



2006 Annual Report

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Pacific Hospital Preservation & Development Authority

Overview

Purpose and Mission

The City of Seattle chartered the Pacific Hospital Preservation & Development Authority (PHPDA) in 1981. Its principal asset is the Beacon Hill property known previously as the Public Health Service Hospital or Pacific Hospital, consisting of a 14-story “hospital tower” leased to Wright Runstad (sub-leased to Amazon.com), a clinic in the ground floor & basement of the “tower building,” six Officers’ Quarters buildings and a patient parking garage all leased to Pacific Medical Centers, and the surrounding grounds.

The PHPDA purpose (per the revised Charter, as approved by the Mayor of Seattle on November 2, 2004) is: To support and provide funding for the provision of the best possible health care to medically underserved communities in the greater Puget Sound area, including those referred through community clinics, those with limited access to medical care, and all others who are in need of charity health care.

The PHPDA adopted the following **Mission** and **Goals** in December 2004:

Mission: To champion effective health care for the vulnerable and disadvantaged in our community.

PHPDA Goals/Roles:

- Promote the increased provision of specialty services for the underserved and uninsured.
- Promote high quality, culturally appropriate health care in our community.
- Promote improved health care for the vulnerable and disadvantaged by “telling their story” (i.e. putting a face on their health care needs and the efforts of those who seek to address those needs).
- Assure that the PHPDA’s Charity Care Commitment is met, by providing funding for health care services for indigent, Medicaid, and Medicare patients, with a priority on providing specialty services to patients referred by Community Health Centers and Seattle-King County Department of Public Health Clinics.

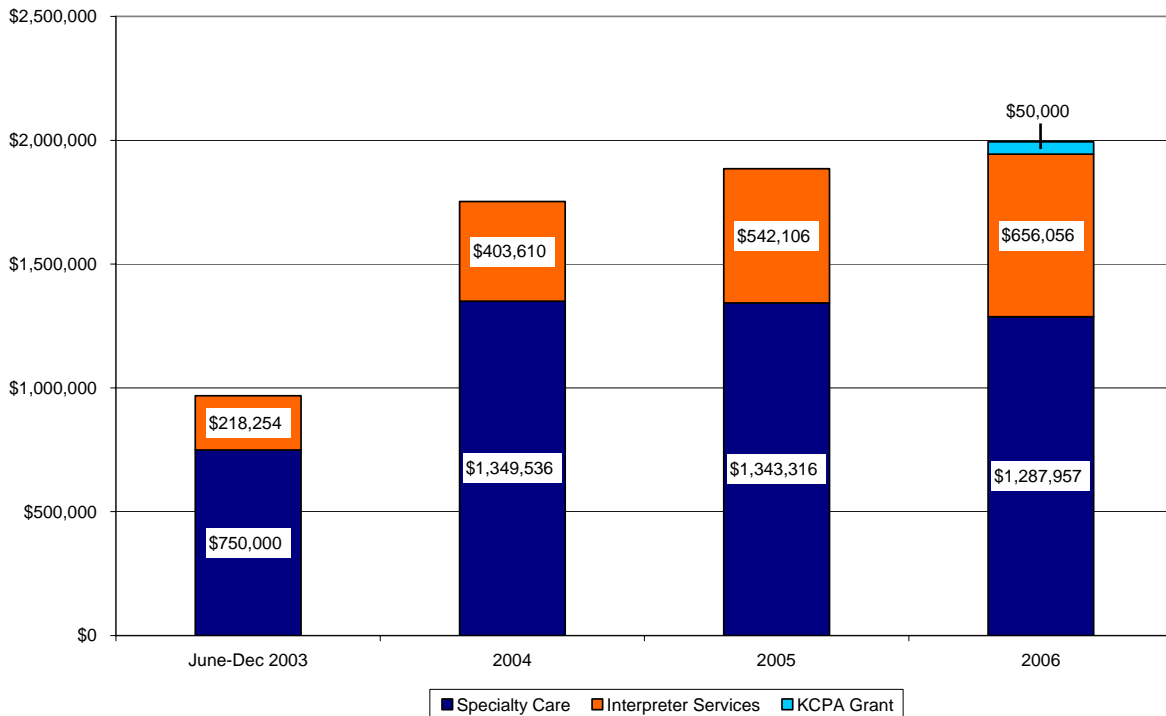
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Key Events in 2006

Provision of health care services to the vulnerable and disadvantaged

In 2006 the PHPDA provided an estimated \$1.29 million, through a contract with Pacific Medical Centers, to underwrite specialty care services for the uninsured (the “Charity Care” program). An additional \$656,000 (estimated) was used to provide interpreter services for Medicaid patients, at over 9,680 medical appointments, through the Federal Medicaid Match Program (48.5% Medicaid Match, 51.5% PHPDA funds).

2003-2006 PHPDA Use of Program Funds

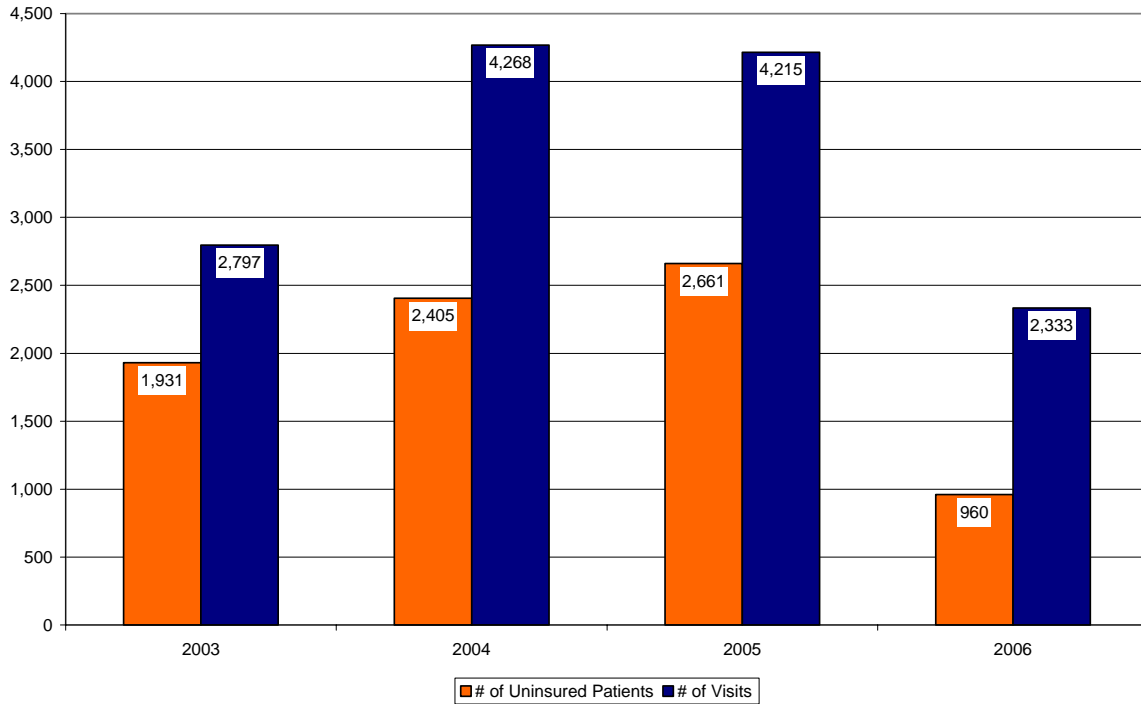


Charity Care services goals met in 2006

The PHPDA has a baseline goal of providing \$1.5 million in services to the uninsured (leveraged by its \$1.29 million in funding) through its contractor, Pacific Medical Centers. For 2006, Pacific Medical Centers provided over \$2.1 million in services to the uninsured. The value of these services is based on full charges. *Refer to the Charity Care Report, p.7.* This baseline goal was thus met in 2006.

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Specialty Care Patients & Visits Supported by PHPDA Contributions



Charity Care patient goals not met in 2006

Through the Charity Care program, 960 patients received specialty health care services that they could not otherwise afford in 2006, over a total of 2,333 visits. However, the benchmark goal of 1,100 patients seen was not met. The PHPDA has been actively tracking this decline throughout 2006, and has taken action to address this issue. A Systems Study project was funded and an RFP developed. In early 2007 the PHPDA hired a consulting firm and established an Oversight Committee of safety net organizations to study the referral and eligibility processes that are in place for referring low-income patients from primary care clinics to specialty care providers (Pacific Medical Centers and others). The goals of the study will be to thoroughly understand the processes involved and to generate recommendations for system-wide improvement. The PDA plans to initiate this study in early 2007, with project completion slated for July 2007.

Expanding specialty care access

The PHDPA made a \$50,000 Grant to King County Project Access (KCPA), which KCPA was able to leverage to successfully secure additional funding. KCPA is an initiative that encourages donations of charity health care to the uninsured by local specialist physicians. The program model is founded on physicians volunteering their time to see patients for free, and on other community partners, such as hospitals, donating the additional medical services needed. Physicians volunteer to care for a proportional “share” of the uninsured population, typically 10 primary care patients or 20 specialty care patients per year.

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Culturally appropriate health care

In 2006, the PHPDA provided funding for interpreters at over 9,680 Medicaid appointments through its Interpreter Services program, which is partially funded by the Washington State Department of Social and Health Services. (The PHPDA contracts with Pacific Medical Centers to provide the interpreter services to Medicaid patients.) Funding for this program in 2006 was projected to be over \$656,000 (final numbers available in early April 2007).

In 2006 the PHPDA embarked on a new project to support its goal of culturally appropriate health care: to develop a medical interpreter database for use by health care organizations in the Puget Sound region. The database will help to identify and locate interpreters with specific qualities that are in demand. The goal and expected result of this project is to benefit each of the participating organizations by pooling their interpreter resources – which will directly lead to improved care for patients needing interpreters. The collaborative nature of the project will streamline and encourage communication and information exchange between the organizations, will speed up the process of identifying appropriate and high-quality interpreters for patients, and should lead to lower costs system-wide.

The PHPDA worked with interpreter services managers from Harborview Medical Center, the University of Washington, and the Seattle-King County Department of Public Health to develop requirements for the online database. Construction of the database will begin in early 2007, for completion by May 2007. The PHPDA is funding this project in its entirety.

Communications

In 2006 the PHPDA designed and created its first website, at www.phpda.org. The website serves to communicate the PDA's mission and work to the public.

In addition, 2006 saw production of the PDA's first "Report to the Community," a document sent out to key stakeholders and distributed to the public at various events. The report details the PDA's use of funds, current programs, goals, and more. This report will be produced annually.

Property stewardship

In April of 2006, the PHPDA undertook a two-part study of the property and building maintenance practices of its two long-term tenants. Part 1 of the study was a review of existing maintenance documentation, such as service and maintenance contracts and test reports, provided by the tenants. Part 2 of the study was a Limited Project Condition Assessment/Maintenance Review of the property and buildings by Marx/Okubo Associates, Inc. This phase of the project was completed in December 2006.

The PHPDA will continue to monitor the maintenance practices of its lessees, in support of its charge of stewardship for the property. Maintenance issues will continue to be brought to the attention of the lessees in a timely manner.

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Financial oversight

The PHPDA Governing Council took the following actions in 2006, in response to recommendations of the Finance Committee:

- **INVESTMENTS:** The PHPDA adopted an Investment Policy, establishing a clear understanding of the expectations, objectives, and constraints that will be considered when making investment decisions for the PDA’s financial assets.
- **GRANT MAKING:** Beginning in 2007, the PHPDA will have \$400,000+ available annually for grant making or the development of its own projects. In preparation for these new activities, a granting process, guidelines, schedule, and forms were developed in 2006.
- **AUDITS:** The State Auditor completed an audit for 2003-2004. There were no findings or comments. An external audit of the 2005 financial statements resulted in no findings or comments.
- **TAX STATUS:** The IRS notified the PHPDA of the modification of the basis for reporting the PDA’s 501(c)3 tax status, from the designation of “hospital” to the designation of “affiliate of a governmental unit.” The IRS also noted that the PHPDA would no longer be required to submit 990 tax returns, based on this modified status.

Governing Council

The PHPDA is governed by a board of nine volunteer community representatives who oversee its activities and work to protect its asset (the property). In 2006, two new members were appointed to the Governing Council, and two were reappointed for three-year terms.

PHPDA Council Members and Officers as of January 2007

Council Member	Position(s)	Employment	Term ends	Appointing authority
Gary A. Zimmerman	Council Chair, <i>Ex Officio</i> , Planning & Finance Committees	Retired University Administrator	December 2007	PHPDA Council
Kevin Fox	Council Vice Chair, Finance Committee member	Bank of America	December 2008	PHPDA Council
Theresa J. Rambosek	Council Secretary, Planning Committee member	Bennett, Bigelow, & Leedom	December 2007	PHPDA Council
Dr. Tom Wood	Council Treasurer, Finance Committee Chair	Swedish Medical Center	December 2008	Mayor

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Linda Ruiz	Planning Committee Chair	Affiliated Computer Services	December 2009	Mayor
Steve Brennan	Planning Committee member	Providence Health System	December 2007	Mayor
Dr. Carey Jackson	Planning Committee member	Harborview Medical Center	December 2008	Mayor
Wendy Watanabe (appointed Jan 1, 2007)	Planning Committee member	Consultant (self-employed)	December 2009	PDA Council
Lance Wilken (appointed Jan 1, 2007)	Finance Committee member	CB Richard Ellis	December 2009	King County Executive
Rosemary Barker Aragon	<i>Ex Officio</i> , all committees	PHPDA Executive Director		

The Council Chair, Treasurer, and Executive Director are bonded for \$6,000 each.

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2006 Charity Care Report

The PHPDA has a contract with Pacific Medical Centers, wherein the latter serves as the PDA's contracted organization to deliver charity health care services to uninsured patients. Priority is given to the provision of specialty care services, and Pacific Medical Centers commits to accepting patients referred by the Community Health Centers and the Seattle-King County Department of Health.

**PHPDA Annual Charity Care Report – Services Provided by Pacific Medical Centers
2006 compared to 2005**

Charity Care Financial Commitment (Value of services – charges – to the uninsured & underinsured)	2005	2006
Charity care to indigent persons	\$2,540,365	\$1,510,428*
Unreimbursed costs of interpreter services	\$297,494	\$313,222
Bad debt (exceeding the MGMA average)	-	Not exceeding baseline
10% of Medicaid Contractual Allowances	\$322,610	\$340,523
ANNUAL TOTAL	\$3,160,469	\$2,164,173
REQUIREMENT OF \$1.5 MILLION MINIMUM	Baseline requirement EXCEEDED	Baseline requirement EXCEEDED
Other Significant Care		
Medicaid Contractual Allowances (90%)	\$2,903,494	\$3,064,711
Medicare Contractual Allowances	\$4,852,614	\$5,893,489
TOTAL other services	\$7,756,108	\$8,958,200

Patients Served	1988 Benchmark Annual Goal	# Patients 2005	# Patients 2006
Unduplicated Charity Care Patients	1,100	2,661	968
Unduplicated Medicaid Patients	2,271	5,436	5,121
Unduplicated Medicare Patients	1,464	5,828	6,294

	2005	2006
Patient Satisfaction (On a scale of 1-5, with 5 being excellent.)	4.17	4.29

*In 2006, the PHPDA provided an estimated \$1.29 million to subsidize charity care services provided by Pacific Medical Centers under contract with the PHPDA.

** **Source:** General patient population "satisfaction with overall quality of care" rating** - https://www.premera.com/stellent/groups/public/documents/xcpproject/mwa_qs_satis_card_2005.asp

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Priorities for 2007

Planning Committee Goals:

- Monitor the Charity Care program and work to ensure that the PHPDA's Charity Care Commitment is met (per the King County-PHPDA Interlocal Agreement) by:
 - Completing the referral and eligibility systems study, and working with safety net clinics and Pacific Medical Centers to help them implement recommendations;
 - Continuing to improve access to specialty care for the uninsured and underinsured by working with King County Project Access (KCPA) to ensure its success and development;
 - Implementing the medical interpreter database;
 - Investigating the possibilities for a "Navigator System" project (to promote culturally appropriate care) and moving this concept forward.

Finance Committee Goals:

- Work with the PHPDA's two long-term tenants, following up on the recommendations of the 2006 property maintenance review.
- Continue to monitor the obligations of the PDA's Charity Care and Interpreter Services contractors.
- Explore a long-term fundraising plan that will enhance and support the PHPDA's missions and goals.
- Monitor grantee performance and establish clear reporting requirements for each organization receiving PHPDA grant money.

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Financial Information

Operating Budget

The PHPDA 2007 Operating Budget was approved on February 13, 2007. The PHPDA has no capital budget.

Cash Revenues:	<u>\$2,619,942</u>
Operating Expenses:	<u>\$281,436</u>
Pass-Through Expenses*:	<u>\$304,740</u>
Grants/Projects/Services:	<u>\$2,033,766</u>
Depreciation (non-cash):	<u>\$1,059,760</u>

*The PHPDA pays leasehold excise and property taxes on behalf of its two long-term tenants, and is subsequently reimbursed for these taxes.

PHPDA revenue sources are: 1) rental income (from the two long-term tenants, Wright Runstad and Pacific Medical Centers); 2) government grants (DSHS Medicaid Match funding for interpreter services); 3) lessee property and excise tax reimbursements, and; 4) interest income.

As of January 1, 2007, the PHPDA held \$100,000 in its Operating Reserve Fund and \$75,000 in its Maintenance Reserve Fund.

List of Depositories

PHPDA monies are deposited in Bank of America checking, savings, and sweep accounts.

Certified statement of assets, liabilities, income, and expenses for 2006

The December 31, 2005 PHPDA Financial Statements and Schedules (with Independent Auditors' Report thereon) were transmitted to the City of Seattle in June 2006. The 2006 Audit will be transmitted upon completion.

Prepared March 2007 by Rosemary Barker Aragon, Executive Director
Approved March 13, 2007: PHPDA Governing Council