



To: ValleyCare Health System Corporate Membership
From: ValleyCare Health System Board of Directors
Date: August 14, 2014
Subject: Annual Meeting

On July 23rd, ValleyCare Health System held its 53rd Annual Meeting of the Corporate Members. For those who were present, thank you for attending. For those of you unable to attend, this letter will briefly summarize the meeting.

John Sensiba, Chair of the Board, welcomed the audience and recognized the long-term Corporate Members in attendance, some dating back more than 40 years.

The meeting continued with reports from the Governance-Nominating Committee, Audit Committee and Board Quality Committee. Each committee provided a detailed report of the activities of these sub-committees of the full Board.

Scott Gregerson, CEO, delivered the annual report describing the 2014 initiatives which include: continuing to deliver high quality care, improving patient experience, improving financial stability and exploring an affiliation with Stanford Health Care. He reported that discussions continue with Stanford regarding the possibility of an affiliation. Gregerson noted that Stanford recently changed their name from Stanford Hospital and Clinics to Stanford Health Care further signaling their interest in expanding their portfolio of care.

Currently there are approximately 2,400 corporate members of ValleyCare. For the first time, due to a recent by-laws change, members were able to vote for the Board Directors by ballot either in person or by mail. At the deadline for submittal of ballots, 450 ballots were received and counted by the auditors. Five percent of the membership, or 120 members were needed for a quorum. The slate of individuals recommended by the Board, were all approved by the membership. Each Director received at least 415 votes in favor of their election.

As a result, Martin Inderbitzen (Pleasanton) was approved for a third term; John Yee, MD (Physician Seat A) was approved for a first term; and Alcina Wegrzynowski (At-Large Seat) was approved for a second term. New Director candidates Jim Summers (Livermore Seat) returned to the Board and Dale Kaye (At-Large Seat) was approved for her first term. Deborah McKeehan, completing her full term on the Board, was thanked for her service. It was noted that she will continue as a volunteer with the Board to assist through the potential affiliation.

The final portion of the meeting was for questions and answers between the audience, the Board Chair and CEO. Chair Sensiba emphasized that the Board and staff are committed to keeping the membership and community informed about ValleyCare and any potential changes in the future and would share as much information as possible. However, he did note that some information is protected by confidentiality agreements with Stanford.

The questions during this session focused mainly on the potential affiliation with Stanford Health Care. It was asked whether the Board decided to pursue Stanford or whether Stanford had pursued ValleyCare. Sensiba described the process that the Board followed including sending out a Request for Proposal (RFP) to many Health Care organizations across the Bay Area, and beyond, last January. Many proposals were returned, and after substantial review and discussion, the Board identified Stanford as the best potential partner. The Board is unable to answer what other health systems were considered due to confidentiality agreements signed with those organizations.

Corporate members asked what the ownership would look like following a potential affiliation. Sensiba responded that it is too early to answer that question. This is Stanford's first potential affiliation with a community hospital, so many details are being explored and discussed. However, successful examples of academic and community hospital affiliations exist in other parts of the country.

When asked about the relationship with ValleyCare Medical Foundation physicians, independent physicians, Stanford and ValleyCare, it was stated that all doctors are welcome to practice at ValleyCare. It was also noted that patients will continue to be treated at ValleyCare. Stanford does not intend for our patients to drive to Palo Alto and referrals for specialty services will be made as they are today.

The time frame to complete the work exploring a potential affiliation with Stanford could take up to twelve months. In the interim, the Board is committed to communicating with our membership through letters, as well as possibly small group and community meetings.

It is important to note that no affiliation or any other change in governance can take place until the membership has voted on the potential changes. Prior to any vote, information will be provided to help inform and educate our membership on the proposed changes.

If at any time you have any questions, feel free to call Deborah McKeehan, past Board member at 925-437-4000, or email any member of the Board listed below at boardadmin@valleycare.com.

John Sensiba, Chair

Janet Cristiano, Secretary

Joseph Grant, MD

Martin Inderbitzen

Dale Kaye

John Louie, MD

David Mertes

Jim Summers

Tom Vargas

Tim Weaver

Alcina Wegrzynowski, Vice Chair

John Yee, MD