



Marin Healthcare District

100B Drakes Landing Road, Suite 250, Greenbrae, CA 94904

Telephone: 415-464-2090 Fax: 415-464-2094

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SPECIAL STUDY SESSION of the BOARD OF DIRECTORS

With the Finance & Audit Committee

October 31, 2017, 5:40pm

Location: Marin Healthcare District, 100B Drakes Landing Road, Suite 250, Greenbrae, CA 94904

Regular Session Minutes

I. Call to Order

A. Roll Call

- ✓ Board Members present: Chair Ann Sparkman; Vice Chair Harris Simmonds; Secretary Jennifer Hershon. **Board quorum established.**
- ✓ Board of Directors absent: Larry Bedard, Jennifer Rienks.
- ✓ Committee Member Present: Jennifer Hershon. Committee member absent: Larry Bedard. **Committee quorum not established.**
- ✓ Staff Present: Jim McManus, Joel Sklar, Jean Noonan, Ellen Akre, Michael Lighthawk.

A. Approval of Agenda

B. Approval of Minutes from previous Closed Session, July 25, 2017 (Action) Action tabled due to lack of committee quorum.

C. Approval of Minutes of Regular Meeting: August 29, 2017 (Action) Action tabled due to lack of committee quorum.

D. General Public Comment – *At this time, any member of the public audience may make statements regarding any items NOT on the agenda. Statements are limited to a maximum of three (3) minutes. Please state your name if you wish to be recorded in the minutes.*

II. Review / Recommend Approval of Items Discussed in Closed Session (Action)

Motion: To Approve the Second Amendment to the Professional Services Agreement (PSA) between Marin Healthcare District and Stanford Healthcare Services.

So moved by Director Hershon. Seconded by Director Simmonds.

Discussions ensued following the Closed Session presentation on the following topics:

- Directors Sparkman and Rienks expressed that their preference would have been to bring this particular arrangement before the full board on November 14th. However, Dr. Sklar pointed out that the Dr. Katragunta is due to start on November 13th and thus the Special Study Session of the Full Board was appropriate.
- Chair Sparkman asked for an explanation about the last minute timing of this presentation. Ellen Akre responded that she and Stanford had been working on the start date for some time. However, the lead person at Stanford's Vascular Surgery department was out on maternity leave and the staff who were filling in were not quite as up to speed as the regular lead person. This caused a delay in finalizing the terms of the contract.
- Mr. McManus informed the committee that the terms and conditions of this arrangement require the arrangement to go before both the MGH and MHD Boards for approval and that the arrangement was presented and approved at the MGH Board Retreat the previous week.
- Ms. Sparkman asked to see the entire agreement with Stanford.
- Ms. Hershon confirmed with Ellen Akre that the Fair Market Value (FMV) diligence was performed and included.
- Dr. Simmonds declared that he was in favor of approving the arrangement but management should not make a habit of conducting business in this manner. Member Hershon stated that



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approval can be reflected in the minutes but recommends having a discussion at the November 14th board meeting in closed session.

- Ms. Sparkman commented that if another arrangement is brought before the board without enough time to review, staff will need to wait until the next time the board can meet to discuss.*

At this point in the discussion, Ann Sparkman called for a vote on the motion. The vote is recorded as follows: Ann Sparkman – Aye; Jennifer Hershon – Aye; Harris Simmonds – Aye. **Motion approved.**

III. Finance

A. Financial Report – September 30, 2017

Balance Sheet (Pg. 10) – The 2nd tranche of GO Bonds was issued in September, therefore the Assets Limited to Use category jumped from \$45M to \$288M. With the recent issuance of \$224M, the GO Bond process is now complete. Each month hospital construction costs are significant. In September, we spent \$8.6M for general construction, steel, etc. This level of spending will be ongoing month-to-month.

Revenue Bonds - Over the next three weeks, management is starting the process for the Revenue Bond offering, which does not impact the District. It will be the hospital's responsibility to pay off these bonds. However, since this issuance will increase the hospital's debt, it will need to be approved by both the MHD Finance and Audit Committee and the MHD Board. The Revenue Bond diligence is a longer process than the GO Bonds and will take 4-5 months. Bond counsel will take the lead on managing the appropriate documentation and will prep senior management on possible responses to real time questions from the agencies. One difference between the GO Bond and Revenue Bond processes is that the presentations have to be live, not recorded. Additionally, management may need to ask for one special meeting of both boards, probably in early April of 2018. Finally, the timeline has been set but the key dates are still being developed.

Income Statement (Pg. 11) – This statement is broken up into three sections: Actual District Expenses, Clinic Activity, and Bond-related Revenue/Expense. Revenue of the District is solely from the lease of the hospital and a small amount of investment earnings. Total expenses for the District in September was \$137K. Expenses are a little bit lower per month because of the depreciation of the Parking Garage. Monthly MGH Program Support for the investment in the Behavioral Health Program is \$16.6K or about \$150K YTD.

1206(b) Clinics

Director Simmonds enquired as to the status of the West Marin Clinic in Pt. Reyes. Jim McManus responded, yes, this was a self-managed clinic that was terminated in August.

CAM – Jennifer Hershon commented that it has been a while since this committee or the board had seen a detailed financial breakdown of significant clinic deficits along with corresponding

** Note: Following review of this meetings' minutes at the November 28, 2018 Special Study Session of the Full Board with the Finance & Audit Committee, Board Members Ann Sparkman, Harris Simmonds and Jennifer Hershon approved adding the following comment to the minutes:*

"The District Board members present (at the October 31st meeting), notified Dr. Sklar that we were not happy with the last-minute appraisal of the new addition to the 1206b clinic (Vascular Surgery) and the need for immediate action by the Special Study Session on that physician's acceptance. The District Board, as we have commented on in the past, needs time to digest the actions/recommendations of the Hospital Board and MGH Management."



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information on the clinics' activities. Jennifer subsequently requested that the committee or the board be presented with a more detailed breakout on CAM's deficit. Mr. McManus agreed that he would present more detail in his report to the committee and the board, not only on CAM, but for the other clinics that are operating at a deficit as well.

Ms. Hershon also asked if Dr. Sklar is still overseeing CAM. Mr. McManus clarified that Dr. Sklar has no administrative, management, or decision making role with CAM. Additionally, when the hospital board is voting on anything to do with CAM, Dr. Sklar must step out of the room and not participate in the discussion. He does, however, still practice within CAM. Those charged with oversight for CAM are: Jon Friedenber, COO; Ronni Himi, Practice Manager for CAM; and, Dr. Mark Wexman, Physician Lead.

Further discussions ensued regarding the contracting history of CAM with MGH; the ramping up of new physicians and the impact of new physician performance on the subsidy.

Ann Sparkman stated that she would report to the board on this meeting and asked Jim McManus for help to put together a report of the meeting's discussions and requests.

Jennifer Hershon recapped that the F&A committee requests for more detail on the CAM and other clinics' deficits.

Director Simmonds brought forth a point of interest that hospitals will be increasingly challenged to continue support to ancillary clinics and that he does not feel that these subsidies to the clinics can be sustained. Mr. McManus replied that administration is having those discussions right now during the current budget meetings which includes Prima and the property leases associated with the clinic locations.

Additionally, the board members asked for a review of potential conflicts of interest in district arrangements. (Action)

IV. 2018 Committee Schedule – (Handout)

V. Agenda Items for Subsequent Meetings

- A. Detail on Clinic Deficits
- B. Review of potential Conflicts of Interest in District Arrangements

VI. Adjournment – Chair Sparkman thanked the board members and staff and adjourned the meeting at 6:30pm.