Citizens Advisory Committee Meeting
September 10, 2011
7:30am

Meeting Attendees:
Peter Bianchi (Selectman), Tina Helm (Selectman), Kim Hallquist (Town Administrator), Jack Harrod, Renate Kannler, Bruce Hudson, Sue Little, Beth Swanson, Peter Hoglund, Donn Klingler, Phyllis Piotrow, Jack Sheehan, Bud Dick, Joe Cardillo, DJ Lavoie, Teri Bingham, Rip Cross, Ann Loeffler, Will Kidder, Carolyn Lockhart, Gary Markoff, Rich Anderson, Terri LeBlanc, Jim Wheeler, Wendy Johnson, Erle Blanchard, Bruce King, Chris Bundy, Bill Helm

Mr. Bianchi called the **MEETING TO ORDER** at 7:30 AM and promptly recognized Mr. Bruce King from New London Hospital (NLH), who was there to give an update on the hospital.

Mr. King thanked the CAC for having him at the meeting and said he'd discuss the finances for the hospital, rumors about NLH's joining with Dartmouth-Hitchcock, and the ambulance study. He added that he would be happy to speak on any subject related to the hospital which the meeting attendees may be interested in.

Mr. King indicated that September 30th marks their fiscal year end. They are expecting to have an operating loss on the operations line, but the non-operating line will help them break even or possibly into a slight positive. The fundraising events (non-operating revenue) are important to them. The hospital expects to meet all bond covenants. They have been challenged operationally with utility costs, and increases in care provided for those who don't have insurance. They had budgeted for this increase, but it was more than they expected. Mr. King noted that the hospital has done all of this without staffing reductions or reducing clinical programs. They have paid off their entire line of credit with Mascoma Savings Bank, their receivables are in good order and their cash position is strong. The hospital has not given any wage increases and will not do so for the new fiscal year, which will be the second year in a row that this has been the case. Mr. King added that they have also stopped funding employee retirement programs. He explained that when a position in the hospital is vacant they review the position and must justify the position and determine that it must be filled, before looking to fill the vacancy. By doing this, they have reduced their staff by seven positions.

Mr. Markoff asked if the operating loss was approximate to the not-repaid care they are providing to the uninsured. Mr. King said that there is charity care, which is basically free care, which is written off. This kind of care equals between 3.5% – 4% of their billings. Then there is bad debt, which is when patients don't pay their bill. This equates to another 3.5% – 4% of billings. These two types of billings equal about 7% of their total billings. Mr. King noted that this percentage used to be closer to 5%.

Ms. Piotrow said it disturbed her that the medical care was the only large expenditure they will make without knowing the cost in the long run. She wondered if there was any way the hospital could make a list available for standard costs for hospital procedures. Mr. King said that the information she is talking about is ready now. The New Hampshire Hospital Association's website has information there where people can compare and contrast all the hospitals in the area for common procedures. It differs with each institution the amount that insurance companies will pay. Mr. King noted that they can also get those numbers from NLH if someone were to call.

Mr. Cardillo said the last few years the operating budgets have been challenged. He wondered if the non-operating revenues were being challenged as well. Mr. King said that non-operating costs over the last four years are still strong and have actually increased, year after year. He felt this is mainly due to the

strong community support that the hospital is fortunate to have in New London, and noted that this was not the case with other hospitals.

Mr. King went on to talk about the new budget, which includes a 2% operating increase. A large part of this is because of the movement to electronic medical records. They have been on a steady pace over the last five years to do this. The hospitals can get an economic incentive from the government to use electronic means for prescribing meds, etc. It is referred to as "Meaningful Use." The value of the incentive is about $800,000 in their budget for this year. They've spent millions with their IT director to implement the use of electronic medical records. Mr. King explained that they weren't making this shift for the money, but because it is the best practice. They started the shift, not anticipating a reimbursement, but will now get a value for some of their past investment.

Mr. King explained that there are four phases of the program and they will get less money each year as they reach each phase. The later phases have yet to be fully identified. In a few years the physicians who have not made the shift to electronic records will be penalized, so it is to everyone's benefit to get on board with this practice now.

Mr. King went on to explain the "Disproportionate Share Hospital Funding (DiSH) and the Medicaid Enhancement Tax (MET). For 19 years, the State of New Hampshire provided hospitals with money as a DiSH payment. The way it worked was that the hospitals were given $2.5 million and then within minutes or hours they were asked to send the money back to the State and it was considered a Medicaid Enhancement Tax when they returned the money, which was matched at .50 on the dollar by the federal government. This is how the State balanced their budget. The auditors, for 19 years, never recorded it as a revenue or expense. Last year the Office of Inspector General said that it was illegal and audited the 2004 and 2008 books and is requiring the State of NH to repay the monies. The State of New Hampshire has appealed this. Hospitals had to scramble to find a way to make up this money that they had previously been given to pay their MET.

Mr. King explained that as a result of the federal audit of New Hampshire's past practices, the DiSH program was reorganized and now it operates to assist hospitals who have high charity care and high use of Medicare. Last year there were 19 "winners" who received funding and nine "losers" who did not. NLH got a small benefit. The nine hospitals who lost have filed suit because they got no funding. The legislature at budget time has determined that all large hospitals will have a tax but will get no benefit back. Dartmouth-Hitchcock Medical center (DHMC) went from being the largest winner, to the largest loser. In theory, the small hospitals have been protected. Of the 13 large hospitals, 10 have filed suit against the State. This is why there are so many lay-offs at the large hospitals, as well as offerings for early retirement, etc. It is over $100 million dollars in tax for hospitals that have never had to budget for such a thing before.

Mr. Markoff asked how the Governor was able to hide behind this program in the past. Mr. King said he couldn't justify why any of the past administrations took the positions they did. Mr. Cardillo asked if this program was unique to New Hampshire. Mr. King said that the DiSH program isn't unique, but the way New Hampshire's program was structured was unique. He added that what NLH will end up owing is an unknown at this point.

With regards to the DHMC discussion, Mr. King said that NLH is thinking of how best to move forward to provide high-quality clinical care. They have been working publically with DHMC to this point. For the eight years he has been with the hospital, which was made possible through a relationship with DHMC, they have several relationships with pediatricians, cardiologists, gynecological physicians, pain management clinics, and other tremendous relationships with DHMC. It is not exclusive, however, as

there are also relationships with Concord orthopedics, pediatrics, etc. Their boards have been working to explore options of being in a closer relationship.

Mr. King explained that between 1997-2002 NLH was part of Concord Regional Health Care. NLH split off at the end of 2002 and became a member of the Dartmouth-Hitchcock Alliance (DHA). The NLH board was retained and they made their own decisions, but key decisions had to be reviewed by DHA. This relationship spanned between 2005-2009. Dartmouth decided to disband this alliance in 2009. They are now exploring that same kind of concept, but would like to work within an economic integration. They'd still have their own board making their own decisions, but there are ways that the hospitals could work together to improve both of their bottom lines. Currently, they have a legal team, a clinical financial team, a financial modeling team, and a community relations team researching the possibilities. The goal they have set is that as of April 2012 they will have resolved on how they want to proceed.

Mr. King explained that they have nothing specific to announce at this time on this issue. He feels it is no different than what they have done in the past. He stressed that it is important that everyone understands that he believes that small critical care access hospitals like NLH won't survive unless these kinds of associations are made. Reducing unit costs (payroll, utilities, etc.) will reduce the bottom cost of healthcare and improve systems.

Mr. Markoff asked if NLH would be able to purchase products for as low a cost as DHMC if they were closely linked. Mr. King said that they already cost share with DHMC on these kinds of things.

Ms. Lockhart asked if NLH had a stronger financial alliance with DHMC would that mean that NLH would have to take on any of DHMC's debt. Mr. King said that he thought NLH would benefit from DHMC's financial strength, but it would not assume DHMC's debt. He noted that they are not talking about a merger, but two separate organizations with two separate governances.

Mr. Dick said the model they may want to consider is the VA system. Mr. King agreed and said that the VA is a model that should be emulated but unfortunately, is not.

Mr. Cross asked if they strengthen the relationship with DHMC, what happens to their relationships with Concord Hospital and Valley Regional. Mr. King said that there would be no change. They will maintain those relationships but it would be fair to say that down the road, if a particular clinic wasn't able to provide the services needed, the hospital would look to firm new relationships elsewhere.

Mr. Markoff asked how this tied back to the potential tax liability DHMC is responsible for. Mr. King said that this is hard to predict currently. He said that there is a whole regulatory process involved to make sure the move would be OK.

Mr. Markoff asked if this alliance would be a "forever" arrangement or for a certain amount of time. Mr. King said that the documents will have exit clauses should the alliance not be working out.

Mr. King moved on to an update on the ambulance study. He noted that NLH runs an ambulance service for seven out of 15 towns in the area. Year-to-date, the ambulance runs are down about 12%. They believe the economy has impacted the number of runs. People choose not to be transported back to the hospital but will come to the hospital in their own vehicle a while later. Some people who shouldn't be driving are doing so to avoid ambulance costs.

Mr. King said that it is their goal to change the ambulance service as of January, 2012. They have hired MRI to study the needs in the towns and confessed to being disappointed with the time it has taken to get

results from the study. They are intending to continue providing the service but need to change it, as it isn't working. They hope to come up with a solution they all can feel good about. Mr. King noted that Terry LeBlanc from the hospital or Kim Hallquist from the Town might be in a better position to give an update on the ambulance study than he is.

Ms. Hallquist said that the Board of Selectmen asked her to talk with Don Jutton President of MRI, the organization retained to conduct the study. She noted that in her telephone conversation Mr. Jutton admitted that there had been some glitches. MRI feels that one problem was that Jessie Levine left her position with New London, and MRI had planned on her playing a larger part in organizing the other towns. That didn't happen after she left. The other six towns have not been contacting MRI for answers as New London has. She noted that MRI is now aware that the Selectmen of New London are not happy with the progress to date and that they expect to hear from MRI in the very near future to give some explanation of the status of this project. Mr. Jutton informed her that the New London selectmen still need to be interviewed, and they will arrange for that meeting to happen in the coming weeks. He also informed Ms. Hallquist that the New London selectmen will be the last to be interviewed, as all of the other towns have been conducted.

Mr. Bianchi said that the Board of Selectmen is not happy with what they have received from MRI so far. He said that they only recently found out that they were to be interviewed; this wasn't made known any time before. The other towns being studied besides New London are: Sunapee, Springfield, Newbury, Grantham, Wilmot, and Sutton.

Mr. King said that MRI is a professional organization and was successful in the North Country, where there were similar issues. He was unsure of why things weren't going as well in this study.

Mr. Cardillo asked how many private ambulance services existed in New Hampshire. Mr. King said there was about 10-12 and noted that most hospitals do not have their own ambulance service. Some municipalities have their own service, such as Hanover. Mr. King noted that NLH receives some benefits from having the service, as EMT personnel work within the Emergency Department when not out on runs, so they do accept some of the loss at year-end. They generally have about $300,000 that has to be made up at the end of each year, which is why they go to the towns for help.

Mr. King said that they have highest trained staff on the NLH ambulances. Other companies use lower level staff to reduce costs. The hospital is not prepared to lower its costs by having personnel who are not of the highest training possible.

Mr. Bianchi said that an option that came up in the initial discussion was whether New London wanted to have their own service, which would be run from their Fire Department. The problem is that this kind of service is very expensive. Mr. King noted that 30% of the runs made result in no billing because they don't transport the person to the hospital.

Mr. Cross asked about the possibility of the DHART program being shut down at DHMC. Mr. King, noting that he is not entirely sure of the details of DHMC planning, said he understands that DHMC is looking at how it will deal with a $40 million dollar unanticipated tax bill and are looking at all of their programs. They will have to make the right decisions to be able to balance their books. There are a lot of programs at risk in that hospital. Mr. King said that he thinks it would be helpful for the NH Hospital Association to compile a list of what hospitals are doing to reduce their costs to be able to pay this tax. He opined that there would be extensive staffing and clinical cutbacks.

Mr. Bill Helm mentioned that a significant amount of success comes from Newport. Mr. King agreed and said that of the 15 towns that are within their service area, Newport is the largest consumer. 1/3 of their ambulance's business comes from there. Newport Health Center is also there which employs seven full-time physicians, rehabilitation, radiology services, etc. They are examining how to renovate and expand the site. They currently rent the site and are talking about possibilities to acquire the space. They are also talking with DHMC about their interest in helping them keep that vibrant office alive.

Ms. Bingham asked if the bowling alley was available. Mr. King said that the hospital did not cause the bowling alley to go out of business but that the hospital has interest in the space. They have rented the bowling alley building at below market price for a year while they think about the possibility of expanding. They'd prefer to knock down the bowling alley and renovate the area to double the space that is there now. They have more market share in Newport (80%) than in New London (40%) so having an adequate facility is important.

Mr. Cardillo noted that the two biggest assets in town are the college and the hospital. As the college grows, how does that impact the hospital? Mr. King said that student healthcare needs are provided by hospital but they haven't seen any added pressure due to increase in need. They anticipate a symbiotic relationship as more health services programs of study are offered through the college.

Ms. Piotrow asked what aspects of the healthcare reform bill are most beneficial or problematic in his view. Mr. King said that there has been very little change so far. He sees a lot of positive things occurring. Having everyone with some form of insurance is a positive, as is the improvement of loan repayment programs for young people going into the medical field. Concerning parts of the plan are promises of future reductions of Medicare payments. The possibility of more people on Medicaid frightened him; already payments are not good today. He would love to come back at some point to discuss these positives and negatives in the program.

Ms. Loeffler said that she has heard that if the hospital hadn't undergone the latest construction, they wouldn't be in as bad shape as they are. Mr. King disagreed and observed that if they didn't make their improvements and made them when they did, they'd continue to be eroding. They have to provide high quality space for the patients and the physicians to function in. They have to reinvest in their facility. Of the total capital expansion, the community funded over 1/3 of it. They raised $7.6 million dollars from 287 individuals. The balance was borrowed at incredibly favorable rates. They have had no problem meeting their debt service. The construction is totally unrelated to their losses. Mr. Helm noted that related to the construction, the private rooms they have created at the hospital make staying there more attractive. What they need to strive to do is make sure the rooms are used.

Mr. Cardillo appreciated the reinvestment in the community and opined that it is a great building. He was reluctant to ask about Hospital Days and the change they made given the strong feelings around town about the issue. Mr. King said that Hospital Days was intended to be the town supporting hospital, not the reverse. It went from a two-day event to a four-day event. The Town was saying that it was becoming a burden on the Town to providing services to support the event. In fact, Ms. Levine had said that they were going to have to charge the hospital for coverage for police, etc. This was not really a fundraiser. The cost associated with providing it, and the staff was, at best, a break-even proposition. The shortening of the event was driven by its length that was giving the Town some issues. The midway company won't come unless it is at least a three-day event. The company takes 80% of the profits, leaving just 20% for the hospital. Mr. King said that they will examine it, of course. Half of the people he encountered at Hospital Days were glad they got rid of the midway, and half were unhappy about it.

Ms. Lockhart said that a wrap-up meeting for Hospital Days would be held on Monday the 19th. Ms. Hallquist is planning on attending and other department heads have been informed of the date as well.

Mr. Markoff suggested people watch a piece from *60 Minutes* where they went into DHMC and looked at the issue of end of life care for Medicare patients. It puts many of the medical and emotional issues in your face. They have the right to get any and all services and some are running over $200,000. It concerns him that if they are not getting paid back from Medicare patients, and questioned what kind of vulnerability that presents to the hospital.

Mr. King said that Ira Byock, MD was involved in that *60 Minutes* segment and specializes in hospice and end of life care. He is the leading advocate who calls attention to end of life decision-making. If there is no direction from family or if there is no legal documentation in place, the institutions are under a moral obligation to try and save the person. Mr. King advised that people should well-document their wishes for end of life care. Mr. King observed that while Medicaid is being expanded to include more people, there isn't even adequate funding for today. What does that mean when more people join? He said that for their nursing home, the cost per day is "x" and Medicaid says they will pay "X" minus. That is accepted and they end up losing money every day. He pointed out that Sullivan County Nursing Home, like all county facilities, can take that negative amount and simply add it to the County tax bill, paid by all taxpayers. NLH cannot pass on loses like that.

Mr. Blanchard remembered some talk about an assisted living facility being built and wondered if it was still a possibility. Mr. King said that the hospital has 50 acres of land that could possibly be developed into a retirement community. The demand exists and the land would support it, but the financing systems don't support the investment to do it at this time. It is on hold for now and when/if the financing numbers change, they would revisit it.

Mr. Bianchi said that it being 9am, he will close the meeting. He thanked everyone for coming and for helping to make it such a worthwhile discussion.

The meeting adjourned at 9:00am.

Respectfully submitted,

Kristy Heath, Recording Secretary
Town of New London