

Project Approval Process

The current new hospital proposal must pass through a rigorous approval process. **Before the Peninsula Health Care District formally deliberates on this proposal a number of “town hall” meetings, “study sessions” and regular Board meetings will be held to explore key details of the proposal and other possibilities.** The public is invited to express their concerns and/or support for any and/or all aspects of the proposal during this long and public process. The hospital District has already heard some concerns and expects to hear more as we all become more fully familiar with what has been proposed. Below is a broad overview of the approval process. Some of the requirements listed may occur concurrently. All time frames are estimates. All requirements in bold represent opportunities for public input.

- Peninsula Health Care District Board review and approval
 - Town Hall
 - Presentations from independent experts hired by the District to analyze key aspects of the current Mills-Peninsula Health Services proposal
- Burlingame Planning Commission initial review and “scoping” meeting to identify key issues to be evaluated in the Environmental Impact Review (EIR)

- Design drawings and construction document development (18-19 months)
- **EIR and conditional use permit process (56-60 weeks)**
- **Election seeking approval of residents within the Peninsula Health Care District**
- California Office of Statewide Health Planning and Development (OSHPD) review and approval of new hospital plans (18 months)

“Best Case” Timeline

- **With appropriate approvals, garage construction and initial site work begins first quarter 2004**
- **With appropriate approvals, hospital building construction begins fourth quarter 2005**
- **Best case move-in estimate is third quarter 2009**

Upcoming Public Meetings

General Education Session: Financing Options Available to Health Care Districts
Tuesday, March 11, 2003, 7:00 P.M.
Sierra Room, Peninsula Medical Center
1783 El Camino Real, Burlingame

Study Session: Finance Options Available to PHCD
Monday, March 24, 2003, 7:00 P.M.
San Mateo City Council Chambers
330 W. 20th Avenue, San Mateo

About the Peninsula Health Care District Board

In 1947, the Peninsula Health Care District was established with broad support from the San Mateo County voters. At the time, the voters created the District and a tax base to build and operate what is now Peninsula Medical Center. In order to bring citizens into the decision-making process of the new hospital, a publicly elected five member District Board was created. As a result, the Peninsula Hospital was built in 1954 using public funds and private donations and for more than 30 years the District Board made all of the hospital's operational decisions.

In 1985, the Board voted to lease the hospital, including all operations, to Mills-Peninsula Health Services, a private non-profit group that owned and operated Mills Health Center in San Mateo. The lease and merger of the hospitals allowed Peninsula

Medical Center to operate more economically and efficiently, as well as freeing District resources to invest in local health care.

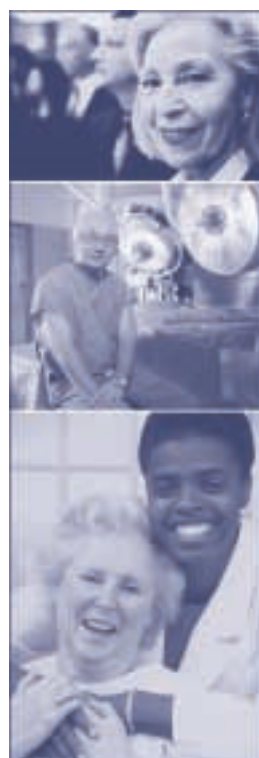
Since the transfer of operation management responsibilities, the Peninsula Health Care District has continued to serve the community by responding to local health needs, allocating resources for programs that enhance the health of the District's residents and as the lessor of Peninsula Medical Center.



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Dear District Member,

Welcome to our first edition of the Peninsula Health Care District newsletter. A number of important decisions regarding the future of the Peninsula Medical Center are approaching and we want to inform you about how they affect you and our community.

The Peninsula Health Care District was established in 1947 by the voters to build and operate what is now Peninsula Medical Center. Today, more than 50 years later, the District is facing some complex and long-term decisions regarding the state of our hospital and the health care of our community.

The California legislature enacted a law establishing stricter earthquake safety standards for hospitals that must be met by 2013, or the health care facilities must cease operation. Our current hospital has served this community with great distinction, but in order to both provide the greatest seismic safety and to meet the law, we must modernize and update our facility to new, higher standards.

The Peninsula Health Care District and Mills-Peninsula Health Services have each conducted their own independent engineering study about how to best meet the new safety standards. Both studies determined that Peninsula Medical Center does not meet new California laws and needs significant improvements. Both the District and Mills-Peninsula Health Services believe the best approach would be to re-build the hospital because a retrofit would be more costly than starting anew—and require the hospital to periodically close through some portion of the retrofit.

Mills-Peninsula Health Services has presented a new proposal to rebuild the hospital for the District's consideration. **It is the District Board's responsibility to accept, reject or modify the proposal submitted to us by Mills-Peninsula Health Services. This plan, as it has been submitted to us, is outlined in this newsletter.** It was submitted to the District Board at our January 16th meeting and again displayed at a January 30th town hall meeting sponsored by Mills-Peninsula Health Services.

In the coming months the District will fully analyze this proposal. To that end, we have hired some of the nation's best advisors to independently evaluate the Medical Center's proposal. As we receive additional information we will present it to you through this newsletter.

Additionally, the District will be hosting a series of town hall meetings and study sessions. The first of such meetings was held on February 20th to discuss the architectural design aspect of the submitted proposal and at a second meeting, on March 4th, Mills-Peninsula presented an overview of their proposal at the request of the District Board. Our next public meetings will be on March 11th and March 24th. Included within this newsletter is more information about these future meetings.

We look forward to hearing your thoughts and concerns throughout this process as we all work toward securing a solid foundation for the future of health care in this district. If you have any questions, feel free to call at 650-696-5450, or email info@peninsulahealthcaredistrict.org.

PHCD District Board

Peninsula Health Care District

The District's primary responsibilities are to safeguard the health interests of the community and the District's economic well-being. The Board takes this duty seriously and works hard to identify, promote and support a multitude of health care programs that benefit the residents of the District.

The District addresses important health needs by allocating resources for:

- Community based programs and activities
- Educational opportunities
- Capital projects throughout the community

Annually, the District contributes to the community by awarding grants to a diverse group of agencies and programs. Each year the District Board goes through an extensive application and approval process in order to select the appropriate recipients and the best distribution of grants into the community. Since 1999, the District has distributed more than \$400,000 a year into local health care programs with over \$520,000 in grants slated to be awarded in 2003.

Current grant recipients include: Youth and Family Assistance's Crisis Intervention & Suicide Prevention and Insights programs (\$60,000); Samaritan House Medical Clinic (\$100,000); Ombudsman Program of San Mateo County (\$55,000) and two Mills-Peninsula Senior Focus programs including Alzheimer's and Adult Day Health Care (\$210,000) and Wise & Well programs (\$95,000).

Financial awards for this year are also being presented to Children's Health Initiative (\$750,000) and College of San Mateo for nursing education (\$144,000) bringing

this year's total giving to \$1,414,000.

Additionally as lessor of the Peninsula Medical Center, the Board ensures the economic well-being of the District and the Peninsula Medical Center.

As landlord of Peninsula Medical Center, the Peninsula Health Care District is responsible for:

- Reviewing the lease and the performance of the lessee
- Reviewing audits and other appropriate information such as quarterly lease and bond compliance reports from the District's accountants, and general operational reports of Peninsula Medical Center to determine that the lessee is in compliance with the lease
- Negotiating a lease agreement with the lessee that will most greatly benefit the District residents

Note: The Peninsula Health Care District has no oversight or responsibility for the Mills Health Center located in San Mateo. Mills Health Center is wholly owned and operated by Mills-Peninsula Health Services, an affiliate of Sutter Health, and is outside the authority of the Peninsula Health Care District.



Current Peninsula Medical Center

Mills-Peninsula Health Services

Mills-Peninsula Health Services, an affiliate of Sutter Health, is a not-for-profit health care organization with more than 2,500 employees that leases and operates Peninsula Medical Center in Burlingame, as well as owns and operates Mills Health Center in San Mateo. Mills-Peninsula Health Services has a locally appointed 21 member Board of Directors that manages the business affairs of Mills Health Center and Peninsula Medical Center.

The responsibilities of Mills-Peninsula include day-to-day operations and general management. Mills-Peninsula has its own Hospital Foundation, focused upon fund raising efforts including corporate and foundation solicitations, planned giving and direct mail. Promotion and educational outreach for the hospitals is also executed by Mills-Peninsula including newsletters, *HealthPoint* and *Senior Focus News*.

New Hospital: On the Horizon

With Senate Bill 1953, the State of California established stricter seismic safety standards for general acute care hospitals, which must be met by 2013 or a termination of operations is required. Mills-Peninsula and the District did two independent studies, both concluding that the only feasible approach to comply with SB 1953 would be to re-build the hospital. Although a retrofit was possible, the cost was significant and there was no guarantee that the hospital could remain open during retrofitting. Because a new hospital is required, Mills-Peninsula Health Services is renegotiating all terms and conditions of the established 1985 lease with the Peninsula Health Care District. Under the current contract, the District does not have the authority to make operational or policy decisions.



Key supporters looking over plans for proposed Peninsula Hospital, 1954

Since 1999, the terms of the new hospital lease, as well as the construction logistics of a new hospital have been negotiated. In August 2000, a letter of intent for a revised agreement was signed by the District and

Mills-Peninsula outlining the following terms to be negotiated:

- Lease arrangement
- The District's degree of oversight over the new hospital
- Return of properties to the District that had been donated to Mills-Peninsula in the 1985 lease agreement

Architectural plans for a new hospital have been developed by Mills Peninsula Health Services and are currently under review by the District. The District will host a series of town hall meetings and study sessions to present the settlement plans as they have been proposed, and to discuss with the community the likely impacts the proposal will include. We look forward to hearing from you regarding this most important matter for all of us. If you are unable to attend these meetings and have questions regarding the proposal and/or the process please visit our web site at www.PeninsulaHealthCareDistrict.org, email us at info@peninsulahealthcaredistrict.org or call us at 650-696-5450.

Current Proposal

Currently, a new hospital has been proposed by Mills-Peninsula Health Services. This proposal includes the financial guarantee of Mills-Peninsula Health Services affiliate, Sutter Health, and awaits approval from the District Board. **The current proposal has been presented for public information only and has not yet been endorsed in any way or acted upon by the District.**

The present proposal includes an approximate \$400 million investment from Mills-Peninsula to build a seismically safe, general acute care hospital to replace Peninsula Medical Center using its current 26-acre site.



Rendering provided by Mills-Peninsula Health Services

In exchange for the building, Peninsula Health Care District will lease to Mills-Peninsula the publicly owned portion of the site for \$1 per year.

The proposal involves restructuring the relationship between the District and Mills-Peninsula, grants the District a voice in deciding which services the hospital must provide and transfers several pieces of property back to District ownership. In this proposal, at the end of the new 50-year land lease agreement the buildings and all the land will transfer to the District, unless the agreement is extended or a new agreement is reached. At the close of the 50-year lease, the District would be obligated to reimburse Mills-Peninsula Health Services for book value of repairs or restorations made during the last 25 years of the lease.

Other key operational logistics for the current proposal include:

- Mills-Peninsula will develop the new hospital without additional taxes from District residents. Financing will be attained through Mills-Peninsula's affiliation with not-for-profit Sutter Health, hospital operating revenues and community philanthropy.
- Mills-Peninsula will be obligated to maintain

a general acute care hospital with a 24-hour, seven-day emergency department and a mutually agreed complement of core hospital services.

- The District will have new oversight of maintenance of services at the new hospital.
- Mills-Peninsula will transfer its interests in certain properties to the District.
- In certain circumstances, both Mills-Peninsula and the District will have a right to buy out the other party during the term of the new land lease agreement.

Current proposed new hospital includes:

- A six-story (over one lower level), approximately 450,000-square foot general acute care hospital including an additional floor for future expansion. The main entrance is on Trousdale Avenue
- The current hospital remains open and operational during construction of the new hospital
- The new hospital being connected with approximately 145,000-square foot office building with space for administration and hospital-oriented specialty physicians
- A seismically safe building employing advanced engineering technology called base isolation that provides the highest level of seismic safety
- 243 beds in all private rooms (with the exception of behavioral health, where socialization benefits of two-bed rooms is preferred)
- Greater technology-ready facility
- Emergency department enlarged by 42%
- A more patient and family-focused hospital with family sleeping accommodations, gardens and walking trails, and expanded, level parking
- A helipad
- A neighborhood-sensitive hospital layout with noisier features set away from residential neighborhoods

For more information regarding the current proposal submitted to the Peninsula Health Care District by Mills-Peninsula Health Services visit their website at: www.mills-peninsula.org/newhospital.

Peninsula Health Care District Timeline

1947	1954	1960	1978	1979	1985	1994	1996	1997	1999	2000	2002
December 2, 1947 - San Mateo County residents voted to create the Peninsula Health Care District, establishing a tax base with a five-member elected board responsible for developing and opening a new hospital in San Mateo County.	March 2, 1954 - After two and a half years of construction, the Peninsula Hospital opened in Burlingame. The new hospital, built primarily through taxpayers' support, provided 153 beds and carried a staff of 275 employees and 100 physicians and surgeons.	Peninsula Hospital changed its name to Peninsula Hospital and Medical Center.	Peninsula established a Cardiovascular Surgery program at the hospital through an affiliation with the University of California, San Francisco.	Peninsula celebrated its 25th anniversary, as well as signed a joint planning agreement with Mills Memorial Hospital in the city of San Mateo.	Peninsula (Burlingame) and Mills (San Mateo) hospitals merged to form Mills-Peninsula Hospitals in an effort to expand the scope and quality of services provided to residents. Both Mills and Peninsula continued to operate as full service hospitals.	The State of California passed Senate Bill 1953, establishing stricter safety standards for general acute care hospitals, which must be complied with by 2013. Mills-Peninsula and the District did two independent studies, both concluding that the only feasible approach would be to re-build the hospital. Although a retrofit was possible, the cost was prohibitive and there was no guarantee that the hospital could remain open during the retrofit.	Mills-Peninsula joined Sutter Health, a non-profit health system of 27 hospitals in Northern and Central California. The Peninsula campus officially became Peninsula Medical Center and inpatient care was consolidated there. At this point, ICU and inpatient services were eliminated at the Mills Health Center in San Mateo.	The District filed a lawsuit against Mills-Peninsula Health Services for alleged conflict of interest in the original lease.	The District Board began negotiating the terms of a new hospital lease and the construction of a proposed new hospital with Mills-Peninsula.	A letter of intent was signed to restructure the relationship between Peninsula Health Care District and Mills-Peninsula Health Services. The revised agreement outlined terms to negotiate the settlement of the 1997 lawsuit, including the lease arrangement, the District's degree of oversight and the return of properties to the District.	A proposal for a new \$400 million, not-for-profit community hospital and restructured relationship with the Peninsula Health Care District were submitted by Mills-Peninsula for consideration and are currently under review by the District Board. The acceptance of this proposal by the District Board would settle the 1997 lawsuit if approved by the voters.