



**SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING AGENDA
Thursday, November 1, 2012
6:00 p.m. Public Session**

**Location: Community Meeting Room
177 First Street West, Sonoma, CA 95476**

AGENDA ITEM	RECOMMENDATION	
MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>		
1. CALL TO ORDER	Hohorst	
2. PUBLIC COMMENT SECTION <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i>	Hohorst	
3. CONSENT CALENDAR: A. Board Regular Meeting Minutes 10.4.12 B. Board Construction Study Session Minutes 10.9.12 C. Quality Committee Minutes 9.26.12 D. Medical Staff Appointments and Reappointments 10.24.12	Hohorst	Inform/Action
4. UPDATE ON TODD TRUST OF THE SONOMA VALLEY FUND	Derwingson/ Hughes	Inform
5. LEGISLATIVE UPDATE	Ness	Inform
6. STUDER CONFERENCE INSIGHTS	Davis	Inform
7. CONSTRUCTION UPDATE	Hohorst	Inform
8. FINANCIAL REPORT: A. September 2012 Financial Report	Reid	Inform
9. ADMINISTRATIVE REPORT: A. Dashboard for September 2012	Mather	Inform
10. OFFICER & COMMITTEE REPORTS: A. Chair Report: 1. Extended Due Date for Vacant Board Committee Applications 2. CEO Contract Extension B. Audit Committee: 1. 2011-2012 Audited Financials C. Quality Committee: 1. Dashboard	Hohorst	Inform/Action
	Hohorst	Inform/Action
	Carruth	Inform/Action

AGENDA ITEM	RECOMMENDATION	
<p>10. OFFICER & COMMITTEE REPORTS: (continued)</p> <p>D. Governance Committee:</p> <ol style="list-style-type: none"> 1. Legal Duties of Board Member Responsibilities 2. Orientation of New Board Members 3. Conflict of Interest Code Policy 4. 2012 Compliance Plan/Confidentiality Acknowledgement <p>E. JPA/Northern California Health Care Authority:</p> <ol style="list-style-type: none"> 1. Board Meeting at SVH on November 20, 2012 at 6:00 pm 	Carruth	Inform/Action
	Boerum	Inform
<p>11. ADJOURN:</p> <p><i>The next regularly scheduled meeting of the SVHCD Board will be held on Thursday, December 6, 2012.</i></p>		

3.A.

MINUTES

10.4.12



**SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING MINUTES
Thursday, October 4, 2012
Community Meeting Room**

Board Members Present	Board Members Absent	Administrative Staff Present
Peter Hohorst, Chair Madolyn Agrimonti Kevin Carruth Sharon Nevins	Bill Boerum	Kelly Mather, CEO Rick Reid, CFO Robert Cohen, Chief Medical Officer Leslie Lovejoy, Chief Quality and Nursing Office

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
MISSION AND VISION STATEMENTS	<p><i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p> <p><i>The vision of the SVHCD is that: SVH will be a nationally recognized, compassionate place of healing and known for excellence in clinical quality. We serve as the guide and indispensable link for our community's health care journey.</i></p>		
1. CALL TO ORDER	6:03 p.m.		
2. PUBLIC COMMENT <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i>	Ms. Phyllis Carter gave a comment on the silicone breast implants she had received, which were not cohesive. She explained further that cohesive implants have far less risk of implant shell failure. In the event of failure, the cohesive gel filler maintains its shape. This past summer she needed to have her implants removed. During the procedure, it was discovered that the implant had ruptured and the silicone gel had leaked into her body. The surgeon who performed the procedure assured her that they were able to remove all of the silicone, but Ms. Carter was unsure if it was entirely removed. One of the side effects of silicone infiltration are swelling and pain of joints, much like rheumatoid arthritis and compromising of the immune system. She suggested SVH mandate using cohesive silicone implants for augmentation and/or reconstruction.		
3. CONSENT CALENDAR: A. Board Meeting Minutes 9.6.12 B. Quality Committee Minutes 8.22.12 C. Medical Staff Appointments and Reappointments 9.26.12		MOTION: by Agrimonti; second by Carruth to approve the Consent Calendar and carried. All in favor; none opposed.	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
4. CEO INCENTIVE COMPENSATION GOALS 2012-13	<i>Peter Hohorst, Chair</i>	MOTION: by Agrimonti; second by Nevins to approve the CEO's incentive compensation goals for 2012-13 and carried. All in favor; none opposed.	
	<p>Mr. Hohorst reported the goals were slightly different than the one that was presented at the last meeting. The major change was the Board obtained the service excellence for inpatient satisfaction percentage and percentile ratings and simplified it with a percentage rating instead. The other major change was the financial liability and the Board elected to have one goal in the financial area. Specifically, earnings before interest depreciation and amortization. Set the base goal at 8.6%, which is what the budget was and elected to go ahead and index a half of percentage point above that. Each one of those half percentage point was worth the equivalent of an improvement of earnings of \$250,000 over the budget. On the inpatient volumes the budget this year was equal to last year's budget.</p> <p>He continued with outpatient satisfaction where there were considerable improvements in the first three months of the year. Setting the goal for this year at 90%. The SVH CEO does not earn any bonus if her rating was in a category 1 or 2. Mr. Hohorst added that this was the first year that the Board had covered this level of detail on a bonus performance in a public meeting, partly in response to recent legislation and activity in other places of the State.</p> <p>Ms. Nevins asked the SVH CEO if she agreed with the standards. The CEO had agreed. Ms. Nevins also suggested having this process done prior to the end of the year in 2013 and set a date to have this completed. Mr. Hohorst replied that the Governance Committee would advise within the next month or so what the schedule would be for next year.</p>		
5. NOTICE OF VACANCY FOR SVHCD BOARD COMMITTEES	<i>Peter Hohorst, Chair</i>		
	<p>Mr. Hohorst announced the vacancy of SVHCD Board Committees and so far had received two applications and three more were to be submitted.</p>		
6. PHYSICIAN OFFICE PARTNERSHIP	<i>Dr. Robert Cohen, Chief Medical Officer</i>		
	<p>Dr. Cohen gave a summary of SVH increasing the relationship with local physicians offices by providing high quality of services and education through partnership. To disseminate information allowing various physician offices to refer to SVH and information flow the other direction in order to facilitate the</p>		

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	office staff jobs easier.		
7. JOB DESCRIPTIONS FOR BOARD CHAIR AND BOARD MEMBER	<i>Kevin Carruth</i>	<p>MOTION: by Nevins; second by Agrimonti to approve the job description for Board Chair and carried. All in favor; none opposed.</p> <p>MOTION: by Carruth; second by Nevins to approve the job description for Board Member and carried. All in favor; none opposed.</p> <p>MOTION: by Carruth; second by Nevins to approve the legal duties and roles be applied to both the Board Chair and Board Member. All in favor; none opposed.</p>	
	<p>Mr. Carruth discussed the job descriptions for the Board Chair and Board member are well stated and clear.</p> <p>Ms. Nevins suggested taking the responsibilities of the Board, as opposed to the responsibilities of the Board Chairperson and using that as the position description and preamble of legal duties and roles that precedes both the description of the Board Chairperson and Board Member. She’s also concerned about the fiduciary responsibilities, in terms of safeguarding the assets of the organization that the Board is responsible for.</p> <p>Mr. Carruth recommended bringing back the legal duties for the Board Member responsibilities.</p>		
8. BOARD COMMITTEE SELECTION PROCESS	<i>Kevin Carruth</i>	<p>MOTION: by Hohorst; seconded, to approve the Board Committee selection process and carried. All in favor; none</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
		opposed.	
	Mr. Carruth informed formalizing the process in a more expeditious fashion soliciting for Committee members.		
9. CORRESPONDENCE PROCEDURES TO THE GOVERNOR AND LEGISLATORS	<i>Kevin Carruth</i>		
	Mr. Carruth discussed the correspondence procedures to the Governor and legislators, which relates to agenda item 13.C.1.		
10. RESOLUTION NO. 313 GO BOND TAX RATE	<i>Rick Reid, CFO</i>	MOTION: by Nevins; second by Agrimonti to approve Resolution No. 313 GO Bond tax rate and carried. All in favor; none opposed.	
	Mr. Reid reported a recommendation from the Finance Committee an annual Resolution to request the County to collect the GO Bond taxes.		
11. FINANCIAL REPORT	<i>Rick Reid, CFO</i>		
A. August 2012 Financial Report	<p>Mr. Fogg made a brief comment on the positive numbers and financial outcome for August.</p> <p>Mr. Reid then gave a brief update on the spending of the building project. SVH had fundraising receipts of \$2.5 million and total cash of \$34 million. Spent \$14,500,000 through October 4, 2012 and the remaining cash available for the project was \$19,500,000. This information would be reported every month to the Finance Committee and the Board.</p> <p>Mr. Reid reported volumes were very strong in August. Income statement revenue was over budget by \$202,000 and expenses and expenses were over budget by \$23,000 related to the additional volume for August. Operating margin on a budgeted loss of \$504,000. \$178,000 better than budget. Net income prior to the capital campaign was \$124,683 on a budgeted loss of \$44,000. Net income with the capital campaign was \$127,366 on a budget of \$3,346. EBIDA was 9% on a budget of 6%. Year-to-date basis revenue was over budget by \$228,000. Expenses were under \$74,000. Operating margin was better than budget \$303,000. Net income prior to the capital campaign was \$153,817 on a budgeted loss of \$129,000. Net income with the capital campaign was \$158,000 on a budgeted loss of \$34,000. Year-to-date EBIDA was 8% on a budget of 5%. Consolidations with Palm Drive Hospital (PDH) were going very well. Consolidated CFO's position and I.T. department was a total savings for SVH of an annual amount of \$485,000. The savings for PDH were \$160,000</p>		

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	<p>before the addition of the I.T. department, which consisted of one I.T. person that SVH shares with. With the I.T. process began integrated testing for the Paragon system and on schedule. Would go live on the first week of November and would also go live with meaningful use of components by the middle of January 2013. PDH would start its attestation process on February 1, 2013 and would receive their \$1.2M from Federal within the last two weeks of the fiscal year ending in June 30.</p> <p>He also mentioned that the audit would be presented to the Audit Committee on October 23, 2012. There would be no audit adjustments. Meaningful use dollars should be received within 45 days.</p>		
B. Resolution Corporate Credit Card	Mr. Reid reported the Finance Committee had recommended for the Board to approve a resolution to replace the corporate credit card with the Hospital's new bank.	MOTION: by Carruth; second by Agrimonti to approve the Resolution to replace the corporate credit card and carried. All in favor; none opposed.	
12. ADMINISTRATIVE REPORT	<i>Kelly Mather, CEO</i>		
A. Dashboard for August 2012	<p>Ms. Mather reported the first quarter of the fiscal year was ahead of budget. Also, SVH received a surprised visit from The Joint Commission for one survey that the Hospital compiled with the action plan from June 2011. The random survey happens with 1% of the hospitals surveyed and SVH passed the validation. Medication Error Reduction plan survey was completed.</p> <p>In addition, the Phase 1 construction was underway. A Board Study Session was scheduled to further discuss the project, including the budget.</p>		
B. South Lot Development Update	<p>Ms. Mather gave an update on the South Lot development. She also mentioned the Term Sheet. Ms. Mather, Mr. Hohorst, and the developers had met with a number of local community officials and neighbors to see if this project would be supported by the community.</p> <p>She recommended extending the Memorandum of Understanding with Doyle Wiseman, which was about to expire. At the Board Study Session, the Board would be asked to approve the extension for an additional 60 days.</p>		
13. OFFICER & COMMITTEE REPORTS:	<i>Peter Hohorst, Chair</i>		
A. Chair Report	<p>Mr. Hohorst explained the construction project proposed schedule milestones for 2012-2013 for tracking purposes, if funding took place.</p> <p>He also mentioned from last month's meeting the design-build legislation was</p>		

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	due to sunset on 2014 and need to remove the sunset from the legislation. The Hospital's portion of the legislation does not have to be sunset, as long as the County and City approval for authorization use design-build and SVH would be linked with them.		
B. Quality Committee	<i>Kevin Carruth and Leslie Lovejoy</i>		
1. Reducing Waste Through Resource and Utilization Management	Ms. Lovejoy summarized on how to achieve quality care at low cost by using the following features: manage utilization, manage resources, and manage costs. Medicare Breakeven project was also discussed.		
2. Infant Security Policy	The Infant Security Policy was briefly discussed.	MOTION: by Carruth; second by Nevins to approve the Infant Security Policy and carried. All in favor; none opposed.	
3. Humidity and Temperature Monitoring Policy	The Humidity and Temperature Monitoring Policy was briefly discussed.	MOTION: by Carruth; second by Nevins to approve the Humidity and Temperature Monitoring Policy and carried. All in favor; none opposed.	
4. Ice Machine Maintenance Policy	The Ice Machine Maintenance Policy was briefly discussed.	MOTION: by Carruth; second by Nevins to approve the Ice Machine Maintenance Policy and carried. All in favor; none opposed.	
C. Governance Committee	<i>Kevin Carruth</i>		
1. Governance Committee Charter	Mr. Carruth discussed the need for a quick turnaround on some legislation bills pending (per agenda item 9). He recommended amending the Governance Committee Charter giving the Governance Committee the authority to on act on a short timeline to take action on a Bill. It is not intended for long lead times. The Governance Committee is a place where legislative concepts and proposals generated by the Board or by SVH CEO and staff. The biggest policy significance of what is being proposed is that this would be the first time the Board had granted a Committee authority to act on behalf of the Board.	MOTION: by Nevins; second by Agrimonti to approve the amendment of the Governance Committee Charter giving GC authority to take action on a legislative bill on behalf of the Board. All in favor; none	

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		opposed.	
2. Conflict of Interest Code	Mr. Carruth recommended bringing this back at next month's meeting.		
3. 2012 Compliance Plan/ Confidentiality Acknowledgement	Mr. Carruth recommended bringing this back at next month's meeting.		
D. JPA/Northern California Health Care Authority	<i>Peter Hohorst, Chair</i>		
	Mr. Hohorst announced Mr. Boerum was absent and excused, as he was traveling in China. Therefore, the JPA/Northern California Health Care Authority would be presented at next month's meeting.		
14. ADJOURN	7:24 p.m.		

DRAFT

3.B.

STUDY SESSION
MINUTES
10.9.12



SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS
CONSTRUCTION STUDY SESSION MINUTES
 Tuesday, October 9, 2012
 Schantz Conference Room

Board Members Present	Administrative Staff Present
Peter Hohorst, Chair Madolyn Agrimonti Bill Boerum Kevin Carruth Sharon Nevins	Kelly Mather, Chief Executive Officer Rick Reid, Chief Financial Officer

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
MISSION AND VISION STATEMENTS	<p><i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p> <p><i>The vision of the SVHCD is that: SVH will be a nationally recognized, compassionate place of healing and known for excellence in clinical quality. We serve as the guide and indispensable link for our community's health care journey.</i></p>		
1. CALL TO ORDER	5:35 p.m.		
2. PUBLIC COMMENT <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i>	There were no comments.		
3. STUDY SESSION			
A. Request for Approval to Extend Memorandum of Understanding	<i>Peter Hohorst, Chair</i>		
	The next date is a study session with the Planning Commission in early November. A handout was provided. Mr. Boerum suggested that this	MOTION: by Nevins; second by	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>should have been provided earlier at the Board meeting last Thursday. Ms. Mather said she did mention that there would be an extension to this Memorandum of Understanding (MOU) at that meeting.</p>	<p>Agrimonti for approval to extend the Memorandum of Understanding and carried. All in favor.</p>	
<p>B. Progress Report on Phase 1 of Construction Project and Recommendations</p>	<p><i>Kevin Coss</i></p>		
	<p>Ms. Mather said Mr. Coss had been on the job for a month. Mr. Smith from Jtec participated via conference phone. Fundraising is going well so far, but many of the major asks are taking place within the next couple of weeks. SVH is at 100% of the guaranteed maximum price. Construction Committee was planned for October 30, 2012. The goal today was to give the Board a current state update and there was a big change. Ultimately, a decision would be made in February. This meeting was for discussion purposes and would not ask for any recommendations.</p> <p>Mr. Reid gave an overview of the current financials. The construction scope would be taken to the Construction Committee, then Finance, and then the Board for approval.</p> <p>Mr. Coss said he was the owner's representative (for the Hospital) on the project. He mentioned his background and is currently project representative for Marin General Hospital (MGH). He is dedicating two days a week to SVH.</p> <p>In August the project was forecast at \$40.5M, including infrastructure adjustments. Anticipated completion for Phase 1 was August 2013. The project moved from an original contract date of March 25, 2013 to November 13, 2013. Extended OSHPD review delayed the project by approximately eight months.</p> <p>Project contingency could include OSHPD changes onsite, for example unknown underground issues or the connection between the two buildings. Contingency would not cover any owner changes. The contractor also had a contingency of \$894,000. If they do not use that amount, at the end of the project they keep one third of that amount, and the Hospital keeps two thirds.</p>		

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	<p>The design-build team is doing a great job and is managing the schedule and meeting the milestones. Two important dates are steel top out on February 13, 2013 and enclosing the building exterior on July 8, 2013.</p> <p>Ms. Mather said February is important to have all decisions made by July 2013 and is also an important date, as the project is out of cash as of July 1, 2013 unless additional fundraising or financing is received. The first construction meeting would be on October 30, 2012 regarding scope and budget. Spending would also be reported at every Finance and Board meetings.</p> <p>Mr. Coss discussed budget adjustments, primarily including the OSHPD delays, the South Lot, the medical gas system upgrade, for a total of \$1.37M. The medical gas upgrade was to meet OSHPD code and the amount was reduced (negotiated) by over half. At this point, the total budget required is \$42.6 M. Moving forward several options to align scope with budget is available: defer building out of the Surgery Department. (current O.R. is good until 2020); finance the gap through completion; or move forward with fundraising and review again in February 2013. The deferred Surgery Department would subtract \$3.5M. Mr. Coss did not recommend deferring the O.R.</p> <p>Mr. Hohorst pointed out a decision was made to not defer the CUP installation (reviewing his document from an October 2011 meeting suggesting deferred projects). A decision to be made within the next few months is whether to commit to the hot water boiler. The delayed schedule is costing us approximately \$1M, but would give SVH several additional months to fundraise.</p> <p>Mr. Reid said the Finance Committee earlier this summer discussed financing approximately \$6M of the project.</p> <p>Mr. Barclay suggested an impact analysis be prepared for the Construction Committee. Mr. Gilroy said that the hot water boiler is tied to the CEC funds.</p> <p>Ms. Mather said that banks would lend based on strong fundraising pledge documents. The current gap is \$6.6M, or \$1.5M after taking into consideration the CEC loan. The capital campaign committee has committed to raise another \$6.5M, and most commitments are expected to be made within the next few weeks and certainly by the end of December, so the February Board meeting would be a better decision</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>point. With successful fundraising and the CEC loan, SVH would have a total positive variance of \$1.39 M. She indicated that based on the Nelson donation, SVH had committed to build the ER, so a decision would have to go through. With the Nelson donation, the Hospital is able to fund the ER equipment as well.</p> <p>Mr. Reid reminded the Board that the GO Bond funds may not be applied to movable equipment, only to fixed equipment.</p> <p>Ms. Mather discussed the renovations on the Med/Surg unit on Two West necessary to support the new building. The approved design is expected to cost an additional \$1.23M. Some of these changes were OSHPD requirements, including a new ADA compliant isolation room. The nurses' station is not EHR compatible; if changes are made, it must come up to OSHPD code. The Board suggested another impact analysis be prepared on staffing the second floor.</p> <p>Ms. Mather said outstanding questions still include how much would come in from fundraising and how much is the Hospital comfortable with financing.</p> <p>Mr. Coss indicated next steps would include negotiating a revised GMP and schedule, reviewing the Jtec extension and contract, managing owner changes and key decision dates, beginning the Construction Committee on October 30th, and meeting with the Board in February 2013 with an update on budget, progress, fundraising, and need for financing.</p> <p>The next change order for \$601, 902 would come before the Board in the near future. That figure is included in the amounts discussed in this meeting. Mr. Carruth suggested that the Board should delegate authority to approve change orders to the CEO, if it had not done so already. Some of the items had in fact already been changed in the field. CEO authority for change orders should come to the next Board meeting. Mr. Hohorst said that the scope in this change order had previously been approved by the Board.</p>		
ADJOURN	7:05 p.m.		

3.C.

QC MINUTES

9.26.12



**SONOMA VALLEY HEALTH CARE DISTRICT
QUALITY COMMITTEE
REGULAR MEETING MINUTES
Wednesday, September 26, 2012
Schantz Conference Room**

Committee Members Present	Committee Members Absent	Community Members Present	Administrative Staff Present
Kevin Carruth, Chair Dr. Jerome Smith Joel Hoffman Jane Hirsch	Dr. Paul Amara Sharon Nevins Bob Burkhart	Dr. Howard Eisenstark	Dr. Robert Cohen, Chief Medical Officer Leslie Lovejoy, Chief Quality & Nursing Officer Mark Kobe, Director of Nursing

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MISSION AND VISION STATEMENTS	<p><i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p> <p><i>The vision of the SVHCD is that: SVH will be a nationally recognized, compassionate place of healing and known for excellence in clinical quality. We serve as the guide and indispensable link for our community's health care journey.</i></p>		
1. CALL TO ORDER	5:07 p.m.		
2. PUBLIC COMMENT SECTION ON CLOSED SESSION	There was no public comment.		
4. REPORT OF CLOSED SESSION		MOTION: by Hirsch, seconded, to forward the Credentialing Report to the Board and carried. All in favor; none opposed	
5. PUBLIC COMMENT <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Committee at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Committee consideration.</i>	There was no public comment.		

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<i>At all times please use the microphone.</i>			
6. CONSENT CALENDAR: A. Prior Meeting Minutes 8.22.12 B. Tracking Report for Uncorrected Items		MOTION: by Hirsch; seconded, to approve Item A on the Consent Calendar and carried. All in favor; none opposed. MOTION: by Carruth; seconded, to approve the Tracking Report and carried. All in favor; none opposed	
7. QUALITY REPORT	<i>Leslie Lovejoy</i>		
	<p>Ms. Lovejoy reported priorities for September were heavily regulatory. The Studer Group encourages the Leadership team and front line staff to inquire into patient satisfaction results so they can explain them to their peers. The Measurement Team had been trained and oriented on the survey. The Medicare Breakeven team has been reformed. The California Department of Public Health had asked SVH to provide three plans of corrections for some HIPAA violations and had been accepted. The California Department of Public Health Pharmacy surveyor also visited the Hospital regarding Medication Error Reduction Plan (MERP). Random validation surveys were done and passed on SVH's evidence of standards compliance and measures of success from The Joint Commission. The central sterile construction is almost complete, as well as the kitchen drain pipe. Final permit from OSHPD had been received for the Occupational Health and Human Resources move.</p> <p>She further explained the Press Ganey patient satisfaction survey summary report and the Value Based Purchasing score regarding quality and satisfaction on SVH's performance. The "Pardon Our Noise" initiative was also discussed, due to the construction taking place at the Hospital.</p> <p>Mr. Carruth recommended the reports that were presented this year to be discussed at next month's meeting to present at the December Board meeting.</p>		
8. REDUCING WASTE THROUGH UTILIZATION AND RESOURCE MANAGEMENT	<i>Leslie Lovejoy</i>		
	Ms. Lovejoy explained managing utilization, resource management, and waste management on how to achieve quality care at low cost. The three components, which are inter-related: 1) Managing Utilization: Making sure		

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	<p>the patient obtains the right level of care at the right time and location, which results in high quality care. The strategies that were used are: case management transformation initiative, implementing a pilot ED case management program focusing on the returns of the patient, readmissions, those who have no insurance and complex cases that may need some community case management. Readmissions and palliative care program were also used as part of the strategies; 2) Managing Resources: Continuous performance improvement identifies what waste there is in the organization, and move to reduce it. Managed cost by using operational benchmarks. Creating strategic affiliations with Marin General and Palm Drive. Contracting with medical groups that bring managing costs to the table and strategic planning to manage the overall costs to providing high quality care. Using data in an effective way for identifying overuse of some tests, developing physician group dashboard indicators, and holding leaders accountable.</p> <p>Medicare breakeven project identified initial goals. Using MRI testing in the inpatient setting, implementing best practice guidelines to reduce the need for in use blood transfusions for outpatient surgery, identify and reduce the number of repetitive and potential wasteful lab testing, and PICC line process, pre-operating testing, printing lab results, throughput from ED to acute, and use of supplies. Comparing practice patterns by physician by DRG to identify opportunities for education and standardization; and 3) Managed Costs: Reducing patient chargeables and supply costs in surgery, changed from single supply items to packs for the majority of their cases, and adding prices to their preference cards. The Materials Management department also reduced contractual costs, renegotiate contracts, review supply costs, and partnering with Marin General Hospital. Lastly, keeping the revenue SVH generates.</p>		
<p>9. ELECTRONIC HEALTH RECORD UPDATE AND MEANINGFUL USE</p>	<p><i>Dr. Robert Cohen</i></p>		
	<p>Dr. Cohen briefly summarized the term “meaningful use”, which was to alter the quality of medical care and have cost benefits. EHR was to provide increased quality and availability of data reporting of certain diseases to governmental agencies where the government and have come up with sets of standards so that hospitals were able to meet their 90-day attestation period in order to be reimbursed a portion of their cost for purchasing EHR. Unifying single database that encompasses all of the areas in the Hospital, which are pharmacy, lab, operating room, and emergency department into one unified database. EHR went live on May 2012 shortly thereafter started the attestation period. Total cost of EHR program was \$6,000,000 plus. Stage 2 had been finalized, which would require additional modules. All progress</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	notes to be either typed or voice recognition. There are a number of Stage 2 requirements that would go through the same process while in the 90-day attestation period. Many of the same elements that are in Stage 1 would be in Stage 2.		
10. POLICIES & PROCEDURES:	<i>Leslie Lovejoy</i>		
A. Infant Security (Revisited)		MOTION: by Hirsch; second by Hoffman to approve the Infant Security policy and be brought to the Board. All in favor; none opposed.	
	Ms. Lovejoy reported on the wording changes that were made.		
B. Humidity and Temperature Monitoring		MOTION: by Hirsch; seconded, to approve the Humidity and Temperature Monitoring policy and be brought to the Board. All in favor; none opposed.	
	Ms. Lovejoy reported this policy met Centers for Medicare and Medicaid Services, State, and The Joint Commission requirements for measuring humidity.		
C. Ice Machine Maintenance		MOTION: by Carruth; seconded, to approve with the amendment for the ice machine maintenance policy and be brought to the Board. All in favor; none opposed.	
	Ms. Lovejoy briefly explained the ice machine maintenance policy.		
11. CLOSING COMMENTS	<i>Kevin Carruth</i>		
	Mr. Carruth announced that Dr. Eisenstark, who had been regularly attending the meetings, was unable to attend for this meeting and the ad for Board Committee vacancies would be advertised soon.		
12. ADJOURN	6:35 p.m.		

5.

LEGISLATIVE
UPDATE

State and Federal Issues Hospital Perspective

Suzanne Ness, Regional Vice President

Hospital Council of Northern & Central California

State Issues

- 2013/14 State Budget and Proposition 30
- Provider Fee – State Approval
- Special Legislative Session on Healthcare
- 2013 Legislative Proposals
- Health Benefit Exchange
- Hospital Image and Role

Federal Issues

- Medicare / Medicaid funding
- Patient Safety / Hospital Engagement Network
- Care transitions / Rehospitalization
- Health Information Exchange / Meaningful Use

CHA

- Transforming for Tomorrow
- Payment Reform

Suzanne Ness, Regional Vice President

Hospital Council of Northern & Central California

916-552-7534 / sness@hospitalcouncil.net

6.

STUDER
CONFERENCE
INSIGHTS



TO: Senior Administrative Team and SVH Board of Directors

FROM: Paula Davis, CHRO

As a team, those of us who attended the Studer Conference, What's Right in Healthcare, October 10-12, 2012 in Nashville met to debrief, reflect, recap and discuss our recommendations as the top three priorities of focus to move SVH forward to achieve the identified goals of the organization. Each of us brought back our own individual revelations from the conference which we have shared with the entire SVH Leadership group. From each team member who attended, thank you for the opportunity to attend this invaluable conference as it clearly has motivated, reinvigorated and inspired us to lead our organization to its fullest potential.

- 1) Physician Engagement/Alignment – Recommendation: To form a Physician Satisfaction Team that would guide the focus and actions needed to achieve a more informed and engaged medical staff.
- 2) Connect To The Why – Recommendation: Improve communication of “why” we are requiring the change in behaviors and the results of the changes. Leaders must be more “consistent” in their day-to-day responsibilities. Without each Leader consistently fulfilling their Studer Must Haves, success will elude us. Consequences for unacceptable behaviors must be consistent across all disciplines. Leaders must serve as role models.
- 3) Accountability – Recommendation: Hold each other at all levels of the organization accountable for behavior standards. What we permit, we promote.

Medical Directors should attend Leadership and LDI

More communication

ATTENDEES:

Michelle Donaldson, Assistant Administrator
Mark Kobe, Director of Nursing
Chris Kutza, Director of Pharmacy
Dawn Kuwahara, Director of Professional Services
Jackie Lyons, Director of Ancillary Services
Mary Finkenbinder, Nutrition Services Manager

Barbara Lee, Home Care Director
Pauline Headley, Director Med/Surg/OB
Jeannette Tarver, Director Financial Services
Paula Davis, Chief HR Officer

8.

SEPTEMBER 2012
FINANCIAL REPORT

**Sonoma Valley Hospital
Sonoma Valley Health Care District
September 30, 2012 Financial Report**

District Board
November 1, 2012

September's Patient Volumes

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Prior Year</u>
Acute Discharges	109	131	-22	136
Acute Patient Days	347	466	-119	552
SNF Patient Days	617	664	-47	567
Outpatient Gross Revenue (in thousands)	\$8,151	\$8,607	-\$456	\$7,667
Surgical Cases	134	129	5	126

Summary Statement of Revenues and Expenses Month of September 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 3,718,358	\$ 4,002,814	\$ (284,456)	-7%	\$ 4,014,683
2 Total Operating Expenses	\$ 4,221,152	\$ 4,389,289	\$ 168,137	4%	\$ 4,312,197
3 Operating Margin	\$ (502,794)	\$ (386,475)	\$ (116,319)	-30%	\$ (297,514)
4 NonOperating Rev/Exp	\$ 453,748	\$ 459,942	\$ (6,194)	-1%	\$ 350,521
5 Net Income before Restricted Contributions	\$ (49,046)	\$ 73,467	\$ (122,513)	-167%	\$ 53,007
6 Restricted Contribution	\$ 114,334	\$ 47,500	\$ 66,834	141%	\$ -
7 Net Income with Restricted Contributions	\$ 65,288	\$ 120,967	\$ (55,679)	-46%	\$ 53,007
8 EBIDA before Restricted Contributions	\$ 184,361	\$ 328,831	\$ (144,470)		\$ 276,123
9 EBIDA before Restricted Contributions %	5%	8%	-3%		7%
10 EBIDA after Restricted Contributions	\$ 298,695	\$ 376,331	\$ (77,636)		\$ 276,123
11 EBIDA Percentage after Restricted Contributions %	8%	9%	-1%		7%
12 Net Income without GO Bond Activity	\$ (58,268)	\$ (7,355)	\$ (50,913)		\$ (70,451)

Summary Statement of Revenues and Expenses Year to Date September 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 11,541,254	\$ 11,596,999	\$ (55,745)	0%	\$ 11,737,519
2 Total Operating Expenses	\$ 12,790,218	\$ 13,033,216	\$ 242,998	2%	\$ 12,432,419
3 Operating Margin	\$ (1,248,964)	\$ (1,436,217)	\$ 187,253	13%	\$ (694,900)
4 NonOperating Rev/Exp	\$ 1,353,735	\$ 1,379,826	\$ (26,091)	-2%	\$ 963,579
5 Net Income before Restricted Contributions	\$ 104,771	\$ (56,391)	\$ 161,162	286%	\$ 268,679
6 Restricted Contribution	\$ 118,767	\$ 142,500	\$ (23,733)	-17%	\$ -
7 Net Income with Restricted Contributions	\$ 223,538	\$ 86,109	\$ 137,429	160%	\$ 268,679
8 EBIDA before Restricted Contributions	\$ 811,220	\$ 709,701	\$ 101,519		\$ 912,093
9 EBIDA before Restricted Contributions %	7%	6%	1%		8%
10 EBIDA after Restricted Contributions	\$ 929,987	\$ 852,201	\$ 77,786		\$ 912,093
EBIDA Percentage after Restricted					
11 Contributions %	8%	7%	1%		8%
12 Net Income without GO Bond Activity	\$ (265,897)	\$ (441,357)	\$ 175,460		\$ (101,988)



To: SVH Finance Committee
From: Rick Reid, CFO
Date: October 23, 2012
Subject: Financial Report for the Month Ending September 30, 2012

Presented below are the results and analysis for the month ending September 30, 2012.

Overall Results for July 2012

Overall for September, SVH has net income of \$65,288 on budgeted income of \$120,967, for an unfavorable difference of (\$55,679). Total net revenue was under budget by (\$294,923). This brought the total operating revenue to \$3,718,358 or (\$284,456) under budget. Expenses were \$4,221,152 on a budget of \$4,389,289 or \$168,137 under budget. The EBIDA prior to the restricted donations for the month was \$184,361 or 5.0%.

Patient Volumes

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	109	131	-22	136
Acute Patient Days	347	466	-119	552
SNF Patient Days	617	664	-47	567
OP Gross Revenue	\$8,151	\$8,607	-\$456	\$7,667
Surgical Cases	134	129	5	126

Net Operating Revenues

Net operating revenues for August were \$3.7 million on a budget of \$4.0 million or (\$284,456) under budget.

Inpatient Net Revenue:

- Medicare discharges under budget by 10, the impact was (\$92,418), offset by favorable rates of \$30,093
- Medi-Cal patient days under budget by 43, and an unfavorable rate variance for a total impact of (\$93,327)
- Other patient days under budget by 2, and an unfavorable rate variance for a total impact of (\$26,042)
- Commercial patient days under budget by 32, and an unfavorable rate for a total impact of (\$105,425)

Skilled Nursing Home:

- Volume was under budget by 42 days and patient acuity was under budget, net impact (\$30,294)

Outpatient:

- Reimbursement was over budget by \$38,563 due to the Emergency Department's payer mix

Home Care:

- Volume was under budget by 94 visits or (\$35,023) under budget

Expenses

September's expenses were \$4.2 million on a budget of \$4.4 million or under budget by \$168,137.

The following is a summary of the operating expense variances for the month of September:

- Total productivity FTE's were under budget at 291, on a budget of 292. Total salaries and Agency Fees under budget by a total of \$70,595 due to volume.
- Employee benefits were over budget by (\$23,184) due to health benefits being over budget by (\$6,792), Employer pension match over by (\$7,028) and paid time off over by (\$8,903) all due to the spread of the budget.
- Supplies were under budget by \$64,010, Lab expenses were under budget by \$25,403 due to volume and Surgery expenses were under budget by \$15,700 due to surgery case mix. Due to a lower volume month, spending was down in most departments.
- Purchased services were under budget by \$23,334 due to a lower volume month, spending was down in most departments.
- Other expenses were under budget by \$24,505, due to reduced spending in Administration.

Capital Campaign Summary:

For the month of September the Hospital received no capital campaign donations. The total amount received from the Capital Campaign to date is \$2,049,788. The funds are included on line 16, Specific Funds on the Balance Sheet. Included on line 16 is also \$21,743 for miscellaneous restricted funds and \$114,334 received from the Foundation for the X-ray machine.

	Receipts	Spending	Balance
Emergency Dept.	\$1,001,000	\$0	\$1,001,000
Operating Room	\$0	\$0	\$0
General	\$1,048,788	\$0	\$1,048,788
Total Capital Campaign	\$2,049,788	\$0	\$2,049,788
X-Ray Machine	\$114,334	\$0	\$114,334
Misc. Restricted Funds	\$21,743	\$0	\$21,743
Total Specific Funds	\$2,185,865	\$0	\$2,185,865

Other Outpatient Volume Comparison

These comparisons are for actual FY 2013 compared to actual FY 2012. These are not budget comparisons.

Outpatient & ER Visits

	OP Visits				ER – Inpatient				ER - Outpatient			
	2013	2012	Change	%	2013	2012	Change	%	2013	2012	Change	%
July	4,091	4,304	-213	-5.0%	109	114	-5	-4.4%	729	772	-43	-5.6%
Aug	4,392	4,692	-300	-6.4%	106	105	1	.9%	778	718	60	8.4%
Sept	3,888	4,757	-869	-18.3%	111	107	4	3.1%	677	693	-16	2.3%
YTD	12,371	13,753	-1382	-2.6%	326	326	0	0%	2,184	2,183	1	0%

Outpatient Procedures

	Sept 2012	Sept 2011	Change	FY 2013	FY 2012	Change
Labor & Delivery	2	0	2	3	0	3
ACU	3	0	3	5	5	0
Clinical Lab	1,223	1,751	-528	3,917	4,725	-808
ECHO	59	65	-6	162	183	-21
EKG	149	166	-17	420	454	-34
Medical Imaging	500	652	-152	1,576	1,923	-347
Mammography	231	247	-16	676	755	-79
Nuclear Medicine	27	32	-5	75	74	1
MRI	68	86	-18	213	249	-36
Ultrasound	206	234	-28	720	749	-29
CT Scanner	170	168	2	514	531	-17
Wound Care	85	77	8	240	285	-45
Offsite PT	748	810	-62	2,473	2,408	65
Occ. Health	284	366	-82	943	1,094	-151
Speech Therapy	15	19	-4	41	66	-25
Offsite Occ. Therapy	118	84	34	393	252	141
Total	3,888	4,757	-869	12,371	13,753	-1382

Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
Current Month September 2012

		This Year		Variance		Last Year
		Actual	Budget	\$	%	Actual
Volume Information						
1	Acute Discharges	109	131	(22)	-17%	136
2	SNF Days	617	664	(47)	-7%	567
3	Home Care Visits	802	896	(94)	-10%	881
4	Gross O/P Revenue (000's)	8,151	8,607	(456)	-5%	7,667
Financial Results						
Net Fee For Service Revenue						
5	Acute Inpatient	\$ 1,332,683	\$ 1,619,802	(287,119)	-18%	\$ 1,762,553
6	SNF	361,457	391,751	(30,294)	-8%	338,096
7	Outpatient and Emergency	1,890,317	1,851,754	38,563	2%	1,693,970
8	Home Care	176,538	211,561	(35,023)	-17%	194,283
9	Charity Care Provision	(21,800)	(39,378)	17,578	45%	(2,000)
10	Bad Debt	(340,000)	(341,372)	1,372	0%	(250,000)
11	Prior Period Adjustments	-	-	-	0%	-
12	Total Net Revenue	\$ 3,399,195	\$ 3,694,118	(294,923)	-8%	\$ 3,736,902
13	Risk contract revenue	\$ 307,561	\$ 296,658	10,903	4%	\$ 263,480
14	Net Hospital Revenue	\$ 3,706,756	\$ 3,990,776	(284,020)	-7%	\$ 4,000,382
15	Other Operating Revenue	\$ 11,602	\$ 12,038	(436)	-4%	\$ 14,301
16	Total Operating Revenue	\$ 3,718,358	\$ 4,002,814	(284,456)	-7%	\$ 4,014,683
Operating Expenses						
17	Salary and Wages and Agency Fees	\$ 1,897,760	\$ 1,968,355	70,595	4%	\$ 1,855,382
18	Employee Benefits	724,857	701,673	(23,184)	-3%	666,143
19	Total People Cost	\$ 2,622,617	\$ 2,670,028	47,411	2%	\$ 2,521,525
20	Med and Prof Fees (excl Agency)	\$ 402,111	\$ 395,004	(7,107)	-2%	\$ 504,522
21	Supplies	432,637	496,647	64,010	13%	511,989
22	Purchased Services	360,595	383,929	23,334	6%	324,066
23	Depreciation	171,432	199,672	28,240	14%	165,401
24	Utilities	89,582	82,610	(6,972)	-8%	86,067
25	Insurance	19,375	20,374	999	5%	20,127
26	Interest	31,964	25,681	(6,283)	-24%	27,704
27	Other	90,839	115,344	24,505	21%	150,796
28	Operating expenses	\$ 4,221,152	\$ 4,389,289	168,137	4%	\$ 4,312,197
29	Operating Margin	\$ (502,794)	\$ (386,475)	(116,319)	-30%	\$ (297,514)
Non Operating Rev and Expense						
30	Electronic Health Records & Misc. Rev.	\$ 150,804	\$ 147,250	3,554	2%	\$ 5,708
31	Donations	-	-	-	0%	1,100
32	Professional Center/Phys Recruit	-	-	-	0%	(248)
33	Physician Practice Support-Prima	(65,630)	(65,630)	-	0%	(39,550)
34	Parcel Tax Assessment Rev	245,018	250,000	(4,982)	-2%	260,053
35	GO Bond Tax Assessment Rev	153,567	158,333	(4,766)	-3%	153,469
36	GO Bond Interest	(30,011)	(30,011)	-	0%	(30,011)
37	Total Non-Operating Rev/Exp	\$ 453,748	\$ 459,942	(6,194)	-1%	\$ 350,521
38	Net Income / (Loss) prior to Restricted Contributions	\$ (49,046)	\$ 73,467	(122,513)	-167%	\$ 53,007
39	Capital Campaign Contribution	\$ -	\$ 47,500	\$ (47,500)	-100%	\$ -
40	Restricted Foundation Contributions	\$ 114,334	\$ -	\$ 114,334	100%	\$ -
41	Net Income / (Loss) w/ Restricted Contributions	\$ 65,288	\$ 120,967	\$ (55,679)	-46%	\$ 53,007
42	Net Income w/o GO Bond Activity	\$ (58,268)	\$ (7,355)	(50,913)	692%	\$ (70,451)

Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended September 2012

		This Year		Variance		Last Year
		Actual	Budget	\$	%	Actual
Volume Information						
1	Acute Discharges	341	364	(23)	-6%	379
2	SNF Days	1,932	2,019	(87)	-4%	1,693
3	Home Care Visits	2,791	2,788	3	0%	2,797
4	Gross Outpatient Revenue (000's)	\$ 25,317	\$ 25,156	161	1%	\$ 22,646
Financial Results						
Net Fee For Service Revenue						
5	Acute Inpatient	\$ 4,245,620	\$ 4,516,064	(270,444)	-6%	\$ 4,526,243
6	SNF	1,090,554	1,189,157	(98,603)	-8%	1,043,138
7	Outpatient and Emergency	5,918,182	5,408,263	509,919	9%	5,453,882
8	Home Care	635,189	657,284	(22,095)	-3%	565,265
9	Charity Care Provision	(50,200)	(113,749)	63,549	56%	(34,000)
10	Bad Debt Expense	(1,305,000)	(986,108)	(318,892)	-32%	(900,000)
11	Prior Period Adjustments	-	-	-	0%	0
12	Total Net Revenue	10,534,345	10,670,911	(136,566)	-1%	10,654,528
13	Risk Contract Revenue	920,725	889,974	30,751	3%	1,044,606
14	Net Hospital Revenue	11,455,070	11,560,885	(105,815)	-1%	11,699,134
15	Other Operating Revenue	86,184	36,114	50,070		38,385
16	Total Operating Revenue	\$ 11,541,254	\$ 11,596,999	(55,745)	0%	\$ 11,737,519
Operating Expenses						
17	Salary and Wages and Agency Fees	\$ 5,747,732	\$ 5,842,343	94,611	2%	\$ 5,514,031
18	Employee Benefits	2,129,334	2,113,839	(15,495)	-1%	1,960,800
19	Total People Cost	7,877,066	7,956,182	79,116	1%	7,474,831
20	Med and Prof Fees (excl Agency)	1,136,802	1,181,572	44,770	4%	1,396,612
21	Supplies	1,394,002	1,416,859	22,857	2%	1,421,454
22	Purchased Services	1,195,978	1,147,717	(48,261)	-4%	938,270
23	Depreciation	518,208	599,016	80,808	13%	468,380
24	Utilities	260,409	247,830	(12,579)	-5%	223,291
25	Insurance	58,125	61,122	2,997	5%	61,252
26	Interest	98,208	77,043	(21,165)	-27%	85,002
27	Other	251,420	345,875	94,455	27%	363,327
28	Operating Expenses	\$ 12,790,218	\$ 13,033,216	242,998	2%	\$ 12,432,419
29	Operating Margin	\$ (1,248,964)	\$ (1,436,217)	187,253	13%	\$ (694,900)
Non Operating Rev and Expense						
30	Electronic Health Records & Misc. Rev.	\$ 444,903	\$ 441,750	3,153	1%	\$ 14,527
31	Donations	-	-	-	0%	3,600
32	Professional Center/Phys Recruit	-	-	-	0%	(918)
33	Physician Practice Support-Prima	(196,890)	(196,890)	-	0%	(159,350)
34	Parcel Tax Assessment Rev	735,054	750,000	(14,946)	-2%	735,053
35	GO Bond Tax Assessment Rev	460,701	474,999	(14,298)	-3%	460,699
36	GO Bond Interest	(90,033)	(90,033)	-	0%	(90,032)
37	Total Non-Operating Rev/Exp	1,353,735	1,379,826	(26,091)	-2%	963,579
38	Net Income / (Loss) prior to Restricted Contributions	104,771	(56,391)	161,162	*	268,679
39	Capital Campaign Contribution	\$ 4,433	\$ 142,500	(138,067)	-97%	\$ -
40	Restricted Foundation Contributions	\$ 114,334	\$ -	114,334	100%	\$ -
41	Net Income / (Loss) w/ Restricted Contributions	\$ 223,538	\$ 86,109	137,429	160%	\$ 268,679
42	Net Income w/o GO Bond Activity	\$ (265,897)	\$ (441,357)	175,460	-40%	\$ (101,988)

Sonoma Valley Health Care District
Balance Sheet
For The Period Ended
As of September 30, 2012

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets			
Current Assets:			
1	\$ 1,970,612	\$ 1,721,263	\$ 3,228,321
2	339,459	339,459	143,815
3	9,348,449	9,146,081	7,095,673
4	4,781,832	5,440,549	5,176,272
5	(2,937,281)	(2,896,731)	(1,809,562)
6	1,133,196	954,637	881,950
7	-	-	-
8	904,219	890,431	914,352
9	975,589	676,779	1,268,203
10	<u>\$ 16,516,075</u>	<u>\$ 16,272,468</u>	<u>\$ 16,899,024</u>
11	\$ 186,028	\$ 186,028	\$ 253,213
12	10,886,701	10,898,541	9,870,592
13	16,724,159	15,776,640	9,422,060
14	15,801,807	17,729,962	22,332,877
15	1,497	(3,639)	36,060
16	2,185,865	2,071,531	29,003
17	331,513	447,507	426,996
18	<u>\$ 62,633,645</u>	<u>\$ 63,379,038</u>	<u>\$ 59,269,825</u>
Liabilities & Fund Balances			
Current Liabilities:			
19	\$ 5,215,176	\$ 5,775,961	\$ 3,624,739
20	3,360,763	3,340,704	3,162,647
21	285,705	142,852	288,291
22	140,857	104,198	542,998
23	1,341,993	1,155,160	64,640
24	3,573,556	3,972,140	3,587,255
25	1,547,746	1,542,287	1,293,799
26	97,889	212,223	172,627
27	<u>\$ 15,563,685</u>	<u>\$ 16,245,525</u>	<u>\$ 12,736,996</u>
28	\$ 37,949,090	\$ 38,077,931	\$ 38,759,122
29	Fund Balances:		
30	\$ 6,860,760	\$ 6,909,806	\$ 7,725,164
31	2,260,110	2,145,776	48,543
32	<u>\$ 9,120,870</u>	<u>\$ 9,055,582</u>	<u>\$ 7,773,707</u>
33	<u>\$ 62,633,645</u>	<u>\$ 63,379,038</u>	<u>\$ 59,269,825</u>

Sonoma Valley Hospital
Statistical Analysis
FY 2013

	ACTUAL	BUDGET
	Sep-12	Sep-12
Statistics		
Acute		
Acute Patient Days	347	466
Acute Discharges	109	131
SNF Days	617	664
HHA Visits	802	896
Emergency Room Visits	788	822
Gross Outpatient Revenue (000's)	\$8,151	\$8,607
Equivalent Patient Days	2,202	2,458
Births	11	16
Surgical Cases - Inpatient	37	38
Surgical Cases - Outpatient	97	91
Total Surgical Cases	134	129
Medicare Case Mix Index	1.49	1.40
Income Statement		
Net Revenue (000's)	3,707	3,991
Operating Expenses (000's)	4,221	4,389
Net Income (000's)	65	121
Productivity		
Total Operating Expense Per Equivalent Patient Day	\$1,917	\$1,786
Productive FTEs	291	292
Non-Productive FTE's	39	30
Total FTEs	330	321
FTEs per Adjusted Occupied Bed	4.37	
Balance Sheet		
Days of Expense In General Operating Cash	14	
Net Days of Revenue in AR	50	

													ACTUAL	
Aug-12	Jul-12	Jun-12	May-12	Apr-12	Mar-12	Feb-12	Jan-12	Dec-11	Nov-11	Oct-11	Sep-11	Aug-11		
432	396	354	363	436	435	399	448	455	449	456	552	372		
117	115	107	116	129	128	145	125	130	133	134	136	115		
682	633	688	729	618	672	567	662	685	543	633	567	470		
1,052	937	941	989	997	1,023	950	967	913	911	1,024	881	962		
884	838	810	863	717	783	692	791	741	739	787	800	823		
\$9,014	\$8,153	\$7,667	\$8,120	\$7,880	\$8,707	\$7,983	\$8,640	\$7,838	\$7,863	\$7,493	\$7,667	\$7,569		
2,509	2,202	2,355	2,362	2,236	2,451	2,214	2,412	2,374	2,115	2,281	2,272	1,956		
16	9	15	6	23	11	10	9	17	19	11	17	18		
40	41	28	37	38	37	31	33	43	43	39	43	30		
98	82	92	99	99	117	84	99	89	101	87	83	95		
138	123	120	136	137	154	115	132	132	144	126	126	125		
1.40	1.61	1.50	1.64	1.36	1.29	1.40	1.32	1.47	1.39	1.44	1.52	1.25		
3,926	3,822	4,832	3,741	3,739	3,925	3,867	3,924	4,247	3,668	3,746	4,000	3,857		
4,312	4,257	5,278	4,686	4,413	4,372	4,160	4,230	4,584	3,973	4,245	4,312	4,064		
127	31	889	343	(14)	24	36	23	(13)	16	(164)	53	96		
\$1,719	\$1,933	\$2,241	\$1,984	\$1,974	\$1,784	\$1,879	\$1,746	\$1,931	\$1,878	\$1,861	\$1,898	\$2,116		
284	281	285	285	274	271	272	266	274	256	283	280	272		
37	41	34	28	28	28	26	35	27	39	30	34	37		
321	322	318	313	302	303	299	300	302	295	314	314	309		
3.97	4.53	4.05	4.11	4.05	3.84	3.80	3.84	3.94	4.19	4.26	4.14	4.90		
13	14	13	15	20	16	20	25	23	23	29	27	18		
50	50	48	47	46	45	44	45	45	43	40	42	40		

Sonoma Valley Hospital
Statement of Cash Flows
For the Period Ended

	<u>Current Month</u>	<u>Year To Date</u>
Operating Activities		
Net Income (Loss)	65,288	223,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	171,443	518,220
Net changes in operating assets and liabilities:		
(Increase)/Decrease Patient accounts receivable - net	(161,818)	(479,582)
(Increase)/Decrease Other receivables and other assets	596,152	2,073,900
(Increase)/Decrease Prepaid expenses	(298,810)	(406,109)
(Increase)/Decrease in Inventories	(13,788)	(40,082)
(Decrease)/Increase in Deferred revenues	(211,751)	(804,012)
(Decrease)/Increase in Accounts payable, accrued expenses	(475,547)	(436,028)
Net Cash Provided/(Used) by operating activities	<u>(328,831)</u>	<u>649,845</u>
Investing Activities		
Net Purchases of property, plant and equipment - Other Fixed Assets	(159,603)	(130,932)
Net Purchases of property, plant and equipment - GO Bond Purchases	(947,519)	(2,781,842)
Net Proceeds and Distributions from investments	(5,136)	35,342
Net Book Value of Assets Disposed	-	-
Change in Restricted Funds	-	-
Change in Limited Use Cash	1,813,821	2,782,510
(Payment)/Refund of Deposits	-	-
Net cash Provided/(Used) by investing activities	<u>701,563</u>	<u>(94,922)</u>
Financing Activities		
Proceeds (Repayments) from Borrowings - Banks & Carriers	(123,382)	(375,159)
Proceeds (Repayments) from Borrowings - Other		
Net Intercompany Borrowings/(Repayments)		
Change in Post Retirement Obligations & Other Net Assets	-	-
Net Equity Transfers to related entities (Cash and Non-Cash)		
Net cash Provided/(Used) by financing activities	<u>(123,382)</u>	<u>(375,159)</u>
Net increase/(Decrease) in cash and cash equivalents	<u>249,349</u>	<u>179,763</u>
Cash and Equivalents at beginning of period	<u>1,721,263</u>	<u>1,790,849</u>
Cash and Equivalents at September 30, 2012	<u><u>1,970,612</u></u>	<u><u>1,970,612</u></u>

**Cash Flow Projection
Sonoma Valley Hospital**

Updated: 10/16/12

	Sep-12 Actual	Oct-12 Projected	Nov-12 Projected	Dec-12 Projected	Jan-13 Projected	Feb-13 Projected	Mar-13 Projected	Apr-13 Projected	May-13 Projected	Jun-13 Projected	Jul-13 Projected	Aug-13 Projected	Sep-13 Projected
Operating Activities													
1	Net Income	65,288	66,402	73,701	92,035	54,788	105,267	186,631	111,032	153,805	52,768	52,768	52,768
2	Add: Depreciation & Amortization	171,443	201,661	201,661	201,661	201,661	201,661	201,661	201,661	201,661	301,661	301,661	301,661
3	Decrease (Inc) in Net Accts Receivable	(161,818)	685,981	-	343,511	-	229,008	-	-	-	-	-	-
4	Dec (Inc) in Inventories/Other Rec'v & Assets	577,228	(143,000)	1,947,000	(63,000)	607,000	714,115	7,000	(143,000)	197,000	(4,826,007)	-	882,115
5	Decrease (Inc) in Prepaid Expenses	(298,810)	95,508	85,494	81,990	43,244	40,327	40,327	40,327	40,327	40,327	40,327	40,327
6	Increase (Dec) in Accounts Payable	(560,785)	(1,279,646)	(735,229)	(495,428)	(473,491)	10,376	(238,939)	(5,212)	(10,226)	(3,072)	-	-
7	Increase (Dec) in Payroll Accruals	20,059	868,402	(1,255,607)	344,126	356,126	28,979	344,126	249,077	(1,148,558)	237,077	260,126	350,126
8	Increase (Dec) in Accrued Expenses	36,659	140,941	28,979	22,979	34,979	28,979	22,979	34,979	28,979	22,979	(61,021)	28,979
9	Increase (Dec) in Deferred Revenue	(211,751)	(398,585)	401,416	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)	(398,584)	4,384,424	(398,584)	(398,584)
10	Increase (Dec) in Interest Payable	142,853	142,853	142,853	142,853	142,853	(714,265)	142,853	142,853	142,853	142,853	(714,265)	142,670
11	Increase (Dec) in Other Liabilities	(114,334)	-	-	-	-	-	-	-	-	-	-	-
12	Net Cash Provided By Operating Activities	(333,968)	380,517	890,268	272,143	568,576	245,862	308,054	233,132	(792,744)	253,009	(518,988)	1,400,062
Capital and Related Financing Activities													
13	Purchase of Capital Equipment/CIP	(1,107,122)	(1,107,122)	(1,000,000)	(1,000,000)	(1,050,000)	(1,050,000)	(1,050,000)	(3,050,000)	(3,050,000)	(3,100,000)	-	-
14	New Financing	-	-	-	-	-	-	-	-	-	-	-	-
15	Transfers from Bond Fund	1,928,155	600,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	3,000,000	3,000,000	3,000,000	-	-
16	Repayments of Long-Term Debt	(123,382)	(150,798)	(150,798)	(150,798)	(150,798)	(150,798)	(150,798)	(150,798)	(150,798)	(150,798)	(150,798)	(150,798)
17	Transfers From (To) Restricted/Trustee Funds	(114,334)	-	-	-	-	-	-	-	-	-	-	-
18	Net Cash Used in Financing Activities	583,317	(657,920)	(150,798)	(150,798)	(200,798)	(200,798)	(200,798)	(200,798)	(200,798)	(250,798)	(150,798)	(150,798)
19	Net Increase (Decrease) in Operating Cash	249,349	(277,403)	739,470	121,345	367,778	45,064	107,256	32,334	(993,542)	2,211	(669,786)	1,249,264
Operating Cash Balances													
20	Cash At Beginning of Period	1,721,263	1,970,612	1,693,209	2,432,679	2,554,024	2,921,802	2,966,866	3,074,122	3,106,456	2,112,914	2,115,125	1,445,339
21	Change	249,349	(277,403)	739,470	121,345	367,778	45,064	107,256	32,334	(993,542)	2,211	(669,786)	1,249,264
22	Cash At End of the Period	1,970,612	1,693,209	2,432,679	2,554,024	2,921,802	2,966,866	3,074,122	3,106,456	2,112,914	2,115,125	1,445,339	2,694,603
Statistics													
23	Days Cash on Hand (Operating Only)	15	13	19	20	23	23	24	24	17	17	11	21
24	Days in Net Accounts Receivable	50	50	50	47	47	45	45	45	45	45	45	45
25	Days in Accounts Payable	90	85	70	60	50	50	45	45	45	45	45	45

Notes:

- * Maintain cash around \$1.5 million
- * Hold off major capital spending to January, unless cash improves
- * Pay back Napa State starting in November
- * Reduce days in Accounts Payable to 45 by year end
- * Maintain days in Accounts Receivable at 47

9.

**ADMINISTRATIVE
REPORT**



To: Sonoma Valley Healthcare District Board of Directors
From: Kelly Mather
Date: 10/25/12
Subject: Administrative Report

Summary:

We have ended the first quarter of the fiscal year ahead of budget. September was a low month for almost every department in volumes. Trends over the past three years show outpatient visits, surgery, home care, and skilled nursing volumes going up. Inpatient volumes and patient days are significantly going down, which is comparable to the rest of the hospitals in the nation. Inpatients are clearly converting to outpatients or it seems patients are being treated outside of the hospital. October staff activities included a great deal of work on fundraising for the capital campaign.

Phase 1 Construction & Campus Expansion Plans

A Board study session on the Phase 1 project was held on October 9th. We are still on track to open in fall, 2013. The project is currently approved at \$42.6 million, due to increased budget allowances. The Planning Commission study session for the South Lot development of an MOB and Wellness Center is scheduled for November 8th. Once the study session is completed, the Wiseman Company will send us their proposed final terms for consideration, which is due by December 15th.

Strategic Planning & Marketing

We are very excited to say that Western Health Advantage is available to local employers as a health insurance option that has lower premiums and uses Sonoma Valley providers as of January 1, 2013. 2011 market share data has been received and it shows positive growth in Orthopedics and General Surgery, as hoped. More analysis is coming with the rolling three year strategic plan due in January. This fall we will be marketing our surgery services through an innovative approach to offer guided imagery, pre & post op massage, and a voucher for the spa at Sonoma Mission Inn to reduce anxiety, decrease complications, and inspire healing. Our website has been refreshed and will continue to be upgraded over the next few months.

Leadership and Organizational Results (Dashboard)

As you can see from September, our results for inpatient satisfaction took a dip below the 40th percentile. We were focusing on the outpatient satisfaction and it has now held in the mid 90s and exceeded goal. The Value Based Purchasing clinical score is up to 90% and expected to reach 100% again in October now that the Electronic Health Record changes have been implemented. For staff satisfaction, our Wellness Fair is being held next week to encourage staff to maintain and improve their health and productivity. 10 Leaders attended the "What's Right in Healthcare" conference in October and have come back with ideas and inspirations on how to further increase patient and staff satisfaction. For community health, Adele Middle School has invited us to teach a 6-week wellness program starting next month.



SEPTEMBER 2012 DASHBOARD

PERFRMANCE GOAL	OBJECTIVE	METRIC	ACTUAL RESULT	GOAL LEVEL
Service Excellence	High In-Patient Satisfaction	Press Ganey percentile ranking of current mean score	Inpatient 85.2 mean at 27th percentile	>70th = 5 (stretch) >60th = 4 >50th = 3 (Goal) >40th = 2 <40th=1
	High Out-Patient Satisfaction	Press Ganey monthly mean score	Outpatient 94.4% Surgery 90.8 % Emergency 82.5%	>93% = 5 (stretch) >92%=4 >91% =3 (Goal) >90%=2 <90%=1
Quality	Excellent Clinical Outcomes	Value Based Purchasing Clinical Score	90%	100% for 12 mos= 5 100% 6/12 mos=4 100% 3/12 mos =3 >90%=2 <80%=1
People	Highly Engaged and Satisfied Staff	Press Ganey percentile ranking of current mean score	2012 74.7% mean score at 58 th percentile (survey 1/2013)	>70 th = 5 (stretch) >65th=4 >60th=3 (Goal) >55th=2 <55 th =1
Finance	Financial Viability	YTD EBIDA	8%	>10% (stretch) >9%=4 >8% (Goal) <7%=2 <6%=1
	Efficiency and Financial Management	FY 2013 Budgeted Expenses	\$12,790,218 (actual) \$13,033,216 (budget)	<2% =5 (stretch) <1% = 4 <Budget=3 (Goal) >1% =2 >2% = 1
Growth	Inpatient Volumes	1% increase (acute discharges over prior year)	341 YTD FY 2013 379 YTD FY 2012	>2% (stretch) (Outpt) >1%=4 >0% (Goal) <0%=2 (Inpt) <5%=1
	Outpatient Volumes	2% increase (gross outpatient revenue over prior year)	\$25.32 million YTD \$22,64 million in 2012	
Community	Community Benefit Hours	Hours of time spent on community benefit activities	538 hours in just 3 months	>1000 = 5 >800 = 4 >600 = 3 >400 = 2 >200 = 1



FY 2012 TRENDED RESULTS

MEASUREMENT	Goal	Jul 2012	Aug 2012	Sep 2012	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012
Inpatient Satisfaction	>86%	86.3	85.6	85.2	89.1	86.3	87.6	86.5	88.2	83.7	87.5	87.9	86.9
Outpatient Satisfaction	>92%	91.	94.2	94.4	93.5	89.7	92.2	90.5	90.5	91.6	91.7	91	90.9
Surgery Satisfaction	>92%	90.2	91.9	90.8	91	94.2	92.2	91.5	93.7	92.9	91.5	90.1	90.5
Emergency Satisfaction	>85%	87.3	88.2	82.5	88.2	85.5	84.1	81.9	85.6	87.8	88.9	88.7	88.2
Value Based Purchasing Clinical Score	>75	100	90	90	84.5	78.1	83.2	70	88.8	100	100	100	100
Staff Satisfaction	75%	75	72	72	72	72	72	72	75	75	75	75	75
Turnover	<12%	7.9		7.6	8.8	8.8	9.0	9.0	9.0	7.9	7.9	7.9	7.9
EBIDA	>8%	9	9	8	6	6	5	6	6	6	6	7	9
Net Revenues	>3.9m	3.83	3.98	3.7	3.75	3.68	4.26	3.9	3.9	3.9	3.76	3.76	4.85
Expense Management	<4.3m	4.2	4.3	4.2	4.2	3.9	4.5	4.2	4.1	4.3	4.4	4.7	5.2
Net Income	>50	29	125	65	-164	16	-12	23	35	25	-15	342	889
Days Cash on Hand	>35	16	13	14	29	23	18	25	20	16	18	15	13
A/R Days	<55	50	50	50	57	58	61	63	57	59	59	59	60
Total FTE's	<321	322	321	330	314	295	303	300	299	303	302	313	318
FTEs/AOB	<4.5	4.53	4.53	4.37	4.26	4.19	3.94	3.84	3.8	3.84	4.05	4.1	4.06
Inpatient Discharges	>148	115	117	109	134	133	130	125	145	152	129	116	107
Outpatient Revenue	\$7.5m	8.1	9.0	8.1	7.5	7.8	7.83	8.6	8.0	8.7	7.8	8.1	7.7
Surgeries	>130	123	138	97	126	144	132	132	115	154	137	136	120
Home Health	>900	937	1052	802	881	1024	913	967	950	1023	997	989	941
Births	>15	9	16	11	11	19	17	9	10	11	23	6	15
SNF days	>630	633	682	617	633	543	685	662	567	672	618	729	688
MRI	>120	84	95	82	104	97	101	96	93	141	94	149	83
Cardiology (Echos)	>70	78	56	74	85	88	71	93	75	92	74	77	68
Laboratory	>12.5	12.6	12.9	11.7	13.5	14.2	12.8	13.4	12.8	14.0	14.5	12.5	12.6
Radiology	>850	892	876	811	1117	991	1023	1006	961	1011	1143	899	790
Rehab	>2587	2612	2798	2083	2890	2503	2240	2135	2526	2690	2674	2697	2520
CT	>356	304	326	281	324	318	358	323	336	278	293	419	301
ER	>775	838	823	788	787	739	741	791	804	783	717	863	810
Mammography	>475	404	487	472	576	572	553	440	519	493	458	539	481
Ultrasound	>300	312	352	275	338	345	307	319	336	319	336	314	321
Occupational Health	>550	585	538	465	629	568	449	526	574	521	462	615	567

10.A.

CHAIR REPORT



Meeting Date: November 1, 2012

Prepared by: Kevin Carruth, Chair, Governance Committee

Agenda Item Title: Extending the Deadline for Accepting Applications for New Board Committee Members

Recommendation:

The Board directs the extension of the deadline to submit applications for Board Committees to Thursday, November 1, 2012.

Background:

The Board established deadline was October 17th, but a few people have indicated that they still planned to submit applications after that date and in order for those to be considered the Board needs to extend the deadline.

Consequences of Negative Action/Alternative Actions:

The Board will only consider those applications received by October 17th, and not consider applications received from October 18th through November 1st.

Financial Impact:

None.

Selection Process and Contract History:

Not applicable.

Board Committee:

The Governance Committee unanimously recommends the extension.

Attachment:

Original press release.



FOR IMMEDIATE RELEASE

Date: October 1, 2012
Subject: SVHCD Board Committees Seek New Members
Contact: Vivian Woodall 707.935.5005

Sonoma Valley Health Care District Board Committees Seek New Members

The Board of Directors for the Sonoma Valley Health Care District announced it is seeking new members for the following Board Committees: Citizens Bond Oversight Committee, Finance Committee, and Quality Committee. Peter Hohorst, Board Chair, said that “we want residents from all corners of our District--which runs from Sears Point up the Sonoma Valley through Glen Ellen--to be involved with the hospital. We all know that the Sonoma Valley Hospital is our only hospital and it is critical to every one of us, our families and our friends, as well as Sonoma’s many visitors. Everything about the hospital continues to improve. The quality of patient care and the patient experience have improved dramatically, construction is now underway for our bond funded Emergency Room and surgical suites, our financial bottom line is stronger, and we are engaged in a successful fundraising campaign. To ensure we continue on this successful path, we are reaching out for people who will bring their special talents, energy and time to help the hospital. Having the active involvement of District residents is one more way we ensure that Sonoma Valley Hospital remains viable and provides the best possible care every day.”

The Citizens Bond Oversight Committee (CBOC) is looking for one voting member and three non-voting alternates. The CBOC functions as the District’s steward of the 2008 Bond measure assuring citizens that the funds are spent for the purposes intended. Citizens with an interest in the financial health of the hospital, including those who have experience with government bonds, as well as those who want to ensure the hospital continues to use the bonds as approved by the voters, are encouraged to apply. Meetings are scheduled quarterly on the third Thursday of the month at 5 PM—the first meeting for new members will be on January 17, 2013. It is anticipated that the CBOC’s work will be completed by June 2014.

The Finance Committee is in need of two voting members. The Finance Committee assists the Board in all aspects of its oversight of the District's financial affairs. Residents with an interest in sharing their expertise in fields such as health care finance, business, banking, commercial real estate, real estate development, and accounting, as well as those who have a special interest in the financial affairs of the hospital, are encouraged to apply. Meetings are scheduled on the fourth Tuesday of the month at 5 PM.

The Quality Committee is looking for one voting member and three non-voting alternates. The Quality Committee serves as the steward for overall quality improvement. Not only can persons who have a background in medicine and health care bring beneficial expertise, but those who have experience and knowledge about quality control, quality assurance and customer service in other fields can be equally valuable, including but not limited to airline pilots, lawyers, insurance professionals, manufacturing experts, and specialized academics. Those who have an interest in ensuring we provide high quality medical care and exceptional patient experiences are encouraged to apply. Meetings are scheduled on the fourth Wednesday of the month at 5 PM.

All of these committees meet at Sonoma Valley Hospital. Non-voting alternates are strongly encouraged and expected to attend and actively participate in all their committee's meetings. As voting member vacancies occur, the future voting committee members will come from the ranks of the non-voting alternates.

Interested persons who live within the District may obtain an application at the Hospital's Administration Office, 347 Andrieux Street, Sonoma, California 95476, weekdays from 8 AM to noon and 1 PM to 4:30 PM, or e-mail Gina Studebaker at gstudebaker@svh.com.

Completed applications with resumes/CV may be delivered to the hospital in person during normal business hours or mailed to the address listed above. All applications should be received no later than the close of business (4:30 p.m.) on Thursday, October 17th.

A Special Board meeting will be held the evening of Wednesday, November 7th, to interview all the applicants and select the new committee members and alternates.



Meeting Date: November 1, 2012

Prepared by: Peter Hohorst, Board Chairman

Agenda Item Title: CEO Contract Extension

Recommendation:

At the September 6th Board meeting the Board voted to extend the contract of the CEO for two years to July 19, 2015. The contract extension document verifies this vote.

Background:

It is good practice to keep all of a contract's documents in one place, rather than to rely on searching Board Minutes for details and updates.

Consequences of Negative Action/Alternative Actions:

None

Financial Impact:

None

Selection Process and Contract History:

None

Board Committee:

Sonoma Valley Health Care District Board of Directors

Attachment:

CEO Contract Extension

**FIRST AMENDMENT TO
EXECUTIVE EMPLOYMENT AGREEMENT
WITH KELLY MATHER**

This First Amendment to Executive Employment Agreement ("**First Amendment**") is effective on July 19, 2012 ("**Effective Date**"), by and between SOMONA VALLEY HEALTH CARE DISTRICT dba SONOMA VALLEY HOSPITAL ("**SVH**") and KELLY MATHER, CHIEF EXECUTIVE OFFICER ("**CEO**").

ARTICLE 4. TERM

- 4. (a) Term.** This Agreement shall have a term commencing as of the Start Date (July 19, 2010) and shall continue until July 19, 2015 unless terminated earlier pursuant to its terms.

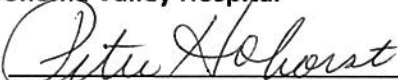
All other terms of this agreement shall remain the same.

IN WITNESS WHEREOF, the parties have executed this First Amendment by their duly authorized representatives as set forth below.

SVH:

**Sonoma Valley Health Care District,
dba Sonoma Valley Hospital**

BY: _____



Name: Peter Hororst

Title: Board Chairman

Date: _____

10/23/12

CEO:

Kelly Mather

BY: _____



Name: Kelly Mather

Title: Chief Executive Officer

Date: _____

10/23/12

10.C.

QUALITY
COMMITTEE



Meeting Date: November 1, 2012

Prepared by: Sharon Nevins, Board Member

Agenda Item Title: Quality Indicators

Recommendation:

Approve the recommended quality indicators as an ongoing dashboard for monthly presentation to the Board.

Background:

Increased responsibility for oversight of quality issues at SVH resulted in the Board granting responsibility for development of measurement tools to the Quality Committee. This is the first of a series of quality indicators proposed for monthly presentation to the Board.

Consequences of Negative Action/Alternative Actions:

None

Financial Impact:

None, as these indicators are currently collected by the hospital on a routine basis.

Selection Process and Contract History:

N/A

Board Committee:

Quality Committee

Attachment:

Recommendation attached



DATE: October 29, 2012

FROM: Quality Committee

TO: SVHCD Board

RE: **Hospital Quality Indicators**

In order to adapt to the changing environment being shaped by emerging health care reform and at the direction of the SVHCD Board in their role of quality oversight, the Quality Committee has undertaken the task of obtaining and reporting appropriate hospital data that reflect the indicators of quality at Sonoma Valley Hospital.

The Quality Committee proposes that the following indicators will be presented to the Board on a monthly or quarterly basis, depending on the appropriateness of the time period of the data. In addition, detail descriptions of the purpose and meaning of the data, outline of the calculation of the indicator and discussion of the variances will also be provided to the Board.

This is the beginning of a series of quality data that will be presented to the board over the next 18 months.

10.D.

GOVERNANCE
COMMITTEE



Meeting Date: November 1, 2012

Prepared by: Kevin Carruth, Chair, Governance Committee

Agenda Item Title: Position Description – Chair and Board Member

Recommendation:

The Board adopts the attached Board Policy regarding Board Members, Board Chair and the Limitations of the Power and Authority of the Board.

Background:

This issue was on the Board agenda as a discussion item on October 4, 2012. At that time the Board adopted the position description for Board Chair, and had suggestions for improvement on the Board Member description by adding more detail. On October 23 the Governance Committee discussed the recommended changes based on the October 4th discussion. As a result of the recommendation the Board Member description was revised, and it was combined into one policy along with the description of Board Chair and the Boards and Chair's Limits on Power and Authority. Those changes are included.

Consequences of Negative Action/Alternative Actions:

The Board currently has no official Board Member position description outside the District Bylaws and the Local Health Care District Law. This will provide more specific affirmative guidance to the Board and the Board Chair if approved. It further clarifies the Board's role in relationship to the CEO and provides much more detailed and publicly available position descriptions to which the Board can be held accountable. However, the Board has operated since the District was established without this level of policy specificity and clarity and could continue to do so.

Financial Impact:

None

Selection Process and Contract History:

Not applicable.

Board Committee:

The Governance Committee unanimously recommends approval of this action.

Attachment:

Sonoma Valley Health Care District Board Member and Board Chairperson Legal Duties, Roles and Responsibilities and Limits on Power and Authority

Sonoma Valley Health Care District Board Member and Board Chairperson Legal Duties, Roles and Responsibilities and Limits on Power and Authority

Legal Duties:

The Board has three legal duties:

A duty of obedience to the charitable purpose of the organization, a duty that should be demonstrable in all the Board's decisions.

A duty of loyalty, to act based on best interests of the organization and the wider community it serves, not the narrow interests of an individual or stakeholder group

A duty of care, to be diligent in carrying out the work of the Board by preparing for meetings, attending faithfully, participating in discussions, asking questions, making sound and independent business judgments, and seeking independent opinions when necessary.

Roles:

The role of the Board is to govern, not manage, the organization. Board work involves three main roles with respect to five primary responsibilities:

Policy Formulation

Specify and convey Board expectations, directives and constraints

Approve and periodically review major policies affecting the District, Hospital and the operation of the Board.

Decision Making

Choose among alternatives regarding matters requiring Board attention and input.

Oversight

Monitor and assess key organizational process and outcomes.

Board Member

Responsibilities:

The Board has five primary responsibilities:

Strategic Direction

Formulate the District's ends, its vision, and key goals, and ensure that management strategies are aligned;

Review and approve the District's Mission, Vision, Values and Annual Strategic Plan and updates;

Review and approve major transactions and significant new programs and services; and

Monitor organizational performance against goals.

Executive Performance

Ensure high levels of executive performance;

Select, support, advise, and set policy for the CEO; and

Establish and approve annual performance expectations and criteria, evaluate, and determine annual compensation including benefits and bonus, and determine retention or termination of the CEO.

Quality

Ensure the Hospital provides high quality patient care and patient experiences;
Review recommendations from the Medical Staff and approve the credentialing of physicians and other medical professionals; and
Establish quality goals, review the Hospital's means and methods of measuring quality patient care and patient experiences and the results, and take corrective action when necessary.

Finances

Ensure the District's financial health;
Establish the financial goals, develop the financial indicators, monitor financial performance, and take corrective action when necessary;
Approve the annual budget in alignment with the Strategic Plan and key financial objectives; and
Ensure the necessary financial controls are in place.

Board Effectiveness and Efficiency

Ensure the Board is effective and efficient, focused on its roles and responsibilities.

Board Chairperson

Responsibilities:

Leadership

Guide and direct the governance process, centering the work of the Board on the organization's mission, vision and strategic direction.

Agendas

Establish agendas for Board meetings, in collaboration with the CEO.

Meeting Management

Preside over Board meetings in a manner that encourages participation and information sharing while moving the Board toward timely closure and prudent decision-making.

Committee Direction

Work with committee chairpersons to align the work of Board committees with the District's Strategic Plan, including its vision and goals.

CEO Relationship

Serve as the Board's central point of official communication with the CEO. Develop a positive, collaborative relationship with the CEO, including acting as a sounding board for the CEO on emerging issues and alternative courses of action; and Stay up-to-date about the organization and determines when an issue needs to be brought to the attention of the full Board or a committee.

CEO Performance Appraisal

Lead the processes of CEO goal-setting, performance evaluation and compensation review, consistent with Board policy.

Board Conduct

Set a high standard for Board conduct by modeling, articulating and upholding rules of conduct set out in board bylaws and policies. Intervene when necessary in instances involving conflict-of-interest, confidentiality and other Board policies.

Board Learning and Development

Lead the development of the Board's knowledge and capabilities by playing a central role in orientation of new Board members, mentoring and ensuring continuing education for the entire Board.

Succession Planning

Participate in the recruitment of new Board and Board committee members.

Self-evaluation

Provide for an effective, objective Board self-evaluation process and supports implementation of recommendations for improvement; and Seek feedback on his or her performance as Chairperson.

Limits on Power and Authority

The Board acts only collectively, never individually. Individual Board members have absolutely no power: Board authority derives from the Board as a whole. The Board Chair, Board Officers, and Board Committee Chairs, have limited individual powers only as specifically established in the District Bylaws, Board Policy, Board Resolutions or other specific Board action.



Meeting Date: November 1, 2012

Prepared by: Kevin Carruth, Chair, Governance Committee

Agenda Item Title: Orientation of New Board Members

Recommendation:

The Board discusses the attached Board Policy regarding Board Orientation and provides guidance to the Governance Committee.

Background:

This issue is on the Board agenda as a discussion item with the Board so the Board can provide early input and guidance to the Governance Committee as it pulls together a formal orientation program for new Board Members.

Consequences of Negative Action/Alternative Actions:

The Board currently has no official Board Member orientation program and the Board could continue in this manner as it has in the past.

Financial Impact:

None.

Selection Process and Contract History:

Not applicable.

Board Committee:

The Governance Committee recommends discussion and both verbal and written input to the GC from all the Board Members, and the CEO, so this work effort can continue in the most effective manner.

Attachment:

DRAFT – Sonoma Valley Health Care District Orientation for New Board Members

DRAFT

SONOMA VALLEY HEALTH CARE DISTRICT ORIENTATION FOR NEW BOARD MEMBERS

I. BOARD OF DIRECTORS:

Legal Authority

- Local Health Care District Law

- District Bylaws

Board Policy

- Board's and Chairs Duties, Roles and Responsibilities and Limits on Power and Authority

- Board Committee Charters and membership

 - Audit

 - Citizens Bond Oversight

 - Finance

 - Governance

 - Quality

- Ethics Policy

- Conflict of Interest Policy

Strategic Plan

Facility Master Plan

Budget and financial status

Most recent financial audit

District Status and Size

Organization structure

Federal and State Law and Regulation

- Brown Act

- Public Records Act

- Title 22, etc.

- Medicare Corporate Compliance Regulations

- DHS (Department of Health Services)

- OSHPD (Office of Statewide Health Planning & Development)

- TJC (The Joint Commission)

- Medicare: Conditions of Participation

Meeting Dates and Times

II. PRESIDENT AND CEO:

- CEO Authority, roles and responsibilities

- Annual contract

- Annual goals

III. SONOMA VALLEY HOSPITAL:

Organization structure

Services and Volumes

Bed Size, Scope, Clinical Depts.

Nurse Staffing

Recruitment/Retention Challenges

Patient Care Plan

Financial Performance

Risks/Opportunities

Physician Recruitment

 Current Status – Physician Specialty Recruitment

 Current Status – New Services

 Physician Business Plan

III. MEDICAL STAFF:

Medical Staff Bylaws

Membership

Peer Review/Credentialing

Call Responsibilities; Service Coverage

Specialty Services Available

Quality/Performance Improvement

IV. SONOMA VALLEY HOSPITAL FOUNDATION:

Articles of Incorporation

Bylaws

Strategic Plan

Fundraising status

Members

V. TOUR OF FACILITY

VI. RECOMMENDED READING, SUBSCRIPTIONS: -- *Suggestions to be made by the Board, CEO, and the Hospitals executive leadership.*

VII. RECOMMENDED READING, BOOKS: – *Suggestions to be made by the Board, CEO, and the Hospitals executive leadership.*

1. Governance

Getting to Great, Principles of Health Care Organization Governance, Dennis Pointer and James Orlikoff

2. Quality

Health Care Reform Now!: A Prescription for Change, George C. Halvorson

3. Finance

4. Change Implementation

Hardwiring Excellence, Quint Studer.



Meeting Date: October 4, 2012

Prepared by: Kevin Carruth, Governance Committee Chair
Peter Hohorst, Board Chair

Agenda Item Title: District Conflict of Interest Code

Recommendation:

The Board shall approve the attached Conflict of Interest Code for the District.

Background:

Hospital staff, working with District Counsel, has prepared the attached Conflict of Interest Code for the Board to consider adopting. From a Board policy perspective it will bring the District into compliance with the state's statutory reporting requirements. The CEO continues to be responsible for ensuring that Fair Political Practice Commission Form 700s are filled out by all parties as required and notifying the Board if there is any noncompliance with that requirement.

Consequences of Negative Action/Alternative Actions:

The Board and the District will not have a Conflict of Interest Code.

Financial Impact:

None

Selection Process and Contract History:

None

Board Committee:

The GC unanimously recommends approval.

Attachment:

SVHCD Conflict of Interest Code

**SONOMA VALLEY
HEALTHCARE DISTRICT**

**CONFLICT OF INTEREST CODE
(Incorporated here by Reference
is 2 Cal. Code of Regs. 18730)
AND
APPENDIX**

Adopted by the Board of Directors, (_____, 2012)

The Political Reform Act (California Government code Sections 81000, et seq.) requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The California Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations Section 18730, hereinafter “Regulation”) which contains the terms of a standard Conflict of Interest Code which can be incorporated by reference and may be amended by the Fair Political Practices Commission after public notice and hearings to conform to amendments in the Political Reform Act. The Regulation further provides that incorporation of its terms by reference along with the designation of employees and the formulation of disclosure categories in an Appendix (Appendix A and B attached hereto) shall constitute the adoption and promulgation of a conflict of interest code within the meaning of Government Code Section 87300 or the amendment of a conflict of interest code within the meaning of Government Code Section 87307.

Therefore, the terms of the Regulation and any amendments to it, duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference. The Regulation and the attached Appendix designating officials and employees and establishing disclosure categories constitute the Conflict of Interest Code of the Sonoma Valley Healthcare District, doing business as

Sonoma Valley Hospital.

Designated officials and employees and any person who manages the District's investments shall file statements of economic interests (Form 700) with the District. Such officers covered by this Code who are also public officials specified in Section 87200 of the Government Code, including those who manage public investments, shall file Form 700s pursuant to that Government Code provision as long as the categories of disclosure are the same or broader than those under this Code. The Form 700s will be available for public inspection and reproduction. (California Government Code Section 81008). Upon receipt of the statements of all designated officials and employees, the District shall make and retain a copy and forward the original of these statements to the County Clerk for the County of Sonoma.

Dated: _____

Secretary, Board of Directors

SONOMA VALLEY HEALTH CARE DISTRICT

CONFLICT OF INTEREST CODE

Appendix "A"

<u>Designated Positions</u>	<u>Disclosure Category</u>
Member of the Board of Directors	1
President and Chief Executive Officer	1
VP Finance and Chief Financial Officer	2
Controller Director of Finance	2
VP Operations/Patient Services Chief Nursing Officer	2
VP Business Development and Marketing Director of Public Relations	2
VP Physician Relations/Clinical Development	2
VP Development	2
Human Resources Director Chief Human Resources Officer	2
Assistant Hospital Administrator	2
Director of Professional Services	2
Director of Nursing	2
Materials Manager Director of Materials Management	2
Chief Engineer Director of Facilities	3
Nutritional Services Manager	3
Consultants	*

*Consultants shall be included in the list of designated employees and shall disclose pursuant to the broadest disclosure category in the code subject to the following limitation:

The chief executive officer may determine in writing that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure

requirements described in this section. Such determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The chief executive officer's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict of interest code.

Draft temporary notes:

- *VP Finance and have been deleted from Chief Financial Officer title*
- *Controller title changed to Director of Finance*
- *VP Operations/Patient Services title changed to Chief Nursing Officer*
- *VP Business Development and Marketing title changed to Director of Public Relations*
- *VP Physician Relations/Clinical Development position deleted*
- *VP Development position deleted*
- *Chief Medical Officer position added*
- *Human Resources Director reclassified to Chief Human Resources Officer*
- *Assistant Hospital Administrator position added*
- *Director of Professional Services position added*
- *Director of Nursing position added*
- *Materials Manager reclassified to Director of Materials Management*
- *Chief Engineer reclassified to Director of Facilities*

SONOMA VALLEY HEALTH CARE DISTRICT

CONFLICT OF INTEREST CODE

Appendix “B”

Disclosure Categories

General Rule

The District has adopted Section 18730 of Title 2 of the California Code of Regulations, as it may hereinafter be revised, as the District’s standing Conflict of Interest Code provisions, supplemented by this Appendix and its preamble. An investment, interest in real property, or income is reportable if the business entity in which the investment is held, the interest in real property, or the income or source of income may foreseeably be affected materially by any decision made or participated in by the designated employee or officer by virtue of the his or her position. Form 700 provides guidelines on what are “reportable” interests within each category and the corresponding disclosure schedule in Form 700, i.e., Schedules A-1, A-2, B, C, D, E, F.

Designated Employees in Category #1 Must Report:

A. Investments in any business entity which (a) has an interest in real property within the area on the map attached hereto and designated Exhibit “C” (“Designated Area”); (b) does business with Sonoma Valley Health Care District (“District”), or has done business with the District at any time during the two years prior to the time any statement or other action is required under this code; or (c) engages in the following businesses:

1. Ambulance service
2. Banks, Savings and Loan
3. Collection agencies
4. Communications equipment
5. Computer hardware or software

6. Construction or building materials
7. Construction companies
8. Data processing consultants
9. Dietetic, kitchen or equipment consultants
10. Dietetic or kitchen supplies, equipment, including food and food products
11. Educational and training supplies, equipment or material
12. Employment agencies
13. Engineering services
14. Equipment consultants
15. Equipment or fixture manufacturers
16. Health care equipment or instruments
17. Health care facilities
18. Health care materials or supplies
19. Health facilities or services
20. Housekeeping or linen supplies or equipment
21. Housekeeping service agencies
22. Insurance companies
23. Laboratory supplies or equipment
24. Landscaping consultants or companies
25. Laundries
26. Medical laboratories
27. Medical records supplies or equipment
28. Motor vehicles and specialty vehicles and parts
29. Nursing service supplies, equipment or material
30. Office equipment or supplies
31. Petroleum products
32. Pharmaceutical supplies or equipment
33. Physical therapy supplies or equipment
34. Plant, building, grounds supplies or equipment

35. Printing and distribution
36. Public relations or advertising
37. Publications
38. Radiology supplies or equipment
39. Real property
40. Respiratory therapy supplies or equipment
41. Safety equipment
42. Safety instruction material
43. Social services agencies
44. Structural, mechanical, electrical, etc., engineering firms
45. Temporary help agencies
46. Testing laboratories or services
47. Utilities

- B. Income from any business entity described in subparagraph A.
- C. Status as a director, officer, partner, trustee, employee or holder of a position of management in any business entity described in subparagraph A.
- D. Each interest in real property located in the Designated Area.

Designated Employees in Category #2 must report:

- A. Investments in any business entity which does business with the District or has done business with the District at any time during the two years prior to the time any statement or other action is required under this code.
- B. Income from any business entity described in subparagraph A.
- C. Status as a director, officer, partner, trustee, employee, or holder of a position of management in any business entity described in subparagraph A.

Designated Employees in Category #3 must report:

- A. Investments in any business entity which, within the last two years, has supplied or in the future foreseeably may supply building maintenance

materials, gardening materials, or other materials for use in the maintenance and report of the physical plant of the hospital.

- B. Income from any business entity described in subparagraph A.
- C. Status as a director officer, partner, trustee, employee, or holder of a position of management in any business entity described in subparagraph A.

Designated Employees in Category #4 must report:

- A. Investments in any business entity which engages in the business of supplying food or other culinary supplies which may be used in hospitals.
- B. Income from any business entity described in subparagraph A.
- C. Status as a director, officer, partner, trustee, employee, or holder of a position of management in any business entity described in subparagraph A.



Meeting Date: November 1, 2012

Prepared by: Paula Davis, CHRO

Agenda Item Title: Compliance Plan

Recommendation:

That the Compliance Plan be approved by the Governance Committee and further sent to the Board of Directors for final approval and acceptance as part of the organizational policies of Sonoma Valley Hospital.

Background:

The Compliance Plan is based on the California Hospital Association model plan as recommended by our attorney, Colin Coffey at Archer Norris law firm. The Plan in its final form has been reviewed by legal counsel, Mr. Coffey, and is recommended for approval in order to be compliant with Federal and California laws. A complete hospital compliance manual is on hand and available in the hospital that identifies what are and how to handle all compliance issues. The plan calls for all employees to be educated about applicable laws and trained in matters of compliance. In order to accomplish this, the plan will be introduced to all staff via the SVH Intranet and new hires (within the first 90 days) and periodic training will be required through Health Stream on-line education. All hospital affiliates including staff, volunteers, contractors and members of the Hospital's Governing Board will be provided with periodic training on fraud and abuse laws and other compliance matters.

Consequences of Negative Action/Alternative Actions:

Although there is current no law that expressly requires a hospital to have a compliance program, the Patient Protection and Affordable Care Act of 2010 authorizes the Secretary of the federal Department of Health and Human Services to require providers and suppliers to establish a compliance program as a condition of enrollment in Medicare and Medicaid. The Office of the Inspector General (OIG) of DHHS strongly urges every hospital to develop and implement a voluntary compliance program to demonstrate its good faith commitment to ensuring and promoting integrity and to combating fraud, abuse and waste. By having a comprehensive Compliance Plan in place, SVH raises the awareness of compliance issues and creates a "culture of compliance" throughout the organization. As the OIG has stated:

Fundamentally, compliance efforts are designed to establish a culture within a hospital that promotes prevention, detection and resolution of instances of conduct that do not conform to Federal and State law, and Federal, State and private payor health care program requirements, as well as the hospital's ethical and business policies.

Financial Impact:

Unknown – However the purpose of an effective compliance and ethics program is to exercise due diligence to prevent and detect criminal conduct and otherwise promote an organizational culture that encourages ethical conduct and commitment to compliance with the law. Should the conduct of violation take place, investigation and remediation would take place to respond appropriately and prevent further offenses.

Selection Process and Contract History:

It was advised by legal counsel to utilize the California Hospital Association model plan.

Board Committee:

Governance

Attachment:

Sonoma Valley Hospital Compliance Plan



Dear Colleague:

Sonoma Valley Hospital is fully committed to compliance with the law and ethical standards. In this age of strict government regulation and public scrutiny of business practices, a high level of commitment to compliance is essential.

Sonoma Valley Hospital has developed this Compliance Program to further our mission to provide high-quality patient care in a manner that ensures compliance with the law and the highest business ethics. This Compliance Program includes a comprehensive discussion of certain laws, the hospital's policies, and expectations about your conduct. However, no written program or policy can cover all circumstances. We therefore ask that you read this Compliance Program (available on the SVH Intranet) carefully to understand not only its written words, but its purpose and meaning as well.

If you have any questions about this Compliance Program or think an event has occurred that violates this Compliance Program, you shall contact our Chief Compliance Officer, who also serves as the hospital Chief Financial Officer. Alternatively, you can anonymously contact our Compliance Hotline by calling 707-935-5151 or sending a fax to Compliance Officer, at 707-935-5433 or e-mail to Compliance@svh.com. You are encouraged to ask questions and to report violations of this Compliance Program.

You can count on Sonoma Valley Hospital to provide the support and environment necessary to make this Compliance Program a success. Similarly, Sonoma Valley Hospital is counting on you to take this Compliance Program seriously and conduct yourself accordingly.

Sincerely,

Kelly Mather

President and Chief Executive Officer

Sonoma Valley Hospital

SECTION I — COMPLIANCE PROGRAM SUMMARY

Definitions of Commonly Used Terms

Following is a list of words that are commonly used in this Compliance Program and their meanings:

- **“Hospital”** means Sonoma Valley Hospital, and all of its subsidiaries and affiliates that are covered by this Compliance Program.
- **“Personnel”** means all employees and volunteers of Sonoma Valley Hospital, and all contractors or others who are required to comply with this Compliance Program. Each of these persons shall have access to the Compliance Plan via the hospital intranet and shall receive periodic training on appropriate regulatory requirements .

Purpose of this Compliance Program

Sonoma Valley Hospital is committed to ensuring compliance with all applicable statutes, regulations, and policies governing our daily business activities. To that end, the Hospital created this Compliance Program to serve as a practical guidebook that can be used by all Personnel to assist them in performing their job functions in a manner that complies with applicable laws and policies. This Compliance Program is intended to further our day-to-day commitment that our operations comply with federal and state laws, to provide guidance for all employees, and to serve as a mechanism for preventing and reporting any violation of those laws.

While this Compliance Program contains policies regarding the business of Sonoma Valley Hospital, it does not contain every policy that Personnel are expected to follow. For example, this Compliance Program does not cover payroll, vacation, and benefits policies. The Hospital maintains other policies with which employees are required to comply. You should discuss with your supervisor any questions regarding which policies apply to you.

It is the policy of Sonoma Valley Hospital that:

- All employees are educated about applicable laws and trained in matters of compliance;
- There is periodic auditing, monitoring, and oversight of compliance with those laws;
- An atmosphere exists that encourages and enables the reporting of non-compliance without fear of retribution; and
- Mechanisms exist to investigate, discipline, and correct non-compliance.

Who Is Affected

Everyone employed by Sonoma Valley Hospital is required to comply with the Compliance Program. Because not all sections of the Compliance Program will apply to your job function, you will receive training and other materials to explain which portions of this Compliance Program apply to you.

While this Compliance Program is not intended to serve as the compliance program for all of our contractors, it is important that all contractors perform services in a manner that complies with the law. To that end, agreements with contractors may incorporate certain provisions of this Compliance Program.

This Compliance Program is effective only if everyone takes it seriously and commits to comply with its contents. It is important that you not only understand and comply with the written words of this Compliance Program, but that you also understand and appreciate the spirit and purpose of this Compliance Program. When in doubt, ask your supervisor, review the appropriate section of this Compliance Program, or take other steps to ensure that you are following the Compliance Program.

Compliance requirements are subject to change as a result of new laws. We shall keep this Compliance Program current and useful. You are encouraged to let your supervisor know when you become aware of changes in law or hospital policy that might affect this Compliance Program.

How to Use This Compliance Program

Sonoma Valley Hospital has organized this Compliance Program to be understandable and easy to navigate. Following is a brief description of how this Compliance Program manual is organized.

Section I – Compliance Program Summary

Section II – Code of Conduct

This section contains specific policies related to your personal conduct while performing your job function. The primary objective of these policies is to create a work environment that promotes cooperation, professionalism, and compliance with the law. Compliance with the Code of Conduct is a significant factor in employment performance evaluations. All Personnel will receive training on this section.

Section III – Compliance Program Systems and Processes

This section explains the roles of the Chief Compliance Officer and the Compliance Committee. It also contains information about Compliance Program education and training, auditing, and corrective action. Most importantly, this section explains how to report violations anonymously, either in writing or by calling the Hospital's Compliance Hotline at 707-935-5151 or sending a fax to 707-935-5433 or e-mail to Compliance@svh.com.

Section IV – Compliance Policies

This section includes specific policies that apply to various aspects of Sonoma Valley Hospital's business and operations. Some of these policies may not apply to your specific job function, but it is still important that you are aware of their existence and importance. All Personnel will receive training regarding the policies that apply to their job function.

Following are some tips on how to effectively use this Compliance Program:

- **Important Reference Tool.** This Compliance Program shall be viewed as an important reference manual that can be referred to on a regular basis to answer questions about how to perform your job. Although it may not contain all of the answers, it will contain many and can save you time.
- **Read it in Context.** Sonoma Valley Hospital has created this Compliance Program to incorporate numerous compliance policies, many of which may not apply to you. When reviewing this Compliance Program and the policies contained herein, keep in mind that the policies are to be applied in the context of your job. If you are uncertain about if and how a policy applies to you, ask your supervisor.
- **Keep it Handy.** This Compliance Program manual easily accessible on the SVH Intranet and easy to refer to it on a regular basis.
- **Talk to Your Co-Workers.** Regular dialogue among co-workers and supervisors is a great way to ensure that policies are being uniformly applied. While this discussion is encouraged, always remember that the provisions of this Compliance Program should guide you on compliance matters.

SECTION II — CODE OF CONDUCT

Our Compliance Mission

Sonoma Valley Hospital's mission is to maintain, restore and improve the health of everyone in our community.

In concert with our medical staff, Sonoma Valley Hospital shall strive to provide quality health care to our community. Our team of dedicated health care professionals shall provide a compassionate and caring environment for patients, and their families and friends, while continuously striving to improve the quality of care that is accessible.

Sonoma Valley Hospital shall collaborate with its medical staff and affiliated organizations to improve health outcomes, enhance quality of life and promote human dignity through health education, prevention, and services across the health care continuum.

Sonoma Valley Hospital's Board of Directors (hereinafter referred to as "Governing Board") adopted the Compliance Program, including this Code of Conduct, to provide standards by which Personnel shall conduct themselves in order to protect and promote Hospital integrity and to enhance the Hospital's ability to achieve its objectives. Sonoma Valley Hospital believes this Code of Conduct will significantly contribute to a positive work environment for all.

No written policies can capture every scenario or circumstance that can arise in the workplace. Sonoma Valley Hospital expects Personnel to consider not only the words written in this Code of Conduct, but the meaning and purpose of those words as well. You are expected to read this Code of Conduct and exercise good judgment. You are encouraged to talk to your supervisor or Sonoma Valley Hospital's Chief Compliance Officer if you have any questions about this Code of Conduct or what is expected of you.

All Personnel are expected to be familiar with the contents of this Code of Conduct. Training and education will be provided periodically to further explain this Code of Conduct and its application. HealthStream will serve as the education module for compliance training.

Compliance With Laws

It is the policy of Sonoma Valley Hospital, its affiliates, contractors and employees to comply with all applicable laws. When the application of the law is uncertain, the Hospital will seek guidance from legal counsel.

Open Communication

Sonoma Valley Hospital encourages open lines of communication between Personnel. If you are aware of an unlawful or unethical situation, there are several ways you can bring this to the Hospital's attention. Your supervisor is the best place to start, but you can also contact the Hospital's Chief Compliance Officer or call the Compliance Hotline to express your concerns. All employee reports of unlawful or unethical conduct will be investigated promptly. The Hospital does not tolerate threats or acts of retaliation or retribution against employees for using these communication channels.

Your Personal Conduct

Sonoma Valley Hospital's reputation for the highest standards of conduct rests not on periodic audits by lawyers and accountants, but on the high measure of mutual trust and responsibility that exists between employees and the Hospital. It is based on you, as an individual, exercising good judgment and acting in accordance with this Code of Conduct and the law.

Ethical behavior on the job essentially comes down to honesty and fairness in dealing with other employees and with patients, vendors, competitors, the government and the public. It is no exaggeration to say that Sonoma Valley Hospital's integrity and reputation are in your hands.

Sonoma Valley Hospital's basic belief in the importance of respect for the individual has led to a strict regard for the privacy and dignity of Personnel. When management determines that your personal conduct adversely affects your performance, that of other Personnel, or the legitimate interests of Sonoma Valley Hospital, the Hospital may be required to take action.

The Work Environment

Sonoma Valley Hospital strives to provide Personnel with a safe and productive work environment. The work environment also shall be free from discrimination and harassment based on race, color, religion, sex, sexual orientation, age, national origin, disability, veteran status, or other factors that are unrelated to the Hospital's legitimate business interests. The Hospital will not tolerate sexual advances, actions, comments, or any other conduct in the workplace that creates an intimidating or otherwise offensive environment. Similarly, the use of racial or religious slurs — or any other remarks, jokes, or conduct that encourages or permits an offensive work environment — will not be tolerated.

If you believe that you are subject to such conduct, you shall bring such activity to the attention of the Hospital, either by informing your supervisor, Human Resources, the Hospital's Chief Compliance Officer, or by calling the Compliance Hotline. The Hospital considers all complaints of such conduct to be serious matters, and all complaints will be investigated promptly.

Some other activities that are prohibited because they clearly are not appropriate are:

- Threats,
- Violent behavior,
- The possession of weapons of any type,
- The distribution of offensive jokes or other offensive materials via e-mail or any other manner, and
- The use, distribution, sale or possession of illegal drugs or any other controlled substance, except to the extent permitted by law for approved medical purposes.

In addition, employees may not be on Sonoma Valley Hospital premises or in the Hospital work environment if they are under the influence of or affected by illegal drugs, alcohol, or controlled substances used other than as prescribed.

Employee Privacy

Sonoma Valley Hospital collects and maintains personal information that relates to your employment, including medical and benefit information. Access to personal information is restricted solely to people with a need to know. Personal information is released outside the Hospital or its agents only with employee approval, except in response to appropriate investigatory or legal requirements, or in accordance with other applicable law. Employees who are responsible for maintaining personal information and those who are provided access to such information shall ensure that the information is not disclosed in violation of the Hospital's Personnel policies or practices.

Use of Hospital Property

Sonoma Valley Hospital equipment, systems, facilities, corporate charge cards and supplies shall be used only for conducting Hospital business or for purposes authorized by management.

Personal items, messages or information that you consider private shall not be placed or kept in telephone systems, computer systems, offices, work spaces, desks, credenzas or file cabinets. Employees shall have no expectation of privacy with regard to items or information stored or maintained on Hospital equipment or premises. Management is permitted to access these areas. Employees shall not search for or retrieve articles from another employee's workspace without prior approval from that employee or management.

Since supplies of certain everyday items are readily available at Sonoma Valley Hospital work locations, the question of making personal use of them frequently arises. The answer is clear: employees may not use Hospital supplies for personal use.

Use of Hospital Computers

The increasing reliance placed on computer systems, internal information and communications facilities in carrying out Sonoma Valley Hospital business makes it absolutely essential to ensure their integrity. Like other Hospital assets, these facilities and the information they make available through a wide variety of databases shall be used only for conducting Sonoma Valley Hospital business or for purposes authorized by management. Their unauthorized use, whether or not for personal gain, is a misappropriation of Hospital assets.

While Sonoma Valley Hospital conducts audits to help ensure that Hospital systems, networks and databases are being used properly, it is your responsibility to make sure that each use you make of any Hospital system is authorized and proper.

Personnel are not allowed to load or download software or data onto Sonoma Valley Hospital computer systems unless it is for business purposes and is approved in advance by the appropriate supervisor. Personnel shall not use Sonoma Valley Hospital e-mail systems to deliver or forward inappropriate jokes, unauthorized political materials, religious messages, or any other potentially offensive materials. Personnel are strictly forbidden from using computers to access the Internet for purposes of gambling, viewing pornography, or engaging in any illegal activities.

Employees shall have no expectation of privacy with regard to items or information stored or maintained on Sonoma Valley Hospital equipment or premises.

Use of Proprietary Information

Proprietary Information

Proprietary information is generally confidential information that is developed by Sonoma Valley Hospital as part of its business and operations. Such information includes, but is not limited to, the business, financial, marketing, and contract arrangements associated with Sonoma Valley Hospital services and products. It also includes computer-access passwords, procedures used in producing computer or data processing records, personnel and medical records, and payroll data. Other proprietary information includes management know-how and processes; Sonoma Valley Hospital business and product plans with outside vendors; a variety of internal databases; and copyrighted material, such as software.

The value of this proprietary information is well known to many people in the Hospital industry. Besides competitors, they include industry and security analysts, members of the press, and consultants. Sonoma Valley Hospital alone is entitled to determine who may possess its proprietary information and what use may be made of it, except for specific legal requirements such as the publication of certain reports.

Personnel often have access to information that the Hospital considers proprietary. Therefore, it is very important not to use or disclose proprietary information except as authorized by Sonoma Valley Hospital.

Inadvertent Disclosure

The unintentional disclosure of proprietary information can be just as harmful as intentional disclosure. To avoid unintentional disclosure, never discuss with any unauthorized person proprietary information that has not been made public by the Hospital. This information includes unannounced products or services, prices, earnings, procurement plans, business volumes, capital requirements, confidential financial information, marketing and service strategies, business plans, and other confidential information. Furthermore, you shall not discuss confidential information even with authorized Sonoma Valley Hospital employees if you are in the presence of others who are not authorized — for example, at a conference reception or in a public area such as an airplane. This also applies to discussions with family members or with friends, who might innocently or inadvertently pass the information on to someone else.

Direct Requests for Information

If someone outside Sonoma Valley Hospital asks you questions about the Hospital or its business activities, either directly or through another person, do not attempt to answer them unless you are certain you are authorized to do so. If you are not authorized, refer the person to the appropriate source within the Hospital. Under no circumstances shall you continue contact without guidance and authorization. If you receive a request for information or to conduct an interview from an attorney, investigator, or any law enforcement officer, and it concerns Sonoma Valley Hospital's business, you shall refer the request to the office of the Hospital's Chief Executive Officer. Similarly, unless you have been authorized to talk to reporters, or to anyone else writing about or otherwise covering the Hospital or the industry, direct the person to your to the Hospital's Chief Executive Officer.

Disclosure and Use of Proprietary Information

Besides your obligation not to disclose any Sonoma Valley Hospital proprietary information to anyone outside the Hospital, you are also required to use such information only in connection with the Hospital's business. These obligations apply whether or not you developed the information yourself.

Recording and Reporting Information

You shall record and report all information accurately and honestly. Every employee records information of some kind and submits it to the Hospital (for example, a time card, an expense account record, or a report). To submit a document that contains false information — an expense report for meals not eaten, miles not driven, or for any other expense not incurred — is dishonest reporting and is prohibited.

Dishonest reporting of information to organizations and people outside Sonoma Valley Hospital is also strictly prohibited and could lead to civil or even criminal liability for you and the Hospital. This includes not only reporting information inaccurately, but also organizing it in a way that is intended to mislead or misinform those who receive it. Personnel shall ensure that they do not make false or misleading statements in oral or written communications provided to organizations outside of Sonoma Valley Hospital.

Proprietary and Competitive Information About Others

In the normal course of business, it is not unusual to acquire information about many other organizations, including competitors (competitors are other Hospitals and health facilities). Doing so is a normal business activity and is not unethical in itself. However, there are limits to the ways that information shall be acquired and used. Improper solicitation of confidential data about a competitor from a competitor's employees or from Hospital patients is prohibited. Sonoma Valley Hospital will not tolerate any form of questionable intelligence-gathering.

Exception

Nothing contained herein is to be construed as prohibiting conduct legally protected by the National Labor Relations Act or other applicable state or federal law.

Gifts and Entertainment

Sonoma Valley Hospital understands that vendors and others doing business with the Hospital may wish to provide gifts, promotional items, and entertainment to Hospital Personnel as part of such vendors' own marketing activities. Sonoma Valley Hospital also understands that there may be occasions where the Hospital may wish to provide reasonable business gifts to promote the Hospital's services. However, the giving and receipt of such items can easily be abused and have unintended consequences; giving and receiving gifts, particularly in the health care industry, can create substantial legal risks.

General Policy

It is the general policy of Sonoma Valley Hospital that neither you nor any member of your family may solicit, receive, offer, or pay any money or gift that is, or could be reasonably construed to be, an inducement in exchange for influence or assistance in conducting Hospital business. It is the intent of the Hospital that this policy be construed broadly such that all business transactions with vendors, contractors, and other third parties are transacted to avoid even the appearance of improper activity.

Spending Limits — Gifts, Dining and Entertainment

Sonoma Valley Hospital has developed policies that clearly define the spending limits permitted for items such as gifts, dining and entertainment. All personnel are strictly prohibited from making any expenditure of Hospital or personal funds for gifts, dining or entertainment in any way related to Sonoma Valley Hospital business unless such expenditures are approved in advance by the hospital CEO.

Marketing and Promotions in Health Care

As a provider of health care services, the marketing and promotional activities of Sonoma Valley Hospital may be subject to anti-kickback and other laws that specifically apply to the health care industry. The Hospital has adopted policies elsewhere in this Compliance Program to specifically address the requirements of such laws.

It is the policy of Sonoma Valley Hospital that Personnel are not allowed to solicit, offer or receive any payment or remuneration of any kind (regardless of the value) in exchange for referring, or recommending the referral of, patients or customers to Sonoma Valley Hospital.

Marketing

Sonoma Valley Hospital has expended significant efforts and resources in developing its services and reputation for providing high-quality patient care. Part of those efforts involves advertising, marketing, and other promotional activities. While such activities are important to the success of the Hospital, they are also potential sources of legal liability as a result of health care laws (such as the anti-kickback laws) that regulate the marketing of health care services. Therefore, it is important that the Hospital closely monitor and regulate advertising, marketing, and other promotional activities to ensure that all such activities are performed in accordance with Sonoma Valley Hospital objectives and applicable law.

This Compliance Program contains various policies applicable to specific business activities of Sonoma Valley Hospital. In addition to those policies, it is the general policy of the Hospital that no Personnel engage in any advertising, marketing, or other promotional activities on behalf of the Hospital unless such activities are approved in advance by the appropriate Hospital representative. You shall ask your supervisor to determine the appropriate Sonoma Valley Hospital representative to contact. In addition, no advertising, marketing, or other promotional activities targeted at health care providers or potential patients may be conducted unless approved in advance by the Hospital's legal counsel.

Conflicts of Interest

A conflict of interest may arise if you engage in any activities or advance any personal interests at the expense of Sonoma Valley Hospital's interests. An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in personal gain for that employee, a relative, or a friend as a result of the Hospital's business dealings. You shall avoid situations in which your loyalty may become divided.

An obvious conflict of interest is providing assistance to an organization that provides services and products in competition with Sonoma Valley Hospital's current or potential services or products. You may not, without prior consent, work for such an organization as an employee, a consultant, or a member of its governing board. Such activities are prohibited because they divide your loyalty between Sonoma Valley Hospital and that organization. Failure to obtain prior consent in advance from the Hospital's Chief Executive Officer, Chief Compliance Officer or legal counsel may be grounds for termination.

Outside Employment and Business Interests

You are not permitted to work on any personal business venture on Sonoma Valley Hospital premises or while working on Hospital time. In addition, you are not permitted to use Sonoma Valley Hospital equipment, telephones, computers, materials, resources or proprietary information for any outside work. You shall abstain from any decision or discussion affecting the Hospital when serving as a member of an outside organization or board or in public office, except when specific permission to participate has been granted by the Hospital's Chief Compliance Officer or legal counsel.

Contracting with the Hospital

You may not contract with Sonoma Valley Hospital to be a supplier, to represent a supplier to the Hospital, or to work for a supplier to the Hospital while you are an employee of Sonoma Valley Hospital. In addition, you may not accept money or benefits, of any kind, for any advice or services you may provide to a supplier in connection with its business with Sonoma Valley Hospital.

Anti-Competitive Activities

If you work in sales or marketing, Sonoma Valley Hospital asks you to perform your job not just vigorously and effectively, but fairly, as well. False or misleading statements about a competitor are inappropriate, invite disrespect and complaints, and may violate the law. Be sure that any comparisons you make about competitors' products and services are fair and accurate. (Competitors are other hospitals and health facilities.)

Reporting Violations

Sonoma Valley Hospital supports and encourages each employee and contractor to maintain individual responsibility for monitoring and reporting any activity that violates or appears to violate any applicable statutes, regulations, policies, or this Code of Conduct.

Sonoma Valley Hospital has established a reporting mechanism that permits anonymous reporting, if the person making the report desires anonymity. Employees who become aware of a violation of the Hospital Compliance Program, including this Code of Conduct, shall report the improper conduct to their departmental compliance officer or the Chief Compliance Officer. That officer, or a designee, will then investigate all reports and insure that appropriate follow-up actions are taken.

Sonoma Valley Hospital policy prohibits retaliation against an employee who makes such a report in good faith. In addition, it is the policy of the Hospital that no employee will be punished on the basis that he/she reported what he/she reasonably believed to be improper activity or a violation of this Program.

However, employees are subject to disciplinary action if after an investigation, the Hospital reasonably concludes that the reporting employee knowingly fabricated, or knowingly distorted, exaggerated, or minimized the facts to either cause harm to someone else or to protect or benefit themselves or another person.

SECTION III — COMPLIANCE PROGRAM SYSTEMS AND PROCESSES

This Compliance Program contains a comprehensive set of policies. In order to effectively implement and maintain these policies, Sonoma Valley Hospital has developed various systems and processes. The purpose of this section of the Compliance Program is to explain the various systems and processes that the Hospital has established for the purpose of providing structure and support to the Compliance Program.

Compliance Officers and Committee

Chief Compliance Officer

Sonoma Valley Hospital has a Chief Compliance Officer who serves as the primary supervisor of this Compliance Program. The Hospital's Chief Compliance Officer occupies a high-level position within the organization and has authority to carry out all compliance responsibilities described in this Compliance Program. The Chief Compliance Officer is responsible for assuring that the Compliance Program is implemented to ensure that Sonoma Valley Hospital at all times maintains business integrity and that all applicable statutes, regulations, and policies are followed. The Chief Compliance Officer provides reports to the governing board about the Compliance Program and compliance issues as they arise.

The Chief Compliance Office, or delegate reports to the Governing Board on compliance issues. The Governing Board is ultimately responsible for supervising the work of the Chief Compliance Officer, and maintaining the standards of conduct set forth in the Compliance Program. The governing board oversees all of Sonoma Valley Hospital's compliance efforts and takes any appropriate and necessary actions to ensure that the Hospital conducts its activities in compliance with the law and sound business ethics.

The Chief Compliance Officer and Governing Board shall consult with legal counsel as necessary on compliance issues raised by the ongoing compliance review.

Responsibilities of the Chief Compliance Officer

The Chief Compliance Officer's responsibilities include the following:

- General oversight and monitoring of the implementation and maintenance of the Compliance Program.
- Reporting on a regular basis to the Governing Board (no less than annually) on the progress of implementation and operation of the Compliance Program and assisting the Governing Board in establishing methods to reduce the Hospital's risk of fraud, abuse, and waste.
- Periodically revising the Compliance Program in light of changes in the needs of the Hospital and changes in applicable statutes, regulations, and government policies.
- Reviewing at least annually the implementation and execution of the elements of this Compliance Program. The review includes an assessment of each of the basic elements individually, and the overall success of the program.
- Developing, coordinating, and participating in educational and training programs that focus on elements of the Compliance Program with the goal of ensuring that all appropriate Personnel are knowledgeable about, and act in accordance with, this Compliance Program and all pertinent federal and state requirements.
- Ensuring that independent contractors and agents of the Hospital are aware of the requirements of this Compliance Program as they affect the services provided by such contractors and agents.
- Ensuring that employees, independent contractors, and agents of the Hospital have not been excluded from participating in Medicare, Medicaid (Medi-Cal) or any other federal or state health care program.
- Ensuring that the Hospital does not employ or contract with any individual who has been convicted of a criminal offense related to health care within the previous five years, or who is listed by a federal or state agency as debarred, excluded, or otherwise ineligible for participation in Medicare, Medicaid (Medi-Cal), or any other federal or state health care program.
- Coordinating internal compliance review and monitoring activities.
- Independently investigating and acting on matters related to compliance, including design and coordination of internal investigations and implementation of any corrective action.
- Maintaining a good working relationship with other key operational areas, such as internal audit, coding, billing, and clinical departments.

- Designating work groups or task forces needed to carry out specific missions, such as conducting an investigation or evaluating a proposed enhancement to the Compliance Program.

The Chief Compliance Officer has the authority to review all documents and other information relevant to compliance activities, including, but not limited to, patient records, billing records, records concerning marketing efforts, and all arrangements with third parties, including without limitation employees, independent contractors, suppliers, agents, and physicians.

As authorized by the governing board, the Chief Human Resources Officer and the Chief Compliance Officer have direct access to the governing board, Chief Executive Officer and other senior management, and to legal counsel. Both the Chief Human Resources Officer and the Chief Compliance Officer has the authority to retain, as he or she deems necessary, outside legal counsel.

Compliance Committee

Sonoma Valley Hospital has established a Compliance Committee to advise the Chief Compliance Officer and assist in monitoring this Compliance Program. The Compliance Committee provides the perspectives of individuals with diverse knowledge and responsibilities within Sonoma Valley Hospital.

Members of the Compliance Committee

The Compliance Committee consists of 7 representatives. The members of the Compliance Committee include those individuals designated below and other members, including representatives of senior management, chosen by the Hospital's Chief Executive Officer in consultation with the Chief Compliance Officer:

- Chief Compliance Officer (Also functions as Chief Financial Officer)
- Privacy Officer (Also functions as Health Information Manager)
- Chief Human Resources Officer
- Chief Quality Officer
- Risk Manager
- Director of Information Systems (or delegate)

The Chief Compliance Officer serves as the chairperson of the Compliance Committee. The Compliance Committee serves in an advisory role and has no authority to adopt or implement policies. The Chief Compliance Officer will consult with members of the Compliance Committee on a regular basis and may call meetings of all or some members of the Compliance Committee.

Functions of the Compliance Committee

The Compliance Committee's functions include the following:

- Assessing existing and proposed compliance policies for modification or possible incorporation into the Compliance Program;
- Working with the Chief Compliance Officer to develop further standards of conduct and policies to promote compliance;
- Recommending and monitoring, in conjunction with the Chief Compliance Officer, the development of internal systems and controls to carry out the standards and policies of this Compliance Program;
- Reviewing and proposing strategies to promote compliance and detection of potential violations;

- Assisting the Chief Compliance Officer in the development and ongoing monitoring of systems to solicit, evaluate and respond to complaints and problems related to compliance;
- Assisting the Chief Compliance Officer in coordinating compliance training, education and other compliance-related activities in the departments and business units in which the members of the Compliance Committee work; and
- Consulting with vendors of the Hospital on a periodic basis to promote adherence to this Compliance Program as it applies to those vendors and to promote their development of formal Compliance Programs.

The tasks listed above are not intended to be exhaustive. The Compliance Committee may also address other compliance related matters as determined by the Chief Compliance Officer.

Compliance Committee Meetings:

- A. Compliance Committee meetings shall be used to (1) discuss compliance issues, (2) announce and discuss new initiatives, (3) review rules, regulations, and policies and procedures, (4) develop compliance work plans, and (5) assign responsibilities for meeting Compliance Plan requirements, among other things.
- B. The Compliance Officer shall convene Compliance Committee meetings as necessary to meet Sonoma Valley Hospital's compliance needs, but, in any event, the Compliance Committee shall meet no less than once each six months.
- C. Meetings cannot take place unless a quorum of the Compliance Committee is present. A quorum requires the presence of (1) the Compliance Officer, and (2) a majority of the Compliance Committee.
- D. Meetings may be conducted using teleconferencing and/or videoconferencing equipment, as appropriate.
- E. Formal minutes shall be prepared and maintained for each meeting. At a minimum, the minutes shall include (1) the date, time and location of the meeting, (2) a list of the attendees, (3) a summary of the issues discussed, and (4) a summary of any decisions made, including a description of any corrective actions to be taken, as applicable. These minutes will be treated as confidential. Certain portions of the minutes may be attorney-client privileged to the extent they reflect confidential communications from an attorney who is rendering legal advice.

Confidentiality:

- A. The Issues addressed by the Compliance Committee are often sensitive and involve the review of confidential information. As such, the Compliance Steering Committee shall:
 1. treat such information as confidential;
 2. refrain from discussing any matter relating to the Compliance Committee outside of the Committee's established process; and
 3. refrain from using information obtained by the Compliance Committee other than for the purpose for which the information was originally collected.
- B. Notwithstanding section A as described above, the Compliance Committee may share information with the Compliance Officer and Sonoma Valley Hospital's Chief Executive Officer and Board of Directors.

- C. Compliance Committee members shall ensure that documents in their possession are stored in a secure manner to prevent unauthorized access.
- D. Any questions or clarifications regarding confidentiality shall be addressed by the Compliance Officer.

Compliance as an Element of Performance

The promotion of, and adherence to, the elements of this Compliance Program is a factor in evaluating the performance of all Hospital employees. Employees will be periodically trained regarding the Compliance Program, and new compliance policies that are adopted. In particular, all managers and supervisors involved in any processes related to the evaluation, preparation, or submission of medical claims shall do the following:

- Discuss, as applicable, the compliance policies and legal requirements described in this Compliance Program with all supervised Personnel.
- Inform all supervised Personnel that strict compliance with this Compliance Program is a condition of continued employment.
- Inform all supervised Personnel that disciplinary action will be taken, up to and including termination of employment or contractor status, for violation of this Compliance Program.

Managers and supervisors will be subject to discipline for failure to adequately instruct their subordinates on matters covered by the Compliance Program. Managers and supervisors will also be subject to discipline for failing to detect violations of the Compliance Program where reasonable diligence on the part of the manager or supervisor would have led to the discovery of a problem or violation and thus would have provided Sonoma Valley Hospital with the opportunity to take corrective action.

Training and Education

Sonoma Valley Hospital acknowledges that this Compliance Program will be effective only if it is communicated and explained to Personnel on a routine basis and in a manner that clearly explains its requirements. For this reason, the Hospital requires all Personnel to attend specific training programs on a periodic basis. Training requirements and scheduling are established by the Hospital for its departments and affiliates based on the needs and requirements of each department and affiliate. Training programs include appropriate training in federal and state statutes, regulations, guidelines, the policies described in this Compliance Program, and corporate ethics. Training will be conducted by qualified internal or external Personnel or qualified internet-based training system. New employees are trained early in their employment. Training programs may include sessions highlighting this Compliance Program, summarizing fraud and abuse laws, physician self-referral laws, claims development and submission processes, and related business practices that reflect current legal standards.

All formal training undertaken as part of the Compliance Program is documented. Documentation includes at a minimum the identification of the Personnel participating in the training, the subject matter of the training, the length of the training, the time and date of the training, the training materials used, and any other relevant information such as the sign-in roster and CV of the trainer if the training is conducted by an individual rather than internet-based.

The Chief Compliance Officer evaluates the content of the training program at least annually to ensure that the subject content is appropriate and sufficient to cover the range of issues confronting Sonoma Valley Hospital's employees. The training program is modified as necessary to keep up-to-date with any changes in federal and state health care program requirements, and to address results of the Hospital's audits and investigations; results from previous training and education programs; trends in Hotline reports; and guidance from applicable federal and state agencies. The appropriateness of the training format is evaluated by reviewing the length of the training sessions; whether training is delivered via live instructors or via computer-based training programs; the frequency of training sessions; and the need for general and specific training sessions.

The Chief Compliance Officer seeks feedback to identify shortcomings in the training program, and administers post-training tests as appropriate to ensure attendees understand and retain the subject matter delivered.

Specific training for appropriate corporate officers, managers, and other employees may include areas such as:

- Restrictions on marketing activities.
- General prohibitions on paying or receiving remuneration to induce referrals.
- Proper claims processing techniques.
- Monitoring of compliance with this Compliance Program.
- Methods for educating and training employees.
- Duty to report misconduct.

The members of the Hospital's Governing Board will be provided with periodic training, not less than annually, on fraud and abuse laws and other compliance matters.

Attendance and participation in compliance training programs is a condition of continued employment. Failure to comply with training requirements will result in disciplinary action, including possible termination.

Adherence with the provisions of this Compliance Program, including training requirements, is a factor in the annual evaluation of each Hospital employee. Where feasible, outside contractors will be afforded the opportunity to participate in, or be encouraged to develop their own, compliance training and educational programs, to complement Sonoma Valley Hospital's standards of conduct and compliance policies. The Chief Compliance Officer will ensure that records of compliance training, including attendance logs and copies of materials distributed at training sessions, are maintained.

The compliance training described in this program is in addition to any periodic professional education courses that may be required by statute or regulation for certain Personnel. Sonoma Valley Hospital expects its employees to comply with applicable education requirements; failure to do so may result in disciplinary action.

Lines of Communicating and Reporting

Open Door Policy

The Hospital recognizes that clear and open lines of communication between the Chief Compliance Officer and Hospital Personnel are important to the success of this Compliance Program. The Hospital maintains an open door policy in regards to all Compliance Program related matters. Hospital Personnel are encouraged to seek clarification from the Chief Compliance Officer in the event of any confusion or question about a statute, regulation, or policy discussed in this Compliance Program.

Submitting Questions or Complaints

The Hospital has established a telephone Hotline for use by Hospital Personnel to report concerns or possible wrongdoing regarding compliance issues. We refer to this telephone line as our "Compliance Hotline."

The Compliance Hotline contact numbers are:

Phone: 707-935-5151

Fax: 707-935-5433

E-mail: Compliance@svh.com

Personnel may also submit compliance-related questions or complaints in writing. Letters may be sent anonymously. All such letters shall be sent to the Chief Compliance Officer at the following address:

Chief Compliance Officer
Sonoma Valley Hospital
347 Andrieux Street
Sonoma, CA 95476

The Compliance Hotline numbers and the Chief Compliance Officer's address are posted in conspicuous locations throughout Sonoma Valley Hospital's facilities.

Calls to the Compliance Hotline are treated confidentially and are not traced. The caller need not provide his or her name. Sonoma Valley Hospital's Chief Compliance Officer or designee investigates all calls and letters and initiates follow-up actions as appropriate.

Communications via the Compliance Hotline and letters mailed to the Chief Compliance Officer are treated as privileged to the extent permitted by applicable law; however, it is possible that the identity of a person making a report may become known, or that governmental authorities or a court may compel disclosure of the name of the reporting person.

Matters reported through the Compliance Hotline, or in writing, that suggest violations of compliance policies, statutes, or regulations, are documented and investigated promptly. A log is maintained by the Chief Compliance Officer of calls or communications, including the nature of any investigation and subsequent results. A summary of this information is included in reports by the Chief Compliance Officer to the Hospital's governing board and Chief Executive Officer.

Non-Retaliation Policy

It is Sonoma Valley Hospital's policy to prohibit retaliatory action against any person for making a report, anonymous or otherwise, regarding compliance. However, Hospital Personnel cannot use complaints to the Chief Compliance Officer to insulate themselves from the consequences of their own wrongdoing or misconduct. False or deceptive reports may be grounds for termination. It will be considered a mitigating factor if a person makes a forthright disclosure of an error or violation of this Compliance Program, or the governing statutes and regulations.

Enforcing Standards and Policies

Policies

It is the policy of Sonoma Valley Hospital to appropriately discipline Hospital Personnel who fail to comply with the Code of Conduct or the policies set forth in, or adopted pursuant to, this Compliance Program or any federal or state statutes or regulations.

The guiding principles underlying this policy include the following:

- Intentional or reckless non-compliance will subject Personnel to significant sanctions, which may include oral warnings, suspension, or termination of employment, depending upon the nature and extent of the non-compliance.
- Negligent failure to comply with the policies set forth in this Compliance Program, or with applicable laws, will also result in sanctions.
- Disciplinary action will be taken where a responsible employee fails to detect a violation, if this failure is attributable to his or her negligence or reckless conduct.
- Internal audit or review may lead to discovering violations and result in disciplinary action.

Because Sonoma Valley Hospital takes compliance seriously, the Hospital will respond to Personnel misconduct.

Discipline Procedures

Personnel found to have violated any provision of this Compliance Program are subject to discipline consistent with the policies set forth herein, including termination of employment if deemed appropriate by the Hospital. Any such discipline is within the sole discretion of the Hospital. Each instance involving disciplinary action shall be thoroughly documented by the employee's supervisor and the Chief Compliance Officer.

Upon determining that an employee of Sonoma Valley Hospital or any of its affiliates has committed a violation of this Compliance Program, such employee shall meet with his or her supervisor to review the conduct that resulted in violation of the Compliance Program. The employee and supervisor will call the Chief Compliance Officer to discuss any actions that may be taken to remedy such violation. All employees are expected to cooperate fully with the Chief Compliance Officer during the investigation of the violation. Legal counsel will be consulted prior to final actions or disciplinary measures, as appropriate.

Auditing and Monitoring

Sonoma Valley Hospital conducts periodic monitoring of this Compliance Program. Compliance reports created by this monitoring, including reports of suspected non-compliance, will be reviewed and maintained by the Chief Compliance Officer or delegate.

The Chief Compliance Officer will develop and implement an audit plan. The plan will be reviewed at least annually to determine whether it addresses the proper areas of concern, considering, for example, findings from previous years' audits, risk areas identified as part of the annual risk assessment, and high volume services.

Periodic compliance audits are used to promote and ensure compliance. These audits are performed by internal or external auditors who have the appropriate qualifications and expertise in federal and state health care statutes and regulations and federal health care program requirements. The audits will focus on specific programs or departments of the Hospital, including external relationships with third-party contractors. These audits are designed to address, at a minimum, compliance with laws governing kickback arrangements, physician self-referrals, claims development and submission (including an assessment of the Hospital's billing system), reimbursement, and marketing. All Personnel are expected to cooperate fully with auditors during this process by providing information, answering questions, etc. If any employee has concerns regarding the scope or manner of an audit, the employee shall discuss this with his/her immediate supervisor.

Sonoma Valley Hospital shall conduct periodic reviews, including unscheduled reviews, to determine whether this Compliance Program's elements have been satisfied. Appropriate modifications to the Compliance Program will be implemented when monitoring discloses that compliance issues have not been detected in a timely manner due to Compliance Program deficiencies.

The periodic review process may include the following techniques:

- Interviews with Personnel involved in management, operations, claim development and submission, and other related activities.
- Questionnaires developed to solicit impressions of the Hospital Personnel.
- Reviews of all billing documentation, including medical and financial records and other source documents that support claims for reimbursement and claims submissions.
- Presentations of a written report on compliance activities to the Chief Compliance Officer. The report shall specifically identify areas, if any, where corrective actions are needed. In certain cases, subsequent reviews or studies may be conducted to ensure that recommended corrective actions have been successfully implemented.

Error rates shall be evaluated and compared to error rates for prior periods as well as available norms. If the error rates are not decreasing, the Hospital shall conduct a further investigation into other aspects of the Compliance Program in an effort to determine hidden weaknesses and deficiencies.

Corrective Action

Violations and Investigations

Violations of this Compliance Program, failure to comply with applicable federal or state laws, and other types of misconduct threaten the Hospital's status as a reliable and honest provider of health care services. Detected but uncorrected misconduct can seriously endanger the Hospital's business and reputation, and can lead to serious sanctions against the Hospital. Consequently, upon reports or reasonable indications of suspected non-compliance, prompt steps to investigate the conduct in question will be initiated under the direction and control of the Chief Compliance Officer to determine whether a material violation of applicable law or the requirements of the Compliance Program has occurred. The Chief Compliance Officer may create a response team to review suspected non-compliance including representatives from the compliance, audit, and other relevant departments.

If such a violation has occurred, prompt steps will be taken to correct the problem, taking into account the root cause of the problem. As appropriate, such steps may include an immediate referral to criminal and/or civil law enforcement authorities, a corrective action plan, a report to the Office of Inspector General (OIG) or any other appropriate government organization, and/or submission of any overpayments. The specific steps that are appropriate in any given case will be determined after consultation with legal counsel.

Depending upon the nature of the alleged violations, the Chief Compliance Officer's internal investigation could include interviews with relevant staff and a review of relevant documents. Legal counsel, auditors, or health care experts may be engaged by the Chief Compliance Officer to assist in an investigation where the Chief Compliance Officer deems such assistance appropriate. Complete records of all investigations will be maintained which contain documentation of the alleged violations, a description of the investigative process, copies of interview notes and key documents, a log of the witnesses interviewed and the documents reviewed, results of the investigation (e.g., any disciplinary action taken), and corrective actions implemented.

If an investigation of an alleged violation is undertaken and the Chief Compliance Officer believes the integrity of the investigation may be at stake because of the presence of employees under investigation, those employees will be removed from their current work activity until the investigation is completed. Where necessary, the Chief Compliance Officer will take appropriate steps to secure or prevent the destruction of documents or other evidence relevant to the investigation.

Reporting

If the Chief Compliance Officer or a management official discovers credible evidence of misconduct from any source and, after reasonable inquiry, has reason to believe that the misconduct may violate criminal, civil, or administrative law, then the misconduct will promptly be reported as appropriate to the OIG or any other appropriate governmental authority or federal and/or state law enforcement agency having jurisdiction over such matter. Such reports will be made by the Chief Compliance Officer on a timely basis.

All overpayments identified by Sonoma Valley Hospital shall be promptly disclosed and/or refunded to the appropriate public or private payer or other entity.

SECTION IV — COMPLIANCE POLICIES (POLICIES ARE UNDER REVIEW)

The Hospital may wish to attach relevant policies and procedures. Some of the policies and procedures that may be relevant, depending upon the employee's position, are listed below.

1. Confidential Reporting
 - Confidential Disclosure System
 - Non-Retaliation for Reporting (Whistleblower Laws)
 - Documenting Reports of Non-Compliance Received by Compliance Officer
2. Compliance Enforcement
 - Screening of Ineligible Persons
 - Investigating Reports of Non-Compliance
 - Enforcement of Compliance Program Obligations
 - Auditing the Compliance Program
3. Federal and State Fraud and Abuse
 - Federal and State False Claims Laws
 - Anti-Kickback Laws
 - Self-Referral Laws
 - Physician Recruitment
 - State Corporate Practice of Medicine
 - Inducement to Lower Utilization
 - Provision of Inducements to Patients
 - Waivers of Coinsurance
 - Vendor Contracts
4. Patient Care and Rights
 - Patient Rights and Responsibilities
 - Informed Consent
 - Patient Freedom of Choice/Disclosures of Financial Interests
 - Patient Privacy – HIPAA
 - Advanced Beneficiary Notice
 - EMTALA
 - HMO/Managed Care Patient Treatment
 - Independent Contractor Credentialing
 - Quality Care
5. Government Billing
 - Claim Development and Submission – Generally
 - Medical Necessity – Patient Services

- Medical Necessity – Laboratory Services
 - Outpatient Billing Prior to Inpatient Stay (Three Day Window)
 - Claims for Teaching Physicians
 - Patient Transfer Versus Discharge
 - Provider Based Rules
 - Bad Debts
 - Credit Balance
 - Billing and Coding under Medicare Outpatient Prospective Payment System
 - National Correct Coding Initiative
 - Charge Description Master
 - Same-Day Discharges and Readmissions
 - Claims for Outlier Payments
 - Claims for Services in Clinical Trials
6. Health Information Management Services
- Coding Documents for Inpatient Services
 - Coding Documents for Outpatient Services
 - Availability of Coding Reference Materials
 - Patient Record Documentation
 - Record Retention
 - Claims Submission Policy Manual
7. Reimbursement
- Cost Report Documentation
 - Cost Report Disclosure Statements
 - Reporting Cost Report Errors
 - Independent Review of Cost Reports
 - Medicare Contractor Audits of Cost Reports
 - Treatment of Non-Allowable Costs
 - Treatment of Protested Items
 - Graduate Medical Education
 - Organ Acquisition Costs
 - Reimbursement Policy Manual
8. Office of Statewide Health Planning and Development (OSHPD) Reporting
9. Charity and Discounted Care
10. External Investigations

- Responding to Subpoenas and Search Warrants
- Responding to Fiscal Intermediaries, Carriers and Quality Improvement Organizations (QIO) Audits
- Responding to Government Investigations

11. Employment-Related Policies

- Nondiscrimination
- Sexual Harassment
- Drug-Free Workplace
- Smoking



Meeting Date: November 1, 2012

Prepared by: Paula Davis, Chief Human Resources Officer

Agenda Item Title: Acknowledgement Concerning Confidential Information

Recommendation:

That the Acknowledgement Concerning Confidential Information be approved by the Governance Committee and further sent to the Board of Directors for final approval and acceptance as part of the organizational policies of Sonoma Valley Hospital.

Background:

An Acknowledgement Concerning Confidential Information has been in place for many years for employees of Sonoma Valley Hospital to sign upon hire. It is appropriate and prudent for contractual and/or community non-employee members of hospital and Health Care District committees to acknowledge the confidentiality of information they are privy to see. This form will serve as the formal understanding of the obligation to keep information concerning hospital business and patient information confidential.

Consequences of Negative Action/Alternative Actions:

Should confidential hospital business or patient information be inappropriately distributed and there is no documentation that staff, Board Members of committee members has been advised of their legal and ethical obligations, the Hospital and/or Health Care District would be at risk.

Financial Impact:

Unknown – However the possibility of legal ramifications from a HIPAA (Healthcare Insurance Portability and Accountability Act of 1996) violation is a risk to the organization. Should the conduct of violation take place, investigation and remediation would take place to respond appropriately and prevent further offenses.

Selection Process and Contract History:

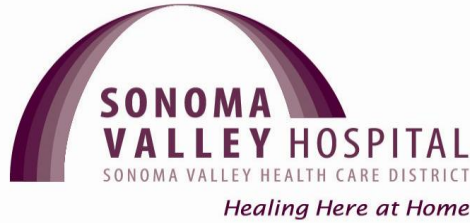
The employee confidentiality agreement to include Board Members and Committee Members was adopted.

Board Committee:

Governance

Attachment:

POLICY CONCERNING CONFIDENTIAL INFORMATION – Acknowledgement Form



POLICY CONCERNING CONFIDENTIAL INFORMATION

State and Federal laws, as well as ethical obligations, require that information concerning the care, condition and treatment of our patients be treated as confidential matters.

Accordingly, other hospital information including departmental, operational, statistical and financial data should be held in similar confidence. No confidential information may be used by any individual connected with the hospital for their own purposes.

Any and all inquiries by members of the media concerning the Hospital and/or its patients should be referred to the office of the President/CEO. Confidential material is not to be shared or communicated to the press, public or staff. Documents subject to disclosure pursuant to the California Public Records Act will not be deemed to be subject to this Policy. Questions concerning the applicability of the California Public Records Act to a document will be submitted to Administration for legal review.

Board members, committee members and staff are reminded that failure to adhere to this policy may result in possible employment or legal ramifications.

ACKNOWLEDGEMENT

I acknowledge that I understand my obligation to keep information concerning hospital business and patient information confidential.

Signature

Date

Print Name