

**Jefferson County Public Hospital District No.2
Board of Commissioners, Business Session Minutes
Wednesday, August 17, 2016
Jefferson Healthcare Conf Room
2500 W. Sims Way suite 302**

Call to Order:

The meeting was called to order 3:31 pm by Commissioner Buhler. Present were Commissioners Buhler, De Leo, Dressler, Kolff and Ready. Also present were Mike Glenn, CEO, Jackie Mossakowski, CNO, Lisa Holt, CAO, Steven Feland, CHRO, Brandie Manuel, Executive Director Quality, Kate Burke, Marketing Director, Jennifer Wharton, Executive Director Clinic Group, Joe Mattern, CMO, Molly Hong, Chief of Medical Staff, and Alyssa Rodrigues, Administrative Assistant. This meeting is being officially audio recorded by Jefferson Healthcare.

Approve Agenda:

Commissioner Kolff made a motion to approve the August 17 business session agenda as presented. Commissioner Dressler seconded the motion.

Action: Motion passed unanimously.

Patient Story:

Jackie Mossakowski read a patient letter to the Commissioners regarding the patients' great care in the Emergency Department.

Minutes:

- August 3 Educational Session Minutes

Commissioner Dressler made a motion to approve the August 3 Education Session Minutes as presented. Commissioner De Leo seconded the motion.

Action: Motion passed unanimously.

Required Approvals:

- Medical Staff credentials/Appointments/Reappointments
- July Warrants and Adjustments
- Resolution 2016-19 Cancel Warrants
- Resolution 2016-18 Surplus Equipment

Commissioner Dressler made a motion to approve medical staff credentials/ appointments/ reappointments as presented, July warrants and adjustments as presented, Resolution 2016-19 to cancel warrants as presented and Resolution 2016-18 to surplus equipment as presented. Commissioner De Leo seconded the motion.

Action: Motion passed unanimously.

Public Comment:

- Emelia DeSouza presented a pride flag and thanked the Board and Jefferson Healthcare for all their support personally and within the LGBT community.

Financial Report:

Hilary Whittington gave a presentation on July's financial performance and spoke about Medicare and Noridian.

Compliance Report:

Erin Brown, Compliance Officer, gave a presentation about internal and external compliance programs and the Jefferson Healthcare Compliance Committee.

Administrator's Report:

Mike Glenn distributed a written report and gave a brief presentation with updates on WSHA, ACO, ACH, Medicaid waivers, VA Contracts, ESSB ribbon cutting, and Port Ludlow Clinic.

Chief Medical Officer Report:

Dr. Mattern reported on medical staff activities including: ACO, Rural Provider Leadership report, new psychiatric ARNP, Behavioral Health Update, Palliative care program, Next provider engagement event, "Being Mortal" November 10,11,12, Physician leadership development, Primary Care Strategic Plan, and recruitment

Board Reports:

Commissioner Dressler commented on the Jefferson County Fair
Commissioner Kolff distributed copies of three motions

Motion: Commissioner Kolff made a motion that Jefferson Healthcare purchase a small, portable digital, audio-recorder dedicated solely for recording meetings, especially those off-site. Commissioner Ready seconded the motion.

Action: Motion failed 3 to 2 Commissioners De Leo, Dressler, and Buhler opposed. Commissioners Kolff, and Ready in favor.

Motion: Commissioner Kolff made a motion to amend the June 29 Special Session Minutes as presented. Commissioner Ready seconded the motion.

Action: Motion passed Commissioners Kolff, Ready, and Buhler in favor, Commissioner Dressler abstained, Commissioner De Leo opposed.

Motion: Commissioner Kolff made a motion to support Commissioner Kolff's request for a single-payer healthcare discussion at WSHA annual meeting in October. Commissioner Ready seconded motion.

Action: Motion failed 3 to 2, Commissioner Dressler, Buhler, and De Leo opposed Commissioners Kolff and Ready in favor.

Commissioner De Leo spoke about Provider Engagement Dinner, NAMI board meeting, Jefferson County Fair, Port Hadlock Block Party, Port Ludlow "Meet Your New Neighbors", HCA and QHR webinar.

Commissioner Buhler spoke about attending Treating Patients with C.A.R.E program.

Conclude:

Commissioner Dressler made a motion to conclude the meeting. Commissioner Kolff seconded the motion.

Action: Motion passed unanimously.

Meeting concluded at 5:40 pm.

Approved by the Commission:

President of Commission: Jill Buhler _____

Secretary of Commission: Marie Dressler _____

Finance report

July 2016

Jefferson
Healthcare

 SWEDISH Health Network Affiliate

Overview of July

Revenues were low

- A month of many vacations for both providers and patients

Expenses are generally fixed

- In a low volumes month, we can only adjust downward to a certain degree

However, timing of cost report settlements was favorable

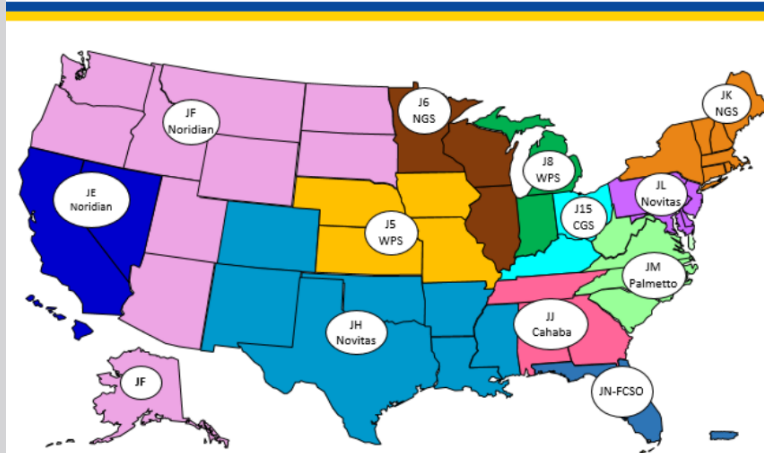
- 2015 cost report and 2016 lump sum payments came in during an otherwise significant net loss month. Noridian works in waves.

Fixed and variable expenses

- **Fixed costs:** Costs do not change based on volumes. This captures the majority of our expenses.
 - > Rent, depreciation, leadership wages, 80% of nursing/clinical wages
- **Variable costs:** Costs that flex up or down easily based on volumes
 - > Supplies, some staffing costs
- **Generally, our business model works, but the ratio of fixed to variable costs means low revenue months are difficult.** We are gearing up to block and tackle to ensure we are pushing variable costs down and revenues up to recover.

MAC Map.

A/B Jurisdiction Map as of December 2015



MAC: *Medicare Administrative Contractor*

- Private health care insurer that has been awarded a geographic jurisdiction to process Medicare Part A and Part B (A/B) medical claims or Durable Medical Equipment (DME) claims for Medicare Fee-For-Service (FFS) beneficiaries.
- CMS relies on a network of MACs to serve as the primary operational contact between the Medicare FFS program and the health care providers enrolled in the program.
- MACs are multi-state, regional contractors responsible for administering both Medicare Part A and Medicare Part B claims.

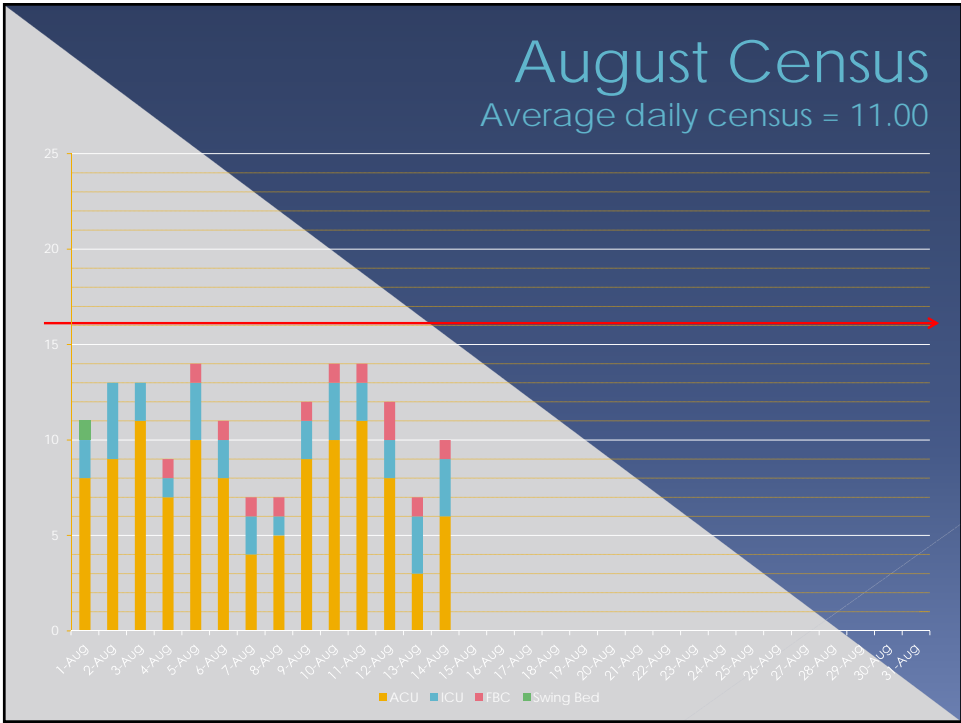
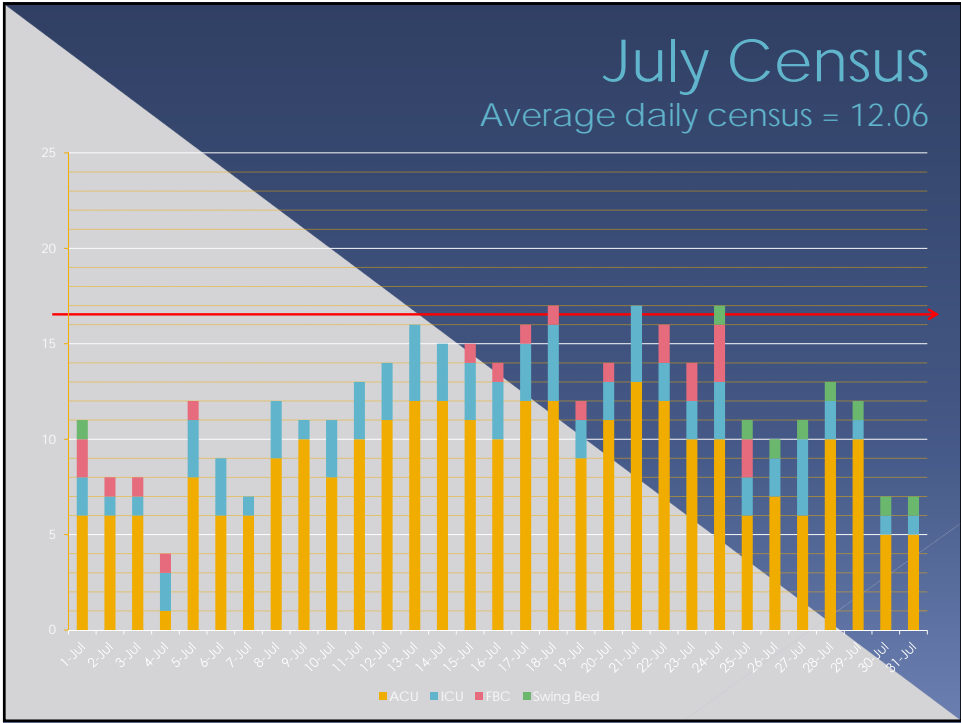
<https://www.cms.gov/Medicare/Medicare-Contracting/Medicare-Administrative-Contractors/What-is-a-MAC.html>

MAC: *Medicare Administrative Contractor*

MACs perform many activities including:

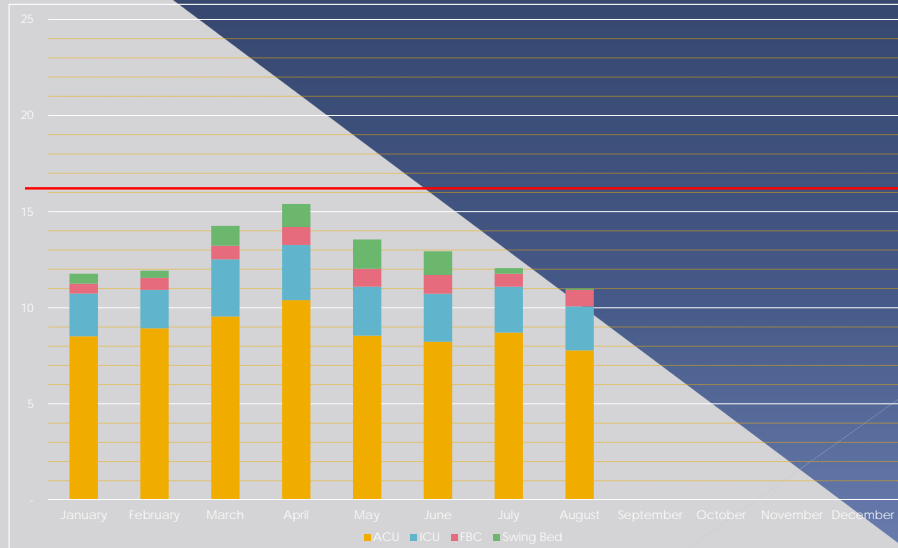
- Process Medicare FFS claims
- Make and account for Medicare FFS payments
- Enroll providers in the Medicare FFS program
- Handle provider reimbursement services and audit institutional provider cost reports
- Handle redetermination requests (1st stage appeals process)
- Respond to provider inquiries
- Educate providers about Medicare FFS billing requirements
- Establish local coverage determinations (LCD's)
- Review medical records for selected claims
- Coordinate with CMS and other FFS contractors

<https://www.cms.gov/Medicare/Medicare-Contracting/Medicare-Administrative-Contractors/What-is-a-MAC.html>



Year to Date Census

Average daily census = 12.86



Operating Statistics

July 2016

STATISTIC DESCRIPTION	JULY BUDGET	JULY ACTUAL	QUANTITY VARIANCE	% VARIANCE
ICU PATIENT DAYS (IP + OBSERVATION, MIDNIGHT CENSUS)	88	75	(13)	-14%
ACU PATIENT DAYS (IP + OBSERVATION, MIDNIGHT CENSUS)	334	283	(51)	-15%
SWING IP PATIENT DAYS (MIDNIGHT CENSUS)	46	7	(39)	-85%
PATIENT DAYS (ACU, ICU, SWING), INCLUDES OBSERVATION	467	365	(102)	-22%
BIRTHS	8	5	(3)	-40%
SURGERY MINUTES (IN OR)	8,333	4,308	(4,025)	-48%
SPECIAL PROCEDURE CASES	61	55	(6)	-10%
RECOVERY MINUTES	2,748	1,133	(1,615)	-59%
LAB BILLABLE TESTS	15,166	15,256	90	1%
TOTAL BLOOD BANK UNITS MATCHED	55	56	1	3%
TOTAL RADIOLOGY TESTS	1,180	1,133	(47)	-4%
MRIs COMPLETED	133	129	(4)	-3%
CT SCANS COMPLETED	300	357	57	19%
ULTRASOUNDS COMPLETED	265	232	(33)	-12%
NUC MED TESTS	19	46	27	139%
TOTAL DIAGNOSTIC IMAGING TESTS	1,897	1,897	(0)	0%

Operating Statistics July 2016

STATISTIC DESCRIPTION	JULY BUDGET	JULY ACTUAL	QUANTITY VARIANCE	% VARIANCE
TOTAL PHARMACY UNITS	21,750	18,032	(3,718)	-17%
TOTAL RESPIRATORY THERAPY PROCEDURES	2,000	2,031	31	2%
ER CENSUS	875	1,006	131	15%
SOCO PATIENT VISITS (ENCOUNTERS)	125	80	(45)	-36%
JHPC & JMPG PATIENT VISITS (ENCOUNTERS)	2,492	2,007	(485)	-19%
JHFM PATIENT VISITS (ENCOUNTERS)	1,433	1,036	(397)	-28%
JHIM PATIENT VISITS (ENCOUNTERS)	565	270	(295)	-52%
MADRONA PATIENT VISITS (ENCOUNTERS)	553	481	(72)	-13%
TOTAL RURAL HEALTH CLINIC VISITS	5,168	3,874	(1,294)	-25%
JHPLC PATIENT VISITS (ENCOUNTERS)	379	342	(37)	-10%
GEN SURG PATIENT VISITS	250	195	(55)	-22%
ORTHO PATIENT VISITS	512	84	(428)	-84%
MSS TOTAL MSS PATIENT VISITS	680	821	141	21%
ONCOLOGY VISITS	334	219	(115)	-34%
ANTI COAG VISITS	490	491	1	0%
SLEEP CLINIC VISITS	183	99	(84)	-46%

Revenues and adjustments

- Lower volume months in ancillary services, including imaging
- Relatively slow clinic month
- Slow surgery month with no orthopedic activity
- Accrued \$404,000 of Medicare lump sum payments for Jan-July 2016
- Received 2016 rate adjustments and 2015 cost report payment in early August; \$176,000 revenue recorded in July

Expenses and nonoperating activities

- Most salaries are substantially fixed; difficult to go below a certain level of coverage even during a slow period
- July is historically a low purchased services month (few audits or regulatory reviews)
- Dividend from the Workers Compensation Trust reduced benefits expense
- 340B should be back on track, though our "new normal" is 20% lower than in 2015 because of changes to the Safeway contract

July Revenues and adjustments

	July 2016 Actual	July 2016 Budget	Variance Favorable/ (Unfavorable)	%	July 2016 YTD	July 2016 Budget YTD	Variance Favorable/ (Unfavorable)	%	July 2016 YTD
Gross Revenue									
Inpatient Revenue	2,621,298	3,297,625	(676,326)	-21%	19,370,974	23,083,372	(3,712,397)	-16%	21,252,903
Outpatient Revenue	10,562,531	11,360,563	(798,032)	-7%	79,910,784	79,523,940	386,844	0%	73,897,328
Total Gross Revenue	13,183,829	14,658,187	(1,474,358)	-10%	99,281,758	102,607,311	(3,325,553)	-3%	95,150,231
Revenue Adjustments									
Cost Adjustment Medicaid	1,621,672	1,781,869	160,197	9%	11,684,521	12,473,080	788,559	6%	11,608,246
Cost Adjustment Medicare	4,049,752	4,345,370	295,619	7%	32,230,903	30,417,591	(1,813,312)	-6%	29,929,491
Charity Care	49,070	97,917	48,346	49%	689,048	685,416	90,868	14%	603,534
Contractual Allowances Other	801,338	1,060,791	259,454	28%	6,838,297	7,425,535	587,238	8%	7,045,955
Administrative Adjustments	18,940	16,940	(2,000)	-12%	116,393	118,579	2,186	2%	234,292
Adjust Bad Debt	357,203	340,615	(16,588)	-5%	1,616,424	2,384,305	767,881	32%	2,232,459
Total Revenue Adjustments	6,898,473	7,643,501	745,028	10%	53,076,087	53,504,507	428,421	1%	51,554,376
Net Patient Service Revenue	6,285,356	7,014,686	(729,330)	-10%	46,205,672	49,102,804	(2,897,132)	-6%	43,595,855
Other Revenue									
340B Revenue	446,074	369,393	76,681	21%	1,860,499	2,585,764	(725,265)	-28%	2,501,683
Meaningful Use Ehr Incentive	-	14,399	(14,399)	-100%	21,250	100,792	(79,542)	-79%	55,540
Other Operating Revenue	86,433	89,231	(2,798)	-3%	585,560	624,616	(39,056)	-6%	536,627
Total Operating Revenues	6,817,863	7,487,709	(669,846)	-9%	48,672,981	52,413,566	(3,740,585)	-7%	46,689,705

July

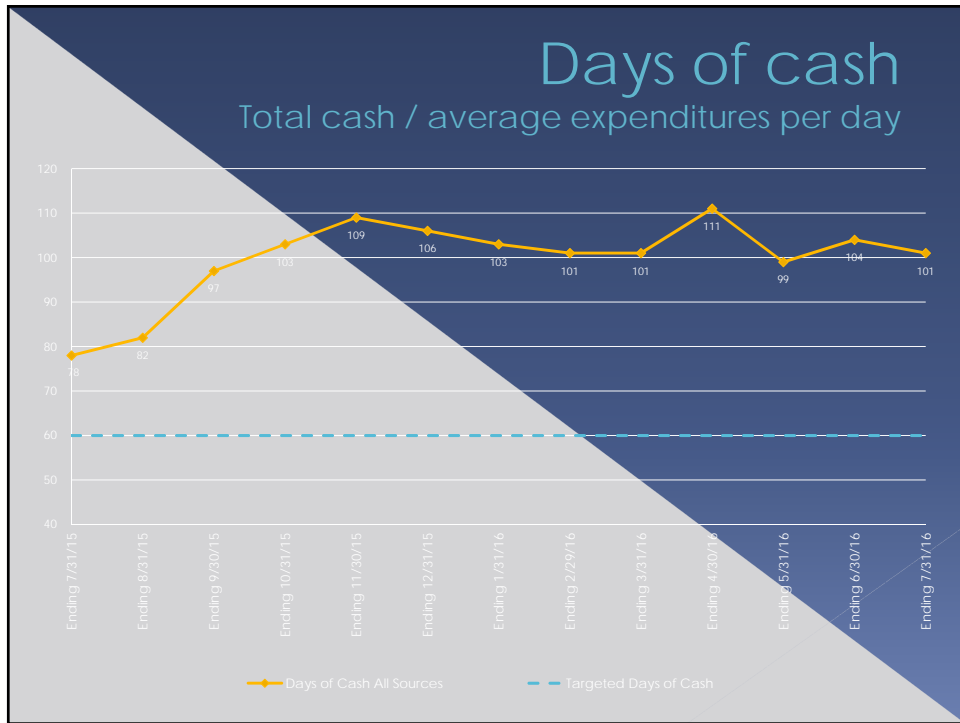
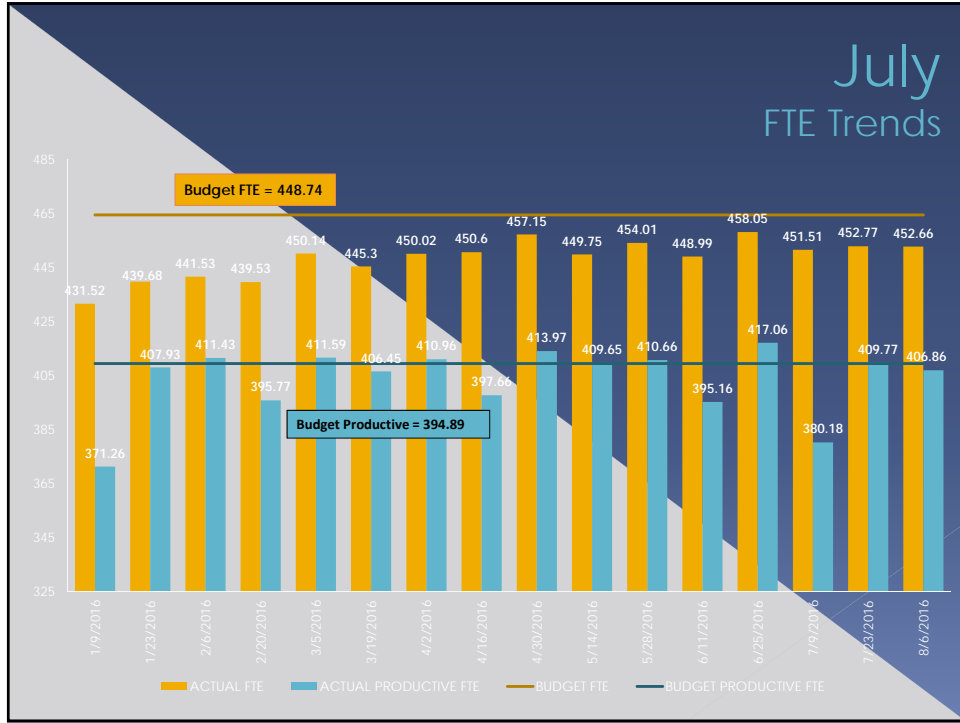
Expenses, nonoperating activities, and change in net position

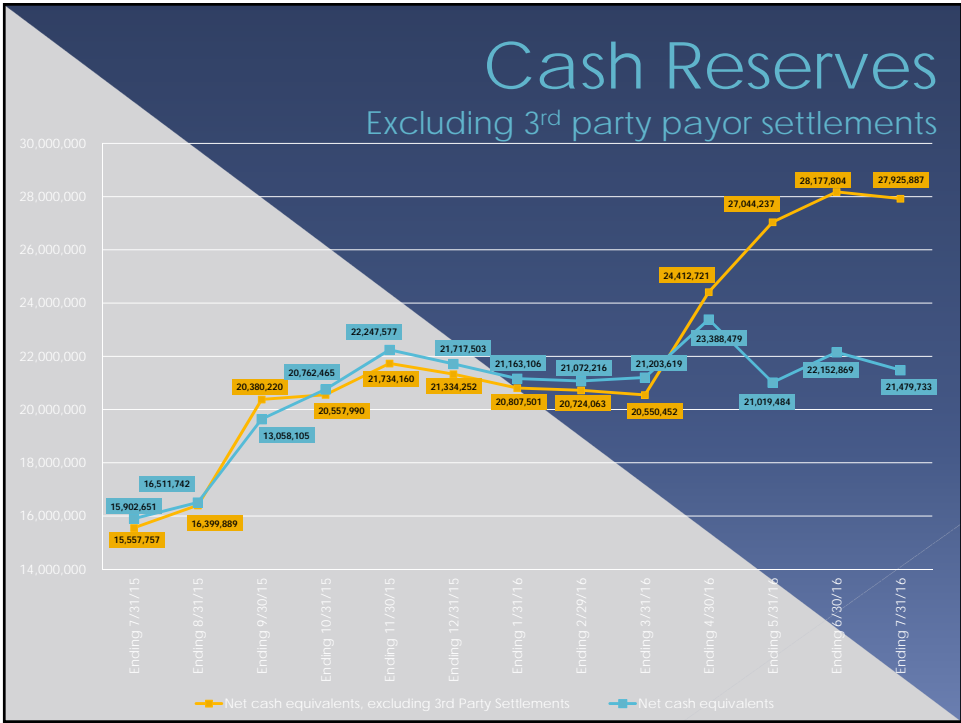
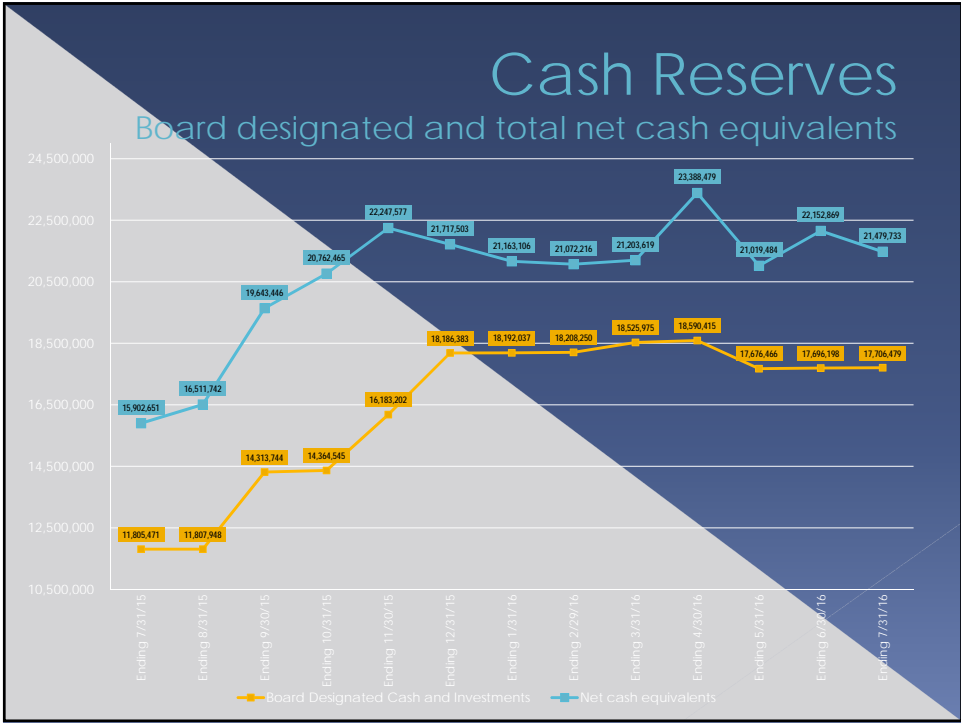
	July 2016 Actual	July 2016 Budget	Variance Favorable/ (Unfavorable)	%	July 2016 YTD	July 2016 Budget YTD	Variance Favorable/ (Unfavorable)	%	July 2015 YTD
Operating Expenses									
Salaries And Wages	3,416,212	3,650,373	235,161	6%	23,625,393	25,552,614	2,027,221	8%	22,679,563
Employee Benefits	491,286	890,691	399,405	45%	5,715,103	6,234,838	519,735	8%	5,334,015
Professional Fees	285,260	264,334	(20,926)	-8%	2,189,227	1,850,339	(338,888)	-18%	1,700,822
Purchased Services	694,487	609,047	(85,440)	-12%	3,296,334	3,563,332	266,998	7%	2,894,600
Supplies	1,026,013	1,054,033	29,020	3%	6,901,596	7,378,234	476,638	6%	6,794,763
Insurance	58,007	59,307	1,299	2%	384,974	415,148	30,172	7%	362,198
Leases And Rentals	122,445	120,268	(2,177)	-2%	813,161	841,973	28,712	3%	716,210
Depreciation And Amortization	180,322	325,030	144,708	45%	2,287,359	2,276,213	(12,146)	-1%	2,459,722
Repairs And Maintenance	95,872	74,528	(21,344)	-23%	369,719	521,697	151,978	29%	454,895
Utilities	72,848	79,674	6,826	9%	448,917	557,719	107,802	19%	473,306
Licenses And Taxes	60,447	60,016	(431)	-1%	365,764	420,111	54,347	13%	393,474
Other	231,978	157,549	(74,429)	-32%	997,799	1,102,841	105,041	10%	936,127
Total Operating Expenses	6,733,188	7,244,851	511,662	7%	47,296,347	50,713,856	3,417,609	7%	45,199,384
Operating Income (Loss)	84,675	242,859	(158,184)	-65%	1,376,534	1,700,010	(323,376)	-19%	1,490,321
Non Operating Revenues (Expenses)									
Taxation For Maint Operations	13,895	21,516	(7,621)	-35%	101,149	150,610	(49,461)	-33%	96,549
Taxation For Debt Service	21,149	14,481	6,667	46%	148,003	101,370	46,632	46%	150,677
Investment Income	9,678	3,146	6,532	208%	56,419	22,020	34,399	156%	21,513
Interest Expense	(26,749)	(82,334)	55,585	49%	(317,317)	(366,337)	49,020	13%	(224,776)
Bond Issuance Costs	-	-	-	0%	-	0	-	0%	(163,300)
Gain or (Loss) on Disposed Asset	-	-	-	0%	46,749	0	46,749	0%	-
Contributions	(5,000)	12,366	(17,366)	-140%	15,831	86,563	(70,632)	-82%	428,841
Total Non Operating Revenues (Expenses)	12,973	(825)	13,798	1673%	50,935	(5,774)	56,709	982%	319,505
Change in Net Position (Loss)	97,648	242,034	(144,386)	-60%	1,427,569	1,694,237	(266,667)	-16%	1,809,826

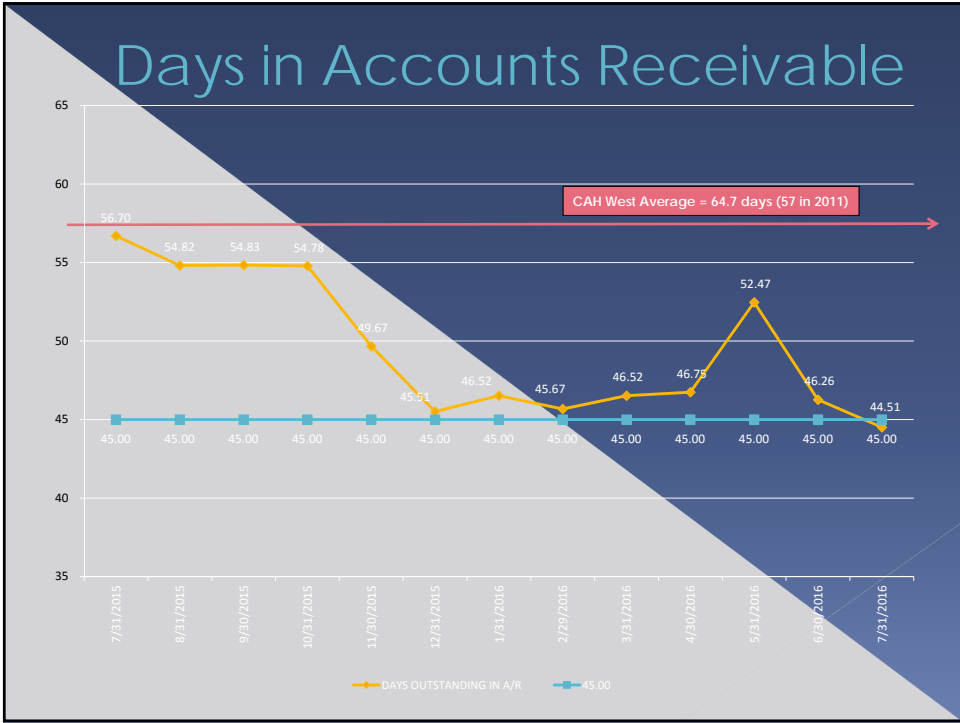
Financial Snapshot

July, month and year to date

	July 2016 Actual	July 2016 Budget	Variance Favorable/ (Unfavorable)	%	July 2016 YTD	July 2016 Budget YTD	Variance Favorable/ (Unfavorable)	%	July 2015 YTD
Operating Margin	1.2%	3.2%	(2.0%)	-61.7%	2.8%	3.2%	(0.42%)	-12.8%	0.9%
Total margin	1.4%	3.2%	(1.8%)	-55.7%	2.9%	3.2%	(0.30%)	-9.3%	1.1%
Inpatient gross revenue	2,621,298	3,297,625	(676,326)	-20.5%	19,370,974	23,083,372	(3,712,397)	-16.1%	21,282,903
Outpatient gross revenue	10,562,531	11,380,593	(798,032)	-7.0%	79,910,784	79,523,940	386,844	0.5%	73,897,328
Net patient revenue	6,285,356	7,014,686	(729,330)	-10.4%	46,205,672	49,102,804	(2,897,132)	-5.9%	43,595,856
Deductions as a % of gross revenue	-52.3%	-52.1%	-0.2%	0.3%	-53.5%	-52.1%	-1.32%	-2.5%	-54.2%
Charity as a % of gross revenue	-0.4%	-0.7%	0.3%	43.7%	-0.6%	-0.7%	0.07%	11.1%	-0.6%
Bad Debt as a % of gross revenue	-2.7%	-2.3%	-0.4%	-16.0%	-1.6%	-2.3%	0.70%	29.9%	-2.3%
Salaries & Benefits as a % of net pt. service rev.	-62.2%	-64.7%	2.6%	4.0%	-63.3%	-64.7%	1.45%	2.2%	-64.3%







August preview Revenues

- \$14,200,000 in HB charges
 - > Average: \$450,000/day (HB only)
 - > Budget: \$470,000/day

- \$6,500,000 in HB cash collections
 - > Average: \$209,000/day (HB only)
 - > Goal: \$220,000/day

Finance happenings



Standard & Poo's survey and rating – should be finalized in September



Interim cost report – September



Operating budget worksheets prepared; Meetings start Aug. 16



Capital budget prep – includes project planning



Moving Infor to the cloud



Pricing and chargemaster review in August and September

Jefferson
Healthcare



Questions? Comments?

COMPLIANCE UPDATE

August 17, 2016
Erin Brown

Compliance Report Format

- **Education**
 - Office of Inspector General/Department of Justice (OIG / DOJ)
 - Compliance trends
- **Compliance Program Reports**
 - Meeting frequency
 - Reporting structure
- **Action Items**
 - Current goals and projects

Office of Inspector General / Department of Justice ~ (OIG / DOJ) ~ Updates

- DOJ recovered more than \$3.5 billion in FY 2015
- Created a new task force to further identify instances of fraud, waste and abuse
- Mid-year Work Plan
 - Protect expanding Medicaid program
 - Meaningful and secure exchange of electronic health information and technology
 - CMS Oversight of Eligibility Determinations at State-Based Marketplaces

What's "trending" now?

- Physician compensation
- State Medicaid audits
- Information Security and Social Media Risks
- Yates memo
- Corporate Integrity Agreements – CIAs
 - Failure to submit timely reports
 - Failure to have adequate public documentation

Compliance Program Reports

- **Last meeting June 23, 2016**
- **Monthly “task force” meetings**
- **Mix of executive leadership and employee members**
 - **Goal to enhance employee engagement and effectiveness**
- **Executive Quality Committee**
 - Quarterly reports

Action Items

- **Increase employee awareness (“In-Reach”)**
 - 340B Program
 - Staff compliance education for existing and new employees
 - Registration standardization
- **Continue annual Privacy and Security Training**
 - Melody Draper and Roger Harrison providing several opportunities for staff education
- **Combine efforts with Internal Audit/ISO to identify areas of opportunity**

Thank you.

Questions?

Administrator's Report

August 17, 2016

New Leadership at WSHA

- Scott bond has announced his retirement and will leave WSHA at the end of the year
- After a national search, Cassie Sauer has been appointed President of WSHA

ACO's, ACH's, and Medicaid waivers

- ACO fully staffed
- ACH ramping up
- Medicaid waiver to be announced any day now

Behind the scenes: VA contract

- We have a contract in place with TriWest/Regence that allows us to accept VA Choice patients for the time being
- We are close to landing on a contract with TriWest/Regence for more favorable CAH rates
- Triwest is resisting language about our ability to negotiate as a group (as part of the Public Hospital District Joint Operating Board), but we are optimistic as there are 17 hospitals involved

Behind the scenes: VA contract

- With the current VA choice program. VA patients can contact the VA and request that their care is transferred to JH
- The burden of prior authorization/transfer of care is on the patient; the patient must contact the VA to obtain authorization for care at JH
- They are allowing more codes and procedures to be authorized, but it still is an administratively burdensome program for the patient
- We haven't found any less inconvenient (for the patient) way to do this as part of the VA Choice program

Port Ludlow Clinic

- Foundation is poured
- Walls are being erected
- Contractor remains comfortable with a December completion date
- Planning for use of old clinic

It's Official...

ESSB ribbon cutting ceremony is scheduled for
Friday, October 7
4:00-6:00pm

Jefferson
Healthcare

live here. thrive here.