

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

Held on May 3, 2010

Attendance:

Commissioner G. Sue Bowman, President; Commissioner-at-large  
Commissioner Aaron Heide, M.D., Commissioner-at-large  
Commissioner Donald O. Jacobson, Secretary; Commissioner, District No. 1  
Commissioner Carolyn V. Parnell, Vice-President; Commissioner, District No. 2  
Richard D. Roodman, Administrator/CEO – Superintendent  
Paul S. Hayes, R.N., Executive Vice President  
Larry Smith, Senior Vice President – Chief Financial Officer  
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  
David E. Smith – General Counsel  
Kim Blakeley, Public Relations Manager  
Kris Tiernan, Interim Assistant to Board of Commissioners

Those present for a portion of the meeting:

Marc Bollman, SEIU Local 1199  
Duncan Brown, PFM Group  
Dennis Box, Editor – *Covington/Maple Valley Reporter*  
Chris Byrne, SEIU Local 1199  
Lisa Gillin, Marketing/Advertising Manager  
Jeannine Grinnell, Vice President - Finance/Treasurer  
Dan Gottlieb, Bond Counsel – Gottlieb Fisher, PLLC  
Peter Hasegawa, SEIU Local 1199  
Wayne Lau, MD, Valley Surgical Associates/Chief of Staff  
Laura Noan, Multicare  
Rand Strobel, Vice President – Information Technology

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Bowman at 4:04 p.m. in the Board Room of Valley Medical Center. President Bowman asked for a motion to approve the minutes of the April 19, 2010, meeting. It was so moved and seconded. There were no suggested additions or corrections. Motion was approved with three in favor (Jacobson, Parnell, Bowman) and one against (Heide).

President Bowman expressed appreciation to Mr. Hayes for facilitating an Emergency Room tour last week for several Kentridge High School seniors.

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

Recent articles from the April 23-29 issue of the *Puget Sound Business Journal* were distributed. Comments from Rich Roodman and other area hospital CEO's were featured in *Vision 2020: the shape of hospitals to come*. Valley Medical Center was also featured in *Health care breakthrough*, an article covering Boeing's successful "Intensive Outpatient Care Program," in which VMC participated in the pilot program along with Regence Blue Shield, Virginia Mason Medical Center and the Everett Clinic.

Several staff members from Valley Medical Center and Swedish Hospital Medical Center were featured in a *Seattle Times* NW Jobs article on nursing careers requiring less than two years of training.

Recent seminars included *Varicose Veins* on April 22 with Dr. Oliver Aalami (over 60 attendees) and *Slipped Discs* on April 28 with Dr. Jason Thompson (82 attendees). Upcoming seminars include *Stroke Awareness*, with Dr. Cynthia Murphy scheduled for Thursday, May 6.

## Programs

### Bond Resolution Review

Larry Smith introduced Duncan Brown, financial advisor from The PFM Group, who updated the Board on moving the bond sale forward. He stated that meetings with rating agencies are underway. The site visit with Fitch took place April 29, and a conference call credit review is scheduled with Standard & Poor's on May 4. He said that Fitch was very impressed with VMC's market share, consistent operational performance, capital plan, supportive King County voters in the 2005 ballot measure, and longevity and stability of leadership. The objective is to obtain an "A" rating, and to present a resolution in support of the bond issue at the May 17, 2010, meeting.

Dan Gottlieb, bond counsel, described Gottlieb Fisher's practice and philosophy and reviewed the relationship with the district over the past 20 years. He said that public hospital districts have the opportunity to raise capital by offering either general obligation bonds (requiring voter approval) or revenue bonds. He discussed the plan to provide for the issuance and sale of hospital facilities revenue bonds Series 2010 (non tax supported) the proceeds of which will be used to acquire, construct, remodel, renovate and equip hospital facilities. The financing plan will potentially involve refinancing the callable portion of the outstanding Series 1997 and 1998 bonds. The possibility also exists of pursuing Build America Bonds. A draft resolution, including various provisions, covenants, debt service and timing was reviewed in detail. During his presentation and the subsequent discussion Mr. Gottlieb encouraged questions and requested that commissioners contact him at any time with any questions that may arise.

Mr. L. Smith said VMC has an excellent team of advisors in place who are looking at the options available on a daily basis. The goal is to consider all options, negotiate the most economic teams available and obtain a conservative, safe structure so that in the future, the district is not at risk with fluctuations in the financial market and has flexibility to use the funds for various capital needs. He encouraged commissioners to bring questions to Mr. Gottlieb, Mr. Brown, Ms. Grinnell or himself at any time. In response to Commissioner Jacobson's question, it was confirmed that bond insurance will not be required.

There was discussion concerning timing and the possible need for a special Board meeting to approve the bond resolution should issues not be finalized by the next regularly scheduled meeting of the Board on May 17, 2010. This will be determined as progress on the financing continues.

Medical Affairs

Quality Management Update

As Dr. Beattie is on vacation, Mr. Hayes presented the monthly "Big Dot" report on key quality indicators. For Average Length of Stay, performance is better than expected for acuity of our patients. Inpatient Readmission Rates are being carefully monitored as we are a little above target. Inpatient Mortality Rate is very good when compared to acuity. Left without treatment from the ED decreased consistently from March to April is at 2%, which is well below the 4% national benchmark. Hospital acquired infection performance exceeds goal. Urinary catheter associated UTI's, ventilator associated pneumonia, and central line associated blood stream infections in the CCU and NICU all are below benchmark. Certain aspects of care for patients with acute myocardial infarction, heart failure, antibiotic selection for surgical patents and pneumococcal vaccine compliance in pneumonia patients are all above the 90% goal. Perfect Care Core Measures is being closely monitored.

Mr. Hayes shared a letter received today from the family of a patient who passed away here in March. The family was very appreciative of the care their mother received at Valley Medical Center. Their thanks will also be shared with providers and caregivers specifically recognized in the letter.

Reports

Reports from Administration

Financial Affairs

Mr. Smith presented a financial update noting that Valley continues to face many challenges in 2010, including the one-time cost of moving to the new tower. VMC is also experiencing challenges being faced by the entire industry, such as a drop in demand especially for outpatient procedures. March financials were reviewed and Mr. Smith noted that March was positive \$700K, although year-to-date figures are \$3 million below target. The volume in outpatient areas remains troubling which, for example, in Radiology Services may be due to media articles earlier this year regarding radiation issues. Also, patients are delaying procedures due to increased deductibles resulting in higher out-of-pocket expenses. There has been a huge amount of work performed during the last few weeks looking at operations, efficiencies, possible new sources of revenue, and re-budgeting for the remainder of 2010. It is unknown if this is a major change in healthcare where there will be less demand for outpatient services, or if this trend is similar to last year where during the first six months outpatient visits were down, but rebounded especially during the last quarter. Mr. Smith asked for questions. There being none, he requested approval of the following financial items:

Bills/Vouchers

MOTION

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

	FROM	TO	DATE	AMOUNT
ACCOUNTS PAYABLE	38938	39032	4/20/2010	86,539.71
ACCOUNTS PAYABLE	39033	39087	4/27/2010	75,431.67
ACCOUNTS PAYABLE	826775	826825	4/20/2010	13,993.09
ACCOUNTS PAYABLE	826826	826875	4/27/2010	4,022.48
ACCOUNTS PAYABLE	2141463	2141649	4/15/2010	937,329.32
ACCOUNTS PAYABLE	2141650	2141660	4/20/2010	3,453.89

ACCOUNTS PAYABLE	2141661	2141825	4/20/2010	834,090.40
ACCOUNTS PAYABLE	2141826	2142039	4/22/2010	1,130,117.61
ACCOUNTS PAYABLE	2142040	2142264	4/27/2010	2,509,230.14
TOTAL AP				5,594,208.31
EFT				1,420,978.14
WIRES				3,058,746.89
APRIL PAYROLL				9,004,792.38
GRAND TOTAL				\$19,078,792.72

Resolution No. 942 – Surplus Property

MOTION

It was moved and seconded to approve Resolution No. 942 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 the statute. The motion was approved unanimously.

Operations Update

Mr. Hayes reported that there is continuing concern regarding the lower patient volumes across our system of care. Looking at the first four months of 2010 and forward to the summer months where lower volumes are traditionally experienced, we have begun the process of re-budgeting for the remainder of this year. We have also been proactive with expenditure control. Temporary and agency personnel have been eliminated whenever possible, use of outside consultants has been reduced and vendors have been asked for better pricing. Non-essential spending has been deferred for supplies, travel and catering. Television advertising has been suspended and all departments have been requested to reduce their expenses for the remainder of the year. Despite these efforts, VMC will continue with adjusting the budget and staffing to align with lower volumes and activity and will reduce the work force by approximately 2% which, when compared nationally and locally, is significantly less than workforce reductions implemented in many other organizations across the country. The reduction will be accomplished by not filling open positions and reducing staffing where possible by attrition or shifting to a like position. Where appropriate, FTE's will be reduced; for example, 1.0 to .8. Unfortunately, layoff notices will need to be issued for some specialized jobs, which often are one of a kind. Impacted staff is currently being noticed. A memo outlining these steps was mailed to homes of all employees last week.

Clinic Network

It was reported by Dr. Hakim that the clinic system has been focusing on IT priorities during the past couple of weeks and working on re-prioritizing as necessary. The roll-out of a new e-prescribing tool in primary care has been completed. Work continues on implementing an EHR for our specialty providers. Preparation of office space for the new ENT physician continues with the assistance of the Facilities Department.

### Business Development

It was reported by Mr. Glenn that very positive, productive discussions are ongoing with the City of Covington regarding design of the FSED building. There have also been interesting discussions with several different organizations that have approached Valley regarding the location of the Covington project.

### Recruitment Update

Dr. Thompson commented that VMC continues to observe national and local recruitment trends with regard to the increasing number of physicians seeking the benefits of the security of employment. Some of the tenants of the healthcare reform bill incentivize physicians and hospitals to find closer ways to integrate practices. There are very complicated legal and Stark rules and regulations involved.

The recruitment and retention of primary care physicians continues to be very challenging. There is a growing gap in supply and demand and this gap is anticipated to continue to grow. It is becoming more and more difficult to find care nationally and locally for Medicare patients. There is a declining interest in numbers of physicians entering family medicine and internal medicine residency programs, and at the same time a growing need seen in nearly every community in trying to recruit family physicians. Valley has been talking with family doctors throughout the nation searching for good candidates. VMC is also working harder to recruit from our own residency physicians. Recruiting is very tough and very competitive.

Mr. Larson added that we have fewer candidates and the candidates we source are more difficult to recruit. As a result, increased utilization of well-trained ARNP's and PA's in the future is anticipated.

Dr. Thompson also emphasized the benefits of Valley's primary care clinic system, which not only provides much needed primary care to the community, but also positively impacts hospital volumes.

### HR & Marketing

It was reported by Ms. Mitchell that the next edition of *Valley Voices*, which will include the annual report, is on target arrival in homes by June 8-9. Also, the next issue of *Golden Living* will include a special feature about the GoldenCare Senior Program which has grown to nearly 20,000 members, and is one of the largest senior programs in the nation. The next issue will chronicle the beginning of GoldenCare and how it was developed. This issue should be in homes mid to late June.

*Valley Team Month* will launch this coming Wednesday at 2:00 p.m. with the Quarterly Employee of the Month recognition event. All commissioners are invited to attend. Valley is continuing to grow even with readjusting staffing. In years past, we have tried to honor each profession/department. Several years ago it was decided to combine all celebrations during the month of May with *Valley Team Month*, with recognition of all departments including the volunteers. Several tributes are planned.

Recess

President Bowman called for a ten minute recess at 5:00 p.m.

Reconvened

The meeting reconvened at 5:15 p.m.

### Commissioner Comments

Commissioner Jacobson remarked that he enjoyed reading the information prepared for the rating agencies. Commissioner Parnell echoed Mr. Jacobson's remarks.

Commissioner Heide had no comments.

Commissioner Bowman said she met with representatives of SEIU Local 1199 last week and thanked those who were present for the good meeting.

### Superintendent Comments

Mr. Roodman reviewed his thoughts regarding recent health care reform actions and strategies for future success. He anticipated that there will probably be three or four basic changes, although nothing major will happen immediately. There will be more people with coverage similar to Medicaid, with reimbursement at 13 to 14 cents on the dollar. Over the next several years, there will be tax increases of several billion dollars, while reimbursement to providers will decrease. Insurance regulations will increase and negotiating with insurance providers will be more and more difficult. Payment "bundling" will increase. VMC will need to be more sophisticated with additional components of care such as nursing home and possibly rehab... components that we are not involved in currently. Although more individuals will be insured, there will be lower reimbursement from government payers such as Medicare and Medicaid and payment for newly insured will be lower.

Bullet points entitled *Administrative Success Strategies during Health Care Reform* were distributed and reviewed by Mr. Roodman, who noted these are for informational purposes only. He defined scale, size and market essentiality as growth being essential to survival. In the future, demand for healthcare will increase as more people will live longer and want more services. He defined market essentiality as contracting with other providers in order to obtain services we don't currently have. With regard to Mr. Glenn's Covington update, Mr. Roodman commented that several major tertiary players in Puget Sound have indicated they would like to partner with VMC in development of the FSED in Covington. When these discussions are more defined, a community forum may be held in Covington to determine citizen preference for appropriate partners.

VMC has a strong geographical position within the district, which encompasses 400,000 citizens, as well as in our service area, which includes another 200,000. Primary care clinics are critical to facilitate access into the system. The main portals of entry to VMC include the primary care clinics, the Emergency Department, the urgent care clinics and the Birth Center. Brand identification is very important. Integrated arrangements with physicians which promote care, quality and value are important to physicians as demonstrated by comments made during a recent Board meeting. VMC has a variety of different integrated arrangements with physicians in order to promote care - through employment, hospital based physicians, and professional and business relationships with those in private practice. Sophisticated information technology (IT) and the electronic health record (EHR) capabilities are of major importance. Managed care contracting expertise is defined as the need to be smarter with how we deal with bundled payments. Care, cost and quality cultures and attention to operations - expense and revenue - is the nuts and bolts of how to stay solvent on a day-to-day basis. Readiness and the ability to measure and manage clinical and financial performance in minute detail are also very important. Lastly, strong relationships and collaboration with staff, physicians, volunteers, patients, the community, payers, other systems, legislators, etc. is essential to VMC's success in the days and years to come.

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Dr. Lau briefly commented on the importance of collaboration between the medical center and Medical Staff members, whether in private practice or affiliated with the medical center via employment.

Recess                    There being no further comments or reports from commissioners or staff, the Board recessed at 5:40 p.m. until the designated time of 6:00 p.m. for public comment.

Public Comment        Public Comment

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

MOTION                 Commissioner Excused

It was moved, seconded and carried to excuse Commissioner Hemstad from this meeting.

Adjournment            There being no further business, motion was made to adjourn this meeting at 6:01 p.m.