

SABINE COUNTY HOSPITAL DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES

July 27, 2015

The Sabine County Hospital District Board of Directors met for a Regular Meeting on July 27, 2015 at 5:30 PM in the Sabine County Hospital Cafeteria.

Present

Phil Yocom, President
Earl Willis, Member
Joe McNaughten, Secretary
Diane Powell, District Administrator
Gary Williams, EMS Administrator

Absent

Mark Pearson, Member at Large
Dr. Lana Comeaux, Member

Others Present

Jerry Howell, Hospital Administrator
Andy Freeman, CEO Preferred Hospital Leasing
Larry Stephens, CFO Preferred Hospital Leasing
Penny Ferguson, Sabine County Reporter

- I. President Yocom called the meeting to order at 5.30 p.m.
- II. Mr. Willis opened the meeting with prayer.
- III. With no members of the public desiring to comment, Mr. Yocom continued the meeting. No action taken.
- IV. Mr. McNaughten moved to accept all consent items. Mr. Willis seconded. Motion carried.
- V. Mr. Howell stated that his first month has gone by quickly. He stated that is goal for this time period was to get acquainted with the staff and operations of the hospital as well as begin to meet the community. He stated that he will be on the local radio broadcast on Thursday July 30, 2015. The Joint Commission completed their survey last week. As you always expect there are areas that need improvement. He stated that one particular area is the sterilization of equipment. The Hospital staff was well prepared for this and handled themselves admirably. The public relations committee will be reviewing our radio and newspaper spots and developing new ads related to both our services and health

topics. Dr. Backofen and his wife Brandy visited this past week. They are continuing the processes required for him to begin practice. We believe he will start on or before September 1. The ICD-10 conversion is a major change in how we have to code in order to properly bill and get the correct reimbursement. The Hospital Staff has attended seminars on this. The hospital has a scheduled in-service for providers in August. Mr. Howell would like to highlight the housekeeping department on a job well done. Director Tina Smith and her staff: Teresa Bragg, Carolyn Freeman, Pam Jacks, and Miranda Worrell have worked tirelessly refinishing the floors of the hospital. Mr. Howell stated that the discharged inpatient census days were up by 34% YTD, Swing Bed Medicare Days were down 4% YTD, ER Visits are down 5% YTD, Outpatient Visits are down 10%, and Transfers are up 18% YD. Mr. Howell stated that he received a letter from a patient who had stayed at the hospital for four days. The letter stated that the staff and quality of care received at the hospital was superb.

Mr. Willis moved to accept the Hospital Administrator's report. Mr. McNaughten seconded the motion. Motion carried.

VI. No Action Taken.

VII. Mr. Yocom stated that at the June Board Meeting the Board was given the 2013-2014 Sabine County Hospital Audit. He stated that in his opinion it was very broad in nature. Mr. Yocom stated "For the Record, this board has been requesting detailed financial information from Preferred for over a year now. This Board even got to the point it hired an attorney in an effort to secure the financial information this Board needs to perform its fiduciary responsibilities and then voted to fire him before we got that information. The audit provided by Preferred at the last meeting is again a very broad financial statement without much specificity. In my opinion, we still do not have sufficient detailed financial information, such as salaries for hospital personnel, Toledo Bend and Sabine Clinics. We do not have costs broken out for each one nor do we have income for each one. If you look at financial documents, detailed costs and income are broken out by District and EMS. Why can't Preferred do the same thing? In my opinion, we, as a Board, are unable to properly perform our fiduciary responsibilities as we are required to do because Preferred refuses to provide sufficient detailed financial information. In a marriage, generally one spouse handles their joint checkbook for the most part. If the other spouse asks to see the checkbook and they are told no, you can't look at it, it would likely make them suspicious and wonder what they are hiding. That is the same type of situation we have here. We asked to look at the checkbook, and Preferred said no. Earl, you were the Vice President and financial officer for the Board for many of the last years and as such, you were the Board member most responsible for oversight of taxpayers money. You said in April that Preferred was working on the detailed financials for us, but we still don't have them. You also said that Preferred was prepared to write us a check for \$300,000 and we still have not received it. An amendment to the Lease Agreement signed on August 1, 2014 requires Preferred to pay the District \$380,000 to relieve them of any obligation for providing an Ambulance service. Where is that money? Additionally, Earl, you have been telling people that if the 1115 Waiver Program goes away, it is your opinion that the tax rate would have to double. Given the fact that

Preferred just showed a profit in 2014 of \$101,549 as outlined on page four, how can you justify doubling the tax rate when the only money they showed was the \$739,968 that we gave them? Why would this Board double the tax rate to increase their profit? I for one am 100% against any tax increase beyond the roll back rate. Period. Preferred will tell you that the money from 1115 Waiver comes back to the taxpayers of this County in Services. I want proof of what services the taxpayers of Sabine County are receiving for their money. Additionally, I would like a list of services that have been added or initiated since Preferred took over in February 2008. For instance, we used to have respiratory therapy, but not any longer. Additionally, here is a copy of our contract with Preferred. I would ask anyone to point out anywhere in the contract the word clinic appears. We do not have a contract to operate the clinics. We have a contract to operate the hospital.

Let's look at the information Preferred has provided:

Preferred keeps telling us that the financial information they provide includes the clinics. If this is true prove it. Giving the Board financial information on the clinics is not required under the contract not does the District have any contractual obligations to the clinics. But if that is the only way to figure out what is going on, prove it. On Page three of the audit it shows Stockholders Equity Retained Earnings for 2014 in the amount of \$1,462,613. It is my understanding that Mr. and Mrs. Andy Freeman are the sole shareholders of Preferred Hospital Leasing Hemphill. So it appears they personally made \$1,462,613 in 2014. On page 6 of the audit on the line item Financing Activities, Distributions to Shareholders there is \$475,592; that also went to Mr. and Mrs. Freeman I am assuming. Additionally, on page 14 Note 7 of the audit, it states that Preferred entered into an agreement with CCSI. It is my understanding it is a wholly owned company by Mr. and Mrs. Andy Freeman. The purpose of CCSI is to provide physician staffing. For 2014 that amounted to \$962,569. Under what line item is this amount recorded on page 4? Can you prove that \$962,569 was spent to recruit physicians? The line item Salaries and Benefits do not state what is included in the line item. Whose salaries and benefits does that include? Why can we not see a breakdown by Hospital and both clinics? What is \$651,466 being spent on under the line item Lease and Rental? Why is there such a big difference in the 2013 amount of \$171,579? What is leased or rented that would account for such a huge increase? What is included in the line item, Professional Fees in the amount of \$1,967,126? Home Office expense is noted \$670,000. We paid Preferred \$739,968 in 2014 leaving a balance of \$69,968. It appears that \$69,968 is all the District tax money that Preferred spent on this hospital in all of 2014. \$5830 a month. If that is not correct, prove it. The depreciation line item reflects an amount of \$358,986. What is included in that? Define the line item other. Other as a line item would be much akin to misc., a general catch all line item. What was \$495,549 in miscellaneous money spent on? Under Non-Operating Income, the line item "Transfers from Hospital District" shows the amount of \$739,968. While this is what we paid Preferred in 2014, the amount is misleading. In addition to the \$739,968, Preferred made an additional \$1,035,955 on the turn through the 1115 Waiver Program on that money. Where is that money and what was it spent on? However, that is not all. The District sent up an additional \$664,730 to the 1115 Waiver Program in 2014 at Preferred's request to get them out of debt with Woodland Heights. We never got proof of such debt. With the \$664,730 that was sent up in addition to the original \$739,968, it totals \$1,404,698. With the 140% match provided by the 1115 Waiver Program, Preferred

actually received \$3,371,275 in taxpayer derived funds in 2014. Only \$739,968 is reflected in the audit provided by Preferred. Where is the rest of the money? Again, Preferred will tell you it came back in services. I simply want proof of what the money was spent on. In reality, Preferred's profit in 2014 was not \$101,549 as reflected in the audit, but \$3,347,127. Even if you take out the Districts direct payments to Preferred of \$739,968 that still leaves them with a tidy little profit of \$2,607,159. On page 7 of the audit it states that because Preferred is an "S" Corporation, it pays no income tax on its earning. Only the shareholders pay income tax. Also on page 7 it states, "Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. If you look on the very last page of the audit in Note 10 it says that Preferred received from the 1115 Waiver Program approximately \$1,623,000. They say approximately. Is this an estimate? Why can't they accurately account for all of our tax money? The correct amount, based on Preferred's 2014 audit, should be \$1,962,429, in my opinion." Mr. Willis asked Mr. Yocom for a 5 minute break. Mr. Yocom responded No. Mr. Payne, Sabine County Citizen, asked if these are board questions. Mr. Yocom responded no, they are my questions.

6:22 p.m. - Mr. McNaughten left the meeting

6:24p.m. - No quorum. Recording was stopped. Mr. Yocom continued to speak with only Mr. Willis present.

6:31 p.m. – Mr. McNaughten returned. Quorum reestablished.

Mr. Willis stated "I would like to respond to what Phil said. I promise I will not be on the box as long as he was. The first thing, he talked like Preferred just sent us down something here recently that is wrong I have it in my packet. The financials are exactly the same as they were in 2011 and 2012 and they are exactly the same as 2013. We never questioned those things I never heard anyone on the board question those things and if they had they could have picked up the phone and called Larry. Where we are today, these folks that work here at the hospital, I would hate to be laying down in the bed at night worried if I would have a job the next day." Mr. Yocom stated "No one is threatening jobs. I do not have a single issue with any of the employees. I have a problem with Preferred not giving us detailed financial statements." Mr. McNaughten stated "We have a contract with Preferred Leasing to operate this hospital. We pay them so much money per year and it is none of our business what their financials are. As long as they continue to give good patient care and run the hospital." Mr. Willis stated "The job of Preferred is to run this hospital for X number of dollars per year. Preferred has been very good. Nowhere in that contract does it say the once we send the 1115 off that we need to know about it. We cannot by law receive any of the money back. That is our payment, your payment for Preferred to run the hospital for a year. There was some misunderstanding with that and it has been corrected. The money we spend that is above and beyond what we send to Preferred is not a lot of money. We send Preferred \$780,000, we get approximately \$1,200,000 to run the hospital we know the approximate district costs and there is not a lot left. Phil is correct, I was the financial officer during that time, I do not have a problem with what they are doing, and that is Preferred's money. Unfortunately Joe and I are on the bad end of a 3-2 voting panel, maybe 2-2, I'm not sure what it is. This will be brought back up next month. I did not say that the taxes

would double, however I did say that we would not be able to get another provider in here in a certain amount of time and the hospital would shut down.” Mr. Yocom stated “That is untrue.” Mr. Willis stated “All the employees work for Preferred. I went through the first transition with this and just stop and think about this the providers, the clinics, the nurses are all being paid by Preferred. When you interrupt that and tell Preferred they are gone.” Mr. Yocom stated “No one has said that.” Mr. Willis stated “We are required by the contract if we tell Preferred bye, there is a piece in there that says we have to pay them \$200,000. That is a big chunk. I wanted this to go away tonight and then if there were still problems it would be easy to pick up the phone and call. With what we have went through the last few months is crazy. The public as a general rule does not want this hospital to go away. But our hands are tied. Tonight Joe and I would vote for this to go away. But it will be back and back and back. Preferred sent us what we wanted. I think it is Preferred’s job to do what we ask. It is sad that this is being carried out the way it is. The answer is the public. We can’t keep doing this to the people of this hospital.” Mr. Yocom stated “Then tell them to give us the detailed financials.” Mr. Freeman stated “You do not need the detailed financials, we give you an audit.” Mr. Yocom stated “That is not detailed. Our financials are more detailed than that.” Mr. Willis stated “One part of what I am saying is that if we keep pushing Preferred they are going to push back. We have a community that can respond to this and I hope they do respond to this.” Mr. Yocom stated “He hopes the community responds to this.”

No Action Taken.

VIII. Mr. Williams stated that the total responses was 125 total calls, with 115 billable calls. He stated that with EMS the numbers are a roller coaster, he stated that Sabine County EMS went from 150 calls a month to 125 calls a month. He stated that we are currently transporting the majority of the patients to Sabine County Hospital. He stated that others are transported to Lufkin/ Nacogdoches. He stated that the EMS staff has received more extensive training and he feels that this is contributing to the call volume being lower. The Ems staff is helping patients understand what is going on and what they need to do to help themselves rather than calling an ambulance. Mr. Willis moved to accept the EMS Administrator’s Report. Mr. McNaughten seconded. Motion carried.

IX. No Action Taken.

X. Ms. Powell stated that the current cardiac monitors that are being used on the ambulance now will not transmit via Bluetooth. She stated that Mr. Williams would explain that in more detail. She stated that they had received a quote from Philips for four cardiac monitors that would transmit via Bluetooth and had more capabilities than what is currently being used on the ambulances. She stated that the monitors are demo models that salespeople use when going out and talking with EMS Services, these monitors have not been used in the back of an ambulance. She stated that Philips is offering an \$116,000 discount on these monitors. She stated that the total cost would be approximately \$54,000 for four monitors with a five year warranty. She stated that approximate cost of one monitor brand new would be approximately \$43,000. Mr.

Williams explained that the current Zoll monitors that are being used in the back of the ambulance now will be out of date at the end of the year. He stated that Zoll did not renew their FCC license for the M Series, which is what is currently being used. Mr. Williams explained that the Philips monitors would be able to transmit via Bluetooth to area ER's. He stated this is important because anytime there is a cardiac patient being transferred to an ER seconds count. He stated with the ability to do this the ER's would be able to start treating the patient immediately and would have the correct staff on standby for when the ambulance arrives. He stated with the Philips monitors we are able to record data such as time stamping medications, the full 12 lead and other things. He explained this monitor also records CPR for training purposes. The monitor has the ability to show the medics whether or not they are doing correct CPR. Mr. Yocom moved to allow the purchase of the Philips monitors. Mr. McNaughten seconded. Motion carried.

- XI. Mr. Yocom moved to allow the District Administrator to sale the four Zoll Cardiac Monitors. Mr. McNaughten seconded. Motion carried.
- XII. No Executive Session.
- XIII. No Executive Session.
- XIV. No Action Taken.
- XV. No Board Member Comments.
- XVI. Meeting Adjourned at 6:40 p.m.

Phil Yocom, President
Sabine County Hospital District
Board of Directors

Joe McNaughten, Secretary
Sabine County Hospital District
Board of Directors