

**MINUTES OF A SPECIAL MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
April 1, 2002**

Present:

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

Also present:

Mr. Gibson, CEO
Ms. Johnson (recorder)

Absent

Mr. MacNaughton

CALL TO ORDER:

President Faro called the meeting to order at 1640 hours in the Board Room at Sequoia Hospital.

PUBLIC COMMENT:

There was no public comment.

CONSENT CALENDAR:

On a motion offered by Director Shefren and seconded by Director Kane, the Consent Calendar was approved as presented.

NEW BUSINESS:

Resolution 02-2, Authorizing Establishing a Banking Relationship with Bay Area Bank:

After review, Director Kane moved to waive reading the resolution which, if adopted, will authorize the Board to open an account at Bay Area Bank in Redwood City. Director Shefren seconded the motion which unanimously passed. Bay Area Bank has been a long time supporter of the Hospital and the Foundation. A proposal to provide services was presented by Bay Area Bank reflecting that the District will save approximately \$20,000 a year compared to the charges incurred with Wells Fargo Bank. Director Kane offered a motion to approve the resolution as presented. Director Shefren seconded the motion which passed by roll call vote as follows:

Ayes: Director Faro, Director Kane, Director Shefren.

Noes: None

Absent: Director MacNaughton

Cycle V Grants:

Diana Haigwood joined the meeting along with members of the Review Panel--Gail Anderson, certified nurse midwife and Roy Deffebach, MD. The review panel presented their recommendations for Cycle V funding and provided detailed information to the Directors. The Board previously had set the focus for this grant cycle and agreed to consider five proposals for single year grants and three for multi-year grants. Initially the Board had considered 34 letters of intent.

Mr. Gibson said the Board agreed to consider multi-year grants to allow community agencies an opportunity to provide a program or service which would make a significant and sustainable impact on the health of District residents. However, he expressed disappointment with all of the multi-year proposals for their lack of innovation and they did not significantly differ from single year proposals.

The proposal from the Community Breast Health Project (CBHP) for the continuation and expansion of their program to provide mammograms to uninsured women under age 40 was discussed thoroughly with the consensus of the Directors not to fund this proposal. Several physicians indicated that the return to the community for this program is limited and several other agencies are able to provide this type of screening. Also, such services to those under 40 years of age has not been proven to have a high level of efficacy.

The proposal from the Center for Domestic Violence Prevention (DVP) was discussed. A letter outlining internal problems the organization is experiencing, which are largely due to their rapid growth and expansion of services was included. DVP has assessed its strengths and weaknesses and has initiated changes which include discontinuing several ancillary services. Susan Mooney, Interim Executive Director of DVP expressed hope that the District will continue its support for the agency as it works through its expansion problems to insure the continuation of the Center's core services.

The Jewish Family and Children's Services proposal for a multi-year grant was discussed. The Seniors-At-Home program will allow approximately 100 low-income, frail Peninsula seniors to remain in their homes, and volunteers to support the elders will be recruited and trained to assist them. Directors agreed that there is certainly a need for such a worthy program.

Director Shefren offered a motion, which was duly seconded and unanimously passed to approve single year Cycle V grants as follows:

- El Concilio of San Mateo County - \$75,000 for its Youth Promotore Program;
- Mid-Peninsula Housing Services Corp. - \$48,000 for its Teen Health Initiative for low income families;
- Planned Parenthood Golden Gate - \$100,000 for its Outreach Program for Latina women and youth;
- Service League of San Mateo County - \$52,600 for Comprehensive Ancillary Health Services for formerly incarcerated women and men;

- St. Vincent de Paul Society - \$45,000 for emergency medical funds to be used for the poor residents of San Mateo County.

Although proposals were submitted for multi-year grants, Director Shefren offered a motion to approve single year Cycle V grants to:

- The Center for Domestic Violence Prevention - \$100,000 for its emergency outreach program contingent upon the Center providing periodic progress reports;
- Jewish Family & Children's Services - \$125,000 for its senior-at-home elder care management program. If JFCS cannot start their program without a commitment for a multi-year grant the Board will reconsider their request.

The motion was seconded by Director Kane and unanimously passed. Cycle V Grants totaled \$545,600.

Consider Three-Year Membership in Health Technology Inc. President Faro introduced Molly Coye, MD and CEO of the Health Technology Center. Dr. Coye explained that HealthTech is a nonprofit research organization based in San Francisco that provides in-depth forecasts of the impact of new and emerging technologies related to health care delivery. Current members include Premier Health, Kaiser Permanente, Sutter Health, Wellpoint Health Networks and others. HealthTech's intent is to provide objective information about emerging technologies that are expected to have a significant impact on healthcare delivery in the future, support development of new public and private policies to propel the broad-scale adoption of beneficial and cost-effective technologies that improve health, and works to close the technology gap that exists for underserved populations and safety net providers. Services include a web service to provide strategic information about the development and probable impact of new technologies on healthcare delivery; an interactive strategic planning modeling tool to analyze and predict the impact of technology choices on each organization; a database of new technology based products under development, policy analyses of reimbursement and coverage issues; consumer product analyses to assess new technologies that support the management of chronic diseases and ten reports each year on key categories of new and emerging technologies. The center also staffs a Hospital for the Future Task Force that has been very useful for those institutions which are planning on building or retrofitting their physical plants.

Mr. Gibson reported that he attended a HealthTech planning session and was very impressed with the caliber of the participants. Director Kane added that she just returned from a Governance Institute conference which discussed the importance of healthcare technology and the need to access same. Director Shefren questioned if it would not be more appropriate for CHW to join HealthTech instead. Dr. Coye indicated that CHW had been approached and expressed a desire to join but did not have the funds at the time. Director Faro indicated that the District Board has a responsibility to the residents to insure that Sequoia Hospital is providing appropriate services and technology. A membership in HealthTech will provide the District with more information thereby allowing the Directors, both as Hospital and District members, to make more enlightened

decisions. Director Kane offered a motion to approve a three-year membership at the cost of \$50,000 per year in the Health Technology Center. Director Shefren seconded the motion which was unanimously passed.

Resolution 02-3, Appointing Cecilia C. Montalvo to the Board of Directors:

This resolution acknowledges the vacancy on the Board of Directors resulting from Michael Smith's recent resignation. On a motion offered by Director Kane and duly seconded, the Directors unanimously waived reading Resolution 02-3. President Faro reported that Ms. Montalvo was interviewed by the CEO and himself and that several of the Board members know or have worked with her in the past. Ms. Montalvo has extensive managerial experience with healthcare providers and corporations. Ms. Montalvo worked for the Sequoia Hospital District from 1994-1996 and was instrumental in negotiating the affiliation with Catholic Healthcare West. Ms. Montalvo has agreed to fill the existing vacancy on the Board with the term ending December 2002. Director Kane offered a motion to adopt the Resolution appointing Cecilia Montalvo to the Board of Directors of Sequoia Healthcare District. The motion was seconded by Director Shefren and was adopted by the following roll call vote:

Ayes: Director Faro, Director Kane, Director Shefren.

Noes: None

Absent: Director MacNaughton

President Faro reported that Director MacNaughton, who was unable to attend tonight's meeting, had indicated that he is in favor of Ms. Montalvo's appointment to the Board.

Strategic Planning Presentation:

As part of the Hospital's Strategic Planning Process, Gerri Berg of Cattaneo & Stroud has been working with Ms. Vaskelis to prepare an environmental overview and a service line assessment of the Hospital's market and operating performance. The market area designated for the study ranges from San Bruno to East Palo Alto and Santa Clara.

Findings from the study reflect an aging population with a declining adult-to-child ratio. A major current and long-term issue for healthcare providers is the labor shortage for nursing and other skilled professionals. The nursing shortage is expected to be further impacted with the implementation of the new nurse-to-patient ratios. The Bay Area also continues to be challenged in recruitment and retention of physicians due to the high cost of living and lower reimbursement levels than in other states. This is exacerbated by the fact that many members of Sequoia's medical staff are approaching retirement age. The number of HMOs is decreasing within San Mateo County as are the number of Sequoia physicians/groups participating in HMOs at the same time the number of people joining HMO's (Kaiser) is on the rise. Managing profitability under HMO contracts remains a major challenge for Sequoia and other CHW hospitals. Medical costs have risen more rapidly than all consumer prices leading employers to seek new health plan coverage options to reduce their healthcare benefit expenses, which generally mean less scope of coverage and/or increased co-pay requirements.

Ms. Vaskelis reported that a physician/hospital task force was formed to address physician recruitment and retention and hospital management is working with the medical staff to identify physician needs for fiscal years 2003 to 2005. Progress is being made and a new primary care physician from Washington state has joined Dr. Marchison's group. A new OBGYN physician is coming to Sequoia from Mills; one new orthopedic surgeon and a new urologist have recently joined the medical staff with a second ortho hopefully joining in June. Contracts with these new physicians require that they take HMO patients.

In reviewing Sequoia's market and operating performance, Sequoia has experienced declining market share but improved financial performance. Sequoia achieved its highest market position in cardiac, rehabilitation and surgical specialty services. Outpatient services contribute more to profitability than inpatient services.

Aside from cardiology other services have declined either because we don't have physicians willing to take HMO contracts or physicians to perform the required procedure. Sequoia's market share of orthopedic patients has declined from 15.9% in 1998 to 12.9% in year 2000. While the hospital has achieved increased share in back services, market share levels have fallen in general orthopedics, joint and hand cases. Cardiac and surgical specialty patients contribute the largest share of net income on the acute care services and also provide the largest component of the contribution margin. Within cardiac services, HMO/PPO patients generated the largest share of profits and the second largest share of patients. Within acute level surgical specialty services, the largest share of profits were generated by HMO/PPO patients followed by the large Medicare component. Cardiovascular services reflect the best overall performance in terms of market share, regional draw and profitability. While rehabilitation services display strong market performance, their operating performance is weak.

Is Sequoia destined to become a specialty hospital? The hospital's management, medical staff and governing board must figure out how to increase market share and profitability of other departments--as well as convince physicians that they need to be more willing to expand and welcome other new physicians.

Director Shefren stated that the insurance payment mechanism within the next 5-10 years will have the potential to either drive business to Sequoia or away from Sequoia and unless the hospital and its medical staff are organized and willing to participate in HMO products, we will not have access to these patients.

Retain a Strategic Planning Consultant for the District:

Mr. Gibson noted that one reason for asking Ms. Vaskelis and Ms. Berg to have this presentation is to identify the environment that Sequoia Hospital operates in today. Part of the District Board's fiduciary responsibilities is to find out where the healthcare market is headed and what healthcare issues may be needed within the District in the future. Therefore, Mr. Gibson was seeking authorization to retain a strategic planning consultant. Director Kane offered a motion to authorize the CEO and President to interview and retain a strategic planning consultant to begin the process of addressing the

issues raised by Ms. Berg's presentation. Director Shefren seconded the motion which unanimously passed.

Change Regular Meeting Date: Mr. Gibson reported that the meeting date was changed to accommodate Director Smith's schedule. Mr. Gibson asked if the Board would prefer to change the meeting day back to the first Wednesday of every even numbered month. The time and meeting place will remain the same. Director Kane moved to change the District's Board meetings to the first Wednesday of every other month beginning at 4:30 PM. Director Shefren seconded the motion which unanimously passed.

ADJOURN:

At 1930 hours, President Faro adjourned the meeting. The next Regular Meeting of the Board of Directors is scheduled for 1630 hours, Wednesday, June 5, 2002 in the Administration Board Room at the Hospital.

Respectfully submitted,

Gerald Shefren, M.D.
Secretary