

MINUTES OF THE PUBLIC SESSION OF THE NASSAU HEALTH CARE CORPORATION BOARD
OF DIRECTORS' MEETING HELD ON APRIL 23, 2007

Directors Present

Martin D. Payson, Chair
Leonard A. Benedict, MD
John M. Brickman, Esq.
Lawrence E. Elovich, Esq.
Bradley L. Gerstman, Esq.
Rosemarie Guercia, MD
Jemma Marie-Hanson, RN
Greg-Patric Martello, Esq.
George W. Miner, MD, MBA
John F. Ragano, Esq.

Non-Voting Directors Present

Arthur A. Gianelli, President/CEO

Hospital Administration

Gary Bie, SVP/CFO
Julie L. Mirkin, RN, SVP for Patient Care Services
Steven J. Walerstein, MD, SVP Medical Affairs
Sharon Popper, Esq., VP for Legal Affairs
Joan A. Soffel, Assistant to the Board/CEO

Guests

Yosef Dlugacz, SVP/Chief of Clinical Quality, Education
and Research, The Krasnoff Quality Management Institute

Not Present

Patrick F. Carone, MD
Barbara Ross-Lee, DO
Marilyn A. Robertson, MD
Frank J. Saracino, EdD

1. Martin D. Payson, Chairman of the Board of Directors of the Nassau Health Care Corporation, opened the meeting at 8:35 a.m.
2. **Adoption of Minutes.** Upon a motion, duly seconded, the minutes of the February 26 and March 26, 2007 Board of Directors meeting were approved, all in favor.
3. **Report of the Chairman.** Mr. Payson reported that last week there was all good news and the Corporation is going in the right direction. Now we need to get the census up. At the appropriate time, announcements will be made to the public regarding the recent JCAHO resurvey and Justice Department report which were all good news. At some point in the future, the President will give an annual report. Many of the clouds that were hanging over the Corporation for the last year have been removed and the Corporation is stable.
4. **Report of the President/CEO.** Mr. Gianelli reported that he would keep his report brief because there were two presentations today—one by Dr. Yosef Dlugacz from the Krasnoff Institute and the other by Guy Courbois, VP for Operations.

Financials. In March, the Corporation, on a consolidated basis, had a \$13 thousand surplus against a budgeted surplus of \$820 thousand. The major difference was due to no fault and workers compensation case mix which was higher in the summer. Discharges were slightly down from budget. Year-to-date, the Corporation lost \$1.7 million against a budgeted loss of \$500 thousand. The main reason for this was that discharges were down by 71 for the quarter. Although the first quarter 2006 was very strong, the benchmark is not totally fair. The Corporation must get the word out that changes are taking place. The census is accordingly down as is the length of stay. There continues to be a struggle with the management of nursing staff. There is a collaborative effort with nursing managers on the floor, with bi-weekly meetings to discuss staffing. The variance is 5% of budget and it is very difficult to get that number down, with small variances on each floor, but added up in the bi-weekly payroll, the numbers are significant. It is important to implement the KRONOS timekeeper system including nursing scheduling. The efforts to control staff costs are retrospective because real-time information is not available yet. Support services expenses

were high due to JCAHO, but the institution benefited from that cost. Going forward, support services will be managed more evenly.

State Budget. There was a last minute cut to reimbursement at the health centers which could amount to \$600-700 thousand for NHCC. Unfortunately, no one knew about this redistribution in the State budget from County based health centers to private and it was too late to do anything.

The construction of the Adult Psychiatry Unit has been pushed from June to September which could cause a budgetary construction problem. Mr. Gianelli has asked the construction manager to go back and get the construction completed. In order for it to be completed in September, construction needs to end in July the latest.

There are some IGT accounting issues that Mr. Gianelli will discuss in executive session.

All fixes take time, we have seen that when we put time into fixes they have worked and the Corporation has borne the benefit of that. If we focus our attention on these things we can be very successful. We need that same energy on the financial side and admissions.

JCAHO came in for the resurvey last week as a follow up to a survey last May that resulted in a conditional accreditation. Our charge was to eliminate all of our RFI's (Requirements For Improvement). Mr. Gianelli was pleased to report that the result of the resurvey last week, was no RFI's and the nursing home had one unrelated problem (it was not part of the initial survey). The Corporation's expectation is that it will be fully accredited—the official report is due within the next few weeks. Our JCAHO team did an outstanding job under the leadership of Steven Walerstein, Julie Mirkin, Kathy Skarka, Maureen Shannon, Maria Ninivaggi, Ken Steier and Al Cuyjet, in addition to all of the departmental chairs and department heads. In fact, all of the staff that works here, responded with the right answers to questions. Going forward the Corporation will continue to remain JCAHO ready. Steve Suspenski and his team deserve credit for turning around the Statement of Condition regarding Environment of Care. There were 935 open SOCs, with "zero" items open by the time JCAHO returned. Steve will have a few weeks to relax and then right back to work.

Based on a GME survey last May, the Corporation was in danger of being placed on institutional probation for graduate medical education. Drs. Walerstein, Steier and the clinical chairs sent a detailed response to the ACGME and as a result of everyone's commitment, including the Board of Directors, the ACGME is reversing their decision and accrediting the program for two years.

The Corporation was mostly successful in restoring the budget cuts of \$8 million, not including cuts to the Community Health Centers. Now we are looking at a loss of \$1-1.4 million and we may be able to offset some or all of that. NHCC is resubmitting a cost report to the DOH.

The chemical dependency unit opening is imminent, awaiting a final sign off from OASES. It will open tomorrow on April 24th (one month and six days ahead of schedule). The May financials will show a benefit. Mr. Gianelli thanked Drs. Rao and Boutin on opening a special Detox in the ER due to the length of time it takes to process potential detox patients (10-11 hours). A long wait is not good patient care or good for business because people leave. In order to expedite patients, a separate area is needed for intake because it is difficult with the current configuration in the ER. An area was identified and it is up and running as of today.

There have been demonstrable improvements in the Breast Cancer Screening program which was placed on probation March of 2006. Mr. Gianelli received a call in October 2006

indicating that the plug was being pulled on the grant. Until that time, Mr. Gianelli did not know about the grant or the problem, but asked the DOH to give NUMC another chance, because we care about the program. Before October of 2006, NUMC was seeing anywhere from about 1,100 to a low of 199 per month. The numbers of visits have grown since then as follows: October 2006 – 1,305 (76.8% of target); November – 1,672 (98.4%); December – 1,950 (114.7%); January 2007 – 2,283 (134.3%); February – 2,603 (153.1%) and March – 2,993 (176.1%). To quote Anita Padula, “everything looks great, you blew them away”. When we put our minds to do something the results are forthcoming and we have to carry that commitment to improve the census and admissions. There is ongoing recruitment in the community health centers and many other issues.

The executive team was energized by the Studer Group, a leading authority in patient satisfaction and service excellence, but the seminar was interrupted by the JCAHO visit. The team will pick up where it left off at another time. Board members, Dr. Guercia and Ms. Hanson, also attended the seminar for a first-hand look at the training programs we are using for our managers.

The Krasnoff Institute. Mr. Gianelli introduced Dr. Yosef Dlugacz, SVP and Chief of Clinical Quality, Education and Research for the Krasnoff Quality Management Institute affiliated with North Shore/LIJ. The institute was established to bridge the gap between theoretical knowledge learned in the academic setting and the realities of applying quality management methods in today's health care environment. NHCC is contracting with the Krasnoff Institute to avail ourselves of Dr. Dlugacz's talents, research and knowledge and to obtain quality management in this hospital to become the best hospital in the County and Country.

Dr. Dlugacz said that just as financially a hospital must look at admissions/discharges, operationalizing quality is the same format as industry. The CMS pays for performance based on benchmarks. There are simple rules for the 21st Century health care system: current approach and new rule. Some examples of the current approach/new rule are: care is based primarily on visits; now: care is based on continuous healing relationships; professional autonomy drives variability; now: care is customized according to patient needs and values; professionals control care; now: the patient is the source of control; information is a record; now: knowledge is shared and information flows freely; decision making is based on training and experience; now: decision making is based on evidence. Transparency in health care is something to think about. There is a quality culture—being proactive, not waiting for someone to tell them they are doing a bad job. The waste in any hospital is unbelievable. There should be cooperation among clinicians. The Krasnoff Institute offers educational programs, data management for decision support, outcomes and research and program evaluation and development. The culture of quality underscores collaboration and trust, breaking down barriers through education and communication, promoting teamwork, utilizing objective criteria for excellence (measurements), and an acceptance of change. Every American should have access to a full range of information about the quality and cost of their health care options.

Mr. Gertsman asked how IT technology and software programs provide solutions for all of the things Dr. Dlugacz was speaking of such as transparency of information. Dr. Dlugacz said that CMS is already moving rapidly in terms of sharing information throughout the country. Hospitals must focus on three out of thirty-five measures to compete. Ms. Forman said that her department (IT) received HEAL funds to share a data base with the Emergency Department and she is awaiting North Shore's implementation of their Eclipsys for smart charts. The goal of the nation is to be able to access healthcare anywhere in the Country with your x-rays, tests, etc.

It is the Board that defines the vision which unites every hospital and every facility under a single standard. Its involvement in patient safety and performance improvement should be apparent to the leadership of each organization as well as to the community served. The Board must interface with quality in process evaluation, competency and outcome. Achieving accountability from the bedside to the Board is to effectively communicate information based on quality data.

Dr. Benedict questioned medicine as a business and how do physicians deal with patients and health insurance coverage issues. Dr. Dlugacz said that business principles should be followed, with management strategies. The government is educating patients as to what they should expect and how to speak with their physicians and communicate. Dr. Guercia said that there is new legislation for financial assistance for the patient and their care. Mr. Martello felt that by creating a business model it will translate into ultimately better care of the patient, but do you lose sensitivity to the patient's needs? Dr. Dlugacz said that there is a special relationship in any good business. Mr. Payson said that this is the beginning of a process. Ms. Hanson agreed that it is the start of a process, but how do we balance the financial piece, making enough money for the hospital to support itself as well as instituting these processes with staff? Once we get it going, we will be a center of excellence starting the process, getting everybody on board and moving productively. Mr. Payson said that in the future, Dr. Dlugacz will meet with the Board and not in open session. Today, he wanted to publicly recognize Dr. Dlugacz' assistance over the last year with the JCAHO crisis and thanked him for his friendship to the institution.

5. Report of the Finance Committee.

Contract Actions Taken. Lawrence Elovich, Chair of the Finance Committee reported on contracts requiring action by the Board.

Press Ganey. [Negotiated rate; period in excess of one-year; standardize to this vendor's product in the best interests of NHCC] **Upon a motion duly made, seconded and unanimously approved, the Board of NHCC approved entry into a contract with Press Ganey in the negotiated amount of \$24,000 (for NUMC inpatient) and \$12,000 (for AHP) patient satisfaction surveys and data processing and reports; contract term of 15 months; standardize to the Press Ganey patient satisfaction survey models, in the best interests of NHCC. Resolution No. 035-2007.**

Appointment of Contracting Officer. The Contracting Officer is the employee of the public authority who shall be responsible for the disposition of property as well as enforcement of property disposition guidelines as required under the Public Authorities Accountability Act 2005 and as per NHCC Procurement Guidelines approved by the Board in March 2007. Administration is recommending that the Director of Materials Management (Supply Chain) be designated as the Contract Officer for NHCC (position currently held by Mr. Bert Sansaricq). **Upon a motion duly made, seconded and unanimously approved, and in accordance with the requirements of the NY Public Authorities Accountability Act, the Board of NHCC designated the Director of Materials Management (Supply Chain) as the NHCC Contracting Officer. Resolution No. 037-2007.**

Physiologic Assessment Services. [One-year renewal of multi-year contract (monitoring services during neurosurgery and orthopedic surgical procedures)] **Upon a motion duly made, seconded and unanimously approved, the Board of NHCC approved the one-year renewal of a multi-year contract with Physiologic Assessment Services in an amount not to exceed \$35,000 for the period 1/1/07 - 12/31/07. Resolution No. 038-2007.**

****Bluemark, LLC.** [GPO contract; 3-year term; web-based Medicaid and charity support services with scanning capabilities for improved record-keeping] **Upon a motion duly made, seconded and unanimously approved, the Board of NHCC approved entry into a contract with Bluemark, LLC in the amount of \$50,000/year for a three-year term from June 2007 through May 2010. Resolution No. 039-2007.**

Deferred Compensation Board Appointments. The Finance Committee has recommended the appointment of three new members to the Deferred Compensation Board. Martin D. Payson, Kenneth Nicholson (CSEA VP) and Carolyn Olson, Esq., from the Legal Department. **Upon a motion duly made, seconded and unanimously approved, the Board of NHCC approved the appointment of Martin D. Payson, Kenneth Nicholson and Carolyn Olson to the Deferred Compensation Board. Resolution No. 040-2007**

6. **Institute for Minority Health Care Disparities.** Mr. Gianelli reported that a draft of the business plan for the Institute for Minority Health Care Disparities was faxed to Board members on Friday. The establishment of the Institute was previously approved by both the NHCC and MMERF Boards of Directors. An amendment to the pro forma was made in the amount of \$250,000 for year one and another \$250,000 for year two to provide a demonstration project whereby the Institute may be able to have a geriatric outreach and possible research and other grant opportunities for the Corporation. The Institute will be located in the Hempstead Health Center with funds being provided by the State of New York and Nassau County. There will be additional resolutions in the coming months. Mr. Payson said that this is a work in progress, there are many opportunities within the grant to further the revenue side. The Board would approve with the understanding that this is not a closed subject and there are other areas that we may want to cover. There will also be a search for the Institute Advisory Board. **Upon a motion duly made, seconded and unanimously approved, the Board of NHCC approved the Institute for Minority Healthcare Disparities Business Plan. Resolution No. 041-2007.**

7. **Report of the Executive Committee.** Mr. Payson reported that a quorum was not present at the March 26, 2007 Board of Directors meeting and therefore, the Executive Committee of the Board was convened. Minutes of that meeting and actions taken by the Executive Committee are included in this month's Board books and are available for public inspection.

8. **Report of the Medical Director.**

Chair of Department of Ophthalmology. Dr. Walerstein reported that the Medical and Professional Affairs Committee met with Dr. Marcelle Morcos who was recommended for appointment as Chair of the Department of Ophthalmology. Ophthalmology was a division with the Department of Surgery for decades. Dr. Morcos has done a superb job in operating the division and training the residents. The Executive Committee of the Medical Staff previously recommended that the Department of Ophthalmology be created and the Board agreed. Dr. Morcos was chief of the division, acting chair of the department and is now the candidate for chair of the department. Dr. Miner and the Medical and Professional Affairs Committee met with Dr. Morcos and recommended the approval of her appointment. Mr. Payson was very impressed with Dr. Morcos and noted that ophthalmology had 1,200 visits last year despite the fact that the office is in a trailer. He will seek to find a way for the modernization plan to include some changes to move them out of the trailer. **Upon a motion duly made, seconded and unanimously approved, the Board of NHCC approved the appointment of Dr. Marcelle Morcos as Chair of the Department of Ophthalmology. Resolution No. 042-2007**

Dr. Walerstein noted that Dr. Paul Weinberg, who was appointed as Chair of Anesthesiology will start on May 1, 2007.

9. Report of the Chief Financial Officer. Mr. Bie reported on the March financials. Regarding the presentation by Dr. Dlugacz, Mr. Bie noted that when HMO's came into power the pendulum swung to balance finances and quality.

In March, the Corporation generated \$13 thousand surplus against a budgeted surplus of \$1 million. The difference primarily had to do with volume which was down by 55 discharges, no fault and workers compensation which reduced revenue by \$700 thousand for the hospital. A. Holly Patterson had a revenue loss of \$179 thousand against a budgeted loss of \$289 thousand and they are holding expenses in line. The census was 560 against a budgeted census of 579. The Community Health Centers continue to break even with a surplus of \$5 thousand for the month against a budgeted surplus of \$6 thousand.

10. Report of the Facilities Committee. Mr. Gerstman reported that the committee had their initial meeting this month which included a review of projects and status and the process by which the Committee will report to the board. At the next meeting, the committee will learn about the RFP process and proper procedures. More members will be added to the Committee. The Committee will assist in executing projects within budget and timeframes.

Mr. Payson noted that over the next 4-5 years the Corporation will invest over \$200 million in the facility. Mr. Gianelli said that everything is moving according to plan and Perkins Eastman will begin a 22-week process with clinical staff and leadership to create the master plan. The Corporation is awaiting an RFP response (due in May) for the design of the ER. The chemical dependency unit had some delays. The master planner was also asked to work on improving the front, side and lobby of the building. The empty floors will be poured in June. Mr. Gerstman noted that the chemical dependency unit looks terrific and work was well done.

11. Report of the Community Health Committee. Mr. Courbois reported that he has met with Dr. Rosemarie Guercia, chair of the committee, to discuss the committee's issues and will report on the 5-point plan, with a plan of action to address the issues that the health centers are facing. For the past 2-3 months, staff has been rethinking the business model for Long Beach and Inwood and is looking for other business opportunities with respect to Long Beach. NHCC has been approached by individuals interested in taking over the responsibilities for the Inwood center.

The 2006 year end (unaudited) financials showed a surplus of \$136 thousand compared to a break even in 2005 and a significant loss of \$3.7 million in 2004. In 2007, the centers are projecting a break even operation. The break even comes with the help of Article 6, bad debt and charity care and is important for the continued survival of the community health centers. Mr. Bie noted that a good portion of the profit and loss statement (\$15.4 million) is a result of the Article 6 contribution of \$5 million. Without Article 6 the community health centers would be losing \$5 million. Bad debt and charity support is \$3.3 million of the net patient service revenue. Bad debt and charity support has been consistent since 1996; if our losses reach a certain level, the centers are guaranteed \$3.3 million. Mr. Payson asked if the bad debt and charity amounts could be broken down to two pieces. Mr. Gianelli said that it is an estimate at this point, but if the changes are made there would be a loss of between \$600-700 thousand this year and another loss next year. Dr. Guercia also asked if finance had a breakdown of how much is bad debt and how much is charity. Mr. Bie would have to go back in years to get that breakdown.

In 2007 revenue was increased by approximately \$500-600 thousand and they are predicting a greater volume for 2007 by 8.2% (Volume in 2006 was 65,415, which is projected to reach 70,750 visits in 2007). Wait times were addressed by increasing sessions and staff

availability to patients. Volumes were expected to increase significantly and every time a session was added, visits increased and wait time would go up again. Through March there has only been a 1.6% increase in volume because of Hempstead which is approximately 12% down from 2005. The numbers of patients are significantly down in pediatrics and maternity due to the wait times (almost 8 weeks). A new mobile pediatric clinic has increased competition that is drawing some of the center's patients away. Also a newly implemented appointment system may be causing some scheduling problems. The quarterly average size of staff from 2004 through 2006 has decreased while patients have increased—hopefully staff is being more productive.

Presently there have been changes in accountability with a CHC subcommittee; formal appointment of a nurse supervisor, monthly meetings, quality assurance team, collaboration with the hospital (patient access, department chairs) and weekly reporting of wait times and activity. Mr. Courbois is working with Drs. Aiges and Bryson regarding the areas that they are responsible for. The Nursing managers report weekly on wait times and activities so that they can respond to trends.

The five-point plan includes capital upgrades, amendments to the CON, an appointment system, access to care and patient satisfaction. In Freeport there is a new women's bathroom, front entrance, mural in pediatrics painted by Roosevelt High students, fresh exterior painting and new PCs. In Elmont there is a new roof, installation of a security camera, sensor lights and new carpeting. In Hempstead, the floor and ceiling tiles were replaced, fire and safety issues reviewed and security installed real-time monitoring and negotiated a designated parking space for employees. Ground-breaking for Freeport should start in June and be completed by Spring 2008 (the November 2007 date is out). Mr. Ade said that he spoke to Hempstead and Freeport for the go ahead and he is awaiting a letter from the County Department of Public Works because it is on a County road and sewer system—the Town and County are going back and forth. The furnishings are already here and being stored at NUMC, procured through a grant. Ground breaking will begin in June and the building constructed in a timely manner. Mr. Courbois said that Manatt is working with the State DOH and OMH on a CON amendment to add services and also there are plans for podiatry at New Cassel and a PM&R business plan is being developed. They have identified space and a staffing plan that will be presented as part of the business plan to the Finance Committee. The appointment system was completed 12/31/06, but it is not flexible, although the pressure has helped to identify major bottlenecks in the business process. New hires will include a family practitioner to float between centers, a nurse manager in Hempstead and a dental assistant in Elmont along with other staff.

Mr. Gianelli asked if there was anything to learn from New Cassel. Mr. Courbois said that they are adding sessions, the floating family practitioner and support staff. It is the right staff mix and support. They have two phlebotomists, making it easier for patients to get through the system. Hempstead did not have the extra phlebotomist or clerks until last week. Dr. Mondschein works closely with department chairs regarding physician coverage and vacations. Freeport continues to fill pediatric slots. Patient visits were clocked from time in the door until they leave—on February 21 in the morning—average time was one hour and thirty-four minutes and in the afternoon time was one hour and fifty-three minutes, 75% of time is waiting to see the physician. Mr. Payson asked if there was a plan to change that. Mr. Courbois said that they tried to push from the front end but were still getting bottlenecked. The plan of action is to: train nurse managers and getting them on the Press Ganey internet to track patient complaints. In May staff will be trained to interpret the patient satisfaction surveys and identify areas of improvement; in June train staff on patient satisfaction behavior; in July implement a comprehensive plan to address patient satisfaction; in September analyze the results of behavior modification and process change; in October modify the old

plan and or develop a new plan and in November implement those changes and improvements.

The plan of action for process improvement includes sending out an RFP to engage a consultant to improve cycle time and develop "advanced access" appointment system; select a VP for Ambulatory Services; work with chairs to improve coordination of services; coordinate an effort to recapture market share. Mr. Courbois is meeting with Dr. Aiges and staff to discuss how they can recapture pediatrics at the Hempstead center. The new business model will include: integration with the Institute for Minority Healthcare Disparities and the structure of Long Beach and Inwood. There is outside interest in Inwood and administration has been meeting with representatives from Peninsula Hospital.

Dr. Guercia reported that she is generally very pleased with the direction being taken at the health centers. There are many things applicable to Hempstead losing market share. The community should be aware that we are out there, the centers have been lax in getting the word out. In regard to waiting times, years ago there was a strong educational presence at the centers for patients and it helped to fill the wait time. There were also TV sets broadcasting educational material. There is room for improvement. Mr. Gianelli said that the signage is poor, but rather than shotgun, the Corporation needs to move in sequence with the master planner and standardize all facilities. In addition, the Institute should help with outreach to the community. Dr. Miner asked if the numbers of people walking out, due to wait times, were tracked and the response was no. It was a two-day survey, and they know that people are walking out and it is frustrating. Mr. Payson said that a lot went into the community health centers in the strategic plan and the staffing must be right.

The Board requested copies of the slides from Dr. Dlugacz' and Mr. Courbois' presentations.

12. **Close of Regular Meeting.** Martin D. Payson, Chair, closed the meeting and opened the floor for public comment. There were no comments from the public.

13. **Adjournment**

Upon a motion, duly made and unanimously approved, the meeting was adjourned at 10:30 a.m. to Executive Session to discuss governance, performance improvement, collective bargaining, personnel matters, contract negotiations and litigation.

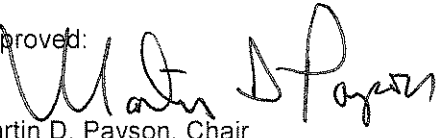
14. **Report from Executive Session.** During the Executive Session, the following resolutions were adopted.

Upon a motion duly made, seconded and unanimously approved, the Board of Directors approved the recommendation of the Appellate Review Committee of the Board of Directors that the suspension of Jeanette Breen's privileges should be reduced to 18 months, effective January 15, 2006 and ending July 14, 2007. At that time, her Medical Staff appointment should be reinstated. In addition, the Committee agreed with the Ad Hoc Committee's determination, noted in its findings and recommendation dated May 26, 2006, that Ms. Breen, upon her return, must comply with all Infection Control policies after being reeducated in said policies, and that the reinstatement of her privileges is contingent upon her compliance as well as on proper medical record documentation. Resolution No. 043-2007.

Upon a motion, duly seconded and unanimously approved, counsel was authorized to conclude the \$300,000 settlement of the Sodexo litigation. Resolution No. 044-2007.

The next regularly scheduled meeting is Monday, May 21, 2007 in the Auditorium.

Approved:


Martin D. Payson, Chair
Board of Directors
Nassau Health Care Corporation