



FINANCE COMMITTEE MEETING
Wednesday, February 3, 2021
5:30pm – 7:30pm

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: Telephonic/Electronic Meeting

FINANCE COMMITTEE MEMBERS

Kinkini Banerjee
Jennifer Esteen, Chair
Alan E. Fox
Sblend A. Sblendorio

FINANCE COMMITTEE REGULAR MEETING MINUTES

THE MEETING WAS CALLED TO ORDER AT 5:38 pm

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT: Kinkini Banerjee, Jennifer Esteen, Alan E. Fox (arrived at 5:43), and Sblend A. Sblendorio

ABSENT: None

A quorum was established.

OPEN SESSION / ROLL CALL

PUBLIC COMMENT

A. ACTION: Approval of the Minutes of the January 6, 2021 Finance Committee Meeting
Jennifer Esteen, Finance Committee Chair

Trustee Sblendorio moved, Trustee Banerjee seconded to approve the January 6, 2021 Finance Committee Minutes.

NOTE: In the event that a quorum of the Board of Trustees participates on this Committee, the meeting is noticed as a Special Meeting of the Board of Trustees; however, no final Board of Trustees action can be taken.

ACTION: A motion was made and seconded to approve the minutes of the January 6, 2021 Finance Committee. A roll call vote was taken, and the motion passed.

AYES: Trustees Banerjee, Esteen, and Sblendorio

NAYS: None

ABSTENTION: None

B. INFORMATION / DISCUSSION: Operating Reports

B1. Chief Financial Officer Report

Kimberly Miranda, Chief Financial Officer

B1a. December 2020 Financial Report

Ariana Casanova spoke as a member of the public regarding the IOP. She said that the issues they'd had with EPIC not being built to deal with some of the registration issues they had would impact the financial statements for the last 14-16 months.

Trustee Fox arrived at 5:43pm.

Ms. Miranda discussed the report beginning on agenda packet page 14.

Trustee Fox asked which volume categories on the Volume Highlights slide on agenda packet page 36 were more profitable. Mr. Miranda said trauma would be the most profitable. Surgeries would also be, but a lot of it depended on the payer more than the service. Trustee Fox asked if some of the services normally had a better payer mix than others. Ms. Miranda said with EPIC they could look at payer mix by category. She could bring that information on historical differences in the payer mixes at the next meeting. Trustee Fox said it could be useful to look at which volume variances were more significant to the bottom line than others.

Trustee Esteen asked which payers were the most profitable. Ms. Miranda said commercial payers were most profitable than Medicare. Fee for services Medi-Cal had about 70% of the cost reimbursed. She said the supplemental payments were about 40% of their net revenue.

Trustee Esteen said in the last meeting they spoke regarding payer mixes and why some payers had contracted based on site. She said they were trying to figure out billing by site and financial reports according to each service line. She would like to revisit whether or not it made sense to have contracts that were system wide or only based on service line. Ms. Miranda said AHS had an approved payer contract strategy they were working to implement. She'd like to bring a presentation back regarding that. She said they were bringing an update to ELT within the next month.

Trustee Banerjee said she'd like to know what was budgeted for PES days and what were the actuals in December. Dr. Jamaledine said he hadn't looked specifically at this yet,

but he would. He said they had a more effective throughput in PES, but he'd get back to her with more details.

Trustee Esteen asked about the contract maximum with the County. Ms. Miranda said that the Board of Supervisors approved a maximum amount they would pay and that was \$43.9M the previous year. AHS was working under this maximum for the current year, though AHS would negotiate for an increase.

Trustee Fox asked if the COVID related LOAs on agenda packet page 41, would sunset at some point. Ms. Miranda said employees were entitled to 12 weeks total, either taken all at once or intermittently. No new LOA's will be approved under that set of rules.

Trustee Esteen asked what the COVID leaves would look like in 2021. Ms. Miranda said they would use the existing LOA policy. There would be no extra leaves for COVID, and staff could use their PTO and other benefits based on labor contracts.

Trustee Fox asked about the Capital Designation Receivable on agenda packet page 43. Ms. Miranda said the agreement with the County was that AHS would provide \$7M in funding to the County and they would return it back to AHS for specific funding needs. Mr. Moyer clarified that under the Permanent Agreement there was an obligation for them to set aside that \$7M in the Capital Designation Fund, which preceded the financing plan developed for EPIC. That money had been going to the County according to the schedule. AHS identified the fund as a potential funding source for EPIC and made the request to the County.

Trustee Banerjee said AHS was owed \$14M from the Capital Designation Fund for two years. And they had to make the payment for the third year when they hadn't received the previous two years.

Trustee Fox asked how AHS funded their routine capital budget. Ms. Miranda said everything went against the line of credit. Every time they issued payroll, or paid the capital, or a vendor run, they asked the County for those funds. They transferred the money and AHS made the payment. The County swept all of the cash received from all sources into their treasury. Trustee Fox asked if AHS had to seek approval from the County for capital purchases or approvals over a certain level. Ms. Miranda said they did not. They had a capital budget that was approved. They shared information on what they planned to spend with the County, but it did not require approval.

Trustee Esteen asked, regarding the time variances, if those reimbursements would show up in a different fiscal cycle. Ms. Miranda said it was not income or expense. When AHS gave them \$7M the line of credit went up. When the County gave it back it went down. Everything netted out to that line of credit.

Trustee Fox asked if the old waivers on agenda packet page 44, indicated that AHS overpaid by the amount that would be due. Ms. Miranda said that under 2002-2018 there was \$166.9M overpayment. Trustee Fox said, since all the cash receipts went against the

NNB, that the drop in the NNB came from the fact that they were overpaid rather than improved performance. Ms. Miranda said the items were on the books, so they accrued the liabilities and the net negative position was accurately reflected. Trustee Fox confirmed that the NNB was cash. He said he saw that it went down in previous years, which rather than being substantially due to improved performance, was because they'd been overpaid. Ms. Miranda said by looking only at the NNB they were missing many other factors. Trustee Fox asked if they would have to pay interest on the settlements. Ms. Miranda said they likely would. The Safety Net Care Pool was a pool of funds for public hospitals. As all the appeals were done there was a model that would show what they owed everyone. Trustee Fox said that the overpayments had provided cash advances to the County, which was earning interest and investments for years on that money. He asked if it would be fair for the County help them pay that interest back. Ms. Miranda said the liabilities had been on the books for a long time. The County was fully aware of them. They would have conversations when more information was known.

Trustee Banerjee said the Governance review needed to look closely at operational and fiscal governance. It was more nuanced than just saying they didn't make improvements or got more money because of the supplementals.

Trustee Esteen said if supplementals were 40% to 50% of revenue, and then they got swept away, but the County still wanted them to be whole on the NNB, they were losing the entire operation every fiscal year. This had to be considered in any governance discussion. Ms. Miranda said there were significant timing differences with supplemental funding, and they were huge numbers that spanned many years.

Trustee Fox asked for an explanation of the Medi-Cal waiver. Ms. Miranda said she had a list of definitions to send the entire Finance Committee that would explain more.

Trustee Sblendorio asked if the decision to not spend the CAPEX money, as demonstrated on agenda packet page 46, was a management decision. Ms. Miranda said the shelter in place and the distractions of everything else going on in AHS affected the work. Additionally, she changed the way they approved capital and there had been some confusion about how to do so. She said they had an emergency request process and every submitted request had been approved. Trustee Sblendorio said that an undesirable lack of spending in technology was concerning to him. Mr. Jackson said he was also concerned about deferred maintenance and missed opportunities. He said he'd follow up.

Trustee Banerjee said if they had no luxuries in the CAPEX. Everything was critical. It would be helpful to know in the next meeting which projects were being deferred.

Trustee Esteen asked if the new \$20M received from the CARES Act, shown on agenda packet page 48, would need to be paid back. Ms. Miranda said there would be an audit. She had engaged Moss Adams to oversee the submissions in the HHS portal.

Trustee Sblendorio asked if they expected an unqualified opinion from the audit. Ms. Miranda said the actual financial statement audit was done and they received an

unqualified opinion. According to CMS, the CARES funds were in essence a grant, which required an audit under the single audit regulation. Moss Adams would conduct the audit work. They were waiting for the regulations to be done to start the work.

Mr. Fonseca added additional information about the impact the old waivers had to the NNB. He said that those old waivers were from 2011-2015 when the overpayments happened. In 2015 the NNB was renegotiated. The experience in recent years was largely due to additional payments received with the AB85 realignment funding. They received a large amount through the health plan local initiative in 2016 and 2017, which had not been reflected in that dashboard. Operational improvements were a significant factor. It had crept up over recent years as expenses have continued to rise. He said that regarding capital, through the pandemic and the other challenges, they had been able to secure a number of pieces of medical equipment that were critical to clinical care. Some of the big projects which created a cash flow issue with the timing, had to do with \$25M seismic compliance project at Alameda Hospital. They also had a \$6M roof at Park Bridge that was underway. There was movement and work being done on the capital projects that had been planned for the year. But it was impacted by regulatory agencies and some of the other support for the construction efforts had slowed things down. Ms. Miranda added that when they look at all of the things that had happened since the pandemic there were many accomplishments. Setting up telehealth was very significant. The improvements that needed to be done in response to the Joint Commission findings were also significant.

B2. Chief Operating Officer Report

Luis Fonseca, Chief Operating Officer

Richard Espinoza, Chief Administrative Officer

B2a. Operations Report for Post-Acute Care

B2b. December 2020 Operations Dashboards

Mr. Espinoza discussed the report beginning on agenda packet page 53.

Trustee Fox asked what the average census was in the rehab unit. Mr. Espinoza said they ran full to 28, lately they had been about 23.

Trustee Esteen asked why Walgreens was administering the vaccinations. Mr. Espinoza said it was part of the national vaccination strategy for SNFs and it allowed residents and staff every opportunity to receive a vaccination.

C. INFORMATION / DISCUSSION

C1. FY22 Budget Calendar and Process

Kimberly Miranda, Chief Financial Officer

Ms. Miranda discussed the report beginning on agenda packet page 75.

Trustee Fox said that they'd like to see operational and financial improvement. Given where they were with a new senior management team and a new board, there was a need to establish and maintain trust. The FY22 budget should be one that they all have a high level of confidence they could achieve. If they stretched too thin in terms of volume revenue and EBIDA and they didn't make the budget, they wouldn't establish trust among each other or with the County.

Ms. Miranda asked how they felt about an EBIDA target or setting guidance for trying to achieve the \$115M on the line of credit. With the recoupments that would be likely impossible.

Trustee Banerjee said Mr. Jackson would need a sense of what was feasible. She said they had to approve a balanced budget, but the EBIDA percentage would be something they would have to figure out. Ms. Miranda said they needed to ask what a balanced budget was. It could mean generating enough revenue to pay expenses. It could mean generating enough cash flow to also pay for all of the capital and liabilities.

Trustee Sblendorio asked who was on the Budget Oversight Committee. Ms. Miranda said it was the CEO, COO, CHRO, and CMO. Trustee Sblendorio asked how they were budgeting for the COVID impacts. Ms. Miranda said they were assuming by June of 2021 elective procedures and ED volumes would be closer to normal. She recognized there would be some changes that would need to be layered on at the end when they were closer to knowing what the impact would be. Trustee Sblendorio said he thought that was the wrong approach. COVID would last for years. Ms. Miranda said they had to figure out what their volumes and labor standards would be. If they were to build them in now it would distort everything. The idea was to handle COVID outside the baseline budget so that as they complete the baseline budget they could then layer on changes for COVID towards the end of the process. If the managers built in the impact of COVID now, she'd have no way to know how much was being built in. Trustee Sblendorio said there would be impact and he disagreed with this approach. He spoke of the CAPEX budget being a place where returns could be seen.

Trustee Banerjee said they could have both a baseline and a scenario for COVID.

Trustee Esteen said she'd like to hear from the CEO as this was his purview. Mr. Jackson said they needed to try to create multiple scenarios including that COVID would be impacting AHS for a very long time. Ms. Miranda was suggesting they had to use the volume projections from pre COVID as a starting point. At one point they would start to ramp back up, but they don't know what that would look like. Multiple scenarios would give them the range of options. How that was done would be determined. The goal for this meeting was to provide a high-level overview, then take the Committees input back as guiding principles. They would take this feedback to the Oversight Committee and continue the process. He said he'd also follow up with the team regarding the CAPEX spend.

Trustee Fox said the definition of a break-even budget wasn't a break-even EBIDA. He thought it was break-even, bottom-line net income, net of all expenses including depreciation. He saw that in past years, budgets had been submitted that did not include expenses all the way to the bottom line, which sowed some mistrust at the County level. They may have a break-even bottom line without considering settlements and entries that relate to prior years, because at least if they could do that, they could show the current years true operations were break even. They should not present a budget that was not achievable.

Trustee Esteen asked if there was a timeline on long range financial planning or strategic planning and if it would be taken into consideration before the completion of the budget process. Mr. Jackson said he spoke with Mr. Finley about the strategic plan. The last one ended 2020-2021. The process was started last year to create a new strategic plan but then COVID hit and the process stopped. Ms. Miranda said the long-range plan went through 2022 and had a 5.7 EBIDA margin, but it had not been updated for years. There was not enough time for a long-range financial plan for the FY22 budget; but it should be created and then would drive the following year's budget.

Trustee Bhuket said scenario planning is what they should be doing. He agreed that COVID would have an impact on what they did. It made sense to set the benchmarks, but they had to plan. He said that any EBIDA below 3% was self-liquidating. He'd defer to others for the right target. This was an honest discussion they had to have with all their stake holders. The financial plan should be born out of the strategic plan, but right now it was difficult to do that. They were still developing an April retreat agenda, and the budget and Finance had to be a piece of that. He'd work toward agenizing that as a big chunk of the day.

Trustee Esteen spoke to the operational adjustments that were made. She thought that was the tip of the ice burg and she wondered what other adjustments could be made that could be revenue generating. She mentioned how mental health was important to provide. Voters in other Counties voted to expand mental health care. They had to imagine there was an appetite for this. She'd like that to be part of the conversation for both operational adjustments and strategic initiatives. They should consider that community stakeholders include the patients, who should be invited to provide input. Labor was always a consideration, particularly given that 75% of the budget was labor costs. Ms. Miranda cautioned this was a short-term budget not a long-term plan and many of those things were more long term.

Trustee Esteen said they also had to consider the NNB as it related to governance and the restructuring of how they operate. The current structure led them to either decrease services or expenses. The operating budget had to decrease each year despite how much more expensive everything else was. It wasn't fair of the County to lean on them in such a way.

C2. Revenue Cycle Update

Theresa “Terri” Manifesto, Vice President of Revenue Cycle

Ms. Manifesto discussed the report beginning on agenda packet page 86.

Trustee Fox asked if there was a payer mix on Medi-Cal that would slow down the process compared to the average user. Ms. Miranda said the fee for services Medi-Cal tended to be slower, but they weren't as big of a component. They could compare to other safety nets, post COVID.

Trustee Esteen asked if the 340B impacted every other EPIC institution. Ms. Manifesto said it was for Medi-Cal fee for service billing.

Trustee Fox asked what the aging looked like. Ms. Manifesto said it was 30%, it should be 20 or lower. There was a lot of work being done and there was more to do.

Trustee Bhuket asked how big her department was and how the Board could help. Ms. Manifesto said they needed to fill open positions. They looked at staffing to determine risk areas. She said she would ask Ms. Miranda if she needed anything.

Trustee Esteen asked about IOP and EPIC billing and how the overall improvements from EPIC would be put into operational use in the IOP. Dr. Jamaledine said they were on EPIC in the IOP. John George was in progress in terms of the billing. Ms. Miranda said they did not implement EPIC at John George because the County did most of the billing. They were working with the County to improve the process.

C3. Special Report: Price Transparency, COVID Payer Mix, Post COVID Charge and Payment Comparisons to California EPIC Customers

Theresa “Terri” Manifesto, Vice President of Revenue Cycle

Ms. Manifesto discussed the report beginning on agenda packet page 95.

Trustee Fox asked if seeing what other hospitals were charging on their own sites would help AHS negotiate fairer rates from commercial payers. Ms. Miranda said they did look at some of the other websites. Several had not complied with the regulation. It was so much information it was hard to put together into what a contract reimbursement might be. Her biggest concern was that their managed Medi-Cal rates were so low that people would be pushing back asking why they had to pay more.

Trustee Bhuket asked what the difference was between Machine Readable and Shoppable Services on the Pricing Transparency web page, agenda packet page 99. Ms. Manifesto said the machine readable was from the revenue and usage report, it was not patient friendly. The Shoppable was more patient friendly. They were required to post both versions.

Trustee Esteen said the data seemed impossible for the lay person to understand. She asked if they could give some examples or something to make the information more user friendly. Given the population they serve, patients may not have access to the internet, they may be using public computers, they may have disabilities, or language barriers all making the information very hard to access. Ms. Miranda said she wasn't sure if patients got a lot of value from the information, it was about what the payer paid. They needed to take the next step and provide estimates to patients. Ms. Manifesto said the data presented had nothing to do with what patients paid out of pocket. Phase two of the project would be to provide estimates of costs for patients based on their insurance and remaining deductibles.

Trustee Esteen said it was important for people to understand that private insurance companies pay less than publicly funded providers. Trustee Fox said they were paying AHS less, but they were paying the private insurers more.

D. ACTION ITEMS/DICUSSION: Contract Approval

D1. Amendment to the agreement with Mission Linen Supply for provision of linen and laundry services. The term of the proposed amendment shall be from April 1, 2020 through December 31, 2022. The estimated impact of the proposed amendment is \$2,500,000.

Luis Fonseca, Chief Operating Officer

Mr. Fonseca discussed the contract summary beginning on agenda packet page 107.

Trustee Banerjee moved and Trustee Sblendorio seconded to approve the amendment to the agreement with Mission Linen Supply.

Trustee Esteen asked how they managed linens prior to the original start date of the contract before them. Mr. Fonseca said this had always been a contracted service. The term did not change in the agreement, just the spending authority to accommodate the increased usage.

ACTION: A motion was made and seconded to recommend approval of the amendment to the agreement with Mission Linen Supply to the full Board of Trustees. A roll call vote was taken, and the motion passed unanimously.

AYES: Trustees Banerjee, Esteen, Fox, and Sblendorio

NAYS: None

ABSTENTION: None

E. INFORMATION / WRITTEN REPORT: SB90, Alameda Hospital Seismic and Kitchen Relocation Project Update

F. DISCUSSION: Committee Planning, Issues Tracking

Trustee Bhuket said the WIPFLI report was important, but it might make more sense to be heard at the full Board. Trustee Esteen thought WIPFLI should be a stand-alone meeting. IOP would be a big topic as well, particularly if they wanted to get into phase one and phase two. Trustee Sblendorio asked if WIPFLI would be an appropriate topic for the retreat. Trustee Esteen said they didn't have the final finish date for WIPFLI yet, but that might be appropriate. Trustee Banerjee said it would be helpful to have the WIPFLI information inform some of the governance recommendations. Ms. Miranda said WIPFLI was close to being done. She said the ELT needed to review the report as well. Mr. Jackson agreed that the report needed to be processed by ELT. Trustee Esteen said April may be more likely than March given all of that. She asked if IOP should be discussed in the Committee or the full Board. Trustee Bhuket said he thought that would be born out in the full Board. The WIPFLI discussion would inform the IOP discussion.

TRUSTEE COMMENTS**TRUSTEE COMMENTS**

ADJOURNMENT: 8:41 pm

This is to certify that the foregoing is a true and correct copy of the minutes of the Finance Committee February 3, 2021 meeting as approved on March 3, 2021:

Ronna Jojola-Gonsalves
Ronna Jojola-Gonsalves (Mar 11, 2021 10:19 PST)

Ronna Jojola Gonsalves
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: M. D. Moye
M. D. Moye (Mar 11, 2021 09:48 PST)
M.D. Moye
General Counsel









2021-02-03 FIN Minutes FINAL Approved

Final Audit Report

2021-03-11

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