



FINANCE COMMITTEE MEETING
Wednesday, May 5, 2021
5:30pm – 7:30pm

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: Telephonic/Electronic Meeting

FINANCE COMMITTEE MEMBERS

Luisa Blue
Jennifer Esteen, Chair
Alan E. Fox
Sblend A. Sblendorio

FINANCE COMMITTEE REGULAR MEETING MINUTES

THE MEETING WAS CALLED TO ORDER AT 5:32 pm

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT: Jennifer Esteen, Alan E. Fox, and Sblend A. Sblendorio

ABSENT: Luisa Blue

PUBLIC COMMENT: Non-Agenda Items

None

A. ACTION: Approval of the Minutes of the April 7, 2021 Finance Committee Meeting

Moved by Trustee Fox, Seconded by Trustee Sblendorio to approve the minutes of the April 7, 2021 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 April 7, 2021 Finance Committee. A roll call vote was taken, and the motion passed.

AYES: Trustees Esteen, Fox, and Sblendorio

NAYS: None

ABSTENTION: None

B. INFORMATION / DISCUSSION: Operating Reports

B1. Chief Financial Officer Report

Kimberly Miranda, Chief Financial Officer

B1a. March 2021 Financial Report

Ms. Miranda reviewed the report beginning on agenda packet page 14.

Trustee Sblendorio asked what the variance would be in the current month for SEIU and what other labor settlements were expected going forward for the current and next fiscal year. Ms. Jones said they had not settled all the labor agreements. They would go to the next full Board meeting with two tentative agreements which involve back wages. Two new contract negotiations would begin soon. She said there was no total cost yet and that they would discuss it during the closed session at the full Board meeting.

Trustee Fox said it looked like the Emergency Department hadn't bounced back and that they were still running a 22% variance from the budget and from last year. He asked how they would budget for the ED for FY22. Ms. Miranda said they budgeted very close to pre Covid levels. The expectation was that the ED would bounce back. Trustee Fox said members of the Board would want more information on that. It was difficult to tell if the lower volumes were a permanent change in how people got their health care. Ms. Miranda said it was the trauma cases that drove the income and those were getting back to normal levels, unlike the ED visits. The trauma cases made the variance less than one might think.

Trustee Esteen asked if they had notified the County regarding the period where they expected the run rate to exceed the year-end target on agenda packet page 49. Ms. Miranda said they had not yet as it was still far out. They would communicate to the County if they thought they were going to go over and couldn't prevent it. Notifying the County for something that might happen a year out was premature.

Trustee Fox said that the write up indicated that the County could hold back \$14M of the FY19 and FY20 Capital Designation funds and asked if that meant they had not provided that money yet. Ms. Miranda said they had not. AHS was preparing invoices and the County was aware of the situation. Trustee Fox asked if there were any capital project invoices that were in danger of being defaulted on. Ms. Miranda said "no", all payments increased the debt with the County. There was a second funding mechanism to draw money down to improve or maintain County owned facilities. Trustee Fox said he'd like some Board education on how the capital funding process worked. He asked if they had a

project, such as replacing an MRI, if the County guaranteed that payment. Ms. Miranda said she was not aware of a time when the County guaranteed a payment. AHS would have a difficult time getting loans because of their structure. They would draw funds down on the line of credit as they purchase it, or they would rent it and pay a rental fee. Trustee Fox asked if when they contract for a room improvement, for example, if AHS signed the contract or did the contractor understand the situation and require the County to co-sign. Ms. Miranda said AHS had been able to sign the contracts and make the payments, in her experience.

Mr. Azizi said they had one situation where the contractor requested a guarantee from the County. If they weren't able to secure the guarantee it would have cost more.

Ms. Miranda reviewed the “worst case” scenario of the NNB forecast explaining the timing of IGTs and ultimate receipt of program revenue for Rate Range and QIP were completely out of AHS control. In addition, the FY12 waiver recoupment demand was expected in May. Ms. Miranda was working to negotiate a payment plan with the State. Trustee Esteen confirmed that the \$14M Capital Designation was for Epic. Ms. Miranda confirmed that was the interpretation of the language from the County was that they need to provide invoices for maintenance for Epic. She said that AHS paid the County \$7M each year and the County was to pay it back. The County had not paid it back for the last two years because AHS had given notice on the NNB. AHS planned to pay the \$7M again this June. AHS would likely and was planning to give notice on the NNB again due to the “worst case” scenario projecting AHS to exceed the NNB. This notice created the risk that the County would not pay back the Capital Designation fund again. Ms. Miranda said they kept it on the balance sheet because the funds should be released once they were not out of compliance with the NNB.

Trustee Esteen announced that they would hear agenda item D next.

B2. Chief Operating Officer Report

Mark Fratzke, Chief Operating Officer

Richard Espinoza, Chief Administrative Officer

B2a. Operations Report for Post-Acute Care

Mr. Espinoza reviewed the report beginning on agenda packet page 58.

Trustee Sblendorio left at 6:30pm back at 7:10

Trustee Fox asked, regarding the CARF accreditation, if they used their own employees as the therapists, unlike in the long-term setting, if this was the rehab unit top to bottom. Mr. Espinoza said the therapists in CARF were there therapists, because it was an acute setting. They did have a partnership with Rehab Care who specialized in acute rehabs in terms of changes to billing processes and from functional independent measures to performance evaluation measures.

C. INFORMATION / DISCUSSION

C1. S*A*P*P*H*I*R*E* Revenue Cycle Performance

Kimberly Miranda, Chief Financial Officer

Theresa “Terri” Manifesto, Vice President of Revenue Cycle

Ms. Manifesto reviewed the report beginning on agenda packet page 81.

Trustee Esteen asked if they were still getting training support from Epic. Ms. Manifesto said they could ask for training if they need specialty help, but most of the training was done in house. Trustee Esteen asked how it was working. Ms. Manifesto said it worked well. She could reach out to the training team and focus training as needed.

Trustee Esteen spoke about denials, she wondered how much of the issue was about not just training the billers, but also the documenters, and the staff who were providing care. Ms. Manifesto agreed. It would be helpful to take the medical necessity piece forward to the physicians and do some case studies. Trustee Esteen asked if there were any other training opportunities. Ms. Manifesto said she wasn't sure yet, they were working on that evaluation.

Trustee Fox asked if they billed all professional specialties. Ms. Manifesto said yes. Trustee Fox said that meant they had a wide expertise in house. Ms. Manifesto agreed. She said they wanted to do a better job of feedback for the physicians.

Trustee Fox asked for the status of duplicate medical records and if that was an issue. Ms. Manifesto said she would have to get back to the Board on that. Trustee Fox said he had experience with that being an issue in other organizations, so he wondered about it. Ms. Miranda said they have some issues. Epic being rolled out globally at all sites helped, eliminating interfaces and other complications.

Trustee Esteen said the Committee would be happy to invite Ms. Manifesto back to discuss hospital billing.

C2. Finance Committee Education Agenda Items, 2021 Planning

Jennifer Esteen, Chair

Trustee Esteen said that Trustee Fox asked for education on capital designation, county billing and reimbursements. Trustee Fox said he'd send an email with additional training suggestions.

Trustee Sblendorio it would be good to drill down on the agreement and the line of credit.

Trustee Bhuket said as they near the end of the fiscal year, this was the time to remind themselves that they had a system level True North Metric dashboard. Six items on the dashboard related to finance. EBIDA, Operating Margin, AHS Cash collections as a

percent of net expected revenue, AHS gross days in AR, Expense per APD, and work hours per APD. He asked the Ms. Miranda if she thought they were the correct metrics. Ms. Miranda said they were good metrics for that score card. She felt they should provide metrics and benchmarks to other organizations.

D. ACTION ITEMS/DICUSSION: Contracts

D1. Amendment to extend the Agreement with Allied Universal Security Services for provision of security services to all AHS facilities. The term of the amendment shall be from July 1, 2021 through September 30, 2021. The estimated impact of the proposed amendment is \$1,824,000.

Mark Fratzke, Chief Operating Officer

D2. Amendment to extend the Agreement with AFFIRMA Rehabilitation for skilled nursing and sub-acute rehabilitation services. The term of the amendment shall be from July 1, 2021 through June 30, 2024. The estimated impact of the proposed amendment is \$2,500,000.

Mark Fratzke, Chief Operating Officer

Moved by Trustee Fox, Seconded by Trustee Sblendorio to approve the Allied Universal Security Services agreement and the AFFIRMA Rehabilitation agreement.

ACTION: A motion was made and seconded to approve the agreements with Allied Universal Security Services and AFFIRMA Rehabilitation. A roll call vote was taken, and the motion passed.

AYES: Trustees Esteen, Fox, and Sblendorio

NAYS: None

ABSTENTION: None

E. DISCUSSION: Committee Planning, Issues Tracking

Trustee Esteen said she'd like an update regarding AB32 which targeted telehealth reimbursements. She asked Ms. Brigham's team to keep them informed. She said that in February they discussed behavioral health county process improvements. The DOJ released a report on JGPH and SR jail. She'd like the full Board or QPSC to hear a report on that. Ms. Brigham said they could put together a document with the key issues as they understood them.

Trustee Esteen said that also IOP was still a conversation that needed to happen.

Trustee Fox asked when the Finance Committee reviewed the budget in June, if they would see the full budget with balance sheet and cash flow projections. Ms. Miranda said they typically did the income statement and cash flow. They had not budgeted a balance sheet in the past. Everything went against the NNB so the balance sheet changes were estimated to get to what the line of credit balance would be. Trustee Fox asked if they would then see a budget for where they predicted the NNB would be as well. Ms. Miranda confirmed.

Trustee Esteen asked if they would then get information on what the worst-case scenario would be, as discussed earlier. Ms. Miranda said they may not. Because the Finance Committee meeting was on the second day of June, which made the budget period shorter. The gap had not been closed yet. They talked about needing a longer runway to pencil out about \$100M in improvements in three years, but they also had increases in expenses over three years. They needed the strategic planning process to stabilize the organization. She would present a budget and an estimated balance on the NNB. It was likely they would have performance improvement items that weren't built into the budget that would have to be layered on top. But, at this point they were not going to get to their target of break-even operating margin after depreciation.

Trustee Bhuket reminded them that there was no meeting currently scheduled for June 30th. They could schedule a special meeting if needed to approve the budget.

TRUSTEE COMMENTS

ADJOURNMENT: 7:30 pm

This is to certify that the foregoing is a true and correct copy of the minutes of the Finance Committee May 5, 2021 meeting as approved on June 2, 2021:

Ronna Jojola Gonsalves

[Ronna Jojola Gonsalves \(Jun 25, 2021 16:03 PDT\)](#)

Ronna Jojola Gonsalves

Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: *Ahmad azizi*

[Ahmad azizi \(Jun 25, 2021 15:34 PDT\)](#)

Ahmad Azizi

Interim General Counsel