

**By Russ Pankonin**

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Interim Hospital Administrator Gary Bieganski told county commissioners last week the hospital is focusing on reversing a trend of operating losses.

Bieganski, financial officer Renee Fink and Chase County Community Hospital (CCCH) board members John Burke of Imperial and Eddie Nichols of Wauneta met with commissioners to brief them on operations.

Since 2008, the hospital has been operating at a loss in every year except 2009. Grant money received by the hospital was the only thing that pushed the hospital into the black that year.

For the period of fiscal years 2008-2013, operating losses total \$1.832 million.

### **This year's operating loss**

For the fiscal year 2012-13 that ended June 30, Fink said the hospital's unaudited loss appears to be \$956,000. Auditors are in the process of completing the audit.

Fink said the hospital's bad debt expense has continued to climb significantly. She said this year will be the highest ever, with the hospital writing off more than \$1.3 million as bad debts.

Included in that figure is almost \$180,000 in accounts receivables that have been carried on the books for several years.

She said that amount was never going to be collected so they took it off the books this year to provide a clearer, more accurate financial picture.

She noted charity care ran \$161,000 this past year, which is also a part of the bad debt expense.

Fink said two other write-offs for 2013 played a factor in the near \$1 million loss.

The board expensed out \$151,089 in architect fees during the past year.

The board and administrative team determined more planning was needed to assess future needs of the hospital. As a result, the cost for architect renderings thus far was written off and was included as part of the loss.

Even with the financial condition of the hospital where it is, Bieganski reminded commissioners the present hospital is 37 years old and aging.

There are building needs that need addressed, he said.

Another part of this year's loss was a write-off of \$160,891 in receivables from doctors no longer employed by the hospital. While collection will be pursued, Fink said collection is doubtful.

### **Performance below peers**

The hospital board commissioned a peer review study by the Nebraska Hospital Association to see how CCCH stacks up against other rural critical access hospitals in Nebraska.

The study looked at fiscal years 2008 through 2012.

In terms of operating margin, the best peer hospitals operated at a 7.6 percent profit margin with the median at 4.2 percent in 2012. CCCH operated at a negative 1/10th of a percent.

The highest margin for the hospital occurred in 2009 with a 1.8 percent margin.

With hospital revenue for the year at \$11 million, the percentage of bad debt to revenue stands at 8.5 percent. In fiscal year 2012, this ratio ran 5.2 percent.

For other hospitals, the median in 2012 was 3.4 percent with some of the top hospitals coming in at 2.3 percent.

Both Fink and Bieganski said they are looking at changes to stem the trend of losses.

The hospital didn't get into this situation in one year and it can't be fixed in a year either, Bieganski warned commissioners.

Bieganski said informing the staff and county residents of the situation represents a good start. He said they are working on internal reorganization with all departments represented.

One of the goals will be to reduce the amount of co-pays and self-pays that go unpaid. He said it's imperative that screening is completed on the front end by staff to help reduce that number.

He said the report is beneficial in that it helps staff to compare themselves with peer hospitals. Seeing what CCCH may not be doing or doing differently than other successful hospitals is key.

Bieganski said the hospital is just beginning to see the benefits of moving their billing back in-house.

He said insurance payments and other accounts receivables are coming in quicker, improving cash flow.

He looks for even more efficiencies in the process with time.

Often an overlooked factor, attitudes are beginning to improve, Bieganski said, as people work collectively to make positive changes.

He told the commissioners the hospital has exceptional people on staff who all work to provide exceptional care.