



**Minutes of the Joint Open Session of the
El Camino Hospital Board of Directors
and the Finance Committee**

Monday, May 30, 2017

**El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040
Conference Rooms F & G (ground floor)**

Board Members Present

Lanhee Chen
Dennis Chiu, Vice Chair
Neal Cohen, MD, Chair
Jeffrey Davis, MD
Peter Fung, MD
John Zoglin

Board Members Absent

Julia Miller
David Reeder

Members Excused

None

Committee Members Present

Joseph Chow
Boyd Faust
William Hobbs (via teleconference)

Committee Members Absent

Richard Juelis

| Agenda Item | Comments/Discussion | Approvals/ Action |
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| 1. CALL TO ORDER/ ROLL CALL | The joint open session meeting of the Board of Directors of El Camino Hospital (the "Board") and the Finance Committee (the "Committee") was called to order at 5:31pm by Chair Cohen. A verbal roll call was taken. Mr. William Hobbs participated via teleconference. Director Davis joined the meeting at 5:56pm during Agenda Item 4: FY18 Operating and Capital Budget. Director Miller, Director Reeder, and Mr. Richard Juelis were absent. All other Board and Committee members were present. | |
| 2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES | Director Cohen asked if any Board or 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. FY18 OPERATING AND CAPITAL BUDGET | <p>Don Sibery, Interim CEO introduced Mick Zdeblick, COO and Iftikhar Hussain, CFO to present the FY18 Operating and Capital Budget.</p> <p>Mr. Zdeblick provided an overview of how the budget process integrates with the Hospital's strategic planning framework, and the Proposed FY18 Organizational Goals. He noted that the Quality Committee will be reviewing one of the metrics for the organizational goals at its June 5th meeting. He also outlined the Executive Compensation Committee's recommended change in design for minimum, target, and maximum. He described the benchmarks and methodology for each proposed goal (budgeted operating margin, length of stay, HCAHPS Service Metric: Rate the Hospital, and standardized infection rates for hospital-acquired infections).</p> <p>Director Zoglin and Mr. Zdeblick discussed the evaluation of whether the differences between minimum, target, maximum are statistically meaningful. Staff noted that they will look at the distribution of the benchmark/goal data.</p> <p>In response to Director Zoglin's question, Mr. Zdeblick explained that staff chose to use the Q4 data for performance evaluation because initiatives must be implemented before they can be measured. The Board, Committee, and staff discussed whether the data should be evaluated over the course of the full year or at year's end (in Q4).</p> <p>In response to Mr. Faust's question, Mr. Hussain explained the eventual</p> | |

alignment of organizational goals with value-based metrics integrated in payor contracts.

Mr. Hobbs and Mr. Faust commented that they viewed the threshold goal (% of budgeted operating margin) as too low, recommending 95% instead of 90%.

In response to Director Cohen’s question, Mr. Zdeblick described efforts to engage physicians in clinical documentation improvements.

Mr. Zdeblick also outlined budgetary priorities, including investments in:

- Strategic plan: \$5 million in “undesignated expenses” at the discretion of the CEO
- Growth: new surgical robots, physician concierge service, infusion center, spine center, physician recruitments, Winchester Primary Care Center
- Core Business: New RN Graduates Hiring and Training Program, Community Connect, IT Security, parking management

The Board, the Committee, and Mr. Zdeblick discussed the expected savings from clinical variation improvement.

Director Chen requested additional information about the accountability for the \$5 million allocated for strategic initiatives at the discretion of the CEO, noting that the topic may be discussed further in closed session. Mr. Zdeblick outlined specific strategic initiatives for FY18 and their expected net financial results.

Iftikhar Hussain, CFO explained that EBIDA (earnings before interest, depreciation, and amortization) will be a new metric for setting earnings targets because of the new bond financing and ongoing construction projects. He also provided an overview of budget assumptions, including:

- Key financial metrics, highlighting that days cash on hand remains strong.
- Expenses in FY16 were higher due to Epic Go-Live, and will go up again in FY18.
- Key drivers of FY18 operating budget: investments in strategic initiatives, favorable labor variance, interest on new bonds and construction, co-management for clinical variations.
- Revenue rates assumptions regarding pricing, reimbursement, and other payments (PRIME); expense assumptions, including inflation.
- Initiatives for the HPO plan (resource utilization, CDI, productivity, pricing, LOS reduction, etc.).
- IT Initiatives, including Community Connect, enterprise resource planning system (upgrade or get a new system).
- Capital spending trends and capital project requests.


The Board discussed and requested clarifications on inpatient and outpatient volume expectations, delineations of FTEs/vacancies in the budget, and the decline in volume for outpatient laboratory and imaging services over the last few years.

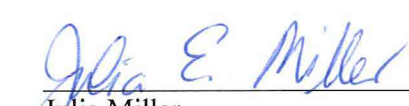
He also reported that, due to additional investment income, staff will recommend a \$5 million increase in the Board-Designated Community Benefit Endowment Fund for Board approval at its June meeting.

In response to Director Zoglin’s question, Mr. Hussain described filling vacancies gaps and Kathryn Fisk, CHRO described merit increases (3%). In response to Mr. Faust’s question, Mr. Hussain explained the

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| | <p>calculation of the vacancy gap.</p> <p>Director Zoglin expressed concerns that urgent care clinics were not included in the budget.</p> <p>In response to Director Fung's question, Mr. Hussain explained that most commercial contracts are three year contracts and discussed price increases that are in line with others in the industry.</p> | |
| 5. ADJOURN TO CLOSED SESSION | <p>Motion: To adjourn to closed session at 6:43 pm pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: Strategic Initiatives – Budgetary Implications.</p> <p>Movant: Chiu Second: Fung Ayes: Chen, Chiu, Chow, Cohen, Davis, Faust, Fung, Hobbs, Zoglin Noes: None Abstentions: None Absent: Juelis, Miller, Reeder Recused: None</p> | <i>Adjourned to closed session at 6:43 pm.</i> |
| 6. AGENDA ITEM 9: RECONVENE OPEN SESSION/ REPORT OUT | <p>Open session was reconvened at 7:12pm. There were no actions taken during the closed session.</p> | |
| 7. AGENDA ITEM 10: ADJOURNMENT | <p>Motion: To adjourn at 7:12 pm.</p> <p>Movant: Chen Second: Fung Ayes: Chen, Chiu, Chow, Cohen, Davis, Faust, Fung, Hobbs, Zoglin Noes: None Abstentions: None Absent: Juelis, Miller, Reeder Recused: None</p> | <i>Meeting adjourned at 7:12 pm.</i> |

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


 Lanhee Chen
 Chair, ECH Board


 Julia Miller
 Secretary, ECH Board


 John Zoglin
 Chair, Finance Committee

Prepared by: Cindy Murphy, Board Liaison
 Sarah Rosenberg, Contracts & Board Services Coordinator