

**HHC ACO INC.
BOARD OF DIRECTORS
ANNUAL MEETING**

November 6, 2013

At 8:00 a.m.

**125 Worth Street, 5th Floor Board Room
New York City**

AGENDA

CALL TO ORDER

Alan D. Aviles

OLD BUSINESS

Alan D. Aviles

1. Approve and adopt minutes of meeting held on August 29, 2012 (Exhibit A)

NEW BUSINESS

Alan D. Aviles

1. WELCOMING OF NEW BOARD MEMBERS
2. REPORT by Chief Executive Officer, Ross M. Wilson, M.D. on the Corporation's activities and related matters
3. DISTRIBUTION of *Acknowledgement of Fiduciary Duties and Responsibilities* to be signed by each Board Member (Exhibit B-1), applicable State law (Exhibit B-2), and excerpt from HHC ACO Inc. Certificate of Incorporation describing its mission (Exhibit B-3)
4. RESOLUTION authorizing that the following persons are hereby elected to serve in the offices of the Corporation set forth opposite his or her name below, to serve, subject to such person's earlier death, resignation or removal, in accordance with the laws of the State of New York until such person's successor is duly elected and qualified:

<u>Name</u>	<u>Office</u>
Alan D. Aviles	Chairman
Ross M. Wilson, M.D.	Chief Executive Officer
Marlene Zurack	Treasurer
Salvatore J. Russo	Secretary

5. RESOLUTION authorizing the establishment of a Governance Committee of the Corporation, pursuant to Article 4, Section 4.11 of the Corporation's by-laws and whose purposes and powers are set forth in its Charter (Exhibit C) annexed to the Resolution, and such Governance Committee shall be comprised of the following three persons, subject to such person's earlier death, resignation or removal, in accordance with the laws of the State of New York until such person's successor is duly elected and qualified:

Name

Alan D. Aviles

Antonio D. Martin

Ross M. Wilson, M.D.

6. RESOLUTION authorizing that Marlene Zurack is relieved of her responsibilities to perform the audit functions of the Corporation, which audit functions are being assumed by an Audit Committee of the Corporation, established pursuant to Article 4, Section 4.11 of the Corporation's by-laws and whose purposes and powers are set forth in its Charter (Exhibit D) annexed to the Resolution, and such Audit Committee shall be comprised of the following three persons, subject to such person's earlier death, resignation or removal, in accordance with the laws of the State of New York until such person's successor is duly elected and qualified:

Name

Antonio D. Martin

Salvatore J. Russo

Luis R. Marcos, M.D.

7. RESOLUTION authorizing that the number of Directors of the Corporation's Board of Directors be fixed at nine, subject to approval by the Centers for Medicare and Medicaid Services ("CMS") of the Participation Agreement executed between the ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI doing business as Mount Sinai Elmhurst Faculty Practice Group ("Elmhurst FPP") and the Corporation;

AND

Authorizing, upon such CMS approval, that the person designated below is hereby elected to serve as an additional Director of the Corporation's Board of Directors, subject to such person's earlier death, resignation or removal, in accordance with the laws of the State of New York until such person's successor is duly elected and

qualified, subject to approval and ratification by the Corporation's sole Member, the New York City Health and Hospitals Corporation ("HHC"):

A Director to be named by the Elmhurst FPP, as specified in a writing by the Elmhurst FPP that is delivered to the Chairman of the Corporation;

AND

Authorizing, upon such CMS approval, that the existing non-HHC Participants Director shall hereafter be named pursuant to a designation by a majority in number of the Corporation's ACO Participants, as defined in 42 C.F.R. Part 425, other than HHC and the Elmhurst FPP, that have executed Participation Agreements with the Corporation, which Director is specified in a writing signed by such majority that is delivered to the Chairman of the Corporation

ADJOURNMENT

Alan D. Aviles

EXHIBIT A

**HHC ACO INC.
MINUTES OF THE
BOARD OF DIRECTORS MEETING
August 29, 2012
125 Worth Street, 5th Floor
Board Room
New York City**

ATTENDEES

BOARD MEMBERS

Alan D. Aviles
Salvatore J. Russo
Ross Wilson, M.D.

OTHER ATTENDEES

Steven J. Katz, Katten Muchin Rosenman LLP

HHC STAFF

LaRay Brown, Senior Vice President
Van Dunn, M.D., Chief Medical Officer, MetroPlus

CALL TO ORDER

The meeting of the Board of Director of the HHC ACO Corporation (“Board”) was called to order by Alan D. Aviles, President and Treasurer of HHC ACO, Inc. (“Corporation”), at 8:05 a.m.

ADOPTION OF THE MINUTES

Mr. Aviles entertained a motion to adopt the minutes of the July 25, 2012 meeting of the Board, as previously distributed with the agenda for the August 29, 2012 meeting. A motion was duly made and seconded. There being no corrections to the minutes offered by the members of the Board, the motion to adopt the minutes was unanimously approved.

NEW BUSINESS

The first item on the agenda was an informational item. It was a review and discussion of the Proposed HHC ACO Participation Agreement (“Participation Agreement”) document. Mr. Russo began the discussion highlighting that the Participation Agreement distributed with the agenda is a mature document, but it is not a final version of the agreement. It is subject to modifications as part of ongoing negotiations. The agreement sets out the basic understandings between the ACO and its participants. The final participation agreement is required to be submitted with the application for ACO certification. The Participation Agreement mainly commits the ACO and its participants to complying with the ACO regulatory requirements and the goals of the ACO. It also establishes the general formula for sharing savings under the Medicare Shared Savings Program.

Dr. Wilson explained that in order to be a participant in an ACO, the entity must have a Tax Identification Number (“TIN”) and, it must be enrolled in the Medicare Program. He further explained that under the definition Physician Affiliate Group of New York (“PAGNY”) could not be technically a participant in the ACO. The four professional corporations (“PCs”), affiliated with the HHC facilities staffed by PAGNY employees, bill for Part B services under the Medicare Program are the proposed participants in the ACO. The general formula for the distribution of savings is to first deduct the costs of the ACO and then divide the remaining monies to HHC and the ACO participants in a fifty-fifty split. The money will be derived from the number of Medicare fee-for-service (“FFS”) ACO enrollees from the inventory of all the participants.

Mr. Aviles inquired whether the share is proportionate to the number of Medicare Beneficiaries (“Beneficiaries”) billed by the physicians within the ACO. Dr. Wilson clarified that it is based upon the number of Beneficiaries determined to be eligible to be in the ACO. The determination is not based upon billing, but rather where the Beneficiaries received the plurality of their primary care.

Mr. Aviles noted the absence of any group representing the physicians in the North Bronx Network in the Participation Agreement. Dr. Wilson noted that since the physicians in the North Bronx Network are not eligible because they do not drop Part B bills for services since they work at Electing Teaching Amendment (“ETA”) facilities. Dr. Wilson further commented that HHC has worked out with CMS, in principle, an understanding that using information from HHC’s Part A billings, CMS will be able to determine which Medicare FFS Beneficiaries are eligible to be assigned to the HHC ACO from the ETA facilities. Therefore, there may be an

opportunity to provide a distribution of savings to the physicians at such facilities after January 1. Steven J .Katz, Esq., added that under those circumstances the physicians cannot be “classic participants,” but will be able to receive distributions of shared savings as non-participants.

Mr. Aviles asked about the approximate ball park number of FFS Beneficiaries that ACO could have without the Beneficiaries from the ETA facilities? Dr. Wilson estimated that there were approximately 10,000 FFS Beneficiaries who receive the plurality of their primary care services at HHC without including the ETA facilities. Mr. Aviles further inquired, whether the shared saving will be distributed to PAGNY? Mr. Katz replied that no shared saving will be distributed to PAGNY, however, the monies for achieving the PIs would flow to PAGNY. Mr. Katz also remarked that there is nothing preventing PAGNY from being appointed as an agent for the four PCs in order to receive and distribute the shared savings.

In reviewing the formula, Mr. Aviles commented that the administrative costs cannot be determined until we have information about the size of the ACO enrollment. Dr. Wilson echoed the sentiment that after the application is submitted, we will receive data, and we will be able to determine scale and service needs. He further remarked that the lack of information about costs have been an issue of concern with the ACO’s planned participants. However, at this time we don’t know what expenses the ACO will incur. If there are any major changes in principle regarding the formula in the formula it will be brought back to the Board.

Dr. Wilson noted that there was a change in thinking regarding the formula. As a final note regarding the formula, it was originally thought that the affiliation payments for achieving the PIs would be the main mechanism for distribution of shared savings. We have moved on from that thinking, funding for the PIs are separate from the shared savings, and are distributed through the affiliation contract. There was no further discussion of the Proposed Participation Agreement.

The next item of business was consideration of banking matters related to the HHC ACO, Inc.

A motion was made, and duly seconded to adopt the Resolutions identified as number two on the Agenda that was previously distributed to the Board:

2. RESOLUTION ratifying certain actions taken by officers of HHC ACO Inc. (the “Corporation”) which authorized, empowered and directed certain agents of the Corporation to sign checks, drafts and other instruments having to do with the receipt,

deposit and disbursement of such funds in connection with bank accounts at JPMorgan Chase Bank.

Mr. Russo stated that as part of the ACO certification application process the ACO must establish certain banking relationships. Mr. Russo with the assistance of the HHC finance Department undertook to establish those relations.

There was no further discussion of the motion. The motion was unanimously approved.

The next item of business concerns the expansion of the composition of the Board. A motion was made, and duly seconded to adopt the Resolution identified as number three in the Agenda that was previously distributed to the Board:

3. RESOLUTION authorizing that the number of Directors of the Corporation's Board of Directors be fixed at eight and that the following persons are hereby elected to serve as additional Directors of the Corporation's Board of Directors, subject to such person's earlier death, resignation or removal, in accordance with the laws of the State of New York until such person's successor is duly elected and qualified, subject to approval and ratification by the Corporation's sole Member, the New York City Health and Hospitals Corporation ("HHC"):

Jeroman Berger-Gaskin, Medicare Beneficiary Director;

A non-HHC Participants Director to be named pursuant to a designation by a majority in number of the Corporation's ACO Participants, as defined in 42 C.F.R. Part 425, other than HHC, that have executed Participation Agreements with the Corporation, and specified in a writing signed by such majority that is delivered to the Chairman of the Corporation;

A Director who shall be the Chief Executive Officer of Physician Affiliate Group of New York, P.C. ("PAGNY"), conditioned upon PAGNY's having first delivered to the Chairman of the Corporation copies of executed Professional Leasing Agreements between PAGNY and the professional corporations that operate the respective fee-for-service plans for PAGNY at Coney Island Hospital Center, Harlem Hospital Center.

Dr. Wilson stated that under the regulations an ACO must have a mechanism for shared governance with the participants, and that the participants must have at least 75% control of the ACO's governing body. In addition, an ACO must include a FFS Beneficiary who receives primary care services from the ACO on the ACO's governing body. The resolution complies with these requirements. There are six directors who are from participants. They include the five HHC directors plus the

director selected by the four PCs. There are two non-participant directors that include the PAGNY director and the FFS Beneficiary director. Accordingly, there is exactly 75% control by participants with one Medicare FFS Beneficiary on the Board. Dr. Wilson underscored that the Board's composition was a complicated matter. He noted that each participant wanted a seat on the governing body. It was thought that such expansion of the Board would be too large. Dr. Wilson highlighted that the PAGNY-CEO director position was contingent upon the accomplishment of executed lease agreements. Dr. Wilson also noted that generally it is advisable to have a board that total membership equals an odd number, here given the regulatory requirements made it difficult to achieve the required percentages and be workable number of members. Finally, Dr. Wilson remarked that the issue of Board composition is a work in-progress.

There was no further discussion of the motion. The motion was unanimously approved.

Mr. Russo requested that the Board next consider item number five on the agenda. Mr. Aviles and the Board agreed to grant the request.

A motion was made, and duly seconded to adopt the Resolution identified as number five in the Agenda that was previously distributed to the Board:

- 5 RESOLUTION approving and adopting by the Corporation amended by-laws modifying Article 3, Membership; Article 4, Directors; and Article 5, Officers, subject to approval and ratification by HHC.

Mr. Russo explained that the Bylaws were revised to make certain changes among the officer of the Board positions. The president of the Board was being changed to a chairman position. The treasurer's position was being separated from the president's position. A new position was created on the Board for the chief executive officer of the ACO.

There was no further discussion of the motion. The motion was unanimously approved.

The next item of business was the election of the Board members to the officer positions as set forth in the newly amended ACO bylaws.

A motion was made, and duly seconded to adopt the Resolution identified as numbers four on the Agenda that was previously distributed to the Board:

- 4 RESOLUTION authorizing that the following persons are hereby elected to serve in the offices of the Corporation set forth opposite his or her name below, which new office titles supersede any previous office titles designated to such persons, to serve, subject to such person's earlier death, resignation or removal, in accordance with the laws of the State of New York until such person's successor is duly elected and qualified:

<u>Name</u>	<u>New Office Held</u>	<u>Previous Office Held</u>
Alan D. Aviles	Chair	President & Treasurer
Ross Wilson, M.D.	Chief Executive Officer ("CEO")	-
Salvatore J. Russo	Secretary	Secretary
Marlene Zurack	Treasurer	-.

Mr. Russo stated that with the newly revised ACO Bylaws, the ACO has a new slate of officer of the Board positions, and elections to clearly establish who occupies such positions are in order.

There was no further discussion of the motion. The motion was unanimously approved.

The final item of new business on the agenda was the assignment of certain duties to specific Board members.

A motion was made, and duly seconded to adopt the Resolution identified as number six on the Agenda that was previously distributed to the Board:

6. RESOLUTION authorizing that the following persons are hereby assigned to perform certain duties of the Corporation, as set forth opposite his or her name below, subject to such person's earlier death, resignation or removal, in accordance with the laws of the State of New York until such person's successor is duly elected and qualified:

<u>Name</u>	<u>Duties Assigned</u>
Ross Wilson, M.D.	Quality Assurance and Improvement Program that encompasses all 4 of the following processes: <ul style="list-style-type: none"> a. Promoting evidence-based medicine b. Promoting beneficiary engagement c. Reporting internally on quality and cost metrics d. Coordinating care

Dr. Wilson initiated the discussion of ACO Quality Assurance (“QA”) duties. He noted that originally the concept was to have the HHC QA Committee of Board be designated as the QA Committee of the the ACO Board. However, as a technical matter, in order for to occur the HHC QA Committee members must also be Board members of the ACO. They would have been able to gavel in as the ACO QA Board Committee, after concluding their HHC business. That option would have again raised complications with regulations about the composition of the ACO board. Alternatively, it was more plausible to assign the functions to one member of the ACO Board and have that Board member report to the ACO Board. Since twenty-seven of the thirty-two ACO benchmark indicators are considered by the HHC Board QA Committee, as the ACO Board member assigned QA matters. Dr. Wilson will seek the HHC Board QA Committee review of those indicators. It is anticipated that the HHC participation agreement will include such QA services from HHC.

Mr. Aviles asked whether there are additional QA functions specific to the ACO apart for the indicators reviewed by the HHC Board Committee. Dr. Wilson responded by directing the Board to the items (a) through (d) in the resolution.

Mr. Russo noted that Ms. Zurack was being proposed to be assigned audit functions without the benefit of consulting with her prior to the assignment.

There was no further discussion of the motion. The motion was unanimously approved.

Finally, Dr. Wilson wanted to update the Board on certain matters. He reported that there were some significant obstacles to getting participation agreements executed in a timely manner with the four PCs. The obstacles largely related to complicated internal matters between the PCs and PAGNY. However, progress is being made. Dr. Wilson further reported that there was a meeting with Mt. Sinai’s ACO leadership and counsel. The meeting went reasonably well, and there was an agreement in principle that Mt. Sinai’s ACO does not seek to have Elmhurst patients assigned to it, and that it will take steps to assist Elmhurst patients get assigned to the HHC ACO. To that end, Mt. Sinai has a new TIN and has sought a new Medicare enrollment number specifically to be used for billing Elmhurst patients. However, it was unclear as to whether the new Medicare enrollment number has been approved and is being used.

Mr. Aviles inquired about whether NYU will submit an application for ACO designation? Dr. Wilson replied by stating that the final answer was not given on that question. Dr. Wilson noted that HHC did not need to have NYU as formal participants since NYU does not do part B billing at the ETA facilities.

ADJOURNMENT

There being no further business, Mr. Aviles adjourned the meeting at 8:50 a. m. *sine die*.

Respectfully submitted,

Salvatore J. Russo
Secretary

Adopted _____

EXHIBIT B-1

Acknowledgement of Fiduciary Duties and Responsibilities

As a member of the HHC ACO Inc. ("Corporation") Board of Directors, I understand that I have a fiduciary obligation to perform my duties and responsibilities to the best of my abilities, in good faith and with proper diligence and care, consistent with the enabling statute, mission, and by-laws of the Corporation and the laws of New York State. As a member of the Board of Directors:

I. Mission Statement

I have read and understand the mission of the Corporation; and the mission is designed to achieve a public purpose on behalf of the State of New York. I further understand that my fiduciary duty to this Corporation is derived from and governed by its mission.

I agree that I have an obligation to become knowledgeable about the mission, purpose, functions, responsibilities, and statutory duties of the Corporation and, when I believe it necessary, to make reasonable inquiry of management and others with knowledge and expertise so as to inform my decisions.

II. Deliberation

I understand that my obligation is to act in the best interests of the Corporation and the People of the State of New York whom the Corporation serves. I agree that I will exercise independent judgment on all matters before the board.

I understand that any interested party may comment on any matter or proposed resolution that comes before the board of directors consistent with the laws governing procurement policy and practice, be it the general public, an affected party, a party potentially impacted by such matter or an elected or appointed public official. However, I understand that the ultimate decision is mine and will be consistent with the mission of the Corporation and my fiduciary duties as a member of the Corporation's board of directors.

I will participate in training sessions, attend board and committee meetings, and engage fully in the board's and committee's decision-making process.

III. Confidentiality

I agree that I will not divulge confidential discussions and confidential matters that come before the board for consideration or action.

IV. Conflict of Interest

I agree to disclose to the board any conflicts, or the appearance of a conflict, of a personal, financial, ethical, or professional nature that could inhibit me from performing my duties in good faith and with due diligence and care.

I do not have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of my duties in the public interest.

Signature: _____ Date: _____

Print Name: _____

Director, HHC ACO Inc.

EXHIBIT B-2

McKinney's Public Authorities Law § 2824

MCKINNEY'S CONSOLIDATED LAWS OF NEW YORK ANNOTATED
PUBLIC AUTHORITIES LAW
CHAPTER 43-A OF THE CONSOLIDATED LAWS
ARTICLE 9--GENERAL PROVISIONS
TITLE 2--BOARDS OF PUBLIC AUTHORITIES

Current through L.2013, chapters 1 to 56 and 60 to 66.

§ 2824. Role and responsibilities of board members

1. Board members of state and local authorities shall (a) execute direct oversight of the authority's chief executive and other management in the effective and ethical management of the authority; (b) understand, review and monitor the implementation of fundamental financial and management controls and operational decisions of the authority; (c) establish policies regarding the payment of salary, compensation and reimbursements to, and establish rules for the time and attendance of, the chief executive and management; (d) adopt a code of ethics applicable to each officer, director and employee that, at a minimum, includes the standards established in section seventy-four of the public officers law; (e) establish written policies and procedures on personnel including policies protecting employees from retaliation for disclosing information concerning acts of wrongdoing, misconduct, malfeasance, or other inappropriate behavior by an employee or board member of the authority, investments, travel, the acquisition of real property and the disposition of real and personal property and the procurement of goods and services; (f) adopt a defense and indemnification policy and disclose such plan to any and all prospective board members; (g) perform each of their duties as board members, including but not limited to those imposed by this section, in good faith and with that degree of diligence, care and skill which an ordinarily prudent person in like position would use under similar circumstances, and may take into consideration the views and policies of any elected official or body, or other person and ultimately apply independent judgment in the best interest of the authority, its mission and the public; **(h) at the time that each member takes and subscribes his or her oath of office, or within sixty days after the effective date of this paragraph if the member has already taken and subscribed his or her oath of office, execute an acknowledgment, in the form prescribed by the authorities budget office after consultation with the attorney general, in which the board member acknowledges that he or she understands his or her role, and fiduciary responsibilities as set forth in paragraph (g) of this subdivision, and acknowledges that he or she understands his or her duty of loyalty and care to the organization and commitment to the authority's mission and the public interest.**

(Emphasis added.)

EXHIBIT B-3

Excerpt From HHC ACO Inc. Certificate of Incorporation:

FOURTH: I. The purposes for which the Corporation is formed are as follows:

(a) Engaging in the business of an Accountable Care Organization ("ACO") that will seek to reduce fragmentation of healthcare delivery, improve health, and lower overall growth in healthcare expenditures. As an ACO, the Corporation will promote accountability for a designated patient population, coordinate services furnished by ACO participants, and encourage investment in infrastructure and redesigned care processes for high quality and efficient service delivery. The ACO and its participants will agree to become accountable for the quality, cost, and overall care delivered to its designated patient population. The Corporation may share among its ACO participants savings generated by the Corporation for its ACO activities.

EXHIBIT C

HHC ACO INC. GOVERNANCE COMMITTEE CHARTER

Purpose of the Governance Committee of HHC ACO Inc. (the “Corporation”)

The purpose of the Governance Committee is to assist the Corporation’s Board of Directors (“Board”) by:

- Keeping the Board informed of current best practices in corporate governance;
- Reviewing corporate governance trends for their applicability to the Corporation;
- Updating the Corporation's corporate governance principles and governance practices; and
- Advising those responsible for appointing directors to the Board on the skills, qualities and professional or educational experiences necessary to be effective Board members.

Powers of the Corporation’s Governance Committee

The Corporation’s Board has delegated to the Governance Committee the power and authority, pursuant to applicable laws, necessary to discharge its duties, including the right to:

- Meet with and obtain any information it may require from Corporation staff;
- Obtain advice and assistance from in-house or outside counsel, accounting and other advisors as the Governance Committee deems necessary; and
- Solicit, at the Corporation’s expense, persons having special competencies, including legal, accounting or other consultants as the Governance Committee deems necessary to fulfill its responsibilities. The Governance Committee shall have the authority to negotiate the terms and conditions of any contractual relationship subject to any applicable procurement guidelines, and to present such contracts to the Board for its approval.

EXHIBIT D

HHC ACO INC. AUDIT COMMITTEE CHARTER

Purpose of the Audit Committee of HHC ACO Inc. (the “Corporation”)

The purpose of the Audit Committee is to assist the Corporation’s Board of Directors (“Board”) by (1) assuring that the Corporation’s Board fulfills its responsibilities for the Corporation’s internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) providing an avenue of communication between management, the independent auditors, the internal auditors, and the Corporation’s Board.

Powers of the Corporation’s Audit Committee

The Corporation’s Board has delegated to the Audit Committee the power and authority, pursuant to applicable laws, necessary to discharge its duties, including the right to:

- approve the selection, retention or termination of independent auditors;
- review the proposed scope of the audit and related fees;
- inquire about and be aware of all work (audit, tax systems) that the independent auditor performs;
- review the annual financial statements and the results of the audit with management, the internal auditors and the independent auditors;
- review the memorandum, if any, prepared by the independent auditors setting forth any questionable or possibly illegal activities and take appropriate action; and
- be available to meet with the independent auditors to resolve problems that arise in connection with the audit if and when this becomes necessary.