

Hi-Desert Memorial Health Care District dba  
**Morongo Basin Healthcare District**  
**BOARD OF DIRECTORS REGULAR MEETING MINUTES**  
**June 6, 2024 at 6:00 p.m.**

*Convened on the La Contenta campus; the public was invited to attend the meeting on campus or via Microsoft Teams, an electronic, remote-site platform.*

- **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, Equity.*

Board of Directors:

- Director Cooper
- Director Evans
- Director Markle-Greenhouse
- Director Stiemsma

Administrative Staff:

- Cindy Schmall, CEO
- Deborah Anderson, CFO
- Karen Graley, Board Clerk (*remote*)
- Beverly Krushat, Executive Assistant
- Kathy Alkire, Nurse Educator (*remote*)
- Janeen Duff, Program Dev. Liaison (*remote*)
- Shauna Tucker, Community Health Worker (*remote*)

**CALL TO ORDER**

Director Evans called the meeting to order at 6:00 p.m. The meeting was convened on the La Contenta campus and by electronic platform using Microsoft Teams platform.

**ROLL CALL**

Karen Graley, Board Clerk, conducted roll call and declared a quorum.

**OBSERVANCES**

Director Stiemsma read the mission and vision statements. Director Cooper led the assembly in the flag salute.

**PUBLIC COMMENT**

No public comments were presented.

**APPROVAL OF MEETING AGENDA**

**Motion 24-34:** Director Stiemsma motioned to approve the meeting agenda as presented; second by Director Cooper and passed by unanimous vote.

**APPROVAL OF THE CONSENT AGENDA**

- **Motion 24-35:** Director Greenhouse motioned to approve the Consent Agenda as presented; second by Director Stiemsma and passed by unanimous vote.
  - Minutes: Regular Meeting of the Board of Directors, May 2, 2024
  - Minutes: Special Meeting of the Board of Directors, May 13, 2024
  - Minutes: Special Meeting of the Board of Directors, May 31, 2024

**ACTION ITEMS**

BANK ACCOUNT SIGNATURES

Cindy Schmall, CEO, introduced the action item to approve Resolution 24-01 to remove Joe Rudden as an authorized signature from District bank accounts.



- **Motion 24-36:** Motion by Director Greenhouse to approve Resolution #24-01 to remove Joe Ruddon as an authorized signature from District bank accounts; second by Director Stiemsma; motion passed by unanimous vote.

#### APPROVE COST OF ELECTRICAL INSTALLATION FOR SPLIT ROCK PROJECT

CEO Cindy Schmall explained that the project requirements had changed from the original estimate. The estimate had been accepted at \$10,000 for SCE installation of a transformer, but new building standards, including installation of a vehicle charging station, increased the estimate to \$268,877. Director Stiemsma asked about the electrical contractor. Ms. Schmall explained that the contractor has to be qualified to do public projects. Of the three bids received, the job was awarded to Wonder Electric.

- **Motion 24-37:** Motion by Director Stiemsma to approve additional electrical installation costs; second by Director Greenhouse; motion passed by unanimous vote.

#### APPROVE UNBUDGETED CAPITAL EXPENDITURE

Cindy Schmall, CEO, gave a brief overview of the renovation of the recently vacated suite on the Yucca Valley campus that will house the pediatric department. The projected project costs did not anticipate that the existing flooring was unsalvageable and must be replaced. The estimated unbudgeted cost for new flooring is \$20,000.

- **Motion 24-38:** Motion by Director Cooper to approve the capital expenditure of \$20,000 for flooring in the renovated pediatric space; second by Director Greenhouse; motion passed by unanimous vote.

#### APPROVE INCREASED CAPITAL EXPENDITURE

Cindy Schmall, CEO, explained that the roof replacement on the Yucca Valley health center building had been placed on the capital budget, but the quotes were outdated from 2022. Today's cost to replace the roof is significantly higher by \$11,000. It is a flat roof and has been leaking for the past several years. The existing roof is estimated to be over 20-years old.

- **Motion 24-39:** Motion by Director Greenhouse to approve the increased capital expenditure of \$41,000 for roof replacement; second by Director Stiemsma; motion passed by unanimous vote.

#### APPROVE FINANCIAL POLICIES

Debbie Anderson, CFO, introduced two revised financial policies.

- **FN-AP-104 Levels of Authorization:** These revisions were recommended by the financial auditors. The single signature limit is being raised to \$50,000. The section addressing approval of non-recurring expenditures before being paid has been revised to strengthen security. A new section was added for the approval of non-routine expenses.
- **FN-FA-101 Capital Expenditures:** No changes except for updating references listed at the end of the policy.
  - **Motion 24-40:** Motion by Director Stiemsma to approve revisions to financial policies FN-AP-104 and FN-FA-101 as presented; second by Director Greenhouse; motion passed by unanimous vote.



## DISCUSSION

Debbie Anderson introduced the FY2024-25 budget discussion by reviewing budget assumptions.

- Payor funding mix remains consistent with the prior year's funding mix.
- Average billing rates and contractals / write-off rates are based on historical trending.
- Employee salaries are increased substantially due to SB-525.
- Physician fee amounts are based on units of service that determine underlying revenue.
- Grant and QAF monies are not included in the presented budget options as there is no guarantee to receive those monies, however we have two years of trending data that can be used to project an amount.
- The current state audit may adjust the PPS reimbursement amount and provide a one-time cash reimbursement.
- Expenses with known contracted amounts are included in the proposed budgets.

Some line items presented in the proposed budgets represent a group of like expenses, such as "Supply Expense" incorporates medical supplies, 340B drug costs, office supplies, cleaning supplies, program supplies, minor office and medical equipment. Other groupings are Purchase Services, IT/Network/Phones, Repair and Maintenance, Rents and Leases, Utilities, Insurance Fees.

CHALLENGES facing the budget: **(1)** Patient volumes have remained less than budgeted. One possible solution is to recruit more providers for the health centers but that has proven difficult. Some health center providers retired without a replacement provider and their associated specialty service lines have been discontinued, reducing patient volumes. Also, Medi-Cal switched contract agreements to managed health plans with specific requirements that increase the patient appointment length, reducing availability of providers for increased patient volume. **(2)** Personnel salaries are significantly increased due to the passing of bill SB-525. Also, employee health benefit costs have increased about 15.4% over last year. **(3)** IT/Network security needs have increased. In summary, revenue is flat with expenses increasing.

In response, Director Evans suggested that the District draft a letter to the state and managed health plans stating the issues just presented by Ms. Anderson. There was discussion; staff will draft a letter.

**BUDGET PROPOSAL #1:** Assumes that all current provider positions are filled, that patient volume will increase because there are more providers available, that current service lines remain in place, and that staff levels remain static without lay-offs. This proposal projects business as usual with patient volume budgeted at 36,000/year, a projection that has not been achieved in the past few years. It presents reduced expenses. This budget projects a loss of \$600,000.

**BUDGET PROPOSAL #2:** Assumes new providers are hired but not yet onboard at the beginning of the fiscal year. (It takes 3-6 months for a provider to come-up-to-speed.) This proposal reduces the budgeted patient visits resulting in a loss of \$1.8 million.

**BUDGET PROPOSAL #3:** Assumes eliminating current open provider positions, reorganizing staff, and eliminating some staff positions. The bottom line would be a loss of \$280,000.

Ms. Anderson noted that QAF monies will most likely be received this fiscal year. She noted that there have been losses on the health center side which historically has been met by District income. There was discussion about the state audit for setting the behavioral health services reimbursement rate, and if QAF funds should be calculated into the budget.



Cindy Schmall spoke to board expectations for the strategic plan, and noted that Proposal #3 would include reduction in personnel. “As an HR leader for years and years, I can tell you layoff is the last thing you want to do because it is the most disruptive to the organization. It reduced performance and punishes the employees who remain to pick-up the additional responsibilities.” She continued, “You end up with resentful employees leaving the organization. It’s never a good scenario. However, I think there are cost savings we can find in some of the services we provide and how we are providing them.”

Director Evans stated she preferred eliminating current unfilled provider positions, avoiding staff layoffs, and adding in QAF monies.

Director Stiemsma asked what the impact of a significant negative budget balance would mean for the District. Ms. Schmall said investments would cover the losses, but for the District to be fiscally responsible, the organization cannot continue to operate in the red. She stated that the District must consider what is sustainable and keeps it operationally and financially stable for the long term. If we budget some QAF monies and the increased PPS rate, it would be more fiscally responsible than planning for a large loss. Based on this feedback, it was decided that Debbie Anderson will create Budget Proposal #4.

Discussion moved to behavioral health services. Ms. Schmall stated that staff is applying for a grant to implement a substance abuse program. Discussion followed about what patient volume should be budgeted. Ms. Schmall said our focus has been on patient volumes for years but proposed that perhaps the organization should find another metric.

In summary, Debbie Anderson will present a fourth budget proposal for consideration using the following parameters: keep existing staff, eliminate current open provider positions, estimate patient volumes at 38,000 and reducing associated patient volumes for provider positions eliminated, and add some QAF monies. Health centers will show a loss and District will cover clinic losses. This year’s performance will determine if current service lines should be eliminated the following year.

Director Evans expressed appreciation for the way the budget was presented and the discussion that followed.

## **REPORTS**

### FINANCIAL REPORT – *Debbie Anderson, CFO*

Ms. Anderson reported that the consolidated financials for the month of April show income of \$100,262 and year to date of \$1,986,600. The non-clinic financials for the month of April show income of \$148,227 and year to date income of \$2,830,621. The clinic financials for the month of April show a loss of \$(47,964) and year to date loss of \$(844,021).

**340B REVENUE:** The health centers showed a smaller loss this month (\$47,964) versus the average \$(135,000) they have had for the past five months. This was due to a one-time bump in 340B revenue that was discovered due to an internal audit and some back billing that took place for patient services revenue.

**PROVIDER GOALS:** She noted that staffing pattern expectations play a significant role in budget to actual visit variances. For example, providers are expected to produce a certain number of visits. If the provider does not meet that goal then the visit/patient services revenue budget is misaligned from budgeted numbers.





**INVESTMENT PORTFOLIO:** The investment portfolio is heavily weighted to government issued bonds, with limited corporate bonds since the interest rate differences are not material enough to warrant the extra risk. Additionally, RBC has been buying longer term bonds (5-10 years until maturity) as opposed to shorter term bonds (2-3 years until maturity) since interest rates are higher right now and they are expecting interest rates to fall in late 2024 and 2025. This means we will get the benefit of higher interest income on our bond portfolio for longer periods of time.

However, in the short term, we still have unrealized losses as bonds that have low interest rates are adjusted down to reflect that \*if\* that bond was sold, there would be a loss since interest rates on new bonds are higher than many bonds in the portfolio.

Finally, upon their recommendation, we will be selling three very low interest bonds (each is less than 1% interest) with an associated annual interest of \$10,875. This means that we will take a realized loss on the bonds of approximately (\$106,925). However, we will then buy with the proceeds another federal backed bond that is at 4.375% with a ten-year maturity, which then gives us annual interest of \$64,094. This means, annually we would receive an additional \$53,219 in interest, that the realized loss would be covered after three years of holding the new bond, and we would continue receiving that higher interest for the next seven years. This aligns with our investment policy of investing in securities that provide the highest yield possible while assuring safety, liquidity, and compliance. The average maturity of the portfolio will still not exceed five-years in maturity.

- **Motion 24-41:** Director Greenhouse motioned to accept the financial report as presented, second by Director Cooper; motion passed by unanimous vote.

STAFF REPORT – *Tricia Gehrlein, Chief Patient Experience & Compliance Officer*

CEO Cindy Schmall introduced Ms. Gehrlein who works remotely from out-of-state. She said she's excited to be back with the District. She will visit campus once a quarter. She is overseeing outreach, the LIFT program, quality and corporate compliance. She is crafting a plan to improve quality outcomes.

CEO REPORT – *Cindy Schmall, CEO*

Ms. Schmall referred the Board of Directors to her written report in the agenda packet. She expressed her delight that Tricia Gehrlein is back.

- Desert Health Care District update: Their board voted unanimously to renew the lease which will be presented to voters on the November ballot.
- Special meeting of May 13: The seller of the property in discussion, chose to pursue his first offer because he wanted more than fair market value which we could not accommodate.
- Foundation meeting discussed moving the public event. This is a District event to promote the District's mission. The purpose is to inform people who can make policy change to improve health in Morongo Basin. About 75 community and legislative members have been invited.
- We have received approval for the HRSA capital grant for the Split Rock project for the full \$602,322 amount. Purchases must be made and request for reimburse must be made before the grant terminates in September.



### **CALENDAR REVIEW AND COORDINATION**

- Special meeting to appoint to the vacant board seat June 15 at 10 a.m.
- The first Thursday in July is the Independence Day holiday. The regular July business meeting has been scheduled for July 18.
- July 19 District Mission event, 5:30 – 7:30 p.m.

### **DIRECTOR COMMENTS**

DIRECTOR COOPER: “Thank you, this was a lot of information and business tonight.”

DIRECTOR GREENHOUSE: “Thank you for all the financial information that allows us to make an informed decision. Cindy, thank you for the update on the Desert Healthcare issue.”

DIRECTOR STIEMSMA: “Welcome to Tricia. I was very impressed with her background and believe she will make a great addition to staff.”

DIRECTOR EVANS: She thanked Karen Graley for drafting the letter to Debra Savitt on behalf of the board thanking her for serving on the Board of Directors. She thanked Beverly Krushat for her technical support during the board meetings. “

### **ADJOURN MEETING**

The meeting adjourned at 7:54 pm.

Heidi Stiemsma, Secretary of the Board

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