



SPECIAL FINANCE COMMITTEE MEETING

Thursday, December 18, 2014

Conference Center Located at Highland Care Pavilion

1411 East 31st Street Oakland, CA 94602

Marla Cox, Clerk of the Board

(510) 535-7535

| <u>LOCATION:</u> | <u>COMMITTEE MEMBERS</u> |
|-------------------------------------|--|
| Open Session: HCP Conference Center | Jim Lugannani, <i>Chair</i> Michele Lawrence Valerie D. Lewis, Esq. Anthony B. Varni Kinkini Banerjee Patricia Scates |

MINUTES

OPEN SESSION / ROLL CALL – Quorum established.

Financial and Operations Reporting

A. REPORT: Chief Financial Officer Report and November Financials

1. Mr. Cox reported November 2014 results as a loss of \$6.1 million, which included an adjustment for an accounts receivable valuation issue and brings our year-to-date loss to \$11.2 million, or about \$2 million per month.

Mr. Cox provided a comparison of the core operating results for fiscal 2015 YTD against prior year for the first five months, noting that there has been a significant improvement in the collection rate year over year. However, operating expenses have increased approximately 10% per year for the last three years, which is unsustainable in the current environment.

Mr. Fratzke reported that AHS needs a very surgically structured reduction to expenses: labor is 69% of budget. The executive team is

actively identifying ideas for decreasing the costs. The Trustees passed a resolution requiring staff to come back in January with a very specific plan on how to get to \$80M over four years, who's accountable, etc.

2. Mr. Cox reported on the revenue cycle improvement project (RCIP) update including the structure of management of the program; the plan to get traction over a broad scope of initiatives; daily identification of improvements to process to gain more revenue; building denials management process; and redoing scheduling templates to provide more access.
 - a. Trustees discussed the need for metrics to track progress on improvement. The Trustees requested Mr. Cox to bring in 10 key indicators for the board to track progress ongoing. Trustees further requested that RCIP metrics be cross-walked with identified Toyon issues.
 - b. Dr. Peruzzi discussed existing contractual arrangements for providers and the need for financial disincentives for failure to provide required data.
 - c. Trustees discussed provider accountability, CMO accountability, and progress over the past year in providing required data. They also asked about the process of suspension of or revocation of privileges.

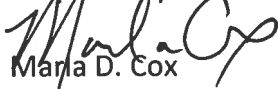
B. REPORT: County Line of Credit

1. Mr. Cox reported that the County has agreed to extend the interim agreement through February 27, 2015 in order to receive and consider the findings of the Toyon assessment commissioned by the Health Services Agency. Tomorrow's special board meeting will require a vote of approval to accept the requirements already in place with the interim agreement extended through February, 2015.
2. Mr. Cox reviewed the requirements of the County interim agreement noting that AHS remains in compliance with all provisions.
3. Trustees discussed the reasonableness of meeting the cost reduction plan of \$10M by the end of the fiscal year thereby meeting the interim agreement goal of reducing the cap to \$150M.
4. Trustees requested staff to provide Committee members with copies of reports or correspondence provided to the County and unanimously approved a resolution for this requirement.
5. The Trustees resolved that management be required to bring a detailed report on the plan of reduction for June 30, 2015 back to the Committee in January - resolved unanimously.
6. Trustees considered the extension of the Interim Agreement for 60 days with same terms in place as offered by the County - resolved unanimously.

- Trustee Lugannani wants members to be able to review the working "permanent" agreement with the county before finalization. Mr. Cox noted that it is close to completion and will distribute it prior to the next meeting.

ADJOURNED: 5:30 PM.

Respectfully Submitted by:



Maria D. Cox

Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____



Mike Moyer
Interim General Counsel