

Orcas Island Health Care District
Board of Commissioners - REGULAR Meeting Minutes
Orcas Island Fire & Rescue – Eastsound Firehall
Tuesday, September 3, 2019
5:00 – 7:00 pm

Commissioners Present:

Art Lange
Diane Boteler (remote)
Patricia Miller
Pegi Groundwater
Richard Fralick

Staff:

Superintendent Anne Presson

Commissioners Absent:

None

I. Call to Order

President Fralick called the meeting to order at 5:01 pm. He noted that Commissioner Boteler would be participating by phone yet hadn't dialed in at this time.

II. Public Comment

There was no public comment at this time.

III. Consent Agenda

The Consent Agenda contained an AP Voucher Report dated August 22nd in the amount of \$1,370 and the draft Minutes from the August 20th Regular Board meeting.

MOVED by Commissioner Groundwater, seconded by Commissioner Miller to approve the Consent Agenda as presented. VOTE 4:0:0. MOTION CARRIED.

IV. Committee and Work Group Reports

- a. **Building Committee** – Commissioner Groundwater indicated the Board received a copy of the proposal from Hargis Engineering to be used in a Request for Proposal (RFP) for HVAC and roofing services. The Hargis proposal came in at a cost that is more than what was originally thought. It was also noted that the proposal did not include the cost to prepare CAD drawings, which is an additional item needed for the RFP.

Commissioner Groundwater went on to report that she was able to secure the services of an offshore group to have the CAD drawings prepared at a substantially lower cost (\$200/sheet). In order to keep the process moving forward she sent the materials off and expects the CAD drawings to be ready in about two weeks. Once received, Hargis will be able to start their work which could take 3-4 weeks. As a result, their deliverable is likely to come sometime late October or early November. It was also noted that the Hargis proposal assumes their participation in the review of the RFP responses, which wasn't expected but is felt to be a good idea. There was agreement that having their expertise in helping analyze RFP responses will be valuable.

Commissioner Fralick reminded the Board that the Hargis proposal is to prepare what's called a 30% requirements document, which contains about 30% of the work that would be required to obtain a permit insofar as it doesn't call out all of the details and specifications. Commissioner Miller asked if the Committee is confident it will be enough to get bids. Commissioner Groundwater reported that this is one of the two ways to get bids, so it's assumed to provide adequate information for an RFP process. Commissioner Fralick responded that this was the approach San Juan County used for the Orcas road project, and that's his only experience. There was continued discussion around the availability of as-built drawings, since the District only has design drawings. Commissioner Groundwater did review the original permit and the drawings in the County's file are the same ones the District has on hand. Commissioner Fralick has been in contact with the original Architectural Firm and their archivist has been unsuccessful in locating any additional drawings.

There was consensus to have Commissioner Groundwater contact an HVAC contractor, Doug Poole, to confirm if the 30% approach will be sufficient to provide a bid. In regard to the roof, Commissioner Groundwater reported she is waiting to hear from the roofing material manufacturer that she spoke about at the last meeting. She's hoping to confirm whether their method and material is a good fit for the building.

MOVED by Commissioner Groundwater, seconded by Commissioner Boteler to engage Hargis to do the requirements preparation, subject to confirmation with an HVAC contractor that they can make a bid based on that document. VOTE 5:0:0. MOTION CARRIED.

In final comments Commissioner Groundwater confirmed this process is in alignment with the District's existing Procurement Policy.

Superintendent Presson provided an update on the landscaping work at the Clinic building. She shared that there was a tremendous amount of clean up to do apart from general maintenance. As a result, the \$5,000 in the original budget was not going to be adequate to cover the cost for this year, and it was likely to come in twice that cost. She explained the original budget was based off of the Orcas Medical Foundation numbers and in conversations with Kevin Walstrom, he shared that OMF had planned to go out to bid as they recognized there was more work that needed to be done.

In addition to a visual improvement, there were concerns about so much brush right up against the building and walkways around the building were inaccessible. The various exits were also blocked, and there was the possibility of moisture and other negative consequences to the building itself. The Superintendent has been monitoring the weekly progress and is very pleased with the job of the landscaping crew. She will work with them to determine the best way to minimize ongoing maintenance requirements, including evaluating if lower maintenance landscaping is an option.

- b. **Contract Negotiations Work Group** – Commissioner Miller reported that she received OFHC's FY '20 budget and is waiting for a few more pieces of information specific to UW's provider compensation and benefit plans to be able to make sure the two clinics are aligned. In addition to questions specific to compensation, one area the Committee is looking into in more detail is specific to what looks like UW's approach to pay a very large percentage of premium for all family members.

As far as the overall budget, there was nothing glaring in what OFHC proposed. There are some expenses that weren't in the current budget since some licenses are two- year and are renewing this year. Otherwise, there were a few items Commissioner Miller asked Aimee to revisit and explain the reason for a higher than expected increase.

Commissioner Lange asked what is driving OFHC's increase in Revenue projected for FY '20, and Commissioner Miller indicated she thought it was associated with an additional Physician Assistant (PA). There was discussion around how many FTEs are in place today and the projected numbers. The Committee will work with Aimee to get a clear picture of current and proposed provider FTEs since there was some confusion as to what was included in the current budget versus what's proposed. Commissioner Miller will also plug in payroll by providers versus non-providers in the next version of the overview.

Commissioner Lange asked if these increases are assumed to be annual, as that would create concern for the long-term. He also asked what the starting point is in creating the budget. Aimee was at the meeting and shared that her budget development starts from what revenue actually came in during the current year, and then she considers how much additional revenue a new provider can contribute when developing revenue estimates for the coming year. Commissioner Miller noted that she will include notes from her meetings with OFHC to allow all Commissioners to understand what is driving the percentage increase in each line item. Commissioner Fralick suggested any additional questions be sent to Patty in advance of the next meeting. The goal is to try and finalize the budget at the 9/17 meeting since OFHC is hoping to implement the benefits proposal as of October 1st.

- c. **Finance Committee** - Commissioner Miller will bring this back after checking the cells in the Clinic Financial Summary report, including what was just discussed in the OFHC budget review. She'll want to confirm if the 2.75 FTE provider number for the current year was incorrect.

Commissioner Miller also talked about the need to confirm that the District's underlying assumptions used in determining budgets are accurate. To-date, the Committee has been using MGMA benchmarks for visits and productivity; however, we've heard from Dr. Alperin why the UW Clinic is averaging fewer patients per day than what was budgeted. The Committee has also been basing salary and benefits assumptions on the UWNC compensation and benefits model. It would be good to validate those are appropriate targets for our community. She feels it might be helpful to have the Consultant validate these assumptions. There was consensus of the Board that knowing market compensation and productivity benchmarks are important pieces of information, and there's a desire to know whether this is within the consultant's area of expertise.

Commissioner Boteler felt it's important to consider the system within which the providers are working insofar as the complexity of the EMR, the administrative structure, and support staff levels. She acknowledged this is a complicated question to answer; however, in the past the different administrative structure seemed to allow for a higher volume of visits. While a challenge to sort out, it's an essential piece of the puzzle. Commissioner Miller agreed and felt that, while MGMA provides a global view, it's important to consider how well it's numbers can be applied to a rural setting. It could be that when considering a rural vs urban practice there are differences in the patients as well as scope. She agreed it's an essential piece of the equation as we go forward and the Board doesn't have the expertise to make a judgement on what's appropriate. Commissioner Groundwater will ask the consultant if this is an area where she can also provide guidance.

Superintendent Presson was asked if she's had an initial call with the consultant. She shared that she did talk with Shar and will be uploading information to their portal. They talked about the information needed, most of which the Superintendent feels is readily available, as well as the building and other aspects of island health care. She plans to connect the consultant with the Clinic Managers and UWNC's Finance Director. The Superintendent was encouraged to hear that the consultant's goal is to finish the OIHCD project by the end of this month.

There was a question as to whether the consultant plans on considering additional services in her review. Commissioner Groundwater shared that the focus is on existing services. Superintendent Presson will include the Scope of Practice that Commissioner Boteler prepared for the District Prospectus in the materials sent to the consultant. Commissioner Miller indicated the only piece the Board might like to add to the scope is service for After-Hours care. Commissioner Groundwater indicated that she had talked about that with the consultant in their initial conversation. Commissioner Fralick added that the Board might want to be open to having the consultant come up with ideas that could reduce the need for air medical transport. Not having the expertise, he isn't sure what that would be yet would like the consultant to keep that in mind if it's within her expertise.

The Board wasn't clear if the consultant would be positioned to make a recommendation around services. Commissioner Boteler questioned whether it would be within her area of expertise as she felt it was more of a clinical question. On a somewhat related topic, Superintendent Presson inserted that in her recent call with LifeWise/Premera they shared that their Foundation was set up to help rural communities improve care. They talked about air transport and a desire to find ways to keep more people on the island. There could be opportunities to partner with them to look at ways to solve those problem. The Superintendent suggested the Premera Medical Director participate in the EMS/UW work group as that might be the appropriate venue for such a discussion being that it's a group of clinicians. Commissioner Boteler would like to be involved in those discussion, and there was also a reminder to make sure OFHC is involved. Superintendent Presson will make sure once those discussions happen they include Commissioner Boteler.

Before leaving this item, Commissioner Groundwater reported that she realized the Superintendent's signing authority is \$15,000 and the Consultant contract was for \$17,000.

MOVED by Commissioner Groundwater, seconded by Commissioner Miller to amend the previous motion from last meeting and authorize the Superintendent to sign the consultant contract. VOTE 5:0:0. MOTION CARRIED.

Superintendent Presson walked the Commissioners through the first draft of the District's FY '20 budget. The format contained the current budget and forecast numbers, as well as expected FY '20 Revenue and Expenses. The Property Tax Revenue only assumed a 1% increase and doesn't yet consider revenue associated with new construction. The Superintendent just received an estimate of the 2019 Total Assessed Value from the County Assessor, which shows an increase of 14% and some estimates around new construction. These numbers will be factored into the next budget update.

There was discussion around whether the GO Bond capacity will be adequate to cover all of the necessary building repairs and maintenance costs. There is also a question if the District will take any of the GO Bond in the current fiscal year, which is still reflected in the forecast. The Superintendent will work with Commissioner Miller to fine tune the reports.

Commissioner Miller said it's likely the Board will have to approve the FY '20 budget prior to knowing anything about the actual building repair costs. As a result, the Commissioners will need to consider if the GO Bond capacity is adequate to cover roof, HVAC, new backup generator and painting. Commissioner Groundwater confirmed the old HVAC estimate didn't include Prevailing Wage, and it's likely the HVAC cost alone will be in the range of \$250,000.

Commissioner Miller asked that the Building Committee bring back their best estimate as to what numbers the Finance Committee and Superintendent should include in the budget for these three projects. She also asked if the original painting bid was Prevailing Wage and asked the Committee to also provide any information on Prevailing Wage for painting.

Commissioner Miller will also need to go back to UW to get their estimate for equipment repair and maintenance estimates, and we need to do the same with OFHC. As far as the Clinic Subsidies, the Superintendent included the additional \$40,000 for UW, and she incorporated the amount from OFHC's proposed budget. Promotion and Advertising increased somewhat to account for more regular communication with the community. Commissioner Miller asked about the rationale for keeping the Accounting expense the same when the current year forecast is much lower. The Superintendent felt that there could be additional accounting needs should the District implement a new structure. Commissioner Miller also questioned if the District will have to perform an Accountability Audit every year, and the Commissioners agreed to have the Superintendent ask the State Auditor if we can hold off until 2021 to stay on the same cycle as Lopez. The Superintendent went on to report that she included the expense of \$50,000 for an Independent Contractor, using the same rationale as for the Accountant.

Discussion moved on to salary items and included the discussion of Commissioner compensation. All five Commissioners have chosen to forgo their compensation which is currently set at \$128/meeting with an annual maximum in the range of \$12,000 per Commissioner. The Board's consensus was not to build the cost into budget; however, Commissioner Miller suggested we note the value in the comments section of the budget document. Commissioner Boteler was supportive of the Board's decision to not reflect the cost in the budget, yet feels their work is valuable to public. At some point, Commissioners might determine it's appropriate to be compensated and they do not want the current policy to forego to set a precedent that would discourage citizens running in future elections. There was consensus to note the potential cost in the budget comments.

Commissioner Miller asked about increase in PEBB premiums (medical insurance premium for Superintendent). The Superintendent mentioned she would absorb the the rate increase for next year which was minimal. Although not yet discussed, an increase to contract with a Web Manager was included in the budget. She's hoping to bring a proposal back to the next meeting. It was noted that the amount doesn't include any money for development, and Commissioner Miller suggested we add something to account for a transition and clean up. The Superintendent will increase this item to \$2,000.

Going through some of the final items, the Rents and Leases assumes no change in the District Office lease amount, which expires in March. Commissioner Groundwater indicated that the District wanted a longer lease, yet it wasn't clear what would be happening with the building so it's to be determined if we'll be able to remain in the building. The Superintendent had reached out to the insurance agent for the Property/Earthquake insurance renewal and is waiting to get that information.

There were some large items in the forecast for Building Maintenance and Equipment that need to be updated. The Superintendent also noted that the HVAC expense in the current budget should have likely been recorded elsewhere as it's not Equipment. It will be moved to the General Maintenance category. Commissioner Miller noted that the Painting estimate is the only item in Building Maintenance for next year; however, this year's actuals suggest a need to budget for other miscellaneous items. The Superintendent will talk with the Clinic Manager to determine what might need to be built into this. Finally, on the banking costs there are a fee associated with US Bank who acts as the fiscal agent and their fee is \$170 per note. That item will be adjusted to reflect \$340. Commissioner Fralick asked what we paid for roofing permit and the Superintendent will confirm. She will also need to revisit the updated 5-year cash flow to see when it's expected we'll be accessing the LOC. As a reminder, the District doesn't pay Property Tax but is subject to the small fees associated with the tax. The District is subject to a Leasehold Tax, which the Superintendent will revisit with Commissioner Miller. In light of a rent increase at OFHC, the current rate used is likely in need of adjustment to a market rate. Finally, the Superintendent will modify some of the comments in the Clinic Equipment line to indicate examples of the types of things that could fall into this category but haven't yet been approved.

Commissioner Miller will be updating the budget tool to show an updated 5-year cash flow analysis. The Commissioners know islanders are struggling with various tax increases, including a possible permanent lid lift by the County, and they continue to want to be sensitive to these struggles. Their goal is to keep the Hospital District's millage rate as low as possible and that is why the 5-year forecast is so important. Commissioner Miller will also talk with WAFed to understand what the costs would be to increase the GO Bond.

- d. **Communications Committee** – Superintendent Presson reported she confirmed the October 5th Town Hall meeting with OIFR. The meeting room is occupied on 11/4 so she proposes moving the second Town Hall up a week to Monday, October 28th. Commissioner Lange is the only Commissioner showing unavailable that day and he will get back to the Superintendent with more details.

Discussion continued around the goals for the meeting. These may include:

- Sharing where we are
- Financial projections for next year
- What/why/who the Board engaged as a consultant
- Is there a need to talk about After-Hours care currently provided by each clinic
- Will there be enough information from the consultant to discuss on 10/5

The Commissioners felt it would be important to let the consultant know about the date of the first Board meeting in October as well as the Town Hall dates. Commissioner Fralick suggested updating the slide on the Board's accomplishments and consider talking about the state of the building.

Discussion continued around the need and/or make up of a Community Work Group to review the consultants report. There were varying views from the Commissioners as to the timing and role of such a group. In the end, there was consensus to hold off on assembling a work group. There was also consensus to cancel the October 1st Regular Board meeting and schedule a Special Board Meeting on October 2nd.

V. Old Business

- a. **Consultant update**– This was adequately discussed in a prior item.

VI. New Business

- a. **Project Management** – Commissioner Miller and the Superintendent have been discussing the best way to leverage the funds attributed to administrative support. Both agreed that contracting with a project manager to help create a project plan will deliver higher value than simply hiring someone to provide administrative support.

There was continued discussion and consensus among the Board that moving forward to contract with someone who has this specific expertise is the right course to pursue. Commissioner Groundwater explained that since this will be a contract for Personal Services we will need to create a scope of work and get three quotes before a decision is made. Commissioner Miller and the Superintendent will bring this back to the next Board meeting.

- b. **Amended Procurement Policy** – due to time constraints, this item was postponed until the next meeting. Since Commissioner Miller had a lot of questions, she will work with Commissioner Groundwater on updating the draft prior to the next Board meeting.
- c. **Draft 9/17 Agenda** – since it's the Board's intent to dedicate some meetings to more of a planning and education format, the Commissioners discussed a possible Agenda for the next meeting. After discussion it was decided that the most time sensitive topic to dive into in more detail is specific to the budget and 5-year cash flow projections.

VII. Operations Report

- a. **UW Reports and Meetings Spread Sheet** – an updated document reflecting how the two organizations will work together was presented by the Superintendent. She will create something similar for OFHC.
- b. **Meeting with LifeWise** – this was covered in an earlier item. Overall, the Superintendent is very optimistic about the evolving relationship.
- c. **SharePoint Update** – the Superintendent is in the process of building the SharePoint site and transferring documents. She was pleased at how well it worked in sharing the building plans. Her goal is to have all shared documents in the new site by the end of September.
- d. **Web Manager Proposal** – this was also covered in an earlier item and will be brought back to the next Board meeting.

VIII. Public Comment

Bob Tomas expressed his appreciation for the pro bono work of the Board. He also questioned the expenses in the OFHC budget and re-emphasized his feelings that one clinic would be good. Finally, he is concerned about rising costs and if things keep moving in this direction he will need to look at leaving the island or downsizing because the increases aren't sustainable.

IX. Upcoming Meetings

A list of upcoming meetings was included on the Agenda. UW is expected to deliver their Annual Report at the September 17th Regular Board meeting. As discussed, the October 1st Regular Board meeting will be cancelled and replaced with a Special Meeting on October 2nd. The Superintendent will find a location for that meeting.

X. Meeting adjournment

**MOVED by Commissioner Groundwater, seconded by Commissioner Miller to adjourn the meeting at 7:06 pm.
VOTE 5:0:0. MOTION CARRIED.**

Minutes approved this ____ day of _____, 2019.

Attest: Patricia Miller, OIHCD Board Secretary

DRAFT