May 9, 2024

NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in an open Finance, Property, Services, and Acquisition Committee meeting at 10:00AM on Wednesday, May 15, 2024, in the Kaweah Health Medical Center Executive Office Conference Room, 305 W. Acequia Avenue, Visalia, CA 93291.

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings in the Kaweah Health Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

The disclosable public records related to agendas are available for public inspection at Kaweah Health Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA and on the Kaweah Delta Health Care District web page https://www.kaweahhealth.org.

KAWEAH DELTA HEALTH CARE DISTRICT
David Francis, Secretary/Treasurer

Kelsie Davis
Board Clerk, Executive Assistant to CEO

DISTRIBUTION:
Governing Board, Legal Counsel, Executive Team, Chief of Staff
http://www.kaweahhealth.org
KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS
FINANCE, PROPERTY, SERVICES & ACQUISITION COMMITTEE

Kaweah Health Medical Center
305 W. Acequia Avenue, Executive Office Conference Room (1st Floor)

Wednesday May 15, 2024

ATTENDING: Directors: David Francis & Dean Levitan, M.D.; Gary Herbst, Chief Executive Officer; Malinda Tupper, Chief Financial Officer; Marc Mertz, Chief Strategy Officer; Jennifer Stockton, Director of Finance, Jag Batth, Chief Operating Officer, Ryan Gates, Chief Population Health Officer; Kelsie Davis, Board Clerk Recording

OPEN MEETING – 10:00AM

1. CALL TO ORDER – David Francis, Board Secretary/Treasurer

2. PUBLIC PARTICIPATION – Members of the public may comment on agenda items before action is taken and after it is discussed by the Board. Each speaker will be allowed five minutes. Members of the public wishing to address the Board concerning items not on the agenda and within the jurisdictions of the Board are requested to identify themselves at this time. For those who are unable to attend the beginning of the Board meeting during the public participation segment but would like to address the Board, please contact the Board Clerk (Kelsie Davis 559-624-2330) or kedavis@kaweahhealth.org to make arrangements to address the Board.

3. MINUTES- Approval of the open minutes from April 17, 2024.

4. FINANCIALS – Review of the most current fiscal year financial results and budget and a progress review and projections relative to the Kaweah Health initiatives to decrease costs and improve cost efficiencies. Malinda Tupper – Chief Financial Officer

5. SEQUOIA SURGERY CENTER – Review and discussion of Sequoia Surgery Center Report and Financials – Gary Herbst, Chief Executive Officer

6. ADJOURN – David Francis, Board Secretary/Treasurer

In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.
4.17.24 Minutes OPEN FPSA
Finance, Property, Services, and Acquisition Committee – OPEN MEETING
Wednesday, April 17, 2024
Kaweah Health Medical Center – Executive Office Conference Room

ATTENDING: Directors: David Francis & Dean Levitan, M.D.; Gary Herbst, Chief Executive Officer; Malinda Tupper, Chief Financial Officer; Jennifer Stockton, Director of Finance; Ryan Gates, Chief Population Health Officer, Kelsie Davis, Board Clerk Recording

Called to order at 3:02PM

Public Participation – Chad Vawter, Deputy CEO of Family Health Care Network said hello.

MINUTES- Approval of the minutes from March 20, 2024.

FINANCIALS – Review of the most current fiscal year financial results and budget and a progress review and projections relative to the Kaweah Health initiatives to decrease costs and improve cost efficiencies (copy attached to the original of these minutes and considered a part thereof) - Malinda Tupper – Chief Financial Officer

- Malinda is to bring back board trends to physicians after May if the numbers are still down in surgery.
- Malinda is to update accruals for the Board meeting presentation.

Adjourned at 3:42AM
Summary Issue/Service Considered

Sequoia Surgery Center (SSC), a California limited liability company (LLC), was formed on August 1, 2010 upon the merger of Cypress Surgery Center (CSC) and the Center for Ambulatory Medicine & Surgery (CAMS). SSC operates a four-suite ambulatory surgery center where they performed approximately 5,600 outpatient surgeries and endoscopic procedures during 2023, 8.3% more than in 2022. Surgery services include orthopedics, general, gynecological, urological, plastic, podiatric, pain management and ENT. SSC gastroenterologists also perform a significant number of endoscopic procedures at the Center, primarily colonoscopies, which account for approximately 40% of all case volume.

SSC is owned by thirteen (13) surgeons and Kaweah Health. SSC is owned 69.4% by physicians and 30.6% by Kaweah Health. SSC is governed and managed by a formal Board of LLC members, including Kaweah Health, elected to the Board by the LLC members, and chaired by Dr. Frank Feng, orthopedic surgeon. Director Dave Francis serves as Kaweah Health’s representative on the SSC Board of Members. Anesthesiology services are provided by independent certified registered nurse anesthetists. Dr. Burton Redd, orthopedic surgeon, serves as SSC’s Medical Director, and Tricia Vetter, a former charge nurse at Kaweah Health Medical Center, serves as the Center’s Administrator.

In conjunction with the merger of CSC and CAMS, CSC created a separate limited liability company, Cypress Company, LLC (CyCo), to which it transferred all real estate assets (land and building), along with the associated mortgage debt, as well as cash, accounts receivable and certain debt incurred with the buy-out of partner interests. CyCo leases the surgery facility to SSC under a long-term operating lease. CyCo is owned by ten (10) surgeons (all former members of CSC) and Kaweah Health. CyCo is owned 60.0% by physicians and 40.0% by Kaweah Health.
Financial/Statistical Information

January 1 to December 31 (Compiled Financial Statements):

<table>
<thead>
<tr>
<th>Year</th>
<th>Case Volume</th>
<th>Net Revenue</th>
<th>Operating Costs</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024 Feb (2 Mos.)</td>
<td>984</td>
<td>$2,471,558</td>
<td>$1,991,146</td>
<td>$480,412</td>
</tr>
<tr>
<td>2023</td>
<td>5,636</td>
<td>13,828,402</td>
<td>11,101,825</td>
<td>2,726,577</td>
</tr>
<tr>
<td>2022</td>
<td>5,205</td>
<td>11,887,338</td>
<td>10,531,181</td>
<td>1,356,157</td>
</tr>
<tr>
<td>2021</td>
<td>5,305</td>
<td>12,161,902</td>
<td>10,441,094</td>
<td>1,720,808</td>
</tr>
</tbody>
</table>

Quality/Performance Improvement Data

1. SSC is accredited by the Accreditation Association for Ambulatory Health Care (AAAHC). AAAHC awards three-year accreditations similar to the Joint Commission. SSC was just recently surveyed by AAAHC in December 2023 and received confirmation of its full three-year accreditation in January 2024.

Policy, Strategic or Tactical Issues

1. SSC’s primary competition for outpatient surgery includes Kaweah Health, Sierra Pacific Orthopedic Center (Fresno), and private physician offices.

2. SSC’s primary strategy for growing and retaining its business is to selectively offer ownership interests to active, community surgeons with an interest in actively managing and using the Center. Additionally, SSC management and physician leaders actively reach out to new physicians that enter the marketplace, offering SSC as an alternative to Kaweah Health and other surgical facilities. As of April 2024, SSC has approximately 6.9% of its 10,000 shares held in treasury and available for sale to existing owners or new potential owners.

3. In past years, SSC and CyCo have been evaluating the physical expansion of its facility through the construction of a new 4-suite ambulatory surgical center to be located approximately 30 feet from the current SSC facility. However, after extensive discussion and debate back in December 2020, a super-majority of the members present voted to defer the project for an indefinite period of time.

That said, SSC and CyCo recently completed a “modernization” project that brought an aesthetic facelift to the interior of SSC (primarily the patient waiting room and registration area) as well as the addition of seatrains for storage of supplies, equipment and pharmaceuticals.

4. The biggest strategic initiative being considered right now by SSC, CyCo and Kaweah Health is the construction of a new 28,000 square foot ambulatory surgery facility at the Sequoia Gateway project site located at Caldwell and Highway 99; a joint venture with SSC and other interested physicians, local investors and a private equity company (Montecito); initial plans recommend eight operating rooms and three procedure rooms.
We have engaged a consulting firm by the name of Amblitel to perform a formal financial feasibility study which has now been completed and is ready to review with interested physicians and other investors.

5. We are aware that Adventist Health has also hired a consultant to evaluate the feasibility of developing a competing ambulatory surgery center in Visalia. They have reached out to many local surgeons to see if they would be interested in investing in and utilizing an Adventist Health ASC. It is our understanding that Adventist Health has historically not allowed physicians to be owners in their facilities but with respect to this proposed ASC they are considering allowing physicians to own up to 49% of the joint venture. The 13 surgeons who are currently invested in SSC are prohibited from investing in any other ASC so long as they are investors in SSC. All but one of Visalia Medical Clinic’s surgeons are investors in SSC.

Recommendations/Next Steps/Approvals/Conclusions

SSC will continue to emphasize high-quality, customer-oriented, and personal outpatient surgery services to physicians and patients of Visalia with the objective of differentiating itself from the more institutional feel of a large hospital system. It will actively evaluate opportunities to recruit new physicians to its Center and offer membership ownership opportunities when appropriate. It will continue to evaluate low margin services and replace them with high margin services. It will continue to evaluate opportunities to reduce supply costs through consolidation or change of vendors and more efficient utilization and it will focus on improving overall economies of scale made possible by the merger of CSC and CAMS.