

Date: January 27, 2010

Time: 1:00 P.M.

Location: Mayers Memorial Hospital
Fall River Mills, California

(These minutes are not intended to be a verbatim transcription of the proceedings and discussions associated with the business of the board's agenda; rather, what follows is a summary of the order of business and general nature of testimony, deliberations and action taken.)

1. CALL MEETING TO ORDER: President Kerns called the regular meeting to order at 1:00 p.m. on the above date with the following present:

Mike Kerns, President
Gail McClung, Secretary
Ruth Knoch
Jim Hamlin, Vice President
Allen Albaugh, Treasurer

Staff Present: Viola Babcock, CFO; Terry Pena, Acting CEO; Marlene McArthur, Administrative Board Clerk.

2. ADDITIONS & CHANGES TO AGENDA, SECTION 54954.2(b)2:

Addition: Closed Session: Quality Assurance – Medical Staff Credentials, William Schmunk,, DDS

3. CALL FOR REQUEST FROM AUDIENCE TO SPEAK TO ISSUES OR AGENDA ITEMS:

Martha Lucero-Fletcher registered to speak to agenda items: 1) Items 7.1, 7.3.1, 7.3.2. She also spoke during open comment period as follows:

She commented she remembered in late 2006 a committee was formed for CEO recruitment that actually conducted interviews for CEO and that the general consensus was not who the Board hired and asked for clarification. Board Chair Kerns replied there were 4 different committees and, yes, not all agreed 100%--that there was input not just from management but clinical as well with an entirely different perspective.

4. APPROVAL OF MINUTES – A motion/second (McClung/Hamlin) to accept, as presented, the minutes of the special meetings held: 1/5/10 and 1/14/10 and the regular meeting held 12/22/09. M/S/C.

5. BOARD CHAIR REPORT: Kerns stated he had nothing to report.

6. BOARD EDUCATION: Sherry Wilson, CNO-SNF, presented information on Minimum Data Set (MDS) and why it's significant in SNF. The MDS is a standardized uniform comprehensive assessment tool to be completed by Medi-Cal and Medicare certified facilities mandated by federal law that are electronically submitted to the State. The tool identifies problems, strengths and preferences of each resident. Detailed MDS information packet as well as templates for MDS 2.0 and new draft MDS 3.0 were dispersed and discussed.

7. BOARD COMMITTEE REPORTS:

7.1 Finance Committee

7.1.1 Audit FY09: Bill Peterson, CPA, Maton & Isom, presented board members with documents prepared by Matson & Isom for review and discussion:

- 1) Report to the Board related to the planned scope of time of the audit and professional standards required including qualitative aspects of accounting practices
- 2) Auditor's Report
- 3) Management's Discussion and Analysis
- 4) Financial Statements: Balance Statement; Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. The District's financial performance in FY09 ended with a loss of \$107,915. The combination of ongoing operating losses and the working capital deficit create an uncertainty about the District's ability to continue and remains a going concern

- 5) Hospital financial ratios comparisons: MMMHD, OSHPD, industry medians for California and National rural hospitals with revenues \$25+ million, and median for CAHs (Far West). Total margin for Mayers -0.5% in comparisons to 2.1%, 3.4%, 2.5%, 2.9% respectively.

A motion/second (Albaugh/Hamlin) made to accept the FY2009 Independent Audit Report as presented by Matson & Isom. MSC.

7.1.2 December Financials: The *statement of revenue and expenses* were reviewed and discussed. In response to a question by Hamlin regarding increase in the category for *other purchased services*, Viola responded one of the reasons for increase was SOSM incurred expenses for supplies from Johnson & Johnson in December. In response to a request for clarification by Albaugh pertaining to accrued operating expenses during the month, Viola clarified the accrued expenses are booked during the month regardless of being paid that month. She reported the county tax monies have been received but the Medicare and Medi-Cal payments are expected in February. The tax monies received were used for Cal-Mortgage payment. Once cost report monies are received in February, those monies will also be paid to Cal-Mortgage per payment schedule. She concluded review of P&L statement by reporting YTD net income a negative \$699,439. She explained a 3-way approach to bringing net down to zero balance at year end: 1) decrease in salaries and benefit expenses for non-essential positions with a cost savings estimate of \$175,000 between now and June; 2) capture charges better and improving revenue by \$200,000; 3) Identify and eliminate non-essential contractual expenses for cost savings of \$250,000 through June (FYE) in effort to be prudent and fiscally responsible.

Public Comment: Martha Fletcher stated her comment had been clarified in report by CFO pertaining to financial savings by laying off employees with benefits and whether other positions were slated for reduction in workforce thus she no further comment. She added that with those deductions it also reduces cost report reimbursement.

A motion/second (Hamlin/Albaugh) was made to accept the December 2009 financials as presented. MSC.

7.1.3 Charity Care Policy & Procedure: CFO Babcock reviewed and discussed revised policy—and reported the final draft is a simpler application and less cumbersome to both customer and staff. ***A motion/second (Kerns/McClung) was made to approve the Charity Care Policy & Procedure. MSC.***

7.1.4 Board Finance Committee Report: Albaugh shared personal perspective rather than a BFC report pertaining to District financial difficulties but more comfortable now because problems are being identified:

- Collections and billing—does not yet help current position—but a starting point going forward
- Management already tasked with tough actions to cut expenses.
- Immediate concern is bond payments to Cal-Mortgage. Board took action to direct tax and cost report monies to bring current. A notice of intent letter has been received by District from Cal-Mortgage reporting District is out of compliance thus gives them authority to appoint management to run our facility. If it were to happen, most likely, it could turn this operation into a transfer facility to Redding or elsewhere with loss of employment base and services. He suggested the Board re-visit agreement with Cal-Mortgage to terms reasonable and agreeable to support the staff and public—to help Mayers overcome and maintain health care services of the District. He re-emphasized he is very concerned with Cal-Mortgage and its role currently as they have not been present at the past 2-3 board meetings for support and assistance. Albaugh stated he does not want Cal-Mortgage to take over the management role at Mayers—but an issue to be brought forward to discuss. He stated that was his stance and assessment but it is a fact that the District is at a critical juncture how to go forward and he is uncertain

how the State will treat Mayers. The District was not in compliance when the regulatory agreement was presented by Cal-Mortgage and approved by the District Board in 2007—thus all knew at that time that compliance would be difficult. He also expressed concern that the agreement presented in January 2007 and what was signed in March 2007 included a significant change in that agreement including the ability to change management to run our hospital. Mayers has not improved in regard to the covenants but not violated anymore than in the past. Cal-Mortgage recommended if there is a change in CEO, they have the right to hire or dismiss as a part of the bond convent. Mayers has diligently tried to communicate best we can, and not sure why now Cal-Mortgage staff is not attending Board meetings as done in past years.

In past years, a weakness of the District was not having a CFO and the Board pushed hard to get a CFO, a requirement in the District Bylaws. Board is not here to manage the day-to-day operations, but the Board has made some good decisions ensuring what's best for the hospital.

McClung referred to notice of violation letter requesting that the District provide documents including financial reports and asked management staff if that had been done—CFO Babcock responded she had submitted documents requested. Kerns concluded he shares discomfort in areas Albaugh mentioned and the need to be proactive as a governing body. Albaugh concluded we must press to have meetings with Cal-Mortgage here and reiterate invitation—and if they will not agree to come here, recommends that two board members meet with them in Sacramento.

Albaugh updated board on BFC discussions with SOSM to mitigate problems with them. He reported outcome from those discussions were positive and we will continue dialogue. Other issue discussed at BFC: CFO tasked to discuss possible sale of District properties (3 vacant lots and 1 commercial lot) in Burney with Cal-Mortgage. CFO Babcock reported the reason for considering sale of assets is to generate cash due to the fact that the District must decrease costs and increase revenues. The BFC directed CFO to get appraisals as initial steps only before board action.

Hamlin and Kerns will schedule meeting with Fruit Growers as well to discuss leased property for Mayers' SNF.

7.2 Strategic Planning Committee:

7.2.1 Seismic Update: Kerns reported meeting scheduled with Michael Ryan & Leslie Thomas, architects, in Sacramento, regarding seismic retrofits mandates due through 1/1/2012. He announced upcoming seismic webinar to provide an update on OSHPD seismic requirements available to all board members. A more comprehensive report with action plan to meet SB1953 compliance is to follow reported Kerns. Kerns reported the SP Committee (Kerns & McClung) is to meet with members of IHF board with a focus on fundraising strategy to plan and move forward to raise substantial amounts of money to do seismic work—the approach must be something dramatic and different than in the past.

7.3 Board Quality Committee (BQC) Report:

7.3.1 Board Policies: The Public Interface Policy & Procedure was reviewed and discussed. Recommended "author" changed and ready for final format. ***A motion/second (Albaugh/McClung) was made to approve Board Interface Policy & Procedure with changes in final format. MSC.***

Kerns reported the draft Sustained Hours to Maintain Benefits Policy & Procedure remains tabled for review by senior management. Babcock directed to re-check for dates referenced in policy. Pena stated she has another status to include as well.

Kerns reported the Internal Complaint Policy also remains tabled for further research and to consider ombudsman concept that would most likely be a volunteer of the District but is still to be determined. Public Comment: Martha Fletcher reported she had nothing to comment in regard to issue as it was clarified within presentation.

The BOC is scheduled to hold a joint meeting with Quality Improvement Committee (Medical Staff), primarily to discuss peer review as well as include general discussion between Medical Staff and Board to move forward with quality care issues. Meetings are to be ongoing but format still being defined reported Kerns.

8. OPERATIONS REPORT:

Kerns referenced written Operations Report and asked Keith Earnest to provide update. Keith reported the hospice group noted in report has not been formally approved by Mayers' hospice. The current R&F system is not currently working and options are being explored by architect and Randal Burkholder, consultant. If new unit, it must be housed in OSHPD compliant space and an option was a portable building with a starting price of \$1million; other proposal is refurbishing system using current railings, etc. that could remain in its current space priced at \$200K but still negotiating. Bond denied for IMRS; appealed denial and appeal approved thus service good to go. Billings will retro back to 9/9/09. FDA transfills resolved and number acquired.

Work Plan Update Review: Deferred to Board Strategic Planning Committee—review also to include Strategic Plan FY10.

P&P Quarterly Summary: Keith Earnest reported as a result of board assessment during the annual hospital review, the P&P Summary is included in board packet which lists those policies that were substantially revised and issued for the quarter ending 12/31/09.

9. ANNOUNCEMENT OF CLOSED SESSION (3:40 pm Recess/3:50 p.m. Closed Session)

President Kerns announced closed session for the purpose of the following:

1. Pending litigation pursuant to Government Code Section 54956.9. (Nothing to report)
2. Discuss and review quality assurance issues and consider approving medical staff credentials pursuant to Government Code Section 54962.
3. Personnel, Public Employee Discipline/Dismissal/Release, pursuant to Government Code Section 54957.

10. RECONVENE – REPORT OF CLOSED SESSION ACTION(S): President Kerns reported the following actions taken in closed session:

- 1) MEDICAL STAFF REAPPOINTMENTS:** Motion/second (Kerns/Hamlin); unanimously carried:
1. William Schmunk,, DDS

11. ADJOURNMENT: The Board of Directors adjourned at 5:30 p.m.