

**HHC ACO INC.
MINUTES OF THE
BOARD OF DIRECTORS MEETING
April 15, 2019
125 Worth Street, 5th Floor
Board Room
New York City**

ATTENDEES

BOARD MEMBERS

Jeromane Berger-Gaskin
Dave Chokshi, M.D.
Andrea Cohen
David Gross
Gary Kalkut, M.D.
Mitchell Katz, M.D.
Luis Marcos, M.D.
Israel Rocha, Jr. (joined via video conference)
Warren Seigel, M.D.
John Ulberg

HHC STAFF

Nancy Barnicle
Shunsuke Ito
Michael Levitin
Stanislav Seleznyov
Lana Vardanian, M.D.
Joanna Weiner

CALL TO ORDER

The meeting of the Board of Directors of HHC ACO Inc. (the “Board”) was called to order by Mitchell Katz, M.D., Chair of the Board at 3:01 PM.

OLD BUSINESS

The Board unanimously voted to approve the minutes of the February 11, 2019 meeting without correction or modification.

NEW BUSINESS

Dr. Katz put forth **Resolution #201904-1**. A motion to allow for discussion was duly made and seconded. Hearing no comments, Dr. Katz called for a vote.

Resolution #201904-1 –Electing Gary Kalkut, M.D. to serve as Vice President of HHC ACO Inc. (the “ACO”), until his resignation or removal in accordance with the ACO’s By-Laws.

The Board voted to unanimously approve the resolution.

Dr. Vardanian, the ACO’s Chief Medical Officer, updated the Board on the Medicare Shared Savings Program (MSSP) application status and details. She explained that in December 2018, CMS redesigned the MSSP to include a contract that would run for a maximum of 5½ years (from July 1, 2019 through December 31, 2024). In this redesigned MSSP, CMS allowed ACOs to choose one of two tracks: the Basic Track and the Enhanced Track. In either track, the ACO would have to participate in a risk-based contract starting in 2021. Dr. Vardanian explained that the ACO chose to participate in the Enhanced Track (which requires risk-sharing from the beginning of the contract term) for the following reasons:

- It would allow the ACO to earn shared savings at the highest sharing rate of 75%.
- Based on conservative projections, the ACO is unlikely to lose money.
- The ACO would qualify as an Advanced Alternative Payment Model (APM), leading to an automatic 5% Medicare Part B revenue adjustment for all of its participants and relieve them from Merit-based Incentive Payment System (MIPS) reporting.

Dr. Kalkut asked if the 5% revenue adjustment would occur regardless of the performance by the ACO. Dr. Vardanian explained that the ACO will still be required to report on its quality metrics to CMS and achieve a satisfactory score to be eligible. Dr. Vardanian added that she expects the ACO’s quality score will remain at a level that will qualify participants.

Mr. Ulberg asked to clarify if the revenue adjustment applied only to the ACO’s attributed lives or to the entire revenue stream. Dr. Vardanian responded that it would apply to all participants’ Medicare Part B revenue.

Dr. Kalkut stated that during the previous Board meeting, the ACO projected an additional \$4 million in revenue due to the 5% Advanced APM incentive and asked if that is how much the ACO still anticipates. Dr. Chokshi, CEO of the ACO, responded that it is difficult to project due to unavailability of Medicare Part B revenue data from participants and that the previous estimate was a crude approximation.

Dr. Vardanian then explained that CMS requires that all ACOs participating in a two-sided risk model establish a Repayment Mechanism to secure against losses generated by the ACOs and:

- The Repayment Mechanism must be in place prior to July 1st, 2019 and remain in place for 12 months after the termination of the ACO’s agreement with CMS.
- CMS will calculate the required Repayment Mechanism amount and will recalculate it annually. The ACO estimates that it will require a Repayment Mechanism in the amount of \$3.5 million in the first two years and \$5 million by 2024.

- At the recommendation of NYC Health + Hospitals' ("H+H's") Finance Department, the ACO will secure a line of credit that covers up to \$7 million to avoid future administrative burden should the required Repayment Mechanism amount increase.
- If approved by the H+H Board of Directors, H+H will bear all risk on behalf of the ACO and pay CMS for any incurred shared losses. The ACO would then be liable to repay H+H from future or reserved shared savings.

Dr. Katz put forth **Resolution #201904-2**. A motion to allow for discussion was duly made and seconded.

Dr. Luis Marcos asked for an example of when the ACO would be liable to pay CMS.

Dr. Vardanian described an example in which a benchmark expenditure per attributed beneficiary was \$10,000 and the ACO exceeded the benchmark by spending \$11,000 per attributed life. The ACO would then owe a percentage of the difference to CMS adjusted by both the ACO's quality score and the sharing rate. She clarified that given the ACO's historical performance and changes to CMS' benchmark calculation methodology with the regional adjustment, the ACO is well positioned to continue earning shared savings.

Dr. Katz agreed with Dr. Vardanian's view that the regional adjustment would be favorable to the ACO.

Dr. Marcos asked if the physicians would be informed if they are overspending and have the opportunity to rectify it. Dr. Vardanian responded that the ACO provides a dashboard to every facility bi-monthly, which contains facility-specific expenditure data.

Dr. Kalkut asked if the purpose of the letter of credit was for CMS to draw upon in the event there were no shared savings in the first year. Dr. Chokshi confirmed that it was.

Hearing no further comments, Dr. Katz called for a vote on **Resolution #201904-2**.

Resolution #201904-2 - Authorizing HHC ACO Inc. ("HHC ACO") to participate in the Enhanced Track of the Centers for Medicare and Medicaid Services' ("CMS") Medicare Shared Savings Program ("MSSP") and to furnish any required repayment mechanism in the form of a letter of credit, a funded escrow account, a surety bond, or in any other form permitted under the MSSP regulations, in a maximum stated principal amount not to exceed \$7,000,000 and approving the incurrence of indebtedness by HHC ACO with respect to the Letter of Credit to be issued on behalf of HHC ACO in a maximum principal amount of up to \$7,000,000 to secure the obligations of HHC ACO to CMS with respect to shared losses under the MSSP for such period as CMS requires. And authorizing the CEO of HHC ACO to execute and deliver a reimbursement

agreement, a note, and any and all other agreements, documents or instruments necessary or desirable in connection with the issuance of the letter of credit or any other form of required repayment mechanism that satisfies CMS requirements, including a funded escrow account or a surety bond.

The Board unanimously approved the resolution.

Dr. Chokshi proposed a distribution process for the anticipated 2019 Performance Year earned Shared Savings. He noted that no vote was needed on the proposal at this meeting and that the feedback received during the previous Board meeting had been incorporated into the proposed distribution methodology as follows:

- An increased portion of shared savings will be distributed to physicians.
- A decreased portion of shared savings will be distributed to H+H, particularly the ACO reinvestment fund.
- Care team funds will be distributed to community partners Community Healthcare Network (CHN) and University Physicians of Brooklyn (UPB).

Dr. Chokshi described the order of deductions as follows:

- First, the ACO's operating expenses are deducted from the earned shared savings.
- Second, 20% of the remaining amount is deducted as a reserve fund to Repayment Mechanism.
- Third, the care team fund portion is deducted from what remains. The rest is distributed to participants and affiliates as their physicians' share.

Dr. Warren Seigel requested clarification on the care team fund. Dr. Vardanian explained that it is unique to our ACO and is meant to recognize the other members of care teams besides physicians. The fund supports team building and is distributed to facilities based on their patient attributions. Dr. Chokshi added that it provides a way to reward non-physician care team members that is compliant with CMS regulations.

Dr. Marcos commented that the new proposal was an improvement over the one introduced during the previous Board meeting, but requested that the Board receive a detailed report on the ACO's operating expenses to explore areas where the ACO can cut expenses and requested communication outside of the Board meetings to learn about the ACO's operations.

Dr. Chokshi expressed appreciation for the Board's feedback and responded that the ACO would look into additional opportunities to communicate with the Board. He added that the ACO operates lean and its overhead expense to revenue ratio is better than that of many ACOs across the country. Dr. Chokshi noted that the ACO does require staff to generate shared savings, but acknowledged the need to continuously reevaluate costs.

Dr. Chokshi then explained that if the 20% of annual shared savings retained in the ACO's reserve fund exceeds CMS' Repayment Mechanism requirement, the Board could discuss methodology for distribution. However, it is unlikely that the amount in the reserve fund will exceed the amount CMS will require for the Repayment Mechanism in 2024.

Dr. Kalkut asked if the Repayment Mechanism was in an amount designated by CMS. Dr. Chokshi confirmed that it is and that the amount may change over time.

Dr. Vardanian explained the process of physician roster validation for the shared savings distribution:

- The ACO asks the facility clinical leads to provide initial physician rosters and physicians' direct patient care FTE.
- 0.1 FTE is added to physicians performing ACO and/or Patient Centered Medical Home (PCMH) administrative work.
- The physician rosters are then sent to the employers' Human Resources departments for validation and adjustments on their physicians' start and end dates.
- The ACO incorporates any changes made by the employers and sends the rosters back to them for the final validation.

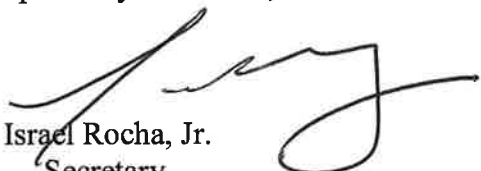
Dr. Chokshi reminded the Board about the final timeline to submit all requested documents for the MSSP application. He explained that the Participant Agreements and Collaborator Agreements were revised due to CMS' feedback and were sent to the respective Board Members to be signed.

Dr. Katz thanked Dr. Vardanian for her service to the ACO and her clinical leadership at Coney Island Hospital, because she will be stepping down from her position as the ACO's Chief Medical Officer.

ADJOURNMENT

There being no further business, Dr. Katz adjourned the meeting at approximately 3:45 PM.

Respectfully submitted,


Israel Rocha, Jr.
Secretary