

**MINUTES OF THE OCTOBER 27, 2010 REGULAR MEETING OF THE
PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS**

CALL TO ORDER:

President Ostroff called the meeting to order at 6:15 p.m. in the building conference room at the Petaluma Health Care District, 1425 N. McDowell Blvd.

PRESENT:

Fran Adams, RN, BSN, Member-At-Large
Robert Ostroff, MD, President
Kathryn Powell, MS, Vice-President
Stephen Steady, MD, Secretary
Josephine St. Thornton, MS, Treasurer

ALSO PRESENT:

Suzanne Cochrane, Board Liaison
Daymon Doss, CEO
Richard Nadale, Controller
Jane Read, VP of Operations, PVH

CONSENT CALENDAR:

A motion was made by Director Steady to approve the October 27, 2010 Agenda and to clarify the wording of the first paragraph of page 3 with SJHS pertaining to the Petaluma Valley Hospital report of the September 23, 2010 minutes, seconded by Director Adams and unanimously approved by all present.

PUBLIC COMMENTS / QUESTIONS:

There were no public comments.

BOARD COMMENTS / QUESTIONS:

There were no board comments.

STRATEGIC PLANNING COMMITTEE REPORTS:

Asset Management Committee:

Director Thornton reported the Asset Management Committee will be discussing Lynch Creek Property and 1460 Cader Lane in closed session.

Petaluma Valley Hospital:

Director Thornton reported PVH financials were favorable for the month of September noting that because of the delay in implementing Meditech, the associated costs are not yet reflected in the current financials. PVH census has reached the lowest in several years along with a decrease in inpatient surgeries. Other entities have also indicated a decrease in their census.

A presentation was made by C R Burke to the SRM Alliance Board providing information regarding the costs associated in bringing physicians to Annadel Foundation.

Jim Carr provided an update from the Image Task Force designed to work on improving the image of PVH, which has met with several community members.

Director Thornton distributed a recent advertisement on SJHS/PVH published as an insert in the Sunday Press Democrat pertaining to selecting a health plan and announcing the new digital mammography service at PVH.

Jane Read, VP of Operations at Petaluma Valley Hospital reported Meditech is scheduled to go live at Petaluma Valley Hospital on Sunday, October 31, 2010.

Ms. Read noted the testing process for the A4 System and the new Meditech System where patient information is inputted into each computer system has been completed. Work Stations on Wheels, WOW, are in place along with the addition of a PACs work station providing physicians with an additional place to review radiology films.

Ms. Read noted the Emergency Room at PVH continues to be very busy, but that physicians were also experiencing a decline in patient volume in their own practices.

Ms. Read provided an update on patients transferred to other entities noting two pediatric patients were transferred from PVH to other entities because the locum on duty did not feel comfortable handling pediatric surgeries. Ms. Read stressed concern over this issue and will address it to avoid any more transfers from PVH for this reason.

President Ostroff questioned if transfer patients received follow up telephone calls to verify they received appropriate care and to explain why they were transferred to another facility. PHCD Directors stressed a concern that the Community could perceive that Petaluma Valley Hospital ER patients are transferred to other facilities.

Ms. Read responded that communication did occur with the most recent case but would research if this was standard practice for all transfers. Ms. Read was in support of this recommendation.

Ms. Read is working on a recent recommendation from physicians to sell the Endoscopy Ultrasound equipment that is not being utilized in the Surgery Department.

Hospital Stewardship Committee:

With the implementation of the GRASP program, Nancy Corda is working with staff to align acuties and establish benchmarks. At this time, no future meeting has been scheduled.

Joint Venture Committee:

Director Steady reported the next Regional Action Plan meeting will be held on November 5, 2010. Participants understand that Marin IPA is taking the lead and working with physician groups to support merging together. Next steps are for participants to make an initial investment to move the process forward.

Mr. Doss stated the November 5th meeting could be moved to November 19th to allow for Marin IPA and SJHS to finalize legal issues. SJHS has agreed to fund a portion of this project and is asking each District to pay a fee of \$30,000. Marin General has agreed to pay their fee through in-kind services of advertisements in Marin County.

Mr. Doss noted the PHCD 2009-2010 Budget includes a \$30,000 partnership charge for the Petaluma Health Care District to participate in the Regional Action Plan project.

Mr. Doss has been in communication with Don Bouey, District Counsel, regarding PHCD's role in working with Marin IPA and Prima Foundation to establish a contractual relationship for a Foundation office housed in Petaluma. Mr. Bouey does not see any apparent issues in moving forward to develop a partnership with Marin IPA in Petaluma but recommended a review of any contracts should occur prior to establishing a partnership.

Lease Oversight Committee:

President Ostroff requested input from the Board of Directors on scheduling a joint retreat meeting with PHCD Board of Directors and the SRM Alliance Board. Suggestion was made to conduct a joint meeting in closed session in January or February of 2011.

The decision was made to schedule a joint Board retreat in 2011 and will send an invite to the SRM Alliance Board with a proposed date of Wednesday, February 23, 2011 for a closed session 5:30 p.m. meeting. Dinner will be provided and the PHCD Board would hold their monthly meeting directly after the closed session meeting.

Discussion ensued regarding the role of SRM Alliance to approve business plans or programs for Petaluma Valley Hospital (PVH) or if EMT is the responsible party. It was also noted that processes have changed since the initiation of the Lease with various Administrators in the role at PVH. With the current Administration, programs would be

brought to the PVH VP of Operations attention, reviewed and then submitted through the appropriate process.

Ms. Read noted that SJHS has a vested interest in PVH and would not look to limit investing into a program where revenue would not be realized for a few years. SJHS does look at five to ten years for sustainability of any new projects.

Ms. Read further noted that SJHS has recently invested in the MediTech system for Petaluma Valley Hospital which could take up to six years before it becomes a sustainable investment.

President Ostroff distributed a report prepared by the Lease Oversight Committee regarding the following topics:

- Third Party Contracts
- Provision for bad debt/Charity Care
- Capital Expenditures
- Allocations to St. Joseph Health System

President Ostroff explained that the purpose of the report is not to question the accounting methods employed but for the District to have a better understanding on the future of PVH at the end of the Lease and the expenses that would be incurred as a stand alone community hospital.

A table outlining capital expenditures in comparison to Santa Rosa Memorial, Petaluma Valley Hospital, Novato, Woodland, and Ukiah was also distributed. The Lease Oversight Committee recommended including the capital expenditures comparison table in their report.

Discussion ensued relative to a financial document of the first quarter Fiscal Year 2006 of Petaluma Valley Hospital pertaining to Area Allocation Charges to PVH. Questions were raised and a lengthy discussion pursued regarding the financial document and the information that was associated with the Area Allocation Charge. Director Thornton clarified some misunderstandings surrounding the interpretation of the financial document.

Mr. Doss distributed the 2008 HFS Report that reflects PVH paying approximately \$100,000 per month in Corporate Allocations. The Lease Oversight Committee is unclear as to the current charge for Corporate Allocations and is requesting this information as well as the services included in this charge in their report to the SRM Alliance Board.

Director Powell noted the information requested from the Lease Oversight Committee would provide us with the expenses included in the Corporate Allocations and Area Wide Allocations but not necessarily provide a total cost in operating a stand alone hospital. Director Powell recommended hiring a consultant that could work with the Lease

Oversight Committee in providing a financial synopsis in operating a stand alone hospital and the costs associated in contracting for services outside of the hospital.

Lease Oversight Committee members supported the request to hire a consultant to provide an overview of costs associated to running a stand alone facility.

Director Thornton will present the proposed letter to the SRM Alliance Board and request the incoming President be assigned to oversee this request with the possibility of organizing a small sub-committee consisting of board members and community members to address the questions as outlined in the report.

Physician Relations:

Mr. Doss reported the Petaluma Women's Health practice continues to thrive and has been in communication with Joel Criste, Marin IPA, regarding the Prima Foundation OB program and if there are any benefits if the PWH joined the Prima Foundation.

Mr. Doss has also met with the PWH physicians noting the District has been very supportive in growing the practice and are looking to see the practice move into another direction that would remove them from the District.

The PHCD Board of Directors supported Mr. Doss to move further in discussions with the PWH in an effort to move them into a more independent business role.

South County Mental Health Collaborative:

The next meeting of the South County Mental Health Collaborative is scheduled for Thursday, November 18, 2010.

WORK ITEM: REPORTS

Finance Report:

The Statement of Net Assets as of September 30, 2010 reflected assets of \$16,867,290 and liabilities and deferred revenue of \$3,484,409 leaving the net fund balance at \$13,382,881.

The year to date Statement of Revenue and Expense shows a loss of \$64,956 which is \$9,654 less than budgeted.

Four separate advances of \$80,000 each to the Petaluma Health Center to assist with their operating expenses while the 2010-11 California budget remained unpassed was included in the September 30, 2010 financials. The budget was passed in October 2010 and all monies advanced to the Petaluma Health Center were repaid to the District on October 19, 2010.

PHCD operational income from Petaluma Women's Health (PWH) in the month of September 2010 was \$2,542. The total advanced to PWH through September 2010 is \$440,793.

The District's rate of return on investments increased .16% to 5.02% for September 2010.

President's Report:

President Ostroff reviewed the Ongoing Task List with no changes noted.

Future PHCD Board of Directors meetings are scheduled for November 18, 2010 and December 16, 2010. Beginning in January, PHCD Board meetings will be held the fourth Wednesday of each month.

CEO Report:

The Community Health Forum was held on September 30, 2010 and appeared to be successful. There were about 200 people in attendance with a question and answer period provided.

The "Why Boys Fail" seminar held on October 7, 2010 was standing room only and received positive feedback.

Upcoming events include the Next Gen Annual Bunco and Texas Hold'em Tournament scheduled for November 13, 2010. Lifeline is a table sponsor of this event.

ADJOURN TO CLOSED SESSION:

President Ostroff adjourned the meeting into closed session pursuant to the following sections:

- **Government Code §54956.8 closed session regarding real property negotiations at Lynch Creek Property.**
- **Government Code §54956.9 closed session regarding pending litigation at 1460 Cader Lane.**
- **Government Code §54957.6 closed session regarding employee matters.**

ADJOURNED TO OPEN SESSION:

President Ostroff adjourned the meeting into open session and reported a committee was assigned to develop a job description for the CEO position. No other action as taken.

DISCUSSION OF PUBLIC COMMENTS:

There were no discussions regarding public comments.

NEXT STEPS:

No items were discussed.

ADJOURN:

President Ostroff adjourned the meeting at 9:10 p.m.

Respectfully submitted,

Stephen Steady, MD, Board Secretary

RECORDED BY:

Suzanne Cochrane, Board Liaison