KENNEWICK PUBLIC HOSPITAL DISTRICT  
KENNEWICK, BENTON COUNTY, WASHINGTON  
BOARD OF COMMISSIONERS  
BOARD MEETING

Trios Mission: We are a unified team of healthcare professionals delivering quality and compassionate care to improve the health and well-being of everyone we serve.

5 p.m. – Thursday, April 14, 2016  
Trios Care Center @ Southridge  
Conference Rooms C&D

COMMISSIONERS PRESENT:

Marvin Kinney, Jim Mefford, Kathy Davidson, Wanda Briggs, Richard L. Reil, Mike McWhorter, Don Campbell

EXECUTIVE STAFF:

Glen Marshall, Tony Sudduth, Dr. Randall Fong, Dr. Wassim Khawandi, Mary T. Schumacher

STAFF MEMBERS:

Tami Swart, Rachel Jahn, Kristie Moore, Bruce Epps, Lisa Teske, Tim Jackson, Dr. Robert Salisbury, Barb Edwards, Brian Dury, Michelle Crumby, Ken Daniel, Rene Norman

GUESTS:

John Tiscornia, Jess Jones, Steve Carlson, Cynthia Kilroy, John Kaszuba, John Maher, Jeanette Mefford, Maryann Campbell, Mary Kinney, Kinzie Davidson, Lester Dougherty, Sharla Marshall, Sara Schilling, Dr. Chris Kontogianis, Patt Salisbury, Nikki Ostergaard, Jan Darrington, Connie Kittson, Dave Praino

CALL TO ORDER:

Marvin Kinney, Chairman, called the meeting to order in Conference Rooms C&D at 5 p.m. He indicated that the purpose of the meeting is to allow the Board an opportunity to hear presentations from representatives of Quorum Health Resources and Huron Consulting Group. Although it is an open, public meeting, according to the Board’s policy, the Board will be allowed questions and answers of the consultants, but the public and staff members attending are observing only.

I. PRESENTATIONS:

A. Presentations for Operations Analysis Consulting

1. Quorum Health Resources – John Kaszuba, Vice-President, Business Development

John Kaszuba and John Maher of Quorum Health Resources made a presentation to the Board for a 6-month engagement to provide management/consulting services to Trios Health. Their approach is to provide support to your internal executive team in the long-term. With today’s health care challenges, hospitals have to use a team approach to identify opportunities for improvement. Their work will cross over to clinic operations as well as hospital operations. They focus on quality issues and improvement of quality scores. Quorum managed Kadlec Medical Center in Richland for a number of years, and
they feel that gives them an edge on understanding the local market and the opportunities offered. Key points they touched on included making a decision with the community in mind, a facility cannot grow itself out of the current challenges, and working to maximize Trios Health’s affiliation opportunities should that be of interest.

Their immediate goals are to identify and prioritize challenges, prepare a workable plan to regain financial stability, position Trios Health for long-term sustainability and growth, and begin implementation efforts on the most important challenges. This is about strengthening the foundation of the organization and looking towards the future. At the conclusion of the 6-month period, their longer term consulting or management support services are available if desired.

The following discussion ensued and questions asked:

a. Did they speak with any Board members about the Request for Proposals before seeing the document? Mr. Kaszuba answered that they had been monitoring newspaper articles about Trios Health and reached out to Board members Wanda Briggs and Donna Vance, as well as Glen Marshall, CEO and offered their help and Service over a year ago. Later in the meeting, Ms. Briggs commented that she did vaguely recall one of their representatives contacting her and Donna Vance (former Board President). They forwarded the information to the CEO.

b. Were they informed of some of the current improvement programs that are underway. They indicated they were not.

c. There was a comment on Page 5 of their presentation that alluded to their support of physician related business matters. They indicated that it goes back to aligning with the medical community and the way to do that is business transactions with physician practices. Would they look at panel sizes, and they said absolutely that information is critical.

d. One comment in their proposal related to productivity and they were asked if they were forecasting layoffs? They indicated that productivity is part of their analysis and that will determine what is needed.

e. For almost $1 million what would Trios Health gain from Quorum’s help? They indicated that Trios Health’s management will get a roadmap that helps the organization gain direction. They feel the return on investment would be 6 to 10 times.

f. Could they work with Trios Health without any preconceived ideas that they may have heard from local competition. They indicated that they absolutely could and feel the link to the local market is beneficial.

g. What percent of their clients needed involvement by Quorum after 6-months. Their goal is not to create client dependence. He has said that clients chose to remain with them after the initial engagement because they saw value in the engagement. He indicated that 85% of their clientele do repeat business with them at some point.

h. It was asked what a 3-year management agreement with them would entail. They indicated that the costs are different based on the size of an organization and other factors. Facilities choosing to do so gain a regional support team supporting the board
and management of an organization and the consultative services that go along with that. They have access to health care finance and reimbursement groups and group purchasing agreements. In some cases we employ a CEO and CFO. In other cases those staff members employed by the hospital. Staff members would have access to their learning institute. It is not a one size fits all price and contract.

i. It was asked if their initial estimated cost included travel expenses. It was indicated that they were estimated as part of the cost. They are at risk for anything above and beyond the estimate.

j. They were asked for an estimated amount of savings or improvement that may realistically be achieved in 6-months. Their experience is that in that short period of time, they would identify the low hanging fruit, i.e. labor and revenue cycle. Those are the quickest areas that you can impact quickly for financial improvement. There are staffing standards established and utilized across the industry and Trios Health’s information will be applied to that data.

k. They were asked if they had done a project in the past few years where the client was left dissatisfied. There was a hospital they worked with in Georgia that was acquired by the Mayo Clinic. Mayo Clinic tried to apply their education model to the hospital in question and it did not work. They returned the hospital to the community board. They were disappointed at the outcome, but it did not really have anything to do with Quorum’s services.

l. The District’s EBIDA through February this year is just shy of $4 million which is a $3.3 million improvement. In your experience, what type of EBIDA margin do you see in top performing hospitals. They typically see an average EBIDA in the 9 to 11% range. Their top performing hospitals have about a 12% EBIDA margin. They tell organizations that if there is one metric they should monitor it is EBIDA margin, and they would reach for an 8% to 10% EBIDA margin to fund capital and growth plans.

m. It was asked why we would need their help. Trios Health had an operating income of just over $1.5 million through Feb which is an operating margin of 4.9% and 2.9% improvement over last year. They indicated that they had not had opportunity to review the plan that got us to that point, and they would need to look at that and the continued sustainability of that plan.

n. They were asked if they have worked on a project of this scope with a seasoned, experienced and competent CEO such as we currently have in place. They indicated that yes, they do so all the time. They add a Chief Project Officer (CPO) that oversees their improvement project, but the CEO has a much more varied position and the CPO does not cross over to that. They see this as a collaborative effort.

o. Comment was made previously about the Hospital partnering to manage, merge or sell the Hospital. The Board has never publicly discussed that possibility although they currently do have some affiliations and joint ventures they are working on. If that is not the direction the Board wants to go, why would they pay a consultant to work with them. They indicated that boards that are successful take a strategic approach to affiliation and look at all sides before moving towards that. They have to think about what is important to them and what the process is and through their work, they help boards to do so.
p. Question was asked about their comment in their presentation that mitigating clinical practice variations realizes significant cost savings. What benchmarks or matrix do you use for that. They indicated that when they talk about clinical practice variations they are talking about provision of care to patients. It’s not about clinics in general. This is making sure the hospital has the tools in place for good outcomes.

q. They were asked if they feel that for $1 million the project can be successfully accomplished in 6-months. The answer was yes, they can achieve results and a plan for sustainability and the hospital is under no obligation to go beyond that.

r. Quorum was asked whether or not they had any problem understanding the RFP and the expectation and the fact that it was a 6-month engagement. They indicated that the RFP was very clear. They feel they can execute the scope of the project in 6-months and leave happy that they have responded adequately to the RFP. They will leave executives with a plan and results. They also indicated that they would call the CEO from time to time to check and insure that execution of the plan is going well. This is intense work and they make every effort to get to know the leadership team, the Board, and people working within the hospital.

s. With regard to travel costs it was asked whether based on that estimate they will be within 5% of their price, and they answered yes. They manage 124 hospitals in 34 states so they work hard to keep travel costs low and save money.

t. It was indicated that the ad hoc committee did ask questions in the initial interview, but for the benefit of the Board Quorum will find areas for improvement including educational needs. They will bring in people to train staff and those costs are also included in the fee.

u. Concern was expressed that the ad hoc committee was allowed to ask numerous questions of the consultants prior to the Board meeting them. However, with the appointment of the ad hoc committee by the President this was their charge. The President added that that was why the meeting was being held this evening so the remaining Board members could ask the appropriate questions. As Chairman of the ad hoc committee, Don Campbell indicated that they received 4 replies to the RFP. The committee interviewed all by phone to insure they understood the RFP and to clarify any questions they might have had. The committee feels they were tasked with conducting a complete and thorough evaluation of all suppliers.

The Board recessed at 6:20 p.m. for 10 minutes. The meeting resumed at 6:30 p.m.

2. Huron Consulting Group – John Tiscornia, Managing Director

John Tiscornia congratulated the executive team and Board for the beautiful new facilities at Southridge. He introduced his team and outlined their experience. The focus of their approach is the patients and the community. Huron acquired The Studer Group about a year ago to offer training and education to their clients. Sustainability is key so that the initiatives they implement continue after they leave the organization. This project is about changing a culture and sustainability and doing so in concert with your current management team and your staff. They make every effort to avoid reductions in force recognizing that you have to balance the work force with work load. Should the Board
wish to discuss an affiliation in the future, they need to maximize the Hospital’s financials to do so.

They indicated that typically organizations will appoint a steering committee of the Board that will work with them to implement any suggested changes quickly. They also suggest that the Board identify a title for their project so that it is not tied to Huron specifically, but is truly a Trios Health improvement project.

The following discussion ensued and questions asked:

a. It was indicated that their proposal seemed to imply changes in physician compensation. They answered that that is one of the areas for improvement they look at, as the productivity of the physicians should match their compensation.

b. It was asked if they knew about current projects underway. They indicated that they did not, but if they are chosen they would look at that closely as they would not want to duplicate work currently underway if it is not necessary to do so.

c. In their proposal they allude to development of a physician advisory committee and asked where that leaves our current POC that is part of the clinics. They answered that in this process you want to be totally transparent to physicians and a committee has to represent the physicians “at large” rather than just employed physicians.

d. The District currently has a contract with Medical Management to manage the clinic group. What would the impact be of your agreement with Trios Health on this contract? They indicated that they would review that overall.

e. The Clinic’s Executive Director is currently working on referral patterns and panel sizes. How do they see themselves supporting that effort. They answered again that they would review it to see how they can support the current efforts. They do not want to duplicate work that is currently underway.

f. What does Trios Health get for $700,000? They answered that they will get a thorough review and implementation of any items that can be done in a short range of time. You also get a defined plan for moving forward. The rate of return should be 4 to 6.

g. It was asked what percent of clients utilize Huron’s services after the initial engagement. They indicated that it’s about 80 to 85%. They are an implementation firm and that is where their expertise lies.

h. What is the estimated amount of savings or improvement that they think they can achieve in 6-months’. The estimated savings for a typical hospital would be between $8 to $18 million. It would take 8 months to realize the full amount. In the 6-month time frame, they will analyze the data, conduct interviews of key people, conduct an assessment and identify a plan. The Missoula, Montana hospital had a 12% EBIDA margin and was able to generate about 130 days cash on hand in 8 years. A typical Standard and Poor “A” rated hospital has a 12% EBIDA margin. One must also look at fixed payments, which impact cash flow. Trios has large fixed payments. An “A” rated hospital the size of Trios should have 130-150 days cash on hand.
i. The District’s EBIDA through February this year is just shy of $4 million which is a $3.3 million improvement. In your experience, what type of EBIDA margin do you see in top performing hospitals. Most A rated hospitals see about a 12% margin. Typically they track cash flow rather than EBIDA. Most hospitals should have cash on hand of about 130 to 150 days.

j. Are you willing to work with the current CEO and do you have experience working cooperatively with the current executives of an organization? They indicated that yes typically they do work with the current executives of an organization.

k. Question was asked about the proposed CPO’s former hospital experience. It was asked how many hospitals chose to sell and he indicated only one.

l. Discussion followed on former Huron projects and the length of time they worked with other hospitals. When working in an organization, you want to insure that there is input, transparency and buy in and a successful project typically runs about 8 to 9 months.

m. What compensation models do you utilize for physician practices? It was indicated that they utilize the MGMA, and benchmarks from other engagements.

n. It was indicated in their proposal that the CPO and steering committee would hold two meetings during the length of the project for employed physicians and staff. Being a community hospital, Mike McWhorter expressed concern that the number of meetings was too low. They indicated that they can adapt to the hospital and their wishes.

o. Discussion followed on the proposal, timing and what the District will receive within that time frame. They indicated that based on the proposal, the District will receive the 6-month engagement, and they will suggest and implement what they term “low hanging fruit”. They can return later and complete their implementation if the Board deems it necessary.

p. Don Campbell asked if the ad hoc committee made it clear in the RFP that this was a 6-month engagement and that costs needed to be controlled. They indicated yes that was made clear. This is clearly a “check-up” for the District. There will be a return on those things identified that can be implemented quickly.

q. Based on the question of a commissioner it was reiterated that an A rated hospital comparable to Trios Health should have days’ cash on hand of 130 to 150 days.

Wanda Briggs made a statement that included the following points:

- A decision cannot be made on the Board’s behalf by an ad hoc committee and cannot be made behind closed doors.
- She feels it was in violation of the open meetings law.
- Although she asked, she did not receive any minutes of meeting.
- She felt the evaluation of the firms was shallow.
- The committee decided who would receive the RFPs and once they were returned, they decided who would be interviewed. She did not feel that that decision could be rectified by a last minute vote at a Board meeting.
• She personally feels the decision should be declared void and the Board should start over with full Board participation.
• She does not support the use of taxpayer funds for this project.
• She felt the “end run” around the 3 minority members of the Board was insulting and demeaning.

Marv Kinney asked that someone explain to him how it was in violation of the open meetings law when there were only 3 commissioners appointed, and they were authorized by the Board President to do the work. There was no quorum present, no contracts were awarded and no funds were expended on behalf of the group. They did not take any action, just identified firms, interviewed them, and returned to the full Board with two recommendations of firms to present and that was ratified by Board vote.

Don Campbell thanked Ms. Briggs for her comments.

II. EXECUTIVE SESSION (RCW 42.30.110 and RCW 70.44.061-1 and 2):

No Executive Session.

III. BOARD MEETINGS/EVENTS/EDUCATION:

A. Next Board Meeting – Thursday, April 28, 2016 @ 5 p.m., 3rd Floor Conference Rooms C&D

ADJOURNMENT:

There being no further business, the meeting adjourned at 7:51 p.m.

Respectfully submitted,

Mary T. Schumacher
Recorder

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Marvin Kinney, Chairman Kathy Davidson, Secretary