

MINUTES OF MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
January 7, 2004

Present:

Mr. Faro
Mr. Hickey
Ms. Kane
Dr. Katz
Mr. MacNaughton

Also present:

Mr. Gibson, CEO
Mrs. Penny Greenberg, Counsel
Ms. Scott, Recorder

Absent:

None

CALL TO ORDER:

President Faro called the meeting to order at 5:45 PM in the Sequoia Room at Sequoia Hospital.

PUBLIC COMMENT:

Director Hickey read aloud a letter he sent to Michael Erne, Executive Vice President/Chief Operating Officer of CHW. In his letter Director Hickey expressed his wishes for a moratorium on the seismic regulations required of hospitals in California, that CHW continue the operation of Sequoia Hospital independently, and that Kaiser be invited to present along with PAMF and CHW at this meeting (a copy of this letter is included with the original of these minutes).

President Faro provided introductory remarks (a copy of which is included with the original of these minutes), which explained the following: 1) The purpose of this meeting; 2) That the meeting is consistent with the District's mission and legal obligations; 3) The structure and function of the District with regards to its role in Sequoia Health Services and its obligation to the community it serves; and 4) Who will be presenting at this meeting and why.

Mr. Gibson addressed those present and provided background information, which included clarification of the governance of Sequoia Health Services and recent events related to the process of addressing the recommendation to rebuild or replace Sequoia Hospital to meet the new seismic standards mandated by Senate Bill 1953 passed in 1997.

In July 2002 the District met with CHW and proposed that the replacement hospital be located on land at the Mid Point Technology property in Redwood City that the district had under contract and that it be financed with District capital and Revenue Bonds with the corporate backing of CHW. Since then, there have been several meetings to discuss possible funding

arrangements and location options. CHW suggested that the District issue General Obligation Bonds to fund the rebuild project. The District rejected that suggestion, as it would entail further taxing the property owners. The option on the property the District had under contract has expired and CHW has been unsuccessful in renewing it.

Palo Alto Medical Foundation (PAMF), a Sutter Health affiliate, has now announced their intent to build a hospital within District boundaries. In September 2003 Sequoia Hospital's three largest cardiology groups signed a Letter of Intent to move their practices to the new PAMF facility when completed. Given the District's limited resources, they need to be used in the most prudent and effective manner to ensure the delivery of high quality healthcare systems to the residents, which brings into question the economic viability of two hospitals in close proximity to one another especially with the loss of the cardiac program which represent 40% of Sequoia Hospital's gross revenue and 90% of its net income. In November 2003 CHW's Board resolved to commit \$150M towards the rebuild of Sequoia Hospital with the following conditions: 1) The District commit another \$150M necessary for the \$300M rebuild; 2) The current ownership, governance and management structure be modified; 3) A managed care physician alignment strategy be developed; 4) Approval by CHW's Finance Committee; 5) Compliance with CHW's capital funding time frames; and 6) Approval by CHW's Board of Directors. What has not been addressed are issues concerning replacement of the cardiac program, location of the new hospital, economic feasibility of multiple hospitals and a timeline for completion of rebuilding Sequoia Hospital.

Hear Presentations And Discussions Concerning New Hospital Project To Be Located Within District Boundaries: President Faro thanked Mr. Gibson for his remarks and introduced Dr. David Druker, President and CEO of PAMF. A copy of the presentation given by Dr. Druker is included with the original of these minutes. Dr. Druker's presentation reviewed who PAMF is, what they plan to build, why they are planning to do this project, where it will be built, the timeline for construction, and how it will be funded.

PAMF began providing non-profit community-based privately funded integrated health services in 1930 in the Bay Area. The proposed new hospital would include one location for multiple services (primary physician, specialists, etc.), one electronic medical record system, same-day appointments and a simple referral system. Dr. Druker asserted that this type of model contributes to lower costs and higher patient and physician satisfaction.

Dr. Druker introduced Dr. Bill Black who provided a virtual tour of the planned PAMF facility, which included images of the Main Entrance, North Pavilion, South Pavilion and Heart Center, Pedestrian and Vehicle Bridge and Emergency Entrance. Dr. Black pointed out the integration of multiple medical functions into one campus.

Dr. Druker's responses to questions posed by the District Board relative to their plans:

- Regarding the assessment for the need for a general acute care hospital and approach to meeting that need, PAMF intends to build a hospital that would provide all the acute care services being now being offered with the exception of psychiatric care and skilled nursing.

- Concerning planned ownership, operating and governance structures, the new hospital and medical facilities will be owned, operated and governed by PAMF.
- PAMF has established a community advisory committee to participate in the development of the facilities.
- The proposed location is in San Carlos at the northwest corner of the Holly Street and Highway 101 interchange, and the alternative location is in Redwood City at the MidPoint Technology property on Broadway.
- Pertaining to the scope of services and capabilities of PAMF, a full-service general acute hospital with sufficient number of beds to serve PAMF members and the general community as needed is planned.
- The non-hospital facilities planned for development are physician offices and other ancillary outpatient and inpatient facilities.
- Relationships with organized labor include their current contracts with the CLVNA for LVNs and ESC Local 20 for RNs and Medical Technicians. It would be inappropriate to speak to existing representation at Sequoia Hospital as they don't know what bargaining units are represented nor do they want to be seen as trying to entice those employees.
- The medical staff of the hospital will be open to all qualified physicians. The size of the medical staff will be determined by the number of physicians who choose to care for their patients in the proposed environment.
- The entire cost of the development of this planned facility will be paid by PAMF.
- PAMF plans to continue its commitment to community benefit programs.
- It will take 12-18 months to secure the necessary entitlements and permits to build the hospital. The new facilities are intended to open in 2007-08.

Director Hickey asked Dr. Druker if SB1953 were not in effect, if PAMF would continue with its plans. Dr. Druker said that PAMF would still move forward, that their plans are independent of the new seismic standards.

Director MacNaughton asked Dr. Druker if there is any cap on how much staff this facility could handle. Dr. Druker said that PAMF has years of experience in physician recruitment and has a low turnover rate, and he feels confident that there will be sufficient space in the new facility for most physicians, however, this type of integrated practice may not be the first choice for all patients and physicians so there will still be a variety of choices available to residents within the open medical staff model.

A member of the audience asked about the recruitment of non-physicians and Dr. Druker recognized that Sequoia's nursing and technical staff is second to none and that a person with the qualifications necessary to work at the new facility would have a job.

Director Kane asked if the PAMF facility in Santa Cruz has an open staff and Dr. Druker stated that it does.

Director Hickey asked if PAMF would consider paying for a program such as the nursing education program approved for funding at the December 16, 2003 District Board meeting. Mr. Ron Marshall stated that PAMF is currently providing support for local nursing and medical technician training.

PUBLIC COMMENT:

President Faro opened the meeting up for questions or comments from the audience.

Lori Kerns, the chief nurse representative at Sequoia Hospital commented on the quality of nursing care at Sequoia Hospital and the positive experience she has had working at Sequoia Hospital. Ms. Kerns wonders how another facility can open and guarantee the same level of service that Sequoia Hospital provides to its patients.

Leslie Holly-Brosnan of the California Nursing Association inquired about the diversity of staff and patients served by PAMF. Dr. Druker said that PAMF has a diverse patient and employee base. Ms. Holly-Brosnan asked for a definition of decentralized nursing and Mr. Marshall explained that it is an evolving process whereby with the utilization of new technology, as much information as possible about a patient will be available to the nurse caring for a patient at the patient's bedside. Ms. Holly-Brosnan asked about the projected number of beds for the proposed PAMF facility. Dr. Druker said that original projections were 110 beds and there could be a community need for more beds and they are prepared to meet that need. Ms. Holly-Brosnan asked what insurance contracts PAMF would accept. Dr. Druker informed her that all are accepted, but PAMF does not currently have any contracts with Kaiser. Ms. Holly-Brosnan commented that she enjoyed the fact that there is an elected board that represents the interest of the community to ensure there is access to excellent healthcare.

Shelley Kessler, Executive Secretary-Treasurer of the San Mateo County Central Labor Council, expressed that the labor unions have historically had a very positive relationship with Sequoia Hospital and she is concerned with the erosion of the patient base if Sequoia Hospital would not be rebuilt, resulting in a decrease in the demand for employment and a decrease in the quality of service provided.

Dr. Jane Marmor, Chief of Staff at Sequoia Hospital addressed the Board and asked for clarification on provisions for community oversight and the role of the District in PAMF's plans. Dr. Druker stated that PAMF's plans do not include a role for the District in the governance or ownership of their planned new facility. Dr. Marmor conveyed the concern that community oversight is lost in the new proposal and that the rationale for changing the oversight of Sequoia Hospital is not clear to her at this time. Dr. Marmor added that the staff is challenged by the current divisiveness caused by physicians that have signed on to practice with another institution that does not yet exist while the present Sequoia Hospital is going to be around for several years to come.

President Faro reminded those present that the Board is not making any decisions at this time, that this is a period of gathering information so that an informed decision can be made in the future.

The Chairman of the Board of Trustees at PAMF addressed the audience and said that with a diverse 45-member Board, there is consistent community input and oversight for the PAMF facilities.

Director Hickey expressed his disappointment that he has not been appointed to the Sequoia Health Services (SHS) Board, but said he believes that SHS does not need District oversight and feels that CHW would do a good job if they had 100% control of the SHS Board.

Dr. Tanya Spirtos commented that she thought the presentation slides were misleading as they display both the PAMF and the Sequoia Healthcare District logos when those entities do not have equal billing in the proposed new PAMF facility. She also expressed her concern that the integrated model PAMF is proposing would not work.

Dr. Denise Brown expressed that she likes practicing at Sequoia Hospital and wondered where PAMF will find physicians to populate all of the office space in the proposed new facility.

Dr. James Missett said that if PAMF meets all of his concerns that he cited in the December 16, 2003 meeting he feels that is great. Dr. Missett said that the local physicians are anxious because of what has been said in the press and hearsay with regard to PAMF's plans. He continued to say that he feels that those meetings that have taken place to discuss the future of Sequoia Hospital have been "secret meetings" and that all of those meetings should be held in an open forum.

Dr. Gaudiani addressed those present and said that he believes in utilizing private capital to solve community problems and he is not concerned with community oversight. He explained that the cardiac physicians signed on with PAMF because they were committed to building a hospital, and that it isn't the building that makes up Sequoia Hospital, it's the people who work in it.

Ms. Rosemary Maresca, an RN employed with PAMF said that she feels just as good about PAMF as the nurses do that have expressed how they feel about working at Sequoia Hospital.

Bernita McTernan, Senior Vice President, Sponsorship, Mission and Community Benefit of CHW, said that CHW is committed to working with the District to rebuild Sequoia Hospital, and that CHW has purchased land which is in escrow near 101. She did not provide detail as to the exact location of the land purchased.

Dr. Fred Marcus addressed those present and said that he is concerned about the decimation of Sequoia Hospital. He feels that CHW will go forward with their commitment and does not think that the District should support PAMF in the destruction of Sequoia Hospital. He also expressed his disappointment that both the San Mateo County Board of Supervisors newly formed healthcare task force and the District are both providing forums for addressing the healthcare needs of the community.

President Faro said that it is the District Board's responsibility to see that the District residents have the best healthcare available to them and it is appropriate that the District explore whether or not taxpayer funds should be utilized for a new healthcare facility or not.

Dr. Steve Howard, a solo family practitioner, expressed his concerns about where new physicians will come from to provide service in the future and where patients will be able to receive the same level of care as they do now at Sequoia. He feels that PAMF has been more competitive than CHW with regards to securing new physicians.

Mr. Don Arata addressed the audience and said that he feels the PAMF proposal is a good one but the information provided in the media has been one-sided and believes that the District Board should educate the community so that the residents can get behind them one way or another.

An unidentified member of the audience said that she would like for PAMF to build a facility in San Carlos as that location would be convenient for her.

President Faro adjourned the meeting at 8:00 PM.

Respectfully Submitted,

Kathleen M. Kane
Secretary