

Jefferson County Public Hospital District No.2
Board of Commissioners, Regular Session Minutes
Wednesday, February 1, 2017
Victor J. Dirksen Conference Room

Call to Order:

The meeting was called to order at 3:29pm by Commissioner Buhler. Present were Commissioners Buhler, De Leo, Dressler, Kolff, and Ready. Also present were Mike Glenn, CEO, Lisa Holt, CAO, Jennifer Wharton, Executive Director of Medical Group, Steven Feland, CHRO, Kate Burke, Marketing and Foundation Director, Brandie Manuel, Director of Quality and Patient Safety, and Alyssa Rodrigues, Administrative Assistant. This meeting is being officially audio recorded by Jefferson Healthcare.

Approve Agenda:

Commissioner Dressler made a motion to approve the February 1 regular session agenda. Commissioner Kolff seconded the motion.

Commissioner De Leo suggested adding an item to the agenda to reaffirm Commissioners vote on Resolution 2017-05 on January 18, because even though Commissioners voted in favor it was not moved or seconded.

Action: Motion passed unanimously.

Patient Story:

Lisa Holt read aloud a letter regarding patient's surgery visit and how pleased they were with the staff they encountered and care they received.

Minutes:

- January 18 Regular Session Minutes

Commissioner Dressler made a motion to approve the January 18 Regular Session minutes as presented. Commissioner De Leo seconded.

Action: Motion passed unanimously.

- January 24 Special Session Minutes

Commissioner Dressler made a motion to approve the January 18 Regular Session minutes with an addition. Commissioner De Leo seconded.

Commissioner Dressler's made an amended motion to add that Commissioner Buhler called the meeting to order at 10:30am and Commissioners recessed at 11:30am to travel to meet with Senator Van De Wege and Representative Tharinger. Commissioner De Leo seconded the amended motion.

Action: Amended motion made by Commissioner Dressler passed unanimously.

Action: Main motion passed unanimously.

Required Approvals:

- Resolution 2017-04 Surplus Equipment
- Medical Staff credentials/appointments/ reappointments

Commission De Leo made a motion to approve the Resolution 2017-04 Surplus Equipment and Medical Staff credentials/ appointments/ reappointments as presented. Commissioner Dressler seconded the motion.

Action: Motion passed unanimously.

Educational Presentation:

- Dunia Faulx, MPH gave a presentation on Hospital Healing the Community: Population Health Initiatives at Jefferson Healthcare.

Discussion ensued.

Behavioral Health Partnering Opportunity:

- Mike Glenn, CEO, Joe Mattern, CMO, and Sue Ehrlich, gave a presentation on Discovery Behavioral Health and Jefferson Healthcare Affiliation
- Joe Mattern, CMO and Dr. Sue Ehrlich gave a presentation on Jefferson Healthcare and Discovery Behavioral Health: Next Steps in Integrated Behavioral Health Care

Discussion ensued.

Commissioner Buhler announced a recess at 5:00pm
Commissioner Buhler reconvened the meeting at 5:10pm

Real Estate Purchase Opportunity, 1010 Sheridan:

- Mike Glenn, CEO and Hilary Whittington, CFO gave a presentation on Real Estate Purchase Opportunity, 1010 Sheridan

Discussion ensued.

Business of the Board:

- Review Board book

Commissioner De Leo passed out a proposed revision/ addition to the board book regarding Recognition of Service.

Commissioner De Leo made a motion to pass the proposed revision/ addition to the board book regarding Recognition of Service. Commissioner Kolff seconded the motion.

Discussion ensued.

Commissioner Dressler made an amendment to the motion to not act on revision/addition until we have legal counsel clear its intent.

Commissioner De Leo seconded the amendment.

Discussion ensued.

Action: Amended motion made by Commissioner Dressler passed unanimously.

Discussion ensued.

Action: Original motion made by Commissioner De Leo failed. Commissioners Dressler, Kolff, and Buhler opposed, Commissioner De Leo in favor, Commissioner Ready abstained.

Commissioner Kolff made a motion that the mission and vision statements continue to be reviewed every six years and the date of original adoption be documented in board book.

Commissioner Ready seconded the motion.

Discussion ensued.

Action: Motion passed unanimously

Commissioner Dressler made a motion to approve the board book with revisions from Commissioner Kolff. Commissioner Kolff seconded.

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

- Evaluate Board Compliance
- Committee Assignments

Commissioner Buhler read out loud the suggestions from Commissioner regarding board compliance.

Discussion ensued

Commissioner Kolff made a motion to move Evaluate Board Compliance and Committee Assignments to next meeting due to long agenda. Commissioner Dressler seconded.

Conclude:

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

Action: Motion passed unanimously.

Meeting concluded at 6:00pm.

Approved by the Commission:

President of Commission: Jill Buhler _____

Secretary of Commission: Marie Dressler _____

Population Health Initiatives at Jefferson Healthcare

Dunia Faulx
Board of Commissioners Meeting
February 1, 2017

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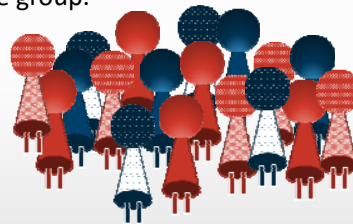
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POPULATION HEALTH

“The health outcomes of a group of individuals, including the distribution of outcomes within the group.”



Personal Health

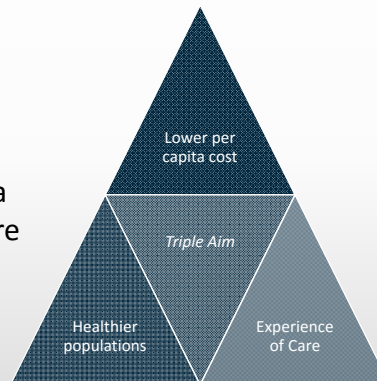


Population Health

*Population health approach puts health care
services into **context**.*

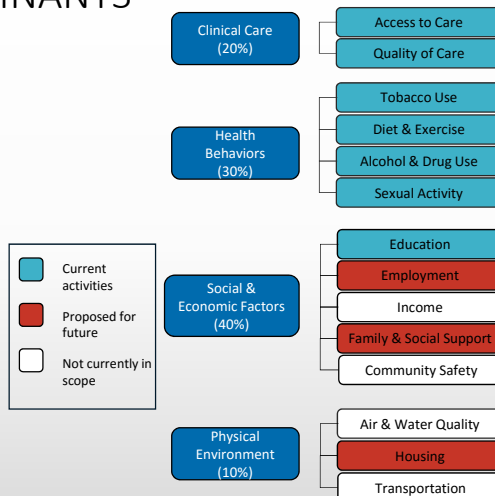
POPULATION HEALTH IN HOSPITALS

Moving to valued-based care, population health has become a key component of the healthcare system.



HEALTH DETERMINANTS

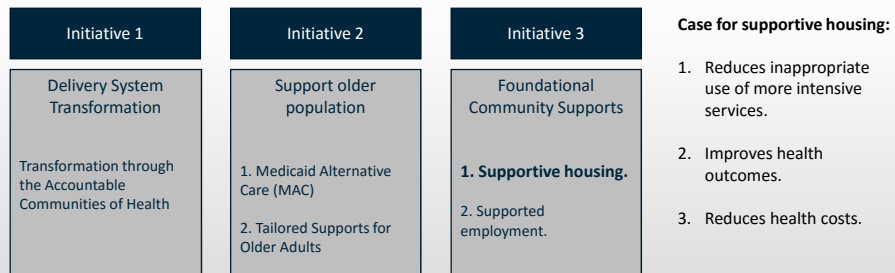
The majority of our health is determined outside of the medical system.



HOUSING

Develop and manage transitional housing for at-risk populations.

Medicaid 1115 Waiver

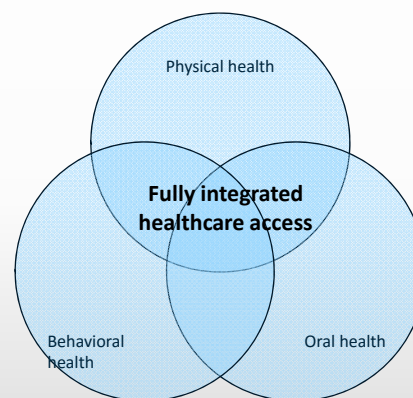


Case for supportive housing:

1. Reduces inappropriate use of more intensive services.
2. Improves health outcomes.
3. Reduces health costs.

INCREASING ACCESS

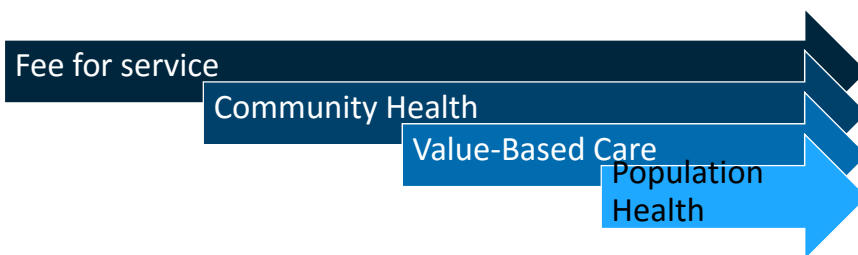
Access is inherently a population health issue.



POPULATION HEALTH MANAGEMENT: THE ROLE OF DATA

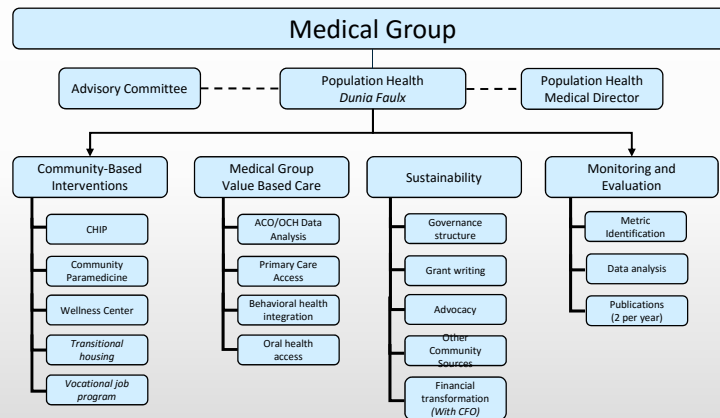
- Panel size and access questions.
- Integrating behavioral health and optimizing staffing.
- Tracking key performance indicators in the primary care clinics.
- Merging financial claim data with clinical outcome data.
- Exploring the use of geographic information systems (GIS) mapping for identifying currently underserved areas of the hospital district.

THE TRANSITION



This is a big deal.

STRUCTURE



IMPLEMENTATION

- Board presentation.
- Senior leadership education and communication.
- Integration into Jefferson Healthcare mission and vision.
- Population health strategic plan including funding pipeline development.

Thank you!

Discovery Behavioral Health
and
Jefferson Healthcare
Affiliation

February 1, 2017

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I recommend and will seek board approval on February 15, that Jefferson Healthcare affiliate with Discovery Behavioral Health, effective March 1 and work toward a full acquisition to close no later than December 31, 2017.

The affiliation and subsequent acquisition will allow the two largest providers of mental health services in Jefferson County to integrate, expand and ultimately improve the quality, scope and scale of services provided to residents of our community.

We are convinced:

Jefferson Healthcare

+

Discovery Behavioral Health

Better Together

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Our Motivation

- Providing quality behavioral health in small rural communities is as difficult as it is complex.
- Services are under reimbursed by public payers and resources are typically concentrated in urban communities.
- More than half of all US counties-all rural-have no practicing mental health clinicians.
- Patients seeking behavioral health services frequently have the greatest needs, fewest resources and softest voices.

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- Integrating behavioral health services into a primary care environment/ primary care services into a behavioral health environment is considered best practice and more likely to provide “whole body” care.
- The University of Washington is promoting this as an excellent model for rural communities
- The Healthcare Authority has recognized this and will require full clinical and financial integration by 2020
 - Accountable Communities of Health
 - 1115 Waiver

Jefferson Healthcare and DBH have a strong track record of successful collaboration:

- Hold regular meetings to discuss ways to improve coordination of care
- Shared recruitment and employment of 2 behavioral health providers
- Co-developed a clinic based mental health service embedding psychiatric providers in a primary care clinic
- Co-applied for mental health grants and funding.

This is the next logical step for Jefferson Healthcare:

- Co-recruited two psychiatric providers
- Hired and placed 3 medical social workers to provide services and extend care in clinics
- Developed two crisis “safe rooms” in the ED, specifically designed to meet the unique needs of a patient in mental health crises

This is the next logical step for Jefferson Healthcare:

- Developed an inpatient psychiatric crisis room, constructed to meet the codes and standards of a psychiatric inpatient bed.
- More importantly, staff developed an inpatient psychiatric program/ policy and procedure manual utilizing best practices and protocols.
- Contracted with InSight, a national tele-psych provider to provide 24/7 psychiatric consultation and medical management

Our Process

- Engaged Health Facilities Planning, a healthcare consulting firm with experience and interest in behavioral health care.
- Jefferson Healthcare and DBH signed a letter of intent, outlining the goals of the engagement
- Appointed two committees to participate in the process and manage the work, each meeting several times from October to January
- Collected reams of data, discussed community and organizational goals, identified opportunities and threats, envisioned a better future

Owners of the process:

The Board of Commissioners:

Community and Jefferson Healthcare mission analysis

Mike Glenn:

Organizational analysis

Hilary Whittington:

Financial Analysis

Drs. Mattern and Ehrlich:

Clinical Analysis

Adam Marquis, Ru Kirk, Jenn Wharton, and Dunia Faulx:

Operational Analysis

Two Phase Process

Phase 1:

- Effective March 1, JH and DBH will affiliate and begin to work closely together co-managing the clinical and financial operations of DBH
- Both will remain separate entities; DBH will retain ultimate and final control over all decision making.
- Both will appoint an Operations Committee consisting of 7 members of DBH and 6 members of JH to co-manage DBH and complete the following:

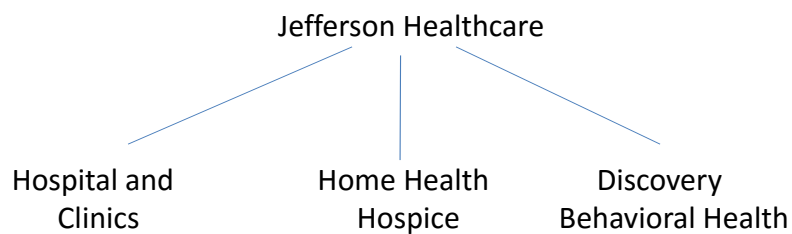
- Develop a clinical, operational and financial integration plan
- Recommend possible improvements in HR, IT, Business Office and other administrative areas
- Coordinate sites of services
- Co-apply for the RSN/ BHO Medicaid services contract
- Complete a behavioral health services strategic and master site plan
- Identify and submit grants for improved services and transitional housing
- Complete all remaining due diligence for phase II.

Phase II

Phase 2:

- Operations Committee completes their work and both organizations finalize due diligence
- Both boards will consider moving forward with acquisition
- Public Hearings to seek community input
- Final Decision, no later than December 31, 2017

Jefferson Healthcare Board of Commissioners



The value is in the people

DBH has a highly skilled and motivated group of employees. This affiliation/ acquisition structure allows for and welcomes all employees in good standing by DBH as of the closing date to be offered employment and become members of the JH team.

Real Estate and other assets

In return for our commitment to continue their legacy of providing mental health services to Jefferson County, JH will assume ownership of all assets and liabilities of DBH.

Questions & Comments

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Jefferson Healthcare and Discovery Behavioral Health: Next Steps in Integrated Behavioral Health Care

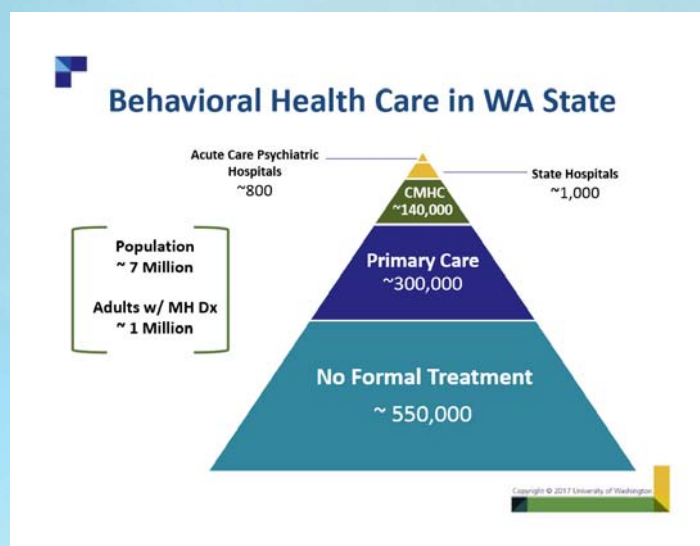
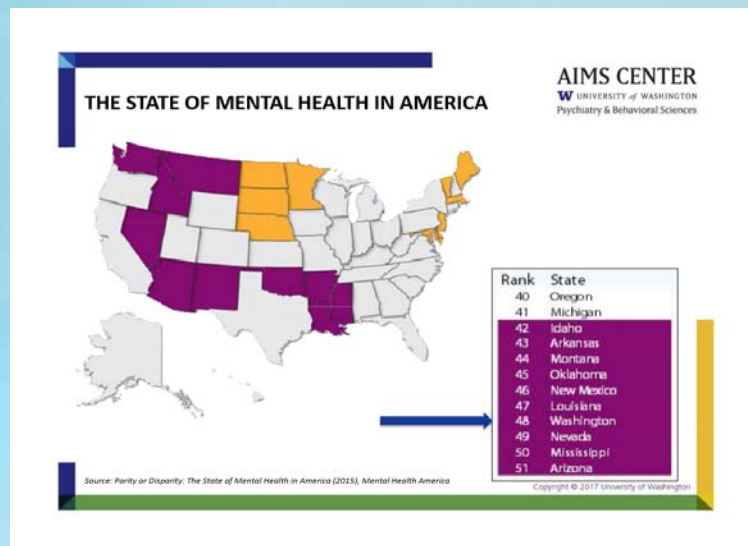
2/1/17

The Traditional Model of Behavioral and Primary Care



Mental Health in WA State

We have room
for improvement!

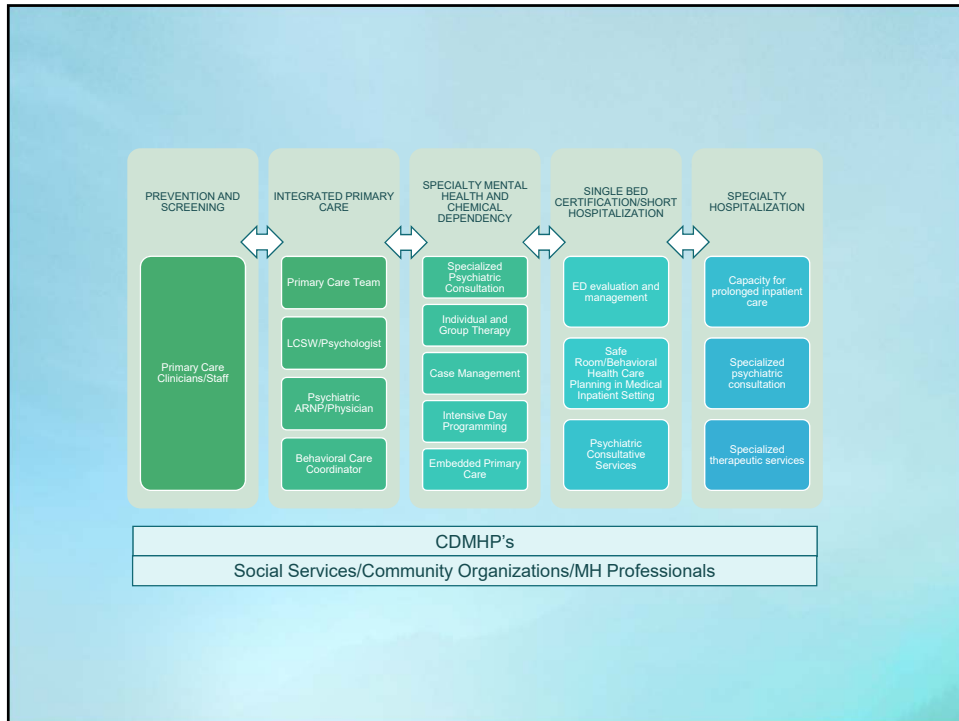


Jefferson County Mental Health Care

- Voted #1 priority by CHIP workgroup
- 10% of adults reporting poor mental health more days than not in the past month
- 33% of adolescents reporting depression (24% with thoughts of suicide)
- Adolescent substance abuse at or higher than state average

Trying To Be Part of The Solution....

- Addition of Dr. Ehrlich in 2015 as shared position with Discovery Behavioral Health
 - Direct patient care
 - Consultation and chart review
 - Planning and development of future care services
- Integration of social workers into primary care clinics with goal of providing behavioral health services
 - Oversight and training with Dr. Ehrlich and Mary Fortman, MSW
- Extending EPIC access to key DBH staff to improve communication
- Inpatient and ED care improvements
 - New safe rooms, planned education/care planning
 - Telepsychiatry (coming soon)
- Addition of Alethea Fournier, ARNP, as another shared psychiatric clinical position





Research: Collaborative Care Doubles Effectiveness of Care for Depression

50 % or greater improvement in depression at 12 months



Unützer et al., JAMA 2002; Psych Clinics North America 2004

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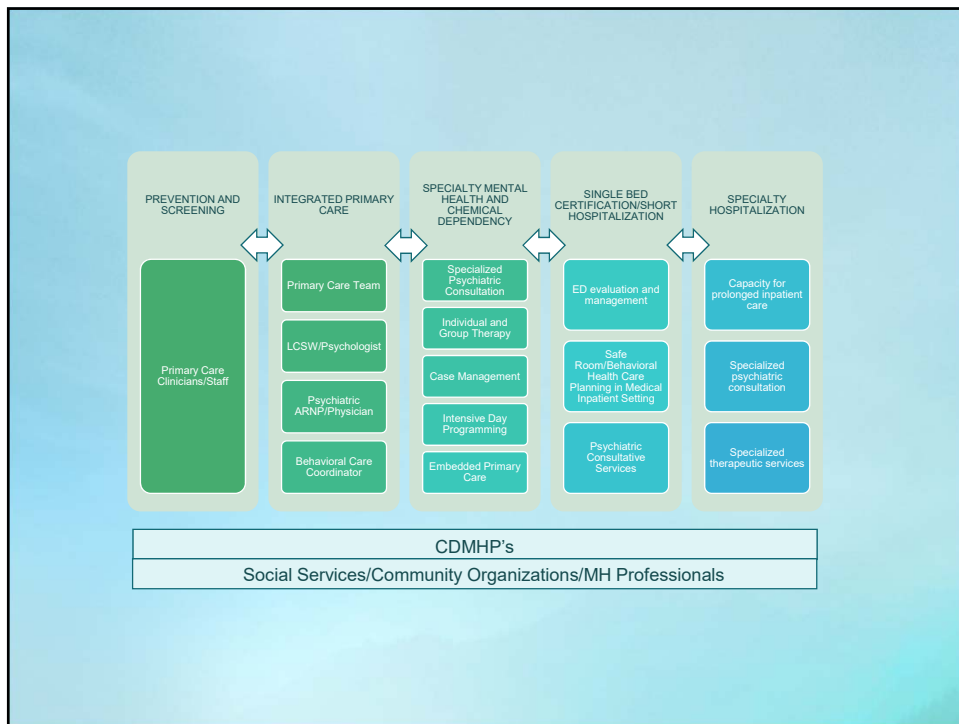
Wall Street Journal, Sept 2013



Return on investment for collaborative depression care: \$ 6.50 for each \$ 1.00 spent

Unützer et al, Am J Managed Care, 2008.

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Potential Next Step for DBH/Jefferson

Current Integration

- Shared Psychiatric MD
- Shared Psychiatric ARNP
- Jefferson Licensed Clinical Social Workers

Future Integration

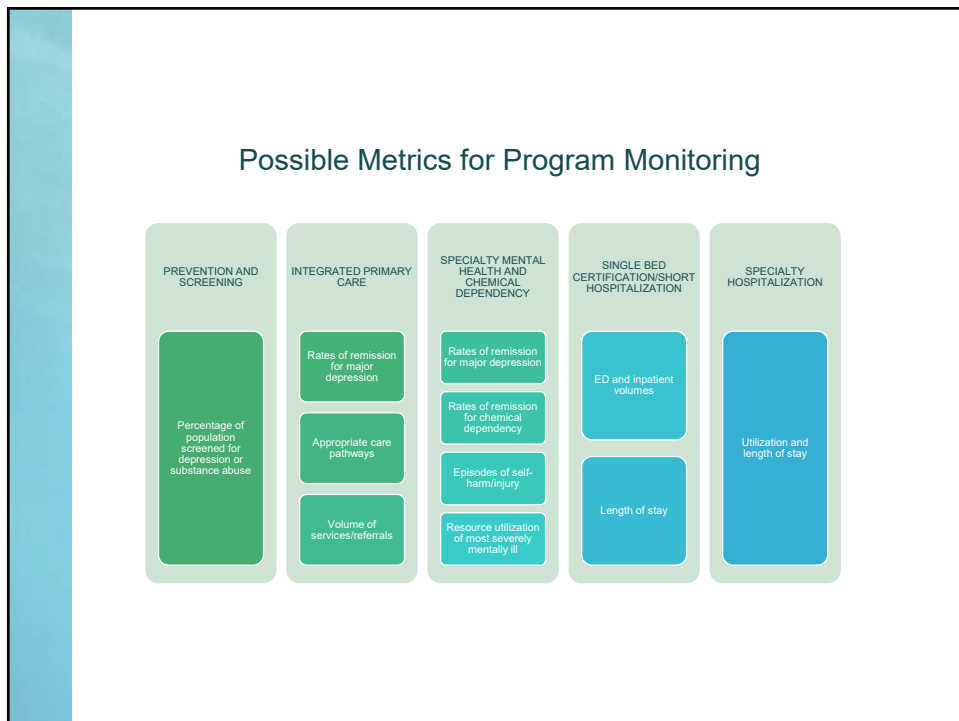
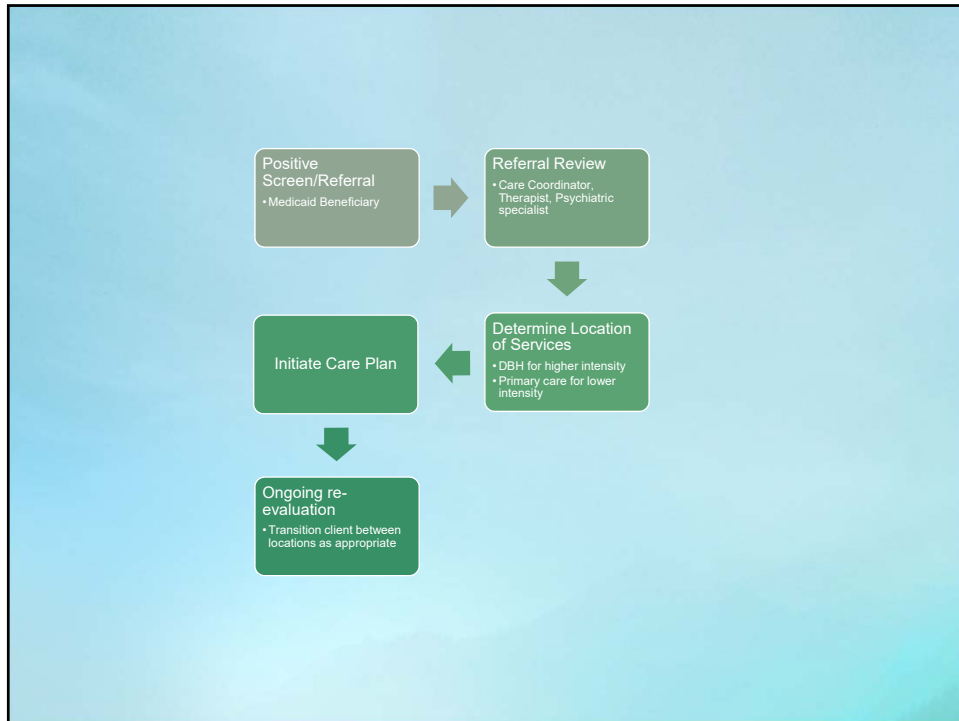
- Shared Psychiatric MD
- Shared Psychiatric ARNP
- **Shared LCSW or PhD psychologist**
- **Shared Behavioral Health Care Coordinator**
- Jefferson Licensed Clinical Social Workers

What could we achieve with a bigger DBH presence in the primary care clinics?

- Screening of referrals for Medicaid clients would allow opportunity to identify best location of services
- For individuals who may not need as intensive treatment, provide care in the primary care setting
- Provide better handoffs and transitions to DBH for people who will benefit from more specialty services
- Improve efficiency at DBH by decreasing number of initial intakes
- Reduce barrier to care for individuals who don't want to go to specialty center
- Improve handoffs back to primary care for stabilized DBH patients
- Helps increase value of care and can be applicable to other payers

Other Integration Benefits....

- Capacity building for screening = early detection
- "De-siloing" = improved efficiency
- Efficiency = improved access = earlier intervention
- Developing trusting and supportive relationships between mental health and primary care teams improves quality of care and more sustainable experience for care providers
- Solid foundation with significant flexibility for the ever-changing payer and regulatory factors



Work to be done....

- Relationship building
- Identifying roles/positions
- Detailing work flows/EHR configuration
- Identifying/creating space within offices
- Patient tracking/registries
- Process and outcome measurement
- BHO contract management



Questions or
comments?

Real Estate Purchase Opportunity: Watership Medical Office Building

February 1, 2017

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The Watership Medical Office building is a two story, 8642 sf medical office building located at 1010 Sheridan. The building is approximately 15 years old and sits on a 20,114 sf plot of land and houses three Jefferson Healthcare Services:

- Jefferson Healthcare Family Medicine, a licensed rural health clinic
- Jefferson Healthcare Surgical Associates, a licensed provider based clinic
- Jefferson Healthcare Surgical Center, a licensed hospital based outpatient service

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- The rural health clinic and provider based clinic licenses are “address specific”; they belong to the address and may not be transferable to another location.
- The surgical center is licensed as a hospital based outpatient service, because it is located less than 200 feet from the hospital campus. (as defined by ED or main entrance)
- Jefferson Healthcare holds a lease with the ownership group which includes an option to purchase the building between years 2 and 3 of the 5 year lease.

We have invested in improvements to the primary care clinic, surgery center and are currently in the middle of a surgical associates office remodel. In return, we received a discounted rental rate for the first 3 years of the surgical center lease.

Rent appraisal:
Jefferson Healthcare holds three leases:

<u>Location</u>	<u>Sqft</u>	<u>Annual Rent/ Sqft</u>	<u>Monthly Income</u>	<u>Annual Income</u>
Jefferson Healthcare Family Medicine	4373	29.07	\$10,592.00	\$127,108.00
Jefferson Healthcare Surgery Center	2600	26.40	\$5,720.00	\$68,640.00
Jefferson Healthcare Surgical Associates	1669	27.44	\$3,817.00	\$45,802.00
<u>Totals</u>	8642	27.95	\$20,129.00	\$241,550.00

The leases are subject to inflation “kickers” and the rent amount will continue to increase.

The building was appraised in November, 2016 for \$2,475,000, by SH&H, Valuation and Consulting and is assessed for \$980,000. (\$140,500 property, \$839,500, improvements.)

The ownership group identified several issues with the appraisal and submitted an addendum letter. The primary issues cited were:

- Comparables were not comparable
- There was bias in “description of improvements”, as the appraiser states the building is outdated and limiting. (Neither the buyer or seller agree with this statement.)
- The reconstructed operating statement used in the income valuation methodology was flawed

Appraisal Reconstructed Operating Statement

RECONSTRUCTED OPERATING STATEMENT			
	Area (sq. ft.)		Annual
Potential Gross Income	8,642		\$241,550
Vacancy	5.00%		\$12,077
Effective Gross Income			\$229,472
<u>Expenses</u>	<u>% of EGI</u>	<u>\$/sq. ft.</u>	
Taxes	4.17%	\$1.11	\$9,578
Insurance	1.60%	\$0.43	\$3,678
Water/Sewer/Refuse	2.82%	\$0.75	\$6,482
Biowaste Disposal	0.75%	\$0.20	\$1,728
Management	4.52%	\$1.20	\$10,370
Maintenance/Repairs	3.39%	\$0.90	\$7,778
Subtotal	17.26%	\$4.58	\$39,614
<u>Reserves</u>	<u>0.38%</u>	<u>\$0.10</u>	<u>\$864</u>
Total	17.64%	\$4.68	\$40,479
Net Operating Income			\$188,994

Internal calculations reflect a greater mathematical accuracy than shown.

Ownership Group Proposed Reconstructed Operating Statement

	A	B
Potential Gross Income	\$241,550	\$241,550
Vacancy	-12,077	-
	\$229,473	\$241,550
<u>Expenses</u>		
Taxes	\$9,578	\$0
Insurance	3,678	3,678
Water/Sewer/Refuse	6,482	6,482
Biowaste	1,728	1,728
Management	10,370	10,370
Maintenance/Repairs	7,778	7,778
	\$39,614	\$30,036
Reserves	864	0
	\$40,478	\$30,036
Net Operating Income	\$188,995	\$211,514
Estimated life	35	35
Discount Rate = Inflation	3%	3%
Present Value	\$4,170,808	\$4,667,765
Cash Flow Total	\$6,614,825	\$7,402,990
Sales Price/Present Value	60.42%	60.42%
Sales/Purchase Price	@ 7.5%	
	\$2,519,933	\$2,820,187

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Negotiated Reconstructed Operating Statement

<u>Potential Gross Income</u>	\$241,550.00	\$241,550.00
	-12,077.00	-6,038.00
	\$229,473.00	\$235,512.00
<u>Expenses</u>		
Taxes	\$9,578.00	\$4,789.00
Insurance	\$3,678.00	\$3,678.00
Water/Sewer/ Refuse	\$6,482.00	\$6,482.00
Biowaste	\$1,728.00	\$1,728.00
Management	\$10,370.00	\$10,370.00
Maintenance/ Repairs	\$7,778.00	\$7,778.00
	\$39,614.00	\$34,825.00
<u>Reserves</u>	864	0
	\$40,478.00	\$34,825.00
Net Operating Income	\$188,995.00	\$200,687.00
Estimated Life	35	35
CAP rate	7.5	7.5
Sales/ Purchase Price	\$2,519,933.00	\$2,675,827.00

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Of equal importance to the methodology used to assign value to a sellers property, is the fact that it takes a willing buyer and a willing seller to execute a deal.

Jefferson Healthcare and Watership Medical Office Building ownership group have agreed to a Term Sheet listing the selling price of the building at \$2,680,000.

Replacement Cost Analysis

<u>Land:</u>		\$150,000.00
<u>Building:</u>	3000 hospital construction (\$375sf)	\$1,125,000.00
	3000 Rural Health Clinic construction (\$300sf)	\$900,000.00
	2635 Provider based clinic construction (\$325sf)	\$856,375.00
<u>Sub Total:</u>		\$3,031,375.00
<u>Design, Permit, Soft costs, etc (25%)</u>		\$757,844.00
<u>Total Replacement Cost</u>		\$3,789,219.00

I am still of the opinion it makes better sense to own mission critical buildings than lease them. Finance is comfortable with the return on investment and breakeven analysis.

Therefore, at the February meeting I will ask for authorization to proceed with the purchase of the Watership Medical Office Building for \$2,680,000.

Lease/purchase break even

Assumptions:

- Jefferson Healthcare purchases 1010 Sheridan for \$2,680,923 and pays cash for the building
- Given other debt related to the ESSB, accruing additional liabilities is not recommended
- "Building maintenance is not significantly different for general conditions; "
- JH has done significant tenant improvements in recent years and no immediate material repairs are expected

Year	CASH PAYMENTS WITH EXISTING LEASE (assumes 2% increase after 2019)	ANNUAL CASH PAYMENTS IF PURCHASE BLDG	CASH SAVINGS IF PURCHASE BLDG	
2017	235,085	2,680,923	(2,445,838)	
2018	241,550		(2,204,288)	
2019	241,550		(1,962,739)	
2020	246,381		(1,716,358)	
2021	251,308		(1,465,049)	
2022	256,335		(1,208,715)	
2023	261,461		(947,254)	
2024	266,690		(680,563)	
2025	272,024		(408,539)	
2026	277,465		(131,074)	
2027	283,014		151,940	Break even at 9.5 years
Totals	2,832,863			
Thereafter	288,674			

Questions & Comments