

MINUTES OF THE PUBLIC SESSION OF THE NUHEALTH BOARD OF DIRECTORS' MEETING
HELD ON DECEMBER 13, 2011

Directors Present

Craig Vincent Rizzo, Esq., Chair
*Richard A. Bianculli
Joseph Capobianco, Esq.
*Steven Cohn, Esq.
*Neal S. Kaplan, Esq.
*George W. Miner, MD, MBA
Asif M. Rehman, MD
*Frank J. Saracino, EdD
*David J. Sussman, MD

Non-Voting Directors Present

Aubrey O. Lewis, MD, FACC
Arthur A. Gianelli, President/CEO

Hospital Administration

Larry I. Slatky, EVP Operations
Richard Perrotti, Acting EVP/CFO
James Capozziello, Acting General Counsel
Joan A. Soffel, Assistant to the Board/CEO

Not Present

Stephen A. Antaki, CPA
Stephen H. Ashinoff, OD
*Lawrence E. Elovich, Esq.
Tierre Jeanne-Porter, Esq.
Jemma Marie-Hanson, RN
*Greg-Patric Martello, Esq.
*John T. McCann, PhD

*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 9:35 a.m.
2. **Adoption of Minutes.** Upon a motion made and duly seconded, the November 22, 2011 minutes of the Board of Directors meeting were unanimously approved.
3. **Report of the Chairman.** Mr. Rizzo noted that there are several items for discussion in Executive Session.
4. **Report of the President/CEO.** Mr. Gianelli reported that the Corporation is losing \$2 million a month and that is attributable to the dramatic increase in pension costs and reduction in reimbursement. Since opening the ER, there has been significant increase in the admit volume. Next year, the Corporation is looking at additional cuts in Medicaid DSH payments under the Disproportionate Share Audit Rule. The Corporation is undertaking a series of measures to close the gap such as the voluntary retirement incentive (about 70 employees), the layoffs in mid November (175 employees) and an announcement will be made this week regarding an additional incentive at the beginning of February. In addition, the management team is working with department heads to reduce contract expenditure and personal service expenditures (\$10 million), cap overtime (\$2 million) and reduce the capital team to offset the increased pension costs and the reduction in Medicaid supplemental payments. Mr. Gianelli is working with New York State to secure partial restoration of the supplemental Medicaid DSH payments and is specifically is working with the State and CMS to help them understand how we compensate our physicians. In 2012 we are working to optimize the amount of revenue we receive for the work we do by capturing insurance at the front end, manage denials, improve documentation and coding, update the charge master, negotiate and (given the limited market share power we have) commercial managed care rates. Mr. Capobianco had questioned post employment costs. Mr. Gianelli said the \$40 million in post employment cost is non-cash expense that appears on the balance sheets each and every year. The Corporation will bring in an actuary to look at those numbers and it will need to be addressed with the Union.

It should be noted that management changed the benefit package for all of the non unionized employees (67 out of 3,800). For those employees it will be required, as of 1/1/12 that they contribute toward health insurance based upon salary, they are not in the retirement system, new employees will pay 25% of premium costs for insurance and in order to be vested, they will need 20 years of service.

Mr. Gianelli had a successful meeting in the Cayman Island (International Monetary Authority) and will receive an additional \$10 million loan from the captive for cash flow. Combined with the RAN and small bond (three years) issued, the Corporation will have liquidity. Mr. Gianelli also noted that yesterday, the County credit rating was downgraded. The Corporation's variable rate debt and letters of credit are backed by the County.

NuHealth was successful in partnering with North Shore LIJ to receive an institutional based health home in Nassau County. A health home is a network of providers (hospitals, not for profits, community groups) who will provide managed care for Medicaid patients with serious mental illness and/or one or more severe medical conditions. The theory is to actively case manage care to reduce the overall costs and reduce wasted care that would otherwise occur. The cost will be borne 90% by the Federal Government. The Long Island Federally Qualified Health Centers applied for health home and the State contacted Mr. Gianelli and asked if we would partner with North Shore as a larger institution. We were chosen along with Montifiore, Maimonides, Health and Hospital Corporation and North Shore/LIJ.

NuHealth was awarded the 2011 Patient Safety Award from Nassau Suffolk Hospital Council for the work we did on reducing central line associated blood stream infections.

5. **Report of the Medical Professional Affairs Committee and Medical Director.** Dr. Miner, chair of the Committee, reported that he will discuss credentialing in Executive Session.
6. **Report of the Finance Committee.** There were no meetings this month. Mr. Perrotti reported the financial statements will be done by the end of the week. The run rate is \$2 million a month and they are starting to see the benefits of staff reductions and the incentive. Mr. Gianelli asked if Mr. Perrotti was comfortable with the preliminary data that he has on the incentive and layoff and are we close to or on target for what we were looking to achieve. Mr. Perrotti said it is close to \$19 million in savings. We are looking at an additional savings of \$6 million with the second incentive. Mr. Gianelli said he met with the deputy of the International Monetary Authority and there was no objection to providing the loan, they just need justification. We will pay approximately 4.5% interest on the loan.

Dr. Sussman asked when the second incentive would be announced and how many employees are expected to take it. Mr. Gianelli said it will be announced at the end of the week and will be effective through the beginning of February. Hopefully 50 employees will take the incentive; we are reserving the right to cancel the offer if 35 or less take it.
7. **Report of the Ambulatory Care, Managed Care and Community Physician Committee.** Dr. Sussman, Chair of the committee, had no report this month.
8. **Report of the Extended Care and Assisted Living Facility Committee.** Mr. Saracino, Chair of the committee, reported that the committee met on December 6, 2011. The focus of the agenda was "changes affecting our plan to develop the Uniondale campus" and more specifically, our intention of building a new A. Holly Patterson facility. The original plan was to build a new facility, demolish the current building and develop the remaining acreage with ample parking and additional structures to support a wellness theme. This plan would be accomplished with State and Federal dollars providing over 90% of the estimated cost of development. However, since the drawing of the master plan and the securing of the government finances changed in several areas involving reimbursement rates, has

necessitated a rethinking to go forward with the plan. For the past three years A. Holly Patterson has been a major financial contributor to our Corporate bottom line due primarily to that period's reimbursement rates. The new changes in reimbursement rates project our newly planned structure to be a considerable drain on our corporate bottom line each year going forward. Hence, administration's action is to temporarily halt all actions regarding the plan. As a result of this action, the A. Holly Patterson Committee has been meeting to assess administration's actions. At the December 6th meeting attended by Messrs. Gianelli, Slatky, Benrubi, Perrotti and Capozziello from administration and Messrs. Rizzo, Cohn and Dr. Lewis from the Board, a lengthy discussion took place on how to proceed. There was a consensus that placing a temporary halt on actions toward executing our A. Holly plan was in the Corporation's best interest. Administration subsequently shared some of their thoughts about potential adjustments to our plan which would help our bottom line and answered several questions raised by board members. The consensus for future action was: have administration brainstorm and report back to the committee as soon as possible (hopefully in two weeks), invite all board members to contribute ideas regarding the plan to Mr. Saracino and convene another meeting with administration within two weeks. Mr. Saracino said the future plan for A. Holly Patterson should be a front burner topic.

Mr. Capobianco thought the plan was to sell A. Holly Patterson. Mr. Gianelli explained that the Berger Commission report in 2006 led to downsizing AHP to 320 beds and recommended approval of the CON to construct a new facility. The facility had 889 beds and was downsized to 589 beds and the new facility would have 320 beds. This allowed us to achieve bed hold status. The State will reimburse for held beds if the resident is in the hospital and the facility is 95% occupied. There has been improvement in quality and the nursing home was turned around and is now a five out of five star nursing home. It was 95% occupied until last month. For four years it made money. The problem now is that NYS over the last several years has dramatically reduced reimbursement to the nursing home (\$10 million). One of the changes has been how you are reimbursed for bed hold. There has been a reduction in census for nursing homes across the State. We expect to lose \$1 million at AHP this year. Going forward, reimbursement cuts will continue. The 2012 budget eliminates the permanent trend factor for Medicaid reimbursement and the cost of living increase to pay union salaries. The pension costs continue to rise (\$25 million). NYS has made it clear that they will not support institutional long term care and are moving toward home care as an alternative. Mr. Gianelli has spoken to Jim Trone, Secretary for Health to Gov. Coumo, regarding pension cost (along with the CEO's from Erie and Westchester Counties). Basically, the State sympathizes with us, but they don't care, they don't have money. An RFA was executed to restructure, downsize and change the governance structure. Messrs. Rizzo and Gianelli have also met with Senator Hannon.

Regarding AHP, there is not a mission reason to be in the nursing home business. The hospital and health centers are mission geared. We will revisit the RFP relative to the sale of licenses and more alternatives to attract an interest. Dr. Sussman asked "we are losing \$1 million on what? Mr. Perrotti said on \$60 million in annual expense. We are also losing \$5 million on regional pricing per year. In the 2012-2013 budget, NYS is considering a state wide pricing that will replace regional pricing. Regional pricing for this organization is a disaster (\$8-10 million), state wide pricing is a modified disaster and will cut about \$5 million on a \$60 million base. Dr. Sussman asked if we lose \$6 million on \$60 million, a private company can operate and make money if they save 10% on staff. Mr. Gianelli noted that Loeb and Troper have looked at this and savings can be made in back office consolidation with a private company that owns multiple homes. Mr. Kaplan asked if selling the licenses necessitates building a new building and the answer was, you can sell the licenses separately and retain the building. Dr. Sussman asked if the Union has said they don't want to lose the jobs and would be willing to work with administration. Mr. Gianelli said the Union will do what it can, but in the end they would have to reduce the amount of money the

employees are earning. The Union and management has to do what makes sense for them and management.

Dr. Rehman asked the projection for next year. Mr. Gianelli said the 2012 budget will come out in January and will include the layoffs, incentives, what we believe will happen with DSH payments, what will happen with the nursing home and it will be conservative, assuming the worse case scenario.

Dr. Lewis said conditions here and at the nursing home are atrocious and working conditions are not up to par. AHP has made money for many years. Before we talk about selling it we should sit down and look at the system in place and analyze what is wrong. There will always be challenges. We must find what we can do to serve every resident of Nassau County and push back. We must let the politicians know that this is an intolerable situation and ask them what they are going to do to help us with our mission. People in Dr. Lewis' community cannot afford to go elsewhere and the layoffs affected his community as well. Dr. Lewis feels that the AHP RFP should be stopped and that the Union, Board and CEO should sit down and talk. Mr. Gianelli said the facts are when the PBC took over the nursing home in 1999 there was a decline in census from 889 to 540. Over a five year period that resulted in significant loss. Also there was a consent order from the Department of Justice. Mr. Slatky came in as an experienced nursing home director and turned the nursing home around. In 2006 when Mr. Gianelli came in, the desire was to close the nursing home, NIFA felt it could not make money. Mr. Gianelli took the position to attempt to fix it with operational improvements, an aggressive effort to bring in residents who pay, work with the Department of Health, get bed hold reimbursement and hospital based status. The bottom line was improved by \$6-7 million as a result of those efforts and the nursing home made money for the past four years. The quality of care improvements made by the current and previous administrators has achieved a five out of five star rating for the nursing home. The nursing home is in the top 2% in all of New York State. The fact is, the world has changed, the government has no money, the county has no money and the federal government has no money. The State is taking the position that they want people in institutional long term care to be taken care of in their homes as a lower expense alternative. All five counties are looking to get out of the nursing home business—it costs too much and the reimbursement is decreasing, there is no mission reason to keep it open. Dr. Lewis said the geriatric building is part of this corporation whose mission is to care for every resident of Nassau County. Mr. Gianelli said yes, this hospital and every not for profit. The mission component no ability to pay is for the hospital and health centers (\$50-60 million in charity care). The nursing home is the same mix Medicaid/Medicare, there is almost no self-pay, the mission is to provide health services. Dr. Lewis said we are different. Mr. Gianelli said the three PBC's made the same case, we should be treated separately regarding pensions, we cannot raise taxes, we cannot raise user fees and we are not a monopoly. Dr. Lewis said we must engage our politicians, this is a political issue. Dr. Miner said the more patients you put at AHP the more you lose.

9. **Report of the Facilities and Real Estate Development Committee.** Mr. Bianculli, Chair of the committee, reported that the committee met on November 30, 2011 and recommend the approval of the Environmental Impact Statement. **Upon a motion made, duly seconded and unanimously approved, the Board of Directors approved the attached Resolution and Notice of Completion of Final Generic Environmental Impact Statement for the Adoption of a Campus Land Use Plan and the Redevelopment of Approximately 35 Acres of the 50 Acre Nassau University Medical Center Campus Consistent with the Campus Land Use Plan. Resolution No. 149- 2011.**

10. **Report of the Legal, Audit and Governance Committee.** Mr. Antaki, Chair of the committee, was not present.

11. **Other Business.** None.

12. **Public session.** Mr. Rizzo opened the meeting for public comment. Mr. Nicholson, CSEA, said the Union is almost on the same page as Mr. Gianelli. We are all in agreement regarding the financial climate and pension costs. But those costs have to come down eventually, the pension costs will come down. You cannot always cut labor; eventually it will effect patient care. We need these people here. Mr. Nicholson asked the Board to be more transparent and announce meetings. The Board met every month and now only meets six times a year. In light of laying off 175 people, we need these meetings and to be more transparent—the meeting notices should be sent out globally. The Union is willing to negotiate and help to save money, but we cannot be the only answer, there must be other cost savings. The Board must review outside contracts and reimbursements to management—where is all the money going—there are major areas where it is broken. Billing has been a problem for thirty years. Ambulance billing has not been done in the calendar year. This Board needs to continue to review contracts in the contract committee and go over every contract going out of this place with a fine tooth comb. Mr. Rizzo said the posting of the last meeting was a mishap and will not happen again. He is preparing a schedule of meetings for January for the entire year.

13. **Adjournment**

Upon a motion, duly made and unanimously approved, the meeting was adjourned at 10:30 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 that the following actions were taken:

Upon a motion made, duly seconded and unanimously approved, the Board of Directors approved the employment of John Maher in the position of CFO (Executive Vice President and Corporate Officer) at a salary of \$300,000 a year with a \$20,000 performance bonus and John Ciotti in the position of General Counsel (Executive Vice President and Corporate Officer) at a salary of \$300,000 a year. Both employees' start date is January 1, 2012. Resolution No. 150-2011.

Upon a motion made, duly seconded and unanimously approved, the Board of Directors approved the extension of Arthur Gianelli's current contract until June 1, 2012. Resolution No. 151-2011.


Upon a motion made, duly seconded and unanimously adopted, the Board approved continued discussions with McDermott and the CEO regarding NuHealth and North Shore/LIJ. Resolution No. 152-2011.

Upon a motion made, duly seconded and unanimously approved, the Board of Directors approved the attached recommendations made by the Credentials Committee for appointments to the Medical and Dental Staff to the Executive Committee of the Medical Staff at their meetings held on December 6, 2011 including Perry Intal, NP; Emerald Nandigama, PT and Meredith Kanner, SLT. Resolution No. 153-2011.

Upon a motion made, duly seconded and unanimously approved, the Board of Directors approved the attached Resolution Authorizing the Issuance of Obligations in an Amount not Exceeding \$60,000,000 to be used only for capital improvements. Resolution No. 154-2011.

15. **Close of Regular Meeting.** Craig Vincent Rizzo, Chair, closed the meeting at 12:01 p.m.
16. The next meeting will be announced.

Approved:



Craig Vincent Rizzo, Chair
Board of Directors
NuHealth