

Date: April 9, 2010
Time: 8:30 A.M.
Location: Mayers Memorial Hospital District
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 special meeting to order at 8:31 a.m. on the above date with the following present:

Mike Kerns, President
Jim Hamlin, Vice President
Allen Albaugh, Treasurer
Gail McClung, Secretary
Brenda Brubaker, Director

Board Members Absent: None

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

Albaugh requested "potential litigation" be added to the closed session agenda.

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

Comments: Marty Fletcher commented, in lieu of what is printed in the newspapers, the financial status is confusing to the community and due to the fact that there are many community members present today, she hoped there would be clarification in this session.

Dick Nemanic read a statement describing his concerns of the hospital, particularly due to the recent publication in Mountain Echo regarding the possible loss of long-term care. A summary of his concerns follows: deficit and alternatives to improve; 2) state seismic mandate due 2012 with cost projections and immediate funding necessary; 3) surgery underutilized and concerned of the reason why CEO did not negotiate to retain surgeon or get him back; 4) morale bad—and harmony essential in workplace; 5) consideration of possible interim tax increase; 6) possible loss of hospital and impact to community.

4. MANAGEMENT OPTIONS: Kerns reported he and Albaugh met with Doug Self, CEO, Seneca, and Bill Gordon, Renown, to review and discuss management agreement proposal. Discussions followed regarding the agreement which includes part-time CEO service for \$16,500 per month with a 5-year term. The initial CEO would be Seneca's CEO Doug Self who would be on-site part-time but available full-time. Agreement also includes District access to Renown's departments and services (i.e., legal counsel, HR, purchasing, etc.).

Hamlin reported Keith Brady has offered to come work full-time on an interim basis to provide CEO services concurrently while Renown proposal is being reviewed and/or processed, which could take a minimum of 3-4 months. This would provide Pena assistance and relieve her to work exclusively as CNO-Acute and quality.

By consensus, Mr. Brady is to be approached on his offer to make presentation at the board meeting 4.28.10. Also at that board meeting, more information will have been obtained from Renown. In the meantime, an Ad Hoc Committee is to draft CEO search process.

Board decided more information was necessary for further discussions and/or to consider action pertaining to Renown contract. Brubaker was tasked to organize an on-site visit at Seneca. The board members are to submit any further questions they have of Renown to McArthur so that they can be submitted to both Gordon and Self prior to on-site visit.

5. FINANCE REPORT—CLARIFICATION OF COST REPORTING:

Albaugh explained the figure quoted in the newspaper that the long-term care (LTC) was losing over \$1.5 million annually was not wrong—that it is the figure published by OSHPD—but understanding the LTC cost reporting numbers reported is more complex. Basically, more deductions are taken to maximize what we get back from the state—in essence the losses are maximized, including overhead cost allocations, to maximize gains (charges). The reporting of numbers without explanation and detail can cause hysteria and unfortunately contributes nothing to solving the problem. Albaugh explained and clarified the cost reports allow the District to recapture costs that are not captured in billing process. The State handles LTC differently than the way it is handed with acute care and other enterprises—it allows the LTC to increase charges vs. reimbursing and capturing extra charges. An analogy he used and somewhat similar to what we know as our income tax report. Public Comment by Mr. Robert Downey regarding allocation of overhead costs, the BOD referred the matter to Director of Finance Travis Lakey to meet with him and review financial audit. Albaugh concluded report by stating at the present time, the District's finance department is going through the hospital departments and reviewing contracts that have led to losses in the past in an attempt to finance and manage each department appropriately and successfully. The District is dealing with the current debt issue and moving forward to make money and sustain services.

6. ANNOUNCEMENT OF CLOSED SESSION (Recess 9:40 AM/Convened 9:55 AM), Government Code Section 54956.9: President Kerns announced that the BOD would recess to a Closed Session to confer with legal counsel to discuss pending litigation entitled Stewart v. Mayers Memorial Hospital District and discuss potential litigation.

7. RECONVENE OPEN SESSION (10:54 AM): President Kerns reported that the Board of Directors met in Closed Session to discuss pending litigation. The Board of Directors, on a unanimous vote, in the matter of Stewart v. Mayers Memorial Hospital District, approved a Settlement Agreement.

8. ADJOURNMENT: The Board of Directors adjourned at 10:54 a.m.