



# Peninsula Health Care District

## BOARD OF DIRECTORS REGULAR MEETING Thursday, December 9, 2010

### **CALL TO ORDER:**

**Chair Ullyot** called the meeting to order at 17:45 hours at the Millbrae Council Chambers, 621 Magnolia Avenue, Millbrae, CA.

**ROLL CALL:** On roll call there were present Dan Ullyot, MD, Chair, Rick Navarro, MD, Vice-Chair, Helen Galligan, RN, Secretary, and Lawrence Cappel, PhD, Treasurer.

**ABSENT:** Don Newman, M.D., due to vacation out of country.

**Also present were:** Cheryl Fama, Chief Executive Officer, Colin Coffey, General Legal Counsel, Kelly Molloy, District Community Outreach Coordinator.

**CONSENT CALENDAR:** The Consent Calendar consisting of the Regular Session minutes for October 28, 2010, the Treasurer's Report, the unaudited Financial Statements for October 31, 2010, and audited financial statements for June 30, 2010, July 31, 2010, August 31, 2010 and September 30, 2010 were presented.

***DIRECTOR GALLIGAN MOVED AND DIRECTOR NAVARRO SECONDED THE MOTION TO APPROVE THE CONSENT CALENDAR AS PRESENTED. THE MOTION CARRIED UNANIMOUSLY.***

### **COMMUNITY EDUCATION:**

**1. Mills-Peninsula Health Services Update; Mr. Robert Merwin, President & CEO**

**Mr. Merwin** covered the following:

- The new hospital construction is 99.9% complete; Turner Construction is projected to turn the building over to MPHS on December 20, 2010.
  - Physicians will move into the new Medical Office Building on the December 20<sup>th</sup>.
  - Administration will move in between Christmas and New Year's.
  - February 13<sup>th</sup> is still the targeted patient move in date.
- MPHS was one of only 62 hospitals in the U.S. to receive a *Top Hospital Award* from Leap Frog, an organization founded by large businesses in San Francisco that put a national system in place to monitor quality, efficiency and patient safety. Other recipients include the Mayo Clinics, Cleveland Clinic, Stanford, and Vanderbilt.
- MPHS Chief Operating Officer, Carrie Owen Plietz, has accepted the COO position for Sutter Sacramento Medical Center in preparation to succeed the retiring CEO. "A great opportunity for her and a great loss for MPHS". Through an internal search, two candidates have been identified; a decision will be made within a week.

**Chair Ullyot** opened the meeting for questions of Mr. Merwin.

**Director Cappel** congratulated him on the prestigious award from Leapfrog. **Mr. Merwin** noted that one of the key selection criteria is the physician order entry system; MPHS went live almost two years ago and has already upgraded the system this past October 9.

**Chair Ulyot** asked what data gets used to determine Leap Frog findings. **Mr. Merwin** answered there is a very lengthy self-reporting questionnaire which is combined with Medicare cost data and other publicly available reports. He was unclear on how they determine the efficiency component.

**Chair Ulyot** questioned if it is really geared toward patient outcomes rather than financial success? **Mr. Merwin** answered it has nothing to do with financial success. The focus is patient safety, quality and efficiency.

**Chair Ulyot** referenced the 1999 Institute of Medicine book, "To Err is Human". Through an interesting methodology, the Institute estimated 46K - 96K people die in U.S. hospitals each year from medical errors. A recent article in the New England Journal took data from some North Carolina hospitals and updated the findings to determine how hospitals were doing after that report was published. The article reported virtually no improvement. He concluded that it is very likely that patients in our District would want to know how safe it is to be in MPHS. The prestigious Leapfrog findings and award are very reassuring. **Mr. Merwin** added that Health Grades, another national organization, has placed MPHS in the top 5% of all hospitals in the country for the last four years based on clinical outcomes. Health Grades position is that if every hospital had outcome statistics like MPHS, there would be 160K fewer deaths/year throughout the country.

**Director Galligan** asked how much of the total space in the new professional office building will be allocated to physicians. **Mr. Merwin** answered approximately 30% from day one and that will ramp up as the group expands. The MPHS Board decided to dedicate the entire physician office space to the Peninsula Medical Clinic, which is now a division of the Palo Alto Medical Foundation (PAMF). The intent is to grow that group from 40 physicians to 250 over the next five years. The new building will not be able to hold 250 so the plan is to convert the Medical Arts Building at Mills into another PAMF clinic.

**Director Galligan** asked if the space will be exclusively for PAMF physicians. **Mr. Merwin** answered yes, PAMF will rent the entire new POB building with the exception of the 100K square feet the hospital will use. The hospital's food services, conference center, auditorium, and administrative offices will be in the building.

**Director Galligan** asked if 50 San Mateo Drive will be 100% PAMF. **Mr. Merwin** answered that it has not been decided yet and depends on how quickly the Peninsula Medical Clinic expands. Already, two more primary care physicians have been recruited and they have only been in operation since April. As primary care physicians are added, needed specialists will be added.

#### **PUBLIC COMMENT:**

**Luciana Kincer, San Mateo and MPHS RN employee** noted that the hospital has laid off employees in the last couple of months, including nursing assistants, which she believes has increased the stress on the staff and slowed down patient flow. She gave the example of a patient she held in Recovery this day from 9:48 to 16:45 because there was not sufficient staff on the orthopedic unit to accept the patient. There were two empty beds but no nurses to accept him. There are no open jobs and no nurses to receive patients. Although patients are safe in the Recovery Room, families cannot visit, patient satisfaction goes down, and stress levels go up across the board. Are these cost-cutting, tight staffing levels going to continue? And if MPHS gets rid of the SNF and Dialysis patients, where will these very sick patients go and who will treat them? It seems they will be discharged and then be returning to the hospital. **Mr. Merwin** said MPHS is not getting rid of those patients; it is seeking outside operators to manage these programs. The services and facilities will remain in the community. He added that the criteria included in the RFP call for the ability to handle the level of acuity currently being treated in the

SNF; physician leadership is involved in developing the criteria and the selection to make sure that the quality doesn't slip.

**Chair Ulliyot** stated her points were well taken. He noted that one of the elements in the Affordable Care Act is financial penalties for hospitals that have patients returning within thirty days of being discharged; initially this will be under Medicare and then other insurers will follow so there are some incentives to make sure there is not the revolving door to which Ms. Kincer referred.

**Pat Giorni, Burlingame** asked what other services do you foresee being contracted out to private providers and how does this comply with the commitment to the District to maintain core services?

**Mr. Merwin** answered Nothing that MPHS has done conflicts with the agreement between MPHS and the District. We are entering into an era under National Health Reform that is going to put enormous stress on hospitals country-wide and physicians as well. There are no other services that we are contemplating closing or outsourcing at this point.

**Sharon Tobin, South San Francisco and MPHS RN employee** stated at the end of this month there will be no more pediatric unit within the hospital. Does this mean there will be no admissions that will come through the emergency room and that children in distress will be sent elsewhere? **Mr. Merwin** answered no, the decision to take away a dedicated pediatric unit was made because the volume was less than half a patient a day. To maintain two pediatric nurses on duty at all times and have no patients for them to care for made it difficult to recruit and retain qualified staff and was not the safe thing to do. Nearly all of the pediatric patients are appendectomy cases. The intent is to continue to serve them, recover them in the ICU, and discharge them to home. The ICU nurses will be trained in pediatric care. **Ms. Tobin** added that the plan is to select nurses who will be deemed "resource nurses" and they will get one day of training; however, the expectation is that all ICU nurses are to accept pediatric patients. There is now a "pedi" cart of supplies and a resource nurse. She believes this education plan is woefully inadequate and brought this forward to this Board to ensure the Directors know what the plan is for pediatric patients. **Mr. Merwin** suggested Ms. Tobin direct her concerns to Dolores Gomez, MPHS Chief Nurse.

**Chair Ulliyot** thanked Mr. Merwin and Mr. Merwin wished everyone a happy holiday.

**Community Education, Continued:**

**2. Long Term Care Integration – Revising Medicare Payment Services**

**Khoa Nguyen, Government Affairs, and Business Development, Health Plan of San Mateo**

(A copy of the power point presentation is appended to and made part of these minutes.)

**Mr. Nguyen** stated Maya Altman, CEO of the Health Plan of San Mateo (HPSM) had planned on speaking, but was called to D.C. to speak on this subject, one which she is really excited about. She sent her regards and apology. He stated that the purpose of this talk was to provide an overview of the long-term integration pilot project that the health plan and the county's Aging and Adult Services team have been working on for some time. If successful, it will allow the county, through the health plan, more flexibility in funding various levels of community-based services for seniors and the disabled. The goal is to increase at home and assisted living services and decrease acute and SNF levels of care.

The Health Plan is primarily a Medicare managed care organization with mandatory Medi-Cal enrollment. All of the residents who are Medi-Cal eligible are automatically enrolled into the plan. Some call that a monopoly, some call it good managed care. This includes all Medi-Cal members who are designated as seniors and person with disabilities, as well as, members who are eligible for Medicare. That is going to be our target population.

Founded in 1987, the HPSM grew up as a Medi-Cal managed care organization and has taken on some other programs such as Health Families. Medi-Cal membership is 57K and a little over 40% are seniors and persons with disabilities; 8K are in the special needs program.

The goal of this new effort is to integrate the Medicare home and community based services with the acute care and the long-term care services. The health plan model is a managed care model. Currently, community home-based services are coordinated through the county fee-for-services system. This creates a lot of fragmentation for the members and families. We want to enable individuals to remain in the community setting and to do this we need to have the State and the Federal government allow us more control at the county level and allow more flexibility by removing so many categorical requirements for funding of different services. This would create a seamless experience for members by eliminating administrative duplication and complexity in the system.

As part of the improved delivery system within long-term care integration, there will be enhanced assessment, care planning, and medical management, and this will create more coordination to provide better transitions of care from the hospital to the community setting. Another added benefit would be the savings created by improved coordination of services. These savings would be put back into the community allowing the health plan to provide more of the traditional services. Based on the current structures and payment mechanisms, that is not possible. In terms of the State and the delivery system, we feel this will reduce preventable hospitalizations and, in the long run with a lot of issues around the cost curve, it will reduce the overall cost to Medicare and Medicaid.

This is not a new local effort; it has been going on for decades. It is really at the cusp of getting over the barriers. One of the biggest barriers has been the California Personal Care Program and union suspicions about managed care. The good news is the new Medi-Cal Waiver includes this long-term care integration effort as a pilot initiative.

**Director Cappel** asked for clarification and restated what he understood from this presentation. “There is an effort to bring in long-term care services which have not been provided by the HPSM, but rather have been provided by other entities throughout the county. And, am I correct in assuming that long-term care services for the Medicare and Medi-Cal populations have either not been reimbursed up to this point or have been reimbursed under a fee-for-services basis?”

**Mr. Nguyen** answered yes. The HPSM is responsible for the acute side of primary care, preventative services, inpatient, etc. This past February, the Plan took on the financial risk of institutional care. What has been missing is community home based services. There is in-home support services (IHSS) done through the public authority; there is the Multi-services Senior Citizen Program through Aging and Adult Services; and there are Adult Day Health Care and a few others. All these are under different entities with different reimbursement streams. As a health plan, we are accountable for our members and yet we only control a portion of the continuum of care services. What we would like to do in partnership with the County is to bring this under one entity, work with the County on the Social Services side and the Behavioral Health side.

**Director Cappel** asked how those other entities are going to feel about that --the ones that have been operating adult day health care centers, hospice, Alzheimer’s programs --who have been operating them in their own world and now their reimbursement will be controlled by the Health Plan of San Mateo? Under this plan, they will have to contract with the Health Plan of San Mateo. Perhaps they used to get \$20 and now they could get “x” or “y”, depending on the negotiations.

**Mr. Nguyen** answered, yes, that is a fair question and we do not have the answer. I think what we are really trying to promote is covering members in a more coordinated fashion, not only from the member experience, but from the administrative side. I think we see it as unrestrictive and doing what is currently available and being able to do more.

**Director Cappel** stated the bottom line goal would really be to lower the readmission rates for Medicare and Medi-Cal. That would positively bend the cost curve. You can do lots of other things, but any real positive cost impact won't happen unless you decrease readmission rate. **Mr. Nguyen** answered that readmission is definitely one of goals; the other is reducing institutional long-term care. That could run well over \$100K per year per member. The only other option is staying at home. There is really nothing in the middle and that is what we are trying to address. Earlier identification of individuals who may be deteriorating at home, following them, and home-based interventions are the goals so they don't go into the hospital.

**Director Cappel** asked who is responsible for primary coverage for a medi-medi patient who is part of an HMO Medicare advantage plan. **Mr. Nguyen** answered, typically it would be Medicare and Medicaid. It is usually a wrap and usually includes enhancement of supplements, and cost sharing adjustments. The home-community services are not covered. This is what Medicaid covers.

We are also promoting the proper incentives and accountability. We think we will reap significant benefits with enhanced access to data on the social services side. Currently social services have access to the medical and pharmacy data. By allowing contracting with the public authority and having an oversight structure that includes the community and other stake-holder groups and having all member data in one storage area, the member will be able to go to one place for help. There would be one uniform assessment for all services needed. If people know there are reimbursement options for assisted living, board and care facilities that would generate more interest and create more capacity than what is currently available.

In conclusion, this has been a multi-decade effort between the county and health plan. There is a shared vision. The State and unions (SEIU) have been convinced and have given their support. We are working to further define the program design and implementation plan which the State has asked for and this will be submitted by the end of January. The State will take the plan and submit it to the Federal Government for approval. Our goal is to start January 2012. It is an aggressive time line and we are committed to sticking to it.

**PUBLIC COMMENT:**

**Srija Srinivasan, County Health System** commented from the audience, this is a major strategy to help address the strain on the county health system and build capacity in the community. This effort will not fully address all the issues impacted by the aging of our population. However, if we invest smartly this will give us some opportunity to develop other solutions. For example, developing assisted living capacity vs. other housing, and the potential for creativity with other providers in our county that have been nationally competitive.

**Mrs. Sanchez, San Mateo** asked, are you going to be working in terms of placement? What about helping people and families keep patients in their own homes with financial reimbursement or give the family support as needed so the person can stay in their own home rather than going to an institution or a board and care and so forth. **Mr. Nguyen** answered the IHSS program provides certain services that enable individuals to remain in their homes. We certainly want to maintain and build on that program as well. The State actually wants to reduce this program. In terms of financing, this long term integration

program is more about taking the existing structures and covered services and structuring it in such a way that promotes proper incentives, both from a health plan and from a provider point of view, that supports the individual staying at home.

**Srija Srinivasan** answered in the county's in-home supportive services program about 2/3's of the providers are family members who are assisting a relative safely in their home. The vision of the long-term care effort is to keep patients in the least restrictive setting as possible.

**Director Cappel** asked why the union has had such a critical role. Is it simply they want to protect union jobs and prevent contracting out to non-union, lower cost workers? That would drop costs significantly. Or is there some other reason?

**Srija Srinivasan** responded, in California's recent labor history, in trying to further along their negotiations, there was strong union opposition to any managed care involvement in the arena of long-term care. It was a major change within SEIU national for them to say that managed care can be an asset to seniors and persons with disabilities.

**Carla Scimemi, Burlingame** asked, if I were a caregiver, what will be different with how the elderly is taken care of in the home with this program? **Mr. Nguyen** answered if you are the caregiver and your family member needs a certain service, but is not 65 years old or the service is not medically necessary, then getting it would be difficult and getting it paid for by the government programs would be impossible. In this new program, we would have the flexibility and authority to use Medicare/Medicaid dollars to provide a service in home that would not now be covered. We believe if we had these types of services and flexibility, it would prevent institutionalization regardless of their age.

**Carla Scimemi, Burlingame**, clarified, if I were 80 years old, would my services be improved by your program as far as benefits. **Mr. Nguyen** answered, in terms of direct benefits, yes, if we could get the flexibility to make decisions about levels of care. Under the current rules we cannot do that. **Srija Srinivasan** added, if someone is admitted to a skilled nursing facility on December 9 and discharged on December 16, the health plan right now does not have any resources to ensure a safe discharge and provide home support. Under this proposed structure, the resources would follow that person's need and it would not require being in a nursing home which is the case now, but instead services could be provided at home to help them stay home and keep them safe.

**Director Cappel** noted there has been a lot of effort trying to integrate these "parts", but how is it going to be reimbursed? Who is going to pay for it, how do these new services, incremental services, which is what they really are- how are they going to be paid for as this is a population that cannot pay for it themselves.

**M. Nguyen** said the State pays for these programs already, we would bundle it all together. What we are asking for is a single captured payment where we are fully at risk and it is our responsibility to manage that patient in the most efficient way as possible. Similar to case management, we would sub-contract with the County and the public authority and have more interaction on each individual case with all of us working together. From the member point of view, they would only be talking with one person vs. three different arms of the program. It is a shared vision and goal, both financially and operationally, the member does not have to deal with that fragmented management.

**Director Cappel** stated it is a novel concept and a great idea.

**Chair Ullyot** stated we are a compassionate society and to take care of those who are impoverished and cannot afford services in the current system seems like a byzantine process. Integration would be most welcome. Thank you.

**Ms. Sanchez, San Mateo**, mentioned, the City of San Mateo has access for seniors and disabled people to get grab bars and certain safety items in their homes; please make sure you are integrating with these free services.

**Chair Ullyot** stated to Mr. Nguyen that he hopes Ms. Altman's presentation in Washington D.C. went as well as his did.

**ADMINISTRATION OF OATHS OF OFFICE:**

**Chair Ullyot** invited the distinguished Joseph Galligan, former Mayor of Burlingame, and the distinguished Barbara Cappel to do the honors and administer the Oath of Office to Directors Helen Galligan and Lawrence Cappel, respectively. Certificates from the county's Elections Officer, Warren Slocum, were presented to the newly sworn in Directors.

**ORAL COMMUNICATIONS:**

**Pat Giorni, Burlingame**, stated I would like to request that we get the Oversight Committee to meet. There are many things to be discussed and if we are going to be an oversight committee, we have to look at more than just how the physical building is progressing. We have to look at what services we actually still have, what we are going to keep and what we have to reconcile ourselves with giving up. I do not think when the community voted to build a new hospital we realized a lot of what we have gotten from that hospital for the last 50 years isn't going to be in the new hospital. She stated the committee needs to discuss and evaluate that. **Chair Ullyot** thanked Ms. Giorni for her comments and wanted the records to reflect that the Board will place a high priority on Sutter oversight, which is perhaps even more important now as services are contracting with the recession. He noted that he and Director Newman had a special meeting about the agenda content for the Oversight Committee and he is highly motivated to meet in early 2011.

**Luciana Kincer, San Mateo**, reported that Ruth Jacobs passed away and asked if the Board would consider some type of a resolution in honor of her many years of contributions to the District.

**Chair Ullyot** stated, yes, and asked moment of silence in her honor.

**Luciana Kincer, San Mateo** asked once again that the District put archived minutes from before 2000 on the website, especially those prior to the consolidation of Mills-Peninsula.

**COMMITTEE REPORTS:**

- A. **Long Term Planning, Director Ullyot, Chair – No meeting.**
- B. **Sutter Health Oversight & Building Committee, Director Newman –No Meeting.**
- C. **Community Health Investment: Director Galligan, Chair**
  - **Community Grant Recommendations for FY 2011.** Director Galligan opened by thanking her Committee members: Judy Powell, Steve Parker, Terry Jackson, Frank Lalle and Chris Corwin, as well as, Director Navarro for all their work this year on the grant process. The Committee met four times between October 18 and December 3 to review programs, identify District health priorities, review applications, make sight visits and conduct interviews. The health priorities approved by the Board are: primary care access, childhood obesity, nutrition & health, risk reduction of unhealthy behaviors, and recruitment and training of needed health professionals. Because of the economic times,

the increasing needs, and impact on this year's available funds due to prior year grant commitments, the committee:

- Avoided multi-year requests
- Retained a broad community focus, meaning the District's mandate is not the same as the County's or Mills-Peninsula Hospital's mandate.
- Encouraged collaboration to avoid duplication of services.
- Ensured that the total amount approved by the Board will be invested into the community.

FY 2011's budget is \$2,150,000. Of that, \$150K is reserved for an M.D. Forgivable Loan, \$9K was requested for student nurse Forgivable Loans, and \$35K allocated to the CEO discretionary fund. That left \$1,956,000 available to award in grants. This number was further reduced by \$684,729 because of prior year commitments to CHI, CSM, and the CHNU-OB programs leaving a total available for new grants this year of \$1,271,271. After spirited discussion and thorough reviews, the committee reached consensus and now recommends the following grant recipients to the Board for approval. These recommendations include four new organizations and a one-time special increase for CHI increasing the District's coverage to 65% of the eligible children. The total recommended did not fully utilize the available funds and so the Committee also recommended that \$15,953 be transferred into the CEO discretionary fund to ensure that the District fully uses its budgeted funds.

African American Community Health Advisory Committee	\$ 15,000
Caminar Medical Clinic and REACH Program	25,000
Children's Health Initiative	550,318
Mid-Peninsula Boys and Girls Club	30,000
Ombudsman Program of San Mateo County	60,000
Peninsula JCC Senior Transportation	30,000
Samaritan House	220,000
Senior Focus	260,000
Woman's Recovery Association	25,000
Youth and Family Enrichment Services	40,000
CEO Discretionary Fund	<u>15,953</u>
Total	\$1,271,271

**Chair Ulliyot** asked about the African American Health Advisory Committee. **Director Galligan** answered they provide community educational programs to promote health and prevention. **Director Navarro** added that prostate, colon, and breast cancer screenings are promoted within this population, as well as, a lot of education is focused on high blood pressure and diabetes.

**Chair Ulliyot** asked about the Caminar Clinic. **Director Galligan** reported that they do community-based services to help keep those with mental health issues independent and in the community. The grant will fund a part-time community support person to work in their medication clinic and participate in the recovery and community housing services. It is a non-profit agency.

**Chair Ulliyot** asked Director Galligan to elaborate on the CEO discretionary fund, how that is used and what oversight is in place to monitor usage of those funds. **Director Galligan** responded that the Board policy gives the CEO the authority to issue funding to community organizations that address health needs in amounts up to a \$5000 maximum. Any request more than that requires the Committee chair's approval. Ms. Fama regularly reports to the committee how the funds are used and gets approvals as required.

**Director Cappel** thanked the committee for their hard work.

**PUBLIC COMMENT:**

**Pat Giorni, Burlingame** noted the distinction made between the two senior focus programs and asked how the approved funding would be split. **Director Galligan** stated the Alzheimer/Day Care Center portion was \$155K and the Wise and Well clinics \$105K. **Ms. Giorni** noted that the District is not a funding source forever for everyone, making the Children's Health Initiative an exception. She then asked about the status of an Apple Tree Dental Clinic. Is there funding available for this?

**Director Galligan** answered funding would come from a different part of the budget; the proposal is going to take some time to analyze and is not part of this year's budget. **Ms. Giorni** said she would not want to see that fall through the cracks because of lack of money.

**Ms. Giorni** expressed her concerns about consistently funding the MPHS Senior Focus program and asked if there was any way we could encourage them to look for another funding source. **Director Galligan** stated the committee looked very closely at the long-term recipients. Even if they asked for an increase over the prior year, the committee held this year's grant to the prior year amount.

There being no further public comment,

***Director Galligan moved and Director Navarro seconded the motion to approve the FY 2011 grant recipients and the amounts as proposed by the Committee. The motion carried unanimously.***

**CEO Report: Ms. Fama**

- \$5M has been transferred from the LAIF account to City National Bank per Board approval at the October meeting.
- The District participated in the Daily Journal Senior Services Showcase at Foster City. There were nearly 1000 people in attendance.
- The CEO has been asked to serve on the county Board of Supervisor's Health Reform Community Advocacy Committee, its subcommittee on the Healthcare Exchange, and the Healthcare Workforce Task Force.
- The county's website was promoted as an excellent, up-to-date resource on the roll out of the Affordable Healthcare Act.
- A significant portion of staff time is being dedicated to researching senior assisted living needs, issues, successes, operators, etc. There is clearly a need for assisted living in general and "affordable" assisted living, specifically – today and it will only increase as the county's population ages as projected.
- The Board's meeting locations have been confirmed and the 2011 calendar was distributed.
- The communications plan is under revision; the future will have fewer printed newsletters and more monthly eblasts.
- The Association of California Healthcare Districts has asked each member board to pass a resolution on a model of healthcare district director duties and responsibilities. **Chair Ulliyot** asked that that be put on the Board's next agenda.
- The county's Community Health Network for the Underserved (CHNU) received the highest award given by the California Association of Public Hospitals for its collaborative OB program, of which our District is a part of. The program was recognized as a model of collaboration between different sectors within the healthcare system. Ms. Fama acknowledged the effective leadership provided by Ms. Srinivasan in putting the program together.

**Director Cappel** asked how many women have gone through that program now. **Ms. Srinivasan** answered 13 women to date.

**OLD BUSINESS:**

**A. Disposition of District-Owned Hospital Fixed Assets – Director Cappel**

The District owns certain equipment used by the hospital. The master agreement provides the opportunity for MPHS to transfer any of the District purchased equipment over to the new hospital. If the hospital doesn't move that asset over then it must compensate the District for whatever the actual or salvage value of that particular asset is. All of those assets have been fully depreciated, so, the book value is zero; however, there is some value in these assets. We have been working over the past year to find out exactly where all the items on the fixed asset list are; what items will be moved, and what items will be disposed. That has been a long process. Ms. Fama, as well as, our auditor, Mr. Brewer, has done a lot of work on this. Both the hospital and District are getting separate appraisals on the salvage value and hopefully we can come to a meeting of the minds on the reimbursement amount. \$14M was the original cost of the "movable" items on the fixed asset list. Over time, items have been used, lost, sold, or just disappeared. We did receive a preliminary number of \$80K for items reported by MPHS to have been lost and/or to be disposed. **Chair Ulliyot** asked if the appraisal is significantly less than what we might receive. **Director Cappel** answered that we are basing our estimate on the inventory performed by MPHS. If we wanted to pursue it to a greater degree and require another, more detailed and accurate inventory we could, but it would probably be cost prohibitive. Our goal has been to make sure that if there is value to the District, that we recoup that value. This should be resolved over the next couple of months. **Ms. Fama** added that the District retained the services of a professional healthcare/ hospital liquidator to review the list and ensure our number is a solid.

**Chair Ulliyot** asked Director Cappel and Ms. Fama if the District is getting cooperation from MPHS. **Director Cappel** answered that the District has gotten some cooperation. He feels that we are better prepared to give them our request for funds and then we will see what type of cooperation exists.

**B. Apple Tree Dental Care Business Plan – Update – CEO Fama & Dr. Dick Gregory**

Ms. Fama reported that the Minnesota-based Apple Tree Dental Board made the decision to explore moving to a west coast site. The next step was for them to put together their business plan proposal; we had hoped to have something for this meeting however, it wasn't ready yet. There will be a cost and Ms. Fama has voiced the position that the District will not fund the entire business planning process. It is important to the future success of such a venture that other segments of the community support the concept. The next step is to get the proposal for the business plan and determine how it will be carried out, what it will cost, who supports moving forward, and what groups are committed enough to help fund the planning process.

**Chair Ulliyot** noted that Apple Tree Dental will need to do a lot of work to make sure that they are welcome in this community. He has heard concerns raised by private dentists and a perception that this may duplicate what the county already does. Within that business and financial plan, he hopes all involved take a good look at how they enter this agreement. **Ms. Fama** answered that she could not speak to how exactly it is going to be addressed, but from Dr. Helgeson's presentations he has expressed clearly, if there is not broad support, it will fail. There has to be support both from the private and public sectors. Everyone is not going to love it, but there has to be broad support.

**PUBLIC COMMENT:**

**Pat Gianni, Burlingame:** Questioned where the county is supplying these services in the long-term care homes because in her ten-year experience with her mother, it took weeks to get someone in to address a tooth problem, and if she had to have teeth made it took forever, same thing with eye glasses.

**Chair Ulliyot** commented that sometimes bureaucracies want to sustain themselves even though they are not doing a very good job. We can be assured that some will join in and do some work in the nursing homes that is not done now. Those are important issues in my mind.

**C. Strategic Planning Activities Update –Ms. Fama**

All Directors, except Director Newman, have been individually interviewed. Next step is to find a date for a Saturday for a public strategic planning session with Emily Hall and her staff from Olive Grove Consulting.

**NEW BUSINESS:**

**A. Audit FY 2010: Tom Brewer of Vavrinek, Trine, Day & Co., LLP**

**Mr. Brewer** referenced two documents: the required communication between the auditors to those charged with governance and the full audit report. Mr. Brewer's comments on the governance letter are summarized below.

- There is nothing to report about any concerns related to the District.
- VTD prepared the audit reports which are carefully reviewed by the CEO and District accountant.
- There were no internal control issues to report.
- VTD works with the Board and management in planning of the audit, doing a risk assessment and setting up the audit procedure. Quality time was spent with Director Cappel and Ms. Fama. In this District, the Board is very involved and this contributes to a cooperative effort.
- There were no policy changes over the audited year.
- There are only two possible audit adjustments and both of them have to do with the investment values of the LAIF and the San Mateo County Pooled Funds. There is about a \$100K difference between book and market values. It was decided that it was not a material difference and to avoid booking a number that goes up the amount would be put at book value similar to what San Mateo County does reporting the Pooled fund
- There were no disagreements with management; management was required to provide us with a letter of representation agreeing that they take responsibility for everything and that they received that letter.
- There was no necessity to consult with anyone in this particular engagement and we did discuss issues, but issues were not a condition of our employment.
- There were no issues found in the accounting.

**Mr. Brewer** stated that an explanation was due as to why the audit is being presented in December. The delay in issuance of the report was pending resolution on the fixed assets and MPHS inventory issue that Director Cappel discussed earlier. It was important to us to carry the full value of the equipment on the financial statement in the form of a footnote. Currently, these fixed assets have zero book value, but there was an issue from our point of view whether or not we should right off those assets to the extent they had already been previously disposed of and that caused the delay.

**Mr. Brewer** commented on the fantastic cooperation he also experienced from Legal Counsel Coffey and the Archer Norris firm.

Presentation of the Audit Report:

- Pages 3 – 12 provide the Management Discussion and Analysis written by the District CEO; it is intended to be the voice of the district to the reader. VTD's responsibility is to review it and make sure there are no misstatements. It is very well written in comparison to other clients we have of similar size and it is correct. All numbers were checked.
- Page 13 combines your leasing activity as well as your general operating activity.
- Page 14 on your statement of activity it breaks down unrestricted activity from the top part under governmental activity and business activities are on the bottom part.
- Total net assets decreased \$563K due entirely to depreciation.
- Page 21 starts the financial statements, standards, and footnotes. There are no footnote changes from the last year.
- Page 24 under tax revenue, footnote has been added indicating the Board's decision to sell the tax receivable in the State of California and we have included that sale proceeds as property revenue on the financial statements.
- Page 27 shows the weighted average maturity in years that both those investments, LAIF and San Mateo County Pooled Fund, both have been taking extremely conservative investment positions which also translates to the earnings on those accounts which is basically zero.
- Page 28 details the capital assets. The fixed assets have almost totally depreciated and because of the accelerated depreciation schedule established to coincide with the opening of the new hospital. All fixed assets should be completely depreciated by December.

**Chair Ulliyot** questioned why the District's 26 acres of prime Burlingame real estate is worth only \$4,669,000. **Mr. Brewer** answered that it is booked at original cost, not today's fair market value and it will remain on the asset list valued at \$4.6M until it is ever disposed of. **Chair Ulliyot** stated the District is a tax exempt entity; it seems as if depreciation is a way of getting around paying taxes. **Mr. Brewer** said not for a public entity. **Chair Ulliyot** asked what it means to us to have an asset depreciate. **Mr. Brewer** answered that this is one of the reasons for the big change a few years ago on how to report fixed assets. The change was directed primarily to the cities that have huge amounts of infrastructure that will have future facility and replacement costs that far exceed anything anticipated. So the regulators want to make sure that public entities recognize that physical plants are depreciating and this audit rule provides advance warning for planning.

- Page 32 is a new footnote concerning the District's participation in the CalPERS retirement plan, the \$85K of unfunded liability is due to previous employees who are still covered under the District's plan which is being amortized into the current rate. The rates will be subject to appraisal at least every three years and when that happens the rates will be adjusted accordingly.
- Note 12 represents the fixed asset/hospital equipment issue and the disposal of the equipment. When the hospital reported the results of its physical inventory, they reported approximately 50% of the items had been previously disposed or could not be found, and about \$2M of items were going to be moved into the new hospital. We came to the conclusion that it does not make sense to adjust those numbers for a couple reasons.
  1. Regardless of what MPHS reported, the MPHS CFO agreed to pay the District an agreed upon the salvage value.
  2. VTD selected a sampling of large items (>\$100K) on the fixed asset list. Out of eleven items listed as previously discarded, two of them were found. That was a large enough discrepancy in the inventory to tell us that we cannot rely on it and so we would have to go through an extensive inventory to nail down exactly how much we should remove on

our assets and that would not be time well spent given the low value and MPHS agreement to compensate for salvage value.

As there were no further questions from the Board or Public, **Chair Ulliyot** thanked Mr. Brewer for his thorough presentation.

***Director Cappel moved and Director Navarro seconded the motion to accept the 2010 Audit as presented. The motion carried unanimously.***

**B. Closed Session Report from December 9, 2010**

**Chair Ulliyot** stated that this session was suspended at 17:40 hours in order to start this scheduled public meeting. The Closed Session will resume in this same location at the conclusion of this Regular Board meeting. Any reportable actions will be reported out at the conclusion of the Closed Session.

**ADJOURNMENT:**

There being no further business, the meeting was adjourned by **Chair Ulliyot** at 19:42 hours.

**By:**

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**Kelly Molloy, Community Outreach Coordinator**

**Approved:**

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**Helen C. Galligan, Secretary**

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**Daniel J. Ulliyot, M.D., Chair**