

MINUTES OF MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
February 4, 2004

Present:

Mr. Faro
Mr. Hickey
Ms. Kane
Dr. Katz

Also present:

Mr. Gibson, CEO
Mrs. Greenberg, Counsel
Ms. Scott, Recorder

Absent:

Mr. MacNaughton

CALL TO ORDER:

President Faro called the meeting to order at 4:30 PM in the Sequoia Room at Sequoia Hospital.

PUBLIC COMMENT:

There was no public comment.

CONSENT CALENDAR:

Director Kane offered a motion to approve the items on the Consent Calendar, which was seconded by Director Katz and unanimously passed.

Consider Resolution 04-1 Authorizing Change In Funding Source And Payment Administrator For The Sequoia Healthcare District Employees Pension Plan

Mr. Gibson explained the pension plan being discussed is that which had been in place prior to the affiliation agreement with SHS in 1996. There are approximately 400 people enrolled in this plan and it has assets of approximately \$47M. Transamerica Corporation has historically disbursed checks and 1099 forms to beneficiaries for a 5% service charge. Funds necessary to pay retirees' pension checks are now invested with Vanguard and transferred to Transamerica for disbursement. The Pension Plan Committee has discussed and recommends the use of Vanguard as the disbursement agent for the above-mentioned functions. This change will result in an estimated savings of \$20K per year.

On a motion duly made and seconded and unanimously passed, the reading of Resolution 04-1 was waived.

Director Hickey said he would like the District not to be involved with this pension plan. Director Kane said it is the Board's fiduciary responsibility to the retirees to attend to matters

concerning this pension plan. Mr. Gibson reminded Mr. Hickey that this plan is a governmental plan and as such cannot be transferred to a non-governmental entity. Director Hickey expressed that he feels this issue is confusing. Director Kane explained to Director Hickey the funds are already present in the fund, what is being discussed is simply what entity writes the checks. Director Hickey asked if taxpayer funds are being utilized to fund this pension plan and reiterated that he would like the District to be dissolved. Mr. Gibson explained that any funds the District uses to fund a shortfall in this plan are immediately reimbursed by SHS per the affiliation agreement entered into in 1996.

A motion was offered and seconded, which passed, to approve Resolution 04-1. President Faro called the question: Role call vote:

AYES: Directors Kane, Katz

NOES: Director Hickey

ABSTAIN: Faro

ABSENT: Director MacNaughton

Presentation By Fiduciary Trust (District's Investment Advisors) For Period 1/1/03-12/31/03

Mr. Eric Reynolds, Vice President for Fiduciary Trust reviewed the Investment report for calendar year 2003 (a copy of which is included with the original minutes). Mr. Gibson pointed out there are strict guidelines for government entities (state and District) with regards to investing and it is Fiduciary Trust's charge to get the best return on the portfolio within these strict guidelines. He further pointed out that the District only invests in fixed income securities and not equities (stocks). Mr. Reynolds stated that the District's investment criteria resulted in better total returns (above benchmark) than other investment options that could have been selected despite the low interest rates in 2003. Mr. Reynold's described Fiduciary's strategies for defending against long-term rising interest rates and said that the District's portfolio is structured defensively if interest rates rise. The total value of the District's portfolio is \$49M as of 12/31/03.

Samaritan House Medical Clinic Annual Report For Year Ending 12/31/03

Kitty Lopez, Executive Director of Samaritan House, provided a verbal report pertaining to the services of Samaritan House, a nonprofit organization providing food, clothing, shelter and health care to low-income residents. Ms. Lopez thanked the District for its support of Samaritan House's Medical Clinic in Redwood City. Ms. Lopez pointed out that San Mateo County has been designated a medically underserved area by the federal government, which leaves the working poor at a particular disadvantage with regard to healthcare. The patients seeking help in the Redwood City medical clinic would otherwise utilize emergency rooms or not seek help at all. In 2003 the clinic saw 4300 patients and are now seeing 300-500 patients per month with 24 volunteer physicians, 18 volunteer support staff and 2 full and 2 part-time paid staff. Sequoia Hospital has provided additional patient services along with Kaiser Hospital for diagnostic care. Among those entities also providing financial support are the city of Redwood City, CHW and individual private donations.

Ms. Lopez shared a story of a person who was a patient at Samaritan House and now is a volunteer. She has been active in acquiring funding from the city of Redwood City in support of Samaritan House.

Director Hickey asked if the clinic would still be able to thrive if the District would cease providing support, as he would like it to do. Ms. Lopez said that would be a difficult endeavor (as the District pays at least 90% of the overhead), although if that were to happen Samaritan House would certainly attempt to remain functional.

President Faro commented that he couldn't imagine what the burden on the community would be if programs such as Samaritan House's clinic didn't exist and he feels it is a very valid program for entities such as the District to support.

Children's Health Initiative Annual Report For Period Ending 12/31/03

Toby Douglas, Project Director for the Children's Health Initiative (CHI) presented an annual report (a copy of which is available with the original minutes). The goal of CHI is to provide healthcare coverage for all uninsured children. To date, 4850 children have been enrolled in the Healthy Kids program, 27.5% of which reside in the Sequoia Healthcare District. Enrollment is projected to increase, and other funding sources are being sought to cover children ages 6-18. The Sequoia Healthcare District has agreed to fund this program in the amount of \$1.35M per year. Since 2003 was a ramp-up year, total expenditures for the first year were \$900K. Private foundations, San Mateo County, Peninsula Healthcare District and other sources are also financially supporting this program.

An issue facing the Healthy Kids program is the outlook for The Health Plan of San Mateo to remain in business as the plan's managed care administrator. Also proposed changes to MediCal will impact provider reimbursement and access.

Director Hickey asked how much funding is spent on early pregnancy termination, as his constituents are concerned with this. Mr. Douglas informed those present that, as a managed care provider, based on a state constitutional mandate, all insurers must provide abortion services within their insurance products. To date there have been no such services performed under the Healthy Kids program. Director Hickey said that his pro-life friends would appreciate that information.

A member of the audience thanked the District for supporting the Healthy Kids program and congratulated the Board for taking care of children and expressed that anyone present could find themselves in a situation where they'd be looking for the kind of help that these programs provide.

Report From Board Committee Pertaining To Activities Related To Replacement Hospital

President Faro stated it is the District's priority to ensure that a state-of-the-art facility is available to the residents, but he could not comment on whether it would be prudent to utilize public funds towards the rebuilding of Sequoia Hospital on its current site until CHW's proposal for doing so has been seen. Several earlier studies indicated it would take longer to rebuild on site and would be more costly. He articulated that the ultimate decision to rebuild on site is a

Sequoia Health Services decision, not solely a CHW decision. The District's obligation is to see that residents have access to high quality health care, and that Sequoia Hospital's employees and physicians are available to provide that health care. President Faro proposed the committee comprised of Directors MacNaughton, Mr. Gibson and himself continue its work to ensure that the District's fiduciary obligations to the community are met, which includes discussions with all parties (CHW, PAMF, et al.) regarding plans for ensuring the availability of healthcare services.

Director Hickey expressed that he would like CHW to wholly manage and own Sequoia Hospital.

Mr. El Don Corl addressed the Board and expressed support for rebuilding Sequoia Hospital at its current location.

Director Kane offered a motion to approve the continuing work of the Board committee regarding plans for the future of Sequoia Hospital, which was seconded and passed with a 3-1 vote with Director Hickey opposed.

President Faro adjourned the meeting at 5:50 PM. The next regularly scheduled meeting of the Sequoia Healthcare District Board of Directors is Wednesday, April 7, 2004, 4:30pm, Sequoia Room, Sequoia Hospital.

Respectfully Submitted, Kathleen M. Kane, Secretary