



ALAMEDA COUNTY MEDICAL CENTER

Highland Campus • Fairmont Campus

John George Psychiatric Pavilion • Ambulatory Healthcare Services

FINANCE COMMITTEE MEETING

TUESDAY, September 18, 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 5:42 PM.

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Kirk E. Miller, Ronald D. Nelson, and Stanley M. Schiffman were present.

Valerie D. Lewis, Esq. was excused.

TAB #2 ACTION: Approval of Minutes

ACTION: *A motion was made, seconded, and approved the Minutes of the June 12, 2012 Finance Committee Meeting as presented. Trustee Schiffman abstained from the vote as he was not present at the June 12, 2012 Finance Committee Meeting.*

MOTION: *Trustee Nelson*

SECOND: *Trustee Miller*

AYES: *Trustees Miller and Nelson*

NAYS: *None*

ABSTAIN: *Trustee Schiffman*

ABSENT: *Trustee Lewis*

ACTION: *A motion was made, seconded and unanimously approved the Minutes of the July 24, 2012 Finance Committee Meeting as presented.*

MOTION: *Trustee Nelson*

SECOND: *Trustee Schiffman*

AYES: Trustees Miller, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

TAB #3 Financial Forecasting and Analysis – No report.

TAB #4 REPORT: Financial and Operations Reporting

A. REPORT: Financial Update for Month Ending August 31, 2012

Bill Manns, Chief Operating Officer, noted that clinic visits were 99% of budget in August in spite of the impact of the Electronic Health Record (EHR) rollout thanks to Benita McLarin's staff and the providers. Emergency department Left-Without-Treatment (LWT) rate dropped to 4.4% in August due to LEAN project improvements vs 6.2% the prior period. Mr. Manns noted that August's **Total Labor Expense** was over budget due to preparation for the impending CMS survey which also caused negative budget variances in **Materials and Supplies, Medical Supplies and Repairs, Maintenance and Supplies**. In addition, **Medical Supplies** were over budget due to the cost of Prosthetics; MedAssets will be assisting with cost reduction strategies in this area.

Mr. Manns reported that the negative impact to productivity for Electronic Health Records (EHR) was offset by extended clinic hours. Trustee Miller asked if the new EHR system takes longer or was the learning curve the reason for the negative impact to productivity. Wright Lassiter, III, Chief Executive Officer, noted that some capacity was taken out of provider schedules to allow more time for providers to learn NextGen, however, it is taking longer to learn than expected.

Marion R. Schales, Chief Financial Officer, reported that **Other Operating Revenue** was under budget \$164K in August. The biggest component of the variance was due to ongoing contract negotiations with the County for **Health Program of Alameda County (HPAC)** which caused a negative variance on that line of \$633K. Ms. Schales also noted that **Net Operating Income** was under budget \$463K in August but slightly ahead of budget for the YTD with a favorable variance of \$181K.

B. REPORT: Building Excellence through Timely Expense Reduction (BETTER) initiative status.

Ms. Schales introduced the BETTER update noting that Budget 2013 included \$10M in margin improvements. Ms. Schales then turned the presentation over to Mr. Jack Datz of MedAssets who presented the status of the project.

- Mr. Datz noted that the MedAssets contract expects to generate \$19.6M savings over 18 months; the project began July 1, 2012.

- The first objective was implementation of a governance structure to ensure appropriate oversight. The structure includes an executive sponsor for each initiative with implementation teams, a team leader, and a MedAssets partner.
 - Trustee Schiffman didn't recognize all the names on the teams. Team members were identified and their roles. Trustees expressed some concern about teams with only one team member. Staff indicated that they will revisit this strategy.
- Work related to the Scorekeeping team initiative is underway and progress will be presented at the next Finance Committee meeting.
- Mr. Datz reviewed the Savings Summary and explained the difference between the **Budgeted Realized Savings** of \$10.6M; the **Targeted** (18 month) **Run Rate Savings** (\$19.6M); the year-to-date **Identified Savings** (\$3.1M) based on the work done to date and the **Realized Savings** (\$0) that will be recorded when the identified savings are implemented. The project goal is to identify more savings each month and report out to the Finance Committee. There was some discussion regarding the definition of "identified" vs. "realized." "Realized" is defined as actually achieving a measurable level of savings as defined by the initiative goal.
- Mr. Datz presented a dashboard progress report for each initiative.
 - The Strategic Labor-Nursing initiative has identified up to \$3M in savings from reduced use of sitters, overtime, and changes to the use of a staffing pool. Mr. Lassiter reminded the Trustees that Jeanette Loudon-Corbett, Chief Human Resources Officer, negotiated memorandum of understanding (MOU) language for flexible staffing decisions which enabled MedAssets to implement this plan.
 - The Agency Vendor Management initiative will yield a savings of \$750K by obtaining new contract rates.
 - Supply Chain Redesign is the only initiative running behind schedule.
 - Physician Preference Items (PPI) involves better contract pricing and standardization and is on schedule.
 - Purchased Services has several areas with contract savings and is on schedule.
 - Capital and Construction will be implementing web-based *Attainia* and preparing for the upcoming major buy for Class 3 & 4 equipment for the Highland Care Pavilion and Acute Tower Replacement projects.
 - More pervasive implementation of the Pharmacy 340B Program is in progress and on schedule.
 - The MedAssets Group Purchasing Organization (GPO) will provide better contract negotiation for vendors currently used by APMC.

C. REPORT: Electronic Health Record (EHR) Status

Russ Peckenpaugh, Director of Information Applications, provided a report on the status of the EHR project. There have been significant delays due primarily to two factors:

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- The Soarian Clinical tracks for John George Psychiatric Pavilion (JGPP) and Fairmont Hospital (FMT) scheduled for September 1, 2012 are pushed to November 1, 2012 due to preparation for the impending CMS survey.
 - The Highland implementation is rescheduled to February 1, 2013.
 - Soarian financials are delayed due to the following challenges in patient financial services.
 - Difficulty with Patient Financial Services staff availability to participate in the Soarian Financials build functions.
 - Insurance and eligibility verification process was automated in Soarian Financials and required a Siemens programming solution.
 - Trustee Schiffman wanted to know the realistic timeframe to complete the EHR project. Mr. Peckenpaugh responded that the new Clinical Soarian's November and February timeframes are realistic for Highland. He noted that he could see ACMC push out from April to July, 2013 for Soarian Financials depending on progress in the coming months. He noted that NextGen is still having a negative impact on productivity involving patients throughout the free-standing clinics including access and collections. Delaying implementation of Highland clinics to July 1, 2013 would allow stabilization of free-standing clinic operations.
 - Mr. Lassiter commented that the original internal planning process was probably too aggressive for providers to get back up to speed. Highland specialists are seeing sicker patients and might therefore have other obstacles to work out.
 - Trustee Schiffman noted that ACMC staff should be ready to go live at each step when the module is ready. Mr. Lassiter reminded that delays have implications in terms of cash collections, use of consultants, etc. Mr. Peckenpaugh reiterated that the average slowest times to forecast end-of-process implementation timeframes were being utilized.
 - Trustee Miller commented regarding studies that have shown that EHR's do not save money but improve quality. He questioned to what extent has ACMC planned on cost savings. Mr. Lassiter responded that overall, efficiencies in the cost to manage patient care will save money, but can't prove it now. (No cost savings are built into the 2013 Budget).

D. REPORT: Delivery System Reform Incentive Payment (DSRIP) Quarterly Update

Kathleen Clanon, MD, Interim Chief Medical Officer, reported the current status of the DSRIP program for ACMC. She noted that DSRIP funds are not only earmarked for meeting clinical milestones but for expansion of care and patient access.

- ACMC has recovered all available funds for Demonstration Year 6 (DY6).
- ACMC also expects to recover all available funds for DY7.

Dr. Clanon noted that she received feedback from the Department of Health Service and CMS that ACMC's preparation and documentation report was seen favorably. She explained that of the available investment funds of \$113.6M, projects have been identified and funds encumbered of \$30.6M as of August 31, 2012, leaving a balance of \$83M to be spent.

Dr. Clanon noted that there are risks to achieving program milestones. For example, primary care expansion is at risk due to provider recruitment challenges; the impact of EHR implementation risks patient-access milestones. Mr. Lassiter reminded the Committee that the first and second years of the program were more about reporting and planning and that program years 3, 4, and 5 focus on outcomes and ambulatory access.

E. REPORT: Health Program of Alameda County (HPAC) for Fiscal Year 2012-2013 Contract

Ms. Schales noted that the contract for FY2013 is the last full year of the HPAC program. She also noted the following points.

- HPAC includes two populations: The Medicaid Coverage Expansion (MCE) covers adults with family incomes at or below 133% of the Federal Poverty Level (FPL), and these enrollees will be eligible for Medi-Cal in 2014.
- The Health Care Coverage Initiative (HCCI) covers adults with family incomes between 134-200% of the FPL. These enrollees will be eligible for State Exchange in 2014.
- The program allows the County to expand care and access, was originally based on CMSP in FY2011 and into FY2012 with new objectives, and provides for out of network services, panel management, and medical home assignment.
- The budget for the contract for FY 2012-2013 is \$102.4M which is \$7.0M greater than last year's contract.

Trustee Schiffman asked if HPAC and DSRIP and waiver are more money or incremental funds. Ms. Schales explained that ACMC is negotiating with the County to balance partly old money and partly new money because programs cover what was formerly CMSP. Although the County population will continue to grow, the funding is capped and will not always cover the cost. Strategically ACMC wants to retain the patients that will be covered by Medi-Cal and the Health Insurance Exchanges starting January 2014. Mr. Lassiter noted that this contract does not cover full cost now, so Measure A is used in part to underwrite these patients' costs.

Trustee Miller asked how this program's reimbursement compares to Medi-Cal's reimbursement rate. Ms. Schales explained that presently for outpatient, ACMC is getting reimbursed at about the same as our FQHC rates. However, Ms. Schales noted that it is very difficult to estimate covered cost for inpatient due to variability in inpatient costs and that reimbursement is essentially a block grant.

Trustee Miller asked if ACMC can close the gap – meaning between cost and reimbursement. Ms. Schales referenced the recently completed 10 year financial strategic plan which requires improvements in net revenues and cost savings not necessarily payer by payer but overall. Mr. Lassiter noted that no health care system in California will break even on Medi-Cal, but all health systems (private and public) are targeting break-even for Medicare patient care. Many other health systems have high commercial reimbursement to offset lower paying payors.

F. REPORT: Behavioral Health Care Services (BHCS) Contract

Ms. Schales provided a brief history of the reimbursement between the County department of Behavioral Health Care Services (BHCS) and APMC. She noted that the current draft of the agreement includes the following modifications.

- APMC is planning to assume full control of BHCS billing, patient eligibility, financial screening, cash collection processes, and accounts receivable.
- APMC should see significant improvement to patient eligibility screening, patient advocacy for financial assistance needs, and compliance.
- APMC added BHCS Medicare and Commercial billings effective July 1, 2012.
- Transition from BHCS to APMC of Medi-Cal, Short-Doyle and Medi-Cal Managed Care billing with a planned effective date of February 1, 2013. This timeframe will allow APMC time to apply to the state to obtain a Medi-Cal mental health license and negotiate new rates with BHCS.
- The fiscal impact of the BHCS contract amounts to approximately \$26M annually with an estimated improvement under the new arrangement of additional 3-5% improvement in reimbursement.

TAB #5 REPORT: CFO Update

Ms. Schales reported that effective September 14, 2012, Mr. Don Briones, VP of Finance, has left APMC to join Valley Care Health System in Livermore/Pleasanton. Ms. Schales introduced and welcomed Mr. Joe Demont as Interim VP of Finance and cited highlights from his resume.

TAB #6 Financial Policy Development – No report.

TAB #7 REPORT: Healthcare Reform and Regulatory Changes

Dr. Clanon reported on the new CMS-approved DSRIP Category 5 Human Immunodeficiency Virus (HIV) Incentive Pool and provided the following highlights:

- HIV and the Ryan White funding of the past had inadvertently been left out of the Federal legislation which governed health care reform. The impact to the County of Alameda was the loss of funding for HIV programs.
- This means that low-income persons with HIV previously covered by a Ryan White system of care, will, upon enrollment in an Low Income Health Program (LIHP) (also known as Health Program of Alameda County (HPAC)), be required to receive their outpatient medical care, pharmaceuticals, and mental health services from providers within their County LIHP network. All other remaining services not covered by the LIHP could continue to be provided through Ryan White, where available. Beginning January 1, 2014, these low-income persons with HIV will be served through a combination of Medi-Cal (Medicaid expansion) or California Health Benefits Exchange, and Ryan White.
- The proposed Section 1115 Demonstration amendment will assure that persons with HIV make the transitions of coverage from Ryan White to California's LIHPs

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- without loss of core medical or other critical services. The proposal would enable DPH systems with approved 5 year Delivery System Reform Incentive Pool (DSRIP) plans under the Demonstration to establish "Category 5" HIV Transition projects to develop programs of activity that support efforts to provide continual access to high-quality, coordinated, integrated care to patients with HIV, particularly those LIHP enrollees who previously received services under the Ryan White program.
- ACMC intends to participate in DSRIP Category 5 and has included \$6M in the supplemental revenues section of the FY 2013 budget. ACMC intends to utilize the funding from the DSRIP Category 5 as additional funding to help recover the reductions from the Medical Waiver funding that were made to fund the LIHP program. ACMC will use the current DSRIP infrastructure to establish and communicate the Category 5 projects.

TAB #8 Contract and Capital Authorization

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

1. Contract Amendment with **RadCare of California Inc.** for Diagnostic Provider Services for the period September 1, 2012 through August 31, 2013.

ACTION: A motion was made, seconded, and unanimously approved the RadCare of California, Inc. contract amendment as presented.

MOTION: Trustee Nelson

SECOND: Trustee Schiffman

AYES: Trustees Miller, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

2. Contract Revision with **Encore Hospitality Services/Towne Park** for Parking and Shuttle Services for the period October 1, 2012 through September 30, 2015.

ACTION: A motion was made, seconded, and unanimously approved the Encore Hospitality Services/Towne Park contract revision as presented.

MOTION: Trustee Nelson

SECOND: Trustee Schiffman

AYES: Trustees Miller, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

3. New Agreement with **Morrison Management** to provide Food and Nutrition Management Services for the period October 1, 2012 through September 30, 2017.

Mr. Manns provided a brief presentation about the details of the Morrison contract. He provided highlights listed below.

- Due to the need for better management controls in the nutrition and food services areas, both from an operational perspective to manage cost as well as from a regulatory perspective to mitigate risks discovered from regulatory audits and surveys from Centers of Medicaid and Medicare (CMS), The Joint Commission (TJC), and California Department of Public Health (CDPH), ACMC is proposing to engage Morrison Healthcare Food Services to provide management labor, supplies, and materials to enhance the food service program at the three ACMC facilities (Highland, Fairmont, and John George).
- On an annual basis, this contract will cost slightly more than the current food service costs (\$34,568), will upgrade the current food service areas and over time will provide increased revenues due to the improved services.
- Morrison will provide access up to a \$500K investment to renovate the food service facilities, provide three service food personnel, purchase the food and miscellaneous food service supplies, provide in service training materials and supplies, licenses and general liability insurance and they will replace the three current food service vendors at a lower cost. Morrison serves over 585 acute care clients and is the only food service company dedicated to providing food, nutrition and dining services to hospitals and health systems.

ACTION: *A motion was made, seconded, and unanimously approved the Morrison Management agreement as presented.*

MOTION: *Trustee Schiffman*

SECOND: *Trustee Nelson*

AYES: *Trustees Miller, Nelson, and Schiffman*

NAYS: *None*

ABSTAIN: *None*

ABSENT: *Trustee Lewis*

4. Contract Amendment with **GE Healthcare** for Biomedical Services for the period October 1, 2012 through September 30, 2013.

ACTION: *A motion was made, seconded, and unanimously approved the GE Healthcare contract amendment as presented.*

MOTION: *Trustee Nelson*

SECOND: *Trustee Schiffman*

AYES: Trustees Miller, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

5. Contract Amendment with **Robert Half International** for Temporary Staffing for the period July 1, 2011 through June 30, 2012.

ACTION: *A motion was made, seconded, and unanimously approved the Robert Half International contact amendment as presented.*

MOTION: Trustee Schiffman

SECOND: Trustee Nelson

AYES: Trustees Miller, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

B. ACTION: Authorization for the CEO to Execute Capital Contracts -- None.

C. INFORMATION: List of approved contracts \$150K - \$500K (11 contracts) was provided.

D. INFORMATION: List of cumulative vendor contracts totaling more than \$500K was provided.

TAB #9 Annual Finance Committee Agenda Calendar and Follow-up

A. INFORMATION: Annual Finance Committee Agenda Calendar and Follow-up Worksheet were provided.

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

Douglas B. Habig, General Counsel, reported there was no Closed Session.

Public Comments: None.

Board of Trustees Remarks: None.

ADJOURNMENT: 8:21 PM.

Respectfully submitted,

Barbara L. McElroy
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____


Douglas B. Habig, Esq.
General Counsel