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

April 26, 2018

In Attendance: Commissioners: Thomas Garrett, Terry Zakar, Raymond King, Lois Robertson, and Lynnette Elswick; Tom Wilbur, CEO; Angelika Kraus, MD Chief of Medical Staff; Directors: Kim Manus, CFO; Pete Peterson, CRNA; Chris Wagar, Joseph Clouse, Walter Price, Others: Travis Williams, Trina Gleese, Casi Densley, Controller; Diane Waldrup, Robert Rosencrantz, and Nancy Shaw.

CALL TO ORDER:

Chairperson Thomas Garrett called the meeting to order at 12:32 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. Two items were added to the Action Item Agenda: 1) Capital Purchase: initial installation of a replacement Andover control system in an amount not to exceed $12,000 plus tax, and 2) Radiolgy items for surplus.

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

Auditors Report: March 2018: Warrants #206085-#206479 and wire transfers #1666-#1682 in the amounts of $1,281,264.76 and $1,574,350.84, respectively, plus an automatic loan payment deduction of $40,000 for a grand total of $2,895,615.60.

Bad Debt/Charity Care: all-inclusive April District Write-off's for $135,080.68.

APPROVAL OF PREVIOUS MEETING MINUTES
The regular meeting minutes of March 22, 2018 were approved by motion, seconded and passed.

BUSINESS FROM THE AUDIENCE:
There was no business from the audience.

COMMITTEE REPORTS:

Joint Conference/Planning – On behalf of the medical staff, Dr. Angelika Kraus, Chief of Medical Staff reported on several items. She noted that Dr. Radke announced her desire to assume the care for all long-term care residents, unless another provider has a long standing care relationship, and she will continue to see clinic patients two days per week. Dr. Aaron Reinke wished to note that he is working to improve charge capture on services provided at long term care. Dr. Kersting attended a Family Practice CME course which supported the use of cognitive behavioral therapy and on-site counselors in primary care clinics – which our providers fully support. He noted State opioid prescribing law changes and the medication tapering guidelines in 2019 will require patient education and counseling that will be very time consuming. Dr. Kersting also stressed the need to recruit additional family

practice providers and medical assistants. Dr. Kraus indicated she spoke with the clinic Call Center personnel who reported they receive approx. 25-50 new patient calls per week. Tom W. noted we have been trying to recruit for additional providers and support staff. The Commissioners thanked Dr. Kraus for her report.

Finance – The State Auditor's review is complete – Casi included information in the packets, which outlined no substantial findings. Two minor recommendations included board minute documentation on surplus item disposal and donation receipts. The 2017 annual financial audit with DZA is complete with positive results and compliments from the firm. Commissioner Garrett complimented the entire team for their hard work and efforts in the positive audit outcome.

Casi Densley, Controller, reported efficient charge capture/claims processing is ongoing and we have $100K in revenues is in process and approx. $195K in surgery revenue was posted in April for March dates of service. The team will continue to work toward more efficient, timely claims processing.

A new Fixed Asset Module was implemented and March YTD depreciation was processed; Casi commended Diane Waldrup's efforts, noting the process went well and will be beneficial for projecting future depreciation expense. Departmental assets are being processed for surplus and a bar code scanner is also being considered to track system assets.

Casi explained our audited financial statements may be delayed for two months as the SAO has determined Municipalities should record a liability for future medical insurance benefits for any employees enrolled under the State PEBB medical insurance plan. Casi reported we will use Milliman to provide an actuarial estimate; it is expected to take two months and we will participate in a group with other PHD's to get a discount. Kim added that under the District's plan our medical insurance is not a future defined benefit. Tom W. noted it was a ridiculous requirement – it's the equivalent of discounting (accruing) all future EHR maintenance fees or supplies expenses – there is no "unfunded," as with most other expenses, medical insurance is pay as you go.

Casi announced bond proceeds in the amount of $10.2M were received in March and were placed into the new Construction Fund. She noted the all-in cost on the new residential care unit is projected to be $11.1M and, to date $832K has been spent on the project. Casi requested a board motion to transfer $126,862.91 from the Construction Fund to the General Fund. **The transfer request of $126,862.91 was approved via a motion made, seconded and passed unanimously.** Kim explained that all future payments will ***not*** require a board motion and Casi will manage the disbursements/updates and provide a monthly report to the Board. A motion was required this month due to the refunding of amounts paid from our general fund (via resolution previously passed).

A meeting occurred recently with Seeber's Pharmacy to review our 340B Program/contract. Greg Seeber has proposed removing generic medications from our 340B inventory; Casi explained that Seebers has encountered supply/inventory issues, due largely to generic medications. The process is very time consuming. Kim noted that we have proposed to assist Greg with monitoring processes and added that Seeber's inventory space is limited. In 2017, Seeber's processed over 32,000 prescriptions (for our 340B program), not including other providers. Kim added that Greg has been a great community partner and, like us, is facing similar compliance and monitoring challenges. Greg has contributed a great amount of time and effort in assisting with medication management for patients, and will likely assist when our LTCU residents move to the new facility.

Tom noted that we requested a medication management grant from the Empire Health Foundation to fund a half time Pharmacist and full time Care Coordinator to better integrate PCP/Pharmacist medication management to assist patients.

Quality Assurance – Jennifer Allbee was not in attendance; the Directors provided updates to the key targets and objectives as related to quality, operations, and PI projects as follows:

Acute Care – Pete Peterson reported RN staff moved to working 12 hour shifts in February and the transition has gone well. ACU staff has received OB/postpartum training to manage OB patients prior to the OB nurse's arrival. The GWN's ("go where needed") nurses have received triage training with the intent to re-triage ED patients during extended wait times and keep patients informed about delays. Implementation of a new MUSE scoring system (monitors patient acuity/risk) is working well. Bar-code scanning is being addressed by placing a hardwired system vs. battery based computer-on-wheels (COW) used in the patient rooms.

Primary & Ancillary Care – Chris Wagar provided departmental updates:
Laboratory – The transition from PAML to Labcorp occurred April 9th. Lab Manager, Tina Batsch assisted in developing an Associates Level Medical Lab Technician Program at North Idaho College and our site is an education/rotation internship site; 2 students have applied for open positions.
Rehabilitation –is also experiencing recruitment issues, especially OT's and PT Assistants. Michael is assessing needs for the new residential care facility relating to equipment, therapy plans, etc.
Radiology – Leif is adding low dose CT scans for lung cancer screening as our new scanner makes this type of testing available. Of note: our scanner produces the lowest radiation level in the entire Inland Northwest! We are investigating 3D mammography; it was noted that WA-based insurance companies will be required to pay for the 3D service.
Infection Prevention – Roxanne has been studying for Infection Control certification which has expanded her understanding of infection prevention. In addition, we are now in an Antimicrobial Stewardship program to monitor antibiotic usage. Dr. Chavis is leading our internal team in conjunction with the University of Washington.
Rural Health Clinic – Becky Flood, Manager is updating all clinic P&P manuals; she has completed the triage and medication room manuals and is working on the front desk, call center, and medical assistant processes. She has also been working to define workflow for surgical referrals and scheduling to avoid last minute issues. Dr. Jones requested using a Pyxis machine (med dispensing) in the clinic and we are now the first Centricity site in the country with an integrated program. Walter Price explained that we built the interface internally.
Chris continues to develop our care coordination unit to provide outreach to patients and quality data/ measure reporting is being addressed to obtain more efficient and accurate data. Transitional care management is ongoing to ensure patients receive timely/coordinated care upon hospital discharge. Focused coordinated care management ensures patients with more than two chronic conditions have a care plan developed in conjunction with their primary care provider. In addition, Jodi Beezold travels to see Molina's highest acuity patients (approximately 25) in their homes monthly. Jodi will be presenting at the National Rural Health Convention in New Orleans.

1115 Waiver Projects – Chris participates with Better Health Together (BHT) and the Pend Oreille Health Coalition (POHC) Councils to define how care coordination and social determinates of health integrate with medical care. She is also a member of the Empire Health Foundation NE Washington Regional Medication Management Council, POHC workgroups for behavioral health integration, and

opioid response, and chronic disease care coordination team. There is a shortage of mental health providers in the region; we utilize a Telepsyche provider on a limited basis, due to insurance coverage.

Safety & Security – The Safety Task Force is currently focusing on emergency operations procedures. A community-wide tabletop drill is occurring today at the school District and a County-wide drill is scheduled in June. A functional Region 9 EMS Council tabletop drill occurred last October and another is planned for May. A HVA (Hazard Vulnerability Analysis) will be completed by the Safety Committee to stratify potential hazard scenarios that might occur in the area/facility and to develop mitigation plans. Chris participates on the Pend Oreille County All-Hazards Mitigation Plan Team. Our internal Safety & Security Risk Assessment is completed; visitor and vendor management, drill updates for Code Grey/Silver lockdowns is in process. Net Notify will be updated to revise the message that appears on computer screens, as well as patient screening for potential violence and developing hold areas for at-risk patients. Personal safety and de-escalation classes have been scheduled for high-risk departments; eventually all staff will receive the training.

Advanced Centricity - training is ongoing to better understand program features (e.g.- immunization documentation, medication history processes, encounter-types, document mapping, appointment types, and customizing orders and letters). Also, electronic controlled substance prescribing is under review. A patient portal has been implemented in the Centricity system and will come online in August. Phone notes will be available in the Centricity system across the system. HCC coding is being scheduled to ensure our coding accurately reflects all patient health conditions/risks.

We are contracting with a durable medical equipment provider for the clinic; this was not an option in the past and will allow patients to purchase items such as knee braces, etc. during their appointment times.

Information Systems – Walter "Buzz" Price replaced the ACI server used for 340B Pharmacy self-pay reporting which will reduced transmission errors and sped up the reporting process. Buzz is looking at the possibility of subscribing to Meditech as a Service (MaaS), which would provide an integrated Meditech 6.1 version with a relatively low front end cost and TBD subscription fee. It would offer a more affordable option to implement an integrated EMR system. Buzz invited the Board members to attend a preview session on the product next Thursday. Buzz feels that the 6.1 system is very capable and would be a great addition if the cost is right.
A patient "edutainment" system is being considered that would provide internet, Skype, educational content, e-mail, etc. to improve the patient experience while in-house. The system would be easily integrated.
Our QMM system is process to be replaced; Buzz is looking at systems other CAH's use and is exploring the possibility of a group shared savings. Buzz thanked the clinical and finance teams for their support of data mining for the purpose of presentations. Engage recently demonstrated how to generate reports by provider, medical necessity, costs, type of testing, etc.

Education & Training – Joseph Clouse reported that Casey Scott has been working with the managers to create departmental staff development and manager succession plans. A 2-day HR workshop will be rolled out for managers to assist them with HR law, interviewing skills, performance management, etc.

Facilities – Travis Williams has been working on the new ALF project; he continues to assess staff skills and competencies, budgeting, and addressing remodeling the LTCU and old hospital.
Dietary – Joseph is working on the transition to the new ALF; and recently took a staff survey to explore options on how we keep dietary open with the move of LTCU to the new site. The department has been working towards a healthier menu and has been working with Spokane Falls dietary staff.

A new time and attendance system will be introduced this year; 3 vendors have been interviewed and the implementation will take approximately 2-3 months thereafter. Personnel files need to be updated to keep any identifying information (e.g- dates of birth, social security numbers, bank, medication information, etc.) in separate files.

Recruitment – the search continues for a General Surgeon, ED, FP and Psychiatrist. Joseph will be introducing a pay-for-performance model later this year.

Finance – Kim has been working on our Molina and Amerigroup shared savings contracts. She attended a meeting with the Health Care Authority (HCA) to discuss a potential "all-payer" model. *Revenue cycle* - projects in the queue: coding enhancement, data analysis, registration process streamlining. Both Dr.s' Reinke have engaged in online training and Centricity forms support. Brown Consultants will be assessing our coding practices for the clinic (HCC) and ED. A report card will be produced for the providers in an effort to identify where improvements can be realized. In addition, a session will be offered to each provider to discuss methods to accurately document and code. The providers have requested the information; Kim noted that Jefferson Hospital has utilized the service and reports positive results. Another 2018 goal is to ensure we are processing claims correctly the first time and feedback is provided (per provider request) when errors occur. Trina has been reviewing the remittance advices and sharing feedback with providers which has freed up much time for the billing office. A documentation "point" system will assign ER care levels to enhance revenue for our facility. *Compliance* – Trina attended a 3-day training session with a focus on auditing controls; the key being to standardize practices. Becky Flood has been a very positive addition to the clinic staff and is addressing system gaps and implementing solutions.

Opportunities are being explored with the LTCU to ALF transition – i.e. home health integration, 340B program, care coordination with nurse rounding, in-home physician visitation/oversight. We have an opportunity to request an RHC re-basing change with the State due to new care coordination services provided in the clinic and the Shopko 340B contract is underway with 90-day retroactive reimbursement.

Capital item: Travis Williams explained that Control Systems Northwest (CSN) is a local vendor providing Andover control software compatible with our hospital HVAC system. Our system PC crashed last Fall which eliminated our ability to monitor/change HVAC system controls. It has caused our chiller and heating system to work against each other and Travis proposed to install new HVAC control software. Tom noted that the purchase was planned, we were aware the old system needed upgrade and the cost was projected to be approx. $50,000; however, we moved the item to a level 2 priority until we on-boarded Travis as Plant Manager to assess final requirements. The software will allow us to determine the appropriate next steps on HVAC updates. **Tom W. proposed installing control software from CSN in an amount not to exceed $12,000; the purchase was approved by a motion made, seconded and passed unanimously.** Travis added that once the software is installed, it will allow him to view all hospital, LTCU, and the ALF (old and new) HVAC systems.

SUPERINTENDENT REPORT

Tom W. overviewed on-going 2018 strategic initiatives and included a brief outline of operating and capital projects. He noted the ultimate goal is to update our 5-year operating/capital forecast by year end. To start the process, Tom presented the last comprehensive forecast we completed in Dec. 2014 and reminded everyone that 2014 was the year in which we formed our POHC group (Sept./Oct.) and began discussing the means and methods of Accountable Care Organizations (ACO) and value based purchased (VBP) models. All of which stared prior to building our new clinic and ALF projects.

He provided copies of the 2014, 10-year forecast under the two tracks being explored at the time: Track 1 build a new clinic (highest priority), circa 58' facility remodels, and a 14-unit assisted living addition; Track 2 replace the Track 1 C-58' remodels and 14-unit RMV addition with a new 54-unit ALF, provided we could pass a special levy to fund the project.

Included with the forecast was a list of assumptions identifying base considerations for operations, cash flow, capital/equipment costs and long term debt under each track. The exercise was designed to "back into" base patient services (operating income) by starting with Net Income and deducting meaningful use, 340B, M&O/ UTGO taxes, grants and other funding sources. The goal was to capture historic 2003-14 NHHS run rates and to project future returns (barring no change to cost based reimbursement or other significant operating changes).

Forecast vs. Actual: Tom reviewed 2015-17, forecast vs. actual results and key variances. He noted operating income was a reasonable estimate until we shifted our ED professional services from a mid-level to MD model, which had a $500K-$750K a year negative impact. Net Income/Net Cash flow in 2015 was an aberration and included prior period cost settlements for our clinics. However, all-in we made conservative estimates with 340B revenues, had a higher than "normal" residential care census, received final MU funding, and cash flow ended better than forecasted. On average we created free cash flow (Net Income w/o depreciation and interest expenses) of approx. $3.0M/year vs. forecasted $2.0M/year. Where we forecasted ending 2017 total cash reserves of $7.1M, we ended at $9.5M. Tom noted our capital project timing wasn't exactly right, but it was close; we didn't borrow as much as planned and our all-in project costs were higher than expected. All will be good references for our new 2019-2024 capital forecast model.

Tom explained the new forecast "key vetting questions" over the next several months include: 1) operating income trends (what is our new run rate, particularly, with the new ALF coming on-line?); 2) what are the potential capital additions (Circa 58', vacated LTC, grounds/parking, etc.?); 3) how to predict 340B and other (1115 waiver) funding; and 4) how will we fund any new projects, if needed?

He presented an initial "exercise draft" forecast, 2019-2024 that included annual patient services income (from operations) of $400K, routine equipment refresh of $775-$825K, remodeling projects of $3.0M (Circa 58') and $1.85M (vacated LTC), $400K for property/parking lots and $1.5M for an EMR solution, and without adding any future debt. Inclusive of all factors, days cash on hand would dip to 40-50 days. And, knowing that would not be acceptable, he added sensitivity assumptions (foregoing projects and reducing routine capital refresh) to show the approx. effects. He noted the exercise was to merely get the ball rolling (discussion only) and we will continue to vet options until we have an acceptable forecast complete by the end of 2018.

Property Purchase. Tom indicated he was recently approached to purchase a property adjacent to campus. He noted the home was gutted and in the process of being completely redone (windows, lighting, bathroom, kitchen, fireplace, exterior, etc.). Currently, we have two other adjacent houses being utilized for lodging by our surgical on-call and radiology/lab staff. However, we periodically have medical students in the clinic. The Reinke's have offered a rental option for MD student/residents on their property, which is a positive for recruiting purposes, but we could still use additional space. Ultimately, the call (yellow) house located behind the clinic will need to be demolished for parking space. Tom will discuss the requested sale price in Executive Session of the meeting.

Value Based Purchasing (VBP). Tom presented his latest analysis on methods to manage population health and the present lack of payment reform needed to cover the cost to provide health/wellness services. He used a great question from the audience, "could we use our new RMV building to house our highest risk patients, to better manage their health issues, and thereby bend down the cost curve as a means to drive savings?" Tom believes that is possible; however, the present translation of "bend down costs" is synonymous to "cut our reimbursement." He noted our on-going strategy has been to target high risk patients (2% population accounting for 20% of spend) to get out in front of their care issues. However, until we have a proven shared savings contract is in place (or an effective VBP system), we have been unable to sufficiently "trade" any efficiencies gained to offset known cuts to reimbursements on the services avoided. Our dilemma remains: how to recoup lost reimbursement?

Commissioner Garrett asked whether our financial forecast incorporated a fully housed ALF facility. Tom explained the forecast provided only a rudimentary analysis based upon historical data and existing reimbursement models. Our only certain change when we shift our model from LTC to AL is we will cut our reimbursement by $1.5M. We will also reduce direct operating costs and have some allocated cost savings, but those are harder to fully estimate, yet. We will be taking our full analysis to the State (which is the recipient "saver" on our reimbursement cuts) to see if we can get a guaranteed ALF rate on the new facility and funding to build local care coordination programs – specifically, to address aging in place (another opportunity to keep folks healthy and drive down costs). He will keep the group posted.

HCA/State/1115 Waiver. Tom overviewed the Health Care Authority's VBP models and noted we are well ahead of the State's target to have 90% of contracts in a VBP/shared savings model by 2021. We now have shared savings contracts with both MCO partners (Molina & Amerigroup) and are working with both to determine ways to co-manage health/care for our clients. Electronic medical records and data mining options were discussed; there remain challenges in tracking where patients receive care. Tom added that he is very proud of our position, yet frustrated at timing issues.

Medicare ACO Models. A recap of our Rocky Mountain ACO group was discussed; Tom noted we have/are receiving $11,000/month for care coordination services under an AIM grant, which ends along with our RMACO in Dec. 2018. A final determination on 2019 ACO continuation needs to be made by July. Our goal coming into the year was to participate in a larger WA_CO ACO consortium, but shift our focus to Medicaid shared savings programs under the HCA 1115 Waiver program. Our primary goal under a 2019 ACO was to focus on hierarchal condition coding (HCC). However, after further review, Tom believes that CMS will expect facilities to start assuming some form of risk if they want to stay in (or gain share) under an ACO. In order to do that, studies have shown you need to have a larger number of managed lives in order to reduce "arbitrary" risk.

Tom provided an overview and rationale behind a new Caravan model (formerly NRACO) to form Mega-ACO's (100K+ lives). National ACO statistical data varies greatly [e.g.- per capita spend, year-over-year returns, etc.], much of it due simply to the size of the ACO; the larger the ACO, the lower the random year-over-year variation. He briefly discussed our options and noted we will continue to review the models over the next couple of months. He noted, other WRHC partners have indicated they would not be willing to participate in a Caravan ACO.

Provider recruitment. Tom noted that we have one new ED provider in the queue (contract to be signed) and another who is planning to come out for a site visit next month. If we could land both, we would be in a position to review our pending contract model. He will have more next month.

OLD/NEW BUSINESS:

There was no old/new business to discuss.

ACTION ITEM AGENDA

Resolution No. 2018-05 Surplus Property - Via motion made, seconded and passed unanimously, Resolution No. 2018-05 approved surplus property deemed no longer required for District purposes.

Critical Access Hospital Program Review – a motion made, seconded and passed unanimously approved the 2017 annual CAH Program.

Account Transfer - construction and bond financing for the new RMV Advanced Care project.

OTHER BUSINESS:

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

Appointments/Reappointments:
Srivalli Gopaluni, M.D. – Oncology, Courtesy
Mark Sienko, M.D., - Oncology, Courtesy
Kawal Chester, M.D., - Oncology, Courtesy
Timothy Chavis, M.D., - General Surgery – Wound Care, Active
Karl Jacobson, CRNA, Anesthesia – Affiliate Status

Additional Privileges: Nathan Kanning, M.D., General Surgery
Tubal Ligation Privileges Requested – Approved

Resignations: Darrol Hval, D.O. – ER Privileges

NEXT MEETING DATE

The next regular meeting of the Commission will occur on May 24, 2018.

EXECUTIVE SESSION

There was a 10 minute Executive Session held to discuss the potential purchase price on an adjacent property for sale.

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