

October 12, 2022

The Working Board Meeting of the Board of Commissioners for Island Hospital was called to order by Commissioner Iversen at 12:00 pm on October 12th in the Cypress Room of Island Hospital and via WebEx.

Those present were Commissioners Warren Tessler; Jan Iversen, Lynne Lang, PhD, Chip Bogosian, MD and Paul Maughan, PhD. Also present were Elise Cutter, CEO; Vicki White, RN CCO, Julie Stewart, CFO, Dr. Jason Hogge, CMO, Deanna Marshall Executive Assistant, and Briana Alzola, Anacortes American.

Not Present: Rob Carter, COS

Public Comment:

No Comments

Introduction to Megan Wood, Finance Director:

Julie Stewart presented Megan Wood to the group of commissioners. Megan shared her financial history and the Board gave her a warm welcome to Island Health!

State Finance Update:

Julie Stewart presented some highlights from the WSHA Financial survey of Q2 2022. The WSHA reported:

State Hospital capacity issues are resulting in financial challenges

- Washington Hospitals lost \$1.75 billion in Q2
 - Compared to a gain of \$863m in 2021
- On average hospitals had a negative Operating margin of \$1.2b - 8%
 - Compared to a negative \$113m - 1% margin in 2021
- Losses are expected to continue through the end of 2023

Main drivers of financial challenges

Low reimbursement

- Rates from government payers. Medicaid, Tricare and Medicare reimbursement has not kept up with the cost to deliver care. At Island Health, approximately 74% of patients seen in the last 12 months are insured by one of these government payors.
- Impending federal cuts to rural hospitals as well as the reinstatement of the Medicare 2% sequestration will further exacerbate the issue.

Increases in the cost to deliver care.

- Average hourly rate has increased over 10% between 2021 and 2022.
- In 2022 we have spent almost \$2 million in incentives and bonuses. In addition, contract labor spending increased 471% over 2021. Needed to ensure services remained open while experiencing higher acuity patients and workforce shortages.

- We have also see significant cost increases due to inflation and supply chain disruptions.
- All together IH has seen a cost increase of 14% over 2021 with no increase in reimbursement.

The rising number of difficult-to-discharge patients

- They remain in the hospital longer than in the past.
- Creates an access challenge as well as inpatients are paid on a fixed rate regardless of their length of stay.
- Patients who remain in the hospital past a typical length of stay are here at a cost to the hospital.

Increases in the cost of Staffing

A complex issue fueled by a national labor shortage, escalating wages that outpace reimbursement and contract labor becoming a part of the core staffing model.

Difficult to Discharge

An avoidable day is a day that a patient in in the hospital but no longer meets medical criteria to remain hospitalized.

WSHA/Hospitals are asking state/Federal legislators to:

- Help move patients that are ready to discharge to the appropriate post-acute or long term care settings.
- Increase Medicare and Medicaid rates for hospitals. Halt reductions.
- Provide funding to support post-acute care providers to ensure the state's healthcare system flows as it should and provides people with access to care that they need in an appropriate setting.
- Consider solutions for behavioral health patients in crisis to allow intervention prior to an emergency department visit.

At Island Health we are also working internally with staff and leaders to find cost savings initiatives and revenue opportunities to help mitigate the operating loss.

CEO Update:

Elise Cutter provided an update on the CCO candidacy search. She briefly spoke about a community event that she presented for the Senior College. She mentioned the positive feedback from the group and said she will be looking for more opportunities to participate in community outreach events.

Action Item: No Action Items

ADJOURNMENT:

There being no further business, Commissioner Iversen called for the meeting to be adjourned at 1:24pm.