



**Minutes of the Open Session of the Finance Committee**  
**Tuesday, May 30, 2017**  
**El Camino Hospital | Conference Rooms F&G (ground floor)**  
**2500 Grant Road, Mountain View, CA 94040**

**Members Present**

Dennis Chiu, Chair  
 Joseph Chow  
 Boyd Faust  
 William Hobbs (via teleconference)  
 John Zoglin

**Members Absent**

Richard Juelis

Agenda Item	Comments/Discussion	Approvals/Action
1. <b>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 7:20 pm by Chair Chiu. A verbal roll call was taken. Mr. William Hobbs participated via teleconference. Mr. Richard Juelis was absent. All other Committee members were present.	
2. <b>POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	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. <b>PUBLIC COMMUNICATION</b>	There were no comments from the public.	
4. <b>CONSENT CALENDAR</b>	<p>Mr. Zoglin 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><b>Motion:</b> To approve the consent calendar: Minutes of the Open Session of the Finance Committee Meeting (March 27, 2017); FY18 Committee Meeting Dates; FY17 Period 8 Financials; and FY17 Period 9 Financials; and for information: Article of Interest.</p> <p><b>Movant:</b> Zoglin  <b>Second:</b> Faust  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	<i>Consent Calendar approved</i>
5. <b>REPORT ON BOARD ACTIONS</b>	Chair Chiu briefly reviewed the Board Report as further detailed in the packet.	
6. <b>FY17 PERIOD 10 FINANCIALS</b>	Iftikhar Hussain, CFO, reviewed the Financial Dashboard with the committee members noting that it has been a very good financial year for El Camino Hospital. All key dashboard metrics are green except for payor mix which is within a percentage point of target. He noted that operating results are ahead of plan due to both higher revenues and lower expenses. Investment income is \$34 million ahead of target. Labor and benefits are the largest portion of the expenses and are favorable due to efficiencies after the EPIC implementation last year and vacant positions in non-patient care areas. In response to Mr. Zoglin's question, Mr. King explained that large month to month changes in capital spending projection reporting to the Committee is	

	<p>due to the fact that these projections are updated quarterly. Mr. Zoglin requested that large changes in these projections be called out and explained in the Committee's materials.</p> <p><b>Motion:</b> To recommend that the Board approve the FY17 Period 10 Financials.</p> <p><b>Movant:</b> Faust  <b>Second:</b> Chow  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	
<p><b>7. FY18 PROPOSED BUDGET</b></p>	<p>In response to questions from Committee members, Mr. Hussain reported that it is very difficult in ECH's market to reduce expenses by decreasing wages, salaries and benefits so management is focused on attaining operating margin goals though improvements in clinical documentation, length of stay reductions, and clinical variation reductions. Don Sibery, Interim CEO, reported that embedded in the budget is work in Q1 FY18 to identify all fixed positions and achieve \$2million costs reductions in overhead and fixed staffed areas.</p> <p><b>Motion:</b> To recommend that the Board approve the Proposed FY18 Operating and Capital Budget with the following suggestions:</p> <ol style="list-style-type: none"> <li>1. Increase the threshold organizational goal to 95% of budgeted operating margin.</li> <li>2. Describe guidelines on spending the proposed \$5 million (or different amount approved by the Board) allocated to the CEO for advancing strategic initiatives.</li> <li>3. Consider reducing FTE's per adjusted occupied bed.</li> <li>4. Consider adequacy of the marketing budget by looking at benchmarks.</li> <li>5. Consider loss of market share in imaging and outpatient laboratory</li> </ol> <p><b>Movant:</b> Hobbs  <b>Second:</b> Faust  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	
<p><b>8. PROPOSED FY18 ORGANIZATIONAL GOALS</b></p>	<p>The Committee members reiterated a desire to increase the threshold goal to 95% of operating margin, and discussed whether (1) the deltas between the minimum, target and maximum metrics proposed for the LOS, HCAHPS Service, and Hospital Acquired Infection goals are statistically significant and (2) the Q4 measurement period is appropriate. Mick Zdeblick, COO explained that the Executive Compensation Committee recommended equalizing the delta between minimum and target and target and maximum. He also reported that progress against the goals is tracked quarterly even though the proposed measurement period for the management incentive plan is restricted to Q4 results.</p>	



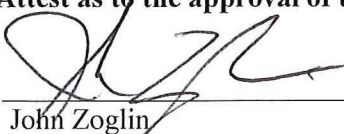
	<p><b>Motion:</b> To recommend that the Board approve the proposed FY18 Organizational Goals with the understanding that the goals with proposed Q4 measurement periods are tracked quarterly by management and the following suggestions:</p> <ol style="list-style-type: none"> <li>1. Increase the threshold organizational goal to 95% of budgeted operating margin.</li> <li>2. Management should provide the Board with validation that the deltas between the minimum, target and maximum metrics proposed for the LOS, HCAHPS Service, and Hospital Acquired Infection goals are statistically significant.</li> </ol> <p><b>Movant:</b> Zoglin  <b>Second:</b> Faust  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	
9. UPDATE ON MAJOR CAPITAL PROJECTS	<p>Ken King, CASO, referring to the project timelines in the Committee materials, reported that permitting delays have delayed progress on the North Parking Garage, IMPB and BHS Building construction projects. He also reported that project cost projections have increased through May 2017 due to competition for labor in the local market.</p>	
10. CAPITAL FUNDING REQUESTS	<ol style="list-style-type: none"> <li><b>a. Xi DaVinci Robot</b> – In response to questions from Committee members, Mr. Zdeblick reported deployment of the additional Xi Da Vinci Surgical Robot at the Los Gatos Campus will increase market share and surgical volume resulting in recovery of the full investment in the first year. The Committee requested quarterly reports on the return on this investment.</li> <li><b>b. 828 Winchester Primary Care Clinic Tenant Improvement</b> Mr. King reported that this clinic site is part of the primary care clinic strategy. The request is for leasehold improvements; the lease was approved and executed.</li> <li><b>c. LG MRI Replacement</b> – Mr. King reported that onsite MRI capability is a necessary service for a hospital and that the funding request includes the equipment, building of a modular structure to house and operate the equipment and a shelter between the modular structure and the two buildings.</li> <li><b>d. Feasibility Study &amp; Capital Facilities Project Request – Patient Family Residence</b> – Mr. King explained the concept and need for this project to provide low cost temporary housing for families of ECH's patients. He also reported that the land on which the existing structure sits is owned by the El Camino Healthcare District and the project will ultimately require District Board approval.</li> </ol> <p><b>Motion:</b> To recommend that the Board approve agenda items 10 a – d 2 Xi DaVinci Robots (\$3,940,000), 828 Winchester PCC Tenant Improvements (not to exceed \$3.6 million), LG MRI Replacement (not to exceed \$3.9 million), and Patient Family Residence Feasibility Study (not to exceed \$500,000) funding requests.</p> <p><b>Movant:</b> Faust</p>	<p><i>Capital funding requests recommended for approval</i></p>

	<p><b>Second:</b> Zoglin  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	
<b>11. ADJOURN TO CLOSED SESSION</b>	<p><b>Motion:</b> To adjourn to closed session at 8:33 pm pursuant to <i>Health &amp; Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Draft Revised Physician Financial Arrangements Review and Approval Policy; pursuant to <i>Health &amp; Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Summary of Physician Financial Arrangements; pursuant to <i>Gov't Code Section 54957.2</i> for approval of Minutes of the Closed Session of the Finance Committee Meeting (March 27, 2017); pursuant to <i>Health &amp; Safety Code 32106(b)</i> for a report involving health care facility trade secrets: Update on Data Governance Project, PSA: Pre-Employment Evaluations and Clearances, MDA: Utilization Management, MDA: Interventional Pulmonology Program.</p> <p><b>Movant:</b> Zoglin  <b>Second:</b> Faust  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	<i>Adjourned to closed session at 8:33 pm.</i>
<b>12. AGENDA ITEM 17: RECONVENE OPEN SESSION/ REPORT OUT</b>	Open session was reconvened at 8:46. Agenda Items 12-16 were covered in closed session. During the closed session, the Committee approved the Closed Session Minutes of the Finance Committee Meeting of March 27, 2017 and the Summary of Physician Financial Arrangements by a vote of all members present (Chiu, Chow, Faust, Hobbs, Zoglin). Mr. Juelis was absent.	
<b>13. AGENDA ITEM 18: APPROVAL OF PHYSICIAN CONTRACTS</b>	<p><b>Motion:</b> To recommend that the Board approve the Professional Services Agreement: Pre-Employment Evaluation and Clearances; Medical Director, Utilization Management; and Medical Director, Interventional Pulmonology Program.</p> <p><b>Movant:</b> Faust  <b>Second:</b> Zoglin  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	<i>Physician Contracts recommended for approval</i>
<b>14. AGENDA ITEM 19: APPROVAL OF DRAFT REVISED PHYSICIAN FINANCIAL ARRANGEMENTS – REVIEW AND APPROVAL POLICY</b>	<p><b>Motion:</b> To recommend that the Board approve the Draft Revised Physician Financial Arrangements – Review and Approval Policy.</p> <p><b>Movant:</b> Chow  <b>Second:</b> Zoglin  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	<i>Policy recommended for approval</i>
<b>15. AGENDA ITEM 20:</b>	The Committee members discussed adding two goals (1) To Develop	<i>Goals</i>



<p><b>FY18 COMMITTEE GOALS</b></p>	<p>and Monitor Industry Benchmarks for Operations and Financials and (2) Review of Top Three Service Lines as well as removing Review Results of HPO Plan” as a Committee goal. Mr. Zdeblick commented that the top three service lines are Oncology, HVI and Behavioral Health.</p> <p><b>Motion:</b> To recommend that the Governance Committee review and recommend for approval the FY18 Finance Committee Goals with revisions as discussed.</p> <p><b>Movant:</b> Faust  <b>Second:</b> Chow  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	<p><i>recommended for approval</i></p>
<p><b>16. AGENDA ITEM 21: FY18 COMMITTEE PACING PLAN</b></p>	<p>Cindy Murphy, Board Liaison, reported that the Proposed Pacing Plan was developed with the Committee’s standard work as well as its FY18 goals in mind. Ms. Murphy commented she would add a third Service Line Report in March as well as the Benchmarking report in November. She also noted that combined Board and Committee Education Sessions were being scheduled for October and April and the Pacing Plan will be updated to reflect that.</p> <p><b>Motion:</b> To approve the proposed FY18 Pacing Plan.</p> <p><b>Movant:</b> Chow  <b>Second:</b> Zoglin  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	
<p><b>17. AGENDA ITEM 22: CLOSING COMMENTS</b></p>	<p>Chair Chiu commented that Director Zoglin would likely be chairing the Committee next year, and thanked the Committee members for their service.</p>	
<p><b>18. AGENDA ITEM 23: ADJOURNMENT</b></p>	<p><b>Motion:</b> To adjourn at 9:00 pm.</p> <p><b>Movant:</b> Zoglin  <b>Second:</b> Faust  <b>Ayes:</b> Chiu, Chow, Faust, Hobbs, Zoglin  <b>Noes:</b> None  <b>Abstentions:</b> None  <b>Absent:</b> Juelis  <b>Recused:</b> None</p>	<p><i>Meeting adjourned at 9:00 pm.</i></p>

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



John Zoglin  
Chair, Finance Committee