University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
July 17, 2014

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Thursday, July 17, 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, July 17, 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 (by conference phone)
Jeff Ellis
Harry Hagerty

Absent:
Michael Saltman (Excused)

Others Present:
John O'Reilly, Governing Board Chair (arrived at 4:15 p.m., Item #7)
Stephanie Merrill, Chief Financial Officer
Mason VanHouweling, Chief Operating Officer
Lawrence Barnard, Chief Executive Officer (arrived at 4:35 p.m. Item #12)
John Liston, Director, Purchasing and Contracts
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 June 12, 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. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

As Chair Raney was participating by phone, she asked for Committee Member Jeff Ellis to assist with announcing the agenda items and calling for a motion and vote.

ITEM NO. 4 Receive an update on the McKesson electronic health record implementation; and direct staff accordingly. [For possible action]

DISCUSSION: Ernie McKinley, Chief Information Officer, and Mason Van Houweling, Chief Operating Officer, provided an update on the McKesson implementation. Innovative Healthcare Solutions (IHS), engaged by UMC for a third-party assessment of the implementation, has had a team of 12 on site to evaluate and validate issues on both the McKesson side and UMC process side. Senior Leadership has an exit interview today, and the team will be back next week for some additional work, with another exit interview next week, with a final report expected by the second week of August. One of the key takeaways was that while the system was not implemented very well, the McKesson system does work and they've seen it work well in many other institutions. Although we compressed what should have been a 48 month implementation into 22 months, with a lack of resources, and a lot of testing done as we were going live, there is a way out. The team has identified many directions that they feel the organization should take and several wins. At the suggestion of the IHS team, an IT Steering Committee will be formed address long term planning, over the next five to ten years. The final report will include the estimated costs associated with remediation, as well as estimated timeframes to complete. The Chair requested that staff develop a timeline to accompany the final report. Depending on when the final report is received, staff will present at the August Audit and Finance Committee and/or Governing Board meetings.

It was the desire of the Committee members to meet individually and privately with the IHS team to share concerns and input, which could be incorporated into their final report. Mr. McKinley will ask the Project Manager to meet with each of the Committee members next week.

It was noted that UMC did not pursue a Stage One waiver for Meaningful Use, but should be able to attest to Year One Stage One late, which would start collection in October 2014 and attest by January 2015, avoiding any penalties for Year Two.

ACTION TAKEN: No action taken.

ITEM NO. 5 Receive monthly financial report for May 2014; and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED: Management Discussion & Analysis, May FY2014 Financials

DISCUSSION:

Stephanie Merrill, CFO, reviewed the Management Discussion & Analysis of the May FY2014 financials.

In answering Committee members' questions, Ms. Merrill explained that the budget shortfalls are covered by the County subsidy, including the loans we have received from the County. In the future, she will include in the monthly reports how the budget shortfalls are covered. She reported that for the current fiscal year we will end up drawing about $25.5 million out of the approved $45 million in loans from the County. The intention is to repay the second loan, possibly with the money still owed on last fiscal year patients that were pending Medicaid, and once denied by Medicaid will convert to CCSS.

While expenses have been at or below budget for the past several months, adjusted patient days indicate expenses have to be adjusted further. There are systems in place for monitoring productivity and holding managers accountable, and we should see improvement in coming months.

As the changing payer mix was reviewed, Member Harry Hagerty asked if we had the budgeted patient days with the current payer mix, how would the hospital be doing. He also requested clarification of how numbers varied from budget, step by step. Mr. Van Houweling stated that with increasing volume of patients with a payment source, the hospital will be able to decrease acuity and increase our ability to place patients requiring long term care much quicker, freeing up beds and decreasing expenses. In responding to the change in payer mix and decreasing volume, staff plans to close one of the nursing units and co-hort patients and resource to reduce costs and expenses. Senior Leadership is also looking at ways to increase volume, i.e., growing the top service lines, including elective outpatient volume.

Chair Raney requested that staff revise the monthly report and year-end report to include average length of stay and acuity, as they both affect the budget.

Assuming the year-end report is finalized, the Chair requested that next month's financial report for both the Committee and the Board include a year-to-date report.

ACTION TAKEN: No action taken.

ITEM NO. 6 Receive an update from the Chief Financial Officer; and direct staff accordingly. [For possible action]

DISCUSSION:

There is one contract item that did not make today's Committee agenda. The agreement will result in UMC receiving $79,000 from Sprint, reimbursing the hospital for utilities used by their cell tower on the hospital's roof. There is a process in place going forward to ensure we're being reimbursed appropriately. With the consensus of the Committee, this item will be placed on the July 30th Governing Board consent agenda.

Recently, because of last minute negotiations and timing issues, the OB Anesthesia contract went to the Board of Trustees, without first being reviewed by the Governing Board. In light of the discussions by the Board of Trustees as they reviewed this contract, Senior Leadership suggested that the Governing Board consider submitting a language change to the ordinance that would increase the Governing Board's final authority for physician contracts from $1 million to $5 million. This item will be placed on the July 30th Governing Board meeting agenda. With their approval, it will then be forwarded to the Board of Trustees for their consideration and action.

Because the Governing Board has assumed responsibility for reviewing all Audit reports, including results and corrective action, Hospital leadership will no longer be required to appear before the Clark County Audit Committee to review UMC audits.

ACTION TAKEN: No action taken.

ITEM NO. 7 Receive a report on the State of Nevada's Medicaid waiver project, as well as waiver projects at other public hospitals; and direct staff accordingly. [For possible action]

DOCUMENT SUBMITTED: 1115 Medicaid Waiver Programs

DISCUSSION: Gail Yedinak provided an overview on Medicaid Waiver projects at other hospital public hospitals around the country. She clarified that all of the projects involve collaboration with multiple hospitals and community partners. Additionally she shared the State of Nevada's goals associated with their waiver for the "Healthcare Guidance Program". Their program establishes a care maintenance organization, performing case management of all fee-for-service Medicaid patients. Should UMC proceed with developing a project, it would have to fall within the State's goals. Staff will be meeting with a consultant this week and will discuss ideas around frequent users of the Emergency Department and expansion of primary care. Chair Raney suggested possible collaboration with Nevada Health Centers, and also suggested that the Medicaid Waiver Project be included in the Strategic Plan.

ACTION TAKEN: No action taken.

ITEM NO. 8 Receive a report on internal implant tracking; and direct staff accordingly. [For possible action]

DISCUSSION: Mason Van Houweling, Chief Operating Officer, provided a follow-up from last month's Committee discussion about the Surgical Implant audit, which identified issues with ensuring proper tracking and charging for implant devices. In an effort to resolve these issues, a work group has been formed to improve the manual tracking process. They've already made significant progress. Corporate Compliance staff will begin educating the OR staff on proper documentation for wastage and charging. The group is also focusing on the vendor sheet, and requiring that the form be done in the post-op briefing immediately following surgery, to ensure better documentation. For improved tracking, better security, and cost containment, the inventory has been moved to the OR. The group has also watched a web demo on an automated "vending" machine, where implants and key supplies are bar-coded and patient name/number entered to ensure capture of revenue and creation of an automated log. The software also sends FDA and vendors appropriate documentation for potential product recalls. The initial investment would be $30,000, with a monthly cost of $1900.

Mr. Van Houweling is confident that with the implementation of actions identified above, and the appropriate resources dedicated, that the manual process could be 100% accurate in charge capture. He will come back to the Committee with a business case in the future. Internal Audit will conduct another audit next calendar year to evaluate the effectiveness of improvements, at the request of the Committee.

As a result of a recent meeting that Chair Raney had with Angela Darragh and Rani Gill, Committee members will be contacted individually to obtain their input for next fiscal year's scope of work. Chair Raney also requested a future Committee agenda item to discuss staffing of Internal Audit. There was also discussion regarding the reporting authority of Internal Audit and the Committee's future involvement in determining the scope of work.

ACTION TAKEN: No action taken.

ITEM NO. 9 Review and recommend that the Governing Board approve Amendment Four to Participating Provider Agreement between AMERIGROUP Nevada, Inc. d/b/a AMERIGROUP Community Care and University Medical Center of Southern Nevada for managed care services. [For possible action]

DOCUMENTS SUBMITTED:
- Fourth Amendment to Participating Provider Agreement between Amerigroup and UMCSN
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment represents a change in the rate schedule, as a result of a coding change that separates charges for moms and babies when the baby gets transferred to the NICU.

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

ITEM NO. 10 Review and recommend that the Governing Board approve the new Facility Agreement between Anthem Blue Cross & Blue Shield and University

Medical Center of Southern Nevada for managed care services. [For possible action]

DOCUMENTS SUBMITTED:
- Facility Agreement between Anthem Blue Cross and Blue Shield and UMCSN
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This renegotiated agreement includes new language and coding consistent with State and Federal regulations, and includes a new payment schedule effective August 1 2014, for a three-year term.

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. 11 Review and recommend that the Governing Board approve Amendment Three to Hospital Services Agreement between Teachers Health Trust and University Medical Center of Southern Nevada for managed care services. [For possible action]

DOCUMENTS SUBMITTED:
- Third Amendment to the Participating Hospital Agreement between Teachers Health Trust and UMCSN
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This amendment will amend the reimbursement schedule approved on March 31, 2014, by adding codes inadvertently omitted. The reimbursement rates will be retroactive to January 1, 2014. Negotiations will begin in September for this contract, which expires December 31, 2014.

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

ITEM NO. 12 Review and recommend for approval by the Governing Board the Amendment One to Hearing Screen Agreement between Pokroy Medical Group of Nevada, Ltd, d/b/a Pediatrix Medical Group of Nevada and University Medical Center of Southern Nevada and authorize the Chief Executive Officer to exercise any renewal options; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment One to Hearing Screen Agreement between Pediatrix Medical Group of Nevada and UMCSN
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: Pediatrix is the only vendor providing this service in the community. This amendment adds one additional year of service through July 31, 2015, with a one year option to renew.

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

ITEM NO. 13 Review and recommend that the Governing Board ratify the Agreement between CenturyLink, Inc. and University Medical Center of Southern Nevada for low voltage equipment and cable installation. [For possible action]

DOCUMENTS SUBMITTED:
- Agreement between Century Link and UMCSN
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This agreement is for installation of low voltage equipment and cabling to support relocation of several UMC Departments to the Delta Point building. The scope includes hardware and materials to complete the infrastructure needed to allow the management of all IT and telephone services in the building.

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

ITEM NO. 14 Review and recommend for ratification by the Governing Board the Letter of Agreement for the Crimson Market Advantage Program between The Advisory Board Company and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Letter of Agreement between the Advisory Board Company and UMCSN
- Disclosure of Ownership

DISCUSSION: This letter of agreement allows UMC to utilize the Crimson Market Advantage Program to analyze and communicate physician referral patterns in the community in order to optimize growth opportunities for UMC. The term of the agreement is for five years.

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

ITEM NO. 15 Review and recommend for approval by the Governing Board the Patient Specimen Collection Services Agreement for Trauma Services and Emergency Department between Laboratory Corporation of America and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Patient Specimen Collection Services Agreement between Laboratory Corporation of America and UMCSN
- Certificate of Liability Insurance
- Disclosure of Ownership

DISCUSSION: This agreement replaces the previous agreement which expired November 30, 2013. The vendor will be providing the same services, with no increase in cost for the period December 1, 2013, through June 30, 2016.

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

ITEM NO. 16 Review and recommend for approval by the Governing Board the Amendment Two to Cooperative Agreement for Clinical Library Services between the Board of Regents of the Nevada System of Higher Education on Behalf of the University of Nevada School of Medicine (UNSOM) and University Medical Center of Southern Nevada and authorize the Chief Executive Officer to exercise any renewal options; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment Two to Cooperative Agreement between Board of Regents and UMCSN Concerning Clinical Library Services

DISCUSSION: This amendment would exercise an option to renew for an additional year, through June 30, 2015, with no increase in cost, and a 30 day out clause. Provision of Clinical Library Services is required by Joint Commission. It was suggested that prior to the next renewal option, staff should pursue options of sharing resources with UNLV.

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

ITEM NO. 17 Review and recommend that the Governing Board ratify the Agreement between the Board of Regents of the Nevada System of Higher Education (NSHE) on behalf of the College of Southern Nevada (CSN) and University Medical Center of Southern Nevada for dental care services. [For possible action]

DOCUMENTS SUBMITTED:
- Provider Agreement between the Board of Regents on Behalf of College of Southern Nevada and UMCSN
- Hosting Agreement between UMCSN and Hyland Software, Inc.
- Disclosure of Ownership

DISCUSSION: This Agreement is for dental service for HIV/Wellness Center patients covered by a Ryan White Federal Grant. The term is for April1, 2014, through March 31, 2016, with a 30 day out clause.

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 Identify financial issues that have the potential to impact the hospital strategic plan; and take action as deemed appropriate. [For possible action]

DISCUSSION: There was discussion about a desire to receive a report on the CEO's plans to address the hospital deficit, including decreasing expenses, and increasing revenue. Mr. Barnard will share his plans with the Board members in individual briefings on strategic planning, with no deliberation or polling of votes.

ACTION TAKEN: No action taken.

ITEM NO 19 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]

- Internal Audit staffing to be placed on August agenda
- McKesson/IHS Final Report to be placed on August agenda
- Chair Raney reported that she has spoken with the Dean of the Health Policy and Management School about utilizing interns to assist with the hospital strategic planning and assisting with obtaining information from Brookings Institute. Board Chair O'Reilly has also spoken with the Dean of the Law School about the hospital utilizing their interns for legal issues.
- Board Member Harry Hagerty requested a future agenda item to discuss UMC's GME commitments and allegiance, and how that affects the strategic plan and future financial viability of the hospital. CEO Barnard stated that he will include this discussion in his briefings.
- It was noted that as UMC chooses new community partnerships and collaborations, the Board must be careful to consider any possible conflicts of interest when it comes to appointments and voting.

COMMENTS BY THE GENERAL PUBLIC:

At this time, Jeff Ellis 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 5:30 p.m., Jeff Ellis adjourned the meeting.

APPROVED:

Eileen I Raney

Eileen Raney, Committee Chair

ATTEST:

Cindy Dwyer

Cindy Dwyer, Board Secretary