



November 12, 2021

NOTICE

The Board of Directors of the Kaweah Delta Health Care District will meet in an Open Finance, Property, Services and Acquisition Committee meeting at 10:00AM on Tuesday November 17, 2021 in the Kaweah Health Support Services Building, 520 West Mineral King Avenue, Copper Room (2nd Floor), Visalia, CA.

The Board of Directors of the Kaweah Delta Health Care District will meet in a Closed Finance, Property, Services, and Acquisition Committee meeting immediately following the 10:00AM open meeting on Tuesday November 17, 2021 pursuant to Health and Safety Code 32106.

All Kaweah Delta Health Care District regular board meeting and committee meeting notices and agendas are posted 72 hours prior to meetings (special meetings are posted 24 hours prior to meetings) in the Kaweah Health Medical Center, Mineral King Wing entry corridor between the Mineral King lobby and the Emergency Department waiting room.

The disclosable public records related to agendas are available for public inspection at Kaweah Health Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA and on the Kaweah Delta Health Care District web page <https://www.kaweahhealth.org>.

KAWEAH DELTA HEALTH CARE DISTRICT
Garth Gipson, Secretary/Treasurer

A handwritten signature in black ink that reads "Cindy Moccio".

Cindy Moccio
Board Clerk, Executive Assistant to CEO

DISTRIBUTION:

Governing Board
Legal Counsel
Executive Team
Chief of Staff

<http://www.kaweahdelta.org>

**KAWEAH DELTA HEALTH CARE DISTRICT BOARD OF DIRECTORS
FINANCE, PROPERTY, SERVICES & ACQUISITION COMMITTEE**

Wednesday November 17, 2021

Kaweah Health Support Services Building
520 West Mineral King – Copper Room (2nd floor)

ATTENDING: Directors: David Francis & Mike Olmos; Gary Herbst, CEO; Malinda Tupper, VP & CFO; Marc Mertz, VP Chief Strategy Officer; Jennifer Stockton, Director of Finance, Deborah Volosin, Director of Community Engagement; Cindy Moccio, Recording

1. OPEN MEETING – 10:00AM

2. CALL TO ORDER – *David Francis*

3. PUBLIC PARTICIPATION – Members of the public may comment on agenda items before action is taken and after it is discussed by the Board. Each speaker will be allowed five minutes. Members of the public wishing to address the Board concerning items not on the agenda and within the jurisdictions of the Board are requested to identify themselves at this time. For those who are unable to attend the beginning of the Board meeting during the public participation segment but would like to address the Board, please contact the Board Clerk (Cindy Moccio 559-624-2330) or cmoccio@kaweahhealth.org to make arrangements to address the Board.

4. FINANCIALS – Review of the most current fiscal year financial results and budget.

Malinda Tupper – Vice President & Chief Financial Officer

5. PATIENT THROUGHPUT CONSULTING ENGAGEMENT - Review a proposal from The Chartis Group consulting firm to assist Kaweah Health with a comprehensive patient throughput engagement.

Keri Noeske, RN, BSW, DNP, Vice President & Chief Nursing Officer

6. UROLOGY PHYSICIAN PROFESSIONAL SERVICES AGREEMENT - Discussion of a proposed agreement with the University of Southern California for urology physician service.

Marc Mertz, Vice President, Chief Strategy Officer

7. SEQUOIA INTEGRATED HEALTH PLAN LLC – Annual report for Sequoia Integrated Health Plan, LLC.

Ryan Gates, PharmD, Vice President of Population Health Management

*Mike Olmos – Zone I
Board Member*

*Lynn Havard Mirviss – Zone II
Vice President*

*Garth Gipson – Zone III
Secretary/Treasurer*

*David Francis – Zone IV
President*

*Ambar Rodriguez – Zone V
Board Member*

MISSION: *Health is our Passion. Excellence is our Focus. Compassion is our Promise.*

8. **202 WEST WILLOW, LLC** – Annual report for 202 West Willow, LLC.
Marc Mertz, Vice President, Chief Strategy Officer
9. **UROLOGY PHYSICIAN PROFESSIONAL SERVICES AGREEMENT** - Discussion of a proposed agreement with the University of Southern California for urology physician service.
Marc Mertz, Vice President, Chief Strategy Officer
10. **APPROVAL OF CLOSED PROPERTY, SERVICES, AND ACQUISITION AGENDA: Closed Agenda - Report involving trade secrets {Health and Safety Code 32106}** – Discussion will concern proposed new services/programs – estimated date of disclosure is June 2022.
11. **ADJOURN** – *David Francis*

CLOSED MEETING

1. **CALL TO ORDER** – *David Francis*
2. **REPORT INVOLVING TRADE SECRETS {HEALTH AND SAFETY CODE 32106}** – Discussion will concern a proposed new services/programs – estimated date of disclosure is June 2022.
Gary Herbst, Chief Executive Officer & Marc Mertz, Vice President, Chief Strategy Officer
3. **ADJOURN OPEN MEETING** – *David Francis*

In compliance with the Americans with Disabilities Act, if you need special assistance to participate at this meeting, please contact the Board Clerk (559) 624-2330. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to the Kaweah Delta Health Care District Board of Directors meeting.



Financial Property & Acquisition Committee Report

November 17, 2021

An aerial photograph of the Kaweah Delta Medical Center building, a large, modern, multi-story structure with a prominent corner. The building is set against a dramatic sky with orange and blue hues, suggesting a sunset or sunrise. The text "Sequoia Integrated Health Humana Medicare Advantage" is overlaid in large, white, sans-serif font across the center of the image. The building's name "Kaweah Delta Medical Center" is visible on the upper part of the facade. The surrounding area includes a parking lot with several cars and some greenery.

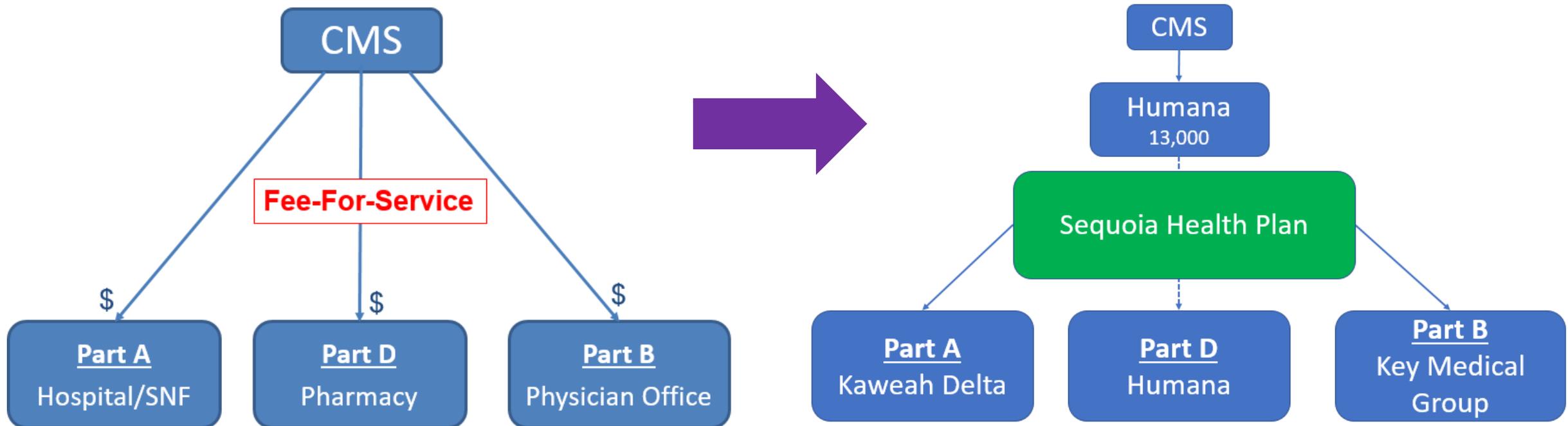
Sequoia Integrated Health Humana Medicare Advantage

Sequoia Integrated Health

What is our why?

Our Why

Develop an Integrated Delivery Network that improves the health and wellness of our community in a way that is financially sustainable



Sequoia Integrated Health

What is our how?

Understanding the Financial Mechanics of Medicare Advantage

- **Revenue**

- Largest variables we can impact
 - Risk Adjustment Factor (RAF)
 - CMS Star Quality Score
- Annual CMS rate adjustments

- **Expenses**

- Largest variables we can impact
 - Preventable hospitalizations and ED visits
 - Improving efficiencies and decreasing the cost of care

Our How

Improving Care and Decreasing Avoidable Utilization (= savings)

- Virtual Care Team & Dedicated Hospitalists
- Comprehensive Care Clinic (CCC)
- End-Stage Renal Disease (ESRD) Program
- Clinical Pharmacists & Medication Management
- Streamlining the Medicare benefit

Improving Documentation & Coding (= revenue)

- Annual Wellness/Physician Assessment Form (PAF) Visits:
 - Assessing Hierarchical Chronic Conditions (HCC) = Risk Adjustment Factor (RAF) scores

Importance of the RAF Score

GOLD/DSNP Blend

RAF Revenue and Split (PMPM)

Value of RAF .01 Change	\$ 6.80
Value of .01 RAF to KH	\$ 3.50
Value of .01 RAF to Key MG	\$ 2.80

End Stage Renal Disease (ESRD)

RAF Revenue and Split (PMPM)

Value of RAF .01 Change	\$ 86.80
Value of .01 RAF to KH	\$ 44.63
Value of .01 RAF to Key	\$ 35.76

Incremental PMPM Increase

RAF Improvement	Kaweah's Portion	Annualized (n=13,000)
0.01	\$ 3.50	\$ 545,463.36
0.02	\$ 6.99	\$ 1,090,926.72
0.03	\$ 10.49	\$ 1,636,390.08
0.04	\$ 13.99	\$ 2,181,853.44
0.05	\$ 17.48	\$ 2,727,316.80

Incremental PMPM Increase

RAF Improvement	Kaweah's Portion	Annualized (n=84)
0.01	\$ 44.63	\$ 44,987.04
0.10	\$ 446.30	\$ 449,870.40
0.20	\$ 892.60	\$ 899,740.80
0.30	\$ 1,338.90	\$ 1,349,611.20
0.40	\$ 1,785.20	\$ 1,799,481.60

Kaweah Health RAF and Quality Scores

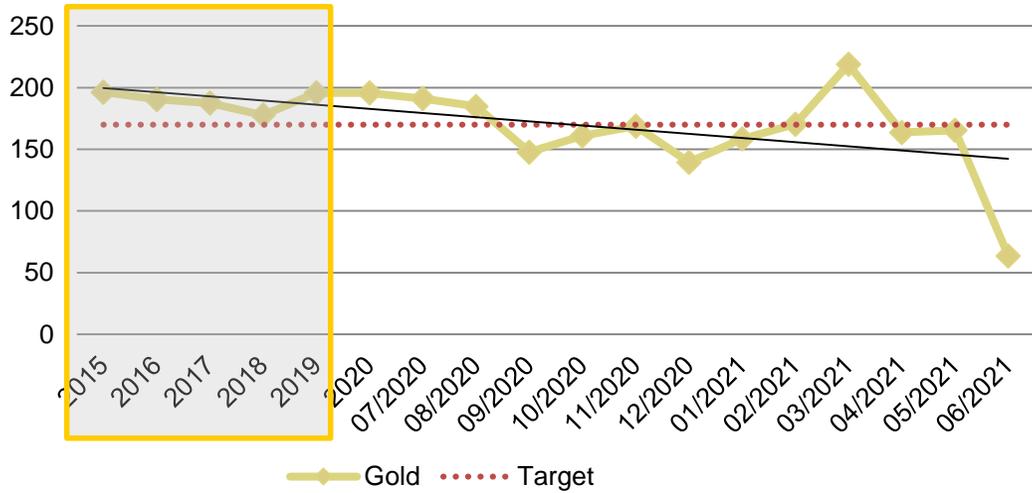
Group	STAR Score	RAF	Members	Group	STAR Score	RAF	Members
Group A	4.30	1.40	333	Group F	3.80	1.09	179
Group B	4.10	1.33	305	Group G	3.80	1.07	309
Group C	3.50	1.16	185	Group H	4.61	1.03	595
Group D	3.90	1.15	122	Group I	3.10	1.01	333
Kaweah Delta RHC's	3.73	1.14	1077	Kaweah Health Medical Group	3.46	0.92	2162
Group E	3.51	1.10	616	Entire Network	3.47	0.99	12089

Sequoia Integrated Health

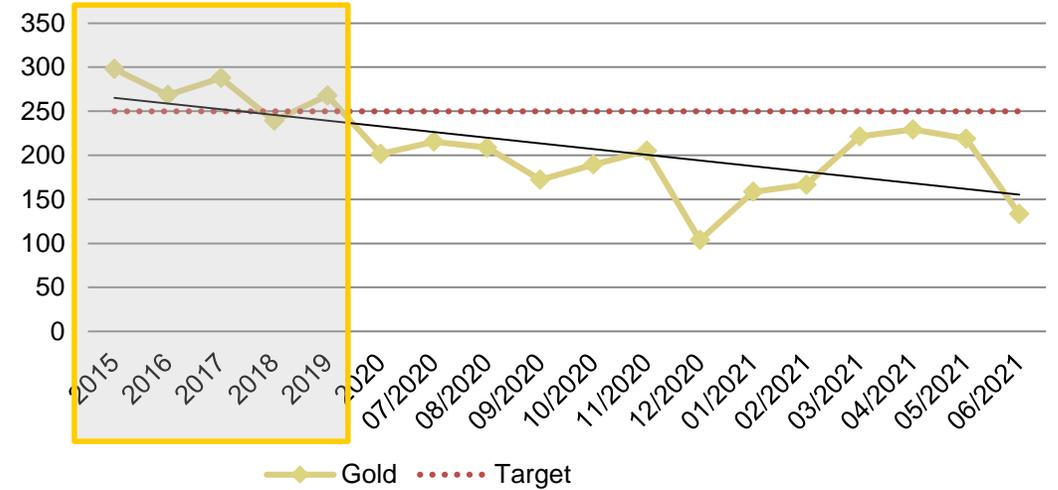
Where are we today?

Humana Members – Tracking Healthcare Utilization

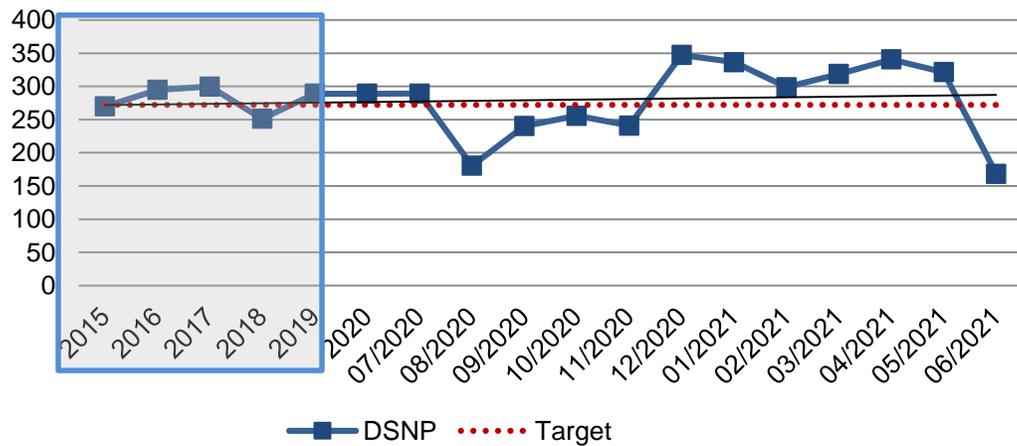
Gold Acute Admits per 1000



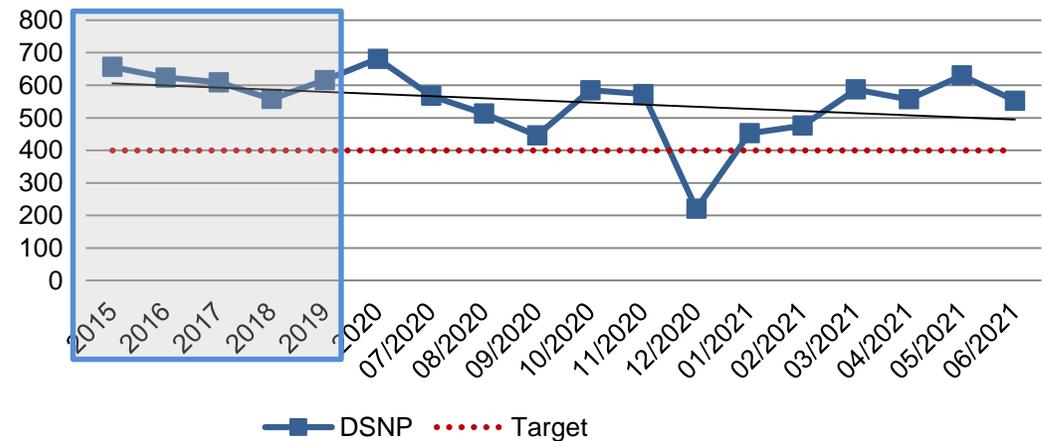
Gold ED Visits per 1000



D-SNP Admits per 1000



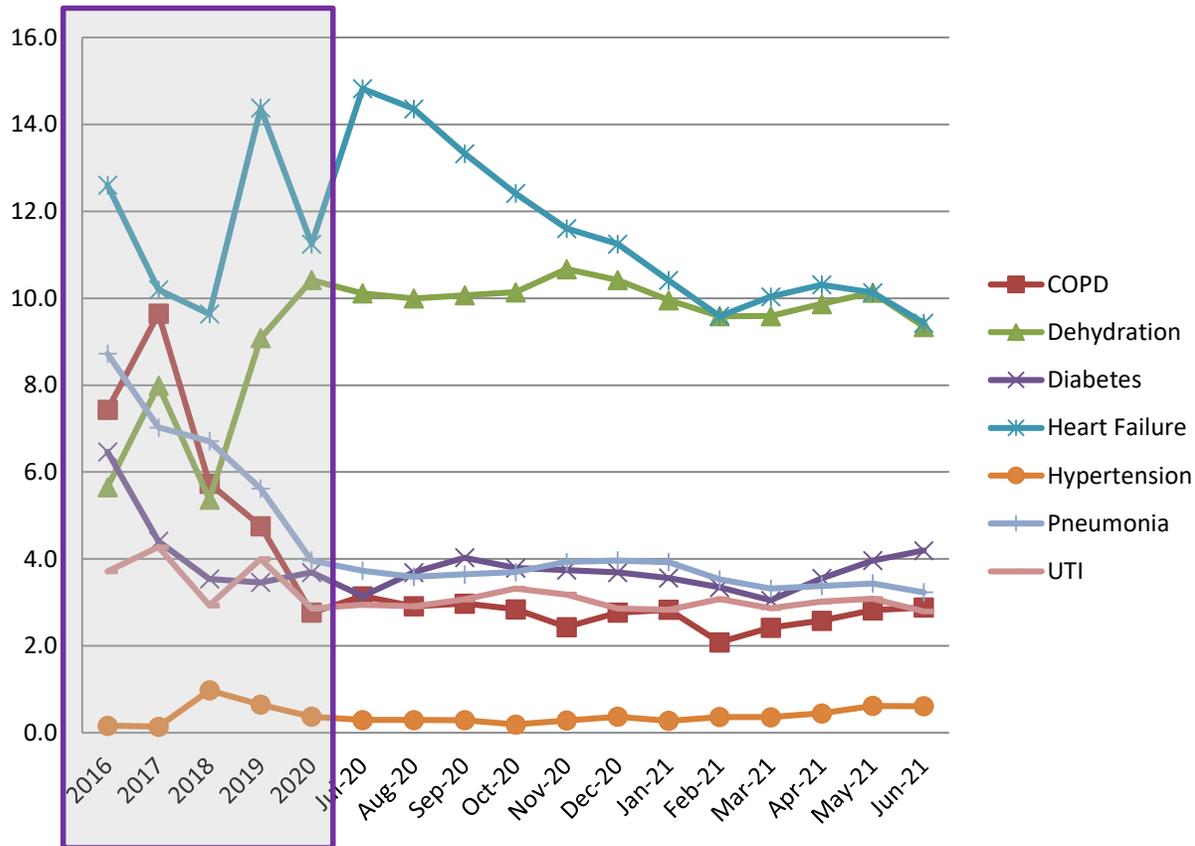
D-SNP ED Visits per 1000



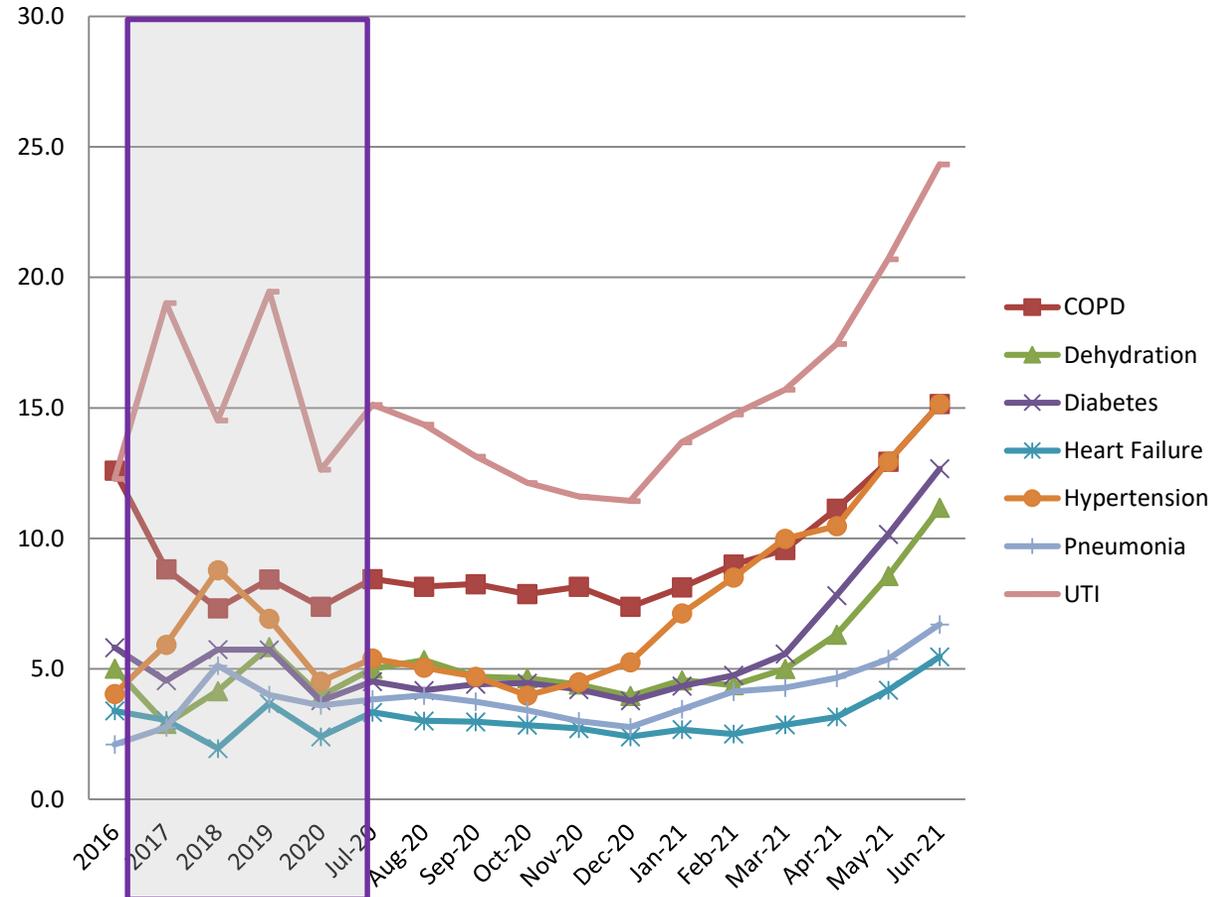
Humana Member – Chronic Condition Admissions & ED Visits

Using Data to Prioritize Disease Management Programs

PQI 90 Potentially Avoidable Admits Per 1000

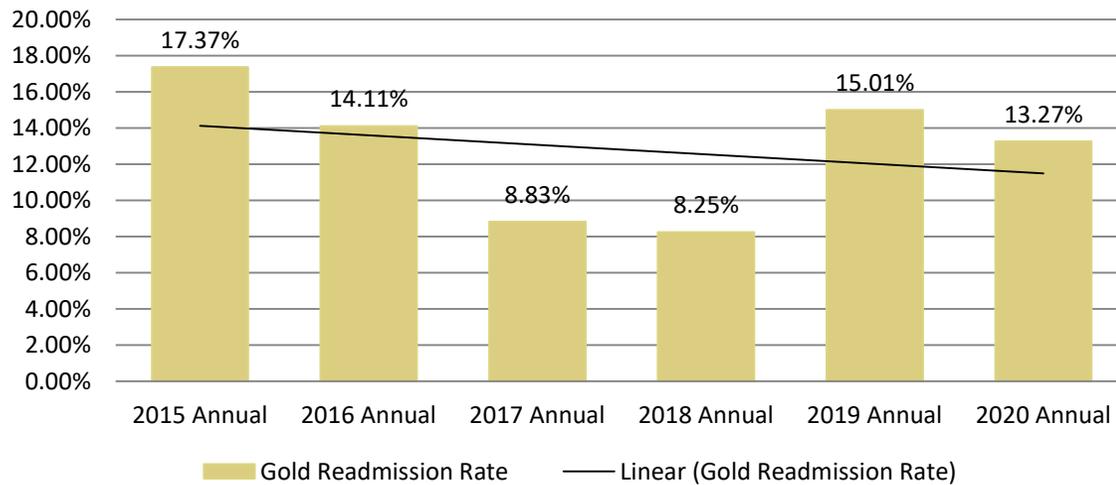


PQI 90 Potentially Avoidable ED Visits Per 1000

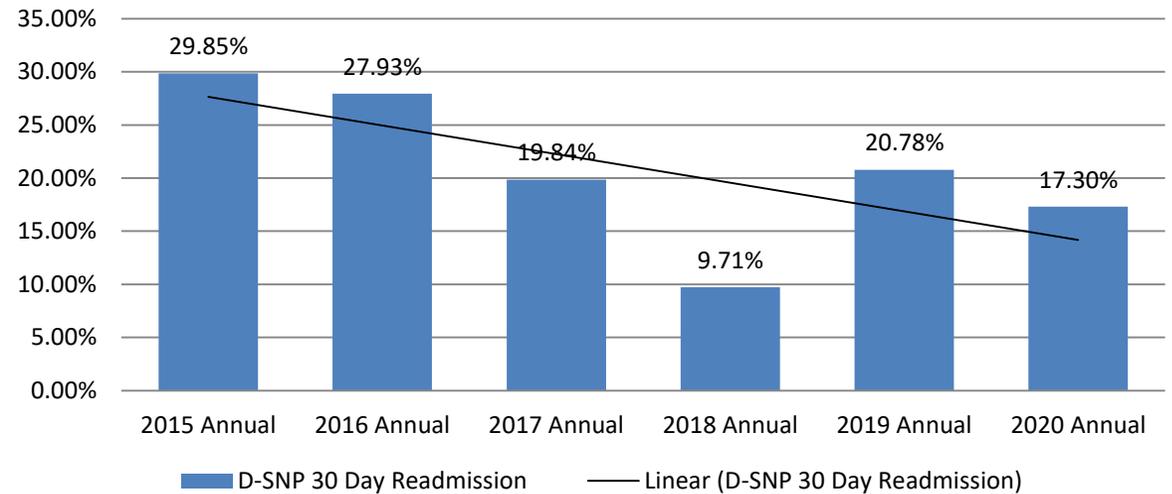


Impact on 30-Day Readmissions

Gold Readmission Rate



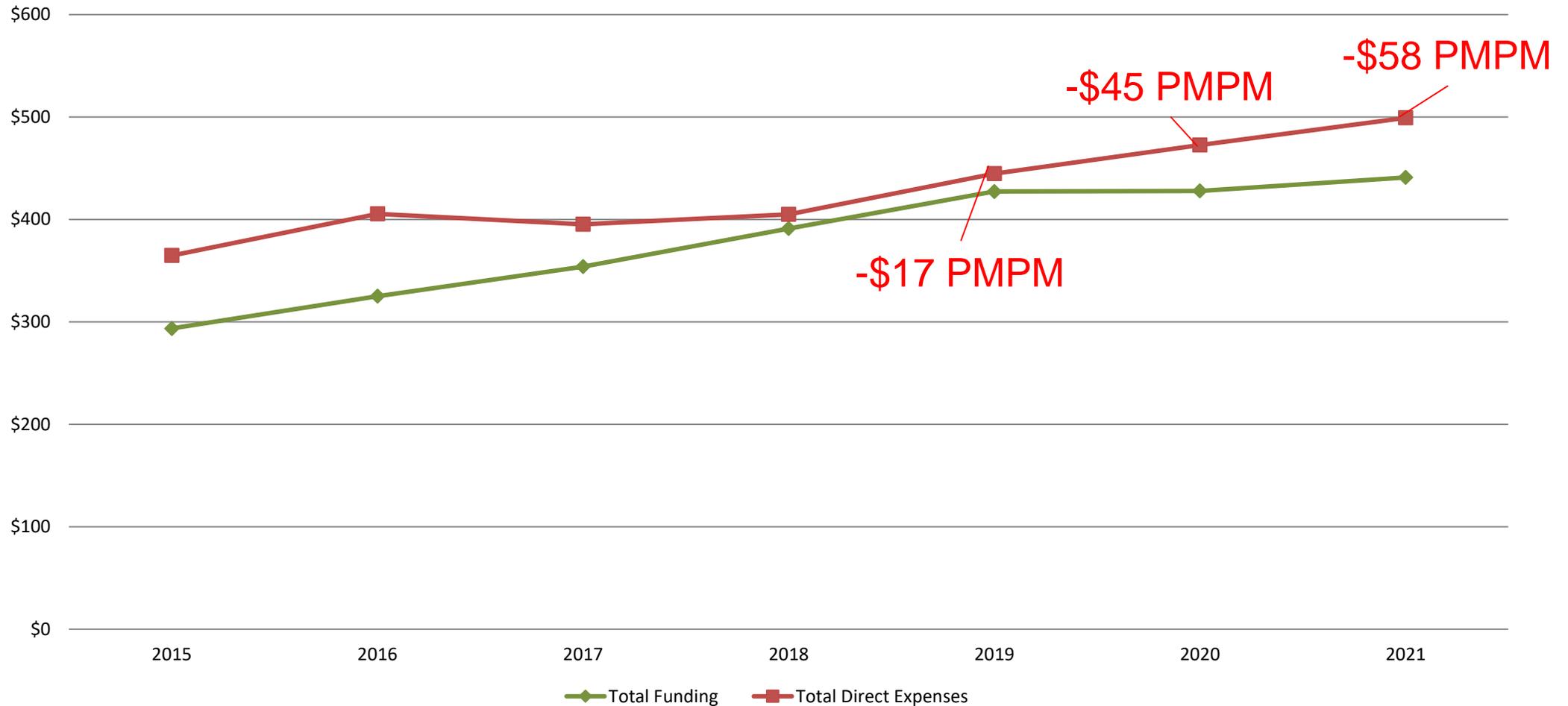
D-SNP 30 Day Readmission



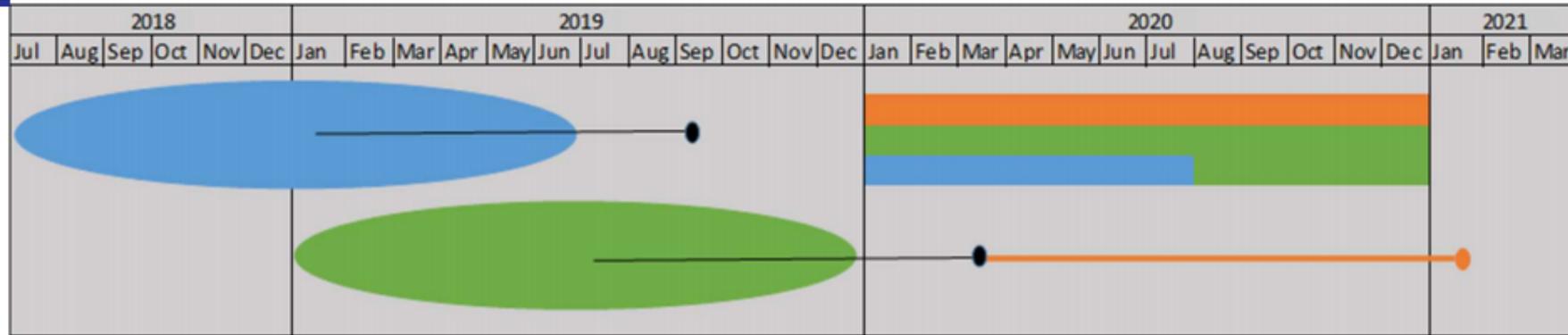
Humana Part A Year-Over-Year Funding vs Expenses

	2019						2020						YTD September 2021					
	GOLD	PMPM	DSNP	PMPM	Total	PMPM	GOLD	PMPM	DSNP	PMPM	Total	PMPM	GOLD	PMPM	DSNP	PMPM	Total	PMPM
Annual Funding ¹	\$35,545,177	\$378	\$10,402,670	\$593	\$45,947,847	\$412	\$38,275,878	\$368	\$15,203,405	\$594	\$53,479,283	\$413	\$31,029,455	\$372	\$14,994,903	\$618	\$46,024,358	\$428
Reinsurance Payments	\$130,174	\$1			\$130,174	\$1												
VCT Revenue	\$203,796	\$2	\$35,964	\$2	\$239,760	\$2	\$383,995	\$4	\$152,525	\$6	\$536,520	\$4	\$278,074	\$3	\$134,378	\$6	\$412,452	\$4
KDHCD Employee	\$145,625	\$2	\$25,699	\$1	\$171,324	\$2	\$87,990	\$1	\$34,950	\$1	\$122,940	\$1	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Medical Education ³	\$884,791	\$9	\$258,943	\$15	\$1,143,735	\$10	\$902,019	\$9	\$358,287	\$14	\$1,260,307	\$10	\$692,588	\$8	\$334,691	\$14	\$1,027,279	\$10
Total Revenue	\$36,909,563	\$393	\$10,723,276	\$611	\$47,632,840	\$427	\$39,649,882	\$382	\$15,749,167	\$615	\$55,399,049	\$428	\$32,000,116	\$384	\$15,463,973	\$638	\$47,464,089	\$441
Kaweah Delta - Direct Cost ⁶	\$19,298,368	\$205	\$4,892,176	\$279	\$24,190,544	\$217	\$21,491,762	\$207	\$6,088,103	\$238	\$27,579,865	\$213	\$17,783,559	\$213	\$7,032,584	\$290	\$24,816,144	\$231
Third Party Facilities Net Paid Claims ⁴	\$17,310,541	\$184	\$4,403,457	\$251	\$21,713,998	\$195	\$20,502,849	\$197	\$8,534,329	\$333	\$29,037,179	\$224	\$12,979,377	\$156	\$6,844,651	\$282	\$19,824,029	\$184
IBNR - Third Party Claims ⁵	\$5,911	\$0	\$1,730	\$0	\$7,641	\$0	\$30,719	\$0	\$12,202	\$0	\$42,921	\$0	\$3,921,745	\$47	\$1,895,173	\$78	\$5,816,918	\$54
Estimated Home Health Cost	\$2,165,589	\$23	\$633,782	\$36	\$2,799,371	\$25	\$2,517,678	\$24	\$1,000,037	\$39	\$3,517,714	\$27	\$1,595,815	\$19	\$771,173	\$32	\$2,366,988	\$22
Total Pat Related Expenses	\$38,780,409	\$413	\$9,931,145	\$566	\$48,711,554	\$437	\$44,543,009	\$429	\$15,634,671	\$611	\$60,177,679	\$465	\$36,280,497	\$435	\$16,543,582	\$682	\$52,824,079	\$491
Admin Fee – Foundation	\$668,788	\$7	\$195,728	\$11	\$864,516	\$8	\$725,128	\$7	\$288,025	\$11	\$1,013,153	\$8	\$607,653	\$7	\$293,647	\$12	\$901,299	\$8
Total Direct Expenses	\$39,449,197	\$420	\$10,126,873	\$577	\$49,576,069	\$445	\$45,268,136	\$436	\$15,922,696	\$622	\$61,190,832	\$473	\$36,888,149	\$442	\$16,837,228	\$694	\$53,725,378	\$499
Contribution Margin	(\$2,539,633)	(\$27)	\$596,403	\$34	(\$1,943,230)	(\$17)	(\$5,618,255)	(\$54)	(\$173,528)	(\$7)	(\$5,791,783)	(\$45)	(\$4,888,033)	(\$59)	(\$1,373,256)	(\$57)	(\$6,261,289)	(\$58)
Kaweah Delta - Indirect Cost ⁷	\$5,857,700	\$62	\$1,536,368	\$88	\$7,394,069	\$66	\$6,461,366	\$62	\$1,852,172	\$72	\$8,313,537	\$64	\$5,285,394	\$63	\$2,204,272	\$91	\$7,489,666	\$70
Total Expenses	\$45,306,897	\$482	\$11,663,241	\$665	\$56,970,138	\$511	\$51,729,502	\$498	\$17,774,868	\$694	\$69,504,370	\$537	\$42,173,543	\$506	\$19,041,500	\$785	\$61,215,044	\$569
Profit/Loss	(\$8,397,334)	(\$89)	(\$939,965)	(\$54)	(\$9,337,299)	(\$84)	(\$12,079,620)	(\$116)	(\$2,025,700)	(\$79)	(\$14,105,320)	(\$109)	(\$10,173,427)	(\$122)	(\$3,577,527)	(\$148)	(\$13,750,954)	(\$128)

Humana Part A Year-Over-Year Funding vs Expenses Per Member Per Month (PMPM)



Lag Time in Medicare Advantage Reconciliations and Payment

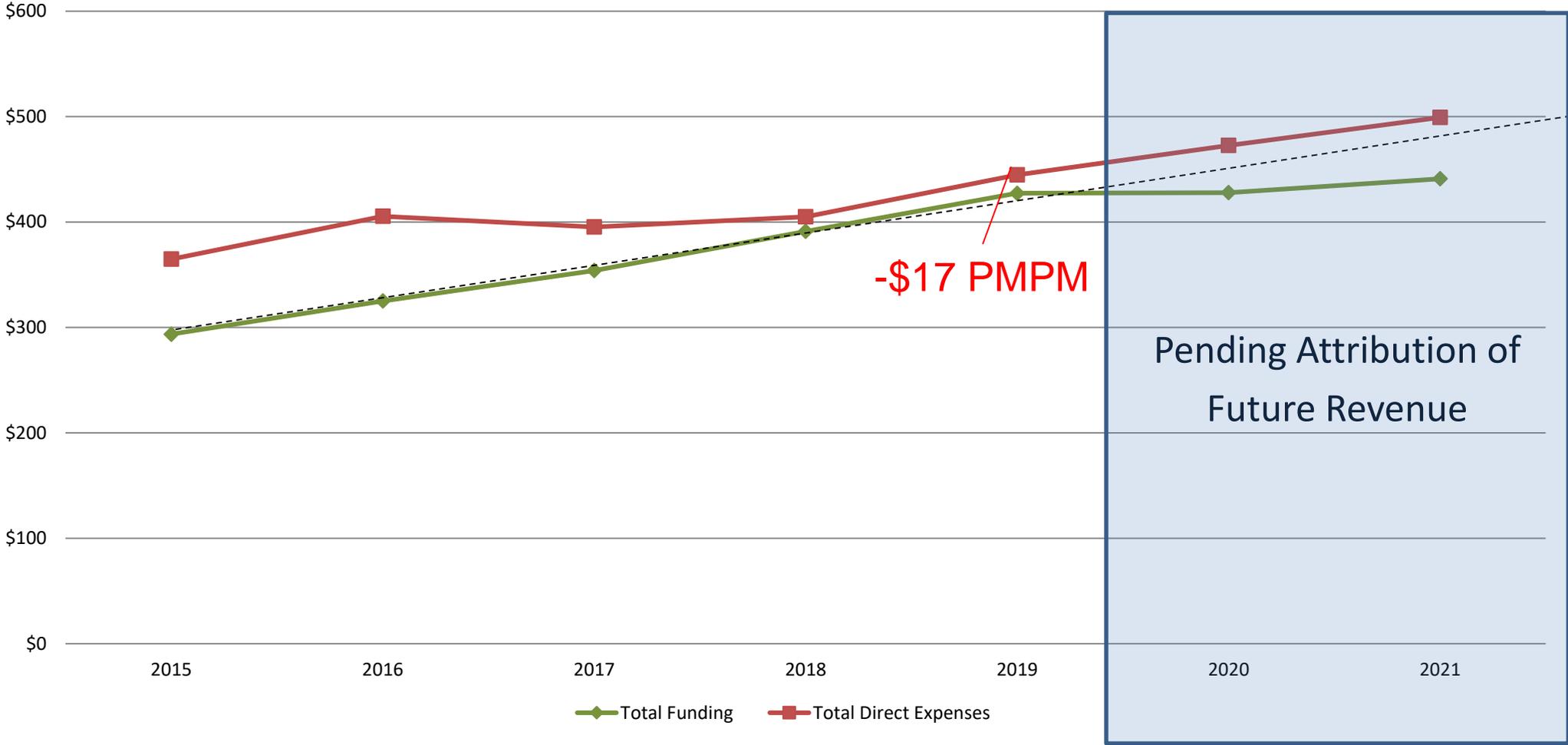


Payment	RAPS/EDS Blend	Dates of Service	Submission Deadline	Month Reflected in MMR
Payment Year 2019				
Initial	75/25	7/1/17 – 6/30/18	Early Sep '18	January '19
Mid-Year	75/25	1/1/18 – 12/31/18	Early Mar '19	August '19
Final	75/25	1/1/18 – 12/31/18	Jan 31, 2020	July '20
Payment Year 2020				
Initial	50/50	7/1/18 – 6/30/19	Early Sep '19	January '20
Mid-Year	50/50	1/1/19 – 12/31/19	Early Mar '20	August '20
Final	50/50	1/1/19 – 12/31/19	Jan 31, 2021	July '21

- = Initial
- = Mid-Year Sweep
- = Final Sweep

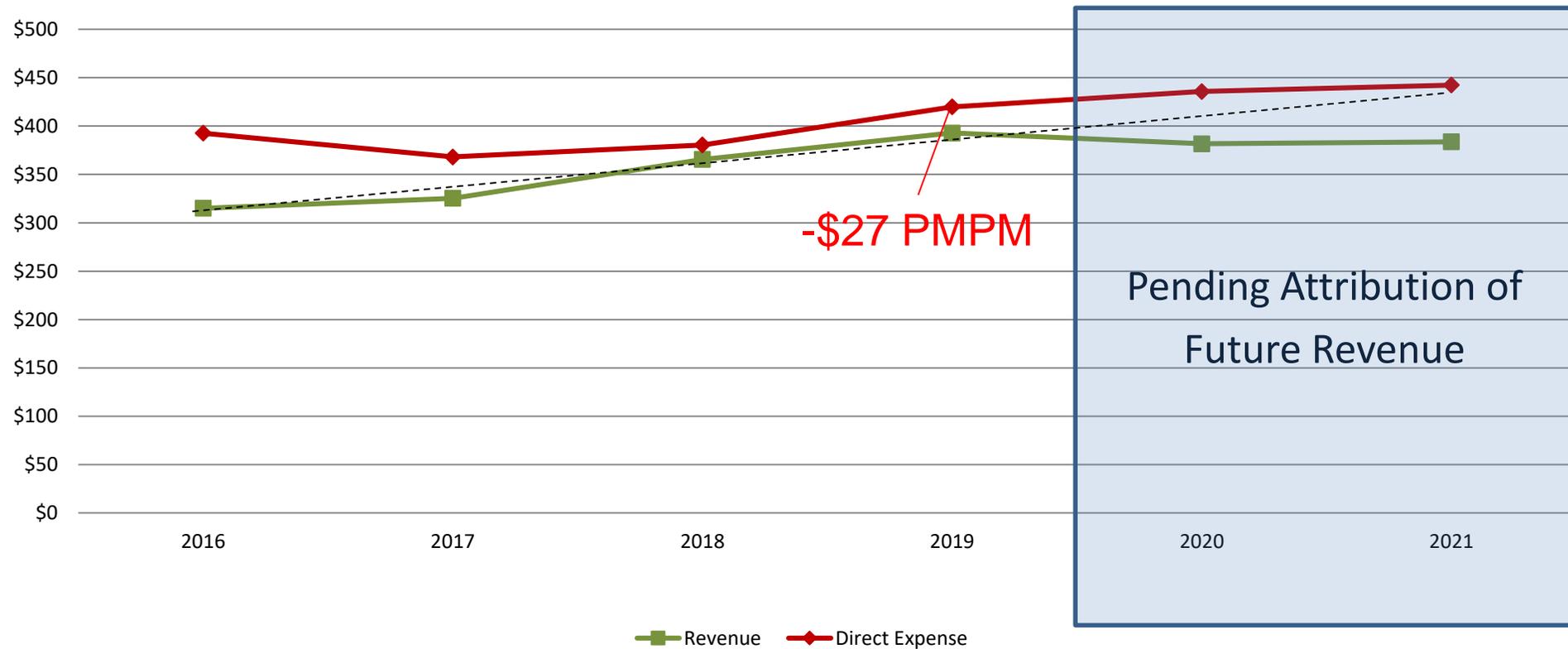
Humana Part A Year-Over-Year Funding vs Expenses

Per Member Per Month (PMPM)



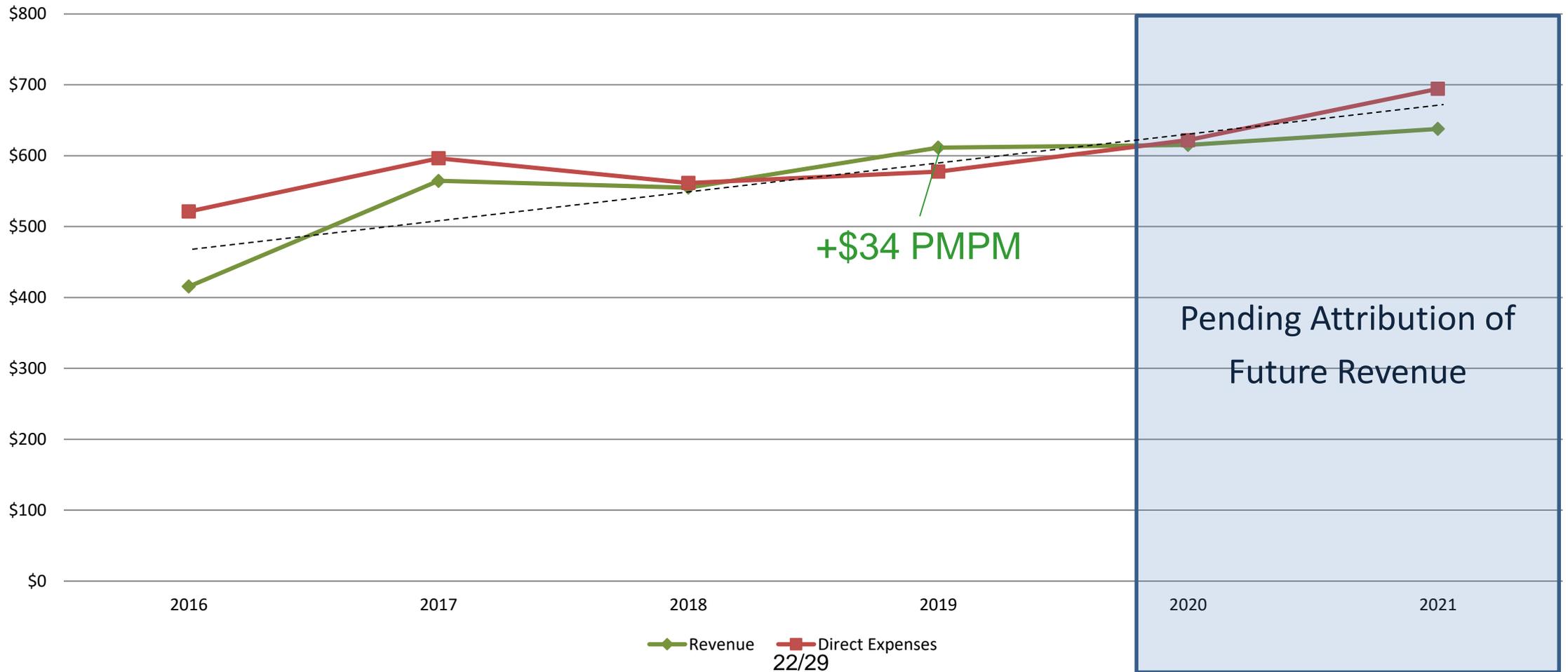
Humana Part A – GOLD Membership

Year-Over-Year Funding vs Expenses Per Member Per Month (PMPM)



Humana Part A – DSNP

Year Over Year Funding vs Expenses Per Member Per Month (PMPM)



Closing the Financial Gap

Plan to Close Negative Contribution Margin	
PMPM Deficit [(Current CM) – Future estimated true-up]	(\$43.00)
With Cost Increase (5%)	(\$45.15)

CMS Reimbursement Changes	
County Base Rate Change (GOLD membership only)	\$ 26.00
Population RAF Change (Increase by 0.02)	\$ 6.99
Net After Reimbursement	(\$12.16)

SIH Quality Improvement Plan	
End Stage Renal Disease (ESRD) RAF Change	\$ 8.87
ESRD Utilization Change	\$ 0.86
Comprehensive Care Clinic (CCC) RAF Change	\$ 0.94
CCC Utilization Change	\$ 2.99
Total of PMPM Change	\$ 13.66
Net	\$ 1.50

End Stage Renal Disease (ESRD) Program Assumptions

Revenue Increases from Increase in RAF	
Patients (<i>75% of patients n=84</i>)	63
Current Average RAF	1.04
ESRD Average RAF	1.45
RAF Change	0.41
PMPM Increase/0.01 RAF	\$ 44.63
PMPY ESRD (KH Change)	\$ 21,957.96
Total PMPY Annual \$ Change	\$ 1,383,351.48
PMPM Increase to KH \$ 8.87	

PMPM = Per Member Per Month

PMPY = Per Member Per Year

Savings from Hospital Admissions	
Cost Per Admission (PQI-90)	\$11,120
Avoided Admissions	12
Total Annual \$ Savings	\$133,440
PMPM Savings to KH \$ 0.86	
Total PMPM Increase to KH \$ 9.72	

The How: Improved Care Coordination

- Dedicated ESRD Nurse Case-Manager
- Dialysis Centers
- Nephrologist & PCP
- Dedicated PA performing annual assessments
- Vascular Surgeon - Access Management
- Patient and Caretaker Education
- Transplant Evaluation

CCC Program Assumptions

Revenue Increases from Increase in RAF	
Patients	100
Current Average RAF	1.45
ESRD Average RAF	1.80
RAF Change	0.35
PMPM Increase/0.01 RAF	\$ 3.50
PMPY CCC (KH Change)	\$ 1,468.56
Total PMPY Annual \$ Change	\$ 146,855.52
PMPM Increase to KH	\$ 0.94



Revenue Increases from Increase in RAF	
Patients	400
Current Average RAF	1.45
ESRD Average RAF	1.80
RAF Change	0.35
PMPM Increase/0.01 RAF	\$ 3.50
PPPY CCC (KH Change)	\$ 1,468.56
Total PMPY Annual \$ Change	\$ 587,422.08
PMPM Increase to KH	\$ 3.77

Savings from Hospital Admissions	
Cost Per Admission (PQI-90)	\$11,120
Avoided Admissions	42
Total Annual \$ Savings	\$467,040
PMPM Savings to KH	\$ 2.99
Total PMPM Increase to KH	\$ 3.94

Savings from Hospital Admissions	
Cost Per Admission (PQI-90)	\$11,120
Avoided Admissions	169
Total Annual \$ Savings	\$1,879,280
PMPM Savings to KH	\$ 12.05
Total PMPM Increase to KH	\$ 15.81

Closing the Financial Gap

Plan to Close Negative Contribution Margin	
PMPM Deficit [(Current CM) – Future estimated true-up]	(\$43.00)
With Cost Increase (5%)	(\$45.15)

CMS Reimbursement Changes	
County Base Rate Change (GOLD membership only)	\$ 26.00
Population RAF Change (Increase by 0.02)	\$ 6.99
Net After Reimbursement	(\$12.16)

SIH Quality Improvement Plan	
End Stage Renal Disease (ESRD) RAF Change	\$ 8.87
ESRD Utilization Change	\$ 0.86
Comprehensive Care Clinic (CCC) RAF Change	\$ 0.94
CCC Utilization Change	\$ 2.99
Total of PMPM Change	\$ 13.66
Net	\$ 1.50



Questions?

REPORT TO THE BOARD OF DIRECTORS

202 W Willow, LLC

Marc Mertz, VP/Chief Strategy Officer, 624-2511
November 10, 2021

Summary Issue/Service Considered

Kaweah Health is a 33% owner in the property legally known as 202 W. Willow, Visalia, CA 93291. The initial investment of \$858,026 was donated by Dr. Rupi K. Malli, of the Malli Family Trust, in 2017.

Kaweah Health currently leases the following spaces in 202 W. Willow:

Suite 102	Outpatient Pharmacy
Suite 202	Neurology
Suite 204	Subleased to Humana
Suite 205	Sequoia Health and Wellness Centers
Suite 305	Employee Health
Suite 502	Family Medicine Clinic

Quality/Performance Improvement Data

For the fiscal year 2021, income from investment, or profit allocation, is \$12,587.

KAWEAH HEALTH ANNUAL BOARD REPORT

202 W. Willow, LLC

FY2021	
Profit distributions	\$15,000
Total cash inflow (outflow) from investment	\$15,000
Total income (loss) from Investment (profit allocation)	\$12,587
FY2020	
Capital Contributions - Elevators	(\$22,064)
Total cash inflow (outflow) from investment	(\$22,064)
Total income (loss) from Investment (profit allocation)	\$38,853
From Inception	
Initial investment - donated portion of LLC	\$858,026
Capital Contributions - Elevators	(\$22,064)
Profit distributions	\$63,000
Total cash inflow (outflow) from investment	\$40,936
Total income (loss) from Investment (profit allocation)	\$110,812

Policy, Strategic or Tactical Issues

This property is home to several of our clinics and departments. It is also strategically located immediately adjacent to the Medical Center.

The 202 W Willow, LCC ownership group has authorized Kaweah Health to install a large "Kaweah Health Medical Plaza" sign on the top of this building. This is in our future plans.

Recommendations/Next Steps

Continue to own a portion of the 202 W Willow building and to occupy multiple suites.