

AGENDA

FINANCE COMMITTEE MEETING OF THE EL CAMINO HOSPITAL BOARD

Monday, April 22, 2019 – 5:30 pm

Conference Rooms A&B (Ground Floor)

El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

Rich Juelis will be participating via teleconference from 2002 Lake Avenue Scotch Plains, NJ 07076.

MISSION: To provide oversight, information sharing and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital Board of Directors. In carrying out its review, advisory and oversight responsibilities, the Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER / ROLL CALL	John Zoglin, Chair		5:30 – 5:32 pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		5:32 – 5:33
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	John Zoglin, Chair		5:33 – 5:36
4. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the Finance Committee Meeting (March 25, 2019) b. Proposed FY20 Committee Goals Information c. Pacing Plan d. Capital Project Approvals	John Zoglin, Chair	<i>public comment</i>	motion required 5:36 – 5:38
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	John Zoglin, Chair		information 5:38 – 5:43
6. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		motion required 5:58 – 5:59
7. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		5:59 – 6:00
8. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> a. Minutes of the Closed Session of the Finance Committee Meeting (March 25, 2019)	John Zoglin, Chair		motion required 6:00 – 6:01

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
9. <i>Gov't Code Section 54956.9(d)(2)</i> – conference with legal counsel – pending or threatened litigation: - SUMMARY OF PHYSICIAN FINANCIAL ARRANGEMENTS	Mary Rotunno, General Counsel; Mark Adams, CMO; Diane Wigglesworth, Senior Director, Corporate Compliance		motion required 6:01 – 6:16
10. <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: - FY20 BUDGET REVIEW – PART 2	Iftikhar Hussain, CFO		discussion 6:16 – 7:01
11. <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: - HVI SERVICE LINE REPORT	Jim Griffith, COO; Amy Maher, Director Service Line, Heart & Vascular Institute		discussion 7:01 – 7:31
12. <i>Gov't Code Section 54956.9(d)(2)</i> – conference with legal counsel – pending or threatened litigation: - SVMD ENTERPRISE IMPACT	Mary Rotunno, General Counsel; Iftikhar Hussain, CFO		discussion 7:31 – 7:41
13. <i>Gov't Code Sections 54957</i> for report and discussion on personnel matters – Senior Management: - EXECUTIVE SESSION	John Zoglin, Chair		discussion 7:41 – 7:46
14. ADJOURN TO OPEN SESSION	John Zoglin, Chair		motion required 7:46 – 7:47
15. RECONVENE OPEN SESSION / REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	John Zoglin, Chair		7:47 – 7:48
16. CLOSING COMMENTS	John Zoglin, Chair		information 7:48 – 7:50
17. ADJOURNMENT	John Zoglin, Chair		motion required 7:50 – 7:51 pm

Upcoming FY19 Finance Committee Meetings in FY19:

- April 24, 2019 (*Board & Committee Educational Gathering*)
- May 28, 2019 (*Joint Meeting w/ECH Board, then separate Finance meeting*)



**Minutes of the Open Session of the
Finance Committee**

Monday, March 25, 2019

**El Camino Hospital | Conference Room A&B
2500 Grant Road, Mountain View, CA 94040**

Members Present

John Zoglin, Chair
Joseph Chow
Boyd Faust
William Hobbs
Richard Juelis
Gary Kalbach

Members Absent

None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 5:30pm by Chair John Zoglin. A silent roll call was taken. Joseph Chow was absent at roll call. All other Committee members were present.	
2. POTENTIAL CONFLICT OF INTEREST	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<p>Chair Zoglin asked if any member of the Committee wished to remove an item from the consent calendar.</p> <p>Item 4(e) Pacing Plan was pulled from the Consent Calendar by Chair Zoglin to discuss timing and subjects of Post-Implementation Reviews. The Committee requested review of capital projects 18 months after Board approval and requested a list of approved projects be presented to the Committee at the April meeting. The Committee will review the list and determine if a specific dollar amount be used as criteria for Post Implementation Review.</p> <p>Motion: To approve the consent calendar (Open Minutes of the Finance Committee Meeting of January 30, 2019, Open Minutes of the Joint Investment Finance Committee Meeting of January 28, 2019, FY19 Period 7 Financials; and for Information: Progress Against Goals, Pacing Plan, Articles of Interest, and Review Major Capital Projects in Progress.</p> <p>Movant: Kalbach Second: Juelis Ayes: Zoglin, Faust, Hobbs, Juelis, Kalbach Noes: None Abstentions: None Absent: Chow Recused: None</p>	
5. REPORT ON BOARD ACTIONS	Chair Zoglin asked the Committee for any questions or feedback on the Report on Board Actions as further detailed in the packet. There were no comments.	
6. EDUCATION CONFERENCE REPORT	Mr. Faust gave a brief overview of the Fourteenth National Value-Based Payment and Pay for Performance Summit sponsored by the Global Health Care, LLC. The Committee requested that staff add this Conference to the list of recommended conferences for Board and Committee education.	
7. FY 19 PERIOD 8	Mr. Chow joined the meeting at 5:50 pm.	

<p>FINANCIAL</p>	<p>Iftikhar Hussain, CFO, provided an overview of the FY19 Period 8 Financials:</p> <ul style="list-style-type: none"> • Volume was yellow for the first time on the Dashboard, but the numbers look better for March. • YTD volume was below budget and Total volume this year is lower than last year. • Financial performance was green – may be attributed to favorable revenues. • Payor Mix has been yellow all year primarily because of a drop in deliveries in commercial business. • Investments were very strong, still behind for the year, but recovery is good. • Gross revenue was also lower due to the departure of certain physicians. • He also reported slow growth in the Outpatient Pharmacy which is offset by lower expenses at \$77,000 behind plan. <p>In response to questions from the committee Mr. Hussain explained the strategy for ECH to operate a retail pharmacy:</p> <ul style="list-style-type: none"> • Breakeven goal plan; • Benefit to discharge patients with a 30-day prescription to help reduce re-admissions, although there is not a mechanism to directly link a reduction back to this program • Convenience of employees and local residents <p>In response to questions from the Committee, Mr. Hussain explained that;</p> <ul style="list-style-type: none"> • Gross revenue is an indication of raw volume activity of and is attributable to the lower revenue and volume from Los Gatos; • In total, volume this year is lower by about 1% than last year; • Year-over-year there is a charge increase that shows up in gross revenue; and • The deduction – you would expect any time that revenue is flat that net revenue would also be low which means that the deductions would be high. <p>Mr. Hussain also explained that salary and wages are up by 7%, in part because a number of vacancies in the Medical Staff Office and administrative areas were filled.</p> <p>Finally, Mr. Hussain spoke to the monthly financial trends:</p> <ul style="list-style-type: none"> • Payor mix shows drop in commercial (hmo/ppo/indemnity) volume; • Partially attributed to normal cyclical trend; • Payor mix is on the organizational watch list – meaning there are concerted efforts to improve in this area through program development; and • Planned OB and oncology program developments are expected to increase volumes in Los Gatos. <p>Jim Griffith, COO, commented that to improve payor mix is complex and includes physician specialty, service line and marketing strategies to grow. Mr. Griffith noted that the recent purchase approved by the committee for a Mako Robot (Assisted Surgery) for orthopedic surgeries, for example, will help.</p>	
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	<p>The Committee requested:</p> <ul style="list-style-type: none"> • Reports at future meeting of the various programs described by Mr. Griffith; • What ECH is doing to attract commercial patients; and • Bring options for additional service line reviews; • Breakout more financial metrics for the service lines, like ROI and trends; • Period 8 Financials – Why is Lab behind? • Clean up language on Financial Overview page of Period 8 Financials; • Include SVMD in Post Implementation Reviews <p>Motion: To approve the FY19 Period 8 Financials. Movant: Kalbach Second: Hobbs Ayes: Zoglin, Faust, Hobbs, Juelis, Kalbach Noes: None Abstentions: None Absent: Chow Recused: None</p>	
<p>8. SVMD EPIC IMPLEMENTATION PROJECT FUNDING</p>	<p>Deb Muro, CIO, outlined the request for funding and approval for the capitalized cost (network, hardware, and applications) for IT to onboard and upgrade the Silicon Valley Medical Clinics that are scheduled to start operating on April 1st. The cost breakdown was detailed in the FC meeting packet of materials.</p> <p>Ms. Muro presented highlights of the all-inclusive plan, including:</p> <ul style="list-style-type: none"> • June 30th deadline (90 days) to complete full EPIC implementation when Verity Medical Foundation shuts down. • Five clinics currently equipped with outdated and unsupported IT systems present security risk. • Expand current ECH Epic build to include an additional 60 physicians and new specialties. <p>The committee discussed the implementation costs, the medical group composition (fifty-eight physicians, eighteen specialties), and locality (San Jose, Morgan Hill and Gilroy).</p> <p>Motion: To approve funding of the SVMD Epic Implementation Project. Movant: Kalbach Second: Hobbs Ayes: Zoglin, Chow, Hobbs, Juelis, Kalbach Noes: Faust Abstentions: None Absent: None Recused: None</p>	
<p>9. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 5:07pm. Movant: Kalbach Second: Chow Ayes: Zoglin, Chow, Faust, Hobbs, Juelis, Kalbach Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Adjourned to closed session at 5:07pm</i></p>
<p>10. AGENDA ITEM 17: RECONVENE OPEN SESSION/</p>	<p>Open session was reconvened at 6:50pm. Agenda Items 10-16 were covered in closed session. During the closed session, the Committee approved (a) Meeting Minutes</p>	

REPORT OUT	of the Closed Session of the Finance Committee (Jan 30, 2019); and Minutes of the Closed Session of the Joint Investment and Finance Committee Meeting (Jan 28, 2019) by a unanimous vote of all members present (Zoglin, Chow, Faust, Hobbs, Juelis, Kalbach).	
11. AGENDA ITEM 18: PREVIEW FY 20 BUDGET PART #1	Chair Zoglin noted that the information in the packet is available to public and asked the committee members if they had any questions. There were none.	
12. AGENDA ITEM 19: FY 20 COMMITTEE PLANNING	<p>The Committee discussed the FY20 Meeting Dates. The Committee asked to change the proposed November 25, 2019 to the following Monday, December 2.</p> <p>The Committee asked to put the FY20 Committee Goals back on consent calendar for April.</p> <p>The Committee wants to remove goal #2 – education topics and add patient billing experience, SVMD, rotation of service lines, potentially market share, payer mix, or a macro view of business growth. The Committee asked staff to return with a revised proposal to additionally include a goal for Post Implementation Review 18 months after Board approval. The Committee also asked staff to add a goal related to patient satisfaction related to billing (bring the top 10 billing codes) and ROI in service line reports and comparison to others in the industry.</p>	
13. AGENDA ITEM 20: CLOSING COMMENTS	There were no additional closing comments.	
14. AGENDA ITEM 21: ADJOURNMENT	<p>Motion: To adjourn at 8:10pm.</p> <p>Movant: Kalbach</p> <p>Second: Juelis</p> <p>Ayes: Zoglin, Chow, Faust, Hobbs, Juelis, Kalbach</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: None</p> <p>Recused: None</p>	<i>Meeting adjourned at 8:10pm.</i>

Attest as to the approval of the foregoing minutes by the Finance of El Camino Hospital:

Chair Zoglin
Chair, Finance Committee

FY20 COMMITTEE DRAFT GOALS

Finance Committee

PURPOSE

The purpose of the Finance Committee (the "Committee") is to provide oversight, information sharing, and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital (ECH) Hospital Board of Directors ("Board"). In carrying out its review, advisory, and oversight responsibilities, the Finance Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

STAFF: **Iftikhar Hussain**, Chief Financial Officer (Executive Sponsor)

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the Executive Sponsor and at the discretion of the Committee Chair.

GOALS	TIMELINE	METRICS
1. Review major capital projects	Each regular meeting	Update on major capital projects in progress
2. Review education topics: a) Patient experience related to billing process	Q1	Presentation at the July meeting
3. Review the top three (3) service lines: 1) Heart & Vascular Institute (HVI), 2) Ortho, Neuro and Spine, and 3) MCH	- HVI (Q1) - Ortho, Neuro and Spine (Q2) - MCH (Q3)	Presentations in September, November, and March.

SUBMITTED BY:

Chair: John Zoglin

Executive Sponsor: Iftikhar Hussain

Finance Committee

Updated April 2, 2019

FY19 FC Pacing Plan – Q1		
July 30, 2018	August 2018	September 24, 2018
<ul style="list-style-type: none"> - Meeting Minutes (May 2018), any policies - Financial Report (FY18 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Physician Transaction Compliance Education - Year-End Financial Report - Financial Institutions - Delegation of Authority to the Committee - El Camino Ambulatory Surgery Center JV Purchase - Education Topic: Medicare Loss and IP/OP margins 	<p>No scheduled meeting</p>	<ul style="list-style-type: none"> - Meeting Minutes (July 2018), any policies - Financial Report (FY19 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – HVI
FY19 FC Pacing Plan – Q2		
October 2018	November 26, 2018	December 2018
<ul style="list-style-type: none"> - October 24, 2018 – Board and Committee Educational Session 	<ul style="list-style-type: none"> - Meeting Minutes (September 2018), any policies - Financial Report (FY19 Period 3,4) - Physician Contracts - Capital Funding Requests – Woman’s Hospital - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – Oncology - Post implementation Review - Payor Update - HVI (Continue) - Consider Proposed Revisions to Signature Authority Policy - Consider Proposed Revisions to Physician Financial Arrangements Policy - Consider Proposed Revisions to Finance Committee Charter - Executive Session - Long Term Financial Forecast 	<p>No scheduled meeting</p>

Finance Committee

Updated April 2, 2019

FY19 FC Pacing Plan – Q3		
January 28, 2019	February 2019	March 25, 2019
**Joint Meeting with the Investment Committee - Long Term Forecast <ul style="list-style-type: none"> - Meeting Minutes (November 2018), any policies - Financial Report (FY19 Period 5,6) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Executive Session - SVMD Clinic Site Tenant Improvements - Women’s Hospital Funding 	No scheduled meeting	<ul style="list-style-type: none"> - Meeting Minutes (January 2019), any policies - Financial Report (FY19 Period 7,8) - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Preview FY20 Budget Part # 1 - Discuss and recommend FY19 Committee Goals - Discuss FY20 Committee Dates - Payor Update - Update SVMD “Strategies and Execution” - Executive Session - BHS Service Line - Summary of Physician Financial Arrangements (Year-End)
FY19 FC Pacing Plan – Q4		
April 22, 2019	May 28, 2019	June 2019
<ul style="list-style-type: none"> - FY20 Budget Review – Part 2 - HVI Service Line Report - Oncology Capital Request - Summary of Physician Financial Arrangements (Year-End) <ul style="list-style-type: none"> - April 24, 2019 – Board and Committee Educational Session 	**Joint Meeting with the Hospital Board on the Operating & Capital Budget <ul style="list-style-type: none"> - Medical Staff Development Plan - Meeting Minutes (March 2019), any policies - Financial Report (FY19 Period 9,10) - Long Term Financial Forecast - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Review and recommend FY20 Budget - Review and recommend FY20 Organizational Goals - Executive Session 	No scheduled meeting

- Post-Implementation Reviews every (15-18 months)

Last 18 Months Capital Project Approvals (August 2017 - March 2019)

<u>Approval Date</u>	<u>Approving Body</u>	<u>Name of Project</u>	<u>Approved Amount</u>	<u>Proposed FC Post Implementation Review Date</u>
8/9/2017		None	N/A	N/A
9/13/2017	ECH Board	Increase BHS Budget	Additional \$4.6 M	May-19
9/13/2017	ECH Board	Increase Sobrato Pavilion Budget	Additional \$27.1 M	May-19
10/11/17		None	N/A	N/A
11/8/2017		None	N/A	N/A
1/10/2018		None	N/A	N/A
2/14/2018	ECH Board	PACS Image Archive System Replacement	\$2.2 M	Jul-19
3/14/2018		None	N/A	N/A
4/18/2018		None	N/A	N/A
5/9/2018		None	N/A	N/A
6/13/2018		None	N/A	N/A
8/15/2018		None	N/A	N/A
9/12/2018		None	N/A	N/A
10/10/2018	ECH Board	Los Gatos Imaging Equipment	\$1.6 M	Mar-20
11/14/2018		None	N/A	N/A
12/5/2018		None	N/A	N/A
1/16/2019	ECH Board	Los Gatos Cancer Center Funding	\$6.4 M	Jul-20
1/30/2019	Finance Committee	Waste Water Storage Project	\$3.9 M	Jul-20
1/30/2019	Finance Committee	Purchase Da Vinci Robot Xi Model	\$1,550,000 (Net)	Jul-20
2/13/2019	ECH Board	Women's Hospital Planning	\$10 M (Total Now \$16M)	Sep-20
2/13/2019	ECH Board	SVMD Clinic Site Tenant Improvements	\$8 M	Sep-20
2/13/2019	ECH Board	Interventional Equipment Replacement	\$13 M	Sep-20
2/13/2019	ECH Board	Imaging Equipment Replacement	\$16.9 M	Sep-20
2/13/2019	ECH Board	SVMD Asset Acquisition	\$1.2 M	Sep-20
3/13/2019		None		
3/25/2019	Finance Committee	SVMD Clinic IT Infrastructure	\$4.6 M	Sep-20

**EL CAMINO HOSPITAL
COMMITTEE MEETING COVER MEMO**

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: April 22, 2019
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Finance Committee Meeting the Hospital Board has met once and the District Board met on March 19th, after the March 25th Finance Committee packet was distributed. In addition, the Board has delegated certain authority to the Compliance and Audit Committee and the Executive Compensation Committee. Going forward, those approvals will also be noted in this report.

A. ECH Board Actions

April 10, 2019

- Approved FY19 Period 7 and Period 8 Financial Reports.
- Approved the Annual Board Assessment Tool and Process to be Conducted by Via Healthcare Consulting

B. ECHD Board Actions

March 19, 2019

- Approved Resolution 2019 -02 Recognizing Community Benefit Partner Magical Bridge
- Approved Revised ECHD Board Director Compensation Policy and Compensation Reimbursement Procedure.

C. Compliance and Audit Committee

- Approved Annual Summary of Physician Financial Transactions

D. Executive Compensation Committee Actions: None Since Last Report

4. **Assessment:** N/A

Report on Board Actions
April 22, 2019

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None