



AMERICA'S ESSENTIAL HOSPITALS

Board of Directors Meeting
October 28, 2014
Washington, DC

Board Members Present (14)	Board Members Absent (3)	Staff Present (12)
Michael B. Belzer, MD Reginald W. Coopwood, MD Steven G. Gabbe, MD Michael Karpf, MD Wright L. Lassiter III Johnese M. Spisso, MPA, RN Thomas P. Traylor, MBA William B. Walker, MD By phone: Timothy M. Goldfarb George Hernandez, Jr., JD Santiago Muñoz, III Sheldon Retchin, MD, MSPH Donna K. Sollenberger, MA Roxane A. Townsend, MD	John M. Hauptert Ramanathan Raju, MD, MBA Irene M. Thompson	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 Alan Burk Katie Zimmerman Caitlyn Furr

Agenda Item	Minutes
Call to Order and Disclosure of Conflicts of Interest (Walker)	<ul style="list-style-type: none"> Walker called the meeting to order at 11 am and asked for conflicts of interest with the agenda; none was disclosed.
Approve Consent Agenda (Walker)	Members reviewed the June 24 meeting minutes. Walker requested a motion to approve the consent agenda. There was a motion, a second, and unanimous approval of the consent agenda.
President's report (Siegel)	<ul style="list-style-type: none"> Siegel noted Ebola events have impacted many members, further demonstrating the essential role of member hospitals. Spisso mentioned that University of Washington School of Medicine is a designated Ebola treatment center.

	<ul style="list-style-type: none"> • Siegel reported on several association activities: <ul style="list-style-type: none"> ○ Risk adjustment for socioeconomic status (SES) remains on the association's agenda, with legislation in both houses of Congress. ○ The association added two new members, Interim LSU and Rhode Island Hospital; and lost University of Colorado. ○ Based on briefings with members, the association has found widespread support for dues restructuring. ○ The association will meet with Sen. Ron Wyden (D-OR) December 9 to discuss priorities for members of America's Essential Hospitals.
Nominating Committee Report (Spisso)	<ul style="list-style-type: none"> • The board was asked to appoint a new secretary to fill the vacancy created by David Lopez's departure from the board. Karpf was nominated to fill this position. <i>Walker requested a motion to appoint Karpf as the new secretary of the board of directors. There was a motion, a second, and unanimous approval of Karpf's appointment.</i> • The board was asked to appoint a new at-large director. University of Chicago Medicine President Sharon O'Keefe was nominated. <i>Walker requested a motion to appoint O'Keefe as the new at-large director. There was a motion, a second, and unanimous approval of O'Keefe's appointment.</i> • The board was asked to appoint a new member director for the Essential Hospitals Institute board. Dennis Keefe, president and CEO of Care New England Health System, was nominated. <i>Walker requested a motion to appoint Keefe as the member director of the Institute board of directors. There was a motion, a second, and unanimous approval of Keefe's appointment.</i>
Finance Committee Report (Coopwood)	<ul style="list-style-type: none"> • Coopwood asked Gold to present the financial update, Referencing materials in the board book, she reported these items: <ul style="list-style-type: none"> ○ America's Essential Hospitals' 2014 projected revenue is \$8.9 million, which is offset by \$7.19 million in expenses, before items funded from reserves, leaving an operating surplus of \$1.72 million. ○ The projected surplus is \$894,000 more than budget and \$700,000 better than last projected, in June. The increase is mostly a result of new membership dues. ○ A summary of significant budget variances. <p><i>Gold stated that the finance committee approved and recommended that the board set aside an additional \$100,000 in board-restricted net assets to fund</i></p>

	<p><i>the non-depreciable and non-amortizable costs for the office move, for a total of \$450,000 in restricted net assets. There was a motion, a second, and unanimous approval.</i></p>
Office Relocation and Lease Terms (Gold)	<ul style="list-style-type: none"> • Gold provided a brief office move update and introduced DTZ representatives Aaron Pomerantz and Cathy Jones. • Jones credited America's Essential Hospitals' staff with having foresight to enlist DTZ's services early on, which provided enough time and leverage to negotiate a good deal. He noted that when the process began, the market was fairly soft, but began to tighten over time. • DTZ outlined the lease acquisition process: <ul style="list-style-type: none"> ○ Gold, Burk (HR director) and IT Director Mark Campbell visited 12 of 35 potential buildings. The list was further narrowed to three finalist sites, which the leadership team toured. ○ Characteristics considered included cost, location, access to public transportation, and space efficiency. ○ The selected space, at 401 9 St. NW, is a 14-year-old Class A Gold LEED building with amenities, including a rooftop terrace, a fitness center, and retail in the area and in the building. The building is three blocks from the association's current location, closer to Capitol Hill, and convenient to two subway stations. ○ America's Essential Hospitals will occupy the south side of the ninth floor under a 15-year lease. The team negotiated extensively and signed a lengthy, non-binding letter of intent with Boston Properties, the terms of which were shared with the finance committee. An attorney is reviewing the formal lease agreement. ○ Architects determined the association needs approximately 21,100 square feet of office space, including a conference room large enough to accommodate board meetings and space to accommodate staff growth. ○ In years 5 and 10, the organization will have a right to expand into 3,000 to 4,000 square feet of rentable contiguous space; however, if the first expansion option is not exercised, the second option will be forfeited. The association also has an ongoing first right of refusal to lease up to 5,000 square feet of space on the same floor, though this may not be contiguous space. The opportunity exists to sublease. ○ The negotiated rental cost, rent abatement, and tenant improvement allowance is more favorable than the real estate brokers' original estimate and substantially better than the assumptions previously communicated to the board.

	<ul style="list-style-type: none"> ○ The negotiated rent is \$67.25 per square foot (inclusive of operating expenses) with 14 months of free rent abatements, 2.5 percent annual rent increase, and a \$115 per square foot allowance for tenant improvement. ○ Staff's original estimates assumed a rental cost of \$70 per square foot for 20,000 square feet, an \$85 to \$95 per square foot tenant improvement allowance, and eight months of rent abatements. The rent abatement, which equates to a 7 percent to 8 percent cost reduction, can be converted to an additional tenant improvement allowance. ○ A four-month security deposit (approximately \$483,400) is required in the form of an irrevocable letter of credit, reducing over time, with only one month's deposit remaining after Year 4, assuming the association's revenues are at least \$8.5 million a year. ○ The lease will be in the name of the association only, as its revenue stream is (1) more consistent and reliable than the Institute's revenues based on grant and contract receipts; and (2) having two entities as co-tenants on a lease makes each entity jointly and severally liable for the entire amount of tenant obligations. ○ A financial analysis prepared by DTZ estimates annual rent of more than \$1.4 million, which will escalate by 2.5 percent per year in base rent plus operating expenses. The total cost over 15 years is estimated at \$25 million. ○ The total office move budget, including the office build-out, audiovisual, furniture, equipment, and artwork, is estimated at \$4.3 million, of which \$2.4 million will come from the tenant improvement allowance, for a net cost of approximately \$1.9 million (staff previously estimated a net cost of \$2.3 million). <ul style="list-style-type: none"> • Traylor asked how many more FTEs we could fit in the new space. • Gold responded that the new space will accommodate 70 employees, and staff total is now 58. There is some room for immediate growth plus the two expansion options for contiguous space in years 5 and 10. • Siegel mentioned that the association did not want to take more space than needed, despite its accelerated growth. • Gabbe said staff was sensitive to finding space consistent with the association's mission and that the choice is "A" space, but not "trophy" space. • Gold stated that the finance committee recommends approval of the terms, which would allow Siegel to enter into a binding contract in accordance with the terms of the non-binding letter of intent. All questions were addressed. <p><i>Walker asked for a motion to provide board authorization for Siegel to enter into a formal lease agreement with Boston Properties for 401 9 St. NW,</i></p>
--	--

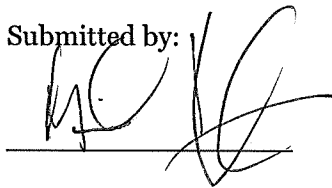
	<p><i>assuming the lease terms do not differ in any significant way from the letter of intent. There was a motion, a second, and unanimous approval.</i></p>
<p>Membership Committee Report (Traylor)</p>	<ul style="list-style-type: none"> • Traylor requested approval for a proposal to establish a corporate affiliate membership category. The membership committee vetted the proposal and recommended its approval. • America's Essential Hospitals now has two membership categories: full members and associate members. The association's bylaws allow for a corporate affiliate membership category to be created. The new category would allow vendors to work with the association on a more consistent, year-round basis. • There are \$5,000 per year or \$15,000 per year options for this membership category. • The association would not allow alcohol, gambling, firearms, or tobacco vendors to join, and corporate affiliates would be asked to sign a code of ethics. • Belzer asked for a census of associate members. Metter pointed to Central Health, in Texas, only, an indication the association is not likely to have a large number of associate members. <p><i>Traylor asked for a motion to approve the creation of a corporate affiliate membership category. There was a motion, a second, and unanimous approval of the category.</i></p>
<p>Board Member Expectations: Initial Discussion (Walker)</p>	<ul style="list-style-type: none"> • Walker and Siegel believe it would be beneficial to create clear expectations for board participation. • The expectations suggested include: informally helping to recruit and retain members; attend meetings; serve on committees; and encourage their hospital staff's involvement with the association. • They will create a formal set of expectations for use in assessing members' level of engagement against such expectations during reappointment. • Traylor mentioned political engagement with local representatives. Advocacy expectations would be good for potential board members to know up front. • Siegel said that the board would revisit expectations at its March 2015 meeting.
<p>Education Committee Report (Belzer)</p>	<ul style="list-style-type: none"> • The committee met in September at the association's offices and agreed that educational programs should be interactive. • The 2015 education programming will focus on Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS), Delivery System Reform Incentive Payment (DSRIP) Program waivers, and behavioral health. • The current Fellows Program class has gone through two sessions. This year's theme is adaptive leadership. Applications for the next class of

	<p>fellows will open in December and close in February, and repeat the theme of adaptive leadership.</p> <ul style="list-style-type: none"> • The association opened a call for proposals for VITAL2015 presentations. Belzer asked board members to encourage colleagues to apply. The education committee will meet in December to review the proposals. • The association is developing an Essential Women's Leadership Academy mentoring and networking program for women. It is expected to begin in late 2015 or early 2016.
Policy Advisory Committee Report (Hauptert)	<ul style="list-style-type: none"> • Feldpush presented the report in Hauptert's absence. • The group is actively drafting principles around equity of care and reducing disparities to present to the board in December • Retchin asked if the principles address data on risk adjustment for readmissions rates. Feldpush said the principles address equity more broadly, but noted that the association supports risk adjustment of certain quality measures for patient SES status. Siegel said the board discussed risk adjustment at the last meeting, and America's Essential Hospitals has been vocal and uncompromising on the issue.
Policy/Advocacy Update (Feldpush)	<ul style="list-style-type: none"> • Feldpush provided an overview of the upcoming midterm election landscape. • The nation has experienced a dramatic increase in political polarization, both among policymakers and Americans in general, during the past 20 years. • There will be 36 governor races in the general election, with Republican victories likely. • All U.S. House of Representatives seats are up for election, most of which are safe for incumbents. Republicans may pick up a few seats, and already have a solid majority, and will likely keep that majority until the next census. • In the U.S. Senate, 36 seats are in play. Republicans need to net six additional seats to take a majority in the Senate, which looks likely to happen. Looking at past midterm elections, the president's party loses six seats, on average. Many of the races are close, and some are likely to go into runoffs. There is a possibility of three independents in the Senate, which could also tip the majority. • The opposite situation may occur in 2016. Republican seats will be open, providing momentum for a Republican president and a Democratic Senate. • Walker asked about the association's strategy for a Republican Senate. • Feldpush said that the first order of business after the election is the lame-duck session, during which Congress needs to pass a continuing resolution to continue funding the government.

	<ul style="list-style-type: none"> • Feldpush outlined a status update of legislative action important to the association: <ul style="list-style-type: none"> ○ Debt ceiling will come up in the spring, with the date uncertain, but hospital legislation may be attached. ○ Medicare sustainable growth rate (SGR) patch runs out in the spring. This is must-pass legislation, but momentum for a permanent fix has waned. ○ Children's Health Insurance Program (CHIP) reauthorization: Funding for CHIP expires September 30, 2015, so it will need to be addressed. The association is pushing for CHIP reauthorized this year because Sen. Orrin Hatch, (R-UT), who would become chair for the Senate Finance Committee, is developing some aggressive Medicaid reforms, and wants to attach them to the CHIP reauthorization legislation. The association is currently talking with his staff. ○ A plan created by Sens. Hatch, Richard Burr (R-NC), and Thomas Coburn (R-OK) would replace the Affordable Care Act (ACA) and alter Medicaid by making it a per-capita caps program. The association is providing feedback on the proposals, which lack detail. • December 8 and 9 mark the association's next legislative fly-in. The lame-duck session will be a key time to talk about essential hospitals' concerns before the Hill tempo picks up in January. • Issues at the forefront of the Hill discussions in December: the 340B Drug Pricing Program, risk adjustment, reducing disparities, CHIP reauthorization, Medicare disproportionate share hospital (DSH) payments, and the workforce. Of these, 340B will likely get more attention in the next Congress. • Belzer asked about the association's strategy for reducing disparities. • Feldpush responded that an idea is in development that would partner hospitals and the U.S. Department of Health and Human Services (HHS), with a focus on hospitals ready to accelerate work to reduce disparities. Under the plan, hospitals would get startup funding for creating programs to reduce disparities and ongoing funding as an incentive. Savings would accrue to the government because of better outcomes; those savings would pay for the program. • The board discussed this concept and agreed that the degree to which hospitals are held accountable for a population's health will need to be carefully considered. • Feldpush elaborated on the key issues facing Congress: • 340B: Sources within the Health Resources and Services Administration (HRSA) indicate a decision is forthcoming on how to move forward on possible non-controversial provisions with
--	--

	<p>interpretive guidance. Congress will likely be more active on 340B in the next year. The Pharmaceutical Research and Manufacturers of America (PhRMA) is mounting an aggressive media campaign against 340B. However, the campaign is having little impact on independent thinkers. America's Essential Hospitals will try to reframe the issue: If Congress wants to scale back the program, it will take resources away from essential hospitals and increase costs to taxpayers.</p> <ul style="list-style-type: none"> • Ebola preparedness: The association has been in regular contact with the Centers for Disease Control and Prevention and HHS and has been pushing out information to members, including through a webpage dedicated to Ebola resources. • Feldpush said the association is getting questions from Congress about what hospitals need. The chief idea is to fully fund the Hospital Preparedness Program, which has been cut by 50 percent over the past decade. There will be an Ebola hearing by the Senate Appropriations Committee on November 12. • Sollenberger said The University of Texas Medical Branch (UTMB) is designated in Texas as an Ebola receiving hospital because Galveston National Lab is on its campus and studies emerging diseases, and the hospital has waste disposal facilities on site. UTMB calculated construction costs to build an Ebola isolation unit would be about \$2 million per bed. • Sollenberger will soon have a list of all costs for staffing, training, and building. • Karpf said the country needs to develop a coherent plan for containing outbreaks, as there are sure to be other emerging microbes after Ebola. • Spisso said hospitals need more funding for personal protective equipment. • Feldpush will reach out to board members individually before the hearings.
Executive Session	<ul style="list-style-type: none"> • The board went into executive session at 2:56 pm and the meeting was adjourned.

Submitted by:



Michael Karpf, MD
Secretary