MORROW COUNTY COMMISSIONERS

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November 18, 2019

Dear Morrow County Hospital Board Chairman Patrick Drouhard, Vice-Chaiman Brent Winand, Board Members, and Morrow County Hospital CEO CJ Miller:

Until this October 23rd, the Morrow County Hospital CEO, CFO, and a Hospital Board member, had met quarterly, in person – going back more than a decade -- with the Morrow County Commissioners to review the financial standing of the county-owned and tax-supported hospital. It is troubling that despite your recent, publicly-stated expectations that Morrow County residents should continue to provide the annual $1.4 million tax support of the Hospital, that you notified us by email just a few hours before the expected start of that traditional quarterly meeting, that you would not be continuing that decades-long practice of financial accountability. Morrow County residents have provided tens-of-millions in tax dollars towards the Hospital's operation for more than three decades. Given that public commitment and your recent spending and leasing practices it is essential towards continuing public support of the Hospital that these in-person sessions continue.

We understand that there have been numerous points of contention between the County Commissioners and the Hospital Board over the past year regarding hospital operations. We also acknowledge the lawsuit personally filed before the Ohio Supreme Court by Chairman Pat Drouhard against the Morrow County Commissioners regarding his appointment to the Morrow County Hospital Board; and that the full Hospital Board supports his position as shown by your unanimously-approved September resolution to not meet with the Morrow County Commissioners while Mr. Drouhard's personal litigation remains pending against the County. From our perspective, and indeed, many other concerned Morrow Countians, this personal lawsuit against the Commissioners filed by an individual board member should not continue to be used as a basis for any Hospital Board members, contract Hospital administrators, or remaining county hospital employees, to avoid fulfilling their personal obligations to be accountable to local elected officials and the public, for the considerable taxpayer funding received by the Morrow County Hospital.

On this same matter, we remain concerned that the last posted financial information available for the Hospital showed a $400,000 loss in July. What has happened since then and why did you also not provide, as traditionally done, the Hospital's quarterly financials? You also continue to flout Ohio Public Records law by not submitting this information as Commissioner Whiston immediately requested those public records after receiving your October 23 meeting cancellation note. It has now been more than three weeks since that request. Please observe Ohio law and your own Morrow County Hospital Public Records Policy by promptly providing these financial records that were openly shared by Hospital board members at the October 22 Hospital Board meeting. Certainly there should be no need for legal reviews by either the Hospital Board's attorney, Mr. Christensen, or the attorneys representing Mr. Drouhard and OhioHealth, Dinsmore & Shohl, to review these standard financial statements. Our last public records request was delayed, according to Mr. Miller, due to having Dinsmore and & Shohl review those county documents.

Troubling Numbers

We did receive and continue to review your proposed 2020 Morrow County Hospital Budget. In comparing it to last year's budget proposal it shows a 38% decrease in staffing, a 44% decrease in paid salary, and an expected decrease, by half, of in-patient admissions. Further, these numbers appear to conflict with the December 31, 2018 audit that you submitted to State of Ohio Auditor Dave Yost which shows different payroll numbers for the doctor practices and the Hospital. We also note that these numbers differ from those provided to the *Morrow County Sentinel* for the story published Wednesday, November 6, 2019.

In order for the County Commissioners to meet our statutory requirement of reviewing and voting on your submitted 2020 budget proposal by the end of this year, we again need last quarter's financial records, and we need for you to promptly provide answers to the following questions regarding recent operations of the Morrow County Hospital that we would have asked you at the October 23 meeting that you failed to attend.

Staffing/Salary

In comparing the 2019 and 2020 MCH budget submissions, you budgeted for 234 Full Time Equivalents (FTEs) in 2018, and you now propose budgeting for 146 in 2020. That's a decrease of 88 FTEs, or 38% of your staff over a three-year period.

The two proposals also show a decrease in payroll from $11,416,904 in 2018 to $6,330,108 in 2020, which is a $5,086,796 drop (44%).

Given that the Morrow County Hospital is the largest source of the highest-paying jobs in the county, those are chilling numbers. Again, they also are not consistent with the 2018 audit you submitted to State of Ohio Auditor Dave Yost or for the *Sentinel's* recent story. The *Sentinel* story refers to 42 contract employees. Who employs these contractors and under which agreements? Who pays for their services? Are they former county employees? Please explain what looks to be a significant change in county workforce and the reasons for doing this.

Please clarify the current, all-employee staffing levels for the Hospital. Please specify the numbers by appointment type and employer so that it is clear what your current and expected workforce levels will be over the next year. For example, by total number and FTE, please note if they are County employees, OhioHealth employees, or contract employees.

Along with that, please provide information from the past ten years, and your expected numbers for 2020, for aggregate employee income tax paid to the Village of Mount Gilead and also the Mount Gilead School District. Please also clarify if income tax is collected from OhioHealth and contract physicians for those days they work at the Mount Gilead facility.

What is your plan for reaching your target payroll number of 146 employees in 2020? According to the Morrow County Jobs & Family Services, several hospital staff whom were laid off in 2018 were unable to obtain employment elsewhere in the OhioHealth system. Will there be additional layoffs or are you going to do these reductions by attrition? If so, is your turnover consistent with a 19% reduction over the next year? How can you be sure that you can provide appropriate staffing levels in critical service areas? What opportunities are there for these County staff to be hired by OhioHealth?

It remains unclear how many county employees were included in the transfer of the five county-owned doctor practices to OhioHealth in June of this year. Please clarify how many total and FTE positions were transferred to OhioHealth as part of the June 10, 2019 Asset Purchase agreement. Further, did any of the employees choose to retain participation in the OPERS retirement system as would have been their right as per Ohio Revised Code? If so, how many did, and how is the 14% employer match being handled -- by the Morrow County Hospital or OhioHealth?

Admissions Red Flags

The 2019 and 2020 proposals show projected in-patient admissions/surgeries for 2018 versus 2020

dropping dramatically from 550/900 to 273/700. Is it your expectation to average less than one-patient-per-day being admitted to the Morrow County Hospital in 2020? That represents an astounding 50% admissions drop over three years. A review of your meeting minutes for the past couple of years show regularly noted drops in patient usage at the Hospital. In considering your request to submit another Hospital tax levy to the ballot next year, it would be helpful to us in making that determination to see the past 10 years admissions/usage numbers. We have provided an Excel spreadsheet showing the very basic information that we are requesting (attached).

Also, what percent of your budget comes from surgery income? If you are expecting a drop of 200 operations in 2020, then how much income do you expect to lose in 2020? We note that your most recent external audit highlighted a $5 million-plus drop in revenue for 2018.

Again, citing the November 6 *Sentinel* story, it references additional OhioHealth physician and surgeon access at the Morrow County Hospital. Will these surgeries be done at the Morrow County Hospital or at out-of-county OhioHealth facilities? If they will largely be done out-of-county, benefiting a specific, competing hospital system, then how does that stem the rapid drop of Morrow County Hospital income?

We were informed that during the evening of September 23, 2019, that three individuals came to the Morrow County Hospital Emergency Department and that all three were transported elsewhere, and that such transfers are common. Please share your admission rates by total numbers and percentage for the past 10 years. Please also share by total numbers and percentage and to which hospitals these patients are being transported, and who makes these decisions.

As a participant in the Ohio Hospital Association's data sharing process, please list for the past 10 years where Morrow County residents are receiving both in-patient and out-patient services, and the amounts charged to Morrow County residents.

OhioHealth Annual Management Costs

In 2011, the Management agreement between the Morrow County Hospital and OhioHealth specified a $128,098 fee. Please clarify if that was the total management fee for that year. The Hospital Audits from the past several years all report a set amount for OhioHealth's management, fiscal, and IT oversight. They all also mention additional costs as shown below. Are the other listed costs ones that would be pending payment at the time of the audit, or are they in addition to the specified contract amounts? If they are in addition, it would appear that those costs from the past five years, per year, as per the audits, were for:

OhioHealth Management Fees

Year	Management	Extra Fees	Total
2011	$128,098		$ 128,098?
2015	$646,000	$313,000	$ 959,000
2016	$667,000	$315,000	$ 982,000
2017	$798,000	$249,000	$1,047,000
2018	$900,000	$263,000	$1,163,000

Please explain these expenses and why they have increased so dramatically since 2011. These increases in management fees come at the same time of overall increases in contract services and declining revenue. From 2015 to 2018 your annual audits show a $1,301,608 increase in use of contracted services from $7,986,628 to $9,288,236. How are these additional contracts being bid out and under what legal authority?

At the same time, over the past several years the Morrow County Hospital Board has increased patient charges by the following amounts:

Morrow County Hospital Patient Charge Rates

2017	5 percent increase
2018	5 percent increase

2019 3 percent increase
2020 3 percent increase

For decades, the Wilders James Fund, a fund established with a significant cash donation from a former Mount Gilead resident, has assisted indigent/financially-challenged Morrow County Hospital patients in paying their bills. It appears that last year the committee designated by Mr. Wilders did not meet and has so far not yet met in 2019 to select Morrow County residents to assist. Please provide an update on the status of this Fund, its annual balance amounts from the past decade, committee membership, and your plans for using it in the future. In addition, please provide the indigent/financially-challenged income ceiling set for the Morrow County Hospital which we are told is higher than surrounding communities.

Disposition of County Owned-Doctor Practices

At the October Morrow County Hospital Board meeting, OhioHealth employee and Morrow County Hospital CEO CJ Miller stated that by obtaining the five county-owned doctor practices that, OhioHealth was making a perpetual $2 million a year investment in Morrow County by "saving" the county the expense of operating the doctor practices.

The 2018 audit showed a loss by the doctor practices of $394,068 in 2017 and $436,143 in 2018. If those audited number are correct, then please explain how such losses equal a $2 million annual investment in Morrow County – in perpetuity – by OhioHealth.

Please also review the public records from 2015, 2016, 2017, and 2018 for those county-owned doctor practices to determine the aggregate dollar value, by year, by our own, and by the top five other Ohio hospitals by dollar value, charged to Morrow County residents through referrals made by the former Morrow County owned doctor practices.

Since July of this year the Morrow County Commissioners have requested a copy of the valuation contract used to determine the $248,065 selling price to OhioHealth for those five, county-owned doctor practices. OhioHealth employee and Morrow County Hospital CEO CJ Miller has told our staff that he does not possess that contract and that regardless if he did, that the valuation contract was paid for by OhioHealth with their private funds, and that the contract is between OhioHealth and a private valuation company. As such, Mr. Miller, and apparently the Morrow County Hospital Board, maintain that the valuation contract for selling a valuable public asset is not a public record. We continue to vehemently disagree and request that this document be made public. We also ask that the Morrow County Hospital Board explain why they did not publicly sell those assets, by open and public bid, and to cite what legal authority could they conduct this transfer in the manner that it was completed.

The $248,065 selling price of the five practices, which apparently is based solely on the value of the physical equipment and furnishing of those practices appear to be exceptionally low given that the County's insurance for just three of those five facilities listed the replacement value of the contents at $855,200.

Question on Authority for Spending Public Funds

Ohio Revised Code 339.05 specifies that a County-owned Hospital May participate with a non-profit entity in a purchasing cooperative if the Hospital Board annually approves such a spending policy, and if, the County Commissioners approve that exemption from statutorily-mandated local government purchasing requirements. Please provide documentation of the Morrow County Hospital Board's, and the Morrow County Commissioner's, annual approvals for such cooperative spending arrangements, copies of the Morrow County Hospital's agreements with OhioHealth to participate in those agreements, and a spreadsheet printout including the date, purchase amount, vendor, and item/service purchased through those agreements from the past 10 years.

> **339.05 Adopting bidding procedures and purchasing policies for services, supplies and equipment.**
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> (A) A board of county hospital trustees may adopt, annually, bidding procedures

> and purchasing or leasing policies provided through a joint purchasing arrangement sponsored by a nonprofit organization, for services, supplies, and equipment, that are routinely used in the operation of the hospital and that cost in excess of the amount specified in section 307.86 of the Revised Code as the amount above which purchases must be competitively bid. **If** a board of county hospital trustees adopts those policies and procedures, **and if the board of county commissioners approves them**, the board of county hospital trustees may follow those policies and procedures in lieu of following the competitive bidding procedures of sections 307.86 to 307.92 of the Revised Code.

We are also interested in learning more about the Hospital's current marketing plan. Promotional efforts have increased notably in recent months with billboards, print ads, and sponsorships. How much have you paid in sponsorships, and to what organizations? How much in billboards, radio, print advertisements and social media advertising have you undertaken? Have you increased staffing levels for public relations and marketing? If so, by how much have you done so in allocated hours and salary? It appears the majority of these promotions carry branding for OhioHealth. Does OhioHealth share in the costs of these advertisements? Does OhioHealth share in the cost of the extensive signage that includes their logo posted throughout the county-owned Hospital?

Uncompetitive Selection Process and Unbid Contracts for Chicago Consultant with Previous OhioHealth Ties

The Morrow County Hospital Board has paid ECG Consultants of Chicago more than $380,000 for contract services resulting in your decision to continue your 30-plus year affiliation with OhioHealth. It remains unclear by what process this vendor was selected. Morrow County Hospital Board Chairman Pat Drouhard wrote that the selection decision was based solely on Dr. Vincent Trago's recommendation of the firm. Dr. Trago wrote to Commissioner Whiston that Chairman Pat Drouhard handled all of the ECG arrangements. Please note that Hector Torres, the principal agent for ECG, joined that firm just weeks before the official agreement was signed between ECG and the Morrow County Hospital Board. Prior to that, Mr. Torres was an Acquisitions & Merger attorney for KaufmanHall, and was so at the time that KaufmanHall acquired Mansfield MedCentral for OhioHealth. Please explain if this is how Dr. Trago knew about ECG Consultants, which according to Hector Torres had not previously worked in Ohio. Also, at any time did Mr. Torres disclose his, and/or his previous employers' relationship with OhioHealth?

Given the importance to Morrow County in the generational decisions that the Morrow County Hospital Board made about the future of the hospital, why did you not go through a full Request For Qualification (RFQ) process for such an important process? Also, do you think that only providing one hour, of one meeting, with less than one percent of the County attending, was sufficient public notice, before voting that same evening to sell the county-owned doctor practices, continue the OhioHealth affiliation, and subject County taxpayers to possible debt from OhioHealth construction activities as per Section 8.2(d)(1) of the June 10 Asset Purchase Agreement?

We have been told that it is both the heavy involvement of OhioHealth employees, and Mr. Torres' previous KauffmanHall employment, that lead to complaints by the Avita Health System about the transparency and fairness of the Morrow County Hospital's Request For Proposal (RFP) process. It appears that such concerns are well grounded.

Although not an appointed member of the Morrow County Hospital Board, OhioHealth Vice President and former Morrow County Hospital CEO Cheryl Herbert is treated by the Morrow County Hospital Board as both an ex officio Board Member and advisor. When the Morrow County Hospital Board went into Executive Session on October 22, Ms. Herbert stayed in the room with the Hospital Board as issues regarding the Morrow County Commissioners' settlement request was being discussed, as well as the competing Avita Health System proposal. How is this appropriate? Also, did Ms. Herbert, or any other OhioHealth employees participate in ANY of the extensive Executive Sessions that were held by the Morrow County Hospital Board in developing, implementing, and evaluating, your Affiliation RFP throughout 2017,

2018, or 2019?

At that September 24, 2019 Morrow County Hospital Board meeting, the Board voted to again hire Hector Torres with ECG to review Avita's proposals and conduct a "reverse" due diligence of Avita. At that time a prudent suggestion was made by Mr. Earl Desmond that before starting the clock on additional contract services to this Chicago consultant that all available information be gathered for him before initiating such a contract. That prudent recommendation was ignored and the Morrow County Hospital Board unanimously voted to move forward with a new agreement with Hector Torres, with no contract cap mentioned in the motion, for him to justify that -- in light of Avita's September 23, $5 million offer to buy the Hospital and double staffing -- that the Hospital Board had previously made the right decision in approving the June 10 OhioHealth agreement.

Given Mr. Torres' background, his $380,000 in payments for recommending OhioHealth, and his angry outburst at Avita CEO Jerome Morasko on May 7 this year, we understand why Avita would be resistant to providing any further documentation to the already-biased Mr. Torres. It is also quite disappointing that Chairman Drouhard turned down the personal invitation of Dr. Joseph Shadeed to attend Avita's October 31 Board Meeting to personally review Avita's 2018 audit, so that he could personally ask the auditor any questions about Avita's financial standing. Commissioner Tom Whiston and staff attended that meeting and heard the auditor provide Avita the highest rating that could be provided by an auditor.

Questions Involving County Real Estate Interest

While Ohio Revised Code, as explained in the Attorney General's February 2019 Opinion letter, provides the Morrow County Hospital Board broad authority over day-to-day operations of the Hospital, it also clarified that the County Commissioners maintain authority and involvement in real estate interests with the County Hospital.

As such, the Commissioners request clarification on the following items:

Why have the Commissioners not been asked by the Morrow County Hospital Board to approve any and all of the extensive lease/sublease arrangements for County-owned facilities held under the Commissioners' name by the County Recorder and County Auditor?

For example, on June 10, 2019, three OhioHealth employees signed a lease document whereby OhioHealth now leases and pays for some 3,600 square feet on the first floor of the county-owned hospital at 651 West Marion Road, but also assigns OhioHealth exclusive and non-competitive use of the entire 100,000-plus square foot building. How was the lease rate determined for this area? And please provide a copy of the appraisal to determine that lease amount. Also, how can three employees of the same private corporation assign their private employer exclusive use of a public building with no additional public approvals? It also appears that after the initial three year term that this agreement can continue on a month-to-month basis as long as the Landlord (OhioHealth employee CJ Miller) and Tenant (OhioHealth Vice President Geoff Gregory), agree. Please show any documentation available showing that the Morrow County Hospital Board approved this specious arrangement.

Commissioner Whiston has previously requested documentation regarding leases involving the Neal Avenue building. We have received no copies of the lease by the Morrow County Hospital to Maryhaven/LabCorp or any other tenants of that building. Again, please provide a copy of such leases and an explanation of how the lease rates were determined and why you did not request Commissioner approval of them.

June 10 Asset Purchase agreement signed with OhioHealth

Please explain Clause 8.2 of the OhioHealth agreement "After the Cessation Date, Morrow County Hospital shall stop inpatient services, and shall no longer use the existing hospital building as an inpatient hospital facility."

If the Morrow County Hospital closes, does the Morrow County Hospital Board even continue to

exist? By what authority can you assure OhioHealth that the current facility will no longer be used as an inpatient hospital? Also, Section 14 on Page 12 is a Covenant Not to Compete and describes a two-year non-competitive environment from physician services, not just in Morrow County, but also in adjoining counties. How can you make such assurances and how is such a monopoly good for Morrow County residents?

Further, please confirm if both Ohio Revised Code 140.03 (F) (1) and (2) for Hospital facility agreements were fully completed and provide documentation of such actions:

> **ORC 140.03 (F) Hospital facility agreements.**
>
> (1) Prior to its entry into any such agreement, the public hospital agency must determine, and set forth in a resolution or ordinance, that the contribution to be made by it under such agreement will be fair consideration for value and benefit to be derived by it under such agreement and that the agreement will promote the public purpose stated in section 140.02 of the Revised Code.
>
> (2) If the agreement is with a board of county commissioners, **board of county hospital trustees**, or county hospital commission and is an initial agreement for the acquisition or operation of a county hospital operated by a board of county hospital trustees under section 339.06 of the Revised Code, the governing body of the public hospital agency shall submit the agreement, accompanied by the resolution or ordinance, to the board of county commissioners for review pursuant to section 339.091 of the Revised Code. The agreement may be entered into only if the board of county commissioners adopts a resolution under that section. The requirements of division (F)(2) of this section do not apply to the agreement if one or more hospitals classified as general hospitals by the director of health under section 3701.07 of the Revised Code are operating in the same county as the county hospital.

Continuing Concerns Over Public Input, Resources, and Improved Healthcare

We certainly would have preferred to ask these questions in person, and be able to verify certain observations at the traditionally-held quarterly meeting, but your refusal to meet in person leaves no choice but to submit these necessary questions in writing.

All of the information that we are reviewing: the significant drop in resident usage of the hospital over the past several years; your proposed budgets; the June 10 agreement assigning exclusive use of the County Hospital to OhioHealth and signed only by OhioHealth employees; the June 10 Asset Purchase agreement signed with OhioHealth containing 10 clear references to closing the Hospital; all of these lead us to ask what are your current plans for closing the hospital? At what "trigger" point do you make that decision, and what are your plans for assisting the current staff, and what budget are you preparing for the facility once it is closed?

It is grossly irresponsible to NOT have such conversations with all the parties that will be impacted prior to making such a major decision. Much of the issues we deal with today stem from the similar behavior that you engaged in on May 8.

The June 10 Asset Purchase agreement with OhioHealth provides no guarantee of continuing Emergency Room services in the County, it guarantees no hiring of current staff, it guarantees no financial commitment levels of any kind by OhioHealth, or any target employment levels. The only guarantees in that agreement provide OhioHealth non-competitive operation in Morrow County and that we will permanently close our existing County-owned facility as a hospital.

Given all this, it is confounding why you have so far rejected three good faith offers to discuss and resolve these issues, given that an offer stands to increase the Hospital's employment to 400 staff, eliminate a tax levy, and make a cash payment of $5 million to purchase our operations and get county government out of the health care business. A careful review of your agreements and operations shows that OhioHealth is paid some $1 million a year to provide operational oversight of our County Hospital.

Finally, we hope that the Morrow County Hospital Board understands that even though it has a "management" agreement with OhioHealth and that OhioHealth employee CJ Miller uses the title of Morrow County Hospital CEO, that neither he nor does OhioHealth hold ANY fiduciary obligation for oversight of the Morrow County Hospital. Your agreements with OhioHealth make clear that they hold no liability for the operations they perform within your guidance. The true fiduciary oversight of the Morrow County Hospital lies entirely on the shoulders of the appointed Morrow County Hospital Board members.

We urge you to understand that, and with that, it is in Morrow County's best interests to move forward, together with the Morrow County Commissioners, to secure the best healthcare, tax savings, and economic development possible for our residents.

BOARD OF MORROW COUNTY COMMISSIONERS

Tom E. Whiston	Burgess W. Castle	Warren E. Davis

MCC/ch

Morrow County Hospital Requested Data 2009 to 2019

Year	In-Patient	Out-Patient	Emergency visits	Surgeries	Share of County In-Patient	Share of County Out-Patient	Average Daily Census	Admission Percentage
2020								
2019								
2018								
2017								
2016								
2015								
2014								
2013								
2012								
2011								
2010								
2009								

Year	Total Income	Levy Income	% Fee Increase	HCAP funds	Surgery income	Patient Revenue	Capital Expenditure	Contracted Services
2020								
2019								
2018								
2017								
2016								
2015								
2014								
2013								
2012								
2011								
2010								
2009								

Year	Total Hospital Staff*	Total FTEs	Total Payroll	Total/FTE OPERS**	OhioHealth employees	Other Contractors	MG Village Income Tx	MGESD Income Tax
2020								
2019								
2018								
2017								
2016								
2015								
2014								
2013								
2012								
2011								
2010								
2009								

* Include all private and public staff/**Total OPERS and OPERS FTE

Year	OhioHealth Mgt Fees	OhioHealth revenue***	OhioHealth contract fees	OhioHealth affiliate fees				
2020								
2020								
2019								
2018								
2017								
2016								
2015								
2014								
2013								
2012								
2011								
2010								
2009								