



FINANCE COMMITTEE MEETING
March 8, 2018
4:00pm – 5:30pm

Conference Center Located at Highland Care Pavilion
1411 East 31st 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

MINUTES

THE MEETING WAS CALLED TO ORDER AT 4:00 PM

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:
Kinkini Banerjee, Gary Charland, Louis Chicoine, Joe DeVries, Michele Lawrence, and Anthony Thompson.

ABSENT: None

A quorum was established.

Trustee Thompson started the meeting by stating that by the end of the meeting that he hoped the Board and management would be on the same page regarding the financial condition of Alameda Health System (AHS).

1) ACTION: Consent Agenda

- a) Approval of the Minutes of the February 8, 2018 Finance Committee Meeting.

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.

Trustee Banerjee said that on page 12 line 4, she meant “how vacations affected clinic closures and patient access” not “...how vacations affected salaries.”

ACTION: A motion was made and seconded to approve the minutes of the February 8, 2018 Finance Committee Meeting as revised. The motion passed.

AYES: Trustees Banerjee, Charland, Chicoine, DeVries, Lawrence, Thompson

NAYS: None

ABSTENTION:

END OF CONSENT AGENDA

2) INFORMATION/DISCUSSION: Operating Reports

- a) Chief Financial Officer Report: (30 minutes)
David Cox, CFO

- (1) January 2018 Financial Report
- (2) Reimbursement Reserves
- (3) 12 Month Rolling Forecast

Mr. Cox reviewed the Financial Officer Report beginning on page 14 of the agenda packet.

Trustee Thompson asked Mr. Cox for more information on the revenue plan. Mr. Cox said they were making progress on a more aggressive plan that he felt that was still a little soft.

Trustee DeVries said that the Retrospective Adjustments, on page 14 of the agenda packet, listed \$262K in legal fees related to the Epic contract negotiations. He asked what the \$455K in invoices that have not yet been recorded were. Mr. Cox said that invoices that didn't come in right away were capitalized instead of expensed.

Trustee DeVries asked if it was acceptable to capitalize the \$136K for the John George Door Hardware Replacement Project. Mr. Cox said they confirmed with the auditor that the process was within Generally Accepted Accounting Principles (GAAP) rules.

Trustees discussed with Mr. Cox how these adjustments would make February look more favorable. He explained that expenses would be reduced by the \$262K and the \$136K. The negotiated annual compensation under the Alameda Alliance Contract would increase net revenue by \$750K. Revenue was expected to improve by an estimated total of \$4.5M which also included an additional \$3M in supplemental revenue.

Mr. Cox reviewed the Reserves chart on page 18 of the agenda packet.

Trustee Lawrence asked if it was standard practice to book future expected income as revenue received. Mr. Cox said it was, and offered the example of booking patient charges as revenue even though they wouldn't pay for 60 days. Receivables were adjusted when the revenue was received.

Trustee Lawrence asked if the \$58M listed in the "Reserve" column was in the forecast. Mr. Cox said the \$3.5M reimbursement reserves per month was. He said that by June 30, absent any changes, the \$22.5M (booked January 31) would increase by \$17.5M (\$3.5M per month) and the \$58M would be reduced by \$17.5M.

Trustee DeVries asked why they wouldn't book certain reserves for the year they were in. Mr. Cox said because of the uncertainty, and to maintain some level of reserves. Trustee DeVries asked what percentage of the reserves were booked for the current year over next. Mr. Cox said of the \$58M they brought in \$17.5M for the previous five months, multiply that by 3.5 for \$22.5M, about a third of what it was a couple of months prior.

Trustee Thompson said there was no standard percentage established, but rather it was a strategy for prudent reserve management.

Trustee Lawrence said she would rather have the auditor tell them they had to book it as income. She preferred to know what the bottom line was.

Mr. Cox said the current budget process was challenging, a lot of the uncertainty which may resolve the following year. There could be favorable developments that might allow them to bring in more reserves the following year and take the pressure off expense reductions.

Mr. Cox spoke regarding the Disproportionate Share Hospital (DSH) cut delay that affected the Global Payment Program (GPP) program and was worth \$90M a year. It was based on how much was available. AHS was allotted a specific reimbursement and had to earn it by delivering care to uninsured. With the DSH cut delay AHS had the potential to earn more if they could score the points.

Trustee DeVries confirmed that would be potentially \$11M. He asked if AHS typically scored high. Mr. Cox said the problem was the program went from getting paid for the cost of services to getting paid for the services delivered so some of that was at risk. He said that factors such as the decreasing monthly HealthPac enrollment, and the program's shift of points from events such as emergency room visits to events such as office visits had an impact as well.

Trustee Banerjee asked if another organization received more points than AHS if AHS's share would decrease. Mr. Cox said AHS had a guaranteed amount, but

an obligation to earn all of it. If they didn't, the left-over amount would go into a bucket for all the remaining participants who earned it.

Trustee DeVries asked how earning only half of the DSH would affect the EBIDA. Mr. Cox replied half a percent on EBIDA, which wasn't much but it all added up. Getting all of it would be a full point. They would know more in two months.

Trustee Chicoine asked about the relationship to this data gathering and the new EHR program. Mr. Cox said that it would be much easier.

Mr. Cox reviewed the 12-month rolling forecast information beginning on page 33 of the agenda packet.

Trustee Lawrence said it was difficult for the Board to look at a forecast without looking at the assumptions applied to that forecast. Mr. Cox that due to the friction caused in creating the Forecast, the assumptions had inadvertently been left off, but they would be attached in future forecasts. Mr. Cox suggested a separate meeting to review the assumptions, as it would take a substantial amount of time.

Trustee Thompson said the rolling forecast was a good first attempt given that this was a first for AHS. The County used a five-year rolling forecast and he reminded Trustees that just three years ago, AHS was facing a serious crisis and had no tool that alerted them.

Trustee DeVries said they would get a new one the following month. He said the forecast was impactful to the Board as they tried to make decisions on what could affect people's jobs.

Trustee Thompson said the previous year they had an EBIDA of 6.3% and they wound up at about 5% and that AHS had missed its budget every single month in the current fiscal year, including an operating loss in January

Trustee DeVries said that, on page 34, was an objective to reduce FTEs by 385. He wanted to see alternative ways to reduce the labor costs. Mr. Cox said that the current recommendation by management was to make the reduction on the report, which could be through attrition, staffing decisions, reducing overtime. He said they did a benchmarking analysis based on productivity standards.

Trustee Lawrence said they were bringing people in for EHR. Mr. Cox said those people would be capitalized. Some would become operational expenses over time and they would then appear in the extended range forecast. Mr. Finley added that a number of those were from current employees who would move to the project.

Trustee Charland asked if they would replace the clinical positions who moved to the EHR project. Mr. Fonseca said some could be backfilled. Trustee Charland recognized the challenge of putting together the rolling forecast.

Trustee Banerjee noted that it was particularly difficult during the EHR project.

b) Chief Operating Officer Report: (20 minutes)
Luis Fonseca, COO

- (1) January 2018 Operations Report
- (2) Fiscal 2018 Budget Plan

Mr. Fonseca reviewed the Chief Operating Officer Report starting on page 42 of the agenda packet.

Trustee Thompson asked if they would have an answer to the salary variables the following month. Mr. Fonseca said there was multiple variables. Analysis showed it was not a registry or overtime issue. There appeared to be a fundamental salary budget issue. They budgeted lower than what was paid.

Trustee Charland asked if the salary variables would be on the report on next month. Mr. Fonseca said they would report on how it was affecting the operation.

Trustee Lawrence said the Board had a role in the issue. The Board must always complete due diligence regarding budgetary impacts before approving negotiated salary increases.

Trustee Thompson said the Board was always informed of the budget impact prior to approval.

Trustee Lawrence said that it was awkward to be in the position of having to vote yes to fund the valued employees at a risk to the system. Mr. Fonseca said they would bring more detailed information to the Committee.

Trustee Chicoine asked staff to respond to Trustee Lawrence's comment about approving an employee contract that was not in the budget. Mr. Finley said that the effort was to address a chronic issue of how salaries and registry were budgeted. They opted to use less registry, which increased the FTEs to reflect that. They hadn't hired all the positions so they were below budgeted FTEs. In the later part of the year they edged closer to the target, then they experienced retroactive salary increases. Then in January when they thought they'd get a normalization, even though FTEs were still not at budget, that delta was not going down. It went up. They discovered issues with the way they budgeted for salaries.

Trustee Thompson said it appeared there was several structural issues that needed to be reviewed.

Trustee Devries asked what percentage of the staff was not (union) represented. Mr. Redmond said about 8%.

Trustee Charland asked what caused the surgical decreases and what the financial impact was. Mr. Fonseca said some providers were out in January. Mr. Finley said some elective surgeries were canceled due to the census.

Trustee Banerjee asked about the labor and delivery. Mr. Fonseca said they were on budget in January. He said they are experiencing a steady increase as expected.

Trustee Thompson asked why Alameda and San Leandro Hospitals were operating in the red so far in the current year. Mr. Fonseca said volume was the issue.

Mr. Fonseca, Mr. Cox, and Mr. Chapman reviewed the 2018 Fiscal Year Budget Plan on page 54 of the agenda packet.

Trustee Thompson said the action plan was a good start and asked for an updated plan at the next meeting.

Trustee Lawrence asked if the plan was in the forecast. Mr. Cox said the totality of the plan was in the presented forecast and that it would be updated next month.

Trustee Charland asked how the "Delay execution of post-discharge follow up contract" item on agenda packet page 62, would affect the rates of readmits. Mr. Finley said when they created the plan they tried to do with the intent to avoid patient impact. Tangerine Brigham, Chief Administrative Officer, Population Health, said that intent was to have a contract with a vendor to make post discharge calls. The calls facilitate a lack of readmission and improve patient experience. The process would be implemented at a later date.

Trustee Banerjee asked about cuts to the social worker staff. Ms. Brigham said they previously had contracted social workers, but shifted to staff social workers to reduce the cost. There was a delay in the hiring of a manager, but the position would be filled.

Trustee's asked questions regarding the Labor Optimization Planning item. Mr. Cox and Mr. Fonseca stated that the total FTEs listed was not a one to one impact.

Trustee Thompson asked for agreement by the Trustees and management in the following: AHS was behind budget for the year and performance in January was a disappointment given the volume. Supplemental revenue was favorable. Patient revenues were starting to lag and expense trends were generally up. There were favorable developments on reserves and management would bring opportunities as appropriate. Monthly reviews of the reserves status would continue. There could be other opportunities that might develop, but it was premature to add to the forecast. Even with significant cost reduction initiatives, EBIDA may not make the current year's forecast. Cost reductions would need to be discussed for FY19. The Finance Committee would continue to receive status reports on the budget. It was fair to say that AHS was in a turnaround situation. There were no objections by a Trustee or management.

3) INFORMATION: Retrospective Review of Prior Contract Approvals

NONE

4) ACTION: Approval of Contracts

- a) Amendment to the agreement with **OakCare Medical Group** for the provision of emergency medical services at San Leandro and Alameda Hospitals. The term of the proposed agreement shall be from April 1, 2018 through June 30, 2020. The estimated impact of the proposed agreement is \$13,566,270.00.
Ghassan Jamaledine, Chief Medical Officer

Dr. Jamaledine and Ira Holly, Vice President of Contracting Services, discussed the OakCare Medical Group, Inc. contract on page 65 of the agenda packet.

Trustee DeVries asked if the reduced volume at San Leandro and Alameda hospitals was considered when negotiating the contract. Dr. Jamaledine said it was.

ACTION: A motion was made and seconded to approve the Amendment to the agreement with OakCare Medical Group in the amount of \$13,566,270.00. The motion passed.

AYES: Trustees Banerjee, Charland, Chicoine, DeVries, Lawrence, Thompson

NAYS: None

ABSTENTION: None

- b) New Statement of Work ("SOW") with **Colin Construction Company** for the provision of design and construction work to renovate the South Shore kitchen and storage rooms. The term of the proposed agreement shall be from March 23, 2018 through March 31, 2019. The estimated impact of the proposed agreement is \$413,982.40. Inclusive of this contract and prior contractual commitments (July

1, 2017 – April 30, 2019), the overall obligation to this vendor is estimated at \$2,492,174.40.

Luis Fonseca, Chief Operating Officer

Trustee Lawrence asked how frequently they completed Requests for Proposals (RFPs) for construction projects. Mr. Fonseca explained that earlier in the year they evaluated multiple contracting companies. They established master services agreements with several. That process these types of projects to be completed through scopes of services rather than RFPs.

ACTION: A motion was made and seconded to approve the Statement of Work with Colin Construction Company in the amount of \$413,982.40. The motion passed.

AYES: Trustees Banerjee, Charland, Chicoine, DeVries, Lawrence, Thompson

NAYS: None

ABSTENTION: None

- c) Renewal agreement with **MModal Services, LTD** for the provision of transcription services for provider dictation throughout the system. The term of the proposed agreement shall be from April 1, 2018 through March 31, 2020. The estimated impact of the proposed agreement is \$1,967,580.00.

David Cox, Chief Financial Officer

Trustee Thompson said he thought AHS didn't use transcription services anymore. Mr. Cox said it would largely disappear when EPIC rolled out.

ACTION: A motion was made and seconded to approve the Renewal agreement with MModal Services, LTD in the amount of \$1,967,580.00. The motion passed.

AYES: Trustees Banerjee, Charland, Chicoine, DeVries, Lawrence, Thompson

NAYS: None

ABSTENTION: None

5) INFORMATION/DISCUSSION: Business Planning

NONE

6) DISCUSSION: Committee Planning

- a) Issues Tracking

PUBLIC COMMENT - None

TRUSTEE COMMENTS - None

ADJOURNMENT - 5:53

This is to certify that the foregoing is a true and correct copy of the minutes of the regular

meeting of March 8, 2018 as approved by the Finance Committee on April 12, 2018:



Ronna Jojola Gonsalves
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____


M.D. Moye
General Counsel