University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
August 18, 2021

UMC ProVidence Suite
Trauma Building, 5th Floor
800 Hope Place
Las Vegas, Clark County, Nevada
Wednesday, August 18, 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 2:05 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 (via WebEx)
Dr. Donald Mackay (via WebEx)
Jeff Ellis (via WebEx)
Christian Haase (via WebEx)
Mary Lynn Palenik (via WebEx)

Absent:
Barbara Fraser (Ex-Officio) (excused)

Others Present:
Mason Van Houweling, Chief Executive Officer
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
Deb Fox, Chief Nursing Officer
Susan Pitz, General Counsel
Lia Allen, Assistant General Counsel – Contracts
Rose Coker, Director of Managed Care
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 July 21, 2021. *(For possible action)*

Member Palenik abstained from voting, as she was not present at this meeting.

<u>FINAL ACTION</u>:

A motion was made by Member Hagerty that the minutes be approved as recommended. Motion carried by majority vote. Member Palenik abstained.

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

<u>DISCUSSION:</u>

Item 11 was removed for discussion from the agenda, as the final contract is not available for approval at today's Audit and Finance meeting. It will be brought to the Governing Board meeting for approval.

<u>FINAL ACTION</u>:

A motion was made by Member Mackay 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 FY21; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- PowerPoint Presentation

DISCUSSION:
Jennifer Wakem, Chief Financial Officer, presented the financials for June. As a reminder, period 13 is now open and will remain open until the audit is complete.

Key indicators for June were reviewed and were compared to FY19.
Admissions were down approximately 8% below FY19.
AADC continues to be high at 559. Acuity remains high.
Overall hospital CMI was 6.5% over FY19.
Inpatient surgeries were strong for the month, totaling 825.
ER visits were down 3%.
Quick cares are down roughly 7%. Southern Highlands, Blue Diamond and Spring Valley are the locations struggling the most. Primary cares are up approximately 9%.

Key indicators year to date showed admissions were 19% below, hospital CMI continues high at 12% over. Transplants are 154 YTD, compared to only 46 YTD in FY19. ER visits are down 15% and deliveries are down 31%.

On trended stats, admissions were 1,807, AADC was 559, length of stay showed improvement and hospital CMI was 1.97. June was a record month for ER visits and inpatient surgeries. Quick cares had 12,547 visits and there were 118 deliveries for the month.

Payor mix trended on inpatient volume shows Medicaid down almost 3% and Medicare is up 4.3%. Inpatient surgeries showed a drop in commercial by 5%, but Medicare was up 6.25%. Outpatient surgeries showed commercial down more than 4%. There was continued conversation regarding the decline in commercial.

The summary income statement for June compared to FY19 shows net patient revenue is strong, up almost $25 million and other revenue up $7.1 million. Total revenue was up almost $32 million. Operating expenses were above FY19 $4.4 million. Income from ops adding depreciation and amortization landed at $30 million in earnings, compared to $4.2 million in FY19.

Year to date for FY21 showed positive earnings of $29 million. Ms. Wakem stated that one of the key drivers in having a positive year was the Directed Payment Program.

Member Hagerty asked if hospital admissions and revenue are tracked by source. A conversation ensued regarding the tracking admissions by service line.

Income statement trended showed positive earnings 6 months in a row.

Key financial indicators show day's cash on hand is approximately 3 months. Ms. Wakem reminded the Committee that we are still awaiting Federal Supplemental payments. Candidate for bill was 9.9 days. Cash collections are showing an increase.

Salary, wages and benefits for June were $1.5 million over FY19. Ms. Wakem added that the number of paid FTEs has reduced, but the rate continues to be high. Deb Fox, Chief Financial Officer explained that base rates for med-surg and critical care nurses have recently more than doubled and it is climbing. SWB year to date was $28 million over FY19. Overtime increased by $3.6 million.

Other expenses for the month of June are up $1 million over FY19. Supplies are down 65.7% for the month.

Year to date expenses were $86 million more than FY19 due primarily to COVID needs.

Cash flow continues to be strong with $49 million received. Some DSH and Federal Supplemental payments were also received during the month.

Lastly, the balance sheet was reviewed.

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 let the Committee know that we are continuing to monitor the Cares Act money that has not yet been allocated.

Next, Ms. Wakem updated the Committee on the American Rescue Plan request for funding from the County.

FINAL ACTION TAKEN:

None

ITEM NO. 6 **Review and recommend for ratification by the Governing Board the Second Amendment to Medical Group Participation Agreement with United Healthcare Insurance Company; or take action as deemed appropriate.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Medical Group Participation Agreement - Amendment

DISCUSSION:

Rose Coker, Director of Managed Care, stated this amendment will allow participation to extend to primary and quick care providers and nurse practitioners to the Medicare PPO hospital national agreement with United.

FINAL ACTION TAKEN:

A motion was made by Member Hagerty to ratify 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 Hospital Agreement with OneHealth, Hometown Health Plan, Inc. and Hometown Health Providers Insurance Company, Inc.; or take action as deemed appropriate.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Hospital Agreement
- Disclosure of Ownership

DISCUSSION:

Ms. Coker stated OneHealth has been purchased by Hometown Health, so this is a new agreement on new paper for a new commercial PPO plan. The new agreement seeks a term of 3-years, ending on August 31, 2024.

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. 8 **Review and recommend for ratification by the Governing Board the Master Services Agreement with Clearwater Compliance, LLC; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Clearwater Compliance, LLC
- Disclosure of Ownership

DISCUSSION:

This is a request for ratification of the agreement for compliance consulting services. The period of performance is 12 months or upon project completion with a 60-day out clause.

FINAL ACTION TAKEN:

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

ITEM NO. 9 **Review and recommend for approval by the Governing Board the Services Agreement with Healthfuse, LLC for revenue cycle vendor management services; authorize the Chief Executive Officer to exercise the extension option; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Healthfuse Services Agreement

DISCUSSION:

This is a request for services from Healthfuse for revenue cycle vendor management services. The agreement is for 3 years with a 1-year extension option and a 30-day without cause.

FINAL ACTION TAKEN:

A motion was made by Member Hagerty 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 Project Service Order for COVID Service Center Support with Tegria Services Group - US, Inc. d/b/a Bluetree Network; authorize the Chief Executive Officer to execute future amendments within his yearly delegation of authority; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Project Service Order

DISCUSSION:

This request is to provide call center support to meet the hospital's needs to respond to the COVID-19 pandemic. The term is 1-year with 4 automatic renewal options and includes a 90-day out clause and not to exceed amount.

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 Nurse Recruitment Agreement with NSI Nursing Solutions, Inc. for recruitment services of full-time registered nurses; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- None

DISCUSSION:

This item was tabled to be considered at the Governing Board meeting. There was no discussion on this item.

FINAL ACTION TAKEN:

None

ITEM NO. 12 **Review and recommend for approval by the Governing Board the Contractor Labor Agreement with Neuromonitoring Associates, LLC for intraoperative monitoring services; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Contractor Labor Agreement

DISCUSSION:

Ms. Allen stated this a request for a new contractor labor agreement on new paper. Neuromonitoring Associates provides certified technicians to perform

24/7 intraoperative monitoring services, inclusive of emergency requests, technical personnel, technologist and all equipment. The term is for 3-years with a 2-year automatic renewal option with a 60 day without cause or 60-day prior to expiration on initial term out clause.

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. 13 Review and recommend for approval by the Governing Board the 340B Engagement Letter with Powers Pyles Sutter & Verville, PC for 340B program requirements and related issues; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- 340B Engagement Ltr.
- Disclosure of Ownership

DISCUSSION:

UMC has engaged Powers Pyles Sutter & Verville, PC (Powers) to provide legal consultation services on specific matters involving the 340B program. The agreement is for a 3-year term and termination is at any time without cause.

FINAL ACTION TAKEN:

A motion was made by Member Haase 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 Amendment Two to Custom Equipment Purchase Option A Agreement with Sysmex America, Inc. for XN-9100 Hematology Equipment Reagents; authorize the Chief Executive Officer to execute future amendments within his yearly delegation of authority; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Custom Equipment Purchase - Amendment Two

DISCUSSION:

This Amendment 2 requests to add an additional funds to order hematology reagents. This will increase the current spend with a not to exceed amount. Option to terminate is 30 days without cause.

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 Agreement with CenTrak, Inc. for the Infant Protection project; authorize the Chief Executive Officer to exercise any extension options and execute future Order Forms within his delegation of authority; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Master Agreement
- Quote
- Amendment One
- Disclosure of Ownership

DISCUSSION:

This is a new agreement with CenTrak to upgrade UMC's infant protection security system, which will include new software and equipment and upgrade the RFID system. This will integrate with our current system for infant tracking.

FINAL ACTION TAKEN:

A motion was made by Member Haase 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 First Amendment to License Agreement with First Databank, Inc. for software subscription services; authorize the Chief Executive Officer to exercise any extension options; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- First Amendment to License Agreement

DISCUSSION:

This is a request to extend the current software license agreement term for five (5) years through September 14, 2026.

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. 17 Review and recommend for approval by the Governing Board the Deferred Equipment Agreement with Masimo Americas, Inc. for the

purchase of pulse oximetry sensors and accessories; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Deferred Equipment Agreement
- Disclosure of Ownership
- Sourcing Letter

DISCUSSION:

UMC requests to enter into a new deferred equipment agreement, whereby Masimo will provide pulse oximetry equipment with UMC's commitment to purchase pulse sensors over the course of 5-years.

Member Palenik asked if this was new technology or is this the latest and greatest. Mr. Marinello confirmed that it is the latest and greatest and it interfaces with our current systems.

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. 18 Discuss CEO FY21 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 and discuss CEO Annual FY22 goals and objectives; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- FY21 CEO Goals
- FY22 Proposed CEO Goals

DISCUSSION:

Ms. Wakem provided a review of the CEO Performance Objectives for FY21.

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

   This objective was met and exceeded.

2. **Actual SWB per Adjusted Patient Day is less than $2,449 or Actual SWB as a percentage of net operating revenue is less than 66.17%.**

   This objective was met. The discussion continued with a background of why this goal was set initially and why these benchmarks were picked to achieve. There was further discussion regarding whether the net revenue is being measured properly and if the Cares Act money was included in the total calculation for this goal.

The Committee members were in agreement that 100% of the percentage allowed for the Audit and Finance Committee be awarded for the performance goal.

<u>FINAL ACTION TAKEN:</u>

A motion was made by Member Palenik make a recommendation to the Governing Board Human Resources and Executive Compensation Committee to award 100% achievement of the Audit and Finance Committee CEO Performance goal and objectives. Motion carried by unanimous vote.

Next, the Committee considered the proposed CEO Performance Objectives for FY22.

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

   There was discussion regarding the budget that was set for this fiscal year which assumes less COVID impact. The Committee asked if there are any assumptions that should be considered when setting this as a final goal. The conversation continued regarding the future regarding vaccinations and nurse staffing.

   The Committee agrees that this goal should remain.

2. **Actual SWB per Adjusted Patient Day is less than $2,267 or Actual SWB as a percentage of net patient revenue is less than 63.23%.**

   Ms. Wakem stated that this goal was calculated by averaging the actuals of FY21 and the budgeted amount for FY22. The same methodology from last year was used in formulating this year's goal. A conversation ensued regarding the percentage of net patient revenue that was set and the benchmark for adjusted patient days.

   The Committee members were in agreement with forwarding the proposed FY22 goals to the HR Committee. The weighting of the goals will be set by the HR Committee.

<u>FINAL ACTION TAKEN:</u>

A motion was also made by Member Mackay, to recommend the FY2022 CEO Performance Goals to the Human Resources and Executive Compensation Committee. Motion carried by unanimous vote.

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)*

DISCUSSION:

The Committee requested future discussion on the following topics:

1. Capital spending plan;
2. Epic update.

FINAL ACTION TAKEN:
None

COMMENTS BY THE GENERAL PUBLIC:

Comments from the general public were called for. No such comments were heard.

There being no further business to come before the Committee at this time, at the hour of 3:52 PM, Chair Caspersen adjourned the meeting.

MINUTES APPROVED: September 22, 2021
Minutes Prepared by: Stephanie Ceccarelli