



PO BOX 213, Vashon WA 98070
vashonhealthcare.org

Board of Commissioner's Meeting March 17, 2021

Superintendent's Report

State Legislature Capital Allocation

Included in your materials is a joint letter from Rogelio Riojas, Sea Mar's CEO, and me to the Dept. of Commerce indicating that the capital allocation for the new clinic should be transferred to Sea Mar. Assuming the grant does get transferred to Sea Mar in this years' capital budget, Sea Mar will still need to demonstrate that they have long-term control of the property where the capital dollars will be spent, through either ownership or lease, before the State executes a contract with them. I did verify with the Dept of Commerce that the language in the budget will indicate that it is for a Vashon Clinic.

I did receive a call from an architect for Sea Mar who is working with them on possible property acquisition for a clinic on Vashon. I had informed Mr. Riojas previously that there are limited options for commercial development that are close to the business core, have sufficient water rights, and are on the sewer system. The property they are looking at is located at 18913 Vashon Highway. The property has 5 shares of water rights, but appears to have a septic system and is not really in the business core.

Communications

Included is a letter sent out to Rogelio Riojas, CEO of Sea Mar, on behalf of the VHCD Board under Tom's and my signature. Many thanks to Eric Pryne for his work in drafting this letter. The purpose of the communication is to give Sea Mar feedback on the success of the partnership to date, some background on our tax situation looking forward and our desire for an active partnership in order to help the clinic grow its volumes as fast as possible.

Clinic Financials

I took Sea Mar's January Month-End financial report and formatted it to show monthly average performance based on 3-month actual results. This document is included. The average monthly Net Gain for the clinic is running \$13,704. On an annual basis, this would be over \$164,000 above breakeven. I think this should improve. You will note that Sea Mar is collecting only about 29% of billed charges. I checked with their CFO, and he confirmed that this is about right. About 15% of Sea Mar's total expense is for allocated expense from Sea Mar corporate for shared medical expenses and overhead. By comparison, Neighborcare's allocation was about 30%. Supply expense is still showing as quite high at 13% versus 2% for Neighborcare. The monthly average for supplies should continue to go down over time.

Legislative Update

Both **SHB 1329** and **ESHB 1056** are scheduled this week for hearings in the Senate Committee on State Government and Elections. HB 1034, the bill to remove the Parks Districts from the \$5.90 cap, is scheduled in Senate Ways and Means for March 18.

Board Education Topic: Executive Sessions

Executive sessions are part of a public meeting where members of the public are excluded. They can only be held for one of the statutory reasons outlined in RCW 42.30.110. An executive session can occur during a regular or special meeting. The Chair must announce:

- a. Purpose of the executive session (be precise); and
- b. The time when the executive session will end.

Statutory Reasons:

1. Real Estate

- Consideration of selection/acquisition when public knowledge is likely to increase price;
- Consideration of the minimum sale price to sell public property, if public knowledge is likely to decrease price.

2. Discussions with Legal Counsel

- Agency enforcement actions
- Current or potential litigation
- Legal risks of current or proposed actions

Agency counsel must attend if an enforcement action, litigation or the legal risks of a District's action are being discussed for it to be in Exec Session

3. Personnel Actions related to Employees or Officials

- Qualifications: To discuss qualifications of an applicant for public employment or for filling a vacant elected position. This includes the following:
 - Interviews
 - Review of qualifications
 - Discussion of salaries and wages

Any vote to select an individual is a Board action and may not occur in Executive Session.

- Performance: To discuss performance of a public employee
- Complaints: To receive and evaluate complaints or charges brought against a public employee or elected official

Unfinished Business and Committee Reports

Unfinished Business

Foundation – As a follow-up to our initial discussion regarding formation of a Foundation affiliated with the Vashon Health Care District, I have had follow-up discussions with Tom and

Don. I was also able to pull a sample of bylaws from the EvergreenHealth Monroe Foundation. The purpose of the type of Foundation that we are considering I believe is one that is “operated exclusively for the improvement and benefit” of the public hospital district. Initial steps include forming a corporation through the Secretary of State’s office by filing Articles of Incorporation and applying to the IRS for tax exempt status.

Articles of Incorporation can be filed online through the Secretary of State website. Articles of Incorporation will require us to identify the initial Board of Directors. I think our initial steps are to confirm the purpose of the Foundation and then identify and initial Board of Directors willing to serve on the Board to fulfill that purpose.

Administration and Finance

Wolczko

Payroll for March 1-15 is included for your approval.

Clinic Relations

Langland/Noble

Kerry Barnes attended the meeting and updated the Committee on staffing issues. In terms of providers, the clinic will be adding another part-time nurse practitioner at .6 FTE who will cover 3 additional days including Saturdays. This brings the total NP staffing to 1.0 FTE. In addition, a psych nurse practitioner will be added 8 hours per week. The clinic will also be adding a care coordinator position to help coordinate wellness visits and diabetes care. Productivity standards for providers are 20-21 visits per day. Actual visits are running less than this. Four same-day slots are scheduled per provider each day, which impacts productivity when they are not used.

Discussion also occurred on staffing for the x-ray position. The clinic is training an internal person to do this. Wendy and others will provide an update on this.

Communications, Planning and External Relations

Pryne/Brown

Both English and Spanish versions of the FAQ have been posted on the District website. A news post went out to the email addresses of those who have requested notifications of new postings to the website. Outreach through social media is underway and the Beachcomber was given a copy of the FAQ.

New Business

Pryne

2022 Levy Information

Eric Pryne distributed a detailed description of King County’s projections on assessed value for 2022. Our 2021 levy rate of 58.8 cents per \$1,000 of assessed value is expected to produce about \$1.945 million in revenue. Eric projects that assuming Vashon’s assessed value increase for tax year 2022 matches OEFA’s forecast increase of 8.18% for all unincorporated areas, the district’s assessed value would increase to \$3.58 billion. He estimates that at this assessed value, VHCD could collect the same \$1.945 million with a 2022 levy rate of 54.3 cents. Another way to look at this is that the reduction of 4.5 cents per year frees up \$161,000 in tax revenue for other junior taxing districts.



PO BOX 213, Vashon WA 98070
vashonhealthcare.org

March 9, 2021

Rogelio Riojas
President and CEO, Sea Mar Community Health Centers
1040 S. Henderson St.
Seattle, WA 98108

Dear Mr. Riojas,

It's now been about four months since Sea Mar opened its community health center on Vashon Island, with financial support from the Vashon Health Care District. It seems appropriate at this point to provide you with a status report on how we and the community perceive the clinic's performance to date, and how we envision the relationship between Sea Mar and the district going forward.

First — we're pleased and grateful that Sea Mar has chosen to serve Vashon, and we believe most Vashon residents share our sense of gratitude. Sea Mar inherited a clinic that, under previous management, had developed a reputation for poor customer service, a reputation that helped push many islanders to seek care off-island despite the time and expense involved.

The perceived problems were, for the most part, not with the quality of care provided at the clinic, but with problems accessing care: Difficulty reaching the clinic by phone, difficulty scheduling timely appointments, excessively long waits in the lobby and/or exam room to see providers, delays in processing referrals, difficulty obtaining walk-in or same-day care for minor acute illnesses and injuries, etc.

We're pleased to inform you that the prevailing view on Vashon today is that, while there's still room for improvement, customer service at the clinic has improved noticeably under Sea Mar's management. We see it reflected in social media. We hear it in responses to the district's outreach efforts on the clinic's behalf. Sea Mar's first patient satisfaction survey results reinforce what we have been hearing from our neighbors and friends.

You have indicated that Sea Mar would like to establish a long-term presence on Vashon. We would like that as well. To advance toward that common goal, we need to share with you some of the circumstances and realities the district faces.

The current contract between Sea Mar and the district calls for the district to provide Sea Mar with the subsidy it requested for the initial 12-month contract term: \$125,000 per month, for a total subsidy of \$1.5 million. We understand Sea Mar based this request on its analysis of revenues and expenses incurred by Neighborcare Health, the clinic's previous operator, for the first seven months of 2020.

While we appreciate Sea Mar's rationale for requiring such a large subsidy, coming up with the money was a big stretch for the district. Our only source of revenue is a property tax levy. The subsidy for Sea

Mar, by far the district's largest expense, was significantly higher than we had anticipated, and in turn caused the district to adopt a 2021 levy in November that also was significantly higher than anticipated. This had serious repercussions that went beyond the usual complaints about higher property taxes. Because of Washington's complex property tax laws — most notably a limit on how much local-government and special-purpose districts can levy in aggregate — our levy actually resulted in a significant reduction in property tax revenue for another island taxing district, the Vashon Park District. This cost the district public support we are working to rebuild.

The levy problem is more than political. Again because of those complex Washington property tax laws, there are realistic scenarios under which the district could actually be prohibited by law in future years from collecting a levy as large as the 2021 levy, which is approximately 58.8 cents per \$1,000 assessed property valuation. As a public hospital district, any levy rate above 50 cents per \$1,000 is at risk.

So, to ensure the clinic's long-term sustainability, it's imperative that we work with Sea Mar to reduce the subsidy. Just to be clear: We're not asking Sea Mar to operate the clinic at a loss. Instead, we're asking Sea Mar to partner with us to increase other sources of revenue — especially patient revenues — so the subsidy can be reduced in future years.

To grow patient revenues, we believe the clinic needs to attract more patients. As we noted previously, the clinic's prior reputation for poor customer service helped push many patients away. In just one year — 2019, the last full year under Neighborcare's management — the number of individual patients declined from more than 5,000 to fewer than 4,000.

As we also noted previously, there's a strong sense on Vashon that customer service at the clinic has improved under Sea Mar. That's a good first step toward reversing the downward trend. You've provided us with an improved product. Now we need to partner actively with Sea Mar to market and promote it.

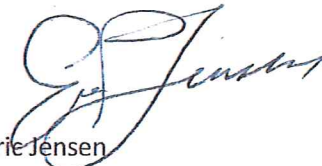
The district is prepared to take the lead in marketing and promotional efforts. We know Vashon and its residents — what their concerns are, what messages resonate most strongly with them, where they get their information. We've already undertaken some outreach. But we can't do what's needed without Sea Mar's cooperation. Your commitment to such a collaboration and active role for the district is needed.

Thanks again for what you already are doing, and thanks for considering the district's situation as we move forward. The district looks forward to a long and productive partnership with Sea Mar in serving the health care needs of the people of Vashon Island.

Sincerely,



Tom Langland
President, Board of Commissioners
Vashon Health Care District
(King County Public Hospital District #5)
Tom@vashonhealthcare.org



Eric Jensen
Superintendent
Vashon Health Care District
(King County Public Hospital District #5)
Ericj@vashonhealthcare.org

**SeaMar Community Health Centers
Vashon Medical Clinic
For the 3 Month Period Ending January 31, 2021**

Fiscal Period	YTD 3 Months	Average Per Month	Comments
VISITS	2,411	803.7	
REVENUE			
Private Pay	\$29,826	\$9,942	
Medicaid FFS	\$6,767	\$2,256	
Medicare FFS	\$232,220	\$77,407	
Commercial Ins	\$195,238	\$65,079	Includes Kaiser
Other FFS	\$189,962	\$63,321	
Managed Care FFS	\$82,923	\$27,641	Includes Medicaid Managed Care
Total Encounter Rate	\$3,621	\$1,207	
Allocation Costs			
TOTAL FEE FOR	\$740,557	\$246,852	Billed Charges
DEDUCTIONS FROM REVENUES	(\$525,959)	(\$175,320)	
TOTAL NET FEE FOR SERVICES	\$214,597	\$71,532	29.0% Collections as a percentage of billed charges
FQHC Enhancement	\$20,201		
TOTAL MANAGED CARE GRANTS	\$20,201	\$6,734	
PHD Subsidy	\$78	\$26	
PHD Subsidy	\$375,000	\$125,000	Current monthly subsidy through October 2021
TOTAL NET REVENUE	\$609,876	\$203,292	
EXPENSES			
Total Salary	\$289,443	\$96,481	
Fringe Benefits	\$68,531	\$22,844	
TOTAL PERSONNEL	\$357,974	\$119,325	62.9% Personnel costs as a percentage of total vs. 55% for NCH
Operating Supplies	\$74,055	\$24,685	13.0% Supply cost as percentage of total vs. 2% for NCH
Depre & Amortization	\$1,828	\$609	
Building & Equipment	\$26,208	\$8,736	
Repair and Maintenance	\$4,694	\$1,565	
Utilities	\$3,912	\$1,304	
Telephone	\$13	\$4	
Technology	\$2,411	\$804	
Office Supplies	\$892	\$297	
Other Contractual Services	\$4,363	\$1,454	
Travel & Meeting	\$2,041	\$680	
Taxes, Due & Licenses	\$2,698	\$899	
Interest Expense	\$1,697	\$566	
TOTAL EXPENSES	\$482,786	\$160,929	
NET CONTRIBUTION	\$127,091	\$42,364	
Total Shared Medical Costs	\$27,489	\$9,163	
Total Allocated Indirect	\$58,490	\$19,497	
Total Allocated Costs	\$85,979	\$28,660	15.1% Allocated expense as a percentage of total vs. 30% for NCH
TOTAL EXPENSES	\$568,765	\$189,588	Total expense including allocated overhead
NET GAIN / (LOSS)	\$41,112	\$13,704	
ANNUALIZED		\$164,448	



PO BOX 213, Vashon WA 98070
vashonhealthcare.org



1040 South Henderson Street
Seattle, WA 98108

March 4, 2021

Department of Commerce
State of Washington
1011 Plum Street SE
P.O. Box 42525
Olympia, WA 98504-2525

Re: Capital Funds for Community Health Center Clinic on Vashon Island

We are writing to request that funds previously designated for NeighborCare Community Health Center for the construction of a community health center facility on Vashon Island be reallocated to Sea Mar Community Health Centers. NeighborCare has terminated the provision of services on Vashon Island, and Sea Mar Community Health Centers has stepped in to meet the health care needs of Vashon Island. The Vashon Health Care District and Sea Mar are working collaboratively to ensure that the Vashon community has access to healthcare services, and in furtherance of this, are also working together to replace the old existing clinic building with a new facility to better serve Vashon.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Eric P. Jensen".

Eric P. Jensen, FACHE
Superintendent
Vashon Health Care District

A handwritten signature in blue ink that reads "Rogelio Riojas".

Rogelio Riojas
Chief Executive Officer
Sea Mar Community Health Centers