



MINUTES OF THE JULY 5, 2016 SPECIAL MEETING OF THE PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS

CALL TO ORDER

President Hempel called the meeting to order at 7:30 AM in the lobby conference room at 1425 N. McDowell Blvd.

PRESENT

Elece Hempel, President
Robert Ostroff, MD, Vice President
Josephine Thornton, M.A., Treasurer
Fran Adams, RN, BSN, Secretary (arrived after rollcall)
Joe Stern, Board Member at Large

ALSO PRESENT

Ramona Faith, CEO, PHCD
Andrew Koblick, Controller, PHCD
Erin Howseman, PHCD Board Clerk
Mich Riccioni, Regional CFO, SJH
Todd Salnas, President SJH Sonoma County
Chris Manson, SJH
Ashley Morris, ACLU Northern California
Dr. David L. Smith, pediatrician

MISSION AND VISION

Director Stern read the mission and vision of the Petaluma Health Care District.

The mission of the Petaluma Health Care District is to improve the health and well-being of our community through leadership, advocacy, support, partnerships and education.

Petaluma Health Care District envisions: A healthier community; a thriving hospital; local access to comprehensive health and wellness services for all.

CALL FOR CONFLICT

President Hempel called for conflict. There was none.

CONSENT CALENDAR

A motion was made by Director Ostroff to approve the July 5, 2016 agenda and the June 24, 2016 and June 28, 2016 minutes which was seconded by Director Stern. This motion was passed by a vote of 5 ayes (Directors: Hempel, Thornton, Adams, Stern, Ostroff) and 0 noes.

CEO Ramona Faith noted that the agenda called for the meeting to go until 9:30 a.m. but that President Hempel needed to leave at 9:00 a.m.

PUBLIC COMMENTS

Ashley Morris, Advocacy Manager & Senior Organizer of ACLU Northern California presented a letter from Ruth Dawson, Staff Attorney of ACLU of California, Lois Uttley, MPP, Director of MergerWatch, and Susan Berke Fogel, Director, Reproductive Health, National Health Law Program, representatives of a group of non-profit public interest organizations that advocate for patient's rights and access to comprehensive, unbiased, scientifically accurate health care. The letter expressed concerns about the restrictions on tubal ligation procedures at PVH under the lease renewal with SJH. Ms. Morris's letter is included as an addendum to these minutes.

Dr. David L. Smith, pediatrician from Santa Rosa, spoke in support of women's reproductive rights and the availability of tubal ligations at PVH. Dr. Smith commented on three aspects of the issue: women's civil rights; concern that the discontinuation of tubal ligations could cause obstetrical providers to leave Petaluma; PVH is a public entity and discontinuation of tubal ligations constitutes an undue burden on women.

Dr. Smith requested that an item be placed on the agenda of a future PHCD board meeting to discuss these issues.

BOARD COMMENTS

There were no board comments.

PVH AUDITED FINANCIALS

Mich Riccioni, Regional CFO of SJH, gave a presentation on PVH audited financials from the Consolidated Financial Statements and Supplementary Information report from St. Joseph Health System and Affiliates, Fiscal Years Ended June 30, 2015 and 2014 which had been submitted to the board. Mr. Riccioni gave highlights of the report, noting that PVH is separately reported out in the balance sheet. Mr. Riccioni stated that the audit for 2016 is currently being conducted.

CEO Faith questioned why Queen of the Valley Foundation is reported separately and PVH's Foundation is not. Mr. Riccioni responded that Queen of the Valley Foundation is a separate legal entity, whereas Petaluma's Foundation is reported as an asset of PVH, and is not separated out. Similarly, with regards to allocations being charged to Hospice of Petaluma, Hospice is a business enterprise which is included in SRM Alliance, and the allocations have not been broken out. Mr. Riccioni noted that allocations are based on the last three year's operating expenses. Todd Salnas has requested that in the future allocations for Hospice be reported out separately.

Mr. Riccioni reported that with the merger between SJH and Providence, PVH's fiscal year will shift to a calendar year, and there will be an audit in December of 2016 that will be available in April or May of 2017.

Director Ostroff asked about system allocations, noting that according to his information, in 2011 the figure was \$3.1 million, and in 2012 it was \$3.6 million. Director Ostroff asked if Mr. Riccioni could give the figures for the last three years. Mr. Riccioni stated that it is not a line item, but has to be pulled out, and stated that the total General and Administrative (G&A) expenses for 2013 was \$10.5 million; \$8 million for 2014, and \$13 million in 2015, noting that these figures represent not only the allocations. In response to the question from Director Thornton as to why the expenses have jumped up sharply last year, Mr. Riccioni answered that more expenses have been centralized last year, such as shared purchasing, shared accounts payable, and IT.

Mr. Riccioni also noted that hospital fees show in General and Administrative (G&A) expenses, which cause jumps in the totals, and can cause great differences in the expense figures from year to year. Overall, however, there is additional revenue, averaging a \$1.9 million benefit over a three year period.

In response to a request by Ms. Faith, Mr. Riccioni explained that hospital fees originated through the California Hospital Association as a way of obtaining federal funds for Medi-Cal reimbursement. Each hospital across California is assessed a fee which is collected by the state of California. Those fees are matched with funds from the federal government, and the collective funds are disseminated back out to the hospitals based on the amount of Medi-Cal business they are doing. It is standard practice to show the reimbursement funds in the year in which they were received. The SRM Alliance is a net winner because it has more Medi-Cal patients, however, the hospital must wait for CMS (Centers for MediCal Services) approval, the exact timing of which is uncertain. From 2014 – 2016, PVH benefitted by \$5.7 million, but SJH never budgets for these funds, because it is not certain when they will be disbursed, or if the program will be continued at the state and federal levels.

Director Ostroff asked if PVH has been successful with Western Health Advantage. Mr. Riccioni answered that PVH has been successful, but he did not have figures broken out for Petaluma.

Director Ostroff asked Mr. Riccioni if costs to PVH were incurred as a result of the merger of SJH and Providence. Mr. Riccioni responded that there were no due diligence expenses before 2016, and those costs will not appear in the report being reviewed at the meeting. Costs for due diligence will be allocated based on calculating the last three years operating expenses for all SJH entities and taking whatever percentage that generates on the entire SJH.

PHCD BOARD VOTE ON SONOMA LOCAL AGENCY FORMATION COMMISSION (LAFCO) SPECIAL DISTRICT REPRESENTATIVE

President Hempel called for a vote on the Sonoma Local Agency Formation Commission Special District Representative. A motion was made by Director Stern to approve casting the District's vote for Dennis Colthurst of the Palm Drive Health Care District which was seconded by Director Ostroff. This motion was passed by a vote of 5 ayes (Directors: Hempel, Thornton, Adams, Stern, Ostroff) and 0 noes.

CEO UPDATE

CEO Faith reported that she has been working on the due diligence. In addition, Ms. Faith reminded the board members that the nomination period for the November 2016 election of board members is July 18 through August 12, 2016. The filing forms which were mailed to board members whose terms are expiring must be filed in person at the Registrar of Voter's office in Santa Rosa during the nomination period. Board Clerk Erin Howseman clarified that if any incumbents fail to file by August 12, there will be an extension only for non-incumbents through August 17, 2016.

INFORMATIONAL ITEMS

Ms. Faith directed the board's attention to the upcoming events listed in the board packet, and thanked President Hempel and Director Stern for attending the North Bay Business Journal's Women in Business Awards dinner on June 29.

ADJOURN TO CLOSED SESSION

**President Hempel adjourned the meeting into closed session pursuant to:
Government Code §54956.8 closed session; real property transaction; meeting with negotiator – 400
North McDowell Blvd.; Bouey and Black, LLP, Legal Counsel**

President Hempel left the meeting at 9:00 a.m.

ADJOURN TO OPEN SESSION

Director Thornton adjourned the meeting into open session and reported that no action was taken in closed session.

ADJOURN

Director Thornton adjourned the meeting at 9:30 A.M.

Submitted by Fran Adams, Board Secretary
Recorded by Erin Howseman, Board Clerk