University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
May 15, 2014

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Thursday, May 15, 2014
3:00 p.m.

The University Medical Center Governing Board Audit and Finance Committee met in Conference Room I/J, UMC Trauma Building, 5th Floor, Las Vegas, Clark County, Nevada, on Thursday, May 15, 2014, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:05 p.m. by Chair Eileen Raney and the following members were present, which constituted a quorum of the members thereof:

CALL TO ORDER

Board Members:

Present:
Eileen Raney, Chair
Harry Hagerty (by conference phone through Item #7))
Michael Saltman

Absent:
Jeff Ellis (arrived at 3:46 p.m., during Item #4)

Others Present:
John O'Reilly, Governing Board Chair (participated by teleconference at 3:20 p.m. – Item #4) to 4:45 (Item #5)
Stephanie Merrill, Chief Financial Officer
John Liston, Director, Purchasing and Contracts
Lisa Logsdon, Deputy District Attorney
Cindy Dwyer, Board Secretary
Barbara Eyman, Consultant and Principal, Eyman Associates
Peter Tibone, UMC Reimbursement/Cost Reporting Director
Ernie McKinley, Chief Information Officer

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 PUBLIC COMMENT

Chair Raney asked if there were any persons present in the audience wishing to be heard on any item on this agenda.

Speaker(s): None

ITEM NO. 2 Approval of minutes of the regular meeting of the UMC Governing Board Audit and Finance Committee meeting on April 10, 2014. [For possible action]

FINAL ACTION: A motion was made by Michael Saltman that the minutes be approved as recommended. Motion carried by unanimous vote.

ITEM NO. 3 Approval of Agenda [For possible action]

DISCUSSION: None

FINAL ACTION: A motion was made by Michael Saltman that the agenda be approved as recommended. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive a presentation and discuss enhanced Medicaid opportunities and direct staff accordingly. [For possible action]

DOCUMENT SUBMITTED: Medicaid Funding Opportunities (PowerPoint presentation)

DISCUSSION: Barbara Eyman, Consultant and Principal, Eyman Associates, and Pete Tibone, UMC Reimbursement/Cost Reporting Director, gave a presentation on Medicaid funding opportunities, including the flow of funds for Upper Payment Limit (UPL) and Disproportionate Share (DSH), Medicaid payments to Incentive Delivery System Reform, 1115 Waiver based supplementing funding arrangements, the Delivery System Reform Incentive Pools (DSRIPs), and MCO rate enhancement. Mr. Tibone also gave a brief update on the State Indigent Accident Fund.

[Committee Member Jeff Ellis joined the meeting]

Staff was directed to look at waiver models and project plans of other public hospitals, to get an idea of which options might work best for UMC. Staff is requested to provide the Committee with an update in 60 days.

Chair Raney suggested that because Medicaid funding opportunities cross over with strategic planning, an item be added to the next agenda for the Strategic Planning Committee meeting to discuss in conjunction with the Finance Committee.

ACTION TAKEN: No action taken.

ITEM NO. 5 Receive and review timeline and plan for McKesson EHR/HIS implementation, and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED:
- McKesson Implementation Plan (PowerPoint presentation)
- Deloitte Proposal for Rapid Assessment

- HIS Proposal for Rapid Assessment

DISCUSSION: Ernie McKinley, Chief Information Officer, reviewed the status of the McKesson EHR implementation. Staff and McKesson personnel are working through issues, and things are slowly improving. Mr. McKinley, Mr. Barnard, and specific McKesson project managers will be meeting with department heads beginning next week to discuss each department's top ten issues and a work plan to address them. At the request of the EHR Governing Committee some of the project go-live dates have been held up until after the pending Joint Commission Survey. Seven additional staff positions have been approved since the last meeting. HPF upgrades are in progress and the STAR upgrade is scheduled.

Mr. McKinley presented four options for moving forward with the implementation, ranging from staying the course, to starting over with a new RFP with a timeframe of 5+ years. Staff recommended Option 3, which includes the engagement of a third party rapid assessment to include validation of process and a roadmap for going forward. The initial assessment would take approximately four weeks, but the entire project would take 1-2 years, at the cost of \$1-\$3 million. Staff has already sought and received two quotes for the initial rapid assessment from two companies with McKesson experience.

The Committee was in agreement with staff's recommendation to pursue Option 3, and directed staff to meet in person with potential project leads of both companies, and to review samples of their end work product. Staff will bring a formal recommendation back to the Committee. Because of the importance and timeliness of this project, the Committee may will hold a special meeting if necessary.

ACTION TAKEN: No action taken.

ITEM NO. 6 Receive managed care presentation, and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED: Managed Care PowerPoint presentation

DISCUSSION: Rose Coker, Director of Managed Care, gave an overview of UMC's managed care contracting process. UMC currently contracts with all significant managed care groups, which represents approximately 23% of UMC's business. Over the past two years, staff has renegotiated several contracts, but explained that because of McKesson implementation, they are still working with 2012 data. There was discussion regarding the need to develop a profit margin target, based on fully-loaded costs plus profit, which could be used to renegotiate all managed care contracts. Staff was directed to provide an update on profit margin targets at next month's meeting.

ACTION TAKEN: No action taken.

ITEM NO. 7 Receive presentation on the proposed charge master price increase for fiscal year 2015, and take action as deemed appropriate. [For possible action]

DOCUMENT SUBMITTED: Hospital Charge Comparison - 4 Quarters Ending 9-30-2013

DISCUSSION: Staff recommended a 15% charge master price increase for FY 2015. With this proposed increase, UMC's rates would still remain below the mean average daily price charged by other hospitals in Las Vegas. It is estimated that this price increase would positively affect our net revenue by about $1 million in the first year. Clark County residents who are eligible for self-pay discounts will continue to receive them. Staff explained that UMC did not have a price increase for FY2014 because of anticipated complications with reconciling the McKesson implementation.

There was discussion that even with the 15% increase, UMC would remain substantially below market. A suggestion was made that an additional price increase be made mid-year to bring the hospital in closer alignment with the market.

ACTION TAKEN: A motion was made by Mike Saltman to recommend to the Governing Board and Board of Trustees approval of a 15% price increase effective July 1, 2014 and an additional 15% increase effective Jan 1, 2015, with latitude for staff to renegotiate the Clark County resident self-pay discount, should that be deemed necessary.

[Committee Member Harry Hagerty left the meeting]

ITEM NO. 8 Review and discuss UMC (KPMG) Risk Assessment Summary Report and direct staff accordingly. [For possible action]

DOCUMENT SUBMITTED: KPMG Risk Assessment and Internal Audit Plan; January 2009

DISCUSSION: This item was tabled until the July 17th meeting.

ACTION TAKEN: No action taken.

ITEM NO. 9 Review and discuss reporting format for monthly financial report and dashboard, and direct staff accordingly. [For possible action]

DOCUMENT SUBMITTED: Management Discussion & Analysis - March FY 2014 Financials (PowerPoint presentation)

DISCUSSION: Items No. 9 and 10 were taken together. Stephanie Merrill, Chief Financial Officer, presented the March financial report in the proposed new format for monthly reporting to the Audit and Finance Committee and the Board. In March there was an operating deficit of $6.2 million, YTD $60.1 million, which is $23.8 million worse than budget. This was impacted by the $20 million reduction in UPL funds. Cash collections have turned around slightly. Expenses continue to run above net revenue per adjusted patient day. Administrators have begun monthly director level meetings to address staffing. Ms. Merrill noted that she anticipates we will have used the entire $20 million initial loan from the

County and approximately $8 million of the second loan by the end of fiscal year, for a total of $28 million.

ACTION TAKEN: No action taken.

ITEM NO. 10 Receive and discuss an update on cash flow and direct staff accordingly. [For possible action]

DISCUSSION: Taken with Item No. 9.

ACTION TAKEN: No action taken.

ITEM NO. 11 Review the Fourth Amendment to Participating Hospital Agreement between Coventry Health and Life Insurance Company and University Medical Center of Southern Nevada for managed care services; and take action as deemed appropriate for recommendation of approval to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Fourth Amendment to Participating Hospital Agreement between Coventry Health and Life Insurance Company and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment would extend payment terms for Coventry PPO products through December 31, 2015, and to include Aetna Health Care Plans.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 12 Review the contract for Healthcare Cost Accounting Services between Willow River Enterprises, Inc. d/b/a Cost Accounting Partners and University Medical Center of Southern Nevada; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Contract for Healthcare Cost Accounting Services between Willow River Enterprises and UMC
- Disclosure of Ownership

DISCUSSION: This agreement is to assist in the implementation and start-up of the Decision Support and Cost Accounting software for the McKesson EHR. The cost for performance of services will not exceed $94,500 per project.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 13 Review the agreement for Transplant Services between Nevada Donor Network, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate for recommendation of approval to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Agreement for Transplant Services between Nevada Donor Network and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: Items 13 and 14 were taken together. Item No. 13 is a new agreement for Nevada Donor Network to continue to serve as the exclusive organ and tissue procurement agency for UMC. The term is through December 31, 2014, and will automatically renew for no more than four one-year periods.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 14 Approve the agreement for Histocompatability Testing Services to Nevada Donor Network, Inc.; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. . [For possible action]

DOCUMENTS SUBMITTED:
- Laboratory Services Agreement between Nevada Donor Network and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This service is sole source, and is mandated for UMC to provide and acquire the services of a properly licensed and approved histocompatabiity lab to perform tests on the blood of prospective transplant patients. The contract is for one year with four one-year options unless terminated with a 60-day written notice.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 15 Approve the award for Supply Distribution to Medline Industries, Inc.; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Corporate Program Agreement between Medline Industries and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: Staff requested approval of this contract with Medline Industries as our supply distributor. The contract involves an annual spend of $17 million and must go to the Hospital Board of Trustees for final approval. This contract is estimated to save $394,000 to $455,000 per year. The contract will run for three years with options to renew unless terminated with 120 day written notice.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board and Board of Trustees to accept the award. Motion carried by unanimous vote.

ITEM NO. 16 Approve the agreement for Urology On-Call Services to Urology Specialists of Nevada; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Agreement for Physician On-Call Services between Robert McBeath, MD and UMC
- Disclosure of Relationship

DISCUSSION: This agreement would cover urology services for inpatients, outpatients and emergency services. The provider will respond within ten minutes by phone and 30 minutes in person on a 24/7/365 basis. The contract is for two years, unless terminated with a 30-day written notice.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 17 Approve an Amendment to the Negative Pressure Wound Therapy Agreement with Universal Hospital Services; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment to Service Agreement between Universal Hospital Services and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment is to add services to the existing contract, which will allow one UHS employee to be assigned at UMC, at no additional cost to UMC.

ACTION TAKEN: A motion was made by Michael Saltman to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 18 Review an Amendment to the Med Station Enterprise System between CareFusion Solutions, LLC and University Medical Center of Southern Nevada; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:

- Amendment to Rental and Support Agreement with CareFusion Solutions and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment is to delete two pieces of equipment that were identified during the implementation as no longer being needed. The return of the equipment will reduce the monthly cost by $336.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 19 Review and ratify Amendment Four to the INOtherapy Services Agreement between INO Therapeutics, LLC d/b/a Ikaria and University Medical Center of Southern Nevada for nitric oxide gas and delivery devices signed by the Chief Executive Officer; and take action as deemed appropriate for recommendation of approval to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment to Services Agreement between INOtherapy and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION This amendment is for a one-year extension and update of the pricing tier to receive an additional 2,500 hours of gas. This is a sole source, so an RFP is not required.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 20 Approve Amendment Two to the Physician Medical Directorship and Physician Professional Services Agreement with Daniel L. Orr II, D.D.S., M.S., Ltd. and University Medical Center of Southern Nevada; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment to Agreement for Physician Medical Directorship between Daniel L. Orr II, DDS and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment is for an extension through December 31, 2013, while staff negotiates performance standards with provider.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 21 Approve Amendment Two to the Provider Agreement between Ellis, Bandt, Birkin, Kollins & Wong d/b/a Desert Radiologists and University Medical Center of Southern Nevada; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment Two to Provider Agreement between Desert Radiologists and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment is for a one-year extension for radiology services related to pre-transplant work-up services. The extension is requested as staff negotiates to remove the evergreen clause from this long-standing contract.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 22 Approve Amendment Five to Software License and Services Agreement between 3M Company and University Medical Center of Southern Nevada for patient coding system; and take action as deemed appropriate for recommendation of acceptance to the Governing Board. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment 5 to Software License and Services Agreement between 3M Company and UMC
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment is to extend the contract term for five years and add the Refined DRG Software model. The agreement retains the 60-day written notice cancellation clause.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 23 Identify emerging issues to be addressed by staff or by the Audit and Finance Committee at future meetings; and direct staff accordingly. [For possible action]

- Engagement of a third party rapid assessment for McKesson EHR implementation – report at June meeting or sooner if possible
- Updated Financial Report format to the Governing Board May meeting
- Managed care contracting follow-up report at June meeting
- Strategic Planning to discuss Medicaid funding options

ITEM NO. 24 Approve the award of BID 2014-03 for Workers' Compensation and Out of State (OOS) Medicaid Accounts Receivable to Cardon Outreach.

DOCUMENTS SUBMITTED:
- Bid No. 2014-03 Workers Comp and Out of State Medicaid Accounts Receivable Services
- Disclosure of Ownership
- Disclosure of Relationship
- Business Associates Agreement

DISCUSSION: Four responses were received for this bid. An ad hoc committee analyzed the bids and determined Cardon Outreach to be the lowest responsive and responsible bidder.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve the award of bid. Motion carried by unanimous vote.

COMMENTS BY THE GENERAL PUBLIC:

At this time, Chair Raney asked if there were any persons present in the audience wishing to be heard on any items not listed on the posted agenda.

SPEAKERS(S): None

There being no further business to come before the Committee at this time, at the hour of 6:00 p.m., Chairman Raney adjourned the meeting.

APPROVED:

Eileen Raney

Eileen Raney, Committee Chair

ATTEST:

Cindy Dwyer

Cindy Dwyer, Board Secretary