University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
June 12, 2014

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Thursday, June 12, 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, June 12, 2014, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:04 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
Michael Saltman [by conference phone until 4:02, Item No. 6]

Absent:
Jeff Ellis [arrived 3:13 p.m.]

Others Present:
Donald Mackay, M.D., Governing Board Member
Stephanie Merrill, Chief Financial Officer
Mason VanHouweling, Chief Operating Officer
John Liston, Director, Purchasing and Contracts
Virginia Carr, Director, Revenue Cycle
Lisa Logsdon, Deputy District Attorney
Cindy Dwyer, Board Secretary

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 May 15, 2014. [For possible action]

FINAL ACTION: A motion was made by Harry Hagerty 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 Harry Hagerty that the agenda be approved as recommended, with Item No. 24 being taken after Item No. 4. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive a presentation from BDO, Inc, regarding the planned scope and timing of the FY2014 audit; and direct staff accordingly. [For possible action]

DOCUMENT SUBMITTED: Audit Planning; June 30, 2014 (PowerPoint presentation)

DISCUSSION: Kevin Karo, Engagement Partner, BDO, Inc. was present to discuss the audit planning guide for the June 30, 2014 financial audit. He shared the names and roles of those on the client service team, described management's responsibilities, engagement objectives, overall audit strategy and timeline, as well as independent communication. Mr. Karo is also available to meet individually with Committee members at any time during the audit, should that be necessary or desired by either party. Chair Raney requested that in the course of their duties, that the BDO auditors meet with internal auditors and review recent audits.

ACTION TAKEN: No action taken.

ITEM NO. 5 Review and discuss Surgery Vendor Audit Follow-up Report; and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED: Audit Report, UMC Surgery Vendors Follow-up, May 2014

DISCUSSION: Rani Gill, Compliance Officer, presented the Surgery Vendors Follow-up Audit, which was performed to assess the adequacy of the corrective actions taken on findings from the initial audit dated August 28, 2012. During the audit, records were reviewed for documentation of implants, accuracy of implant logs, verification that implant logs were scanned into the electronic medical record, and ensured that a compliant billing process was in place and that charges were accurate. After the initial audit findings, staff researched and found a product to scan and track implants electronically for $177,000, but the purchase was not pursued because of cost constraints. Instead, manual logs were implemented in Surgery and Receiving and shared with billing staff, and locked cabinets were installed in the OR. The follow-up audit revealed some of the same challenges seen in the initial audit.

Committee members requested that staff create a business case to understand the financial impact of lost revenue resulting from the current manual system versus an electronic process. Ms. Merrill noted that McKesson EHR has not yet been implemented in the Surgery Department, so any potential installation of new software would be initially delayed.

Because the challenges that remain in tracking implants, the Committee requested another follow-up of the Surgery Vendor Audit be conducted in six months.

ACTION TAKEN: No action taken.

ITEM NO. 6 Receive and discuss the Medicare Secondary Payer audit; and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED: Audit Report, UMC Medicare Secondary Payer, June 2014

DISCUSSION: Rani Gill, Compliance Officer, presented the findings from the UMC Medicare Secondary Payer Audit. The objective was to determine whether the procedures for identifying Medicare as a secondary payer provided reasonable assurances that eligible records were appropriately designated and billed correctly. Weaknesses in the process were identified during the audit.

All accounts identified to be in question during the audit were immediately addressed and resolved. Staff identified the main issue leading to the errors was a change in the registration system, which no longer prompted the registrant. Corrective action included the implementation of 100% daily audits of all Medicare accounts to ensure correct billing, as well as ongoing training of Registration staff to ensure proper carriers are correctly identified, entered and billed. Additionally, a McKesson module is scheduled for implementation in September which will identify potential problems and place those accounts on a daily work list to be reviewed and corrected.

The Audit Staff will conduct a follow-up audit after the implementation of the new module to assess the adequacy of the correction actions taken.

ACTION TAKEN: No action taken.

ITEM NO. 7 Receive presentation on profitability of managed care contracts; and direct staff accordingly. [For possible action]

DOCUMENT SUBMITTED: Managed Care Payor Summary, FY 2013

DISCUSSION: Rose Coker, Director, Managed Care, gave a follow-up report on the 17 most active managed care contracts in FY 2013, based on volume. The Committee reviewed managed care costs by plan categories – HMO/PPO, Medicare, Medicaid and Governmental managed care plans. Eight out of thirteen HMO/PPO plans exceeded total cost, while five plans did not cover total cost. Four of those five plans are up for negotiations within the next six months; the fifth in December 2015. Neither of the two Medicaid Managed Care plans covered total costs; though one did cover direct costs. One of the Medicaid Managed Care contracts is up for negotiations in three months, and the other in 2017. Staff's goal is to have both of these Medicaid Managed Care contracts cover direct costs, at a minimum. Three of the four Medicare HMO plans covered direct costs, but none covered total costs. Three of the contracts expire within the next six months, and the fourth expires in December 2015.

Ms. Coker indicated that some of these contracts are already in negotiations. The Administrative Team is meeting to strategize about the best course of action for those contracts that are not covering direct costs, as well as to set a target for future contracts to cover total costs plus a margin. UMC has the ability to request to reopen contracts for negotiation at any time, but the managed care groups do not have to agree to reopening. After the initial contract term, a termination date requires a 180-day notice.

The Committee requested a quarterly update on the status of the managed care contracts.

ACTION TAKEN: No action taken.

ITEM NO. 8 Discuss different funding options and scenarios for UMC; and direct staff accordingly. [For possible action]

DOCUMENT SUBMITTED: UMC Revenue/Financing Options

DISCUSSION: As the Governing Board explores long term strategic planning for the hospital's continued sustainability, Yolanda King researched state statutes and reported on the various revenue and financing options that the County could address through special taxes and bonds.

In summary, there's no easy alternative available without legislative change or a ballot question to the voters. The County Commissioners have one option to raise the tax rate without going to a vote of the people, however they would be limited by property tax abatements and a property tax limit of $3.64 per $100 of assess value. A fifteen-cent increase would generate approximately $11 million. All other taxing options would have to go to the vote of the people. In the current economic environment, it may be difficult to get a majority vote for an increase in taxes.

There was discussion regarding the legislation that addresses uncompensated care. Staff was requested to provide members with an explanation of how the state defines "uncompensated care".

Ms. King was asked to give this same presentation to the Governing Board at their June 25, 2014 meeting.

ACTION TAKEN: No action taken.

ITEM NO. 9 Discuss and recommend for approval by the Governing Board changes to the Resolution delegating authority of certain agreements to the Chief Executive Officer's regarding professional services contracts, renewals,

extensions and changes to contracts; and take action as deemed appropriate. [For possible action]

DOCUMENT SUBMITTED: RESOLUTION Draft

DISCUSSION: The Board reviewed proposed changes to the Resolution for delegation of authority to the Chief Executive Officer. The proposed changes are as follows:

- Approval of professional services contract total value from not more than $50,000 to not more than $100,000 and contract cannot exceed 5 years
- Execute amendments to contract if there is no price increase to UMC
- Executive extensions or renewals of contracts for one year or less if the terms and conditions of the contract do not change

After review, Mr. Hagerty proposed that extensions or renewals be limited to one year total, allowing for more than one extension or renewal, as long as they do not total more than a year.

ACTION TAKEN: A motion was made by Michael Saltman to approve and make a recommendation to the Governing Board to approve the proposed changes to the Resolution, with the addition of a one year total limit for extensions and renewals. Motion carried by unanimous vote.

ITEM NO. 10 Receive a report on FY 2015 Capital Budget status; and direct staff accordingly. [For possible action]

DISCUSSION: Although it doesn't appear that the County will have funding for a capital budget, UMC is preparing a capital needs assessment to understand the current needs of the institution. That assessment is underway and will be prioritized by staff based on patient safety, life safety and revenue. The Committee requested an update at the August Audit and Finance Committee meeting.

ACTION TAKEN: No action taken.

ITEM NO. 11 Receive monthly financial report for April 2014; and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED: Management Discussion & Analysis, April FY2014 Financials

DISCUSSION: Stephanie Merrill, CFO, presented the Management Discussion and Analysis for the April FY 2014 Financials.

The operating deficit for the month was $4.8 million worse than budget. Ms. Merrill explained that in addition to a shifting payer mix and declining revenues, there was a change to the UPL calculation after the FY 2014 budget, which will total $20 million by year end. Administration continues to look at productivity bi-weekly and adjust staffing levels, but acuity remains high which puts additional demand on staffing. Acuity drives both staffing and supplies.

In response to a question about net revenue per patient day dropping on the ancillary side, Mr. VanHouweling noted that when McKesson was implemented, the mark-up structure on pharmaceuticals was changed – some charges were discontinued for compliance reasons, and some charges were added into other rates, affecting only the gross revenue.

A/R days decreased from 118 days outstanding in March to 103 days in April, the lowest of the fiscal year. February, March and April show receipt of cash exceeding budget.

In response to a question about how our FTE's per occupied bed compare with other hospitals, Mr. VanHouweling noted that our rate is higher than the for-profit hospitals. They outsource many of their services, and those staff are not included in the calculation of FTE's. Our opportunity for savings in salaries is in overtime and premium pay. We are focused on decreasing overtime from 4% to 3% of productive hours.

ACTION TAKEN: No action taken.

ITEM NO. 12 Review and recommend for approval by the Governing Board, the Interlocal Agreement for Child and Adolescent Psychiatry Program between Clark County and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Interlocal Agreement between UMCSN and Clark County
- Master Affiliation Agreement between Board of Regents of NSHE and Clark County Department of Family Services and Department of Juvenile Justice Services

DISCUSSION: The proposed interlocal agreement creates training sites for the UNSOM Child and Adolescent Psychiatry fellowship training program. UMC will receive funds from Clark County Department of Family Services and the County's Juvenile Justice System to help pay for the fellowship.

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

ITEM NO. 13 Review and recommend approval by the Governing Board, Amendment One to Agreement for Out-of-State Medicaid Billing Services between Convergent Revenue Cycle Management, Inc, and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment One, Agreement for Out-of-State Medicaid Billing Services between UMCSN and Convergent Revenue Cycle Management Inc.

DISCUSSION: The proposed Amendment extends the Agreement through June 30, 2014, until the new provider of services can start by July 1, 2014.

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

ITEM NO. 14 Review and recommend approval by the Governing Board, Amendment One to Agreement for Workers' Compensation Collection Services between Convergent Revenue Cycle Management Inc and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment One, Agreement for Worker's Compensation Collection Services between UMCSN and Convergent Revenue Cycle Management Inc.

DISCUSSION: The proposed Amendment extends the Agreement through June 30, 2014, until the new provider of services can start on July 1, 2014.

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 Review and recommend approval by the Governing Board, awarding RFP No. 2014-06, Contract for Out-of-Country Billing and Collection Services, to Sunbelt Medical Billings, Inc. d/b/a Sunbelt medical International and authorize the Chief Executive Officer to exercise any renewal options; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Contract for Valuation Services between UMCSN and Sunbelt Medical International
- Certificate of Liability Insurance
- Disclosure of Ownership

DISCUSSION: An RFP for out-of-country billing resulted in four responses. An ad hoc committee reviewed the proposals independently and anonymously recommended the selection and contract approval with Sunbelt. This change of vendor will result in an estimated yearly savings of $135,000.

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 Review and recommend approval by the Governing Board, Agreement for Physician Medical Directorship of the HIV Inpatients and HIV Wellness Center between Jerry L. Cade, MD and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Agreement for Physician Medical Directorship between UMCSN and Jerry L. Cade, M.D.
- Disclosure of Ownership

DISCUSSION: The competitive bidding process was not required for this contract, as the services to be performed are professional in nature. Staff chose to continue the utilization of Dr. Cade's services, with no increase in fees from the previous contract with Dr. Cade.

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 Review and recommend approval by the Governing Board, the Software License and Services Agreement between Hyland Software, Inc. and University Medical Center of Southern Nevada for data hosting; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Statement of Work/Professional Services Proposal between UMCSN and Hyland Software, Inc.
- Hosting Agreement between UMCSN and Hyland Software, Inc.
- Disclosure of Ownership

DISCUSSION: The company that the hospital currently contracts with for scanning and storage of clinic patient records is being bought out by another company that does not support the current software. The cost to migrate to Cloud storage and for project management will cost $91,231. Moving data to another vendor would cost approximately $1 million. The agreement is for 8 years, with a 30-day written notice clause. The reason for the lengthy contract term is related to the record retention requirement of 25 years for patient information.

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

ITEM NO. 18 Review and recommend approval by the Governing Board, Amendment to Lease Agreement No. 21237667 between Stryker Finance, a division of Stryker Sales Corporation, and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Lease Agreement between UMCSN and Stryker Finance
- Stryker Insurance Authorization and Verification
- UMC Certificate of Insurance
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: The proposed lease amendment adds new technology for cranial and spine surgery cases with no increase in cost from the existing contract.

ACTION TAKEN: A motion was made by Harry Hagerty to approve and make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote. Surgical VAT Committee approved.

Add to form in the background if a clinical committee has reviewed.

ITEM NO. 19 Review and recommend approval by the Governing Board, Amendment Two to Provider Agreement for Cardiology Services (pre-transplant workups) between Nevada Heart and Vascular Center (Resh), LLP and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment Two for Provider Agreement between UMCSN and Nevada Heart and Vascular Center
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION The proposed amendment extends the contract term to June 30, 2016 with no increase, not to exceed $150,000 per year, for pre-transplant work-ups.

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. 20 Review and recommend approval by the Governing Board, the Contract for Custom Surgical Trays with Medline Industries, Inc.; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Custom Tray/Module Agreement
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: The recommended five-year contract award would result in an estimated savings of $507,000 per year, and a total estimated savings of $2,534,000 for the term of the agreement.

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

ITEM NO. 21 Review and recommend approval by the Governing Board, Amendment Six 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 possible action]

DOCUMENTS SUBMITTED:
- Amendment 6 to the Software License and Services Agreement between UMCSN and 3M Company
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: The proposed Amendment would add the ICD 9 and 10 DRG software modules to the existing Agreement, which would assist staff in determining the fiscal impact and the focus of training for the new ICD codes to be implemented in the near future.

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. 22 Review and recommend for approval by the Governing Board the Contract for Collection Agency Services and authorize the Chief Executive Officer to exercise any renewal options; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Contract for Collection Agency Services, RFP No. 2014-05
- Certificate of Liability

DISCUSSION: An RFP resulted in 12 responses. An ad hoc committee reviewed the proposals independently and anonymously, and recommended the selection of, and contract negotiation with, the top three proposers. If negotiations produce a satisfactory contract, the contract will be presented to the Governing Board for approval at their June 25th meeting.

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

ITEM NO. 23 Review and recommend for approval by the Governing Board, Amendment Nine to Food and Nutrition Management Agreement between Morrison Management Specialists, Inc. and University Medical Center of Southern Nevada; and authorize the Chief Executive Officer to sign the amendment.

DOCUMENTS SUBMITTED:
- Amendment Number Nine to the Food and Nutrition Management Agreement between UMCSN and Morrison Management Specialists, Inc.
- Nevada Department of Employment, Training and Rehabilitation Waiver Letter

DISCUSSION: The proposed Amendment would allow Morrison to install a Wall Mall Kiosk to provide an additional location to service UMC employees and customers, at no cost to UMC.

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

ITEM NO. 24 Receive an update on the McKesson electronic health record implementation; and direct staff accordingly. [For possible action]

DISCUSSION: Mason VanHouweling, COO, gave an update on the McKesson implementation. Staff has had the opportunity to meet with the two vendors being considered to provide a rapid assessment and roadmap for the McKesson implementation. He reported that while both companies are best in class, and capable, staff is recommending to engage with Innovative because their sole focus is on McKesson, with over 50 experiences with McKesson implementation.

Mr. VanHouweling gave his assurances that the hospital would have appropriate internal resources assigned to this project and that the project would start upon approval of the contract. Appropriate staff will be made available and will consider this project a priority, so that it can be completed within four weeks. Staff did report one potential delay. The hospital is in the window for our tri-annual Joint Commission survey. Staff was given direction to include in the contract a possible five day suspension of work, in the event the Joint Commission arrives for their on-sight survey.

Staff was given direction to bring the contract to the Governing Board for approval at the June 25, 2014 meeting.

ACTION TAKEN: No action taken.

ITEM NO. 25 Identify financial issues that have the potential to impact the hospital strategic plan; and take action as deemed appropriate. [For possible action]

DISCUSSION: None identified

ACTION TAKEN: No action taken.

ITEM NO 26 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]

- McKesson follow-up report to be a standing agenda item
- Committee to receive quarterly updates on Managed Care contracts
- Follow-up audits requested for Surgery Vendors and Medicare Secondary Payor
- Staff to provide business plan for implant tracking
- Request calendar of planned audits for the year
- Discuss adequacy of staffing of Audit/Compliance
- Review Capital Budget/Assessment at August meeting

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 5:55 p.m., Chairman Raney adjourned the meeting.

APPROVED July 17, 2014:

Eileen Raney, Committee Chair

ATTEST:

Cindy Dwyer

Cindy Dwyer, Board Secretary