

June 15, 2011

A special meeting of the Board of Commissioners of Whidbey Island Public Hospital District was called to order at 8:11 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 of Staff, Dr. Doug Langrock; Chief of Staff Elect, Dr. Gabe Barrio; Chief of Surgery, Dr. Robert Burnett; Chief of Quality, Dr. Lee Roof; Hospitalist Director, Dr. John Oakland; Whidbey Community Physicians Medical Director, Dr. Chris Bibby; Public Relations Coordinator, Trish Rose; WGH Foundation Executive Director, Laura Blankenship; WGH Foundation Board Chair, Bert Speir. Reporter, Nathan Whalen, of the Whidbey News Times also attended.

WGH Future

Tom Tomasino stated that the future of Whidbey General Hospital needs to be discussed. Do we seek an affiliation, or a merger or acquisition, or remain independent? Prior to today there have been informal discussions about this but nothing formal with all the alternatives discussed. Dr. Doug Langrock stated that at the last Medical Staff meeting there was discussion about the bond and presenting another proposal to the voters. The general consensus was that another proposal should be brought to the voters this year. Mr. Tomasino presented a video that helped highlight the fact that when we are focused on one thing we often miss what is right in front of us. At Whidbey General we may have missed some of our options because we have been focused on other issues. He stated that 57% of all hospitals are part of a system, in 2010 mergers and acquisitions reached their highest level since 2001 and in 2011 many independent hospitals are struggling. He noted that a number of hospitals in our area have been merging or forming partnerships. It is also important to note that under the new business model that is emerging for healthcare providers, payments will be based on quality and cost and new levels of organizational competence will be required. Patients are also more sophisticated. The current status at Whidbey General Hospital is that our volumes are declining (11% decline this year), revenue is declining (2011 margin as of April 30 was \$79,000), and the bond failed even though we received a majority of the vote. There are some red flags including our low market share and the age of our physical plant. But there are also some bright spots including improving quality scores, improving patient satisfaction scores and staff and physician engagement in our cultural changes. Our options are to remain independent or to go ahead with a merger, acquisition or affiliation. The question is how should we continue to serve our community? Mr. Tomasino noted that we have already affiliated with a number of institutions – with Skagit for Stemi Protocols, with Swedish for Telestroke, with Radia for Radiological Services. He asked if we look for some other entity to come in and be our big brother, to support us. It is important to remember, however, that while the benefits of a merger might be clear to us they may not be to the community or staff. If we did decide that a merger were appropriate the underlying rationale must prescribe to a higher purpose and have significant benefits. Remaining independent also has its own challenges. Commissioner Cammermeyer stated that it was clear that the community was vehemently opposed to Capella's involvement although we don't know if that was due to the timing or what it was that they were trying to sell. Mr. Tomasino stated that rural hospitals are struggling to survive and reinvest in technology and many are finding themselves in a position where they have to merge. We don't necessarily want to merge but our current finances are a challenge and with the bond failing we will have the lowest community support of all hospitals in the state beginning in 2012. He stated that he is not advocating a merger or acquisition but it is something that needs to be talked about. There was discussion about the pros and cons of merging, being acquired, or affiliating with other hospitals. There was discussion about the bond not passing but that the vote was very close and many people seemed to think the bond was about private rooms and not about patient safety or the aging infrastructure. There was discussion about the hospital's lack of presence in the community and how everyone

associated with the hospital needs to be managing up the hospital at every opportunity. Mr. Tomasino noted that there have been a lot of changes in the last few years but the public is completely unaware of them. The community will have to be engaged if we want to remain independent. There was discussion about the mergers happening throughout the Seattle area but that it is not necessarily the right thing to do just because everyone else is doing it. There was discussion about establishing a standing committee that would look at mergers and acquisitions as those are presented to the hospital so that the decision is not left to just one person; anytime we are approached by an outside entity that could be discussed at this committee. President Tarrant noted that it is the fiduciary responsibility of the leadership of the hospital to look at anything that might better for the community. There was discussion about the fact that those who work at Whidbey General Hospital also should be actively supporting it in word and deed. There was discussion about what is allowed under campaign laws to be said about the hospital. Trish Rose stated that it is very simple. When you are on duty at the hospital and being paid by the hospital you can educate only but during your own time when you are off duty you can say anything you want and campaign all you want including asking people to vote yes. Ms. Rose noted that if you are asked a question about the bond you are obligated to answer and to educate.

A break was taken from 10:15 to 10:30 am.

Tom Tomasino stated that it is difficult to separate the discussion about the bond and about our future. It is important to understand that if the institution is going to survive it will take each one of us every day being fully committed to the institution and to each other. There was discussion about how the relationship with the community affects the success of the hospital. There was further discussion about developing a committee to evaluate and react to outside entities that approach the hospital about a merger, acquisition, or affiliation. A decision was made that a committee would be formed or a responsibility would be added to an already existing committee to discuss these kind of offers when they come up. Mr. Tomasino asked for commitment to support the hospital and be vocal about it. There was discussion about how that could take place. Mr. Tomasino stated that he will come back to the Board and Medical Staff with a plan for opportunities that come forward. He stated that he believes that we have a tremendous opportunity to turn the community perception around. Whidbey General is a tremendous hospital with top notch staff and providers.

Medical Staff Update

Dr. Doug Langrock reported that he and some other members of the Medical Staff are working with Joe Vessey and Richard Calman on a strategic plan for an ambulatory electronic health record system. They are looking for a system that will work with Meditech. The plan is to come back with a proposal by the end of the summer.

Board Update

President Tarrant noted that both she and Commissioner Cammermeyer are up for re-election this fall and both are running unopposed.

A break was taken from 11:30 am to 12:05 pm for lunch.

WGH Future (continued)

Tom Tomasino stated that based on the discussion this morning everyone appears to be in favor of moving forward with the bond issue. The remaining question is when and what we do to get there. The question was asked why the bond issue failed. After discussion the general consensus was that it became an issue focused on and side-tracked by single patient rooms. There was discussion about putting the bond issue back on the ballot in either November or February and discussion about finding someone to help the hospital with a political strategy. There was also discussion about changing the message of the bond and using a marketing specialist to help with that. There was discussion about using different methods of getting the

hospital message out to the community including more of a grassroots campaign using service groups and the Friends of Whidbey General Hospital. Commissioner Cammermeyer stated that she would be re-starting her community meetings. Tom Tomasino encouraged all the commissioners to hold public meetings. It was decided that a decision should be reached about a prospective date for running another ballot measure within two weeks.

Community Concerns

Tom Tomasino stated that community member, Don Farber, has communicated with us that he believes there is a lack of access to the Board to discuss issues and concerns. Mr. Tomasino stated that he has a valid point. The Commissioners are not holding public meetings other than the regular monthly board meetings and they should be making themselves available to the community. Having community meetings is also the perfect opportunity for the Commissioners to educate the community about the hospital.

Financial Update

Tom Tomasino stated that the hospital's year-to-date bottom line as of the end of April was \$79,000. We know that we need to control our expenses. One of our largest expenses is our labor costs. We currently are operating at a 7.0 FTE per adjusted occupied bed. Without EMS and Home Health included we are between 6 and 6.5 FTE. The goal for a hospital our size should be about 5.0 FTE per adjusted occupied bed. This means that we need to control our staffing. ADP has been implemented and can now be used by the management team to control over-time, but the learning process has been a challenge for them. Our goal for over-time is 2% but last pay period we doubled that. There are also other areas to look at including whether or not outsourcing is cost effective, controlling our supply costs, controlling our purchased services, controlling our clinical utilization costs, controlling capital costs, and reviewing our service lines to see if we need to either eliminate some or add others. There was discussion about the Medicare Probe audits and the denials that have resulted. There was discussion about getting the surgeons involved in the process of determining the supplies used and having the data available to them so that they know which procedures help the hospital's bottom line and which do not.

Summary

Tom Tomasino stated that we will be moving forward with the bond and will determine within the next two weeks which date to have it on the ballot again. We will be forming a committee or using an existing committee that will address the opportunities presented to us for merging, acquisitions, or affiliations. Administration will move forward with initiatives to help the bottom line including labor and performance issues.

Adjournment

There being no further business, President Tarrant called for a motion to adjourn. Commissioner Cammermeyer made a motion, seconded by Commissioner Wallin, to adjourn the meeting at 2:20 pm. Motion carried.