

MINUTES OF THE PUBLIC SESSION OF THE NASSAU HEALTH CARE CORPORATION BOARD OF DIRECTORS' MEETING HELD ON MARCH 24, 2008

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Directors Present

Martin D. Payson, Chair  
Leonard A. Benedict, MD, MPH  
Lawrence E. Elovich, Esq.  
John M. Brickman, Esq.  
Joseph Capobianco, Esq.  
Rosemarie Guercia, MD  
Jemma Marie-Hanson, RN  
George W. Miner, MD, MBA  
John F. Ragano, Esq.  
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

Bradley L. Gerstman, Esq.  
Barbara Ross-Lee, DO  
Greg-Patric Martello, Esq.

Guests

Robert Benrubi, Esq., Counsel to the CEO/Real Estate and Intergovernmental Relations

1. Martin D. Payson, Chair, Board of Directors of the Nassau Health Care Corporation, opened the meeting at 8:45 a.m.
2. **Adoption of Minutes/Ratify Executive Committee Actions.** Upon a motion made and duly seconded, the minutes of the February 25, 2008 (no quorum) Board of Directors meeting were approved, all in favor, and the actions taken by the Executive Committee as reflected in the minutes of the March 5, 2008 meeting of the Executive Committee of the Board of Directors were ratified and approved.
3. **Report of the Chairman.** Mr. Payson reported that the Corporation continues to struggle with operating finances. The nursing home is in a profit position and Mr. Payson thanked Mr. Slatky and his team for a fine job. The hospital census has been full, even though it is behind on budget. The Corporation continues to make progress on the capital plans, finances and quality improvement.
4. **Report of the President/CEO.**

Finances. Mr. Gianelli reported that through February the Corporation lost \$2.4 million, after investment income on a budgeted loss of \$1.7 million. For the month of February, the Corporation lost \$812 thousand on a budgeted loss of \$352 thousand. The three major entities of the Corporation are the Community Health Centers, the nursing home and the hospital. The nursing home is the most stable. In March, the ventilator census increased. The Corporation secured full approval for the extension clinic for vent residents. With the State budget, the hospital continues to be a challenge even though the census is reasonably good. Pediatrics and Medical/Surgical discharge figures are ahead of expectations. The weaknesses in February were Detox, PM&R and Psychiatry census. Admissions to Detox were delayed due licensure which was recently obtained and should reflect the benefit of that in the March figures. PM&R has been consistent with its census over the past few weeks and Psychiatry has 95% occupancy. The bulk of the loss in February was due to 1) group price appeal (worth \$5 million) and 2) one years' worth of Medicare DSH appeals that have not come through yet. On the \$812 thousand loss for February, \$500 thousand comes from those two items and the rest from various operating and investment earnings. NHCC still has not seen improvement in the outpatient clinics, community health centers or surgical and those numbers must increase to achieve a balanced budget in the long term. Visits at

the health centers are slightly ahead of budget and should increase once the Department of Community Medicine is developed.

State Budget. There are three proposals: one from the Governor, one from the Assembly and one from the Senate. The Corporation would lose funding on all three proposals. Under rebasing, all hospitals would be moved to group pricing. Mr. Gianelli has met with Legislators and Administration people in Albany to identify alternative ways to achieve the same objectives. It was made clear to Senator Hannon that the budget needs to be made whole. Everyone understands that the effort to change the components of the reimbursement structure for hospitals and that there is not a lot of money. NHCC is working with the delegation, but it is further compounded with the change in Governor over the last two weeks.

The Corporation would normally get the Disproportionate Share (DSH) payment in March. The amount is \$50 million, with half from the Federal Government and the other half from the County government. NHCC does have back up in terms of pension and the loan from the Captive.

Quality. By the next Board meeting, the Table of Organization for Quality Management should be finalized. In Executive Session, a presentation will be made regarding the workgroup for JCAHO preparation. A survey could occur anytime after October 1, 2008. NHCC is also preparing an extended contract with the Krasnoff Institute for support and quality improvement efforts.

Community Health Centers. Discussions with consultants for Federally Qualified Health Centers (FQHC) have started. A Request for Proposal (RFP) has been sent out for a 340B Pharmacy at the medical Center. The 340B would allow NUMC to provide pharmaceuticals at substantially discounted prices for the patients who receive primary care at the hospital.

The Department of Community Medicine implementation was delayed slightly due to logistical issues, the transition should take place around July 1, 2008.

An incentive program is being developed for faculty on the outpatient side. Productivity is quite low with 1.13 patients per hour.

A. Holly Patterson. The finance team has been selected for A. Holly Patterson. Co-Senior companies are Simms and Citigroup and the Co-Managers are Merrill Lynch and Goldman Sachs. NHCC is pursuing two different tracks of financing—FHA and HUD 232. The HUD 232 has a lower interest rate, but could take one to two years for financing.

In April, the final SEQRA determination will be made regarding A. Holly Patterson construction. The CON is coming along nicely. By the end of June, the only open item will be financing. Mr. Payson asked why the DOH would approve a higher reimbursement rate. Mr. Gianelli said that it would ultimately save the DOH reimbursement money, if the nursing home was downsized sooner from 589 beds to 320 beds. Also if NHCC chose an unrated transaction, it does not preclude NHCC transitioning to an FHA insured product in three years. A report on the land use in Uniondale will be presented by Mr. Benrubi.

Other. NHCC is recruiting three senior staff—human resources, general counsel and chief information officer. Mr. Gianelli will have candidate proposals in April. Mr. Gianelli noted that George Boerum, the present VP for Human Resources is retiring at the end of this week and thanked him for his years of service and hard work during some difficult years.

Reports cards are being disseminated to our managers, chairs, nursing and support managers identifying targets for financials, volume growth, patient satisfaction and quality core measures.

Starting this Friday, and over the next few months, Mr. Gianelli will be meeting with employees regarding the progress being made at NHCC and the challenges that lie ahead. As early as next year the revenues generated will not support obligations of the Corporation. Collective bargaining needs to be restructured for future years.

5. **Report of the Medical Professional Affairs Committee and Medical Director.** Dr. Miner will report in Executive Session.
6. **Report of the Finance Committee.** Mr. Elovich reported that the Committee met on March 18, 2008 and reviewed several contracts that will be discussed in Executive Session. Mr. Elovich asked Mr. Bie to report on finances.

A. **Finance Report.** Mr. Bie reported that the Intergovernmental Transfer Payment (IGT) of \$54 was budgeted for 2008. The first payment of \$12.5 million was for 2004 and received on February 28, 2008. The second payment for 2005 reconciliation of \$6.5 million will not be received until September or possibly December. The third payment for prior years is estimated to be \$35 million and should be received by the end of this week. The group pricing is hung up with the State budget. Mr. Payson noted that the Board had a lengthy discussion regarding the group pricing prior to adopting the NHCC budget and agreed that it would be included in the 2008 budget. This was a risk taken and publicly announced and hopefully NHCC will get that relief.

For the two months, on \$87 million in revenue, the Corporation lost \$2.8 million from operations on a budgeted loss of \$2.5 million. Group Pricing is worth \$500 thousand a month, and the Corporation actually did better than expected. A. Holly Patterson has been profitable by increasing its case mix from 1.07 to 1.12 for \$1.2 million a year. The nursing home has also kept expenses under control and is favorable to budget by \$170 thousand. The hospital continues to struggle and needs to grow volumes. Discharges for three months were 3,996 compared to budgeted discharges of 4,008. Expenses and FTEs are under control. Mr. Payson asked if there was any reimbursement from the Detox unit for January and February. Mr. Bie noted that the licensure was approved in March, which meant that NUMC lost 10 patients a day for a loss of \$400 thousand a month.

The auction rate security market failed and rates went from 4.5 percent to 7.78 percent costing \$200 thousand a month in interest on \$59 million in debt. The way NHCC will deal with it is to retire debt with the HEAL IV \$34 million payment, hopefully in April. Mr. Bie is also working with the County to use \$25 million of unused Tobacco funds. Mr. Ragano asked what other debt was there besides the \$59 million in auction rate securities. Mr. Gianelli noted that the transaction was done in 2004 and with the exception of the last two months, has done very well with low interest rates.

**Faculty Practice Plan.** Mr. Bie presented the fourth quarter Faculty Practice Plan Distribution. He noted that it is consistent with prior distributions based on productivity. **Upon a motion made, duly seconded and unanimously adopted, the Board of Directors approved the Faculty Practice Plan Distribution at December 31, 2007. Resolution No. 065-2008.**

7. **Report of the Community Health Committee.** Dr. Guercia, chair, reported that the Committee met on March 19, 2008 and discussed the progress of the Freeport, Roosevelt and Hempstead health centers. Drs. Mitchell Rubin and Laurie Ward as well as representatives of health center advisory boards were in attendance. Dr. Guercia would like

to see the centers become more accessible to families. New Cassel will be transitioning to a family practice model and may be able to start office hours at 7:30 a.m. to accommodate parents bringing in children before school starts or work. There is also a problem referring to specialty clinics in general with long waiting periods and Drs. Rubin and Ward are working on accommodating those referrals. Dr. Guercia noted that the Corporation should start publicly marketing the centers for each location to increase volume.

8. **Report of the Extended Care Committee.** Mr. Saracino, chair, reported that the Committee meets bimonthly and the next meeting is scheduled for April 7, 2008.

Mr. Saracino noted that on Thursday, the hospital hosted a program for healthy babies and he attended along with Dr. Guercia. They were very impressed with the program and the various caregivers who attended. He thanked Jack O'Connell, Mitchell Rubin and Shelley Lotenberg for bringing the program to the hospital.

9. **Report of the Facilities Committee.** No Report.

10. **Report of the Legal and Audit Committee.** Mr. Brickman, chair, reported that the Committee will meet on April 9, 2008.

11. **Other.** Mr. Gianelli reported that a few months ago the Board initiated a general concept for the development of the Uniondale property. The next step is putting in a format for the land use plan with Saccardi & Schiff. The Board will be asked to take action on initiating a SEQRA for the development of the entire property. Mr. Benrubi will review this along with time lines for the completion of the SEQRA, construction of A. Holly Patterson and submitting an RFP for the sale of property.

**SEQRA.** Mr. Benrubi made a presentation on the process for financing construction and actions relative to the entire Uniondale campus comprised of 64 acres. Last month, the Board declared intent to become lead agency for SEQRA. The actions included subdividing portions of the Uniondale property to allow for financing to rebuild A. Holly Patterson and demolition of the current building, to build a diagnostic treatment center with a 29-bed unit, and a new assisted living facility which was mandated by the Berger Commission. The intent to declare lead agency takes 30 days from notice to become effective. At that time, Mr. Benrubi will come back to the Board to ask them to accept the findings from SEQRA and declare themselves lead agency.

**SEQRA II.** Last year Saccardi & Schiff were hired to finalize a draft land use plan for the entire 64 acre parcel. This was done involving a series of community meetings with Messrs. Gianelli and Slatky and how the land could be developed. NHCC is not developing the land, but is contemplating selling the land to a developer in order to develop the other portions with a community center, soccer field, continuum of care, senior independent living with 4.4 acres dedicated to open space. The SEQRA will analyze the impact such as traffic flow, sewage, etc. The timeline of events is as follows: March 24, 2008-Board to declare its lead agency; May 30-draft environmental statement; June 23-Draft Generic Environmental Impact Statement (DGEIS); July 28-public hearings on DGEIS; 8/29-draft of final GEIS is completed; 9/22-Board accepts the final GEIS; 10/27-Board accepts the findings; 12/31-complete subdivision and submit RFP; 1/09-selection form RFP; 2/09-board awards the RFP. The open questions are timing and nature of financing. Dr. Benedict asked if it was too late to include affordable housing. Mr. Gianelli said that he has spoken to the various community groups and the Legislator for that area. The County has to ultimately agree to the land use. The land use is consistent with senior citizen community care with minimal impact on schools. Numerous people have talked about affordable housing. NHCC negotiated with the County and received prior approval in the Successor Agreement for a land use plan that is being presented today. In order to now include a component for

housing, NHCC would have to go back to the County for approval and the County most likely would not approve the housing, because the Legislator for that area is not an advocate for affordable housing on that property. Mr. Gianelli will be meeting with Dr. Lloyd, Bishop Harris and Legislator Abrahams to discuss the different opinions. Dr. Benedict said that there is a need for affordable housing. Mr. Gianelli said that the Successor Agreement and the release of liens by the County does not include workforce housing. Mr. Saracino asked if the timing of the issuance of an RFP and environmental impact report would create a problem in the sequence of events. Mr. Benrubi said that part of the SEQRA is to move the process along and is an independent process. If there are any changes during that 30-day period, they will be added to the RFP. Bishop Harris said that he has over 500 parishioners who want next generation housing in this community. There are 40 town houses on Jerusalem Avenue and Dr. Lloyd felt that it would impact the school district, but does not have any proof of that. Mr. Gianelli said that the key player is the Legislator. For the hospital's big picture, continuum of care is important for the Corporation to be able to service the Medicaid population. Mr. Brickman asked if the Board was being asked to do something today. Mr. Gianelli said that there is a resolution in Tab 7 for the Board to declare themselves lead agency for the conceptual master plan for land use, subdividing the property, and selling the property. Mr. Brickman was concerned with the language in the 2<sup>nd</sup> and 3<sup>rd</sup> paragraphs of page 2, and requested to include the phrase "without limitation".

**Upon a motion made, duly seconded and unanimously adopted, the Board of Directors approved a resolution of the Board's intent to declare itself "lead agency" for SEQRA purposes in the adoption of a conceptual master plan, subdivision of property and disposition of approximately 43.4 acres located at 875 Jerusalem Avenue, Uniondale, New York, identified on the Nassau County Land and Tax Map as Section 50, Block G, Lots 273, 274 and 275. (resolution attached—modified to add the words ", without limitation," in the 11<sup>th</sup> Whereas clause following the word "entail" and in the 12<sup>th</sup> Whereas clause following the word "for"). Resolution No. 066-2008.**

The Jeffrey Mosenson Foundation. Ms. Popper reported that approximately one year ago the Jeffrey Mosenson Foundation came to NHCC with a proposal to contribute funds for the renovation of space in the "B" Building to house the Nassau County EMS Police-Fire Academy. The Academy is currently housed in substandard space elsewhere on the NUMC campus. The County had agreed to provide \$300 thousand in contributions toward the costs of improvements. In negotiations with the County and NHCC, the cost was shifted to NHCC through the Successor Agreement. Administration is requesting the Board to approve an amendment to its prior resolution to authorize NHCC to contribute \$300 thousand funding to the Jeffrey Mosenson Foundation in support of this project and that the Corporation would have options to terminate the agreement if the Foundation did not accomplish certain tasks within specified time periods. Mr. Ragano asked if the funds were included in the 2008 Budget and the response was yes. **Upon a motion made, duly seconded and unanimously adopted, the Board of Directors approved "Resolution Amending Prior Resolution Regarding The Jeffrey Mosenson Foundation and Nassau County EMS Police-Fire Academy" as attached to these minutes. Resolution No. 067-2008.**

12. **Close of Regular Meeting.** Martin D. Payson, Chair, closed the meeting and opened the floor for public comment.

13. **Adjournment**

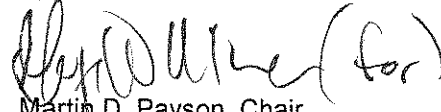
Upon a motion, duly made and unanimously approved, the meeting was adjourned at 10:15 a.m. to Executive Session to discuss governance, performance improvement, collective bargaining, personnel matters, contract negotiations and litigation.

14. **Report from Executive Session.** Upon return to Public Session, the Board reported having approved **Master Resolution No. M-068-2008** approving contracts as set forth in the

Contracts Exhibit to the Finance Committee minutes of March 19, 2008: Resolution Nos. 061-2008 (Amicas), 062-2008 (Eclipsys), 063-2008 (Green Castle Consulting), 064-2008 (Citi-Sims).

The next regularly scheduled meeting is April 28, 2008 in the Auditorium.

Approved:

A handwritten signature in black ink, appearing to read "Martin D. Payson (for)".

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

NASSAU HEALTH CARE CORPORATION  
BOARD OF DIRECTORS

RESOLUTION APPROVING FINANCE COMMITTEE RECOMMENDATIONS

**Resolution No. M-068-2008**

March 24, 2008

WHEREAS, by Resolution (No. 023-2007) of the Board of Directors of the Nassau Health Care Corporation, the Board of Directors delegated to its Finance Committee the responsibility for, among other things, overseeing and making recommendations to the Board regarding the Corporation's procurement and contracting policies; and

WHEREAS, there is attached to this Resolution a schedule dated, **March 19, 2008** (the "Schedule") of resolutions regarding transactions and/or procurement and contracting policies, which require action by the Board and which the Committee has reviewed, discussed and recommends be adopted;

NOW THEREFORE,

BE IT RESOLVED, that the Board of Directors of the Nassau Health Care Corporation hereby approves and adopts the resolutions recommended by its Finance Committee as set forth in the attached Schedule, with the following exceptions:

Resolution(s) No. \_\_\_\_\_

[or]

Without Exception.

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NASSAU HEALTH CARE CORPORATION  
FINANCE COMMITTEE  
March 19, 2008  
**CONTRACTS EXHIBIT**

Motions and Resolutions Requiring Action by the Board of Directors

**\*Amicas.** [Contract in excess of one year and amendment to a current agreement].  
Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with Amicas to provide a software upgrade of the Amicas PACS system to 5.0 and to provide a system audit, volume analysis, project plan and project management and OS upgrade for installation planning in an amount not to exceed \$28,000. Resolution No. 061-2008.

**\*Eclipsys.** [Contract in excess of one year and an amendment to the Eclipsys master agreement]. Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with Eclipsys to provide an analysis of the current computing platforms to determine it's ability to support the Big Bang 08 project and version update in an amount not to exceed \$7,600. Resolution No. 062-2008.

**Green Castle Consulting.** [Contract in excess of \$50,000]. Upon a motion made, seconded and unanimously approved, the Finance Committee approved a contract with Green Castle Consulting to consult, train and implement business process restructuring in Nassau Health Care Corporation in an amount not to exceed \$95,000. Resolution No. 063-2008.

**\*Citi-Sims.** Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with Citi-Sims to provide A. Holly Patterson Replacement Facility with bond financing in an amount not to exceed \$40,000 plus, depending upon the choice of financing made, either \$1.322 million for a FHA-insured Mortgage Transaction or \$1.137 million for an Unrated Transaction. Resolution No. 064-2008.

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\*Requires approval of the Board of Directors

\*\*Standardization requires 3/5 (9 votes in favor) approval of Board of Directors.