University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
July 08, 2015

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, July 08, 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, July 08, 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)
Harry Hagerty (via conference phone)

Absent:
Michael Saltman

Others Present:
Hillary McElroy, Controller
Mason VanHouweling, Chief Executive 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 June 17, 2015, and the special meetings on June 03, 2015 and June 10, 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)*

Acting Chair MacKay noted that Item No. 5, BDO USA, Inc. was tabled.

DISCUSSION: Clarification by Hillary McElroy that BDO was unable to attend this month.

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 the extension Letter for Hearing Screen agreement with Pokroy Medical group of Nevada, Ltd. d/b/a Pediatrix Medical Group of Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Hearing Screen Agreement as Amended

DISCUSSION: John Liston, Director of Materials Management, noted this amendment is to exercise a one year option for $120,000.00, which would take us through July 31, 2016. Pediatrix provides all of UMC's newborn hearing screen services and is the sole provider of this service. In response to questions posed by Eileen Raney and Jeff Ellis, John Liston explained that prior negotiation included the one year option to encourage additional vendors, and that this was not a billable service. CEO Mason Van Houweling addressed the question of Member Ellis by explaining that it is a service provided at UMC, but is ordered by the pediatrician prior to discharge.

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 BDO USA, Inc.

Item deleted from agenda.

ITEM NO. 6 Review the results of the audit of the Two Midnight Rule audit dated September 08, 2015; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Letter from Clark County dated July 01, 2015
- Audit Report Two Midnight Rule dated July 2015

DISCUSSION: Rani Gill, Corporate Compliance Officer, addressed the committee regarding the follow up of the UMC Two Midnight Rule original audit, dated September 08, 2014.

- The follow up focused on medical necessity and valid admission orders by the physician. 20 accounts were selected from January 01, 2015 – March 31, 2015. Results showed no medical necessity deficiencies in the files. It was found that UMC's Case Management was contacting physicians prior to patient discharge for appropriate signature. However, physician signatures were missing on three out of twenty cases, thus there was no valid inpatient order prior to discharge. As a result, the payment for the three accounts that was received for inpatient reimbursement were not valid; totaling $69,274.57. It is recommended by the auditor, a refund for the amounts of the claims for the improper orders, and re-submit under Medicare Part B. Further, the Auditor recommended a meeting with UMC Business Partners and physicians responsible for overseeing residents to ensure they provide proper training on co-signing admission orders and develop and implement self monitoring policy.

- Acting Chair MacKay asked if there were penalties associated with the deficiencies. Rani Gill responded that UMC could be penalized for submitting a false claim with fines or investigation.

- Rani Gill explained that to recover any of the $69,274.57, the claim would have to be re-billed as an outpatient; we could not bill for the inpatient services, answering Eileen Raney's question.

- Linda Garrison and Lisa D'Asunta spoke to the actions taken to remedy the situation. There was some discussion on administrative suspension and software limitations and current practice.

- Follow up with Chief of staff

FINAL ACTION: No action taken.

ITEM NO. 7 **Receive quarterly update on managed care contracts; and direct staff accordingly.** ***(For possible action)***

DOCUMENTS SUBMITTED: Update from Rose Coker, Director Managed Care

DISCUSSION: Rose Coker, Director of Managed Care provided an update on 4 new agreements:

- Optim IPA: new provider taking over the risk product for Senior Dimensions, negotiating an agreement for the beginning of next year.
- One Health Plan: new provider network, a subsidiary of Hometown Health of Reno, NV. Opened negotiations for their PPO Plan
- Six Degrees of Health: an expanded transplant network, new to Nevada, wanting to partner with UMC in kidney transplant product.

- Local Plus: a Cigna Plan, introducing a reduced network partnership with three main partners: HCA, Wealth Health and are interested in UMC.

Upcoming renewals / October – January
- Healthcare Partners MOU
- Clark County Self Funded Primary Care/Quick Care Interlocal agreement
- First Health PPO – Up for renewal
- Tricare contract will automatically renew in January for two year extension, unless we terminate.
- Prominence Health Plan (AKA:NPP) up for renewal in January
- Aetna/Coventry HMO/PPO: combining contracts into one contract

Next Month:
- Amendment CDM increase with the Health Services Coalition
- Running Analysis for the first six months on all managed care contracts to track the expected vs. actual reimbursement.
- In response to questions from Eileen Raney and Robyn Casperson, it was explained that UMC's strategy in handling new merger consolidations, was to steer new business to the hospital by:
    - The Cigna rollout of Local Plus, developing a partnership with the Physicians through the Well Health Physician's Network
    - More elective surgeries
    - Partnering with One Health Plan to bring UMC's Primary and Urgent Cares in their system new to Las Vegas

Ms. Coker agreed to bring back to the committee next month, a report of the impact of the contracts performance for the past six months and whether or not we need to increase our margin goal.

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ACTION TAKEN: No action taken.

ITEM NO. 8 Receive an update on financial impact of the Primary/Quick Care Clinics on the hospital's net revenue; and direct staff accordingly.
(For possible action)

DOCUMENTS SUBMITTED: Power Point on Primary / Urgent Care Financial Impacts to UMC

DISCUSSION: Power Point presented by Andrew Chung with the following highlights:
- Follow up briefing to the February report on current performance and past financials
- FY14 financials at the end of the year; the direct margin for all of the Primary and Urgent Cares business is at a loss of $5.1M. Adding in the indirect revenue and expenses, the total loss was $3.2M; noting that these figures only include the clinics that we can do direct comparisons with; those that are currently operational.
- FY14 Benefit to UMC as a result of clinic generated referrals. Andrew looked at a 90 day window calculating to $2.5M total margin from transfers. A 120 day would yield a direct margin of $8M and $12.9M annually. Some discussion regarding attributing Quick Care visits to future hospital visits. Andrew explained that the transfer rate for an Urgent Care visit to the E.D. is

approximately 59% representing a good relationship of an Urgent Care visit translating over to a UMC Emergency Department visit.

- FY15 performance is positive. The FY15 Financials show a 27% margin improvement and the 3rd quarter on track to be profitable. This is based on the estimates of the volume that they generated in 3rd quarter and the expected percentage of collections based on the generated volume.
- Mr. Chung demonstrated an upward trend with increased volume and better productivity. As a stand- alone entity, the clinics are starting to be profitable to UMC without the benefit of the just transfers themselves.
- Opportunities FY16:
    - Increased Market Share, Clinical Quality Scores and Provider Productivity
    - Maintain Margins
    - Enhance Technology
    - Maximize PCP Network referrals

- Member Jeff Ellis would like to see the payor mix that generated the $8.4m of net revenue.
- Member Eileen Raney would like to see the volume of patients that get transferred over to UMC; identified by Urgent Care or Primary Care and which generate Primary Care Inpatient revenue.

FINAL ACTION: No action taken.

ITEM NO. 9 Receive a financial analysis of the initial three months' business of the robotic surgery service line; and direct staff accordingly. *(For possible action)*

DISCUSSION: CEO Mason VanHouweling reported 82 DaVinci Robotic cases were performed in the first quarter of 2015 including cases performed between 12/19/2014 – 03/31/2015. Of the 82 cases, 42 were inpatient and 40 were outpatient/same day surgeries. The overall direct margin for the inpatient and outpatient combined is a negative margin of $21,537.00. Mr. VanHouweling explained that this figure is based on actual collections received thus far. The anticipated overall margin, once fully collected, is $156,000.00 in the first quarter of 2015. There are $769,000.00 in outstanding balances; with an estimated collection of $177,000.00. UMC is networking with Urology and Gyn/Oncology surgeons to increase additional business development and margin improvement. UMC is also expanding the robotic surgery hours per day and possibly including Saturdays. Additionally, the Operating Room packets have been standardized to reduce time and waste. Mr. VanHouweling communicated that DaVinici is returning to UMC to introduce the Genesis program that will share best practices and assess where we can improve.
Don Gallaway, Director of Surgical Services, reiterated that limited staff, and current hours of operation are not conducive to attracting new business. Cases of high acuity may also limit the amount of cases per day. They feel that we can increase our robotic business dramatically by opening hours of operation, days of use and expanding our service line.

FINAL ACTION: No action taken.

ITEM NO. 10 Receive an update from the Chief Executive Officer; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: N/A

DISCUSSION: CEO, Mason VanHouweling gave a report on the following:

- The performance in the Primary and Urgent Care Financial Impacts, as reported by Andrew Chung, is encouraging.
- UMC recently closed the fiscal year end. The preliminary unaudited financials will be presented at the next meeting.
- The team continues to work hard to build business related to the Hospital's strategic plan.
- Mr. VanHouweling reported he is working with the doctors from the School of Medicine ensuring that current faculty, including doctors that are practicing with the School, will have opportunities for jobs at UNLV.
- 2040 Building: UMC was served a 30 day notice that the School of Medicine and they are leaving the building, excluding one floor. The plan is to backfill the vacancy with UNLV medical students until the new Medical School is built.

FINAL ACTION: No action taken.

ITEM NO. 11 Review and recommend for approval the schedule of Committee activities; and take action as deemed appropriate. (*For possible action)*

DOCUMENTS SUBMITTED: Audit & Finance Committee Schedule of Activities

DISCUSSION:

- A schedule of activities created by Robyn Casperson, Eileen Raney and Stephanie Merrill was introduced to the Committee detailing an annual calendar of activities that the Committee would accomplish in compliance with the charter, as well as being consistent with best practices of other audit committees for public companies.
- Member Casperson reported that each division of the calendar is broken out by the sections of the charter with corresponding dates for activity completion. She explained that it was created to track how the Committee operates and identifying items necessary in the charter, as well as the interests of the Committee. It also encompasses the budgeting and audit processes the Committee goes through with the County at the appropriate times of the year at the correct frequency.
- The Committee was asked to review and come back with comments. Harry Hagerty interjected the suggestion to add internal controls as a category, ensuring that the Committee remains ahead of the processes.

FINAL ACTION: No action taken.

ITEM NO. 12 Receive monthly update on replacement of Electronic Health Record (EHR) clinical product; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: Power Point Presentation: Update of Replacement of Electronic Health Record

DISCUSSION: Ernie McKinley, Chief Information Officer, summarized the reason for the replacement of the Electronic Health Record and gave details on the following highlights:

- The Horizon EHR must be replaced before January 1st 2018 due to CMS requiring Stage 3 attestation for the calendar year 2018.
- Replacing the system will improve end user satisfaction, more efficient workflow, increase the availability of metrics and information, improve patient care and increase profitability for UMC
- Brian Rosenberg was introduced as the consultant from The Rosenberg Group whose sevices have been engaged to assist with achieving these goals. To do so, Mr. Rosenberg further explained the process.
    - Phase 1 includes documenting UMC's current state, future state and project objectives for success.
    - Phase 2 will consist of the selection and buy in process as well as the team building.
    - Phase 3 will include the implementation strategy, change management, quality assurance of implementation, and post implementation benchmarking.
- Mr. Rosenberg explained that initially we need to identify staff for interview, schedule interviews, develop a question list and develop a detailed timeline. It was further explained that the interview process may be a two step process with an initial interview and follow-up. There will be much focus on lessons learned from the previous implementation to ensure a successful transition. Mr. Rosenberg will be attending the Directors meeting on July 16, 2015 to explain the project and to determine who would be relevant to participate in the interview process. Eileen Raney suggested that the entire Audit and Finance Committee be added to the interview list.
    - Interview process anticipated timeline; 6 weeks
- RFI Process
    - McKesson, Cerner, Epic and Meditech are the vendors that will be invited to participate.
- A key task by month was provided as an overview of what will be occurring over the next 5 months.
- Vendor of Choice Approval Timeline will offer committee and board members the opportunity for input and concerns as they review the finalists. During the selection process, Mr. Haggerty asked if there was anything UMC could do to assist in the transition of the new implementation. Mr. Rosenberg explained that the intent is to use the October – January period to prepare to be ready to go once the selection is made.
- Project Staffing Considerations:
    - Front fill the project by initially hiring experts.
    - Back fill by moving the best team members from the front line to project build status.

  - During training, find coverage for employees in training and super users during go-live.
  - The replacement may require new full time employees.
  - Selected vendor will supply resource matrix.
- McKesson Executive Briefing
  - This was a half day, four hour offsite meeting about McKesson strategy and Paragon solution stating that they are the low cost options for UMC. Mr. Rosenberg explained that McKesson presented, but there would be no customization for UMC. Jeff Ellis inquired if the other vendors were customizable. Mr. McKinley stated that they were much more customizable.
  - Eileen Raney noted that Susan Pitz, Legal Counsel, should look at the contract. Ms. Pitz stated that she had yet to thoroughly review the contract and would let the committee know if there is a need for closed session on this subject.
- Comparison of potential cash flow for both Cerner and McKesson Paragon
  - At the end of 2020, five year timeframe, the total for a Cerner Millenium replacement is$36.8M and $24M for a Paragon replacement, prior to final negotiations. Eileen Raney requested that totals be added to the handout for redistribution.

FINAL ACTION: No action taken.

ITEM NO. 13 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

DISCUSSION: Dr. MacKay reminded the Committee that there will be no Governing Board meeting this month.

Harry Hagerty had two items for discussion:

- Member Hagerty inquired about vendors buying physician groups locally making the physicians we desire at UMC unattainable. CEO, Mason VanHouweling explained that it is a new model where physicians are coming out of residency and fellowships, looking for an employment model. UMC is unique in that we are excluded from the corporate practice of medicine, which allows us to hire doctors directly. The Strategic Planning Committee is reviewing recruiting and partnership models rather than an employment model.

- Marketing and advertising: Mr. Hagerty would like to see a comparison as to what other hospitals spend, as a percentage of revenue, on marketing and advertising both in our local market and nation- wide. CEO, Mason VanHouweling explained that the Strategic Planning Committee is currently looking into the marketing budget and strategy.

FINAL ACTION: CEO Mason VanHouweling will bring information to a later meeting.

There being no further business to come before the Committee at this time, at the hour of 6:47 p.m., Acting Chair MacKay adjourned the meeting.

Minutes prepared by: Cherel McCracken

MINUTES APPROVED: August 12, 2015