

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

**MINUTES OF THE REGULAR MEETING OF AUGUST 10, 2005**

**Present:** Michael Manley, Dennis Dinkla, Mark Judy, Sherry Stoll, William Thot, M.D., Reza Dehkordi, M.D.

**Public:** Lin McIlrath, Stephen Mosher, Brenda Rogers, Kathy Nelson, Vicki Hesselstine, Jeanne Bennetts, Deborah Martin, Lisa Norton

**Minutes Recorded by:** Norma Hanson

**CALL TO ORDER**

Commissioner Manley called the meeting to order at 6:05 a.m.

**PUBLIC COMMENT**

There was no public comment.

**APPROVAL OF MINUTES**

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the minutes of the Regular Board Meeting of June 29, 2005 were approved as presented.

**BOARD QUALITY COMMITTEE REPORT**

Board Quality Meeting Review

Commissioner Cabe was absent, so there was no report.

Chief Operating Officer's Report

Ms. Stoll reported a Letter of Intent was signed with Evergreen Hospital regarding the OB services arrangement. Details of the clinical processes are the next step.

Medical Staff Report

Dr. Thot reported there were no noteworthy matters from the medical staff.

MSDP Revisions

Dr. Thot reported the Medical Staff Development Plan has been revised to reflect the current status and additions of services. Dr. Thot indicated the IM Clinic is opening August 22, the ENT physician has begun seeing patients in the VGH Specialty Suites and the additional orthopedic physician has joined Dr. Swenson's practice.

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the revised Medical Staff Development Plan was approved as presented.

Credentialing Files

Dr. Dehkordi presented the credentialing files for the Board to review and approve. On the motion of Commissioner Dinkla and a second of Commissioner Manley, the credentialing files were approved as submitted.

Medical Staff Bylaws and Rules & Regulations Amendments

Dr. Dehkordi reported the attached Bylaws and Rules & Regulations for the Medical Staff have been updated to reflect legal changes and recommendations, as well as other MEC approved changes.

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the revised Medical Staff Bylaw and Rules & Regulation amendments were approved as presented.

**BOARD FINANCE COMMITTEE REPORT**

Board Finance Meeting Review

Commissioner Dinkla reported Board Finance Committee met as scheduled.

Financial Summary and Related Reports

Ms. Hesseltine reported net operating revenue totaled approx. \$3.0 million, and net operating expenses totaling approx. \$3.0 million, resulting in a positive bottom line for June of \$4,128. Deductions from revenue were higher than budgeted. Hospital-wide occupancy decreased to 63.9%. A/R days are down slightly at 73.8 days. Cash receipts totaled \$2.86 million, increasing cash on hand to 100.8 days. Accounts payable days increased to 42.8 days.

LTGO Expenditures

LTGO expenses this month totaled \$673.7k which includes some entries posted attributable to June, July and some August as well as some reconciliation entries. The project is nearing its close, which accounts for the larger amount than usual as well as the reconciliation entries.

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the LTGO expenditures were approved as presented.

Bad Debt and Charity Care

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

Bad debt	\$ 140,280.54
Back from collections	(10,718.33)
Uncollectible	18,304.08
Charity care	175,659.27
Bankruptcy	13,698.47
Contract denials	<u>31,278.97</u>
Total:	\$ 368,503.00

Commissioner Manley seconded the motion.

Vouchers

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the vouchers were approved as presented.

Collection Agency Change

Mr. Judy reported a change in collection agency was necessitated by a repeated significant HIPAA violation. Two new agencies have been contracted which are major vendors for area hospitals, very familiar with HIPAA regulations.

### Revised 2004 Audited Financial Statements

Mr. Judy reported a \$400k recovery from the Medicare Cost report was booked into bad debt reserves, after approval of Moss Adams. This change does not affect the bottom line but more accurately make provisions for the increased charity care and bad debt expenses currently experienced.

### FTE Analysis

Ms. Hesseltine shared the data collected in researching this topic. Mr. Judy stated this has been more of a rewarding process than anticipated and has provided valuable information that will be useful in the future as well as looking at historical trends.

### Line of Credit

Resolution 2005-05 is a precautionary measure increasing the line of credit to \$750,000 upon signature of either and only the Chief Executive Officer or the Chief Operating Officer. Except for continued utilization of the line of credit for payment of the excess malpractice liability insurance premiums, this line will only be used following Board authorization.

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the increase of the First Heritage line of credit to \$750,000 was approved with authority granted only to the Chief Executive Officer or the Chief Operating Officer.

## **BOARD PLANNING COMMITTEE REPORT**

Commissioner Manley reported the topics of the Board Planning meeting included topics such as MOB services, Snohomish Outreach Clinic, CHC of Snohomish County and the diversity discussions.

## **CHIEF EXECUTIVE OFFICER'S REPORT**

### Regence Hospital Contract Update

Mr. Judy stated the contract negotiations have been completed with Regence, resulting in adjustments closer to the levels of other significant payors.

### Reimbursement of Implants

Mr. Judy referenced the attached letter to a physician addressing the decision to not do implant spinal cord stimulators or pain pumps, regardless of payor, until reimbursements can be negotiated covering the cost of the implant.

### Medicare CPE Program

Mr. Judy reminded the last payment through the SWAP program was received in June. The new CPE program began July, with three forms of payment planned. The CPE program is scheduled to be in place for two years. Final contractual details are still pending.

### Professional Liability Insurance

Mr. Judy indicated proceeding with Washington Casualty for renewal of our Professional Liability Insurance coverage. WCC financial status is improving while still under State supervision. Membership is growing.

### PPS Conversion

Mr. Judy presented information summarizing the differences between the PPS and TEFRA programs on reimbursement from Medicare for our Senior Behavioral Health Program and what anticipated effect on our financials 2005 through 2009.

### WWMG Update

Mr. Judy shared the proposal made to WWMG regarding space within VGH at an interim opportunity for the next year. This would allow the group time to establish more of their physicians in the area and to determine their next steps regarding more permanent office space in Monroe.

### Preliminary MOB Business Plans and Pro Formas

Ms. Hesseltine and Ms. Nelson shared the financial summary of the MOB expansion, the history, background and the floor plans for the services being housed in the building. Ms. Nelson stated the neighborhood breakfast is scheduled for September 10 at 8:30 a.m. and an open house is scheduled for September 28, 2005 at 5:00 p.m.

Mr. Judy explained when the leases were signed some choices needed to be made which, due to events following, were not needed. In particular, access to the building prior to occupancy allowing for tenant improvements. The additional time was not required, as the contractor selected through the bidding process was the contractor already on site. Mr. Judy has submitted a request to the owners of the building to forego the lease payments prior to occupancy since that time was not necessary nor utilized, only built in as a precautionary measure. A reply has not been received to date. The Board agreed and approved the request to the owners.

### Review MOB and Parking Lot Construction Project Costs vs. Budget

Mr. Mosher stated currently we are significantly under budget by \$653,000. With substantial allotments built in for unseen expenses there is at least \$250,000 that can be utilized.

### Short Term Facility Upgrades

Ms. Stoll and Mr. Mosher shared with the Board an opportunity to use a portion of the proceeds from the MOB funds budget under-run to facilitate cosmetic upgrades such as carpeting, linoleum, furniture and landscaping within and around the hospital facility.

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the expenditure of up to \$200,000 for cosmetic upgrades to the hospital was approved.

## **OTHER REPORTS**

### Foundation

Ms. McIlrath reported an additional gift from Radia for a reading room in the MOB was received. Will not be doing the Puyallup Fair this year, will be going to a show in Spokane instead.

### Guild

Brenda reported the Guild's Bylaws were revised and are submitted to the Board for their approval.

On the motion of Commissioner Dinkla and a second of Commissioner Manley, the revised Guild Bylaws were approved as presented.

**EXECUTIVE SESSION**

On the motion of Commissioner Dinkla and a second from Commissioner Cabe, an Executive Session was convened for the purpose of personnel matters. The participants of the Executive Session were Commissioner Manley, and Commissioner Dinkla, Mr. Judy. The Executive Session would be for approximately 5 minutes.

**CEO ANNUAL PERFORMANCE EVALUATION**

Upon reconvening from the Executive Session, On the motion of Commissioner Dinkla and a second of Commissioner Manley, the CEO annual performance evaluation was approved as presented in resolution 2005-06.

**ADJOURNMENT**

There being no further business to conduct, on the motion of Commissioner Dinkla and a second from Commissioner Cabe, the regular meeting of the Board of Directors was adjourned at 8:00 a.m.

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Chairman

Attest

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Commissioner