

MINUTES OF THE PUBLIC SESSION OF THE NASSAU HEALTH CARE CORPORATION BOARD
OF DIRECTORS' MEETING HELD ON OCTOBER 22, 2007

Directors Present

Martin D. Payson, Chair
Leonard A. Benedict, MD, MPH
John M. Brickman, Esq.
Joseph Capobianco, Esq.
Bradley L. Gerstman, Esq.
Rosemarie Guercia, MD
Jemma Marie-Hanson, RN
George W. Miner, MD, MBA
Frank J. Saracino, EdD

Not Present

Lawrence E. Elovich, Esq.
Barbara Ross-Lee, DO
Greg-Patric Martello, Esq.
John F. Ragano, Esq.

Non-Voting Directors Present

Arthur A. Gianelli, President/CEO
Asif M. Rehman, MD

Hospital Administration

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

1. Martin D. Payson, Chairman, Board of Directors of the Nassau Health Care Corporation, opened the meeting at 8:35 a.m.
2. **Adoption of Minutes.** Upon a motion made and duly seconded, the minutes of the September 24, 2007 Board of Directors meeting were approved, all in favor.
3. **Report of the Chairman.** Mr. Payson welcomed Joseph Capobianco, Esq., as a new voting member of the Board of Directors appointed by the Governor upon a recommendation of the County Executive.

Mr. Payson also congratulated John Brickman, Esq., Board Member, on being appointed to the Governor's Commission on Public Integrity.

An invitation to the Nassau Health Care Corporation Gala was sent out to all Board Members and Mr. Payson urged all board members and staff to attend this wonderful event. He thanked Helen Lavas and Shelley Lotenberg for all that they do.

4. **Report of the President/CEO.** Mr. Gianelli noted that his report would be shorter than usual because Manatt/Phelps/Phillips will be presenting Business Plan recommendations in the Executive Session.

Finances. In September the Corporation lost \$2.3 million, after investment income. Discharges were up a little. The Psychiatry unit was scheduled to be opened on September 1st but was not opened until October 15th, so there was a slight delay to the budget. Pediatrics continues to struggle, discharges dropped between 15-20%. There are strategic issues that the Corporation must grapple with. Outpatient Hemodialysis was up 10% and it is critical for the Corporation to move forward on a solution relative to outpatient dialysis services. NUMC currently has 13 active stations—the certificate of need is for 29 stations. For whatever reason, the remaining stations were never put into service. NUMC is at full capacity for seats and NHCC recently filed a certificate of need for a dialysis extension at the

A. Holly Patterson facility for the purpose of dialyzing residents on ventilators. There is a need for this service in Nassau County. Typically, a ventilator dependent individual who needs to be dialyzed ends up in the hospital. A few weeks ago, the Department of Health indicated that they would approve the certificate of need for the extension at A. Holly Patterson on the condition that NHCC have a plan in place to activate the 29 stations within twelve months which severely limits NHCC's options. There is a possibility of constructing a facility or housing all of the stations at the current A. Holly Patterson site in unoccupied units which would be relatively inexpensive. It is not the permanent solution. The options are 1) franchise; 2) construction of a service here on the East Meadow property or 3) construction on the Uniondale property. NHCC is behind in a few targets that need to be hit in order to be in compliance with monies that NHCC receives from DOH and deadlines for HEAL II. Mr. Gianelli will comply as much as he can with everything else so that NHCC can get some slack in those areas where it needs more time.

Health Centers. Activity continues to grow approximately 4-5%, and the ambulatory centers at NUMC are up approximately 1-2%. Mr. Courbois, as part of the business plan discussion, found that since 2004 the areas have not corresponded to increases in admissions and discharges. It may be the types of patients that we are seeing in the health centers and how we are connecting them to the medical center. There is a lack of pediatric practice at the health centers at NUMC. Freeport/Roosevelt has less than 3% of patients over the age of 60.

Quality Improvement. In working with corporate quality improvement, there are some areas of weakness such as smoking cessation and vaccinations. There are plans in place to drive those areas up. The plans will be evaluated in January.

Modernization. The shell floors have been poured. There are two proposals for the Emergency Department and a presentation will be made in November (neither option is inexpensive). The Burn Center and Center for Hypertension/Diabetes/Vascular Medicine will open by year-end. The analysis for 380 Nassau Road is done and NHCC is in the final stages of finding a location for the Hempstead center. The certificate of need is being assessed in Albany for the new nursing home. Mr. Gianelli has a follow up meeting scheduled on Friday to discuss the Medicaid facility and nursing home. In addition to the presentation of the Emergency Department plans, a presentation will be made by Perkins Eastman regarding the Master Plan for the Tower, and an Information Technology presentation. In December, a presentation will be made on the Capital Program for the next three years.

Institute for Minority Health Care Disparities. A Freeport/Roosevelt community meeting is scheduled for October 24th, hosted by the Town of Hempstead and Dorothy Goosby, where NHCC was invited to present its vision for the community health center. Jack O'Connell has set up numerous meetings with various community groups regarding the Institute for Minority Health Care Disparities (including Rev. Reggie Tuggle, Erase Racism, Long Island Coalition against Domestic Violence/Child Abuse, Health and Welfare and many more). The roll out for the Institute for Health Care is scheduled for November 15th at 10:00 a.m. in the Auditorium. Approximately 50-60 community and government leaders were invited to attend. Mr. Gianelli met with the National Association of Public Hospitals in September and recently had a follow up call regarding the Institute and establishing a collaborative among other member hospitals in addressing health care disparities. The National Association of Public Hospitals will appoint one member of our Board to their Advisory Board and they will conduct a survey of member hospitals to find out what they are doing to address health care disparity. There is a meeting scheduled in November with various investment banks, real estate firms, for financing and underwriting our construction of the nursing home and Uniondale property. By mid-November, there will be a financial team in place.

HEAL NY IV awarded NHCC \$37 million in additional HEAL monies. \$34 million is for retiring outstanding debt, \$20 million for NUMC, \$14 million for A. Holly Patterson and \$3 million to reimburse construction of the shell floors. Mr. Gianelli is proposing to DOH that NHCC utilize the debt retirement funds to retire the taxable bonds that are outstanding. Mr. Gianelli was pleased to report that there is enabling legislation for the group price appeal effective January 1, 2007 that was introduced by both Senator Hannon and Assemblywoman Hooper.

The Manatt consultants will be presenting their recommendations for business plan strategies in Executive Session. Mr. Gianelli handed out a chart matching up trend growth and discharges with the plans and compounding increases in costs that are needed to cover expenses. NHCC has already covered gaps by doing significant reimbursement changes in DSH and hospital based payments.

Last week, Mr. Gianelli received news that the RRC granted Psychiatry five years accreditation and increased the number of resident spots to 28. A few years ago the program was in danger and Dr. Walerstein suggested that NUMC make the appropriate investments in the department. Mr. Gianelli thanked Drs. Walerstein, Rao and Sperber for this turn around.

Mr. Payson questioned why 2003 was such a good year and then flattened out after that. Mr. Gianelli noted that in 2003, Hempstead General was closed and NHCC received those patients, but because it did nothing to keep those patients at that time, they went elsewhere. NUMC also needs to develop a structure for voluntary physicians to admit here. Mr. Payson thanked administration and the Manatt consultants, George Kalkines and Jeffrey Thrope, for the outstanding job they are doing in obtaining funding such as the HEAL NY IV funds.

5. **Report of the Medical Professional Affairs Committee and Medical Director.** Dr. Miner reported that in October the Committee approved nine new appointments, gave two physicians temporary privileges and appointed five other individuals.

Dr. Walerstein reported on the recent news about Methicillin-resistant Staphylococcus aureus (MRSA) a type of bacteria that is resistant to certain antibiotics. This organism is throughout the environment and one out of five people have staph somewhere on their skin. Sometime in 1950 staph aureus became resistant to penicillin and Methicillin became the standard of care up until the 1960's when staph aureus became resistant to Methicillin. For a number of decades this was only problematic for hospitals, but in the early 1990's staph aureus outbreaks had no contact with hospitals, but had been contracted out in the community. In 2006, under the leadership of James Capozziello, the policy for treatment was changed in the jail and over the last one and one half years, NHCC has targeted prevention of staph infection with central line infections or ventilator pneumonia through hand washing which is the most important prevention. The IHI Five Million Lives Campaign announced its goal to eliminate staph infection in this Country. NHCC has a policy of screening patients who enter high risk areas such as ICU, CCU, Pediatric ICU, upon admission for the presence of staph infection. If they are found to be colonized, isolation techniques will be implemented to prevent direct contact from room to room. The Journal of Medicine reported that there are twice as many infections occurring than the Center for Disease Control thought were happening. In addition to baseline screening, NHCC will educate the community regarding ways to prevent infection, such as hygiene and hand washing, and keeping school gym lockers clean. Mr. Payson questioned the process for screening and if NHCC has seen an increase in infections. Dr. Walerstein said that it is a simple Q-tip swab of the mucous membrane. Dr. Walerstein reported that there has been a slow increase over the last few years, but nothing exploding.

NUMC is planning to open one more operating suites to increase surgical volume for orthopedics, ENT and plastic surgery—for a total of six open operating suites.

6. **Report of the Finance Committee.**

Finance Report. Mr. Bie reported that there are no surprises; the budget is relatively consistent in September. On \$41 million in revenue, the Corporation lost \$128 thousand for the month. Year-to-date, on \$366 million in revenue, the Corporation lost \$2.3 million. The loss is due to cuts in government reimbursement. Mr. Payson noted that loss from operations is \$6 million before investment income. Mr. Bie said that the Corporation does have \$3.6 million in investment income from cash balances and cash flow is a significant concern that is monitored daily. On \$34 million in revenue, NUMC had a surplus, after investment income, of \$134 thousand. Year-to-date, on \$299 million in revenue, NUMC had a deficit of \$279 thousand, after investment income. The 35-bed psychiatric unit due to open on September 1st, did not open until October 15th and discharges were short by 62 for the month. The nursing home maintained its census at approximately 582 and 569 year-to-date. On \$4.7 million in revenue, the nursing home had a deficit of \$87 thousand, after investment income. Year-to-date, on \$42 million in revenue, the nursing home had a deficit of \$1.1 million. The community health centers, for years, have been at break even and on \$1.1 million in revenue, lost \$175 thousand in September. This is directly related to the NYS budget cuts in April 2007 when the bad debt and charity funds were reduced by \$1.4 million. Plans to compensate for this reduction over the next six to twelve months include trying to get the diagnostic treatment centers (DTC) converted to Federal Quality Health Centers (FQHC) status to enhance Medicaid reimbursement.

NHCC opened 2007 with \$22 million in unrestricted cash (represents two weeks of cash on hand). On September 30th, unrestricted cash was \$14 million and has deteriorated to \$8 million over the nine-month period. The Corporation needs to have approximately \$40 million monthly on hand and there are three significant items that must happen. NHCC must receive the IGT funds on March 31st (\$52 million), NHCC must receive quarterly bad debt and charity (\$6.6 million), and NHCC must receive quarterly advances from the County (\$40-45 million). The IGT payment made in March 2007 was \$52 million (half of that paid by the County—\$26 million). When they made that payment, they have to reconcile accounting on their side to figure out which historic subsidies that they were giving us, must be eliminated. Mr. Bie is working with the County to reconcile those payments. Mr. Gianelli believes that the County is getting lost in the accounting and reconciliation and the County must understand the big picture for NHCC's survival. NHCC has \$14 million in cash balances when a Corporation this size should have \$80-100 million. NHCC will never have three months cash on hand, every year there are losses that erode cash. There has been less than 1% discharge growth; the institution has already been downsized, so the growth and cost structure must be realigned to preserve a very tight cash position. An RFP for nursing home construction may require a line of credit as back up due to fluctuations in receiving reimbursements. Dr. Benedict asked what administration is doing in the hospital to generate income. Mr. Gianelli said that the history of the Corporation, other than 2003, has been no volume growth or discharges and that has to change. A series of business strategies has been compiled for each clinical service based on productivity. There is another document compiled by North Shore/LIJ regarding market analysis that complements the business plans. There are 72 new psychiatric beds on line this year to generate \$5 million. In addition, there is consideration of CPEP physician, a Center for Hypertension/Diabetes/Vascular Disease, a 6th operating room opened, working with an orthopedic surgeon to increase volume, challenge to the chairs to come up with strategies for growth volume. Some departments have been able to attract voluntary physicians to admit here such as PM&R who worked out an arrangement with a voluntary practice when Brunswick closed. They are successfully admitting their patients and almost half of the volume in PM&R comes from this voluntary group. Mr. Gianelli thanked Dr. Weiss for that

initiative. There is also a specific emphasis on growing volume in ambulatory business included in the modernization plan and to diversify population base—only 3% of visits are people over the age of 60 and the majority is between 20-29 years of age. The Corporation must attract voluntary physicians, improve quality of care, patient satisfaction and generate referrals. There are twelve operating rooms only five of which are operational. The facilities are good, but the process is a problem and there is no one to blame but ourselves. If we can improve our process, NUMC should be able to get doctors to perform procedures here. Dr. Benedict suggested that Newsday should publish all of these good things, what is NHCC doing to attract people. Mr. Gianelli said that NHCC has a good relationship with Newsday, but cannot dictate what they print. When NHCC received \$37 million in grant funds, it took two weeks to get it to print and it was not a feature story. The coverage that NHCC has had has been better than it ever was before. NHCC is changing its image; our salaried physicians are the best marketers for the facility. We must develop primary care practices and that has not happened yet. A marketing RFP was sent by legal for review in a few weeks. When the marketing firm comes in they will “rebrand”, construct image and help us develop a marketing campaign. Mr. Payson noted that Dr. Benedict’s point was well taken and the chart that Mr. Gianelli distributed is the key to the future of NHCC. At Maimonides, the entire place was upgraded and it succeeded through word of mouth and growth of business.

Mr. Bie noted that NHCC was very successful in receiving grant dollars: Tobacco funds \$80 million, HEAL II \$24 million and HEAL IV \$37 million. There will be considerable investment in this organization over the next four years, but that does not help fund payroll or unrestricted cash balances.

Contract Actions Taken. Sharon Popper, SVP reported on the Finance Committee contracts requiring action by the Board.

East Meadow School District. Last month a report was given to the Board regarding the adoption and approval of PILOT payments to the East Meadow School District for children of NUMC residents who reside on campus and are attending public schools. The amount can change from year to year based on the number of students attending school and could exceed \$250,000. The resolution was to ratify prior years and to authorize 2007-2008 payments. In each future year a resolution will be brought back to the Board. NHCC has been making these payments since the Corporation was created in 1999. Mr. Saracino noted that he was a signatory on the NYS Legislation for the school district at that time and that he would recuse himself from the vote. The hospital is on tax-exempt land and special legislation enabled the County to pay the East Meadow School District for children living on campus to attend school. The County Executive approved and paid for those children and payment took place year after year. When the institution became a PBC, the CEO examined the liability as a year by year situation. Mr. Brickman asked if it was within NHCC’s authority to make such a payment and if NHCC derives a quid pro quo from the relationship and the answer to both questions was yes. It is good for the community relationships. Mr. Capobianco asked how the payment was calculated. Mr. Popper said that the formula breaks down per student per school; the formula established at the State level, based on the number of students attending school. This would be an annual payment based on resident population and grades their children are attending, etc. **Upon a motion duly made, seconded and approved with one abstention (Frank Saracino), the Board ratified and approved Corporation payments in lieu of taxes (PILOT payments) to the East Meadow School District for minor dependants of post-graduate resident physicians who reside on the Corporation’s East Meadow campus and attend East Meadow public schools for the period commencing with the 2003-2004 school year through and including the 2007-2008 school year, calculated on a per capita basis in accordance with the New York State formula for determining tuition for out-of-district students. Resolution 091-2007.**

Ms. Popper noted that NUMC is pursuing a relationship with the school to become the school district's health care provider.

JBKHIM Consulting. [renewal option resulting in a contract for a term in excess of one year]. Ms. Popper said that when a contract is in excess of one year, no matter how small monetarily, it is required to be brought to the Board. This is a renewal option for a consultant to perform medical record coding in the ER from time to time when work is backed up. **Upon a motion made, seconded and unanimously approved, the Board approved a contract for JBKHIM Consulting in an amount not to exceed \$30,000 over the two-year term of the contract; \$15,000/year. Resolution No. 097-2007.**

Procurement Authority – Temporary Healthcare Provider Services. [waiver of competitive process in the best interests of the Corporation]. Ms. Popper reported that there was a resolution a few years ago to enable NHCC to reach out for temporary personnel services for physicians and nurses because, for whatever reason, the Civil Service or other hiring process could not allow NHCC to immediately fill the positions when needed. NHCC realized that was too narrow in terms of filling hospital needs on an immediate turnaround basis and that it needed to expand the resolution to cover various clinical employees when an emergency arises. **Upon a motion made, seconded and unanimously approved, the Board found that it is in the best interests of the Corporation to amend its procurement policies so as not to require competitive pricing proposals for contracts for temporary health care provider services. This resolution amends in its entirety and supersedes Resolution No. 064-2004, Resolution No. 098-2007.**

7. **Report of the Community Health Committee.** Dr. Guercia, chair, reported that the committee will meet on October 24, 2007.
8. **Report of the Extended Care Committee.** Mr. Saracino reported that the committee meets every other month and the next meeting is in November. Discussions will include a preliminary report received from DOH on an inspection of A. Holly Patterson. Mr. Saracino was advised that this is a very positive report. He noted that Messrs. Bie and Slatky have done some fine work regarding finances at A. Holly Patterson. The DOH report is on patient care and although a good report, there is always room for improvement.

Mr. Payson noted that A. Holly Patterson reports are a good example of the various government reports that are quite positive and we should think of how we can make them public as a public relations and marketing tool to change the image. Over time, NHCC should be in a position for those stories to be told in Newsday to reverse the years and years of bad news.

9. **Report of the Facilities Committee.** Mr. Gerstman, chair, reported that they have focused mainly on the major modernization program. He thanked Paul Rowland who refocused the group into looking at maintenance and repair and how it impacts the hospital operations. They discussed Perkins, which is preparing the master plan to include an inventory of the design floors and infrastructure upgrades for safe patient care and life safety plans of correction, upkeep of fire alarms, etc. An independent expert was engaged to evaluate continuous compliance with JCAHO and DOH requirements. A work order tracking system was streamlined to combine these efforts. The next meeting scheduled will discuss hazardous materials.
10. Dr. Benedict said that there are not a lot of people from the community or media in attendance and questioned why. In the future can they be invited? Mr. Gianelli said that he may suggest working with Shelley Lotenberg to develop an e-mail list that would include public officers and community leaders. Not everyone has access to e-mail but it's free and

we can get the information out there. Newsday does not generally publish meeting dates. Mr. Payson noted that his opinion was that people tend to go to meetings when they are unhappy, so that he felt that this was a positive. Mr. Gianelli noted that Jack O'Connell is developing a network of not-for-profit relationships and meeting on a regular basis in order to let them know what we are doing. In addition, executive staff meets with community leaders a few times a month. Once we get the e-mail list we can notify people.

11. **Close of Regular Meeting.** Martin D. Payson, Chair, closed the meeting and opened the floor for public comment. There were no comments.

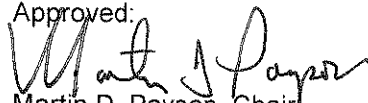
12. **Adjournment**

Upon a motion, duly made and unanimously approved, the meeting was adjourned at 9:30 a.m. to Executive Session to discuss governance, performance improvement, collective bargaining, personnel matters, contract negotiations and litigation.

13. **Report from Executive Session.** During the Executive Session, there were no actions taken.

The next regularly scheduled meeting is November 19, 2007 in the Auditorium.

Approved:



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