

**MINUTES OF A SPECIAL MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
October 31, 2002**

Present:

Mr. Faro, President
Ms. Kane
Mr. MacNaughton
Dr. Shefren

Also present: Mr. Gibson, CEO

Absent:

None

CALL TO ORDER:

President Faro called the meeting to order at 4:35 PM in the Sequoia Room at Sequoia Hospital.

PUBLIC COMMENT:

Mr. Warren Gibson asked what role the District had in financing or approving a recent advertisement that appeared in local papers. Director Faro said that the District had no involvement, nor had he seen the ad before. Mr. Gibson then asked to what degree the hospital had financed or was involved in approving the advertisement. Ms. Vaskelis, President/Administrator of Sequoia Hospital, responded that the hospital had no involvement; the ad was produced and paid for by CHW.

Mr. Jack Hickey addressed the board stating that he is a candidate for the Board and asked that any action relative to any decision on the Children's Health Initiative and the amendment to the District's Pension Plan, be deferred until after the election and the new Board is seated.

Mr. Gunther Steinberg addressed the Board stating that he lives in Portola Valley, is a taxpayer and has several issues:

1. He believes that the District has violated provisions of the Cortese-Knox-Hertzberg legislation which prevents a government agency from providing funds to a religious organization, which, he stated, the hospital clearly is as evidenced by the fact that abortions are not provided at Sequoia Hospital. Director Faro said that hospitals today generally do not provide this clinical service.
2. He also stated that he believes the District grants, which have been funded since 1997, are in violation of the law.
3. He stated that he plans to do a detailed review of the District's expenditures in the near future.
4. He asked the Board whether it would give a grant to Kaiser Hospital if they requested it. Director Faro answered that Kaiser is a private organization and the District would not be

inclined to fund such an organization, although the District could if there was a specific program it wanted to provide to District residents.

CONSENT CALENDAR:

Director Shefren asked to have item 3.a. (August 28 minutes) removed from the Consent Calendar. On a motion duly made and seconded, the remaining items on the Consent Calendar were unanimously approved.

Discussion of Items Removed:

Director Shefren pointed out that he had voted in support of the Children's Health Initiative and did not abstain as shown in the minutes.

Approval:

On a motion duly made and seconded, the Directors unanimously approved item 3.a (August 28, 2002 minutes) of the Consent Calendar as amended.

NEW BUSINESS:

Resolution 02-7: Director MacNaughton moved to waive reading of the resolution which would amend the Sequoia Hospital District Employees Pension Plan to conform to certain pension law changes made by the federal tax legislation known as the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). Director Shefren seconded the motion which unanimously passed. The CEO reported that the amendment is proposed on the advice of legal counsel and requested by the management of Sequoia Health Services. Director MacNaughton offered a motion to approve the resolution to amend the Plan as presented. Director Shefren seconded the motion which passed by roll call vote as follows:

Ayes: Director Kane, Director MacNaughton, Director Shefren

Noes: None

Abstain: Director Faro, citing his participation in the Plan.

Claim Presented on Behalf of Dierkes:

The Board considered the Notice of Government Tort Claim filed on behalf of Nicholas Dierkes. Based upon legal counsel's recommendation, the directors were of the unanimous opinion that the claim is not a proper charge against the District and therefore rejected the claim based on the timeliness and liability. Notification of the Board's action will be filed accordingly.

Fiscal 2001/2002 Audit Report:

Mr. Jack Hickey requested that the Board take no action on this audit until after the General Election.

Mr. Frank Gibson introduced the audit firm of Pearson Del Prete (Mr. Doug Walsh, Mr. Steven Carey and Ms. Heather Maire). Mr. Walsh handed out copies of the audit to the Board. Mr. Carey reported on their findings, indicating that the financial statements of the District were in compliance with government accounting regulations and there were no irregularities found. He asked if there were any questions. Director MacNaughton offered a motion to approve the audit report as presented. The motion was seconded by Director Kane and unanimously passed. Copies

of the audit were made available to those in attendance. (A copy of the audit report is included with the original of these minutes.)

Purchasing Software Licenses for Physician Electronic Medical Record System:

Mr. Frank E. Gibson presented a proposal which requested the Board to consider purchasing software licenses for a physician electronic medical record system. (The details of the proposal were outlined in a memorandum included in the Board packet.)

Dr. Roger Winkle of Cardiovascular Medicine & Cardiac Arrhythmias (CMCA) addressed the Board indicating his support for this system. He stated that his office has been using the system since May and its performance is impressive being able to link 25,000 pharmacies, the Hospital's lab and radiology departments, patient referrals, assist patients with billing and insurance information, provide for remote scheduling and assist physicians practices to meet HIPAA requirements. He further indicated that we are facing a major crises in this community with our inability to recruit new physicians or retain them in this expensive market. The cost of setting up a medical office is overwhelming, especially given the reimbursement rates today. Mr. Hickey suggested that physicians learn to use Palm Pilots and a debate ensued, which the Chair terminated. Dr. Tony Russo, a primary care physician on Sequoia's staff, reported that he has researched several systems and Alteer, which works off of a Microsoft platform, is one of the best systems he has seen. He also agreed that the vast majority of physicians cannot meet the HIPAA requirements and this system would be a strong incentive to recruit and retain physicians in the community.

Director Shefren stated that he is supportive of this concept and the need for physicians to reduce their enormous amount of paperwork. He is also supportive of the goal for physicians to have electronic access to the hospital's systems, since, overall, patient care will surely be enhanced. However, he's not convinced that the District should become involved in the computer software license business. He asked how Alteer Corp. was chosen and if any research had been done as to the long term viability of the company. He wanted to know if this offer is to be limited to Sequoia physicians only and who are the physicians being targeted to use the system. Also, he questioned whether some of the physicians would not be able to pay for this system without District support.

Mr. Frank Gibson responded that Alteer was chosen due to several physicians having spoken favorably of the system. The District would not be directly in the software license business as it would be held harmless and indemnified by both Alteer and the physicians participating in this program. The District's contribution would represent approximately 40% of the cost of a system, therefore, the physician-user would be required to come up with the remaining 60% or approximately \$25,000.

Dr. Winkle said that there are no guarantees of product support whether the consumer is dealing with a large or small company. Many large companies drop product lines without hesitation and then refuse to support existing customers, citing HP and IBM. He also felt that if physicians not familiar with Alteer were to perform a due diligence review of electronic medical systems they would select Alteer.

Mr. Charlie Hearn, President of Alteer Corporation, indicated that the company has been in business since 1962, is privately held with over 2,000 users operating in 24 states. The company is currently experiencing an annual growth rate of 400%, as physicians try to meet HIPAA regulations. Ms. Barbara Swor of the CMCA group reported that their office had spent a year researching systems and found most of them to be based on separate modules that frequently do not interface well with one another. She said the advantage and strength of the Alteer system is that it is fully integrated and as a result, their office is rapidly moving toward a paperless system.

Director MacNaughton stated that he strongly favors an electronic system and respects Dr. Winkle's and Dr. Russo's research in this area. He asked whether the Alteer system can interface with the hospital's system. Mr. Hearn responded that Alteer has the capability to interface with the Cerner system, which Sequoia Hospital currently has. Director MacNaughton also said that he likes the fact that the licenses are reusable if a physician left Sequoia Hospital or the area, and, overall, this sounds like it would be a risk-free venture.

Director Kane stated that she would like more information relative to the questions raised earlier by Director Shefren, and then have the matter brought back to the Board for consideration.

Director Faro indicated that he is supportive of the concept and respects Dr. Winkle's professional judgement and believes that this would be an excellent recruiting tool for new physicians. However, it appears that more information is required, and asked Director Shefren specifically what he would like researched. Director Shefren requested:

1. more information on Alteer Corporation and the likelihood of it existing five years from now;
2. a survey of the medical staff to determine their level of interest in this product; and,
3. other funding options that might be available that would not place the District in a difficult position if the company is not around in two years or the system doesn't live up to the physicians expectations.

Director Faro deferred any action on this item until the next meeting.

ADJOURN:

At 5:55 PM upon a motion duly made and seconded, President Faro adjourned the meeting.

Respectfully submitted,

Gerald Shefren, M.D.
Secretary