

**MINUTES OF THE APRIL 27, 2011 REGULAR MEETING OF THE
PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS**

CALL TO ORDER:

President Adams called the meeting to order at 6:15 p.m. at 1425 N. McDowell Blvd., building conference room.

PRESENT:

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

ALSO PRESENT:

Suzanne Cochrane, Board Liaison
Ramona Faith, CEO
Bob Lipman, Real estate Consultant
Richard Nadale, Controller
Todd Salnas, COO, SJHS

CONSENT CALENDAR:

A motion was made by Director Powell, seconded by Director Steady to approve the minutes with the recommended changes to page 3 under Joint Venture Committee section eliminating the Petaluma Physicians in the statement to increase physicians into Marin/Sonoma IPA as Petaluma Physicians are already part of Marin IPA. This motion was passed by all present.

Director Ostroff provided follow up information on a topic that was discussed at the February 23, 2011 Board meeting relative to physicians managing hospitals and if medical groups could be overseen by an MD. Director Ostroff also referenced an article that was distributed to the Board of Directors that mentioned Cleveland Clinic was overseen by physicians. The article also noted that some of the best functioning hospital groups are operated by physician leadership.

Director Ostroff conducted further research with the Cleveland website and contacted the Administrator's Assistant and was informed that physicians in administrator positions at the Cleveland Clinic are MD's and most have further education through a physician's program designed to teach physicians how to be leaders.

The purpose of this discussion is to clarify previous discussions and provide supportive information that physicians do oversee hospitals and clinics.

PUBLIC COMMENTS / QUESTIONS:

There were no public comments.

BOARD COMMENTS / QUESTIONS:

President Adams acknowledged Ramona Faith's birthday.

Director Steady raised the question if a communication had been sent to the Fair Political Practice Committee requesting clarification if a conflict of interest exists with certain PHCD Board of Directors in regards to materiality issues with SJHS.

Ms. Faith had a conversation with Daymon Doss and was informed that a letter had not been sent but clarified that Greg Moser did receive a copy of the Lease at the March 3, 2011 Board meeting.

Director Thornton questioned if this was the responsibility of the District or as an individual board member to contact the FPPC.

While President Adams and Director Steady understand the current law does state a conflict of interest for materiality issues it could be possible to appeal the interpretation of the law as stated by Greg Moser that the original intent could not have been to preclude people on a nonprofit health care district. As Mr. Moser noted, a letter addressed to the Fair Political Practice Committee from the District is needed to further move forward in the ability for the District Board to make decisions on future programs that would enhance Petaluma Valley Hospital.

Ms. Faith has been in conversations with Daymon Doss on clarifying the status relative to the materiality issues and was recommended to discuss this concern directly with Don Bouey, the District's Council. Ms. Faith will be meeting with Mr. Bouey on April 29th to review the conflict of interest concern relative to materiality issues.

Director Steady shared a communication received by Greg Moser, Attorney, instructing that a letter be sent to the Fair Political Practices Commission asking for consideration in establishing parallel "materiality" standards for nonprofit corporation which operate healthcare facilities, to those applicable to for-profit "business entities".

Ms. Faith will meet with Mr. Bouey and communicate to the Board members the results of this meeting.

Board of Directors requested clarification from Don Bouey to be obtained prior to the next PHCD Board meeting.

BOARD COMMITTEE REPORTS:

Asset Management Committee:

Richard Nadale, Ms. Faith and Jim Stevens of Browman Development Company met with the City of Petaluma Planning Department regarding preliminary plans of the Walgreen's building on the District's Lynch Creek Property. The Planning Committee noted the general plan has a moratorium on drive up windows and would need to request an amendment to the Petaluma City's General Plan. In addition, the zoning of the Lynch Creek Property is currently for a medical facility and pharmaceutical does not fall under this zone. Therefore, rezoning of the land would also need to be submitted as a change to the Petaluma General Plan.

The Planning Committee also recommended the building location be moved closer to North McDowell Blvd.

Mr. Stevens of Browman Development Company will be meeting with Walgreens at the end of May once the revisions have been incorporated into the preliminary drawings. At this time, it is Browman Development Company's decision to move forward in the development of drawings and obtaining a contract with Walgreens.

Question was raised if there were still entitlements to the open space at Petaluma Valley Hospital.

Mr. Nadale reported that there are no more entitlements for the proposed Medical Office Building to be built on the Petaluma Valley Hospital property as the City only allows for one six month extension after one year. This project has received all extensions available.

Directors who participate on the Asset Management Committee felt that the extension process was misrepresented to the Committee as information received to the Committee noted continuous extensions would be accepted by the City of Petaluma.

Update on sale of 1301 Southpoint Building:

Mr. Bob Lipman, District's Realtor, presented an Amendment to the Purchase Agreement to extend escrow to May 20, 2011. This request is due to the buyer's lender entity requiring additional time to obtain an appraisal on 1301 Southpoint. Discussion ensued on extending the close of escrow date until May 31, 2011.

Mr. Lipman reported all inspections on the 1301 Southpoint building have been completed.

Mr. Lipman further explained the Title Company has requested two documents be obtained prior to the close of escrow. The first item is a verification that the LaSalle financing on 1301 Southpoint has been paid off by the District. A Deed of Reconveyance had not been filed when the LaSalle loan was paid in full in 2006. The other item is a Memorandum of

Understanding from the Petaluma Health Center relinquishing the Petaluma Health Care District from any responsibility associated with the removal of the modular building.

Ms. Faith reported on a recent meeting with Greg Stone, COO and Tim Moran, CFO of the Petaluma Health Center regarding the move of the modular building located at 1301 Southpoint. The result of this meeting was an agreement between the Petaluma Health Care District and the Petaluma Health Center to submit a Memorandum of Understanding to the Title Company relinquishing the District from any responsibility and expenses associated with the removal of the modular. The MOU will also indicate that the modular will be moved no later than June 30, 2011.

A motion was made by Director Thornton seconded by Director Powell to approve the Amendment to the Purchase Agreement for 1301 Southpoint extending the close of escrow date for 1301 Southpoint until May 31, 2011.

In addition, the meeting with Greg Stone and Tim Moran (PHC) included a discussion regarding storage of medical records at the warehouse located at 1360 N. McDowell Blvd. PHCD leases this space with the lease set to expire in June 2012. PHC subleases space from PHCD and will be moving a majority of their medical records into the warehouse space prior to their move into their new location scheduled in June. Once the PHC has moved into their new location, PHCD and PHC will be working to establish a secure system for storing medical records at the warehouse. In addition, the District and PHC will need to determine the amount of space needed or if warehouse space is necessary to store medical records and miscellaneous office equipment by the end of the Lease.

Mr. Lipman presented the Amendment to Purchase Agreement for signature noting a change in closing escrow date from May 20, 2011 to May 31, 2011. Mr. Lipman will obtain signature from the buyer and provide the District with a copy of the fully authorized Amendment to Purchase Agreement.

Director Thornton reported the Asset Management Committee supported the purchase of a gurney at the request of the Petaluma Valley Hospital Foundation to be acknowledged at the Benedetti Leadership Celebration scheduled for May 6, 2011. The cost of the gurney is \$12,000.

Ms. Faith responded to a request from the Asset Management Committee that confirmed the gurney will be identified as purchased by the Petaluma Health Care District. In addition, Ms. Faith will also be discussing at her meeting with Don Bouey specifics around items that will become the property of the Districts at the end of the Lease.

Director Thornton further noted preliminary discussions in regards to the 2011-2012 PHCD budget process was also discussed at the Asset Management Committee meeting. The Petaluma Community Foundation will be presenting their budget to the full Board at the May Board meeting with quarterly updates presented from Petaluma Community Foundation to the Asset Management Committee.

Petaluma Valley Hospital:

Todd Salnas provided an update on the recent SRM Alliance Board meeting stating ongoing meetings continue to occur with general surgeons to develop a long term solution for on-call coverage. An agreement for hospitalist services providing long term community based locums to PVH with the continuation to provide pediatric services is near completion.

Digital Mammography's schedule has been so active modifications to the schedule needed to be incorporated to allow for follow up visits. To better accommodate the needs of the patients, Digital Mammography has extended services to Saturday appointments. Dialogue has occurred with two breast surgeons to provide care at Petaluma Valley Hospital. A specific piece of equipment requested of the breast surgeons has been ordered for the Operating Room and will be shared between Santa Rosa Memorial and Petaluma Valley Hospital Surgery Departments.

Petaluma Valley Hospital showed a financial loss for the month of March of \$550,000 and will be holding a Board retreat to better analyze this recent loss and to provide an opportunity to explore growth options.

Admissions from PVH's Emergency Department have shown about a 4% decrease in volume. The largest source of decline is in the area of cardiology. Additional research is being completed regarding the cause of this decline. It has also been noted that other ER's have also experienced volume decreases.

Director Ostroff acknowledged the efforts to maintain breast surgeries at Petaluma Valley Hospital and the recent commitment for two Orthopedic Surgeons through Redwood Regional Medical Group at PVH.

Director Ostroff questioned if PVH's budget included the costs associated with the installation of the Meditech system?

Todd Salnas responded that a negative margin was budgeted for the installation and expenses associated with the Meditech system at PVH and are separated out when reviewing the monthly expenses for PVH. The ultimate goal is to produce a break even budget for PVH.

Ramona Faith noted that the March Highlights indicated three areas of expenses that contributed to the budget overage. Two large expenses were contributed to the Skills Lab class at a cost of \$350,000 and additional Health Plan Claims.

Mr. Salnas noted a system has been developed to handle the additional Health Plan Claims and noted that contractual allowances might need to be adjusted along with decreased revenues to adjust to the recent increase in Health Plan Claims.

Recruitment of an Intensivists is in process. If successful in hiring an intensivist, their assignment will be Petaluma Valley Hospital and the current intensivist will be placed in a back up position to the full time intensivist.

Negotiations continue to work with Team Health in the development of a Hospitalist contract at PVH. The model being developed would be designed around a four team physician model not requiring any community doctor support unless they elect to with a starting date of June 1, 2011.

A recent employee satisfaction survey with an 87% return from employees at PVH has just been completed. A copy of this survey will be available for the next Board meeting.

Mr. Salnas discussed the meaningful use requirements that will represent about 30 to 40 percent of the EMR over an extended period of time. The impact for not completing the meaningful use requirements is a significant amount of penalties charged to the entity. There are three stages to implementing meaningful use requirements and once the first stage is implemented, there is a requirement to finish all stages within an 18 month period.

Physician order entry will be launched at Santa Rosa Memorial the beginning of next week.

Mr. Salnas reported the budget for PVH has not been finalized but appears to be a positive number and is included in the roll up of both hospitals and the Annadel Medical Foundation element.

SJHS continues to work with Marin-Sonoma IPA on two agreements with one being a service agreement for Marin IPA to provide marketing, brokering and outreach services to expand a managed care model for Sonoma County. The second agreement is an actual provider agreement between Marin IPA and Annadel Foundation for physician services. The goal would be to finalize the two agreements prior to the next Regional Access Plan meeting.

Board of Directors thanked Mr. Salnas for providing an update on Petaluma Valley Hospital.

Director Thornton brought forth a motion for the PHCD Board to instruct the District CEO to work with the PVH VP Operations to identify optimal opportunities for the District to provide financial support for projects that develop volume for PVH. The motion also states that the District should budget up to \$500,000 per year over the next three years for this purpose.

Concern was voiced from President Adams and Director Steady to postpone discussion and presentation of this motion until a ruling on the conflict of interest relative to materiality issues is obtained.

Director Thornton noted her disapproval to postpone a decision and requested this motion be presented at the May Board meeting.

Director Steady felt communication to the Fair Political Action Committee on ruling of appropriate participation by President Adams and Director Steady was necessary prior to bringing motions that relate to materiality issues to the full District Board.

Discussion ensued on next steps to communicate with the Fair Political Action Committee with a recommendation for Ramona Faith, CEO, to work with Don Bouey on clarifying the materiality conflict issues before the May PHCD Board meeting.

It was also noted that Jane Read and Kevin Klockenga will be presenting PVH's Annual Report at the June PHCD Board meeting at which time strategic planning for PVH will be discussed.

PHCD Board of Directors were in agreement to postpone further discussions relative to the motion to budget \$500,000 per year over the next three years on projects that develop volume for PVH until clarification on conflict of interest is obtained by Don Bouey, District Council.

Timeliness of SRM Alliance Board:

Ms. Faith distributed SRM Alliance Board minutes and financial information approved at the April 26, 2011 meeting. Board was asked if it would be beneficial to receive a copy of the most current financials that are approved prior to the District Board meeting but not available in time for the distribution of the Board packet. Directors supported the recommended change in distribution of Board Minutes and Financials.

Discussion ensued regarding the role of the District representatives on the SRM Alliance Board questioning if the District Representative is representing the full District Board or is representing herself as an individual.

Director Thornton noted that as a previous District representative to the SRM Alliance Board, she treated her position as a responsibility towards Petaluma Valley Hospital and to SRM Alliance Board and did not see any conflicts in this area. In regards to representing political segments, as public figures, it is always held that our loyalty is to the community being served and doing our best in that role.

Director Powell stated that as a Board member our responsibility at the SRM Alliance Board meetings is to focus on the hospital and not have any personal agendas. The representative position is an avenue to share items discussed at the SRM Alliance Board to the PHCD Board of Directors.

Discussion ensued relative to representatives from the District Board participating on the SRM Alliance Board do not necessarily represent the opinion of the full board but agree that representation is an avenue to communicate information from SRM Alliance to the District Board.

Hospital Stewardship Committee:

No meeting has been scheduled.

Joint Venture Committee:

The next Regional Access Plan (RAP) meeting is scheduled for April 29, 2011. Future meetings will be determined at this meeting. With the recent press articles published in the Press Democrat and Argus Courier regarding the RAP process, the press is interested in obtaining a better understanding of the RAP process and Committee work and is expected to attend future RAP meetings.

South County Mental Health Collaborative:

President Adams reported the last South County Mental Health Collaborative meeting resulted in low attendance and it was decided to send out a survey to participants asking if the Committee has reached established goals, if continuation is necessary, and what subjects or presentations would be of interest to the participants.

The next meeting is scheduled for May 19, 2011 at which time the results of the survey will be reviewed by participants to determine the next focus of the committee.

Community Health Initiatives for Petaluma Area:

Director Thornton will be meeting with Dory Escobar, Community Benefits, regarding the recent publication of the Sonoma County Community Needs Assessment. Once this meeting occurs, the CHIPA Committee will be scheduling their first meeting.

PVH FUTURE PLANNING:

No items of discussion at this time. This topic is also listed as a closed Agenda item.

WORK ITEMS: REPORTS

Finance Report:

Richard Nadale, Controller, presented the PHCD Financials ending March 31, 2011. The following report was provided.

As of March 31, 2011, the Statement of Net Assets reflected assets of \$15,928,219 and liabilities and deferred revenue of \$3,004,107 leaving the net fund balance at \$12,924,112.

The year to date Statement of Revenue and Expense shows a loss of \$223,610 which is \$1,602 less than budgeted.

PHCD operational loss from Petaluma Women's Health (PWH) in the month of March 2011 was \$731. The total advanced to PWH through March 2011 is \$556,155. Total cash collections in March from PWH was \$32,500.

The District's rate of return on investments decreased .50% to 4.44% for March 2011. The primary reason for the decrease is that the District is accumulating a larger liquid cash

position in our Portfolio in anticipation of lending the Petaluma Health Center \$1.38 million for completion of Phase IIA in their new buildings.

Mr. Nadale noted that the 2011-2012 PHCD Budget will be presented to Asset Management Committee at the May meeting and Draft #1 will be available for the District Board meeting scheduled in May.

Ms. Faith expressed concern over the increased funding to the Petaluma Women's Health and will be meeting with the physicians of this practice to discuss the process and establish a plan for re-paying the District the amount loaned to establish their practice.

President's Report:

President Adams noted the ACHD Annual Meeting is scheduled for May 11-13, 2011. Ms. Faith and Mr. Nadale will be attending.

A schedule of the next Board meetings was reviewed.

CEO Report:

Ms. Faith is working with Mr. Nadale on finalizing the 2011-2012 Budget and will be presenting the first draft at the May Board meeting. In addition, discussions with the Petaluma Women's Health regarding future plans and a repayment system to the District for their current outstanding advances will be scheduled.

Ms. Faith recommended utilizing the On-Going Task List as a mechanism to follow up with those responsible with each topic. Ms. Faith will provide an update on items placed on the Ongoing Task List at each Board meeting.

In reviewing the On-going Task List, Ms. Faith will present a plan for the development of a PHCD Strategic Plan within 90 days. Policies and procedures are being developed for PHCD employees to follow as well as the revisions to the evaluation process.

Individual meetings with each PHCD employee have been scheduled and noted employees are doing an excellent job. Concern expressed from these meetings was around the District's current benefit package and will be looking into other options for the future.

ADJOURN TO CLOSED SESSION:

President Adams adjourned to closed session pursuant to:

- **Government Code §54956.8 closed session regarding real property negotiations at 1301 Southpoint**
- **Trade Secrets (Health & Safety Code Section 32106(b) Discussion 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: July 2011

- **Government Code §54957.6 closed session regarding employee matters**

ADJOURN TO OPEN SESSION:

President Adams adjourned to open session noting that the Board approved the recommended changes to the CEO Contract in regards to severance criteria and the CEO Committee will meet with Ms. Faith on appropriate wording.

DISCUSSION OF PUBLIC COMMENTS:

There were no discussions regarding public comments.

NEXT STEPS:

No items were discussed.

ADJOURN:

President Adams adjourned the meeting at 9:45 p.m.

Respectfully, submitted,

Stephen Steady, MD, Board Secretary

RECORDED BY:

Suzanne Cochrane, Board Liaison