



# AMERICA'S ESSENTIAL HOSPITALS

## Board of Directors Meeting Monday, December 1, 2014 Meeting by Telephone

Board Members Present (13)	Board Members Absent (5)	Staff Present (7)
Reginald W. Coopwood, MD Timothy M. Goldfarb John M. Hauptert George Hernandez Jr., JD Michael Karpf, MD Wright L. Lassiter III Sharon O'Keefe Ramanathan Raju, MD, MBA Sheldon Retchin, MD, MSPH Donna K. Sollenberger, MA Roxane A. Townsend, MD Thomas P. Traylor, MBA William B. Walker, MD	Michael B. Belzer, MD Steven G. Gabbe, MD Santiago Muñoz III Johnese M. Spisso, MPA, RN Irene M. Thompson	Bruce Siegel, MD, MPH David Engler, PhD Beth Feldpush, DrPH Rhonda Gold Kristine Metter Jummy Siwajuola Caitlyn Furr

Agenda Item	Minutes
Call to order (Walker)	<ul style="list-style-type: none"><li>Walker called the meeting to order at 11:02 am.</li></ul>
Approve Consent Agenda (Walker)	Members reviewed the October 28 meeting minutes.  <i>Walker requested a motion to approve the consent agenda. There was a motion, a second, and unanimous approval of the consent agenda.</i>
Review and Approve 2015 Proposed Budget (Coopwood/Gold)	<ul style="list-style-type: none"><li>Gold reported that the 2015 proposed budget was approved by the finance committee on November 21, and budgeted activities support the 2013-2018 strategic plan.</li><li>Budgeted 2015 revenue is \$10.2 million, an increase of 15 percent (or \$1.3 million) from the 2014 projection and 18 percent more (or \$1.5 million) than the 2014 budget.</li><li>The largest increase is in membership dues. The 2015 budget assumes six new members. The bad debt line reflects the deactivation of four</li></ul>

	<p>members (totaling \$266,000) as a result of the new dues structure. The 2015 membership dues invoices reflecting the new tiered dues structure were sent to members at the beginning of November.</p> <ul style="list-style-type: none"> <li>• Budgeted dues are \$1.23 million (or 23 percent) more than the 2014 projected level. Of that increase, \$285,000 is based on new 2014 members paying full-year dues in 2015, \$252,500 represents new 2015 member recruits, and \$128,000 stems from reclassification of memberships to different membership categories. In addition, \$568,000 comes from the change in dues structure. The new corporate affiliate member category (approved at the October 28 board meeting) created the need to reclassify \$80,000 from the sponsorship line, into the membership category. Budgeted sponsorship revenue is \$200,000.</li> <li>• The 2015 budget reflects \$260,000 for conference registration fees, of which \$151,000 is for VITAL2015 and \$34,000 is for registration fees for an in-person waiver meeting. The conference registration line is substantially higher than 2014 (by 55 percent) because the Government Relations Academy occurs every other year.</li> <li>• Total budgeted expenses for 2015 is \$8.8 million, of which \$4.4 million is in association salaries and fringes, an increase of 8 percent from the 2014 budget. This includes the addition of three new budgeted positions. Health insurance increases of 25 percent recently assessed by Carefirst are substantially higher than 2014 and prior years. This is because the association was classified in the under 50 employees market which is not competitively priced in the marketplace.</li> <li>• Budgeted expenses also include a \$595,000 contribution to the Institute to support research and analytics work that is not externally funded. Because Kaiser Permanente's three-year grant to support the Transformation Center ended in 2014, core support from membership dues is once again necessary to continue the Institute's important research and analytical work in support of the membership. Without this funding, the Institute's budgeted operating deficit would be \$672,000 (versus a budgeted \$80,000 deficit, the same budgeted level as in 2014).</li> <li>• The policy line reflects \$294,000 in budgeted expenses, an increase of \$26,000 (or 10 percent) from the 2014 projected level and 19 percent more than the 2014 budget. The increase in budgeted costs is primarily due to outsourcing of sophisticated quantitative analysis and analytical modeling to KNG Health and The Moran Company (for \$190,000). The increase in this line item recognizes an expected need for analysis of regulatory and legislative proposals.</li> <li>• The advocacy line reflects \$653,000 in budgeted expenses, an increase of 43 percent from the 2014 budget. It includes the hosting of two policy assembly events (\$244,000); Holland &amp; Knight LLP retainer fees (\$156,000) for general advocacy services; Schrayner and Associates</li> </ul>
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	<p>consulting services (\$40,000); site visits and outside meetings (\$27,000); and dues, subscriptions, licenses, and webinars (\$43,000).</p> <ul style="list-style-type: none"> <li>• The budget for conferences reflects a 40 percent from the 2014 projected amount and 4 percent increase from the 2014 budget. VITAL2015 will be held in San Diego, which is a more expensive location.</li> <li>• Member services is budgeted at the same level as 2014 and reflects site visits for membership recruitment and retention activities, awards and education committee expenses, membership materials and mailings, sponsorships to other organizations, and conference site visit travel.</li> <li>• The communications line was reduced by 25 percent from the 2014 budget because of the reclassification of \$50,000 for the Coalition to Protect America's Healthcare to the advocacy line.</li> <li>• Consulting is budgeted at \$117,500, which is a decrease from 2014. The amount budgeted for the retainer has also decreased from 2014, as the association is making efforts to scale back its use of Eyman Associates and utilize internal staff instead.</li> <li>• Rent is budgeted at \$385,000, which is a 2 percent increase from the 2014 projected amount. This amount does not include rent for the new space, as the association will move in December 2015.</li> <li>• Travel and professional development is budgeted at \$180,000. This is an increase of 41 percent due to increased staff professional development opportunities to include continuing education and professional certification classes, new staff training initiatives, a site visit to a member hospital, licenses for online professional development videos, and budgeted training opportunities as recommended by the leadership team. The association has created an internal staff committee on professional development to encourage staff development.</li> <li>• Taxes/insurance/miscellaneous is budgeted at \$87,000. The largest increase in this budget line is due to a higher line of credit bank fees as a result of the move.</li> <li>• Depreciation is budgeted at \$157,000, which is an increase of 108 percent from the 2014 budget. \$93,000 was reclassified into depreciation because the new website and branding are now an ongoing operational expense.</li> <li>• The 2015 budgeted operating surplus is \$1.4 million, before moving expenses (of \$435,000) funded from reserves, for a gain in net assets (surplus) of \$972,000.</li> <li>• Total budgeted net assets are \$9.45 million, of which \$450,000 is restricted for the office relocation in late 2015. This budgeted ending net asset balance of \$9.45 million represents almost one year of the association's operating expenses in reserves.</li> </ul> <p><i>Walker requested a motion to approve the 2015 proposed budget. There was a motion, a second, and unanimous approval of the 2015 budget.</i></p>
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<p>Policy Advisory Committee (Feldpush)</p>	<ul style="list-style-type: none"> <li>• Hauptert directed the board to the draft principles on equity of care.</li> <li>• America's Essential Hospitals has not had an official position on equity of care. The association decided to create a set of guiding principles for members, for use when the association is asked about its stance on socioeconomic status (SES) and equity of care.</li> <li>• The policy advisory committee met three times by phone in the fall and drafted 11 principles. The committee began by stating that essential hospitals have a responsibility related to equity of care, and by reflecting on the definition of essential hospitals.</li> <li>• The board reviewed each of the principles aloud.</li> <li>• The third principle says that health care providers need to proactively assess the needs of their community in order to promote equity. Sollenberger commented that the language of the third principle gives the impression that hospitals would take the leadership role, but it is important for the communities to be engaged. She suggested rewording the principle to state that "health care providers will work proactively with communities to assess..."</li> <li>• O'Keefe asked if the committee considered the community benefits survey that hospitals are already required to perform. Feldpush replied that there are synergies that could be leveraged with existing assessments, but that the committee really wanted to highlight the importance of addressing disparities.</li> <li>• Principle 11 says that essential hospitals incur a disproportionate part of the cost of care and should receive reimbursement. Walker mentioned that this principle addresses SES factors that the association is approaching with National Quality Forum. Feldpush said that principle 10 also addresses SES. The committee discussed principle 10 as being a broad statement, but also felt that there should be specific language about payments.</li> </ul> <p><i>Hauptert requested a motion to approve the principles of care. There was a motion, a second, and unanimous approval of the principles of care.</i></p>
<p>Advocacy Update (Feldpush)</p>	<ul style="list-style-type: none"> <li>• Feldpush gave a postelection update on the state of affairs in Washington.</li> <li>• Congress is back in session, which will be good for the December 8-9 Policy Assembly.</li> <li>• As expected, the Senate will be controlled by Republicans in January, and Republicans will continue to control the House.</li> <li>• Sen. Orrin Hatch, (R-UT), will chair the Senate Committee on Finance beginning in January. His staff has an aggressive agenda and would like to reopen some changes to the Medicaid program and the Affordable Care Act. There are no firm details at this point as to how the plan would work, or the budget implications. Hatch's staff has</li> </ul>

	<p>also targeted the medical device tax, which is concerning from the hospital side because we would want to assure that no hospital funding is used to offset the cost of the device tax repeal. Hatch's staff has also discussed revising Medicaid with per capita caps.</p> <ul style="list-style-type: none"> <li>• Rep. David Camp (R-MI) is retiring and Rep. Paul Ryan (R-WI) will become the new chair of the House Committee on Ways and Means. Ryan has specific health care ideas and is likely to look at per capita caps and entitlement program reforms.</li> <li>• In the short term, Camp put out a discussion draft of legislation that has a number of hospital-related items. The hospital package includes a payment policy for short-term inpatient stays, SES risk adjustment, and an end to the moratorium on physician-owned specialty hospitals. The association plans to encourage the delay of Medicaid disproportionate share hospital (DSH) cuts through 2017 in this legislation.</li> <li>• The administration has established readiness tiers for hospitals, but has done little else on Ebola preparation.</li> <li>• Sollenberger mentioned the expenses related to treating Ebola at the last board meeting. The University of Texas Medical Branch has been asked what it would take to have a working bio-containment facility. The hospital is creating a white paper that outlines what it takes to staff one Ebola patient. Sollenberger will share the white paper with Feldpush and the board.</li> <li>• Association staff have prepared messages for the Policy Assembly on protecting Medicaid payments, the importance of the 340B Drug Pricing Program, SES risk adjustment, and protecting Medicare payments</li> </ul>
Adjourn (Walker)	<ul style="list-style-type: none"> <li>• Walker adjourned the meeting at 12:05 pm.</li> </ul>

Submitted by:

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Michael Karpf, MD  
Secretary