

**AMARILLO HOSPITAL DISTRICT
MEETING OF BOARD OF MANAGERS
AMARILLO CITY HALL
CITY COMMISSION CHAMBERS
MINUTES
NOVEMBER 6, 2012
7:30 A.M.**

<u>Members</u>	<u>Present</u>
Mr. Bob Stafford, MD, Chairman	Yes
Ms. Mark Logsdon, Vice-Chair	Yes
Ms. Liz Hughes, Secretary	No
Mr. Rodney Ruthart	Yes
Ms. Claudette Dove	Yes
Mr. Chuck Speed	No
Mr. Smith Ellis	Yes

Also Present

Mr. Dean Frigo	Assistant City Manager for Financial Services, City of Amarillo
Mr. Marcus Norris	City Attorney, City of Amarillo
Dr. Matt Richardson	Director of Public Health, City of Amarillo
Mr. Fletcher Brown	Health Law Attorney, Davis & Wright, P.C.
Mr. Roy Browning	Investment Consultant, Wells Fargo Advisors
Ms. Andrea Rains	Recording Secretary, City of Amarillo

ITEM 1: Mr. Stafford called the meeting to order at 7:30 am and welcomed everyone in the audience.

ITEM 2: Presentations. Mr. Stafford presented Mr. Greg Graham, preceding Chairman of the Amarillo Hospital District Board of Managers, with a commemorative plaque and thanked him for his dedication to the Board.

ITEM 3: Approval of Minutes from October 19, 2012. Mr. Stafford presented the minutes from the last meeting held October 19, 2012. There were no questions or comments. Motion was made by Mr. Ruthart, seconded by Ms. Dove and carried unanimously to approve the minutes as written.

ITEM 4: Consider Indigent Care Agreement and Healthcare Services Agreement. Review and Consider Resolutions Regarding Suspension Agreement and Amendment to Healthcare Services Agreement. The Board convened into Closed Session, under Section 551.071 of the Texas Open Meetings Law, at 7:30 a.m. At 8:39 a.m., the Board completed its Closed Session. Mr. Brown explained that Items 4 and 5 included a resolution to enter into an agreement to extend the suspension agreement, a resolution to amend the healthcare services agreement, and a resolution to fund the Medicaid program. He added that the documents had been revised, working with District's legal counsel, to reflect the District's participation in the new 1115 Waiver Program, formerly known as the UPL, or the Upper Payment Limit Program. Mr. Brown stated that there were government certifications that would need to be completed by the District in addition to the agreements, in order to participate in the Waiver Program. He presented a "Certification of Governmental Entity Participation for Hospital Affiliates" and stated that the State Health and Human Services Commission required the certification as a condition for the District to participate in the healthcare transition. Mr. Brown noted that the Waiver consists of two components: the Uncompensated Care (UC) component and the Delivery System Reform Incentive Payments (DSRIP) program, which is a five-year program and is currently in its first year. Mr. Ellis motioned to approve all documents in Item 4 as presented. Mr. Ruthart seconded the motion and it carried unanimously.

ITEM 5: Review and Consider Resolution Regarding Upper Payment Limit Program for Lump Sum Payment. Mr. Brown explained that Item 5 was the funding of the Medicaid Program that the District had participated in on a regular basis. He further explained that this item was the Uncompensated Care (UC) portion of the 1115 Waiver. Mr. Brown stated that the resolution had been revised to reflect the new 1115 Waiver program for the State of Texas as opposed to the now expired Upper Payment Limit (UPL) Program for private hospitals. He added that other than the reference to the new program, the document was essentially the same. Motion was made by Ms. Dove, seconded by Mr. Ruthart, and unanimously carried to approve Item 5 as presented.

ITEM 6: Presentation and Discussion of the Pension Fund Investment Performance. Mr. Browning reviewed the Capital Market Overview at September 30th, 2012. He reported that the market value of the total Fund was \$17,106,896. Returns of the Fund versus that of the Policy, Mr. Browning reviewed, were 4.6% versus 4.4% for the latest 3 months, 10.3% versus 11.2% for the latest 9 months, 16.8% versus 19.5% for the latest year, and 8.4% versus 10.3% for the latest 3-year time period. He further reviewed that the custom benchmark of the Total Fund Policy from January 1, 2006 to present-date was 60% stocks and 40% bonds. Mr. Browning stated that the Finance Committee had met the previous day and discussed the Pension Fund's Investment Performance Review in depth. He added that in order for Amarillo National Bank to process the Fund's monthly benefit payments, it has to keep a significant amount of funds in money market funds, which were short-term funds with little-to-no return. Mr. Browning reviewed that discussions with the Investment Committee determined that an adjustment was needed in the Fund's Policy from 60% stocks and 40% bonds to 60% equities, 22.5% bonds, and 17.5% in cash. Mr. Browning stated that overall, the Fund had slightly underperformed the Policy, but it was because of the cash requirements that Amarillo National Bank has in order to make benefit payments. Mr. Ruthart explained that the Finance Committee would consider a motion to make Mr. Browning's suggested Policy adjustments at the Committee's next meeting.

ITEM 7: Presentation and Discussion of the AHD Corpus Investment Performance. Mr. Browning presented the Amarillo Hospital District's Investment Performance Review of the Corpus Fund at September 30, 2012. He reported that the market value of the Fund was \$208,373,427 at the end of the quarter. Reviewing returns of the Fund versus that of the Policy, Mr. Browning reported 1.2% versus 0.8% for the latest 3-months, 2.9% versus 2.1% for the latest 9 months, 3.7% versus 3.0% for the latest 1-year, and 4.4% versus 4.4% for the latest 3-year period. He reviewed that Herring Bank, managing approximately \$84 million, had returns of 0.9% for the latest 3-months, 2.4% for the latest 9 months, 3.2% for the latest 1-year and 3.5% for the latest 3-years. Amarillo National Bank, Mr. Browning reported, had returns for the latest 3 months of 1.4%, 3.3% for the latest 9 months, 4.0% for the latest year and 4.9% for the latest 3-year time period. In closing, Mr. Browning stated that this was an excellent report and that he was very pleased with both of the Fund's money managers.

ITEM 8: Consider Conflict Waiver from Charles A. Luband. Mr. Norris presented a Conflict Waiver from Charles A. Luband of SNR Denton. He explained that Mr. Luband had provided legal advice to the Amarillo Hospital District several years ago on the matters within items 4 and 5 on the Board's current agenda, and the previous UPL Program. He further explained that Mr. Luband has since changed law firms and is currently working for the law firm which represents UHS. Mr. Norris stated that under attorney ethics rules, this was a conflict of interest and Mr. Luband had requested that the District waive the conflict of interest. Mr. Norris stated that he recommended the Board approve the Conflict Waiver. Ms. Dove motioned to approve the Conflict Waiver from Charles A Luband. The motion was seconded by Mr. Ruthart and carried unanimously.

ITEM 9: Consider 2013 Amarillo Public Health Delivery System Reform Incentive Payments (DSRIP) Project. Mr. Richardson presented an additional, "Pass 2", Delivery System Reform Incentive Payment (DSRIP) project. He reviewed that the DSRIP is a way for the Health and Human Services Commission (HHSC) to fund innovative, transformational projects designed to save Medicaid dollars over time. He stated that the Amarillo Department of Public Health is requesting authority to submit a DSRIP to fund an indigent

outpatient drug and alcohol treatment center known as: Amarillo Recovery from Alcohol and Drugs (ARAD). He explained that ARAD is a 501(c)(3) organization committed to providing the equivalent of 30-day residential treatment for addiction to alcohol or drugs to indigent clients in Amarillo and the surrounding area. Mr. Richardson stated that the Public Health Department would form a partnership with Texas Panhandle Centers (TPC). He reviewed that the ARAD treatment program, licensed by the State, would provide intensive outpatient treatment for homeless clients, transport clients from the homeless shelters six days a week to the treatment program, provide treatment and lunch, and transport clients back to their shelters at the end of the day. Mr. Richardson explained that the Amarillo Hospital District must provide an Intergovernmental Transfer (IGT) of funds to the State of Texas HHSC; which are then forwarded to the Centers for Medicare/Medicaid Services (CMS) for federal match and returned to the Amarillo Hospital District with the match. He reviewed DSRIP requirements and reminded that process measures are required each year and are set by the service provider, and that outcome measures for years 3 thru 5 are paid based on demonstrated success. Mr. Richardson further reminded that net revenue, with costs subtracted, would be unrestricted; that the AHD would retain full control of the net revenue to offset other program/project costs or to pursue additional public health projects. He reviewed that Year 1 only had one measure: to submit a plan; noting that the DSRIP payment for Year 1 had yet been determined. Years 2 thru 5 he added, require process and outcome metrics. Mr. Richardson reminded that funding is contingent on CMS approval and the Congressional budget. Motion was made by Mr. Logsdon, seconded by Mr. Ellis and unanimously carried to approve the DSRIP "Pass 2" project as presented.

ITEM 10: Consider Funding Recommendation on the Pension Plan. Mr. Frigo reviewed that the Fund's latest Actuary Valuation at October 1st, 2011 produced three funding options: a thirty-year funding contribution number of \$1,323,843; a twenty-year funding contribution number of \$2,597,658 and a ten-year funding contribution number of \$2,066,604. He explained that the Hospital District could make an annual contribution amount of any number between the 10-year and 30-year funding amounts. Mr. Frigo reported that the Hospital District had budgeted a \$2 million contribution amount to the Plan and stated that staff recommended making the budgeted \$2 million contribution. Mr. Ruthart, Chairman of the Finance Committee, moved the recommendation from the Finance Committee to approve the \$2 million contribution to the Plan. Mr. Stafford called for a vote from the Board on the motion from the Finance Committee and it passed by a vote of 5-0.

ITEM 11: Consider Proposal for Actuarial Services. Mr. Frigo presented a proposal for actuarial services for the Hospital District's Pension Plan from John M. Crider, Jr. He explained that Mr. Crider was very familiar with the Plan and was proposing modest increases in his services. Mr. Frigo added that staff recommended acceptance of Mr. Crider's proposal. Mr. Ruthart moved the recommendation from the Finance Committee to approve the proposal for actuarial services from Mr. John M. Crider, Jr. Mr. Stafford called for a vote from the Board on the motion from the Finance Committee and it passed by a vote of 5-0.

ITEM 12: Presentation of Quarterly Financial Statements. Mr. Frigo presented the Hospital District's Quarterly Financial Statements for the year ended September 30, 2012. He reviewed that the General Fund held current assets of approximately \$207 million in cash and investments and about \$1.2 million in accrued interest on investments. He stated that the Fund had total prepaid expenses of almost \$15.5 million, which was the prepayment on the Indigent Care Contract, prepaid through August 2015. He also noted a fixed asset amount of \$87,118, which was the dental clinic building and a net pension asset amount of \$6,879,124. Mr. Frigo added that the pension amount is currently being reported as an asset because the District is paying the obligation faster than the thirty year requirement; however, under the new upcoming GASB statements, that amount would be reported as a liability. He reported a Total Liabilities and Fund Balance of \$230,809,125. Mr. Frigo reviewed from the Income Statement, total revenue of \$8.2 million versus total expenses of \$9.8 million for an operating loss of \$1.6 million. He further reviewed an adjustment of the estimated self-insurance reserve and net pension asset of \$1,283,784 for a net loss of \$357,805. He added that if the unrealized investment loss of \$1.5 million were backed-out of the net loss, the District would have an actual net income of about \$1.1 million. Reviewing the Budget versus Actual

Report of the Operating Fund, Mr. Frigo reported a budgeted amount in realized investment income of \$6,412,500 versus an actual amount received of \$9,305,263. He explained that the District had budgeted for a loss of \$3,249,558 and experienced an actual loss of \$250,460 for the year. From the Tobacco Fund's Budget versus Actual Report, Mr. Frigo reviewed that the Fund had budgeted \$245,250 in miscellaneous income and received an actual amount of \$278,842. He reported actual total expenses of \$266,233 and stated that overall; the Fund had a good year.

ITEM 13: Quarterly Investment Report from Investment Officer. Mr. Ruthart reported that for the quarter ending September 30, 2012, the Investment Portfolio was in compliance with the Amarillo Hospital District Investment Policy as amended on January 12, 2010 and reviewed and approved on January 31, 2012 and the Public Funds Investment Act. Mr. Ruthart noted that the maturity dates of the District's investments will meet the anticipated cash flow needs of the District. He reviewed that agency securities, including mortgage-backed securities, represent 87.72% of the total Portfolio, which is below the 95% Agency limit. Mortgage backed securities, he stated, represent 6.03% of the total Portfolio, which is below the 30% limit, and obligations of state or local governments represent 7.17% of the total Portfolio, which is below the 10% limit. He reported that treasuries and full faith and credit obligations comprise 3.24% of the total Portfolio and cash balances, including Money Market funds, comprise about 1.86%. Investments with maturities greater than 10 years represent 41.11% of the total Portfolio, which is under the 50% restriction in the Policy. Mr. Ruthart reported that there are no securities with a maturity of greater than 30 years. He stated that the market value of the Portfolio is 101.90% of the book value, with a market value of \$207,137,075 and a book value of \$203,271,975. Mr. Ruthart reviewed that in the current year, the AHD Budget called for \$6,412,500 in realized investment income and the current investment earnings through September 30, 2012 were \$9,305,263.

ITEM 14: Public Comments. There were no public comments.

ITEM 15: Adjournment. There, being no further business, motion was made by Mr. Ruthart, seconded by Ms. Dove and unanimously carried to adjourn the meeting at 9:26 a.m. This meeting was recorded and all comments are on file in the City Finance Department.


Bob Stafford, MD, Chairman

ATTEST:


for Liz Hughes, Secretary
by Chuck Speed