University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
August 12, 2015

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, August 12, 2015
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, August 12, 2015, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:02 p.m. by Acting Committee Chair Donald MacKay and the following members were present, which constituted a quorum of the members thereof.

CALL TO ORDER

Board Members:

Present:
Donald Mackay, Acting Committee Chair
Jeff Ellis
Robyn Casperson (non-voting member)
Eileen Raney, Chair (via conference phone)

Absent:
Harry Hagerty
Michael Saltman

Others Present:
Stephanie Merrill, Chief Financial Officer
Kurt Houser, Chief Operating Officer
Susan Pitz, General Counsel Hospital Administration
Cherel McCracken, Acting Audit and Finance Committee Secretary

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 PUBLIC COMMENT

Acting Committee Chair MacKay 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 July 08, 2015. *(For possible action)*

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

ITEM NO. 3 Approval of Agenda *(For possible action)*

DISCUSSION: Acting Chair MacKay noted that Item No. 9, Burn On-Call and Burn Clinic Coverage will be pulled from the agenda.

Acting Chair MacKay also noted that Item #6, Lied Lease, will have different numbers.

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Review and recommend for approval by the Governing Board Amendment Two to Clinical Affiliation agreement between the Board of Regents of the Nevada System of Higher Education, on behalf of the University of Nevada, Las Vegas and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Amendment Two to Clinical Affiliation Agreement

DISCUSSION: John Liston, Director of Materials Management, noted this amendment will be adding the Boyd School of Law, extending the term through 2016: either party able to terminate agreement with 90 day written notice.

- Member Eileen Raney inquired if this Amendment encompassed funding of any students. Stephanie Merrill, Chief Financial Officer and Susan Pitz, Legal Counsel, explained that UNLV would be sending the students to UMC for a non-paid legal externship establishing a program with the Boyd School of Law, enabling the students to obtain school credit.

FINAL ACTION: A motion was made by Member Ellis to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 5 Review and recommend for approval by the Governing Board Amendment I to the Provider 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; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Provider Agreement Amendment

DISCUSSION: John Liston explained Amendment I of the Provider Agreement is to reallocate the grant funds for the Ryan White dental services in the amount of $60,000.

- Mr. Liston responded to Member Ellis' inquiry that all of the Ryan White agreements are separate and the Ryan White grant funds the $60,000.00.

FINAL ACTION: Member Ellis moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 6 **Review and recommend for approval by the Board of County Commissioners also sitting as the Board of Hospital Trustees the Interlocal Medical Office Lease for 1524 Pinto Lane between the Board of Regents of the Nevada System of Higher Education (NSHE) on behalf of University of Nevada School of Medicine (UNSOM) and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED: Interlocal Medical Office Lease

DISCUSSION: John Liston described this new lease would allow for 15,108 additional square feet of office space; totaling 19,297 sq. ft. The new lease will be a three year term with a three year option. The total revenue of the lease is 2.6 million. Factoring in utilities and maintenance, the revenue will total 1.3 million.

- Dr. MacKay inquired if the amount NSHE was paying is equivalent to the amount they will be paying. Mr. Liston verified that the amount would be the same with Consumer Price Index increases.
- John Liston confirmed that half of the building is still unoccupied as to the inquiry of Member Raney.

FINAL ACTION: Member Ellis moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 7 **Review and recommend for ratification by the Governing Board Amendment Two to Agreement for Physician Medical Directorship and Physician Professional Services for Nephrology Services between Bernstein, Pokroy & Lehrner, Ltd. d/b/a Kidney Specialists of Southern Nevada and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED: Agreement for Physician Medical Directorship and Physician Professional Service Amendment II.

DISCUSSION: Mr. Liston presented the Agreement for Physician Medical Directorship and Physician Professional Service Amendment II with Kidney Specialists of Southern Nevada. He explained that this Amendment added 24/7 consulting coverage for half day out-patient kidney transplant clinics, and conduct hospital rounds on our transplant patients daily. The monthly compensation is $18,000 or $90,000 for the term of the agreement.

- Chief Financial Officer, Stephanie Merrill informed the Committee that this agreement is up for renewal or replacement at the end of this calendar year and is under review.

ACTION TAKEN: Member Raney moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 8 Review and recommend for approval by the Governing Board Amendment Four to Agreement for Services between Prosthetic Center of Excellence and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Professional Services Agreement (Physician On-Call Coverage)

DISCUSSION: John Liston explained that Amendment IV to this agreement with Prosthetic Center of Excellence requests one additional year, through July 2016 with estimated spend of $450K. He further explained that the RFP process is currently being initiated during this extension timeframe.

- Member Ellis inquired if Prosthetic Center of Excellence bills for their services or if UMC bills separately. Stephanie Merrill explained that i UMC is not responsible for billing. Answering the question from Eileen Raney, Stephanie Merrill explained that UMC cannot bill because UMC is not a DME provider. She further detailed that Medicaid does not reimburse most of the supplies, and much of the self pay does not cover, therefore UMC reimburses. Additionally, she explained due to the changes in our payor mix, will be analyzing costs during the RFP process.
- Stephanie Merrill and John Liston confirmed that the reimbursements were not for artificial limbs, but rather for halos and braces per the question raised by Dr. MacKay.
- Member Ellis would like confirmation of what we are paying for reimbursement.
- John Liston will inquire if Prosthetic Center of Excellence will agree to a 6 month extension instead of one year.

FINAL ACTION: Member Raney moved to approve, but try to negotiate a shorter term, and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 9 Master Agreement and Individual Physician Professional Services Agreement for Burn On-Call and Burn Clinic Coverage

Item removed from agenda.

ITEM NO. 10 Review and recommend for approval by the Governing Board the Provider Agreement between Dr. Aruni Tawney and University Medical Center of Southern Nevada for psychiatry services; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Provider Agreement

DISCUSSION: Mr. Liston introduced the Provider Agreement between UMC and Dr. Tawney for psychiatric evaluation and counseling services for Ryan White patients. This agreement renews the services for a two year term; not to exceed $280K annually.

FINAL ACTION: Member Raney moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 11 Review and recommend for approval by the Governing Board Amendment One to Quality Measures Abstraction Agreement between Primaris Holdings, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Amendment I Quality Measures Abstraction Agreement.

DISCUSSION: Director of Materials Management, John Liston explained Amendment I to the Quality Performance Abstraction Agreement with Primaris Holding, Inc. He further explained that Primaris will perform up to 9 performance sets and timely mock audits on data to ensure UMC's accuracy, per CMS and Joint Commission requirements. The estimated annual expense is $59K with a savings of $20K.

- Kurt Houser, Chief Operating Officer explained that the performance sets are conducted quarterly allowing UMC to review before submission and ensure improvements.

FINAL ACTION: Member Ellis moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 12 **That the Governing Board Audit and Finance Committee review and recommend for approval by the Governing Board the ratification of Nutanix Hardware purchase with cStor; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED: cStore Quotation

DISCUSSION: John Liston presented a ratification of the Nutanix hardware purchase for compute storage and virtual solution servers; spend of $725K. Additionally, Mr. Liston explained that contracts spoke to 15 vendors and identified the best solution for the needs of UMC.

- Ernie McKinley, Chief Information Officer addressed the committee as to how the purchase of new compute and virtualized storage would make management easier for IT staff.

FINAL ACTION: Member Ellis moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 13 Review and recommend for approval by the Governing Board the Location Release Agreement between Cineflix (Vegas 911) Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Location Release Agreement

DISCUSSION: John Liston presented for approval, the Location Release Agreement with UMC and Cineflix. He explained that this will be a series of recreation of events that have previously occurred at UMC and have been in the media previously. Either party may terminate by providing ten days written notice. Reimbursement will be at the rate of $250.00 per day.

- Danita Cohen, Executive Director Strategic Development and Marketing, explained that the $250.00 per day was to reimburse any staff that would be escorting the camera crews. However, she explained that Cineflix has decided not to shoot on campus, but rather in a hotel suite. This production will air on Discovery with the return on our investment being the positive perception of UMC as advertising that we cannot purchase.

FINAL ACTION: Member Raney moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 14 Review and recommend for approval by the Governing Board the Amendment I to the Lease Agreement for multiple UMC business units with AHP of Nevada, Inc.; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: First Amendment to Lease Agreement

DISCUSSION: John Liston presented Amendment I to the Lease Agreement with AHP of Nevada for additional space at Delta Point building at $13K per month or $162K annually, to house UMC's Ambulatory Administrative and Physician Referral staff. Space will be at no rent for the first 11 months. The current rate is $1.70 per sq. ft, increasing to $1.75 per sq. ft.: coterminous for the 10 year term of the lease.

FINAL ACTION: Member Raney moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 15 Review and recommend for approval by the Governing Board the Single Site Agreement for Harmonic and Enseal products between Ethicon US, LLC and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Single Site Agreement

DISCUSSION: John Liston presented the Single Site agreement with Ethicon Endo Surgery asking for approval for Harmonic and Enseal business. He explained that this business is a physician preference and GPO single source with an estimated annual spend of $500K for stapling and tissue sealing business.

- Eileen Raney asked if, when using the GPO as the source, it could be noted. Mr. Liston agreed to relay to the Contract staff.

FINAL ACTION: Member Ellis moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 16 Review and recommend for approval by the Governing Board the Agreement between McKesson Technologies, Inc. and University Medical Center of Southern Nevada for Staff Augmentation Services for support of all HL7 Interfaces and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Order form (Hospital Solutions)

DISCUSSION: John Liston presented, for approval, an Agreement for Staff Services with McKesson to cover the HL7 Programmer at $135K for 6 months while the recruiting process takes place.

FINAL ACTION: Member Ellis moved to approve and make a recommendation that the Governing Board and Board of Trustees approve the agreement. Motion carried by unanimous vote.

ITEM NO. 17 Receive a report on the search for an Ambulatory Division Electronic Health Record solution; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: Power Point on Ambulatory Electronic Health Records Vendor Selection Discussion (Submitted at the meeting)

DISCUSSION: Andrew Chung, Associate Administrator presented the background on the Ambulatory Electronic Health Record vendor selection. He explained that due to the knowledge that McKesson would not be supported in the future, UMC discontinued the implementation. In late 2014, UMC furthered the search and reached out to the top three vendors; Athena Health, Greenway and Cerner. After assessing the provider feedback from Revenue Cycle, Clinic front office, Providers and Clinical Staff, the scoring matrix had overwhelming support for Athena excluding Revenue Cycle. Mr. Chung further explained that

Athena's co-source model is based on a percentage of collections. The estimated 5 year cost of $9,561.643 is based on FY2014 totals.

- Member Raney expressed concern that Athena is the only vendor that gets a percentage of receivables. Mr. Chung explained that both Cerner and Athena based their product pricing on a percentage of collections; Athena being 6.86%, and Cerner, including revenue cycle integration, is at 6% of net collections.
- Member Ellis inquired if we currently do all the billing and collections, keeping the percentage of net collections. Mr. Chung verified, and further explained that Athena had a 6% better collections rate.
- Mr. Chung explained the urgency in getting an Ambulatory EHR on board:
  a. ICD-10 compliance deadline of October 01, 2015
  b. Outdated referral management software
  c. Only 12 months remaining on our practiced management solution: Vitalworks
  d. Recurring meaningful use penalties
- Mr. Chung agreed to bring back additional information as to the advantages and disadvantages of choosing a non Cerner solution to EMR, as well as cost with and without the revenue cycle piece per the request of the committee.

FINAL ACTION: No action taken.

ITEM NO. 18 Receive an update on the McKesson System optimization; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED: Draft Potential Cash Flow Chart for HER Replacement
Power Point Update of Replacement of Electronic Health Record

DISCUSSION: Ernie McKinley, Chief Information Officer introduced Michael Porter, Director of Project Management for UMC's IT Department. Mr. Porter comes to UMC with 30 years experience in operations and program/project management and will oversee the implementation of the Electronic Health Record.

- Mr. McKinley presented the Cash Flow Schedule with changes reflected from last month's meeting. McKesson/Paragon numbers have reduced as compared to prior months. Also noted was the Cerner estimate, which includes the revenue cycle piece.
- Member Ellis would like to compare true costs of both systems. Mr. McKinley agreed to take out of the cash flow schedule, the McKesson line, of both systems.
- Brian Rosenberg, Consultant of the Rosenberg Group, summarized the past months activities. He stated that the primary focus has been on interviews, developing the RFI, draft communication plan, and meeting with the four vendors identified as likely candidates. Mr. Rosenberg anticipates that the RFI documentation should be available to the candidates by the end of the month. Mr. Rosenberg further detailed the timeline for project including the selection of vendors to participate in the demonstration process by October 05, 2015. By November 2, 2015 the committee will have chosen the top two

vendors, presenting to the Audit Committee by 11/11/2015 and final presentation of recommendation by 12/09/2015.

FINAL ACTION: No action taken.

ITEM NO. 19 Receive monthly financial report for June 2015; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED: Power Point FY2015 June and Fiscal Year End 2015 Financial Analysis

DISCUSSION: Chief Financial Officer, Stephanie Merrill presented the Financial Analysis for June with the following highlights:

- Net Revenue was $8.2M, better than budget for a total of $523M for the fiscal year.
- Total Operating Expenses were $1.4M under budget.
- Net Operating Gain was $9.7M better than budget, leaving UMC with a $31.5M loss for the fiscal year. CFO Merrill explained that the results were due to MCO enhanced rates and additional UPL.
- Key Operational Expenses
  - Salaries and Benefits over budget by $600,000 .
  - Supplies were $1.4M under budget.
  - Purchase Services was $500,000 under budget.
- Net Patient Revenue for June is above last year and the budget.
  - Total operating costs continue under budget as well as last fiscal year.
  - Salaries and benefits is under budget.
  - Supplies continue to fall under the prior fiscal year and under budget.
  - Purchase Services and Professional Fees remained the same.
- Average Daily Census has leveled out for the past few months.
- Adjusted Patient Days is closer to budget and Fiscal Year 2014.
- ED Volume exceeded last fiscal year to date and budget amount.
- Outpatient visits continues to look favorable.
- Inpatient and Outpatient combined surgery ticked up in June, and Outpatient surgery is beginning to exceed the prior year.
- Surgeries:
  - Endo surgery is above FY2014 proving efforts made in the different surgery programs.
  - Robotics Surgery has been consistent for the past three months. CFO Merrill invited members to attend quarterly Robotic Steering Committee.

- CFO Merrill presented The Financial Analysis for Fiscal Year End 2015 two different ways:
  - First presenting everything as it was booked; the original budget and June as it was booked in a preliminary status.
    - Operating revenues were over budget by 7%.
    - Total Expenses under budget by 3%.
    - Net Operating Loss 63% better than budgeted.
- Adjusted Patient Days was down 1.1%.
- Patient Days down 2.8%.

- Net Operation Loss per Adjusted Patient Days improved to the loss of $167 per Adjusted Patient Day.
- Contributions from Clark County decreased by 14%.

- CFO Merrill presented the next slide removing all the unbudgeted UPL and closed services in the Annual and Budget columns to fairly compare.
  - Operating Revenue came within 1/8 of a percent compared to the budget.
  - Salaries and Benefits were over budget by 1%.
  - Non-salary expenses came in under budget by 3.8%.
  - Total Operating Expenses came in under budget by 1.1%
  - Total Net Operating Loss was 2.6% less than what was budgeted.
- Net Operating loss per Adjusted Patient Days was better than budgeted.
- Contributions from Clark County were the same.
- UMC Payor Mix was shown over the past 4 years.
  - Medicare went from 20% in FY2012 to 23% in FY2015.
  - Medicaid/Selfpay went from 55% in 2012 to 46% in 2015.
  - Commercial, HMO, PPO is growing from 19% in 2012 to 21% in 2015.
  - Other has grown from 7% to 10%.
- Chief Financial Officer Merrill agreed to breakdown the Medicaid and Selfpay at the request of Eileen Raney.
- The following slides were presented the same data two different ways: one as booked and the other with the additional UPL money and the closed services removed. Chief Financial Officer Merrill showed that revenue has increased over the prior three years while the expenses had a minimal decrease resulting in the net operation deficit being less than the past four years.

FINAL ACTION: No action taken.

ITEM NO. 20 Receive an update from the Chief Financial Officer; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: Framed 835 from the State of Nevada

DISCUSSION: Chief Financial Officer, Stephanie Merrill updated the Committee on the following:

- UMC pays 32% of Medicaid/MediCare for the Prosthetic Center of Excellence prices.
- ICD10 readiness was addressed showing the framed 835 that UMC received back from the state showing our test run indicating that we would have been paid electronically. CFO Merrill explained that it is anticipated that there will be a permanent loss of productivity due to the volume of the new process bringing about the need for an additional 4 full time employees.
- Contract database implementation: a web based solution is in process with the Contract staff that will be available by the end of this fiscal year.

FINAL ACTION: No action taken.

ITEM NO. 21 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)*

DOCUMENTS SUBMITTED: None submitted.

DISCUSSION: Member Raney addressed the committee about our Auditors attending the Audit and Finance Committee meeting. CFO Merrill explained that, due to scheduling conflicts, they would attend the September meeting.

FINAL ACTION: No action taken.

COMMENTS BY THE GENERAL PUBLIC:

At this time, Acting Chair MacKay 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

ITEM NO. 22 Go into closed session, pursuant to NRS 241.015(3)(b)(2), to receive information from the General Counsel regarding potential or existing litigation involving a matter over which the Board had supervision, control, jurisdiction or advisory power, and to deliberate toward a decision on the matter; and direct staff accordingly. *(For possible action)*

There being no further business to come before the Committee at this time, at the hour of 5:25 p.m., Acting Chair MacKay adjourned the open session meeting.

Minutes prepared by: Cherel McCracken

MINUTES APPROVED: September 16, 2015