University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
March 18, 2015

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, March 18, 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, March 18, 2015, at the hour of 3:30 p.m. The meeting was called to order at the hour of 3:35 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)
Jeff Ellis
Harry Hagerty
Donald Mackay (participated by telephone)

Absent:
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 February 18, 2015, and the special meeting on March 4, 2015. *(For possible action)*

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

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

Chair Raney announced that Agenda Items 14 and 15 would be taken at the beginning of the Business Items.

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 Buckle Up for Life Subaward Agreement between Cincinnati Children's Hospital Medical Center and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Sub Award Agreement between Cincinnati Children's Hospital Medical Center and Children's Hospital of Nevada at UMC
- Buckle Up for Life, Children's Hospital of Nevada at UMC Year 3 2014-2015 Budget
- Disclosure of Ownership/Principals

DISCUSSION: This Agreement is for the final year of the Buckle Up for Life grant program that UMC participates in by providing car seats to the community. The grant covers the cost of 340 car seats.

FINAL ACTION: A motion was made by Eileen Raney to approve the Agreement 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 ratification of Amendment Two between Diamond Healthcare Communications and University Medical Center of Southern Nevada for Print and Mailing Services connected to the McKesson Electronic Health Record System; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Two between Diamond Healthcare Communications and UMCSN

DISCUSSION: This Amendment assigns the print and mailing services associated with patient billing from RelayHealth to Diamond Healthcare Communications, who was previously completing these services as a vendor for RelayHealth. The amendment provides for a three year term with a 35% reduction in cost.

ACTION TAKEN: A motion was made by Jeff Ellis to approve and make a recommendation to the Governing Board to approve ratification of the Amendment. Motion carried by unanimous vote.

ITEM NO. 6 Review and recommend for approval by the Governing Board the Support Agreement for an Allera XPER FD20 Biplane between Philips Healthcare and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Price Quote from Phillips
- Service Agreement between Phillips Healthcare and UMCSN
- Addendum to Standard Terms & Conditions
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This Support Agreement is for maintenance of an imaging machine that is critical for neurological procedures. The Agreement has a 99% uptime guarantee.

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

ITEM NO. 7 Review and recommend for approval by the Governing Board, a new Master Services Agreement (MSA) and associated Services Agreement for Anesthesia Technicians with SpecialtyCare Cardiovascular Resources, Inc.; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Master Services Agreement between UMCSN and SpecialtyCare
- Services Agreement between UMCSN and SpecialtyCare for Anesthesia Technician Professional Services

DISCUSSION: UMC currently does business with this vendor for other Anesthesia services. This Agreement adds the scope of providing Anesthesia Technicians, as the hospital has had a continual shortage of internal staff. This will result in the displacement of five UMC employees. The Committee requested that staff provide additional information on future contracts, to include benchmarking and net revenue impact

ACTION TAKEN: A motion was made by Jeff Ellis to approve the Agreement 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, a new Agreement for Physician Professional Services with Cardiovascular Surgery of Southern Nevada for cardiovascular and thoracic surgery services; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Agreement for Physician Professional Services between UMCSN and Cardiovascular Surgery of Southern Nevada

DISCUSSION: UMC has negotiated a new agreement with Cardiovascular Surgery of Southern Nevada, in which the fees will remain at the 2012 level in exchange for entering into the new agreement at this time. The term will be from January 1, 2016 through December 31, 2018, with the option to extend for two one-year periods, and a six-month out clause. The contract went out for RFP in 2012, and the decision has been made to continue to work with this group. Dr. Mackay suggested that the Committee be notified 90 days in advance of physician contracts expiring, and also would like to see benchmarking for professional fees. The Chair requested an update at the next meeting regarding the contract tracking software.

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

ITEM NO. 9 Receive a presentation on the contract bidding and RFP process; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Clark County/UMC Contracting Process Overview (PowerPoint)

DISCUSSION: Tabled.

FINAL ACTION: No action taken.

ITEM NO. 10 Review the results of the audit of Inpatient Only Procedures with a CA Modifier and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Letter dated March 11, 2015 from Angela Darragh, Clark County Audit Director

DISCUSSION: An audit of Inpatient Only Procedures with the CA Modifier was initiated to determine whether UMC was in compliance with current federal laws, regulations and guidelines. The audit resulted in only one Medicare claim in two years, which met the standards for the need to submit a claim using the CA Modifier. The claim was properly submitted and billed.

FINAL ACTION: No action taken.

ITEM NO. 11 Review the results of the audit of Evaluation/Management Level of Service; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Letter dated March 11, 2015 from Angela Darragh, Clark County Audit Director

DISCUSSION: An audit of the Evaluation/Management (E/M) Levels of Service was initiated to ensure that UMC was in compliance with current federal laws, regulations and guidelines regarding the appropriate use of new patient or established patient codes when submitting claims to Medicare. The audit determined that UMC properly migrated to the use of the new collapsed G-Code in January 2014, as required. The auditors also verified that the STAR system contains the appropriate cross reference codes to correctly bill E/M visits.

FINAL ACTION: No action taken.

ITEM NO. 12 Review the results of the audit of Cardiac Catheterization and Endomyocardial Biopsies; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Letter dated March 11, 2015 from Angela Darragh, Clark County Audit Director

DISCUSSION: An audit of the Cardiac Catheterization and Endomyocardial Biopsies was initiated to ensure that UMC was in compliance with current federal laws, regulations and guidelines as required by CMS. It was determined that UMC does not currently perform this type of procedure, nor has one been completed in the past year. The audit included tests to ensure that the charge code associated with the procedure had not been used. The Committee suggested that staff consider removing the charge code to avoid any possible erroneous charges in the future.

FINAL ACTION: No action taken.

ITEM NO. 13 Review the results of the audit of the UMC Sodexo Contract; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Letter dated March 11, 2015 from Angela Darragh, Clark County Audit Director
- Audit Report; University Medical Center Sodexo Contract; March 2015

DISCUSSION: An audit of the Sodexo Inc. contract was initiated to determine whether Sodexo was in compliance with the terms and conditions of the contract. The contract was the result of a competitive bidding process, and covered the ten year period from April 1, 2011 through March 31, 2021. Sodexo is also responsible for the management of the landscaping vendor Sedillo Landscaping Inc., whose contract covers a three year period from 2014 through 2017. There were several areas of concern identified by the Auditors with the Sodexo contract, as well as the Sedillo contract. Rani Gill, Chief Auditor, reviewed the areas of improvement identified during the audit which could lead to inadequate performance and loss of revenue, as well as their recommendations, and management's response/action taken to resolve all issues. In conclusion, Sodexo and UMC have been working together to correct the problems identified, resulting in the establishment of performance standards for both contracts which are now being regularly monitored and documented, overpayment of expenses

have been repaid, training is being formally documented, and a Business Associate Agreement has been signed.

Chair Raney voiced concern with a ten year contract, but noted that current internal guidelines limit contract length to five years.

There was a brief discussion about patient room turnover time. The Audit identified a problem with STAT designation being over-utilized by hospital staff. Sodexo is working with the Patient Placement Staff to ensure correct use of designations.

FINAL ACTION: No action taken.

ITEM NO. 14 Receive an update on the McKesson System optimization; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: Meaningful Use PowerPoint Presentation

DISCUSSION: Kris Bastian, Interim Meaningful Use Program Manager, gave an update on the hospital's Meaningful Use status. He reviewed UMC's timeline for meeting meaningful use for Stages 1, 2 and 3. Testing for Stage 1 Year 1 will be April 2015 thru June 2015, and testing for Stage 1 Year 2 will be October 2015 thru September 2016. He explained the core, menu and quality target measures that UMC will have to meet for Stage 1, including targets and current scores. In conclusion, the scores look good, and McKesson and staff are confident that we'll be successful.

In response to questions by the Chair regarding training of staff, Mr. McKinley indicated that staff has received initial training, but ongoing and re-training is continuous, and he added that the new Meaningful Use Program Manager will be focusing on measures that need improvement, and will be targeting units and providers to bring the scores up to target.

CIO McKinley noted that the 90 day testing period for Stage 1 Year 1 is a "mean". Stage 1 Year 2, the "mean" will be a 12 month average. Stage 2 Year 1 is also a 90 day testing period.

Penalties for not meeting Meaningful Use were discussed. Because UMC did not attest to Stage 1 Year 1 by July 1, 2014, we entered into the penalty stage, costing us $543,000 in reimbursements for FY 2015. If we are unable to attest Stage 1 Year 1 again, we will lose an additional $1,156,000 in reimbursements for FY 2016.

CIO McKinley noted that we have all the necessary modules in our EHR to attest to meaningful use for Stage 1, Years 1 and 2; but there are additional modules that will need to be purchased and implemented before we can attest to Stage 2 Year 1, which would begin October 2016. In conclusion, a decision regarding the replacement of Horizon Clinicals with either the McKesson follow-on product or another vendor must be timely to ensure implementation prior to October 2016. Chair Raney requested that staff bring a timeline for the Committee's review at the next meeting.

FINAL ACTION: None

ITEM NO. 15 Receive a presentation on cyber security preparedness; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: UMC State of Information Security, March 2015

DISCUSSION: Connie Sadler, Information Security Officer, gave an update on UMC's Cyber Security preparedness. The increasing value of PHI on the black market has put healthcare organizations at risk. Ms. Sadler reported on the major known threats to UMC, and what is currently being done to mitigate those risks and address gaps. In conclusion, she estimated that to address the major areas of risk, it would cost approximately $3.2 million for software and staffing, and would take approximately two to three years to completely implement. When questioned by the Chair about cyber security liability insurance, Ms. Sadler noted that the implementation of preventive software would reduce the hospital's insurance rates.

Mr. McKinley reported on the volume of e-mails. Out of a total 2 million e-mails per month, 92% are blocked or filtered as SPAM. Only 8% are delivered as legitimate. Over 165 incoming messages carry a known malicious payload, and many more are cleared at the end point. Outbound messages total almost 38,000 per month; of those, approximately 100 are considered SPAM and are investigated, and approximate one per month is carrying a malicious payload out.

Chair Raney asked Ms. Sadler to provide input to Risk Management, as they look at cyber security liability insurance coverage. Ms. Sadler was also requested to provide a brief summary of key issues for the Governing Board.

FINAL ACTION: None

ITEM NO. 16 Receive and review the FY 2016 budget submitted to Clark County for consideration; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Schedule F-1 Revenues, Expenses and Net Income
- Schedule F-2 Statement of Cash Flows
- Schedule C-1 Indebtedness
- PowerPoint Presentation: FY 2015-16 Preliminary Tentative Budget

DISCUSSION: Budget Schedule F-1, Revenues, Expenses and net Income, reflects the changes made after the March 4, 2015 Special Meeting of this Committee. The Schedule reflects a $31 million subsidy from the County, total patient revenue was reduced to reflect current trends, UPL revenue was included, and as a reflection of paying off the loan to the County, the schedule shows capital projects for $15.5 million in FY2015 and $10 million in FY2016. Schedule F-2 Statement of Cash Flows also reflects the payoff of the loan to the county and spend of capital money.

FINAL ACTION: No action taken.

ITEM NO. 17 Receive monthly financial report for February 2015; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Management Discussion & Analysis; February 2015

DISCUSSION: Ms. Merrill reported the February financials with additional changes to the format. Discussion included the following:

- The primary reason for net patient revenue being $3.8 million behind budget is because we have not yet received payments for the State-approved Medicaid Managed Care rate enhancement. This revenue was budgeted evenly throughout the year, at about $2.5 million per month. When payment is received for the last calendar year and the first quarter of 2015, net patient revenue should be on budget.

- Chair Raney requested that a comparison of robotic cases to the business case be included on the In/Out Combined Surgery slide for future MD&A reports. When the recently purchased scopes are received, she would also like to see the comparison for the scopes included in the monthly report.

- CFO Merrill explained that some of the revenue reductions are due to closure of services, though pointed out that the costs outweighed the revenues.

- Purchased services are above budget and above last fiscal year, mostly due to IT costs related to maintenance of legacy systems, as well as an increase in the UNSOM budget for residents.

FINAL ACTION: No action taken.

ITEM NO. 18 Receive an update from the Chief Financial Officer; and direct staff accordingly. *(For possible action)*

DISCUSSION: None

FINAL ACTION: No action taken.

ITEM NO. 19 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)*

- Connie Sadler to coordinate cyber security risk assessment with Risk Management.
- Staff to provide timeline for replacement of sunsetting EHR Clinicals module
- Staff to make changes to future contract summaries, to include cost benefit and benchmarking.
- Provide update on Contracts Management software implementation.

- Provide update on profitability of UMC Quick Cares and Primary Cares at April meeting.

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 5:37 p.m., Chair Raney adjourned the meeting.

MINUTES APPROVED: April 18, 2015