

A meeting of the McAlester Regional Health Center Authority was held at 4:00 PM, on Wednesday August 02, 2017 at McAlester Regional Health Center in the Administration Board Room. Public notice, setting forth thereon the day, time and place for this regular meeting had been delivered to the office of the City Clerk at 02:17 AM, on Tuesday August 1, 2017.

TRUSTEES PRESENT:

Cara Bland ~ L.M. Milton, MD ~ Evans McBride ~ Susan Kanard ~ Mary Shannon, Vice Chairman ~ Kevin Priddle ~ Brent Grilliot

TRUSTEES ABSENT: Mark Sehgal, MD, Weldon Smith, Chairman

HOSPITAL STAFF:

David Keith ~ Sonya Stone, Recording Secretary Shawn Howard ~ Jared Droze ~ Jason Bray ~ Dr. Jason McElyea Dr. Kenneth Murphy

OTHER ATTENDEES:

Elise Brennan, Legal Counsel

CALL TO ORDER:

Vice-Chairperson Mary Shannon called the meeting to order at 4:00 PM in the absence of Chairman Weldon Smith.

Public Comment: None

Consent Agenda:

1. MRHCA Board of Trustees minutes for July 05, 2017.
2. Medical Staff credentialing appointments as follows:
 - A. Approval of appointments for Provisional privileges for One (1) year per the recommendation of the Medical Executive Committee.
 - a. John Clay Bowen, DO ~ Active Staff ~ Emergency Medicine
 - b. David Auld, MD ~ Active Staff ~ Internal Medicine Pediatrics
 - B. Approval of appointment for Reappointment privileges for Two (2) years per the recommendation of the Medical Executive Committee.
 - a. Brandon Guthery, MD ~ Active Staff ~ Pathology
 - b. Mark Sehgal, MD ~ Active Staff ~ Otolaryngology

A **Motion** was made (Bland) and seconded (Grilliot) to approve items one (1) and two (2) of the consent agenda as presented. The vote was taken as follows: Aye: Cara Bland, Brent Grilliot, Evans McBride, Susan Kanard, Kevin Priddle and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: L.M. Milton, MD. Vice-Chairperson Shannon declared the **motion** carried

CEO report:

Mr. David Keith reported that MRHC received notice that a HRSA grant application to develop a healthcare alliance among SE Oklahoma providers was approved. The grant will help pull together healthcare partners to develop a Southeast Alliance to move Southeast Oklahoma to a clinically

integrated network. He added a coordinator position is currently being recruited and will be paid for with the grant. The coordinator will help develop strategies for the regional strategic plan. Mr. Keith reported having a conversation with representatives from Atoka County Medical Center (ACMC) who requested that MRHC enter into an interim management agreement to help manage the hospital until a long term agreement can be developed. They have determined that MRHC will be a better fit for their hospital over Mercy Hospital in Ada, Oklahoma. Ms. Elise Brennen reported that ACMC is currently in Chapter 9 bankruptcy and although court approval is not mandatory, it would be advisable to obtain court approval before entering into a long term agreement to assure that MRHC will get paid. Mr. Keith reported MRHC participated in the Oklahoma Hospital Association strategy to promote a tax increase of \$1.50 per pack of cigarettes. He added there are concerns the \$1.50 a pack fee will be struck down by the Supreme Court because it is a revenue tax. The gap that it will be created will result in Medicaid provider cuts of up to 24% which will be detrimental to all hospitals and would impact MRHC tremendously. Mr. Keith reported he has communicated to Saint Francis of MRHC's interest in purchasing their 50% ownership in the McAlester Ambulatory Surgery Center. He added Saint Francis expressed interest; however no formal decision has been made. Mr. Keith reported the former Chief Financial Officer Mr. David Mak took a position in Texas. He stated he is currently recruiting for a Chief Financial Officer and also a skilled controller. He added Mr. Darryl Linnington will serve as Interim Chief Financial Offer until the position can be filled. Mr. Keith reported the Director of the Supply Chain position has been filled by Kayla Rovank. Ms. Rovank comes to us with a lot of skill and ability. Mr. Shawn Howard reported the Gross Maximum Price (GMP) for Phase II of the ED Project was finalized with Manhattan at 9.8M. He added State approval is pending; however there are a few things that Manhattan can start on while awaiting authorization from the State. Mr. Howard requested emergency approval for a Medical Air Supply System. He reported there are three units that run the system in succession of each other. He stated it takes two units to run the system; the third is a backup if one unit goes down or overheats. He reported one of the three units recently went down and according to the repair service; replacement parts are no longer available to repair the original 40 year old equipment. He reported if one more unit goes down; the system will shut down and patients will have to be diverted and possibly vacated. He added in last year's Capital Budget, \$30,000 was allocated for repairs to the system; however no repairs were needed until now. Mr. Howard reported receiving a bid for \$60,945 to replace the system which includes bringing in a temporary system until a permanent system can be put in place. Mr. Keith stated he signed an emergency purchase order to immediately expedite the replacement of the current Medical Air Supply System. He added a retroactive Capital Purchase Order will be presented at the next Finance Committee and Board meetings for formal approval. Mr. Keith reported the Longtown Rural Health Clinic sold for more than the appraised amount. He also reported the Blue Cross/Blue Shield agreement was finalized. Mr. Keith reporting a bid will be submitted to the Veterans Association to propose relocating the Veterans Clinic from Hartshorne, OK to the second floor of Doctors Building. He added he is considering moving the primary care physicians to the second floor of the Down Town Imaging Center.

Chief of Staff Report:

Dr. Jason McElyea reported the Medical Staff met to update the Medical Staff Bylaws. The revised bylaws are currently being routed to the appropriate committees before presenting to the Board for final approval. He reported Dr. Surana terminated his employment on good terms and moved out of State. He added most of his pulmonology procedures will be absorbed by other physicians with no interruption in care. Dr. McElyea reported a meeting was held with the Emergency Department Hospitalist to discuss the low census and elevated transfer rate that was three times the national average. Since that meeting, the transfer rates

improved by making physicians aware that patient transfers are being monitored and the hospital is keeping sicker patients at this facility as long as we have a good support system.

Board QI Report:

In the absence of Dr. Mark Sehgal, no report was given.

Finance Committee Report:

1. Finance Reports:

Mr. Darryl Linnington provided an overview of the Financial Reports for June 2017. He reported the month of June was a typical year to date month when looking at the fundamentals and comparisons to the prior year. He reported after reviewing the books with the auditors; areas of catch up in regards to year-end entries were found. He reported admissions were up from June of last year and for the year to date. Mr. Linnington reported ED visits were equally as busy compared to last year and surgeries were strong in the month of June exceeding the prior year. He added there were some physician turnover; however Dr. Grossman and Dr. Torbati's practices are ramping up nicely and doing well. When looking at the overall financial picture, June recorded a loss for the month. He reported volumes and revenues were there; however a 1.6% increase in self-pay or uninsured revenue was reported which contributed to an overall impact to collections of \$4M. Mr. Linnington reported all revenue adjustments were made for June driving much lower net revenues. He added auditors are currently on site and he is looking at their reserves to make sure they are reasonable and not too aggressive. Mr. Linnington reported there was an increase of 40 full time employees from this time last year which also impacted the financials; however efforts are being made to reduce the numbers. In closing Mr. Linnington reported there are still some upcoming adjustment to be entered both positive and negative that will affect the final financial report. The adjustments will be finalized within the following week. Mr. McBride recommended that the Board forgo approval and vote to only accept the June Financial Reports pending significant adjustments to the final Financial Report. A **Motion** was made (Priddle) and seconded (Milton) to accept the Financial Report for June 2017 as presented. The vote was taken as follows: Aye: Kevin Priddle, L.M. Milton, MD, Susan Kanard, Brent Grilliot, Cara Bland, Evans McBride and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: None. Vice-Chairperson Shannon declared the **motion** carried.

2. Consideration and approval of Operational Lease Policy:

Mr. Darryl Linnington presented a new accounting policy to assure there is proper review, approval and recording of any lease that is being considered. He reported leasing in specific situations can be a more attractive financing option as opposed to paying cash. He provided the example of imaging equipment that quickly becomes out of date. A lease provides more flexibility to trade the out of date equipment for an upgraded version. He reported in the past there was not much activity with leases; however the need for a formal policy increased over the past twelve months. Mr. McBride reported there were operational lease transactions that were not reported or presented to the Board for approval. In the past when the hospital did anything that was above the CEO threshold, it would go through the Finance Committee for approval then the CFO and CEO would decide the financing options. He added during the employment of a previous CEO, the Finance Committee put a halt to all borrowing and for a long time, did not have any transactions going through the Committee. Over the course of time the operating leases have been in a non-approved status, handled through the finance office as a non-debt transaction. He stated that Mr. Linnington and Mr. Keith are in agreement with Mr. McBride that leases should be considered debt and subject to

approval. Mr. McBride reported the purpose of the policy is to clean the process up and assure operational leases will be handled in the same way as a capital lease or a note. He reported that the Finance Committee was provided a summary of all operational leases transaction for the past year. In addition, he requested a summary of all operational leases that will be presented to the CEO, Finance Committee and Board every month so everyone will be apprised of the transactions and obligations. Mr. Keith stated that he would like to make the Board aware; the administration team self-reported the oversight and initiated the corrective action. A **Motion** was made (Priddle) and seconded (Milton) to approve the Operational Lease Policy as presented. The vote was taken as follows: Aye: Kevin Priddle, L.M. Milton, MD, Evans McBride, Susan Kanard, Brent Grilliot, Cara Bland and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: None. Vice-Chairperson Shannon declared the **motion** carried.

Mr. McBride reported he continues to be very concerned with the financials and the team is working to drive improvement. He added expenses are too high; we are fortunate that the cash position is as strong as it is because the operating performance is not very strong. He stated we need to continue to monitor. Healthcare as a whole is a global issue and not isolated to just MRHC. Mr. Keith reported his team is looking at all contacts to identify cost reductions and all FTEs are being reviewed and reductions are being made. Mr. McBride requested a report that identifies the cost centers; better reporting is needed. He also requested for Mr. Linnington to assure all capital and operating leases are running through the income statement as an expense item since they are not reflected on the balance sheet.

3. Consideration and approval of Operational Lease for Hologic Mammography 3D Unit:

Mr. Jason Bray reported the hospital was recently awarded a grant for \$125K from the Koman Foundation for a new mammography system. He added the award comes with perfect timing to replace the current aging mammography system. At present, all mammography reads are being sent to OU Medical. Mr. Bray proposed the approval of an operational lease for a 3D Mammography System that will bring all mammography reads back in-house, reducing read turnaround from three days to a few hours. Mr. Bray reported an operational lease with a fair market value over four years is being proposed due to the flexibility that is available to upgrade dramatically changing technology equipment. He added our Radiologists are very excited and skillfully trained on the 3D system. Mr. Bray reported MRHC will be the only hospital in SE Oklahoma with a 3D Mammography System which will promote MRHC as a leading source for a women's diagnostic center in the region. Mr. Bray made a recommendation to approve the 3D Mammography System at a cost of \$510,000. Mr. Linnington reported he has reviewed and is in agreement with the operational lease. Dr. Milton recommended the new 3D System be heavily marketed in ever community in Southeast Oklahoma. A **Motion** was made (Milton) and seconded (Kanard) to approve the Operational Lease for a 3D Mammography System at a cost of \$510,000 as presented. The vote was taken as follows: Aye: L.M. Milton, MD, Susan Kanard, Cara Bland, Brent Grilliot, Kevin Priddle, Evans McBride and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: None. Vice-Chairperson Shannon declared the **motion** carried.

4. Consideration and approval of Loan for Eufaula Imaging Center:

Mr. Darryl Linnington reported a new Southeast Imaging, LLC was formed a few weeks ago which is a partnership with our Radiologist to perform imaging in Eufaula. He added we are now ready with the project and property to acquire and place the equipment. The target date for opening the new center is September 2017. Mr. Linnington reported the cost of the equipment matched by the proposed loan is approximately \$600,000. The loan will be in the name of Southeast Imaging, LLC in the amount of \$600,000 with an interest rate of 4.25% over a 60 month term. MRHC will be a guarantor of this note as well as Radiology Associates of Eastern Oklahoma, PLLC. Mr. Linnington

Initials _____

requested support to guarantee the note for Southeast Imaging, LLC. The proceeds will be for the purchase of imaging equipment for the Eufaula site. A **motion** was made (Milton) and seconded (Grilliot) to approve MRHC to guarantee the debt of Southeast Imaging, LLC and authorize CEO to sign the guarantee on behalf of the hospital. The vote was taken as follows: Aye: L.M. Milton, MD, Brent Grilliot, Susan Kanard, Cara Bland, Kevin Priddle and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: Evans McBride. Vice-Chairperson Shannon declared the **motion** carried.

5. Consideration and approval for the purchase of the Downtown Imaging Center:

Mr. David Keith reported that the purchase of the Downtown Imaging Center is strategic for the hospital. He stated the building has space to house either the Veterans Clinic or MRHC Primary Care Clinics which will put them out in the community and free up space for specialties that need to be close to the hospital. He added having the primary care physicians downtown will also have an economic impact and help revive downtown McAlester. Patients will not have to come on the hospital campus and there is sufficient parking at that facility. Mr. Keith reported our physicians are in favor of the possible move. He added another strategy involves price transparency with cash pricing for imaging and lab services on the first floor and price incentives to use our clinics. A **Motion** was made (Milton) and seconded (Priddle) to approve the purchase of the Downtown Imaging Center and authorize CEO to sign the agreement on behalf of the Board as presented. The vote was taken as follows: Aye: L.M. Milton, MD, Kevin Priddle, Cara Bland, Brent Grilliot, Susan Kanard, and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: Evans McBride. Vice-Chairperson Shannon declared the **motion** carried.

6. Consideration and approval of financing for the Downtown Imaging Center building with Arvest Bank and authorize the CEO to execute the finance documents:

Mr. Darryl Linnington reported receiving offers from Arvest Bank and The Bank NA to finance the Downtown Imaging Center at a cost of \$800,000. He added both options were reviewed by the Finance Committee and it was determined that Arvest Bank would be the best option. Arvest Bank offered an interest rate fixed for fifteen years fully amortizing. As of the date of quote, the interest rate of 3.98% was offered and quoted as a spread to an index. He requested support of the Board to assume the debt and authorize CEO to sign the agreement on behalf of the Board. A **Motion** was made (Priddle) and seconded (Milton) to approve MRHC to assume the debt for financing of the Downtown Imaging Center building at a cost of \$800,000 with an interest rate fixed for fifteen years fully amortized (3.98% as of date of quote) and authorize CEO to sign the agreement on behalf of the Board as presented. The vote was taken as follows: Aye: Kevin Priddle, L.M. Milton, MD, Evans McBride, Susan Kanard, Brent Grilliot, Cara Bland and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: None. Vice-Chairperson Shannon declared the **motion** carried.

Personnel Committee Report:

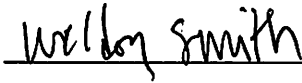
In the absence of Weldon Smith, Chairman, no report was given.

New Business:

A motion was made (McBride) and seconded (Milton) to approve the emergency spend for a Medical Air Supply System at a cost of \$60,945 as discussed previously in the CEO report with the details to be presented to the Finance Committee and Board at the next scheduled meeting. The vote was taken as follows: Aye: Evans McBride, L.M. Milton, MD, Kevin Priddle, Susan Kanard, Brent Grilliot, Cara Bland and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: None. Vice-Chairperson Shannon declared the **motion** carried.

Adjournment:

A **Motion** was made (McBride) and seconded (Milton) to adjourn the meeting. The vote was taken as follows: Aye: Evans McBride, L.M. Milton, MD, Kevin Priddle, Susan Kanard, Brent Grilliot, Cara Bland and Mary Shannon. Nay: None. Absent: Mark Sehgal, MD, Weldon Smith. Abstain: None. Vice-Chairperson Shannon declared the **motion** carried. With no further questions or business to come before the Board, the meeting adjourned at 5:12 PM



Weldon Smith ~ Chairperson



Mary Shannon ~ Secretary

/sds