

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

October 27, 2016

In Attendance: Commissioners: Lois Robertson, Terry Zakar, Lynnette Elswick, Ray King, and Thomas Garrett; Thomas Wilbur, CEO; Directors: Kim Manus, Shelley Froehlich, Joseph Clouse, Michele Page, Chris Wagar; Other: Shar Sheaffer, DZA PLLC, Ken Fisher, Nancy Shaw, Doris Hiebert, Leif Furman, Heidi Hedlund, and Bob Eugene.

Excused: Dr. Clayton Kersting, Chief of Medical Staff.

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: August 2016: Warrants #198374-#198841 and wire transfers #1352-#1367 in the amounts of \$1,352,597.75 and \$1,337,887.53, respectively.

Bad Debt/Charity Care: all-inclusive District Write-off's for September 2016: \$135,753.40.

APPROVAL OF PREVIOUS MEETING MINUTES

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

BUSINESS FROM THE AUDIENCE:

Shar Sheaffer, CPA of DZA Certified Public Accountants introduced herself, noting that her firm specializes in health care auditing services; most clients are critical access hospitals. Shar referred to a letter outlining the qualitative aspects of accounting practices and the auditing work that was performed. The 2015 financial statements were audited and Char explained that DZA provides an "unqualified" audit opinion, meaning that the financial statements are fairly stated with respect to materiality. Audits are rated "pass or fail" – this audit was a "pass." The audit was conducted in accordance with government auditing standards. The financial statement notes provide additional information relating to our District, service area, summary of accounting policies, etc.

Internal controls over financial reporting were considered to determine whether audit procedures are appropriate. A deficiency was identified in internal controls related to accounts receivable. Management responded in a very timely manner and corrected the error.

Financial Highlights: overall District net assets increased by 13% (the change in total net position was \$3.6M) – though most cash and cash equivalents were attributed to prior year (2011-2012) RHC reconciliations and 340B Pharmacy program revenues. Liabilities decreased by 17% or \$600,000. The net income statement was divided between operations and non-operating revenues and expenses. Char noted that the Board should keep an eye on operating margin. Tom noted that the 340B revenue is included as an operating item (externally); however, internally (monthly) we report this as a non-operating item, since there is no long term guarantee on the program.

Salaries and benefits are typically the greatest expense – overall, 66% of total expenses for 2014 and 2015. This does not include professional fees or contract labor.

Char reviewed the net patient service revenue, charity care/bad debt provision and net patient service revenue for each year. She also presented financial indicator graphs reflected a 3-5 year comparison of the total margin, operating margin – including and excluding the 340B revenues and expenses, days cash on hand (all sources), current asset and liability ratios, capital equipment expenditure percentages, long term debt to net position, days in AR, gross days in AR, contractual adjustment percentages, bad debt percentage of net revenue and bad debt expense and charity care percentages, FTE trends, salaries and benefits and net patient service revenue per FTE.

Kim noted that the ED physicians are not included in the FTE count; however, all internal labor is included – i.e. contracted staff. There were no questions; Char noted that members of DZA appreciated all of the help from everyone that contributed to the audit. She was thanked for the informative presentation.

Kim explained that by hiring an external CPA firm for our financial statement work, the State Auditor's office will allow us to move to a 2-year accountability audit cycle and we will realize a savings of 25% on our total audit cost. The audit cycle change requires a motion by the Commission. Commissioner Garrett confirmed that the financial audit will remain on an annual cycle; if a risk factor trend is identified, the accountability audit will return to an annual cycle.

Commissioner King made a motion to approve moving to a 2 year accountability audit cycle; the motion was seconded and passed unanimously.

COMMITTEE REPORTS:

Joint Conference/Planning – Dr. Kersting was unable to attend the meeting; there was nothing significant to report.

Finance – Kim indicated that Ken Fisher will begin utilizing cost reporting software in an attempt to obtain settlement information mid-year in order to report a more accurate picture of our potential Medicare settlements on a routine basis. This information is essential to determine contractual adjustment amounts on operations; staff is also interested in the information as it is an indicator in the annual bonus determination. In addition, future changes to square footage (new buildings, department moves, etc...) will affect statistical allocations that will have cost reporting impacts; Kim anticipates there will be a positive adjustment to the bottom line when factoring in the percentages of Medicare and Medicaid volumes.

Contract labor FTE's were included in the board statistical recap: 273 for Q3; which includes the students hired during the summer. Additional providers and support staff were hired, as well. Ken noted that EmCare hours had not been reported, as he believed that this was a purchased service. Kim clarified the ED FTE's are 4.2; one provider for every hour of the day (that were now included for Q1 through Q3). Kim anticipates the Net Patient Revenue will increase since hiring two mid-level providers; Dr. Aaron Zabriskie began seeing patients on Monday; there was little delay, as he is enrolled with commercial plans (a carryover from Providence).

Tom referred to the packet financial statements, noting that we are on target with our budgeted 264-267 FTE run rate. Dr. Chavis will possibly provide outpatient wound care; Dr. Stacy Harms will be starting as soon as her license is approved. An update will be provided following the Finance Committee meeting.

Census at LTCU is at 37; Michele Page explained that approximately 15 very long time residents have passed away over the past six months; she anticipates two admissions next week and anticipates census will climb during the winter season and residents at RMV are requiring a higher level of care. The budget target is 45 for the RMV facility.

The Medicare Form 855 is in process for the new clinic building (relocation of FHC); in addition, the CMS 29 State agency change of address has been submitted. Kim noted that the State has indicated they are waiting for a response from Meridian regarding the 855 status, at which time it will be determined whether a survey will be required. We had a survey last year, which may delay a survey requirement this year. Kim explained that all Medicare billing is being held until clearance from the State is obtained.

Premiera will no longer provide sell private insurance plans on the service exchange in Pend Oreille County; they did this across all rural areas in the State. We have signed a contract with Molina to provide an option for residents; Idaho residents recently received notification that Blue Cross of Idaho will provide services to Idaho residents only, triggering an onslaught of complaints and phone calls; the initial response from Blue Cross indicated they would not allow any Washington facilities to participate in the network. Kim contacted our provider representative who was able to include Newport in the area network; many of our patients carry BC of Idaho (a commercial payer); the potential impact could have been very significant. The plan is effective January 1, 2017.

We recently signed on with Multiplan, a third party administrator that processes claims for approximately 60-70 insurance plans. Kim noted that community members were unable to seek services at Newport, as the District was not included in the Network; following years of attempting to contract with the plan, Kim has finally been successful in procuring a contract as a provider.

Kim explained that United Health lost the bid for the Tricare contract recently; First Health Coventry will be assuming the contract; we continue to work through the Collaborative to secure the Tricare contract via the new group and participate in the preferred network. Kim explained that United Health is no longer present in the County for individual plans; Molina is now available, however. Employer groups can also contract with United Health.

2017 Budget – Kim will schedule a joint Finance/Personnel Committee meeting in the near future to discuss wages and employee benefits and impacts to the District. For example, health insurance

premiums for existing employees will increase by \$240,000 in 2017. Under the Affordable Care Act, PEBB is now required to open the product line to *any* government entity with less than 1,000 employees. Our District increase includes a surcharge due to the unknown impact of that change. Tom noted that we had comparatively reviewed our medical/dental/vision premium rates with the 13 other WRHC hospitals – in 2016 our District rates were \$643 per member/per month (pm/pm); the group average was closer to \$1,000 pm/pm, and one hospital was paying over \$2,000 pm/pm for medical benefits. So even though we are seeing an increase, we still look good, comparatively.

Non-Contract Staff Compensation: Tom noted that the District Personnel Committee has used the Milliman Market survey for many years to evaluate our non-contract staff compensation plan. The survey includes WA/OR/ID hospitals/clinics (excluding the Portland/Seattle metro area) and compares market wage scales by job codes (approx. 75 codes). Any compensation increases will be reviewed further by the Finance and Personnel Committees to include a review of job categories, wage scales and benefit costs. Though the CPI-U annualized inflation rate in 2015 was 0%; the current year-over-year trend is approximately 1.1%; the preliminary results of our Milliman survey would have a potential impact of approx. \$350,000 to our 2017 budget. Tom also noted that though staff supply and demand has historically driven up labor costs; there was an initiative on the Nov. WA ballot to raise the minimum wage in the State.

Tom added that since we are cost-based reimbursed, wage and benefit costs increases will roll through to our reimbursements. But, with that said, the cost of health care services is one of the fundamental underlying problems with our care delivery system; and, with 76% of our operating costs being wages/benefits/prof. fees for our District staff, we must be cautious moving forward. Tom noted that bending the cost curves equates to cutting reimbursement.

There is also another significant variable that could have an impact on our business – high deductible plans are driving patients to inquire about the cost of care. There are many opportunities to reduce the cost of care; many in the community have expressed that their main concern lies with the cost of medical insurance premiums and deductibles (the 2017 deductible is \$7,100).

He noted our District dilemma remains in developing a coordinated care program under a value-based purchasing model that focuses on adapting to keep people healthy to drive down the cost of care.

Quality Assurance – Heidi Hedlund presented the quality scorecards. Michele Page, Shelley Froehlich, and Chris Wagar reviewed the scorecard data highlights:

LTCU – Michele explained that quality of life data is tallied by the MDS nurse during routine resident assessments, which are completed during the first seven days of admission and quarterly thereafter. Many times pain control rates run high, due to a high pain threshold at the time of admission. Catheters are infrequently used; use of anti-psychotic medication is very, very low (which is good). Michele pointed out that “Activities of Daily Living” scores are difficult to maintain at a lower percentage, due to the frail condition of our residents; 21-23% of the population decline in their capability to maintain daily living activities.

Census at the LTCU is 39 and all but three residents have received flu vaccinations. During Q3, there were 9 UTI's, 6 new pressure ulcers, 5 medication events and no falls resulting in major injury. The

facility also surveys residents and their families for satisfaction in the areas of: nursing services, therapies, dietary, laundry, environment of care, activities and overall staff courtesy.

River Mountain Village – The Person-Centered Care scores have steadily increased at the facility; Michele explained that falls tend to occur more frequently than at the LTCU, since residents are aging in a private setting.

Acute Care – Shelley Froehlich complimented the entire ACU staff for providing a high level of quality care. Shelley noted that patient satisfaction is running at 88-89% positive, but she and her staff are always striving for higher ratings. ED patient satisfaction results from both Press Ganey and e-tablets that provide real time information – which is running at 98%. Our “likely to recommend” has also rated in the 98th percentile.

The HCAHPS Top Box Percentile Ranked at 99% for pain management; Shelley noted this can be a difficult measure to improve; medication communication also ranked in the 94th percentile. Discharge information rated in the 75th percentile; Shelley noted that she is working to improve this score. Readmissions were up at 5.1% and infection rates are very low (Heidi pointed out there have been no surgical site infections for nine months - a new five-year record. Shelley feels that the results are evidence of the focused efforts of Sharon Weber, Dr. Chavis and the OR team.

Shelley recognized that there have been challenges in the ED; however, the staff members have truly been working as a team during the transition process. Doris Hiebert, RN added that the team effort has been very evident with the onboarding of new ED physicians that has fostered an environment of communication and trust.

Primary/Ancillary Care – Chris Wagar noted our scorecard is comprised of three sections – patient satisfaction which is near or exceeding goal; quality improvement which is meeting or exceeding the goal with the exception of diabetes disease management which has steadily risen from Q1 = 55%; Q2 = 75%; to currently 81% for Q3. Chris explained that achieving a high rate for “timely” referrals is difficult due to outside physician referral and follow-up process being outside of our control. Chris plans to visit our referring physicians in 2017 to discuss our challenges. Our employee influenza vaccination rate goal was set at 65% for the 2016-17 flu season; it is currently 60%. Finance: Laboratory and radiology were under budget; Chris attributed this to the lack of providers in the clinic, which cascades to the number of orders for outpatient tests. Overall, the RHC had a fair contribution margin to budget. Staff flexibility produced positive productivity to budget results.

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

SUPERINTENDENT REPORT

Capital Planning: Tom reported that one house and one garage and car port have been razed on our excess properties; one house remains for potential future bunkhouse needs.

ALF Project: Tom presented a preliminary programming design and budget for the new facility. The cost is estimated approx. \$10.8M to construct a 45,000 sf. finished [(3)-18 unit pods] with a 13,000 sf. fourth 18-unit pod roughed in. Tours are planned tomorrow to assist with schematic design and development; a construction update will occur in mid-December; detail drawings should

be completed by mid-March for a bid-ready design and construction specifications. A \$10M bond can be issued at any time – presently interest is estimated at 3.25%. Tom will continue to work with the Finance Committee and will schedule a meeting with an Underwriting group.

Our preliminary design analysis revealed that fire flow is ample; two solutions have been presented: 1) attach a facility pump on to the low pressure system to guarantee the fire flow – this would become part of the City's water system, but on our property and maintained by the District; or 2) extend the existing City high pressure line from the front of the hospital to the ALF property. It would provide for a duplicate system for all of our District buildings on that contiguous lot (at an additional cost of approx. \$30,000). The second option was the choice of both Tom and the City. Final logistics and options are under consideration and the work will not begin until Spring.

Circa '58 Remodel: The A&E interviews have concluded under our RFQ process; Bernardo-Wills was selected as the most qualified firm. A site tour by the A&E group occurred yesterday to consider preliminary options for the vacated spaces. Tom explained space options under review include visiting clinicians, outpatient services, and physical therapy. A centralized admission area is also being considered. Our goal under this review is to complete a "bubble drawing" concept (including HVAC upgrades to bring the space to current code regulations) for hospital vs. outpatient treatment. Tom anticipates that he will bring this information to the regular December meeting of the Commission in determining a financial forecast for the 2017-18 budget periods.

Provider Recruitment - Tom noted that he received a recent compliment from Dr. Kersting for our successful recruiting efforts, noting that Dr's. Aaron and Tessa Reinke selected Newport as a practice site over Colville due to a positive rapport with Administration.

Tom will interview another 2016 Family Practice/Surgical OB MD graduate at the end of November; he is from the Mead area with a strong desire to remain in the area; his wife is a Med./Surg. RN.

Lisa Fisher and Barbara Mathison recently attended a recruitment fair attended by second and third year residents; Lisa reported there were many interested candidates. A 2018 graduate from Utah is planning a visit prior to the end of the year.

EMS District: Beginning November 1, 2016, AMR Ambulance Service will provide 10-hour per day coverage with a goal to expand to 24/7 services by Jan. 1st. Tom has met with the Fire Districts and shared State County-wide EMS District information (outlining taxing Districts/valuations). Tom noted there are only four counties in the State that have no EMS levy; seven are under hospital District umbrellas; seven are EMS-County-wide Districts. The EMS District has proposed a nine-voting member board comprised of six fire Districts, County, City and Hospital District representatives to include three ex-officio non-voting members: Dr. Sara Ragsdale, Joann Boggs and a member from the Kalispel Tribe. There are many details to be considered and determined. Tom will keep the Board members apprised of the progress.

A motion was made for Public Hospital District No. 1 of Pend Oreille County to participate in the EMS District (if formed) and to be a voting representative. Tom explained that the County will form the District with Bylaws that create a successor Board with representatives appointed and approved by the six fire Districts, the County, the Cities and the Hospital District; the motion was carried and unanimously approved.

Tom announced that on September 30 a Health Survey was completed at the LTCU by the Residential Care Services, Aging & Long Term Support Administration (State survey agency) to determine whether the facility was in compliance with Federal requirements for nursing homes participating in the Medicaid program. Deficiencies were found in Scope and Severity in four areas and that a Plan of Correction was being developed. Ray King shared a recent compliment from a family member of a resident staying at the facility.

ACTION ITEM AGENDA

Resolution 2016-07. Tom W. explained this resolution approves the District's intent to reimburse expenditures incurred on the ALF Project and allowing for future refunding of all District capital expenditures made 60-days prior to the date of the resolution (today's date), and up to the date of issue of any bonds related to fund any or all of the projects anticipated under the new assisted living facility construction project. **Resolution No. 2016-07 was approved by a motion made, seconded and passed unanimously.**

Capital Purchase – 2016 GMC Pickup Truck with Plow. The purchase was approved as Priority 2 item; Commissioner King asked whether bid laws were followed and if the purchase was pursued under a State purchasing contract to obtain a discount. Initial quotes were obtained; following discussion, **the purchase of a 2016 GMC pickup truck w/plow was approved subject to verification that bid law conditions were met, by a motion made, seconded and passed unanimously.**

Professional Liability, EPL, D&O and Property Insurance Renewals. It was noted that property values increased due to the new clinic facility. A breakdown of square footages, property values, and professional liability pool comparison was provided. Kim added that joint negotiations are underway by the WA Rural Health Collaborative to enlist brokerage services collectively. **A motion made, seconded and passed approved the annual District property and professional liability, EPL and D&O insurance coverage and premiums.**

Employee Retention Benefit – Holiday Gift Cards. A motion made, seconded and passed unanimously approved distribution of Holiday gift certificates (\$20.00/ea.) for staff, contractors, and volunteers employed at the District on the date of distribution.

CT Expenditure – Kim Manus explained that the initial approval request for the CT/ultrasound unit did not include sales tax; this is a capital item – the sales tax amount is \$44,115; in addition, the flooring requires replacement for approximately \$4,000. **A motion made, seconded and passed unanimously approved \$48,200 for sales tax and flooring replacement to install the new CT/ultrasound machine.**

OTHER BUSINESS:

Tom announced that Deputy Chris Johnson of the Spokane Valley Sheriff's Department will provide De-Escalation and Personal Safety training sessions. A security company will interview on Monday, October 31 at 1:30 pm; Tom Garrett expressed an interest in attending.

Chris Wagar announced that a Memorial Service is planned for the recent tragic death of Bo Kirk, a former employee of the Radiology Department on November 5 at the Quail Run Ranch; the time is yet to be announced.

EXECUTIVE SESSION

As permitted by RCW 41.05, the meeting was moved to Executive Session at 2:33 pm for approximately 10 minutes for credentialing matters.

RETURN TO OPEN SESSION

The Commission returned to Open Session at approximately 2:40 pm.

Per the recommendation of the Medical Staff Executive Committee, the Board of Commissioners approved initial medical staff appointments for: Michael M. Marvi, MD – TeleNeurology; By Pham, MD – Emergency Medicine; and Aaron W. Zabriskie, MD Family Medicine.

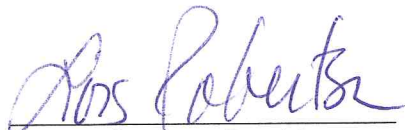
NEXT MEETING DATE

A Special budget hearing of the Commission will occur on Monday, November 14, 2016 at 12:30 pm. The next regular meeting of the Commission will occur on November 17, 2016.

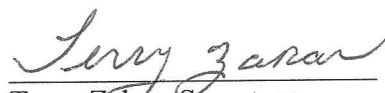
ADJOURNMENT

There being no further business, the meeting adjourned at 2:45 pm.

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



Lois Robertson, President
Board of Commissioners



Terry Zakar, Secretary
Board of Commissioners