

REVISED MINUTES

**California Health Facilities Financing Authority
June 26, 2008 – 1:45 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne sitting for Chairperson Bill Lockyer called the meeting to order at 1:55 p.m.

Present: Designee Patricia Wynne, Deputy State Treasurer
Designee Anne Sheehan for Michael C. Genest, Department of Finance
Designee Ruth Holton-Hodson for John Chiang, Controller's Office
Ronald Joseph
Judith Frank
Jack Buckhorn
Sumi Sousa
Dr. Oscar Sablan
Harry Bistrin (via teleconference)

Staff: Barbara J. Liebert, Executive Director

The Chair declared a quorum present.

Item #2 **Approval of the Minutes from the May 29, 2008 Meeting**

The minutes of the California Health Facilities Financing Authority's (CHFFA or the Authority) May 29, 2008 meeting were approved as submitted. A motion for approval was made and seconded. The motion was approved with a 9-0 vote.

Item #3 **Executive Director's Report
Fund Balance and Pending Legislation Update
(Information Item)**

Barbara Liebert reported that as of May 31, 2008 bonds issued were \$20,695,397.17 with a total debt outstanding of \$7,743,647,715, the HELP II fund balance was \$17,321.091, the Cedillo-Alarcon Clinic Grant Fund was \$289,275, the Anthem-WellPoint Grant Fund balance was \$3,822,079, the Children's Hospital Bond Act of 2004 Fund balance was \$379,386,265, and the fund balance for CHFFA was \$8,771,295.68.

Ms. Liebert provided an update on Senate Bill (SB) 1221, Assembly Bill (AB) 2941, SB 1293, and SB 1175. A Board discussion immediately followed. Ms. Donna Fox from the California Nurses Association (CNA) provided public comment regarding SB 1221, which was to generally support this legislation as amended.

Ms. Liebert then reported on CHFFA being approached several months earlier by the UnitedHealth Group regarding the possibility of a pilot program to assist smaller health care providers who are seeking between one (1) to five (5) million dollars in capital. The UnitedHealth Group pre-selected CHFFA to serve as their conduit for this program. Ms. Liebert advised that borrowers under this program would still have to qualify under CHFFA's statute as participating health institutions and projects would also have to qualify within our statute.

Item #4 **Kingsburg District Hospital
Resolution HII-223**

Chairperson Wynne indicated that Item 4 has been put over and that it may be heard at the July 10, 2008, Board meeting.

Item #5

**Central City Community Health Center
Resolution HII-213
(Action Item)**

Thera Hearne, Analyst, discussed an amendment to one of the conditions in the resolution for Central City Community Health Center (CCCHC). This amendment would remove the gross revenue pledge condition to allow CCCHC the opportunity to pledge its gross revenues in support of a line of credit to cover anticipated delays in receiving Medi-Cal payments. Ms. Hearne discussed that CHFFA legal counsel was concerned with relinquishing one of the primary security measures in the event of default. Ms. Hearne added that CHFFA feels it has adequate security with its 1st lien position on CCCHC real property. Ms. Hearne provided to the Board members that CCCHC's debt service coverage was 2.61x.

Ms. Liebert provided that one of the conditions of this amendment would be to limit the release of the gross revenue pledge to the \$500,000.00 line of credit plus the interest that would be applicable to that, and that CHFFA's gross revenue pledge would immediately reattach upon repayment of that line of credit. Another condition for approval is that CCCHC will provide CHFFA with historical documentation to demonstrate what CCCHC typically receives in Medi-Cal reimbursements for the time period in question.

Sumi Sousa moved for adoption of the Resolution and Anne Sheehan seconded the motion. The motion was adopted with by a vote of 9-0.

Item #6

**HELP II Loan Program to Provide Short-Term Loans to Rural Hospital
Resolution 2008-07
(Action Item)**

Chairperson Wynne introduced Ms. Anne McLeod from the California Hospital Association (CHA). Chairperson Wynne indicated that Ms. McLeod and Ms. Liebert would be discussing the possibility of establishing a short-term loan program, utilizing a portion of CHFFA's fund balance, to help struggling rural health facilities with expected budgetary shortfalls associated with delayed 2008 Medi-Cal reimbursements. Ms. Liebert indicated that CHFFA was approached by rural hospitals several weeks ago for assistance with Medi-Cal reimbursement delays which were threatening their cash flows, their ability to meet payroll, rent, utilities, and likely causing the need to reduce hours, lay off staff, or even close portions of their facilities. Ms. Liebert indicated that CHFFA has received three (3) applications for this agenda item from three rural hospitals: Seneca Healthcare District, Surprise Valley health Care District and Trinity Hospital. In addition, three additional applications have since been received from Palm Drive Health Care District in Sebastopol, Eastern Plumas Health Care in Portola, and Glenn Medical Center in Willows. Each of these hospitals is seeking up to \$750,000.00. Ms. Liebert indicated that CHFFA staff would like to open this issue up for Board discussion and distributed a handout containing relevant statutes and HELP II guidelines for consideration.

Ms. Liebert informed the Board that the Office of the Attorney General was consulted as to whether CHFFA could lawfully provide working capital loans for rural hospitals and opined that CHFFA may indeed do so with certain requirements. Ms. Julia Bilaver, Deputy Attorney General, was asked to come before the Board by Ms. Liebert to correct her if she misstated anything. The requirements for a loan were that the loan must be secured, the borrowers must be a participating health institution, the borrower must be a smaller rural health facility, the borrower must be financing working capital such as the Medi-Cal reimbursement coverage, there must be a loan agreement and the Authority must engage specific guidelines. Ms. Liebert indicated that CHFFA staff has looked to the guidelines utilized for the HELP II program and identified ten or so different guidelines that CHFFA may wish to consider.

Ms. Liebert discussed further the guidelines the Board may want to consider, such as offering 3 percent interest rate on these HELP II loans, that there be no pre-payment penalty, and the loan amounts do not exceed \$750,000. Ms. Liebert also discussed the process of disbursement of these funds should the loans be authorized. Ms. Liebert recommended that after much discussion amongst staff, that the disbursement of loans fund be directly tied to the Value of Claim letters that each of these hospitals received from the Department of Health Care Services. For example, if a rural hospital submitted a claim for reimbursement to DHCS for \$100,000 for a given one (1) week period of time and we are in a period of time when money cannot be distributed by DHCS, DHCS would then issue a Value of Claim letter to that rural hospital indicating that they have a value of claim to a specific amount of money. The DHCS letter will specify the amount of money owed that particular facility. It may be that of the \$100,000 submitted by the rural hospital to DHCS; only \$90,000 of it will be deemed reimbursable by DHCS. That \$90,000 will be their value of claim. CHFFA would then release funds, assuming the loan has been approved up to the value of that particular claim, so that CHFFA would be assured there is a link between what they are requesting and what they will be getting back once the 2008/09 state budget is passed. Ms. Liebert also recommended that CHFFA be reimbursed within 60 days of passage of the state budget.

An in-depth Board discussion followed.

Ms. Ruth Holton-Hodson expressed that the State Controller's Office is particularly concerned about its fiduciary duty and securitization of CHFFA's loans by Medi-Cal payments, specifically, if Medi-Cal payments go to the hospital once a budget is passed and the hospital does not pay CHFFA back. Ms. Holton-Hodson asked about the possibility of having a co-signer for these loans, whether it is the county or another entity to provide the assurance that these loans would be paid back.

Ms. McLeod indicated that many of these hospitals do not have an association with a local government. There are some that do that are a health care district and have an association but that is not necessarily the case with these hospitals. Ms. McLeod did provide that hospitals were open to the idea of Medi-Cal payments intercepts by CHFFA and that we could facilitate this through discussions with the Department of Health Care Services and EDS.

Mr. Harry Bistrin inquired about including community clinics in this short-term loan program. Dr. Oscar Sablan echoed Mr. Bistrin's concerns.

Chairperson Wynne utilized the Chair's prerogative to summarize the issues raised by Board members and provide direction to CHFFA staff. The issues included the desire by the Board to limit what the program is, the institutions involved; that we are providing this funding due to Medi-Cal delays and these loans will be for the maximum amount the institution would have received from Medi-Cal for a specified time period. Chairperson Wynne further stated that there is a desire by all Board members to ensure that these loans are securitized by Medi-Cal payments so having a Medi-Cal intercept and change of address process in place would be preferable. Also, there should be a very specific time period in place for repayment of these loans, possibly sixty days upon passage of the state budget. Additionally, Chairperson Wynne indicated there should be a triggering mechanism for loan disbursement, possibly the Value of Claim letters as agreed by the Board members earlier.

Chairperson Wynne asked if there was any public comment. Hearing none, Chairperson Wynne entertained a motion to adjourn.

Adjournment

MOTION: Ms. Sheehan moved to adjourn the meeting; seconded by Mr. Joseph. The motion carried unanimously with a 9-0 vote.