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, August 22, 2018– 6:00 P.M.
Board Room, 2000 Mowry Avenue

AGENDA

		PRESENTED BY:
I.	**CALL TO ORDER & PLEDGE OF ALLEGIANCE**	Michael Wallace Board Member
II.	**ROLL CALL**	Dee Antonio District Clerk
III.	**COMMUNICATIONS**	
	A. Oral	
	B. Written	
IV.	**CLOSED SESSION**	
	A. Conference with Legal Counsel-Anticipated Litigation pursuant to Government Code section 54956.9(d)(2) (1 matter)	Nancy Farber Chief Executive Officer
	B. Conference involving a trade secret pursuant to Health & Safety Code section 32106	
	C. Report on personnel matters, Cal Gov. Code Section 54957	
V.	**OPEN SESSION**	
	Report on Closed Session	Michael Wallace Board Member
VI.	**ADJOURNMENT**	Michael Wallace Board Member

STRATEGIC PLANNING
PRIORITIES & PROGRESS REPORT
August 17, 2018

I. LEGISLATION

Federal and Local Economic Update

The national economic outlook remains cautiously optimistic. The latest national labor figures continue to show strong job growth and very low unemployment claims, however wage growth remains a concern. The latest estimates from the Congressional Budget Office show expected GDP growth at 3.1% for 2018, exceeding the 2.2% growth seen in 2017. Internationally, cyclical indicators are pointing towards slower and more uneven growth in the global economy for the rest of the year and likely into 2019.

The Bureau of Labor Statistics job report showed the U.S. economy created 157,000 jobs in July, as the unemployment rate decreased slightly to 3.9% from 4.0% in the previous month. Although actual job growth for July was lower than expected, payrolls were revised upward by 59,000 for the prior two months. Over the previous 12 months, payrolls have been growing an average of 203,000 per month. Hourly wage growth increased by 2.7% over the prior year, which is the same as June's pace. With the economy at full employment, wages normally would be expected to start rising at a faster rate. Claims for U.S. jobless benefits continue to remain at historically low levels, coming in recently at 213,000. The four-week moving average, a less volatile measure, declined to 214,750. While the national housing market continues to remain strong, there are early signs that regions of the country are headed for a housing market slowdown. Affordability, coupled with rising interest rates, has started to negatively impact home sales and demand from potential home buyers in hot housing markets such as Seattle, Austin, and the San Francisco Bay Area.

The California economy showed a slowdown in job growth in June (state unemployment data lags national data by a month), adding just 800 jobs as the state's unemployment rate remained at a historically low 4.2%. This is the 99th month of employment expansion for the State. It is too early to tell whether the recent slowdown in job growth is due to an overall slowing in the State's economy, whether it is proving difficult for employers to find qualified workers, or whether we are beginning to see the impacts of the international tariff maneuvers. Similar to the national market, the California housing market is strong, however there are early signs that we may be headed for a market slowdown as there have been sharp declines across the state in home sales due in part to affordability concerns.

Locally, the District's unemployment rate increased slightly in June (local unemployment data lags national data by a month) to 3.1% from 2.4% in the previous month. Just over 5,850 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

The Legislature returned from recess on August 6. Fiscal committees have until August 17, to hear and report bills, and each house has until August 31 to pass bills and send them to the Governor. The Governor then has until September 30 to sign or veto bills.

One of the bills worth highlighting is:

SB 1152 (Hernandez) Hospital Patient Discharge Process: Homeless Patients

This bill currently sits in the Senate Appropriations Committee and it is not yet known if it will clear the Suspense file by today's deadline and proceed to a floor vote. This bill is opposed by the California Hospital Association, the California Medical Association, and the District Hospital Leadership Forum among others. Current law requires each hospital to have a written discharge planning policy and process that requires that the appropriate arrangements for post-hospital care are made prior to discharge for those patients likely to suffer adverse health consequences upon discharge if there is no adequate discharge planning. This bill would require each hospital to include a written homeless patient discharge planning policy and process within the hospital discharge policy. The primary concern of opponents of the bill is the adequate supply of post-hospital resources for homeless patients that are needed to meet the demand.

Federal Legislature

CMS Proposed Rule on Accountable Care Organizations (ACO) Overhaul

On August 10, CMS released the proposed rule that would update the Medicare Shared Savings Program (MSSP). Called "Pathways to Success," the proposal significantly alters the Accountable Care Organization (ACO) program. CMS estimates that these changes will save the federal government $2.24 billion over the next ten years, primarily due to a $2.17 billion reduction in ACO net earnings.

There are currently 561 ACOs participating in the Shared Savings program with approximately 10.5 million assigned beneficiaries, with the vast majority only participating in one-sided risk arrangements. CMS estimated that its new policy would lead to a drop of about 100 ACOs by 2027.

Notably, CMS proposes to retire the current Track 1 and Track 2 options and replace them with a new model, the "BASIC" track. CMS also proposes to modify agreement periods from 3-years to 5-years. The BASIC track would feature a glide path for taking risk. Currently, ACOs have up to six years to shift to a model where they share in financial risk. As proposed, BASIC ACOs will be forced to risk within two years while gradually transitioning to higher risk in years three, four, and five, concluding in year five at a level of risk that meets the standard to qualify as an Advanced Alternative Payment Model (APM) under MACRA. Current upside-only ACOs would be limited to one year without risk before being required to transition to the risk level in year three of the glide path. The percentage of maximum savings will also be cut in half from current levels. CMS also proposes to retain Track 3 but rebrand it as the "ENHANCED "track.

To ease the transition, CMS says it will start new ACO agreements in July 2019 rather than January of next year. ACOs currently in the program would have an option to extend their participation agreement through the end of next June. The usual application cycle will pick up again in January 2020. All ACOs may annually choose a beneficiary assignment methodology (preliminary prospective assignment with retrospective reconciliation, or prospective assignment) as well as whether to opt into two-sided risk under the BASIC track.

ACOs that are low-revenue, which CMS says are mostly physician and rural ACOs, could participate in the basic track for two five-year periods, under the proposal. However, the high-revenue ACOs, which CMS says are mostly those that include hospitals, would be required under the proposed rule to move to the enhanced track after one five-year agreement period.

The rule also implements some provisions of the Bipartisan Budget Agreement of 2018, including expanding the use of telehealth for two-sided ACOs, allowing for prospective beneficiary assignment to an ACO, allowing for beneficiary incentives, and letting beneficiaries designate their primary clinician. CMS is also proposing multiple other changes and updates. Staff will be discussing these changes and potential impacts with the leadership of Hill Physicians since Washington Township Medical Foundation is participating in an ACO with Hill.

II. FOUNDATION

Critical Care Capital Campaign

The capital campaign has been under way for over a year now and has raised $5.45 million towards the stretch goal of $7.5 million. The total raised includes $625,000 raised from the employee giving campaign.

32nd Annual Top Hat Dinner Dance

The Foundation's annual Top Hat gala will be held on Saturday, October 13. The co-chairs for this year's event are Marsha Badella, Foundation trustee, Dr. Carmen Agcaoili, and Dr. Kadeer Halimi. The dinner dance will raise funds for medical equipment needed in the new ICU/CCU in the Morris Hyman Critical Care Pavilion. To date we have raised $93,000 in sponsorships against a budget of $262,500.

Washington Hospital Healthcare System

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www.whhs.com

DEVCO
FINANCIAL STATEMENTS

Reporting Period 12

Month of June 2018

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Washington Township Hospital
Development Corporation
Summary Income Statement
June 2018

Current Month					Year-To-Date			
		Favorable/(Unfavorable)					Favorable/(Unfavorable)	
Actual	Budget	Variance	% Variance		Actual	Budget	Variance	% Variance
3,156	3,089	67	2.2%	(1) Visits	40,233	40,753	(520)	(1.3%)
258	203	55	27.1%	(2) Treatments & Procedures	2,919	3,636	(717)	(19.7%)
3,414	3,292	122	3.7%	(3) Total	43,152	44,389	(1,237)	(2.8%)
				Gross Revenue				
4,159,626	3,803,772	355,854	9.4%	(4) Patient Revenue	44,420,437	46,565,984	(2,145,547)	(4.6%)
780,837	780,660	177	0.0%	(5) Other Revenue	9,771,637	9,389,909	381,728	4.1%
4,940,463	**4,584,432**	**356,031**	**7.8%**	**(6) Total Gross Revenue**	**54,192,074**	**55,955,893**	**(1,763,819)**	**(3.2%)**
				Deductions				
2,255,091	**1,949,605**	**(305,486)**	**(15.7%)**	**(7) Total Deductions**	**22,009,370**	**23,967,351**	**1,957,981**	**8.2%**
54.2%	51.3%	(2.9%)		Contractual Percentage	49.5%	51.5%	2.0%	
2,685,372	**2,634,827**	**50,545**	**1.9%**	**(8) Net Revenue**	**32,182,704**	**31,988,542**	**194,162**	**0.6%**
				Expenses				
757,985	783,570	25,585	3.3%	(9) Purchased Labor	9,366,879	9,389,050	22,171	0.2%
252,115	262,603	10,488	4.0%	(10) Purchased Benefits	3,079,343	3,140,161	60,818	1.9%
316,822	316,496	(326)	(0.1%)	(11) Supplies	3,640,545	3,816,060	175,515	4.6%
308,423	229,909	(78,514)	(34.2%)	(13) Professional Fees	3,173,849	3,221,924	48,075	1.5%
203,690	195,654	(8,036)	(4.1%)	(14) Purchased Services	2,385,408	2,445,112	59,704	2.4%
75,099	91,848	16,749	18.2%	(16) Depreciation and Amort	977,411	1,137,466	160,055	14.1%
23,803	22,594	(1,209)	(5.4%)	(17) Utilities	265,708	271,123	5,415	2.0%
433,236	423,130	(10,106)	(2.4%)	(18) Building Lease	5,187,659	5,112,218	(75,441)	(1.5%)
120,707	126,265	5,558	4.4%	(19) Other Expenses	1,551,167	1,546,465	(4,702)	(0.3%)
2,491,880	**2,452,069**	**(39,811)**	**(1.6%)**	**(20) Total Expenses**	**29,627,969**	**30,079,579**	**451,610**	**1.5%**
193,492	**182,758**	**10,734**	**5.9%**	**(21) Net Operating Income/Loss**	**2,554,735**	**1,908,963**	**645,772**	**33.8%**
127,579	**134,795**	**7,216**	**5.4%**	**(22) Minority Interest**	**1,505,516**	**1,446,389**	**(59,127)**	**(4.1%)**
65,913	**47,963**	**17,950**	**37.4%**	**(23) Net Income/Loss**	**1,049,219**	**462,574**	**586,645**	**126.8%**