

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

Held on August 18, 2008

Attendance:

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
Barbara Mitchell, Senior Vice President – HR and Marketing
Robert L. Thompson, M.D., Vice President – Physician Relations
David E. Smith – General Counsel
Jeannine Grinnell, Vice President – Finance
Pamela Fowler, Director – Marketing and Community Affairs
Kris Tiernan, Assistant to CEO and Board of Commissioners
Sandra Sward, Executive Assistant

Those present for a portion of the meeting:

U.S. Representative Adam Smith, 9th Congressional District
Debra Entenman, Healthcare Aide to Rep. Adam Smith
Frank Thomas, M.D., Chief of Staff

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:36 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of the August 4, 2008, meeting. Motion carried unanimously.

Programs

U.S. Representative Update

Mr. Roodman introduced U.S. Representative Adam Smith, 9th Congressional District, who invited questions and comments from the Board about healthcare. He addressed the challenges coming in the years ahead with national healthcare reform and the 46 million uninsured; the challenges of finding providers to take Medicare and Medicaid patients; his particular interest in cost control and other ideas on efficiencies to reduce cost and provide best practices; his efforts with Rep. Cathy McMorris Rodgers on a bill to promote best practices in chronic disease management, i.e., diabetes.

Mr. Larson noted that Valley actively participates in programs to manage chronic diseases. He mentioned the ongoing program within the clinic system to identify and promote best practices in management of diabetes. He also mentioned that Valley is one of two hospitals in Puget Sound selected by Boeing to participate in an *Intensive Outpatient Care Program*, which is open only to qualified Boeing employees and their dependents insured by Regence. The program provides personalized case management for people with

multiple or chronic health conditions that would most benefit from more closely managed care.

Mr. Bernstein discussed the financial barriers most facilities face in adding new technology that enhances health care. He also addressed reimbursement issues which contribute to the rising cost of health care. Medicare and Medicaid do not even cover provider costs.

Dr. Thompson noted that in addition to fewer and fewer private physicians accepting Medicare/Medicaid, there is a physician supply issue. The average age of family medicine providers is rising and soon there will be more retiring than entering the system. Increasing the supply of family medicine physicians as well as utilizing non-physician providers is important. Promoting education for children, students, and senior citizens will promote good health and thus reduce costs.

Congressman Smith said reimbursement rates will continue to be squeezed. The overall supply and demand on CMS is affected by our aging population and increasing numbers of retirees. Improved diagnostics and services, coupled with global political changes and tax cuts all contribute to making hard choices of where finances will be appropriated. At this time, there is no relief in sight.

Community Affairs

Ms. Fowler reported on activities of the Public Relations and Marketing Department as follows:

VMC is the presenting sponsor at the 19th Annual Renton Chamber New Teacher's Breakfast scheduled for Friday, August 22nd at 7:30 a.m. at Renton Technical College. Mr. Roodman will speak at the beginning of the breakfast.

On August 30th the Emergency Department will host the Annual Safety Camp for children ages 7 to 10. Trauma nurses will present their "talk tough" program on safety and injury prevention.

VMC will be a participating sponsor at Newcastle Days on September 6-7. This event will tie-in with marketing plans to launch Newcastle Urgent Care.

Also on September 6-7, a team from Valley Occupational Health Services will participate in a two-day MS Bike Ride in Mt. Vernon.

The 2008 Renton Chamber Legislative Reception will be held September 18th in Valley's Healing Garden. VMC is presenting sponsor and will host the event.

Valley and Macy's will sponsor the Breast Cancer Survivor Fashion Show on October 18th at the downtown Macy's. A portion of the ticket price goes to Valley's Breast Center.

The most recent edition of *Seattle Metropolitan* features "Top Docs" and includes Dr. William Barrett, Valley Orthopedic Associates.

Medical Affairs

Credentials

MOTION

Recommendations dated August 12, 2008, from the Medical Executive Committee outlining appointments, reappointments, changes of staff status, change in privileges and resignations were individually reviewed by Dr. Beattie. It was moved, seconded and unanimously carried to approve credentialing/privileges recommendations as presented. Copies are attached to and made part of these minutes.

Medical Executive Committee

Dr. Beattie summarized the August 12, 2008, meeting of the Medical Executive Committee noting approval of a new Warfarin Policy to standardize anticoagulation therapy to assure best practice. There was also approval of standing order status for a peripheral vascular access procedure implementing a new heparin-free peripheral IV system. This change will improve patient safety by decreasing the presence/availability of multiple strengths of heparin on the units and impacts the Patient Safety Goal around anti-coagulation therapy.

A revised DNAR (Do Not Attempt Resuscitation) Policy with updated standard POLST (Physician Order Set for Life-sustaining Treatment) was approved and has advanced for Patient Care Services and legal review.

Quality Management Update

The Quality Improvement Council met August 5th and reviewed the addition of recommended new approved abbreviations from NICU for HIM. The majority of the meeting was devoted to reviewing performance on quality measures for AMI, Heart Failure, Community Acquired Pneumonia and Surgical Care Improvement Program (SCIP). It was noted that for Q4 of 2007, VMC moved from 39th to 23rd ranking of 49 participating hospitals in Washington for medical quality measures; however, dropped from 32nd to 37th in SCIP measures for that same quarter. The decline in compliance to SCIP measures was anticipated. Changes in processes and thus performance in these surgical measures have already been implemented and improvement is anticipated in subsequent reporting. The lag in data reporting of almost an entire year is unfortunate and illustrates that the effects of ongoing process improvement activities are difficult to appreciate.

Reports

Reports from Administration

Operations Update

Bariatric Closure: It was reported by Mr. Hayes that after significant efforts to establish predictable volumes of patients, notice has been given to staff and patients of the closure of the Washington Bariatric and Weight Loss Center, effective October 10, 2008. Follow-up care for patients will continue via monthly support groups and periodic fills for patients who have undergone the lap-band procedure. Karen Morar has been identified as the case manager who will work with the bariatric patients. Dr. Beattie and Mr. Hayes are working with other area programs to coordinate program structure, patient follow-up and care. Bariatric staff and all members of VMC have been notified of the closure. Based on growth in other areas of the medical center, it is anticipated that most, if not all, staff will be absorbed.

Regulatory Participation: Mr. Hayes commented that hospitals are approaching the regulatory oversight similar to nuclear power plants. Last week, Valley was notified by the Central Region EMS and Trauma Council with a request to sign a Letter of Commitment that by this time next year VMC would not divert ambulances, would always have beds and staff available, and that no ambulance would be on-site greater than 15 minutes (current average is 20-25 minutes). A response is currently being evaluated in terms of ability to comply with this request, considering the many factors outside of our control.

Department of Health: Mr. Hayes reported on an extensive review by the Department of Health last week concerning a patient discharge. At the exit conference, the perception of how this was handled was reassessed. Mr. Hayes added this is shared to highlight the importance of interacting with the DOH during such reviews. Mr. Roodman added that anyone connected to any of the 700,000 annual patient visits within the VMC system can file a complaint with the Department of Health. There are, therefore, countless opportunities to have our practices reviewed.

The Joint Commission: Mr. Hayes provided a summary outline of New Leadership Standards received from The Joint Commission. He noted that the new standards impact not only leadership, but the governance of the medical center and role of the Board of Commissioners. There is a focus on communication, resolving conflicts, safety of all types, conflict of interest, code of conduct and acceptable and disruptive behavior. Reporting of system or process failures, sentinel events, and all actions taken to improve safety is a major focus.

Productivity: It was noted by Mr. Hayes that in addition to the initiative to reduce operating expenses by 4% reported at the last meeting, Aspen Healthcare is working to define the following areas to be explored for additional savings: Linen, telecommunications, transcription, lab, bone cement with antibiotics, and cardiac care. Labor targets for 2008 were discussed and it was reported that with 4.81 FTE's per adjusted occupied bed, VMC is well below the target of 5.13 FTE's. The single largest challenge is premium time (related to shortage of RN's and other specialty positions) which represents 8.6% of our labor dollars. This represents an approximate \$3.5 million variance (annualized) from our budget. There is some relief on the horizon with continued focus on recruitment and completion of some RN residency programs.

Patient Care Services

A report was given by Mr. Alleman on efforts of state labor unions to mandate nurse staffing ratios. Earlier this year a Memorandum of Agreement was signed to establish a Steering Committee to work together to address issues related to nurse staffing. During the 2008 Legislative Session, HB 3123 was enacted requiring each hospital in the state to establish a Nurse Staffing Committee by September 1st, either by creating a new committee or assigning the functions to an existing committee; and, begin publicly posting a nurse staffing plan along with the staffing schedule following establishment of the Nursing Staffing Committee. The Steering Committee has also established an Educational Advisory Committee to assist hospitals with development and ongoing work of the Nursing Staffing Committees. Two full-day seminars for Nurse Staffing Committees have been scheduled for late August; however, both filled immediately and have waiting lists. Valley has a Nursing Staffing Committee and will begin to address this new law.

HR & Marketing

Ms. Mitchell updated the Board on VMC's employee medical plan. With the reduction of 105 ineligible dependents, Valley has to date seen stable costs for medical claims and prescriptions on a per subscriber basis for our self-insured plan. Our benefit plan broker reports actuarial assessments by stop loss carriers have shown an equalizing of provider discounting rates in our market place, allowing us to more easily shop networks to enable a change in third party administrator. The services of our current third party administrator, HMA, a subsidiary of Regence/Blue Shield, have been unsatisfactory due to numerous claims errors and poor service. We will make a change to First Choice Network and use the First Choice TPA beginning January 1, 2009. Employees will be issued new medical enrollment cards during open enrollment this fall.

Financial Affairs

Mr. Bernstein reported an operating loss of \$600,000 for July, resulting in a \$2.5 million loss YTD. He cited premium time, which is 7% above budget, as a major factor. In reviewing options to reduce operating costs, Morgan Stanley, Kaufman Hall and Dan Gottlieb have been asked to assess swapping out a portion of our 2008 debt from fixed to floating. This would be a synthetic swap that changes part of the debt from fixed to floating but does not change the underlying debt itself, which remains fixed. Also, if there is a swap transaction it could be immediately unwound (2-3 days) if market conditions change. Commissioner Miller suggested involving Seattle Northwest Securities in the assessment. This will be discussed thoroughly with the Finance Committee.

Mr. Bernstein compared Valley's market share growth in King County during 2007. Mr. Roodman noted that increased market share directly affects wages and thus premium pay which reduces operational gains. Mr. Roodman predicted that August is traditionally a low volume month, and that historically there is increased activity in September and October. Commissioner Hemstad asked for the predicted outlook for the remainder of the year and Mr. Bernstein and Mr. Hayes stated that it could hopefully be break-even, with current measures in place to reduce expenses and volumes expected to increase in the fall.

Ms. Grinnell reported that that field work on the Performance Audit is complete and the report is being drafted. It is anticipated that the preliminary report will be available by September and the final report in mid to late October. Under Initiative 900, the Board will be required to hold a public hearing, which can be part of a regular Board meeting, on the results of the Performance Audit within 30 days of the issuance of the report.

Bills/Vouchers

MOTION

It was moved and seconded to approve payment of the following bills, warrants and ACH transfer as presented. Motion carried unanimously.

HS Builders (Urgent Care – Application No. 1)	\$ 66,395.68
Lydig Construction (Emergency Tower – Application No. 9)	4,354,304.50
Lease Crutcher Lewis (Angio Room Equipment Replacement – Application No. 3)	24,489.92
Lease Crutcher Lewis (Angio Room Equipment Replacement – Application No. 4)	7,716.45
PCL Construction (Linear Accelerator – Application No. 3)	49,716.68

	WARRANT NUMBERS FROM	TO	DATED	AMOUNT
ACCOUNTS PAYABLE	25687	25709	7/25/2008	4,984.22

ACCOUNTS PAYABLE	25710	25841	8/1/2008	176,752.77
ACCOUNTS PAYABLE	25842	25863	8/15/2008	183,913.21
ACCOUNTS PAYABLE	2105501	2105719	7/29/2008	1,139,032.69
ACCOUNTS PAYABLE	2105720	2105999	7/31/2008	1,451,861.27
ACCOUNTS PAYABLE	2106000	2106011	8/1/2008	456,300.48
ACCOUNTS PAYABLE	2106012	2106158	8/5/2008	1,282,182.64
ACCOUNTS PAYABLE	2106159	2106402	8/7/2008	1,401,217.29
ACCOUNTS PAYABLE	2106403	2106565	8/12/2008	1,151,535.40
ACCOUNTS PAYABLE	2106566	2106567	8/13/2008	2,000.00
ACCOUNTS PAYABLE	2106568	2106808	8/14/2008	1,428,173.30
TOTAL AP				8,677,953.27
WIRES OR EFT				1,363,821.62
GRAND TOTAL				\$14,544,398.12

Resolution No. 886 – Recognizing an Interim Change in District Auditor

Mr. Roodman noted that with Mr. Bernstein’s departure next month, he must be replaced as Auditor of the District. Ms. Grinnell, who will assume Mr. Bernstein’s responsibilities on an interim basis, is Treasurer of the District and cannot be both Auditor and Treasurer. Resolution No. 886 appoints General Counsel, David E. Smith, as interim Auditor of the District.

There was a discussion concerning duties of the auditor and potential conflicts. It was pointed out that this is a legislative designation.

MOTION

Following discussion, it was moved and seconded to adopt Resolution No. 886, appointing David E. Smith as Interim Auditor of the District. Motion carried unanimously.

Resolution No. 887 – Correcting Resolution No. 869

Mr. Smith stated that consistent with historical practice, the District’s financial performance was assessed by the Chief Financial Officer, Mr. Bernstein, mid-year 2008, to compare performance with the annual financial performance goals previously set by the Board last December. During the review, Mr. Bernstein discovered a typographical error in Resolution No. 869 that materially misstates the intention of what the Board had expressed. Resolution No. 887 corrects that typographical error.

MOTION

Following discussion, it was moved and seconded to adopt Resolution No. 887, correcting the typographical error in Resolution No. 869. Motion carried unanimously.

Clinic Network

It was reported by Mr. Larson that Dr. Todd Johnston has recently joined Dr. Solomon at The Eye Center at Valley Medical Center. The Corcoran Consulting Group has been

contracted to assess and enhance the ophthalmology service in terms of business operations.

Mr. Larson shared clinic statistical referral data with the Board, noting the data represents approximately 24,000 referrals between March, 2007 and April, 2008. The Clinic Referral Office receives and processes the referrals. They obtain insurance authorization, gather data regarding medical staff needs assessment and direct referrals based on insurance restrictions. Additionally, it was noted that many additional referrals area made directly by providers and do not pass through the Clinic Referral Office. The most common referred to specialties are GI, Ortho, Surgery, Dermatology, EENT, Ophthalmology, Neuro, Urology, Cardiology, Podiatry and Obstetrics. The majority – 75% - of all referrals received by the CRO are within the VMC network – either to VMC employed physicians or to physicians who practice at VMC. Approximately 16% are referred out of area, usually due to an insurance issue. Insurance issues have become a challenge to our clinic providers who often must make personal contacts to get a patient in to be seen and continue to care for patients whose care is delayed. Another reason referrals go out of area is due to need for services not provided at Valley. Mr. Larson pointed out that while the statistics are a little confusing, it is important to remember that the vast majority of referrals out of our clinic network go to VMC providers and departments.

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

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

Business Development

Mr. Glenn reported that the Cancer Program was recently surveyed by the American College of Surgeons. The surveyors were very impressed with the collaborative efforts of the Tumor Board. Full accreditation is anticipated.

The final decision regarding Elective PCI has not been announced, although word could be received any time.

Mr. Glenn stated that many hours have been devoted to working with the gastroenterologists on jointly providing endoscopy services to patients. Recently, CMS released new regulations which affect how hospitals and physicians work together. The new regulations redefine joint venture practices and will prevent the program from developing as planned. We are reassessing if a future joint program is feasible.

Public comment

Public Comment At 6:00 p.m., President Jacobson called for public comment. There was none.

Recruitment Update

It was reported by Dr. Thompson that the Physician Needs Assessment Study is currently being updated by Frank Fox, Ph.D., and should be available within 45 days. Dr. Thompson gave a comprehensive summary of specialists employed by Valley, noting that currently there are approximately 30 employed providers. He reviewed various issues impacting recruitment of physicians, most notably low reimbursement rates, high cost of living, housing, aging workforce, growing demand, growing competition and divergent incentives of the Medical Staff. Significant challenges affecting retention were also identified. A comprehensive plan is needed to assist new providers with orientation, marketing and

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practice growth, communication/IT, enhancements to lifestyle, opportunities for research, billing expertise, etc.

Dr. Thompson also discussed his suggested creation of a *Valley Seniors Health High School* as a proactive means to integrate prevention into healthcare.

Recess President Jacobson acknowledged a request for a recess at 6:26 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), litigation issues permitted by RCW.42.30.110(1) and real estate issues permitted by RCW.42.30.110(b) and (c).

Reconvened The meeting reconvened at 6:59 p.m.

MOTION Commissioner Excused

It was moved, seconded and carried to excuse Commissioner Bowman from this meeting.

Adjournment There being no further business, motion was made to adjourn this meeting at 7:00 p.m.