University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
April 21, 2021

UMC ProVidence Suite
Trauma Building, 5th Floor
800 Hope Place
Las Vegas, Clark County, Nevada
Wednesday, April 21, 2021
2:00 p.m.

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 2:02 p.m. by Chair Robyn Caspersen and the following members were present, which constituted a quorum.

CALL TO ORDER

Board Members:

Present:
Robyn Caspersen
Harry Hagerty
Dr. Donald Mackay
Jeff Ellis (via WebEx)
Mary Lynn Palenik (via webex)
Christian Haase (via webex)
Barbara Frasier (Ex-Officio)

Absent:
None

Others Present:
Mason Van Houweling, Chief Executive Officer (via WebEx)
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
Maria Sexton, Chief Information Officer
Susan Pitz, General Counsel
Lia Allen, Attorney
Rose Coker, Director of Managed Care (via WebEx)
Carissa Rey, Academic and External Affairs Officer
Jacqueline Saites, Director of Contracts and Materials Management
Stephanie Ceccarelli, Governing 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 24, 2021. *(For possible action)*

FINAL ACTION:

A motion was made by Member Mackay that the minutes be approved as recommended. Motion carried by majority vote. Member Hagerty abstained, as he was not present for the March 24, 2021 meeting.

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

FINAL ACTION:

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive the monthly financial report for March FY21; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- March FY21 Financial Report

DISCUSSION:

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

Key indicators were reviewed. Admissions exceeded prior year by approximately 11%. AADC continues to be high at 533. Acuity remains high. Overall hospital CMI was 2.10 and Medicare CMI was 2.18.

Inpatient surgeries were 32% above prior year with 864 cases and there were 566 outpatient surgeries. There were 14 transplants reported. The ED to admission conversion rate remains strong. Emergency room visits were down 8%. Quick cares were down roughly 20%, primary cares were above prior year 32% and deliveries were down. The conversation continued regarding difference in reimbursement for observation vs. inpatient.

On trended stats, admissions are above prior year but are still below the pre-COVID average. Inpatient and outpatient surgeries were at record levels for the month.

Inpatient payor mix by admits trended shows Medicare is up 6%; Medicaid is down 2.75% due to below average pediatric volumes. ED trends shows commercial up almost 2.4% and Medicaid is down 3.5%. Inpatient surgical, commercial is down 6% and Medicare is up almost 9%. Medicaid is up in outpatient surgeries 4%.

Member Ellis commented there is more commercial volume in outpatient surgeries. This is a topic for conversation for Strategic committee.

The income statement showed net patient revenue was above prior year $14.6 million and other revenue was up $6.3 million primarily due to COVID reference lab testing. There was a 340B catch up of $3.5 million, which is out of period and the reference lab related to COVID testing was $1.8 million. Operating expenses continue to be high. Income from ops was $5.6 million. Net patient revenue reserve was released.

March YTD income from ops showed a loss of $16.3 million.

Income statement trended shows we are in the black 3 months in a row.

Key financial indicators show day's cash on hand is roughly 3.5 months on hand, which is an improvement from prior month. Candidate for bill was 6.3 days. Action plans are in the works. Cash collections goal was met.

Salary, wages and benefits for March were favorable $1.4 million over prior year. Overtime is $300k over last year and contract labor is $2.4 million. An action plan to improve core staffing and volume changes by department is being discussed.

Member Ellis asked if open nursing positions are being tracked and how many FTE hours are needed. Ms. Wakem responded that HR does this. She added the market demand for contract labor drives the rate.

Other expenses for the month of March are up $7 million over prior year primarily due to supplies. Lab reagents totaled $2.6 million, high cost drugs $1.2 million and implants $1.7 million.

COVID supply expenses were at $3.8 million.

Ms. Wakem continued to the Capital Plan for FY20, explaining that $31 million has been committed to projects already in process.

Chair Caspersen asked what was being spent from the FY21 capital. It was explained that due to COVID, several projects were put on hold.

Cash flow continues to be strong. DSH payments received in March of $22.5 million for the period of January through April and an IAF payments of $2.9

million was also received. There is another $120 million outstanding for some of the other programs.

Balance sheet review showed improvement over the prior month.

Roughly 43k COVID tests were performed in March and 15k vaccinations were administered during the month.

Chair Caspersen asked what the capacity was for daily vaccinations. Ms. Rey stated that we have an average of 750, but there is capacity for more.

FINAL ACTION TAKEN:

None

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 updated the Committee on the Cares Act funding. To date, the hospital has received roughly $80 million in Cares Act funding. During the pandemic, there was a moratorium put on sequestration. Sequestration is an overall 2% reduction in Medicare reimbursement put in place in 2013.

Physician documentation review is being done to ensure an accurate clinical picture is captured in the medical record.

The leadership team will be reviewing expenditures, with the goal of cutting costs and reduce unnecessary spending. Length of stay and efficient patient discharge is also being discussed.

Member Mackay asked if physicians play a negative role in discharges. Ms. Wakem stated that there is concern with the timeliness of discharges.

FINAL ACTION TAKEN:

None

ITEM NO. 6 Receive a legislative update from Carissa Rey, Academic and External Affairs Officer; and direct staff accordingly. ***(For possible action)***

DOCUMENTS SUBMITTED:
- None

DISCUSSION:

Carissa Rey, Academic and External Affairs Officer, provided a brief update on the Legislative Session and the bills that are currently being discussed. The deadline for bills in the Legislative Session to be passed out of committee and their Houses of origin has passed. There were several bills that did not survive and some were granted and exception.

Certain Patient Protection Bills passed out of committee: SB5 regarding telehealth and SB40 regarding all-payer claims data base. Bills with widespread support related to the expansion of Medicaid eligibility and crisis stabilization network for mental health crisis also survived.

Other bills that passed committee were AB347 - Provider Tax/Rate Commission, which will now be a study; AB47 targeting unfair trade practices; and a bill allowing UNR and UNLV School of Medicine Campuses to be able to affiliate with private for-profit and non-profit hospitals and medical centers to create academic health centers.

Lastly, Ms. Rey listed the bills that were not voted out of committee, which included AB346, a price transparency bill, an intrastate nurse licensing compact bill and AB44, which was UMC's bill that would expand closed session ability.

FINAL ACTION TAKEN:

None

ITEM NO. 7 **Receive and recommend for acceptance by the Governing Board the Single Audit from BDO USA, LLP, Certified Public Accountants for University Medical Center of Southern Nevada; and direct staff accordingly. *(For possible action)***

DOCUMENTS SUBMITTED:
- Single Audit Wrap-Up
- Single Audit Information

DISCUSSION:

Ms. Wakem updated the Committee on the BDO Single Audit, which is designed to ensure federal funds are spent in accordance with the grant requirements. There were no findings.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Governing Board to approve the BDO Single Audit as presented. Motion carried by unanimous vote.

At this time the Committee considered Items 9-16 for approval. Item 8 will be discussed later during the meeting.

ITEM NO. 9 **Review and recommend for approval by the Governing Board the Amendment Number Seven to Participating Provider Agreement with SilverSummit Healthplan, Inc.; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment

DISCUSSION:

This is a language change to the agreement, deleting the old enhanced payment language and replacing it with the new direct payment program language, which has been approved and recommended by the State, County and the managed care MCOs. There will no longer be an administrative fee.

FINAL ACTION TAKEN:

A motion was made by Member Hagerty 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 Amendment Two to Participating Facility Agreement with SelectHealth, Inc. and SelectHealth Benefit Assurance, Inc.; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment Two to Participating Facility Agreement

DISCUSSION:

This is an amendment to allow SelectHealth to expand their HMO/PPO network to include UMC and add more facilities and more doctors to their network.

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. 11 **Review and recommend for approval by the Governing Board the Precise ID Price Change Amendment with Experian Health, Inc.; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Price Change Amendment
- Disclosure of Ownership

DISCUSSION:

This is an application through Experian Health to validate IDs of patients doing virtual registration without using social security numbers, which will eliminate fraud activity for My Chart activations. This amendment includes a 12-month discount option. This will reduce overages and keep a reduction in costs.

Maria Sexton, CIO, added patients are currently unable to access their MyChart account without validation. Precise ID assists in overcoming challenges with patient access and there has been a reduction in calls received in the call center.

FINAL ACTION TAKEN:

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

ITEM NO. 12 Review and recommend for approval by the Governing Board the Quotation with Philips Healthcare, a division of Philips North America LLC, for the purchase of Echocardiogram Ultrasound Machines; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Quotation
- Master Agreement
- Disclosure of Ownership
- Sourcing Letter

DISCUSSION:

Ms. Saites stated this is an agreement to replace end of life systems that may have potential cyber security issues. These are new ultrasound machines for heart and vascular with 3D imaging capability and they have increased cyber security safety. The agreement comes with a 1-year warranty and substantial discounts with trade in allowances.

Member Mackay asked what happens to the end of life items. Ms. Saites stated that these will be wiped clean and returned to the vendor.

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 for Pediatric Urology On-Call Coverage with Children's Urology Associates, LLC; authorize the Chief Executive Officer to exercise any extension options; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:

- Professional Services Agreement

DISCUSSION:

This is a new agreement for 24/7 pediatric urology service. The rate remains the same as previous agreements for this service and is a 3-year agreement with 2 one-year options.

FINAL ACTION TAKEN:

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

ITEM NO. 14 **Review and recommend for approval by the Governing Board the McKesson Connect 340B Contract Pharmacy Load Forms with McKesson Corporation; authorize the Chief Executive Officer to exercise any extension options; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Walmart McKesson 340B Connect Load Form Applications

DISCUSSION:

Ms. Saites reminded the Committee that the 340B program, utilizing Walmart to participate, was previously discussed and approved. She added Walmart requires contract pharmacy use of McKesson Connect to load forms and information for an additional 26 locations.

A conversation ensued regarding the negotiation process, additional contract requirements and cost involved.

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. 15 **Review and recommend for approval by the Board of Hospital Trustees for University Medical Center of Southern Nevada, the Lease Agreement with Daniel L. Orr, D.D.S., M.S., LTD. for space at 2040 W. Charleston Blvd., Suite 201; authorize the Chief Executive Officer to execute renewal options; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- 2040 Lease Agreement
- Disclosure of Ownership

DISCUSSION:

Historically Dr. Daniel Orr has leased space at the building located at 2040 Charleston Blvd. This is a new agreement with an increased rental rate. This is a 3-year agreement with two 1-year options and is subject to an increase of 4% or CPI, whichever is less. A 90-day option to terminate is included. A conversation ensued regarding the terms of the lease agreements.

FINAL ACTION TAKEN:

A motion was made by Member Hagerty to approve and make a recommendation to the Board of Hospital Trustees to approve the agreement. Motion carried by majority vote.

ITEM NO. 16 Review and recommend for approval by the Board of Hospital Trustees for University Medical Center of Southern Nevada, the First Amendment to Interlocal Medical Office Lease with the Board of Regents of the Nevada System of Higher Education (NSHE) on behalf of University of Nevada Las Vegas (UNLV) for space at 2040 W. Charleston Blvd.; authorize the Chief Executive Officer to exercise extension options; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- First Amendment to Interlocal Medical Office Lease

DISCUSSION:

UNLV will be exercising their first option to extend the current lease for another year. This will extend their lease to October 31, 2022. This is subject to a 3% annual increase and a 90-day out.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Board of Hospital Trustees to approve the amendment. Motion carried by majority vote.

Ms. Wakem announced to the Committee that this would be Jacqueline Saites last meeting as she is resigning from UMC. Thank you to Jacqueline for all of your hard work and efforts in support of UMC!

At this time the Committee returned to review Item 8 regarding the FY2022 Budget.

ITEM NO. 8 Receive and review the Proposed Final FY22 Operating Budget to be submitted to Clark County and discuss any changes; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- FY22 Budget

DISCUSSION:

Jennifer Wakem, CFO, presented the Proposed Final FY22 Operating Budget.

Ms. Wakem began her presentation by providing the Committee a recap of the discussion of the preliminary budget presented in March. At that time, she projected a loss of $20.2 million for 2021 and a loss of $10.6 million for the 2022 budget.

Ms. Wakem shared current market economic conditions received from Jeremy Aguerro, which showed a statistical overview of the economic impact the city and state could expect in the housing market, population growth and job market. The second half of CY2021 is expected to be better economically, though the expectation is that the city will not fully recover until CY2022.
The County is leveraging 2019 numbers to build their 2022 budget. Ms. Wakem looked at the 2019 volumes to leverage the budget for UMC. Nationally, a “V” shaped recovery curve is anticipated.

Although Medicaid has been expanded and there has been a 20% increase in qualified enrollments, there has been a 3% drop in the Medicaid payer mix at UMC as compared to the pre-COVID average. The key driver is pediatrics, as the volume has dropped significantly. Adjustments in payor mix brought commercial down 2% and pushed Medicaid up 2% in the budget.

A summary of the FY2022 key statistics highlighted the adjustments made from the preliminary budget in patient length of stay and admissions.

The final budgeted income statement for FY22 showed a loss of $19.8 million. An overall change to labor was built in due to contract labor and union negotiations. Cares Act funding was not projected into the 2022 budget. There was a brief discussion of the FY2021 projected income summary statement.

The final budget vs. final projections were next reviewed. A $20 million loss has been budgeted for FY22, with an expectation of $5.6 million loss ending FY21. The conversation continued regarding the COVID testing revenue and the nonrecurring revenue streams.

Lastly, the Committee discussed remaining concerns regarding volumes, payor mix changes, COVID testing and operating expenses.

Ms. Wakem reminded the Committee that the final budget will be submitted to the Governing Board for approval and then it will be submitted to the County.

<u>FINAL ACTION TAKEN:</u>

A motion was made by Member Hagerty that the Committee recommend the FY22 budget for approval by the Governing Board. 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)*

<u>DISCUSSION</u>:
None

<u>FINAL ACTION TAKEN:</u>

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 4:06 pm., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: May 19, 2021
Minutes Prepared by: Stephanie Ceccarelli