

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

August 23, 2018

In Attendance: Commissioners: Thomas Garrett, Lynnette Elswick, Terry Zakar, Raymond King, and Lois Robertson; Luke Zarecor, Dingus, Zarecor & Associates; Tom Wilbur, CEO; Directors: Kim Manus, CFO; Chris Wagar, Director Primary/Ancillary Care; Pete Peterson, CRNA; Walter Price, IT Director; Jen Allbee, Casi Densley, Diane Waldrup, Sharon Weber, Victoria Urlacher, Susan Schwartz, Chelsea McLaughlin, Travis Williams, Jenny Smith, Lori Stratton, Jennifer Johnston, Robert Rosencrantz, and Nancy Shaw.

Excused: Angelika Kraus, MD; Joseph Clouse and Trina Gleese,

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. Commissioner Elswick questioned an Administrative write-off in the amount of \$6,668; Casi Densley will follow up and report back to Lynnette.

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

Auditors Report: July 2018: Warrants #207692-#208033 and wire transfers #1750-#1774 in the amounts of \$1,556,053.16 and \$1,852,737.86, respectively, plus an automatic loan payment deduction of \$40,000 for a grand total of \$3,448,791.02.

Bad Debt/Charity Care: all-inclusive July District Write-off's for \$124,689.31.

APPROVAL OF PREVIOUS MEETING MINUTES

The regular July 26, 2018 meeting minutes were approved by motion made, seconded and passed.

BUSINESS FROM THE AUDIENCE:

Tom W. received comments and observations from an audience member, Robert Rosencrantz: the compliment was extended to Jenny Smith relating to the placement of our informational banners at the River Mountain Village construction site.

Robert also commented that he had attended a public forum hosted by Congresswoman Cathy McMorris Rodgers to discuss Veteran's issues. Most of the discussion surrounded healthcare and much of the conversation from the Veterans in attendance was very complimentary of their care and treatment received at NHHS. Many of the Veterans expressed they would rather receive care at Newport Hospital than at the VA facility.

Mr. Rosencrantz also shared some WA State Childhood Immunization Statistics (by age 13), by County – he noted that Pend Oreille County was listed as having the lowest rate at 10%, while the State average is 60%. Tom W. asked for a copy of the information and particularly, for the year in question. He noted it was a fact that we were one of the lowest in the State, but had been working hard with the Newport School District and Pend Oreille Health District to improve those numbers.

2017 Financial Audit - Luke Zarecor of Dingus, Zarecor & Associates presented the results of their 2017 financial statement audits. The State Auditor's Office also participated via teleconference. Luke noted the big change to the District financial statements was created by a new Governmental Accounting Standards Board (GASB) pronouncement No. 75 that required municipalities to estimate potential post-retirement health insurance benefits for eligible employees. This impacted a number of District hospital participating under the State's PEBB medical insurance plan. Luke explained that the change creates an actuarial amount of liability.

Luke noted that \$6.4M was booked to Other Post-employment Benefits as a long term liability for potential retiree benefit and includes assumptions on current and future retirees that may participate in the plan. It is difficult to estimate an accurate amount due to the young age of many of our employees. Tom W. noted the actuaries must make the assumption that 200+ eligible staff might enroll, when presently we have approx. eight that are signed on for the plan benefit, and those enrolled pay for any current premiums. Kim noted usual accounting practices do not record liabilities if they are not required to be paid; Currently, the PEBB plan allows for a 60 day opt out which would null the future liability. The new rules include many variables that make it difficult to determine the present discounted liability and the amounts will change over time.

Luke noted that reporting the Postemployment benefit expense liabilities actuarial impact for 2018 is projected based upon the Government Accounting Standards Board measurement, which allows for a two year calculation.

The financial statements remained status quo with the exception of the PEBB liability and current expense adjustment of \$847,000. On a positive note, Luke noted that the board financial statements have been historically very accurate and data graphs were shared to compare year-over-year statistics.

Luke reviewed the Net Patient Service Revenue and explained amounts received from the significant payers and highlighted the risks; Medicare, the district's single largest payer is predicted to be bankrupt in 10 years unless systematic program changes are implemented. Luke noted the District's 340B program is one of the largest he has seen considering our facility size. He noted the program is very beneficial, but as pharmaceutical companies lose revenue under the program, their lobbying power places the entire program at risk.

The Capital Expenditures Percentage of Annual Depreciation, Long-Term Debt to Net Position, Days in Net Patient Accounts Receivable, Gross Days in AR, Contractual Adjustment Percentages, Bad Debt Percentage of Revenue, and Bad Debt Charity Care Percentages from 2014-2017 were reviewed and discussed. The FTE trends were non-significant, which is the largest single expense of the District.

Luke was complimentary of the Finance team's accounting practices and management of the District's finances. The Board members thanked Luke for his informative presentation; there were no comments from the Office of the State Auditor.

Safety/Security Update – Chris Wagar presented a security report relating to services provided by Phoenix Protective Corp., who have been engaged to provide District security services since June 2017. The officers tour all District buildings and facilities from 8 pm until 8 am, 7 days/week, and check for trespassing, improper parking, door locks/alarms, property damage, disturbances, etc. An on-line report is generated daily. From August 2017-2018, 177 incidents were reported, with the highest responses being for trespassing, patient/visitor assistance requests, and unsecured doors.

Chris noted that the security service is on site during evening/nights, which is not as busy as our day time hours. She noted we are considering security services up to 24 hours per day – especially with the increased need for assistance with managing crisis behavioral health issues in the ED.

Pend Oreille County 2018 Hazard Mitigation Plan – Chris Wagar explained that Pend Oreille County is in the process of compiling a multi-jurisdiction Hazard Mitigation Plan (HMP). As a community participant, the District is required to report findings during a public forum. The Plan provides potential opportunities for FEMA grant funding, increases county awareness, and is a decision tool for management, inter-jurisdictional coordination, as well as hazard mitigation planning. Chris noted that hazard maps and posters are available upon request. A historical account of recorded county disasters was included dating back to 1977.

Hazards to be addressed in 2018 include avalanche, drought, earthquake, flooding, landslide, wildfires and severe weather. Hazard impacts include tourism and recreational activities, crop failure, electrical rates, and restrictions on growth/development. Chris explained that Oregon and Washington are focusing on the Cascadia fault and the potential impact of a major earthquake in the region. A county-wide Vulnerability Rating was discussed; the scores were based upon ratings suggested by a variety of county agencies. The highest risks for Pend Oreille County were rated as severe weather and wildfire. Chris offered to send the report that she submitted to anyone interested; the data will also be published on the Pend Oreille County website, which currently lists a 2010 report. Chris was thanked for her time and effort to participate on the committee and compile the informational report.

COMMITTEE REPORTS

Joint Conference/Planning – Dr. Angelika Kraus, Chief of Medical Staff was not in attendance at the meeting; there was nothing significant to report from the medical staff perspective.

Finance: Casi Densley, Controller reported a positive financial bottom line thru July 2018. Centricity and Meditech training is in progress; Casi attributes the positive budget impact to recent training programs with our billers, coders and finance personnel to improve financial processes. She noted we have engaged Brown Consulting to audit provider documentation/coding processes for improvement and have posted a ¾-time Financial Analyst position to replace Vicki Richter, who is retiring.

Casi announced that she anticipates installation of the new timeclock system within the next two weeks; Rita and Joseph met with the vendor (Datapro) to upload the information to the system; the anticipated “go live” date is in November.

Buzz Price noted that in 2014 a Windows 2007 upgrade was implemented when our 2003 version became obsolete; now, prior to the close of 2019, the 2007 system will need to be upgraded to Windows 2010 to remain security compliant. In the interim, Buzz is analyzing licensing requirements and necessary PC replacements (most are already licensed for 2010) to minimize costs.

Quality Assurance – Jennifer Allbee, Quality Manager presented a 5-year emergency room comparative report of total visits, left without being seen (LWBS) or against medical advice (AMA), length of stay (non-admissions), bar code scanning, Press Ganey scores and WRHC benchmarking. Jen noted we had over 800 ED visits for the month of July, which is a new NHHS record.

The State and National averages of patients LWBS is 3% and 2%, respectively. Jen is tracking these and noted our scores are below both and patients leaving AMA is 0.5% of total ED visits. The ED goal time from arrival to departure is 120 minutes; which has steadily improved since 2016. The ED barcode scan rate has improved with meeting the goal of 95% twice this year.

Jen explained that the overall Press Ganey Survey database mean compares approx. 2,500 facilities. The current baseline we use for our VBP scoring is the 86%-tile. Approximately 300 random patient satisfaction surveys are sent monthly to ED patients.

NHHS scored 4th among our WRHC peers when comparing ED returns within 72 hours w/same diagnosis. Jen noted that she began tracking a new measure this year – ED transfer communication, which uses a sample of approx. 15 patients transferred each month to track physician-to-physician and RN-to-RN communication. RN-to-RN communication is currently 94.4%. An electronic patient log was implemented this year and is available in the department. The ED has implemented a triage/re-triage process that tracks triage and admitting registration times upon patient arrival. Patients are seen based upon the level of triage vs. arrival time. Patients are also being placed in overflow rooms vs. the waiting room.

SUPERINTENDENT REPORT

ALF Project - Tom W. distributed cost estimates to build out and finish the 4th, 18-unit neighborhood, along with the new building project budget. He noted, per our Nov. 2017 project estimate, the total all-in project cost was \$11.1M = construction (\$8.9M w/sale tax), contingencies (\$500K), and soft costs: (\$1.7M: planning, A&E costs, bond fees, survey permits, equipment, etc.). Tom indicated the net estimate on the 4th neighborhood (using 2017 project cost estimates) = \$900K [\$1.025M construction = 9,350 sf. @ \$110 sf. + A&E cost (\$75K) + sales tax/equipment (\$80K) - unused contingency (\$300K)]. With the \$900K, net, the total all-in project cost would be approx. \$12M to finish 72 units.

To date, we've approved three change orders (approx. \$180K) that include all re-engineering, ground water mitigation, and site work. Baring something completely unforeseen, Tom doesn't anticipate any more significant change orders. From a cash flow perspective (as of July 31), project costs paid were \$2.5M (CIP), \$163K (bond issue costs), and there remained a total of \$8.8M in our Capital Reserve Fund. With that, and assuming no significant change orders, an additional \$470K (\approx 5 days cash) would be required to complete the 4th neighborhood. And, Tom noted, that estimate does not factor the \approx \$375K in M&O taxes accumulated in the 2016 LTGO Bond Fund that will be transferred to a board designated Capital Reserve Fund during the meeting.

Commissioner King commented that building codes will be changing next year and retrofitting existing construction could potentially be very costly. Travis Williams added that he is also confident there will be few remaining change orders and believes there may even be opportunities to capture savings; he also agreed with Commissioner King that costs will be much higher if construction is delayed even a year.

Chelsea McLaughlin responded to questions relating to potential capacity; LTCU census is currently 46 and she and Susan Schwartz routinely receive inquiries. And, as there are virtually no other facilities accepting Medicaid clients, Chelsea receives many calls from case workers throughout the region looking to place residents. The demand for services continues to grow.

Tom was confident our current cash position and cash flow would be sufficient to finish our 4th neighborhood. Travis, and Doug Hammond will continue to work diligently with the general contractor and architects to manage completion of the 4th neighborhood. After further discussion regarding cash position and timing, Tom W. proposed a motion to proceed to finish the 18-bed, 4th neighborhood, at a gross cost not to exceed \$1.2M and report to the Commission next month with a final amount; **the motion was seconded and passed unanimously.**

Medication Management Grant – Tom W. stated that he anticipates we will receive an Empire Health Foundation grant of approximately \$150,000, to be funded over 18 months, to assist with medication management and care coordination with our local pharmacists and providers. We will focus on our high risk patients requiring care assistance.

OLD/NEW BUSINESS:

1115 Waiver – Tom will meet with Better Health Together to discuss funding distribution for the community and health care providers. As noted previously, the four major initiatives covered under the waiver proposal and our Partner Transformation Plan (the 'Big Ugly) are Care Coordination, Integration of Clinical/Behavioral Health care, Chronic Disease, and Opioid Management.

Providers Recruitment – Tom is meeting with an ED candidate tomorrow; a PA student should be taking his exams and starting in October; also, a FP/OB resident will be here in September.

ACTION ITEM AGENDA

Budget Revision – Capital Purchase – Kim Manus explained that in the last 10 months Dr. Schicker has performed 99 orthopedic procedures with \$1.7M in gross revenue generated on the professional/technical fees. Based on 2017 ratio of cost-to-charge ratios (Medicare Cost Report), actual collections on those services= \$1.2M, with \$204K paid to Dr. Schicker; and operating costs \$737K (or \$941K total costs). Kim noted a key consideration to any successful practice is pre-authorization and payor-mix; 100% of Dr. Schicker's accounts have received payment. Kim noted that she did not include therapy or outpatient services revenues generated from Dr. Schicker's practice; he has also been a great pleasure to work with and a positive addition to the medical staff.

A motion was made, seconded, and unanimously approved to purchase orthopedic equipment in the amount not to exceed \$129,000.

Radiology Flooring Project Budget Revision – a motion made, seconded and passed unanimously approved \$366.76 amount of overage for replacement flooring in the Radiology Dept.

Resolution No. 2018-09 Surplus Property – was approved unanimously via motion made, seconded and passed.

Bond Transfer from LTGO to Board Reserve Fund - all M&O tax receipts are earmarked to the LTGO fund; once each year the fund is to be depleted to the point of having just one month's principal and interest payments on the LTGO bonds. A transfer of \$375,000 from the LTGO Bond Fund to the Board Reserve Fund was approved unanimously via a motion made, seconded and passed.

OTHER BUSINESS

The Board will review the District Bylaws to be discussed at a later date.


NEXT MEETING DATE

The next regular meeting of the Commission will occur on September 27, 2018 at 12:30 pm. A Board Commissioner education session will **begin at 11:00 am**.

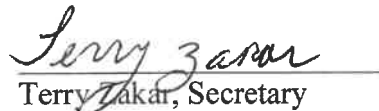
ADJOURN

There being no further business, the meeting adjourned at 2:22 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