

Hospital plan averts severe financial emergency

CLGF cites progress over past year

By Rudy Herndon

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CARSON CITY — They came here prepared to defend Pershing General Hospital's plan of corrective financial action, but in the end, the plan spoke for itself.

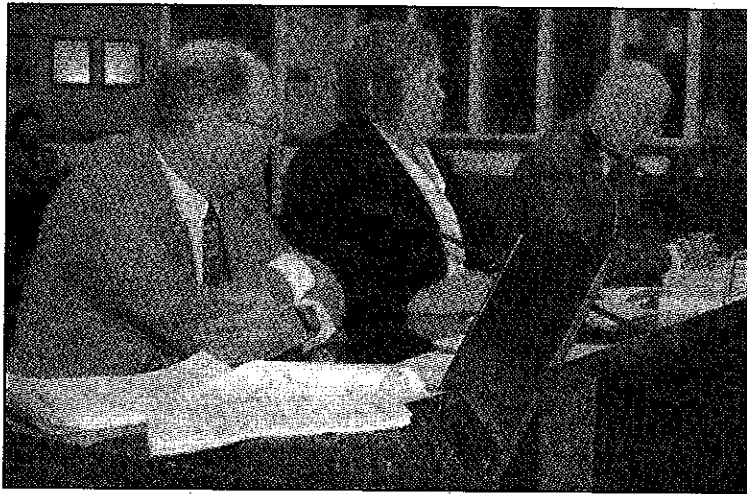
The Nevada Committee on Local Government Finance (CLGF) declined last week to declare a severe financial emergency that could have led to a state takeover of the facility. Instead, committee members praised hospital officials and employees for implementing their own strategy that has put the facility on the path toward financial stability.

"I think we've made ... enough progress that I don't think we need to do anything about going farther at this moment in time with this severe financial emergency," CLGF Chair Marvin Leavitt said during the committee's Dec. 14 meeting. "Congratulations on what you've done, and keep doing it."

CLGF Member Beth Kohn-Cole echoed those comments.

"I'd like to commend you guys," she said. "I know you have a long way to go still, but I believe these numbers reflect significant progress."

Mary Walker singled out the hospital's efforts to fill nursing home beds as just one positive step that PGH has taken over the



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Representatives from Pershing General Hospital told the Nevada Committee on Local Government Finance that they're working aggressively to address some of the state's longstanding concerns about the facility's fiscal situation. PGH Trustee Charles Safford and CEO Patty Goldsworthy are pictured, along with Nevada Department of Taxation Local Government Finance Supervisor Tom Gransbery at far right.

past year.

"You've done some really good stuff here," Walker said. "That's the first time we've seen a kind of long-term solution to your finances that we're looking at, so it's really great."

Alan Kalt took a moment to recognize a group of hospital administrators in the crowd, including PGH Human Resources Director Cindy Hixenbaugh, Director of Clinical Services Deanna Davis and Revenue Cycle Manager Debbie Mock.

"In rural Nevada, rural health care is a community-wide endeavor,

and without the hard work of the residents, the employees and management, we wouldn't be seeing this progress," Kalt said. "Kudos to everybody in Lovelock."

The committee's words of encouragement stood in contrast to its tone in October, when Leavitt and Walker essentially left the hospital's representatives with a stern warning: get your act together, or else.

In hindsight, though, their threats of a looming state takeover may have been understandable,

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given the committee's relationship with former hospital administrators.

The CLGF, along with the Nevada Department of Taxation, has been keeping close tabs on the hospital for the past eight years.

Initially, Taxation Department officials were concerned that the facility had fallen behind on its obligations under the Public Employee Retirement System (PERS).

While previous hospital administrators repeatedly assured state officials that they were working to address the problem, PERS liabilities remained an issue through much of this year.

At the same time, the hospital continued to fall behind on its payments to vendors — another condition that could have led to an emergency declaration.

Even as those problems grew, a third issue popped up when a recent audit questioned the hospital's ability to continue as a "going concern" — or viable business — in the near future.

Among other things, the audit found that the hospital is out of compliance with the terms of its U.S. Department of Agriculture (USDA) loan. Under the loan's covenants, the hospital should have about \$136,000 in reserve at this point, but the auditor found that it did not.

Steve Boline, who is currently serving as the hospital's interim Chief Financial Officer, acknowl-

edged that those three conditions gave state officials the grounds to declare a severe financial emergency.

"We don't deny that legal conditions exist for this designation, and we also don't deny that we've struggled to get to where everyone knows we need to be," he said.

But Boline said he and other PGH officials believe that an emergency declaration would be extremely detrimental to the progress and success the hospital has demonstrated to date.

PGH CEO Patty Goldsworthy gave Boline and the rest of the Nevada Rural Hospital Partners' team credit for helping the facility get back on its feet.

"Pershing General Hospital needed guidance; we needed to listen to that guidance, and it was because of NRHP ... that we've been able to achieve what we have," she said.

In just one sign of the progress they've made, hospital officials pointed out that they've bought more time to comply with the terms of the USDA loan.

They're also close to fully easing the second of the CLGF's three major concerns.

At this point, PGH is just two months behind on its PERS payments, and Boline expects it will catch up in full by next February.

Finally, the hospital is making good on its plan to collect past-due accounts, while paying its own outstanding bills in a more timely manner.

Those three steps are all part of a broader plan to bring Pershing General's operations in line with the industry's average for a smaller rural facility.

In other key actions it's taken, the hospital sold its cash-draining retail pharmacy, which cost the facility at least \$25,000 a week in up-front expenses.

Leavitt, in particular, questioned why it would continue to rack up those expenses, since it's not required by law to provide those services.

He and other CLGF members also struggled to understand why previous PGH administrators didn't make concerted efforts to fill nursing home beds — one of the few guaranteed moneymakers that a small hospital has at its disposal.

Until this year, many of those beds remained empty. But the hospital has since moved aggressively to boost its long-term care census, and sure enough, the additional revenue from those patients has actually offset losses in other areas.

"That just underscores how significant of an accomplishment and how important it was as a business or financial strategy for the hospital," Boline said. "And we'll continue to see that trend go up."

PGH Trustee Charles Safford told the committee that the hospital is not quite where it needs to be. But if current trends continue, it should be in fine shape in another year or two, he said.

He noted that between late June and the end of last month, the hos-

pital's debt dropped from about \$1.01 million to \$678,000. In other words, it fell by more than one third in just a few months' time.

To reach that point, hospital board trustees and administrators had to make some tough decisions that affected nearly every employee. Some staff members were reassigned to other positions, while others were asked — or forced — to retire.

"While this has been painful, the result has been very positive for the hospital," Safford said.

Employees had to make other sacrifices, as well: Their salaries have been cut, while their medical insurance and accrued time off have been capped. But according to Safford, they understand those actions were necessary.

"It pleases me to report ... that they're fully on board with these changes, and morale has remained high with our staff," he said.

Moving into the future, Safford said the hospital is now focused on paying off its remaining debt, while keeping up to date on its bills and PERS obligations. It also plans to build a financial cushion, he said.

As it is, Boline believes that the hospital's cash flow for the rest of the current fiscal year will be steady enough to fund its current operations, as well as other non-recurring expenses. According to the most recent financial projections, it should generate a positive cash flow of \$485,000 during the next fiscal year.