

**STILLWATER MEDICAL CENTER AUTHORITY
BOARD OF TRUSTEES
Regular Meeting, August 24, 2010
Stillwater Medical Center Honska Conference Center
5:30 p.m.**

Present: Calvin Anthony, Lowell Barto, Cary Couch, M.D., Jonathan Drummond, M.D., and Robert W. Lauvetz, M.D.

Absent: Beth Buchanan and Mayor Nathan Bates

Others: Jerry Moeller, Alan Lovelace, Denise Webber, Liz Michael, Malinda Webb, M.D., Teresa Hopkins, Ricky O'Bannon (NewsPress) and Susan Taylor

Calvin Anthony, Board Chair, called the meeting to order at 5:32 p.m.

APPROVAL OF MINUTES

Drummond moved the Board approve the minutes of the July 27, 2010 regular meeting of the Stillwater Medical Center Authority Board of Trustees as presented. Couch seconded the motion, and Anthony, Barto, Drummond and Couch voted in favor of the motion. Lauvetz abstained from the vote.

ACCEPTANCE OF JULY 2010 FINANCIAL REPORT AND FINANCE COMMITTEE MINUTES

Alan Lovelace, Chief Financial Officer, gave a Power Point presentation of the July 2010 financials. Lovelace reported that total patient revenue for July was \$14,531,297, slightly below budget by 1.36%, and higher than July 2009 by 10.24%. Acute inpatient admissions were 293. This compares with 287 admissions in July 2009. The emergency department saw 2,120 patients compared to 2,098 in July 2009. Outpatient visits were 7,074 comparable to 7,766 this time last year. There were 94 inpatient surgeries and 118 outpatient surgeries performed, compared to 105 inpatient and 160 outpatient surgeries in July 2009. There were 300 surgeries performed at the Surgery Center West.

Total deductions from revenue in July were 51% of gross patient revenue. The budget for deductions is 50%. Payer mix remained consistent with prior months. Medicare length of stay increased to 4.5 days, and case mix was 1.46. Charity care totaled \$474,250 for the month, and \$583,566 was written off as bad debt expense. The combined total for charity and bad debt equaled 7.21% of gross patient revenue. The budget is 7%.

Salary expense was higher than budget in July by 3.79%. Benefit expense was less than budget again this month by 17.49%. Salary and benefit expense represents 46% of net operating revenue. Supply expense, purchased services and other operating expense in July are in good shape, all below budget. Total operating expense is below budget by 5.45% and higher than last year by 5.89%.

Total non-operating revenue for July was a gain of \$702,318 which consisted of realized losses and interest income of \$325,737, unrealized gains of \$455,718, and interest expense of (\$79,136).

Total net income for the month of July was \$1,184,523. Gain from operations was \$482,205. Operating margin was 5.2% and total margin was 5.7%.

Total assets at July 31, 2010 remain strong. Cushion ratio, which measures the number of times future peak debt service can be paid with available cash, equals 9.1. This compares to 15.3 for Moody's A3 rated hospitals. Total return on assets for the month equals 3.5%. This ratio measures how much profit is generated for each dollar of assets. Unrestricted cash to long term debt equals 165.4%, 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 51 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 40.7 days, compared to 55 days for Moody's A3 rated hospitals. The long-term debt to equity ratio decreased slightly to 24.4%. The long-term debt to equity ratio for Moody's A3 rated hospitals is higher at 37.3%. The annual debt service coverage ratio is 4.3, which is slightly lower than the Moody's ratio of 4.4. This ratio was 3.4 at year-end 2009.

Total net assets (assets minus liabilities) increased to \$68.8 million. This compares with \$63.2 million year to date in 2009. As a benchmark, Moody's A3 rated hospitals median net assets equal \$150 million.

A copy of the Investment Performance Review for the period ending July 31, 2010 was included in the Board packets. Lovelace discussed this with the Board members. Simple return for the month was 2.97%, and simple return year to date is 1.16%.

A copy of the minutes of the August 18, 2010 Finance Committee meeting was included in the Board packet. Lovelace told Board members that we are caught up on the billing from the Stillwater Surgery Center, except for Medicare cases, due to the fact that the appropriate paperwork has not yet been received from Medicare.

Drummond moved the Board accept the July 2010 Financial Report and Finance Committee minutes of August 18, 2010. Barto seconded the motion, and Barto, Lauvetz, Couch, Drummond and Anthony voted in favor of the motion.

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ACCEPTANCE OF SMC FACILITIES COMMITTEE MINUTES

A copy of the minutes of the August 4, 2010 Facilities Committee was included in the Board packet. Denise Webber, VP Administrative Services, spoke to the Board about the meeting.

Webber provided updates on the bariatric room project and the surgery center remodel. A drawing of the remodel/expansion of the Surgery Center was shared with Board members and discussed at length.

After discussion, Barto moved the Board accept the August 4, 2010 minutes of the Facilities Committee meeting. Drummond seconded the motion, and Anthony, Lauvetz, Drummond, Couch and Barto voted in favor of the motion.

APPROVAL OF EXPENDITURE FOR SURGERY CENTER REMODEL/EXPANSION

Webber discussed State requirements in regard to the Surgery Center remodel/expansion and went into further detail about the project. Although the Surgery Center cases move quickly and smoothly, more efficiency will be created with the remodel/expansion project, Webber told Board members. It is expected that the project will come in at approximately \$1,334,749. Webber reminded the Board that this was in the capital budget at \$1.1 million, but at the time we budgeted, we didn't have all the information we needed for a proper dollar amount.

Webber told Board members that we are still awaiting the State's approval before we can send it out for bid. Preliminary colors have been given to the Surgery Center physicians for their selection. Webber said that after the project goes out to bid, the bids will come back to the Board for approval in November, and then the project will take approximately 8 months to finish.

Lauvetz voiced concern that the Surgery Center would have to be closed during a portion of the remodel. Webber explained the plan to have as little as possible interruption to the Center. Drummond stated that it would not be unlike the project that was done in the Stillwater Medical Center Surgery Department in years past – entirely manageable. Drummond said that it was his understanding that the Surgery Center may be down to one OR for a while, and then a complete shut-down for maybe two weeks, which he felt was reasonable.

Chairman Anthony asked who would receive bid proposals. Webber said that all of our regular locals would receive bid proposals, as would Cooper (who built the Surgery Center West), Nabholz and Flintco, as well as others. Webber said hopefully we will get 6-7 proposals returned.

Couch moved the Board approve the expenditure for the remodel/expansion of the Surgery Center West. Barto seconded the motion, and Couch, Anthony and Barto voted in favor of the motion. Drummond and Lauvetz abstained from the vote.

CONSENT AGENDA

The only topic on the Consent Agenda was the request for medical staff privileges from Daniel A. Brown, D.O. Dr. Brown is requesting active staff privileges in Family Medicine. Dr. Malinda Webb, SMC's Chief of Staff, spoke to the Board about Dr. Brown's request. For now, Dr. Brown is only requesting adult medicine privileges. Dr. Brown's application has gone before the Credentials Committee and Medical Executive Committee, and those committees recommend Dr. Brown's approval by the Board of Trustees.

Drummond moved the Board approve the Consent Agenda. Lauvetz seconded the motion, and Barto, Drummond, Anthony, Lauvetz and Couch voted in favor of the motion.

CEO REPORT

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

SMC Losses

Sadly, two employees of Stillwater Medical Center have recently been taken from us. Tonja Miller, a monitor tech who was hired in 1995, passed away at the age of 47. Deb Miller, a physical therapist at Total Health, was hit while riding a bicycle on Highway 51 west of town and died at the age of 56. Employees are coping with these losses and gaining strength from the SMC family.

EmCare

Our contract with EmCare has been executed, and will become effective September 1st. The contract has provisions to insure a certain level of patient satisfaction, compliance with core measures, etc. It also has more work and participation from the Medical Director, Moeller told Board members – something we haven't had previously.

Dr. Gary Moyer did not sign with EmCare, as he had already announced his intention to leave at the end of summer; and Dr. Scott Roach, who was going to retire at the end of the year anyway, decided to retire effective August 22nd. Dr. Charles Olson has not yet signed his contract, but all of the other ER physicians are on board with EmCare.

Retirement Reception

Moeller told Board members that Dr. Scott Roach would be honored with a retirement reception on Wednesday, August 25th at noon in the West Conference Room.

StuderGroup

In early July we signed a consulting agreement with the StuderGroup to work with our management team and hospital in creating a culture of excellence at SMC. Moeller told Board members that as we look to the future, we know that patient satisfaction and the achievement of clinical core measures are going to become even more important. Although our actual patient satisfaction scores haven't changed much over the years, comparatively speaking, with other hospitals we have declined. This is because they have been working on it, and we have more or less taken it for granted.

We are looking forward to the StuderGroup taking our organization to the next level. Moeller discussed the contract costs and benefits with the Board.

BOARD EDUCATION

Board members were provided with an Oklahoma Hospital Association *Trustee Quarterly* as Board education for the month.

EXECUTIVE SESSION

In accordance with Title 25, Oklahoma Statutes, §307 (B) 1, Drummond moved the Board convene to Executive Session to discuss the employment of Dr. Jeff Scott. Barto seconded the motion, and Anthony, Lauvetz, Drummond, Barto and Couch voted in favor of the motion. Those present in Executive Session included Board members Anthony, Couch, Drummond, Barto and Lauvetz, Jerry Moeller, President/CEO, Alan Lovelace, VP/CFO, Liz Michael, VP Patient Care Services, Denise Webber, VP Administrative Services and Susan Taylor, Executive Assistant to the CEO.

After discussion, Drummond moved the Board return to Open Session. Couch seconded the motion, and Barto, Drummond, Couch, Lauvetz and Anthony voted in favor of the motion. Chairman Anthony stated that nothing other than what was listed on the agenda was discussed during the Executive Session, and that no vote had been taken.

NEW BUSINESS

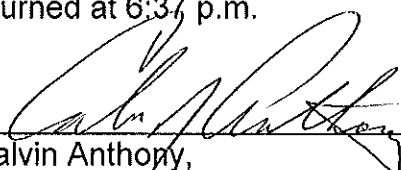
None.

Prior to the meeting, Board members reviewed the following committee minutes:

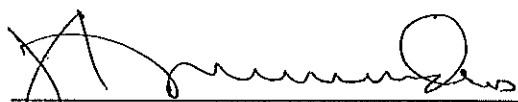
<i>Credentials Committee</i>	7/26/10
<i>Infection Control Committee</i>	7/21/10
<i>OB Section</i>	7/27/10
<i>P.I./Patient Safety Committee</i>	7/29/10

ADJOURN

There being no further business, Couch moved the meeting be adjourned. Lauvetz seconded the motion, and Anthony, Barto, Drummond, Couch and Lauvetz voted in favor of the motion. The meeting was adjourned at 6:37 p.m.



Calvin Anthony,
Board Chair



Jonathan Drummond, M.D.,
Board Secretary