The Marion County Board of County Commissioners met in a joint session with the Marion County Hospital District Board of Trustees at 1:01 p.m. on Tuesday, April 13, 2010 at the Munroe Regional Medical Center Auxiliary Conference Room, located at 1100 SW 1st Avenue, Ocala, Florida.

Upon roll call the following members were present: Chair Barbara Fitos, District 4; Vice-Chairman Stan McClain, District 3; Commissioner Mike Amsden, District 1; Commissioner Jim Payton, District 2; and Commissioner Charlie Stone, District 5. Also present were Deputy Clerk Debbie Windberg, Acting County Attorney Robert J. Fowler, County Administrator Lee Niblock, a member of the news media and approximately 10 citizens.

The following members of the Marion County Hospital District Board of Trustees were present: Chairman Mike Jordan, Edward H. Johnson, Jr., Kulbir Ghumman, Ravi Chandra, Srisha Rao, Joseph M. Hanratty, and Jon Kurtz. Also present were Hospital Board Attorney Jon Dean, Munroe Regional Medical Center (MRMC) President and Chief Executive Officer (CEO), Steve Purves and Chief Financial Officer (CFO) Rich Mutarelli, MRMC.

Advisory Committees/Hospital – Stacy Westbrook, Executive Assistant to Mr. Purves, presented a one page workshop agenda.

Chair Fitos advised that the Hospital District Board of Trustees held their Strategic Planning session on February 20, 2010 and today’s workshop was scheduled to discuss issues and recommendations brought up at that meeting.

Chairman Jordan commented on the importance of communication between the Board of Trustees and the Board of County Commissioners (BCC), noting both were committed to ensuring the hospital’s long term quality and financial stability. He addressed the question of financial support for the hospital, noting non-tax options had always been an important consideration by the Trustees. Chairman Jordan advised that votes taken by the Trustees at the end of 2009 indicated the intention to look at the possibility of some type of joint venture or other strategic partnership for the hospital. He noted at the last Trustee meeting the decision was made not to make any type of recommendation to the BCC regarding possible tax support (ad valorem or sales) for MRMC at this time. Chairman Jordan stated that decision was based on several factors, which included: 1) Trustees had not thoroughly reviewed the various non-tax options that were possible; 2) present economic climate in Marion County; 3) uncertainty caused by recent passage of the Federal Healthcare Legislation; and 4) the profitable year, so far, at MRMC. He advised that (for the foreseeable future) hospitals across the country would face financial uncertainty, noting MRMC was particularly vulnerable because it was a safety net hospital with a difficult payer mix, had a high number of indigent patients and provided a full range of patient services.

Mr. Purves provided a brief PowerPoint presentation which included the hospital’s planning process; strategic imperatives necessary to meet community needs; auxiliary volunteers and the prognosis of the impact of Healthcare Reform Legislation. He noted MRMC’s mission was “To improve the health of our community by delivering compassionate, innovative care through exceptional people doing extraordinary works”.
Mr. Purves advised that there were 54 citizens who volunteered their time to serve on MRMC’s Hospital Foundation or Auxiliary Volunteer Services Boards without any compensation or pay. He stated other Committees were formed including Quality Management, Finance, Audit, Infection Control, etc., that were established for specific purposes and commented on the value of the services provided by MRMC to the community.

Mr. Purves addressed the planning process and tactical objectives related to the strategic imperatives (quality and patient safety, operations improvement, service line development and recognition that MRMC physicians were partners in healthcare) adopted by the Hospital Board each year. He commented on the many accolades received by MRMC, noting hospitals that achieved those benchmark qualities were actually able to provide better patient care at a lower cost. Mr. Purves advised of a website (www.hospitalcompare.hhs.gov) that provided information on 26 quality measures including process of care and outcome measures (process of care measures reported how well a hospital provided care and outcome measures reflected the results of the care that beneficiaries received while in the hospital). He referred to a report presented to the BCC on September 2, 2009 by William O. Cleverley, President of Cleverley & Associates, Worthington, Ohio, that assessed the current performance of MRMC in two primary areas: 1) financial performance and 2) cost efficiency.

Mr. Purves commented on local community resources utilized by the hospital and expressed gratitude to Central Florida Community College (CFCC), noting over the last 5 years MRMC had hired over 185 graduating nurses from the college. He advised that the hospital worked hand in hand with Emergency Medical Services (EMS) personnel, noting the arrival of 50 ambulance in 12 hours was very common. Mr. Purves commented on several programs designed to improve service to the community as well as improve the hospital’s financial performance by generating additional revenue (Munroe Heart Office in the Villages, Catheter Lab, Electrophysiology Lab, etc.). He noted the many unique and educational programs provided by the hospital including Young Women in Red, which provided the Girl Scouts of America with important information regarding heart disease in women as well as the Lee Silverman Voice Training Program for Parkinson Disease patients. Mr. Purves provided a brief overview of MRMC’s Community Benefit Information (reported in the local newspaper each year) advising of the hospital’s charity care, bad debts, uncompensated care, etc.

Mr. Purves addressed healthcare reform in regard to the newly adopted Patient Protection and Affordable Care Act, noting its impact on community hospitals was basically still unknown. He noted the cost of the program was $940 billion over 10 years, which provided for a $143 billion in deficit reduction over the same time period. Mr. Purves commented on the possible impact the Act would have on MRMC and noted 50% of the newly insured patients would be covered under a Medicaid expansion program and the other 50% would be covered through the Health Insurance Exchanges program set up by each State and subsidized by the government. He expressed concern with regard to how the programs would be financed, noting the coverage was funded in large part by cuts in Medicare and Medicaid payments to hospitals and physicians (a $36 billion reduction in payments going to hospitals that provide care for a disproportionate share of indigent patients; $112 billion from reductions in the inflation updates received every year from Medicare and penalties to hospitals related to readmission rates). Mr. Purves stated the coverage expansion would have an impact on healthcare services, especially in regard to hospital capacity and throughput (length of
hospital stay) and expressed concern in regard to the access to capital to build extra facilities, other necessary infrastructure and information technology. He noted it was the Trustees responsibility to determine the best way to position MRMC for the future in order to serve community needs.

Mr. Mutarelli gave a brief PowerPoint presentation in regard to MRMC’s financial forecast for fiscal years (FY) 2010 – 2014. He advised that rating agencies such as Standard & Poor’s (S&P) and Moody’s stated the outlook for not-for-profit hospitals and health systems would be negative going forward. Mr. Mutarelli provided an overview of the hospitals recent profitability net income, which was at $7,000,000 in FY 2006; $4,000,000 in FY 2007; negative $11,000,000 in FY 2008 and negative $800,000 in FY 2009, which was well below where it needed to be from a rating agency perspective. He advised that MRMC recently received its audit report from KPMG International, noting the hospital received a clean and qualified opinion. Mr. Mutarelli addressed some of the changes that had occurred since last springs financial projections, which included: 1) investment recovery (impact on cash/investment earnings); 2) admission growth (throughput initiatives); 3) expense reductions; 4) Intensivist Program (average length of stay (ALOS) decreased); 5) admissions to the Orthopedic Program increased; 6) Medicare reimbursements increased by 2% ($2.5 million); 7) Medicaid rebasing ($4 - $5 million); and bond interest expense decreased by 2.4%.

Mr. Mutarelli provided an overview of the financial forecast going forward and stated MRMC retained the services of PricewaterhouseCoopers to give their opinion on the hospitals base period data and assumptions. He advised that financial projections showed a deficit in cash flow, which could affect bond covenants by 2014. Mr. Mutarelli opined that MRMC would need to have an alternative source of supplemental funding in the future.

Commissioner McClain referred to slide 15 of the PowerPoint presentation and questioned the drop in joint ventures from FY 2008 to FY 2010. Mr. Mutarelli stated the drop was caused by a decline in returns from two joint radiology ventures due to increased competition within the community and noted the hospital owned 50% of one venture and 30% of the other.

In response to Mr. Hanratty, Mr. Mutarelli stated a 1% reduction in Medicare reimbursement was factored into the financial forecast. Commissioner McClain questioned whether the hospital would have the ability to start its own Health Management Organization (HMO). Mr. Purves stated that was correct, however it would be difficult for small rural areas. He advised that the biggest concern was the ability to negotiate with other HMO providers.

In response to Commissioner Payton, Mr. Mutarelli stated MRMC had approximately $102,000,000 in outstanding debt, noting if the hospital did not meet bond covenants then the bond holder could potentially call in the debt. Commissioner Amsden questioned who would be responsible if the bond holder called in the bond. Mr. Mutarelli stated the District would be responsible because they were Revenue Bonds.

Chairman Jordan addressed the matter of possible non-tax options, noting the Trustees would set aside the tax idea until they had examined non-tax options, including mergers, partnerships and even a new lease with a new management organization. He advised that the Trustees had enlisted Ponder & Co., a Chicago-based consulting firm that specialized in health care organizations to help examine Munroe’s various options. Chairman Jordan stated the cost for the first phase of the process would be nominal, however if the hospital moved into the second phase (solicitation of proposals process)
the cost would become quite significant, well into six figures. He estimated the process could take between 6 to 24 months, depending on how many options and organizations the Trustees chose to consider.

Commissioner Stone commended the Trustees for diligently working to find a long term solution and opined that pursuing Ponder & Co. recommendations would be worth considering even if the cost ran into six figures. He commented on the importance of knowing whether or not the community was in favor of supporting a top 100 hospital or would they prefer a lesser level of service, thereby a more affordable hospital. Commissioner Stone stated he wanted to be able to support the hospital and its administration in their request, but noted he must protect and uphold the wishes of the citizens of Marion County.

Commissioner Payton opined that the members of the Hospital District Board of Trustees were one of the most enlightened, educated and dedicated group of men and women to act as directors for MRMC. He concurred with Commissioner Stone that it must be a community discussion in regard to whether or not it was willing to retain a quality institution. Commissioner Payton advised that the information being presented indicated that without some sort of public participation, the business model of MRMC would change and expressed concern that it may not be for the better.

Commissioner McClain opined that there was some information out there in regard to how the community felt, noting several months ago he participated in a telephone poll about the hospital, taxation and other issues, although he was unsure whether it reflected positively or negatively for the hospital. He advised that there was concern by some citizens in regard to the possible overlap between members of the Hospital District Board of Trustees and the Hospital Board of Directors. Commissioner McClain commented on an article he read in the Ocala Star Banner newspaper in regard to the hospital lease agreement signed by administrators and Trustees in 2003 and noted the confusion as to who was the lessee or lessor and whether or not it was a real estate transaction. He advised that per the lease agreement, it was the Trustees responsibility to notify the lessor or agent (within 2 years of the contract renewal) as to whether or not it would be renewed and expressed concern that the solicitation of proposals process could take up to 24 months, which would then place the Trustees beyond the timeframe to make a decision regarding the lease renewal. Chairman Jordan stated it would depend on how far along in the process they were and noted the Trustees had until 2011 to make a decision regarding the lease renewal.

Commissioner Amsden opined that although there was a lot of pride in having a community hospital, once one started looking at future projections, shortfalls and challenges that would be faced, it became difficult to allow that pride to stand in the way of what needed to be done in regard to the healthcare service of the community. He commented on current economic times and opined that selling the hospital was not an option nor was taxation at this time. Commissioner Amsden commented on several options and opined that MRMC was also a good candidate for either a merger or a change from not-for-profit to a for-profit hospital. He addressed the importance of public input and reiterated it was a matter of finding a resolution that provided quality healthcare to the community. Commissioner Amsden expressed concern in regard to violating the bond covenants and recommended notice be served in regard to non-renewal of the lease agreement.

Chair Fitos advised that a vital part of Marion County’s sustainability was the sustainability of its safety net hospital and noted MRMC’s legacy to the community. She
addressed the need to ensure viable and accurate information to benefit all citizens and noted the importance of transparency in the governance issue.

Mr. Johnson opined that the citizens of Marion County expected the best quality medical care and would not want to be subjected to substandard service or quality.

Chair Fitos left her seat at 2:58 p.m., to pour a cup of coffee, but did not leave the room and immediately returned to her seat.

Mr. Ghumman concurred that citizens needed to participate in the ultimate decision by either a referendum or straw poll. In response to Commissioner Amsden, Mr. Ghumman advised that revenue bonds were not the same as general obligation bonds, noting he believed that if there was a default on the bond it would be the Trustees debt, however he would check with the attorney and bring back a definite answer.

Dr. Chandra addressed the responsibility of doing right by the people of Marion County while ensuring the daily functions of the hospital met quality standards without compromising patient care. He opined that it would be a challenge and hoped it could be accomplished without burdening the community.

Dr. Rao concurred that quality healthcare was of upmost importance, noting the need for ongoing public discussion.

In response to Mr. Hanratty, Messrs. Ghumman, Johnson and Jordan advised that they knew of such a poll (referred to earlier by Commissioner McClain), but not the results. Chairman Jordan stated the Trustees had nothing to do with the poll. Mr. Hanratty stated the financial issues needed to be addressed sooner rather than later.

Mr. Kurtz commented on several options, noting there was no perfect solution for not-for-profit hospitals.

In response to Commissioner McClain, Mr. Purves stated there was a legal document between Munroe Regional Health Systems, Inc. (MRHS) and the Marion County Hospital District Trustees that needed to be adhered to. He advised that MRHS sole purpose was to operate the assets on behalf of the District.

General discussion ensued in regard to the governance between the Marion County Hospital District Board of Trustees and the Hospital Board of Directors.

Upon call for public comment, Myron Clinton, SW 94th Court, thanked the BCC and Trustees for coming together and providing the public with this information and stated he supported pursuing other non-tax options.

Carl Crabtree, NW 115th Avenue, advised that he attended the last Trustee meeting and was under the impression that Mr. Dean, as attorney for the Marion County Hospital District Board of Trustees, would explain the hospital’s business arrangement at today’s meeting. Chairman Jordan stated in conversation between himself and Chair Fitos, it was determined that it would be a diversion to have Attorney Dean speak to the matter at this time, noting an educational session would be held with the public to answer any questions.

Jim Schneider, member of the MRMC Board of Directors, advised that it would be a major diversion of resources to move into the second phase (solicitation of proposals process) and recommended taking the “pulse” (straw poll) of the community first. He expressed concern that the Trustees were leaving the meeting without any direction from the BCC. Mr. Schneider opined that one could not have quality and value in the hospital business. He advised that if the tide turned and the hospital had more losses it would either have to request tax support or be sold to an inferior institution.
Commissioner Amsden disagreed and stated the Trustees were reviewing viable options. He commented on Community Health Systems (CHS), which owned or leased 122 hospitals throughout the United States.

Commissioner Amsden left his seat at 3:29 p.m., to get a drink of water, but did not leave the room and immediately returned to his seat.

Commissioner Payton stated another option, should the community determine it wanted a lesser quality institution, would be for the Trustees to manage down to the revenue generated. He noted the Trustees were following BCC direction to review all options.

Chairman Jordan advised that the Trustees understood the direction and would review non-tax options, noting both Boards understood the need for additional access to capital. He opined that the community was waiting for the Trustees to provide its recommendations and expressed concern that it would be premature to ask for a straw poll or referendum at this time. Chairman Jordan requested the Trustees be allowed more time to move forward in bringing their recommendations back to the BCC.

Chair Fitos stated communication and public education was a key component to quality healthcare. She recommended quarterly joint workshops be established in order for the community to be updated in regard to the complex issues relative to the hospital’s sustainability.

It was the general consensus of the Board to direct staff to schedule another joint workshop in three months.

Mr. Ghumman advised that due to personal schedules in the upcoming summer months, his preference would be to schedule the next joint workshop later in the fall rather than in three months. It was the general consensus of the Board to concur and to schedule the next workshop in six months.

It was noted for the record that the Deputy Clerk received a copy of the PowerPoint presentation; a copy of the data and materials presented at the open session portion of the Hospital District Board of Trustees Strategic Planning workshop and a copy of Community Health Systems (CHS) background information.

There being no further business to come before the Board, the meeting thereupon adjourned at 3:37 p.m.

Barbara Fitos, Chair

Attest:

David R. Ellspermann, Clerk

Adopted by the Board of County Commissioners on Tuesday, May 18, 2010.