

Hospital feels economic pinch

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Livingston HealthCare spent 2010 planning for the organization's future while grappling with the current economy that translated to expenses that exceeded income for the first time in eight years.

The nonprofit organization hosted its annual meeting Wednesday night at the Best Western Yellowstone Inn. More than 50 people attended the event, which included a review of LHC's financial picture and 2010 accomplishments plus an update on LHC's planned new medical campus.

Current financials
LHC Chief Executive Offi-



cer. Sam Pleshar told the audience that in the past fiscal year, which runs from July 1 to June 30, the organization took in about \$46.1 million and spent roughly \$46.6 million. That left LHC with a \$575,500 gap between what it brought in and paid out. Part of the problem was a

12 percent drop in the number of patient services provided as well as poorly performing investments, he said.

"We're not immune from the influences of the year," he said.

People across the country have sought less medical care since the recession started and patient volumes

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have declined in the past year at hospitals nationwide, he said.

In an interview Thursday morning, Pleshar said part of the picture includes "on paper" expenses such as accounting for depreciation on equipment.

"You have to record that depreciation, but it's not like you're writing a check," he said.

In fiscal year 2010, LHC also provided unreimbursed care that accounted for 34 percent of the organization's expenses. The amount of that kind of "bad debt" has increased 95 percent between fiscal years 2007 and 2010, Pleshar said Thursday.

"That really reflects the problem I think a lot of health care organizations have of people just not paying their bill — not *able* to pay their bills," he said.

LHC has weathered the loss by using cash reserves and continuing and expanding cost control measures LHC began implementing in 2008 in response to the economy, Pleshar said Thursday. Those strategies included restricting spending on travel, education and overtime as well as later moving to not contributing matches to employees' 401(k) plans. In fiscal year 2010, LHC limited performance-based wage increases to 2 percent and plans to forgo wage increases entirely in 2011, he said.

"Our goal during this process was not to have any layoffs," Pleshar told meeting attendees Wednesday, adding that staff members have generously accepted the limits to help the organization through lean times.

The bulk of LHC's income came from outpatient services, which accounted for 54 percent of incoming money and generated \$24.8 million. Salaries, benefits and fees made up the largest portion of expenses with 40 percent, or \$18.7 million, going toward that spending category. Unreimbursed care cost LHC \$15.9 million and was the second largest expense.

LHC employs about 320 people.

Now that LHC is more than halfway into fiscal year 2011, the organization is continuing cost-saving efforts. The group is seeing patient volumes at levels it had planned for, which are slightly higher than 2010 numbers. Revenues are up from the past year but are still below budget projections, LHC officials said at the meeting.

Future plans

Despite lackluster financial performance, the organization in fiscal year 2010 continued to work on the future of medical care for the community, Pleshar told listeners.

Accomplishments and milestones included adding new procedures and services, such as expanding its rehabilitation services to Shields Valley Health Center. LHC also introduced a procedure that helps with spinal compression fractures.

In addition, LHC earned accreditation for services such as digital mammography and programs like community health during the last fiscal year.

The past year also saw continued efforts to formalize and expand upon an existing working relationship with Billings Clinic, said Pleshar and Michelle Becker, president of LHC's Board of Directors.

LHC has had a relationship with the Billings health care nonprofit for many years but in the past few years has been working to grow that connection, Becker said.

The two organizations are working on completing corporate documents outlining that relationship, Pleshar said. LHC members, though, would have the final vote on any expanded relationship. A firm timeline is not yet set.

LHC is a member organization open to anyone who pays an annual \$10 fee. Members participate in the organization's leadership and direction by voting on various issues.

The organization also made progress toward building a new medical campus on 30 acres of land south of U.S. Highway 89/10 and east of the bridge over the Yellowstone River. The bridge is near the old KPRK radio station.

In late 2010, the group finalized the donation of 20 acres from Ted and Georgann Watson of Livingston and purchased an additional 10 acres to accommodate the 500-year flood plain.

LHC continues to work on securing financing for the new campus — which would replace the current hospital and consolidate various LHC offices now located in the southwest part of Livingston — through the U.S. Department of Agriculture, Becker and Pleshar said.

A construction timeline will be dependent on finalizing the relationship with Billings Clinic and securing the USDA financing package.