

Sublette County Rural Health Care District
Board of Trustees
Regular Meeting
October 17, 2018

Venue: Marbleton Town Hall, Marbleton, WY

Trustees Present:

Scott Scherbel Chairman

John Godfrey, Secretary/Treasurer

Wendy Boman, Trustee

Chuck Bacheller, Trustee

Call to Order

Mr. Scherbel called the meeting to order at 6:00 pm.

Set Agenda

Mr. Scherbel requested the SCRHCD Board amend the agenda to address the CAH Committee Report first, under Routine Business, which includes the motions and assignments from the special board meeting held on October 2, 2018, due to invited attendees' presentations. He also requested the addition of board excusals for Mr. Bacheller at the August 15, 2018 and September 19, 2018 regular board meetings and for Ms. Clark at the October 17, 2018 regular board meeting under New Business. Mr. Bacheller made the motion to approve the amended agenda as requested by Mr. Scherbel. Mr. Godfrey seconded the motion. Motion carried unanimously.

Routine Business

Critical Access Hospital/Mr. Scherbel:

Mr. Scherbel stated this agenda item is to follow-up on the motions and assignments from the special board meeting on October 2, 2018. Mr. Scherbel asked Mr. Dave Racich, representing the Rural Health Foundation (RHF), to provide a report of fund-raising plans.

Mr. Racich told the board the RHF director sent a report to the USDA several months ago regarding their process for fundraising for the CAH. Mr. Racich informed the board a number of perspective donors within Sublette County, out-of-county, and out-of-state were contacted and two donor lists of those who are committed to making donations have been compiled. The RHF has hired an organization called Flip Cause who will be coordinating fund-raising events. The Foundation has a website set up with this organization. Flip Cause charges the RHF \$100 per year. Mr. Racich stated the RHF has also hired an organization called Path Finder who is very well noted within the state. Path Finder works with 501(c)(3) donations and walks the business through the process of getting donors. Path Finder has also helped with what is referred to as "making ask", which means going out into the community and asking if residents are willing to donate or make a commitment to donate to the project's fund.

Mr. Scherbel reported the Town of Pinedale refused to put the agreement for future construction of Garrison Drive and the resolution supporting the CAH on their agenda at this time. The Town of

Pinedale has not committed to being in favor or opposed to the hospital. Mr. Scherbel relayed the Town of Big Piney refused to draft a resolution in favor or opposed to supporting the hospital project. The Town of Marbleton did put the resolution on their meeting agenda held on Monday, October 15, 2018. The councilmembers voted five-to-zero in favor of not making a resolution to support the hospital project.

Mr. Scherbel addressed BKD's analysis of a 7% interest rate. BKD reported the debt-service ratio result would be 1.52. Mr. Scherbel reported one of the local bank's representatives in Pinedale informed the District the debt-service ratio they would require must be 1.3. The required USDA debt-service ratio is 1.1 to be a financially viable project. With USDA financing, the District's debt-service ratio is 1.9. Ms. Boman asked for confirmation that a 7% loan interest rate would be an additional \$800,000 in interest each year. Mr. Scherbel replied that he believes that is the correct amount, according to BKD's recent analysis. Ms. Gatzke added that part of the \$800,000 would be reimbursed to the District through a cost report.

Mr. Scherbel stated the letter of request for mediation will be sent to the USDA the week of October 22nd. Mr. Scherbel reported that Ms. Lorraine Werner from the USDA is on vacation October 12th through October 31st and Mr. Brian Haapala from Dougherty Mortgage is on vacation November 1st through November 10th. The USDA and District's consultants are key people in this mediation process so this delays scheduling mediation. The request must be postmarked on or before October 25, 2018. Ms. Bowman expressed the board should reconsider building on the existing clinic site and look for a Plan B. Mr. Bacheller asked Ms. Boman what her Plan B was. She answered she didn't know but the board needed to look for a Plan B.

Mr. Scherbel introduced Mr. Brian Haapala from Dougherty Mortgage who will present and explain why mediation should be the next step to getting USDA funding. Mr. Scherbel said that Mr. Tony Pfaff from Cypress Healthcare Management is also in attendance to answer questions. He stated one of Mr. Haapala's recommendations is to hire Cypress Management to assist in the mediation process and address Ms. Werner's concerns about the District's management. He also recommends Cypress assist during the construction phase.

Presentation by Mr. Brian Haapala, Dougherty Mortgage LLC:

Mr. Haapala stated Dougherty Mortgage works with healthcare facilities across the country and finances about \$200 million toward projects each year; Dougherty Mortgage is a partner in the USDA's Community Facilities Program and is recognized as a lender with the USDA. Mr. Haapala stated he has worked in healthcare for twenty years and is the Chief Underwriter for Dougherty Mortgage. His job is to determine whether or not the bank is taking on a reasonable risk. Mr. Haapala stated he does not understand why the USDA made their decision to deny the District's loan request. There are several other rural communities throughout the country who have physician office buildings that have been approved for USDA loans in excess of \$27.5 million. Mr. Haapala added he 100% disagrees with USDA's denial of the District's loan application. Sublette County's population is nearly 10,000, with an 18% increase in residents 65 years of age and older and is decreasing in residents under 65. Mr. Haapala stated that the utilization of healthcare services is three times higher for people 65 years of age and older. The percentage of Sublette County's 65+ population is above the nation's average, so the need for healthcare in Sublette County will only increase. Sublette County residents are further away in travel time and miles to a hospital than 90% of all the other 250 new CAH's. Medicare is expected to be about 40% of the overall CAH's revenues. Medicare would thus be paying \$11 million of the \$27.5 million project costs, leaving SCRHCD a net cost of \$16.5 million. Mr. Haapala relayed that

BKD, an independent accounting firm, reported the District's cash flow would increase over and above expenses in the CAH's first year of operation by approximately \$1.6 million. If approved, the USDA would provide a Direct Loan at an approximate interest rate of 4% over forty years. Dougherty Mortgage would act as the Guaranteed Loan Mortgagor at an approximate interest rate of 6% - 6.5% interest rate over thirty years. Dougherty Mortgage will work with local banks to take over the guaranteed portion of this loan.

Public Comments/Questions:

Mr. Bill Johnson stated there is a lack of support in Sublette County for the current monstrosity hospital project. The County Commissioners, the Town of Pinedale, the Town of Marbleton, and the Town of Big Piney do not support it. He commented if there was local support, the project would go forward. He stated he is not in support of a hospital of this size but is in favor of a smaller scale hospital, on the existing Pinedale Clinic site.

Ms. Kris Bacheller stated she works in an oil field office. It is difficult to attract new employees with young families because there is not a local hospital.

Mr. Jeff Makelky, Big Piney High School Principal, stated he agrees with Ms. Bacheller's comment about the difficulty in recruiting new employees. It is also very difficult to compete with other communities to attract new employees to Sublette County School District #9.

Ms. Marti Seipp asked Mr. Haapala to clarify the liability element in the accountants' revenue predictions. Mr. Haapala responded that in terms of looking at the information that was available to them at the time of the study, BKD would be considered negligent if there is proven misappropriation of their expertise. However, they can't be held accountable if projections don't come in on the exact numbers. Mr. Bacheller stated the company who prepared the feasibility reports used 2013-2017's patient volumes from the existing clinics to determine their projected hospital patient numbers.

Ms. Boman asked Ms. Amanda Key if there are physicians willing to work at a hospital in Sublette County. Ms. Key responded at the quarterly meeting with St. John's Hospital, she was assured they are currently working on their surgical services plans and are in support of the project. Ms. Key stated the SCRHCD is planning to cross-train employees as it moves toward staffing the surgical unit, but initially, St. John's surgical team would be coming to the hospital.

Ms. Boman asked Mr. Haapala to address the impact of possible Medicare and Medicaid cuts in the future. Mr. Haapala said cuts in federal funding for healthcare are always a possibility and a concern, but CAH's are designated as a completely different kind of entity and cuts have not been made to CAH funding over the past ten years. The federal funding cuts affect the larger hospitals, such as hospitals in Salt Lake City.

Mr. John Godfrey stated in his conversations with the Chief RN of Surgical Operations in Jackson, Ms. Becca Wartig, the size of the proposed hospitals surgical unit design is justified. Mr. Godfrey asked Mr. Haapala and Mr. Pfaff if the proposed size of the hospital design is too large. Both Mr. Haapala and Mr. Pfaff stated it is not. Mr. Pfaff added he believes it is too small and should be in the neighborhood of twelve to fifteen beds to support Sublette County's population.

Mr. Dave Racich, Chairman of the Rural Health Foundation, asked how critical Mr. Haapala's and Ms. Werner's vacation times are in respect to the impending mediation process. Mr. Scherbel responded the

mediation will be requested to take place as soon as Mr. Haapala returns.

Mr. Scherbel stated the hospital's surgical unit was designed by St. John's and will be utilized by St. John's surgical teams. Mr. Scherbel added approximately 70% of Sublette County residents who need surgery go to St. John's. Their surgeons are committed to performing surgeries at the new CAH. Mr. Scherbel said there are two operating rooms in the CAH's design so a surgeon can perform back-to-back surgeries and utilize their time and expenses more efficiently.

Presentation by Mr. Tony Pfaff, Cypress Healthcare President:

Mr. Pfaff stated Cypress Healthcare has been solely managing rural hospitals for eighteen years. He said a new hospital, funded by the USDA, was recently completed in a rural service area with a population of only 700 people and a service area of 2,200. It was a 30,000 square foot building, at a cost of roughly \$350 per square foot. Mr. Pfaff added Cypress Healthcare's largest hospital, in Deer Lodge, Montana, was originally 43,000 square feet. A recent addition was completed which brought it to 49,000 square feet. Deer Lodge has a population of 6,000 people. Mr. Pfaff said the Deer Lodge hospital's revenue in the first year was \$9.4 million and is projected to be about \$25 million this year. Mr. Pfaff added Deer Lodge is only eighty miles from Missoula, which has two hospitals. He believes the District is under-sizing the building. It will require more than six inpatient rooms. Under-sizing is worse than over-sizing when it comes to hospital construction. He said he wouldn't be involved in the Sublette County CAH project if he didn't think it was feasible. Mr. John Godfrey interjected, if a contract is consummated, Cypress Healthcare would manage Sublette County's CAH. Mr. Scherbel asked Mr. Pfaff to clarify the reasons for having two operating rooms. Mr. Pfaff stated one is used for the actual surgery and the other is used for procedures, such as gastroscopies or endoscopies. In either case, the procedure room can easily be converted to an operating room by adding a light. Building only one operating room would be a mistake. Mr. Pfaff said he believes mediation with the USDA is the best option at this time. Sublette County is the most isolated community without a hospital he has ever experienced in his 25 year career as a hospital CEO.

Ms. Boman asked Mr. Haapala to clarify the debt-to-service ratio. Mr. Haapala responded it is the relationship between how much money is being generated and what is available to pay off a long-term debt. A debt-service ratio of 1.5 means for every \$1 of debt, the organization is generating \$1.50 in revenue.

Public Comments/Questions:

Mr. Bill Johnson stated the Rock Springs hospital was recently in financial trouble and Sweetwater County had to intervene and take immediate action to cut hospital costs. He asked what would happen if the hospital in Sublette County got into financial trouble. Mr. Haapala answered a financial cushion is required. If that cushion starts to decrease, it is an early indicator there is something wrong and needs to be reviewed. Mr. Haapala continued by saying if it needs to be reviewed, the lender hires someone to evaluate the situation and makes sure the commitment to the loan is still solvent. Mr. Haapala stated if that cushion continues to decrease, the lender would go through a process much like a foreclosure. Mr. Johnson asked if the taxpayers would be responsible to pay the lender if this should happen. Mr. Haapala replied in this case, the county citizens would receive no repercussions. The lender could only look at the physical assets of the District. Mr. Scherbel clarified in the Sweetwater hospital situation, the county got involved because it is a Memorial Hospital. The board is appointed by the county commissioners and is solely funded by the county's general fund. A Hospital District and a Rural Healthcare District are independent tax entities, which mean their funding comes from mill

levies.

Mr. Sam Bixler asked Mr. Pfaff what strategy he has for regaining patients that have gone elsewhere for their healthcare. Mr. Pfaff responded there needs to be three things for a hospital to be successful — quality, safety, and access. Typically, the transition for regaining patients is only a couple of years once a hospital is located in the service area

Ms. Marti Seipp asked for a guess as to the number of hospitals that have closed. Sixty hospitals have closed nationwide in the past couple of years; none of them in Wyoming, Montana, or Idaho. Most closed due to reasonably close access to other facilities. Most were in the southeast portion of the United States.

Ms. Maxine Lecke asked Mr. Pfaff what the process is if the District decides to hire Cypress Healthcare Management. Mr. Pfaff answered that first, a contract is signed, and then the SCHC board directs Cypress what they would wish them to do. Cypress would make recommendations to the board, but the board makes the final decisions.

Ms. Boman asked if Mr. Haapala or Mr. Pfaff had ever been through a mediation and what are the likely costs. Mr. Pfaff and Mr. Haapala replied they have never been involved in a mediation process. Mr. Scherbel stated the USDA denial letter stated the USDA will cover 50% of the mediation costs and the SCRHCD would be responsible for the other 50%. However, the mediator may possibly waive the District's 50% share of the costs. Mr. Scherbel added the mediator that was proposed by Charles Erwin of Dougherty Mortgage, charges \$180 per hour, Mr. Pfaff said his cost is \$238 per hour and Mr. Haapala stated there is no additional cost from Dougherty Mortgage, unless the mediation takes an enormous amount of time.

A ten-minute break was taken at this time.

SCRHCD Board Discussion and Decisions:

Mr. Scherbel stated the board can recommend to USDA a mediator and decide where to hold the mediation. This needs to be included in the formal request for mediation. Mr. Scherbel said the board is not ready to select a specific mediator, but may discuss location. Mr. Scherbel relayed Mr. Doug Mason had previously recommended the board be prepared to make decisions at the mediation. One option to accomplish this would be to have a board quorum in attendance, which would be considered a special board meeting. Mr. Scherbel stated another option would be for the board to designate specific board members' attendance and authorize them to make decisions at the mediation, within specific parameters.

Mr. Bacheller stated he will not be involved in the mediation because his board membership will end after the November election. Mr. Bacheller said he feels that two members of the board should attend the mediation with discretionary authority to make decisions. Mr. Godfrey requested Mr. Pfaff's opinion regarding the mediation. Mr. Pfaff answered USDA could possibly commit to a loan amount less than what was requested or they could reconsider their decision, based on the additional facts provided in the District's letter of request for mediation. Mr. Godfrey asked who represents the USDA in the mediation, Ms. Werner or her superior. Mr. Haapala replied he believes it will be Ms. Werner, but she does not have final loan approval on the hospital project. Mr. Scherbel stated USDA's State Director, Mr. Chad Rupp, will be there. Mr. Mason added the state representatives only recommend their decision to the national USDA office for a binding decision. Mr. Scherbel commented the goal at the

mediation is to change the decision from being ineligible to eligible for the USDA loan funds. Mr. Godfrey stated he feels the mediation should be in Sublette County, with Ms. Boman adding agreement. Ms. Boman asked when the mediation will take place. Mr. Scherbel answered it will occur after the election. Mr. Godfrey added the current board should represent the District in the mediation because the newly elected board members may not want to build a hospital. Members in favor of the hospital should be representatives as not to defeat the purpose of the mediation. Mr. Haapala commented regardless of which board representatives attend, they must be in support of building a hospital for the process to move forward. Ms. Gatzke stated at the first board meeting on Monday, November 19th, the newly elected board members will be seated, so the existing board could attend the mediation if it occurs before that date. Mr. Mason added the request for mediation must occur before the election or that option is no longer available to the District. Mr. Mason answered Ms. Boman's question regarding whether or not it would be an executive session, allow public attendance, or a special meeting by stating according to statute, it would be a special meeting. Even though the public is allowed to attend, they cannot participate. Mr. Mason added if two board members are authorized to represent the board at the mediation, it is not a quorum, so is not considered an official board meeting.

Mr. Godfrey made a motion to have the mediation take place in Pinedale, Wyoming, with the exact location to be determined. Mr. Bacheller seconded the motion. Motion carried 3-1, with Ms. Boman voting nay.

Mr. Godfrey made a motion the Board Chairman and Vice Chairman represent the SCRHC at the mediation, with Dougherty Mortgage making the decision as to the mediator. Mr. Bacheller seconded the motion. Mr. Scherbel asked whether the representatives be named by position or by name. Mr. Godfrey commented the existing board should be representing the District at the mediation, so Mr. Scherbel and Ms. Clark should be the authorized representatives. Mr. Godfrey and Mr. Bacheller rescinded their motions. Ms. Boman made a motion to postpone the decision to appoint representatives to attend the mediation until after the mediation date is scheduled. Motion failed for lack of a second.

Mr. Bacheller made a motion to have Mr. Scherbel and Ms. Clark represent the District at the mediation, with Mr. Haapala and Mr. Pfaff in attendance, along with any other consultants, regardless of the scheduled date. Mr. Godfrey seconded the motion. Motion carried 3-1, with Ms. Boman voting nay.

Mr. Bacheller made a motion to request the mediator recommended by Mr. Charles Erwin. Mr. Godfrey seconded the motion. Motion carried 3-1, with Ms. Boman voting nay.

Mr. Scherbel stated the letter of request for mediation will be submitted by October 24th by Mr. Mason.

Finance Report/Lorraine Gatzke: Ms. Gatzke reported there is \$1.5 million currently in the District's regular checking account. Ms. Gatzke added during the first three months, the District had about \$1.7 million in revenues, but 45% of those revenues were written off as insurance adjustments.

Operations Report/Amanda Key: There were no questions regarding the Operations Report submitted by Ms. Amanda Key.

EMS Report/Bill Kluck: Mr. Bill Kluck added to his submitted EMS report by saying on November 20th at 6:30 p.m. there will be four life flight companies at the Pinedale library to provide information and answer questions from the public. Mr. Kluck stated he received a letter of appreciation from Ms. Sue Holtz from ProActive Rehabilitation for a grant-funded AED donated to them. She has offered a free membership for the month of November to all the Sublette County EMT's.

New Business:

Exhibit B Healthcare Professional Loan Repayment Policy/Scott Scherbel: Ms. Gatzke said a SCRHCD mid-level provider requested board consideration to extend the Healthcare Professional Loan Repayment policy from a three-year to a five-year student loan reimbursement. Ms. Gatzke explained this change would equate to \$15,000 per year per provider, which is already included in the budget. She recommended the board grant this request. Ms. Key added this change would include two PA's and one FNP. Mr. Godfrey made a motion to approve the policy, as amended. Mr. Bacheller seconded the motion. Mr. Scherbel commented he feels this change would be a good incentive to retain providers. Motion carried unanimously.

Job descriptions for Medical Assistant and Certified Nursing Assistant/Amanda Key: Mr. Scherbel stated the decision regarding this new business item will be made at the next regular board meeting in November.

Public Comments:

Mr. Sam Bixler, referring to the bonus or COLA item on the agenda, commented the BKD feasibility study includes capping employee raises at 1% per year for the next five years. For a feasible hospital project, the District needs to hold to the numbers included in the study.

Old Business:

206.1 Continuing Education/Professional Development Policy/Amanda Key: Mr. Bacheller made a motion to accept the amended Continuing Education and Professional Development Policy, as submitted by Ms. Key. Mr. Godfrey seconded the motion. Motion carried unanimously.

303.2 Leave of Absence Policy/Amanda Key: Mr. Godfrey made a motion to accept the amended Leave of Absence Policy, as submitted by Ms. Key. Mr. Bacheller seconded the motion. Motion carried unanimously.

303.3 Military Leave Policy/Amanda Key:

Mr. Bacheller made a motion to accept the amended Military Leave Policy as submitted by Ms. Key. Mr. Godfrey seconded the motion. Motion carried unanimously.

318.1 Time Clock Policy/Amanda Key: Mr. Godfrey made a motion to accept the amended Time Clock Policy, as submitted by Ms. Key. Mr. Bacheller seconded the motion. Motion carried unanimously.

320.1 Light Duty Work Assignment Policy/Amanda Key: Ms. Boman made a motion to accept the Light Duty Work Assignment Policy, as submitted by Ms. Key. Mr. Bacheller seconded the motion. Motion carried unanimously.

Bonus/COLA for District Employees/Chuck Bacheller:

Mr. Scherbel stated it was decided in July 2018 this item would be postponed until all five board members were present for the vote. Mr. Bacheller stated he would like it to remain tabled, because

there are only four board members present at this meeting. Mr. Godfrey stated he would like to bring this item to a close and requested Mr. Scherbel reopen the subject for discussion. Mr. Scherbel then asked for discussion. Ms. Gatzke stated the employees are not asking for a raise, they are asking for a cost of living adjustment (COLA). The school districts and the county have given COLAs this year. The Social Security Administration is expecting to give a 2.9% COLA in 2019. Ms. Gatzke reviewed the benefit increase options that were previously proposed. Mr. Scherbel stated he is not in support of raises, however, he is in favor of a cost of living adjustment and it is appropriate and necessary. Mr. Godfrey commented the district lags behind the county in terms of employer benefit contributions; health insurance premiums and paid employees' contribution to retirement accounts. He is in favor of balancing out the benefits offered by the District with those offered to the county employees. Mr. Godfrey made a motion to grant the District's non-contracted employees a 4% COLA retro-active to August 1st. Mr. Bacheller seconded the motion. Mr. Bacheller said it would be nice to avoid the politics and the District should pay for good employee service. Mr. Bacheller recommended a pay schedule and compensation plan be set up by the future board. Ms. Boman said the SCRHC board should have some type of comprehensive compensation plan, but doesn't feel a COLA or additional benefits are appropriate at this time due to the pending hospital project and affordability. Mr. Godfrey amended his motion to exclude the retro-active portion of his original motion, but to give a 4% COLA effective the first payroll in November 2018. Mr. Bacheller seconded the motion. Motion carried 3-1, with Ms. Boman voting nay.

Board Excusals: Mr. Godfrey made a motion to excuse Mr. Bacheller for his absence at the August and September regular board meetings and Ms. Clark for the October regular meeting. Ms. Boman seconded the motion. Motion carried unanimously.

Approval of Minutes – Regular Meeting, September 19, 2018: Mr. Godfrey made a motion to approve the minutes of the regular board meeting held on September 19, 2018. Ms. Boman seconded the motion. Motion carried. Mr. Bacheller abstained.

Approval of Minutes – Special Meeting, October 2, 2018: Mr. Godfrey made a motion to approve the minutes of the special board meeting held on October 2, 2018. Ms. Boman seconded the motion. Motion carried unanimously.

Routine Business:

Approval of Payroll and Bills: Ms. Boman made a motion to approve the payroll and bills included on the check register in the amount of \$757,274.27. Mr. Bacheller seconded the motion. Motion carried unanimously.

Adjournment:

Mr. Bacheller made a motion to adjourn at 9:23 pm. Ms. Boman seconded the motion. Motion carried unanimously.

Minutes taken by Jean Straw

Scott Scherbel, Board Chairman



Lorraine Gatzke, Finance Director