



MORROW COUNTY COMMISSIONERS

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March 4, 2020

Morrow County Hospital Board
Chad Miller, CEO and Cheryl Herbert, ex officio member
651 W. Marion Road
Mount Gilead, OH 43338

Dear Morrow County Hospital Chairman Brad Wood, Vice-Chairman Vince Trago, Board Members, Ex Officio Member Cheryl Herbert, and CEO Chad Miller:

On Monday we received your February 25, 2020 Morrow County Hospital Board Resolution requesting that the Morrow County Commissioners approve a renewal Hospital levy for the November 2020 ballot. As you know, Ohio law requires the County Commissioners to act as the taxing, budgeting, appropriating, and purchasing authority for county government. Ohio law also charges the Morrow County Commissioners with ownership and oversight of county real estate. As the Morrow County Hospital is a wholly-owned county facility, and the Morrow County Hospital is fully a component of Morrow County government, it is our duty, by Ohio law, to assess if such a Hospital renewal levy is necessary.

To reasonably and responsibly make such an assessment of financial need requires each Commissioner to have a clear understanding of the financial situation and operations of each County government entity. With the Morrow County Hospital, this has been made especially difficult by the Hospital Board's refusal, since last July, to meet with the Commissioners; refusal to fulfill basic public information and public records requests; refusal to attend the last scheduled Hospital Quarterly Financial Review; and, refusal to provide information needed to approve your 2020 Morrow County Hospital Budget Proposal. These repeated denials of information serve to cast doubt on your management and cloud the ability for any oversight authority, or the public, to understand your practices in managing millions of dollars of County funds.

Our role in approving Levy requests is similar to what is required under Ohio Revised Code 339.06 for the Morrow County Commissioners to review the Hospital Board's annual proposed budgets. In similar fashion to this letter, we wrote to you on November 18, 2019 to inform you that due to concerns raised by numbers that you provided in your proposed 2020 budget, that we would not be able to approve your proposed 2020 budget unless you provided additional information. To date, we have neither received acknowledgement nor any response to that request for financial and operational information. We further wrote a second letter on December 9, 2019 to again request that information in order to have it before our required vote on your budget proposal. You ignored that second request as well. As a result of your inaction we had no choice but to reject your proposed 2020 Morrow County Hospital budget on December 11.

Now, after having refused to attend our last scheduled financial accountability meeting, and having ignored our last two written requests for you to be accountable for the County's public funds, the Hospital Board is requesting at least an additional \$7 million in tax subsidy be submitted for approval. Given that Morrow County residents paid for and built the Morrow County Hospital, and that Morrow County residents have provided \$30 million in support of the Hospital over the past 20 years, it is essential for the Hospital Board, and your contract manager, OhioHealth, to answer these basic questions about your use and management of our County's public funds.

In addition to the information as yet still unanswered from our November 18, 2019 letter, new concerns have been raised about the Hospital Board's contracting, procurement, and investment practices handled through OhioHealth. Those concerns largely revolve around the loss of clear and distinct roles between government and private contractor, that have blurred over the past few years, leaving doubt and ambiguity for where the Hospital Board's role as County government begins, and where that of OhioHealth ends.

With that, in addition to still needing answers to the November 18, 2019 letter, we request the following information be provided from the Morrow County Hospital Board for the following questions by April 6, 2020:

Please see the attached spreadsheet showing the revenue and expenses that the Morrow County Hospital Board reported to the State Auditor for years 2010 through 2018. Your reported numbers to the State Auditor indicate that, without the Levy funds, that the Morrow County Hospital lost \$15.2 million over that reporting period. Those numbers also show that you reported having some \$2,223,520 in cash in 2014. From 2014 through 2018, even with the Levy funds, you reported that the Hospital lost more than \$2 million. Please explain how you can hold \$2,223,520 in cash reserves, report a loss of \$2 million over the next four years, and then report a cash balance of \$4.6 million in 2018. Recently, Morrow County Hospital Board members and staff have publicly stated the Hospital currently holds as much as \$9 million in reserve funds. Please explain.

We have also provided a spreadsheet that includes your reported income and losses for the five doctor practices that were transferred last year to OhioHealth for \$248,065. Nothing included in those audits as submitted to the State Auditor of Ohio indicate annual losses of \$2 million. Given that, please clarify why OhioHealth employee and designated Hospital CEO Chad Miller continues to publicly state that OhioHealth is making an annual \$2 million investment in Morrow County by taking on the expense of those practices. Your 2017 and 2018 audits reported losses for those practices of \$394,068 and \$436,143.

We again inquire about the status of the charitable Wilders James fund, when and to whom it was donated, the principal balance, where it is held, and why disbursements apparently were not made in 2018 and 2019, and then, only recently made in January 2020 after repeated questions about this fund were raised by the Morrow County Commissioners.

Please also explain where the \$9 million in reserve funds are being held and invested, and how those actions comply with ORC 339.06 (D)(2) that stipulates the Morrow County Hospital Board is to obtain approval from the Morrow County Investment Advisory Committee for how these funds should be handled. Any letter of approval from the Advisory Committee for use of these funds at any time over the past five years would suffice.

Ohio Revised Code 339.08 states, "All money held in trust by the board shall be kept in a separate fund to be known as "the hospital trust fund." The board of county hospital trustees shall make a complete report of its administration of all property and funds held in trust to the board of county commissioners with its annual report of operation of the hospital." Please provide your timeline for submitting this report for 2019. We also request copies of these statutorily-required reports from 2015 through 2018.

We further need to understand how you are complying with Ohio Revised Code 307 for competitive bidding requirements. With that, please provide a copy of the Morrow County Hospital Board's current purchasing agreement with OhioHealth, your annual Hospital Resolution for the past five years approving that purchase agreement, as well as the requisite Morrow County Commissioners' approval for such practice as specifically required by ORC 339.05. If you have not passed your own such purchasing agreement resolutions, annually, and also have not obtained such approval from the Morrow County Commissioners, then please explain how you are not violating Ohio Revised Code with these purchasing practices. Also, please explain why such purchasing approvals are not mentioned by the private auditing firm that serves in lieu of the State Auditor's annual financial review and spending authority audit.

Please explain the level of review provided by the Hospital Board to operational costs and billing, and at what thresholds that you have assigned responsibility to OhioHealth employee Chad Miller. For instance, during the Hospital Board's evening meeting on January 23, 2018, you approved Chairman Drouhard authority to sign an unbid agreement for Partnership Services with Chicago-based ECG Management Consultants Inc. Following that approval it appears that eight days later on January 31, 2018, that ECG billed the Morrow County Hospital \$30,000 for Professional Services over that eight-day period, as well as for "travel, telecom service, and other out-of-pocket expenses" amounting to \$36.82. Did any Board member review and sign off on this \$3,754 per day bill? Also, during your Request for Proposal process this same Chicago-based firm billed more than \$43,500 for expenses simply listed as "travel, telecom service, and other out-of-pocket expenses." Did the Board request any invoices substantiating these extensive travel expenses?

Here are further questions related to the blurred lines between the roles of County government and private industry that are exacerbated by the ubiquitous use of your contract management company's logo being placed on practically every Morrow County Hospital document, wall, sign, uniform, and even to the point of requiring all County employees to use OhioHealth email addresses.

Over the past five years of the current levy period, it appears that numerous hospital functions previously handled by county employees are now being handled or overseen by OhioHealth, such as for billing, surgery, fiscal, human resources, and other management functions. Please detail each of these changes, and the procurement process that you used to obtain competitive bids for these outsourced services.

It appears that purchased service expenses have grown from \$7,986,628 in 2015 to \$9,288,236 in 2018, all while Morrow County Hospital revenue, employee numbers, salary, and average-pay-per-hour have all dropped. We also note that payments to OhioHealth for management services increased from \$128,098 in 2011 to more than \$900,000 in 2018, as reported in your last available financial audit; all while costs to patients have increased 27% since 2015.

Both Ohio Revised Code 339.07 "Duties of Administrator" and the new contract management agreement that the Hospital Board established in 2017 with OhioHealth specify reporting requirements by the Hospital Administrator to the Hospital Board. ORC 339.07 specifically notes, "At the end of each fiscal year, the administrator shall submit to the board a complete financial statement showing the receipts, revenues, and expenditures in detail for the entire fiscal year." We request copies of those ORC 339.07-required reports from 2015 through 2019.

Finally, we believe every Morrow County resident deserves to know how much Morrow County CEO Chad Miller has been paid, supported by their tax funds, over these past five years; the amount of raise and bonus recommended for him to you by OhioHealth Executive Vice President Cheryl Herbert for each of those years, all made by her to you during Executive Session; please include the amount of her recommended pay raises and bonuses for Chad Miller, and the amounts that the Hospital Board subsequently approved. Please also confirm, as it appears from your meeting minutes, that these raise and bonus discussions were all

discussed in Executive Session, and then approved by the Morrow County Hospital Board immediately following those Executive Session discussions. We have made this request previously and have been told that this salary information is a trade secret. Please inform us of any individual working in any Ohio public role, whose salary is paid with public funds, and whose raises are approved by a public body, whose salary is not publicly disclosed. We also ask that you provide the amount of any performance bonuses approved by the Hospital Board to OhioHealth since approval of the 2017 OhioHealth Management Agreement.

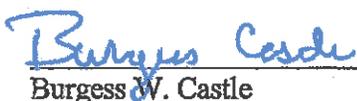
As the Morrow County Commissioners have repeatedly stressed over the past two years, we want to improve and expand healthcare services and healthcare jobs in our County. We want to do everything possible to support the Morrow County Hospital and to improve it. And we do think it is both prudent, and our statutory duty, to ask that you provide the fair and reasonable information requested in this letter – and in the November 18, 2019 letter – that will allow us to make a proper and evidence-based assessment of your new \$7 million Levy request.

Sincerely,

BOARD OF MORROW COUNTY COMMISSIONERS



Tom E. Whiston



Burgess W. Castle



Warren E. Davis

MCC/ch

cc: Morrow County Elected Officials
OhioHealth CEO S Markovich

Hospital	Numbers from submitted private audit firms:													MCH Proposed Budgets	
	Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020			
Revenues/Expenses															
Net Patient Revenue	\$25,782,802	\$24,109,843	\$23,993,140	\$22,664,165	\$25,018,882	\$27,479,997	\$27,869,069	\$28,953,576	\$24,159,781	\$19,349,841	\$19,885,361				
Total Operating Revenue	\$26,448,984	\$24,742,489	\$24,974,320	\$26,751,477	\$27,346,522	\$28,400,550	\$29,569,086	\$31,040,899	\$25,815,468	\$20,515,090	\$20,431,866				
Salaries/wages	\$13,186,477	\$13,231,046	\$8,618,300	\$9,087,995	\$9,502,118	\$9,397,837	\$9,320,747	\$9,052,987	\$8,280,806	\$6,476,648	\$6,330,108				
Benefits/leases			\$4,688,043	\$3,872,932	\$4,777,738	\$4,571,608	\$4,889,199	\$6,799,441	\$6,148,839	\$3,221,559	\$3,321,975				
Supplies	\$4,577,210	\$4,284,509	\$3,942,699	\$3,371,319	\$3,882,517	\$4,113,787	\$3,806,343	\$3,910,280	\$3,500,863	\$3,256,516	\$3,334,499				
Purchased Services	\$7,058,444	\$6,861,417	\$6,998,263	\$7,871,701	\$7,876,219	\$7,986,628	\$8,486,131	\$8,962	\$9,288,236	\$4,339,656	\$445,131				
Utilities	\$545,127	\$511,608	\$487,108	\$492,278	\$594,899	\$596,567	\$606,118	\$606,240	\$594,326	\$517,520	\$589,550				
Rental	\$756,534	\$640,831	\$679,295	\$654,069	\$891,898	\$967,872	\$1,079,723	\$1,125,792	\$993,683	\$531,164	\$563,482				
Depreciation	\$1,197,340	\$1,210,855	\$1,103,555	\$1,415,111	\$1,724,676	\$1,668,221	\$1,658,113	\$1,708,545	\$1,419,446	\$1,075,861	\$1,133,283				
Total Operating expenses	\$27,521,938	\$26,940,384	\$26,714,179	\$26,963,364	\$29,463,089	\$29,559,111	\$30,141,818	\$32,425,245	\$30,494,122	\$21,586,151	\$21,834,025				
Non-Levy Loss	-\$1,079,654	-\$1,187,895	-\$1,789,859	-\$211,687	-\$1,416,167	-\$1,158,561	-\$372,232	-\$1,384,346	4,678,654	-\$12,192,785	-\$1,074,050	-\$1,483,160			
Levy - plus other funds	\$1,318,562	\$1,272,166	\$1,288,384	\$1,752,212	\$1,289,039	\$1,318,610	\$1,336,036	\$1,428,616	\$1,452,521	\$1,466,931	\$1,392,300				
Loss/Gain with Levy	\$245,908	-\$925,729	-\$510,476	\$1,540,325	-\$887,328	\$160,049	\$763,306	\$44,270	-\$3,226,333	-\$2,736,608	\$395,870	-\$9,860			
Balance															
Cash	\$205,074	\$2,359,720	\$1,114,755	\$2,190,539	\$2,223,520	\$1,440,290	\$2,841,467	\$4,906,843	\$4,622,349						
Total Assets	\$20,145,220	\$21,705,151	\$21,666,225	\$22,351,416	\$21,712,479	\$24,073,949	\$22,626,379	\$27,394,987	\$21,548,852						

All information from MCH State of Ohio submitted audits and proposed budgets

Doctors	Numbers from submitted private audit firms							
	2012	2013	2014	2015	2016	2017	2018	
Year	2012	2013	2014	2015	2016	2017	2018	
Revenues/Expenses								
Net Patient Revenue	\$286,126	\$1,118,173	\$457,665	\$438,149	\$300,117	\$167,031	\$100,774	
Total Operating Revenue	\$286,126	\$1,137,648	\$1,842,677	\$2,430,351	\$2,328,655	\$2,486,056	\$2,351,416	
Salaries/wages	\$172,297	\$960,124	\$2,102,277	\$2,513,433	\$2,329,855	\$2,287,180	\$2,172,696	
Benefits/taxes	\$9,462	\$46,451	\$249,248	\$436,124	\$369,268	\$555,522	\$593,193	
Supplies	\$125,317	\$201,947	\$144,628	\$57,621	\$75,723	\$33,372	\$21,670	
Purchased Services	\$166,123	\$338,907	\$447,866	\$239,064	\$228,362	-\$773	?	
Utilities	\$11,185	\$44,829	\$12,017	\$11,057	\$16,394	\$22	?	
Rental	\$19,577	\$138,100	\$56,307	\$58,075	\$63,419	\$4,801	?	
Depreciation	\$3,095	\$5,492	\$5,661	\$3,566	\$3,573		?	
Total Operating expenses	\$507,056	\$1,735,850	\$3,018,004	\$3,318,940	\$3,086,589	\$2,880,124	\$2,787,559	
Non-Levy Loss	\$280,930	\$398,203	\$1,175,327	\$888,589	\$757,934	\$394,068	\$36,143	
Levy - plus other funds		-\$407	-\$407					
Loss/Gain with Levy		\$588,609	\$1,175,734	\$888,589	\$757,934	\$394,068	\$436,143	
Balance								
Cash	\$39,412	\$91,117	\$63,159	\$327,977	\$732,765	\$52,560	\$55,412	
Total Assets	\$349,800	\$434,143	\$191,971	\$481,404	\$852,849	\$154,784	\$152,901	

All information from MCH State of Ohio submitted audits