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, January 24, 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.	**ACTION**	
	A. Consideration of Claim – Mary Eckstein	Motion Required
	B. Consideration of Claim – Mark Wiser	
	C. Consideration of Claim – Carolyn Arnaiz	
VII.	**ADJOURNMENT**	Michael Wallace Board Member

Washington Hospital Healthcare System
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www.whhs.com

DEVCO
FINANCIAL STATEMENTS

Reporting Period 5

Month of November 2017

Washington Township Hospital
Development Corporation
Summary Income Statement
November 2017

Current Month Actual	Current Month Budget	Favorable/(Unfavorable) Variance	Favorable/(Unfavorable) % Variance		Year-To-Date Actual	Year-To-Date Budget	Favorable/(Unfavorable) Variance	Favorable/(Unfavorable) % Variance
3,230	3,223	7	0.2%	(1) Visits	16,682	16,588	94	0.6%
295	631	(336)	(53.2%)	(2) Treatments & Procedures	1,540	2,046	(506)	(24.7%)
3,525	3,854	(329)	(8.5%)	(3) Total	18,222	18,634	(412)	(2.2%)
				Gross Revenue				
3,785,227	3,581,994	203,233	5.7%	(4) Patient Revenue	18,103,920	18,058,830	45,090	0.2%
798,767	782,528	16,239	2.1%	(5) Other Revenue	4,089,402	3,931,711	157,691	4.0%
4,583,994	**4,364,522**	**219,472**	**5.0%**	**(6) Total Gross Revenue**	**22,193,322**	**21,990,541**	**202,781**	**0.9%**
				Deductions				
1,850,396	**1,855,861**	**5,465**	**0.3%**	**(7) Total Deductions**	**8,746,384**	**9,364,081**	**617,697**	**6.6%**
48.9%	51.8%	2.9%		Contractual Percentage	48.3%	51.9%	3.6%	
2,733,598	**2,508,661**	**224,937**	**9.0%**	**(8) Net Revenue**	**13,446,938**	**12,626,460**	**820,478**	**6.5%**
				Expenses				
784,453	759,323	(25,130)	(3.3%)	(9) Purchased Labor	3,935,732	3,830,849	(104,883)	(2.7%)
231,609	258,006	26,397	10.2%	(10) Purchased Benefits	1,234,966	1,298,469	63,503	4.9%
294,984	293,912	(1,072)	(0.4%)	(11) Supplies	1,448,212	1,563,842	115,630	7.4%
307,448	304,139	(3,309)	(1.1%)	(13) Professional Fees	1,426,099	1,468,585	42,486	2.9%
197,644	188,351	(9,293)	(4.9%)	(14) Purchased Services	993,352	948,718	(44,634)	(4.7%)
84,043	80,839	(3,204)	(4.0%)	(16) Depreciation and Amort	415,593	399,753	(15,840)	(4.0%)
19,585	19,190	(395)	(2.1%)	(17) Utilities	124,123	117,611	(6,512)	(5.5%)
424,605	421,953	(2,652)	(0.6%)	(18) Building Lease	2,111,772	2,155,227	43,455	2.0%
119,502	128,408	8,906	6.9%	(19) Other Expenses	623,237	639,847	16,610	2.6%
2,463,873	**2,454,121**	**(9,752)**	**(0.4%)**	**(20) Total Expenses**	**12,313,086**	**12,422,901**	**109,815**	**0.9%**
269,725	**54,540**	**215,185**	**394.5%**	**(21) Net Operating Income/Loss**	**1,133,852**	**203,559**	**930,293**	**457.0%**
129,765	**63,848**	**(65,917)**	**(103.2%)**	**(22) Minority Interest**	**714,607**	**326,605**	**(388,002)**	**(118.8%)**
139,960	**(9,308)**	**149,268**	**1,603.7%**	**(23) Net Income/Loss**	**419,245**	**(123,046)**	**542,291**	**440.7%**

STRATEGIC PLANNING
PRIORITIES & PROGRESS REPORT
January 19, 2018

I. LEGISLATION

Federal and Local Economic Update

The national economic outlook remains cautiously optimistic. National labor figures showed a slight slowdown in hiring in December, and unemployment claims, while still at historically low levels, have increased over the past month. A slight rise in consumer prices in December and solid growth in retail sales helped to support expectations that inflation is firming and the U.S. economic growth ended 2017 on a solid note.

The Bureau of Labor Statistics job report showed the U.S. economy created 148,000 jobs in December, as the unemployment rate held steady at a 17-year low of 4.1%. Economists had expected nonfarm payrolls to grow by 190,000 in December. Wage growth remains a lackluster component of the jobs report, with earnings showing just a 2.5% annualized gain. Claims for U.S. jobless benefits continue to remain at historically low levels, however, they rose recently for the fourth straight week to 261,000. The increase likely does not suggest a material shift in labor market conditions as claims data tend to be volatile during year-end holidays. The four-week moving average, a less volatile measure, rose to 250,750. The national housing market remains strong with demand continuing to outpace supply, and concerns remain over the affordability of an increasing number of markets across the country. The recent federal tax-law changes could have an impact on housing prices in the most expensive parts of the country, but the exact magnitude of the potential impact is not yet clear.

The California economy continues to show strong job growth, as the latest report showed payroll jobs increased in November (state unemployment data lags national data by a month) by 47,400 jobs as the state's unemployment rate dropped to 4.6% from 4.9% in the previous month. This is the lowest California state unemployment rate in more than forty years. The California housing market remains strong but rising prices remain an issue amidst strong demand that continues to outpace supply. Over the next year, the potential impact from the federal tax-law reform on housing prices in the state will become clearer given the reduction in mortgage interest deduction maximums and the limitation placed on the deductibility of state and local taxes, such as property tax.

Locally, the District's unemployment rate dropped in November (local unemployment data lags national data by a month) to 2.4%. Just over 4,600 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 reconvened on January 3, 2018 and both houses must introduce new bills for the current session by February 16. There has been relatively little activity related to the introduction of new healthcare-related bills since January 3, and staff will continue to monitor bills that could potentially impact the Healthcare System and the District.

Last week, Governor Brown released his proposed state spending plan on January 10. Over the next several months, the Legislature and the Governor's office will hold hearings and meetings to discuss potential revisions to the budget, and the Governor typically releases an updated budget in May. The Legislature must vote and pass a budget bill by June 15. Some highlights of the potential impacts to health care in the current version of the Governor's budget are as follows:

- The budget includes $155.7 billion ($37.4 billion General Fund and $118.3 billion other funds) for all health and human services programs. Since 2011, there have been many changes in the programs that provide a safety net for California's vulnerable children, adults and seniors. The provision of healthcare was expanded significantly, increasing the number of individuals receiving coverage through Medi-Cal and CHIP from 8.5 million to nearly 13.5 million. This increase includes the expansion of full medical coverage to undocumented children. In addition, 1.3 million people receive medical coverage through Covered California. More than one in three California residents now receive services from one of the state programs, and two-thirds of those are children.

- Many of the program reductions from the Great Recession have been restored, including most optional benefits in the Medi-Cal program, such as dental benefits for adults and enteral nutrition, as well as funding for the Department of Social Services to increase the frequency of licensed community care facility inspections. Targeted increases have also been made to provide cost-of-living increases for CalWORKs and the Supplemental Security Income/State Supplementary Payment (SSI/SSP).

- Medi-Cal General Fund spending is projected to increase 11%, from $19.5 billion in 2017 to $21.6 billion in 2018–19. The budget assumes that caseload will decrease approximately 0.5% from 2016–17 to 2017–18 and will increase 0.05 percent from 2017–18 to 2018–19.

- Proposition 56 (2016 tobacco tax) revenue is estimated at $1.3 billion in 2018–19. The Governor proposes $850.9 million in Proposition 56 revenue for healthcare treatment expenditures, including $649.9 million in 2018–19, an increase of $232.8 million from the 2017 budget, for supplemental payments and rate increases. The increase includes approximately $163 million for physician supplemental payments and $70 million for dental payments—doubling the amounts currently available—to improve provider rates and the availability of patient care.

- Proposes to restrict—and effectively eliminate—the use of federal 340B Drug Pricing Program reimbursements within the Medi-Cal program, effective July 1, 2019.

Staff will continue to monitor the proposed budget over the next several months for potential impacts to the District and Healthcare System.

Federal Legislature

Association Health Plans

On January 4, the U.S. Department of Labor (DOL) issued a proposed rule that would significantly alter the federal regulation of association health plans (AHPs). The proposed rule carries out a portion of President Trump's October 12, 2017 Executive Order 13813, "Promoting Healthcare Choice and Competition Across the United States," which directs federal agencies to consider changes that would loosen federal requirements on association health plans, short-term health plans, and employer-funded reimbursement accounts.

Under longstanding interpretations of the Employee Retirement and Income Security Act (ERISA) of 1974 a trade or business association may offer a health insurance product to its members. However, in most situations, if that product is purchased by individuals or small businesses that participate in the association, it is generally subject to state regulations that govern the individual/small group market (as opposed to self- insured large employer plans that are subject to federal regulation and significantly preempted from state regulation). Additionally, under policies developed as a result of the Affordable Care Act (ACA), health insurance sold by associations to their individual/small group members is subject to all of the ACA's federal insurance regulations applicable to these plans (e.g., essential health benefits, rating rules, bans on health underwriting). Most of these ACA requirements do not apply to large group plans. The central impact of the proposed rule would be to expand the ability of businesses and individuals to form AHPs that are exempt from the ACA regulations governing the small group/individual market and that could be structured to quality for ERISA pre-emption.

The proposed rule carries out this objective by adopting a new definition of "employer." Specifically, the proposed rule would consider a group of employers that are in the same trade, industry, line of business, or profession to be considered a single "employer" for ERISA purposes. Additionally, a group of employers that all operate in a principal place of business within a region that does not exceed the boundaries of the same State or metropolitan area or that opt to limit themselves to a smaller geographic region, such as a city or county could be considered to be a single employer. The effect of this definitional change is that the AHP would now be considered a single large group plan (if it has more than 50 members) and the AHP could elect to self-insure and gain a measure of pre-emption from state regulation.

Additionally, the proposed rule would effectively open up participation in AHPs to self-employed persons and partnerships. This is accomplished by further changing the definition of an employer under ERISA to include "sole proprietors" -- self-employed individuals who work 30 hours per week or 120 hours per month. The sole proprietor is thus effectively considered both an employer and employee. The group or association sponsoring the AHP would not be required to verify the working owner's compliance with these hourly requirements and could instead "reasonably rely" on written representations from the individual (e.g. an attestation).

Federal Funding Continuing Resolution Proposal

On January 16, Chairman of the House Appropriations Committee Chairman Rodney Frelinghuysen (R-N.J.) introduced a continuing resolution (CR), which would fund the federal government until February 16. Congress has until Jan. 19 to agree to a proposal to extend funding for the government. Provided Congress sends an agreement to the President for his signature by the January 19 deadline, Congress would then have less than 10 legislative days between both chambers to either draft an omnibus appropriations bill to fund the government through the end of Fiscal Year (FY) 2018 or draft and pass another CR to temporarily fund the government at slightly less than current levels to conform to spending caps under current law.

The current CR legislation introduced in the House also includes six years of funding for the Children's Health Insurance Program (CHIP), funding for which was extended in the previous CR to March 31, and further delays several tax provisions authorized under the Affordable Care Act. The inclusion of six years of CHIP funding was greatly aided by a recent Congressional Budget Office (CBO) assessment indicating that due to the repeal of the ACA's individual mandate in the tax legislation that passed late last year the cost of a five-year extension of CHIP would be reduced from $8 billion to $800 million. However, the CBO calculated that a six-year extension would be budget neutral, thus shifting CHIP funding from a five- to a six-year renewal.

In addition, while advocates were targeting the CR as a possible vehicle for reauthorization of several crucial Medicare "extenders", such extensions are not part of the CR package at this time, due in part to disagreements of how to offset the cost of such extensions. Thus, Congress will have to look ahead to February 16 as the next opportunity to reauthorize these extenders. The House Ways and Means Committee published a bipartisan proposal to extend these provisions on November 15, 2017. If extension of these provisions is delayed beyond the February 16 deadline, passage of any measure that provides an extension retroactive to January 1 would require many claims under federal health insurance programs to be resubmitted, generating significant burden for federal health agencies.

As of the evening of January 18, the House passed the short term funding bill, sending the bill on to the Senate, where its future is less certain. In the Senate, nine Democrats must join their Republican colleagues in order to pass a short-term spending measure. Democrats in both chambers have signaled their opposition to a measure that does not include some extension or action on the Deferred Action for Childhood Arrivals (DACA) program.

II. FOUNDATION

Critical Care Capital Campaign
The capital campaign has been under way for over a year now and has raised $3.7 million towards the goal of $7.5 million. The total raised includes $262,000 from the employee giving campaign.

Trees of Angels
The Foundation's annual Trees of Angels Celebrations took place in November and December, 2017. Over $8,000 was raised to support hospice and palliative care in Washington Township.

33rd Annual Golf Tournament
The Foundation's annual golf tournament will be held on Thursday, May 3, at Castlewood Country Club. Golfers will tee off with a 12 Noon shotgun start, and the awards banquet will commence around 6:00 p.m. The tournament has been moved to a Thursday to see if this enables the Foundation to recruit more golfers than in previous years.