

SOUTHERN INYO HEALTHCARE DISTRICT

Special Meeting of the Board of Directors Minutes

Date: Wednesday, December 18, 2019

Time: 4:00 p.m.

Location: SIHD Conference Room
501 E. Locust Street, Lone Pine, CA 93545

Minutes

PRESENT

Jaque Hickman, President
Bruce Branson, Treasurer
Mark Lacey, Director
Charles Carson, Vice President

ABSENT

Carma Roper, Secretary

OTHERS

Peter Spiers, CEO
Scott Nave, Attorney (via phone)
Chester Beedle, Financial Consultant (via phone)

I. CALL TO ORDER

The meeting was called to order at 4:05 pm.

Vice President Carson moved to approved the agenda for the 12/18/2019 Special Board Meeting. Treasurer Branson seconded. All approved.

II. BUSINESS ITEMS

A. Consent Agenda: These items are considered routine and non-controversial and will be approved by one motion. If a member of the Board or public wishes to discuss an item, it will removed from Consent and considered separately at the end of Business Items.

1. Approval of Medical Staff Privileges

- a. Jules Silver, Emergency Medicine, Extended Two Years of Medical Staff Privileges.
- b. David Smith, Emergency Medicine, Extended Two Years of Medical Staff Privileges.
- c. Ronald Ostrom, Emergency Medicine, Extended Two Years of Medical Staff Privileges.

Board of Directors:

Jaqueline Hickman
President

Charles Carson
Vice President

Carma Roper
Secretary

Bruce Branson
Treasurer

Mark Lacey
Director

Action: Treasurer Branson moved to approve the consent agenda. Extended two years medical staff privileges for Jules Silver, David Smith and Ronald Ostrom. Vice President Carson seconded. All approved.

B. ER Physician Contract- Michael Phillips (CEO)

Peter Spiers stated that Dr. Phillips is board certificate in three sub-specialties. He works at Mammoth and NIH Hospital. Peter did a background check with Dr. Flanigan and was recommended. Dr. Phillips could work in the rural clinic and the ER dept. Peter feels that he would be a good addition to SIHD.

Action: Vice President Carson moved to approve the ER Physician contract for Michael Phillips, MD. Treasurer Branson seconded. All approved.

Director Lacey joined the meeting at this time.

C. Fifth Amendment Contract with Medsphere (CEO)

Peter Spiers gave a background on Medsphere. The Board of Directors has made multiple amendments to the contract with Medsphere due to balloon payments that SIHD could not make. A few weeks ago there was another balloon payment that was due. Mr. Spiers spoke with the owner of Medsphere Irv Lichtenwald. Mr. Spiers made a proposal on a significant reduction in the current monies owed and the go forward agreement. Mr. Lichtenwald was not in an agreement.

Peter Spiers and Jaque Hickman engaged Mr. Lichtenwald and they walked through this Fifth Amendment. SIHD agreed to defer the payments for the back dollars and to stop the continuous accrual of the current back dollars through moving up the based pay. We pay them 14,000 a month through electronic funds transfer. The actual number is 28,800. The 14,800 is accruing against us every month. That is why we have the 500k+ in the rears of this contract.

Mr. Spiers and Mrs. Hickman asked Mr. Lichtenwald to defer those payments for three months, starting when the bankruptcy is closed. On the fourth month following, is when the payment starts to the 28,800. SIHD will continue with the 14,000 until then. There is a 250k balloon payment due in June 2020 and another one in December 2020. Mr. Spiers set the time frame for this so SIHD can catch up. This is for us to be prepared to get out of this contract in a year. Mr. Spiers informed Mr. Lichtenwald that SIHD is looking to ingrate with the county healthcare providers. A part of the integration is an establishment of a joint electronic medical record which will replace Medsphere.

Mr. Spiers has been in discussion, seen and listened to four different presentations from four companies that are talking with NIH about taking on this new IT business with us. This has not be completed yet, it's still in the vetting process.

SIHD still has Medworxs and Carevue which are part of Medsphere (sub-contractors).

The Fifth Amendment is to protect SIHD and will push back some time on payments. If SIHD is able to get revenue bonds we can actually vacate this whole thing.

If SIHD does not sign, Mr. Lichtenwald may take legal action or have his legal counsel get involved.

Board of Directors:

Jaqueline Hickman
President

Charles Carson
Vice President

Carma Roper
Secretary

Bruce Branson
Treasurer

Mark Lacey
Director

Historically when the Medsphere contract was set up through HCCA it was at 28,800 a month and the Board of directors gasped. Shawn Burgess from HCCA stated that SIHD didn't have any other options. He stated that if SIHD wanted to do Prime we needed electronic medical records. They stated Prime would cover it. SIHD did sign it.

After SIHD got rid of HCCA, SIHD called Medsphere and informed them that we can't handle the 28,800 a month. SIHD and Medsphere had a long talk and they trimmed that down to 12k a month. When there was another amendment, SIHD missed a payment. Brian Cotter didn't inform Medsphere that SIHD wasn't able to make the balloon payment. Mr. Lichtenwald was upset and we moved the amount to 14k a month which still had 14,800 accumulating in the rears.

Per Mr. Lichtenwald, if SIHD can't make the balloon payment let him know so his auditors can be aware and the contract can be amended. SIHD has never been able to make the balloon payments. But SIHD is trying to manage this. Mr. Lichtenwald understands that SIHD will end this contract before it's over. He thinks it's a smart idea that SIHD is co-opting with the rest of the county on a new IT system. He would also like to be a part of that. He would like a chance to bid on that.

When Rapid Temps and Med Staffing asked to file a motion for relief of stay to be able to pursue actions in state court, Medsphere's attorney was on the phone. SIHD responded to that.

Per Richard Sullivan, Medsphere financial consultant stated that Mr. Lichtenwald stated that he is handling SIHD and will be making the negotiations with us. No one else.

The Fifth Amendment-

On page 16 are the new payment requirements and what we were able to negotiate to defer. Mr. Spiers stated that he didn't want to do anything that would be a near term payment for a lot of this debt because we aren't in the position to do that and we are still trying to get out of bankruptcy. We need time to continue to build our business and increase cash flow.

The 14k a month EFT will continue but the accruing amount plus the 28,800 will not have to be paid until the fourth month of the district being out of bankruptcy. This saves us a bit a time with not having to make the payments. Doesn't mean that money is not owed. This allows us not to have a huge payment for at least the first part of the year.

At the end of the day, Mr. Lichtenwald will come for all of the money, either its front loaded, back loaded or mid loaded it doesn't matter. But he is willing to work with SIHD.

The bigger issue is that we don't have a terminations clause impact. Mr. Lichtenwald pushed that out.

President Hickman asked if under the agreement page 16.5.A., is it with the 149k? Per Mr. Spiers, yes. This amount has not be disputed. SIHD will request the invoices to make up for the 149k. President Hickman asked if there should be a note on this Fifth Amendment that states "per audited invoices".

Per Attorney Nave, the district has two options in regards to terms. Essentially we have reached the end of the time of negotiating with Mr. Lichtenwald. SIHD can proceed with signing this amendment or SIHD can proceed with litigation and send a notice of default under the contract

Board of Directors:

Jaqueline Hickman
President

Charles Carson
Vice President

Carma Roper
Secretary

Bruce Branson
Treasurer

Mark Lacey
Director

and terminate the contract that way. That will be expensive and time consuming. Also a possibility of services being pulled and the efforts on replacing the IT platform.

President Hickman asked Attorney Nave if Medsphere is not holding up their end of the contract do we lose the ability to terminate six months from now if we feel that it's the occurring practice. Attorney Nave stated that it would probably have to be default after the date of this amendment.

Treasurer Branson made comment that he doesn't see how Medsphere got the 28,800. There is no reason to it. There is no market base to it. Also in the second amendment it shows approx. 125k. There are invoices but only adds up to 93k. There is about 31k dollars that they inflated.

SIHD has a decision to make in terms of comparative values. Does SIHD go with legal actions or the alternative which is that we execute this amendment, get revenue bonds, build are business in 2020 and pay them off.

Director Lacey stated that the likelihood would be that we will end up with high legal bills and having to pay the settlement.

Treasurer Branson stated that they need to be paid like all the other vendors. Not as EFT. Mr. Spiers stated that we can ask to remove as eft.

SIHD got stuck and now we are trying to mitigate our losses.

Attorney Nave reviewed and there would be no issue on going direct with Medworxs. Peter never ended up speaking to owner of Medworxs. If we would have changed the software now, it would hurt us. The conversion for AR takes time and it's messy.

Treasurer Branson asked about Chris Marks. At what point would Chris move to SIHD. Per Mr. Spiers, he is not sure if Mr. Lichtenwald will give him up. We aren't sure if there is a risk if he leaves and comes to SIHD.

Mr. Spiers stated that this not a solution just a stop gap. President Hickman stated that this has been an issue from the beginning. Wrong service at the wrong price.

President Hickman stated that the reason we go to a new amendment is because we don't meet the terms.

SIHD is waiting on a better option in services.

Action: Director Lacey moved to execute the Fifth Amendment with Medsphere. Vice President Carson seconded. All approved. Peter Spiers will request to remove the eft on the monthly payments.

D. Approval of Contracts Related to Revenue Bonds:

G.L. Hicks Financial, LLC (financial consultant); Quint & Thimming, LLP (bond counsel); Hilltop Securities (underwriter/placement agent) (Legal Counsel/ CEO)

President Hickman spoke with Gary Hicks with G.L. Hicks Financial and he is a great guy. He provided good information and guidance to President Hickman in the past. Unfortunately, he didn't want to be involved if HCCA was around.

Board of Directors:

Jaqueline Hickman
President

Charles Carson
Vice President

Carma Roper
Secretary

Bruce Branson
Treasurer

Mark Lacey
Director

Attorney Nave stated that Quint & Thimming are bonds counsel and he has used them with a number of other agencies. If the bond succeeds, their fee will come out of the bonds proceeds.

Bond work is specialized in California so you will need bond counsel from someone. Quint and Thimming, LLP is the most reasonable price that Attorney Nave has worked with. They know what they are doing.

SIHD used Quint & Thimming with our last bond. Gary Hicks would be our financial consultant. He would help us with determining the amount of the bonds and selling the bonds. He will talk securities with the underwriters. They would figure out if we will sell to one purchaser. Our bond amount will be small so they probably won't go to market. It will probably be a private sale to a bank or insurance company. They are registered with the FCC.

Along with Quint & Thimming, Hicks and Hill Top are all paid out of bond proceeds. Financial Consultant Chet Beedle has worked with Gary Hicks for 20 years. He is the most experienced.

Treasurer Branson wanted to know what determines the amount the bonds. Attorney Nave stated that we need to figure out how much we need. We will need to work with Gary Hicks is to figure out how much to sell. The big factor will be if the bonds are 20-30 year bonds and what will be our annual payment fees. These bonds are paid out through our revenue. We need to be careful that we don't price ourselves out of the ability to pay them. So that will be a function of the amount we need, the time to repay and the security of the property tax proceeds. It will probably be at the 5% range. Our bond will be a little more risky so the interest rate will be a little bit higher.

Treasurer Branson stated that he figured out the fees to do this and it's going to cost about 112k. 5% would be 16k a month. Per Attorney Nave, the payments will be annual or twice a year.

President Hickman stated they hold the funds, they take their payment and the rest of it is sent to the district. It won't be much but at least we will have a clean slate and all the piles of pre-petition debt will be cleaned up and will be manageable.

Treasurer Branson has a comment. He would like to come up with plan on how to use the money. Treasurer Branson requests that Peter provide plan to the board. President Hickman stated that is the plan. We want to take all the debt and put it out there so we can see it exactly how it goes away.

Does the bond counsel help prepare a plan to determine the amount that is needed? Per Attorney Nave, the district will work with Peter Spiers, Jeff Golden and Gary Hicks to come up with the amount that we need.

Financial Consultant Chet worked with Gary Hicks. He is most experience for any district hospital. He hasn't worked with Hilltop. He feels that Attorney Nave has chosen the right people.

If the bond doesn't go through or we drop it the district will have to pay them. Treasurer Branson asked what happens if the hospital closes? Per Attorney Nave, even if the hospital closes we will continue to receive property taxes. The district does not go away. The district continues to exist even though we don't operate a hospital.

Board of Directors:

Jaqueline Hickman
President

Charles Carson
Vice President

Carma Roper
Secretary

Bruce Branson
Treasurer

Mark Lacey
Director

Director Lacey stated that we need to make progress with the bankruptcy. Since Peter Spiers joined us we are moving in a positive direction. We cannot think to go back to the voters for additional tax.

Attorney Nave stated that at some point in time the district will have to go to the voters for a G.O. bond. Unless the legislator amends the Sp 1953. We want to keep the amount as low as possible. SIHD is looking at a G.O. bond no later than 2022.

Mr. Spiers stated that we are still looking at about 5 months. Attorney Nave thinks about 3 to 6 months range. Gary Hicks is not sure how the market will fully respond due to the districts bankruptcy.

Action: Treasurer Branson moves to approve G.L. Hicks Financial, LLC (financial consultant); Quint & Thimming, LLP (bond counsel); Hilltop Securities (underwriter/placement agent) to investigate on getting revenue bonds. Director Lacey seconded. All approved.

E. Medline Payment Proposal (CEO)

Peter Spiers stated that Jeff Golden gave him a heads up that Medline's legal counsel reached out. SIHD and Medline crafted a plan to take care of monies in the rears.

Medline is a medical supply company. We average about 1500-2500 a month in purchases. Right now the back money in the rear is about 28k per Medline. Anita reviewed it and it's actually about 16k (just in invoices not interest). Peter spoke with them about the interest and they will take it off. They asked for the ability to debit our account because we are slow in paying. Their estimation was about 75 days between payments and that was too much for them. They want the ability to eft prior to us placing the order. This is still not clear on how that will work.

Medline wanted to do a promissory note beginning in February for 5 months with no interest. Total will be 16k.

Attorney Nave stated that Medline popped up on our agenda because they found out that we are in bankruptcy and they contacted their legal counsel. Their legal counsel then contacted Jeff Golden. SIHD did not know it was a problem bill. We made payments and they were fine but recently they resisted to our payment plan. We tried to place in order but they put our account on hold. Anita did catch that there were amounts on the bill that the SIH salvation had already paid. Medline didn't separate the two accounts.

With the checks that we recently mailed, we still owe them \$12,011.00. Anita is still waiting on a few credit memos to reflect. We have all the documents. The amounts hold hands with Medline.

SIHD can handle the 16k pay off within the 3-5 months.

Per President Hickman it is our goal to clean up the bankruptcy and start paying our bills on time. We can't have a vendor going to the judge during this time.

Peter Spiers asked if there is a higher risk now that we settled with a few vendors that others want to make settlement agreements. That would be problematic. Attorney Nave said that Medefis creditors are a concern. So far no others. We need to keep our eye on it.

Board of Directors:

Jaqueline Hickman
President

Charles Carson
Vice President

Carma Roper
Secretary

Bruce Branson
Treasurer

Mark Lacey
Director

Per Attorney Nave the board needs to take action on this payment proposal with promissory note. At this time, the board does not have a doc to approve. Attorney Nave suggests to approve the agreement on the general terms that were presented to the board and authorize President Hickman or Attorney Nave to complete the agreement.

Action: Director Lacey moved to approve the agreement with Medline payment proposal and the promissory note up to & not to exceed \$16,393.39 with the authority to Peter Spiers and Jackie Hickman to approve the final agreement. Treasurer Branson seconded. All approved.

III. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Peter Spiers and Anita Sonke spoke with Carol Wagner (who was referred by Mark Lacey). There is an organization that acts like the intermediators do for Medicare. This is Health Net and they manage Medicare and Medicaid dollars. They have a pool of money that they want to give to deserving entities to help them. They awarded our hospital after a pretty good review of our needs. It is 10k of unrestricted funds. All the paperwork has been done and invoice was submitted. Peter also directed them to Healthy Communities and they will be receiving funds. Carol Wagner did say for us to contact them if we come up with other programs that need help funding.

SIH Salvation has received several amounts of money this last quarter.

Peter Spiers spoke with the Rotary Club in Bishop. There were health providers in the audience. Peter Spiers provided an overview of the SIHD. He explained a few things to them and it was a positive time. There were lots of questions for Peter. SIHD was promoted.

Peter Spiers has a few spots on the radio to promote SIHD.

IV. BOARD OF DIRECTORS COMMENTS ON ITEMS NOT ON THE AGENDA

Treasurer Branson wanted to know when we were going to get a report on the appraisal that was done. Jeff Golden has the report and will provide at the closed session.

V. CLOSED SESSION

A. Existing Litigation (Govt Code 54956.9): Chapter 9 Bankruptcy


VI. CLOSED SESSION REPORT

The Board of Directors and Legal counsel discusses the existing litigation. No other items were discussed.

Closed session adjourned at 6:15pm.

VII. ADJOURNMENT

The open session adjourned at 5:32 p.m.



Signature of Board President or Secretary

7-14-2020
Date

Board of Directors:

Jaqueline Hickman
President

Charles Carson
Vice President

Carma Roper
Secretary

Bruce Branson
Treasurer

Mark Lacey
Director