

**MEAGHER COUNTY HOSPITAL DISTRICT  
D-R-A-F-T  
STUDY REPORT  
REVISED 09-12-2011**

**1. How much money is paid to Cypress employees? How much money was paid to Benefis?**

For the year July 1, 2010 through June 30, 2011, the contract costs of the two people paid through Cypress (Mr. Rogers and Mr. Pfaff) were approximately \$250,000. However, MMC states that the total costs for Mr. Rogers and Mr. Pfaff \$221,183. MCHDB's requests for clarification of this issue were unsuccessful. See Appendix A-33, A-35 and B-6 for more information. Benefis' CEO Campbell was paid approximately \$125,000 for 2007.

**2. Are MMC financial statements available?**

Yes, monthly statements are available at the administrative offices of MMC upon request.

**3. Why does the MMC use a cash basis accounting instead of an accrual basis?**

MMC does not use cash basis accounting. Federal regulations require accrual accounting, and MMC is compliant. Abbreviated reports may be in a cash format, but the standard accrual accounting process is followed.

**4. Why the large difference between 2008 and 2009 MMC income?**

The audit reports for years 2008 and 2009 show no significant difference in net patient service revenue. Only in the non-operational revenue category is a difference shown: 2009 - \$313,758; 2008 - \$498,907. See Appendix B-26.

**5. Where, financially, would MMC be without the levy?**

Since 1995, there was a continuous county levy of 8 mills. There was an additional special hospital 20 mill levy beginning in October 2007 which

finished its second cycle of two years each. To date, the hospital has received approximately \$800,000 over the past four years from these levies.

While it is impossible for the District to answer the question: “*Where would MMC be financially without the county levy?*”, it seems apparent that, from the financial information provided above, without the county tax levy, MMC would be probably operating at a deficit unless offsetting non-operational revenues, such as donations, increased to cover the reduction in MMC’s revenue from the tax levy.

On June 22, 2011, the MMC Board voted not to accept any more county tax money and publicly thanked all Meagher County taxpayers in a mass mailing stating that the levies “truly saved this hospital”. (See Appendix B – 27).

**6. What is the current status of the Bair Trust?**

As of February 2011, what is commonly referred to as the Bair Trust consisted of approximately \$591,000. The trust was terminated in 2003 and control was placed in the hands of the MMC Board instead of the previous trustee, U. S. Bank in Billings.

**7. Where was the Bair Trust four years ago?**

The Bair Trust four years ago was worth approximately \$1.2 million. In 2003, it was worth approximately \$3 million. Since 1980 the Bair Trust gave MMC approximately \$6 million. (Appendix A – 3.)

**8. How does the MMC compare to other rural hospitals?**

The District contacted the Montana Hospital Association and also 46 of the 48 Critical Access Hospitals, i.e., rural hospitals, in Montana and asked questions designed to answer this question. Those questions and the responses are provided in Appendix B – 25.

Although not a complete or scientific survey by any means, it appears that all rural hospitals in Montana are subject to similar financial issues, including recruitment of qualified employees; increasing regulatory costs; access to capital; and decreasing government reimbursement for services.

**9. What are the specific provisions of the Cypress contract?**

See the response to Issue 13 below as well as Appendix B – 18.

**10. Are MMC Board financial meetings open to the public?**

The MCHDB is convinced that any Board meeting or any subcommittee meeting is open to the public as required under §2-3-203, MCA. However, MMC and its current attorneys now disagree with this opinion and have continually held that its Finance Sub-Committee meetings were not open to the public. MMC attorneys also seem to argue that, regardless of the tax levy, the MMC Board meetings themselves might not be open to public. (See Appendix A – 14 and B – 24.)

**Recommendation:** Considering MMC’s June 2011 refusal of the county tax levy, the District should continue to research this issue paying particular attention to MMC’s access to County health insurance and its use of the funds commonly referred to as the “Harmon Trust” and whether or not such use still subjects MMC to Montana’s open meeting laws.

**11. Are there other models for public involvement in the MMC's operations?**

Mountainview Medical Center, Inc. is a private, non-profit entity operated as a “*public benefit without members*” corporation. As such, it is governed by a self-appointed board. Simply put, this means that the Board itself appoints members to the Board and makes all financial and operational decisions. Therefore, there is no opportunity for any formal public involvement in Board membership or any public oversight of Board operation. This is a very common method of hospital governance in Montana but it is certainly not the only method.

For example, the Critical Access Hospitals, i.e., rural hospitals, in Townsend, Sidney, Chester, and Jordan are all public corporations and operate with ample opportunities for public involvement and oversight. (See Appendix B - 25.) However, even if MMC did not wish to become a public entity, it could, through simple changes in its by-laws, provide increased opportunities for public involvement and oversight to the citizens of Meagher County.

As just one example, MMC could allow the County Commissioners or the Hospital District to appoint a number of MMC Board Members from the community at large. This would certainly increase the public's opportunity, both real and perceived, to be actively and effectively involved in the hospital's management and governance.

**Recommendation:** While the District acknowledges that the issue of MMC's governance is most likely outside of the District's statutory authority (statutorily limited to those issues involving MMC finances), the MCHDB is also strongly convinced that there may be a better, more representative, method of ensuring appropriate public involvement in governing the hospital. Therefore, the District respectfully recommends that MMC fully review and consider all available governance options.

The MCHDB also recommends that it continue to fully cooperate and provide any assistance necessary with any such future analysis by MMC.

## **12. Is the District Board access to MMC financial information adequate to complete the study?**

Unfortunately, the MCHDB believes that some of its legitimate requests for financial information from MMC have been either ignored or refused. (See the below discussion of Issue 13 for a specific example.)

**Recommendation:** This issue is squarely within MCHBD's statutory mandate and the MCHDB should continue to seek the requested information.

## **13. What exactly is it that Cypress does? What did Benefis do?**

The MCHDB prepared an outline of Cypress' duties under the current contract and compared those to Benefis' duties. (Appendix B – 28.)

Additionally, the MCHDB met in March 2011 and determined that additional information was required from Cypress before this question could be fully answered. Mr. Kakuk sent a letter to the Clinic requesting a meeting with Mr. Rogers and Mr. Pfaff but the Clinic has declined to allow access to those individuals and never responded to the follow-up written questions. (Appendix A – 30 through 31A.)

Without access to Clinic administration and staff, the district Board is unable to answer this question in more detail.

**Recommendation:** This issue is squarely within MCHBD’s statutory mandate and the MCHDB should continue to seek the requested information.

**14. Who owns the property the MMC sits on?**

As of 1958, the land on which the hospital is located is in the name of “Mountainview Memorial Hospital”. Mountainview Memorial Hospital changed its name to “Mountainview Medical Center, Inc.” in 2001. Therefore, MMC holds the title to the land on which the clinic is located. (See Appendix B -8 and B - 10.)