

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY

MINUTES OF THE AUGUST 21, 2014 MEETING

(Open Session)

Attendees: Authority Board Members: Ralph Rosenberg; Dr. Charles Lingle; John Hayes; Lamar Reese; Fred Ghiglieri; Dr. Michael N. Laslie; Ferrell Moultrie; Joel Callins; and Dr. Steven Kitchen; Legal Counsel: James E. Reynolds, Jr. and E. B. Wilkin, Jr. Also present on behalf of Phoebe Putney Memorial Hospital, Inc. were: Joel Wernick; Kerry Loudermilk; Thomas Chambless; Joe Austin; Tom Sullivan and Lauren Ray.

Recorder, Mary Barfield.

Absent Authority Members: None

Call to Order:

The meeting was called to order by Chairman Rosenberg at 7:30 A.M. in the Willson Board Room of Phoebe's Main Campus.

Open Meeting and Establish a Quorum:

Chairman Rosenberg called the meeting to order, thanked all the members for their attendance and participation and he observed that a quorum was clearly present with all Members being in attendance.

Approval of the Agenda:

The proposed Agenda had been previously provided to the Authority Members and a motion to adopt the proposed Agenda for the meeting was made by Dr. Lingle and seconded by Mr. Hayes, which motion was approved by all Authority Members.

Approval of Minutes:

The proposed minutes of the open session of the May 15, 2014 meeting of the Authority had likewise been provided to Members prior to this meeting and the same were considered for approval. Dr. Lingle made a motion and Mr. Fred Ghiglieri seconded the motion to approve the Minutes as previously provided. The motion passed unanimously by vote of all Members.

Financial Reports for Authority and for Phoebe Putney Memorial Hospital, Inc.:

Kerry Loudermilk, CFO of Phoebe Putney Memorial Hospital, presented an internally prepared twelve (12) month Financial Statement for the Hospital Authority for its FYE 2014, and stated that he expected in preparing the Authority's audited financial statements, Draffin & Tucker would have no material adjustments. Mr. Loudermilk followed with a current year to date internally prepared financial report for the Authority. After discussions and questions, Mr. Moultrie made a motion, seconded by Dr. Laslie, to approve the Authority financial reports as presented. The motion was unanimously passed by vote of all Members in attendance. Mr. Loudermilk also presented and reviewed, internally prepared financial statements for Phoebe Putney Memorial Hospital, Inc. for the fiscal year to date, including discussions concerning the severe adverse effect to Phoebe Putney Memorial Hospital, Inc. that have resulted from the Affordable Care Act and Georgia's decision not to expand Medicaid. Copies of the Authority's financial reports are attached, along with Phoebe Putney Memorial Hospital, Inc.'s financial information as presented.

CEO Report:

Mr. Wernick introduced Lauren Ray, Executive Director of Phoebe Foundation. Ms. Ray stated that the Foundation has recently received a \$1,000,000 grant from the Mellon Foundation, and another \$300,000 has been raised or pledged toward construction of a \$5,000,000 medical student housing project. The Foundation goal is to raise a total of \$2.5 million of the total cost, and Phoebe will provide the other \$2.5 million needed for the project. This facility will, among other things, provide good quality housing for doctors and their families as a part of the Primary Care Residency Program. The housing will be constructed on property owned by and located near Phoebe Putney Memorial Hospital at Fourth Avenue and Jackson Street. Each year there are 18 doctors in the Residency Program (six per year for the three year residency) and history has shown that the majority of those who train here in the Program will select Albany and surrounding areas for their practice following their residency, which is most beneficial to the Hospital and the quality of medical care provided in our Community. A copy of Ms. Ray's presentation is attached.

Joe Austin spoke regarding institution of a new program concerning the fact that out-patient emergency visits were increasing and ICU admissions were increasing - Phoebe Putney has 38 ICU beds and Phoebe North has 12 ICU beds. Six new physicians, with specialty training, have been hired to provide high intensity management for ICU patients. Mr. Austin added that it is the intent to further increase staffing so that a physician very soon will be on duty for a full 24 hours per day. Questions and discussions ensued. A copy of the presentation is attached.

Closing of the Meeting:

A motion was made by Mr. Callins and seconded by Lamar Reese to close the meeting

AGENDA

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

(OPEN SESSION)

Meeting of August 21, 2014
(Willson Board Room)

- | | | |
|-------|---|----------------------------------|
| I. | Open meeting and establish quorum | Ralph Rosenberg |
| II. | Consider Approval of Agenda | Ralph Rosenberg |
| III. | Consideration of Open Session Minutes of May 15, 2014 meeting (draft previously provided to Members) | Ralph Rosenberg |
| IV. | Financial Reports for Authority and for Phoebe Putney Memorial Hospital, Inc. | Kerry Loudermilk |
| V. | Phoebe Putney Memorial Hospital, Inc., CEO and Operational Reports, including Medical Student Housing Update | Joel Wernick/Joe Austin |
| VI. | Consider and vote to close meeting for purposes of:
(i) engaging in privileged consultation with legal counsel;
(ii) to discuss potentially valuable commercial plans, proposals or strategy that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital or its medical facilities, and (iii) to discuss confidential matters or information pertaining to peer review or provided by a review organization as defined in O.C.G.A §31-7-131. | Ralph Rosenberg/
Jay Reynolds |
| VII. | Additional Business, if any | Ralph Rosenberg |
| VIII. | Adjournment | Ralph Rosenberg |

in order to consult with legal counsel pertaining to pending or potential claims and litigation and to discuss potentially commercially valuable plans or strategies that may be of competitive advantage in the operation of the Hospital or its medical facilities.

Mr. Rosenberg polled each individual Authority Member with respect to his vote on the motion and each of the Members shown below voted to close the meeting, with no Member opposing:

Ralph Rosenberg	Yes
Dr. Charles Lingle	Yes
Fred Ghiglieri	Yes
Ferrell Moultrie	Yes
Lamar Reese	Yes
John Hayes	Yes
Dr. Steven Kitchen	Yes
Dr. Michael Laslie	Yes
Joel Callins	Yes

The motion having passed, the meeting closed.

Open Session Reconvened:

Following unanimous vote of all Members in attendance, the meeting reopened at approximately 10:15 A.M.

Additional Business:

Fred Ghiglieri stated that it was recently in the news that the computer systems of a community hospital system had been hacked. He asked what steps or blocks are in place to prevent this from happening at Phoebe Putney Memorial Hospital. Joe Austin responded that firewalls and other such pertinent protection were in place and checked on a regular basis to be certain they are in good working order; but this is an ongoing issue and the Hospital continues to seek to to continue to better protect data in its systems against any such intrusion.

Adjournment:

The meeting was adjourned at 10:20 A.M.


Mary Barfield, Recorder



Hospital Authority
of Albany/Dougherty County

August 21, 2014

Open Session

Hospital Authority Meeting

7:30 a.m.

Ralph Rosenberg, Chair



Hospital Authority
of Albany/Dougherty County

FINANCIAL REPORT

**Presented by Kerry Loudermilk
SRVP/CFO**

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA
BALANCE SHEET
7/31/2014

	<u>Unaudited</u> <u>July 31, 2014</u>	<u>Audited</u> <u>FY 2013</u>	<u>Audited</u> <u>FY 2012</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 193,001	\$213,343	\$ 17,648,418
Assets limited as to use - current	-	-	-
Patient accounts receivable, net of allowance for doubtful accounts	-	-	9,092,766
Supplies, at lower of cost (first in, first out) or market	-	-	2,912,781
Other current assets	150,000	500,000	265,592
Total current assets	343,001	713,343	29,919,557
Property and Equipment, net	-	-	35,583,970
Other Assets:			
Goodwill	-	-	157,345,334
Total other assets	-	-	157,345,334
Total Assets	\$ 343,001	\$713,343	\$222,848,861
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	264,047	754,620	3,737,256
Accrued expenses	-	-	2,732,950
Estimated third-party payor settlements	-	-	891,070
Deferred revenue	-	-	100,000
Short-term obligations	-	-	217,893,063
Total current liabilities	264,047	754,620	225,354,339
Total liabilities	264,047	754,620	225,354,339
Net assets:			
Unrestricted	78,954	(41,277)	(2,505,478)
Total net assets	78,954	(41,277)	(2,505,478)

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN UNRESTRICTED NET ASSETS
7/31/2014

	<u>Unaudited</u> <u>July 31, 2014</u>	<u>Audited</u> <u>FY 2013</u>	<u>Audited</u> <u>FY 2012</u>
OPERATING REVENUE:			
Net patient service revenue (net of provision for bad debt)			\$ 35,292,985
Other revenue			605,734
Long Term Lease Revenue	100,000	100,000	
Total Operating Revenue	<u>100,000</u>	<u>100,000</u>	<u>35,898,719</u>
OPERATING EXPENSES:			
Salaries and Wages			11,975,422
Employee health and welfare			4,146,124
Medical supplies and other			12,584,774
Professional services	329,858	2,237,199	2,781,463
Purchased services	-	2,545	5,489,805
Depreciation and amortization			2,626,654
Total Operating Expenses	<u>329,858</u>	<u>2,239,744</u>	<u>39,604,242</u>
Operating Loss	<u>(229,858)</u>	<u>(2,139,744)</u>	<u>(3,705,523)</u>
NONOPERATING INCOME (EXPENSES):			
Contributions from Phoebe Putney Memorial Hospital, Inc.	350,090	1,693,400	4,956,150
Lease Revenue	-	-	1
Gain in Long Term Lease	-	2,910,545	
Interest Expense	-	-	(350,000)
Total Nonoperating Income	<u>350,090</u>	<u>4,603,945</u>	<u>4,606,151</u>
EXCESS OF REVENUE OVER EXPENSE	<u>120,232</u>	<u>2,464,201</u>	<u>900,628</u>

PPMH

Main Campus and North Campus

FY 2014

	Actual	Budget	Variance	Previous Year
Admissions	20,195	23,050	(2,855)	22,759
Patient Days	113,165	125,926	(12,761)	121,416
Average Length of Stay	5.60	5.46	0.14	5.33
Equivalent O/P Days	142,386	144,148	(1,762)	141,595
Convenient Care Visits	38,254	44,654	(6,400)	44,103
Clinic Visits	800,990	851,085	(50,095)	811,387
Observation Days	8,123	6,857	1,266	6,533
Deliveries	2,474	2,670	(196)	2,670
Home Health Visits	62,565	58,274	4,291	58,274
Home Health Admissions	3,126	3,301	(175)	3,046
FTE's per Occupied Bed	4.38	4.15	0.23	4.37

FINANCIAL HIGHLIGHTS
PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.
MAIN CAMPUS & NORTH CAMPUS COMBINED
FISCAL YEAR ENDING JULY 31, 2014

	Operating Summary (in thousands)		
	Actual	Year-to-Date Budget	Variance
Revenues	\$1,389,397	\$1,452,314	(\$62,917)
Deductions	915,214	933,060	(17,846)
Other Operating Revenue	16,551	17,700	(1,148)
Net Operating Revenue	\$490,735	\$536,954	(\$46,220)
Expenses	510,737	526,987	(16,250)
Operating Income (Loss)	(\$20,003)	\$9,967	(\$29,970)
Non-Operating Income	3,446	2,827	619
Investment Income	(602)	143	(745)
Interest Expense	7,323	6,958	364
Loss on Impairment of Goodwill	-	-	-
Net Investment Income (Loss)	(7,925)	(6,815)	(1,110)
Net Income	(\$24,481)	\$5,979	\$ (30,460)
EBITDA	\$19,718	\$47,729	(\$28,010)
Operating Margin %	-5.57%	0.56%	-3.23%
Operating Margin % (excl Int Exp)	-3.53%	1.61%	-1.99%
EBITDA %	4.02%	8.89%	-2.12%

	Actual	Budget	Variance	Prior Year
Admissions	20,195	23,050	(2,855)	22,759
Patient Days	113,165	125,926	(12,761)	121,416
ALOS	5.60	5.46	0.14	5.33
Equivalent OP Days	142,386	144,148	(1,762)	141,595
E.C. Visits	142,386	144,148	(1,762)	103,152
Convenient Care Visits	38,254	44,654	(6,400)	44,103
Clinic Visits (excludes CCV and Home Care)	800,990	851,085	(50,095)	811,387
Phoebe Home Service Visits	62,565	58,274	4,291	58,274
Phoebe Home Service Admissions	3,162	3,301	(139)	3,046
FTE's per Adj Occ Bed	4.38	4.15	0.23	4.37
Observation Days	8,123	6,857	1,266	6,533
Deliveries	2,474	2,670	(196)	2,670

“DRASTIC” Revenue Deduction FYE 2014--\$16.2 Mil

- **Affordable Care Act - DSH (Disproportionate Share Hospital Adjustment)**
 - PPMH 2014 = **\$4.2M reduction**
 - ACA aims to reduce Nationwide total DSH \$17.1B, (2014-2020)
 - PPHS instead of a increase \$14M from Medicaid expansion we to absorb a \$4.2M reduction – **Overall \$18.2M bottom line impact.**
- **CMS 2 Midnight Rule**
 - PPMH 2014 = **\$2.9M reduction (Mcare and Comm)**
- **Federal Sequester Cuts**
 - PPMH 2014 = **\$2.8M reduction**
- **Overall Rate Reductions(Final Rule Adjustments)**
 - PPMH 2014 = **\$2.6M reduction**
- **Medicaid Shift(Utilization) from IP to OP services**
 - PPMH 2014 = **\$4.3M reduction**
- **Value Based Purchasing Reductions**
 - PPMH 2014 = **\$110K reduction**

A horizontal banner with a background image of a city skyline and a bridge. The text is overlaid on the image.

Hospital Authority
of Albany/Dougherty County

MEDICAL STUDENT HOUSING UPDATE

**Lauren Ray, Executive Director of
Phoebe Foundation**



**Student Physician Housing
on the campus of Phoebe Putney Memorial Hospital
in Albany, Georgia**

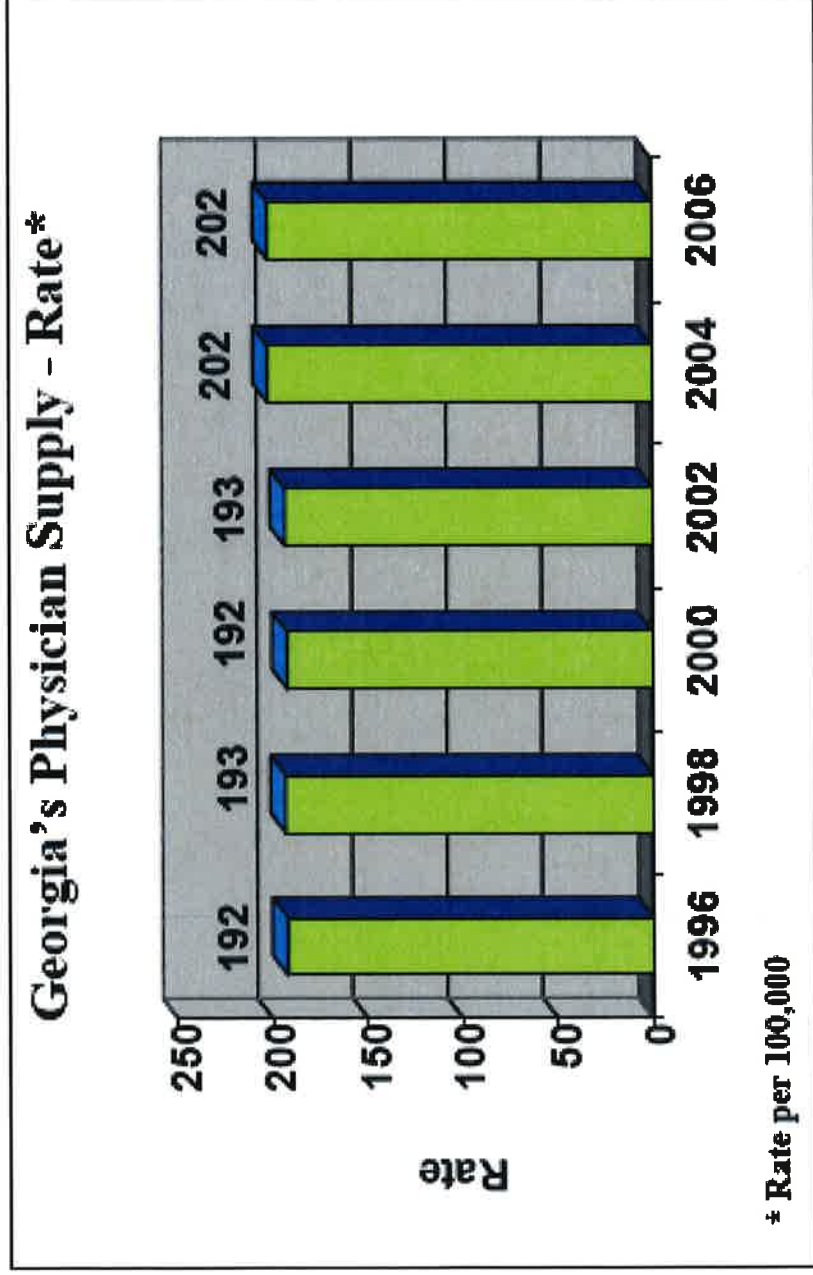
**A proposal to help increase the number of
rural primary care physicians to better serve
the growing population of Southwest Georgia**

One of the biggest challenges facing Southwest Georgia is the recruitment of physicians – especially primary care. The New England Journal of Medicine ranked these states as having the biggest challenge of building enough primary care capacity by 2014:

1. Oklahoma
2. Georgia
3. Texas
4. Louisiana
5. Arkansas
6. Nevada
7. North Carolina
8. Kentucky
9. Alabama
10. Ohio



For every 100,000 people, Georgia has only 202 physicians



Source: Georgia Board for Physician Workforce - December 2008

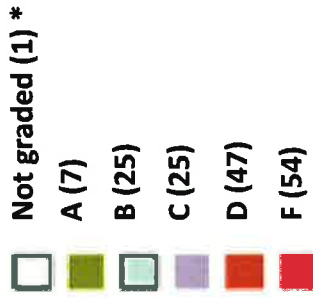


The state currently ranks 41st in the nation for the number of physicians per 100,000 population and projections show Georgia will fall about 5,000 physicians short of needed levels by 2030.

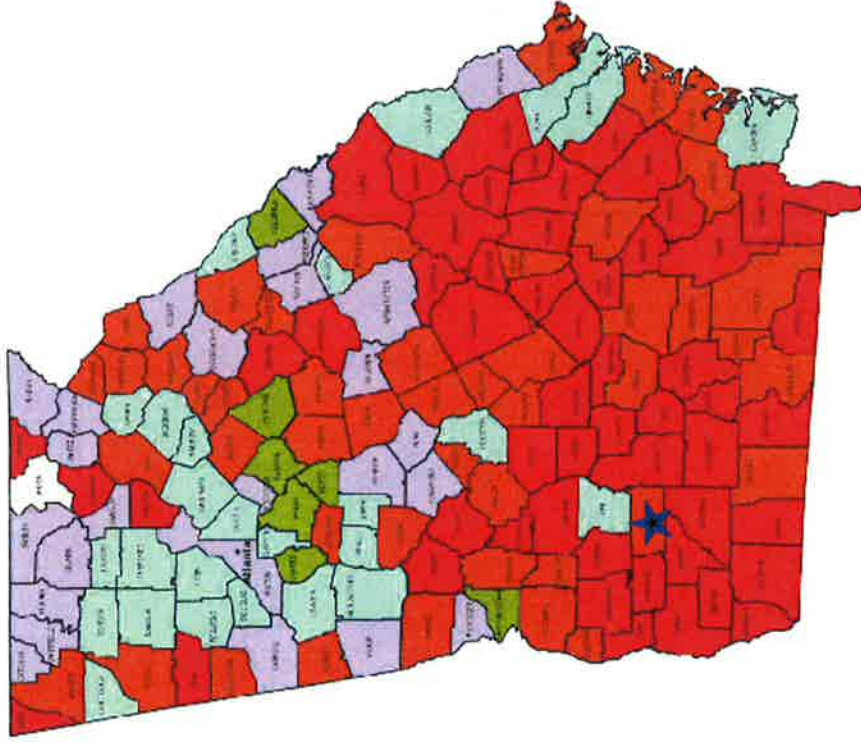


With a third of all doctors projected to retire this decade and not enough upcoming physicians to fill the gaps, the emerging doctor shortage in Georgia could become critical.

Georgia's Health Disparities Socioeconomic Summary Grades

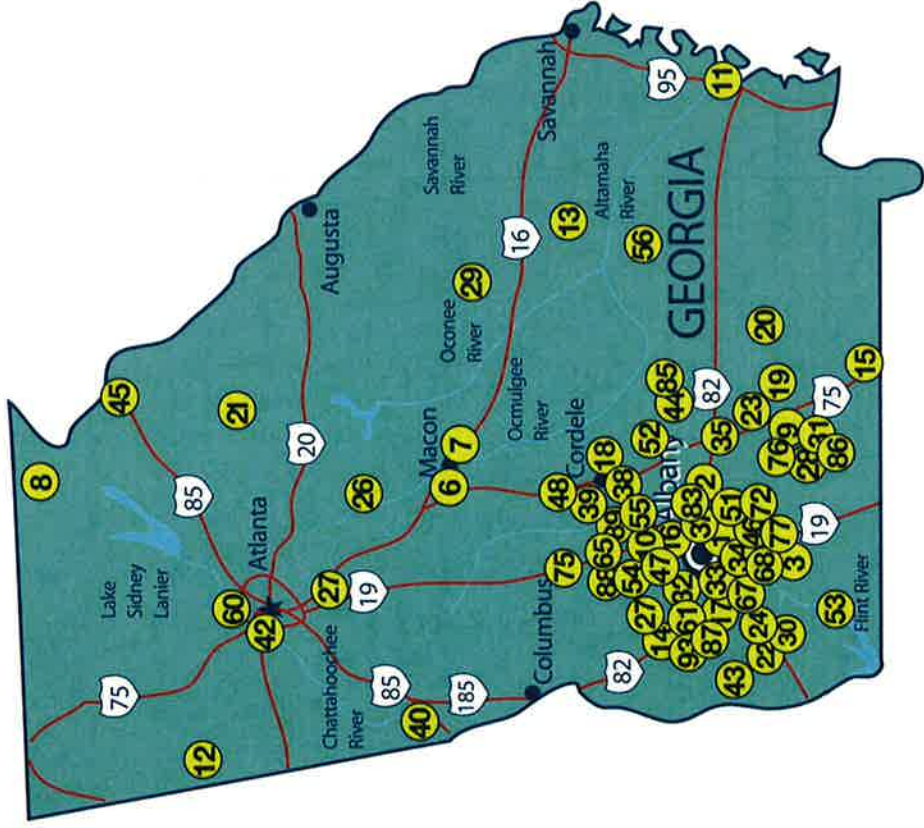


* The minority population is not represented in significant numbers to effectively assign a grade.



Factors include health behavior, clinical care, physical environment, and social and economic factors, which include the percentage of children in poverty, unemployment and education rates. (2012)

Practice Locations of Southwest Georgia Family Residency Program graduates



The Southwest Georgia Family

Medicine Residency program

currently accepts six residents in each class, comprising a full complement of eighteen residents.

The program aims for the 60/60

rule, a goal that 60 percent of our graduates will practice within 60

miles of Albany. To date, we've met and exceeded that goal. Currently,

about 70 percent practice within a

100-mile radius after graduating

from the program.



70% of new physicians practice where they are trained





First off-site MCG clinical campus

MCG School of
Medicine
expansion will
place 3rd and 4th
year medical
students at
Phoebe.





Medical and Allied Health Training includes:

- Southwest Georgia Regional Family Medicine Residency Program
- MCG Clinical Campus
- UGA Pharmacy Training Program
- Pathways - AHEC

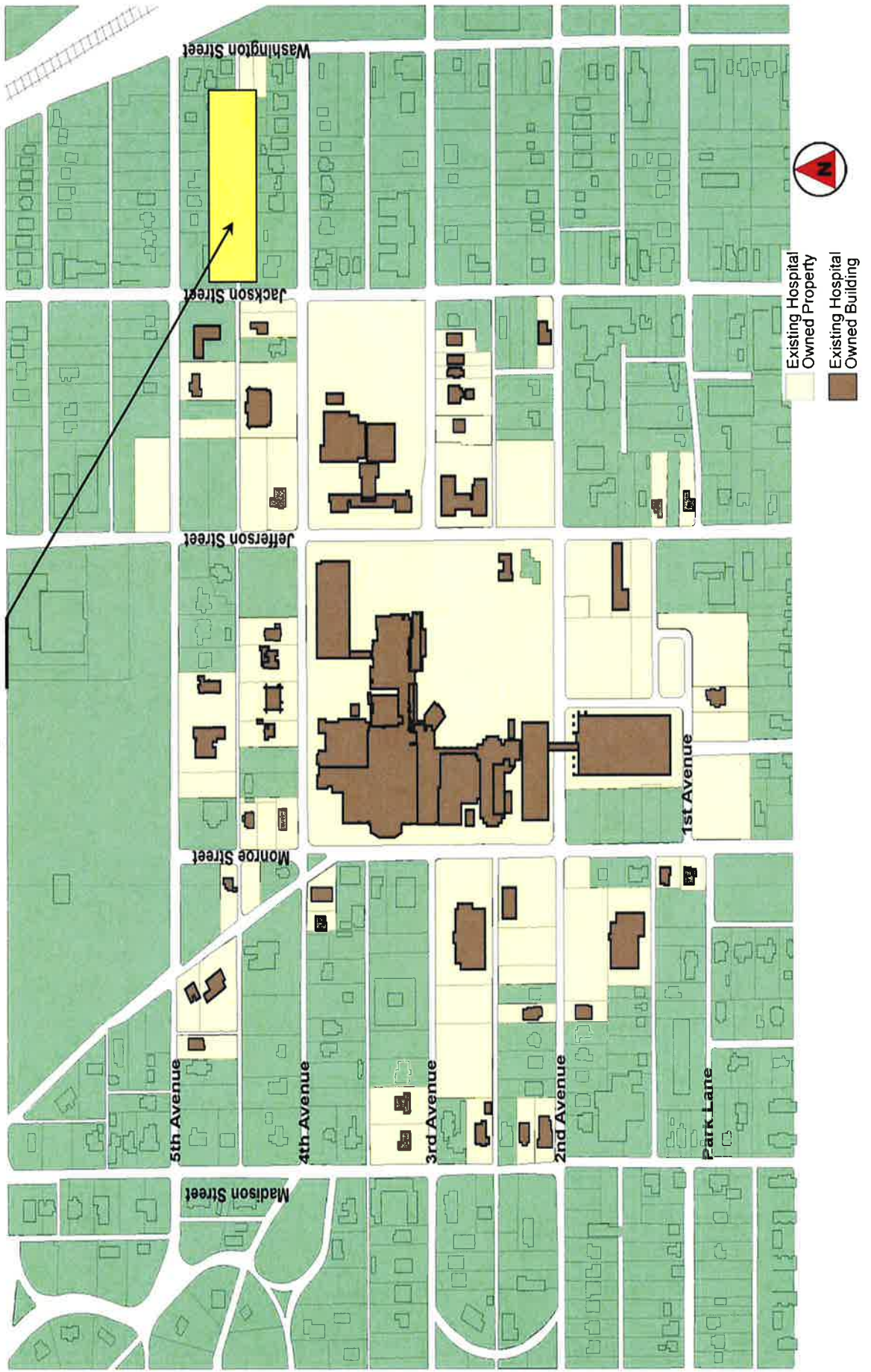


**A vital resource that has been identified to help meet this need is
to offer**

**Student Physician Housing
on the Phoebe Putney Memorial Hospital campus**

Resident Housing

Proposed Site



Projected cost of the project is \$5 million. Phoebe Putney has the capacity to match donations up to \$2.5 million. In addition, PPMH has reserve of up to \$1 million to apply to upkeep and maintenance of this property.

The land has been procured, and once the amount of \$2.5 million has been raised construction can begin.



STATE OF GEORGIA
COUNTY OF DOUGHERTY

AFFIDAVIT RELATIVE TO CLOSED MEETING

Personally appeared before the undersigned, RALPH S. ROSENBERG, who having been duly sworn, deposes and states as follows:

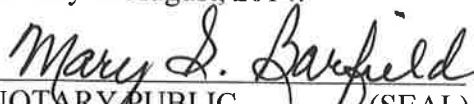
1. I am over the age of 18 years, I am suffering under no disabilities and I am competent to testify to the matters contained herein.
2. I am the Chairperson of the Board of the Hospital Authority of Albany-Dougherty County, Georgia (the "Authority").
3. On the 21st day of August, 2014, at a meeting of the Authority Board, a motion was duly approved in a roll call vote for the Authority Board to go into closed session for the purposes of: (i) engaging in privileged consultation with legal counsel; (ii) to discuss potentially valuable commercial plans, proposals or strategy that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital or its medical facilities; and (iii) to discuss confidential matters or information pertaining to peer review or provided by a review organization as defined in O.C.G.A §31-7-131.
4. To the best of my knowledge and belief, the business conducted during the closed portion of the meeting was devoted solely to the above matters for which the meeting was closed.

This the 21st day of August, 2014.



Chairperson

Sworn to and subscribed before me this
21st day of August, 2014.



NOTARY PUBLIC (SEAL)
Dougherty County, Georgia
My Commission Expires: _____