

**BOARD OF COMMISSIONERS  
PUBLIC HOSPITAL DISTRICT NO. 1 OF PEND OREILLE COUNTY**

**April 23, 2015**

In Attendance: Commissioners: Lois Robertson, Thomas Garrett, John Jordan, Lynnette Elswick, and Raymond King; Thomas Wilbur, CEO; Directors: Chris Wagar, Shelley Froehlich, Kim Manus, Joseph Clouse, Walter Price, and Michele Page; Other: Trina Gleese, Jenny Smith, Heidi Hedlund, Casey Scott, Michael Zeimantz, Karl Jacobson, Adrian Obuch, MD, Leif Furman, and Nancy Shaw.

Excused: Chief of Medical Staff, Jeremy Lewis, DO.

CALL TO ORDER:

Commissioner Robertson called the meeting to order at approximately 12:33 p.m.

READING OF LEGAL NOTICE:

The regular meeting legal notice was distributed as required.

APPROVAL OF AGENDA:

The meeting Agenda, Auditors Report and Uncompensated Report were reviewed and approved as presented by a motion made, seconded and passed.

APPROVAL OF PREVIOUS MEETING MINUTES

The regular meeting minutes of March 26, 2015 were approved by motion, seconded and passed.

BUSINESS FROM THE AUDIENCE

There was no business from the audience to discuss.

COMMITTEE REPORTS:

Joint Conference/Planning – Dr. Lewis was unable to attend the meeting so there was no report.

Finance- Vicki Richter has been assisting in the department since Rick Knorr's resignation as Controller. Kenton Fisher begins his work as Controller on May 4 and having worked in healthcare facilities in the California and Arizona areas brings a wealth of experience to the position. He has worked with critical access hospitals, skilled nursing facilities, and assisted-living facilities and has worked in large (Tenet) and small hospital systems. Ken is originally from the Tonasket.

Kim noted that our 340(B) pharmacy program has been running consistently at over \$100K/mos. for the past three months and cash reserves have pushed over 100 days in operating expenses. Kim also reported receipt of a State 2010 rural health clinic settlement of \$280,000 for the month of April; that is not reflected in these financial reports – we will see that next month.

Kim attended Rural Health Clinic conference in Chelan this week; she noted discussions centered on the 2011, 2012 and 2013 State settlements for Medicaid services for RHC's. The State is statutorily behind with its reconciliations and plans to consolidate those three years under one settlement. FQHC's have submitted paperwork and 50% have settled; which took approximately 2 months. Kim expects to have further information to report at the next meeting. She anticipates our settlements under each year will be similar to that of 2010.

The Finance Committee discussed new Affordable Care Act (ACA) reporting requirements for medical insurance premiums for 2015. The ACA considers 30 hours/week to be a full-time employee; versus the District's definition of full-time at 32 hours/week. Due to the reporting requirements, it was approved by the Finance Committee to match our full-time employee definition to meet the ACA definition. There were very few employees who were impacted by the change.

Kim attended a meeting at the courthouse today and met with a gentleman (retired military/VA) who now works in Cathy McMorris Rodger's office. He is advocating for VA outreach in this area and advises that we form a local Veterans Advisory Board, which will provide much more leverage in obtaining outreach services for the Veterans. She noted that an outreach services van was placed into service nearly two years ago and is available four days per month, but the service is spotty because veterans sometimes fail to keep their scheduled appointments. Kim will obtain more information related to forming an advisory board and plans to speak to the Veterans Administration about hosting a local benefit fair to provide information about available services and programs.

Kim noted the VA does utilize our local diagnostic services (lab & radiology) and offers a program titled Choice that allows veterans to obtain an appointment locally if they are unable to be seen by the VA within 30 days, or if they are located greater than 40 miles from a VA facility. It was previously thought that VA facilities included Sandpoint and Colville clinics; Kim noted the service area was changed to actual road mileage (vs. as the crow flies) and qualifies many of our VA clients. Kim will continue working with United Healthcare to obtain contracted services with the VA. Veterans are in the process of qualifying to obtain local pharmacy services under the 340B program.

Our year-to-date net income is \$360K vs. a \$156K budget expectation. Kim explained Meaningful Use (MU), Stage II was not included in our 2015 budget due to the excessive price (\$265K) to implement that was quoted by INHS in 2013-14. INHS has since revised our Stage II implementation to \$93K, plus \$23K for licensing costs. Kim added that the Fed's recently ruled to allow a 90-day testing timeframe to give facilities ample time to attest to meeting the MU, Stage II criteria. NHHS has received some MU funding for three years; but, there remains one additional funding payment if we reach Stage II. We did not participate last year because the cost to implement (\$265K) exceeded the \$213K in available funding. Kim said she did not foresee any problem to meet the Stage II criteria and receive the additional funding, especially with the testing period allowance. Kim explained that if we waited one more year, there would be no money available to offset the expense to reach Stage II. Kim requested board approval to proceed with this capital expense, noting that the funding would also provide a patient portal to the Meditech system. A motion made, seconded and passed unanimously approved \$116K in funding to implement Meaningful Use, Stage II.

Kim announced the District recently won a lawsuit related to a claim lodged by a former employee. The board members commended Kim and the other witnesses involved for the successful outcome.



Treasurer Report – There were no transfers or significant items to report.

Auditors Report: The Auditors Report was approved as follows for the month of March 2015: Warrants #190794--#191198 and wire fund transfers #1059-#1074, in the amounts of \$925,059.28 and \$1,264,605.65, respectively.

Bad Debt/Charity Care: The proposed District Write-off's for April 2015 were approved for a grand total of \$102,040.70.

Quality Assurance/Performance Improvement:

The preliminary version of the new ED measures was presented at the Quality Council meeting yesterday. Heidi Hedlund anticipates these will be included as a scorecard for future monthly reporting. Heidi is also in the process of finalizing our Medical Data Set (MDS) scorecard results for LTC. The strategic metrics have not been published to date, partly due to Rick Knorr's departure.

Shelley Froehlich stated that the Critical Access Hospital annual program review was in process and will be available next month.

Walter Price thanked the board for approving an out-of-cycle computer backup system capital purchase last November. He explained the district was hit by a "ransom ware" virus last Friday. The virus enters the system via internet links, attaching to network folders and encrypting files. A window then appears explaining files can be recovered by paying a "ransom". This is a new, rapidly growing virus and is the first "for-profit" virus. The new system enabled a speedy and seamless recovery of files, and was well worth the investment.

SUPERINTENDENT REPORT

Clinic Update: Tom W. distributed the development design plans for the new clinic. Chris Wagar and the Design Team have been working for several weeks on design elements. Floor plans and interior design layout were reviewed with the Board. Features include two entrances, privacy accommodations, and a centralized provider core area. Chris noted that members of the team toured a clinic facility with a similar design/layout to gain perspective. The new facility is approximately 17,000 sf., and is one level. A large conference/classroom is incorporated into the building and is separated from the clinical space with separate restroom facilities and entrance. Chris noted that there are only two treatment rooms (versus the current three), but the new exam rooms (10'x11') are much larger than our current clinic rooms and we have an additional two that are even slightly larger. We will have two rooms dedicated for behavioral health consults and tele-health services; both of which can also be used as exam rooms. Chris explained the goal was to remain flexible and to consider future needs, noting that workstations can be changed or moved with no structural impact. Provider offices are private and a staff break room will be available to host luncheon meetings.

Financial Projections: Tom Wilbur referred to the last project budget, including hard and soft costs totaling approx. \$5.1M – which did not include any street vacation or south parking lot improvement costs (estimated to be an additional \$400K). Tom then provided the Board with a revised District operating/cash flow projection using the updated capital cost projections. He noted the preliminary 2014 financials (baseline data used for the January projections) was estimated low - compared to



actual 2014 year end totals. He indicated he deflated our historical run rates (averages) by 10% and then reduced net income by 15% over a two-year period to develop our "baseline net income/cash flow run rate."

Tom noted that he wanted initial estimates to be conservative – he cut our current 340(b) funding rate in half and totally eliminated the program after two years (neither of those is expected to happen). He went through the new cash flow projections and revised the estimates with additional routine and non-routine capital costs – using \$5.5M cost for the clinic and \$10.5M for the proposed residential care facility. He noted that the revised projections (after investing \$17.5M in capital - \$3.25M in net non-routine additions) drops our cash reserves to a low point of 50 days of operating expenses in 2017 – assuming our net income drops by 15% and the 340(b) program ends after 2016.

Tom just wanted to make sure the Board remained comfortable with the project costs/projections and the total funding ramifications. He indicated that he would continue to provide updates as we moved along the development process and had updated 2015 operating numbers to report.

New Sleep House: Tom explained the new clinic project will require us to vacate our existing bunk house and we have been reviewing alternatives. He noted a piece of property is available on Fea Street that appears to be suitable for our needs and would also provide space to clear snow from our west side parking areas. The house is three bedrooms which could be converted to four bedrooms, appears structurally sound and in better condition than the existing bunk house, and is listed at \$87,900. The roof is in need of replacement – estimate \$6,000.

Chris W. added that this was our most cost-effective option as we will not be able to utilize any vacated space for at least two years. The cost to rent a house was expensive and there were not many options within walking distance. Commissioner King added that he looked at the property file, noting there was a fire at that location several years ago. A motion was made authorizing Tom Wilbur to pursue purchase of the property (not to exceed the list price) and contingent upon inspection results, which was seconded and passed unanimously.

Commissioner King announced that the notice of public hearing has been published in the paper to review the hospital's request for a street vacation; he learned more information related to costs of vacating the street; however, he is awaiting verification from City Council prior to announcing a final determination. Tom clarified the question: can the city vacate the street without costs? Commissioner King responded, noting that public property, vacation has a dollar value associated with it-the question remains how this is interpreted. He will notify Tom when he receives clarification, and has the accurate information.

Legislative Update: The State budget is not complete; there were no major policy outcomes. Kim stated that the Telehealth bill passed that will open up payment from commercial insurance payors.

Professional Liability Risk Pool – the participating hospitals have dropped to 14; Tom remains in favor, as potential reserves stay with the owner pool and reinsurance eliminates significant downside risks. Kim noted that she will pursue coverage clarification. Tom will continue to pursue this options and report back to the Board – there is no decision required at this time.

#### OLD/NEW BUSINESS:

Jenny Smith announced the Rural Conference on Aging is scheduled on May 16 at the Priest River Events Center.

ACTION ITEM AGENDA

**Resolution No. 2015-02** – Via motion, made, seconded and passed, Resolution No. 2015-02 was approved unanimously appointing new District Treasurer Kenton Fisher, replacing Adolph “Rick” Knorr, and reaffirming Trina Gleese as Deputy Treasurer, and reaffirming District Auditor Kim Manus, and reaffirming District Deputy Auditor, Thomas Wilbur.

**Resolution No. 2015-03** - a motion made, seconded and passed unanimously approved surplus of property no longer needed for District purposes.

OTHER BUSINESS:

National Rural ACO - The Board of Commissioners and others participated in a webinar to learn about applying to become an Accountable Care Organization (ACO) and to pursue grant funding under a new CMS, ACO Investment Model (AIM) grant. Lynn Barr, Chief Transformation Officer and Georgia Green of the National Rural ACO (NRACO) group led the webinar discussion. The NRACO fees include a \$1,000 preliminary assessment fee (non-refundable) which secures an on-site visit to determine facility readiness. Thereafter, a \$24,000 application fee (refundable) is required to join a Medicare Shared Savings Program (MSSP) group for 2016. The fee is refundable under the following circumstances: a facility cannot find agreeable partner hospitals, does not have the requisite number of covered lives (must have between 5,000 and 10,000 covered Medicare beneficiaries), decides to withdraw from the application process by September 1, 2015, the ACO is not approved, or the ACO is approved for the MSSP, but not for the AIM funding, and chooses to withdraw.

Tom W. noted this will be an ongoing topic of discussion for the next several Board meetings and he looks forward to meeting with potential hospital partners and their Boards at the Chelan conference in June. He will keep the Board posted.

NEXT MEETING DATE

The next regular meeting of the Commission will occur on Thursday, May 28, 2015 at 12:30 pm.

EXECUTIVE SESSION

As permitted by RCW 41.05, the meeting was moved to Executive Session at approx. 3:00 pm. for approximately 15 minutes to discuss credentialing matters.

RETURN TO OPEN SESSION

The Commission returned to Open Session at approximately 3:20 pm.

Per the recommendation of the Medical Staff Executive Committee, the Board of Commissioners approved the following privileges by a motion that was made, seconded and passed unanimously:



Re-Appointment of Affiliate Status Privileges:

Erik Bergeson, PA-C

Michael Patterson, PA-C

Re-Appointment of Courtesy Staff Privileges:

Dieter Lubbe, MD

Braden Batkoff, MD – Cardiology

Appointment of Provisional to Full Affiliate Staff:

Lynn Peterson, CRNA

Appointment to Provisional Status:

Bryan S. Mitchell, MD – Orthopedics

Appointment from Locum Tenens to Provisional Staff:

Jillian Jenkins, MD

ADJOURNMENT

There being no further business, the meeting adjourned at 3:25 pm.

Minutes recorded by Nancy J. Shaw, Administrative Assistant and Tom Wilbur, CEO.

  
Lois Robertson, President  
Board of Commissioners

  
John Jordan, Secretary  
Board of Commissioners