

Minutes

**Maricopa County Special Health Care District
Board of Directors Meeting
Valleywise Health Medical Center
June 16, 2022
5:00 p.m.**

Present: Mary Rose Garrido Wilcox, Chairman, District 5 – *participated remotely*
J. Woodfin Thomas, Vice Chairman, District 4 – *participated remotely*
Mary A. Harden, RN, Director, District 1 – *participated remotely*
Mark G. Dewane, Director, District 2 – *participated remotely*
Susan Gerard, Director, District 3 – *participated remotely*

Others Present: Steve Purves, FACHE, President & Chief Executive Officer – *participated remotely*
Michael D. White, MD, MBA, Executive Vice President, Chief Clinical Officer – *participated remotely*
Claire Agnew, CPA, MBA, Executive Vice President, Chief Financial Officer – *participated remotely*
Lia Christiansen, MBC, Executive Vice President, Chief Administrative Officer – *participated remotely*
Sherry Stotler, RN, MSN, Senior Vice President, Chief Nursing Officer – *participated remotely*
Martin C. Demos, JD, Senior Vice President, General Counsel – *participated remotely*

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

Call to Order:

Chairman Wilcox called the meeting to order at 5:00 p.m.

Roll Call

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

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

Call to the Public

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

**Maricopa County Special Health Care District Board of Directors
Meeting Minutes – General Session – June 16, 2022**

General Session, Presentation, Discussion and Action:

1. Recess General Session and Convene in Executive Session

Chairman Wilcox asked if there were any concerns that needed to be addressed in executive session. There were none.

2. Discussion and Possible Action on the Maricopa County Special Health Care District's Fiscal Year 2023 Operating and Capital Budget; Possible Action on the Adoption of Tax Levies for Fiscal Year 2023 and Possible Action on Corresponding Resolutions; Possible Action on Notifying Maricopa County Board of Supervisors, Maricopa County Treasurer, and Appropriate Governmental Entities

Ms. Agnew noted that for the second consecutive year, the budget development process included the impacts of the COVID-19 pandemic. She acknowledged a new obstacle; staffing shortages. The plan to address the staffing shortages was multi-faceted and was being led by the new Chief Human Resources Officer. Part of the plan, a new compensation strategy, was reflected in the fiscal year (FY) 2023 budget. Operational focus of the budget included assumptions related to fewer COVID-19 admissions, the discontinuation of federal programs assisting with COVID-19 expenses, and the concurrent Care Reimagined construction activities.

She explained that FY 2023 volume projections were developed based on April 2022 year-to-date results. Behavioral health admissions were budgeted to increase 4.3% due to a decrease in length of stay. Acute admissions were budgeted to increase by 3.4% due to increased emergency department visits and decreased length of stay.

Emergency department visits began returning to pre-pandemic levels during the current fiscal year, therefore, overall visits were budgeted for a moderate 0.7% increase in FY 2023.

The implementation of telehealth services allowed ambulatory visits to remain relatively consistent throughout the years. Overall, ambulatory visits were budgeted to increase by 2.1%, as outpatient behavioral health were budgeted for a 22% increase. Ms. Agnew stated the majority of the increase was attributed to expansion of integrated behavioral health services, made possible through American Rescue Plan Act (ARPA) grant funding.

Due to various factors, including staffing, the number of providers, and the opening of new facilities, all other ambulatory visits were budgeted to decrease.

Director Gerard asked if staffing related factors included nurses and support staff, in addition to providers. She asked if District Medical Group (DMG) was cooperating with staff to create a recruitment and retention plan to ensure adequate staffing was achieved.

Dr. White stated that provider positions and clinical support staff accounted for increased attrition rates. While improvements had been made, staffing levels were not expected to return to baseline levels in the upcoming fiscal year. He confirmed that staff continued to collaborate with DMG to develop a recruitment plan.

Director Gerard asked if the decreased visits in dental were also related to staffing challenges.

Ms. Agnew said although staffing shortages existed, the decrease was also related to the discontinuation of dental services at Valleywise Community Health Center-Mesa and the ongoing ramp-up of services at Valleywise Comprehensive Health Center-Peoria.

Director Harden referenced the increase in integrated behavioral health visits and asked if the organization would be able to maintain the volume levels after that funding expired.

**Maricopa County Special Health Care District Board of Directors
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General Session, Presentation, Discussion and Action, cont.:

2. Discussion and Possible Action on the Maricopa County Special Health Care District's Fiscal Year 2023 Operating and Capital Budget; Possible Action on the Adoption of Tax Levies for Fiscal Year 2023 and Possible Action on Corresponding Resolutions; Possible Action on Notifying Maricopa County Board of Supervisors, Maricopa County Treasurer, and Appropriate Governmental Entities, cont.

Ms. Agnew explained that the funding was used to assist with start-up costs incurred during the expansion. She was confident the organization had the ability to maintain services after the funding expired.

She reviewed the anticipated shifts in the payer mix, noting a decrease in other government payor source and an increase in the percentage of uninsured patients. The shifts were attributed to the end of the federal funding to provide COVID-19 treatment to uninsured patients during the public health emergency. However, she stated that as patients were disenrolled from Medicaid, financial counselors would assist in the reenrollment process.

The financial statements were outlined, and Ms. Agnew recognized the impact of the modest volume growth and the shifts in the payer mix, resulting in a 0.6% decrease in net patient service revenue. She discussed other revenue, which was expected to increase by 13.1%, due to additional graduate medical education (GME) revenue, funding received through the ARPA grants, and changes in the Arizona Health Care Cost Containment System (AHCCCS) provider assessment program. Total operating revenue was budgeted for a 1.8% increase.

In reviewing operating expenses, she highlighted the 4.2% increase in salaries and wages, due to the implementation of the new compensation strategy, and recruitment and retention efforts to reduce the reliance on contract labor.

She referenced contract labor expenses, which were budgeted to decrease by 39.9% in FY 2023, citing numerous reasons for the decrease. She noted that medical residents were now included within the contract labor expense and accounted for 56% of the full-time equivalents (FTE) budgeted.

Ms. Agnew outlined other operating expenses including medical service fees, supplies, purchased services, utilities and rent. There was an accounting change, with nutrition and environmental services now categorized as purchased services instead of a contract labor expense.

Chairman Wilcox referenced the expense related to nutrition and environmental services and asked if those services would now be provided by Valleywise Health staff.

Ms. Agnew explained there would be no change to how the services were provided, only how the expense was categorized.

Director Harden asked when the contract related to those services was scheduled for review.

Ms. Christiansen stated that the current contract would be reviewed in 2023. Staff was beginning to evaluate the organization's current needs to analyze next steps.

Chairman Wilcox requested the Board review the analysis prior to any decisions being finalized.

Ms. Agnew concluded to outline the financial statement, noting the operating expenses were budgeted to remain consistent with the current year. Due to the increase in total operating revenue and the ongoing operating expenses, the operating loss for FY 2023 was budgeted at \$159,350,360. Staff requested the approval of a tax levy of \$129,214,055, which included the maintenance and operating (M&O) tax levy of \$92,081,287, and a bond levy of \$37,132,768. After the removal of bond-related expenses, there was a budgeted loss of \$66,487,469.

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Ms. Agnew reviewed the \$10 million capital budget, which included \$2.2 million in emergency contingency capital. She reiterated the capital budget did not include Care Reimagined or other construction projects funded through grants.

She reviewed the cash flow projection, including sources and uses of cash, noting that FY 2023 would be a negative cash flow year. By the end of FY 2023, the operating cash on hand would be 98.2 days, down by approximately 14 days, due to the investment in employee compensation.

Director Harden applauded the efforts to invest in the employees and the focus on recruitment and retention to reduce the reliance of contract labor.

Chairman Wilcox agreed and acknowledged the commitment of Valleywise Health employees as they worked through significant challenges over the last few years. The implementation of the compensation strategy demonstrated the organization's commitment to employees. She was confident in Valleywise Health's leadership and anticipated positive changes in the upcoming year, including improved quality metrics and volume growth.

Dr. White said the entire team was committed to accomplishing established goals and providing quality care.

Mr. Purves expressed his appreciation for the Board's support throughout the budget process and was optimistic going into the new fiscal year.

Ms. Stotler was also hopeful that the new fiscal year would bring staffing stabilization, although she was grateful for the traveling nurses and other contract labor that assisted during the pandemic.

Ms. Agnew thanked the Board for their support throughout the budgeting process. Regarding the investment in the employees, staff believed it was necessary and the right thing to do. Staff was also focused on creating a culture of belonging, for employees and patients alike. Regardless of individual backgrounds or lifestyle, Valleywise Health was striving to be the employer of choice; to provide an environment of learning, compassion, and respect.

She acknowledged the Decision Support team for their contributions in creating the budget. She also recognized the leaders throughout the organization.

Director Gerard thanked Ms. Agnew and the team for taking the time to explain aspects of the budget. She requested clarification on the negative cash flow projections.

Ms. Agnew said that the variance represented the 14-day reduction in operating cash on hand.

Director Gerard was concerned that the investment in employee compensation may not adequately address staffing needs, specifically in behavioral health. She was also disappointed that the budget did not include opening more behavioral health units.

Chairman Wilcox commented that Valleywise Health behavioral health services significantly increased within in recent years, including offering new outpatient services.

Vice Chairman Thomas expressed his appreciation for all involved in developing the budget.

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MOTION: Vice Chairman Thomas moved to adopt a levy in the amount of \$129,214,055 and approve the corresponding resolution for fiscal year 2023. Director Dewane seconded.

VOTE: 5 Ayes: Chairman Wilcox, Vice Chairman Thomas, Director Dewane, Director Gerard,
Director Harden
0 Nays
Motion passed.

MOTION: Vice Chairman Thomas moved to approve the Maricopa County Special Health Care District Budget for fiscal year 2023, as presented. Director Dewane seconded.

VOTE: 4 Ayes: Chairman Wilcox, Vice Chairman Thomas, Director Dewane, Director Harden
1 Nay: Director Gerard
Motion passed.

MOTION: Vice Chairman Thomas moved to direct staff to notify the Maricopa County Board of Supervisors and the Maricopa County Treasurer, and appropriate governmental entities of the adopted budget including the tax levy amount. Director Dewane seconded.

VOTE: 5 Ayes: Chairman Wilcox, Vice Chairman Thomas, Director Dewane, Director Gerard,
Director Harden
0 Nays
Motion passed.

Adjourn

MOTION: Vice Chairman Thomas moved to adjourn the June 16, 2022 Maricopa County Special Health Care District Board of Directors Meeting. Director Dewane seconded.

VOTE: 5 Ayes: Chairman Wilcox, Vice Chairman Thomas, Director Dewane, Director Gerard,
Director Harden
0 Nays
Motion passed.

Meeting adjourned at 6:08 p.m.

Mary Rose Garrido Wilcox, Chairman
Maricopa County Special Health Care District
Board of Directors