University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
April 19, 2023

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 2:00 p.m. The meeting was called to order at the hour of 2:03 p.m. by Chair Robyn Caspersen and the following members were present, which constituted a quorum.

CALL TO ORDER

Board Members:

Present:
Robyn Caspersen (via webex)
Dr. Donald Mackay
Jeff Ellis (via webex)
Harry Hagerty (via webex)
Mary Lynn Palenik (via webex)
Christian Haase (via webex)

Absent:
None

Others Present:
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
Rose Coker, Managed Care Director
Frederick Lippmann, Chief Medical Officer
Chris Jones, Director of Support Services
Warren Grand, Clinical Manager
Sandra Boyadjain, Clinical Support Services Director
Susan Pitz, General Counsel
Lia Allen, Assistant General Counsel - Contracts
Stephanie Ceccarelli, Board Secretary

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 PUBLIC COMMENT

Committee Chair Caspersen asked if there were any public comments 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 March 22, 2023. ***(For possible action)***

There were grammatical clarifications made to statements made in Items 23 and 24.

FINAL ACTION:

A motion was made by Member Mackay that the minutes be approved as amended. Motion carried by unanimous vote.

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

Language in Agenda Item 13 was amended to include the UNLV School of Medicine in addition to UNLV Medicine.

FINAL ACTION:

A motion was made by Member Mackay that the agenda be approved as amended. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

At this time, the Committee heard Agenda Item 18.

ITEM NO. 18 Review and recommend for approval by the Board of Hospital Trustees for University Medical Center of Southern Nevada, funding for the renewal term of the Hosting Services and License and Support Agreements with Epic Systems Corporation; or take action as deemed appropriate. ***(For possible action)***

DOCUMENTS SUBMITTED:
- Hosting Services Agreement
- Disclosure of Ownership

DISCUSSION:

UMC currently holds a license and support agreement and a hosting agreement with Epic. This request is to extend the operational period of the agreement for an additional 5-year term and add additional funding for software subscription licenses, maintenance and hosting fees.

Maria Sexton, Chief Information Officer shared additional commentary regarding the services that will continue to be provided by Epic. Modules for cardiac services, lab, transplant and orthopedics, as well as other services have been incorporated since the implementation of Epic in 2017.

This new agreement will incorporate all licensing, support and maintenance for all of the EHR modules that have been implemented, as well as remote hosting provided by Epic. She continued the discussion with an explanation of costs associated with patient volume increases and infrastructure costs. A lengthy discussion ensued regarding pricing, fee schedules and the anticipation of amendments due to increased ancillary encounters and volumes in the future.

UMC participates in two programs with Epic, the Gold Star Program and the Honor Roll Program. UMC has gone from 5 to 6 Stars in the past year; 10 stars is the maximum. Although we have successfully completed the implementation 43 of the 66 tasks for honor roll, UMC was not eligible for the incentive payment reimbursement, as all tasks were not completed.

Discussion continued regarding additional hosting service options and other Epic solutions that the hospital may use in the future.

The Committee would like to receive updates in the future regarding IT operational matters.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Board of Hospital Trustees for University Medical Center of Southern Nevada to approve the agreement. Motion carried by unanimous vote.

At this time, the Committee returned to Agenda Item 4.

ITEM NO. 4 Receive the monthly financial reports for March FY23; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED:
- March FY23 Financials

DISCUSSION:

Jennifer Wakem, Chief Financial Officer presented the financials for March.

Admissions were 2,008, 7.8% below budget and AADC was high, 16% above budget. Length of stay continues to be a challenge at 7.11 days. Hospital acuity was on budget at 1.90 and Medicare CMI was 1.97.

There were 836 inpatient surgeries, 471 outpatient surgeries and 16 kidney transplants. ER visits were on budget and the ER to admit conversion rate was approximately 21%.

Quick cares were about 2% below budget and primary cares were 16% above budget; Sunset, Summerlin and Peccole were the key drivers. Telehealth visits were strong with 542, and the Ortho Clinic had 722 visits. Deliveries were 120 for the month.

The trended stats were compared to FY19; there were record admissions for March at 2,008, but not as high as FY19, which was 2,131. LOS continues to be high and inpatient and outpatient surgical cases were up. The Ortho Clinic volumes continue to be on an upward trend. Payor mix trends by patient and surgical types were briefly reviewed.

The income statement for March showed net patient revenue was strong, almost $12.4 million above budget. Other revenue was on budget. Overall net revenue was $12.5 million over budget and other operating expenses above budget $9.5 million. Income from ops before depreciation and amortization was $6.7 million on a budget of $3.9 million.

The income statement year to date showed total operating revenue was $35.8 million above budget and operating expenses were $38.9 million above budget. Income from ops before depreciation and amortization was $26.6 million on a budget of $29.5 million. The income statement trended was presented as informational, but Ms. Wakem highlighted that March was a record month compared to the 12-month trend.

Salaries, wages and benefits for March showed labor was over $8.1 million due to unbudgeted Ortho and Anesthesia services. SWB per APD is also over due to the provider service rates. SWB as a percentage of net is at 60.55%.

SWB trended showed an increase in overtime of $1.3 million. Contract labor is on a downward trend and overtime as a percent of productive showed a slight uptick, but is still very reasonable.

All other expenses for March was $1.5 million above budget due to supplies, mainly due to an increase in implant surgical cases. Purchased services was $500K over budget and utilities continues to be high because of unplanned rate increases.

Key indicators were reviewed briefly. Liquidity is in the red. Days' cash on hand is 79.3 days. Candidate for bill is up slightly and the cash goal was not met for the month. An action plan is in place to get back on track. Point of service collection goal is in the green.

Cash flow for March showed cash received was $80.3 million; $32.1 million was related to outstanding supplemental payments that were received. We are still awaiting other outstanding supplemental payments. The final bond payment will be paid September 2023.

Lastly, the balance sheet was shown.

A discussion ensued regarding the funding catch up at the end of the fiscal year.

<u>FINAL ACTION TAKEN:</u>

None taken.

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

DOCUMENTS SUBMITTED:
- None

DISCUSSION:

Ms. Wakem provided the following updates:

Federal supplemental payments: There is about $130 million in outstanding federal supplemental payments.

RAC Audits: UMC had 24 accounts under review totaling approximately $300K; only about $6K had to be paid back. A second audit will occur in the future.

FINAL ACTION TAKEN:
None taken

ITEM NO. 6 Receive Quarter Three status update on the Audit and Finance Organizational Goals for FY23; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED:
- F23 Organizational Goals PowerPoint

DISCUSSION:

Ms. Wakem provided the Q3 update on the status of the Audit and Finance Organizational Goals for FY23. The Committee reviewed the four goals.

1. **Exceed fiscal year budgeted income from operations plus depreciation and amortization.**

   We are currently not hitting this goal. We are $2.9 million below budget.

2. **Improve labor utilization with a target of SWB per APD of $2,156, Adjusted EPOB of 5.95**.

   We are currently hitting this goal.

3. **Improve ALOS with a target of 5.77 days.**

   We are currently not hitting this goal. In Q4 we will review the goal to see if there were changes over prior year, but we do not anticipate reaching the target of 5.77 days.

4. **Complete capital spending on time on budget for FY20, FY21 & FY22**

The team is confident that this goal will be met. There were only 3 projects left for FY20, none remaining for FY21, and only 20 remaining for FY22.

FINAL ACTION TAKEN:
None

ITEM NO. 7 **Review and recommend for approval by the Governing Board, the Proposed Final FY 2024 Operating Budget, to be considered by Clark County; and direct staff accordingly.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- FY24 Final Proposed Budget PowerPoint

DISCUSSION:

Ms. Wakem provided a summary of the changes between the Proposed Final FY 2024 budget and the Preliminary Proposed FY2024 budget.

FY2024 Preliminary Proposed budget vs. Final Proposed budget numbers were shown and there were no changes to the statistics.

The income statement expense was increased by $2.7 million. SWB increased by $1.5 million and purchased services increased approximately $850K. Transplant services increased by $263K. Utilities increased by 25% and malpractice increased $100K.

A discussion ensued regarding the EBIDA margin compared to other facilities.

FINAL ACTION TAKEN:

A motion was made by Member Mackay that the Committee recommend the budget for approval by the Governing Board. Motion carried by unanimous vote.

Ms. Wakem reminded the Committee of next steps. The budget will be presented to the Governing Board next week and then to the County on Thursday.

ITEM NO. 8 **Review and recommend for approval by the Governing Board the Amendment One to Hospital Services Agreement with Optum Health Networks, Inc. for managed care services; or take action as deemed appropriate.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Hospital Service Agreement – Amendment 1

DISCUSSION:

The amendment extends the Hospital Services agreement term through 2025 and updates the business name to Optum Health Networks, Inc. The agreement may terminate with a 120-day written notice.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 9 Review and recommend for approval by the Governing Board the Amendment Five to Primary Care Physician Participation Agreement with Optum Health Networks, Inc. for managed care services; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Primary Care Physician Participation Agreement – Amendment 5

DISCUSSION:

The amendment for Primary Care Physician participation will extend the agreement term through 2025 and update the business name to Optum Health Networks, Inc. The agreement may terminate with a 60-day notice.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 10 Review and recommend for approval by the Governing Board the Purchaser Participation Letter and Amendment No. 1 with Cardinal Health 414, LLC for radiopharmaceutical products; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Letter of Participation
- Purchaser Participation Letter – Amendment 1

DISCUSSION:

This request is a new purchase commitment agreement to purchase 90% of radiopharmaceuitical products from HPG. Entering the agreement will allow enhanced delivery terms and incentive rebates.

FINAL ACTION TAKEN:

A motion was made by Member Mackay 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 Purchase Agreement with CDW Government LLC for Mimecast software solutions; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Quote – Redacted
- Sourcing Letter
- Disclosure of Ownership

DISCUSSION:

This is a request to purchase licensing subscription services with Mimecast to provide services such as secure messaging, email security, archiving software solutions and training. This is a 3-year agreement.

FINAL ACTION TAKEN:

A motion was made by Member 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 Third Amendment to Agreement with Medline Industries, Inc. for Warehouse and OR Central Stores Consulting, Design and Reorganization Project; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Warehouse Agreement – Amendment 3

DISCUSSION:

Medline Industries provides consulting, design, and reorganization services of our warehouse and OR central stores. This amendment will increase funding to support the increase the cost of materials and travel through the remainder of the term.

FINAL ACTION TAKEN:

A motion was made by Member Mackay 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 Professional Services Agreement with UNLV School of Medicine and UNLV Medicine for Pediatric Gastroenterology On-Call Services; authorize the Chief Executive Officer to execute any extension options; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Professional Services Agreement

DISCUSSION:

This is a new PSA for pediatric gastroenterology on-call services. This is a request for a new 3-year agreement with two 1-year options for renewal. The agreement will begin May 1st. An increase to the on-call rate is still within FMV.

FINAL ACTION TAKEN:

A motion was made by Member 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 Governing Board the Fourth Amendment to Agreement with Shannon Kane-Saenz for Data Engineering Consultation; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Data Engineering Consultation Agreement – Amendment 4
- Disclosure of Ownership

DISCUSSION:

This agreement for a data engineering consultant provides UMC with continued critical specialized data engineering services to support Kauffman Hall Axiom and Epic platforms. This is a request to extend the agreement for an additional year and increase funding. UMC may terminate the agreement upon 15-days' notice.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 15 Review and recommend for approval by the Governing Board the Amendment One to RFP No. 2020-18 Service Agreement with RSource, LLC d/b/a Knowtion Health for Clinical Denial Services; authorize the Chief Executive Officer to execute amendments within the not-to-exceed amount of this Agreement; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Service Agreement for Clinical Denial Services – Amendment 1

DISCUSSION:

This amendment will add additional funding. This is a contingency based agreement. The vendor provides clinical denial services through billing, appeals, follow-up and collection activities related to patient accounts.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 16 Review and recommend for ratification by the Governing Board the Purchase Agreement with Mindray DS USA, Inc. for ultrasound systems; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Proposal Summary Agreement
- Disclosure of Ownership

DISCUSSION:

This request for ratification is to take advantage of favorable pricing discounts, for the purchase of ultrasound systems and associated peripherals. This agreement comes with a one-year service warranty.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to ratify and make a recommendation to the Governing Board to ratify the agreement. Motion carried by unanimous vote.

ITEM NO. 17 Review and recommend for approval by the Governing Board the Amendment to Master Agreement with Kinect Energy, Inc. for Energy Management Services; or take action as deemed appropriate. *(For possible action))*

DOCUMENTS SUBMITTED:
- Master Agreement – Amendment 3
- Disclosure of Ownership

DISCUSSION:

Kinect Energy is UMC's energy management provider and assists in obtaining natural gas directly from the source, eliminating surcharges from distributors. Due to increase in cost, this request is for additional funding through the end of the term. At this time, we are unable to change vendors.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

ITEM NO. 19 Review and recommend for approval by the Board of Hospital Trustees for University Medical Center of Southern Nevada, the Managed Service Provider Agreement with AMN Healthcare, Inc. for temporary and

permanent labor staffing services; authorize the Chief Executive Officer to exercise any extension options and execute any applicable candidate request forms and amendments within the not-to-exceed amount of this Agreement; or take action as deemed appropriate. ***(For possible action)***

DOCUMENTS SUBMITTED:
- Managed Service Provider Agreement - Redacted

DISCUSSION:

This is a request to enter into a new agreement with AMN who will provide UMC with primary staffing services for clinical, non-clinical and interim and permanent leadership positions in critical need areas of the hospital. This will include staffing for travel nurses, locum tenens physicians. The agreement is for 3-years from the go-live date and two 1- year options.

A discussion ensued regarding the need for staffing services for recruiting purposes and how the services are requested.

Sandra Boyadjain added that the staffing vendors are only used when needed.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Board of Hospital Trustees for University Medical Center of Southern Nevada to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 20 **Review and recommend for approval by the Governing Board the Agreements with Philips Healthcare, a division of Philips North America LLC for the Catheterization Laboratory replacement project; authorize the Chief Executive Officer to execute any future change orders within the not-to-exceed amount of these Agreements; and take action as deemed appropriate.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Quote
- Terms and Conditions
- Project Budget – Scope of Work
- Interventional and Angiography Sourcing Letter
- Med Imaging Ultrasound Sourcing Letter
- Radiopharm Sourcing Letter

DISCUSSION:

This is a new turn-key project with Philips to build out the total construction of the project and install the equipment in the Cath Lab. Purchasing is pursuant to HPG pricing.

This project will increase UMC's Catheterization Laboratory volume and service lines which is expected to increase hospital revenue.

Warren Grand, Clinical Manager of Cardiovascular Services, stated that we have maximized our potential for throughput, and this project will add bandwith to the Cath Lab and maximize throughput. Patients and doctors would like to work in our Cath Lab, but there is not enough space. He added that third Cath Lab will be multi-purpose and it is anticipated that it will add 30% growth in revenue within the first year. The discussion continued regarding the need for updated equipment.

FINAL ACTION TAKEN:

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

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)*

None

At this time, Chair Caspersen asked if there were any public comment received to be heard on any items not listed on the posted agenda.

COMMENTS BY THE GENERAL PUBLIC

SPEAKERS(S): None

There being no further business to come before the Committee at this time, at the hour of 3:32 pm., Chair Caspersen adjourned the meeting.

MINUTES APPROVED:
Minutes Prepared by: Stephanie Ceccarelli