

Southern Coos Health District
Board of Directors Meeting
May 20, 2010 – 7:30 p.m.

Minutes

- I. **Call to Order** - The regular monthly meeting of the Board of Directors for the Southern Coos Health District was called to order at 7:35 p.m. by Chairman, David Allen.

Members present: David Allen, Chair; Brian Vick; Marilyn Noorda; and Bob Hundhausen.

Others present: Jim Wathen, Alan Dow; David Koch, Dennis Jurgenson, Lonnie Scarborough, Gail McClave M.D., Darwin Noorda, Paula Smith, Myra Lawson, Monica Reisner, Melody Gillard-Juarez, Mary Kemp, Steve Lunt, Leslie and Richard Clarke, Linda Olsen, Sandra Wilson, MD., and others.

Mr. Allen opened the Budget Hearing.

- II. **Public Input – Budget Hearing** – There was no input.

Board Input – Mr. Hundhausen was not in favor of the 5% increase in prices. He said the administrative reserve currently built into the budget is \$1,157,375. By eliminating the 5% increase in price, effective July 1, 2010, it would cost us projected gross revenue of \$1,125,135. He felt like this would be closer in these times and time to draw the line on the price increase. Mr. Hundhausen voted to accept the budget less the 5% increase. Ms. Noorda agreed with Mr. Hundhausen. Mr. Dow said the proposed budget has a 5% price increase beginning July 1, 2010. In the past we have had our price increase in February. Mr. Wathen explained to the members of the Board the impact eliminating the increase would have on the hospital. Discussion followed regarding prices and people comparing hospitals. Mr. Allen commented that everyone is against cost increases. He pointed out that our margin is positive, but it is down around 1-2%. His opinion was that we need this increase. Ms. Noorda asked if we raise our prices if people are going to start shopping around and comparing prices. They would start going to other places. She said that people are comparing prices now and we are higher than a lot of places and recognizes that costs are higher as well. Mr. Dow said he knew of places that lost 30% to save 5%. He said he did not feel we are out of the ball park. We are right in the range and 5% would still keep us in the range.

Mr. Allen told the Board we have a recommendation from the Budget Committee that we adopt the Budget as presented and it is our responsibility to vote on it. It does not need a motion or a second because it came as a recommendation from the Budget Committee. Mr. Hundhausen **Moved** to amend the adoption of the budget to eliminate the 5% proposed price increase to take effect July 1, 2010. He

recognizes it is a challenge but felt we are up to it. Mr. Allen asked counsel, Mr. Koch, if the motion was appropriate. Mr. Koch confirmed that it was appropriate. Ms. Noorda asked if she seconded, the challenge is we can prove that we do not need that extra 5%. Mr. Allen confirmed if she seconded it, then the motion to adopt the budget will be to adopt the recommended budget less the 5% increase. Mr. Koch said there was a recommendation from your Budget Committee that is before you now. The motion on the floor that may be in the process of being seconded to amend that recommendation before you vote on it. So you need to make a vote on this motion to amend it. Hearing none we will proceed to vote on the recommendation of the Budget Committee. Mr. Allen asked for if we could take a vote around. Mr. Hundhausen and Ms. Noorda voted in favor of stopping the increase. Mr. Allen and Mr. Vick voted against stopping the budget increase.

- III. Approval of Consent Agenda** – Ms. Noorda asked who would be replacing Dr. Bates. Mr. Wathen indicated he was working on it. Mr. Hundhausen asked who would represent the Medical Staff at meetings. Mr. Wathen shared that they would be electing a new Medical Staff President at their next meeting who would sit at the table for Board meetings. Mr. Vick **Moved** to accept the Consent Agenda. Ms. Noorda **Seconded** and the motion passed unanimously.

IV. Staff Reports

CEO Report – Mr. Wathen referred members to his report. He said he would highlight later on the agenda with respect to an award we received from the Small Rural Hospital Summit at the beginning of this month. Last week was National Hospital Week. In your packet is a listing of service pin presentations. For the second time in the history of the Southern Coos Health District, an individual reached the 30-year barrier and that is Debbie Allen RN, who has been with us since 1979. Also a couple of others, Carolyn Moreau, CNA, and Oleta McCasland, since 1989. Both of them were working for Ocean View Care Center and both of them had worked 5 years there, having over 25 years in healthcare operation in our community. He then expressed his appreciation to Mary Schamehorn who gave a proclamation to the hospital in respect for National Hospital week and for the employees. Men's Health evening is coming with Dr. Leo Kasuda, Urologist, as primary speaker. Also a presentation from Stephanie Polizza, Registered Dietitian.

CFO Report – Report is in Board packet. District ran close to budget for the month of April and we had a small loss for the month of \$22,000. We are still in the black for year-to-date with \$240,000. Bad debts significantly lower this month than they have been. Mr. Dow said he was most pleased with days in receivable. For the first time in a long time we are below 70. We had record collections last month and this month is almost as good.

CNO Report – Referred members to her report in Board packet. Ms. Juarez is in process of writing a grant to get additional funds through the Oregon Health Care Quality Network. This will be for funds in our HCAPS that have fallen below 80% and we want to improve. In the HCAPS you will see 'How Often was Patients Pain Controlled'? We are at 71% and will be diligently concentrating on that, whether or not we get the grant, that is what nursing will be focusing on for Patient Satisfaction.

There was discussion about the Coumadin Clinic. Dr. Janet Bates will continue to monitor the program.

Medical Staff – No Report.

- V. **Old Business** – Property Acquisition Counteroffer – Mr. Wathen said that everyone was aware that we have been discussing purchase of property abutting the hospital property and on the east side of June Ave. We have been discussing with the representative of the homeowners the possibility of purchasing the property. It has been discussed by the Board. We made an initial offer to the owner's of the property and have received a counter offer from the owners. The original price was \$139,000 for two lots with houses on each lot. We countered the offer at slightly over \$111,000 at the direction of the Board. They have now returned to us a counteroffer for consideration of \$127,000, \$63,500 for each lot. It is our recommendation, based on what we feel are the long-term best interests of the District, that we accept that offer and move forward with the acquisition of this property. It is for the Board's consideration and we have indicated on the agenda, just in case we need to hold an Executive Session. If the Board does not feel it would be a fair value for the acquisition of the property we can get direction from the Board at the Executive Session in terms of further negotiations with the sellers of the property. Mr. Koch explained why and where the law provides for an Executive Session for this type of a matter and discussion for this type of matter.

Mr. Allen then said he would entertain a motion if there is one. Mr. Vick **Moved** to accept the counteroffer. Ms. Noorda **Seconded** the motion. Mr. Allen then asked for discussion and led off by saying he had talked to Ms. Gernandt, who did say she was in favor of this on the condition that we abandon the purchase of the Outpatient Clinic. It is to our advantage to have as many medical offices around our campus as we can. Mr. Hundhausen said they had received the market analysis from Mr. Cirigliano and it seems to be a good analysis. He had also talked to Ms. Gernandt and she had indicated that it is a fair counteroffer price if we should be inclined to do that at this time. He said he would be in favor of accepting the counteroffer. Mr. Vick said if you look around the county and see what other hospitals are doing, they are doing it for a reason. Building costs are down, property acquisition costs are down, they are able to get loans at favorable rates. He cited Bay Area Hospital putting on a 4th floor and Coquille Valley Hospital is putting another building adjacent to the current hospital. This is a fabulous opportunity that we could probably build easier than we can acquire. We can finance it based on the debt service we are paying now to rent a building. He said he believed it would be beneficial to the District. Mr. Hundhausen added that he initially thought we could purchase the property, at a more reasonable price, considering the market and the circumstances. The property has been improved, and as Mr. Cirigliano points out, the system development charge on each lot would be \$14,500. Ms. Noorda agreed with Mr. Vick and said we would be better off with this property. Mr. Allen asked all in favor to say 'Aye'. Motion passed unanimously.

Mr. Koch said he needed one more piece of guidance from the Board. He said he assumed that he could now work with Mr. Wathen to get these sales agreements executed and begin this process. Mr. Allen asked Mr. Wathen if this was necessary. Mr. Wathen said if the Board could direct that, he and Mr. Koch would

go ahead and execute the documents on behalf of the District. Mr. Allen asked if there was a consensus. Mr. Hundhausen said so moved. Mr. Koch stated that a consensus is fine based on the vote you already took. He also had one other point. One of these properties currently has a renter. Does the District want to take on that renter or have the property vacated prior to closing? Ms. Noorda said she thought this was one thing she brought up at our meeting, we are not in the rental business. Unless we hire a professional to overlook that property until they are vacated and they can be taken off the property. She had the name of a property person if that is something we are going to do. We have to give that renter a notice and it is not that easy to find another place to rent. Then we have the insurance and the liability, so nothing happens to the other one that is empty. There is a lot more to do to this that is going to have to be discussed. Mr. Koch said what we would do, the options for these sale documents are to either say we will agree to assume the rental agreement that is in place or require the seller to terminate the rental agreement and ensure that there is no renter in the property at closing. His recommendation is, if you do not want to be in the rental business, you put this on the seller of the property to have vacated. If we have to extend the closing for a certain amount of time to allow that to occur, you are in a better position; if your purpose is to take over the property, make sure the seller accomplishes this before closing. Mr. Hundhausen asked if this is a deal breaker. Mr. Koch said no, they do not care either way. They just want to know what our preference is. He said his advice is to take possession of it when you close. Mr. Allen said he would entertain a motion to clarify our directions to Administration with respect to purchase of the property.

Mr. Vick **Moved** to direct Mr. Koch to amend the earnest money agreement to state that the seller is responsible for having the property vacated, by closing, preferably 30 days before closing, but that the property be vacant when we assume title. Mr. Allen asked for a second. Mr. Hundhausen **Seconded**. Mr. Allen then asked for discussion. There was none. Motion passed unanimously.

Mr. Allen called for a break at 8:24pm and we reconvened at 8:29pm.

VI. New Business – Benchmark reports are there for the Board’s information.

HCAPHS – Mr. Wathen explained the HCAPHS are federally mandated reports of inpatients in hospitals across the country. Our overall HCAPHS results are actually improved in a number of areas. We are still in the top 5 of all hospitals in Oregon, we are the only small and rural hospital in the top 10 of Oregon (inpatient satisfaction), and we are the only hospital in Oregon that is in the top 10% nationally in at least two measured categories. Ms. Noorda said it was great and that all of the reports are very impressive. Mr. Hundhausen said well-done.

Peer Comparisons – Peer Comparisons again is a benchmark report. We compare ourselves to other small and rural facilities that are on the south coast or comparable facilities in Eastern Oregon. This is to give you a feel for where we stand with respect to other Critical Access Hospitals with similar populations.

Resolution 2010-04 – Mr. Wathen said a Board resolution is needed to bring VALIC, Southern Coos Health District’s retirement plan administrator, in compliance with the Economic Growth, Tax Relief Reconciliation Act of 2001 which came into play after 2002. It is a retroactive authorization to ratify an April 30 signing we did on behalf of the District of VALIC Retirement Services company, a governmental

volume submitter plan, that they have to comply with federal rules and regulations and to restate a previous qualified plan which was reviewed and approved by the Board in January 2000. The effective date of the restatement goes back to January 2002. It is an amendment that restates where our plan sits with VALIC, and the fact that the Board exacts the plan in January 1, 2002. There is no change in the document. Mr. Vick **Moved** for the adoption of Resolution 2010-04. Ms. Noorda **Seconded** the motion. There was no discussion. Motion passed unanimously.

Rural Quality Leader – Mr. Wathen said a lot of things have happened in our organization that have continued to make us proud of the people who are part of our organization and the people with whom we work, including the providers whose patients we help take care of. Oregon Assoc. of Hospitals & Health Systems in association with Oregon Office of Rural Health and the Oregon Rural Hospital Quality Network, last year began an award for rural hospitals in three different areas; Rural Hospital Quality Leader, Outstanding Rural Community Partner, and Rural Leader in Innovative Excellence. Last year we were nominated for the Rural Leader in Innovative Excellence because of our involvement with MDG. We lost to Grande Ronde hospital for their work with Robotic Medicine. This year we were very pleased to find out we had been nominated for the Rural Hospital Quality Leader award, a nomination among the 36 small and rural hospitals in the State of Oregon. We were chosen as the Quality Leader in Oregon. Mr. Hundhausen asked Mr. Wathen to convey congratulations to the staff for an outstanding job that has resulted in this very prestigious award. He also congratulated Mr. Wathen and suggested that the Board also thank the staff. Mr. Vick suggested drafting a resolution. Mr. Wathen said they could prepare a draft for this resolution for the Board's consideration. Ms. Noorda also thanked Lonnie and the nursing staff.

Close of Budget Hearing – M. Allen said it is time to close the Budget Hearing, but we going to continue the Budget Approval until next time.

Proposed Meeting Change: July 15 change to July 22 – Mr. Wathen asked the Board to consider changing the July 15 meeting to July 22. The 3rd week is when the OAHHS has its annual Board Retreat and CEO Meeting and he would like to attend. Ms. Noorda made the **Motion** to change the Board meeting from July 15 to July 22. Mr. Vick **Seconded** the motion. Motion passed unanimously.

CEO Evaluation – Monica Reisner, HR Director, passed out the annual Performance Evaluation form that was approved in October 2009. She explained that the participants would be picked randomly, responses are received anonymously. Employee can drop off their Evaluation at several different drop boxes and asked that all evaluations be given to her by May 31. Mr. Allen reminded everyone that with this evaluation of Mr. Wathen, the Board will be considering renewing his contract.

VI. Open Discussion

Mr. Hundhausen - Congratulated the Staff again on receiving the Quality Award.

Ms. Noorda thanked Alan Dow for all the work and getting all the information from all the people and to put it all together.

Mr. Vick – N.R.

Mr. Allen – Mr. Allen said he has nothing but gratitude to the Staff and Administration. He also thanked those who came to the meeting.

VII. Adjournment - Meeting adjourned at 9 p.m. The next regular meeting of the Southern Coos Health District Board will be Thursday, **June 17, 2010**, at 7:30 p.m. in the Conference Room.

David R. Allen, Chairman

Vicki Gernandt, Secretary