University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
June 17, 2015

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, June 17, 2015
5:00 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, June 17, 2015, at the hour of 5:00 p.m. The meeting was called to order at the hour of 5:05 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:
Robyn Caspersen (non-voting member)
Jeff Ellis (by conference phone)
Harry Hagerty
Donald Mackay, Acting Committee Chair

Absent:
Eileen Raney, Chair (Excused)
Michael Saltman (Excused)

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

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 May 20, 2015. *(For possible action)*

Member Hagerty had correction one typo correction to Item 6, should read “principal” rather than “principle”.

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)*

FINAL ACTION: A motion was made by Harry Hagerty that the agenda be approved with the deletion of Items 4 and 18, as recommended by staff. Motion carried by unanimous vote.

SECTION 2. CONSENT ITEMS

All matters of this section were considered to be routine and were acted upon in one motion, unless requested to be taken separately. For all items left on the Consent Agenda, the action taken was staff's recommendation as indicated on the item.)

Harry Hagerty requested that Item No. 5 be heard separately.
Donald Mackay requested that Items No. 7, 9, 15, 16, and 17 be heard separately.

ITEM NO. 4 Review and recommend for approval by the Governing Board the Agreement for Television Program between Anxious Eleven, LLC and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

Item deleted from agenda.

ITEM NO. 5 Receive and recommend for approval by the Governing Board Amendment Seven to Hospital Services Agreement between Connecticut General Life Insurance Company d/b/a CIGNA Healthcare and University Medical Center of Southern Nevada signed by the Chief Executive Officer; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Number Seven to Hospital Agreement between Cigna and UMCSN

DISCUSSION: In response to an inquiry from Member Harry Hagerty, Rose Coker, Director of Managed Care, noted that the amendment covers the hospital's costs as well as some contribution to overhead.

FINAL ACTION: 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. 6 Review and recommend for ratification by the Governing Board Amendment Two to Service Agreement for Interpretation and Translation Services between CyraCom International, Inc. and University Medical

Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Two to Service Agreement between Cyracom International and UMCSN
- Disclosure of Ownership

FINAL ACTION: A motion was made by Harry Hagerty to ratify the Amendment. Motion carried by unanimous vote.

ITEM NO. 7 **Review and recommend for approval by the Governing Board the Single Site Agreement between DePuy Synthes Sales, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate.. *(For possible action)***

DOCUMENTS SUBMITTED:
- Single Site Agreement between DePuy Synthes Sales and UMCSN

DISCUSSION: In response to questions posed by Member Mackay, John Liston, Director of Materials Management, noted that there are no other vendors in the market and that UMC did not exceed the $495,000 threshold.

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. 8 **Review and recommend for approval by the Governing Board, the Software License and Services Amendment between Hyland Software, Inc. and University Medical Center of Southern Nevada for use of the Hosted Onbase Suite of products; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment to Host Agreement between Hyland Software, Inc. and UMCSN

FINAL ACTION: 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. 9 **Review and recommend for approval by the Governing Board Amendment Ten to Food and Nutrition Management Agreement between Morrison Management Specialists, Inc. and University Medical Center of Southern Nevada; and authorize Chief Executive Officer to sign the amendment. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment Ten to the Food and Nutrition Management Agreement between Morrison Management Specialists, Inc. and UMCSN

DISCUSSION: Member Mackay inquired if the estimated $1.8 million was an appropriate amount. CEO VanHouweling explained that basing payment for food services on patient days is an industry standard. He explained that because this is based on volume projections, there are times when we have to "true up" with actual patient volume.

FINAL ACTION: 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 for approval by the Governing Board Clinical Affiliation Agreement with The Board of Regents of the Nevada System of Higher Education on behalf of the Nevada State College and authorize the Chief Executive Officer to sign future amendments; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Clinical Affiliation Agreement between UMCSN and Nevada State College

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. 11 Review and recommend approval by the Governing Board, the Agreement for Physician Medical Directorship and Physician Professional Services with Mark L. Glyman, M.D., D.D.S. and Eric D. Swanson, M.D., D.M.D. Limited, d.b.a. Oral and Maxillofacial Surgery Associates of Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Agreement for Physician Medical Directorship and Physician Professional Services between UMCSN and Oral and Maxillofacial Surgery Associates of Nevada

FINAL ACTION: 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. 12 Review and recommend approval by the Governing Board, a new "Agreement for Associated Physician Professional Services" Template and authorize the CEO to approve each new Associated Physician Agreement as they are entered into, in support of the new Agreement for Physician Medical Directorship and Physician Professional Services with Mark L. Glyman, M.D., D.D.S. and Eric D. Swanson, M.D., D.M.D. Limited, d.b.a. Oral and Maxillofacial Surgery Associates of Nevada, herein referred to as the O&MF Primary Agreement (see Agenda Item #11); and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Template Agreement for Associated Physician Professional Services

FINAL ACTION: 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 for approval by the Governing Board the Support Agreement for the RightFit Service Agreement Ingenuity CT between Philips Healthcare and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Philips Quote

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. 14 Review and recommend for approval by the Governing Board the Support Agreement for the RightFit Service Agreement Brilliance CT 64 Channel between Philips Healthcare and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Philips Quote

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. 15 Review and recommend approval by the Governing Board, the First Amendment to Master Services Agreement (MSA), which revises the Termination for Convenience notification period and incorporates a new Services Agreement for Perfusion and Related Services, with Specialty Care Cardiovascular Resources, Inc. (SCCR); and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- First Amendment to Master Services Agreement between SpecialtyCare, Inc. and UMCSN

DISCUSSION: In response to an inquiry from Member Mackay, John Liston noted that Specialty Care Cardiovascular Resources is the only perfusionist group in the community and is used by all local hospitals.

FINAL ACTION: 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. 16 Review and recommend for approval by the Governing Board the Second Amendment to Standard Office Lease Agreement between Uptown, A Nevada Limited Liability Company and University Medical Center of

Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Second Amendment to Lease Agreement between Uptown and UMCSN

DISCUSSION: Member Mackay questioned the length of the lease, which is five years. Andrew Chung, Associate Administrator, noted that the Peccole Quick Care is one of the more profitable clinics, and there are no intensions to decrease the level of efforts or services at that location. Because of the long term stability of the clinic, the hospital has the latitude to a longer lease term and realize a cost savings of $365,000. Member Ellis asked if the square footage rate was competitive. Mr. Chung answered that Clark County Real Property Management has been involved in this process and has assessed the rate to be fair market value.

FINAL ACTION: 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. 17 Review and recommend for approval by the Governing Board the Option to Exercise a 3 year Extension for the On-Site Branch Banking Services, to U.S. Bank National Association; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Intent to Exercise Option to Extend Lease

DISCUSSION: Member Mackay asked how much square footage US Bank leases from UMC, and asked for confirmation that the signage issues previously identified had been resolved. CEO VanHouweling noted that US Bank currently leases 806 square feet. The signage issue is addressed in Sections 8.8 and 29.1 of the Agreement, which gives the hospital the ability to move the bank's location or change signage with a 180 day written notice, based on master plan or remodeling. He noted that the large outdoor sign in question has been removed. CEO VanHouweling assured the Committee that US Bank has been a good partner, providing a valuable service to our employees and visitors, and they are very willing to accommodate the hospital's changing needs.

FINAL ACTION: A motion was made by Harry Hagerty to approve and make a recommendation to the Governing Board to approve the 3 year extension. Motion carried by unanimous vote.

ITEM NO. 18 Review and recommend for approval by the Governing Board Amendment One to the Clinical Affiliation Agreement with Roseman University of Health Sciences; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment One to Clinical Affiliation Agreement between UMCSN and Roseman University Health Sciences

Item deleted from agenda.

SECTION 3: BUSINESS ITEMS

ITEM NO. 19 Review the results of the follow-up audit of the Enterprise Physicals Billing Audit dated March 31, 2014; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Letter from Clark County Audit Department dated June 10, 2015

DISCUSSION: CFO Stephanie Merrill gave a report on the Follow-up Audit to Enterprise Physical Billings Audit conducted March 31, 2014. After the initial audit, the identified issues that related to accounting were remediated by moving those processes to the Revenue Cycle Department. The Follow-up Audit focused only on expired and unsigned contracts. In their examination, the auditors found that all contracts were signed and current, determining that adequate corrective action was taken on that finding. UMC successfully passed the Follow-up Audit.

FINAL ACTION: No action taken.

ITEM NO. 20 Receive monthly financial report for May 2014; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: May 2015 Financials

DISCUSSION: The May 2015 Financials were reviewed, with the following highlights:

- Net Revenue was $44.9 million, which is $3.4 million ahead of budget. This was mostly due to MCO enhanced rates and UPL rates which were higher than budgeted, without which Net Revenue would have been about $400,000 less than budget.

- Total Operating Expenses were $45.4 million, which is $3.9 million better than budget. They continue to run below both budget and prior year.

- Net Operating Deficit was $600,000, which is $7.3 million better than budget.

- Net Patient Revenue has been re-stated to make sure all months show MCO and UPL enhanced payments in appropriate months. The trend is above both fiscal year to date and budget. In the June report, those pieces will be taken separately to show operational revenue vs. extra revenue vs. closed clinic revenue

- Key Operational Expenses
    - o Salaries & Benefits were $26.6 million, which is $1.4 million better than budget, with 4.7% overtime, and productivity at 106%. Ms. Merrill noted that the reason for comparing to prior year rather than

budget is because the budget includes closed services. New fiscal year will go back to budget comparison
- Supplies were $1.7 million below budget, and also below prior year
- Purchased services were $600,000 better than budget, and even with previous year.
- Professional fees below prior year and budget. Robyn asked if staff anticipates the same spike as 2014. Ms. Merrill will follow-up.

- Average Daily Census continues to run below prior year and below budget

- Adjusted Patient Days ticked up a bit, but still continue below prior year and below budget

- Emergency Department volumes are about the same as April, but below budget and prior year

- Outpatient visits are running above budget and prior year. Closed clinics were taken out of snapshot for comparison.

- Surgeries
  - Volume has remained steady over past three months.
  - The new endoscopy equipment is not completely installed
  - There are have been 107 robotic surgeries year to date. There was one case less in May than April. Staff is working on analysis for the first quarter. The OR is seeing longer, more complex cases, and the analysis will show if that relates to additional reimbursement for inpatient cases. Other factors that will be included in the analysis include the halo effect and reduced length of stay for inpatients which reduces costs. Surgeons are pursuing a grant for a dual console.

- Member Hagerty noted that while it's positive that the financials have a favorable variance vs. budget, the volume stats are down compared to last year and compared to budget. He reminded staff of the importance of looking at the financials absent the enhance rate adjustments, to ensure that expenses are being adjusted in accordance with true revenue minus the temporary adjustments.

- DNFB (Dropped But Not Final Billed) Accounts – Ms. Merrill reported that in April DNFB accounts totaled $69.5 million. At the end of May they totaled $47.5 million. The goal is to be in the $24-$30 million range. Extra resources are being utilized to address.

<u>FINAL ACTION</u>: No action taken.

ITEM NO. 21 Receive an update on Electronic Health Record (EHR) optimization; and direct staff accordingly. ***(For possible action)***

<u>DOCUMENTS SUBMITTED</u>:
- Update of EHR Optimization (PowerPoint)

DISCUSSION: CIO McKinley gave a report on utilization of the McKesson system following the recent optimization efforts.

Provider adoption data was reviewed; which shows that utilization is very good. An update on live nursing documentation was reviewed, which is currently at 82%, and anticipated to be 88% live by Fall 2015, and 91% live by December 2015. Staff is hopeful that medication reconciliation will be live by February 2016 for meeting Meaningful Use, though we are awaiting CMS' new rule on Stage 3 to know whether exceptions will be allowed.

Two special Committee meetings were held earlier this month to select a consultant for executive level oversight and management of the process for selecting a new EHR clinical system. At their July 10th meeting, the Committee recommended the selection of The Rosenberg Group (TRG). Because of time constraints, the contract will go directly to the Governing Board for discussion and approval. Committee members were invited to review the contract in advance of the meeting on the meeting portal once the agenda is posted. Legal Counsel Susan Pitz noted that at the recommendation of the Committee at their special meeting, language was included in the contract that would ensure that Brian Rosenberg would be the principal, barring any catastrophic event. Additionally, the contract includes four phases with clear deliverables and timeframes for completion. Both parties have the right to terminate without cause with 30 day notice.

CFO Merrill noted for the record that while the Committee agreed to a rating system to evaluate the vendor interviews, the decision was actually a collaborative discussion and the ratings were only used by individual members to organize their thoughts for the discussion.

FINAL ACTION: No action taken.

ITEM NO. 22 Receive an update on replacement of Electronic Health Record (EHR) clinicals product; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Draft Potential Cash Flow for McKesson Replacement EHR

DISCUSSION: CIO McKinley provided and reviewed a draft of potential cash flow for the McKesson replacement for July 1, 2015 through December 31, 2020. He noted that many of the expenditures are estimates, but the document will be appropriately updated on a monthly basis.

FINAL ACTION: No action taken.

ITEM NO. 23 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)*

CEO VanHouweling announced that Senate Bill 33 was approved during the recent legislative session, which allow the Board to go into closed session to discuss expansion of existing services or addition of new services. Additional detail will be provided at the Strategic Planning Committee and Board meeting.

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

There being no further business to come before the Committee at this time, at the hour of 6:17 p.m., Acting Chair Mackay adjourned the meeting.

MINUTES APPROVED: ______________________