

May 12, 2008

The regular meeting of the Board of Commissioners of Whidbey Island Public Hospital District was called to order at 6:05 p.m. by Board President, Roger Case. Present were President Case, Commissioner Schoenknecht, Commissioner Zaveruha, Commissioner Miller and Commissioner Wallin. Chief Executive Officer, Scott Rhine, Chief Financial Officer, Joe Vessey, Chief Operating Officer, Tom Tomasino, Chief Nurse Executive, Jacque Scott, Chief of Staff, Dr. Chris Bibby, Dale Roundy, Esq., Dr. Vader, Dr. Hu, Cal Cogburn, Teresa Garrison, Laura Baer, Christine Petsche, Laura Blankenship, Don Hansen, Katherine Baxter, Paul Boring and Mary Pierzchala were also present. President Case asked if there were any points of order to discuss, of which there were none.

#### **Minute Approval**

Minutes from the April 14, 2008 regular Board meeting were approved as presented in a motion by Commissioner Miller, seconded by Commissioner Schoenknecht. Motion carried.

#### **Public Questions or Comments**

There were none.

#### **Independent Audit Report – Moss-Adams**

Don Hansen, Health Care Services Partner from Moss-Adams was introduced and presented a report on the audited financials for 2007. Mr. Hansen reported that he and Josh Lewis, Health Care Services Senior Manager, met with the Finance Committee to review this report prior to presenting it to the Board. The audit went smoothly and the report is very positive. There is evidence of improved growth for the hospital, an increase in days of cash on hand and lower AR days. Mr. Hansen noted that Patient Accounts is to be commended for all of their hard work on substantially improved AR days. Mr. Hansen also thanked Frank Hemeon and staff and Doug Bishop and Joe Vessey for their preparation and assistance during the audit process. Mr. Hansen reported that an unqualified opinion was given, there were no required or recommended audit adjustments. WGH and Moss Adams identified two proposed adjustments which would increase income by \$412,000. These entries would reduce the audit reserve for the Medicare cost report by \$312,000 and recognize \$100,000 of billed charges with dates of service in 2007 that were entered into the computerized accounting system in 2008. Moss Adams deemed these two adjustments to be immaterial to the presentation of the District's financial position and results of operations. The Statement of Auditing Standard 114 (SAS114) requires that external auditors report on certain matters with the Board of Commissioners. In accordance with SAS114, Moss Adams reported there were no new significant accounting policies, no disagreements with management, and significant accounting estimates were deemed reasonable. Mr. Hansen also noted that the hospital had improved their methodology for calculating contractual allowances. Mr. Hansen noted that estimates for uncollectible accounts were materially correct, however the hospital may want to consider a retrospective review of collection experience in order to evaluate their methodology for reserving for uncollectible accounts. Mr. Hansen congratulated the hospital on a successful year of hard work and good management.

#### **Quality and Patient Safety Report**

A. President Case, Commissioner Wallin, and Scott Rhine, CEO recently attended a Safety Summit in Seattle that was very worthwhile. It was reported as a worthwhile program with excellent speakers. Carol Wagner, Washington State Hospital Vice President for Patient Safety spoke about needing to work harder on commitment to improve hand hygiene. There are 20% fewer infections in those hospitals that are doing well on this goal. The Board is responsible for promoting the development of systems and culture to promote and protect patient safety. Questions were raised about hospitals keeping their pledge not to charge for adverse events when they occur. The public and its representatives (Medicare, et.al) will continue to focus on cost reduction in some of the following ways: a) no payment for poor care, complications and unnecessary care b) more reporting c) want transparency d) hospitals not reporting risk loss of 3-5% of Medicare funding, which is estimated at \$12 million for the State of Washington e) encouraging Critical Access hospitals to report voluntarily f) Puget Sound Health Alliance and private payers are releasing physicians specific data now – hospital reports to be released this summer. National governing board consultant, James E. Orlikoff, also a board member at Virginia Mason hospital and President of Orlikoff & Associates in Chicago, talked

about what patients want and expect. Boards should be making sure our hospitals are safe, and supporting hospital CEOs as they work to improve the culture of safety. Boards need to set common expectations for results with hospital and medical staff members. Mr. Orlikoff stated that Boards cannot sacrifice or give up accountability to preserve medical staff autonomy.

B. Mr. Rhine stated that Medicare outcome measures are being reported and reviewed and that good progress is being made in most areas.

### **Medical Staff Report**

Dr. Chris Bibby, Chief of Staff, reported that there were no appointments or reappointments to approve.

A preliminary report has been received by Dr. Lockhart, anesthesia consultant. Based on the reimbursement mix and the desire to staff two operating rooms Monday through Friday, it has been determined that we do need to have three full time anesthesiologists. If the hospital were to subsidize this service, based on Western rates (we are some of the lowest) and being in the 25-50<sup>th</sup> percentile, it would cost \$300,000-\$500,000 per year. It is being recommended that we work with the current anesthesiologist group here at the hospital on contracting. The full report will be presented in the June Board meeting.

### **Individual Items (Discussion and/or Action)**

#### **A. Surgery Ad Hoc Committee Follow-Up Report**

The committee has met twice since the last Board meeting. Participants included Cal Cogburn, Linda Boling, Fern Deater, Laura Baer, Katie Carr, Sandy Marshall, Dr. Chris Outlund, Scott Rhine, Jacque Scott and Commissioners Miller and Wallin. Efforts of staff and leadership to work together to address these issues are appreciated. At the first meeting the group identified the following as priority issues in the following order: 1) behavioral issues 2) retention and recruitment 3) communication issues. At the second meeting, the group focused on recruitment and retention. It was stressed that new models for recruitment and retention need to be emphasized because previous methods and models don't seem to work with the younger physicians. Other things discussed included surgical hospitalists, the importance of addressing frequent emergency call, consideration of an employment model, possibilities of working with other hospitals in the area to share surgeons, work with the Western Washington Rural Health Care Collaborative to provide additional surgical nursing opportunities for current nursing and technical staff, and Mr. Cogburn provided some literature on physician recruitment. The next meeting will be held on Monday, May 19, 2008 to review potential models.

#### **B. General Surgery Call Proposal**

Commissioner Schoenknecht made a motion, seconded by Commissioner Miller, with Commissioner Zaveruha abstaining, to approve the general surgery emergency call proposal as presented to include compensation of \$325 per day after five days of call per month, with no additional compensation for the first five days of coverage. This is to be retroactive to March 1, 2008 and eligible to all general surgeons who can participate. Motion carried.

#### **C. Approval of WGH Foundation Agreement**

Joe Vessey, CFO, presented an agreement for approval between Whidbey General Hospital Foundation and Whidbey General Hospital to establish the general parameters of their relationship beginning July 1, 2008. This agreement clarifies duties and how they are discharged, and was worked on by Mr. Vessey, Mr. Rhine and Laura Blankenship, Executive Director of the Whidbey General Hospital Foundation. Mr. Rhine noted that this was done at the suggestion of the State Auditor's office to make it a more formal agreement. Mr. Roundy recommended that the language be amended somewhat to clarify that the document is a legal agreement. It was determined that the last sentence of the first paragraph be deleted, and a 90-day termination clause be added. The Board agreed in a motion by Commissioner Wallin, seconded by Commissioner Schoenknecht. Motion carried.

#### **D. Approval of Agreement with Western Washington Medical Group for Medical Oncology Services**

Mr. Rhine reported that the Western Washington Medical Group requested a change in their agreement structure with the hospital, proposing the hospital pay them a per visit fee. The contract was drafted by Foster Pepper, and the hospital and Western Washington Medical Group have reached agreement on the terms. The per visit fee will be \$120 on a two year agreement for these essential services. Commissioner Wallin made a motion, seconded by Commissioner Miller to approve the

agreement as presented. Motion carried. Mr. Rhine noted that interviews with an oncology candidate would be held this month.

E. Report from EMS Services Manager and Director on South Whidbey Fire District EMS Consultant Report

Roger Meyers, hospital EMS manager, reported that South Whidbey Fire District hired a consultant to evaluate the hospital's EMS services. The summary of the consultant's findings was received and was positive about the overall system. Mr. Meyers noted that there were some areas noted where improvement could be made. Plans will be made with the fire districts and ICOM to address these issues. The consultant basically indicated that the South Whidbey Fire District had three alternatives to consider: 1) continue working independent from the hospital 2) develop a more collaborative service with the hospital 3) South Whidbey Fire District could run their own levy next time an EMS levy is run, and if they receive the votes, they could own and operate a separate EMS service. The consultant recommended that South Whidbey Fire District and the hospital work collaboratively, and there was unanimous agreement that this was the best option for everyone. Next steps include working together on getting this accomplished. This was noted as a significant and positive step forward for everyone, and the need to move forward to address these issues was agreed to.

F. Building and Planning Committee Recommendations

Mr. Rhine reported that the construction documents for the south EMS quarters will be going out to bid in late summer, with a start date of late August or early September anticipated.

The South Whidbey Healthcare Services building is in the design and development phase, and nearly ready for final cost estimates, which will be brought to the Board. Our project managers report that they hope this project can start sometime in November of this year. User groups will be meeting the end of this month. The Building Committee determined that a sign would be placed on the property announcing the construction project. Commissioner Schoenknecht was asked to help plan and schedule a community meeting regarding this project.

Work continues on the hospital's master plan with a recent meeting with Ritter (project managers), Administration and Mahlum Architects. The Steering Committee and user groups will be meeting later this month as well.

**Board Items**

A. Proposed Changes in Hospital District Bylaws

President Case proposed that this item be tabled until all Board members had access to legal counsel's opinion regarding these proposed changes. Mr. Rhine stated that the changes were discussed at a recent medical staff meeting, and that Dr. Hu suggested adding the "grandfathering" language.

B. Washington State Rural Hospital Annual Meeting

It was noted that Commissioners Miller and Wallin, Tom Tomasino and Joe Vessey would attend this meeting in Chelan June 23-25, 2008.

**Staff and Status Reports from Administration**

Operations Report

Tom Tomasino, Chief Operating Officer, reported that the Sleep Center has passed their accreditation survey, and commended manager Pam Hawley and staff for their good work.

The second STAR upgrade will be implemented soon. Tom noted that the coordinators group is doing well, and that there has been good teamwork and communication for this project.

Diagnostic Imaging has become fully digital, including Whidbey General North and Whidbey General South. The film processor will be shut down. Commissioner Zaveruha expressed concern for the need of a back up plan for power failures. Tom stated that everything would work as long as we have emergency power.

Nursing

Jacque Scott, Chief Nurse Executive, reported that interviews are being held for a patient phone call follow up nurse, with hopes to have someone in place by July. Jacque continues to work with Tom on technology projects.

Financial and Statistical Report

Joe Vessey, CFO, reported that the proposed rule implementing the statutory provision in the United States Code that TriCare payment methods for institutional care be determined to the extent

practicable in accordance with the same reimbursement rules as those that apply to payments to providers of services of the same type under Medicare for Critical Access hospitals, will be in a 30-day comment period in the Federal Register beginning May 4, 2008. Mr. Vessey stated that there is hope that this can be implemented before October 1, 2008, which will greatly benefit the hospital. March financials reflected seventeen days in cash, which Mr. Vessey noted as good progress when compared to last year at the same time. AR days remain below 50. AR was \$18 million gross, with reserves at \$10.4 million and a ratio of 57% which Mr. Vessey stated was conservative, but adequate. On the liability side, the current ratio is 1.7, which is favorable. Assets exceed liabilities. A decline in outpatient volume resulted in gross lower revenue for March, which was below budget by \$870,000. Inpatient volume remains steady at an average of nineteen per day. Champus was 9% of gross revenue for March, with 7% budgeted. Mr. Vessey reported that adjustments were 50% of billed charges, which was under budget. The commercial contracts currently in place have been favorable and helped in this area. Regarding workers compensation and L&I, when the hospital raised rates, the fee schedule kept up with the rates and the budget remained conservative. We have seen a favorable increase in L&I collections. Operating expenses for March were slightly below budget, and the operating margin for the month of March was 6.11% with a positive bottom line of \$693,930. Year to date reflects many of the same trends as we saw in March. The operating margin for the year is 9.2%.

Commissioner Zaveruha had to leave this meeting at 8:00 p.m. He was called upstairs to work. It was reported that Commissioners Wallin and Miller took the opportunity to meet with the independent auditors, Moss Adams, to discuss any matters which were beyond the requirements of SAS114. No material issues were noted.

#### New Dashboard Report

The new Dashboard report was sent to the Board prior to the meeting. The Board requested a list of "triggering events", which Tom Tomasino will provide. Mr. Tomasino also asked for feedback on the definitions presented on the report, and noted that significant effort by staff went into this new format.

#### Community Relations

In Trish Rose's absence, Mr. Rhine reported that Trish is working with Dr. Burnett to highlight the surgeons, and procedures and skills they can provide. A bookmark type handout will be formulated and provided in primary care offices. The next PULSE is due out soon. Trish recently participated in a Rotary event, and will also attend the next meeting of the surgery ad hoc committee to get an overview of the things being done and work on promotional efforts. This will also be discussed at the upcoming medical staff retreat on May 31, 2008.

#### Consent Agenda Items:

A. There were no write offs presented for approval.

B. Vouchers audited and certified by the auditing officer as required by RCW 40.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing which has been made available to the Board. Commissioner Miller made a motion, seconded by Commissioner Wallin to approve vouchers #114512, #114574 and #1389 in the total amount of \$7,517.70. Motion carried. Commissioner Zaveruha was not present.

Vouchers audited and certified by the auditing officer as required by RCW 40.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing, which has been made available to the Board. Commissioner Miller made a motion, seconded by Commissioner Schoenknecht to approve vouchers #113855 to #1134583, #1371 to #1393, excluding #114512, #114574 and #1389 in the total amount of \$4,891,810.12. Motion carried with all commissioners present voting.

There being no further business, the meeting adjourned at 8:13 p.m.