

San Juan County Public Hospital District #3
Db: Orcas Island Health Care District
Board of Commissioners - REGULAR Meeting Minutes
Tuesday, October 16, 2018
4:00 pm – 6:00 pm
Eastsound Firehall

Commissioners Present:

Art Lange`
Diane Boteler
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 4:05 pm.

II. Public Comment

President Fralick asked for a show of hands as to how many guests were interested in presenting a public comment. Bob Thomas asked a question about the types of cellular devices to be turned off. Clarification that only cell phones are to be turned off and other electronics are fine.

III. Consent Agenda

President Fralick asked if there were any changes to the 10/09 Regular Board Minutes or 10/15 AP Voucher Report. Commissioner Groundwater asked for clarification on the item for San Juan County Quarterly Fees, and if those were associated with the interlocal loan or auditor fees to process warrants. Superintendent Presson confirmed the latter. Hearing no further discussion, President Fralick asked for a motion to approve the Consent Agenda as presented. Two votes were taken since Commissioners Lange and Boteler were absent at the 10/9 Board meeting so would abstain from voting on those minutes.

MOVED by Commissioner Groundwater, seconded by Commissioner Miller to approve the 10/09 Regular Meeting Minutes as presented in the Consent Agenda. VOTE 3:0:2. Commissioners Lange and Boteler Abstained. MOTION CARRIED.

MOVED by Commissioner Groundwater, seconded by Commissioner Miller to approve the 10/15 AP Voucher Report as presented in the Consent Agenda. VOTE 5:0:0. MOTION CARRIED

IV. Committee & Work Group Reports

a. After-Hours Work Group:

President Fralick is waiting for UW to provide a formal, consolidated response to the last OIHCD After-Hours proposal. This was the topic of his 10/12 Friday call with UW. During that discussion UW also recommended that OIHCD bring in someone from outside of UW to serve in the Project Manager role to support the after-hours work group. **President Fralick expects to bring UW's response to the 10/23 Board meeting so the Board will have more complete information to react to and discuss further.**

Commissioner Lange shared that he spent an entire day researching what other PHDs do to address after hours care. In speaking with numerous Commissioners and Superintendents, it was evident that the Orcas and Lopez Island PHDs are unique. Every other clinic has an urgent care or emergency room within a 30-45-minute drive. We have a truly unique situation that warrants a different approach to solving for after-hours care.

Commissioner Lange was asked to see if he can determine what geographically isolated rural areas without a PHD do to receive after-hours care.

Commissioner Miller shared that part of the reason UW felt the Project Manager did not need to be a UW employee is that they perceive the issues to be less about what it would take within their organization to solve the issues but more about liability and risk associated with a 24/7 requirement. UW expressed a concerns about triggering requirements set forth in the Emergency Medical Treatment & Labor Act (EMTALA). While additional understanding is needed, the Commissioners questioned how what seemed to be a hospital related law would come into play. It seemed directed to emergency services within hospitals and was enacted to ensure public access to emergency services regardless of ability to pay. UW has also expressed continued concerns around physician burnout and the need to recontract should demands on physician's change. Overall, they maintain this is a complex issue and will take more exploration to solve. They feel the answer likely lies beyond anything we are aware of today, and UWNC would like to see a work group explore how other communities have addressed this issue since they are currently unwilling to accept the after-hours proposal submitted by the Board.

Commissioner Boteler expressed concerns around the need to pay a lot of money to devise a solution when there is a model that has worked on Orcas in the past. She would like to make sure UW reviews the Skills document that she and Commissioner Groundwater drafted, and how it aligns with UW's Privilege document. President Fralick will add this to the next discussion with UW since they had committed to providing the Privilege document. He intends to gather as much detail as possible on these questions, so the Board can launch a more in-depth discussion. Commissioner Groundwater observed that UW's concerns seem to be less about what is provided in Primary Care and more about when care is provided. She recalled that in the initial meetings when UW first came to the island they said their initial focus would be on Primary Care yet there was a commitment to looking into after-hours care in the future.

After much discussion the Board realized it will need to come back and determine if there's a desire to look at the broader scope of options, both within and outside of our current clinic, or focus on a narrow scope specific to the solutions outlined in the after-hours proposal. President Fralick asked the Commissioners to be thinking about what they are willing to accept in the short, medium and long-term.

b. Building Purchase

Commissioner Miller reported that the GO Bond is scheduled to close on Friday, 10/19. The building close will follow by 11/01; however, the Real Estate Purchase and Sale Agreement (REPSA) is still not finalized. Earlier in the day the attorney issued another version with language that OMF requested. It's specific to peril and should the building be destroyed before close the insurance proceeds would come to OIHCD. There was discussion around the building's insured value and whether the building could be rebuilt at that cost. There was also discussion as to whether OMF could increase their policy for two weeks until closing and OIHCD would cover that cost. As such, that created the need to change the Resolution and provide for flexibility in the sales price.

After continued discussion around the cost to rebuild and whether it would make sense to get an appraisal, Commissioner Groundwater said she wasn't comfortable acting on the REPSA and would like another week to review. **There was a consensus of the Board to bring Resolution 2018-17 and the REPSA back for action at the 10/23 Board meeting.**

Commissioner Miller also reported that UW is close to completing a review of the equipment list. They will be providing replacement cost estimates for the medical equipment and will list any equipment owned by UW. Commissioner Lange also asked that UW identify any equipment purchased with the start-up funds.

c. Finance Committee

Commissioner Miller reported that the GO Bond is ready to close on 10/19. Resolution 2018-16 outlines the specifics of the financing, which includes the limited tax obligation bond of \$800,000 and \$250,000 in a short-term revolving line of credit. There is no plan to draw funds at closing. The closing costs of \$10,000 will be taken from the operating budget and can be reimbursed with future bond proceeds. The first draw will be scheduled to coincide with the close of the building and will also include the closing costs associated with the building purchase. **Superintendent Presson will confirm with K&L Gates that both the \$29,000 election costs and WA Fed's \$10,000 closing costs can be reimbursed with GO Bond proceeds.** There were no additional questions on the Bond or Note.

MOVED by Commissioner Groundwater, seconded by Commissioner Boteler to adopt Resolution 2018-16. VOTE 5:0:0. MOTION CARRIED

d. Contract Negotiations Committee:

Commissioner Miller and Commissioner Lange received a first draft of the OFHC CSA yesterday. Additional language will be added specific to capturing and tracking of patient satisfaction and productivity metrics. Commissioner Boteler shared that she has been talking with OFHC to assist in creating an after-hours tracking form. To ensure what's she's developing is in line with expectations set forth in the contract she asked to review the contract before she goes much farther in her discussions. **Commissioner Lange will forward the contract for her review.** Commissioner Miller reminded the Board that the OFHC contract term runs from October 1, 2018 through December 31, 2019. The intent is to include wind down language, which she will confirm. **Commissioner Boteler also asked if the attorney is going to provide sample language to help her in drafting a list of the services the PHD is buying. That was brought up in the 10/2 Board meeting, yet she feels it would be helpful to have a better understanding of what he is looking for since the intent is that it will be part of the CSA. There was agreement to send the contract to the Board for review before sharing with OFHC.**

Regarding UW, the Interim Funding Agreement (IFA) was sent to their attorney and there has been no response to-date. The document is simple and contains a wind down provision. The work on the UW CSA has not begun.

Commissioner Groundwater asked if the Board was going to discuss the draft lease that was previously shared. There were several areas where she had feedback, and she walked the Board through her recommended changes and questions. **Her comments will be factored into the next draft lease, which will come to the Board for action on 10/23.**

V. 2019 Budget

Superintendent Presson shared the second look at the 2019 Budget. She walked the Board through changes made since the first version was reviewed. Most of the updates were minor, although she did adjust the UW Subsidy to reflect the semi-annual payment schedule. In contrast, the OFHC subsidy is paid in advance so it's not easy to compare the two. In 2018, only the OFHC subsidy includes the after-hours incentive payments. In 2019, based on expected volume the provider incentive is allocated 60% to UW and 40% to OFHC. There was a discussion around legal services and the fact that in 2018 legal fees are already several thousand dollars over budget. The Board felt comfortable leaving the 2019 fee set at \$12,000 since much of the CSA negotiations will be completed. The \$50,000 Project Manager fee has been moved into Independent Contractor Agreements since it's not expected this role will be served by someone within UW. There is now an expense listed in Building General Maintenance to show the cost of the roof replacement and painting. The \$150,000 cost to replace the

HVAC is listed in Equipment Maintenance. The Debt Issue costs have been added to 2018, and the \$2,500 Line of Credit Underutilization Fee is included in 2019. Finally, the ending cash is adjusted to account for a \$50,000 Reserve Fund allocation in Q'4 2019. Commissioner Lange confirmed that, in fact, the budget is based on a \$.65 millage rate with the 4% discount.

Looking over the five-year period cash flow analysis, reserves will accumulate to \$450,000 by 12/31/23. Commissioner Miller said the five-year budget as prepared will cover all operating costs, the two clinic subsidies, debt service costs and capital improvements that have been identified. What it doesn't cover are:

- Cost to remodel the clinic with additional exam rooms or offices, including the District Office
- New x-ray machine if sharing doesn't work out over time and/or the machine needs replacement
- Funds for a robust needs assessment
- Funds needed to research and/or fund a different clinic provider
- No costs beyond incentive payments to providers for after-hours care

After 2023 it will be hard to maintain the \$.65 millage rate assuming only a 1% increase in Property Tax revenue. The Board will need to find efficiencies by the end of 2023 or look to increase the millage rate. Commissioner Boteler said the Board should also be looking for efficiencies now. As discussed in the UW budget, understanding the cost to fly off labs and the large pharmaceutical budget item will help identify areas for improvement. Commissioner Miller shared that UW's 2019 budget predicts a very large increase in visits, which does provide some risk. It's been noted that Kerstin's time on Waldron is 8-8.8 hours per week. While it's thought to be cost neutral, it does create less access in the Orcas Clinic.

The Board discussed whether a \$50,000 reserve by 12/31/19 is adequate or if there was a need to build reserves earlier. While the LOC will be available, Commissioner Miller cautioned that it is a short-term vehicle and must be paid back yearly. It's required to have a \$0 balance for 45 days per year. President Fralick noted that the ending cash balance in the budget does provide funds to deal with an emergency. Commissioner Groundwater would like to have more reserve built up front as we'll have a better sense of needs in a year.

Consensus was to begin to build the reserve earlier and allocate \$50,000 beginning in Q'2 2019 in addition to the \$50,000 in Q'4 2019 shown in the draft budget. This will amount to a reserve fund balance of \$100,000 by 12/31/19. President Fralick encouraged the Commissioners to send any final feedback on the budget to Commissioner Miller. The budget will need to be nailed down by the 10/23 meeting as it will be made available for public review at that time, which is two weeks prior to the Budget Hearing.

VI. Old Business

Due to time constraints, the discussion on the Revised Public Records Policy was postponed until a future meeting.

VII. New Business

President Fralick indicated there was no new business. Commissioner Miller suggested the Board begin thinking about the process of applying for a building permit. She has heard from the roofers that the cost of materials is going up significantly. It might be wise for the Board to consider contractor selection and executing a contract to lock in a price even if the work won't happen until next spring.

VIII. Operations Report

Superintendent Presson reported on a discussion she had with the Office of the State Auditor, which was meant to clarify the options specific to audit requirements and costs. She shared the information with Commissioner

Groundwater who found it very clear and helpful. Superintendent Presson is also working with the State Agency in response to the IT award.

IX. Public Comment

There were two members of the public interested in the final public comment period.

Pierrette Guimond heard Commissioner Miller say that the after-hours care for UW was included in their subsidy in 2019; however, it isn't clearly stated on the budget document and should be added.

Leif provided a perspective on why UW could be concerned about after-hours care. So much of what's driving the cost of health care is related to the cost of emergency care. We also see that 50% of care is delivered in Emergency Departments (ED) and that is 2-3 times more expensive than having care provided in a clinic setting. There are also many people who seek their primary care in the ED and reimbursement is less. It could be that UW's concern is around the requirements of EMTALA to provide care to all at the most expensive rates.

X. Upcoming Meetings

A list of the upcoming meetings was included on the Agenda.

XI. Meeting adjournment

**MOVED by Commissioner Miller, seconded by Commissioner Boteler to adjourn the meeting at 5:57 pm.
VOTE 5:0:0. MOTION CARRIED.**

Minutes approved this ____ day of _____, 2018.

Attest: Anne L. Presson, OIHCD Superintendent