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Urgent!!Hospital Statement of Finances of Closure - critical reading for C-suite and Hospital Board

1 message

theleadershipgrp@mindspring.com <theleadershipgrp@mindspring.com>
To: theleadershipgrp@mindspring.com

Wed, Aug 12, 2020 at 6:33 AM

Urgent!!(Read Notes)

Please read this entire email for details. There is never a good time to discuss closure. However, The time for this planning is now and more important than ever. While one would say that their rural hospital is not at closure, be assured that the planning for any rural hospital in any day warrants these considerations.

Cash shortage will probably be back to crisis stage in the Fall of 2020 generally and rural hospitals will be back in worse shape cash wise than it has ever been . So many rural hospitals have had less than 5 days cash until the PPP, CARE'S Act and Relief money and Accelerated Medicare Advantage Payments and in some cases less than two-day's cash. Then comes all of the cash and the confusion of how to spend the incoming cash. HomeTown has developed a skill set that is in cash and closure management in a crisis. Do not wait until it is too late to call us. HomeTown has assisted in no less than a dozen payroll interventions in last twelve months. HomeTown has the access to the necessary people, lawyers, agencies and insurance companies as you saw back in February at the HomeTown CEO Day to help solve your rural hospital problems.

Thanks,

Jimmy Lewis

HomeTown Health CEO's and Senior Staff:

Reference: Fwd: Urgent!!Hospital Statement of Finances of Closure

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Attachment to read!!

At the request of several people in recent conversations, please see the below notes relating to the **finances of closure of a rural hospital**. No matter the situation in a rural hospital these findings apply to the everyday good management of a rural hospital. Read and take note. 2020 -21 will be a tough year for rural hospitals with one rural hospital already announcing closure.. This plan can save millions m-literally.

Five major reminders!

1. In any closure or downsizing always assure tail coverage on all insurance stays current and paid up otherwise

events that have occurred while hospital was open can end up costing millions in late lawsuits

2. Never work in a vacuum due to personal liabilities that can occur after doors close and maintain O&E insurance and all liability coverages probably up to five years
3. Always use a **health care (Morris Manning Martin) lawyer** and **Health Care (Draffin Tucker) accountants and finance people** to wind a rural hospital closure down
4. Have a plan for patient access to records after doors close while ensuring that they are HIPPA secure. Remember nobody likes a surprise in this situation.
5. Be aware of The Warn Act for labor reporting
 - a. The Worker Adjustment and Retraining Notification Act(WARN)

HomeTown is available for confidential strategic planning appointments to discuss their twenty-year findings from closed hospitals in Georgia and the work schedule necessary for planning for a closure whether you plan to close or not. If for no other reason than for Hospital Board Protection.

Contact HomeTown for any assistance in planning for a potential closure. We have worked with every rural hospital closure in Georgia since 2010. Every rural hospital should have a working closure plan on file if for no other reason than to have the hospital board and C-Suite aware of needs. When CEO turnover is 35%-40%, there is a critical need for a plan to be in place that everyone knows what to do and where it is. Also, it is important to know that there is no immunity for size. Remember a forced consolidation is not much different than a closure and when cash is gone and a major bill cannot be paid, closure can occur in four days typically.

Tell us what you think by responding to this email! Your input is highly valuable.

Thanks,

Jimmy Lewis

----- Forwarded message -----

From: **Jimmy Lewis** <021>

Date: Wed, Apr 19, 2017 at 9:29 AM

Subject: Urgent!!!Hospital Statement of Finances of Closure

To: HomeTownJ <theleadershipgrp@mindspring.com>

HomeTown Health CEO's and Senior Staff:

Reference: Urgent!!!Hospital Statement of Finances of Closure

Importance: High

Urgent to read!!! Below notes and attached notes and plan.

As a C-Suite, this is critical information to have as you may lead your board and community through this process. Remember the process may start long before the actual closure occurs. There is no immunity from this situation. It can occur to any rural hospital at any time due to a few examples as follows:

- 1) MACs and RACS can announce a major take back
- 2) OIG recovery can take a major take back
- 3) Employee health care in a hospital self-funded situation can collapse due to extraordinary high employee claims that forces hospital into to insolvencies
- 4) Major Bond default
- 5) Major bank call on debt
- 6) Extraordinarily high self-pay with no recovery
- 7) Sentinel event with major lawsuit
- 8) Exclusion for a major contract as network narrows
- 9) Poor managed care or commercial contract
- 10) Major admitter leaves practice and hospital immediately for any variety of reasons, death, loss of insurance, law suit, loss of Medicaid or Medicare number, e.g.
- 11) Inability to work denials

HomeTown has seen all of these occur and has helped hospitals work through them thus the resources are available to work with these situations. The actual closure may be very disruptive and take only a few days to occur, is irreversible when started, and economically devastating to a community and county government due to a major loss or lack of accessibility to cash. There must be a plan!

This email and notes are equally important to a community working through a referendum to carve out taxes for local hospitals. It is an excellent education tool.

Thus, due to the recent intensity of conversations around rural hospital potential closures, the subject of the cost of a closure has again been raised again. This is a resend of HomeTown information for an earlier email but has particular relevance as hospitals approach closure or major downsizing. Most important recommendation is never allow this to occur without a plan which means do not stay in denial until it's too late.

We are available to discuss this with your boards as needed.

Plan to come the HomeTown Spring Meeting in April at Savannah and meet the resources that can help you.

Thanks,

Jimmy Lewis

HomeTown Health CEO's and CFO's :

Reference: Important!!Hospital Statement of Finances of closure

See and read attachment!

This discussion is offered as a two-pronged effort; 1) for the hospital closing as a beginning road map, and 2) to educate county commissions and hospital boards as to the value of health systems to communities. It is not intended as the sky is falling but rather a reality check. Be sure to study both worksheets in this workbook. Any comments appreciated since it is a work in process. It has also helped focus energy within a hospital with financial stress.

Please see attached an illustrative example of the "Hospital Statement of Finances of Closure". The format is self-explanatory. The intent is to provide a comprehensive view of the net impact that a community and county commission may receive or lose when closing a hospital and its related services.

This is by no means complete but represents the format that can be used to present to a county commission so that in the case of authority hospitals the County Commission can know what the net financial loss or profit of the hospital and entities will be. This is a flexible format so make any changes necessary and advise. It has been used so it works.

A few things that have been learned out of hospital closures to date:

- 1) Every closure needs an advance plan. Hospital closures are never a surprise because the signs are on the wall early. Thus, they are all worthy of some pre-planning. Denial is not an option. It makes bad matters worse.
- 2) Hospital Expenses do NOT stop on date of closure
- 3) Hospital Boards have to know so teach them what this workbook means
- 4) Know the implications of the WARN act – closure notice and penalties for violations.
- 5) The best of hospital closures are messy so buckle up. Just the nature of the beast.
- 6) Hospital Board liability is a must to know and understand.
- 7) Understand the difference between Hospital Cash Default, Receivership, and inability to declare Bankruptcy
- 8) It's worse than anybody ever imagines.
- 9) Distribute available cash to payables equally and fairly.
- 10) Surprises are a part of the beast of closure. So be prepared by thinking of many options that can occur
- 11) It's a community thing so the community has to be heard. One either listens or is trounced being yelled at.
- 12) Governmental bodies are a MUST to notify well in advance, DCH's Medicaid – see below.

In case you need:

Director, Acute Care Hospitals Section, Health Facilities Regulations

Georgia Department of Community Health

(404) 657-5440

13) A full understanding of the impact on CON, Provider numbers, their expiration dates and key terms such as "Cessation of Business". To repeat---

- a. In Response to a question about Critical Access Hospital closures by the Office of Rural Health since Georgia has had several in the past couple of years:

b.assuming these CAHs were closed by the provider and not CMS, and in accordance with the Medicare provider agreement rules at §489.52(b)(3), “A cessation of business is deemed to be a termination by the provider, effective with the date on which it stopped providing services to the community.” Once the provider agreement has been terminated, the provider must reapply for participation in Medicare as it would as a new provider. In doing so, the provider must meet the Conditions of Participation (CoPs) for that provider type. If the provider was a CAH whose provider agreement has been terminated, the provider must first seek participation in Medicare as a PPS hospital (including submitting an 855) and meet all of the hospital CoPs as listed under §482 (which includes having a hospital survey based on the hospital CoPs in §482) . Because CAHs are required to be Medicare-participating hospitals before they can convert to a CAH, the PPS hospital can only seek CAH certification after its effective date for participation as a PPS hospital. Once they are ready to seek CAH certification, they must submit an 855 in order to get a CAH survey based on the CAH CoPs in §485, Subpart F. Also note that once a CAH that has been designated by the State as a necessary provider has terminated their provider agreement, they lose their necessary provider designation.

Also CMS does not allow any sort of suspension of operations. Is this a permanent closure? If not, how long do they plan on suspending operations and why is it necessary? And do they understand that this is considered a cessation of business because the facility has stopped providing services to the community?

- 14) Board and C-Suite liability – Morris Manning Martin – Rusty Ross and Michele Madison of Morris Manning and Martin
- 15) A lawyer on the team with closure experience is critical- Rusty Ross and Michele Madison of Morris Manning and Martin
- 16) Be human! Show your pain. Your employees being Riffled will notice and appreciate it. Who knows you may have to live in the community after closure.
- 17) Important to have a high level hospital financial analytics to talk finance, debt, bonds, and HUD, etc. – it can get complicated –
- 18) Reduction in Force in closure (RIF) is a science. So don't go cheap . Hire an excellent HR RIF Lawyer/Scientist with much experience. Avoiding one HR lawsuit can be huge money saved. Morris Manning Martin – Jason D Cruz
- 19) Failure to pay FICA by a hospital requires drastic action; either a) close or b) fund immediately due to personal liabilities of C-Suite people and board members. If no action, C-suite and Board members can expect and should plan for IRS Demand Letters to the person.
- 20) There is a life after closure so treat people fairly. They will remember you in the next life ----- when you work for them.
- 21) HomeTown's experience has been working with and through 8 closures and at least another dozen dire circumstances so we have the experience and resources that no one else has.

These are two examples that do not represent any known entity just an example for illustration. The data is scalable to hospital size. Any questions or comments are appreciated. As to why do we name these business partners above. Because we have been in the trenches with these folks time and time again and they are the best at representing your hospital in dire times. It's better to do without than to go second class on these issues. They are first class. Be sure to read all pages of the excel spreadsheet

Remember this email is a value describing tool to explain to counties and hospital boards just what the hospital or lack of means to a community and county. Too often community leaders cannot see beyond their short focus and this will help all be reminded.

Tell us what you think by responding to this email! Your input is highly valuable!

Thanks,

Jimmy Lewis

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"The Voice of Georgia's 55+ Rural Hospitals"

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