

Gadsden Hospital, INC. Board of Directors Annual Meeting

MINUTES

March 5, 2013

5:00 p.m.

*Capital Regional Medical Center
Gadsden Memorial Campus
23186 Blue Star Highway (Highway 90)
Quincy, Florida
Boardroom*

Present:

Craig McMillan, Chair
Herb Sheheane, Vice – Chair (absent)
Jimmy Suber, Secretary – Treasurer
Scott Whitehead
Shelia Atkins (absent)
Dr. Charles Kent
Sen. Fred Dudley
Shaia Rene’ Beckwith – James (absent)
Mike Glazer, Hospital Attorney
Arthur Lawson, Assistant County Administrator
Brian Cook, CEO, CRMC
Alan Keesee, COO, CRMC
Ronnie Midgett, CFO, CRMC
Beryl H. Wood, Deputy Clerk

1. Welcome – Craig McMillan

Chair McMillan called the meeting to order.

2. Approval of September 17, 2012 Minutes

UPON MOTION BY MR. WHITEHEAD AND SECOND BY MR. SUBER, THE BOARD VOTED 5 – 0, BY VOICE VOTE, FOR APPROVAL OF THE SEPTEMBER 17, 2012.

3. Update on Claim by Ashford Mike Glazer

Attorney Mike Glazer commented on the Ashford claim. He said “one of the things that happened back in 2005, Ashford had the license, ACHA closed the hospital and there was a lot of ugliness going on. We the County, needed to get the license back even though the hospital was closed we didn’t want Ashford to hold the license. We didn’t want to lose the license; we didn’t

want them having anything to do with it any longer.” “A few months before they went into bankruptcy they sued Gadsden County and Capital City Bank for 6 million claiming that we owed them a bundle of money for indigent care, but under the old lease the County had to pay them for indigent care and we hadn’t done that, so they sued the County and the Bank because they had the trust. The case was put on hold when they went into bankruptcy, as part of the negotiation and the deal by which the County got the license back voluntarily from Ashford, it was agreed at that time that Ashford did not have to abandon that case. We can sit here in 2013 and be critical of that, but given what was going on at the time, I’m not. In any event, that happened and the County got the license back ultimately Ashford was in bankruptcy. Ashford isn’t around anymore but, there is some Lawfirm up in New Jersey that somehow inherited this claim. They wrote this long letter months ago saying they want to revise this claim and if you just write us a check for \$6 million dollars we will go away. Somehow that didn’t seem to be the thing to do and in the meantime that lawsuit they filed back in 2005 had sat for years and after it sat for a long period of time the judge at the time issued an order saying do something with this case or I’m going to throw it out. They never responded and we didn’t either and the judge threw it out. When we got this demand letter we told them no, you already had your bite of the apple and lost. This Lawfirm wrote us a 8-12 page memo of law about all the reasons we owed it. I did make a brief presentation to the County Commission and in a rare show of unanimity the County Commission directed us to oppose the claim and any event one of our litigators is handling the case. There is no case at this point. We told them politely no and if you come after us, we are going to try to get our Attorney fees. We have so many defenses it’s out there. In any event nothing has actually happened and the ball is in their court. Our hope is they will decide it’s not worth the trouble. The only practical impact it has on us is we have wanted to destroy the boxes of medical records that are here and financial records that are sitting. I’m a little bit reluctant to recommend that we do that because I would hate for somehow they manage to get across the threshold and notice that they are still out there, having destroyed records. They are just sitting; we don’t need the space, that’s the only practical impact right now. Mr. Chair that’s my report happy to entertain any questions.”

Chair McMillan commented they had talked earlier about the statute of limitations.

He then introduced everyone present at the meeting.

4. Update on Activities with CRMC Brian Cook

Brian Cook, CEO of CRMC thanked the Board of Directors for the invite. He then introduced his staff Alan Keessee, COO of CRMC who replaced Dale Neely who is now the CEO at HealthSouth Hospital in Tallahassee. He introduced Ronnie Midgett, CFO of CRMC. He gave a quick update and presentation. He explained they operate as one entity with two campuses. They opened in 1979 as Capital Medical Center. 1980 HCA purchased the hospital. HCA has owned the hospital for 33 years and it operated as TCH up to 2003 when the new building was built. He said they opened the Gadsden Campus in June 2010. He then presented:

Our Services

Emergency Care
Gadsden Campus
Cardiac Services

Cancer Center
Family Center
Breast Center
Specialized Wound Care Services
Surgical Services

Awards/ Designations

- TJC Triennial Survey 2012 – One Clinical Finding
- Certification of Distinction – Primary Stroke Center - 2011-2013
- Certification of Distinction – Joint Replacement Hip – 2011-2013
- Certification of Distinction – Joint Replacement Knee – 2011- 2013
- Named as a “Joint Commission Top Performer” based on key quality measures – 2nd year in a row
- Chest Pain Accreditation (2005-2014)
- Commission on Cancer Accreditation (2011-2014)

Prayer an Ancillary Services

- United Health Premium Interventional Cardiac Care Specialty Center – One Star
- United Health Premium Heart Rhythm Management Specialty Center – three Stars
- Leapfrog 2011 Survey Hospital Safety Score “A”
- American Heart Association – Get with the Guidelines – Gold Plus Award for Stroke
- Accredited Laboratory – College of American Pathologist – (2012 – 2014)

Overview of Emergency Services at Gadsden

- Emergency Department Beds: 8
- Triage Rooms: 2
- Staffed 24/7 by a Physician
- Full Service Laboratory and Pharmacy
- Imaging Modalities Include:
 - X – Ray
 - C.T.
 - Ultrasound

He then presented the Gadsden ER Visits: 2011 YTD: 18,833; PEDS Visits 5,798, Admissions 1,228; self – pay 25.9%; 2012 19,005; 6,121, 882; 24.8%; He then explained the Gadsden County EMS runs. He discussed the different factors with EMS. He said they bypass the Gadsden Facility and run them to Tallahassee. He commented when Mr. Baker took over EMS in 2011, he had a totally different philosophy working with his crew and we are fine with that, as long as it’s captured within our capital system. He said what that eliminated for him was a double transfer, that’s why we saw decreased visits but increased admissions.

Senator Dudley asked how this run for projections does originally, I recalled the 25%, self pay.

Mr. Cook said they run 22% of the main campus self pay.

Chair McMillan recalled when they did their projections originally they were projecting they would get 12,000 ER visits. He said they told them it would probably be around 20,000 ER visits.

Senator Dudley asked how many visits they had under Ashford.

Chair McMillan replied they were running 16,000 and the last year they were around 18,000, so that's why we knew the ER visits would run around that neighborhood.

Mr. Cook stated this was based on the 8 beds. We looked at arrival degree, admittance length of stay, discharge length of stay, the whole process, imaging the response time. He said what they are seeing is they are having delays because they only have the 8 beds. We do have a bus stop in front of the hospital, literally the doctors say they get rushes at once, it's not a 1 to 2 at the time, it's more like 8 -10 at one time. He said one thing they are considering doing is adding a mid-level to augment staffing here.

Senator Dudley asked what the protocol between EMS, main facility and TMH is.

Mr. Cook said service would be first getting EMS in and out quickly, we have made a priority to leave a bed open for them, turn over; second is patient choice if they ask for TMH, EMS will transport or once they get to our facility and want TMH we transfer them. He reemphasized by treating EMS well it improves the relationship with the hospital and the quality of care.

Senator Dudley asked are you happy with operation of the Gadsden campus and what areas would you make improvements.

Mr. Cook replied it's been a very good partnership for them (CRMC) financially we aren't making millions off it, but our heads are above water. It's been great for us for partnership of counties. We have increased market sharing ideas from a business standpoint. He said they are very proud to be here and would like to extend lease outwards to 10 years to secure their position in Gadsden County in providing a service. I do think we could do more here and would like to add specialist, cardiologist, etc. He commented they are working with the County on build out of specialty clinics so Dr. Kent and his colleagues can refer patients over, so they won't have to go to Tallahassee. He said in getting more people to come, they could have Outpatient Medical Complex. He mentioned the discussion of needing to open more beds. He said that was probably not a viable option at this point. He said you see all across America where rural hospitals and critical access hospitals have had to close the doors. They can't financially keep their heads above water. He said you need a lot of overhaul and like 40 to 50 patients to make it work. He said the next step would be to add specialists and open the front doors to outpatient service. He stated they would like for as many people to stay in Gadsden and go to Tallahassee for their acute care. He said they have to work smarter, free up money to bring in specialist OBGYN, General Surgery and Cardiology.

Gadsden County Payor Mix

- 68% of all ED Visits to Gadsden Campus are Medicaid or Uninsured
- 14% of all ED Visits to Gadsden Campus are Medicare
- An Additional 3,327 Medicaid or Uninsured Residents of Gadsden County were seen at our Main Campus
- An Additional 1,682 Medicare Residents of Gadsden County were seen at our Main Campus

Senator Dudley asked how are 8 beds in hospital being used.

Mr. Cook said they use them with the ER and we use all of them. It operates as an apartment of CRMC.

Attorney Glazer said this hospital is like none other, it has the capacity to add beds without going through COM, but in the event it unravels, the County receives a functioning hospital back. It is a very unique situation.

Mike Glazer, Hospital Attorney

Attorney Glazer gave a little background to put this in content. "We all have been talking actually for months. The GHI Board doesn't meet very often because of the Sunshine Law. He brought them up to speed. Approximately, last fall around September that was when we starting talking to the folks at Capital Regional about the idea of potentially developing some additional space in the building for physician office space. As we began to have those discussions it was right about the time Robert Presnell was coming on as the County Administrator, so there were some changes in the County Government going on at that time. It really spurred us to have some discussion internally in Gadsden County about a number of hospital related issues. Back in early November Robert Presnell, Arthur Lawson, Craig McMillan, Clerk Nicholas Thomas and I met extensively to talk about this idea of developing potential office space. It ended up being a smaller part of our conversation, because we got off on some other areas. At that time there was two chillers here, one had been replaced awhile back and the other was dying. We were talking about how we were going to pay for replacing the chiller because CRMC does all the routine stuff. We are still responsible for the building and the big system."

"It spurred a discussion that the County had no ability, no source of funds to build up a reserve for future needs for this facility. We spent a great deal of our conversation talking about that. I followed it up with a memo from the Capital Regional folks to bring them in to the discussion because we really view this as a partnership. We have to work together to come up with solutions to these issues. During the course of those discussions is when CRMC brought up the notion of extending the lease, which sounds great. The biggest fear we have had from the beginning is that it wouldn't work and they would walk away, because they do have that right. Actually 30 months after we started, which we have passed now. We are more than 30 months into this deal; they had an option to leave on 6 months' notice. When they came to us with extending the initial term that was a great idea. We decided to discuss all 3 of these issues: extending the lease, finding some more reliable funding source for the ongoing needs of the

facility and developing physician office space. The first two parts, the lease extension and the funding source, are further along in the process. So I want to talk about those specifically because that's the purpose of the lease amendment. The other part we also need GHI input and guidance and the end of the day, ya'll have two hats sort of. You are an actual signature to the lease, but your more important hat is an advisor to Gadsden County Commission. Ultimately what's important at the end of the day is for Craig to be able to stand up in front of the County Commission and say those are our recommendations on these subjects."

-Lease Extension & Modification of Provisions on Use of Sales Tax and Trust Proceeds

Attorney Glazer discussed the lease amendment. He explained this is a draft document and has circulated to CRMC, they are still looking at it, and so this may not be the actual final document. What this does is two things: first a very simple extension of the initial term of lease from 5 years to 10 years. Let me tell why that is important. The way the lease works now is at the 12 months before the end of the initial term, right about the end of the year of year four is the point and time in which Gadsden County can say to CRMC, "thanks guys it's been real and you're out of here." By extending the initial term to 10 years, what we essential are saying is we are giving up our right to kick you out, with exceptions for default. Essentially what we are saying is the initial term will be extended from 5 to 10 years, the lease contains all sorts of renewal provisions and it automatically renews, nobody does anything it just keeps going. We would extend the lease from 5 to 10 years. I won't say in exchange, but in conjunction with that, we are talking about this funding source. If you recall under our current lease the County pays CRMC to help underwrite the cost of charity care from two funds: the income off the hospital trust goes to CRMC, everything after, accept minor expenses goes to CRMC.

Then second the sales tax revenues, the first dollars go to debt services funding, the first dollars pay off the debt. 50 percent of the remainder of the sales tax revenues goes to CRMC. Actually in the last couple of years we have been able to help them leverage those moneys to get additional Medicaid funding. That deal probably will end next summer unfortunately. The Legislation and the Federal Government just haven't been able to work it out. Actually it is as much AHCA as anything they have not done a good job with. At least for the last 2 fiscal years they have gotten a bump by using some of these funds in the Medicaid. Those monies go off to CRMC the balance of the sales tax is used by the County for other healthcare related projects. What we started talking to CRMC was is there something from those two pots of money that we could hold and start building up a reserve for future capital needs. What we came up with and are recommending today goes something like this. Out of the two funds the trust income and the sales tax CRMC gets approximately Four Hundred Sixty Thousand Dollars (\$460,000) a year. About \$320,000 of that is sales tax revenue and about a \$140,000 is income that comes off the trust. Coincidentally about the same time the Bond Council for the County came to the County and said they could save the County funds by refinancing because rates have come down. We could refinance the Bond debt and save you about \$107,000 a year. In fact that happened over a course of months and they recently closed in March. The County will make its first payment at a lower rate, it's about \$107,000 a year savings, in other words the sales tax will kick off about an additional \$107,000 that previously was going to debt service. Under the current contract 50% goes to CRMC and 50% is available for other projects. What we have negotiated with CRMC is get this to the bottom line. What they have said is part of this lease amendment we will give up our right to the trust income so long as the total funding that comes from the County doesn't

drop below the current levels. In other words as long as the sales tax still generates at least \$460,000 a year. "Remember if sales tax goes up, they get a raise too." As long as it stays at that level the County can keep that trust income. In the event the tax revenues are below \$460,000 then you would have to make up the difference from the trust income, but only up to the level of the trust income. We aren't at risk for one more penny than we are already at risk for. The value is hopefully with the additional savings from the bond financing, we can continue to fund CRMC at \$460,000 level or greater for the image care they are providing.

Senator Dudley said the County is trading \$50,000 of its savings, half of its savings for getting all of the trust funds.

Attorney Glazer replied that was correct as long as it equaled the \$460,000. It is a calculated risk, but the reality is we are not at risk for one penny more than we already are anyway. The way the lease amendment is drafted is:

A.) Extend initial term B.) Capital Regional will give up the Sales Tax and allow us to keep the trust income as long as it doesn't drop below current levels and if it does, we make it up out of the trust, not extending the trust income.

Senator Dudley asked what the advantage to CRMC was.

Attorney Glazer stated it was his belief the advantage to them is we're in a partnership here and They understand the County is responsible for this building and as business people you have to have reserves for that purpose. I think they also understand that Gadsden is not a rich county and that's the only source. We have explored both options and this is the one we feel makes the most sense.

Senator Dudley explained his concern was extending from 5 to 10 years, but what are we really gaining. They are still going to have a 6 month termination. What happens to our 1 year termination is it is going to be floating out there too.

Attorney Glazer replied it remained the same it just won't kick in until later.

Senator Dudley commented it seems they are happy enough with what they have been able to do here and we seem to be happy with what they are doing. He suggested they try to accommodate them. "I just in my mind want to have a business reason for doing it."

Attorney Glazer said the way the lease amendment is drafted, we're giving them the lease extension and they are giving us 140,000 good reasons to do it. He iterated, that was not the way it evolved but, it is how it is written.

Mr. Cook said they both are on point with their comments. They have invested a lot of time and energy to produce a quality hospital. He said the County has invested a lot of money and they are pleased with the facility. This will save the county money. He's next question was how could they help sustain the viability for the citizens and how can we add services here. This is a great partnership.

Attorney Glazer commented they have talked to all the players, Robert, Arthur and Nicholas about this and everyone is on board. We have not gone to the County Commission yet, because the first step is the GHI Board of Directors. He also added he spoke with the Clerk's Finance Director Connie McClendon to some length. She handles the bookkeeping for all of this. The way the lease amendment is drafted we actually prorate the number through the end of the County's fiscal year. We prorated with the balance of the County's fiscal year, this year and then it kicks into annual number. My suggestion is a motion to approve the lease amendment, it is substantially the form that has been provided and to give the Chair authority to agree to minor changes, so as long as the original intent is preserved.

***This agreement was tabled by Senator Dudley, awaiting the complete presentation from CRMC. It was later approved below as follows.*

UPON MOTION BY SENATOR DUDLEY AND SECOND BY MR. SUBER, THE BOARD VOTED 5 – 0, BY VOICE VOTE, TO APPROVE AND RECOMMEND TO THE BOARD OF COUNTY COMMISSIONERS, THE FIRST AMENDMENT TO LEASE AGREEMENT BETWEEN GADSDEN COUNTY, FLORIDA AND GADSDEN HOSPITAL, INC. AND TALLAHASSEE MEDICAL CENTER, INC. GIVING FLEXIBILITY TO THE CHAIR TO MAKE MINOR CHANGES AS LONG AS THE ORIGINAL INTENT IS PRESERVED.

-Possible Physician Office Space Mr. Cook

Mr. Cook highlighted the last page of the presentation, the floor plan proposed for GCH. My goal was to bring specialist and possible additional primary care to the community. The initial proposal we drew up was for 1,800 square foot for primary care and 1,200 for the specialty clinic. The total cost was about \$350-400,000. This is a lot of money to ask the County to put up. As I thought about this more and more this week we would like to change that recommendation to just move forward with a Specialty Clinic – 1,200 square foot build out with an outside entrance and a nice awning. That would cut down the cost to about \$179,000, that may be more feasible at this point for the County at this point to put the money in. It accomplishes what we want, which is specialist right away to this community. The next step may be to ask for more money in a couple of years to add primary care depending on the success rate with the staffing of the specialist. \$179,000 would cover the cost of the build out. He said it would include exterior doorway in with an awning, signage, and curve appeal access from the road. He said it would be a timeshare, where the doctor brings their items with them and leaves with them such as charts, instruments, etc. We just out fit it with computers and desk, furniture for a general doctor to see. He said in addition, they are replacing the sign at CRMC the main campus and we are taking the existing sign out and retro fit it to update the sign at the Gadsden Campus.

Attorney Glazer said the way they are presenting this because it's a little bit more conceptual today. Generally what we are looking for is where the County would pay for the construction. He said they are currently in discussions with CRMC to see if they were willing to pay for the furniture and equipment that would be used in the specialty clinic. One of the big concerns they would be having in their discussion if they spend all this money, we want to make sure there will actually be physicians. We have been talking about ways to try to make sure we both are incentivized. The idea that we have been batting around, we (the County) get paid \$1 a year for the hospital. That space we are talking about is CRMC actually paying rent for that space. The

reason it helps and works as an incentive is because if they are paying us rent at fair market value. They are prohibited by both state and federal law from just giving that space to the doctors. They have to charge the doctors rent and they have to charge them fair market value rent, so if they don't have it rented out it would come out of their pocket. It provides good incentive for them to do it and it provides a small revenue stream for the county.

Senator Dudley asked could they move forward with the lease agreement and further discuss the build out.

Attorney Glazer said yes, because the County doesn't have a source of funds to do that construction, what we are looking at doing. When we got the money out of the trust to equip the hospital, you recall we went to court they approved us spending up to \$4 million. We spent between that equipment and replacing the chiller about \$3.3 million, so there is roughly \$700,000. I checked today and it's about \$7 million 820 thousand in the trust today. Unfortunately, the nature of the order from the court is such that I don't believe we can use it to pay for that renovation. Which is why it was made a contingency, to go back to court and get approval? This would take longer by definition. The lease extension and the funding are ready to go today.

Senator Dudley added at this time he is comfortable with the original motion. I suggest if we can dispose of that, then we can move on to the second motion.

The motion is recorded above for the Lease Agreement.

Chair McMillan said although CRMC has cut what they originally requested to do. It is my feeling when we go to the courts to ask for the monies to complete this project, we need to be a little bit broader and say up to that \$700,000 they originally granted so we don't have to keep going back.

Attorney Glazer said it was his recommendation "that this time they get a little bit more flexibility for the use of that money. At least the sentiment of Craig, Arthur, Robert and Nicholas is that we don't want to go above the \$700,000. The trust money is there for a reason."

Dr. Kent asked concerning the interest for the trust fund that is being given back is that going to be used also.

Attorney Glazer said they would have the flexibility, because what will happen is now all of the trust income goes out of the trust. Hopefully, the trust will get bigger and bigger.

Chair McMillan said the money generated off the trust was our idea to set up a sinking fund to take care of those issues.

Senator Dudley asked for confirmation and noted they could let that money be set aside in kind of a sub account. What I'm thinking is what if you need another new chiller or something. The County has the responsibility of maintenance. He asked who managed the trust.

Attorney Glazer commented that is really what the income is for. It's a savings account. Actually, the trust is managed by a 3 person committee Clerk Nicholas Thomas, Craig McMillan, Chair of Gadsden Hospital, INC. Board of Directors and the County Administrator Robert Presnell. He said the idea is they will have a pot \$700,000 which they can tap into; the additional income will be able to tap into.

UPON MOTION BY MR. WHITEHEAD AND SECOND BY SENATOR DUDLEY, THE BOARD VOTED 5 – 0, BY VOICE VOTE, TO RECOMMEND TO THE BOARD OF COUNTY COMMISSION PROCEEDING WITH DISCUSSIONS ALONG THE LINES OF THE DRAFT LETTER OF INTENT – DEVELOPMENT OF PHYSICIAN OFFICE SPACE AND DELEGATING AUTHORITY TO THE CHAIR TO SEEK THE EXTRA TRUST FUNDS UP TO \$700,000.

Mr. Suber asked would the specialty clinic have access to hospital.

Mr. Cook replied there would be no direct access to the hospital. It would be on the northwest side of the building with separate entrance and would consist of two physician offices. The offices would be used on a time-share basis by primary care and specialist physicians provided by CRMC. They would like to see 10 – 15 people (patients) per day.

5. General Discussion

Chair McMillan mentioned there would need to be some discussion on GHI Board member appointments. He said there were several that had expired and needed to be reappointed.

6. Future Meeting Dates

Chair McMillan commented depending on what happens at County Commission; a call meeting may be needed.

7. Adjournment

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE GHI BOARD OF DIRECTORS, THE CHAIR DECLARED THE MEETING ADJOURNED AT 6:18 P.M.

CRAIG MCMILLAN, CHAIR
GADSDEN HOSPITAL, INC. BOARD OF DIRECTORS

ATTEST:

BERYL H. WOOD, DEPUTY CLERK