



## **FINANCE COMMITTEE MEETING**

**February 8, 2018**

**4:00pm – 5:30pm**

**Conference Center Located at Highland Care Pavilion**

1411 East 31<sup>st</sup> Street Oakland, CA 94602

Ronna Jojola Gonsalves, Clerk of the Board

(510) 535-7515

### **LOCATION:**

Open Session: HCP Conference Center

### **FINANCE COMMITTEE MEMBERS**

Anthony Thompson - Chair

Joe DeVries

Kinkini Banerjee

Gary Charland

Michele Lawrence

Louis Chicoine

### **DRAFT MINUTES**

**THE MEETING WAS CALLED TO ORDER AT 4:03 PM**

**ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:**

Kinkini Banerjee, Gary Charland, Joe DeVries, Michele Lawrence, and Anthony Thompson

**ABSENT:** Louis Chicoine (excused)

A quorum was established.

#### **1) ACTION: Consent Agenda**

Approval of the Minutes of the January 11, 2018 Finance Committee Meeting

**ACTION:** A motion was made and seconded to approve the minutes of the January 11, 2018 Finance Committee Meeting. The motion passed.

**AYES:** Trustees Banerjee, Charland, Lawrence, and Thompson

**NAYS:** None

**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.*

**ABSTENTION:** DeVries

**END OF CONSENT AGENDA**

**2) INFORMATION: Retrospective Review of Prior Contract Approvals**

*NONE*

**3) ACTION: Approval of Contracts**

- a) New Statement of Work (“SOW”) with **Colin Construction Company** for the provision of construction services to relocate a medical gas valve box in the Acute Care Tower at Highland. The term of the proposed agreement shall be from February 26, 2018 through February 25, 2019. The estimated impact of the proposed agreements is \$45,478.40.

*Luis Fonseca, Chief Operating Officer*

Trustee Thompson asked for clarification on the contract amount as the agenda and the summary were inconsistent. Mr. Fonseca said the amount listed in the summary, \$44,806.30, was the correct amount and was correctly incorporated into the agreement.

**ACTION:** A motion was made and seconded to approve the contract for Colin Construction Company in the amount of \$44,806.30. The motion passed.

**AYES:** Trustees Banerjee, Charland, DeVries, Lawrence, and Thompson

**NAYS:** None

**ABSTENTION:** None

- b) Replacement agreement with **CareFusion Solutions, LLC** for the provision and installation of Pyxis drug dispensing equipment throughout the system. The term of the proposed agreement is from March 1, 2018 through September 1, 2024. The estimated impact of the proposed agreement is \$6,852,434.00.

*Luis Fonseca, Chief Operating Officer*

Trustee Thompson stated that there was a discrepancy with the dollar amount and requested clarification. Diana Thamrin, System Director of Pharmacy, reviewed the presentation on page 19 of the agenda packet.

Trustee Thompson asked about the construction needed at San Leandro Hospital. Mr. Fonseca said the medication dispensing rooms in some cases were shared rooms with nutrition services, which did not meet current code. Additionally, some rooms would require minor construction to allow the equipment to fit and operate properly.

Trustee Thompson asked for confirmation that of the agreement total, \$6.8M, only \$373K would extend to the 2018 fiscal year. Mr. Fonseca confirmed.

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Trustee Lawrence asked how staff determined the amount of staff time PYXIS would save. Ms. Thamrin said the vendor represented the product would result in a 45%-time savings or four hours in an eight-hour shift. Staff calculated the estimated time savings of 30 minutes per shift (a 7% reduction in non-value-added time), based on their experience and a study of the standard medication administration times (four times a day), the number of stat medications per shift, the estimation of how many medications were typically administered by a nurse per shift, and how many times the nurse would have to leave the patient to retrieve medications per shift.

Trustee Lawrence asked about the 5 and one half-year long contract. She was concerned about signing such a long agreement with shifting technologies and market changes. Mr. Fonseca said the provider, one of only two (Omniceil and Pyxis), to provide this essential care component, would not engage in a contract less than 60-69 months and that this was typical in the industry as the equipment was long lived. Also, management anticipated a phased roll out; the Highland process would only be 60 months. The rest of the time was to allow for the phased process.

Trustee Lawrence asked how PYXIS would connect with Epic. Ms. Thamrin explained that Epic would push medication orders to the PYXIS machines and nurses would be able to see what medications had been ordered by the physicians and validated by the pharmacists, ensuring that the nurses were administering the correct medications.

Trustees Charland, Lawrence, and Thompson agreed that when systems and equipment required sunseting because of Epic, the Board needed know. Mr. Finley explained that the PYXIS project was not happening because of Epic, but rather because of the life span of the equipment, and that management would ensure that future equipment purchased would consider Epic connectivity, where appropriate.

Trustee DeVries asked if Omnicell had been vetted. Ms. Thamrin said Omnicell pricing was very similar. CareFusion was a better fit because of staff's familiarity with the product as it was already used in several facilities, and the physical footprint of the CareFusion product required less construction.

Trustee DeVries asked when the \$5.85M in savings, indicated on page 30 of the presentation, would be realized. Ms. Thamrin said that savings was a reinvestment of nursing time, not an actual expense savings.

Trustee Lawrence and Trustee Thompson expressed concerns about listing a reinvestment of time as cost savings. Mr. Finley said the data was an impact in value, it was not intended to indicate an actual expense savings. Trustee Lawrence stated she still had concerns because the represented "savings" would probably not result in an actual cost reduction and requested that future contract summaries represent only actual confirmed cost reductions.

Trustee DeVries asked if PYXIS would result in lessening the need to bring in registry nurses. Mr. Finley responded that the required ratio of nurse to patient would not change, registry nurses would still be needed.

Trustee DeVries confirmed that AHS already used PYXIS in two of our three hospitals, and stated that while the committee was approving a \$7M contract, in reality it was \$1.3M a year for something they already used with a \$373K increase over the current spend rate. He asked what the existing San Leandro system, Assent, cost AHS. Ms. Thamrin said it was approximately \$60,000 annually and that with PYXIS the cost would increase to \$166,000.

**ACTION:** A motion was made and seconded to approve the contract for CareFusionSolutions, LLC in the amount of \$6,555,083. The motion passed.

**AYES:** Trustees Banerjee, Charland, DeVries, Lawrence, and Thompson

**NAYS:** None

**ABSTENTION:** None

- c) New agreement with **Creekside Plaza Partners, LLC** to lease a space of 24,015 square feet in the city of San Leandro. The term of the proposed agreement is from April 15, 2018 through April 14, 2023. The estimated impact of the proposed agreement is \$5,583,686.00.

Luis Fonseca, Chief Operating Officer

Mr. Fonseca reported that management was recommending Creekside Plaza as the space to house the Epic implementation team and training site. Requirements for this space included the need for a contiguous space, 125 workstations, conference and office space. The Creekside location was preferred as it was close to all facilities, BART, and offered adequate parking. Staff worked with Alameda County and Kaiser Permanent to utilize space, but neither of these options worked out. Staff also reviewed options at the Fairmont campus, but it was not able to accommodate the project. Mr. Fonseca reported that the cost at Creekside site was \$3.50 per square foot.

Trustee Thompson noted that the \$3.50 per square foot did not include expenses and requested the all-in cost per square foot, the exact number of work spaces provided, what the tenant improvement allowance (TI) was and what it was going to be used for, what concessions the landlord made, and what type of lease it was. Trustee Thompson noted that market comparables confirmed the proposed space was one of the most expensive buildings available in the San Leandro market (Class A Space) and felt that, given AHS' current financial challenges, management should be looking for more cost-effective Class B space to meet this need. Trustee Thompson specifically suggested the Bank of America building as potentially being more cost effective, while still meeting the programmatic requirements.

Trustee Lawrence inquired as to what other buildings staff looked at. Mr. Fonseca stated that management worked with Cushman and Wakefield to review the current properties that were on the market that would meet our requirement, and that

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management has reviewed properties in Downtown Oakland, on Hegenberger Road by Oakland Airport, the current building occupied by our Support Services Center, and some space in Emeryville. These spaces were either too expensive or could not accommodate the project.

Trustee Thompson asked if they looked at any Class B space. Mr. Fonseca said they looked at everything that was available at the time. The space they proposed required very little Tenant Improvements (TI's) and it was already furnished. The landlord is providing a TI allowance of \$13 per square foot that we intend to use to support the Information Technology (IT) infrastructure requirements.

Trustee Thompson asked what the terms of the lease were as there was a discrepancy on the agenda and the summary. Staff reported that that was a typo, the terms of the lease were April 15, 2018-April 14, 2023. Trustee Thompson requested that in future all leases being presented should have a common set of data presented, the least of which should include: exact year to year cost per square foot; the type of lease (NNN, IG, etc.); what TI's are needed to occupy the space; and landlord concessions; summary of the due diligence process and what the brief was to the brokers.

Trustee Charland asked for confirmation that the proposal included the conference room furniture. Mr. Fonseca said they would need to purchase chairs.

Trustee Lawrence said she understood there was a tight time constraint and that management did not have time to remodel a space. She said she needed to have the data and background being requested in order to make an informed decision. Trustee Banerjee expressed her sentiment that adequate due diligence had not been done, and Trustee DeVries noted that the Board wanted to understand why rejected spaces didn't work.

Mr. Finley reminded the committee that they will have staff onsite to begin the implementation of Epic in one month's time and that they would not have space to work in without this option. Trustee Thompson noted that management had six months to work on this and he didn't understand why adequate analysis could not have been done to avoid presenting this as an urgent issue. Mr. Finley responded that management had to get the Epic project approved before the space lease could be negotiated. Trustee Banerjee expressed her opinion that management could have worked on both items at once.

Trustee Charland requested comparables from Cushman and Wakefield.

**ACTION:** A motion was made and seconded to table the contracts for Creekside Plaza Partners, LLC to the full Board of Trustees meeting on February 22, 2018. The motion passed.

**AYES:** Trustees Banerjee, Charland, DeVries, Lawrence, and Thompson

**NAYS:** None

**ABSTENTION:** None

#### **4) INFORMATION/DISCUSSION: Operating Reports**

a) Chief Financial Officer Report:  
*David Cox, CFO*

Mr. Cox reviewed the December 2017 Financial Report beginning page 49 of the agenda packet, noting improved financial performance from prior month, although noting that monthly and year to date performance was still significantly below budget.

Trustee Thompson asked about the EBIDA margin; noting that it was 25% off and therefore not “favorable”. Mr. Cox agreed, but noted that the results were somewhat better than prior months, and therefore an improvement over prior performance.

In response to Trustee Charland’s query regarding the comment on changes in FQHC billing, Mr. Cox explained that the State has taken the position that only the Primary Care visits that were provided on K6 could be billed as FQHC visits, and that the Specialty visits provided on K7 had been inappropriately billed as FQHC visits. Mr. Cox further explained that the State had started taking back the approximately \$30M that had been previously paid for these services, but that AHS was appealing this decision. The potential recoupment had been fully reserved and would have no effect on reported income.

Trustee Banerjee, asked if the issue was related to the NPI number or HRSA. Mr. Cox responded that the issue was only tangentially related to HRSA licensure, and that the State appeared to be taking a very restricted view on the issue with all providers, not just AHS.

**ACTION:** A motion was made and seconded requesting the Chief Financial Officer to create, maintain, and report monthly to the Committee, a “12-month rolling forecast” with a complete set of financial statements incorporated, with the objective of moving to a 3-year rolling forecast by the end of the 2018. The motion passed.

**AYES:** Trustees Banerjee, Charland, DeVries, Lawrence, and Thompson

**NAYS:** None

**ABSTENTION:** None

Trustee Thompson asked staff to present a report on the Kaiser \$20M benchmarks at the next committee meeting. Mr. Finley said they aren’t final yet but management should be able to present at that time.

Trustee Thompson requested that the CFO and COO reports should come first in the Committee Agenda (after approval of Minutes), in order to ensure good oversight of operations.

b) Chief Operating Officer Report:  
*Luis Fonseca, COO*

Mr. Fonseca reviewed the Operations Report beginning on page 58 of the agenda packet.

In response to comments regarding the impact of vacation schedules on payroll expenses, Trustee Banerjee inquired about how vacations affected salaries. Mr. Finley explained the improvements that have been made in the Scheduling Templates and that clinics had begun backfilling Clinics when providers were on vacation. Trustee DeVries inquired further, regarding the standardized scheduling templates and whether this had resulted in improved access. Mr. Fonseca agreed.

Trustee Thompson inquired about the matrix report, noting that primary care third next available (TNAA) target was 10 days and that reported performance was at 38. Mr. Finley described management's actions and noted that performance was improving.

Trustee Lawrence asked how much control management had over volume. Mr. Finley responded that management had a fair amount, as management controlled the staffing of the Clinics, patient scheduling, and confirmation process. Trustee Lawrence also inquired as to management's plans to achieve EBIDA goals and to reduce expenditures. Mr. Fonseca responded that the actions being taken were intended to develop scheduling templates to manage demand and capacity. Trustee Thompson asked Mr. Cox to make the NNB Line of Credit Balance Chart to be in a 12-month rolling format.

Trustee Thompson noted that for the past seven months, AHS had been off budget and requested that management bring back to the Committee next month a report detailing the four-month action plan to reach AHS' current fiscal year's annual EBIDA target. Mr. Fonseca committed to provide the requested report.

**ACTION:** A motion was made and seconded requesting management provide the Finance Committee, at the March 8, 2018 meeting, a detailed, four-month action plan to reach AHS' current fiscal year's EBIDA target. The motion passed.

**AYES:** Trustees Banerjee, Charland, DeVries, Lawrence, and Thompson

**NAYS:** None

**ABSTENTION:** None

Trustee DeVries and Trustee Thompson requested that management summarize the report to include an action plan through the end the year, with dollar amounts assigned. Trustee Banerjee requested management to report on how they were addressing course corrections.

Mr. Fonseca reviewed the AHS Financial Review Process beginning on page 70 of the agenda packet. Trustee Thompson asked if they had to still commit to four months with the registries. Mr. Fonseca said they did not.

**5) INFORMATION/DISCUSSION: Business Planning**

a) Fiscal 2019 Budget Process and Timeline

No Discussion

**6) DISCUSSION: Committee Planning**

a) Issues Tracking

No Discussion

**PUBLIC COMMENT – None**

**TRUSTEE COMMENTS – None**

**ADJOURNMENT – 5:34pm**

This is to certify that the foregoing is a true and correct copy of the minutes of the regular meeting of February 8, 2018 as approved by the Finance Committee on March 8, 2018:

  
Ronna Jojola Gonsalves  
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: \_\_\_\_\_

  
M.D. Moye  
General Counsel