

Public Hospital District #2 Board Special Meeting Agenda

FEBRUARY 22, 2016
7:30 to 9:00 a.m.

Verdant Community Wellness Center

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| 1. | Call to Order | Fred Langer | 7:30 |
| 2. | State Auditor's Office Presentation and Q&A | All | 7:35 |
| 3. | Executive Session | All | 8:00 |
| | a) Consider the legal risks of a proposed action of the District | | |
| | b) Discuss superintendent performance | | |
| | c) Review and consider proposed property acquisition | | |
| 4. | Superintendent Search Process | All | 8:40 |
| 5. | Open Commissioner Input & Discussion | All | 8:45 |
| 6. | Public Comment | Members of the Public | 8:55 |
| 7. | Adjourn | Fred Langer | 9:00 |

PUBLIC HOSPITAL DISTRICT NO. 2 OF SNOHOMISH COUNTY, WASHINGTON

SPECIAL MEETING

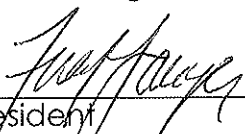
February 22, 2016

7:30 a.m.

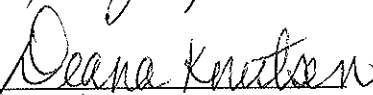
Verdant Community Wellness Center

Commissioners Present	Fred Langer, President Deana Knutsen, Commissioner Bob Knowles, Commissioner J Bruce Williams, M.D., Commissioner
Commissioners Absent	Karianna Wilson, Commissioner
Staff	Carl Zapora George Kosovich Lisa King Jennifer Piplic Sue Waldin Karen Goto
Guests	Brad Berg, Foster Pepper Julie Seidenstein, Foster Pepper Cindy Evans, State Auditor's Office Kelly Collins, State Auditor's Office Scott Hylton, State Auditor's Office Kristina Baylor, State Auditor's Office
Call to Order	The Special Meeting of the Board of Commissioners was called to order by President Langer at 7:30 a.m.
State Auditor's Office Presentation and Q&A	The State Auditor's Office presented their preliminary draft audit findings and responses (E:09:16) Discussion between the commissioners and the auditors with input from Brad Berg.
Executive Session	President Langer recessed the special meeting into Executive Session at 8:00 a.m. to consider the legal risks of a proposed action of the district and to review and consider proposed property acquisition.
Open Session	The board reconvened into Open Session at 8:52 a.m.
Superintendent Search Process	Not discussed.
Open Commissioner Input & Discussion	None.
Adjourn	The meeting was adjourned at 8:56 a.m.

Attest By:



President



Secretary

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-001 THE DISTRICT DOES NOT HAVE AUTHORITY TO INVEST IN RECREATIONAL PROGRAMS AND FACILITIES

Background

The Verdant Health Commission (the District) began partnering with other local governments to support community programs with grants in 2011. The District supports programs lead by other entities if grant requestors are able to reasonably project that there will be a positive effect on the general health of those who participate in the programs.

From 2011 through 2014 the District had the following program activity (approximated):

Year	2011	2012	2013	2014
Number of Programs	10	30	55	65
Program expenditures	\$300,000	\$1,900,000	\$3,100,000	\$4,700,000

In 2014, the District committed more than \$4 million to fund portions of four projects as part of its new Building Healthier Communities initiative.

In 2014, the main projects were as follows:

- Woodway Recreation Project - \$2.5 million for the construction of recreational fields and facilities in participation with Edmonds School District No. 15
- Bike2Health - \$1.9 million for the construction of bicycle lanes and bicycle trails as well as signage for the trails in participation with the City of Lynnwood
- City of Brier Walking Path - \$90,345 for the construction of a walking path around a park in participation with the City of Brier
- Fitness Room Upgrades - \$39,513 for the purchase of exercise equipment for a fitness room in participation with the City of Edmonds

Description of Condition

The District is a public hospital district formed under Revised Code of Washington (RCW) 70.44. These statutes grant hospital districts the authority “to own and operate hospitals and other health care facilities and to provide hospital services and other health care services for the residents of such districts and other persons.” The District is funded through lease revenues with Swedish Hospital and by Operating and Maintenance levies.

For the programs and projects identified above, our audit found the District exceeded its authority by contributing funds for purchasing items for recreational use and constructing recreational infrastructure that do not provide hospital or health care services.

In December of 2015, the District engaged with a firm to investigate property targeted for purchase to build an indoor recreational facility. We found the District’s intent to build this facility will also fall outside the authority granted to hospital districts.

Cause of Condition

District officials and staff believed such programs contributed to the general health and wellness of the community and that such interpretation fell within the definition of health care services, provided by state law (RCW 70.44.007).

Effect of Condition

Without the authority to support such programs, the District spent and pledged public funds in a manner inconsistent with state law. Due to the District’s broad interpretation of health care facilities (RCW 70.44.007(1) and health care services (RCW 70.44.007(2), the programs do not match the intent nor the character of the state law; therefore, these programs exceed the authority granted to hospital districts.

Recommendation

We recommend the District work with its legal counsel or other resources available to individually evaluate all current and future program investments to ensure public resources are expended only on facilities or services that are within its authority allowed by state law (RCW 70.44).

District’s Response

Although the Verdant Health Commission (the District) respects and appreciates the opinion of the Washington State Auditor’s Office, the District believes that it

acted within the authority of a public hospital district and in the best interest of its residents.

The public hospital district statute (chapter 70.44 RCW), grants a public hospital district the authority to determine the health care needs of its residents and the authority to determine what services it should provide to address those needs. The public hospital district statute further grants a district authority to provide a broad range of health care services, which expressly include health maintenance services and other services appropriate to the health needs of district residents. Public hospital districts have express statutory authority to provide health care services not only directly by owning and operating facilities, but also indirectly through contracts with other organizations.

The District has determined, based on its community health needs assessment in 2012 and health assessments conducted by Snohomish County and other parties, that youth and adult obesity is a significant health need in our community. This determination is consistent with state and federal health planning and statistical data. Survey data from the Washington Department of Health suggests that nearly 80% of Washington State adults do not meet recommendations for physical activity and 26.5% are considered obese. The obesity rate in Washington State increased nearly 8% between 2000 and 2011. One strategy for combatting this obesity epidemic and improving the overall health of district residents is to increase access to exercise and recreational opportunities.

Objective C of the United States Department of Health and Human Services' strategic plan recognizes that programs supporting exercise and physical activity are fundamental to achieving a health care system that provides better health and lower costs. While the Objective sets forth a number of strategies designed to emphasize disease prevention, it specifically notes the importance of "provid[ing] states and communities the resources they need to promote healthy living." Evidencing how fundamental supporting physical activity is to disease prevention, the Department's goal to "increase the proportion of adults (ages 18 and older) that engage in leisure-time physical activity" is one of only two performance goals set under the Objective.

The 2014 Washington State Health Care Innovation Plan (the Innovation Plan) also recognizes the importance of promoting physical activity to better population health. One of the plan's guiding principles is to encourage individual responsibility for maintaining and improving health, and the plan recognizes that leading a healthy lifestyle greatly reduces a person's chance of developing disease. In support of this principle, the plan emphasizes the need to help

individuals and families make healthy lifestyle choices “by supporting communities in developing healthy social and physical environments.”

In conducting its health needs assessment, the District applied the Health Impact Pyramid that illustrates interventions for health improvement. This framework was published in the American Journal of Public Health “Framework for Public Health Action: The Health Impact Pyramid,” April 2010. This framework has been widely adopted by public health practitioners and is supported by research. The health impact pyramid shows that the largest improvements in population health are accomplished at the base of the pyramid, and include socioeconomic factors and the context in which people live. The Building Healthy Community programs are aimed squarely in the “Changing the Context to Make Individuals’ Default Decisions Healthy” tier of the pyramid. The long-lasting and powerful impact of changing the community context is exactly why the District has opted to support programs that improve the communities in which our residents live.

The District will continue to work with its legal counsel and other available resources to evaluate current and future program investments to ensure public resources are expended on facilities and services that are within the authority allowed by state law.

Auditor’s Remarks

We appreciate the District’s commitment to providing programs designed to improve public health and its openness in sharing information related to the development of these programs as they pertain to the statutory authority granted to hospital districts. While we recognize the value that these programs bring to the community, our review was limited to whether the District is given the authority under state law to offer such services.

We will follow-up on the Districts efforts to ensure public resources are expended on facilities and services that are within its statutory authority during our next regularly scheduled audit.

Applicable Laws and Regulations

RCW 70.44.003 Purpose.

The purpose of chapter 70.44 RCW is to authorize the establishment of public hospital districts to own and operate hospitals and other health care facilities and to provide hospital services and other health care services for the residents of such districts and other persons.

RCW 70.44.007 Definitions.

As used in this chapter, the following words have the meanings indicated:

- (1) "Other health care facilities" means nursing home, extended care, long-term care, outpatient and rehabilitative facilities, ambulances, and such other facilities as are appropriate to the health needs of the population served.
- (2) "Other health care services" means nursing home, extended care, long-term care, outpatient, rehabilitative, health maintenance, and ambulance services and such other services as are appropriate to the health needs of the population served.
- (3) "Public hospital district" or "district" means public health care service district.