

DRAFT MEETING MINUTES

Florida Commission on Review of Taxpayer Funded Hospital Districts

Meeting Date: October 4, 2011

Time: 10:00a.m. – 4:00p.m.

Location: Agency for Health Care Administration, Conference Room A

Members Present: Dominic Calabro, Chair, Brad Dinkins, Paul Duncan (via phone), Representative Matt Hudson (representative for him present via phone), Jacob C. Jackson (via phone), Marshall Kelley, J. Scott McCleneghen (via phone), Randall McElheney (via phone), Senator Joe Negron (representative for him present) and Jeff Gregg, Executive Director.

AHCA Administrators and Staff Present: Kaylyn Boles, Beth Eastman, Ryan Fitch, Faye Miller and Marisol Novak.

Interested Parties Present: Pat Card, Bert Fish Medical Center; Michael Glazer; Bill Bell, Florida Hospital Association; David Ross; Dee Schaeffer, Halifax; John Owen, FHS; Melanie Phister, J & B; C. Hendon, Senate; Glenn Brhaus, Greenberg Trauig; Steve Harrell, Bert Fish Medical Center; Al Allred, Bert Fish Medical Center; Tomas Munoz, Robert Levy; Lori Hundley, Parrish Medical; Marsha Powers, Tenet Healthcare; Toni Large, Tenet Healthcare; John Benz, MHS; S. Sowards, Florida Tax Watch; Blaine Cherry, Florida Tax Watch.

Welcome and Introductions: Dominic Calabro, Chair, called the meeting to order and welcomed the Florida Commissioner's Review of Taxpayer Funded Hospital Districts (Commission members) and interested parties.

Review and Approval of September 20th Meeting Minutes: Chairman Calabro called for a review and approval of the minutes from the September 20, 2011 commission meeting. The minutes were approved.

Presentation on Bert Fish Medical Center: Chairman Calabro introduced Steve Harrell, President and CEO of Bert Fish Medical Center from the Southeast Volusia Hospital District. Mr. Harrell stated that Bert Fish Medical Center is located in New Smyrna Beach on the east coast of the state. Built in 1974, Bert Fish Medical Center has the only ER access of the geographically isolated area and has the distinction of being the shark bite capital of the world. Bert Fish serves a number of small cities, rural areas and a dense beach population. He states that the Medical Center is needed and supported by the community.

Bert Fish Medical Center is the second largest employer in the area with approximately 700 employees (250 physicians) and 300 volunteers. The FHA voted it the Best Florida Hospital Workplace, under 150 beds, for 2011. Patient care is their number one focus.

Pat Card, the Chairman of the Board of Commissioners, talked about the importance Bert Fish Medical Center to the well-being of the community. He stated that this area is a bedroom community with an aging population that is willing to pay for services, especially hospital services. The nearest full service hospital is 26 miles away and 40 minutes from Bert Fish Medical Center.

Al Allred, CFO, stated that Bert Fish is compensated and therefore responsible for the charity care and self pay patients within the hospital tax district—and in their pay model, dollars follow the patient. In addition to self-pay and charity care, the hospital tax district funds the charity clinic operations, the bad debt expenses, IGT programs and a clinical development expense at Bert Fish Medical Center, the only hospital within the hospital taxing district. Mr. Allred also noted that Volusia County is characterized by a higher Medicare and uninsured population.

Bert Fish Medical Center receives approximately \$15 million from the hospital taxing district which is about 18% of the total operating budget. The current millage rate is 3.3015—it was raised as the property values fell, southeast Volusia has some of the lowest valuations in the state. The Hospital Taxing District uses 1% (\$150,000) of the generated taxes for operating expenses i.e. legal expenses collecting funds, part-time staff to process claims.

In 2009, the medical center had a study done. One of the focuses was on major service lines and becoming more cost-efficient. Outpatient Services represent 60 percent of revenue at Bert Fish Medical Center, particularly the cardiac cath program. Bert Fish Medical Center generated approximately \$3 million in net income for 2009 and 2010 and has a fair market value of around \$46 million (\$68 million minus the unfunded pension).

Mr. Allred stated that because Bert Fish Medical Center has lost some market share to other hospitals in the area, mostly due to the need to upgrade facilities/equipment, they began seeking a partner in 2009. The Medical Center did this in order to gain access to capital, fully fund the pension, fund critical projects and increase the financial strength of the hospital.

The CEO, Steve Harrell talked about the process of finding a partner. Following advice from legal counsel, they began the process through a series of closed door meetings with a court reporter. A public hearing on the selection from three suitors was held and after choosing Adventist Health Systems, litigation was brought against the Medical Center by the Bert Fish Trust. The merger would not have ended the ad valorem taxes but it was part of the discussion and considerations when seeking a partner.

During litigation, Bert Fish Medical Center was found in violation of the Sunshine Act and despite the cure process (declared tainted) was forced to do a reverse merger and undo the back of the house integration with Adventist Health Systems. Patient care was not effected. Bert Fish Medical Center is a stand-alone hospital at present but believes it will look for a partner again having learned some lessons from the previous attempt. With capital from a partner, Bert Fish Medical Center states that it has the potential to grow services and gain market share.

Steve Harrell stated that Bert Fish Medical Center learned some lessons from the attempted merger, especially that local interest needs to be addressed and mitigated up front as hospital taxing districts are

steeped in politics. Steve Harrell also reiterated the notion that, “if you know one public hospital, you know one public hospital” and warned not to paint with a broad brush when making decisions.

Commissioner Dinkins encouraged Mr. Harrell to put in writing any comments and suggestions he might have for the Commission to include in the report to the Governor about Bert Fish Medical Center’s obstacles in finding a partner.

Chairman Calabro thanked the representative from Bert Fish Medical Center’s for the presentation.

Commission Report Planning: Chairman Calabro discussed commitments from the Commissioners on the seven tasks written out in the Governor’s executive order. Commissioner Kelley stated his expertise were in a-d, e & g for Commissioner Dinkins, a & b and e & g for Commissioner Duncan, e & g for Commissioner Jackson, and a & g for McCleneghen. Mr. Gregg will contact Commissioner Negron, Commissioner Hudson and Commissioner McElheney for their preferences.

Chairman Calabro stated that some of the issues facing hospital taxing districts are universal and that as entities can be discussed as such within the report. He would like to concentrate on three specifics:

- Improving the process of choosing those who serve on the governing bodies and the administrators of the hospital districts
- To discuss and know the scope of the conflict that may be occurring between public hospitals and other hospitals as regards to market share
- Help the Governor and Legislature develop legislation to incentivize healthier more fiscally responsible healthcare systems with less reliance on ad valorem taxes

Director Jeff Gregg summed up the organization of the reporting needs stating that the Agency would fill in editing and transitioning in the final report. Director Gregg suggested that a heavy document will not be necessary as ample information and the process that led to the document is all available on the web. Additionally, an introduction had already been created. A suggested date for the first draft of the document was November 7, 2011.

It was noted that the Commission was lacking information on physician payment within public hospitals other than the initial information provided by the hospital taxing districts.

Commissioner Kelley suggested an organizational order for the document consisting of a two page background for each task, statement of the issue, key points and final recommendations. Commissioner Duncan agreed with this format although was concerned that this order did not include any analysis from the Commission. Commissioner Kelley stated analysis should be added to his organizational order.

Commissioner Dinkins added that he would like this report to be an effective broadcast as to what the Commission has learned and to make sure to include the best practices heard during the Commission’s meetings.

Chairman Calabro asked to hear from representative from all three types of hospitals to speak at a Commission meeting and would like to hear from a representative competing directly with a tax-supported hospital.

Chairman Calabro asked to change the November 14th meeting to November 21st since there were no objections, it was so changed. Commissioner Jackson and Kelley had a conflict with the October 31st meeting, it was so changed to November 7th with no objections.

Public Comment: The Commissioners did not receive any public comments. Commissioner Calabro extends an invitation to hear from the public, as well as from tax supported, paying and exempt hospitals.

Meeting Adjourn: The meeting adjourned at 12:30 p.m.