

February 2, 2012

A special meeting of the Board of Commissioners of Whidbey Island Public Hospital District was called to order at 8:00 a.m. by Board President Anne Tarrant at the Best Western Hotel in Oak Harbor, Washington. Present were Commissioner Tarrant, Commissioner Wallin; Commissioner Case; Commissioner Zaveruha; Commissioner Cammermeyer; Chief Executive Officer, Tom Tomasino; Chief Financial Officer, Joe Vessey; Chief Operating Officer, Hank Hanigan; Chief Human Resources Officer, Carolyn Pape; Chief Quality Officer, Teresa Fulton; Chief Nursing Officer, Linda Gipson; Chief of Staff, Dr. Gabe Barrio; Chief of Staff Past, Dr. Doug Langrock; Chief of Medicine, Dr. Haigh Fox; Chief of Surgery, Dr. Michael Picco; Chief of Peer Review, Dr. Steven Hunnell; Chief of Credentials, Dr. Robert Wagner; Hospitalist Director, Dr. John Oakland; Emergency Department Medical Director, Dr. Worth Everett, and Public Relations Coordinator, Trish Rose.

### **Executive Session (RCW 42.30.110(1)(i) Potential Litigation**

At 8:01 a.m. President Tarrant announced that the Board would go into Executive Session for approximately 60 minutes to discuss a matter authorized by RCW 42.30.110(1)(i) and that the Board would not be taking any action during the Executive Session. Attorney Jim Fredman of Foster Pepper also attended the Executive Session. At 10:00 am President Tarrant announced that there would be a short recess. At 10:17 am President Tarrant called the regular meeting back to order and reported that no action had been taken during the Executive Session.

### **Agenda Review/Goals for Retreat**

Tom Tomasino stated that the question that needs to be answered today is whether we remain independent or we affiliate with another hospital or system.

### **Board Updates**

President Tarrant reported that there were no board updates.

### **Hospital Updates**

Tom Tomasino reported that the State Auditors recently finalized their report. It was a very favorable report with only one small issue regarding petty cash that will be rectified. The State Auditors have also responded to a citizen's complaint concerning Commissioner Zaveruha's position on the board and a potential conflict of interest and we received their written response yesterday. The response stated that there is no evidence of any conflict of interest. Mr. Tomasino reported that the Department of Health was at the hospital recently to conduct their Critical Access Hospital and State Licensing Survey and we received their written report yesterday. At the Exit Conference they stated that they had no concerns about our quality of care or patient safety and that the items that would be in their report would be related to policies and procedures and the physical plant. Mr. Tomasino reported that with the loss of Dr. Marquart our trauma designation is in jeopardy. We are in communication with the State to see what kind of leeway they will give us as we recruit for another orthopedic surgeon. In response to a question by Commissioner Cammermeyer, Hank Hanigan reported that the Department of Health has still not made a decision on the Certificate of Need for Hospice. Dr. Wagner asked if there would be a benefit to the hospital to have a closer relationship with the Island County Health Department, perhaps sharing resources and talent. Tom Tomasino stated that we do already interact with them a considerable amount but there may be the opportunity to engage in additional joint ventures with them. Commissioner Case commented that the Community Health Advisory Board has been talking about reactivating summit meetings that used to happen with representatives from Island County Health Department, Mental Health agencies, the Navy Hospital and Whidbey General. Mr. Tomasino stated that our community outreach program has been very active over the last few years and we have been out in the community as much as we can.

### **Medical Staff Updates**

Dr. Gabe Barrio reported that he appreciated the discussion at the Executive Session this morning as it alleviated some of the concerns that some on the medical staff have had. He

reported that he has made an appeal to the medical staff to share with all of us their level of community involvement so that we can make that information public. Dr. Barrio reported that he is worried that not enough is being done to support our two great surgeons, Dr. Bahiraei and Dr. Oman. He is worried that we may lose them as a result. He believes that they need an RN in their office to help them. Dr. Barrio also stated that call can be a burden on surgeons in small hospitals but we might be able to lessen this burden, add to our bottom line, and improve safety through a program where surgeons co-manage patients with the hospitalists. This is something that is already being done in Bellingham. Dr. Barrio reported that mid-wife Cynthia Jaffe's relationship with the hospital needs to be clarified. Not all the physicians are comfortable with a licensed mid-wife. This issue will be taken back to the MEC. He reported that there is also a need to clarify the differences in the scope of surgeries that our physicians perform. There is a difference in what our older and younger surgeons are comfortable doing and it is creating conflict within the department. He reported that a recent hospitalization of a juvenile for a drug overdose has highlighted the need to clarify how we handle these patients. The age of the patient indicated that a pediatrician should be involved instead of a hospitalist but the issue was outside the scope of practice for the pediatrician on-call. There were no beds available for this patient anywhere in the state so she was kept in the E.D. overnight which was not a good solution. After discussion about the issues surrounding mental health patients it was decided that a committee would be formed to re-write our plan for mental health patients.

### **Progress Update**

Tom Tomasino reported that progress will be covered in the presentations made by the Administration team.

### **Challenges and Opportunities in 2012**

#### **1. Finance**

At 11:10 am, after a five minute break, Joe Vessey presented a report on the Finance Division. Mr. Vessey listed some of the 2011 accomplishments:

- Automated time and attendance, payroll
- Contracted with Meditech for EHR/ERP
- Upgraded STAR software for ICD-10 readiness
- WAN upgrade with Comcast – 50X increase in data transmission speeds
- Improved data backup process
- Patient labels for improved patient safety
- Financial clearance process – reduction 24 days in Self Pay AR January-December 2011
- Unqualified audit opinion from external CPAs
- Clean audit opinion from SAO
- New Merchant Services arrangement
- Lockbox all hospital patient pays
- Reorganized PFS staffing – reduced AR days
- Point of service cashier
- Webmedx Transcription
  - Improved turnaround times
  - Remote access to reports and provider signing
  - Improved readiness for integration with HER
  - 40% reduction in HIM department expenses
  - Avoidance of \$125,000 for needed dictation equipment upgrades

Mr. Vessey stated that the take away from all of these accomplishments is improved processes. He also presented information on the LTGO financing that will be completed in February. He reported that interest rates for municipal bonds have hit historic lows and have declined almost a full percent since he presented the debt proposal to the board in January. As a result we will be able to borrow an additional 1.1 million for a total of about 7.8 million. This will give us additional funds for capital expenses. Besides access to capital this financing will restructure our debt reducing the burden on our cash flow over the next five years. Mr. Vessey reported that

we must meet Meaningful Use so that we can avoid the payment penalty but also so that we can take advantage of the incentive payment. He presented the 14 Meaningful Use Stage 1 Core Objectives:

- Computerized provider order entry
- Drug-drug and drug allergy interaction checks
- Record demographics
- Implement one clinical decision support rule
- Maintain up-to-date problem list of current and active diagnoses
- Maintain active medication list
- Maintain active medication allergy list
- Record and chart changes in vital signs
- Record smoking status for patients 13 years or older
- Report hospital clinical quality measures to CMS or States
- Provide patients with an electronic copy of their health information, upon request
- Provide patients with an electronic copy of their discharge instructions at time of discharge, upon request
- Capability to exchange key clinical information among providers of care and patient-authorized entities electronically
- Protect electronic health information

Mr. Vessey stated that we also have to meet ten menu objectives although five of these objectives can be deferred to a later stage:

- Drug formulary checks
- Record advanced directives for patients 65 years or older
- Incorporate clinical lab test results as structured data
- Generate lists of patients by specific conditions
- Use certified EHR technology to identify patient-specific education resources and provide to patient, if appropriate
- Medication reconciliation
- Summary of care record for each transition of care/referrals
- Capability to submit electronic data to immunization registries/systems\*
- Capability to provide electronic submission of reportable lab results to public health agencies\*
- Capability to provide electronic syndromic surveillance data to public health agencies\*
- \* At least one public health objective must be selected.

Mr. Vessey reported that after stage one has been completed there are still two more stages and the hospital must keep up to avoid payment penalties. Mr. Vessey presented a five year cash projection which included the funds from the LTGO financing and the assumption that the goal of a 3% margin will be met. This projection only includes two million dollars a year for capital expenses which is what hospitals with a C or D rating spend, not those with the A rating that we currently have. Since we have no more ability to borrow using our M&O levy our only option will be short term leasing or revenue bonds, and revenue bonds rely on the creditworthiness of the district which means we need to have a strong bottom line. Dr. Hunnell asked what most hospitals with an A rating spend on capital expenses. Joe Vessey answered that instead of two million the amount would be somewhere in the range of six to ten million. Mr. Vessey stated that the hospital's culture is one of our challenges. We must reduce our costs, but the resulting changes will upset some of our people even though ultimately the changes will be better for the organization. It is critical that we become more efficient and adopt common practices, some of which will not be popular. There was discussion about the proposed cuts from Medicaid and Medicare and their impact. Mr. Vessey stated that for purposes of his analysis today he has not included the proposed cuts in these programs. Dr. Wagner stated that the surest way to improve our net income is to improve our surgery bottom line. There was discussion about increasing efficiencies and standardizing equipment. There was discussion about managing staff and the work flow. Mr. Vessey reported that in order to proceed with the LTGO bond financing we need a board resolution. The best day to sell bonds is on Wednesdays so he would like to go ahead with that sale on Wednesday, February 15, 2012. In order to do that the Commissioners need to

either meet for a Special Board Meeting or delegate authority to Administration to execute the sale agreement on February 15, 2012. He would be able to give the Commissioners preliminary numbers at the regular board meeting on February 13, 2012. Commissioner Tarrant made a motion, seconded by Commissioner Cammermeyer, to delegate authority to administration to execute the documents necessary to proceed with the LTGO bond financing on February 15, 2012. Motion carried. Commissioner Wallin had excused himself from the meeting at 11:30 am so did not participate in the vote.

### Lunch

The meeting adjourned at 12:20 pm for lunch. During the break Dr. Wagner excused himself from the meeting. The meeting was called back to order at 12:52 pm by Board President, Anne Tarrant.

### 2. Nursing

Linda Gipson, Chief Nursing Officer, presented the Nursing and Respiratory Care Strategic Plan. The Nursing Division is hoping to adopt the following as their mission statement: to heal our community one patient and one family at a time. She shared some of the success stories happening in the hospital, but then also noted that while 95% of our staff is fabulous, there are challenges including the following:

- Entrenched expectations/entitlement/groupthink in some sectors
- Staffing model
- Variability of practice
- Obstetrical volume
- Non-value added work
- Patients and flow issues
- Computer clinical documentation
- Excessive sick time utilization
- Physical plan (patient rooms and storage)
- Community perception
- Union contract requirements

The Strategic Plan for Excellence in Nursing is called Operation Nightingale. It has four key areas: mission supportive culture, effectiveness, efficiency, and contribution margin. The plan is patient centered and will reenergize the pride, passion, purpose and professionalism that made our nurses want to be nurses in the first place. In the early 1980s nursing researchers identified 14 things that identified great hospitals and support nursing practices. Only 5% of hospitals follow all 14 forces of magnetism and thus qualify for magnet designation. These forces include:

- A philosophy of caring from the top
- Accessible visible leaders
- Participatory management at all levels
- Directors that interact frequently
- Extensive involvement of nurse in planning for new facilities and technology selection
- Quality programs that identify and resolve patient care problems
- Nursing administration that recognizes autonomy and encourages self development

Dr. Gipson stated that she will be redesigning the organization structure of nursing at the hospital from a vertical design to a matrix. The outcomes that she expects from the implementation of the strategic plan include the following:

- Competent, compassionate, culturally sensitive care
- Accountability for professional practice and behaviors
- Full engagement with National Patient Safety Goals
- Patient satisfaction will consistently be high
- Patients will recommend the hospital and nursing
- Staff satisfaction will be high
- Physician relations will be collegial

She stated that our staff can expect the following from the nursing leadership:

- Advocacy
- Education
- Fairness
- Visibility
- Participation
- Decision making
- Honesty
- Transparency
- Accountability.

Dr. Gipson stated that through this process we will be asking our nurses to do the following:

- Give it a chance
- Speak up and ask questions
- Offer solutions
- Hold each other accountable
- Support each other in a time of change
- Participate in the process
- Embrace the four P's and live them
- Stand out and be special
- Remember the lessons of Florence Nightingale who said the following: "Attribute my success to this – I never gave or took any excuse", "I think one's feelings waste themselves in words; they ought all to be distilled into actions which bring results", and "Were there none who were disconnected with what they have, the world would never reach anything better".

There was discussion about the very costly staffing model that the hospital currently utilizes with an all licensed staff. At the conclusion of Dr. Gipson's presentation, Commissioner Cammermeyer excused herself from the meeting.

### 3. Quality

Teresa Fulton presented the Quality and Patient Safety Division. The pillar goal under Quality is to Eliminate all Preventable Harm. This goal governs everything her division does. Some of their accomplishments in 2011 include the following

- 14 Performance Improvement Teams
  - Addressing patient flow, patient identification, standardization of process, and patient management
- 4 RCAs (Root Cause Analysis)
  - 2 were Adverse Health Events and mandatorily reported to the State
- 6 MQAC investigations on five providers
- 1 FMEA on INRs in Home Health
- Ethics program development and implementation
- Lucidoc implementation for document life cycle
- All ED continuity of care plans reviewed and updated
- Pediatric Nursing Conference
- 4 investigations performed with HR
- 1 HIPAA OCR investigation and response
- IHI Falls Expedition leading to an integrated approach to fall prevention
- Physician Practice Management Team
- Physician offices on Press Ganey
- 1300 PSN reports
- Patient Complaint resolution
- Various DOH Complaint investigations

She reported some of the challenges to healthcare for 2012:

- Increasing pressure to demonstrate better value
- High out of pocket health care costs will continue to erode household income and discourage preventative services

- Privacy and security of electronic health records is critical
- Social media will play a bigger role for consumers to connect with health care organizations and with others who share similar health concerns
- Cuts in reimbursement levels, and or a shift in the payer mix, with fewer private payers
- Higher ratio of outpatient to inpatient care, as well as an increased need for primary care capabilities
- Customer service (patient satisfaction) becomes a stronger competitive differentiator

Ms. Fulton presented the Quality and Patient Safety Plan for 2012.

- Demonstrate Better Value
  - Provider STAR/NPI Table Team
  - DI Work Team Coding
- Increased need for Primary Care
  - Rural Health Clinic Teams
  - Physician Practice Management Program
- Consumer Service is a Competitive Differentiator
  - Breastfeeding Action Team
  - Total Joint Discharge Process
  - Preventable Re-admissions Partnership for Patients
  - Medication Administration Safety Team
  - Integrated Falls Team
  - Patient Discharge Process

Ms. Fulton reported that some of the challenges and unknowns in the near future are Meditech implementation, Patient Complaints, Risk Management Issues and Regulatory Issues and responses. Tom Tomasino noted that our Quality Department is far more than a place for patient complaints but that they are actively involved in improvement teams.

#### 4. Operations

Hank Hanigan presented an update on Operations.

- Service – 2011 Review
  - Implemented Press Ganey in Sleep and Rural Health Clinics
  - Installed Privacy glass at nurse's stations in E.D. and PACU
  - Created a private consultation room for surgery
  - SWCC Facelift
- Service – 2012 Planned/In-Progress
  - Monthly AIDET patient audit
  - Internal survey for support departments
- Quality – 2011 Review
  - Upgraded our MRI
  - Process improvement initiatives
    - Joint Protocols
    - New Patient Welcome Packets
    - Medication Standardization
- Quality – 2012 Planned/In-Progress
  - Replace our CT
  - Replace our Ultrasound unit
  - Implement Medication Dispensing Units
- People – 2011 Review
  - Filled two key leadership positions
  - Hardwired rounding
  - Increased evaluation completion rate to 88%
- People – 2012 Planned/In Progress
  - Hire a Pharmacy Manager
  - Continued evaluation of Managers using Studer's HML tool
- Growth – 2011 Review
  - Most services decreased in volume except

- Lab +4.6%
  - Echo +14.4%
  - PT +7.9%
- Rehab and DI Managers performing outreach to clinics
- Community outreach activities
  - County fairs
  - High schools
  - Skagit Valley Community College
  - Senior centers
- Growth – 2012 Planned /In Progress
  - Continue clinic outreach program
  - Promote new equipment and capabilities through Pulse and new website
  - Internal focus on referral patterns
- Finance – 2011 Review
  - Eliminated 6.4 FTEs through attrition
  - Reduced overtime hours by 54%
  - Increased efficiency in 60% of departments
  - Implemented 340b Pharmacy program saving \$90,000 - \$240,000 annually
- Finance – 2012 Planned/In Progress
  - Implementation of 340b contract pharmacy saving \$250,000
  - Skill mix changes saving \$188,000
  - Professional fee changes saving \$30,000

## 5. Human Resources

At 2:30 pm after a five minute break, Carolyn Pape presented the people of Whidbey General Hospital. At the same time Dr. Fru Bahiraei joined the meeting. Ms. Pape stated that the people who comprise the team at Whidbey General Hospital create and support each moment in the patient experience. Their effectiveness in making a personal connection with each patient and their aptitude in providing high quality care translates into our ability to sustain health care services in this model on Whidbey Island. She stated that we currently have 662 employees and our Full-time Equivalent is 474. The annual turnover rate for 2011 is 13% and our current vacancy rate is less than 1%. We currently employ only an all-licensed staff and have a high percentage of clinical staff with advanced certifications in their specialty areas. We significantly increased our numbers of employed physicians during 2011 and continue to focus on recruiting quality providers to our community. Our support staff is highly skilled as well, many seeking certification in their individual fields. Some of the challenges that we face include a long-standing permissive culture, lack of accountability in performance expectations, inconsistent employee expectations leading to an inconsistent patient experience and an inexperienced management team many of whom have "come up through the ranks". 68 of our employees have been at Whidbey General for less than 1 year, 269 have been here 1 to 5 years, 149 have been here 6 to 10 years, 119 have been here 11 to 20 years, 37 have been here 21 to 25 years and 21 employees have been here longer than 25 years. The opportunities before us include the following:

- Our management team is now committing to this journey
- Employees are seeing value and real meaning in making changes in how we deliver care to our patients
- The Senior Leadership team is now complete and focused on a shared vision.
- Our patients are experiencing the quality of care that demonstrates our commitment to our Patients First values and they now have these positive stories to share in the community.

Ms. Pape presented the Employee Satisfaction Survey Results. The survey period was from January 5, 2012 through January 26, 2012. The response rate was 49% which was 5% higher than last year. The survey was done in a new electronic format and included identical questions to surveys from the previous two years. She stated that every single category improved over last year except one. The overall increase was 6% well exceeding the goal of 3%. Ms. Pape highlighted some of the questions and their scores. The focus of the Human Resources

Department is on our Patients First Values and selecting new staff members and providers who already hold these values in their minds, hearts and actions, and on our Standards of Behavior which provide a common language and clear behavioral expectations for our team. Some of the tools that we are using include our Studer Partnership, the Patient Safety Network, Press Ganey and Leadership and Staff Training. The Leadership Development Institute in 2012 will include 10 four hour courses offered throughout 2012 to our leadership team. There are 48 participants including Senior Leadership, Directors, Managers and Coordinators. It is a structured format with strict accountability for homework and participation requirements. The LDI curriculum includes the Studer Principles and Tools which include High/Middle/Low conversations, Rounding, AIDET, Communication Boards, Reward and Recognition, Behavior Based Interviewing, Leadership Evaluation Manager, and a full day presentation by Michelle Bright, our Studer Coach. The curriculum also includes the use of the Myers-Briggs Type Indicator to create awareness of our leadership style, the Integration of the Standards of Behavior in our leadership, and the trends in the external healthcare environment. Staff Training will now also include front-line leadership training which includes our charge nurses, house supervisors and department leads. This group is often the first point of contact when an employee or patient issue arises. The course topics will be focused on the specific needs of these newer leaders and may include subjects such as handling difficult conversations, conflict management and delegation. The courses will be offered quarterly beginning in the 2<sup>nd</sup> quarter of 2012. In 2012 there will also be small group learning based on a learning needs assessment that was sent to the management team in mid-January. Learning topics will be developed that may not pertain to our entire leadership group but will help to bring along some of our less developed leaders in key areas. The goal is to "level the playing field" so our leaders have an equal opportunity to be successful in their roles and to allow us to elevate the learning in the LDI so our time in this setting will be most meaningful for the entire group. The Employee Satisfaction scores have validated and recognized the great work of our leaders in working effectively through a very difficult year and in 2012 we will continue to focus our staff on the Patients First values and Standards of Behavior and honestly commit to addressing behavior when those values are not demonstrated. We will continue to use AIDET and other Studer tools to support a consistent, quality patient experience regardless of the day of the week, time of day, or type of service. We will recognize the great work of our employees through thank you notes and other meaningful methods of appreciation. In 2012 we are in the third year of focused development of our Management Team. The LDI is a key initiative in 2012 and will include a special presentation by Studer. The Leader Evaluation Manager will ensure accountability and a clear measurement of performance. We have had the opportunity to bring in a few new leaders into key roles this past year and we have committed to an intensive selection process to ensure that these new individuals possess the values that are in line with our organizational expectations. Technical competence is critical but cannot stand alone without compassion, dignity and respect. We are introducing a new Manager Orientation to provide a more in-depth on-boarding experience for the new leaders joining WGH. 2012 will provide new opportunities to evaluate our labor pool and staffing mix. We have two Collective Bargaining Agreements that will be negotiated this year – WSNA (RNs) and UFCW (Service and Support). We are seeing a surplus of RNs as a result of layoffs of other healthcare organizations around the State. Other critical shortage areas such as Pharmacy and Physical Therapists still remain in high demand, however many staff members (our own included) are choosing to remain with their current employer, staying away from the unpredictable healthcare job market throughout the State. We are exploring opportunities to more efficiently and effectively care for our patients and are evaluating everything from start times to schedules and staffing mix.

## 6. Summary

Tom Tomasino stated that we have heard from the Administration Team about what has been accomplished and our challenges for the future. Given the turmoil over the last year the improvements in employee satisfaction is significant. He noted that in any organization there are high, middle, and low performers. If we don't address the low performers they are going to pull others down with them. He reported that in 2010 58% of all hospitals were part of a system and 2011 was a record year for mergers and acquisitions. Independent hospitals are struggling.

Some of the recent mergers include Stevens Hospital joining Swedish Health Services, Southwest Washington Medical Center joining Peace Health, and Northwest Hospital joining UW Medicine Health System. Some of the affiliations include Valley Medical Center affiliating with UW Medicine, Olympic Medical Center, Jefferson Healthcare, and Forks Community Hospital affiliating with Swedish Health Services, Skagit Valley Hospital, Island Hospital and Cascade Valley affiliating with each other. Valley General in Monroe is affiliating with Capella Health and United General Hospital is affiliating with Peace Health. As of last night Prov Everett and Swedish are now affiliating. Harrison Medical Center has stated its intent to find a partner and Virginia Mason and Evergreen Healthcare are working on an agreement. Whidbey General is just about the only hospital north of Seattle that is still an independent facility. Hospitals are merging and affiliating for a number of reasons:

- Better access to capital
- Greater efficiency due to large economies of scale
- Improved pricing leverage with vendors and insurance companies
- Upgraded IT systems that meet regulations
- Under the new business model for healthcare providers, payments will be based on quality, patient satisfaction and cost
- Proposed State and Federal Legislation threatens financial stability
- Patients are more sophisticated

Mr. Tomasino reviewed the strategic goals for 2012:

- Increase aggregate volume by 5%
- Achieve a 3% operating margin
- Eliminate all preventable harm
- Increase employee satisfaction by 3%
- Increase "I would recommend this hospital" score by 5%

He stated that there is good news. Our quality scores are improving, we have one of the lowest infection rates in the state, our patient satisfaction scores are improving and staff and physicians are engaged in cultural change. The bad news is that our volumes are declining and while we did receive 55% support from voters, the bond issue failed. We are proactively addressing the financial challenges that we have including costs for labor, supplies, services, clinical utilization and capital. Despite all of this we have moved the organization further this past year than in his prior 12 years with the hospital. We need to continue to build our culture around service and the Studer Principles and LDI are crucially important to this. We can't hold someone accountable for something that they don't know so through the LDI we are teaching them. We have also increased our presence in the community through community boards, outreach programs and presentations in the community. Our future initiatives include addressing our out-migration, implementing Meditech, and improving our marketing. We need to look at our options now and ask ourselves the question of whether or not we remain independent or we consider a merger, acquisition or affiliation. The discussion needs to be had. Mr. Tomasino noted that our geographical isolation which was a curse in the beginning is also what can make us successful. Dr. Fox asked if there was a way to affiliate that would allow us to remain independent but still give us the economies of scale that would be desirable. Dr. Everett noted that even with a 3% margin we won't be able to invest in capital like we need to, so the question is whether or now we can be viable as an independent hospital. Dr. Langrock stated that even in the face of tough economic times the reports we have seen today show that we are improving which makes him optimistic. He suggested that we try again for a voted bond but if it fails a second time then we may need to take a second look at an affiliation or merger. Dr. Barrio stated that the physical plant is important but the people are more important; we need to turn the staff around. He used the example of Virginia Mason which has a terrible physical plant but is a national model for quality of care. He stated that we need to fix our staff, the morale and the way we look at ourselves as an institution. Dr. Bahiraei agreed that the physical plant at Virginia Mason is terrible but that they have clearly identified who they are and what kind of procedures they will focus on. He stated that we need to decide who and what we want to be. Dr. Langrock stated that he is 100% behind the Studer Group initiatives but that it will not be enough if we can't get a new plant at some point. Joe Vessey stated that even if we achieve a 3%

margin our cash over the next five years will be reduced from ten million to five million. If we only achieve a 2% margin then our cash will have been depleted to \$500,000 in five years. Dr. Picco noted that people are attracted to new facilities as many make the assumption that an older facility is substandard. Dr. Langrock stated that there are financial advantages to improving the physical plant. He doesn't disagree with continuing the initiatives but there are external factors that we can't ignore. Despite that he wants to hold on and try again with the bond in a year. Linda Gipson noted that from a functionality perspective if she had a different environment she could cut staff without cutting efficiency. President Tarrant stated that we have work to do on our public image before we go out for a bond. We need to boost the perception of the hospital before we can ask people to support us financially. Dr. Langrock suggested that if we meet our goals and make them sustainable we can then go to the public and tell them what we are doing and then ask for funds for the new plant. If we still don't get 60% then we know what we will have to do. Tom Tomasino stated that we do need to pass the bond. A new wing and the financial heft that it brings are critical, but we have neglected our community for a long time which has caused our volumes to decline every year for the past ten years. However, we are now acknowledging our problems and addressing them and are having discussions we have never had before, and this past year our volume decline was the smallest it has been since he has been here, our employee satisfaction has improved for three straight years and our patient satisfaction is improving. This gives us the opportunity to remain independent and he is optimistic that we can do it. However if we decide that we don't want to remain independent one of the largest healthcare organizations in Washington is just a phone call away from coming and making a presentation to us about an affiliation or partnership. If they see value in our institution then why can't we. It is not so difficult to believe that we have a real opportunity in the future. Based on input that he is getting from patients we are getting it but the question is whether we are getting it fast enough. When we have all of our managers and employees on board we will be unstoppable. Dr. Langrock stated that Capella came here and made a presentation to us because we looked good to them so we need to continue doing what we are doing but at some point we also need to go back to the community and ask for the bond. Mr. Tomasino stated that he has asked this question for the past two years because it is our fiduciary responsibility to consider all of our options in light of the changing market. So the question is do we continue to do what we are doing for another year or do we bring someone in to present to us and offer us options. Commissioner Zaveruha stated that selling the hospital is not on his list right now; Whidbey General has all the ingredients for success. Commissioner Wallin stated that we have made good progress over the last three years and there is no reason to think that we aren't going to continue to make that progress; we need to continue what we are doing. President Tarrant stated that she is in agreement with both Commissioner Zaveruha and Commissioner Case. She sees many positive changes in the hospital and many positive comments from the community. There is a lot of support for us and the reformers website may have been a double edged sword because it is engaging the community. She would like to see the hospital stay the course and then go out for a bond sometime in the future. Tom Tomasino noted that the only question on the employee satisfaction survey where our results went down had to do with our employees not knowing what the future holds. If we can deliver the message back to the staff that this is the course we are on it will give them a sense of security. Joe Vessey stated that at some point we need a unified strategy drilling down to another level. A 3% margin still burns cash so we need to do something more than that. If we do go out for a bond it will be 2014 at least before we could move forward with the building project and it would take multiple years to turn the lights on and then additional time to see the financial benefit. He is concerned because simply achieving a 3% margin is not enough, we can't constrain our capital purchases anymore. Linda Gipson stated that Quint Studer changed his environment in nine months but the situation here is more difficult than the one he faced and personnel costs are the bulk of our expenses. Tom Tomasino stated that what Joe Vessey is alluding to is that instead of taking a measured approach we may need to make reductions in staff. Dr. Barrio asked if there are particular services that we provide right now that perhaps we shouldn't. Joe Vessey stated that if we spun home health off into a separate foundation that would mean two million to our bottom line, however we would have to give up some of our control and somebody would still have to fund it. If EMS were reorganized and existed under a different legal structure there is a potential

for savings to the bottom line of \$700,000 per year. Linda Gipson stated that she has watched other organizations make cut after cut but there is a point where you can't cut anymore. We also need to look at where we can grow and that may be in surgery. President Tarrant stated that we need to have another strategic planning session. Mr. Tomasino and Dr. Langrock agreed that another meeting would be necessary to make some strategic decisions about potential staff reductions, our current service lines and other opportunities.

### **Dashboard**

President Tarrant stated that we will have to table the Dashboard until the next regular board meeting. Tom Tomasino distributed an outline of proposed changes to the dashboard and suggested that the Commissioners bring questions and suggestions to that meeting.

### **Discussions for Next Meeting**

President Tarrant stated that we have already decided that we need to meet again to discuss specific strategies.

### **Adjournment**

There being no further business, President Tarrant called for a motion to adjourn. Commissioner Case made a motion, seconded by Commissioner Zaveruha, to adjourn the meeting at 4:30 pm. Motion carried.