, and passed to approve Resolution No. 2019-522.

There being no further business to discuss, the meeting was adjourned at 4:05 p.m.

The Board of Commissioners next meeting is scheduled for November 26, 2019 at 5 p.m.

Minutes recorded by Laci Johnson, Executive Assistant.

Sandy Schier, Secretary