



November 6, 2020

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 9:00AM on Wednesday November 11, 2020 in the Kaweah Delta Medical Center – Support Services Building Copper Room (2nd Floor) 520 West Mineral King Avenue or via GoTo Meeting from your computer, tablet or smartphone <https://www.gotomeet.me/CindyMoccio/kdfinancepsacommittee> **Via phone - 872-240-3212 Access Code: 693-821-941**

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 Delta 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 can be obtained by contacting the Board Clerk at Kaweah Delta Medical Center – Acequia Wing, Executive Offices (Administration Department) {1st floor}, 400 West Mineral King Avenue, Visalia, CA via phone 559-624-2330 and on the Kaweah Delta Health Care District web page <http://www.kaweahdelta.org>.

KAWEAH DELTA HEALTH CARE DISTRICT
David Francis, 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 11, 2020

Kaweah Delta Medical Center / Support Services Building
520 West Mineral King – Copper Room (2nd floor)

Please join my meeting from your computer, tablet or smartphone.

<https://www.gotomeet.me/CindyMoccio/kdfinancepsacommittee>

Via phone - 872-240-3212 / Access Code: 693-821-941

ATTENDING: Directors: David Francis (chair) & Nevin House; Gary Herbst, CEO; Malinda Tupper, VP & CFO; Dianne Cox, VP Chief Human Resources Officer; Marc Mertz, VP Chief Strategy Officer; Jennifer Stockton, Director of Finance, Julieta Moncada, Facilities Planning Director; Deborah Volosin, Director of Community Engagement; Cindy Moccio, Recording

OPEN MEETING – 9:00AM

CALL TO ORDER – David Francis

PUBLIC / MEDICAL STAFF PARTICIPATION – Members of the public wishing to address the Committee concerning items not on the agenda and within the subject matter jurisdiction of the Committee may step forward and are requested to identify themselves at this time. Members of the public or the medical staff may comment on agenda items after the item has been discussed by the Committee but before a Committee recommendation is decided. In either case, each speaker will be allowed five minutes.

1. 202 WEST WILLOW LLC – Annual report - 202 West Willow LLC.

Jennifer Stockton, Director of Finance

2. KAWEAH DELTA MEDICAL FOUNDATION – Annual report and financial review of the Kaweah Delta Medical Foundation.

*Paul Schofield, Kaweah Delta Medical Foundation Chief Executive Officer & Coby LaBlue
Kaweah Delta Medical Foundation Chief Financial Officer*

3. TULARE CLINIC – Status report relative to the development of the Tulare Clinic.

Marc Mertz, VP & Chief Strategy Officer and Julieta Moncada, Facilities Planning Director

4. 2015B REVENUE BOND STATUS REPORT – Status report and next steps for projects.

Julieta Moncada, Facilities Planning Director

ADJOURN – 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.

M O R E T H A N M E D I C I N E . L I F E .

202 W. Willow, LLC
November 11, 2020



202 W. Willow, LLC.

- The Malli Family gifted 30%, or 3,000 shares, ownership of 202 W. Willow, LLC dated October 31, 2017 - recorded at capital account balance of \$858,026.
- The LLC owns and rents a 32,293 square foot medical building located at 202 W. Willow. The District currently rents six suites in this building.
- Other owners include the Malli Family Trust (37%), Johnson Family Revocable Trust (15%), Kneeland Family Revocable Trust (10%), Spade Family Revocable Trust (5%) and May Family Revocable Trust (3%).

Financial Report – 202 W. Willow, LLC

October 31, 2020

Initial Gift - October 2017	\$ 858,026
Capital Contribution - Jan 20 (elevators)	22,064
Income Allocation (30%)-11/1/17 to 9/30/20	117,331
Income Distribution (30%)-11/1/17 to 9/30/20	<u>(48,000)</u>
	\$ 949,421

Kaweah Delta Health Care District Annual Report to the Board of Directors

Kaweah Delta Medical Foundation

Paul Schofield, CEO
Contact number: 559-738-7500, ext. 5545
pschofie@kdhcd.org
November 13, 2020

Summary Issue/Service Considered

1. Establishing an integrated delivery system whereby the Visalia Medical Clinic (VMC/Group) and Kaweah Delta Health Care District (KDHCD) work in unison to deliver world class healthcare services in Visalia and the surrounding region.
2. Leading the expansion of the depth and breadth of medical services provided to the community.

Analysis of financial/statistical data:

1. For the first three months of fiscal year 2021, KDHCD's net investment to fund KDMF is \$1,883,175 compared with a budgeted net investment of \$2,173,557.
2. For the first three months of fiscal year 2021, work relative value units (wRVUs) were 97,416, compared with 94,351 for the first three months of fiscal year 2020.
3. For the first three months of fiscal year 2021, total charges were \$19,262,060, compared with \$18,667,751 for the first three months of fiscal year 2020.
4. For the first three months of fiscal year 2021, total collections were \$10,606,386, compared with \$11,256,188 for the first three months of fiscal year 2020.
5. For the first three months of fiscal year 2021, patient encounters were 81,806, compared with 88,628 for the first three months of fiscal year 2020.
6. Total number of Visalia Medical Clinic physicians on November 1, 2020 is 46, compared to 47 physicians one year ago – with 2 more physicians already committed to join the clinic in 2021.
7. Total number of Visalia Medical Clinic providers on November 1, 2020 is 64, compared to 63 providers one year ago.
8. Fiscal year 2020 was heavily impacted by the COVID-19 pandemic, beginning in March 2020. KDMF was meeting its budget projections through February 2020. KDMF ended fiscal year 2020 in June with a net investment of \$10,465,079 – with a budgeted net investment for fiscal year 2020 of \$8,505,737. This variance was largely driven by lost volume and its associated revenue. At its worst point, volumes at KDMF dropped to 50% of weekly averages. By June 2020 volumes had partially recovered and were running approximately 15% below normal.

Policy, Strategic or Tactical Issues

The Kaweah Delta Medical Foundation (KDMF) was established just over 5 years ago by KDHCD to provide a mechanism for KDHCD and VMC to work collaboratively in the provision of health care services. Accordingly, both parties entered into a 10-year Professional Services Agreement (PSA), which will be renegotiated or terminated in November of 2025. Subject to California's Corporate Practice of Medicine Laws, KDMF is one of 14 medical foundations that currently exist in California. Just under two-thirds of California medical foundations are investing more annually, as a percent of the respective medical foundation's net revenue, than KDHCD is currently investing in KDMF, with Adventist Health investing the most in its medical foundation than any other medical foundation in the State.

The primary purpose of KDMF is to establish a vehicle through which KDHCD and VMC are able to work collaboratively to ensure better continuity of patient care from initial office visit, to inpatient and outpatient services – including surgery, to home health and hospice services (and everything in between). The two driving goals in forming KDMF (to strengthen physician alignment with KDHCD and to enhance physician recruitment) have not yet been fully achieved.

For the first three months of fiscal year 2021, notwithstanding the global pandemic, KDMF has accelerated improvement beyond any other period since its inception.

1. Financial performance is better than budget by \$290,382 through the first quarter of fiscal year 2021.
2. KDMF leadership has done a tremendous job of managing expenses and staff productivity throughout the COVID-19 pandemic, which has played a key role in our ability to meet our budget despite reduced volumes.
3. Hospital/physician collaboration within KDMF appears to be improving.
4. VMC has added 2 providers (and lost 2 providers), since January 1, 2020.

Hospital/Physician Collaboration

A successful strategic planning session was held August 29, 2020, at which KDMF reaffirmed its prior adoption of the new Mission, Vision, and Pillars of KDHCD. Five strategic initiatives were agreed upon: (1) Operational Efficiency, (2) Kaweah Care Culture, (3) Strategic Growth, (4) Innovation, and (5) Integration. Three strategies/tactics under each strategic initiative were identified. Champions for each of the five strategic initiatives were identified, including Malinda Tupper, KDHCD CFO; Dianne Cox, KDHCD VP Human Resources; Paul Schofield, KDMF CEO; Ralph Kingsford, M.D., Executive Director VMC; and Ben Brennan, M.D., Joint Operating Committee member. Progress continues in each of these areas.

Growth

The number of Visalia Medical Clinic providers on November 1, 2020 was 64, compared with 63 providers a year ago.

Financial Performance (see financial data section above).

Recommendations/Next Steps

1. Continue implementation of the Strategies/Tactics identified in the 2020 Strategic Planning Process under each of the 5 Strategic Initiatives.
2. Continue implementation of the recommendations from the ECG report, as agreed to by the KDMF Board of Directors, including but not limited to the following:
 - a. Implementation of a referral management process that maximizes “in-house” referrals.
 - b. Renegotiation of commercial payer contracts to achieve rates at the 75th percentile.
 - c. Increase the efficiency of the revenue cycle by submitting clean claims, which will reduce days in accounts receivable.
 - d. Continue evaluation to better align ancillary services.
 - e. Invite other physician groups into KDMF, including hospital-based groups.
 - f. In conjunction with KDHCDC, develop an ASC joint venture opportunity.
3. Successfully adjust the physician compensation model by the end of fiscal year 2021, as outlined in the PSA.

Approvals/Conclusions

KDMF will focus on the following in the coming year:

1. Operate the Medical Foundation to exceed budget expectations.
2. Accelerate the recruitment of physicians into KDMF based on community need.
3. Look for additional opportunities for operational alignment to drive down cost in the future, as we have done this past year in the areas of Lab, IT, and management of physician benefits.
4. Focus on the implementation of Strategies/Tactics from the 5 Strategic Planning Initiatives, and the ECG recommendations.
5. Continue to support KDHCDC in its development of a Rural Health Clinic in the City of Tulare.
6. Continue to support KDHCDC Rural Health Clinics and the new FQHC by supplying specialists as needed/available.
7. Identify geographic areas outside of Visalia in which to expand.

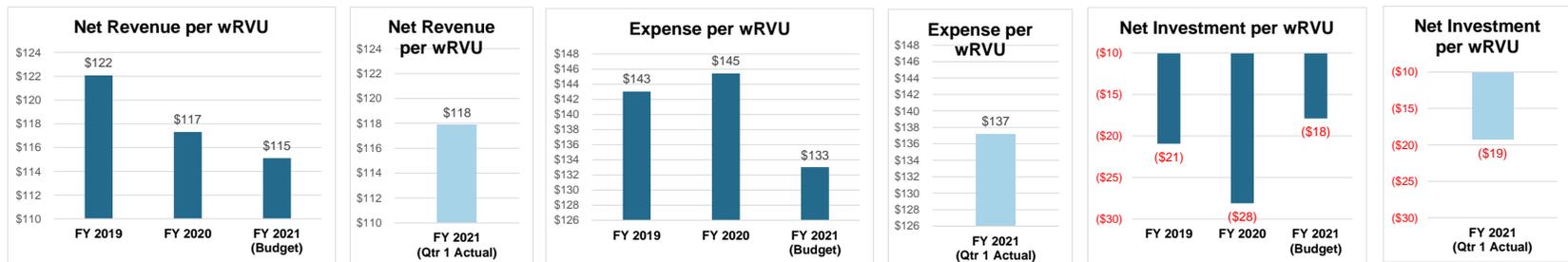
KEY METRICS - FY 2021 (BUDGET)



METRICS SUMMARY - 3 YEAR TREND

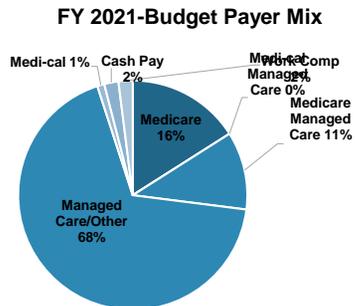
METRIC	FY 2019	FY 2020	FY 2021 (Budget)	%CHANGE FROM PRIOR YR	3 YR TREND	FY 2021 (Qtr 1 Actual)	FY 2021 (Qtr 1 Budget)	Variance
Work RVUs (wRVUs)	367,674	372,369	440,247	▲ 18%		97,417	109,248	(11,831)
Net Revenue	\$44,883,063	\$43,684,285	\$50,676,563	▲ 16%		\$11,482,997	\$12,615,885	(\$1,132,888)
Total Expenses	\$52,583,954	\$54,149,364	\$58,555,575	▲ 8%		\$13,366,172	\$14,789,442	(\$1,423,269)
Net Income (Investment)	(\$7,700,891)	(\$10,465,079)	(\$7,879,012)	‡ 25%		(\$1,883,175)	(\$2,173,557)	\$290,382
Net Revenue per wRVU	\$122	\$117	\$115	-2%		\$118	\$115	\$2
Expense per wRVU	\$143	\$145	\$133	-9%		\$137	\$135	\$2
Net Investment per wRVU	(\$21)	(\$28)	(\$18)	36%		(\$19)	(\$20)	\$1

PER wRVU TRENDED GRAPHS



PAYER MIX - 3 YEAR TREND

PAYER	FY 2019	FY 2020	FY 2021-Budget
Medicare	23%	16%	16%
Medi-cal Managed Care	0%	0%	0%
Medicare Managed Care	6%	11%	11%
Managed Care/Other	68%	68%	68%
Medi-cal	0%	1%	1%
Cash Pay	1%	2%	2%
Work Comp	2%	2%	2%



2015B Revenue Bond Projects
STATUS REPORT 11/4/2020

		Approved Budget			Budget Status		Schedule			
CIP	PROJECT	Revenue Bond 2015B Funding	Additional Funding*	TOTAL Combined Funding	Spent as of Nov 4, 2020	REMAINING BUDGET	Current Status	Construction Start	Anticipated Construction Completion	Anticipated Occupancy *CDPH approval*
185	ED Expansion: Zone 5 24-Bed Addition	\$ 32,800,000	\$ 40,000	\$ 32,840,000	\$ 26,901,663	\$ 5,938,337	Construction Phase	July 2018	April 2021	June 2021
	ED Expansion: Zone 4						COMPLETED / OCCUPIED	April 2018	April 10, 2020	May 2020
	ED Expansion: Fast Track & Lab Draw						COMPLETED / OCCUPIED	Sep 5, 2017	July 2019	August 2019
126	AW 5th Flr Med-Surg	\$ 22,000,000	\$ 1,100,000	\$ 23,100,000	\$ 16,993,037	\$ 6,106,963	COMPLETED / OCCUPIED	Dec 2017	April 24, 2020	May 2020
	AW 6th Flr NICU						COMPLETED / OCCUPIED	Dec 2017	April 24, 2020	May 2020
137	Exeter Campus Modular Clinic and Admin Bldgs.	\$ 6,100,000	\$ 400,000	\$ 6,500,000	\$ 6,497,421	\$ 2,579	COMPLETED / OCCUPIED	Feb 20, 2017	Completed May 2018	Occupied August 2018
167	Creek Parking Addition	\$ 450,000		\$ 450,000	\$ 450,000	\$ -	COMPLETED / OCCUPIED	Feb 2016		May 2016
192	Acequia 2nd Floor OB C-Section	\$ 6,500,000		\$ 6,500,000	\$ 4,066,784	\$ 2,433,216	COMPLETED / OCCUPIED	April 10, 2017	Completed October 4 2018	December 2018
193	Northside Urgent Care Center	\$ 4,000,000		\$ 4,000,000	\$ 4,000,000	\$ -	COMPLETED / OCCUPIED	June 5, 2017	Completed May 2018	Occupied August 2018
226	Cerner Implementation	\$ 28,150,000		\$ 28,150,000	\$ 28,150,000	\$ -	COMPLETED	N/A	Completed May 2018	May 2018
TOTALS		\$ 100,000,000	\$ 1,540,000	\$ 101,540,000	\$ 87,058,905	\$ 14,481,095				

Spent to date= 86%

NOTES on the ED Expansion 24-Bed Addition: Attached budget status review and change orders summary.

**CIP 185 EMERGENCY DEPT ADDITION - CONSTRUCTION BUDGET REVIEW
AS OF NOVEMBER 4, 2020**

Original Scope of Work :

- 1) New construction
 - 24 beds, waiting room registration area, security vestibule
 - decontamination shower and IT room in the ambulance bay area
 - new parking lot lay-out
 - underground 72-hour emergency water and sewage holding

- 2) Remodel
 - conversion of old ED lobby to new intake and triage rooms

Architect of Record: RBB Architects
 Contractor: Zumwalt Construction Inc
 Original completion: May 12, 2020 660 calendar days
Extended completion: April 2021 (building) additional 355 calendar days
 August 2021 (remaining parking lot, sitework)

PROJECTED TOTAL CONSTRUCTION CONTRACT COST

Original contract:		\$ 15,837,000	
Change Orders to date:		\$ 5,050,587	
Approved scope change:	\$ 3,608,794		
Approved extended overhead:	\$ 1,267,664		
Pending approval:	\$ 174,129		
	Total Cost to date =	\$ 20,887,587	
Allowance for future contingencies		\$ 520,000	
<u>TOTAL CONTRACT COST AT COMPLETION =</u>		\$ 21,407,587	<i>35.17% of contract</i>

TOTAL PAID THRU OCTOBER 31, 2020 = \$ 16,584,201

REMAINING PAYABLE THRU COMPLETION= \$ 4,823,386

CONSTRUCTION BUDGET STATUS

ORIGINAL CONSTRUCTION BUDGET			
1165 Construction contract		\$ 16,400,000	
1440 Construction contingency		\$ 2,970,000	
	TOTAL BUDGET=	\$ 19,370,000	

TOTAL PAID THRU OCTOBER 31, 2020 = \$ 16,584,201

REMAINING BUDGET THRU COMPLETION \$ 2,785,799

① ANTICIPATED CONSTRUCTION BUDGET SHORTFALL \$ 2,037,587 *10.52%
of construction budget*

CONSULTANTS' ADDITIONAL FEES DUE TO EXTENDED CONSTRUCTION

Architect-Engineer construction administration (CA) services - RBB	\$	312,301	<i>approved</i>
(Original CA fee = \$ 419,004)	\$	180,510	<i>in review</i>

Construction management (CM) services (Provost & Pritchard)	\$	112,500	<i>approved</i>
(Original CM fee = \$ 429,585)			

Allowance for additional extended fees past March 2021	\$	200,000	
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TOTAL =	\$	805,311	
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<u>REMAINING BUDGET THRU COMPLETION</u>	\$	284,487	
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<u>② ANTICIPATED CONSULTANT FEE BUDGET SHORTFALL</u>	\$	520,824	
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<u>① + ② TOTAL ANTICIPATED SHORTFALL</u>	\$	2,558,411	
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LESS POTENTIAL SURPLUS FROM PROJECT'S SOFT COST BUDGET	\$	1,000,000	
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<u>REQUIRED SUPPLEMENTAL FUNDING:</u>	\$	1,558,411	<i>8.05%</i>
			<i>of construction budget</i>
			<i>4.75%</i>
			<i>of \$32.8M project budget</i>

CIP 185 EMERGENCY DEPT ADDITION - CHANGE ORDERS STATUS**AS OF NOVEMBER 4, 2020****APPROVED CHANGE ORDERS TO DATE****Owner scope changes**

PCO 01	Change to Trane Chillers	\$	189,187
PCO 03	Add pneumatic tube system	\$	80,121
PCO 24.5	Refurbish of basement east section due to skylight removal	\$	173,461
PCO 79	Change medical gas outlets to mathc hospital standard	\$	15,583
PCO 113	Change to acrovyn interior doors	\$	32,515
PCO 117	Provide built-up roofing at transition to repaired roof at existing ED.	\$	3,850
PCO 126	Replace asphalt paving in porion of parking lot that was not in original scope	\$	29,641
		\$	524,358

OSHPD-required scope changes

PCO 38.2	Reverse-osmosis booster pump with enclosure (material)	\$	643,668
PCO 38.3	Booster pump relocation and installation (labor)	\$	372,263
PCO 57	Pedestrian protective construction tunnel	\$	87,136
	PCO 57D - T & M additional work	\$	12,359
PCO 101	Upgrade stairwell window wall to 2-hr shaft wall	\$	105,198
PCO 60	Upgrade non-rated wall between Data Rm and stairwell	\$	8,595
PCO 92	Provide bracing and strong backs to framing	\$	9,033
PCO 108	ACD 0070 revise fire alarm plans per OSHPD FLSO	\$	27,200
PCO 115.1	Relocate the emergency oxgen supply connection for Acequia Tower	\$	150,825
	Additional scope design fee	\$	104,780
PCO 130	Fire-rated wall addition to Acequia stairwell wall	\$	80,000
		\$	1,601,057

Scope changes due to existing conditions

18 PCOs	Miscellaneous unforeseen underground conditions	\$	258,632
15 PCOs	Miscellaneous existing site and building conditions	\$	147,965
PCO 67	Relocation of existing medical gas alarm panel	\$	37,165
PCO 71.2	Fire alarm demolition 3C	\$	15,331
PCO 85	Rated wall replacement (ED Zone 1 existing wall)	\$	158,986
CIP 294	Existing ED roof deck replacement	\$	235,992
PCO 84	MEP conflict with fire barrier wall	\$	10,459
PCO 89	Re-routing of existing sewer line	\$	12,847
PCO 103.1	Rework plumbing loops	\$	64,900
PCO 114.1	Provide an emergency oxgen supply connection for Mineral King wing	\$	159,720
	Additional scope design fee (included in PCO 115.1)	\$	-
PCO 76.1	Rm 1517 upgrade / ACD 058	\$	27,868
		\$	1,129,866

Scope changes due to design coordination, constructibility, missed details

	Miscellaneous change orders	\$	51,205
PCO 97.1	5x3x1/4 angles/ IB04	\$	27,592
PCO 106	ACD 0039 add fire sprinklers, reroute sprinkler lines	\$	5,600
PCO 107	ACD 0063 support for rooftop VFDs	\$	59,057
PCO 68	Add bent plates at clerestory framing	\$	28,248
PCO 110.1	Storefront glass doors revised to 8-feet height; door hardware changes	\$	79,115

CIP 185 EMERGENCY DEPT ADDITION - CHANGE ORDERS STATUS**AS OF NOVEMBER 4, 2020**

PCO 111	IB 004 NMA	\$	2,741
PCO 112	RFI 375 Changes to roof cap cover	\$	10,588
PCO 129-145	Miscellaneous new change orders	\$	68,545
PCO 147	Upgrade exam room trims	\$	20,822
		\$	353,513
		APPROVED SCOPE CHANGES TOTAL =	\$ 3,608,794

Contractor extended overhead and profit claims thru 3-27-2021 (approved)

PCO 61.2	TIA #1 General contractor extended field costs thru 3-27-2021	\$	624,624
PCO 62 (.2 & .3)	TIA #1 General contractor extended overhead thru 3-27-2021	\$	190,686
PCO 72.1	TIA #1 Subcontractors' extended costs thru 3-27-2021	\$	452,354
		APPROVED EXTENDED OVERHEAD TOTAL =	\$ 1,267,664

APPROVED CHANGE ORDERS TOTAL = \$ 4,876,458

PENDING CHANGE ORDERS TO DATE (IN REVIEW)**Scope changes due to existing conditions, constructibility and design coordination**

Various PCOs	PCO 119, 120, 121	\$	74,129
Pricing TBD	PCO 57F, 96, 123, 124, 125, 128, 134, 136	\$	100,000
		PENDING CHANGE ORDERS TOTAL =	\$ 174,129

GRAND TOTAL TO DATE = \$ 5,050,587

ALLOWANCE FOR FUTURE CONTINGENCIES**Allowance for unknown additional change orders thru completion**

	Allowance for existing conditions and scope changes	\$	200,000
	Allowance for extended field and overhead costs (60 days)	\$	320,000
		TOTAL ALLOWANCE FOR CONTINGENCIES =	\$ 520,000

CIP 185 EMERGENCY DEPT ADDITION - CHANGE ORDERS STATUS

AS OF NOVEMBER 4, 2020

STATUS OF SOFT COSTS BUDGET

As of November 4, 2020

Budget line		Budget	Remaining	Potential surplus	Notes
18501-1175	Project manager	\$ 545,000	\$ 98,724		
18501-1415	Architect / engineer	\$ 2,442,000	\$ 169,487		
18501-1405	Architect reimbursibles	\$ 150,000	\$ 76,434		
18501-1420	Interior design	\$ 70,000	\$ 1		
18503-1200	Agencies , OSHPD fees	\$ 549,000	\$ 205,447		
18503-1285	OSHPD inspection fees	\$ 482,405	\$ 89,631		
18503-1295	Materials testing	\$ 294,961	\$ 50,710		
18503-1450	Owner's cost contingencies	\$ 790,032	\$ 172,321		
18504-1330	IT / Telecom	\$ 550,000	\$ 232,149		
18504-2300	Medical /movable equipment	\$ 3,435,000	\$ 1,908,243	\$ 1,000,000	
18504-2400	Furnishings	\$ 232,000	\$ 115,235		
	Totals =	\$ 9,540,398	\$ 3,118,382	\$ 1,000,000	