

MINUTES OF THE PUBLIC SESSION OF THE NASSAU HEALTH CARE CORPORATION BOARD OF DIRECTORS' MEETING HELD ON DECEMBER 22, 2008

Directors Present

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

Not Present

Joseph Capobianco, Esq.
Lawrence E. Elovich, Esq.
John F. Ragano, Esq.
Asif M. Rehman, MD
Barbara Ross-Lee, DO

Non-Voting Directors Present

Arthur A. Gianelli, President/CEO

Hospital Administration

Gary E. Bie, SVP/CFO
Reginald Bullock, Esq., SVP for Legal Affairs
Paul J. Rowland, SVP/COO
Steve Walerstein, MD, SVP/Medical Affairs
Kathy Skarka, VP for Patient Care Services
Tierre Jeanné-Porter, VP Employee Development and Labor Relations
Joan A. Soffel, Assistant to the Board/CEO

1. Martin D. Payson, Chair, Board of Directors of the Nassau Health Care Corporation, noted the presence of a quorum and opened the meeting at 8:35 a.m.
2. **Adoption of Minutes.** Approval of the minutes of the November 24, 2008 Board of Directors meeting was tabled until the next meeting scheduled for January 2009.
3. **Report of the Chairman.** Mr. Payson reported that the Governor's budget has come out and Mr. Bie will present a financial report. The budget is critical to all hospitals and how the cuts are allocated among the various health care players.
4. **Report of the President/CEO.** Mr. Gianelli reported that the Governor's budget was released early. The budget and reform initiatives will set the stage for 2009-2010. The hospital reform initiatives could increase hospital revenues by \$4.7 million, but the cuts for 2009-2010 could be \$8 million. The cuts and reform initiatives for the nursing home may have a negative impact of approximately \$11.7 million. The initial estimated impact to NHCC is \$15 million. It is not known if the budget includes managed care cuts that could cost another several million dollars. Over the years, the Corporation has experienced budget cuts ranging from \$5-30 million. This year, the State does not have funds available to help the Corporation. Mr. Gianelli and staff are taking a calm approach to these cuts. The Corporation publicly supports hospital reform efforts as they are moving the industry in the correct direction. Meetings have been held with the various stakeholders to impress upon them the significance of these cuts and how they would materially affect the Corporation's ability to operate. Dialogue will continue with the Governor and Department of Health regarding a more permanent solution for the organization (DSH payments). Because the interest rates have dropped to almost zero, the captive rates will be reduced and that will require further contribution from the parent company (\$2-3 million).

Nassau County recently received an arbitration award for its collective bargaining agreement with the CSEA which was extraordinary in scope and unprecedented in the nature of the award that went far beyond anything Mr. Gianelli has seen. The award was for an 8-year period with no give backs, wage increases and new items. This presents a significant problem for NHCC negotiations.

There is strong indication that the Joint Commission will be here for a survey in January. There are a few areas of vulnerability.

Last week, a Finance Offsite Retreat took place to discuss health care reforms, growth and strategies. Including initiatives and strategies for human resources, finances and marketing (a separate presentation regarding marketing will be made to the Board in January).

In January, administration will focus on the RFP for the redevelopment of the Uniondale and East Meadow properties.

Mr. Gianelli was pleased to report that the CMS distributed a report comparing nursing homes and A. Holly Patterson Extended Care Facility scored a 4 (on a scale from 1-5).

Mr. Payson questioned pension payments. Mr. Gianelli said that there would not be an impact on the Corporation next year. The pension rate has dropped for 2009-2010. Health insurance was dramatically reduced because the County auditors (and Manatt) discovered that the NYS Health Insurance Program had over-reserved for the last several years and as a result had significant and unnecessary reserves on their balance sheets. Therefore, the increase will be 1.18% (instead of 8-11%). In 2010-2011 pension rates will start to go up toward 11% (\$2.3 million for every percentage point). Administration has sent out an RFP for an analysis of health insurance expenses to determine if it would be beneficial for the Corporation to change carriers and to have more control over expenses and negotiations.

5. **Report of the Medical Professional Affairs Committee and Medical Director.** Dr. Miner reported that the Medical and Professional Affairs Committee (MPAC) met on December 10, 2008 and he will report in Executive Session.

Dr. Miner presented the recommendations made by the Credentials Committee for appointment to the Medical and Dental Staff to the Executive Committee of the Medical Staff on December 10, 2008. There were no issues regarding the appointments. The Medical and Professional Affairs Committee approved the ECMS Recommendations for Appointments to the Medical Staff.

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

Mr. Bie reported on the financial statements for November 2008. He noted that NHCC may benefit from a .7% assessment (to reimburse for high Medicaid costs) for approximately \$1.8 million. Other hospitals such as North Shore and NY Presbyterian have a better bottom line than a Medicaid facility and their assessment could be as high as \$30 million. NHCC may benefit from the reforms. The State is pushing for more preventative care and primary care with higher payments for outpatient and lower payments for inpatient care. On the nursing home side, the cuts could be up to \$11 million due to reduced Medicaid rates. The regional rate per diem at AHP is \$250/day and that could drop to \$50/day.

For the month of November, on \$45 million in revenue, the Corporation lost \$437 thousand (includes a DSH payment). The payment was estimated for three years and NHCC received \$1.189 million for 2005 that was recorded in November. Mr. Bie expects the remaining \$1 million on December 31, 2008. For the month of November, on \$36 million in revenue, the hospital lost \$954 thousand. Year-to-date, on \$392 million in revenue, the hospital lost \$15 million. There were many ups and downs this year. NHCC did not receive Group Price (\$5 million). There were two major adjustments made on the expense side: malpractice (\$5 million) and interest expenses on the bonds fluctuated wildly after the September Stock Market problems. The rates were as high as 9% (\$2-3 million). NHCC will refund the 2004 bonds by end of February. An RFP for a replacement letter of credit went out last month and is due back by the end of next week.

The average daily census at the hospital was 435 in November, two years ago, it was 350. NUMC added 70 behavioral health beds that resulted in a major increase in census. With the increase in outside voluntary physicians, the census could grow by 10-12 patients a day. For every ten patients, revenue could grow to \$6-8 million in profit to the bottom line.

On \$6 million in revenue, A. Holly Patterson had a surplus of \$1.140 million which includes \$1 million in retroactive IGT payment that has been reported each month since July for a \$14 million surplus (\$12 million in retroactive IGT payments). Even without the IGT payments, AHP would have had a surplus of \$2.5 million. The census for November was 579 (budgeted for 578) and FTE's are at 601 (budgeted for 614). It was noted that admissions to NUMC totaled 529 (worth \$1 million).

On \$1.3 million in revenue, the Community Health Centers lost \$301 thousand. Year-to-date, on \$14 million in revenue, the Community Health Centers lost \$2.3 million. Varieties of strategies are or will be taken to deal with these losses. The staffing will be right-sized and the centers may be converted to federally qualified health centers to increase Medicaid rates by \$1-2.5 million in revenue. Mr. Gianelli said that based on Department of Health information, bad debt and charity for the centers has been doubled. If that is the case, it would be a material benefit to NHCC (\$1.4-1.8 million). At the same time, NHCC will work with the County to essentially transform Article 6 subsidy to a payment for service which in theory is fine. He must make sure that it does not adversely affect the funds we receive at the health centers. The health center staffing was not aligned as similarly structured DTCs were. There was also a need to have the ability to look at coding for billing at the centers, which were being coded at the lowest level. The centers need to maximize insurance for children through Healthy Kids First (30% of the children seen are uninsured).

At the end of November, unrestricted cash was \$11 million. NHCC will be close to \$2 million by the end of the year. There are also some issues being worked out with the local Department of Health regarding the processing of Medicaid applications. Mr. Bie is working with the County on a line of credit to get the institution through some low periods in January and February. The pension payment of \$18 million was paid on December 15, 2008 (saving an 8% late fee).

Ms. Hanson asked, in addition to moving forward on right-sizing the health centers, what other initiatives are being taken due to the budget cuts. Mr. Gianelli noted that NHCC is not like a Citi-Group who recently laid off people. The problem here is that more and more people are uninsured and more likely to come here. The losses are on the outpatient side and then they end up in the Emergency Room, which is more costly. Unlike a business in this climate, demand for our services is not going down but funding is going down. Right now, it is premature to over react, the administration has started putting plans together in the event cuts like this come through. The next step may be right-sizing outpatient clinics and exploring whether or not savings can be obtained by not being in the NYS health insurance plan. There are also discussions regarding bringing new physicians in through a separate faculty practice plan so that they would not be part of the NYS retirement system. Options are being analyzed regarding the Trigen contract that provides heat and air-conditioning at a premium of \$4 million. The contract was entered into in the early 1990's and is connected to the County. Ms. Hanson also noted that in July, a new mandatory overtime law will come into effect limiting mandatory overtime for nurses and asked how NHCC would ensure nursing coverage. Ms. Skarka said that the new law will be implemented in July 2009 prohibiting NHCC from mandating nursing overtime unless it is truly an emergency. Most of NHCC staff are on a 12-hour shift, so they would only be mandated for four hours. The main problem will be for PCA's. Nursing staff will be increased before July. Mr. Bie noted that as of January 2009, some increases will be made to adult inpatient charges for certain healthcare plan agreements from \$1,700/day to \$2,400/day. Other hospitals charge \$4,000-

4,500/day. Mr. Gianelli also noted that NHCC is not structured like other hospitals, its ability to declare bankruptcy is not straight forward due to provisions in the NIFA Act and the fact that 90% of Medicaid reimbursement comes from the government.

7. **Report of the Community Health Committee.** Dr. Guercia, chair, reported that the committee met on December 17. Updates on the health center relocations were presented. Hempstead will move by the end of December and 135 Main Street by January 2, 2009. Dental services will be available in New Cassel until a new unit is built. Construction on 380 Nassau Road will begin in February. There was a discussion on staffing. The centers will have a nurse manager, one RN II and two LPNs with 5-8 medical assistants and a social worker. The Committee felt that changes should be made in one center at a time and observed over several months before proceeding to the next center. There needs to be education for prenatal care and family planning. The other issue was the ability for medical assistants to do all that was required, needing close supervision particularly during probationary time. The next meeting is scheduled for January 20, 2009.

Report of the Extended Care Committee. Mr. Saracino, chair, reported that the committee did not meet, but he met with Mr. Slatky to discuss the transition program as it exists in the present structure and in the future structure (which is estimated to take 2-3 years for completion). Some substantial investments are being made in the present structure and there was discussion regarding future needs. It was noted that all equipment, such as dialysis and vent equipment, can be moved to the new facility.

Report of the Facilities Committee. Mr. Gertsman, chair, reported that the Committee met on December 12, 2008. The project labor agreement is ongoing which would allow NHCC to standardize its agreements with unions and possible cost savings. Plans for the parking garage have changed. Another engineer looked at the garage and there may be an opportunity to use part of the garage. Cannon Design was asked to take another look at the ED plan and downsize the project from \$55 million to \$35 million. Paul Rowland noted that recently there was a mock survey regarding environmental standards and there will be different Joint Commission standards in 2009. Mr. Gertsman noted that staff reinvented themselves and are able to review environmental conditions themselves and have a process in place to solve problems in a proactive manner. Mr. Payson asked if those standards are incorporated into the overall capital projects and Mr. Rowland said that they are. Regarding the Emergency Department, Mr. Rowland said that the CON will be modified and is on hold until the redesign is available and at that time, NHCC will seek approval to change the construction documents. Mr. Payson asked if any of the voluntary ambulances corps were involved. Mr. Rowland met with them throughout the process to determine special needs and he also met with the chief pilot regarding the helicopter landing pad and landing paths.

Ms. Hanson was concerned about the JCAHO mock survey and asked if staff felt that they had the tools they need to answer the questions. Mr. Rowland said that they have focused on the standards, the management plan is in place and 2009 standards have been taken into consideration for the capital plans. Mr. Suspenski said that the first quarter of 2009 will be tough with new standards. He noted that JCAHO tends to find leadership issues more than anything else due to the planning process and no resources. Significant progress has been made on Life safety standards. Mr. Payson noted that at the end of the last survey, certain issues were identified and were to be corrected; he asked if staff implemented the required changes. Mr. Suspenski said that they have corrected the issues, but added that as of January 1st, the Joint Commission expects NHCC to be compliant with 2009 standards.

Report of the Legal and Audit Committee. Report in Executive Session.

8. **Other.** None.

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

10. **Report from Executive Session.** Upon return to Public Session, the Board reported that the following actions were taken:

Cardinal Health 110 Inc. Upon a motion made, seconded and unanimously approved, the Board approved an extension of a contract with Cardinal Health 110 Inc. for an additional \$4,800,000 for the period 11/1/08 to 5/31/09. **Resolution No. 163-2008.**

Barnett, Edelstein, Gross, Kass & Lieber. Upon a motion made, seconded and approved, with one abstention (John Brickman), the Board approved an extension of the current contract with Barnett, Edelstein, Gross, Kass & Lieber for \$465,000 for one year to 12/31/09. **Resolution No. 160-2008.**

Fisher Consulting Services. Upon a motion made, seconded and unanimously approved, the Board approved of a contract extension with Fisher Consulting Services for an additional \$275,000. Current contract is \$1,012,874 per year for a total of \$1,287,874 for the period 12/1/08-3/01/09. **Resolution No. 161-2008.**

In Executive Committee the Board also approved the following items:

RSBD Architects. Upon a motion made, seconded and unanimously approved, the Executive Committee of the Board approved an extension of a contract with RSBD Architects for an additional \$109,000. Current contract is \$382,500 for a total of \$490,500 to extend the contract until 11/30/09. **Resolution No. 162-2008.**

Sarcardi and Schiff. Upon a motion made, seconded and unanimously approved, the Executive Committee of the Board approved an extension of a contract with Sacardi & Schiff for \$40,000 for a land use study in connection with parking garage to 11/30/09. Current contract is \$175,000 for a total of \$215,000. **Resolution No. 164-2008.**

Upon a motion made, duly seconded and unanimously approved, the Executive Committee of the Board adopted the Resolution Approving Finance Committee Recommendations and Exhibit dated 12/18/08, all as set forth in the attached. **Master Resolution M-166-2008**

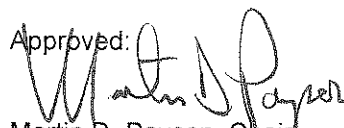
Upon a motion made, duly seconded and unanimously adopted, the Board of Directors approved the Faculty Practice Plan Distribution at September 30, 2008. **Resolution No. 167-2008.**

11. **Adjournment**

Upon a motion, duly made and unanimously approved, the meeting was adjourned at 10:05 a.m. to Executive Session to discuss governance, performance improvement, collective bargaining, personnel matters, contract negotiations and litigation.

12. The next regularly scheduled meeting is, January 26, 2009 in the Auditorium.

Approved:



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

NASSAU HEALTH CARE CORPORATION
BOARD OF DIRECTORS

RESOLUTION APPROVING FINANCE COMMITTEE RECOMMENDATIONS

Resolution No. M-166-2008

December 22, 2008

WHEREAS, by Resolution (No. 023-2007) of the Board of Directors of the Nassau Health Care Corporation, the Board of Directors delegated to its Finance Committee the responsibility for, among other things, overseeing and making recommendations to the Board regarding the Corporation's procurement and contracting policies; and

WHEREAS, there is attached to this Resolution a schedule dated December 18, 2008 (the "Schedule") of resolutions regarding transactions and/or procurement and contracting policies, which require action by the Board and which the Committee has reviewed, discussed and recommends be adopted;

NOW, THEREFORE,

BE IT RESOLVED, that the Board of Directors of the Nassau Health Care Corporation hereby approves and adopts the resolutions recommended by its Finance Committee as set forth in the attached Schedule, with no exceptions.

NASSAU HEALTH CARE CORPORATION

FINANCE COMMITTEE

December 18, 2008

CONTRACTS EXHIBIT

Motions and Resolutions Requiring Action by the Board of Directors

***Barnett, Edelstein, Gross, Kass & Lieber.** [Multi-year contract, extension of current contract, total in excess of \$250,000]. **Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an extension of the current contract with Barnett, Edelstein, Gross, Kass & Lieber for \$465,000 for one year to 12/31/09. Resolution No. 160-2008.**

***Fisher Consulting Services.** [Multi-year contract, extension of current contract, total in excess of \$250,000]. **Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of a contract extension with Fisher Consulting Services for an additional \$275,000. Current contract is \$1,012,874.00 per year for a total of \$1,287,874 for the period 12/1/08-3/01/09. Resolution No. 161-2008.**

***RBSD Architects.** [Multi-year contract, extension of current contract, total in excess of \$250,000]. **Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an extension of a contract with RBSD Architects for an additional \$109,000. Current contract is \$382,500 for a total of \$490,500 to extend the contract until 11/30/09. Resolution No. 162-2008.**

***Cardinal Health 110 Inc.** [Multi-year contract, extension of current contract, total in excess of \$250,000]. **Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an extension of a contract with Cardinal Health 110 Inc. for an additional \$4,800,000 for the period 11/1/08 to 5/31/09. Resolution No. 163-2008.**

***Sacardi & Schiff.** [Multi-year contract, extension of a current contract.] **Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an extension of a contract with Sacardi & Schiff for \$40,000 for a land use study in connection with parking garage to 11/30/09. Current contract is \$175,000 for a total of \$215,000. Resolution No. 164-2008.**

Crown Advertising. **Upon a motion made, seconded and unanimously approved, the Finance Committee recommends Board approval of an extension of a contract with Crown Advertising for \$200,000 for the period 12/31/08 to 3/31/09. Resolution No. 165-2008**

*Requires approval of the Board of Directors

**Standardization requires 3/5 (9 votes in favor) approval of Board of Directors.

**NASSAU HEALTH CARE CORPORATION
NASSAU UNIVERSITY MEDICAL CENTER**

December 22, 2008

RESOLUTION *NO. 167-2008*

Whereas, the Nassau University Medical Center has authority to implement the Faculty Practice Plan; and

Whereas, each participating department chairperson has a department plan for the uses and distribution of net Faculty Practice Plan Fund income; and

Whereas, the Chief Executive Officer has prepared a summary of receipts available for each department's distribution at September 30, 2008; and

Whereas, the Chief Executive Officer has prepared a report of the Department Chairpersons' recommendation for distribution; now therefore, be it

RESOLVED, that the Board of Directors hereby approves the departmental plans for the uses and distribution of each department's share of the net amount to be distributed as follows:

Chairperson's Fund

	Participants	FPP	MMERF	Total
Anesthesiology	\$ 65,000			\$ 65,000
Dept of Comm.Med.	122,412			122,412
Dentistry	17,000			17,000
Emergency	314,500		15,425	329,925
Lab Pathology	14,300		7,540	21,840
Medicine	615,798		26,496	642,294
Neurology	70,350		4,322	74,672
OB/GYN	241,550		36,335	277,885
Ophthalmology	42,900			42,900
Pediatrics	124,150		1,171	125,321
P M & R	105,000		1,066	106,066
Psychiatry	66,000		273	66,273
Radiology	299,000		8,834	307,834
Surgery	260,700		6,294	266,994
Total	\$ 2,358,660		\$107,756	\$ 2,466,416

Martin Payson, Chairman Board of Directors