

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

Held on September 21, 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

Those present for a portion of the meeting:

Grace Dalrymple, GoldenCare Coordinator

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:33 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of September 8, 2009. Motion carried unanimously.

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

Beginning this week, a regular column will be running in the *Kent Reporter* and *Covington/Maple Valley Reporter* newspapers with updates from VMC on the flu and flooding situations. Details are being worked out to have a regular column in the *Renton Reporter* as well.

Valley participated in Newcastle Days September 12th and 13th. Nearly 100 bike helmets were fitted by VMC volunteers.

A seminar on Healthy Aging was held last week at the Coal Creek YMCA. Dr. Joshi from Newcastle Primary Care was featured speaker.

A hotline will be established by tomorrow for citizens to obtain information on seasonal influenza and H1N1 swine flu. The hotline number is 425-656-H1N1 (4161).

Future events include the Renton Chamber Business Expo on Saturday, October 10th and a Breast Cancer Seminar at the Coal Creek YMCA on Thursday, October 29th.

**Changed by subsequent motion. See minutes dated 10/05/09.*

GoldenCare Flu Shot Update

Ms. Dalrymple summarized the 2009 GoldenCare seasonal flu immunization program, reminding commissioners that the dates this year are Monday, October 12th through Saturday, October 17th from 9:00 a.m. to 2:00 p.m. Members have been notified through an article published in the most recent issue of *GoldenLiving*. Reminder postcards were mailed in mid-September. Members will also receive a telephone call later this week from schedulers who will attempt to schedule seniors by the hour to even out the flow throughout the day.

Programs

Charity Care Policy

Mr. Larry Smith explained the purpose of Valley's Charity Care Policy, which is to provide, at a discounted fee or no fee, within reasonable limitations and financial ability of the hospital, critical services to patients who do not have sufficient financial resources to pay for services rendered or to be rendered. The program provides for evaluation of financial need of the patient or responsible party for the patient. Mr. Smith reviewed the process to determine eligibility and need and explained computations for federal poverty guidelines. Initiatives that are in place to provide alternatives for care, including Rotocare, Project Access and HealthPoint were reviewed. Valley also provides assistance in obtaining Medicaid coverage and Cobra for patients who have been laid off from their jobs. A graph using Department of Health data from June 30, 2008, comparing uncompensated care provided by Puget Sound hospitals was reviewed. Valley's charity and bad debts for years 2005 to the present were also reviewed. It was pointed out that 64 percent of VMC patients are Medicare, Medicaid, charity or self-pay and 48 percent of VMC's obstetrical patients are Medicaid. Reimbursement for this patient mix makes it very difficult to achieve profitability.

Medical Affairs

Quality Management Update

The Quality "Big Dot Report" was presented by Dr. Beattie. She noted that that *Average Length of Stay* continues to hold significantly below expected for acuity of patient population (Green). *Readmissions Within 15 Days* rate was up slightly up in May, but corrected towards the 3% benchmark in June (Yellow). *Inpatient Mortality* continues to track well below expected rate for acuity of patient population and to have a positive downward trend over time (Green). For *Core Measures Perfect Care*, remarkable improvement was realized across all four measures for second quarter 2009, as anticipated, due to the strong efforts of the PI teams: Pneumonia care, heart failure care, AMI care, and Surgical Care ("turning" Green!). *Hospital Acquired Infection Rate* continues to decline. Hospital-wide efforts to reduce *Hospital Associated Infections* are ongoing and successful as the decrease in the number of HAI per patient days continues to decline from Q2 into Q3 (Green). *Inpatient Falls* continue to track within control limits with ongoing efforts to improve identification of fall risk and implementation of fall precautions are in place (Yellow). *"Left without Treatment" from the Emergency Department"* rose slightly above the 4% benchmark level as there was high demand on resources with record-setting ED census numbers in the months of June and July. Ongoing efforts to improve throughput are in place; however, space constraints in the ED remain a limiting factor (Yellow).

Medical Executive Committee

Dr. Beattie reported on the September 8th meeting of the Medical Executive Committee during which a new Anesthesia Pre-Operative Order Set was presented and approved. Also, Central Venous Arterial Catheter Bundle for improved standardization of care consistent with evidence-based medicine and best practice for the prevention of infection and improvement of patient outcomes was presented and discussed. A draft Code of Conduct Medical Staff Policy was presented for review and discussion in October. There was also discussion regarding the CPOE Readiness survey being conducted this month.

Credentials

MOTION

Recommendations dated September 8, 2009, 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, it was moved, seconded and unanimously carried to approve credentialing/privileging recommendations as presented. Copies are attached to and made part of these minutes.

There was a brief discussion of whether any physicians from Cancer Centers of America and from Group Health are members of the VMC Medical Staff. Dr. Beattie confirmed there are some CCA physicians on Courtesy Staff. There are no Group Health physicians on staff that she is aware of.

Medical Staff Policy Chapter 12 - Revision

Dr. Beattie next reviewed proposed revision to Medical Staff Policy Chapter 12 – Medical Records. The revisions were made to meet regulatory compliance and to clarify method of enforcement.

MOTION

Following discussion, it was moved and seconded to approve the revisions to Medical Staff Policy Chapter 12 – Medical Records, as recommended by the Medical Executive Committee. Motion carried unanimously.

Reports

Reports from Administration

Financial Affairs

Mr. Larry Smith reported on financial and statistical data for August, noting that volumes were slighter higher over prior year. Net revenue from operations was positive compared to budget, partially due to a settlement related to the joint cardiac program with Swedish Medical Center. Labor costs remain down due to management of premium time (agency and overtime).

The Washington State Auditor’s Office has just released the annual Accountability Audit Report on King County Public Hospital District No. 1, Valley Medical Center. It was noted in the report that the District is audited annually and this is the seventh consecutive year that no findings have been reported! This is clearly a remarkable accomplishment.

Bills/Vouchers

MOTION

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

Lydig Construction, Inc. \$ 1,701,916.86
 VMC Emergency Tower – Application No. 22

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	34377	34461	9/9/2009	30,993.40
ACCOUNTS PAYABLE	34462	34538	9/15/2009	56,635.55
ACCOUNTS PAYABLE	826052	826090	9/9/2009	1,737.64
ACCOUNTS PAYABLE	2128489	2128700	9/2/2009	1,008,267.54
ACCOUNTS PAYABLE	2128701	2128713	9/9/2009	1,120.54
ACCOUNTS PAYABLE	2128714	2128961	9/9/2009	1,942,362.95
ACCOUNTS PAYABLE	2128962	2129168	9/15/2009	1,496,280.16
TOTAL AP				4,537,397.78
SEPTEMBER PAYROLL				3,999,240.92
WIRES OR EFT				1,147,019.40
GRAND TOTAL				\$11,385,574.96

Resolution No. 918 – Surplus Property

MOTION It was moved and seconded to approve Resolution No. 918, declaring certain equipment in the District’s hospital as surplus to the needs of the District and direct 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 carried unanimously.

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 \$2,195,329.25, of which \$2,189,918.98 has been referred to Collection. The balance of \$5,410.27 represents bankrupt accounts and cancellations. Motion carried unanimously.

Performance Audit

Commissioner Hemstad indicated he was surprised to get a call from State Auditor’s Office regarding a payment to the Superintendent from his retirement account. Commissioners Jacobson and Miller explained that because of some potential tax consequences, the Board had in 2007, by resolution, decided to allow the Superintendent to access some of his retirement funds. Commissioner Hemstad continued to express concern. Superintendent Roodman explained that he wished to clear up the confusion and summarized action taken by the Board in 2007. Commissioner Hemstad again said he was unaware of the retirement payment made earlier this year. Mr. Roodman recalled that Commissioner Hemstad had, in early 2008, previously discussed the Board action taken in December, 2007, with regard to Mr. Roodman’s contract, and perhaps he had just forgotten. The

other four commissioners acknowledged Commissioner Hemstad's previous concerns in early 2008 and expressed surprise that Mr. Hemstad still did not remember or understand. Commissioner Miller explained the accounting entries related to the retirement account and Mr. Larry Smith confirmed that the investment in the Superintendent's retirement account had been funded by the hospital six years earlier in 2003. Mr. Roodman was allowed to access the previously expended funds in accordance with Resolution No. 868, after attaining the age of 60 and after January 1st of this year, as the funds could be subject to tax because Mr. Roodman had taken constructive receipt.

Commissioner Hemstad requested that a written statement be included in the meeting minutes and handed the statement to the Secretary to the Board, Kris Tiernan. (See attached).

Operations Update

Mr. Hayes reported that the medical center is anticipating a routine Department of Health Survey at any time.

Planning continues to prepare the medical center for outbreaks of seasonal flu, H1N1 flu and possible flooding due to failure of the Howard Hanson Dam. The seasonal flu vaccine campaign began earlier this month and is on target to exceed the 63% of employees vaccinated last year. Over 500 have received the vaccine so far this year and to boost awareness of the campaign, employees are being offered a "shot for a shot" latte card after being vaccinated. H1N1 flu vaccine is expected to be available mid-October. Guidelines as to priorities and timelines continue to shift, but it is anticipated that healthcare workers who come in contact with patients will be in the first priority group. With the distinct possibility of flu and floods this winter, employees are being requested to complete a personal plan with consideration for alternative transportation, housing, child care, pet care, etc.

Recess

President Jacobson called for a ten minute recess at 4:51 p.m.

Reconvened

The meeting reconvened at 5:02 p.m.

Patient Care Services

Mr. Alleman said he had one item for closed session.

Clinic Network

It was announced by Mr. Larson that a new clinic medical director has been selected following a search of several months. Dr. Amin Hakim will be in an expanded role as Vice President and Chief Medical Officer of the Clinic Network. Dr. Hakim, from Staten Island, New York, is trained in pediatrics and infectious disease. He will join Valley in late October.

Business Development

Mr. Glenn discussed the clinical research program which began at Valley approximately a year and a half ago. The program facilitates research projects for pharmaceuticals and other interventional therapy. The program has now reached a cross-road and needs to either be expanded or close down. An outside consulting group will be assessing VMC's program to assist in determining which path to take. A recommendation is expected by the end of October.

Recruitment Update

Dr. Thompson reported that two specialists in OB/GYN are interviewing with a local physician group practice. A urologist will be meeting with VMC staff this week. Also two PA's (physician assistants) have been identified through a search firm and are interviewing with Dr. Lundin.

HR & Marketing

Ms. Mitchell reviewed the "sneak preview" Emergency Services South Tower tours scheduled for the weeks of October 5th and October 12th. It is hoped that the commissioners will be able to attend most, if not all, of the events. Ms. Mitchell offered to provide fact sheets about any tour location highlights. Commissioners were invited to let the Secretary to the Board know if they would like to participate at any particular area of the tour, versus general greeting activities.

It was also reported by Ms. Mitchell that the 2010 HealthGrade ratings and clinical achievements were published today. Although the awards are similar to J.D. Powers Awards in that VMC must pay a fee to use their endorsements, the HealthGrade ratings are considered highly prestigious. VMC has exceptional ratings in orthopedics, treatment of heart failure, treatment of pneumonia, GI services, joint surgery, spine surgery and critical care. Awards can be used in marketing after October 13, 2009.

Commissioner Comment

There was a rapid exchange between commissioners with regard to earlier discussions of Resolution 868. Several commissioners expressed concern that Commissioner Hemstad was raising these issues at this particular time because of the upcoming contested election. Commissioner Hemstad denied these accusations. President Jacobson suggested that Mr. Roodman comment on the issue of access to his retirement funds. Mr. Roodman referred to his memo to the Board dated January 30, 2009, and indicated his hope that this memo and attachments would clear up any remaining confusion about having prior knowledge of the retirement fund issue, as outlined in Resolution 868.

Recess President Jacobson acknowledged a request for a recess at 5:42 p.m. following which the Board convened in Executive Session for approximately 15 minutes for the purpose of discussing specific 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 5:58 p.m.

Public Comment

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

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

Commissioner Anthony Hemstad Remarks
Public Hospital District #1 – Valley Medical Center (VMC)
Hospital Commission Meeting 21 September 2009

As no other Commissioner supports tape-recording open public Commission meetings and there have been numerous disputes in the past about what was or was not said/included in the meeting minutes, I am submitting the following text and ask that this be included in its entirety into the official Meeting Minutes for today's Commission meeting:

I was surprised to be contacted by the State Auditor's Office regarding their ongoing performance audit of Valley Medical Center. From them I learned for the first time that a \$1.72 million payment was made to the retirement account of Valley CEO Rich Roodman in February 2009. This is probably the largest single retirement payment ever made to a public servant in the history of Washington State.

The sheer size alone of this payment should have warranted it being flagged by Valley staff as being out of the ordinary and that the whole Commission – and the public – should have been made aware of the payment along with a clear justification for it. Presumably this, like all other payments, was just categorized anonymously under "accounts payable" with no mention at all of its content.

After I was alerted to the existence of this payment, I went back to see how this could possibly have happened without it being brought to the attention of the current Board. It turns out that this payment was set by the outgoing board in December 2007 during a week with a retreat and special meeting at the Semiahmoo Resort, 150 miles away from the hospital. That was after Sue Bowman and I were elected, defeating two incumbents, but we had not yet taken office. That resolution also, very oddly, stated that it could be executed in the future by the President of the Commission, not needing further Commission review. This payment was part of the Supplemental Executive Benefit Amendment and in 2009 was to be two times Roodman's annual salary (the \$1.72 million payment), therefore it appears that Roodman's annual salary is being calculated at \$860,000 (presumably this is base-salary, an automatic "retention payment" but not the usual annual bonus). It was difficult to untangle this information from several documents passed in different years and generally lacking dollar figures. It is frustrating that this was never presented to the new Commission which oversees the administration or to the general public that supports the hospital district with its property tax dollars.

Last meeting we had a nice presentation from the VMC marketing department during which they mentioned that this summer they've started posting some basic financial documents about VMC on our website as part of being a transparent organization.

Transparency, like belt-tightening, should start at the top -- with this Commission and with this CEO. It shouldn't just be a slogan for those lower down the organizational chart - but also should be taken to heart by leadership.

I ask that we post on the web the Resolution that the outgoing Commission passed in December 2007 for all to see, along with the relevant sections it refers to in Roodman's contract. As the resolution is very opaque with no dollar amounts there should also be a one page explanation of the several different ways that VMC pays Roodman, the amounts and the schedule for this payment.

I ask that at the next meeting in open session Staff come back to the Commission with the reasoning on what the public benefit is for our Public Hospital District to be paying a retirement package of this magnitude five years prior to the CEO's expected retirement. It would be helpful to see the studies that justified this practice and how this early payment compares to other public hospitals.

When another Roodman contract extension (instead of ending in 2012 now goes to 2013) was rushed through on a 4-1 in a vote in February 2009 I stated then that I thought our CEO compensation was too high and out-of-step with the overall economy where CEO compensation was actually decreasing. That contract extension also topped-up Roodman's potential severance/golden-parachute package to about \$1.9 million, again a stunningly large amount for a public servant. Given our debate on those issues and my clear concern about inappropriate compensation levels it is especially galling that this additional \$1.72 million payment was never mentioned, despite it clearly being germane to the debate.

I again protest the consistent lack of complete and timely background information -- often no background memos at all -- being given to Commissioners before votes are being taken.

I would like to see some justification on why this is not excessive compensation, considering the roughly \$860,000 in salary, the \$1.72 million retirement payment (total \$2.58 million) and the likely, but undetermined \$250,000 or so bonus for the CEO in 2009.

Three troubling comparisons spring immediately to mind:

1 – *Neighboring public hospital comparison* - At the Commission's last meeting Roodman called Valley Medical "Harborview South" – great that we see ourselves that way but then why was Harborview left out of the CEO compensation study and instead much larger institutions in bigger markets included? According to an article in the Reporter newspapers the head of Harborview makes about \$300,000 a year. On most measures Harborview is bigger than VMC but we're paying our CEO 3x more annually – or 9x more this year if you include this new \$1.72 million payment as well.

2. – *Public service comparison* – According to State OFM figures released in August 2009, VMC pays Roodman more than the State pays *any* public servant (top earner was WSU's President at \$625,000). The Governor makes \$166,891, thus VMC will pay Roodman roughly 15x the governor's salary in 2009 – and that is before his potential bonus. UW was very open with their trustees, students and media about changes to their President's pay package in recent weeks.

3 – *Private sector compensation* – While not as relevant but still illustrative -- on Friday Microsoft gave data about its fiscal year that ended July 30th. Their CEO, Steve Ballmer, was paid \$640,000 for the year and received a \$700,000 bonus. So this year VMC will pay Roodman roughly 2x what Microsoft (one of the largest and most profitable corporations in the world) paid Ballmer in their completed fiscal year. Microsoft also unveiled a new "Say on Pay" program where shareholders can weigh in on CEO compensation.

Our process of relative secrecy and very generous pay is out of step with both our public and private sector neighbors.

I think we need to ask ourselves if large payments to the CEO, paid in a way to seemingly minimize public awareness, is truly in the *public* interest that we are here to represent. Especially in these hard economic times when we are cutting costs elsewhere and trying to do more with limited public health care dollars. This is a discussion that should be open and shared with the public – and the current Commission.

