



**NOTICE OF SPECIAL BOARD MEETING OF  
THE UPPER SAN JUAN HEALTH SERVICE DISTRICT  
d/b/a PAGOSA SPRINGS MEDICAL CENTER**

Tuesday, October 12, 2021, at 5:30 PM

The Board Room (direct access – northeast entrance)  
95 South Pagosa Blvd., Pagosa Springs, CO 81147

**ALL ATTENDEES MUST BE SCREENED PRIOR TO ENTERING THE  
MEETING & ALL PERSONS MUST WEAR A MASK**

Please use this link to join the meeting:

<https://us02web.zoom.us/j/83483912591?pwd=N3dQOEN6aDhxd1JDSkFvZlI3MnJVUT09>

or telephone (346) 248-7799 or (669) 900-6833

Zoom Meeting ID: **834 8391 2591**

Passcode: **734730**

**AGENDA**

- 1) CALL TO ORDER; ADMINISTRATIVE MATTERS OF THE BOARD**
  - a) Confirmation of quorum
  - b) Board member self-disclosure of actual, potential or perceived conflicts of interest
  - c) Approval of the Agenda (and changes, if any)
- 2) PUBLIC COMMENT** (This is an opportunity for the public to make comment and/or address USJHSD Board. Persons wishing to address the Board need to notify the Clerk to the Board, Heather Thomas, prior to the start of the meeting. All public comments shall be limited to matters under the jurisdiction of the Board and shall be expressly limited to three (3) minutes per person. The Board is not required to respond to or discuss public comments. No action will be taken at this meeting on public comments.)
- 3) PUBLIC HEARING ON THE PROPOSED 2022 BUDGET FOR USJHSD**
  - a) Open the Public Hearing on the proposed 2022 budget
    - i) Overview of the budget by PSMC's CFO
    - ii) Questions/comments of the Board
    - iii) Questions/comments of the public
  - b) Close the Public Hearing
- 4) OTHER BUSINESS**

Next scheduled regular meetings are Tuesday, October 26, 2021 and Tuesday, November 16, 2021. Does the Board wish to hold both meetings or only November 16, 2021.
- 5) ADJOURN**

# UPPER SAN JUAN HEALTH SERVICE DISTRICT

DBA: PAGOSA SPRINGS MEDICAL CENTER

## BUDGET PROPOSAL

2022



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UNIVERSITY OF SOUTHERN JEROME HIGH SCHOOL DISTRICT

## **2022 PSMC BUDGET OVERVIEW**

In 2022, PSMC will continue to offer hospital services, outpatient clinic services and EMS/ambulance services to the District. PSMC's goals for 2022 are set forth in the three-year Strategic Plan approved by the Board of Directors in September 2021. The proposed budget positions PSMC to carry out the Strategic Plan and to pivot to meet unplanned demands.

Preparing the budget for Pagosa Springs Medical Center always requires addressing a number of unknown variables, but in planning the 2022 budget there are significant uncertainties due to the continuation of the COVID-19 pandemic. As we look back at 2021, PSMC spent an enormous amount of unanticipated employee time vaccinating the community, screening patients, and educating the community. These actions were the right thing to do and PSMC is proud of this work, but it took a toll on our staff who are worn out from the stresses of caring for a community in this unprecedented time. The unexpected experiences in 2021 inform us that we may not successfully predict what will result from the pandemic in 2022. We know PSMC will face many challenges in 2022, but we anticipate the greatest challenge will likely be staffing resulting from both a nationwide shortage of healthcare workers and a lack of economical housing in Archuleta County.

## **BUDGET ASSUMPTIONS**

With respect to ***revenues***, PSMC makes the following 2022 budget assumptions:

- A decrease in Medicare reimbursement from 99% of PSMC's allowable costs to 95% of PSMC's allowable costs – this change by the federal government results in PSMC serving Medicare patients at a more significant loss than 2021.
- A decrease in property tax revenues by twenty percent (due to SB21-293 that temporarily reduces the assessment rate for 2022 and 2023).
- A decrease (over 2021) to zero federal dollars to address the losses and expenses incurred as a result of COVID-19.
- Static donations at \$200,000.
- Increase in patient volume by 3%. Due to the impacts of COVID-19, some increases to revenue have been hard to quantify and predict. Anticipated increases in revenues include the following: RHC due to improvements in efficiencies; the Cancer Center due to steady growth; pain management due to expansion of the service line; and radiology due to the new MRI (which accommodates larger patients and bariatrics) as well as increased volumes from the Cancer Center and pain management.
- Increase in prices by 3%. Last year PSMC did not make pricing increases in many departments in order to remain competitive; however, this year, PSMC's anticipated expense increases necessitate the price increases. PSMC's price increases are less than the 4% allowed in our contracts with insurance companies.

With respect to **expenses**, PSMC makes the following budget assumptions:

- Increase in personnel compensation expense of two percent. PSMC's largest expense continues to be labor. PSMC offers the most competitive wages that PSMC can afford; however, the economic changes of the pandemic (i.e., fewer employees available to hire and employees who opt to work as a "traveler" at significantly higher rates than ongoing employment) make it very difficult for PSMC to be competitive in hiring qualified employees.
- Increase (inflation) in costs for the following:
  - 3.3% in medications;
  - 3% for supplies; and
  - 7% for employee health insurance plan.
- Increase by 62% in IT expenses to improve IT security and disaster recovery for business continuity.
- Other expenses are status quo to 2021. But note: PSMC has maintained throughout 2021 additional supplies (mostly personal protective equipment) and equipment necessary to keep employees and patients safe.
- Decrease of bond payment expenses resulting from the 2021 refunding of the 2006 bonds.

With respect to **capital replacement**, PSMC has a 5-year capital replacement plan and has prioritized items based upon remaining life and the Strategic Plan. The budget includes \$886,736.90 of capital expenditures for immediate capital needs of PSMC.

Due to the temporary decrease in property tax revenues and Medicare's decrease in its reimbursement to 95% of allowable costs, the 2022 budget anticipates a break-even year.

## **POSITIONS**

As PSMC continues to advance the complexity and volume of services it provides, there is an increase in full-time equivalent (FTE) positions added. For 2022, the budget includes a net increase of 12.04 FTEs to address the demand for clinical services (orthopedics upper extremity, cardiology, primary care, behavioral health, CT and PT) as well as staff that support services (patient experience, security, lab administration, IT, restructuring of EMS, clinic and preauthorization). Finally, Kathee Douglas, CNO/COO plans to retire at the end of 2022 and for a successful transition of her role, we budgeted to hire two persons (a COO and a CNO) in the latter part of 2022 to work with Ms. Douglas to assume her responsibilities.

## **RESERVES – DAYS CASH ON HAND**

"Days cash on hand" is an important measure of PSMC's liquidity. A typical key performance indicator for a hospital is a minimum of 90 to 180 days cash on hand. Sufficient days cash on hand allows the hospital to be prepared for disruptions resulting from such things as fire, snow, equipment failure, a pandemic, etc. Further, in healthcare there are often delays in reimbursement and cash reserves assure the hospital can continue to function despite payer

delay. Finally, cash on hand helps the hospital to be in a position to manage strategic growth and advance the services available to patients.

As a young hospital, PSMC has a history of barely scraping 60 days cash on hand at the end of each year. At the start of 2022, PSMC anticipates approximately 100 days cash on hand which affirms PSMC is in the most sound financial position of its 13-year existence.

### **METHODOLOGY IN PREPARING THE BUDGET**

In preparing this budget, the CFO and Controller assessed sources of revenue, changes to expenses including changes in employees, and capital budget needs. To be certain the proposed budget is as accurate as possible, the CFO and Controller pulled the most current data for the period July 2020 through June 2021. With respect to employees, the finance team prepared a report of hours and rates of compensation for employees. Each manager/director met with the CFO and Controller at least once (in some circumstances several times) to adequately review the 2020-2021 data, changes to the 2021 budget, and the expectations for 2022. The finance team developed a budget for every department and employee (including regular, overtime, paid time off, call pay, call back pay, holiday and shift differential). Managers and Directors were responsible to review the department/employee budgets and assure accuracy in preparing the PSMC proposed budget.

The 2021 budget is annualized (this means the computer system takes seven months of revenues and expenses and multiplies it by 12 months). We recognize that certain one-time or limited revenues are not accurate when annualized (e.g., we expect no further revenues to the PPP loan forgiveness of 3.7M, HHS Stimulus of 2.2M, grants of 678k, tax revenue of 1.3M and likely limited additions to the 141k of donations). For the preparation of the 2022 budget, any such unique revenues or expenditures have been manually adjusted.

PSMC uses an accrual basis for accounting.

## Pagosa Springs Medical Center

Income Statement --- Budget 2022						
	2019 Actual	2020 Actual	Annualized 2021 Actual	Budget 2022	Difference to Annualized 2021	Variance Percent Annualized 2021
<b>Revenue</b>						
7 Total In-patient Revenue	5,483,013	5,176,747	5,908,538	6,062,908	154,370	3%
17 Total Out-patient Revenue	49,782,028	52,022,602	59,221,115	63,966,205	4,745,090	8%
18 Professional Fees	6,504,216	4,636,252	5,723,939	6,182,888	458,949	8%
20 Total Patient Revenue	<b>61,769,257</b>	<b>61,835,601</b>	<b>70,853,592</b>	<b>76,212,001</b>	<b>5,358,409</b>	<b>8%</b>
21 Revenue Deductions & Bad Debt						
22 Contractual Allowances	28,167,670	30,230,926	36,853,046	38,900,702	2,047,656	6%
23 Charity	746,437	282,686	806,480	800,000	(6,480)	-1%
24 Bad Debt	3,470,959	1,730,052	1,484,393	2,645,101	1,160,708	78%
25 Provider Fee & Other	(3,081,149)	(2,520,105)	(2,959,532)	(3,332,452)	(372,920)	13%
26 Total Revenue Deductions & Bad Debt	29,303,917	29,723,559	36,184,387	39,013,351	2,828,964	8%
27 Total Net Patient Revenue	<b>32,465,340</b>	<b>32,112,042</b>	<b>34,669,205</b>	<b>37,198,650</b>	<b>2,529,445</b>	<b>7%</b>
28 Grants	89,852	1,448,642	1,018,227	57,469	(960,758)	-94%
28.5 HSS Stimulus Other Revenue	-	1,157,026	3,305,450	-	(3,305,450)	100%
29 COVID PPP Loan Forgiveness	-	-	5,610,066	-	-	-
30 Other Operating Income - Misc	2,426,420	2,184,081	1,833,183	1,796,268	(36,915)	-2%
30 Total Net Revenues	<b>34,981,612</b>	<b>36,901,791</b>	<b>46,436,131</b>	<b>39,052,387</b>	<b>(7,383,744)</b>	<b>-16%</b>
<b>Operating Expenses</b>						
32 Salary & Wages	18,652,419	19,159,203	20,942,667	20,884,118	(58,549)	0%
33 Benefits	3,352,542	3,287,282	3,508,418	3,501,286	(7,132)	0%
34 Professional Fees	-	-	-	-	-	0%
35 Professional Fees/Contract Labor	307,381	349,923	463,617	466,547	2,930	1%
36 Purchased Services	2,158,291	1,842,826	1,896,774	2,586,975	690,201	36%
37 Supplies	4,915,130	5,763,642	6,131,171	6,428,707	297,536	5%
38 Rent & Leases	519,305	438,281	447,959	182,154	(265,805)	-59%
39 Repairs & Maintenance	538,505	549,091	525,857	528,686	2,829	1%
40 Utilities	470,669	361,183	405,650	431,329	25,679	6%
41 Insurance	313,792	327,437	341,705	350,766	9,061	3%
42 Depreciation & Amortization	1,858,800	1,774,630	2,075,802	2,262,261	186,459	9%
43 Interest	1,094,344	1,051,867	975,597	846,190	(129,407)	-13%
44 Other	1,356,457	1,561,457	1,895,603	1,771,405	(124,198)	-7%
45 Total Operating Expenses	<b>35,537,635</b>	<b>36,466,822</b>	<b>39,610,820</b>	<b>40,240,424</b>	<b>629,604</b>	<b>2%</b>
46 Operating Revenue Less Expenses	<b>(556,023)</b>	<b>434,969</b>	<b>6,825,311</b>	<b>(1,188,037)</b>	<b>(8,013,348)</b>	<b>-117%</b>
<b>Non-Operating Income</b>						
48 Tax Revenue	1,228,832	1,371,862	1,959,299	1,000,000	(959,299)	-49%
49 Donations	515,811	316,527	225,000	200,000	(25,000)	-11%
50 Total Non-Operating Income	<b>1,744,643</b>	<b>1,688,389</b>	<b>2,184,299</b>	<b>1,200,000</b>	<b>(984,299)</b>	<b>-45%</b>
51 Total Revenue Less Total Expenses	<b>1,188,620</b>	<b>2,123,358</b>	<b>9,009,610</b>	<b>11,963</b>	<b>(8,997,647)</b>	<b>-100%</b>

**Pagosa Springs Medical Center**  
**Budget Cash Statement**  
**Budget Year 2022**

	<b>Budget</b> 2022
Net Revenue Collections	\$ 37,198,650
Grants	\$ 57,469
Other Income (1)	\$ 1,796,268
HSS Stimulus Other Revenue	\$ -
Mill Levy	\$ 1,000,000
Donations	\$ 200,000
 Total Collections	 \$ 40,252,387
 Expenses Less Depr	 \$ 37,978,163
Bond Principal Payments	\$ 340,000
Capital Outlay (2)	\$ 886,737
 Total Outlay	 \$ 39,204,900
 Net increase in Cash	 \$ 1,047,487
 Beginning Cash	 15,231,078
 Ending Cash	 \$ 16,278,565

(1) Other income includes 340B revenue, cafeteria revenue and other misc revenue.

(2) Capital Outlay includes \$886,737 for capital.

## Pagosa Springs Medical Center

## FTE Budget

## Budget Year 2022

Dept	Dept Name	2017	2018	2019	2020	2021	2022	Variance	Percent
		Budget FTE							
600 Total	Med Surg	10.40	10.50	10.70	14.31	11.32	11.93	0.61	5.39%
610 Total	ER	9.90	9.90	9.60	9.77	9.74	9.88	0.14	1.44%
615 Total	ER Physicians	4.40	4.40	4.50	4.56	4.21	4.21	-	0.00%
700 Total	Lab	9.60	9.70	10.50	9.87	9.28	8.56	(0.72)	-7.76%
710 Total	Radiology	4.80	4.80	4.60	8.51	8.99	9.95	0.96	10.68%
720 Total	Pharmacy	3.60	3.60	2.90	2.90	3.00	3.03	0.03	1.00%
721 Total	Infusion	1.00	1.00	1.50	0.90	3.65	3.60	(0.05)	-1.37%
722 Total	Cardiopulmonary	1.00	1.00	2.00	2.10	2.01	2.10	0.09	4.48%
725 Total	Physical Therapy	1.00	1.00	1.10	1.29	1.24	1.66	0.42	33.87%
726 Total	Speech	-	-	-	0.02	0.02	0.01	(0.01)	-50.00%
728 Total	Cardiology	0.80	0.80	1.00	0.02	0.08	0.05	(0.03)	-37.50%
729 Total	Oncology	-	3.60	5.00	5.81	4.53	4.74	0.21	4.64%
730 Total	Central Supply	2.10	2.10	3.00	3.01	2.51	2.47	(0.04)	-1.59%
731 Total	Biomedical	0.90	0.90	1.20	1.17	1.18	1.18	-	0.00%
740 Total	Dietary	6.40	6.40	6.90	7.07	6.40	7.14	0.74	11.56%
760 Total	OR	9.00	9.10	9.50	8.47	8.69	8.69	-	0.00%
761 Total	Recovery	4.00	4.00	4.00	4.26	3.07	3.50	0.43	14.01%
762 Total	Anesthesia	1.30	1.30	1.50	2.00	2.00	1.54	(0.46)	-23.00%
763 Total	OR Physician	1.00	1.00	1.00	0.94	1.00	1.04	0.04	4.00%
765 Total	Specialty Clinic	1.10	1.10	2.00	2.50	1.79	-	(1.79)	-100.00%
790 Total	Ambulance	27.60	27.60	26.10	26.43	26.74	29.18	3.25	12.15%
791 Total	RHC	35.80	35.80	36.20	29.42	31.29	32.83	1.54	4.92%
792 Total	EMS Training	0.60	0.60	0.60	0.57	0.39	-	(0.39)	-100.00%
793 Total	Hospitalist	2.20	2.30	2.00	1.86	2.06	2.24	0.18	8.74%
794 Total	RHC Providers	6.50	8.50	7.40	10.52	11.66	12.47	0.81	6.95%
800 Total	Administration	4.20	4.20	4.10	4.18	5.00	5.10	0.10	2.00%
801 Total	Quality	3.80	3.80	1.00	1.51	1.00	2.75	1.75	175.00%
802 Total	Infection Control	-	-	-	0.50	1.00	1.00	-	0.00%
803 Total	Informatics	5.10	5.10	5.10	4.11	4.40	2.50	(1.90)	-43.18%
806 Total	Compliance	1.70	1.70	1.80	1.75	1.75	1.35	(0.40)	-22.86%
807 Total	Physician Recruiting	-	-	-	0.20	-	-	-	0.00%
809 Total	Nursing Admin	1.10	1.10	2.00	1.02	1.01	1.02	0.01	0.99%
810 Total	Medical Staff Office	2.00	2.00	2.00	2.00	2.00	2.00	-	0.00%
815 Total	Human Resources	2.00	2.00	2.00	1.70	2.79	2.84	0.05	1.79%
820 Total	Plant Operations	3.40	3.40	3.60	3.48	5.46	4.87	(0.59)	-10.81%
825 Total	Housekeeping	9.10	9.10	10.00	9.25	10.16	11.02	0.86	8.46%
830 Total	Accounting	7.30	7.30	5.00	4.03	4.02	4.00	(0.02)	-0.50%
835 Total	Registration	28.50	28.50	26.10	19.20	16.43	12.39	(4.04)	-24.59%
840 Total	Medical Records	8.70	8.70	6.20	4.00	3.01	3.51	0.50	16.61%
845 Total	Business Office	12.10	12.10	14.10	13.31	14.05	14.01	(0.04)	-0.28%
Grand Total		234.00	240.00	240.40	233.85	233.01	244.24	12.04	5.01%

Pagosa Springs Medical Center  
 Capital Budget 2022  
 Capital Replacement Plan Thru 2026

Dept	Item	Cost	Year Purchase	Useful Life	Use
Dietary	Oven and Stove/Flattop	5,230.80	2022	10	The one we currently have is going bad, having issues. It is going to die.
Emergency Room	Stryker Big Wheel Stretcher with Scale	22,160.00	2022	7	(Med Priority) End of Life- Limited parts are available 5 needed in total
EMS	EMS Rescue Bay and Training Room HVAC	5,800.00	2022	15	Can we use the swamp cooler from the tent.
EMS	800 mhz Portable Radios	59,925.00	2022	7	
EMS	Replace 1 roll up door and Opener	7,300.00	2022	15	
EMS	Lucas Device for QRV	14,294.28	2022	5	50% match EMTS grant 2021/2022 request; manufacturer recommended service life for PowerCots is 7 years. The cot requested for 2021 will replace a cot purchased/in service in 2012. The cot requested in 2023 will replace a cot purchased in 2016. Older cots placed out of service may serve as back up units if needed and/or may be put out for bid on the government sales site. **This piece of equipment is also recognized within the CARES funding legislation and we have documentation from Stryker regarding "regulatory applicability".
EMS	LP15 Monitor/Defibrillator	34,752.42	2022	5	
EMS	New flooring EMS Building 1st and 2nd Floor	43,596.48	2022	15	
EMS	Paint EMS Building Exterior	54,265.00	2022	15	
Information Systems	HP Switches - to replace aging Comm Equipment	43,076.92	2022	3	Replace our aging Network Switches in the Data Center and our Data Closets. Most of our switches are over 7 years old and are nearing End-of-Life/End-of-Support. In addition to replacing these switches, we will receive a lifetime replacement guarantee if any are to fail. Any failure of our current switching environment will essentially render whatever part of the building with the hardware failure from being able to access either our internal network or the outside internet. Updating these switches will also allow us to increase our internal network speeds by 1000% from 1GB to 10GB. This will make internal data transfers, database changes, high volume imaging transfers (like Radiology) much faster and more reliable. Only replacing 4 instead of 13.
Inpatient	AMSCO Glass door dual compartment warming cabinet	9,100.00	2022	5	Replacing the IV/Blanket warming cabinet we currently have that is end of life- end of parts. Higher priority. Warming cabinet is used for patient blankets
Laboratory	Aerospray Pro Slide	17,450.00	2022	5	Current instrument model no longer company supported, required o-rings not manufactured any longer. If current instrument fails, lab will no longer be able to perform manual differentials on CBC's, CSF studies or stool WBC studies
Pharmacy	Refrigerator	9,000.00	2022	10	Pharmacy will need a new refrigerator for all the White Bagging medications we are already accumulating.
Pharmacy	Chemo Hood	10,800.00	2022	10	Pharmacy will need a new refrigerator for all the White Bagging medications we are already accumulating.
Plant Operations	Bionix Electrical Receptacle Tester	9,550.00	2022	5	# 2 New State Requirement for testing patient room outlets
Plant Operations	Replace Main Corridor Lighting	19,846.00	2022	15	# 3 lights out can not be replaced with existing
Plant Operations	Replacement of HVAC Unit #14 Mary Fisher	8,800.00	2022	15	# 5 have passed on this 4+ years one more wont hurt but will not help utility expense
Plant Operations	Medical Gas System Suction Pump #1 Replacement	33,525.00	2022	5	#1 Old pump is beyond useful life replacing 1 this year and one next year
Radiology	Windows 10 Compliant CD Burner	11,580.00	2022	3	Per IT, equipment is running Windows 7 which means it is no longer HIPAA or OCR compliant. If a breach or ransomware event would take place, we would have to attest to having a Windows 7 machine on the premises which could nullify our insurance coverage if the breach is tracked back to or including that machine. Extended support for Windows 7 also expired as of 1/20/20.
Radiology	Windows 10 Compliant For Dexa	10,175.00	2022	3	Per IT, equipment is running Windows 7 which means it is no longer HIPAA or OCR compliant. If a breach or ransomware event would take place, we would have to attest to having a Windows 7 machine on the premises which could nullify our insurance coverage if the breach is tracked back to or including that machine. Extended support for Windows 7 also expired as of 1/20/20.
Radiology	Mammography Room Work	100,000.00	2022	5	Room preparation for Mammography Unit.
Radiology	C-ARM Upgrade	130,000.00	2022	5	Request from Dr. Bill Webb due to inconsistent and grainy image quality. We are still looking into this and trying to determine root cause. If we are not able to purchase a new CARM, we will try to move forward with just purchasing the laser aimer for the existing CARM which is quoted at \$3,588.
Surgery	Upper GI Scope	22,000.00	2022	5	colon scopes and 3 upper scopes
Surgery	Stryker Lease Agreement		2022	5	Ends in Dec 2021 and usually results in upgrades for ortho.
Surgery	ESI Table	10,750.00	2022	12	Pain Management- may be able to share expense with Imaging
Surgery	Beach Chair	8,000.00	2022	12	Shoulder Positioner- for Dr. Eisenhauer, will look for a refurbished positioner per Dr. E.
Surgery	PACU Gurney	22,160.00	2022	5	Aging Stretchers (2)
Surgery	Avanos RF Machine	34,500.00	2022	5	Avanos RF Machine, we are cutting PO in Nov. 2021 and paying in Jan. 2022

**Pagosa Springs Medical Center**  
**Capital Budget 2022**  
**Capital Replacement Plan Thru 2026**

Dept	Item	Cost	Year Purchase	Useful Life	Use
Surgery	Olympus Tower for GI	60,000.00	2022	5	Would like this sooner if possible.
Surgery	EPS Scope Washer	40,000.00	2022	7	Past end of life. Currently determining what vendor to choose. Will purchase in Jan 2022
Surgery	Centurian Phaco (cataract) machine	24,100.00	2022	5	Currently leasing for 12 months (June 2021 to June 2022 for \$3200/mos.) Will purchase in June of 2022
Surgery	Bone Holding Forceps	5,000.00	2021	5	Dr. Webb has been asking for a replacement for over a year. Can we purchase in 2022
Surgery	Universal Screw Extraction Set	-	2022	10	This would allow Dr. Webb the ability to not have to wait for a certain vendor to supply instruments to remove hardware that he didn't implant. It is safer and more efficient for our patients.

Total

886,736.90