

1 MINUTES OF SPECIAL MEETING OF NORTH LAKE COUNTY
2 HOSPITAL DISTRICT OF JULY 10, 2012
3

4 A special meeting of the North Lake County Hospital District (the "District") was held on
5 July 10, 2012 at 5:30 p.m. in County Commission Chambers, Administration Building,
6 315 W. Main Street, Tavares, Florida.
7

8 Mr. Ken Carpenter, Chairman, called the meeting to order and led the Pledge of
9 Allegiance. M. Meredith Kirste, attorney for the North Lake County Hospital District,
10 called the roll to ascertain the trustees present for the meeting, with the following
11 members in attendance: Ken Carpenter, Chairman; Marilyn Bainter; Robert Bone; Roger
12 Beyers; Jerry Brown; and Frances Grossi.
13

14 CONTINUED DISCUSSION OF IMPLEMENTATION OF PROCEDURES FOR
15 COMPLIANCE WITH HB 1299

16 Mr. Carpenter related that he would have several people provide information to explain
17 about their choices for the audit procedures during this meeting. He mentioned that there
18 was a set of draft minutes supplied in the backup materials for the board's review, and he
19 asked whether the board wanted to wait until minutes are approved before posting them
20 on the website. After discussion, there was a consensus to put all minutes on the website
21 before approval as soon as they are available, with a disclosure that it is a draft or
22 preliminary copy and for review only. He then recapped that at the last meeting Ms.
23 Bainter offered to arrange for a presentation by the Well Florida Council, who prepared a
24 study in the 1990's assessing the medical needs of the community, and then introduced
25 Mr. Shane Bailey from that organization, who would be making a presentation about
26 what services they might be able to provide for the board.
27

28 Presentation by Shane Bailey – Well Florida Council
29

30 Mr. Bailey handed out material showing the latest Lake County health profile, which he
31 described as a snapshot of the most recent important data that is available, and he noted
32 that the community of people over 65 years old is a lot larger than the average of Florida
33 in general and pointed out some other demographic data. He commented that the
34 maternal and infant health numbers were good in the county, but the teen birth rate is
35 much higher than the state average. He also pointed out that the county has several
36 federally-qualified health centers, and he gave a list of all the local Health Councils
37 throughout the state, commenting that they may be collaborating with the board in the
38 future to use all the resources they have available. He related that they have also been
39 working on a hospital needs assessment, since there was a new requirement with the
40 Affordable Care Act for any nonprofit 501C hospital to conduct community health needs
41 assessments at least every three years, and he illustrated the model that was used, which
42 took into account all of the community leaders, the funders, the businesses, health care
43 providers, education, government, and public health. He suggested that they look at that
44 information or collaborate with the hospitals and health departments to get an idea of
45 what is already being done in the county. He reported that the map process is currently
46 ongoing with the Health Department, which was also currently working on a community
47 health improvement plan, and he suggested that the board look at working with the

1 Health Department on that. He assured the Board that Well Florida is well prepared to do
2 the types of assessments that they have done in the past and would be happy to work with
3 the board again.

4
5 Mr. Carpenter commented that the impetus for asking Mr. Bailey to make a presentation
6 was a comment made at the last meeting about a similar type of study that was done by
7 Well Florida in the early 1990's, and there was a question about whether they actually
8 had an indigent care need in the community. He asked if that information was easily
9 identifiable in his report.

10
11 Mr. Bailey responded that the information that has been conducted in the map process
12 will give them the knowledge to make an informed decision.

13
14 Mr. Bone asked how long it takes to do a needs assessment.

15
16 Mr. Bailey answered that it depends on how in-depth it is, but usually it takes 6 to 12
17 months.

18
19 Dr. Tully Patrowicz, a physician and former member of this board, mentioned that an
20 updated report is already published and available and does not need to be funded by the
21 board. He also opined that it was an excellent report.

22
23 Mr. Bailey suggested that the Health Department as well as Mr. Jeff Feller, CEO of Well
24 Florida, make a detailed presentation for them.

25
26 Ms. Bainter commented that she noticed that although the population has grown, she does
27 not see a lot of difference in health care and treatment of indigent patients since 1993.

28
29 Chairman Report

30 Mr. Carpenter stated that he next wanted to address the issue of licensed primary care
31 funding and the concerns addressed at the last meeting in regard to whether the clinics
32 would lose their sovereign immunity if they receive any tax proceeds.

33
34 Ms. Kirste related that she researched the Florida Statutes, the Health Care Clinic Act, the
35 Social Security Act, and other agencies and regulations and determined that the term
36 "licensed primary care clinic" was more of a term of art, since she was not able to find a
37 definition for that term. She believed that it might be a health care clinic that provides
38 primary care and that has a primary care physician, and she noted that the legislation
39 requires that the care does not overlap or duplicate anything from the public health clinics
40 in their district in serving those medically indigent residents. She also pointed out that
41 there were numerous exceptions in the legislation.

42
43 Mr. Carpenter commented that it was fairly certain that the two clinics that are currently
44 supported by the hospitals are intended to receive a portion of the proceeds in the current
45 legislation, and he opined that some of the legislation was poorly written, since the
46 terminology that they have to comply with might preclude them from giving money to
47 the free care clinics. He related that he had asked representatives of the hospitals to

1 speak regarding whether they can accept tax proceeds and still operate comfortably under
2 the sovereign immunity clause.

3
4 Mr. Ken Mattison from Florida Hospital Waterman responded that the clinic at
5 Waterman operates as a department of the hospital, and he pointed out that there were
6 two sections within the legislation where the clinics are referenced, which were in
7 Section 6 on page 12, identifying the licensed primary care clinics, and again referencing
8 the sovereign immunity question on page 16, Section 11 stating that the volunteer
9 providers would be covered under sovereign immunity, even if the clinic was
10 compensated. He related that they have sought clarification from the State Attorney's
11 Office on that, since there are paid staff by the hospital who work at the clinic, and the
12 clinic itself is not referenced in this language. He expressed concern that if the clinics
13 were compensated for the care, the clinic and any paid employees would not be covered
14 under sovereign immunity, and the liability should a claim be incurred would far exceed
15 the value of the compensation that they would receive from the tax district. He reported
16 that they have still not received an answer regarding that issue from the state or a private
17 attorney that they had consulted. He added that they were also questioning whether it
18 would discourage volunteerism if a provider believes that the clinic would be
19 compensated for care or services that they were providing.

20
21 Mr. Carpenter stated that he believed other language in the legislation asked for
22 recommendation from the board on how to tweak the legislation to improve it, and he
23 opined that this was one area that needs some improvement. He asked how the board
24 members wanted to proceed with regard to funding the licensed primary care clinics as
25 written in the legislation. He mentioned that the Leesburg clinic did not have the billing
26 and coding expertise that Waterman's clinic has; however, the legislation only requires
27 audit of those providers that receive ten percent or more of the proceeds, and it was
28 proposed that the clinics were only getting five percent of the proceeds this year. He
29 stated that it comes down to whether or not they could give those clinics funding without
30 affecting their free clinic status and the protections that are afforded.

31
32 Ms. Grossi commented that she was under the impression that the clinic was dependent
33 on the hospital getting that money to benefit from it, but she was confused that it would
34 now be a problem for them to receive that money.

35
36 Mr. Mattison explained that there was a clear understanding that the intent of the
37 legislation was going to be to provide reimbursement for clinic-type services and not
38 affect sovereign immunity, but unfortunately that is not clear in the legislation.

39
40 Mr. Phil Braun, Vice President and General Counsel for Leesburg Regional Medical
41 Center (LRMC), noted that their clinic was a little bit different, since it was located at the
42 Baptist Church and built with a grant from the previous foundation that was in place;
43 however, LRMC funds staff and provides quarterly operating funds for that clinic, and
44 they also have grant and pharmaceutical funding. He explained that if the hospital was
45 not receiving this money, they would have to pay more money to cover the indigent care
46 that comes through their emergency room and other ways, leaving them less funding to
47 operate, since it was funded with their own money rather than coming directly from the

1 taxing district. He also pointed out that since they were a nonprofit, all of their money is
2 reinvested back into the community in some way. He added that they currently operate
3 under a clear, proven statute that gives the clinic and providers sovereign immunity;
4 however, he feels that a good malpractice attorney can take advantage of the looseness of
5 the language contained in the legislation. He also mentioned that they do not require the
6 same auditing and medical necessity documentation to provide the care, and it was a
7 much different system, which he opined currently works well with no reason to change it.

8
9 Mr. Samuel Smith with the Community Medical Care Center in Leesburg noted that their
10 clinic was very efficient and light on administrative staff, and they would like to keep it
11 that way. He related that their affiliation with the hospital brings many benefits and pro
12 bono services such as tests. He indicated that they were already turning away many
13 people every week because of full capacity, and their appointments are made two to six
14 weeks out. He expressed concern that if they had to increase their cost per patient, it
15 would reduce the number of patients that they could see, and their appointments might
16 get to up to six months out. He commented that they would very much prefer to find
17 some way to make it work the way it is currently set up.

18
19 Mr. Carpenter remarked that they would need more space to see more people rather than
20 necessarily more dollars.

21
22 Mr. Smith responded that they would need more space and more volunteer doctors.

23
24 Ms. Bainter commented that she was hearing that there was a real need for clinics to treat
25 the indigent. She moved that the board make a list of medical providers and send a letter
26 informing them that these taxes are available for them to set up a primary clinic to
27 provide care to indigents. The motion died due to lack of a second.

28
29 Mr. Beyers commented that the clinics were already making the best use of their funding
30 rather than reinventing the way they operate or giving those dollars to for-profit providers
31 that could be better spent at clinics such as that one, since he did not think the for-profit
32 enterprise would have near the efficiency with the tax dollars being spent.

33
34 Mr. Smith responded that the need needs to be met and that they are always in need of
35 more capacity; however, the only reason the Community Medical Care Center works is
36 because of the volunteer doctors and dentists, and if they had to pay professionals to
37 provide those services, the money would be gone quickly and they would not be able to
38 see even a small fraction of the patients that they currently do.

39
40 Mr. Carpenter suggested that the route the board needs to take is to tweak the legislation
41 in order to get the money to the clinics that would help them expand their services, since
42 he believed taking profit out of the equation would result in the dollars being spent much
43 more efficiently; however, he did not know if they could allocate the five percent of the
44 tax money to the clinics as discussed at the last meeting until they get word from the
45 State Attorney's Office regarding the sovereign immunity issue.

1 Ms. Grossi mentioned that she spoke to someone from Community Health Center who
2 believed that Leesburg Family Health Center might qualify for some of the funds.

3
4 Mr. Carpenter commented that they would need some clarification before they could
5 figure out who would qualify as a licensed primary care clinic.

6
7 Mr. Braun opined that licensed doctors and dentists were not in the business of operating
8 a clinic to provide indigent care as suggested in Ms. Bainter's proposal but rather to
9 provide care to Medicare and commercial payers and therefore would not be qualified
10 under the bill. He also commented that the matching dollars now being received by the
11 hospitals would then go to another county, which he believed would be a big mistake,
12 and he pointed out that the board was already defending a lawsuit alleging that the tax
13 dollars could not go to a private for-profit corporation.

14
15 Mr. Jon Cherry, CEO of Lifestream, reported that they currently receive five percent of
16 the funding from the taxing district or approximately \$500,000, which pays for about 300
17 beds in their hospital, and they receive an average of eight indigent patients a day with no
18 funding source for uncompensated care. He mentioned that the patients they serve with
19 mental illness on average die 25 years earlier than individuals in the average population,
20 partially due from lack of primary care, and they have created a primary care clinic for
21 individuals who they serve at their outpatient locations. He agreed that the lack of a
22 definition for primary care in the legislation needs to be addressed, and he opined that it
23 was difficult to get primary care physicians and psychiatrists into this community and
24 that there was a shortage of those providers.

25
26 Mr. Carpenter mentioned that one of the stumbling blocks that was discussed at the last
27 meeting was how they were going to actually audit the charges that were being submitted
28 for consideration for reimbursement, and the legislation calls for residency, income, and
29 asset limitations, which were within the HCRA guidelines with the exception of the
30 income of 200 percent rather than 100 percent of the poverty level. He also related that
31 the legislation states that the providers have to certify that those indigent charges are
32 medically necessary, and the reimbursement is the lower of cost or Medicare
33 reimbursement. He reviewed a draft document in the packet that he prepared which he
34 entitled "Indigent Care Review: Agreed Upon Procedures," that they could use to get
35 some idea of cost from TPA's and accounting firms. He commented that there were
36 different levels of assurance that are provided by auditing firms, and he pointed out that
37 an audit does not guarantee that the numbers presented are absolutely accurate but rather
38 to determine that there are adequate controls in place and that the materials presented to
39 them are not misstated. He opined that there has to be some level of trust regarding the
40 information that comes from the hospitals, which employ some of the largest and well-
41 known independent international accounting firms in the world. He suggested that they
42 use the cost to charge ratio that is determined using the cost report information and the
43 reimbursement to charge ratio that also comes from that information, noting that the cost
44 reports are audited by an independent intermediary for Medicare, tracing all the
45 information in the cost report back to the general ledger that is a source of their audited
46 financial statements for the institution.

47

1 Mr. Carpenter also mentioned that, as noted in the handout, he recommended using
2 information standards that are published by Medicare programs such as hospital-specific
3 base payment rates and case weighting, since this information is widely used, is publicly
4 available, follows specific rules, and is audited by Medicare for accuracy. He elaborated
5 that the cost-to-charge ratio changes on an annual basis, and the costs are not fixed but
6 based on the costs that are incurred and the types and number of procedures that are
7 performed throughout the year. He then went over the agreed upon procedures to
8 validate that the accounts meet the District's guidelines for indigent care eligibility and
9 costs, including sampling of the population using industry standard techniques, validation
10 of medical necessity by physician order, and validation that the account meets proof of
11 identification, residency, and income eligibility criteria. He commented, however, that it
12 would be very difficult to audit medical necessity, since it is very subjective and requires
13 some specialized knowledge, and the board will have to agree on what will suffice in that
14 regard. He went over the determination and calculation of the reimbursement of the
15 lower of Medicare payment or cost for both inpatient and outpatient indigent charges,
16 noting that there were significantly more outpatient than inpatient encounters. He asked
17 for acquiescence among the majority of the board to use these audit procedures as a basis
18 in order to obtain an estimate of costs to perform these services.

19
20 Mr. Beyers commented that it sounds like most of those items rely on documentation and
21 guidelines from federal and other standards that are already in place.

22
23 Mr. Carpenter pointed out that the legislation requires they use the HCCRA guidelines.

24
25 Mr. Howard Weiner from LifeStream elaborated that they file a Medicare cost report, but
26 the only problem they would have is that they bill under the perspective payment system
27 and get paid a calculated amount by Medicare rather than under DRG, since it is a
28 psychiatric hospital. He added that they do have a cost-to-charge ratio that could be
29 verified from their Medicare documentation and a cost report.

30
31 Ms. Frances Crunk, CFO of Florida Hospital Waterman, explained their staff has started
32 a diversion program which directs patients from the emergency department of the
33 hospital to seek follow-up services at the free clinic, and they are having good success
34 with that program. She added that if a patient needs further diagnostic or in-patient care,
35 then they go through WeCare to find the providers to take care of them at the hospital.
36 She commented that the patients who go to the free clinic have to be willing to comply
37 with the requirements to fill out documentation and supply information to the hospital,
38 but they are trying to educate that population that it will be better for them to do so,
39 including the benefit of having their subscriptions filled for free at the clinic.

40
41 Mr. Brown asked if there are standards that could be used to determine medical necessity.

42
43 Ms. Crunk answered that there are several standards that are utilized in the medical
44 community, but the most frequently used is InterQual criteria, which measures the
45 severity of illness and the intensity of service that a patient receives, and the rationale
46 could be determined from the discharge summary by someone with a clinical
47 background.

1
2 Mr. Carpenter read information he received from Mr. Mattison which stated that
3 Medicare requires that Waterman justify medical necessity using InterQual criteria,
4 which requires a very special skill set by those with a clinical background who are trained
5 for that specifically. He then gave a definition for Interqual criteria, which was a set of
6 measurable clinical indicators as well as diagnostic and therapeutic services reflecting the
7 need for hospitalization, which considers the level of illness of the patient and the
8 services required, and it serves as a criteria for all acute hospital care regardless of
9 location or size of the hospital. He added that the hospital's case managers all understand
10 the criteria, use it daily, and are regularly reviewed by Medicare intermediaries in their
11 review of claims, and he pointed out that there are penalties for fraudulently submitting
12 claims that do not meet criteria. He also opined that auditing it would bring in a lot of
13 subjectivity.

14
15 Mr. Carpenter then related that he has had several conversations with TPA's, including
16 HS1 mentioned at the last meeting, who gave him a proposal which he forwarded to the
17 board members. He explained that that firm had base charges based on an estimated
18 number of encounters that they would have to audit, and their costs are based on the
19 number of claims they have to process and applicants that they have to determine
20 eligibility for. He pointed out that they were proposing a system exactly like West
21 Volusia's the way it was described at the last meeting, with the issuance of cards for
22 those that are determined to be eligible and going through all the claims submitted by the
23 various providers. He specified that there was a \$10,000 flat monthly fee based on 715
24 encounters per month, additional charges for encounters in excess of 715, and a
25 processing fee of \$21 per application; and he estimated that the charges would total at
26 least \$210,000 to \$215,000. However, he opined that a lot of those services would not be
27 necessary for Lake County. He relayed that he spoke with the audit partner for
28 Waterman, who indicated that his firm was not willing to get involved with the eligibility
29 criteria, but would be able to determine whether the amounts and charges were
30 appropriately calculated, for a charge of between \$50,000 and \$75,000 per year for
31 Waterman Hospital. He estimated that the charges would be similar for LRMC, and they
32 would still need to look at the eligibility criteria. He added that the County was familiar
33 with the HCCRA guidelines, but there has been some hesitancy on the County's part to
34 get involved with cost negotiations at this point, since there were factors that were still
35 unknown. He also mentioned that there were also some regional accounting firms that
36 specialized in health care and that hospitals are already in the process of implementing
37 documentation standards that will be in compliance with the new legislation.

38
39 Mr. Brown commented that the cost for the services they would need could get up to
40 \$400,000, and he opined that it is unfortunate that it will go towards administrative costs
41 rather than health care needs; however, he thinks Mr. Carpenter's document was a good
42 guideline for going forward.

43
44 Ms. Pat Sykes-Amos suggested that they split up the services between different kinds of
45 firms or partners, noting that the County has expertise for eligibility and that the TPA has
46 the expertise to check and manage the charges and give a report quarterly of the services
47 rendered, as well as any errors or discrepancies found.

1 Mr. Carpenter stated that he would look into that, but he was not sure if the TPA firms
2 would be interested in doing that.

3
4 On a motion by Commr. Bone, seconded by Mr. Brown and carried by a vote of 5-1, the
5 NLCHD board approved the use of the proposed Agreed Upon Procedures in an effort to
6 seek services and determine the cost of implementing the legislation for the audit.

7
8 Ms. Bainter voted “no,” stating that she did not feel that she had enough time to absorb
9 the information that was presented.

10
11 Mr. Carpenter pointed out that these were not finalized and that his goal is to try to find
12 and make a recommendation for the most cost efficient way of getting that done, which
13 they can hopefully agree upon at their next meeting. He also mentioned that he did not
14 receive the information presented until just before the meeting, which was later than he
15 had asked for it.

16
17 Mr. Beyers commented that he felt more comfortable with this information after going
18 over it at this meeting, and he understood it was a working draft and a tool to get some
19 hard numbers. He commended Mr. Carpenter for taking the time to put it together.

20
21 OTHER BUSINESS

22 Mr. Carpenter set the date for the next special meeting for Thursday, August 23 at 5:30
23 p.m. in order to wrap up the agreed upon procedures and enter into an agreement with
24 outside parties to perform these audit procedures before the September budget meetings.

25
26 Ms. Kirste announced that email addresses have been set up for all of the board members,
27 which consists of their initial and last name @ northlakecountyhospitaldistrict.org. She
28 related that if they do not wish to access these, the webmaster would be glad to forward
29 the emails directly to their personal addresses, but they would need to let her know.

30
31 Mr. Patrowicz relayed that an update of the 1993 study has been published by Well
32 Florida, and he recommended strongly that the board members read that study, which
33 they can obtain through the Health Department or online, along with the text document
34 that explains a lot of those statistics and gives an overview of the status of health care in
35 Lake County as well as a state and national picture.

36
37 ADJOURNMENT

38
39 There being no further business to be brought before the board, the meeting was
40 adjourned at 7:50 p.m.

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42
43
44
45 _____
Ken Carpenter, Chairman