

MINUTES OF THE PUBLIC SESSION OF THE NUHEALTH BOARD OF DIRECTORS' MEETING  
HELD ON DECEMBER 16, 2013

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Directors Present

\*Craig Vincent Rizzo, Esq., Chair  
\*Steven Cohn, Esq.  
\*Paul J. Leventhal, CPA  
Jemma Marie-Hanson, RN  
\*John T. McCann, PhD  
\*Greg-Patric Martello, Esq.  
\*Linda Reed  
Asif M. Rehman, MD  
David J. Sussman, MD  
\*John A. Venditto, MD  
Andrew Zucaro

Not Present

Vincent A. Gallo, MD

Non-Voting Directors Present

Arthur A. Gianelli, President/CEO  
Krishan Kumar, MD  
Frank J. Saracino, EdD

Hospital Administration

John Ciotti, EVP General Counsel  
John Maher, EVP CFO  
Larry I. Slatky, EVP, Operations  
Robert Heatley, EVP, Business Development  
Steven Walerstein, MD, EVP Medical Affairs  
Kathy Skarka, RN, SVP Patient Care Services  
Maureen Roarty, SVP Human Resources  
Joan A. Soffel, Assistant to the Board/CEO

\*Executive Committee Members

1. Craig Vincent Rizzo, Chair, Board of Directors of the Nassau Health Care Corporation, noted that a quorum was present. The meeting was opened at 9:05 a.m.
2. **Adoption of Minutes.** The minutes of November 7, 2013 were approved.
3. **Report of the Chairman.** Mr. Rizzo reported that there are a lot of issues with respect to the resignation by Arthur Gianelli. The resignation was both professional and amicable. Mr. Rizzo personally wanted to wish Mr. Gianelli the very best in the future—he will do great things. Mr. Rizzo also wanted Mr. Gianelli to know that the Board extends the same sentiments.

Mr. Rizzo reported that Dr. George Miner has been on the Board for 8-9 years. Dr. Miner rendered his resignation recently. He thanked Dr. Miner for all of his hard work and dedication to this Board.

Mr. Rizzo reported that Deidre Parrish-Williams tendered her resignation from the NuHealth Foundation to accept a job in the City. Mr. Rizzo wished her well and was sorry to see her go, but she is moving and advancing herself.

Mr. Rizzo reported that the search committee met on two occasions so far. There are a lot of resumes coming in from all over the Country—over 75 resumes with qualified individuals. Hopefully candidates will be selected by the end of January after the holidays. Someone should be chosen before Mr. Gianelli leaves in 3-6 months.

In speaking with staff, Mr. Rizzo understands that we are projecting a \$30 million deficit by the end of the year. There are several one-time gap closing measures. Hopefully those measures will bring down the deficit to \$10 million. A lot of that has to do with discharges that down 1,000 for the year—almost 2,000 since 2009. Therefore that is the main issue they will be concentrating on for the transition. Since Mr. Gianelli is not present at the moment he asked Mr. Maher to report on the finances. Besides HealthFirst bringing in \$4 million by January 2014, what are the others measures to bring it down to \$10 million. Mr. Maher said about half of those items normally get in at the end of the year. They cannot book them until they are firm by the third party giving us these dollars. Some of those are the VAP grant - \$8 million; HealthFirst - \$4 million; Medicare DSH - \$1 million; Affinity Insurance retroactive rate adjustment - \$500 thousand; recovery rates - \$1 million; real

estate - \$6 million when they close those documents for a total of about \$20.5 million. Mr. Rizzo asked Mr. Maher to explain real estate. Mr. Maher said the hospital will recover some of those costs through the developers.

4. **Report of the President/CEO.** Mr. Gianelli arrived and reported that admissions are down around the Island and the Country. Our numbers are no worse and no better than others. It is expected that the trend downward will continue for any number of reasons. Payers are reluctant to pay hospitalizations that they used to pay for one-day stays. The State is looking to secure \$10 billion over the next five years for the sole purpose of reducing hospital admissions. There is dramatic transformation in the healthcare industry and hospital business. This makes the 2014 budget quite difficult. With incremental revenue from HealthFirst, Medicare DSH, other sources such as managed care contracts, we believe we can close the gap. We are transitioning from fee-for-service payments to risk payment and that will take a while. There have been improvements in the revenue cycle and we expect \$14 million additional funds in the Faculty Practice Plan (half to the hospital and half to the doctors) despite the fact that volumes are down. 2014 is a critical year; the transition is occurring a lot faster than anyone anticipated. 2015 plans will be put into place for exposure in that year (collective bargaining agreement, personnel amortization, and loss of historical mission payment).

The capital projects are moving forward—bank construction should be complete by the first quarter, Walgreens construction, and additional construction on primary care space and simulation center. We received a report from our consultant regarding A. Holly Patterson and their recommendations and how to proceed. That will be reported to the Extended Care Committee. The 2014 Capital Plan includes IT investments and some investments in the health centers as well.

There are negotiations on the Federal waiver. The waiver is tricky and very complicated. The public hospitals need to deliver on a series of projects meeting milestones and metrics for a certain amount of money. NuHealth must put up a local match that means a larger revenue anticipation note. Mr. Rizzo asked if Mr. Gianelli anticipates borrowing money to make that match. Mr. Gianelli said there are some complications with the insurer with new policies for the size of loans that it can enter into. We need to borrow the money to draw down the Federal match and pay off the RAN. We put in an assumption to access those funds. The concern is the State or Federal has not decided on a method to allocate Federal dollars and it might come in substantially lower. We have less uninsured than Health and Hospitals. Ms. Shannon provided a proposal that is very detailed and the State may be very interested in that. Jason Helgerson is in negotiation sessions on the waiver and thus far they have accepted our request. We applied for an innovation grant for \$30 million--\$15 million for us and \$15 million for our partner on the grant--St. Frances in Hartford. Other organizations are involved such as Healthleads, IHI, Columbia University, Mailman School of Public Health (we will find out in January). The funds can help build an IPA with community physicians to service our populations.

We are putting together a report on the Collaboration Bill with North Shore that summarizes the Bill and history of the relationship with North Shore and what we expect to do in 2014 on the clinical side, managed care side and procurement side. Once we do that, we can send a letter to the managed care companies and begin negotiations as a component of the North Shore system.

We have begun work on negotiations with the Union on the Faculty Practice Plan. Mr. Gianelli will probably meet with the Union in January for a more transparent, co-governance type of plan, creating incentives different from productivity and more quality aligned. This will be a challenge for the Union to negotiate because we are not adding dollars, but reallocating the dollars.

The real challenge continues to be discharges, even North Shore is offering early retirements. The transformation from inpatient to ambulatory makes sense but there has been no analysis of where you are starting and where you will end up profitable. Mr. Rizzo noted that the 2014 Budget is not available today, and asked if it will be available for January and the answer was yes.

5. Capital Plan. Mr. Rizzo said the Capital Plan will be discussed in Executive Session.
6. RAN. Mr. Maher reported that the resolution is in the Board packet. The RAN is to make the pension payment in February. The RAN has been done in the past, it is nothing unusual. The insurer can no longer support this particular item. The RAN is not to exceed \$40,000,000. **Upon a motion made, duly seconded and approved the Board of Directors approved the Resolution Authorizing the Issuance of Revenue Anticipation Notes in an Amount not Exceeding \$40,000,000 (as attached to these minutes). Resolution No. 272-2013.**

Mr. Gianelli said they have discussed this issue with NIFA on a few occasions. They may not have board meetings as often as they have. Mr. Gianelli would like to ask the Chairman of NIFA to give the executive director ability to sign off on all of our RANS when we run into these issues. Mr. Rizzo asked to table that issue for Executive Session.

7. NMA. Dr. Sussman reported that there is a resolution to hire Dr. Aghalar as a part time physiatrist. It fits into the structure of extending the reach of the hospital and admissions and referrals to the hospital strategically targeting certain physicians who can bring added resources to the hospital. We need to monitor these assumptions going forward and the bottom line in looking at deficits. Mr. Polacco said they anticipate that this doctor will see 250 consults at Winthrop (she is already on staff there). Conservatively, he expects about 25 admissions to inpatient rehab here (\$20 thousand per admission, generating \$500 thousand in revenue to the hospital). The cost of salary is \$100,000 plus malpractice and some minor costs for equipment and marketing. Mr. Rizzo asked how much is the malpractice and the answer was \$15,000 and another \$15,500 in taxes and equipment costs for a total of about \$142,000. The contract is for one year with a six-month evaluation. Dr. Sussman said that they need to watch the revenue closely and the cost to deliver the services. Mr. Rizzo asked if Dr. Sussman felt this was not cost effective. Dr. Sussman said you have to truly monitor the positive effect when we bring patients, physicians and resources and what is profitable to do medically and what is not profitable to do medically. Does it cost more to deliver the service than the service is worth. Mr. Polacco said it is 25-30 additional cases, we have the staff and resources, and there is no additional cost on staffing at the hospital to bring these patients here. Mr. Rizzo asked if the \$20 thousand per admission is pure profit. Mr. Polacco said there are always incidental costs. Dr. Weiss said they are not looking to increase staff. Mr. Gianelli said if they were to bring in additional staff, it would be reflected in the business plan. Dr. Venditto asked, there are no variable costs associated with taking care of these patients? Mr. Polacco said based on his analysis and costs for the hospital for 13-day length of stay it could be \$516,000, net \$13-15 thousand of the \$20,000. Mr. Gianelli asked how Mr. Polacco comes up with the cost. Mr. Polacco said the cost using cost reports, average cost per day overall for the hospital, all units are different (and without adding additional staff). Mr. Gianelli asked do you include just indirect and direct costs. Mr. Rizzo asked that this be monitored and report back in six months. Mr. Gianelli agreed that Drs. Sussman and Venditto are raising good questions, in an absolute ideal world. To tell you with precision the revenue and all of the specific costs that would be absorbed in each cash direct and indirect cost, we do not have that kind of cost account system here. We have direct cost from staffing and equipment and supply and indirect from cost reporting. Dr. Venditto said if we ever move forward to risk management it is a top priority for the ability to have detailed activity based costs. You are taking on the risk

and cannot get a detailed analysis of the estimated cost capture spent elsewhere. Mr. Gianelli said they are optimizing services we render to fill to capacity to make sure we get paid right. PM&R is a good service for us. It is nationally recognized and well regarded in the community. We need to make sure the managed care rates are correct and collected. Dr. Weiss said it is also a good way to bring outside institutions into this institution to see that we deliver good care for their patients, that would never come here or who would refer here. Mr. Leventhal said you transferred \$1.9 million. Mr. Polacco said the \$1.9 million is over 2.5 years since the NMA has been in existence as start up. They are putting together a budget for 2014 to present to the Ambulatory Committee in January. Mr. Polacco said NMA is starting to build revenue. From September to December they are very close to covering the costs for NMA. Dr. Sussman said they should move ahead on this and monitor the costs of NMA and in the end if it takes \$1.9 million to bring in \$1.9 million you are obviously losing money. You need a detailed expense report, reviewing the doctors with reevaluation on a timely basis. Mr. Rizzo asked when the Board would receive real numbers. Mr. Polacco said by the middle of 2014 there should be a very good snapshot of what NMA is bringing in. Ms. Hannon asked you are not adding extra staff to care for additional patients; are we sure that we can do what we need to do for good outcomes and delivery of care. Mr. Polacco said they have a great relationship with Winthrop. Dr. Sussman made a motion to approve the contract with a six month review—revenue vs. operating expense and costs for a one year contract. **Upon a motion made, duly seconded and approved the Board of Directors approved the resolution Authorizing NMA's Hiring of Part-time Physiatrist as attached to these minutes with a six month review with revenue vs. operating expense and costs for a one year contract. Resolution No. 273-2013.**

8. **Report of the Medical Professional Affairs Committee and Medical Director.** John McCann, PhD, Chair of the Committee, reported that the committee will meet immediately following this meeting.
9. **Report of the Finance Committee.** Paul Leventhal, Chair of the Committee, reported that a meeting will be scheduled in the New Year.
10. **Report of the Contract Committee.** Mr. Rizzo reported that the Contract Committee met on December 12, 2013. Approval of those contracts is pending Mr. Rizzo's review of the contract minutes that have not been completed as of this date. **Upon a motion made, duly seconded and unanimously approved, the Board of Directors adopted the Resolution Approving Contract Committee Recommendations, dated December 12, 2013 pending the completion of the contract committee minutes and review and approval by the Chairman of the Contract Committee and as set forth in the attached. Master Resolution M-274-2013.**
11. **Report of the Ambulatory Care, Managed Care and Community Physician Committee.** Dr. Sussman, Chair of the Committee, reported that a meeting will be scheduled in the New Year.
12. **Report of the Extended Care and Assisted Living Facility Committee.** Dr. Venditto, Chair of the Committee, reported that a meeting will be scheduled in the New Year.
13. **Report of the Legal, Audit and Governance Committee.** None.
14. **Report of the Facilities and Real Estate Development Committee.** Ms. Reed reported the negotiations with TDI are completed regarding the resident housing. The contract will be presented to the Facilities and Real Estate Development Committee, the Contracts Committee and full Board in January. She anticipates a ground lease with Health Care Reit as well. It is hoped that the parking will be completed by December, but they are looking at delays due to the cold weather.

15. **Subsidiaries/Foundation Committee**. None.
16. **Other Business**. Mr. Martello noted that Mr. Gianelli was a few minutes late for the meeting and wanted him to know that the Chairman and the Board made some very gracious remarks regarding his departure and thanked him for his service to this hospital. Now that Dr. Miner has resigned, Mr. Martello noted that he is probably the longest serving Board member with institutional memory of what the hospital was like before Mr. Gianelli and after Mr. Gianelli arrived and how much he values the work he has done. He said everyone would like to express their sincere heartfelt thanks and personally wished that Mr. Gianelli would stay.
17. **Public session**. Mr. Rizzo opened the meeting for public comment. There were no comments from the public.
18. **Adjournment**. Upon a motion, duly made and unanimously approved, the meeting was adjourned at 10:00 a.m. to Executive Session to discuss governance, performance improvement, collective bargaining, personnel matters, contract negotiations or litigation.
19. **Report from Executive Committee**. Upon return to Public Session, the Board reported that no actions were taken.
20. **Close of Regular Meeting**. Craig Vincent Rizzo, Chair, closed the meeting at 11:05 a.m.
21. The next meeting will be announced.

Approved:

  
Craig Vincent Rizzo, Chair  
Board of Directors