

**BOARD OF DIRECTORS
REGULAR MEETING
Thursday, June 26, 2008**

The Board of Directors of the Peninsula Health Care District was called to order for Regular Session on Thursday, June 26, 2008 at 17:45 hours, at the Millbrae City Council Chamber, 621 Magnolia Avenue, Millbrae, CA.

ROLL CALL: On roll call there were present, Don Newman, MD, Chair, Dan Ulliyot, MD, Vice Chair, Helen Galligan, RN, Secretary, Sue Smith, CPA, Treasurer and Rick Navarro, Director, MD.

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

GUESTS PRESENT: John Loder, President Mills-Peninsula Health Services Foundation

Introduction: Ms. Fama introduced Sara Musso and Bryan Lo, two students at the College of San Mateo, who are receiving Forgivable Loans from the District to help with their nursing school expenses for the 2008-2009 academic year.

Presentation: Chair Newman presented Director Sue Smith with a commendation from the San Mateo County Board of Supervisors. The certificate, signed by every Supervisor, recognized her contributions to the County's Blue Ribbon Task Force on Adult Health Care Coverage Expansion.

CONSENT CALENDAR: The Consent Calendar consisting of the minutes for the May 29, 2008 Regular Meeting and the unaudited Financial Statements for May 2008 was presented.

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

Special Introduction: Ms. Fama introduced Mayor Gina Papan who arrived at the meeting and thanked her for her attendance and for the use of Millbrae's Chambers. Mayor Papan responded with "Welcome to Millbrae."

Guest Presentation: Director Ulliyot then introduced John Loder of the MPHS Foundation who gave a presentation on the new Peninsula Medical Center replacement project. Highlights are summarized below:

- First Peninsula hospital was opened in 1954 – same year as the Studebaker – both “state of the art”. He noted that the car had no power steering, air conditioning, or other features that are standard on today's cars. It is the same for hospitals.

- The first hospital cost \$4M; construction is now running over \$2M a bed.
- Accommodating new technology today into the existing hospital takes about 2 years from the decision is made to buy up to the time it is put into use due to the various State approval processes, as well as, the limitations of the old building itself. The example given was bringing in an MRI machine that weighs tons and is wider than hospital doorways.
- Most nursing units were built before computers and staffing levels that are required today, which makes them too small for today's needs.
- Infrastructure of the current building is fragile and held together. Retrofit was not a viable option.
- The current location was determined to be the best for a new hospital; it is truly mid-peninsula and adjacent to the international airport.
- New hospital will have all private rooms with sufficient space for staff, equipment, and family caregivers for important patient care support.
- SB 1957 required that a seismically sound new hospital be built. The new hospital will be the safest place to be in an earthquake – even one up to 8.0+ magnitude because of the new technology incorporated into the construction.
- There will be ~180 base isolators that will support the vertical beams and there will be a trough completely surrounding the building to allow it to move about 30 inches in all directions. The building will shake at 1/3 the rate of the ground due to the insulating function of the isolators.
- The opportunity to “build from scratch” was rare and ideal. MPHS leadership made the decision to find the funding to “do the right thing” for this community.
- Project estimate started at \$350M, then up to \$500M and now is at \$618M.
- The primary reason MPHS leadership committed to this project was to continue to retain and recruit the best physicians and nurses to practice. The American College of Medicine has predicted that by 2020 there will be a shortage of 85,000 physicians or 10% of those practicing today. In California it will be even greater due to the high cost of living. A world-class hospital will draw the future physicians and nurses to our community.
- Some of the new technology to be housed in the new hospital includes digital imaging, expanded bar coding, and computerized medical records system. (He noted that nurses today spend most of their time “hunting and gathering” information about their patients.)
- A prototype of the new patient room is mocked up on the eighth floor of the current hospital. The actual design of the new rooms is constantly being refined based on input from the staff.

The Peninsula Medical Center rebuild is the first this far along in all of Sutter Health; **Mr. Loder** credited the partnership with the District. He concluded his presentation with a video that provided, through schematics, a virtual 360 degree view of the new campus emphasizing the benefits of the location of the professional office building in relation to the hospital and the gentle slope from El Camino to the hospital's new front door – a definite improvement from the current situation.

Questions:

Mayor Papan asked if there will be a Heliport. **Mr. Loder** responded, yes, and he showed the location on one of his presentation slides.

Mayor Papan asked about the future of the Cardiac Rehab Center. **Mr. Loder** responded: Space in the hospital is costly and at a premium. There is commitment to retain it, but exactly where is still in question. **Ms. Holesapple**, Millbrae, commented that if the POB and the inpatient cardiac floor are planned to be adjacent, then the Cardiac Center should be there too. **Terry Heubner, Burlingame** commented that Larry Koehler, at the Burlingame Planning Commission, stated they were looking for an outside building for the Cardiac Rehab Center. An unidentified nurse also spoke at that meeting stating she felt that could be dangerous for cardiac rehab patients. **John Loder** responded that as they look to an outside facility there would have to be medical coverage, meaning a hospital. He further stated that they would love to have the Cardiac Rehab Center in the hospital however there may not be space. The question is how do we make this work?

Ruth Jacobs, Burlingame asked how accurate is the bar coding for medication administration. **Mr. Loder** responded not 100%, but absolutely much safer than the previous methodology and better than the 90% of hospitals in the U.S. that do not have this technology.

Terry Heubner, Burlingame asked what happens with paperless charts when the system goes down. **Mr. Loder** responded that detailed planning for backup and building in redundancy are a major part of implementing such systems.

There being no further questions, **Chair Newman** thanked Mr. Loder for his informative presentation.

COMMITTEE REPORTS:

MPHS BUILDING COMMITTEE: Dan Ullyot, Chair

- On 6/24/08 the Burlingame Planning Commission unanimously approved the expanded floor on the POB.
- New hospital is about 50% completed.
- Total footprint is complete.
- The approved budget is \$618M; \$124M has been paid out already.
- Behind schedule 72 days.
- Consensus to go with Seimens for interventional radiology and GE for the other.
- Committee also reviewed other planned capital projects which total \$22M and include skilled nursing facility \$1M, radiography room \$2M, and Behavior Health Center \$15M.

COMMUNICATION OVERSIGHT COMMITTEE:

Director Ullyot, Chair turned this over to **Ms. Fama**.

Ms. Fama referred to the summary in the Board packet. She then reported on the work-plan for the summer: completion and mailing of the summer newsletter, meeting with city managers and mayors, and identifying a resource to help with political advocacy. To that end, a meeting has been arranged with Ed McGovern, of Public Affairs Associates, who was highly recommended.

SCHOLARSHIP COMMITTEE: **Helen Galligan, Chair**

Nothing new to report

PHYSICIAN RECRUITMENT COMMITTEE: **Rick Navarro, Chair**

No further communication from the physician that moved out of the area. We are proceeding with recouping of funds owed.

Terry Heubner asked are we going to continue to recruit physicians given MPHS' plans for a Foundation Model. **Director Navarro** responded, currently the District is not allowed to hire physicians. AB 1944 is currently being heard and if passed should help. **Ms. Fama** added that the Board's position is well defined in the strategic plan and if there is still a need, then support of physician recruitment would remain on the District Board's work plan.

SERVICE AGREEMENT COMMITTEE: **Helen Galligan, Chair**

Nothing new to report

CHIEF EXECUTIVE REPORT: **Cheryl Fama, CEO**

- Enjoyed the Burlingame 100th Celebration; reported that it was announced that Ruth Jacobs was the Burlingame Lions Club's "Woman of the Year" for 2008.
- J & L Teamworks, the District's collection agency, will now be used to manage open accounts on payment plans.
- MPHS was cited in the SF Business Times as one of the top three places to work in the Bay Area based on a survey of hundreds of nurses and nursing students.
- New Burlingame residents: Shared a sample letter that she sent to all the new Burlingame residents using the mailing list that was provided through the District's recent membership on the Chamber of Commerce.
- AB 1944: Shared her letter of support and a summary of the legislation prepared by the Association of California Healthcare Districts; it did not get out of committee due largely to the California Medical Associations objection.
- Introduced a website, www.kidsdata.org, that is rich with data about the health status of children in the county; it is a resource available to all and important to the District's work.

OLD BUSINESS

Proposed Expansion of the POB: Chair Newman called everyone's attention to the drafted Board Resolution 2008-2 in support of MPHS' proposal to add an additional floor to the new POB. The resolution was prepared by General Legal Counsel, **Colin Coffey**, and it summarizes the reasons for the proposed expansion and the District's due diligence on the subject.

It was moved by Director Ulyot and seconded by Director Navarro to approve Board Resolution 2008-2.

When opened for discussion **Director Smith** reported that she reviewed all the materials that had been provided by Mr. Merwin to the District, per the Board's request at the previous meeting, and found them to be consistent with Mr. Merwin's presentation and supportive of community need and benefit. **Mr. Coffey** reported that his Archer Norris colleague, Ed Shaffer who has been actively involved in the Master Construction Agreement and the details of the POB expansion plans, also found the documents in order. There were no questions or comments from the public. The question was called and the Board was polled:

Chief Executive Officer Fama took roll call.

Chair Newman	Aye
Vice Chair Ulyot	Aye
Treasurer Smith	Aye
Secretary Galligan	Aye
Director Navarro	Aye

It was moved, seconded, and approved unanimously.

Property Development Master Planning:

Ms. Fama: As a follow-up from the last meeting, she is currently working to set up meetings with District Board representatives, HGA staff and Mr. Merwin and his team to launch the process.

Terry Heubner asked what exactly was signed with Mills-Peninsula. What input will the public have in this planning process? She hopes that such organizations as the Ombudsman Organization will be given consideration. **Ms. Fama** responded that the District is committed to transparency in this process, as she is, in all her work for the District. The arrangement approved at the last meeting was to engage HGA architects as the facilitators of a process to explore realistic possibilities. Options will be brought to the public meeting for full discussion. Why with MPHS? The vision is to create an integrated health care campus; however, it does not mean that the resulting plan must be with MPHS, just that it will be complimentary to what MPHS/Sutter is doing.

Director Ulyot added that this was a long term planning process. The District now has a number of properties which is a tremendous opportunity, especially with the recent changes in the building codes and the ability to look at revenue generating plans. It is a District process looking at District properties. We are in a very preliminary stage. The firm selected is HGA, and the partner who will be working with the District is David Thistlethwaite who has built many hospitals and health care facilities. **Chair Newman** stated that it isn't that we are just looking at our properties with MPHS; we want to stay on top of what *they* are planning. We want to stay connected so we can know what they are thinking and planning at the very earliest stage.

Ruth Jacobs commented that the Mayor of Burlingame is pushing for more senior housing and we should keep that in mind. **Director Newman** responded, absolutely and we should look at all options.

NEW BUSINESS

District Board's Role in Funding Indigent Care: Director Ulyot

A presentation handout was distributed and will be appended to and made part of these minutes. **Director Ulyot** introduced the topic by stating that he is not asking for any action at this time. His intention is to provide background history and a summary of initiatives that have been raised to stimulate Board discussion on this key issue. The following are highlights from his presentation.

- Health care is becoming increasingly unaffordable due to technology, aging of the population, and by the fact that many aspects of contemporary life are being "medicalized".
- There are 75 million US adults (19-64 years old) that are uninsured or underinsured; it is a national problem.
- Medical premiums are rising faster than incomes.
- Several remedies have been tried with no success, e.g. Clinton plan in early 1990's, recent California efforts, etc. Now we are down to local solutions.

He then referenced two important comments within the Board's Strategic Plan document concerning the District's role, revenues, and county budget deficits that are driving other agencies to look at District funds and their resulting initiatives to tap into those funds, one under "opportunities" and one under "threats." What are these recent local initiatives?

- **LAFCo review of April 2007** demonstrated awareness of both districts' reserve funds and tax revenues and saw these as possible funding sources for indigent care, but fell short of such a recommendation. However, they downgraded the districts' sphere of influence because significant parts of the county are excluded from district coverage by Peninsula and Sequoia, and concluded that all of the county would be benefited by dissolving the districts or consolidating the districts. **Chair Newman** commented that LAFCo's statement was incorrect; the districts never excluded any city or person.

- **SMC Civil Grand Jury Report of July 2007** was in response to the rising numbers of indigents and the negative impact on San Mateo Medical Center and the drain on County funds. He felt that they were fair in their conclusions; their only recommendations were to consider increased funding through our grants process and closer collaboration with the San Mateo Medical Center.
- **SMC Civil Grand Jury Report of June 2008** was not discussed pending its public release June 30, 2008. However, upon invitation of the Grand Jury, **Ms. Fama** did pick up a copy and provided such to each Director. **Director Ullyot** did comment that this report's recommendations are more prescriptive on how the District should help fund indigent care.
- **SMC Board of Supervisors Blue Ribbon Task Force Report of March 2008** called for the expansion of healthcare coverage to 36,000-44,000 adults with annual incomes at 400% of the federal poverty level. The San Mateo Health Plan was recommended to be the third party administrator under the ACE Program. (Access and Care for Everyone) ACE is funded by a three-year grant of \$7.5M annually. It is a *coverage* program, not an *insurance* program. **Director Smith** commented that this distinction is intended to protect recipients from losing any coverage from programs under which they may already be receiving services. The Finance Committee of The Board of Supervisors will be meeting for probably 1-1½ years to solve the funding problem. The Blue Ribbon Task Force will reconvene at the end of this year to explore a possible Joint Powers solution. **Director Ullyot** noted that this coverage would cost the county \$100M per year, which seems paradoxical given the current financial strain on the county.

Given this introduction and background, **Director Ullyot** opened discussion suggesting the following points:

1. Welcome to our game! The District has been supporting care for all in the District since its beginning.
2. We need to educate the public about the different legislative mandates for San Mateo Medical Center ("provider of last resort") and the District (not to subsidize county patients)
3. The District mandate is to serve all of our residents, not just the indigent.
4. The primacy of preserving the District hospital, above all, is the District's responsibility.
5. The District must accumulate sufficient reserves:
 - a. to buy the hospital at book value at the end of the lease, or
 - b. in the event of paramount default, take over the construction of the hospital or
 - c. in the event of paramount default, buy the hospital at fair market value.

Director Smith added that in addition to buying the hospital, we also need to have monies available to support programs that would be otherwise discontinued under certain circumstances.

Chair Newman opened up the discussion.

Director Navarro responded that any thought about “robbing” the District endangers the District hospital. He cited the Tenet example in Contra Costa County where Tenet abandoned the district hospital. It is the District Board’s primary responsibility to maintain the hospital. Having high quality healthcare and a first class hospital go well beyond healthcare in its importance to a community. It has an impact on retaining and attracting businesses, an impact on employment, an impact on housing values, and other foundational financial implications for the whole community.

Chair Newman urged Directors to focus and think about this issue. As the Board is more effective in accumulating assets, the more pressure there will be by others to divert these assets to immediate needs and priorities. Ultimately, the laws would have to change to allow other agencies to divert the District’s funds. He also stressed that the Board must remain solidly behind caring for the indigent, as well. **Chair Newman** highlighted that the projected price tag of \$100M a year to expand coverage as suggested by the Blue Ribbon Task Force far exceeds the District’s assets.

Chair Newman called on **Colin Coffey** for comments. He stated that he wanted to provide further background to support this discussion. The Civil Grand Jury 5-6 years ago laid heavily into the Sequoia District for its apparent lack of attention to its mandate as it was establishing its relationship with Catholic Healthcare West. He stated that the Peninsula Health Care District, in large part due to Director Smith’s leadership, has a rich track record dating back more than 10 years that establishes clear reasons for maintaining reserves and communicating the why and how of those reserves. When the 2006 Master Agreement was completed, substantial effort was put into the immediate aftermath which included obtaining new properties, having less hospital operations oversight, becoming the ultimate protector of the hospital as the community asset, etc. Considerable effort was put into developing a strategic financial plan. Verite Consulting, nationally recognized healthcare financial planners, was engaged to conduct a thorough analysis of all available data and experience to help the Board determine its plan. These experts specifically studied the building of the needed reserves – both the milestones throughout the 50-year term and the best methodology to achieve the goals. A number of public meetings were held with significant focus on building the necessary reserves. The Board ultimately came up with a financial policy that was approved by Board resolution in December 2007 and one that was based on mathematical formulas, not just a grabbing at numbers to meet needs. Three options were developed and presented multiple times at public meetings. Therefore, the talking points must include this history and the thoughtful process by which the Board arrived at its funding goals and financial policy that will guide annual spending and investments to achieve its goals.

Director Ulyot then read a recent quote from Supervisor Jerry Hill that suggested that Sequoia should annually put \$7.2 M in a safety net fund that would be run by the County.

Chair Newman concluded this discussion by reporting that it will probably be a regular agenda item for a while. Before leaving the topic, **Ms. Fama** asked if there was consensus around the points put forth by Director Ulyot as such confirmation will be important to her efforts in writing editorials and speaking on behalf of the District in the immediate future. The Board acknowledged that there was consensus.

Ruth Jacobs commented that she was happy to hear this discussion and to know that the Board is watching out for our tax payer monies.

Proposed Meeting Calendar for 2009

Ms. Fama first confirmed that calendar year 2008 is unchanged; there will be four more meetings, none in July, and all will be held in the Millbrae Chambers. (August confirmation pending). She then put forth the proposed 2009 calendar for the 4th Thursdays and introduced a meeting time change to 7:00 PM. **Director Ulyot** asked for her reasons for the time change. She answered that most public agencies tend to meet at 7:00 PM and it seems more convenient. The current 5:45 PM start is too early for some and/or too close to dinner time. **Chair Newman** noted that this was for information and will be under "Old Business" for action at the next meeting.

Director Ulyot then commented that he liked having the meeting location move around the District cities and how nice it was to have Mayor Papan come by and participate.

CORRESPONDENCE:

Ms. Fama called the Board's attention to an announcement that just arrived and did not make the packet. The Sequoia Healthcare District is holding a special public meeting to go over its strategic planning progress on Wednesday, July 16 at 4:00 PM. **Director Smith** noted the 4:00 PM start time; **Ms. Fama** responded that 4:00PM would be the District staff's first choice, but that would not seem to work for our Directors' schedules.

ADJOURNMENT:

The meeting was adjourned by Chair Newman at 19:30 hours.

By:

Jan Matejcek, Administrative Assistant

Approved:

Helen C. Galligan, Secretary

Donald E. Newman, M.D., Chair