

Minutes

**Maricopa County Special Health Care District
Board of Directors Meeting
Virginia G. Piper Charitable Trust Pavilion
2609 East Roosevelt Street, Phoenix, Arizona 85008
3rd Floor, Board Room
April 4, 2024, 10:00 a.m.**

Present: J. Woodfin Thomas, Chairman, District 4 – *participated remotely*
Mary A. Harden, RN, Director, District 1 – *participated remotely*
Kate Brophy McGee, Director, District 3 – *participated remotely*
Mary Rose Garrido Wilcox, Director, District 5 – *participated remotely*

Absent: Mark G. Dewane, Vice Chairman, District 2

Others Present: Steve A. Purves, FACHE, President & Chief Executive Officer
Michael D. White, MD, MBA, Executive Vice President, Chief Clinical Officer
Claire Agnew, CPA, MBA, Executive Vice President, Chief Financial Officer
Lia Christiansen, MBC, Executive Vice President, Chief Administrative
Officer
Ijana Harris, JD, Senior Vice President, General Counsel
William J. Sims, JD, Sims Mackin, Ltd., Board Counsel

Recorded by: Melanie Talbot, Chief Governance Officer; and Clerk of the Board – *participated remotely*
Cynthia Cornejo, Senior Deputy Clerk of the Board

Call to Order:

Chairman Thomas called the meeting to order at 10:08 a.m.

Roll Call

Ms. Cornejo called roll. Following roll call, she noted that three of the five voting members of the Maricopa County Special Health Care District Board of Directors were present, which represented a quorum. Director Wilcox joined the meeting after roll call.

For the benefit of all participants, Ms. Cornejo announced the Board members participating remotely.

Call to the Public

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

General Session, Presentation, Discussion and Action:

1. Discussion and Possible Action on Utilizing the Funds from the Health Plan Proceeds to Financially Support Operations

Ms. Agnew stated the request is for the use of the health plan proceeds to support Valleywise Health operations.

**Maricopa County Special Health Care District Board of Directors
Meeting Minutes – General Session – April 4, 2024**

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

1. Discussion and Possible Action on Utilizing the Funds from the Health Plan Proceeds to Financially Support Operations, cont.

Director Harden asked what the balance of the health plan proceeds was.

Ms. Agnew replied that the balance, as of February 29, 2024, was \$30,018,379.41. The information provided included the accounting of all additions and expenses from the account.

Director Harden questioned what the ramifications would be if the Board did not authorize the funds to be used to support operations.

Ms. Agnew said there were significant operational expenses pending, including payroll. Without the additional funds for operations, staff may consider accessing a line of credit through the Maricopa County Treasurer's Office. However, to be able to use that line of credit, Valleywise Health was required to reduce its assets to zero. The preference was to utilize the health plan proceeds.

She explained the various factors that contributed to the current financial challenges, including but not limited to Change Healthcare's cybersecurity breach, resulting in significant delay in payment from Valleywise Health's largest payer, Mercy Care, as well as others. The most current review stated that Mercy Care owed Valleywise Health approximately \$9.6 million, and there were large balances for other payers as well.

Chairman Thomas asked when staff anticipated to replenish the health plan proceed amount.

Ms. Agnew said she was in contact with the payers to resolve the delay in payments.

Chairman Thomas commented that the Board recently approved an intergovernmental transfer, which was imperative for the future of the organization, but also contributed to the need for additional funds for operations.

Ms. Agnew agreed and noted the transfer was made on April 1, 2024.

NOTE: Director Wilcox joined the meeting at 10:19 a.m.

Director Harden questioned if the Board authorized the use of the health plan proceeds for operations, would there be an option to segregate a specific amount to a separate account in the future.

Mr. Sims said that segregating funds would require public action to allow staff to utilize those funds. Due to transparent reporting and the Board's oversight of financial statements and budget process, he did not believe the segregation of funds was necessary. He recommended the authorization of the funds and continued monitoring of the financial performance of the organization.

Director Brophy McGee requested more detail on the consulting fees deducted from the proceeds.

Ms. Agnew said that she would research and provide that information at a later time.

Mr. Purves provided a summary of the circumstances that led to the decision to sell the health plan. At that time, staff had engaged mergers and acquisitions consultants to assist with the transaction.

Director Brophy McGee asked for details related to the expenses for the Valleywise Health Foundation.

Ms. Agnew said the expense was related to quarterly payments to the Foundation to support their operations per a Cooperative Services Agreement.

**Maricopa County Special Health Care District Board of Directors
Meeting Minutes – General Session – April 4, 2024**

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

1. Discussion and Possible Action on Utilizing the Funds from the Health Plan Proceeds to Financially Support Operations, cont.

Director Brophy McGee asked how the health plan proceeds were reflected in the financial statements and if there would be a change in that reporting if the Board authorized the use of those funds for operations. She also questioned how the funds were monitored. She believed that the funds would be returned to a segregated account once the current financial shortfall was corrected.

Chairman Thomas reiterated that due to the financial reports received each month and Board oversight, it was not recommended to re-establish a segregated fund.

Ms. Agnew addressed Director Brophy McGee's question related to how the health plan proceeds were reported and if there would be a change if the Board authorized use for operations. She stated that the funds were included in the overall days cash on hand. There was also a separate accounting of the health plan proceeds included in the monthly financial report. If the funds were used for operations, the accounting of those funds would be included in the overall reporting.

Director Brophy McGee said she was uncomfortable with authorizing the use of the funds without parameters until another source of funding had been finalized and the funds were reflected on the income statement.

Ms. Agnew said that she was willing to receive the funds on a temporary basis and replace the funds into a segregated account, should that be the desire of the Board.

Director Brophy McGee said she would appreciate the consideration and suggested the Board revisit the need for a segregated account during the budget process for fiscal year (FY) 2025.

Director Wilcox said that the intent of the request was not to temporarily authorize the use of the funds and questioned why that was necessary.

Chairman Thomas commented that the hesitation may stem from a lack of faith in the organization and the ability to monitor the funds. He was confident that staff had implemented a plan to rectify the current financial situation and that the health plan proceeds were needed to support operations in the meantime.

Director Brophy McGee stated that it was not a lack of faith in the organization that caused the hesitation, however, it was imperative that the Board retain appropriate controls. There were various factors that were outside of staff's control and she wanted to protect the organization. She requested a temporary authorization to use the health plan funds for operations that would be finalized with the FY 2025 budget.

Ms. Agnew assured the Board that she would continue to report on the balance of the health plan proceeds every month. She was confident in the plan in place and would be prepared to discuss the need for a segregated account during the budget process.

MOTION: Director Wilcox moved to approve the release of the restriction on the sale proceeds from the health plan until the next fiscal year, upon its review.

Director Brophy McGee requested the motion include the review for permanent release, as part of the next fiscal year.

Director Wilcox did not agree to the adjustment to the motion.

Chairman Thomas announced the motion failed for lack of a second.

**Maricopa County Special Health Care District Board of Directors
Meeting Minutes – General Session – April 4, 2024**

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

1. Discussion and Possible Action on Utilizing the Funds from the Health Plan Proceeds to Financially Support Operations, cont.

MOTION: Director Brophy McGee moved to approve the release of the restricted funds through fiscal year-end 2024, at which time, it will be brought back to the Board for final release, as part of the FY 2025 budget. Director Harden seconded.

VOTE: 4 Ayes: Chairman Thomas, Director Brophy McGee, Director Harden, Director Wilcox
0 Nay
1 Absent: Vice Chairman Dewane
Motion passed.

Adjourn

MOTION: Director Wilcox moved to adjourn the April 4, 2024, Maricopa County Special Health Care District Board of Directors Meeting. Director Harden seconded.

VOTE: 4 Ayes: Chairman Thomas, Director Brophy McGee, Director Harden, Director Wilcox
0 Nays
1 Absent: Vice Chairman Dewane
Motion passed.

Meeting adjourned at 10:59 a.m.

J. Woodfin Thomas, Chairman
Maricopa County Special Health Care District
Board of Directors