

Newberg Community Hospital

Newberg, Oregon

RECEIVED
MAY 10 1979
CITY OF NEWBERG, ORE.
OFFICE OF RECORDER

May 4, 1979

A special meeting of the Newberg Community Hospital Commission was held in the Conference Room of the hospital on Friday, May 4, 1979. The meeting was called to order by the Chairman, Bob Hurford, at 7:00 A. M. with Andy Anderson, Bill Dolan, Virginia Ostlund, Joe Plews, Ernie Smith, Don Tarlow and Don Wilson present. Also present were Agnes Haugen, Director of Nursing, Dr. Leonard Silvers, Chief of Staff, Terry Mahr, City Attorney, Karen Ferguson from H. C. F. C. and Nick Thoennes and Milt Robins of the administration.

The minutes of the previous board meeting were approved and the minutes of the Joint Conference Committee were accepted.

A motion was made by Don Wilson that the supplemental budget and resolution, as attached, be forwarded to the City Council for their approval. Seconded by Ernie Smith and passed.

After a recommendation from the Personnel Committee, a motion was made by Don Tarlow that we increase the salary of the Chief Tech of the X-Ray Department 10% retroactive to January 1, 1979 and an additional 3.2% increase effective July 1, 1979. The salaries of all other x-ray personnel will be increased 6.33% and 3.2% on corresponding dates. Seconded by Joe Plews and passed. The 3.2% increase will be effective through June 30, 1980.

Nick Thoennes remarked that the entire salary structure would soon be reviewed by personnel from St. Vincents and that changes would be implemented as soon as possible but probably not until after July 1, 1979.

The Chairman announced that notices should be posted of any and all meetings of Committees of the Newberg Community Hospital Commission. This would include the Joint Conference Committee but not meetings of the Medical Staff.

Nick Thoennes announced that Tom Underriner, Administrator of St. Vincent Hospital and Medical Center, would meet with him, Bob Hurford and Terry Mahr on Wednesday, May 9, 1979 to go over the management contract. Also, that personnel from St. Vincent were reviewing the Radiologist's and Physical Therapist's contracts.

Terry Mahr announced that he had been consulting with John Osburn, of Rankin, McMurray, Osburn, Gallagher and Van Rowsky regarding the bond issue. John Osburn is a member of the State Contract Review Board.

May 4, 1979

Newberg Community Hospital Commission (con't)

The board was concerned as to what impact the turning over of the management of the hospital to St. Vincent Hospital and Medical Center might have on the fund drive and bond issue as some local citizens are not fully informed on this change. It was decided that an intensified public relations program would probably alleviate this situation.

Don Wilson informed the board that 15-30 students from a college class would be conducting a survey and passing out information about the hospital sometime next week.

The Chairman appointed Virginia Ostlund and Agnes Haugen as co-chairman to plan and host a tea for the hospital auxiliary and local ministers.

The Administrator was instructed to send a card of sympathy to the Ken Martin family.

As there was no further business, the meeting was adjourned at 8:20 A. M.

Approved,

Bob Hurford
Chairman

Respectfully submitted,



C. M. Robins, Secretary

CMR:jp

Newberg Community Hospital

Newberg, Oregon

May 16, 1979

NEWBERG COMMUNITY HOSPITAL COMMISSION

SPECIAL MEETING

A special meeting of the Newberg Community Hospital Commission was held on Wednesday morning, May 16, 1979.

Present: Bob Hurford, Chairman, Terry Mahr, Andy Anderson, Don Tarlow, Rev. Don Wilson, Bill Dolan, Dr. Stan Kern, Ernie Smith, Dr. Silvers, Mrs. Haugen, Nick Thoennes and guest, Tom Underriner.

Chairman, Bob Hurford, opened the meeting at 7:15 A. M.

CHECK SIGNING

Currently all hospital checks are signed by two hospital members and a board member. A resolution was introduced to allow for checks to be signed only by two hospital members. Discussion centered on whether a limit on the dollar size or the type of check should be approved in certain instances by a board member. The board did not intend to be involved in or have a listing of all checks under a \$2,500.00 limit. Don Tarlow moved to pass a resolution to authorize two signatures on all hospital checks; those being Milt Robins and Justine Pfeiffer. Checks over \$2,500.00 would require a board members signature. A procedure regarding this will be developed by Mr. Thoennes for the Commission's review. Motion seconded by Joe Plews and passed.

HOSPITAL CONTRACTS

Terry Mahr read resolutions for contracts with Dr. Kimbrell, part-time Emergency Room coverage, Drs. Inman and Holman, physician Radiology coverage and Jerry Gerke, part-time pharmacy coverage for the hospital. (The resolutions are attached.) Father Don Wilson moved to adopt the resolutions individually and each was seconded by Joe Plews. The Board voted unanimously to accept the resolutions. The Physical Therapy contract was reviewed and it was decided to wait until a further meeting to take action. Further information was needed on the malpractice coverage and the relationship with the hospital and the physical therapist in preparing payroll checks.

HCFC REVIEW

Mr. Thoennes gave a summary of the activities of HCFC for the week ending May 11th. Envelopes were distributed to each board member including the summary, news clips from the last Graphic and the latest edition of the hospital Murmur. Discussion followed

SPECIAL MEETING

NEWBERG COMMUNITY HOSPITAL COMMISSION - May 16, 1979

regarding the terms of the HCFC contract which will be ending on Friday, May 25th. Father Wilson moved to release the PR person after this coming Friday, May 18th. Seconded by Joe Plews. The Board voted unanimously in favor.

ST. VINCENT MANAGEMENT CONTRACT

Terry Mahr indicated that there had been little time to develop the second draft of the management contract since a special group had gone over the contract last week. That group included, Bob Hurford, Terry Mahr, Joe Plews, Tom Underriner and Nick Thoennes. He also indicated the the St. Vincent legal counsel had not received a copy of the second draft. Mr. Mahr distributed the draft of the contract to board members. The contract was read in its entirety and several items were discussed and amended. The final draft will be developed as a result of the discussion and given to St. Vincent legal counsel before the Board takes final action. That draft will be distributed to Board members as soon as possible and a special meeting will be called in the near future.

BOND ISSUE

Don Tarlow indicated that there was some confusion whether the approval of the bond issue would automatically put the bond issue on the tax roll. Discussion followed. Mr. Mahr and Bob Hurford indicated this would not be the case.

ADJOURNMENT

There being no further business the meeting was adjourned at 9:10 A. M.

Respectfully submitted,



Nick Thoennes
Acting Executive Director

NT:jp

Newberg Community Hospital

501 Villa Road

(503) 538-3121

Newberg, Oregon 97132

May 17, 1979

Robert F. Hurford, Chairman
Hospital Commission
105 N. Meridian
Newberg, Oregon 97132

Dear Bob:

I would like to preface this letter with a personal note of appreciation to you, as chairman, and to the Hospital Commission for the fairness and consideration given to the Newberg Community Hospital Medical Staff in matters pertaining to the hospital's administration venture. I feel that the present decisions being made have been a unifying factor between the Hospital Commission and the Medical Staff. Certainly it has amplified the interdependence we have in making the Newberg Community Hospital a functional and improved facility for the community of Newberg. I would add an appreciative note for Nick Thoennes and Tom Underwriter for their sincerity towards and their insight of our local hospital's needs.

The Hospital Commission has requested input from the Medical Staff in the formulation of the management contract between St. Vincent and the Newberg Community Hospital. This was done in the form of recommendations at a previous meeting. Discussions with the contract committee and with the Hospital Board has already resulted in incorporating some of those recommendations into the management contract. Other recommendations appear to be more properly addressed as policy matters. Understanding this and in compliance with your request, the Medical Staff has voted to present the following resolutions to the Hospital Commission. The formulation of these resolutions antedated some of the discussions between the Hospital Commission and myself as Chief of Staff. Since they were therefore voted upon by the staff to be presented as resolutions, I am presenting them in total even though most of them have already been either incorporated into the management contract or designated as items for policy formulation.

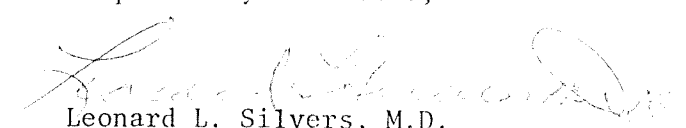
The Medical Staff of the Newberg Community Hospital presents the following resolutions to the Hospital Commission:

Robert F. Hurford, Chairman

Be it resolved:

- I. That because Newberg Community Hospital belongs to all citizens of the community, it holds to non-sectarian views and any administration of the hospital must not adhere to sectarian principals. Violation of this concept will result in immediate termination of any and all administration contracts.
- II. That under specific management services, St. Vincent's will recruit, hire, promote and assign all non-physician employees of Newberg necessary to operate and maintain the hospital.
 - B. The hospital will not employ physicians without the approval of the Medical Staff.
 - C. Existing fee for service arrangements with the radiologist will continue.
 - D. Existing fee for service arrangements with the physical therapist will continue.
- III. That the medical committees of the Newberg Community Hospital Medical Staff will continue to control the quality of medical care within the hospital. The choice of therapeutic agents will remain with the Medical Staff.
- IV. That all recruitment of new physicians for the City of Newberg or its hospital will be done through the Medical Staff with approval of the Hospital Board. St. Vincent's roll in assisting physician recruitment will be to supply the Staff and Board with names of perspective physicians. At no time will they in their roll as hospital administration or through their physician management program interview a perspective physician for the purpose of practicing in Newberg.
- V. That the Medical Staff of the Newberg Community Hospital believes it is in the best interest of medical care to the people of Newberg and its surrounding areas that the medical needs be met by private practicing physicians. The Staff is aware of St. Vincent's current maintenance of a family medical service within the confines of their hospital and of their interest in establishing community medical clinics. St. Vincent's management and Newberg Community Hospital will therefore at no time be permitted to develop a hospital based family medical center or clinic, a self referring emergency room service, or community located clinics.
- VI. That the Staff realizing current interests by large hospital corporations in establishing supportive medical facilities staffed by contract physicians and the "favored" position of St. Vincent's by acting as administrator of the Newberg Community Hospital recommends that St. Vincent's agrees to refrain from establishing medical clinics or allied facilities within the drawing area of Newberg.

Respectfully submitted,


Leonard L. Silvers, M.D.
Chief of Staff

MANAGEMENT RECOMMENDATIONS

Submitted to
NEWBERG COMMUNITY HOSPITAL

by

ST. VINCENT HOSPITAL AND MEDICAL CENTER

May 22, 1979

FIRST YEAR ANALYSIS OF
SAVINGS AND COSTS
ASSOCIATED WITH MANAGEMENT RECOMMENDATIONS

<u>Subject</u>	<u>Savings</u>	<u>Maximum Estimated Costs</u>	<u>Net Savings</u>	<u>Increased Cash Flow</u>
Business Office - Admitting	\$ 90,000	\$ 17,100	\$ 72,900	\$ 99,000
Accounting	-0-	-0-	-0-	-0-
Payroll	2,112	1,800	312	-0-
Materials Management	58,800	2,290	56,510	20,000
TOTAL	\$150,912	\$ 21,190	\$ 129,722	\$ 119,000

not discussed at
May 22nd Board Mtg.

BUSINESS OFFICE - ADMITTING

A key to internal control and efficient operation is fixed responsibility with accountability for action. This defining and segregating of duties with the front office staff is clearly missing. Business Office, Admitting and PBX activities are co-mingled preventing a clear distinction in responsibility. Weak control has led to accounts receivable levels rising 38% between 1977 and 1978 fiscal years.

The inefficiency of the posting machine has resulted in a bad debt experience substantially above national levels. An aging of accounts receivables report has been prepared only sporadically with questionable accuracy. The general ledger and the accounts receivable posting cards have not balanced necessitating yearly adjustments. An entirely new system is needed to bring this area up to acceptable standards.

RECOMMENDATIONS

We recommend that:

1. The A/R and billing functions be computerized by June 30, 1979.
2. The Business Office be separated from the current office location staffing it with 3.5 FTE's.
3. The Admitting Office be staffed with 3.5 FTE's. Duties should also include PBX and batch processing functions.
4. A credit manager be appointed with duties to consume about 0.5 FTE's.

JUSTIFICATION

Cost: Initial \$2,100 investment for:

1. Keypunching data for conversion

Plus \$650/month computer processing expense

Plus \$300-\$600/month for key punching

Benefits: 1. Improved reporting

2. Increased control

3. Reduce bad debt experience

4. Reduce lost charges by an estimated \$90,000/year.

5. Improve first year cash-flow by an estimated \$99,000 through reductions in outstanding accounts receivables.

ACCOUNTING AND REPORTING SYSTEMS

The Hospital's accounting and reporting systems need strengthened to establish adequate internal control and to provide management with necessary operating statistics. At present, there is virtually no control over the accounts payable function. Bills are paid without regard to whether goods were actually received. The Hospital's general ledger system does not provide an appropriate matching of revenue and expense accounts or contain sufficient detail to give an adequate breakdown of costs. In addition, there is an absence of a management reporting system. The problem is compounded further by the lack of sound budgeting procedures. Without reports showing operating levels, revenue and expenses by department, the Hospital Board, Administrator and department heads cannot be expected to consistently make sound financial decisions.

RECOMMENDATIONS

We recommend that:

1. The Hospital's general ledger system be redesigned to (i) provide a proper matching of revenue and expense accounts; (ii) provide more detail; and (iii) eliminate unneeded categories.
2. A new accounts payable system be established.
3. Management reports be designed to provide a sound overview of operations while still containing sufficient detail to make management decisions.
4. A budgeting system be implemented which allows management to monitor monthly performance.
5. All blank checks be locked in a secure location when not being used.

JUSTIFICATION

Cost: Negligible

Benefits:

1. Provides pertinent information in a timely fashion to:
 - a. Hospital Board
 - b. Administrator
 - c. Department Heads
2. Informed management decisions
3. A tool to measure performance
4. Improves internal control
 - a. Reduces possibility of lost or stolen checks
 - b. Reduces possibility of paying for goods not received.

PAYROLL SYSTEM

The Hospital has a hybrid manual and mechanized payroll system resulting in a duplication of work. The Burroughs posting machine is used to write checks and calculate employee deductions. However, the machine is limited to only five deductions which is less than half the number needed. This means that a manual record must be maintained to supplement the posting machine output. The time spent manually calculating deductions, maintaining a separate payroll register and physically operating the posting machine can be better utilized and is needed in other areas.

RECOMMENDATIONS

We recommend that:

1. The payroll function be computerized.
2. New timecards be developed to aid in segregating hours worked by department.

JUSTIFICATION

Cost: Initial \$300 investment for:

1. Key punching data for conversion.

Plus \$125/month computer processing expense (there would be no added keypunching expense because it is a fixed amount shown under Business Office-Admitting costs).

- Benefits:
1. Better information; i.e., data summarized by department, improved accuracy, etc.
 2. A savings in manpower needed to process manual system estimated at \$176/month.
 3. Would allow bookkeeper time to prepare management reports.
 4. Employees would benefit from added year-to-date payroll data.
 5. Hours worked by department could be accurately accumulated.

not discussed at May 22nd
Board Meeting (unapproved)

MATERIALS MANAGEMENT

Problems in the Materials Management area are evidenced by the qualified audit opinion the Hospital has received each of the last three years. There is no perpetual inventory system, thereby, making control over the inventory of supplies almost impossible. Supplies are stored throughout the Hospital from hallways to the basement storeroom. Valuing goods at year end has been an exercise in futility. When prices could not readily be determined from paid invoices, catalogs and vendor quotations were used. There has been no control over the receiving of goods. No standard routine exists on how to handle shipments and thus assure the Hospital has received the goods ordered. Improvement in this area is urgently needed.

A rearrangement of the storeroom stock is needed to improve both control over the inventory and efficiency of operations. Food and medical records are stored in a much needed temperature controlled room. Moving these items closer to the using departments would reduce their access time significantly. Also, moving old x-rays to another location would enable the Hospital to establish definite control over access to storeroom goods.

RECOMMENDATIONS

We recommend that:

1. The Hospital limit access to the storeroom by locking the up-stairs door.
2. The storeroom be cleared of all non-supply type items.
 - (?) a. Food stock items should be moved to the current pharmacy room with the pharmacy being moved to locking cabinets in the anesthesia room.
 - ✓ b. Old x-rays should be moved to the back hall near the Emergency Room.
 - (?) → c. Old medical records should be moved to a temporary storeage location on the main floor until a permanent location can be found.
- ✓ 3. IV's, adhesives and gloves be moved to the temperature controlled room in the basement.
- ✓ 4. A full-time materials manager be hired by July 1, 1979 to replace the current Director of Purchasing at a comparable salary.
- ✓ 5. A perpetual inventory and requisition system be installed and operational by July 1, 1979.

6. A receiving officer be appointed and trained in proper receiving procedures.
7. The Hospital maintain its purchasing function with St. Vincent arranging a prime vendor contract, group purchasing agreements and negotiating all large purchases.
8. A ventilation system be installed in the baseroom storeroom capable of maintaining the temperature below 73 degrees Fahrenheit.

JUSTIFICATION

Cost: Initial \$200-\$2,290 investment for:

1. Ventilation system
2. Shelving material
3. Locks
4. Filing equipment
5. Supplies

Plus \$20/month operating expense

- Benefits:
1. Reduces probability of receiving a qualified audit opinion from CPA firm.
 2. Improves control over supplies.
 3. Increase in departmental efficiency by reducing supply access time.
 4. Reduce loss of supply items caused by spoilage.
 5. Increase first year cash-flow by reducing inventory levels an estimated \$20,000.
 6. Save an estimated \$55,800/year through price reductions on purchased supplies.

Newberg Community Hospital

501 Villa Road

(503) 538-3121

Newberg, Oregon 97132

ARTICLE XIV: AMENDMENTS

Addition. However, in the cases deemed necessary by the medical staff an altered effective date is acceptable with the approval of the governing body.

ARTICLE IX:

Section V

- b. In the event the office of president shall become vacant with less than one-quarter of the term unexpired, the president-elect shall hold both the office of president and president-elect until the annual meeting at which time the office of past president will be filled by a majority vote of the medical staff. This is effective 1 April 1979.

*Farlow - approved
Plews - approved*

RECEIVED

MAY 4 1979

Newberg Community Hospital

CITY OF NEWBERG, ORE.
OFFICE OF RECORDER

Newberg, Oregon

May 22, 1979

The regular monthly meeting of the Newberg Community Hospital Commission was held on Tuesday, May 22, 1979.

Those present included: Don Wilson, Virginia Ostlund, Bill Dolan, Dr. Kern, Andy Anderson, Ernie Smith, Joe Plews, Nick Thoennes, Terry Mahr, Dr. Silvers. Guests included: Milt Robins, Agnes Haugen, Patti Renne, Mayor Elvern Hall, Hank Lewis and Chuck Caffal.

The meeting was called to order at 6:15 PM by the Vice Chairman, Don Wilson, in the absence of Bob Hurford.

MINUTES: The minutes of the regular April meeting were approved as distributed. The minutes of the special commission meeting on May 16th were approved as distributed.

FINANCIAL REPORT: Mr. Thoennes reported on the financial activities for April. For the period of July 1 through April 30th there has been approximately \$60,000 loss in operations for the hospital including a \$28,245 operational loss for the month of April alone. Contributions of \$70,000 received for the year including \$29,000 from Mrs. Hemphill and approximately \$50,000 from the auxiliary show an actual net surplus through the end of April of \$10,731. Loss in operations is primarily due to low census contributing to low utilization in the x-ray, laboratory and emergency room.

PHYSICAL THERAPY CONTRACT: Mr. Thoennes explained that the physical therapy contract had been withheld from the last meeting due to further information needed on the malpractice coverage and the hospital's involvement in the processing of checks for physical therapists. These items have now been included in the contract and are satisfactory. Bill Dolan questioned the terms of the contract, specifically the 71.25% cut from gross revenues allowed for the director. This seemed to be high in terms of other alternatives. Mr. Dolan indicated the Commission wanted to review this in more detail next year when the contract comes under review at the end of June, 1980. Terry Mahr read a resolution to adopt the physical therapy contract. Joe Plews moved to approve the resolution. Seconded by Ernie Smith. The motion was approved unanimously. Bill Dolan added that the Physical Therapist be made aware of the concern of the Commission on the terms of the contract and that the Commission will want to further scrutinize the terms next year.

HCFC: Hank Lewis distributed a progress report on the weeks' activities which indicated that the fund drive has reached \$322,500 as of Friday, May 18, 1979. Hank indicated that he was reasonably confident the drive would reach at least \$600,000 in pledges and that 96-98% of the pledges would be actually realized in dollar contributions. On behalf of HCFC Hank requested that the contract be extended a minimum of 2 weeks and possibly up to four weeks for further coordination of the fund drive.

Newberg Community Hospital Commission, May 22, 1979

Expenses would be \$900 per week plus additional expenses. Mr. Thoennes recommended to the Commission that the contract not be extended based on his review of the situation with Hank and Chuck Caffal. The volunteer campaign is in progress and the secretary will remain on the job for a few months to carry out miscellaneous activities in the solicitation. For these reasons it appeared that the additional expense for HCFC was not warranted. Chuck added that he personally will be involved in the solicitation campaign as chairman and in light of that Hanks' presence was not needed. Don Tarlow moved that the HCFC contract not be extended beyond Friday, May 25th which is the end date of the last extension. Motion was seconded by Joe Plews and approved unanimously.

Mr. Thoennes and Father Wilson expressed their appreciation to Hank for his efforts in the fund drive which are beginning to pay off in contributions.

As a final item, Hank asked the Board to consider processing of thank you letters to contributors. Mrs. Ostlund moved that personal signature be put on all thank you letters. Seconded by Bill Dolan and passed unanimously. Joe Plews will look into the use of a mag card for preparing those letters at A-Dec.

ELECTION OF OFFICERS: Mr. Thoennes gave a review of the rules and regulations regarding the election of officers. The existing rule and regulations indicate that officers will be elected at the annual meeting which is designated as the fourth Friday in July at Noon. Last year officers were elected at the June meeting. The rules and regulations do not outline a process and procedure for elections. Mrs. Ostlund moved to draw up a process which would be considered an amendment to the Rules and Regulations to be presented next month at the June meeting. Nominations would be taken at the next meeting and final vote would be taken at the July meeting. Motion was seconded and passed unanimously. Mr. Thoennes will prepare the amendments to be voted on the next month. Dr. Kern asked that copies of the existing Rules and Regulations be circulated to all members.

MANAGEMENT CONTRACT: Terry Mahr reported that progress had taken place in the management contract with St. Vincent. A final draft is being prepared which will be presented to a sub-committee of the Board including Joe Plews, Andy Anderson, Don Tarlow, Terry Mahr and Bob Hurford. There are no major changes from the first draft. A special Board meeting will be called to consider the final draft when it is available.

Father Wilson read a letter from Dr. Silvers to Bob Hurford which is (#1) attached. This letter included the satisfaction of the Medical Staff with the St. Vincent management proposal and the Medical Staff's request for a resolution regarding several medical staff items. It was pointed out that particular items of the resolution would be in the management contract but the entire resolution would not be incorporated in the specific terms of the contract. It was also clarified that the intent of the contract does not conflict with the contents of the resolution but rather conforms to the wishes of the Medical Staff.

Newberg Community Hospital Commission, May 22, 1979

BUSINESS OFFICE CHANGES: Mr. Thoennes outlined a proposal which is consistent with the original St. Vincent proposal. A copy is attached. (Attachment #II) After considerable discussion, Joe Plews moved to accept the proposal. Motion was seconded by Ernie Smith and approved unanimously.

Mayor Hall indicated that such approval will require a supplemental budget change with the City. Mr. Thoennes will work with Mr. Gilbert on such a change so that the implementation schedule will not be affected.

Mr. Thoennes reported that changes in the purchasing and materials management system will be proposed at the next meeting.

PERSONNEL SYSTEM: Mr. Thoennes stated that Byron Phillips, Director of Personnel at St. Vincent, has been consulting at no charge to Newberg Hospital on the personnel system. It is hoped a salary survey, salary step system and wage adjustments for all employees will be implemented due to Mr. Phillips' efforts by July 1. A meeting with Mr. Phillips and the personnel committee will be called in the near future to present his proposal.

EMERGENCY ROOM PHYSICIANS: Mr. Thoennes reported that a final proposal is being developed regarding expanded coverage of Emergency Room physicians. This proposal is being reviewed by the Medical Staff through the Emergency Room Committee and will be presented to the Board with the final recommendations in the near future.

JCAH SURVEY: Mr. Thoennes reported that the interim self survey for the Joint Commission is being developed and will be sent out in the near future.

CERTIFICATE OF NEED: Mr. Thoennes reported that progress has been made on the draft CN. The draft will be presented to the long range planning committee before June 1 if possible and that a final submission will be made to the HSA soon after. It is hoped that a pre-application conference can be arranged with HSA and SHPDA officials and the long range planning committee in the near future. Mr. Thoennes stressed the need for physician recruitment as a necessary part for the success of the application.

MEDICAL STAFF BY-LAWS AMENDMENTS: Mr. Thoennes presented a Medical Staff By-Laws Amendment (copy attached - attachment #III) for approval by the Board. Don Tarlow moved to accept the amendment. Joe Plews seconded the motion and it was approved unanimously.

JOINT CONFERENCE COMMITTEE: Joe Plews reported that the Certificate of Need had been explained in detail at the last meeting and that physician recruitment had been the main topic of discussion. The committee agreed to pursue the recruitment of an OB-GYN physician as a main priority and additional family practitioners as a secondary priority. Mr. Thoennes will be meeting with Dr. Silvers on these matters in the near future.

CRNA CREDENTIALING: Dr. Silvers reported that the Medical Staff Credentials Committee previously had reviewed the credentials of the two CRNAs who have formally applied for employment at Newberg. He added that in the future, the Medical Staff's wishes are to have administration do the

Newberg Community Hospital Commission, May 22, 1979

hiring of the CRNAs before the Medical Staff reviews and after they are hired the credentials committee will review them. Mr. Thoennes pointed out that CRNA employment usually does not come under the credentialing process in other hospitals but that medical staff review is appropriate. The criteria for Allied Health Credentialing in this case would not apply to CRNAs.

NURSING REPORT: Agnes Haugen reported that the RNs are meeting with administration on Wednesday, May 23rd to discuss future salary and benefit terms. Agnes mentioned that Byron Phillips from St. Vincent is assisting her and Mr. Thoennes in the developemnt of a wage and benefit package for all nurse classifications as well as the rest of the hospita

STAFF-COMMISSION DINNER: Don Tarlow reported that the medical staff and hospital commission dinner scheduled for June 15th at Nendell's in Beaverton will begin with a cocktail hour from 6:30 to 7:30 - no host bar. Costs of the dinner have not been determined yet and may fit within the range of approximately \$9.00 to \$18.00. A total number of commission and staff members and their wives has not yet been determined but can be determined up to a week in advance. The menu will be determined at a later date as well.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 8:30 PM.

Respectfully submitted,



Nick Thoennes, Acting Executive Director

NT:jap

Newberg Community Hospital

501 Villa Road



(503) 538-3121

Newberg, Oregon 97132

May 17, 1979

Robert F. Hurford, Chairman
Hospital Commission
105 N. Meridian
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Dear Bob:

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Robert F. Hurford, Chairman

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Respectfully submitted,


Leonard L. Silvers, M.D.
Chief of Staff

MANAGEMENT RECOMMENDATIONS

Submitted to
NEWBERG COMMUNITY HOSPITAL

by

ST. VINCENT HOSPITAL AND MEDICAL CENTER

May 22, 1979

FIRST YEAR ANALYSIS OF
SAVINGS AND COSTS
ASSOCIATED WITH MANAGEMENT RECOMMENDATIONS

<u>Subject</u>	<u>Savings</u>	<u>Maximum Estimated Costs</u>	<u>Net Savings</u>	<u>Increased Cash Flow</u>
Business Office - Admitting	\$ 90,000	\$ 17,100	\$ 72,900	\$ 99,000
Accounting	-0-	-0-	-0-	-0-
Payroll	2,112	1,800	312	-0-
Materials Management	58,800	2,290	56,510	20,000
TOTAL	\$150,912	\$ 21,190	\$ 129,722	\$ 119,000

not discussed at
May 22nd Board Mtg.

BUSINESS OFFICE - ADMITTING

A key to internal control and efficient operation is fixed responsibility with accountability for action. This defining and segregating of duties with the front office staff is clearly missing. Business Office, Admitting and PBX activities are co-mingled preventing a clear distinction in responsibility. Weak control has led to accounts receivable levels rising 38% between 1977 and 1978 fiscal years.

The inefficiency of the posting machine has resulted in a bad debt experience substantially above national levels. An aging of accounts receivables report has been prepared only sporadically with questionable accuracy. The general ledger and the accounts receivable posting cards have not balanced necessitating yearly adjustments. An entirely new system is needed to bring this area up to acceptable standards.

RECOMMENDATIONS

We recommend that:

1. The A/R and billing functions be computerized by June 30, 1979.
2. The Business Office be separated from the current office location staffing it with 3.5 FTE's.
3. The Admitting Office be staffed with 3.5 FTE's. Duties should also include PBX and batch processing functions.
4. A credit manager be appointed with duties to consume about 0.5 FTE's.

JUSTIFICATION

Cost: Initial \$2,100 investment for:

1. Key punching data for conversion

Plus \$650/month computer processing expense

Plus \$300-\$600/month for key punching

Benefits: 1. Improved reporting

2. Increased control

3. Reduce bad debt experience

4. Reduce lost charges by an estimated \$90,000/year.

5. Improve first year cash-flow by an estimated \$99,000 through reductions in outstanding accounts receivables.

ACCOUNTING AND REPORTING SYSTEMS

The Hospital's accounting and reporting systems need strengthened to establish adequate internal control and to provide management with necessary operating statistics. At present, there is virtually no control over the accounts payable function. Bills are paid without regard to whether goods were actually received. The Hospital's general ledger system does not provide an appropriate matching of revenue and expense accounts or contain sufficient detail to give an adequate breakdown of costs. In addition, there is an absence of a management reporting system. The problem is compounded further by the lack of sound budgeting procedures. Without reports showing operating levels, revenue and expenses by department, the Hospital Board, Administrator and department heads cannot be expected to consistently make sound financial decisions.

RECOMMENDATIONS

We recommend that:

1. The Hospital's general ledger system be redesigned to (i) provide a proper matching of revenue and expense accounts; (ii) provide more detail; and (iii) eliminate unneeded categories.
2. A new accounts payable system be established.
3. Management reports be designed to provide a sound overview of operations while still containing sufficient detail to make management decisions.
4. A budgeting system be implemented which allows management to monitor monthly performance.
5. All blank checks be locked in a secure location when not being used.

JUSTIFICATION

Cost: Negligible

Benefits: 1. Provides pertinent information in a timely fashion to:

- a. Hospital Board
 - b. Administrator
 - c. Department Heads
2. Informed management decisions
3. A tool to measure performance
4. Improves internal control
- a. Reduces possibility of lost or stolen checks
 - b. Reduces possibility of paying for goods not received.

PAYROLL SYSTEM

The Hospital has a hybrid manual and mechanized payroll system resulting in a duplication of work. The Burroughs posting machine is used to write checks and calculate employee deductions. However, the machine is limited to only five deductions which is less than half the number needed. This means that a manual record must be maintained to supplement the posting machine output. The time spent manually calculating deductions, maintaining a separate payroll register and physically operating the posting machine can be better utilized and is needed in other areas.

RECOMMENDATIONS

We recommend that:

1. The payroll function be computerized.
2. New timecards be developed to aid in segregating hours worked by department.

JUSTIFICATION

Cost: Initial \$300 investment for:

1. Key punching data for conversion.

Plus \$125/month computer processing expense (there would be no added key punching expense because it is a fixed amount shown under Business Office-Admitting costs).

- Benefits:
1. Better information; i.e., data summarized by department, improved accuracy, etc.
 2. A savings in manpower needed to process manual system estimated at \$176/month.
 3. Would allow bookkeeper time to prepare management reports.
 4. Employees would benefit from added year-to-date payroll data.
 5. Hours worked by department could be accurately accumulated.

not discussed at May 22nd
Board Meeting (unapproved)

MATERIALS MANAGEMENT

Problems in the Materials Management area are evidenced by the qualified audit opinion the Hospital has received each of the last three years. There is no perpetual inventory system, thereby, making control over the inventory of supplies almost impossible. Supplies are stored throughout the Hospital from hallways to the basement storeroom. Valuing goods at year end has been an exercise in futility. When prices could not readily be determined from paid invoices, catalogs and vendor quotations were used. There has been no control over the receiving of goods. No standard routine exists on how to handle shipments and thus assure the Hospital has received the goods ordered. Improvement in this area is urgently needed.

A rearrangement of the storeroom stock is needed to improve both control over the inventory and efficiency of operations. Food and medical records are stored in a much needed temperature controlled room. Moving these items closer to the using departments would reduce their access time significantly. Also, moving old x-rays to another location would enable the Hospital to establish definite control over access to storeroom goods.

RECOMMENDATIONS

We recommend that:

1. The Hospital limit access to the storeroom by locking the upstairs door.
2. The storeroom be cleared of all non-supply type items.
 - (?) a. Food stock items should be moved to the current pharmacy room with the pharmacy being moved to locking cabinets in the anesthesia room.
 - ✓ b. Old x-rays should be moved to the back hall near the Emergency Room.
 - (?) → c. Old medical records should be moved to a temporary storage location on the main floor until a permanent location can be found.
- ✓ 3. IV's, adhesives and gloves be moved to the temperature controlled room in the basement.
- ✓ 4. A full-time materials manager be hired by July 1, 1979 to replace the current Director of Purchasing at a comparable salary.
- ✓ 5. A perpetual inventory and requisition system be installed and operational by July 1, 1979.

6. A receiving officer be appointed and trained in proper receiving procedures.

7. The Hospital maintain its purchasing function with St. Vincent arranging a prime vendor contract, group purchasing agreements and negotiating all large purchases.

8. A ventilation system be installed in the baseroom storeroom capable of maintaining the temperature below 73 degrees Fahrenheit.

JUSTIFICATION

Cost: Initial \$200-\$2,290 investment for:

1. Ventilation system
2. Shelving material
3. Locks
4. Filing equipment
5. Supplies

Plus \$20/month operating expense

Benefits: 1. Reduces probability of receiving a qualified audit opinion from CPA firm.

2. Improves control over supplies.

3. Increase in departmental efficiency by reducing supply access time.

4. Reduce loss of supply items caused by spoilage.

5. Increase first year cash-flow by reducing inventory levels an estimated \$20,000.

6. Save an estimated \$55,800/year through price reductions on purchased supplies.

Newberg Community Hospital

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ARTICLE XIV: AMENDMENTS

Addition. However, in the cases deemed necessary by the medical staff an altered effective date is acceptable with the approval of the governing body.

ARTICLE IX:

Section V

- b. In the event the office of president shall become vacant with less than one-quarter of the term unexpired, the president-elect shall hold both the office of president and president-elect until the annual meeting at which time the office of past president will be filled by a majority vote of the medical staff. This is effective 1 April 1979.

*Garlow - approved
Plews - second*

Newberg Community Hospital


Newberg, Oregon

May 22, 1979

The regular monthly meeting of the Newberg Community Hospital Commission was held on Tuesday, May 22, 1979.

Those present included: Don Wilson, Virginia Ostlund, Bill Dolan, Dr. Kern, Andy Anderson, Ernie Smith, Joe Plews, Nick Thoennes, Terry Mahr, Dr. Silvers. Guests included: Milt Robins, Agnes Haugen, Patti Renne, Mayor Elvern Hall, Hank Lewis and Chuck Caffal.

The meeting was called to order at 6:15 PM by the Vice Chairman, Don Wilson, in the absence of Bob Hurford.

MINUTES: The minutes of the regular April meeting were approved as distributed. The minutes of the special commission meeting on May 16th were approved as distributed.

FINANCIAL REPORT: Mr. Thoennes reported on the financial activities for April. For the period of July 1 through April 30th there has been approximately \$60,000 loss in operations for the hospital including a \$28,245 operational loss for the month of April alone. Contributions of \$70,000 received for the year including \$29,000 from Mrs. Hemphill and approximately \$50,000 from the auxiliary show an actual net surplus through the end of April of \$10,731. Loss in operations is primarily due to low census contributing to low utilization in the x-ray, laboratory and emergency room.

PHYSICAL THERAPY CONTRACT: Mr. Thoennes explained that the physical therapy contract had been withheld from the last meeting due to further information needed on the malpractice coverage and the hospital's involvement in the processing of checks for physical therapists. These items have now been included in the contract and are satisfactory. Bill Dolan questioned the terms of the contract, specifically the 71.25% cut from gross revenues allowed for the director. This seemed to be high in terms of other alternatives. Mr. Dolan indicated the Commission wanted to review this in more detail next year when the contract comes under review at the end of June, 1980. Terry Mahr read a resolution to adopt the physical therapy contract. Joe Plews moved to approve the resolution. Seconded by Ernie Smith. The motion was approved unanimously. Bill Dolan added that the Physical Therapist be made aware of the concerns of the Commission on the terms of the contract and that the Commission will want to further scrutinize the terms next year.

HCFC: Hank Lewis distributed a progress report on the weeks' activities which indicated that the fund drive has reached \$322,500 as of Friday, May 18, 1979. Hank indicated that he was reasonably confident the drive would reach at least \$600,000 in pledges and that 96-98% of the pledges would be actually realized in dollar contributions. On behalf of HCFC Hank requested that the contract be extended a minimum of 2 weeks and possibly up to four weeks for further coordination of the fund drive.

Newberg Community Hospital Commission, May 22, 1979

Expenses would be \$900 per week plus additional expenses. Mr. Thoennes recommended to the Commission that the contract not be extended based on his review of the situation with Hank and Chuck Caffal. The volunteer campaign is in progress and the secretary will remain on the job for a few months to carry out miscellaneous activities in the solicitation. For these reasons it appeared that the additional expense for HCFC was not warranted. Chuck added that he personally will be involved in the solicitation campaign as chairman and in light of that Hanks' presence was not needed. Don Tarlow moved that the HCFC contract not be extended beyond Friday, May 25th which is the end date of the last extension. Motion was seconded by Joe Plews and approved unanimously.

Mr. Thoennes and Father Wilson expressed their appreciation to Hank for his efforts in the fund drive which are beginning to pay off in contributions.

As a final item, Hank asked the Board to consider processing of thank you letters to contributors. Mrs. Ostlund moved that personal signatures be put on all thank you letters. Seconded by Bill Dolan and passed unanimously. Joe Plews will look into the use of a mag card for preparing those letters at A-Dec.

ELECTION OF OFFICERS: Mr. Thoennes gave a review of the rules and regulations regarding the election of officers. The existing rule and regulations indicate that officers will be elected at the annual meeting which is designated as the fourth Friday in July at Noon. Last year officers were elected at the June meeting. The rules and regulations do not outline a process and procedure for elections. Mrs. Ostlund moved to draw up a process which would be considered an amendment to the Rules and Regulations to be presented next month at the June meeting. Nominations would be taken at the next meeting and final vote would be taken at the July meeting. Motion was seconded and passed unanimously. Mr. Thoennes will prepare the amendments to be voted on the next month. Dr. Kern asked that copies of the existing Rules and Regulations be circulated to all members.

MANAGEMENT CONTRACT: Terry Mahr reported that progress had taken place in the management contract with St. Vincent. A final draft is being prepared which will be presented to a sub-committee of the Board including Joe Plews, Andy Anderson, Don Tarlow, Terry Mahr and Bob Hurford. There are no major changes from the first draft. A special Board meeting will be called to consider the final draft when it is available.

Father Wilson read a letter from Dr. Silvers to Bob Hurford which is (#1) attached. This letter included the satisfaction of the Medical Staff with the St. Vincent management proposal and the Medical Staff's request for a resolution regarding several medical staff items. It was pointed out that particular items of the resolution would be in the management contract but the entire resolution would not be incorporated in the specific terms of the contract. It was also clarified that the intent of the contract does not conflict with the contents of the resolution but rather conforms to the wishes of the Medical Staff.

Newberg Community Hospital Commission, May 22, 1979

BUSINESS OFFICE CHANGES: Mr. Thoennes outlined a proposal which is consistent with the original St. Vincent proposal. A copy is attached. (Attachment #II) After considerable discussion, Joe Plews moved to accept the proposal. Motion was seconded by Ernie Smith and approved unanimously.

Mayor Hall indicated that such approval will require a supplemental budget change with the City. Mr. Thoennes will work with Mr. Gilbert on such a change so that the implementation schedule will not be affected.

Mr. Thoennes reported that changes in the purchasing and materials management system will be proposed at the next meeting.

PERSONNEL SYSTEM: Mr. Thoennes stated that Byron Phillips, Director of Personnel at St. Vincent, has been consulting at no charge to Newberg Hospital on the personnel system. It is hoped a salary survey, salary step system and wage adjustments for all employees will be implemented due to Mr. Phillips' efforts by July 1. A meeting with Mr. Phillips and the personnel committee will be called in the near future to present his proposal.

EMERGENCY ROOM PHYSICIANS: Mr. Thoennes reported that a final proposal is being developed regarding expanded coverage of Emergency Room physicians. This proposal is being reviewed by the Medical Staff through the Emergency Room Committee and will be presented to the Board with the final recommendations in the near future.

JCAH SURVEY: Mr. Thoennes reported that the interim self survey for the Joint Commission is being developed and will be sent out in the near future.

CERTIFICATE OF NEED: Mr. Thoennes reported that progress has been made on the draft CN. The draft will be presented to the long range planning committee before June 1 if possible and that a final submission will be made to the HSA soon after. It is hoped that a pre-application conference can be arranged with HSA and SHPDA officials and the long range planning committee in the near future. Mr. Thoennes stressed the need for physician recruitment as a necessary part for the success of the application.

MEDICAL STAFF BY-LAWS AMENDMENTS: Mr. Thoennes presented a Medical Staff By-Laws Amendment (copy attached - attachment #III) for approval by the Board. Don Tarlow moved to accept the amendment. Joe Plews seconded the motion and it was approved unanimously.

JOINT CONFERENCE COMMITTEE: Joe Plews reported that the Certificate of Need had been explained in detail at the last meeting and that physician recruitment had been the main topic of discussion. The committee agreed to pursue the recruitment of an OB-GYN physician as a main priority and additional family practitioners as a secondary priority. Mr. Thoennes will be meeting with Dr. Silvers on these matters in the near future.

CRNA CREDENTIALING: Dr. Silvers reported that the Medical Staff Credentials Committee previously had reviewed the credentials of the two CRNAs who have formally applied for employment at Newberg. He added that in the future, the Medical Staff's wishes are to have administration do the

Newberg Community Hospital Commission, May 22, 1979

hiring of the CRNAs before the Medical Staff reviews and after they are hired the credentials committee will review them. Mr. Thoennes pointed out that CRNA employment usually does not come under the credentialing process in other hospitals but that medical staff review is appropriate. The criteria for Allied Health Credentialing in this case would not apply to CRNAs.

NURSING REPORT: Agnes Haugen reported that the RNs are meeting with administration on Wednesday, May 23rd to discuss future salary and benefit terms. Agnes mentioned that Byron Phillips from St. Vincent is assisting her and Mr. Thoennes in the developemnt of a wage and benefit package for all nurse classifications as well as the rest of the hospita

STAFF-COMMISSION DINNER: Don Tarlow reported that the medical staff and hospital commission dinner scheduled for June 15th at Nendell's in Beaverton will begin with a cocktail hour from 6:30 to 7:30 - no host bar. Costs of the dinner have not been determined yet and may fit within the range of approximately \$9.00 to \$18.00. A total number of commission and staff members and their wives has not yet been determined but can be determined up to a week in advance. The menu will be determined at a later date as well.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 8:30 PM.

Respectfully submitted,



Nick Thoennes, Acting Executive Director

NT:jp