

MINUTES OF THE PUBLIC SESSION OF THE NASSAU HEALTH CARE CORPORATION
BOARD OF DIRECTORS' MEETING HELD ON FEBRUARY 26, 2007

Directors Present

Martin D. Payson, Chair
Leonard A. Benedict, MD
John M. Brickman, Esq.
Lawrence E. Elovich, Esq.
Bradley L. Gerstman, Esq.
Jemma Marie-Hanson
Barbara Ross-Lee, DO
Greg-Patric Martello, Esq.
George W. Miner, MD, MBA
John F. Ragano, Esq.

Non-Voting Directors Present

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

Hospital Administration

Gary Bie, SVP/CFO
Larry Slatky, SVP for Extended Health
Julie L. Mirkin, RN, SVP for Patient Care Services
Steven J. Walerstein, MD, SVP Medical Affairs
Sharon Popper, Esq., VP for Legal Affairs
Joan A. Soffel, Assistant to the Board/CEO

Not Present

Patrick F. Carone, MD
Rosemarie Guercia, MD
Marilyn A. Robertson, MD

1. Martin D. Payson, Chairman of the Board of Directors of the Nassau Health Care Corporation, opened the meeting at 8:35 a.m.
2. **Adoption of Minutes.** Upon a motion, duly seconded, the minutes of the December 18, 2006 and January 22, 2007 Board of Directors meeting were approved, all in favor.
3. **Report of the Chair.** Mr. Payson reported that since the Board did not have a quorum last month, several resolutions need action today. In general, the Corporation is doing well, except for the census that must be watched closely. Also, another challenge is the State Budget that could pose some problems for the Corporation and other New York State hospitals.
4. **A. Holly Patterson Extended Care Facility – Further Reduction in the Number of Licensed Beds.** Mr. Gianelli reported that a resolution was included in the Board packet requesting permission to surrender an additional nine beds from the AHPECF operating license. Previously the Board was asked as part of an overall decision to surrender 300 skilled nursing home beds that were unused to comply with the Department of Health's directive to reduce nursing home beds. The Berger Commission report specifically indicates that the first step in complying with the report, NHCC must surrender 309 beds. NHCC had surrendered 300 and needs to surrender another nine. The Berger Commission report, which makes a number of recommendations, legally requires NHCC to do this. NHCC should do this to be consistent in the direction it wants to go and achieve bed hold status. AHPECF lost bed hold status in January because the census was low due to a low census at NUMC. The bed hold status would be effective as of the day of the surrender of 300 beds. The first step is to comply with all of the Berger Commission recommendations. This resolution is a slight revision to the original resolution No. 052-2006 surrendering 300 beds. **A motion was made, duly seconded and unanimously adopted to approve the Further Reduction in the Number of Licensed Beds at the A. Holly Patterson Extended Care Facility as set forth in the resolution attached to these minutes. Resolution No. 019-2007.**
5. **Report of the Medical Director.**

A. Credentialing. Dr. Walerstein discussed the credentialing of physicians to the Medical Staff.

A motion was made, duly seconded and unanimously adopted to accept the Executive Committee of the Medical Staff's approval of the appointments/reappointments to the Medical Staff as attached to the minutes of the ECMS meeting dated February 2007. Resolution No. 020-2007.

Mr. Payson noted that a memo was sent to the Board from Sharon Popper at his request regarding Board committees. Mr. Brickman will give a report later. The Professional Medical Affairs Committee will be chaired by Dr. George W. Miner and by next month, the subcommittee of the board will have reviewed credentials.

B. Graduate Medical Education. Mr. Payson noted that at the January meeting, the Executive Committee of the Board approved a resolution to support graduate medical education that is required by the State of New York. We request that the full Board must ratify the approval. **A motion was made, duly seconded and unanimously adopted to approve the Commitment to Graduate Medical (copy attached). Resolution No. 009-2007.**

C. Proposed New Clinical Department – Ophthalmology. A recommendation from the Executive Committee of the Medical Staff to establish a new clinical department (Ophthalmology) and amend the Medical Staff Bylaws was presented to the Board in January (no quorum). **A motion was made, duly seconded and unanimously adopted to approve the amendment to the Medical Staff Bylaws, Article X, Clinical Departments, to make Ophthalmology, which is a division within the Department of Surgery, a distinct Clinical Department. Resolution No. 021-2007.**

6. Contracts Committee. Mr. Elovich, Chairman of the Contracts Committee, reported on various contracts reviewed for Board approval.

Manatt, Phelps & Phillips, LLP. Mr. Elovich reported that the County is not renewing its contract with the Manatt firm because the County's financial situation has improved, as has the Corporation's financial situation. The Corporation has had access to the consultants for approximately three years, all of which was paid for by the County. If NHCC is to continue to utilize the firm's services, it must now pay for those services. The contract was originally requested for three years and the Finance Committee recommended a one-year contract to see how they perform during the year. In addition to \$600 thousand a year, the firm would receive monies from the capital budget if they work on construction projects, which is reimbursable by the government. Mr. Gianelli stressed the importance of this consulting firm and the fact that they were very instrumental in obtaining IGT funds, hospital based status (\$5-5.5 million), HEAL funds (\$24 million), and have expertise in accomplishing projects that are subject to regulatory processes. In addition, they worked with Mr. Gianelli and the Finance Department regarding the County/State disproportionate share funds and how they are used. The firm also acts as an intermediary with State and Federal agencies in facilitating certificates of need (psychiatry units), group pricing, the A. Holly Patterson certificate of needs, extension of the dialysis unit, use of shell floors and community health center certificates of need. Mr. Payson noted that the firm would not be used for general counsel and noted that their rates are higher, but the return is enormous. **A motion was made, duly seconded and unanimously adopted to approve the Manatt, Phelps & Phillips contract for general corporate legal services (at a 20% discount from firm's standard hourly rate schedule, a copy of which is attached hereto) in a non-competitive process, based on the finding that it is in the best interests of NHCC to**

enter into the contract for a period of one year in a total amount not to exceed \$600,000 (plus reimbursement for disbursements) plus additional amounts, also at such discounted rates, to the extent such additional amount may be allocated for payment from capital funds relating to capital projects. **Resolution No. 006-2007.**

QABOOT AND QA Claims Software Package. Mr. Elovich noted that this is a renewal for an existing agreement for a period of three-years which requires Board approval since the contract is over one year. **A motion was made, duly seconded and unanimously adopted to approve a three-year contract for QABOOT and QA medical malpractice and general liability tracking software in an amount not to exceed \$69,403.90 per year. Resolution No. 004-2007.**

RBS&D Architects (Resolution No. 043-2005). A request for extension of time through 12/09 within which to complete contracted services, resulting in a contract for a period in excess of one year. **A motion was made, duly seconded and unanimously adopted to approve an extension of time for the RBS&D contract (Resolution No. 043-2005) through 12/09. Resolution No. 011-2007.**

Schwartz Gynecologic Oncology, PLLC. (contract extension 019-2006). Contract is for patient care services in gynecologic oncology clinic and surgery; oversight for tumor board; resident teaching -- 6-month extension to prior contract resulting in a contract for a period in excess of one year. **A motion was made, duly seconded and unanimously adopted to approve a six-month renewal of an existing personal service contract with Schwartz Gynecologic Oncology, PLLC in an amount not to exceed \$30,000/year. Resolution No. 014-2007.**

Ernst & Young, LLP. Contract is for 2006 financial audit, 2006 base audit, additional audit services mandated by New York State Department of Health; 2005 and 2006 Cost Report Audit for A. Holly Patterson; 2006 Cost Report Audit for CHCs; 2005 and 2006 NUMC ICR Audit. Mr. Brickman asked how long this auditing firm had been used by NHCC and if there is any difference from the last contract. The firm started in 2001 and there was a 2.4% increase over last year's contract. Dr. Ross-Lee asked how often is an RFP sent out for this service? Mr. Payson noted that one of the Board committees is the Audit Committee that will focus on whether or not this should be put out for bid. It was noted that the firm is one of the top three with experience in the health care field. **A motion was made, duly seconded and unanimously adopted to approve a one-year contract for Ernst & Young, LLP in an amount not to exceed \$420,000 for one year. Resolution No. 015-2007.**

Financial Medical Services. Contract is for billing, collection, coding services; physician in-service/training; and PDA electronic charge project. Mr. Bie reported that the company handles Part B physician billing for the Corporation. Collections were brought up from a low of \$13 million to \$19.2 million in 2006. The company was given a 4% increase over last year's contract. FMS won a bid in 2003. Mr. Payson requested that FMS make a presentation at a future Board meeting. **A motion was made, duly seconded and unanimously adopted to approve a one-year contract for Financial Medical Services in an amount not to exceed \$133,000 per month with a \$22,500 bonus for each \$250,000 above \$19.2 million in collections; \$1,500 per session for coding and billing training [capped at 20 sessions as needed]; all not to exceed \$250,000. Resolution No. 016-2007.**

Standardization Committee. Mr. Elovich reported that administration requests authority to standardize various equipment purchased by the hospital. The resolution requires a 3/5 approval of all Board members. Standardization would mean the same

specifications, same brand, same model. Ms. Mirkin noted that various areas purchase equipment that may not be the same type another area is using. Through standardization, you would obtain a better price, the appropriate equipment; equipment would be consistent on every floor. Going forward, as equipment becomes obsolete or aged; it will be replaced with standard equipment. Mr. Martello noted that it would benefit the staff through efficiency, and ease of training. **A motion was made, duly seconded and unanimously adopted to approve standardization of the following equipment: defibrillators (Medtronics/Physio Control brand), dopplers (Huntleigh brand), and portable vital signs monitors (Welch-Allyn brand). Resolution No. 017-2007.**

Mosenson Foundation – Nassau County EMS Training Academy Lease. Ms. Popper reported that under the original terms of the document between the County, the Mosenson Foundation and the Corporation, going back a few years, the position of the County was to match the \$300 thousand in capital contributions raised by the Mosenson Foundation. The County's current position, given the fact that they are providing NHCC with \$80 million in Tobacco funds to be used for capital projects, changes the Corporation's financial position relative to where it was before; and the County no longer wants to contribute an additional \$300 thousand—they are looking for NHCC to provide the match out of the Tobacco money. To further explain, the Monsensons created a foundation in honor of their son who was killed while a member of the EMT Service and endowed a new EMT training facility on the East Meadow Campus. The training is done by Nassau County, but it is a complicated set of arrangements. NHCC needs a strong relationship with the first responders in our community. Dr. Ross-Lee asked if this sets some type of precedent for matching or development. Mr. Gianelli reported that while he was at the County, he, Messrs. Bie and Ade and Ms. Popper encouraged these types of contributions because it is rare that the institution would receive a donation of that magnitude for capital improvement. The Mosensons looked for a match from the County because it would aid in their fundraising. Mr. Payson noted that the Governance Committee did not set up a development committee because there are legal issues as to what a public authority can do and we will focus on that at a later time. **A motion was made, duly seconded and unanimously adopted to approve the Corporation's agreement to assume the obligation of the County of Nassau to contribute \$300,000 in goods or services toward the cost of improvements to be constructed by the Jeffrey Mosenson Foundation and amend the Resolution No. 109-2006, accordingly. Resolution No. 022-2007.**

7. **Governance Committee.** John Brickman reported that the committee had the task of identifying, defining and preparing an enabling resolution for the committee that will go forward. The Board is being asked to adopt a resolution accepting the recommendations of the Governance Committee. Some of the committees will be limited to Board members and others may have non Board members appointed. **A motion was made, duly seconded and unanimously approved to adopt a resolution accepting the recommendations of the Governance Committee for the establishment of, and delegation of duties and powers to the following committees of the Board: Governance, Executive, Compensation, Facilities, Community Health and Extended Care in the form and content as attached to these minutes. Resolution No. 023-2007.**

Mr. Payson said that the Community Health and Extended Care committees would be looking in the various communities for adjunct membership. The Facilities Committee will have Board members and one or two adjunct members from the construction or land development businesses. The Compensation, Executive and Audit Committees would be Board committees.

A list of committee appointments was distributed in the Board packet. If any Board member would like to be reassigned for any reason, please call Mr. Payson to let him know. In having these committees, it splits the responsibilities and amount of time dedicated to the Corporation for each Board member. Many of these committees are required by statute and all are appropriate for the institution with its mission and responsibilities. The committees will take effect immediately. Mr. Payson thanked Mr. Brickman for chairing the Governance Committee and Ms. Popper for her support.

8. **Successor Agreement.** Mr. Gianelli referred the members to his memo dated February 22, 2007 regarding the Successor Agreement and Related Agreements with the County of Nassau. He reviewed the context and what the Corporation asked for and what was received. The Public Benefit Corporation was established in 1997 and was officially activated in September 1999 through a Transfer Agreement. At that time the health care assets from the County were transferred to the Corporation through extensive documents fraught with potential conflicts between the parties and difficult to manage. In 2004 the Corporation exhausted working capital and secured the 1999 bond transaction by going to the County seeking release to refund the bonds which the County supported in October 2004. That agreement was the Stabilization Agreement and clarified a number of provisions that were difficult to interpret and problematic in terms of monitored relationships. The Stabilization Agreement required consideration for the County's willingness to provide credit support for the Corporation's refunding. The County was permitted liens on Corporation property for security in the event the Corporation was not able to pay the debt payment. There were significant restrictions on the ability of the Corporation to utilize assets free and clear because it required County approval. The Stabilization Agreement no longer required the County to procure certain health services from the Corporation and further provided that future service agreements be priced at competitive or reasonable prices. (In the Transfer Agreement certain prices County paid above market rate or "subsidies" for the purchase of services.) The Stabilization Agreement required services at a competitive rate. The County has the option of securing those services elsewhere. The County has a willingness to reopen consideration of our subsidy over the course of the agreement, and give more flexibility with respect to our assets. NHCC needs to be able to find its way. The County does not want to be the bank or an open checkbook. NHCC needs to achieve a certain amount of freedom with its assets if the County will not to make a commitment to trending our subsidy or hold us harmless. There are three contracts attached to the Successor Agreement Resolution: Project and Other Costs Contract, Public Health Services Contract and Mission Payments Contract. The overall principles that will govern the NHCC/County relationship are: (1) the term—the later of 2029 or other trigger dates, or for any reason upon 18 months notice. The County acknowledges that should it exercise the 18-month termination provision it would, in effect, be closing NHCC's operations. (2) The Corporation would decide how to use the proceeds from the sale of the AHP property and lease any of its property for terms not exceeding 25 years. (3) The agreement contemplates future lending and credit support from the County, in connection with the replacement of A. Holly Patterson, whether through a guaranty or DASNY financing and for other capital projects and cash flow needs. Our cash flow dramatically changed with the IGT program and because the County holds back certain subsidies, NUMC is at their mercy when the State releases IGT monies which could be anywhere from March to October. We need the ability to have a line of credit and the County can provide us some security for a line of credit. (4) NHCC had previously agreed in the Stabilization Agreement that beginning in January 2006, NHCC would no longer bill the County for services based on "posted charges" and the net result to NHCC is a reduction of \$700,000 a year in subsidies. (5) The County and NHCC will share equally in savings resulting from any future mandatory health insurance buyback programs. (6) Under the Mission Payments Contract, the County will provide \$13 million per year until 2010 to

provide health care services to County residents regardless of ability to pay and every three years thereafter, the amount will be negotiated. (7) The Public Health Services Contract provides an additional subsidy of \$5 million per year to provide certain public health services until 2010 and every three years thereafter to be negotiated. (8) The Project and Other Costs Contract provides County subsidy for NHCC capital projects, the NHCC Institute for Minority Healthcare Disparities operating expenses and general operating expenses totaling \$98 million.

Mr. Martello questioned the Corporation's agreement to provide competitive rates and the loss of \$700 thousand each year. Mr. Gianelli and Mr. Payson noted that NHCC should be able to operate without those additional subsidies. This is a good agreement, NHCC will have more flexibility with land development. He asked if all sides of the legislature were aware of this agreement. Mr. Gianelli said that he expects some controversy, but ultimately expects it to pass the legislature because if the County does not want to trend subsidy, they cannot tie our hands regarding our assets. There were some concerns from the County Comptroller regarding reducing security for the outstanding bonds. The agreement protects an open ended commitment by the County. Mr. Gianelli feels that most of the legislature is supportive of what NHCC is trying to accomplish, especially Judy Jacobs.

Mr. Ragano asked if there were any restriction on what NHCC can do with the money from the sale of A. Holly Patterson in the bonding agreement, has that changed? Mr. Gianelli said the restrictions were part of the regulatory agreement. Mr. Payson said the original bond restrictions ran to the bond holders and were refinanced in 2004. The bond holders did not get those restrictions. Mr. Gianelli said he believed that there was nothing in the current bond transaction that obligates us to do anything. Mr. Payson said that this would give NHCC operating liquidity.

Mr. Gianelli said that the Legislative committee would meet on March 5th and then go for a vote to the Nassau County Legislature two weeks later.

A motion was made, duly seconded and unanimously adopted to approve the Resolution Authorizing Execution of the Successor Agreement and Ancillary Agreements between the Nassau Health Care Corporation and the County of Nassau in the form and content as attached to these minutes. Resolution No. 024-2007.

9. **Report of the President/CEO.**

General Progress Report.

Finances. January was not a strong month for three reasons. Relative to budget the revenue was down \$1.2 million and discharges were down. The way the budget is constructed is that it works off last year's actuals month by month. Last year, the first three months were heavy in terms of the census and then the census declined from April through December. On the expense side there were 60 extra FTEs (20 FTEs for support services and 40 FTEs in nursing) over budget. The support services overage was almost entirely due to JCAHO preparation. The nursing average is harder to work with going floor by floor. The Nursing Department is cooperating with Finance and Mr. Gianelli and will be starting bi-weekly meetings with nursing managers to assure accountability and to drill down and tighten usage of overtime and agency costs. The nursing staff budget allocation is a work in progress. Good news is that February had a better census (370) and discharges were 63/day (which is needed to break even).

JCAHO Resurvey. The JCAHO resurvey is imminent and could happen on Wednesday. There have been numerous meetings with Maureen Shannon, Stephen Suspenski, consultants and NUMC is as prepared as it can be.

Corporate Goals. Executive staff will be asking the Board to approve Corporate Goals for quality improvement that will include IHI Five Million Lives, Core Measures, Service Excellence and Patient Satisfaction. There have been preliminary discussions with North Shore and the Krasnoff Institute to assist us with quality improvement.

Chief Operating Officer. The interviews are in final stages and Mr. Gianelli should have a selection by next month.

Business Process Redesign Groups. The Corporation will have ten business process redesign groups and a further report will be presented in March regarding changes in the OR, admissions/discharge, service excellence and patient satisfaction.

Clinical Department Reviews. The clinical department review is on target for May/June.

A. Holly Patterson. A revision to the CON for A. Holly Patterson is on the table as a resolution to conform to the Berger Commission Report for 360 beds. They are still working with the State to get the exact number of beds permitted. NHCC is awaiting CON approval for the dialysis extension (\$700 thousand in revenue). Mr. Slatky will be admitting additional residents from the Korean population, which is currently at 70 and may go up to 90, as we work with the Department of Health to downsize the facility. Open issues are the shell floors, which the Berger Commission wanted as subacute area for A. Holly Patterson residents. There will be discussions on what would make sense. There is also an issue with a Medicaid assisted living facility on the Uniondale campus. If it is created under the statute, NHCC can obtain reimbursement. Another round of Uniondale property community meetings are about to commence, along with RFPs and zoning issues.

The Community Health Centers. Awaiting CON approval for new programs. The wait times have begun to decline. The RFP was issued for the business process redesign and should be awarded in March. Dr. Aiges is working on a pediatrics integration plan with a presentation in March.

Comparative View of NUMC's 2006 Performance. Mr. Gianelli reported on how NHCC did in comparison to other hospitals. Most importantly the overall admissions went up in Nassau County, but went down at Nassau University Medical Center, but not by a large percentage (mostly in medicine/surgery and pediatrics). Psychiatric admissions and discharges were superior to the overall growth in the County. The OB/GYN population exceeded the County average, but neonatal declined by 10%--relative to other hospitals. Length of stay improved due to the case management team with the largest reduction over any other hospital in Nassau County.

State and Federal Budget Impacts. The proposed cuts budgets by the Governor and President would have a negative impact on NHCC. The State cuts are not as great as they have been in the past (last year \$20-30 million). The Governor is talking about enforcing these cuts through a constitutional mandate. They are not as extreme, but are problematic—the total impact for 2007-2008 is approximately \$7.9 million (\$5 million at NUMC and \$2.8 million at AHPECF). The Governor wants to redirect funds from Medicaid to the public hospitals which is not enough to offset cuts in GME reimbursement. NUMC is the only hospital on Long Island that this impacts. The State wants to pay the lesser of trend cuts for GME which they conclude is \$5 million, NUMC

feels it was an incomplete analysis of physician compensation over the years. NHCC must go to the Department of Health and ask them to look at the cost report in totality, there were other areas where there were expenses related to GME, this cut should not be \$5.2 million, in fact it should be eliminated. The earliest meeting is for March 13th, but Mr. Gianelli is worried about running out of time.

The Federal budget is dead-on-arrival. Mr. Perrotti has estimated the impact it might have on NHCC. There is an elimination of Federal funds for Medicaid GME for any teaching hospital. The President is proposing that he can achieve this cut administratively, which is uncharted territory. A lot of hospitals are adamantly resisting this cut. Winthrop held a press conference spearheaded by Congresswoman McCarthy. The estimates do not include the impact of the "Affordable Choice Initiative" which if implemented would permit States to redirect DSH funds from public hospitals in order to provide broader insurance coverage.

There are inconsistencies with both the State and Federal budgets. The Federal budget proposes reducing CHP eligibility to 200% of the federal poverty level and the State proposes an increase in CHP eligibility which 400% of the federal poverty level.

Strategies. The strategy is to educate stakeholders, talking to reporters and editorial boards regarding the cuts. Mr. Gianelli will make a presentation to the County on March 5, 2007 and in Albany on March 6th and 7th as well as in mid-March at the Department of Health. NHCC will focus on the major cuts to GME and make an argument that the State is not being all inclusive. NHCC will also work with the hospital associations. The State revenues will be \$1 billion higher than estimated by the Governor, making it much hard to get the State Legislature to cut the Medicaid program to the extent proposed. The Federal budget has two things and NHCC will work with the hospital associations (NAPH, GNYHA, Nassau-Suffolk Hospital Association) to educate our representatives. Mr. Gianelli will be going to Washington, DC to look for federal earmarks.

Modernization Plan. Mr. Gianelli reviewed the management structure for implementing the \$240 million Modernization Plan. There are weekly steering committee meetings, advisory groups with Manatt, Phelps, Phillips (State relations) and Gilbane (construction management). Mr. Gianelli is very pleased with Gilbane, they have recently been ranked 8th in the nation. NHCC is in the process of engaging a master plan for the facility and campus to assist in allocating space. There are also a series of subcommittee meetings on construction/CONs, equipment, information technology and real estate.

2007 Project Highlights. There are many things being done while others are being planned. Some of the items planned for the Spring 2007 are parking garage (fix or replace), construction design should start with Freeport; Emergency Department; Radiology; Dialysis; and chemical dependency. In Summer 2007: the World Trade Center program, Burn Unit, 35-Bed Adult Psychiatric Unit. In Fall 2007: the shell floors will be poured and the courtyard repairs completed. In Winter 2007: the EMS office and training site should be completed along with the Veterans clinic. The Veterans are setting up centers located through the United States but have no plans for Nassau County. The Veterans have a strong interest in NUMC or South Shore Communities Health Center. Mr. Gianelli met with the Commissioner of Veterans Affairs on Friday and will follow up on that meeting. This is specifically for veterans returning from the Iraq war. Timelines for all projects are underway.

Some issues are RFP awards for the master planner, ED/Radiology, Dialysis, shell space and courtyard and World Trade Center program. Other issues are locating a site for the

Hempstead center. Mr. Gianelli will be speaking with CBRE and Urban America regarding sites. The Freeport center has dual zoning interests and cost overruns because it has taken so long for construction to begin. It should be ready to open at the end of 2007, early 2008 (demolition of the old building and building a parking lot). Other areas that will have some improvement are PM&R which must compete with outside facilities that are much more modern, fixing the exterior, and entranceways. Gilbane has identified some modifications to the budget that will have to be made, some projects will go up or out and the Board will be advised. Mr. Gianelli noted that this is an intensive program with requisitions and RFPs and internal resources must be properly managed.

Dr. Benedict noted that Hempstead General may be a site. Mr. Gianelli noted that he was asked by multiple parties to consider the site, but it was rejected and he will discuss that in Executive Session. Practically and strategically it did not fit because they have 110,000 square feet and NHCC needs 25,000 to 30,000 square feet, and the building is in significant disrepair, with massive internal rehabilitation. Also the property owners are in tax default with tax liens that would tangle NHCC up for a very long period of time.

Mr. Payson said that the Berger Commission is flexible; he did not believe the people who wrote the report intended it to be inflexible. Our issues are modest compared to others' issues. Mr. Gianelli said that the fact is the recommendation is statute. The language speaks of financial feasibility. NHCC made the argument to the Department of Health that NHCC can demonstrate that what is being recommended is less financially advantageous than other alternatives consistent with the spirit of the Berger Commission. Mr. Payson asked about technology. Mr. Gianelli reported that there has been significant work being done on technology, and more will be done. Christine Forman is driving the projects and getting them done and Mr. Gianelli will integrate that effort more formally in the management structure. At either the March or April Board meeting, an IT update can be scheduled.

10. **Report of the Chief Financial Officer.**

A. Finance Report. Mr. Bie noted that there have been aggressive technology upgrades in finance and clinical information. The multi-year plan includes more and Ms. Forman will update the Board.

The Corporation is struggling with the census at the hospital. There was a \$1.5 million loss for the month of January vs. a budgeted loss of \$1.1 million. The discharges were down by 100 at a Corporation that produces almost 2,000 discharges each month. NUMC needs 64 discharges/day to break even assuming all other variables, including case mix remain the same. One hundred discharges reduced revenue by \$1.2 million for the month. The loss at A. Holly Patterson was approximately \$450 thousand and was in line with budget. FTEs are slightly unfavorable. In February, NHCC came back strong, discharges are approaching 64/day and the census was 400 on one day in February. Everything we are doing internally—modernization program, recruitment of chairs—has had a positive impact. Mr. Payson asked why the FTEs would go up when the census is down? Mr. Bie noted that support services had in excess of 20 FTEs for JCAHO preparation, the new psychiatry program was ramped up in January (30-40 nurses). The cash flow is a significant concern. Unrestricted cash is \$15 million and represents two weeks of cash on hand. There is a tremendous amount of cash in the modernization program (\$80 million) all for capital improvement. There is a significant amount of cash (\$100 million) for the replacement of A. Holly Patterson. There is almost \$52 million of IGT cash flow receipts that could come any time between March and November. It is very important to negotiate with the County to support a line of credit.

Dr. Miner asked if you had 100 discharges last month, no one would be concerned. Is there a way to know if the discharges and cash flow were looked at statistically: are they significant or are they just noise in the system? To look at it in the big scheme of things, Mr. Bie looks at that daily and it is correct to say that January may not be indicative for the entire year. Mr. Gianelli noted that finance uses last year's census information to build the current budget. In last year's pattern, January and March were very, very strong in terms of census.

11. Other Business. None

12. Close of Regular Meeting. Martin D. Payson, Chair, opened the meeting to public comment. There were no comments from the public.

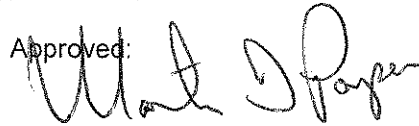
13. Adjournment

Upon a motion, duly made and unanimously approved, the meeting was adjourned at 10:52 a.m. to Executive Session to discuss governance, performance improvement, personnel matters, contract negotiations and litigation.

14. Report from Executive Session. During the Executive Session, no actions were taken.

The next regularly scheduled meeting is Monday, March 26, 2007 in the Auditorium.

Approved:



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