

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA
MINUTES OF AUGUST 23, 2012 MEETING
OPEN SESSION

Attendees: Authority Members: Ralph Rosenberg, Dr. Chuck Lingle, John Hayes, Lamar Reese, Fred Ghiglieri, Rev. H. B. Johnson and Rev. Eugene Sherman. Legal counsel, James E. Reynolds, Jr., and E.B. Wilkin, Jr. Those also present were Joel Wernick; Kerry Loudermilk, Joe Austin, Tommy Chambless, Tom Sullivan; and, Recorder: Annette Allen.

Absent Authority members: Dr. Steven Wolinsky and Dr. John Inman

Called to order:

The meeting was called to order by Chairman Rosenberg at 7:35a.m. in the Willson Board Room of PPMH.

Open the Meeting and Establish a Quorum:

Mr. Rosenberg welcomed the Authority and established that a quorum was present with 7 members in attendance.

Approval of the Agenda:

The proposed Agenda was reviewed and a motion was made by Dr. Lingle and seconded by Mr. Ghiglieri to approve the agenda as presented. The motion was approved by all Authority members in attendance.

Approval of the Minutes:

The Minutes of the July 25, 2012 meeting having been provided to the Members prior to the meeting, were considered for approval. Fred Ghiglieri made a motion, seconded by John Hayes to approve the Minutes as previously provided (copy attached). The motion passed unanimously by all seven Members in attendance.

Phoebe North Transition Update:

Dr. Doug Patten provided an informational presentation on transition update for operations at Phoebe North, JCAHO accreditation and managed care expectations. He outlined the plan to consolidate credentialing process of the medical staff to one process for both campuses going forward from the date of the new Restated Lease and Transfer Agreement. Mr. Ghiglieri asked about combining services. Mr. Wernick responded by identifying services that management has currently combined and future projected plans to use a major portion of the Phoebe North campus for specialized Women and Children services.

Financial Presentations:

Mr. Loudermilk presented (a copy of portions of the presentation is attached with these Minutes) the Fiscal year 2013 Operating and Capital Budget for Phoebe Putney Memorial Hospital, Inc. as adopted by its Board. Mr. Loudermilk reminded the Authority that Phoebe's mission includes making healthcare available to all and that in accord with that mission, the amount of charity/indigent care increased to over \$65 million, plus multiple other benefits provided to the community. Phoebe's pricing continues to be in the mid-range when compared to hospitals similar to Phoebe's size and services, and there are no budgeted price increases from 2012 for Fiscal Year 2013. Phoebe has now successfully consolidated the Rehab programs between Phoebe's Main Campus and Phoebe North. The new budget continues to aggressively manage expenses and seeks to fund in excess of \$225 plus million for investment in new equipment and facilities over the next four years.

Mr. Ghiglieri made a motion, seconded by Mr. Reese, to evidence the Authority's review and approval of Phoebe Putney Memorial Hospital's FY 2013 Operating and Capital Budget as presented, including it maintaining pricing at last year's levels. The motion passed unanimously.

Mr. Loudermilk also presented a proposed FYE 2013 Budget for the Authority (copy attached). Following review and discussions, a motion was made by Rev. Sherman, seconded by Rev. Johnson, to approve and adopt the proposed Budget for the Authority. All Members present voted, in accordance with the motion, to approve and adopt the same as the FYE 2013 Budget for the Authority.

Mr. Wernick also reminded all present that an Agreement for the Voluntary Payment in Lieu of Taxes is now in place between the Phoebe entities and the Authority with respect to the Phoebe North property. The Agreement creates an obligation on behalf of Phoebe which is reflected in the materials presented by Mr. Loudermilk. Mr. Wernick also referenced the slide titled, "No Burden to Tax Payers", which sets forth a 7 year comparison of the budgeted amount of charity care and community benefit services provided.

It was also discussed that if the Authority so chose, management would make future presentations to the Authority on the following topics, each of which has financial impact on the Hospital:

1. Healthcare provided to the inmates in the Dougherty County jail.
2. Taxes paid on property owned by the Authority and by Phoebe entities.
3. System debt creation and how it is managed.
4. A Phoebe Foundation session to identify how funds are raised.

CEO Report:

Among other items, Mr. Wernick reported he attended the ribbon cutting session in Americus for the new nursing program. He stated Georgia Southwestern University in Americus annually graduates between 65 to 80 nurses out of its 4 year nursing program. Phoebe Health Systems has contributed 1 million dollars to its new technology nursing training program. Many of whom have been employed by Phoebe. Phoebe also works with and contributes to other local institutions with nursing programs, because the availability of quality and well-trained nurses is a very important factor in being able to carry out the missions of both the Authority and Phoebe.

CLOSING OF THE MEETING

A motion was made by Mr. Reese, seconded by Dr. Lingle to close the meeting in order to (i) discuss pending litigation with legal counsel; and (ii) discuss potential commercially valuable plans and proposal or strategy that may be of competitive advantage in the operation of Phoebe North and/or PPMH or their medical facilities. Mr. Rosenberg polled the individual Authority Members whose votes are shown below:

Ralph Rosenberg	Yes
Dr. Charles Lingle	Yes
Fred Ghiglieri	Yes
Lamar Reese	Yes

John Hayes	Yes
Rev. J. B. Johnson	Yes
Rev. Eugene Sherman	Yes

The motion having passed, the meeting was closed. Mr. Hayes and Mr. Reese left the meeting at the end of the Closed Session.

Open Session Reconvened

Mr. Rosenberg asked if anyone had any further business, and there being none, Mr. Rosenberg stated the next Authority meeting is currently scheduled for November 8, 2012, although it may be necessary to change the date to accommodate the proposed new financing, in which event Members will be advised as far in advance as possible.

The Meeting adjourned at 10:26a.m.

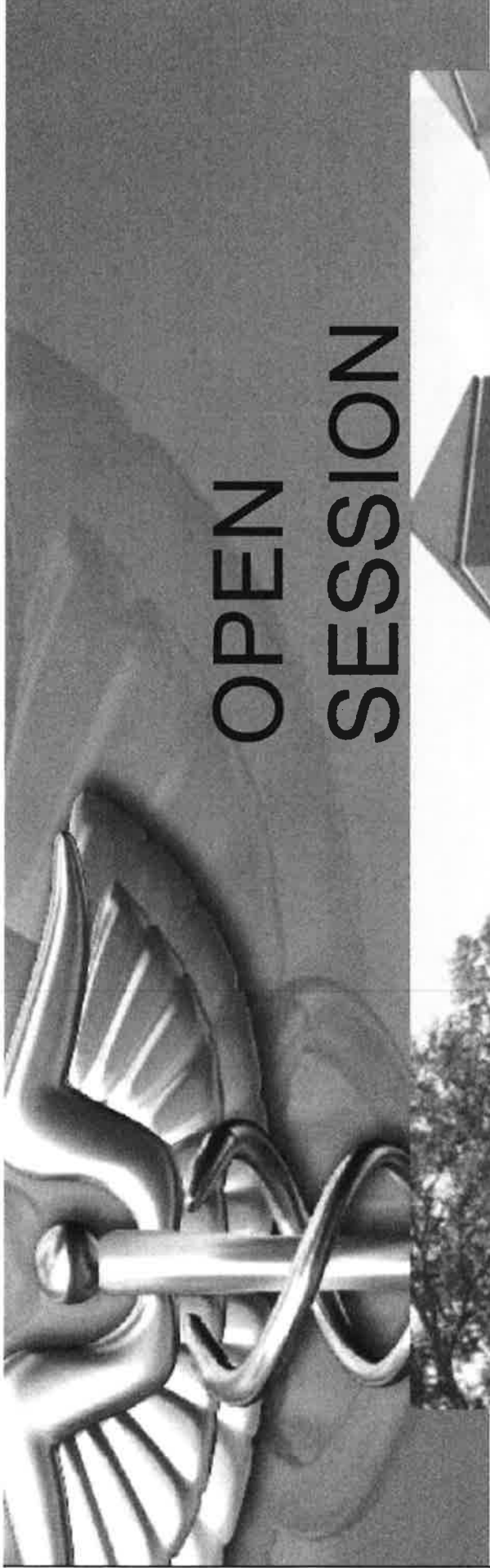
AGENDA

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

Open Session Meeting of August 23, 2012

7:30a.m.
(Willson Board Room)

- | | | |
|-------|---|-------------------|
| I. | Open meeting and establish a quorum | Ralph Rosenberg |
| II. | Consider approval of the Agenda (copy previously provided) | Ralph Rosenberg |
| III. | Consideration of Open Session Minutes of July 25, 2012
(Draft copy previously provided to Members) | Ralph Rosenberg |
| IV. | Phoebe North Transition Update | Doug Patten, M.D. |
| V. | Financial Presentation by Kerry Loudermilk, CFO of Phoebe Putney Memorial Hospital, Inc. | Kerry Loudermilk |
| VI. | CEO Report | Joel Wernick |
| VII. | Motion, second and roll call vote to close meeting in order to:
(i) discuss pending and potential litigation as well as other legally confidential matters with legal counsel; and
(ii) discussion of potentially valuable commercial plans, proposals, or strategies that may be competitive advantage in the operation of Phoebe Putney Memorial Hospital, Inc. | Ralph Rosenberg |
| VIII. | Old Business, if any | Ralph Rosenberg |
| IX. | Adjournment | Ralph Rosenberg |

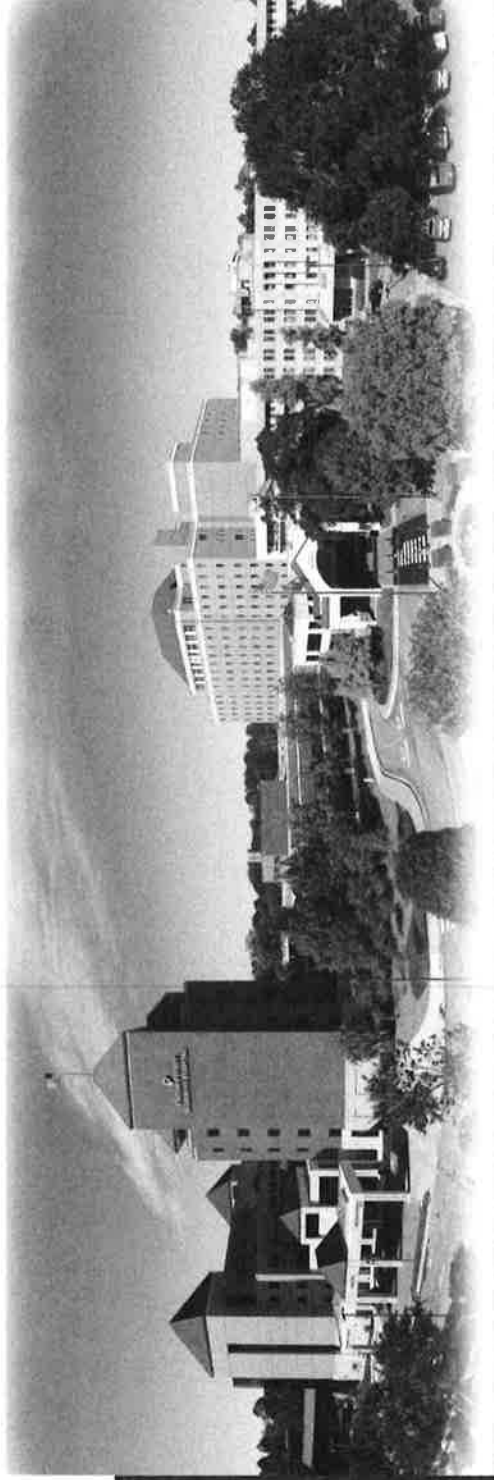


**OPEN
SESSION**

**HOSPITAL AUTHORITY
OF ALBANY-
DOUGHERTY COUNTY
AUGUST 23, 2012**



FY2013 Operating & Capital Budget

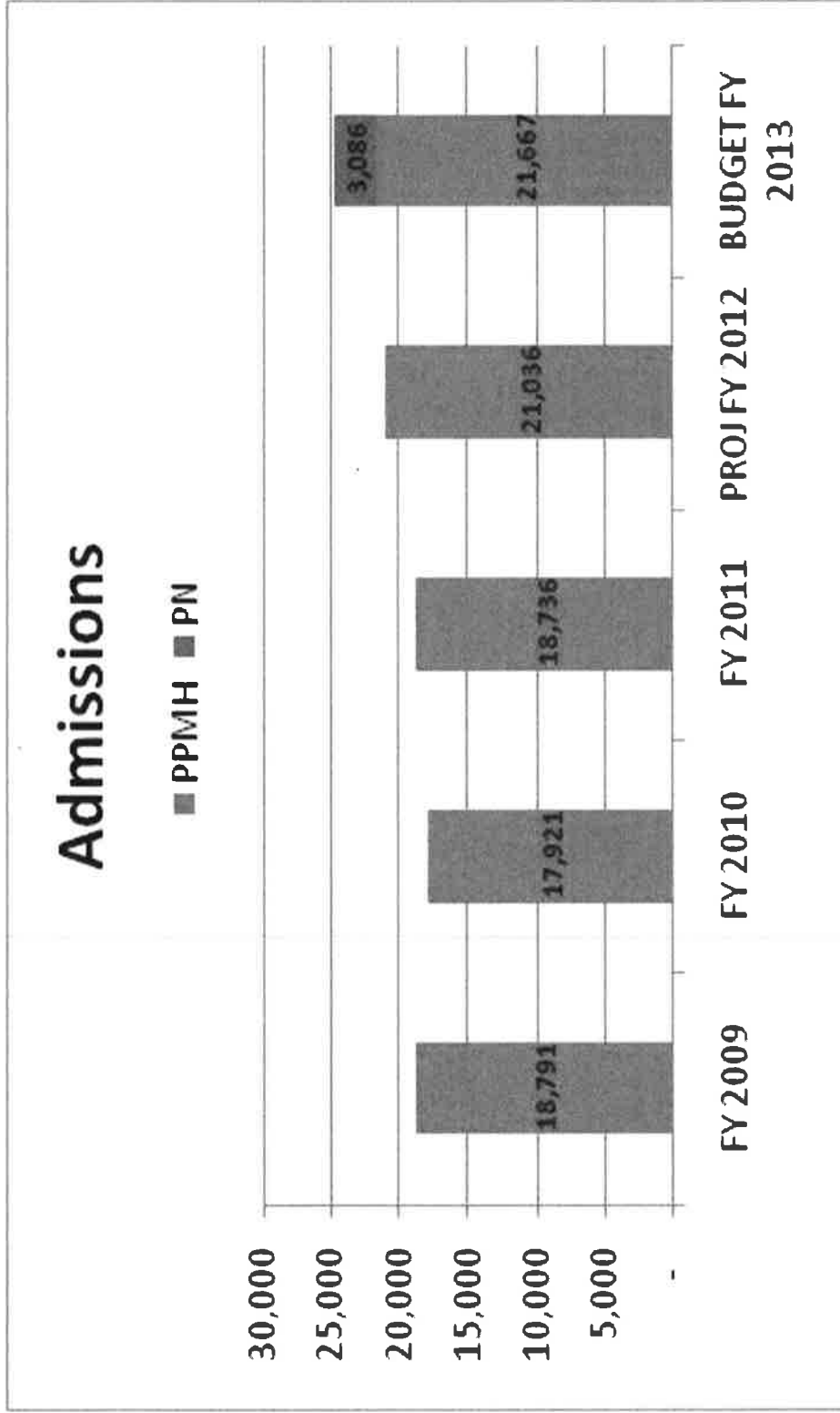


**PHOEBE PUTNEY
MEMORIAL HOSPITAL**

ALBANY, GEORGIA

August 2012

Operating Outlook



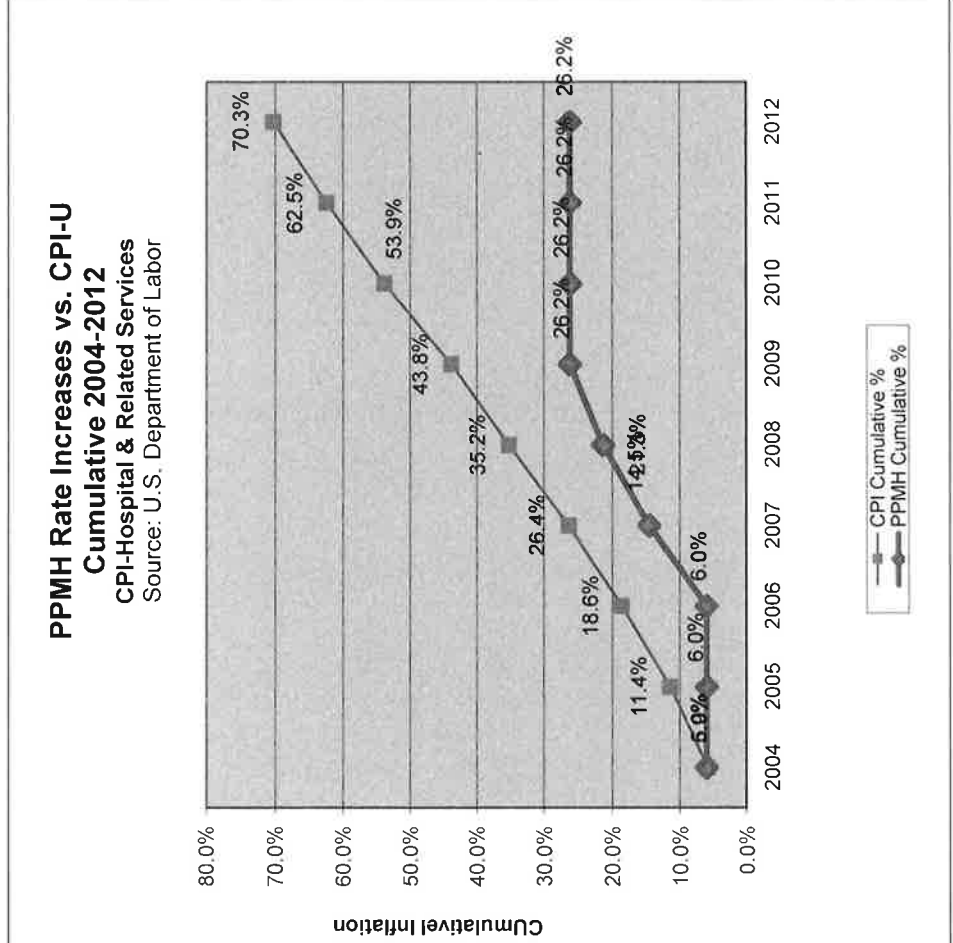
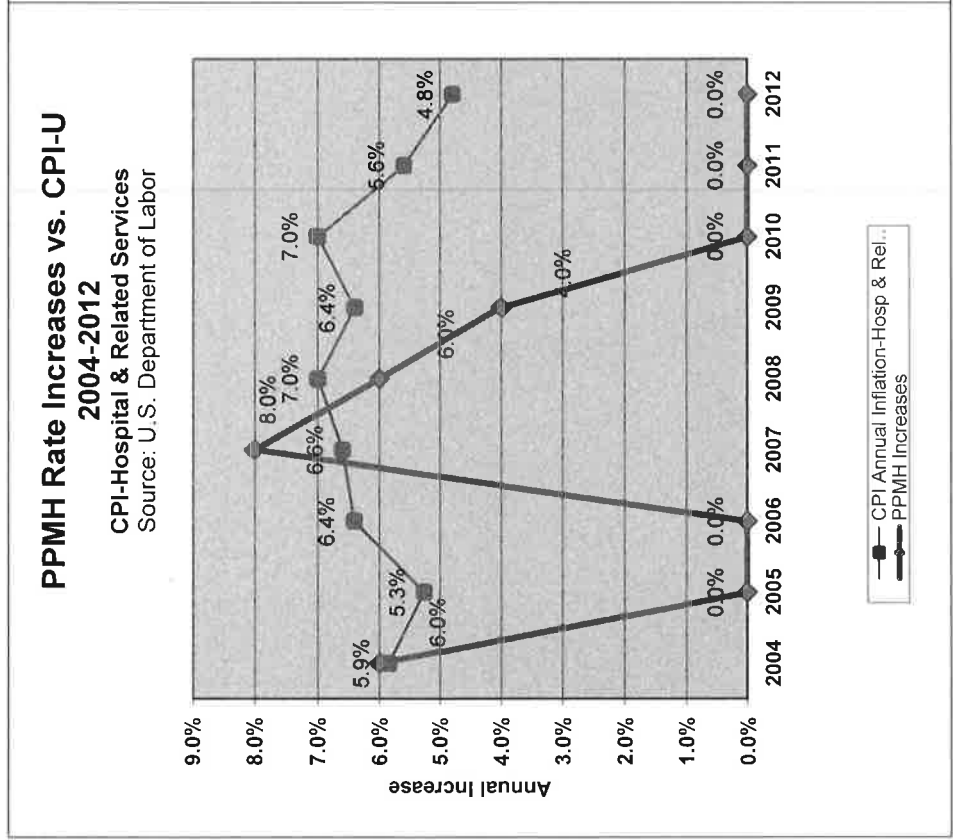
No Burden to Taxpayers

Should one or more of these be stopped so Margins can Grow?

	2007	2008	2009	2010	2011	Proj 2012	Budget 2013
Property Tax*	\$ 12,450	\$ 54,472	\$ 40,385	\$ 14,812	\$ 130,997	\$ 258,947	\$ 699,448
School Nurse	\$ 834,000	\$ 1,001,000	\$ 1,425,000	\$ 1,453,000	\$ 1,289,000	\$ 1,261,946	\$ 1,296,691
Network of Trust	\$ 22,000	\$ 142,000	\$ 254,000	\$ 362,000	\$ 305,000	\$ 234,305	\$ 243,187
Inmate Care	\$ 1,444,000	\$ 1,401,000	\$ 1,140,000	\$ 1,065,000	\$ 1,280,000	\$ 1,551,168	\$ 1,775,765
Charity Expense	\$ 16,913,000	\$ 10,005,000	\$ 25,563,000	\$ 16,300,000	\$ 16,594,000	\$ 29,011,126	\$ 32,000,000
Total	\$ 19,225,450	\$ 12,603,472	\$ 28,422,385	\$ 19,194,812	\$ 19,598,997	\$ 32,317,492	\$ 35,985,091

**A commitment is made for Voluntary Payment in lieu of taxes (VPILOT for Phoebe North property)*

For five fiscal years – No price increase
Eight year history CPI increases >70%, Phoebe price increases = 26%



Pricing adjustments

- Non-invasive Cardiology
 - Approx \$400 decrease per procedure
- Room Rates (eliminated Private rate)
 - Approx \$1 million decrease
- Patient Chargeable Supplies
- 0% Over Price Increase

Capital Expenditure Budget

	Total	FY13 Budget	FY14 Budget	FY15 Budget	FY16 Budget
Digestive Health Center	13,000	13,000			
Distribution Warehouse	2,000	1,000	1,000		
Financial Services Building	5,000		2,000	3,000	
Family Tree West	2,300		2,300		
MCG Medical Student Housing	1,700		700	1,000	
Middle School	6,000		2,000	2,000	2,000
Meredyth MOB III	30,000			15,000	15,000
Investment in New Buildings	60,000	14,000	8,000	21,000	17,000

Meredyth - Courtyard Improvements	600	600			
Meredyth MOB I- Carlton Breast Center	700	700			
Meredyth MOB I- Neuroscience Center	1,500		1,500		
Meredyth MOB I- PT Renovation	75	75			
Meredyth MOB II- Imaging Center Expansion	7,000	7,000			
Investment in Meredyth	9,875	8,375	1,500	0	0

Investments in PPMH Core	42,097	2,780	9,317	15,000	15,000
Investments in Phoebe North	55,075	3,392	19,328	29,471	2,884
Investments in Information Systems	20,052	5,452	2,600	6,000	6,000
Investments in Plant Initiatives	4,773	1,909	1,636	628	600

Land Acquisition	9,400	3,400	4,000	1,000	1,000
Routine Capital Replacement	24,000	6,000	6,000	6,000	6,000

Total PPMH Capital Expenditure Budget	225,272	45,308	52,381	79,099	48,484
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(In 000s)

Phoebe Putney Memorial Hospital, Inc.

	Projected 2012	Budget 2013	Variance %
Gross Patient Revenue	\$ 1,204,772	\$ 1,400,934	16.3%
Other Operating Revenue	11,842	14,834	25%
Deductions	(688,668)	(803,537)	17%-
Net Revenue	\$ 527,945	\$ 612,231	16.0%
Operating Expenses	(470,122)	(543,254)	15.6%
Operating Income before Intercompany Expense	\$ 57,824	\$ 68,977	19%
Intercompany Expense	(49,095)	(55,502)	13%
Operating Income (Loss)	\$ 8,729	\$ 13,475	54%
Non-Operating Income	1,935	2,062	7%
Investment Income	(7,448)	(2,751)	-63%
Net Income	\$ 3,215	\$ 12,786	298%
KEY STATISTICS:			
Operating Income %	1.7%	2.2%	33%
Admissions	21,036	24,753	18%
Adjusted Patient Days	222,128	260,480	17%
EC Visits	55,913	98,393	76%
FTEs	2,802	3,263	16%
FTE/AOB	4.60	4.61	0%

Budget Proposal Summary

- Carry on Phoebe's Mission by making healthcare available to all—increase of charity/indigent care to over \$65+ million and provide a multitude of other benefits to the community
- Pricing continues to be in mid-range for hospitals similar to Phoebe with no price increase for FY 2013
- Consolidation of Rehab programs between Main Campus and Phoebe North is First Step in journey
- Continued aggressive management of expenses
- Provide in excess of \$225+ million for investment in new equipment and facilities during the next four years
- Continue to Provide Stable Employment for 4,000+ folks in Southwest Georgia



Hospital Authority of Albany-Dougherty County, GA

Income Statement

	FY2013 BUDGET	FY2012 Projected
OTHER OPERATING REVENUE:		
ADMINISTRATION-RENT INCOME	100,000	1
ADMINISTRATION CONTRIBUTION REVENUE	702,800	4,956,151
Total:	802,800	4,956,152

INCOME FROM OPERATIONS

802,800 **4,956,152**

OPERATING EXPENSES

LEGAL FEES:	800,000	927,448
CONSULTING:	-	50,369
PROPERTY TAXES	2,800	2,525

TOTAL EXPENSE **802,800** **980,341**

OPERATING INCOME (LOSS)

- **3,975,810**



QUESTIONS



Hospital Authority Update
August 2012



Governance Education

- Financial Building Blocks to Successful Mission Attainment
- Governance Guidance and Sign Off on Strategic Financial Imperatives
- Ongoing Benchmarking for Comparative Purposes and Performance Reviews

**“WHILE WE MAY BE NOT-FOR-
PROFIT..... WE MUST ALSO BE
NOT-FOR LOSS!”**

**Harry Willson
Authority Chairman for 25+years**

Key Authority/System Financial Decisions

Capital Formation
Credit Worthiness/Access
Investment Oversight and Maximization
Organized Philanthropy
Expense Benchmarking
Managed Care Strategy
Growth

How Capital Is Formed On Behalf of the Authority

Operating Margin
Philanthropy
Tax-Exempt Debt

Credit Worthiness

King and Prince Board Retreat

November 2012

Credit Rating

Access to Capital Must Be Assured
Capital Must Be Accessed at Lowest Possible Cost
Achieving the Highest Possible Credit Rating Will Assure
the Two Above

Board Fiduciary for Investments

Funded Depreciation
Pensions
Philanthropic Funds

Investments

Investment Committee Formed
Independent Investment Strategy Advisor Selected
Investment Strategy Launched
Benchmarking and Diversification at Core
Quarterly Review



**PHOEBE PUTNEY
HEALTH SYSTEM**

STATE OF GEORGIA
COUNTY OF DOUGHERTY

AFFIDAVIT RELATIVE TO CLOSED MEETING

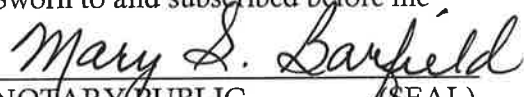
Personally appeared before the undersigned, RALPH S. ROSENBERG, who having been duly sworn, deposes and states as follows:

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 23rd day of August, 2012, 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) discussing with legal counsel, pending and potential claims and litigation as well as other legally confidential matters; and, (ii) discussing confidential and proprietary plans and strategies that may be of competitive advantage in the operation of Phoebe Putney Memorial Hospital and/or Phoebe North or their medical facilities.
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.

As of the 23rd day of August, 2012.


Chairperson

Sworn to and subscribed before me


NOTARY PUBLIC (SEAL)

Dougherty County, Georgia

My Commission expires: _____

