

Tax collection helps KH make \$1.1 million in February

Also, trustees debate ultrasound purchase

Martin L. Cahn
mcahn@chronicle-independent.com
803-432-6157 ext. 115
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KershawHealth generated \$1.1 million in operating income in February thanks to collecting a \$1.8 million tax debt set-off from a S.C. Association of Counties (SCAC) program. Without the SCAC collection, KershawHealth would have experienced a \$700,000 operational loss for the month.

"I'll tell you up front, that if not for the tax debt setoff, we would've had a more challenging month, for sure, but we did have a positive operating income of \$1.1 million," Executive Vice President & COO/CFO Mike Bunch said during Monday night's meeting of KershawHealth Board of Trustees.

Thanks to the SCAC collection and a continued reining in of expenses -- which are down 3.6 percent compared to February 2014 -- KershawHealth had \$1.1 million in net assets and increased its cash and investments to \$33 million. That, in turn, increased the hospital's days of cash on hand from 91.5 days in January to 99.3 days in February. The tax collection is also helping the bottom line for the fiscal year to date, with a just shy of \$2 million improvement to operating income -- \$173,907 versus a loss of \$1.8 million by February 2014 -- and net assets of \$626,245.

February's volumes were mixed, according to Bunch's report. Surgical cases were down by 19, or 7.1 percent from February 2014. Inpatient admissions were down by 47 compared to February 2014, a 12.9 percent decline. Fiscal Year (FY) 2015 to date, admissions are off by 3.7 percent while surgical cases are off by less than 1 percent.

The bright spot is emergency department visits, which increased by 226 visits in February compared to the year before, an 11.8 percent increase, contributing to an 8.5 percent FY-to-date increase. For the fiscal year, which started in October 2014, 889 more people have visited KershawHealth's emergency department than by the same point at the end of February 2014.

Trustee Wayne Tidwell noted there was no change in the number of observation patients -- patients admitted to the hospital for less than 48 hours -- from February 2014 to this February. Bunch said it is possible

KershawHealth is seeing a “flattening out” of that statistic, which is still up 13.3 percent for the fiscal year to date.

“Typically, this has been ... increasing over time, where observation is pulling away from the inpatient stays, but here, recently, the past few months, we’ve seen a flattening downward trend. We’ll keep our eyes on that as we move forward,” Bunch said.

Bunch’s report also included the first capital request requiring a vote from the board for the fiscal year. Such purchases are only brought forward for board approval if they exceed \$100,000.

On behalf of the hospital’s ancillary departments -- specifically cardiology and radiology -- Bunch asked the board to authorize spending of \$221,490 total for a pair of ultrasound systems. Bunch, and Director of Ancillary Services Danny Wharton, said the two departments’ current ultrasound machines are at the end of or beyond their useful lives. Both systems would deliver “industry-first imaging and visualization capabilities” with “exceptional image quality,” according to a copy of the request attached to Monday’s agenda. The cardiovascular unit will include 2D wall motion tracking technology which “reveals cardiac function with crisper detail needed for diagnostics.”

Although the board approved the purchase, it was not unanimous. Trustee Eric Boland wondered about the timing.

“If we’re going to close on the hospital in a month and a half, why don’t we stretch it out? Why would we buy now? What are we going to recoup out of this if we buy those machines? Why doesn’t Capella buy them?” Boland asked.

The board voted at the end of Monday’s meeting to extend its letter of intent to lease its real estate to Capella Healthcare of Franklin, Tenn., for 40 years and for Capella to purchase its furniture, fixtures and equipment for \$36 million. The deal was supposed to close Tuesday, but -- based on other comments during the meeting -- it appears it may now close in mid-May.

Wharton said KershawHealth does not want to skimp on patient quality.

“I think for us, from a clinical side, we’ve been waiting quite a long time and we’re having trouble with one of the ultrasound machines right now,” Wharton said. “We’re really getting to a point where we don’t want to risk patient care quality. We want to go and get that replaced.”

Wharton said even though the other ultrasound machine is a “tank,” at both machines’ ages, “you don’t want to play ‘Russian roulette’” in terms of when either might break down completely. He said he hears almost daily requests to replace the units.

Bunch said the \$221,500 purchase is only a small fraction of the fiscal year’s \$3 million capital budget. CEO Terry Gunn said it was unlikely KershawHealth would spend the entire \$3 million ahead of Capella and MUSC Health’s takeover of the hospital.

“From the hospital’s viewpoint, we want to make sure we’re handing over a functioning enterprise. They’re paying for enterprise value and I think inherent in that is an understanding we’re going to continue to invest in the infrastructure,” Gunn said. “These things are at end of life, they’re unreliable and I would hate for a patient to have to be transferred to Columbia or not be able to receive the care because we’ve got an equipment downtime problem.”

Vice Chair Dr. Tallulah Holmstrom pointed out the new machines will be sold to Capella and, therefore, KershawHealth would not be taking much risk in terms of depreciation. However, Parker Poe attorney Walt Cartin said while Holmstrom is correct, it won’t change the \$36 million Capella is spending on its lease/purchase of the hospital with MUSC Health.

“It won’t fluctuate based on whether this equipment’s purchased or not,” Cartin said. “The cost of the purchase will be what it is. If it was something in addition to the purchase price ... then you would get that, but you’re just going to get the purchase price.”

“So, we’re out the \$200,000 if we buy them,” Boland said.

Wharton said he has been trying to get out bids on the ultrasound equipment for four or five months. He said, originally, bids were coming back over budget but the \$221,500 price is now under budget.

Ultimately, the board voted 6-1, with Boland voting “no,” Trustee Derial Ogburn absent during that part of the meeting, and former Trustee Paul Napper’s seat unfilled.

In other business:

- Gunn announced KershawHealth won three American Advertising Federation of the Midlands awards. The awards are known as ADDYs. KershawHealth won a Silver ADDY in the digital advertising campaign

category for its You Are Vital employee recognition campaign, and two Silver ADDY awards for two of its television commercials, "A Life Well Lived" and "What More Can We Do." Gunn said these winners will move on to a regional competition in Atlanta. He said KershawHealth and the community should be proud of winning these awards since all the actors were local residents.

- Gunn informed the board KershawHealth will participate a new pricing transparency website being launched soon by the S.C. Hospital Association. He said the site would allow patients to compare hospital prices for a variety of procedures between facilities and help "demystify billing." Gunn said facilities which keep their prices competitive and provide quality experiences will "win."
- Gunn also recommended trustees read two articles on telemedicine, the practice of using video conferencing and other Web-based tools to have physicians away from KershawHealth facilities consult with patients and their local doctors remotely. He said the articles show, while some are leery of turning completely to technology--based medicine, KershawHealth is making the right decision in partnering with MUSC Health as part of the Capella deal. Gunn pointed out KershawHealth already works with MUSC in this capacity, but also agreed such capabilities should never replace actual physicians.
- Gunn announced KershawHealth's long-term care, home health/hospice and food/nutrition units all received excellent ratings from the S.C. Department of Health and Environmental Control recently.

(Coming Monday: a rundown on a report by Holmstrom on quality metrics.)

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