



BOARD OF TRUSTEES MEETING

THURSDAY, January 28, 2016

5:00PM – 7:00PM

Conference Center 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

THE MEETING WAS CALLED TO ORDER AT 5:00PM

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Michele Lawrence, Kinkini Banerjee, Joe DeVries, Maria Hernandez, Tracy Jensen, James Lugannani, Anthony B. Varni, and Barry Zorthian, MD.

(General Counsel Announcement as to Purpose of Closed Session)

CLOSED SESSION

Reconvene to Open Session

OPEN SESSION

OPEN SESSION PUBLIC COMMENT (1st opportunity) – The Board received public comment from Joe Rose.

A. BOARD PRESIDENT REPORT

The Board president's report was reserved until Item F. Action Items.

B. CEO REPORT

The CEO reported the successful launch of Phase 1 of Alameda Health System's Transfer Center. The goal of the Transfer Center is to optimize care delivery and resource utilization across the system by placing patients where the care and services they need are located. The AHS Transfer Center is a physical office that receives information and facilitates the transfer of patients from one care site to another.

In light of the approval of the 1115 Waiver, the CEO noted that a Steering Committee has been meeting on a weekly basis to ensure that the main components of the Waiver (PRIME, GPP, and Whole Person Care) are being tracked in order to submit a successful and

responsive package when the deadline is set. Due to delays around the standard terms and conditions between the State and Federal government, the timeline of payments under the new Waiver have not been finalized.

The CEO noted that Bylaw revisions and recommended changes are ongoing in preparation for a joint meeting between the Board of Trustees and the Board of Supervisors. The joint meeting will address Bylaw changes, the 330H legislation for the homeless outreach clinics, and the debt agreement.

The CEO reminded the Board that the Acute Care Tower dedication ceremony would be taking place Friday, January 29, 2016 and encouraged their attendance.

The CEO also provided an update regarding the Strategic Plan. The organization has completed Phase 1, an internal and external environmental scan. Phase 2 will consist of environmental scenario planning in which leadership throughout the organization will discuss a set of possible future scenarios and the type of planning required to complete them. The goal of these meetings is to figure out how to best position the organization.

The CEO also addressed concerns regarding the Zyka virus outbreak and will be conferring with the acting CMO to see if specific actions must be taken.

Trustee Jensen requested further information regarding the Transfer Center.

C. MEDICAL STAFF REPORTS

The Board received written Medical Staff reports from Swapnil Shah, MD, HGH/FMT/JGH/Ambulatory Medical Staff, Deepak Dhawan, MD, San Leandro Hospital Medical Staff, and John Iocco, MD, Alameda Hospital Medical Staff.

Dr. Shah reported that the Medical Staffs are working towards a more uniform reporting format. Dr. Shah thanked leadership for including medical staff in the organization's strategic planning meetings. Dr. Shah highlighted the medical records delinquency rate, which is below the threshold of 10%. The delinquency rate measures the completion of medical record documentation by providers, which affects the organization's ability to bill if not completed.

In order to facilitate attendance by the Chiefs of Staff, the Board agreed to move closed sessions to the end of the agenda for future meetings.

The CEO informed the Board that providers throughout the system have been invited to attend Strategic Planning meetings.

D. DISCUSSION

1. Toyon Report Update (AHS Pillar: Sustainability)

Rebecca Gebhart, Acting Director, HCSA, introduced Nancy Kaatz of Toyon Associates, who conducted the investigation of progress made since the initial Toyon report was completed in January of 2015.

Ms. Kaatz explained that HCSA contracted with Toyon in October 2014 to conduct an assessment of the financial and operating standing of Alameda Health System to determine if the organization would be able to make the loan payments to the County. In January 2015, Toyon reported their assessment which concluded that the revenue cycle needed improvement, expenses needed to be reduced, data and financial reporting and monitoring had to be a priority, and that with planned reductions and revenue cycle improvements AHS should remain viable and pay the loan to the County. The report included a total of 42 specific recommendations, with over 16 financial reporting and analysis recommendations and over 16 revenue cycle recommendations. Toyon was

contracted again to provide an update on the status of the initial recommendations.

Ms. Kaatz reported that AHS has undertaken significant efforts at operational and financial improvement. As of November 30, 2015, the system showed a positive net income of \$5.2 million compared to a loss of \$11.3 million at the same time the prior year. Accounts receivable days, representing the amount of time it takes to collect on billings, dropped from 120 in June 30, 2014 to 86.7 in November 30, 2015. The organization has been compliant with the terms of their loan agreement and leadership should be commended for this effort. However, there is still a need for improvement. The organization is not meeting their current budget and cash collections have dropped off. Based on the Kaufmann Hall financial forecast, continued improvement beyond the current year budget is necessary for long term sustainability.

The system is undergoing a “turnaround” and must continue efforts associated with revenue capture and cost containment in order to stabilize.

Improvements have been made around revenue cycle recommendations. Basic and standard reports are in place, training has been taking place, denials and root causes are being addressed, an executive director has been added to focus on physician charging and billing, and revenue integrity staffing has increased.

Issues that still need to be addressed include charging policies and training, revenue cycle policies and procedures need to be followed and staff held accountable, Soarian system issues need to be addressed, staffing shortages need to be resolved and permanent staff must be hired to replace consultants. The revenue cycle is not yet stable.

Financial reporting and analytics have shown improvement. Reconciliations are in place to confirm that GL data ties to source systems. AHS has implementing great processes for monitoring expenses, holding departments accountable for their budgets, and reviewing all positions before departments are able to fill vacancies. AHS has continued to work with MedAssets to review all departments for potential savings. Ms. Kaatz noted that this is great work.

Issues remain around calculations to determine what net revenue should be based on actual services provided, as opposed to relying on what Patient Business Services collects and reports. Once the automated net revenue calculations are tested and implemented, a check and balance will be in place. Work is in progress to create a “single source of truth” for statistics; however Alameda Hospital and San Leandro Hospital are not yet in place. AHS must work on the ability to collect reliable and timely data as well as address staffing issues in finance and reimbursement departments.

The CFO thanked Ms. Kaatz for her report and agreed that the organization is still in a “turnaround” state with significant work that must still be completed. In response to questions from the Board, the CFO defined some of the issues the organization faces in hiring for key financial positions. Staff will be providing the Board with a detailed response to the Toyon progress report.

Ms. Gebhart noted that the Health Committee will receive the Toyon report updates at the February meeting.

2. Monthly Financial Update (AHS Pillar: Sustainability)

The CFO reported monthly income of \$361,000, \$5.5 million year to date, for the month of December 2015. This is an improvement from the same time of the previous fiscal year, but falls below current budget. Patient revenues are up 9.8%, compared to the budgeted

16.8%, which leaves room for improvement. Supplemental reimbursements are above budget by 3.7%. Total revenue increase is 7.6%, leaving the organization about on budget. Expenses are over budget by 2.8%, about half of which is the GASB 68 obligation, but most of which are expenses. The CFO pointed out that while expenses are over budget; this is a flat expense budget as compared to the trend of previous years, in which expenses increased 6-8%.

The organization is below budget, with an EBIDA margin of 2.7% year to date compared to the 5% budgeted. The accrual rate of the Medical waiver will be increasing, as we are receiving more funds than expected. However, the timing of the Medical payments will be problematic. The CFO reported flat volumes for December 2015. Ambulatory visits and surgeries are down; however gross charges are as expected. Revenue yield has improved, but is not at budget, which must be improved. The labor compensation ratio of 67.1% is below budget and below prior year.

The CFO also provided a review of the revenue cycle improvement program as informed by Freed and Associates. The improvement program will focus on hiring staff for key positions, providing ongoing staff training, multiple process improvement initiatives, and identified improvements to the billing system. Net patient service revenue has improved over the past two years.

The CFO presented key dates in the Fiscal 2017 budget process timeline. Long term financial planning is being coordinated along with the Strategic Planning process.

The CFO reported that the organization has recently been informed of delays to the waiver payments, which may cause issues in our ability to meet the net negative balance obligations to the County. Payments of \$23 million that were expected in March and May will not be received until April and July, respectively. The CFO will be reporting the current forecast to the County in order to discuss the potential problems caused by these delays.

Trustee Lawrence cautioned staff that the organization cannot focus solely on increasing revenue and the revenue cycle without reducing and managing expenses. Trustee Lawrence indicated that when the current budget was initially approved, staff promised to return in December with specific reductions to the organization to meet the budget, however the budget has not been met and these reductions have not been brought to the Board.

The CEO explained that the organization has made an effort to reduce expenses through efficiency gains, particularly through MedAssets, which have a material value of \$12 million on an annualized basis. Leadership also budgeted a flat expense budget, which is essentially a reduction due to the natural increases of inflation, such as wage increases for contracted labor which must be paid from somewhere else in the organization. Leadership will be monitoring expenses in order to keep them on budget.

Trustees cautioned against overly focusing on increasing revenues and not cutting expenses due to the uncertainty of the supplemental revenues keeping the organization afloat. The CEO responded to Trustee comments by confirming that a good proportion of the organization's uninsured and unpaid population is significantly low due to the Affordable Care Act implementation. Leadership is also focusing on negotiating managed care contracts in order to bring the rates assessed to commercially insured patients up to cover the actual cost of care.

Trustee Varni noted that frank discussions must be had at the Joint BOS/ AHS BOT meeting. AHS addresses a specific social need; however, the current business plan just

cannot cover all the needs of the organization. Until AHS has an interjection of cash, it will be very difficult to continue to provide all the current services effectively.

The CEO is hopeful that the Joint meeting will result in a productive discussion with respect to the long term agreement.

Trustee DeVries noted that there is also a need for the State to prioritize healthcare and Medical reimbursement more aggressively than they are doing at this time. Trustee Lawrence suggested that this topic be included as an agenda item for the Joint meeting.

E. CONSENT AGENDA: ACTION

1. **Approval of the Minutes from the November 24, 2015 Board of Trustees Meeting**
2. **Approval of Contracts and Authorization by the CEO to Execute the Following Operating Contracts:**
The Finance Committee recommends approval of all contracts listed
 - a. Contract Extension with Virtual Radiologic Professionals of California, PA (VRad) to provide evening teleradiology services for the period February 1, 2016 through July 31, 2016 (6 months) for a net increase of \$498,552.42. Total payments over the term of this Agreement including the proposed extension (April 1, 2010 – July 31, 2016) will not exceed \$5,282,017.85
David Cox, Chief Financial Officer
 - b. Contract Amendment with Athens Insurance Service, Inc., to provide third party administration services for AHS's workers compensation program, for the period of August 1, 2015 through July 31, 2016, for a net increase of \$74,520. The total payments over the term of this agreement (August 1, 2013 – July 31, 2016) will not exceed \$1,368,707.
David Cox, Chief Financial Officer

Action: *A motion was made and seconded that the Board of Trustees approve all items in the Consent Agenda. The motion passed.*

AYES: *Trustees Lawrence, Banerjee, DeVries, Hernandez, Jensen, Lugannani, Varni, and Zorthian.*

NAYS: *None*

Abstention: *None*

F. ACTION ITEMS

1. **Board Officer Elections and Committee Assignments**
The Board elected a new slate of officers from the nominated candidates.

Trustee Michele Lawrence was the only candidate for the office of Board President. Trustee Michele Lawrence was elected Board President by unanimous vote.

Action: *A motion was made and seconded that the Board of Trustees re-elect Trustee Michele Lawrence as Board President. The motion passed.*

AYES: *Trustees Lawrence, Banerjee, DeVries, Hernandez, Jensen, Lugannani, Varni, and Zorthian.*

NAYS: *None*

Abstention: *None*

Trustees Joe DeVries and Jim Lugannani were candidates for the office of Board Vice President. The Board was polled and Trustee DeVries was elected by a majority vote.

Trustee Joe DeVries, Maria Hernandez, and Tracy Jensen were candidates for the office of Board Secretary. Trustee DeVries withdrew his nomination. The Board was polled and Trustee Hernandez was elected by a majority vote.

The Board reviewed the proposed Committee assignments and no objections were presented. The interim General Counsel clarified that the Investment Committee oversees the organization's investment plan.

The President announced that the Joint Board of Supervisors/AHS Board of Trustees meeting will be taking place March 2, 2016 from 2:00pm – 4:00pm in the Alameda County Training Center. The Chair of the Finance Committee agreed to move the March 2nd meeting to begin 1 hour after the Joint meeting ends.

2. Board Goals

The Board reviewed and discussed the proposed Board Goals for 2016. After some discussion, the board agreed to add a 4th goal to attend an industry or professional conference held outside of the organization.

Trustees were directed to coordinate tours through the Clerk of the Board. Staff was directed to compile a list of conferences and community events for the Board to attend.

Action: *A motion was made and seconded that the Board of Trustees approve all items in the Consent Agenda. The motion passed.*

AYES: *Trustees Lawrence, Banerjee, DeVries, Hernandez, Jensen, Lugannani, Varni, and Zorthian.*

NAYS: *None*

Abstention: *None*

3. OakCare Agreement

A new Agreement with OakCare Medical Group, Inc. to provide day, evening and night hospitalist services for the period February 1, 2016 through July 31, 2017 (18 months) for a total of \$1,764,604.62. Total Payments over the term of this Agreement will not exceed \$1,764,604.62.
Delvecchio Finley, Chief Executive Officer

Trustee Zorthian recused herself and stepped outside of the room for this item.

Action: *A motion was made and seconded that the Board of Trustees approve and authorize the CEO to execute the OakCare Agreement. The motion passed.*

AYES: *Trustees Lawrence, Banerjee, DeVries, Hernandez, Jensen, Lugannani, and Varni.*

NAYS: *None*

Abstention: *None*

4. Resolution 2016-001: Resolution of Commitment to Trauma Care

The Board reviewed and voted to approve the Resolution of commitment to trauma care as presented.

Action: *A motion was made and seconded that the Board of Trustees approve Resolution 2016-001: Resolution of Commitment to Trauma Care. The motion passed.*
AYES: *Trustees Lawrence, Banerjee, DeVries, Hernandez, Jensen, Lugannani, Varni, and Zorthian.*
NAYS: *None*
Abstention: *None*

**5. Report on Status of HRSA Site Visit and Planned Corrective Actions
(AHS Pillar: Access)**

The CEO requested to defer this item until the Board of Trustees has met with the Board of Supervisors to discuss a specific governance recommendation.

Action: *A motion was made and seconded that the Board of Trustees agree to defer the Report on Status of HRSA Site Visit and Planned Corrective Actions. The motion passed.*
AYES: *Trustees Lawrence, Banerjee, DeVries, Hernandez, Jensen, Lugannani, Varni, and Zorthian.*
NAYS: *None*
Abstention: *None*

G. COMMITTEE REPORTS

Written reports were received from the Chairs of the Finance and Quality Professional Services Committees. The Board did not have any comments or questions.

H. INFORMATION

1. AHS Media Report (AHS Pillar: Network)

The Board received a written report from Jerri Randrup, Director of Corporate Communications & Marketing. The President thanked and acknowledged Ms. Randrup's work regarding the Acute Tower Replacement dedication.

2. Legislative Affairs/Local Government Strategy (AHS Pillar: Network)

The Board received a written report by Terry Lightfoot, Director, Legislative and Community Affairs.

I. Report on Action Taken in Closed Session

The Board met in closed session as indicated in the agenda and took no action.

OPEN SESSION PUBLIC COMMENT (2nd opportunity) – The Board received public comment from Joe Rose.

Trustee Comments – Trustee Lugannani noted that Joe Rose is a great advocate of the patients at JGH and emphasized the work of the Mentor on Discharge program to avoid readmissions of mental health patients.

Adjournment – 7:55pm

Respectfully submitted by:



Susana Flores
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:



Mike Moya
Interim General Counsel