

Special Meeting
Civic Center
Fayette, Alabama
June 25, 2015

The City Council of the City of Fayette held a special meeting at 6:00 o'clock, p.m. on June 25 2015, at the Fayette Civic Center.

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, Barry Corkerin and Joe Acker; Mr. Mike Freeman, Chairman of the Fayette County Hospital Board; Fayette County Hospital Board Members Sherry Grey and Jackie Walden; Mr. Donald Jones, Administrator of Fayette Medical Center; Mr. Jeff Huff, Assistant Administrator and CFO of Fayette Medical Center; and, Kathy Griffith, Assistant Administrator and Director of Nursing.

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

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 local 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 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.

Mr. Jones stated there were 118 residents in the Nursing Home.

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 deficit.

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

HOSPITAL BOARD UPDATE

Mr. Mike Freeman, Chairman of the Fayette County Hospital Board gave an update on the Hospital Board. His update was as follows: The Hospital Board has \$1.8 million in reserves. DCH's lease payment of \$100,000.00 is placed in the reserves. Mr. Freeman stated the purpose of the reserve is to pay DCH for its assets should the lease be terminated.

COMMUNITY SUPPORT UPDATE

Mr. Mike Freeman, gave an update on the community support the hospital had received. 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 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.

Mr. Harold Reed asked about the 4 mill hospital tax collected by the County. It is currently distributed as follows:

Fayette County Public Health Department	\$25,000.00
Fayette County Clean Up Department	\$188,000.00
Hospital Board	\$100,000.00

Animal Control	\$67,000.00
Fayette Aging Program	\$203,687.00

Dr. Richard Rutland spoke concerning the hospital tax.

Mr. Jeff Huff reviewed the provisions concerning the lease payments and how the amount is determined. He stated the lease payment is usually \$100,000.00. He also reviewed the exit terms of the lease.

Probate Judge William Oswalt also spoke concerning the hospital.

DISCUSSION OF COUNCIL

Mayor Nelson led a discussion about rural hospitals. He shared with the Council and those in attendance comments from the "Rural Hospitals at a Crossroads." Mayor Nelson stated the hospital administration was not crying wolf but were correct in stating this was a serious situation.

Mayor Nelson stated the Council was considering a ½ cent sales tax. He said this was the most viable solution available to the Council.

Councilmember Hardin said the Council was going to address the City's part of the funding solution for the hospital with the ½ cent sales tax. He stated the City was fortunate to have a good bottom line.

Councilmember Cowart stated this was not only an economic issue but a quality of life issue. The ½ cent additional sales tax would go to aid the Fayette Medical Center and have a sunset provision.

Councilmember Hardin was asked about the County hospital tax. He stated that he did not think the Council should speak as to what the County should do.

Mr. Doaks Oswalt said he would support the ½ cent sales tax and believed the hospital tax needed to start going to the hospital

Commissioner Acker spoke to the Council and he said it was unrealistic to think the Commission could come up with the other half of the \$1,000,000.

City Attorney Dale Lawrence reviewed with the Council the most recent draft of the ordinance implementing the additional ½ cent sales tax for the hospital.

It was estimated the ½ cent sales tax would generate approximately \$400,000.00.

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 McCraw, the same was unanimously adopted.

Mayor

Attest:

City Clerk