

April 13, 2011

Mr. William Galt, Chairman
Board of Directors
Mountainview Medical Center
White Sulphur Springs, Mt. 59645

Dear Mr. Galt,

Your board's frequent references of not wanting the county levy warrant a response. Attached to this letter are two (2) documents. The first is a study of statewide county levies for hospitals and the second is the fiscal profile of gains and losses from MMC's operations under different management years 2001 - 2010.

The first study was done by state economists for our board. The second study was done by our board using data from the official MMC audit reports.

We feel your board should have all available and relevant information before it renders a policy decision that may have a significant fiscal impact on MMC's operations.

The county levy - is it necessary?

Your letter to the general public under the title "Enough is Enough" has as one of its major points, " 4. **OUR BOARD DOES NOT LIKE THE MILL LEVY.**" It then goes on to expound your rationale, including "We very much prefer voluntary donations to mandatory taxation."

You and other board members are fully aware **why** the public was asked to increase the mills from 8 to 28. It is a fact that our public overwhelmingly supported two (2) successive levies for MMC.

We believe that in itself is a clear indication the public understood the need for the levy. It is one thing for your board to not want to burden our public with taxes deemed unnecessary. It is still another for your board to ignore the fiscal facts surrounding MMC's operation and pursue a course of action which many of us in Meagher County find imprudent.

Is the county levy necessary? When the next set of data is examined, "Gains and (Loss from Operations by Year 2001-2010) we believe the answer is a qualified yes. Since Cypress has taken over fully managing MMC (but not necessarily because) there has been a loss from operations. Without the approximate \$800,000 coming from the county mills these past four years, MMC's fiscal situation would be very serious.

Your board can come up with a host of reasons from your position to explain why this has happened. And so can our board. The blame game will not change the fiscal facts of operating a CAH in these times of great uncertainty.

We believe your board is confused about the county mill issues, particularly the 8 mill levy. It has permanency unless the people vote to remove it. Your board has no control over that. The fiscal facts show that even when MMC was in dire financial straights, donations did not match what the 20 mills levied brought in annually.

If you and your board believe that you can raise the difference in donations once the 20 mill levy is gone, that may not happen. We hope you can.

Regardless who or what outfit manages MMC, the fiscal challenges will always be there. Medicare and Medicaid issues are huge unknowns, and we are not going to be immune from such fiscal realities.

The hospital board will be completing its study in the near future and make a report to the general public. We welcome your constructive criticisms at any time. In fact we would be most pleased to engage in a public debate with your board and administration over a number of relevant public issues at any mutually convenient time.

Sincerely your,

A handwritten signature in cursive script that reads "John Dracon".

John Dracon, Chairman
Meagher County Hospital Board

CC: Mountainview Medical Center Brd. Of Directors
CEO Rogers
Meagher County Commissioners
Kakuk and Sundstrom
Meagher County News

Jan. 25, 2011

To: Meagher County Commissioners

From: Hospital District Board, Sundstrom, Kakuk, and Dracon

Subject: Report on counties levying mills for hospital support

As the commissioners were already aware, the district board sought statewide county tax data from the Dept. of Revenue on Montana counties which levy mills for hospitals. Their economist, Steve Cleverdon, assembled data for your review and information.

Of the fifteen counties which levy mills, all are rural, sparsely populated counties. Based on the data shown, the mills levied vary significantly from Powell County with .5 mill to Chouteau with 91.03 mills.

What can be inferred from these data?

1. Even in counties which are rural and sparsely populated, a wide variation of taxation for hospitals occurs. Five (5) rural counties levy more mills than does Meagher, and nine (9) counties levy less mills.
2. The counties with sizable populations do not tax for their hospitals.
3. When compared to counties with more wealth per capita, Meagher County citizens are having to make a greater financial effort and receive less access to medical services. This appears to be a function of living in rural Montana for which there are no apparent solutions to address this situation.

The district board seeks direction from the Commissioners on how to disseminate this information to our public.

Montana Counties Which Levy Mills For Hospitals - 2011

Forward

The Meagher County Hospital District Board requested the State Dept of Revenue to do a study of Montana counties which levy mills for hospitals. Revenue department economist, Steve Cleverdon, put together the data listing all Montana counties and whether they levy such mills. His research showed that of Montana's 56 counties, 15 levy mills for hospitals. Two counties, Chouteau and Teton have hospital district which levy county wide mills. Below are the essential data which are broken down county by county.

<u>County</u>	<u>Mills Assessed</u>	<u>Total Tax \$</u>	<u>Mill Value\$</u>
Beaverhead	3	54,634	18,211
Broadwater	18.3	191,076	12,579
Carter	5	40,942	8,608
Daniels	9.79	55,277	5,620
Fallon	13.5	344,805	25,944
Liberty	56.75	375,988	6,631
Meagher	28	216,389	7,728
Mineral	33	300,164	9,095
Musselshell	40.7	375,883	10,404
Pondera	7	93,522	13,362
Powell	.5	7,444	13,292
Prairie	42.98	150,531	3,502
Toole	10	189,292	18,929
Chouteau *	91.03	434,076	19,544
Teton	6	70,195	15,695

* has two hospital districts

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Mountainview Medical Center 2001-2010

Gains (Loss) from Operations by Year¹

<u>Management</u>	<u>July1/June 30</u>	<u>Gains (Loss) \$</u>	<u>County \$/Mills</u>
Benefis	2001-2002	(449,290)	76,601 (8)
Benefis	2002-2003	(930,092)	76,601 (8)
Benefis	2003-2004	(1,203,640)	76,602 (8)
Benefis	2004-2005	(1,573,486)	76,602 (8)
Benefis	2005-2006	(830,268)	72,176 (8)
Benefis	2006-2007 ²	(4,658)	57,733 (8)
MMC/Cypress	2007-2008 ³	342,735	189,619 (28)
Cypress	2008-2009	(231,680)	217,472 (28)
Cypress	2009-2010	(202,939)	222,320 (28)
Cypress	2010-2011		108,584 (28) ⁴

1 - Source of information - MMC annual audit reports

2 - Management by Benefis ended in June of 2007

**3 - MMC managed from June 2007 until April of 2008
Cypress took over in April 2008 for last three (3) months of
Fiscal year 2007-2008**

**4 - One (1) more payment due this fiscal year from county
mills -estimated to be over \$100,000**

**Compiled by Meagher County Hospital District Board
April 7, 2011.**

KAKUK LAW OFFICES, P.C.
P.O. BOX 624
WHITE SULPHUR SPRINGS, MT 59645

MICHAEL S. KAKUK, ATTY.
LICENSED IN MONTANA,
WISCONSIN (INACTIVE),
AND U.S. PATENT BAR

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APRIL 12, 2011

MOUNTAINVIEW CLINIC
BOARD OF DIRECTORS
LIAISON COMMITTEE

HAND DELIVERED TO THE MOUNTAINVIEW CLINIC STAFF

RE: MEAGHER COUNTY HOSPITAL DISTRICT STUDY – ISSUE 13

MR. OHLSON:

Thank you for your letter of March 31, 2011 regarding our request to meet with Mr. Rogers and Mr. Pfaff. I'm sorry you believe that my request to talk to them was an attempt to "interrogate" or "badger" them. I'm also sorry that you, apparently, believe that Study Goal 13 is "*in excess of the legal responsibility of the County Board*". Fortunately, neither of these beliefs are grounded in fact or law.

The County Board has a clear mandate to make sure the public knows how its money is being spent. To put it bluntly, members of our public have raised the question of why it looks like the Clinic is now paying two people, i.e., Mr. Pfaff and Mr. Rogers, to do the job for which we used to pay one person. For the record, while we do have the contract between the Clinic and Mr. Pfaff, and have some idea of his duties, we do not have a copy of the contract between Cypress and Mr. Rogers. The County Board cannot adequately address this clearly relevant issue without your help.

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MR. O. OHLSON
CLINIC LIAISON COMMITTEE
APRIL 12, 2011
PAGE 2

If you persist in your refusal to allow Mr. Pfaff and Mr. Rogers to meet with us, I specifically request a copy of the current contract between Cypress and Mr. Rogers. After a review of that contract, I may be able to put some of the more obvious questions into writing. That being said, I still believe a face-to-face meeting would be more efficient and ask that you reconsider your decision.

On a related issue, thank you for your comparison between Benefis and Cypress. A quick review has raised a number of other questions, but those will be addressed separately.

In closing, let me assure you that the Meagher County Hospital District Board shares your goals of helping to provide an economically sound medical center - one that, as you say yourself, "*is responsive to the needs of the community.*" We need the requested information to fully discharge our duties and report to the community we both serve.

As always, we look forward to working with you as we complete our study responsibilities.

Sincerely,



Michael S. Kakuk
Attorney

cc: Mountainview Clinic Board of Directors
Tony Pfaff
Aaron Rogers
County Commissioners
County Attorney

*Mountainview Medical Center*

April 14, 2011

RE: Your letter of April 12, 2011

Dear Mr. Kakuk:

In response to your letter regarding the requested interview of Aaron Rogers and Tony Pfaff, and/or a copy of the contract between Cypress and Mr. Rogers, we respectfully submit that there is no contract. Aaron Rogers was hired by the Mountainview Medical Center Board and operates at their discretion.

Regarding the requested interview between yourself and John Dracon and Aaron and Tony, again, their responsibilities and duties are outlined in the Contract with Cypress. The remainder of their respective duties are decided monthly at the Board Meetings which are open to the public.

Sincerely,

Oliver Olson Chairman Liaison Committee

Cc: Aaron Rogers, CEO, Mountainview Medical Center
Tony Pfaff - Cypress
Nancy Schlepp - Chairman - Meagher County Commissioners
County Attorney
John Dracon

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MAY 18, 2011

MOUNTAINVIEW CLINIC
BOARD OF DIRECTORS
LIAISON COMMITTEE

HAND DELIVERED TO THE MOUNTAINVIEW CLINIC STAFF

RE: OPEN MEETINGS LAW

MR. OHLSON:

As you are aware the County Hospital District Board was asked to look into whether or not your meetings, including subcommittee meetings, are open to the public. My research indicates that clearly all of your meetings, including subcommittee meetings - even where no final decisions are reached, are open meetings under the law. There are of course legal justifications for closing portions of these meetings, but the meetings are open by default.

My opinion is based on a simple reading of section 2-3-203, MCA which states in relevant part:

2-3-203. Meetings of public agencies and certain associations of public agencies to be open to public -- exceptions. (1) All meetings of public or governmental bodies, boards, bureaus, commissions, agencies of the state, or any political subdivision of the state or organizations or agencies supported in whole or in part by public funds or expending public funds, including the supreme court, must be open to the public.

(2) All meetings of associations that are composed of public or governmental bodies referred to in subsection (1) and that regulate the rights, duties, or privileges of any individual must be open to the public.

MR. O. OHLSON
CLINIC LIAISON COMMITTEE
MAY 18, 2011
PAGE 2

...
(6) Any committee or subcommittee appointed by a public body or an association described in subsection (2) for the purpose of conducting business that is within the jurisdiction of that agency is subject to the requirements of this section.

In brief, my reasoning is that I believe you are covered under subsection (1) because you are partly funded by public funds; you are covered under subsection (2) because you regulate the rights and privileges of Meagher County residents who wish to use your services; and, therefore, your subcommittee meetings are open to the public under subsection (3).¹

The District Board is on record supporting using any means necessary, including the filing of a legal action against the Clinic Board, to ensure that the citizens of Meagher County have all the open meeting protections guaranteed under Montana law. However, in reviewing the material provided by your counsel, Charles K. Smith, it does not appear that the specific argument above has been directly addressed.

Therefore, before an action is filed, the District Board wants to provide you an opportunity to have this specific issue researched by your counsel. We would appreciate a response no later than June 3, 2011, and please have your counsel contact me with any questions or to discuss this important matter.

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¹ Also, the apparent reliance of some Clinic Board members on the “quorum” argument (see, for example, the Clinic Board editorial comments in last week’s paper) is misplaced as there is no support in the statutes or case law, nor common sense, to interpret subsection (6) above to apply only to subcommittees that consist of a quorum of the full board.

MR. O. OHLSON
CLINIC LIAISON COMMITTEE
MAY 18, 2011
PAGE 3

As always, we look forward to working with you as we complete our study responsibilities.

Sincerely,

/s/
Michael S. Kakuk
Attorney

cc: Mountainview Clinic Board of Directors
Tony Pfaff
Aaron Rogers
County Commissioners
County Attorney
Charles K. Smith, Atty.

June 8, 2011

Mr. Otto Ohlson, Chairman
MMC Liaison Committee
White Sulphur Springs, Montana 59645

Dear Mr. Ohlson,

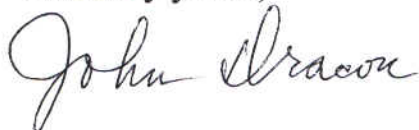
Please thank your board and administration for the copies of the IRS 2009 990. We note that on page eight (8) of the report under section B. Independent Contractors, Cypress Health Systems, LLC showed a compensation level for \$221,183 for executive management fees.

By contract Mr. Phaff received compensation of \$124,800 plus \$13,000 or \$137,800 for travel that reporting period. Mr. Rogers received compensation of \$90,000 plus \$25,200 for payroll costs for the same reporting period. Combined, the two compensation costs come to \$253,000, which exceeds the executive management fees shown above.

Is it a correct assumption to make that the \$90,000 compensation of Mr. Rogers is not included in the \$221,183 figure? Are his payroll costs included?

We appreciate any information you can share with us which will help clarify what the figure \$221,183 represents. Thank you for your prompt reply.

Sincerely yours,



John Dracon, Chairman
MCHDB

Bill Galt, Chairman, MMC Board of Directors
Aaron Rogers, CEO MMC
Pam Sundstrom, Michael Kakuk, MCHDB members

June 8, 2011

Mr. Otto Ohlson, Chairman
MMC Liaison Committee
White Sulphur Springs, Montana 59645

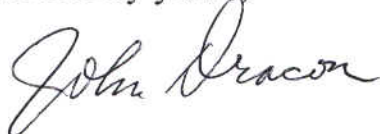
Dear Mr. Ohlson,

You will recall when we were serving on the MMC board in January of 2007, the Board of Directors asked for and received a comprehensive breakdown of employees by category and FTE. See attached that report for your review. It showed MMC then had 70.48 FTE employees.

Subsequently, under the direction of the MMC board, Interim CEO, Bruce Bowersox, reduced the MMC staff by an equivalent fifteen (15) FTE in order to reduce costs. Later, under Cypress direction, two administrative positions were cut, the CFO and HR positions bringing the cuts to at least seventeen (17) FTE.

My board would like to know the approximate FTE numbers which MMC has today. Thank you for sharing this information with us..

Sincerely yours,



John Dracon, Chairman
MCHDB

Bill Galt, Chairman, MMC Board of Directors
Aaron Rogers, CEO MMC
Pam Sundstrom, Michael Kakuk, MCHBD members

Attachment: MMC FTE by position Jan. 22, 2007


Mountainview Medical Center staff by positions and FTE

As of 1-22-07

Salaried Positions		
Position		FTE
Chief Quality Officer (B)	X	1.00
Director of Nursing (B)	XX	1.00
Director of Human Resources (B)	X	1.00
Director of Environmental Services	XX	1.00
Chief Financial Officer (B)	XX	1.00
Accounting Manager	XX	1.00
Dietary Manager	XX	1.00
Director of Clinical Services	XX	1.00
Radiology Manager	X	1.00
Physical Therapist/ Manager	XX	1.00
Clinical Laboratory Scientist		2.00
Social Services Director	X	1.00
Total		13.00

Contract Services		
Position		FTE
Chief Executive Officer (B)	XX	1.00
Chief Medical Officer/Physician (B)	XX	0.82
Physician		1.07
Gastroenterologist		0.03
Pathology		0.01
Registered Dietitian		0.16
Total		3.09

Hourly Positions		
Position		FTE
Director of Support Services	X	1.00
Administrative Assistant		1.00
Receptionist-Hospital		2.10
Fiscal Coordinator		0.80
Accounts Payable Manager	X	1.00
Health Information Manager	XX	1.00
Health Information Coder		1.00
Transcriptionist		0.50
Coder - Apprentice		1.00
Special Processing & Delivery Manager	X	1.00
Patient Account Representative		3.25
Chief Maintenance Engineer	XX	1.00
Maintenance Engineer		1.00
Maintenance Apprentice		1.00
Environmental Services Manager	XX	0.50
Environmental Services		4.35
Certified Nursing Assistant/NA		10.55
Activities Director	X	1.00
Clinic Lead, LPN	XX	1.00
Foot Clinic LPN		0.10
Receptionist-Clinic		1.75
Rad Tech		0.20
Lab - casual		0.10

RN Patient Service	XX	5.33	398,508
LPN - Patient Service		4.36	181,054
Long Term Care Manager, LPN	X	0.10	4,150
Nursing Support Manager, LPN	XX	1.00	42,887
ER/Trauma Manager, RN	X	0.10	7,382
Infection Control, RN	X	0.10	0
Pharmacy Liaison, RN	X	0.10	5,382
Medical Services Manager, RN	X	0.10	7,270
Medical Assistant - Clinic		1.00	24,272
Food Service - Prep Cook		0.85	16,089
Cooks		4.35	89,748
Diabetes Education		0.20	12,973
Physical Therapy Aid		0.60	35,101
Total		54.39	1,749,009.86
Grand Total		70.48	3,002,513.04
Traditional Manager (supervises employee)	XX		
Functional Manager(no supervision of employee)	X		
Bonus(10%max. 50%average payout)	(B)		
compiled by Jean Roberts 			
Director of Human Resources			
22-Jan-07			



NO date on letter - June 16, 2011 on stamped envelope A-35

Mountainview Medical Center

A-35

Mr. John Dracon
Chairman, MCHDB
PO Box 948
White Sulphur Springs, MT 59645

RE: Your two (2) letters dated June 8, 2011

Dear Mr. Dracon:

Interestingly, I just received your letters, after being called by another hospital board member, asking me several questions about the letter and my planned response. I remember several months ago receiving a letter from you regarding my lack of professionalism since your letter was hand delivered to the Courthouse and others received copies of your letter prior to your receiving it, even though the mistake was made in the Courthouse. I am choosing to rise above the opportunity to return the chastisement.

The first letter is in regards to compensation for Mr. Pfaff (Cypress Healthcare) and Aaron, the CEO of the Mountainview Medical Center. Mr. Dracon, I am not sure how many times you have been informed -- You can be assured that the \$221,183 represents the total fees paid for management provided by Aaron and Tony during fiscal year 2010. The first time you were informed was during a board meeting during the Fall of 2010. If you will recall during that meeting, both you and Marcy Rethwisch were in attendance and the auditors reviewed the Audit with the board and public. Marcy asked the auditors if the \$221,183 figure represented (the total of) both Aaron's and Tony's compensation and related expenses. The Auditor replied that yes, they represented the total administrator compensation, management fees and miscellaneous expensed such as travel.

You also have a copy of the most recent Audit (June 30, 2010 and 2009). May I please refer you to page 14, Note J -- which states "---Fees paid to Cypress Healthcare, LLC for the fiscal years ended June 30, 2010 and 2009 were \$221,183 and \$211,572, respectively, which included administrator compensation, management fees, and miscellaneous expenses such as travel".

You were also in attendance at another Board Meeting during which time Mr. Potter quizzed Aaron and received the same answer. I have also been informed that you have had personal communication with Aaron in the administration office where the same information was conveyed to you by Aaron.

The 2010 990 that you continually refer to as the '2009' 990 form (Please note John- *for year beginning July 1 and ending June 30, 2010*) obtained this information (correctly) from the Audit.

I hesitated to respond to your letter(s). First, I have nothing to add other than the credible documentation that you already have. The second reason, this appears to be the same interrogation methods the District Board uses to continually bend the facts and obtain anything they can utilize against the current hospital board and hospital and further the feeding frenzy of the few intent on destroying the hospital. However, I had second thoughts and am responding. In part, this is because both of my parents passed away in their late 80's and were showing the early stages on dementia. These signs included – loss of short term memory, repeating things and having difficulty understanding things. They did not seem to be able to 'get it'. Hmm.

Your second letter is in regards to the current hospital staffing and comparing this to January 2007 levels. First, John, to correct your 'facts' – Jean did compile the list which did accurately reflected the 70.48 FTE. Where you are incorrect – Bruce Bowersox reduced the MMC staff by the equivalent of 13.85 FTE in order to reduce costs. When Jan and Jean were subsequently cut, that made the equivalent of 15.85 FTE positions which reduced the FTE's to 54.63. Currently, MMC runs from 53 – 56 FTE and has been running this number since 2008.

In closing Mr. Dracon, please refer to my previous letter which stated the position of the current Board of MMC. While the information in this letter may appear to make an exception, in the future, the Liaison Board (and management) will only respond to questions that fall within a very narrow set of parameters of the legal responsibility of the 'Meagher County Hospital District Board'. We are committed to provide quality healthcare to the citizens of Meagher County.

Sincerely,

A handwritten signature in black ink, appearing to read 'Otto W. Ohlson', with a long horizontal flourish extending to the right.

Otto W. Ohlson, Liaison Board, MMC

CC: Meagher County Commission (Hand Delivered to Courthouse)
Hospital District Board (Hand Delivered to Courthouse)
Mountainview Medical Center Board of Directors

To: MMC Board of Directors
 ✓ From: Jan Kalgaard, Interim CEO
 Date: November 27, 2007
 Re: Survival Plan

I thought it would be helpful to recap the events in 2007 that relate to the financial crisis that MMC has endured. The recap is in three sections. The first section, **Background**, contains information on the status of the organizations management and finances in late January and early February 2007. The second section, **The Plan**, details the actions MMC took to turn the financial and management picture around. The final section, **Results**, explains the progress made to date.

Background...

On January 18, 2007 Marc Steinberg, Medical Director, gave his 90 day notice to cancel his contract with MMC as a medical provider and director. Dr. Steinberg is one of two providers who are the backbone for MMC's medical staff. They cover the 5-day per week clinic, ER 24-7, hospital and long-term care patients. At that time MMC was also recruiting for a part-time mid-level provider for the clinic and limited call coverage for the ER. Dr. Steinberg sited the financial crisis, lack of independence between the board and CEO & a serious break down of relationships between the employees and management as reasons for his departure. He stated that the focus had shifted from patient centered care to focusing on the organization.

On January 23, 2007, Katharine Ann Campbell, CEO, resigned. She had accepted a new position in California. Katharine Ann's last day at MMC was February 5, 2007. Benefis provided immediate relief for Katharine Ann and MMC when they sent Jeff Smith to MMC on February 6, 2007 to act as Interim CEO. Mr. Smith was hired as a stop-gap measure while the Board could interview prospective Interim CEO candidates. Bruce Bowersox was hired as Interim CEO and he started on February 12, 2007. Mr. Bowersox was charged with developing the recovery plan and its execution.

On January 31, 2007, MMC had \$23,993 in the general checking account, nothing in savings or investments that weren't restricted, and payables of \$328,503 which included approximately \$200,000 to Benefis for CEO salary. Additionally, MMC owed Benefis \$145,000 on a loan plus accrued interest of \$14,384. Therefore, the total amount that MMC owed for current liabilities was \$487,887. The Year-to-Date Loss from Operations was \$848,019. The operating loss was tempered with Non-Operating Revenue of \$462,670, bringing the Net Loss to \$385,349. However, MMC lost \$184,804 during the month of January and \$152,374 in the month of December. Patient census was unusually low and the majority of the Non-Operating Revenue for the year had been collected at that point. At that point the projected Net Loss was \$671,190 for FY 2007.

Douglas Wilson, CPA was in the process of wrapping up the financial audit for FY 2006. Given the current financial condition of the hospital, Mr. Wilson had serious concerns about MMC's ability to continue financially beyond June 30, 2007. Accordingly, he requested a plan, approved by the Board that was feasible for MMC to continue operating

past June 30, 2007. He also asked MMC staff to complete a "going concern questionnaire". MMC's audit would not be finalized until the questionnaire and plan had been reviewed by Mr. Wilson.

At the same time there were issues with the Montana Facility Financing Authority. The Authority loaned MMC \$900,000 to finance part of the remodel that was completed in 2004. Given MMC's financial condition and late payments, they were asked to provide monthly financial statements and provide regular updates to the Authority.

The main financial issue for MMC was cash. With large operating losses in the past, all available sources of cash in the form of savings, investments etc. had been exhausted. Staff had already spent most of the previous year cleaning up old accounts receivable balances so Days in Accounts Receivable had been reduced from a high of 134 in July 2005 to 72 days in January 2007. Additionally, cash was not being produced in sufficient quantities from operations to service current liabilities including the amounts owed to Benefits. March 2007 was of particular concern because it was a month with three pay periods and the weekly cash flow projections showed that MMC would not have sufficient cash in March to cover all three payrolls. Senior leadership at MMC worried that MMC would need to develop a plan to transfer patients if staff refused to work without a pay check.

The Plan...

MMC had already converted all possible assets to cash, and delayed payment of liabilities as long as possible. Therefore, the sources of cash had to come from operations. MMC needed to increase revenues and decrease expenses.

MMC was already in the process of reviewing its charge master. With the assistance of Bill Fisher, the review was completed and prices were updated by June 30, 2007. It was anticipated that the price increases would "net" MMC approximately \$200,000 in FY08.

MMC was not in a position to expand services, but we were able to recruit a mid-level provider for the clinic who started seeing patients in May 2007. The new provider has added stability to the medical staff, reduced locum costs and allowed MMC to keep some well woman and related visits.

MMC cut 15 positions and reduced hours in many support departments. Most of the position cuts occurred on February 28. After reviewing the remaining staffing patterns, a few more positions were cut in April along with the reduction of hours. Over \$300,000 in personnel costs were cut from the staffing plan. The final cost reduction occurred when MMC combined the CEO and CFO positions. Jan Kalgaard was asked to take on the combined role as Interim CEO in June 2007. This was done without an increase in pay.

Ongoing expenses and purchase orders were reviewed to insure that only necessary items were purchased. Inventory levels were kept at a minimum to prevent cash being tied up there.

While working on the interim cost report for FY07 it was noted that 80 percent of the FY07 expenses occurred in the first eight months (July to February – 67%) of the fiscal year. MMC was able to operate the last four months of the year on 20 percent of the annual expenses.

As the budgets were prepared for FY08, each line item was reviewed and costs were justified. Only costs relating to the provision of services were allowed, and at a “minimum necessary” level. Education budgets reflected what was necessary to maintain licenses and competencies. In the past, large amounts had been budgeted and spent on “education” that was more for the benefit of the individual person and not the organization.

The board contacted members of the community to ask for gifts. The first gift was the most important in terms of timing. Dr. Schendel provided collateral for a line of credit that was issued by the local bank. The line of credit was limited by the Board to 1) a maximum amount of \$150,000 and 2) could only be accessed to cover payroll shortfalls. The line of credit was first used in late March to cover the third payroll of the month. The line of credit has been used a total of eight of 18 payrolls thus far.

The community members responded to MMC’s financial crisis with their check books. They contributed a total of \$152,104 in the last four months of FY07. In the first four months of FY08, they have contributed \$53,803 in unrestricted gifts and \$43,650 for our endowment fund. That is a very generous response from a community of only 2,000 residents.

The board contacted US Bank to see if the Bair trusts could provide some relief. In June 2006, the Bair trust gave MMC an advance of \$120,000 towards FY08’s grant cycle. The funds were used to aid in cash flow this last summer and fall.

Finally, the Board contacted the Meagher County Commissioners to request a special election to vote for an additional 20 mils for the hospital. The Commissioners granted the request and the election was held in October 2007. The election was a mail in ballot with 64 percent of the voters responding. The ballot passed by a 5 to 2 margin. The additional mils are for a two year period and were assessed in the current year. Therefore, MMC will receive approximately \$150,000 more in county mil support in FY08 and FY09.

The results ...

The budget for the current year had a deficit of \$264,000. MMC has closed that gap with the mil levy and fund raising to approximately \$80,000 assuming all our projections are accurate.

The improved financial stability has a positive impact on the staff and medical providers. The medical staff is fully staffed and under contract for the current fiscal year. Relations between the medical staff, administration and the board have improved significantly since

January 2007. The senior leadership team is working well together. All managers meet on a monthly basis and all staff meetings are held quarterly to provide additional information and the opportunity for all staff to ask questions of administration.

MMC has maintained a positive cash balance and kept its vendors current. By the end of November 2007 MMC will have paid Benefis back for outstanding CEO salaries for FY05 (3 months) and FY07 (all 12 months) totaling approximately \$128,000. That leaves MMC with a remaining balance due for FY06 of approximately \$117,000. MMC is expecting additional funds from the final reconciliation of the FY06 cost report and will use those funds to help reduce the FY06 CEO salary balance. MMC didn't anticipate the ability to make payments on the FY06 CEO salary until FY08. MMC also owes Benefis for the outstanding loan balance of \$145,000 plus accrued interest. Loan repayment will be addressed after MMC completes payments on the FY06 CEO salary.

Mr. Wilson has completed the majority of the work on the FY07 audit. We have discussed the "going concern" issue at length. He is encouraged by the work we have done on both revenues and expenses and the passage of the mill levy. We are waiting for the results of the FY07 cost report to determine the "bottom line" for FY07. Basically, Mr. Wilson stated that if FY07 ends positively and we can close the budget gap for the current fiscal year, it will not be necessary for MMC to complete a "going concern questionnaire". At this point, MMC does not anticipate any additional funds from the community campaign.



Douglas **WILSON**
and Company, PC

Douglas N. Wilson, CPA
Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA
Thomas A. Kopp, CPA

Bruce H. Gaare, CPA
Dixie L. Swanson, CPA

May 14, 2008

Board of Directors
Mountainview Medical Center, Inc.
P.O. Box Q
White Sulphur Springs, MT 59645

Effective May 15, 2008, we will cease our services as your auditors. We have reached this decision reluctantly and after substantial deliberation because we believe we are unable to communicate appropriately with the board of directors.

You should take steps to retain a new accounting firm. We will cooperate with your new auditors in providing information from our prior period audit files. You will be billed for the services provided. To facilitate that process, please send us a letter authorizing us to make disclosures to your new auditors. Without such a letter, we are ethically prohibited from communicating with others regarding your organization's affairs.

We look forward to helping you make a smooth transition with your new auditors. Please acknowledge that the board has reviewed this communication.

Sincerely,


DOUGLAS WILSON & COMPANY, P.C.

sb

Dec. 13, 2010

Ms. Michelle Barstad, Director
 Montana Facility Finance Authority
 Department of Commerce
 P.O. Box 200506
 Helena, Montana 59620-0506

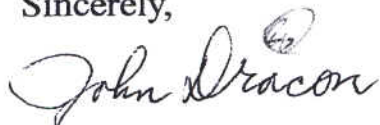
Dear Ms. Barstad,

Enclosed is the documentation supporting my requests for information concerning the loan to MMC which was paid during 2009. The Meagher County Hospital District Board (MDHDB) was recently re-activated by the Meagher County Commissioners to provide oversight for county monies given the Mountainview Memorial Hospital for operations.

Meagher County currently has a twenty-eight (28) mills annual levy for MMC. The County also directs money from a trust to MMC.

Thank you and your office for supplying the loan information I was seeking.

Sincerely,



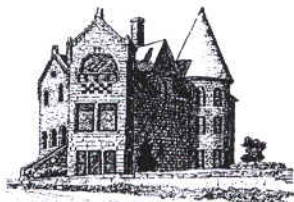
John Dracon, Chair
 Meagher County Hospital District Board
 Meagher County
 White Sulphur Springs. Montana 59645

CC: Michael Kakuk, Brd. Member
 Pam Sundstrom, Brd. Member ✓

OFFICE OF
 BOARD OF
 COUNTY COMMISSIONERS

Meagher County, Montana
 WHITE SULPHUR SPRINGS





"The County with a Castle"

Meagher County, Montana

WHITE SULPHUR SPRINGS

OFFICE OF
BOARD OF
COUNTY COMMISSIONERS

Dec. 16, 2010

Richard Brown, President/CEO
Montana Hospital Association
1729 Ninth Ave.
P.O. Box 5119
Helena, Montana 59604-5119

Dear Richard,

Thank you so much for your cordial accommodation of me when I interrupted your busy schedule yesterday. As I explained, I had intended to visit with Bob Brown, whom I know from his technical assistance in previous years to us when I served as Chairman of the Board of Mountainview Medical Center during a financial crisis.

I wanted to alert him that a representative, Michael Kakuk, of the Meagher County Hospital District Board, would be in contact with MHA in the near future seeking comparative data of small, rural, critical access hospitals in Montana.

The Meagher County Commissioners recently appointed a board to represent the county hospital district that provides property tax money and grants to MMC. The Meagher County Hospital District Board is charged to provide oversight over the use of such public monies.

Our past experience with Bob's expertise is most favorable, and I know he or whomever you assign to assist us will help us gain suitable information.

Thanking you in advance for your cooperation,

Sincerely,

A handwritten signature in cursive script that reads "John".

John Dracon, Chairman
Meagher County Hospital District Board
CC: Kakuk, Sundstrom, Members

From: Farwest96@aol.com [mailto:Farwest96@aol.com]
Sent: Tuesday, January 04, 2011 12:09 PM
To: Barstad, Michelle
Subject: request for information on loan No. 85A-AF-01

Dear Ms. Barstad:

My board is researching the MFFA loan paid off in 2009 (according to an audit report).

We would like to receive any correspondence between MMC and your office about that loan.

Your Oct. 7, 2008, letter to CEO A. Rogers offered to refinance the loan, and the word "again" appeared in the body of your letter suggesting (reading within the context) that the same refinance offer had been made at an earlier date

The MMC Board minutes on Oct. 27, 2008, shows a motion passed to pay the loan off, which was their decision to make. However, there remains a question whether your offer to help refinance was conveyed to the MMC board prior to that decision. In the minutes along with the motion to pass are the words vaguely referring to an opportunity to refinance from another source at 7 to 8%. Also that the loan then stood at 14.94%.

We would appreciate any information that pertains to this loan. Thanking you in advance.

John Dracon, Chair,

Meagher County Hospital District

cc: Kakuk, Sundstom

MONTANA FACILITY FINANCE AUTHORITY

Department of Commerce

Street Address:
2401 Colonial Drive, 3rd Floor
Helena, MT 59601

Mailing Address:
PO. Box 200506
Helena, MT 59620-0506

Michelle Barstad: 406 / 444-0259
mbarstad@mt.gov

Facsimile: 406 / 444-0019



October 7, 2008

Mr. Aaron Rogers
Mountainview Medical Center
Box Q
White Sulphur Springs, MT 59645

Re: Loan in MFFA- 1985 Pooled Loan Program
Loan No. 85A-AF-01

Dear Mr. Rogers:

On September 16, 2008, I sent you a letter describing how the market turbulence was affecting this program. I also indicated that I would be pursuing one final option to preserve this program. Unfortunately, that option did not work.

As you have undoubtedly seen, the market has been traumatic these past weeks with even the largest corporations having difficulties borrowing (you might have seen articles on GE borrowing \$3 billion from Warren Buffet and issuing \$12 billion of additional stock).

Regrettably, this bond issue is not immune to that turbulence. BOND interest rates for this program have been 7.5%-10.5%. That coupled with borrowers being responsible for interest on the outstanding \$10,035,000 reserve fund has made the interest rate this month 14.983%. As stated in my correspondence of September 16, the Authority is no longer subsidizing this program.

Based on the worsening market, it is imperative that we close down this program ASAP. I have again attached proposed MFFA programs to refinance your loan through the MFFA. I would like all loans in this program refinanced prior to December 1.

**Mountainview Medical Center
Options to Refinance Loan Currently in
1985 Variable Rate Loan Program of MFFA**

Outstanding Loans in 85 Variable Rate Loan Program:

Loan	Maturity Date	Outstanding 9/30
85-AF-01	10/20/2020	\$682,353.32

MFFA Program to Refinance Above Loan:

85 Authority Fund

- Loan amount: Outstanding amount on above loan
- Interest rate: 5.75% (comparable program with fixed-rate, 20-year term, currently at 5.93%)
- Loan term: Same as original maturity date above
- Security: Same security as the bank holds for your current Letter of Credit securing Loan 85-AF-01 (treasuries/securities currently held by US Bank)
- Amortization: monthly payments automatically withdrawn from Borrower's checking/savings account
- Other costs
 - Recording Fees – don't know if there will be any
 - Application fee – will waive
 - Legal – NONE, MFFA provides documents unless outside help is needed for the transfer of securities to MFFA

Bank Option to Refinance Loan

- You may wish to discuss with your local bank, US Bank or others willingness to refinance this loan.

The Letter of Credit you currently have would be released 123 days after refinancing the loan indicated above.

Please send me a letter or e-mail indicating if:

You choose to refinance through the Authority program presented on the attachment
OR

You are discussing with your local bank(s)
If you need my assistance in those discussions

I have again attached the borrower interest rates, along with the MFFA subsidy, and its effect on the Borrower's interest rate.

Borrower Interest Rate			
	Interest Rate Without MFFA Subsidy	MFFA Subsidy	Interest Rate WITH MFFA Subsidy
December	4.254%	0	4.254%
January	4.418%	0	4.418%
February	6.212%	\$ 31,485	4.746%
March	11.766%	\$122,485	6.064%
April	11.912%	\$ 81,485	8.119%
May	5.350%	0	5.350%
June	7.571%	0	7.571%
July	9.964%	\$ 60,000	6.089%
August	9.875%	\$ 50,000	6.645%
September	9.562%	\$ 20,000	8.270%
October	14.938%	0	14.938%
		\$365,455	

Sincerely,



Michelle Barstad
Executive Director

Attachment

Patrick W. McCoy
 Janice L. McCoy
 34 Bingham Ln
 White Sulphur Springs, MT 59645
 (406) 547-2437
 March 18, 2011

Meagher County Hospital Board
 C/o Mike Kakuk
 PO Box 624
 White Sulphur Springs, MT 59645

Dear Sirs,

We are writing concerning the possible addition of a CT Scan room, equipment, and personnel at the Mountainview Medical Center.

Our concern is that this addition is not cost effective, and will increase medical costs for county residents putting a financial burden for all future users of the facility, while not improving patient outcomes.

Several questions need to be answered, such as:

1. What is the projected number of days of use of such a machine and what is the income to be generated by that use?
2. Why is a CT scanner necessary?
3. Who will read the scan?
4. Will a Radiologist be kept on retainer on a 24/7 basis to read scans, and if so at what cost?
5. Will all scans be read before treatment is initiated? If so why is the scan necessary?
6. If treatment is initiated before the scan is read, will the patient be charged for someone to read the scan after the fact? If this is true it sounds like a way to inflate the cost of health care for the individual.
7. Will treatment be determined before the scan results are known? If so why is the scan necessary?
8. Will treatment be delayed until after the scan is read? If so what is the legal risk imposed by delayed treatment?
9. Will patients suffer undue harm from delay of treatment?
10. What will be the cost of maintaining the CT scan equipment?
11. What will be the costs of training enough staff to handle possible operations on a 24/7 basis?
12. What will be the additional salary costs of staff prepared to operate the equipment?
13. How will these increased costs help contain medical care costs of the county's citizens, and improve medical outcomes?
14. As a Critical Access hospital (CAH) will increased costs from CT scans be passed on to taxpayers through Medicare reimbursement?
15. How is the administration of the Mountainview Medical Center compensated? Is compensation based on income generated or profits generated?

As a Registered Nurse for 42 years I have a Master of Science degree in nursing with preparation as an adult nurse practitioner. I worked in a small community hospital intensive care unit and understand the need for quick action in some emergency situations. Delaying treatment and quick transfer to a larger facility while a CT scan is acquired and interpreted can be detrimental

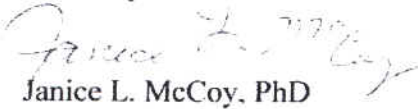
to patient outcomes. Patients are also upset by the costs of diagnostic tests when those costs are unnecessary because the tests were not used prior to treatment (and they then receive another billing from the reader of the tests). I need to understand how the purchase of a CT scanner will improve patient outcomes.

It appears that the addition of a CT scanner will increase medical costs in the county, thereby increasing future health insurance costs, without providing a benefit in excess of those costs. While it is nice to have upgraded equipment, part of our ongoing problem with health insurance costs come from out of control spending for health care services, many of which services are not cost effective.

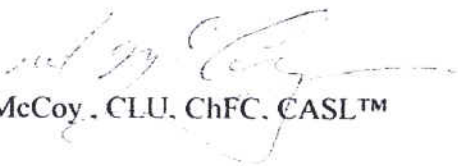
We have also written to the administration of the Mountainview Medical Center asking for answers to these questions.

Looking forward to your prompt reply, we are,

Sincerely,



Janice L. McCoy, PhD



Pat McCoy, CLU, ChFC, CASL™