



ALAMEDA COUNTY MEDICAL CENTER

Highland Campus • Fairmont Campus

John George Psychiatric Pavilion • Ambulatory Healthcare Services

FINANCE COMMITTEE MEETING

TUESDAY, March 20, 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 - None

THE MEETING WAS CALLED TO ORDER AT 4:40 PM.

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Kirk E. Miller and Ronald D. Nelson; Valerie D. Lewis, Esq. joined the meeting at 4:59 pm establishing a quorum.

Stanley M. Schiffman was excused.

Trustee Miller re-ordered the agenda so that Trustee Lewis would be present for presentations, discussions and votes concerning action items.

TAB #4 REPORT: Financial and Operations Reporting

A. REPORT: Financial Update for Month Ending February 29, 2012

Marion Schales, Chief Financial Officer, summarized major points in the financial results for the month of February 2012.

- Net Operating Income (before OPEB expense and the Delivery System Incentive Pool (DSRIP)) was on budget. Total Income (Including OPEB expense and DSRIP) was \$2.6 million, resulting in a positive variance of \$1.9 million compared to budget.

Ms. Schales drew attention to two new financial reports added to the monthly Interim Financial Statement packet. They reflect detailed month and year-to-date revenues and expenses related to ACMC's Delivery System Reform Incentive Pool (DSRIP) revenues and expenditures. These new reports will be included permanently.

Bill Manns, Chief Operating Officer, noted that year-to-date outpatient visit volumes are under budget by 9% although they are higher than the prior year-to-date by

4.7%. He attributed the lower volumes to the fact that ACMC is behind schedule in opening some of the clinics planned for FY 2012. However, ACMC has offset some of the volume impact due to the delay by initiating the following items:

1. Establishment of Saturday clinics at all locations;
2. Provision of evening hours in some clinics;
3. Opening a new pediatric clinic at Eastmont; and
4. Increasing specialty clinic care at Highland by expanding into the re-opened former "urgent care" space.

Mr. Manns noted that Pharmacy costs were under budget by \$160K in February and \$482K YTD due to improved inventory control.

B. REPORT: Status on DSRIP

Sang-ick Chang, MD, Chief Medical Officer, gave the first semi-annual progress report on ACMC's Delivery System Reform Incentive Pool (DSRIP) initiative. He gave the presentation to both the Strategic Planning and Finance Committees.

- ACMC's 5 year DSRIP plan (FY 2011 - FY 2016) is a comprehensive, integrated proposal designed to help ACMC advance from delivering traditional health care for underserved populations to launching a health care system of the future.
- DSRIP initiatives are part of ACMC's "BEST" (Building Excellence through System Transformation) program and include over 18 projects and 120 milestones and performance metrics.
- BEST (DSRIP) projects are rigorously evaluated by the BEST Oversight Committee with voting members that include most of ACMC's executive leadership.
- All approved projects are tracked against established funding budgets by major category. Performance metrics are monitored to evaluate program progress.
- It is expected that most projects will become self-sustaining. When projects are deemed self-sustaining, or no longer viable, they are discontinued so encumbered funding can be released and used for other projects.
- ACMC is on track to earn all the incentives available for fiscal year 2012.

Trustee Miller asked for a comprehensive grid comparing DSRIP categories with ACMC's strategic priorities, and showing where they do and do not match. Mr. Lassiter, Chief Executive Officer, said that itemized reporting on progress on the Board of Trustees' five long-range goals will be covered in depth at the Board of Trustees retreat in April.

Dr. Chang introduced and thanked Nancy Halloran, ACMC's DSRIP Administrator.

C. ACTION: Payment of 6 Month Extension Hospital Fee

Ms. Schales requested that the Finance Committee recommend to the Board of Trustees that the revenues received under the six-month Hospital Fee Extension be made available for use in operations. This payment is needed to provide additional cash to cover several months of lower Medi-Cal payments due to a backlog in claims processing by the State of California's new Medi-Cal fiscal intermediary. This problem has persisted through-out most of the fiscal year and shows no sign of abatement in the near term.

The understanding of the Finance Committee was that the original resolution would have applied to all Hospital Fee revenue under the original Hospital Fee program. The Finance Committee recommended that management prepare for the Board agenda a formal resolution to classify the payment of the six-month Hospital Fee extension as unrestricted funds.

Ms. Schales explained that there is also a second thirty-month Hospital Fee and that the California Hospital Association (CHA) has submitted the hospital contracts for this program to CMS for review and approval. She stated that if the amount for the thirty-month extension was in excess of \$5 million and ACMC's cash flow position allows, she would recommend restricting the payment for the thirty-month Hospital Fee in the same way the original \$29 million was restricted.

A motion was made by Trustee Nelson to approve the recommendation. Upon further discussion, the Committee agreed that the action regarding the use of the funds should be taken by the full Board of Trustees at the March 27, 2012 meeting. The original Resolution along with a new Resolution will be included in the agenda packet for approval. The motion was tabled.

TAB #5 REPORT: CFO Update

Ms. Schales, CFO, gave a brief verbal report on the status of the Electronic Health Record (E.H.R.) incentive claiming an increase in MediCal Managed Care income and Federally Qualified Health Center (FQHC) status for the Highland outpatient clinics.

- ACMC has been fulfilling a demanding set of requirements for claiming the physician portion of the total of \$18 million in incentives available to offset some of the capital investment in E.H.R. To date, 134 ACMC providers have been enrolled and assigned their incentive payments to ACMC. ACMC anticipates \$6 million in incentive payments for FYE-2012, \$2.8 million for the physician incentive and \$3.2 million for the Medical Center incentive.
- In FYE-2012, ACMC expects to receive an additional \$5 million supplemental payment for MediCal managed care beneficiaries.

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- The Highland out-patient clinic received approval for Medi-Cal Federally Qualified Health Center (FQ) status. This FQ status will enhance reimbursement retro-active to July 1, 2011. ACMC is starting to bill under its FQ status and is working with the State on how to bill retro-actively.

TAB #2 ACTION: Approval of Minutes

ACTION: A motion was made, seconded, and the committee unanimously approved the Minutes of the January 17, 2012 Finance Committee Meeting as presented.

MOTION: Trustee Nelson

SECOND: Trustee Lewis

TAB #3 Financial Forecasting and Analysis

A. REPORT: Capital Inventory and Capital Steering Committee

Don Briones, VP Finance, provided an informational report on ACMC's capital planning process. Articles were provided about capital planning at other healthcare entities.

- Requests for capital purchases for replacement and for strategic growth are evaluated and scored by members of the Capital Expenditure Committee (CAPX).
- CAPX voting members are physician leaders and functional managers. It is staffed by senior management in Quality, Biomedical Sciences, Materials Management and Finance, and sponsored by the Chief Financial Officer.
- Once CAPX makes its recommendations, the proposals are approved for purchase by the Executive Team (based on available cash flow).
- Final approval follows the signature authority matrix, with capital expenditure greater than \$500K requiring approval by the Board of Trustees.
- Certain capital expenditures are not evaluated by CAPX:
 1. Emergency capital requests are evaluated and approved by the Executive Strategic Committee.
 2. DSRIP related capital expenditures are evaluated and approved by the BEST/DSRIP Oversight Committee.
 3. Costs related to the new buildings project are evaluated and approved by Specialty Care Clinic/Acute Tower Replacement Committees.
- Future development of the capital planning process at ACMC will integrate capital planning and tracking to contribute to multi-year planning and forecasting in support of ACMC's strategic objectives and will include the formation of funding pools for specific areas such as End of Life Replacement, Infrastructure Replacement for Technologies and Facilities, Project and Strategic Capital, and Emergencies.

Trustees requested that this topic appear on the agenda for the full Board at some future date.

Trustee Miller noted that capital spending had increased this year, but was still modest for an organization of ACMC's size. Mr. Briones confirmed that excluding spending on the E.H.R. project, ACMC's capital spending for this fiscal year is about \$9 million.

B. REPORT: Summary 2013 Financial Budget Assumptions

Mr. Briones presented the baseline revenue and expense assumptions underlying the development of ACMC's FY 2013 budget. The process itself will be top-down in order to insure that baseline assumptions are driven by ACMC's 10-year long range strategic and financial plan for fiscal year 2013.

- Additional assumptions will be incorporated from:
 - Initiatives in process (E.H.R., DSRIP, etc.);
 - Recommendations impacting FY13 from the cost management/revenue cycle assessment initiative; and
 - Recommendations impacting FY13 from the 3-Yr Strategic Plan.
- Department-specific budgets will be developed from these incorporated assumptions.
- Based on approved exception proposals from ACMC management, the base budget may be adjusted.

Trustee Lewis noted that testing assumptions is crucial in the current environment. Mr. Lassiter, CEO, confirmed that the budget assumptions have been tested and will continue to be tested over the course of the budgeting process.

C. ACTION: Foundation Business Plan

Wright Lassiter introduced the topic and speaker. He felt that before he could come to the Finance Committee and recommend a contract with the Alameda County Health Care Foundation (ACHCF), four prerequisites had to be in place:

1. Strong and dedicated Foundation leadership;
2. An engaged and activated Foundation board;
3. A meaningful return on investment for ACMC; and
4. A credible business plan.

Mr. Lassiter feels those four conditions have been met, and introduced Debra Barnes, the new Executive Director of the Alameda County Health Care Foundation.

Ms. Barnes presented her credentials and her 3-year business plan to increase philanthropic support for ACMC. She reviewed the Foundation's strengths and weaknesses and identified opportunities and threats, emphasizing that the

Foundation exists to support ACMC. Ms. Barnes presented the following highlights of her 3-year Business Plan:

- Over three years, with an ACMC investment of \$3.2 million, the Foundation will raise a total of \$18.1 million.
- The plan includes activities to sustain and increase the level of philanthropic giving to ACMC over subsequent years and start to fund an endowment through mechanisms like an ongoing major gift plan, naming opportunities in new facilities, publicizing ACMC in the United Charities campaign, maximizing return on fundraisers, expanding the board, increasing grant writing and establishing estate giving mechanisms like the charitable remainder trust.
- Some of the steps needed to achieve these results include investing in donor acquisition lists; increasing staff from 2 to 5 FTE's over the next three years and moving to a location with a more professional appearance.

Staff recommended Motion to Approve the ACHCF business plan.

ACTION: A motion was made, seconded, and unanimously passed to recommend approval of the request to support the Foundation as presented.

MOTION: Trustee Nelson

SECOND: Trustee Lewis

ACTION: The Action item was amended to recommend to the Board of Trustees that ACMC support the funding as identified in agenda item TAB 8.A.4 and recommend this item be moved forward to the full Board for approval at the March 27, 2012 meeting.

MOTION: Trustee Lewis

SECOND: Trustee Nelson

TAB #6 Financial Policy Development – No report.

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

TAB #8 ACTION: Contract and Capital Authorization

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

1. Contract renewal for **HealthCare Security Services of California, dba HSS.**
2. Contract amendment for **MV Transportation.**
3. Contract amendment for **Precyse Solutions, L.L.C.**
4. Contract renewal with **Alameda County Health Care Foundation.**

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5. Contract amendment with **Stoltenberg Consulting, Inc.** (Bruce Cook).
 6. Contract amendment with **Elumin Healthcare Solutions, Inc.** (Aaron Hsu).

ACTION: Following a presentation and discussion of each agreement, a motion was made, seconded and unanimously passed to authorize the CEO to execute the six operating contracts as presented.

MOTION: Trustee Nelson
SECOND: Trustee Lewis

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

1. Capital Project with **various vendors to replace two boilers.**
3. Contract amendment for **Digital Prospectors Corporation** (Greg Herbert).
4. Contract amendment with **Elumin Healthcare Solutions, Inc** (Margo Krusac).
5. Contract amendment with **Stoltenberg Consulting, Inc.** (Dominic Canare).
6. Contract amendment with **Stoltenberg Consulting, Inc.** (Michelle Armbrister).
7. Contract amendment with **MRI Contract Staffing** (Richard White).

ACTION: Following a presentation and discussion of each agreement, a motion was made, seconded, and unanimously passed to authorize the CEO to execute six of the seven capital contracts as presented. Mark Zielazinski, Chief Information Officer, requested that item 8.B.2 - Contract amendment with Digital Prospectors Corporation, Inc. (DPC) for the E.H.R. project (Todd Siefert) be pulled from the agenda.

MOTION: Trustee Nelson
SECOND: Trustee Miller

C. INFORMATION: List of approved contracts \$150 K - \$500 K (13 contracts) was provided.

D. INFORMATION: List of cumulative vendor contracts totaling more than \$500,000 (8 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 there was no Closed Session.

Board of Trustees Remarks: None.

Public Comments: None.

THE MEETING WAS ADJOURNED AT 7:32 PM.

Respectfully submitted,

Barbara L. McElroy
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____


Douglas B. Habig, Esq.
General Counsel