

**THE BOARD OF COUNTY COMMISSIONERS
DURHAM, NORTH CAROLINA**

Monday, May 8, 2000

5:15 P.M. Durham Regional Hospital Report/Planning Department Report

MINUTES

Place: Commissioners' Room, second floor, Durham County Government Administrative Complex, 200 E. Main Street, Durham, NC

Present: Chairman MaryAnn E. Black, Vice-Chairman Ellen W. Reckhow, and Commissioners William V. Bell, Joe W. Bowser, and Becky M. Heron

Absent: None

Presider: Chairman Black

Durham Regional Hospital—Financial Condition Update

During the December 13, 1999 County Commissioner meeting, the Board requested that Charles Blackmon, Chairman, Durham County Hospital Corporation Board of Trustees, and Trustee Gary Wilson, Chair of the Finance/Planning Committee, Durham County Hospital Corporation, come back in the early part of Year 2000 to give the Commissioners a financial condition update of Durham Regional Hospital.

Mr. Richard Myers, Chief Executive Officer, Durham County Hospital Corporation, and Trustee Wilson present the financial condition update as requested by the Commissioners.

Resource Person(s): Chairman MaryAnn E. Black and Commissioner Joe W. Bowser, Board Liaison to the Durham County Hospital Corporation Board of Trustees and member of the Corporation's Finance/Planning Committee.

County Manager's Recommendation: Receive the report from Mr. Myers and Mr. Wilson of the Durham County Hospital Corporation Board of Trustees.

Mr. Wilson made opening remarks by saying the Hospital Corporation was reporting back from the December 13, 1999 commitment to the Board. The hospital management team would present the financial condition update to the Commissioners.

Mr. Myers began the presentation by reviewing the activities since the partnership with Duke University Health System was established. The second year of the partnership was about to be completed. He spoke favorably of the partnership. Many factors have impacted Durham Regional Hospital as well as Duke University Health System. The factors include: revenue constriction primarily by the Balanced Budget Act which defines reimbursements to health care institutions; changing contracts with managed care;

incentives offered to people to find alternatives to care outside the hospital; competition by health care facilities outside the Duke Health System; rising costs in the health care industry due to human resource costs and technology advancement as well as technology replacement costs; and the rapid rise in the cost of pharmaceuticals.

Mr. Myers said the partnership with Duke Health System is beginning to produce various benefits for Durham Regional Hospital as well as for Duke Hospital and the community. We are beginning to maximize the economies of scale. We have combined functions and eliminated duplications. We have also been concerned about preserving jobs while attempting to reduce operating costs. The Family Medicine Program has been relocated to Durham Regional Hospital. The teaching teams in internal medicine have also been relocated. The average daily census has increased from between 150-160 inpatients per day to 180-190. For Fiscal Year ending June 1999, the operating loss was \$12 million. During the first quarter of Fiscal Year 2000, we had a loss of \$6.3 million. The loss for the current fiscal year is estimated to be \$15.7 million. In the first two years of the partnership, Durham Regional Hospital has invested \$28 million in costs not projected at the time of merger just to maintain operations.

Mr. Myers called on Richard Liekweg, Chief Operations Officer, Durham Regional Hospital, to talk about several of the changes and the budget process.

Mr. Liekweg focused on the following major changes in business practices: finance, operations, and strategic initiatives. The financial area includes revenue enhancement, improvements in financial management, and reporting operations. In the operations level, expense management has begun in human resources and non-labor items. A three-year strategic plan has been prepared. The hospital expects to be making money by June 2000. The operating margin should be a positive \$1.5 million for the next fiscal year. The billing and collection processes for services rendered have been improved.

The Commissioners asked questions and made remarks about the update.

The management team responded to the questions and comments.

The Commissioners discussed their concerns about Durham Regional Hospital operations.

Commissioner Bowser stated that Chairman Black and one other Commissioner should meet with Duke University Health System officials for an overview as to how the contract has been honored.

Chairman Black said additional meetings would be held with the hospital management team and the Commissioners within the next few months.

Planning Departmental Staff Reporting, Streamlining and Organizational Restructuring

For several of the past meetings, the Board has raised concerns about staff reports for rezoning and site plan projects submitted by the Planning Department to the Board for consideration. At the March 13, 2000 meeting, the Board agreed to have a discussion with Planning staff in order to provide direction for future staff reports. In addition, the Planning Director presented departmental initiatives to streamline and restructure the organization.

Resource Person(s): Norman Standerfer, Planning Director

County Manager's Recommendation: The Manager's recommendation is that the Board provide direction to staff in preparing future rezoning and site plan staff reports.

Mr. Standerfer gave the Commissioners an overview of the department since he was hired.

Vice-Chairman Reckhow requested the report "Reinventing the Durham City/County Planning Department" be placed on a future agenda.

Mr. Standerfer said at a recent developers' conference, staff unveiled some of the changes in process as a result of the report leading directly to streamlining the zoning process.

Samples of the new staff report and zoning application form were in the packet of information given to the Commissioners for their review.

The Commissioners asked several questions and made comments about the City/County Planning Department relative to staff reporting, streamlining, and organizational restructuring.

Mr. Standerfer responded to the questions and comments.

Chairman Black commented that another meeting would be scheduled to review the reinventing report.

Closed Session

Commissioner Heron moved, seconded by Vice-Chairman Reckhow, to adjourn to closed session to discuss *In Re Miller*, BOA B00-16, and to preserve the attorney-client privilege pursuant to N.C.G.S. § 143-318.11(a)(3).

The motion carried unanimously.

Respectfully submitted,

Garry E. Umstead, CMC
Clerk to the Board