

MINUTES OF THE PUBLIC SESSION OF THE NASSAU HEALTH CARE CORPORATION BOARD OF DIRECTORS' MEETING HELD ON NOVEMBER 19, 2007

Directors Present

Martin D. Payson, Chair
Leonard A. Benedict, MD, MPH
John M. Brickman, Esq.
Joseph Capobianco, Esq.
Lawrence E. Elovich, Esq.
Bradley L. Gerstman, Esq.
Rosemarie Guercia, MD
Greg-Patric Martello, Esq.
George W. Miner, MD, MBA
Frank J. Saracino, EdD

Non-Voting Directors Present

Arthur A. Gianelli, President/CEO
Asif M. Rehman, MD

Hospital Administration

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

Not Present

Jemma Marie-Hanson, RN
Barbara Ross-Lee, DO
John F. Ragano, Esq.

1. Martin D. Payson, Chairman, Board of Directors of the Nassau Health Care Corporation, opened the meeting at 8:45 a.m.
2. **Adoption of Minutes.** Upon a motion made and duly seconded, the minutes of the October 22, 2007 Board of Directors meeting were approved, all in favor.
3. **Report of the Chairman.** Mr. Payson expressed deep appreciation and congratulations to Mr. Martello and Ms. Lavas on the wonderful Gala on November 14, 2007 at the Cradle of Aviation. Not only did NHCC receive financial rewards, but the attendance was wonderful and it was a great lift for the employees.

Sharon Popper has announced her retirement. Because she is an extraordinary individual, it will be difficult to find a suitable replacement for her. Hopefully, she will agree to come back on a part time basis as special counsel. Mr. Payson thanked Ms. Popper for all she has done.

Also this month, an announcement was made regarding the Institute for Minority Health Care Disparities. The auditorium was packed with community leaders, legislators, community groups—it was an exciting day.

A report on the Successor Agreement will be given in the Executive Session. NHCC has substantial capital for modernization and building a new nursing home. The operating budget continues to be tenuous. NHCC must control expenses and remain stable with the existing support from the County. Revenues must be increased because cash is always a problem. NHCC has a lot of friends who want to help the institution—North Shore/LIJ is there for NHCC throughout.

4. **Report of the President/CEO.** Mr. Gianelli reported that the Corporation lost \$700 thousand for the month of October. The loss was attributed to three major factors. The psychiatric unit expected to open on October 1st did not open until October 15th, causing a loss in budgeted census. The detox unit census was compromised due to a licensing issue regarding the administration of Methadone. This was a historical issue that only came to administration's attention this year and involved the transference of licensure from the County at the time of the Transfer Agreement (loss of \$300 thousand for the month). There was also a case mix issue that resulted in revenue loss. The Corporation is budgeted to

lose between \$3-5 million for the year. Notwithstanding all of the good things that have happened, the Corporation continues to lose money due to cost structure and discussions are ongoing with the Union.

Quality Management continues to push towards achieving quality improvement for 2007, with a few challenges with vaccination, smoking cessation and discharge planning. Clinical leadership, department heads and nursing know how important this is and will work toward resolving these issues by the end of the year. Mr. Gianelli met with Drs. Walerstein and Dlugacz (who has a significant working relationship with the Joint Commission on Accreditation of Hospitals). Dr. Dlugacz announced that he will be hosting a telecast that will broadcast to over 5,000 hospitals nationwide regarding best practices and preparation for Joint Commission visits. He recommended that NUMC be the host hospital. A mock survey will be conducted and filmed by the Joint Commission at the end of February at NUMC. Obviously, NUMC will have a significant challenge. The mock survey will serve to recalibrate the house in order to be ready for a Joint Commission recertification as early as 2008. Dr. Dlugacz has a high level of confidence in NHCC and its ability to change the culture here.

In Executive Session, both Cannon and Perkins Eastman will make their presentations regarding the Emergency Department and Master Plan. There are two proposals for the Emergency Department that will be presented for the Board's decision.

The Gala was a huge success with almost 650 guests that resulted in moving the Gala to a larger site. Out of \$300 thousand, NHCC netted approximately \$150 thousand. NHCC can raise money and Mr. Gianelli has set a goal of \$1 million for 2008. Staff will be working on activating the LI Foundation. North Shore/LIJ has been tremendously supportive of the clinical departments here as well. Ms. Lavas and Mr. Martello did a great job of creating this quality event.

On Thursday, NHCC rolled out the Institute for Minority Health Care Disparities with over 100 attendees who engaged in dialogue regarding delivery of care to the minority population. Dr. Cuyjet did a tremendous job in pulling that together. The National Association of Public Hospitals has appointed Linda Cummings to serve as a member of our Advisory Board.

Drs. Walerstein and Faust have been working with the New York College of Podiatric Medicine and NUMC had its first podiatric surgical case last week. For the first time, NUMC will provide "flip rooms", running two operating rooms side by side allowing for more efficient use of time. Dr. Ruotolo said that this was the first time he had in a while spending time with his children at home in the evening because it ran so smoothly. Dr. Weiss established a relationship with a voluntary provider that has significantly enhanced the census for PM&R. On the Surgical side, Mr. Gianelli will be meeting biweekly with physicians who do surgery here. There are certain things that NUMC cannot provide, but it can provide good operating space and access to senior leadership and if there is something wrong, it will be corrected. NHCC must cover its cost structure with growth of census.

On December 4th and 5th, NHCC will host an off-site retreat for clinical chairs and senior leadership to discuss business development, opportunities and priorities in 2008. The retreat will take place at Hofstra and will include discussions of the Manatt Business Plans as well as the Marketing Analysis by North Shore/LIJ.

Mr. Gianelli had an interesting meeting with the Department of Health in Albany and they discussed a number of items including group pricing. The DOH at staff level does not disagree that NHCC is entitled to price averaging (\$5-7 million), the issue is getting it up to the Governor's office for approval. Mr. Gianelli will be discussing legislative strategy to push for group pricing.

The Successor Agreement is at long last near completion. It is not that much different than the second agreement that was rejected by the Nassau County Legislature and Comptroller. With the intercession of Manatt working with NHCC and the County, it has been modified so that both parties are relatively pleased. The County has agreed to provide some additional Tobacco funds totaling \$13.9 million that can be recognized as income brought in through the disproportionate share fund for capital projects of mutual interest. In return, the prison health subsidy of \$4 million will be eliminated. Manatt also successfully negotiated uses for proceeds from sale of property and the County agreed to give up liens in Uniondale connected to the property for the new nursing home. There is unspecified acreage at NUMC to be released from liens in connection with \$20 million of HEAL funds for retirement of debt. Approval will be given to allow NHCC to sell property for approved use in Uniondale for senior citizen assisted living, senior housing and for the academic village concept in East Meadow, as well as for resident and medical student housing, research space and infrastructure. The County also is agreeing to release liens on accounts receivable to support the ability of the Corporation to secure a \$30 million line of credit that will be used for working capital to the extent NHCC feels necessary in order to rapidly align cost structure and growth of business. A lot of cash comes in one lump sum such as the IGT funds. Any delays in that could tie up \$50 million in cash. Mr. Gianelli said that this was an agreement that he could recommend to the Board for approval.

Mr. Brickman questioned if there would be any change in delivery of health care to prisoners due to the loss of the prison subsidy from the County? Mr. Gianelli said that NHCC would not see the effect of this until 2010. It will not affect the ability to deliver care, but it does change the terms of outpatient and inpatient service for the jail.

Dr. Benedict asked for an update on the opening of 29 dialysis stations at A. Holly Patterson. Mr. Gianelli reported that the State requires that NHCC activate all 29 stations within one year. There is a request for information for potentially using a third party administrator of dialysis as a permanent solution. There are discussions with DOH regarding the possibility of incorporating a new dialysis center in the construction of the new nursing home. The theme for the entire property is for senior citizens in various stages of life and living on the Uniondale property. In December, Mr. Gianelli will present a multiyear plan of projects to the Board which will include funding and funding sources. In addition, reports will be given on reconciling issues, CONs and a Capital Project report.

5. **Report of the Medical Professional Affairs Committee and Medical Director.** Dr. Miner did not have a report this month. Dr. Walerstein reported that they are working on the opening of the Center for Hypertension/Diabetes/Vascular Disease utilizing funds from the Gala. They are looking for an opening by end of January, on the 6th floor of the hospital. Dr. Hupart has recruited a PhD nursing practitioner for diabetes and the center will include endocrinology and podiatric services. The Burn Center is scheduled to open at the end of December.
6. **Report of the Legal and Audit Committee.** Mr. Brickman, chair, reported that the committee met on October 23, 2007. The bulk of discussion was in executive session (minutes included in the Board packet). The committee dealt with the selection of NHCC's outside auditor for the years going forward. After considerable review of responses to our request for proposals, the committee unanimously decided to recommend to the Board the firm of Ernst & Young as the outside auditors. **Upon a motion duly made, seconded and unanimously approved, the Board of Directors approve a three-year contract with the certified public accounting firm of Ernst & Young, LLP, in an amount not to exceed \$382,000 for the first year, escalated by an amount not to exceed 8% for each of the second and third years, to provide financial audit services for the years 2007, 2008 and 2009. Resolution No. 100-2007.**

7. **Report of the Finance Committee.** Mr. Elovich reported that the Committee met on Thursday, November 15, 2007 and reviewed an extraordinary amount of contracts for recommendation to the Board. Because there is a great deal of information regarding negotiations to discuss, discussion will be held in Executive Session.

Finance Report. Mr. Bie reported that the Corporation lost \$724 thousand for the month of October on revenues of \$41 million. The success of the Corporation will rely on growth of revenue stream. Year-to-date, revenue is \$407 million compared to \$392 million at the same time last year. The trend factor is \$4-5 million with inflation on Medicaid/Medicare third party rates, opening the 30-bed rehab, 13-bed child psychiatry and 35-bed inpatient psychiatry units. Year-to-date, on \$407 million in revenue, the Corporation is reporting a loss of \$3.1 million compared to \$2.9 million at the same time last year. The Corporation was able to cover the structural deficit of \$10 million on an annual basis—if it had done nothing, the Corporation would have lost \$11 million. Mr. Payson asked if the growth in pediatric psychiatry would be in place by December 31st. Mr. Gianelli said yes, it will have a positive impact on revenue for 2008. NHCC will also benefit from prior year reconciliations on DSH payments of approximately \$5 million. That payment goes away in 2009. NHCC has one year to get growth of business combined with realignment of the cost structure and labor agreement or NHCC will be facing significant cash issues in 2009. NHCC must also secure \$34 million of funds to retire debt at AHPECF and NUMC. Mr. Payson asked when NHCC would get the cash to retire debt. Mr. Gianelli needs to meet with DOH, Office of Audit Control via contract with State of New York to access the funds. There needs to be a mechanism to track the funds available and NHCC would lay out the money and then get reimbursed.

Mr. Bie reported that AHPECF broke even for October. With bed hold at 100% and 579 beds available, it is a very steady operation. The Community Health Centers lost \$107 thousand for the month. The centers lost \$1.4 million in bad debt and charity care money and will continue to lose \$107 thousand a month until the Diagnostic Treatment Centers can be changed to a Federally Qualified Health Center status. Mr. Gianelli noted that NHCC has identified a consultant that will be utilized with the Board's approval at the next meeting.

Mr. Bie reported that the hospital lost \$550 thousand for the month. As mentioned by Mr. Gianelli, the loss was mainly due to the detox unit licensing, delay in opening the psychiatric unit and a shift in case mix. The hospital hopes to reach 100% occupancy in psychiatry by January 2008. The County and Corporation have reconciled receivables except for \$6.5 million and they are on their way to resolving that issue.

Contract Actions Taken. Sharon Popper, SVP will report on the Finance Committee contracts requiring action by the Board in Executive Session.


8. **Report of the Community Health Committee.** Dr. Guercia, chair, reported that the Committee met on October 24, 2007 and there was considerable discussion regarding the location of the Freeport/Roosevelt Health Center at 380 Nassau Road. All were enthused with the inclusion of a dental clinic. New Cassel has a health education program that was well attended. There is a problem with clinic cancellations when a physician is out sick or on vacation. There is no mechanism in place to regularly replace physicians and NUMC needs to explore that. Mr. Gianelli said that was an important point and the way to address this is with change to the organizational structure as it relates to ambulatory care. Historically, the clinics have been run as an adjunct, no one owns the operation. Dr. Rubin was hired to direct this activity. He has proposed some of the things Dr. Guercia has raised to be put in a budget for community medicine to better manage delivery of care and operations.

9. **Report of the Extended Care Committee.** Mr. Saracino reported that the committee will meet on November 28 at 8:00 a.m. The agenda will include a report of the results of the NYSDOH survey in August. The outcome was very favorable but all recommendations should be addressed and reviewed.
10. **Report of the Facilities Committee.** Mr. Gerstman, chair, reported that the Committee met on Friday and a summary of that meeting was distributed to the Board this morning. A three-day mock survey was conducted earlier this month and there were numerous deficiencies which are being addressed. The next mock survey is due in late January. Maintenance of the Standards of Care (SOC) is ongoing. The building maintenance program has just begun its automation stage with a third party consultant to help streamline the system. Lighting improvements have been made for the staff resident housing complex.
11. **Other.** None
12. **Close of Regular Meeting.** Martin D. Payson, Chair, closed the meeting and opened the floor for public comment. There were no comments.
13. **Adjournment**

Upon a motion, duly made and unanimously approved, the meeting was adjourned at 9:40 a.m. to Executive Session to discuss governance, performance improvement, collective bargaining, personnel matters, contract negotiations and litigation.
14. **Report from Executive Session.** No members of the public remained to receive a report on actions that will result in the expenditure of funds. All resolutions approved by the Finance Committee at its November 15, 2007 meeting were adopted as well as a resolution approving an amendment to the Manatt Phelps & Phillips contract to authorize a \$300,000 increase in the maximum contract amount for general (non-capital) legal services for the 2007 and 2008 calendar years.

The next regularly scheduled meeting is December 17, 2007 in the Auditorium.

Approved:


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