

**BEAUFORT MEMORIAL HOSPITAL BOARD OF TRUSTEES
BOARD MEETING – OPEN SESSION**

MINUTES – January 28, 2009

BOARD MEMBERS PRESENT: Jerry Schulze (Chair), Pat Thompson, M.D. (Vice Chair), David Tedder (Secretary/Treasurer), Alice Wright, Charlene Robinowich, Terry Murray, Steve Kessel, M.D., James Simmons, M.D.

OTHERS PRESENT: Rick Toomey, Jeff White, Karen Carroll, Pat Foulger, David Homyk, Ed Ricks, Terri Harrison, Scott Stowe, Alice Moss, Paul Mazzeo, M.D., Ann Mecherle, Nora Kresch, Dawn Crawford, David Black (Howell, Gibson & Hughes), Bill McBride (Beaufort County Council Member), and Greg Taylor (Dixon Hughes)

ABSENT: Bill Paddock

CALL TO ORDER: Mr. Schulze called the meeting to order at 7:30 a.m., and stated that the Press had been notified. A motion was made by Mr. Tedder to go into Executive Session at 7:31 a.m. to discuss Quality Improvement, Medical Staff Credentialing, Strategic Planning, Contractual Arrangements, Legal and Personnel Matters. The motion was seconded by Dr. Thompson, and unanimously approved. The meeting re-convened to Open Session at 8:50 a.m.

INVOCATION: Mr. Schulze gave the Invocation.

INTRODUCTION: Mr. Schulze welcomed Bill McBride, a Council Member from Beaufort County, David Black, attorney from Howell, Gibson & Hughes, and Greg Taylor, auditor from Dixon Hughes.

2008 AUDIT – Mrs. Murray introduced our auditor, Greg Taylor (Partner), from the accounting firm Dixon Hughes out of Greenville, SC. Mr. Taylor thanked everyone for the opportunity to work with BMH and stated the audit went very smoothly. He reported that Dixon Hughes conducted the FY2008 audit using generally accepted accounting principles, and issued an unqualified opinion with no audit adjustments. Mr. Taylor then reviewed the audit report. Mr. White, Ms. Harrison and members of their staff were complimented for their great work.

APPROVAL OF MINUTES – December 31, 2008: Mr. Tedder made a motion, which was seconded by Dr. Kessel, to approve the minutes of the December 31, 2008 meeting. Unanimous approval.

COMMITTEE REPORTS

Finance Committee: Mrs. Murray stated that December marks our first quarter and it is interesting to review the budget based on the assumptions presented last August and compare them to our results. She stated that all of the assumptions have come to pass, except our daily census which we are close to experiencing. She said this underscores how challenging our environment and is pleased we took that view of our assumptions.

Our total patient revenues for the first quarter were \$98M; however, after contractual adjustments we were around \$38M, which is \$1.2M above our projections year-to-date (YTD). Total revenue was around \$985K above our budget for the first quarter. Operating expenses

were \$37.8M, which was \$1.6M over budget even though many of our line items were coming in under budget, especially contract labor. Our operating income was \$1.5M and \$594K below budget. Days in accounts receivable is improving at 50.1, which is right at Moody's benchmark. Days cash on hand has been improving over the past few months at 192.1 days. Revenue and expense growth in FY08 was at 5.7% in expenses and .08% in revenue compared to our first quarter at 6.6% in expenses and 5.4% in revenue, which shows a marked improvement. YTD our operating margin through December is .04%. The financial report was unanimously approved.

Quality Improvement Committee: Dr. Kessel reviewed the Plan for Provision of Care, Safety Plan and Annual Report on Safety, as well as the Environment of Care Report in the executive session. Dr. Kessel and Mrs. Foulger agreed that Ray Brown should be commended for his attention to detail in preparing these plans and reports. Mrs. Robinowich made a motion, which was seconded by Dr. Thompson, to approve the reports. Unanimous approval.

Mr. Schulze questioned the adequacy of generators during the summer in the event of a power loss. Mr. Toomey said we are incorporating recommendations that will be brought to the Board in the next few months for consideration. Mr. Toomey underscored the fact that if we do lose power, the generators do not run the chillers, so we are at risk. Mr. Ricks said Beaufort County has their warm site almost set-up and at the same time we continue to evaluate other alternatives, possibly at the Keyserling Cancer Center.

Governance Committee: Dr. Thompson recapped the past committee meeting and said they presented five names for the three open positions. She said the Medical Staff voted overwhelmingly for Dr. Kessel to serve a second term and Dr. LaFrance Ferguson as a second nomination. Dr. Thompson expressed how important it is to have the right team members to serve on the Board. She also stated that Susan Williams from USC-B, Van Irwin a former healthcare CFO and Lee Stone were also submitted. The vote will take place in February and be approved in March.

COMMUNITY OUTREACH: Mr. Schulze commented on the recent turnover in LifeFit during the past few months. Mrs. Foulger said that most of the turnover was due to family issues (i.e., spouse relocation, taking care of elderly parent). She said that Mr. Senn has reorganized his entire program to do more cross-training to provide more stability of the program. Mr. Schulze mentioned that the CHiP mobile has had some amazing statistics – over 4,000 screenings with 1,368 abnormal findings.

MEDICAL STAFF – Credentials: Dr. Mazzeo presented the credentials during the Executive Session. He also stated that we have four physicians up for reappointment and one Physician Assistant, as well as two new doctors to be appointed: Dr. Dhawal Goradia, tele-radiologist, and Dr. Linda Hawes, hospitalist. Dr. Thompson made a motion, which was seconded by Mr. Tedder, to accept the MEC and Credentials Committees recommendations. Unanimous approval.

Dr. Mazzeo also presented changes to the Rules and Regulations of the MEC, which he said were mostly cosmetic, and a few committee reorganizations and consolidations. Dr. Simmons made a motion, which was seconded by Mrs. Robinowich, to accept the Rules and Regulations as presented. Unanimous approval.

STAFF REPORTS: Ancillary & Support Services, Human Resources, Information Systems, Patient Care Services, Public Relations, and Quality Services: Mr. Tedder made a motion, which was seconded by Dr. Simmons, to approve the staff reports. Unanimous approval.

Mr. Schulze commented on great it is to see our nurse vacancy rate now lower than the national average.

BMH FOUNDATION: Mr. Stowe stated that we are ready for the Valentine Ball on February 7th with 550 tickets sold. However, Mrs. Moss mentioned that the numbers are down 150 from last year, as well as corporate sponsorships as well. She believes the numbers are primarily due to the downturn in the economy, but could be associated with the change in venue to Kate Gleason Park. She said the reception for the dinner hosts was held last week, and they are seeing much younger members hosting dinner parties. She said this year's silent auction is the best they've ever had, so she encouraged everyone hosting a dinner party to ensure their guests left on time so as not to miss out on the auction.

MANAGEMENT REPORT – Duke University: Mr. Toomey said we are still working with Duke University and waiting to hear their proposal on how they envision possibly restructuring their relationship with us in the Keyserling Cancer Center (KCC). He said we should be receiving their formal proposal soon regarding having a Duke faculty physician as a radiation oncologist at KCC. He said we are continuing to interview other radiation oncologists as well. Dr. McNab will be the locum's physician during February and has been at faculty on Chapel Hill for the past year (he lives in Charleston), which will give us an opportunity to review him in action. Dr. Fitzgerald is currently meeting the patient load.

Product Demonstrations: The PACT committee is meeting February 3rd to review a demonstration of the Meditech 6.0 Physician Care Management product for financial and clinical systems. Mr. Ricks said they have narrowed it down to 2-3 good solutions. He will deliver a full report to the Board in March with the best alternatives and costs associated.

Cost Reduction Strategies: Mr. Toomey presented a brief overview of our current cost reduction strategies that were put into place a couple months ago.

1. ***Restrict and/or reduce newly scheduled travel and educational conferences.*** We have reduced this by half (\$47K) during November and December.
2. ***Reduce overtime hours by 2%.*** October was 3.1%, November was 2.4% and December was 3.7% (always a challenging month for us with the holidays – we saw 3,900 patients in the ER, which was 1,000 more than budgeted).
3. ***Freeze on hiring during first quarter.*** In August we hired 28, September 24, October 24, November 25 and in December 11.
4. ***All Exempt employees with greater than 40 Paid Days Off (PDO) hours were asked to take 3 non-holiday PDOs by end of year.*** We exceeded the goal achieving 2,700 more PDO hours than anticipated.
5. ***We asked managers and supervisors to work 24 hours of clinical time per month.*** We had 65 staff that worked 1,581 hours.
6. ***Complete review of contracts of purchased services for appropriateness.*** We have terminated some contracts. Mr. White has given a list of all maintenance contracts to each Vice President to review with their Directors.

7. *Develop methodologies to develop service lines.* Mr. White is working on a methodology for the Emergency Department. He has developed a macro-level methodology and is also working on a micro-level.
8. *Continuing to work on par levels.*
9. *Productivity system that is compatible with the KRONOS time system.* We received a proposal from KRONOS that has an additional software product that will tie into our current system, but at a cost of \$400K. We currently use ClairVia for nurse scheduling, and they also have a productivity product that would tie into their system for a cost of \$50K. They are scheduled to give a demonstration of their software product on February 4th.
10. *Review variances with all departments and deliver their first quarter results.* Salaries are continuing to run somewhat over budget; however, we are significantly below in contract labor costs from last year this same time.

Mr. Toomey mentioned that he had a good CEO Forum yesterday discussing the challenges we have as a “business” and how we are affected by the current economy. The employees were appreciative of the information shared and they expressed their appreciation of having a job and being a good steward of our financial outlook.

He said we are tightening down on our salaries and overtime. Our census continues to challenge us. Part of the salary cost is the orientation and preceptorship for new nursing employees; however, they are slowly being phased out as we are almost fully staffed in nursing.

ORTHOPEDIC SPINE CALL – Mr. Tedder stated that the special committee the Board set up to look into the MECs recommendation of Orthopedic Spine Call has completed its review (*see attached*). The recommendation from the special committee is that we accept the MECs final recommendation, which is *not* to establish a separate panel for Orthopedic Spine Call. Mrs. Wright made a motion, which was seconded by Dr. Thompson, to accept the recommendation from the special committee.

CHAIR ANNOUNCEMENTS: Mrs. Mecherle reminded everyone of the upcoming annual Board retreat March 20-21 at the Westin on Hilton Head Island. She asked that if anyone intends to stay longer, to please let her know. The room rate is \$149.00.

Karen Carroll will be giving an update on Shared Governance and the Breast Navigator Program at the next Board meeting.

Bill McBride stated that the next County Council meeting will be held on February 11th at 4:00 p.m. and on March 9th the new board members would be appointed.

ADJOURN: The meeting adjourned at 9:37 a.m.

Respectfully Submitted,

David Tedder
Secretary/Treasurer