



**FINANCE COMMITTEE MEETING**

**March 14, 2019**

**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**

Noha Aboelata, MD

Kinkini Banerjee

Gary Charland

Louis Chicoine, Chair

Joe DeVries

Ross Peterson

**MINUTES**

**THE MEETING WAS CALLED TO ORDER AT 4:04 pm**

**ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:** Noha Aboelata, MD, Kinkini Banerjee, Louis Chicoine, Joe DeVries, and Ross Peterson.

**ABSENT:** Gary Charland

A quorum was established.

Dr. Davida Flahery spoke regarding the seismically dangerous A and B wing buildings at Highland, (Item B2b), which housed the trauma center staff. She handed out related materials, available here: <http://www.alamedahealthsystem.org/2019-meeting-agendas-and-minutes/>. She requested that the building inspections are prioritized. Trustee Chicoine asked staff to add the buildings to the facilities evaluation process.

**A. ACTION: Approval of the Minutes of the February 14, 2019 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.***

**ACTION:** A motion was made and seconded to approve the minutes of the February 14, 2018 Finance Committee Meeting. The motion passed.

**AYES:** Trustees Aboelata, Banerjee, Chicoine, DeVries, and Peterson

**NAYS:** None

**ABSTENTION:** None

Trustee Chicoine announced that they would hear item B3 prior to B2.

**B. INFORMATION/DISCUSSION: Operating Reports**

1) Finance Report

*Nancy Kaatz, Interim Chief Financial Officer*

a) January 2019 Financial Report

b) Analysis of San Leandro Hospital

Ms. Kaatz reviewed the report beginning on agenda packet page 10.

Trustee Banerjee asked about outside medical services expenses. Ms. Kaatz said those expenses related to patients who were sent to outside services and didn't affect capitation.

Trustee Chicoine asked for a ballpark of the cash flow issue. Ms. Kaatz said it was upwards of \$100M. She said AHS didn't have a reserve, so these amounts had not been considered in any of the previous cash flow counts.

The Committee discussed the reserves concerns heading into the upcoming fiscal year as mapped out on agenda packet page 39.

Trustee DeVries asked for an outside time frame for when the money would come in from programs such as EPP & QIP. Ms. Kaatz said the receivable amount fluctuated based on when the items were due.

Ms. Kaatz explained, based on a question by Trustee Banerjee, that the amount Medicare paid per discharge was different at Highland because they had more beds and were a teaching hospital.

Trustee Chicoine said that the report encouraged them to think more about the system rather than the individual. Trustee Peterson agreed that it was critical to look at the whole. Trustee DeVries said the process was less siloed than before, the SBU model allowed them to look at components throughout the system.

Trustee Aboelata asked if the uncollectable write offs happened monthly or annually. Ms. Kaatz said they accounted for them monthly, but it was a rolling process.

Trustee Aboelata asked what buckets the cash collections included. Ms. Kaatz said it was patient services revenue, all types payments. Mr. Finley said they were making strong efforts to improve patient collections.

The Committee discussed their desire for an analysis of how AHS was collecting more than expected. Trustee Aboelata said it concerned her to think they might not be projecting revenues accurately. Trustee Chicoine said they could add this to the list of future tasks the Committee had. Trustee Aboelata said it was important to be able to differentiate between a contractual obligation and a write off.

- 2) Chief Operating Officer Report
  - Luis Fonseca, Chief Operating Officer*
  - a) January 2019 Operations Report
  - b) AHS Property and Lease Review

Item B2, Chief Operating Officer Report was heard after item B3.

Item B2a, January 2019 Operations Report, was heard as a written report with no discussion.

Item B2b, AHS Property and Lease Review, was postponed to a date uncertain.

- 3) Fiscal Year 2020 Budget Update
  - Nancy Kaatz, Interim Chief Financial Officer*

Item B3, Fiscal Year 2020 Budget Update was heard prior to item B2.

Ms. Kaatz reviewed the report beginning on agenda packet page 80.

Trustee DeVries said that staff has been working hard since they learned that revenue was going to be off.

Trustee Chicoine asked what process staff was going to take to manage this challenge. Mr. Finley said there were several parallel tracks. On the tactical side, he said they would continue with the budget process. He said staff had been tasked with getting the expenses within the budgeted targets. Management would then review their adjustments to ensure there would be no impact on revenue. Additionally, they huddled to review changes across the board such as discontinuing discretionary funds for things like meals and travel to things that impact salaries and benefits. He added that the labor costs have always been above 60%, they have always crept up while revenues flattened, they were 76.9% in the 2020 budget. He said that it was difficult to imagine closing the gap without affecting labor no matter how effective expense management efforts were, when three quarters of the expenses were salary. Concurrently, they would reach out to the county to open a dialogue around this reality. They would discuss relaxing the permanent agreement or looking at some reframing to achieve a more strategic position.

Trustee DeVries asked if they had met with labor leaders. Mr. Finley said they had been included but in a different way. Trustee DeVries if they were proactively telling them what was happening to help them not be surprised. Mr. Redmond said they could only do that after the information had been presented to the board and their county partners.

**C. CONTRACT APPROVAL: ACTION ITEMS/DISCUSSION**

Recommendation to the Board of Trustees for approval of the contracts listed below.

- 1.) New agreement with **CMRE Financial Services, Inc.**, for billing, accounts management, and collections services of patient insurance balances. The term of this proposed agreement shall be effective upon signature through 03/31/2021. The estimated impact of the proposed agreement is \$2,100,000.

*Nancy Kaatz, Interim Chief Financial Officer*  
*Bernadette Jensen, Vice President, Revenue Cycle*

- 2.) New agreement with **Xtend Healthcare, LLC**, for billing, accounts management, and collections services of patient insurance balances. The term of this proposed agreement shall be effective upon signature through 03/31/2021. The estimated impact of the proposed agreement is \$2,100,000.

*Nancy Kaatz, Interim Chief Financial Officer*  
*Bernadette Jensen, Vice President, Revenue Cycle*

**ACTION:** A motion was made and seconded to recommend to the Board of Trustees approval of the new agreement with CMRE Financial Services, Inc. and the new agreement with Xtend Healthcare, LLC. The motion passed.

**AYES:** Trustees Aboelata, Banerjee, Chicoine, DeVries, and Peterson

**NAYS:** None

**ABSTENTION:** None

**D. DISCUSSION: Committee Planning**

- 1) Issues Tracking


**TRUSTEE COMMENTS**

**ADJOURNMENT:** 5:35 pm

This is to certify that the foregoing is a true and correct copy of the minutes of the Finance Committee March 14, 2019 meeting as approved on April 11, 2019:

  
\_\_\_\_\_  
Ronna Jojola Gonsalves  
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by:   
\_\_\_\_\_  
M.D. Moya  
General Counsel