

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

Held on March 3, 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  
Paul Larson, Senior Vice President – Clinic Network  
Barbara Mitchell, Senior Vice President – HR and Marketing  
David E. Smith – General Counsel  
Jeannine Grinnell, District Treasurer and Vice President – Finance  
Dana Vander Houwen, Media Relations Coordinator  
Kris Tiernan, Assistant to CEO and Board of Commissioners

Citizens present for portion of meeting:

Bill Taylor, Renton Chamber of Commerce  
Chris Clifford, Taxpayer  
Sylvia Cavazos, Taxpayer  
Jim Carney, Taxpayer  
Craig Peterson, Medic One Foundation Board  
Sara Oshikawa-Clay, Director, Medic One Foundation

Consultants present for a portion of the meeting:

George Beal, Board Counsel, Perkins Coie  
David Burman, Perkins Coie

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:32 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of the meeting of February 19, 2008. Mr. Hemstad requested four corrections to the minutes:

- Page 4, last paragraph: change “two written comments have been received regarding the Code of Ethics” to “four written comments have.....” (Hemstad, Luedke, Dimmett, Pflug).
- Page 5, second paragraph: change “Two communications have been received in response to a request for written concerns” to “Four communications have been received.....”
- Page 5, last paragraph: He requested this addition - “It was confirmed this was a topic of discussion at the educational retreat at Semiahmoo.” However, Mr. Miller corrected that the topic was not discussed at the educational retreat, but rather at the business meeting held at the end of the retreat. Mr. Smith also confirmed that was the time this issue was actually discussed, and that this meeting was properly publicly noticed in accordance with state law.
- Page 5, second paragraph: add - “Mr. Beal confirmed he represents no other elected bodies and has not written a Code or Ethics for an elected body before.”

Considerable discussion followed with Mr. Beal reviewing the process and resources used in development of the Code of Ethics, including consulting associates with experience in representing public hospital districts and with

writing similar documents. During the discussion, it was noted that Mr. Beal has represented the District on various matters for over 20 years. Ms. Bowman asked Mr. Hemstad about requesting information related to Perkins Coie; Mr. Hemstad stated he wanted to see when the work on the Code of Ethics was done because from his perspective it seemed to be somewhat rushed.

It was moved and seconded to amend the previous motion and defer approval of the minutes; that David Smith work with the Board Secretary to correct the minutes and submit for approval at the next meeting. Motion carried.

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

Recent national articles concerning the Auction Rate Bond Market, which referred to Valley Medical Center's ability to quickly refinance, were distributed.

On Thursday, March 6<sup>th</sup>, representatives from Speech Therapy will attend the Kent Community Resource Fair. They will be giving out health information, VMC services information and promotional items.

VMC will have a table at the Epilepsy Foundation *NW Light the Flame Auction* on Saturday, March 8<sup>th</sup>. WNI physicians will represent VMC at the event.

Bike Helmet fittings resume today at Children's Therapy and will continue the first Monday of each month through October.

Medic One Foundation Update

Ms. Mitchell introduced Craig Peterson and Sara Oshikawa-Clay from the Medic One Foundation. Mr. Peterson reviewed the history of the Medic One program in the Puget Sound area and expressed appreciation on behalf of the Foundation for VMC's \$5,000 sponsorship support of the annual Life Saving Fundraising Dinner. The event generated over \$250,000 which is used for paramedic training for firefighters in the Puget Sound area. All paramedic training is provided by private donation. The Foundation trained 17 firefighters last year and 18 are in training this year. CME hours are also provided. The result of this world-class training is that Puget Sound has the highest cardiac arrest survival rate in the country. Mr. Peterson and Ms. Oshikawa-Clay thanked the Board for past support, Medic One's participation in our groundbreaking ceremony for the ED Tower, and they look forward to continued support in the future.

Financial Affairs Financial Update

Ms. Grinnell reported that she has received word that the representative from the State Auditors Office is unable to attend today's meeting. She also reported that Ernst and Young has been awarded the SAO contract for the performance audit of the three largest public hospital districts in Washington State, Evergreen, Stevens and Valley. More information about timing, schedules, etc., will be forthcoming.

Information on January's financials were e-mailed to the Board on Friday including the "above the line" and "below the line" income statements and 12-month trends and balance sheet; January statistics; the adjusted indicator reports for the hospital, both actual to budget and actual to prior year; report on cash reserves; and a narrative discussing the January results. In addition, Commissioner Hemstad is receiving copies of the check register detail for all warrants and EFTs issued. Ms. Grinnell stated that, on the whole, this is a lot of financial information being distributed and wanted to know if the commissioners believed they needed anything further. No commissioner indicated they needed any further reports.

In response to a question raised concerning Valley's levy rate calculation as outlined in the most recent edition of *Valley Voices*, Ms. Grinnell stated that the 2005 ballot measure was for 59 cents. However, the levy collected is based upon a complex computation (done by the county) that takes into account assessed property values and the 101% lid as approved by voters several years ago under I-747, and excluding new construction. As property values increase, the actual levy rate decreases, as we have a total allowable levy based upon the 101% lid, again excluding new construction property values. Thus, Valley's rate is now 51 cents, which is about one third below the state's average tax rate of all PHDs. Ms. Grinnell commented and Mr. Jacobson confirmed that this gradual lowering of the levy rate was discussed and anticipated by the Board.

Ms. Grinnell also reported on the successful closing of the 2008A and 2008B LTGO Bonds last week and thanked the commissioners for responding so quickly to changing market conditions. This was a concentrated effort over a really short timeframe and achieved very positive results for Valley. Adding several more days to the date of closing would have resulted in 30 additional basis points, which equates to a savings of \$2 million by VMC moving so quickly.

She also commented on the King County Investment Pool and losses experienced by the Pool as a result of current market turmoil. As Treasurer, she will continue to monitor the County's current situation and response. She said she will be moving some money to Payden and Rygel.

Bills/Vouchers

MOTION

It was moved, seconded and unanimously carried to approve payment of the following bills and vouchers:

Absher Construction, Inc.	\$ 658,537.80
(Surgery Project – Application No. 24)	
Absher Construction, Inc.	183,888.97
(Central Utility Project – Application No. 8)	

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	24498	24640	2/14/2008	135,125.90
ACCOUNTS PAYABLE	24641	24765	2/15/2008	61,248.76
ACCOUNTS PAYABLE	2095096	2095364	2/19/2008	2,011,470.59
ACCOUNTS PAYABLE	2095365	2095578	2/21/2008	1,122,472.13
TOTAL AP				3,330,317.38
WIRES OR EFT				10,757,852.93
FEBRUARY PAYROLL				10,611,402.87
GRAND TOTAL				\$25,541,999.95

MOTION

It was moved and seconded to approve Resolution No. 876 declaring certain equipment in the District's hospital as surplus to the needs of the District and directing the Superintendent of the District's hospital or his designee to effect proper disposal of such surplus property, as provided by statute. Commissioner Hemstad asked about the disposition of the Linear Accelerator Varian 2100C, and Mr. Hayes explained that the accelerator is 17 years old, fully depreciated, and no longer supported by the manufacturer. Every attempt will be made to locate a buyer for the used equipment. The replacement equipment has been approved and budgeted. Motion carried unanimously.

Indemnification and legal representation of Board members and officers

Mr. Smith said that he has invited Board counsel, George Beal to speak to the recall petition filed last week with King County Elections against President Jacobson by citizen, Christopher P. Clifford. Mr. Beal introduced David Burman of Perkins Coie, who briefly summarized his background and extensive experience.

Mr. Beal addressed the petition for recall and allegations of malfeasance and explained the statutory requirements. Following receipt of the petition from the Elections Department, the King County Prosecuting Attorney has 15 days to write a ballot synopsis and file with King County Superior Court. The Superior Court then has 15 days to conduct a sufficiency hearing. If the judge deems the recall petition to be sufficient, then the petitioner may begin gathering necessary signatures to put the recall on the ballot. In order for a judge to deem the recall petition sufficient, state law requires that certain standards be met.

Commissioner Jacobson has advised Mr. Smith that he believes his attorney fees in responding to the charges of misconduct should be covered by the District as permitted by the Board Bylaws and the District's D&O Insurance since the alleged misconduct relates to conduct performed in his capacity as a Commissioner, undertaken by him in good faith, in the course of his normal duties and, in some instances, in reliance upon advice of the District's counsel.

Mr. Beal stated that the complaint is vague and imprecise in many respects, making it difficult to understand precisely what conduct is alleged to have been improper. Moreover, the complaint fails to state precisely whether the misconduct constitutes misfeasance or malfeasance. Mr. Clifford will have to certify under oath what he is complaining about. Among other things, Mr. Clifford appears however to allege that Mr. Jacobson established an ethics subcommittee to consider possible revisions to the Code of Ethics and did so in violation of applicable terms in the District's Bylaws and in violation of the open public meeting requirements of the OPMA. It was acknowledged that, while Commissioner Jacobson considered the possibility of such a subcommittee, once the issue arose as to whether it would be a "Board" committee (i.e., a committee vested with Board powers), he decided against proceeding with the proposal. No subcommittee meetings were ever held, no information was gathered by the subcommittee, no recommendations were made, and indeed, no action was ever taken by a subcommittee. All subsequent discussions regarding the Code of Ethics have been held by the full Board. Mr. Beal referred to a subcommittee in his letter soliciting written comments from members of the public who previously spoke about the Code of Ethics, but it was expressly noted that that reference did not change the underlying fact that the proposal of a subcommittee, while once contemplated, was not actually implemented. Moreover, Mr. Jacobson reported at the last meeting of the Board that the Ethics policy would be addressed by the entire Board, as opposed to a subcommittee. With regard to committee meetings, Valley Medical Center does not consider management committees and/or medical staff committees to be Board committees. The Association of Washington Public Hospital Districts (AWPHD) has

confirmed Valley's practice is very much in line with the current standard of practice in public hospital districts across the state.

Mr. Beal continued that Mr. Clifford will have ample opportunity to address his allegations at the sufficiency hearing. Mr. Clifford's complaint appears to equate the hospital's operational committees with Board committees—suggesting that the operation of such operational committees are subject to the public access requirements of the OPMA. The District has repeatedly stated that they are not Board subcommittees and have not been vested with Board powers and responsibilities. To this extent, Mr. Clifford's complaint amounts to a challenge to the manner in which the District conducts its operations and, if left unchallenged, might infringe materially on the efficient conduct of the hospital and its delivery of services to the public. The District thus has an interest (separate and apart from Commissioner Jacobson) in the manner in which this issue is addressed in the sufficiency hearing. It was suggested that the District might wish to appear at the sufficiency hearing to address the alleged violations attributable to the District's operational committee structure. Also, the District might consider instituting an action for declaratory judgment to put the issue to rest.

Commissioner Hemstad asked Mr. Beal about time sensitivity. Mr. Beal responded that once the prosecutor's office files the ballot synopsis with Superior Court, the sufficiency hearing must be conducted within 15 calendar days. Mr. Hemstad said this is a big issue and he would have liked a background memo prior to this meeting. He has consulted with lawyers in a municipal research service and their opinion is that RCW 70.44 has relatively limited language in addressing indemnification of officials.

A spirited discussion followed with Commissioner Hemstad stating it is unfair to bring issues like this to the Board without previous background memos as a paper trail. Commissioners Parnell and Miller said they do not share Commissioner Hemstad's viewpoint, adding the Board needs to move quickly as timing is critical. Commissioner Hemstad said he takes his responsibility of representing the people in the district very seriously with regard to public resources and public dollars. Commissioner Parnell stated that the Board must rely on professional advice and not delay matters. Commissioner Miller stated he would like to put the issue on the table at this time moving forward with district representation at the sufficiency hearing, filing for a declaratory motion and other legal action, if necessary. Both Commissioners Parnell and Miller said they too take their responsibility seriously and they too represent the people in the district.

Mr. Roodman then summarized the timing and sequence of events since the last Board meeting, noting that he was out of town the end of last week and did not have the results of the due diligence from the lawyers until about 2:00p.m. this afternoon. It was his recommendation that this be brought before the Board for action today, even though counsel has confirmed that Mr. Roodman, as Superintendent, has the authority to take these actions unilaterally.

It was decided to postpone further discussion and decision-making regarding Commissioner Jacobson's request for indemnity and coverage under the District's D&O insurance coverage until a later meeting. This would allow counsel additional time to give advice as to the appropriateness of such requests and to see whether and to what extent the Court requires modifications to the scope of Mr. Clifford's recall petition.

MOTION

It was then moved and seconded that the District retain counsel to appear at the sufficiency hearing to advance the District's interest, and take such other legal action, including but not limited to initiating an action for declaratory judgment, as may be approved by the Superintendent to protect the District's legitimate interest in preserving its current operational committee structure against public challenges, such as that triggered

by Mr. Clifford's recall petition against Commissioner Jacobson. Motion carried with four in favor. Commissioner Hemstad abstained.

Various allegations raised by Commissioner Hemstad regarding Code of Ethics

Mr. Beal reviewed briefly with the Board the criticisms directed against the Code of Ethics. It was suggested that legal counsel review the outstanding comments and propose revisions to the Code of Ethics for the Board's subsequent consideration at a later public meeting. Given the sensitive nature of this issue, this process may take longer than usual. Mr. Beal said he hopes to have proposed revisions available for the next Board meeting.

Potential ethics violations raised by Christopher P. Clifford

Mr. Beal next addressed the separate ethics complaint naming Commissioners Jacobson, Miller, Parnell and Bowman. He said the allegations of wrong-doing are similar to the recall petition in that the allegations are unclear and seemed to be based in part upon the same challenges to the District's operational committee structure—i.e., the apparent charge that all such committees were in fact Board subcommittees subject to the OPMA. Mr. Beal recommends no immediate action and that the Board defer until after the sufficiency hearing. Mr. Roodman raised a question regarding statements made under oath, and Mr. Beal responded that making a false statement under oath in the State of Washington is a felony, and that the statements made in a recall petition are subject to a charge of perjury. The determination is made by the county prosecutor.

Public Comment

Public Comment

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

Sylvia Cavazos, resident and taxpayer, said she and her neighbors continue to be concerned that there is a political conspiracy involving Commissioner Hemstad, Senator Pam Roach and Chris Clifford to dismantle this hospital district. If this is true, it is a huge breach of social responsibility to the people of this district. This act would be unconscionable and reprehensible. Hugely negative media coverage is hampering the hospital's ability to conduct business. She has formed the *Coalition to Keep Our Hospital District* with some of her neighbors and has invited Commissioner Hemstad to attend, but has not received a response. She would like to continue to work in partnership for the good of the hospital district. She is sorry about the filing of the recall petition and ethics complaints because she feels they are both unwarranted and politically motivated. This affects the heart of this public hospital district.

Recess

President Jacobson called for a 15 minute recess at 5:05 p.m.

Reconvened

The meeting reconvened at 5:20 p.m.

Letter from Commissioner Hemstad and Response

President Jacobson referred to Commissioner Hemstad's letter dated 14 February 2008. Copies of the letter and President Jacobson's individual response were distributed to the Board. He stated that Mr. Hemstad's letter will be addressed at a future meeting after the lawyers propose a draft response.

Medical Affairs

Medical Executive Committee

Dr. Beattie distributed a list of new officers and department chiefs who assumed office at the annual meeting of the Medical Staff, February 25, 2008.

Dr. Beattie explained that a large portion of the Medical Staff Bylaws have been revised by the Bylaws Committee to clarify the credentialing and privileging process as well as to keep pace with ongoing changes in accreditation requirements of CMS and The Joint Commission. She distributed and reviewed the proposed revisions in detail. The proposed revisions to the Bylaw have been approved by the Medical Executive Committee and are currently under review by the full Medical Staff membership. Ballots to approve/not approve are due by March 10, 2008. It is anticipated that the proposed amendments will be approved by the Medical Staff and recommended for Board approval in the near future. Additional revisions are anticipated to be completed by the end of 2008.

#### Quality Management Update

Dr. Beattie presented the monthly Board Quality Report noting that Average Length of Stay continues to be lower than expected based on patient acuity. Frequency of readmissions within 15 days of discharge continues to be within the range of expectation. Inpatient Mortality is significantly less than state comparative data. Improvement in performance on the CMS and Joint Commission Core Measures for the Improvement of Pneumonia Care, Acute Myocardial Infarction Care and Heart Failure Care as compared to 2006 continues. The rate of Hospital Acquired Infections continues to be low and within control limits. The Inpatient Fall Rate remains well within control limits. The "Left Without Treatment" from the Emergency Department spiked up during January, which is a significant concern and could be due, in part, to a busier than usual ED during January.

Mr. Roodman explained that over the years, more and more patients have presented to VMC's Emergency Department without a primary care physician. Several years ago, Valley contracted with Sound Inpatient Physicians "hospitalist" group ("SIP") to provide care to those patients requiring hospitalization without a primary care physician. Many Medical Staff members also contract with SIP to provide inpatient services for their patients. Currently there are 12 hospitalists on rotation and this may increase to 16. Valley also contracts with "intensivists" to manage the Intensive Care Unit. Dr. Beattie is now assessing a "laborist" which would provide inpatient obstetrical service 24/7. "Surgical hospitalists" are also a future possibility as fewer physicians want to leave their busy practices to treat patients in the hospital's ED. Contracting with a group of "traumatologists" to take care of orthopedic emergencies is also being considered. This trend is a reflection on where health care is headed. Hospitalist care clearly influences the throughput from the ED and the quality of care in both the ED and the hospital. It is costly on a direct basis to have hospitalists but benefits outweigh the risk with better overall medical care, lower length of stay and lower morbidity and mortality. The hospitalists do not have an office practice and are very, very familiar with hospital protocols; their standardizations improve quality of care.

#### Reports

##### Reports from Administration

##### Operations Update

Mr. Hayes discussed the new Patient Access Process Team, which has been established to study patient throughput performance. The team will assess where the patient back-ups occur and how they affect congestion in the ED, ICU, delays in surgery and other treatment which could result in unsafe practices. The team includes Scott Alleman, Dr. Maury Montag, Dr. Beattie, Kim Back, Kayett Asuquo, Dr. Mike Mena and Mr. Hayes. Meetings will be held bi-weekly. Goals are to make sure patients are admitted to the

general floor within 60 minutes and to critical care within 30 minutes. It was also reported that the Emergency Department is finalizing contracting with a consultant to review and improve ED throughput.

As a key member of the Disaster Recovery System in King County, Valley will participate in a region-wide disaster drill scheduled for March 5. The drill is a 6.7 earthquake which will impact the fault line under I-90 and impact Snohomish, King and Pierce Counties. In our area, I-405 and Highway 167 will be impassable and there will be damage to SeaTac and Renton Airports. Roads, businesses and access to VMC will be impacted. Goals are to test inter-agency communication, collaboration and coordination and to identify strategies for addressing sustained utility outages.

The Building Committee will meet Tuesday, March 4 and a report will be presented at the next Board meeting.

#### Commissioner Comment

Commissioner Hemstad said that he had an opportunity to speak with Ms. Cavazos during the break about her concerns of a widespread conspiracy to dismantle the hospital district and that he is happy to talk with her group. He explained that his focus is promoting open government and reform. He stated he is not anti-government. He stated that he in fact runs a government, that is his job, he said. He stated that his goal is to strengthen and improve the organization, not destroy it. He said that Senator Roach, Chris Clifford and he are individuals and do not agree on everything.

Commissioner Hemstad distributed and discussed a *Basic Good Government Reform Proposal* for the Board to consider in the future. A discussion followed and Commissioner Parnell requested clarification on improving the organization. Commissioner Hemstad responded that he would like to see additional transparency including paper trails, background memos, and access by the public beyond the legal minimum. Commissioner Miller commented on the amount of time being spent by VMC staff to respond to his issues and complaints which is a distraction to pressing healthcare matters. Commissioner Bowman asked if Commissioner Hemstad recalled a meeting she attended at his home following the election with Senator Roach and Chris Clifford present, where the topic was the plan of attack to get rid of Rich Roodman and reform the Board by continually attacking. Commissioner Hemstad responded that this was a "gross mischaracterization" of that meeting. Ms. Bowman asked for a "yes or no" answer to the question as to whether or not it still was Mr. Hemstad's goal to get rid of Mr. Roodman. Mr. Hemstad answered "no." Commissioner Miller asked Commissioner Hemstad if he had assisted Chris Clifford with drafting the recall petition. He stated he had not and if he had, there wouldn't be so many mistakes. President Jacobson addressed Commissioner Hemstad's suggestion to move the meetings to the evenings rather than mid-day, noting that might be a good idea to allow more public involvement. This issue was in Mr. Hemstad's *Reform* document, and so he said he would be in favor of moving the meeting to the evening, so long as it was not Monday evening. Mr. Jacobson noted that Monday was a typical day for municipal entities to meet, and that the Board had met on Mondays for years, and that, while he could not speak for the rest of the Board he was not inclined to move the meetings to a different night of the week.

#### Superintendent Comments

Mr. Roodman responded to the issue of including more background information in Board packets stating that traditionally, memos are included only on action items. Everything else presented at Board meetings is informational in nature. There has always been and

will continue to be, an open door policy by Administration if there are any questions related to any Board agenda item.

Mr. Roodman explained the taxation history of the hospital district, from 1947 to present day. Taxes have increased only three times since the district was formed in 1947 -- in 1965, 1977 and 2005. There was a failed attempt in 1997 and 1994. The large increase requested in 2005 was based on 28 years between increases and the hugely increased indigent population in our district. He compared tax rates among other public hospitals in the state. The average rate for all the PHDs is 68¢ per \$1,000 of assessed value. Thus, VMC's 51¢ rate is about 33% below the state average. Also, there are no other hospitals that he knows of which have a *dividend program*, which will return up to \$3,000 in taxes paid, following insurance payment, to residents who are hospitalized here. Finally, he reminded everyone of Administration's recommendation in June 2006 (which the Board unanimously passed) to defer from additional levies, bonds and annexation efforts for the foreseeable future.

Commissioner Hemstad excused himself from the meeting at 6:35 p.m.

Recess President Jacobson acknowledged a request for a recess at 6:39 p.m. following which the Board convened in Executive Session for approximately 20 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 7:05 p.m.

Mr. Roodman stated that during the break just prior to Executive Session, Ms. Grinnell shared with him that, preliminarily, February may be a poor performing month. While it appeared that our interest expense may be going up several million dollars on an annual basis due to the auction rate market collapse and subsequent refinancing of the 2005 and 2006 series from variable rate to fixed rate debt, there could be significant impact in February and March while we were/are still in the auction rate market with high auction based interest rates. Additionally, February has a smaller number of revenue producing days and the hospital has a high percentage of fixed expense which results in adverse financial effects in February. Ms. Grinnell also told him that Perot Systems was completing cleaning up several years of poor paying accounts, which could have an impact on bad debt expense in both February and year-end 2007 figures. Finally, he mentioned that Perot has started a 90-day correction plan to address receivables within the clinic system.

Adjournment There being no further business, motion was made to adjourn this meeting at 7:11 p.m.