

MINUTES OF THE MEETING OF  
THE BOARD OF COMMISSIONERS  
PUBLIC HOSPITAL DISTRICT NO. 1  
OF KING COUNTY, WASHINGTON

Held on February 19, 2008

Attendance:

Commissioner G. Sue Bowman, Commissioner, Commissioner-at-large  
Commissioner Anthony R. Hemstad, Commissioner, District No. 3  
Commissioner Donald O. Jacobson, President, Commissioner, District No. 1  
Commissioner Michael W. Miller, Vice President, Commissioner-at-large  
Commissioner Carolyn V. Parnell, Secretary, Commissioner, District No. 2  
Richard D. Roodman, Administrator/CEO – Superintendent  
Paul S. Hayes, R.N., Executive Vice President  
Kathryn D. Beattie, M.D., Senior Vice President - Chief Medical Officer  
Scott Alleman, R.N., Senior Vice President – Patient Care Services  
Paul Larson, Senior Vice President – Clinic Network  
Robert L. Thompson, M.D., Vice President – Physician Relations  
David E. Smith – General Counsel  
Jeannine Grinnell, Vice President – Finance  
Dana Vander Houwen, Media Relations Coordinator  
Cameron Buck, M.D., Chair – Emergency Department  
Kayett Asuquo, Manager – Emergency Department  
Allyson Lohrmann, Emergency Department  
George Beal, Board Counsel – Partner, Perkins Coie  
Don Hansen, Financial Auditor – Partner, Moss Adams  
Kris Tiernan, Assistant to CEO and Board of Commissioners

Medical Staff present for portion of meeting:

Frank Thomas, MD  
Ira Allen, MD  
Rod Xuereb, MD

Citizens present for portion of meeting:

Chris Clifford  
Sylvia Cavazos  
Jerry Luedke  
Michele Dimmett

Consultants present for a portion of meeting:

Dan Gottlieb, Fisher Gottlieb and Andrews  
John Landers, Morgan Stanley via conference call  
Jonathan Ma, Morgan Stanley via conference call  
Ellen Riley, Kaufman Hall via conference call  
Brad Malsed, Kaufman Hall via conference call

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:34 p.m. in the Board Room of Valley Medical Center. President Jacobson said he would entertain approval of the minutes of February 4, 2008, in two parts. It was moved and seconded to approve the minutes of the meeting up until 6:35 p.m. when Commissioner Hemstad left the meeting. Commissioner Hemstad raised a question stating there was an omission in the minutes of Mr. Smith stating that the Board President had authority to appoint Board committees. Mr. Smith said there has been a misunderstanding, and that the Board President has the inherent authority to ask commissioners to attend meetings of various management and Medical

Staff Committees. Mr. Roodman explained that commissioners have for many years attended management, Medical Staff and other types of committees or meetings to learn more about hospital operations, and that these committees do not have the authority to take action on behalf of the Board. Commissioner Hemstad asked for clarification on a sub-committee established to review input on the Code of Ethics, and stated that this goes back to the issue of tape recording minutes. It was clarified that there are currently no Board committees, and this is consistent with other public hospital districts in this state. Discussion continued and Commissioners Miller and Parnell said there had been no problems with understanding the minutes during all of their years on the Board until now, and that there had never been disagreement about what occurred. Following further discussion, it was moved and seconded to amend the minutes adding the review of written comments regarding the Code of Ethics to the first paragraph. Motion to approve the minutes of the February 4, 2008, meeting up to 6:35 p.m. carried unanimously. The minutes of the February 4, 2008, meeting from 6:35 p.m. to adjournment were also unanimously approved those who were in attendance (Jacobson, Miller, Bowman).

It was moved, seconded and unanimously carried to approve minutes of the February 15, 2008, meeting.

Community Affairs Ms. Vander Houwen reported on activities of the Public Relations and Marketing Department as follows:

Representatives from the Emergency Department will provide education at the Play it Safe Fair at the Renton Community Center this coming Thursday, February 21<sup>st</sup>. This is an event for young children and their families.

Next Thursday, February 28<sup>th</sup>, Valley will be represented at the Kent Downtown Partnership Recognition Breakfast.

On Wednesday, March 19<sup>th</sup>, Valley will have a table at the Renton Chamber "State of the Economy" Luncheon at the Holiday Inn. Commissioners wishing to attend should notify Kris Tiernan.

Bike helmet fittings for children and adults will resume at Children's Therapy the first Monday of each month beginning March 3<sup>rd</sup>.

The next edition of *Valley Voices*, which will be the fourth "special edition," will be mailed on February 25<sup>th</sup>.

Ms. Vander Houwen distributed a rendering of the McLendon Hardware/Valley Medical Center joint historical mural project. Citizens born at the old "wagon wheel" hospital on Rainier Avenue, which is now home to McLendon Hardware, will be asked to drop off their baby pictures so they can be part of the mural.

President Jacobson stated that the order of presentations and reports would be adjusted today to accommodate schedules.

Programs Emergency Department Throughput

Mr. Alleman introduced Kayett Asuquo, RN, Manager of the Emergency Department and Cameron Buck, MD, Emergency Department Chair. Ms. Asuquo, a 24-year Valley employee, gave a history of the Emergency Department which opened in 1967 with a 12 bed unit, expanded to 23 beds in 1981, added seven more beds in 1988, underwent a renovation to the current 28 bed unit in 2000, and will increase to a 45,000sf ED with 56 beds in late 2009.

All physicians in the Emergency Department are Board Certified in Emergency Medicine. Valley is designated as a Level 3 Trauma Center, has achieved stroke certification from the

Joint Commission, and received recognition for "*door to cath lab time*," an industry measurement of quality.

Emergency Room overcrowding, which is a national problem, involves long waits, decreased satisfaction, LWBS (leaving without being seen), complaints, increased risk and financial impacts. It was pointed out by Mr. Roodman that Valley takes care of more Medicaid patients than any hospital in the state. The portal for Medicaid patients is the ED. Payment received for Medicaid ED patients is about 18 cents on the dollar. Another financial impact is payment to specialists for ER call, which is increasing.

Valley's volume is approximately 73,000 visits annually. Statistics indicate that VMC's bed capacity runs about 2240 patients per bed per year. The best practice is 1650, thus demonstrating the need for additional space. Neighboring hospitals that have recently built new Emergency Departments average 1750 patients per bed per year. The divert policy was reviewed, as space limitations are impacting this practice as well.

Patient flow is studied and procedures are evaluated on a continual basis to streamline ED through-put. This has included revising the criteria for admission to Rapid Care, adding a third nurse to Triage, and implementing mobile procedure carts. The next steps are to request an outside consultant.

Dr. Buck explained that as Chief of the Emergency Department, he serves as emissary to the Medical Staff and other departments. He has worked full time in the ED for eight years and is looking forward to the new space. Some afternoons, all 28 beds are full, patients are waiting and the ambulances continue to arrive. He has had to evaluate patients in the ED lobby, have patients drink contrast in the lobby, patients have to remain on a backboard for up to 90 minutes. He often can't even sit down during a shift because there is no space. Dr. Buck thanked the Board for its support with the new building.

President Jacobson asked about ED security, especially while access is limited during construction. Mr. Hayes explained the modifications being implemented. Security is stationed in the top driveway, there is a valet 24/7, and additional lighting is being installed. Valley is a weapons-free campus. Ms. Asuquo said Valley's ED does not warrant metal detectors at the present time, but this will continue to be evaluated. Psychiatric consultation is available 24/7.

Financial Affairs

President Jacobson introduced Don Hansen, Managing Partner of Moss Adams, and Valley's financial auditor. Mr. Hansen stated that Moss Adams is beginning its fifth year of providing financial oversight to Valley Medical's financial procedures and controls and Valley has had consistent unqualified opinions. The 2007 audit begins this week. He said that Valley's processes are consistent with other district hospitals audited by Moss Adams and expressed his belief that VMC is a well-managed medical center and is a very "tight ship." Ms. Grinnell added that the State Auditors office has been invited to the March 3<sup>rd</sup> Board meeting to comment on our internal control structure and compliance related to disbursements. There have been no findings by the SAO for the past six years and Valley has received a letter of commendation from Brian Sonntag, State Auditor, for its performance.

Bills/Vouchers

It was moved and seconded to approve the following bills and vouchers:

Lydig Construction, Inc.  
(Emergency Tower – Application No. 3)

\$1,050,699.83

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	13764	13787	1/29/2008	11,122.27
ACCOUNTS PAYABLE	24381	24453	1/29/2008	69063.32
ACCOUNTS PAYABLE	24454	24495	2/11/2008	30,050.10
ACCOUNTS PAYABLE	2093643	2093904	1/29/2008	2,623,824.16
ACCOUNTS PAYABLE	2093905	2094132	1/31/2008	2,892,467.03
ACCOUNTS PAYABLE	2094133	2094142	2/1/2008	393,197.20
ACCOUNTS PAYABLE	2094143	2094409	2/5/2008	1,370,768.83
ACCOUNTS PAYABLE	2094410	2094615	8/7/2008	1,281,611.81
ACCOUNTS PAYABLE	2094616	2094616	2/11/2008	779.00
ACCOUNTS PAYABLE	2094617	2094926	2/12/2008	1,913,338.28
ACCOUNTS PAYABLE	2094927	2095095	2/14/2008	332,935.62
TOTAL AP				<u>10,919,157.62</u>
WIRES OR EFT				1,395,958.03
GRAND TOTAL				<u>\$13,365,815.48</u>

## MOTION

Commissioner Hemstad expressed thanks for the explanations and additional information made available to him during the past couple of weeks. He has some additional questions which he has sent to Ms. Grinnell. He said that as the largest public hospital district in the state, Valley should be a leader in transparency. He said he is still reviewing procedures and some alternatives will be forthcoming. He asked the other commissioners to keep open minds regarding being transparent. The motion to approve bills and warrants carried unanimously.

Write-off of Accounts Receivable

## MOTION

The Board, by motion, unanimously approved write-offs of hospital and clinic accounts receivable in the amount of \$3,002,708, of which \$3,002,596 has been referred to Collection. The balance of \$112 represents bankrupt accounts and cancellations.

Discussion of Ethics Policy

President Jacobson referred to the Code of Ethics adopted by the Board on December 17, 2007. He stated that part of the motion to adopt the Code of Ethics included a review within six months of original adoption and annually thereafter, no later than March 1<sup>st</sup> of each year, to determine if additional changes should be made. In view of some criticism of the Code of Ethics, the Board decided to accelerate the initial review. To date, two written comments have been received regarding the Code of Ethics, copies of which are in the Board packets. President Jacobson then recommended that the matter of the Code's possible revision be handled by the full Board, noting that at one time he thought this could be done by a subcommittee, but decided after some due diligence that the matter is best handled by the full Board; therefore, the subcommittee to review the Code of Ethics

never met. He then said that he has asked David Smith along with George Beal of Perkins Coie to provide some background information regarding the text and adoption of the Code.

Mr. Beal stated that a Code of Ethics was drafted at the request of the Board to document and formalize what the Board already practiced. A number of things were reviewed prior to drafting the Code including Valley's Code of Conduct which is signed by all employees, the Board Bylaws, the statute by which public hospital districts operate, the Association of Washington Public Hospital District Guide, industry material, other statutes, ethics and public service acts, etc. The document was never meant to be static and called for a review after six months. Mr. Beal said that the commissioners viewed this as a positive step toward good government and maintaining high standards. The Code has been criticized in the press and by some citizens attending Board meetings. Two communications have been received in response to a request for written concerns. One criticism reflects the feeling that there is language in the Code intended to inhibit speech, exclude the public from "secret" meetings and throw people out of office (improper sanctions). Mr. Beal noted that the criticisms leveled against the Code, if true, suggested serious misconduct on the part of the Board, should be reviewed carefully by the Board and should be answered. He said that he and a colleague annotated each and every paragraph to show the basis for the text and that great care was taken in drafting this document. Based upon his experience in dealing with the Board when it considered and adopted the Code, and based upon the text of the Code itself, he considered the criticisms to be ill-informed, misguided and in some cases even irresponsible. However, he suggested that, in view of the public misperceptions about both the text and intent behind the Code, the Board might consider modifying the Code to reaffirm that the Code was not intended to have the impacts suggested by some of the negative comments. He does not recommend the Code's rescission or believe the Board should start over as suggested by Commissioner Hemstad.

Mr. Beal said that he graduated from Yale Law School in 1977, worked for a Wall Street law firm for three years, moved to the Northwest and joined Perkins Coie in 1983. He has been a partner for 24 years. He represents public and private companies, non-profits, sports franchises, etc., and spends much of his time on the very issues the Code of Ethics discusses. He drafted this document with assistance of associates at Perkins Coie. Mr. Beal has represented the District on various matters for over 20 years.

Mr. Smith stated that he finds the criticisms confusing, ill-informed and irresponsible and that if someone would take the time to read the Code, they would see that the allegations are simply wrong.

Commissioner Hemstad stated he appreciated the time Mr. Beal took to give background on the Code of Ethics. He asked about deliberations prior to adoption, noting that there is nothing in the public record except for two sentences at the last meeting in December. A discussion ensued concerning meetings, committees, deliberations, action, etc. Deliberations may also include conversations with the superintendent and general counsel, but action may only be taken in a public setting.

Commissioner Hemstad asked if this issue was discussed at the December Board retreat at Semiahmoo. Mr. Smith noted that the meeting was held following the proper notices being published prior to the educational retreat in compliance with the law. He asked Commissioner Hemstad for his comments regarding the document. Commissioner Hemstad asked that the Board continue accepting written comments concerning the Code as more may be forthcoming and asked additional questions regarding Mr. Beal's background.

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Recess President Jacobson called for a ten minute recess at 5:45 p.m.

Reconvened The meeting reconvened at 5:55 p.m.

Public Comment Public Comment

President Jacobson said the Board would hear public comment at this time.

Dr. Rod Xuereb, Co-Medical Director and Managing Partner of Valley Anesthesia Associates, stated that he has been concerned about alleged statements concerning wasteful spending expressed by a commissioner at a recent community political meeting. He said that while he is concerned about appearances of conflict of interest with Commissioner Hemstad's other occupation, he would only address the obvious inaccuracies of statements made regarding facilities at VMC. He has worked at VMC for nearly 20 years and observed that prior to the new OR facilities, the hospital was desperately in need of more and newer operating rooms. The OR's are essential as the old rooms were antiquated and too small to facilitate modern procedures and technologies. Also, the new pre and post op areas now provide the privacy that is now mandated by HIPAA regulations. He said the new Emergency Tower will achieve a similar goal in providing more private and secure areas. The new Tower will also contain a drastically needed new intensive care unit. The need for additional beds clogs up the recovery room, and thus the OR's, and decreases efficiency of the surgery schedule. What can be achieved has already been demonstrated in the labor and delivery area, which has increased in volume by 30% since remodeling of the unit. Dr. Xuereb submitted written comments to the Board.

Chris Clifford, resident and taxpayer, stated that he has been following the Code of Ethics issue, has read the Code and believes this document sends a message of restricting free speech. The letter sent by Mr. Beal refers to the Board President appointing a subcommittee to review the Code of Ethics, something that is not allowed under the current Bylaws. He is filing a Petition for Recall with King County Records and Elections against President Jacobson for malfeasance. He said the acts of malfeasance are outlined in a document he distributed to the Board. He also said he is filing an ethics complaint against Commissioners Jacobson, Miller, Parnell and Bowman alleging they have violated the Board's Code of Ethics because they have not held subcommittee meetings in the public and maintained minutes as required; Commissioner Miller has attended a meeting in Hawaii on public expense; President Jacobson has exceeded his authority by appointing Board subcommittees without a motion by the Board; and President Jacobson has lied to the public regarding review by the Board of PDC issues. He distributed a copy of his complaint.

Sylvia Cavazos, resident and taxpayer, said that she and her neighbors continue to be concerned about Commissioner Hemstad's interest in this hospital district. She questioned his leaving every Board meeting early; whether he has a conflict of interest as a city manager running for public office and soliciting donations; his position referenced in the media questioning the need for this public hospital district; his position criticizing the new Emergency Tower at a local political meeting; his ties with Senator Pam Roach who has introduced legislation to allow concealed weapons at campuses and institutions and legislation designed to harm urban public hospital districts. She wondered if Commissioner Hemstad's real political ambition is to run for the state legislature. Ms. Cavazos submitted written comments to the Board.

Jerry Luedke, patient, said he is a Maple Valley resident, uses VMC's services and was a patient here last summer. He is very pleased with the care received. He addressed the

Code of Ethics and said he feels it good to have high standards. He said that commissioner attendance at meetings is important and wants to make sure commissioners are engaged. He questioned Commissioner Hemstad's commitment to be a full-time commissioner.

Michele Dimmett, taxpayer, commented on the Code of Ethics and said some of it is good, but there are some potential loopholes. She questions if it was adopted as a means to control some commissioners. She submitted a copy of the Code of Ethics with her annotated comments.

Commissioner Comment

Commissioner Hemstad stated he would not comment on each issue, but said that he would like to address the rumors regarding his statement at the local political meeting regarding the Emergency Tower. He said he actually said almost nothing at the meeting, he is personally supportive of capital investment and that rumors take on lives of their own.

Medical Affairs

Credentials

MOTION

Recommendations dated February 12, 2008, from the Medical Executive Committee outlining appointments, reappointments, changes of staff status, and resignations were individually reviewed by Dr. Beattie. She also referred to Add-on items listed as recommendations from the January 8 and February 12 meetings of the MEC, noting that these were not previously forwarded for final approval due to a clerical error. It was moved, seconded and unanimously carried to approve credentialing/privileging recommendations as presented. Copies are attached to and made part of these minutes.

Bond Financing

Finance

President Jacobson announced at 6:30 p.m. that in order to accommodate schedules, the Bond Financing would be considered at this time. Dan Gottlieb joined the meeting. John Landers and Jonathan Ma of Morgan Stanley and Ellen Riley and Brad Malsed of Kaufman Hall joined the meeting via conference call.

Resolution No. 875 – Authorizing Issuance and Sale of LTGO and Refunding Bonds, 2008

Mr. Landers addressed events surrounding the current auction rate bond market dislocation which has affected the entire industry. He mentioned that Valley Medical Center is one of the first, if not the first, municipality in the country to convert from floating to fixed rate debt since the auction rate market dislocated last week. Mr. Gottlieb explained Resolution No. 875, which amends Resolution No. 870 to expand the issuance and sale of limited tax general obligation and refunding bonds, 2008, from \$115 million, to also include the refunding, on a current basis, all of the District's outstanding limited tax obligation bonds, 2006A and 2006B, increasing the maximum aggregate principal amount to \$220 million.

MOTION

Following discussion concerning recent events in the auction bond market as well as steps taken by the Board last week to convert or refinance bonds from variable to fixed rate, it was moved and seconded to adopt Resolution No. 875 as presented. Motion carried unanimously.

Reports

Reports from Administration

Operations Update

Mr. Hayes stated that the medical center continues to strive to be ready for an unannounced accreditation survey by The Joint Commission at any time. Patient safety will be a major focus for this survey. He reviewed each National Patient Safety Goal and the aggressive, organized campaign VMC implemented during the summer of 2007 to educate staff and ascertain compliance.

#### Clinic Network

Mr. Larson reported that the formal report of the of the Family Medicine Residency Program accreditation survey which occurred February 5<sup>th</sup>, will be issued by the Accreditation Council for Graduate Medical Education (ACGME) in 90 days. He explained that survey results affect ranking for attracting residents to the program as well as graduate education dollars.

The Maple Valley Clinic achieved outstanding ratings related to patient satisfaction for calendar year 2007 – overall 84%. He noted that the clinic will be moving to the new Lake Sawyer location in May when construction is completed. Mr. Roodman added that the new clinic site should grow quickly as Snoqualmie Valley Hospital has closed its clinic in Maple Valley and UW has closed its Auburn location.

#### Recruitment Update

Dr. Thompson reported that the *Physician Needs Assessment*, which is updated every few years and used to predict trends in population, physician retirement data, etc., will be updated by Frank Fox this year.

#### Finance Update

Ms. Grinnell stated that preliminary unaudited financials and related memo for year 2007 were sent to commissioners over the weekend via email. There were some questions raised by Commissioner Hemstad which she will address as soon as schedules permit. Mr. Roodman commented that 2007 was the best bottom line in the history of the medical center. He expressed thanks to Ms. Grinnell and her staff for outstanding audit results by both Moss Adams and the Office of the State Auditor.

Recess President Jacobson acknowledged a request for a recess at 7:14 p.m. following which the Board convened in Executive Session for approximately 30 minutes for the purpose of discussing specific personnel issues permitted by RCW 42.30.110(g) and real estate issues permitted by RCW.42.30.110(b) and (c).

Reconvened The meeting reconvened at 7:50 p.m.

Adjournment There being no further business, motion was made to adjourn this meeting at 7:52 p.m.

***(Note: These draft minutes have not been read or approved by the Board of Commissioners)***