

**MINUTES OF STUDY SESSION MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
May 6, 2014
Conference Room, 525 Veterans Boulevard
Redwood City, CA 94063**

<p><u>Directors Present</u> Director Faro Director Griffin Director Kane Director Shefren</p>	<p><u>Directors Excused</u> Director Hickey</p>	<p><u>Also Present</u> Mr. Michelson, CEO Mr. Hudak, Counsel Ms. Johnson, Recorder Ms. Barton, CFO, Sequoia Hospital Ahmad Gharaibeh, CPA, Vavrink, Trine, Day</p>
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1. Call to Order

By: President Shefren
Time: 2:30 PM

2. Public Comment/Non-Agenda Items

President Shefren announced that this was a study session and no action would be taken. He asked if there was public comment and there was none.

3.a. Transfer Agreement/EBIDA Discussion

President Shefren stated that the purpose of today's meeting is to assure that Directors more fully understand the Transfer Agreement between the District and CHW (now Dignity Health) relative to the EBIDA share.

Directors again reviewed the basics of the agreement, the return formula calculation steps and the performance summary from 2008-2013. From 2008-2013 the return to the District had been projected to be nearly \$32 million; however, actual received for that timeframe was \$15.3 million.

Ms. Barton explained that the primary reasons Sequoia Hospital's performance has not been able to keep up with the projections over the last few years is due to a decline in patient volume, payor mix and the medicare reimbursement rate. Additionally, the Physicians Agreement, which is part of the Development Agreement, is very expensive, including funding the start up of new physician groups and the conversion to electronic patient records.

Mr. Gharaibeh noted that for the EBIDA share to trend up again, Sequoia Hospital's profit margin would have to increase while their expenses decreased - in an environment of rising healthcare costs.

President Shefren said that after his review, he is convinced that all parties acted in good faith in 2007. At that time, based on the original projections by Kaufman and Hall and reviewed by Goldman Sachs, it was reasonable to assume that the Development Agreement would benefit the District's taxpayers. However the EBIDA formula isn't working as both parties intended.

President Shefren outlined three options for consideration by the Board: meet with Dignity Health and explore options to make the Agreement work, wait and see if Sequoia Hospital's profit situation changes, or do nothing. He asked that this be discussed as an action item at the June board meeting.

President Shefren thanked Ms. Barton and Mr. Gharaibeh for joining the meeting today.

4. Adjourn

Motion: At 3:40 PM adjourn meeting.

By: Director Kane

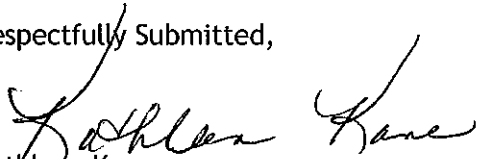
Seconded by: Director Faro

Vote: 4-0

Motion Passed

The next regular meeting of the Board of Directors of Sequoia Healthcare District is scheduled for 4:30 PM, Wednesday, June 4, 2014, District Conference Room, 525 Veterans Blvd., Redwood City, CA.

Respectfully Submitted,



Kathleen Kane
Secretary