



ALAMEDA COUNTY MEDICAL CENTER

Highland Campus • Fairmont Campus

John George Psychiatric Pavilion • Ambulatory Healthcare Services

FINANCE COMMITTEE MEETING

TUESDAY, January 15, 2013

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 4:37 PM.

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Daniel Boggan, Jr., Michele Lawrence, Ronald D. Nelson, and Stanley M. Schiffman.

Valerie D. Lewis, Esq. was excused.

ACTION: A motion was made, seconded, and unanimously approved moving all ACTION items to the top of the agenda.

MOTION: Trustee Schiffman

SECOND: Trustee Lawrence

AYES: Trustees Boggan, Lawrence, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustees Lewis (absent) Trustee Nelson (arrived late)

TAB #2 ACTION: Approval of Minutes

ACTION: A motion was made and seconded approving the Minutes of the November 20, 2012 Finance Committee Meeting as presented.

MOTION: Trustee Schiffman

SECOND: Trustee Lawrence

AYES: Trustees Boggan and Schiffman

NAYS: None

ABSTAIN: Trustee Lawrence

ABSENT: Trustees Lewis (absent) Trustee Nelson (arrived late)

TAB #3 Financial Forecasting and Analysis – No report.

TAB #6 Financial Policy Development

A. ACTION: Revised Signature Authority Matrix

As requested by the Committee, Marion R. Schales, Chief Financial Officer, provided the Finance Committee with a proposed revision of the Signature Authority Matrix. Currently, the CEO authorizes ALL expenditures, contracts and purchase orders, between \$200,000 and \$499,999 after all other internal reviews and approvals have been obtained, in accordance with APMC financial policy. In addition, the current practice requires the Board of Trustees to re-review and re-approve contracts and expenditures that were already approved during the annual budget process.

Ms. Schales proposed the revision of the Signature Authority Matrix and the Financial Authority Policy in order to alleviate the burden of Board re-review and re-approval of expenditures. The Board of Trustees has identified that this “extra” work by the Finance Committee and the Board of Trustees does not add value to the approval process.

The Committee was requested to recommend to the Board of Trustees that the CEO approval level be raised from \$499,999 to \$1,000,000 for budgeted contracts, purchase orders and capital projects.

Trustees Schiffman and Boggan requested information about the number of contracts within different approval thresholds that will be affected by this new policy to be distributed before the next Finance Committee.

ACTION: *A motion was made, seconded, and unanimously approved the Revision to the Signature Authority Matrix as presented.*

MOTION: Trustee Schiffman

SECOND: Trustee Lawrence

AYES: Trustees Boggan, Lawrence, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustees Lewis (absent) Trustee Nelson (arrived late)

TAB #8 Contract and Capital Authorization

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

1. Contract Amendment with **Samuel Merritt College** to provide professional services for inpatient, ambulatory and emergency care including 24x7 call coverage, not to exceed not to exceed \$604,010, for period July 1, 2010 through June 30, 2015.

ACTION: *A motion was made, seconded, and unanimously approved the contract amendment 8.A.1 as presented.*

MOTION: Trustee Schiffman

SECOND: Trustee Lawrence

AYES: Trustees Boggan, Lawrence, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustees Lewis (absent) Trustee Nelson (arrived late)

2. Contract Renewal with **CareFusion** to provide thirteen (13) additional pharmaceutical inventory machines for the new Highland Care Pavilion, not to exceed \$2,471,280, for the period July 1, 2008 through December 31, 2017.

ACTION: *A motion was made, seconded, and unanimously approved the contract renewal 8.A.2 as presented.*

MOTION: Trustee Schiffman

SECOND: Trustee Lawrence

AYES: Trustees Boggan, Lawrence, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustees Lewis (absent) Trustee Nelson (arrived late)

3. Contract Amendment with **Alameda County Sheriff's Department** to provide law enforcement and security services at the Alameda County Medical Center's

Highland Campus, not to exceed \$4,921,580, for the period July 1, 2011 through June 30, 2013.

ACTION: *A motion was made, seconded, and unanimously approved the contract amendment 8.A.3 as presented.*

MOTION: *Trustee Schiffman*

SECOND: *Trustee Lawrence*

AYES: *Trustees Boggan, Lawrence, and Schiffman*

NAYS: *None*

ABSTAIN: *None*

ABSENT: *Trustees Lewis (absent) Trustee Nelson (arrived late)*

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

1. New contract with **Rossi Builders** to provide construction services for the Fairmont sprinkler system replacement for B-building, not to exceed \$882,560, for the period March 1, 2013 through September 1, 2013.

The Committee discussed the scope of the entire project and concurred that the project should be approved for \$1.3M with the understanding that contract 8.B.1 presented falls under the scope of the project.

ACTION: *A motion was made, seconded, and unanimously approved the budgeted project for \$1.3M with the understanding that contract 8.B.1 falls within the scope of the project.*

MOTION: *Trustee Schiffman*

SECOND: *Trustee Lawrence*

AYES: *Trustees Boggan, Lawrence, and Schiffman*

NAYS: *None*

ABSTAIN: *None*

ABSENT: *Trustees Lewis (absent) Trustee Nelson (arrived late)*

2. Capital purchase from **GE Healthcare** of two mammography diagnostic systems, one each for Eastmont and Newark Wellness Clinics, and one workstation for Eastmont, not to exceed \$648,872. (Funded by DSRIP).

ACTION: *A motion was made, seconded, and unanimously approved contract 8.B.2 as presented.*

MOTION: *Trustee Schiffman*

SECOND: *Trustee Lawrence*

AYES: Trustees Boggan, Lawrence, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustees Lewis (absent) Trustee Nelson (arrived late)

C. INFORMATION: List of approved contracts \$150K - \$500K (7 contracts) was provided.

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

TAB #4 REPORT: Financial and Operations Reporting

A. REPORT: Financial Update for Month Ending November 30, 2012

Ms. Schales and Bill Manns, Chief Operating Officer reported the financial results for the month of November 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), as HPAC is dissolved and many of these patients convert to Medi-Cal and Health Insurance Exchanges, ACMC could be in an excellent position to serve this population if these patients choose ACMC as their "medical home."
- November Total Income (*without* DSRIP) was a loss of \$1.7M resulting in a negative variance of \$0.9M compared to budget. Total Operating Revenue was about break even with budget by \$.04M and operating expenses were over budget by \$0.9M.
- November Total Income (*with* DSRIP) was a gain of \$0.03M with a positive variance of \$0.4M compared to budget and an improvement of \$1.8M over October 2012 results.
- Year-to-date Operating Performance (*without* DSRIP) is under budget by \$3.4M due to higher expenses. Ms. Schales stated that ACMC will need to make up for these negative variances for the balance of this year in order to meet our cash flow requirements.

Ms. Schales reported that ACMC was over budget for **Salaries, Wages and Registry** for the YTD with 178 FTE's in excess of budget even after taking into account patient volumes. Wright Lassiter, Chief Executive Officer, indicated that he is not happy with the budget variances and that the pace of improvement might not be sufficient to meet year-end targets. Trustee Boggan noted that ACMC is not meeting its targeted FTE/Adjusted Occupied Bed metric. Ms Schales reported that

the Performance Improvement teams are working at a very detailed level to identify root causes and develop action plans. There will be more detailed reporting about the results of this work at the March 2013 Finance Committee meeting.

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

Mr. Jack Datz, Executive Director with MedAssets presented a status report on the BETTER initiatives. His presentation covered the following elements.

- The Financial Impact (Savings) Summary reflects newly identified savings of \$1.0M in November and another \$0.7M in December 2012. The total identified for the project-to-date was a savings of \$7.6M. Thus far there were \$0.2M in realized savings since the program began.
- Mr. Datz discussed the status update for each initiative currently underway.
- All initiatives were considered to be progressing with little or no barriers that would lead to delay.

C. REPORT: Electronic Health Record (EHR) Status

Chris Halvorsen, Interim Chief Information Officer, reported that the total capital and operating budgets for the E.H.R. project was forecasted to be \$77.1M. This amount was \$3.3M higher than the original total budget of \$73.8M due to the \$800K project expansion to add the ED module (approved in January 2012 by the BOT) and the \$2.5M increase due to implementation delays (approved in November 2012 by the BOT).

Mr. Halvorsen reported that Soarian Financials implementation is continuing to track with the revised schedule for the July 1, 2013 implementation date. He also reported that during recent system testing, ACMC identified and began to resolve system performance issues and software bugs in the Soarian Clinicals ED module. As a result, implementation of the ED module has been delayed until after the Highland Clinicals activation in February 2013. This change does not impact the implementation of the remaining Soarian Clinicals functionality at Highland Hospital and it does not affect the achievement of the ARRA financial incentives.

F. DISCUSSION: Recovery Audit Contractor (RAC Audits)

Kerin Bashaw, Vice President of Quality Services, provided a report on the status of recent Medicare Recovery Audit Contractor (RAC) audits at Alameda County Medical Center. Ms. Bashaw provided some history on the role, process and national findings of the RAC audits, as well as similar recovery efforts that might be expected from the State (MediCal) and other payers.

Ms. Bashaw reported that APMC was currently in the process of responding to a RAC audit that covers a span of up to three years. The current RAC audit contends that APMC received \$1.7M in overpayments due to errors in our coding and billing. We are carefully reviewing this RAC determination. If proven accurate, this amount would represent a fraction of our total Medicare revenue (less than 2%). Nonetheless, given our already thin margins, the impact is significant. Additionally internal estimates of potential RAC risk associated with patients who should have been in "observation" status at APMC are estimated at 297 cases (or approximately \$2M).

Ms. Bashaw reported that APMC has prepared several short and long term plans to mitigate further future potential recoupment due to RAC audit findings.

- APMC has instituted an APMC RAC Response Plan (or "RAC Pack"). This is an internal rapid-response team, which includes members of Health Information Management, Finance, and Quality, to assess and respond to RAC requests including case review and appeals. An aggressive review process has been implemented, along with a new data base and tracking system. Additionally the RAC Pack is developing an audit loss prevention plan. This plan will be presented to the Compliance and Audit Committee in March 2013.
- APMC has implemented immediate strategies in process to address other areas of vulnerabilities.
 - Initiating use of observation status- target January 31, 2013
 - Implementing observation unit- target February 28, 2013
 - Implementing Care Management Plan- target March 31, 2013
- APMC is pursuing advocacy with NAPH and CAPH to address the possibility for CMS to institute safety net hospital adjustments to RAC audit criteria (due to our complex and challenged patient population).

Ms. Bashaw reported that the RAC situation will be closely monitored with updates to leadership with oversight by the Compliance and Audit Committee.

D. REPORT: Delivery System Reform Incentive Payment (DSRIP) Semi-Annual Status Report

Kathleen Clanon, MD, Interim Chief Medical Officer reported on the DSRIP project status. The last status report was reviewed by the Finance Committee in September 2012.

Significant Updates

- A new category was funded (Category 5) which is intended to support the transition of people with HIV from Ryan White (payer of last resort) to Low Income Health Program (LIHP). Through Category 5, ACMC has the potential to earn up to \$4.8M over 18 months (July 2012-Dec 2013). Although CMS has not yet sent their official approval of our proposal, we anticipate receiving this approval by the end of January 2013.
- All designated hospital systems are submitting plan modifications in January 2013 that will set targets for Category 4 (urgent improvements in care).
- CMS / DHCS are responsible to provide a "mid-point assessment" (MPA) of DSRIP for all of the participating hospital systems. ACMC is preparing a plan modification to increase milestone goals where feasible, but we are awaiting the mid-point assessment and further instructions before submitting.
- A major project to move the Hayward clinic out of Winton Wellness into the Southland mall is being planned, and we expect to allocate \$3.5M from DSRIP funds to this move. Further details on this will be presented separately.
- Two new mammography screening units will be purchased using DSRIP funds, at approximately \$300K each.

Status

A presentation was reviewed that covered the following points:

- ACMC has received \$29.7M out of potential \$30M for Demonstration Year (DY) 7 (ACMC FY 2011/12). A total of \$57M has been received for the program to date.
- The next claiming opportunity will be in April 2013, after submission of the March 31st report.
- Total encumbered dollars for projects through all Demonstration Years is \$34.5M. Total potential amount for the entire program that is unencumbered (including Category 5) is \$83M.

E. REPORT: Physician Revenue Cycle Assessment

Ms Schales reminded the Finance Committee that the Physician Revenue Cycle Assessment was commissioned as part of the work related to ACMC's \$164M margin improvement target. Initially the Hospital Revenue Cycle Assessment was performed and the results were reported to the Finance committee in July 2012.

Ms Schales introduced Mr. Bryan Chamberlain, Director with MultiCare, who provided a report on the findings of the Physician Revenue Cycle Assessment. Mr. Chamberlain covered the scope of the assessment, strengths and opportunities, benchmarks for physician billing, and an overview of the benefits to be gained through improvement initiatives.

Areas of strength include strong leadership, strong revenue cycle improvement focus over the last year with a new team in place, patient financial services planning efforts prior to Soarian go-live this coming July, and significant efforts to improve charge entry processes.

Mr. Chamberlain reported that opportunities include shifting payer mix and patient access, physician education, and preparing for the Soarian Financials go-live. He reported that physician billing Days in Accounts Receivable are higher than the industry average and national best practice, and that catching up would result in a one-time cash flow benefit between \$0.4M and \$1.1M. Improved charge capture and avoidable write-off reductions would result in an additional \$0.3M to \$0.5M improvement to net revenue per year. Ms Schales pointed out that many of the findings will be addressed when we implement Soarian financials in July 2013.

TAB #5 REPORT: CFO Update

Ms. Schales reported that the requested List of Healthcare Acronyms has been included in the Finance Committee packet under Tab #9, item B. The list will be placed under the resources section in Board Effects and updated periodically.

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

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

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

B. REPORT: Healthcare Acronyms listing was provided. The list will be posted under "general resources" on BoardEffects for future reference and be reviewed twice annually for revisions or updates.

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: THE MEETING WAS ADJOURNED AT 7:15 PM.

Respectfully submitted,

Barbara L. McElroy
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____


Douglas B. Habig, Esq.
General Counsel