



FINANCE COMMITTEE MINUTES

November 2, 2017

5:00pm – 6:30pm

Conference Center Located at Highland Care Pavilion

1411 East 31st Street Oakland, CA 94602

Ronna Jojola Gonsalves, Clerk of the Board

(510) 535-7515

LOCATION:

Open Session: HCP Conference Center

FINANCE COMMITTEE MEMBERS

Anthony Thompson - Chair

Kinkini Banerjee

Gary Charland

Michele Lawrence

MINUTES

THE MEETING WAS CALLED TO ORDER AT 5:00PM

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT: Anthony Thompson, Kinkini Banerjee, Michele Lawrence

ABSENT: Gary Charland (excused)

A quorum was established.

A. ACTION: Consent Agenda

1. Approval of the Minutes of the October 5, 2017 Finance Committee Meeting

ACTION: A motion was made and seconded to approve the Consent Agenda. The motion passed.

AYES: Trustees Thompson, Banerjee, Lawrence.

NAYS: None

ABSTENTION: None

B. INFORMATION: Retrospective Review of Prior Contract Approvals

NONE

C. Alameda Health System Foundation Support Agreement

Debra Barnes, Chief Executive Officer, Alameda Health System Foundation

Ms. Barnes stated that the Foundation delivered \$6.1M against total expenses of \$4M. They completed the Multi-year Capital Campaign. The goal was \$15M and completed in February at \$24M. Ms. Barnes said the new MRI suite was possible thanks to a \$6M grant from Kaiser and the new simulation lab was built with \$3M of the \$10M from Atlantic Philanthropies.

Ms. Barnes said that the Foundation was reviewing strategic priorities for the near future, evaluating the feasibility of starting a capital campaign of \$30M to support the EIR project, preparing to raise \$5.5M for equipment projects, making plans to celebrate the Capital Campaign completion, and they had recently launched a new website to promote giving.

Total assets of the Foundation from the prior year were \$23.3M which were raised mainly through grants. Current assets of the Foundation are \$18.8M as they continue to spend money on programs, etc.

Ms. Barnes announced the Annual Gala for 2018 will be held on June 2 at UC Berkeley. The recent Golf Classic raised over \$100K.

Trustee Thompson said that the Foundation had a great opportunity to bring light to a program (EHR) that will help any safety net hospital bring the level of care that the patients deserve.

D. ACTION: Approval of Contracts

1. Renewal agreement with Vizient, Inc. to be the Group Purchasing Organization for Alameda Health System. The term of the proposed agreement is January 1, 2018 through December 31, 2023. The estimated impact of the proposed agreement is \$3,430,050.00.

Luis Fonseca, Chief Operating Officer

Mr. Fonseca detailed the background of the AHS and Vizient relationship. MedAssets became part of Vizient in 2016. He said that the RFP was structured to ensure a clear comparison was presented to the team. He discussed the seven different categories the RFP was judged on: GPO Philosophy, Operations, Administrative Fee/Shareback, Compliance and Benchmarking Analytical Tools, Transition Plan, Key Personnel, and Pricing of Market Basket Sample of Supplies and Pharmaceuticals.

He said that the key terms and conditions of the RFP were: a three-year term with two one year extensions, a 68% return on the administrative fee, a GPO savings of \$7.78M over three years, a contract price warranty, a supplier diversity

program, and a comprehensive suite of clinical and operational benchmarking tools.

The Board asked how the seven categories were weighted. Mr. Finley explained that the decision was made using a combination of the cost, the GPO relationship, and the benchmarking opportunities. Staff confirmed that the agreement was for three-years when the Board expressed concerns over a five-year contract. Based on Board questions, staff explained the methodology of the 68% return on the administrative fee.

The Board asked about the letter from David Heath with Enterprise Solutions. Mr. Moye said the letter expressed concerns over what they perceive to be issues with the way the evaluation occurred.

ACTION: A motion was made and seconded by to table the renewal agreement with Vizient, Inc., directing staff to return to the Board with information on a three-year contract. The motion passed.

AYES: Trustees Thompson, Banerjee, Lawrence.

NAYS: None

ABSTENTION: None

2. Amendment to the agreement with OakCare Medical Group, Inc., for the provision of electrophysiology administrative services and substance use disorder administrative services. The term of the proposed amendment is November 15, 2017 through June 30, 2020. The estimated impact of the proposed agreement is \$260,156.67.

Ghassan Jamaledine, Chief Medical Officer

The Board stated concerns over the monthly additions to the contract. Staff indicated that the amendments before the committee were for a directorship for the substance use disorder clinic and an electrophysiological study.

ACTION: A motion was made and seconded to approve the amendment to the agreement with OakCare Medical Group, Inc. The motion passed.

AYES: Trustees Thompson, Banerjee, Lawrence.

NAYS: None

ABSTENTION: None

E. INFORMATION/DISCUSSION: Operating Report

1. Discussion of Committee Needs
Anthony Thompson, Chair, Finance Committee

Mr. Finley asked the Finance Committee to provide clarity as to the type and depth of information that is to be provided by the CFO to the Finance Committee at committee meetings.

The Finance Committee members clarified that the CFO should highlight key exceptions in AHS's financial performance and that the Committee expected

detailed information on key issues. High-level financial reviews were appropriate for meetings of the full board.

Trustee Thompson stated that over the course of 2017, Mr. Cox had been fulfilling the Committee's requests and that the Committee was grateful for the knowledge and skill he provided as CFO. He also thanked Mr. Finley for the opportunity to clarify Committee expectations.

2. Chief Financial Officer Report
David Cox, CFO
- September 2017 Financial Report

Mr. Cox reported on the results of operations for the months of September and year to date, noting a slight loss from operations in the month of September on continued below budget levels of patient activity and net revenues, while operating expenses exceeded budget by 0.8%. On a year to date basis, which is our first fiscal quarter, AHS performed well below budget with an EBIDA Margin of 1.7% compared to the budget of 5.2%. Net revenues were below budget by 5.5% overall on lower patient activity, which was not offset by the 1.9% positive variance to budget in operating expenses.

On a year over year basis, Net Operating Revenues increased by 1.6% while operating expenses increased by 6.5%, and the EBIDA Margin decreased from 6.2% to 1.7%.

3. Chief Operating Officer Report
Luis Fonseca, COO

Mr. Fonseca provided the Committee with an enhanced reporting package detailing operating trends at the Strategic Business Unit (SBU) level. Specific issues discussed included the trends in patient activity and the plan to manage Registry costs. Mr. Fonseca discussed the plan to improve Ambulatory Access, including managing the "no show" rate through improved scheduling practices. Mr. Fonseca noted the favorable overall expense variance to budget.

The Committee expressed their appreciation for the new format and noted that, although it undoubtedly took additional time to prepare, the Committee felt that it was well worth it and desired that it continue in future months.

4. EMR Financing Update (Verbal Update)
David Cox, CFO
Ed Babakanian, Interim CIO

F. INFORMATION/DISCUSSION: Business Planning

1. Market Share Analysis Follow Up

Ishwari Venkataraman, Vice President, Strategy & Business Planning

Ms. Venkataraman reported on market share trends, noting a decline in market share in 2014 and 2015, with a slight improvement in 2016 in line with market growth. Each AHS facility varied in growth. AHS (Highland) dominated market in Medi-Cal amidst modest market growth since 2014. Utilization and growth by service lines in market showcased growth in obstetrics, orthopedics and neonatology. The Emergency Department growth showed declining volume trends in market. The Committee requested additional analysis and reporting in future months.

G. DISCUSSION: Committee Planning

OPEN SESSION PUBLIC COMMENT - None

TRUSTEE COMMENTS - None

ACTION: A motion was made and seconded to adjourn. The motion passed.

AYES: Trustees Thompson, Banerjee, Lawrence.

NAYS: None

ABSTENTION: None

Adjournment –6:44PM

Respectfully submitted by:



Ronna Jojola Gonsalves
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____



M.D. Moya
General Counsel