University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
November 9, 2016

UMC ProVidence Suite
Trauma Building, 5th Floor
800 Hope Place
Las Vegas, Clark County, Nevada
Wednesday, November 9, 2016
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, November 9, 2016, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:00 p.m. by Chair, Harry Hagerty and the following members were present, which constituted a quorum of the members thereof.

CALL TO ORDER

Board Members:

Present:
Harry Hagerty – Chair
Eileen Raney (via phone)
Donald Mackay
Jeff Ellis
Robyn Caspersen (via phone)

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

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 PUBLIC COMMENT

Committee Chair Harry Hagerty 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 October 12, 2016. *(For possible action)*

FINAL ACTION: A motion was made by Dr. Mackay 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 Member Caspersen that the agenda be approved as recommended. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive the Fiscal Year 2016 Audit Report from BDO USA, LLP, Certified Public Accountants for University Medical Center of Southern Nevada; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Basic Financial Statements and Single Audit Information DRAFT
- SAS 114 Communications – UMC Audit Wrap UP 06/30/2016

DISCUSSION: Nikki Knight with BDO gave a brief summary of the audit report.

The objective of the audit was to obtain reasonable – not absolute – assurance about whether the financial statements are free from material misstatements.

All records and information requested by BDO were available for inspection and management's cooperation was excellent. There were no changes in significant accounting policies and practices during fiscal year 2016.

Chair Hagerty asked about the $26 million reclassification.

Ms. Knight said it was listed under the liability section.

A representative with BDO said that there will be a continued focus on quality of care and bundled payment programs will expand to other areas.

Dr. Mackay asked if the bundled payments and other programs comes from within CMS or from other congressional pressures.

BDO replied that it comes from within CMS but they are enacted into law through congress. Reimbursements are affected through law and voted on by Congress.

Chair Hagerty commented that he thought it was a good report and looks forward to getting the final version in a few days.

FINAL ACTION TAKEN: The committee recommends the Governing Board accepts the Audit reports.

ITEM NO. 5 Receive an update on the Electronic Health Record (EHR) Product including process for consideration of certain contracts at the November Governing Board Meeting; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:

- PowerPoint Presentation

DISCUSSION: Brian Rosenberg provided a bi-monthly update on the status of the EHR project.

-Half way through the adoption process with wave 1 (Quick and Primary Cares as well as Wellness Clinic);
-Next major phase which is testing, starts January 23 for wave 1;
- Progress has been made on the contracts side;
-Successful conversion of medical records; and
-Launched Principal Trainer Program

The Epic progress report was released and overall the project remains in a satisfactory, green status.

FINAL ACTION TAKEN: No action taken.

ITEM NO. 6 Review and recommend that the Governing Board approve the award of Bid No. 2016-15 Low Voltage Conduit/Cable Installation to IDeACOM, Dti, the lowest responsive and responsible bidder; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:

- Notice of Award

DISCUSSION: Total amount of this contract is $1,865,094.00 and would terminate July 2017 with a three month option to extend. This can be terminated immediately with written notice.

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

ITEM NO. 7 Review and recommend for approval by the Governing Board the Master Software and Services Agreement with Lexmark Enterprise Software, LLC and University Medical Center of Southern Nevada for document

imaging services; and take action as deemed appropriate. ***(For possible action)***

DOCUMENTS SUBMITTED:
- Master Software and Services Agreement
- Software End User License Agreement
- Disclosure of Ownership

DISCUSSION: This agreement is for $554,000.00 for software, $438,000.00 for services and $86,000.00 for maintenance.

This is a one year agreement with an option for renewal and can be terminated with a 60-day written notice after the initial term.

FINAL ACTION: A motion was made by Dr. Mackay 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 Amendment One to Consulting Agreement between Diamond Healthcare Corporation and University Medical Center of Southern Nevada; and take action as deemed appropriate. ***(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment One to Consulting Agreement

DISCUSSION: This is Amendment One to the consulting agreement with Diamond Healthcare for a Strategic Assessment on our behavioral health and the financial feasibility of it. The total amount is for $408,000.00 and terminates in October of 2017,

Chair Hagerty asked about the initial contract and Mr. Cova replied that it is related to the initial assessment that was done. It was a four month engagement where Diamond Healthcare found savings for us, especially in 2 South. In their initial findings they outlined a $1.5 million savings that we will see over the course of the year.

Ms. Fox added that the initial four months provided us with a behavioral health consultant who had the expertise on the operational side. That work is just starting and we are seeing the savings already but in order for us to continue we need the extension of the contract.

Member Ellis asked to specify the million in savings.

Mr. Cova replied that in 2 South they cut the sitter usage in half and that added to a large savings.

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

ITEM NO. 9 Review and recommend for approval by the Governing Board the new Hospital Services Agreement between Health Services Coalition ("HSC") and University Medical Center of Southern Nevada ("UMC"); and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Hospital Services Agreement

DISCUSSION: Revenue is based on volume with this agreement and terminates December 2019.

Rose Coker stated that this does cover our costs and does not include the quick care and primary care clinics.

FINAL ACTION: A motion was made by Dr. Mackay 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 the Hospital Services Agreement between Teachers Health Trust and University Medical Center of Southern Nevada ("UMC"); and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Fifth Amendment Hospital Services Agreement

DISCUSSION: This is amendment five to Teachers Health Trust and revenue is based on volume. This agreement will terminate December 2018.

Ms. Coker stated that this covers our total cost as well.

FINAL ACTION: A motion was made by Member Ellis 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 for approval by the Governing Board the First Amendment to Preliminary Affiliation Agreement between the Board of Regents of the Nevada System of Higher Education (NSHE) on behalf of the University of Nevada, Las Vegas and its School of Medicine (UNLV School of Medicine) and University Medical Center of Southern Nevada (UMC); and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- First Amendment to Preliminary Affiliation Agreement

DISCUSSION: This agreement is for ten years from the effective date and will terminate upon execution of the Academic Health Center Master Affiliation Agreement.

Ms. Pitz explained that this amendment is for a very minor modification due to the date of the demolition being changed.

Chair Hagerty mentioned that he saw the renderings for the new Medical School and encouraged the other members to take a look as well.

CEO VanHouweling said he would ask Dean Atkinson to bring the renderings to the Governing Board meeting to be viewed.

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

ITEM NO. 12 Review and recommend for approval by the Governing Board the Terms and Conditions Agreement between Kronos and University Medical Center of Southern Nevada for the Workforce Central – Software as a Service Product Suite; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Workforce Central – Software as a Service Terms and Conditions
- Disclosure of Ownership

DISCUSSION: This agreement is for $20,000.00 a month for 60 months.

Lonnie Richards, Interim Director of Information Technology explained that this software is a cloud based /web based solution and will allow us to stay current with the new releases of the software. This agreement will save us about 2 FTE's per month.

Member Raney asked what the prior cost was and Mr. Richardson said he would get back to Ms. Raney with that figure.

Member Caspersen asked if this new system will require training of our staff and Mr. Richards replied that training does need to occur but only a few weeks is required for the payroll staff. The vendor will be providing the training and it is included in the contract.

FINAL ACTION: A motion was made by Chair Hagerty to approve and make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 13 Review and recommend for approval by the Board of Hospital Trustees the Master Distribution Agreement with Medline Industries, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Master Distribution Agreement

DISCUSSION: This is a distribution agreement with Medline Industries with an annual spend of $17 million; it will terminate September 2018.

FINAL ACTION: A motion was made by Dr. Mackay to approve and make a recommendation to the Board of County Commissioners to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 14 Review and recommend for approval by the Board of Hospital Trustees the Group Commitment Agreement with Cardinal Health 110, LLC and Cardinal Health 112, LLC and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Group Commitment Agreement

DISCUSSION: This agreement has an annual spend of $21 million and will terminate in August of 2018.

FINAL ACTION: A motion was made by Member Caspersen to approve and make a recommendation to the Board of County Commissioners to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 15 Review and recommend for approval by the Governing Board the Amendment Four to Agreement for Physician Professional Services between Quality Care Consultants, LLC and University Medical Center of Southern Nevada for advisor services; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Four Agreement for Physician Professional Services

DISCUSSION: This amendment four to agreement for $115,000.00 and will terminate in October of 2017.

Ms. Merrill added that this is for Dr. Kahn, a physician here at UMC and the agreement is being extended for another year.

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

ITEM NO. 16 Review and recommend for approval by the Governing Board the Professional Services Agreement between Ellis, Bandt, Birkin, Collins & Wong, Prof. Corp. dba Desert Radiology and University Medical Center of Southern Nevada for radiology services; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Professional Services Agreement
- Disclosure of Ownership

DISCUSSION: This agreement is for professional services with Desert Radiology for a total amount of $4,590,000.00 and a Medical Directorship cost of $36,000.000. This agreement will end on November of 2019 with two, one year renewals.

Ms. Pitz added that the annual amount of this contract is $1.53 million.

Mr. VanHouweling commented that this was originally an Evergreen Contract, one of the first contracts that UMC had. Desert Radiology does all of our inpatient x-ray and CT reads.

Chair Hagerty asked why Mr. VanHouweling didn’t talk to other companies like Steinberg for example.

He replied that Steinberg is more of an out-patient imaging service and there were no other services in town. Also, Desert Radiology has 24 hour services.

Member Caspersen asked about the Medical Directorship cost.

Ms. Pitz replied that is gets a separate value as it’s administrative in nature and not clinical. This service is based on an hourly rate in an up to amount.

Desert Radiology does their own billing of professional services. We have been very pleased with their product.

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

ITEM NO. 17 Receive the monthly financial reports for September 2016 and Fiscal Year end 2016; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- September FY2017 Financials
- FY 2016 Year End Financial Analysis

DISCUSSION: Chief Financial Officer, Stephanie Merrill gave a review of the financials for September FY 2016.

-ED Volumes were up over prior years.
-Average daily census about 388
-Admissions were up over prior years.
-Payor mix is similar to last year
-Salaries & Benefits continued to exceed budget due to incentive programs and overtime.

Chair Hagerty will take a look at capital and create a flow of funds statement.

Ms. Merrill gave a brief summary of the FY2016 Year End Financial Analysis.

Member Ellis would like to see what our expected net revenue is and what we are actually collecting over 90 days and what are we doing to address the difference.

FINAL ACTION: No action taken

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

DOCUMENTS SUBMITTED:
- None submitted

DISCUSSION: It was noted that the ServiceNow agreement, the help desk ticketing system, will be taken directly to the Governing Board next week to help get this in place quickly.

Mr. Richardson replied to a comment regarding the choice of this vendor and said that multiple vendors were looked at. ServiceNow was selected as the best at the time. At the three year mark, we will determine if we will stay with them or put an exit strategy in place.

FINAL ACTION: None taken

SECTION 3: EMERGING ISSUES

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)***

Chair Hagerty asked for a report on the following:

- Surgery

- How much of the variance in expenses is due to being below where we expect it to be in the usage of professional services from Epic?

- What would the consequences be to UMC with regards to the Affordable Care Act due to the recent election?
  Staff has been directed by Mr. VanHouweling to do research on this subject as of this morning.

- Presentation on the County's investment policy. (Brent Hilton commented that this is in the audit.)

- What do we collect as a percentage of what we bill?

- Where does the CFO search stand?
  Ms. Merrill stated that we have received a dozen applications and they have set up the first set of interviews.

COMMENTS BY THE GENERAL PUBLIC:

At this time, Chair Hagerty 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 4:41 p.m., Chair Hagerty adjourned the meeting.

MINUTES APPROVED: January 18, 2017
Minutes Prepared by: Terra Lovelin