

trust matters

Trustee Matters

A Publication for Missouri Hospital Trustees



State Auditor Reviews Rural Hospitals

Submission from State Auditor Nicole Galloway

Because of the concern expressed by a number of public hospitals over the audits being conducted by the State Auditor, MHA asked Auditor Galloway for an article that explains the purpose and intent of the audits. This article was submitted and has not been edited by the Missouri Hospital Association, with the exception of typographical errors. The article does not reflect MHA's views.

Missourians in rural communities depend on critical access hospitals for emergency and life-saving treatment. In some parts of our state the closest facility to receive acute care is more than an hour's drive away. Access to emergency care is essential if rural Missouri is to remain a place where people can live and work. Our economic future as a state depends on maintaining our rural communities. We cannot do that without financially viable rural health care.

They not only serve to provide critically needed care, particularly in an emergency, but they are some of the best employers in areas that desperately need good-paying jobs. Access to health care is also an important component to recruiting and retaining businesses to locate in rural areas. Maintaining our critical access and rural health-care facilities, and understanding why some have ceased operations, is important to our future.

This is why I have initiated a series of audits to assess the health of our public, county hospitals. These audits focus on identifying the key factors affecting facility finances and offering recommendations designed to improved business operations. The goal is to bolster the prospects of long-term financial solvency.

You know that the economics of health care, particularly in rural areas, are changing and challenging. While my audits cannot change the underlying economics, our recommendations can provide a way forward for hospital efficiency. They can also

uncover serious problems, as did my recent audit of Putnam County Memorial Hospital, in rural north central Missouri.

Prior audits completed by the State Auditor's Office had noted concerns related to finances at Putnam County Memorial Hospital, which is one of the reasons I selected it for detailed review this year. Unfortunately for the people of Putnam County, the hospital's board sought to cure their fiscal ailments by turning hospital operations over to a management company that began running a billing scheme, where a lab services company and its affiliates conduct lab work across the country. Putnam County Memorial Hospital then bills the insurance companies for that lab work. In exchange, the hospital gets a cut of the insurance payouts. Additionally, the hospital board inexplicably agreed to an indemnity clause as part of the management agreement. This clause holds the management company harmless and puts the hospital at risk. Fiscal challenges are no excuse for billing schemes, misuse of public dollars, or refusing to perform adequate oversight. The audit report has been turned over to local, state and federal law enforcement.

Clearly, not every rural hospital facing financial challenges will engage in the same practices as Putnam County Memorial Hospital. My hope is that this audit will provide a sobering warning about those seeking to take advantage of the situation in rural health.

My audit of Ray County Memorial Hospital found a hospital in fairly sound fiscal shape. A look at their revenues reveals some telling information.



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About 60 percent of Ray County Memorial Hospital’s revenues come from federal sources, which aligns with the statewide average for Critical Access Hospitals. In comparison, Putnam County Memorial Hospital relies on federal sources for 75 percent of their revenues. In addition, the hospital in Putnam County received significantly less revenues per bed — about \$490,000, only 54 percent of the statewide average of \$890,000. In Ray County, revenues per bed totaled \$904,000. This data highlights the importance of access to health care coverage and shows the importance of maximizing revenue opportunities.

An audit of Pemiscot County Memorial Hospital in Hayti is ongoing. Every hospital I’m auditing is a public entity and, like any governmental body, must be held accountable to taxpayers. As your State Auditor, I am dedicated to improving accountability and transparency of public entities. As I continue this effort, I welcome your input and thoughts and look forward to sharing my findings with the public.

“The audit of Ray County Memorial Hospital, conducted by the Office of Missouri State Auditor Nicole Galloway, was finalized in August 2017. The process went really well. As an organization, we decided early on to fully cooperate in the audit and treated the staff as we would any independent auditor. The team at RCMH worked hard to provide the auditors with the documentation they requested. There wasn’t any work that went into preparation; we simply responded to their immediate needs and answered questions they asked. Action planning to address the findings has already started. Overall, it was a pleasant learning experience. The auditors presented our board with their findings following the audit. The board was receptive and asked appropriate questions related to their recommendations.”

Earl Sheehy, FACHE
CEO, Ray County Memorial Hospital

2017 Trustees of the Year



Peggy Dunn

On Thursday, Nov. 2, during the installation and recognition banquet at the Missouri Hospital Association’s 95th Annual Convention & Trade Show, two trustees will be recognized with the 2017 Trustee of the Year Award. Peggy Dunn with Truman Medical Centers, and Omanez Fockler with Texas County Memorial Hospital, were selected by MHA district council presidents to receive the honors.

Dunn has served in various roles on Truman Medical Center’s boards and committees since 2002. Her leadership, reputation and ability to balance difficult and complicated issues was commended by the selection committee.



Omanez Fockler

Fockler has been a board member of Texas County Memorial Hospital since November 2000. Fockler’s service to her community and the local hospital did not end with her retirement as a nurse. As a board member, she has supported and led many initiatives with the hospital.

Both awardees exhibit strong leadership skills, support MHA’s grassroots efforts, are involved in their respective communities, actively participate in board and committee meetings, and are dedicated to personal development. Congratulations to this year’s Trustees of the Year!



A MESSAGE FROM Randy Tobler, M.D., FACOG, CEO Scotland County Hospital, Memphis

As a physician CEO, I've concluded that the regulatory state has over-reached and failed to recognize other powerful quality control mechanisms: independent professional and facility-level certifications; the tort system; and old fashioned market forces. A "guilty until proven innocent" environment creates extraordinary expense and dangerous distractions from clinical care, which ironically impairs access, quality and safety.

The rules surrounding labor induction are a good example. State regulation 19 CSR 30-20.126 states, "The physician initiating these procedures shall be readily accessible to manage complications," meaning any doctor starting an induction before signing out to another due to travel, shift change, etc., is in violation. We take these rules seriously, but this seems far reaching. At the same time, lay-midwives are essentially unregulated by similar standards of obstetric care.

Another example: stroke and STEMI personnel certification and training required for a small-but-capable facility like Scotland County Hospital is logistically and financially unfeasible. Yet without it, emergency medical services will bypass our hospital and drive another 45 minutes or more to administer the clot-busting drug we could have provided.

Finally, MO HealthNet's gag rule preventing providers from disparaging, or steering away or toward a given contractor, is not reciprocal. They give report cards on providers, but not vice versa. The regulators seem to restrict our ability to provide constructive criticism, which undermines our obligation as health care professionals to be patient advocates. If one company proves superior to another by less rationing, fuller benefits and better outcomes, I believe we should be able to freely share that information.

I encourage you to visit MHA's website at www.mhanet.com/regulatory to provide input on regulatory requirements that are ineffective, unnecessary or unduly burdensome.



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The **Political Action Committee** campaign is critical to the Missouri Hospital Association's advocacy efforts, and benefits your hospital and health system. Your contribution supports candidates who care about America's health systems and hospitals.

Please join us in ensuring MHA's 145 member hospitals are working stronger together. **Make your personal contribution today.**

Contact Gwen Pelzer at gpelzer@mhanet.com, or 573/893-3700, ext. 1335, to learn more!

*Contributions are being sought only from hospital trustees and all other contributions will be returned.
All contributions are voluntary.*

New Trustee Resources

The Missouri Hospital Association is pleased to present governance education resources for hospital trustees.

- A flash drive that includes 12 self-playing 20-minute educational programs as well as additional reading for both new and experienced trustees, will be distributed to hospital CEOs in November to share with their board.
- The flash drive content will also be available at www.mhanet.com/GovernanceEducation (Password: MHATrustee).
- MHA has additional new resources for hospital trustees, including educational events, and hospital audit resources and support available on its website. Visit <https://web.mhanet.com/trustees.aspx> to learn more.

If you have questions or need assistance, contact Meredith Kenyon at 573/893-3700, ext. 1333, or email mkenyon@mhanet.com.



Administrative regulations can be necessary to ensuring that Missourians' receive quality health care. But, regulations should reflect the intent of the authorizing legislation and should not create costs that outweigh the benefits of the regulation. And, regulations should be reviewed regularly for relevance.

Earlier this year, Gov. Greitens issued an Executive Order requiring state agencies to

review every regulation to eliminate those found to be ineffective, unnecessary or unduly burdensome in an initiative known as "No MO Red Tape." Greitens' website, NoMoRedTape.com, has a survey that allows Missourians to voice how state government is making lives better or worse, explain the experience and identify the agency. Stakeholders are asked to comment on these regulations — either online or at a series of public hearings with agency officials. MHA is coordinating a response to this effort and will direct comments received to the appropriate state agency. Although the governor's initiative is focused on state regulations, MHA also is interested in comments on federal regulations. Visit MHA.net/regulatory to submit feedback. Public hearing schedules and comment deadlines also are available on MHA's website.