

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

Held on September 2, 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  
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:

Sharon Hu, Director – Laboratory  
Dorina McKnight, Manager – Laboratory  
Ira Allen, M.D., Co-Chief – Special Services  
Stewart Adelman, General Manager – PacLab  
Tim Amato, Area Business Manager – PacLab  
Noel Maring, Senior VP & Chief Marketing Officer - PacLab

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 August 18, 2008. Motion carried unanimously.

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

Valley is a participating sponsor in the *Newcastle Days* community celebration scheduled for September 6-7. The sponsorship will tie-in with the marketing campaign to launch Newcastle Urgent Care.

The Renton Chamber 2008 Legislative Reception is scheduled for September 18<sup>th</sup> from 6-8:00 p.m. in Valley's Healing Garden. Valley is the presenting sponsor and event host.

VMC is participating and sponsoring a table for ten at the 3<sup>rd</sup> Annual "Connection with the Community" Dinner supporting *Healthpoint*, formerly *Community Health Centers of King County*, on September 27<sup>th</sup> at the Meydenbauer Center in Bellevue.

On October 2<sup>nd</sup>, Communities in Schools of Renton (CISR) will hold its Annual Benefit and Recognition Dinner at the Renton Senior Center. Valley has a table for 8.

Valley will participate in the Renton Chamber Business Expo on October 11<sup>th</sup>, exhibiting new health services to the business community and public.

On October 11<sup>th</sup>, Lake Sawyer Clinic Manager and Trauma Nurses will participate in the Maple Valley Preparedness Fair, sponsored by the city, police and school district to provide information and resources to Maple Valley citizens.

The Starbright Children's Foundation of Washington annual luncheon will be held October 14<sup>th</sup> at the Westin Seattle. This event raises money for children and families affected by chronic, terminal and/or permanent disabling illnesses. The Foundation supports VMC's Children's Therapy program by providing computers and therapy equipment.

The Macy's Breast Center Cancer Survivor Brunch and Fashion Show is scheduled for October 18<sup>th</sup>. VMC is a major event sponsor. A portion of the ticket price supports VMC's Breast Center.

Press releases are planned for both the Newcastle and Benson Urgent Care centers.

## Programs

### Pac Lab Presentation

Mr. Hayes introduced Stewart Adelman, Tim Amato and Noel Maring of PacLab Network Laboratories. VMC is conducting a periodic assessment of the Laboratory Outreach Program. The current model is with Quest Diagnostics, where Valley serves as a subcontractor and receives a small fee per test completed. An alternative option under consideration is an affiliation with PacLab where Valley would have an equity share of the business. There are other Puget Sound hospitals that are equity members and there may be opportunities for VMC to better serve the community and at the same time reduce laboratory costs and/or increase revenue.

Mr. Maring summarized PacLab's background and gave an overview of the business proposal, noting that a business plan has been provided to the staff. The mission of PacLab is to drive testing back into the lab and to provide local support to healthcare agencies in the area. There may be an opportunity to develop additional business for VMC in the range of several million dollars per year. PacLab representatives said they are not trying to sell new business, but rather to grow mutually via more outreach. The business structure was explained, noting PacLab market share in the Northwest. The operational model was described including specimen draw, results, reporting and billing. The legal/financial structure was summarized and models of partners reviewed. Benefits to partnering include integrated outreach and hospital testing, providing physicians with integrated diagnostic information in their EMR, providing cash contribution, and contributing to better patient care and physician service via patient-focused, physician-centered lab services. Partnering could also increase testing volumes, thus lowering laboratory testing costs, improve laboratory productivity, make additional test procedures cost-effective on a local basis, encourage full utilization of capital investments in lab testing facilities, enhance physician relationships and enhance cash flow and profit.

### Nursing 2020

Mr. Alleman reported on the shortage of Registered Nurses which is predicted to steadily increase from a 6% shortfall in 2000 to a 36% shortfall in year 2020. Statistical data from the Bureau of Health Professions was reviewed. Demographics indicate the following:

- 50% of the current RN population will retire in the next 10-15 years.
- The average age of an RN in Washington State is 48.8 years.
- Over 52% are age 50 or older.
- The age distribution of the RN population is steadily increasing.
- The age at initial RN degree in Washington has steadily increased over the past 27 years.
- To meet the predicted demand for RN's under the current system, graduation rates must increase to 400 per year for each of the next 15 years.
- Nursing faculty shortages limit new graduate preparation.
- 11 of 23 associate degree and 7 of 11 bachelor degree RN programs reported receiving at least twice as many qualified applicants as the program was able to admit.
- The median age of doctorate-prepared nurse faculty is 53.5 years and the median age of full-time nurse faculty is 51.5 years.
- The average salary for nurse leadership positions far outweighs nursing instructional faculty positions.

Mr. Alleman concluded that even a 90% increase in nurses over the next 15 years would only stay even with the demand that will be experienced due to population growth and the aging population. International recruitment is expected to decrease due to healthcare globalization. There is no solution to this issue. Valley needs to make sure it is an employer of choice with the best staffing programs as staffing is the foremost issue for nurses. As the nurse shortage increases, there will most likely be another reinvention of how healthcare is delivered and defined.

#### Medical Affairs

##### Quality Management Update

Dr. Beattie reported on the Quality Improvement Council meeting held earlier in the day. The Council reviewed Department of Health (DOH) citations and plan of correction relating to establishing and implementing a process for complaint resolution from patients, families, employees, providers and others. Although the case which stimulated the DOH visit was found to have appropriately followed policy and standard for response to a grievance, during the course of the DOH representative's visit, other areas of opportunity to tighten our process for management of complaints and grievances were identified. A revision of the *Complaint and Grievance Resolution Policy* was circulated to the commissioners. The revisions include implementing a centralized log of all complaints and grievances; clarifying the difference between complaints and grievances; and educating management, staff, and contracted physicians on the grievance policy. This draft will be reviewed by the Risk Management Committee on September 10<sup>th</sup>, before requesting Board approval at the September 15<sup>th</sup> meeting.

The QIC reviewed policies and procedures that ensure the patient's right to access protective services. This is to be assured no matter where in the screening/treatment continuum the patient leaves our system. All staff who may encounter this situation will receive training.

The QIC also reviewed a new Warfarin Policy as recommended by the Pharmacy QA/QI Committee, which is a component of the National Patient Safety Goals for the safety of anticoagulation therapy. Data was presented and reviewed that correlated the use of *Admin Rx* with decreased overall incidence of medication errors. The P&T Committee's effort to reduce the "use of patient's own meds" not in formulary was noted.

A report on Infection Prevention and Control indicated a slight increase in the number of infections in the NICU last quarter. The Infection Control team is investigating and will focus additional efforts and education as needed. Due to the increased number of catheter associated UTI's, current policies are being reemphasized and new CDC guidelines are expected this fall.

Results of an audit of critical test and critical results reporting for lab and cardiopulmonary lab were reviewed and are favorable with the policy being met over 90% of the time.

## Reports

### Reports from Administration

#### Operations Update

Bariatric Closure: Mr. Hayes said that as reported at the last meeting, the Bariatric Program will close October 10, 2008. No further bariatric surgical procedures have been performed since the last meeting, although clinic operations continue for post-op follow-ups and filling of lap bands. Patients who have prepaid for bariatric services are in the process of being refunded. Karen Morar, RN, Manager - Specialty Clinics, is the contact for all questions and concerns from bariatric patients. It is anticipated that most staff will be transferred to other VMC programs.

#### Building Committee:

The I-900 Performance Audit team has indicated that their report will identify possible construction-related potential savings over a specific period of time. The preliminary report will not be released until later this month with the final report expected in mid to late October. It is unknown how the audit team arrived at their conclusions. More information will be forthcoming in the coming weeks.

The South Tower building project is ahead of schedule at this point in time. If this trend continues, the Emergency Department may be ready for opening in October, 2009. The contractor must provide notification of completion nine months in advance. This will assure appropriate transition time for staffing, Community Affairs and Marketing activities, etc.

The Surgery project punch lists are in progress and it is anticipated that the 2<sup>nd</sup> floor surgical suite will open the first week in October.

The Central Utility project is nearly complete with new back-up generator testing in progress. Development of this project was required to support expanded surgery capacity and the South Tower project.

The Benson Plaza Urgent Care project is underway with anticipated opening in late October.

Updating of exterior campus signage is slated to begin this month.

A VMC History Wall is being developed for placement in either the main lobby or the connecting hallway to the new South Tower.

The Vibes Espresso Bar will not relocate to the lobby at this time. Ways of increasing seating within the existing cafeteria are being assessed.

Installation of the new linear accelerator in Radiation Oncology is complete and testing is underway. The accelerator should be ready for first patient treatment in six to eight weeks.

The 1B expansion project for overflow Birth Center patients will begin September 8<sup>th</sup>.

HR & Marketing

It was reported by Ms. Mitchell that both *Golden Living* (for GoldenCare members) and *Valley Voices* (mailed to all residents in the service area) will be distributed in homes over the next two weeks. Also, if the new Emergency Department opens early (October, 2009) both a public open house and the senior flu shot events will be planned to be held in the new building.

Ms. Mitchell reported on VMC's employee "turnover" rate which is extremely low, at less than 8%, as compared to other Puget Sound hospitals. The low rate is symbolic of the concerted efforts taken to ensure that we do not have a "revolving door." Ms. Mitchell compared turnover rates in various job classifications. There are five major categories of termination, including 1) moving from area; 2) terminated during probationary period; 3) resigned in lieu of discharge; 4) job opportunity elsewhere; and 5) resigned for personal reasons. Exit interviews were routinely done up until a few years ago. It is important to know why individuals choose to leave and exit interviews for "difficult to fill positions" will be re-implemented to assist us with this endeavor.

Financial Affairs

Mr. Bernstein said that his last day at Valley will be September 5<sup>th</sup>, and expressed appreciation to the Board for the support and confidence they have entrusted in him during the past eight years. President Jacobson acknowledged and thanked Mr. Bernstein for his expertise during the past eight years.

Bills/Vouchers

MOTION

It was moved and seconded to approve payment of the following bills, warrants and wire or EFT transfers as presented. Motion carried unanimously.

Abscher Construction Co. (Central Utility Project – Application No. 11)	\$ 381,170.57
Regency NW Construction (Birth Center Project – Application No. 1)	15,652.00

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	25864	26003	8/20/2008	146,236.86
ACCOUNTS PAYABLE	2106809	2106972	8/19/2008	1,173,909.32
ACCOUNTS PAYABLE	2106973	2107244	8/21/2008	2,226,714.50
ACCOUNTS PAYABLE	2107245	2107617	8/26/2008	7,624,014.94

TOTAL AP	<u>11,170,875.62</u>
WIRES OR EFT	838,507.01
GRAND TOTAL	<u><u>\$12,406,205.20</u></u>

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 \$2,568,341.46, of which \$2,565,788.40 has been referred to Collection. The balance of \$2,562.06 represents bankrupt accounts and cancellations. Motion carried unanimously.

Resolution No. 888 – Surplus Property

MOTION It was moved and seconded to approve Resolution No. 888 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. The motion was approved unanimously.

Finance Committee Update

Mr. Bernstein discussed the \$2.5 million operational loss YTD, as reported at the last meeting. Historically, volumes are lower during the summer and this is factored into the budget. However, in both June and July 2008, even lower volumes were witnessed in many different areas/departments of the organization. Staffing and expenses are being closely monitored. Mr. Roodman commented that volumes for August continue to be dismal and it is hoped there will be the typical turnaround in the fall. The possibility of swapping out a portion of our 2008 debt from fixed to floating is still being evaluated. The preliminary estimate on earnings from the Annual Charity Golf Tournament is approximately \$100,000.

It was reported by Ms. Grinnell that the Board has received notification from the State Auditor’s Office of the commencement of the regulatory audit for fiscal year 2007. The SAO Entrance Conference was held on August 26<sup>th</sup>, the same day as the Finance Committee with Commissioners Miller and Jacobson in attendance. All commissioners were emailed the information shared at the Entrance Conference by the State Auditor’s Office.

Ms. Grinnell also explained that VMC did not meet the normal timeline for payroll processing on Friday, August 29<sup>th</sup>, due to an electronic technical glitch. The root cause of the disruption was a break in the checks and balances causing incomplete transmission of data files to Wells Fargo, which interrupted transfer of funds to individual accounts in various banks and credit unions. Once discovered, members of the Payroll Team initiated an extensive plan of correction and a command center was established. Over 800 manual checks were processed. As of this morning, records indicate that all staff has received a full paycheck either through direct deposit or manual check. Various means of communicating to staff were utilized while the problem was being resolved. Staff was assured that the disruption was in no way linked to any issues related to VMC’s financial health nor was it caused by a security breach. Any employee who experienced bank fees

related to this issue will receive reimbursement. Negotiations are underway with Wells Fargo and other main banks to mitigate the fees involved.

Business Development

Mr. Glenn reported that the Department of Health (DOH) has announced a ruling on Elective PCI, which is favorable to Valley. VMC's recommendation concerning proximity between organizations has been accepted. Mr. Glenn read the new tie-breaker language, which involves utilizing statute miles versus travel miles.

The capacity of the Sleep Lab is being increased following a survey indicating wait times of 30+ days. A staffing plan has been developed which will provide over 300 additional slots per year. This increased capacity not only benefits the community, but is profitable as well. Expanded hours will begin mid-September.

Following the newly released CMS regulations affecting how hospitals and physicians work together, work continues with the gastroenterologists on possible alternative ways to jointly provide endoscopy services to patients.

Recess President Jacobson acknowledged a request for a recess at 5:40 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 6:00 p.m.

Public Comment Public Comment

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

Acquisition of Property

MOTION Following discussion, it was moved and seconded to authorize the Superintendent or his designee, to finalize purchase of real property located at 17824 Talbot Road S., Renton, Washington 98055, commonly referred to as the Day Surgery Center. Motion carried.

Recruitment Update

Dr. Thompson introduced the following physicians who have joined VMC over the past few months:

- Dr. William Johnston - Ophthalmology
- Dr. Marcus Kauffman – Urology
- Dr. Mark Piker – Neurology (Headache)
- Dr. Oliver Aalami – Vascular Surgery
- Dr. Don Thai – Pediatric and Audit Neurology

Adjournment There being no further business, motion was made to adjourn this meeting at 6:10 p.m.

A reception followed in the Healing Garden to welcome the new physicians introduced by Dr. Thompson.