



FINANCE COMMITTEE MEETING

January 6, 2016

**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 4:12pm

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

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

Quorum was established.

TAB #1 ACTION: CONSENT AGENDA

The Minutes of the November 17, 2015 Finance Committee meeting were approved.

Action: A motion was made and seconded to approve the Minutes of the November 17, 2015 Finance Committee Meeting. The motion passed.

AYES: Trustees Lugannani, Banerjee, and Varni

NAYS: None

Abstention: None

TAB #2 COMMITTEE PLANNING

The Committee reviewed the Finance planning calendar. The Chair requested education around the balance sheet and its components for a future date.

The Committee and Leadership were encouraged to attend any upcoming Health Committee meetings.

TAB #3 OPERATING REPORTS**A. Chief Financial Officer Report , November 2015**

The CFO reported a November operating loss of \$2.3 million for an operating income of \$5.2 million year to date. The EBIDA margin is 2.9%, compared to the budget of 4.8%. Operating expenses are negative to budget, however this includes the unbudgeted effect of the GASB 68 pension obligation.

The organization will have the opportunity to increase Medi-Cal Waiver reimbursement based on overall performance. The CFO explained that the waiver is made up of 3 components. The Global Payment Program (GPP) awards points for certain services delivered to Medi-Cal and the uninsured. The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program replaces DSRIP, and grades the organization on 6-9 quality metrics. The third program is Whole Person Care (WPC), which is County driven and optional. AHS will be coordinating with the County to submit a proposal. Proposals are submitted by each County around coordinated services to be provided for high risk populations. The State then chooses which proposals it will approve.

The Chair requested a discussion of the budget variance and how the organization can get back on budget.

B. Chief Information Officer Report

The CIO provided an overview of the Emergency Department Information Exchange (EDIE) system. A disproportionately small number of people generate a disproportionately large number of ED visits, resulting in suboptimal clinical outcomes, poor provider resource utilization, and insufficiently reimbursed visits. The EDIE project attempts to close communication gaps across emergency departments in the bay area to reduce system expense and improve patient outcomes. The EDIE system will be implemented at the Highland and San Leandro emergency departments and is sponsored by Sutter Health.

The CIO also reported that the EHR long range plan has been drafted and is currently undergoing review by the executive leadership prior to being presented to the Committee. The EHR has been included in the long range financial plan.

The CIO reported that an audit request was received for Alameda Hospital regarding Meaningful Use. No issues are forecasted in due to this audit.

C. Cash/NNB Forecast

The CFO reported that the organization was expected to be at or near the Net Negative Balance limit in December 2015. Due to the uncertainty around the Waiver payments, the forecast presented was very conservative.

The CFO recommended that the Committee consider looking at equipment lease financing as an additional source of capital in order to provide a cushion due to unforeseen fluctuations in the Net Negative Balance against the County agreement. The CEO clarified that the equipment in the new Acute Tower

Replacement and other equipment is the property of the organization. Trustee Varni cautioned that in the interest of open communication and partnership, AHS should notify the County of all financial projects.

The CFO also presented a number of significant opportunities for improvement around the Revenue Cycle. Some of these opportunities include filling permanent leadership positions, charge master and charge capture improvements, streamlining credentialing, and others.

The CFO provided the Committee with a brief tutorial of the Balance Sheet.

D. Long Term Financial Plan – Status Report

The CFO provided the Committee with a status report around the long term financial plan, including a discussion around process improvement, the planning calendar, a review of the prior year, and target setting.

The CEO highlighted process improvements for the upcoming discussions of the long term financial plan. Changes to the upcoming budget process will reflect AHS core values, reasonable operational targets, and the Board will be given adequate time for review. The budget will be presented to the Committee and Board in May 2016 to allow several weeks for review prior to requesting approval in June 2016.

Trustee Varni agreed that the process had been bogged down by a short review period and unreasonable financial forecasts. The organization should acknowledge our financial limitations and make these clear to the County, requesting additional funds or extensions if necessary. The Committee discussed and agreed that staff should provide a realistic budget and that the Board be provided adequate time for review.

The CFO reviewed the budget process planning calendar through July 2016 and provided an overview of the budgeted totals for fiscal year 2016 and the annualized totals for fiscal year 2016.

E. Dialysis Services

This item was deferred due to time constraints.

TAB #4

DISCUSSION

A. Permanent Agreement

The CEO provided an update regarding the status of the Permanent Agreement. The interim agreement has been extended through March 31, 2016 to allow additional time for a thorough discussion of the terms. The CEO noted that the yet to be scheduled Board of Supervisors and Board of Trustees joint meeting will touch on the terms of the Permanent Agreement. Plan considerations include AHS's ability to qualify for commercial financing, how the plan addresses floating interest, considerations for additional sources of capital, considerations around the pension obligation and acute tower bonds, and additional financial considerations that influence AHS's ability to devise a repayment plan that is sustainable for the organization.

B. Budget Planning Process

This item was discussed along with Tab #3 – Item D, the Long Term Financial Plan.

TAB #5 Retrospective Review of Prior Contract Approvals

A. MedAssets – Better II Initiative - Contract approved September, 2014

The Committee heard an overview of the Better II initiative, which has delivered a total of \$13.98 million in savings. Frank Verba, MedAssets, noted that labor has been identified as a major source of potential savings. The sustainment and stewardship process was identified as key for maintaining savings.

Additional opportunities remain in purchased services areas.

B. RehabCare Group of California - Contract approved December, 2014

The CAO of SLH reviewed the progress of the RehabCare contract through the first 6 months. Total expenses have remained within plan. However, key program proposals were not met with respect to net patient revenue and patient volumes. The census did increase to 18 and 19 in November and December compared to a six month average of 15. The CAO also noted that the Functional Independence Measure (FIM) has increased by 3 points. SLH is also seeking CARF (Commission of Accreditation of Rehabilitation Facilities) accreditation, which will be led by RehabCare.

TAB #6 ACTION ITEMS:

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

C. Contract Amendment with Freed and Associates, to provide services to assist with the implementation of the Raintree Billing Application and the Anesthesia Module, for the period of December 16, 2015 through June 30, 2016, for a net increase of \$620,000. The total payments over the term of this agreement (September 1, 2015 – June 30, 2016) will not exceed \$4,220,000.

David Cox, Chief Financial Officer

The Committee did not take action around Item C, Freed and Associates at the request of staff.

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

AYES: Trustees Lugannani, Banerjee and Varni.

NAYS: None

Abstention: None

Public Comment - None

Trustee Comments - None

ADJOURNMENT – 6:49pm

Respectfully submitted by:



Susana Flores
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____



Mike Moyer
Interim General Counsel