

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

**December 1, 2016**

In Attendance: Commissioners: Lois Robertson, Terry Zakar, Lynnette Elswick, Ray King, and Thomas Garrett; Clayton Kersting, MD; Thomas Wilbur, CEO; Directors: Shelley Froehlich, Joseph Clouse, Michele Page; Others: Ken Smith, Ken Fisher, Nancy Shaw, Doris Hiebert, Casey Scott, Walter Price, Katie Weber, Becky Dana, Heidi Hedlund, and Jenny Smith.

Excused: Kim Manus, CFO; and Chris Wagar.

CALL TO ORDER:

Chairperson Robertson 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: October 2016: Warrants #198842-#199268 and wire transfers #1368-#1382 in the amounts of \$1,329,490.57 and \$1,474,030.47; Loan Payment Deduction \$40,000; 218 N. Fea Street purchase: \$113,302.65, respectively.

Bad Debt/Charity Care: all-inclusive District Write-off's for October 2016: \$140,054.57.

APPROVAL OF PREVIOUS MEETING MINUTES

The regular meeting minutes of October 27, 2016 and Special meeting minutes of November 14, 2016 were approved by motion, seconded and passed with one correction to the November 14 minutes: Page 2, bullet 5 – *which will provide 365/12 (vs 24) security presence.*

BUSINESS FROM THE AUDIENCE:

Ken Smith, a community member, addressed the audience and Commission to express his thanks and compliments to the hospital staff during a recent visit to the emergency department, specifically Dr. Andy Harris and the ED staff for their professionalism and quick response. He felt they saved his life and were thorough, made him feel at ease, and got him connected to Spokane. The Board and Senior team thanked him for his kind words – and would share them with the ED staff.

COMMITTEE REPORTS:

Finance - Ken Fisher reported an uptick in clinic visits for the month with the new providers on board. Tom W. noted that was the first step, but it will be a few months before we see a significant impact to the bottom line. Commissioner Robertson asked whether a marketing plan is in place to promote the new providers; Tom indicated that Jenny Smith will be publishing a press release once

the providers are accepted to more of our insurance plans – that is part of the problem, we can get the providers licensed and practicing but it can take months before we can get the credentialed with all of the various insurance plans. Until that is complete, it is tough to market – we don't want to promote them and then find out we can't perform the service.

Joint Conference/Planning – Dr. Kersting reported no significant issues and noted that the new MD's Zabriskie (Aaron and Stacy), Jennifer Eickstadt, PA-C and Lisa Mackey ARNP are transitioning nicely to the practice. He said the patient flow in the new clinic building is very good – the providers like the building and are happy with their space. He did note that the lobby can be loud sometimes, but the folks in the clinic core don't notice. Tom explained that new sound abatement panels (that will match the interior color scheme) will be placed in the new clinic lobby area to muffle the "echo" that resonates in the space.

Dr. Kersting noted the ER calls are occurring less frequently; Tom indicated several providers have expressed an interest in working here full time but we still don't have the core 4-5 full-time providers that we are ultimately trying to find.

Quality Assurance – Heidi Hedlund presented the quality scorecards. Michele Page and Shelley Froehlich reviewed their scorecard data; highlights included:

Shelley reported that patient satisfaction positive response scores are holding at 92-93%; pain management is in the 98<sup>th</sup> percentile (all hospitals); Shelley commended the nurses for their efforts. Commissioner Elswick questioned two medication events under the "orders were not followed" category in October; Shelley responded, noting that orders were not updating properly to the electronic medication administration record (E-MAR) system, which has been addressed. Commissioner King asked what the influenza vaccination rate is for employees; Chris noted that it is presently at 72%, which is a record for NHHS, but still very low for hospitals in the State.

Readmissions – Heidi reported that Newport's Medicare rate is 11.5% - notably, a 32% reduction in the readmission rate since 2012.

LTCU – Michele explained that quality of life data is tallied by the MDS nurse during routine resident assessments, which are completed during the first 7 and 28 days of admission and quarterly thereafter. Many times pain control rates run high, due to a high pain threshold at the time of admission. Michele attributes the high rates to our overall increase in admissions over the past three months; also, the first seven days for residents with hip fractures, for example, would be higher. Otherwise, the scores are acceptable. Urinary tract infections are common in the skilled nursing setting.

Michele is pleased with the resident satisfaction rating – all categories improved with the exception of four. The target positive response threshold is 93%, which was met in food, environment, and care categories. Families provide answers to the survey for those residents that are unable to respond.

River Mountain Village – All resident satisfaction scores improved with the exception of dietary choices. Commissioner Garrett requested clarification related to percentages; Michele explained that the goal is to accomplish a threshold average of 93-94% (an equal split response between 4 and 5's would be 90%; 4.5 out of 5.0). She noted that Chef William was absent for two months and the residents have become accustomed to meals prepared by William.



Michele noted that the average turnover rate in the residential care industry runs very high and our turnover rate has been exceptionally low, especially for CNA's. Our agency staffing has been running next to zero for 2 ½ years; the continuity and quality of care is evidenced in our scores.

Primary/Ancillary Care – the scorecard was included – Chris Wagar was not in attendance; Heidi noted that any questions may be directed to Chris.

An Executive Session will be required following the meeting for approximately 10 minutes.

### SUPERINTENDENT REPORT

2017 Budget: Tom reviewed the District's annual operating trends since 2010, including YTD actual and annualized, and the approved 2017 budget. Tom does not anticipate any significant changes or cost settlements and noted the 2015 and 2016 annualized gross revenue is virtually the same at \$43M; however, net income in 2015 is reported at \$28.9M, but includes nearly \$1.1M in prior period clinic settlements going back to 2010-13'. For presentation purposes he restated the 2010-2015 years and noted 2015 net revenue was \$27.8M (adjusted), which is very close to 2016 annualized. Tom indicated 2015 was essentially a break-even year (instead of the \$1.0M income) which is on our historic trend – only 5 times in 23 years have we shown income from operations. Generally, we have run at a small operating loss and then get back into the positive with M&O taxes, interest, grants, donations, and now 340(b) revenues.

Tom pointed out he added a new line: EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) to our regular financial statements – and explained when issuing bonds this becomes a focus – it is our cash flow to support capital financing [pay debt and purchase new equipment]. Tom noted EBITDA for 2017 is projected at \$2.1M with projected annual debt service and routine capital spend at \$700K and \$750K, respectively, leaving us approx. \$600-\$700K in projected free cash flow. Tom noted our six year EBITDA trend varied from \$1.2M to \$3.2M (\$1.7M prior to 340(b) and \$2.4M, post). At nearly \$1.8M/year, our 340B Pharmacy funding has a huge impact on our bottom line and financial condition.

Tom noted the 2017 budget included salaries/wages for three new providers and also the switch in our ER professional fees (\$800K) to an in-house billing model. The budget also includes 13 new FTE's for a full year, though we will not be adding any (except for those that are needed to support the new providers) until after we see our results through Q1, 2017. In addition, he felt we have approx. \$800K in potential ACO/CCO revenues which are not reflected in the 2017 revenue budget.

The 2017 budget cost (add) for the new providers (\$400K), 13 FTE's (\$650K), and OB department float nurses comes to \$1.1M. The combined 1.5% annual wage increase and Millman survey wage adjustments (\$375K) and annual bonus allowance (\$196K) push total salary and wages from \$16.2M to \$17.9M. 2017 benefits expenses totals \$4.9M (up from \$4.3M) due to additional staff (\$235K), increase in our medical insurance premiums (\$240K) and increases in employer match pension costs (\$75K) for automatically enrolling new hires in the District retirement plan (date to be determined) and to encourage employee participation. Tom felt the expense budget was very conservative.

On the revenue end, gross revenues are expected to increase by nearly \$7.5M due to the new providers being on board (including the capture of the full year ED professional fees). Overall



average revenues (and provider income) per-physician varies and Kim used a modified multiple to calculate the gross and net revenue amounts – which Tom believed Kim budgeted conservatively – but there would be no way to know until we got into 2017 and see what happened. Tom does believe there is unmet demand and adding our new providers should create the additional services.

New debt service was also added to the budget; though Tom explained that we are waiting until the market settles before issuing any new debt. He noted much had transpired in the bond markets in the past month, post- election. Since July, when Britain exited the EU and interest rates plummeted; it was discussed at Finance Committee whether to issue the bonds, as the money wouldn't be needed for almost a year. Following the election, interest rates spiked nearly a full point. This was discussed with the Underwriters and it was determined to place the levy in 2017 and issue bonds. There is really not much place to go for interest rates but up.

ACA – The State of Reform conference is scheduled for January 5, 2017 at SeaTac if anyone was interested. Tom noted that representatives from the State Democratic and Republican caucuses will be in attendance to overview their vision for healthcare and the potential Federal trickle down. He did not feel the State's 1115 Waiver to CMS to fund coordinated care and new payment models/ redesign will change; the fundamental problem with the high cost of health care and premium rates will continue until providers do something different – to build better, more integrated systems of care. We should remain a cost-based reimbursement system and no changes are anticipated with the District's CAH designation status.

Following review of the budget details and much discussion of potential industry changes, Tom W. inquired as to the general feelings of the Board now that they had thirty days to reflect on the 2017 budget and in review our historic trends. He noted, as he has stated many times in the past, we are a small rural care delivery system – we are always at the mercy of potential legislative changes and tight budgets. Uncertainly is the only absolute in our business. Commissioner Garrett stated he was comfortable with the budget and implementation plan, noting it still met his approval. The Board was in general agreement with no dissenting opinion. Tom W. thanked everyone for their participation and noted the final Dec. meeting will include an updated capital budget (Priority 1 equipment) and the latest on our capital projects. He noted, beside the ALF project which will be funded by our future bonds, that he didn't expect we would be moving forward on any other building/remodel initiatives until after Q1, 2017.

Provider recruitment / Professional services: Tom indicated he has received interest from an FP provider who is doing her OB Fellowship at Swedish hospital. She will be done in 2017 and learned of our opportunity via the 3R Net website. Between those postings and Lisa Fisher's attendance at a recent recruiting session we are finding more interested candidates; another showing interest is Dr. Joseph Cwik from Mead. Tom explained that more providers are striving to balance lifestyle and work and we have strived to meet that need, which is being reflected in our recruiting efforts. He noted we have re-submitted our Health Professional Shortage Area (HPSA) and Medically Underserved Area (MUA) applications and we expect to qualify at either a 14 or 16, depending, which is great for provider loan repayment, another bonus for recruiting efforts. Doris Hiebert has received comments from patients who prefer to see a physician vs. a mid-level provider, but timely appointments are not available. This is anticipated to improve as our new providers come on board. Commissioner Robertson has received positive feedback from patients that have seen PA-C Jennifer Eickstadt.



Tom and the providers are looking at an option to bring tele-psychiatry services into the ED/Acute setting (via Providence) and the clinic (TBD). Buzz Price has been working with members of Providence to enhance our network capabilities and internet bandwidth to handle the service. It will be a technical challenge, but preliminary plans are in place to parallel two services while switching the VPN's to transition.

Safety and Security – Doris Hiebert, RN urged the Board to consider security staff on campus; incidents in the ED are more frequent with staff dealing with many aggressive personalities and with limited staff during the late night hours. The County Sheriff's department remains understaffed and the only available law enforcement staff must be dispatched from home after 2:00 am. Tom W. assured Doris that the Directors and Board are well aware of the need and a task force has been exploring options – with coverage costs built into the 2017 budget.

Incentive Compensation - Tom W. presented the 2016 incentive program targets/results, noting the five indicators: days cash on hand, income/loss from operations, patient satisfaction survey results, inter-departmental survey scores, and hours of employee education/training. Each target was assigned a \$160 value and included a min/max range (annual bonus of \$800 if we pegged every target). Through the October/November cut-off we had achieved 74% (\$592) of the pre-determined calculations; top scores were achieved in three targets, one was a zero. The Board reviewed the data and noted the efforts were good and we had tracked and posted the results throughout the year. Though the bonus was less than the year before, it was reflective of our overall goals – the zero score coming on our financial results. The Board felt the program worked as intended.

#### ACTION ITEM AGENDA

**A motion made, seconded and passed unanimously approved the 2016 non-contract staff incentive compensation to be distributed equally between all eligible District non-contract employees using total "benefit hours" paid, not to exceed total of 2,080 hours (full time) per employee (approx. \$592). An employee, to receive the incentive, must remain actively employed with the District from the meeting date through December 5, 2016. Incentive checks will be distributed on December 9, 2016.**

**Resolution 2016-13.** Tom W. explained our M&O tax levy resolution was approved in November, but after watching the markets and speaking with our Bond Underwriter, we are revising the resolution to request the Assessor add a Special Levy necessary to cover the debt service on our \$10M/25 year bond (payment schedule attached). Though we will not issue the bonds until April, depending on the market, the County can begin collecting taxes for which the funds can only be used to pay principal and interest – and, if it turns out to be less than our request, we can adjust the levy in the following year. Taxpayer will not see an increase until April and the taxes paid can be used to offset against District accounts; Jenny Smith indicated that a press release would be issued thanking voters and reminding them of the discount opportunity. **Resolution No. 2016-13 (rescinds and replaces Resolution No. 2016-08) was approved by a motion made, seconded and passed unanimously.**

**Resolution 2016-14 was unanimously approved via motion made, seconded and passed.**

OTHER BUSINESS:

Capital Planning – A meeting is scheduled on December 16 to discuss A&E concepts for the new Assisted Living Facility. Tom invited Commissioner King to attend.

Circa '58 Vacated Space – Tom offered a layout and plans for a proposed space remodel - it includes a centralized check-in area surrounded by visiting clinic/outpatient and physical therapy space. Commission Elswick stated she feels the vacated LTC (in 2018-19) might be a sensible location for physical therapy. Tom agreed but indicated patient parking could pose a challenge; the lot is sloped would could be difficult to navigate for patients, especially during the winter months. He noted that other layout and design options were discussed; however, at present, the programming work is intended to only to determine if, and how much it will cost, to remodel the space and bring up to current outpatient building codes. The goal is to find out what the approx. per sf. remodel cost will be and it bring back to the board for further consideration.

The District Awards (4 awards and years of service recognition for 36 employees) and Christmas Celebration is Friday, December 16, 2016. Commissioner Robertson encouraged Board members to attend. An evening gathering is planned Dec. 9<sup>th</sup> at the Beardmore Bistro from 5-9 pm.

Board committee appointments and nominations will be presented at the December 22 meeting.

EXECUTIVE SESSION

As permitted by RCW 41.05, the meeting was moved to Executive Session at 2:10 pm for approximately 15 minutes for credentialing matters.

RETURN TO OPEN SESSION

The Commission returned to Open Session at approximately 2:25 pm.

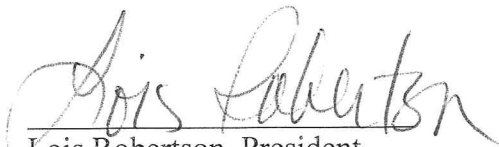
Per the recommendation of the Medical Staff Executive Committee, the Board of Commissioners approved Provisional – General Surgery medical staff appointment for: Stacy Zabriskie, MD

NEXT MEETING DATE

The next regular meeting of the Commission will occur on December 22, 2016.

ADJOURNMENT

There being no further business, the meeting adjourned at 2:30 pm.  
Minutes recorded by Nancy Shaw, Administrative Assistant and Tom Wilbur, CEO.

  
Lois Robertson, President  
Board of Commissioners

  
Terry Zakar, Secretary  
Board of Commissioners