

**AMARILLO HOSPITAL DISTRICT  
REGULAR MEETING OF BOARD OF MANAGERS  
AMARILLO CITY HALL  
CITY COMMISSION CHAMBERS  
MINUTES  
January 29, 2008  
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Craig Bryan, Chairman	Yes
Mr. Alphonso Vaughn	Yes
Mr. John Ben Blanchard	Yes
Mr. Greg Graham	Yes
Ms. Becky Dodson, Secretary	Yes
Dr. Paul Proffer	Yes
Mr. Andrew Obermueller	Yes

Also Present

Mr. Marcus Norris	City Attorney, City of Amarillo
Mr. Dean Frigo	Finance Director, City of Amarillo
Ms. Andrea Rains	Recording Secretary, City of Amarillo
Mr. Matt Richardson	Director of Public Health, City of Amarillo
Ms. Vicki Covey	Director of Community Services, City of Amarillo
Mr. Roy Browning	Wachovia Securities
Mr. Matt Ramsey	Amarillo National Bank
Mr. Kyle Sanders	Chief Operational Officer, Northwest Texas Healthcare System
Mr. Rick Love	Chief Executive Officer, Regence Health Network, Inc.
Ms. Lesa Gilbert	Manager, Financial Needs Assessment Center (FNAC)
Ms. Angela Lust	Amarillo Area Foundation

**ITEM 1:** Mr. Bryan called the meeting to order at 7:31 am at City Hall and welcomed those in attendance.

**ITEM 2:** Approval of Minutes from November 6, 2007. Mr. Bryan presented the minutes from the November 6, 2007 meeting. Approval of the minutes as written was motioned by Mr. Blanchard, seconded by Mr. Obermuller and carried unanimously.

**ITEM 3:** Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning reported that the total market value of the Fund at December 31, 2007 was \$18.3 million; further reporting that, in round numbers, 57% of the Fund's investments were invested in stocks, 30% in fixed income, and 13% in cash and equivalents. In reviewing time-weighted returns, Mr. Browning stated that for the latest quarter, the Fund had a return of -1.61% versus that of the Policy of -0.66%, and 6.09% versus 6.83% for the fiscal year to date. He reported returns of 7.20% for the Fund versus the Policy of 6.95% for the latest three years. Mr. Browning reviewed the changes in asset composition for the total Fund in 2007, and stated that equities were at 56% for the 1<sup>st</sup> quarter, 54% for the 2<sup>nd</sup> quarter, 55% for the 3<sup>rd</sup> quarter, and 57% for the 4<sup>th</sup> quarter; noting that all quarters were excellent and well within the Policy range. On a risk/return basis, Mr. Browning reported that the Fund was taking the same risk as the Policy and getting slightly less returns. He stated that the latest three years were terrific for the Fund, ranking in the 44<sup>th</sup> percentile with a rate of return of 7.2% versus the Policy at 6.95%, which ranked in the 56<sup>th</sup> percentile. In summary, Mr. Browning stated that the Fund had a rough 4<sup>th</sup> quarter that affected all of 2007; that the three year numbers are all across- the-board terrific. Mr. Bryan questioned Mr. Ramsey how he reacts with the Fund's portfolio composition when the market performs as it did in the 4<sup>th</sup> quarter. Mr. Ramsey stated that he slightly

adjusted the Fund's allocations in December, taking some risk off the table both in mid and small caps. Mr. Ramsey stated that he was going to stay fully invested, that the Fund wants the long-time exposure, and would wait for the market to improve. He then reviewed the Fund's asset allocation, the duration barbell strategy; consisting of liquidity needs and return requirements, and bond performance. Mr. Ramsey stated that his primary focus for the Fund is on the yield, looking for an approximate 5% cash flow.

**ITEM 4:** Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning reported the total assets of the Fund at December 31, 2007 were \$211.7 million with 97.21% invested in fixed income and 2.79% in cash and equivalents. He then reviewed the Fund's time-weighted returns of 2.97% versus 3.35% of the Policy for the latest quarter and 8.06% versus 8.19% for the fiscal year to date. For the latest three years, Mr. Browning reported returns of 4.80% versus 4.67%, 4.25% versus 3.89% for the latest five years, and 5.51% versus 5.31% since inception; noting that the Fund is in great shape. He reviewed that Amarillo National Bank held 65.15% of the Fund's assets, Herring National Bank I held 18.15% and Herring National Bank II held 16.69%. On a risk-adjusted basis, Mr. Browning reported that the Fund is receiving a greater return than that of the market and taking less risk. He reviewed the sharpe ratio, the measure of return per unit of risk, at the three-year period for the Fund: 0.33% versus 0.20% of the market. For the five-year period: 0.54% versus 0.28%, eight years: 1.07% versus 0.78%, and 0.73% versus 0.53% since inception. Mr. Browning stated that the returns were fantastic for all time periods. He reported that the Fund was in the 43<sup>rd</sup> percentile with a return of 2.97% for the latest quarter, 20<sup>th</sup> percentile for the latest year, 10<sup>th</sup> percentile for the latest three years, 18<sup>th</sup> for the latest five years, and 11<sup>th</sup> percentile since inception; and stated that the returns for all time periods were outstanding for the corpus. In summary, Mr. Browning stated that the Fund had a soft quarter, but is doing great overall; that both money managers are doing an excellent job, and that he is very pleased with how the Fund has performed.

**ITEM 5:** Presentation and Discussion of the Indigent Care Report. Mr. Sanders reported that the average number of qualified indigents at December 31, 2006 was 4,291 and stated that there were more visits to the J.O. Wyatt Clinic than there were people on record. He stated that the trend is down in patient discharges to 434 in 2006 and that there were no major changes in the average length of stay by type of service for qualified indigents. Mr. Sanders reviewed that 2006 was a good year for NWTHS in total hospital costs for the indigent program, down to \$13.9 million from \$15.9 million in 2005. He reported that NWTHS had a \$2 million decrease in outpatient costs, using the same methodology as Medicare in 2006. Mr. Sanders stated that there was a slight increase from 2005 to 2006 in payments by NWTHS to outside providers for indigent care: \$3.3 million to \$3.5 million. He noted that the largest cost in outpatient utilization in 2006 was in pharmacy. In reviewing the average length of stay and charge by DRG (diagnosis related grouping), Mr. Sanders stated that Medicare had made drastic changes in their DRG's; going from approximately 500 DRG's to over 700 DRG's. He proposed that NWTHS change some of the trends from looking at specific DRG's to more of a summary-level grouping such as cardiology, orthopedics, and oncology.

**ITEM 6:** Presentation and Discussion of Indigent Eligibility. Mr. Sanders introduced Lesa Gilbert, Manager of the Financial Needs Assessment Center (FNAC), to the Board. He reported that the FNAC had recently relocated to the Women's and Children's Clinic located at 814 Martin Road. Mr. Sanders reviewed the process for application and eligibility criteria including residency, income and resources. Mr. Sanders stated that the applicant must be a U.S. citizen and resident of the City of Amarillo and/or Potter County and would have to present required documentation such as rent receipts or current utility bill in order to qualify. In order to meet income eligibility, he reviewed; customers with Medicare and/or Medicaid have to be at or below 127% of the Federal Poverty Limit (FPL) and all other customers at or below 150% of the FPL. Proof of income documents such as pay stubs and bank statements, he noted, is a requirement. The resource limit, Mr. Sanders stated, cannot be more than \$5,000 in assets excluding the homestead. Required documentation for proof of

resources, he noted, consist of bank statements, retirement information, on-line query and/or a search for property at former addresses. Mr. Sanders stated that the number one reason people are denied eligibility is because they fail to provide or complete the required documentation. The interview process itself, he reported, consists of reviews of the application and verification of information, resolution of outstanding questions or issues, and obtaining a valuation of the assets. Mr. Sanders stated that if the application is complete and all items have been verified, the customer is approved immediately. If not, the customer has 14 days to return the missing verification items. Currently, he reported, the completed applications are worked within 15 days of receipt.

**ITEM 7:** Presentation by Regence Health Network on status of Dental Services. Mr. Love stated that he felt there were several consistencies between the J.O. Wyatt Clinic and Regence Health Network (RHN) with regard to income eligibility and thought that there would be an opportunity for future partnering and discussion; further stating that a lot of J.O. Wyatt patients would be qualified to be seen at RHN and that RHN would receive funding for those patients. Mr. Love presented the Amarillo Indigent Dental Client 4<sup>th</sup> Quarter 2007 Update from Regence Health Network (RHN) and stated that RHN had started seeing the District's clients on October 1, 2007, and has had an overwhelmingly successful tenure. He stated that the transition of the dental clinic was seamless and thanked Texas Tech, Northwest Texas Hospital, and the Public Health Department for their help during the process. Mr. Love reported that the RHN Dental Department had registered approximately 1,700 patients; that 13% or 223 of those patients were AHD's clients. During that time, he stated, those clients generated about \$26 thousand in charges. Mr. Love reported that through the contract with NWTX, approximately \$17 thousand was reimbursed; which is about \$75 per patient and lower than RHN had predicted. He reported that these charges generate approximately \$9 thousand in savings to the District or around \$40 per client. Average wait time, Mr. Love stated, is about 30 days and is expected to lengthen as the demand increases. He announced that currently, the RHN dental staff includes 2 full-time dentists, 1 hygienist, and 4 full-time dental assistants and is expecting an additional full-time dentist in early March 2008. He reported that RHN spent approximately \$300 thousand on new capital equipment last year and has an operating budget of approximately \$750 thousand and stated that anything the AHD could do in the future to help offset some of those costs would be greatly appreciated. Due to the increase in demand for services, Mr. Love stated that he is concerned that the future relationship between RHN and AHD could be compromised, given RHN's inability to accommodate the increase in demand. He further stated that if the demand should continue to grow as it has, that RHN and the AHD would have to sit back down and renegotiate how to fulfill the demand. Referring to Item 8 on the agenda, Dr. Proffer questioned if Mr. Love was looking for an additional building and equipment. Mr. Love stated that he thought it would be a real possibility for RHN, at some point in time, to acquire the building and equipment that was once used by the Community Dental Clinic and place two dentists there. He further stated that the current RHN facility is not going to have the capacity; that RHN did not think or build big enough. Ms. Dodson questioned the District's legal obligation to dental care for the indigents. Mr. Love stated that whether or not the AHD is exceeding or not exceeding its legal obligation to the indigents of the community, that RHS would continue to see the indigents as a provider of last result, and would either have to acquire federal funding or limit the number of people RHS will see; and that would probably occur within the next nine to twelve months.

**ITEM 8:** Disposition of Dental Clinic Property and Equipment. Mr. Norris reviewed that the Hospital District remains in possession of the building that was once being used as the community dental clinic. He stated that there was special legislation, which had created the District, that allows the District to sell real property by public or private sell and that any means of selling real estate is available to the District for disposition of the building. Mr. Norris reviewed that a portion of equipment within the building had been suggested to go to the Amarillo College Dental Program and stated that the suggestion could be easily accomplished through an intergovernmental agreement. He reported that it had also been suggested that some of the equipment be used in the J.O. Wyatt Clinic

and could be done on a consignment basis with paperwork filed with the State. Mr. Norris stated that since the dental equipment is public property, it could not be donated or given away; it must be purchased or delivered on consignment. Once the equipment becomes obsolete, he noted, it could be disposed of by public auction. Mr. Sanders stated that there is a need for the dental property within the J.O. Wyatt Clinic as well as the Amarillo College Dental Clinic. Mr. Blanchard stated that the proposal made by the Indigent Care and Funding Priorities Committee was to give the equipment to Amarillo College or any other entity that could be used for indigent needs. Ms. Dodson moved that the equipment in the previously used dental clinic be available for use by the J.O. Wyatt Clinic and the Amarillo Dental Clinic per the Amarillo Hospital District's By-laws and that any obsolete items that cannot be utilized by either clinic be disposed of by public auction. Mr. Vaughn seconded the motion and it carried unanimously. Mr. Blanchard moved to amend the motion to add that the equipment be made available first to Amarillo College and secondly to the J.O. Wyatt Clinic. Dr. Proffer seconded the motion and it carried unanimously. In regards to the building, Mr. Norris acknowledged Amarillo Area Foundation's help in the initial acquirement and addressed Ms. Angela Lust in the audience. He questioned Ms. Lust if the Foundation had any remaining interests in the building to which Ms. Lust stated there were none. The Board discussed the disposal options of the building, including real estate listing, auction, and by sealed bids; and how the monies acquired from the sale could be spent. Mr. Bryan stated that the Board would table the disposition of the building until the next meeting to further review the options and the best course of action to take.


**ITEM 9:** Presentation of Quarterly Financial Statements. Mr. Frigo presented the quarterly financial statements ending December 31, 2007, and reported that the total Fund balance was approximately \$227 million. He stated that the Fund had a good quarter in revenue; noting realized investment income at almost \$3 million and \$3.3 million in unrealized investment income. Mr. Frigo reported total revenue in the amount of \$6.4 million and total expenses of \$2.3 million for a net operating income of about \$4 million. He cautioned the Board that of the \$4 million, \$3.3 million were unrealized gains and subtracting those gains would leave an operating income of approximately \$811 thousand. Reviewing budget versus actual, he stated that investment income was slightly ahead of the budget at \$2.9 million or 27.04% for the quarter. Mr. Frigo stated that on a budget basis, the quarter looked good; the District had received 27.04% of its total revenue and is at 19% in total expenditures. He reviewed that the Tobacco budget is budgeted separately to fund the Pediatric Support Contract, the Dental Clinic, and Tobacco Free Amarillo and stated that the Tobacco budget in on track for the quarter.

**ITEM 10:** Quarterly Investment Report from Investment Officer. Mr. Graham reported that for the quarter ending December 31, 2007, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 30, 2007 and the Public Funds Investment Act. He reported that agency securities, including mortgage-backed securities, represent 81.43% of the total Portfolio, which is below the 85% Agency limit. Mortgage backed securities represent 14.41% of the total Portfolio, which is below the 30% limit. Obligations of state or local governments represent 7.58% of the total Portfolio, which is below the 10% limit. He reviewed that treasuries and full faith and credit obligations comprise 6.71% of the total Portfolio. Cash balances including Money Market funds comprise about 4.28%. Investments with maturities greater than 10 years represent 34.94% of the total Portfolio, which is under the 50% restriction in the Policy. Mr. Graham reported that there are no securities with a maturity of greater than 30 years. The market value of the Portfolio is 101.65% of the book value, with a market value of \$214,296,767 and a book value of \$210,823,461. Mr. Graham stated that in the current year, the AHD Budget called for \$10,911,046 in realized investment income. Current investment earnings through December 31, 2007 are \$2,963,344.

**ITEM 11:** Committee Reports. Mr. Vaughn stated that the Indigent Care and Funding Priorities Committee had met the previous week and heard reports from all entities and had no recommendations to the Board at this time.

**ITEM 12:** Public Comments. There were no comments from the public.

**ITEM 13:** Adjournment. There, being no further business, the meeting adjourned at 9:25 am. This meeting was recorded and all comments are on file in the City Finance Department.



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Becky Dodson, Secretary



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Craig Bryan, Chairman