



FINANCE COMMITTEE MEETING

**March 2, 2016
5:00pm – 7:00pm**

**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 5:08pm

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

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

Quorum was established.

TAB #1 CONSENT AGENDA: ACTION

The Minutes of the February 3, 2016 Finance Committee Meeting were approved. Trustee Banerjee abstained from voting as she was not at the February meeting.

Action: A motion was made and seconded to approve the Minutes of the February 3, 2016 Finance Committee Meeting. The motion passed.

AYES: Trustees Lugannani, Lawrence, and Varni.

NAYS: None

Abstention: Trustee Banerjee

TAB #2 COMMITTEE PLANNING

The Committee reviewed the Finance planning calendar. The Chair noted that the next Health Committee meeting is scheduled for March 14th. The Committee advised leadership to dedicate more sessions to the budget in order to educate the Trustees and answer questions. The CEO notified the Committee that a presentation would be scheduled to provide a more detailed and in depth look at the organizational budget.

Trustee Lugannani suggested that leadership explain the budget forecasting process and the level of uncertainty when presenting predictions. Trustee Lawrence advised leadership to ensure that the budget timeline is adequate in order to provide

sufficient notice if expense reductions, particularly of employees, are necessary.

TAB #3 CONTRACT APPROVAL: ACTION ITEMS

- A. Contract Amendment with California Emergency Physicians Medical Group (CEP) to fill the vacated department chair position at San Leandro Hospital for the period November 1, 2015 through October 31, 2017 (24 months) for a net increase of \$28,800. Total payments over the term of this Agreement including the proposed amendment (November 1, 2015 through October 31, 2017) will not exceed \$2,370,842.
Joe A. Walker, MD, Acting Chief Medical Officer

Action: A motion was made and seconded to approve contract Item A for recommendation to the full Board for approval. The motion passed.

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

NAYS: None

Abstention: None

- B. Contract Extension with University of Pacific, Arthur A. Dugoni, School of Dentistry for the period April 1, 2016 through September 30, 2016 (6 months) for a net increase of \$317,065. Total payments over the term of this Agreement including the proposed extension (April 1, 2013 through September 30, 2016) will not exceed \$2,389,455.
Joe A. Walker, MD, Acting Chief Medical Officer

The Committee discussed clarifications to the University of Pacific contract amounts.

Action: A motion was made and seconded to approve contract Item B for recommendation to the full Board for approval. The motion passed.

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

NAYS: None

Abstention: None

- C. Contract Replacement with Aretaeus Telemedicine, Inc. dba Offsite Care, Inc to provide Telemedicine and Intensive Services for SLH for the period May 1, 2016 through April 30, 2018 (24 months). Total payments over the term of this replacement Agreement will not exceed \$1,673,532.
Joe A. Walker, MD, Acting Chief Medical Officer

Action: A motion was made and seconded to approve contract Item C for recommendation to the full Board for approval. The motion passed.

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

NAYS: None

Abstention: None

- D. Spend projections for Cardinal Health Pharmacy Services to provide pharmaceutical products to Alameda Health System for the period July 1, 2015 through June 30, 2018 (36 months). The total estimated expenditure over the term is \$38,760,900.
David Cox, Chief Financial Officer

The CFO clarified that Tab 3.D was for informational purposes and did not require Committee approval.

The Chair requested that staff provide an overview of the contracting process at a future meeting.

TAB #4 Retrospective Review of Prior Contract Approvals

A. Siemens AG - Contract approved September, 2014

The CFO reviewed the Siemens AG contract for the period of October 2014 through December 2015. Siemens was engaged to optimize the revenue cycle and redesign Soarian Financials to achieve performance improvement objectives. The CFO reported that while the engagement contributed to an overall performance improvement, however, the original intent of optimizing Soarian Financials was not achieved. The objective will require the rebuild or re-installation of the system.

TAB #5 OPERATING REPORTS

Mr. Cox acknowledged the work of the current VP of Revenue cycle, Don Wright, who will be retiring shortly. The CFO also welcomed Bernadette Jensen, who will be stepping in as VP of Revenue cycle for the organization.

A. Chief Financial Officer Report , January 2016

The CFO provided a written report for January 2016 finance operations and responded to questions from the Committee.

In response to questions from Trustee Varni, the CFO clarified that an unanticipated \$60 million of cash was collected in January from AB 85, which was included as a protection for designated public hospitals by the Affordable Care Act. The intent of this provision was to allow designated public hospitals to recover unreimbursed costs on the Medical Expansion population.

Supplemental revenues for January were \$25.9 million, compared to a budget of \$23 million, which resulted in a favorable variance of \$2.8 million or 12%. The CFO reviewed the Revenue portion of the Income Statement and explained that Net Operating Revenue is calculated by combining Net Patient Revenue with Supplemental Revenue. Mr. Cox reviewed the detail of Net Patient Service Revenue and Supplemental Revenue, as well as relevant ratios.

In response to the unanticipated cash collected from AB 85, Trustee Varni raised concerns regarding management's ability to forecast unanticipated revenues and expenses, expressing a need for improved focus due to such large variances. Mr. Cox explained that funding from AB 85 was reviewed in November and was collected soon after it was identified, after approval from the State, and noted that it was not possible to estimate potential recoveries from AB85 prior to completion of the P14 in November, and that any recoveries were contingent upon both the Alameda Alliance Medical Loss Ratio and approval from the State, both of which were uncertain. The CEO commended the work of the Finance team in identifying and collecting additional funding from AB85 prior to any other organization.

The CFO reported a total operating expense of \$75 million for the month, \$10 million over budget year to date, with significant variances in purchased services and pharmaceuticals. The compensation ratio is at 67.1%, which is at budget and below the previous year.

B. Fiscal 2017 Capital Expenditure Allocation

Mr. Cox noted that management is still working to target a 5% EBIDA margin and a \$30 million Capital expenditures budget for fiscal year 2017. The Committee received a brief overview of the current status of capital expenditure allocations, which have not been finalized.

The VP of Support Services reviewed proposed capital expenditures for John George, Alameda, and rehab projects. An in depth review of capital expenditure allocations will be presented to the entire Board.

C. Chief Information Officer Report

In Mr. Gravender's absence, Mr. Cox provided a brief overview of the EHR system selection and implementation process, which includes a thorough system assessment, long term strategic plan, an organizational readiness assessment, establishment of a vendor selection process, and the development of contract and implementation requirements.

TAB #6 ACTION

A. Recommendation to Approve Agreement between Alameda County and Alameda Health System Regarding Repayment to Consolidated Treasury

The CEO summarized changes to the current terms of the debt repayment agreement with the County.

Action: A motion was made and seconded to approve the Agreement between Alameda County and Alameda Health System for recommendation to the full Board for approval. The motion passed.

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

NAYS: None

Abstention: None

Public Comment – The Committee received public comment from Joe Rose.

Trustee Comments – None.

ADJOURNMENT – 8:01pm

Respectfully submitted by:



Susana Flores
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____



Mike Moya
Interim General Counsel