*University Medical Center of Southern Nevada*
***Governing Board Audit and Finance Committee Meeting***
*August 21, 2019*

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UMC ProVidence Suite
Trauma Building, 5th Floor
800 Hope Place
Las Vegas, Clark County, Nevada

The University Medical Center Governing Board Audit and Finance Committee met at the location and date above, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:00 p.m. by Chair Robyn Caspersen and the following members were present, which constituted a quorum.

**CALL TO ORDER**

Board Members:

Present:
Robyn Caspersen
Jeff Ellis
Harry Hagerty – Via Phone
Mary Lynn Palenik
Dr. Donald Mackay – Via Phone
Christian Haase

Absent:

Others Present:
Mason VanHouweling, Chief Executive Officer
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Lonnie Richardson, Chief Information Officer
Susan Pitz, General Counsel
Terra Lovelin, Administrative Assistant

**SECTION 1. OPENING CEREMONIES**

**ITEM NO. 1 PUBLIC COMMENT**

Committee Chair Caspersen 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 June 19, 2019.** ***(For possible action)***

FINAL ACTION: A motion was made by Member Palenik that the minutes be approved as amended. Motion carried by unanimous vote.

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

FINAL ACTION: A motion was made by Member Ellis that the agenda be approved as amended. Motion carried by unanimous vote.

**SECTION 2. BUSINESS ITEMS**

**ITEM NO. 4** **Receive the monthly financial report for June FY19 and July FY20; and direct staff accordingly.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- June FY19 Financials
- July FY20 Financials

DISCUSSION: Jennifer Wakem, Chief Financial Officer presented the financials for June and July.

June
Total admissions are at 24,355 YTD
In-patient surgery cases are at 10,050 Y2D
Out-patient surgery cases are at 5,941 Y2D
Quick cares visits are at 184,020 Y2D
Primary Care visit are at 65,790 Y2D

Total patient revenue in June was below budget
Total net revenue was above budget

Missed revenue in FY19 by only $1.2 M
Operating expenses below budget
Income from Operation, exceeded budget by $230k

Capital Plan FY19 was reviewed; $31 million budgeted and $18.4 million was spent.

July FY20
Total admissions were 1,884, below budget 9.3%

Admissions are below budget by 9.3%
Medicare case mix index continues to climb above budget
In patient surgeries were down 13%
Outpatient surgeries were up almost 30% above budget
ER visit are above budget by 12%
Quick care visits were above budget by 7.8%
Primary care visits were above budget by 29.7%
ED to admission was 6%

Dr. Mackay asked if we knew what the other hospitals are experiencing with the percentage of patients that are being admitted from the ER.

Mr. Marinello replied that some hospitals are going through the same process and they are pushing back on the denials too, it's a constant challenge.

Total patient revenue was up 8.30%
Total other revenue was up 36.25%
Total net revenue was up 4.7%
Total operating expenses were down 1.88%

For the month of July, salaries, benefits, overtime and contract labor were all over budget.

We did budget for the COLA but it was higher than expected.

A discussion ensued about the time line of getting a bill out the door and what role the physicians have in the timeline. Currently the time line is sitting at 13 days and the goal is 6 days.

Chair Caspersen and the committee discussed labeling one of the columns adjusted EBITDA (earnings before income, taxes, depreciation and amortization) as opposed to what was listed on the slide under, Income from Operations.

Capital Plan FY20
$31 million was in the County's capital budget, we have spent $135,000 so far and committed $14,000.

Chair Caspersen asked if she could see the adjustments made to June prior to the auditors seeing them.

**ITEM NO. 5 Receive an update report from the Chief Financial Officer; and direct staff accordingly. *(For possible action)***

<u>DOCUMENTS SUBMITTED</u>:
- None submitted

<u>DISCUSSION</u>: Ms. Wakem let the committee know that a recent court of appeals reversed a lower court's decision on DSH. The lower level court said

we could ignore the lower level of dual eligible payments. We now have to include the dual eligible payments.

For example: If a patient has Aetna as their primary insurance and Aetna pays $20k and Medical pays $5k, we would exclude the $20k so it looks like our uncompensated care is more. Now they are asking us to include the dual eligible payments. However, this can be appealed so staff is watching the progress of this.

The latest on DSH cuts was discussed and it was noted that the reductions will start in 2022.

<u>FINAL ACTION TAKEN:</u> None taken

At this time the committee proceeded to Item No. 8

**ITEM NO. 8** **Review and recommend for ratification by the Governing Board the Participant Agreement with Silver State ACO, LLC for the "Pathways to Success" Medicare Shared Savings Program; and take action as deemed appropriate. *(For possible action)***

<u>DOCUMENTS SUBMITTED</u>:
- Silver State Participant Agreement

<u>DISCUSSION</u>: This is a potential shared savings agreement with Silver State. This is a ratification as they are going into a different tier. If for whatever reason we deem this problematic, we have a 30 day out clause.

Mr. VanHouweling added he will invite the Silver State team to come speak to this committee next month or so, if possible, to explain the cost savings and to answer any questions this committee may have. They are the only ones who have reduced costs for beneficiaries.

<u>FINAL ACTION TAKEN:</u> A motion was made by Member Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

At this time the committee proceeded to Item No. 10

**ITEM NO. 10 Review and recommend for ratification by the Governing Board the Amendment No. 8 to Hospital Participation Agreement between Health Value Management, Inc. d/b/a ChoiceCare Network and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment No. 8 to the Hospital Participation Agreement

DISCUSSION: Rose Coker explained that this is a Medicare shared savings program and has no cost to UMC to participate. The contract originated in Dec of 2019, it's been extended year after year with annual increases. This would be the 8th proposed amendment with a net revenue of approximately of 177 percent above total cost. This is a good contract for UMC.

FINAL ACTION TAKEN: A motion was made by Member Haase to ratify and make a recommendation to the Governing Board to ratify the Amendment. Motion carried by unanimous vote.

**ITEM NO. 11 Review and recommend for ratification by the Governing Board the Amendment No. 10 to Hospital Agreement between Cigna Health and Life Insurance Company and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment Number Ten to Hospital Agreement

DISCUSSION: Rose Coker explained that this contract has been amended 9 times to extend the term of the agreement and adds new rate schedules along with rate increases. This contract is performing at about 171 percent above net revenue.

FINAL ACTION TAKEN: A motion was made by Member Palenik to ratify and make a recommendation to the Governing Board to ratify the Amendment. Motion carried by unanimous vote.

**ITEM NO. 12 Review and recommend for approval by the Governing Board the Second Amendment to the Hospital Agreement with OneHealth, Hometown Health Plan, Inc., and Hometown Health Providers Insurance Company, Inc.; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- OneHealth Second Amendment to the Hospital Agreement

DISCUSSION: The majority of this book of business in in Northern Nevada but they do have about 5,000 lives in Southern Nevada and about 1000 firefighters and their families. They have a commercial plan as well as a senior plus plan. This amendment extends the term of the agreement to August 31, 2020 and adds new reimbursement terms. This contract is performing at about 210 percent above net revenue.

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

At this time the committee proceeded to Item number 6.

**ITEM NO. 6** **Review and recommend for approval by the Governing Board the Amendment 10 to Software License and Services Agreement with 3M Health Information Systems, Inc. for the addition of TRICARE APCfinder and Grouper software; authorize the Chief Executive Officer to execute future amendments within his delegation of authority; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment 10 to the Software License and Services Agreement

DISCUSSION: This amendment is to add APCfinder for TRICARE and TRICAR Groper for use by Health Information Management.

Terri Costa explained that this amendment is to add on software to the current agreement. There is a significant volume of Tricare patients here at UMC and the process of coding and submitting accurate claims will be greatly improved and more seamless with the addition of these services. The cost for the first year of this Amendment 10 is $33,497.35.

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

**ITEM NO. 7** **Review and recommend for approval by the Governing Board the Amendment One to Procurement and Accounts Payable Audit Agreement with Auditrax, LLC d/b/a Finix; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment One to Procurement and Accounts Payable Audit Agreement

DISCUSSION: This is an amendment to an existing contract we currently have, for an audit service to look at our vendor pricing and billings, etc. We are hoping to achieve another net recovery with this vendor. This has a not to exceed amount of $100,000. This is a contingency vendor so they have to find money in order to make money.

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

At this time the committee proceeded to Item number 9

**ITEM NO. 9** **Review and recommend for approval by the Governing Board Amendment to the Master Agreement between CareFusion Solutions, LLC and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment to Master Agreement
- HPG Letter Dated April 2019
- UMCSN Extension Letter Dated May 2019
- CareFusion Memo of Insurance
- Disclosure of Ownership

DISCUSSION: This agreement addresses our commitment for infusion pumps and staff is hoping to extend the contract with this committee's approval. These pumps interface with Epic and has a not to exceed amount of $4,962,000.00.

This agreement is for a six- year term and not a five-year term due to the fact that we were able to get tier pricing with a six-year agreement.

FINAL ACTION TAKEN: A motion was made by Member Haase 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 Service Order Facilities Services Agreement between Switch, Ltd and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Switch Facility Agreement

- Disclosure of Ownership

DISCUSSION: Lonnie Richardson explained that UMC has two data centers, one here at UMC and a secondary at Switch. We are looking to renew the three-year agreement as they have been a great partner.

Maria Sexton, Director of IT and Security explained that we have been a customer of Switch for three years now. If we go with a 36-month agreement, we will have cost savings. Had we gone 12 months and then kept renewing each year we would have spent more money.

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

**ITEM NO. 14 Receive a report on the emergency interim by-pass solution of a UMC sewer line; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Sundance Builders Agreement
- Purchase Order
- Disclosure of Ownership

DISCUSSION: Staff had to move quickly to repair a broken sewer line in the Trauma ICU.

Normally this would have gone out for bid but due to the emergency situation we were allowed to go ahead and do the repairs. This repair has been done in compliance with NRS 338.011.

Mr. VanHouweling thanked staff, the EVS team and the contracts department for responding to this emergency so quickly.

FINAL ACTION TAKEN: A motion was made by Member Haase to accept the report and make a recommendation to the Governing Board to accept the report. Motion carried by unanimous vote.

**ITEM NO. 15 Review and recommend for award by the Governing Board RFQ No. 2019-09 for Placement Services to Clinical Management Consultants, Clonch and Associates, Inc., CSI Specialty Group, Dynamic Computing Services, Impressive Health, KPG Provider Services, Merraine Group, Inc., Prime Time Placements, Inc., Radius Staffing Solutions, Robert Half Finance and Accounting, Tate and Gray Healthcare and Executive Recruitment, and Ashton Group HealthCare; approve the Agreement for**

**Placement Services Template; authorize the Chief Executive Officer to execute any renewals; and take action as deemed appropriate.**

DOCUMENTS SUBMITTED:
- Master Agreement

DISCUSSION: A request for quotation was advertised on the Clark County purchasing website and the LV Review journal and multiple vendors responded. This contract is to be used as an on needed basis for UMC Human Resources to hire personnel. This has a NTE amount of $80k per year for five years.

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

**ITEM NO. 16 Discuss CEO annual FY19 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 and discuss CEO annual FY20 goals and objectives; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- CEO Performance Objective #1

DISCUSSION: Mr. VanHouweling presented his FY19 Objectives and the results of each.

**Objective 1:**
**Meet or exceed fiscal year budgeted income from operations**

- Achieved budget and beat it by $230,061

**Objective 2:**
**Demonstrate evidence of an efficient and effective finance and accounting organization through the implementation of Kaufman Hall, including quarterly dashboards, resulting in monthly net revenue details and measuring service line profitability**

- Mr. VanHouweling showed an example of a computer dashboard that leaders are using in real time to see statistics and profitability on a daily basis at their work stations in the units.

- Refined net revenue estimates with the implementation of Kaufman Hall

- Service line profitability statements are being generated at a sophisticated level so we can make good decisions.

**Objective 3:**
**Improve our group GPO contract compliance through HPG, equal to or greater than 2% over our FY18 average**

- Achieved a 4.77% Year Over Year increase in GPO contract compliance

**Objective 4:**
**Increase SWB ratio trends in relationship to case mix index and patient volumes**

- Growth has been shown in total admissions and surgery cases which has in return increased Hospital and Medicare CMI.

- Growth outpaced the labor expenses for the hospital.

After a discussion on some of the objectives, Hagerty, Member Ellis, Dr. Mackay, Member Haase and Member Palenik all agreed that Mr. VanHouweling achieved a 100% for all four categories.

Member Palenik added that she has seen a huge transformation from when she came on board.

It was discussed that the FY2020 goals be brought back for further discussion.

<u>FINAL ACTION TAKEN:</u> A motion was made by Member Caspersen and seconded by Member Palenik to recommend to the HR Committee that Mr. VanHouweling be awarded 100% of the 25% that comes from the Audit and Finance Committee. Motion carried by unanimous vote.

## <u>SECTION 3: EMERGING ISSUES</u>

**ITEM NO. 17 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)***

No emerging issues

**COMMENTS BY THE GENERAL PUBLIC:** None

At this time, Chair Caspersen 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 5:14 p.m., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: September 18, 2019
Minutes Prepared by: Terra Lovelin