



**Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, May 24, 2021**

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

Members Present

John Zoglin, Chair**
Boyd Faust**
Carol Somersille, MD**
Don Watters**
Joseph Chow**
Wayne Doiguchi**

Members Absent

**via teleconference

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 6:15 pm by Chair John Zoglin. A verbal roll call was taken. All other 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.	
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>Motion: To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee meeting (04/26/2021) for information: (b) FY2021 Pacing Plan (c) Article of Interest</p> <p>Movant: Faust Second: Doiguchi Ayes: Chow, Doiguchi, Faust, Somersille, Watters, and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Consent Calendar was approved.</i></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.	
6. FY21 PERIOD 10 FINANCIALS	<p>Carlos Bohorquez, Chief Financial Officer presented the FY2021 Period 10 Financials as of April 30, 2021, and highlighted the following.</p> <ul style="list-style-type: none"> • Both top line revenue and operating margin were strong for April. This is primarily attributed to procedural departments experiencing a significant increase in volume because of pent up demand from the 3rd Covid-19 wave which we experienced in December 2020 to February 2021. • Mr. Bohorquez stated slight concern with net days A/R (accounts receivable) compared to budget which is 5.5 % unfavorable. He stated, we have a good understanding of the root cause and the team is in the process of implementing a solution. He expects net A/R days to be back in line with target by the end of the fiscal year. 	

- From an overall volume and activity perspective, we're pleased that the actions taken by management have resulted in a strong rebound in volumes across the organization, the only real exception has been the Emergency Room as previously mentioned. We believe the decision to maintain our Los Gatos Campus Covid-19 free, actions to test / vaccinate our staff / physicians / patients and secure sufficient quantities of PPE are all contributing factors to the strong rebound in volumes.
- Productive hours per adjusted patient discharge and cost per discharge are favorable to budget and favorable to the prior fiscal year.
- From a bottom-line standpoint through the first ten months of the fiscal year, \$55M of operating income is \$27M better than the prior fiscal year. It's important to note that last March and April were significantly impacted by the first wave of Covid-19.
- YTD operating margin of 5.8% and operating EBIDA margin of 13.3% demonstrate that management's efforts to mitigate the financial impact of Covid-19 and manage the overall cost structure of the organization are yielding the intended results.
- Mr. Bohorquez referred to slide 7 and stated FY2021's budget included \$20M towards routine capital. The items listed on this slide have already have been approved and in most cases already have been purchased. This allocation is significant, but necessary to ensure we're replacing equipment which has or is nearing end-of-life and providing our clinical staff with the tools / latest technology necessary to deliver the highest level of care to our community.

Questions and Discussion:

Mr. Chow asked, the net days in A/R calculation presented on slide 3, what is the reasoning behind the calculation and when will it come in-line with target? In response, Mr. Bohorquez stated, that in addition to net days in A/R, he and his team review a number of indicators to understand the root cause of any slow down in cash collections. One of this is the percentage of accounts which are older than 90 days by payor, in review of the most recent ATB, we identified a payer which has 28.7% of their AR is over 90 days. Mr. Bohorquez stated that he and our managed care department escalate claims issues when the percentage of claims over 90 days exceeds 20-21% or there are other claims denials / underpayments which our revenue cycle department can't resolve.

Mr. Doiguchi asked the question if we don't have the earnings to support capital and our capital numbers are not as high, what happens to some of the projects, do we cut back on them? In response, Mr. Bohorquez stated that moving forward large capital projects will have an identified funding source. He also added that because a significant percentage of our capital projects are funded using cash generated from operations, any downturn in the operating performance of the organization would result in a reduction in capital available for equipment and other capital projects.

Motion: To approve the FY2021 Period 10 Financials.

Movant: Doiguchi

Second: Watters

Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin

	<p>Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>7. ECHMN QUARTERLY FINANCIAL REPORT</p>	<p>Vince Manoogian, Interim ECHMN President, and David Neapolitan, ECHMN Vice President of Finance presented the ECHMN Quarterly Financial Report.</p> <ul style="list-style-type: none"> • Vince Manoogian, Interim ECHMN President began the discussion and highlighted the following: • Opened Vaccination Clinic at 1st Street site in January and second site opened in Sunnyvale; subsequently closed 1st Street Vaccination Clinic • Consolidation of Willow Glen clinic infusion program to our Los Gatos Campus • Transfer of Nuclear Medicine services to our Los Gatos Campus • Improved patient access through redesign of scheduling process to maximize template utilization • Real-Time Eligibility (RTE) plan code mapping completed improving the efficiency of insurance plan selection and reduction of registration errors and eligibility denials • Monthly Denials Avoidance forum created to monitor, review and remediate payer denial trends. <p>Mr. Manoogian continued the discussion and presented ECHMN FY2021 financials results as of April 30th.</p> <p>David Neapolitan, ECHMN Vice President of Finance continued the discussion and presented the Period 10 and YTD FY2021 Financial Report and highlighted the following:</p> <ul style="list-style-type: none"> • Net income is unfavorable to budget by \$2.3M or 8.1% for the ten months ended April 30, 2021, of FY2021, and \$4.1M or 12.1% favorable to the prior year. • Improvements in the revenue cycle metrics demonstrate that initiatives which been implemented over the past 12 months are yielding positive results. • Net loss is unfavorable to budget by \$2.3M and favorable by \$4.2M or 12.1% better than last fiscal year. • Total visits per business day are 14.7% favorable to the budget. Total visits are 16.1% greater than the prior year excluding urgent care visits. <p><u>Questions and Discussion:</u></p> <p>Mr. Faust referred to slide 13 (ECHMN New vs. Established Patients) and asked if there any efforts on bringing back patients and making them part of the ECH Health Family and tie them into primary care? Mr. Manoogian responded by stating we have tried and will continue our focus on developing long-term between patients and primary care physicians.</p> <p>Mr. Zoglin suggested for next year's year-over-year results separate the COVID-based visits, testing, and vaccination from the core base.</p> <p>Mr. Chow stated the operating summary presented a lot of favorable items, was wondering if any of the operational improvements were a</p>	

	<p>result of the outsourcing efforts? Or independent of each other? In response to Mr. Chow's question, Mr. Bohorquez stated that we manage the revenue cycle process in-house, what was outsourced were the MSO services associated for the professional capitated lives we manage.</p> <p>Mr. Faust referred to page 10 and ask if there are any write-offs that are making them look better. In response, Mr. Bohorquez stated it is primarily attributed to the improved revenue cycle process, but does include some write-offs for aged accounts which are no longer collectable.</p>	
<p>8. REVISED POLICY & PROCEDURE FOR ENTERPRISE CAPITAL DEPLOYMENT</p>	<p>Carlos Bohorquez, CFO presented the Revised Policy & Procedure for Enterprise Capital Deployment. Throughout the presentation Mr. Bohorquez will be discussing 1) Annual Capital Capacity Analysis and 2) Capital Allocation Process including the: guiding principles, Executive Capital Committee, and the annual capital review and approval process.</p> <p>Mr. Bohorquez began the discussing by highlighting the key points from the Capital Capacity Analysis:</p> <ul style="list-style-type: none"> • Mr. Bohorquez stated that before we start allocating dollars, we need to analyze our capital capacity based on current performance and projected performance for the next fiscal year. The calculated capital capacity will dictate how much capital can be deployed over the next 12, 18, and 24 months. • As we develop and finalize the capital plan for the next 3-5-10 years, we don't believe it can be funded solely from operating cash flow, so we'll need to secure funding from philanthropy, new long-term debt and other sources. <p>Mr. Bohorquez continued the discussion by outlining the guiding principles and highlighted of the updated capital deployment policy:</p> <ul style="list-style-type: none"> • 5-10 year capital plan needs to be consistent with our financial capacity and preserves the long-term financial strength of the organization. • Mr. Bohorquez stated we need to find a balanced level of capital deployment, one which is consistent with our operating performance and also sufficient to ensure we remain competitive with other organizations in the market. • The capital plan will address the following: replace routine equipment to ensure our physicians / clinical staff have what they need, investing in new technology, deploying dollars to ensure we continue to grow and expand services that are consist the needs of our community. <p>Mr. Bohorquez continued by discussing updates to the capital allocation process and discussed the following:</p> <ul style="list-style-type: none"> • For FY2022, Mr. Bohorquez stated we categorized capital into three important: routine, strategic, and facilities. • The process started in January when leaders in the organization were asked to submit their capital request by category. Once the requests were received, they were reviewed and analyzed by the finance department. • Mr. Bohorquez stated, that for FY2022 the total amount approved for routine capital was \$20M, but the initial total in requests was more than \$30M. All the capital requests were assessed based 	

on need and priority, which resulted in an organized process which included review by leaders in the organization to ensure the approved plan met the needs of the organization and stayed within the approved budget total.

- The goal for FY2023 is to present to the Finance Committee and the Board with not only routine capital amount, but also the strategic and facilities. Mr. Bohorquez stated that he's pleased with the progress made this year in reviewing all the routine capital requests, but that the development and finalization of the 5-10 year capital plan including the strategic and facilities totals is very much a work in-progress.
- Mr. Bohorquez stated that as part of the new process, the Executive Capital Committee was created which includes Dan, Carlos, Jim, Mark Adams, MD, and Omar. The primary goal of this committee is to review / manage large strategic and facility capital requests.

Questions & Discussion:

Mr. Zoglin asked the question, apart from the allocation calculation what are the two main changes to this year compared to the past? Mr. Bohorquez stated the process for review of requests is more rigorous, organized and in-line with industry standards.

Mr. Zoglin asked: will there be a capital project dashboard? Mr. Bohorquez stated yes the intent for FY2022 is to have a quarterly basis dashboard and it will indicate how much has been approved and how much has been spent through Q1-Q4.

Mr. Zoglin also asked if we will be able to project the capital needs? In response, Mr. Bohorquez stated we will try to project as much as possible. Also in response to Mr. Zoglin's question, Mr. Woods stated in the past for capital allocation projects, the tracking was on a cash basis of reporting on capital projects, but with this process, we are going to allocate this amount of capital for a particular project and then an update would be how are we progressing on this project and managing the cash flow associated with a particular project. Mr. Bohorquez added that we are in the process of modifying the process to ensure that each project which is brought to the finance committee / Board for approval has been completely vetted by the executive team and includes the total cost of the project instead of a small funding percentage.

Mr. Zoglin also stated in the past we have only spent about two-thirds of what we had planned to spend, so being able to explore if and when we will be underspending versus our planned.

In response, Mr. King stated the issue with the difference of what we project and what we spent had to do with that we were projecting spend on projects that were not yet funded, so the beginning of the year we make a projection that we were going to proceed with something and then projects didn't get approved in a timeline that was originally projected and therefore the gap was larger. So in this last year, Mr. King stated we changed that to only projecting spending against on projects that have approved funds, and then if additional funds have been approved we would then increase the projection.

	<p>Mr. Watters asked if there is a way to estimate our borrowing capabilities so we have some idea of what we could theoretically lay our hands on from external sources and if we needed to sort of have a ballpark? In response Mr. Bohorquez stated that he has spoken with Ponder & Co. our financial advisors and I have had several discussions with them in the last 6 months, it is dependent on the performance of the Organization, but on the low end about \$200M and if we were to put a little pressure on our balance sheet and credit ratings it would be closer to the \$350M range.</p>	
<p>9. CAPITAL FUNDING REQUEST: MV WIRELESS UPGRADE PROJECT</p>	<p>Ken King, Chief Administrative Services Officer and Deb Muro, Chief Information Officer presented the Capital Funding Request: MV Wireless Upgrade Project.</p> <p>Mr. King and Ms. Muro are requesting the Finance Committee to approve funding not to exceed \$3.3M for the installation of Wi-Fi and update the Distributed Antenna System (DAS) Network within the MV hospital Building, details further discussed in the slide deck.</p> <p><u>Questions & Discussion:</u></p> <p>Dr. Somersille asked, is it cheaper to complete the upgrade all at once versus allocating this amount now for the main hospital, shouldn't we do all of our buildings now for security and cost purposes? In response, Mr. King stated our new building Taube and Sobrato Pavilions already have this new technology the main hospital is the most deficient at this point so that is where we are investing, but we are investing head in so we can distribute to other buildings the Women's Hospital will have the new technology as part of the upgrades that just began.</p> <p>Mr. Chow asked how long will the project last before the project is fully operational and how do we anticipate keeping pace with the evolution of technology as there are discussions of 6G coming along? In response, Mr. King stated we are anticipating a 6-8 month deployment to get everything installed and tested, and as far as how long will it last, Mr. King stated part of the benefit of what we are doing by separating these networks. Once we complete the CVRS and private LTE network a year or two down the road that will give us four levels of wireless infrastructure and the new LTE network is the one that creates the path forward and the traditional WiFi network will last longer because we will not be using it as much, as we have other radio frequencies to use. Mr. King stated so it will be operationally efficient in terms of how we spread the signal around the buildings and the campus.</p> <p>Mr. Chow asked, does \$3.3 M include maintenance? Mr. King stated that maintenance cost is not included in the funding request.</p> <p>Motion: To approve the MV Wireless Upgrade Project</p> <p>Movant: Watters Second: Somersille Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>10. FY22 COMMITTEE GOALS, PACING PLAN & MEETING DATES</p>	<p>Mr. Zoglin discussed recommendations to add the following goals to FY2022 current goals:</p>	

	<ul style="list-style-type: none"> • Review of Medical Directorships- benchmark analysis for ECH compared to similar health systems • Marketing- correlation of plan with service line development • Add Managed Care update to current goal #3 <p>Motion: To Approve Finance Committee FY2022 Committee Goals, Pacing Plan & Meetings Dates</p> <p>Movant: Watters Second: Doiguchi Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>11. FY22 ECH COMMUNITY BENEFIT GRANT PROGRAM</p>	<p>Barbara Avery, Director of Community Benefits presented the FY2022 ECH Community Benefit Grant Program.</p> <p>Finance Committee to approve the FY2022 ECH Community Benefit Plan and Implementation Strategy. Ms. Avery highlighted:</p> <ul style="list-style-type: none"> • Recommending total \$3,541,000 including grants (\$3,236,000). Sponsorships (\$85K) and Placeholder (\$220k), or an amend Plan per Committee motions up to available funds of \$3,776,000. • The FY 2022 grant cycle spans July 1, 2021-June 30, 2022 • The proposal process includes the following steps: • Proposal was received in Feb 2021, staff reviewed the proposal and recommendations, proposal was then sent to the (HCBC) Hospital Community Benefit Committee for review, and now presenting to the Finance Committee • Ms. Avery stated we are recommending 44 proposals which is a total of \$3,236,00 <p><u>Questions & Discussions:</u></p> <p>Mr. Chow asked, for the projects that didn't make it to the list or that didn't receive enough funding, what happens to those? Do they somehow become prioritized in subsequent years or does everything get reshuffled? In response, Ms. Avery stated for the organizations that were recommended as 'do not fund' they can reapply next year and they usually do, but generally if they are not funded it's usually because they do not meet the funding criteria.</p> <p>Dr. Somersille requested Ms. Avery to send the names of Hospital Board Ad Hoc Committee members as Dr. Somersille stated she would like to know the length of term, how often are they rotated and what's the criteria for choosing this committee. Jonathan Cowan, responded to Dr. Somersille's question by stating that individuals were selected individually with the mindset of these key leaders internally who know the hospitals and whose work reaches out to the community. Mr. Cowan stated all committee members are new and they serve a three-term.</p> <p>Dr. Somersille asked the guiding principles for evaluating some of the newer programs? For example, Dr. Somersille stated that when looking at the School Nurse Program, are we picking School Nurse programs that are outside of our district where the income level of the community is the lowest? Or is it given to whoever has applied? In response, Ms. Avery stated many areas are assessed and looked at to ensure they meet community health needs. We are looking for a program that can have</p>	

	<p>strong metrics and can be evaluated and have good potential of being successful.</p> <p>Motion: To approve the FY2022 ECH Community Benefits Plan Implementation Strategy.</p> <p>Movant: Watters Second: Boyd Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
12. APPOINTMENT OF AD HOC SEARCH COMMITTEE	<p>Chair Zoglin appointed himself, Dr. Somersille, and Mr. Doiguchi to the Ad Hoc Committee to recruit for a new Committee Member as Mr. Faust will be departing from the Finance Committee.</p> <p>Motion: To appoint John Zoglin, Carol Somersille, MD, and Wayne Doiguchi to the Finance Ad Hoc Committee</p> <p>Movant: Zoglin Second: Watters Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
13. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 8:08 pm</p> <p>Movant: Faust Second: Somersille Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
14. AGENDA ITEM 19: RECONVENE OPEN SESSION/REPORT OUT	<p>Agenda Items 15-17 were covered in the closed session and the Committee approved the consent calendar by a unanimous vote of all members present (<i>Chow, Doiguchi, Faust, Somersille, and Zoglin</i>)."</p>	
15. AGENDA ITEM 20: PHYSICIAN CONTRACTS	<p>Motion: To approve Physician contracts: Los Gatos Associate Chief Medical Officer Renewal Agreement and Enterprise Infection Control Medical Director Renewal Agreement</p> <p>Movant: Watters Second: Chow Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
16. AGENDA ITEM 21: CLOSING COMMENTS	<p>No closing comments</p>	
17. AGENDA ITEM 22: ADJOURNMENT	<p>Motion: to adjourn at 8:42 pm.</p>	

	<p>Movant: Watters Second: Somersille Ayes: Chow, Doiguchi, Faust, Dr. Somersille, Watters and Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
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Attest as to the approval of the foregoing minutes by the Finance Committee of El Camino Hospital:



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John Zoglin
Chair, Finance Committee

Prepared by: Samreen Salehi, Executive Assistant, Administration