



## **BOARD OF TRUSTEES MEETING**

**TUESDAY, March 24, 2015**

**Conference Center at Highland Care Pavilion**

**1411 East 31<sup>st</sup> Street Oakland, CA 94602**

**Marla Cox, Clerk of the Board**

**(510) 535-7515**

### **LOCATION:**

**Open Session: HCP Conference Center**

### **MINUTES**

**THE MEETING WAS CALLED TO ORDER AT 6:05 PM**

**ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:**

Kirk E. Miller, Esq., Valerie D. Lewis, Esq., Patricia Scates, Kinkini Banerjee, Tracy Jensen, Joe DeVries, Maria Hernandez, Michele Lawrence, James Lugannani, James Potter, Anthony B. Varni, and Barry Zorthian, MD.

Quorum was established.

**General Counsel Announcement as to Purpose of Closed Session**

#### **TAB #1 CLOSED SESSION**

*Reconvene to Open Session*

#### **TAB #2 REPORT: CEO Search Committee**

Michele Lawrence, Trustee, Chair of the CEO Search Committee, provided an update on the status of the CEO Search. Trustee Lawrence shared with the Board that the Committee would be meeting to review the bios of several interested candidates prior to vetting those that will be interviewed in April. The Committee would like to narrow the candidate pool to 6-8 individuals. Dates will be finalized in late May for additional interviews with physicians, staff, and other stakeholders. The Committee is confident we will have a CEO on board by July.

#### **TAB #3 REPORT: HCSA/Toyon Analysis**

No report was presented.

#### **TAB #4 REPORT: Operations Report**

Mark Fratzke, Chief Operating Officer, presented an update regarding the San Leandro Hospital strategy that was discussed in depth at the Strategy Planning Committee meeting on March 16<sup>th</sup>. Detailed recommendations will be provided at the April Board Retreat. Key areas being assessed to present in April are growth and volume improvement, contracting strategy, and general expense reductions. The COO briefly elaborated on the key areas for improvement. The COO also reported on the current status of the space planning search. The current space

necessary is 9,000 square feet. The COO provided a brief overview of the main options. One option is to accommodate for the necessary space internally. A second option is that we lease 5,400 square feet from the County and offset the remaining space internally. The last option being explored is leasing the full 9000 square feet in leased space; Marina Village has been mentioned as an option. A full report will be provided in April.

The final update provided by the COO was regarding the performance improvement plan. AHS Staff is looking to reduce the expense budget by \$40 million by July 1<sup>st</sup>. The current run rate of expenses for budget year 2015 will be \$856 million. For budget year 2016, this will need to be at \$813 million. The leadership team reviewed all cost centers in the organization and identified labor as well as purchase services as opportunities for cost reductions. The COO also suggested that time be allowed at the Board Retreat in April for an update on the access plan for ambulatory. The ambulatory operations council has been working on a report with timelines and tactics to improve access in time for the April meeting.

The Board expressed concern regarding the rigorous timeline for the proposed reduction and our ability to meet the July deadline. David Cox, Chief Financial Officer, explained that the reductions are necessary to comply with the current terms of agreement with the County as well as to meet the current operational expenses of the system. Joe DeVries, Trustee, clarified that the majority of the cut to make up the \$41 million reduction will be from the organization's workforce. Kinkini Banerjee, Trustee, cautioned against agreeing to such an expedited timeline at the cost of staff morale and patient care services. The COO acknowledged that there may be spillover past the July deadline due to the types of reductions necessary. The Board further discussed concerns regarding the timeline of the proposed cuts and their impact on the effectiveness of the organization.

## **TAB #5 REPORT: Financial Report**

David Cox, Chief Financial Officer, presented the proposed action and timelines in response to the Toyon report recommendations. The CFO presented a timeline of start dates for 8 key recommendations, beginning in March with the development of a plan to repay the loan to the County. In May, the organization plans to perform a Strategic Reimbursement Analysis to best position AHS under healthcare reform. In June, the organization will work to establish a culture of accountability, repair the revenue cycle, achieve benchmark performance on operating expenses, improve financial and operational reporting, and evaluate services lines and profitability. In September the organization will assess and update the current strategic financial plan to ensure long-term financial stability.

Trustee Potter expressed issue with the process by which the Toyon report was received by the Board of Trustees and the way in which management began addressing these concerns without explicit direction by the Board. The Board received a courtesy copy of the written report, but there was a breakdown in process whereby the Board did not review the recommendations and direct management to act. Trustee Potter also pointed out that these recommendations do not offer a cost benefit analysis. To this point, Trustee Lawrence suggested that the Board spend some time at the retreat discussing issues of process, structure and communication. The Board must develop a structure for how communication should occur in the organization.

Trustee Hernandez requested that an issues tracking form be kept for each committee and updated after each committee meets and that it be kept on the portal. Trustee Lewis directed the General Counsel to instruct the Clerk of the Board to provide an issue tracking form for all committees and ensure that these are included with all the committee agendas.

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## **TAB #6 DISCUSSION/ACTION: County Debt Agreement**

Jim Lugannani, Trustee, Chair of the Finance Committee, provided a summary report of the discussion the Finance Committee had surrounding the county debt agreement. The Finance Committee made a recommendation to the Board to reject the proposed county debt agreement. The current agreement is set to expire March 31<sup>st</sup>, but the Board of Supervisors has approved an extension of the current agreement to May 15<sup>th</sup>. James Potter, Trustee, expressed concern regarding the process by which the new county debt agreement was developed and agreed upon. Trustee Lawrence was interested in the identity of those involved in drafting the agreement as it pertains to the issue of process and who would be aware of the fallout the required reductions would cause on the organization.

The Board held further discussion regarding our ability to meet the demands of the current plan and the need to present a more viable and gradual financial plan to the County while achieving the same results. Trustee Hernandez suggested that we decline to sign the new agreement and provide 2-3 additional financial plan options. Anthony Varni, Trustee, expressed concern that AHS would be performing much better had we not taken on San Leandro and Alameda Hospitals. Trustee Varni also suggested that we would continue to have difficulty in meeting financial goals with these two Hospitals in the system. Trustee Lewis noted that the Finance Committee requested a detailed report listing all of the actual cuts to be made in an explicit and specific manner for the Trustees to appropriately evaluate what each cut would mean to the organization. The CFO requested the opportunity for ongoing meetings with a body of the Board in the development of alternative financial plans. The Board agreed to provide this support.

***Action: Trustee Hernandez made a motion that the Board direct the administrative staff to develop 3 scenarios providing a set of cost reduction plans that the organization would be able to adequately fulfill. Trustee DeVries seconded the motion. The Motion was carried.***

***AYES: Trustees Miller, Lewis, Scates, Banerjee, Jensen, DeVries, Hernandez, Lawrence, Lugannani, Potter, Varni, and Zorthian.***

***NAYS: None***

***Abstention: None***

***Motion passed.***

***Action: Trustee Lugannani made a motion that the Board approve the extension of the current County Debt Agreement to May 15<sup>th</sup>. Trustee DeVries seconded the motion. The Motion was carried.***

***AYES: Trustees Miller, Lewis, Scates, Banerjee, Jensen, DeVries, Lugannani, Potter, Varni, and Zorthian.***

***NAYS: Trustee Lawrence***

***Abstention: Trustees Hernandez***

***Motion passed.***

***Action: Trustee Lewis made a motion that the Board reject the current proposal for the new County Debt Agreement. Trustee Potter seconded the motion. The Motion was carried.***

***AYES: Trustees Miller, Lewis, Scates, Banerjee, Jensen, DeVries, Hernandez, Lawrence, Lugannani, Potter, Varni, and Zorthian.***

***NAYS: None***

***Abstention: None.***

***Motion passed.***

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## **TAB #7 DISCUSSION: Proposed Bylaws Amendments**

Valerie D. Lewis, Trustee, Chair of the Governance Committee, summarized the status of a response letter in regard to certain amendments proposed by the Board of Supervisors to the Board of Trustee Bylaws. The Governance Committee reviewed the proposed Bylaws and a draft response letter at their February 2015 meeting and discussed some concerns regarding the changes, in particular as how they would affect the ability of the Search Committee's function and authority. The Governance Committee directed that the letter express how all the proposed changes were presently addressed and represented in the current Bylaws. The letter also suggested that the Board of Supervisors consider establishing regular joint meetings with a collaboratively created agenda. Trustee DeVries emphasized the need for open and honest dialogue and suggested the Board request a joint meeting be scheduled with the Board of Supervisors to discuss mutual concerns. President Miller stated that he would mention this request during the short Board report to the Supervisors at the Healthcare Committee meeting that night. The Governance Committee also expressed concern regarding a breakdown in process, extending the length of time it took for the response letter to reach the Supervisors. Due to some confusion in direction, the Executive Committee took longer than expected to send the letter. Trustee Lawrence discussed the importance of further discussion regarding the proposed Bylaw change to Article 6 regarding the search for the CEO. The suggested Bylaw clearly states that the CEO search shall not be effective until the Board of Supervisors ratifies that election. The proposed Bylaw allows for a 2 week delay in meeting for ratification for each Supervisor that expresses a need for more time or review. Due to the immediate nature of the hiring process for a competitive candidate, this proposed change has the ability to critically impact the Search Committee.

The Governance Committee recommends that the Board state our intentions in writing more often to ensure clear communication.

## **TAB #8 COMMITTEE REPORTS**

- **Executive Committee Report**

Kirk Miller, Chair, announced that the Executive Committee would not be presenting a report at this time.

- **Audit & Compliance Committee Report**

Patricia Scates, Chair, reported the results of the two Special Audit and Compliance meetings on February 12<sup>th</sup> and March 11<sup>th</sup>. A Single Audit for fiscal year ending in June of 2015 was performed by the CPA firm of Macias Gini & O'Connell (MGO) to determine AHS' compliance with the requirements of the Office of Management & Budget entities for funds and grants. The audit report identified two findings which require corrective action: 1) documentation of patient records and 2) eligibility requirements. Processes have been modified to establish a new process and maintain appropriate documentation. The Committee confirmed that moving forward all Single Audits will be reported to and reviewed by the Committee.

David Cox, Chief Financial Officer reported on the implementation of the Soarian Financial system. A number of issues were identified in the way that transactions were mapped and management is working to correct these matters. Reimbursement functions have been outsourced to Toyon to provide more expertise in these activities.

Rick Kibler, Director of Audit and Compliance, presented the management rating of MGO's performance in 7 areas: Audit Plan, Coordination and Communication, Reporting, Timeliness, Staffing, Knowledge of our Business, and Fees. The firm was rated as "2" Meets Expectations in 4 areas and "1" Needs Improvements in reporting, timeliness and staffing. Mr. O'Connell proposed replacing the current partner. After considerable discussion, prior to AHS moving forward with MGO, the Committee requested additional information regarding management

scores that were rated as “Needs Improvement” and a Committee meeting with MGO to hear their response to our concerns, get their feedback on our people, systems and processes as they related to the Audit and to discuss AHS’ expectation for future audits.

The annual calendar was discussed and the committee was concerned that the Compliance Regulatory Mapping was not showing as an April agenda item. The committee reiterated their expectation of a baseline of the risk universe and a comprehensive program to address the compliance risks. The committee also discussed the timing of the scheduled meetings and requested an additional meeting be added at the end of May between the April 14<sup>th</sup> and July 21<sup>st</sup> meetings.

At the March meeting Kevin O’Connell, MGO Managing Partner and Linda Hurley, Partner Head of Public Hospital Practice addressed AHS’ performance ratings of “Needs Improvement” in Reporting, Timeliness and Staffing. Regarding reporting, MGO acknowledged that the partner who presented the audit lacked the experience, organization and effective communication skills to present and respond to AHS’ expectations. Regarding Timeliness, MGO was unclear as to the reason for the delay, but noted that the Audit was conducted during an AHS CFO transitional period. MGO’s action plan going forward will include updates during each of the Committee’s regularly scheduled meetings in April, July & September with a target issuance date of October 31<sup>st</sup> and Committee presentation November 17<sup>th</sup>. There was considerable discussion during the presentation and the Committee was satisfied with the responses. MGO is in their final year of the current 3 year engagement contract.

- **Strategic Planning Committee Report**

Kinkini Banerjee, Chair, presented the Strategic Planning Committee report and highlighted three items from the San Leandro Hospital discussion on March 16<sup>th</sup>. James Jackson, Chief Administrative Officer, Karen Black, Physician and Community Outreach Coordinator and Brenda Taylor, Senior Business Development manager shared the current state of the hospital, performance trends, business development opportunities, and operational challenges and strategic priorities. The Committee learned that the targeted volume increase and operation turnaround have either met or exceeded expectations, with the help of all staff being very receptive to performance improvement measures. Despite the positive trends, the biggest challenge is that the managed care contracts are not optimal for this campus. The Committee also viewed the television commercials for San Leandro and Alameda Hospitals, the campaign is underway and doing well.

The Committee recommends that the Board direct attention at the retreat to the new strategic plan, ending in 2015, paying particular attention to San Leandro’s strategy. If this is brought to the retreat, the Strategic Planning Committee will plan to meet on April 16<sup>th</sup> to prepare some options for the Board.

- **Finance Committee Report**

Jim Lugannani, Chair, presented a summary of the most updated Finance Committee activity. The Committee received the February financials at the March 2015 meeting. There were several items for approval, one of which was to extend AHS’ funding of the Alameda Health Foundation. The Finance Committee was unable to approve this item due to time constraints and voted to recommend that the Board of Trustees vote to extend funding for the Foundation in the amount of \$250,000 through June 30, 2015. Trustee Lewis took a moment to congratulate the Foundation for their dedication and exceeding the goals set for fundraising.

Trustee Lugannani also reported that the Self Pay Discount Policy was removed by management and that a proposal to approve a software agreement with Midas Plus was deferred to the next meeting.



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**Action:** *Trustee Lugannani made a motion that the Board extend funding to the Alameda Health Foundation in the amount of \$250,000 through June 30, 2015. Trustee Scates seconded the motion. The Motion was carried.*

**AYES:** *Trustees Miller, Lewis, Scates, Banerjee, Jensen, Hernandez, Lawrence, Lugannani, Potter, Varni, and Zorthian.*

**NAYS:** *None*

**Abstention:** *None*

**Motion passed.**

- **Governance Committee Report**

Valerie D. Lewis, Chair, noted that the Board had already discussed the Board of Supervisors proposed Bylaw amendments and the Board's response. However, as a matter of process, Trustee Lewis recommended that the letter be ratified by the Board as it was sent prior to Board review. The Committee held a lengthy discussion regarding the Board retreat. The agenda will contain discussion operational, financial and performance improvement issues, a breakdown of operational and financial assessments of both San Leandro and Alameda Hospitals which will be reviewed prior to discussion around the Strategic Plan. The goal with this is discussion is to provide the Board with metrics and analysis to allow for informed assessments in planning for the future. The Board will also be participating in the AB1234/Brown Act mandatory training followed by a discussion of the roles of the Board of Trustees and the Board of Supervisors to clarify accountability as delineated in the current Enabling Legislation. The agenda will also include a quick team building activity.

The Governance Committee discussed the need for Board succession planning. Trustee Lewis requested that any recommendations for the current vacancy be forwarded to her in order for the Governance Committee to review the candidates, present the candidate to the Board of Trustees and finally present the candidate to the Board of Supervisors. Trustee Lewis reminded the Board that upon submitting a candidate to the Board of Supervisors, the Board will recommend that the vacancy be filled in a fashion that will allow the Board to move back to a class/cohort term structure.

The Committee reviewed the current list of staff that must complete the Conflict of Interest Policy Form 700 and asked staff to return to committee with specific positions that need to be added or removed from this list. The Committee will also be providing Brown Act updates and tutorials to the Board, which will be maintained in the Board Effects library. There was a discussion regarding Alameda Hospital Board Committee representation, with some concern voiced by the Supervisors that appointing someone to a standing Committee exceeds the Trustees authority. The Committee discussed the recent Community events as well as the purpose and plan for the Community Advisory Council. Staff was directed to have membership applications available.

The Governance Committee also reminded the Board that the current leadership slate needed to be approved by the Board; Kirk Miller, President, Valerie Lewis, Vice President and Patricia Scates, Secretary.

**Action:** *Trustee Lewis made a motion that the Board ratify the letter sent to the Board of Supervisors in response to their Bylaw amendment proposals. Trustee Scates seconded this motion. The Motion was carried.*

**AYES:** *Trustees Miller, Lewis, Scates, Banerjee, Jensen, Hernandez, Lawrence, Lugannani, Potter, Varni, and Zorthian.*

**NAYS:** *None*

**Abstention:** *None.*

**Motion passed.**

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- **Human Resources Committee Report**

Tracy Jensen, Trustee, reported that there was no action taken.

- **Quality Professional Services Committee Report**

Barry Zorthian, MD, Chair, provided the QPSC report to the Board. The Committee considered peer review reports in both the January and February meetings. The January meeting was a high level report, with a more detailed report provided in February for Highland, John George, and ambulatory care. Due to the lack of systems in place for all medical staffs, San Leandro was unable to provide comparative data for review. Credentials, Privileges and Reappointments were reviewed for all three Medical Staffs. Policies and procedures were approved for Highland, Fairmont, John George, ambulatory and San Leandro, no new policies have been approved for Alameda Hospital. Medical Staff reports were received for all three Medical Staffs. William Peruzzi, Chief Medical Officer, discussed Population Health at the January meeting. The CMO provided an overview of Population Health, which entails the building of infrastructure capable of managing thousands of patients and keeping people healthier and out of hospitals. Kerin Bashaw, Vice President of Quality, presented data regarding our overall harm rate for December, not including Alameda Hospital data. The Committee also noted that we must expand the data management software being used at San Leandro Hospital to allow for comparable data to be extracted across the system.

## **TAB #9 ACTION: CONSENT AGENDA**

- A. Approval of the Minutes from the January 20, 2015 Board of Trustees Meeting**
- B. Approval of the Minutes from the January 20, 2015 Special Board of Trustees Meeting**
- C. Approval of the Minutes from the February 19, 2015 Special Board of Trustees Meeting**
- D. Appointment of 2015 Board of Trustees Officers**  
*Recommendation by the Governance Committee*
- E. Appointment of Dr. Clanon, Dr. Rosenthal, and Dr. Shah to Alameda Health Partners Board of Directors**  
*William Peruzzi, MD, Alameda Health Partners*
- F. Appointment of Trustee James Potter to the AHS Investment Committee**  
*Recommendation by the Human Resources Committee*
- G. Approval of Medical Staff / Organizational Policies and Procedures**  
*Recommendation by the Quality Professional Services Committee*  
*See Agenda Attachment A*

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**Action:** *Trustee Jensen made a motion that the Board approve items A, B, C, E, F, and G with the exception of item D. Trustee Lugannani seconded this motion. The Motion was carried.*

**AYES:** *Trustees Miller, Lewis, Scates, Banerjee, Jensen, Hernandez, Lawrence, Lugannani, Potter, Varni, and Zorthian.*

**NAYS:** *None*

**Abstention:** *None.*

**Motion passed.**

**Action:** *Trustee Jensen moved for Item D – Board of Trustees Officers to be pulled from the consent agenda and be deferred to the Board retreat for a discussion of the current slate and the addition of an officer. Trustee Zorthian seconded this motion. The motion does not pass.*

**Ayes:** *Trustees Jensen, Lawrence, Zorthian, Banerjee.*

**Nays:** *Trustees Potter, Hernandez, Lewis, Lugannani, Miller, Scates, Varni.*

**Abstention:** *None.*

**Motion does not pass.**

**Item D:** *Trustee Lugannani moved to approve Item D, the Appointment of the Board of Trustees Officers. Trustee Potter seconded this motion.*

**AYES:** *Trustees Miller, Lewis, Scates, Banerjee, Hernandez, Lawrence, Lugannani, Potter, Varni, and Zorthian.*

**NAYS:** *None*

**Abstention:** *Trustee Jensen.*

**Motion passed.**

The Board clarified that there will be additional discussion regarding Item D – the Appointment of the Board of Trustees Officers at the April Retreat.

## **TAB #10 INFORMATION: NETWORK/COMMUNITY**

### **A. AHS Media Report**

Written Report.

### **B. Legislative / Community Relations Reports**

Written Report.

## **TAB #11 Legal Counsel's Report on Action Taken in Closed Session**

Mike Moye, Interim General Counsel, reported that the Board discussed two matters in closed session and no action was taken. Trustee Miller reported that, due to a current health challenge, the Interim Chief Executive Officer is expected to be out until the end of April. Due to a longer than normal absence, the Board would like to clarify that the organizational structure calls for the COO to serve as the administrative leader in the absence of the CEO.




**Public Comments - None**

**Board of Trustees Remarks – None**

**ADJOURNMENT – 8:40 PM**

Respectfully Submitted by:

  
Maria D. Cox  
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: \_\_\_\_\_

  
Mike Moyer  
Interim General Counsel