

PUTNAM COUNTY BOARD OF COMMISSIONERS



117 Putnam Drive, Suite A ♦ Eatonton, GA 31024

Called Meeting Agenda

Thursday, January 28, 2021 ♦ 2:00 PM

Putnam County Administration Building – Room 203

Opening

1. Call to Order
2. Pledge of Allegiance (BS)

Called Meeting

3. Discussion and Possible Action concerning PGH's Financials (BW)

Closing

4. Adjournment

The Board of Commissioners reserves the right to continue the meeting to another time and place in the event the number of people in attendance at the meeting, including the Board of Commissioners, staff, and members of the public exceeds the legal limits. The meeting cannot be closed to the public except by a majority vote of a quorum present for the meeting. The board can vote to go into an executive session on a legally exempt matter during a public meeting even if not advertised or listed on the agenda. Individuals with disabilities who require certain accommodations in order to allow them to observe and/or participate in this meeting, or who have questions regarding the accessibility of the meeting or the facilities are required to contact the ADA Compliance Officer, at least three business days in advance of the meeting at 706-485-2776 to allow the County to make reasonable accommodations for those persons.

File Attachments for Item:

3. Discussion and Possible Action concerning PGH's Financials (BW)

PUTNAM COUNTY BOARD OF COMMISSIONERS

3



DISTRICT ONE:
Gary P. McElhenney

DISTRICT TWO:
DANIEL W. BROWN

CHAIRMAN:
BILLY WEBSTER

DISTRICT THREE:
B. W. "BILL" SHARP

DISTRICT FOUR:
Jeffrey G. Wooten, Sr.

January 11, 2021

Mr. Jerry Gregory, Jr., Chairman
Mr. Alan Horton, CEO
Hospital Authority of Putnam County
P O Box 3355
Eatonton, GA 31024

Gentlemen,

At the Friday, January 8, 2021, Board of Commissioners (BOC) meeting, the agenda item "discussion and possible action to continue the Putnam General Hospital subsidy" was tabled until the February 5, 2021 meeting. As part of the motion to table the question, the Chairman was directed and authorized to write a letter to the Hospital Authority asking for certain financial information pertinent to the continuing operations of the hospital. The information requested includes the following.

- What is the current overall financial condition of the hospital?
- What is the current debt posture of the hospital, to include principal amounts and associated interest rates?
- What is the average monthly write-off amount for indigent care?
- How much CARES and PPP monies have been received and spent, to date?
- What are the plans, specifically, for improving the financial condition of the hospital?

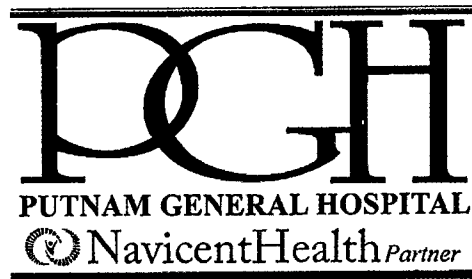
A response by January 25, 2021 would be appreciated.

Sincerely,

Billy Webster

Billy Webster, Chairman
Putnam County Board of Commissioners

JAN25 21 8:03AM



January 20, 2021

Mr. Billy Webster, Chairman
Mr. Bill Sharp
Mr. Daniel Brown
Mr. Gary McElhenney
Mr. Jeffrey Wooten, Sr.
Putnam County Board of Commissioners
117 Putnam Drive
Suite A
Eatonton, GA 31024

Gentlemen,

At the direction of the members of the Hospital Authority of Putnam County, I was asked to write this response to the request for certain financial information pertinent to the continuing operations of the hospital. It is my understanding that several questions emerged after information concerning the hospital was presented by the County Manager. The County Manager referenced a meeting with Ed Whitehouse that I and the Hospital Authority refused to attend. I have never heard of Ed Whitehouse and was never invited to participate in a meeting. The County Manager also questioned the appointment process of Board members to the Hospital Authority. I can assure you that since I have been at Putnam General Hospital, the Hospital Authority has always followed the process as outlined in the Georgia Hospital Authority Law. I regret that I was not present at the January 8, 2021 meeting of the BOC so that I could have corrected inaccurate statements made by the County Manager. Hospital economics are not the same as economics for the private sector. I will respond to your entire request for information and attempt to clarify misstatements made by the County Manager.

What is the current overall financial condition of the hospital?

Let me begin by saying that Putnam General Hospital (PGH) currently operates at a loss and always will. PGH does not operate at a loss because of mismanagement at the hospital as insinuated by the County Manager. The reason for operating losses at PGH is due to who pays

the bill for services provided by the hospital. Over 70% of the patients treated at the hospital have Medicare or Medicaid. Both payers reimburse the hospital less than the cost of providing services. Hospitals are the only government contractors who receive less than the cost of the services provided. Putnam County would never be able to hire a contractor and pay them less than the cost of the service that they provide. Blue Cross and Blue Shield pays the bill for another 10% of the patients treated at PGH and they also pay less than the cost of services provided. Another 10% of patients receiving services at PGH are indigent and they pay essentially nothing for their hospital care. Only 10% of the patients receiving services at PGH have commercial insurance that pays more than the cost of the services provided.

Because Putnam General Hospital is reimbursed based on the cost of providing care, raising charges will not generate additional revenue. Reducing costs will not generate additional revenue; it only results in less reimbursement. Even though PGH is reimbursed based on allowable costs, we still must tightly control all expenses. If we did not aggressively manage our expenses, we would not be able to pay our bills due to limited cash-flow.

Approximately seven years ago, PGH was on the brink of closure. The hospital did not have any capital debt, but our accounts payable balance was unsustainable. We owed so much money to our vendors that the hospital was placed on a cash-on-delivery basis for supplies needed to provide everyday care to our patients. It was at this time that PGH started looking for a larger hospital partner to assist with our debt.

On September 1, 2014, PGH entered into a Management Consulting relationship with Navicent in Macon. The relationship with Navicent was not a sale of the hospital and was not a management agreement. The Hospital Authority of Putnam County maintains complete autonomy and oversight for operations of the hospital. There are no Navicent employees at Putnam General and all Governance remains with the Authority. Navicent allows the hospital to participate in their Group Purchasing Organization and offers all of their resources on an as requested consulting basis. Navicent also provided a line-of-credit for the hospital. Our Management Consulting relationship with Navicent has an annual cost of \$350,000.

What is the current debt posture of the hospital, to include principal amounts and associated interest rates?

Our current debt to Navicent is \$5,046,080. This is broken down as follows: \$297,191 in unpaid consulting fees, \$74,454 for a lease of OR equipment, \$4,025,000 in line-of-credit principal, and \$649,435 in unpaid interest on the line-of-credit. Current interest rate on the line-of-credit is 6%. Additionally, PGH has a line-of-credit loan with Farmers & Merchants Bank with a current balance of \$436,647 and a floating interest rate which is currently 2.6%. Total Capital Debt of PGH is \$5,482,727.

What is the average monthly write-off amount for indigent care?

The total PGH write-offs for fiscal year 2020 were \$2,505,613. This includes write-offs for Indigent, Presumptive Indigent, Charity Care, Bankruptcy, and Bad Debt. This equates to an average monthly write-off of \$208,801.

How much CARES and PPP monies have been received and spent, to date?

With the advent of the COVID-19 Pandemic, the federal government recognized that hospitals were not prepared and did not have the necessary resources to respond to the Pandemic. PGH and all other hospitals received unsolicited Provider Relief Funds to assist with the Pandemic. PGH received \$3,793,325 from HHS. PGH also received \$109,495 in smaller grants and funding from various state agencies. It should be noted that all these funds require strict adherence to spending guidelines. The funds are **not a windfall** for the hospital. Federal guidelines state the funds can only be used to **prevent, prepare for, and provide treatment** for COVID-19. To date, we have spent \$692,345 of the HHS and state grant funds that we have received. We have spent money to purchase significant amounts of Personal Protection Equipment (PPE) and create a safer environment for our patients and staff. The money cannot be spent to repay the debt of the hospital. We have seen a significant number of COVID-19 patients and it has been very exhausting, physically and emotionally, for our staff. All the HHS money that we spend will be audited for appropriateness. All unused money will have to be returned to the government and any money spent inappropriately will have to be returned.

PGH also received \$1,229,200 in Payroll Protection Plan (PPP) funding. This money was in the form of a loan and required that we maintain full employment for all staff for the loan to be forgiven. During the early months of the Pandemic, we curtailed elective procedures at the hospital and the PPP loan was the only way that we could continue to pay our staff while patient volumes were down.

What are the plans, specifically, for improving the financial condition of the hospital?

So, given the operating losses of PGH, what are the plans to keep the hospital open? It is essential that Putnam County continue to help subsidize the cost of providing uncompensated care to the indigent and others who cannot pay their bills. The **cost** (not **charges**) of providing uncompensated care to people of our community is approximately \$1,500,000 per year. The Hospital Authority recognizes that Putnam County has a lot of other financial needs, so for the past several years we have only requested \$720,000 in the annual budget. Putnam County has funded \$400,000 per year in the annual budget. We need this annual funding to continue.

We have been fortunate that the State of Georgia recognizes the financial burden of rural hospitals. There have been ten hospitals in the state that have closed within the past ten years. The communities where these hospitals have closed have all experienced economic hardships. To assist rural hospitals, the State created the Rural Hospital Organization state tax credit

program four years ago. This program is also known as the Georgia HEART program and has been a lifeline for rural hospitals.

Additionally, PGH needs to retire its capital debt. If PGH did not have its current debt, the hospital could save over \$300,000 per year in interest cost. Without the debt to Navicent, PGH would also be in a better position to renegotiate the annual Management Consulting fee of \$350,000. If the Hospital Referendum had passed, the 1mil of property tax revenue would have been used to retire the debt. Since the referendum did not pass, the hospital proposes that a new loan be obtained at a lower interest rate and the existing debt to Navicent be retired. PGH does not have the credit strength to secure a new loan without the financial backing of Putnam County to guarantee the loan. PGH would use money saved from its current loan with Navicent and, hopefully, a reduced Management Consulting fee to make new loan payments. PGH could also use some of the money from the Georgia HEART tax credit program to help make new loan payments.

In summary, the financial struggles faced by PGH are not unique to our hospital. Most small rural hospitals in the state face the same challenges. Rural communities typically have an older population and more unemployment that depends on Medicare and Medicaid. Additionally, there are fewer employers who offer commercial insurance to their employees. **It is our mission, as well as a mandate from the Federal government, that we provide care to everyone who comes to the hospital.** Rural hospitals are dependent on financial assistance from their local governments in order to provide 24/7 access to care. PGH has consistently received high scores on clinical quality, patient outcomes, and patient satisfaction. PGH is an asset to Putnam County and plays a vital role in economic development and the health and well-being of the community. We desperately need the continued support of the Putnam County government. Please let me know if you need any additional information.

Sincerely,



Alan Horton, FACHE
CEO, Putnam General Hospital