

Hi-Desert Memorial Health Care District dba
Morongo Basin Healthcare District
BOARD OF DIRECTORS SPECIAL MEETING MINUTES
BUDGET WORKSHOP

May 19, 2016 at 4:00 p.m.

Convened at the District Offices: 6530 La Contenta Road, Suite 100, Yucca Valley CA 92284 | 760.820.9229

- **Mission Statement:** *To improve the health and wellness of the communities we serve.*
- **Vision:** *A healthy Morongo Basin.*
- **Core Values:** *Commitment, Collaboration, Accountability, Dignity, Integrity.*

CALL TO ORDER

Director Sullivan called the meeting to order at 4:02 p.m. and welcomed members of the Community Health Center's governing board.

ROLL CALL

Karen Graley, Board Clerk, conducted roll call of the assembly:

Present:

- Director Sullivan
- Director Doyle
- Director Cooper
- Director Hoffman
- Director Susan Madavan
- Director Mary Jane Binge

Staff present:

- Jackie Combs, CEO
- Patricia White, Controller
- Joe Ruddon, Director Business Operations
- Nora Maughan, Executive Director, HDFHC
- Kathy Alkire, Director Clinical Op, HDFHC
- Craig Best, Director Finances, HDFHC

Not present:

- Director Avels
- Director Lomeli
- Director Tagle
- Director Brannon
- Director Grabow
- Director Potts
- Director Lopez
- Director Cantelo

OBSERVANCES

- Director Sullivan read the healthcare District's mission, vision and core values statements.
- Director Hoffman led the Pledge of Allegiance.

PUBLIC COMMENTS

No public comment offered.

APPROVAL OF MEETING AGENDA

Motion 16-28: Director Doyle motioned to approve the meeting agenda as presented; motion was seconded by Director Cooper; motion passed by unanimous vote.

PRESENTATION

Ms. Combs introduced the PowerPoint presentation for the meeting. The purpose of the workshop is to present the proposed budget and explain the variables behind the numbers, such as budget assumptions, volumes, FTEs, unit and consolidated budget and Capital Improvement Project. This is the operational budget; the capital budget has not been developed.

The Community Health Centers governing board will approve the clinics' budget at their May meeting; the Morongo Basin Healthcare Budget will be approved at the June 9 business meeting.

BUDGET ASSUMPTIONS

- Clinics: HRSA expects a zero based budget. This proposed budget is a balanced budget excluding employee merit increases. It projects an overall 2% volume increase. Uncollectable revenue is projected at a 25% reduction. The children's vaccine program includes vaccine to supply immunization for the private insurance population. It is common practice in the hospital world to annually increase medical supply cost by 10%; this budget assumes that market increase. Computers were included in the operational budget because this is a "rate setting" year and staff wanted to include all applicable expenses. Director Hoffman asked for an explanation on the 25% reduction: expected losses; based on past experience. Director Hoffman recommended increasing medical supply cost be 12%; that has been the historical trend in his 14 years serving on the medical center board.
- Transportation: Staff expects to receive the second year grant funding without a break in funding as happened last year.

VOLUMES

- Clinics: data shows a 2% increase in volume and a shift from YV to 29Palms. Director Doyle asked about the disparity in volume from previous and current years. Ms. Maughan explained that historically there were problems with the Meditech numbers being skewed so she is confident that the reflected numbers from the Meditech responsibility report are incorrect. Discussion about the pros and cons of aligning fiscal years for all District entities. Directors asked Staff to review and recommend regarding shifting the District's fiscal year to correlate with the HRSA funding cycle.
- Clinic Administration: all of their positions are filled as of today and the same quantity is anticipated for next year.
- YV Clinic / 29Palms: no additional positions are planned for the new year.
- Transportation: the grant calls for 15,000 visits; the program is fully staffed at 3.5 FTE.

BUDGET

- Clinic Revenue:
 - ♦ Other Revenue: 340B revenue is managed by a third party who over-charged the clinics in 2016; the program is being audited and a refund is expected. The 2017 budget is reduced from 2016 based upon that adjustment. The program provides a reduced pharmaceutical fee for medications to the patients.
- Clinic Expenses: The 2016 projected net income shows a \$1 million surplus in 2016; however, HRSA requires a zero budget so the majority of the dollars have been redirected to inflate salaries and medical supplies. Ms. Maughan explained placement of the monies is not important because when the budget is reviewed by the state, the overhead expenses incurred by the District will be included in the calculation of the new rate. (human resources, advertising/marketing)
 - ♦ Director Hoffman asked where the overhead expenses are reflected on the clinic budget; they are not. The overhead expenses sit with the district; staff did not call out the applicable District expenses. Director Hoffman pointed out that over time, clinic



- expenses will increase but the District's revenue will not. Staff needs to plan for the future and recommend a solution to resolve the impending imbalance.
- ♦ Director Binge requested numbers on the District overhead percentages. Ms. Combs asked if that information was needed to approve the budget; presenting the numbers for the September mid-year review will be satisfactory.
 - ♦ Director Hoffman stated that historically the Board of Directors adjust the budget mid-year for a better perspective on financial position.
 - ♦ There was discussion about merit raises vs COLA (adjustment).
 - Transportation Revenue: The data presented in the budget reflects what can be charged back to the grant.
 - Transportation Expenses: Most of transportation expenses are fuel and maintenance of the vehicles.
 - District Revenue:
 - ♦ Operating Revenue: Other operating revenue included cost repost settlements.
 - ♦ Other Revenue: Includes rental income from the Prescott building; Director Doyle asked for a property evaluation for a competitive rental fee.
 - District Expenses:
 - ♦ Physician fees were reduced in 2017 because of additional monies paid in 2016.
 - ♦ Supply costs last year reflect setting up the La Contenta office.
 - ♦ Other direct expenses: Clinic marketing/outreach expenses were moved under District marketing.
 - ♦ Lease and rentals: includes the La Contenta site and the copier.
 - ♦ Purchase Services:
 - Legal fees are all inclusive for active liability/risk cases.
 - Settlement fees are for when the open cases close and payment is due.
 - Other professional fees is FG Creative, Agency of Record to the District.
 - Contract Services: includes everything at the La Contenta site such as the alarm service, janitorial, etc.
 - Payroll: reflects what it costs us to run the payroll system
 - Other Marketing Budget: includes promotion of strategic plan projects, possible new services, marketing display ads and radio spots.
 - Director Hoffman suggested adding renting space for public education in support of the strategic plan. Staff had not considered that and will make an adjustment.
 - Manifest Magazine: This is a pre-existing contract with four publications remaining; the quarterly magazine is being used as an educational tool to the general public.
 - Employee recognition: includes the traditional holiday celebration and annual national healthcare week.
 - Consolidated Revenue:
 - ♦ The consolidated revenue does not include the one-time \$2million purchase fee revenue.
 - ♦ The transportation grant is rolled into the HRSA draw down.
 - ♦ The projected grants for quality and dental are not included in the data. Director Binge asked that a note be added to the budget referencing the potential revenue from the projected grants.

- Consolidated Expenses:
 - ♦ Repair and maintenance: 2016 data reflects the flood damage repairs.
 - ♦ \$100,000 of the expenses is the projected children's vaccines
- Employee Merit Raises: The District's Board of Directors will consider the merit increase.

CAPITAL IMPROVEMENT PROJECTS

Ms. Combs noted that some of the items on the list were related to the strategic plan and some are from staff observation.

- YV Clinic Parking: the parking has too few spaces. Propose to prepare the unused plot for additional parking and the existing parking needs maintenance; propose to install solar covered parking as a source of reimbursement.
- Dental expansion
- Mobile health/dental van
- Transportation vehicle: will apply for grant
- Community Needs Assessment: the District's Board of Directors recognize the importance of the assessment, however, the initial quote was unacceptable. Staff is exploring alternative options. The assessment was not included in the budget. Director Hoffman suggested that the assessment be the priority as it will change a great deal related to the strategic plan; he recommended that the assessment be completed before FY2018.
- Childcare Center: Director Hoffman suggested a childcare center for both well and sick children. There was discussion about the possibilities. Director Sullivan noted that in the absence of a plan there is no forward movement, and that the board should consider contracting for a master plan for such a facility to be built in phases.

DIRECTOR COMMENTS

Director Doyle: stated she appreciated the combined meeting with the two boards as it made for great communication; she thanked staff for the budget overview.

Director Sullivan: "I concur!"

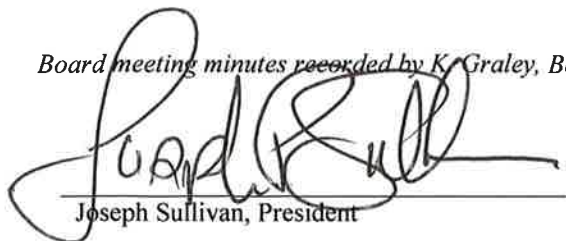
Director Cooper: Thanked staff for the presentation and noted that there's a lot to consider.

Director Hoffman: "I too, agree with all that's been said." He noted that it's important to maintain communication between the two boards. He acknowledged that both boards want what is best for the District and for the Clinics. He challenged the board members to be visionary and to find ways to achieve the vision without being hobbled by finances. "Our community has gone long enough without what it needs for healthcare."

MEETING ADJOURNMENT

Director Sullivan adjourned the meeting at 5:56 p.m.

Board meeting minutes recorded by K. Graley, Board Clerk.


Joseph Sullivan, President


Patricia Cooper, Secretary