

**MINUTES OF THE JUNE 27, 2012 REGULAR MEETING OF THE
PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS**

CALL TO ORDER:

President Adams called the meeting to order at 6:15 pm in the conference room at 1425 N. McDowell Blvd.

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:

Catherine Armstrong, RN, PVH
Jacqueline Bedell, PVH
Kitty Brown, RN, PVH
Anna Bruno, RN, PVH
Suzanne Cochrane, Board Clerk
Nancy Corda, PVH
Ramona Faith, CEO
Eric Feller, RN, PVH
Michele Geils, RN, PVH
Paula Griffith, RN, PVH
Katy Hillenmeyer, SJHS
Marcie Holder, PVH
Andrea Learned, SJHS
Jan Manner, PVH
Maria Larsen, PHCD
Rick Nadale, Controller
Jane Read, VP of Operations, PVH
Jo Sandersfeld, SJHS
Julie Steinberg, RN, PVH
James Swanson, PVH
Wendi Thomas, ER Manager, PVH

CONSENT CALENDAR:

Due to the number of nurses in attendance at this meeting, President Adams requested Agenda Item #15, Discussion of Public Comments, be moved up on the Agenda to Item #8. This will allow the Board to discuss the public's comments before adjourning into closed session.

A motion was made by Director Thornton and seconded by Director Steady to approve the June 27, 2012 Agenda with changes noted and the May 23, 2012 minutes. The motion was approved by all present.

PUBLIC COMMENTS:

The public attending this meeting did not have comments at this time but requested time be allotted for discussion of concerns under the Discussion of Public Comments section of the Agenda.

BOARD COMMENTS:

Director Ostroff and President Adams' birthdays were acknowledged.

CEO REPORT/UPDATE:

Ramona Faith reported she has completed her 12 month Chamber of Commerce Leadership Course consisting of one class day per month that focused on Petaluma history and local businesses. Ms. Faith thanked the Board for the opportunity to participate in the Leadership Program and felt it was very informative. The last Leadership Class was sponsored by the Petaluma Health Care District and held at Petaluma Valley Hospital with a focus on Health. A panel consisting of representatives from Kaiser Permanente, PVH Administration, Petaluma Health Center, and Petaluma Health Care District provided information on the partnership and programs offered in our community.

Continuation of meetings with Petaluma Community Foundation have occurred to develop a plan that will further the mission of the Foundation.

The Walgreen's project is moving forward and is currently awaiting a traffic study that is being based on the study prepared for the Deer Creek Project adjacent to the District's property.

The Petaluma Women's Health has signed a contract with Annadel Medical Foundation and is currently developing a transition plan to separate the Petaluma Women's Health from the District.

Ms. Faith met with John Burns, Argus Courier Editor, and reviewed the District's Strategic Plan. In addition, Steve Restad, Marketing Consultant, has been contracted to provide marketing assistance and is currently developing a communication plan for the District. Mr. Restad is also working on the coordination and implementation of a new District website.

Ms. Faith attended the Weight of the Nation event held at the Petaluma Sheraton that focused on the obesity epidemic. Information from the Economic State of the Union was shared with Directors.

No further meetings have been set with Verihealth.

A meeting was held with Jaynie Boren, SJHS, to discuss expanding services to promote a new health insurance product to Petaluma employers.

CHIPA has submitted an application to Health Action 2020 for endorsement that acknowledges the work of the CHIPA Committee. Peter Rumble, Director of Health Policy, is reviewing our proposal prior to submittal with the goal to submit to Health Action Committee for approval at their September 2012 meeting.

Maria Larsen and her team have been moving forward on the Heart Safe Community project with partnerships developed with American Heart Association, Police Department and the Fire Department. A steering committee is in the process of being created. One of the presenters at the ACHD conference who has set up a heart safe program in her district met with the committee and is going to provide assistance as we move forward.

PETALUMA VALLEY HOSPITAL:

Jane Read, Vice President of Operations at Petaluma Valley Hospital presented information on Petaluma Valley Hospital Operations Improvement Plan. This improvement plan was presented at the June SRM Alliance Board Finance Committee meeting. The breakthrough goal is for system cost performance to be in the top quartile for not-for profit hospitals while maintaining at least a 10% EBIDA Margin.

Budget comparisons for operating budget and projections for 2011, 2012, and 2013 were shared. Items that affect the budget are:

- Healthcare reform
- Stable IP/OP volume with little revenue growth to support increasing expenses
- Integrated Delivery System
- Declining payor reimbursement
- Revenue Plan
- Cost Reduction Plan
- Value Imperatives

Inpatient and Outpatient Volumes were compared from 2004 through 2013 with volumes projected to remain consistent with the twelve month trend ending December 2011. Outpatient visits projected to remain steady for Fiscal Year 2013.

Ms. Read explained an Integrated Delivery System (IDS) is a coordinated health care network formed by an alignment of hospitals, ancillary services, independent physician group(s) and insurance providers. An IDS provides a full range of services to its community and tertiary service area. With the addition of a health plan, it becomes fully integrated. Core components of an IDS include:

- Hospitals with an active referral infrastructure
- Core ancillary services (imaging, rehab, etc.)
- IPA established in service area/county
- Payor established in service area/county with health plan/insurance product

Declining Payor Reimbursements for PVH have been affected by the Medicare market with a decrease of .24%. Effective January 2013, Medi-Cal is going to DRG payments. Blue Cross will increase their contract to 13.3% in January 2013. Blue Shield will increase their contract by

2.9% in January 2013. Healthy Family rates for all plans moving to Medi-Cal fee schedule will see a 20% decrease in reimbursement.

Cost reduction plan for PVH consists of a \$1.2million adjustment and will occur in the following areas of the hospital: Operating Room, PACU, Radiology, Laboratory, Management participation in staffing support, CIS Department, Sonoma Way, and Engineering. There will be a 40% reduction in call pay for a savings of \$277,000. Other call pay adjustments total \$124,000 reduction in the Operating Room and GI coverage.

Cost reduction plan for non-labor includes:

- Establish in-house Vitamin D Testing
- Reduce transcription purchased services
- Reduction in contracting for purchased services
- Reduction in Bank Fees
- 5% reduction in AAMGI call fees
- Blood utilization

Cost reduction opportunities that are under consideration include:

- Further Productivity Adjustments
- Reduce anesthesia expense an additional 20%
- Regionalize CIS
- Performance Improvement staff consolidation

Question was raised if Petaluma Valley Hospital receives transfer patients. Ms. Read stated that PVH does receive transfers from other local hospitals including as far as Ukiah. If there are no beds for a patient at SRM, and the patient meets the criteria, the patient is transferred to PVH.

Ms. Read also reported that effective July 1, 2012 Team Health will no longer be providing Hospitalist coverage at PVH. Coverage will be arranged through Annadel Medical Foundation contracting with local physicians.

DISCUSSION OF PUBLIC COMMENTS:

Individual nurses provided information regarding concerns at Petaluma Valley Hospital. The following is a summary of items discussed:

- Nurses appear unclear as to the corporate model being implemented and feel that the cost cutting to operate the hospital is taking away from providing quality patient care.
- Services are being eliminated and staff is being asked to take on more tasks.
- Call schedule is not complete leaving several open slots. The nurses questioned why staff can not be hired into permanent positions to fill these spots.
- A lot of overtime occurs with the question raised if the cost of overtime would cover the cost of hiring additional staff.
- Per Diem staff working consistently five days a week for several months and have not been hired in a permanent position.
- Nurses want to maintain experienced nurses at PVH.
- Nurses stressed the importance of the Board to get more involved in the day to day function of the hospital.

Ms. Faith complimented the nursing staff on providing excellent nursing care as quality indicators reflect the excellent care patients receive at PVH.

Ramona Faith explained that the District's strategic priority is the hospital with the goal to ensure we have a high quality based hospital in our community. As the Lease with SJHS ends in five years, the District is looking at what kind of partnership is needed to assure that the Petaluma community has a high quality community based hospital. Meetings between the District Board and SJHS Administrative team have occurred to explore ways of partnering that will increase volume and services at PVH.

Director Ostroff also noted the District is working to provide services appropriate for our size of community noting that not all services will be available at PVH.

Director Thornton stated that one of the problems is the number of Petaluma residents that have selected Kaiser Permanente Insurance as their choice for health care coverage.

Ms. Faith explained that the District is working with SJHS to create an insurance product that would be offered to employers in our community providing insurance to their employees who would then access health care through providers associated with Petaluma Valley Hospital. In addition, the District is in discussion with SJHS on building services that will increase volume at PVH. These are ongoing discussions and reflect the partnership that SJHS and the Board is trying to establish.

The Board thanked the nursing staff for presenting their issues.

FISCAL SUSTAINABILITY:

PHCD May Financials:

Rick Nadale, Controller, presented the financials ending May 31, 2012 with the Statement of Net Assets reflected assets of \$15,298,988 and liabilities and deferred revenue of \$2,577,869 leaving the net fund balance at \$12,721,119.

The year to date Statement of Revenue and Expense shows a loss of \$112,314 (which includes \$31,199 in unrealized portfolio losses) which is \$23,242 less than the budgeted year to date loss of \$89,072.

The District's rate of return on investments increased .12% to 4.81% for May 2012.

Petaluma Women's Health:

Mr. Nadale report PHCD spent \$28,167 in the month of May 2012 for Petaluma Women's Health (PWH) operational expenses. PWH reimbursed the District \$30,000 in May. The note receivable from PWH at the end of April reflected a balance of \$737,250 on the District's books.

Fiscal Year 2012-2013 PHCD Budget:

Rick Nadale presented the proposed 2012-2013 Budget reflecting a \$1.489 million dollar deficit. A list of items that reflect the deficit was distributed. The receivable from the Petaluma Women's Health (PWH) in the amount of \$750,000 is included in the deficit budget, along with costs associated with the District's Strategic Planning process.

Board of Directors noted the support the District provided to the Petaluma Women's Health allowed OB Services at PVH to continue to be offered. Directors felt expenses incurred was an investment into providing services to Petaluma Valley Hospital and without the District's support, the OB Department would not have been able to operate.

A motion was made by Director Thornton seconded by Director Powell to approve the proposed 2012-2013 PHCD Budget. This motion was approved by all present.

Ramona Faith thanked Mr. Nadale and his staff for the excellent effort and time put forth in preparing this year's budget.

Asset Management Committee:

Director Thornton reported on a special meeting of the Asset Committee with Camden Group representatives. Committee members outlined the scope of the project that could be divided in various phases. Camden Group will be preparing a proposal for review of the Asset Management Committee. Once the scope of the project is defined, the proposal will be presented to the full Board for approval.

CONFLICT OF INTEREST:

Don Bouey, District Counsel, distributed a document regarding conflict of interest questions raised by Board of Directors. Mr. Bouey reviewed each question reflecting on various situations and scenarios that would prevent specific Directors from participating in decision making processes. As the Board moves forward with their due diligence process in the determination of the future of the Lease for Petaluma Valley Hospital, those Directors that have a connection that is reasonably perceivable to have a material effect on the Director, cannot participate in the decision making process.

A lengthy discussion ensued reviewing various scenarios for participation of Directors on various committees and projects as defined by the Board. Future agendas will address any Conflict of Interest issues at the beginning of each meeting.

ADJOURNED TO CLOSED SESSION:

President Adams adjourned the meeting to closed session pursuant to the following section:

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: October 2012

Government Code Section 54957.6 closed session regarding employee matters.

ADJOURNED TO OPEN SESSION:

President Adams adjourned the meeting to open session and reported discussion occurred in closed session regarding the role of the Petaluma Community Foundation (PCF) and the Petaluma Health Care District (PHCD) with the consensus of the Board to separate PCF from the District to pursue their interest for success.

A motion was made by Director Powell seconded by Director Ostroff for the Petaluma Health Care District to separate from the Petaluma Community Foundation and for Ramona Faith to work with District Counsel to develop a legal format for this separation. In addition, the District did not support providing in-kind funds. This motion was passed by all present.

COMMUNITY HEALTH:

Community Health Initiative for Petaluma Area:

Director Thornton reported the CHIPA Committee continues with presentations from local agencies regarding community health needs. There will be no meeting in August with a sub-committee working to prepare the presented data for a Strategic Planning session of the committee in September. At that time, the Committee will establish their priorities aligned with Health Action 2020.

An Endorsement and Advocacy Request has been submitted to Health Action 2020 recognizing CHIPA committee efforts to collaborate with community leaders that are focused on health related issues.

South County Mental and Behavioral Health Collaborative Update:

Ramona Faith reported the South County Behavioral Health continues to develop their priorities, establish committee members and develop their Committee Charter.

COLLABORATION AND PARTNERSHIPS:

Business Development Committee:

There will be no meeting in June.

INFRASTRUCTURE DEVELOPMENT:

Upcoming Election:

Suzanne Cochrane reported documents have been filed with the Registrar of Voters Division for an election of three Director positions to take place on November 6, 2012. Nominations for offices in our District open on July 16, 2012 through August 10, 2012. If any incumbent fails to file during the nomination period, there will be a five day extension through 5:00 pm on August 15, 2012. Notices will be placed in the Argus Courier and the Press Democrat for the three open

Director positions the week of July 15, 2012. Ms. Cochrane has also prepared an informational packet for new applicants.

PRESIDENT’S REPORT:

Director Adams reminded Directors about the upcoming Center for Well-Being Celebration of Dreams event scheduled for September 14, 2012. Anyone interested in attending the luncheon is to contact Ms. Cochrane.

Communications from Petaluma Valley Hospital Foundation, Waugh School District, and Memorial Hospice were included in the Board packet. An information flyer from the Petaluma Community Foundation was also included in the Board packet.

PLUS/DELTA:

No comments were shared.

ADJOURN:

President Adams adjourned the meeting at 9:35pm.

Respectfully submitted,

Stephen Steady, MD, Board Secretary

RECORDED BY:

Suzanne Cochrane, Board Clerk