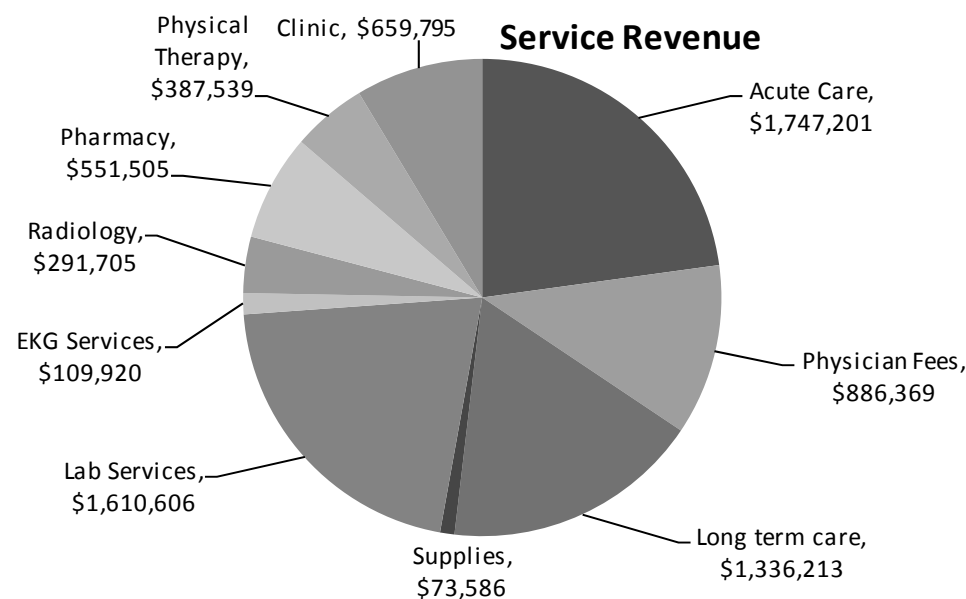
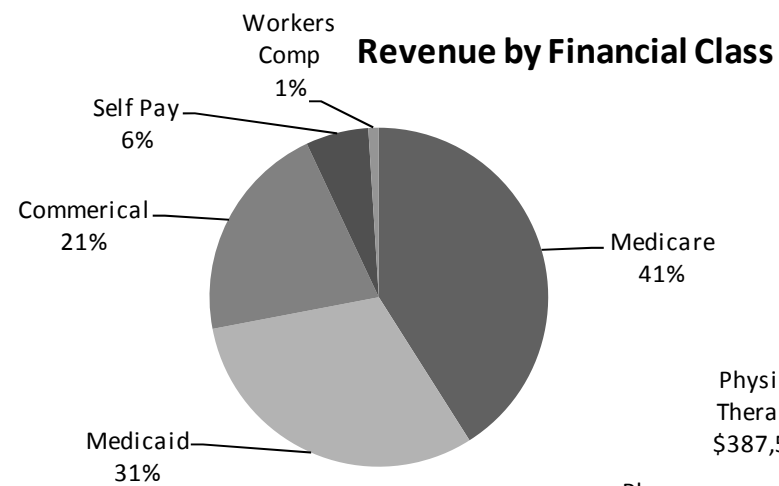
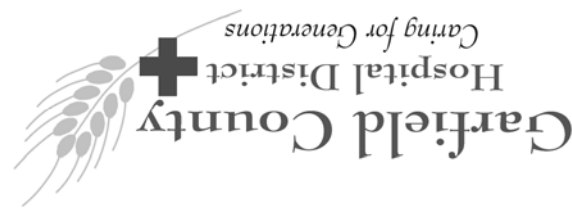




Garfield County Resident
Pomeroy, WA 99347

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GARFIELD COUNTY HOSPITAL DISTRICT
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66 North Sixth Street
Pomeroy, WA 99347



Hospital District Levy Fact Sheet

On February 14, 2012, the voters within the Garfield County Hospital District will be asked to approve a one-year special excess levy to finance operations, maintenance and improvements.

The Hospital Makes a Significant Contribution to Local Economy

The district is composed of three main operating units; the clinic long-term care, and hospital. Those operating units are then broken down further into several different "product lines" inpatient services (acute care), outpatient services, emergency department, diagnostic laboratory and radiology, physical therapy, ambulatory care (clinic), and long-term care. The hospital district employs approximately 92 full and part-time staff and has an annual budget of nearly \$8 Million.

The Hospital District is Among the Smallest and Most Financially Vulnerable in the State

While special Medicare reimbursement helps promote sustainability of the healthcare system in Garfield County, it does not completely cover the full cost of providing services and leaves very little net excess revenue for capital infrastructure, repair and replacement. It also leaves no room to survive disruptions to cash flow.

Health System has Many Parts that Depend on each other to Remain Sustainable

The service complement of the district is one of the keys to health care system sustainability. Historically many lines of service such as the clinic, laboratory, emergency department and physical therapy generated revenue that subsidized other lines of service so that all of these medical services could be provided to the community.

Nursing Home was not Sustainable without a Subsidy

Medicare reimbursement does not cover the cost of providing routine nursing home care, a significant problem for the district as these services consume large amounts of cost for which the reimbursement from other payer sources is insufficient. As a result the district routinely subsidized the nursing home. The challenge for the district was that the cost of subsidizing the nursing home reached a point where the practice was no longer sustainable.

Hospital District Could Not Continue to Subsidize the Nursing Home

Over the course of the last four years the demand for long-term care services steadily declined to the point where just over half of the beds in the facility remained occupied.

Empty Nursing Home Beds Negatively Affected Hospital Reimbursement

Empty beds reduced cost somewhat but due to relatively fixed overhead and minimum routine operating cost, the expense associated with retaining these beds resulted in a financial drain to the district.

Solution - Reduce Bed Capacity and Shift Cost Back to the Hospital

Critical Access Hospitals are allowed up to 25 beds to be used for any combination of care. Banking the 20 additional long term care beds is expected to eliminate the deficit attributable to these beds, allow the district to keep long-term care services available to the community through the use of the remaining 25 hospital swing-beds, and help the district prepare for further reductions in reimbursement that are anticipated due to federal and state budget cuts.

Swing Bed Transition is Necessary to Assure Sustainability

During the transition from the "old" cost structure (45 beds) to the "new" cost structure (25 beds) Medicare will continue to pay the district at the old rates until they re-calculate the rates and begin to compensate for this cost that they previously disallowed. The district fully expects Medicare reimbursement rates to catch up to the new cost structure and to be better off in the end as a result of the bed changes. In the meantime the district needs to bridge the cash flow gap or face a serious disruption in service.

Short term Cash Flow Position Puts Hospital System in Jeopardy

Like a business that has a need for a certain amount of start-up capital; the business model for the hospital has changed; the district is currently being paid under an old cost structure much less than what the district would be paid under this new structure. Until Medicare payment rates stabilize the district will experience negative cash flow. Larger health systems are often positioned better to deal with these fluctuations.

It Will Take Some Time for Cash Flow to Stabilize

Cost reduction strategies have been implemented to close a cash flow gap of approximately \$70K per month during the transition into the new rates.

Cash Reserves are Nearly Depleted

Today the district has approximately \$250K in reserves; this represents previously encumbered reserves that were released to bridge the gap until the cash flow position stabilizes.

Cash Flow is a Big Concern

It will take up to a year or longer for Medicare rates to stabilize.

Regular Tax Revenue is approximately 1% of the Budget

Regular tax provides about \$80,000 of support to the district annually. This amounts to approximately twenty four cents per thousand of assessed property value. Nearly all other income to the district is generated as a result of providing medical services.

Commissioners Pass a Resolution Calling for a Special Levy

The commissioners approved a resolution seeking a 1 year \$750,000 special levy that, if approved by voters, would cost \$2.32 / \$1,000 of assessed property value. If the levy is approved by voters the district could then seek a short term tax anticipation loan based on the voted tax. Short term financing would be used to stabilize the cash flow position of the district until reimbursement catches up with the new cost structure.

The proposed special levy is a 1 year levy

The levy will help sustain the hospital until rates stabilize.

Levy is Critical

If the levy does not pass the district could be forced to fully or partially suspend operations impacting all services; clinic, long term care, therapy, lab, and emergency room.

Levy Comparison		
Morton General Hospital (Morton)	\$	1,544,805
Quincy Valley Hospital (Quincy)	\$	1,055,096
Dayton General Hospital (Dayton)	\$	818,171
Lincoln Hospital (Davenport)	\$	515,976
Odessa Memorial Hospital (Odessa)	\$	506,191
Columbia Basin Hospital (Ephrata)	\$	403,786
Newport Community Hospital (Newport)	\$	381,771
Coulee Community Hospital (Grand Coulee)	\$	264,481
Ferry County Memorial Hospital (Republic)	\$	206,237
Garfield County Memorial Hospital (Pomeroy)	\$	80,733

****Most current available data**

Services Remain Open

Presently the clinic, long term care and hospital continue to operate with no disruption in service.

The District has implemented a Temporary Reduction in Force

In order to preserve cash the district has implemented extensive reductions in force through an involuntary unpaid furlough. Direct care staff positions have also been adjusted to reflect the new capacity of the system. Staff reductions will remain in place until the cash flow position of the district stabilizes. The district will continue to evaluate and add back resources as seems prudent to do so.

Approximately 30 People; mostly clerical and administrative staff; Transcription, Housekeeping, Central Supply, Accounting, Nursing Administration, Maintenance, Social Services, Activities and Transportation have been directly impacted. These adjustments have been made without impacting direct patient care. The district is unwilling to compromise patient care.

Reductions could Damage Medical System Capacity

Sustaining long term cuts to the districts cost structure could cause irreparable damage to the system capacity. It is critical to restore the district to full operating capacity as soon as possible or risk more permanent impact to Medicare reimbursement when reimbursement finally catches up with the new cost structure. The fact is, due to the cost-based payment structure, the longer the district sustains these cuts the more it hurts the medical service capacity of the system.

Medicare Reimbursement, Bed Reductions and Staff Cuts are all intertwined

The hospital would not likely survive if it did not eliminate excess nursing home bed capacity and improve its cost structure but because the hospital is paid by Medicare on a prospective basis, it will take time for Medicare to recalculate rates and pay the hospital correctly. While the district is waiting for Medicare rates to stabilize, payment adjustments are eroding cash reserves making it necessary to reduce cost and seek support for a levy.

Technology is also a concern

The district also has a short window of time to meet new technology standards for medical records. If the district fails to comply with these standards by the deadline the district could stand to lose over a million dollars in reimbursement from Medicare.

Why is a levy necessary?

A levy is necessary in order to avoid disruption of services and permit the district to proceed with the required update to technology.

2011 Patient Statistics		
Acute Care	123	Days
Outpatient	3,410	Visits
Clinic	4,521	Visits
Emergency	519	Admissions
Observation	57	Admissions
Physical Therapy	189	Admissions
Long Term Care	11,761	Care Days

For More Information Contact: Andrew Craigie, CEO Andrew.Craigie@GarfieldCountyPHD.org
Phone: 509-566-4120 | Cell: 509-254-3248