Washington Township Health Care District
2000 Mowry Avenue, Fremont, California 94538-1716 • (510) 797-1111
Nancy Farber, Chief Executive Officer



# BOARD OF DIRECTORS' MEETING

**Wednesday, July 26, 2017 – 6:00 P.M.**
**Conrad E. Anderson, MD Auditorium**

## AGENDA

| | | PRESENTED BY: |
|---|---|---|
| **I.** | **CALL TO ORDER & PLEDGE OF ALLEGIANCE** | William Nicholson<br>Board Member |
| **II.** | **ROLL CALL** | Dee Antonio<br>District Clerk |
| **III.** | **COMMUNICATIONS** | |
| | A. Oral | |
| | B. Written | |
| **IV.** | **CLOSED SESSION** | |
| | A. Conference involving a trade secret pursuant to Health & Safety Code section 32106<br><br>New Facility/New Program<br><br>Estimated date of public disclosure: July 2018 | Nancy Farber<br>Chief Executive Officer |
| | B. Report on personnel matters, Cal Gov. Code Section 54957 | |
| **V.** | **OPEN SESSION** | |
| | Report on Closed Session | William Nicholson<br>Board Member |
| **VI.** | **ACTION** | Motions Required |
| | **A.** Consideration of Claim: Rahul S. Patel | |
| | B. Consideration of Appointments to the Measure FF and Measure Z Citizen's Bond Oversight Committee | |
| **VII.** | **ADJOURNMENT** | William Nicholson<br>Board Member |

Washington Hospital Healthcare System

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www.whhs.com

# DEVCO
# FINANCIAL STATEMENTS

Reporting Period 10

Month of May 2017

*Nancy Farber, Chief Executive Officer*
Washington Township Health Care District • Washington Hospital • Washington Clinics
Washington Stanford Radiation Oncology Center • Washington Outpatient Surgery Center
Washington Heart Program • Washington Outpatient Rehabilitation Center • Washington Center for Joint Replacement

**Washington Township Hospital**
**Development Corporation**
**Summary Income Statement**
**May 2017**

| Current Month | | | | | Year-To-Date | | | |
|---|---|---|---|---|---|---|---|---|
| | | Favorable/(Unfavorable) | | | | | Favorable/(Unfavorable) | |
| Actual | Budget | Variance | % Variance | | Actual | Budget | Variance | % Variance |
| 3,251 | 3,494 | (243) | (7.0%) | (1) Visits | 36,411 | 35,800 | 611 | 1.7% |
| 219 | 299 | (80) | (26.8%) | (2) Treatments & Procedures | 3,358 | 4,169 | (811) | (19.5%) |
| 3,470 | 3,793 | (323) | (8.5%) | (3) Total | 39,769 | 39,969 | (200) | (0.5%) |
| | | | | Gross Revenue | | | | |
| 3,907,348 | 3,540,509 | 366,839 | 10.4% | (4) Patient Revenue | 37,704,759 | 39,024,466 | (1,319,707) | (3.4%) |
| 790,518 | 795,311 | (4,793) | (0.6%) | (5) Other Revenue | 10,161,902 | 8,677,419 | 1,484,483 | 17.1% |
| **4,697,866** | **4,335,820** | **362,046** | **8.4%** | **(6) Total Gross Revenue** | **47,866,661** | **47,701,885** | **164,776** | **0.3%** |
| | | | | Deductions | | | | |
| **2,098,115** | **1,780,121** | **(317,994)** | **(17.9%)** | **(7) Total Deductions** | **19,628,266** | **19,632,441** | **4,175** | **0.0%** |
| 53.7% | 50.3% | (3.4%) | | Contractual Percentage | 52.1% | 50.3% | (1.8%) | |
| **2,599,751** | **2,555,699** | **44,052** | **1.7%** | **(8) Net Revenue** | **28,238,395** | **28,069,444** | **168,951** | **0.6%** |
| | | | | Expenses | | | | |
| 811,869 | 768,845 | (43,024) | (5.6%) | (9) Purchased Labor | 8,300,013 | 8,295,811 | (4,202) | (0.1%) |
| 242,312 | 283,416 | 41,104 | 14.5% | (10) Purchased Benefits | 2,753,674 | 3,131,175 | 377,501 | 12.1% |
| 276,410 | 267,871 | (8,539) | (3.2%) | (11) Supplies | 3,057,175 | 2,926,016 | (131,159) | (4.5%) |
| 272,838 | 284,472 | 11,634 | 4.1% | (13) Professional Fees | 2,898,632 | 3,136,326 | 237,694 | 7.6% |
| 203,179 | 211,733 | 8,554 | 4.0% | (14) Purchased Services | 2,337,490 | 2,340,784 | 3,294 | 0.1% |
| 81,402 | 81,614 | 212 | 0.3% | (16) Depreciation and Amort | 868,023 | 883,117 | 15,094 | 1.7% |
| 22,587 | 21,026 | (1,561) | (7.4%) | (17) Utilities | 230,162 | 217,200 | (12,962) | (6.0%) |
| 448,086 | 441,812 | (6,274) | (1.4%) | (18) Building Lease | 5,036,618 | 4,870,919 | (165,699) | (3.4%) |
| 146,632 | 130,960 | (15,672) | (12.0%) | (19) Other Expenses | 1,391,329 | 1,473,382 | 82,053 | 5.6% |
| **2,505,315** | **2,491,749** | **(13,566)** | **(0.5%)** | **(20) Total Expenses** | **26,873,116** | **27,274,730** | **401,614** | **1.5%** |
| **94,436** | **63,950** | **30,486** | **47.7%** | **(21) Net Operating Income/Loss** | **1,365,279** | **794,714** | **570,565** | **71.8%** |
| **111,795** | **86,661** | **(25,134)** | **(29.0%)** | **(22) Minority Interest** | **1,247,032** | **982,025** | **(265,007)** | **(27.0%)** |
| **(17,359)** | **(22,711)** | **5,352** | **23.6%** | **(23) Net Income/Loss** | **118,247** | **( 187,311 )** | **305,558** | **163.1%** |

# STRATEGIC PLANNING
## PRIORITIES & PROGRESS REPORT
## July 21, 2017

## I. LEGISLATION

**Federal and Local Economic Update**
The national economic outlook remains cautiously optimistic. National labor figures showed strong hiring in June and unemployment claims continue to remain at historically low levels. Recent forecasts have projected that the U.S. economy will grow at an annualized rate of between 2.2 and 2.8 percent in the second quarter, and Federal Reserve Chair Janet Yellen continues to indicate that gradual increases to the target interest rate are likely in the coming quarters.

The Bureau of Labor Statistics job report showed the U.S. economy added 222,000 jobs in June, as the unemployment rate ticked up to 4.4% from 4.3% in the previous month. The May unemployment rate of 4.3% was the lowest in sixteen years. Since January of this year, the unemployment rate and the number of unemployed are down by 0.4 percentage points and 658,000, respectively. Wage growth, however, remains a lackluster indicator of the report, showing an annual increase of 2.5 percent in the June report. Claims for U.S. jobless benefits remain at historically low levels, coming in at 247,000 recently. Claims have now been below 300,000, a threshold associated with a healthy labor market, for 123 straight weeks. This is the longest such streak since 1970. The four-week moving average, a less volatile measure, rose slightly to 245,750. The national housing market continues to show robust activity and price appreciation, driven in part by the continued tight supply of homes for sale.

The California economy continues to demonstrate strong growth, as the latest jobs report showed payroll jobs increased in May (state unemployment data lags national data by a month) by 17,600 jobs as the state's unemployment rate declined to 4.7%, down from 4.8% in the previous month. This is the lowest unemployment rate in the State since November 2000. The California real estate market remains strong, and housing prices continue to rise in the face of strong demand and a limited number of homes for sale. As housing prices across the state continue to appreciate faster than household incomes, the concerns related to a severe housing supply shortage continue to grow.

Locally, the District's unemployment rate ticked down slightly in May (local unemployment data lags national data by a month) to 2.8% from 2.9% in the previous month. Just over 5,200 District residents in the labor force are unemployed.

Analysis of all of the economic measures included above is ongoing and carefully monitored for potential impacts to hospitals and opportunities for Washington to contribute expertise and advocacy through our elected officials.

## State and Federal Legislative Update

### CA Legislature

July 14 was the last day for policy committees to hear and report fiscal bills to fiscal committees and July 21 is the last day for policy committees to meet and report non-fiscal bills. The legislature will then be on recess until it reconvenes on August 21, after which it has until September 15 to send bills to the Governor's desk. The Governor then has until October 15 to sign or veto bills.

Some of the bills worth highlighting include:

### AB 1008 Employment Discrimination: Prior Criminal History

This bill currently sits in the Senate Appropriations Committee. Existing law, the California Fair Employment and Housing Act (FEHA), prohibits an employer from engaging in various defined forms of discriminatory employment practices. This bill would repeal the prohibition on a state or local agency from asking an applicant for employment to disclose information regarding a criminal conviction. The bill would, instead, provide it is an unlawful employment practice under FEHA for an employer to include on any application for employment any question that seeks the disclosure of an applicant's criminal history, to inquire into or consider the conviction history of an applicant until that applicant has received a conditional offer.

### SB 562 (Lara) The Healthy California Act

This bill was held in the Assembly Rules Committee by the Speaker. The Speaker stated he did not feel the bill was ready to be heard due to a lack of specificity, in particular around the funding mechanisms for the bill. This bill was originally submitted in anticipation of changes to the *Affordable Care Act* at the federal level. This bill, the Healthy California Act, would create the Healthy California program to provide comprehensive universal single-payer health care coverage and a health care cost control system for the benefit of all residents of the state. The bill, among other things, would provide that the program cover a wide range of medical benefits and other services and would incorporate the health care benefits and standards of other existing federal and state provisions, including, but not limited to, the state's Children's Health Insurance Program (CHIP), Medi-Cal, ancillary health care or social services covered by regional centers for persons with developmental disabilities, Knox-Keene, and the federal Medicare program. The bill would require the board to seek all necessary waivers, approval, and agreements to allow various existing federal health care payments to be paid to the Healthy California program, which would then assume responsibility for all benefits and services previously paid for with those funds.

### Federal Legislature

Staff continues to monitor the potential impacts that changes in policy can have on hospitals and specifically Washington. In a recent update provided by **Holland and**

**Knight**, Washington's lobbying group in Washington DC, the topic of repealing and replacing the Affordable Care Act was covered.

On July 13, 2017, Senate Republicans unveiled a revised version of the *Better Care Reconciliation Act* (BCRA), their plan to replace the *Affordable Care Act* (ACA). The new version comes after Senate Majority Leader Mitch McConnell (R-KY) delayed a vote to proceed to the legislation because he lacked the necessary 50 votes. On Monday, July 17, Senator McConnell again delayed any vote on the bill until Senator McCain returns from recent surgery since two Republican Senators had already come out against the recent revisions to the BCRA, and the Republicans can afford to lose no more than two GOP senators in order to get the 50 votes needed. As of Tuesday, July 18, two additional GOP Senators stated they cannot vote to approve BCRA, effectively killing the bill. Senator McConnell has indicated the next step for the Senate is to vote on the House bill with an amendment to fully repeal the Affordable Care Act, however, early indications are that there is likely not the necessary GOP support for this option either.

Given the fluid nature of the repeal effort in Washington and in case the BCRA is somehow revived, staff has provided some background information on the BCRA. The revised bill is similar in many respects to the original version. It would still repeal the employer and individual mandates and still includes significant reforms to Medicaid. However, the new bill also includes several noteworthy changes, such as proposal offered by Senators Ted Cruz (R-TX) and Mike Lee (R-UT) termed the *Consumer Freedom Amendment.* Under this proposal, an insurer must certify that they offer, through a state health exchange at least three qualified health plans (QHPs) throughout a state rating area. One of these plans must be a Gold level QHP, one a Silver Level QHP and one a benchmark (i.e." Bronze" 58% actuarial value) plan. If so, the insurer could elect to also offer in such rating area an off-exchange plan that does not necessarily meet numerous insurance regulatory requirements that otherwise apply to individual plans under the ACA, such as minimum essential health benefits requirements. A purchaser of such a non-ACA compliant plan could not receive a federal premium tax credit to subsidize the cost of such a plan. Insurers who offer the required three (or more) exchange plans and the non-compliant off-exchange plan in a rating area could then apply to the Federal government to receive a portion of a $70 billion fund that they would then use to defray some of the cost of covering "high risk" individuals enrolled in one of their qualified exchange plans. The idea behind this proposal is to allow a lower cost "skinnier" insurance product to be made available in a rating area, while providing federal funds to mitigate the potential impact on premiums for those remaining in the on-exchange QHP product. Those funds would be targeted at the higher cost individuals. This is known as an "invisible" risk pool arrangement. There are sharp differences of opinion as to whether this would create a workable arrangement (i.e. a low-cost option and an affordable on-exchange option), or whether it would split the risk pool in a rating area and not provide an adequate invisible risk subsidy and thereby render the QHP plans prohibitively expensive. The Congressional Budget Office (CBO) is evaluating the revised BCRA both with and without the Cruz/Lee proposal. The revised bill also contains significant new funding for opioid treatment and money for states meant to lower premiums for high-cost enrollees.

Like the original BCRA, the revised bill would fundamentally change Medicaid financing through per-capita-caps and block grants. As in the original draft bill, from 2020 to 2024, the cap's growth rate for adult and child beneficiaries would still be tied to the Consumer Price Index for Medical Care (CPI-M). The growth rate for adults with disabilities and the elderly would be tied to CPI-M plus one percentage point. From 2025 on, the cap's growth rate would be tied to CPI-U, a broader measure of inflation across the economy.

The bill also would still phase out enhanced federal funding for the ACA's Medicaid expansion beginning in 2021. However, the revised bill will:

- Allow states to apply for 1115 waivers from Medicaid spending limits that aim to continue and/or improve community-based and home care services for the elderly and individuals with disabilities;
- Loosen restrictions around block grants by letting states that expanded Medicaid opt to cover the expansion population under their block grants (in addition to the non-elderly, non-disabled adults who could be covered under block grants in the original BCRA).

For certain non-expansion states eligible for an increase in Medicaid Disproportionate Share Hospital (DSH) payments, the revised bill would increase such payments relative to the number of uninsured individuals in such state, rather than the number of Medicaid enrollees. This will result in an increase in DSH allotment for states with a low-DSH allotment relative to a high uninsured population.

The revised bill would also:

- Retain taxes on Medicare Health Insurance (HI) Tax, net investment income, and executive compensation for particular health insurance executives;
- Allow eligible individuals to receive tax credits for catastrophic plans that cover three primary care visits and limit patients' out-of-pocket costs;
- Allow individuals to use Health Savings Accounts to pay their premiums;
- Provide $182 billion for innovations that states believe would reduce premiums and out-of-pocket costs (the original BCRA provided $112 billion for such innovations); and
- Provide approximately $45 billion to help fight the opioid crisis (the original BCRA provided $2 billion for this purpose) and $50.4 million for FY 2018-FY 2022 for research on addiction.

## II. FOUNDATION

### Critical Care Capital Campaign

The capital campaign has been under way for a year now and has raised $1.45 million from twenty one gifts. Medical directors and community members capable of making significant leadership gifts to the campaign are being briefed and solicited. Major donor prospects are being taken for tours of the Hyman Pavilion worksite.

In the second half of this year, the Foundation will conduct an employee fundraising campaign to solicit support, followed by a physician campaign.

### Top Hat XXXI

The Foundation's annual Top Hat dinner dance will take place on October 14, 2017. Proceeds from the event have been earmarked to support the Radiation Oncology Program. Co-chairs for the event will be Debbie Jackson, president of the Service League, Gary Charland, president and CEO of Masonic Homes of California, and William Dugoni, M.D., general surgeon and Medical Director of the Women's Center. To date, $75,000 has been raised in sponsorship support.

Washington Hospital Healthcare System
SINCE 1948

# Memorandum

**DATE:** **July 20, 2017**

**TO:** **Nancy Farber, Chief Executive Officer**

**FROM:** **Edward Fayen, Sr. Associate Administrator**
**System Operations and Management Support Services**

**SUBJECT:** **Appointment and Reappointment of Committee Members to the Citizens' Bond Oversight Committee**

The Independent Citizens Bond Oversight Committee is a committee appointed by the Washington Township Health Care District Board of Directors to oversee the disbursement of the Measure FF and Measure Z bond proceeds.

I am requesting that the Washington Township Health Care District Board of Directors appoint Jack Rogers of Fremont to the Citizens' Bond Oversight Committee to fulfill the vacancy that has existed since December 2, 2014. This term will run from January 1, 2017 until December 31, 2018.

I am also requesting that the Washington Township Health Care District Board of Directors reappoint Craig Steckler of Fremont to continue serving on the Citizen's Bond Oversight Committee. This term will run from January 1, 2017 until December 31, 2018.