

Board of County Commissioners of Lincoln County
Agenda for December 18, 2018

9:00 Call to order and Pledge of Allegiance

9:00 Executive Session pursuant to C.R.S. §24-6-402(4) (e) to determine positions relative to matters that may be subject to negotiations with Lincoln Community Hospital

The Board of Lincoln County Commissioners met at 9:00 a.m. on December 18, 2018, to hold an executive session to determine positions relative to matters that may be subject to negotiations with Lincoln Community Hospital. The following attended: Chairman Doug Stone, Commissioners Ed Schifferns and Steve Burgess, County Administrator Jacob Piper, County Attorney Stan Kimble, County Auditor Ronny Farmer, and Clerk to the Board Corinne M. Lengel.

Chairman Stone called the meeting to order and led the Pledge of Allegiance.

Mr. Burgess made a motion to go into executive session, per 24-6-405 (4) (e), C.R.S., to determine positions relative to matters that may be subject to negotiations with Lincoln Community Hospital. Mr. Schifferns seconded the motion, which carried unanimously. Those remaining for the discussion, in addition to those listed above were County Treasurer Jim Covington, Lincoln Community Hospital CEO Kevin Stansbury, Lincoln Community Hospital CFO David Usher, Lincoln Community Hospital Board Chairman Colleen Luft, and Lincoln Community Hospital Attorney Brian Betner via phone. Mrs. Lengel recorded the executive session, and the recording will remain on file in the County Clerk's vault for the statutory ninety days.

At the conclusion of the executive session, Mr. Betner asked what the next course of action would be and if the commissioners had a sense for when they might make a decision. Mr. Stone stated that they didn't know how they would proceed at this time, and Mr. Burgess added that they would talk it over. Mr. Piper put in that the next scheduled board meeting was December 28. Mr. Stansbury said they would appreciate it if someone could notify them as soon as they had an idea what direction they planned to take so that the hospital could make arrangements with their vendors. Mr. Stone told him they'd be in touch, and Mr. Stansbury, Mr. Usher, Mrs. Luft, and Mr. Betner left the meeting.

Mr. Stansbury asked to speak with Mr. Farmer privately. When he returned, Mr. Farmer said he wanted full disclosure with the Board and told them that Mr. Stansbury assured him there were no compliance issues or a contingent liability out there somewhere. He also wanted Mr. Farmer to know that the hospital didn't own the helicopter as mentioned in a prior meeting.

Mr. Covington again expressed that several other treasurers stressed that the county should never put up CDs as collateral.

Mr. Kimble stated there were several things the commissioners could do if they were leaning toward giving the hospital the requested \$1 million, including requiring better performance and accountability, without it appearing that they are managing the hospital, which they cannot do.

Mr. Burgess asked for Mr. Farmer's opinion, and he responded that the commissioners would have to view it as an investment. If they give the million dollars, he suggested that they make it a loan and not a gift with strong incentives for paying the money back. To keep the hospital going, he felt they had to give the million dollars but highly discouraged the \$2 million line of credit.

Mr. Burgess asked if granting the loan gave them the authority to request a change in management. Mr. Farmer told him that they could definitely make it a condition of the loan. He added that the commissioners should also insist that the hospital accounting records change within the next six months. He went on to say that the hospital isn't required to provide behavioral health in the emergency department; that it's a management decision. As a lender, the county has the right to address its concerns, and Mr. Farmer felt that the commissioners also had that obligation to Lincoln County taxpayers.

Mr. Kimble stated that if the Board decided to loan the hospital a million dollars, they should put an agreement in place that would include all of the conditions of the loan. They would then draw up a separate promissory note for a non-interest bearing loan and include verbiage that the 2.5 mills the county gives the hospital with each budget year are discretionary.

Mr. Stone stated that part of an earlier discussion included transferring the property over to the hospital, and Mr. Kimble said they could do that, but it appeared Mr. Betner would prefer a 501c rather than creating a hospital district. He added that if the Board directed him to draft an agreement, he would ask for Mr. Farmer's input as well.

Mr. Farmer stated that the agreement could certainly include a stipulation that no salary increases or bonuses occur until the hospital repays the loan. They could also require that the hospital would not be allowed to make any capital improvement costs over \$10,000 without lender approval. In his opinion, Mr. Stansbury should have come to the commissioners over a year ago when he knew the hospital was in trouble. He added that Medicare changed its intermediary in February of 2017, and reforming the billing processes solved their problem soon after that. There are no longer cash flow issues with Medicare and Medicaid, according to Mr. Farmer, and he said that the hospital should receive those payments within seven days. He also cautioned that the commissioners would need to decide what they would do if the hospital didn't meet the requirements of the agreement.

Mr. Kimble said he would put together an agreement and promissory note, have Mr. Farmer look it over, and then submit it to the hospital attorney for his input as well. Mr. Farmer told the commissioners that they could let Mr. Stansbury know they were thinking about it and would vote on it when they meet again on December 28.

The group discussed the logistics of providing the funds to the hospital and how the accounting side of it would look. Mr. Farmer said he could help the Clerk's office with that when or if the time came. Mr. Covington said he wouldn't guarantee how soon he could get the money transferred with the holidays coming up, and the group agreed that execution of the loan wouldn't take place until closer to the end of January. Mr. Piper's concern was what the expenditure would do to the 2018 budget, but Mr. Farmer said it shouldn't affect it because it would merely reduce the cash with the county treasurer.

Mr. Kimble asked if the Transformation Plan should include a requirement for the hospital to pursue other options such as forming a special district or another independent entity like a

501c. Mr. Farmer said it wouldn't hurt, but he couldn't see how the hospital would survive as a 501c. He said that the commissioners (lender) needed to compare what the hospital says it's going to do with what it actually does. At that point, if the commissioners aren't satisfied that things are turning around, they would have to decide whether to take it over, sell it, or let it fold.

Mr. Burgess repeated that management had to improve, and Mr. Schifferns asked Mr. Kimble to include that stipulation in the agreement. Mr. Schifferns also asked Mr. Farmer if he would have time to keep an eye on the hospital, and Mr. Farmer agreed to do so.

With no further business to come before the Board, Mr. Stone adjourned the meeting until 9:00 a.m. on December 28, 2018.

Corinne M. Lengel, Clerk to the Board

Douglas D. Stone, Chairman