



UNIVERSITY HOSPITAL
Newark, New Jersey

The Board of Directors of University Hospital

Public Meeting
June 25, 2020
10:00 a.m.

Via Teleconference
Rutgers Cancer Institute of New Jersey
at University Hospital
205 South Orange Avenue, Board Room B-1120
Newark, New Jersey

Present: Tanya L. Freeman, Esq., Chair; James M. Orsini, MD, Vice Chair; Cecile A. Feldman, DMD, MBA

Present via Teleconference: Keith H. Green; Heather Howard, JD; Robert L. Johnson, MD, FAAP; David T. Molowa, PhD; Mary O'Dowd, MPH; Eric Pennington, Esq., Robert J. Rubino, MD; Brian L. Strom, MD, MPH

I. Opening Statement and Roll Call

Chairwoman Freeman opened the meeting by welcoming all in attendance, and thanked participants for joining the remote meeting to ensure everyone's health and safety.

At the direction of Chairwoman Freeman, Ms. Tammy Robinson read University Hospital's statement of compliance with the Senator Byron M. Baer Open Public Meetings Act and the New Jersey Medical and Health Sciences Education Restructuring Act and called the roll. With a quorum of members present, the meeting was called to order at 10:00 a.m.

Chairwoman Freeman introduced and welcomed new Board members Heather Howard and Eric Pennington.

II. Members' Oath of Office

Ms. Mary Maples, Corporate Secretary administered the Oath of Office for the each of the eleven Board members present at the meeting.

III. Report of the President and Chief Executive Officer

Dr. Elnahal opened his report by underscoring that this meeting of the Board sets the groundwork for Fiscal Year 2021 amid the twin crises of COVID-19 and systemic racism. He stated that University Hospital holds an important place in the community's history from a similar time in the 1960s when the racial boiling point was reached. Today, the hospital has worked hard to rebuild trust in the community in concert with establishing a strategic plan chartered by this

Board and grounded by the Newark Agreements. He stated that he abides by the commitment of the Newark Agreements in every decision he makes for the hospital.

Dr. Elnahal reported that during the peak of this dual public health crisis, the hospital was caring for over 300 COVID-19 patients and importantly took a leading role in messaging to support Black Lives Matter (BLM). In addition to delivering services and increasing access for the community through a commitment to quality, the UH Cares 2020 initiative was launched before the pandemic and continued to demonstrate the hospital's recommitment to its values, to its support of the frontline heroes, and to establish highly reliable care.

Dr. Elnahal stated that the goal of financial sustainability would be highlighted as part of the FY2021 budget being presented today. The presentation will show responsible cuts in supplies, overtime and spending across the board due to the unprecedented reduction in clinical volume. At this time, the hospital anticipates a budgeted reduction of approximately 2-5% volume on already thin operating margins and a very low cash reserve. Dr. Elnahal reported that the hospital kept afloat with funding from the Federal government. He stated that receipt of that funding was the result of University Hospital being featured as a leading example in a letter co-signed by every member of the Federal delegation of New Jersey and New York advocating for a Medicaid-based allocation. University Hospital ultimately received \$98 million to support its COVID-19 expenditures. This funding bolstered the hospital through the pandemic with no staff lay-offs or furloughs.

Dr. Elnahal further reported that prior to the pandemic, a comprehensive vision document was in development which now, in conjunction with a mutually incentivized agreement between University Hospital and Rutgers New Jersey Medical School, will grow volume and increase services on campus. He is hopeful that this endeavor will address the public health needs of the community and at the same time meet the charge of the Newark Agreements and the current health care crises presented by COVID-19 and systemic racism.

Chairwoman Freeman personally thanked Dr. Elnahal and the executive leadership group for all the hard work that resulted in the hospital's successful and exemplary response to COVID-19 and its proactive stance in the Black Lives Matter movement. She stated that she and Dr. Feldman participated in a safety huddle and rounding this morning and was encouraged by the great work they observed.

IV. Public Comment

Chairwoman Freeman opened the meeting to public comment. Mr. Pankaj Kapadia thanked Dr. Elnahal for his leadership during COVID-19. He further inquired how the hospital is preparing for a resurgence of COVID-19. Dr. Elnahal stated that the hospital is making every effort to be prepared clinically and financially for another wave of Coronavirus cases as well as for seasonal influenza cases, potentially at the same time. He stated that the emergency preparedness plan was updated to address the worst-case scenario with respect to employee and patient safety and quality, testing, and best practices.

V. Review and Approval of Board Meeting Minutes of May 27, 2020

Chairwoman Freeman accepted a motion, duly seconded to approve the minutes. The motion was approved by unanimous vote of the members.

VI. Review of Financial Statements and Presentation of the FY2021 Budget

Mr. Gary Huck, Interim Chief Financial Officer, provided a review of the financial statements. Mr. Huck reported on key items from the Balance Sheet including advance receipts for Charity Care, Graduate Medical Education and State appropriations. Mr. Huck stated that the hospital also received funding of approximately \$56 million through the CARES Act for COVID-19 related expenses. He further reported that accounts receivables decreased slightly from previous months and is anticipated to continue to decline until volume resumes. On the Statement of Revenue and Expenses, inpatient and outpatient volume decreased significantly resulting in a large variance in net patient service revenue. The CARES Act funding made up some of the lost revenue and assisted with COVID-19 expenditures. He further stated that the salary line was better than budgeted due to staff reassignments to the other duties, the labor pool and command center. Mr. Huck reported that despite decreased volume, expenses for supplies increased to accommodate needs related to COVID-19. He stated that the infusion of funding primarily from the CARES Act contributed to a positive bottom line.

Mr. Huck next reported that the key operating indicators for case mix index and length of stay also increased during the pandemic. He noted that the benchmark statistics show performance as more than 5% below the goal for most inpatient services, surgeries and emergency room visits. These decreases are directly attributed to COVID-19 volume.

Mr. Robert Iannaccone, Executive Vice President, provided an overview of the Fiscal Year 2021 Budget which he stated would be conservative and with lower volume projections than previous years. He stated that the net patient service revenue for FY 2021 would be \$527 million or 8.6% less than the previous year's budget. Mr. Iannaccone noted that the hospital would continue to pursue opportunities for right sizing the organization through position review, management and other initiatives. Mr. Iannaccone pointed out that the hospital has received some revenue increases from managed care contracts as well as enhanced reimbursement rates for COVID-19 cases. He stated that even with those reimbursements, the net patient service revenue is budgeted to remain nearly flat due to the inherent risk within the budget with respect to the State appropriations. Mr. Iannaccone further reported that there is a 10% reduction in State appropriation budgeted for the first quarter of FY 2021 along with the withdrawal of other State aid which has also been delayed for the first quarter. With regard to expenses, there is a focus on salaries and wages which allows for Union staff increases and at least a 10% reduction in overtime. During the budget process, approximately \$1.5 million in position vacancies was eliminated and going forward, stricter position control and reduced outside labor will be implemented.

Mr. Iannaccone also briefly reported that cash flow has been stable with assistance from CARES Act funding with about 72 days of cash on hand. It is anticipated that the day's cash on hand will increase to 78 days by the end of the upcoming fiscal year.

In response to an inquiry from Dr. Feldman, Mr. Iannaccone stated that the budget provided a specific amount for contracted physicians. He stated that negotiations are ongoing and a proposal was received from Rutgers New Jersey Medical School for which the hospital will provide a counter-proposal. Dr. Elnahal added that the contracted amount could increase if the budgeted volumes are exceeded. He noted that the hospital intends to introduce plans for a new service line model with the medical school that addresses the health needs of the community.

VII. Review of FY2021 Insurance Portfolio

Ms. Tracy Forsyth, Deputy General Counsel provided an overview of the insurance renewal package for FY 2021. She noted that the cost of the twelve commercially purchased lines of insurance increased this year due to market conditions related to COVID-19. Ms. Forsyth explained that despite marketing to over 25 carriers, there were few options available resulting in the hospital choosing the carriers presenting the best quotes.

Importantly, Ms. Forsyth pointed out that the renewal cost of the Worker's Compensation coverage was significant but included a previously negotiated endorsement. She stated that the endorsement encompasses all communicable disease claims as a single claim. This aspect of the contract is greatly beneficial as it requires that the hospital pay its \$1.5 million retention fee only once. If the hospital did not have the endorsement, every single claim related to COVID-19 would have been considered individually.

Ms. Forsyth reported that the hospital would retain the same carrier, however, the previous endorsement was replaced with different provisions and will now cost the hospital an additional \$67,000, a reduction of \$33,000 from the original quote. Ms. Forsyth recommended that the Worker's Compensation endorsement be considered as a risk mitigation for the hospital and that the premium be accepted. The Committee agreed to proceed with all of the insurance portfolio recommendations.

Chairwoman Freeman accepted a motion, duly seconded to approve the amended contract. The motion was approved by unanimous vote of the members.

VIII. Update on Monitor's Report Scorecard

Ms. Maples provided a status update on the recommendations in the Monitor's Report. The report identified ten areas for improvement and to date, recommendations for eight of the ten have been completed. Ms. Maples stated that the areas with ongoing work are the Board of Directors recommendation to provide a Medical Staff development plan and an incentive compensation plan for the executive team based on measurable, stretch goals. The second area is the financial performance recommendations to set a target and timeframe for improving EBITDA to 6%; a bottom-up, zero based budgeting project; and lastly, decreasing expenses by 3%.

IX. Action Items

Ms. Maples presented the below resolutions corresponding to action items discussed during the meeting.

- Resolution 2020-0625-102 for the proposed Fiscal Year 2021 Budget
- Resolution 2020-0625-103 for professional services Procurements
- Resolution 2020-0625-104 for the proposed Fiscal Year 2021 Insurance portfolio
- Resolution 2020-0625-105 the Revised University Hospital Bylaws

Ms. Maples referred to the summary memorandum that detailed the changes that were made to the Bylaws. Chairwoman Freeman commented that the changes to the Bylaws, and particularly to the Committees will hopefully improve the efficiency of each Committee Chair and the Board overall. It was noted that the three new Committees would subsume functions of the former six as follows: the Executive Committee now handles all former Governance, Ethics and Legal, Compensation and Strategic Planning matters; Finance and Audit consolidates oversight of Internal Audit and Compliance; and Quality and Safety consolidates Quality of Care and Medical Liaison.

Ms. Maples lastly reported that the consent agenda included the minutes from the last meetings of the three former Committees as well as Executive Session minutes from 2017 to present.

Chairwoman Freeman accepted a motion, duly seconded to approve the resolutions. The motion was approved by unanimous vote of the members.

X. Informational/Reference Materials

Chairwoman Freeman directed the members' attention to informational documents from Finance, Investment, Administration and Audit; Governance, Ethics and Legal; and Quality of Care Committees of the Board. In addition, the record of Executive Session minutes from 2017 to present were also presented for reference.

XI. Executive Session

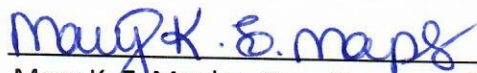
The members of the Board of Directors did not convene in Executive Session.

XII. Adjournment

There being no further business, the public meeting of the Board of Directors of University Hospital adjourned at 10:55 a.m. The Annual Meeting of the Board of Directors is scheduled for Thursday, September 24, 2020 at 10:00 a.m., in the Rutgers Cancer Institute of New Jersey at University Hospital located at 205 South Orange Avenue, Room B-1120, Newark, New Jersey.

CERTIFICATION

I, MARY K. E. MAPLES, Esq., Chief Legal Officer and Corporate Secretary of University Hospital, DO HEREBY CERTIFY that the foregoing is a true and complete copy of the Minutes of the Public Session of the University Hospital Board of Directors meeting conducted on June 25, 2020.



Mary K. E. Maples, Esq., Corporate Secretary