

SPECIAL MEETING
CLARK COUNTY BOARD OF COMMISSIONERS
AND THE CLARK COUNTY COUNCIL

October 1, 2014

The Board of County Commissioners and the County Council of Clark County, Indiana met in a Special Commissioner Meeting on October 1, 2014 at 6:00 p.m. at Clark Memorial Hospital, Jeffersonville, Indiana.

Present at the meeting were Commissioners – Jack Coffman, Rick Stephenson and John Perkins, County Attorney Jacob Elder, Auditor Monty Snelling and Payroll Clerk Mischell Settles.

Pledge of Allegiance was led by Scott Lewis and prayer was led by Reverend Joe Bradley.

Sam Gardner introduced the Hospital Board Members:

Ron Barnes
Don Slone
Debbie Meyer
LeAnne Scott
Dr. Chris Day
Dave Ehringer

President Barbara Hollis presented the Council members:

Vice President Brian Lenfert
Kevin Vissing
Kelly Khuri
Dan Yost
Steve Doherty
Susan Popp
Attorney Scott Lewis.

Martin Padgett, CEO, Clark Memorial Hospital presented the information to be considered for the meeting. His presentation was displayed with a slide show comparing the care provided and the payments received for that care. He talked about the future of health care and the Medicaid and Medicare payments that would be offered. He mentioned all of the companies considered for this alignment, but stated that Nortons was a better fit.

Option A would be for Clark Memorial to join with Norton Healthcare.

Option B would be to delay or remain the way it is.

Questions and Answers from the Public, the Board of Clark County Commissioners, and the Clark County Council to Martin Padgett:

The public representative thought that they were telling only half of the story and asked why 2011 was so bad. The answer was that 2011 had a significant amount of bad debt with charity care write-offs and it was a catch up year with 2012 and 2013 standing on their own with expenses and charity care exceeding the revenue. A further question about this: was this "creative accounting"? The answer was that BKD audits the hospital yearly and they have had clean opinions to each one of those years.

Councilperson Lenfert asked if the hospital makes money before depreciating. Martin Padgett referred back to the slide presentation stating that if a certain number gets higher, then we won't make money before depreciation.

Councilperson Vissing asked if Nortons sought us out or did we seek them. The answer was both.

Councilperson Khuri asked what year they sought us out? Martin Padgett said that it was around 2011. Jeremy Ullom with the bond council stated that in 2009, when Clark went to the Commissioners to change the county hospital from the dual status. Pam Thompson, Clark's local attorney, explained that the hospital has always been a 501C3 County status for tax purposes, but they just dissolved the corporation with the State of Indiana.

A person in the audience stated that they had heard a rumor that Clark has had a conversation with Floyd. Martin Padgett stated that they have a confidentiality agreement with Nortons and talking to Floyd would be just a rumor and untrue.

Councilperson Khuri asked what an A minus bond rating for Norton's meant. Jeremy Ullom, as the Bond council, stated that it was a good rating in the State of Indiana.

A question was asked about three of the other offers for the merger. Martin Padgett explained that Lifepoint was a for profit corporation and were more concerned with advancing share holding, and Kentucky One and St Vincents have religious directives and none of these were a good fit.

An issue was readdressed the 2011 issue, asking if 2011 was a "dump off" year to make it look as bad as it could. Martin Padgett explained that as an organization, they wanted to be financially viable and to stand on their own. The problems could possibly be because they went through a computer system conversion at that time.

A question was asked if the bond will be issued using Norton's Bond rating. Jeremy Ullom answered yes and no. Some issues of the bond are held by banks and the ones that aren't would be reimbursed by Nortons.

Councilperson Popp wanted to know if Nortons would assume lease payments and/or refinancing the bonds. Jeremy Ullom said that Nortons would make the payments until the maturity of the bonds.

Susan Popp was curious about the year 1985 and Clark Memorial existence as a County hospital. The primary objective is to make money as it is with all businesses. Martin Padgett explained further that the financial outlook for 1985 was different than 2014. In 1985 there were more insured people and, because of the increase in technology today, the cost of equipment is much higher, so it is harder for a hospital to make money in 2014. That being said, the way it is now, Clark is not making the money anymore.

A question asked was what would the value of this merger be for Nortons. Martin Padgett answered that the value to Nortons would be a bigger network. A physician in the audience answered that they would be able to better care for their patients with the offer of better advanced care that Clark is unable to offer at this time.

Attorney Elder presented the figures he came up with for the County Commissioners and Council, of an appraisal of \$70 million in assets for future income. Martin Padgett confirmed that their liability was well over the estimate of \$70 million.

Commissioner Perkins made a comment about the excellent care that he had when he was admitted to Clark Memorial Hospital. He next asked what percentage of doctors would be Norton's employees and would they have quotas of patients to be seen. Martin Padgett said that they have 500 physicians along with 50 providers and they would convert to Norton's. The times have changed so physicians no longer have quotas. They now are employed by someone and they have to provide a service. Commissioner Perkins stated that if the State expanded Medicaid, then the higher costs would be easier met. Martin Padgett also offered that Governor Pence was working with the State Medicaid, to produce something similar to what Kentucky has done. All of this would be a positive impact for Clark Memorial and the county. Commissioner Perkins wanted to know how many employees would stay employed. Answer: All 1700.

At this point, there was a lengthy discussion about the bonds and the debt. Jeremy Ullom stated that if the LLC folds, then Norton's would take over and if they couldn't make the payments of the initial proposal, bond and indebtedness, then the County would be responsible. Martin Padgett stated that if something isn't done, then in the future, the County would have to meet the payments.

Commissioner Coffman referred back to the employees and their jobs. Martin Padgett confirmed that all of the employee benefits would stay the same tomorrow as it is today. They further talked about the employee's pension plan.

Commissioner Coffman asked about the pension plan for employees. It was explained that there were different ideas that were going to work for the funding of

the pension plan for their employees. They could no longer afford the old plan. The pension plan would be funded before the transaction took place.

Dr. Burke asked about the disadvantage of the loss of a county hospital status. He was told that there is no disadvantage.

Dr. Burke was concerned about the regional impact on health behavior. He was told that Nortons also has funding for mental health priorities and if we didn't merge, the Clark Memorial mental health care would be severely "looked at".

Dr. Burke asked for an explanation to the merger not purchase. He was told we would take the balance sheets from Clark and Nortons and would combine them together.

Councilperson Doherty asked what would be the positive change or the negative change from this. Martin Padgett told him that the positive change would be there would be more employment opportunities along with education changes. The negative would be with the people like him since he would answer to more people not just the board members.

Councilperson Hollis asked about the administrative employees. Answer: She was told that they have an agreement for 5 years that Clark would maintain the payroll and accounts payable.

Councilperson Yost asked about the inmate care with Clark County jail. Answer: He was told that there is a State statute that the county is required to pay for inmate care, but Clark has waived the charge over the years. Nortons has agreed to do this for 5 more years, at that time, they would renegotiate.

A question was asked about the history of mergers with Nortons. Martin Padgett mentioned that Nortons has merged with other community hospitals in Kentucky and they are vibrant and stable to this day.

Commissioner Stephenson asked if there is any financial investment for the County from this. Answer: The benefit is the County would have a viable hospital. Martin Padgett stressed that Clark would remain a separate corporation. They have their own Indiana Medicaid/Medicare provider number with a separate set of

financial statements. Martin Padgett pointed out that as it stands now, Clark could ask the Commissioners for funds if needed, but the County would no longer have liability if this merger goes through.

Councilperson Lenfert asked about the board members and who has the right to appoint those people. Answer: The people that are on the board at this time would have the offer to stay. After the merger, the County would not be making the new appointments, plus, there would be a bigger opening for more diverse people on the board. It would include people from Kentucky as well as southern Indiana, and the board members would appoint themselves.

Councilperson Hollis stated that the County would eventually assume the liability of the inmate care. Martin Padgett commented that Nortons would waive the payment, like Clark has done, for 5 years and then they would renegotiate.

Commissioner Coffman asked if Nortons would be able to transfer to another entity in the future for profit. The answer would be yes, they could. The next question was Floyd a part of Nortons and the answer was no it was not.

Attorney Elder asked who the experts were that were called in to examine the hospital. The answer was they received education from several entities. They have representatives from Hall Render, a health law firm attending the meeting today, along with BKD, a financial group, Coffman Hall, a health care consulting group, and SG2 consulting group advising Clark on what path to take. This is not an RFP, Request for Proposals, but a mission control search. Another question was is their Board in an agreement. The Board is in favor of the agreement with Nortons.

Attorney Elder ask if the Commissioners and Council would want to make changes, how would they go about that. The answer would be to go through the Clark, Attorney, Pam Thompson.

Commissioner Coffman asked for 3 more comments from the public, the Council and the Commissioners so we could wrap up and told the public that they would be welcome to attend the regular Commissioner meeting on October 9 in the City County Building on the 4th floor.

No comments from the public or the Council but Commissioner Perkins said that they should be concerned with two important issues with this merger. One would be the quality of care and the second the taxpayer liability.


Attorney Lewis wanted to know in lieu of complete transfer of assets and ownership, are there other options? The answer, yes there are other options, for example would be a lease option, but they wanted the option that would give the most benefit along with allowing the County to have input.

Commissioner Coffman thanked everyone for coming to the meeting. He explained that it is a very important decision for the County to make and there has been much deliberation on this for some time

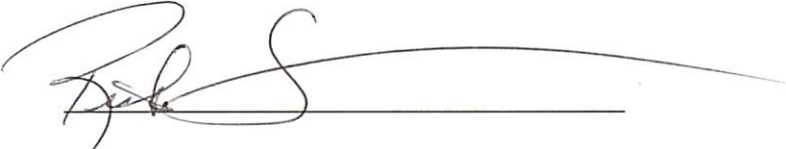
Commissioner Stephenson motioned to adjourn. Commissioner Perkins seconded. Motion approved 3-0.

To the extent the Board held an executive session of any type under (IC-5-14-1.5-6) or otherwise, the Board thereby certified that no subject matter was discussed therein, except that posted in the notice for sessions or meeting (IC-5-14-1.5-6).

BOARD OF COMMISSIONERS OF
CLARK COUNTY, INDIANA



JACK COFFMAN, PRESIDENT



RICK STEPHENSON,
VICE-PRESIDENT



JOHN PERKINS, MEMBER

SIGNED THIS DAY 10-23-14

ATTEST: 

R. MONTY SNELLING,

CLARK COUNTY AUDITOR