

A meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, February 13, 2013 in the Conrad E. Anderson, MD Auditorium, 2500 Mowry Avenue, Fremont, California. Director Nicholson called the meeting to order at 6:00p.m. and led those present in the Pledge of Allegiance.

CALL TO ORDER

Roll call was taken. Directors present: Michael Wallace, William Nicholson, MD, Bernard Stewart, DDS, Patricia Danielson, RHIT, Jacob Eapen, MD

ROLL CALL

Also present: Nancy Farber, Chief Executive Officer, John Romano, MD, Chief of Medical Staff Sharon Stagg, Service League President, Catherine Bartling, District Clerk

Guests: Jan Wood, Kimberly Hartz, Chris Henry, Kris LaVoy, Bryant Welch, Stephanie Williams, Tina Nunez, Kent Joraanstad, Kathy Hunt, Kristin Ferguson, Angus Cochran, David McCobb, Nathan Clay, Larry Bowen, Nicholas Legge, Gisela Hernandez, Gus Arroyo, Mari Spencer, Lyanne Mendez, Andrea Schacter, Robert Cantley

Ms. Farber introduced Ed Fayen, Associate Administrator who introduced Jack W. Balch, Chairman, Measure FF Citizens' Bond Oversight Committee. Mr. Balch presented the 2011-2012 Measure FF Citizens' Bond Oversight Committee Annual Report. On November 2, 2004, Voters of the Washington Township Health Care District approved Measure FF, a local facilities bond measure, which authorized the expansion and improvement of facilities at Washington Hospital. The Independent Citizens' Bond Oversight Committee was formed with responsibility to monitor and report to the community that Measure FF funds are being expended appropriately. Mr. Balch reported the Central Utility Plant project was completed on time and under budget in 2012. This project is the centerpiece of four total projects to create and distribute major utility services to existing and future buildings. Mr. Balch reported the District's financial statements for the fiscal year ending June 30, 2012 were audited by independent auditors PriceWaterhouseCoopers. The auditors issued unqualified opinions with no accounting issues identified. Mr. Balch concluded by discussing the next major expansion project, Phase 2 Critical Care/Emergency Department Pavilion.

*EDUCATION SESSION:
"2011-2012 Measure FF
Citizens' Bond Oversight
Committee"*

Director Nicholson moved for approval of the minutes of December 6, 2012, January 9, 21, 23 and 28, 2013. On a second by Director Stewart the motion unanimously carried.

*APPROVAL OF MINUTES
OF DECEMBER 6, 2012,
JANUARY 9, 21, 23, and
23, 2013*

Director Nicholson called for speaker cards from individuals requesting to address the Board. Director Nicholson invited Robert Cantley to address the Board. Mr. Cantley talked about his knee replacements as a patient of Dr. Jaureguito and expressed his issue with not being able to have his rehabilitation at the Institute for Joint Replacement (IJR).

*COMMUNICATIONS
ORAL*

The following written communication was received from John Romano, MD, Chief of Staff Elect, dated January 28, 2013, requesting approval of Medical Staff Credentialing Action Items, as follows:

*COMMUNICATIONS
WRITTEN*

Appointments: Elizabeth M. Arias, M.D., Philip Lee, M.D.

Reappointments: Stephen Belton, M.D., Bhupinder Bhandari, M.D., Gordon H. Epstein, M.D., Pooya Jazayeri, M.D., Glara J. Kang, M.D., Chai-Kiong Lau, M.D., Yungting Liao, M.D., Doan Luu, M.D., Bruce R. Nixon, M.D., Omondi Nyongo, M.D., Hari C. Puri, M.D., Lucia Yumena, M.D.

Transfer in Staff Category: David K. Berke, M.D., Glara Kang, M.D.

Completion of Proctorship and Provisional Category: Claribel Taylor, M.D., Jonathan Bradley, M.D.

Extension of Proctorship and Provisional Category: Mary Maish, M.D.

Previous Extension of Proctorship and Provisional Category: Anjali Kandpal, M.D.

Resignations: Pham-Thomas, Nancy, M.D.

Director Stewart moved for approval of the credentialing action items. On a second by Director Danielson the motion unanimously carried.

Director Nicholson abstained from voting.

Sharon Stagg, Service League President, presented the Service League Report. The Service League made several changes to their Newsletter and standing rules. They examined bylaws, awarded four scholarships, and purchased a new Gift Shop Point of Service system. They brought on additional coordinators for larger service areas, held two Jewelry sales for the employees and community, and contributed \$10,000 towards Measure Z. Ms. Stagg reported the Service League's annual contribution to the hospital this year was \$55,000 towards upgrading its new security system.

*SERVICE LEAGUE
REPORT*

Ms. Stagg announced this was her last report as Service League Board President. The following new Board of Officers were appointed at the Service League Annual Meeting:

Jeannie Yee: President

Gail Tomita: 1st Vice President

Debra Jackson: 2nd Vice President

Dian Zarzycki: Secretary

Shirlee Crockett: Treasurer

Sharon Stagg: Parliamentarian

Director Nicholson presented Ms. Stagg with a bouquet of flowers and thanked her for her past year of service. Ms. Stagg concluded with special thanks to Dr. Nicholson, Nancy Farber, and Dr. John Romano.

Dr. Romano reported there are 544 Medical Staff members. Dr. Romano discussed current pre-applications and applications in process and reported the Medical Staff continues to grow.

*MEDICAL STAFF
REPORT*

Ms. Farber introduced Kimberly Hartz, Associate Administrator, who presented the Hospital Calendar video highlighting the following events:

*HOSPITAL CALENDAR:
Community Outreach*

January 8, 9, and 10, three "CEO Brown Bag" informational sessions on the hospital census, staffing, financial results, Measure Z, the Affordable Care Act and Construction.

January 16, Washington Women's Center Lunch and Learn Program: "Healing Soup."

January 17, "Health Insurance: What You Need to Know."

January 17, 18, 24: Flu vaccination clinics at Washington Urgent Care and Washington On Wheels Mobile Health Clinic.

January 23, Simulation Lab Tour and hand hygiene presentation for students in Brownie Troop 31355.

January 26, Washington Township Medical Foundation provided a sports physical clinic for high school student athletes.

January 26, Annual Abdominal Aortic Aneurysm Screening.

January 29, "Treatment Options for Varicose Veins and Chronic Venous Disease."

January 30, "Gluten Sensitivity."

February 5, "Careers in Healthcare" at Newark Memorial High School's Annual Career Fair.

February 5, Washington Women's Center Lunch and Learn Program: Cancer in the Family...Am I at Risk?

February 7, Diabetes Matters Series, "Protecting Your Heart."

February 12, "Acute Management of Stroke and Chronic Care and Stroke Rehabilitation."

Upcoming Health Promotions & Community Outreach Events:

February 13, "California's Health Insurance Exchange."

February 19, "Keeping Your Heart On the Right Beat: Atrial Fibrillation."

February 23, Free Foot Screening by Washington Center for Wound Healing and Hyperbaric Medicine

February 26, "World Kidney Day: Acute Kidney Injury."

March 5, Washington Women's Center Lunch and Learn program, "Colon Cancer."

March 6, "Medicare: Are You Turning 65?"

March 7, "Diabetes Update 2013: What's New?"

Washington Hospital Foundation Report

On January 28, the Foundation held its annual meeting for trustees and members. At the meeting, trustees elected new trustees: John J. Dutra, Mayor Bill Harrison, Lamar Hinton and Dr. John Romano. Also elected were Sondra DeBarr, Mary Jane Hodges, Risha Kilaru, Suzanne McEuen, and Laura Stewart.

*HOSPITAL CALENDAR:
Washington Hospital
Foundation Report*

This was the last meeting Demetrious Shaffer, Fire Chief of Alameda County, chaired as president of the Foundation. During Chief Shaffer's two terms as President, the Foundation contributed over \$5.4 million dollars to Washington Hospital. Nancy Farber, Executive Vice President of the Foundation presented Demetrious with a commemorative crystal eagle to thank him for his four years' of leadership.

The incoming president of the Foundation is Carol Dutra Vernaci, Mayor of Union

City. Trustees also seated Rodney Silveira as Vice President, Craig Silcox as Treasurer and Helen Kennedy as Secretary.

At the Annual Foundation Meeting, Trustees approved the disbursement of \$526,000 to support a wide variety of clinical services at Washington Hospital, including breast brachytherapy, Washington on Wheels Mobile Health Clinic, the community mammography program, and the cancer genetic screening program.

The Washington Township Health Care District Board of Directors' Report

On January 30, Washington Township Health Care District board members Patricia Danielson and Dr. Bernard Stewart attended the annual State of the State Luncheon hosted by the tri-cities chambers of commerce.

*HOSPITAL CALENDAR:
Board of Directors' Report*

On February 8, board members Patricia Danielson and Dr. Bernard Stewart attended the Elegant Affaire, hosted by the League of Volunteers.

Washington On Wheels Mobile Health Clinic, W.O.W.

During the month of January, Washington on Wheels Mobile Health Clinic, also known as (W.O.W.), provided health care services at the Fremont Senior Center. In addition, W.O.W. provided 316 flu vaccinations to community members during four flu shot clinics held during the month.

*HOSPITAL CALENDAR:
Washington On Wheels
Mobile Health Van*

Internet Marketing

There were over 36,000 visits to the hospital website in December. The hospital's physician finder section was the most viewed webpage with 16,365 page views, followed by the employment section with 11,313 and the volunteer section with 10,696 page views.

*HOSPITAL CALENDAR:
Internet Report*

InHealth - Channel 78

Washington Hospital's cable channel 78, InHealth, aired new programming during the month of January including a Health and Wellness seminar on "Alzheimer's Disease" and the "January Board of Director's Meeting." Several Public Service Announcements from the Center for Disease Control focused on the flu also aired in January.

*HOSPITAL CALENDAR:
InHealth*

Other Updates

The flu vaccine continues to be available a through the remainder of the flu season (while supplies last) at Washington Urgent Care, open from 8 a.m. – 8 p.m., seven days a week. Appointments are not necessary and Washington Urgent Care accepts most insurance plans or will administer the vaccine for \$10 for those who want to pay cash. The Washington Township Medical Foundation clinics throughout the Tri-City area are also offering the flu vaccine for \$10 (while supplies last).

*HOSPITAL CALENDAR:
Other Updates*

Washington Hospital Employee Association, W.H.E.A.

Washington Hospital Employee's Association designated \$7,500 out of the money raised during the year to fund donations to 14 hospital departments. The WHEA Wish List is a way of saying thank you for supporting WHEA during the year.

*HOSPITAL CALENDAR:
W.H.E.A.*

Employee of the Month

*HOSPITAL CALENDAR:
Employee of the Month –*

Tru Nguyen is the employee of the month for February. Tru joined the Pharmacy Department in August 2005. Tru is a highly dedicated, resourceful pharmacy technician with accuracy and quality as his top priority. He is self directed and works well with minimal supervision.

Tru Nguyen

Ms. Farber introduced Stephanie Williams, RN, Chief Nursing Officer, who presented the Quality Report on Infection Prevention Update for the Quarter Ending March 2013. Ms. Williams explained the purpose of Infection Prevention is to provide the Hospital with infection prevention surveillance, prevention, and control activities to support the overall Hospital mission. Ms. Williams discussed data reporting agencies and explained how they obtain infection control data. Ms. Williams discussed Washington Hospital's infection prevention structure and current infection prevention surveillance. Ms. Williams reviewed mandated reporting statistics on MRSA, MRSA surveillance and monitoring (critical care), influenza season (2012-2013), and surgical site infections (total hip replacement and abdominal hysterectomy). Ms. Williams concluded with a detailed overview of the Hospital's Action Plan for ongoing surveillance and monitoring of infection and explained changes in requirements and criteria for reporting infection in 2013.

*QUALITY REPORT
"Infection Prevention
Update"*

Chris Henry, Chief Financial Officer, presented the Finance Report for December. The average daily census was 165.9 with admissions of 1,003 resulting in 5,143 patient days. The average length of stay was 4.75 days. The case mix index was 1.569. Deliveries were 160. Surgical cases were 348. Joint Replacement cases were 102. Neurosurgical cases were 16. Cardiac Surgical cases were 19, PTCA procedures were 40, and the Outpatient visits were 7,829. Total productive FTEs were 1,293.6. FTEs per adjusted occupied bed were 6.69.

FINANCE REPORT

Ms. Farber presented the Hospital Operations Report for January. There were 1,078 admissions with 5,964 days of care or an average daily census of 192. Preliminary information indicated inpatient revenue for the month at approximately \$145,687,000; 55.0% was Medicare and 6.7% was Medi-Cal, or a total of 61.7% in government program revenue. There were 164 deliveries in the Hospital. There were 391 surgical cases at the Hospital and 544 cases at the Surgery Center. There were 443 heart cases including 44 PTCAs. The Emergency Room saw 4,949 patients. The clinics saw approximately 4,406 patients. FTEs per Adjusted Occupied Bed were 5.8.

*HOSPITAL OPERATIONS
REPORT*

In accordance with District Law, Policies and Procedures, Director Wallace moved for the reappointment of Russ Blowers, Benn Sah, M.D., Shirley Buschke, James Stone, and Miro Garcia to the Washington Township Hospital Development Corporation Board of Directors for 2013. On a second by Director Stewart the motion unanimously carried.

*APPROVAL OF
REAPPOINTMENT OF
DEVELOPMENT
CORPORATION BOARD
MEMBERS*

In accordance with District Law, Policies and Procedures, Director Wallace moved for the reappointment of John Low, Garrett Yee, Jack W. Balch, Al Huezo and Kevin Hom to the Citizens' Bond Oversight Committee for 2013. On a second by Director Danielson the motion unanimously carried.

*APPROVAL OF
REAPPOINTMENT OF
CITIZENS BOND
OVERSIGHT
COMMITTEE MEMBERS*

Reference attached document.

*APPROVAL OF AT-RISK
COMPENSATION FOR
CHIEF EXECUTIVE
OFFICER*

Director Nicholson called for a roll call vote. Roll call was taken. Directors Nicholson, Stewart, Wallace, Danielson, and Eapen all voted aye.

In accordance with District Law, Policies and Procedures, Director Wallace moved the Chief Executive Officer be authorized to purchase the TEG 5000 Hemostasis Blood Analyzer for a total amount not to exceed \$59,405. This purchase was included in the Fiscal Year 2012-2013 Fixed Asset Budget. On a second by Director Danielson the motion unanimously carried.

*APPROVAL OF
PURCHASE OF
HEMOSTASIS BLOOD
ANALYZER*

In accordance with District Law, Policies and Procedures, Director Wallace moved the Chief Executive Officer be authorized to purchase the software and hardware to replace the switching matrix in the Security Command Center for a total amount not to exceed \$90,700. This software and hardware upgrade is an emergency replacement project and was not included in the Fiscal Year 2012-2013 Fixed Asset Capital Budget; however, the Service League has funded a portion of this purchase through a donation of \$55,000. On a second by Director Danielson the motion unanimously carried.

*APPROVAL OF
PURCHASE OF
SECURITY MATRIX
SOFTWARE AND
HARDWARE*

In accordance with District Law, Policies and Procedures, Director Wallace moved the Chief Executive Officer be authorized to purchase two Stryker Neptune Ultra Systems and a docking station for at total amount not to exceed \$49,000. This purchase was included in the Fiscal Year 2013 Fixed Asset Capital Budget. On a second by Director Danielson the motion unanimously carried.

*APPROVAL OF
PURCHASE OF STRYKER
NEPTUNE ULTRA
SYSTEMS FOR THE OR
AND BIRTHING CENTER*

In accordance with Health & Safety Code Sections 1461, 1462, and 32106 and Government Code Section 54954.6(h). Director Nicholson adjourned the meeting to closed section at 8:02 p.m. as the discussion pertained to Hospital trade secrets, human resources matters and risk management.

*ADJOURN TO
CLOSED SESSION*

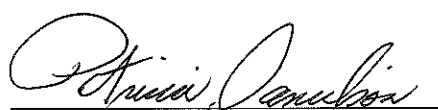
Director Nicholson reconvened the meeting to open session at 8:41 p.m. and reported no action was taken in closed session.

*RECONVENE TO OPEN
SESSION & REPORT ON
CLOSED SESSION*

There being no further business, Director Nicholson adjourned the meeting at 8:41 p.m.

ADJOURNMENT


WILLIAM NICHOLSON, MD
President


PATRICIA DANIELSON, RHIT
Secretary

MINUTES OF BOARD OF DIRECTORS OF WASHINGTON HOSPITAL

February 13, 2013

Agenda Item VII.C

Consideration of At-Risk Compensation for Chief Executive Officer

During the regular meeting of the Board of Directors (Board) on February 13, 2013 the Board considered Agenda Item VII.C, *Consideration of At-Risk Compensation for Chief Executive Officer*. The following Board members were present:

Dr. William F. Nicholson, President
Dr. Bernard Stewart, First Vice President
Michael J. Wallace, Second Vice President
Dr. Jacob Eapen, Treasurer
Patricia Danielson, Secretary

Introduction of Agenda Item by Dr. Nicholson

Dr. Nicholson wanted to make clear that the Board was not discussing a salary increase for the CEO because the CEO included herself in the management salary freeze and elected to forego any consideration this year of an increase in her base salary, despite information that the national average increase for healthcare executives was 3% for 2012. Tonight, the Board will be discussing whether or not to award an "at-risk" amount and if so, how much.

Dr. Nicholson explained the methodology used by the Board in setting the CEO's compensation, of which the "at-risk" compensation is a part. The District has a long-standing philosophy of wage parity for all employees, including the CEO, which means the CEO is not paid at the top or bottom of the scale. Base salary for the CEO is targeted at the 65th percentile of her peer group and total cash compensation is targeted at the 75th percentile, with a maximum possible "at-risk" award of 40% of base salary. Her peer group consists of hospitals and hospital systems of similar size, scope and business model.

While in the past the Board has engaged an independent executive healthcare compensation consultant to provide a salary comparison between the CEO and her peers, the Board did not do so this year because the CEO decided not to be considered for a base salary increase. However, the Board will utilize the comparison information in last year's report for the "at-risk" portion of her compensation. This should be conservative, reasonable and appropriate because, as mentioned, the national average increase for healthcare executives was 3% for 2012.

From that report, the 75th percentile is \$946,000. The CEO's current base salary is \$651,133. If the Board awarded a full 40% of "at-risk" compensation, total compensation would come well within that figure.

Dr. Nicholson expressed his agreement with the current compensation philosophy of the Board for a CEO with Ms. Farber's level of experience, outstanding track record and longevity at the District.

Dr. Nicholson stated that, in his opinion, the CEO's performance this past year justifies an award in light of the recent financial challenges faced by the District and the healthcare sector at large. Those challenges included declining reimbursement rates from both government and private insurers, increasing costs (including labor costs), and declining volume. Despite these challenges, the CEO made the difficult but correct decision to implement a workforce reduction only after careful consideration and first reducing costs in other areas. The decision to "right size" when necessary is as much a part of being a responsible administrator as is building, growing and improving the healthcare system, and reflects Ms. Farber's strong leadership.

Despite the challenging environment, the District, under the direction of Ms. Farber, has continued to invest in its future by adopting an electronic health record system and creating a medical foundation. These strategic initiatives will keep Washington Hospital competitive and meet the requirements of the Affordable Care Act. The CEO's leadership has been instrumental in the success of these two initiatives.

Dr. Nicholson listed several accomplishments from the last year: the passage of Measure Z by over 73% of the vote, which is a clear referendum on the District; the transition to the Epic electronic health record system, which went live in the clinics on schedule on November 1st; and completion of the Central Utility Plant and Center for Joint Replacement on time and on budget.

Dr. Nicholson also listed several significant awards and other achievements, including: the Hospital's "A" grade in hospital safety from The Leapfrog Group; the Hospital's Partner for Change Award from Practice GreenHealth; the Hospital's ranking as the 4th best hospital in the Bay Area by U.S. News & World Report, with high performance in nine specialties and in patient safety; designation of the Hospital by the American College of Radiology as a Breast Imaging Center of Excellence; the Hospital's receipt of three-year accreditation from the American College of Surgeon's Commission on Cancer for its cancer and breast programs; recognition by Beta Healthcare Group in its Quest for Zero initiative; and receipt of the Bronze Medal of Honor from the U.S. Department of Health and Human Services.

Lastly, Dr. Nicholson noted that Washington Hospital received numerous awards from Healthgrades this past year including ranking among the Top 10 in California, the top 5% in the nation for Joint Replacement, a five star rating in Neurosciences, ranking in the top 5% in the nation for the treatment of stroke, and receiving the Stroke Care Excellence award.

Dr. Nicholson stated that the Board is well aware that the District has faced financial challenges this year, and that he personally feels that the next year will continue to be challenging. However, members of the community who come to Washington Hospital have always received, and will continue to receive, the very highest quality of care.

Under the CEO's strong leadership and vision, the Healthcare System has achieved much and been recognized by numerous outside organizations for the quality of care provided. Dr. Nicholson expressed his belief that the leadership strength and experience of Ms. Farber will successfully lead the District through the challenges that lie ahead. He concluded that an award at some level is appropriate in recognition of what has been accomplished in the past year.

Public Comment

Dr. Nicholson opened this item for public comment. There were no speakers.

Board Discussion

Dr. Nicholson opened the item for discussion among the Board.

Director Wallace affirmed Washington Hospital's long-standing goal of quality and excellence. He praised the CEO's performance and leadership in moving forward with investments, which required making many tough and unpopular choices that will benefit the citizens of the District in the long-run, even though they have impacted short-term performance. Specifically, he credited the CEO with the following: adopting the Epic electronic health record; establishing a medical foundation staffed with world-renowned physicians; establishing the Institute for Joint Restoration and Research; and completing the Central Utility Plant and Center for Joint Replacement.

Director Wallace noted that these were major accomplishments. He credits Ms. Farber for its successful implementation. He also credits Ms. Farber personally with attracting world-renown physicians to the medical foundation. The Institute for Joint Restoration and Research brings in patients from all over the world through the use of cutting edge techniques. More importantly, this brings revenue to the District from outside the District, which is critical in funding programs that are not compensated, such as charity care and the Emergency Department.

Director Wallace commented on the importance of continuing to make investments such as these to improve the quality of care delivered to residents of the District, and that he will continue to support such investments even though they clearly have an impact on the short-term finances of the District. He also commented on the importance of experience and institutional knowledge and how he believes that these are often ignored or undervalued.

Director Wallace moved that the Board approve an "at-risk" compensation award of 25% of base salary.

After making the motion he noted the importance of holding together what might be the strongest management team in the state. He does not want to risk losing this management team, including the CEO, by refusing to pay market rates.

Dr. Nicholson agreed with the sentiments expressed by Director Wallace and asked for a second. Dr. Stewart seconded Director Wallace's motion.

Dr. Stewart concurred with Director Wallace's sentiments and that the award should be at the 25% level. He added that as a citizen of the District for 50 years, he is consistently impressed by the "goodness" of the organization and the quality and integrity of the people working for it.

He expressed his belief that the District needs the best management team it can get in order to meet these unprecedented challenges. He noted that the market rate for experienced and

successful CEOs in the healthcare industry is what it is and that the District must do what it must in order maintain a quality management team.

Dr. Eapen concurred with everything that had been said by Drs. Nicholson and Stewart and Director Wallace. The numbers that Dr. Nicholson cited come from a very reputable healthcare consultant group that has accounted for salary information from across the country. Under the CEO's leadership, the District has achieved much in the last year, including being ranked 4th in the bay area by US News & World Reports and being named as one of the top ten hospitals in the state. These achievements come at a difficult time in the healthcare industry because of the lower reimbursement rates and are the result of hard decisions and lots of courage and teamwork. Dr. Eapen has no hesitancy in supporting Director Wallace's proposal.

Director Danielson concured with everything the other Board members have said. She reminded everyone that the Board is responsible for hiring one employee. She is very proud of the leadership team in this very complex healthcare system and these trying financial times, but particularly proud of the CEO, who has demonstrated her creativity in meeting all of these challenges time after time. Director Danielson described the CEO as intensely dedicated, a team leader, and caring for staff and the residents of the District. In light of the CEO's accomplishments in these very difficult and trying circumstances, an "at-risk" award at the 25% level is very appropriate, and very deserved.

Board Action

There being no further comments, the Board approved the motion made by Director Wallace and seconded by Dr. Stewart to award the CEO an "at risk" compensation award of 25% of base salary. The vote was unanimous.