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

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, November 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 Wednesday, November 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
Robyn Caspersen (non-voting member)
Jeff Ellis (by phone)
Donald Mackay

Absent:
Harry Hagerty (excused)
Michael Saltman (excused)

Others Present:
Stephanie Merrill, Chief Financial Officer
Mason VanHouweling, Chief Operating Officer (by telephone for Items #13 and #4)
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 October 9, 2014. [For possible action]

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

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

DISCUSSION: Chair Raney asked to take Item No. 4 and Items No. 9-16 at the top of the agenda.

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive an update on the McKesson System optimization; and direct staff accordingly. *(For possible action)*

DISCUSSION: Experts with Innovative Healthcare Solutions are on site to assist with resolving the McKesson implementation issues previously identified. Key staff dedicated to assisting the consultants include IT, nursing, physicians, and department champions. Monthly updates will be provided to the Committee.

ACTION TAKEN: None

ITEM NO. 5 Receive an update on Medicaid related funding, including the 1115 Waiver and Upper Payment Limits (UPL); and direct staff accordingly. *(For possible action)*

DISCUSSION: Gail Yedinak, Intergovernmental Relations, and Peter Tibone, Reimbursement Manager, provided an update on Medicaid related funding.

- Medicaid Waiver Project – Staff is still pursuing a Medicaid Waiver Project, attempting to determine what would work best for UMC's unique circumstances. They have met with a couple of consultants, as well as a principal from Texas who runs a waiver project in that region.

- Upper Payment Limits (UPL)

    - The hospital should receive its first check of $3.8 million for the new supplemental Medicaid payment that is based off the Indigent Accident Fund tax revenue. Because UMC is already being paid at the upper limits of UPL, this is not an additional payment, but the County will save 50% of intergovernmental transfers (IGT).

    - The County's IGT transfer for Medicaid Managed Care (MCO) UPL has been approved by the Board of County Commissioners. The IGT would generate an additional $30 million for UMC. Staff will be meeting with the Medicaid MCO's next week regarding the distribution of payments.

- Anticipated UPL payments from the State for FY 2015 total $61.7 million ($42.3 million for inpatient, $6.8 million for outpatient and $12.5 million for GME). Staff is currently communicating with the State about updating the inpatient calculations, which would increase the limits of inpatient UPL by as much as $10 million.

ACTION TAKEN: None

ITEM NO. 6 Review the hospital's capital needs assessment; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- 5-Year Capital Requests
- 5-Year Capital Needs

DISCUSSION:

Stephanie Merrill reviewed the 5-Year Department Capital Requests through FY 2019. In addition, the 5-Year Capital Needs includes what UMC should spend annually to replace equipment at the end of useful life, and the annual investment to catch up the replacement of obsolete equipment. This $151 million list does not take into consideration expansion for the medical school or improvements.

Chair Raney requested that staff add the cost of a facility master plan design to the list of requests, and then prioritize the requests for the Committee's review. Staff was also requested to add a page including the "next steps" for the Governing Board meeting.

ACTION TAKEN: None.

ITEM NO. 7 Receive monthly financial report for September 2014 and quarterly trends; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
Management Discussion and Analysis – September 2014

DISCUSSION:

Stephanie Merrill, Chief Financial Officer reviewed the Management Discussion and Analysis for September 2014. Resulting explanations and discussions included the following:

- Both patient days and Adjusted Patient Days (APD) were ahead of budget, and YTD APD's were on target with budget. Though this is a "normal" volume, this is not a trend.

- While net revenue continues to come in under budget, Ms. Merrill noted that about $4.5 million if the budgeted net revenue is the $30 million in UPL that the hospital has not yet received from the State.

- Staff was requested to include YTD gross revenue and YTD net revenue extensions in future reports.

- In reviewing the year over year comparison, Ms. Merrill emphasized that neither the UPL payment, nor the expense reductions related to service closures in October are reflected in the current quarterly comparison. She anticipates a significant improvement in the next quarter.

- The reduction in the Self-Pay category of the payor mix reflects Medicaid Expansion. The Chair requested that in the future the Payer Mix slide reads, "Percentage of dollars at time of services rendered".

ACTION TAKEN: None

ITEM NO. 8 Receive an update from the Chief Financial Officer; and direct staff accordingly. *(For possible action)*

DISCUSSION:

Stephanie Merrill, Chief Financial Officer, provided the following updates to the Committee:

- In follow-up to Committee Member Harry Hagerty's previous inquiry about using bond interest savings to add more debt, Ms. Merrill reported that she has discussed the possibility with the County. She stated that the debt service payment to finance $10 million is $1.2 million, and therefore it would not be efficient. The Chair gave staff direction to pursue placing the interest savings in a separate capital fund for future use, and report back to the Committee.

- Pfizer Pharmaceuticals recently agreed to an $8 million settlement with the State of Nevada, requesting that the funds be split between UMC and UNSOM for women's healthcare issues. It will take several months to work out the details of the settlement, but staff plans to pursue the potential for utilizing a portion of these funds for robotic surgery.

- BDO is in the final stages of the FY 2014 financial audit, and expects to present it at the December meeting.

ACTION TAKEN: None

ITEM NO. 9 Review and recommend for approval by the Governing Board the Eleventh Amendment to Hospital Participation Agreement between Nevada Preferred Healthcare Providers and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Eleventh Amendment to Hospital Participation Agreement

- Disclosure of Ownership

DISCUSSION: This amendment requests to extend the existing agreement through December 31, 2016, unless terminated with a 90-day written notice, and includes an increase in the current reimbursement schedule.

ACTION TAKEN: A motion was made 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 for approval by the Governing Board the Sixth Amendment to PHCS Participating Provider Agreement between Multi-Plan Inc. and University Medical Center of Southern Nevada. ***(For possible action)***

DOCUMENTS SUBMITTED:
- Sixth Amendment of PHCS Participating Provider Agreement
- Disclosure of Ownership

DISCUSSION: This amendment requests to extend the existing agreement through December 31, 2014, until staff completes renewal contract negotiations.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the Amendment. Motion carried by unanimous vote.

ITEM NO. 11 Review and recommend for approval by the Governing Board the Clinical Affiliation Agreement with The Board of Regents of the Nevada System of Higher Education on behalf of the College of Southern Nevada and authorize the Chief Executive Officer to sign future amendments; and take action as deemed appropriate. ***(For possible action)***

DOCUMENTS SUBMITTED:
- Clinical Affiliation Agreement

DISCUSSION: This request is to approve a new clinical affiliation agreement with College of Southern Nevada for various programs. The term is from July 1, 2014 through June 30, 2017 unless terminated with a 90-day written notice. There is no cost to UMC.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the Agreement. Motion carried by unanimous vote.

ITEM NO. 12 Review and recommend for approval by the Governing Board the Microsoft Enterprise Software Enrollment Agreement Renewal and change of Large Account Reseller (LAR) to En Pointe Technologies, an authorized Microsoft Reseller, and authorize the CEO to sign agreements; and take action as deemed appropriate. ***(For possible action)***

DOCUMENTS SUBMITTED:

- Microsoft Enterprise Enrollment
- Microsoft Enterprise Enrollment Unexpired SA Amendment ID M 71
- Previous Enrollment(s)/Agreement(s) Form
- Enterprise Enrollment Product Selection Form
- Program Signature Form
- En Pointe Technologies Quote
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This agreement is for the purchase of Microsoft software products, as needed, to update computer software. The Agreement allows for consistent and deeper discounts for Microsoft product and support services than would normally be obtained by individual procurements. Quotes were received from four Microsoft-recommended vendors.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the Amendments. Motion carried by unanimous vote.

ITEM NO. 13 Review and recommend for approval by the Governing Board the Sales, License and Service Agreement between Intuitive Surgical, Inc. and University Medical Center of Southern Nevada to purchase the da Vinci Xi System; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Sales, License and Service Agreement
- Disclosure of Ownership
- Disclosure of Relationship
- DaVinci Economic Analysis

DISCUSSION: Mason VanHouweling, Chief Operating Officer, provided an economic analysis for the purchase of a robotic surgery console system. As one of the few hospitals in the community without this technology, the purchase would give the hospital the ability to recapture surgical volume in the market, attract new surgeons, and retain residents after graduation. Other benefits being sought by patients include minimal scarring, shortened length of stay, and reduced recovery times. The economic analysis and return on investment was distributed and discussed. Staff anticipates it would take approximately three years to recover the acquisition cost of the DaVinci Robot. There was discussion about commercial insurance reimbursement. In response to questions about reimbursement, Mr. Van Houweling stated that he is unaware of any carve outs or additional reimbursement for the technology, but pointed out that the length-of-stay in the analysis was based on Medicare and Medicaid, not the anticipated increase in commercial payers.

There is a dual "co-pilot" console available for the robot for $450,000, which can be added at any point. The School of Medicine was approached regarding the additional purchase, but does not currently have the capital. There will still be training with residents through the monitor.

Staff was given direction to provide the Committee with quarterly updates on the pro forma for robotic surgery.

ACTION TAKEN: A motion was made by Donald Mackay 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 for approval by the Governing Board Amendment One to Contract for Medical Coders between Maxim Healthcare Services, Inc. d/b/a Maxim Health Information Services and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment One to Contract for Medical Coders

DISCUSSION: This existing contract provides temporary medical coder services to assist staff during specific times. This Amendment requests the addition of temporary Coding Supervisor services while a permanent replacement is recruited. Reimbursement will not exceed $70,000 for six months.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the Amendment. Motion carried by unanimous vote.

ITEM NO. 15 Review and recommend for approval by the Governing Board the Clinical Affiliation Agreement for Nurse Practitioner and Dietetic Intern Programs with The Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Reno and authorize the Chief Executive Officer to sign future amendments; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Clinical Affiliation Agreement

DISCUSSION: This is a three year clinical affiliation agreement, with a 90 day termination notice, for the Nurse Practitioner and Dietetic Intern programs. There is no direct cost to UMC.

There was discussion about the actual cost/reimbursement of an affiliation agreement, since the hospital receives no compensation. Ms. Logsdon stated that she has recently researched this subject and has found that it is a generally accepted practice for hospitals to provide affiliation agreements free of charge, even in agreements with for-profit institutions. The Committee requested that staff analyze the "real" cost of oversight, i.e., loss or productivity, credentialing, etc.

ACTION TAKEN: A motion was made by Eileen Raney to approve and make a recommendation to the Governing Board to approve the Agreement, with a report back to the Committee as to whether we should continue clinical affiliations in the way we are doing so currently, and to include the cost quantified as a basis for renegotiating agreements. Motion carried by unanimous vote.

ITEM NO. 16 Identify financial issues that have the potential to impact the hospital strategic plan; and take action as deemed appropriate.

- $4 million Phiser Pharmaceutical settlement

ITEM NO. 17 Identify emerging issues to be addressed by staff or by the Audit and Finance Committee at future meetings; and direct staff accordingly.

The following issues were identified for future Committee agenda items:

- Staff to make requested changes to Monthly Management Discussion and Analysis report
- Staff to prioritize capital needs list and bring back to the Committee in December or January
- Cost Analysis of affiliation agreements
- Monthly update on IHS/McKesson optimization
- Quarterly update on surgical robotics business
- Monthly update on $30 UPL enhanced rate
- FY 2014 Financial Audit – January meeting
- Voting items to be placed at the top of future agendas

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 4.39 p.m., Chair Raney adjourned the meeting.

APPROVED:

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Eileen Raney, Committee Chair

ATTEST:

Cindy Dwyer
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Cindy Dwyer, Board Secretary