

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

Held on September 15, 2008

Attendance:

Commissioner G. Sue Bowman, Commissioner, Commissioner-at-large
Commissioner Anthony R. Hemstad, Commissioner, District No. 3
Commissioner Donald O. Jacobson, President, Commissioner, District No. 1
Commissioner Michael W. Miller, Vice President, Commissioner-at-large
Commissioner Carolyn V. Parnell, Secretary, Commissioner, District No. 2
Richard D. Roodman, Administrator/CEO – Superintendent
Paul S. Hayes, R.N., Executive Vice President
Kathryn D. Beattie, M.D., Senior Vice President - Chief Medical Officer
Scott Alleman, R.N., Senior Vice President – Patient Care Services
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
Jeannine Grinnell, Vice President – Finance
Pamela Fowler, Director – Marketing and Community Affairs
Kris Tiernan, Assistant to CEO and Board of Commissioners

Those present for a portion of the meeting:

Rand Strobel, Vice President - IT
Todd Thomas, Vice President - Facilities
Jim Hobbs, NBBJ
Terrie Martin, NBBJ

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:35 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of September 2, 2008. Motion carried unanimously.

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

Newcastle Days, held September 6th and 7th, was a very well-attended event. Over 425 individuals completed the marketing surveys. Valley's primary and urgent care clinics were promoted. Children's Therapy fitted a total of 105 bike helmets.

The MS 150 Bike Event took place this past weekend in Skagit Valley. The VMC team included 26 participants from seven VMC departments. Over \$12,000 was raised for multiple sclerosis.

Later this week on September 18th, Valley will host the Renton Chamber 2008 Legislative Reception. The event will be held in the Healing Garden from 6:00 to 8:00 p.m. Over 70 have registered to attend.

Valley is sponsoring a table at the 3rd Annual Healthpoint "Connection with the Community Dinner" which is scheduled for September 27th at Meydenbauer Center.

Valley is also sponsoring a table at the Communities in Schools in Renton Annual Benefit and Recognition Dinner at the Renton Senior Center on October 2nd.

On October 11th, VMC will have an exhibit at the Renton Chamber Business Expo at the Spirit of Washington Event Center.

The Lake Sawyer Clinic and ED trauma nurses will participate in the Maple Valley Preparedness Fair scheduled for October 11th.

The 2008 annual Luncheon for Starlight Children's Foundation is scheduled for October 14th at the Seattle Westin. This event raises funds for children and families affected by chronic, terminal and/or permanently disabling illness. Representatives from Children's Therapy will participate.

The Macy's Breast Cancer Brunch and Fashion Show will be held Saturday, October 18th at 10:30 a.m. at the downtown Macy's. Valley is a major event sponsor and a portion of the ticket price supports our Breast Center. Valley will have two tables at this popular event.

The annual King County Sexual Assault Resource Center breakfast is scheduled for October 22nd at the Spirit of Washington Event Center.

Capital Expenditures/
Clinical Equipment/
Programs

Request for Purchase – Horizon Enterprise Visibility (HEV)

Rand Strobel requested Board approval for purchase of the Horizon Enterprise Visibility (HEV) System, which is a key component to support the effort of increasing patient throughput and managing bed availability and timely patient discharge. Currently, Valley has no automated method to assist in managing patient throughput. There are multiple systems containing data that is useful for care providers and management to improve the efficiency and timeliness of care delivery, patient stay and discharge. However, the data resides in systems with no ability to integrate the information. The HEV System provides tools to integrate the information and present it through actionable visual controls. With the integrated visibility, existing sources of electronic information may be made available to Patient Care Services, Emergency Department, transporters and Environmental Services to inform them of status of patients, rooms, orders and results. This will alleviate time spent making phone calls and logging into systems to access the information. The costs associated with this purchase will not exceed \$956,089, including hardware, software, interfaces, implementation and taxes and are contained in the 2008 Capital Budget.

MOTION

It was moved and seconded to approve purchase of the Horizon Enterprise Visibility System at a cost not to exceed \$956,089. Commissioner Hemstad asked about the bidding process and Mr. Strobel said that this software must be a McKesson product that integrates with our other systems and future needs. Motion carried unanimously.

Request for Purchase – MEDHOST Upgrade

Mr. Strobel also requested Board approval for purchase of an upgrade for MEDHOST, the Emergency Department's clinical information system. This system, used by Valley since 2001, is the core application used by the Emergency Department for all care management and clinical documentation. This upgrade will bring improved functionality, the ability to do computerized provider order entry from the ED and have integration of selected ED clinic documentation with other VMC clinical systems. The cost associated with this purchase will not exceed \$285,692, including hardware, software, interfaces, implementation and taxes, and is contained in the 2008 Capital Budget.

MOTION

It was moved and seconded to approve purchase of the MEDHOST Upgrade at a cost not to exceed \$285,692. Motion carried unanimously.

Award of Contract – Radiation Oncology Finish Upgrade Project

Mr. Thomas reported that five bids were opened for the Radiation Oncology Finish Upgrade Project on September 9, 2008. He requested that the bid be awarded to Regency NW, the lower responsible bidder. Regency has completed the ER Triage and Kitchen/Dishwasher remodel projects at VMC and is currently performing the Birth Center 1B Overflow project. Their work has been acceptable. Recent reference checks have also been positive. The construction estimate for this project is \$252,000.

MOTION

It was moved and seconded to award a bid to Regency NW, the lowest responsible bidder, for the Radiation Oncology Finish Upgrade Project. Following brief discussion regarding location of the finish upgrades, motion carried unanimously.

Master Plan Update

Mr. Glenn introduced Jim Hobbs and Terrie Martin, NBBJ Architects, and explained that in order to ensure that near-term needs fit within long-range framework, Administration has been working with NBBJ for several months in updating the long-range master plan, forecasting inpatient bed need and future bed placement, configuration options and recommended next steps. Ms. Martin explained the methodology for determining near-term needs compared to long-range campus framework. Near-term needs include inpatient beds, medical office space, sub-specialty practices, parking, medical imaging and IT. Long-range campus planning includes campus use zones, community connections, access and parking, coordinated pedestrian circulation and open space, as well as purchase of key parcels. Bed forecast methodology, which is driven by population growth and anticipated increased ED volumes, was reviewed. It appears the number of licensed beds (303) is adequate until 2020. Goals for meeting future bed needs should include renovating beds that have not been updated, developing a strategy for adding South Tower beds by 2015, considering the adjacencies of inpatient units for maximizing efficiencies, and developing linkages to the North and West campus areas. Various options were shared for meeting future bed unit placement.

Medical Affairs

Credentials

MOTION

Recommendations dated September 9, 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.

Dr. Beattie commented that the contract with SIP for hospitalist services has been renegotiated. The new contract improves pay for SIP physicians while adding quality requirements. It is hoped this will help stabilize the roster of SIP physicians.

Medical Executive Committee

It was also reported by Dr. Beattie that during the September 9th meeting of the Medical Executive Committee, new credentialing tracking forms were approved. There was a presentation by Administration on financial factors influencing the hospital as well as an update on construction progress to support growth. Sleep room requirements and additional services to meet the needs of the varying departments providing 24-hour coverage for patients were also reviewed. Medical Staff Bylaws concerning oversight of orders and notes written by nurse practitioners were also reviewed.

Revised Complaint and Grievance Policy

Dr. Beattie requested approval of the revised policy which was introduced at the September 2, 2008, Board meeting and subsequently approved by the Risk Management Committee on September 10, 2008.

MOTION

It was moved and seconded to approve the revised Complaint and Grievance Policy as recommended by the Medical Executive and Risk Management Committees. Commissioner Hemstad recommended that in the future, action items be noted on the agenda whenever possible. Motion carried unanimously.

Quality Management Update

Dr. Beattie distributed and reviewed the Monthly Board Quality Report, noting that the Average Length of Stay continues to be less than expected. Readmissions Within 15 Days from Discharge has increased and is being constantly monitored. A detailed analysis will be provided at the next Board meeting. Inpatient Mortality is significantly less than the expected mortality for our patient population. Core Measure compliance is improving but there is still additional room for improvement to reach our goal of the top 10% nationally. Hospital Acquired Infection and Inpatient Falls are within control limits, but is being monitored to improve practice. Left Without Treatment from the ED is holding steady at the 4% benchmark.

Reports

Reports from Administration

Operations

PacLab Update: In follow-up to the presentation at the last Board meeting, Mr. Hayes reported that PacLab's proposal on Lab outreach is being carefully considered. Lab outreach arrangements are very complicated and stepping into a new agreement will take three to four months to accomplish. A new infrastructure of couriers, phlebotomy, IT interfaces, billing and results standardization and reporting will be required. Reasons to pursue this new arrangement include flexibility in the testing menu which means greater opportunity to generate revenue; a greater synergy with IT platforms and interface which becomes more critical as the EMR is deployed; enhancements to patient safety; as well as the benefit to the residents of the District by becoming an equity partner. It is anticipated that due diligence will be completed and a recommendation prepared by the October 20th Board meeting.

Budget Shortfall: Mr. Hayes reported on the budget shortfall for 2008, noting a projected loss YTD of \$4.3 million, excluding tax revenues. He re-visited the action plan of analyzing, monitoring and deploying initiatives to bring actual performance back into line with a break-even budget by the end of the year. He outlined plans underway to increase revenue capture and leverage programs, re-negotiate some payor contracts, and monitor fee slip timeliness and physician chart completion. On the expense side, allocation of PCS staff as "sitters" is being re-assessed. Also, Aspen project initiatives are being hard-wired. The purchasing process is being redesigned and other controllable expenses are being closely monitored. A possible RIF of 20-25 FTE's in support and ancillary areas might be considered, if necessary.

Patient Care Services

Mr. Alleman updated the Board on the Patient Throughput Initiative. The study conducted by Sg2 assessed four categories: access, patient placement, care delivery and discharge process. Sg2 has said that shortening time spent in the ED should impact throughput. Recommendations include starting the diagnostic process even before the patient is assigned to a bed; creating a command post for bed placement via an electronic bed

board display; and initiating a daily process of counting down to discharge. Planning is underway to implement these recommendations.

Marketing and HR

Ms. Mitchell reported that *Modern Healthcare* has announced that Valley Medical Center has been named on its inaugural list of the nation's 100 Best Places to Work in Healthcare. Criteria for this honor include organization policies, practices, benefits and demographics. Also analyzed were eight core areas: leadership and planning, culture and communications, role satisfaction, working environment, relationship with supervisor, training and development, pay and benefits and overall satisfaction. Honors such as this continue to enhance Valley's ability to recruit and retain good employees. The magazine will reveal the specific ranking of the 100 Best Places to Work in Healthcare, from 1 to 100, in a special supplement to be published October 27, 2008. It is believed that only about 50% of top 100 places are actually hospitals.

A recently introduced tool to assist managers with the hiring process was distributed and reviewed. The *Healthcare Leadership Inventory* provides interview guidelines as well as candidate testing to identify strengths and weaknesses on self-development, achievement orientation, conscientiousness, openness to change and critical thinking.

Commissioner Jacobson asked about the expected level of Board participation in the Maple Valley Preparedness Fair. Ms. Mitchell said that ED trauma nurses and Lake Sawyer clinic staff will participate in this informational event.

Financial Affairs

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.

HS Builders	\$ 46,005.44
(Urgent Care Project – Application No. 2)	
Lydig Construction	5,091,582.49
(Emergency Tower – Application No. 10)	

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	26004	26049	8/27/2008	5,905.68
ACCOUNTS PAYABLE	26050	26113	9/5/2008	33,710.92
ACCOUNTS PAYABLE	2107618	2107618	8/27/2008	25,000.00
ACCOUNTS PAYABLE	2107619	2107728	8/28/2008	155,098.17
ACCOUNTS PAYABLE	2107729	2107729	8/28/2008	363.00
ACCOUNTS PAYABLE	2107730	2107730	8/28/2008	49,716.68
ACCOUNTS PAYABLE	2107731	2107830	9/2/2008	1,619,526.62
ACCOUNTS PAYABLE	2107831	2108069	9/4/2008	1,628,175.56
ACCOUNTS PAYABLE	2108070	2108207	9/9/2008	1,423,489.95
ACCOUNTS PAYABLE	2108208	2108208	9/10/2008	21,500.00

TOTAL AP	<u>4,962,486.58</u>
WIRES OR EFT	1,471,983.04
GRAND TOTAL AP and EFT/WIRES	<u>\$11,572,057.55</u>

Finance Highlights

Ms. Grinnell distributed copies of the five-year financial forecast, which projected an operational surplus every year except 2008 where a loss was predicted. Previous forecasts also indicated 2008 and 2009 would be difficult years. An updated forecast will be presented at a future Board meeting.

August books were closed today and financials will be emailed to the Board. Volumes continued below budget during August and will be reflected in revenue figures. The net operating loss for August is \$1.062 million. It is hoped that there will be a turnaround in September and October as volumes typically increase in the fall. The possibility of swapping out of a portion of 2008 debt from fixed to floating is on hold, as the spread is not advantageous at this point in time.

The fiscal year 2007 regulatory audit is underway with representatives of the SAO currently onsite. The performance auditors returned last week for additional work in IT. A draft report should be available later this month. Moss Adams will be here in late October for interim work on the financial audit.

Mr. Roodman commented that Valley's uncompensated care as a percentage of net operating revenue was nearly 12% in 2007, which is second only to Harborview's 17%, in the Puget Sound area. He noted other factors impacting the bottom line include overall concern by consumers related to the economy; escalating costs being passed through our distributors; "collateral damage" on surgical volumes and related ancillary care from the failed negotiations between Premera Blue Cross and Proliance Surgeons; and continued volatile and highly unpredictable financial market impacting consumer behavior. The loss of the hospital's busiest neurosurgeon, who moved to Alaska, is another factor affecting volume and revenue. Commissioner Hemstad asked if the Boeing Machinists' strike had an impact, and Mr. Roodman stated that historically the impact of Boeing strikes has varied. At times striking workers try to get elective procedures done during the time they're off work. During other strike periods, the reaction has been 180 degrees opposite.

Clinic Network

Mr. Larson noted that the Boeing strike has negatively impacted volumes at Occupational Health Services.

He also updated the Board on negotiations with the Department of Labor and Industries on contested audit findings from earlier this summer. A determination should be available in a few weeks.

Mr. Larson and Mr. Glenn are working to identify a group practice consultant to evaluate Valley's ophthalmology service.

Business Development

Mr. Glenn summarized the current status of VMC's spine center which was impacted last year by the departure of Dr. Kim Wright while at the same time Dr. Balousek was out on leave. The manager of the inpatient unit also left VMC. With the addition of Dr. David

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Lundin, who will join VMC as soon as November, the spine center should stabilize and expand in the years to come. A strong unit manager has also been identified.

Recruitment Update

Dr. Thompson referenced two articles included in the board packets consistent with the looming shortage of primary care physicians - *Fewer U.S. Medical Students Specializing in Primary Care*, and *Where Have all the Doctors Gone?* Possible options to offset shortages were reviewed, including using more mid-level providers, advancing the *Medical Home* model and advancing telemedicine. Dr. Thompson also reported that Rotocare is assessing establishing a half-day follow-up specialty care clinic in RapidCare.

Public Comment

Public Comment

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

Commissioner
Comment

Commissioner Comment

President Jacobson encouraged the Board and Administration to attend the Renton Chamber Legislative Reception on Thursday, September 18th from 6:00 to 8:00 p.m. in VMC's Healing Garden. Several legislators will be attending and will be asked to respond to a health care question.

Recess

President Jacobson acknowledged a request for a recess at 6:09 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), 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 6:34 p.m.

Adjournment

There being no further business, motion was made to adjourn this meeting at 6:35 p.m.