

Board of County Commissioners of Lincoln County
Agenda for November 30, 2018

- 9:00 Call to order and Pledge of Allegiance
- 9:00 Kevin Stansbury, Lincoln Community Hospital CEO, to discuss a proposal from the Lincoln Community Hospital Finance Committee
- 10:00 Patricia Phillips, Human Services Director, to present the Department of Human Services monthly report, and the Department of Human Services 2019 preliminary budget
- 11:00 Jobeth Mills, Public Health Director, to present a Five-Year Community Assessment
1. Approve the minutes from the November 29, 2018 meeting
 2. Distribute for consideration the current list of annual Board Appointments
 3. County Commissioner reports
 4. County Attorney's report
 5. County Administrator's report
 6. Old business
 7. New business
 8. Approve additional payroll and expense vouchers if necessary

The Board of Lincoln County Commissioners met at 9:00 a.m. on November 30, 2018. Those attending were Chairman Doug Stone, Commissioners Ed Schiffers and Steve Burgess, County Administrator Jacob Piper, County Attorney Stan Kimble, and Clerk to the Board Corinne M. Lengel. County Auditor Ronny Farmer attended until 11:40 a.m., and Juliet Lundy with the Eastern Colorado Plainsman/Limon Leader attended until 10:30 a.m.

At 9:00 a.m., Chairman Stone called the meeting to order and dispensed with the Pledge of Allegiance since the meeting was taking place in the jury assembly room, which does not have a flag. He stated the group assembled was there to discuss a proposal from the Lincoln Community Hospital Finance Committee and should introduce themselves for purposes of the minutes. Those attending the 9:00 a.m. session in addition to the above were Lincoln Community Hospital CEO Kevin Stansbury, hospital board members Keith James, Colleen Luft, Jack Cross, Lorie Coonts, and Linda Orrell, hospital finance officer David Usher, hospital personnel Erica Saffer, Linda Messer, Rachel Smith, Erin Mellott, and McKenzie Stone, Hunter Hook with CoBank, Ken West with Farm Credit Services of Southern Colorado, Economic Development Executive Director Troy McCue, and James Dingwall, VISTA volunteer.

Mrs. Luft began by stating that their primary goal is to keep the hospital viable and that the people attending the meeting were there because they believe in LCH. Mr. James explained that they are not keeping up with their accounts payable, and that they anticipated catching up their projected cash flow by August, but it didn't happen. August was a terrible month with low cash flow and revenues, and although hard to admit, he said they've been struggling for well over a year now. They are also supposed to have forty-five-day cash flow on hand, but they haven't been able to meet that requirement for a long time. Mr. James added that they didn't want to ask for help but felt that they had to, and they hope not to have to ask ever again. He went on to say that currently, they have an \$11 million payroll and more than \$2 million due in A/P. They have made some changes that will make a difference, but the critical issue is to pay off the outstanding A/P and meet the 45-day cash-on-hand obligation.

Mr. Usher stated that October was a good month with \$1.9 million in net revenue. With \$1.7 million in expenses, they managed to make approximately \$200,000. The billing is complex, and he added that what they bill patients isn't necessarily what they collect. November projects to be a good month as well, with over \$1.6 million in cash collection so far. He went on to say that accounts receivable is rising, but that is the norm when revenues increase.

Mr. Farmer asked what the dollar amount of uncollectible debt was, or how much they would have to write-off. Mr. Usher stated that they are currently looking at old debt, but they are in much stronger shape than last year. Again, Mr. Farmer asked how much of the delinquent amount is uncollectible and if the net receivable amount was a good figure. Mr. Usher responded that it was, and his goal is to get to five percent or less of the revenue as bad debt.

Mr. Stansbury put in that the quality of their accounts receivable improved, but Mr. Farmer stated that the receivable balance has stayed about the same, so the only way they could get more revenue was to have less debt or cut expenses, and that was the bottom line.

Mr. Usher stated that Medicare has also caused problems dating back several years, and Mr. Farmer said he understood that 2016 and 2017 affected 2018, but it appeared that even though their payables total close to six million dollars, there is potential for another \$1.5 to \$2 million as well. Mr. Usher said he's trying to drill it down to a more realistic number, but he's only been there for a year, adding that he felt they would have a positive cost report at the end of the year, which is done by Lutz Financial out of Omaha, NE. He went on to say that Medicaid made payments of \$800,000, but they didn't specify which accounts to apply them to so that total still appears to be outstanding. Once they determine where the payments should go, the hospital could release it back to Medicaid, but until they can account for it, Mr. Usher said they couldn't pay it.

Mr. Farmer said that looking at the hospital financial statements raised red flags with him, and he felt that the \$1 million they are asking for is about half of what they actually need if they take Medicaid into consideration. Mr. Stansbury stated that Medicaid understands the position the hospital is in so they are not withholding or reconciling payments at this time. He added that they are trying to post actual payments to the correct accounts.

Mr. Usher explained that the hospital should generate \$2.2 or \$2.3 million every month but added that December would be another bad month because of Christmas. Medicare and Medicaid will close down for two days, people don't make their payments, and insurance companies aren't as prompt either. They've made changes to their billing and collections processes and have a third party operating their day-to-day business office. Mr. Stansbury said they didn't want to outsource to an outside vendor, so they found Resolution. The company offered the hospital employees a job, and they continue to work with their current staff. Resolution pays those employees and even added three people to help them get caught up at no additional cost.

Another of their obstacles, according to Kenzi Stone, is the rise in the minimum wage. It will increase to \$11.10 per hour in 2019 and \$12 per hour in 2020, and it's beginning to close the gap between hourly-paid employees and those who are at the lower end of the pay scale. They're working on adjusting their salary scales and have done some surveys to determine if they are paying their employees comparable to others in rural medicine. They are under target for their CNAs and are hoping to figure out how to retain their employees while progressing their careers. They also feel it's a good investment to start their own CNA program to help create a new pool of potential employees, and Mr. Stansbury said that Mrs. Stone is working with the local schools to launch the program. Mr. Usher put in that it will cost the hospital approximately \$20,000 with the minimum wage increase.

Mr. Stansbury asked Erin Mellott to speak about the productivity of the providers, which is something she and Linda Messer are working on. Mrs. Mellott stated that providers see 1.3 patients per hour when the national standard is three patients per hour. Part of the challenge is that community members like to visit with their provider about more than their medical condition, so a twenty or thirty-minute doctor visit turns into an hour. Productivity is going to require the community understanding that they cannot spend as much time with their provider

as they are accustomed to. She went on to say that the backlog for the primary care docs is about a month, but mid-level providers can see a patient within a day or two. Since removing the walk-in clinic from the hospital in October, they've had no issues since a patient can walk into any clinic now and see a doctor the same day.

Although he didn't want to get into details in open session, Mr. Stansbury said that they also need to evaluate their service lines and decide if they are all worth keeping. Rachel Smith said that Behavioral Health and the Emergency Department are extremely costly services to them. They tried to staff their own emergency department this spring, but it didn't work out very well.

They need to look at the hospital's organizational structure and the cost report, and Mr. Stansbury seemed to think that a possible fix would be to create a separate organization that operates Home Health, transports, assisted living and other services. He said that as long as they could justify how they were moving the costs, it would stand up with Medicaid. By eliminating non-cost services, he felt they could save \$50,000 to \$80,000.

Erica Saffer spoke about the Care Collaboration Committee and Eastern Plains Consortium, and then Mr. Usher said that one of the long-term strategies is the Electronic Health Record system that will change the way they do business, hopefully beginning in August. Mrs. Messer added that the EHR would give an improved financial package, and Mr. Stansbury said that the providers all seem to like the system. Unfortunately, it all takes time and doesn't happen quickly.

Other topics included the new mobile clinic and the specialty clinic, possibly re-thinking long-term contracts, and grant funding. Mr. Stansbury finally said that they were coming to the commissioners because they need help working through the rough patch, and there are not a lot of options available to them. CoBank and Farm Credit support them, and Mr. Stansbury asked Mr. Hook and Mr. West to speak if they had something to add. Mr. Hook stated that the issues LCH face are not unique to them, as they are the same challenges faced by all rural communities. Mr. West voiced the same, adding that it would take a commitment from the county and that Farm Credit is confident with the current leadership. Economic Development Director Troy McCue said that they fully support the hospital and will do whatever they can to help LCH obtain other funding.

Mr. Burgess asked if they could use the accounts receivable as collateral, and was told that they can. However, Mr. Hook said that Farm Credit has limitations on what they can do.

Mr. Stone stated that the commissioners would consider all points but would not make a decision until they discuss it further.

Mr. Piper asked if Mr. Stansbury would state the proposal for the record, as they hadn't actually touched on what they were asking of the county. Mr. Stansbury said the hospital requests an immediate cash infusion of \$1 million, and then they would like the county to work with them to secure an additional line of credit of \$2 million. Mr. Kimble asked if they were asking the

county to make assets available as security, and when Mr. Stansbury affirmed that they were, he asked if that meant land or if they had something specific in mind. Mr. Usher responded that CDs might be a possibility but that they really had nothing explicit in mind; just something that would support a line of credit. Mr. Hook pointed out that banks don't typically secure financing based solely on the accounts receivable.

Mr. Stone also informed the group that the commissioners voted to replace the vacancy on the hospital board with Gary Ensign, effective immediately.

When the meeting re-convened in the commissioner meeting room, Jim Covington and Ronny Farmer joined the group. Mr. Covington said he'd recently attended a meeting where someone asked a couple of the larger counties about using CDs for collateral, and they said that it was never a good idea. He added that the county could not legally put its investments in Farm Credit, and Mr. Farmer agreed that statute wouldn't allow the county to put money into a bank that is not FDIC insured.

Mr. Stone said that the commissioners have an obligation to Lincoln County residents for health care, but Mr. Burgess said that they couldn't do it if it would jeopardize county funds because their first obligation is to the county.

Mr. Kimble asked Mrs. Lundy to leave the meeting as he felt the Board might begin discussing negotiations, which may require a closed session.

Mr. Farmer offered his opinions regarding forming a hospital district, stating that all it would take would be for a landowner in a neighboring county to put in a small acreage of land. The commissioners would not be legally responsible, and the district would then control the hospital. He added that he still hadn't heard what the hospital intended to do to fix their problems and felt the commissioners needed a clear set of financial statements. To invest \$3 million into the hospital would mean a third of the county's fund balance, and he felt that it wasn't even half of what the hospital would need to succeed. Although the hospital is necessary, it cannot continue its downward spiral, and Mr. Farmer said the Board would need to decide what was essential for the community. First, the hospital would need to provide cash flow projections and more transparent financial statements.

The Board agreed to have Mr. Farmer speak more extensively with Mr. Usher, so Mr. Burgess made a motion to give Ronny Farmer the authority to meet with hospital staff on the county's behalf to obtain better financial information. Mr. Schiffers seconded the motion, which carried unanimously.

Mr. Piper asked Mr. Farmer if he needed to make changes to the 2019 budget since the Board would adopt it the following Friday. Mr. Farmer said if the hospital would remain a county hospital, they could leave the budget the same. When asked if the commissioners could absolve themselves from the hospital through a resolution, Mr. Farmer said they couldn't

unless something took its place, such as a hospital district. Mr. Kimble disagreed, stating that everything he'd read or heard said that they could, but he would find out for sure.

Mr. Farmer said they could create a 501c12 through the IR code, but if it were no longer a for-profit entity, they would lose the mill levy. He said the first order would be for the Board to decide if they wanted to give the million dollars. They would have to budget and treat it as an expense if it were just a transfer, but if they wanted to call it a loan, it wouldn't have to go through the budget. The Board wouldn't need approval if they created a 501c12 but the hospital board would have to agree to it. Mr. Farmer added that forming a hospital district would be the best with a 501c as an alternative, and if the commissioners decided to loan the hospital a million dollars, it would have to be contingent on something. Another comment Mr. Farmer made was that the hospital board members should meet two or three times a month to be fully aware of what's going on. Lastly, Mr. Farmer said he'd contact Mr. Usher for a complete cost analysis on each department since they had been unable to provide that information at the meeting, and Mr. Stone called Mr. Stansbury to let him know that the commissioners gave Mr. Farmer the authority to meet with Mr. Usher and that he would need to see a cost analysis for each department as to if it were making or losing money.

Mr. Farmer and Mr. Covington left, and Mr. Burgess made a motion to approve the minutes from the meeting held on November 29, 2018, as submitted. Mr. Schiffers seconded the motion, which carried unanimously.

Due to the length of the meeting, Mr. Piper said he'd rescheduled Public Health Director Jobeth Mills' appointment to December 17.

It was noon, so Mr. Piper went to see if Patricia Phillips was available to meet with the Board since they were still discussing the hospital when she arrived for her appointment at 11:00 a.m. While waiting for Mrs. Phillips, Mr. Burgess reported receiving a complaint on County Road 3N on November 20. He stopped at the landfill on November 24. There were some high winds that day that blew down a stop sign on County Road 28, so he told Chris Monks about it. Mr. Burgess talked to Bart O'Dwyer on November 26 and said that Structures Unlimited hoped to start the new building at the fairgrounds the first week of December, weather permitting. He spoke with Ronny Farmer at the courthouse that morning and went to see Kris Smith at the county shop for some salary information since they are hiring a new road crew member in District 2. Mr. Burgess attended CCI winter conference that afternoon through November 28. Later on the Twenty-eighth, he met with a prospective new employee.

Mrs. Phillips arrived to give the monthly Department of Human Services report. She provided the October financial reports, timesheets, and Income Maintenance, Child Welfare, and director's reports, as well as a new Caseload Summary report.

Mrs. Phillips also submitted her budget, reformatted at the commissioners' request, stating that it still seemed a little cumbersome. The Board agreed it was much easier to follow, however.

Mr. Schifferns made a motion to sign the 2019 County Merit System Certification for the Department of Human Services. Mr. Burgess seconded the motion, which carried unanimously.

Once Mrs. Phillips left, Mr. Stone reported attending town of Limon Administrator Dave Stone's retirement party on November 21. He attended CCI conference from the Twenty-sixth through the Twenty-eighth.

Mr. Schifferns reported that Mortensen Construction finally got County Road 2Z graveled and it looked good. They will meet with them now to discuss County Road 2W. Mr. Schifferns also attended CCI conference from November 26 through November 28.

Mr. Kimble reported that the special counsel for the town of Limon contacted him regarding the Limon Fire Protection District and the ambulance service. He wasn't sure what they would do but said that law states explicitly that any fire protection district can have an ambulance service. He offered to find a special district attorney to advise the Board independently if necessary.

Mr. Kimble also had a call requesting information on sending out notices to mineral owners since state statute says that doesn't apply to electrical lines in the case of wind energy development in Cheyenne County. They should file the transmission line application with Lincoln County sometime soon.

Mr. Piper reported receiving an email from the actuary who completed the pension plan report. They recommend putting in 8%, but Mr. Piper felt that if they did the 5% and \$150,000 previously discussed, that should be fine. He added that they also suggested that the actuary check each retiree's calculations done by Compusys for six months to make sure everything is correct. They charge \$275 per calculation, but since the county doesn't have that many retirees in six months, the commissioners felt it would be worth the cost.

There was no old or new business to discuss, so the commissioners approved additional expense vouchers for November, and then, with no further business to come before the Board, Mr. Stone adjourned the meeting until 8:00 a.m. on December 7, 2018.

Corinne M. Lengel, Clerk to the Board

Douglas D. Stone, Chairman