

Work Session
City Hall
Fayette, Alabama
May 14, 2015

The City Council of the City of Fayette held a work session at 5:00 o'clock, p.m. on May 14, 2015, in the Council Chambers of the City Hall.

Upon roll call the following were found to be present: Mayor Ray Nelson, Council members Linda McCraw, Mike Hardin, Jason Cowart, Cedric Wilson and David Brand. Also present were City Clerk Dawn Clapp and City Attorney Dale Lawrence.

Also in attendance were Fayette County Commissioners John Underwood, Rick Cargile and Joe Acker; Mr. Mike Freeman, Chairman of the Fayette County Hospital Board; Mr. Donald Jones, Administrator of Fayette Medical Center; and, Mr. Jeff Huff, Assistant Administrator and CFO of Fayette Medical Center.

The opening prayer was given by Mr. Bobby Avant.

Mayor Ray Nelson announced that a quorum was present and that the meeting was open for the transaction of business.

UPDATE ON THE FAYETTE MEDICAL CENTER

Mayor Nelson stated rural hospitals are the lifeblood of much of Alabama. They provide emergency medical care to those in need and preventative health care that sustains rural communities. They employ thousands of hardworking Alabamians and drive local economies through their payrolls, purchases, and infrastructure investments.

They are essential for attracting and keeping businesses and economic development because it is unlikely that a major employer will locate in a community that does not have a readily available hospital and health care.

Mayor Nelson stated it had been reported that one primary care physician in a rural community creates up to 23 jobs annually and \$1 million dollars in wages, salaries and benefits. Annually, rural hospitals contribute nearly \$650 million in payroll and benefits.

Mayor Nelson stated it had been reported that Alabama's rural hospitals have an average operating margin of only 1.1%, with 45% of rural hospitals operating in the red. Additionally, more than half have seen an increase in bad debt and charity care, as well as an increase in costly emergency department care.

The Kansas-based National Rural Health Association, which represents about 2,000 small hospitals across the country and other rural care providers, has reported that 48 rural hospitals have closed since 2010, the majority in Southern states, and 283 others are in trouble. In Texas alone, 10 have closed.

COMMUNITY IMPACT

Mr. Donald Jones, Administrator of the Fayette Medical Center addressed the Council concerning the state of Fayette Medical Center. He discussed specifically the impact Fayette Medical Center has on the community. He reported as follows:

Employees, Physicians and Community

- Currently employ 319 full or part-time employees
- 2014 Payroll and Benefits = \$13,632,665
- 8 local physicians currently serve FMC
- FMC direct and secondary employment impact = 502 jobs

Healthcare Provided in 2014

- Inpatient Admissions – 1,009

- Emergency Room Visits – 13,814
- Surgeries – 1,502
- OP Registrations – 35,642
- LTC Resident Days -- \$42,943

Mr. Jones stated that the Fayette Medical Center and Fayette Long Term Care had received the following awards and recognitions.

Top Quality & Patient Experience
(Hospital)

- CMS 5-Star Hospital – One of only 2 hospitals in Alabama (Top 3%). Only 7% of hospitals across the nation achieved 5-star rating.
- Women’s Choice Award: America’s Best Emergency Care – CMS Quality
- VHA Hospital Engagement Network Top Performer in 3 areas (Surgical Site, Ventilator Associated PNE, and Central Line infection prevention)
- The Joint Commission Top Performer in Key Quality Measures
- Women’s Choice Award for America’s Top 100 Best in Patient Experience
- Becker’s Hospital Review Best Hospital in Nurse Communication. One of 2 hospitals in Alabama to make the list. One of 62 in the nation.

Top Quality & Patient Experience
(Long Term Care)

- Resident Satisfaction in the Top 5%
- One of America’s Top Nursing Homes by US News and World Report for two consecutive years (2013 & 2014)
- Recognized as a Tier I organization by the AHCA/NCAL in 2014. This is part of the Quality Initiative Recognition Program for Safely Reducing Hospital Readmissions
- Excellent overall quality scores & survey results.

Mr. Jones stated the challenges are not unique to Fayette - all rural hospitals are facing these very same challenges.

FINANCIAL UPDATE

Mr. Jeff Huff, Assistant Administrator and Chief Financial Officer reported to the Council on Fayette Medical Center’s financial condition. He reviewed with the Council the financial results from the past few years.

FINANCIAL RESULTS

	<u>FY 2013 Act</u>	<u>FY 2014 Act</u>	<u>FY 2015 Bud</u>
Net Profit/(Loss)	<u>(719,000)</u>	<u>419,000</u>	<u>120,000</u>
Electronic Health Record Incentive Monies*	<u>1,493,000</u>	<u>1,044,000</u>	<u>511,000</u>
Adjusted Net Profit/(Loss)	<u>(2,212,000)</u>	<u>(625,000)</u>	<u>(391,000)</u>

*Non-Recurring; future penalties for providers who do not convert to electronic health records.

He stated the hospital is not about to close, but without the electronic health record incentive monies, the hospital would not have been running a surplus but a deficits.

He reviewed the upcoming capital needs of the hospital. They were as follows:

FY2015	LTC Roof Replacement	\$286k (actual)
	ER Roof Replacement	\$218k (actual)
	Nurse Call Replacement	\$286k (actual)

FY2016	Med-Surg Roof Replacement	\$250k
	Chiller Addition	\$250k
	LTC HVAC phase 2	\$495k
FY2017	LTC HVAC phase 3	\$335k
	SDC Room Renovations	\$250k
FY2018	LTC HVAC phase 4	\$425k
	OR & Kitchen Roof Replacement	<u>\$400k</u>
Total		\$3,195k

Mr. Huff also reviewed the operational challenges facing the Fayette Medical Center. They were as follows:

- Significant Reductions in Medicare and Medicaid Payments
- Continued Uncertainty around Healthcare Reform
- Alabama's Decision to not expand Medicaid
- Physician Recruitment
- Professional Staff Recruitment and Retention
- Rising Operating Costs and Aging facility

STRATEGIC INITIATIVES

Mr. Donald Jones reviewed the strategic initiatives of the Fayette Medical Center. The completed strategic initiatives were as follows:

- Hospitalist Program
- New Visions Program
- Renovated OP Clinic
- Upgraded OR Laparoscopic Equipment and SDC renovations
- Recruited Gynecologist
- Transition to Team Health for Emergency Department Physician Coverage
- Reduced Annual Personnel Cost > \$1 million dollars in FY 2014

The current strategic initiatives are as follows:

- Growth in OP Rehabilitation Services
- Strengthen Nursing Home Part A Services (Rehabilitation)
- Continued emphasis on expense management
- Adequate market coverage
- Ongoing physician recruitment efforts
- Continued Commitment to Quality & Patient Satisfaction
- Community Education and Involvement and financial support

COMMUNITY SUPPORT UPDATE

Mr. Mike Freeman, Chairman of the Fayette County Hospital Board gave an update on the community support. His update was as follows:

- I. The hospital received \$460,000 in community support.
- II. The hospital's long-term goal is on-going annual community support of 1 million dollars
- III. The two stakeholders with the largest vested interest in the long term financial viability of the Hospital are the County and the City of Fayette

Mr. Freeman stated the challenges for rural hospitals are real and not going away. He said community involvement and support is critical to insure long term financial viability. He reviewed with the Council the challenges facing rural hospitals. The challenges are as follows:

- I. From 2011 to 2014, 5 rural hospitals closed in Alabama
- II. 45% of rural hospitals operate in the red

- III. More than half have seen an increase in bad debt and charity care, as well as an increase in costly emergency care.
- IV. Rural areas serve a high percentage of patients covered by Medicare and Medicaid

Mr. Huff said that the electronic health record monies were being reduced and will be going away. He stated the \$460,000.00 in community support was used as follows: \$100,000.00 went towards operating room improvements. \$360,000.00 went toward capital improvements. The hospital has purchased new laparoscopic equipment, and also upgraded the outpatient center.

Mr. Huff stated last year about \$8,000,000.00 was provided in free care. He stated Medicare, Medicaid and the uninsured make up about 80% of the Fayette Medical Center's patients.

DISCUSSION OF COUNCIL

Councilmember Cowart stated the Affordable Act was passed in 2010. This called for reimbursements to hospitals to be cut and Medicaid to be expanded. He said by Alabama not participating in the Medicaid expansion, those who didn't have insurance still don't and the hospital's reimbursement rate has been cut.

Councilmember Cowart said the hospital's revenues have gone down and a business can only operate with deficits for so long.

Councilmember Cowart stated Fayette Medical Center is the County's largest employer and it would be economically devastating for the community if it closed. He stated this is the biggest issue the Council has faced during this term.

Councilmember Cowart asked what the City and County should be working toward to provide for the sustainability of the hospital. Mr. Freeman said the Fayette Medical Center had requested \$1,000,000.00. Mr. Freeman said maybe the City and County could each pay one-half. The next issue is where the City and County would get the funds to provide for the sustainability of the hospital. Mr. Freeman said the City and County may have to look for new streams of revenue through taxation.

Councilmember Hardin stated none of the problems have changed and will not change for the foreseeable future. He said it was imperative that a viable plan be adopted. He said a one-half cent sales tax would generate between \$400,000.00 - \$500,000.00. He said the City would want accountability from the Hospital. Also, he recommended the one-half cent sales tax have a sunset provision. He said no one wants another tax but with what the community is facing with the hospital, it is the only option.

Councilmember Cowart suggested a sunset provision of four years.

Councilmember Wilson said he was in favor of doing what Councilmember Hardin had proposed and thought the Council should start working toward implementing it.

Councilmember McCraw said she would like to have a public meeting so that the merchants and citizens could be informed about what is coming and have the opportunity to ask questions.

ADJOURNMENT

There being no further business to come before the Council, upon the motion to adjourn being made by Councilmember Cowart and seconded by Councilmember Wilson, the same was unanimously adopted.

Mayor

Attest:

City Clerk