

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

Held on March 15, 2010

Attendance:

Commissioner G. Sue Bowman, Commissioner-at-large
Commissioner Aaron Heide, M.D., Commissioner-at-large
Commissioner Anthony R. Hemstad, Commissioner, District No. 3
Commissioner Donald O. Jacobson, President, Commissioner, District No. 1
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
Amin Hakim, M.D., Vice President/Chief Medical Director – Clinic Network
Robert L. Thompson, M.D., Vice President – Physician Relations
Kim Blakeley, Public Relations Manager
Sandra Sward, Assistant to CEO and Board of Commissioners

Those present for a portion of the meeting:

William Barrett, MD, Valley Orthopedic Associates
George Beal, Principal, Perkins Coie
Dennis Box, Reporter/*Covington Reporter*
Terry Block, MD, Principal, Southlake Clinic
Cameron Buck, MD, Associated Emergency Physicians
Cory Cappelletti, Citizen
Shannon Gilbert, UW MHA
Kim Herner, MD, VMC Primary Care, Covington Clinic
Wayne Lau, MD, Valley Surgical Associates
Phil Lund, MD, Valley Radiology
Henry and June Kramer, Citizens
Bernadette Rice, Commissioner Heide's Office Assistant
Jim Rice, MD, Valley Women's Clinic
Shannon Markegard, DO, VMC Lake Sawyer Primary Care Clinic
Maury Montag, Chairman & Medical Director, Associated Emergency Physicians
Jason Thompson, MD, Valley Orthopedic Associates
Marty Tullus, MD, Valley Orthopedic Associates

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Bowman at 3:30 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of March 1, 2010. The following corrections were identified:

Commissioner Heide requested the guest list be revised to reflect Mike Miller was in attendance.

**Changed by subsequent motion. See Minutes of April 5, 2010*

Commissioner Hemstad requested a change to page 3, third paragraph, third sentence as follows: Mr. Glenn indicated inpatient hospital utilization data currently indicates Valley is the market leader in Covington with over 13,000 *Covington market area residents* visiting VMC's Emergency Room annually.

Commissioner Parnell requested clarification to page 7, fourth paragraph: the WalMart "Minute-Clinic" is operated by Auburn Regional Medical Center in Federal Way.

The minutes of March 1, 2010 were approved as amended.

Commissioner Comment:

Commissioner Heide asked for a formal note in the minutes stating that he is using his laptop to look up meeting information and review past emails that have been sent to him.

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

Advance for Nurses featured the dedication of Valley's new Trauma Center to State Senator Margarita Prentice in their March 8, 2010 publication.

Dr's Veith and Gelman and Valley's Scott Alleman, presented information on disaster recovery and experience dealing with the aftermath of Hurricane Katrina in New Orleans and the recent earthquake in Haiti.

Valley sponsored a seminar titled Common Knee Conditions on March 4, with 52 community residents in attendance. A Back & Neck Pain seminar was held on March 9 and 100 residents attended.

President Bowman requested the presentation on the Free Standing Emergency Department (FSED) in Covington be moved to the next segment in the meeting to accommodate the physicians in attendance at the Board meeting who would be speaking as part of the report on the FSED project.

Programs Establishment of Emergency Care in Covington

Mike Glenn provided an overview of the analysis and discussion that has taken place over the past eighteen (18) months to review finances, location, services, demographic and market share analysis. A Free Standing Emergency Department (FSED) was explained from a design and patient care perspective. Mr. Glenn introduced the physicians who were present and invited them to speak in response to the FSED project as part of his presentation.

Dr. Terry Block, Southlake Clinic, said he has been involved with Valley for over 15 years and has previously collaborated with outreaching clinics into the community. He indicated the outer reaches of a service area are the ideal placement for a FSED (within the public hospital district) and that Kent is too close to the main hospital campus. Because integration is key to delivering quality medical care; he said a FSED in Covington would provide the community with medical integration to the only full service hospital in the area, VMC.

Dr. William Barrett, Valley Orthopedic Associates, advised he would argue against building a FSED in Kent because it is too close to the main VMC campus, where we've spent millions to improve the Emergency Department infrastructure.

Dr. Jason Thompson, Valley Orthopedic Associates, advised it seems redundant to build an emergency department in Kent. VMC's decision to build a full-service emergency department would serve the Covington area, rather than let competitors hopscotch over us, which would ultimately mean losing business in the main VMC hospital campus. He pointed out the residents in Kent could use the Covington FSED for easy, close access.

Dr. Martin Tullus, Valley Orthopedic Associates, noted the most important factor (to him) would be to protect the catchments. The current effect Swedish Medical Center is having north of us is significant evidence that protecting catchments is very important.

Dr. Jim Rice, Valley Women's Clinic, indicated the ability to provide seamless care to the community would improve with a FSED in Covington.

Dr. Maury Montag, Associated Emergency Physicians, said if VMC decides against putting a FSED in Covington, but Multicare and Swedish proceed with plans, the 13,000 visits we currently receive from the area will dwindle away and ultimately hurt the efficiency of the new ED in the South Tower.

Dr. Cameron Buck, Associated Emergency Physicians, noted the Covington location makes better sense for a FSED in terms of location and population serviced.

Dr. Kim Herner, VMC Covington Clinic, echoed what her colleagues shared regarding the Covington location for a FSED. The growth experienced in Valley's Covington Primary Care clinic has been exceptional. A FSED is needed in the area to foster the continuum and quality of care necessary to meet the growth in the Covington area, as well as the southern part of Kent.

Dr. Shannon Markegarde, VMC Lake Sawyer Clinic, noted expanding imaging services (in conjunction with a FSED) in Covington would be helpful to the patients we already serve. Currently, some of her patients use the Multicare facility for diagnostic testing. Expanding services would provide full integration of patient care if VMC patients had access to VMC diagnostics.

Dr. Phil Lund, Valley Radiologists, indicated recruiting quality physicians will become harder if we do not have advanced ways to improve our core services and provide the necessary healthcare to surrounding communities. Moving and developing within the Covington market is very important for both recruitment of physicians as well as patient care.

Dr. Bob Thompson, VMC Cascade Clinic, indicated that fragmented medical care results when patients are seen by different healthcare systems, resulting in wasted costs and time consumed by healthcare providers who are not working as an integrated team.

Mr. Glenn reviewed the floor plan and the decision making tool that defined key criteria that was weighted and scored relative to other potential options. Valley's mission and vision were discussed, along with the strategy that drives annual Board goals, as well as the specific 2010 goal to develop a FSED in the south/southeast region of the District. All of these variables indicate that the FSED is a good decision and should be located in Covington.

Demographic information was reviewed, including an analysis of projected population growth expected in Kent and Covington. Mr. Glenn stated the demographic study was based on a 5-mile radius in the southern part of the District. Inpatient market share percentages currently held by VMC and other inpatient healthcare providers in Kent and

Covington were reviewed. VMC currently holds over three times the market share in the Covington and Kent area over that experienced by Swedish and Multicare.

Financial performance was provided based on very conservative assumptions for ED visits in the Covington area. Mr. Glenn provided the financial forecasts of potential losses based on risk associated with not choosing to proceed with this project in Covington. The break-even volume has been assessed at 6,200 patients annually.

Commissioner Hemstad noted that if a FSED was built four (4) miles west of the location that has been identified in Covington, Valley could still expand our presence in Covington while also getting a better base established in the Kent area. He said he felt the option analysis was flawed, the decision was being rushed and the FSED site should be further investigated.

Mr. Larry Smith commented the financing market is volatile and the organization needs to look at the timing of financing. There is an opportunity to borrow between now and the end of the year using Build America Bonds as discussed at the March 1, 2010 Board meeting. If we can move forward with using Build America Bonds, financial planning would include shelling in the ED tower. He urged the Board to move ahead because of these financial considerations and advised that a delay that could cost significant losses.

Commissioner Heide asked about former Commissioner Mike Miller's involvement with the Covington project and asked what benefits Mr. Miller would receive for doing this work. He asked for Mr. Miller to provide a disclosure statement about the benefits, both direct and indirect, that will be provided to Mr. Miller, his associates and/or family.

Mr. Glenn said Mr. Miller was working on the Covington project before he left the Board in December, 2009. Because not all city officials and developers in Covington understand what a FSED entails, Mr. Miller agreed to continue having conversations with community officials and discuss the plans involved with the FSED project. Superintendent Roodman said Mr. Miller's involvement is a carry-over from his Commissioner tenure and he (Superintendent Roodman) is not aware of any financial recompense involving Mr. Miller, but he would make sure Mr. Miller was asked to provide a statement about any benefit that Mr. Miller, his family or his associates might receive from a FSED in Covington.

Commissioner Hemstad said he spoke to Kent's Economic Development Director, Ben Wolters, who indicated surprise that a FSED was being proposed for Covington, stating he had not been contacted by Valley regarding this project. He questioned if Valley has completed due diligence on this project when a conversation with the city of Kent had not occurred. He noted this is the first time any analysis information has been received in writing and there has not been a public hearing on this issue. Superintendent Roodman said that Mr. Wolters called him right before the Board meeting and said that Commissioner Hemstad had initiated a call to him to see if the City was interested in supporting Commissioner Hemstad's preference to locate a FSED in Kent.

Superintendent Roodman clarified with George Beal, corporate counsel, that public hearings are defined by Revised Codes of Washington. Mr. Roodman reiterated Mr. Smith's concern for securing long-term lending options and encouraged the Board to vote the decision "up" or "down", stating that direction was needed on this matter.

Commissioner Parnell stated she is in agreement with the Covington project, in much the same way that she stated at the March 1 Board meeting. The decision to build in Covington is a business decision and will preserve Valley's market share.

Commissioner Jacobson said he thought the options analysis was an excellent job and the Covington FSED represented an expansion of the business and mission that Valley has been doing for many years. He thanked the staff and physicians for the work being accomplished.

Superintendent Roodman thanked Commissioners Bowman, Jacobson and Parnell for taking the time to meet individually with staff to clarify and ask specific questions during the past two (2) weeks as Mr. Glenn and Mr. Smith prepared for this presentation.

MOTION

Resolution No. 939 – Establishment of Emergency Care Clinic In Covington

It was moved and seconded to approve Resolution No. 939 which authorizes the District to proceed with the plans for developing an emergency care facility of up to approximately 40,000 square feet in Covington, Washington and, in conjunction with such activities, declares the estimated costs not to exceed \$25 million exclusive of land acquisition costs as well as ancillary equipment purchases. The Board has determined that all, or a substantial part of the estimated costs may be funded by the District's issuance of general obligation bonds.

The motion passed with three (3) in favor (Commissioners Bowman, Parnell and Jacobson), one opposed (Commissioner Hemstad) and one abstention (Commissioner Heide) pending clarification of disclosure and level of involvement on the part of former Commissioner, Mike Miller.

Recess

President Bowman called for a brief recess at 5:45 p.m.

Reconvened

The meeting reconvened at 6:00 p.m.

Public Comment

Public Comment

At 6:00 p.m. President Bowman called for public comment. She provided the following instruction:

Public testimony is offered to be placed into record, not as a dialogue with Board of Commissioners during meetings. Board members take all comments into consideration and will work with the Superintendent or his designee to address issues presented during public testimony. If comments made by others are similar to yours, please consider not repeating those concerns or comments. Please start by stating your name and address for the record. Public comments are generally limited to three (3) minutes per person.

Cory Cappelletti, citizen, indicated it would be helpful to tape Board meetings to aid in capturing exact words stated by Board members. He said the quotes appearing in the minutes are not always completely accurate. Regarding the decision to build a FSED in Covington, it may be the right decision but he said additional information on other locations should be provided to the public, prior to the decision being made to build in Covington.

Medical Affairs

Medical Executive Committee

Credentials

03/15/10(6)

MOTION

Recommendations dated March 9, 2010, from the Medical Executive Committee outlining appointments, reappointments, changes of staff status, change in privileges, and resignations were distributed and individually reviewed by Dr. Beattie. Following discussion, the motion was moved and seconded. Motion carried with four (4) in favor and one (1) abstention (Commissioner Heide). Copies are attached to and made a part of these minutes.

MOTION

Commissioner Heide stepped out of the room while his reappointment to the Medical Staff was reviewed, indicating a status change from active to courtesy staff. The motion was moved and seconded. The motion was approved, four (4) in favor and one (1) abstention (Commissioner Heide). Copies are attached to and made a part of these minutes.

Dr. Beattie provided an explanation of the Observation and Supervision Policy, indicating the policy would allow medical staff to view other medical staff in patient care areas.

MOTION

A motion was made and seconded to approve the Observation Policy and Supervision Agreement Form that was reviewed and approved at Medical Executive Committee March 9, 2010. Motion passed unanimously. Copies are attached to and made a part of these minutes.

Medical Executive Committee

Dr. Beattie reported Dr. Bob Thompson provided MEC with an overview of the activities of King County Project Access at Valley Medical Center. Project Access provides for specialty medical and surgical services for qualified, uninsured low income patients of our District. The program relies on donated time and services as well as charitable support. The Medical Executive Committee voted to donate \$20,000 to King County Project Access as a one-time donation.

Quality Improvement Council

Dr. Beattie provided an update on the Quality Improvement meeting March 2, 2010. South tower transition and through-put metrics were presented. Quality measures in acute MI, heart failure, pneumonia and surgical care were presented. Expanded perinatal quality measures will be required by The Joint Commission to be manually extracted beginning April 1, 2010. The OB/GYN Peer Review Committee is proactively exploring these measures.

Outpatient imaging efficiency measures are slated for public reporting this year, including outpatient MRI, mammography, CT abdomen and CT thorax. Performance improvement team charters were reviewed for readmissions, patient satisfaction, ventilator associated pneumonia and catheter associated urinary tract infections.

Reports

Reports from Administration

Financial Affairs

Mr. Smith reported we continue to experience lower than budgeted census from this same period in 2009. We are carefully monitoring the expenses to ensure they are in alignment with the lower census. Emergency Department volumes have improved Valley has provided increased access to care (with Urgent Care Clinics), but this appears to not have had a negative effect on main campus ED volumes.

Mr. Smith reported the State budget has not been approved and legislature will be going back into session. To date, the Hospital Assessment bill and other policies affecting healthcare were not adopted.

Bills/Vouchers

MOTION

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

Lydig Construction, Inc.
 VMC Emergency Tower – App. No. 26 \$878,429.05

Lydig Construction, Inc.
 VMC Emergency Tower – App. No. 27 230,485.71

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	36558	36562	2/24/2010	6,365.86
ACCOUNTS PAYABLE	38695	38743	3/2/2010	15,122.47
ACCOUNTS PAYABLE	38744	38772	3/9/2010	5,472.43
ACCOUNTS PAYABLE	826699	826700	3/2/2010	394.10
ACCOUNTS PAYABLE	2138557	2138561	2/24/2010	243.63
ACCOUNTS PAYABLE	2138562	2138812	2/25/2010	1,497,542.15
ACCOUNTS PAYABLE	2138813	2138813	2/26/2010	15,099.61
ACCOUNTS PAYABLE	2138814	2139036	3/2/2010	1,236,097.66
ACCOUNTS PAYABLE	2139037	2139248	3/4/2010	1,455,206.75
ACCOUNTS PAYABLE	2139249	2139433	3/9/2010	1,374,630.12
TOTAL AP				5,606,174.78
WIRES OR EFT				724,420.82
WIRES OR EFT				3,506,856.34
GRAND TOTAL				\$10,946,366.70

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 \$2,730,089.65, of which \$2,729,512.60 has been referred to Collection. The balance of \$577.05 represents bankrupt accounts and cancellations. Motion passed unanimously.

Operations Update

Mr. Hayes reported that both expenses and revenue growth are being reviewed along with monitoring volumes. Census volumes have been somewhat erratic, with peaks as high as 206 and then dips as low as 120 within the same week. Monitoring will continue in the coming weeks and management may have to take aggressive steps to achieve budget compliance.

Mr. Hayes and Superintendent Roodman will present Employee Forums Thursday, March 18. The agenda includes status on the medical center environment, growth (South Tower and FSED in Covington), financial dashboard, patient safety, compliance, quality assurance and a raffle for all attending staff. The forums will be conducted around-the-clock, starting at 10:00 a.m. and finishing at 2:30 a.m. March 19.

Patient Care Services

Mr. Alleman explained Critical Care Unit and Progressive Care Unit will be moving to the tower. To facilitate the move, the units are being consolidated today to prepare staff for the training that is required prior to the transition. Mr. Alleman noted that the percentage of left-without-treatment statistics have reduced since the South Tower opened. Treatment time and through-put have also improved.

Clinic Network

Mr. Larson provided an update on physician recruitment. An additional Primary Care physician has been hired to help meet increased demands in Covington. The Renton Landing Urgent Care experienced sewer problems that have been assessed and diagnosed. The contractor and sub-contractor have taken responsibility, but a portion of the floor will need to be removed to access the plumbing and fix the problem. Patient disruption should be minimal because the location of the plumbing problem is in the back of the clinic.

Recruitment Update

Dr. Thompson reported contract offers have been made to a Pediatric Neurologist and an Otolaryngologist. Prospective primary care physicians are expected to make decisions soon. Our Renton RotaCare health clinic will be the highlight for the upcoming Renton Rotary Annual Caper Dinner and Auction, Saturday, March 20. Dr. Thompson noted the volunteer hours provided by participating family practice physicians is significant. Superintendent Roodman thanked Dr. Thompson for his support and leadership with RotaCare and other similar projects that provide care for those who do not have the ability to pay for health care.

HR & Marketing

Ms. Mitchell provided an update on the Valley "Top 10" advertisement that aired during the summer Olympics. It has proven to be highly effective in recruits. Over seventy (70) nurses have applied for positions since the commercial began airing. Ms. Mitchell indicated the advertisement has also helped recruit physicians to our clinic networks.

A Valley manager, Cathy McAbee, RN has been appointed by Governor Gregoire's task force as a Trustee on the Renton Technical College Board. Ms. McAbee has been with VMC since 1990 and managed our Emergency Department for many years. She currently manages our Valley Family Medicine/Residency Clinic.

Commissioner Comment:

Commissioner Jacobson commented the Spine Seminar conducted by Dr. Lundin last week was very informative and well attended.

President Bowman inquired if Commissioner Heide had completed review of the Code of Ethics that was provided to him at the March 1 meeting. Commissioner Heide said he understood the code was binding whether or not he signed the document.

Commissioner Hemstad Investigation

Mr. Beal provided an update on the investigation regarding complaints related to Commissioner Hemstad's performance. David Burman, Attorney with Perkins Coie, is conducting the review process. Mr. Beal estimates the conclusions will be available in the May timeframe. Mr. Beal clarified that there is no lawsuit being brought against Commissioner Hemstad. There were serious allegations which the Board deemed important. An investigation was initiated by outside corporate council.

Commissioner Hemstad advised he has talked with the Attorney General's office. He inquired about the nature of the investigation. Mr. Beal said Commissioner Hemstad will get ample time to respond to any allegations or findings of the investigation and that at this stage of the investigation, there is no reason for untoward concern because nothing has been proposed regarding the investigation. Commissioner Hemstad said it was his opinion that D&O insurance should cover his attorney fees. Mr. Beal said that matter was unclear due to the fact that the Board has asked for the investigation. Commissioner Hemstad said it would have been reasonable to have this matter investigated by a law firm that was not involved with the Hospital.

Mr. Beal commented that Valley's Board has had an uncharacteristically large number of subjects that have split the Board and polarized them from working together in recent years. He said the lengthy discussions turn into partisan disputes that turn into other discussions, or so it seems. Mr. Beal urged the Board members to determine how they would act and function as a whole.

Commissioner Hemstad said the Commissioners are elected to do due-diligence and that the community expects them to make hard decisions. He said that if there is valid evidence that suggests he should disagree with the proposal, then it is valid to disagree.

Recess

President Bowman acknowledged a request for recess at 7:00 p.m. following which the Board convened in Executive Session for approximately ten (10) minutes for the purpose of discussing specific personnel issues permitted by RCW 42.30.110(g) and litigation issues permitted by RCW.42.30.110(i). No action is expected at the end of Executive Session.

Reconvened

The meeting reconvened at 7:10 p.m.

Adjournment

There being no further business, motion was made to adjourn this meeting at 7:10 p.m.