



FINANCE COMMITTEE MEETING

February 3, 2016

4:00pm – 6:30pm

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 4:05pm

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

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

Quorum was established.

TAB #1 ACTION: Consent Agenda

The Minutes of the January 6, 2016 Finance Committee Meeting were approved.

Action: A motion was made and seconded to approve the Minutes of the January 6, 2016 Finance Committee Meeting. The motion passed.

AYES: Trustees Lugannani, Lawrence, and Varni.

NAYS: None

Abstention: None

TAB #2 Committee Planning

The Committee reviewed the Finance planning calendar. The Committee and Leadership were encouraged to attend the upcoming Health Committee meetings.

TAB #3 Operating Reports

A. Chief Financial Officer Report , December 2015

The CFO reviewed the December 2015 financials, compared year over year performance, reviewed historical trends, discussed cash collection issues around the revenue cycle, provided a managed care contracting update, reported on the Better II expense reduction project, and reviewed the most updated cash forecast.

After some discussion, the Committee agreed that future year over year and historical trends reporting should be included in the meeting book prior to reporting to the Committee. The Committee also requested that staff provide a formal forecast for the year and recommendations for meeting budget in the remaining months of the fiscal year.

The CFO reviewed cash collection issues in the revenue cycle that are resulting in denials, underpayments or no payments. Issues were identified around Alameda Alliance's installation of new software, the change in Medi-Cal's system, and changes to BHCS's utilization review process. AHS will be implementing a Contracts Module that allows the organization to confirm and compare payments for accuracy. AHS will also be providing closed claim files to Triage, a company that analyzes payments for accuracy. A specialty billing unit is in development in order to accurately collect for specialty services.

Trustee Lawrence commented that while conversations around increasing revenue are useful, the organization must also consider necessary expense reductions around staff, programs, or services as needed to operate within its approved budget.

The CFO provided an update on the status of managed care contracting and the Better II performance initiative. The organization has successfully negotiated payment increases in multiple contracts, and is still in negotiations with others. Policies are in place to allow PPO patients to obtain services, but the ultimate objective would be to negotiate contracts. The Better II initiative has completed close to \$14 million in savings, these will continue to be tracked.

The CFO reviewed the cash/NNB forecast, noting potential compliance issues in March through April and at June 30th.

B. Chief Information Officer Report

The CIO provided a status update for the EHR selection process, noting that he intends to complete the process by June 30th and that a physician selection committee was formed and has already met. The non-physician group has not been finalized. It is the CIO's intent that the selection committee will recommend their preferred EHR vendor for all service areas in the organization. Vendors have been narrowed down to MediTech, Cerner, Epic, and Athena Health. Mr. Gravender indicated that the initial cost estimate for a 10 year cost of ownership is roughly estimated around \$100 million and that he believes that AHS could afford this investment.

C. Permanent Agreement

The CEO provided an update regarding the status of discussions with the County around the Permanent debt agreement. Staff will be meeting with the County Administrator and County Auditor in the following week to continue discussions around the permanent agreement in order to move discussions forward before the extension deadline of March 31st. The CFO noted that the targets in the interim agreement were established at a point when AHS was out of compliance with the permanent agreement, which prompted the County to adjust targets in order to encourage improvements in operating performance and cash flows.

D. Fiscal 2017 Operating and Capital Budget Targets

The CFO presented the 2017 proposed Operating and Capital Budget targets to the Committee for their input and endorsement. Management recommends a target of a 5% EBIDA margin, which would provide funding for \$30 million of capital expenditures after fulfilling the County debt obligations.

Trustee Varni cautioned that the organization needs to be realistic when targeting a 5% EBIDA margin, which is what was budgeted for the current fiscal year and is not currently being met, despite substantial improvement. Trustee Lawrence noted that it would be useful to the Committee to have more detailed explanation of the requested budgets for general line items in the FY 2017 projections and the specific impact of Board decisions. The Committee clarified that they were only providing input and suggestions, but not endorsing the presented targets.

The CFO indicated that more detail on the Capital Expenditure budget could be provided at the March meeting, including a rough prioritization of capital spending at various funding levels, and that additional information on the Operating Budget could be provided at the Finance Committee meeting in April.

The CEO summarized the overall impression based on Committee discussion. Management will present to the Committee a realistic target that the organization is projected to achieve based on current performance. Based on the more conservative EBIDA target, leadership may then provide a list of projects AHS hopes to complete with the projected remaining funds.

Trustee Lawrence cautioned staff that the organization currently is not actively analyzing expenditures for reduction opportunities and cannot rely solely on revenue improvements when creating the budget.

TAB #4 Retrospective Review of Prior Contract Approvals**A. Renoir Consulting - Contract approved January, 2014
(AHS Pillars: Network and Sustainability)**

The Renoir contract totaled \$1.4 million and was targeted to improve operating performance at San Leandro Hospital by \$6 million. Mr. Jackson, CAO of San Leandro Hospital, reported that while there were significant improvements in services and throughput, financial improvements totaled \$677,000. The CFO clarified that this would be an estimated total of \$1.3 million in savings over the course of a year. Trustee Lawrence commented that if the vendor identified \$6 million in improvements, actual improvements should have at least covered the cost of the contract.

**B. Envision Construction and Design - Contract approved March, 2014
(AHS Pillars: Network and Sustainability)**

This item was deferred due to time constraints.

TAB #5 ACTION ITEMS

- A. Contract Extension with Alameda Inpatient Medical Group, Inc. (AIM) to provide oversight of patient care services to hospitalist program inpatient at Alameda Hospital based on 24/7 shift coverage for the period of March 1, 2016 through June 30, 2016 (4 months) for a net increase of \$233,333. Total payments over the term of this Agreement including the proposed extension (May 1, 2013 – June 30, 2016) will not exceed \$2,116,666.
David Cox, Chief Financial 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, Lawrence, and Varni.*
NAYS: *None*
Abstention: *None*

TAB #6 Education

- A. **Supplemental Reimbursement**
This Item was deferred due to time constraints.

Public Comment - None

Trustee Comments - None

ADJOURNMENT – 6:33pm

Respectfully submitted by:


Susana Flores
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: 
Mike Moyer
Interim General Counsel