

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

Held on May 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  
Michael I. Bernstein, Senior Vice President - Chief Financial Officer  
Scott Alleman, R.N., Senior Vice President – Patient Care Services  
L. Michael Glenn, Senior Vice-President – Business Development  
Paul Larson, Senior Vice President – Clinic Network  
Robert L. Thompson, M.D., Vice President – Physician Relations  
David E. Smith – General Counsel  
Dana Vander Houwen, Media Coordinator – Community Affairs  
Kris Tiernan, Assistant to CEO and Board of Commissioners  
Sandra Sward, Executive Assistant

Those present for a portion of the meeting:

Rose Guerrero, Director, Cancer Services  
Janet Harris, Auburn Regional Medical Center  
David Heath, Med Assets  
George Beal, Perkins Coie – via speaker phone  
Frank Thomas, MD, Chief of Staff  
Paul Carr, CRBE  
Phil Wood, Trammell Crow

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:33 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of the meeting of April 21, 2008.

Commissioner Bowman said she would like to be on record as objecting to Commissioner Hemstad's statement (page 9) that Senator Roach actually raised more money for Commissioner Bowman than for him during the election campaign. Commissioner Hemstad suggested changing the word "more" to "a higher percentage." Commissioner Bowman disagreed with that statement also.

Commissioner Hemstad requested the following changes to the minutes:

- Page 4, fourth paragraph, add sentence: "It was clarified that the amount of taxes continues to increase by the 1% growth factor, including new construction."
- Page 6, second paragraph under Resolution No. 878 – Change of Board Meeting Time, add sentence: "Commissioner Hemstad said that officials from the Municipal Research Service have said that while they have heard of governments moving meeting times to accommodate officials, they have never heard of changing a meeting time to knowingly conflict with an elected official's schedule."

- Page 6, under Update on Recall Petition, add statement that since the hospital had rightly joined to defend Don Jacobson's recall issue, the Reporter Newspaper said if the recall were allowed to go forward it could dissuade qualified people to run for election in the future. Much discussion followed and Mr. Smith clarified the hospital joined to defend itself; not Don Jacobson. Commissioners Jacobson and Parnell indicated they did not agree with Commissioner Hemstad's recollection. Mr. Smith stated that if there is a difference of opinion on how a discussion is remembered, a vote could be taken.

Commissioner Hemstad moved to add two comments to the April 21, 2008, minutes as outlined above regarding comments from the Municipal Research Service and the hospital's stance on encouraging qualified officials to run for commissioner positions, and that he would give the exact verbiage to the secretary to the Board. There was no second and the motion died. Commissioner Hemstad stated that he personally feels this validates the need to record the minutes.

There was a call for the question to approve the minutes of the April 21, 2008, meeting. Motion carried with four in favor and one against (Hemstad).

It was moved and seconded to approve minutes of the May 5, 2008, meeting. Commissioner Hemstad requested the following additions:

- Page 6, third paragraph, add statement prior to last sentence, "Commissioner Hemstad said he feels the commission made the right decision to move meetings to the evening to promote public access, but that moving the meetings to Monday evening, at a time he had an unavoidable conflict due to his job, exacerbates the issue and he feels the meetings should be moved to a day other than Monday." Commissioner Jacobson said he recalls Commissioner Hemstad requesting the meetings be changed to Tuesdays at 6:00 p.m. Commissioner Hemstad said the meetings should be moved to any day but Monday to encourage participation.

Motion to approve the minutes of May 5, 2008, as corrected, carried unanimously.

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

The 18<sup>th</sup> Annual Senior Health Fair was held on Friday May 9 and was a huge success, with over 600 GoldenCare members in attendance. There was interaction with representatives from various service lines, stroke and cholesterol screenings were given and the Office of the Insurance Commissioner was represented. Surveys are being tabulated for suggestions for next year.

Many community events and festivals are coming up. Valley will be a sponsor for the American Cancer Society Kent Relay for Life at French Field the last weekend of May. Other ACS Relay for Life Events will be supported in Renton, Covington and Maple Valley/Black Diamond during the next month.

A team of walkers from the Fairwood Clinic will participate in an upcoming Juvenile Diabetes Walk.

On Friday, May 30, at 7:30 a.m., Valley will co-host a Renton Chamber Networking breakfast at McLendon's Hardware. There will be a ribbon cutting ceremony for the new mural – *McLendon's Hardware & Valley Medical Center* – *born and raised in Renton.*

On Wednesday June 4, Valley will have a table at the Renton Chamber Business Excellence Awards. The event begins at 5:30 pm at Renton Technical College.

President Jacobson requested that the Robert Mak clip from the May 5, 2008, KING5-TV newscast, featuring the Valley Medical Board meeting, be shown, since the Board was still meeting when this was televised.

Capital Expenditures/  
Clinical Equipment/  
Programs

Request for Purchase – Breast Center Equipment

Ms. Guerrero requested Board approval to purchase Breast Center equipment, including digital mammography unit upgrade, stereotactic biopsy system upgrade, ultrasound upgrade, and specimen radiography equipment and information technology improvements. All of these items will support the continued growth of the Breast Center, decreasing wait times for screening appointments and increasing patient satisfaction. Cost of this equipment is \$791,871 and is included in the 2008 Capital Budget.

MOTION

It was moved and seconded to approve purchase of Breast Center equipment as requested, at a cost not to exceed \$791,871, including contingencies. Motion carried unanimously.

MedAssets Overview – David Heath, Vice President, Supply Chain

Mr. Bernstein introduced David Heath, Vice President of MedAssets, who presented an overview of the MedAssets supply chain management program, which has worked with Valley since June, 2007. He stated that while hospitals are facing the pressures of rising costs, increased regulatory burdens, decreased access to capital, payment shortfalls from Medicare and Medicaid, worker shortages, and other significant issues, the demand for services continues to increase. MedAssets exists to help hospitals find cash from existing operations and to improve margins so healthcare providers can continue to serve their communities. VMC's supply chain performance for 2007 was excellent and was in the top quartile nationally. He explained how MedAssets analyzes DRG's for cost savings, using Total Joint Replacement as an example. Their target is to achieve cost reductions of \$1.275M in 20 months.

Mr. Heath also addressed revenue management solutions, including the CDM Master, charge capture audit, comparative rate modeling and *Crosswalk*, a method for correcting incorrectly coded charges for patient chargeable items. The goal is to achieve an increase in net revenues of \$1.75M and a decrease in cost of supplies of \$1.33 to \$1.7M.

Adoption of Code of Ethics

Mr. Smith reviewed a memo from President Jacobson to the Board that accompanied a redlined version of the Code of Ethics that was included in the Board packets. Mr. Smith said the draft revision addresses the comments and suggestions that have been submitted over the past few months since the COE was adopted in December. He said that Mr. Beal, who is out of town, will join the meeting by speakerphone. It was then moved and seconded to accept the revisions as submitted. Commissioner Miller stated that there is a lot of information to digest and would like to spend some time reviewing the document and table until the next meeting. President Jacobson asked for specific comments. Commissioner Hemstad said that he had a variety of issues and would prefer to review the revisions more thoroughly. There was a lengthy discussion, following which a consensus was reached that each commissioner submit their comments, questions, etc., by the Wednesday preceding the next Board meeting (May 28, 2008) and these comments would

05/19/08(4)

be reviewed at the June 2, 2008, meeting. This will give legal counsel sufficient time to review suggestions before the June 2<sup>nd</sup> Board meeting.

MOTION It was moved and seconded to amend the previous motion and continue this item, Adoption of the Code of Ethics, to the June 2, 2008, agenda. Motion carried unanimously.

Medical Affairs Medical Executive Committee

Credentials

MOTION Recommendations dated May 7, 2008, from the Medical Executive Committee outlining appointments, reappointments, changes of staff status, change in privileges, and resignations were distributed and individually reviewed by Dr. Beattie. She noted that the reappointment of one physician was put on hold in September, 2006, due to inactivity and incomplete paperwork on the part of the physician. Communication between the physician and the Professional Performance Committee is not clear; however, it has come to light that the physician performed 15 endoscopic cases at Valley Medical Center between January 2007 and March 2008. Dr. Beattie has reviewed all of the cases and there were no complications in any of the cases. Medical Staff Professional Performance Committee (PPC) sought legal counsel and was advised to request reappointment of the physician retroactively to September 30, 2006. Dr. Beattie confirmed that steps have been taken to enhance procedures to prevent this from happening again and that specific privileging information will soon be available online for caregivers. Following discussion, it was moved, seconded and carried unanimously to approve credentialing/privileging recommendations as presented. Copies are attached to and made part of these minutes.

It was also reported by Dr. Beattie that the Medical Executive Committee was pleased to have Commissioner Don Jacobson in attendance at the May meeting, which allowed the MEC an opportunity to listen to his goals and objectives for the medical center. The MEC looks forward to having other commissioners attend meetings in the near future in an effort to enhance communication between the MEC, the Medical Staff and Board.

Dr. Beattie reported that the implementation of a "laborist" program is progressing. A finalist to provide OB hospitalist services to Valley 24/7 has been selected and it is estimated the group will be onsite full-time within six months

Some changes in the hospitalist program were discussed. This is mainly due to challenges in recruitment and retention of specialists in hospital-based internal medicine, as the market has become increasingly competitive for these services.

Dr. Beattie also reported on the progress with the ED call coverage program and issues related to Medicaid assignment.

The new multi-disciplinary peer review committee has begun regular meetings. This committee will enhance quality reporting and awareness by providing ongoing performance reviews for all physicians on the Medical Staff.

Quality Management Update

Dr. Beattie noted that she along with Commissioners Miller, Hemstad and Parnell attended a Washington State Hospital Association summit on patient safety last week. She noted that the monthly Board Quality "Big Dot" Report will be revised beginning next month to include additional detail, as recommended by WSHA. She distributed the May report, noting that Average Length of Stay continues to go up but is still lower than expected

based on patient acuity. Frequency of readmissions within 15 days of discharge is trending downward. Inpatient Mortality is significantly less than expected when viewed alongside comparative data. Improvement in performance on the CMS and Joint Commission Core Measures for Pneumonia Care, Acute Myocardial Infarction Care and Heart Failure Care is being monitored. The rate of Hospital Acquired Infections is also being watched. The Inpatient Fall Rate is within acceptable control limits. The "Left Without Treatment" from the Emergency Department is above the control limit, but is trending downward. Dr. Beattie briefly reviewed information the new report will include.

Centers for Medicare & Medicaid Services (CMS) Ads

Copies of CMS ads which will appear in newspapers in 55 national markets beginning May 21<sup>st</sup> were distributed. Valley Medical Center is participating in commitment to quality by submitting quality information to [www.hospitalcompare.hhs.gov](http://www.hospitalcompare.hhs.gov) the CMS website which compares quality data for the public. The two measures which are to be illustrated in the CMS ads are "how often a patient received help after pressing the call button" as a measure of patient satisfaction, and receiving prophylactic antibiotics within one hour prior to surgery, as a measure of clinical care. Dr. Beattie commented that the data CMS used is from July 2006 to June 2007. She added that it is important to note when and how the questions were asked and where we are today on these metrics. Both Dr. Frank Thomas and Dr. Bob Thompson commented that often times, lack of prophylactic antibiotics prior to surgery is a documentation issue and physicians need to be more aware of how important it is to document. Our internal surveys indicate improvements in both areas due to procedural changes. These two measures are just the beginning and we anticipate more quality data being made available to the public in the future.

Recess President Jacobson called for a 10 minute recess at 5:40 p.m.

Reconvened The meeting reconvened at 5:50 p.m.

Reports Reports from Administration

Financial Affairs

Mr. Bernstein corrected a typographical error on the write-off sheet.

Write-off of Accounts Receivable

MOTION It was moved and seconded to approve write-off of hospital and clinic accounts receivable in the amount of \$3,806,264.40, of which \$3,806,027.00 has been referred to Collection. The balance of \$237.40 represents bankrupt accounts and cancellations. Motion carried unanimously.

Bills/Vouchers

MOTION The Board, by motion, approved payments of the following bills and vouchers:

Absher Construction, Inc. (Surgery Project – Application No. 26)	\$ 374,873.97
Absher Construction, Inc. (Central Utility Project – Application No. 10)	75,246.48

Lydig Construction, Inc. 2,887,195.23  
 (Emergency Tower – Application No. 6)

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	13841	13871	5/9/2008	4,657.62
ACCOUNTS PAYABLE	25173	25194	5/9/2008	14,307.28
ACCOUNTS PAYABLE	2100068	2100181	5/1/2008	1,347,418.82
ACCOUNTS PAYABLE	2100524	2100524	5/6/2008	1,730,533.45
ACCOUNTS PAYABLE	2100182	2100523	5/6/2008	1,971,433.48
ACCOUNTS PAYABLE	2100525	2100754	5/8/2008	1,188,812.12
ACCOUNTS PAYABLE	2100755	2100756	5/9/2008	3,020,282.71
	2100757	2100954	5/13/2008	1,699,367.44
 TOTAL AP				 <u>10,976,812.92</u>
 WIRES OR EFT				 1,464,002.42
 GRAND TOTAL				 <u><u>\$15,778,131.02</u></u>

Mr. Bernstein commented on the difficulty in maintaining a positive balance sheet with the high percentage of contract labor, self-pay and underinsured patients, and third party payors who want to pay less. Negotiations with third party payors are underway. They do not want to reimburse VMC for increasing costs and are unsympathetic to VMC's high percentage of underinsured and charity patients. The debate and argument continues within several payors.

Public Comment

Public Comment      At 6:00 p.m., President Jacobson called for public comment. There was no public comment.

Commissioner Comment

Commissioner Comment      There was no commissioner comment.

Operations Update

Mr. Hayes commented on Dr. Beattie's quality report with regard to Emergency Room patients leaving without being seen. He stated that between 1997 and 2004, 12% of ED's across the country closed, while visits increased from 93 to 110 million. As one of the busiest ED's in the region, VMC is strongly aware of the pivotal part the Emergency Department plays in the community. SG2 Consulting is assisting VMC with enhancing "patient through-put" to streamline ED care and hopefully shorten wait times.

Valley also plays an integral role in the region's emergency care and response. Like ED's across the country, Valley participates in a consortium of ED's that coordinate, collaborate and communicate. ED's are now mandated to not divert (turn away ambulances) but can report a saturation point in two-hour increments not more than three times (a total of six hours) in a 24-hour period. During the nine months July, 2007, through March of this year, hospitals in the region were closed to basic life support a total of 8000 hours and to critical care conditions for 6500 hours. The council we participate in has broken this down by hospital and VMC is in the top 25% of hospitals remaining open. Ambulance turnaround time is also measured with a goal of 15 minutes. The average in our region is 41 minutes and Valley fluctuates between 15 and 20 minutes. To enhance and improve collaboration with first responders from our community, Valley sponsors a bi-annual lunch meeting to discuss common goals and objectives. Thirteen representatives from local fire and police agencies along with nine representatives from VMC attended the most recent meeting held earlier this month. Topics addressed included ED construction, pediatric transfers, trauma care and a regional ED meeting. There is also regional coordination and tomorrow a two-hour conference call is scheduled with all responders to look at a regional memorandum of understanding in terms of local or regional disaster. He added that shortly after 9/11, Mr. Roodman initiated an MOU (memorandum of understanding) among south end hospitals to identify how Valley would operate in the event of a catastrophic event. This premise is now being implemented region-wide. In addition, there will be a meeting of the King County Healthcare Coalition, which is for all healthcare providers to come together under the guidance of the Public Health Department.

Mr. Roodman added comments with regard to the Emergency Department, noting Dr. Beattie's Quality Report on public reporting and transparency and how this ties to Medicare and Medicaid reimbursement. Valley's ED has become a "beacon" to those with no ability to pay. The district will continue to try to figure out how to continue to serve the underinsured. The problem becomes larger as VMC expands. Along with payment issues, there is a continual staffing shortage which results in high usage of overtime and agency. To date, VMC is \$3 million over budget in premium time costs which has been necessary in order to bring in enough staff to provide quality patient care with a growing census. Labor expense, unanticipated interest expense as a result of the bond auction market, charity care, bad debts and poor reimbursement, as well as an increase in utilities of \$200K over last year, all contribute to a difficult scenario. Mr. Bernstein is currently involved in negotiating with third party payors. It is very tough going for non-urban hospitals, which receive lower reimbursement than urban hospitals. Neighboring hospitals in Enumclaw and Puyallup, which have been purchased by large urban hospital systems in Tacoma, have higher reimbursement levels from third party payors. Valley will continue to try to meet the many financial challenges that continue to affect the District. The need to utilize tax dollars to address many of these burdens is increasingly evident.

#### Patient Care Services

Mr. Alleman reported that the RN recruitment trip to the Philippines was successful and signed contracts should be arriving shortly.

He updated the Board on results of the Surgery Department operations project initiated in July, 2006, to coincide with the remodel. The focus of the project was throughput and productivity and addressed several areas. These included:

- Chart readiness day prior to surgery for H&P, consents, orders and lab results. Improved 10-28%.
- Turnover time. Not a high priority problem. It was determined that turnover time at Valley is average.

- Block time utilization should be at 40%. Valley was at 60% and has now increased to 70%.
- Supply costs. This included capturing all non-specific supply costs, such as drapes, tubes and canisters; physician preference items; re-processing of some non-permanent supplies as allowed by FDA regulations. Savings of approximately \$100,000 could be achieved.

#### Clinic Network

Mr. Larson addressed the shortage of specialists in our area willing to take Medicaid or self-pay patients. Valley's clinic network provides 280,000 visits per year. Coordination of care is very difficult when patients are seen in the clinic network and require referral to specialty care, when there are so few specialists in our community willing to take Medicare or uninsured patients. Patients such as these have been referred to Harborview in the past; however, Harborview is beginning to decline further referrals due to state and federal funding limitations. Project Access, with representatives from Harborview, King County Medical, PacMed, and Public Health, is working to ensure the good will of specialists who are willing to participate by coordinating patient appointments, transportation, lab and x-ray, interpreters, etc. Hopefully this effort will add to the specialist pool so these patients can get the care they need.

The Benson Plaza Urgent Care Clinic project is in progress. During the last two months, five new physicians have been recruited for slots in the primary care and urgent care clinics.

The new Lake Sawyer primary care clinic is slated to open mid-July.

#### Business Development

The elective percutaneous coronary intervention (PCI) issue was discussed by Mr. Glenn. Valley has been restricted from providing elective PCI under an older Department of Health (DOH) ruling which limits to facilities with cardiac surgery suites available. The DOH has reviewed this requirement and released draft language expanding elective PCI services. The language establishes arbitrary planning areas pitting Valley Medical with two other likely providers, establishes a higher number (and rounding down method of counting) of minimum cases and includes an unfair and unreasonable "tie-breaking" methodology. Because of this, the language as drafted makes it virtually impossible for VMC to gain CON approval to perform elective cases. Valley is proceeding with urging DOH to reconsider this decision.

#### Recruitment Update

Dr. Thompson reported that the Physician Needs Assessment study is being updated by Frank Fox. There are growing issues related to healthcare access. A national survey has projected a 30-45,000 primary care physician shortage by 2015. The most affected will be those patients who are uninsured. Recruitment will become more and more difficult. Our Family Medicine Residency program is becoming more and more important as we continue to recruit primary care physicians.

A new ophthalmologist will be joining Valley to work with Dr. Solomon by the end of July. A new neurosurgeon, Dr. Lundin will join Valley in the fall. Recruiting continues in urology, rheumatology, ENT, dermatology, chronic pain and oncology.

05/19/08(9)

Recess President Jacobson acknowledged a request for a recess at 7:05 p.m. following which the Board convened in Executive Session for approximately 30 minutes for the purpose of discussing specific real estate issues permitted by RCW.42.30.110(b) and (c). It was announced that there may be action taken following the Executive Session.

Reconvened The meeting reconvened at 7:36 p.m.

Property Acquisition – Renton

MOTION It was moved and seconded to authorize and direct the Superintendent to proceed with acquisition of the property located in Renton, Washington as discussed in Executive Session, the disclosure of which at this time would likely lead to an increase in the price of such property. Motion carried unanimously.

Adjournment There being no further business, motion was made to adjourn this meeting at 7:38 p.m.