

<b>Minutes</b>
----------------

<b>Maricopa County Special Health Care District Board of Directors Meeting Maricopa Medical Center Auditoriums 1 and 2 April 22, 2009 1:00 p.m.</b>
---

**Present:** William Bruno, Chair, District 1  
Greg Patterson, Director, District 2  
Elbert Bicknell, Director, District 4  
Alice Lara, Director, District 5

**Absent/Excused:** Susan Gerard, Vice Chair, District 3

**Others Present:** Betsey Bayless, MIHS, Chief Executive Officer  
Ken Meinke, MIHS, Chief Financial Officer  
Bill Vanaskie, MIHS, Chief Operating Officer  
Warren Whitney, MIHS, Chief External Affairs Officer  
Sherry Stotler, MIHS, Chief Nursing Officer  
David Wisinger, M.D., MIHS, Interim Chief Medical Officer  
Louis B. Gorman, District Counsel  
David J. Cantelme, Board Counsel

**Guest Presenters:** Dan Hobohm, M.D., MIHS, Vice President of Quality & Outcomes  
Management  
Helena Whitney, MIHS, Director of Government Relations and Legislative  
Affairs

**Recorded by:** Melanie Talbot, Clerk of the Board

**Call to Order**

Chairman Bruno called the meeting to order at 1:21 p.m.

**Roll Call**

Ms. Talbot called roll. Following roll call, it was noted that four of the five voting members of the Maricopa County Special Health Care District Board of Directors were present, which represents a quorum.

**Pledge of Allegiance**

The Pledge of Allegiance to the flag was lead by Director Patterson.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**Call to the Public**

Ms. Talbot read aloud the guidelines which have been determined as acceptable by the Board of Directors. Chairman Bruno called for public comment. There were no comments from the public.

**General Session Presentation, Discussion and Action:**

1. Opening Comments and Remarks from Chief Executive Officer

Ms. Bayless announced that MedAssets would recognize Maricopa Integrated Health System (MIHS) as both a *Revenue Cycle Management Best Practice Gold* and a *Revenue Cycle Management Appreciation* award winner. This achievement would be recognized at the MedAssets Healthcare Business Summit in Las Vegas held the last week in April 2009.

In January 2009, Ken Bourdo, Director of Environmental Safety at MIHS, submitted his newly developed Safety Risk Analysis Tool to the Joint Commission for consideration as a “hospital best practices.” Subsequent to the submittal, Mr. Bourdo was invited by the Joint Commission and the Arizona Hospital and Healthcare Association to present this tool at the Southwest Region Continuous Service Readiness Workshop held on March 11, 2009 in Phoenix. The presentation was well received by the attendees.

Ms. Bayless read excerpts from a letter received from a patient about a recent positive experience at Maricopa Medical Center (MMC). The letter stated how the patient was graciously treated by every member of the hospital staff, and that the experience was above and beyond expectations. Ms. Bayless said that the letter was a reflection of the great work done every day at MIHS.

Ms. Bayless said that the Pediatric Emergency Department, which was part of the Arizona Children’s Center, needed to be updated and expanded. The rooms and facilities in the Pediatric Emergency Department did not meet codes and the configuration and size hamper efficiency. Improvements would include a designated pediatric ambulance entrance and a more clearly defined and accessible walk-in entrance. The estimated cost of the planning and design is \$130,000. Funding for the design and planning would be allocated out of the strategic reserves. Ms. Bayless said it was her intention to move forward with the project.

For the third month in a row, there were no patient account write offs requiring Chief Executive Officer or Board approval.

2. Reports to the Board of Directors:

- a. Capital Expenditures for 3<sup>rd</sup> Quarter FY 2009
- b. Contract Approvals and Asset Disposal for 3<sup>rd</sup> Quarter FY 2009
- c. Family Health Center Advisory Council
- d. National Resident Matching Program

Chairman Bruno acknowledged that the Board received the information prior to the meeting. If there were no questions or comments from the Board, this item would not be discussed.

3. Approval of Consent Agenda

a. Minutes:

Review and Approve Special Health Care District Board of Directors Meeting Minutes dated:

- i. March 25, 2009

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

3. Approval of Consent Agenda (cont.)
  - b. Contracts:
    - i. Authorize MIHS staff to issue a written notice to Epic Systems Corporation (“Epic”) requesting to exercise the option to convert the current contract (C-90-09-501-1) to an Enterprise License Agreement; Authorize the MIHS CEO to execute the subsequent Amendment to enter into the Enterprise License with Epic.
    - ii. Approve Amended and Restated Lease Agreement (Clinic and Urgent Care Services Space) between VHS of South Phoenix, Inc and the Maricopa County Special Health Care District
  - c. Board Governance:
    - i. INTENTIONALLY LEFT BLANK
  - d. Medical Staff:
    - i. Approve Revisions to Urgent Care Privileges

Chairman Bruno said that item 3.b.ii would be removed from the consent agenda and would not be voted on by the Board.

**MOTION:** Director Bicknell moved to approve the consent agenda minus item 3.b.ii. Director Lara seconded.

**VOTE:** 4 ayes: Chairman Bruno, Director Patterson, Director Bicknell, and Director Lara  
1 absent: Vice Chairman Gerard. **Motion Passed**

4. Approval of Maricopa Integrated Health System Medical Staff Appointments, Reappointments, FPPE, Change of Privileges/Status, and Resignations for April 2009

**MOTION:** Director Patterson moved to approve the Maricopa Integrated Health System Medical Staff Appointments, Reappointments, FPPE, Change of Privileges/Status, and Resignations for April 2009. Director Lara seconded.

**VOTE:** 4 ayes: Chairman Bruno, Director Patterson, Director Bicknell, and Director Lara  
1 absent: Vice Chairman Gerard. **Motion Passed**

5. Approval of Maricopa Integrated Health System Allied Health Professional Staff Appointments, Reappointments, and FPPE, for April 2009

**MOTION:** Director Bicknell moved to approve the Maricopa Integrated Health System Allied Health Professional Staff Appointments, Reappointments, and FPPE, for April 2009. Director Patterson seconded.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

5. Approval of Maricopa Integrated Health System Allied Health Professional Staff Appointments, Reappointments, and FPPE, for April 2009 (cont.)

**VOTE:** 4 ayes: Chairman Bruno, Director Patterson, Director Bicknell, and Director Lara  
1 absent: Vice Chairman Gerard. **Motion Passed**

6. Presentation and Discussion on Institute for Health Care Improvement Whole Systems Measures Dashboard

Dr. Hobohm reported that medication errors were above the MIHS established threshold. The increase could be attributed to the way errors were counted. For example, if there was a medication error that continued for three weeks, the number of errors counted should have been the number of days, times the dosage. If a medication should have been given three times a day, and the error wasn't caught for three weeks, MIHS staff would record it as 63 medication errors. Staff will standardize the process for counting medication errors as well as readjust the threshold.

Director Bicknell asked why medication errors were high.

Dr. Hobohm said the threshold was set too low and that it was also how the medication errors were counted. If a patient missed taking a medication for their entire stay at MMC, it would be reported as the number of doses per day, times the number of days.

Mr. Vanaskie added that the threshold set was an internal benchmark. MIHS records any variance from the expected as a medication error. If a patient received medication at the wrong time, received the wrong dose, or if the medication was administered differently than prescribed, it was considered a medication error. All errors are reported, not just those with adverse reactions. Many errors are actually caught in the pharmacy, however, it is still reported as an error.

Dr. Hobohm showed data on the number of pressure ulcers reported for March 2009, which was above the MIHS established threshold. He reiterated that the numbers reported included all pressure ulcers, not just hospital acquired ulcers. Staff will monitor the data and make necessary adjustments including making sure ulcers are staged correctly.

Dr. Hobohm reviewed information on the number of days a patient had to wait before they were seen at the Comprehensive Health Center (CHC) Specialty Clinics for an initial and/or follow-up appointment. He pointed out that there were a limited number of pediatric sub-specialists practicing in the valley, which attributed to the long wait.

Mr. Vanaskie added that not all of the specialty and subspecialty clinics were operated five days a week. It was not uncommon for MIHS to have a provider for only a half day, once a week or for only one day a month. MIHS works closely with the Maricopa Health Plan (MHP) to ensure compliance with Arizona Health Care Cost Containment System (AHCCCS) for appointment availability.

7. Discuss and Review District's Year-to-Date Financial Performance for the 2009 Fiscal Year, Including but not Limited to March 2009 Financial Report

Mr. Meinke said that admissions and patient days were less than budget. Adult emergency room visits increased in March, however, the number of visits was still less than budget. Deliveries continued to be below budget, and surgeries were better than budget.

Visits to the CHC were better than budget, which has been a trend since November 2008. Visits at the Family Health Centers (FHCs) were above budget for the month of March.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

7. Discuss and Review District's Year-to-Date Financial Performance for the 2009 Fiscal Year, Including but not Limited to March 2009 Financial Report (cont.)

Overall, the prospective members to the MHP have increased by 40% since the fall of 2008. Volumes at the FHCs have increased by 32% since November 2008. CHC volumes increased by 28% during that same timeframe. Two-thirds of MHP members are assigned to one of the FHCs.

Chairman Bruno asked Mr. Meinke if he was attributing the increased volumes at the CHC and the FHCs to the increased membership to the MHP.

Mr. Meinke said that was correct, that a significant part of the volume growth was attributed to new MHP membership.

Chairman Bruno asked if the MHP payments to MIHS would eventually reflect the increase.

Mr. Meinke said that was correct.

Mr. Vanaskie pointed out that in July 2008, there were significant changes to the organizational structure of the FHCs. Due to these changes, FHC visits were below budget. Beginning in November 2008, visits began to increase when the new MHP members were assigned to the FHCs. There were over 2,300 new MHP members assigned to providers in the MIHS network in the month of February 2009. To reach out to these new members, FHC staff members called to welcome them and to potentially schedule an appointment to see a physician.

Mr. Meinke continued with the financial report, noting that Urgent Care Center visits were below budget. He reminded the Board that the hours at the Urgent Care Center were decreased in March, however, reduced volumes due to the change in hours of operation was not anticipated.

He reviewed payor source information. In June of 2007 and 2008, approximately 63% of the inpatient days at MMC were AHCCCS. By January 2009, the percentage increased to 68, and as of March 31, 2009, the percentage was 71. AHCCCS patient days are averaging 67-68%, or a 4% increase in AHCCCS population.

Chairman Bruno said that the percentage may have increased, but not the market share. AHCCCS patient days did not increase, MIHS just had a higher percentage of AHCCCS patient days.

Mr. Meinke agreed this was true and that the increase in AHCCCS resulted in a decrease in Commercial, HMO, and PPO as a payor source.

Chairman Bruno said that the graph showed information that had been restated. He asked how senior administration was able to determine trends when they retroactively changed the percentages.

Mr. Meinke said that it could take 2-3 months for the Pre-AHCCCS patients to eventually fall to the AHCCCS or Self-Pay category. The numbers would always be restated with the final results and would always be tracked by those final numbers.

Chairman Bruno said that although the Pre-AHCCCS percentage for March 31, 2009 shows 10, MIHS won't know the final results for a few months, after the patients either qualified for AHCCCS and are moved to the AHCCCS category, or were denied and fall to the Self-Pay category.

Mr. Meinke stated that was an accurate statement. Historically, half of the patients in the Pre-AHCCCS category move to the AHCCCS category, and the other half move into the Self-Pay category.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

7. Discuss and Review District's Year-to-Date Financial Performance for the 2009 Fiscal Year, Including but not Limited to March 2009 Financial Report (cont.)

FHC visits by payor type have averaged 48% of AHCCCS for the last 3 months, or a 3% increase from December 2008. The percentage of AHCCCS business in the FHCs has grown. Self-Pay patients have decreased by 6% while the Other category of payors has increased by 9%. Other category can include grants and Arizona Primary Care. The percentage of AHCCCS business at the CHC has consistently been 41 since June 2007.

MIHS has seen a significant increase in AHCCCS outpatient hospital business from 38% in June 2007 to 48% in January 2009.

Copa Care and bad debt write offs per adjusted patient day (APD) year-to-date (YTD) was less than budget and was less than prior year.

Net operating revenue per APD YTD was 1% better than budget. Although patient volumes were below budget, MIHS was collecting what it anticipated it would collect. This could be attributed to less Self-Paying patients and more AHCCCS patients.

Cash balance grew from \$56 million in July 2008 to \$107 million in March 2009. Of the total \$107 million, \$53 million was MIHS cash and \$54 million was MHP cash. The growth in the MHP cash was due to the growth of the plan. Senior administration was working on a proposal to have the MHP repay MMC part of the \$9 million that MMC advanced to the MHP in prior years. The MHP has two statutory requirements: they have to maintain a ratio of 1:0 and they have to have an equity amount of \$150 for each member per month. Current ratio is the current assets divided by current liabilities. In other words, MHP has to maintain \$1 of current assets to cover every \$1 of current liabilities.

MHP member months jumped from 38,000 in September 2008 to almost 60,000 in March 2009. Days per thousand and admissions per thousand were better than budget.

Chairman Bruno questioned if the high days per thousand meant that the MHP patients were sicker.

Mr. Meinke said that it could be attributed a disproportionate number of new members in the health plan being mothers and their newborn babies. Staff from University Physicians Healthcare (UPH) can address the specifics during a future Board meeting.

Chairman Bruno said he needed to know if the high number of days per thousand was a reflection of the overall health of the members in the health plan.

Mr. Meinke pointed out that although utilization had increased and the admissions per thousand increased, the medical expense per member per month was consistent. The acuity level and the cost per member per month have not increased.

Year-to-date, MMC was behind budget by \$5.3 million. Of the \$5.3 million, \$2.8 million was the amount that the Arizona Department of Corrections owes MMC for services already provided.

The MHP was \$1 million worse than budget YTD, however, Mr. Meinke anticipates the MHP will meet its budget by the end of the year. Senior administration continues to work with AHCCCS on determining the correct acuity factor, which affects the reimbursement rates.

On a consolidated basis, YTD MIHS was \$5.5 million worse than budget. As a result, senior administration implemented specific initiatives. Staffing overtime has decreased by 52%, or from 5% to 2.4%. One percent of overtime equates to \$2 million annually. Thirty FTEs have been cut from nursing contract labor, FTEs per adjusted occupied bed (AOB) have gone from 6.0 to 5.4, and the total cost per APD is down by 9%.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

8. Possible Board Action Directing District Administration to Take Measures to Achieve 2009 Fiscal Year Budget

Mr. Vanaskie reiterated that YTD, MIHS was behind budget by \$5.5 million. Senior administration was asked to make recommendations on how to close the gap and meet budget by the end of the fiscal year, June 30, 2009. Senior administration does not believe that reductions can be made to make up for the variance. Mr. Vanaskie believes in managing costs as opposed to reducing costs. Expenses could be reduced further. However, to make significant reductions, services would need to be eliminated or consolidated.

Mr. Vanaskie said that before the Board considered reducing services or closing facilities, four factors needed to be taken in to consideration: statutory service mandates; the ability for the Board to certify public expenditures in connection with Disproportionate Share Hospital (DSH) funds; deed restrictions; and contractual obligations to payors and others.

A.R.S. § 48-5541.01(c) in part reads that the District must operate a general hospital and burn center, and must provide emergency and trauma services, all at a level of service no lower than the level of service that existed on January 1, 2003. In addition, the District must provide a level of maternity services so that MMC retains its status as a public hospital under the Social Security Act in order for it to qualify as a disproportionate share hospital.

Each year, senior administration reviews the financial performance of each service line. Some of the indicators examined include utilization, revenues and expenses, and the contribution margin, broken down by direct cost and total cost. If expenses needed to be cut, it would make sense to cut those services that lose money. Obstetric services loses \$7 million in total costs each year, however, because of the statutory mandate, OB services cannot be eliminated. Mr. Vanaskie said that every service line would need to be examined.

In the 2008 fiscal year, dental services had almost 24,000 patient visits, however that service line also lost \$538,000 for the fiscal year. If the dental program was eliminated it would add \$538,000 to the bottom line. However, in order for the District to maintain its Federally Qualified Health Center (FQHC) designation, it is required to be able to have access to dental.

Mr. Vanaskie used oncology services as another example. For inpatient services, the service line lost \$1.7 million in the 2008 fiscal year. An additional \$2.2 million was lost for drug costs in oncology. Urgent care is not a mandated service. It lost \$2 million.

Mr. Vanaskie said that eliminating dental, oncology, urgent care, the FHCs and Complete Comfort Care would have changed the bottom line in the 2008 fiscal year by \$8.3 million, however, it also would have meant that 222,593 patients would not have received care.

Director Patterson pointed out that on a consolidated basis, YTD MIHS had a total income of \$22.6 million compared to a budget of \$28 million. Labor costs and supply costs have been reduced. He said the problem seemed to be isolated to patient days, or the amount of revenue coming in to MIHS, which was a function of the overall economy and out of the control of senior administration. The District has a mission and eliminating some of the services mentioned would lose sight of that mission.

Mr. Vanaskie agreed that closing the \$5 million gap was not as simple as shutting down services and therefore not having the expense.

Chairman Bruno said the issue was with the MHP. In 2007, the MHP had 36,000 member months and the average monthly payment from the MHP to MIHS was \$3.5 million. In 2009, member months were 47,000 or an increase of 30% from two years ago. However, MHP payments to MIHS are 31% less than they were in 2007. If the MHP were paying MIHS as much now as it was in 2007, the District would be ahead of budget.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

8. Possible Board Action Directing District Administration to Take Measures to Achieve 2009 Fiscal Year Budget (cont.)

It was Chairman Bruno's understanding that the strategy of senior administration was to increase the number of MHP patients in the FHCs which would in turn funnel more patients in to the CHC and MMC for other services. He asked why, if the MHP revenues substantially increased, the MHP was not paying a proportionate amount more to MIHS.

Mr. Vanaskie said that MHP gets paid by AHCCCS per member, per month. MHP revenues are based on the number of member months.

Mr. Vanaskie added that at the beginning of the fiscal year, the FHCs were not as efficient or effective as they could have been. There was turmoil with the provider staff within the FHCs. As the provider staff stabilized, volumes at the FHCs steadily increased. The increase in volumes can also be attributed to the outreach done by the FHCs.

The MHP is more stable now with 60,000 than it was with 37,000 members, however, even with 60,000, it was still the smallest AHCCCS plan in Maricopa County. Retention in the MHP also improved with the loss rate dropping from 10% to 5%. This meant that more members assigned to the MHP were staying with the MHP. Having a good provider network was essential to member retention.

Senior administration was monitoring where primary care providers (PCPs) are referring MHP patients for specialty care. For example, if a patient sees a PCP at the Avondale FHC, and the PCP determines the patient needs to see a cardiologist, senior administration can monitor if the patient was referred to the CHC or to another specialist. Overall, 80% of the time, the patients are referred to an MIHS specialty clinic.

Chairman Bruno asked why MHP members leave the plan.

Mr. Vanaskie said that all AHCCCS plans are the same, so the member loss could not be attributed to coverage.

Mr. Meinke added that a significant percentage of members who leave MHP, never used the services offered at the FHCs or the CHC. A better job needs to be done at retaining members, keeping the referrals within MIHS, and appointment availability within the FHCs and CHC. MIHS, MHP and MedPro all need to work together to do a better job. Twenty-five to thirty-three percent of the referrals from the FHCs are not going to the CHC.

Dr. Kote Chundu, Chairman of the MedPro Board of Directors, said that the bottom line was that MMC did not have enough inpatient volumes. Having more MHP patients in the FHCs was helpful, however, there needed to be a strategy to get more patients into MMC. The FHC providers were not sending patients to specialists outside of MIHS. Dr. Chundu said that when a provider in the FHC sees a patient who needs to be referred to a specialist, the medical assistant handles the referral. With regard to the CHC, Dr Chundu stated that the no-show rate in the GI clinic was 38%. That was a system issue, not a physician issue.

Dr. Chundu continued that MIHS in fact extended its MHP network to the Abrazo and Banner systems in October 2008. The reason why MHP patients were not going to MMC was because they now had a choice to go to other systems for care. MedPro was not included in the decision to expand the MHP network. The MHP can grow and benefit MMC at the same time. MedPro wants to be a part of the solution, however, they need to be included in the decisions.

Ms. Bayless clarified that Abrazo had been a part of the MHP network for a number of years. Banner was recently added as part of the network. When MIHS submitted its bid to AHCCCS for the MHP, AHCCCS expressed concern about the limited network. AHCCCS suggested the network be expended to include a hospital in both the west and east valley. The MHP needs a significant network if it is to continue to grow.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

8. Possible Board Action Directing District Administration to Take Measures to Achieve 2009 Fiscal Year Budget (cont.)

If the MHP was going to be a county-wide plan, the expanded network was necessary. People living in all parts of the valley cannot be expected to come downtown to MMC for hospital care.

Chairman Bruno said that if a choice needed to be made between a medical center, or a health plan, he felt the choice would be a medical center and distribution network. He expressed concern with the downward trends in deliveries, emergency room visits, and other volumes.

Dr. Chundu said MIHS and MedPro need to work together. If MIHS cannot even get its own health plan patient to come to MMC, how did it expect to get other AHCCCS health plan patients to come?

Mr. Meinke said that was not a health plan issue, it was an MIHS issue.

Chairman Bruno asked if expenses could be cut to meet the budget by June 30, 2009.

Mr. Vanaskie replied no, and added that the census must increase in order for MMC to remain a teaching hospital.

Mr. Meinke said that if the amount the Arizona Department of Corrections owed to MIHS was subtracted, the budget would be off by \$2.5 million, not \$5.5 million. He said that given the economy, MIHS has done well. The key was to improve volumes.

Chairman Bruno said that was unacceptable. Missing budget was serious.

Ms. Bayless pointed out that the 2009 fiscal year budget was constructed in April 2008. No one could have predicted what would happen with the economy. The budget was a plan and plans can sometimes be derailed by external factors.

**Break:** 3:37 p.m. – 3:49 p.m.

9. Annual Review of Board Policy Statements; Discuss, Review and Approve Proposed Revisions to the Following Existing Board Policy Statements:
- a. Financial Records
  - b. Financial Reports
  - c. Internal Audit
  - d. Investment of Funds
  - e. Revenue Contracts – Medical Services (Negotiated Rates)
  - f. Selection of Auditors
  - g. Depositories
  - h. District Treasurer
  - i. Board Member Compensation for Meetings and Travel

Chairman Bruno questioned if the Audit and Compliance Committee should be reflected in the Selection of Auditors policy statement.

Mr. Whitney said that since the Audit and Compliance Committee was appointed by the CEO and not the Board, there wasn't a need to reference the committee in the policy.

Chairman Bruno said that there were recommendations from the Auditor General's Report (March 2009) with regard to the financial stability of the District.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

9. Annual Review of Board Policy Statements; Discuss, Review and Approve Proposed Revisions to the Following Existing Board Policy Statements (cont.)

One of the recommendations in part read that the District should continue and expand its efforts to improve its financial condition by enhancing its process to analyze which capital projects should be funded by adding strategies to its business plans to modify projects and limit risks if warning signs arise, by determining a threshold amount and projecting cash flows for all potential strategically driven capital projects over that amount, and by ensuring the capital allocation committee uses the projected cash flows to conduct net present value analyses. Chairman Bruno asked Ms. Bayless about establishing a citizen's advisory group, with strong expertise in business planning and initiatives to help analysis capital projects.

Ms. Bayless said that senior administration was preparing responses to the Auditor General's recommendations. She was interested in what the other Board members thoughts were regarding a citizen's committee.

Chairman Bruno asked for a recommendation from the CEO by May 2009 regarding the establishment of a citizen's committee to help analyze strategically driven capital projects.

Director Bicknell liked the idea of a citizen's committee and suggested that each Board member provide Ms. Bayless with the names of qualified individuals from their district.

Ms. Bayless believed that the committee should be appointed by the CEO and it should report directly to her.

Director Lara agreed with Ms. Bayless.

Ms. Bayless said that she would prepare a recommendation.

**MOTION:** Director Patterson moved to approve the proposed revisions to the Board policy statements. Director Bicknell seconded.

**VOTE:** 4 ayes: Chairman Bruno, Director Patterson, Director Bicknell, and Director Lara  
1 absent: Vice Chairman Gerard. **Motion Passed**

10. Legislative Report and Possible Action

Ms. Whitney said that revenues for the state continue to decline. The 2009 fiscal year shortfall was estimated to be an additional \$510 million. The 2010 fiscal year shortfall was close to \$3 billion.

In terms of healthcare budget reductions, the Arizona Legislature was recommending \$300 million in cuts. The Legislature wants to continue the rate freeze that was implemented in the 2009 fiscal year. That equates to \$24.8 million in state funds and an additional \$72.9 million in federal funding. The Legislature also put forth a proposal to not fund any medical inflation for the 2010 fiscal year.

One way that AHCCCS plans on reducing medical inflation was by reducing the AHCCCS health plans administration fees to 7.5%. Depending on the AHCCCS health plan, each plan receives an 8-8.5% administration fee. In other words, AHCCCS would reduce its payment to the health plan.

Chairman Bruno said that since the District had a contract with UPH to manage the MHP, the Board and senior administration should discuss that potential cut. Currently, MIHS pays UPH an 8% administration fee.

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

10. Legislative Report and Possible Action (cont.)

Ms. Whitney said that in addition to the rate freeze and zero medical inflation, the Legislature was also proposing a 5% reduction in hospital payments. Furthermore, the Legislature was proposing to cut the non-Tile 19 Behavioral Health funding by 25%. Lastly, there was a proposal to eliminate the KidsCare and KidsCare Parents programs.

The projected AHCCCS caseload growth for the 2010 fiscal year is 9%, or double the usual caseload growth. From March 2008 to March 2009, AHCCCS grew by 85,000 members. MIHS will see many more patients on Arizona Health Care Cost Containment System, however, MIHS will be paid much less due to the numerous budget cuts.

Arizona was still in non-compliance with "maintenance of effort" requirements because of the re-qualification change made last year, requiring individuals enrolled in AHCCCS to re-qualify every six months instead of annually. The state is unable to receive federal stimulus funding for AHCCCS until this issue is resolved.

Ms. Whitney explained that the Arizona Association of Health Plans (AzAHP) has been working to develop solutions to help manage the budget. One of the suggested proposals was a rollover. A rollover moves the last month of payments into the next fiscal year.

Chairman Bruno asked if a rollover meant that MIHS would not get payment, or if it meant that the payment would just be a month late.

Ms. Whitney said that she has seen it take up to 5 years for repayment. She believes it is AzAHP's desire for the health plan to be paid, however, the health plans are willing to wait for repayment.

Chairman Bruno asked what MHP was paid each month from AHCCCS.

Mr. Meinke said MHP was paid approximately \$9-10 million each month.

Chairman Bruno asked if the MHP was a member of the AzAHP and if senior administration was involved with the organization.

Mr. Meinke confirmed that the MHP was a member of the AzAHP. Ms. Kathleen Oestreich attends the AzAHP as a representative to the MHP. Both he and Ms. Whitney recently began attending the AzAHP meetings.

Chairman Bruno asked if MIHS or MHP was on record in support of the rollover, which equates to a \$9-10 million loss to MHP.

Ms. Whitney said that AzAHP was on record supporting the idea of a rollover for a budget management plan. She believed the AzAHP's position was that it would rather have a rollover than a permanent rate reduction.

Ms. Whitney reviewed federal stimulus funding activity for ARK, infrastructure and Graduate Medical Education (GME).

**Special Health Care District Board of Directors  
Meeting Minutes – General Session – April 22, 2009**

**General Session Presentation, Discussion and Action (cont.):**

11. Concluding Items
  - a. Future Agenda Item/Report Calendar
    - i. **May**
      - a. **Quarterly Reports:**  
Patient Satisfaction Survey Results – 1<sup>st</sup> Quarter 2009  
Quality Report – Whole Systems Measures Dashboard  
Compliance Officer’s Report on Activities, Quality and Effectiveness  
Internal Auditor’s Report on Activities, Quality and Effectiveness  
Report on Maricopa Foundation Activities  
Open and Settled Claims  
Performance on Investment of Funds
      - b. **Other:**  
Nursing and Patient Services  
MIHS Quality Review of Contractual Services  
Report from Audit & Compliance Committee  
Maricopa County Treasurer’s Activities Report for District Transactions  
Employee Medical and Dental Benefits Package
  - b. Board Member Requests for Future Agenda Items or Reports
  - c. Comments
    - i. Chairman and Member Closing Comment
    - ii. Chief Executive Officer Summary of Current Events

Due to technical difficulties, the Chief Executive Officer’s comments were tabled.

**Adjourn**

**MOTION:** Director Bicknell moved to adjourn the April 22, 2009 Special Health Care District Board of Directors formal meeting. Director Lara seconded.

**VOTE:** 4 ayes: Chairman Bruno, Director Patterson, Director Bicknell, and Director Lara  
1 absent: Vice Chairman Gerard. **Motion Passed**

Meeting adjourned at 4:32 p.m.

---

William Bruno, Chair  
Special Health Care District  
Board of Directors