ALAMEDA COUNTY MEDICAL CENTER

Highland Campus • Fairmont Campus
John George Psychiatric Pavilion • Ambulatory Healthcare Services

FINANCE COMMITTEE MEETING
TUESDAY, January 17, 2012

Central Administration Offices Located at Highland Hospital
1411 East 31st Street Oakland, CA 94602
Barbara L. McElroy, Clerk of the Board
(510) 437-8468

MINUTES

TAB #1 CLOSED SESSION

THE MEETING WAS CALLED TO ORDER AT 5:22 PM.

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Kirk E. Miller, Chair, Valerie D. Lewis, Esq., Ronald D. Nelson, and Daniel Boggan, Jr.

Stanley M. Schiffman was excused.

TAB #2 ACTION: Approval of Minutes

ACTION: A motion was made, seconded, and unanimously passed to approve the Minutes of the November 15, 2011 Finance Committee Meeting as presented.

MOTION: Trustee Boggan
SECOND: Trustee Nelson

TAB #3 REPORT: Financial Forecasting and Analysis – No report.

TAB #4 REPORT: Financial and Operations Reporting

A. REPORT: Financial Update for Month Ending December 31, 2011

Marion Schales, Chief Financial Officer, reported the financial results for the month of December 2011 with and without the effect of Delivery System Reform Incentive Pool (DSRIP) revenues and expenses. As the complete report including a memo

summarizing significant trends and factors was included in the agenda packet, she noted only the following highlights.

- December Total Income (*without* DSRIP) of $258K resulted in a favorable variance of $195K; the margin was 0.6%.
- YTD Total Income (*without* DSRIP) of $2.2M resulted in a favorable variance of $2.5M; the margin was 0.8%.
- December Total Income (*with* DSRIP) of $2.0M resulted in a favorable variance of $1.9M; the margin was 4.3%.
- YTD Total Income (*with* DSRIP) of $12.6M resulted in a favorable variance of $12.8M; the margin was 4.7%.

Contributing to December's favorable results were items in the Revenue section:

1. True-up of $500K increased Measure A revenue based on the first quarter report from the State,
2. Recognition the 6 month extended CA Hospital Fee revenues of $850K and;
3. Recognition of ARRA Incentives revenue related to the E.H.R. project for achieving the Hospital and Eligible Provider Year One milestones.

This produced a favorable variance of $2.1M in Other Operating Revenue, which offset the unfavorable variances in Net Patient Revenues ($886K) and Operating Expenses ($1.3M).

Trustee Miller wanted to know how DSRIP dollars are identified for specific uses, and to be informed about budgeted versus actual cost by specific project by month.

Ms. Schales noted that the separate DSRIP reporting at the bottom of the monthly Statement of Revenues and Expenses shows that actual DSRIP expenditures were $86K in December and $552K YTD, against budget of $1.8M and $10.9M respectively. The actual expenses incurred are for less than the budget because the DSRIP related activities are in an early stage of development.

Ms. Schales will bring a separate report with detail on DSRIP projects, budget, expenditures and implementation to the March Finance Committee meeting.

B. REPORT: Status on Electronic Health Record (E.H.R.) Budget

Mark Zielazinski, Chief Information Officer, gave the second regular status report on the E.H.R. project, approved by the Board in January 2011.

Financial Status:

- The current capital expense of $16.3M is within its $18.7M budget. Costs anticipated for later in the project will likely bring total costs to up to budget.
- Actual operating expense of $33.5M (covers additional labor, training, backfills and maintenance for the next 10 years) is on budget.

- Management has adjusted the incentive payment accrual from $3M to approximately $6M for fiscal year 2012. (Note: The total potential incentive payment budget (from the State) is estimated to be @ $18M over the next several years).

Program Status:

- Design and build for Soarian Clinical (the electronic health record system for the hospital) is approximately 30 days behind schedule. Additional resources have been deployed for the build.
- Soarian Financial design and build is underway and on schedule.
- Initial activation of NextGen, the outpatient module, is delayed by 60-90 days as interoperability issues between NextGen and Soarian emerged during design. The revised activation schedule and analysis of its budget impact will be completed by January 31, 2012.
- Evaluation of the Soarian Emergency Department (ED) module has been completed.

C. ACTION: Scope Change to Electronic Health Record Project

Mr. Zielazinski (CIO) recommended authorization of the replacement of the current standalone WellSoft system in the ED with the Soarian ED module at a cost of $1.1M for capital and $300K for operating costs (total: $1.4M).

Background

The Soarian ED module was not included in the E.H.R. project because it was not a mature product during the 2010 decision making process. It has undergone significant development. ACMC's ED team agrees that it meets the ED needs, and provides much tighter integration of patient care across the enterprise.

System Benefits

- *Savings:* Reduction in labor cost for charge capture, unnecessary with Soarian ED, is $270K for one year.
- *Cost avoidance:* Tight integration of patient records in all applications, including use of an integrated pharmacy system for ordering, allergy checking and medication interaction can significantly improve outcomes. Improved outcomes could generate hundreds of thousands of dollars in savings.
- *Clinical efficiency:* Over 95% of ACMC inpatients come from the ED. Inpatient floors will have access to ED data before the patient arrives.

Budget Impacts

- Request $600K of the capital costs to come from the E.H.R. contingency budget of $888K (remaining contingency budget = $288K).
- Request additional $500K increase to E.H.R. capital budget.
- Request increase in E.H.R. operating budget of $300K. This is a one-time cost for training and backfill.

- Total increase in E.H.R. budget would be $800K in FY 2013.

Timeline

- No risk to collecting full ARRA incentives if completed before July 1, 2013.
- Extension of E.H.R. project timeline by approximately 90 days, with Soarian ED implementation on project calendar for March – May 2013.

ACTION: A motion was made, seconded, and unanimously approved to authorize the use of $600K of the existing E.H.R. project contingency budget to fund capital costs for the Soarian ED module and to approve an additional $800K for the overall E.H.R. project, $500K in capital budget and $300K in operating budget for the implementation of the Soarian ED module.

MOTION: Trustee Boggan
SECOND: Trustee Miller

Despite the favorable variance between the current run rate for E.H.R.'s capital costs ($15.3M) compared to the total capital budget ($18.3M), Trustees commented that IT projects often go over budget. Concern was expressed about the reduced size of the contingency budget so early in the project. Trustees requested that the CIO alert them to problems as soon as they occur.

Mr. Zielazinski committed to timely reporting, and will update the graph of the project timeline to include the Soarian ED module before the next report.

D. REPORT: Healthcare Information Exchange Project

Mr. Zielazinski (CIO) reported on the development of Health Information Exchanges (HIE), a critical component of the 2009 American Recovery and Reinvestment Act (ARRA) and Health Share Bay Area (HSBA). HIE focuses on goals related to meaningful use to improve quality and efficiency in health care delivery. There is the action of exchanging information and the organizations created to do so; both are called HIE.

- Currently health information is kept in silos by unrelated health organizations.
- Health Information Exchanges will provide services focused on data exchange and sharing of patient data across disparate stakeholders.

HIE is one way to combat the fragmented nature of safety net care, provide a complete point-of-care medical record, support medication reconciliation, error reduction and care coordination, decrease duplicative testing and prepare for future care coordination incentive models of reimbursement.

Health Share Bay Area (HSBA) was created by merging the San Francisco HIE with the Alameda Contra Costa HIE. The combined organization has strong representation from public and private institutions (Catholic Healthcare West, Sutter, John Muir, UCSF, Community Health Center Network, City and County of San

Francisco, for example) and a correspondingly strong and active governing committee. The HSBA business plan is based on subscription to core or premium service offerings rather than per transaction charges, which could discourage participation. HSBA will apply for 501(c) (3) status in February 2012 and begin core service information exchange in June 2012. There are talks underway to expand by including Marin and Santa Clara County; San Mateo County is already involved.

Cost to ACMC for seed money is $15K-$35K in FYE-2012; FYE-2013 participation is estimated at $85K. The business plan includes mechanisms to refund seed money to founding members during the first 1-3 years. Additional sources of funding may become available through grants, but these are not included in the break-even business plan.

Trustee Miller noted that HSBA sounds like an investment that could have disproportionate returns.

Trustee Lewis requested that a notice of private health information should be listed with mission, vision and procedures on all Board Agendas.

E. REPORT: Cost Management Project Status

Don Briones (VP Finance) described ACMC's progress towards its goal of achieving credit worthiness by 2021, as identified in the Kaufman Hall Integrated Strategic and Financial Plan and discussed by the Trustees at their October 2011 Retreat. The cost management component of the plan provides incremental margin improvement from current operations. The other two components, business restructuring and clinical transformation, require longer timelines and are more difficult to achieve. The cost management component consists of two phases.

Phase I: Organizational Assessment (January – March 2012)

- Two firms, MedAssets and VHA, have been selected to work with ACMC to perform an initial opportunity assessment and develop a detailed list of cost management/revenue cycle recommendations by March 31, 2012.
- The cost of this assessment is expected to be no greater than $145K; six crucial areas of opportunity have been assigned as follows.

Focus Area	MedAssets	VHA
Revenue Cycle		X
Labor	X	
Supplies	X	
Purchased Services	X	
Construction Management	X	
Clinical Utilization (initial assessment)		X

Phase II: Execution (April 2012 – 2014)

- Selection of partner(s) for this phase will be based on the opportunities chosen, level of difficulty to achieve results, record/ability of the consultant partner to enable change within an organization and the skill set(s) of the partner(s) in relation to skill set(s) within ACMC.
- Costs for Phase II are expected to be contingency-based.

The article *10 Ways for Hospitals and Health Systems to Increase Profitability in 2012* was provided. It describes strategic approaches to improve margin at other health care institutions.

Phase I results will be available to inform FYE-2013 budget development. Progress and next steps related to the cost management initiative will be reported at the April Board Retreat.

TAB #5 REPORT: CFO Update

Ms. Schales gave a verbal report on developments regarding reimbursement changes and additions to the Finance Committee agenda packet.

1. California's planned reduction in DP-SNF rates, with an estimated $1M - $2M annual impact on ACMC, has been delayed. The US Central District Court granted a preliminary injunction in favor of the California Public Hospital Association preventing the State from implementing the rate reduction. The State will appeal. Ms. Schales will report on the changing status of this item.
2. In the January Finance Committee packet, a new Contract Summary form has been inserted between the contract board letters and their attachments to address Trustee requests that uniform data be available with each request. The only exceptions are complex physician contracts, where the Chief Medical Officer supplies specific data customized to each agreement.
3. The Annual Finance Committee Agenda with follow-up items was added as Tab #9 to this and future Finance Committee agendas for Trustee reference.

TAB #6 ACTION: Financial Policy Development

A. ACTION: Final Contracts Approval Controls Policy

Ms. Schales (CFO) clarified the Contracts Approval Policy and requested that the policy and its clarification be recommended for approval to the Board of Trustees. The policy defines "additive contracts" and specifies approval and reporting processes and controls related to multiple contracts with a single vendor.

She described the decision matrix, through which the contract approval policy is implemented for every contract. It consists of four trigger questions.

- Is the additional contract additive based on the additive contract definition from the policy?
- Does the contract result in a cumulative total for the same or for different scopes of work?
- Is the cumulative contract more or less than $500K?
- Is the cumulative contract within the annual/project budget?

The combined answers to these questions guide appropriate approval levels for multiple contracts with a single vendor.

Ms. Schales reviewed two of the four common contracting examples shown in Exhibit A, a table that illustrates the decision matrix and illustrates how the policy is applied.

Wright Lassiter, III, CEO, reminded the Trustees that a Cumulative Contracts Report is included in every Finance Committee packet.

ACTION: A motion was made, seconded, and unanimously approved to attach the clarifying exhibit as an addendum to the previously approved Contract Approval Policy.

MOTION: Trustee Boggan
SECOND: Trustee Nelson

Trustee Miller requested that Exhibit A be attached to these meeting minutes.

TAB #7 REPORT: Healthcare Reform and Regulatory Changes – No report.

TAB #8 ACTION: Contract and Capital Authorization

A. ACTION: Authorization for the CEO to Execute Eight Operating Contracts:

1. Addendum for ***Robert Half International, Inc.*** to increase contract cost by $725,000 to cover unusually high numbers of unfilled positions and extended medical leaves.
2. Addendum for ***Propark America West, LLC***, extending contract term by 6 months and $233,532 to evaluate RFP responses.
3. Addendum for ***GE Healthcare*** for biomedical services, increasing by 6 months at the current contract level ($740,332) to allow contract review of competing biomedical services vendors and comparison to performing the services in house.
4. Addendum with ***Computer Sciences Corporation, Inc. (CSC)*** for 3 months and $87,933 extending the services of Nick Mansuetto for Signature support as the program sunsets.

5. Renewal with ***AIM Hospitalists*** for complete coverage at Fairmont SNF and Acute Rehabilitation Service, 2-year term, additional 0.5 FTE MD, not-to-exceed amount $800,246.
6. Renewal with ***AIM Hospitalists*** for complete coverage at JGPP, flat rate, 2-year term for $950,300.
7. Renewal with ***Dr. Daniel Bradley Allen*** for plastic surgery services, 4.2% productivity adjustment, 2-year term for $668,056.
8. Renewal with the ***Oakcare Medical Group*** for emergency, internal, maternal child health and other medicine services for two years for total 2-year not-to-exceed amount of $55,942,974.

Trustee comments covered reducing physician rates if productivity declines, the need to increase specialty care beyond the hours provided in the proposed Oakcare contract, and ACMC's responsibility to develop and hire talent in Alameda County, rather than hiring out-of-state consultants.

Sang-Ick Chang, MD, Chief Medical Officer, noted that the contract with Dr. Allen provides for reducing his rate if his productivity decreases. On the Oakcare contract, Dr. Chang explained that the proposed contract balances ACMC's urgent need to expand specialty care access with the difficulty of physician recruitment and ACMC's budget constraints. He acknowledged that the contract does not meet community standards in endocrinology and explained that there are contingencies in the contract to address expansion.

Mr. Lassiter said that a more thorough plan to meet patient specialty care access needs will be presented at the April Board Retreat.

Mr. Zielazinski explained that market forces exacerbated by simultaneous E.H.R. implementation processes to meet ARRA timelines by multiple health care organizations have made it difficult to obtain Siemens Soarian talent in the Bay Area, and has contributed to 7 budgeted positions in IT remaining unfilled. NextGen expertise for the outpatient module is more available, and recruiting efforts are ongoing.

ACTION: A motion was made to authorize the CEO to execute the eight operating contracts as presented.

Trustee Lewis requested that Contract #4, Computer Science Corporation, Inc. be pulled for further discussion.

Trustee Nelson amended the motion to authorize the CEO to execute contracts #1-3 (Robert Half International, Inc, Propark America West, LLC, and GE Healthcare) and #5-8 (AIM Hospitalists at Fairmont, AIM Hospitalists at JGPP and the Oakcare Medical Group). Hearing a second, the motion was approved unanimously.

MOTION: Trustee Nelson
AMENDMENT: Trustee Nelson
SECOND: Trustee Boggan

ACTION: A motion was made, seconded, and carried to authorize the CEO to execute contract #4 with Computer Sciences Corporation, Inc.

MOTION: Trustee Boggan, with concern about Alameda County preference noted.
SECOND: Trustee Nelson
Aye: Trustee Nelson, Trustee Boggan, and Trustee Miller
Nay: Trustee Lewis

B. ACTION: Authorization for the CEO to Execute Six Capital Contracts:

1. Addendum with ***Digital Prospectors Corporation (DPC)***, for E.H.R. for an additional 14 months of consulting services and $370,175 (Eric Lamb).
2. New contract with ***DPC*** for E.H.R. for 11 months of consulting services for $294,750 (Jim Kerr).
3. Addendum with ***DPC*** for E.H.R. for an additional 10 months of consulting services and $294,750 (Chris Anderson).
4. New contract with ***Stoltenberg Consulting*** for E.H.R. for 12 months of consulting services and $309,600. (Lynn Elbert).
5. Addendum with ***Vitalize Consulting Solutions***, Inc. for E.H.R. for an addtional 12 months of consulting services and $306,000 (Christine Geunther).
6. Addendum with ***Vitalize Consulting Solutions*** for E.H.R. for an additional 17 months of consulting services and $564,672 (Jennifer Gaines).

Mr. Zielazinski presented the capital contracts for Electronic Health Record consultants. All are fee-for-service contracts with not-to-exceed limits. If ACMC can find or develop local talent, there is no obligation to use consultant expertise that engenders costs for travel and lodging on top of an hourly rate. Each contract is for full time work.

Contracts # 1, 3, 5 & 6 extend terms for consultants already working on the E.H.R. project to the completion of the project period. Contracts # 2 & 4 provide new resources through the end of the project period from firms currently working on the E.H.R. project. As further existing consultant contracts terminate in March, April and May, Mr. Zielazinski will be returning with requests for more extensions, unless there is success in recruiting.

Trustees continue to be concerned about spending Alameda County tax payer dollars to hire out-of-state consultants, and strongly prefer achieving project goals using local talent.

ACTION: A motion was made, seconded, and carried to authorize the CEO to execute all capital contracts as presented.

MOTION: ***Trustee Nelson / SECOND: Trustee Boggan***
Aye: ***Trustee Nelson, Trustee Boggan, and Trustee Miller***
Abstain: ***Trustee Lewis***

C. **INFORMATION:** List of approved contracts $150 K - $500 K (14 contracts) was provided.

D. **INFORMATION:** List of cumulative vendor contracts totaling more than $500,000 (7 vendors) was provided.

TAB #9 Annual Finance Committee Calendar and Follow-up

A. **INFORMATION: Annual Finance Committee Calendar and Follow-up Worksheet**

TAB #10 REPORT: Legal Counsel's Report on Action Taken in Closed Session

Douglas B. Habig, General Counsel, reported that no action was taken in closed session.

Board of Trustees Remarks: None.

Public Comments: None.

THE MEETING WAS ADJOURNED AT 7:12 PM.

Respectfully submitted,

Barbara L. McElroy
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:
Douglas B. Habig, Esq.
General Counsel

Exhibit A for Contract Approval Policy

#		Original Contract		Additional Contract				Cumulative Total	Does the Contract Meet the Definition of Additive Per Policy (Yes/No)	(A) Cumulative$ > $500K =Yes, < $500= No	(B) Within Annual Oper. Budget (Yes/No)	(C) Incl in Rpt of Cumul. Contracts (if (A)=Yes,Yes; if (A)=No,No)	Take to BOT for Add'l Approvals of 2nd Contract > $500K=Yes; <$500K=No	
		Scope	Original Contract Amt	New Scope	Same Scope	New Scope Amt	Same Scope Amt		Decision Matrix					NOTES
1	ABC Healthcare Construction	Capital Improvement Projects	475,000	Owners Rep for ATR	n/a	300,000	-	775,000	no	yes	yes	yes	no	1. Contractor has 2 contracts for 2 **different** scopes of work; 2nd contract is not additive because it is for a **different** project; cumulative total is greater than $500K, but is within annual budget; triggers inclusion in Cumulative Contracts Rpt. 2nd contract less than $500K; requires NO BOT add'l approval
2	XYZ Landscaping	Landscaping Svcs	150,000	n/a	Landscaping Svcs	-	100,000	250,000	yes	no	yes	no	no	2. Contractor has 2 contracts for the **same** scope of work; 2nd contract is additive because it is for the **same** project; cumulative total is less than $500K, is within annual budget; NO inclusion in Cumulative Contracts Rpt. 2nd Contract is less than $500K; requires no add'l BOT approval
3	RTS Info. Systems	Project Mgt - Capital	450,000	Software License	n/a	250,000	-	700,000	no	no	no	no	yes	3. Contractor has 2 contracts for 2 **different** scopes of work; 2nd contract is not additive because it is for a **different** project; cumulative total is greater than $500K, but is OUTSIDE annual budget; triggers Add'l BOT approval
4	TOI Transportation Svcs	Patient Transport	150,000	n/a	Patient Transport	-	550,000	700,000	yes	yes	yes	yes	yes	4. Contractor has 2 contracts for **same** scopes of work; 2nd contract is additive because it is for the **same** project; cumulative total is greater than $500K, is within annual budget; 2nd contract is greater than $500K and triggers Add'l BOT approval

Additive Contract Definition: Additional agreements for the same vendor for the same project.