MINUTES
JOINT MEETING

DURHAM COUNTY HOSPITAL CORPORATION
BOARD OF TRUSTEES
and
DURHAM COUNTY BOARD OF COMMISSIONERS

FEBRUARY 18, 2004

TRUSTEES PRESENT:
MaryAnn E. Black
Exter G. Gilmore, Jr.
Joseph S. Harvard, III
Mary D. Jacobs, Ed.D.
C. Edward McCauley, Chair
Robert E. Price, Jr., M.D.
Evelyn D. Schmidt, M.D.
Ira Q. Smith, M.D.

TRUSTEES ABSENT:
Cedric M. Bright, M.D.
Arnett Coleman, M.D.
Eugene F. Dauchert, Jr.
Penelope A. Keadey

DCHC ADVISORY BOARD MEMBER PRESENT
Edward G. Sanders, M.D. Medical Staff President, DRH

DCHC ADVISORY BOARD MEMBER ABSENT
William J. Donelan, Executive Vice President & COO, DUHS

COMMISSIONERS PRESENT
Joe W. Bowser
Philip R. Cousin, Jr.
Becky M. Heron
Mary D. Jacobs, Ed.D.
Ellen W. Reckhow, Chairman

COMMISSIONERS ABSENT
None

OTHERS PRESENT:
John L. Crill, Attorney, Wyrick-Robbins-Yates-Ponton, LLP and DCHC Counsel
Linda B. Ellington, Chief Nursing Officer, DRH
Kathleen B. Galbraith, Director, Marketing and Corporate Communications, DRH
Robert A. Gutman, M.D., Chief Medical Officer, DRH
Ellen Holliman, Interim Area Director, The Durham Center
S. C. Kitchen, Durham County Attorney
Mary E. Kritsch, Administrative Assistant to the CEO, DRH and Assistant Secretary, DCHC
David P. McQuaid, Chief Executive Officer, DRH
Mark F. Miller, Chief Financial Officer, DRH
Michael M. Ruffin, Durham County Manager
Carolyn P. Titus, Deputy Durham County Manager

CALL TO ORDER

Mr. McCauley and Mrs. Reckhow respectively called to order a joint luncheon meeting of the Durham County Board of Trustees and the Board of Durham County Commissioners at 11:14 a.m. on Wednesday, February 18, 2004, in the 1st Level Classroom of Durham Regional Hospital (DRH). Mr. McCauley welcomed those in attendance; and in opening remarks he noted that joint meetings such as this provide an opportunity for mutual dialogue. DCHC is excited about the many good things which are happening with regard to hospital and healthcare activities within our community, and Trustees and hospital management are eager to share information with the County's leadership. Mr. McCauley then acknowledged the new DRH CEO, Mr. David P. McQuaid. Also, Mr. McCauley stated that DCHC and DRH are cognizant of the fact that Commissioners and County staff have concerns, obligations and responsibilities which need to be understood by those in leadership positions at the institutional levels so that the County's expectations can be fulfilled.

On behalf of the Board of County Commissioners, Mrs. Reckhow also welcomed everyone and indicated that the County considers this meeting, which was started a few years ago, to be most beneficial and looks forward to its continuation on an annual basis. Should a need arise or a desire to share some particular information during the course of the year, Mrs. Reckhow urged that the leadership of the Board of Trustees or DRH management should feel free to contact the County at any time and request either time on a Commissioners' meeting agenda or another joint

meeting such as the one this date. The Board of County Commissioners considers the DCHC Board of Trustees to be its eyes and ears in terms of Durham Regional Hospital.

Everyone around the table then introduced themselves.

REPORT FROM COUNTY ATTORNEY ON MAJOR FEATURES OF HOSPITAL SUBLEASE

Mrs. Reckhow observed that since the affiliation with Duke more than five years ago there has been turnover at the DCHC Board level and in the DRH management. Therefore, she considered it to be timely to review some of the main features of the agreement between the County, DCHC and Duke. Mrs. Reckhow then called upon Mr. Kitchen who lectured on certain provisions of the 20-year Operating Agreement and sublease (effective July 1, 1998) including in particular highlights of Article 11 (retained responsibilities of the Board of Trustees or Lessor) and Article 12 (responsibilities and commitments of Duke or Lessee) contained in the Operating Agreement. Also, Article 9—Sections 1 and 2—from the sublease relating to "as is" condition as well as repairs and maintenance were reviewed. A copy of the handout is attached to the original set of these minutes. In response to an inquiry from Mr. Bowser, Mr. Kitchen noted that maintenance and replacement issues at Lincoln Community Health Center (LCHC) are addressed in a separate agreement which was negotiated directly between LCHC and Duke. Mr. Kitchen spoke to the separate lease agreement between the County and LCHC; and Mr. Ruffin commented upon the proposal coming to the County from LCHC requesting support in the replacement of particular capital equipment at the Center. In response to an inquiry from Mrs. Heron, it was explained that $1.6-million in cash from DRH and $500,000 from the Duke University Health System (DUHS) go directly to LCHC. In addition DRH supports various departments—laboratory, pharmacy, etc.—located at LCHC. Thus, DRH's level of support for LCHC totals approximately $4.2–million annually.

In conclusion, Mrs. Reckhow stated that, because the provisions relating to the responsibilities of the DCHC Board are of such importance, she requested that the Board of Trustees provide an annual report to the Board of Durham County Commissioners at this joint meeting. The report should indicate how the terms of the agreement are being addressed and met. Mr. McCauley agreed as to the importance of the retained responsibilities, and he indicated that an annual report will certainly be made a part of the annual agenda for this joint meeting so that the Commissioners are comfortable with the fact that the responsibilities are indeed being met. In fact, it was the intent of the DCHC Board that the overview to be presented by Mr. McQuaid later in this session would serve as an annual report to the Commissioners. Mr. McCauley stressed that the DCHC Board takes its responsibilities very seriously, and he explained that the terms and conditions of the Operating Agreement and other affiliation documents are reviewed and discussed thoroughly during the detailed orientation of every new Trustee. The conditions of the agreement are monitored continuously through the work of the various DCHC Board committees which are in turn reported to the full Board of Trustees. Mr. McCauley assured the Commissioners that the DCHC Board is not only meeting the letter of the law but the intent with which the affiliation documents were drawn.

MENTAL HEALTH REFORM OVERVIEW

Next, Mrs. Reckhow introduced the topic of Mental Health Reform in Durham County which was initiated by the State. As a result, Durham County will divest itself of providing direct services and move into the role of managing contracts for services. Mrs. Reckhow then called upon Mrs. Titus and Mrs. Holliman to present an overview.

Mrs. Titus opened by providing a brief chronological overview of and the general approach taken by Durham County in restructuring its process for addressing the mental health needs within the community. The new structure is to be in place and operational by July 1, 2004. She then introduced and turned the floor over to Mrs. Holliman for a more in depth description of what has transpired during the course of the past couple of years and the changes which are being implemented at the local level.

Mrs. Holliman started by providing background information involved with the first major changes in thirty years for North Carolina involving the delivery system for mental health, developmental disability and substance abuse services. She enumerated the guiding principles of mental health reform, and spoke positively as to what reform means to the people who will be served. The role of the area program will change from an area program to a local management entity (LME); and the LME will be the manager of public policy. As the manager of public policy the LME will operate within available resources provided by the public and private sectors. The LME is responsible for seeing that individuals with needs in the target population will be assisted. Services will be supplied by providers in the LME's qualified provider network; and patients will be served in the least restrictive and most therapeutically appropriate setting with the purpose of maximizing quality of life. The LME will continually assess the needs of the community.

Mrs. Holliman then launched into a detailed review of the specifics associated with reform

implementation in Durham County. Development of the local business plan was described, and the major decisions which have been made and will shortly be concluded were described. The LME organizational chart was explained, and the composition and function of the Consumer & Family Advisory Committee (CFAC) were noted. Mrs. Holliman provided an assessment of progress status as plans are implemented in preparation for the new system which will soon become effective. She then commented upon how reform will impact local hospitals and expressed that local institutions will experience a substantial decrease in emergency room utilization because of the creation of a 24/7 crisis/emergency center and the fact that every patient within the system will have a crisis care plan. In summary, Mrs. Holliman stated that the system will be more responsive and accountable for the care of people receiving mental health services within our local community; and the top priority of the LME is to provide the best possible care of the target population served. The challenges ahead include issues related to the downsizing of State hospitals, developing a highly qualified provider network, transition of services to the provider network, and the accelerated divestiture schedule.

Copies of overhead slides were made available to attendees, and a copy is attached to the original set of these minutes.

The floor was opened for discussion. During the course thereof, Mrs. Holliman responded to several questions about how the crisis/emergency center will be structured and function noting that services available

and provided there will be considerably more than an evaluation site. It is anticipated that the building can be constructed within 60-days. Concerns were expressed, however, that it may take considerable time before patients fully understand the need to report to the crisis center rather than a hospital emergency room. It needs to be understood that patients presenting at an emergency room cannot be turned away. Mrs. Reckhow emphasized the need to have good emergency room data prior to when the new system is up and running. In that way it will be possible to track the impact which the new delivery model has upon former patterns. Responding to Rev. Cousin's inquiry, Mrs. Holliman indicated that 61 out of 67 staff members have been offered positions with contract providers. In response to questions posed by Mr. Bowser, Mrs. Black emphasized that the DUHS is still very much interested in working with the County in providing services, and indicated that discussions continue with regard to potential ways in which Duke can be part of the solution to the mental health service needs within Durham. Duke will continue to serve as the main portal of entry for individuals being admitted to the State hospital even though the contract for such services expired over a year ago. DUHS maintains that planning together as partners is the appropriate approach. Just as general information, it was explained that Duke decided not to respond to the County issued crisis center RFP due to a variety of reasons--one being significant start-up funds required for certain services while busily preparing for longer term commitments for the very same patient population. It was noted that one of the long term commitments is the recent opening of a renovated psychiatric unit in the Duke University Hospital Emergency Department. While there is now a better way to receive and triage particular patients, the psychiatric evaluation unit within the Duke Emergency Department is not structured to be a 24-48-72 hour crisis stabilization unit. The RFP issued by the Durham Center was for a six-month crisis stabilization unit contract. This would not only require several million dollars of construction money to create such a place, but could not even be accomplished within six-months because of such things as a required Certificate of Need (CON) process, etc. The crisis center involves considerable long-term planning in terms of construction and staffing, and it will involve a long-term, substantial investment and commitment. The issue is not just start-up funding, it involves how the services get long-term funded.

DURHAM REGIONAL HOSPITAL OVERVIEW ANNUAL REPORT

Mr. McCauley called upon Mr. McQuaid who made a presentation entitled "Durham Regional Hospital Since the Affiliation: A look back. A look ahead." Copies of the slides were distributed at the meeting and are attached to the original set of these minutes.

During this synopsis the organization's guiding principles including vision, mission, areas of focus, etc. were reviewed. One primary goal is to continue providing the community with access to outstanding health care, and assuring that DRH is the community hospital of choice within the region it serves.

Numerous community service highlights were cited. It was particularly noted that DRH is one of only twenty-some hospitals nationwide which offer the SirSpheres procedure—a new state of the art treatment for liver cancer. The new long-term acute care hospital (LTACH)—Select-Durham—which opened this past June on the sixth floor of DRH is a unique and immensely beneficial program. Increases in volume from 1998 to 2003 were presented—specifically in terms of admissions, surgical cases, and emergency room visits.

The continual growth of financial contribution to the community was assessed. In Fiscal Year (FY) 2003 the total amounted to $9,927,000.

From a quality perspective the many accomplishments were emphasized. One of particular source of pride was the result of the 2003 Joint Commission on Accreditation of Healthcare Organizations (JCAHO) survey—a score of 97 with no Type I recommendations.

Noteworthy strides relative to the medical staff were reviewed. The movement of Duke programs to DRH was highlighted.

In terms of financial stability, it was reported that DRH has improved its financial performance from a loss in FY 2000 to a profit in FY 2003. Consolidated programs/functions were detailed. Reason for the change in the medical liability insurance carrier was reported, significant managed care rate improvements were noted, and enhancement of purchasing capabilities was explained.

Next, Mr. McQuaid focused upon a detailed look ahead. The organization's strategic goals relative to community service, quality, medical staff, and financial stability were reviewed. As a matter of information Mr. McQuaid spoke to a new nurse recruitment initiative which will soon be underway, his passion for improving patient satisfaction and the fact that he personally is chairing a committee which investigates every complaint received and develops work plans to address system problems, and a new customer service initiative designed to create a culture of service excellence. Customers are patients, physicians, visitors, and fellow employees.

Mr. McQuaid shared the results of recent efforts to more heavily involve a greater number of physicians in the strategic planning process.

Finally, a comprehensive examination was presented of DUHS investments in DRH since the affiliation. The FY 2004 capital plan expenditure estimate was reviewed.

In summary, Mr. McQuaid indicated that focus for the organization is imperative. The intent is to be able to concentrate on specific strategies and execute plans. The number of items to address must reflect our focus and be manageable.

There being no questions, appreciation was expressed to Mr. McQuaid for the annual report and compliments were extended with regard to accomplishments attained.

HOSPITAL TOUR

In closing, Commissioners and Trustees were encouraged to take advantage of a brief facility tour which would be conducted immediately following adjournment. Such offered an opportunity to observe first hand some of the capital improvements which have been made as well as visualize the improvements needed to assure that DRH continues to be an outstanding, patient centered institution.

ADJOURNMENT

In the interest of time and there being no further business to come before the joint meeting at this moment, the meeting was adjourned at 12:43 p.m.

/s/Eugene F. Dauchert, Jr.
Secretary
Durham County Hospital Corporation

/s/Garry E. Umstead, CMC
Clerk to the Board
Durham County Commissioners