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

October 25, 2018

In Attendance: Commissioners: Thomas Garrett, Lynnette Elswick (via teleconference), Terry Zakar, Raymond King, and Lois Robertson; Tom Wilbur, CEO; Directors: Chris Wagar, Casi Densley, Trina Gleese, Jenny Smith, Travis Williams, Leif Furman, Jennifer Allbee, Robert Rosencrantz, and Nancy Shaw.

Excused: Angelika Kraus, MD; Directors: Kim Manus, Pete Peterson, Walter Price, Susan Schwartz, and Joseph Clouse.

CALL TO ORDER:

Chairperson Thomas Garrett called the meeting to order at 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: September 2018: Warrants #208486-#208888 and wire transfers #1798-#1816 in the amounts of $1,992,488.54 and $1,626,233.98, respectively, plus an automatic loan payment deduction of $40,000 for a grand total of $3,658,722.52.

Bad Debt/Charity Care: all-inclusive September District Write-off's for $147,561.52.

APPROVAL OF PREVIOUS MEETING MINUTES

The regular September 27, 2018 meeting minutes were approved by motion made, seconded and passed.

BUSINESS FROM THE AUDIENCE:

Robert Rosencrantz, audience member, proposed a question to the Board members: "assume you were given $100K per year to hire one person, who must put into effect previously untried efforts to drive cost-saving lifestyle changes among the top 5% of patients who account for 50% of costs – what would that person do, and if the story were compelling enough, could you get the $100K? If the proposal were funded and was successful, would NHHS go broke?"

Tom W. thanked Robert again for the compelling monthly question and responded that we probably could obtain the $100K/year. In fact, we had already been receiving grants (CMS-AIM and HRSA) to subsidize positions to provide care coordination and outreach services to those clients at highest risk, including assessing their home situation and escorting them to medical visits for the past two years. In addition, Tom indicated the clinic was presently working on an Empire Health Foundation grant to fund work with clients and care givers who need assistance with medication management, as many of

our patients struggle with that aspect of their care. Specifically, the goal being to ensure consistent communication between the patient/care giver, provider, care coordinator, and pharmacy with an emphasis to ensure patients appropriately manage their medications and avoid becoming acutely ill. We will be working to identify the target population, process engagement, and means to monitor outcomes in 2019. Pharmacists will be involved to assist in discovering system gaps, monitoring, and will ensure communication and care coordination occurs routinely.

Mr. Rosencrantz requested clarification regarding the second part of the question and the revenue reductions that may occur in the system for providing less care. Tom responded, noting that while we haven't gone broke yet, he is certain that some individuals we have assisted have definitely avoided costly care in our facilities (aka – ED visits and acute care admissions) which has reduced potential District revenue. However, he noted there is much to be determined about the total impact as we continue on with value based programs. He noted our Medicare ACO participation had theoretically reduced CMS's "projected costs of care" for our combined assigned Medicare clients by over $3.0M in both 2016 and 2017, but those estimates are not an exact science and there remains a benefit to us for improving access to others during the time of services "forgone."

In addition, Tom explained that we remain under cost-based reimbursement models, which are designed to match reimbursement with proportionate costs to even things out. So, the short answer to Robert's question is no, we aren't going broke, yet, but at some point in the future payment models will change and we will have to be prepared to adjust to remain financially viable. However, Tom was confident the VBP work done to date was helping us to better serve the community and the lessons learned far outweighed any potential lost reimbursement.

Tom noted the two systems remain at the forefront: 1) Medicare ACO model; and 2) State Medicaid/ 1115 waiver program. Both systems are pushing to accept fixed payments (and risk) with the State pushing toward a "fixed" budget-based model. A flat fee (based upon budget) would be paid to cover base District services, and it would be up to facilities to contract with insurers, carriers, partners, etc. to negotiate any shared savings for forgone services outside the District umbrella (aka – services going to Spokane). It's an interesting concept, similar to the old WA Hosp. Rates Commission budget and rate setting process, but far from being a workable system at this time.

Tom is participating on a sub-committee of the WSHA Rural Hospital Committee to work with the Health Care Authority to determine the proposed methodology. The intent is to begin the program in 2020; Tom is appreciative of the premise to generate savings; however, there are many unknown factors to this payment model.

Board Education Report – Commissioner Garrett reported the board education session did not occur today; it is anticipated that the next topic of discussion will include the role of the Board Chairperson, based upon an article in the Harvard Business review.

The District Bylaw revisions will be discussed/reviewed and likely approved at the November meeting of the Commission.

Commissioner Zakar expressed a concern about the beverage selection in the Café, she noted there are selections that are considered unhealthy, yet soda is no longer available. Tom noted the decision was made to try and reduce the amount of sugary drinks that we, as a District, made available in the cafeteria. Staff is welcome to bring their own drinks to work. Jenny Smith interjected that the decision

to remove the soda machine from the Dietary was the result of a Healthier Hospitals Task Force to encourage drinking less sugar-based beverages and promote hydrating with water. It was noted that small cans of soda are available in the cooler. Commissioner Robertson commented that she agrees with promoting healthy food and beverage choices. Following discussion, it was decided that Jenny Smith will consider revisiting the Healthier Hospitals Initiative.

COMMITTEE REPORTS

Joint Conference/Planning – Dr. Angelika Kraus, Chief of Medical Staff was not in attendance at the meeting and there was no report.

Finance: Casi Densley, Controller, provided an updated financial packet that included a 2017 cost report settlement of $175K, and a 2018 interim rate review completed with DZA Auditing Firm. New rates have been sent to Noridian; Casi does not yet know the adjustment amount, but noted that most rates increased with the exception of a few outpatient rates. Casi reported bottom line net income for the month of September was $207,000.

Departmental budgets are on track and being distributed to management; the annual Budget Hearing will occur November 15, 2018 at 1:00 pm.

Construction is progressing at a fast pace for the new ALF. To date, approximately $3.6M has been paid; Casi reported 5 change orders have been processed and approved (approx. $218K). Tom noted the original contract base bid was approx. $8.2M, $9.4M including contingencies and sales tax; soft costs of approx. 1.7M added made the grand total project $11.1M. With the completion of the 4th neighborhood, with remaining contingencies offset, will bring the revised total cost on the project to $12.1M. Change orders to date total approx. 2.7%, including all of the grounds work. The remaining changes on the finish of the building should be minimal

Casi noted that a fulltime Financial Analyst will be hired in the near future.

Quality Assurance – Jennifer Allbee, Quality Manager shared information from a WRHC meeting last month. Jen explained that the Washington Rural Health Collaborative comprises a group of 13 similar-sized Washington State hospitals, Kittitas and Lincoln Hospitals joined recently bringing the total to 15 participating facilities. Jen noted that Physicians Insurance provides malpractice and liability coverage for the majority of the collaborative hospitals. Also, the group participates in Amerigroup value-based purchasing agreements for clinics. 100% of members report on selected quality and financial monthly measures. Collectively, the collaborative population is 360,683 lives. Jen reviewed comparative data for annual discharges, readmissions and average daily census statistics.

Jen noted the collaborative CNO's and CEO's meet monthly to review and select reportable and comparative quality measures. Core measures currently include: hospital-acquired infections, unassisted patient falls; readmissions within 30 days; percent of ED return visits within 72 hours, ED transfer communication and HCAPS questions that address call light, noise levels and medication explanation.

Our acute care unit recently celebrated 128-days with zero patient falls; Jen noted that the staff members receive minor rewards when days-without-fall goals are met. In an attempt to prevent

patient falls, the nursing staff participates in strategies that involve post-fall huddles; it was noted that the number of days without a fall occurrence are posted throughout the unit, intended to be a source of encouragement and communication for staff members.

Jen reported that the WA State Dept. of Health was recently awarded a CDC grant; they are requesting WRHC participation in its Coverdell Stroke Program; although reimbursement is minimal ($1,250), our participation will be beneficial for collecting stroke data times for door-to-CT scan, thrombolytic administration (for stroke therapy), EMS notification to hospital, time from arrival to departure for higher care level (transfers). On average, 24 patients present at NHHS for stroke treatment annually.

Commissioner Garrett commented that we should remain focused on worthwhile measures that pertain to the District's mission. Tom W. indicated that we strive to compare standardized measures within the WHRC and WSHA in order to ensure that the information is meaningful. Jennifer was thanked for the informative report.

SUPERINTENDENT REPORT

District Bylaws/Revisions – Tom W. explained the District Bylaws haven't had any major revisions since 1984 and, based upon our internal review of the credentialing process and a comment made by Commissioner Zakar, it was clearly time to do an in-depth review. Tom noted this was the second iteration, the first draft being part of an education program of the Board in September. It follows along with the Commission's stated guide to simplify, rather than list all detail requirements of an RCW, simply note the RCW reference – which always, by requirement, acts as our guide. Tom requested the Board members review the updated draft. In the interim, Tom will submit the proposed bylaw update to District legal counsel and present the final draft in November for Commission.

Policy update: next up for review and internal board education is our Medical Staff Bylaws, Rules and Regulations, and Delineation of Privilege documents. All are in process of being reviewed and revised. Tom explained the Board, Medical Staff and Superintendent are "collectively" responsible to set the guidelines, rules, and requirements. Tom noted that as residency programs and technologies advance, so do practice guidelines, and the list of clinical privileges – we have seen that with Dr. Reinke's (Texas A&M University Residency Program) notes that privileges have expanded to include full spectrum family practice medicine with scope procedures, surgical OB, etc. The question becomes, how many procedures are required to become proficient? And, how many procedures and education is required to stay proficient? That's the most difficult task for any facility, small or large, to answer.

Dr. Curtis Gill's Residency program included use of bed-side diagnostic ultrasonography in the ED; he spent nearly six weeks in Residency doing strictly ultrasound procedures with the intent of performing these reads and meeting the American College of Emergency Physicians (ACEP) guidelines for interpretation.

Value Based Purchasing Targets – Tom explained that the WRHC recently updated their Bylaws (it's going around), which created an update to the inter-local agreement for joint contracting language. The WRHC and Joint Operating Board have the ability to negotiate contracts via an Interlocal Agreement as a collective entity. The NWRHN is also participating; and the language has been reflected in the NWRHN Inter-local Agreement. This should improve our ability as a rural facility to

compete in the market, as a collective group of providers, and negotiate with payers. Under the arrangement, no individual provider member is obligated to enter into contracts; however, membership in the group provides an opportunity to collectively negotiate contracts. We anticipate this will have a positive financial impact to us in the long term.

Molina/Amerigroup – we will continue to engage with our MCO partners in our efforts to collect/interpret/share data and resources to help our clients. Tom explained we selected Amerigroup and Molina due to their size and partnership intention under shared savings contracts. They have also provided an enrollment list to compare our assigned patients. Chris Wagar stated that she compared the enrollment lists with our Centricity records and between the two insurances there were over 350 people that who have never been seen or it's been over 3 years since being seen in our clinic. We are requesting assistance from Molina to identify patients that may have left the area or to track down clients enrolled but never seen.

Tom recently attended the State of Reform conference. He noted a company called Iora presented an interesting arrangement. Presently, our participation in a Medicare ACO has been with the intent to stay clear of Medicare Advantage Plans. Iora, in conjunction with local providers, a carrier, and an investment bank, proposes to enroll patients in an Advantage Plan to capture "first dollar" premium and to essentially manage the collective Medicare dollars for a population of clients. Presently, there are no Medicare Advantage Plans in this area, but under the proposed plan, patients would be assigned to a PCP – presently, a gap in our present ACO model. If successful, to drive better results, the shared savings go back to the group. It is indicative of state of the market – everyone is trying to find a path. Tom plans to meet with the members of the WRHC committee to discuss options.

Tom noted that providers have viewed payers as, "obstructers of payments" rather than partners. Our approach is to work together with insurance payers and to share responsibility for clients. Amerigroup has been a very willing partner; Tom is confident that there remains a means to accomplish our goals.

HCA 1115 Waiver – we remain on schedule to begin participating in January 2019. Tom noted that although there are minor clarifying questions yet to be answered – i.e. POCCS has been named as second cohort; Tom disagrees and will pursue effecting the same start date of January 1 for POCCS.

Capital Planning - we will continue with revisions and analyses over the next several months as we consider space utilization for the Circa 58 space and LTCU.

2018 Provider Recruitment: Two FP's with surgical O.B. are making site visits next week; one is presently in the Tacoma-based OB Fellowship program (she is working with Dr. Benko and will finish next summer); the other would be available Fall, 2020. They both have a rural, full spectrum, family medicine practice as a goal. Three ED providers have expressed an interest as well. Two are ED Medicine Board Certified MD's from Colorado. Another MD is interested in moving to Priest River; he has with a wealth of ED medicine experience. Tom will provide information as it becomes available.

Legislative Update – we are beginning to prepare for the 2019 legislative session. Tom will keep the Board members updated in the meantime.

OLD/NEW BUSINESS:

Jenny Smith announced that the District was awarded the Community Health Leadership Award from the Washington State Hospital Association in recognition of the Healthy Kids Snack Bag Program. The Program has proven to be a valuable service to the families and children of Newport and surrounding communities. Tom thanked Jenny and Lori for all of their efforts with the program, it was great that they were recognized at the annual WSHA meeting.

ACTION ITEM AGENDA

Resolution No. 2018-10. District participation under the NWRHN Inter-local Agreement – was approved unanimously. As noted above, it permits local governments to create interlocal agreements to make more efficient use of their powers.

KCI Bid Proposal – ALF 4th Neighborhood – Via motion, made, seconded and passed unanimously, the Board approved funding in the amount (not to exceed) $1,144,296 to complete the new Assisted Living Facility 4th neighborhood.

Capital Expense (non-budgeted) - Laboratory Water System – Via motion made, seconded and passed unanimously, the capital purchase of a Millipore water system for the Laboratory Chemistry Analyzer was approved in the amount of $5,267.

Capital Purchase - Emergency Power – CT Scanner/Radiology Equipment – Via motion made, seconded and passed unanimously, $11,000 was approved to connect and supply emergency power to the CT equipment and general x-ray equipment in the radiology department.

Annual Insurance Renewal – Auto/Property – Via motion made, seconded and passed unanimously, the annual District property and automobile insurance coverage and premiums were approved for renewal on November 1, 2018.

OTHER BUSINESS
Jenny Smith wished to extend her thanks to Commissioner Robertson for her recent contribution to the Women's Health Seminar; the feedback was extremely positive and the conference was very well attended this year.

The Board will review the District Bylaws and re-authorization of the District collection policies next month.

EXECUTIVE SESSION
The meeting moved to Executive session at approximately 2:26 pm to discuss credentialing matters for approx. 20 minutes.

RETURN TO OPEN SESSION
Per the recommendation of the Medical Staff Executive Committee, the Commissioners approved:

Reappointments:
Emergency Medicine: Richard Walker, MD.

NEXT MEETING DATE

The next Special Budget Hearing/meeting of the Commission will occur on **November 15, 2018 at 1:00 pm.**

The next regular meeting of the Commission will occur on **November 29, 2018 at 1:30 pm** and is being held one week later due to the Thanksgiving holiday.

Tom Wilbur proposed starting the meetings at 2:00 thereafter; following discussion, the Board decided that the meeting start time will be changed from 12:30 to 1:30 pm.

ADJOURN

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