

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

Held on November 24, 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
Amin Hakim, M.D., Vice President/Chief Medical Director - Clinic Network
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
David E. Smith – General Counsel
Kim Blakeley, Public Relations Manager
Sandra Sward, Assistant to CEO and Board of Commissioners

Those present for a portion of the meeting:

George Beal, Partner; Perkins Coie
Brad Boswell, D. Michener & Co.
Chris Clifford, Citizen
Jeannine Grinnell, Treasurer
John Hankerson, Principal/Strategic Rewards; Milliman, Inc.
Karen Jones, Managing Principal; Riddell Williams
Julie Kebler, Member; Foster Pepper
Richard Omata, Shareholder; Karr, Tuttle, Campbell
Jeffrey Wong, Finance

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Jacobson at 3:35 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of November 2, 2009. Motion carried.

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

The TV show *Mystery Diagnosis* aired the medical recreation of a story featuring Dr. David Christopher and his patient, Carson Kuolt, who has a congenital condition and does not feel pain. The story, which aired November 16, was filmed at VMC and features Dr. Bob Thompson and pediatric charge nurse Renee Van Doorn.

American RadioWorks completed a documentary titled "Workplace U" which will air through a variety of public radio stations across the country on November 28. The story features alternative education programs; one of which, Health Employees Education and Training (HEET), is a Washington State grant to community colleges and SEIU represented

hospitals. VMC's employee, Candace Picazo, who works in housekeeping, participated in the HEET program and passed the certification test for nursing assistants. Candace and her family are profiled in the radio documentary.

Twenty-one community residents attended the Understanding Epilepsy Seminar presented by Dr. David Vossler on November 5. Sixteen of the seminar attendants participated in a Valley seminar for the first time.

Dr. William Barrett presented a Joint Replacement Seminar on November 12. Sixty-one people participated in the seminar, and nearly half were first-time attendees of a Valley seminar.

Valley sponsored two fundraising events November 6: MedicOne's "Lights, Sirens, Auction!" and HealthPoint's Benefit Dinner.

Programs

Goals Introduction: 2010

Mr. Hayes introduced the draft goals for 2010, stating the overall purpose of annual goals is to focus and drive performance toward excellent patient safety, expanding access to citizens in the district, maximizing our ability to provide charity care to those in need and maintaining excellent results in physician recruitment. Mr. Hayes noted that 2010 performance to goals will be carried out in the midst of rising financial challenges and unemployment along with operational challenges including finalizing transition to the Electronic Medical Record and relocation into the South Tower. Continued readiness for unannounced regulatory surveys (which are increasing in frequency with shorter cycle time) is an ongoing focus, the next of which will survey our laboratory.

The Administrators individually presented the draft goals for 2010. Mr. Roodman indicated the goals were in rough draft form and invited comments and suggestions from the Commissioners. Commissioner Hemstad commented he would like to see enhanced financial transparency by following established practices of other local government agencies and municipalities. He stated the Board involvement with financial matters has been minimal and he would like to see increased participation on the part of the Board. Commissioner Hemstad expressed willingness to be on the Finance Committee in 2010 and offered to draft language for an additional goal that addresses transparency in budgeting and reporting financial information. Ms. Grinnell encouraged a thoughtful review of what we mean by "financial transparency" and how that would be measured (toward achievement of the goal). Ms. Grinnell questioned the definition of best practice when related to financial transparency and indicated that public hospitals have unique financial constraints that do not pertain to other public entities. Mr. Smith noted that VMC has received commendations from the State Auditors Office for seven (7) years in a row for budgeting, in addition to high marks from the independent auditors, Moss Adams, LLP. Additionally, the hospital has implemented more financial transparency on its website based on SAO recommendations. Commissioner Hemstad agreed that the draft goal should include language stating "within the limits of a public hospital" to ensure that financial transparency is modified to fit the specifics of a public hospital. Mr. Roodman confirmed that Administration would review the issue and provide draft language for an additional 2010 goal related to best practice budgeting for public hospital districts. The Board could then review all eleven (11) goals again at its next meeting.

Medical Affairs

Quality Management Update

Dr. Beattie advised that PICC line (specialized intravenous line) services will be expanded to include weekend service. Utilization Management program discussion involved length of stay, readmissions and non-acute days. Comparison data for the first half of 2009 indicate the percentage of days for patient stays involving non-acute treatment needs decreased by 50% over this same period in 2008. Infection Prevention and Control Program including data on Health Care Acquired Infection Rates show that continued efforts in hand hygiene has resulted in a continued improvement organization-wide with the rate of compliance currently at 76% as of September, 2009. This statistic is derived from direct observation.

Medical Executive Committee

Dr. Beattie noted the Medical Executive Committee approved the Utilization Management Patient Status Disagreement & Escalation Policy and the Utilization Management Program Plan for 2010. The Surgical Attire Policy was approved as submitted. The committee also approved requiring practitioners to print their name adjacent to their signature on all Medical Record documents to make it clear which practitioner owns the document or order.

MOTION

It was moved and seconded to approve the changes to be included on all privilege application forms, relevant to core privileges, that states, *"a decision to strike any privilege(s) from the core requires a direct conversation between the applicant and the Department /chief and concurrence must be specifically documented by the Department Chief for the Professional Performance Committee. In the event the applicant strikes a privilege(s) that may affect the ED call requirement, the applicant will be required to provide a complete plan for ED coverage for patients that may present in the Emergency Department."* Motion passed unanimously.

Credentials

MOTION

Recommendations dated November 4, 2009, from the Medical Executive Committee outlining appointments, reappointments, changes of staff status, change in privileges, and resignations were 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.

Financials

Financial Affairs

Mr. Smith reported October census was high with inpatient and ED volumes substantially over budget. The Electronic Medical Record conversion in the clinics continues to affect volumes adversely, with under-budget actuals for October and year-to-date.

Mr. Smith noted that preliminary reports indicate the state is considering further cuts to the Medicaid program because of shortfalls in State tax revenues. Because public hospitals are funded slightly different, we have not been affected by the Medicaid reductions to date. There is a risk that the next round of State budget cuts could impact public hospital payments.

Mr. Smith outlined good news relating to Medicaid payments for VMC group physicians. Senator Margarita Prentice has been a strong advocate and a lead proponent for Medicaid reimbursement for employed physicians. Efforts to implement a new program to improve levels of physician payment began a year ago at Harborview and Senator Prentice was instrumental in ensuring it was not cut in mid-2009. The Legislature has authorized the state to proceed with this reimbursement plan. If approved by the Federal government, this program would become effective mid-2010.

Bills/Vouchers

MOTION

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

S. D. Deacon Corp. of Washington	
VMC Renton Landing Clinic – App. No. 2	\$276,601.94
Absher Construction Co., Inc.	
VMC Surgery Project – App. No. 31	\$1,442,278.15

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	35335	35400	10/27/2009	25,630.40
ACCOUNTS PAYABLE	35401	35545	11/3/2009	59,862.72
ACCOUNTS PAYABLE	35546	35657	11/10/2009	50,857.82
ACCOUNTS PAYABLE	826300	826308	10/27/2009	3,641.65
ACCOUNTS PAYABLE	826309	826380	10/28/2009	3,937.08
ACCOUNTS PAYABLE	826381	826430	11/10/2009	3,702.95
ACCOUNTS PAYABLE	2131476	2131710	10/29/2009	1,403,212.25
ACCOUNTS PAYABLE	2131711	2131711	10/29/2009	0.00
ACCOUNTS PAYABLE	2131712	2131712	10/29/2009	20,262.00
ACCOUNTS PAYABLE	2131713	2131876	11/3/2009	1,465,543.08
ACCOUNTS PAYABLE	2131877	2131882	11/3/2009	11,686.38
ACCOUNTS PAYABLE	2131883	2131883	11/4/2009	34,413.19
ACCOUNTS PAYABLE	2131884	2132138	11/5/2009	1,309,077.16
ACCOUNTS PAYABLE	2132139	2132298	11/10/2009	1,509,629.99
ACCOUNTS PAYABLE	2132299	2132560	11/12/2009	1,201,586.44
TOTAL ACCOUNTS PAYABLE				7,103,043.11
WIRES OR EFT				2,395,771.68
WIRES OR EFT				481,861.37
WIRES OR EFT				4,000,756.37
GRAND TOTAL CONSTRUCTION, AP and EFT/WIRES				\$15,700,312.62

Resolution 922 – Expenditure Budget

MOTION

It was moved and seconded to approve Resolution No. 922 authorizing the decrease of the District's regular levy to 99.15% of the amount of regular property taxes.

Mr. Smith explained the expense budget that was passed at the November 2, 2009 Board meeting by Resolution No. 920 did not include King County tax assessments for 2010, as those figures were not available when we proposed the expenditure budget in compliance with the County's November 15 deadline. Mr. Smith explained that the lower tax option is now being proposed, which will result in approximately \$250,000 reduced tax benefits for 2010 over those of 2009. Commissioner Hemstad thanked Ms. Grinnell for the policy memo which accompanied Resolution 922 and asked that policy options (pros and cons) be provided on future memos involving financial policy recommendations. Mr. Smith clarified that Resolution 922 declined the additional 1% tax revenue for 2010 and is not the maximum allowed.

Motion carried unanimously.

Resolution No. 923 – Surplus Property

MOTION

It was moved and seconded to approve Resolution No. 923 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.

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 \$3,004,575.89, of which \$2,984,916.57 has been referred to Collection. The balance of \$19,659.32 represents bankrupt accounts and cancellations.

Reports

Reports From Administrators

Operations Update

Mr. Hayes reported on the impact Senator Margarita Prentice has had on Valley Medical Center over the years. Her work at Valley as an RN in the ED provided her with a foundation for future Senate responsibilities on Policy and Provision for Healthcare Services. Senator Prentice's advocacy for access to medical care extends to her providing innovation and leadership for safety net providers including her current project related to normalizing Medicaid physician reimbursement for our employed physicians. Senator Prentice's impact has been acknowledged by the Washington State Nurses Association, Home Care Association of Washington, Pediatric Interim Care Center in Kent, providers of the Mt. St. Vincent scholarship program, the Community Healthcare Network of Washington State, the March of Dimes, Renton Area Youth Services and Children's Alliance. Valley recognized Senator Prentice as a Champion of Healthcare in 1995. Because Senator Prentice's contributions have been significant and remarkable, Mr. Hayes requests the Board to consider authorizing Administration to dedicate new ED trauma rooms to Senator Prentice. The dedication to Senator Prentice would coincide with the January 2010 opening of the South Tower. The Board agreed unanimously to proceed with the dedication to Senator Prentice, as presented.

Patient Care Services

Mr. Alleman reported on the severity of H1N1, advising that there are currently five (5) patients in ICU with this virus. While census is high, it is not being driven by the flu. When patients are hospitalized with H1N1, their medical state is compromised significantly, with a devastating illness that requires long lengths of stay and often month of debilitating recovery following their ICU stay.

Clinic Network

Mr. Larson noted that the H1N1 flu has increased requests for appointments in the clinics where productivity has been impacted by transition to the Electronic Medical Record. Capacity will be adjusted in two (2) Urgent Care clinics to improve access during the flu and flood season this winter.

Business Development

Mr. Glenn reported that ongoing efforts to explore and develop a free standing Emergency Room in the Covington area has not changed with the announcement that MultiCare will be building a hospital. Our planning and development efforts are balanced with short range community needs and long range planning for the overall growth and development of the Covington area.

HR & Marketing

Ms. Mitchell noted that although there have been recent differing views within the Board of Commissioners on a range of topics, the one subject that all Commissioners can agree on and feel positive about is the quality of care provided at Valley Medical Center. To illustrate this to our community and convey that quality and safety of care is our number one priority, Ms. Mitchell presented a "United in Our Support" advertisement that promotes a positive and unified representation of Board leadership at VMC. Ms. Mitchell noted that an advertisement of this kind would clarify for our patients that although the Board have different points of view and differing focuses, quality healthcare is an aligning goal and represents common ground for all Commissioners. Ms. Mitchell advised that a print advertisement in the local newspaper could be arranged immediately. All Commissioners confirmed their agreement with the advertisement. Commissioner Hemstad suggested that adding Commissioner-elect Heide to the advertisement; showing a past-present-future continuum of leadership, could send a strong message. Ms. Mitchell said Commissioner-elect Heide could be added to the advertisement in January, after he is sworn into office.

Recess President Jacobson acknowledged a request for a recess at 5:05 p.m. following which the Board convened in Executive Session for approximately twenty minutes for the purpose of discussing litigation issues permitted by RCW.42.30.110(1).

Reconvened The meeting reconvened at 5:20 p.m.

Resolution No. 924

MOTION It was moved and seconded to approve Resolution No. 924 authorizing and approving the reformation, modification and amendment of certain provisions of Resolution No. 778; the Employment Contract between the Superintendent and Valley Medical Center; and the Valley Medical Center Supplemental Executive Benefit Plan.

The motion was passed with four in favor, (Commissioner's Jacobson, Bowman, Miller and Parnell) and one abstention (Commissioner Hemstad).

Recess President Jacobson acknowledged a request for a recess at 5:30 p.m. following which the Board convened in Executive Session for approximately thirty minutes for the purpose of discussing specific personnel issues permitted by RCW 42.30.110(g).

Reconvened The meeting reconvened at 6:00 p.m.

Public Comment Public Comment

President Jacobson called for public comment. There were none.

Public Hearing Public Hearing for I-900 Performance Audit

Ms. Grinnell reported on the findings by the State Auditor's Office (SAO) on the Performance Audit conducted on the 3 largest public hospitals in Washington State: Valley Medical Center, Evergreen Healthcare and Stevens Hospital. Ms. Grinnell, who was VMC's performance audit liaison with the SAO and who was previously an audit manager with the State Audit Office, noted that the purpose of a performance audit is to promote accountability and cost effective uses of public resources through the identification of potential cost savings. Cost saving quantification is one of the report outcomes and can be very significant; one recent audit of a local (King County) government entity had cost savings reported of \$144 million. The final report for Valley, Evergreen and Stevens (which commenced in October 2007) was released November 12 and contained recommendations for approximately \$8 million in cost savings; although *no savings* were attributed to Valley Medical Center. The performance audit had other recommendations, many of which were implemented or completed prior to the report release. Specific commendations to VMC in the area of nursing and administrative staffing included budgeting and daily management of staffing and productivity, both of which were considered best practices. Ms. Grinnell reviewed the five (5) areas involved in the performance audit and summarized the findings.

Ms. Grinnell noted that a Chief Executive Officer Compensation and Severance component was added as the 5th area of performance audit for all three (3) hospitals, months after the initial October 2007 audit commencement. The final report noted VMC's Superintendent/CEO compensation reflects twenty-seven (27) years of tenure, experience and performance.

One of the issues the audit identified was related to confusion over conflicting documents regarding the CEO's retirement plan. SAO's recommendation was to research and review the inconsistencies contained in the documents drafted entirely by external third party consultants in 2003. Neither the Board, the CEO, nor anyone at VMC was aware of the errors made within these documents.

An independent investigation was conducted by the law firm of Riddell Williams (which has had no relationship with VMC, its Board or staff) without any involvement by the CEO, Administration or the Board of Commissioners. Resolution No. 778 (dated November 17, 2003) authorized a retirement plan cash out at age sixty (60) for the Superintendent/CEO. Resolution 868 (dated December 3, 2007) authorized action which resulted in the payout of retirement benefits, which were paid in early 2009 (Resolution 904 dated February 2, 2009). The independent investigation by Riddell Williams concluded the amount funded was the amount the Board intended to fund and the calculation inconsistencies did not result in incorrect monies paid to the Superintendent/CEO.

The investigation has been submitted to and considered by the Board of Commissioners and as a result of the Board's review, the Board passed Resolution No. 924, which reforms, amends and modifies governing documents to reflect the true intent of what the original documents intended to reflect. This issue has been clearly resolved to the satisfaction of the Board of Commissioners.

Ms. Grinnell concluded her report by stating that VMC believes a performance audit is an important tool and VMC appreciated the recognition of the auditors that no potential cost savings were found to be attributable to VMC. She further stated that the areas noted with commendations are a reflection of our operational and financial strength and illustrate our commitment to quality care for our residents every day.

Public Hearing for I-900 Performance Audit

President Jacobson called for public comment regarding the I-900 Performance Audit. There were none.

Adjournment

There being no further business, motion was made to adjourn this meeting at 6:10 p.m.