

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

Held on February 2, 2009

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
Larry Smith, 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
Kris Tiernan, Assistant to CEO and Board of Commissioners

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 January 20, 2009. Motion carried unanimously.

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

Valley Medical Center and Rich Roodman have been nominated for a healthcare leadership award by *Seattle Business Monthly*. The awards event is scheduled for February 26th.

Valley Medical has also been nominated for an *Innovation Community Award* by the Kent Chamber of Commerce for the Boeing project.

The *Puget Sound Business Journal* will feature Larry Smith in their Spotlight/Career Moves section in the February 6th issue.

A story on the Lego Group project in Children's Therapy is slated for mid-March in the *Renton Reporter*.

Kimberly Blakeley is joining VMC today as a full-time public relations/media specialist.

On January 28th, Commissioners Jacobson, Hemstad and Bowman along with several members of Administration, attended an AWPMD workshop - *Leading in Full View: Governing Effectively in a Transparent World*. The workshop focused on communicating and reaching out to citizens. Stuart Elway, who has worked with Valley for many years polling district residents on community opinion, spoke on "The Public's Role in a Public Hospital District." Copies of his presentation were distributed. Ms. Mitchell reviewed Mr. Elway's recommendations about ways to respond to the public's interest in accountability and the difficulty in defining accountability since it is individually delivered by each citizen.

Values are more understandable than facts and this must be aligned in performance measures. She noted that break-out groups at the session relayed various experiences with different methods to engage the public. Several hospitals were interested in using volunteer groups such as our VIA Board for community liaison efforts.

Ms. Mitchell noted that our commissioners, executives, management team and physicians are collectively involved with more than one hundred community civic and service boards and agencies and that this provides additional means for two-way communication with the public. Management is in the process of developing the community-physician forums to be held in our District this spring per the Board's 2009 goal.

Programs

The Economy – Impact on the Healthcare Industry and VMC

Mr. Roodman reported that at the Quarterly All Provider meeting held January 29th he gave a report on the rapidly eroding conditions of the current economy and wanted to share the presentation at today's Board meeting. He addressed what is known as the "Triple Whammy" effect on the overall economy – the collapse of financial markets, the economic downturn, and the bank/credit crisis, then summarized how these factors affected VMC in 2008 and will continue in 2009. Financial strategies for VMC were reviewed, including continued system-wide cost containment and productivity enhancements, including staff reductions, exploring additional revenue sources as well as continuing to seek the profitability level that was needed to achieve an A-Rating from Standard and Poor's as of October 31, 2008. It is likely the budget will be continually adjusted throughout the year. Clearly, there are some difficult decisions ahead.

Final financial statements for 2008 are not available at this time but are predicted to show a profit of approximately \$8 million. The year was significantly impacted by lower than expected patient volumes, unexpected changes in bond interest rates, unanticipated legal fees, costs involved with achieving higher collections, and the two-week December snowstorm. The projected operating profit for 2008 is enough to achieve the most recent standard for Standard and Poor's to proclaim an A- rating for profit, but less than what was hoped to achieve. Most of our financial problems occurred in the second half of the year and thus the concern for 2009. Mr. Roodman also noted that management salaries in 2009 would be frozen and no performance incentives would be paid in 2009 for 2008 performance. It was anecdotally noted that VMC has not applied for or received any federal "bail out" money.... while remaining profitable and budgeting to achieve profitability in 2009.

Initiative 1000

It was noted by David Smith that the Washington State Hospital Association recently prepared a summary presentation with regard to the impact on hospitals of Initiative 1000, the "Washington State Death with Dignity Act." Initiative 1000, which was passed by the voters last November, affects terminally ill, competent, adult Washington residents medically predicted to die within six months. It allows these people to request and self-administer lethal medicine prescribed by a physician. The measure requires two oral and one written request, two physicians to diagnose the patient and determine the patient is competent, a waiting period, and physician verification of an informed patient decision. The patient must have the opportunity to rescind his or her request. Only the patient may administer the drugs to him or herself. Physicians, patients and others acting in good faith compliance have criminal and civil immunity. The law becomes effective on March 4, 2009, and administrative policies are being drafted by the Department of Health. Mr. Smith went on to explain the Oregon Experience which has had a similar law for 10 years. He also reviewed participation by health care providers, the choice to not participate in the

Act, sanctions for violations, the role of the attending physician, documentation and reporting requirements. He concluded that the Board should make its decision on participation very soon, but no decision was required today. An open meeting for public comment on the Department of Health proposed rules is scheduled for February 10th. Mr. Smith said that Administration will continue to study Initiative 1000 and prepare a recommendation to be considered prior to March 4, 2009.

Medical Affairs

Medical Executive Committee

Dr. Beattie said that the Medical Executive Committee will meet February 10, 2009.

Quality Management Update

Dr. Beattie presented the Board Quality Report noting that of the seven metrics tracked on a monthly basis, two were highlighted. The rate of *Hospital Acquired Infections* (house-wide) although within control limits, continued an upward trend for the 4th quarter of 2008. A detailed review of Healthcare Acquired Infection rates, including catheter associated urinary tract infections, ventilator associated infections, central line sepsis, and MRSA followed. Additional data regarding location, by unit, of MRSA infections, per quarter during 2008, was reviewed to highlight the fact that the vast majority of cases were detected from patients entering our system via the Emergency Department and few cases of MRSA are acquired by a patient while in the hospital.

The *Left Without Treatment* rate from the Emergency Department in December was well below the 4% benchmark for the 4th month in a row. Lower ER volumes may play a part in this performance, but the new REACT program whereby all ED patients are evaluated by a qualified medical professional and appropriate orders initiated from triage, is also having a positive impact.

An executive summary of the findings of the mock Joint Commission survey conducted January 13-16, 2009, was presented.

Reports

Reports from Administration

Financial Affairs

Mr. Larry Smith reported that although year-end financials are not yet finalized, preliminary data indicates there will be a surplus of close to \$8 million (with taxes included). December volume was negatively impacted not only by the economy, but also by the two-week snowstorm. As an example, clinic visits were down by 2,000.

Bills/Vouchers

MOTION

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

Regency NW Construction, Inc. \$ 148,305.19
(VMC ROC Interior Upgrade – Application No. 2)

	FROM	TO	DATED	AMOUNT
ACCOUNTS PAYABLE	26828	26855	1/16/2009	11,687.66

ACCOUNTS PAYABLE	825342	825364	12/31/2008	2,007.95
ACCOUNTS PAYABLE	825365	825370	1/13/2009	207.60
ACCOUNTS PAYABLE	2115041	2115278	1/13/2009	1,445,161.36
ACCOUNTS PAYABLE	2115279	2115471	1/15/2009	1,271,346.61
ACCOUNTS PAYABLE	2115472	2115473	1/16/2009	197,964.59
ACCOUNTS PAYABLE	2115474	2115474	1/19/2009	1,860.00
ACCOUNTS PAYABLE	2115475	2115687	1/20/2009	1,640,874.64
ACCOUNTS PAYABLE	2115688	2115688	1/21/2009	105,145.73
ACCOUNTS PAYABLE	2115689	2115898	1/22/2009	1,189,691.21
TOTAL AP				5,865,947.35
WIRES OR EFT				1,458,928.14
GRAND TOTAL AP and EFT/WIRES				\$7,473,180.68

Resolution No. 903 – Surplus Property

MOTION

It was moved and seconded to approve Resolution No. 903 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 unanimously approved.

Recess

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

Reconvened

The meeting reconvened at 5:05 p.m.

Operations Update

Mr. Hayes reported that as follow-up to the recent recall of products containing peanut butter paste, our vendors have certified that our dietary products with a “peanut base” are safe.

The Building Committee will hold a regular meeting tomorrow, February 3rd, with routine construction updates. The south tower contractor has not yet, as of today, issued the nine-month pre-occupancy certification. Transition planning, which involves migration to new locations within the south tower, is underway.

Based on preliminary numbers, patient volumes in January did not meet target. Traditionally, January is very busy, but activity was extremely volatile this past month. While the 2009 budget has already been aggressively modified resulting in \$6 million in savings, further analysis and reduction is required. There will be a special Management Team meeting tomorrow to address further budget concerns. Administration will be meeting with all departments over the next 30 days, and budget adjustments will continue at least through February.

A memorial service for Chaplain Paul Buche will be held this Thursday, February 5, at 2:30 p.m. in MAC A followed by a ceremony in the Healing Garden .

Patient Care Services

Mr. Alleman further reported on the adjustments to the staff/patient ratio for each shift which was explained at the last meeting. Staff are aware of the changes to the grid, that a re-bid will result, and will occur in the near future. The staffing grid VMC is moving toward compares favorably with many other medical centers in our region.

HR & Marketing

Ms. Mitchell reported that as a portion of the financial adjustments being made, there will be a change to two long-term activities: First, the weekly patient Bingo Games, which began many years ago, are being discontinued. The technology of the interactive Getwell Network and cable television options have become more popular for our patients. Second, as the Fitness Center is expected to show a loss of \$400,000 this year, the medical center is assessing the sensibility of continuing to operate it and in the meantime dues have been raised, including asking the Volunteers to pay a reduced fee of \$25 per month and raising the staff rate to \$30 per month.

Clinic Network

Mr. Larson recapped the All Provider Meeting held January 29th. In addition to Mr. Roodman's presentation on *The Economy*, Ms. Mitchell provided information on employee benefits, the new OB Hospitalist Program was explained by Dr. Beattie, and John Faubion, executive search consultant, summarized the search process for the Clinic Medical Director.

The Perot performance assessment is in process.

Business Development

It was reported by Mr. Glenn that discussions continue regarding possibly partnering with other organizations to activate the 25 banked SNF beds.

Mr. Glenn recapped the Estes Park Institute Conference which he and Commissioner Hemstad attended two weeks ago. Predictions concerning the future of healthcare involve some radical changes. VMC is positioned much better than most with a comprehensive medical staff, integrated primary care and specialist's clinics, a robust IT department, and aggressive quality and compliance programs. Other commissioners commented that presentations heard at previous Estes Park Conferences validate that VMC is well-positioned for the future.

Recruitment Update

Dr. Thompson commented on the many challenges to successful recruitment, particularly primary care.

The daVinci Surgical System will be on display February 9th in Surgery and February 10th in the Main Lobby. This remarkable alternative to traditional open surgery and conventional laparoscopy enables the surgeon to perform the most complex and delicate procedure through very small incisions with unmatched precision. Recovery time is shortened and there are few post-surgical complications. The daVinci system is becoming the standard of care for prostate surgery as well as some gynecological surgery.

02/02/09(6)

Recess President Jacobson acknowledged a request for a recess at 5:45 p.m. following which the Board convened in Executive Session for approximately 45 minutes for the purpose of discussing specific real estate issues permitted by RCW.42.30.110(b) and (c), and to discuss certain personnel issues in accordance with RCW 42.30.110 (g), including Resolution No. 904 - Renewing Existing Retention Program for Superintendent for One Additional Year and Authorizing Corresponding Amendments.

Public Comment Public Comment

At 6:00 p.m. President Jacobson returned to open session and called for public comment. There was none. Executive Session then continued.

At 6:25 p.m., Mr. Roodman and Ms. Tiernan were excused from Executive Session.

Reconvened The meeting reconvened at 6:35 p.m.

MOTION Resolution No. 904 – Renewing Existing Retention Program for Superintendent for One Additional Year and Authorizing Corresponding Amendments

It was moved and seconded to adopt Resolution No. 904. Discussion followed.

President Jacobson acknowledged that during the Executive Session, the Board,

- Is unanimously satisfied with Mr. Roodman's performance as Superintendent of the District;
- Noted again a report from Robert A. Underhill, P.C., previously reviewed at the November Board Retreat, which compared the Superintendent's compensation package with the compensation paid to a comparable group of healthcare executives – in order to refresh and confirm for themselves the appropriateness of the overall compensation payable to the Superintendent in the future;
- Discussed the rationale for extending the Superintendent's retention program as the Medical Center's Chief Executive Officer for an additional one year through 2013 and the potential disruption to the Medical Center's affairs if he were to leave his employment prior to that time;
- Had previously received a summary proposal of the modification needed to the Superintendent's Employment Agreement and to the Supplemental Executive Benefit Plan to affect the one year extension to the retention program, which summary was consistent with earlier discussions between the Commissioners and Mr. Roodman.

Commissioner Hemstad stated that he admires the hard work and professionalism Mr. Roodman brings to the position of Superintendent and that he is doing a good job; however, he cannot support the Resolution as the timing is not ideal. He referenced the earlier presentation on the current economic free-fall and the possibility of staff reductions and said this does not send the right message. He also referenced Ms. Mitchell's comments regarding the AWP/PHD conference on transparency and accountability. The Board packet sent Friday did not include enough detail and although some documents were sent yesterday and this morning, there was not sufficient time for him to review. He added that voting against this Resolution is not against Mr. Roodman and he admires the job he is doing in a difficult environment. In view of the reasons expressed, he questions whether locking into a fifth year is in the best interest of the institution.

02/02/09(7)

Commissioner Miller commented that he was very involved with developing and negotiating the Superintendent's 2003 Employment Agreement and feels very comfortable with what is proposed today.

Commissioner Parnell stated that extending Mr. Roodman's retention sends a message to the staff and the community that the Board feels the Superintendent is doing a great job, has confidence in him, does not want to lose him and would like him to stay an additional year to add to the stability of the institution during these troubled times.

There was a call for the question and the motion passed with four in favor (Miller, Parnell, Bowman, Jacobson) and one against (Hemstad).

Adjournment

There being no further business, motion was made to adjourn this meeting at 6:45 p.m.