

Hospital audit brings mixed news

By Sharon Corcoran
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Goodland Regional Medical Center's audit report brought good news and bad news, noting that the hospital had good cash flow and expects \$625,000 more from Medicare but still had an operating loss last year.

Roger L. Johnson and Adam C. Crouch, certified public accountants with Wendling, Noe, Nelson and Johnson, told the hospital's board about the 2007 audit at their meeting last Monday.

"Whether or not the hospital is better or worse off from last year's activities," said Administrator Jay Jolly, "is not a simple answer. Some things are better, while others aren't as strong as we would like."

The best news from a financial standpoint, he said, is the hospital's cash flow. Positive cash flow is important, he said, and the report was not unexpected. The \$625,000 settlement coming back to the hospital is also good news, he said.

The hospital increased its net assets by about \$342,000 in 2007 and \$926,000 in 2006, Jolly said, mostly due to an increase in operating income, the difference between the net patient service revenue and expenses.

However, while the operating revenue increased by 4 percent during 2007 and .3 of 1 percent during 2006, operating expenses increased by 8 percent during 2007 and 5.2 percent during 2006.

Some of what looks like losses, Jolly said, really is money reinvested into the hospital, such as money set aside for capital purchases and money spent on education and recruitment. The hospital will see the returns on those later, he said.

The hospital faces challenges because services covered by federal programs, Medicare for the elderly and Medicaid for lower-income people and welfare clients, accounts for 63.1 percent of gross patient revenue and 55.1 percent of net patient revenue, he said, up from 63 percent and 54.7 percent in 2006. He said having the "critical access" designation for reimbursement is helping.

The hospital has agreements with third-party payers, such as Medicare and insurance companies, to charge less than the established rates, Jolly said; these discounts are referred to as "contractual adjustments." He said the hospital's prices are increasing more than the payment rate from third-party payers, especially Medicare and Medicaid.

The contractual adjustments were \$4,657,314 for 2007 and \$4,887,871 for 2006, compared to gross patient service revenue of \$17,272,945 for 2007 and \$17,196,013 for 2006. The hospital had \$291,882 and \$517,244 provision for bad debt in 2007 and 2006 respectively and \$187,532 for charity care in 2007 and \$104,193 in 2006.

This is the primary reason the hospital became a Medicare certified critical access hospital with a designated hospital-based rural health clinic, he said; with the new designation, Medicare reimburses the hospital for its costs rather than below cost.

Some hospitals see a large enough volume of patients, he said, to make up the losses on Medicare patients with payments from others, but Goodland does not. If Medicare still paid less than the cost of care, he said, the hospital would be losing money.

The formula of payment for

critical access hospitals is allowable costs plus 1 percent, he said, which when factoring in the costs the government doesn't allow, covers actual costs. The hospital shouldn't lose money theoretically, he said, but the government is guaranteeing cost, not an actual profit margin, and for a business, 1 percent would not be enough to be profitable.

Medicare underpaid the hospital by \$625,000 in 2007, Johnson said, and the paperwork has been filed to collect that. The hospital should expect that windfall soon, he said.

The hospital is conservative in estimating contractual write-offs for the year, Jolly said, since there is no way to know at the beginning of the year if there will be a change in Medicare law or rules. The hospital doesn't want to have to pay a lump sum at the end of the year, he said.

Medicaid changed the rules for reimbursing critical access hospitals as of Oct. 5, Johnson said, and are now paying according to cost like Medicare. That may result in \$200,000 more coming in each year, he said.

The Northwest Kansas Area Medical Foundation is a component unit of the hospital and its financial statements need to be included to make a fair representation of the hospital's finances, Johnson said. The foundation's finances are included in Statements of Cash Flows, though they were not audited by the firm, he said.

The statement said the foundation showed \$83,415 in net cash used by operating activities in 2007.

The foundation received \$171,702 in non-capital grants and contributions for 2007 and \$149,224 for 2006. It used \$245,545 in net cash for operating activities. It received \$5,047 from investments in 2007 and \$7,031 in 2006. At year end, it is listed as having \$227,681 in cash and cash equivalents for 2007 and \$133,447 for 2006.

The hospital had \$12,271,044 in cash flows from operating activities for 2007 with \$6,315,967 in payments to or on behalf of employees, \$5,400,633 in payments to suppliers and \$204,304 in other receipts, leaving \$794,748 in net cash provided by operating activities.

Cash flows from non-capital financing activities included \$378,813 from county appropriations for 2007. Cash flow from capital and related financing activities for the hospital were (\$839,376) for the purchase of capital assets, \$53,340 for proceeds from sale of capital assets, (\$12,627) in payments on capital lease obligations, (\$136,644) for repayment of long-term debt and (\$50,747) for interest paid, leaving net cash used by capital and related financing activities at (\$985,904).

Cash flows from investing activities were (\$397,615) in increase in assets whose use is limited by the board, (\$1,297) in increase in assets whose use is limited by bond resolution, (\$12,207) in student loans, \$1,950 repayment from student loans and \$117,975 in interest received, leaving net cash used by investing activities at (\$291,194).

The hospital's increase (decrease) in cash and cash equivalents was (\$103,537). It had cash or equivalents of \$1,462,389 at the beginning of the year and \$1,358,852 at the end.

Kids try hand at sewing clinic

More than 20 students signed up this year for Grandma Flo's Sewing Camp, sponsored by Sherman County 4-H and held for the first time this year Sparks Towers recreation room.

The camp has been offered to Sherman County kids for the last three years through the memorial of Florence Meissinger, a seamstress who did alterations and was project manager for 4-H projects over the years. Mrs. Meissinger died in 2006.

Instructors this year were Pam Sheldon, Candi and Amanda Meissinger, Jeannie Mann, Megan and Chelsie Sheldon, Sheri Rider and T.J. Yarger.

Sessions were divided into age groups and projects. Five boys came for the session on Friday, 10 girls from 8 to 10 on Saturday morning and at least five girls from 11 up on Saturday afternoon.

Sheldon and Mann went from one student to another, showing them how to pin pieces and sew them together.

Mann would send kids over to the ironing board to have the seams pressed flat, or she would help rip them out for another try.

This year the participants could make a back pack, tool holder, duffel bag or reversible skirt. Last year, the camp was at the 4-H building at the fairgrounds,



McCrae Rider rolled up a tool carrier that he made at Grandma Flo's Sewing Clinic on Saturday morning at the Sparks Towers recreation room.
photo by Pat Schiefen/The Goodland Star-News

Library goes buggy in reading program



Rachel Witman sang and moved with the music as Thad Beach played and sang about "not letting the bugs land on me" at the Bugjuice Jamboree, a kids' program at the Goodland Public Library

on Thursday afternoon. The singer's family member, Keaton Beach, was in charge of the flying bugs.

Photo by Pat Schiefen/The Goodland Star-News

Kids got to sit around the campfire at Camp Bugaboo and hear funny songs Thursday afternoon at the Goodland Public Library's summer reading program.

Thad Beach, a Salina musician, performed on the guitar, harmonica and juke harp. The audience got to join the Fly Swatter Symphonic Philharmonic, using his "Band in a Bucket," containing a limberjack, washboard, bucket bass and other

makeshift musical devices. Beach, a Wolf Trap Early Childhood Teaching Artist with Kansas Wolf Trap and Arts Partners of Wichita, calls himself a songsmith, teaching a language-arts based approach to song writing.

He said he grew up in Hamilton, Ohio, and moved to North Carolina after high school. He earned a Bachelor of Arts in geology from the University of North Carolina at

Wilmington.

cause they got to participate," said Librarian Karen Gillihan.

"The kids loved the program be-

corrections

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report errors. We believe that news should be fair and factual. We want to keep an accurate record.

IMPROVEMENT GRANTS Available

The Sherman County Economic Development Office is offering 2 separate grants for Sherman County residents for exterior improvements to housing or businesses. If you are interested in this program, please stop by the office at 104 E. 10th for an application. Applications must be received by 4:30 p.m. on June 20th. For questions, please call 785-890-3743

MEXICAN NIGHT
6/12/08 FROM 5:50-7:00 PM
Good Samaritan Society-Sherman Co.
208 W. 2nd

MENU: Beef or Chicken fajitas, beef tacos, cheese enchiladas with Spanish rice, refried beans, chips and salsa or ham and beans with cornbread. Dessert-Mini cheesecake or lemon bar- \$7 for adults and \$4 for kids under 12.
All proceeds will go to Relay For Life



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