University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
September 16, 2015

UMC ProVidence Suite (Formerly Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, September 16, 2015
3:00 p.m.

The University Medical Center Governing Board Audit and Finance Committee met in the Providence Suite, UMC Trauma Building, 5th Floor, Las Vegas, Clark County, Nevada, on Wednesday, September 16, 2015, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:02 p.m. by 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
Donald Mackay
Jeff Ellis
Robyn Caspersen (non-voting member)
Harry Hagerty

Absent:
Mike Saltman

Others Present:
Mason VanHouweling, Chief Executive Officer
Kurt Houser, Chief Operating Officer
Stephanie Merrill, Chief Financial Officer
Susan Pitz, General Counsel Hospital Administration
Terra Lovelin, Board Secretary

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 PUBLIC COMMENT

Committee 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 August 12, 2015. *(For possible action)*

FINAL ACTION: A motion was made by Chair Raney that the minutes be approved as recommended. Motion carried by unanimous vote, except for Member Hagerty. He abstained from voting since he was not present at the last meeting.

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

DISCUSSION: There was an audit item that should have made this agenda but it did not; therefore, it will be seen on the October agenda.

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 1 Receive a presentation from BDO USA, Inc. regarding the planned scope and timing of the FY2015 audit; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Audit Planning Presentation

Kevin Karo, Engagement Partner with BDO USA and Steven Shill, concurring partner, gave a brief presentation.

A list of objectives was explained and Kevin stated that the goal is primarily to perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud.

At the end of the audit, there will be one more presentation to close with the group and to bring things to the committee's attention.

The overall audit strategy is to consider prior year audit results, and to look at internal controls and systems. The auditors always look at materiality as they go through the audit, as well.

Regarding the audit, they will look at it from a revenue perspective and receivable perspective, as they want to make sure everything lines up. They also perform detailed testing and the entire team is well versed in HIPAA requirements.

Chair Raney asked if their bench marks include other county hospitals and Mr. Shill affirmed they do.

Member Robyn Caspersen asked if they are concerning themselves with controls in the revenue cycle and then brought up the 133 program.
Kevin replied that they conduct a full walk through of the Revenue Cycle and they look at and test the controls in place.

Chair Raney asked how we make sure that we aren't being redundant on things that the County has already developed.

Ms. Merrill replied that we are working with them on a lot of estimates.

FINAL ACTION: None

ITEM NO. 2 Review and recommend for approval by the Governing Board the Third Amendment to Lease and Modification of Term to the Lease Agreement for the University Medical Center of Southern Nevada's Sunset Quick Care and Primary Care; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Provider Agreement Amendment

DISCUSSION: John Liston, Director of Materials Management, explained that the term of this agreement will be 10 years from the effective date of this agreement.

Susan Pitz, Legal Counsel, explained that there is 3 years left on the existing lease so it is 7 years beyond that the current landlord is selling the property. As a condition to close on that transaction, they need to negotiate a new lease with UMC. UMC is getting a refurbishment allowance and a longer length term. This will only go into effect if they close on the sale.

FINAL ACTION: Chair 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. 3 Review and recommend for approval by the Governing Board Amendment One to the Service Agreement with FUJIFILM Medical Systems USA, Inc. to add six (6) pieces of Computed Radiography equipment to the existing agreement; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Service Agreement

DISCUSSION: John Liston explained that this is a service agreement for maintenance to add 6 pieces of computed radiography equipment to the existing agreement. This will be for a total of $109,000.00.

CEO VanHouweling explained that we are contracting with the manufacturer to cover the equipment. We are protecting our equipment in case it breaks down. It extends the warranty three years.

FINAL ACTION: Chair 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. 4 Review and recommend for approval by the Governing Board the Schedule for ServiceElite between International Business Machines Corporation and University Medical Center of Southern Nevada for IBM Servers repair and maintenance; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Proposal for IBM Services

DISCUSSION: John Liston explained that this is for an associated statement of work with IBM, for repair and maintenance services of our IBM servers.

CEO VanHouweling asked if this is in the IT budget for the year and Mr. Liston replied that it is.

CIO Ernie McKinley explained that these servers have a life between 5 to 7 years.

FINAL ACTION TAKEN: Chair 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. 5 Review and recommend for approval by the Governing Board Amendment No. 1 to Master Agreement for Transcription Services between MModal Services, Ltd. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Amendment 1 to Master Agreement

DISCUSSION: John Liston explained that this agreement is for talk to text transcription services with an estimated saving of about $300,000 a year.

Member Mackay noted that this company filed bankruptcy in 2014 and came out of chapter 11 in August 2014.

The discussion following ended with Chair Raney noting that she is not concerned but appreciated the knowledge.

CEO VanHouweling also noted that the savings is from manual transcription services. This is a big deal with our physician community and our surgeons.

FINAL ACTION: Chair 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. 6 Review and recommend for approval by the Governing Board the Hospital Agreement between OneHealth, Hometown Health Plan, Inc. and Hometown Health Providers Insurance Company, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Provider Agreement

DISCUSSION: Rose Coker, Director of Managed Care explained that this agreement is with a new PPO that is now here in Southern Nevada, OneHealth. OneHealth was acquired by Hometown Health, which is the largest HMO/PPO provider in Northern Nevada. They currently have 15,000 lives in Southern Nevada that will be transitioning from HomeTown Health into the OneHealth plan. This is a new agreement for UMC, for the hospital and urgent cares. We are in the process of negotiating the physician contract, which would be for the primary cares. This is a two year term agreement.

FINAL ACTION: Chair 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. 7 Review and recommend for approval by the Governing Board the Clinical Trial Agreement between Pharmaceutical Research Associates, Inc. (PRA), Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Reno (UNR) and University Medical Center of Southern Nevada (UMC) (which includes an MOU between UNR and UMC in connection with services of the Principal Investigator); and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Provider Agreement

DISCUSSION: Mr. Liston explained that this trial agreement is for the drug, AstraZeneca. The estimated revenue per participant would be between $91,000 and $125,000. Out of that, $30,000 goes back to UNR for their efforts for doing the research on it.

Member Mackay asked if the revenue amount is good or average.

The compensation is very good for us.

Chair Raney asked about the number of participants and Mr. Liston replied that there are four participants.

Member Mackay asked Legal Counsel, Susan Pitz, what happens if we find out that this is a dangerous antibiotic, but we don't know about it for five years, what happens to UMC?

Ms. Pitz replied that PRA is the sponsor and AstraZeneca addresses indemnification in a separate letter agreement.

FINAL ACTION: Chair 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 the Rider between Praxair Healthcare Services, Inc. and University Medical Center of Southern Nevada, for Medical Grade Bulk Liquid Oxygen; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Provider Agreement

DISCUSSION: Mr. Liston stated that this company provides the bulk of liquid oxygen for our patients here at the hospital. They are on our Group Purchasing Organization (GPO) and this is to extend the rider for an additional five year term.

FINAL ACTION: Chair 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. 9 Review and recommend for approval by the Governing Board the Neptune Waste Management System Disposable Usage Agreement between University Medical Center of Southern Nevada and Stryker; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: Addendum to Disposable Usage Agreement No. 1-11775-1

DISCUSSION: Mr. Liston stated that this is another item that is on our GPO. This is for a closed biohazard waste management solution for our surgical cases.

FINAL ACTION: Chair 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. 10 Receive an update on cyber security preparedness; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: PowerPoint Presentation

DISCUSSION: Connie Sadler, Information Security Officer explained that they have been focusing on identifying more business owners and application owners to help us with our cyber security program. Ms. Sadler and her team are working on upgrading the fire walls and the ability to detect things coming in. Another focus has been on training and trying to get folks trained on processes.

The biggest threats right now are with health records. Phishing is a big issue, as well, and we still have people who click on links that they shouldn't be clicking on, even with a lot of education.

Trying to strengthen accountability throughout the organization is another goal. With regards to insider access, we have a lot of individuals with access to a lot of data and they are working on limiting this. One example Ms. Sadler gave was with regards to McKesson. Also, our data foot print is large; we have some archiving capabilities that need to be looked at.

Chair Raney asked about the investment needed to bring the systems up to certain levels. She asked Ms. Sadler if we have purchased any of these.

Ms. Sadler replied that we have purchased a few of the items.

CIO Ernie McKinley explained that the items still needed are listed on the Capital List.

CFO Stephanie Merrill added that of $15 million we got back from County, we assigned $5 million out for immediate needs and the next $5 million has a committee that will prioritize other needs. The last $5 million will be set aside and spent over time.

Ms. Sadler also mentioned that they are looking to their vendors to help them identify any functionality with the items we have and may not be using.

Mr. McKinley added that they are doing an engagement with ARSAY, one of the largest security firms in the world. They have offered to come in, for free, to look at our existing security landscape. They then do an "anatomy of a breach" which involves looking at UMC's security and this should be completed in the next 60 to 90 days. We can then prioritize the needed items down after they give us their report.

Ms. Sadler added that we are trying to strengthen or relationship with law enforcement as they can help provide expertise and assistance.

With regards to insurance coverage, Shaunda Phillips, Director of Risk Management, explained that she touched base with the County regarding cyber liability. The County has a different property insurance carrier then the hospital does. The carrier did not quote UMC. Our property insurer does not offer cyber liability as an additional endorsement. We are now in the second round of gathering applications through our broker who does our professional liability policies.

FINAL ACTION: None Taken

ITEM NO. 11 Receive monthly update on the Electronic Health Record (EHR) System Replacement; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: Presentation

DISCUSSION: Brian Rosenberg, Consultant, gave an update on the EHR System Replacement.

The RFI was issued on the first of month and four vendors that were extended invites will be responding. Presentations to the selection committee will occur over the next two weeks, with Cerner presenting next Wednesday. Two other vendors have responded as well, Core 360 and I Care. ICare is new with no customers at this point and is cloud based. The primary selection committee met this morning and is 26 people strong. There has been nearly 100% attendance from the selection committee to hear these vendor presentations. The process is on target with regards to time frame.

There are also 16 subcommittees and they will be identifying the leads in those committees over the next week. The subcommittees will receive demonstrations from vendor's during October and the first week in November. The objective then will be to come to this group with a recommendation in December.

Mr. Rosenberg explained that Ambulatory and Surgery are now part of the process and Revenue cycle is being taken more seriously as part of this process now.

FINAL ACTION: None Taken

ITEM NO. 12 Receive monthly financial report for July 2015; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: Power Point July FY2016

DISCUSSION: Stephanie Merrill, Chief Financial Officer explained that things are better than what they were last year. Some of the facts that she pointed out are as follows:

-Hospital occupancy remains at about 90% of capacity for the third month in a row.
-Outpatient surgery exceeded prior year's volumes for the fourth month in a row.
-Outpatient clinics continue to outperform prior year's volumes.
-Cash flow exceeded projections by $3 million in July.

In response to Chair Raney's question regarding opening more beds, CEO VanHouweling explained that we have a couple closed units right now. We are trying to optimize staffing along with bed utilization.

Mr. Houser explained that Debra Fox, Chief Nursing Officer, is working on additional opportunities, including getting people out quicker and more patients flowing through.

Mr. VanHouweling also added that they are looking at specialty floors as well, such as an orthopedic unit, a stroke unit, etc.

Stephanie Merrill continued her financial summary overview.
-Total Operating costs came in under budget by $2.2 million.
-Salaries and benefits came in under budget by about $400,000.
-Supplies came in under budget by about $500,000.
-Purchased Services came in under budget by about $700,000
-Professional Fees came in under budget by about $300,000.
-Emergency Department volume is in line with last years.

(Robyn Caspersen left at 5:04 pm, agenda item 12.)

-Robotics: 31 cases performed for July

FINAL ACTION: None taken

ITEM NO. 13 Receive an update from the Chief Financial Officer; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED: None submitted.

DISCUSSION: Chief Financial Officer, Stephanie Merrill introduced the new Board Secretary, Terra Lovelin.

Mr. VanHouweling introduced two interns from UNLV, Ralph Ruiz and Aleck Cui. There is also an intern from UNLV over in our HR Department.

Ms. Merrill noted that with regards to the Contract Management Software, we are on target for testing in October.

ICD10 is coming and we need coders. We can't find any coders to help us at the moment.

COO, Kurt Houser and Assistant Administrator Vick Gill have been spending some good quality time with the School of Medicine Physicians regarding their budget.

FINAL ACTION: No action taken.

ITEM NO. 14 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: None

FINAL ACTION: No action taken.

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 5:26 p.m., Chair Raney adjourned the open session meeting.

MINUTES APPROVED: October 14, 2015