

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

January 26, 2017

In Attendance: Commissioners: Lois Robertson, Lynnette Elswick, Terry Zakar, Raymond King, and Thomas Garrett; Thomas Wilbur, CEO; Directors: Pete Peterson, RN; Michele Page; Walter Price, Kim Manus, Chris Wagar; Others: Casey Scott, Trina Gleese, Steve Price, Tamala Reed, Jen Allbee, Doug Hammond, and Michelle Nedved, Newport Miner, Nancy Shaw.

Excused: Clayton Kersting, M.D., Chief of Medical Staff.

CALL TO ORDER:

Chairperson Garrett called the meeting to order at approximately 12:35 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: December 2016: Warrants #199823-#200238 and wire transfers #1398-#1417 in the amounts of \$1,237,102.97 and \$2,167,392.44, and Loan Payment Deduction \$40,000, respectively.

Bad Debt/Charity Care: all-inclusive District Write-off's for December 2016: \$173,757.86.

APPROVAL OF PREVIOUS MEETING MINUTES

The regular meeting minutes of December 22, 2016 were approved by motion, seconded and passed.

BUSINESS FROM THE AUDIENCE:

Annual Safety Committee Report: Steve Price, Safety Committee Chairman, introduced himself and noted the 2017 Committee Officers are Tim Rumph, Vice Chairman and Ashley Peters, Secretary. The Committee meets monthly and Steve invited the Board members to attend any time they wished.

The highlights of the Committee's 2016 work were shared: several Code Silver (active shooter) drills were conducted in conjunction with the Emergency Operations Committee; regular departmental inspections (two per month) were conducted to identify potential safety issues; Safety Committee attendance has been bolstered and Steve has been encouraging employees to represent their departments at the Safety Committee. A Safety/Security Task Force was formed to better ensure safety for our patients, public and employees. Steve noted that we have also added the Nixle and Net Notify electronic (e-mail and text message) emergency alert systems as a means to notify employees of a disaster, hazmat, or other safety hazard occurrence.

It was noted that Chris Johnson, an officer on the Spokane Valley PD, was brought in to provide staff training on De-escalation Techniques and Personal Safety. Following a question from Commissioner Garrett, Casey Scott explained that the initial goal was to ensure that front line staff would receive the training; to date, approximately 60 employees have attended the classes; Officer Johnson will continue to offer the sessions throughout 2017, at no cost to the District.

Chris Wagar is appointed as the District's Safety Officer and will oversee security, safety and emergency operations planning for the District.

Tamala Reed was welcomed and introduced. She reviewed with the Board the monthly statistics the safety committee tracks, including: annual patient falls (16) vs. (20) in 2015. Medication errors (13), compared to (11) in 2015. There were a total of 5 needle sticks in 2016 and 5 root cause analyses were conducted. Reported L&I claims: 12 allowed claims with 15 injuries; 2 claims were denied and 1 was undetermined. Patient-care related claims totaled 4 at Long Term Care; and 2 at ACU. There were 4 L&I time loss claims; 3 will continue into 2017.

The Emergency Operations Committee and Safety Committee combined efforts to conduct Code Silver drills throughout the year. The Safety Committee conducts a safety survey, which revealed the overall concern of staff for safety and security.

Monthly generator and preventative maintenance tests were completed by the Engineering department and scheduled fire drills are conducted twice per month. Steve explained the District no longer deploys a Hazmat team; however, Safety inspections include a review of hazardous chemicals, Material Safety Data Sheets and proper chemical storage.

Sharps containers are located in strategic areas and disposal procedures were routinely reviewed. Eyewash station locations are reviewed with staff members, as well. Commissioner Elswick asked how a community-wide chemical incident would be handled; Steve explained that County agencies decontaminate patients at the scene prior to transport to the hospital; a decontamination shower is also located outside the Emergency department for walk-in patients. Tom W. explained that the County is in the process of forming an EMS District, which should eventually encompass Hazmat training and use in the field.

Tamala reviewed the goals set forth by the Safety Committee and noted that Committee meeting attendance improved over the previous year and monthly safety audits and corrections have been accomplished. District-wide communication has improved; and Code Drill coordination has occurred. A Code Gray was successfully investigated and reported to Administration; the District remains in compliance with State regulations.

Steve outlined the 2017 goals: continue to increase Committee membership/attendance, continue to monitor and comply with State law Safety regulations; and conduct routine safety departmental inspections in conjunction with the Safety Officer and Task Force.

Commissioner Garrett expressed the importance of the work and role of the Safety Committee and thanked them for the informative presentation.

Buzz Price stated that the Nixle emergency notification system is comprised of templates that outline disaster levels to include appropriate contact information, depending upon the disaster level. Buzz

will continue to fine-tune notification programming for specific communication targets. The Net Notify program offers a computer-based tool to send message blasts to pre-chosen groups, depending upon on the situation.

Steve Price thanked the Board for their participation and interest in the Safety Committee's progress.

COMMITTEE REPORTS:

Joint Conference/Planning - Tom W. reported that Dr. Kersting has been overseeing the progress of the Accountable Care/CCO roll out. The first meeting occurred this week to review our annual wellness visit protocols. He noted our ultimate goal is to provide timely and effective care within a delivery system that seamlessly captures accurate information, documentation, and medical orders necessary to provide great treatment and to receive the full compensation for the services we provide. We want to support our patients throughout the entire spectrum: to not only assist with care, wellness and intervention, scheduling and pre-authorization, but also with helping to decipher their insurance coverage and regulations and financial obligations. Be a first stop assistor within the care delivery system.

Finance – Kim Manus explained that year-end per-audit adjustments are still in process and our 2016 operating loss is due to higher contractual adjustments – approximately 2.5% higher than budgeted; we have climbed into the positive using 340B revenues to offset losses.

She noted that many items reported last month during the budget approval remain factors in the financial picture: Emergency room physician billing was resumed by the District in September, resulting in a higher professional fee payments. ED revenues have also increased, but payment for professional services has not completely offset expenses due to fee-schedule billing. Our year-end inventory adjustment (higher-than-anticipated due to additional stock) caused December supply expenses to drop from \$250K to \$94K. Kim added that the 340B glitches experienced with our local pharmacies beginning in November, and reported last month, have been resolved. Funds were received retroactively to November in the amount of approximately \$100,000.

The annual financial audit with DZA starts February 6; they will interview two Board members for approximately 15 minutes as part of their entrance work. Commissioners Elswick and King will participate; Kim explained that the auditors will be on site for the day to interview staff members; they will return for a full week in March to conduct the final field audit procedures.

A meeting occurred with Piper-Jaffrey to discuss our upcoming bond issue for the ALF project. Audited financial statements will be necessary prior to issuing our bonds.

Commissioner Elswick noted salaries and wages increased over \$200,000 for the month, but the benefit percentage did not match. Kim explained that this was due in part to staff the incentive compensation payout and quarterly physician wages draws, where benefits do not incrementally move (no medical insurance or pension match) in step with the payments.

Clinic visits and surgical procedures increased for the month; Dr. Stacy Zabriskie recently received Molina credentials, which is a significant carrier for us; approximately 1,400 lives are assigned for managed care.

Commissioner Garrett stressed the importance of ensuring that we are marketing our services. Kim noted that a contract is in the works with Tri-Care. Dr. Chavis has begun overseeing an outpatient wound clinic; Kim has been working with a revenue cycle group to identify methods to streamline referrals and the collection process.

Quality Assurance – Jen Allbee provided a presentation on a patient safety project we performed relating to hospital acquired infections and the corresponding improvement in results. She also provided an overview and walkthrough of Q3, 2016 comparative measures for core patient safety measure tracked by WHSA. Key items: pressure ulcers and overall readmission rates were good. Our early elective early delivery rate is tracked for patients delivering between 37-39 weeks with a goal of 39 weeks. There were 4 deliveries that were elective early deliveries with no adverse outcomes. Hospital-acquired pressure ulcer rate remains low. During 2016, she noted policies developed and revised included an ACU sepsis protocol and the appropriate use of Narcan for narcotic overdose reversal.

She provided an overview of annual patient falls: 16 falls occurred in Acute Care; 12 were non-injury, 3 with minor injuries; and 1 fall with fracture – this was reported to the State and a Root Cause Analysis was completed. The team has been corresponding with Morton General hospital and sharing policies related to fall occurrences. A goal has been set of 30 days with no fall occurrence.

Jenn was thanked by the Board for the informative presentation.

Primary/Ancillary Care – there was no report as Chris Wagar could not attend the meeting.

An Executive Session will be required following the meeting.

SUPERINTENDENT REPORT

Tom Wilbur overviewed a few of the reading items included in the Board: the Presidential Executive order, “Minimizing the Economic Burden of the Patient Protection and Affordable Care Act, Pending Repeal;” a congressional budget office report outline on the ramifications on health insurance costs if there was a repeal of the Affordable Care Act with no replacement; it is anticipated that premiums would skyrocket. He also included an overview from Seema Verma’s Healthy Indiana 2.0. Seema was appointed to head CMS and was formerly the Indiana Governor (now V.P) Pence’s architect for Medicaid expansion in Indiana.

Strategic overview: Tom explained that, at this point, he is firmly in the “wait-and-see” stage on any repeal and replace efforts. He found it interesting the GOP pushed so hard on the single issue of the Affordable Care Act because it was basically designed using the plan Mitt Romney’s built in Massachusetts to cover all non-Medicare lives; former President Obama formulated the ACA design using a GOP developed plan. So far, all discussions have included overtures that premiums will drop, more people will be covered, and there is a strong emphasis on not forcing any mandates on the young and healthy – which was a cornerstone for driving down insurance prices. The premiums priced in the early stages of the ACA were predicated upon forced enrollment of (healthy) people to balance out the premiums for the sick and that never happened, so prices have increased – reasonably so, based upon the system we have in place today.

Tom noted that, if the system itself is not changed, the cost of healthcare remains too expensive to manage (or afford). The fact is many rural hospitals have closed in the last five years – most in States that did not opt to expand Medicaid coverage. The significant benefits of the ACA to hospitals included less bad debt/charity write-offs due to more covered lives and expansion of the 340B program to CAH's. Tom stressed that the issue remains the cost of health care, which ultimately drives insurance premiums. As a healthcare provider our goal must remain: build better, more efficient systems, which may relieve the cost burden and provide affordable health care.

Tom noted that at year-end we had established a new foundation to our delivery system and he was optimistic looking to the New Year. He noted that plans to launch the ACO/CCO last year were deterred in part to transitioning to the physician-based model in the ED, our inability to recruit new providers (the remaining were too busy to “add another initiative”), and our underestimating how difficult it would be to implement care coordination and team based care. However, we are now truly ready to move forward with our new models.

2017 Baseline: Tom provided our 2010-2016 financial statements (internal reporting) compared with our 2017 budget, which has a projected \$1.5M loss (-4.0%) from operations. Tom explained that “Income from Operations” reflects the all-in costs to provide care and the net collections we receive for the services provided – we strip away all other forms of revenue (taxes, grants/donations, interest, and 340(b)). He noted from a historical perspective (23 years), there have been only 5 years in which we’ve had “income” from operations; which is not uncommon for rural care delivery systems. He also noted that our projected loss from operations was not acceptable and we needed to better as a system to get the number closer to zero.

Tom indicated that no ACO/CCO-related payments for care coordination, enrollment, or care management were included in the 2017 budget. Tom believes that we could have as much as \$800K (annualized under fully functioning system) and will capture a portion of this during 2017, now that we have provider capacity. Clinic visits have decreased steadily since 2011-12, from nearly 29,000 visits to approximately 25,000 visits during 2016. He explained that the new clinic has capacity to see over 45,000 visits annually and it's realistic we have the current demand for up to 36,000. Tom noted marketing efforts are underway to promote our services and educate the community on the services we have available. We are also working to improve management of wellness exams vs. physical, well-child checks, etc...; meeting the regulatory guidelines has been frustrating for providers and there remains opportunity for improving the care/service.

The marketing and care coordination effort for the most efficient care delivery was discussed briefly. Efforts are also under way to assist our patients in navigating the complex health care system and plan requirements.

2017 District goals: Tom will continue to focus on maintaining autonomy, develop affiliations to accomplish the Triple Aim (improve quality/service outcomes, manage costs) and maintain a viable margin. Tom noted that key Director targets are not likely to vary much – we will remain focused on quality (PQRS) and patient satisfaction (Press Ganey) targets. He indicated his two primary goals were: 1) focus on ACO/CCO enrollment and to meet the Value Based Purchasing requirements; and 2) to build effective systems to ensure we collect all reimbursement we are entitled to for the service we provide. Revenue cycle (w/seamless data collection/translation) will be a focus.

MD Recruitment: The ED transition to permanent providers has been more costly than anticipated; MD recruitment for the ED remains a focus; there are several interested physicians in the queue. Tom will continue to recruit a psychiatrist, as the key to mental health/chemical dependency related care. General Surgery and other sub-specialty services remain on the forefront; Tom noted that two Orthopedic surgeons will be visiting and are interested in practicing here. The assisted living facility project is moving forward and the design is nearly finished.

Capital Planning: Details were provided for updating the Circa 58' hospital to bring it up to current Code specifications; Tom explained the planning included: exterior upgrades (roof & windows), HVAC, fire safety code specs, and complete gut and remodel of the space. He noted the building was originally designed to allow heat to partially escape through the roof (w/30 lb snow load) and drain the melt to the center of the building and out. Current code requires a 50 lb snow load and better heating efficiency which called for a complete re-roof and insulation upgrade. The program would result in virtually a new building.

Commissioner Elswick asked whether it is necessary at this time. Tom indicated it would depend on how we used the space; non-hospital services (e.g.- physical therapy, visiting clinics) would be fine "as is"; however, hospital-based outpatient treatment or wound care would need to be brought up to current code standards – including fire and life safety. He noted that hospital surveyors presently do not review the former hospital area.

Consultant Doug Hammond noted that the total estimated construction cost would be \$2.5M, not including sales tax, design fees and other "soft" costs. He noted that if the opportunity exists to deliver a project sooner, inflation may be avoided; a 3% inflation rate was built into the remodel cost; he anticipates that inflation will continue in the construction industry, given the new Trump Administration. Hammond noted he spoke with the Spokane Regional Plan Center and requested an economic evaluation of the region; the Center indicated a mild increase in 2017 as compared to 2016. This is driven partly by school projects, class sizes, etc. He noted that timing was favorable for the clinic project.

Tom directed the Board back to 2010-17 financial statements and noted the annual EBITDA line (earnings before interest, taxes, depreciation & amortization) which represents District free cash flow for the year to: purchase equipment/capital, pay debt service, or save. It was \$1.2M in 2010, rose to \$3.2M in 2016, and is projected at \$2.1M in 2017 (approx. the 8-year avg.). The spike in 2014-16' was due to 340(b) funding (\$1.6M in 2017); but this could be a program cut under ACA repeal/replace. Tom further noted we have our annual capital refresh (\$700K) and debt service (\$700K) budgeted in 2017. So, annual net cash flow is \$700K; not great, but not bad either.

Tom anticipates new construction cost estimates will be available next month for the new assisted living facility. Plans going forward are to execute the shift from LTC/SNF to high level assisted living. We also have in the queue: use of existing spaces (e.g.- move PFS/business operations to the Family Medicine building) as well as use of the vacated LTCU Q2, 2018), and Administration and Accounting structures that need to be vacated and removed.

Commissioner Garrett commented on the Circa '58 remodel and stressed that we already undertaking so much this year: to aggressively market, build on our business, and finish the ALF project. That, combined with the financial/revenue/political uncertainties, he felt we should put any further capital development on hold and to identify which services we are able to provide in our existing structure

without any major modifications, especially since it is not required at this time. Tom W. and the other Commissioners concurred.

Construction and plans for the new ALF project were discussed. An aerial overview of the project was shared. The target date for setting parameters, resolution, draft preliminary statement and field work completion is March Board meeting for the ALF facility, with a completion date by April. The construction award and bond approval will occur by the end of April, with bonds being issued in June to begin construction.

General Liability Risk Pool - Tom is working with the Collaborative to investigate options to form a self-insured Professional Liability risk pool; the plan will be to negotiate a group-contract rate – each entity will remain as individual ratings; the 13 contracts will be carried separately, bid as one price and filed with the Insurance Commission at the State level. The renewal date has been slated for August 1. Our facility would remain separately rated on our experience and priced accordingly.

SEIU Negotiations – we have met with Union representatives five times and the final economics are being negotiated; Tom will update the Commission next month.

1115 Waiver – The Healthy Washington initiative was patterned after the Healthy Indiana program, as a first move towards the Medicaid 1115 Waiver in an effort to create a better system of care. There exists flexibility in funding allocation and cost savings. The State's request to CMS was approved to create better approaches, and create grant funding over 4 years (\$3B); the program remains intact and has not been affected by the ACA repeal. We also continue to work with Better Health together.

ACTION ITEM AGENDA

Resolution No. 2017-01, CEO Contract Renewal/Compensation is to be discussed and finalized during the Executive Session of the meeting.

OTHER BUSINESS:

There was no other business to discuss.

EXECUTIVE SESSION

As permitted by RCW 41.05, the meeting was moved to Executive Session at 2:24 pm for approximately 90 minutes to discuss credentialing and personnel matters (CEO annual review).

RETURN TO OPEN SESSION

The Commission returned to Open Session at approximately 4:10 pm.

The board reviewed the results of their annual assessment of Mr. Wilbur for incentive compensation determination and achievement of goal setting/targets.

Resolution No. 2017-01 – CEO Contract Renewal and 2016 Incentive Compensation award. A motion made, seconded and unanimously passed approved Resolution No. 2017-01 to award 2016 incentive compensation in the amount of \$27,540 and renew the CEO's employment contract for 2017-18, with a base annual compensation of \$204,000.

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

INITIAL APPOINTMENT REQUESTS: Stacy Zabriskie, M.D.

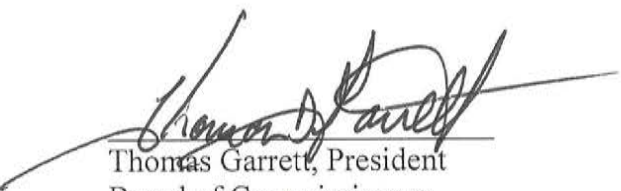
NEXT MEETING DATE

The next regular meeting of the Commission will occur on February 23, 2017.

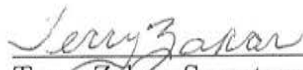
ADJOURNMENT

There being no further business, the meeting adjourned at 2:55 pm.

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



Thomas Garrett, President
Board of Commissioners



Terry Zakar, Secretary
Board of Commissioners