



BOARD OF TRUSTEES RETREAT

FRIDAY, April 25, 2014

SATURDAY, April 26, 2014

Waterfront Hotel

10 Washington Street, Oakland, CA 94607

Marla D. Cox, Clerk of the Board

(510) 535-7515

MINUTES

THE MEETING WAS CALLED TO ORDER AT 8:47 AM.

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Kirk E. Miller, Valerie D. Lewis, Esq., Daniel Boggan, Jr., Joe DeVries, Kinkini Banerjee, Michele Lawrence, Stanley M. Schiffman, J. Bennett Tate, Anthony B. Varni, Barry Zorthian, MD, James Lugannani

Chief of Staff, AHS Medical Staff: Taft Bhuket, MD

MINUTES – DAY 1 – April 25, 2014 – 8:00 am – 5:00 pm

TAB #1 Welcome & Introductions

Trustee Miller provided opening comments and welcomed Trustees, staff and guests to the Retreat. Congratulations to Dr. Zorthian for her reappointment as a Trustee and James Lugannani for his appointment as a new Trustee. Trustee Miller stated that the intention for today's retreat is:

- Make presentations shorter.
- More discussion.
- Provide enough time to debate subject matter for trustees to have a point of view.

Wright Lassiter, III, CEO, announced that AHS accepted the Med-Assets President's Award in Las Vegas.

TAB #2 AHS' Evolution to Becoming an Integrated Delivery System

A. What Does Becoming A System Mean for AHS

Wright Lassiter, III, Chief Executive Officer, provided an overview of the current and future system functions;

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- AHS' new organizational structure, including as it has evolved with the acquisition of San Leandro and Alameda Hospital
 - Steps AHS is taking to determine future office
 - Steps AHS is taking to determine future office space needs and options.

**B. Discuss Integration of Acquisitions:
(Financial/Services/Metrics)**

Carladenise Edwards gave a brief update of the Alameda Hospital Integration.

- Alameda Hospital is scheduled to close at midnight on April 30th to take over on May 1st.
- On April 28th and 29th, Wright Lassiter and Debbie Stebbins will hold town hall meetings with the employees.
- Leadership of AH is scheduled to transition on May 1st. The majority of the employees will not transition over until July 1st.

Rich Gianello explained the revenue opportunities resulting from integration.

- Gross Hospital Charges: Currently, AHS receives an average of 19% of gross charges for billed medical services.
- The increase in Medicare and commercial payors will result in an increase in AHS collection of gross hospital charges by an estimated 1% over the next year which equates to approximately \$1.8M in additional revenue.
- Both San Leandro and Alameda Hospital are receiving an average of 25% of gross charges due to their higher Medicare and commercial payor mix.
- Managed Care Contracts – Currently, both hospitals have larger percentages of Medicare and commercial patients than AHS.
- AHS is also in the process of seeking assignment or re-negotiating the managed care contracts held by Alameda Hospital, enabling AHS to realize the benefit of higher reimbursement rates.

Carladenise pointed out three key things to remember:

- Alameda and San Leandro represent key milestones in the strategic plan.
- Reduce Costs
- Increasing volume is key.

C. Discuss MD-Health System Integration

William Peruzzi, MD, Chief Medical Officer, referred to a presentation slide with the Physician Organizational Structure. The name of the new organization, Alameda Health Partners, Inc., on behalf of Alameda Health System (AHS).

- Employed Providers – Employed by the PO.
- Contracted Providers – A majority of services provided at AHS facilities.
- Affiliated Providers – Services provided at multiple facilities, including AHS.
- The initial board of directors for the Alameda Health Partners will be Wright Lassiter, III, Dr. William Peruzzi, Carladenise Edwards.

Dr. Taft Bhuket shared with the Board how some providers feel.

- Providers have a low level of confidence in the medical center administration department.
- Providers are more likely to recommend AHS as a good place to practice, but less likely to recommend AHS as a good place to receive care.

Dr. Taft Bhuket read four comments from the physician survey:

- Administration has progressively distanced themselves physically and practically from day to day needs for Highland Hospital.
- Executive Management has been less and less responsive to request from the past one to two years. Often there is no response at all.
- There is continued disconnect between Administration and the front lines. I never see the Admin. Teams come around and experience the clinical challenges and frustrations.
- Administration needs to see things at a ground level. Too many important decisions are made without knowing what's going on.

Dr. Peruzzi and Dr. Bhuket both shared that quality and processes need to be addressed.

TAB #3/3a Safety, Quality & Service Imperatives for US Health Systems and Implications for AHS (Part 1/2)

A video "Escape Fire" was presented featuring Dr. Don Berwick, a former Administrator of the Centers for Medicare and Medicaid Services (CMS) during the crafting of the Patient Protection and Affordable Care Act.

Kerin Bashaw, VP of Quality, shared what clinical integration means: A system is an aggravation of subsystems cooperating so that the system is able to deliver the overall functionality of the system; System Integration is about adding value to the system and focusing on fixing what needs to be fixed. Kerin explained that the goal is to reduce harm by 50%. Dr. Peruzzi stated we want to eliminate the human error factor by utilizing necessary tools and training. The Quality team introduced themselves to the Board.

Dr. Peruzzi highlighted the issues we are faced with in Quality; Safety, Quality and Service; specifically Information Technology and Throughput.

Trustee Lawrence asked what does AHS Executive Staff want from the Board of Trustees to help this process. Dr. Peruzzi responded; it's helpful that the Board members be educated (by Staff) on the issues to better position them to make the important decisions.

The Board requested that comparative physician data be available by end of the fiscal year instead of the calendar year.

TAB #4 Financial Landscape for AHS

Rich Gianello gave an overview of the Financial Landscape of AHS and Financial projections:

- \$164M cumulative annual cost savings by 2021 or an average annual savings of 3.3% of net revenues per year.
- Annual expense improvements of \$8 - \$31M or 1.5% - 5.0% of total revenues will be required relative to the Baseline to achieve an operating performance at the Moody's BAA median level.

CLOSED SESSION:

Doug Habig, General counsel announced that the Board would adjourn to Closed Session engage in conference with Labor Negotiator.

Reflections/Dialogue AHS Journey (2006-12)

Reflections were moved to agenda for Saturday, April 26, 2014.

END OF AGENDA – DAY 1

MINUTES – DAY 2 – April 25, 2014 – 9:00 am – 12:00 pm

TAB #1 Recap Day One

Trustee Miller discussed the meeting schedule for the rest of the year. He informed the Board that the July Board meeting will be held on the last Tuesday of the month, July 29, 2014. Reminder: The November Board meeting will be moved to the first week of December. Trustee Schiffman had a concern regarding the Finance meeting in June 17th. If the budget is passed in May, there will be no need for a Finance meeting in June.

Trusted Miller requested that instead of trying to summarize the discussion from Day 1, that Trustees review the strategic questions.

Trustee Miller asked Trustees Boggan and Schiffman for their thoughts and advice with the Board that would help the Board be successful.

Trustee Boggan stated that the best thing the Board can do is to establish priorities and make sure the priorities are clear and aligned, so we're not wasting time trying to figure out what we were doing. This will ensure that the staff is not confused on how they should spend their time and resources. Because of the technology now versus 10 years ago, the organization's capabilities are much stronger. The question always is how we can do better. How can we continue to manage in such a way that we're forcing ourselves to be better. When it comes to the Trustees, how we can become better listeners around all the issues. How do we become better at synthesizing the things that have to be brought together? When we talk about systems integration, it gets more complex, but it's the same set of tasks that you have to undertake.

Trustee Tate stated that the county-wide integrated system is going to be a very important process. The ongoing strategy to have a working relationship with the Alameda County Board of Supervisors is going to continue to be something that we have to work on diligently for example, board member selection is still up in the air, how that is going to take place, if we're the ones that have to initiate suggestions to the county to approve. Trustee Tate stated that he had a meeting with Supervisor Susan Muranishi three weeks ago, they talked about the need and the county would like to schedule a joint meeting with AHS Board in terms of selecting candidates. The relationship with the county has to be something that is worked on very diligently. Trustee Tate stated that he is very impressed with the new members of the board and their abilities. He can leave the board with a very good feeling. Trustee Miller stated that Trustee Tate has been helping with the recruitment of new board members.

Trustee Miller asked what they should do differently in orchestrating the meetings to make sure we are putting our emphasis to where we can get the most return. Trustee Boggan stated that the issue is still making sure that the priorities you have are items that you're spending time on. We made a major change in budget process the past two years, so we don't spend as much time on talking about basic financial items in which we approved. Don't do it unless there is a change. You really have to hone down and deal with the priority items.

Trustee Miller asked how having two more hospitals changes the board. Trustee Tate answered that it will take a little more time with the process. Trustee Boggan responded that accountability is crucial. He stated that #1 we have to hold the executives and staff accountable; #2 is due diligence; when you get involved with transactions such as, due diligence is important. We found out that there were things within those acquisitions that we didn't know until the end. That is really important and it happens at every corporate acquisition as well. You want to do the deal, but sometimes we tend to overlook the things that will keep you from doing the deal. You have to put a stake in the ground that says, this is how things will go. In the long term, it will define who we are and what we want to be as a county service provider and we can't afford to go bankrupt, and that's why we have to practice financial due diligence. Lastly, adjust the allotment of resources. Trustee Tate made a comment regarding board meetings. The presentations that are given to the board need to be tightened up a little bit. Presentations by staff, what is the issue, what are the options, what are the suggested choices; that's all they need in terms of information. The board does a great job in preparing for board meetings; they read most of the material. He feels that the presentations should be shorter and more to the point. Trustee Boggan shared that what drives the organization is people. He said not to put space before people.

Trustee Schiffman reflected on the past, when board members would chat before meetings about a number of things. He stated how he and Trustee Nelson would talk about football games and business. He said it did make a difference in terms of getting to know each other; they had an opportunity to discuss issues before the meeting and that has seemed to go away. He doesn't know if it is possible to recreate. Trustee Lewis asked Trustee Tate where he sees the Board of Supervisors as a whole as their priority and impact on what we have to do. Trustee Tate felt that one of the things that have worked very well was the monthly meetings. Trustee Boggan said that he feels we have to have a positive relationship.

TAB #2 DISCUSSION: AHS Strategic Priorities

Carl Denise Edwards stated that she was given the task this morning of sharing with you the Strategic Priorities and the accomplishments that have been made toward our targets in FY 2014 and the plan for 2015. I also was in charge with inspiring you to enter into a strategic discussion that Trustee Schiffman will facilitate among the board members during this session. In your packets you'll find the Dashboard and it lists the six priorities that are called pillars or goals. These items are the foundation for our journey to excellence.

You'll also see on the dashboard are the key objectives that are drawn from the 2012 Strategic Plan and our measures of success and each of the measures has its targets listed. Some of them are blank and that's a consequence of our challenges with getting good, accurate data. We have a lot of heavy lifting to do to be able to use the technology that Trustee Boggan spoke about to actually inform our decision making moving forward.

In strategic wisdom yesterday, Trustee Schiffman asked Dr. Peruzzi whether or not we had a detailed plan or roadmap that included the action steps required to get to zero harm? Yes we do. We have a strategic plan, it gives almost 200 steps towards our priorities of zero harm, the industry standard for 30 days until the next available

appointment, let me change that to 15 days. It gives us steps for getting to a B bond rating of 8% so we can be competitive in the market. It gives us steps for engaging our employees and our physicians, so that we can meet national standards of excellence. It tells us that we need to have 15% market shares to reach our financial goals. It gives us activities and tasks associated with achieving optimal patient experience. The roadmap is not perfect but I do think it's as good as the drivers and the passengers who are charge with navigating assuming they don't disrupt the driver so much that he steers the car off the road. Wright's the driver, the leadership team and the frontline are the passengers and we have to use the GPS to get us to that landing zone. So as the roadmap and a plan continues to evolve as it has over the last nine years that Wright has been leading the organization, I think we all can say that we're headed in the right direction and the strategies are clear and pretty consistent. My colleague Varsha and her team are working on making sure that we have measures of success and they're visible, so that we can monitor them on a monthly basis, a daily basis and implement performance improvement. Using the LEAN methodology our goal is to continue to pull and to continue to push so that we can improve our performance on each of the measures that is listed. I really think that Trustee Lawrence nailed it yesterday and she said, "The goal of zero harm by 2017? That sends a bad message". For some goals this one in particular, the goal should be no harm, today. Then you repeat that mantra every single day. Then what we actually do is monitor the trend to show rather or not we achieve the goal. We have got to get to the point of doing the right thing every day, tracking our progress every day and reflecting on how well we've done. That's what a retreat is for, to sit back, take some time and reflect. The vision of Alameda Health System is being a world class, patient and family center of care. The goal is for us to achieve our mission, caring, healing and serving all.

Trustee Schiffman facilitated a strategic priorities discussion with the Board. Setting goals and priorities are key. He stated that everyone has levels of expertise. Our goal isn't making money but where the organization should be going in the future. The Board's responsibility is to help plan for the future; more significantly for us because we have scant resources. He discussed whole employment of physician engagement, mergers and acquisitions, further expansion (is it time?), fiscal responsibility; the role, function and timing for digital data. He posed the question; how does the organization establish deadlines and how do we assure that we meet those deadlines. These are the kinds of issues which stand out as the Board's responsibility. Trustee Schiffman asked what the most important three things were over the next year or two for this organization; Trustee Miller commented that Quality should be high on the agenda, Business and service; integrating new hospital operation; capitalizing on the opportunity the new acquisitions present and using them to help transform the system. Trustee Zorthian feels the safety and quality of the institution is very important but also communicating our progress to those that work in for the system. Trustee Boggan expressed that Quality needs to be put on top of the agenda and make sure it is on everyone's mind while they are doing their job. Trustee Lawrence expressed that she still lives by the assumption of good intent; committed staff; creating a system appeals to the intellect; proposing no harm appeals to our emotions; number one; a system that has no harm; measure and track it weekly; monthly and agrees with the direction we are going; the other area of focus would be financial sustainability; finally a healthcare system that reaches all counties. Trustee Lewis reminded the Board that in years past our focus had been harm reduction; maybe communication could be increased on these issues. Trustee Schiffman expressed that advertising "no harm" for our system might be

a public relations disaster. Trustee Boggan commented that internal/external presentation of "do no harm" is a factor that needs to be considered. Trustee Lawrence expressed that it is the duty of the Board to monitor the institution. Trustee Banerjee expressed that our community focus is important. Trustee Lugannani expressed that service areas are important and would like to see the system in his county.

Trustee Schiffman moved the discussion to a different topic; what is the purpose of our board meetings; the nature of the discussion and presentations at the Board meeting. Trustee DeVries recommended incorporating an executive summary with clear direction explained. Trustee Lewis shared that there is possibly a gap in orienting our new Trustees; we should move quickly to fill that gap. Sometimes we get information at a level that's appropriate for implementation; not high enough for strategic evaluation and guidance on our part as a Board. Trustee Lawrence asked that Trustees no longer receive attendance polls; all agreed. Trustee Schiffman suggested that information be limited to 3-4 pages.

TAB #4 DISCUSSION: Achieving Good Governance

Trustee Lewis provided the Board with an overview of the Community Advisory Council Charter (CAC). Trustee DeVries thought it was a good idea, and that it's clear that the CAC an advisory council only. Trustee Schiffman doesn't feel that it will not be an issue to have a member of the CAC appointed by the Board of Supervisors. Trustee Lewis thanked everyone for their participation on the Board Self-Assessment and reviewed some of the headlines that the Board needs to work on; financial oversight, demanding corrective action in response to underperformance; financial planning; quality; and planning for the CEO's performance annually.

Trustee Lewis informed the Board that the Governance Committee had three board member candidates to consider. The Governance Committee requested that Trustee Tate engage in interviews; we are in the process of completing. We hope that we will have three names to give to the board for action at the next meeting. We communicated to the BOS the process and that our Boards needs and skillsets for prospective Trustees has changed. Our push now is to get the BOS involved in our process and our Board becomes more engaged in the BOS selection process early on.

TAB #5 REPORT: Legal Counsel's Report on Action Taken in Closed Session

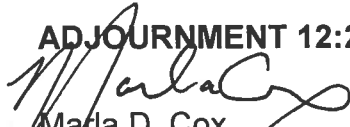
Doug Habig, General Counsel, reported that the Board met in closed session to consider matters of risk of substantial litigation, and met with labor negotiator; no action was taken.

Public Comments – No Comments

Board of Trustees Remarks

Trustee DeVries commented that he thought that we were going to discuss space planning issue. This is being deferred to a full board meeting in the future. Trustee Lewis thanked Carladenise and her staff for their work on the Community Advisory Council Charter.

ADJOURNMENT 12:21 p.m.


Marla D. Cox
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: 
Douglas Hagg, Esq.
General Counsel