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

August 24, 2017

In Attendance: Commissioners: Thomas Garrett; Lois Robertson, Terry Zakar, Lynnette Elswick, and Raymond King Tom Wilbur, CEO; Directors: Kim Manus, CFO; Walter "Buzz" Price, Pete Peterson; Chris Wagar; Others: Trina Gleese, Diane Waldrup, Casi Densley, Jennifer Johnston, Jenny Cooper, Chelsea McLaughlin, Jenny Smith, Lori Stratton, Jen Allbee, Doug Hammond, and Nancy Shaw.

Excused: Dr. Clayton Kersting, Chief of Medical Staff; Joseph Clouse, HR Director.

CALL TO ORDER:

Chairperson Tom Garrett called the meeting to order at approximately 12:30 p.m.

READING OF LEGAL NOTICE:

The regular meeting legal notice was distributed as required.

APPROVAL OF AGENDA / CONSENT AGENDA:

The meeting Agenda, Auditors Report and Uncompensated Report were included.

The following consent agenda items were approved as presented by a motion made, seconded and passed.

Auditors Report: July 2017: Warrants #202745-#203113 and wire transfers #1522-#1540 in the amounts of $1,217,268.26 and $1,735,736.79, respectively, plus an automatic loan payment deduction of $40,000 for a grand total of $2,993,005.05.

Bad Debt/Charity Care: all-inclusive July 2017 District Write-off's for $115,283.45.

APPROVAL OF PREVIOUS MEETING MINUTES

The regular meeting minutes of July 27, 2017 were approved by motion, seconded and passed.

BUSINESS FROM THE AUDIENCE:

There was no business from the audience.

COMMITTEE REPORTS:

Joint Conference/Planning – Dr. Kersting, Chief of Medical Staff was unable to attend the meeting. Walter Price, IT Director, followed up on a concern expressed by Dr. Kersting relating to customer wait times for calls coming through the clinic call center. Since his request, clinic staff have moved to address the issue and reduce call wait times (e.g.- enlisted assistants to locate/move paperwork, set a standard of no less than three staff members answering the phones at all times, developing a dashboard monitor to provide a real-time, visual indicator of calls waiting in the que, call wait times, etc.). Tom W. expressed his appreciation and the Board thanked Buzz and the IT crew for their efforts in ensuring consistent data retrieval and providing monitoring tools.

Finance –Casi Densley, Controller provided the financial report. Notes: an interim cost report is nearly complete by our auditing firm, DZA; AR has increased approx. $920,000 since May; cash on hand has decreased from 110 to 101 days over the same period. Casi noted that approx. $650,000 in billing is currently on hold for various reasons (care level authorizations and new wound care guidelines – where the staff is working to interpret the new billing guidelines). The 340b program continues to have the single greatest positive impact on the financial health of the District.

Tom W. relayed that financially we are holding "relatively steady." noting costs incurred to recruit providers in both in the clinic and the emergency department has been significant this year. We are looking forward to on-boarding Drs. Aaron and Tessa Reinke and are still contemplating adding to our provider staff; Tom noted that Dr. Kersting has indicated he would like to reduce his schedule by ½ day/week. Kim noted that while clinic visits are lower than budget, total visits are up 10% over last year. Tom anticipates another uptick in volumes with the new MD's beginning early September. In fact, concerns have been voiced that providers may see a decrease in their patient base as new MD's transition in; Tom responded that we should be better managing our patient base and scheduling annual wellness visits to offset any potential shifts.

Provider Recruitment- Tom stressed the need to recruit/retain five, fulltime, Newport based ED providers as a core; at present we have two. He has visited with another pending residency grad who was asking $220/hr, which Tom noted was the going rate for Board-certified ED providers. He presented a worksheet to the Board showing the ED prof. services line of business generated $800K in revenue (+/-10-15% variability depending upon MD documentation/coding) on our 7,200 annual ED visits. Presently, our ED target cost goal is $1.6M ($175-$180/hr./avg.) for physician services, leaving us an $800K shortfall every year. At $200/hr and $220/hr, the shortfall quickly jumps up to $1.0M-$1.2M/year. Our goal remains to find providers who prefer the lifestyle/life balance our area has to offer. Tom added that we have historically recruited quality providers; it is just taking longer due to current supply/demand.

In addition, we interviewed two surgeons looking for a full-time replacement; in today's market (supply/demand), providers are being paid very well and our local area population base makes it difficult to maintain a busy surgical schedule (8,000+ w/RVU's). Dr. John Nguyen, a General Surgeon from rural Michigan, was excited to work here; however, his existing service area population was closer to 75K (an isolated region of Northern Michigan). He was accustomed to high volumes and he wanted to maintain that busy schedule which probably wasn't feasible in our area. Tom will continue to recruit and ensure that we clearly convey what our market has to offer. For the interim, Drs. Kanning and Williams will be covering general surgery and orthopedist, Dr. Mike Schicker started his practice here this month.

VBP Models- Tom explained that as we explore value-based contract models, quantifiable returns remain hard to determine. Our goal remains to shift to shared savings contracts where carriers pay us a per-member, per-month (PM/PM) fixed fee up front to invest in care coordination and infrastructure and if we develop savings (reduce spend/reimbursement) due to reduction in ED visits, etc., we will share in the savings. Tom noted that some States (under Medicare waiver programs) are attempting to move to a fixed, cost-based budget model, with lower incremental fee for service (per click/unit of service) payments. We will continue to work with carriers under shared savings models, build core infrastructure elements, and explore the form of a fixed-cost, reduced fee reimbursement system. Tom plans to discuss this more in-depth at future meetings and our October board retreat.

Buzz Price explained that reports can be constructed to stratify our patient populations. There are approximately 3,600 Medicare patients. Chris Wagar explained that certain key patient populations are being targeted – new Medicare patients and patients that haven't been seen for over 2 years. Chris and Buzz indicated that forms are in being uploaded and mapped to the Centricity system tomorrow.

Jenny Smith also explained that a postcard campaign is underway encouraging patients to call for appointments. Tom explained the clinic experienced an operational setback with Pam Lee retiring in early August; it being a busy time on-boarding new providers and training care coordinators for population health management. Tom indicated he received a compliment from Peter Adler, President of Molina Healthcare - WA, who observed that Pend Oreille County is far ahead of our rural peers in population health management and care coordination. Tom noted the shift can be frustrating, as things don't always move as quickly as we'd like. It will require patience to replace Pam's critical role in the clinic. Chris Wagar added there have been several interested individuals; but we are seeking a well-experienced candidate. Another interview is planned next week.

Quality Assurance – Jennifer Allbee presented an Emergency Department dashboard report outlining 1, 3, and 5 year trends in total visits, left without being seen, patients leaving against medical advice, returns to the ED within 72 hrs, length of visit for patients not admitted (goal < 2 hr), Press Ganey scores and QHI benchmarking data. Jen noted that July 2017 set a 5-year monthly high for ED visits with at 790. Other targets monitored were aspirin upon arrival, EKG's < 10 min. for acute myocardial infarction/chest pain, and 45 min. initial CT for stroke indication - our avg. was 38 minutes.

Tom W. noted the manager/director team is trying to revamp our quality dashboards to ensure benchmark comparison data with WRHC peer and QHI reports. AMA and LWBS statistics were reviewed and discussed. Commissioner Garrett noted that he approved of the scorecard format.

An Executive Session will be required following the meeting for approximately 15 minutes to discuss personnel matters.

SUPERINTENDENT REPORT

ALF Project: Tom went over the entirety of the programing/design layout/costs for the new ALF unit and detailed the differences between the original building and construction budget. He noted the original and revised project included a core area of approx. 8,500 sf. that housed the kitchen, elevators, office and support spaces, and certain common areas, which didn't change. Each residential care wing now includes mixed use, one and two-bed studio style apartments rather than 18 single-bed studio apartments in the original design. Each neighborhood still includes a centralized dining and sun room/ entertainment area of approx. 1,500 sf. The new program/design reduces total building square footage from approx. 53,900 to 47,400 and total project costs from $10.7M (May bids) to $9.6M (estimated, presuming no design/market cost savings and a 4% construction contingency).

Tom noted that after re-design and reviewing program details, the Design Team favors our new program design, which is less costly and provides more functionality. The two-bed apartments are a better option for many of our residents with memory issues and the new design and building lot lay-out provide us with an additional thirteen parking spaces.

Commissioner Elswick asked whether the square footage was included in the original bond documents; Tom said he didn't think so (maybe in one attachment) but he would double check. The

new building/program elements were reviewed and discussed; Jenny Cooper and Chelsea McLaughlin commented on the benefits of the new layout. Commissioner Elswick stressed that one of the main selling features was there would no longer be shared restrooms. It was noted that each resident room features a sink and commode, with single bed rooms (ALF) having an independent shower. The two-bed rooms will have access to two shower suites (spa style) that are larger and designed for resident safety. Tom noted that our clientele will be our most "at risk" community residents and noted our caregivers universally favor the new design over the original.

Commissioner Elswick asked if the plan remained to construct a 72-bed facility with 54-beds finished and one 18-bed neighborhood roughed-in and available to expand in the future. Tom confirmed that remains our goal, but explained our new target "base bid" will include construction of the 54 finished beds and include an "additive" bid alternative to rough-in the fourth 18-bed neighborhood. Doug Hammond explained that our original design/bid included the roughed-in 18-units and had an additive bid to "finish" the fourth neighborhood. Tom noted this go around the rough-in option will be an additive alternate.

Commissioner Elswick stated that she felt more time would be necessary for discussion, noting that if we can't build what was sold to the public on our bond levy then we should not issue the bonds and should stop the project. Tom provided the Board a copy of the original resolution which he noted authorized construction of a 54-unit assisted living facility, including an18-bed memory care unit, issuing no more than $10M in general obligation bonds at a term not to exceed 25 years. He noted the Resolution, by legal design, affords the Commission extensive leeway to alter the project – which we have not done. The project we envisioned in 2014-15, which we have been working toward since, includes the same project goals. We did get waylaid in April by a very busy construction market that we did not foresee when we presented our bond levy to the public in 2015 and early 2016.

Tom presented a worksheet recapping construction bids received in April including base bids and additive alternates and the complete project budget, including soft costs (design fees, sales tax, equipment, bond issue costs, etc.). He noted our original construction/total project budgets were $9.0M/$11.0M. However, our lowest construction bid came in at $10.5M, approx. 15-17% higher than expected. That was a surprise to our A&E folks, general contractors, and an independent cost estimator, who confirmed our $9.0M cost estimates in late March.

Using that base estimate, ***with no savings*** for bid timing, and applying a design reduction of 6,500 sf., we should garner construction savings of $1.2M on the project. Tom noted additional project cost savings could be received for bid timing and design re-engineering on the project. Doug Hammond noted air handling redesign work will provide the same efficiencies at a lower cost and electrical/mechanical costs, typically around 30% on similar projects, were closer to 40% on this project due to a full construction season. Tom noted we will fund the project with $10M in bonds and the District pledged an additional $1M. In May, post bid, our total cost estimate was just over $13M. The reduction in size and potential savings with re-engineering (3%) would bring the project much closer to original $11.0M budget. To date, $470,000 has been spent out-of-pocket on the design costs.

Commissioner Elswick conveyed concerns that one of the selling points to the public was residents having private bathrooms, but the two-bed design includes only a sink and toilet and not a private shower. Chelsea McLaughlin noted the functionality of this building will be completely different from RMV and most of the residents will require showering assistance under this advanced care model. Jenny Cooper noted that most long term residents only shower once a week and Chelsea added that

dementia patients are often very opposed to being exposed to water. Tom noted our original design was intended to meet the basic ALF, single-bed studio style building; however, after our bid failed and the design team met with DSHS and DOH officials, the idea to create a mixed-use space was developed and everyone is excited about the possibilities. We will not specifically contract for full dementia-care certification, with the State, but we will contract for both ALF, and EARC (memory care) in a contiguous, mixed-use space. Tom W. stressed that the facility will be structured as high-end, high level care, residential facility designed to care for long term, high acuity residents. The facility's cost was a primary factor for re-considering the bathroom design in each room, but there still remains a bathroom in each room.

Following discussion, it was determined that Jenny Smith will draft a media/web update of information relating to the status of the project to ensure transparency and communication. Staff and Commissioners at the meeting, some with family at LTC, indicated they have heard no negative feedback from the community when mentioning the new design. Most just want us to get started.

Doug indicated four of the five contractors who bid in May are still interested in our project. Tom noted the revised total project costs is $12M (w/$470K already spent). With bond proceeds of $10.4M (still issued at a premium, TBD), that would leave us with $1M in capital outlay (spent from March 2018 to March 2019). He noted his estimate used May bid costs without any re-design savings and includes 54-beds finished and 18-beds (4th neighborhood) roughed in. Tom believes up to $600K in cost reduction could be realized by value engineering and better bid timing on the project. Doug interjected and noted it would be prudent to be "irrationally pessimistic" with regard to project costs.

Commissioner Elswick noted the $1M in additional capital spend would not be feasible until other issues are resolved: clinic volumes, increased ER provider and recruiting costs, etc., as the residential care service line is typically only a break-even proposition. She stated she is not comfortable with any final decision at this juncture. Tom was fine with that; the information provided was intended to bring the Board completely up to speed on the re-design progress and updates will continue each month. Tom noted the 18-bed rough-in will be an "additive" alternate (est. at $1M) this go around, which, if forgone, would negate any additional spend – or at least put it back to the Board for a final review decision. Doug Hammond expressed that he is fairly confident the additional 18-bed neighborhood would fall within that $1M budgeted.

Commissioner King felt the mid-December bid timing could be beneficial for our project and Commissioner Garrett clarified our decision to issue bonds would not be required until bids are back? Tom indicated that would be fine; we will not need any new funds to complete the design/bid phase of the project. Commissioners Elswick and Robertson asked to see an incremental return on investment analysis for the additional rough-in ($1.0M) and finish ($1.0M) on the 4th, 18-bed neighborhood. How will our financial performance, with and without the neighborhood be affected? Tom noted Kim was working on that and we would try to have something back to the Board next month.

Commissioner Garrett noted that he is comfortable with the proposal and added he believes the new design concepts and information needs to be presented to the community. He opened the floor for additional questions and concerns. Commissioner Elswick asked whether State law distinguishes what is a "unit" vs. "bed". Tom W. indicated he didn't think there was – a unit/person is synonymous under contract and licensed bed count. Kim noted that she asked Attorney Brad Berg and he didn't feel there was an issue. Tom W. reviewed the bond presentation that was provided to the community prior to the voter approval and would send it to Brad to review.

All agreed that it's time to inform the community on the updated information. Jenny Smith proposed sending out a mailer to all registered voter households and provide information on the District's website and to the Newport Miner.

Commissioner Elswick referred back to the information that was originally relayed to the voters and stressed the importance of clarifying with regards to changes in room design. Commissioner Robertson stated she didn't feel that the lack of showers in the rooms was an issue with the folks she had talked to, because each room include a commode and sink. Tom noted during campaign presentations, the key issue for most in the community was the hallway bathrooms and the antiquated building - they have remained complimentary of the level of care provided.

Commissioner Garrett requested notification when Jenny has the communication plan prepared. Jenny welcomed the Board to send their comments to her via e-mail. Tom added that Sarah will submit composite information, including photos.

OLD/NEW BUSINESS:

Recruitment: Tom noted that work is continuing to recruit physicians and onboard providers.

We continue to evaluate value-based purchasing contracts and are in negotiations with Molina and have been invited to participate in the Better Health Together steering committee to review integration of medical and behavioral health programs. Kim has also been invited to participate in the funding aspect of the programs under the 1115 waiver proposals.

Tom noted the 1115 program provides payment for services and is not a grant. The question becomes what is being paid for and how it is paid; the funding does not pass through BHT, but through CMS/ fiscal intermediary to the providers. Better Health Together is responsible to develop the program and measure the progress. Chris Wagar added that many people have been working diligently to accomplish the task, much of which is new, unfamiliar territory.

ACTION ITEM AGENDA

Capital Expenditures – Tom W. explained the need to purchase three capital items that were not included on the meeting agenda due to unforeseen circumstances:

1) Radiology touch screen monitor for the x-ray unit at a cost not to exceed $12,000. (Note: we had opted out of an annual service contract cost of $32,000; so we are still ahead).

2) Hospital Survey Corrective Actions – sprinkler heads required removal and testing, which passed. Our smoke dampers; however, which have never been tested (new requirement in 2014) failed and we need to get 42 dampers (out of 43) replaced. The cost per damper is $250 ($10,500), plus installation, a final cost to be reported back to the Board (est. $20,000).

3) Boiler Valve Replacement – the boiler parts and values are in need of replacement since being installed approximately 21 years ago – costs not to exceed $30,000.

Total capital expenditures in the amounts of $30K for replacement valves, $10,500 for damper actuator costs, and $12,000 for a radiology monitor (grand total $52,500) was approved by a motion made, seconded and passed unanimously.

OTHER BUSINESS:

There was no other business to discuss.

Per the recommendation of the Medical Staff Executive Committee, the Commissioners approved:

Provisional Appointments:

Family Practice/Surgical Obstetrics:
Aaron Reinke, MD
Tessa Reinke, MD

Radiology:
David Holznagel, MD

Change in Privileges:
Jeremy Lewis, DO, resign his Conscious Sedation Privileges

EXECUTIVE SESSION

The meeting moved to Executive session at approximately 3:02 pm. to discuss personnel matters for approx. 15 minutes.

RETURN TO OPEN SESSION

The Board returned to open session at 3:15pm. and there was no action taken.

NEXT MEETING DATE

The next regular meeting of the Commission will occur on September 28, 2017.

ADJOURNMENT

There being no further business, the meeting adjourned at 3:15 pm.

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

Thomas Garrett, President
Board of Commissioners

Terry Zakar, Secretary
Board of Commissioners