



Maricopa County Special Health Care District

Bond Advisory Committee Meeting

April 8, 2013
2:30 p.m.

Agenda



<u>Committee Members</u> Bill Post, Chair Lattie Coor, Vice Chair Tony Astorga Paul Charlton Kote Chundu Frank Fairbanks Nita Francis Merwin Grant	Doug Hirano Len Kirschner Diane McCarthy Terence McMahon, Ex-officio Rick Naimark Joey Ridenour Brian Spicker Ted Williams	<u>AGENDA –</u> Bond Advisory Committee Meeting Board of Directors of the Maricopa County Special Health Care District
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• Maricopa Medical Center • Administration Building • Auditoriums 1 and 2 •
• 2601 E. Roosevelt • Phoenix, AZ 85008 • Clerk’s Office 602-344-5177 • Fax 602-344-0892 •

Monday, April 8, 2013
2:30 p.m.

If you wish to address the Committee, please complete a speaker’s slip and deliver it to the Executive Director of Board Operations. If you have anything you wish distributed to the Committee and included in the official record, please hand it to the Executive Director who will distribute the information to the Committee Members. Speakers are limited to (3) three minutes.

ITEMS MAY BE DISCUSSED IN A DIFFERENT SEQUENCE

Call to Order

Roll Call

Call to the Public

This is the time for the public to comment. The Bond Advisory Committee may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism or scheduling a matter for further consideration and decision at a later date.

General Session Presentation, Discussion and Action:

1. Introduction of Bond Advisory Committee Facilitator/Consulting Team, Kurt Salmon and First Southwest **15 min**
Warren Whitney, MIHS Chief External Affairs Officer

Agendas are available within 24 hours of each meeting in the Board of Directors Office, Maricopa Medical Center, Administration Bldg, 2nd Floor 2601 E. Roosevelt, Phoenix, AZ 85008, Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m. Accommodations for individuals with disabilities, alternative format materials, sign language interpretation, and assistive listening devices are available upon 72 hours advance notice through the Clerk of the Board’s Office, Maricopa Medical Center, Administration Bldg, 2nd Floor 2601 E. Roosevelt, Phoenix, Arizona 85008, (602) 344-5177. To the extent possible, additional reasonable accommodations will be made available within the time constraints of the request.

General Session Presentation, Discussion and Action:

2. Overview of Future Healthcare Trends 45 min
Farzan Bharucha, Kurt Salmon
3. Discuss Process and Timeline for Development of Recommendation for District Board of Directors
30 min
Farzan Bharucha, Kurt Salmon
4. Discussion and **Possible Action** on Sub-Committees of the Bond Advisory Committee 20 min
Committee
5. **Approve** Bond Advisory Committee meeting minutes dated March 11, 2013 5 min
Committee
6. Future Agenda Items 5 min
Committee

Adjourn



Maricopa County Special Health Care District

Bond Advisory Committee Meeting

April 8, 2013

Item 1.

Kurt Salmon ✨

Bond Advisory Committee

April 8, 2013



MARICOPA
INTEGRATED
HEALTH SYSTEM



Introductions



Introductions

- » First Southwest and Kurt Salmon are national firms which work extensively with public teaching hospitals and academic medical centers across the country
 - Expertise in strategy, facility, IT, operations and financial planning



Introductions



Farzan Bharucha
Kurt Salmon
Project Lead



Jared Averbuch
Kurt Salmon
Project Manager



Terry Maas
FirstSouthWest
Debt Financing



Bruce Kelley
FirstSouthwest
Debt Financing



Larry Sterle
Kurt Salmon
Facility Planning



Jake Horak
Kurt Salmon
Projections



Rob Gregg
Consultant
Financial Analysis



Rob Farr
Kurt Salmon
Facility Assessments

Overview

Our team includes two firms with significant advisory expertise to the public healthcare provider sector – Kurt Salmon, and FirstSouthwest. Kurt Salmon will be the prime firm, and will act as the main point of contact for MIHS and the Bond Committee throughout this engagement. FirstSouthwest will bring significant experience in bond preparation and communications management. Combined, these two firms bring a strong experience base and robust understanding of the current issues and opportunities that the Maricopa County Special Health Care District is facing. The following includes a description of each firm.

Kurt Salmon

Kurt Salmon is one of the country's most trusted and experienced management consulting firms. Kurt Salmon's parent corporation is Management Consulting Group PLC, which is a publicly listed company on the London Stock Exchange with an annual revenue base of over £150M. Kurt Salmon was established in 1935 and worldwide employs over 1,400 people.

Kurt Salmon's Health Care Group (HCG) works exclusively with health care organizations, ranging from 1,000+ bed major academic medical centers to 80-bed rural hospitals, and from municipal policy-making bodies to physician group practices to various institutions of higher learning. Clients include more than 100 public providers and more than 2,500 hospitals worldwide since 1947 – including the majority of the U.S. News & World Report Honor Roll and more than half of all NAPH (National Association of Public Hospitals & Health Systems) members. The Health Care Group has major offices in Atlanta, Minneapolis, New York and San Francisco.

Kurt Salmon consultants combine real-world business experience and consulting expertise with one mission in mind: improve the performance of each client's organization. More than 70% of our consulting work is with previous clients, which is our ultimate metric for quality and value of service.

Our area of expertise is the "clinical enterprise", focusing on the care delivery platform as it extends across inpatient, outpatient and other care continuum entities. We have worked with leadership at all levels of the health system, and our strong mix of senior staff provides the capability to successfully facilitate the complex processes typical of most public providers while also providing the creativity necessary to modify and evolve work plans in real time to adapt to these environments. Our focus is on strategic planning for the clinical enterprise, for the development of contemporary facilities, for operational process redesign to ensure the best utilization of existing assets, and for more integrated information systems across all levels of the organization.

Public healthcare providers pose special challenges in balancing the need for fiscal responsibility with the realities of uninsured and underinsured care. The Kurt Salmon team brings a deep knowledge of the issues and challenges facing public safety net institutions. We have worked nationally with safety net institutions across a full range of settings—including public-private, urban-rural, closed-open staff, single-multiple campuses, and unified-multiple owner/governed environments. Our current client list includes public providers like Grady (Atlanta), JPS (Fort Worth), UK Chandler (Lexington), UAMS (Little Rock), University of New Mexico Hospital (Albuquerque),

Harbor/UCLA (Los Angeles) and San Francisco General – all with governance and/or population characteristics that bear some similarity to your situation.

Our goal will be to work closely with your Bond Committee to answer the critical questions, vet the full range of facility and capital needs, and in the end, provide the Committee with the requisite knowledge to allow for the development of an appropriate recommendation. We achieve this by bringing to each project a combination of rigorous analysis, industry insight, objectivity, and leadership through the strength of our senior staff and their active participation during all stages of each project.

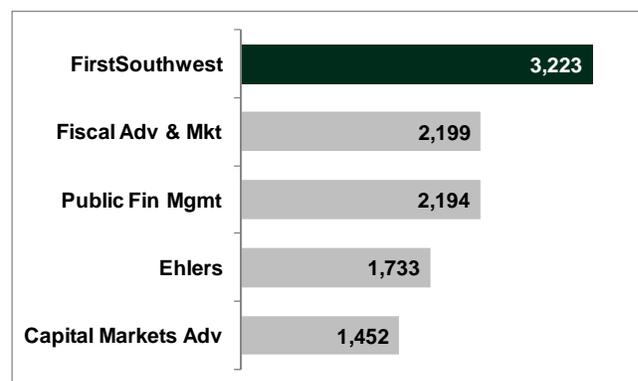
FirstSouthwest

FirstSouthwest is a diversified investment banking firm focused on one mission: to provide superior financial advisory and related services to public entities nationwide. With over 60 years of experience providing financial advisory services to issuers of tax-exempt and taxable debt, along with extensive analytical and human resources, the firm can provide the full scope of financial advisory services required by the Maricopa County Special Health Care District (the “District”).

FirstSouthwest is headquartered in Dallas, Texas, and maintains 26 offices located in 14 states; Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Massachusetts, New York, North Carolina, Ohio, Rhode Island and Texas and Washington D.C. Nationwide, FirstSouthwest employs approximately 400 people. FirstSouthwest’s Phoenix office is staffed by three professionals—Terry Maas, Bruce Kelley and Ryan Chiriboga. The Phoenix office is responsible for the management of the firm’s activities in the Western United States.

FirstSouthwest has a dedicated healthcare team that provides general financial advisory services, as well as specialty consultations, such as valuations. The firm is the national leader in general obligation bond financings, as illustrated in the following graph representing the total number of issues from 2008 through 2012.

(source: Ipreo MuniAnalytics)



It is also experienced in formulating strategic capital planning and working with community advocates to disseminate and communicate information about proposed capital plans, along with successfully executing general obligation bond referenda. Successful bond elections are key to fulfilling facility-financing needs. Bond elections are often indicators of the public’s confidence in the Board and the District’s administration, as well as the direction of overall programs of the District. In most instances, when the public fails to approve bond programs, lack of adequate information is to blame. Therefore, it is incumbent on both the Board and District administration to work diligently to foster a line of communication with the public to ensure that the District’s goals and needs can be met. FirstSouthwest has a long history of assisting health care districts in successful passage of elections for their bond and capital improvement programs.

Experience in Planning

Our team is made up of three industry-leading firms, each with deep functional expertise, extensive client experience, and a proven track record at healthcare institutions. The following highlights key partners and defines their role as part of this project.

Farzan Bharucha, Partner, Kurt Salmon

Farzan leads Kurt Salmon's healthcare strategy practice and will function as the engagement director for this project. He will be responsible for the overall work effort and help facilitate Bond committee meetings. A pharmacist by training, with an MBA in strategy, Farzan brings a unique ability to integrate key clinical and business developments in the industry. His practice is entirely devoted to strategic planning for major health systems like MIHS, and he has completed many large master facility and capital asset planning engagements at institutions like UAMS, University of Mississippi, University of New Mexico, University of Kentucky, Cleveland Clinic, Ohio State, UCSF and more than two dozen other healthcare systems.

Terry Maas, Sr. Vice President, FirstSouthwest

Terry has worked in Public Finance for thirty-six years, and will serve as the client contact when discussion bond preparation. He is based in Phoenix, and will also be the local contact for MIHS throughout the engagement. He has worked both regionally and nationally, with special emphasis in Arizona, California and Nevada. He has functioned as either Senior Managing Underwriter or Financial Advisor for large and middle-market issuers, depending on the needs of the client. He is currently the financial advisor for the Arizona Health Facilities Authority.

Both firms will have individuals staffed to this engagement as appropriate to assist in analyses and facilitation. CVs for key individuals from our team are included below.

Farzan Bharucha, Partner, Kurt Salmon



Farzan Bharucha has both a clinical and business background, having joined Kurt Salmon in 2003 after completing an MS degree in pharmaceuticals and an MBA in strategy from The Ohio State University. After working in a variety of provider environments early in his career, he now specializes in strategic, organizational and facility planning for academic medical centers, medical schools and faculty practice plans.

Speaker / Author

Navigating the Care Continuum: The Next Frontier for Providers, Becker's Hospital Review

Education

MBA, Strategy & Marketing, The Ohio State University
MS, Pharmaceuticals, The Ohio State University
BS, Pharmaceutical Sciences, University of Bombay (India)

Areas of Expertise

- Strategic planning and analysis—involved in setting the direction for strategic plans, the facilitation of planning through leadership and board-level committees, and the evaluation, prioritization and selection of viable strategic alternatives.
- Responsible for the development of recommendations based on innovative analyses; including decisions around geographic reach, service line and programmatic priorities, merger opportunities, capacity and access requirements, medical staff development planning and organizational reengineering.
- Organizational planning—covering all aspects of governance, operations, strategy, and finance between the various stakeholders that make up complex academic environments; including hospital-system, hospital-practice plan, practice plan-school and other key interactions.

Lawrence F. Sterle, Associate Partner



Larry joined Kurt Salmon 19 years ago subsequent to his ten years gaining extensive planning, project management and operations experience with HealthPartners and Park Dental Health Centers in Minnesota. He has led major strategic facility planning engagements for academic health centers, multi-hospital systems, ambulatory centers and community hospitals.

Speaker/Author

American Hospital Association (AHA)

American Society for Healthcare Engineering (ASHE)

Healthcare Design Conference (HCD)

"The Modern Inpatient Ward," KSA Outlook

"Reducing Costs through Effective Master Facility Planning" Becker's Hospital Review

Education

University of St. Thomas
Mankato State University

Areas of Expertise

- Strategic Facility Master Planning – including interpretation of strategic direction implications, functional and operational assessments, projected capacities and priority needs, concept development, implementation planning, and financial analysis for both individual hospitals and multiple hospital systems.
- Master Programming – conversion of broad master plan defined or client proposed projects into concept plans based on more detailed projected service levels by type, concept development for new organization models, key room projections to define facility needs, and scope of department / facility sizing.
- Functional Programming – defining functional and organizational models, underlying operational models and detailed space tables for a full variety of health care services from major expansion and renovations to new and replacement hospitals.
- Strategic Capital Planning – identification of potential / proposed capital asset investments, evaluation of the financial performance of each, conceptualization and assessment of alternatives, and development of an affordable, productive investment strategy grounded in the organizations strategic goals, competitive environment and service goals.

Jared Averbuch, Manager, Kurt Salmon



Jared Averbuch joined Kurt Salmon upon graduating from Vanderbilt University's Owen Graduate School of Management with an MBA emphasizing both finance and health care. Prior to Vanderbilt, Jared worked as a consultant at FTI Healthcare specializing in hospital turnaround while focusing on strategic implementation and financial planning. At Kurt Salmon, Jared has lead complex strategic, financial, and capital asset planning engagements at multiple academic medical centers and large health systems across the country.

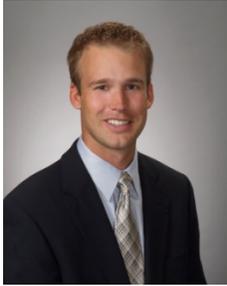
Education

MBA, Health Care and Finance, Vanderbilt University's Owen Graduate School of Management
BS, Finance, University of Colorado's Leeds School of Business

Areas of Expertise

- Strategic planning and development—including organizational assessments, market identification and development, volume projections, clinical service line development, and implementation of strategic options.
- Financial analysis—including evaluating economic performance based on detailed financial statements, pro forma financial statement development, forecasting future fiscal impact of strategic options, and application of advanced financial analytics such as valuation, capital structure, and financial viability.
- Facility Master Planning – development of all strategic projections related to facility and capital planning including capital and financial prioritization, volume projections, translation to key rooms, and capital requirements

Jake Horak, Senior Consultant



Jake joined Kurt Salmon in June of 2011 after earning his MBA in Strategy and Operations from the Carlson School of Management at the University of Minnesota. Jake has been serving clients for nearly five years in a variety of capacities.

Prior to his MBA, he spent two years as a Loss Control Consultant for Liberty Mutual Group partnering with clients to reduce their overall risk profile. Throughout his tenure at Liberty Mutual, Jake consulted in numerous industries with several of his clients residing in healthcare. While earning his MBA, he worked with Andersen Windows across multiple functions and product lines to streamline its commercialization process. Since joining Kurt Salmon, Jake has supported clients on a broad range of initiatives including service line expansion, joint venture feasibility, facility space and activation planning, and geographic growth.

Education

MBA, Strategy and Operations
Carlson School of
Management University of
Minnesota

BS, Industrial and Systems
Engineering
University of Wisconsin –
Madison

Areas of Expertise

- Facilities planning—balancing organizational priorities, projected space needs, and capital constraints to design a customized solution that will address short-term needs and support the organization’s long-term vision.
- Operations improvement—utilizing Lean and Six Sigma techniques including current and future state process mapping, gap analysis, kaizen events, root cause analysis, and A3 assessments to identify and eliminate waste, thereby increasing efficiency and quality.
- Market assessment—exhaustively assessing market feasibility through a combination of primary interviews, secondary research, industry benchmarking, surveys, and market sizing.
- Metric and dashboard development—identifying, developing, and applying relevant metrics to organizational objectives while balancing leading and lagging indicators, including financial, operational, and social metrics.
- Cost estimation and financial modeling—analyzing revenue and cost implications to help hospitals make capital investment decisions.
- Operating standards development – establishing operating standards by utilizing current best practices while incorporating the client’s specific needs and constraints.

Terry Maas, Sr. Vice President, FirstSouthwest



Terry has worked in Public Finance for thirty-six years, and joined First Southwest in 2011. Based in Phoenix, he has worked both regionally and nationally, with special emphasis in Arizona, California and Nevada. He has functioned as either Senior Managing Underwriter or Financial Advisor for large and middle-market issuers, depending on the needs of the client. He is currently the financial advisor for the Arizona Health Facilities Authority.

Education

MBA, California State University
MPH, California State University
BA, UCLA

Areas of Expertise

- Specializes in all areas of tax-exempt and taxable public finance including General Government, Utilities, Land-secured/Redevelopment, Private Activity and Healthcare

Past Affiliation

- Officer, United States Air Force

Licenses Held

- Municipal Securities Representative, Series 52
 - Municipal Securities Principal, Series 53
 - Uniform Securities Agent, Series 63
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Bruce Kelley, Sr. Vice President, FirstSouthwest



Bruce has worked in the public finance industry since 1983. He joined FirstSouthwest in 2012 in the Phoenix office. Prior to that, he was a partner in a major public finance law firm. He specializes in providing advisory services in connection with the purchase or sale, or other affiliation activities, of hospitals and hospital systems. He provides advisory services in connections with the purchase or sale of a variety of healthcare business lines, including home health, hospice, personal care, skilled nursing, senior care and medical office buildings.

Education

JD University of Notre Dame
BA, Boston College

Areas of Expertise

- Represents nonprofit and governmental hospitals in providing the full range of affiliation services including mergers and acquisitions, joint ventures, affiliations, joint operating agreements and management agreements

Chris Janning, Sr. Vice President, FirstSouthwest



Chris has worked in the public finance industry since 1987, and joined FirstSouthwest in 1989. He has provided financial advisory and underwriting services to more than 50 issuers in the issuance of more than \$5 billion in tax-exempt securities, and currently leads the firm's practice in this area. His past clients include Bexar County Hospital District, Cook Children's Healthcare System, Dallas County Hospital District, Harris County Hospital District and the University of Mississippi Medical Center.

Education

Bachelor of Business
Administration in Finance,
Southwestern University

Areas of Expertise

- Represents client in the areas of tax-exempt healthcare and tax-exempt securities

Current Affiliations

- Texas Hospital Association
- Municipal Advisory Council of Texas
- Texas Association for Healthcare Financial Administration
- Healthcare Financial Management Association

Licenses Held

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
 - » General Securities Representative, Series 7
 - » Uniform Securities Agent, Series 63
 - » Municipal Securities Principal, Series 53
 - » Investment Banking Representative, Series 79



Maricopa County Special Health Care District

Bond Advisory Committee Meeting

April 8, 2013

Item 2.

National Trends



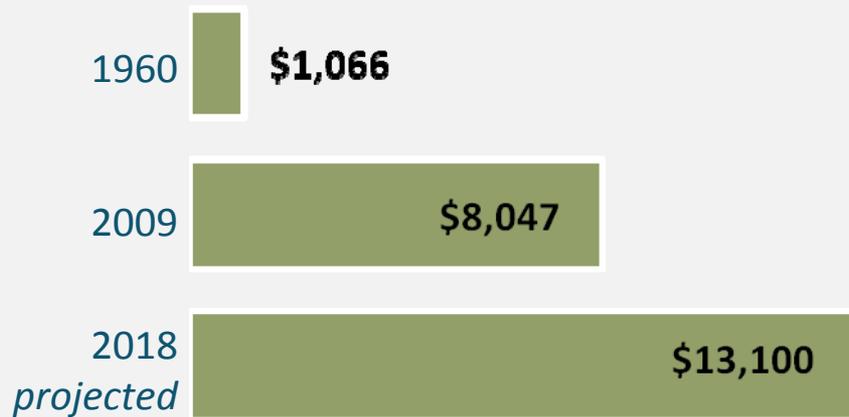
Thoughts on the Future

- Fact  We don't know what will happen
- Fact  Many past predictions have been proven wrong
- Fact  There are some trends that are fairly robust, and suggest a potential direction
- Fact  MIHS will have to make many key decisions in the face of incomplete information

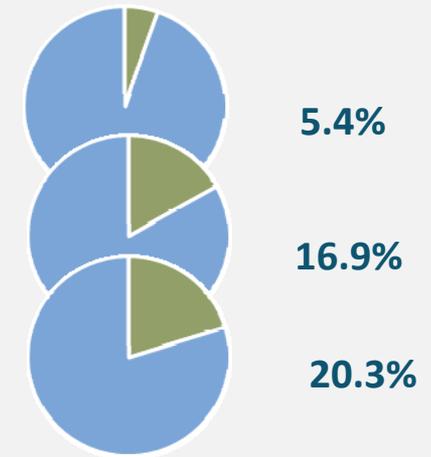
A Few Facts...

1. U.S. spending patterns are not sustainable; we are a “sick care” system, not a “health care” system

National U.S. Health Expenditures per Person...



... and as a % of GDP

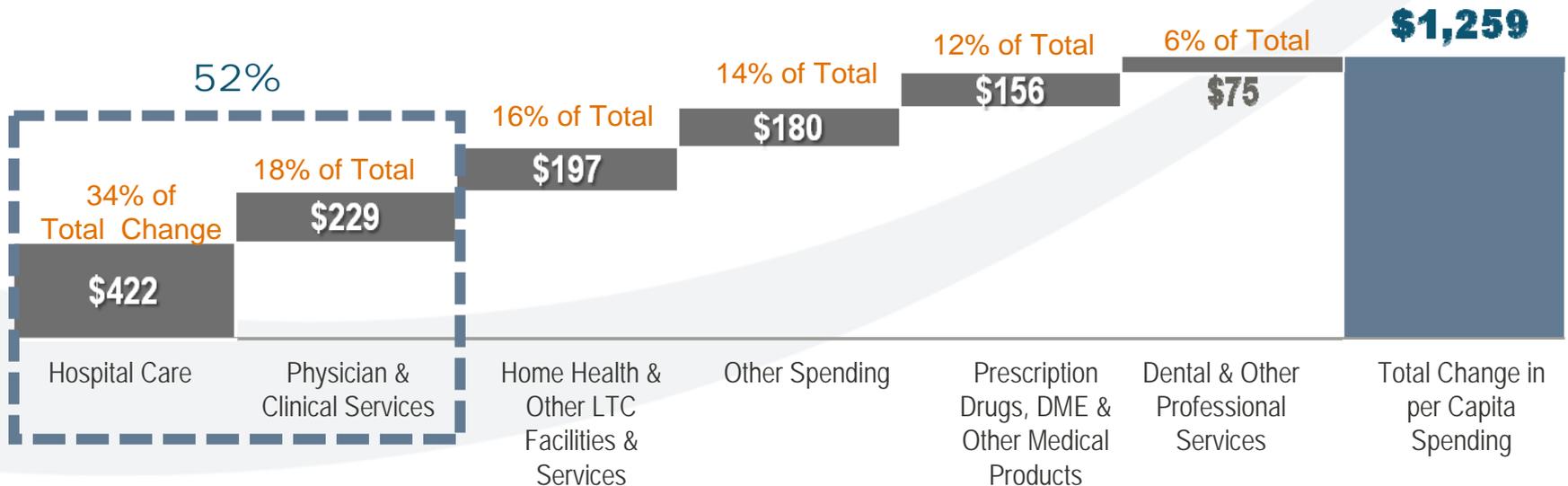


Source: OECD Health Data, 2010, Accessed 9-10-10 www.oecd.org

- » On its own, U.S. health care (~\$2.6T) is the fifth largest economy in the world
- » U.S. health care metrics are not among the best internationally
 - Life expectancy ranked in the bottom 10 out of 30 OECD countries
 - Infant mortality ranked in the bottom 10 out of 30 OECD countries

A Few Facts...

- Hospitals and physician services have represented more than 50% of the increase in per capita healthcare cost over the past decade

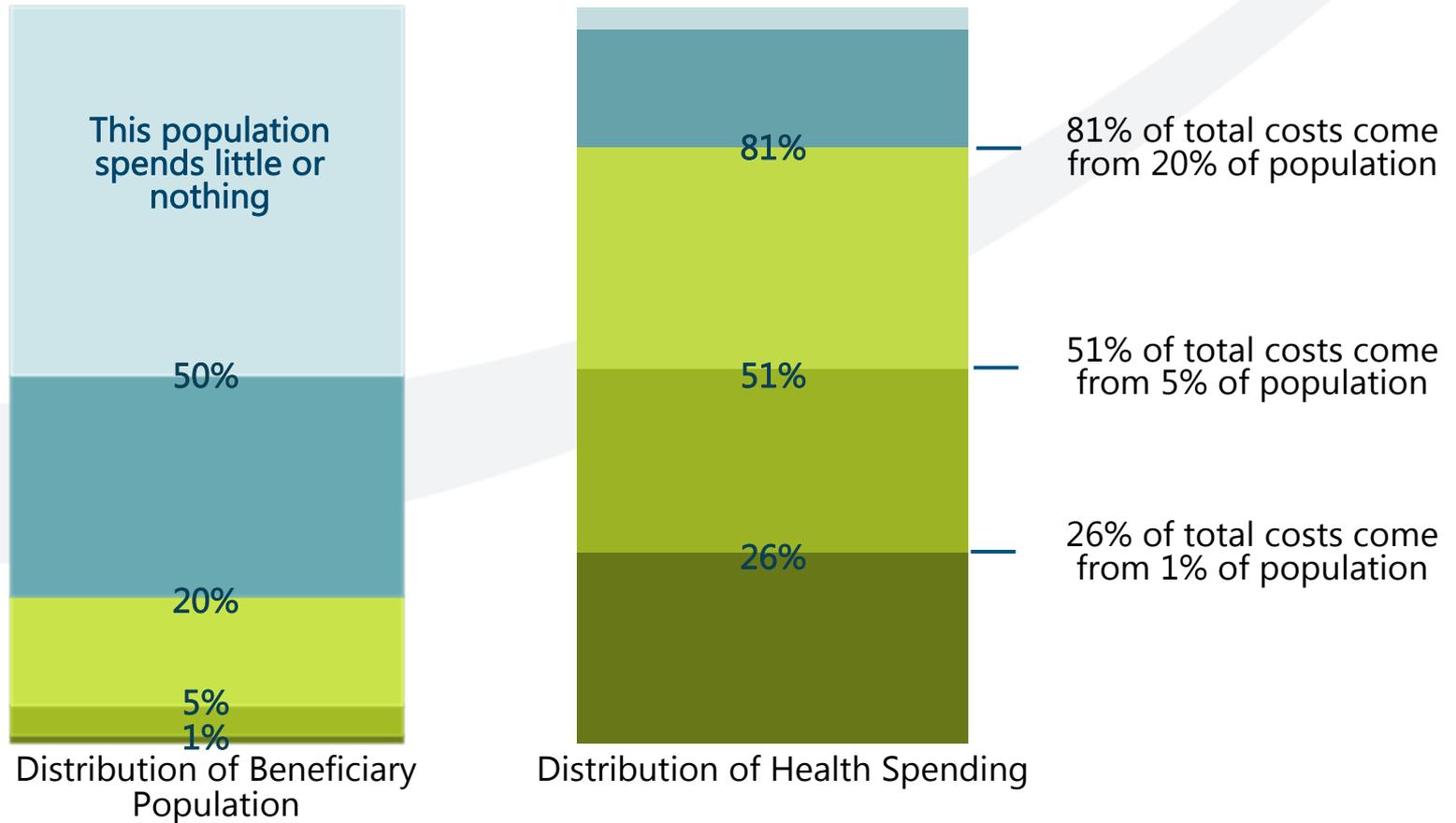


Source: NIHCM Foundation analysis of data from the National Health Expenditure Accounts, available at <http://cms.gov/NationalHealthExpendData>

- » Hospital and physician practice patterns generally reflect society's expectations
- » Reimbursement, regulatory and litigation environment prevent change

A Few Facts...

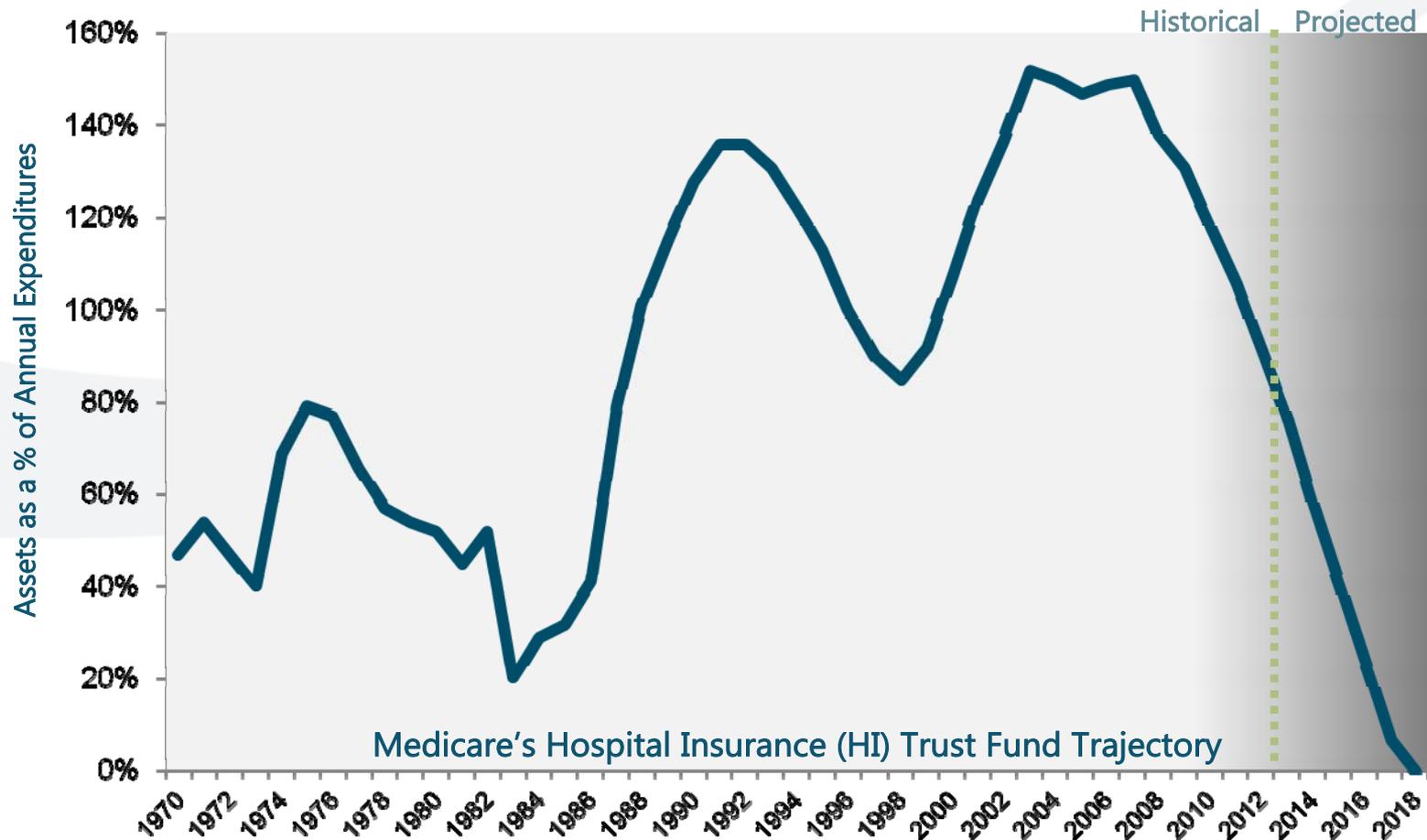
- 3. 5% of patients are responsible for 50% of health care spending



Source: NIHCM Foundation analysis of data from the Medical Expenditure Panel Survey, available at http://www.meps.ahrq.gov/data_stats/meps_query.jsp.

A Few Facts...

4. Our current payment models are not sustainable



Some Trends that We Can Extrapolate

1. Chronicity and co-morbidities are likely to drive increased healthcare demand over the next decade, even if utilization is managed and “waste” is eliminated

Population growth



Arizona’s population growing by 1.3+% annually, nearly double that of the national average

Chronicity



14.2% of Arizona’s residents above the age of 65, compared to 13.3% nationally

Access to Care



18% of Arizona residents are uninsured, compared to 16% nationally

Health Status



Arizona ranked 25th in the United Health Foundation’s 2012 health status rankings

Technology/Science/Rx



New disease

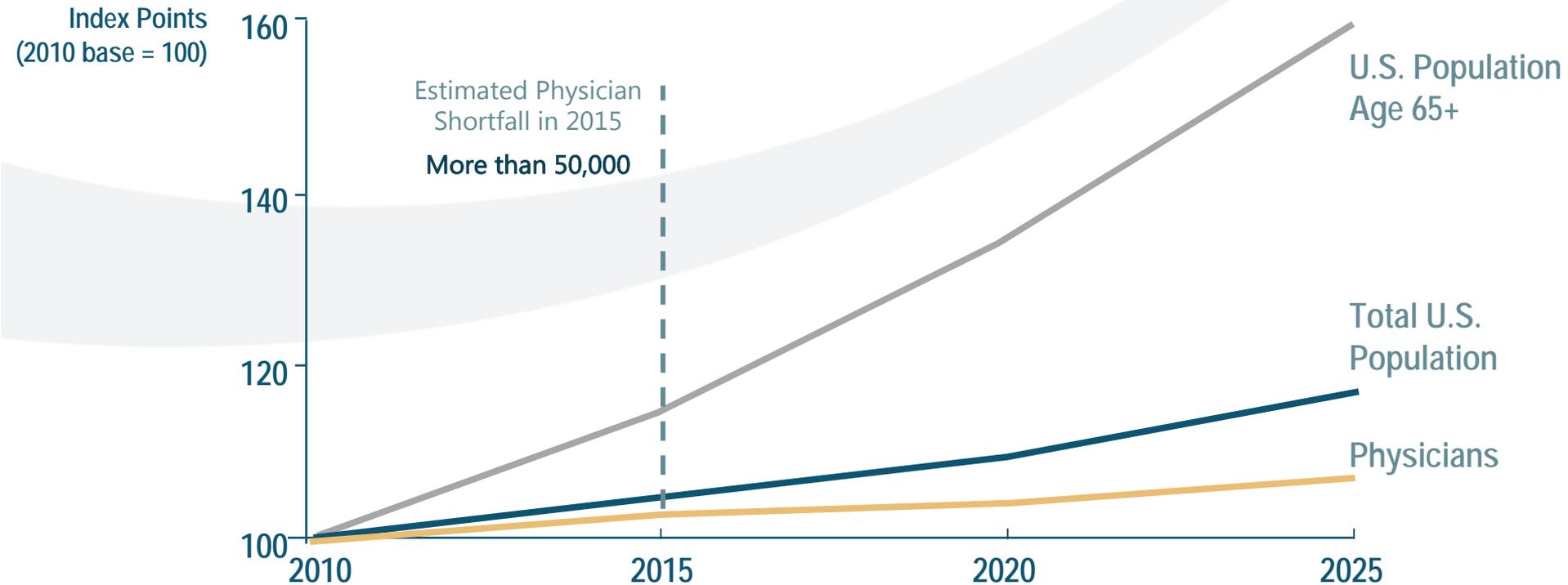


Net impact  *More Demand for Health Care Services*

Some Trends that We Can Extrapolate

2. The funding for reform includes provider payment cuts, but the gap between supply and demand for most health professionals suggests there may not be a significant drop in “per unit” labor cost

Projected Growth (indexed)

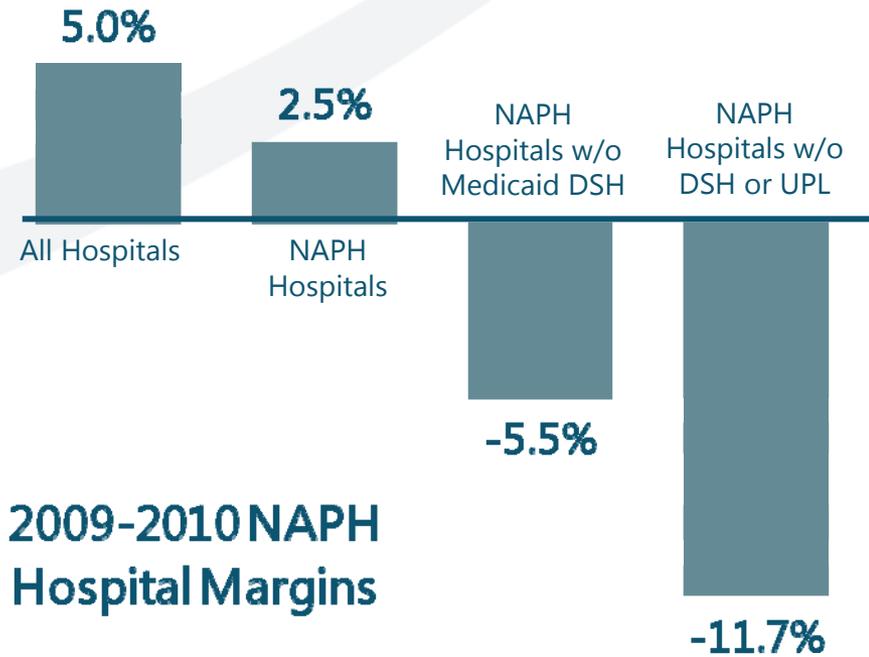
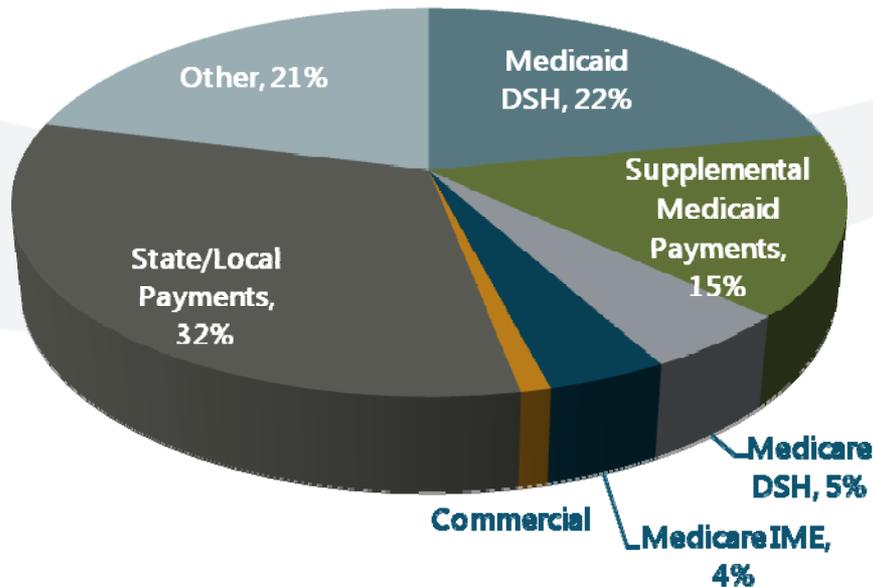


Source: AAMC, *New York Times*, HFMA

Some Trends that We Can Extrapolate

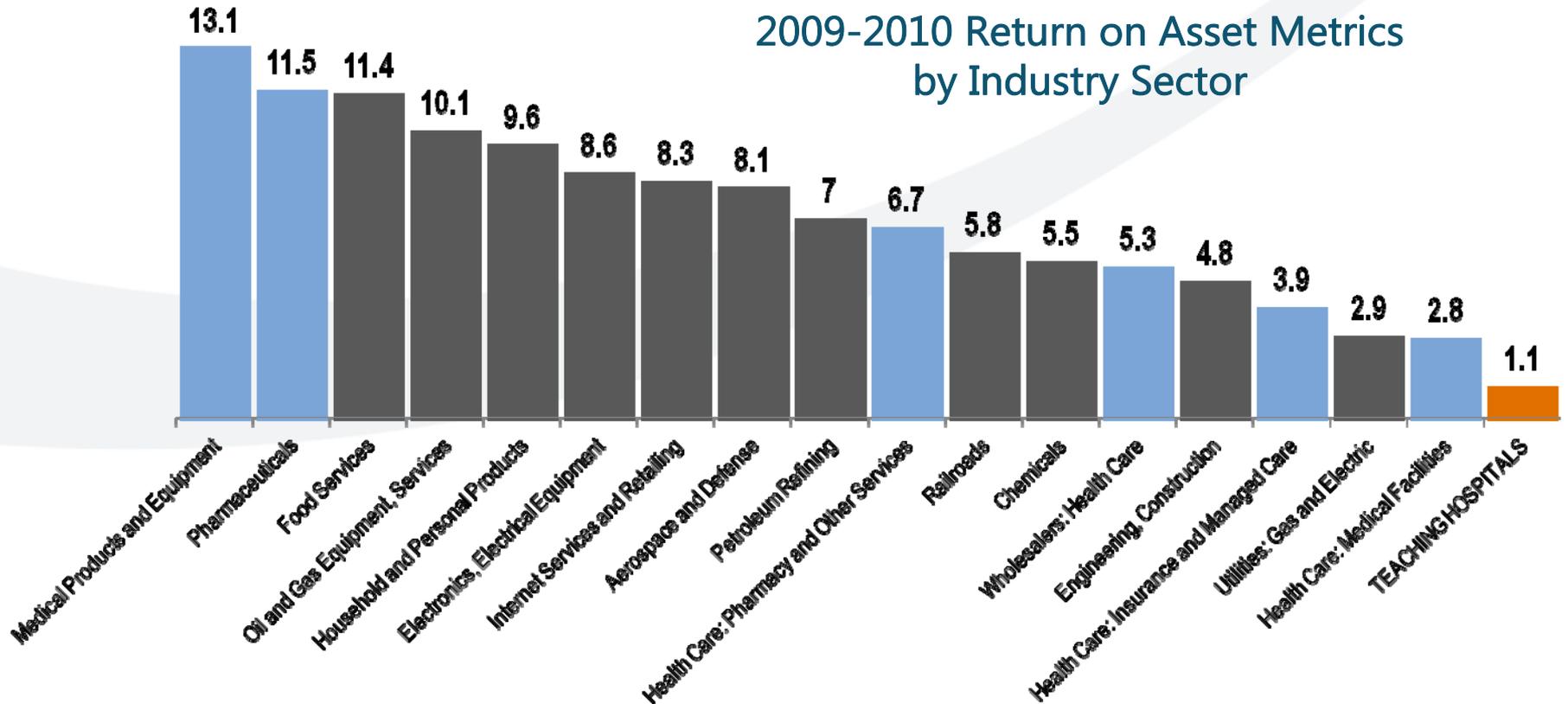
- Funding sources for public hospitals are expected to deteriorate, which will force systems to identify alternative funding sources or cut overall expenditures

NAPH Hospital Sources of Financing



Some Trends that We Can Extrapolate

- Being in a capital-intensive sector with a relatively poor history of asset utilization has caused many institutions to defer investment to the fixed asset base

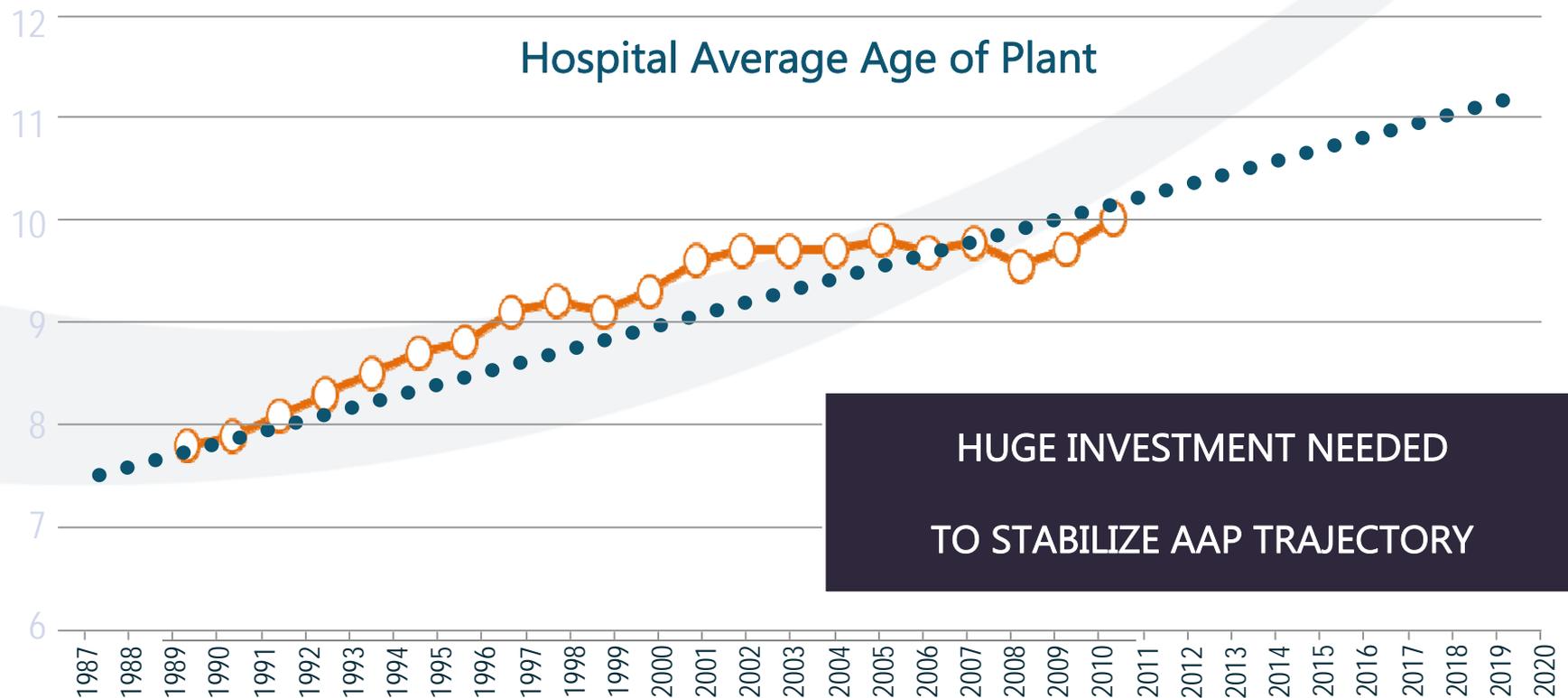


Return on asset data for all industry sectors based on 2009 Fortune 500 information.

Academic Medical Center (AMC) ROA calculation based on an average of data from 40 AMCs across the country, pulled from 990s posted to GuideStar

Some Trends that We Can Extrapolate

- 5. Yet the average age of plant for hospitals across the country is now close to ten years, and many facilities are no longer considered contemporary



Sources: CHIPS/Ingenix 2008 (Accumulated Depreciation/Depreciation Expense); Ingenix, Almanac of Hospital Financial and Operating Indicators, 2005, 2008, 2009, 2010, 2011, and 2012 and CHIPS, The Almanac of Hospital and Financial Operating Indicators, 1994 and 1996-7.

Kurt Salmon analysis

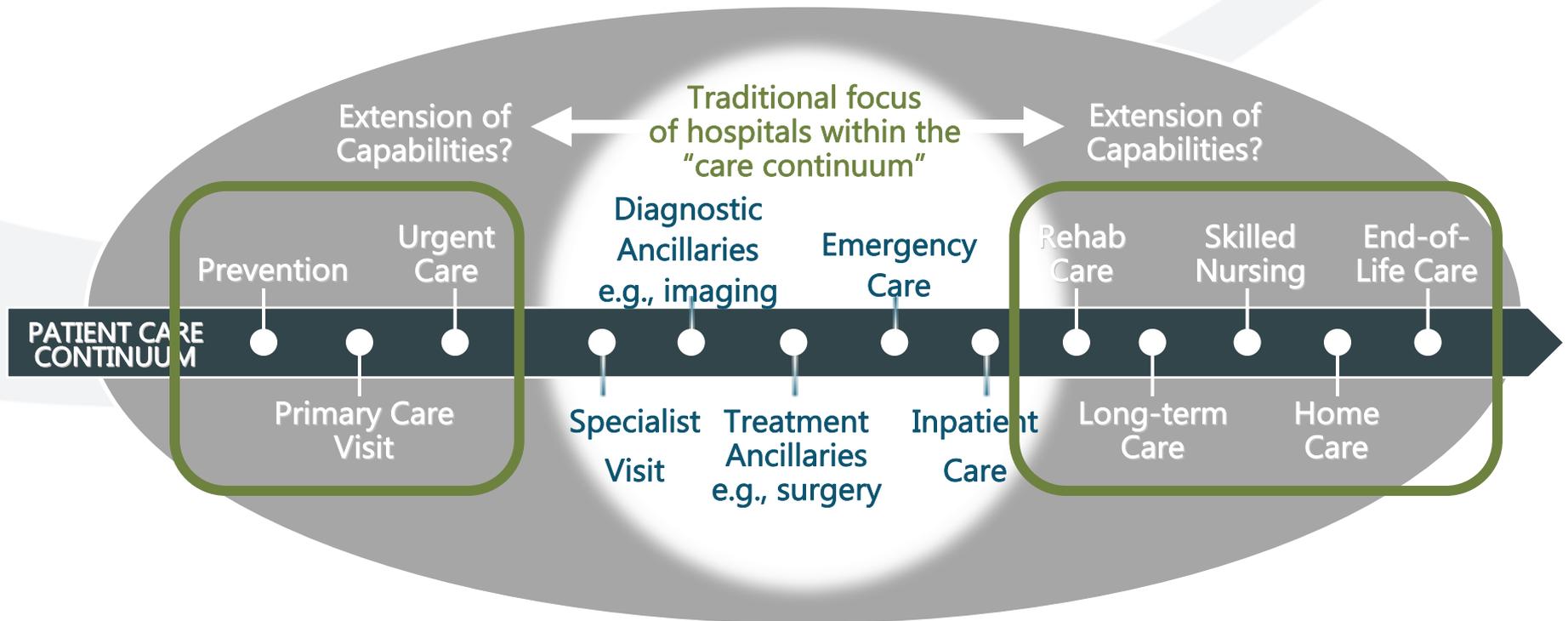
Some Trends that We Can Extrapolate

6. Historical reimbursement favored high complexity care, which is where teaching hospital investments (i.e., talent, facilities, technology) have been concentrated

Illustrative Teaching Hospital	BASIC	MODERATE	HIGH	TOTAL
Discharges	11,191 (54.1%)	7,990 (38.9%)	1,379 (6.7%)	20,560
Average Daily Census	85.1 (26.4%)	149.0 (46.1%)	88.8 (27.5%)	322.8
ALOS	2.8	6.8	23.5	5.7
% admits from referral/scheduled	51.5%	42.7%	22.4%	46.1%
% admits from ED/walk-in	45.6%	49.4%	54.7%	47.7%
% admits as transfers	2.8%	7.7%	22.6%	6.1%
Total Net Patient Revenue	\$38.4M	\$83.6M	\$71.3M	\$193.4M
Direct Costs per Discharge	\$3,731	\$10,673	\$50,300	\$9,567
Direct Costs per Patient Day	\$1,338	\$1,568	\$2,140	\$1,665
CM per Discharge	(\$69)	\$422	\$4,485	\$427
CM per Patient Day	(\$25)	\$62	\$191	\$75
Percent Medicare	15.2%	27.2%	26.5%	20.6%
Percent Medicaid	29.0%	17.4%	18.0%	23.7%
Percent Commercial	25.2%	28.1%	29.0%	26.5%
Percent Self-Pay	17.6%	17.3%	15.5%	17.3%
Percent Other	13.1%	10.1%	11.0%	11.8%

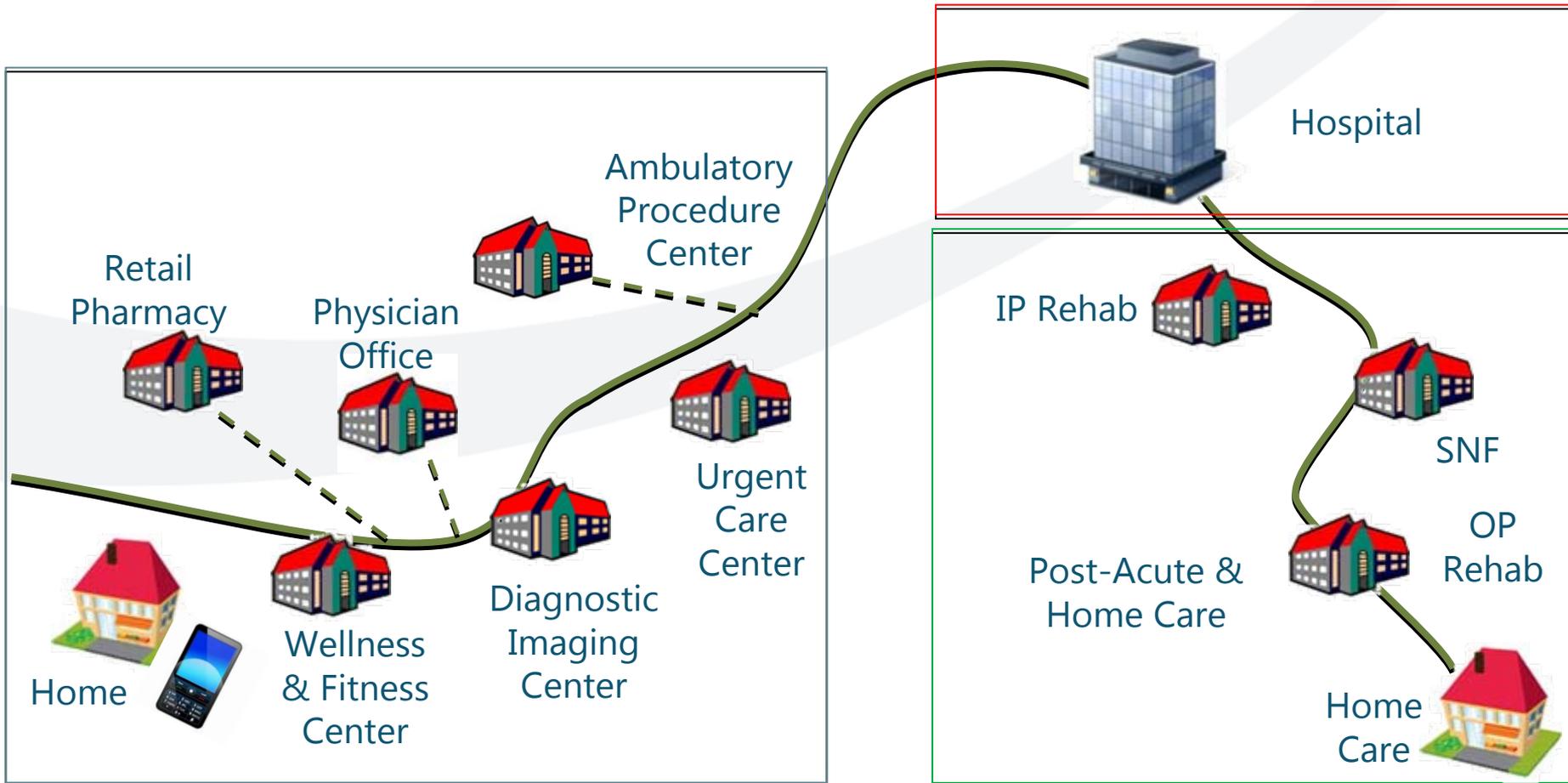
Some Trends that We Can Extrapolate

7. But if the reimbursement model shifts towards more of a value-based, population health paradigm, then the emphasis will have to shift to managing patients outside the traditional acute care episode



Some Trends that We Can Extrapolate

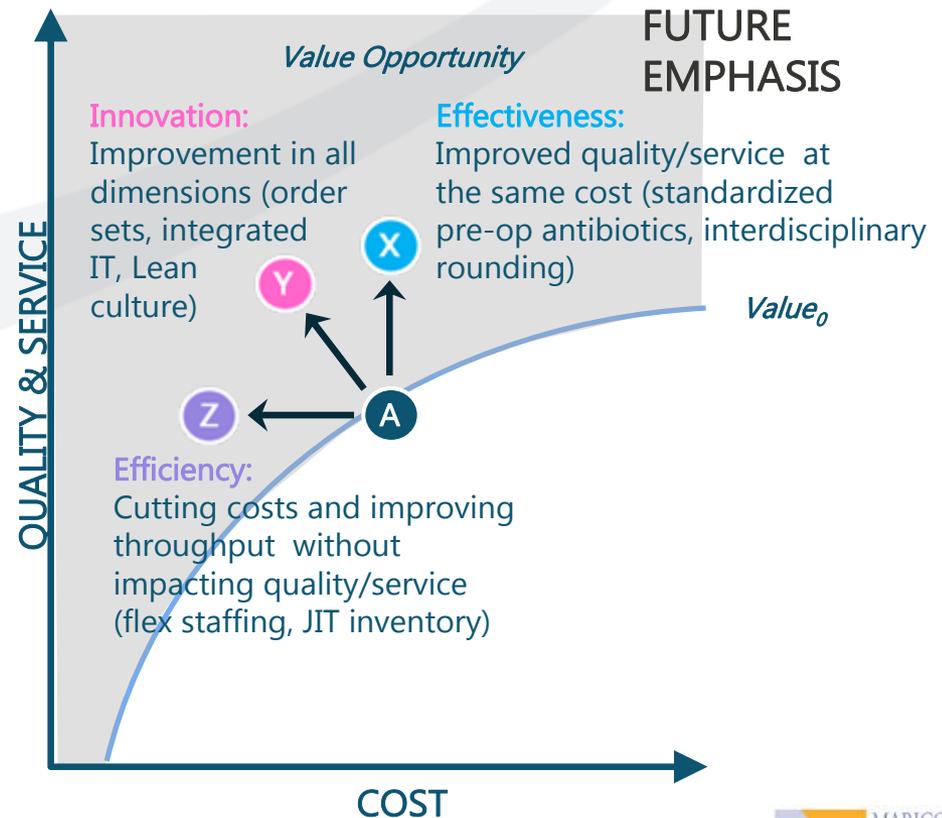
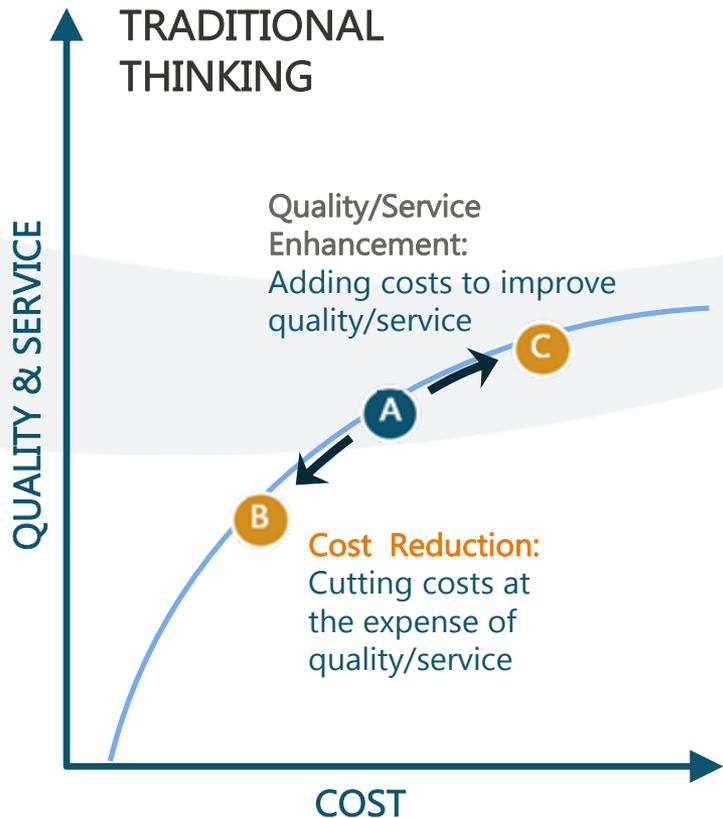
8. Managing patients across a continuum will entail a series of build vs. buy vs. partner decisions, and impacts availability of capital for hospital and ambulatory investment



Some Trends that We Can Extrapolate

- As care delivery shifts, and patients become more responsible for their healthcare spending, reputation will no longer serve as a proxy for quality

$$\text{Value (V)} = \text{Quality (Q)} \times \text{Service (S)} / \text{Cost (C)}$$



Some Trends that We Can Extrapolate

10. Health systems will begin to coalesce around one of two overarching strategies, with major implications for the future allocation of capital
 1. Own/Control all the elements of an integrated delivery system, with the primary objective of managing the health of a population
 - Ability to bear risk through health plan ownership
 - Broader employment discussions to expand the physician network
 - Investment in care continuum assets (pre- and post-acute)
 - Dramatic expansion of the asset base
 2. Differentiate as the highest-value tertiary/quaternary acute care provider in the region, and partner with multiple other integrated delivery systems
 - Divestiture of clinical components that don't support the core competency
 - Partnerships with other children's providers along the continuum
 - Focused IT investments on tracking and demonstrating value (quality, service and cost metrics)
 - Maximize use of the existing asset base



Maricopa County Special Health Care District

Bond Advisory Committee Meeting

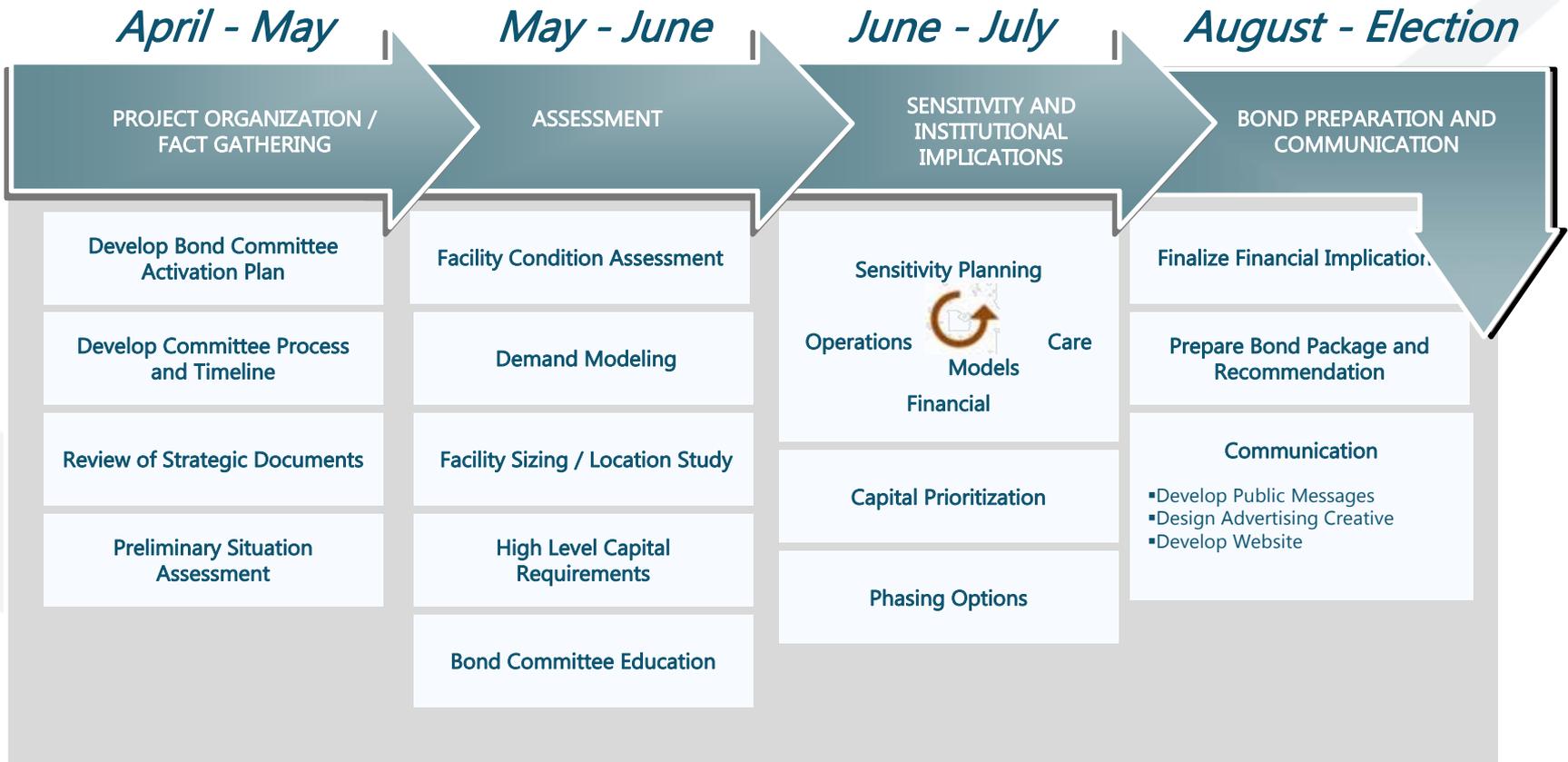
April 8, 2013

Item 3.

Proposed Process



Process: Work Steps & Timeline



Process: Participants

Initial participants/forums include:

1. Bond Advisory Committee

- » Task: To review all documented material, provide feedback / recommendations, and ultimately sign-off on the final bond package to go out for election
- » Meetings: Scheduled for the second Monday of every month

2. Core Team

- » Task: To work with the consultants to develop and review material to go before the Bond Advisory Committee for approval
- » Meetings: Scheduled as needed to ensure proper process is being followed and appropriate materials are being developed

3. Ad Hoc Workgroups

- » Task: Subject matter experts to focus on particular areas for further analysis or review (e.g. finance, facilities, volume projections)
- » Meetings: Workgroups will be developed as needed throughout the process to properly review material and ensure accuracy



Maricopa County Special Health Care District

Bond Advisory Committee Meeting

April 8, 2013

Item 4. – No Handout



Maricopa County Special Health Care District

Bond Advisory Committee Meeting

April 8, 2013

Item 5.

Minutes

DRAFT

Maricopa County Special Health Care District
Board of Directors Bond Advisory Committee Meeting
Maricopa Medical Center
Auditoriums 1 and 2
March 11, 2013
2:30 p.m.

Voting Members Present: Bill Post, Chairman
Lattie Coor, Ph.D., Vice Chairman
Tony Astorga
Paul Charlton
Kote Chundu, M.D.
Frank Fairbanks
Nita Francis – *telephonically*
Merwin Grant
Doug Hirano
Diane McCarthy
Rick Naimark
Brian Spicker
Ted Williams

Absent: Terence McMahon, Ex-officio, Director, District 5
Len Kirschner, M.D.
Joey Ridenour

Others/Guest Presenters: Susan Gerard, Chair, Special Health Care District Board of Directors
Betsey Bayless, MIHS, President & Chief Executive Officer
Bill Vanaskie, MIHS, Chief Operating Officer
Robert E. Fromm, Jr., M.D., M.P.H., MIHS, Chief Medical Officer
Louis B. Gorman, District Counsel
Susan Doria, MIHS, Vice President Strategic Planning

Recorded by: Melanie Talbot, MIHS, Executive Director of Board Operations

Call to Order

Chairman Post called the meeting to order at 2:44 p.m.

Roll Call

Ms. Talbot called roll. Following roll call, it was noted that thirteen of the fifteen voting members of the Maricopa County Special Health Care District Bond Advisory Committee were present, which represents a quorum. Ms. Francis participated telephonically.

For the benefit of those participating telephonically, Ms. Talbot named the individuals present at the meeting.

Call to the Public

Chairman Post called for public comment. There were no comments.

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Meeting Minutes – General Session – March 11, 2013***

General Session Presentation, Discussion and Action:

1. Welcome and Introductions

Ms. Gerard welcomed and thanked the Bond Advisory Committee members. She introduced Mr. Post and Dr. Coor, Committee chairman and vice chairman. She asked that the Committee members introduce themselves to each other and the public.

Ms. Gerard recapped the purpose of the Committee as laid out in the charter:

Review, prioritize and make recommendations to the Maricopa County Special Health Care District Board of Directors on proposed bond projects in support of the Maricopa Integrated Health System mission, vision and community needs.

Develop a bond proposal comprised of prioritized projects and make a recommendation to the District Board regarding the issuance of bonds or any other viable financing vehicle to fund the prioritized capital projects, including the consideration of a bond election.

Obtain public comment, community and stakeholder input, and expert opinion into bond project and proposal deliberations.

She reiterated that the Committee was appointed by the Board of Directors, therefore, the process needs to be open and transparent for the benefit of the public. The Arizona Open Meeting Law applies to the Committee.

Ms. Gerard introduced Ms. Talbot, Executive Director of Board Operations. Ms. Talbot will be assisting the Committee with meeting agendas, minutes, and other administrative duties.

2. Overview of Maricopa Integrated Health System

Ms. Bayless introduced her senior administration team. She then gave a brief overview of Maricopa Integrated Health System's (MIHS) history, including the transition from a county hospital to a special health care district.

Ms. Bayless spoke about the creation of the Safety Net Care Pool Program (SNCP). SNCP provides a means to compensate safety net hospitals for their uncompensated cost to provide services to Medicaid and uninsured/underinsured patients. SNCP will expire on December 31, 2013. SNCP does not, nor was it intended, to cover 100 percent of the cost of care.

3. Overview of Arizona's Open Meeting Laws

Mr. Gorman reviewed the Arizona Open Meeting Law and how it applies to the Committee. He reviewed the public's rights, and covered open meeting law violations and penalties.

4. Overview of Maricopa Integrated Health System's Strategic Direction

Ms. Doria reviewed the MIHS 2008 strategic plan. It was a five-year plan initiated and led by the District Board of Directors and facilitated by senior administration.

The strategic intent of the plan had four elements: provide accessible care for all in the community; create services to help people stay healthy; train health care providers for the future; and innovation.

Six keys strategies were developed that formed the foundation of the strategic plan. They were: transform the patient care experience; invest in MIHS's network of clinical facilities; integrate primary and ambulatory care sites; create exemplary medical education programs; develop health care access models; and engage the philanthropic community as vision partners.

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

4. Overview of Maricopa Integrated Health System's Strategic Direction (cont.)

The six key strategies have been the driving force behind senior administration's direction during the past five years, and have been the basis for which MIHS has made investment decisions to date.

Currently MIHS senior administration is revisiting the 2008 strategic plan. They have begun a refresh of the process and are reevaluating market assumptions.

MIHS senior administration will deliver its refined recommendations for the clinical delivery network plan to the Committee.

Mr. Hirano commented that the Committee will need the refreshed strategic plan for its deliberations and asked when it would be shared with the Committee.

Ms. Doria stated that senior administration anticipates that the refined assumptions will be ready by the end of April.

Ms. Gerard commented that in early 2010 the Board and senior administration decided to take a strategic "pause" due to the state's fiscal crisis, state Medicaid cuts, national healthcare reform, declining volumes, etc. MIHS switched gears from strategic planning to survival mode.

Chairman Post pointed out the metrics included in the strategic plan. He asked if the updated strategic plan will include metrics, including a history on performance and future projections. He also questioned how metrics will play into the revised plan that will be shared with the Committee.

Ms. Doria said the metrics will be revisited as the six key strategies are refined.

Chairman Post asked if staff will have alternatives to the strategic plan ready depending on what happens with health care exchanges.

Ms. Doria confirmed that staff is considering health care exchanges as part of the assumptions that will be reviewed in the process.

Mr. Astorga added that staff also needs to include expected outcomes in the strategic plan.

5. Discuss and Review Maricopa Integrated Health System's Finances and Economic Direction

Dr. Fromm reviewed financial and payor mix data from the 2012 fiscal year external audit completed by Ernst & Young (E & Y).

He reviewed the District's taxing authority and other powers of the Special Health Care District as outlined in A.R.S. §48-5541 and A.R.S. §48-5542.

6. Facility Overview

Mr. Vanaskie reviewed the programs and services available at MIHS, and then gave a facilities overview. Maricopa Medical Center (MMC) is a tertiary level acute care hospital, an academic medical center and an Adult Level I/Pediatric Level II trauma center. MMC also includes the Arizona Burn Center and the Arizona Children's Center. MIHS has two behavioral health hospitals and 11 Family Health Centers (FHCs), including an HIV clinic. MIHS also has a Comprehensive Health Center (CHC) with a variety of specialty clinics. Dental clinics are located within the CHC and some of the FHCs.

MIHS also owns the Maricopa Health Plan (MHP), an AHCCCS plan, with approximately 50,000 members.

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

7. Discuss the Scheduling of Tours

Ms. Talbot will work with staff and the Committee members to schedule facility tours to include MMC, Desert Vista, and the FHCs.

Mr. Naimark requested capital needs assessments for each of the facilities.

Ms. Gerard suggested that the Committee ask the Maricopa Health Centers Governing Council for a list of needs and priorities for the Federally Qualified Health Center-Look Alike clinics.

8. Future Meetings and Logistics

Chairman Post asked Committee members if they had any requests for information or future agenda topics.

Mr. Naimark requested information on the drivers of demand for services, how MIHS's role in the community compares to other entities in the market place, and how the Affordable Care Act could impact MIHS's role.

Mr. Astorga questioned how health care exchanges and Medicaid expansion will be incorporated.

When the Committee discusses and evaluates community need and the community's health status, Mr. Hirano would like the Committee to include the needs of the uninsured/underserved, health disparities and public health.

Mr. Grant commented that the 2008 strategic plan had a projected date for a new hospital by 2014, however, many factors made that goal impossible. For him, the most significant consideration for building a new hospital will be financing: how will it be obtained, will it be via bonds, will it be supplemented via IDA. All of these factors will be taken into consideration on the decision of how, where and when financing will be obtained. The Committee must ensure that financing is upfront, and a central issue of what the Committee does and decides.

Chairman Post said that having a strategic plan is essential and will give the Committee a baseline. The strategic plan must be developed before the Committee jumps to any conclusions. Metrics are important. It will be helpful if staff could provide the Committee with metrics comparable to other institutions across the nation.

Mr. Williams said many external factors beyond MIHS's control could impact the strategic plan.

Ms. McCarthy asked about the District Board's expectations with regard to timing and recommendations.

Ms. Gerard stated that if the recommendation from the Committee is to have a bond election, the District Board would like to have it appear on the ballot in November 2014. While the Committee charter states the Committee's final report is due to the Board of Directors by October 31, 2013, that was with the assumption that the Committee would begin its work in January 2013. The Board may need to adjust the charter. The Board must make a decision no later than March 2014 to allow enough time to run a good campaign. Therefore, the Committee should have its recommendation to the Board by early January 2014.

Chairman Post commented that the charter requires the Committee to meet monthly. He asked for suggestions. The consensus was that Monday afternoons work best.

Adjourn

MOTION: Ms. McCarthy moved to adjourn the March 11, 2013 Bond Advisory Committee Meeting. Mr. Fairbanks seconded. **Motion passed by voice vote.**

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Meeting adjourned at 4:42 p.m.

Bill Post, Chair
Bond Advisory Committee



Maricopa County Special Health Care District

Bond Advisory Committee Meeting

April 8, 2013

Item 6. – No Handout