

July 11, 2011

The regular meeting of the Board of Commissioners of the Whidbey Island Public Hospital District was called to order at 6:00 p.m. by Board President, Anne Tarrant. Present were President Tarrant, Commissioner Wallin, Commissioner Case, Commissioner Zaveruha, and 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, Doug Langrock, MD; Dale Roundy, Esq., and many hospital and medical staff, as well as community members were present. Reporters Sue Ellen White from the Whidbey Examiner and Nathan Whalen from the Whidbey News Times also attended. Jim Riney of Riney Productions was present to electronically record the meeting.

Points of Order

There were none.

Minute Approval

President Tarrant called for a motion to approve the minutes from the June 13, 2011 regular Board Meeting and the June 15, 2011 Special Board Meeting. Commissioner Wallin made a motion, seconded by Commissioner Cammermeyer, to approve the minutes as presented. Motion carried.

Education

Josh Lewis and Jeff Gay of Moss Adams were in attendance to present the 2010 audited financial statements. Mr. Gay stated that the audit is an unqualified and clean opinion. There was one proposed adjustment related to charges from 2010 that weren't posted until 2011. This is standard practice. He noted that as required by accounting standards, the PCA has been presented separately. The financial statements include account estimates and judgments which are based on the best information available. The most significant of these estimates are related to the reserves for accounts receivable. Josh Lewis stated that in 2010 the total assets were 49.3 million compared to just 29.7 million in 2006. Cash on Hand, which is a liquidity factor and measures the ability of the hospital to sustain operations with existing cash, was at 57 days in 2010, up from 10 days in 2006. According to Moody's the average for all non-profit hospitals in the nation is 147 days. In 2010 the average days net revenue in accounts receivable was 44 compared to 60 in 2006; 44 days is in line with the national average of 45. The average age of plant was 13.9 years compared to a national average of 10. The higher this number is the more likely the need to significantly modernize buildings or acquire equipment requiring cash or new debt. In 2010 the net assets of the hospital were 29 million and long term debt was 11.1 million compared to 2006 when the net assets were 16.1 million and the debt 8.4 million. The debt to capitalization ratio which is a leverage indicator that indicates the extent assets are financed with debt as opposed to paid for with cash is 28% compared to 34% in 2006. The national average is 43%. A lower number indicates assets are "bought and paid for". Observations from the balance sheet include recommendations to continue to improve cash reserves, hospitals are capital intensive, plant and equipment need constant renewal, the hospital is not overly leveraged with debt and the hospital's financial position is strengthening. In 2010 the operating revenue was 80.7 million and the operating expenses were 81.4 million or an operating margin of -.9%. The excess margin which includes income from investments or taxes in 2010 was 1.8%. In 2010 the salaries and benefits were 62.6% of operating revenue compared to 66.5% in 2006. In comparing Whidbey General Hospital to other area hospitals the operating margin and excess margin are about average. Whidbey General is one of four area hospitals with salaries and benefits over 60%. In 2010 the tax levy rate for Whidbey General was the 6th lowest in the state, and after the current levy expires in December it will be the lowest tax levy rate in the state. The nationwide outlook continues to be negative. Improvements in 2010 were generally due to expense reductions not revenue growth, and continued budget deficits and upcoming stimulus funding expiration should make 2011 a tough year. Nationally reform will expand coverage and will reform the delivery system but

these will be financed through reimbursement cuts and new taxes. The question nationally is will reform be reformed as opponents want to overhaul or repeal the bill and parts of the bill have been deemed unconstitutional in court. In Washington State healthcare is a target for cuts due to the projected \$4.6 billion shortfall for 2011-2013. The future outlook is gloomy. Volume growth is difficult, reimbursement is declining and there are fewer expenses left to cut. However, the economy will come back eventually and the efficiencies learned during the recession will continue. Hospitals are responding by making tough decisions and looking at strategic partnerships and alliances. Tom Tomasino asked if small hospitals with 10 or 12 beds were included in the information that showed that Whidbey General will have the lowest tax supported levy in the state after our levy expires in December. Mr. Lewis stated that they are included and that most of those hospitals are actually very heavily supported. He also stated that the rest of their clients who had buildings as old as Whidbey General's med/surg wing have updated their buildings. He stated that in his opinion the med/surg wing should be on the top of the priority list for significant attention. Commissioner Wallin stated that the Finance Committee reviewed and discussed the audit and he commended the Administration for doing an excellent job. Commissioner Wallin made a motion, seconded by Commissioner Case, to approve the 2010 audited financial statements as presented. Motion carried.

Public Questions or Comments

President Tarrant asked that those making public comment limit their time to three minutes. Before opening the floor to public comment she read a statement that addressed demands that Mr. Robert Born, a supporter of Dr. Mark Borden, has made. Mr. Born has demanded that Commissioner Zaveruha resign his position on the Board due to a perceived conflict of interest and undue influence and if he didn't immediately comply, Mr. Born threatened to lead a very public inquest. Commissioner Tarrant stated that these issues were raised when Commissioner Zaveruha was first elected to the board in 2004. When he was elected contractual relationships with him were changed to comply with the conflicts of interest laws. The State Auditor's Office subsequently reviewed Dr. Zaveruha's relationships with the hospital and determined that the agreements were satisfactory, provided that he did not attempt to influence any decisions regarding contracts. To make sure that did not happen the Board adopted a new conflict of interest policy and engaged attorney, Dale Roundy, to attend board meetings. In 2008 the State Auditor's office again reviewed the relationship and again determined that no violations of the conflict of interest laws existed. She stated that the Board is confident that it has taken the appropriate action to protect the interests of the District and will cooperate with any investigation by the State Auditor or the Attorney General and the Board is open to any rational discussion with members of the public on matters of concern to the hospital, but the board will not succumb to threats and bullying. She also addressed the accusations by Dr. Borden and his supporters that the Board and Administration improperly removed Dr. Borden from his position at the hospital. She stated that there were no demands from the Board, Administration or Dr. Zaveruha that Dr. Borden be removed from his position at the hospital nor has the board ever had any concerns with Dr Borden's clinical skills. She stated that Administration did ask that Dr. Borden improve his approach to communicating with Administration, Dr. Zaveruha, hospital staff and members of the Medical Staff. Dr. Borden's employer, NEP/Team Health, discussed these issues and other issues pertaining to his managerial responsibilities with Dr. Borden. A plan was developed to improve his communication, his relationships, and his performance as a manager but Dr. Borden chose not to comply. It was his own decisions that ultimately led NEP to remove him, not any demand by the Board or Administration. Mr. Robert Born, of Greenbank, rose to speak. He read a letter that he had previously prepared. He read that for three weeks he has, in confidence, tried to get the Board and other hospital officials to remove the conflict of interest that Dr. Zaveruha is in serving on the board. He stated that he will now be launching a website and Facebook account that will once a week shed light on a scandal or serious problem that needs fixing at the hospital and will leave it up to the citizens of Whidbey Island to demand action and reform. Dr. Mark Borden, of Coupeville, rose to speak. He stated that he didn't think he could keep his comments to three minutes based on the statement that President Tarrant read because it was

twisted and there is no documentation to support it because it is hearsay. He stated that he has substantial documentation to support what really happened. He came here tonight prepared to refute some of the comments that Mr. Tomasino made at the April meeting. He stated that his lawyers have requested that Mr. Tomasino make a public retraction of his mis-statements. Mr. Tomasino responded that the attorneys have also requested that he not say anything and that he will not be making a statement. Dr. Borden read a portion of a letter that he had prepared. He read that those who have worked with him know that he has worked for and attained quality for the Emergency Department at Whidbey General with more diligence and more success than any other Medical Director. His quality and peer review measures are more transparent and have been at least as effective as the Studer-based measures that were being considered for implementation at the time of his termination. He also read that Mr. Tomasino implied some problem with confidentiality but that Mr. Tomasino failed to investigate and report the worst violation of patient confidentiality that he has witnessed in 18 years of medical practice. He read that Mr. Tomasino implied some deficit in his handling of Peer Review but that Mr. Tomasino and Dr. Zaveruha have misused the Peer Review system as a weapon against physicians on at least two occasions. At this time President Tarrant informed Dr. Borden that his three minutes were up. Dr. Borden stated that in 2003 the conflict of interest was theoretical, now it is actual. He stated that it has killed people, and harmed people and this can't be tolerated. President Tarrant again asked Dr. Borden to stop as he had gone over his allotted time and that he could leave a copy of his letter with the Board. He stated that he would give a copy of the letter to the reporter, Sue Ellen White. Before he sat down he repeatedly interrupted President Tarrant stating that this is an important issue that we are dealing with.

Quality and Patient Safety

Teresa Fulton reported that a number of Performance Improvement Teams have been launched. The Diagnostic Imaging Performance Improvement Team has improved the patient scheduling process and a two week trial has just been completed with great success. For the next six weeks staff will be visiting physician offices to share the new process, new order form and new faxing process. In August the team will meet again to develop a control plan to keep the process active and in the agreed upon parameters. The Admission Process Team is now ready to start their pilot testing of a new process for facilitating patients out of the ED and into an inpatient bed. A new Discharge Process team is getting ready to start work on improving the discharge process so that patients will have adequate time for discharge teaching and can get home earlier in the day. A Patient Experience Process Team for Rehab Services has just begun their work. This team will standardize the process of the patient experiences from referral to discharge.

Medical Staff Report

A. Chief of Staff Report

Dr. Doug Langrock, Chief of Staff, had nothing to report.

Individual Items

A. Administrative Update

Tom Tomasino stated that last week we were notified that Dr. Russ Johnson suddenly closed his practice. Dr. Johnson is not an employed or affiliated physician but he is on the medical staff. We don't know why he closed his office or for how long and we have had no contact with him. We are trying to find out more information so that we can share that information with the public. He also reported that Dr. Chiaki Gauntt, Ophthalmologist, has decided to return to Seattle to be closer to her family. Her last day will be August 31st. We will begin the process of recruiting a new ophthalmologist.

B. Comcast Agreement

Joe Vessey reported that a few months ago we became aware that Comcast was expanding their network capability on the island through a fiber optic loop. Network coverage on the island has been segmented and we currently use four different vendors for connecting the

hospital to the various clinics around the island. Through our current arrangements the five year cost is \$513,000 compared to a five year cost through Comcast's new fiber optic network of \$259,000. Part of that cost is construction costs of \$25,967.34 which is a capital expense. This not only means a reduced expense for connectivity but a vastly increased bandwidth. Commissioner Wallin stated that the Finance Committee reviewed a number of options related to this and this one made the most sense financially. Commissioner Wallin made a motion, seconded by Commissioner Cammermeyer, to approve the capital expense of \$25,967.34 for construction costs related to the Comcast fiber optic loop network. Motion carried.

Board Items

A. Hospital Expansion Project Update

Commissioner Tarrant stated that at the Leadership Retreat on June 15th it was decided that the best option for the hospital was to go ahead and put the bond issue on the ballot again, but the question at that time was timing. She and Laura Blankenship, WGH Foundation Director, have spent the last few weeks talking to community members who have had some experience with bond issues and their recommendation is go ahead with the bond again in February. Commissioner Case made a motion, seconded by Commissioner Wallin, to place the Hospital Expansion bond on the ballot in February 2012. Motion carried.

Staff and Status Reports from Administration

A. Administrator's Report

Tom Tomasino reported that the interim Chief Nursing Officer, Renee Sidley, began working last week. She has a tremendous amount of experience at much larger hospitals and is a real asset. We have begun the interview process for a new Chief Nursing Officer with the first of four candidates interviewing today. Hank Hanigan reported that the Department of Health has requested additional information regarding the Certificate of Need for Hospice. We are anticipating that this process will take another 90 days.

B. Financial Report

Joe Vessey reported that in May cash was up 1.4 million from April for a total of 14.4 million or 65 days cash on hand. The increase is a result of two factors: levy receipts and a reduction in accounts receivable days by two days. Volumes were lower in May and gross charges were under budget by 13%. Expenses were 5.2% under budget. The bottom line was a loss of \$352,346. Year-to-date volumes are 6% under budget and expenses are 1.6% under budget. The bottom line year-to-date is a loss of \$272,678 on a budgeted gain of \$672,376.

C. Review of Dashboard Report

Tom Tomasino highlighted the low rates of re-admittance, surgical site infections and medication errors. He noted, however, that we are still struggling with consistency for our patient satisfaction. Implementation for AIDET began this month and we are hoping that this will help build that consistency which will in turn improve our patient satisfaction scores.

Consent Agenda

A. Approval of Monthly Write-Offs and Vouchers

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 Cammermeyer made a motion, seconded by Commissioner Case, to approve vouchers #148212 and 148277 in the amount of \$8,042.35. 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 Cammermeyer made a motion, seconded by Commissioner Case to approve vouchers #147495 to 148277, and #2328 to #2333, excluding #148212 and 148277 in the total amount of \$6,113,668.28. Motion carried. Commissioner Cammermeyer made a motion, seconded by

Commissioner Case to approve the write-offs for June in the amount of \$698,870.29. Motion carried.

Agenda Items for next Regular Board Session

There were none.

Adjournment

There being no further business, President Tarrant called for a motion to adjourn. Commissioner Wallin made a motion at 7:15 p.m., seconded by Commissioner Case to adjourn the meeting. Motion carried.