



FINANCE COMMITTEE MEETING

**October 5, 2017
5:00pm – 6:30pm**

**Conference Center Located at Highland Care Pavilion
1411 East 31st Street Oakland, CA 94602
Alexander Peña, Interim 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

THE MEETING WAS CALLED TO ORDER AT 5:05p.m.

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Anthony Thompson, Kinkini Banerjee, Gary Charland, and Michele Lawrence.

A quorum was established.

TAB A – ACTION: Consent Agenda

1. Approval of the Minutes of the September 7, 2017 Finance Committee Meeting.

Action: A motion was made and seconded to approve the Minutes of September 7, 2017 Finance Committee Meeting. The motion passed.

AYES: Trustees Banerjee, Charland, Lawrence, Thompson

NAYS: None

Abstention: None

END OF CONSENT AGENDA

TAB B – INFORMATION: Retrospective Review Of Prior Contract Approvals

No Report

TAB C – ACTION: Approval of Contracts

1. Renewal Amendment with GRM Information Management Services, Inc. to provide physical record storage services. The term of the proposed agreement is July 1, 2017 through June 30, 2020. The estimated impact of the proposed agreement is \$1,770,000.00.

David Cox, Chief Financial Officer

Action: A motion was made and seconded to approve the Renewal Amendment with GRM Information Management Services, Inc. as presented. The motion passed.

AYES: Trustees Banerjee, Charland, Lawrence, Thompson

NAYS: None

Abstention: None

2. Extension Agreement with California Emergency Physicians Medical Group for the provision of emergency medical services at San Leandro Hospital and Alameda Hospital. The term of the proposed extension is November 1, 2017 through January 21, 2018. The estimated impact of the proposed agreement is \$286,836.50.

Ghassan Jamaledine, MD, Chief Medical Officer

Action: A motion was made and seconded to approve the Extension Agreement with California Emergency Physicians Medical Group as presented. The motion passed.

AYES: Trustees Banerjee, Charland, Lawrence, Thompson

NAYS: None

3. New Agreement with the University of California, San Francisco, Department of Neurological Surgery (“UCSF”) to provide neurosurgical services to Highland Hospital and San Leandro Hospital. The term of the proposed agreement is October 15, 2017 through October 14, 2019. The estimated impact of the proposed agreement is \$3,809,833.00.

Ghassan Jamaledine, MD, Chief Medical Officer

Action: A motion was made and seconded to approve the New Agreement with UCSF Department of Neurological Surgery as presented. The motion passed.

AYES: Trustees Banerjee, Charland, Lawrence, Thompson

NAYS: None

Abstention: None

TAB D – ACTION: Approval of Construction Agreement with Layton Construction Company and Establishment of Contingency Fund (San Leandro Hospital Rehabilitation Relocation Project)

Luis Fonseca, Chief Operating Officer

David Cox, Chief Financial Officer

Mr. Fonseca provided a high level summary of the project for the relocation of the Rehabilitation Services from Fairmont Hospital to San Leandro Hospital (herein referred to as “the Project”). Prompted by an inquiry by the Committee, Mr. Fonseca explained that the administration seeks board approval for the amendment to the contract with Layton Construction. In discussing the scope of the project, Mr. Fonseca stressed that the Project must be completed in order to meet state-mandated (e.g., Alfred E. Alquist Hospital Facilities Seismic Safety Act) seismic safety requirements. According to Mr. Cox, once the Project is completed the space will offer 28 acute rehabilitation beds and will renovate the rest of the

third floor to meet the requirements imposed by the California Department of Public Health (CDPH), Mr. Fonseca explained.

Mr. Fonseca concluded his report by explaining that based on the Guarantee Maximum Price (GMP), the overall Project cost is projected at \$26,821,678 as opposed to the \$33,221,509 that was initially presented to the Board of Trustees.

Action: A motion was made and seconded to approve 1) the Amendment to the Construction Agreement with Layton Construction Company and 2) the Establishment of Contingency Fund as presented. The motion passed.

AYES: Trustees Banerjee, Charland, Lawrence and Thompson

NAYS: None

Abstention: None

TAB E – INFORMATION / DISCUSSION: Operating Reports

1. Chief Financial Officer Report:

David Cox, Chief Financial Officer

August 2017 Financial Report

EMR Financing Plan Update

Mr. Cox provided a high level summary of the August 2017 financial report and reported that patient activity is lower than budget, with an adverse impact on revenues. According to Mr. Cox, AHS experienced an operating loss for the month of August:

- AHS reported income of \$439,000 in August and \$345,000 year to date (YTD) – both well below budget. Mr. Cox explained that the favorable variance in expenses was not sufficient to offset the difference, resulting in overall performance unfavorable to budget (including compensation).
- AHS net patient service revenue YTD is 8.5% below budget. However, the net patient service revenue is slightly above the prior year by 3.6%. Similarly, the supplemental revenue is below budget by 1.8% but, slightly above the prior year.
- Operating expenses, however, are favorable as they were under budget by 1.1% for the month and 3.3% YTD.
- EBIDA Margin was 1.8% YTD – well below the target of 5.8%.
- Net Operating Revenue is reported to be 4.3% below budget and 7.1% YTD. Expenses, however, were over budget for the month but below budget by 3.9% YTD. Mr. Cox explained, however, that on a year to year basis, AHS Net Operating Revenues are 1.6% higher than the prior year.
- Patient Activity was 1.4% below budget for the month and 0.7% above budget YTD. Mr. Cox explained that Acute Discharges and Acute Patient Days are below budget by 2.5% and 4.5% YTD, respectively. Post-Acute Census, however, was on budget but slightly above the prior year.
- Patient Gross charges – *i.e.*, Inpatient Revenue and Outpatient Revenue – was below budget for the month by 7.9% (10.8% YTD) and 9.1% (4.9 YTD), respectively. Professional Revenue, however, was above budget by 5.6% for the month (2.7% below YTD).

During the line of credit discussion, Mr. Cox reported that the line of credit is close to the limit. He explained, however, that the balance on the line of credit is expected to drop significantly.

According to Mr. Cox, the aforesaid will be accomplished once AHS receives \$58 million (Net of IGT) of the payments related to the GPP Program.

2. Analysis Of Volume Trends by Strategic Business Unit

Ishwari Venkataraman, Vice President – Business Planning

Ms. Venkataraman provided an analysis of “Volume Trends by SBUs” for the Fiscal Year 2017 (FY 17). Ms. Venkataraman began by explaining that the analysis presented to the Committee is a work in progress and more information and data will be added as it becomes available. According to Ms. Venkataraman, the data collected is analyzed to determine the source/variables that drive variances in performance.

In discussing the variances in performance, Ms. Venkataraman explained that the 2017 Site of Care Volumes indicate that Ambulatory primary visits increased by 3% from the prior year (FY 16). Similarly, Ambulatory specialty visit increased by 2% when compared to FY 2016. Post-Acute and Behavioral visits, however, increased by 22% and 7%, respectively. According to Ms. Venkataraman, behavioral inpatient discharges increased, while outpatient visit slightly decreased by effecting coordinated county approach to address PES capacity. She explained that the average length of stay (LOS) in the behavioral setting has marginally decreased by 6%. Ms. Venkataraman further noted that ED visit increased across the board. She explained, however, that discharges varied across the board.

In discussing what is being done to address the variance in performance, Ms. Venkataraman explained and concluded her report by noting that Market Share and Population Health analysis will be explored in depth to determine the variance in performance.

TAB F – INFORMATION / DISCUSSION: Business Planning

No Report

TAB G – COMMITTEE PLANNING

Anthony Thompson - Chair

PUBLIC COMMENT – None


Trustee Comments – None

Adjournment – 6:45pm

Respectfully submitted by:

Alexander A. Pena
Interim, Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: 
M.D. Moyer
General Counsel