

CALL TO ORDER                   The meeting was called to order at 5:30 p.m. by Peter Watercott, President.

PRESENT                           Peter Watercott, President  
M.C. Hubbard, Secretary  
Denise Hayden, Treasurer  
D. Scott Clark, M.D., Director

ALSO PRESENT                   Leo Freis, Acting Administrator  
Douglas Buchanan, District Legal Counsel  
Susan Batchelder, Director of Nursing (recording)

ABSENT                           John Ungersma, M.D., Vice President  
John Halfen, Administrator

ALSO PRESENT FOR  
RELEVANT PORTION(S)         Dianne Shirley, R.N., Performance Improvement Coordinator

PUBLIC COMMENTS  
ON AGENDA                       Mr. Watercott asked if any members of the public wished to comment on any items listed on the agenda for this meeting. No comments were heard.

COVERAGE FOR CEO  
AND SECRETARY                 Leo Fries, Compliance, Lab, and Administration Support Services noted he will stand in for John Halfen at this meeting and Director of Nursing Susan Batchelder, R.N. will record in place of Administration Secretary Sandy Blumberg.

MINUTES                         The minutes of the January 19, 2011 regular meeting were approved.

FINANCIAL AND  
STATISTICAL REPORTS         Carrie Petersen, Controller, called attention to the financial and statistical reports for the month of December 2010. She noted the statement of operations shows a bottom line excess of revenues over expenses of \$3,343,802. Ms. Petersen additionally called attention to the following:

- *Inpatient and outpatient service revenue were both under budget*
- *Total expenses were under budget*
- *Salaries and wages and employee benefits expense were under budget*
- *Professional Fees Expense was close to budget*
- *The Balance Sheet showed no significant change*
- *Total net assets continue to grow*
- *Year-to-date net income totals \$4,336,382*

Ms. Petersen noted the budget analysis shows that inpatient and outpatient activity were under budget, but due to a Medicare tentative cost report settlement for the fiscal year ending June 30, 2010 the hospital realized a positive bottom line of \$3,343,802. She also explained that the fiscal intermediary who processes Northern Inyo Hospital's (NIH's) Medicare payments and performs audits changed from National Government Services to Palmetto, and prior to the change a cost report had not been

settled for three years. Palmetto is currently working on getting payment processing and audits caught up as quickly as possible. During the same three year period NIH also changed from a Perspective Payment System hospital to a Critical Access Hospital, so the previously calculated daily per diem rate and outpatient payment percentage estimates were low. These have now been set to what is expected to be our normal reimbursement, and Carrie noted in the end the hospital will probably have an overall contractual reimbursement percentage of 38%. Following review of the reports provided it was moved by Denise Hayden, seconded by M.C. Hubbard, and passed to approve the financial and statistical reports for the month of December as presented.

#### BUILDING REPORT

John Hawes with Turner Construction Company reported the building project is progressing well and the inside walls will be closed in about four weeks. He noted that Scott Hooker and Turner Logistics are reviewing plans with the users to ensure any necessary changes are made prior to closing the walls. The chillers for the new central plant will arrive next week, and work has started in the current central plant. The access corridor has been roofed in and will be completed in about six weeks.

Property Manager Scott Hooker reported there were no change orders to present at this meeting. He also stated that workers are getting ready to put on the metal lathe, and they will be ready to put the outside finish on the walls in the next few weeks. Window installation will also begin next week. In response to questions, Scott affirmed that work can be completed between the scaffolding and the external plastic cover. The air handling units needed for the process have been installed; exhaust fans are in place; and work on the project is continuing on schedule.

#### SECURITY REPORT

Leo Fries called attention to the Security report for the month of December 2010, which revealed no significant Security issues.

#### ORTHOPEDIC SERVICES UPDATE

Mr. Fries also noted that in the absence of Administrator John Halfen, the orthopedic services update will be tabled to the next regular meeting.

#### PHONE SYSTEM UPDATE

Information Technology Director Adam Taylor provided an update on the installation of the hospital's new phone system. Employee training sessions have been completed and help-desk personnel will be on site during the phone transition. The actual changeover to the new system is scheduled to take place on the evening of Friday February 18<sup>th</sup>. A team of technicians will be present to ensure coordination of services, and they will remain on site for a period of one week in order to answer questions and assist in the transition from the old system.

#### PHYSICIAN RECRUITING

Mr. Fries also reported that the physician recruiting update would be tabled to the next regular meeting.

CHIEF OF STAFF  
REPORT

Chief of Staff Helena Black, M.D. was not present at this meeting, however she sent a message that there were no Medical Staff issues of significance to report and she thanked the Board for their ongoing support of the NIH Medical Staff.

PURCHASE OF  
PMA PARTNERSHIP  
INTEREST

Mr. Freis called attention to a proposed *Agreement for Purchase and Sale of a Partnership Interest in Pioneer Medical Associates*; stating it contains no significant changes from the agreement that was originally presented to the Board. Mr. Buchanan discussed concerns he had regarding missing attachments and dates that need correction. He also noted that the due diligence date for the proposed agreement was February 10, so the sellers were informed that the agreement was not scheduled for approval until tonight's (February 16<sup>th</sup>) meeting.

Ms. Hayden expressed concern about the section of the agreement which states that the buyer (NIH) will deliver funds directly to the seller. Mr. Buchanan agreed that this section should be changed to read, "Buyer shall deposit funds (for the sale) into escrow". Mr. Buchanan noted that the property will be in escrow as soon as the seller's attorney finalizes the contract. He also noted that the sellers were originally offered a down payment on the transaction but they requested security, which Mr. Buchanan did not feel was in the best interest of the District. Hospital Administrator John Halfen suggested to Mr. Buchanan that the sellers be paid the purchase amount due in cash.

Dr. Clark inquired as to what attachments were missing from the agreement, and Mr. Buchanan responded that the assignment to the District should be attached. Following discussion of the proposed purchase it was moved by Ms Hayden, seconded by Ms. Hubbard, and passed to approve the *Agreement for Purchase and Sale of Partnership Interest in Pioneer Medical Associates*, including the changes suggested by Mr. Buchanan.

IT STORAGE UPGRADE

Director of Information Technology Adam Taylor presented a request for the purchase of an upgrade to NIH's data storage system. He noted the purchase is necessary in order to meet the demands of Paragon, the Hospital's new Information System which will be installed in the upcoming months. The specific needs of the new system have not yet been determined, so Mr. Taylor is requesting a budget not to exceed \$190,000, with the purchase being subject to the approval of Administrator John Halfen. Ms. Hayden questioned whether this was part of the original Hospital Information System purchase request, and the response was that this is an additional expense. Following discussion of the need for additional storage, it was moved by Ms. Hayden, seconded by Ms Hubbard, and passed to approve purchase of an upgrade to the

hospital's Information Technology (IT) data storage system for an amount not to exceed \$190,000.

LANGUAGE SERVICES  
ANNUAL REPORT

Language Services Manager Jose Garcia reviewed with the Board the Language Services Annual Report for the 2010 calendar year. Mr. Garcia reported that interpreting sessions increased 14% over the previous year, and use of the Language Line increased by 4% over the previous year. Mr. Garcia noted 2010 was the first full year that video interpreting equipment was in use at NIH, and he stated that it was used for a total of over 9000 minutes. The number of patient translations completed last year totaled 38 translations. Dr. Clark commented on how useful interpreting sessions have been for physicians and patients, and he commended Mr. Garcia on a job well done. It was moved by Ms. Hubbard, seconded by Ms. Haden, and passed to accept the Language Services Annual Report for 2010 as presented.

STATUTORY  
REQUIREMENTS OF  
THE DISTRICT BOARD

District Legal Counsel Douglas Buchanan reviewed with the Board the statutory requirements and fiduciary duties that apply to members of the District Board. Mr. Buchanan stated that Board members act as trustees for the area residents who elect them, and they are responsible to the people who elect them. He also noted that the basic statute that Board members work under is Hospital District law. Mr. Buchanan and Mr. Halfen both have copies of District Law available for the review and reference of any Board member, upon request. District Law is the constitution, per se, of Board members, and it defines everything that Board members are allowed to do. Mr. Buchanan distributed copies of applicable District Law with pertinent sections highlighted for the reference of the Board. He mentioned that the Board holds the power to hire legal counsel and to hire the Chief Executive Officer, and stated that hospital employees shall hold their positions with the consent of the Board, which explains the "at will" hiring and firing policy for District employees. Mr. Buchanan also commented that page 17 of District Law grants the District the power to operate a child care facility for the benefit of the hospital District. Mr. Buchanan reiterated that the primary purpose of the Board of the Directors is to serve the members of the District that they represent. He also stated that Board meetings operate under the rules of the Brown Act, and he suggested that Board members read the Brown Act if they have not already done so.

340-B PROPOSAL FOR  
DWAYNE'S PHARMACY  
& SENTRY SYSTEMS

Mr. Freis called attention to a proposal for 340B technology solutions. He informed the Board that 340B is a federal law that allows special pharmacy pricing for hospitals with a disproportionate share of indigent costs. The law allows drug companies to offer prices significantly lower than those offered to other entities, and as a Critical Access Hospital, NIH qualifies for participation in this program.

In order to take advantage of the benefits of 340B pricing, the hospital must contract with a retail pharmacy to replace the drugs the hospital pharmacy uses in filling qualified prescriptions with 340B purchased drugs, creating a situation where the retail pharmacy makes a profit on the dispensing fee only. Mr. Freis explained the process by which Northern Inyo Hospital can potentially receive significantly higher profit on patient prescriptions, and stated that in order for the system to work a complex computer program must be purchased in order to help manage the details of ordering and pricing. Sentry Systems has the most developed and widely-used software available for this purpose, and an initial cash expenditure of \$30,000 for implementation would create a potential for \$400,000 to \$600,000 in increased revenue per year for the hospital. Pharmacy Director Jillene Freis and Dwayne's Pharmacy owner Dwayne Wilson were present and also provided details on how the program works, and explained that the agreement and software purchase will benefit all parties involved in the process. The hospital and Dwayne's Pharmacy have agreed to continuously monitor and audit the program, with both parties being committed to making the program beneficial for everyone involved. A question was asked regarding whether or not the program will benefit indigent patients who have no insurance and no money, and the response was that unfortunately, it will not. Following further discussion and review of the proposed agreement with Sentry Systems it was moved by D. Scott Clark, M.D., seconded by Ms. Hayden, and passed to approve the agreement and software purchase with Sentry Data Systems as requested.

**BOARD MEMBER  
REPORTS**

Mr. Watercott asked if any members of the Board of Directors wished to report on any items of interest. No comments were heard.

**OPPORTUNITY FOR  
PUBLIC COMMENT**

In keeping with the Brown Act, Mr. Watercott again asked if any members of the public wished to comment on any items listed on the agenda for this meeting, or on any items of interest. No comments were heard.

**CLOSED SESSION**

At 6:45 p.m. Mr. Watercott announced the meeting was being adjourned to closed session to allow the Board of Directors to:

- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
- B. Confer with legal counsel regarding action filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
- C. Confer with legal counsel regarding action filed by Stephen Johnson and Elizabeth Monahan-Johnson against Northern Inyo

County Local Hospital District and other Defendants (Government  
Code Section 54956.9(a)).

RETURN TO OPEN  
SESSION AND REPORT  
OF ACTION TAKEN

At 7:13 p.m. the meeting returned to open session. Mr. Watercott announced that the Board took no reportable action.

PUBLIC COMMENT

Mr. Watercott again asked if anyone present wished to comment on any items on the agenda for this meeting, or on any items of interest. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 7:15 p.m.

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Peter Watercott, President

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M.C. Hubbard, Secretary