

EL PASO COUNTY HOSPITAL DISTRICT FINANCE COMMITTEE MEETING MINUTES

Wednesday, January 25, 2017
8:15 a.m.

4815 Alameda Ave., 8th Floor Board Room
El Paso, Texas 79905

PRESENT

James Volk, Committee Chair
Carmen Arrieta-Candelaria, Committee Member
Jacob Cintron, President & Chief Executive Officer
Michael Nuñez, Chief Financial Officer
Darius Boman, M.D., Medical Staff Representative
Joe Garcia, Chief Nursing Officer
Maria Zampini, Chief Operating Officer
Lorena Navedo, Executive Chief of Staff
Leticia Flores, Corporate Controller
Cathy Gibson, Chief Compliance Officer
Christina Ford, Chief Legal Officer
Mark Amox, EPCH President & Chief Executive Officer
Omar Bernal, EPCH Controller
Frank Dominguez, EPF President & Chief Executive Officer
Sabrina Addison, Recording Secretary

GUESTS

Wallace Hardgrove, El Paso County Auditor
Jorge Reyes, Constituent Services Coordinator - Commissioners Court Pct. 3
Matthew Tassoni, Deloitte Consultant
Bruce Yetter, Assistant County Attorney
Javier Saenz, County Attorney
Todd Moultrie, Sr. Director Materials Management
David Stevens, Director Laboratory
Ryan Mielke, Director Public Affairs
Jerry Akin, Broadbuss & Associates

ABSENT

Miguel Fernandez, Committee Member

AGENDA ITEM	CONCLUSION/RECOMMENDATIONS	ACTION	FOLLOW-UP
I. Call to Order II. Establish a Quorum	Mr. James Volk called the meeting to order at 08:18 a.m., January 25, 2017 after establishing that there was a quorum present.		
III. Approval of the November Finance Committee Minutes and January Special Finance Committee Minutes Mr. James Volk	Minutes from the November 30, 2016 and January 6, 2017 meetings was presented for approval.	Motion to approve the minutes was made by Arrieta and seconded by Ms. Flores Motion carried.	

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<p>IV. Review and approve the El Paso Children's Hospital; Financial Statements for November and December 2016.</p> <p>Mr. Mark Amox Mr. Omar Bernal</p>	<p>Mr. Amox stated hospital volumes for the month of November and December show extremely favorable and noted the Fresh Start Accounting process is underway.</p> <p><u>December YTD Highlights:</u></p> <ul style="list-style-type: none"> • Other Expenses- \$400 thousand creditor settlement, resulting from the bankruptcy was applied in the month of December. • Expenses are under budget • Monthly Revenues not in alignment with volumes due to seasonally effects • Operating Income indicate a \$2.1 million loss and \$100 thousand profit • Net to Gross was 28.2%; when compared to budget of 29%; approximately \$1.3 million included in the budget will not be realized. a decrease in Net Revenue of approximately \$1.3 million on a normalized basis. <p>Mr. Amox added that ongoing collaboration with UMC's CFO/Controller to smooth out the accounting processes moving forward. EPCH will continue to focus on productivity matrixes to manage volumes to expenses, hours/patient day. FTEs/Occupied Bed and etc.</p>	<p>Motion to approve and forward to the Board was made by Mr. Cintron and seconded by Ms. Arrieta. Motion carried.</p>	
<p>V. Review and approve the El Paso First HealthPlans, Inc. Financial Statements for November and December 2016.</p> <p>Mr. Michael Nuñez</p>	<p>Ms. Flores provided the following highlights on the El Paso First HealthPlans, Inc. financial Statements for November and December 2016:</p> <p><u>November Monthly Operating Highlights</u></p> <ul style="list-style-type: none"> • An increase in net assets of \$1.2 million compared to a budgeted increase in net assets of \$588,700 and a prior year same period decrease in net assets of \$707,400. • State program membership of 76,705, an increase of 72 members from the prior month. Budgeted membership was 77,598; a 1.2% decrease, and the prior year same period membership was 75,149; a 2.1% increase. <p><u>December Monthly Operating Highlights</u></p> <ul style="list-style-type: none"> • An increase in net assets of \$596,200 compared to a budgeted increase in net assets of \$127,900 and a prior year same period decrease in net assets of \$715,900. • State program membership of 76,584, a decrease of 121 members from the prior month. Budgeted membership was 77,757; a 1.5% decrease, and the prior year same period membership was 75,584; a 1.3% increase. • Premium Revenues are \$15.3 million compared to budgeted revenues of \$14.6 million; an increase of 4.8% or \$697,100. Premium revenues are higher than prior year same period revenues of \$14.4 million by 6.8% or \$979,800. Included in the Premium Revenue was a one-time pass-through amount of \$613,100 for certain hospitals as determined by HHSC. 	<p>Motion to approve and forward to the Board was made by Mr. Cintron and seconded by Ms. Flores.</p>	

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	<ul style="list-style-type: none"> Operating Expenses are \$16.5 million compared to budgeted expenses of \$16.2 million; an increase of 1.6% or \$253,900. Operating expenses are lower than prior year same period expenses of \$17.6 million by 6.6% or \$1.2 million, mainly due to lower NAIP program expenditures. The Medical Loss Ratio (MLR) is 87.4% compared to a budgeted MLR of 89.2%. Prior year same period MLR was 95.9%. <p><u>YTD Operating Highlights</u></p> <ul style="list-style-type: none"> An increase in net assets of \$2.7 million compared to a budgeted increase in net assets of \$1.2 million and the prior year same period decrease in net assets of \$1.5 million. State program member months of 229,922 compared to budgeted member months of 232,794; a 1.2% decrease, and the prior year same period member months were 225,708; a 1.9% increase. Premium revenue PMPM is \$197 compared to a budgeted PMPM of \$189. Prior year same period PMPM was \$191. Operating Expenses of \$47.8 million in 2016. Budgeted expenses were \$47.7 million – a 0.1% decrease and prior year same period expenses were \$52.2 million; an 8.4% decrease. Included in the 2015 expenses is \$6.9 million related to the HHSC NAIP program for the period October thru December 2015. Medical Loss Ratio of 84.9%. Budgeted MLR was 87.2%, and the prior year same period MLR was 94.0%. Medical expense PMPM is \$167 compared to a budgeted PMPM of \$164. Prior year same period PMPM was \$179. Administrative Expense Ratio of 10.4%. Budgeted AER was 11.3%, and the prior year same period AER was 10.9%. Administrative expense PMPM is \$21 compared to a budgeted PMPM of \$21. Prior year same period PMPM was also \$21. <p><u>Balance Sheet Highlights</u></p> <p>Unrestricted cash and equivalents is \$30.4 million, representing approximately 65 Days Cash on Hand. The average daily cash expense has increased slightly from \$464,000 in September 2016 to \$468,000 in December 2016.</p> <p><u>Experience Rebate Liability</u></p> <p>For State Contract Year 2015, we filed our 334-day FSR reports in August. The results showed that we did not owe an Experience Rebate for this period. HHSC began its audit of State Contract Year 2015 in November.</p> <p>For State Contract Year 2016, we filed our 90-day FSR reports at the end of December. The resulting calculations showed we owed \$99,690 of Experience Rebate. We paid this amount to HHSC upon filing the reports. We will continue to monitor the liability each month.</p>		

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	<p>Mr. Dominguez added that one of the challenges over the last couple of months have been a decrease in memberships due to Medicaid reenrollment. El Paso First will be partnering with local marketing agency to facilitate reenrollment of members.</p>		
<p>VI. Review and approve the Financial Statements for the El Paso County Hospital District for November and December 2016.</p> <p>Mr. Michael Nuñez</p>	<p>Ms. Flores provided the following highlights on the financial statements for the El Paso County Hospital District for November/December 2016 and noted the operations of El Paso Children's Hospital are excluded and a campus-wide financial statement is in the process of being completed.</p> <p><u>November Operating Highlights</u></p> <p>Overall, a decrease in net position of \$669 thousand compared to a budgeted decrease in net position of \$1.3 million; a \$655 thousand favorable variance. Prior year same period decrease in net position was \$887 thousand</p> <p>Considering the non-cash depreciation expense of \$2.4 million, cash flows from operations approximate \$1.7 million.</p> <p><u>Hospital Statistics</u></p> <ul style="list-style-type: none"> • Outpatient Adjustment Factor is 2.20 • Admissions were 1,139; 11% less than budget • Surgeries were 658; 6% less than budget • Endoscopy procedures were 587; 9% less than budget • Emergency Room Visits were 4,603; 6% more than budget • ER Admission Rate was 92.0%; 18% more than budget • Outpatient Visits were 59,279; 3% less than budget <p><u>December Operating Highlights</u></p> <p>Overall, a decrease in net position of \$1.5 million compared to a budgeted decrease in net position of \$1.8 million, a \$308 thousand favorable budget variance. Prior year same period decrease in net position was \$859 thousand.</p> <p>Considering the non-cash depreciation expense of \$2.3 million, cash flows from operations approximate \$858 thousand.</p> <p><u>Hospital Statistics</u></p> <ul style="list-style-type: none"> • Outpatient Adjustment Factor is 2.14 • Admissions were 2,526; 2% less than budget • Surgeries were 581; 15% less than budget • Endoscopy procedures were 451; 23% less than budget • Emergency Room Visits were 4,662; 6% more than budget • ER Admission Rate was 88.5%; 12% more than budget 	<p>Motion to approve and forward to the Board was made by Mr. Cintron and seconded by Ms. Arrieta.</p> <p>Motion carried.</p>	

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	<ul style="list-style-type: none"> Outpatient Visits were 57,071; 6% less than budget <p><u>Quarterly Highlights</u> A decrease in net position of \$4 million compared to a budgeted decrease in net position of \$4.5 million, a favorable budget variance of \$477 thousand. Prior year same period decrease in net position was \$2.5 million.</p> <p>Considering the non-cash depreciation expense of \$7 million, cash flows from operations approximate \$3 million.</p> <p><u>Operating Revenues</u> Operating revenues are \$125 million compared to budgeted revenues of \$127 million, an unfavorable budget variance of 2% or \$2 million.</p> <ul style="list-style-type: none"> Net Patient Service revenue is \$44 million compared to budgeted revenue of \$47 million, a decrease of 6% or \$3 million, primarily due to lower adjusted admissions of 3%. Inpatient admissions are 12% below budget and outpatient visits are 4% below budget. The Net Patient Service Revenue per AA is \$5,941, compared to a budgeted amount of \$6,157. The Net Patient Revenue to Gross Patient Revenue percentage is 17.4%. Premium revenue is \$45 million compared to budgeted revenue of \$44 million, an increase of 3% increase or \$1 million, due to an increase in membership and an increase to 2017 capitation rates. The Premium revenue PMPM is \$197 compared to a budgeted amount of \$189. Contribution revenue is \$391 thousand compared to budgeted revenue of \$1.4 million, a decrease of 71% or \$974 thousand, due to lower contributions than expected because of the timing of fundraising activities, and decreased program receipts. This corresponds to the decrease in Contributions to Others expense. <p>Operating Expenses are \$151 million compared to budgeted expenses of \$152 million, a favorable budget variance of 1% or \$1.6 million.</p> <ul style="list-style-type: none"> Salaries and benefits are \$45.8 million compared to budgeted expenses of \$46.3 million, a decrease of 1% or \$525 thousand, due to lower salary costs of \$292 thousand and lower benefit costs of \$234 thousand. Salaries and benefits per Adjusted Admission are \$6,112 compared to a budgeted amount of \$6,018. Paid FTE's, including contract labor, are 2,679. Overtime hours are 3.7% of total paid hours representing approximately 102 FTE's. <p>Net Non-operating revenues are \$21 million compared to budgeted revenues of \$20 million, a favorable budget variance of 6% or \$1.1 million. due to higher property tax revenues of \$285 thousand and lower Contributions to Others expense of \$771</p>		

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	<p>thousand. The lower Contributions to Others expense corresponds with the decrease in Contribution revenue.</p> <p>FY 2017 Quarter I Results to FY 2016 Quarter I Results Comparison</p> <p>Operating revenues are \$125 million compared to prior year same period operating revenues of \$128 million, a decrease of 2% or \$2.8 million.</p> <ul style="list-style-type: none"> • Premium revenue is \$45.3 million compared to prior year same period revenue of \$43 million, an increase of 5% or \$2.2 million, due to an increase in membership and an increase to the 2017 capitation rates. The Premium revenue PMPM is \$197 compared to prior year same period amount of \$191. • Medicaid Supplemental revenue is \$20.3 million compared to prior year same period amount of \$23.2 million, a decrease of 12% or \$2.8 million, due to decreased NAIP revenue of \$1.5 million, decreased UC revenue of \$740 thousand and decreased DSH revenue of \$677 thousand. • Other revenue is \$7.1 million compared to prior year same period amount of \$9.7 million, a decrease of 27% or \$2.7 million, primarily due to decreased NAIP program funding of \$2.4 million from HHSC to El Paso First. This corresponds to the decrease in Other Operating Expenses. <p>Operating expenses are \$151 million compared to prior year same period operating expenses of \$150 million, an increase of \$410 thousand.</p> <ul style="list-style-type: none"> • Salaries and benefits are \$45.8 million compared to prior year same period amount of \$43.6 million, an increase of 5% or \$2.2 million. Salaries and benefits per AA is \$6,115 compared to prior year same period amount of \$5,895, a 3.7% increase. Salary costs are \$38 million compared to prior year same period amount of \$37 million, an increase of \$1.4 million or 3.8%. Paid FTEs, including contract labor, are 2,679, compared to prior year same period FTEs of 2,673. Overtime hours are 3.7% of total paid hours compared to a prior year same period percentage of 4.6%. Employee benefits are \$7.7 million compared to prior year same period amount of \$6.9 million, an increase of \$740 thousand or 11%. Employee benefits are 20.2% of total Salaries expense compared to prior year same period percentage of 19%. • Intergovernmental Transfer (IGT) expense is \$14.9 million compared to prior year same period amount of \$11.6 million, an increase of 28% or \$3.3 million, due to increased Texas Tech physician contracts and El Paso Children's Hospital Medicaid Supplemental revenue IGT funding which was not in place twelve months ago. 		

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	<p><u>Unrestricted Cash and Investments</u> Unrestricted Cash and Investments approximate \$74 million, representing 47 Days Cash on Hand.</p> <p><u>Patient Cash Collections</u> Patient cash collections were \$14.3 million compared to budgeted collections of \$15.7 million, a decrease of \$1.4 million or 9%. Patient cash collections were less than prior year same period collections of \$15.5 million by \$1.2 million or 8%.</p> <p>For the quarter, total patient cash collections were \$44 million compared to budgeted collections of \$47.4 million, a decrease of \$3.4 million or 7%. Patient cash collections exceed prior year same period collections of \$43.7 million by \$243 thousand or 0.6%.</p> <p>Ms. Flores also reviewed a handout of the consolidated campus-wide income statement and noted this will be presented going forward.</p>		
<p>VII. Review and approve the Quarterly Investment Report for period ended December 31, 2016</p> <p>Mr. Michael Nuñez</p>	<p>Ms. Flores provided the following highlights from the Quarterly Investment Report prepared by First Southwest:</p> <p>The ending value on page 4 of the account summary was approximately \$150 million, when compared to 9/30/16 of approximately \$125.2 million; increase primarily due to the property tax receipts.</p> <p>The current yield is approximately .390%; prior quarter was 0.454% and attributed to the property taxes in our depository account (earnings credit balance vs. interest bearing).</p> <p>The Allocation by Security Type is diversified, Allocation by Issuer and Credit Quality charts were reviewed and discussed.</p>	<p>Motion to approve and forward to the Board was made by Mr. Cintron and seconded by Ms. Arrieta. Motion carried.</p>	
<p>VIII. Receive Centers for Medicare and Medicaid Services claims resolution update.</p> <p>Ms. Cathy Gibson</p>	<p>Ms. Gibson noted the Centers for Medicare and Medicaid Services claims resolution coincides with the EHR agreement in 2010 to appeal the denials and win back the payments. In the past few years, the appeals process was taking approximately 5 years which created a huge backlog and burden on the DAB and ALJ.</p> <p>Three years ago CMS offered this settlement to providers. Due to the high success rate in overturning claims with EHR, UMC opted out at that time and decided to see if the backlog decreased. Since that time, UMC were only able to overturn about \$60,000.</p> <p>CMS is now offering the settlement again since the ALJ is still backlogged. They are offering 66% payment on the eligible claims as listed in the Settlement Agreement in</p>	<p>No action taken.</p>	

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	<p>your packet. There are 178 eligible claims from as far back as 2008 valued at \$1,181,539. The RAC program stipulates that the auditors can review claims three (3) years retroactively. The settlement will provide UMC \$779,816 and expected to be paid within six months. Interest will be paid beyond this period.</p>		
<p>IX. Review and take appropriate action on the Outsourced Medical Necessity Compliance and Physician Advisor Services Agreement between the El Paso County Hospital District d/b/a University Medical Center of El Paso and Executive Health Resources, Inc., and authorize the President and CEO to negotiate and execute the agreement.</p> <p>Ms. Cathy Gibson</p>	<p>Ms. Gibson provided the following highlights on the Outsourced Medical Necessity Compliance and Physician Advisor Services Agreement:</p> <ul style="list-style-type: none"> • UMC has contracted with EHR since September, 2010, which coincided with the kickoff of the permanent Medicare RAC appeals program. • UMC engaged initially with this company as a sole source. • An RFP was submitted after six years to look at additional vendors. • Committee members selected EHR as the preferred company. <p>The services provided and agreement terms were also reviewed. The new case rate will provide a cost savings to UMC of around \$140,000 annually.</p>	<p>Motion to approve and forward to the Board was made by Ms. Arrieta and seconded by Mr. Cintron. Motion carried.</p>	
<p>X. Review and take appropriate action on the following policies: C-6 Value Analysis Council; F-11 Investment</p> <p>Mr. Todd Moultrie Ms. Leticia Flores</p>	<p>The following policies were presented:</p> <ol style="list-style-type: none"> 1. Mr. Moultrie presented Hospital policy C-6 Value Analysis Council and noted that it was due for a 3-year review with no significant revisions made to the existing policy, other than the requester must submit to Materials Management 30 days prior facilitate proper review, research and analysis of information submitted. 2. Ms. Flores presented Hospital policy F-11 Travel, Investment and noted that it is reviewed annually and governed by the Texas statutes. The following changes to this policy on page 9, based on recommendations from First Southwest, the Commercial Paper allocation will be increasing from 20 to 30% of the total portfolio value to allow more flexibility and investment opportunities. Change to page 14 – The Adhoc Committee will meet on an as necessary basis. Change to page 15 – The available securities changed from US Treasury Bills to government obligations to increase the availability of investment supply. 	<p>Motion to approve and forward to the Board was made by Mr. Cintron and seconded by Ms. Arrieta. Motion carried.</p>	
<p>XI. Review and approve Cytogenetics Laboratory Services Agreement between El Paso County Hospital District d/b/a University Medical Center of El Paso and Texas Tech</p>	<p>Ms. Zampini provided the following comments on the Cytogenetics Laboratory Services Agreement and noted it is with Texas Tech School of Medicine in Lubbock, TX. UMC has worked with TT for more than seven years and the service continues to be excellent.</p>	<p>Motion to approve and forward to the Board was made by Mr. Cintron and seconded by Ms. Arrieta. Motion carried.</p>	

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<p>University Health Sciences Center, and authorize the President and CEO to negotiate and execute the contract.</p> <p>Ms. Maria Zampini</p>	<p>This agreement involves the interpretation of testing by a Board Certified Genetics Ph.D. Dr. Vijay Tonk in cancer diagnosis and treatment. UMC Laboratory sends out approximately fifteen patients a month or 180 patients per year for genetic testing typically from the Inpatient Oncology Unit.</p> <p>UMC is recommending an agreement not to exceed \$140,000 per year beginning March 1, 2017 and ending February 28, 2020.</p>		
<p>XII. Receive a Construction Change Order Update.</p> <p>Ms. Maria Zampini</p>	<p>Ms. Zampini reviewed the Change Orders presented at the Planning and Development Committee Meeting:</p> <p><u>Renovation of 5th, 6th, and 7th Floors</u></p> <p><u>Change Order 15-</u> Amount \$198,633 for 1) Discovered concealed conditions which required modifications to existing ductwork and plumbing in Phase 1 of the 4th Floor which interfered with required connections from the 5th Floor.</p> <p><u>Change Order 16-</u> Amount \$ 58,000 for 1) Discovered condition on domestic water risers where connection between copper and galvanized piping was deteriorating: Contractor to install new isolation valves at 13 risers and install new copper risers between 4th and 5th Floors.</p> <p><u>Neighborhood Healthcare Center East/West</u></p> <p><u>Change Order 25 (East)</u> - Amount \$40,000 for 1) Relocation of one existing private fire hydrant approximately 160 lf to the north west corner of the building. 2) Demolition and improvements associated with extension of approximately 460 lf of 12" water line in front of clinic, one tap connection to 48" water main and addition of a new public fire hydrant to be installed by El Paso Water utilities. Water main improvements required for the adequate fire hydrant coverage.</p>	No action taken	
<p>XII. Adjournment</p> <p>Mr. James Volk</p>	<p>Mr. Volk adjourned the meeting for January 25, 2017 at 10:10 a.m.</p>	<p>Next Meeting will be on Wednesday – February 25, 2017 at 08:15 a.m.</p>	



F. James Volk -Committee Chairman