University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
January 18, 2017

UMC ProVidence Suite
Trauma Building, 5th Floor
800 Hope Place
Las Vegas, Clark County, Nevada
Wednesday, January 18, 2017
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, January 18, 2017, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:02 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
Robyn Caspersen

Absent
Jeff Ellis - Excused

Others Present:
Hillary McElroy, Controller
Brent Hilton, Assistant Controller
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 November 9, 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 minutes of the regular meeting of the UMC Governing Board Audit and Finance Committee meeting on December 7, 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. 4 Approval of Agenda *(For possible action)*

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 5. Review the results of the follow up of the Graduate Medical Education Audit dated January 10, 2017; and direct staff accordingly *(For possible action)*

DOCUMENTS SUBMITTED:
- Audit Letter dated January 10, 2017

DISCUSSION: Nathan Strohl, Internal Audit gave a brief summary of the audit the team performed and the findings.

The objection was to determine whether UMC obtained assurance that all residents with the University of Reno School of Medicine (UNSOM) had a signed contract in place prior to the academic year. This control was effective and no findings were noted.

FINAL ACTION TAKEN: No action taken.

ITEM NO. 6 Review the results of the follow up of the Public Safety Badging Audit dated January 10, 2017; and direct staff accordingly *(For possible action)*

DOCUMENTS SUBMITTED:
- Audit Report – Public Safety Badging Follow Up Audit

DISCUSSION: A follow up audit on Public Safety Badging was completed and the objective was to determine whether corrective actions were implemented to address findings included in the original audit.

To accomplish this goal a report was needed from the Matrix Badging system but the system was not able to produce the required information to complete the testing.

Member Raney inquired as to what transpired since the last audit and Mr. Strohl replied that it is the same system as last time. There is an RFP out for a new system that will replace the current one.

Ms. Pitz further explained that there is no security risk. The system is so antiquated that trying to pull reports out of it may cause the system to crash, we didn't want to place any undue stress on the system.

Carissa Rey, Associate Administer explained that the badging system is not at risk for inappropriate access. It operates cleanly every day but the system is not backed up well.

If we broke the badging system, we do not have the support to get it back up and running well. Running reports has caused the system to crash previously. We do not want to put unnecessary strain on the badging system if it's not absolutely necessary.

Ms. Rey noted that there are processes in place to deactivate termed employees badges and proper forms to fill out to track activation and deactivation.

John Liston, Director of Materials Management explained that a full RFP will be put out to get a new system/vendor in place. This is about a six or eight week process.

FINAL ACTION: No action taken.

ITEM NO. 7 Review the results of the audit of the Surgical Services Inventory dated January 10, 2017; and direct staff accordingly *(For possible action)*

DOCUMENTS SUBMITTED:
- Audit Report – Surgical Services Inventory Audit

DISCUSSION: The objective of this audit was to determine whether internal controls regarding surgical inventory was working effectively. The team found that the access to all areas of surgical inventory required either a badge or a key. During the review of 19 inventory items they found variances in 10 out of 19 of the inventory items.

Deb Fox, CNO further explained that Pyxis machines have been ordered and security along with documentation will greatly improve with the controls afforded by the Pyxis system. There is now a limited amount of staff that have the authority to access the Pyxis machine.

Chair Hagerty recalled hearing about an issue with security in previous years.

Ms. Fox replied that when Pyxis is used correctly, the controls that are put in place work. She would like the fact finding to continue when the new CFO comes on board.

FINAL ACTION: No action taken.

ITEM NO. 8 **Receive an update on the Electronic Health Record (EHR) Product and direct staff accordingly.** ***(For possible action)***

DOCUMENTSUBMITTED:
- EHR PowerPoint

DISCUSSION: Brian Rosenberg provided an update on where the EHR product is with regards to budget and time line.

From the Revenue Cycle standpoint staffing has become worse in the last 30 days. Brian is in the process of replacing a team member but this takes about four to six weeks to get someone new on board.

Chair Hagerty asked if was worth having people ready that could be activated on short notice.

Mr. Rosenberg replied that he has activated help from Epic on the Revenue Cycle side and he is actively looking at help on the medical records side as he believes he will need it in the future.

With regards to Cardiology, Cupid was not originally in the scope but it is now so he is lining up a team member to help with the implementation.

There are 39 different systems that they are interfacing with Epic and the statuses of each interface is being monitored. 20 to 21 of these systems are in wave one, the rest in wave two.

Communication has been an issue so to help improve this, a newsletter will be released to help inform everyone as to what is going on.

In the current clinic environment, no computers are in the room so 163 computers are being purchased along with e-signature pads. This is part of the Epic budget. An inventory of the hardware at the hospital is being reviewed currently but we know a large number of monitors need to be purchased.

A pilot program with the pads will be deployed in labor and delivery. We do have the ability to deactivate these pads if they were to leave the rooms and there will be a check in/out process with the nursing staff to ensure the electronics remain in the hospital.

FINAL ACTION: No action taken.

ITEM NO. 9 Review and recommend for approval by the Governing Board Amendment Two between The Rosenberg Group and University Medical Center of Southern Nevada for Project Consultant Services and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Two Project Consultant Agreement

DISCUSSION: Mr. VanHouweling explained that a staff member in the OR that was on the EPIC project team representing the surgical team needed to take time off due to medical issues. Due to this unforeseen circumstance the project needed a quick replacement. It would take weeks and maybe months to replace this person with the knowledge that they had so Mr. Rosenberg reached out to his team to help fill this void.

This amendment also includes travel for this person, $50,000.00 is for travel and the contract is not to exceed $231,000.00.

The entire Epic project team is comprised of 65 members and issues are bound to arise.

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 Grant Agreement between the State of Nevada Office of the Attorney General and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- State of Nevada Office of the Attorney General WYETH HRT Litigation Grant Agreement

DISCUSSION: UMC is to receive $2 million dollars and the agreement is for two years from the effective date. This is for renovation of the women's services department and to purchase equipment.

FINAL ACTION: A motion was made by member Caspersen 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 award of Bid No. 2016-16 Non-Emergent Patient Transport to Carevans Medical Transport Services, LLC ("Carevans") and GMTCARE, LLC ("GMTCARE") and any future renewal options described in the agreement; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Notice of Award – Carevans Medical Transport Services, LLC
- Notice of Award – GMTCARE, LLC
- Invitation to Bid - Carevans Medical Transport Services, LLC
- Invitation to Bid - GMTCARE, LLC

DISCUSSION: This is for non-emergent patient transport. This is a three year agreement with two additional one year periods and is for approximately $180,000.

These transports are used for overflow times to take patients to mental health facility or long term care facilities. We are able to bill for these transports to we cover our costs.

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 proposal for EV&A Architects ("EV&A") to provide professional architectural design and engineering services for University Medical Center of Southern Nevada's ("UMC") Emergency Department renovation and expansion project; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- EV&A Proposal for UMC Emergency Department Renovation and Expansion

DISCUSSION: This proposal encompasses the ED renovation and expansion and has a not to exceed amount of $249,000. The term is until the project is complete.

Chair Hagerty disclosed that EV&A have done work for the UMC Foundation but this fact does render him impartial to this process.

Member Raney asked if this committee has seen the presentation for the Emergency Department expansion.

Mr. VanHouweling replied that this committee has not heard the presentation as staff wanted to drill down on the cost first so they could finalize a budget for capital expense.

Chair Hagerty requested that if there are significant dollar, strategic items that are being advanced it would be useful if the A&F committee were able to see the big picture in the context that line items are being approved.

Mr. VanHouweling wanted to add that staff has presented this to the Smith Group and they have reviewed the plans to ensure it would work with the Strategic Plan.

Member Caspersen pointed out that this expansion, as it's currently estimated, is in our capital budget and has been allocated and set aside.

FINAL ACTION: A motion was made by Member Caspersen 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 Governing Board the Standardization Incentive Program for Patient Beds between Hill-Rom and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Standardization Incentive Program
- Hill – Rom #5332 Patient Beds Effective Feb. 1, 2016

DISCUSSION: This is a project that we are working on with our nursing department to bring new patient beds into our facility. This is estimated to cost $533,000 with an estimated savings of $90,000.

These beds are at the HPG discounted price and if we commit to buying these, they will give us an additional discount.

Dr. Mackay asked if these were standard beds and Ms. Fox replied that there is a standard, non-specialty bed for the Med Surge units. The Critical Care beds are different in that they allow radiographic abilities without moving the patient. These beds will upgrade our mattress surfaces from an infection control and skin perspective.

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. 14 Review and recommend for approval by the Board of Hospital Trustees Amendment Two to the Lease Agreement for a lease extension of the

Summerlin QuickCare facility between University Medical Center of Southern Nevada and Ronnie Monroe Singer Revocable Living Trust; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment 2 Lease Agreement

DISCUSSION: The total amount of this five year agreement is $1.3 million. We have negotiated better rates with a savings of $600,000.

Andrew Chung added that we opted for rent reduction and we will be doing our own tenant improvements for this facility. For the front lobby, expenses came in around $200,000 with an additional $200,000 for floors, painting, millwork and resurfacing.

This is a line item on our capital budget. We have set aside $1.8 million dollars for lobby renovations and the rest of the clinics.

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. 15 Review and recommend for ratification Amendment Three to the Agreement for Physician Professional Services for Urgent Care Services between University of Nevada School of Medicine Integrated Clinical Services, Inc. and University of Nevada School of Medicine Multispecialty Group Practice South, Inc. dba MedSchool Associates South and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Three – Agreement for Physician Professional Services

DISCUSSION: Total for this contract is $31,635.00 and this allows faculty members from UNSOM to moonlight and provide additional hours at the Quick Care clinics. We have a shortage of physicians this time a year so this allows us access a pool of providers.

FINAL ACTION: A motion was made by Member Caspersen 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 Educational Affiliation Agreement between the Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Las Vegas and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Education Affiliation Agreement

DISCUSSION: No money is associated with this affiliation agreement. This agreement would term in 2020 and can be terminated with 90 days written notice. All clinical and nonclinical positions would fall under this agreement.

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 a report about the emergency contract between Clark Welding & Fabricating ("CWF") and University Medical Center of Southern Nevada ("UMC") for the replacement of the boilers in UMC's Central Plant; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED: None

DISCUSSION: UMC had an emergency with a boiler that was leaking and we had to replace it. The cost was $62,424.00 and it fell within the CEO delegation of authority but still had to follow the bidding process. However, due to the emergency nature of the situation, it was not solicited for bid.

Chair Hagerty asked if we could make a contract upon approval of the board.

General Counsel, Susan Pitz replied that it would be on a case by case basis by the vendor but it would not be a binding contract.

FINAL ACTION TAKEN: No action taken.

ITEM NO. 18 Receive the monthly financial report for November 2016; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- November FY 2017 Financials

DISCUSSION: Assistant Controller, Brent Hilton gave a review of the financials for November FY 2017.

-Continued positive operation income.
-Income statement – Total operating income $3.9 million for the month
- Average daily census was about 377.
- Admissions were up over prior years.
Chair Hagerty asked about the $10 million dollar donation that is shown on the chart.

Mr. VanHouweling was not sure why we haven't spent it and will find out.

Member Caspersen suggested that Marcia should be reporting back to the donors on how we are putting their money to work if we hope to have them donate in the future.

Chair Hagerty asked that this be placed on emerging issues.

- Payor mix has been steady (this slide will be presented quarterly or removed altogether)
- Surgeries declined

ITEM NO. 19 Receive an update report from the Controller; and direct staff accordingly. *(For possible action)*

Hillary McElroy explained that they kicked off the fiscal year 2018 operating budget solicitation to the Managers and Directors. The due date is January 30th to submit requests to the budgeting office.

The first draft is due at the end of the month in February. Her concern is that our tentative budget is due to the County on March 9th and this committee does not meet until the 15th. She has reached out to the County and asked for an extension of the deadline. If they don't grant us an extension then we may have to have a special meeting for the operating budget.

Typically a solicitation for the Capital budget for FY 2018 would be sent out in the next month or so but they are hoping to wait on the solicitation so we can go live on the new system, Kaufmann Hall. Ms. McElroy and staff be the looking to this committee for an approval on the dollar amount but not on specific capital budget line items until after the budget is approved.

Member Raney asked for a running report on capital, what we have and what has been spent.

Chair Hagerty commented that in the February meeting the committee will receive a five year capital schedule update and it will show staffs best guess of what they expect to spend.

ITEM NO. 20 Discuss CEO annual incentive compensation performance standards as it relates to the subject matter relevant to the Audit and Finance Committee and make a recommendation to the Human Resources and Executive Compensation Committee. *(For possible action)*

DOCUMENTS SUBMITTED:
- Schedule B – UMC CEO Performance Objectives

DISCUSSION: Chair Hagerty explained that the total from Audit and Finance is 30% of the bonus that can be earned. Each of the lines items are worth 6%

if divided equally and his proposal is that for this year they should be each worth 6% so they can make it simple and begin the discussion.

Mr. VanHouweling reviewed each of the five objections and demonstrated why or why not each one was achieved.

1. Objective #1
   -Operating Gain (Deficit) equal to or better than budget for fiscal year.
2. Objective #2
   -2% improvement in the budgeted operating margin percentage
3. Objective #3
   -Identify new or enhanced service lines and any required technology to increase overall profitability of the hospital.
4. Objective #4
   -Develop plan and ensure succession of current Electronic Medical Record (McKesson) to new platform due to sun setting of existing system anticipated in 2018.
5. Objective #5
   -Demonstration of diligent exploration of outside dedicated funding source(s) to include County, State and Federal entities to attempt to maximize the reimbursement funding stream to UMC.

Mr. VanHouweling agreed with the committee's discussions and decision on item number five. With the implementation of the new accounting program, Kaufmann Hall, he will be able to drill down on specific areas and get clearer numbers.

After review and discussion, the Audit and Finance Committee agreed to award bonus percentages as follows:

1: 6%
2: 6%
3: 6%
4: 6%
5: 3%

Which comes to a total of 27% out of the total 30% that the committee felt Mr. VanHouweling has achieved.

Chair Hagerty commented that we don't need to wait for the audited financials to do this review in the future. Mason's contract is up at the end of the calendar year and the whole system needs to be looked at.

Member Raney would like to give feedback to the Human Resources Committee regarding what this committee has discussed about possible changes with the items and the process.

Ms. Pitz suggested that Schedule B and other issues could be addressed in the next contract.

Mr. VanHouweling asked that each Committee Chair email the Chair of the HR Committee, Laura Lopez-Hobbs with the agreed upon percentage.

FINAL ACTION: None

SECTION 3: EMERGING ISSUES

ITEM NO. 21 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)*

Staff will look into the $10 million dollar restricted fund donation.

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 5:45 p.m., Chair Hagerty adjourned the meeting.

MINUTES APPROVED: February 15, 2017
Minutes Prepared by: Terra Lovelin