



**FINANCE COMMITTEE MEETING
TUESDAY, May 21, 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 4:45 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.

TAB #2 ACTION: Approval of Minutes

ACTION: A motion was made, seconded, and unanimously approved the Minutes of the March 19, 2013 Finance Committee Meeting as presented.

MOTION: Trustee Schiffman

SECOND: Trustee Nelson

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

TAB #3 Financial Forecasting and Analysis – No Report

TAB #4 Financial and Operations Reporting

A. REPORT: Financial Update for the Month Ending March 31, 2013

Marion R. Schales, Chief Financial Officer and Bill Manns, Chief Operating Officer reported the financial results for the month of March 2013 with and without the effect of Delivery System Reform Incentive Pool (DSRIP) revenues and expenses.

Month-to-Date:

- March Net Operating Income was \$285K resulting in a negative variance of \$1.1M (-79.2%) **under** budget and a negative variance of \$193K over prior year actual.
 - March Total Operating Revenue was **over** budget by \$2.2M (4.5%) and operating expenses were **over** budget by \$3.2M due to Labor and Purchased Services (-7.0%).
- March Total Income (*with* DSRIP) was \$475K with a negative variance of \$334K **under** budget and a negative variance of \$837K **under** prior year actual.

Year-to-Date:

- YTD Net Operating Income \$2.9M resulting in a negative variance of \$7.9M **under** budget and a negative variance of \$5.8M **under** prior year actual.
 - YTD Total operating revenue was \$9.4M (2.2%) **over** budget and total operating expenses were \$17.4M (-4.2%) **over** budget mostly due to Labor and Purchased Services.
- YTD Total Income (*with* DSRIP) was \$6.9M with a positive variance of \$1.2M **over** budget and \$9.2M **under** prior year actual.

The problem areas continue to be very high usage of overtime and registry with high levels of spending in consultants for interim staffing in Administration, Pharmacy, Dietary and Nursing. FTEs were 159 FTE over budget with 99 FTEs (of the 159) overage due to the productivity improvement that we have not achieved through the labor initiatives under the BETTER project.

The Trustees discussed the need to control costs especially in light of the \$164M margin improvement target over 10 years. Wright Lassiter, III, Chief Executive Officer, pointed out that the uncertainty around, revenue due to Healthcare Reform; the margin improvement is likely to grow to numbers higher than \$164M. Trustee Schiffman stated that he hopes that we focus on things we do know which we can control and not let the unknown control us so we can respond appropriately.

B. REPORT: Building Excellence Through Timely Expense Reduction (BETTER) Initiative Status

Jack Datz, Executive Director, MedAssets

Mr. Datz presented the status report on the MedAssets cost management initiative with the following highlights.

- The targeted total project savings is \$19.6 M and the identified savings (through the work of the teams) to date is \$12.2M (annualized), about 62% of the target.
- AHS has realized \$4.0M (annualized) of the identified savings since the beginning of the project. This gap has been a problem for a number of months between identified and realized savings due to an inability to execute the plans. We are running out of time to meet the budget. Mr. Lassiter has committed to be involved to do what it takes to move the barriers to get to realized savings.
- Kim Horton, RN, Chief Nurse Executive reported that the nursing initiative labor targets are attainable, however, the barriers related to realized saving is due to how the timelines were constructed. The timeline assumed that saving starts immediately. When looking at nursing operations, to adjust staffing, we have to adjust staffing metrics, talk to the union to obtain buy in and work towards successful negotiations. We have to move things at a slower pace and assume less savings at front end. This year nursing has been over budget but not last year due to the implementation of the unbudgeted nurse registry program and the slow attainment of realized savings in the nursing labor initiative.

Mr. Lassiter requested the report should reflect the timeframe in the future.

C. ACTION: Traditions Behavioral Health for Psychiatric Services

Bill Manns, Chief Operating Officer

Mr. Manns provided an update on the contract renewal for expanded professional psychiatric services from Traditions Behavioral Health (TBH).

- TBH has been providing inpatient psychiatric services at John George Psychiatric Hospital since 2007.
- In addition to providing inpatient psychiatric services, AHS has expanded the contract with TBH to provide services to the AHS ambulatory Partial Hospital Programs (PHP) at both Highland and Fairmont campuses and for the provision of outpatient consultation and liaison services to AHS outpatient clinics.
- Historically TBH has played a key role in working with members of the John George Psychiatric Hospital Team to improve the patient experiences and has participated in our performance improvements efforts. The proposed

contract includes performance incentives for improving patient satisfaction and reducing denied days.

- The biggest change in the contract is the proposed growth in Outpatient Consultation & Liaison services. This is consistent with our strategic plan to integrate more behavioral health services into our primary care sites.
- The services that are provided by these new providers in the contract generate a positive contribution margin in the range of \$1-2M over the 2 year contract period. Due to the new contract with BHCS, AHS, can now bill for the professional fees separately under this program. This is new revenue for AHS.

ACTION: A motion was made, seconded, and unanimously approved the contract with Traditions Behavioral Health for Psychiatric Services as presented.

MOTION: Trustee Schiffman

SECOND: Trustee Nelson

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

D. Report: Electronic Health Record (E.H.R.) Status

Howard Landa, Interim Chief Information Officer

Dr. Landa reported on the status on the E.H.R. project.

- The total capital and operating budgets for the project is \$77.1M, \$3.3M higher than the original total capital and operating budget of \$73.8M due to:
 - \$800K project expansion to add the Emergency Department (ED) module (approved in January 2012 by the BOT);
 - and a \$2.5M increase (approved in November 2012 by the BOT) due to delay in implementation last fall.
- The **current** total capital and operating expense **forecast** is \$75.2M, which is \$1.9M under the current project budget. Over \$6M of the total project budget has been shifted from Operating to Capital.
- The ARRA incentive fund payments due in March 2013 were delayed by the State. The ARRA revenue is a combination of hospital and physician incentive payments. Total payments received to date is \$5.8M.
 - The original forecast for ARRA incentive payments was \$18.0M. Management is currently projecting to receive \$23.3M in incentive payments.
- Capitalized expenses are currently over budget by \$6M. The forecasted capital budget is \$27.7M.

- Additional Operating expenses for additional labor, training and backfill, and system maintenance is \$33.8M for the 10 years starting in FY2011. The program is under budget by \$8M.
- The operating budget for current Siemens and McKesson system maintenance and support is \$21.6M for the 10 years starting in FY2011. This expense is currently under budget, but is forecasted to meet the budget of \$21.6M.
- Soarian Clinicals went live on schedule at Highland Hospital on February 12, 2013. The project team has migrated to system support and optimization to address issues identified during activation or deferred until post-activation. Testing has begun on the ED module, which was removed from scope for the February 2013 activation, and will be rescheduled as soon as a project plan is developed.
- The Soarian Financials project is in the third round of integration testing with the final testing round scheduled to begin on April 29, 2013. Training will begin in late May and activation is on schedule for July 1, 2013.
- NextGen Ambulatory EHR was activated at the Eastmont clinic on May 30, 2012 and at Winton and Newark on July 10, 2012. Planning for the Highland primary and specialty care clinic implementations are underway and anticipated to begin in early Fall 2013.
- Infrastructure changes for network cabling, wireless network, end-user devices and servers are on schedule for the remaining system modules.

Program Risks and Issues:

- The Soarian Financials activation is extremely complex and will have a great impact on workflow with the registration and revenue cycle departments. Great effort is being made to train staff on the new workflows and processes. Additional staffing will be required during the early stages of the activation to minimize patient wait times and ensure project success.

Trustee Schiffman asked how the new E.H.R. will impact our billing. Ms. Schales stated that as part of the E.H.R. implementation, a new billing system (Soarian Financials) is being installed. This new billing system will provide a very robust revenue cycle platform that will improve our ability to bill and collect. She introduced Geoff Dottery, Senior Director, Revenue Cycle as the next speaker who was presenting details about this system.

**E. Report: E.H.R. Soarian Financials Update
Geoff Dottery, Sr. Director Revenue Cycle**

Mr. Dottery reported that Alameda Health System has been actively engaged in the building and implementation of the Soarian Financials billing system. This system is an integral part of the larger multi-year Electronic Health Records replacement project approved by the Board of Trustees on February 1, 2011 and replaces the existing Invision and Signature Financial systems with an implementation date of July 1, 2013. The application provides the "revenue cycle"

engine behind the financial business processes that drive net patient collections and support patient access across the Alameda Health System. It replaces and upgrades several significant revenue cycle functions, including patient scheduling, financial screening, patient registration, charge-entry, and billing and cash collections. Additionally, it communicates directly with the Soarian Clinical system and requires over 40 separate interfaces with internal and external systems. More than 600 clinical and non-clinical users are expected to receive formal system training applicable to their roles and responsibilities within the revenue cycle.

Mr. Dottery also described the expected outcomes resulting from this new system. The system will improve and elevate the current level of revenue cycle performance in the following areas.

- The implementation of additional edits to prevent re-work and delays related to billing and claims generation;
- Significant increases in staff productivity due to increased automation of current manual processes;
- Workflow improvements in most areas of the revenue cycle including financial screening, authorization management, payment posting, contract analysis and underpayment follow-up; and
- Improvement in revenue cycle reporting and access to payor and physician data.

Trustee Schiffman asked about the financial impact on net patient revenues. Ms. Schales explained that the new system will vastly improve the revenue cycle processes resulting in improved charge capture, reduced denials and more accurate and timely billing, thereby improving cash receipts.

Mr. Lassiter acknowledged Dr. Landa, Mr. Dottery, and their teams for their effort and all their hard work on the E.H.R. project.

TAB #5 CFO Update

REPORT: Chief Financial Officer Update

Ms. Schales and Mr. Dottery provided an update on the new 2 year Contingency Contract with MedAssets, to provide outsourcing collection services for Signature and Invision Accounts Receivable as part of Soarian Financial Implementation. This arrangement is being put in place to ensure continuous cash flow during the first 90 days of go-live with Soarian Financials.

TAB #6 Financial Policy Development - No Report

TAB #7 Healthcare Reform & Regulatory Changes - No Report

TAB #8 Contract and Capital Authorization

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

1. **New** Contract with ***GE Healthcare*** for Biomedical Services for the period of 6/01/2013 through 5/31/2020 (7 years), not to exceed \$8,205,750.

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

MOTION: Trustee Schiffman

SECOND: Trustee Nelson

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

2. **New** Contract for ***Preferred Vendor with GE Healthcare*** for the period of June 1, 2013 through May 31, 2018. The contract will result in discounted purchase arrangements on future contracts.

ACTION: A motion was made, seconded, and unanimously approved the contract with Preferred Vendor with GE Healthcare as presented.

MOTION: Trustee Schiffman

SECOND: Trustee Lawrence

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

3. **New** Contract with ***Biomedical Applications of Ca (Fresenius)*** to provide inpatient Dialysis and Apheresis services for the period June 1, 2013 through May 31, 2016, not to exceed \$3,180,000.

ACTION: A motion was made, seconded, and unanimously approved the contract with Biomedical Applications of Ca (Fresenius) as presented.

MOTION: Trustee Lawrence
SECOND: Trustee Schiffman

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

4. Contract **Amendment** with **DePuy Orthopedics** for orthopedic products for a period of June 1, 2013 through May 31, 2016 (3 years).

ACTION: A motion was made, seconded, and unanimously approved the contract amendment with DePuy Orthopedics as presented.

MOTION: Trustee Schiffman
SECOND: Trustee Nelson

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

5. Contract **Renewal** with **Traditions Behavioral Health** for Psychiatric Services for the period March 1, 2013 through February 28, 2015, not to exceed \$9,026,799.

This contract was approved under TAB 4.C

6. Contract **Amendment** with **East Bay Medical Foundation for Graduate Medical Education (EBFGME)** for the period July 1, 2011 through June 30, 2014, not to exceed \$1,896,630.

ACTION: A motion was made, seconded, and unanimously approved the contract amendment with East Bay Medical Foundation for Graduate Medical Education (EBFGME) as presented.

MOTION: Trustee Nelson
SECOND: Trustee Schiffman

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

7. Contract **Renewal** with ***Michael Jacobson, M.D.*** to provide professional inpatient and outpatient urology services for the period June 1, 2013 through May 31, 2015, (an increase in contract duration from 1 year to 2 years) not to exceed \$1,120,132.

ACTION: A motion was made, seconded, and unanimously approved the contract renewal with Michael Jacobson, M.D. as presented.

MOTION: Trustee Nelson
SECOND: Trustee Schiffman

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

8. Contract **Amendment** with ***Sedgwick Claims Management Services, Inc.***, to provide Workers' Compensation Third Party Administration Services, for the period July 1, 2010 to June 30, 2013, not to exceed amount of \$1,783,528.

ACTION: A motion was made, seconded, and unanimously approved the contract amendment with Sedgwick Claims Management Services, Inc. as presented.

MOTION: Trustee Schiffman
SECOND: Trustee Lawrence

AYES: Trustees Boggan, Lawrence, Nelson, and Schiffman

NAYS: None

ABSTAIN: None

ABSENT: Trustee Lewis

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

1. Contract **Amendment** with ***Peer Consulting, LLC***, to provide consulting services for the Soarian financial applications implementation, for the period of April 1, 2013 to September 30, 2013, not to exceed \$1,609,757.

2. Contract **Amendment** with ***E4 Services, LLC***, to provide consulting services for the Soarian clinical orders and computerized provider order entry (CPOE) lead applications implementation, for the period October 15, 2011 to September 30, 2013, not to exceed amount of \$2,137,746.

ACTION: *A motion was made, seconded, and unanimously approved the contract amendments with Peer Consulting, LLC and E4 Services, LLC as presented.*

MOTION: *Trustee Nelson*
SECOND: *Trustee Lawrence*

AYES: *Trustees Boggan, Lawrence, Nelson, and Schiffman*

NAYS: *None*

ABSTAIN: *None*

ABSENT: *Trustee Lewis*

C. List of approved contracts \$500K - \$1M (3 contracts), for Trustees' information

D. Table of vendors with cumulative contracts (2 vendors), for Trustees' information

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

Daniel Boggan, Jr., Committee Chair, reported there was no Closed Session.

Public Comments: None.

Board of Trustees Remarks: None.

ADJOURNMENT: THE MEETING WAS ADJOURNED AT 6:35 PM.

Respectfully submitted,

Barbara L. McElroy
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:



Douglas B. Habig, Esq.
General Counsel