

Minutes of the Open Session of the Finance Committee
Monday, September 26, 2016
El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040
Conference Rooms E&F

Members Present

Dennis Chiu, Chair
 Joseph Chow
 Boyd Faust
 William Hobbs (via videoconference)
 Richard Juelis
 John Zoglin (via videoconference)

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 5:30 pm by Chair Chiu. A verbal roll call was taken. Committee Members Hobbs and Zoglin participated via videoconference. All Committee members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Chiu asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<p>Chair Chiu asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Meeting Minutes of the Open Session of the Finance Committee (August 1, 2016); FY17 Period 1 Financial Report.</p> <p>Movant: Juelis Second: Faust Ayes: Chiu, Chow, Faust, Hobbs, Juelis, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<i>Consent Calendar approved</i>
5. REPORT ON BOARD ACTIONS	Chair Chiu summarized actions taken by the Board in August and September, including the approval of funding for capital projects. Chair Chiu and Mr. Zoglin reported that the Board decided not to renew Tomi Ryba's contract as President and CEO, and that the appointment of an interim CEO is in process. Chair Chiu noted that there would be a Hospital Board meeting on September 27, 2016.	
6. FY17 PERIOD 2 FINANCIALS	Iftikhar Hussain, CFO, reported that YTD August inpatient discharges were 3.2% below budget and outpatient volume was close to budget. Operating margin for August was \$4 million favorable to budget, and \$9.2 million favorable year	

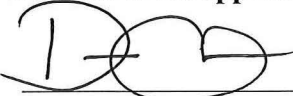
	<p>to date.</p> <p>In response to Mr. Juelis' questions, Mr. Hussain explained that there is an upcoming revamp of the OB program in Los Gatos to address lower volumes in deliveries.</p> <p>Mr. Hussain also described the success of the Integrated Performance Improvement meetings in raising departmental awareness and collaborative productivity. Subsequent updates on this topic are included in the pacing plan for the Committee meetings in November and May.</p> <p>In response to Mr. Faust's question, Mr. Hussain explained that investment returns are budgeted long-term (4% rate of return) rather than month-to-month.</p> <p>Motion: To recommend for approval the FY17 Period 2 Financials.</p> <p>Movant: Faust Second: Juelis Ayes: Chiu, Chow, Faust, Hobbs, Juelis, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Staff to provide continuing updates on Integrated Performance Improvement</i></p>
<p>7. PRESENTATION OF BOND FINANCING AND PLAN</p>	<p>Chad Kenan from Citigroup outlined the Series 2016 Plan of Finance to capitalize on low interest rates and favorable market conditions. The plan includes:</p> <ol style="list-style-type: none"> 1. New Money Revenue Bonds: fund \$270 million of tax-exempt projects. Mr. Kenan explained that Ken King, Chief Administrative Services Officer, has identified additional projects (approximately \$20 million) that would be eligible. The \$290 million would be spent over the next 3 years on these projects. 2. Series 2006 General Obligation Bonds: refinance and reduce interest costs (gross savings of approximately \$16 million). Mr. Kenan highlighted that these savings will be passed on to the District property owners. <p>He provided an overview of the timeline (approvals and issuance), ECH's historical transactions over the last 10 years (both General Obligation and Revenue bonds), current debt service on both sets of bonds, and a detailed cash flow benefit of refunding.</p> <p>In response to Mr. Chow's question, Mr. Hussain and Chair Chiu explained that the projects to be funded by the revenue bonds would finish out the planned Mountain View campus development.</p> <p>Mr. Kenan reported that Standard & Poor's recent affirmation of ECH's A+ rating assumed a \$300 million cap on borrowing. He also explained that the goal is to access the market before the election on November 8th.</p>	

	<p>The Committee discussed the priority of projects, historical conceptual and financial approvals, and planning and authorizations moving forward.</p> <p>Motion: To recommend that the Board approve a Resolution adopting the 2016 Plan of Finance, approving transactions for the funding of new projects at the Mountain View campus and paying costs of issuance plus a capitalized interest account not to exceed \$325,000,000.</p> <p>Movant: Chiu Second: Juelis Ayes: Chiu, Chow, Faust, Hobbs, Juelis, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>2016 Plan of Finance recommended for approval</i></p>
<p>8. PROPOSED REVISIONS TO FY17 BUDGET</p>	<p>Ifthikhar Hussain, CFO, reported that the long term plan noted the need to go to the bond market to fund capital projects, but that the exact timing had not been determined and was not included in the preparation of the FY17 budget. Given the historically low rates and good access to the capital market, staff are proposing to issue bonds in the October/November time frame, and have included revisions to the FY17 budget to accommodate the impact of these bonds.</p> <p>Motion: To recommend that the Board approve the revisions to the FY17 budget.</p> <p>Movant: Faust Second: Chow Ayes: Chiu, Chow, Faust, Hobbs, Juelis, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Revisions to the FY17 Budget recommended for approval</i></p>
<p>9. MEDICARE EDUCATION</p>	<p>Jay Hazelrigs and Mike Goran, MD, from Optum described MACRA: Medicare Access and CHIP Reauthorization Act of 2015, its direct impact on physicians, and effects on ECH.</p> <p>Mr. Hazelrigs explained that MACRA is a new comprehensive series of reforms that dictate the level of reimbursement that physicians will receive under Medicare. He outlined two new payment tracks for physicians: 1) Merit-based Incentive Payment System (MIPS) and 2) Advanced Alternative Payment Models (APMs).</p> <p>Dr. Goran emphasized that MACRA along with the Affordable Care Act are important pieces of Medicare's shift from volume to value-based reimbursement, which will particularly affect small group physicians and solo practitioners. He also stressed these rules are currently only proposals, with the final rules expected to come out in November, which may include modifications.</p> <p>On the MIPS track, metrics selected across four domains (quality, clinical practice improvement, advancement of care, resource utilization) will be used to score physicians to</p>	

	<p>determine reimbursement. Physicians will have over 200 metrics from which to choose for how they will be evaluated. Mr. Goran noted that the vast majority of physicians will be on the MIPS track because of the difficulty to qualify for an Advanced APM.</p> <p>The Committee discussed the metrics mix for evaluating physicians shifting from an emphasis on quality to more emphasis on resources/costs over time, creating pressure to reduce utilization.</p> <p>Mr. Hazelrigs highlighted that MACRA requires a partnership strategy and roadmap between major stakeholders in the market: hospitals, physicians, and other partners. Dr. Goran noted that for independent ECH physicians they will need 1) education on the significant impacts of MACRA and 2) to effectively manage the total cost of care for patients.</p> <p>Mr. Faust noted that these changes will be important for the rest of the commercial insurance space as well as Medicare.</p>	
10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 6:51 pm pursuant to <i>Gov't Code Section 54957.2</i> for approval of Meeting Minutes of the Closed Session of the Finance Committee (August 1, 2016); pursuant to <i>Health and Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Payor Update; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report involving health care facility trade secrets: Review of Physician Contracts; pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report involving health care facility trade secrets: Service Line Review.</p> <p>Movant: Juelis Second: Faust Ayes: Chiu, Chow, Faust, Hobbs, Juelis, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<i>Adjourned to closed session at 6:51pm</i>
11. AGENDA ITEM 17: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 7:57 pm. During the closed session, the Committee approved the Closed Session Minutes of the Finance Committee Meeting of August 1, 2016 by a vote of all members present (Chiu, Chow, Faust, Hobbs (by phone), Juelis, and Zoglin (by phone)).</p>	
12. AGENDA ITEM 18: APPROVAL OF PHYSICIAN CONTRACTS	<p>Motion: To recommend for approval the renewal of the ED On-Call Orthopedic Panel (MV) contracts at the negotiated increased rate.</p> <p>Movant: Juelis Second: Chow Ayes: Chiu, Chow, Faust, Hobbs, Juelis, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<i>ED On-Call Orthopedic Panel (MV) rate recommended for approval</i>

13. AGENDA ITEM 19: FY17 FINANCE COMMITTEE PACING PLAN/MEETING FREQUENCY	<p>The Board and Committee Educational Gathering will be on October 26, 2016.</p> <p>The Committee discussed the structure of the service line reviews, including financial information and strategic components.</p> <p>There were no additional comments on the pacing plan or meeting frequency.</p>	
14. AGENDA ITEM 20: ADJOURNMENT	<p>Motion: To adjourn at 8:03 pm.</p> <p>Movant: Juelis</p> <p>Second: Faust</p> <p>Ayes: Chiu, Chow, Faust, Hobbs, Juelis, Zoglin</p> <p>Noes: None</p> <p>Abstentions: None</p> <p>Absent: None</p> <p>Recused: None</p>	<p><i>Meeting adjourned at 8:03 pm.</i></p>

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



Dennis Chiu
Chair, Finance Committee