



FINANCE COMMITTEE MEETING

September 7, 2016

4:00pm – 6:30pm

Conference Center Located at Highland Care Pavilion

1411 East 31st Street Oakland, CA 94602

Susana Flores, Clerk of the Board

(510) 535-7515

LOCATION:

Open Session: HCP Conference Center

MINUTES

OPEN SESSION/ ROLL CALL 4:01PM

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Jim Lugannani, Kinkini Banerjee, and Michele Lawrence.

Quorum was established.

TAB #1 CONSENT AGENDA: ACTION

Approval of the Minutes of the July 6, 2016 Finance Committee Meeting.

Action: A motion was made and seconded to approve the Minutes of the July 6, 2016 Finance Committee Meeting. The motion passed.

AYES: Trustees Lugannani, Banerjee, and Lawrence.

NAYS: None

Abstention: None

TAB #2 CONTRACT APPROVAL: ACTION ITEMS

A. Alameda Health System Foundation – Contract Amendment. Revise agreement to provide additional funding in support of expanding fundraising activities.

The CFO provided a brief history of the Foundation contract, which was originally approved with the understanding that the amount would not cover the cost of fundraising for the entire 3 year term. The Foundation expected to cover remaining expenses through the use of unrestricted funds; however, this category of funding has not been sufficient to cover operating costs although total fundraising has exceeded targets. Under the current contract, the Foundation has raised several hundred thousand dollars above goal. Management is requesting approval for an

amendment to cover operating needs for the remainder of the contract.

Action: *A motion was made and seconded to approve Alameda Health System Foundation contract amendment as presented. The motion passed.*

AYES: *Trustees Lugannani, Banerjee, and Lawrence.*

NAYS: *None*

Abstention: *None*

- B.** Contract Extension with **University of the Pacific, Arthur Dugoni School of Dentistry** for the period October 1, 2016 through March 31, 2017 (6 months). Estimated impact of this extension will not exceed a net increase of \$317,065. Inclusive of this extension and prior contractual commitments to this vendor, the overall obligation (April 1, 2013 – March 31, 2017), to this vendor will not exceed \$2,706,520.

Ghassan Jamaledine, MD, Chief Medical Officer

Action: *A motion was made and seconded to approve the contract extension with University of the Pacific, Arthur Dugoni School of Dentistry as presented. The motion passed.*

AYES: *Trustees Lugannani, Banerjee, and Lawrence.*

NAYS: *None*

Abstention: *None*

- C.** Contract Extension with **East Bay Hematology and Oncology Consultants, Inc.** for the period October 20, 2016 through April 19, 2017 (6 months). Estimated impact of this extension will not exceed a net increase of \$485,262. Inclusive of this extension and prior contractual commitments to this vendor, the overall obligation (July 20, 2016 - April 29, 2017), to this vendor will not exceed \$1,697,667.

Ghassan Jamaledine, MD, Chief Medical Officer

Action: *A motion was made and seconded to approve the contract extension with East Bay Hematology and Oncology Consultants, Inc. as presented. The motion passed.*

AYES: *Trustees Lugannani, Banerjee, and Lawrence.*

NAYS: *None*

Abstention: *None*

- D.** New Contract with **Conifer Value-Based Care, LLC**, to provide consulting services and the requisite electronic infrastructure to meet the population health incentives in the current HealthPAC agreement and increase Alameda Health System's ability to function in a capitated/risk environment as part of longer term strategic repositioning for the period of October 1, 2016 through September 30, 2019 (3 Years) for an estimated total amount of \$3,075,920.

David Cox, Chief Financial Officer

The Committee requested clarification regarding the types of services to be offered by Conifer. Conifer will create a database of local (bay area) claims data in order to advise the organization regarding the shift towards population health management services. The contract includes a 90 day notice clause.

Action: *A motion was made and seconded to approve the contract with Conifer Value-Based Care as presented. The motion passed.*

AYES: *Trustees Lugannani, Banerjee, and Lawrence.*

NAYS: *None*

Abstention: *None*

- E.** Contract Extension with **OakCare Medical Group**, Inc. to provide professional medical and administrative support, for the period October 1, 2016 through March 31, 2017 (6 months). Estimated impact of this extension will not exceed a net increase of \$16,413,014. Inclusive of this extension and prior contractual commitments to this vendor, the overall obligation (July 1, 2014 – March 31, 2017), to this vendor will not exceed \$97,118,469.

Ghassan Jamaledine, MD, Chief Medical Officer

Action: *A motion was made and seconded to approve the contract extension with OakCare Medical Group as presented. The motion passed.*

AYES: *Trustees Lugannani, Banerjee, and Lawrence.*

NAYS: *None*

Abstention: *None*

TAB #3 Retrospective Review of Prior Contract Approvals

NONE

TAB #4 OPERATING REPORTS

A. Finance Organization Chart

The CFO announced the departure of Vanetta Van Cleave, VP of Finance, and extended his gratitude for her service and many contributions to the organization. The Chair also thanked Ms. Van Cleave for her contribution to the organization.

The CFO also announced the addition of Ishwari Venkataraman, VP of Planning and Business Development to the Finance division, combining her work with that of Jody Copeland, Director, Financial Planning and Analysis. The reorganization will better align with the strategic plan, assigning various analysts to specific strategic business units. These changes will provide operational leaders with increased financial support.

B. Chief Financial Officer Report

The CFO reported a significantly improved balance sheet for FY2016 resulting from above budget patient activity, improvements to patient and supplemental revenues, strong cash collections, good expense control, and improvements in most key ratios. A GASB 68 pension expense adjustment of \$19 million in unfunded liability was identified. The 2016 fiscal year closed with a 4.7% EBIDA margin and operating income of \$30 million. These results are currently undergoing audit. The month of July closed with a 1.8% EBIDA margin and

continued June trends, taking into account the GASB 68 obligation.

The CFO reviewed cash collections for FY2015, FY2016 and year to date, showing significant improvements year over year. The net negative balance forecast for FY2017 indicates that the organization will remain compliant.

C. ACERA Pension Expense/GASB68

Vanetta Van Cleave, VP of Finance, briefed the Committee on the current GASB 68 pension expense obligation as reported by a recent actuarial analysis received from ACERA. The actuarial analysis indicated a need to record an additional \$14 million of expense in FY2016 and an additional \$28 million in FY2017. These expenses were not budgeted and this trend is expected to continue, with the organization facing significantly higher funding requirements.

The GASB 68 pension expense is allocated over 5 years to the organization. The funding requirement, different from the GASB 68 expense, is paid biweekly and is amortized over 20 years. These pension obligation expenses are due to historically low interest rates, which increase the current value of future liabilities and low investment returns, which reduces the income available to fund growing liabilities.

The Committee discussed the FY2017 obligation estimate and pressed staff to use caution when budgeting for the total expense.

D. ACERA Pension Liability Allocation Methodology

The CFO reviewed with the Committee an analysis of the impact of ACERA's current methodology of allocating historical pension liabilities to plan participants, explaining that the current Percent of Salary appears to disproportionately allocate these expenses to AHS. Management has prepared a presentation and request to the ACERA Board to convert to the Percent of Liability methodology, which management believes to be more appropriate.

AHS is preparing to make a formal request that ACERA change their methodology in order for AHS to shoulder an appropriate allocation of unfunded liabilities. This request has precedent, as CalPERS has recently made similar changes.

E. Chief Information Officer Report

The CIO reported that the IT Long Range plan is progressing on schedule, with a majority of Phase 1 concluding September 30th. Portfolio management is in progress to track total cost of ownership to identify opportunities for system retirement, consolidation, or enhancement. The Committee discussed the methodology by which different IT projects will be ranked and implemented. Leadership highlighted the participation of clinicians and staff in the ranking process, making a purposeful effort to include as many stakeholders as possible in the planning process.

The Soarian Financial application was upgraded in August with few defects identified. The Orders Pending Activation system for laboratory orders went live at Highland, as planned. This allows physicians to send laboratory orders directly to the lab and also reduces the time necessary for the physician to

receive the results.

The IS Service Center has been transitioned from an outsourced service provided by Cerner to an in-house department staffed by AHS employees. There are 10 employees that now provide IT support 7 days a week, 24 hours a day. This transition produced a modest expense reduction of about 2%.

TAB #5 Business Planning

Ishwari Venkataraman, Director of Business Planning and Analysis, reviewed the business planning process with the Committee. The Board will continue to receive Strategic Plan information in preparation for an approval request at the Board Retreat in October. Once the Strategic Plan is approved, staff will develop long range capital plans and develop Business Plans for each Strategic Business Unit (SBU), new services, and/or expansion to existing services. Each SBU will develop dashboard metrics to track completion and improvements. The Committee reviewed a draft annual strategic and financial planning calendar. The current year is a hybrid year, as the organization develops and adopts the strategic plan.

Business plans will be developed with input from multiple stakeholders across the organization to include operations leads, financial planning and analysis, and contracting – varying the composition as needed. Business plans will include non-financial metrics aligned with the strategic plan (access, experience, workforce, network, and health equity). Each business plan owner will present the plan to AHS executive leadership or the Board of Trustees as appropriate.

TAB #6 COMMITTEE PLANNING

The CFO reviewed the Finance Committee planning calendar. The first quarter review against budget will be moved to the November meeting. Trustee Lawrence announced that the newly appointed Trustee, Mr. Gary Charland, has agreed to sit on the Finance Committee.

Public Comment - None


Trustee Comments – None

ADJOURNMENT – 6:08PM

Respectfully submitted by:


Susana Flores
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: 
M.D. Moye
General Counsel