



FINANCE COMMITTEE MEETING

Tuesday, November 17, 2015

Conference Center Located at Highland Care Pavilion

1411 East 31st Street Oakland, CA 94602

Susanna Flores, Interim Clerk of the Board

(510) 535-7515

LOCATION:

HCP Conference Center

MINUTES

OPEN SESSION / ROLL CALL: 4:08pm

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Jim Lugannani, Anthony B. Varni, Kinkini Banerjee, and Michele Lawrence.

Quorum was established.

TAB #1 ACTION: CONSENT AGENDA

The Minutes of the October 21, 2015 Finance Committee meeting were approved.

Action: A motion was made and seconded to approve the Minutes of the October 21, 2015 Finance Committee Meeting. The motion passed.

AYES: Trustees Lugannani, Banerjee, and Lawrence.

NAYS: Trustee Varni

Abstention: None

Trustee Varni indicated that the minutes did not adequately reflect the comments and concerns raised by Trustees at the October meeting. Specifically, comments made by Trustee Varni requesting updates regarding the status of San Leandro, which continues to lose money, as well as requested Toyon Report updates. The Committee discussed the content of the minutes and noted that future minutes should reflect a more in depth description of the discussion held at each meeting.

TAB #2 COMMITTEE PLANNING

The CFO reviewed the Finance Committee planning calendar for the remaining 6 months of the fiscal year. The Committee will be presented with the AHS long term financial plan at the January or February meeting. This plan will include a projection for the next fiscal year. The Chair requested that the financial plan be discussed in both January and February Committee meetings. The Chair also suggested that

staff send educational materials to the Committee via email to allow more time for discussion items at each meeting.

The Committee and Leadership were encouraged to attend any upcoming Health Committee meetings.

TAB #3 OPERATING REPORTS

A. Chief Financial Officer Report

The CFO presented the September 2015 financials. The month of September reflects a \$2.9 million year to date expense due to the inclusion of the the GASB 68 pension obligation, for a total reported loss of \$2.3 million. The CFO reported an EBIDA margin of 2.2%, about half of the budgeted margin of 4.4%. Trustee Lugannani encouraged staff to delve into the losses reported in order to avoid a possible negative trend. The CFO confirmed that the organization is not capturing all revenues available. There is room for improvement in the charge capture process, professional billing, and the authorization process.

Trustee Varni raised concerns regarding the inclusion of supplemental revenues such as Measure A in the total operating reports. He cautioned that listing supplemental revenue as profit provides an inaccurate depiction of actual hospital performance.

Trustees commented on the possible effects changes in staffing ratios might have on John George's performance. The CFO confirmed that these changes would have an effect, but was not able to provide a prediction at this point.

The CFO explained that the balance sheet was significantly affected by the GASB 68 pension obligations. The result is a \$312 million net negative position, which affects the organizations ability to enter into risk based managed care contracts – capitation - which have financial requirements in order to qualify. The CFO will return with information regarding the Construction in Progress line item at the next meeting.

The CFO reviewed the Better II performance improvement initiative, which has completed savings of \$3.3 million to date, with a projection of \$14 million in total savings.

B. Chief Information Officer Report

The CIO reported on the complexity of moving towards an integrated electronic health record (EHR) across the continuum of care. The CIO reviewed the current status of the organization's application mix and the lack of integration across campuses. The current set of systems is costly due to the need for communication interfaces between the different applications.

The change management involved for the implementation of an integrated solution will be substantial, but an integrated environment will improve access to patient information. A plan will be brought to the Committee in January to discuss decision parameters and significant financial investment of \$100 to \$300 million. Current needs have been identified in ambulatory care and several Highland specialty clinics, which are still paper based.

Key stakeholders involved in the decision making process include the ambulatory operations committee and physician and management leaders for the operating rooms. AHS is also taking into account county and community organizations to ensure the organization maintains smooth information flow of patient information.

This effort will require an appropriate level of discussion and review by the Board due to the significant financial investment involved.

C. Other Reports

1. AHS Long Term Financial Plan

Ellen Riley, Carlos Bohorquez and Michael Dekermenjian, Kaufman Hall and Associates, provided an education session to detail the AHS Five Year Financial and Capital Plan. Ms. Riley explained that the financial model is an iterative process that allows for changes to assumptions based on the results of the strategic plan. The goal of the financial/capital model is to achieve financial balance over a 5 year period provided continual changes to financial sources (medi-cal waiver, supplemental funding, operating cash flow, philanthropy) and current financial usage (working capital, capital expenditures, pension obligations, debt obligations).

Ms. Riley reviewed several guiding principles for the financial/capital planning process: support growth in key areas, maintain a competitive presence, don't run out of cash, establish creditworthiness, and create capital capacity quicker than you use it up. The Chair suggested that the CEO present these principles for the Board to endorse.

Mr. Bohorquez detailed a preliminary analysis of the organizations capital position over the next five years. Using baseline assumptions, the model forecasts a shortfall of \$8 million over five years of total cash after meeting its pension and County debt obligations. Staff qualified that these assumptions are baselines that may be adjusted to take into account sensitivity scenarios due to salary variability, changes to outpatient and inpatient volumes, changes to capital spending, and changes to the strategic plan.

2. Alameda Health Partners

Brenda Taylor, Senior Business Development Consultant provided an overview of the Alameda Health Partners (AHP) physician organization and its operating model in relation to AHS. AHP will oversee physician support, coordinate clinical initiatives and contract with physicians on behalf of AHS.

The CEO clarified that the January 2016 "Go-Live" date is the date in which the physician engagement model will be transferred from AHS to AHP. Providers hired by AHS will be transferred to AHP, which will optimize revenues by collecting under a separate tax identification number.

Staff provided an overview of the Intercompany Services Agreement and Master Professional Services Agreement and clarified that these agreements do not limit both organizations from contracting outside of AHS

and AHP. The CFO explained that AHP is a wholly owned subsidiary of AHS.

3. Nurse Staffing and Productivity

Reshea Holman, VP Patient Care Services, presented an overview of the labor optimization nursing project on the Highland campus as part of the Better 2 initiative. The project utilized a 5 step approach which included data analysis, operational assessment, team agreement and planning, implementation and sustainability and stewardship. With assistance from MedAssets, the team prepared an operational data analysis and assessment in order make the most informed decisions possible. The assessment helped build strong staffing grids that took into account the clinical and non-clinical skill mix, mandated state ratios for RN's, national, state and community productivity benchmarks for nursing, as well as union contracts. The development of the shift management tool has been the most significant achievement of this program, which allows for close to real-time staffing monitoring. Staff was included in the formulation of the plan, which resulted in positive buy in when it was time to implement.

The potential savings are projected at \$8 to \$10 million, for the 2015-2016 fiscal year. The savings are calculated as compared to expenses from 2014-2015 fiscal year. Mr. Holman emphasized the need for continued stewardship of the process by nursing leadership in order to achieve sustained gains.

The Committee requested that Mr. Holman provide an update within 6 months.

TAB #4 Retrospective Review of Approvals

A. RehabCare Group of California - Contract approved November 2015

This item was deferred due to time constraints.

TAB #5 ACTION ITEMS

A. Alameda County Permanent Agreement
David Cox, Chief Financial Officer

B. Alameda Health Partners – Professional Services Agreement and Intercompany Services Agreement
David Cox, Chief Financial Officer

C. Contract Renewal with Alameda County Sheriff's Office to provide Law Enforcement and Security Services at Alameda Health System's Highland Hospital Campus for the period July 1, 2015 through July 1, 2016. Total payments during the term of this agreement will not exceed \$3,354,446.
David Cox, Chief Financial Officer

D. Contract Extension with RadCare of California to provide professional diagnostic imaging services for the period December 1, 2015 through May 31, 2016 (6 months) for a net increase of \$1,549,350. Total payments over the term of this agreement including the proposed extension (September 1, 2012—May 31, 2016) will not exceed \$11,620,119.

Joe Walker, Interim Chief Medical Officer

- E.** Contract Extension with The Regents of the University of California (UCSF) to provide Urology call coverage at Highland Hospital for the period November 7, 2015 through February 6, 2016 (3 months) for a net increase of \$21,000. Total payments over the term of this agreement including the proposed extension (July 1, 2014 – June 30, 2017) will not exceed \$17,959,287.

Joe Walker, Interim Chief Medical Officer

- F.** Contract Extension with Sutter East Bay Medical Foundation to provide professional and consultation Hospitalists services and Medical Directorship at San Leandro Hospital for the period January 1, 2016 through June 30, 2016 (6 months) for a net increase of \$618,978. Total payments over the term of this agreement including the proposed extension (October 30, 2013—June 30, 2016) will not exceed \$2,390,052.

Joe Walker, Interim Chief Medical Officer

The Chair requested further discussion of item A.

Action: A motion was made and seconded to approve contract items B, C, D, E, and F for recommendation to the full Board for approval. The motion passed.

AYES: Trustees Lugannani, Banerjee, Lawrence and Varni.

NAYS: None

Abstention: None

The CEO informed the Committee that AHS management is currently negotiating the terms of the Permanent Agreement and requested for the Committee to recommend that the Board empower staff to extend the Interim Agreement with the County.

Action: A motion was made and seconded to recommend that the Board of Trustees grant management the authority to extend the expiration date only of the Interim County Agreement by no more than 6 months. The motion passed.

AYES: Trustees Lugannani, Banerjee, Lawrence and Varni.

NAYS: None

Abstention: None

Public Comment - None

Trustee Remarks - None

ADJOURNMENT – 6:58pm

Respectfully submitted by:



Susana Flores
Interim Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____



Mike Moyer
Interim General Counsel