

**DESERT HEALTHCARE DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES
August 23, 2011**

A Regular Meeting of the Board of Directors of the Desert Healthcare District was held in the Jerry Stergios Building, First Floor, Palm Springs, CA

Attendance:

Members

Mark Matthews – President
Kay Hazen – Vice President/Secretary
Michael Solomon, MD – Treasurer
Sidney Rubenstein, DDS – Director
Glen Grayman, MD - Director

Staff

Kathy Greco, Chief Executive Officer
Peter Young, Chief Operating Officer
Samantha Prior, Operations Manager
Donna Craig, Chief Program Officer
Tricia Wheeler, Program Manager
Steve Brown, Executive Administrative Assistant

Legal Counsel

Jeffrey Scott, Esq.

Guests

Rick Daniels, City Manager, City of Desert Hot Springs
Yvonne Parks, Mayor, City of Desert Hot Springs
Dr. Richard Olds, Dean, UCR School of Medicine
M. Kochar, M.D., UCR School of Medicine
P. Lyons, M.D. UCR School of Medicine
Dr. Neil Schiller, UCR School of Medicine
Lars Walton, Government Relations, UCR
Phyllis Guze, M.D. UCR School of Medicine
Michele Coyle, Chief Campus Counsel, UCR
Jocelyn Nakashige, Dean of Finance, UCR School of Medicine
Donna Wilk, UC Riverside
Maria Macias, Student, UCR School of Medicine
Elisa Laurel, Assistant, UCR School of Medicine
Kathy Barton, Communications, UCR School of Medicine
Dr. Raul Ruiz, UCR School of Medicine
Craig Byus, Ph.D., UCR School of Medicine
Steve Larson, M.D. UCR School of Medicine, RCMA, RMC
Nastassia Valenzuela, UCR School of Medicine
Joseph Pradetto, Legislative Assistant, Supervisor John Benoit
Nereida Morfin, Vice-President Operations, Borrego Community Health Foundation

Eileen Packer, Executive Director, HARC
Dolores Green, Executive Director, Riverside County Medical Association
Monica Rivers, RN
Silvia Paz, Senior Representative, Office of Assemblymember V. Manuel Perez
Joseph Gonzales, Field Representative, Office of Senator Bill Emmerson
Patrick Williams, Police Chief, City of Desert Hot Springs
Alex Christ, M.D.
Joshua Leyva, Coachella Valley Health Initiative
Diana Nancy DeLeon, Manager, HealNet Project, RAPP
James Merson, M.D., President Riverside Foundation for Medical Care
Eduardo Garcia, District Representative, Office of Senator Juan Vargas
Sheila Thorton
Cliff Daniel, Desert Regional Medical Center
Rich Ramhoff, Desert Regional Medical Center
Dr. David Duffner, Chairman Dept of Surgery, Desert Regional Medical Center
Lupe Ramos Watson, Representative, Office of Assemblymember Brian Nestande

CALL TO ORDER

The meeting was called to order at 2:00 pm by President Matthews.

APPROVAL OF AGENDA

President Matthews asked for a motion to approve the agenda.

#11-64 MOTION WAS MADE by Director Grayman and seconded by Director Solomon to approve the agenda. Motion passed unanimously.

PUBLIC COMMENT

None

CONSENT AGENDA

Submitted for approval:

1. Consideration to Approve Food Assistance Program Procedure Change for FY 2011-12

#11-65 MOTION WAS MADE by Director Solomon and seconded by Director Grayman to approve the Consent Calendar. Motion passed unanimously.

STUDY SESSION

1. City of Desert Hot Springs Wellness Center – Construction Budget for the Health and Wellness Center and the Impact of the Center’s Proposed Programs on Desert Healthcare District Residents.

Rick Daniels, City Manager, presented the current City of Desert Hot Spring’s (DHS) demographics, the Council’s strategies to improve the quality of life for its residents and data supporting their serious healthcare crisis. The project is currently under construction and includes the Boys and Girls Club, a gymnasium, the Wellness Center (community room and kitchen) and an outdoor swimming pool. The project cost is approximately \$12.9 million, however there is a shortfall of

approximately \$4 million. DHS is requesting funding for the shortfall from the District through the investment and purchase of assets of city owned properties in the City of DHS. They are not requesting a grant. Mr. Daniels proposed:

1. A 7.5 acre site on which the project is being constructed. It has been recently appraised at \$1.1 million and the District could lease the land back to DHS for \$1/year.
2. Purchasing a 20 year contract that DHS will have with the Borrego Community Health Foundation for the land on which they are building a federal qualified health center. The twenty year contract is for \$1.4 million at 3.5% interest.
3. Investing (purchasing) in the Wellness Center Community Room which will be for education and proactive care. Based on the cost of construction of the square footage of the room the value is calculated at 1.5 million.

All the money DHS would receive from for the purchase of these assets would go for the construction of this project.

Additionally the City has secured other funding including \$2.56 federal grants, a \$ 500,000 grant from Riverside County, a \$1 million private donation and the City has contributed \$1.8 million. The sources for the \$1.8 million are various development impact fees and the cost of the land. DHS is also eligible for New Market Tax Credits which match \$1.33 to every \$1.00 for a maximum of \$3.1 million. Mr. Daniels explained that the DHS Redevelopment Agency advanced the \$4millions so the project could be built now while construction prices are low. However this money needs to be paid back to the RDA which is the reason for the shortfall.

Director Grayman asked how the purchase of the Wellness Room would work, since it is not a separate building and parcel. Mr. Daniels responded that all details have not been worked out, but it would be similar to a "condominium" purchase.

Vice-President Hazen commented that the District has been working to improve health access in the city of Desert Hot Springs for many years and yet the demographics have not changed and the health needs continue to exist which is why the issue remains a focus of the District strategic plan. In response to questions from Vice-President Hazen, city staff clarified that a healthcare district would also be eligible for the New Market Tax Credits and the City of DHS needs to complete the transaction for the tax credits no later than December 15 2011.

Vice-President Hazen asked Mr. Daniels and Mayor Parks if the city would consider transferring the land and entire Wellness Center to the Desert Healthcare District for the funding identified, after which the District as the owner could lease it back the center to the City for \$1/year and then operate the center. Mr. Daniels responded that the entire Council would need to consider that option.

In response to Director Solomon's question, as to the location of the center, Mr. Daniels explained that the site is across the street from the high school, adjacent to an elementary school and the senior center. This location captures the users that the City hopes will utilize the center

President Matthews provided a brief history of the District lease of the hospital to Tenet Corporation which he hoped would help the audience understand why the District has a large reserve fund. While Tenet Corp prepaid the lease, there is a repayment clause for the prepaid rent, should either party terminate the lease before its expiration. Currently, this repayment for the prepaid rent after the 3 for 1 amendment would be approximately \$40 million. There is also a

need to have sufficient funds for payroll and account payable. This would require approximately \$60 million at this time. President Matthews also expressed his interest in having property as assets. There are other city owned properties that the District could purchase for future health related services. The Board directed staff to continue to work with the city to develop options for potential future consideration.

2. University of California Riverside School of Medicine – Revised Budget Discussion Including Implementation, Strategy, Impact and Short & Long Term Outcomes of the School of Medicine and their Impact on Desert Healthcare District Residents

Dr. Olds presented a revised proposal and budget which they believe provides a direct benefit to the residents of the District. Benefits include recruiting local students, providing a local residency program emphasizing primary care, and partnering with Federal Qualified Health Centers/non-profits. The new proposal provides for recruitment of new primary care physicians to be located in the District housed at the Desert Regional Medical Center (DRMC). In addition to teaching in the residency program, they will also treat patients regardless of their ability to pay. Clinical clerkships (required rotations for 3rd and 4th year medical students) have been added to the proposal and will bring UCLA Medical School students to DRMC as well as to other FQHC partners in the District. Telemedicine Equipment will be installed at DRMC and FQHC partners to link students and residents to educational programs and provide access to specialists for consultations and training. The Future Physicians Program, which currently includes 5 students from the City of Desert Hot Springs will be expanded to include more district students and keep the schooling, clerkships and residency local for the participants. The funding requested is \$1 million per years for 12 years, subject to a yearly budget review and a 5 year competitive renewal process.

Director Grayman commented that this is a far better proposal and the funding granted will be allocated for services in the District and benefit District residents. Director Solomon agreed that more primary care doctors are needed in the District and this proposal addresses that need.

Dr. Olds responded to Director Rubenstein that the doctors coming to DRMC will be employees of the University and will continue as long as they are faculty at the medical school. Director Rubenstein commented that the program proposed included community outreach and specific training in the residency program that focuses on addressing health issues in rural communities.

Vice-President Hazen asked how the medical school could insure that residents would choose to practice here in the District and how many will remain in primary care. First, Dr Olds responded that studies show 40% of physicians stay where they finished their training. Additionally, when you have medical school students and residents working in their hometown communities, they are treating their family, their friends, children of friends etc. This develops into a commitment to stay. There are studies that provide this data, which he will forward to the Board. Secondly, as employees of the University, primary care physicians receive a salary which is typically higher than the potential earning in private practice. Plus, the university physicians increase their potential salary by teaching at the medical school.

VP Hazen asked Dr. Olds to verify whether all the funds would remain in the District and he stated that they would. Hazen asked how then the proposed budget could include 15% overhead to the University and 5% fund development fee to the University Foundation. Dr. Olds stated that it was

standard practice for overhead to be included. Hazen stated that she was simply seeking clarity regarding the statement that all the funding stayed in the District.

Dr. Olds reported that the hospital (DRMC) does not financially benefit from the residency program and in fact there will be an annual loss of approximately \$35,000 per residents based on their Medicare reimbursement.

After the initial start-up costs in the first couple years, Vice-President Hazen asked what the District's funds will be used for. Dr. Olds responded that after the start-up, the medical school could hire more primary care doctors or specialists, such as general surgeons, obstetricians or cardiologist. The use of funds would be reviewed with the District Staff on an annual basis.

Mr. Scott, DHCD legal counsel, asked for clarification regarding some of the line items in the revised budget, the relationship between the hospital and the SOM and the proposed term and will work with the District's CEO and UCR to answer those questions prior to further board consideration.

President Matthews questioned how this new budget/program would be affected if the medical school accreditation didn't happen and if future California state budgets did not include medical education funding. Dr. Olds responded that the residency program is not dependent on the accreditation of the 4 year medical school. The UC Regents are committed to providing funding to the UC system medical schools.

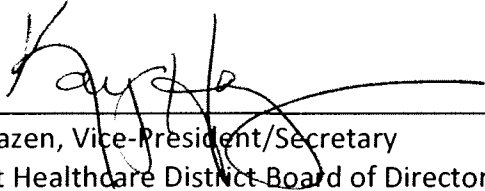
Vice-President Hazen asked if other organizations within the Island Empire are contributing to the UCR School of Medicine. Dr. Olds responded that the UCR SOM received \$10 million from Riverside County. He will be approaching every organization with the Island Empire for support. Having a commitment from the Desert Healthcare District will absolutely help for additional fundraising.

President Matthews asked for any comments from the members of the audience:

1. Dr. David Duffner, Palm Springs – supports the UCR proposal. The investment pay off for generations. This brings educational opportunities for physicians to train and stay close to where they do their residency.
2. Mr. Steven Weiss, Chairman/CEO Coachella Valley Angel Network - need more primary care doctors in the Coachella Valley. Advertising does not bring physicians in. The valley needs training programs.
3. Bev Greer, Program Committee Member - Good revised budget. Dr. Olds answered the concerns of the Program Committee.
4. Joe Pradetto, Representative for Supervisor John Benoit - read letter of support from Supervisor Benoit
5. Fred de Haro, Borrego Community Health Foundation – supports the UCR SOM request.
6. Dr. Frank Ercoli, Director of Trauma and Critical Care Services, DRMC - Supports the UCR SOM Request
7. Dr. Alex Christ, Palm Springs - Need longevity for the use of the District's funds and immediate return for the money. The UCR SOM proposal does not do this. Funding should be allocated to train physician assistants.

ADJOURNMENT

The meeting was adjourned at 5:15 pm.

ATTEST: 
Kay Hazen, Vice-President/Secretary
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Steve Brown, Executive Administrative Assistant