



Peninsula Health Care District

**BOARD OF DIRECTORS
REGULAR MEETING
Thursday, February 26, 2009**

The Board of Directors of the Peninsula Health Care District was called to order for Regular Session on Thursday, February 26, 2009 at 18:15 hours, at the San Mateo City Council Chambers, 330 W. 20th Avenue, San Mateo, CA.

ROLL CALL: On roll call there were present, Dan Ulyot, MD, Chair, Rick Navarro, MD, Vice-Chair, Helen Galligan, RN, Secretary. Absent were Don Newman, MD, Director and Sue Smith, C.P.A, Treasurer.

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

CONSENT CALENDAR: The Consent Calendar, consisting of the minutes for the January 29, 2009 Regular Meeting and the unaudited Financial Statements for January 2009, was presented.

Director Navarro moved and Director Galligan seconded the motion to approve the consent calendar. The motion carried unanimously.

MPHS QUARTERLY REPORT

R. Merwin, CEO opened by acknowledging the recent California Supreme Court ruling concerning the Guardian's Lawsuit and congratulated the District on the results. Mr. Merwin then went on to give the MPHS quarterly report:

1. **Quality:** MPHS has achieved targets for all 5 CMS clinical core measures and ranks among the nation's top 10% for this performance. HealthGrades, an independent national rating service, ranks MPHS in the top 5% of all hospitals in the U.S. MPHS is on target for an April 1st "go live" with EPIC, its comprehensive electronic medical record system. This major clinical/quality project has cost \$68M and involves 32 hours of training for every RN and 12 hours of training for every physician who admits 12 or more patients a year. Patient satisfaction remains a challenge with scores dropping to 71%, the goal is 85%. Given all the things going on within the organization, we hope to be back on track by the end of the year.
2. **People:** Employee vacancy rate is now 1.2% and in 2008 the turnover rate was down to 5%; national turnover rate is 15%. The annual employee satisfaction survey called, "Experience of Work", is scheduled for April. Employee satisfaction has a score of 79%, which was down from the previous year, which was 80%.
3. **New Medical Center:** There are 450 workers on-site right now. The building is projected to be weather tight by April and all nursing stations completed by late summer. The new hospital is now 52% complete.

4. **Finance:** The hospital had its best year ever achieving a 17.4% EBIDA. This positive bottom line includes \$22M in charity care and another \$4M in community grants and community benefit programs. However, healthcare is not recession proof and MPHS has already seen bad debt go up by \$1M in January. It is anticipated that charity care will go up as well, with people losing jobs and insurance, on top of the many in the community who already are without insurance.

Chair Ulyot referenced a letter in the Wall Street Journal regarding charity care, and asked Mr. Merwin to clarify how charity care is calculated. **Mr. Merwin** answered charity care is actually defined by the State. It is the difference between what is charged and what is collected. He added that if it were defined as the difference between cost of care and actual collections, the \$22M he reported would be ~\$10M. The State average for charity care is 1.2 % of the gross charges. This year MPHS was at 1.8%, thus exceeding the State average. MPHS' \$22M in charity care for 2008 is the highest it has ever been for this hospital and for a hospital in this area. **Chair Ulyot** then referred to all the wonderful clinical benchmarks that have been exceeded and asked if public awareness of this draws patients away from other local hospitals. **Mr. Merwin** commented that he did not have data on this and added that the other local hospitals were doing a great job as well.

Public Comment: Luciana Kincer, San Mateo, employee of MPHS, and Professional Performance Committee representative reported recent employee and patient issues due to a problem with the synchronization of the hospital's audible alarm and the electronic door release when the fire alarm is activated. The doors have been closing before the actual alarm has gone off. The matter has been brought to leadership's attention and there has not been an answer. She respectfully requested Mr. Merwin's attention to this matter. **Mr. Merwin** stated he was not aware of the incidents, noted that the hospital is 55 years old, and stated he would follow up. **Ms. Kincer** then asked how many employees actually took the satisfaction survey last year. **Mr. Merwin** stated the participation rate was the same as 2007, MPHS is ranked highest in the system, and the results are statistically valid. **Ms. Kincer** asked what the nurses could do to help MPHS get to a higher satisfaction rating. She stated that she personally does not complete the survey because of the number and structure of the questions. **Mr. Merwin** stated the test asks 19 questions developed by a nationally recognized source on surveys. The intent is to have a test that does not take more than ten minutes in order to stimulate participation. **Chair Ulyot** asked if the employee survey was mailed. **Mr. Merwin** answered it is taken either by phone or over the computer. The findings then go to the company and come back to MPHS in aggregate. **Ms. Kincer** asked another question regarding EPIC. She stated the nurses in her department, the Recovery Room, have only had two opportunities for training, as they are waiting for the new screens. She is assuming that the additional training will come when the screens are done. She has been told by her manager that this department would have sufficient IT support during this transition, especially on the off-shifts and weekends. **Mr. Merwin** stated that there will be 300 people from EPIC and Sutter Health, as well as, 450 "super users" available 24/7 for the six weeks post go-live. An incident command center will be open 24/7 for the next 45 days and post go-live. He noted that President Obama has proposed paying hospitals \$1M per year to go to an electronic health record system within the next five years. Within the next five years MPHS will have spent over \$150M to implement this program. 450 computers have been added to the

hospital and Mr. Merwin fully believes it is the right thing to do, yet noted the federal monies will not cover the cost. **Ms. Kincer** questioned what Mr. Merwin felt the projected savings would be by implementing EPIC. **Mr. Merwin** stated the firm that evaluated the savings said it would be between \$16 - \$22M per year. A lot of jobs will change within medical records. Initially MPHS felt EPIC would be a 10% return on investment and now believe it may be down to 1%. However it is positive, that is the key. **Director Galligan** questioned if transcription would be eliminated? **Mr. Merwin** stated yes, as physicians will now use voice recognition transcription and have to review it and correct it. **Ms. Kincer** asked if there is a back-up system planned in the event there is a system shut down. **Mr. Merwin** stated that there were a couple of redundancies within the system; however, they do expect some downtime and have a team working on these procedures. All of those policies and procedures are being developed and will be available March 15. **Ms. Kincer** asked, on behalf of the Professional Performance Committee, what assurances Mr. Merwin will give that punitive action will not be taken if nurses experience delays in entering information into the new system. **Mr. Merwin** acknowledged the massive learning curve and reported that there will be six months of continued training to assist with the transition. Stanford implemented the same program six-eight months ago and the employees are reportedly very happy now. He realizes productivity will drop and has hired traveling nurses to assist in the process. **Chair Ulyot** remarked that the health care industry has been accused of being woefully behind every other industry in using IT. In reading health literature only 17% of physician offices are now on electronic records. **Mr. Merwin** stated that hospitals are at 3-7% of that range. MPHS has been on an order entry system for years, but that is nowhere near what EPIC is capable of. **Chair Ulyot** then questioned that the percent of hospitals that have gone paperless is actually reported as being less than physician offices. **Mr. Merwin** stated he would be surprised with that were the case, and he would be surprised if physician offices were higher than 7%. In summary, **Chair Ulyot** agreed an electronic medical record was the right thing to do. **Mr. Merwin** said it will be great and improve patient care.

COMMUNITY EDUCATION:

NEW MEDICAL TECHNOLOGY ASSESSMENT – Dr. Dan Ulyot, presenter:

Chair Ulyot shared information on the California Technology Assessment Forum (CTAF), a statewide, private, not-for-profit organization on which he has served for many years and currently serves as the Co-Chair. The purpose of the organization is to evaluate new technologies (devices and drugs) after they have been approved by the FDA. Its mission is to identify medical technologies that improve health; its vision is a culture of patient care in which the use of medical technologies is based on scientific evidence and its guiding principles are evidence-based decisions, objectivity and freedom from bias, transparency and openness to public comment, and decisions guided by positive outcomes to the patient. Dr. Ulyot reviewed CTAF's assessment criteria, some recently reviewed examples (e.g. CT colonoscopy, drug-eluting stents, laparoscopic gastric banding for morbid obesity, etc.), who uses the information, some emerging issues, and some "surprises" that have come out of the process.

Mr. Merwin complimented Dr. Ulyot on the interesting presentation and commented on the technology assessment process used in Great Britain. He suggested Tom Daschle's book,

CRITICAL, *What Can We Do about the Health-Care Crisis*, as an interesting read on this topic. **Chair Ullyot** stated he read the book and noted that Daschle actually recommends instituting a Federal commission to perform the kind of assessment conducted by CTAF. **Directors Galligan and Navarro** thanked Dr. Ullyot for his interesting presentation.

ORAL COMMUNICATIONS:

Ms. Luciana Kincer, San Mateo brought, distributed and read a portion of the registered nurses collective bargaining agreement with MPHS in regards to implementing new technologies in the workplace. She noted that the California Nurses' Association formally supports such advancements in patient care. **Chair Ullyot** thanked her for the handout and stated that her bringing this document was very timely given his presentation.

COMMITTEE REPORTS:

MPHS Building Committee-Chair Ullyot:

Chair Ullyot noted that Mr. Merwin covered most of his report earlier. He added that Behavioral Health will be going to the Mills Campus with the in-patient unit being placed on the 3rd floor. This project must be completed before the new hospital can be opened. He also extended, on behalf of Mr. Sarkisian, the Committee chair, an invitation for Directors to tour the new hospital on March 6.

Communication Oversight Committee–Ms. Fama reported:

Regular monthly meetings with the consultants are being held. Ms. Fama continues to meet with civic leaders and present to city councils and other organizations. The next edition of the District newsletter is now in development. **Chair Ullyot** asked how many newsletters are we planning for this year and what is the theme for the next edition. Ms. Fama answered that she budgeted for three newsletters and one community event. The spring newsletter will highlight the recent Board grants and community event.

Scholarship Committee-Director Galligan, Chair: Nothing new to report

Physician Recruitment Committee-Director Navarro, Chair: Nothing new to report

Ad Hoc Service Agreement/Grants Committee– Director Galligan, Chair:

Director Galligan stated that the District's Awards ceremony was a great success and builder of good community relations. **Chair Ullyot** agreed and added that it had a wonderful spirit.

CEO REPORT-Cheryl Fama:

- January 29 community event: >130 attendees; total cost <\$26,000
- Congratulated Mr. Merwin on the MPHS clinical quality performance. Also noted that MPHS was the only San Mateo County hospital that ranked above average in all 8 OSHPD areas of study.

- Real Estate Update – MPHS exercised lease extension rights on 1600 Trousdale, for another year effective 4/1/09; MPHS is now leasing all 5400 square feet at 1825 Trousdale for Cardiac and other outpatient rehab services.
- Long term property planning process continues; now interviewing potential financial advisors relative to current market for real estate and construction.
- Association of California Healthcare Districts’ annual Legislative Days is 4/20-4/21.
- An audit letter has been requested from VTD, the District’s audit firm for the last 10 years. This was done after consultation with Director Smith and after receiving assurances from Tom Brewer, the principle at VTD, that he would provide direct oversight of the project to avoid the lengthy delay experienced this year.
- Budget preparations for FY 2010 will begin in March.
- The March 26 District Board meeting will be at the Millbrae Chambers; education topic will be the “Aging by 2020” report presented by Sara T. Mayer, Director of Health Policy and Planning for the County. Ms. Fama noted that she will be on vacation and, with the approval and full encouragement of the Board chair, will miss this meeting.

Director Galligan asked if MPHS had a completion date for the project at 1875 Trousdale. **Ms Fama** responded that no construction has started; however, the rent payments have.

OLD BUSINESS

Employer Contribution to 457 Plan:

Chair Ulliyot reported on the recommended action that was the result of discussions in the Closed Session immediately preceding this Regular Meeting. The Board approved offering the CalPERS 457 Plan to its employees at its January meeting. At that time, Director Smith noted, and it is reflected in the minutes, that the Board may want to revisit whether or not to make an employer contribution. It is now recommended that the Board contribute \$1/per employee per month, which is the minimum required to make the District eligible to offer CalPERS health benefits. **Chair Ulliyot** clarified that a 457 Plan is the government equivalent of a 401K Plan.

DIRECTOR NAVARRO MOVED AND DIRECTOR GALLIGAN SECONDED ACCEPTANCE OF THE RECOMMENDATION TO CONTRIBUTE \$1/EMPLOYEE/MONTH TO THE 457 PLAN. THE MOTION PASSED UNANIMOUSLY.

NEW BUSINESS

Employee Health Benefits with CalPERS

Chair Ulliyot reported that another topic discussed in Closed Session before the meeting, under the agenda topic of labor negotiations concerned changing the health benefit offered to District employees from CaliforniaChoice to that offered by CalPERS. There were a number of critical discussion points related to such a decision, including:

- CalPERS health program involves retiree health benefits as well. The District has 66 eligible retirees dating back to June 30, 1980 and they must be notified of the opportunity to sign up.
- The Board must determine if all employees will get the same premium benefit or if they want to distinguish between different groups. [E.g. exempt, non-exempt, collective bargaining units, etc.]
- The Board must determine the contribution level for each employee group; this can be any amount toward the premium, but no less than the CalPERS required minimum. [\$101/employee/month]
- The Board must determine the contribution level for retirees, but no less than the CalPERS required minimum. [\$1/month/retiree]

Mr. Coffey commented on the level of financial analysis conducted by and presented to the Board by Ms. Fama and Robert Mackler, Licensed Insurance Broker, in Closed Session. The analysis presented financial models that adjusted the variables of Board contributions, retiree sign ups, and premium rate increases for each year up to 2029. He noted that the average age of the “eligible retirees” is 89 and it seemed reasonable to project that few would leave their current Medi-Gap policies at this point in their lives.

Chair Ulliyot asked Ms. Fama to summarize the outcome of the Board’s discussion in Closed Session and why the change should be considered. **Ms. Fama** responded that it is being recommended that two groups be identified – exempt and non-exempt, that the premium contribution be set at the “PERS Care” level for exempt and “PERS Select” for non-exempt, the specific amount contributed for employees remain the same as current Board policy, at 95%, and the amount contributed for participating retirees be set at the minimum allowed, \$1/retiree/month. She stated that the reasons for proposing this change are that CalPERS provides more benefits for significantly less cost [First year savings for the District would be \$15,000]; its size and purchasing power provide assurances that future premium increases will be among the lowest available, and the Board retains the right to modify its premium contribution levels or get out of CalPERS at any time during the relationship. A decision now will not be binding forever. Ms. Fama then called the Board’s attention to two Board resolutions that incorporated the elements just summarized- Resolution 2009-06 for Non-Exempt and Resolution 2009-07 for Exempt, both entitled **Resolution electing to be subject to public employees’ medical and hospital care act only with respect to members of a specific employee organization and fixing the employer’s contribution for employees and the employer’s contribution for retirees at different amounts.**

**DIRECTOR NAVARRO MOVED AND DIRECTOR GALLIGAN SECONDED
ACCEPTANCE OF BOTH RESOLUTIONS.**

Ms. Fama took roll call.

Chair Ulliyot: Aye
Vice-Chair Navarro: Aye
Secretary Galligan: Aye

BOTH RESOLUTIONS PASSED UNANIMOUSLY.

CEO Performance Review

Chair Ullyot reported that the Board acted as a Personnel Committee in the Closed Session preceding this meeting for the purpose of reviewing Ms. Fama's performance over the past year. He summarized the highlights of this review:

- Goals and Measures
 - Effective oversight of MPHS relationship
 - Maintained very good contact
 - Recommended that Cardiac Rehab relocated to 1875 Trousdale
- Health of District Residents
 - Newsletter details specific outcomes
 - Grant process targeted funds to community health priorities
- Ensure sufficient resources to achieve Board's mission and goals
 - Taken an in-house approach, resulting in savings
 - Served as the "face" of the Board throughout the community
 - Working as a county leader

Chair Ullyot stated a unanimous decision was rendered in Closed Session which formed the basis of further actions. **Director Navarro** pointed out the amount of savings for consulting costs which were nearly \$335K in one year. **Chair Ullyot** thanked Director Navarro for pointing that out.

CEO Performance Bonus

Chair Ullyot stated that, based on the Board's deliberations above, a one-time performance bonus of \$15,000 was being recommended.

DIRECTOR GALLIGAN MOVED AND DIRECTOR NAVARRO SECONDED THE MOTION TO GIVE MS. FAMA A ONE-TIME PERFORMANCE BONUS OF \$15,000. THE MOTION CARRIED UNANIMOUSLY.

CEO Compensation

Chair Ullyot stated that this recommendation in regard to Ms. Fama's base salary was also deliberated in Closed Session and the Board was very cognizant of its fiduciary responsibilities.

DIRECTOR NAVARRO MOTIONED AND DIRECTOR GALLIGAN SEONDED TO GIVE MS. FAMA A SALARY INCREASE OF \$20,000, RETROACTIVE TO FEBRUARY 1, 2009. THE MOTION CARRIED UNANIMOUSLY.

Chair Ullyot authorized **Mr. Coffey** to execute a brief addendum to the CEO Employment Contract to reflect this change in base salary.

CORRESPONDENCE:

Chair Ullyot referenced the Board materials; nothing required discussion.

ADJOURNMENT:

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

By:

Kelly K. Molloy, Executive Assistant

Approved:

Helen C. Galligan, Secretary

Daniel J. Ulyot, M.D., Chair