



**Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, August 09, 2021**

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

Members Present

John Zoglin, Chair**
Boyd Faust**
Don Watters**
Peter Fung, MD**
Wayne Doiguchi**

Members Absent

Joseph Chow**

**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 5:30 pm by Chair John Zoglin. A verbal roll call was taken. All other members were present and participated telephonically except for Joseph Chow. 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 (05/24/2021) (b) Minutes of the Open Session of the Joint Hospital Board and Finance Committee (05/24/2021) (c) FY2021 Period 11 Financials for information: (d) FY2022 Pacing Plan (e) Article of Interest</p> <p>Mr. Zoglin pulled item (d) pacing plan from the consent calendar. He requested a CBAC presentation to be added in the first half of the pacing plan and a presentation by the Foundation leadership in November to discuss their strategic goals and comparative fundraising benchmarks.</p> <p>Movant: Watters Second: Doiguchi Ayes: Doiguchi, Faust, Fung, Watters, and Zoglin Noes: None Abstentions: None Absent: Chow Recused: None</p>	Consent Calendar was approved.
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 12 FINANCIALS PRE- AUDIT FY2021 FINANCIAL RESULTS	<p>Carlos Bohorquez, Chief Financial Officer presented the FY2021 Period 12 Financials.</p> <p>He stated that despite some unanticipated events such as the out-of-network status with Anthem and the resurgence of the Covid volume associated with the Delta variant, June was a strong month as indicated by the following:</p>	

- June's gross charges of \$408M, which are a reflection of the overall patient activity, were 15% higher the prior 11 month average.
- Strong volume is primarily attributed to the following:
 - Los Olivos Women's Medical Group started practicing at ECH effective June 1st.
 - ED volume continues to rebound, June's visit total was 21% higher than the previous 11 month average.
 - Procedural volume in June was the highest month of FY2021.
 - Mr. Bohorquez stated that continued strong patient volumes confirm that ECH is an essential provider in our market and that actions taken early in the pandemic have allowed us to recover from the first couple of Covid waves.
- Total operating revenue for June was \$116M which was the highest of any month in FY2021. Two key factors contributed to strong operating revenue:
 - Strong patient activity as highlighted above.
 - Recognition of \$8.5M in one-time revenue associated with the PRIME program (Public Hospital Redesign and Incentives in Medi-Cal) and other IGT programs.

From a bottom line standpoint, Mr. Bohorquez highlighted the following:

- Strong patient activity, revenue and management of variable expenses yielded an operating margin of \$20.7M and Operating EBIDA of \$27.8M
- All operations and productivity KPIs are within reason.
- Mr. Bohorquez stated only metric of concern is the deterioration in June's Commercial payor mix, but indicated that after further analysis the shift in payor mix was mainly attributed to ED activity.
- YTD Commercial 40.8% is consistent with pre-Covid (June 2019) 40.6%. However, Mr. Bohorquez stated the team will continue to monitor payor mix closely.

Mr. Bohorquez then presented Pre-Audit FYE 2021 financial results:

Given the impact of Covid on volumes and additional expenses tied to higher use of PPE, increased unit cost of PPE, testing and other expense associated which for the fiscal year is north of \$16M, management is pleased with the overall financial performance of the organization.

Average Daily Census:

- Inpatient activity as measured by ADC (average daily census) of 245 (FY2021) was 7.3% higher FY2020 and 1.2% higher than FY2019.

Total Adjusted Discharges:

- Total adjusted discharges measures total patient activity including inpatient and outpatient services. Total AD for FY2021 was 36,226 which is 2.5% higher than FY2020 and 0.6% lower than FY2019.


	<p>FTEs increased are unfavorable to budget by 8.4% and year over year increase by 2.8%, but this reflects that the organization is properly increasing staffing to accommodate higher than budgeted patient activity.</p> <p>Operating Margin of \$87.2M / 7.5% demonstrates a strong rebound in volume from the Covid pandemic and that management's initiatives yielded the expected results.</p> <p>Operating EBIDA of \$171M / \$14.8%, Mr. Bohorquez stated this will allow us to continue to reinvest in our organization and fund important projects to ensure we can continue to provide critical and quality services to our community. As a Healthcare District and non-profit organization, any margin generated from operations is kept and reinvested in our community.</p> <p>Motion: To approve the Pre-Audit FYE 2021 and Period 12 Financials.</p> <p>Movant: Fung Second: Watters Ayes: Doiguchi, Faust, Fung, Watters, and Zoglin Noes: None Abstentions: None Absent: Chow Recused: None</p>	
<p>7. ADHOC COMMITTEE UPDATE ON FINANCE COMMITTEE MEMBER RECRUITMENT</p>	<p>Chair Zoglin provided an update for the Finance Committee regarding the recruitment process and the highlighted the following:</p> <ul style="list-style-type: none"> • 1st round interviews with AdHoc Committee occurred on August 11th • 2nd round finalist interviews are in process of being scheduled. <p>Further details are discussed in the packet.</p>	
<p>8. MEDICAL DEVELOPMENT PLAN</p>	<p>Mark Adams, MD, Chief Medical Officer presented the Physician Recruitment Medical Staff Development Plan and highlighted the following:</p> <ul style="list-style-type: none"> • ECG consulting has assisted ECH with the update of the MD staff development plan. • Based on this community needs assessment, a list of potential physician recruitment targets are identified with a corresponding estimate of the costs associated with those targets. • The costs are determined by the fair market value of the particular specialists' compensation needed to recruit them to our market. • The previous FY2020/FY2021 plan was approved by the finance committee which included 17 physicians for a total maximum recruitment support of \$6.1M. <p>Motion: To approve the FY2022 Medical Staff Development Plan</p> <p>Movant: Fung Second: Watters Ayes: Doiguchi, Faust, Fung, Watters, and Zoglin</p>	

	<p>Noes: None Abstentions: None Absent: Chow Recused: None</p>	
<p>9. CAPITAL REQUESTS: (a) Cath Lab Project (b) ECHMN Clinic Relocation (c) Pyxis Replacement Project</p>	<p>Jim Griffith, Chief Operating Officer opened the discussion with discussing the Cath Lab Project and stated this capital request is requesting an additional funding of \$19.5M to complete this project. Total project amount including the additional fund is \$32.5M. Mr. Griffith highlighted the following:</p> <ul style="list-style-type: none"> • The cost reflects the need for additional building renovation to address new code requirements and equipment modifications to optimize the configuration of the additional lab (#6.) Construction costs reflect a competitive bidding process with several bidders at the trade level. <p>Ken King, Chief Administrative Services Officer continued the discussion and discussed the ECHMN Clinic Relocation Capital Request and highlighted the following:</p> <ul style="list-style-type: none"> • To approve funding for two medical offices for TI projects. Requesting \$1.53M for 700 Parr Ave. and \$1.56M for 2577 Samaritan Drive. • Project includes the replacement of 18 physicians that need to be relocated from the existing medical offices at 2585 Samaritan Drive, however there is no single location available that will accommodate all 18. • The solution presented herein is to move the six specialty physicians into medical office space at 700 Parr Avenue, and to move the twelve primary care physicians into medical office space at 2577 Samaritan Drive. • Both locations have vacant space that requires modifications, upgrades and installation of our networked systems in order for them to be functional. • Already completed the TI planning for both project locations and we are working with contractors to finalize construction contract agreements for work to commence as soon as possible. <p>Carlos Bohorquez, Chief Financial Officer continued the discussion with an overview of the Pyxis MedStation Replacement Project:</p> <p><u>Current State</u></p> <ul style="list-style-type: none"> • Pyxis MedStations are necessary to meet regulatory / compliance for medication safety and inventory control in the medical units and anesthesia. • Current Pyxis MedStations have been leased since 2009 at a significant cost to the without any upgrades to the equipment since the inception of the lease. • All machines are at the end of the useful life. 	

	<p><u>Replacement</u></p> <ul style="list-style-type: none"> • Total project cost to purchase 247 replacement Pyxis MedStations is \$6.64 million. • Purchase vs. lease is expected to save ECH \$5.78 million over the next ten years. • Monthly support and maintenance agreement of \$297K per year will begin in year 3. • Replacement project will optimize medication inventory and manage pharmacy spend. <p><u>Recommendation</u></p> <ul style="list-style-type: none"> • The Finance Committee is requested to recommend that the Board approve funding not to exceed \$6.34 million to complete the purchase and installation of 247 Pyxis MedStations. • The replacement and installation process is projected to take approximately 7 months. <p>Motion: To approve 9a. Cath Lab Replacement / Expansion Project and 9c. Pyxis Replacement Project recommend for Board approval.</p> <p>Movant: Watters Second: Doiguchi Ayes: Doiguchi, Faust, Fung, Watters, and Zoglin Noes: None Abstentions: None Absent: Chow Recused: None</p> <p>Motion: To approve 9b. ECHMN Clinic Relocation</p> <p>Movant: Faust Second: Watters Ayes: Doiguchi, Faust, Fung, Watters, and Zoglin Noes: None Abstentions: None Absent: Chow Recused: None</p>	
<p>10. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 6:48pm.</p> <p>Movant: Fung Second: Watters Ayes: Doiguchi, Faust, Fung, Watters, and Zoglin Noes: None Abstentions: None Absent: Chow Recused: None</p>	
<p>11. AGENDA ITEM 17: RECONVENE OPEN SESSION/REPORT OUT</p>	<p>Agenda Items 11-14 were covered in the closed session and the Committee approved the consent calendar by a unanimous vote of all members present except for Mr. Chow (<i>Doiguchi, Faust, Fung, Watters and Zoglin</i>).”</p>	

<p>12. AGENDA ITEM 18: PHYSICIAN CONTRACTS & AGREEMENTS</p>	<p>FC Approval:</p> <ul style="list-style-type: none"> (a) Enterprise Quality and Physician Services Medical Director Renewal Agreement (b) MV Cardiothoracic Surgery Panel Renewal Agreement (c) Investment in New JV Center with Satellite Healthcare <p>Recommended for Board Approval:</p> <ul style="list-style-type: none"> (a) MV Daytime Intensivist Professional Services Renewal Agreement (b) Inpatient Rehabilitation Business Development <p>Motion: To approve Physician contracts and Agreements</p> <p>Movant: Watters Second: Doiguchi Ayes: Doiguchi, Faust, Fung, Watters, and Zoglin Noes: None Abstentions: None Absent: Chow Recused: None</p>	
<p>13. AGENDA ITEM 19: CLOSING COMMENTS</p>	<p>No closing comments</p>	
<p>14. AGENDA ITEM 20: ADJOURNMENT</p>	<p>Motion: to adjourn at 7:45pm.</p> <p>Movant: Fung Second: Watters Ayes: Doiguchi, Faust, Fung, Watters and Zoglin Noes: None Abstentions: None Absent: Chow Recused: None</p>	

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

DocuSigned by:

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John Zoglin
 Chair, Finance Committee

Prepared by: Samreen Salehi, Executive Assistant II, Administrative Services