

MINUTES OF THE PUBLIC SESSION OF THE NUHEALTH BOARD OF DIRECTORS' MEETING
HELD ON APRIL 24, 2012

Directors Present

*Craig Vincent Rizzo, Esq., Chair
Stephen A. Antaki, CPA
*Richard A. Bianculli
Joseph Capobianco, Esq.
*Steven Cohn, Esq.
*Lawrence E. Elovich, Esq.
*Greg-Patric Martello, Esq.
*John T. McCann, PhD
*George W. Miner, MD, MBA
Asif M. Rehman, MD
*Frank J. Saracino, EdD
*David J. Sussman, MD

Non-Voting Directors Present

Arthur A. Gianelli, President/CEO

Hospital Administration

John Ciotti, EVP General Counsel
John Maher, EVP CFO
Steven Walerstein, MD, EVP Medical Affairs
Larry I. Slatky, EVP Operations
Robert Heatley, EVP Ambulatory Care
Joan A. Soffel, Assistant to the Board/CEO

Not Present

Stephen H. Ashinoff, OD
Jemma Marie-Hanson, RN
Aubrey O. Lewis, MD, FACC

*Executive Committee Members

1. Craig Vincent Rizzo, Chair, Board of Directors of the Nassau Health Care Corporation, noted the presence of a quorum. The meeting was opened at 9:30 a.m.
2. **Adoption of Minutes.** Upon a motion made and duly seconded, the March 19 and 27, 2012 minutes of the Board of Directors meeting were unanimously approved.
3. **Report of the Chairman.** Mr. Rizzo reported that a conference on palliative care is taking place today in the amphitheatre. Messrs. Rizzo and Gianelli spoke this morning at that conference along with Dr. Lyn Weiss. Some very distinguished guests are attending the conference and it is good public relations for the hospital.

The RFA has been sent; whether or not we receive the award will be determined sometime in June.

Public comments will be held to three minutes.

4. **Report of the President/CEO.** Mr. Gianelli reported that the Corporation lost \$4.4 million (\$2.5 million more than budgeted). The loss is attributed to salary and benefit expenses and will require an additional round of rightsizing. The executive team is fully engaged in accomplishing the rightsizing mostly through consolidation of the 9th floor to the 8th and 11th and Unit 03. In addition they are looking at optimizing physician staffing. On the expense side, Donna Skura, Director of Managed Care (Ed Schmidt and John Maher) has done exceptionally good work on negotiating with managed care companies (on the inpatient side) and will likely increase reimbursement in excess of \$7 million. None of that revenue has been reflected in the financial statements. NuHealth opted out of services with Aetna. We are continuing to have difficulty in negotiating on the commercial products. NuHealth needs the COPA in order to have North Shore assist us in negotiations with managed care companies. Mr. Gianelli noted that the managed care case mix index is higher than planned and believes it is attributable to documentation and coding initiatives in partnership with KPMG. The revenue cycle efforts are beginning to take root. The Corporation may make a small surplus for the year. In order to achieve this, NuHealth has to take \$30 million out of personnel services and \$10 million out of expenses (other than personnel expenses).

We had our best patient satisfaction report this past quarter. Even with the significant reduction in staff in the 4th quarter 2011, we got into the 11th percentile and it is a testament to the work being done. We also ranked 95th in the Country for cleanliness which is a far cry from where we started years ago. Notwithstanding the buzz of the consumer reports, out of 150 hospitals in NY State NUMC ranked 30th, in the top 20% of hospitals in NYS on quality. How does that jive with the consumer reports—the consumer reports used bad methodology that went back several years. We went back year by year by year and demonstrably improved quality and patient satisfaction. In June we will be receiving the Gage Excellence in Patient Safety from NAPH for work in reducing and, in some cases, eliminating central line blood acquired infections. That is a national award for quality of care.

The 5th floor was recently renovated and looks spectacular. The inpatient PM&R has been rated among the top 100 in American for the past three years, thanks to Dr. Weiss and her team. Now we have the facility that matches that achievement.

We are awaiting incentive payments for achieving meaningful use for the electronic medical record and physician centered payments.

Denver Health LEAN Program. Mr. Gianelli said the program is offered on a competitive basis through NAPH by the Federal Government, "Partnership for Patients", a public-private partnership that will help improve quality, safety and affordability of health care for all Americans. Hospitals throughout the United States will be offered an opportunity to participate in this collaborative effort. The hospital staff will be able to go to Denver Health to learn about the LEAN methodology. Denver Health is the best run public hospital in America. It is nearly impossible to get an appointment with their executive staff due to the demand. Staff will learn how to improve quality and use 6 Sigma tools and LEAN methodology to reduce costs, increase quality and streamline processes. Mr. Gianelli believes this is a unique opportunity. Unfortunately, in order to apply, the criteria requires three successive years of profitability. Mr. Gianelli spoke with the President of NAPH and asked if there was any way we could adjust those rules. NAPH requires a Board resolution stating that they are devoted to the initiative and are willing to expend \$300,000 in total for expenses. This does not mean that we would be designated as a participant (because it is competitive), but it would give us the opportunity to apply.

Dr. Sussman noted that the methodology includes reduction of workforce, but is their quality high. Mr. Gianelli said it is the best in the Country. Mr. Gianelli noted that even if NuHealth does not receive a designation from NAPH, North Shore could provide our staff with 6 Sigma training in the North Shore Center for Learning and Innovation. They would bring their department leadership on the operations side (as a SWAT team) to look at how we operate and make recommendations to move more efficiently.

Referring to page 8 of the financials, Mr. Gianelli noted that in March of 2011 NHCC had 3,051 FTEs (full time equivalents) and in March 2012 has 2,061 FTEs. There was a massive reduction and to sustain that reduction we must look at every process we have to make sure it is wired correctly. This is not about reducing staff, but how do you look at the clinical process. Dr. Sussman said reduction of staff is the last resort and asked why the commercial payers continue to under pay us and at what point do we simply say use another network. Mr. Gianelli said everything is a trade off. Aetna's commercial products are unreasonable and their products were not to our financial benefit. However, HIP Emblem has all of the products (Medicare/Medicaid). The bulk of business is Medicaid and Medicare. Ms. Skura wanted to get the Medicaid/Medicare rates where they should be and then start the process on the commercial side. Mr. Gianelli's view is that at that point, if done correctly, the COPA will help us work through all of the issues and North Shore will be able to assist us with managed care. We cannot raise to that level now, it is a different type of negotiation

and we will go out of network where it is appropriate and set the stage for the next round by partnering with North Shore. Dr. Sussman asked the timeline. Mr. Gianelli said the RFA is delayed, you are looking at late May, and they have not yet promulgated the regulations. It will probably occur by the end of the year. In the interim we will accelerate integration with North Shore. Mr. Rizzo asked what is needed for the Denver Health resolution. Mr. Gianelli said they are offering an opportunity to participate through NAPH to learn about 6 Sigma and apply what is learned at NuHealth. Mr. Rizzo asked, we give them \$300,000 and our people go there to learn. Mr. Gianelli said about 25 people would be sent to Denver. **Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the Resolution "NAPH Safety Network and LEAN Program Participation" as attached to these minutes. Resolution No. 061 – 2012.**

Election of NHCC Officers (2012). Mr. Ciotti reported that the Corporation is required under the Bylaws to elect officers of the Corporation and it is done annually. The Officers mirror the executive staff of the PBC and permits the Corporation to execute documents and contracts. **Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the Resolution "Election of Officers of Nassau Health Care Corporation 2012" as attached to these minutes. Resolution No. 062 – 2012.**

5. **Report of the Medical Professional Affairs Committee and Medical Director.** John McCann, PhD, Chair of the Committee reported that the Committee met on April 23, 2012. Credentialing will be discussed in Executive Session.

Appointment of Chairs. Dr. McCann asked for Board approval authorizing the appointment of department chairs for Family Medicine and Pediatrics. **Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the Resolution Authorizing the Appointment of the Department Chairs of (I) Family Medicine (Peter A. Guiney, DO) and (II) Pediatrics (David Fagan, MD). Resolution No. 063 – 2012.**

Utilization Review Plan. Dr. Walerstein reported that the Utilization Review Committee looks at admissions and discharges and appropriate use of multidisciplinary staff. As part of Joint Commission, the Board must empower the Utilization Review Committee to perform the function on behalf of the Board of Directors and to report to the Medical and Professional Affairs Committee at least twice year. **Upon a motion made, duly seconded and unanimously adopted, the Board of Directors hereby empowers the Utilization Review Committee to perform the Utilization Review functions required of NuHealth, and to report to the Medical and Professional Affairs Committee of the Board at least twice yearly. Resolution No. 064 – 2012.**

6. **Report of the Finance Committee.** Mr. Elovich reported that the Finance and Contract Committee did not meet this month due to lack of a quorum.

Financials. Mr. Maher reported that the Corporation lost \$4.4 million for the quarter due to loss of volume (162 admissions that equates to \$1.8 million). Financials will be discussed in Executive Session.

Compromise and Settlement of Claims. Mr. Ciotti presented a resolution authorizing the General Counsel, in consultation with the Chief Financial Officer and President, to compromise and settle certain disputes or litigation in accordance with the resolution (attached). **Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the Resolution "Compromise and Settlement of Claims" as attached to these minutes. Resolution No. 058 – 2012.**

Procurement Policy Updates. Mr. Ciotti presented proposed changes to the NuHealth Procurement Policy. Some of the updates include thresholds set for in NYS GML Section

103(1) to increase from \$20,000 to \$35,000 for construction and an increase from \$10,000 to \$20,000 for non-professional services and commodity purchases. **Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the Procedure Policy Updates as attached to these minutes. Resolution No. 059 – 2012.**

7. **Report of the Ambulatory Care, Managed Care and Community Physician Committee.** Dr. Sussman, Chair of the committee, had no report at this time.
8. **Report of the Extended Care and Assisted Living Facility Committee.** Mr. Saracino, Chair of the Committee, reported that a meeting was held on April 4, 2012, a quorum was not present. Mr. Saracino distributed to the committee information regarding proposed legislation for nursing homes and assisted living facilities. Over the last six to ten months there have been several changes in reimbursement rates. The nursing home had a modest surplus. There are several problems to consider and the facility is over sixty years old. Before any reasonable offerings can be made to the Board, the Committee will need enough information to make an informed decision. Meetings will be planned over the next several weeks to attack these problems. Mr. Gianelli noted that the facility structure cannot sustain viability. In addition, there is a mandate from the NYS Berger Commission that was adopted into law and the nursing home needs to be downsized from 589 beds to 320 beds. There is no way the Corporation can operate a 320 bed facility as a public entity and make money. Connected to the downsizing, is the development of a Medicaid Assisted Living Facility with 150 beds and a public entity cannot operate that with a profit because it is not eligible to receive SSI funding. The Corporation partnered with a not-for-profit several years ago and the ground breaking for that facility should occur within the next 12-18 months. The Corporation needs to make decisions soon on how to approach the current A. Holly Patterson downsize in relation to the Medicaid Assisted Living Facility in context with the current rate environment.
9. **Report of the Legal, Audit and Governance Committee.** Mr. Antaki, Chair of the committee, was unable to schedule a meeting this month due to his schedule.
10. **Other Business.** None.
11. **Public session.** Mr. Rizzo opened the meeting for public comment. There were no comments from the public.
12. **Adjournment**

Upon a motion, duly made and unanimously approved, the meeting was adjourned at 10:10 a.m. to Executive Session to discuss governance, performance improvement, collective bargaining, personnel matters, contract negotiations or litigation.
13. **Report from Executive Session.** Upon return to Public Session, the Board reported that the following action was taken:

Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the extension of the CEO Employment Contract for an additional six months (letter of agreement attached). Resolution No. 065 – 2012.

14. **Close of Regular Meeting.** Craig Vincent Rizzo, Chair, closed the meeting at 12 Noon.
15. The next meeting is scheduled for June 18, 2012.

Approved:



Craig Vincent Rizzo, Chair
Board of Directors
NuHealth