AMERICA'S ESSENTIAL HOSPITALS

Board of Directors Meeting
June 24, 2014
San Antonio, TX

Board Members Present (15)	Board Members Absent (4)	Staff Present (11)
Michael B. Belzer Reginald W. Coopwood, MD John M. Haupert George B. Hernandez Jr. Michael Karpf, MD David S. Lopez Stephen W. McKernan Santiago Muñoz Ramanathan Raju, MD, MBA Sheldon Retchin, MD, MS, MSP Donna K. Sollenberger, MA Roxane A. Townsend, MD Irene M. Thompson Thomas P. Traylor, MBA William B. Walker, MD	Steven G. Gabbe, MD Timothy M. Goldfarb, CEO Wright L. Lassiter III Johnese M. Spisso, MPA, RN	Bruce Siegel, MD, MPH David Engler, PhD Beth Feldpush, DrPH Rhonda Gold, CPA Kristine Metter, CAE Sarah Callahan, MHSA Carl Graziano Shawn Gremminger, MPP Xiaoyi Huang, JD Bianca Perez, PhD Sandy Laycox

Agenda Item	Minutes
Call to order and disclosure of conflicts of interest (Traylor)	• Traylor called the meeting to order at 11:10 am and asks for conflicts of interest; none disclosed. • Retchin noted he is a director of a public company that provides post-acute care.
Welcome new board members (Traylor)	• Traylor welcomed new board members Raju, Haupert, Sollenberger, Lassiter, and Townsend. • Traylor also recognized members leaving the board and those returning.
Approve consent agenda (Traylor)	• Members reviewed March 31 meeting minutes.

AMERICA'S ESSENTIAL HOSPITALS
1301 Pennsylvania Ave NW Ste 950
Washington DC 20004
t: 202.585.0100
f: 202.585.0101
e: info@essentialhospitals.org

	Traylor requested a motion to approve the consent agenda. There was a motion, a second, and unanimous approval of the consent agenda.
President and CEO report (Siegel)	• Siegel noted appreciation of Traylor's leadership. • Siegel recognized four new members: Care New England, East Alabama Medical Center, University of Chicago Medical Center, University of Mississippi; noted efforts of existing members in recruiting the new members. • Siegel described work to document the history of the association and release at VITAL2014 of a history book and video. • Siegel reported on several policy activities: o contacts with senior leadership of the U.S. Department of Health and Human Services (HHS), association's response to HHS request for anecdotes of network exclusion—including story from Grady Health—and desire by new Centers for Medicare & Medicaid administrator to work with America's Essential Hospitals o increasing interest in adjusting performance measures by socioeconomic factors o association support of member work and association education around Medicaid Section 1115 waivers, including association's September 29 summit in Chicago • Siegel recounted conversation to recast memorandum of understanding with UHC and to broaden work beyond UHC supply chain members. • Traylor pointed out value of education on waivers. *Traylor requested a motion to approve new members. There was a motion, a second, and unanimous approval.*
Employee Climate Assessment (Siegel)	• Siegel described survey of staff to assess work climate. • Siegel noted use of association's core values used as a foundation for the survey design. • Society for Human Resource Management (SHRM) conducted the survey. • Siegel described overall findings: relative to SHRM database of all employers, association's overall job satisfaction higher (81 percent versus 70 percent), but a little behind organizations of similar size. • Siegel discussed association strengths: the work itself, benefits, financial stability. • Survey revealed opportunities: career advancement, professional developments, communication with senior management, pay compared with local market. • Overall employee engagement found to be similar to that of other

	organizations. • Siegel described action plan: employee committee, lunch with senior leaders, brief presentations at all-staff meetings. • Sustainability—going green—important to staff; new office space will reflect this. • Traylor suggested use of members as staff mentors; Siegel agreed. • Feldpush noted planned site visit by advocacy and policy staff to Einstein Medical Center Philadelphia. • Haupert pointed out positive aspect of high staff satisfaction with management. • Traylor asked about differences in results between association and Essential Hospitals Institute; Siegel reported none significant. • Engler described work of inter-departmental staff work groups around collaboration, storytelling, communication. • Walker complimented Siegel for his efforts to solicit feedback. • Thompson noted opportunities to increase staff collaboration between association and UHC.
Treasurer's Report (Lopez)	• Lopez presented reports in board book, noted results of audit. • Lopez presented second action item: budget update. • Gold reported that association on target to meet budget. *Lopez requested a motion to approve audit. There was a motion, a second, and unanimous approval.* *Lopez requested a motion to approve budget update. There was a motion, a second, and unanimous approval.*
Education Committee Report (Belzer)	• Belzer described various aspects of committee's work, including these: o goal of broadening participation in educational activities beyond C-suite members o new session types at VITAL2014, including mini-sessions, Rapid-Fire sessions, interest groups, networking opportunities, and popularity of track structure o use of education committee members as session moderators and ambassadors for first-time attendees at VITAL2014 o new call for proposals for VITAL2015 and education committee proposal evaluation process o upcoming educational opportunities on waivers and start of Fellows Program sessions on adaptive leadership • Engler reported 34 fellows this year from 15 organizations. • Traylor recognized strongly positive feedback from past fellows and inquires about changes to the current year's program. • Engler described new use of education committee to refresh, renew

	curriculum; change to adaptive leadership; re-evaluation of fellows mix to broaden beyond clinical leaders.
Policy Advisory Committee Report (Walker)	• Walker described previous year's work to develop principles for entitlement reform and current effort on principles for Medicaid changes at the state level. • Walker noted desire to keep principles in mind as health care moves toward new world of alternative payments. • Feldpush noted need to educate members on alternative payment models as waivers spread. • Hernandez pointed out concern in Texas of funding shift from ambulatory to hospital inpatient and impact on systems with large outpatient networks. • Traylor noted need to acknowledge reality that Medicaid rates are lower than Medicare rates—a parity principle, perhaps. • Walker said that given wide variation in waiver design, principles are needed to establish common goals. • Lopez asked whether intragovernmental transfers were considered in principle development and noted need to make sure states have "skin in the game." • Coopwood noted opportunity for the association to serve as a clearinghouse on waiver information; Feldpush said the association tracks updates on waivers monthly. • Hernandez suggested expressing values, as well as principles in the document. • Karpf suggested coordinating with similar American Hospital Association work on alternative payment models principles. • Feldpush summarized suggested changes: o make more explicit that Medicaid underpays o include distinction between ambulatory and inpatient and recognition that hospitals do more than inpatient—clinics, pharmacy o incorporate accountability into principles (skin in the game by other stakeholders) o expand on values • Munoz suggested gearing up to identify negative elements of alternative payment models and preparing to articulate concerns. *Walker requested a motion to approve the proposed principles with changes as summarized by Feldpush. There was a motion, a second, and unanimous approval.*
Membership Committee Report: New Dues Structure	• Lopez summarized significant discussion around dues structure, recognition of "no perfect solution," and varying perspectives on

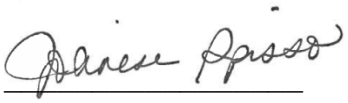
(Lopez)	fairness. • Siegel thanked Lopez for his leadership and discussed current dues structure. • Siegel noted current structure relatively unordered and a potential disincentive for membership, especially among smaller organizations. • Goals of new structure: dampen extreme swings, minimize changes, reflect size, help smaller hospitals, encourage inclusion of all hospitals in multihospital systems, compete on price. • Siegel described proposed methodology: expenses-based, tiered, phased in for those with increases. • Siegel pointed out that, now, some large, multihospital systems pay a single hospital rate and might resist change. • Hernandez asked whether expenses metric includes whole system, including managed care plan; Siegel says whole system, but not managed care plan. • Siegel described revenue projections and comparison of association's dues with other associations. He noted that market tests revealed a general understanding of need but questions about where increased revenue goes, concerns about driving out larger members. • Siegel described next steps: board vote, communications, and dues invoices. • Coopwood asked whether plan is budget neutral; Siegel responds that it is not budget neutral, includes wiggle room, and assumes loss of four members. • Retchin complimented board and staff for a careful, deliberative process, and recommended flexibility for the largest systems. *Lopez requested a motion to approve the new dues structure. There was a motion, a second, and unanimous approval.*
Policy/Advocacy Update (Feldpush)	• Feldpush provided overview of recent congressional activity, including actions to delay disproportionate share hospital (DSH) payment cuts and require reporting on DSH need. • Feldpush reported Republican Party swinging more conservative as reaction to rise of Tea Party. • Enrollment trends and uncompensated care are complex issues. Even as uncompensated care declines, Medicaid shortfalls might increase. Reports of coverage successes must be tempered by these realities—essential hospitals remain vulnerable to funding difficulties. • Traylor noted that Massachusetts experience might be a good case study for current issues and that statewide numbers don't necessarily apply to essential hospitals. For example, the uninsured rate is 1

	percent statewide, but 10 percent at Boston Medical Center. • Siegel noted challenge of calibrating message and communicating that coverage expansion is playing out with great variation. • Raju pointed out that new Medicaid patients are very expensive because they haven't been getting care for years, so more costly despite new coverage. • Coopwood cautioned against losing benefits of expansion in financial message. • Traylor noted that bottom lines might look better, but DSH cuts haven't happened yet. • Karpf recommended national and state messaging, as financial impact of expansion on state budgets will come into play. • Raju warned about competition for safety net funding by hospitals not traditionally considered safety nets; Siegel said association's work on an essential hospital designation will be sensitive to this concern. • Lopez asked about likelihood of DSH payments ultimately being tied to performance; Feldpush said recent history shows performance increasingly part of discussions on funding streams. • Karpf noted need to emphasize continued funding for trauma, other high-acuity services. • Feldpush discussed evolving "1 plus 4" essential hospitals designation definition. • Conversation shifted to 340B. • Retchin characterized essential hospitals as victims of 340B abuses by other hospitals with respect to public perception. • Raju suggested association should not flatly oppose regulation, but should work to make 340B program better; Siegel noted association support of appropriate regulation. • Feldpush said association adamantly opposed to scaling back program, given its benefits to patients and taxpayers. • Walker asked about association's working relationship with Safety Net Hospitals for Pharmaceutical Access; Feldpush reported a good working relationship, but sensitivity to differences in stakeholders. • Feldpush moved to discussion of premium assistance. • Coopwood asked whether foundations may provide assistance; Huang responded that federal government might allow this. • Traylor predicted CMS will embrace premium assistance when it becomes clear people can't afford even federally subsidized premiums. • Feldpush continued with overview of socioeconomic status adjustment, Children's Health Insurance Program funding, workforce issues, the two-midnight rule, network adequacy, Medicaid payment parity, Medicaid waivers.

Update on NQF Risk Adjustment (Engler)	• Engler described National Quality Forum (NQF) work and recommendations on socioeconomic (SES) adjustment of performance measures and importance to association members. • Work, as required by CMS, included creation of expert panel in October 2013 to study pros and cons of SES adjustment. Panel include several association members: David Nerenz, PhD (Henry Ford Hospital), Nancy Garrett, PhD (Hennepin County Medical Center), and Nancy Sugg, MD, MPH (University of Washington). • About 30 risk-adjustment models exist and none is perfect. The current readmissions model explains only about 60 percent of variants in readmissions. • The NQF expert panel drafted a report in March, and opened it up to public comment in April. America's Essential Hospitals responded in support of the draft report and worked with members to respond. Overall, NQF received 160 comments, 140 of which were supportive of SES adjustment. • Association stance is that NQF should change its current policy to endorse performance measures used in accountability applications that risk adjust for both clinical and SES patient factors. • Traylor asked about CMS motivations to require this work. Engler pointed to growing concern about SES' effects on outcomes. Siegel noted concern about lack of alignment within CMS on SES adjustment. • NQF also recommended that performance measures should be stratified to identify disparities and that a standard set of measures and recommendations on their use should be developed. • Belzer asked about member hospitals responses. Engler said NQF received more than 30 comments from member hospitals and UHC. Feldpush added that hospitals previously non-active in policy work responded. • Engler said the literature supports the use of SES adjustment and that the association had published a list of literature on its website. A recent article in *Health Affairs* also explored the issue. • Engler noted opposition arguments that SES adjustment would mask disparities or lessen expectations for improvement. • Engler said next steps include a final expert panel report June 30, review by the NQF Consensus Standards Approval Committee, and a NQF board of directors final vote July 23. • Raju predicted CMS reluctance to adjust for SES because it would be a "slippery slope"—some stakeholders may ask for geographic adjustment, for example. He called on the association to have a leadership role in ongoing discussions. • Engler agreed about the role of the association to emphasize a scientific basis, supported by literature, for risk adjustment.

	• Retchin pointed out the argument is more complex than SES adjustment—essential hospital face resource challenges that also factor into differences. • Coopwood asked about the goal. What should come out of this effort and how will it improve care of this population? • Engler said the end game should be a level playing field for performance metrics by accounting for differences in patient population. • Siegel pointed out that the NQF recommendation doesn't require use of a specific model or adjustment generally. He said that while many people agree on the value of SES adjustment, strong opposition exists in some quarters, particularly among consumer groups (a majority of NQF members) and that consensus is crucial. • Raju noted a scientific basis for adjustment is necessary; Siegel agreed strongly. • Lopez suggested that separate adjustments for emergency department admissions versus other types of admissions might be a useful approach; several members indicated support for considering this.
Investment Policy (Gold & Raffa Wealth Management)	• Gold described the association's request for proposal process to choose an investment adviser; she introduced Mark Murphy, with Raffa Wealth Management. • Murphy described company's work, which focuses on non-profit organizations with portfolios of $3 million to $5 million; the association falls within that range. • Murphy described a three-step onboarding process for new clients: review financials, conduct interviews, conduct survey. • Murphy provided an overview of investment recommendations. • Retchin asked about alternative investments; Murphy responded that high fees make alternatives unattractive. • Walker asked for Murphy's opinion on investing in index versus actively managed funds. Murphy indicated preference for a passive (index) investment strategy. • Murphy reviewed changes to investment policy. *Traylor requested a motion to accept revised investment policy statement. There was a motion, a second, and unanimous approval.*
Executive Session	The board went into executive session and the meeting was adjourned.

Submitted by:



Johnese M. Spisso, RN, MPA
Secretary