

**BOARD OF DIRECTORS
REGULAR MEETING
Thursday, April 24, 2008**

The Board of Directors of the Peninsula Health Care District was called to order for Regular Session on Thursday, April 24, 2008 at 17:50 hours, at 330 West 20th Avenue, San Mateo, California, by **Vice Chair Ulyot**, as the Chair's arrival was delayed.

ROLL CALL: On roll call there were present. Dan Ulyot, Vice-Chair, Helen Galligan, Secretary, Sue Smith, Treasurer and Rick Navarro, Director, Vice Chair Ulyot opened the meeting as the Acting Chair.

Also present were: Cheryl A. Fama, Chief Executive Officer, Colin J. Coffey, General Legal Counsel, Jan Matejcik, District Administrative Assistant and Kelly Molloy, District Executive Assistant.

SPECIAL GUESTS PRESENT: Dr. Scott Morrow, San Mateo County Health Officer and Robert Merwin, CEO of Mills-Peninsula Health Services.

PRESENTATIONS:

Vice Chair Ulyot introduced Mr. Merwin to deliver his quarterly report. A summary of his PowerPoint presentation follows:

- Quality: Based on the five Medicare standards, MPHS performs in the top 10% nationally in three of the areas, one area is "average", and one is "below average"
- Finance:
 - Revenue is ahead of budget by nearly 7% (\$110M vs. \$104M)
 - Salaries and Benefits are about 2% over budget (\$54M vs. \$53M)
 - Supplies are right on budget at \$12.3M
 - Net Operating Revenues are right on budget at \$10.2M
- Employee Satisfaction as measured by the "EOW" tool used by Sutter Health:
 - More than 85% of employees participated
 - Overall satisfaction score was in the 87%, which is the highest score for any large Sutter Health Hospital and the highest score achieved in years on this nationally used tool based on the outside company that designed the tool.
- Construction Update on New Medical Center:
 - East, West and Lobby towers steel is nearly done. A "Topping Off Celebration" is planned for May 28.
 - Cost went up by \$90M
 - Increased contingency = \$21M
 - Inflation and Equipment = \$44M
 - Additional floor to MOB = \$25M
 - Building "skin" to begin this July
 - Substantial completion targeted for May 2010

The question and answer period included the following:

- **Director Smith:** How often is the Quality Survey taken? **Mr. Merwin:** It's actually a rolling 12 months. It populates once a year; these results are for 2008.
- **Vice Chair Ulyot:** If the score for 4 out of 5 clinical standards were average or above, what was below? Also, can you tell us what the other 4 standards are? **Mr. Merwin:** Surgical infection protocols were below; MPHS was average or above for Pneumonia, Myocardial Infarction, Stroke, and Critical Care.

Vice Chair Ulyot, then acknowledged the many members of the public in attendance that wanted to ask about the future of a Cardiac Rehab facility at Peninsula Medical Center. A total of nine individuals spoke on behalf of keeping Cardiac Rehab in the new Hospital: These included: John Nevin, Charles Mahnken, Arlene Coin, Martha Bensen, Georgette Holesapple, Ruben Abeyta and Pat Giorni. The two others that spoke either their names could not be heard on the tape or they did not give their names. Their comments and questions are summarized below.

- The program has been extremely successful in providing needed rehabilitation after cardiac events such as heart attacks and surgery, as well as, it is used by patients with other health problems and employees. Studies have shown that Cardiac Rehab does improve recovery and reduce re-admission to the hospital. Why is this being ignored?
- Numerous personal testimonies were offered about the "life-saving" benefits of the program, the top quality of nursing care, (Director Galligan's contributions as a Cardiac Rehab nurse were specifically cited.) and the need for the program in the future. The Rehab Center has broad benefits beyond cardiac patients.
- One speaker showed a document that he identified as "a petition with two hundred signatures on it" in support of keeping the Center in the new hospital. [A copy was not given to the District staff.]
- What has changed in the planning? How long has it been known that this service would not be funded? Why is there not a firm plan to include a Center in the new hospital?
- How important is the proximity of such a Center to the Emergency Department and does the location make a difference in how Medicare reimburses for the program.
- What will happen to the current employees if the program is moved?
- Personal physicians have been asked where patients will go if the Center is closed. The Mills' program is tightly booked and nearly impossible to get in to; the Peninsula Center is open and flexible to meet patients' needs.
- Will the additional floor on the MOB provide the needed space and revenues to help fund the program?
- The voters approved the new hospital with the understanding that services such as the Cardiac Rehab Center would be included. Sutter was going to build the

hospital at no cost to the taxpayers. Now we are being told that services will not be continued unless we give money. That seems to be in direct conflict.

Mr. Merwin's responses are summarized below.

- The difficult issue is not the value of the program or space, it is finances. At a construction cost of \$1,000 per square foot, it is hard to justify any non-acute care program that will consume the amount of space needed for Cardiac Rehab.
- MPHS wants to retain the program; however, right now the key issue rests with the fund-raising campaign as we go out to the community and ask for support. If we can raise enough through philanthropy, Cardiac Rehab will remain in the hospital.
- Donations can be designated and restricted to the Center; former patients have been very generous in their support of this program in the past.
- Proximity to the ER is desirable, but not required. [**Director Galligan** added that it is required for Phase 2 Cardiac Rehab.] In the event of a serious problem, patients can be, and have been in the current settings, stabilized and transferred to the ERs at Mills and Peninsula.
- Cardiac Rehab currently does not produce any net revenues. The Medicare reimbursement question will be researched further.
- From the very outset of this project, MPHS/Sutter has been clear on how it would be financed: 1) Through financial reserves 2) New debt and 3) fund-raising. Nothing has changed from that plan or commitment.

Vice Chair Ulyot thanked Mr. Merwin for his attendance and summarized the discussion.

- MPHS leadership would definitely like to have a Cardiac Rehab Center in the new hospital; that has not been ruled out.
- The construction process requires on-going review of planned services and re-prioritization of needs to address critical services and facilities.
- If someone wants to make a contribution to the capital campaign to support just the Cardiac Rehab Program, they can restrict a donation.

He thanked the many members of the public for their comments and participation. Prior to introducing the next presentation, he reviewed the 3-minute limit to public comments and noted that it will be enforced.

Vice Chair Ulyot then acknowledged that the Board Chair, Dr. Newman had arrived.

SPECIAL GUEST PRESENTATION: Scott Morrow, MD, Health Officer, San Mateo County.

Dr. Morrow thanked the Board for the invitation to speak and stated that, in following Mr. Merwin, he hopes to provide a better idea on how to stay out of the hospital. He held up the complete 350+ page 2008 Community Assessment report and gave out the Peninsula Health Information website [<http://www.plsinfo.org/healthsmc>] that can be accessed if anyone is interested in the full report. He then held up the Executive Summary and noted the availability of copies at the front of the meeting room.

- **Goals for the presentation:**

1. To provide a check-up on the health of the citizens in San Mateo County.
2. To identify areas where work is needed.
3. To motivate the audience to make changes in personal health, as well as, changes in the health of the community.

Dr. Morrow presented a series of graphs that provided information broken down by:

- Sex
- Age
- Education
- Poverty levels
- Racial and Ethnic differences
- Region (Mid-county, North, South, etc.)
- Overall trends

He then presented 10 “Diagnosis” based on the data and focused on areas where we could do better: County residents are healthier than ever; however, there are threats to this trend, as well as, opportunities.

1. Substance abuse is the most critical threat.
2. The current lack of a healthcare system is an unsustainable model.
3. There is a looming, huge demographic “Tsunami” created by the aging of the population and the shrinking size of the working population.
4. Our society has forgotten the importance of “policy” and “place”. (Example given was the mortgage and building industry supporting suburbs and individual family homes, which is counter to what would be best for the overall health of the community.)
5. There are significant health disparities and inequities.
6. Known facts about human developmental processes are not in place. E.g.:
 - a. What is known about early brain development has not been applied
 - b. Our young are disconnected from healthy systems because of policies.
7. The system criminalizes biology. (E.g. 80% of inmates in our prisons have a mental health diagnosis.)
8. The internet will soon replace physicians as the primary source of health information.
9. Residents are not adequately prepared for disasters.

Dr. Morrow offered five clear actions that everyone can take to contribute to their own health:

1. Maintain a healthy weight. (BMI less than 25)
2. Exercise
3. Eat five fruits and vegetables a day
4. No smoking
5. Alcohol in moderation

He then passed out treatment recommendations on a reference card and urged all to implement 1 or 2 into their lives individually and within their organizations. He highlighted three for consideration.

1. General Plan Updates are a part of all city council's work; citizens must urge attention to health in these plans and encourage them to include such language.
2. Get TV's and computers out of children's bedrooms. This has been identified as one of the greatest contributors to obesity and poor grades.
3. Everyone must ensure that every child reads at or above a nationally recognized 50% average, by the 3rd grade. This directly links to future health status.

Vice Chair Ulyot thanked Dr. Morrow for his presentation and noted that, due to the late hour and remaining agenda, there will not be time for questions of Dr. Morrow. He encouraged all to review the Executive Summary and check out the web site.

CONSENT CALLENDAR: The Consent Calendar consisting of the minutes for the March 20, 2008, Regular Meeting and the unaudited Financial Statements for March 2008, was presented.

It was moved by Director Smith and seconded by Director Galligan to approve the Consent Calendar. The motion carried unanimously.

ORAL COMMUNICATIONS: **Chair Newman** asked if there were any comments. There were none.

COMMITTEE REPORTS:

MPHS BUILDING COMMITTEE:

Vice Chair Ulyot reported on the March 25 and April 22, 2008 meeting highlights:

- Project is 4 months behind; \$69M over, with costs up to \$2.2M/bed. He added from research he recently did that the 1954 Peninsula Hospital was built for a total of \$5M.
- Total spent to date is at \$145M
- The revised project budget of \$618M has been approved by Sutter.
- Steel will be completed by May 2008.
- A "Topping Off" celebration is planned for May 28.
- The pouring of the foundation is 50% complete should be done by September.

- The stand-by kitchen plans have been approved by the Department of Health.
- The plans for an additional MOB floor will go to the Burlingame Planning Commission in May. It will cost \$25M and require 62 additional parking spaces.
- The Regional Joint Center, planned for Mills, will now be placed on the 6th Floor of the new hospital, which will displace the SNF. SNF will be moved to Magnolia Gardens, the property that was purchased by MPHS. The exact number of beds in the new SNF will be researched.

Director Smith complimented Dr. Ulyot on his report and had nothing further to add.

COMMUNICATIONS OVERSIGHT COMMITTEE, Vice Chair Ulyot:

- Newsletter was well received.
- CEO, Cheryl Fama spoke to the Burlingame Lions and talked about their shared vision, District history, and future role.
- Web page updating is now done in-house.

SCHOLARSHIP COMMITTEE, Director Galligan, Chair:

Director Galligan reported that loan applications for the upcoming school year are coming in and will be reviewed. Candidates will be interviewed and recommendations will be reported at the next Board meeting.

PHYSICIAN RECRUITMENT COMMITTEE, Director Navarro, Chair:

Director Navarro reported that there were no new applicants. The prior recruit has moved out of the District and will be required to pay back the outstanding balance. She has been cooperative at working out a plan.

AD HOC SERVICE AGREEMENT COMMITTEE, Director Galligan, Chair:

Director Galligan reported on the April 23rd meeting. The committee is searching for two additional members. Quarterly performance reports from grant recipients were reviewed. In response to Dr. Ulyot's question, she clarified that the committee provides oversight of the Board's grants and process.

CHIEF EXECUTIVE REPORT, Cheryl Fama:

- Internal Control Policy: This operating policy was developed collaboratively with input from the Treasurer, Auditor, and Staff. Its purpose is to ensure that appropriate controls are in place to manage the District's assets.
- Insurance coverage: CEO Fama referenced the summary grid included in the packet that outlined all policies, coverage limits, and premium cost. She noted that the D&O needs renewal by April 30, 2008. The Board's broker recommended two additional coverages -
 - Entity Coverage for Employment Practices Liability Claims
 - Third Party Liability Coverage
- She also reported that cost was explored and reduced.

It was moved by Director Smith and seconded by Vice Chair Ulliot to renew the D&O coverage and to include the new employment coverages as recommended. If price can be improved pursue. The motion carried unanimously.

- Senior Health Services in Disasters Round Table: CEO Fama referenced the meeting notes distributed in the packet. There were no questions or comments offered about the report or proposed next steps.
- PTO Policy: CEO Fama introduced the need for such a policy now that the District has employees who are or may be in the future eligible for vacation and sick leave accruals. The accrual rate was developed after researching other districts, local employers, and the national HR society. **Vice Chair Ulliot** asked for clarification about District's current vacation policy and if what was being proposed in addition to that. **CEO Fama** responded that the District had no policy. The CEO employment contract covered the executive, but there was no standing employee policy. This would be a new policy and would not duplicate any other accrual formula.

It was moved by Director Galligan and seconded by Vice Chair Ulliot and approved unanimously to accept the PTO Policy as presented.

- Other Activity Reports: **CEO Fama** attended the Sustainable San Mateo Retreat with Director Galligan and attended the recent ACHD Legislative Days in Sacramento. Three new bills were noteworthy:
 - AB 1944 would allow health care districts to hire physicians. It will be heard 5/29/08 by the Assembly Health Committee. Four strong reasons to support:
 - Levels the playing field for MD recruitment
 - Extremely important for rural district hospitals to attract MDs
 - Addresses demand by new physicians for work/life balance; they want a "job" rather than a "practice".
 - Opens opportunity for our District to help current young MD's and to potentially hire staff for new primary care clinics.

CMA and Stark regulations oppose it as it represents the "Corporate Practice of Medicine". The CMA has historically been against any non physician hiring physicians. California is one of only three states with this limitation. The AMA however does support this.

 - SB 1351, which addresses the Attorney General's latitude in getting involved in healthcare district asset transfers.
 - SB 1115, which could impact the positive improvements achieved by the 2004 workers' comp reform legislation.

The impact of proposed Medi-Cal funding cuts was also a hot topic.

OLD BUSINESS: None

NEW BUSINESS

Blue Ribbon Task Force Report

Director Smith spoke on the Blue Ribbon Task Force Report on adult health care expansion, which has finalized five recommendations to be made to the County Board of Supervisors.

1. Phase in enrollment in accordance with available resources and funding.
2. That there should be unified administration for coverage. Recommend that the Health Plan of San Mateo County administer the program.
3. Coordinated care management. Make sure benefits are coordinated with Medi-Cal, Medi-Care and other benefits. They also want to increase management of chronic diseases across the board
4. Work on increasing the delivery system.
5. Recommend enrollees pay a sliding scale per month depending on their ability. Look into the feasibility of a joint powers authority as a possible means of generating additional income.

The financial sub-committee is going to continue to meet over the next 1-1 ½ and try and come up with a more specific plan on how they're going to pay for this.

Vice Chair Ulyot asked how well represented the business community was at the meeting. **Director Smith** responded that when this was voted on by the committee, which is 40 people, 39 were in favor, 1 opposed, and the 1 opposed was from the Redwood City Chamber of Commerce.

Director Smith stated that although this is not going to come back for another year, between now and then we should be thinking about what kind of a position we are going to take.

CEO Fama responded by saying that she hoped to carve out a little time on our next agenda, May 29, 2008, and bring some speaking points, and have an open discussion about our position.

Board members briefly discussed the Blue Ribbon Task Force Report final five recommendations and concluded that they were reasonable. The Board then acknowledged that the difficult work will be determining the financing mechanism.

Audit Engagement Letter

CEO Fama stated it is time to commit to an auditor. The due-diligence was summarized in a memo in the Board packet. After much investigation she has concluded, and Sue Smith agrees, that we should stay with the current auditor for at least one more year; their rate is well within the ballpark of what others are experiencing, and because there are

some audit process changes this year and with the complexity of our Master Plan it would not be a good time to change.

It was moved by Director Smith, and seconded by Director Galligan and approved unanimously to accept the proposal from Vavinek, Trine and Day in the amount of \$17,000 for the audit.

ADJOURNMENT:

The meeting was adjourned by Chair Newman at 19:00 hours.

By:

Kelly K. Molloy, Executive Assistant

Approved:

Helen C. Galligan, Secretary

Donald E. Newman, M.D., Chair