

February 11, 2008

The regular meeting of the Board of Commissioners of Whidbey Island Public Hospital District was called to order at 6:03 p.m. by Board President, Roger Case. Present were President Case, Commissioner Schoenknecht (by phone), Commissioner Zaveruha, and Commissioner Wallin. Chief Executive Officer, Scott Rhine, Chief Financial Officer, Doug Bishop, Chief Operating Officer, Tom Tomasino, Chief of Staff, Dr. Chris Bibby, Teresa Garrison, Dr. Mark Borden, Dr. Flora Barlotta, Beth Stout, Mary Pierzchala, Pat Lamont, Carolyn Pape and Laura Blankenship were also present. President Case asked if there were any points of order to discuss, of which there were none.

Minute Approval

Minutes from the January 7, 2008 special Board meeting were approved with additions of "two year terms according to District bylaws" under Minute Approval per Commissioner Case.

Public Questions or Comments

There were none.

Quality and Patient Safety Report

This report by Dr. Lee Roof, medical director for Quality and Patient Safety, was deferred to the March Board meeting.

Annual Compliance Report and Discussion

Beth Stout, Business Services Director, and Doug Bishop, CFO/Compliance Officer, presented an annual evaluation on the scope, performance and effectiveness of the Corporate Compliance program. An agreement has been signed with the Western Washington Rural Healthcare Collaborative to work with other hospitals on compliance activities, with regular meetings to be held. Commissioner Wallin will join the hospital's Compliance Committee for 2008. Work is being done on an external hotline. Two Board members and several hospital leaders recently attended compliance education in Port Townsend, and reported that it was good education. Beth noted that an internal audit of ambulance transports regarding medical necessity would be done in the next few weeks. The Board had no questions on the report as presented.

Medical Staff Report

Dr. Chris Bibby, Chief of Staff, presented the following medical staff appointments and reappointments for approval:

Richard P. Goldstein, MD – Active Staff Reappointment

Regina L. Currier, DPM – Active Staff Reappointment

Christopher J. Bibby, MD – Active Staff Reappointment

Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht to approve the active staff reappointments as presented. Motion carried.

Rudolph H. Knaack, MD – Affiliate Active Staff Reappointment

Mark S. Cichowski, MD – Affiliate Active Staff Reappointment

Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht to approve the Affiliate Active Staff Reappointments as presented. Motion carried.

Stanley L. Whittemore, MD – Affiliate Staff Reappointment

Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht, to approve the Affiliate Staff Reappointment as presented. Motion carried.

Kenneth R. Ellis, MD – Courtesy Staff Reappointment

Matthew M. Rice, MD – Courtesy Staff Reappointment

Leon B. Stratton, MD – Courtesy Staff Reappointment

Tobae G. McDuff, MD – Courtesy Staff Reappointment

Paula B. Shah-Hallam, MD – Courtesy Staff Reappointment

Ying. M. Wang, MD – Courtesy Staff Reappointment

Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht, to approve the Courtesy Staff Reappointments as presented. Motion carried.

Wendy W. Tong, MD – Active Staff Appointment

Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht, to approve the Active Staff Appointment as presented. Motion carried.

Toni Marthaller, ARNP – Allied Health Professional
Vicki Werve, ARNP – Allied Health Professional
Reese J. Bliiek, PA-C – Allied Health Professional
Calvin Cogburn, ARNP – Allied Health Professional
Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht, to approve the Allied Health Professionals as presented. Motion carried.

Dr. Bibby reported the following resignations:

E. Scott Casselman, MD – Radiology – effective 10/31/2007

James D. Martin, MD – ER – effective 12/31/2007

Kenton L. Sizemore, MD – OB/GYN – effective 12/31/2007

Brian G. Waite, MD – Family Practice – effective 2/1/2008

Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht to approve the Privilege Request Form for Advanced Registered Nurse Practitioner, Psychiatric as presented. Motion carried.

Individual Items (Discussion and/or Action)

A. Update on WGH Primary Care Associates, P.C. – Scott Rhine

Scott Rhine, CEO, distributed a summary regarding the new WGH Primary Care Associates, PC Corporation which became effective February 1, 2008. The agreement is for one year, not three years as initially proposed. The new corporation is funded by the hospital and governed by a physician board of directors. There is a contract with Whidbey Community Physicians to provide staff, management and billing services. Primary funding is through practice revenues. The hospital will provide a subsidy this first year not to exceed \$750,000 plus the initial \$250,000 in working capital. In future years the hospital will limit the subsidy by limiting overhead expenses in the range of 58-60%. The first priorities are to begin the recruiting process for two additional family practitioners and one physician assistant. The new Board of Directors will meet the second Tuesday of each month. The Board asked if there was extra insurance costs for the new corporation, and Mr. Rhine indicated that there would be with the new corporation added to the hospital policy. This will be included as part of the overhead expenses. There has not been any work done on extending the lease for the office that Whidbey Community Physicians is currently occupying. The lease expires in May 2009. The corporation is not taking over the lease, but the costs associated with the lease will be included in the overhead costs.

Mr. Rhine asked the Board for approval of a budget for the new corporation, estimating a cap of \$750,000 for the first year, plus \$250,000 for working capital. This amount should decrease in future years. After discussion, Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht to approve a cap of \$750,000 be budgeted for WGH Primary Care Associates, P.C., for the first year, with an additional amount of \$250,000 to be used for working capital. Motion carried.

B. Alternative Study – Hospital Master Plan

Tom Tomasino, Chief Operating Officer, reported that the hospital has been working with KSA and Heery for a year to develop the master plan for the hospital. At the Steering Committee meeting last week, Administration recommended that alternative design options be sought for the new patient wing. Much of the master plan has good planning information; however, the design portion relies on the design and remodel be tied into the old medical/surgical wing. After receiving the structural report, this appears to be very costly, with increased cost due to necessary phasing. Seeking alternative design options will make it necessary to postpone the bond election from 2008 to late winter or early spring of 2009. The Building and Planning Committee met before the Board meeting this evening, and are recommending that Mahlum Architects be hired for not more than \$15,000 to look at alternatives for the new patient wing. The committee also felt that more drawings are needed to make a good decision. After further discussion, Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht, to approve hiring Mahlum Architects at a cost of not more than \$15,000 to determine alternatives for the new patient wing. Motion carried.

C. Review of Strategic Business Plan 2008-2009

Mr. Rhine distributed a summary sheet of the Strategic Business Plan for 2008-2009 to accompany the draft working document that was sent out to Board members prior to the meeting. This plan will be worked on over the next twelve to fifteen months, with specific steps, time frames and people

responsible listed on the working document. Tom Tomasino noted that there was a lot listed to accomplish in the first quarter of 2008, and that it may change. The Admin Team continues to work with the managers on the specific items. The Board endorsed the business plan as presented. After review and discussion, Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht to approve the strategic summary for 2008/2009 as presented. Motion carried. President Case commended Administration for the extensive work that went in to developing this plan.

D. Recruitment for Medical Oncologist/Agreement with Oncology Group

Mr. Rhine reported that there have been several back and forth communications with Western Washington Medical Group regarding the recruitment of a new oncologist and the proposed change in the hospital's contractual affiliation. They were asking for \$120 per visit, and we offered \$74 per RVU or \$94 per visit. They countered with \$112 per visit the first year and \$122 per visit for years two and three. Their Board met last week, and Mr. Rhine has not heard back from them since then. Negotiations will continue.

E. Resolution #278 – Approval of Board Resolution for Western Washington Rural Healthcare Collaborative (WWRHCC) Compliance Program

Resolution #278 was presented for consideration and approval. After review, Commissioner Zaveruha made a motion, seconded by Commissioner Wallin to approve Resolution #278 resolving that Whidbey Island Public Hospital District will continue to implement and operate its compliance program utilizing resources provided by the Western Washington Rural Health Care Collaborative, along with other resources as may be required from time to time, and hereby directing and authorizing the Chief Executive Officer of Whidbey Island Public Hospital District to expend such resources as are necessary to establish and maintain such a compliance program. Motion carried.

F. Other

Mr. Rhine stated that the Central and North Fire Districts have signed the contracts for a BLS Assistance Program with the hospital's EMS program. Roger Meyers, manager for EMS and Dale Roundy, hospital attorney, worked on these agreements. South Whidbey Fire District originally opted out, but have since asked to resume discussions. Mr. Rhine reported that the City of Oak Harbor was not yet ready to go forward with this agreement. After further discussion, Commissioner Wallin made a motion, seconded by Commissioner Schoenknecht, with Commissioner Zaveruha recusing, to give Scott Rhine, CEO, authority to finalize the BLS assistance program agreements with North and Central Fire Districts. Motion carried.

Board Items

A. Recommended Review of Hospital District Bylaws

Tabled for March Board meeting.

Staff and Status Reports from Administration

Administrator's Report – Scott Rhine

The Administrator's Report was sent to commissioners prior to the meeting. Mr. Rhine noted that the hospital has been informed that the Neulasta pricing issue from several years ago has again been addressed by an appeals judge, this time in favor of the federal government and specifically the CMS program. After consultation with our compliance attorney, the hospital will pursue one more level of appeal at an approximate cost of \$20,000-\$25,000. The information from the decision at the last hearing level will be helpful to our petition.

Regarding TriCare, Mr. Rhine reported that Senator Murray and Congressman Larsen have both been supportive of our request for Critical Access Hospital (CAH) reimbursement for TriCare patients. They are supposed to issue a press release today thanking the Department of Defense leaders, and urging their continued support of our request which will result in critical access reimbursement for all CAH hospitals caring for TriCare patients. The Undersecretary of Defense for Health Affairs, Dr. Cassells, has approved the proposed legislation and it is now being forwarded to the Office of Management and Budget for a 90-day review and recommendation. If recommended by OMB, then a proposed rule will be distributed for comment in the federal register for a 60-day period, prior to the legislation being finalized. Mr. Rhine noted that there is a meeting this week with the Navy to discuss issues centered on the Naval Hospital closing their Emergency Department and implementing an urgent care center. A group of physicians and managers from Whidbey General will go to the Naval Hospital for this meeting, and will also take a tour of the Naval Hospital. Mr. Rhine noted that there are also pediatric

issues, and he is meeting with local pediatricians to work on solutions.

Newly hired CFO, Joe Vessey, will begin work at Whidbey General on March 18, 2008. Doug Bishop, current CFO, will help with this transition. Mr. Bishop will continue working for the hospital for a time, helping with projects and bond financing. Mr. Rhine noted that Commissioner Miller sat in on the interviews for this position. The Board requested copies of Mr. Vessey's resume.

Purchase of the Sebo/Gabelein property has been completed. Cost estimates for Whidbey General South as designed by Mahlum will be presented to Administration the last week in February, and Mr. Bishop will then continue with the financing package.

Purchase of the Goosefoot property has proceeded this week and should close next week following receipt of the boundary line adjustment. There have been some easement questions with Goosefoot and other property owners in the area, but Mr. Rhine noted that Administration is confident that these can be resolved and the project will get started.

Financial Report – Doug Bishop

Doug Bishop, CFO reported that the December financial statements are finished and subject to audit. Cash is at \$5.4 million, which is a major improvement from 2006. AR days are 48.4, which is very good for the end of the year. Contractuals are reserved at 55%. Liabilities are high with the purchase and sale agreements included for the recent land purchases. This money will be returned to the hospital once the loan has been received for the construction projects. December revenues were 11% above budget, contractuals 5% above budget, operating expenses at \$5.2 million and the bottom line for December was a positive \$714,000 with an 11% operating margin.

Year to date gross revenues are 14% above budget at \$115,000,000, write offs are \$60 million, which Doug noted as discouraging, operating expenses are 2% above budget, contractuals are above budget and the bottom line for the year is a positive \$4.3 million with a 6.11% operating margin.

Improvements for the year were mainly due to critical access hospital status, EMS tax levy, Accounts Receivable consultation and clean up, price increase in June, and increased volumes.

Doug reviewed the graphs that were included in the year end financials noting the following: cash is at 36 days, AR days remain low, days to pay vendors are just over 60, debt is low right now, however, will be increasing with the bond for the remodel construction project, average age of plant will be dropping with the new addition, there has not been much growth in number of FTEs, and bad debt is down, conversely, charity care has nearly doubled. The Board noted that they would like to see charity care added to graph number seven. Inventory turnover is good. Inpatients were somewhat higher in 2006, while outpatients were lower.

Doug noted that revenues look low for January, 2008 and February revenues are up.

The State Auditors have completed their work here. There is a statewide issue that is pending a decision from the Attorney General's office regarding purchasing contracts that may affect us. There were no significant issues or findings from the State Auditors. An exit conference will be scheduled.

Doug is also working on a Champus B&O tax issue that has been ongoing for ten years. We are the lead case for other hospitals on this issue. Doug attended an appeals hearing today in Tacoma, and reported that it will be 60-90 days before we hear a ruling.

Critical Access and Emergency Department Report

Tom Tomasino reported that things are not closed out yet for 2007, however it looks like there were 38 patient diverts for 2007.

There will be a meeting for the dashboard report redesign on February 18 at 5:00 pm. The Board can get input on this to President Case.

Tom also reported that there has been significant work and dollars spent on information systems this year to include: the T-system interfaced with STAR and clinical documentation system, a scheduling program for surgery, lab program and project with the Western Washington Collaborative to connect four hospitals in the collaborative with Harborview. Tom reported on several personnel issues with Information Systems, noting that they continue to meet their commitments and that resolutions to these issues continue to be worked on.

Other

Two meetings coming up include a critical access meeting in Spokane in March, which Mr. Rhine noted staff plan to attend, and a Patient Safety Summit in Seattle in May.

Mr. Rhine distributed guidelines for employees regarding elections and bond campaigns, noting that

more information can be provided if needed.

Consent Agenda Items:

A. Commissioner Schoenknecht made a motion, seconded by Commissioner Wallin to approve the write offs as presented in the amount of \$291,156.10. Motion carried.

B. Vouchers audited and certified by the auditing officer as required by RCW 40.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing which has been made available to the Board. Commissioner Schoenknecht made a motion, seconded by Commissioner Wallin to approve vouchers #111538, #111597 in the total amount of \$7,741.09. Motion carried. Commissioner Zaveruha abstained from the review, discussion, vote and written approval of these vouchers due to a potential conflict of interest.

Vouchers audited and certified by the auditing officer as required by RCW 40.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090, have been recorded on a listing, which has been made available to the Board. Commissioner Schoenknecht made a motion, seconded by Commissioner Wallin to approve vouchers #1303 to #1318, #111392 to #112014, excluding #111538 and #111597 in the total amount of \$4,791,447.48. Motion carried with all commissioners voting.

There being no further business, the meeting adjourned at 8:00 p.m.