



FINANCE COMMITTEE MEETING

**March 2, 2017
5:00pm – 6:30pm**

**Conference Center Located at Highland Care Pavilion
1411 East 31st Street Oakland, CA 94602
Vanessa Nushaiwat, Interim Clerk of the Board
(510) 535-7515**

LOCATION:

Open Session: HCP Conference Center

FINANCE COMMITTEE MEMBERS

**Anthony Thompson (Chair)
Kinkini Banerjee
Gary Charland
Michele Lawrence**

MINUTES

THE MEETING WAS CALLED TO ORDER AT 5:02 PM

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Gary Charland, Kinkini Banerjee and Michele Lawrence

Absent: Anthony Thompson

A quorum was established.

Trustee Charland chaired the meeting in the absence of Trustee Thompson.

TAB #1 CONSENT AGENDA: ACTION

- A. Approval of the Minutes of the February 2, 2017 Finance Committee Meeting.**

A motion was made and seconded to approve the minutes from the February 2, 2017 Finance Committee Meeting. In discussing the motion, Trustee Banerjee commented that the discussion related to the Signature Authority Policy did not fully capture the substance of the conversation amongst the Trustees and that the full Board should understand the points raised in that discussion, when the matter is presented for

approval. Based on these comments and an explanation of available options, Trustee Lawrence withdrew the motion to approve the minutes. Trustee Charland directed staff to bring the item back for approval at the next meeting.

END OF CONSENT AGENDA

TAB #2 RETROSPECTIVE REVIEW OF PRIOR CONTRACT APPROVALS -

- A.** Agreement with Xerox, Contract to provide copying services, approved December, 2014.

Dave Gravender, Chief Information Officer

he primary focus is to lower the cost for printing services and managing printing for Highland Hospital, John George Hospital and Fairmont Skilled Nursing and FQAC's. Previously, all departments would purchase their own toner cartridge and services were provided on a as needed basis.

The objective of the Contract is to reduce the overall cost for operating our printers and throughout our print network with Xerox. We've achieved spending less of the contracted amount in 2015 and 2016 (planned for \$720K) and are on track in 2017 to spend the contract rate of \$720,000 a year.

- B.** Agreement with Freed Associates, Contract to provide Revenue Cycle improvement to perform process changes that will lead to increased revenue, approved February, 2015.

David Cox, Chief Financial Officer

The initiative began in 2014 with the intent of achieving the objective of \$15 to \$20 million of annual additional revenues using primarily internal resources, but supplemented with consulting services as needed. The projected cost was \$5 to \$10 million as opposed to a competing proposal of \$20 to \$25 million

The results for the program have been exceptional, with very significant improvement in cash collections, net revenues, and a variety of revenue cycle metrics. Cost incurred to date are within budget and management continues to pursue a variety of additional revenue cycle opportunities.

Approved contracts total almost \$8 million of which approximately \$7 million has been spent. These include not only RCIP but related projects such as Care Coordination Redesign and Ambulatory Care Redesign. Contracting with Freed has also addressed staffing vacancies that have not been rectified through regular recruiting practice. The CFO identified work environment and compensation as issues affecting recruiting.

The CFO identified potential future work in several areas:

- revenue integrity and accountability;
- the ambulatory re-design; and
- professional fee charge capture.

The CFO described the ambulatory re-design being implemented under the leadership of Dr. Barbara.

The Trustees addressed specific questions as to the impact of consulting work on coding practices and where improvements have occurred. The report showed some improvement with additional opportunity available.

The Trustees also questioned benchmarks being used to determine the scope of planned projects and the metrics that would be used to measure the success of investments. The CMO reported that he would report on the ambulatory re-design and its impact on access at the beginning of the year.

TAB #3 CONTRACT APPROVAL: ACTION ITEMS/DISCUSSION

- A. Third Amendment with OakCare Medical Group, Inc. to provide professional medical services and administrative support. The term of the proposed extension is April 1, 2017 through June 30, 2017. The estimated impact of the proposed extension is \$8,206,506.00. Inclusive of this contract and prior contractual commitments (July 1, 2014 - March 31, 2017), the overall obligation to this vendor is estimated at \$105,324,973.00.
Ghassan Jamaledine, MD, Chief Medical Officer

Action: A motion was made and seconded to approve Third Amendment with OakCare Medical Group, Inc. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- B. Second Amendment with East Bay Hematology & Oncology Consultants, Inc. to provide professional Hematology & Oncology Services. The term of the proposed extension is April 20, 2017 through April 19, 2018. The estimated impact of the proposed extension is \$970,524.00. Inclusive of this contract and prior contractual commitments (April 20, 2015 - April 19, 2017), the overall obligation to this vendor is estimated at \$2,688,191.00.
Ghassan Jamaledine, MD, Chief Medical Officer

Action: A motion was made and seconded to approve Second Amendment with East Bay Hematology & Oncology Consultants, Inc. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- C. Thirteen (13) Agreements with GE Healthcare to purchase necessary medical equipment and maintenance and support services for purchased equipment. The term of the proposed agreements is April 2, 2017 through September 30, 2018. The estimated impact of the proposed purchase and service agreements is \$5,023,944.17. Inclusive of these contracts and prior contractual commitments (July 1, 2016 - November 30, 2021), the overall obligation to this vendor is estimated at \$5,505,106.00.
David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve Thirteen (13) Agreements with GE Healthcare to purchase necessary medical equipment and maintenance and support services for purchased equipment. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- D. Master Service Agreement (“MSA 1”) extension and Statement of Work 1 (“SOW 1”) for Freed Associates to provide consulting and management services to the Ambulatory Access Implementation project. The term of the proposed MSA 1 extension is July 1, 2017 through June 20, 2019. The term of the proposed SOW 1, pursuant to MSA 1, is March 27, 2017 through September 30, 2017. The estimated impact of SOW 1 is \$600,000.00 Inclusive of this statement of work and prior contractual commitments the overall obligation (July 1, 2016 – June 30, 2017) to this vendor is estimated at \$3,147,000.00.
David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve Master Service Agreement (“MSA 1”) extension and Statement of Work 1 (“SOW 1”) for Freed Associates. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- E. Statement of Work 2 (“SOW 2”) is for Freed Associates to continue to provide an Interim Director of Patient Financial Services. The term of the proposed SOW 2 is April 1, 2017 through June 30, 2017. Estimated impact of the proposed SOW 2 is \$175,000.00. Inclusive of this statement of work and prior contractual commitments the overall obligation (July 1, 2016 – June 30, 2017) to this vendor is estimated at \$3,322,000.00.
David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve Statement of Work 2 (“SOW 2”) for Freed Associates to continue to provide an interim Director of Patient Financial Services. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- F. Statement of Work 3 (“SOW 3”) with Freed Associates is to provide consulting and management support to AHS’ Revenue Integrity department. The term of the proposed SOW 3 is April 1, 2017 through June 30, 2017. Estimated impact of the proposed SOW 3 is \$240,000.00. Inclusive of this statement of work and prior contractual commitments the overall obligation (July 1, 2017 – June 30, 2017) to this vendor is estimated at \$3,562,000.00.
David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve Statement of Work 3 (“SOW 3”) with Freed Associates to provide consulting and management support to AHS’ Revenue Integrity department. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- G. Statement of Work 4 (“SOW 4”) with Freed Associates is to provide consulting services for the implementation of the Care Management Redesign, and support and planning for Encounter Billing Error Worklist (“EBEW”) improvements. The term of the proposed SOW 4 is March 24, 2017 through April 28, 2017. Estimated impact of the proposed SOW 4 is \$50,000.00. Inclusive of this statement of work and prior contractual commitments the overall obligation (July 1, 2016 – June 30, 2017) to this vendor is estimated at \$3,612,000.00.
David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve Statement of Work 4 (“SOW 4”) with Freed Associates to provide consulting services for the implementation of the Care Management Redesign, support, planning for Encounter Billing Error Worklist. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- H. Statement of Work 5 (“SOW 5”) with Freed Associates to provide consulting and management support to the ongoing revenue cycle improvement efforts for the facility patient access department. The term of the proposed SOW 5 is April 1, 2017 through June 30, 2017. Estimated impact of the proposed SOW 5 is \$130,000.00. Inclusive of this statement of work and prior contractual commitments (July 1, 2016 – June 30, 2017) the overall obligation to this vendor is estimated at \$3,742,000.00.
David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve Statement of Work 5 (“SOW 5”) with Freed Associates to provide consulting and management support to ongoing revenue cycle improvement efforts for the facility patient access department. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- I. Statement of Work 6 (“SOW 6”) with Freed Associates to provide consultant support to the Provider Information Management System Project. The term of the proposed SOW 6 is March 24, 2017 through March 31, 2017. Estimated impact of the proposed SOW 6 is \$10,000.00. Inclusive of this statement of work and prior contractual commitments (July 1, 2016 – June 30, 2017) the overall obligation to this vendor is estimated at \$3,752,000.00.
David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve Statement of Work 6 (“SOW 6”) with Freed Associates to provide consultant support to the Provider Information Management System Project. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

- J. Renewal/consolidation of lease with Eastmont Town Center for Eastmont Wellness Center. The term of the proposed lease is 11 years (through 2028). Estimated impact of the proposed lease is \$12,682,825.59.
Luis Fonseca, Chief Operating Officer

Action: A motion was made and seconded to approve Renewal/consolidation of lease with Eastmont Town Center for Eastmont Wellness Center. The motion passed.

AYES: Trustee Banerjee, Trustee Charland and Trustee Lawrence

NAYS: None

TAB #4 OPERATING REPORTS

- A. Chief Financial Officer Report:
David Cox, Chief Financial Officer

Mr. Cox provided an overview of the financial results through January 2017, noting that favorable revenues have offset expense variances. In response to questions from Trustees, Mr. Cox provided a detailed explanation of the accrual and accounts payable processes and improvements that have been made in tracking payments as they become due.

Mr. Cox provided additional detail regarding projected payments and receipts on Supplemental Reimbursement, noting that there were significant uncertainties as to both the amount and timing of certain receipts and payments that could jeopardize compliance with the June 30th NNB target. Mr. Cox detailed the cash flow consequences for three items.

Specifically Mr. Cox addressed uncertainty as to supplemental payments related to costs; the payment is expected to be higher than forecast (\$72M vs. \$36M) but it is not clear that the payment will be

made before the end of the FY. If the payment is made after June 30, there is a potential impact on the NNB target; the County has been apprised of this issue. In addition, we are in the middle of litigation with CMS over federal cost reimbursement. The amount at risk is approximately \$18M for each of three fiscal years (beginning FY11). General Counsel reported that this litigation is proceeding as expected.

B. Chief Information Officer Report

Dave Gravender, Chief Information Officer

Mr. Gravender reported that the EHR RFP has been distributed to the two anticipated respondent competitors and responses are expected April 3, 2017. Upon receipt of the responses, an evaluation team will score the proposals on a host of legal, functional and technical criteria. In addition, each of the vendors will host demonstrations where users will have opportunity to test specific workflows under each system. Mr. Gravender reported that HER plans are proceeding according to schedule and praised the cooperative work of the project management team, Leidos and Foley & Lardner.

TAB #5 BUSINESS PLANNING

A. Report on Activities

Ishwari Venkataraman, Vice President, Strategic Planning & Business Development

Ms. Venkataraman reported on the plan to establish a medical office in Alameda: Alameda Health Partners Primary Care Expansion:

A business case was proposed to develop a primary care medical office in Alameda. This business case was built by analyzing the market demand in two zip codes that are in the Alameda Service area. Market demand showed an under supply of primary care physicians and a need for at least seven primary care physicians. A business case proforma was presented to develop a primary care medical office concurrent with AHS's long term commitment to population health.

This primary care office would enable the residents of Alameda access to a much needed primary care network within their service area. Furthermore, this would provide a mechanism concurrent with AHS's population health principles to address all aspects of care, including social determinants of health.

Assumptions made to develop the financial projections were discussed in detail. The recommendation was premised on the fact that the proposed primary care medical office would conform with AHS's strategic direction of population health management and build robust primary care base in the Alameda service area to

address unmet need and demand of AHS's target population.

The Finance Committee asked several questions related to the assumptions underlying the proforma and the expectation that the office would achieve profitability within a 3-year timeframe. In particular, the Committee questioned the assumptions regarding the patient projections and corresponding revenue projection and the time it would take to achieve full functioning of the office. Ms. Venkataraman explained that the proposal was based on conservative projections that did not seek to exploit the full anticipated potential. Ms. Venkataraman reiterated that the plan was focused on a Medi-Cal population accessible through our partnership with the Alliance (lives already assigned to AHS that reside in the area) and patient modeling that conservatively estimated the growth of the practice. Also, the recruitment of providers anticipated gradually building the productivity expectations of the providers who would staff the practice. Although the Trustees were satisfied that the proposed action met and was consistent with other strategic goals, the Trustees expressed concern that the proposal appeared optimistic and that a longer timeframe for achieving profitability was a less aggressive target.

The Trustees endorsed the proposal with the caution of explaining in detail the underlying assumptions when presented to the full Board. In addition, the Committee recommended that the plan be presented with the caution that it was based on projections that might change over time.

TAB #6 FINANCE COMMITTEE EDUCATION

No report.

TAB #7 COMMITTEE PLANNING

Gary Charland, Interim Chair

A. Finance Committee Planning Calendar

Trustee Charland reviewed the planning Calendar. The CFO highlighted the items planned for the next few months, including the San Leandro Rehab project and the reviews of the budget.

Public Comment - None

Trustee Comments – Trustee Banerjee recognized Ira Holley for the quality, detail and structure of the contract reports and thanked him for the effort. These comments were endorsed by the other Committee members and extended to the other staff presentations prepared for the meeting.

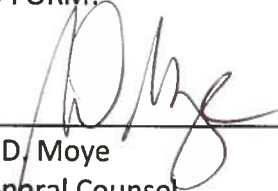
ADJOURNMENT 6:42 pm

Respectfully submitted by:

Vanessa Nushaiwat
Interim, Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____


M.D. Moye
General Counsel