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August 11, 2009

Honorable George A. Miram
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Subject: Response to Sequoia Healthcare District Civil Grand Jury Report Revisited
2008-2009

Honorable Judge Miram:

Enclosed is the Sequoia Healthcare District's response to the recent Grand Jury recommendations. This response was approved at our Board of Directors meeting on August 5, 2009.

If additional information is required, please do not hesitate to call or write.

Sincerely,

Lee Michelson
Chief Executive Officer

Enclosure

Sequoia Healthcare District Response To Grand Jury Regarding Recommendations - 2008-09

Grand Jury Recommendation 1: SHD Board of Directors and staff should implement the 2009-2013 Strategic Plan, including a five year revenue projection that estimates operational expenses, grant program allocations and investment objectives to ensure a positive future direction.

Response: The recommendation is consistent with the District's strategic plan and the District agrees. The District has hired a full time CEO to manage the organization on a daily basis and to move the District forward in meeting this and additional objectives. The board and staff are in the process of scheduling an annual retreat whose agenda will include a progress report to date on strategic plan goals.

Grand Jury Recommendation 2: The SHD should more directly inform residents and voters of its role as a joint partner in oversight of the hospital and increase community awareness of the services supported by and available to residents of the District. The SHD should consider creating an annual informational mailer for its residents. The mailer should describe the SHD's services and guide residents to the SHD's website and grant applications.

Response: The District agrees with the recommendation, which also is included in the strategic plan. The District's communications consultant is preparing an annual report/mailer to be distributed to District residents in September, 2009 that will include content suggested by the Grand Jury. The District has published a new agency brochure and is redesigning its website to be informative, to disseminate health information derived from community partners and become an interactive resource within the community grants program. District consultant distributes press releases about activities and board actions; sixteen releases have been distributed since January, 2009. Elected public officials and community leaders receive copies of press releases to guarantee that information is disseminated that expands community awareness of District activities.

Grand Jury Recommendation 3: On a one-year basis, the SHD Board of Directors is allowed to decline some or all of its share of the general tax rate, thereby reducing the tax rate for property owners. Declining some or all of its share of the general tax rate should be an action considered by the SHD Board in years with a healthy operating surplus.

Response: The District for several years has not maintained an operating surplus. Instead, the District has returned more dollars to the community in grants and other financial support than the amount being received in property taxes. This is possible due to low operating expenses and returns on invested funds. This practice is expected to continue for the foreseeable future, so long as funds remain available. If the District were to decline property taxes, support for existing programs would have to be reduced or eliminated.

The District is still responsible for the balance of its \$75 million commitment to the modernization project at Sequoia Hospital. When the \$75 million obligation has been satisfied, the District may begin to receive cash flow from the operation of the hospital, pursuant to the Development Agreement with the hospital operator, Catholic Healthcare West. Whether Sequoia Hospital will generate sufficient net operating profits to make a distribution to the District is impossible to know.

The District has considered this action in the context of dissolution, and voted to continue accepting taxes (Resolution 08-7). As pointed out in its strategic plan SWOT assessment, Sequoia

Healthcare District has wide support from a broad spectrum of community residents and healthcare providers and a general belief exists that the majority of taxpayers in the District support a portion of their tax dollars be used to support healthcare. The strategic plan also pointed out that identified needs will continue to outweigh available financial resources of the District.

Grand Jury Recommendation 4: The SHD should continue to work with other healthcare systems in San Mateo County in an effort to decrease the cost of healthcare services, including a comprehensive study of how public agencies are delivering services and where true efficiencies can be obtained. A model would be the Children's Health Initiative, a program that was developed with community input and costs shared by the SHD, the Peninsula Healthcare District and San Mateo County, along with other funders.

Response: The District agrees with the recommendation and clearly would be an active participant in any comprehensive study of service delivery.

Grand Jury Recommendation 5: The SHD should be proactive in identifying pressing healthcare needs in the community, exploring ways to support services outside the SHD that impact its residents, and enhancing community input and involvement.

Response: The District agrees with the recommendation. The District has been proactive in identifying pressing healthcare needs in the community. When the District became aware of the closure of the Coastside Family Medical Clinic, which served over 8,000 patients, the District held a study session in the community to discuss how the District might assist the Coastside in maintaining access to a local primary care medical clinic. The District will be considering either an annexation into the District or some other method that could provide supplemental funding for a Coastside clinic or expanded primary care practice to provide adequate medical care for the residents of the Coastside.

Currently, the District is partnering with the Coastside Health Committee, Sequoia Hospital and Silicon Valley Community Foundation to conduct a study of the current and future Coastside health care needs. Upon its completion, the District will take up the matter of whether or not to annex the Coastside.

The District is a member of the County Health Care Collaborative, Redwood City 2020 and other community partnerships. We meet regularly with leaders from the health system of San Mateo County, Samaritan House and others in a continuing dialogue about joint efforts. District staff, including the CEO, are currently visiting many health care providers and nonprofits to assess needs and to search for creative programs that may significantly benefit residents.

Additionally, the District recently granted an additional \$250,000 per year over the next three years to the Ravenswood Family Medical Clinic to enable Ravenswood to add capacity at their Menlo Park Clinic to meet the increasing demand for primary medical care in the Redwood City and Menlo Park area.