

COGDELL HOSPITAL FACTS

To the taxpayers residing in Scurry County Hospital District, as the real owners of Cogdell Memorial Hospital, you deserve to be informed of the facts that influence the way your hard earned tax money is being spent. In an attempt to set the record straight we would like to take the opportunity to educate our community on the operations of the hospital and correct some of the misconceptions we are hearing about both the current facility and the hospital building project.

Accounts Receivable and Billing issues:

MISCONCEPTION:

It's being reported that the hospital has \$12-\$16 million in Accounts Receivable (A/R).

FACT: Unlike a normal business, A/R shown on financial statements of the hospital is not what we expect to be paid since most of the hospital's billings are actually paid under contracts that discount the charges. Accounts Receivable owed by all payers (expected payment) has never exceeded \$3,700,000.00 in the last 3 years.

Hospital charges and payments are controlled by insurance contracts. In a normal business, the owner/manager determines prices by the wholesale cost + markup and their accounts receivable represent exactly what they expect the account holder to pay. The hospital must use a charge structure set by insurance and by Medicare guidelines so that every patient is billed the same amount even though the amount owed by contract is considerably less than the amount billed.

As an example, the insured can look at their insurance company's Explanation of Benefits (EOB) and see there is a column for the amount billed by the healthcare provider and a column for the allowable amount. In most cases the insurance company pays only the allowable amount requiring the healthcare provider to write off the difference. The only other expected payment is from the patient themselves in the form of deductible and coinsurance (which we collect in advance to insure payment).

Bad Debt & Indigent and Charity Care:

Most of the tax money used in operations of the hospital is to cover the cost of services for non-paying (including unpaid deductibles and coinsurance) and indigent patients. The hospital has an annual average of \$6 million in bad debt and \$1.2 million for Indigent and Charity Care. A great majority of this debt is a result of individuals with no insurance who come to the Emergency Room. Bad debt & Indigent and Charity Care should not be confused with Accounts Receivable.

Billing issues:

Regarding the issue of multiple statements being mailed out: this was a decision made by the hospital's Board of Directors after receiving numerous complaints and criticism by the public stating they had not received any correspondence prior to their insurance company paying their bill. In some instances, a patient may have policies with 2-3 insurance companies. This causes a significant delay in filing and billing procedures because the first must pay before billing the second and so on. The decision to send preliminary statements was made to provide better and timelier communication with patients. In an effort to save money we contract with a service to handle all outgoing mail at a cost that is less than we would have to pay to do it ourselves. They made the decision to include a return envelope with all statements including the ones advising that insurance had been filed. They have now been instructed not to include an envelope with that mailing.

New hospital and taxes:

MISCONCEPTION:

The hospital's Administration is pushing the building of a new hospital.

FACT: During the campaign to create a hospital district for Scurry County and to remove healthcare from under county government management the voters, by a margin of 68% to 32% approved creation of the district. The tax rate advertised at that time was set to generate sufficient tax revenues to build a new hospital over a period of 5 years. This required the hospital's Board of Directors to proceed

with plans for a new hospital and the administration is required to follow the directives approved by a majority of board.

MISCONCEPTION:

The citizens of Scurry County are shouldering the entire tax burden for a new hospital.

FACT: Only 25.74% of tax dollars come from within Scurry County. 74.26% of tax dollars come from outside the county. The taxpayers from outside the county are businesses such as Kinder Morgan, Invenergy, etc. that would probably not be located in Snyder if there were not a hospital. In addition, there is a homestead tax exemption for taxpayers with property valued at \$100,000 or more.

During the campaign for the hospital district, promises were made to the public that tax money would fund the new hospital and that the new facility would be paid for within five years, not that all the money would be in hand before commencing construction. In addition, tax payers were promised that taxes would be reduced to an amount (expected to be between 8 and 12 cents) to sustain operations after paying off the building project and all other debt estimated to be in 2014.

The hospital Board of Directors directed Administration to hire a consulting firm to do a facility plan and site survey. As a result of that survey it was noted that the current facility is very well constructed, so very well constructed that it would cost more in needed repairs and renovations over the remaining life of the building than it would to build a new hospital.

The survey team presented the following options for the Board of Directors to more closely consider:

#1 – Remain in current facility and do nothing: Not a viable long-term option

#2 – Renovate and expand the existing facility: The most costly option based upon project costs, business disruptions and elapsed time before completion. Life and Safety Code laws require that any renovations of \$50,000 or over in an existing facility require that the area renovated must be brought up to current code standards including handicap access requirements.

#3 – Build a new facility on the existing site: Additional costs are incurred because of site constraints and the need to stage construction around the 24/7 operations of the existing facility.

#4 – Build a new facility on a new site: The least expensive option based on project costs, business disruptions and elapsed time before completion.

Option 2:

Total Square Feet: 130,617
Cost Hosp/MOB: \$39,146,000
Months of design & construction: 61
Cost of disruption during construction: \$15,700,000
TOTAL COST: \$54,189,000

Option 3:

Total Square Feet: 132,396
Cost Hosp/MOB: \$35,020,000
Months of design & construction: 39
Cost of disruption during construction: \$3,000,000
TOTAL COST: \$38,020,000

Option 4:

Total Square Feet: 111,100
Cost Hosp/MOB: \$33,315,000
Months of design & construction: 31
Cost of disruption during construction: \$0
TOTAL COST: \$33,315,000

There are extensive repairs and renovations that need to be made to the south part of the hospital (part built in 1951.) Located within the south part of the building are the Laboratory, Pharmacy, OB, Surgery, Day Surgery, Cardiac Rehab, Medical Records, Mammography and Respiratory Therapy Departments, as well as the computer server room, IT

and Marketing offices, Snack Bar and Cafeteria. Again, any renovations made to the building must be made according to current code standards. Based on all the information presented to the Board of Directors, they made the decision that it would be in the best interest of the community and the least expensive for the taxpayers to build a new building on another site.

In addition, by building on a new site, Medicare and Medicaid will increase their standard payment (estimated to be between \$400,000 and \$600,000 per year) offsetting a good portion of the cost for the new building. The current facility and equipment has not been properly maintained over the years, which has resulted in the current need for a new facility. With proper maintenance of a new facility and equipment we may avoid the need in 30 years of asking the community for another new facility.

The Cavendar family made the decision to donate the land after Mr. Cavendar was provided with copies of all documents handed out at the town meetings prior to the election for the hospital district as well as copies of the election results.

Average Daily Census:

MISCONCEPTION:

The hospital only has 7-8 patients in it most of the time.

FACT: The hospital's combined bed count for the Med/Surg floor and OB Department is 32 plus a 3 bed ICU. The average daily census for 2010 is approximately 18.3 which include inpatients, observation patients and babies. Our discharges of 1,340 plus 211 newborns gave us a total of more than 1551 patients for the year. During flu season we sometimes have every bed occupied and have to make room for additional patients. The average length of stay for patients is 2-3 days.

Previous Projects:

The hospital has the following debt for previous projects:

•2001 Certificate of Obligations - renovated ER and Radiology - \$3,585,000 – expires in 2021 will pay off \$225,000 this year

•2006 Notes – purchased Brice Building – 5 yr Note - \$230,000 remaining – due Feb 2011

•CT/MRI Notes – purchase CT/MRI in 2009 – 7 yr note - \$2,128,571

All of the debt payment is included in the .27 tax rate currently and no increase is needed. If we have to have a short term loan on the new hospital it will be less than \$10,000,000 and be paid back in a year to 2 years.

Current maintenance, repairs and utilities:

The annual cost of maintenance and repairs to the current facility is over \$500,000. The average annual cost for utilities runs roughly around \$600,000. The current facility wasn't built for energy efficiency. The new hospital will have several energy efficiency qualities such as, new more efficient heating and cooling systems; a smaller area to heat and cool; use of energy saving materials and techniques, i.e. double pane windows, etc; heating and air conditioner ducts that are totally sealed and won't lose the conditioned air, and a building design that minimizes western exposure to the hot sun.

A new hospital building will save roughly \$250,000 in maintenance and repairs. An energy efficient building will reduce the cost of utilities by approximately \$250,000 per year bringing a total savings of \$500,000 per year.

Future plans for current facility:

MISCONCEPTION:

If the tower can be used for an Assisted Living Center why can't it be renovated to continue hospital operations?

FACT: The standards set forth by the Texas Administrative Code, Texas Health &

Safety Code as well as the Life Safety Code are different for hospitals and Assisted Living Centers. Different state agencies also govern the two facilities. While the structure (concrete support pillars) can be worked around in the assisted living areas to create sufficient space for the number of apartments needed for our town, according to the report from our consultants a fourth floor would have to be added to create a sufficient number of patient rooms. In addition a separate assisted living center would have to be built to house the current residents of the top floor provided the plan was to have an assisted living residence. However the primary reason for not renovating the three story as a hospital is the cost of lost business during the construction period. That cost was estimated to be as much or more than the cost of the renovations.

The most southern part of the current hospital (part built in 1951) will have to be torn down due the extensive and costly repairs that are needed. The three story tower (built in 1973) and the area around it would be used to expand the Assisted Living Center.

Additional Funds:

We have been watching for federal and state funds through several different agencies that may be used for the new building project. We will apply for any funding in which we meet the eligibility requirements and that meets our needs.

If anyone from the community has any questions we are always happy to provide the correct answers.

Cogdell Family Clinic

We are aware there are scheduling issues at Cogdell Family Clinic and are working on ways we can improve this issue. The number of phone calls to the clinic average somewhere in the area of 3000+ per week. Nurses make the appointments in addition to their other duties it is sometimes difficult for them to return the phone calls in a timely manner. On June 1 we are implementing a new procedure and controls that should allow us to provide better service in this area. On May 20th, 4:30pm – 6:30m, the Clinic will have an Open House. Staff will be available to answer questions about the new appointment process. You'll have the opportunity to meet your doctor's receptionist.

Primary Care Physicians

Instead of specializing in a specific area of medicine, Primary Care Physicians (PCPs) help patients maintain overall health by focusing on preventive care. A family practitioner is qualified to care for the entire family. They take care of everything from broken bones and the common cold to the delivery of babies. Family practitioners know the medical history of the entire family because they treat both the children and the parents. Their medical training includes a variety of subjects including Obstetrics and Gynecology, Pediatrics, Internal Medicine, Dermatology, Emergency Medicine, Psychiatry and other specialties. These physicians may have a particular interest and additional training in any given area and make that specialty the focus of their practice.

The "standard of care" practiced by the physicians of Cogdell Memorial Hospital and Cogdell Family Clinic is to refer patients to a board certified specialist in any given area when they determine that a patient's healthcare needs in that area exceeds their level of knowledge and expertise.

Cogdell Memorial Hospital has never promoted a Primary Care Physician as a "specialist" in any given area.

Our website contains information about available healthcare services, important contact information, and medical forms, as well as frequently asked questions and answers. Visit us at www.cogdellhospital.com. to get the most up to date and complete information about hospital issues, events, and more at Cogdell Memorial Hospital.