
SPECIAL BOARD MEETING PACKET



BOARD OF COMMISSIONERS

Board Chair – Trish Frady, Secretary – Tom Herrin,
Commissioner – Craig Coppock,
Commissioner – Wes McMahan & Commissioner-Chris Schumaker

November 10, 2021 @ 6:00 PM

Join Zoom Meeting: <https://myarborhealth.zoom.us/j/87884485121>

Meeting ID: 878 8448 5121

One tap mobile: +12532158782,,87884485121#

Dial: +1 253 215 8782



**LEWIS COUNTY HOSPITAL DISTRICT NO. 1
SPECIAL BOARD OF COMMISSIONERS' MEETING
November 10, 2021 at 6:00 p.m.**

Zoom

<https://myarborhealth.zoom.us/j/87884485121>

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Mission Statement

To foster trust and nurture a healthy community.

Vision Statement

To provide accessible, quality healthcare.

AGENDA	PAGE	TIME
Call to Order Roll Call Reading of the Mission & Vision Statement Conflict of Interest		6:00 pm
Reading of the Notice of the Special Meeting-Public Hearing		6:01 pm
New Business <ul style="list-style-type: none"> • Present the 2022 Budget <ul style="list-style-type: none"> ○ <i>To present the proposed 2022 operating budget.</i> 	4	6:03 pm
<ul style="list-style-type: none"> • Discuss Setting of the Property Tax Levy <ul style="list-style-type: none"> ○ <i>To discuss setting the proposed tax levy.</i> 	10	6:25 pm
Public Comment		6:45 pm
Adjournment		7:00 pm

Special Board Meeting Notice

Public Hearing

The Lewis County Hospital District No. 1 Board of Commissioners will be holding a Special Board Meeting on Wednesday, November 10, 2021 at 6:00 PM. The meeting will be available via Zoom:

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The purpose of this public hearing is to present the 2022 budget and discuss setting of the property tax levy (RCW 84.55.120). The Board will be accepting public comment.

MEMORANDUM

To: Finance Committee
From: Richard Boggess, CFO
Date: November 5, 2021
Re: Introduce 2022 Budget

The year of 2021 continues to be impacted by the COVID events extending from 2020. As we complete Quarter 3, we find that outpatient volumes are again achieving 2021 monthly targets. Inpatient volumes did not regain their volumes until Quarter 3. The following information is intended to provide insight into the changes occurring within the organization. However, before stepping into the microscope, let us consider the larger picture and comparisons to 2021 activity through Quarter 3. Revenue exceeds prior year yet struggles to meet current year targets. Patient net revenue percentage per metric is on target, indicating volume continues to be a challenge in certain areas. In outpatient services, the District is experiencing a change in the mix of services, such as a significant increase in lab testing and a decline in respiratory procedures. While increasing encounters, it dilutes the revenue per encounter by a large amount while maintaining the payment rate as a percentage of charges. Outpatient services are paid on a percent of charge basis. Clinic operations again are growing with the additions of new services. Pandemic safety measures continue to impact operations across the organization either by a staffing limitation issue or procedure reductions due to safety concerns. Budgeted 2022 operating revenues are growing 24% over projected 2021 activity. This is driven by new service line activity in the physician market and projected growth in the Skilled Nursing program. The projection also envisions that the District will receive forgiveness on the Paycheck Protection Program loan in the amount of \$2,850,600. This amount will not re-occur in 2022.

Operating Expense is increasing 14% on Projected 2021. The organization has added three new providers and two new service lines. Also, the District added support staff to accommodate these lines. Labor cost overall is moving up by 15% and 20 new FTEs. In 2021, the Hospital staffed several areas with outside staffing, most notably the facilities and quality leadership roles. In 2022, one of these roles is projected to be replaced with permanent staffing providing a saving. Cost for clinical agency staff have increase in the past summer by over 50%. For example, agency nurses last year cost \$80 per hour and have now moved to \$150-200 per hour if they can be located. Staff currently under contract are asking for increased rates as their contracts renew. Our reliance on agency staffing continues and grows slightly with this budget.

The attached Volume Rollforward identifies volume in each of the major service lines. The rows present information based on a given time-period to the reader to have a historical perspective before stepping into the 2022 planning process. The lower part of the page outlines 2022 events that are expected to influence growth or decline in volume.

Revenue is based on a current revenue per unit computation applied to volumes within a given department with a standard price increase of three percent. Net Revenue is computed at current payer experiences in each product line. We have not received the standard Medicare rates normally expected in the Fall. This is one risk element to be aware of as it impacts nearly 40% of business. Information has not been received from Lewis County to support the budgeting of tax dollars. As such those amounts are rolled over from current year and are less than 4% of operating expenditures or \$1,369,235. Half of these funds are specifically designated for debt repayment and cannot be used for hospital operations.

Operating expense inflation expectation ranges from 4-7% depending on department and expense type. Projected Cur Year is the best determination at this point of our year end outcome. This Projection is comprised of Sep YTD Actual plus Remaining Budget for 2021 and other minor adjustments.

Labor cost is growing 15% or \$2,857,914. The organization is adding three new providers and associated staff that started mid-year 2021. In addition, there are 20 unfilled or new roles in 2022 labor budget. Employee Benefit cost is increasing by 15% mostly attributed to the increase in group health insurance cost and wage related taxes or benefits.

Professional Fees are increasing by 15%. This increase relates to auditing, cost report, collection cost and legal services. In 2022, the District will be renegotiating the nursing wage contract which normally requires considerable resources.

Supply costs are moving up 9% in total with medical supplies moving 19%. A large component of this is driven by the new standards in COVID testing. The District will begin in late 2021 to provide PCR testing at the hospital and expanded rapid testing at the clinics. General supplies are growing 10% as departments like Facilities, IT and Clinics replace aging equipment.

Purchased Services consist of three components increasing by 12% – Purchased Services, Equipment & Maintenance and General expenses. There are three major drivers in Purchased Services: Some patient service that drive revenue also drive cost in this area. The prime example is MRI. As growth is planned in MRI, this contracted cost grows. If growth does not occur, the cost is avoided. There are several large service contracts to be placed this year as equipment comes off warranty on the service contracts. The X-ray and CT machines are examples and these two pieces total \$80,000 of the \$300,000 increase in this line. The Security Operation Center contract is another example with a \$70,000 annual cost that is new in 2022 to meet the federal expectation of

monitoring the telecommunication network for malicious activity. Our ongoing partnership with Cerner continues as we bring on capability and functionality. Management has identified an additional \$100,000 above run rate for needed services with this vendor. The Hospital did cancel the \$120,000 Allevant contract in late 2021, along with a planned reduction of 30% or \$62,000 of outside lab testing. Equipment & Maintenance cost is increasing with the major items being the lease of the OR C-arm and other medical devices for \$190,000 of new cost to support the Orthopedic and Podiatry programs. Lastly, General Expense includes things like travel, education, dues, and advertising. In following our 2021 plan of resetting to the 2020-year, travel and education have been placed at 2020 levels. Advertising is increased to continue to make the public aware of new services available to support the community at large. Total Purchased Service is moving up 12% or just over \$491,000.

Utility costs are moving up 7% mostly attributed to the re-activation of the Mossyrock Administrative Services Building and changes in our telecommunication capabilities.

Insurance costs are climbing due to market factors beyond the District's control. Property increased 14% and this coverage was shopped on the market in 2021. Malpractice cost is increasing due to carrier risk rates and 2 surgeons and 1 primary care physician. Our coverage is with Physicians Insurance and is a multi-year contract.

Other Expenses is increasing by 207,000 or 42%. Mostly due to expected recruitment cost for clinical and leadership roles totaling \$132,140. Other large increases include Employee Health cost for testing of \$35,000, employee recognition of \$23,000, 340B management cost of \$15,000 and State excise tax cost of \$10,000.

Depreciation and Amortization is reducing by just under \$45,000. The main reason is the completion of the depreciation of the Cerner EMR acquired in 2015 with a 6-year life.

Interest costs is dropping by 1%, as the District prepares to extinguish the 2010 bond in late 2022.

Management has prepared this budget to meet the operating needs of the organization, planning for expansion in core services and building to baseline to maintain operational soundness. There are budgeted expenses that are directly dependent on patient activity and there are expenses that management can choose not to exercise should revenue or events not occur. Management will have additional information available at the Finance Committee and the Special Board Meetings.

Lewis County Hospital District 1
Volume Assumptions

Business Line Statistic	Acute Admits	Acute Pat Days	Skilled Nursing Admits	Skilled Nursing Pat Days	Custodial Admits	Custodial Pat Days	Outpatient Visits	Observation Visits	Emergency Visits	Outpatient Total	Randle Visit	Mossyrock Visit	Morton Visits	Packwood Visit	Womens Visit	Specialty Visit	Physician Total
2019 Final	190	631	96	1,366	0	2,723	10,580	218	4,721	15,519	6,014	5,472			297	848	12,631
2020 Final	154	517	76	1,137	-	1,330	11,991	212	4,159	16,362	4,830	5,100	6,531		177	841	17,479
2021 Cur Yr Budget	190	703	140	2,094	0	0	12,121	218	4,642	16,981	5,529	5,690	10,933		108	999	23,259
Sept Budget YTD	140	530	97	1,576	0	0	9,146	170	3,644	12,960	3,967	4,025	8,176		79	726	16,973
Sept Actual YTD	152	585	62	1,021	0	0	11,346	209	3,675	15,230	3,316	3,927	8,627		48	637	16,555
Budgeted Oct - Dec	50	173	43	518	0	0	2,975	48	998	4,021	1,562	1,665	2,757		29	311	6,324
Material Issues																	
YTD Experience		22			0	0			-80	-80	-187	-200			-3	-9	-400
Sub total	0	22	0	0	0	0	0	0	-80	-80	-187	-200	0		-3	-9	-400
Previous Projection 8/31	195	722	88	1,368			14,321	257	4,593		4,691	5,392	11,384				
2021 Projected	202	780	105	1,539	0	0	14,321	257	4,593	19,171	4,691	5,392	11,384		74	939	22,479
Percent Change from Pr Year	31%	51%	38%	35%		-100%	19%	21%	10%	17%	-3%	6%			-58%	12%	29%
Growth from Pr Year	48	263	29	402	0	-1,330	2,330	45	434	2,809	-139	292	4,853	0	-103	98	
Growth in 2022																	
Service Line Changes																	
Urgent Care - 12 Months							552		-623	-71			1,946				1,946
Ortho Program - Per Proforma							240			240			0			360	360
Possible PCR lab							200										
Change in Market Share										0							0
Physician Activity (New/Lost)																	
Packwood Clinic 6 Months	12	36					120		10	130	-300						-300
Prodiatry - Per Proforma							725			725						1,073	1073
Mossyrock - Acosta							120			120		1,338					1338
Marketing Campaigns			10	60						0							0
Change in Market Utilization	16	50	4	194						0	436		258			200	894
Population Growth / (decline)	4	16		0	0	0	72	5	92	169	94	0	0		34	100	228
2022 Budget	234	882	119	1,793	0	0	16,350	262	4,072	20,484	4,920	6,730	13,588	0	108	2,672	28,018
Chg from 2021 Projected	32	102	14	254	0	0	2,029	5	-521	1,313	230	1,338	2,204	0	34	1,733	5,539
Percent Change	16%	13%	13%	17%	0%	0%	14%	2%	-11%	7%	5%	25%	19%		46%	185%	25%

Lewis County Hospital District 1
Income Statement
Budget 2022 Presentation

	2022 Budget
Revenue	
Inpatient Revenue	\$ 9,210,076
Outpatient Revenue	37,250,067
Clinic Revenue	6,367,089
Gross Patient Revenue	52,827,232
Deductions from Revenue	17,349,010
Net Patient Revenue	35,478,222
NPSR % of Gross	67.2%
Other Operating Revenue	982,805
Total Operating Revenue	36,461,027
Operating Expense	
Salaries & Wages	21,491,914
Benefits	5,185,314
Professional Fees	1,476,047
Supplies	2,413,129
Purchase Services	4,687,248
Utilities	546,621
Insurance	267,252
Other Expense	696,525
Depreciation	1,185,889
Interest Expense	422,436
Total Operating Expense	38,372,375
Operating Income	(1,911,348)
Non Operating Income net of Expenses	1,513,005
Net Income	(398,343)
Net Income %	-1.12%

Lewis County Hospital District 1
Income Statement
Budget 2022 Presentation
11/04/2021

	2020 Actual	Cur Year Budget	Sep YTD Budget	September Act YTD	Forecast Act + Rem Bud	Annualized 9	Material Issues	Projected Cur Year	2022 Budget	\$ Chg to Proj Incr/(dcrs)	% Incr (Dcrs)
Revenue											
Inpatient Revenue	7,430,722	9,893,672	7,447,394	6,396,803	8,843,081	8,529,071		8,529,071	9,210,076	681,005	8%
Outpatient Revenue	29,957,845	37,875,507	28,543,338	24,941,683	34,273,852	33,255,577		33,255,577	37,250,067	3,994,490	12%
Clinic Revenue	3,597,372	4,638,349	3,372,879	3,295,571	4,561,041	4,394,095		4,394,095	6,367,089	1,972,994	45%
Gross Patient Revenue	40,985,939	52,407,528	39,363,611	34,634,057	47,677,974	46,178,743		46,178,743	52,827,232	6,648,489	14%
Deductions from Revenue	15,555,724	20,828,745	15,749,304	13,191,004	18,270,445	17,588,005		17,588,005	17,349,010	(238,995)	-1%
Net Patient Revenue	25,430,215	31,578,783	23,614,307	21,443,053	29,407,529	28,590,737		28,590,737	35,478,222	6,887,485	24%
NPSR % of Gross	62%	60%	60%	62%	62%	61.9%		61.9%	67.2%		
Other Operating Revenue	5,534,221	885,666	664,250	1,196,599	1,418,015	1,595,465	2,850,600	4,446,065	982,805	(3,463,260)	-78%
Total Operating Revenue	30,964,436	32,464,449	24,278,557	22,639,652	30,825,544	30,186,203		33,036,803	36,461,027	3,424,224	10%
Operating Expense											
Salaries & Wages	17,202,430	18,076,139	13,391,701	13,717,326	18,401,764	18,289,768	345,000	18,634,768	21,491,914	2,857,146	15%
Benefits	3,929,506	4,359,002	3,245,142	3,315,786	4,429,646	4,421,048	69,000	4,490,048	5,185,314	695,266	15%
Professional Fees	1,703,174	1,977,510	1,479,883	1,059,908	1,557,535	1,413,211	(89,286)	1,323,925	1,476,047	152,122	11%
Supplies	2,072,897	2,271,276	1,694,490	1,649,255	2,226,041	2,199,007	25,000	2,224,007	2,413,129	189,122	9%
Purchase Services	3,595,544	4,357,730	3,337,561	3,146,934	4,167,103	4,195,912		4,195,912	4,687,248	491,336	12%
Utilities	517,969	540,829	410,374	376,650	507,105	502,200		502,200	546,621	44,421	9%
Insurance	214,206	221,618	162,739	176,521	235,400	235,361		235,361	267,252	31,891	14%
Other Expense	556,797	458,643	383,997	366,690	441,336	488,920		488,920	696,525	207,605	42%
Depreciation	1,720,483	1,328,652	980,948	922,266	1,269,970	1,229,688		1,229,688	1,185,889	(43,799)	-4%
Interest Expense	441,484	505,562	339,236	320,651	486,977	427,535		427,535	422,436	(5,099)	-1%
Total Operating Expense	31,954,490	34,096,961	25,426,071	25,051,987	33,722,877	33,402,649		33,752,363	38,372,375	4,620,012	14%
Operating Income	(990,054)	(1,632,512)	(1,147,514)	(2,412,335)	(2,897,333)	(3,216,447)		(715,561)	(1,911,348)	(1,195,787)	2
Non Operating Income	1,843,600	1,593,284	1,194,963	1,107,289	1,505,610	1,476,385		1,476,385	1,513,005	36,620	2%
Net Income	853,546	(39,228)	47,449	(1,305,046)	(1,391,723)	(1,740,061)		760,825	(398,343)	(1,159,168)	-152%
	3%	0%	0%	-6%	-5%	-6%		3%	-1%		



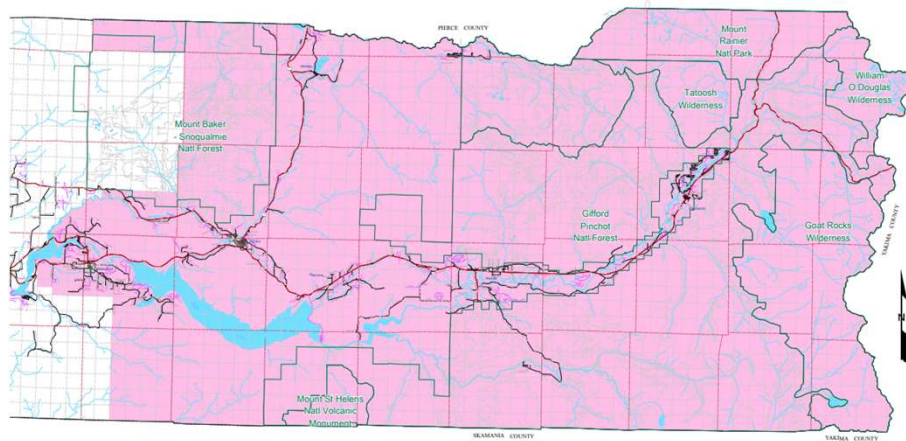
Property Tax Levy

Review of Current Position – 2022 Levy Decision

MyArborHealth.org

1

Hospital District 1 Map



MyArborHealth.org

2

Reason for the Tax Levy

Changes in Healthcare

24 / 7 Emergency Department

Ambulance Contract

Clinic development

Support for Rural Health Clinics

Capital Projects

Emergency Power renovation

CT and X-ray renewal

New Clinic Buildings



MyArborHealth.org

3

District is authorized to levy the following types

- Excess – Voter approval without limit
 - 2012 Refunding Bonds are paid via Excess Levy approved by voters and expires in 2022.
- Emergency Medical Service - in an amount up to \$0.50/\$1,000 of the assessed value of property. The levy may be imposed for a period of six years, ten years or permanently requiring voter approval
 - There is no Emergency Medical Service levy
- Regular - the District may impose regular property taxes for general municipal purposes without voter approve subject to limit \$0.75 / \$1000. Last calculated at \$0.55
 - Maintenance and Operation Levy is a regular levy.

MyArborHealth.org

4

Bond Levy Discussion

- Bond Levy services the UTGO bond of the District.
 - District sets the amount to collect and can move it up or down based on debt service requirement by providing notice to the LC Assessor Officer
 - Bond extinguishes in 2022 and there is no replacement planned
- 2022 Bond Service \$845,845
 - Amounts consist of
 - Principle \$815,000
 - Expected Interest cost \$21,417
 - Admin Refund \$9,425
 - This is an increase of \$26,085 over the previous year due increase principle payment and admin refunds

5

Maintenance and Operational Levy

- District is classified as a “less than 10,000” population district which allows the district to increase rate 1% per year without restriction
- Population estimate based on 2019 is 9,340
- As population exceeds 10,000 the district will be only be able to raise the increase the amount based on the rate of inflation.
- 2021 Highest Lawful Levy Amount - \$670,604
- Arbor Health 2022 Operating Budget \$38,372,375
- Proposed Maintenance & Operation Levy \$670,604
- Levy as % of Operations 1.7%

Year	Banked Pts
2021	6.25%
2020	6.93%
2019	5.76%
2018	4.59%
2017	2.35%
2016	2.55%

6

Maintenance and Operational Levy

- Other increase options
 - 1.00% \$637,863
 - 3.25% \$651,669
 - 6.25% \$670,608