



# Peninsula Health Care District

## **BOARD OF DIRECTORS REGULAR MEETING Thursday, October 29, 2009**

The Board of Directors of the Peninsula Health Care District was called to order on Thursday, October 29, 2009 at 17:45 hours at the Burlingame Council Chambers, 501 Primrose Road, Burlingame, CA.

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

**Also present were:** Cheryl A. Fama, Chief Executive Officer, Colin Coffey, General Legal Counsel, and Jan Matejcek, District Administrative Assistant.

**CONSENT CALENDAR:** The Consent Calendar consisting of the Regular Session minutes for September 24, 2009, the Closed Session minutes for October 5, 2009, the Treasurer's Report, and the unaudited Financial Statements for September 30, 2009 was presented.

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

### **COMMUNITY EDUCATION: "WHAT CREATES HEALTHY PEOPLE" JEAN FRASER, Chief, San Mateo County Health System**

**Chair Ullyot introduced Ms. Fraser** and provided information on her previous work in San Francisco developing insurance programs for children and uninsured & under-insured working adults. He cited her credentials as an attorney and graduate of Yale University— both undergraduate and law school, and noted that she is a biking advocate for health and the environment.

**Ms. Fraser** thanked the Board for the opportunity to address the audience. [Her power point slides are appended to and made part of these minutes.] In summary, she addressed three main questions: What is our current Health (not health care) problem? What are some solutions? What role can PHCD play? Themes she stressed included:

1. To achieve real change in the trajectory of our health happens outside of the doctor's office.
2. There is no substitute for NOT GETTING SICK in the first place.
3. Obesity trends and inactivity are causing high increases in diabetes, cancer, stroke, heart disease.
4. We must engineer increased physical activity into everyone's daily life.

What can PHCD do? She offered the following recommendations:

1. Be a participating sponsor of the County's "Opening El Camino to People Day", April 11, 2010
2. Sponsor a speaker series
3. Provide grants supporting prevention work
4. Fund walk audits in the District
5. Build advocacy for healthy communities-supporters, residents, everyone you reach.

**Chair Ullyot** thanked Ms. Fraser and asked for comments from the Board. **Director Cappel** expressed his appreciation and encouraged us to get the message out into the schools. He asked for a copy of the slides, which Ms. Fraser was glad to provide and said to share widely. **Director Navarro** also expressed his appreciation for the presentation and then shared a story about a lady who moved here from Switzerland

and gained 25 pounds after one year in this county. The only change in her routine was that walking was taken out of her life due to the convenience of driving, parking and shopping. **Chair Ulliyot** commented on his experience walking to school in groups and noted the recent activity going on in Albert Lea, Minnesota where retired adults are walking groups of kids to school to encourage walking and provide safety. He cited the “Prescription for Exercise” mentioned in a previous Board meeting and the long term benefits of exercise to health.

**Public Comment: Ms. Giorni**, Burlingame thanked Ms. Fraser for tying public health issues into public transportation issues – a cause that Ms. Giorni has been actively involved in at a number of city and transportation organization meetings. She encouraged Ms. Fraser to get her presentation out into these forums and help put more emphasis on using funds for public transportation, safe streets, and bikes lanes and less on widening freeways.

**MPHS Quarterly Report: Mr. Bob Merwin, President/CEO**

**Mr. Merwin** noted that his last presentation to the Board was in August, so this one will be brief. He covered four areas:

1. The New Hospital Construction:
  - a. Planning to get the keys on July 30, 2010
  - b. Internal elevators should be operational within 2 weeks
  - c. Close to using up the \$22M contingency; \$750K is remaining in fund
  - d. Capital campaign ready to launch the external component. Already have \$40M toward \$75 M goal.
  - e. Behavioral Health move to Mills is on target and on budget
  - f. Fifteen different task forces meet regularly to plan the details of move-in
2. Year to Date Financial Performance:
  - a. On target now after a \$9M problem early in the year; turnaround due to strong volume and cost efficiency efforts
  - b. Medicare services are a focus of cost reduction efforts to reduce current loss per patient from 28% to 20%. Nationally, 59% of all hospitals lose money on Medicare; in California, 99% of all hospitals sustain a loss.
3. H1N1 Planning:
  - a. The Emergency Command Center team meets weekly to track MPHS experience.
  - b. MPHS Emergency Department is seeing an average of 3 patients/day with flu-like symptoms, which is way below the national average. Nationally, ER visits are up 50% this year.
  - c. Annual Senior Focus Flu Vaccine Clinic had to be cancelled due to delayed shipment of vaccine.
  - d. At this time, children will still be allowed to visit hospital patients. **Chair Ulliyot** asked for clarification, in hospitals where children are being denied access, is this to protect the children or the patients? **Mr. Merwin** responded probably more the former.
4. Breast Center:
  - a. The MPHS Breast Center just received the Center of Excellence designation by the American College of Surgeons.
  - b. The MPHS Center is the first in N. California to receive this prestigious designation.

**Director Newman** asked if the flu vaccine not received was H1N1. **Mr. Merwin** responded no, it was the regular flu vaccine. MPHD has received 420 doses of H1N1 and has proceeded with the inoculation of ER, ICU, Respiratory Therapy, and other high-risk employees.

**Chair Ulliyot** asked about Patient Satisfaction results, the tool used, and distribution method. **Mr. Merwin** responded that scores have come up significantly since the hit taken during the implementation of the

Electronic Health Record. MPHS uses the Press/Ganey tool, which is used by 2000-3000 hospitals nationally; it is a standardized tool randomly sent to patients selected by Press/Ganey from the master list provided by MPHS. The tool uses a 1 to 5 scale. All 5's equate to a 99% score, all 4's only 47%, a small standard deviation. MPHS' goal is to be at the 85<sup>th</sup> percentile for all four of the major areas surveyed: Inpatient, Outpatient, Emergency, and Ambulatory Surgery. Outpatient has recently had an enormous improvement in ratings. MPHS has been working with the Studor Group whose founder took an inner city hospital from the 3<sup>rd</sup> to the 99<sup>th</sup> percentile and held that position for eight years. One of Studor's team will be joining the MPHS staff January 1, 2010 and will spearhead the effort to get to 99%. **Chair Ulyot** asked about staff morale and its impact on patient satisfaction. **Mr. Merwin** responded that staff morale certainly is a part of a number of factors that go into the patient satisfaction ratings.

**Public Comment:**

**Pat Giorni, Burlingame** asked about the return rate given that many patients go to nursing homes. **Mr. Merwin** responded that the return rate is around 30%, which Press/Ganey says is statistically significant. He is aware that many are filled out by families and that is why families must be a focus of improvement efforts. He will look into the significance of sending questionnaires out to patients discharged to locations other than their homes.

**Genel Morgan, MPHS employee** questioned the statistical significance of results when the ICU results are based on 5 surveys or units experience a fluctuation from 3% to 99% in one month. Management then takes the low scores and gives low ratings to the staff on their evaluations. She suggested that too much focus is being put on meaningless information and taking attention away from other areas. **Mr. Merwin** agreed. The ICU sample size is too small to be significant; focus should be on families in the ICU.

**Judy Grey, MPHS employee and Professional Performance Committee member** reported that the Med/Surg unit staff received a 1 out of 4 score for team work, on individual annual evaluations because of these surveys.

**Luciana Kincer, MPHS employee** expressed concern about moving the acute rehab patients to the skilled nursing facility and summarized the history of discussions about the future location of the ARC as summarized in the letter prepared by T. Huebner, Burlingame, and distributed at the September 24, 2009 Board meeting. She asked if there were any plans to put acute rehab into the new Hospital. **Mr. Merwin** stated there were zero plans for acute rehab in the new hospital. Space was needed at the Mills campus and the decision was to close the ARC. **Dr. Aftonomos** came up with a plan to maintain 90-95% of the patients now seen in the ARC. Currently, ARC denies admission to 40% of the referrals because the patients cannot handle the level of therapy required; the new plan will be able to serve many of these patients and so the numbers served will actually go up.

**Jonathan White, California Nurses Association** charged that "the story keeps changing", the position that Sutter does not have the resources "doesn't pass the laugh test" and challenged **Mr. Merwin's** credibility. **Mr. Merwin** directed him to the District's minutes when **Dr. Aftonomos** spoke and stated that the fact is that the MPHS Board has made the decision to close ARC after long deliberations.

**Chair Ulyot** thanked **Mr. Merwin** and he left.

**Mr. White** asked the District to launch an investigation into this decision and the reasons given. He stated that it is C.N.A's plan to make a public issue of this decision.

**Rhonda Chowaiki, MPHS employee** stated that she learned two weeks ago that the staffing for the new program will be the same as the SNF – eight patients to one nurse. She believes this is too many and, using her mother's experience as an example, patient's survival is at risk with this decision.

## **COMMITTEE REPORTS:**

### **Long Term Planning, Dr. Ulyot, Chair**

**Chair Ulyot** reported on the meetings held September 29 and October 27<sup>th</sup>; the first was introductory and the second more focused, primarily on the Board's self-insurance position against the paramount default of Sutter Health. **Keith Hearle, President of Verite Consulting**, who led the District's strategic planning process, was asked to return to re-examine the District's position and present to the Committee. **Chair Ulyot** then invited Mr. Hearle to summarize his presentation for the Board. [Power point presentation is appended to and made a part of these minutes.]

**Mr. Hearle** reported that the task two years ago was to look at a financial policy that would guide the District's budgeting process in the short run while building a reserve fund to meet its long term financial obligations. Reasons to grow the fund are:

1. To assure the community hospital would continue to operate over the 50-year lease in the event of a "paramount default" by Sutter Health
2. To preserve core services
3. To be positioned to buy back the hospital at the end of the lease at book value

He noted if the fund is too low, services could be lost to the community and the District would not be able to preserve the hospital. If the fund is too high, it could suggest the District is not investing sufficiently in the health of the community and others may become "more covetous" of the assets. **Chair Ulyot** asked about liquidity during the life of the agreement. **Mr. Hearle** responded that the Agreement provides the District one year to meet the financial obligation.

During the strategic planning process, three public meetings were held to explore and discuss the best approach to achieving the necessary balance between priorities. Models were put together to solve for the end target, which was set at \$500M at the end of the lease: \$250M cash reserves which could then be used to securitize a bond issue for \$290M. The model chosen allows for 10% of the total of the prior year Board Fund to be used for operating expenses. This was projected to add an average of \$3M per year to the fund, bringing it up to \$69M by June 30, 2017.

He noted that the numbers will keep changing over time as things change. He gave as an example, property taxes - budgeted to stay flat, they went up for two years and now are threatened to go down due to the financial condition of the state. He commented on the vigorous discussion by the Committee members and summarized the **recommendations that came from that discussion:**

- No change to the current Board Finance Policy
- Continue annual review of Board Designated Fund growth
- Conduct regular assessments of Sutter Health's financial strength
- Review Investment Policy regularly and adjust as fund grows (E.g. real estate vs. fund investments)
- Be clear in describing the Board Fund on the Balance sheet

**Chair Ulyot** asked if Mr. Coffey wished to add anything as he was present at the Committee meeting.

**Mr. Coffey** stated that he felt compelled to further educate the new members of the Long Term Planning Committee about the rigor and thoroughness of the Board's strategic planning process in 2007. The intent of the process went beyond developing a financial target and financial policy. It involved substantial input from numerous financial experts, urban economists, real estate specialists, and legal counsel. The Board's legal and financial obligations were all laid out and supported by volumes of information. The inevitable tensions that would arise between the District's need to preserve funds and the community's need for health services were fully explored and discussed. The process was transparent and took many steps to

engage the community, Board of Supervisors, city councils, community health leaders, and the District's constituencies. The District did sophisticated work, held a series of public meetings, and was successful in achieving substantial political leadership and constituency buy-in into the financial policy ultimately enacted by the Board.

**Chair Ulyot** thanked Mr. Coffey and requested that his remarks be more fully transcribed in the minutes for the record and for future Board members.

**Director Navarro** asked if the recent change in Sutter Health's bond rating was discussed. **Mr. Hearle** responded that it was. It was noted that Sutter's rating was downgraded from A+ to AA- due to some pension plan funding and recent liquidity issues. The rating agencies also had positive things to say about Sutter. The Committee also looked at MPHS' recent financial performance which has been very healthy over the last few years. Mr. Hearle re-emphasized the need for the Board's regular assessment of both Sutter and MPHS, quoting President Regan "Trust, but verify" and noted that Sutter's audited financials are on the web. If Sutter's performance starts to wane, the Board may want to accelerate its fund growth.

**PUBLIC COMMENT:**

**Pat Giorni** stressed the importance of Mr. Coffey's summary. As the only public member who participated in all of the strategic planning meetings, she knows the work that went into the plan. She also commented on the importance of creating a detailed record to assist "institutional memory".

**ORAL COMMUNICATIONS:**

**Luciana Kincer** commented on Ms. Fraser's presentation and the projected growth in the senior population and its impact on needed services such as acute rehabilitation.

**COMMITTEE REPORTS, Continued**

**Community Health Investment, Ms. Galligan, Chair**

**Director Galligan** reported on a productive meeting October 8 that covered the following issues:

1. Community Health Network for the Underserved – OB Project: The grant recipients asked to use \$50K of this year's approved grant to fund a new medical director position which the participating physicians support as necessary to launch the program. The committee agreed with this change.

**DIRECTOR GALLIGAN MOVED AND DIRECTOR NAVARRO SECONDED TO SUPPORT THE USE OF \$50K OF THE FY 2010 GRANT FUND FOR THE CHNU-OB PROJECT BE USED FOR THE NEW MEDICAL DIRECTOR POSITION TO LAUNCH THE PROGRAM. THE MOTION PASSED UNANIMOUSLY**

**Director Cappel** asked if there will also be a Medical Director for the south county program. **Ms. Fama** responded no; the south county agreement is with the Palo Alto Medical Foundation and, given this structure, the need for a coordinating or liaison physician is not needed. She also reported that the grant spokespersons stated that this request only applies to the start up phase of the program.

2. RN Loan Forgiveness Program: Ms. Fama researched the current tuition and fee rates for local nursing programs and it was agreed by the committee that the Board's current policy, \$2000/year for 2-year programs, and \$5000/year for 4-year programs, is a reasonable amount. No change to the policy is recommended.

3. Letters of Intent: The committee thoroughly reviewed all received. Site visits will be scheduled and the Committee will review the full proposals at its November 12<sup>th</sup> meeting. With the late start of the CHNU-OB Project, the adjusted grant funds available this year will be \$776,537.

**Public Comment:** **Pat Giorni** asked the status on the suggestion to name one of the memorial gardens at the new hospital in honor in Sue Smith. **Ms. Fama** responded that it was still to be determined. Mr. Merwin supports recognizing Ms. Smith; however, the memorial gardens are good fund raising items. He asked that we wait and speak with John Loder. **Ms. Giorni** then asked if that is not possible, would naming the RN Loan Forgiveness Program be a fitting recognition given Ms. Smith's role in starting and supporting the program. **Chair Ullyot** stated that was a good suggestion and asked Director Galligan to take the recommendation to her committee.

**Sutter Health Oversight Committee, Dr. Newman, Chair: No meeting to report on.**

**CEO REPORT, Ms. Fama:**

1. **A new brochure** on the District has been developed. A copy was distributed in the packet. Director Galligan questioned the use of "winter 2011" as the opening date for the new hospital. Ms. Fama responded that 2010 was considered, but "winter" 2011 might be safer. She also noted that in her research it was confirmed that the new hospital will be "Mills-Peninsula Medical Center".
2. **Community Outreach Activities** – A summary was in the packet. Two were highlighted:
  - a. **MPHS Women's Health Conference** – This one day event, of which the District was a major sponsor, was a huge success with more than 1000 women in attendance. Director Galligan helped kick off the event with her welcoming remarks on behalf of the Board.
  - b. A "Brainstorming" session was convened by Caltrain to look for additional actions that could be taken to prevent suicides by train. Ms. Giorni was acknowledged for getting the District representative invited to the session. Key issues identified included: Stigma of mental health, community-wide nature of problem – it's not just a train problem, need for a unified message, and role of media coverage.
3. **Special agenda for January 28, 2010 Board meeting** – The plan is to invite all grant recipients and present checks, using the opportunity to explain their services and how the funds will be used. Immediately following the meeting will be a reception in the San Mateo City Hall atrium.
4. Ms. Fama acknowledged Director Galligan's participation in many education, outreach and site visit activities the past month.

**Chair Ullyot** invited Director Newman to comment on the teen suicide issue. Director Newman stated – "When you're dealing with an adolescent population you not only have to take into consideration depression, which is a major cause for suicide, but you also have to take into consideration impulsiveness, which is a major problem with teenagers. Whereas the adult, you might have to think of it as different vectors and depression is a major vector for suicide in adults. With children and adolescents, you have a problem with impulse control being a major vector, as well as, depression. It gets very complicated in spotting cases. You also have a problem with teenagers because there is a copy-cat phenomenon which occurs in any age group, but is much more prevalent in the teenage population. So you get four teenagers from one high school that didn't necessarily have depression to the point where it would produce suicide, but the impulsivity of the copy-cat phenomenon is in play, so you get a mini epidemic. It gets very complicated; certainly I would agree that psychiatric stigma is a major issue. It's been a major issue observed over my whole career. It was much worse twenty-five years ago."

**Dr. Ullyot** asked what he meant by stigma? **Dr. Newman** replied – "the stigma of mental illness, it's not considered a legitimate illness by many people in different populations. It's thought of as a weakness; it's thought of as something you want to hide. There are cultures where you can't even deal with it. When I

first came to this community you couldn't have a psychiatric patient admitted to Mills Hospital, you weren't allowed. So they'd have to change the diagnosis and hide it, it was underground. We've come a long way from forty years ago, a hundred years ago, but we certainly haven't come far enough in terms of making it a legitimate illness that people can have and not be ashamed of. With adolescent populations, they have their own sense of stigma that's different than the adult populations and so for them a psychiatrist, or going to a shrink, is something that's not thought of as okay to do and be cool."

### **OLD BUSINESS:**

**District Meeting Location Rotation:** The Board, at last meeting, asked if sites could be arranged in Hillsborough and San Bruno, the two District cities in which the Board has not met. Ms. Fama reported that Hillsborough said no and San Bruno offered its Sister City Room in City Hall. [San Bruno has no council chambers] The Sister City Room has been confirmed for the February 25<sup>th</sup> meeting.

### **NEW BUSINESS:**

**California Prop 1A and Securitization:** An emergency measure was passed by the state to re-allocate tax revenues from cities and districts to the state general fund. If the District does nothing, 8% of this year's tax revenues, or \$330,331, will be taken with the understanding that the state will repay the entire amount plus 2% annual interest by June 30, 2013. If held for the entire three years and then fully repaid, the net increase will be about \$20K. There are two other options:

- A) Apply for Hardship Status – the District is not eligible.
- b) Enroll in the California Communities Securitization Program.

Under this program, the District agrees to transfer the risk of the state repaying the loan to bond holders. The District would sell its right to the future repayment to retain full payment this fiscal year.

**Chair Ulyot** stated that if the Governor takes \$330K with the promise to return it all with interest, that is a risk. The Governor may determine in 2013 that he cannot or he needs more. **Director Cappel** spoke in favor of the securitization noting that successful bond letting activity has been occurring and the experience has been that those bonds get snapped up. The District would be joining 1300 other government agencies and therefore, not standing alone. The real short term risk is the loss of one month's interest on \$160K, which is low. **Mr. Coffey** added that the longer term risk is if the District did not earn at least 2% over the three years.

**Chair Ulyot** invited **Mr. Hearle** to comment. **Mr. Hearle** noted that the state seems covetous of the District's funds and went on to say that there is risk with the state holding on to the money. In his opinion, securitization seems like a prudent move. **Ms. Fama** reported that Gary Hicks also supported securitization as a good option. **Chair Ulyot** asked if the Board was ready to take action. He asked **Mr. Coffey** to comment.

**Mr. Coffey** stated that the options and details were correctly described to the Board and the Board has correctly assessed the risks. In his experience with other healthcare districts, some are pursuing securitization due to cash flow issues and some are not because of confidence with the state's ability to repay. He requested the record to reflect that the Board received

RESOLUTION #2009-11: A RESOLUTION APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE AND SALE AGREEMENT AND RELATIVE DOCUMENTS WITH RESPECT TO THE SALE OF THE SELLER'S PROPOSITION 1A RECEIVABLE FROM THE STATE; AND DIRECTING AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION THEREWITH.

The Board also received a copy of the Purchase and Sale Agreement that is quite detailed and provides the terms and conditions upon which the District is agreeing to sell to the bond investors. Those terms are extensive, but know that everyone participating is agreeing to the same language without deviation and they have been reviewed in detail by Mr. Coffey. On that basis, the motion is delegating to management the authority to complete all of the documents and is delegating authority to the officers of the Board to execute the documents.

**DIRECTOR NEWMAN MOVED AND DIRECTOR CAPPEL SECONDED APPROVAL OF RESOLUTION #2009-11 AND THE PURCHASE AND SALE AGREEMENT AS DISTRIBUTED.**

**AYES: ULLYOT, NAVARRO, GALLIGAN, CAPPEL, NEWMAN**  
**NO'S: NONE**  
**ABSTAIN: NONE**

**CORRESPONDENCE/ARTICLES:**

**Chair Ullyot** noted the materials. There were no comments offered.

**ADJOURNMENT:**

The meeting was adjourned by **Chair Ullyot** at 19:58 hours.

**By:**

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**Jan Matejcik, Administrative Assistant**

**Approved:**

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**Helen C. Galligan, Secretary**

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