

San Juan County Public Hospital District #3
Db: Orcas Island Health Care District
Board of Commissioners - SPECIAL Meeting Minutes/Town Hall
The Future of Health Care on Orcas Island

Monday, October 28, 2019

5:30 pm – 7:30 pm

Eastsound Firehall

Commissioners Present:

Art Lange
Diane Boteler
Patty Miller
Pegi Groundwater
Richard Fralick

Staff:

Superintendent Anne Presson

Commissioners Absent:

None

I. Call to Order

President Fralick called the meeting to order at 5:35 pm.

II. Welcome and Introductions

President Fralick welcomed the public and reminded everyone that since a quorum of the Board was present, this is a Special Board Meeting of the Orcas Island Health Care District. He explained the format will include a short presentation by the Commissioners, about 30 minutes, followed by a Q&A session with the public.

The San Juan County Public Hospital District No. 3 was formed by a vote of the community in April 2018 and has been in existence not quite a year and a half. President Fralick reminded the public that the District is doing business as the Orcas Island Health Care District (OIHCD) so the Board might refer to the District either way. He went on to introduce the Commissioners, all of whom were elected when the District was established. During their introductions he also provided a brief overview of the expertise each brings to the Board. Also introduced was the District Superintendent, who serves in a dual role as the Superintendent for both Orcas and the Lopez District. President Fralick invited the public to attend the two Regular Board Meetings that are held on the 1st and 3rd Tuesdays of the month. Meetings take place from 5 pm – 7 pm at the Eastsound Firehall, and there are two opportunities for Public Comment during the Regular meetings.

Getting into the material, President Fralick summarized the three themes that have driven much of the Board's focus over the past 18 months. These are:

1. Organize - since the District didn't exist they needed to get the District established

2. Stabilize – it was imperative to stabilize the existing health care system on the island
3. Long term focus – how do we provide stability and sustainability going forward

President Fralick ended his introduction by summarizing the Board's guiding principal and priority as being to:

ENSURE THAT QUALITY, ISLAND-APPROPRIATE PRIMARY, URGENT AND AFTER-HOURS CARE IS AVAILABLE TO ALL MEMBERS OF THE COMMUNITY IN A FINANCIALLY SUSTAINABLE AND COST-EFFECTIVE MANNER

III. Presentation Material

Each of the Commissioners walked through a series of slides (attached). The areas addressed were categorized by: OIHCD priority areas, 2018-19 results, and the District's top issues going forward. A few highlights are included below.

a. 2018-19 Results – Services (slides 4 – 7)

Comm. Boteler

Commissioner Boteler reviewed the two different models for providing after-hours care at each Clinic. This included a summary of how many patients were seen in each clinic after-hours over the first eight months of 2019. She commented on the fact that the Board also recognizes the numbers don't reflect people seeking care through the Fire Department and feels that many of those could have possibly been served by one of the Clinics. The after-hours structure remains a work in progress and the Board continues to research how it to achieve the most optimal model.

b. 2018-19 Results – Capital/Equip (slide 8)

Comm. Groundwater

Commissioner Groundwater explained that Orcas Medical Foundation had been struggling financially due to the loss of some key donors. As a result, OMF was unable to maintain the Clinic building and equipment, and that led to those assets being transferred to OIHCD. In that process the Board discovered the building needed a new roof and HVAC system, and work has been underway all year to understand how to approach those projects. A more immediate need was that both Clinics needed new refrigerator/freezer units to house vaccines, and the District purchased these items for both Clinics in 2019. Rather than replace the no longer workable x-ray machine in the UW Clinic, the District helped create a shared x-ray protocol that enabled UW patients to get x-rays at OFHC and the results returned within a day. This process allowed the District to save the cost of purchasing a second x-ray machine and has been working well for patients. Finally, in 2019 UW agreed to offer courtesy labs which are labs requested by providers outside of the UW clinic. This has also been a helpful service to the community and wasn't something UW performed when they first took over the Clinic.

c. 2018-19 Results – Financial (slides 9 – 10)

Comm. Miller

When the District was formed one of the Board's goals was to minimize the financial impact on taxpayers by staying below the maximum allowed rate of \$.75/1,000. Commissioner Miller explained that when the District was approved by the voters the Board automatically had the authority to tax at that maximum rate. The Board hoped to stay as far below \$.75 as possible,

and in 2019 the rate was \$.65. That covered the District's start-up and operational costs in 2018 and 2019.

Commissioner Miller reported that the total expenses to-date are closely aligned with what was forecasted in the 2019 Budget. While there were some individual line items with variances, the total spent was in line with what the Board expected. Differences included:

- Higher UW subsidy due to equipment maintenance costs
- Lower OFHC subsidy due to the pro rating for a less than full-time MD
- Higher District set-up costs largely attributed to the legal costs associated with acquiring the building/equipment from OMF.
- Lower After-Hours compensation since only OFHC is contracted for and pays providers for coming in to see a patient's after-hours. The Board wasn't able to reach agreement with UW, so providers do not get extra compensation when seeing a patient.
- \$416,000 of expenses were financed with funds from the Long-Term Bond.

d. Top Issues Going Forward – Services (slides 11 - 12) Comm. Boteler

Risks to sustainability specific to care issues center around a lack of reliable access to providers after-hours. The voluntary nature of UW's Agreement, combined with other staffing requirements, creates a risk to sustainability. The Board continues to work with the providers and EMS to create a reliable, sustainable, collaborative model.

In addition to a focus on after-hours care, the Board continues work to define what the overall model of care should be on the island. This includes defining the appropriate scope of care for a rural, remote practice. The Board is soliciting input from a variety of sources, including local and national experts with the right expertise to help inform the process.

e. Top Issues Going Forward – Capital/Equip (slides 13 - 14) Comm. Groundwater

The main risk as it pertains to the District's assets is the fact that costs to repair/maintain the building and equipment are much higher than initially budgeted. Some of the added cost is attributed to the bidding requirements for a Public Entity, which requires contractors be paid prevailing wage. The hourly restrictions/costs associated with some trades are restrictive, and the District has to factor in maintaining clinic services while getting the work done.

The Board is also looking to avoid duplicating expensive equipment and will continue to work with both Clinics to create shared protocols, when possible. In their efforts to minimize the taxpayer burden, the Board is looking for other sources of revenue to fund these projects beyond property tax. This will include looking at grants and low-cost loans since the remaining Bond capacity isn't sufficient to cover all of the 2020 repair and replacement costs.

f. Top issues Going Forward – Financial (slides 15-19) Comm. Miller

The two Clinics have each completed their first full fiscal year with the District. For 2020, both Clinics submitted budgets with substantial subsidy increases, resulting in a total increase in Clinic subsidies of \$271,00/year (31% increase). As was described earlier, the District has

approximately \$239,000 in Banked Taxing Capacity resulting from the fact that they didn't tax at the maximum in 2019. Beyond that the District will be limited to annual increases of 1% (approx. \$17,000 in 2020) plus revenue amounts associated with New Construction that wasn't yet valued in the current year (in 2020 that represents approximately \$20,000).

The District is looking at ways to address and work within the financial constraints. This includes re-evaluating the feasibility of continuing to support two practices in two separate locations. The Board is also looking at ways to increase the revenue side, and that includes a review of reimbursements from insurance companies, Medicare and Medicaid.

There was a review of the ways the District can possibly enhance revenue, which centers around applying for federal designations (Rural Health Clinic and Federally Qualified Health Center Look Alike) or considering a model similar to what was in place with Island Hospital (Provider-Based Rural Health Clinic). Commissioner Miller provided a brief overview of how the reimbursement levels differs in each option, as well as the service and structure requirements.

Other areas that have an impact on the 2020 budget are summarized below:

- OIHCD operational costs were favorable to projections.
- UW subsidy is forecasted to be \$133,000 higher.
- OFHC subsidy is forecasted to be \$130,000 higher.
- There is no current solution to deliver on the desired after-hours model.
- A \$100,000 reserve allocation was made in 2019 and is planned for 2020.
- Building maintenance/repair costs are higher than expected.
- Much of the equipment in the Clinic has reached the end of life and will need to be replaced.
- 80% of the UWNC subsidy costs are due to personnel costs and UW School of Medicine implemented a new compensation structure for all providers in their system.
- It was important to ensure both Clinics provide health benefits for staff.

IV. Q&A

President Fralick shared that the Board recognizes the importance of going through the necessary due diligence to make an informed decision before moving forward. An important part of the process is gathering input from the community, and that is the purpose of this Town Hall. The rest of the meeting was dedicated to taking comments and answering questions from the community.

Th basic themes centered around the following broad topics:

1. **Explanation on the additional Affiliations and Timelines** – this includes talking with other RHCs, Critical Access Hospitals, and FQHCs to see if they would consider affiliating in order for OIHCD to take advantage of the reimbursement enhancements. Affiliations provide economies of scale by sharing and negotiating rates with payers that are favorable. Generic term was used because there's an array of possibilities and the Board is looking at all of them.
2. **Can the island of this size sustain two separate practices** – there are a lot of islanders who seek services from both practices so concerns exist about consolidation. The Board doesn't have an answer at this time and is looking to define what the model looks like that the community can support and afford.

3. **How does the UW salary/benefit package compare to benchmarks** – The Commissioners have looked at industry standards and reported the salary is relatively comparable. That said, there are other pieces to compensation for providers having to do with base salary, productivity, and a quality component. The base compensation is relatively comparable if the productivity was at the level set by the national standards. Part of the challenge is that productivity expectations are higher than what we see at each Clinic; however, we hear from the Clinics that they serve a different population that tends to be older with more complex medical issues that take more time. The District is hoping to find the balance between cost and productivity so that we can maintain quality health care yet maximize productivity recognizing that the Clinics are subsidized with public funds.
4. **What synergies are being seen with Lopez and are they looking at moving to an FQHC** – Superintendent Presson reported that Lopez is not pursuing alternatives at this time. There is only one clinic on Lopez and it's smaller than either of the Clinics on Orcas. The District also set their tax rate at \$.75 from the start. They don't own the building/equipment, which is another big difference between the two District, and Lopez has a non-profit that owns those assets and handles all of the costs associated with repairs and maintenance.
5. **Asked about discrepancy with after-hours visits as was reported in the data** – there's been a challenge to understand the after-hours data and how UW's approach supports their patients differently than OFHC. UW has a lot of requirements and doesn't have as much flexibility to accommodate what the Board feels is a necessary requirement to be physically accessible when on-call. In the absence of having the two clinics share call it is tough to create a sustainable lifestyle for the providers. OFHC is being compensated for seeing a patient after-hours so they have to report when they come in. Whereas UW is not being compensated so their numbers in the beginning were likely underreported as it was harder for UW to capture the after-hours volume.
6. **Insurance question related to Kaiser and Premera/LifeWise** – Question as to any possible financial benefit from the new relationship between UW and Premera/LifeWise. Superintendent Presson reported the changes taking place in the Exchange and Medicare insurance markets. A positive development is that UW will be able to refer to specialist and hospitals within their system. It's too early for UW to provide any positive financial impact based on the new contractual arrangements with Premera/LifeWise. Premera visited the island a few months ago and met with OFHC. There was a discussion about looking at ways to improve reimbursement for OFHC and that will be pursued. Premera is working hard to ensure a smooth transition in all areas, including emergency air transport. Overall, all signs are very positive about the future of the insurance market with the change in health plan.
7. **Concerns over the cost of roof and HVAC replacements** – No contract has been awarded nor proposals requested. There is significant work underway to understand the best approach and the numbers quoted were estimates from the engineering experts. Also, it is important to realize that state law dictates public entities must pay prevailing wage for public works projects. Contractors executing bids must certify that they pay their workers prevailing wage, as dictated by the State.

There is no interior remodeling being considered at this time. It's expected that the building is large enough to house both practices should the consolidation/co-location of the practices occur, so there shouldn't be a need to expand the footprint of the building. The back of the

building that was historically used for PT is under-utilized space and could be reconfigured to accommodate another practice.

8. **Consolidation and the impact on revenue** – the community lost a substantial amount of revenue when Island Hospital left due to the loss of the enhanced Medicare/Medicaid reimbursements due to being associated with a qualifying hospital. The Commissioners initial work centered around reaching agreement with the existing practices in order to stabilize the Clinics. Each Clinic has a challenge in that one has a cost structure that might not be affordable, and another has been unsuccessful in recruiting a full-time MD. The Board has tried to make the existing model work; however, the situation has changed and it's important for the community to understand why the Board might need to move in a different direction. The Board is doing everything possible to make it work yet if the current structure can't be supported the community needs to understand why difficult decisions will have to be made.
9. **What is Banked Capacity** – explained this is the difference between what the District could have levied in 2019 at \$.75 versus what was actually collected in 2019 based on the \$.65/1,000. That difference is \$239,000 and is allowed to be accessed in the future to increase tax revenues above the 1% plus new construction limit imposed by proposition 747. In light of the increases from the two Clinics, and the fact that the 5-year projection no longer has a positive cash flow over the entire period, the Board believes it has to take 75% of the Banked Capacity in the 2020 budget. This results in about a 14% increase in the overall budget in 2020.
10. **Encourage islanders to seek care on island versus going off island** – Comments that OIHCD can help market the Clinic services; however, it is up to the Clinics to deliver. It was suggested that the Clinics aren't having a problem filling their capacity. More of the challenge is the percentage of patients covered by Medicare/Medicaid (65% on Orcas versus 30% on the mainland) and they each reimburse below cost. Every visit requires some degree of subsidy. This highlighted how important it is for people not on these programs to consider getting their care at the Clinics.
11. **Discount for cash for those who don't have insurance** – will need to determine if this is possible.
12. **Staff recognition** – Commissioners called out the importance of recognizing staff working in both Clinics and emphasized the distinction that it's the model under which they operate under scrutiny and whether the model is a good fit for the community. Recognition that everyone is working hard and doing a great job in serving the community. It was also noted the District doesn't own either clinic and therefore can't require a consolidation. The only thing the District controls is the subsidy funding. The District could consolidate the subsidy and that might compel the Clinics to make a change. It remains unclear if the Clinics could be run without an umbrella organization (e.g. UW) since there are a lot of services and supports that the District would need to contract for that are currently provided.
13. **Electronic Medical Records (EMR)** – concerns over losing EPIC since it's highly compatible with other EMR systems. Sharing of information is seamless and a lot of money was spent getting the system installed. If the District were to go it alone what would happen to the system? Commissioners confirmed that the EMR is one of the areas under review. EPIC is a very expensive system and if not affiliated with UW the District would need to purchase an EMR system; however, it's unlikely the District could afford EPIC. Due to an awareness of the cost associated with the former records transfer effort, the Board included a provision in the UW Agreement to help support and ease the transition to any new system. Over time, it's possible all EMRs will have the ability to transfer information as the larger health care industry recognizes the importance.

14. **After-hours access** – the way the process should work was confirmed, and acknowledgement that when determined medically necessary the provider will come in to see a patient. Feedback is that people aren't being called back in a timely fashion or at all. The fact that both Clinics are seeing all islanders, regardless of whether or not a patient, isn't known by a lot of people. It will be important to improve communication and raise awareness of the existing services in this area.

V. Meeting Adjournment

Commissioner Fralick adjourned the meeting at 7:10 pm.

Patricia Miller 12-3-19

Attest: Patty Miller, SJCPHD No. 3 Secretary