

**MONTROSE MEMORIAL HOSPITAL  
BOARD OF TRUSTEES  
MAY 2, 2016  
REGULAR MEETING MINUTES**

The regular meeting of the Board of Trustees of Montrose Memorial Hospital was held **Monday, May 2, 2016**, at 2:30p.m. in the Montrose County Board Room, located at 161 S. Townsend Ave, Montrose, CO, 81401.

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**Call to Order:** The regular meeting was called to order at 2:31pm., by President Mark Rackay.

Roll call:	Mark Rackay, President	- Present
	Mark Young, Vice President	- Present
	Pete Klingsmith, Sec./Treas.	- Present
	George Glasier, Trustee	- Excused
	Tony Lobato, Trustee	- Present
	Tim Tinaza, Trustee	- Present
	Joe Saunders	- Present

**Quorum present.**

**Pledge of Allegiance:** Trustee Joe Saunders

**1.0 Public Comments:** None                      **Guest Present:** None

**2.0 Commissioners Comments:** None present. No comments

**3.0 Consent Agenda**

**Approval of Meeting Minutes (3.01)** - Minutes for the April 4, 2016 Regular Meeting presented. Motion made by Trustee Tony Lobato to accept the minutes as presented. Motion seconded by Trustee Tim Tinaza. Those in favor: ALL ; Those opposed: None. Motion passed.

**4.0 Compliance Report(s) :**

***Hospital Inspections (4.01)*** – Secretary Treasurer Pete Klingsmith reported that he and Trustee Tim Tinaza attended the MMHI Board of Directors meeting on April 25, 2016. Klingsmith reported that they were warmly receive by MMHI board members and that both he and Trustee Tinaza had a conversation with hospital CEO, Steve Hannah, were introduced to COO, Joyce Beck, Dr. Green, Chief of Staff, and Dr. Kjersten Davis, Board of Directors. Klingsmith reported having been offered dinner while attending the meeting and discussion came up regarding statutory regulations regarding the acceptance of a meal. Attorney Teresa Williams questioned if there was a fee for the meals and Trustee Klingsmith explained that the meal provided was offered, at no cost, to anyone attending the meeting. Attorney Teresa Williams stated that she did not see any problem if the meal offered was offered to all those attending the meeting and was simply provided

as a part of the meeting, not a separate “take a member out to dine and discuss” situation. Klingsmith went on to report that the hospital board did allocate time on their agenda for the BOT to speak, and shared an overview of the dinner program provided. Mention of Jenni Sopsic’s new role as the Director of Philanthropy for the hospital, as well as an “over-all” feeling of being well received by the hospital board and staff. Klingsmith stated that he felt the BOT members attending the meetings was opening up channels of communication and continuing to build stronger relationships between the BOT and MMHI board.

**MMHI Financial Statements/Independent Auditors Report - (4.02)** Secretary Treasurer Pete Klingsmith asked that specific attention be given to the Lease Ratios and the Financial Ratios covering the year-end report. Klingsmith reported that from a finance standpoint/banking standpoint the return on assets for the hospital being at 5% is very good, meaning the money they have invested they are currently getting a return on that investment. The current ratio is their (hospital) current assets and liabilities, which is a measure of their 30-day balance sheet, or basically their accounts receivable for the last 30-90 days as well as the cash that they have on-hand for operating expenses. Therefore, anything showing over “1” means they have enough cash on-hand to pay their liabilities. Ratio’s would then tell us that the hospital is currently doing well financially. The acid test is cash and receivables plus current liabilities, and due to the cash on-hand they have basically almost half year of operation expenses in cash on hand, giving the hospital 144 days of operating capital. Regarding the bond requirement, which is a debt service ratio used in the finance world, the hospital ratio suggest a very strong standing, operating at almost four-times (4X’s) what is owed. Klingsmith stated that he was impressed with the current financial strength of the hospital. Klingsmith went on to report that he and Trustee Tim Tinaza has a long conversation with hospital CEO, Steve Hannah, who informed them of his 5-7 year plan to expand the hospital to double its current size, both fiscally and in the number of beds provided, and ultimately make the hospital a \$200 million dollar asset. Klingsmith stated that in the past he had voiced his concerns over the financial stability of the hospital and given the current ratio’s, as a lender, he would definitely lend to the hospital. Trustee Lobato stated that Secretary Treasurer Klingsmith’s opinion had changed drastically in the last four months. Klingsmith agreed and cited mediation proceedings and outcomes as the primary reason for his change in opinion regarding the ratio reports and his understanding of the hospitals financial security. President Mark Rackay reported that he had attended a meeting with the hospital auditors, prior to the MMHI board meeting and felt like the auditors were very open about all the questions he had for them regarding the hospital’s finances. Rackay report that during the meeting he also had the opportunity to speak with hospital CEO, Steve Hannah and CFO, Al White, specifically regarding the discrepancy in the Medicare, and that he felt they were very open in explaining where all the Medicare funding had been appropriated and accounted for. Attorney Teresa Williams inquired as to as to what Rackay would attribute the change to, and Secretary Treasurer Pete Klingsmith stated that he since Mediation, things have changed. Klingsmith stated that he believed that since mediation the hospital has just been more forthcoming and easier to work with, but could not attribute the change to anything more than that specific period of time. President Mark Rackay stated that he believes a big change is due to new chairperson Ron Courtney. Mention was made of three new awards presented to the hospital this week. It was questioned as to what agency presented them with the awards and was further discussed that the hospital does, in fact, contract with that agency so the validity of the awards should be questioned. Vice President Mark Young also stated that he believed the whole tone of the MMHI board changed with mediation and with Ron Courtney now chairperson. Secretary Treasurer also reported

on the hospital requesting a “grade” upgrade in the bond standing, and remaining amounts due on various bonds.

**MMHI 1<sup>st</sup> Quarter Ratio Report - (4.03)** Secretary Pete Klingsmith reported that it was more of the same, with the return on assets having actually increased since the year-end report. Still showing 125+ days cash on hand and the debt-ratio is four times (4X’s) their current debt, which is a very strong sign that the hospital is doing well and in a good equity position and not over-leveraged. Questions regarding “where” the ratio numbers presented were derived from, and Klingsmith responded that it was a standard GAP “General Accounting Principle” with the numbers being pulled directly from their tax returns. It is a standard for the IRS for these types of filing trends.

**5.0 NEW ITEMS:** - No new items of business presented at this meeting. Secretary Treasurer Pete Klingsmith did request that for the record the Board take time to introduce new and standing board members. New board members being Tim Tinaza and Joe Saunders. Brief introduction of all Trustees commenced.

**6.0 OLD ITEMS:**

**Trustee Symposium Training Update - (6.01)** – President Rackay reported that Trustee Tony Lobato and Trustee Joe Saunders are planning to attend training in Phoenix, June 8-10.

Discussion reverted back to hospital and charitable care spending. President Mark Rackay reported the hospital as having a million-plus dollars budgeted for charitable care and Trustee Tony Lobato stated that a couple years ago the hospital was showing a 10 million dollar line item for charitable care and Attorney Teresa William suggested that the charitable care amount should be significantly higher. Rackay stated that the hospital auditor told him that the charitable care number went way down with Obama Care coming into play and that now they are only getting \$ .34 on the dollar for what they bill on Medicare, and the off-set of that makes up the charitable care. Vice-President Mark Young further stated that due to the contracts, that they cannot bill Medicare as much so now they bill more and write off the loss as charitable care. Rackay referred back to the hospital report and called attention to the provision for bad debt of \$2,389,000. Rackay stated that it is a built in provision as to what they are already billing for that what they do not expect to be able to collect. Secretary Treasurer stated that in 2015 the line item for charity was 3.5 million, down from 10 million in 2013 and 4.6 million in 2014, and it was interesting as it appeared that their provider reimbursements went up almost 2million dollars. At the same time their bad debt went down 1.7 million. Trustee Tim Tinaza asked if the hospital was required to donate a certain amount to charity. Rackay stated that the numbers needed to be looked at volume wise and not percentage wise as Medicare was 9 million, Medicaid is 5.4 million, third party payers are 10.5 million, patients are 5.5 million, making up the total revenue but that number is not the same as what was billed. Allowances for contractual adjustment of \$13, 951,000. Is what the hospital knows they will not be receiving when they bill. Mark Young stated that it had shifted from charitable care to “non-collectable”. Trustee Tony Lobato also discussed topic of new laws pertaining to compliance and off-site locations even being able to bill for Medicare/Medicaid reimbursement. Question for clarification presented inquiring if contractual adjustments meant that now, because of Obama care, than any bill, regardless of it being Medicaid or Medicare, not being paid in full would automatically be

considered charitable care. President Rackay referred page 13, #5 of the financial statement to support the Hospitals allowance for doubtful accounts of self-pay patients decreased from 64% of self-pay accounts to 55% and this decrease was based on the hospitals improved ability to collect on self-pay patients. Rackay further explained that out of everything the hospital bills, the actual patients accounts receivable net is \$13, 700,000. out of \$30, 664,000. billed.

Trustee Tony Lobato requested the discussion “back-up” to cover topic he was trying to address during new items and was unable to be recognized. Trustee Lobato inquired as to making a line item request to add an agenda topic giving the MMHI Board of Directors an opportunity to speak at the BOT meetings. Administrative Assistant Trisha Schaeffer explained that she had received the request to add that item to the agenda, however, not until coming into the office that very morning , and that it could not be added as it would not have met the “24 hour” notification requirement. Schaeffer stated that she would make sure the opportunity for the MMHI board to speak at each BOT meeting would be place on each agenda from that point forward.

**7.0 FINANCIAL REPORT** - Secretary/Treasurer Pete Klingsmith reported debit card purchases made in the month April that did not show up on the May financial statement of the financial report, because they had not been made yet, came to \$666.76. Items purchase were \$2.91 for bottled water for meetings, \$10.65 for monthly phone conferencing, \$70.00 for annual PO Box renewal, and \$583.20 for airline tickets for training next month. Checking account balance as of 4/28 is \$32,421.00, with outstanding checks of \$359.00 and 147.49, leaving an actual balance of \$31,914.51 available to spend. HOLA payment of \$3000.00 was received as well as reimbursement of legal fees in the amount of \$26,054.28. Both deposited on 5/2 thereby leaving a balance as of today of \$60,968.79. May expenditures consist of payroll for Administrative Assistant \$1018.98, mileage reimbursement for Tony Lobato in the amount of \$100.80, and for Mark Rackay in the amount of \$34.16, rent payment June in the amount of \$147.49, quarterly tax filings to Sylva Hamilton in the amount of \$60.00, and legal fees to Hale Westfall in the amount of \$9,382.50. Expenditures for May, if approved, come to \$10,743.93, leaving a balance of \$50,224.86. Motion to accept the financial statement made by Trustee Tony Lobato and seconded by Vice President Mark Young. Those in favor: ALL ; Those Opposed: NONE. Motion passed.

New Trustee Joe Saunders inquired as to if any of the Trustees have been invited to or had attended the monthly luncheons hosted by the hospital, as he had been invited to attend one of the luncheons. Secretary Treasurer Pete Klingsmith stated that he had attended and suggested that he attend.

**8.0 ADJOURNMENT** - Motion to adjourn made by Secretary Treasurer Pete Klingsmith and seconded by Trustee Tim Tinaza. None opposed: Meeting adjourned at 3:28pm.

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Mark Rackay  
President

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Pete Klingsmith  
Secretary/Treasurer