



**Minutes of the Open Session of the  
Finance Committee of the  
El Camino Hospital Board of Directors  
Monday, July 27, 2020**

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

**Members Present**

**John Zoglin, Chair\*\***  
**Joseph Chow\*\***  
**Boyd Faust\*\***  
**Gary Kalbach\*\***  
**Don Watters\*\***  
**Richard Juelis\*\***

**Members Absent**

\*\*via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
<b>1. CALL TO ORDER/ ROLL CALL</b>	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 7:58 by Chair John Zoglin. A verbal roll call was taken. All members were present and participated telephonically. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
<b>2. POTENTIAL CONFLICT OF INTEREST</b>	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
<b>3. PUBLIC COMMUNICATION</b>	There were no comments from the public.	
<b>4. CONSENT CALENDAR</b>	<p>Chair Zoglin asked if any member of the Committee wished to remove an item from the consent calendar. None were noted.</p> <p>Mr. Faust requested to pull item (a) Minutes of the Open Session of the Finance Committee Meeting and item (b) FY20 Period 11 Financials for discussion. For item (a), he requested changes and corrections. For item (b), Mr. Faust requested the word "arrested" to be changed to "being addressed."</p> <p>Motion: To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee Meeting as corrected (06/03/2020) and (b) FY20 Period 11 Financials as revised, and for information: (c) FY21 Committee Pacing Plan, and (d) Progress Against FY20 Committee Goals.</p> <p><b>Movant:</b> Kalbach  <b>Second:</b> Juelis  <b>Ayes:</b> Chow, Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<i>Consent Calendar was approved.</i>
<b>5. REPORT ON BOARD ACTIONS</b>	<p>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 questions.</p> <p>Dan Woods, CEO, stated that management wants to update the Strategic Plan. ECH has talked to four (4) of five (5) firms to take a look at hospital's current state and see what the opportunities are for a new strategic framework. He anticipates having a finalized plan by spring</p>	

	2021. Dr. Woods stated that any questions or comments about strategy are greatly appreciated.	
<b>6. FY20 PERIOD 12 FINANCIALS (YEAR END)</b>	<p>Michael Moody, Interim CFO, presented the FY20 Period 12 financial results for the month of June. For the month of June the operating gain was \$21.3 million versus a budget of \$7.1 million and the Total Margin was \$54.8 million and includes a \$30 million unrealized gain in El Camino's investment portfolio in the month of June. The actual results include certain year-end adjustments totaling \$11.9 million of additional income. Mr. Moody also presented the June financial statements without the year-end adjustments showing that the results, on a pro-forma basis, the June operating gain was favorable versus the budget by \$2.3 million, a remarkable turnaround from the April results. Included in this presentation was an analysis of the impact of a higher proportion of outpatient procedural volumes in the last three months on the results for El Camino hospitals.</p> <p>Mr. Moody reviewed the reconciliation of the results with and without the year-end adjustments and their major components. The year-end adjustments were mainly for the actuarially determined liabilities related to the Pension plan and Workers' Compensation, totaling \$7.8 million, and certain revenue items totaling \$3.7 million. Additionally the impact of additional expenses directly associated with the COVID 19 pandemic was presented.</p> <p>Mr. Moody discussed the current cash balance and the impact that the Medicare Advance refunding of \$76 million has had on the balance sheet and that it is expected that Medicare will begin the process of recovering these funds in the coming month.</p> <p>Motion: To approve the FY20 12 Financials (Year End).</p> <p><b>Movant:</b> Watters  <b>Second:</b> Juelis  <b>Ayes:</b> Chow, Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<i>FY20 Period 12 Financials (Year End) was approved.</i>
<b>7. FY21 BUDGET – ROLLING FORECAST</b>	The FY21 budget and rolling forecast was discussed in depth at the Joint ECHB/Finance Committee meeting earlier in the evening. Mr. Moody clarified the approach to the capital budget in further detail explaining that the approach to capital budgeting was bifurcated into two categories for FY21. The first category is the Routine Capital expenditure budget or pool and was sized using the cash flows from operations projected for FY21 at approximately \$20M. It has not been further allocated into medical equipment or IT pools but instead will be managed as one capital pool. For larger strategic projects the detail of projects that are either underway or are being considered was presented in the Appendix. These projects include items such as the replacement of the current Los Gatos hospital, Women's hospital in Mountain View and service line related projects. Given the magnitude and importance of these projects management is reviewing the projects from both a strategy and scope perspective during FY21.	<i>FY21 Budget – Rolling Forecast was approved.</i>

	<p>Additionally Mr. Moody also clarified that this budget as presented this evening would be used to establish organization incentive goals. Due to technical difficulties, a vote was not recorded from Mr. Kalbach.</p> <p>Motion: To approve the FY21 Budget Rolling Forecast.</p> <p><b>Movant:</b> Watters  <b>Second:</b> Faust  <b>Ayes:</b> Chow, Faust, Juelis, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Kalbach  <b>Recused:</b> None</p>	
<b>8. CAPITAL FUNDING REQUESTS</b>	<p>Jim Griffith, COO, presented the Capital Funding Requests. He stated that this project for Radiation Oncology Equipment Replacement was reviewed previously and had an original quote that did not include a few items with respect to building codes that have also changed. As stipulated in the materials presented, with refined construction cost, ECH is requesting an additional \$3.5M funding for this project.</p> <p>Chair Zoglin requests Victor Cabrera to come back to present an explanation for the net present value at the August meeting.</p> <p>Chair Zoglin also suggests to vote with the stipulation that the committee will receive the details requested from Mr. Cabrera at the next meeting.</p> <p>Motion: To approve the Capital Funding Requests for both requests presented in the packet (Rad. Onc. and Sterile Processing Equipment)</p> <p><b>Movant:</b> Watters  <b>Second:</b> Kalbach  <b>Ayes:</b> Chow, Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	
<b>9. ECHMN FIANANCIAL REPORTS</b>	<p>Due to the joint meeting running longer than expected, Chair Zoglin deferred Agenda Item #9 to be added to the August 17, 2020 Finance Committee meeting.</p>	<i>FY21 Committee Planning was approved.</i>
<b>10. POST-IMPLEMENTATION REVIEW</b>	<p>Due to the joint meeting running longer than expected, Chair Zoglin deferred Agenda Item #10 to be added to the August 17, 2020 Finance Committee meeting.</p>	
<b>11. ADJOURN TO CLOSED SESSION</b>	<p><b>Motion:</b> To adjourn to closed session at 9:06pm.</p> <p><b>Movant:</b> Faust  <b>Second:</b> Kalbach  <b>Ayes:</b> Chow, Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> None  <b>Recused:</b> None</p>	<i>Adjourned to closed session at 9:06pm</i>
<b>12. AGENDA ITEM 17: RECONVENE OPEN SESSION/ REPORT OUT</b>	<p>The open session reconvened at 9:20 pm. Agenda Items 11-16 were covered in closed session. During the closed session, the Committee approved Meeting Minutes of the Closed Session of the Finance Committee (06/03/2020) by a unanimous vote of all members present</p>	

	(Chow, Faust, Juelis, Kalbach, Watters, and Zoglin).	
<b>13. AGENDA ITEM 18: APPROVE/RECOM MEND PHYSICIAN CONTRACTS</b>	<p><b>Motion:</b> To approve the (a) EKG Reading Panel Renewal Agreement (b) Gastroenterology (GI) Call Panel (MV)</p> <p><b>Movant:</b> Faust  <b>Second:</b> Kalbach  <b>Ayes:</b> Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chow  <b>Recused:</b> None</p>	<i>Physician Contracts approved.</i>
<b>14. AGENDA ITEM 19: PROPOSED CHANGES TO FY21 PERFORMANCE INCENTIVE GOALS (FINANCE AND GROWTH)</b>	<p>Mr. Woods presented the Proposed Changes to the FY21 Performance Incentive Goals. He stated that not knowing when the timing of when the pandemic would end, it is now a 12-month period based on the budget reviewed at this meeting. In doing so, targets have changed. Given the level of variations and ability to predict the accuracy, management took the minimum at 90% and the target at 100%. Mr. Woods also stated that a payout should not occur if the if the organization is not cash positive. Lastly, management eliminated Growth with respect to creating a target with operating EBIDA. Growth in this current state is harder to predict.</p> <p><b>Motion:</b> To recommend Board approval of the Proposed Changes to FY21 Performance Incentive Goals (Finance).</p> <p><b>Movant:</b> Watters  <b>Second:</b> Kalbach  <b>Ayes:</b> Faust, Kalbach, Juelis, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chow  <b>Recused:</b> None</p>	<i>Changes to FY21 Performance Incentive Goals approved.</i>
<b>15. AGENDA ITEM 20: CLOSING COMMENTS</b>	Cindy Murphy, Director of Governance Services, presented closing comments. Committee recommends approval of radiation oncology funding with the information for net present value to be presented at the next Finance Committee. The ECHMN Financial Report and Post Implementation Review will be moved to be discussed in the August 17, 2020 meeting.	
<b>16. AGENDA ITEM 21: ADJOURNMENT</b>	<p><b>Motion:</b> To adjourn at 9:30pm</p> <p><b>Movant:</b> Faust  <b>Second:</b> Watters  <b>Ayes:</b> Faust, Juelis, Kalbach, Watters, and Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Chow  <b>Recused:</b> None</p>	<i>Meeting adjourned at 9:30pm</i>

DocuSigned by:

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

John Zoglin

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John Zoglin

Chair, Finance Committee