

Critical Access Hospital (CAH) Survey

As we discussed on the phone, I am a member of the Meagher County Hospital District and we are compiling information regarding other Montana CAH's. Your responses will be included in a report that will allow our residents to put all of the information regarding these important issues into a state-wide context.

Thank you again for agreeing to review and answer the below questions and feel free to contact me. My contact information is included in the email. Please let me know if you would like an electronic copy of the finished report.

1. What, in your opinion, is the biggest problem facing CAH's today?
2. What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?
3. What are you doing to meet these challenges?
4. What, in your opinion, would help you meet these challenges?
5. What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.
6. If you are a private entity, do you receive any public funds for operation?
7. If you are a private entity receiving public funds, from where does the money come (taxes etc.) and how much do you receive annually?
8. If you are a private entity, are your Board or other governance meetings open to the public?
9. If you are a private entity, is there any opportunity for public involvement in the management of the CAH?

Ronald M. Gleason, CEO
Liberty Medical Center
Chester Montana

1. What, in your opinion, is the biggest problem facing CAH's today?

I believe this question depends on the individual CAH. It has been said many times that if you have seen one CAH, you have seen one CAH. Many CAH's are doing very well under the rules now in existence. These are mainly the larger CAH's who provide a high volume of acute care services. These facilities generally have very good access to providers (physician and mid-level) and can recruit these professionals fairly easily. Many of the smaller facilities are struggling. These facilities are generally located in low population areas and provide a relatively low volume of acute care services. I will answer from the perspective of Liberty Medical Center in Chester as we fit into the second general category of CAH. We have two major issues in Chester. The first is the 25 bed limit. We have a very elderly population in Liberty County so the demand for long term care services is great. In order to survive financially, it was necessary for us to convert to a 25 bed CAH from an 11 bed CAH and a half full 47 bed nursing home. This left us unable to provide care to all residents in the community in need of long term care services at all times. We currently have two individuals living outside of Liberty County that want to be in our long term care beds. The conversion did provide the financial strength to continue to provide the rest of the services we provide to the residents of Liberty County. We are doing well financially. The second is access to physician and mid-level providers. It is already very difficult to recruit to small population areas such as Liberty County. When we recently lost a Physician to retirement, were unable to recruit a replacement Physician. We recruited a Physician Assistant to replace him. The number of providers will not keep pace with demand in the future which will make it even more difficult to recruit to rural and frontier areas such as Liberty and Meagher Counties.

2. What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?

For us, the number one problem will be replacement of providers and other professional staff such as pharmacists and physical therapists. We will lose another provider to retirement in less than five years. Given the current environment, we will not be able to replace her with another physician. This means more pressure on the remaining physician to provide supervision services for the mid-level providers.

3. What are you doing to meet these challenges?

I am a member of the Frontier Community Health Integration Project steering committee that is working with CMS and HRSA to change the model of care that will be provided in the Frontier areas of Montana, North Dakota, Wyoming, and Alaska. This committee has submitted a framework document to CMS and will be submitting over the next several months a number of white papers on how the project should be implemented. This will include relaxation of credentialing rules for tele-health providers, expansion of the number of total beds allowed at

Frontier Health Systems, expansion of the visiting nurse program within our Rural Health Clinics, and other initiatives aimed at improving the health of our communities.

4. What, in your opinion, would help you meet these challenges?

Approval of the F-CHIP demonstration project by CMS. This program would allow for sharing in the savings to the Medicare program from the improved health of the residents of our community.

5. What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.

We are a 501(c)3 non-profit corporation. All of the assets of the hospital are owned by Liberty County and leased to the non-profit corporation. We have a separately incorporated healthcare foundation that assists in the capital needs of the organization.

6. If you are a private entity, do you receive any public funds for operation?

Yes. The County runs a levy for the benefit of the Hospital on four year cycles. The latest levy was approved in November of 2010 by a 72% majority. These funds are used solely for the replacement of capital assets and may not be used for operations. This limitation was set by the Board of Directors.

7. If you are a private entity receiving public funds, from where does the money come (taxes etc.) and how much do you receive annually?

It is a voted 4 year tax levy. The current amount is \$300,000 per year. Again, this may not be used for operations. It is therefore required that the Organization at least break even from operations each year (excluding tax revenue) in order to survive in the long run.

8. If you are a private entity, are your Board or other governance meetings open to the public?

Yes. Since all the assets of the Hospital are owned by the County, all meetings of the Board are open to the public. we have published minutes from those meetings in tire local paper.

9. If you are a private entity, is there any opportunity for public involvement in the management of the CAH?

This depends on your definition of management. The Board is not and should not be responsible to day to day management of the Organization. That would be a terrible idea. It is management's job to operate the organization based on the direction given by the Board. The Board's responsibility to hire and fire management based on the job being done. The Board is also responsible for setting the general direction of the organization through strategic planning and for approval or disapproval of policies as proposed by management. The Board should not be involved in operations. The general public should have no role in the management of the CAH

other than through the Board of Directors. Professionals who know how to operate a CAH should be responsible for operating it, not the general public. We have time in each Board meeting for comments from the public.

Pamela Pride
Human Resources Director
Barrett Hospital & Healthcare
Dillon, Montana

1. What, in your opinion, is the biggest problem facing CAH's today?

Recruitment and attraction of qualified healthcare talent, particularly providers.

2. What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?

#1 above and CMS reimbursement.

3. What are you doing to meet these challenges?

Participating with local, regional and national healthcare educational institutions on rotational programs for their students

4. What, in your opinion, would help you meet these challenges?

Greater focus on healthcare education in Montana schools to increase the understanding about the advantages of this profession

5. What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.

Private, non-profit

6. If you are a private entity, do you receive any public funds for operation?

About \$40,000/ year from city tax revenue

7. If you are a private entity receiving public funds, from where does the money come (taxes etc.) and how much do you receive annually?

See #6

8. If you are a private entity, are your Board or other governance meetings open to the public?

Yes

9. If you are a private entity, is there any opportunity for public involvement in the management of the CAH?

No

Terri Donovan
Wheatland Memorial
Harlowton, Montana

1. What, in your opinion, is the biggest problem facing CAH's today?

Cost of meeting the regulatory burdens (including meaningful use) is high and staffing to accomplish it in rural areas is hard to come by.

2. What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?

Ongoing pressure on reimbursement will be a constant worry.

3. What are you doing to meet these challenges?

We are trying to maximize efficiencies and charge capture and ensure we are billing for everything we possibly can..

4. What, in your opinion, would help you meet these challenges?

Funding, particularly as it relates to educating people in our community who want to work but aren't qualified for the positions we have when they come in off the street and frequently not having anyone available to train them in house..

5. What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.

We are a private non-profit

6. If you are a private entity, do you receive any public funds for operation?

Yes

7. If you are a private entity receiving public funds, from where does the money come (taxes etc.) and how much do you receive annually?

From the county at approximately \$40k/yr

8. If you are a private entity, are your Board or other governance meetings open to the public?

Yes, because we receive funds from the county

9. If you are a private entity, is there any opportunity for public involvement in the management of the CAH?

Through our Board of Trustees.

SIDNEY HEALTH CENTER
216 14th Ave SW | Sidney MT 59270
Mary J. Fay | ADMINISTRATIVE ASSISTANT
406.488.2364 PHONE | 406.488.2115 FAX

1. What, in your opinion, is the biggest problem facing CAH's today?

"Recruiting primary care physicians, maintaining adequate work force in general, access to capital, reimbursement, implementing and paying for EHR, aging buildings, keeping up with technology."

2. What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?

"All of the above. Workforce, technology, capital, reimbursement. Aging population will impact volume and payor mix."

3. What are you doing to meet these challenges?

Adding and evaluating services.

4. What, in your opinion, would help you meet these challenges?

Increased reimbursement.

5. What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.

Community membership corporation.

6. If you are a private entity, do you receive any public funds for operation?

N/A

7. If you are a private entity receiving public funds, from where does the money come (taxes etc.) and how much do you receive annually?

N/A

8. If you are a private entity, are your Board or other governance meetings open to the public?

N/A

9. If you are a private entity, is there any opportunity for public involvement in the management of the CAH?

N/A

MADISON VALLEY MEDICAL CENTER
ENNIS MONTANA
LOREN JACOBSON

1. *What, in your opinion, is the biggest problem facing CAH's today?*

Capital formation and access to medical staff.

2. *What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?*

Same as above.

3. *What are you doing to meet these challenges?*

Modifying operations and greater focus on fundraising

4. *What, in your opinion, would help you meet these challenges?*

Improved economy.

5. *What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.*

501c3 for operating entity with oversight from elected board under a hospital district.

6. *If you are a private entity, do you receive any public funds for operation?*

NA.

7. *If you are a private entity receiving public funds, from where does the money come (taxes etc.) and how much do you receive annually?*

Property tax mil levy of 13 mils or 700K per year.

8. *If you are a private entity, are your Board or other governance meetings open to the public?*

Board meetings open to public.

9. *If you are a private entity, is there any opportunity for public involvement in the management of the CAH?*

Publicly elected Board.

Ron Webb, CEO
Holy Rosary Healthcare
2600 Wilson Street
Miles City, MT 59301
406-233-2602

1. What, in your opinion, is the biggest problem facing CAH's today?

Access to capital

2. What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?

Potential cuts to Medicare and Medicaid

3. What are you doing to meet these challenges?

Seeking ways to grow revenue, and reduce operating cost

4. What, in your opinion, would help you meet these challenges?

Flexibility on the 25 bed maximum. Financial incentives for providers to practice in rural areas.

5. What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.

Private, religious, not-for-profit

6. If you are a private entity, do you receive any public funds for operation?

No public funds, except for Medicare and Medicaid

7. If you are a private entity receiving public funds, from where does the money come (taxes etc.) and how much do you receive annually?

NA

8. If you are a private entity, are your Board or other governance meetings open to the public?

No

9. If you are a private entity, is there any opportunity for public involvement in the management of the CAH?

We have a local Board to provide direction to management.

I will be glad to answer any questions.

Ronald W. Barnes, Administrator
Garfield County Health Center
P.O. Box 389
332 Leavitt Avenue
Jordan, Montana 59337

Phone 406-557-2500
Fax 406-557-2950

Responses to questions provided by Michael S. Kakuk, Attorney

1. What, in your opinion, is the biggest problem facing CAH's today?
Response: I think the biggest problems are:
 - a. Politics in small communities – it is difficult to find a rural community with a CAH that does not have politics that can threaten its survival. There are very few citizens with experience either in Healthcare facilities or service in the capacity as a Board Member on a public or private organization. This creates the problem of having the Board member leave their role as the Policy maker and enter the Administrative role which creates some political problems.
 - b. Finances – Most CAH's are financially dependent on taxpayer's support because the utilization of the facility cannot totally support the operation
 - c. Providers – They have a tendency to migrate toward a political faction in the community and may use their impact on utilization as leverage for a specific position whether it is for a specific group or themselves

2. What, in your opinion, is the biggest projected problem facing CAH's in the immediate and mid-term future?
Response: I think they are the same as the ones above.

3. What are you doing to meet these challenges?
Response: We are doing the following:
 - a. We invite the newspaper reporters to all of the meetings, regarding the Health Center, with the Commissioners since we are a County Hospital.
 - b. We provide our monthly financial statements to the newspaper for publication
 - c. We have a standing offer in the County to attend any type group that would like us to discuss the Health Center, which includes the CAH and Long Term Care facility
 - d. The answer regarding Finances is specific to me as I have been in rural communities my entire career. I am not a politician. I operate facilities as a business first because if they do not survive financially, there are no healthcare services to be concerned about. This includes the replacement of personnel that do not or are not willing to cooperate to make the facility meet its financial and healthcare goals. Naturally, we must ensure the services of the facility are those that the facility can provide according to

the needs of the community and be supported financially. The service and the personnel must also be of high quality.

- e. The same holds true with Providers. They must be willing to support the facility as the operation and survival depends on their utilization of the facility. Sometimes providers refer patients out of the community that can be cared for locally, are not available or willing to take call or who choose a political faction that represents their concern and lifestyle instead of the major concern being the survival of the local CAH facility. You should make every attempt to gain support of the providers in the community but if you are not successful, then recruitment of new providers is the option that needs to be taken. If you undertake a recruitment program, enter this venture to actually recruit and not as leverage to bring about support from your provider.

- 4. What in your opinion would help you to meet these challenges?

Response: Remove the politics from the operation of the CAH's.

- a. This is the most difficult task but a Board of Directors must operate as the Board and not the Administrator. This can be accomplished through Board education but it really comes down to the person. Commissioners and other Boards have the "reason" that they need to make operational decision because they are responsible to the taxpayers. Their responsibility should be to hire a good, effective administrator and support their actions. If the management goals are not met, then change administrators but do not start making management decisions.

- 5. What is your business structure? For example, are you a private corporation, public corporation, federal non-profit, etc.

Response: We are a County facility supporter by the taxpayers.

- 6. If you are a private entity, do you receive any public funds for operation?

Response: We are obviously not a private entity but this seems to be a contradiction. How can you be a private entity and receive public taxpayer funds? If you have a Hospital District, the taxpayers have voted to create the district and have the right to elect the Board of Directors. I have never seen a Hospital District that did not have a facility to support with their funds unless the district intended to build and financially support one. My question is, who owns your facility?

- 7. Non Applicable

- 8. If you are a private entity, are your Board or other governance meetings open to the public?

Response: This is a personal response but I have worked for a private entity and the Board meetings were not open to the public. I have also worked for a Hospital District that received no financial support from the District and the meetings were operated under the Open Meeting Laws.

- 9. If you are a private entity, is there any opportunity for public involvement in the management of the CAH?

Response: Since I am not involved currently in a private entity, I cannot respond but I would like to offer a response. My answer to your specific question would be no. I am also concerned about your question. You refer to "public involvement in the management" and this is part of the problems in small communities as I referred to earlier. Management is a person or company through their administrator and the only involvement is the Board that sets the policies for the operation of the facility and the administrator carries out those policies. I would assume your question refers to participation on the Board if the entity is private.

These are some personal comments I would like to submit. It is interesting to hear about the problems in White Sulphur Springs. They seem to center around whether the facility is Private or Public. This should be easy to ascertain. My suggestion is to start at this point and after that determination is made, some of your questions will be resolved.

It seems like the real intent of your questions are to see if there are public funds being provided to private entities. I can't imagine this occurring but I could very well be wrong. I personally have never seen a private facility supported by public funds.

I would appreciate receiving a copy of your final report.

Michael S. Kakuk

From: Dick Brown [dick@mtha.org]
Sent: Tuesday, May 31, 2011 4:02 PM
To: Michael S. Kakuk
Subject: RE: Info Request

Michael-

My answers to your questions follow below in italics. These are general observations and comments on the issues posed.

Dick

From: Michael S. Kakuk [mailto:mkakuk@kakuk.com]
Sent: Monday, May 23, 2011 3:55 PM
To: Dick Brown
Subject: RE: Info Request

Dick: I'm still looking for answers to the following questions. Any help would be appreciated. Thanks, MSK

1. Have we seen an increase or decrease in the numbers of rural hospitals over the past 5, 10, and 20 years?
No hospitals have closed in Montana in the past 10 years. There may have been 1 or 2 close in the past 20-25 years.
2. What's the biggest problem facing rural hospitals today?
Recruiting primary care physicians, maintaining adequate work force in general, access to capital, reimbursement, implementing and paying for EHR, aging buildings, keeping up with technology.
3. What's the biggest projected problem facing rural hospitals in the immediate and mid-term future?
All of the above. Workforce, technology, capital, reimbursement. Aging population will impact volume and payor mix.
4. What are other rural hospitals doing to meet these challenges?
Several have affiliated with larger (tertiary) facilities. Others are closing nursing homes in favor of swing beds, downsizing staff, raising rates, waiting to purchase equipment; all hoping to wait out changes.
5. How does the White Sulphur Springs hospital compare, financially and otherwise, to other rural hospitals in Montana? (Northwest U.S., nationally,?)
I suspect WSS is comparable to many of its peers in Montana and the rural west. Comparison with other groups would be difficult due to the size differences, geography and politics. Our data coordinator, Roberta, may have shared some comparison data with you already.
6. How many of Montana's rural hospitals are public institutions? How many are private?
There are only a handful (3-4) county or district hospitals in Montana. There are 5 government facilities (VA, State, 3-IHS). There are two private hospitals (an LTC hospital in Billings and a surgical hospital in Kalispell). All other Montana hospitals are community not for profit facilities.

7. How many other private rural hospitals receive public funds (tax money, etc.)? Is there a range of amounts received?

Do not know the answer, but I suspect several rural hospitals (some formerly county operated) receive some tax subsidy by way of mil levy support. The support could go as high as \$400,000 per year or perhaps more.

8. Are there any restrictions placed on the use of those public funds?

Probably depending on your definition of 'public' funds. You may need to ask your county attorney.

9. What are the common forms of governance for the private hospitals? Is there any ability for public involvement in the operation of publically funded, private rural hospitals?

Most commonly see a board of directors elected by the board. A county hospital board may be appointed by the County Commissioners; district hospitals may elect board members by a vote of people in the district. Bylaws will generally delineate the board structure and how one is seated on the board.

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

MOUNTAINVIEW MEDICAL CENTER

June 30, 2009 and 2008

MOUNTAINVIEW MEDICAL CENTER
STATEMENTS OF OPERATIONS
for the years ended June 30

	2009	2008
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT		
Patient service revenue	\$ 3,559,002	\$ 3,540,460
Additions (deductions) to/from revenue	58,121	94,914
Net patient service revenue	3,617,123	3,635,374
Other operating revenue	106,787	77,936
Total revenues, gains and other support	3,723,910	3,713,310
EXPENSES		
Salaries	1,861,122	2,179,052
Professional fees	651,658	219,263
Supplies	341,960	363,580
Depreciation and amortization	259,451	255,078
Employee benefits	247,694	245,019
Purchased services, utilities	139,926	144,325
Purchased services, other	101,349	62,688
Insurance	87,392	97,984
Provision for bad debts	76,710	60,225
Repairs and maintenance	74,918	105,255
Other expenses	54,569	20,522
Travel and meetings	40,926	24,587
Interest	36,974	65,593
Dues and subscriptions	14,568	16,085
Licenses and taxes	10,373	10,226
Total expenses	3,999,590	3,869,482
NON-OPERATING REVENUES (EXPENSES)		
Meagher county	217,472	189,619
Grants	-	150,000
Contributions	10,411	47,047
Investment income	50,508	46,594
Other non-operating income	3,867	34,148
Harmon trust	31,500	31,499
Total non-operating revenues (expenses)	313,758	498,907
INCREASE (DECREASE) IN NET ASSETS, EXCESS OF REVENUES OVER EXPENSES, GAINS AND OTHER SUPPORT	\$ 38,078	\$ 342,735

The accompanying notes are an integral part of these financial statements.

Thank You Meagher County Taxpayers

Mountainview Medical Center would like to sincerely thank the taxpayers of Meagher County for the mill levy support over the years. The last four years of extra support of the 20 special mills coupled with the many years of the permanent 8 mills, has truly saved this hospital.

MMC has slowly and cautiously started rebuilding the corpus of the account at U.S. Bank in Billings (formerly known as the Bair Trust or MMC Endowment Fund) to nearly \$650,000 and additionally have saved up more than \$1 million in the local banks. Considering this, we felt that the proper option was to relieve the tax burden Meagher County residents have shouldered on our behalf. Past history indicates that even \$1 million can go quickly, but we are intent on continuing to be vigilant in our spending.

As most of you have come to know, a Critical Access Hospital like MMC has a very tough time running solely on operational revenue and will always rely on grants, bequests and donations. We welcome any and all help but feel that mandatory taxation is not necessary at this time and should be used only as a last resort.

Meagher County residents have always been there for MMC and we hope that the goodwill would continue if needed in the future. Thank you again for your support and we hope for continued use of Mountainview Medical Center for your medical needs.

MMC Information

Just a reminder, www.mvmc.org has a full list of board meeting agendas and minutes with current financial information included.

Controlling Document: Management Agreement, November 23, 2009.
(Agreement)

General Provider Duties: Cypress is to provide experience, expertise, skills, supervision, and certain personnel in the management and operation of Mountainview Medical Clinic, Inc. (MMC) (Agreement, Recitals, 3.)

Authority and Responsibility of Cypress. (Agreement, ¶1.3) Cypress has the authority and responsibility to conduct, supervise, and effectively manage MMC's day-to-day hospital operations, including:

- A. Personnel Administration;
- B. Accounting and Financial Records;
- C. Purchases and Leases;
- D. Management Support Services;
- E. Communication and Reports;
- F. Special Projects, e.g., physician recruitment, may be performed under separate agreement.

Employees. Cypress will provide MMC (at MMC's expense) with a qualified Administrator who shall serve as MMC's chief executive officer. (Agreement, ¶2.3(A).) All operating and service personnel shall be employees of MMC. (Agreement, ¶2.1.)

Compensation. MMC shall pay Cypress a base fee of \$10,400 per month for its services. (Agreement, ¶4.1.) The base fee is supplemented by payments to cover travel and out-of-pocket expenses for Cypress employees, up to \$13,000 per year. (Agreement, ¶4.3.) Additionally, MMC is required to reimburse Cypress for the Administrator's salary plus 28%. Note: The actual amount of the Administrator's salary, currently \$__, is subject to MMC approval.

Term. Unless terminated earlier, see below, the Agreement terminates March 31, 2013. (Agreement, ¶5.1.)

Termination. Either party may terminated the Agreement, without cause, with 30 days notice. (Agreement, ¶6.1.) Note: After November 2011, the Agreement may be terminated without cause with 60 days notice. (Agreement, ¶6.3.) The

Agreement may also be terminated with cause with 10 days notice. (Agreement, ¶6.2.)

Service Provider: Benefis Healthcare (Benefis)

Controlling Document: Memo of Understanding, February 23, 2005. (MOU)

General Provider Duties: Benefis provided administrative and executive leadership services to Mountainview Medical Clinic, Inc. (MMC) (MOU, Whereas 4 and 5, page 1.)

Authority and Responsibility of Benefis. Benefis provided:

- an Administrator/CEO; (MOU, ¶2.)
- consultative services (subject to “cost-only” compensation) for finance, information services, human resources, material services, and other vice-presidents and department managers as deemed necessary by the Administrator. (MOU, ¶3.)
- access to purchasing discounts; (MOU, ¶6.)
- access to Healthcare Advisory Board Services; (MOU, ¶7.)
- access to all management and Board education opportunities available through Benefis; (MOU, ¶8.) and
- access, on a rotating basis, to donated equipment; (MOU, ¶9.)

Compensation. MMC paid Benefis \$8,655.43 per month for its services. This amount was subject to increases approved by MMC. (MOU, ¶4.)

Termination. Either party may have terminated the MOU, without cause, with 180 days notice. (MOU, ¶15.) Note: Since there was no “with cause” termination clause, Montana law would have controlled.