University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
January 21, 2015

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, January 21, 2015
3:30 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, January 21, 2015, at the hour of 3:30 p.m. The meeting was called to order at the hour of 3:38 p.m. by Committee 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)
Harry Hagerty
Donald Mackay

Absent:
Jeff Ellis
Michael Saltman

Others Present:
Stephanie Merrill, Chief Financial Officer
Mason VanHouweling, Chief Executive Officer
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 December 10, 2014. *(For possible action)*

FINAL ACTION: A motion was made by Donald Mackay that the minutes be approved as recommended. Chair Raney excused herself from the vote, as she was not in attendance at the December meeting. Motion carried by unanimous vote.

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

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

ITEM NO. 4 Review and recommend ratification of the renewal of the Infection Control Hosted Services, to CareFusion Solutions, LLC; and authorize the Chief Executive Officer to sign the agreements. *(For possible action)*

DOCUMENTS SUBMITTED:
- Customer Order
- Amendment to Master Agreement
- Schedule

DISCUSSION: The renewal of this agreement would provide an enterprise system used to meet CMS requirements for tracking and reporting infections, adverse drug events, clinical alerts, clinical interventions, and therapeutic antibiotic monitoring. This agreement is a renewal for a five year term, with a negotiated cost savings of $20,664 annually.

FINAL ACTION: A motion was made by Doctor Mackay to approve ratification and make a recommendation to the Governing Board to approve. Motion carried by unanimous vote.

ITEM NO. 5 Review and recommend for approval by the Governing Board the Professional Services Agreement for Medicare Advantage Shadow Billing Review, Post-Acute Care Transfer DRG Claim Review, and Medicare Reimbursable Bad Debt Review between Healthcare Payment Specialists, LLC and University Medical Center of Southern Nevada and authorize the Chief Executive Officer to exercise the renewal option; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Professional Services Agreement between Healthcare Payment Specialists and UMCSN
- Business Associates Agreement
- Disclosure of Ownership

DISCUSSION: This request is to approve an agreement with Healthcare Payment Specialist to identify opportunities to maximize Medicare reimbursement, which includes the potential recovery of several million dollars of Medicare reimbursement for UMC. This agreement is based on contingency. The vendor will receive 20% of what they collect.

Chair Raney initiated a conversation about the process for determining whether contracts are renewed or sent out for bid. Staff commented that while the County prefers that contracts be re-bid every five years, UMC does not have such a requirement. Ms. Merrill noted that Administration does take into account the end-user's recommendation before signing off during the agenda review process. Ms. Merrill suggested that going forward, department heads be required to include a written justification for renewal, which will be reviewed and approved by Administration. The Committee requested that staff work on a more robust process for determining renewal or bidding of contracts.

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. 6 Review and recommend for acceptance by the Governing Board the Master Affiliation Agreement for Graduate Medical Education, Program Letters of Agreement and Memorandum of Understanding between the Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada School of Medicine and University Medical Center of Southern Nevada, subject to final ratification by the Board of Hospital Trustees; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Master Affiliation Agreement between NSHE Board of Regents on behalf of UNSOM and UMCSN
- Program Letters of Agreement

DISCUSSION: This Master Affiliation Agreement includes program letters of agreement for each of the residency programs. The agreement is effective July 1, 2014, and expires June 30, 2016, with a six month termination clause. $26 million is the FY15 budgeted expense for UNSOM; the FY16 budget has not yet been determined. CEO VanHouweling stated that as one of the largest expenses in the hospital's budget, a resource is being dedicated to conduct a top down review of the UNSOM portion of the budget, which will identify opportunities to reduce expenses. If approved by the Committee, the Agreement will go before the Governing Board for recommendation to the Board of Trustees for final approval.

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

ITEM NO. 7 Review and recommend ratification of the Renewal Letter with WRI Charleston Commons, LLC to extend the lease of the Nellis Quick Care through June 30, 2020; and authorize the Chief Executive Officer to sign the agreement. *(For possible action)*

DOCUMENTS SUBMITTED:
- 12/8/14 Letter of Notification to Weingarten Realty

DISCUSSION: Ratification of this Letter of Intent would exercise the option rider for the last five years of the lease agreement with a 180-day pre-notice to keep the current lease rate for the Nellis Quick Care. The shopping center is currently at full capacity, and if the decision was made not to extend the option rider, the lease would go into the negotiation stage, which would be open to the public, including our competitors. Staff worked with the County's Real Property Management Department and a commercial real estate agent to make the decision to extend the option rider, and a letter of intent was sent to meet the 180-day deadline.

Member Harry Hagerty requested a presentation at a future meeting detailing the individual profitability of each Quick Care, as well as their economic impact on the Hospital. Andrew Chung, Associate Administrator, stated that he has profit/loss statements for each center, and can also provide an analysis of the economic benefit to the hospital. Rose Coker, Director of Managed Care, suggested that the analysis include the impact on managed care business, as some of the managed care companies we contract with require their enrollees to utilize our Quick Care and Primary Care facilities.

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

ITEM NO. 8 Review and recommend for approval by the Governing Board the Seventh Amendment to PHCS Participating Provider Agreement between MultiPlan, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

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

DISCUSSION: This managed care Provider Agreement represents recent negotiations to cover all of UMC's direct and total costs. The volume last year was approximately 350 inpatient admissions and several hundred outpatient visits.

FINAL ACTION: 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. 9 Review and recommend for approval by the Governing Board, Schedule Number 002 to Master Lease Agreement, for the lease of new/upgraded endoscopy equipment, related accessories and the associated service agreements, with Olympus America, Inc.; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Fixed Period Payment Schedule
- Debit Authorization
- Request for Insurance Certificate
- Information Sheet
- Quote
- Equipment Service Agreement

DISCUSSION: This is an addition to an existing Lease to replace outdated equipment to meet community standards and keep existing business, and also includes the addition of urology equipment. Staff anticipates this will attract new urology business. The Committee requested an update on urology business three months out.

FINAL ACTION: 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. 10 Review and recommend for approval by the Governing Board the Fifth Amendment to Participating Provider Agreement between Amerigroup Nevada, Inc. d/b/a Amerigroup Community Care and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DISCUSSION: CMS recently approved a program that will allow a pass-thru of funds for HMO Medicaid enhanced rates. Staff is working with Amerigroup on contract language, and hopes to have an Agreement to present at the January Governing Board meeting. Once Agreements are signed with both Medicaid managed care organizations, the County can make their IGT payment to start the process.

FINAL ACTION: No action taken.

ITEM NO. 11 Review and recommend for approval by the Governing Board Amendment Eleven to Letter of Agreement between Health Plan of Nevada, Inc., Sierra Health and Life Insurance Company, Inc., Sierra Healthcare Options, Inc., and Prime Health, Inc. (hereinafter referred to as SIERRA) and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DISCUSSION: As discussed in item No. 10, HPN is the second Medicaid managed care provider. Staff continues to attempt to negotiate an Agreement with HPN, so that UMC can access the enhanced rates.

FINAL ACTION: No action taken.

ITEM NO. 12 Receive and discuss the Major Joint Replacement Medical Necessity Audit follow-up report; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:

- December 5, 2014 Follow-up Audit - Major Joint Replacement Medical Necessity Documentation
- December 20, 2013 Audit - Major Joint Replacement Medical Necessity Documentation

DISCUSSION: Rani Gill, Corporate Compliance Officer, reported that the follow-up audit verified that sufficient documentation was present to show medical necessity for major joint replacement in the sample of charts reviewed, and concluded that staff took adequate corrective measures to address all the findings in the original audit.

.

FINAL ACTION: No action taken.

ITEM NO. 13 Receive and discuss the Spinal Fusion Medical Necessity Audit follow-up report; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- December 5, 2014 Follow-up Audit – Spinal Fusion Medical Necessity Documentation
- June 2013 Audit - Spinal Fusion Medical Necessity Documentation

DISCUSSION: Rani Gill, Corporate Compliance Officer, reported that this follow-up audit consisted of a five patient sample to determine whether documentation of medical necessity was adequate enough to receive payment for spinal fusion surgeries. Four of the five records did not meet the requirements, which could result in denial of payments. Ms. Gill noted that CMS recently performed a similar review and denied payment to UMC for 12 claims. The auditor's recommendation was for staff to ensure documentation is scanned into the permanent record and to create a checklist that must be complete prior to surgery being performed.

CEO VanHouweling reported that a working group has been formed to improve compliance. Staff is conducting concurrent chart review, which has resulted in compliance for the past three months. A scanner has been ordered for the nurses' station so that documentation can be scanned directly to the appropriate medical record. Resources have been added on the business side of the OR, and there is improved stability with permanent staff. Additionally, performance based measures will be included in future physician contracts.

The Committee also discussed the possibility of requiring the checklist to be complete prior to scheduling of surgeries, and having a "hard stop" in the system to prevent scheduling without required documentation. The Committee suggested that checklists be implemented in any of the business processes that continue to be problematic, to ensure compliance. Upon questioning whether physician reimbursement is tied to hospital reimbursement, staff explained that CMS does not currently withhold physician reimbursement, though they are moving in that direction.

The Committee inquired about the hospital's ability to re-bill the denied cases with the appropriate documentation, and requested that staff provide the Committee with follow-up on those cases.

Ms. Gill reported that she will be sending out the 2015 Audit Plan to the Committee members for their review. Chair Raney asked that Committee members communicate directly with Ms. Gill with any input they have on the Plan.

FINAL ACTION: No action taken.

ITEM NO. 14 Receive quarterly update on managed care contracts; and direct staff accordingly. *(For possible action)*

DISCUSSION: Rose Coker, Director of Managed Care, provided an update on the five managed care contracts that were previously identified by this Committee for renegotiation to improve reimbursement. Three of those plans have resulted in new contracts that cover UMC's total costs, and two are currently awaiting counter proposals. The Sierra Health Services contract expires March 31st, if we are unable to come to terms.

The Committee requested that Ms. Coker report back to the Committee on the revenue impact of these renegotiated contracts.

Ms. Coker reported that negotiations with CIGNA will begin in May.

FINAL ACTION: None

ITEM NO. 15 Receive an update on the McKesson System optimization; and direct staff accordingly. *(For possible action)*

DISCUSSION: Ernie McKinley, Chief Information Officer, gave an update on IHS' engagement for optimizing the McKesson System. He provided detailed updates on each of the six areas of focus: Emergency Department, patient folder, physician order entry, admin/pharmacy/nursing documentation, healthcare scheduling, and reports. He anticipates that they should be done before the end of February. He reported that staff and physicians are happy with the items that have been fixed.

The Committee requested a re-assessment of the effectiveness of the McKesson implementation and utilization at the next meeting, including an update on the items to be completed in-house, and next steps. Mr. McKinley noted that the 90-day testing for Meaningful Use Stage 1 should begin in April, and will be the best measure of the success and utilization. Mr. McKinley announced that a Meaningful Use Program Manager has been hired and will begin employment next month.

FINAL ACTION: None

ITEM NO. 16 Receive monthly financial report for November and December 2014; and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED:
- Management Discussion and Analysis, November FY 2015 Financials

- Management Discussion and Analysis, December & 2nd Quarter FY 2015 Financials

DISCUSSION:

Stephanie Merrill, Chief Financial Officer reviewed the Management Discussion and Analysis for November and December 2014, and 2nd Quarter FY 2015 trends. Resulting explanations and discussions included the following:

- December expenses were higher than forecasted, partly due to a one-time purchase of pharmaceuticals in order to get a price reduction. Though the benefits of this purchase will be seen in coming months, it was reported in the December financials.

- It was noted that the revenue is negatively affected by the fact that we are unable to receive the enhanced Medicaid Managed Care rates, pending signed agreements with the two managed care organizations.

- Case mix index is up over prior years, which indicates we are getting the proper documentation for patient acuity. Length of Stay is up to 5.8, but does not translate to additional reimbursement, which is affected by meaningful use, managing length of stay, and timely transfer of patients needing long-term care. CEO VanHouweling stated that staff is working on some initiatives to place patients in long-term care facilities. The Committee requested that length of stay for Medicare patients be reported separately.

- Member Hagerty inquired about adjusted employees per occupied bed. CEO VanHouweling responded that UMC is currently in the 5's, but added that the focus should be on overall productivity and overtime, which are both steadily improving.

- In response to a question from the Committee, CEO VanHouweling stated that while the hospital is licensed for 541 beds, most hospitals are at capacity when 80% of the beds are occupied. UMC's current occupancy is in the 420-430 range.

There was discussion regarding the format of the Management Discussion and Analysis (MDA). The Chair would like for Board members to be able to describe the hospital's finances. Committee members expressed interest in seeing key performance indicators, i.e., Emergency Department visits and admissions, revenue per day by pay source, month's revenue compared to same month prior year. Member Hagerty suggested that the Committee review the same key performance indicators currently used by management, rather than having to create a separate report for the Committee and Board.

FINAL ACTION: No action taken.

ITEM NO. 17 Receive an update on the 2016 Budget process; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:

- FY16 Outside Entity Budget Preparation Calendar of Events/Due Dates

DISCUSSION: The Committee reviewed the calendar of events for the FY16 budget preparation. The tentative budget is due to the County on March 12, 2014. CFO Merrill reported that the Hospital Departments are currently preparing their line item budgets to be rolled up in to a hospital-wide budget. She will bring a tentative budget to the February meeting. Chair Raney suggested that a special meeting be scheduled for the first week of March to discuss the budget. The Budget calendar will be included in the meeting book for next week's Governing Board meeting.

FINAL ACTION: No action taken.

ITEM NO. 18 Review the hospital's prioritized capital requests; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: Capital Requirements Summary

DISCUSSION: Andrew Chung, Associate Administrator, presented a summary of capital requirements necessary to carry out strategic goals and maintain and enhance quality for fiscal years 2015 through 2019. The needs are prioritized within fifteen different categories, which can be shifted as priorities change. This document will assist in forming a Capital Committee, which will help validate due diligence by departments, and will result in input from subject matter experts. All revenue generating purchases will have a return on investment to measure against and determine if we are meeting projected targets.

FINAL ACTION: No action taken.

ITEM NO. 19 Receive an update from the Chief Financial Officer; and direct staff accordingly. *(For possible action)*

DISCUSSION: CEO VanHouweling reported that there have been 21 robotic surgery cases since Dec 19th, with ten more scheduled for this week. The cases have been high in acuity with solid pay sources. There was discussion about the impact of robotic surgery on other surgical business. Mr. VanHouweling will report on the "halo" effect at a future meeting.

FINAL ACTION: No action taken.

ITEM NO.20 Discuss Committee accomplishments for 2014 and determine focus for 2015; and direct staff accordingly.

DOCUMENTS SUBMITTED: UMCSN Governing Board Audit & Finance Committee Major Accomplishments and Goals

DISCUSSION: The Committee discussed their major accomplishments. It was suggested that the acquisition of the surgical robot and the renegotiation of managed care contracts be added, as well as a very strong focus on driving improved financial results through accountability and near term corrective

measures. Accomplishments from the previous six months will also be included in the list of accomplishments.

Committee goals for 2015 were also discussed. The Chair would like to include a review of the current contract process. Member Hagerty suggested that in concert with management, the Committee determine the five most important things that can change the profitability of UMC, and place the highest priority on those five key objectives.

Chair Raney will prepare another draft of accomplishments and goals for review by Committee members.

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)*

None.

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 5:47 p.m., Chair Raney adjourned the meeting.

APPROVED: