

**Tulare Local Healthcare District
Board of Directors
Minutes
Wednesday, June 27, 2018 6:30 PM
City of Tulare Council Chambers
475 M Street, Tulare, CA**

AGENDA

In attendance:

Kevin Northcraft	President	Larry Blitz	Interim CEO
Mike Jamaica	Vice President	Dan Heckathorne	Interim CFO
Senovia Gutierrez	Secretary/Treasurer	Sandy Haskens	Interim CAO
Stephen Harrell	Director	Ben Nicholson	Legal Counsel
		Riley Walter	Bankruptcy Counsel

1. Call to Order:

Kevin Northcraft called the meeting to order at 6:30 p.m.
Mike Jamaica led the Pledge of Allegiance

2. Public Comment:

Kevin Northcraft advised the public will be able to comment about the two proposals to be presented tonight after the presentations. Those who commented about other issues were:

Drew Phelps
Joseph Soares
Nicole Shoenfeld
Dwight Christensen
Lionel Machado

3. Approve Agenda, Acceptance of Minutes:

Stephen Harrell moved and Senovia Gutierrez seconded the following minutes be approved: Board Meeting 05-23-2018, Special Board Meeting 05-14-2018, Special Board Meeting 05-30-2018

4. Announcements – Board

Stephen Harrell introduced Interim City Manager Willard Epps
Kevin Northcraft said the Board had been advised that there was little use of the DaVinci robotic machine and that there was no doctor interest in using. They now have information that the machine was used over 200 times. The previously discussed sale of the DaVinci is not on the agenda but staff has been asked not to act but use the corrected information to decide if it will be sold. Stephen Harrell asked where the incorrect information came from. Larry Blitz indicated that they found old logs that showed the DaVinci was used 233 times in 4 years. A financial analysis is being done.

5. Discussion and Action on Request for Proposal for Potential Strategic Affiliation Partner/Indications of Interest

Report from the Ad Hoc Committee appointed by the Board to review proposals of respondents

Kevin Northcraft reported that two excellent hospital organizations were selected by the Ad Hoc Committee to present. They are Adventist Health and Community Medical Centers. Todd Wynkoop said after the presentations, board members and the public will be able to ask questions. After the presentations and questions the Board will vote tonight to select an organization to enter into exclusive negotiations with. The deal is worth hundreds of millions. There will be extensive legal work including a memo of understanding and letter of intent, which will be brought back to the Board for approval. Stephen Harrell asked about the other two organizations that expressed interest but not represented tonight. Kevin Northcraft said Kaweah Delta Hospital and Dignity Health withdrew because of timing and the expedited RFP process that did not allow them to respond.

Presentation by potential Strategic Affiliation Partners or entities that Indicated Interest in response to the Request for Proposal as recommended by the AD-Hoc Committee.

After a coin toss Adventist Health agreed to present first. Bob Beehler, Vice President for Market Development, Mergers, and Acquisitions, introduced the Executive Leadership of the Valley Region that were in attendance. They are: Wayne Ferch, Dave Larson, Dr. Gavini, Andrea Kofil, Tim Haydon, and Randy Dodd. They are the key individuals in the operation of the network.

There are 250 hospitals in the Adventist network. 84 are in the United States. The majority of the hospitals are in Florida and the Midwest. 20 hospitals are on the West Coast. They have 60 rural healthcare clinics which makes them largest in California and the United States. There are another 200 clinics within the system, 13 home care agencies, 7 hospices, and 4 joint venture retirement centers. They are in the top 5 healthcare systems in California. They have \$4.4 billion net revenue and 10% EBIDA stability with a substantial margin.

Their mission is "Living God's love by inspiring health, wholeness, and hope". They are faith based which allows them to respond to the spiritual needs of the patient. Their vision is to transform the health experience of the communities they are in by improving health, enhancing interactions, and making care more accessible. Their values are excellence, respect, integrity, and compassion.

Why select Adventist Health? They are a non-profit faith-based healthcare system. Sponsorship by the 7th Day Adventist Church does not require ethical and religious directives which revolve around reproductive rights. They believe the best decisions are made by the patient, their families, and their caregivers. Adventist Health is committed to direct and

strong relationships with employees and they have very envious scores of employee engagement throughout the entire system.

Adventist Health is big enough to weather challenges but have structures to keep care local. They are committed to improve the health and well-being of the communities they serve. They do not serve a segment of the community, but the whole community. They have an obligation to serve regardless of the patient's insurance or ability to pay.

Adventist Health has recent acquisition experience. In 2012 Sierra King's hospital was in a similar situation. The hospital was bankrupt and looking for help. Adventist stepped in and now it is a thriving healthcare center. They executed in Lodi, a 200-bed hospital, in 2015 and in 2016 brought in the Tehachapi Healthcare Center. They finished Rideout Health, Marysville a couple of months ago. Adventist has a good track record of executing when given the opportunity.

Adventist Health has a commitment to quality and safety. Their hospital in Hawaii won the 2017 Baldrige Award, which is a national award. They have set a goal to be in the top decile (10%) by 2020 for nationwide quality.

Adventist Health has partnerships with Valley Children's Hospitals, which operates the Intensive Care nursery in Hanford, they have a jointly owned health plan with Community Medical Centers, the Kaweah Delta Cancer Center is a joint venture, and they are finalizing a relationship with Intermountain Health in Utah. They will share Cerner electronic records with Intermountain.

It is difficult to be a stand-alone hospital. Adventist is offering deep expertise with experts all within the Central Valley Network, 20 miles away. They have expertise in:

Accreditation	Clinical Engineering
Community Health Needs Assessment Support	Compliance
Construction & Real Estate	Cost Accounting
Facilities management	Financial Services
Human Performance	Information Technology
Internal Audit	Managed Care Contracting
Market Development	Mission Integration
Revenue Cycle	Risk Management
Supply Chain Management	Physician Services

Adventist Health has 7 hospitals in the Central California region and 42 rural health clinics. The region extends from Tehachapi to Lodi. Adventist is comfortable in rural markets. They have two family practice residency programs in Hanford and University of California San Francisco.

Why the rush? In order to meet District timelines and to get something on the November, 2018 ballot. It requires 90 days to submit a ballot measure, so it must be submitted by

August 8, 2018. On October 29, 2018 the suspended license comes to an end. It is possible it could be extended, it is possible the extension could be denied. If the license expires and the license is surrendered, it would be nearly impossible to restart and meet current codes. Adventist Health is prepared to meet the deadline of completed agreements within 38 days.

The proposed transaction has 4 elements:

- A draft letter of intent that reflects the terms described tonight.
- An affiliation agreement within 30 days
- A line of credit for \$10,000,000 up front to assist with the reopening of the hospital
- Lease agreement for 25-30 years

The affiliation agreement makes a service line commitment that the hospital will remain an acute care facility. Adventist Health will provide administrative help. The District will reopen the hospital before the suspended license expires (including completion of safety surveys). Adventist Health commits to provide ongoing routine capital (including replacement of equipment). Adventist Health will pay for and install the full Cerner Electronic Health Record system (including the IT infrastructure). The District will ensure seismic compliance. A short term MSA will be used until change of ownership is approved. The District will continue to own the buildings. A key element is that Adventist Health bears financial risk that is estimated to be 4-5 months.

The \$10,000,000 line of credit will fund reopening of the hospital. The line of credit will be secured in a manner mutually agreeable to the District and Adventist Health. The line of credit used will be an offset to the lease as prepaid rent. Rent abatement takes effect after Adventist Health assumes control. The District will prepare a budget for the uses of the line of credit. Withdrawals from the line of credit will be approved by Adventist Health.

The master lease will be a 25-year lease based on 5-year renewals with lease payments based on the fair market assessment. It is a triple net lease with Adventist Health paying for routine maintenance and operational costs. The lease is based on square footage used or otherwise tiered when the new tower opens. DeLoitte, or one of the big accounting firms will determine the fair market value.

The District will be responsible for seismic compliance and completion of the tower (with support by Adventist Health for design and construction oversight). Adventist Health will purchase fixtures, furniture, and equipment in installments once the hospital cash flow is positive.

Adventist Health said this is an enormous step for the Board and the community. They will support the decision of the Board.

Community Medical Center – Presenting is Aldo De La Torre VP for EO of Community Care Health Plan and Scott Wells, CEO Sante IPA

Community Medical Center is the largest health system in Central California. They have 5 facilities: Community Regional Medical Center, Clovis Medical Center, Fresno Heart and Surgical, Community Behavioral Health Center, and Community Subacute and Transitional Care. There are 1117 beds. They have \$1 billion invested in technology, facility expansions, and capital expenditures. Profits are reinvested in the Valley.

Community Regional Medical Center is the only level 1 trauma center and comprehensive burn center between Sacramento and Los Angeles. They provide more ER care than any other hospital in the State. They provide tertiary care for a 9 county region for neuroscience, cardiac, ortho, neonatal ICU, mental health, and high risk pregnancy and delivery care.

700 patients per month are transferred from other hospital to CMC for higher levels of care. They deliver 11,000 babies a year, which accounts for 60% of all births in Fresno County. CMC has a strong network of physicians. They have a residency program with UCSF training over 200 physicians in all types of medical and specialty care. They put doctors back into the community when they finish their residency. 40% stay in the area. Market share is growing and they have great relationships with physicians, which is a big part of their success.

Tonight, the Board is making two decisions. They are making a decision based on the financial package. The Board was asked who they want to partner with. What do employees think? CMC is the largest private employer in Fresno. They offer medical, dental, and pharmacy benefits. They won Workplace of the Year Award 4 years running. They have been acknowledged by Becker's 150 Great Places to Work in Healthcare. Proceeds are put back into training and education for employees.

Community Regional Medical Center has been awarded the Healthgrades Excellence Award for OB/GYN and labor and delivery, Healthgrades American's 100 Best Hospital Award, and has expanded the partnership with UCSF Benioff to grow pediatric services.

Clovis Community Hospital received America's Top 100 Hospital Women's Choice Patient Experience Award, the Healthgrades Outstanding Experience Award (top 5% in the United States) and voted Best Hospital in the Central Valley 5 years in a row.

Fresno Heart and Surgical received Healthgrades Outstanding Patient Experience Award (top 5% in the United States), Healthgrades Bariatric Surgery award 7 years in a row, and Healthgrades 5 Star ratings award for Carotid Surgery.

Why is CMC the best fit? They have a proven record, they have been in the Valley service area, the hire from the community, they have spent time with the Board the last year, they

see the world in the same way, they are highly successful in the Central Valley payer mix which depends on government aid with 80% on Medicaid or Medicare, and they do well financially and don't borrow a lot. They have a highly rated bond rating.

CMC has been strategically aligned for 20 years with the most successful physician's organization in the Central Valley with 1500 physicians. They have a unique affiliation with UCSF for doctor and pharmacy training. CMC owns their own insurance company. They market and sell to the general public which allows them to have an integrated system. They sell commercial insurance. They provide great care and sell insurance as well.

CMC acknowledges theirs is not the most popular proposal because they are not proposing opening in November, 2018. There are a lot of headwinds and barriers. They take the long term-look. The District consultants are costing \$1,000,000 a month. Working capital creates a barrier to opening in November, 2018. They toured the facility with a team of 30 and spent 2 days. They feel they have a good idea of capital needs. They have a different opinion of capital requirements needed to prepare the facility for a successful inspection. Inspection agencies will require repairs. Current cash flow statements say there is \$800,000 for that purpose. CMC thinks it will be significantly more. They believe the license extension will be granted after their discussion with State agencies. This serves as the backbone for CMC's alternative proposal.

CMC is offering 24 months of C-suite management assistance at no cost. The CEO and CFO will provide expertise. They are offering a \$6 million line of credit secured against unencumbered properties. Sante will work with a local FQHC and use their best efforts to get one or more clinics opened by October, 2018. CMC will assist the District with extension of the hospital license by October 29, 2018. They would enter into discussions to enter into a long-term lease to be completed by the first quarter of 2019 with the following conditions:

District agrees to secure financing to complete the Tower before the effective date of the lease.

The parties will select a mutually acceptable third party to determine the amount necessary to complete the Tower.

A third party will determine the fair market value of the lease.

Necessary approvals of voters, bond holders, and bankruptcy judge will be obtained.

Final approval will be with the CMC Board of Trustees.

CMC will work with the District to place the lease/purchase agreement on a special ballot during the 2nd quarter of 2019, to include:

Voter approval to lease or sell the hospital to CMC.

Voter approval to lease or sell the hospital to CMC at terms contained in the lease agreement.

If voters reject the Tower bond measure CMC may terminate the lease/sale agreement (if lease agreement approved).

If voters approve both, then CMC based on its agreement, would fund working capital needs and the capital to make all necessary improvements unrelated to the patient Tower.

The timeline is as follows:

Secure extension	9/18
Active \$6 million line of credit	9-10/18
Open clinic	2018
Complete lease	1 st quarter of 2019
Secure voter approval	2 nd quarter of 2019
Complete hospital improvements	3 rd quarter of 2019
Begin inspections	3 rd quarter of 2019
Open hospital	3 rd quarter of 2019

CMC closed their presentation by acknowledging both great options and thanking the Board for the opportunity and time spent with the District.

Kevin Northcraft said he appreciates both proposals. Both organizations have excellent operations. He said it is a huge step in both cases to bring back a quality hospital.

Kevin Northcraft gave the RFP Ad Hoc Committee the opportunity to speak or ask questions but no one requested to speak.

Public Comment and questions of Adventist Health and Community Medical Center:

Dr. Paul (inaudible) recommended Adventist Health

Francisco (no last name given) recommended Adventist Health

Alex Gutierrez asked Adventist Health if they foresee asking for a bond to complete the tower. Bob Beehler said it is their intention to open and rebuild trust of the community. If the community has confidence in their work, then they would like to see if the District would fund the Tower with a bond. They hold the option open to seek other financing if it came to that.

Alex Gutierrez also asked Adventist Health why they believe CMC says there's a total \$1 million assessed by Wipfli in the CMC timeline they've chosen as opposed to the Adventist timeline. Bob Beehler responded that Wipfli proposes \$22 million in working capital with \$10 million needed to open. They estimate they will spend \$50-70 million after opening. The risk is Adventist's, not the District's.

Michael Federico (Adventist Health employee) recommended Adventist Health.

Mary Sepeda asked if either Adventist Health or CMC outsourced jobs. Adventist Health responded that they have a relationship with local partners, Jones LaSalle, for client services. They also do billing and revenue cycle with Cerner. One third of their patient billing is outsourced to Cerner.

CMC said no patient services are outsourced. Things that do not affect patients, however, may be outsourced.

Mary Sepeda said in both presentations "change of ownership" or "sale" were referenced. Is the hospital for sale or lease?

Adventist Health said they are presenting a lease option.

CMC said the use of the word sale was to cover all bases. At the moment we are discussing a lease for 25-30 years.

Adventist Health added that they are also looking to lease. The reason the word sale or change of ownership is used is because it is part of the process to create a new 501C3. There is no sale of the buildings.

Mary Sepeda asked about the \$85 million bond taxpayers are paying on. Can the Tower be completed floor by floor?

Adventist Health said it is worth looking at, but it may be difficult to operate part, but not all of the Tower.

Sante said that may potentially create savings. They are estimating completing the Tower will cost between \$100 and \$200 million.

Mary Sepeda said the Bond Oversight committee estimated \$10 million in stored equipment. It probably needs to be sold or replaced because it is outdated.

Sante said there is value in that but again will be relatively small compared to the giant problem they have.

Deanne Martin-Soares asked CMC if the vote scheduled for the 2nd quarter can be done earlier? What is the commitment from the CMC Board?

CMC said they would not characterize the Board sentiment, though the Board is supportive of management recommendations, but they don't want to speak for the Board.

Sante responded that only 3 times in 25 years management brought something to the Board and they said no. It is not 100%, but probable, they would support the package.

Deanne Martin Soares asked Adventist Health if they would bring in a management team?

Adventist Health responded that they would bring in management, but something deeper than management support. They would bring in IT support, imaging, nursing, and a lot of resources to support the organization to get the hospital open.

Deanne Martin Soares asked if they would provide a CEO at some point.

Adventist Health said they intend to provide C-Suite leadership.

Deanne Martin Soares asked if the \$10 million line of credit would be used to pay past debt or monies owed?

Adventist Health said some would go to support the District. They haven't seen a budget yet. It will keep services that keep the building alive. They support the reopening of the hospital. It will fund critical infrastructure items that need to be corrected before reopening.

Deanne Martin Soares asked if the Bankruptcy judge will have to approve either plans. Riley Walter responded yes.

Deanne Martin Soares asked if there was a concern to get approval by October 29, 2018. Riley Walter responded that the bankruptcy world moves faster than the regular legal world. The bankruptcy world moves fast in a 28-day cycle. Once they know what the terms are, they can get it before the court in 28 days.

Deanne Martin Soares asked Wipfli if it is the intent to open all services or some services. If so, what services?

Dan Heckathorne responded that all services required by the State plus ER. The budget is predicated by what's necessary to open.

Larry Blitz said the \$10 million get them to the vote. \$12 million is needed to fund service until the hospital makes money. The 8 basic services required by the State. The ER is not required but will be included. Whichever entity is chosen will fund the ramp up.

Jennifer Burcham asked what the line of credit will be secured by.

CMC said it will be secured with Evolutions and the vacant lot next door. They believe the lien on the property will be removed within 2-3 months and it is built into the timeline.

Adventist Health said they would use the same general assets. There is substantial value to the land around the hospital.

Dennis Mederos asked how will the structure be? Previously all money flowed to the District and the District paid for everything. Premium plus a management fee was paid. How will each entity work it? Will the Board have its own CEO and legal counsel and get independent advice?

Adventist Health responded that the lease will remain as is. They will take the complete risk of operations. Lease payments will be made to the District. The District will operate independently. Adventist Health will have the complete profit/loss risk. Lease payments will be at fair market value.

CMC said they will have a similar structure. Lease payments and tax payments will go to the District.

Dennis Mederos asked if all facilities will be utilized.

CMC said they will keep Evolutions separate from the lease.

Dennis Mederos asked if CMC will use the same criteria to find the amount of the lease payment.

Sante said we both use fair market value. Fair market value requires the payment be enough to pay debt and bills.

CMC said the fair market value takes all those factors into consideration. The lease payment must be acceptable to the bankruptcy court.

Todd Wynkoop said the District will be supported by lease payments and tax revenues. The District vision remains the same. The Board could use the money for community health benefits. Fair market value will be determined by the Board.

Kevin Northcraft said the District will still have Evolutions and the 4-5 leases within Evolutions. They will retain the 13 properties around the hospital. They will also retain the 4-acre vacant property next to Evolutions. They will work with Riley to get out of bankruptcy. Kevin added that the conservative pro forma will provide for a successful hospital. He said thanks to the former management company they have a big hole that will take a few years to climb out of.

Mark Fisher, President of Tulare Rehab Center, endorsed Adventist Health.
Sandy Miller endorsed CMC
Charlene Dawson endorsed Adventist Health

Mike Shaffer asked what influences OSHPD to extend or not extend the license suspension?

CMC responded that they have a good relationship with OSHPD for many years. They have done many construction projects. They think it is a good probability they will approve the extension.

Mike Shaffer asked if CMC was responding specifically about TRMC?

CMC responded yes. But to be candid, it is not absolute. It is based on feedback. If the license is lapsed it would have to be rebuilt to meet current codes.

Mike Shaffer asked does the amount of time in each proposal impact the extension and influence the State agencies differently. 3 months vs 18 months?

CMC said they won't characterize OSHPD, but if the District is showing progress that would be taken into consideration.

Mike Shaffer said the CMC proposal depends on the citizenry pass both a lease and a bond. Would they move forward without passage of the bond?

CMC responded they would not move forward.

Mike Shaffer asked if they would consider running the hospital for a few years and then come back with a bond.

CMC responded if the bond doesn't pass it doesn't make sense to lease.

Alberto Aguilar asked if CMC would commit any fund to the completion of the Tower?

CMC responded they will not commit any funds to the completion of the Tower.

Adventist Health said they would have discussions in the 11th hour if the bond measure doesn't pass.

Alberto Aguilar asked CMC if the bond doesn't pass is the deal off?

CMC responded they have not identified another path forward.

Alberto Aguilar asked if a cost analysis has been done to see what it will cost to complete the Tower.

CMC said their cost analysis is \$75-100 million.

Adventist Health said they've had discussions with the inspector of record from OSHPD. They believe the number is \$40-45 million to complete.

CMC added they wouldn't want to fall short. They would find a 3rd party to come up with a number.

Alberto Aguilar asked if the inspector's number is adequate?
CMC responded no, we are more conservative.

David Phelps asked if CMC provides C Suite management at a cost of \$2 million over 24 months, when, if chosen, would they be in place?
CMC said they would be in place as soon as the District wanted them.
Adventist Health said the timeline put the agreement together. When they and the District are in agreement with terms, then sometime in August. They have not discussed replacing the consultant with C suite management. Sometime from August – November they hospital will reopen and they will bring in administrative support.

David Phelps said Wipfli estimates \$10 million to operate by October. Will Wipfli, Adventist Health, or CMC be willing to put in more capital?
Adventist Health said they spent time to confirm that \$10 million is the right number. They will commit additional if needed to reopen.
CMC said it will take \$50 million to reopen to State standards. That is the amount needed over 5 years. Cleaning ducts, chillers, boilers, and safety issues need to be addressed. It is the estimated amount to get the facility they could be proud of.

David Phelps asked Adventist Health the amount they estimate to meet State standards?
Adventist Health said they estimate \$1.4-2.8 million. They will put in \$5 million per year of discretionary capital.

David Phelps asked Adventist Health if that is above and beyond the \$10 million?
Adventist Health said that is inclusive of the \$10 million.
Sante responded it does not impact them.
Adventist Health said it is a key piece of the partnership, but it is not a threshold issue.

Patty Drilling asked how a cardiac emergency in her office would be handled.
Dr. Gavini, Cardiologist, responded for Adventist Health. He said acute heart attacks go to Kaweah Delta.
CMC said they are not doctor's. Answer received would be where they would go. If there was a real need to support they would look into service.

Patty Drilling asked about fire and safety codes. She indicated there are problems on the 2nd and 3rd floor. Do fire and safety problems have to be brought up to code, because it is quite expensive.
Larry Blitz responded that it depended on what she is talking about. Some are expensive and some are not.

Patty Drilling asked if they are planning on just opening the first floor.
Larry Blitz said they hope to open the entire hospital.

Patty Drilling asked when they anticipate being an acute care hospital? Who is opening when? Is Wipfli opening the hospital and Adventist Health coming in later?
Larry Blitz responded that the District will open the hospital.

Patty Drilling asked who would manage the hospital when it reopens.
Larry Blitz said that decision is up to the District.

Carrie Hydash, President of Family Healthcare District, asked if each organization will guarantee that the hospital will be acute care when it opens.
CMC and Adventist Health both responded yes

Carrie Hydash asked about level of care and services which is driven by physicians that want to come here.
CMC said they will offer what has been offered under the license. They will restore the hospital back to the State license HCCA operated.
Adventist Health said they will open basic services first then phase in ICU, OB to follow, and surgery. Adventists has 3-4 hospitals within a 40-mile radius to draw support for Tulare.

Carrie Hydash asked Adventist Health to define basic services.
Adventist Health responded that they are med/surg, surgery, anesthesia, imaging, pharmacy, dietary, and lab. They will reopen those services right away.
CMC said they would be interested in opening a high risk NICU
Adventist Health said they need to bring back physicians that have been dormant.

Lisa Dillon asked if Adventist Health will apply for a suspended license extension.
Adventist Health responded that they will open by the timeline, but to be cautious they would apply for the extension. They are trying to move the opening to September, 2018 to allow more time.

Lisa Dillon asked when will they initiate the license extension and how long will it take?
CMC said based on phone discussions can extend the license year to year or for a 3-year period.

Lisa Dillon asked Adventist Health why the Tehachapi Hospital acquired in 2016 is still closed.
Adventist Health said the hospital is not closed. The hospital is open in the old building while they complete the new building. The new building will open in Fall 2018.

David Higdon asked what changes in code will have to be fit into the criteria for reopening the Tower.
Sante responded that cost estimates include redesign of the existing tower because it doesn't work for CMC. The tower needs to be built to maximize automation and minimize labor. Sante said the former manager didn't have the desire to reduce labor. Their contract stipulated they got more money if they threw people in there. Unfortunately, CMC cannot afford that. CMC's numbers are a lot bigger than Adventist Health. He asked why is that happening? If you wait and CMC comes in you'll have a hospital like the 4 in Fresno. He said it will be a hospital you will love, it will be awesome. But to do that certain things will need to be accomplished. A big difference is that CMC does not believe \$10 million will start up the hospital in October. He said he could be wrong, he doesn't have a crystal ball. Aldo de la Torre said construction costs

are significantly higher now. The Tower is not a good flow for patients and was not set up for physicians. CMC will work with an independent expert. Adventist Health said there is no Adventist Health number. They haven't spent a significant amount of time on the tower.

Patty Drilling asked with a high-risk family does either organization transfer the mother and baby together?
CMC said they do and Adventist said Hanford does.

Kevin Northcraft asked the Board if they had any questions for the presenters:

Senovia Gutierrez asked what type of specialties each organization would have long term that can be accessed without leaving the community.
Adventist Health said specialties will be phased in. As the hospital grows then other services such as cardiology will be added.
CMC said all services that were previously at the hospital will be there. Patients would have access to specialties but would send the specialists to Tulare for outpatient care.

Xavier Avila noted CMC had on their timeline the completion of repairs and start up in the 3rd quarter of 2018. He asked when repairs would start?

CMC responded that repairs would be started shortly after approval of the lease and bond. They have identified priorities.

Xavier Avila noted the timeline doesn't have dates, but is the end of August 2019 the target date?

CMC responded yes. They anticipate the vote at the end of the first quarter in April/May, 2019.

Xavier Avila asked why start later rather than sooner?

CMC responded there is not time to put the lease on the November, 2018 ballot. A lot of unanswered questions which is part of the lease negotiation they would like to clear up before they rush into this.

Xavier Avila noted there is 4 months between now and the deadline. Have you done enough due diligence for CDPH approval?

Adventist Health responded that they believe they have. They understand the timeline is aggressive and there's risk built in, but the District asked for certain things to happen, like opening the hospital, and Adventist is doing everything they can to accomplish that. They've done it in other markets and other transactions and it takes faith. They are committed to do everything they can to get there including putting up their money to do so.

Xavier Avila said when you say you've done it before, sounds like you say you're experienced. He asked them to talk about that.

Adventist Health responded that when they say they've done it before they mean on the transaction side. They have not run across suspended licenses much. One they have seen was a home health agency which was a simpler process. They don't have a long track record on suspended licenses on closed facilities. Nobody does. They've seen it done and they believe they can do it.

Xavier Avila asked what Adventist Health means by OB in a year.

Andrea Kofil responded that they mean in 12 months. They need to make sure the hospital is stabilized and safe. That they have staff, physicians and all things necessary to do that. They may decide in 4 months OB would be a great idea.

Xavier Avila said it is his personal goal that kids will be born in Tulare in 2018.

Xavier Avila said he has heard criticism that Adventist Health closes hospitals down and run clinics. Does Tulare make sense to be an acute care hospital? Will the hospital be gaining or losing value?

Adventist Health responded that the hospital will definitely gain value. It had bad management. The hospital will grow substantially beyond that. Adventist will give good quality care with support of the citizens returning to Tulare for their care.

Xavier Avila asked if they have a sense of commitment.

Adventist Health responded it is an obligation to demonstrate commitment to earn trust. That may take 4-5 years.

CMC said they see growth of service levels. They work effectively with physicians. They see the hospital as growing in value. Family Healthcare Network came to Fresno to help with outpatient care services. This gives them a unique opportunity to expand into a secondary market. This is a secondary market that will extend services to citizens of Tulare.

Stephen Harrell asked if Adventist Health had any affiliation in Kingsburg.

Adventist Health said they have a clinic in Kingsburg. They added when Kingsburg was a failing hospital they gave them quite a bit of service. They took over many services to help them stay open while they decided what they wanted to do. They still owe Adventist Health \$350,000 in unreimbursed care and services. Kingsburg Hospital couldn't get the deal they wanted. They chose the Tulare hospital to help them out. They closed shortly after that decision. Crestwood Behavioral Hospital is there now. They are currently looking to build a second clinic. As far as hospital care, they don't have an open hospital right now.

Stephen Harrell said one of his pet things is mental health. Currently there are no mental health facilities. Do they have mental health facilities and will they have one in Tulare?

Andrea Kofil responded for Adventist Health. Adventist offers mental health services in their clinics. They are looking to partner with Crestwood to open a facility in Hanford. They offer mental health in ambulatory settings.

CMC responded that they have a mental health hospital in Fresno. They contract with Kaiser. They offer a wide range of mental health practitioners. They offer a full scope of services.

Kevin Northcraft asked if there was additional public comment.

Jan Smith commented

Kevin Northcraft said he and Mike Jamaica, as President and Vice President of the Board were on the ad hoc committee. They have been working on the subcommittee for 1 ½ years.

Senovia Gutierrez moved to delay the decision until Friday. She said this was the first time hearing the information and wanted to study it.

Motion died for lack of a second.

Kevin Northcraft said they would all like to have ore time, but due to the fiscal situation they have a very tight timeline.

Mike Jamaica said he sat on the ad hoc committee and listened to both entities. Both presented well. They answered a lot of questions form the ad hoc committee. They defined each entity as to what they had to offer and what they could get done. He said listening to the public comment he thinks the majority wants to open the hospital to open as soon as possible. That was the consensus of the Ad Hoc committee.

Kevin Northcraft said it is an exciting time. There on strong opinions on many sides. All five of the Board members are members of the Citizens group. Citizens is a group that exorcised the former management from the community. Citizens has been successful in 5 ballot measures. The least amount of support they received was 60%. He applauded the audience for constructive comments. He said it is a good example of how discussions on a government level should take place. He said he and Mike Jamaica have a history of involvement with CMC, particularly with Scott Wells and Aldo De La Torre, as well as the founders of the Citizens group. The 5 board members made a commitment to work with CMC. In January they offered CMC if they help get the hospital open the District will put a long-term lease on the November ballot. They offered the same thing to others in May and you can see the result. Kevin said he really likes the CMC staff, facilities, and reputation. For over a year he thought CMC was their future. Much turned at a 5/16/18 meeting with CMC. The District asked CMC for a loan. Riley Walter offered to move the HCCA lien. CMC said they could not. On 5/16/18 CMC made clear there was no money for Tulare. At the 5/16/18 meeting CMC was asked for help to put the lease on the November, 2018 ballot. Their answer was very specific. "We have too much on our plate to discuss with Tulare at this time. We need to wait until 2019 which fits our schedule". Kevin said he hoped for a better offer on Monday at the CMC's ad hoc committee presentation. But the offer was the same with the addition that a bond must be approved on a closed hospital by a 2/3rds majority of the voters. For the people of Tulare to vote an increase in taxes for a tower they already approved an \$85 million bond for was unworkable and unfeasible. Kevin said he and Mike Jamaica were devastated by the 5/16/18 meeting. Because of that meeting the Board had to put out an RFP and 3 other entities responded. Kaweah Delta, Dignity Health, and Adventist Health. Kevin said after a 100% commitment to CMC for over a year, he now feels there may be an even better fit for the District. All four agencies are quality and could help TRMC become a successful hospital. It is not a matter of who could get it accomplished, but will they consider our hospital as equal, would they consider our needs as their needs. He holds nothing against Kaweah Delta or CMC, but Tulare would be a secondary service area for them. Kevin felt they were not overly responsive to the District's needs during the "courtship" phase and wondered how the District would be tread over the next 25 years. Adventist Health was the only one to step forward with capital and meeting the District timeline. Kevin said he was beginning to think CMC was never as good a match. Adventist talks about what the District needs, what the District estimates. CMC is talking about what they need and want to redesign the Tower for what they want, not what we need. CMC has quality facilities and that would be great. CMC has made references to what they have done in Clovis. But Kevin pointed out that Tulare has their own needs and is not sure Tulare has the same needs as the City of Clovis. Kevin felt he is more interested in someone more

interested in someone that will consider Tulare's needs. The District's mission and vision is good and the long-range expansion plans, both in hospitals and clinics, fit well in the District's mission and they have vast experience in hospital acquisition. Adventist Health is mission driven. One entity has clearly expressed interest that stands above the other. They have integrated services and are in clinics as well as hospitals. Kaweah Delta Hospital is 25 minutes away, Fresno Community Medical Center is 42 minutes away, Dignity's hospital in Bakersfield is 61 minutes away. Proximity is confidence they have in the District's plans. CMC does not have confidence in the District's plan to move forward and get the hospital open and they expressed it at this meeting. Kevin said commitment of dollars, flexibility, and security is head and shoulders in favor of Adventist. He said as much as he enjoyed working with CMC, as much as he committed over a year of exclusivity with CMC, it was not a wise choice. The decision to be made at the meeting was not a close one. The future of the District is with Adventist Health. In ten years he has no doubt that people will look back on this meeting and know that they made the right choice. Kevin thanked God for the chance to consider Adventist Health and that they responded in such a compassionate, flexible, and competent way. Kevin thanked God that Adventist Health wanted the District too.

Senovia Gutierrez said she disagrees with Kevin's analysis. She said what she's feeling is that the community wants a hospital full of services with specialists. Finish the tower. She said they are now between time and quality of services. She feels making a decision in a rush is not a good idea. She asked why we don't take a chance on a hospital full of That's why many of the patients have to be transferred to Kaweah Delta for high quality services. She feels CMC is offering now the possibility to have a hospital with all those services. She feels time is important, but it is better to wait to have a good basis to open a hospital again. Senovia feels CMC is offering something different which she feels is best for the community. She feels CMC is a priority for the District. She feels that they had two excellent presentations and she thinks if they want the best the Board will choose CMC.

Xavier Avila thanked both groups, they both were excellent. He likes having a different organization coming to the area. He said Adventist is 26 minutes away, Kaweah Delta 19 minutes and it is attractive to bring in a competitive organization. He said if you research Fresno you find they have an outstanding reputation and a level 1 trauma center. Their excellence is not in question. He said, however, he has a problem with CMC's plan, but first he wanted to talk about Adventist Health. Adventist Health through personal experience does a great job. He usually looks at risk. He feels that risk is big and when you have a window and you have a good plan and you don't execute the plan because you want a better plan and something comes from out of nowhere and your window closes you are left with nothing. He feels if you have a shot, even if it's not perfect, you take it. He feels that thousands of people have waited thousands in hours in waiting rooms in this area. He said he's thinking about voters and how they're going to vote on the bond. CMC wants to delay the opening and he understands that decision, but the risk is they're going to ask a for a bond to open, to finish, the tower of a closed hospital. He said he's heard from a lot of people that if the bond doesn't pass they will opt out. Xavier feels if they go past the extension and the ballot measure fails they have nothing and he doesn't want to risk that. He has felt that the hospital was going to be permanently closed for he last 8 months. Now you have Adventist Health

and they are willing to open the hospital before a ballot measure to vote on the lease. They are willing to open it before a bond. He feels if you fast forward a few years what the likelihood of the voter's passing a bond when the hospital is up and running. He then asked to think about the CMC proposal and think about the risk. He has enjoyed working with Scott Wells and thinks Sante and CMC are amazing organizations. This is the first time he's spoken to Adventist Health. He said Adventist Health showed up in force. He said he is a relationship person and he doesn't want to slight CMC, but he feels something different about the Adventist Health people that showed up. He felt he saw what's in their head and heart. He feels when you have both you get things done. He hears their commitment to the community, even if it costs them. So when he thinks about the bond potentially being a problem later on, or even fails, he feels they will find a way.

Stephen Harrell said he thinks it's important to keep in mind the response the District has had from CMC and Kaweah Delta since day 1 and how they've helped. Without even been being requested to do so. He feels they've gotten the same response from Adventist Health when it came to the pharmacy. They sent people over and bought the pharmaceuticals that the hospital needed to get rid of. Everybody stepped up to give them a hand. Stephen said he doesn't know anything about Dignity, he's had no dealings with them. He said he's had no dealings with Adventist Health before. He has had family members that have gone to Clovis Medical Center and they have had fantastic service. But he does not think CMC is a right fit for Tulare at this particular time. Stephen Harrell moved that the Board vote to engage Adventist Health in exclusive negotiations related to the lease and operations of TRMC and direct staff to proceed with negotiations with Adventist Health on the terms and conditions set forth. Xavier Avila seconded the motion.

Senovia Gutierrez asked that the Board think about the community and that the hospital is an important part. If the community has hospital with CMC all the community's going to benefit and properties are going to rise in price. The price is worth it. She feels there is an opportunity for the extension. CMC gives high service and they do things well done. She does not want things done "Mickey Mouse". It is a decision that will affect the community for a long time, 20-40 years.

Kevin Northcraft said he wanted to note two things. Any action tonight is not a final action and a lot need to be done in the next few days to move forward. It is an important initial step and he is excited about the opportunity. He said he is sad the relationship will not move forward. He has nothing but respect for the organization. Their success speaks for itself. He appreciated them coming on Monday and coming back today and all the months and year's discussion they've had

Xavier Avila said he wanted to make one more comment and address the comments Senovia Gutierrez made. He said it is ok for them to disagree and have different opinions unlike the previous board that had repugnant back door deals before they even came to the meetings. He felt they made a mistake in 2014 by not choosing CMC then.

The Board voted on Stephen Harrell's motion and the vote was 4-1 with Senovia Gutierrez dissenting.

6. Discussion of Items to Related to Reopening the Hospital

- a. Recommendation to solicit proposals for a Hospital Lease Fair Market Study.
Kevin Northcraft said an RFP for a fair market lease needs to be done. Larry Blitz reported that Rich Giordano is handling.
- b. Discussion of Ballot Measure language for November 6, 2018 Ballot Measure concerning leasing of Hospital Report bid
Kevin Northcraft said he has 4 samples of 2016 hospital lease ballot measures to look at. Sandy Haskens said he will get samples.
- c. Recommendation of process for soliciting bids for repairs associated with hospital reopening.
Larry Blitz said he is working on a recommendation on bids for items needed to get the hospital open.

7. Update of Declaration of Disaster Emergency and efforts to seek State assistance.

Kevin Northcraft said there is not too much to report on the declaration of disaster. He said the District is working with the County and two State Legislators. He is still hopeful that the State will help as they have in the past with other hospitals. Senovia Gutierrez reported that she and Mike Jamaica are working to get better communications with the 70% Hispanic population. They want to let them know what is happening with the hospital and to potentially go to Sacramento to get support for the hospital. Mike Jamaica reported that he, Senovia, Alex Gutierrez, and Carlos Mendoza have developed a pamphlet.

Stephen Harrell asked that due to the time they deal with items 12 and 13 now.

12. Tulare Hospital Foundation Update

Jan Smith reported they she met with Larry Blitz and Dan Heckathorne yesterday to discuss the loan to TRMC. They will have a general board meeting on Monday and they will present extending the \$300,000 loan for another 60 days. The Foundation is committed to support the hospital. She said it has been a long haul but they have conducted a letter writing campaign to the Governor. She has sent tweets to the Governor, and to the legislative budget committee. In the letter writing campaign Kaweah Delta Hospital sent a letter. She also wants to take a bus to Sacramento to let them know we're here. The Foundation can discuss a tower campaign. Once the hospital is open she feels that large corporations will honor their pledges. Adventist Health was a sponsor of the Proud to Wear Red event. She confirmed that Adventist Health will be the Presenting Sponsor for the Proud to Wear Pink event with a donation of \$5000. JD Heiskell will also be a sponsor. The Foundation will also be proceeding with Festival of Trees. The Foundation is looking forward to the grand reopening of the hospital. The Foundation Board just had a board orientation. They lost one of the 5 new board members. They have 3 openings to make a total of 15 board members. They are doing a new marketing campaign and are proposing brick pavers in front of the Foundation office. Anyone could buy a brick as a memorial or honor. The Foundation is looking forward to working with Adventist Health.

13. EVO Management Company update – Evolutions Wellness Center

Derek Jackson, EVO Oversight Committee chair, said the gym is doing well. He presented a check in the amount of \$12,160, bringing the total given the District since the gym reopened to \$134,506.78.

Stephen Harrell asked why Evolutions did not participate in the Kaweah Delta Health and Fitness Expo at the Convention Center. Derek Jackson said he was unaware of the Expo and had no conversations about the event.

8. Real Estate Update

- a. Leasing of vacant space in Evolutions through Broker arrangements
Todd Wynkoop reported several meetings back the Board retained Craig Smith to lease space in Evolutions and made him chief negotiator. Since then they have located 2 tenants who have signed leases. Will produce annual income of \$95,000 for the District. That contributes \$1 million to the net value of the building. The new tenants are a male barbershop and Pro PT.
- b. Update on Appraisal of District real property not including TRMC and Evolutions
At another prior meeting they hired a firm to appraise excess property. They appraised all but Evolutions and the conservative assessment valued the property at \$1.8 and \$1.2 million. The Districts holds assets valued at \$3.9 million available as unencumbered assets. Kevin Northcraft noted that is more than double previous estimates. Todd Wynkoop said property values were depressed because of the hospital closure. Kevin Northcraft said the broker, attorneys and Stephen Harrell have done a great job. Stephen Harrell reported that the lease for Top of the Morn expires on 7/16/18, Revive Spa expired 5/18, the barbershop signed a 4 year lease, and Fugazzi's lease expired in 12/17. He said he gave his input to Todd Wynkoop. The said Fugazzi's is complicated because of the meeting room. The Women's Pavilion is still being worked on. Pro PT signed a 5 year lease. The Intense Fitness Studio has a contract with Evolutions. That has always been a retail space with the potential of \$4-6,000 a month. Kevin Northcraft and Stephen Harrell met with EVO Management and asked them to look at Intensity and they said they will when other issues clear up.

9. Chief Executive Officer Update

- a. Rural Health Clinic Update
Larry Blitz reported that they are still negotiating with CMS. Congressman Devin Nunes is part of the group talking to CMS. They are looking at a proposal for grandfathering the rural health clinic status.
- b. Special Legislative Audit
The audit is in the final stages of investigation. They will write the report in the next two months. They will be ready to present in 8/18.
- c. Licensing and OSHPD Policy
They do not have a formal certification it is possible to extend the license. They hope it is possible. OSHPD said it will abide by the license extension.
- d. Surplus Equipment Update

They have a proposal from Heritage Property Group. They met with them last week. They recommend an internet based auction. The sale of the DaVinci machine is on hold and they will need to talk to Adventist Health regarding the machine.

10. Chief Financial Officer Report

- a. Draft January and February, 2018 Financial Statements ,Comments, Balance Sheets, and Statements of Revenue and Expenses
- b. Revenue Cycle Update
- c. Accounts Payable Update
- d. Supplemental Payment Recoveries Update
- e. Cash Report Update
- f. Charity Care Policy
- g. Small Balance Write-Off Policy

See financial report

Alex Gutierrez asked what the "other" category is. Dan Heckathorne responded it is repairs, postage, gas, rental trucks, and lots of other things.

11. **Review and Recommend Approval of renewal of all District Insurance coverages:** Hospital Professional & General Liability, Auto Liability, Directors & Officers Liability/Employment Practices Liability, Workers Compensation, Property, Fiduciary, and Crime (See Attachments) (Privacy Policy is currently not in place at this time and is not being recommend)

Xavier Avila moved to approve renewal of District Insurance coverages. Senovia Gutierrez seconded. Approved 5-0

12. Suspend open session – recess to closed session

13. Closed Session

- a. Conference with Interim Legal Counsel – Existing litigation (Government Code 54956.9)
 - i. *In re Tulare Local Healthcare District dba Tulare Regional Medical Center* -- United States Bankruptcy Court Eastern District of California Case No. 17-13797
 - ii. *HCCA v. Tulare Local Healthcare District, and Counterclaim*, U.S. Bankruptcy Court Eastern District of California Adv. Proc. No. 17-01095 – B
 - iii. *TRMC v. Celtic Leasing Corp*, U.S. Bankruptcy Court Eastern District of California Adv. Proc. No. 18-01008
 - iv. *Senovia Gutierrez v. Tulare Local Healthcare District, et al*, Tulare Case No. 271265
 - v. *First Source Solutions USA LLC v. TRMC et. al*, United States District Court, Eastern District of California Case No. 1:15 –cv-01136
 - vi. *Specialty Laboratories, Inc. v. TRMC et al*, U.S. Bankruptcy Court Eastern District of California Adv. Proc. No. 18-01014
 - vii. *In re TLHD, Maxim Healthcare Services, Inc. v. HCCA*, United States Bankruptcy Court Eastern District of California Case No. 17-13797

- viii. *Zulim v. TRMC et al.*, Tulare Case No. 274358
- ix. *Torres v. TRMC et al.*, Tulare Case 272978
- x. *Personnel Discussion*

- b. Consideration of Settlement in Matter of *TRMC Medical Staff v. Tulare Local Healthcare District, HCCA et al.*; Tulare Case No. 264227
- c. Conference with Interim Legal Counsel – Initiation of Litigation (Gov. Code § 1 matter.
- d. Interim Financing Update

14. Reconvene Open Session -- Public report of action taken in closed session (if necessary) pursuant to Government Code 54957.1

15. Adjournment

Meeting adjourned at 1:00 a.m.

Next regular meeting scheduled for 6:30 PM on Wednesday, July 25, 2018 at the Tulare City Council Chambers