

BOARD OF HOSPITAL COMMISSIONERS

October 26, 2021

Those in attendance were Hospital Commissioners Gayle Weston (teleconference), Darrin Moody (teleconference) and Don Wilson (teleconference). Also present were Eric Moll, Mason Health CEO (teleconference); Mark Batty, Mason Health COO (teleconference); Dr. Dean Gushee, Mason Health CMO (teleconference); Melissa Strong, Mason Health CNO (teleconference) Robert Johnson, Legal Counsel (teleconference) and Shelly Dunnington, Senior Executive Assistant (teleconference).

Others in attendance: Brad Becker, Director of Revenue Cycle, Jon Hornburg, Sr Financial Analyst.

Gayle Weston called the regular meeting of the Board of Commissioners to order at 8:00 a.m.

It was moved, seconded, and voted to approve October 12, 2021 minutes as presented.

Commissioner's Committee Report & Calendar

Don Wilson attended the BOHC on October 12, 2021 and met with Eric Moll 1:1 on October 22, 2021.

Darrin Moody attended the BOHC and Board of Health Meeting on October 12, 2021 and met with Eric 1:1 on October 25, 2021.

Gayle Weston attended the BOHC on October 12, 2021 Finance Committee October 21, 2021, WSHA Webinar on October 24, 2021 and met with Eric 1:1 on October 25, 2021.

Consent Agenda

It was moved, seconded, and voted to approve October 26, 2021 consent agenda.

Public Comments – None

Legal Counsel –

Robert Johnson attended a CLE and share some of the information on OSHA regarding the vaccine mandate.

Administrator's Report

Eric Moll shared he was invited to participate in the AWPHD board. The commitment is quarterly meetings and annual retreat.

Monthly Reports –

- a. Financials – August & September - Rick Smith presented the August and September 2021 financials. Commissioner Darrin Moody asked about the professional fees being over budget by 71.1% in the August financials, but this is offset in the labor expenses due to being short staffed and using staffing agencies. Are we still 80% capacity in the hospital? Today “yes” and probably 70% consistently.

Old Business –

- a. Medication Refill Update – Mark Batty shared that over the last 12 or 13 days reports that we are getting refills completed between 24 to 72 hours, which is down from 7 – 10 days. Now that staff is back onsite, we have our KPO looking at processes and will report out to Mark Batty next week on any improvement opportunities.
- b. Phone System Update – Darrin Moody reported out that MACECOM is very appreciative that we have changed are 9 to 8, which will decrease calls to MACECOM by about 200. Mark Batty provided a clinic phone system update. Mark shared that Tana Larsen and the consultant did a great job getting this redesign completed. One of the areas we are hearing good feedback is the callback feature.

New Business -

- a. Budget Hearing – Rick Smith presented the 2022 Operating & Capital Budget Report Presentation. Rick Smith “thanked” Jon Hornburg for his work on the budget and his technical expertise around the budget software and his work with our directors. A big thank you to the Mason Health Leadership Team and directors as well. The last 18 months we have been learning and growing, he has seen a great deal of resilience. He recognized the CEO Eric Moll for his leadership, very proud working for CEO.

Rick Smith went over the Executive Summary – Budget 2022.

For the Budget Year 2022, Public Hospital District No 1 of Mason County, WA (“the District”), otherwise referred to as Mason Health (Mason General Hospital / Mason Clinic) is anticipating net income of \$5,473,000, which provides for an operating margin of 3.3%, a total margin of 4.1%, and an operating EBIDA margin of 9.0%. By the end of 2022, the District anticipates having 232 days-in-cash and 45 days in net accounts receivable. It should be noted that these 2022 financial targets maintain current reimbursement methodologies, stable market conditions, and same payer contracting. We assume lower 340B Contract Pharmacy Program revenue in 2022, due to on-going challenges with the drug manufacturers. The non-operating section of the income statement assumes much lower investment income, due to the current low interest rate environment. The proposed 2022 capital budget includes replacement and upgrading major movable equipment, facilities improvements, and information technology. The capital budget proposed was set at \$4.0 Million dollars.

October 2021 marks 19 months of dealing with the Covid-19 pandemic, during which time we have been challenged in ways unthinkable. The pace of change and disruption has been fatiguing in a variety of ways for staff, leadership, and the community, which comes at a financial cost. Through all the chaos, we are collectively learning lessons and gaining new insights that will help to shape a better future for both the healthcare industry and the communities we serve. Our financial strength was tested shortly into 2020, with State mandated lockdowns, restricting services, and patients retreating from entering the emergency, clinics, and outpatient service areas.

New Business

Budget Hearing (continued)

Going into 2020, the District was well positioned, with strong 2019 fiscal year financial results, including an operating margin of 5.1%, 242.3 days cash on hand, and a solid balance sheet position. Then in March 2020 conditions changed rapidly, as the Covid-19 pandemic rolled across our nation and the world at large. The introduction of strict social distancing, stay-at-home orders, and government mandates were the beginning of revenue losses resulting from cancelled elective surgeries and other non-essential medical and ambulatory care setting services. The District incurred significant costs directly related to Covid-19 that were not anticipated and continue to this day. To address steep revenue declines, senior leadership responded with a financial recovery playbook. The plan deployed several key actions, including capital and construction project deferments, addressing supply chain shortages, managing workforce issues as schools and businesses closed, redeploying under-utilized staff, and adjusting to dramatic operational changes that were necessary to manage the pandemic outbreak. In addition, considerable effort was undertaken to introduce tele-health services, which have become an integral part of our ambulatory clinic care delivery system.

During 2020, the District received significant federal government emergency funding through the Coronavirus Aide, Relief and Economic Security (CARES) Act. Additionally, the CMS Medicare Accelerated Payment program provided substantial additional funding, which is temporary and will need to eventually be repaid.

Living with the coronavirus, we are learning how to recognize, self-assess, and adjust operations to match demand and capacity needs in a business-like manner. For example, we now maintain a capital contingency fund which represents funding to address broken, end of life or unanticipated equipment needs during the year, which helps to keep operations functioning smoothly.

In the summer of 2021, significant time and energy was spent thinking about and planning volume projections for 2022. Management has concluded a base case scenario for budget planning that assumes a continuation of growth and expansion into 2022.

The 2022 Budget has attempted to address new and continuing challenges related to staffing shortages, real inflation, and the cost of providing a safe place for patients and staff to work. Providing competitive and market relevant compensation and benefits is a priority in the upcoming budget year, as employee expectations and work choices expand.

During 2020, two moderately-sized construction projects were deferred, due to financial uncertainty. With financials improving through 2021, management feels the timing is right to restart the two projects; the Patient Access Center project is to be completed by the end of 2021, allowing us to move right into the Outpatient Rehab construction project in early 2022. We discuss this at length in the capital budget section of the budget narrative.

In June 2021, the District completed a financial system conversion. At the same time, the District implemented the new Cerner Domain NW EHR system. As with any new system conversion, there are issues to be resolved, data migration to complete and workflow

New Business (continued)

Budget Hearing

improvements. From a financial perspective, we projected lower cash collections due to the conversion, anticipating 50 days in net accounts receivable by year end.

See the Key Considerations section of the presentation for specific strategies we anticipated into the budget process for 2022. We also address our current thinking on the economy, state, and federal budgets in that section.

The 2022 Strategic Plan assumes a 3% operating margin goal, to maintain financial sustainability. A key area of focus to ensure financial strength/growth will be implementing a more clinically driven revenue cycle within the new Domain electronic health record system.

The 2022 Operating Budget is intended to support key components of the District's 2021-2022 strategy and are outlined separately in this proposal. The Operating Budget was prepared with a strong desire to maintain financial stability and ensure sustainable healthcare services for the community.

The District's 2022 capital budget proposes to invest \$4,000,000 in information technology, for replacement and upgrade of various major equipment, and maintenance upgrades for facilities.

Eric Moll went over the 2022 Key Consideration and 2021 Key Accomplishments.

District Strategic Planning Process

Using the Baldrige framework and principles, Mason Health performs strategic planning on an annual basis. We have five strategic objectives:

- Ensure exceptional outcomes and safety;
- Enhance community and population health;
- Create a superior patient experience;
- Be a workplace of choice;
- Ensure financial strength and growth.

2022 strategic initiatives related to these strategic objectives will largely focus on navigating safely during the pandemic, continuing mental health integration, implementing a Medicare Annual Wellness Visit program, improving the emergency post-discharge transition of care, building a nurse/MA development program, and leveraging a Cerner build and implementation to create engagement and improved financial outcomes.

Staffing

Staffing emerged by mid-2021 as the most significant crisis facing the healthcare industry (and likely the greater U.S. economy). The staffing crisis in healthcare has been building for over a decade with an aging skilled workforce and limited availability of training programs. The pandemic had created the opposing pressures of increased demand for patient-facing employees and unrelenting pressure to provide care during a pandemic. Retirement or opting for alternative work arrangements (locum agencies, part-time positions, career shifts) has

New Business (continued)

Budget Hearing

become more common over the past year. The longer-term implications of mandates remain unclear. What is clear is that Mason Health must have long-term solutions to the staffing crisis, which is why Mason Health is building a RN and MA development program, with the purpose of creating a sustainable pipeline of new, skilled employees through a partnership with the school district and local colleges.

Covid-19

Covid-19 presents significant uncertainties on multiple fronts that impact budget planning and outcome. Only time will be able to answer the following questions:

- Will elective procedures and diagnostics test be restricted during another Covid-19 surge? This implies that there will be another surge of positive cases.
- Will the on-going financial fallout (recession) create a significant shift in payer mix from Commercial to Medicaid and uninsured? State and Federal budget impacts are addressed in a separate section.
- Will there be continued Federal and State financial support, if hospitals continue to face financial strain and pressure due to the pandemic?

Federal Budget Deficits

As the Federal government has expanded budget deficits to unprecedented levels due to fiscal stimulus policies designed to mitigate a national recession, we expect there will be a continued push for rural hospitals to participate in value-based payment in the form of risk-based ACOs or global budgets. Reductions or eliminations to cost-based reimbursement pose a significant threat given over 45% of Mason Health's volume is related to Medicare. Sequestration is likely to continue through 2022.

Inflation

Inflation could become a material consideration if it proves to be more systemic, and thus longer term, lasting beyond the "transitory" 6-month period the Federal Reserve was originally anticipating during summer 2021. One significant impact is operating costs trending higher than the reimbursement caps in place on many of our commercial payer contracts. Other impacts could be related to shortages that delay our ability to provide care or move forward timely on strategic capital projects, which could impact revenue projections.

Health Insurance Exchanges

Mason Health continues to maintain an in-person assister program. Our efforts have been successful to date, with many newly insured people seeking healthcare services at our facilities. We expect the number of health insurance exchange plans offered in Mason County to remain low in 2022, as carriers cautious about rising costs and possible reduction or loss of government subsidies in the future.

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New Business (continued)

Behavioral Health Expansion

Mason Health continues to expand our Behavioral Health program to meet community needs. In 2021, volume increased by 157% year-over-year. With the addition of two therapists in Q3 2021, Mason Health is continuing to expand its capacity to provide behavioral health services to the community.

Financial Stability

Normally solid financial performance is an expectation and not an accomplishment; however, these times are anything but normal. It should be called out that strong financial stewardship by the Board and leadership has resulted in Mason Health achieving an operating margin commensurate with benchmarks of healthy performing hospitals.

Pain Management Program

Although safely navigating the pandemic is consuming the vast majority of leadership attention, it is notable that Mason Health was able to start a new pain management program with an experienced physician having decades of experience in this specialty. Mason Health hopes to follow a similar, measured approach to expanding pain management, as we are using for the behavioral health program.

Leadership Stability

It should be noted that Mason Health has had the good fortune of maintaining the integrity of the Senior Leadership Team. In the face of massive uncertainty, ever-shifting regulatory requirements, mounting patient care needs, and workforce stress, it is a testament to teamwork and board support that this team of dedicated leaders has stayed together, meeting most challenges of this past year with success.

Eric Moll “thanked” Rick Smith for his great work on the budget along with his team Jon Hornburg, Ruth Vierela, Brad Becker and the Senior Leadership Team. Rick Smith expressed his many thanks to the entire Mason Health Leadership & Finance Team, for their input, participation and assistance in completing the 2022 Operating and Capital Budget Plan!

Gayle Weston adjourned the Budget Hearing at 9:55 a.m. and resumed the regular meeting.

Don Wilson asked for a copy of the 2022 Administrative budget.

- b. Budget Amendment – Retention Bonus – Eric Moll presented a budget amendment for retention bonus workforce is critical given the record number of job openings and length of time it takes to fill position. This is a way to show appreciation for staff dedication to the mission of Mason Health. This will also include all senior leadership team and employed providers as well. If possible, the Commissioner would like this to happen in December 2021.

It was moved, seconded and voted to approve increase to the 2021 operating budget in the amount of \$600,000 for a retention bonus of \$1,000 pro-rated by FTE.

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Administration Roundtable

Mel Strong provided an update on the accommodation request. We have 58 accommodation were granted, 17 per diem separated but majority had not been on the scheduled for some time, we have 2 appeals and 2 are on medical leave. We have 46% staff vaccinated with the flu vaccine.

DNV has approved our process improvement and will be back in November.

Darrin Moody expressed that he really likes Melissa Strong's Friday's email.

Melissa Strong shared we have a contract with Passport USA and have signed 2 birth center, 1 MSP, and 1 ED nurse starting the 3rd quarter 2022.

Dr. Dean Gushee shared the s/r's in revenue cycle. Prior to go live our a/r days where stabled and with the implementation of the new domain our a/r days increased to 54 days but now have stabilized again. Since June 2021 there was 197 s/r's and currently we are at 47 s/r wit the 10 of the pending final validation. Out of the remaining s/r's only 5 are high priority.

Adjourned at 11:07 a.m.

PUBLIC HOSPITAL DISTRICT NO. 1
OF MASON COUNTY, WASHINGTON

BY: _____

Attest: _____
