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**West Contra Costa Healthcare District  
Doctors Medical Center  
Board of Directors**

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**Tuesday, July 15 2014  
5:00 PM  
Doctors Medical Center  
Auditorium  
2000 Vale Road  
San Pablo, CA**



**WEST CONTRA COSTA HEALTHCARE DISTRICT  
DOCTORS MEDICAL CENTER**

**BOARD OF DIRECTORS**

**WCCHD DOCTORS MEDICAL CENTER  
BOARD OF DIRECTORS  
JULY 15, 2014 – 5:00 P.M.  
Doctors Medical Center - Auditorium  
2000 Vale Road  
San Pablo, CA 94806**

**Board of Directors**

*Eric Zell, Chair  
Irma Anderson  
Deborah Campbell  
Nancy Casazza  
Beverly Wallace*

**AGENDA**

1. **CALL TO ORDER** E. Zell
2. **ROLL CALL**
3. **APPROVAL OF MINUTES OF JUNE 16, 2014 AND  
JUNE 25, 2014** E. Zell
4. **PUBLIC COMMENTS** E. Zell  
*[At this time persons in the audience may speak on any items not on the agenda  
and any other matter within the jurisdiction of the Board of Directors]*
5. **UPDATE ON REGIONAL PLANNING INITIATIVE** D. Gideon and  
Dr. Joe Barger
  - a. Presentation
  - b. Discussion
  - c. Public Comment
  - d. *ACTION: Information Only*
6. **ACHD UPDATE** D. Campbell
  - a. Presentation
  - b. Discussion
  - c. Public Comment
  - d. *ACTION: Information Only*

## **ADJOURN TO CLOSED SESSION**

- A. Reports of Medical Staff Audit and Quality Assurance Matters Pursuant to Health and Safety Code Section 32155.
- B. Conference with Labor Negotiators (pursuant to Government Code Section 554957.6)  
Agency negotiators: Bob Redlo, VP of Patient Relations, Labor Relations & Workforce Development, John Hardy, Vice President of Human Resources: California Nurses Association, NUHW, PEU Local One and Local 39.
- C. Discussion involving Trade Secrets Pursuant to Health and Safety Code Section 32106. Discussion will concern new programs, services, facilities.

**ANNOUNCEMENT OF REPORTABLE ACTION(S) TAKEN IN CLOSED SESSION, IF ANY.**



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**MINUTES**

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**TAB 3**



**WCCHD DOCTORS MEDICAL CENTER  
BOARD OF DIRECTORS**

**JUNE 16, 2014, 4:30 P.M.  
Doctors Medical Center - Auditorium  
2000 Vale Road  
San Pablo, CA 94806**

**MINUTES**

**1. CALL TO ORDER**

The meeting was called to order at 4:38 P.M.

**2. ROLL CALL**

Quorum was established and roll was called: 4:39 PM

Present: Eric Zell, Chair  
Beverly Wallace  
Irma Anderson

Excused: Deborah Campbell  
Nancy Casazza

**3. APPROVAL OF MAY 07, 2014 MINUTES**

*The motion made by Director Beverly Wallace and seconded by Director Irma Anderson to approve the May 07, 2014 minutes passed unanimously.*

**4. PUBLIC COMMENTS**

Sandra Falk (Community member) asked the Board of Directors to provide the community with information on why the recent tax measure failed to pass. Ms. Falk expressed her opinion that the parcel tax measure would have had greater likelihood of passage if it included a specific term and a restructure plan option for the community.

## **5. APPROVAL OF 2014 COUNTY PROPERTY TAX TRANSFER**

Ms. Gideon presented and read resolution 2014-06, for approval of the 2014 County Property Tax Transfer, the attached amended and restated third agreement includes the same terms as the previous two contracts;

WHEREAS, the West Contra Costa Healthcare District and Contra Costa County desire to have an agreement for the temporary transfer of the allocation of the District ad valorem property tax revenues to County to allow for funding of the District's acute care hospital in San Pablo, California, doing business as Doctor's Medical Center (hereinafter referred to as "DMC" or the "Hospital"), during the period of a transition to a new sustainable model; and

WHEREAS, California Revenue and Taxation Code Section 99.02 authorizes the District and County to modify the allocation of property tax revenues between them, provided the modification does not violate the conditions set forth in Section 99.02 and does not affect the tax revenue allocation for any other public entity; and

WHEREAS, the District and County have negotiated an Amended and Restated Third Agreement for Property Tax Transfer with an Effective Date of June 17, 2014, pursuant to California Revenue and Taxation Code Section 99.02, by which the District will continue to modify its existing allocation of ad valorem property taxes to direct all such property tax revenues allocated hereafter to the County pursuant to the terms of the attached Agreement, incorporated herein; and

WHEREAS, approval of the Amended and Restated Third Agreement for Property Tax Transfer will secure an advance from Contra Costa County to the District in the amount of Six Million Dollars (\$6,000,000); and

WHEREAS, prior to the presentation and approval of this Resolution and the Amended and Restated Third Agreement for Property Tax Transfer, the Board of Directors of the District has conducted a duly noticed public hearing on June 16, 2014 to consider the effect of the proposed transfer on fees, charges, assessments, taxes, and other District revenues.

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors of the West Contra Costa Healthcare District do hereby find and determine the following:

- A. The property tax revenues to be transferred are available to further the purposes of the Amended and Restated Third Agreement for Property Tax transfer; and

- B. The transfer will not result in any increase in the ratio between the amounts of District revenues generated by District charges or fees and other revenues used in finance services provided by the District; and
- C. The transfer will not impair the ability of the District to provide existing services; and
- D. The transfer will not result in a reduction of property tax revenues to school entities.

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes the Hospital's chief executive officer to negotiate and execute the final version of the Amended and Restated Third Agreement for Property Tax Transfer with Contra Costa County consistent with agreement attached hereto, and to implement such agreement as of its Effective Date and according to its terms and conditions.

*The motion made by Director Irma Anderson and seconded by Director Beverly Wallace to approval of Resolution No. 2014-06 passed unanimously*

## 6. FISCAL YEAR 2013 AUDIT

Mr. Gerald Tucker from TCA Partners, LLP a certified public accounting firm presented the West Contra Costa County Healthcare District fiscal year 2013 audit report, including the following comments:

### **Report on the Financial Statements**

Mr. Tucker reported that this discussion and analysis has been prepared by the management of West Contra Costa County Healthcare District in order to provide an overview of the District's financial and operating performance for the year ended December 31, 2013, in accordance with the Governmental Accounting Standards Board Statement No. 34, Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments. Read in conjunction with the West Contra Costa County Healthcare District's audited financial statements and accompanied notes to the financial statement, it is intended to help the reader better understand the District's financial performance and position. It should be noted that the audited financial statements prepared by TCA Partners, LLP CPAs, include an unmodified opinion regarding the financial statements.

Mr. Tucker reported the audit provides an overview of the District's financial activities for the years ended December 31, 2013, 2012, and 2011. The District's net position decreased in 2013 from 2012 by \$19.4 million (241.4%) after a decrease in 2012 from 2011 of \$17.7 million (183.2%) and a decrease of \$18.7 million (65.9%) in 2011 from 2010. The District reported an operating loss of \$28.3 million in 2013 after operating losses in 2012 of \$25.0 million and \$30.0 million in 2011. The West Contra Costa County Healthcare District's net

non-operating revenues were \$8.9 million in 2013 as compared to \$7.2 million in 2012 and \$11.0 million in 2011.

The West Contra Costa County Healthcare District's net position is the difference between its assets and liabilities reported in the balance sheets on page 9 of the audit. The net assets decreased in 2013 by \$19.4 million over 2012 after a decrease in 2012 by \$17.7 million over 2011 and an increase in 2011 by \$18.7 million over 2010. Total Operating Revenue decreased in 2013 from 2012 by \$11.8 million (9.4%), while operating expenses decreased by \$8.5 million (5.7%). The decrease in revenue is primarily due to a decrease in patient volume of which half is related to the extraordinary Chevron fire event in August 2012.

The West Contra Costa County Healthcare District renders services to patients under contractual arrangements with the Medicare and MediCal programs, health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs"). Patient service revenues from Medicare approximate 53% and 50% of the District's gross patient service revenues, whereas patient service revenues from Medi-Cal approximate 20% and 24% of the West Contra Costa County Healthcare District's gross patient service revenues for the years ended December 31, 2013 and 2012, respectively.

Medicare accounts for approximately 56% and 53% of net patient service revenues whereas Medi-Cal accounts for approximately 13% and 20% of net patient service revenue for the years ended December 31, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the term.

Non-operating revenue for the district increased as 2013 was the first full year of the 2011 parcel tax assessment. Operating expenses decreased in 2013 by 8.5 million or (5.7%). The largest decrease in expenses was \$7.7 million in salaries and wages. The decrease in expenses was due to cost cutting measures as well as an emphasis on maintaining productivity due to the volume decreases. The District was able to pass a parcel tax initiative and bond indenture in 2011. The effects of both these measures had a positive impact on non-operating revenue. The parcel tax initiative produced a full year effect of \$5.1 million. In 2013 the West Contra Costa County Healthcare District used the remaining \$6.9 million of the 2011 Bond proceeds to continue operations. The accounts receivable balances decreased \$10.6 million as collections efforts and a new revenue cycle manager were effective in reducing the receivables.

The District continues to make changes to operations. In 2013 the emphasis was placed on flexing expenses to match changes in volume. The flexing of staff was successful in 2013 as staff was flexed down 7.4% with a net patient revenue decrease of 8.9%. There was also a decrease in supply costs of 9.7% in 2013. Despite this reduction management was unable to reduce expenses as quickly as revenues dropped. The hospital is unable to cut expenses in all areas as some costs are based on the footprint of the hospital space as well as functions maintained on a 24 hours basis. If the volumes do not recover the hospital will again need to look at permanent reductions or resizing staff for the new volumes.

## Capital Assets

At the end of 2013, the District had \$40.0 million invested in capital assets, net of accumulated depreciation, as detailed in note 6 to the financial statements. In 2013, the District purchased new equipment costing \$1.9 million. At the end of 2012, the District had \$43.0 million invested in capital assets, net of accumulated depreciation, as detailed in note 6 to the financial statements. In 2012, the West Contra Costa County Healthcare District purchased new equipment costing \$2.5 million. At the end of 2011, the West Contra Costa County Healthcare District had \$45.4 million invested in capital assets, net of \$2.5 million in accumulated depreciation, as detailed in note 6 to the financial statements. In 2011, the West Contra Costa County Healthcare District purchased new equipment costing \$3.9 million.

## Other Long Term Liabilities

The West Contra Costa County Healthcare District entered into an agreement with the County of Contra Costa (the "County") in April 2011, receiving a cash advance of \$10 million. The County Auditor shall allocate and transfer to the County pursuant to this agreement the entirety of the general ad valorem property tax revenues that otherwise would be collected and allocated to the West Contra Costa County Healthcare District commencing July 1, 2011 and continuing from year to year thereafter until a total up to \$11.5 million of transfers are made. The outstanding balance at December 31, 2013 and 2012 was \$12,003,000 and \$5,895,000, respectively. The current and long term outstanding advance balance is included in other liabilities in the balance sheet.

Mr. Tucker presented several key metrics and compared Doctors Medical Center to their peer group average:

	DMC	Peer Group
Deductions from revenue %	82%	82%
Labor and benefits as % of expenses	62%	63%
Labor and benefits as % of net patient revenue	83%	82%
Benefits as a % of salaries and wages	62%	54%
Labor and benefit cost per FTE	\$136,905	\$134,709
Supplies as % of net patient revenue	14%	15%
Purchased services as % of net patient revenue	21%	19%

*A motion was made by Director Irma Anderson and second by Director Beverly Wallace to approve the Fiscal Year 2013 Audit passed unanimously*

**7. PUBLIC HEARING ON PROPOSED PROPERTY TAX TRANSFER WITH CONTRA COSTA COUNTY: IMPACT ON DISTRICT'S FEES, CHARGES, TAXES AND OTHER REVENUES**

Director Zell opened the public hearing on the tax transfer with Contra Costa County. There was no public comment and the hearing was closed.

**8. APPROVAL OF SECOND AMENDMENT TO CREDIT AGREEMENT AND DEED OF TRUST BETWEEN WCCHD AND GEMINO HEALTHCARE FINANCE**

Mr. Boatman Chief Financial Officer, presented resolution #2014-07, authorizing WCCHD to extend new security interest terms in connection with revolving line of credit from Gemino Healthcare Finance. The read the following resolution:

WHEREAS, West Contra Costa Healthcare District, a political subdivision of the State of California (the "District") owns and operates Doctors Medical Center, a community acute care facility.

WHEREAS, West Contra Costa Healthcare District is a political subdivision of the State of California ("District").

WHEREAS, Gemino Healthcare Finance ("Lender") agreed in 2011 to provide the District with a Revolving Line of Credit in the principal amount of Eight Million Dollars (\$8,000,000). The Revolving Line of Credit is referred to as the "Loan."

WHEREAS, the Loan is secured by a pledge of accounts receivable which is created under the terms of a Security Agreement and perfected by means of the filing of a UCC 1 and the lender is directly assigned, or otherwise granted equitable control over, the cash proceeds of such Accounts.

WHEREAS, Lender and District have executed a number of written agreements including a Credit Agreement, Promissory Note, Security Agreement, First Amendment to Credit Agreement, and other documents referred to in the Credit Agreement, to document the Loan (collectively, the "Loan Documents").

WHEREAS, the District and Lender have negotiated new terms to the Loan Documents in order to accommodate the District's present financial conditions, the principle change proposed is to extend the Lender's security interest to cover the District's real property. WHEREAS, attached hereto and incorporated herein is the proposed Second Amendment to Credit Agreement which, among other new terms, extends Lenders security interest to the District's real property, to be represented by a Deed of Trust benefiting Lender to be recorded upon the District's real property.

WHEREAS, it is in the best interests of the healthcare needs of the West Contra Costa County community and for the District to enter into the Second Amendment with the Lender and, specifically, to execute and enter into the Second Amendment and the proposed Deed of Trust.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of West Contra Costa Healthcare District, as follows:

1. That all the actions and findings of the Board of Directors described above are hereby severally ratified, confirmed, approved and adopted in all respects.
2. That the terms and provisions of the Second Amendment to Credit Agreement are hereby approved in all respects.
3. That the execution of the Second Amendment to Credit Agreement and all documentation contemplated therein by the District's Chief Executive Officer and/or Chief Financial Officer is hereby authorized and approved.
4. That the Chief Executive Officer and any person or persons designated and authorized to act by the CEO, are hereby authorized and directed to complete the transactions contemplated by the Second Amendment to Credit Agreement and to take such other steps and perform such acts, including additions or omissions to the documents and agreements, all as in their respective individual judgments may be necessary, appropriate or desirable on behalf of and in the name of the District, consistent with and to effectuate the intent of this Resolution.
5. Completion and the execution of the Second Amendment to Credit Agreement and the transactions and documents contemplated by the Second Amendment to Credit Agreement is subject to the CEO's discretion and conclusion that the accommodation of the District's financial condition and the terms of the Second Amendment continue to be necessary following approval of this Resolution.

***The motion made by Director Irma Anderson and seconded by Director Beverly Wallace to approval of Resolution No. 2014-7 Terms of Agreement to extend new security interest terms in connection with revolving line of credit from Gemino Healthcare Finance passed unanimously***

## **9. CEO REPORT**

Ms. Dawn Gideon, Interim President and CEO, provided an update on continuing discussions to define a new more sustainable model for DMC's future. As part of that planning for the future, there are a number of concurrent processes underway. While members of the medical staff, management and Board explore options for continued funding, East Bay area hospitals, including Doctors Medical Center, the County, Kaiser, Muir and Sutter have formed a regional planning group to investigate options for the development of a much smaller hospital, including an ED and select outpatient services.

This group is also evaluating the economic and practical feasibility of creating a satellite emergency department. Outpatient services could continue under this model as well. The analysis is expected to be complete by mid-August. Should neither the smaller hospital nor satellite emergency departments prove to be feasible from an economic or regulatory perspective, we will move to development of an urgent care program, with select other outpatient services. It is our goal to have a specific plan of action outlined and approved by the Board of Directors by mid-September”

**THE MEETING ADJOURNED AT 5:40PM**





**WCCHD DOCTORS MEDICAL CENTER  
BOARD OF DIRECTORS**

**JUNE 25, 2014, 5:00 P.M.  
Doctors Medical Center - Auditorium  
2000 Vale Road  
San Pablo, CA 94806**

**MINUTES**

**1. CALL TO ORDER**

The meeting was called to order at 5:01 P.M.

**2. ROLL CALL**

Quorum was established and roll was called: 5:03 PM

Present: Eric Zell, Chair  
Beverly Wallace  
Irma Anderson  
Deborah Campbell  
Nancy Casazza

**3. PUBLIC COMMENTS**

Maria Sahagun (RN DMC) expressed her concern with the possibilities of DMC closing, and stated that she loves to work at the hospital and feels emotionally attached to DMC. She and others are putting together a letter to Chevron asking for financial support to keep the hospital open.

Stephanie Hervey (Community member) expressed her frustration with the possibility of the DMC closing and the negative impact it will have on the community's ability to seek healthcare in other facilities.

Gerald Johnson (Community member) spoke on the need of a hospital in the West Contra Costa County community and that it would be devastating to have to travel 30 to 40 minutes to the next closest hospital.

Adrian Reid (RN DMC) expressed her frustration with the difficulty on getting access to the West County Health Clinic and how impossible it is to get registered to become a member of the clinic.

Sharon Drager, M.D. (DMC Physician) read a letter that she is sending to Governor Brown;

Dear Governor Brown:

I want to bring your attention to an act of social injustice unfolding in Contra Costa County. Doctors Medical Center in West Contra Costa County will close in a few months because of inadequate reimbursements. The hospital is the major medical institution for a culturally diverse community of 250,000 people including many who are poor, elderly or both. The only other hospital in the community is a small Kaiser facility never intended for the general public. Doctors Medical Center (DMC) has the majority of ICU beds and ER beds in the area. It provides ALL of the advanced cardiac care in the area, and Kaiser patients are routinely transferred to DMC for emergency care for heart attacks. The hospital has a nationally recognized cancer center, and provides inpatient resources for hundreds of dialysis patients in the community and for many skilled nursing home residents. When there have been industrial accidents at the local refineries, thousands of residents have been successfully treated for respiratory complications at DMC.

Hospital administration is lean, and DMC has the lowest cost structure among peer hospitals in the area. Medical Staff members, who are in private practice, are extremely loyal; many are clinical faculty members at teaching institutions, and a number have published papers in peer-reviewed journals. DMC is the major West Coast medical school teaching hospital for Touro University School of Osteopathic Medicine in Vallejo. Touro is interested in developing a residency program in medicine at DMC to provide new primary care physicians for the community.

The hospital, a district hospital, has been losing money for years. Medicare and Medi-Cal usually don't pay enough to over costs. Official "safety-net" hospitals are entitled to a different reimbursement schedule and are eligible for other outside sources of funding. The official safety-net institution in Contra Costa County is a small county hospital with limited services, which is geographically remote from West Contra Costa County, and in close proximity to two other major hospitals. Logically, DMC should be brought under the umbrella of Contra Costa Health Services so that it has access to additional funding. There are great opportunities for meaningful medical synergies in such a move. Contra Costa County adamantly refuses. They say they are doing enough.

West Contra Costa County has demographics that are somewhat different from other parts of the county; there are many people of color. These people deserve to have a hospital in their neighborhood and the DMC doctors and employees love serving them.

I would be more than happy to sit down with you or your representative to discuss this pressing problem and to try to come up with a solution. At the very least, I don't want you to be able to say that you were never informed of this impending tragedy.

Richard Stern, M.D. (DMC Chief of Staff) provided an update the efforts of the medical staff to save the hospital. If the hospital was to close the physicians will no longer be available to this community and will need to relocate much further away. A free standing ED is not the answer to urgent clinical care, and financially it is not profitable.

A brief recess of the Board of Directors was called at 5:45 p.m. following the Public Comment Period. The Board of Directors reconvened at 6:00PM

**5. CALL FOR GENERAL ELECTION FOR NOVEMBER 2014**

*The motion made by Director Beverly Wallace and seconded by Director Irma Anderson to adopt Resolution No. 2014-08 passed unanimously*

**6. MEDICAL EXECUTIVE COMMITTEE REPORT**

Ms. Dawn Gideon, Interim President and CEO, presented on behalf of the Medical Staff the Medical Executive Committee and Credentials Committee Reports.

*The motion made by Director Beverly Wallace and second by Director Irma Anderson to except the Medical Executive Committee report and approve the Credentials Committee Report passed unanimously*

**7. APPROVAL OF CHANGES TO NUHW CONTRACT**

Mr. Bob Redlo, VP of Patient and Labor Relations, presented the proposed changes in contract between Doctors Medical Center and NUHW. The contract modifications will help this hospital realize projected \$1.8 M dollars in annual savings. The proposed changes are made primarily in the health benefits and are very similar to the same changes that were approved by the Governing Body in November 2013 for all management and non union staff, and those adopted by Local One. As has been discussed at multiple meetings of the Governing Body and the Board, the costs of health benefits under the DMC self-insured program continue to increase significantly. The proposed changes will curb that acceleration in costs, and include changes in employee contribution, in eligibility criteria, increased cost sharing by covered individuals, narrowing the network of preferred providers, and enhanced care management. The same two options for Kaiser Permanente health coverage would be available for the NUHW as is currently for Local One and non-represented staff. The major saving from the changes in the contract comes from the increase of definition in part time employees that changed from 20 hours to 30 hours requirement.

*Information Only*

***Public Comment***

Paul Kumar (NUHW) reported that NUHW understands that this is a very critical financial time for DMC and they are very interested in helping to find savings to keep DMC open.

**THE MEETING ADJOURNED TO CLOSED SESSION AT 6:30PM**

There were no reportable actions taken in closed session.