

 Presentation to Pajaro Valley Health Care District Board

Summary of Activities and Workstream Progress-to-Date

What Has Been Done and Where We Are Going – The Path Forward

Bankruptcy Proceedings

Close End July



The District and it's Constituents (the "District") transition teams and hospital management work together to setup newly transitioned entity



High-Level activities already completed

- Successfully won the bid for acquisition
- Worked out CBA and benefits
- Asset sale order entered by the court
- Identified a set of turnaround measures
- Hired managed care negotiation contractor
- Formed a team to examine physician on-call contracts
- Developed placeholder plan to lease unoccupied acute care capacity
- Hired certain internal senior management positions
- Initiated rebidding of shifts in isolated departments for staffing efficiencies

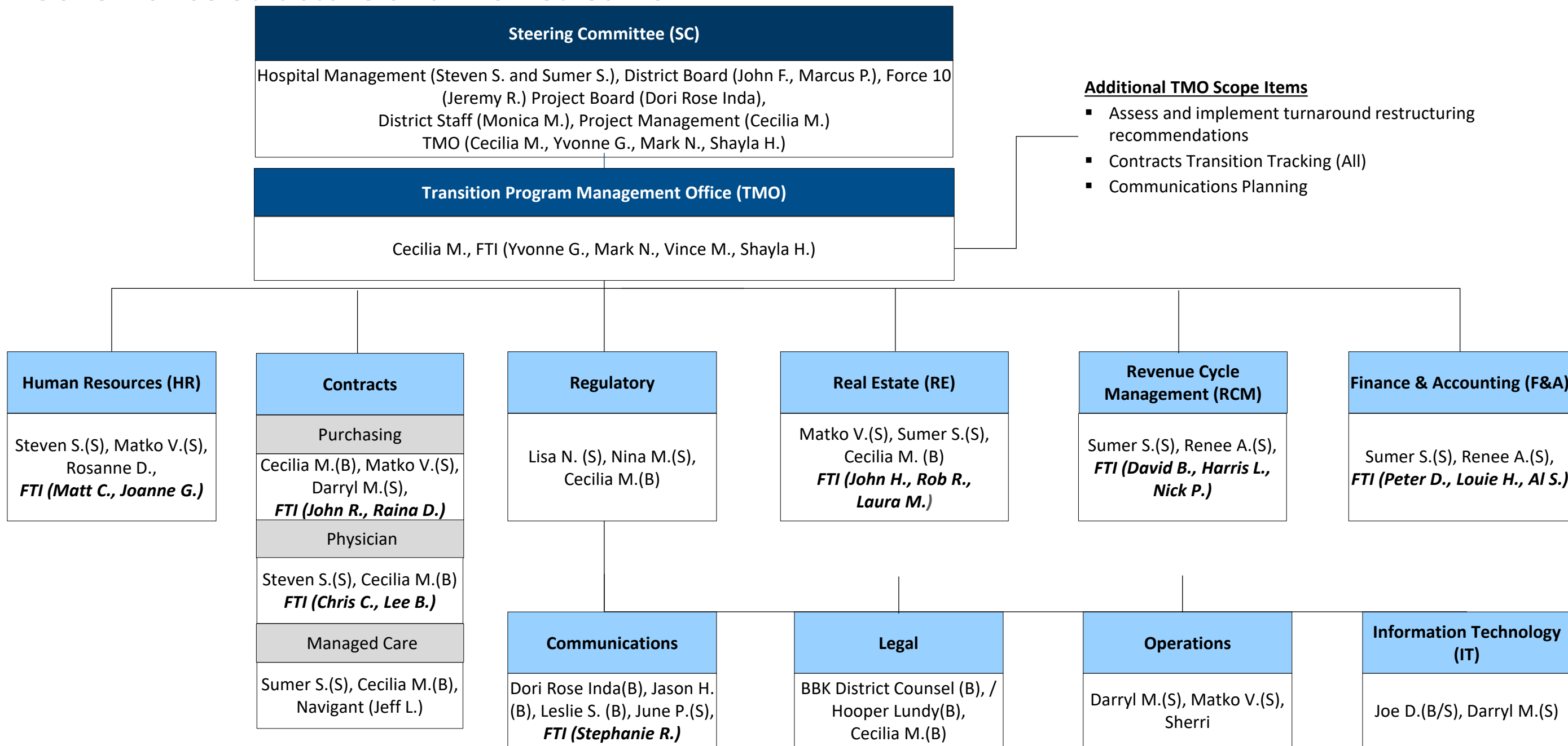
Completed

High-Level activities to be completed during the Transition

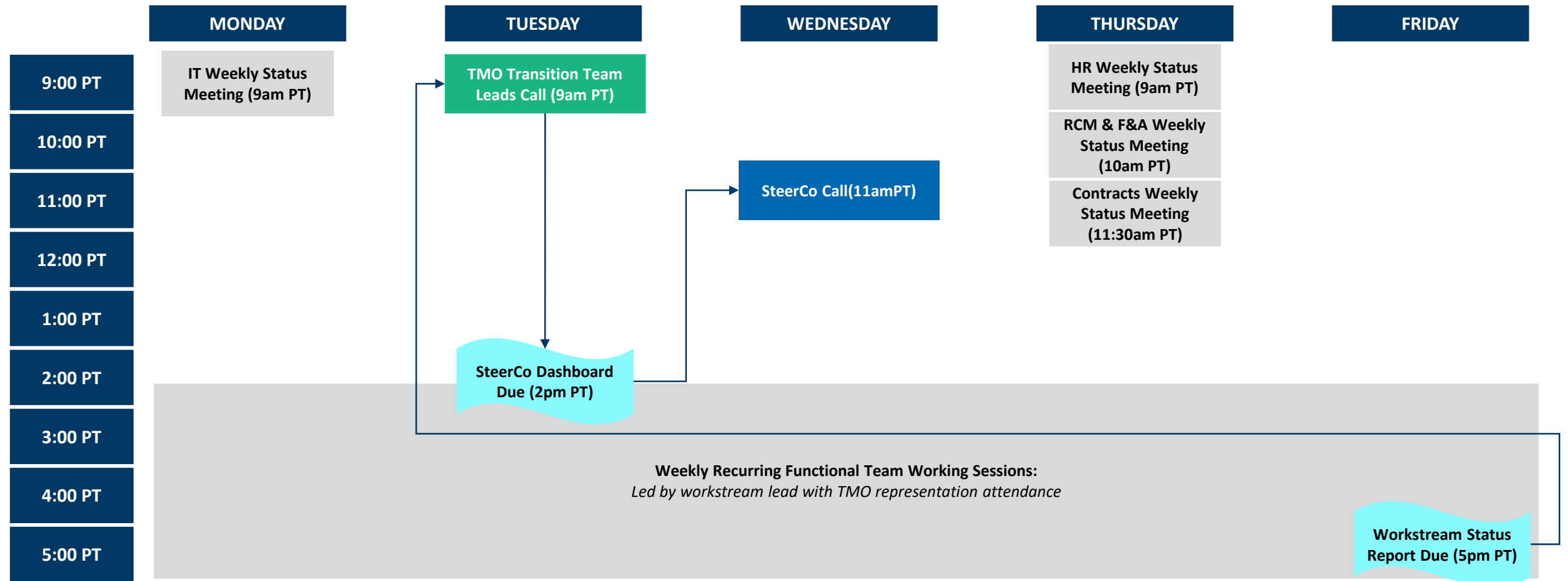
- Determine operating requirements and critical path
- Defining and communicating the guiding principles and requirements
- Developing a cross-functional critical path to focus on a timely and efficient Closing process to operate under the new LE
- Make final decisions on contracts and transition/renegeotiate where applicable
- Filing any existing operating gaps (HR, F&A, etc.)
- Implement transition decisions and plans
- Seek board approval for turnaround measures

In Progress

Governance Structure and Workstreams



Project / District Meeting Cadence



Legend:

- Documents / Information
- District TMO Led Meetings
- Functional Workstream Led Meetings
- District SteerCo Led Meetings
- Ad Hoc Functional | Cross-Functional Meeting








TMO Transition Deliverables and Due Dates

	Scoping		Current State Assessment		Interim State		Implementation Plan
	Scope Summary & Support Requirements	Project Team Charter	Documentation of Initial Findings	Final Findings & Initial Operating Model Recommendations	Day 1 Operating Model	Initial Critical Path Milestones & Recommendations w/ One-Time Cost Estimates	Workplan to Close
Workstreams	April 19 th	April 21 st	May 5 th	May 12 th	May 19 th	May 26 th	June 3 rd
Communications	●	●	●	●	●	●	●
F&A	●	●	●	●	●	●	●
HR	●	●	●	●	●	●	●
Physician Agreements	●	●	●	●	●	●	●
Purchasing	●	●	●	●	●	●	●
RCM	●	●	●	●	●	●	●
Real Estate	●	●	●	●	N/A	N/A	N/A
TMO	●	●	●	●	●	●	●
IT	●	●				●	●
Managed Care Solutions	●	●				●	●
Regulatory/Legal	●	●				●	●







Legend:

- Complete
- On Track
- At Risk
- Behind Schedule
- Not Started
- Connect with Client

Current State Executive Summary

 Communications	<ul style="list-style-type: none"> • Need for clear alignment on roles and responsibilities as well as review and approval process for various types of communications materials • While there are existing processes in place, it would be beneficial to outline them to drive efficiency and ensure alignment across key parties • Need for a centralized and shared repository where communicators have access to the latest approved messaging and (in the future) a go-forward Communications Project Plan
 Finance & Accounting	<ul style="list-style-type: none"> • Gap in organization to complete Treasury/ Cash Management and Planning & Budgeting activities (i.e., FP&A Manager) • Lack of rigor around month-end close (i.e., GL left open) • Outdated F&A policies, procedures, and limited controls • Critical need for dynamic budget and management reporting/ board reporting package
 Human Resources	<ul style="list-style-type: none"> • ADP contract is critical to Day 1 business continuity • Many HR processes are highly manual – need to take advantage of more ADP capabilities to increase automation • HR policies have not been updated since 2018
 Physician Agreements	<ul style="list-style-type: none"> • Reviewed On-Call and Professional Services contracts for in-scope physicians and determined several areas for improvement and pro-forma for ICU and hospitalist groups provided by groups (this data did not include collections) • No direct way to pull collections numbers by specialty; advised to utilize market rates to make physician compensation determination and blended benchmarks to determine FMV for each on-call specialty
 Purchasing	<ul style="list-style-type: none"> • 1.5 FTEs in the purchasing department perform requisition, PO and approval management processes • The Chief Operating Officer approves all payment of invoices that are submitted to the entity by vendors that provide services and supplies • PVHDH currently hosts Value Analysis Team (VAT) aka “Products Committee” meetings to evaluate product conversions • Quarterly Business Reviews are provided by key vendors and reports are given to PVHDH
 RCM	<ul style="list-style-type: none"> • Discharge/Readmit in-house patients on Day 1 process has not yet been developed • All other billing processes will remain on Day 1 for charge entry and billing on Day 1 • No current SOP for Price Transparency and No Surprises Act • Managed Care Contracts require updating to reflect new entity information for commercial and government payers
 Real Estate	<ul style="list-style-type: none"> • Vendor contract terms must be minded to ensure there is no Day 1 interruption of essential services • Lease administration and tracking is currently minimal/out-of-date and represents an opportunity for improvement

Day 1 State Executive Summary

 Communications	<ul style="list-style-type: none"> The Hospital will take the lead on communications planning and execution after Day 1 Aiming for a centralized repository for the Communications Working Group to house communications materials and assets
 Finance & Accounting	<ul style="list-style-type: none"> Hire 1 FP&A/Treasury Manager to manage hospital financial plan, including annual budget, develop a rolling 13-week cash forecasting, and perform treasury and banking responsibilities. Be prepared to hire external surge resource if this hire cannot be completed and onboarded before close Design chart of accounts (CoA) and setup company code structure compliant with non-profit entity requirements – Need to work with Medhost on CoA setup Outstanding legal counsel questions, which may impact Day 1 operating model, to be resolved include: <ul style="list-style-type: none"> 1206D transition – need to determine if this conversion will impact physicians being on hospital payroll, MSAs, and/or bank accounts to devise day 1 strategy Section 501(c)3 approval pending
 Human Resources	<ul style="list-style-type: none"> Hire temporary workers to assist with transition and post close activities Increase ADP feature usage including employee access to personal information, attestation feature, and test system as well as to drive general electronic record keeping adoption
 Physician Agreements	<ul style="list-style-type: none"> Expand the development and review of the physician contracting process to include; a Physician Compensation Committee, internal and/or external counsel, CFO and/or CEO, physician contract analyst, and other healthcare operations personnel (specialty leads) Establish internal guidelines for all physician contracts, contract renewals, and internal thresholds related to physician compensation by specialty. Engage in a MSA with a third-party valuation firm to provide opinions related to any new and/or renewal physician arrangement that is above the internal threshold Implement a formal physician contract management tool to track existing agreements, including key terms and conditions, and provide metrics to monitor
 Purchasing	<ul style="list-style-type: none"> No significant changes are recommended in Day 1 operating model
 RCM	<ul style="list-style-type: none"> Replace Prospect resources with newly hired in-house staff (i.e. RCM Director, CDI, and OR Scheduler from Prospect) Discharge/readmission from old entity to new entity on Day 1 for in-house patients Update all existing systems, reports, and Managed Care Contracts updated with pertinent new entity information Elevate will be taking over future Self Pay statements from Guidehouse; CMRE Early Out Bad Debt will be live for new entity Establish a vendor management committee to review vendor performance Develop charge and cash posting reports to monitor billing/cash continuity on Day 1

All Workstreams | Critical Path Milestones

Milestones	START	END	May 2022					June 2022				July 2022					Aug 2022			
			1	8	15	22	29	5	12	19	26	3	10	17	24	31	7	14	21	28
Communications																				
Map out and align on roles and responsibilities within the Communications Working Group as well as review and approval process	5/2/22	5/20/22																		
Determine channels to reach each stakeholder group moving forward	5/2/22	5/20/22																		
Create Communications Inventory to outline in-flight and upcoming communications milestones and corresponding actions	5/23/22	7/1/22																		
Develop Close Communications Plan, inclusive of a list of necessary materials for each stakeholder group as well as a timeline for the development and rollout of materials	5/23/22	7/31/22																		
Develop and align on go-forward Key Messages	5/27/22	6/17/22																		
Partner with functional teams to understand and map out any near-term change impacts with communications implications	6/6/22	7/1/22																		
Develop stakeholder communications materials for Close as outlined in the Close Communications Plan	6/20/22	7/31/22																		
Finance & Accounting																				
Establish and/or novate new and existing bank accounts to receive and disburse payments	5/16/22	7/31/22																		
Establish Day 1 Financial Reporting structure	5/16/22	7/31/22																		
Set up fully approved budget for Day 1 FP&A analysis to support financial decision making	6/7/22	7/31/22																		
Coordinate with all F&A and service vendor contracts (e.g., MedHost, ADP, MarshMcLennan) new legal entity/ operating structure to ensure transaction and services will be provided on Day 1	7/1/22	7/31/22																		
Human Resources																				
HR Organization Structure - define all roles and responsibilities	6/1/22	6/15/22																		
Employment Transition - determine all legal and logistical aspects	4/20/22	8/15/22																		
Retirement - 401(k), Cash Balance (DB Plan), Post-Retirement Medical ("OPEB")	5/24/22	7/31/22																		
Health & Welfare - Buyer to sign broker of record with Marsh	5/24/22	7/31/22																		
Payroll / HRIS /Advanced time - Need to update with ADP	5/25/2022	8/15/22																		
Day One Communications Plan - Develop key transition messages	6/4/22	7/30/22																		
Workforce Planning (Enterprise Wide) - Review open position / determine candidate & pipeline hand off strategy	6/1/22	7/15/22																		
Physician Agreements																				
Review all physician agreements	5/2/22	7/9/22																		
Provide FMV assessment for all arrangements entered by Watsonville	5/2/22	7/9/22																		
Discuss results of FMV analysis with Watsonville representatives, including indication of arrangements that should be targeted for re-negotiation due to compensation significantly above FMV	5/2/22	7/9/22																		
BBK to review and approve all physician contracts (contracts with conflicted entities, etc.)	TBD	TBD																		
Communicate physician contracting strategy to relevant individuals, including best practices in the market and a desired end state from a compliance perspective	5/2/22	7/9/22																		
Purchasing																				
Make decision on renewal or termination of all contracts by workstream and pay cure amounts	5/2/22	7/31/22																		
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Review options, facilitate vendor calls, and finalize and sign supply distributor	7/5/22	7/31/22																		
Review options, facilitate vendor calls, and finalize and sign pharmacy distributor	7/5/22	7/31/22																		
Revenue Cycle Management																				
Successful generation of new hospital charges	5/4/22	8/1/22																		
Successful vendor operations on Day 1 for AR management and cash posting	5/4/22	7/15/22																		
Replace RCM interim management with in-house resources	5/4/22	8/1/22																		
Real Estate																				
Prepare summary of Day 1 lease contract transfer requirements	5/5/22	8/1/22																		
Ensure continuity of coverage of RE&F vendor contracts for Day 1	5/15/22	8/1/22																		



Overview by Workstream



Workstream Overview | Communications

CURRENT STATE

- Need for clear alignment on roles and responsibilities as well as review and approval process for various types of communications materials
- While there are existing processes in place, it would be beneficial to outline them to drive efficiency and ensure alignment across key parties
- Need for a centralized and shared repository where communicators have access to the latest approved messaging and (in the future) a go-forward Communications Project Plan

DAY 1 STATE

- The Hospital will take the lead on communications planning and execution after Day 1
- Aiming for a centralized repository for the Communications Working Group to house communications materials and assets

RAID ITEMS

- n/a

CRITICAL PATH MILESTONES

Milestones	START	END	May 2022					June 2022				July 2022					Aug 2022			
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Workstream Overview | Finance & Accounting

CURRENT STATE

- Gap in organization to complete Treasury/ Cash Management and Planning & Budgeting activities (i.e., FP&A Manager)
- Lack of rigor around month-end close (i.e., GL left open)
- Outdated F&A policies, procedures, and limited controls
- Critical need for dynamic budget and management reporting/ board reporting package

DAY 1 STATE

- Hire 1 FP&A/Treasury Manager to manage hospital financial plan, including annual budget, develop a rolling 13-week cash forecasting, and perform treasury and banking responsibilities. Be prepared to hire external surge resource if this hire cannot be completed and onboarded before close
- Design chart of accounts (CoA) and setup company code structure compliant with non-profit entity requirements – Need to work with Medhost on CoA setup
- Outstanding legal counsel questions, which may impact Day 1 operating model, to be resolved include:
 - 1206D transition – need to determine if this conversion will impact physicians being on hospital payroll, MSAs, and/or bank accounts to devise day 1 strategy
 - Section 501(c)3 approval pending

RAID ITEMS

- **(ACTION) Review Medhost Capabilities:** Team met with Joe Deluca on Fri. 5/20. A prep meeting is setup for Wed. 5/25 in advance of a meeting with Julia (account manager at Medhost)
- **(ACTION) Financial Plan/ Budget:** Sumer has requested a call with Kaufman Hall to better understand improvement initiatives
- **(ISSUE) 1206D Conversion:** Team needs legal counsel help understand impact
- **(RISK) Bank Accounts:** Initiate bank account opening and/or determine lead time required for bank account novation to PVHDH
- **(ISSUE) Management Legal Entity:** Determine process / method to account for costs of delivery related to providing service under the Management Service Agreement

CRITICAL PATH MILESTONES

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Legend*: ● On Track ● At Risk ● Behind Schedule ● Complete ● Not Started

*Based on recommendations being completed by 7/31



Workstream Overview | Human Resources

CURRENT STATE

- ADP contract is critical to Day 1 business continuity
- Many HR processes are highly manual – need to take advantage of more ADP capabilities to increase automation
- HR policies have not been updated since 2018

DAY 1 STATE

- Hire temporary workers to assist with transition and post close activities
- Increase ADP feature usage including employee access to personal information, attestation feature, and test system as well as to drive general electronic record keeping adoption

RAID ITEMS

- (RISK) Union Planning:** Determine if any implications with Unions if 403b is not setup on Day 1 (retro-active match may be possible)
- (RISK) Onboarding:** Watsonville CHRO will not be onboard until 6/13/2022
- (RISK) HR 30+ Contracts:** Need to review, assign, or create new to cover the existing HR contracts in place today by no later than 6/1/2022"
- (RISK) 401k to 403b Plans for Day 1:** Work with legal to understand if new 403(b) plan required to replace the current 401(k) plan, and implementation timeline
- (RISK) TSA:** Need to determine if we can do a TSA by no later than 6/1/2022. As ADP lead time for payroll is 8 /12 weeks and 20/ 24 weeks for time and attendance this will not meet 8/31/2022 close date requirement.
- (RISK) ADP Contract:** If required (TBD), delay in new ADP contract (signing after June 1) will impact employee transition Day 1

CRITICAL PATH MILESTONES

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Legend*: ● On Track ● At Risk ● Behind Schedule ● Complete ● Not Started

*Based on recommendations being completed by 7/31



Workstream Overview | Physician Agreements

CURRENT STATE

- Reviewed On-Call and Professional Services contracts for in-scope physicians and determined several areas for improvement and pro-forma for ICU and hospitalist groups provided by groups (this data did not include collections)
- No direct way to pull collections numbers by specialty; advised to utilize market rates to make physician compensation determination and blended benchmarks to determine FMV for each on-call specialty

DAY 1 STATE

- Expand the development and review of the physician contracting process to include; a Physician Compensation Committee, internal and/or external counsel, CFO and/or CEO, physician contract analyst, and other healthcare operations personnel (specialty leads)
- Establish internal guidelines for all physician contracts, contract renewals, and internal thresholds related to physician compensation by specialty.
- Engage in a MSA with a third-party valuation firm to provide opinions related to any new and/or renewal physician arrangement that is above the internal threshold
- Implement a formal physician contract management tool to track existing agreements, including key terms and conditions, and provide metrics to monitor

RAID ITEMS

- (RISK)** Physicians are potentially being compensated above market rates for call coverage arrangements - Performed analysis regarding FMV rates for call coverage arrangements entered into with various physicians and groups
- (ISSUE)** Locate outstanding contracts and/or amendments
- (ACTION)** Physician compensation strategy discussion with Cecilia Montalvo and Steven Salyer

CRITICAL PATH MILESTONES

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Legend*: ● On Track ● At Risk ● Behind Schedule ● Complete ● Not Started

*Based on recommendations being completed by 7/31



Workstream Overview | Purchasing

CURRENT STATE

- 1.5 FTEs in the purchasing department perform requisition, PO and approval management processes
- The Chief Operating Officer approves all payment of invoices that are submitted to the entity by vendors that provide services and supplies
- PVHDH currently hosts Value Analysis Team (VAT) aka “Products Committee” meetings to evaluate product conversions
- Quarterly Business Reviews are provided by key vendors and reports are given to PVHDH

DAY 1 STATE

- No significant changes are recommended in Day 1 operating model

RAID ITEMS

- (RISK) Contract Tracking Assignment** - Ownership of the contract tracking process established for all Workstreams
- (ACTION) Designated Contract Tracking Owner** - Need to assign a point person to track all developments in contract acceptance
- (DECISION) GPO Discussions** - Decision needed on whether to move forward with HPG, Negotiate a bridge agreement, or convert to another vendor

CRITICAL PATH MILESTONES

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Purchasing																				
Make decision on renewal or termination of all contracts by workstream and pay cure amounts	5/2/22	7/31/22																		
Review options, facilitate vendor calls, and finalize and sign GPO agreement	5/23/22	7/5/22																		
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Legend*: ● On Track ● At Risk ● Behind Schedule ● Complete ● Not Started

*Based on recommendations being completed by 7/31



Workstream Overview | Revenue Cycle Management

CURRENT STATE

- Discharge/Readmit in-house patients on Day 1 process has not yet been developed
- All other billing processes will remain on Day 1 for charge entry and billing on Day 1
- No current SOP for Price Transparency and No Surprises Act
- Managed Care Contracts require updating to reflect new entity information for commercial and government payers

DAY 1 STATE

- Replace Prospect resources with newly hired in-house staff (i.e. RCM Director, CDI, and OR Scheduler from Prospect)
- Discharge/readmission from old entity to new entity on Day 1 for in-house patients
- Update all existing systems, reports, and Managed Care Contracts updated with pertinent new entity information
- Elevate will be taking over future Self Pay statements from Guidehouse; CMRE Early Out Bad Debt will be live for new entity
- Establish a vendor management committee to review vendor performance
- Develop charge and cash posting reports to monitor billing/cash continuity on Day 1

RAID ITEMS

- (RISK)** All system access infrastructure in place for Day-1 Transition - IT
- (RISK)** Opportunity for improvement in regulatory compliance initiatives (No Surprises Act)
- (RISK)** Sunset / transition of Prospect relationship
- (RISK)** Evaluate Cliq contract for the credit card machines
- (ACTION)** Patient registration and migration for Day 1 transition
- (ACTION)** Creation of new entity NPI/Group/PTAN setup – RCM
- (ACTION)** Creation of TIN/new bank account and lockbox - F&A
- (ACTION)** Inventory of RCM related vendor contracts that need to be updated with new entity - Purchasing Contracts
- (ACTION)** Inventory of all commercial and government payor contracts to be updated with new entity - Purchasing Contracts
- (ACTION)** Catalog of RCM IT systems and updates required - IT
- (ACTION)** Contractor network and IT systems access - HR & IT
- (ACTION)** Updating insurance contracts and loading them into MedHost

CRITICAL PATH MILESTONES

Milestones	START	END	May 2022					June 2022				July 2022					Aug 2022			
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Successful generation of new hospital charges	5/4/22	8/1/22																		
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Replace RCM interim management with in-house resources	5/4/22	8/1/22																		

Legend*: ● On Track ● At Risk ● Behind Schedule ● Complete ● Not Started

*Based on recommendations being completed by 7/31



Workstream Overview | Real Estate

CURRENT STATE

- Vendor contract terms must be minded to ensure there is no Day 1 interruption of essential services
- Lease administration and tracking is currently minimal/out-of-date and represents an opportunity for improvement

DAY 1 STATE

- n/a

RAID ITEMS

- **(ISSUE)** Rapidly changing and inflationary real estate market; time is of the essence to act on opportunities
- **(ISSUE)** Potential for facility services (security, janitorial, maintenance, etc.) to be disrupted during the transition of ownership on Day 1 if 3rd party contracts are not assigned and/or renegotiated by Close

CRITICAL PATH MILESTONES

Milestones	START	END	May 2022					June 2022				July 2022					Aug 2022			
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Real Estate																				
Prepare summary of Day 1 lease contract transfer requirements	5/5/22	8/1/22																		
Ensure continuity of coverage of RE&F vendor contracts for Day 1	5/15/22	8/1/22																		

Legend*: ● On Track ● At Risk ● Behind Schedule ● Complete ● Not Started

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