

VALLEY GENERAL HOSPITAL
Public Hospital District No. 1, Snohomish County

MINUTES OF THE SPECIAL MEETING OF OCTOBER 7, 2007

Present: Dennis Dinkla, Neil Watkins, Mark Judy, John Beltz,

Medical Staff: John Bennett, MD

Guests: Lauren Barber, David Anderson

Minutes By: Norma Walker

CALL TO ORDER

Commissioner Dinkla called the meeting to order at 6:35 a.m., noting that the regular September board meeting was cancelled recognizing the VGH Board / MEC Annual Retreat was just two days beyond. This special meeting was scheduled to process business that was better addressed prior to the regular October board meeting.

PUBLIC COMMENT

There was no public comment.

APPROVAL OF MINUTES

On the motion of Commissioner Dinkla and a second of Commissioner Watkins, the minutes of the Regular Board Meeting of August 29, 2007 were approved as presented.

BOARD QUALITY COMMITTEE REPORT

Board Quality Committee Report

Mr. Judy updated the Board of the potential Fair Hearing dates and the attendees. Mr. Judy stated the patient and the patient's family have indicated they will participate in the hearing.

Medical Staff Report

Commissioner Dinkla reported the Medical Staff credentialing files were approved via email in September, in order to maintain compliance with the credentialing regulations.

With a motion from Commissioner Watkins and a second from Commissioner Dinkla, the credentialing files were ratified as stated via email.

BOARD FINANCE COMMITTEE REPORT

Commissioner Watkins stated Board Finance met as scheduled, reviewing August's financial results.

August 2007 Financials

Mr. Beltz reviewed the August 2007 financial reports, indicating net patient services revenue for the month were \$63,000 under budget, with total operating expenses over budget by \$9,000. Salaries were under budget by \$55,900 but were offset with agency expense of \$56,000 over budget. Supplies were under budget because of decreased prosthesis use with the change in medical staff. The August net operating loss was \$246,00, which was \$66,000 under budget. Non-operating revenues for the month were \$120,000 which exceeded budget by \$27,000. Net loss for August was \$126,800 which was under budget by \$39,100. Gross days in accounts

receivable increased to 54.1 days, and days operating cash on hand increased to 8.2 days. Days in accounts payable decreased to 24.9 days.

Commissioner Watkins noted the financial reports indicate an FTE increase from month-to-month. Mr. Beltz believes that is due to a calculation error, but he will research and report back.

Mr. Beltz also reported bad debt expense is high again, which is concerning. Analysis indicates the increase is due to a more proactive approach by the Business Office in determining which accounts qualify for charity care, and which do not.

Mr. Beltz indicated cash on hand is lower than desired, and much focus is being applied to collect on accounts due. Anticipation of Medicare payment slow down during October with significant changes in Medicare Payment System for hospital DRGs.

Bad Debt and Charity Care

Commissioner Watkins motioned for the approval of the following bad debt and charity care:

	<u>August</u>
Bad debt	\$ 204,650
Back from collections	(111,786)
Uncollectible	23,884
Charity care	392,317
Bankruptcy	(0)
Contract denials	<u>18,729</u>
Total:	\$ 627,794

Commissioner Dinkla seconded the motion.

Sodexho

Mr. Beltz is requesting Board approval to move forward obtaining Sodexho to oversee and manage Dietary, Housekeeping and Plant Operations, as long as contract meets with attorney approval. Due to Sodexho's experience, they will bring a level of professionalism that would be difficult to achieve otherwise. The expense for contracting with Sodexho is close to the same that we currently spend for those services now. Mr. Beltz shared a few of the highlights Sodexho will provide to the hospital, such as 'housekeeping on request,' 'room for a day' patient room deep cleaning, and 'maintenance for a day' rotating through every department, in addition to the anticipated increase in cafeteria food sales of approx. 35%. Further, there will be a break-even in expense after a ramp-up of approximately three months, with a \$5,000 increase per month until sales increase and staffing adjusts. There are no lay-offs anticipated through this change, although productivity improvements are anticipated through attrition. Any staffing reduction will be done through normal attrition. Discussion continued regarding the cash position of the hospital and the benefits Sodexho would bring to the hospital and our patients, and the terms of the contract.

On the motion of Commissioner Watkins and a second from Commissioner Dinkla, approval was given to move forward with the Sodexho contract provided the attorneys approve the terms of the contract and Sodexho agrees to spread the 2007 start-up costs over 2008 to help

defer the initial impact on expenses. Additionally, the Board will be provided with a copy of the final contract.

Cafeteria Plan

Mr. Beltz indicated in response requests for dependant care coverage was made by employees through the Employee Opinion Survey process research began into a cafeteria plan, moving away from PEBB. PEBB changed their provider base recently, which will lower the expense for 2008, making the cafeteria plan unattractive for January 1, 2008 implementation.

Amendment to the Alive Inn Lease

Mr. Beltz reported due to regulatory licensing approval delays, the city approval process has been delayed. A couple of improvements were noted and are being fixed, but will need a re-inspection, moving the start-up date out a month or so. The current owners have no income, as they emptied the facility to accommodate for the change in use purpose under the license, Mr. Beltz stated a desire to amend the Alive Inn lease providing an extension of 30-days in the approval process in lieu of earnest money. If regulatory approvals are not granted for any reason, the earnest money will be returned to VGH. Otherwise the earnest money will be spread over a three month period, once we take occupancy.

On the motion of Commissioner Watkins and a second from Commissioner Dinkla, approval was given to move forward with the Earnest Money Agreement for the Alive Inn, provided the attorneys approve the terms of the contract. Additionally, the Board will be provided with a copy of the final contract.

CHIEF EXECUTIVE OFFICER'S REPORT

Dr. Boejason's Final Signed Agreement

Mr. Judy presented a copy of the signed agreement with Dr. Borjeson.

Change of Corporate Counsel

Mr. Judy stated after a meeting with Mr. Brad Berg (Foster Pepper PLLC) regarding changes in the contract attorney assigned to us, consideration began regarding consolidating our legal representation. Mr. Judy met with Mr. Knappe to discuss this change to be effective January 1, 2008. Mr. Knappe understands and respects the decision, and will make himself available to assist with whatever needs we may have of him. The Board will recognize and honor Mr. Knappe for his commitment and service to the District for these many years.

Changes in Anesthesia Medical Director

Mr. Judy reported as Dr. Chamberlain primarily supports Arlington now, Dr. Leftenant has been appointed the Anesthesia Medical Director for VGH.

Complaints

VGH has become aware of a complaint filed with the Department of Health by a Monroe community member who is also a physician, but not a member of the VGH medical staff. The complaint resulted in the investigation of three nurses by the Nursing Quality Assurance Commission and two VGH medical staff physicians by the Medical Quality Assurance Commission. DOH, NQAC, and MQAC have found no merit to the complaints investigated so far. One of the physician complaints remains under investigation. The complaint filed with the DOH included patient identifiable information, a direct reference to protected medical staff information, as well as confidential VGH employee disciplinary action references. VGH is

investigating the release of this information in context of any potential HIPAA violations and will report its findings back to the Board. The individual who filed the complaint has stated that the information was obtained independent of the spouse who is a member of the VGH medical staff. The individual has whistleblower protection under state law. A threat of personal litigation has also been received directed at the VGH CEO.

The Board was requested to stand firmly behind VGH administrative, medical and nursing leadership as we continue to work diligently to take steps to assure that complaints without merit do not harm or undermine the willingness of VGH medical, nursing and administrative leadership to take appropriate peer review and quality improvement actions, as well as the good work of our professional clinical staff in our pursuit of excellence in our quality assurance and patient safety activities and programs. VGH is undertaking steps to restrict access to certain confidential areas of the hospital, to closely monitor and change methods of review and distribution of confidential protected information (i.e. Medical Staff minutes, etc.) and has also requested legal advice on how best to proceed with hospital concerns regarding the apparent leakage of confidential and other protected information.

ADJOURNMENT

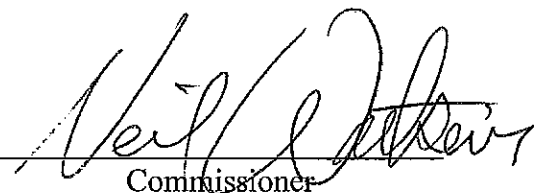
There being no further business to conduct, on the motion of Commissioner Watkins and a second from Commissioner Dinkla, the regular meeting of the Board of Commissioners was adjourned at 7:30 a.m.

Chair

Attest:



Commissioner



Commissioner