



W A S H I N G T O N

HEALTH CARE FACILITIES

A U T H O R I T Y

Financing the Health Care Future

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Department of Health
John Wiesman

Public Member
Ronald K. Sperling

Executive Director
Donna A. Murr

Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, WA 98504
Monday, March 14, 2016 Meeting Minutes

A special meeting was held at the office of the Washington Health Care Facilities Authority. Meeting notices were mailed to all members of the Authority, to all persons who requested such meeting notice, and to those members of the media presently on the mailing list for receiving meeting notices of the Washington Health Care Facilities Authority.

Members Present:

Brad Owen, Lieutenant Governor/Member, by conference speakerphone
John Wiesman, Secretary of Health/Member, by conference speakerphone
Ron Sperling, Public Member, by conference speakerphone

Authority Staff Present:

Donna Murr, Executive Director, served as facilitator at the request of Lieutenant Governor Owen
Shannon Govia, Assistant Executive Director
Ashlee Frye, Chief Financial and Compliance Officer
Danni Miller, Executive Assistant/Office Manager

Others Present:

Dan Gottlieb, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone
William Singer, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone
Brandon Pond, Authority Bond Counsel, Hillis Clark Martin & Peterson P.S., by conference speakerphone
Mayling Leong, Authority Bond Counsel, Orrick, Herrington & Sutcliffe LLP, by conference speakerphone
Raul Ardelean, Authority Financial Advisor, Melio & Company, by conference speakerphone
John Doyle, Chief Financial Officer, Confluence Health, by conference speakerphone
Steve Jacobs, Vice President of Finance, Confluence Health, by conference speakerphone

Ms. Murr called the meeting to order at 9:04 a.m. after noting a quorum was present consisting of Lieutenant Governor Brad Owen, John Wiesman and Ron Sperling.

Review, discussion and possible action regarding the Minutes of February 18, 2016.

After discussion and upon motion by Mr. Sperling and seconded by Mr. Wiesman, the minutes of the February 18, 2016 Authority meeting were unanimously accepted by roll call vote.

Review, discussion and possible action regarding the application for financial assistance submitted by Yakima Valley Memorial Hospital Association.

Ms. Murr stated, for the record, that Yakima Valley Memorial Hospital Association requested that its application be pulled from this agenda until a later date.

Review, discussion and possible action regarding the application for financial assistance submitted by Confluence Health.

Ms. Murr introduced Mr. John Doyle and Mr. Steve Jacobs and indicated that Mr. Govia will present the application submitted by Confluence Health.

Mr. Govia summarized the application submitted by Confluence Health, a health system located in Wenatchee, Washington. Confluence Health is the parent organization of and operates Central Washington Health Services Association, dba Central Washington Hospital, and Wenatchee Valley Hospital. The application is for \$25,000,000.

This application was submitted as a quick loan but you will notice some differences with this particular application. The loan is being structured is an EZ Quip-Private Placement. This is not a "true" EZ Quip loan as the project did not need to be bid out by the Authority, but will be structured in a similar manner. A Quick Loan private placement typically has a Deed of Trust and Financing Agreement, but this loan will not as it is a lease and the primary security will be software and guarantees from Central Washington Hospital and Wenatchee Valley Hospital.

The lender is Banc of America Public Capital Corp. Feasibility will be determined by the lender. A TEFRA hearing will be scheduled. The interest rate for this private placement as outlined in the term sheet will be an indicative fixed rate estimated at 1.52% with a 7 year term. The depository bank is to be determined. The estimated savings and public benefit is approximately \$813,593 over the life of the proposed bond issue by financing at tax-exempt rates compared to taxable rates. The current WHCFA debt for Central Washington Hospital is \$110,380,000.

The purpose of this loan is to replace Central Washington Hospital's Cerner electronic health records and billing system with Epic's hospital and billing system and to pay costs of issuance. This transition would provide advantages such as standardization and

integration of ambulatory and hospital systems, ability to standardize workflow(s) and improved medication reconciliation amongst other benefits.

Based on review of the application, Bond Counsel has determined that the borrower and the project qualify for financing under the Authority statute. Such determinations are still subject to Bond Counsel's due diligence review. Mr. Govia urged the Authority's acceptance of the application.

Mr. Govia introduced Mr. Doyle, Chief Financial Officer and Mr. Jacobs, Vice President of Finance from Confluence Health.

In response to Mr. Sperling's inquiry about the EZ Quip program and the lending limits of the program, Mr. Govia stated that there are no limitations as to the application amount. Ms. Murr confirmed Mr. Govia's statement.

In response to Mr. Sperling's inquiry about the financial data provided with the application, specifically the significant revenue increase from 2013 to 2014, Mr. Doyle said it was a result of several factors. These factors are the affiliation of Wenatchee Valley Hospital and Central Washington Hospital to become a part of Confluence Health, the timing of the affiliations as it pertains to revenue, and a shift in services that resulted in moving some services between tax identification numbers, such as the transfer of the chemo infusion program from Wenatchee Valley Hospital to Central Washington Hospital and the consolidation of orthopedic procedures at Central Washington Hospital.

In response to Mr. Sperling's inquiry about moving from one electronic medical records system to another and whether it would result in a significant write off, Mr. Jacobs stated that the Cerner system has been fully depreciated.

After further discussion, without public comment and upon motion by Mr. Sperling and seconded by Mr. Wiesman, the application for financial assistance submitted by Confluence Health was unanimously accepted by roll call vote.

Executive Directors Report.

Ms. Murr reviewed the Executive Director's Report presented in the board materials including the status of Authority financings, financial statements, status report and debt service report.

Adjournment:

There being no further business, the meeting was adjourned at 9:20 a.m.

John Wiesman, Secretary