

The Alleghany County Board of Commissioners met in special session on Wednesday, May 16, 2012, at 6:30pm in the Board Meeting Room of the County Administration Building, 348 South Main Street, Sparta, North Carolina. The purpose of this meeting is to meet with Board members/staff from Alleghany Memorial Hospital and to have a budget planning session.

Present: Chair Ken Richardson, Vice-Chair Tom Smith, Commissioner Larry Cox, Commissioner John Goudreau, Commissioner Steve Roten, County Attorney Donna Shumate, County Manager Don Adams and Clerk to the Board Karen Evans.

Chair Richardson opened the meeting at 6:30pm and welcomed everyone to the meeting. He explained the purpose of the meeting is to talk to people from the Hospital. He said that this is an opportunity to better understand what is before the Commissioners. He talked about he feels that the County has the responsibility to meet the needs of the county in three major categories; education, law/fire services and health/human services. He explained how the meeting will go with each Commissioner asking a question down the table until the Commissioners have had the opportunity to ask their questions.

Chair Richardson asked if the Commissioners being the leaders of the County and the Hospital Board being the leaders of the Hospital can the Commissioners be assured that if everyone works together the Hospital will be viable again. Warren Taylor talked about the example of how the County and the Hospital has worked together for physician recruitment which has paid off for the Hospital and the community. Warren Taylor talked about the Hospital has come to the Commissioners with annual reports showing the Hospital's statistics. Warren Taylor stated that this is a community collaboration to keep health care going in this community. George White talked about the Hospital is very viable, used the example of just received a 5-star rating from their patients and explained the survey. George White explained that the Hospital is accredited by the Joint Commission, and received a 98 rating which was the highest in the area short of Wake Forest Baptist being a 99. George White talked about they received a pass score when looking at pass/fail scores. George White said the Hospital is very viable, and the Hospital is run as efficiently as possible.

Commissioner Smith asked does Quorum have a team of consultants/advisers with suggestions for our Hospital. Wendy Orton talked about they are a management firm, they come to the Hospital's board meetings, provides education sessions. She explained on top of that they do have consultants come in onsite and provided a couple of examples of outside consultants coming into the Hospital. Commissioner Smith asked about have they seen the struggles. Wendy Orton answered yes. Commissioner Smith asked did they give some options. Wendy Orton explained that one thing they have worked on is their hospital model including analysis of keeping the inpatient care, as one example. Commissioner Smith asked the Hospital cannot maintain being a critical access facility without inpatient. Wendy Orton agreed. Warren Taylor talked about without some expertise in compliance with Medicare they would be in trouble.

Commissioner Cox asked if the Hospital is currently in default on any loan. Katie Woodle talked about the Hospital has some default conveyances on the debt with the bank and received waivers on the outstanding loan conveyances. George White pointed out that they have never missed a payment but there are some conveyances like amount of cash on hand. Katie Woodle explained that this is a fairly normal process and they are working with the bank to restructure the loan. Commissioner Cox asked about conveyances in the loan, for example, about the amount of cash required to have and if it falls below that then a fee is paid after obtaining a waiver, which he has been told it is \$25,000. Katie Woodle clarified that are four financial conveyances and there are other conveyances, waivers in the past had no cost until last year because of restructure, and they have not paid a \$25,000 fee. Commissioner Cox asked how long the \$25,000 is for. Katie Woodle explained the restructure fee then interest only for 6 months then go forward. Commissioner Cox asked you have been notified by the bank that the Hospital is in default. Katie Woodle said yes we have been in contact with the bank because we notify them.

Commissioner Goudreau said he thought this was going to go a different way, he sees the Hospital needs answers to all 13 of his questions. He read his first question; "Please in complete detail describe the Hospital's current financial picture. This must include any and all current liquid assets on hand (cash, & equivalent), Any and all accounts receivable, current & past due (along with an accounts receivable schedule). Please also provide a complete asset list, including the following: (buildings, vehicles, equipment, supplies, medical inventory, pharmaceuticals, etc), Please include a detailed depreciation list on all of these items. I would also like a detailed list of all liabilities, long & short term, including the payment schedules for each individual liability, (please note if any items are past due)." Warren Taylor explained that they got this list of questions a day

ago and hasn't had time to get all of these papers together. Jim Heitzenrater explained that because of the volume of paperwork they would like to invite the Commissioners to come to the Hospital to look, they have nothing to hide, are not trying to avoid answering but cannot in this meeting, they are willing to share but not sure about the legality but will be glad for the Commissioners to look at it. Warren Taylor talked about they have been in discussions with their attorney and some of the personnel information is confidential. Commissioner Goudreau said he understands but the Hospital is asking for \$600,000 of taxpayers' money. Commissioner Goudreau further said that he will come over and go over each paper. Jim Heitzenrater agreed and said that is what we encourage and the Commissioners would have to sign a confidentiality waiver. Katie Woodle stated that a lot of this information is in our 990. Jim Heitzenrater talked about the last audit they have is 2009/10 because 2010/11 is still in draft form.

Commissioner Roten said that he would personally hate to see the Hospital close, and it would be an expense to the County if that happened. He asked what is the Hospital doing to try to change our public image and used an example of demanding money prior to service. Warren Taylor explained that if anyone goes into the door of any hospital they want the deductible up front. Commissioner Roten said that creates a public image problem. Wendy Orton talked about this is a challenge for all hospitals and how to handle the delicate situations. Wendy Orton explained that the Hospital does get rated on that through CMS and is publicly reported, a lot of evaluations in those types of areas and they sit at the table to address these problems for our customer service program. Commissioner Roten asked what she is basing that on. Wendy Orton answered surveys. Commissioner Roten said he received one but it was so long. Wendy Orton said she understands but they do get people who complete the survey, and they make an effort to handle every complaint that comes in and address it within 24 hours. Commissioner Smith asked do you receive a high percentage of the surveys. Wendy Orton answered they have struggled and explained the percentage of patients and types of patients that they survey.

Commissioner Smith asked about past merger opportunities and being a critical care access facility makes the Hospital more attractive to others. Jim Heitzenrater talked about the information is in the packet. Katie Woodle talked about it starts in 2004 about who they've talked to and it addresses the aspect of being a critical care access facility. Warren Taylor explained that for another hospital to take over we would have to basically give them the Hospital. Commissioner Smith asked with that said is that an option. Warren Taylor and Wendy Orton said yes that's an option. Wendy Orton explained that the Hospital has actively sought out and been sought out for full affiliation or partnership. Wendy Orton further explained that conversations with Hugh Chatham have been ongoing for a while, right now they have a couple of talks ongoing, can see the Hospital has reached out near and far. Wendy Orton talked about in 2009 they were going to merge they each both put money in for the analysis to be completed, talked about benefits for both, came to a point that there was more in it for them than us as far as benefits, had to look at do they want to continue, looking at joint recruiting options, having specialty clinics, they are looking to better themselves. Commissioner Smith asked about the advantages/disadvantages. Warren Taylor explained that partnerships/affiliations are better than a full merger because losing so much local control. Dan Murray talked about if the Hospital loses ultimate control then they could close us. George White talked about the board doesn't have any problems partnering with anyone and wants good medical care for our citizens is the most important.

Commissioner Cox asked about the lost of control if it came to that point in prior merger discussions. Warren Taylor talked about during merger conversations that would have to be negotiated and provided an example of Twin County Hospital's recent merger with Duke being 85% and Twin County being 15%. Commissioner Cox said but they brought in cash. Warren Taylor said he wasn't going into that because he doesn't know. Warren Taylor talked about speaking to Bryan Edwards this morning and there is more than one hospital in Blue Ridge Electric's service area that is having difficulties, they have done research about rural cooperative hospital organizations, having a meeting soon about that, always open to ideas, and they aren't sitting around doing nothing.

Commissioner Cox asked what measures, excluding abandonment of OB and movement of CAP to the health department, have been taken in the past 2 years to attempt to balance the budget and to please address how many positions have been eliminated or reduced and how much savings this has brought about. John Spencer talked about in 2006 and 2009 they had position reduction where 4 positions were eliminated for around \$100,000. Commissioner Cox asked were those positions related to OB or CAP. John Spencer answered no. Commissioner Cox asked what they were related to. John Spencer answered that they were related to housekeeping, maintenance and dietary. Katie Woodle explained that they went through a strategic continuation planning in 2009 where cuts were made to hours. Commissioner Cox asked for the Hospital to explain flexing. Wendy Orton answered every department does flexing, there are hourly and salary employees, we

determine by department, have hourly up or down, salary up or down and provided examples of nursing. Commissioner Cox asked her if she does flexing. Wendy Orton answered she does.

Commissioner Goudreau provided his card with the phone number and to call whenever the Hospital is ready, he will come. Jim Heitzenrater said whenever you can. Commissioner Goudreau said tomorrow or Friday. Commissioner Goudreau asked would the Board of Directors allow the Allegheny County contribution to be considered a short-term loan secured with a deed of trust on real property. Warren Taylor said he isn't sure how our board feels about that. Dan Murray answered that he thinks our property already has a deed of trust so it would be a second, and they would be open to consider any arrangements that would help financially.

Commissioner Roten talked about the Hospital has applied for Golden Leaf monies, and asked what happens if the Hospital does not get it. Warren Taylor explained that the Golden Leaf monies are earmarked for physician recruitment then there won't be any money for physician recruitment. Katie Woodle explained that they went through the review process last night and has been selected as the #1 project so it does look very promising. Dan Murray explained the importance of physician recruitments and how difficult it is to recruit doctors. Dan Murray further explained that another physician will put patients in the Hospital. Commissioner Roten asked why our doctors won't admit patients. Dan Murray explained that they want a life, they don't want to be on call 24 hours a day or do rounds, which are why they went to a hospitalist program, and doctors don't want to work after 5pm and explained what doctors want now. George White followed up with what happens if there is no money by explaining in their first 6 months they lost \$306,000, and don't know how long they can keep that up, don't know how long it will take the physicians from Golden Leaf monies to get the Hospital paying people. George White provided examples of the big issue to get them here and admitting, and they are on track to lose \$1,600,000 in charity care. Commissioner Smith asked about the new doctor and what kind of guarantee is there that he will admit patients. Warren Taylor explained that he has already agreed to do so. Jim Heitzenrater explained that he is a Hospital employee. Wendy Orton explained what the hospitalists do. Dan Murray stated that this is the new normal. George White talked about we are fortunate to have Dr. Arocha and people have told him that.

Commissioner Cox asked have there been any consideration of salary reduction especially in the management team area as a measure to help balance the books. Warren Taylor said that the Hospital pays the management people on the low end of the scale, if that answers your question. Commissioner Cox said it doesn't. John Spencer explained that since 2007 their employees have only received one merit increase of an average of 2%, trying to hold the line and be competitive on salary costs, salary is important to attract people to come here, and to answer your question that is something that we haven't got down to yet but it could be on the table in the future. Commissioner Cox talked about that is going around and provided examples of county employees haven't received an increase in several years, their insurance has been adjusted, schools hasn't received anything in several years, contractors' work has been down and everyone has felt it.

Commissioner Goudreau asked why the Hospital waited so long before addressing the situation, and what steps were taken to turn the situation around. Warren Taylor talked about they had a big deal with Medicaid/Medicare where they held the Hospital's money for 3 months the first of the year, that is when it hit us hard and saw that changes had to occur. Commissioner Goudreau asked what was done. Warren Taylor explained that was when he called about meeting with the Commissioners. Commissioner Goudreau asked what changes were made. Warren Taylor compared it to having one ambulance and why do we need 8 people to run one ambulance, and they must have a certain number of people to operate because it is 24/7 care and you have to have the entire team. Commissioner Goudreau said at some point there has to be changes because you can't continue like that. Warren Taylor said that is why they are here. Commissioner Goudreau said he understands but the Hospital is asking for tax dollars to be bailed out and asked what the Hospital's plans are without the tax dollars. Katie Woodle talked about having a financial improvement plan that they have been working on for some time which includes looking at alternative funding options and provided some examples of the alternative funding options. Commissioner Goudreau asked is there a plan to stop charity care. Dan Murray answered you cannot do that. Wendy Orton talked about the federal law that hospitals must treat people coming to the ER regardless of ability to pay, and non-ER care where they try to get upfront collections. Dan Murray explained that they get a written monthly report showing that. Katie Woodle explained that they are audited on that, go through best practices on up front collections procedures when they legally can, made changes in charity care policy in regards to elective procedures. George White talked about more and more people are without insurance and provided examples of larger employers, those companies are gone, there are people in the community that needs medical care. Wendy Orton talked about Golden Leaf's purpose and hospitalists including get people under total

care management rather than waiting to go to the ER. Dan Murray talked about there are many people in the county that doesn't go to the doctor but uses the ER as their doctor.

Commissioner Smith talked about the ER is where a lot of loses are, and at the forum it was indicated that inpatient care makes money and asked is the ER the only place losing money. Wendy Orton explained "dumping" of a patient; if the Hospital has the ability to treat a patient then they must do so and used an example of a gallbladder patient. Commissioner Smith talked about it impacts all of the other services. Jim Heitzenrater explained you have to have minimal staff in the event a stroke victim comes in, for example.

Commissioner Roten asked if the ER doctors are billed separately. Katie Woodle stated that is correct. Commissioner Roten asked if they aren't paid then does the Hospital pay. Katie Woodle answered no and explained their contract with the ER physicians in regards to standby time. Commissioner Roten said so the Hospital has to fund the doctors some. Katie Woodle answered yes for standby time in the contract. Commissioner Roten asked who regulates them. Katie Woodle answered they are a corporation. Commissioner Roten asked if they are comparable in the area. Katie Woodle said that they transitioned to a new vendor in October and will be meeting with them next week to see if they are comparable, and it is expensive to provide care in the ER. Commissioner Roten said that experience has been detrimental to several people that have talked to him and talked about how hospitals ran in the past. Commissioner Roten and Katie Woodle talked about there is oversight there by the Hospital.

Commissioner Smith talked about Commissioner Goudreau asked about borrowing money, and asked are there other entities that may be available for the Hospital to borrow from. Katie Woodle said that we are limited to borrowing from another bank because of the loan and being in violations of conveyances, USDA backs our loan 90%, and the Hospital went to them to look at other options and at this time they can't offer anything else.

Commissioner Cox asked if public funds are provided, would the Hospital agree to a reorganization of their Board of Directors to include representation from local business leaders and the County because it is public monies. Warren Taylor answered that the board is 15 and we do have local business leaders on there, and they would entertain someone from the Commissioners. Jim Heitzenrater talked about this summer they will be working on updating the strategic planning and could bring in other people to help update the business plan.

Commissioner Goudreau asked if board meetings are open to the public. Dan Murray answered if we can we will, they have went 60 years without getting any money from the County, the definition of a public entity as it relates to hospitals, if we are required by law we will, and personally he has no problem with people coming to the meetings. Commissioner Goudreau talked about if there is public money then it should be open to the public. Jim Heitzenrater talked about this is one reason why they have opened it up to have a Commissioner on the board then bring it back before all Commissioners. Dan Murray explained that one thing that concerns him is personal care because they do discuss things that relate to personal care at the meetings. Commissioner Goudreau stated that he thinks the Hospital could get around that with a closed session meeting.

Commissioner Roten asked why the Hospital cannot make a procedure costs the same as Hugh Chatham rather than send people down to the machine. Katie Woodle answered they are a low-charge hospital and provided an example of one procedure. Katie Woodle explained that they are working on a global fee with Blue Cross Blue Shield, there are facilities that have a copay for certain procedures, the Hospital cannot bill differently until they have a contract, they are working on that, and reiterated they are a low-charge facility.

Commissioner Smith asked if there is still debt on the facility and are Hill-Burton funds used for construction. Katie Woodle answered yes it was for construction and was in the 1990s and isn't available anymore. Commissioner Smith, Katie Woodle and George White talked about the debt on the facility being about \$3,100,000.

Commissioner Cox explained that he has been getting questions about people in our neighboring county where 1/4 of the Hospital's employees are from Grayson and 20% of patients are from Grayson; he asked has there been any consideration to approach Grayson County. Warren Taylor answered that this may be something this Board of Commissioners may want to take to their Board of Supervisors to see what can be worked out but he thinks it will be difficult because they have people coming from other places, funding across state lines, it could get complicated. Commissioner Cox talked about these people don't pay taxes in Alleghany County. Dan Murray talked about people now go to Hugh Chatham who doesn't pay taxes in Surry County.

Commissioner Cox stated no but they pay taxes in North Carolina. Dan Murray stated that the net community worth is why you want the hospital in your community which offsets treating people from other places. Jim Heitzenrater said it makes it difficult, maybe they want to look at people from Alleghany County that go to Galax. Commissioner Cox stated that this is a concern in the community and talked about concern of Twin County turned into a for-profit which could cause more people in our ER. Jim Heitzenrater said that they need to keep an eye on that but it hasn't hit yet because it is so new.

Commissioner Goudreau asked how the board members feel about Quorum and is it your best choice. Warren Taylor explained that they have been here 20 years; contract is up in 2013, and evaluate/review options. Dan Murray said that he was on the board when Quorum first came and is overall satisfied, talked about items that they assist the Hospital with, stated we wish they were better able to assist with physician recruitment, every rural hospital in the Nation has a problem with physician recruitment, Quorum litigation, contract isn't permanent, they can review it, and if they merge that would almost end our relationship with Quorum.

Commissioner Roten talked about everyone needs to help bail out, and asked has the Hospital approached employees or Quorum to make a temporary concession. Warren Taylor explained that they talked QHR down 20% last year; employees will go down the mountain so they have to be competitive. Commissioner Roten explained that it's a balancing act, and people are asking this. Commissioner Roten asked is the Hospital striving to get donations. Warren Taylor explained that yes the Hospital Foundation is actively working on that. George White talked about their fundraisers and their golf tournament. Warren Taylor talked about people have supported our Hospital over the years, and the community is what keeps it going. Wendy Orton explained that the public forum got public awareness, and people have been donating.

Commissioner Smith talked about there have been very little public money, last year the Commissioners gave \$100,000 for recruitment and asked to explain the \$600,000 figure on how the Hospital arrived at that figure, is this for daily operations or something specific. Warren Taylor answered this will support operational costs because they are losing money. Dan Murray talked about people ask how we got here, he explained that for years they would be in the black or remained even, provided history when Dr. Heravi retired as the surgeon, went for years with no surgeon or surgeons that were not popular that is when the red started appearing, they tried to recruit other doctors, now Dr. Thore does great then we lost the industries with their insurance, doctors wanted to have a life then Medicaid/Medicare problems, through all of this they have seen a monthly report showing the lost of money.

Commissioner Cox asked about restructuring and what actions regarding using the public revenue to not be dependent on it with an example of selling stock to raise monies, would the Hospital consider reorganizing to allow people to buy into the Hospital. George White said that Alleghany County wouldn't be the first county to support a hospital because he has been told Mecklenburg and Forsyth provides monies to their hospitals, hope they don't become dependent upon County money but they have to keep treating people, need to bring in patients that can pay and hopefully they won't be back with the Golden Leaf monies and physician recruitment. Jim Heitzenrater said to keep in mind the sale of stock would change their 501 (c) 3 status to a for-profit statues, and he personally knows a hospital where it wasn't a good situation when that occurred.

Commissioner Goudreau asked about changing to a rural health clinic. Jim Heitzenrater explained that is one of the things that they've talked about and will talk to Dr. Greenfield and how they see how it could happen, having to get federal approval. Katie Woodle explained that they are looking at the reimbursement level and get federal approval but yes they are looking into it, and they don't want to add cost without logic. Warren Taylor talked about urgent care in Wilkes is manned by a nurse practitioner with physician oversight which is cheaper than an ER doctor. Commissioner Roten said basically like we used to be. Warren Taylor answered yes. Wendy Orton explained that the Golden Leaf monies are for 2 physicians with a mid level working for the rural clinic.

Commissioner Smith asked how they see the Hospital with no public money. Warren Taylor said that they would keep on struggling right down to the wire. Commissioner Smith said thank you for coming, we have a dilemma and understand that the Hospital does too, how we can ask our citizens to pay more in taxes when they are struggling to pay their bills, would like for Commissioner Goudreau to present to our Board on his questions. Commissioner Goudreau said he will. George White said no one wants to pay more taxes but would hope people would be willing to help people who don't have insurance to get medical care. Commissioner Smith said that this Board is taking this seriously.

Commissioner Cox said that the New River collapse has changed him and how he looks at organizations/serving on boards, the similarities between New River and the Hospital are there, and asked how someone who can't pay their hospital bill can pay their increased taxes. Commissioner Cox said that he is supportive on maintaining the Hospital, there may have to be some changes but that is up to the Hospital, asking the Commissioners to help the Hospital at someone's expense which he doesn't take lightly, he doesn't know how to get to that point yet and if the Commissioners fund this then the Commissioners have to take it from somewhere else. George White said in our eyes the Hospital deals with life/death issues. Commissioner Cox agreed. George White said he agrees it is a difficult decision, will be difficult to recruit a business if there is no hospital, and this is a tough economic situation.

Commissioner Goudreau stated that \$600,000 is about 3.5¢ on the tax rate, and that he understands George White's point of some people can afford but not everyone and it impact businesses too. He talked about these are some of things that the Commissioners have to consider and there are other needy organizations out there, have to look at our employees who haven't had a raise and had insurance increases. He further talked about that everyone on this side of the table wants to see the Hospital survive. He said that he will do what he can so it doesn't fail. He thanked the Hospital for coming.

Commissioner Roten said he doesn't want to see the Hospital fail, and he will give the Hospital every consideration he can.

Chair Richardson talked about the time and effort that the Commissioners are putting into this request.

Warren Taylor said thank you for this. He explained that there have been times when they wanted to say no more questions. He said that they have done everything that has been asked. He further said that they are asking the Commissioners to assist the Hospital for 1-year. He thanked the Board for their time.

Jim Heitzenrater said this has been a great way to do this, and he looks forward to Commissioner Goudreau coming over. He thanked the Commissioners for the opportunity to come tonight to give the Board information to make an informed decision.

Being no further business, Chair Richardson adjourned the meeting at 8:29pm.

Respectfully submitted,

Attest:

Karen Evans  
Clerk to the Board

Ken Richardson  
Chairman