

MINUTES OF THE PUBLIC SESSION OF THE NASSAU HEALTH CARE CORPORATION BOARD OF DIRECTORS' MEETING HELD ON JULY 28, 2008

Directors Present

Martin D. Payson, Chair
John M. Brickman, Esq.
Joseph Capobianco, Esq.
Bradley L. Gerstman, Esq.
Rosemarie Guercia, MD
Jemma Marie-Hanson, RN
Barbara Ross-Lee, DO
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 E. Bie, SVP/CFO
Reginald Bullock, Esq., SVP for Legal Affairs
Paul J. Rowland, SVP/COO
Steve Walerstein, MD, SVP/Medical Affairs
Kathy Skarka, VP for Patient Care Services
Joan A. Soffel, Assistant to the Board/CEO

Not Present

Leonard A. Benedict, MD, MPH
Lawrence E. Elovich, Esq.
Greg-Patric Martello, Esq.
John F. Ragano, Esq.

1. Martin D. Payson, Chair, Board of Directors of the Nassau Health Care Corporation, noted the presence of a quorum and opened the meeting at 8:35 a.m.
2. **Adoption of Minutes.** Upon a motion made and duly seconded, the minutes of the June 23, 2008 Board of Directors meeting were unanimously approved.
3. **Report of the Chairman.** None.
4. **Report of the President/CEO.** Mr. Gianelli reported that finances are very complicated this month. The normalized loss for the month is \$700 thousand. The Corporation has not been successful in obtaining Group Pricing reimbursement, salaries for nursing are 100 FTEs over budget, orthopedics lost a number of physician assistants that had to be replaced with physicians to cover staffing (due to inability to hire PA's through Civil Service) and one to one's in psychiatry have been high. Dr. Rao has been successfully over the last two weeks in making a significant impact on the utilization of one to ones.

New York State Department of Health has been supportive of the Nassau Health Care Corporation and are pleased with the work being done here and would like to grant the equivalent of the Group Price reimbursement. However, this will require high level policy decisions from the State Medicare Office. Mr. Gianelli will be meeting with Deborah Bachrach (NYSDOH) on August 14, 2008. Messrs. Gianelli and Bie had a meeting last week with Bill Cunningham, Advisor to the Governor, and presented a proposal for a longer term solution to the Corporation's financial difficulties. NHCC receives the Medicaid DSH every year. By definition, the payments are meant to compensate 100% of the losses occurred in the Medicaid Program. Historically, the Corporation only received a fraction and that was changed in 2006 when funds were passed to the providers. The Federal Government provides half and the County provides the other half. Recently, the County has been using Tobacco funds which are supposed to be used for capital purposes to cover their share of the DSH payments. Once the Tobacco money runs out, the County will have a difficult time identifying funds and this could lead to a crimp in NHCC operations. If uncompensated care and Medicaid were funded, NHCC could manage the Medicare, no fault and commercial insurances. The good news is that NHCC is progressing with voluntary

physician issues. A physician group will begin working with NHCC on August 1st utilizing NUMC as a primary location for the Medicare population. NUMC needs to "Jerry rig" our systems to accommodate the physicians right now and there are a series of reform efforts to retrofit the 8th floor.

Last week there were a series of mock surveys for clinical and environment of care. The clinical quality review was meticulous. The 9th floor is an incredibly difficult floor to manage and management will focus on that floor. Some environment of care issues were identified. The Office of Mental Health (OMH) conducted a three-day survey and the initial impression is that the Department of Psychiatry did well. Mr. Gianelli is awaiting the written report.

Included in the Board Packets was a contract extension for the Krasnoff Institute that includes specific subject matter on deliverables focusing on patient care. NUMC serves fifty percent of the Medicaid outpatient care and indigent care for Nassau County and must think of ourselves as if we were a managed care plan. We need to persuade the State to support the things that we have to do.

The Modernization Program. Mr. Gianelli was pleased to report that the Court Yard renovation appears to be successful and there were no leaks in the labs after the torrential rains. The next step will be to renovate the labs and fix water damage. In addition, NHCC continues to make progress on other CONs for the Emergency Department and A. Holly Patterson. The A. Holly Patterson CON was approved subject to financing. NHCC will issue an RFP for the 50 acres at A. Holly Patterson on August 1st. NHCC is also looking to issue an RFP for a developer for the corner lot at Hempstead Turnpike and Carmen Avenue with parking in order to give NHCC the ability to connect with community physicians and a high quality ambulatory surgery center. Negotiations are progressing with a Roosevelt developer who wants to sell property to NHCC (giving NHCC an asset and not paying rent). When that is negotiated, it will be brought to the Board. Once the certificate of occupancy is obtained, construction will begin on the interior Roosevelt site. Minority businesses have been included in the RFP process through Gilbane for some of the largest projects. NHCC is still working with the NYSDOH on 135 Main Street for approval and negotiations are in the final stages with the developer. The Berger Commission mandated the construction of a 150-bed assisted living facility and NHCC is near the final stages of that contract to enable us to be the medical provider for the 150-bed assisted living facility. Another 200-bed Medicaid Assisted Living facility is also required (with a Medical Director). NHCC is also working with the land use planner at the East Meadow site.

It is critical to focus on three things: reimbursement to the Corporation, community outreach and growth development with ambulatory services at the health centers, with federally qualified health centers with emphasis on Medicare.

Dr. Guercia asked if there was an estimated date for the opening of 135 Main Street. Mr. Gianelli said it would be another 60-90 days before the CON is approved and after that, construction would be expedited. Mr. Payson requested that the RFP be presented to the Board before it goes out.

Ms. Hanson questioned the overages in nursing. Mr. Gianelli said that salaries continue to be a burden for the Corporation. NHCC has a \$10 million structural issue every year that is caused by growth in salaries and benefits. The problem has been historical since there is not much volume growth or revenue. Strategically, there is an integration of community physicians with North Shore/LIJ and NHCC, and the business plans include ambulatory services. At the beginning of the year, there was a higher census and NUMC was off budget by 12 FTEs, by June, NUMC was off by 122 FTEs. There are a series of issues. NUMC runs different than other hospitals, we run hot with a large census in the summer, whereby other hospitals run light. Other hospitals do better in distribution of time, whereas we blow

our budget. A lot of people take off in the summer. There is still not reconciliation between the ratio for managing nursing schedules and the budget. The budget was built on last year's numbers. The census has not grown. Another item driving the problem is one to one coverage with PCAs. NUMC has a complicated psychiatric population that does require attention and PCAs have been mandated to work overtime. Mr. Gianelli said that there have been meetings with voluntary physicians and NUMC must be able to staff accordingly, be more responsive to imaging consults, know who the admitting physicians are and take care of them.

5. **Report of the Medical Professional Affairs Committee and Medical Director.** Dr. Miner reported that the Medical and Professional Affairs Committee (MPAC) met on July 22, 2008 (notes attached). Dr. Boutin, Chairman, Department of Emergency Medicine, discussed the credentialing process from request for an application for privileges to recommendation to the Board of Directors by the Executive Committee of the Medical Staff. The candidates are interviewed and it is emphasized that it is a privilege. Maureen Shannon discussed quality management and root cause analysis. A full presentation will be given to the Board in the Fall. Mr. Payson noted that the Medical and Professional Affairs Committee is authorized by the Board of Directors to approve credentialing, unless there is an issue. The Medical and Professional Affairs Committee approved the ECMS Recommendations for Appointments to the Medical Staff dated July 22, 2008 as attached to these minutes.
6. **Report of the Finance Committee.** Mr. Payson reported that Mr. Elovich, Chair of the Finance Committee, is on vacation. The Finance Committee met on July 23, 2008. He asked Mr. Bie to report on Finances and then discuss contracts that were reviewed (with discussion in Executive Session, if needed).

Mr. Bie reported that June was a highly unusual month. On a consolidated basis, the net income was \$53.5 million. There are four unusual items that took place. HEAL IV money was received in the amount of \$37 million, of which \$33.7 million was used for outstanding debt and bond redemption and \$1.2 million was used to pour the shell floors. These funds were reported below the line as other operating items. The bond redemption transaction provided a \$2 million savings in interest going forward. The County paid \$23.7 million as part of their share of a \$26 million payment on an IGT payment which is restricted for the major modernization plan, and was reported below the line. At the end of 2007, NHCC must show a liability on an OPEB for Post Retirement Health Insurance Benefits mandated by GASB-45. The actuaries calculated the cost that the NHCC must pay in the future for health insurance benefits for staff who retire. Employees who are with the Corporation for five years and are 55 years of age are entitled to health insurance indefinitely. The number in 2007 was \$250 million and \$42 million was recognized on 12/31/07 and will be amortized over the next 30 years. The current cost is \$20 million/year and \$10 million was reported in June. This liability is not funded, but must be recognized in the statements. The last unusual item was a settlement with HealthFirst that dates back to 2001 and 2002. NHCC is an equity owner of HealthFirst along with 21 other hospitals. The settlement with the State was \$35 million, of which NHCC was responsible for \$2 million. The net income for the month of June was \$768 thousand; the hospital lost \$700 thousand. Mr. Payson asked if the retirement is budgeted on an annualized basis each year. Mr. Bie said it is \$7 million a year of which \$5-6 million is paid by the County because of the allocation formula in the Transfer Agreement of 1999. Mr. Payson said the issue is accounting and not in cash flow. Mr. Bie said that A. Holly Patterson again reported a surplus of \$157 thousand and will have a \$2 million surplus for 2008. He noted that A. Holly Patterson had lost its \$11 million IGT revenue over the last 3-4 years and in reality it is a \$35 million turn around rather than \$7 million. A. Holly Patterson maintains 95% occupancy (589 census). The long term plan is to replace the nursing home with a new 320-bed facility. The CON was approved on June 30, 2008. The Diagnostic Treatment Centers (DTCs) lost \$250 thousand for the month. The plan is to convert to Federally Qualified Health Centers (FQHCs) that would potentially bring

in \$1.5 million in revenue. It could take 12 months for this conversion and would be brought to the Board for approval. Going forward, the hospital will have a \$10 million deficit in 2008 due to non-approval of the Group Price reimbursement and expenses due to 122 FTEs over budget. Going into 2009, the Corporation still faces a structural deficit of \$10 million and has a run rate of a \$10 million deficit for a total of \$20 million. Messrs. Bie and Gianelli are meeting with the Department of Health to request relief. Management must get its arms around the FTEs.

Mr. Bie included a cash flow summary from June 2008 through March 2009 projecting a \$5 million deficit in December 2008. The next IGT payment is March 31, 2009 for \$35 million and Mr. Bie is working with the County for a line of credit. It was noted that the pension payment is due on February 1, 2009.

Contracts will be discussed in Executive Session.

Financing for the Replacement of the A. Holly Patterson Extended Care Facility. Mr. Bullock presented a resolution "Financing for the Replacement of the A. Holly Patterson Extended Care Facility" which is a supplemental resolution to one that was approved in 2006 authorizing financing for A. Holly Patterson. This resolution would allow authority to seek out financing both for HUD or an unrated transaction. In addition, it is asking for authority to fund 10% of the construction costs. **Upon a motion made, duly seconded and unanimously adopted, the Board approved Financing for the Replacement of the A. Holly Patterson Extended Care Facility, in the form and content attached to these minutes. Resolution No. 115-2008.**

7. **Report of the Legal and Audit Committee.** Mr. Brickman, chair, reported that the committee will meet again after Labor Day.
8. **Report of the Community Health Committee.** Dr. Guercia, chair, reported that the committee will not meet again until September at which time there will be a representative from NUMC ambulatory services to discuss a working relationship between the two types of services. The Hempstead and New Cassel Advisory Boards met and are delighted with the improvement of full time physicians maintaining continuity of care at the health centers. They were also pleased with the introduction of a podiatrist and look forward to other services being introduced. A major concern was dental services in Nassau County. There are few providers for uninsured or the Medicaid population. This is compounded by new legislation that requires schools to request a dental examination form be completed at the time the medical exams are done. When this becomes a mandate, it may cause problems for the health centers.
9. **Report of the Extended Care Committee.** Mr. Saracino, chair, reported that the committee will meet in August. He was pleased to report that A. Holly Patterson, once again, had a census of 95% and that the financial statement is showing a profit for the 4th straight month.
10. **Report of the Facilities Committee.** Mr. Gertsman, chair, reported that the Committee met on July 11, 2008 (a summary attached). Mr. Gertsman is pleased with the progress of the capital projects and noted that there are competent individuals leading the organization including Gilbane. The Committee discussed and recommended a Long Island based architect that is needed for various projects. The Committee also had a general discussion of the lock-down debriefing. Meetings were held with the Nassau County Police Department to work on increased communication. A list of projects was distributed to the Capital Team who are in the process of prioritizing those projects and work is proceeding for the installation of security cameras. Mr. Rowland noted that the cameras should be in place within six months. Dr. Miner noted that during the lock-down a door was "choked open" and that these are the simple things that can be corrected easily.

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 from the public.

13. **Report from Executive Session.** Upon return to Public Session, the Board reported that the following actions were taken: **Upon a motion made, seconded and approved, the Board authorized Legal Counsel to request Nixon Peabody to negotiate a settlement with Jeanette Breen. Resolution No. 116-2008.**

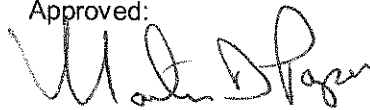
Master Resolution. Mr. Payson asked for approval of the Master Resolution regarding contracts recommended by the Finance Committee at their meeting of July 23, 2008. **Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the Resolution Approving Finance Committee Recommendations, with exception of Ehasz Giacalone Architects (abstention by John Brickman), approving Resolution Nos. 105-2008 Medical Malpractice Defense Counsel, 106-2008 LAI Communications, 107-2008 Joint Commission Accreditation, 108-2008 Mill Neck Sign Language Interpreting, 109-2008 New York College of Podiatric Medicine (amendment), 110-2008 New York College of Podiatric Medicine (renewal), . 111-2008 Physiologic Assessment, 112-2008 Assert Inc., 113-2008 Krasnoff Quality Management Institute, all as set forth in the attached Master Resolution M-114-2008.**

14. **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.

15. The next regularly scheduled meeting is September 29, 2008 in the Auditorium.

Approved:



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-114-2008

July 28, 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 July 23, 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:

Ehasz Giacalone Architects to provide architectural design services for six projects that are part of the Capital Plan in an amount not to exceed \$700,000 for the period 08/01/08-12/31/10.

NASSAU HEALTH CARE CORPORATION
FINANCE COMMITTEE
July 23, 2008
CONTRACTS EXHIBIT

Motions and Resolutions Requiring Action by the Board of Directors

*Medical Malpractice Defense Counsel. [Amendment to previously authorized rates.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of Medical Malpractice Defense Counsel hourly fee increase and amendment to Attorney Tier 1 and 2 pricing schedule as attached to these minutes. Resolution No. 105-2008.

*LAI Communications. [Minority/women business.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with LAI Communications to provide conference management, sponsor recruitment, site selections and vendor negotiations for a National Conference highlighting best practices in addressing healthcare disparities for an amount not to exceed \$50,000 (\$5,000/month) for the period 08/01/08-05/30/09. Resolution No. 106-2008.

*Joint Commission Accreditation. [Multi-year, sole source contract.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with Joint Commission Accreditation Opiate Treatment Program surveys for a \$780 annual fee (due each year), \$2,010 for the first survey date, and \$750 for each additional survey day for our anticipated five-day survey not to exceed \$5,790 for the period 08/01/08-08/01/11 . Resolution No. 107-2008.

*Mill Neck Sign Language Interpreting. [Preferred source, sole source.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with Mill Neck Sign Language Interpreting to provide sign language services for the hearing impaired (regulatory requirement) in an amount not to exceed \$72,000 for the period 07/01/08-06/30/09. Resolution No. 108-2008.

*New York College of Podiatric Medicine. [Amendment to currently budgeted amount in contract.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an increase in the budgeted amount for the contract with New York College of Podiatric Medicine to provide podiatrists in an amount not to exceed \$40,000 additional to the current contract amount of \$120,000 for the period 11/05/07-11/04/08. Resolution No. 109-2008.

*New York College of Podiatric Medicine. [Renewal of a current contract, as amended.] Upon a motion made, seconded and unanimously approved, the Finance Committee

recommends Board approval of the renewal of a contract with New York College of Podiatric Medicine to provide podiatrists in an amount not to exceed \$240,000 for the period 11/05/08-11/04/09. Resolution No. 110-2008.

*Physiologic Assessment. [Amendment to a current contract.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an amendment to a current contract with Physiologic Assessment for additional funds to cover an increase in surgery volume in Orthopedics and Neurology for spinal monitoring during surgery in an amount not to exceed \$56,000 in additional funds (current contract is \$35,000 for a total \$91,000). Resolution No. 111-2008.

*Assert Inc. [Amendment to a current contract, women in business contract, best interest.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an amendment to a current contract with Assert Inc. to provide consulting services related to graduate and undergraduate medical education to retain the services of the Dean of Academic Affairs (John Encandela, PhD) and Director of Student Affairs (Yanick Joseph) until such time that they will become employees of NHCC, and additional monies for consulting services of Kay Lane in an amount not to exceed a retainer fee of \$36,000 at the beginning of each month for 12 days of services in a month for a total of \$180,000 until 09/30/08; \$80,000 per year/no benefits, prorated to \$26,668 for an approximate 4-month period for Yanick Joseph and \$171,000 per year plus COBRA, prorated \$57,000 for an approximate 4-month period for John Encandela, PhD for a total amount (for all three payments) not to exceed \$275,000 (payment will be made from the American University of the Caribbean funds) for the period ending 12/31/08 . Resolution No. 112-2008.

*Barnett, Edelstein, Gross, Kass & Lieber, PC. [Amendment to a current contract.] Request withdrawn.

*Krasnoff Quality Management Institute. [Renewal of a current contract for one year. Contract was made pursuant to affiliation agreement with North Shore.] Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with Krasnoff Quality Management Institute to provide Joint Commission readiness services including official documents needed for pre-survey updates and at the initiation of our next unannounced survey, e.g., review of Periodic Performance Reviews (PPRs) and Strategic Surveillance System (S3), key documents for surveyor opening session, evaluation of our JC Function Team membership and readiness templates, data validity evaluations on key quality, never events or patient safety indicators, and assistance with strategies for focusing more of the ECMS agenda on quality issues in an amount not to exceed \$150,000 for the period 08/01/08-07/31/09. Resolution No. 113-2008.

*Ehasz Giacalone Architects. [RFP, reviewed and approved by Facilities Committee.]
Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract with Ehasz Giacalone Architects to provide architectural design services for six projects that are part of the Capital Plan in an amount not to exceed \$700,000 for the period 08/01/08-12/31/10.

*Requires approval of the Board of Directors

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

NASSAU HEALTH CARE CORPORATION
BOARD OF DIRECTORS
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD")
FINANCING FOR THE REPLACEMENT OF THE A. HOLLY PATTERSON EXTENDED
CARE FACILITY

RESOLUTION NO. 115-2008

WHEREAS, Nassau Health Care Corporation ("NHCC") was created through adoption by the New York State Legislature of Public Authorities Law Sections 3400 to 3420; and

WHEREAS, the A. Holly Patterson Extended Care Facility ("AHP") is NHCC's nursing home and long-term care operating division; and

WHEREAS, in accordance with Resolution No. 076-2006 and Resolution No. 115-2008 of this Board, NHCC will, among other things, (a) develop, finance and construct a replacement facility for AHP ("the AHP Project"), (b) incorporate and establish an NHCC subsidiary to operate AHP, and (c) apply for and enter into agreements necessary to obtain HUD § 232 Mortgage Insurance ("HUD Financing") or such other credit enhancement as may be deemed appropriate by an Authorized Officer; and

WHEREAS, as a condition to applying for HUD Financing, HUD must determine whether or not NHCC is eligible to act as a non-profit sponsor or mortgagor; and

WHEREAS, in order to make such determination, HUD requires that NHCC evidence a serious intent to provide continuing financial support and effective management to the AHP Project; and

NOW, THEREFORE, BE IT

RESOLVED, that the Corporation has read the requirements and responsibilities of Sponsorship as reflected in HUD Form 3433, Request for Determination of Eligibility as Nonprofit Sponsor and/or Mortgagor and Instructions and acknowledges and accepts the responsibilities and requirements of sponsorship for the Section 232 nursing facility application for HUD mortgage insurance to be filed by the Nassau Health Care Corporation and intends to provide continuing support, oversight, and management to that project as needed throughout its ownership by the Nassau Health Care Corporation and the term of the HUD insured mortgage; and it be

FURTHER RESOLVED, that supplementing prior resolutions of this Board, the President and Chief Executive Officer or his designee (each an "Authorized Officer"), be and hereby are, authorized to take any and all actions necessary to implement the foregoing resolutions.