

Swing beds in the hospital is an alternative that is being considered. In 1968 rural community hospitals were allowed to have long-term patients. An additional staff of a physical therapist and recreation director would be required.

Jill Bayles said she supports Westworld because they are the only company that made a proposal on the entire facility.

Kathleen Lyman suggested that the county have a health care service tax district.

Commissioner Black said that the state legislature mandates what the county does. The county does not have to provide health care. Commissioner Black pointed out that a private industry would have to pay taxes.

Blue Ribbon Committee

Kedric Redd said that by serving on this committee he has been made aware of the county's situation of losing money in the health facilities and the county is losing \$36,000 a month due to the health care. Mr. Redd said that at this time he feels that Western Care is the best proposal.

Kay Johnson said that a decision has to be made and it will be a hard decision. Mr. Johnson said that he does not know what company is best. Mr. Johnson admits that the county has a serious problem and somethings needs to be done.

Keith Black said that he has a real interest in the Commissioner's decision. He has had to depend on a CPA in his own business and knows of the financial sacrifices. Mr. Black said he is concerned about the type of quality care and dislikes the idea of increasing taxes.

Bruce Shumway said the Blue Ribbon Committee is a good process to be a part of. There has been no decision made, he would need the best information possible before making a decision.

Tyron Lewis said he feels that the county health care facilities should be in a private industry and changes need to be made fast.

Merlin Grover asked if the Commission had asked the medical staff and the employees to give their input.

Shan Redd spoke for the CEU nursing students and made some good points. She suggested that the Commissioners consider asking the students to be on a task force.

Linda Chamberlain, an LPN from the Nursing Home, said that the number one concern is maintaining the health care. The nursing home provides excellent and quality care. She asked the Commission if the companies they were looking at had the capability of progression.

Kathleen Lyman said that she had met with Ruel McPhie at Parkdale in Price and in all fairness she felt that he had good principles and was impressed. Mr. McPhie capitalizes on quality care and the employees like him.

Rayburn Jack, executive director of San Juan Health Services, said that a private industry could operate less expensively. The county has few doctors and a private operator can recruit doctors and specialists. Mr. Jack said that he feels a private operator could do well if the community supports them.

If the county sells the health facilities the county has to pay the Hill Burton loans which is \$195,000 for the nursing home and \$65,000 for the hospital. A lot of money is involved in selling also.

Shanna Wheeler said that she is concerned for the employees.

Howard Randall suggested that the county generate more funds. Have each family pay so much a year to fund the HMO.

Commissioner Bailey said that this works in the more populated areas.

Commissioner Black thanked the public for their honest and frank suggestions.

The meeting was adjourned at 9:10 p.m.

SAN JUAN COUNTY PUBLIC HEARING March 11, 1986

A public hearing was held March 11, 1986 at the Monticello High School Auditorium at 7 p.m. for the purpose of presenting to the public the alternatives regarding the future of the health care facilities in San Juan County - San Juan County Hospital, Blue Mountain Clinic, Blanding Clinic, The Ambulance Service, and the San Juan County Nursing Home.

ATTENDANCE Sixty-seven

County Commission
Calvin Black, Commission Chairman
Kenneth R. Bailey, Commissioner
Jerry Holliday, Commissioner
Rick Bailey, Administrative Assistant
Jane Musselman, Deputy Clerk

Blue Ribbon Health Care Committee
Keith B. Redd
Kay Johnson
Lisle G. Adams
Tyron Lewis
Lee Nielson

Consultant R. Ted Stagg, CPA

WELCOME & OPENING STATEMENTS

Calvin Black presided over the meeting. He welcomed the citizens and thanked them for their interest. Commissioner Black gave an overview of the county's financial situation and, in particular, as it relates to the San Juan County Hospital and Nursing Home.

Commissioner Black discussed the following handout showing a \$60 million loss in valuation for taxing purposes since 1962. There will be an estimate of \$20 million lost this year and \$50 to \$60 next year. The county's health care services showed a deficit of \$450,000 for the year 1985. Commissioner Black said that although the county had developed a trust fund of about \$7 1/2 million, which will enable the county to maintain essential and mandatory services, it could no longer support the health care services. Commissioner Black explained the situation is now critical and encouraged the public's participation and input in arriving at the best possible decision.

Year	Mill Levy	Assessed Value	Revenue
1982	16.32	214,028,483	3,492,944
1983	16.98	200,597,701	3,406,148
1984	16.69	200,340,439	3,385,753
1985	17.06	176,827,576	3,106,678
1986	17.00	156,000,000	2,652,000
1987	17.00	101,800,000	1,730,600

1986 and 1987 are based on loss of three-year assessed mining values and the decline in oil and gas prices and loss of production.

Commissioner Black said the cost of upgrading the health care facilities has been in excess of \$5 million. It was the hope of the Commission that these facilities would be self supporting, however, the cost of operating these facilities has skyrocketed while revenues have not kept up:

Cash Losses

1980.....	\$200,000 (over)
1981.....	\$170,000 (over)
1982.....	\$200,000 (over)
1983.....	\$336,000 (over)
1984.....	\$338,000 (over)
1985.....	\$440,000 (over)
Total of \$1,737,000	

OPTIONS & ALTERNATIVES
Commissioner Bailey

Commissioner Bailey reported on the options and offers the Blue Ribbon Committee has been looking at. Commissioner Bailey pointed out that the Commission has not made a decision at this time, and all offers and suggestions were being considered.

The alternatives are:

1. Keep the facilities as is.
2. Sell all facilities.
3. Sell the nursing home and keep the hospital.
4. Lease and enter into a management agreement without subsidy.

On January 27, 1986, the Blue Ribbon Committee recommended, after studying the proposals, to have the Commission, with the help of Rick Bailey and Ted Stagg, negotiate with these companies for the purpose of getting the hospital and nursing home into private ownership.

HEALTH CARE PROPOSALS

Southwest Health Management Co., Inc.
Colton, California
LeRoy T. Rimback, Sr. President

Southwest current offer to manage/lease the San Juan County Hospital and Blanding Clinic.

This would include a lease payment of \$1 per year. The county would not have to contribute to deficit operation, if any. Lease would include an option to purchase at some future time, at a price of \$100 thousand. The county would negotiate the sale of all hospital accounts payable and accounts receivable, with Southwest being responsible for collection and payment of said accounts. Payment schedules would be negotiated for payment from Southwest to the County for used receivables. Southwest will negotiate for purchase of the inventory. No restrictions would be placed on the hospital for use of swing beds. It is possible that a requirement to maintain the hospital JCHA accredited be negotiated at the time of the lease. The County would require that no equipment be moved from the premises or traded or sold without the approval of the County. Southwest will probably increase rates as it would be necessary for the County if it retained ownership.

Western Care Construction Company, Inc., and Kamar Medical Management Company
Ruel McPhie and Milton Harmon, Operators

The nursing home would be purchased by Western Care Construction for \$1,500,000 less \$60,000 (cost of finance). They would pay the county \$1,440,000. The county would negotiate a first right of refusal if sold or shut down. The county proposes to set up a Health Care Capital Improvement fund within the county. The \$1,440,000 would be invested for Health Care to compound. At the end of twenty years, based on 10% interest, this would amount to \$9,687,599.

John Fellmeth and Phil B. Acton

Monticello and Blanding residents

This group would propose a two-year lease with an option to extend it to three for the hospital and Blanding Clinic. This group is composed of ten equal-number backers from Monticello. An option to purchase the hospital would be available at the end of the second and third year of the lease. Purchase price of the hospital would be between \$100,000 and \$200,000 financed over ten years at 8% interest. This lease payment would be \$1 per year and the county would have no liability for operating deficits, if any. The group would purchase the inventories and pay these back over three years at 8% interest. They would pay to the county 100% of the accounts receivable collected. An option to use swing beds is requested. No guarantees would be made for increases of rates, The group would recruit and hire an administrator for the hospital.

Westworld Community Healthcare, Inc.

This is for management of all facilities for a fee of \$7,000 per month during the transitional period. Westworld would enter into a long-term lease with the county. The lease would be for a term of forty years. Westworld would assume responsibility for capital improvement to all facilities. They would assume all operating expenses except the debt service on the bond. They would make lease payments of \$6,000 per month for the first twenty years and \$1 per year thereafter. The county would be paid the audited value of the working capital in 120 equal monthly installments. These monies invested in a Health Care Capital

Improvement fund at 10% over a period of twenty years would net the county \$4,600,000.

Other Proposals

The county has received several offers that are not outlined in detail. Basically, these offers are from Southwest Health Management for purchase of the hospital, nursing home, and home health agency for 1.67 million dollars financed over a ten-year period at no interest. Bonneville Health Care proposed to lease the nursing home and home health agency with an option to purchase at some future time with the purchase price being 1.4 million dollars financed over 20 years at 12% interest. Kamar Medical and Western Care proposed to purchase the nursing home at a price of 1.5 million financed over twenty years at 11%. Also, Craig and Pat Johnson proposed to lease only the nursing home. The Blue Ribbon Committee and the Commission felt that these offers, for many reasons, were not in the best interest of the county to pursue. There was also another proposal made by a local group, which included John Fellmeth and other employees of the health care facilities.

Commissioner Bailey said that if the Blue Ribbon Committee could get a proposal that was better than those that the county has now, they would certainly be considered. Commissioner Bailey expressed his disappointment in the reduction of the offers within the last few days.

EXISTING PROBLEMS

Commissioner Bailey said the hospital census is down. Many patients are being sent out of town or are being taken care of in the clinics and doctors' offices. The average stay in the hospital is shorter. The economy had an adverse affect on the health care facilities. The sudden drop in gasoline prices has also caused a drop in assessed evaluations. The hospital will be more difficult for the county to sell, because at best it will not be able to more than break even.

Statement of Jerry Holliday

Commissioner Holliday presented his view of the proposals. He expressed the Commission's dedication in preserving the facilities. However, the county cannot continue to support health care services because of the drop in revenue.

ADVANTAGES OF PRIVATE OWNERSHIP

Ted Stagg, CPA, commended the County Commission for their effort to make the make the right decision and to involve all the people of the communities in this decision-making process.

The criteria used in arriving at a decision is as follows:

1. The Blue Ribbon Committee has determined it would be to the county's advantage, and would, therefore, prefer to sell or lease rather than turn the facilities over to a management group.
2. They would prefer to sell or lease to local investors and efforts were made to give these groups every consideration.
3. Evaluate each company and group for financial strength, i.e. to make sure they have the dollars to make the system work.
4. They would prefer to work with one company, if possible.

Mr. Stagg pointed out that it is very difficult for counties to operate hospitals. In 1984 several hospitals throughout the nation have been forced to close operation with only in Utah. Many of the hospitals in Utah have now been turned over to private industry. Some of the advantages of ownership by private enterprise are:

1. Higher reimbursement from Medicare and Medicaid.
2. Return of equity value is not available to government.
3. The profit motive of private enterprise is greater.
4. Private enterprise is able to make adjustments very quickly to compensate for fluctuations in the economy.

BLUE RIBBON COMMITTEE

Mr. Keith Redd, member of the committee and mayor of Monticello, thanked the Commission for their efforts to bring about the disposition of the health care facilities. Mr. Redd feels that the county must keep the facilities in the county operating and available to the public.

Mr. Ty Lewis, farmer, requested as much participation from the public as possible in assisting the Blue Ribbon Committee in making a final decision.

Mr. Keith Black, local businessman, assured the public of the committee's desire for the continuance of the health facilities in the county. Mr. Black acknowledged the concern for the disposition of the present employees of the health care facilities. Commissioner Calvin Black responded to the concern by stating that there would be very little if any disruption of the present employees.

PUBLIC QUESTIONS

Merz Hugentobler

Question: What percentage does Medicare, Medicaid and welfare reimburse the county for health care?

Rayburn Jack, Hospital Administrator

Answer: About 30%

Bruce Adams

Question: Has there been an appraisal made on the health care facilities?

Calvin Black, County Commissioner

Answer: I don't know what the appraised value is. I would guess the replacement cost would be several million dollars.

Sue Taylor, hospital employee

Question: Could you outline specifically what kind of employee package

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each one of these proposals offers.

Calvin Black, County Commissioner

Answer: I don't know. That would have to be up to those people dealing with the employees. There may be some changes, however, people will have to be treated fairly in order to do a good job.

Dr. Ken Maughan, Monticello Elementary School Principal

Question: You have an option to use the county trust fund for operating purposes?

Calvin Black, County Commissioner

Answer: You have an option with any revenue you take in your county on that - yes.

Dr. Ken Maughan, Monticello Elementary School Principal

Question: What per cent of county budget goes for health care?

Calvin Black, County Commissioner

Answer: In the past four years, it has been about 25%, both capital outlay and operating losses.

Dr. Ken Maughan, Monticello Elementary School Principal

Question: What per cent of health care budget goes for personnel?

Rayburn Jack, Hospital administrator

Answer: The hospital is 60%, and the nursing home is about 70%

Dr. Ken Maughan, Monticello Elementary Principal

Question: My question is this, you just reported that \$400,000 deficit in health care last year. If we are going to bring somebody new in and they are not going to eliminate any personnel which is 60-70 per cent of the cost, how are they going to make that \$400,000 deficit into a profit situation? If they can do it, why can't we?

Ted Stagg, CPA

Answer: 1. They will raise rates.
2. They will expand services in order to increase utilization.
3. They will bring in outside medical specialists.
4. They will probably use the swing-bed program.

This hospital is presently charging less than what the services are costing them. In any event, whether the county keeps the facilities, leases, sells, or turns over to management, the rates will have to be increased - probably substantially.

Any of the companies that would come and operate the hospital will try to expand services. For a number of reasons, utilization of your hospital have gone down over recent years. Part of that is the different way physicians practice medicine today. You don't need to stay in hospitals as long as you used to. Many of the services are done on an out-patient basis that used to be done in an in-patient basis. Many are going outside the community (Cortez, Durango) for specialty health care services. Any company that will come in will bring physicians, many on a traveling basis as needed.

The swing-bed program is where empty hospital beds are used for nursing home residents. This is done without any real increase in hospital overhead. Mr. Stagg stated that the swing-bed program is an excellent one and has been the salvation of many hospitals in our state. There would be costs of feeding the patients and laundry, and there will have to be recreation and physical therapy facilities. The reimburse rate for swing-bed patients is approximately \$50 a day. Four patients at the end of a year would generate somewhere in the neighborhood of \$175,000 worth of revenue. The costs of caring for those patients is approximately \$10 per day.

Statement of County Clerk/Auditor

Mrs. Gail Johnson, County Clerk/Auditor, expressed her full support of the Commission in arriving at a decision regarding the health care services. She expressed her concern of the continued decreases in county revenue. She brought up the problem of taxation on the Navajo Reservation and the probable loss of that income. It is important that a decision be made now while we still have options. Mrs. Johnson suggested that perhaps health care is really not a viable function of government and that private enterprise is usually more efficient in running these kinds of operations.

PUBLIC QUESTIONS
Continued

Bruce K. Halliday, County Attorney

Question: Are there parameters these companies will be looking at that San Juan County can be a successful for them; if so, why kind of parameters?

Ted Stagg, CPA

Answer: All of these companies, specifically Westworld and Southwest, will not come into a community with less than 5 thousand people. They also have statistics that based on a community of so many, there should be so many radiologists, etc. A population base should put so many people in a nursing home and so many people in the hospital. Both of these companies have looked at the parameters, and based on the population size and have determined that the facilities are not being utilized.

Keith Redd, Monticello City Mayor

Question: Do the specialists present a problem or help the local physicians?

Ted Stagg, CPA

Answer: In other communities, there has been resistance from the local doctors initially. However, when the traveling physicians come into the community, it expands the local practice of the local physicians and in a very short time the local physicians support the concept.

Dr. Steven Warren, San Juan County Consortium Physician

Statement Dr. Warren expressed his support to the Commission and encouraged them to give Westworld every consideration. He expressed some concern with the swing-bed idea because of the present inability to fill the nursing home beds.

Keith Redd, Monticello City Mayor

Question: Would feel if the county were to keep these facilities and operate them, would these specialists be beneficial to come and work with the local doctors. In other words, if the private companies can do this, do you feel the county could do the same thing?

Dr. Steven Warren, San Juan County Consortium Physician

Answer: My opinion it that it would be very difficult for counties to provide the same services.

Statement of Eddie Boyle

Mr. Boyle stated that he has been impressed with the Blue Ribbon Committee and their efforts and qualifications. He said these people are successful businessmen. Mr. Boyle encouraged the public to support the commission in making these decisions.

Statement of Rayburn Jack

Mr. Rayburn Jack, County Hospital Administrator, stated that the presentation is "worst-case scenario". Mr. Jack said in January 1986, the hospital showed a profit \$30,000 and the nursing home showed a deficit of \$2,000. He said he was not suggesting that that is a trend nor that it will continue. He is suggesting, however, that to use past figures to use project the next years' deficits is fallacious. Mr. Jack said that he support completely the concept of private enterprise. He also stated that private enterprise could come into the same organization, even using the same people, and operate more efficiently. Private enterprise (Westworld) has virtually an unlimited budget and the capability to market the health care facilities.

Mr. Jack qualified the money that was pored in to San Juan County health care services last year. \$30,000 is actually what was lost from the hospital last year. \$250,000 is what was lost in the nursing home. The \$480,000 referred to by Commissioner Black is a change in cash flow. Mr. Jack told the public that the administrators have been careful and prudent with the kinds of things they have tried to do.

Mr. Jack said some people have asked why they would make the suggestion that a local group could take the same people that are presently functioning and make a proposal to operate the facilities. He said they are very much aware that 30% benefits is in excess of any benefits that will be offered by any group coming in. They actually took the 1984 and 1985 records and projected changes that would have to be made to make these organizations operational, put them in the actual operation costs as though they had occurred in 1984 and 1985. They found that in doing exactly what we are doing now, making those kinds of changes, the operation could have been a positive operation.

Mr. Jack stated that the concept of the United States has been that every individual is entitled to health care, and at all costs we should provide health care to every individual. As medicine has progressed and as services they can perform have increased our United States is saying people are entitled to prudent health care.

Mr. Jack expressed his appreciation for the support he has received from the Commission in receiving the monies necessary for medical facilities in San Juan County.

Mr. Jack said that unless all of the facilities could be operated by one entity that could in some unify the program, we could anticipate some difficult problems in the future.

PUBLIC QUESTIONS

Continued

Rick Terry, Monticello City Manager

Question: Is there a deadline for making a decision on this?

Calvin Black, County Commissioner

Answer: No.

Rona Young, hospital employee

Question: Asking for clarification on the county's obligation for the indigent medical services; that she has been told the county is responsible.

Calvin Black, County Commissioner

Answer: Yes, that is true the county is required by law to provide for indigent care. The county had the option to levy a 1/4 mill and send to the State and they assumed that entire responsibility.

ADJOURNED

The meeting adjourned at 9:45 p.m.