REGULAR BI-MONTHLY MEETING
OF THE BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS

Tuesday, February 28, 2017
6:00 p.m.
Board Room
Texas Diabetes Institute
701 S. Zarzamora
San Antonio, Texas 78207

MINUTES

BOARD MEMBERS PRESENT:

James R. Adams, Chair
Ira Smith, Vice Chair
Dianna M. Burns, M.D., Secretary
Roberto L. Jimenez, M.D, Immediate Past Chair
Robert Engberg
James C. Hasslocher

BOARD MEMBERS ABSENT:

Janie Barrera

OTHERS PRESENT:

George B. Hernández, Jr., President/Chief Executive Officer, University Health System
Bryan Alsip, M.D., Executive Vice President/Chief Medical Officer, University Health System
Awoala Banigo, Senior Vice President, Operations/Chief Revenue Officer, University Health System
Edward Banos, Executive Vice President/Chief Operating Officer, University Health System
Ted Day, Executive Vice President, Strategic Planning and Business Development, University Health System
Theresa De La Haya, Senior Vice President, Health Promotion/Clinical Prevention, University Health System – Texas Diabetes Institute
Sergio Farrell, Senior Vice President, Ambulatory Services, Robert B. Green, University Health System
Don Finley, Director, External Communications/Corporate Communications, University Health System
Greg Gieseman, President/Chief Executive Officer, Community First Health Plans, Inc.
Barbara Holmes, Vice President/Chief Financial Officer, Community First Health Plans, Inc.
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health System
Michelle Ingram, Vice President/Chief Quality Officer, University Health System
Karen Kruger, Contract Specialist/Team Leader, Procurement Services, University Health System
Leni Kirkman, Senior Vice President, Strategic Communications and Patient Relations, University Health System
Karen McMurry, Interim Chief Legal Officer, University Health System
Bill Phillips, Senior Vice President/Chief Information Officer, Information Services University Health System
Kirsten Plastino, M.D., President/Medical Dental Staff, University Health System; and Professor,
CALL TO ORDER AND RECORD OF ATTENDANCE: JAMES R. ADAMS, CHAIR, BOARD OF MANAGERS

Mr. Adams called the meeting to order at 6:05 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE

Mr. Adams introduced Ms. Yvonne Salazar, Volunteer Chaplain at University Hospital, for the invocation, and he led the pledge of allegiance.

CITIZENS’ PARTICIPATION: None.

REPORT FROM THE HEALTH SCIENCE CENTER – WILLIAM HENRICH, M.D., PRESIDENT

Dr. Plastino provided an update on behalf Drs. Henrich and Rodriguez. She reported that on Tuesday, February 14, 2017, over 1,000 people attended the name change ceremony for the School of Medicine, which was renamed "Joe R. And Teresa Lozano Long School of Medicine." Joe and Teresa Lozano Long donated $25 million for medical programs and scholarships.

RECOMMENDATION: None.
ACTION: None.
EVALUATION: None.
FOLLOW-UP: None.
CONSENT AGENDA – JIM ADAMS, CHAIR

CONSIDERATION AND APPROPRIATE ACTION REGARDING MEDICAL-DENTAL STAFF RECOMMENDATIONS FOR STAFF MEMBERSHIP – KRISEN A. PLASTINO, M.D., PRESIDENT, MEDICAL/DENTAL STAFF

CONSIDERATION AND APPROPRIATE ACTION REGARDING A RESOLUTION SUPPORTING DESIGNATION OF UNIVERSITY HOSPITAL AS A LEVEL 4 NEONATAL INTENSIVE CARE UNIT – IRENE SANDATE, NNP/STEVEN SEIDNER, M.D.

CONSIDERATION AND APPROPRIATE ACTION REGARDING PURCHASING ACTIVITIES (SEE ATTACHMENT A) – FRANCINE WILSON

SUMMARY: The items listed above were presented for the Board’s consideration as consent items.

RECOMMENDATION: Staff recommended approval of the items on the consent agenda.

ACTION: A MOTION to approve the items listed on the consent agenda was made by Mr. Smith, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY.

EVALUATION: Mr. Hernandez introduced Dr. Steve Seidner for elaboration regarding the Board Resolution in Support of a Level 4 Neonatal Intensive Care Unit at University Hospital. Dr. Seidner introduced registered nurses Irene Sandate, Senior Executive Director for Perinatal Services, and Rachel Rivas, Executive Director, Newborn Services.

FOLLOW-UP: None.

ACTION ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING SELECTED PURCHASING ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING A CONTRACT WITH STRUCTURETONE SOUTHWEST, LLC, TO PROVIDE CONSTRUCTION SERVICES FOR THE INPATIENT DIALYSIS PROJECT ON THE 2ND FLOOR IN THE RIO TOWER – MARK WEBB

SUMMARY: This is a request to purchase labor and material to renovate and finish-out a new dialysis inpatient unit on the second floor of University Hospital in the Rio Tower. The scope of work for the Second Floor Inpatient Dialysis - Rio Tower project includes the following:

- Finish-out of approximately 5,000 square feet of shell space;
- Twelve (12) dialysis treatment bays and two (2) nurses stations;
- New water treatment room with equipment;
- Technician room for servicing the dialysis machines;
- Provider room and staff multi-use room; and
- Medication room.

The scope of work was competitively bid under RFCSP #217-01-001-CNST with the following three (3) respondents:
- StructureTone Southwest, LLC. - $1,575,000
- MPS Construction - $1,587,916
- Joeris General Contractors, Ltd. - $1,749,000

All proposals were evaluated by a selection committee consisting of four Facilities Development project managers, Dialysis executive director, and Biomedical engineering. The Structuretone Southwest’s proposal was selected as the best value proposal due to their detailed personnel experience, excellent safety record, experience doing similar work, company stability and the proposed construction cost. The total project cost is $2,500,000, which includes a construction contract - $1,575,000; Furniture - $30,000; medical equipment including dialysis equipment - $790,000; and IT equipment - $105,000. Staff outlined the projected annual savings utilizing Health System staff versus an outside contractor for renal dialysis. Based on the projected annual savings for this project, the expected return on investment is approximately 4 years. Funding for this project is through the Board Designated Capital Account.

<table>
<thead>
<tr>
<th>Month</th>
<th>Satellite Avg. Cost per Treatment</th>
<th>UHS Proposed Avg. Cost per Treatment</th>
<th>Variance</th>
<th>Treatments</th>
<th>Annualized Treatment</th>
<th>Proposed Annual Savings</th>
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<tbody>
<tr>
<td>Oct-16</td>
<td>$354.63</td>
<td>$259.07</td>
<td>$95.56</td>
<td>435</td>
<td></td>
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<tr>
<td>Nov-16</td>
<td>$356.73</td>
<td>$221.06</td>
<td>$135.68</td>
<td>536</td>
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<tr>
<td>Dec-16</td>
<td>$350.42</td>
<td>$240.16</td>
<td>$110.26</td>
<td>480</td>
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<tr>
<td>Quarterly Average</td>
<td>$353.92</td>
<td>$240.10</td>
<td>$113.83</td>
<td>484</td>
<td>5,804</td>
<td>$660,659.00</td>
</tr>
</tbody>
</table>

Local contractors have participated in the solicitation process, so the Health System has obtained competitive pricing and the project dollars will end up being returned to the local community. StructureTone Southwest, LLC., has a total of 176 employees. The workforce composition data was provided for the Board’s review.

**RECOMMENDATION:**
Staff recommends Board of Managers’ approval of funding in the amount of $2,500,000; and execution of a contract with StructureTone Southwest, LLC., in the amount of $1,575,000; and purchases of Furniture, Medical Equipment, and IT equipment using the remaining funds to improve the service level of inpatient dialysis.

**ACTION:**
A MOTION to approve staff’s recommendation was made by Mr. Engberg, SECONDED by Mr. Smith, and PASSED UNANIMOUSLY.

**EVALUATION:**
None.

**FOLLOW-UP:**
None.

**CONSIDERATION AND APPROPRIATE ACTION REGARDING A CONTRACT WITH CENTRO MED TO PROVIDE PROFESSIONAL SERVICES TO CARELINK PATIENTS—VIRGINIA MIKA, PHD/ROBERTO VILLARREAL, M.D.**

**SUMMARY:**
The purpose of this agreement is to continue to secure professional primary care services for CareLink members when there are access issues within the Health System. Since 2002, these physicians have seen patients for routine office visits, pharmaceuticals, family planning, immunizations, lab services, inoculations, nutritional and dietetic counseling and preventive care. In 2015, CentroMed provided services to 2,222 CareLink members. Through
November 30, 2016, CentroMed has provided services to 2,015 CareLink members. In 2015 CareLink paid CentroMed $619,898.66. As of November 30, 2016 (last month of completed claims data available due to our 90 day lag on claims) CareLink has paid CentroMed $607,286. We anticipate the 2017 approved claims for CareLink members will be $662,493.82 based on 90 percent of the current Medicare Fee Schedule. This is a fee for service contract; it shall be renewed for up to two successive one (1) year terms if CentroMed meets all performance standards, patient satisfaction and quality risk management standards. CentroMed has a total of 574 employees, and the workforce composition data was provided for the Board’s review.

RECOMMENDATION: Staff recommends Board of Managers’ approval to execute an Agreement with El Centro Del Barrio d/b/a CentroMed contract for a three (3) year term for an estimated annual amount of $662,493.82.

ACTION: A MOTION to approve staff’s recommendation was made by Mr. Hasslocher, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY.

EVALUATION: None.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE ANNUAL EVALUATION OF THE PERFORMANCE AND DUTIES OF THE PRESIDENT/CEO—JIM ADAMS, CHAIR

SUMMARY: Mr. Hasslocher was appointed by Mr. Adams to chair an ad hoc committee charged with performing the annual evaluation of the President/CEO in February 2017. The ad hoc committee met and actively solicited input from all members of the Board during the review process. The findings of the ad hoc committee have been reviewed with the full Board of Managers in Executive Session, a portion of the time which included Mr. Hernandez.

RECOMMENDATION: The ad hoc committee recommends a two year extension to the CEO’s agreement effective January 1, 2017 in accordance with the term provisions of the original agreement, with a base salary increase to $695,000.00 annually. In recognition of Mr. Hernandez’s performance in 2016, the ad hoc committee also recommends a one-time annual incentive payment in the amount of $80,000.00, a portion of which is to be paid in the form of a cash payment with other options/proposals to be studied that allow contributions to be made to the Match Savings Plan on behalf of Mr. Hernández.

ACTION: A MOTION to extend the CEO’s agreement effective January 1, 2017 for two years in accordance with the term provisions of the original agreement, with a base salary increase to $695,000.00 annually; to provide a one-time annual incentive payment in the amount of $80,000.00 to be made, a portion of which is to be paid in the form of a cash payment, with other options/proposals for consideration that allow contributions to be made to the Match Savings Plan; was made by Mr. Hasslocher, SECONDED by Mr. Engberg and PASSED UNANIMOUSLY.
EVALUATION: Mr. Hernandez thanked the Board of Managers for their consideration and support.

FOLLOW UP: Ms. Theresa Scepanski, Senior Vice President/Chief Administrative Officer, will study other options/proposals for consideration that allow contributions to be made to the Match Savings Plan for the benefit of George B. Hernández, Jr.

PRESENTATIONS AND EDUCATION:

COMMUNITY FIRST HEALTH PLANS, INC., OPERATIONS REPORT—GREG GIESEMAN

SUMMARY: In 2016, Community First Health Plans (CFHP) achieved progress and success towards many of the strategic initiatives approved by the CFHP Board. Mr. Gieseman reviewed the following items with the Board of Managers:

Items that went well:
- Implementation of STAR Kids
- Quality Scores
- Consolidated financial performance
- Cost of care initiatives
- Beginning transition to population health management
- Implementation of IT strategic plan including development of a PMO
- Interaction with UHS
- Community Support

Items that did not go well:
- 4.1 percent increase in at-risk member months over 2015 driven by STAR Kids and marketplace enrollments but 1.5 percent below budgeted projections
- In 2016, Governmental membership increased 4.8 percent from 125,774 (Jan) to 131,857 (Dec) driven by STAR Kids enrollment
- STAR and CHIP membership
  - STAR lost membership (2,753) in a constant market
    - Market share decreased from 44.0 percent to 42.8 percent
  - CHIP membership grew 4.2 percent (741) but not as much as the market (12 percent)
    - Market share decreased from 62.5 percent to 58.2 percent

Mr. Gieseman presented CFHP membership by Governmental Product as well as Market Share by Governmental Product, and an overview of corrective actions taken regarding STAR and CHIP membership. Net income year to date through December 2016 is as follows:

- Actual - $19,383,503
- Budget - $4,191,194
- Variance - $15,645,399

2016 Financial Drivers – Revenue:
- Premium Revenue - $13.7 Million favorable to budget
  - $17.1 M favorable variance due to higher than budgeted premium yield – of which $9.9 M was due to STAR Kids being above budget,
as well as $7.2 M Favorable Variance in premium yield PMPM from Medicaid.

- $(3.4 M) unfavorable variance due to lower than budgeted membership. Medicaid $(7.3 M) unfavorable, STAR Kids $4.5 M favorable. Health Exchange makes up the majority of the balance.

Exceeded prior year performance by $49.3 M

Favorable variance driven by STAR Kids $29.7 M and marketplace

2016 Financial Drivers - Medical Expense:

Unfavorable variance of $(10.7 Million):

- $(13.7 M) Unfavorable variance due to higher PMPM costs. STAR Kids makes up $(9.6 M) of that unfavorable PMPM variance.

Medicaid is $(3.8 M) unfavorable to budget on a PMPM basis.

$3 M Favorable Variance due to lower membership volume. Variance caused primarily in Medicaid shortfalls in membership, and offset by the impact of STAR Kids being over budget in membership for two months.

Contracting/Savings initiatives over prior year:

- $5 M savings in hospital contracting

- 33% reduction in Cost per E/R Facility Visit (Medicaid/CHIP) by year end

Balance Sheet Highlights:

Total Assets - $158 M (33% increase or $38.8 M increase over prior year)

Days Cash and Investments on Hand – 131 days, increase of 16 days

Claims Payable – Increase of $20.5 M over prior year, $17.3 M is due to the addition of STAR Kids.

Total Surplus - $96 M (32% increase over prior year)

Risk Based Capital – 675%

Other items reviewed with the Board include product diversification, changing revenue mix, and net underwriting performance by product (excludes marketplace cost sharing and risk sharing adjustments. Percent of CFHP facility costs at UHS by year ranged from 8.4 percent in 2012 to 19.3 percent in 2016. Percent of CFHP facility costs by provider were as follows (total paid to facilities):

University Health System – 19.3 percent
Methodist – 21.3 percent
Christus – 27.5 percent
Other – 20.2 percent
Baptist 11.6 percent

2017 Initiatives:

STAR and CHIP membership growth

STAR Kids – integration into “usual” operations

- Application of CFHP care management processes

Implementation of new care management system (2/17–1/18)

Implementation of new core processing system (8/17 – 1/19)

Implementation of new general ledger application

Cultural changes required by and staff training needs for the IT system upgrades

Development of staffing models for new IT applications
Development of clinical integration and value based reimbursement models with providers
CFHP staff reorganization

**Concerns/challenges/opportunities:**

**Revenue**
- STAR and CHIP possible rate reduction in Jun 2017
- STAR, CHIP and STAR Plus - Probable rate reduction in Sep 2017
  - Limits on risk margin and/or experience rebate methodology
  - Marketplace - 2018 marketplace participation decision
  - Risk adjustment for 2016 marketplace products
- STAR Plus participation evaluation/decision and potential RFP response for Jan 2019 start date

**Expense**
- Claims expense
  - STAR Kids medical expense – Cost of care in transition from FFS to managed model
  - Individual marketplace – 2017 utilization experience of limited off exchange membership
- Development of HHSC Pay for Quality program for 2018
- HHSC requirements for provider at risk requirements
- Administrative expense/efficiencies associated with new IT systems (2018 and 2019)

**RECOMMENDATION:** None. This report was provided for informational purposes only.

**ACTION:** None.

**EVALUATION:** None.

**FOLLOW-UP:** None.

**INFORMATION ONLY ITEMS:**

**REPORT REGARDING MEDICAL-DENTAL STAFF COMMITTEES AND DEPARTMENTS—KRISTEN A. PLASTINO, M.D., PRESIDENT, MEDICAL/DENTAL STAFF**

**UPDATE ON FACILITIES DEVELOPMENT ACTIVITIES—MARK WEBB**

**REPORT ON RECENT RECOGNITIONS AND UPCOMING EVENTS—LENI KIRKMAN**

**4TH QUARTER AND YEAR 2016 SUPPLIER DIVERSITY REPORT—FRANCINE WILSON**

**UPDATE ON THE 85TH LEGISLATIVE SESSION—ANDREW SMITH**

**SUMMARY:** Mr. Adams directed the Board members’ attention to the five (5) written reports above. He urged his colleagues to contact staff with specific comments, questions, or suggestions.

**RECOMMENDATION:** These reports were provided for informational purposes only.

**ACTION:** No action by the Board of Managers was required.

**EVALUATION:** None.

**FOLLOW-UP:** None.
CLOSED MEETINGS:

The Chair, James R. Adams, announced this meeting closed to the public at 6:49 p.m. with the following Board members present: James Adams, Chair; Ira Smith, Vice Chair; Dr. Dianna M. Burns-Banks, Secretary; Roberto L. Jimenez, M.D., Immediate Past Chair; Robert Engberg, Member; James Hasslocher, Member; and Janie Barrera, Board member, who entered the meeting at 7:15 p.m. The following staff members were also present: George B. Hernández, Jr., Edward Banos, Reed Hurley, Dr. Bryan Alsip, Ted Day, Mark Webb, Travis Smith, Michael Roussos, Kristen Plastino, M.D., Karen McMurry, Leni Kirkman, Don Finley, and Steve Amason. The closed meeting was held pursuant to TEX. GOV’T CODE, Section 551.085 (Vernon 2004) to receive information regarding pricing or financial planning information relating to a bid or negotiation for the arrangement or provision of services or product lines to another person if disclosure of the information would give advantage to competitors of the hospital district. After discussion, no action was taken in closed session. The Chair, James R. Adams, announced that the closed meeting ended at 7:58 p.m., on the 28th day of February 2017.

The Chair, James R. Adams, announced another meeting closed to the public at 8:00 p.m., with the following Board members present: James Adams, Chair; Ira Smith, Vice Chair; Dr. Dianna M. Burns-Banks, Secretary; Roberto Jimenez, M.D., Immediate Past Chair; Janie Barrera, Member; Robert Engberg, Member; and James Hasslocher, Member. Also present was George B. Hernández, Jr., President/Chief Executive Officer. At 8:23 p.m., Mr. George B. Hernández, Jr., President/Chief Executive Officer, left the meeting. A closed meeting was held pursuant to TEX. GOV’T CODE, Section 551.074 (Vernon 2004) to evaluate the performance and duties of the President/CEO. After discussion, no action was taken in closed session. The Chair, James R. Adams, announced that the closed meeting ended at 8:30 p.m., and the public meeting reconvened at 8:30 p.m.

ADJOURNMENT:

There being no further business, Mr. Adams adjourned the Board meeting at 8:32 p.m.

James R. Adams
Chair, Board of Managers

Dianna M. Burns, M.D.
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary