

**MINUTES OF THE MAY 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. 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 S. Thornton, MS, Treasurer

ALSO PRESENT:

Liesje Brazil, RN
Kitty Brown, RN, PVH
Suzanne Cochrane, Board Liaison
Daymon Doss, executive Director
Bob Lipman, Real Estate Consultant
Rick Nadale, Controller
Jane Read, VP of Operations, PVH
Todd Salnas, COO, SJHS

CONSENT CALENDAR:

A motion was made by Director Thornton, seconded by Director Adams to approve the May 27, 2010 Agenda and the April 22, 2010 minutes. This motion was unanimously approved by all present.

PUBLIC COMMENTS / QUESTIONS

Kitty Brown, RN, attended this evenings meeting to submit a request to schedule a Hospital Stewardship Committee meeting to review staff issues.

Director Adams responded that a Hospital Stewardship Committee meeting has tentatively been set for June 23, 2010 for 4:30 p.m. and once confirmed with all participants, a notice will be sent to confirm this date and time.

Ms. Brown noted that meetings with Administration have occurred and if the issues are resolved prior to the scheduled meeting she will notify the Board for cancellation of the meeting.

BOARD COMMENTS / QUESTIONS

President Ostroff acknowledged Director Adams' Birthday.

1460 CADER LANE

Asset Management Committee met on May 11, 2010 and after review of STX's April financials are bringing a recommendation to the full Board to purchase 1460 Cader Lane for an amount of \$5,500,000. Currently, the District is in the process of securing a loan to purchase the building at an interest rate of 6.3/4% due in 10 years but amortized over 30 years with no prepayment penalties. The property is a single story multi-tenant structure located on approximately 2.65 acres, parcel number 005-290-001. It consists of 48,600 square feet of warehouse space with all but 7,200 square feet of space currently rented.

Daymon Doss and Rick Nadale have been working with Bank of Marin to obtain financing for 1460 Cader Lane. Requirements for securing the loan for purchase of this building have been revised to include an increase in a down payment from 35% to 50%. Clarification has been requested regarding this increase with a meeting scheduled with Dave Schmidt, Bank of Marin early next week. As an alternative, Bank of Marin is willing to keep the down payment of 35% if the District pledges \$1 million of its Bank of Marin portfolio as collateral. The funds would remain an asset of the District earning interest but would not be able to be accessed for a two year period or until the STX meets certain financial criteria.

In addition, Bank of Marin is requesting a signed five year lease with STX and Letters of Intent from other lease holders currently occupying 1460 Cader Lane.

At 35% down, the loan includes a down payment of \$1.925 million which will be obtained from the sale of multiple portfolio bond funds that are scheduled to mature in 2010 and 2011.

Director Thornton questioned the request to hold funds noting the total portfolio of the District is held at Bank of Marin. Director Thornton also noted the Asset Management Committee has worked diligently to arrive at the decision to purchase 1460 Cader Lane and expressed concern over the request for an additional \$1 million dollars to be pledged in the finalization of the loan.

President Ostroff questioned if Exchange Bank would be interested in providing the District with a loan.

Rick Nadale, Controller, noted that Exchange Bank had been contacted and noted three issues regarding funding approval. One was that the District does not do any other banking with Exchange Bank making this request a single transaction, and that Exchange Bank loans typically are guaranteed by private parties rather than a government entity.

Bob Lipman, Real Estate Consultant, stated that requirements by the bank auditors regarding this request are being seen more often. Mr. Lipman further noted that STX has been notified regarding the delay in the purchase of the building due to funding issues.

Daymon Doss had planned to bring documents to the Board meeting for approval and obtain signatures but due to the recent change in loan terms would like to request the Board to move forward with intent to purchase subject to final loan requirements and terms of the loan.

President Ostroff felt that the Bank of Marin's requirements opens the avenues for the District to pursue other financial organizations that could be interested in providing the District with a loan to purchase 1460 Cader Lane while managing the District's portfolio.

Mr. Lipman explained that the Due Diligence period is scheduled to end May 28, 2010 and requested the Board to consider an extension to secure financing.

A motion was made by Director Powell, seconded by Director Thornton to extend the Due Diligence period until June 30, 2010 allowing additional time to secure financing to purchase 1460 Cader Lane. This motion was unanimously passed by all present.

PHCD 2010-2011 BUDGET – DRAFT #1:

Rick Nadale presented the Petaluma Health Care District's 2010-2011 Budget (Draft #1). Mr. Nadale noted that the proposed budget does incorporate the purchase of Cader Lane which could be revised depending on the loan requirements. Income from this property is also included in the proposed budget not including the 7,200 square foot of space not currently leased.

Proposed expenses for the Regional Action Plan is included in the Physician Services schedule with a budget of \$125,000 allotted. The next Regional Action Plan is scheduled for Friday, June 11, 2010 where discussions will occur relative to the direction the RAP will be moving towards. If the Regional Action Plan moves forward, additional funding will need to be incorporated into the proposed budget.

At this time, the budget is to be reviewed by Directors and if there are any questions regarding the proposed budget to contact Mr. Nadale for further clarification. Proposed 2010-2011 Budget Draft #2 will be presented at the June 24, 2010 Board meeting.

Director Thornton will be discussing with the Asset Management Committee additional support for community programs.

STRATEGIC PLANNING COMMITTEE REPORTS:

Asset Management Committee:

Director Thornton reported no activity has occurred regarding the Lynch Creek property. The Asset Management Committee will be reviewing the 90 day sale contract for Lynch Creek Property at the June meeting and will be bringing forth recommendations to the Board.

Petaluma Valley Hospital:

Director Thornton distributed a letter from the SRM Alliance Board in response to the letter regarding general surgery call coverage at Petaluma Valley Hospital (PVH) Emergency Department submitted by the PHCD Board of Directors. The letter from SRM Alliance Board noted that a subcommittee has been appointed to review this matter with both PVH Management and Medical Staff leadership. The PVH Board of Trustees and PVH Management strongly support solutions that will provide uninterrupted PVH general surgery emergency department call coverage by local physicians, with a commitment to PVH onsite care.

The PHCD Board of Directors appreciated the response letter from SRM Alliance Board and the appointment of a subcommittee to review this concern. PHCD Board of Directors support increasing communications between the two Boards to better establish a working relationship.

Todd Salnas, COO, SJHS, noted that the SRM Alliance Board is concerned regarding general surgery call coverage and is working with a consultant to address this issue.

Director Thornton also noted a proposed budget for PVH was presented that included a large expense due to the purchase of a Medi-Tech software system.

Hospital Stewardship Committee:

Jane Read, VP of Operations, PVH, provided an update regarding the GRASP Acuity System. Ms. Read reported the GRASP consultant was at PVH in April providing suggestions and recommendations on our next steps. The PCAC Committee has approved the latest recommendations and are currently making the final adjustment to the tool with retesting to occur soon. Estimation for implementing the GRASP system is two months with delays occurring in training staff to properly input the data.

Joint Venture Committee:

Director Steady reported the next Joint Venture Committee meeting is scheduled for June 2, 2010 to discuss the Regional Action Program 4 meeting.

Lease Oversight Committee Meeting:

President Ostroff noted the Lease Oversight Committee did not meet in May due to scheduling conflicts and will be reviewing the List of Committee Review items at their June meeting.

Physician Relations Committee:

Mr. Doss stated the Petaluma Women's Health has made a successful transition to billing directly through their office. This has been accomplished with the assistance of Pathways overseeing the transition. The PWH biller is current on submitting weekly superbills and has been focusing on the old billing as well as accounts receivable. PWH is working to locate current insurance contracts but due to the recent passing of our biller, are having difficulty in locating these documents.

Mr. Doss has been meeting with Dr. Kozinski and Dr. Clark on the expansion of their practice to Novato. A meeting with Joel Criste regarding billing issues relative to Novato and Petaluma is being arranged.

Mr. Doss also noted that the proposed PHCD Budget #1 does not include the expense to expand the Petaluma Women's Health practice into Novato.

MSSA Report:

Heather Bonser-Bishop has completed her analysis of reconfiguring the boundaries of MSSA 208 (Sonoma) and MSSA 209.01 (Petaluma) to conform to their original boundaries. This request came from Sonoma Valley Hospital and the District Board of Directors supported review of this report prior to making a decision to support Sonoma Valley Hospital's request.

Ms. Bonser-Bishop's report indicated there would be no deleterious affect upon Petaluma physicians.

A motion made by Director Thornton, seconded by Director Steady to endorse Sonoma Valley Hospital's request to the California Health Work Force Policy Commission (CHMPC) to reconfigure the boundaries of MSSA 208 (Sonoma) and MSSA 209.01 (Petaluma) to conform with their original boundaries. The motion was unanimously passed by all present.

South County Mental Health Collaborative:

Director Thornton recently attended the South County Mental Health Collaborative meeting held on May 20, 2010 that includes a tour of the Sonoma County Jail. Director Thornton felt the tour was very interesting and learned about several organized training programs offered for those who are very acutely ill as well as to those who are less acute.

The South County Mental Health Collaborative does not hold meetings in the summer but will reconvene in September.

PETALUMA VALLEY HOSPITAL ANNUAL REPORT:

Jane Read, VP of Operations, Petaluma Valley Hospital and Todd Salnas, COO, SJHS provided a 2009 Annual Report of Petaluma Valley Hospital. The areas included in her report reflected:

Community
People
Quality
Service
Innovation
Stewardship

Ms. Read reviewed national statistics regarding Medicare's payment structure that will continue to change toward funding based on quality and efficiency of care. Medicare will discontinue reimbursement for avoidable hospital complications and medical errors that are identifiable, preventable, and serious in their consequences to patients. There will be a 5% increase in reimbursement to physicians for lowering costs and providing higher quality care (pilot program in progress).

Medicare will reimburse hospitals at a higher rate for performance measured through defined quality of care and efficiency metrics. Patient satisfaction performance for inpatients will also be added to the current list of quality of care measures and will be factored in to 2010 reimbursement.

The hospital readmission rates would have payments for the original hospitalization reduced by 20% if a patient with a selected condition is re-hospitalized with a preventable readmission with seven days or by 10% if a patient with a selected condition is re-hospitalized with a preventable readmission with 15 days.

Medicare has launched an Acute Care Episode (ACE) pilot in CO, TX, OK and NM for reimbursement for episode costs, acute plus post-acute care that covers multiple providers.

Ms. Read reviewed the issues pertaining to the Health Care Report on a national, state, and local level that will affect patients, payors, physicians, competition, finance, and other Health Care Trends.

On a California Health Care review, there is an overwhelming majority of uninsured adults that are employed. Statistics indicate there are 7.7 million Californians that are uninsured up 13% higher than 2007. Clinics and community health centers have seen a 50% increase in newly uninsured patients this year.

Health Status in Sonoma County included:

- Chronic illnesses are the leading cause of mortality in Sonoma County
- Rates for cancer and stroke are higher than average, but lower for heart disease
- 57% of adults are overweight or obese and 62% do not get recommended amounts of physical exercise.
- 24% of residents report having high blood pressure.
- Nearly one in four residents report seeking emotional/mental health assistance
- Asthma affects 17% of the people
- 14% of the population continues to use tobacco products
- Nearly 9% of county residents live below the Federal Poverty Level
- Access to medical care remains a threat to the county's most needy:
 - A limited number of physicians accept Medi-Cal or other low-income coverage
 - 48% of physicians report considering moving away or retiring from practice within the next five years.
- Sonoma County has a lower percentage of indigence than the state and surrounding counties, except for Marin. Sonoma and all neighboring counties have uninsured rates higher than the national average.

Petaluma Valley Executive Summary – Market Assessment:

- Discharges and Market Share remains relatively stable
- Total payor mix has shifted slightly with increases in Medicare business between CY07-08.
- Patients leave the area for care with Kaiser or Santa Rosa Memorial
- Out migration occur in General Medicine, General Surgery, Medical Cardiology, Orthopedics and Pulmonary.

Patient Volumes at Petaluma Valley Hospital included 3,605 inpatient discharges and 32,911 outpatient visits.

In the category of Community Benefit, PVH experienced a 45% increase in the unpaid cost of state and local programs in FY 2009. Benefits include:

- **Charity Care** – provided for households at or below 500% of the Federal Poverty Level (FPL) in accordance with SJHS' Financial Assistance Policy.
- **Community Services for the Poor** - Activities targeted toward persons who cannot afford health care services because of inadequate resources and/or are uninsured or underinsured.
- **Community Services for the Broader Community** – Activities targeted toward persons in the general community, beyond including low-income and other vulnerable persons.

SJHS offers the following programs in the community:

- Cultivating Health Mobile Dental Clinic
- Mighty Mouth Dental Disease Prevention
- St. Joseph Mobile Health Clinic
- House Calls Program
- St. Joseph Dental Clinic
- Promoters of Health

Ms. Read reported that PVH's total service area market share remained relatively unchanged between CY07-08 for most area providers. Kaiser, San Rafael posted a 1% increase in market share. PVH has seen a decrease in medical case volumes and surgical cases have remained unchanged. Kaiser Santa Rosa's surgical case volumes have increased over the past year.

New Leadership Positions recently filled include:

- Director of Patient Accounts – Don Forst
- Medical Surgical Nurse Manager – Stacey Okoth
- Chief Operating Officer – Todd Salnas
- Vice President of Operations – Jane Read
- Director of Inpatient Nursing Services – Nancy Corda
- Risk Manager – Kim Lubas
- Director of Perioperative Services – Kelley Cassity

Discussion ensued on the following SRMH and PVH Physician Landscape for 2010:

- Aging Private Practice Medical Community
 - New recruits to this model have lagged well behind those retiring, joining “other system” and or leaving the community.
- Some SRMH physician specialists older, generally busy, supported by trauma, experiencing limited volume growth
- Some PVH specialists older, volumes flat or declining, more prevalent multiple hospital involvement
- High cost of living/lower physician reimbursement
- Kaiser and Sutter have been successful in recruiting physicians from SRMH and PVH markets
 - Creating a gradual impact on both volume and payor mix
- Kaiser insurance market penetration due to lower cost

The PHCD Board of Directors acknowledged the excellent presentation by Jane Read. A copy of this presentation will be distributed to each Director for informational purpose.

President Ostroff adjourned the meeting into closed session under the Health & Safety Code Section 32106(b) – Trade Secrets. Discussions will concern physician/hospital agreements, HMO agreements, inter-hospital agreements, management services agreements and development of new services and programs. Estimate date of public disclosure: January 2011.

President Ostroff adjourned the meeting into open session and noted no action was taken in closed session.

WORK ITEMS; REPORTS

Finance Report:

Rick Nadale presented the PHCD financials ending in April 30, 2010 noting the Statement of Net Assets reflected assets of \$17,571,200 and liabilities and deferred revenue of \$3,587,571 leaving the net fund balance at \$13,983,629. The District continues to carry a certificate of deposit with 1st Community Bank. The Exchange Bank CD, which was earning .75% was liquidated in April to cover operating expenses.

The year to date Statement of Revenue and Expense shows a loss of \$390,373 which is \$121,924 more than budgeted.

Mr. Nadale reported there were significant expenditures for the month of April 2010 to include an advance of \$12,500 to Petaluma Women's Health and consulting fees for Phase III of the Medical Model study.

PHCD operational loss from Petaluma Women's Health in the month of April 2010 was \$28,218. The total advanced to PWH through April 2010 is \$344,089.

The District's rate of return on investments decreased .05% to 5.22% for April 2010. Market Gains to the District's portfolio are \$199,211 through April 2010.

President's Report:

Directors review the ongoing Task List noting no changes. Barry Blansett will provide an analysis on the recent on-line survey and an update on Strategic Planning at the June meeting.

The next PHCD Board of Directors meetings are scheduled for June 24, 2010 at Groverman Hall and July 22, 2010.

Director's Report:

Mr. Doss provided an overview on attending the recent ACHD conference and will be distributing material received from this conference to Directors for their information.

A letter addressed to Mr. Ken Ellison of the Sonoma County Permit and Resource Management Department regarding the DEIR for the proposed Sutter Hospital Project was reviewed.

An upcoming event sponsored by the Healthy Community Consortium titled “Who will prevent high risk alcohol and other drug use with teens” scheduled for Thursday, June 10, 2010 was distributed.

DISCUSSION OF PUBLIC COMMENTS:

There no not discussion on public comments.

NEXT STEPS:

There were not items discussed.

ADJOURN:

President Ostroff adjourned the meeting at 9:20 p.m.

Respectfully submitted,

Stephen Steady, MD, Board Secretary

RECORDED BY:

Suzanne Cochrane, Board Liaison