

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

Held on October 20, 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
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

Those present for a portion of the meeting:

Grace Dalrymple, GoldenCare Manager
Frank Thomas, M.D., Chief of Staff
Jaime Garcia, Washington State Hospital Association
Kristin Peterson, Washington State Hospital Association

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:34 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of October 6, 2008. Motion to approve the minutes carried unanimously.

Program 2007-2008 WSHA Legislative Update

Kristin Peterson, Director of Legal and Clinical Policy for the Washington State Hospital Association, outlined health care leadership within the Washington State Legislature, highlights of the 2007 session and results of the 2008 session. The 2007 session was the most successful in at least 25 years with almost all WSHA policy priorities enacted. No bad health policy bills were enacted. During the 2008 session a nurse staffing compromise was reached, several good health care policy bills were enacted and WSHA's top four budget priorities were funded. Ms. Peterson reviewed a few of WSHA's potential hospital policy priorities for the 2009 session including maintaining the property tax exemption for non-profit hospitals, ensuring reasonable access to tax-exempt bonds for capital projects, enacting legislation to improve security and prohibit counties and cities from "dumping" suspects and inmates on hospitals, and ensuring that any action on health care reform is in accordance with WSHA goals and priorities.

Jaime Garcia, WSHA, described the Washington Hospital PAC which had 475 participants in 2007 and raised over \$126,500. These contributions were received from the management

staff and trustees/commissioners of member hospitals of the Washington State Hospital Association and the Association of Washington Public Hospital Districts and, in turn, were contributed to state candidates. These PAC donations to elected officials increased access and contributed to WSHA's success. PAC goals for 2008 are to achieve \$135,000 in donations from 500 individuals representing 95 hospitals/health systems. Mr. Garcia encouraged participation in the Washington Hospital PAC and urged staying in contact with legislators and the community about hospitals and health care.

Unfinished Business Ethics Code Advisory Panel

President Jacobson referenced discussion at the last meeting regarding proposed appointees to the Ethics Code Advisory Panel. He requested that Mr. Smith contact potential members Chas Delaurenti, Jay Covington, John Greaney, Rich Hendrickson and John Dulcich to schedule an orientation meeting. Commissioner Parnell stated that she would like to see more diversity on the panel and would get back to President Jacobson with a recommendation.

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

Valley Medical had representatives from The Eye Center and The Breast Center at the Renton Chamber Business Expo held Saturday, October 11th. The event had over 1,200 attendees.

The Breast Cancer Survivor Brunch and Fashion Show held October 18th at Macy's, was successful again with a sell-out crowd of 400. Virginia Concannon, Cancer Program Educator, gave a presentation on Valley's oncology services.

The Newcastle Urgent Care clinic flu shot promotion event was extremely successful, with over 150 attendees.

Upcoming events include three consumer seminars, including Sleep with Dr. Suzanne Krell on October 20th, joint replacement with Dr. William Barrett on November 6th and chronic neck pain with Dr. Jason Thompson on November 10th.

A recent *Renton Reporter* article, "Valley Medical Center gives scarves for survivors of breast cancer," and a press release on recent recognition of VMC physicians and clinic, were distributed.

Grace Dalrymple, GoldenCare Manager, reported that 2,397 vaccines were administered during the Senior Flu Shot Program October 8-11 and October 15-18. Numbers were down from past years most likely due to competition from grocery stores, pharmacies and fire departments. To increase the volume of participation next year, Ms. Dalrymple recommended that tours of the new South Tower and ED be given at the same time as the flu shots, if construction is complete. She said that the calendar handouts were popular with the seniors, but not as popular as the Physician Directory and suggested an updated directory be available next year. There was some discussion and general consensus with Ms. Dalrymple's recommendations for the October, 2009 Senior Flu Shot Program. She thanked commissioners for their support and participation.

Program Projected Five-Year Financial Forecast

Ms. Grinnell gave a comprehensive presentation on the difficulties with forecasting today, especially in view of the lack of confidence within financial markets having spread to all sectors of the economy. She cautioned that the forecast could change at any time given the volatility of the current economic conditions. Wall Street Journal and Associated Press headlines during the last ten days were cited. As budgets tighten, more people decide medical care can wait as they are more concerned with paying the mortgage, buying food and gas, getting or keeping a job and loss of money in the stock market. Disappearing credit is forcing hospitals to delay improvements. A weaker economy means increased bad debt expense, higher potential charity care, softening volumes, Medicaid pressures, etc. For every one per cent increase in national unemployment, there is a corresponding increase of one million people to Medicaid, and a 1.1 million increase in those without insurance according to a recent Kaiser survey.

Variables contemplated for the Valley Medical Center forecast were reviewed. These include the Proliance/Premera contract, Boeing strike, other regional layoffs, YTD inpatient Medicare/Medicaid discharges, as well as unemployment in the Seattle-Tacoma-Bellevue area. Bad debt and charity care as a percentage of total operating revenue for the past several years was reviewed. It was also compared to other Washington hospitals in 2007. Forecast assumptions in gross patient revenue include a 2.2% increase in patient days, 1.8% increase in discharges and an overall increase of 8% in gross charges. Growth is predicted in endoscopic procedures, sleep studies and in the urgent care and neurosciences areas of the clinic network. "Collateral damage" from the Proliance/Premera contract and the Boeing strike "ripple effect" are factors. Contractuals, charity and bad debt expense, net patient revenue, other operating revenue, operating expenses, professional fees, key assumptions, interest expense were all reviewed. Projected net income (including taxes) is \$10.5 million for 2008 and \$11.8 million for 2009. Projected net operating coming (excluding taxes) is possible breakeven or better by the end of 2008 and for 2009. Volumes have begun to trend upward this month. There was discussion concerning growth in the Sleep Center as well as where Highline Hospital fits in uncompensated care chart.

Ms. Grinnell also reviewed the operating margin forecast for the next five years, including the profitability ratio, debt to capitalization ratio, debt service coverage, cushion ratio, days of cash on hand and cash to debt forecast.

Medical Affairs

Medical Executive Committee

It was reported by Dr. Beattie that at the Medical Executive Committee meeting of October 14th, critical lab values and therapeutic ranges for critical medications were reviewed and revisions recommended by the Pharmacy and Therapeutics Committee were accepted.

Credentials

MOTION

Recommendations dated October 14, 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.

Quality Management Update

Dr. Beattie reported that the Quality Improvement Council met October 7, 2008. Follow-up on the hospital-associated infections reported in July was reviewed and although no distinct pattern was identified, the incidence of catheter-associated UTI's was discussed. The Infection Control practitioner has been regularly rounding on some units to evaluate urinary catheter insertion technique and management toward prevention of infection. This surveillance has resulted in improvement of management of indwelling catheters and is to be expanded to additional units this month.

The council also reviewed results of the throughput assessment conducted by Sg2 and recommendations regarding assessment, patient placement, care delivery and discharge process previously reported to the Board.

Quality measures performance in surgical, acute myocardial infarction, heart failure and pneumonia care from January to June, 2008, were presented during the meeting. It was determined that CMS risk-adjusted 30-day mortality rates for AMI, HF and pneumonia from July, 2006, to June, 2007 were statistically as expected when compared to national data.

Hand hygiene was also discussed at this meeting and results of observational audits of 10-20 units per month demonstrated compliance across all disciplines. Leaders were encouraged to disseminate the information and reemphasize standards as well as the critical nature of hand hygiene in the prevention of infection.

Finally, it was reported that the Joint Commission Evidence of Standards Compliance/Measures of Success was submitted October 17th in response to survey findings earlier this year.

Recess President Jacobson called for a brief recess at 4:55 p.m.

Reconvened The meeting reconvened at 5:10 p.m.

Reports Reports from Administration

Operations Update

Operational Enhancements: Mr. Hayes reviewed initiatives put into place to enhance revenue which include increasing volumes in primary care with the goal of providers seeing one additional patient each day; implementing new schedule templates in Children's and Speech Therapy to increase the number of patient visits, and revamping the Sleep Center schedule to increase the number of slots for sleep studies. At the monthly Management Team meeting, all leaders have reported on departmental or unit activities to reduce expenses. Also, expense reduction continues to come from changes in the observation program, consolidation of patient units when volumes fluctuate and curtailing discretionary expenses via a freeze on hiring of non-essential personnel.

PacLab Initiative: The assessment of transitioning our relationship for Laboratory outreach to PacLab continues. This relationship would provide Valley with an equity share of the lab outreach business, create an expanded testing menu adding new revenue, and provide greater integration with IT systems resulting in greater seamlessness.

South Tower: The contractor has indicated that the project is ahead of schedule and the building should be topped off in mid-November. Transitional planning has begun, which is necessary for transitioning departments and units to the new space. Mr. Alleman is coordinating this initiative. The current plan calls for build-out of one floor for general

medical/surgical patients, in addition to the ED and CCU floors. The development of the two remaining shelled-in floors is being studied. In the short-term, a "topping off" ceremony is being explored. If the project continues ahead of schedule and is completed in the fall of 2009, this would be an opportunity to showcase the new ED and CCU by having an open house during the Senior Flu Shot Program, which typically occurs in early October. Brief discussion followed regarding the schedule and agreement that it would be beneficial to seniors and others to view the new facility before it opens at the end of 2009.

Patient Care Services

Mr. Alleman continued the discussion of transitioning departments and units to the new space in the South Tower and the impact on staff. He also referenced an article in yesterday's Seattle Times on *professional changing of the guard* which featured Swedish Medical Center's efforts to help new nursing grads and early-career professionals feel comfortable in joining an organization dominated by an older generation. The article explains the labor shortages in health care, the multigenerational workforce and the 75 million baby boomers, a third of the nation's workforce, getting ready to retire by the end of the decade. VMC's efforts are in line with those of Swedish in developing ways to cross generational lines.

HR & Marketing

Ms. Mitchell said that commissioners are invited to attend two upcoming events later this week - the annual King County Sexual Assault Resource Center Breakfast on October 22nd and the annual VIA Annual Recognition Dinner on October 23rd.

The Health Work Force Training initiative, a collaborative effort by Washington State Hospital Association and Service Employees International Union (SEIU) to obtain funding to expand and tailor health care training programs in support of career advancement and retention of current hospital workers in Washington State, was explained by Ms. Mitchell. WSHA and SEIU worked together to obtain funding for the Washington State Board of Community and Technical colleges. With this funding, the three organizations have partnered to increase accessibility of college education for working adults through labor-management and public-private partnerships with colleges. Last week, 11 VMC employees began a part-time nine-month educational program through Renton Technical College. VMC is very excited to be part of a program, along with some other hospitals, that will provide educational advancement to a population which many times faces multiple barriers to career advancement that includes inaccessible college programs, inadequate college readiness, lack of part-time training options and few financial resources.

Ms. Mitchell said that Community Affairs is closely monitoring the progress of the South Tower and planning accordingly for several open house/tour events as the new ED opens next fall.

Open enrollment for 2009 employee benefits will be November 3rd to 14th this year. Open enrollment is the single time of the year when employees are allowed to make changes to insurance benefits without needing a qualified event. Changes made will be effective January 1, 2009. The preferred medical plan is moving to First Choice Health Network/First Choice Claims Administrator and pharmacy benefits are moving to Medco effective January 1st. Information packets are being mailed to homes this week.

Financial Affairs

Ms. Grinnell reported that the Washington State Auditor's office has completed the legal compliance audit for 2007 calendar year and would like to share the results with the Board at the November 3rd meeting. This audit will mark seven years in a row with no findings.

The September books were closed last week and financials will be emailed later this week. While September's volumes were less than budgeted, volumes were stronger than August performance which is a potentially positive indicator. October volumes are also stronger at this particular time. Utilizing the above the line statement of revenue and expense (meaning taxes are reported as other operating income) net income from operations for September was a gain of \$1,865,082. On a year-to-date basis through September, net income from operations (including taxes) is \$6,060,438. Below the line statement of revenue and expense (meaning taxes are reported as other non-operating revenue) for September had net income from operations of \$998,585 and a loss of (\$3,379,797) year-to-date. Volumes in September were down compared to budget, although they improved in the latter part of the month and have continued up so far this month. Administrative action plans continue with initiatives being deployed to reduce spending by 4%, look for areas where volume can be increased, enhance revenue capture by identifying underpayments and denials, adjust staffing, fill only position that are mission-critical through the end of the year, pre-approve all expenditures by a VP or SVP, and cancel or defer all but essential expenses.

The draft of the Performance Audit results is now expected by mid-November.

Bills/Vouchers

MOTION

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

Lydig Construction \$ 5,220,086.89
 (Emergency Tower – Application No. 11)

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	26266	26302	10/3/2008	47,833.28
ACCOUNTS PAYABLE	26303	26360	10/9/2008	59,093.28
ACCOUNTS PAYABLE	2109345	2109588	10/2/2008	2,059,719.81
ACCOUNTS PAYABLE	2109589	2109589	10/3/2008	11,584.76
ACCOUNTS PAYABLE	2109590	2109789	10/7/2008	1,416,695.07
ACCOUNTS PAYABLE	2109790	2109981	10/9/2008	1,074,062.14
TOTAL AP				4,668,988.34
WIRES OR EFT				1,177,078.08
GRAND TOTAL AP and EFT/WIRES				\$11,066,153.31

Preliminary Operating and Capital Expenditure Budget for 2009

Ms. Grinnell presented the Preliminary Operating and Capital Expenditure Budget for 2009, which is the required expenditure budget per the Revised Code of Washington (RCW) 70.44.060. The final Expenditure Budget will be presented November 3, 2008, to meet the deadline of November 30, 2008. The full operating budget is being prepared for

presentation at the December 15, 2008, meeting of the Board. There was a question and answer period on some assumptions including growth in the birth center, Emergency Department and urgent care clinic volumes, the impact from King County funding cuts and the tremendous burden of uncompensated care carried by VMC.

MOTION It was moved and seconded to approve the preliminary Expenditure Budget for 2009. Motion carried unanimously.

Public Comment Public Comment

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

Clinic Network

Mr. Larson expressed appreciation to Commissioner Carolyn and Steve Parnell for attending the Lake Sawyer Primary Care Open House last Thursday.

The Eye Center (ophthalmology clinic) best practices review is underway. Consultants are looking at patient flow, referral, marketing, staffing, etc. The results of the assessment will be reported out this week. Surgery schedules for both Dr. Solomon and Dr. Johnston are increasing.

Business Development

Mr. Glenn reported that Sleep Lab volumes have increased 25% since capacity was increased last month. A staffing plan was developed to provide over 300 additional slots per year following a survey indicating wait times of 30+ days. The increased capacity benefits the community and enhances revenue.

The designing and implementation of an open access scheduling system with Southlake Clinic for G.I. endoscopy patients continues. Mr. Glenn explained the model, noting that it should increase colonoscopy volumes, physician productivity and, at the same time, will increase compliance with getting this important screening exam for the community.

The Washington Neurosciences Institute at Valley has achieved very high patient satisfaction scores from the most recent patient survey. The "report card" is at the 97th percentile.

The DOH decision regarding elective PCI's could add 250-300 positive contribution margin cases at VMC. The Certificate of Need process will take several months. Mr. Roodman noted that developing the current ED space into a cardiovascular unit, after the ED moves to the South Tower, is being considered.

Recruitment Update

Dr. Thompson reported that the Physician Needs Assessment Study, currently being updated by Frank Fox, Ph.D., is nearly complete and the finished product should be available soon.

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Three new orthopedic surgeons will be joining VOA in August/September next year. Additional recruitment for cardio-pulmonary intensivists is underway in anticipation of our expanding cardiovascular program.

As a proactive approach to wellness, primary care clinic patients over the age of 50 who have not been in for an annual exam will be getting a reminder letter next month.

Recess President Jacobson acknowledged a request for a recess at 6:28 p.m. following which the Board convened in Executive Session for approximately 15 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 6:50 p.m.

Retreat

Mr. Roodman said that plans are underway to hold a retreat beginning the afternoon/evening of November 17th and half day on November 18th to discuss the 2009 budget, review the Performance Audit (if received), etc. A regular business meeting will be held late afternoon on November 17th with usual public comment scheduled at 6:00 p.m. Commissioners confirmed these dates were acceptable. Appropriate notices will be published.

Adjournment There being no further business, motion was made to adjourn this meeting at 6:55 p.m.