

MEMORANDUM

**TO: BOARD OF COMMISSIONERS
PROSSER MEMORIAL HEALTH**

FROM: CRAIG J. MARKS, CEO

DATE: October 2022

RE: CEO REPORT

SERVICES

1. Replacement Facility Update

Our replacement facility project was a significant area of focus in our 2022 Strategic Plan, and even though we have accomplished a lot, it will remain an area of focus in our 2023 Strategic Plan as we prepare to break ground. Our most recent project activities and plans are included in the October Owner's Representative (NV5) Project Report (**Attachment A**); the minutes from our last project team meeting (**Attachment B**); and the project schedule for the next four months (**Attachment C**). To assist in compartmentalizing the project, I will continue to use the following areas: Design; Construction/ Schedule/ Budget; and Financing.

A. Design

The major focus of our design activity is meeting with the Washington Department of Health (DOH) to review our project drawings, operational plans, etc. We have been delayed in this process for several months as the result of staff turnover at the DOH. We have emphasized our desire, and need, to move quickly in an effort to keep our costs down as interest rates continue to rise. The DOH appears to be understanding of our concerns and has scheduled several meetings with us this week. Our ultimate goal is to receive and A2BC (Authorization to Begin Construction) from the DOH by mid-November. They have verbally indicated this is possible. They have also indicated that they will give us a foundation only permit by the end of this week. This would allow us to begin the construction sooner, however, the USDA may not allow this. We have asked them, but they have not responded to our question. We believe they will require us to have the A2BC from the DOH before they will give us a notice to proceed with the construction. Many members of the project team are involved in the DOH review process including clinical leaders from PMH. Currently the review is going well, and we hope to have an update for the Board at the October Board Work Session. Our Owner's Representatives continue to work with Sunnyside Valley Irrigation District (SVID) on burying the overflow irrigation canal running through the hospital property. The attached site plan (**Attachment D**) shows the current canal (green) and the proposed relocation site (orange). As we do more investigation, it may cost significantly more to move the canal (we are waiting on SVID for the cost of both options) and may involve more time and money to move the easements. We will discuss this

with the Board as we receive more information, but right now, it appears the best option is to bury the canal in its current location. The final significant design issue we are dealing with is obtaining written approval from the Washington Department of Transportation (WADOT) regarding our traffic study mitigation solution (a three-way stop at Gap Road and the I 82 westbound exit). They have verbally approved the solution, but we must have it in writing for the USDA.

B. Construction/Schedule/Budget

With the Board approval in September of the GC/CM contract and MACC with Bouten Construction, Bouten is in the process of communicating with each of the subcontractors that were the low bidders on our project. They are also hoping to conduct a construction team kick-off meeting with all contractors and owner before the end of October. The schedule for our project is in a state of flux as we continue to work with the DOH and the USDA. As we gather additional information in the coming week, we will share an updated schedule with the Board at the October Board Work Session. Based on what we know at this time, we anticipate breaking ground in late November or early December. There have been no changes to our budget which was approved in September, but I have included a recent article from Modern Healthcare about the increasing costs of hospital construction (**Attachment E**). It is interesting that they wrote about the Moses Lake Project, but also that most hospital construction is moving forward despite the high inflation.

C. Financing

From a financing perspective we continue to receive good news as we have been officially approved for the additional \$10 million loan and \$1 million grant from the USDA (**Attachment F**). We also have confirmation from Western Alliance Bank that they have approved our interim construction loan for \$80.5 million. This loan and interest rate will not be approved until we get closer to construction. Gary Hicks will attend the October Board Work Session to discuss the construction loan and his recommendation regarding whether we should enter into a fixed or variable rate construction loan. Gary will also discuss Board Resolution #1073 (**Attachment G**) which authorizes David or me to sign the final loan documents.

2. 2023 Strategic Planning Update

We are off and running on our Strategic Planning Process for 2023. We have already conducted 10 employee forums throughout the organization and have several more scheduled before the end of October. The input we receive through this process is invaluable and will lead our development of our 2023 plan. This process not only helps us plan for the future, but it also helps us address immediate concerns and answer a variety of questions. We plan to complete the process in October and develop a draft plan for review by the Board in November. A portion of our October Board Work Session will be used to review our Mission, Vision, Values and Standards of Behavior (**Attachment H**) and to identify actions the Board would like to see in our 2023 Strategic Plan (**Attachment I**). As you review the planning packet, please jot your thoughts down on the worksheets located at the back of the document and we will discuss them next week. The final 2023 PMH Strategic Plan will be presented to the Board for approval in December.

Patient Loyalty

1. Patient Satisfaction

For the first time since the beginning of 2022, our composite patient satisfactory score of 92.7% has slipped below our goal of 92.9% (2021 score) (**Attachment J**). While most of our metrics are very close to our goal, we have seen an overall decline in our scores the past several months. While this trend can be explained by our higher volumes and lack of patient rooms, we are working on ways to deal with these challenges and maintain high patient satisfaction. It will certainly be easier in our new facility, but we must address this trend now. I am confident that our dedicated staff will identify solutions for these challenges and change our satisfaction trajectory upward so that by year-end we will once again be meeting our satisfaction goal and exceeding the expectations of those we serve.

2. Donation

A high school student, Raina Matthews, and her family delivered an iPad and stand for use by our patients on October 7th (**Attachment K**). Raina was moved to action by the isolation of hospital patients during the Covid-19 pandemic and wanted to find a way to lessen the loneliness. She and her brother started a Go-Fund-me account to raise money for ten iPads with rolling stands to distribute to Washington Hospitals. The iPad will allow patients to connect with loved ones despite distance or risk of infection. A large group of PMH employees gathered in the Vineyard Conference Room to receive this gift and thank this inspirational young woman and her family.

Medical Staff Development

1. Medical Staff Recruitment

Last month I mentioned the increasing demand for providers and the small supply, which was supported in a recent [Trustee Insights](#) article (**Attachment L**). Despite these challenges, our recruitment activity has increased, especially with providers reaching out to us as they pursue opportunities. We are currently recruiting for providers in radiology, orthopedic surgery, internal medicine, family practice, pediatrics, emergency medicine, and psychiatric nurse practitioners. We are currently in discussions with three radiologists, with two on-site visits already scheduled. We recently hosted Dr. Geoffrey Higgs-sports medicine orthopedic surgeon (**Attachment M**) and were very impressed with his experience and people skills. We are currently in negotiations with him and hope to have a signed contract by the end of October. We are also beginning a renewed recruitment effort in primary care (family practice, internal medicine and pediatrics) which we plan to carry into 2023. The statewide shortage of primary care providers must be addressed, or our emergency departments will continue to be overwhelmed. We have several primary care candidates that we will be interviewing in the coming weeks. We also continue to recruit emergency medicine providers and are pleased to welcome Ty Nielson, PA-C; Steve McPhee PA-C; Dr. Rishor-Olney; Dr. Monick; and Dr. Wallace; to our Emergency Medicine Team. I am also pleased to welcome Karmina Bowen-ARNP who is joining Dr. Nylander in the PMH Dermatology Center. Please join me in welcoming these providers to Prosser Memorial Health!

Employee Development

1. Employee Engagement

As a result of the hard work of our Employee Engagement Team, we will once again celebrate the Annual Halloween Extravaganza on October 31ST. This fun event will include a department and individual costume contest; a pumpkin decorating contest and pumpkin give-away; a chili cookoff; a distribution of caramel apples; and lunch from [Between the Buns](#), served by the Administrative Team (**Attachment O**). Good luck to everyone that dares to enter the contests! Planning is also underway for our Annual (now that COVID-19 is behind us!) Holiday Party which will be held December 10th at the HAPO Center in Pasco. Stay tuned for updates as sign-ups will begin soon. The October employee newsletter highlights some of the many activities and achievements at PMH in October (**Attachment P**).

2. 2023 Benefits Update

The review of the 2023 Health & Welfare benefits renewal is complete. Our Broker, USI was successful in securing 2023 rates allowing Prosser Memorial Health to maintain the same healthcare rates as the current 2022 offerings. Leadership will now meet with the Insurance Advisory Committee (I.A.C.) made up of employees, directors, administrative staff and current insurance and retirement consultants (USI), to share information regarding the insurance plans for the upcoming year. It is noteworthy to mention that maintaining our current benefit rates that our employees pay is quite an unusual occurrence, especially with several very large medical claims in 2022 and overall inflation. This year's open enrollment process will be performed within UKG (our payroll / time & attendance system) allowing our employees to use existing information and requiring less data entry.

3. Leadership Development

The Prosser Memorial Health leadership team held this year's second Leadership Development Institute (LDI) on September 30th. The focus of the event was reviewing our Mission, Vision, Values and PMH Standards of Behaviors in preparation for our Strategic Plan review. After a robust discussion amongst the team, we affirmed the core elements of our guiding principles' while recognizing the need to include the word "Health", replacing "Hospital" in the Vision statement reflecting the growing reach and positive impact on our surrounding communities. Our Hospital, Clinics, growing partnerships, and expanding services, comprise this network of services that continues to propel Prosser Memorial Health forward.

The second half of the day of our LDI was spent in team competition testing our collective mettle throwing axes. It has been said, *"A picture (or few) is worth a thousand words" ... so:*



Everyone eagerly participated, all reported having a good time together, and the winning team: (Brian Fischer; Craig Marks; Tami Schaff; Lindsay Mckie; and Sasha Thomasson) walked away with bragging rights, a souvenir axe (plastic, of course) and a camouflage hat to commemorate the momentous occasion.

Financial Stewardship

1. Financial Performance-September

September continued our year-to-date trend of strong volumes and financial performance again exceeding \$20 million in gross charges (**Attachment Q**). Most of our departmental volumes were better than budget which resulted in our gross revenue being \$3.975 million (22%) better than projected. Our deductions from revenue were 60% of the gross charges for the month, which was on budget, however, our year-to-date adjustments remain high at 63% of gross charges compared to a budget of 60% as a result, our net revenue (the cash we expect to collect for services provided in September) is \$8.8 million or \$1.6 million (22%) better than budget. Our operating expenses for the month were over budget by 14% due to recognizing the Board approved Retention Inflation Incentive on the income statement which will be paid out in October. This resulted in a still favorable operating income of \$962,242 and an operating margin of 10.9% both significantly better than budget. As is typical of each quarter end, we reflect a gain or loss on our investments which continue to be less favorable and resulted in requiring us to reflect a loss of \$273,188. Therefore, after adding in our non-operating income, our net income for the month of September was \$742,013 compared to our budgeted net income of \$538,286. All in all, we performed well in September despite the current investment market and ability to provide additional compensation to our hard-working employees.

Year-to-date we are experiencing a similar story with strong growth (13% over budget) in revenue and volumes exceeding budget. Total operating expenses are now almost flat to budget only exceeding budget by \$30,963 year-to-date. With volumes equally strong and showing an increase of 6% over the prior year, has resulted in an operating income of \$9.1million and a net income of \$8.6 million both 120% and 94%, respectively, over budget. Our payor mix continues to be solid and reflects our commercial market is growing compared to last year. September reflects our strongest commercial percentage yet for the year at 34.8%. September showed a strong cash flow of \$1.1 million which is a reflection of our Business Office setting a record of \$9.0 million in collections. Cash flow collections are \$3.4 million year-to-date. This has resulted in the strengthening of our balance sheet to 163 days of cash compared to 148 days this time last year. We still are working towards our goal of lowering net days in accounts receivable as it remains at 55 days overall. Our team continues to work hard on this, but our strong financial performance makes it a tireless effort to keep up. In reflection, our success financially has been tremendous and without a doubt due to our dedicated staff and continued stellar performance serving our community and in all aspects of our Strategic Pillars.

2. Financial Challenges

We continue to hear and read about the financial challenges hospitals are facing in Washington (**Attachment R**) and across the country (**Attachment S**). Significant lobbying is occurring in Olympia and Washington D.C. for financial relief for hospitals, but to date, no action has been taken. In my opinion, it is unlikely that there will be any relief in the near future as many, if not most hospitals and systems have very large reserves. If those reserves begin to be depleted, we may see action by Congress. Fortunately, we are performing well and are not dependent on any government assistance at this time.

3. PMH Clinics Quarterly Financial Performance

Through the third quarter of 2022 all clinics are continuing strong financial performance with a consolidated contribution margin of \$3.6 million over budget (**Attachment T**). Our clinic overall gross patient charges are exceeding budget by \$5.9 million and we continue to be lean on expenses at 3% below budget. Revenue for all locations show strong results year-to-date as they compare to budget, mainly due to increased clinical visits for reasons other than COVID vaccinations and testing. All current providers are exceeding volumes as compared to last year and we continue to see a high demand for appointments. We continue to recruit for vacancies in our clinics. The Grandview Clinic is showing strong performance, exceeding budget expectations by 1% and showing growth over last year by 38%. The Benton City Clinic still struggles with hitting the 2022 budget without being fully staffed with providers, the current provider staff has grown volumes 16% in the current year over year-to-date last year. The Prosser Clinic is seeing a similar struggle in staffing providers; however, current providers are exceeding their budgeted volumes by 14% in comparison to year-to-date last year. In total, our clinics are 10% over last year's visit volumes. It is evident that our clinics continue to provide exceptional care to our growing community, and we continue to expand and recruit to meet and support the communities constantly growing health care needs to meet this demand. The PMH clinic network currently represents \$79.3 million of gross revenue to Prosser Memorial Health.

4. PMH Investment Performance

As of September 30, 2022, the District has \$16,494,969 in its investment portfolio which is managed by Time Value Investments. Investment earnings in 2022 have continued to be disappointing and have had to recognize another loss for third quarter as interest rates continue at historic lows. Rates have jumped up a bit post-September and we're now at the highest level we've seen since about mid-2007. Short-term investment rates are about 4.00-4.25% with 4.50% and higher in the 1-3-year range. From there, rates start to drop a bit, which reflects the uncertainty in the market about whether we'll have a recession (and therefore lower rates) sometime in the next year or two. Currently, we are sustaining all transferred funded depreciation incurred monthly under Board Designated Funds within the Funded Depreciation cash account and are opting not to roll anything into investments at this time. Upcoming, we have one bond maturing in October which will provide some offset to our losses. While we do have to continue to reflect our current market position quarterly, these are not impacting actual cash flow and the longer we hold on to our investments, the better our return will be. Aaron Bonck from Time Value Investments will present our current performance to the Board at the October Finance Committee (**Attachment U**).

5. 2023 Budget Update

As we begin to collect information as part of our Strategic Planning Process, we have also begun to develop our operating and capital budgets for 2023. Our department leaders are currently projecting their volumes and expenses for next year, which has brought forward new challenges with high utilization, market instability, and inflation. By the end of October/early November, we will consolidate all department data and anticipate the total margin will be strong to meet or exceed our strategic goal of 6.0%. We will continue to work in correlation with our department leaders to identify additional opportunities for improvement (revenue growth and expense reduction), as needed, to meet our goals. In addition to working on our operating budget, we are also collecting capital acquisition requests from our Medical Staff and all PMH departments, and our clinics while being extremely cognizant of need versus want as we attempt to conserve our cash. A preliminary budget will be presented to the Finance Committee and the Board in November and the final 2023 operating and capital budgets will be presented to the Board for approval in December.

6. PMH Foundation Update

It is with great appreciation and gratitude; I am happy to announce that Bouten Construction has pledged \$150,000 to the new hospital project; and Garrett Electric and Apollo Mechanical have pledged \$75,000 each. The foundation is set to launch the public phase of the capital campaign for the new hospital project in November when we break ground at the new location.

7. Modular Home Replacement

On October 11, 2021, the modular home that Prosser Memorial Health owned, and was using for storage, caught fire and suffered a total loss of property and possessions. Travelers Insurance provided full replacement coverage per the PMH property insurance coverage and has issued reimbursement of \$105,021 towards the value of this property less its calculated depreciated value and deductible of \$10,000. The destroyed home was abated for asbestos and disposed of per state regulations. To place a new home on the site will require a new concrete slab that incorporates hooking up utilities (water, sewer, electricity.) The city code requires a paved driveway and a garage for a new or replacement home and insurance will not pay for this required upgrade. PMH identified three options that varied from \$179,849 plus options to \$222,829 plus options and is recommending a replacement home sold by Clayton Homes of Union Gap that is comparable in size and quality to the previous home (**Attachment V**). It is a 3-bedroom, 2-bath, 1,512 sq ft home and will have a paved/asphalt driveway and a 2-car garage for approximately \$365,506 once its completed. Its market value should be equal to or greater than this cost plus the value of the land upon which it resides. This home can then be utilized by PMH for temporary housing for travelers, locums, or new employees moving to Prosser, WA as its currently zoned as residential. At the

October Board Meeting, the Board will be asked to approve to build a new garage and driveway for approximately \$79,654 for the aforementioned property and to coordinate with the Property Insurance Carrier to purchase and install the replacement modular home as described.

Quality

1. Community Health Needs Assessment

The development of a Community Health Needs Assessment (CHNA) is a governmental regulation (section 501(r)(3)(A)) as a not-for-profit organization. The CHNA helps determine which critical health needs the community will focus on over the next three to five years. It is a systematic and shared process for identifying and analyzing community needs and assets throughout Benton and Franklin Counties. A full copy of the 2022 CHNA is in the October Board packet.

The CHNA steering committee began meeting weekly in January of 2022. The committee includes representatives of Benton-Franklin Health District (BFHD), Benton-Franklin Community Health Alliance (BFCHA), Kadlec Regional Medical Center (Kadlec), and Prosser Memorial Health (PMH). Quantitative and qualitative data were used to identify community needs through a mixed-methods approach. Qualitative data includes twenty-one interviews with working partners and community collaborators (partners), ten listening sessions, two behavioral health forums, two housing and homelessness forums, and two general forums. CHNA steering committee members met weekly in July and August 2022 to apply the prioritization criteria to the identified needs. The list below summarizes the significant health needs identified through the 2022 Community Health Needs Assessment process in no particular order (**Attachment W**):

- **Behavioral Health** - The assessment identified significant needs for behavioral health response and prevention. Behavioral health, which encompasses mental health and substance use/misuse, was identified as a need in all areas of this CHNA.
- **Housing and Homelessness** - The assessment identified a low supply of affordable housing, low supply of multi-family units, low vacancy rates for rentals, and increased rental costs.
- **Access to Health** – The assessment identified a need for access to not only healthcare, but also access to community supports that enable health. Access to Health will include a focus on addressing barriers to medical care, including healthcare provider to patient ratios and linguistically appropriate, culturally responsive, and accessible care.
- **Community Partnership Development** – The assessment identified that strengthening partnerships and coordinating efforts has the potential to improve outcomes through shared goals and resources. This priority area will impact the other three priority areas by improving communications, clarifying coalition functions, and expanding the work of community health improvement to non-traditional partnerships

Benton-Franklin Health District, Benton-Franklin Community Health Alliance, Kadlec Regional Medical Center, and Prosser Memorial Health, in collaboration with community partners will develop a three-year Community Health Improvement Plan (CHIP) to respond to these prioritized needs. The Board will be asked to approve this Plan at their October meeting.

2. Board Education

I'm pleased to report that the American Hospital Association is once again hosting its Annual Rural Health Care Leadership Conference in 2023 (**Attachment X**). This year however, the conference will be held in San Antonio from February 19-22. The conference will be held at the JW Marriott and will feature noted speakers in health care, politics, management, etc. This is an excellent conference and an excellent way for Board members to interact with their peers regarding the challenges rural hospitals are facing. If you are interested in attending, please contact my office at your earliest convenience so that we can make a reservation for you.

3. Flu Vaccines

It is that time of year again! Flu shot season! We have scheduled three separate Employee Flu Vaccine Clinics: October 6th, October 14th and October 27th from 7-10 am in the Vineyard Conference room (**Attachment Y**). Along with the flu shots, staff can do their annual N95 mask fitting and PAPR training. Employees that are unable to get their flu shot between 7-10 am on those three dates, can request their shot from the House Supervisor who has access to the vaccine at any time of the day or night. For those employees/volunteers who are 65 years and older, they can receive the Fluzone High-Dose vaccine because they are at higher risk of developing serious flu complications. Board members may receive a flu vaccine at the October Board Work Session (COVID-19 boosters are also available). Employee flu shots have been delivered to our primary care clinics where the clinical staff are able to administer to other staff members as needed. The ENT Clinic and the Specialty Clinic employees can receive their flu shots at the hospital. The Therapy Clinic already received their vaccine from our Employee Health staff last week. So far, we have approximately 113 employees that have received their flu vaccine with 10 declinations. Per our Employee Influenza Vaccination policy, the due date for vaccination is no later than October 31st.

4. October Board Meeting

The October Board Work Session will be used to give the Board updates and discuss several items including: a) a discussion of our replacement facility project by our project team; b) a discussion of a modular home replacement and c) a 2023 Strategic Planning discussion including a review of our Mission, Vision, Values and Standards of Behavior. The October Board Meeting will be routine with Medical Staff privileging, financial performance review and possible approval of financing for the replacement facility project (Board Resolution #1073), Community Health Needs Assessment and a Modular Home Replacement at a cost not to exceed \$79,654. As a reminder the November Board Work Session and meeting will be held on November 15th and 17th and the December Board Work Session and meeting will be held on December 13TH and 15TH. These changes were all made to avoid conflicts with the upcoming holiday season.

If you have any questions regarding this report, or other hospital activities, please contact me at (269) 214-8185 (cell), (509) 786-6695 (office), or stop by and see me at the hospital.