

**STILLWATER MEDICAL CENTER AUTHORITY
BOARD OF TRUSTEES
Regular Meeting, January 25, 2011
Stillwater Medical Center Honska Conference Center
5:30 p.m.**

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

Absent: Mayor Nathan Bates

Others: Jerry Moeller, Alan Lovelace, Denise Webber, Malinda Webb, M.D., Teresa Hopkins, Tina Koemel, Cheryl Wilkinson, Chris Roark, Ricky O'Bannon (NewsPress) and Susan Taylor

Board Chairman Calvin Anthony called the meeting to order at 5:33 p.m.

APPROVAL OF MINUTES

Drummond moved the Board approve the minutes of the December 21, 2010 regular meeting of the Stillwater Medical Center Authority Board of Trustees as presented. Barto seconded the motion, and Barto, Couch, Anthony, Drummond and Lauvetz voted in favor of the motion. Buchanan was not present for the vote.

POSTED ITEMS

Acceptance of December 2010 Financial Report

Alan Lovelace, Chief Financial Officer, gave a Power Point presentation of the December 2010 financials. Lovelace reported that total patient revenue for December was \$16,383,276, higher than budget by 12.14%, and higher than December 2009 by 22.21%. Acute inpatient admissions were 343. This compares with 318 admissions in December 2009. The emergency department saw 1,995 patients compared to 1,866 in December 2009. Outpatient visits were 9,038 compared to 7,456 this time last year. There were 102 inpatient surgeries and 179 outpatient surgeries performed, compared to 93 inpatient and 151 outpatient surgeries in December 2009. There were 358 surgeries performed at the Surgery Center West.

Total deductions from revenue in December were 51.8% of gross patient revenue. The budget for deductions is 50%. Payer mix remained consistent with prior months. Medicare length of stay decreased to 3.93 days, and case mix was 1.4. Charity care totaled \$389,277 for the month, and \$742,192 was written off as bad debt expense. The combined total for charity and bad debt equaled 6.83% of gross patient revenue. The budget is 7%.

Salary expense was higher than budget by 10.04%. Benefit expense was less than budget again this month by 28.03%. Salary and benefit expense represents 41% of net operating revenue. Supply expense was over budget by 49.85% and other expense

was over budget by 35.71%. Purchased services remain in good shape. Total operating expense is above budget by 11.33% and higher than last year by 28.2%.

Total non-operating revenue was a gain of \$322,632 which consisted of realized gains and investment income of \$8,115, unrealized gains of \$384,551, and interest expense of (\$70,035).

Total net income for the month was \$644,768. Gain from operations was \$322,136. Operating margin for the month was 3.38% and total margin was 6.55%.

Total assets at December 31, 2010 remain strong. Cushion ratio, which measures the number of times future peak debt service can be paid with available cash, equals 10.6. This compares to 15.3 for Moody's A3 rated hospitals. Total return on assets for the month equals 6.2%. This ratio measures how much profit is generated for each dollar of assets. Unrestricted cash to long term debt equals 195.3%, 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 48.5 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 38.5 days, compared to 55 days for Moody's A3 rated hospitals. The long-term debt to equity ratio was 23.2%. This ratio for Moody's A3 rated hospitals is higher at 37.3%. The annual debt service coverage ratio is 4.7, compared to Moody's ratio of 4.4. This ratio was 3.4 at year-end 2009.

Total net assets (assets minus liabilities) increased to \$71.6 million. This compares with \$65.5 million year to date in 2009. As a benchmark, Moody's A3 rated hospitals median net assets equal \$150 million.

Lovelace also reported on the minutes of the January 19, 2011 Finance Committee meeting, a copy of which was included in the packet.

After discussion, Barto moved that the Board accept the December 2010 Financial Report and Finance Committee Meeting Minutes of January 19, 2011. Lauvetz seconded the motion, and Dr. Couch, Dr. Drummond, Mr. Barto, Mr. Anthony and Dr. Lauvetz voted in favor of the motion. Buchanan was not present for the vote.

SMC Clinic Review

Vice President of Administrative Services Denise Webber discussed the Physician Clinic review with Board members. Physician clinics, the hospitalist group, contracted physicians and CBO/PPM Departments showed financial improvement, as a whole, over last year.

Acceptance of January 10, 2011 Physician Recruitment/Retention Committee Minutes

Dr. Jonathan Drummond, Chairman of the Physician Recruitment/Retention Committee, discussed the minutes of the January 10th meeting with the Board of Trustees. Ms. Buchanan arrived during this discussion.

Drummond stated that the Warren Clinic had requested recruitment assistance for an interventional cardiologist. Due to the fact that Dr. Gaurav Kumar will be leaving at the end of April 2011, SMC is currently focusing on recruiting an interventional cardiologist for the hospital. Therefore, we declined Warren Clinic's request at this time.

Dr. Nathan Ho, Interventional Cardiologist, recently visited both Warren Clinic and SMC. Dr. Ho is an interventional cardiologist fellow practicing in Tulsa at St. Francis, and will be available in July 2011. He visited with all the cardiologists and seems to be a good fit. Although he is not doing a lot of peripheral cases, he has voiced an interest in doing so.

Dr. Abdul Rashid and Dr. Roger Ishac have also submitted CVs in view of the interventional cardiology position.

Drummond went on to say that Merritt Hawkins contacted us regarding Dr. Olukayode Onasanya, neurologist, who is currently in a fellowship in New York. Drummond feels that it is important to recruit physicians with ties to Oklahoma, in order to employ them for the long term.

Warren Clinic also asked for assistance in recruiting a pediatrician. Dr. Stephen Smalley, who attended OU and then OSU Medical School, has expressed interest in Stillwater.

Two pulmonologists – Dr. Tim Nokes and Dr. Brian Witson – have expressed interest in coming to Stillwater. Nokes would not be available for another 2 ½ years, however.

There was some discussion about the current demands of the hospitalist program at SMC. We are considering recruiting a mid-level provider for the program.

An update on physician employment was given at the January 10th meeting. Dr. Ebert and Dr. Karns (OB/GYN) began their employment on January 1st. Dr. Jeff Scott (GI) began his employment October 1st. Dr. Jennifer Ferrell (hospitalist) was scheduled to begin work January 1st, but a problem with her licensure paperwork has delayed her starting date.

Drummond said that there was a long discussion about the Pawnee Clinic and the possible employment of Dr. Riemer. Details of that discussion were included in the January 10th minutes.

Drummond then spoke to the Board about the idea of restructuring the Physician Recruitment/Retention Committee to include a physician integration focus. He suggests that the committee meet monthly and be more engaged with providing direction and leadership for physician recruitment, employment and retention.

Regarding the Call Task Force, Dr. Malinda Webb, SMC Chief of Staff, stated that the minutes of the meeting will be finalized and taken back to the Medical Executive Committee with their recommendations. Those recommendations should come to the Board of Trustees in February.

Lauvetz moved that the Board accept the January 10, 2011 minutes of the Physician Recruitment/Retention Committee meeting. Couch seconded the motion, and Anthony, Drummond, Barto, Lauvetz, Couch and Buchanan voted in favor of the motion.

Acceptance of SMC Foundation's Year-End Report

Teresa Hopkins, Executive Director of the SMC Foundation, presented the year-end report. The 2010/2011 goal of the Foundation was to raise their endowments to \$1 million. Hopkins was very pleased to report that the goal had been reached, thanks in part to the gift from Mr. Randall, who donated \$577,000 in 2010.

Hopkins went on to say that the Foundation was started in 1982. In 1995, the SMC Foundation endowment fund was \$9,773. Gifts from supporters have now raised that amount to \$1.2 million.

Hopkins told Board members that at today's Foundation meeting, \$80,000 was given to SMC to pay for ½ of the new hyperbaric chamber. SMC volunteers have donated the other ½. Hopkins reminded Board members that the Foundation paid for the flu vaccines that were given this year. The Foundation Board also agreed to donate \$16,000 to buy new televisions for the ICU department and renovate the ICU family waiting area. The focus for the Foundation's 2011 fund raising efforts has not yet been determined.

Chairman Calvin Anthony congratulated Hopkins on meeting their \$1 million goal in the endowment fund, and expressed appreciation to the entire Foundation Board for their continued support of Stillwater Medical Center.

Hopkins also presented the list of new Foundation Board members, to include Dr. Lee Bird, OSU Vice President of Student Services. Matt Hull has been nominated for President-Elect of the SMC Foundation. Hull will serve as President for 2012 and 2013.

Drummond moved that the Board accept the Foundation's year-end report and the recommendations from the Foundation Board. Buchanan seconded the motion, and Buchanan, Anthony, Drummond, Barto, Lauvetz and Couch voted in favor of the motion.

Semi-Annual Conflict of Interest Statement

Every six months, a Public Trust List of all Conflicts of Interest is prepared by our attorney, signed by the Board members, and filed with the Secretary of State. The document was reviewed and signed by Board members present at tonight's meeting. No action was necessary.

CONSENT AGENDA

Topics of the Consent Agenda included the following:

Medical Staff Matters:

- ***Approval of Application of Michael Schiesel, D.O. (Emergency Medicine)***
- ***Approval of Application of S. Naidu, D.O. (Emergency Medicine)***
- ***Approval of Resident Policy***

Dr. Webb discussed this portion of the Consent Agenda with Board members. Dr. Schiesel and Dr. Naidu are two of our emergency medicine physicians who were previously in the group contracted with EmCare. They have now switched to the new ER group, MorningStar. They have previously had temporary privileges at SMC. Drummond moved approval of the applications of Drs. Schiesel and Naidu. Barto seconded the motion, and Buchanan, Barto, Couch, Lauvetz, Anthony and Drummond voted in favor of the motion.

A copy of the Draft Resident Policy was distributed to Board members. Webb explained that our surgeons have been contacted by the OU Tulsa Surgery Program regarding having residents come rotate with them. These would be third year residents. We were approached about this in October, but because our efforts were focused on emergency department physicians at that time, this was put on the back burner. Now, residents are scheduled to arrive at SMC soon. Because we did not have a policy in place regarding residents, this policy is being proposed, and time is of the essence. This has gone to Credentials Committee, and has been discussed with members of the Executive Committee (although the Executive Committee has not met in session in this regard due to time restraints).

Chairman Anthony asked Dr. Webb if she was comfortable that approval of this policy by the Board of Trustees at this time was appropriate. There was lengthy discussion between Board members, Vice President Denise Webber and Dr. Webb regarding the policy. Drummond moved the Board approve this policy as presented. Anthony seconded the motion, and Barto, Lauvetz, Drummond, Couch and Anthony voted in favor of the motion. Buchanan abstained from the vote.

- ***Approval for Worker's Compensation Letter of Credit***

CFO Alan Lovelace told Board members that on January 3 of this year we received a letter from the Worker's Compensation Court, letting us know that we needed to have a Letter of Credit on file with them before February 1st in the amount of \$375,000 to cover our potential outstanding caseload of \$373,000. The Letter of Credit is being prepared by Stillwater National Bank, and we have been told that it will be ready tomorrow. The fee will be no more than 2% of the amount of the Letter of Credit, Lovelace reported.

Barto moved the Board approve the Worker's Compensation Letter of Credit. Buchanan seconded the motion, and Drummond, Lauvetz, Couch, Barto, Anthony and Buchanan voted in favor of the motion.

APPROVAL OF POLICY ON RECORD RETENTION GUIDELINES

CEO Moeller reminded Board members that we had discussed this topic at last month's meeting, but because there were so many different views on the subject, more research was done. In speaking with our attorney, we know that the state law is 7 years retention. Most hospitals retain records 10 years. Our concerns were what the cost would be to keep records for a longer period of time.

Cheryl Wilkinson, Performance Improvement Director, and Chris Roark, Chief Information Officer, were present at tonight's meeting to help facilitate the discussion. Wilkinson provided information detailing the cost to store and retrieve paper records as well as electronic records. Roark spoke to the Board about the current storage space. After lengthy discussion, Wilkinson suggested setting the retention period of medical records to 15 years. Board members were in agreement. Lauvetz made a motion that the policy be approved, reflecting the retention period of 15 years. At the end of 15 years, the Board of Trustees will reassess and decide whether or not to purge those records. Drummond seconded the motion, and Barto, Buchanan, Couch, Lauvetz, Drummond and Anthony voted in favor of the motion.

CEO REPORT

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

Management Objectives for 2011

A copy of the proposed Management Objectives for 2011 were included in the Board packet. Moeller discussed these objectives in detail with the Board.

City Agenda Item

Moeller explained to Board members an item that was included in the Government Watch on the City Council agenda. It mentioned a grant to the Stillwater Public Library from Stillwater Medical Center. It was a \$1,000 SMC Heart of the Community Wellness Grant for 40 books on heart disease, smoking, childhood obesity and a big display for the books.

Oklahoma State University Medical School Presentation

William J. Pettit, D.O., Associate Dean for Rural Health, and C. Michael Ogle, D.O., from the Oklahoma State University Medical School, visited SMC on January 20th. Included in the meeting were Moeller and Webber, as well as our three hospitalists, Dr. Payne, Dr. Ferrell and Dr. Cummins. A discussion was held concerning the general requirements for a possible family practice residency, what the medical staff interaction could need to be, and what the hospital's contribution would need to be. Moeller told Board members that we have several examples of family practice residencies in Durant, Tahlequah and Enid where we can gather information to evaluate this possibility. Our next steps will be to determine what the financial impact would be and whether our medical staff is in a position to provide the necessary teaching for this program. Moeller

said that we would evaluate this and hopefully have a report to share at next month's Board meeting.

Wellness Program

One of our management objectives for 2010 was to increase the health assessment screening participation rate of our employees on the health plan from the present 53% to 85% by year end. The final tally was that of the 563 employees in the health plan, 406 of them are participating in the employee wellness program, for a participation rate of 72%. Although we fell short of the 85%, we feel very good about some of the other outcomes of the program. We feel that employees are more aware of their health than they were before. Further, employee benefit costs were \$1.3 million less in 2010 than they were in 2009. We do feel that our wellness program was a contributing factor in this savings.

EXECUTIVE SESSION

Buchanan moved that the Board convene to executive session for the purpose of confidential communications, regarding the items stated in the agenda. Lauvetz seconded the motion, and Anthony, Couch, Drummond, Barto, Buchanan and Lauvetz voted in favor of the motion. Present in executive session for the topic of item VII (c) were Board members Drummond, Anthony, Buchanan, Lauvetz, Barto and Couch, as well as CEO Jerry Moeller, Susan Taylor and attorney Tina Koemel.

Moeller, Taylor and Koemel left the meeting for the executive session topic of item VII (a).

Lauvetz moved that the Board return to open session. Couch seconded the motion, and Buchanan, Couch, Lauvetz, Anthony, Drummond and Barto voted in favor of the motion. Chairman Anthony stated that nothing other than what was listed on the agenda was discussed in executive session, and that no votes were taken.

There being no further business, Drummond moved that the meeting be adjourned. Buchanan seconded the motion, and Anthony, Couch, Buchanan, Barto, Lauvetz and Drummond voted in favor of the motion. The meeting was adjourned at 8:47 p.m.


Jonathan Drummond, M.D.
Secretary/Treasurer of the Board


Calvin Anthony
Chairman of the Board