



# ALAMEDA COUNTY MEDICAL CENTER

*Highland Campus • Fairmont Campus*

*John George Psychiatric Pavilion • Ambulatory Healthcare Services*

## FINANCE COMMITTEE MEETING

TUESDAY, November 20, 2012

Central Administration Offices Located at Highland Hospital

1411 East 31<sup>st</sup> 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 4:37 PM.**

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

Kirk E. Miller, Ronald D. Nelson, and Daniel Boggan, Jr. were present.

Valerie D. Lewis, Esq. and Stanley M. Schiffman were excused.

**TAB #2 ACTION: Approval of Minutes**

***ACTION: A motion was made, seconded, and unanimously approved the Minutes of the September 18, 2012 Finance Committee Meeting as presented.***

***MOTION: Trustee Nelson***

***SECOND: Trustee Boggan***

***AYES: Trustees Miller, Nelson, and Boggan***

***NAYS: None***

***ABSTAIN: None***

***ABSENT: Trustees Lewis and Schiffman***

**TAB #3 Financial Forecasting and Analysis – No report.**

## **TAB #4 REPORT: Financial and Operations Reporting**

### **A. REPORT: Financial Update for Month Ending October 31, 2012**

Marion R. Schales, Chief Financial Officer and Bill Manns, Chief Operating Officer reported the financial results for the month of October 2012 with and without the effect of Delivery System Reform Incentive Pool (DSRIP) revenues and expenses.

- Volumes were over budget, but because they included an unfavorable shift in our payor mix to Health Program of Alameda County (HPAC), we incurred additional operating costs for patient care but no commensurate increase in revenue. Longer-range (over the next year or two), however, as HPAC is dissolved and some of these patients switch to higher-paying health plans, ACMC could be in an excellent position to serve this population if these patients choose ACMC as their "medical home." October Total Income (*without* DSRIP) was a loss of \$3.3M resulting in a negative variance of \$3.8M compared to budget. Total Operating Revenue was under budget by \$1.4M and operating expenses were over budget by \$2.4M.
- October Total Income (*with* DSRIP) was a loss of \$1.8M with a negative variance of \$2.8M compared to budget.
- Year-to-date operating performance (*without* DSRIP) is under budget by \$2.5M due to overspending in labor and non-labor expenses and an unfavorable increase in HPAC patients where *reimbursement* is fixed. Over the next several months, however, we expect our MedAssets/ACMC cost management initiatives to yield material savings.
- Due to the negative operating performance to date, management will be applying a focused cost center-by-cost center effort to reduce these budget overages and ensure that we meet our financial targets by year-end. This focused effort will take the form of a new MedAssets/ACMC cost management initiative (Initiative 14) entitled "Financial Performance Improvement" launched earlier this month (November 2012).

Ms. Schales reported that ACMC was over budget for **Salaries, Wages and Registry** for the YTD with 92 FTE's in excess of budget even taking into account patient volumes. The unfavorable budget trend in this area was addressed later in the meeting under the MedAssets report.

Ms. Schales reported that **Purchased Services, Pharmaceuticals, Medical Supplies and Materials & Supplies** were all over budget on a YTD-basis partly due to higher patient volumes and partly due to expenditures related to preparing for, responding to, and eventually successfully meeting our recent Centers for Medicare and Medicaid Services (CMS) survey requirements.

Ms. Schales reported that the **Revenue Cycle Metrics** were favorable for the YTD. ACMC had its best cash month ever with about \$19M collected as compared to

usual monthly collection rates of \$13M to \$14M. Ms. Schales noted that ACMC is meeting all three metrics: **Gross Days in Accounts Receivable, Days in Discharged Not Final Billed, and Average Number of Days to Enter Out-Patient Charges.**

Trustee Boggan commented on the metric **FTE's per Adjusted Occupied Bed** for the YTD. General discussion ensued about the use of this metric including how it relates to total FTE's compared to the budget. Trustee Miller requested that Ms. Schales present this financial report to the Board at its next meeting as part of the Finance Committee report.

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

Mr. Jack Datz of MedAssets presented a status report on the MedAssets initiative. His presentation covered the following elements.

- The ACMC BETTER Project Management Office, a key and added component of our MedAssets/ACMC partnership, helps drive communication, track and analyze execution against project plans, and establishes a structured reporting sequence.
- Scorekeeping Structure and Governance drives communication, tracks and monitors approval processes and establishes a structured reporting cadence.
- The Financial Impact (Savings) Summary reflects newly identified savings of \$1.3M in October 2012. The total identified for the project-to-date was a savings of \$5.8M. Thus far there were no realized savings since the findings have not yet been implemented. Mr. Datz stated that about 75% of the identified savings are to be agreed upon within the next two months.
- Mr. Datz discussed the status update for each initiative currently underway.
- Most initiatives were considered to be "on-time" with little or no barriers for delay. There were a few initiatives, such as Purchased Services, Supply Chain Redesign and Capital & Construction that reflect some barriers that are slowing down the initiatives. Mitigation plans have been identified for each of these.
- Mr. Datz also reviewed the new fourteenth Financial Performance Improvement Initiative and discussed the structure that will ensure budget accountability along with actionable corrective plans for managers. Ms. Schales also noted that the multi-disciplinary membership of the oversight group for this initiative also includes the Quality department.

**C. REPORT: Centers for Medicare and Medicaid Services (CMS) Accreditation Status**

Mr. Manns reported on the results of the CMS re-survey in September 2012.

- In order for hospitals to receive payments for care provided to patients under Medicare and Medicaid, hospitals must meet 23 conditions that cover important standards for providing care.
- In a letter from CMS dated October 2012, ACMC was deemed to be in compliance with all of the Medicare Conditions of Participation. Effective October 22, 2012, CMS restored ACMC's deemed status based on ACMC's continued accreditation by the Joint Commission.
- Mr. Manns and Wright Lassiter, III, Chief Executive Officer explained what CMS means by "governance" or over-sight by leadership specifically around monitoring quality of care.

#### **D. ACTION: Electronic Health Record (EHR) Status**

Russ Peckenpaugh, Director of Information Applications, provided a report on the status of the EHR project and requested a \$2.5M increase to the EHR budget.

##### **Budget**

- Due to project delays, the EHR capital budget will be exceeded by \$2.5M and management is seeking approval for \$2.5M additional funding.
- As of October 2012, incentive revenues for hospital of \$3.2M and \$2.3M for providers were received.
- As of October 2012, expenditures for the Additional Operating Budget and Current Operating Budget were both under budget and forecasted to meet the adjusted budget of \$33.8M and \$21.7M respectively.
- Total capital and operating budgets for the project were revised to be \$77.1M. This is \$3.3M higher than the original budget of \$73.8M due to \$0.8M project expansion to add the ED module and the \$2.5M requested increase to the budget.
- Ms. Schales reported that ACMC expects to collect an additional \$5.5M more American Recovery and Reinvestment Act (ARRA) incentive funds than the original \$18.0M budget presented to the Board. These funds will be collected over a period of several years. The revised capital budget for \$21.7M will be offset with \$23.2M from total estimated ARRA incentive payments.

##### **Program Schedule**

- System design and build for Soarian Clinicals was completed in May 2012; the implementation was rescheduled from September 5, 2012 to November 7, 2012 due to the CMS visit and to ensure staff was properly trained. Soarian Clinicals implementation was completed at Fairmont Hospital and John George Psychiatric Hospital as scheduled.
- Soarian Financials implementation has been delayed from February 2013 to July 2013.
- NextGen EHR at Highland primary and specialty care clinic implementations have been delayed until mid-2013 until free-standing clinics can reach pre-implementation capacity.

Mr. Peckenpaugh explained to the committee members the scope of the Clinicals portion of the EHR implementation including nursing documentation, the interface with medical records, and physician order entry.

**ACTION:** *A motion was made, seconded, and unanimously approved the request to increase the Electronic Health Records (EHR) budget by \$2.5M.*

**MOTION:** *Trustee Boggan*

**SECOND:** *Trustee Nelson*

**AYES:** *Trustees Miller, Nelson, and Boggan*

**NAYS:** *None*

**ABSTAIN:** *None*

**ABSENT:** *Trustees Lewis and Schiffman*

#### **TAB #5 REPORT: CFO Update**

- Ms. Schales reported that the FY 2012 Annual Financial Audit was completed on time. The FY 2012 Audited Financial Statements will be presented to BOT at the November 27th meeting with a short presentation by Cynthia Pon, MGO Audit Partner.
- Ms. Schales requested that starting in January 2013 the internal financial statements presented in the Finance Committee packet will be from the previous month, rather than the financial statements from the month ending before the Finance Committee meeting. For example, rather than presenting the financial statements for the month of December 2012 at the January 2013 Finance Committee meeting, the month of November 2012 will be presented. This will allow the requisite time for the Finance department to better analyze, understand, and explain APMC's financial performance prior to the Finance Committee meeting.
  - General Committee discussion occurred which included consideration of quarterly reporting. Ms. Schales suggested that a focus on YTD results would be the best overview of financial trends.

***Trustee Miller requested a list of the top ten most frequently used finance acronyms be available for reference and education for the full board.***

- Ms. Schales introduced Joseph Demont as the new permanent Vice President of Finance effective December 3, 2012. Mr. Demont is replacing Don Briones. Mr. Demont noted some of his background, education and experience.

**TAB #6 Financial Policy Development – No report.**

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

**TAB #8 Contract and Capital Authorization**

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

1. Contract Renewal with **Able Engineering Services** to provide management/support services for the Engineering department, for the period December 1, 2012 through November 30, 2013 and \$20,163, not to exceed \$1,044,271.
2. Contract Amendment with **American Red Cross** for to provide blood and blood product services to the Blood Bank in the Clinical Laboratory for the period January 1, 2008 through December 31, 2012 by \$754,074, not to exceed \$4,759,524. The cost was budgeted but now the contract requires amendment.
3. Contract Amendment with **Genesis Medical Staffing, Inc.** to provide temporary staffing for Imaging Department, extending the contract by one month through November 30, 2012 and \$55,000, not to exceed \$843,637. Mr. Manns reported that vacant positions are being filled.
4. Contract Amendment with **Quest Diagnostics** for to provide clinical laboratory services, extending the contract term by five months through March 31, 2013 and \$421,358, not to exceed \$5,056,299.
5. New Agreement with **Infomedia Group, Inc, d/b/a CareNet Healthcare Services** to provide nurse advice line for the outpatient clinics for the period January 1, 2013 through December 31, 2015, not to exceed \$800,400. Ms. Benita McLarin, vice-president of ambulatory services, reported that this service is a pilot with the initial focus on pediatrics and the program will be re-assessed in one year and is also part of the DSRIP initiatives. General discussion occurred about the outreach activities into the community for this service.

***ACTION: A motion was made, seconded, and unanimously approved the amendments 8.A.1-4 and the new agreement 8.A.5 as presented.***

***MOTION: Trustee Boggan***  
***SECOND: Trustee Miller***

**AYES:** Trustees Miller, Nelson, and Boggan

**NAYS:** None

**ABSTAIN:** None

**ABSENT:** Trustees Lewis and Schiffman

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

1. Contract Amendment with **E4 Services, LLC** to provide consulting services for the Soarian clinical orders and computerized provider order entry (CPOE) lead applications implementation, extending the existing agreement by six months through September 30, 2013 and \$239,746, not to exceed \$1,415,746.
2. Contract Amendment with **Bayside Solutions** to provide consulting services for the Soarian financial and clinical applications implementation, extending the existing agreement by eleven months through September 30, 2013 and \$275,574, not to exceed \$755,574.
3. Contract Amendment with **Peer Consulting, LLC** to provide consulting services for the Soarian financial application implementation, extending the existing agreement by three months through March 31, 2013 and \$483,537, not to exceed \$1,219,537.
4. Contract Amendment with **Vitalize Consulting Solutions, Inc.** for the design, build and testing services for Soarian clinical and financial applications, extending the existing agreement by six months through September 30, 2013 and \$997,656, not to exceed \$2,262,422.
5. Contract Amendment with **RTL Solutions, LLC** to create custom web-based training modules to support the Revenue Cycle implementation of the Soarian EHR software, extending the existing agreement by six months and \$198,950 through June 30, 2013, not to exceed \$656,375.

***Trustee Boggan requested more information on diversity and use of local in-county resources as it relates to the contractors on the EHR and other projects.***

Trustee Boggan further requested an updated policy from staff that re-evaluates the level of the contract authorization brought to the Committee/Board. He noted that most of the contracts just reviewed were already included in the board-approved FY2013 budget and thus did not require a re-approval for contract execution. Trustee Miller noted that it is not necessary to receive the full contract as part of the board package attachments. Trustee Boggan noted that the capital budget was

approved during the budget process. This "extra" work required by the Finance Committee is not adding value to the approval process.

***Mr. Lassiter will have staff propose a policy in January 2013 to address these concerns noted by the Committee members.***

Trustee Miller noted that with the time saved, Committee members can more efficiently focus on strategic issues.

***ACTION: A motion was made, seconded, and unanimously approved the contract amendments 8.B.1-5 as presented.***

***MOTION: Trustee Boggan***  
***SECOND: Trustee Miller***

***AYES: Trustees Miller, Nelson, and Boggan***  
***NAYS: None***  
***ABSTAIN: None***  
***ABSENT: Trusts Lewis and Schiffman***

**C. INFORMATION:** List of approved contracts \$150K - \$500K (16 contracts) was provided.

**D. INFORMATION:** List of cumulative vendor contracts totaling more than \$500K (9 vendors) 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.

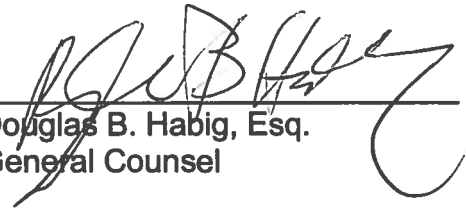
**ADJOURNMENT: 6:12 PM.**

Respectfully submitted,

Barbara L. McElroy  
Clerk of the Board

APPROVED AS TO FORM:

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

  
Douglas B. Habig, Esq.  
General Counsel