University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
August 23, 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 2:01 p.m. by Chair Robyn Caspersen and the following members were present, which constituted a quorum.

CALL TO ORDER

Board Members:

Present:
Robyn Caspersen
Dr. Donald Mackay
Jeff Ellis (via WebEx)
Harry Hagerty (via WebEx)
Christian Haase (via WebEx)

Absent:

Mary Lynn Palenik (Excused)

Others Present:
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
Shana Tello, Academic and External Affairs
Nate Stohl, Internal Auditor
Douglas Moser, Director of Materials Management
David Bustos, Director of Public Safety
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 July 19, 2023. *(For possible action)*

FINAL ACTION:

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

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

Agenda Item 5 was amended to include the receipt of a quarterly update and presentation on the Façade construction project.

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

ITEM NO. 4 Review the results of the audit of the Receiving Dock dated August 16, 2023; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- Receiving Dock Audit Letter

DISCUSSION:

Nate Stohl, Internal Auditor, provided a report on the audit recently performed of the Receiving Dock. The objective of the audit was to determine if the dock complied with existing policies and procedures. Report details including background, objectives, scope and methodology were discussed.

Testing found violations with receiving dock policies and procedures, insufficient camera coverage, and variances in inventory counts at the off-site warehouse. Auditor recommendations were to ensure adequacy of all items reported.

Douglas Moser, Materials Management Director and David Bustos, Public Safety director provided the management responses and action plans.

FINAL ACTION TAKEN:

None taken

ITEM NO. 5 Receive a report on the quarterly status of the Façade Project and review the results of the audit of the Façade Construction Project dated August 16, 2023; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:

- Façade Project Update
- Audit Letter

DISCUSSION:

Shana Tello, Academic and External Affairs Administrator provided a quarterly update on the status of the ReVitalize UMC (façade) project.

The discussion began with a review of the phasing plan by fiscal year. Efficiencies and availability of labor and materials may allow for an advanced completion schedule. A visual map of the schedule and site plan progress was shown, which included areas of completion by fiscal year. Clarification was given regarding the completion of construction and if it coincides with capital spend and costs incurred for FY24.

At this time, the project is 16% complete. The timeline presented showed breakdown of the monthly progress since the groundbreaking in April through August 2023. A breakdown of the capital expenditures per fiscal year was reviewed, as well as a list of the project challenges, impacts and unforeseen issues. Lastly, Ms. Tello provided a few examples of the risk mitigation and cost savings items that were identified.

Next, Nate Stohl provided a report on the audit recently performed of the project. The objective was to determine whether UMC complied with judgmentally selected key controls established as documented within the Revitalize project risk assessment profile performed by senior management. There were no findings. The scope of this audit was for one month. The next update will be provided to the Committee in November.

FINAL ACTION TAKEN:
None taken

ITEM NO. 6 Receive the monthly financial reports for July FY24; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- FY24 July Financials

DISCUSSION:

Ms. Wakem updated the committee on the July FY24 financial results. This is the first month of the 2024 fiscal year.

The key indicators show admissions were right on budget.
AADC was 570, which was 14% below budget.
LOS was at 6.22 days. Hospital acuity was on budget 1.82 and Medicare was 2.0.
Inpatient surgeries were down 23%, primarily in general surgery. Outpatient surgeries were down 20.5%, primarily in OB, ENT and plastics.
There were 17 transplants and ER visits were up 2%. Approximately 22% of patients are being admitted. Quick cares were down 14.5% and primary cares

were down 34%. Telehealth visits were down 10%, ortho visits were on budget and deliveries were up 14.5%.

The trending stats were compared to the 12-month average. Admissions were up and AADC showed a significant drop. Length of stay was at 6.22. Inpatient surgeries were 21 below the 12-month average. Outpatient surgeries were on budget. Transplant cases and ER visits were above the 12-month average. Quick cares were approximately 4,000 below the 12-month average. Primary care was also down compared to the 12-month average by 1,171.

Inpatient payor mix trended shows commercial was down 1.4% and in the ED Medicaid dropped 3%, but showed an increase in Medicare and self-pay of over 1%.
Payor mix for inpatient surgeries showed a drop of 2% in commercial, Medicare dropped 1.32% and Medicaid was up 4.27%. Outpatient surgeries showed a drop in commercial by 1% and Medicare was up 1.3%.

Net patient revenue was down approximately $4.7 million from budget. There was a pickup of approximately $3 million in supplemental payments. Other revenue was $1.5 million above budget, $1.8 million was related to 340B catchup. Other operating expense was favorable to budget. Income from ops landed at $5.2 million on a budget of $4.3 million.

The income statement trended was shown as informational.

July salaries, wages and benefits showed labor $1.9 million favorable to budget. She noted that the rate for the PERS contribution is going up from 29.75% to 33.5%. SWB per APD was unfavorable due to the retention bonus paid to employees, which hit in July. AEPOB was 6.49.

Salaries, wages and benefits trended was in reviewed. Overtime was good, slightly below the 12-month average. Contract labor dropped significantly. Overtime as a percent of productive was 2.97%.

All other expenses for the month was below budget $1.8 million. Supplies was the biggest driver due to the drop in surgeries.

Financial indicators for July was next reviewed. Probability was in the green. Labor and liquidity was in the red. Day's cash on hand is at 40.7 days. We are awaiting outstanding supplemental payments, which has been discussed state. The cash collection goal was in the green. Point of service collection goal was not achieved due to the drop in surgeries.

Cash flow for the month was discussed. A lengthy discussion ensued regarding the internally designated cash balance and the outstanding federal supplemental payments. The Committee would like to see the true aging of the payor balance of supplemental payments from the state and an allocation of the funds.

Member Ellis asked if it would be possible to get an advance of the funds from the state. Ms. Wakem responded that this is an option, but UMC is not ready

to exercise this option at this time. The Committee suggested setting an action plan and setting goals regarding a request for advance in funding.

Ms. Wakem will provide a monthly report regarding the aging of the supplemental payment program by year and by program, including the new directed payment program.

Lastly, the balance sheet was shown.

FINAL ACTION TAKEN:
None taken

ITEM NO. 7 Receive an update report from the Chief Financial Officer; and direct staff accordingly. *(For possible action)*

DISCUSSION:

Ms. Wakem updated the on the Committee on the S-10 Cost Report audit on the cash report. The finance team completed the FY2022 audit in July and there were no adjustments.

Ms. Wakem next shared the status of the CMS initiatives regarding a review of discrepancies that occur when multiple hospitals claim the same Resident for the same time. Reviews will begin soon and if errors are found, this could impact reimbursement.

Medicaid DSH cuts are scheduled to be implemented on October 1, 2023, unless action is taken to delay the proposed cuts. The restructure of the DHS opt out will likely not impact UMC.

FINAL ACTION TAKEN:
None taken

ITEM NO. 8 Review and recommend for approval by the Governing Board the Hospital Services Agreement with Health Direct Partners for Managed Care Services; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Hospital Services Agreement
- Disclosure of Ownership

DISCUSSION:

This is a new organization in Nevada targeting self-funded employer groups. This is a reduced exclusive network, offering 3 different tiers of healthcare access to UMC and its urgent care facilities. The vendor has the potential to have 15K covered lives once the network is validated and confirmed.

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. 9 **Review and recommend for approval by the Governing Board the Master Agreement for Revenue Recovery Services with Cloudmed Solutions, LLC; authorize the Chief Executive Officer to exercise any extension options and execute future amendments and Statements of Work within his delegation of authority; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Master Agreement

DISCUSSION:

This is a new agreement for remote revenue recovery review. The vendor will provide multiple services, including review of bad claims and identifying missed opportunities. This is paid on contingency, based on amount of bad debt recovery. This is a 3-year agreement with two 1-year options to renew and a 90-day out clause after the initial term.

The vendor will review bad claims and identify missed opportunities. This is a 3-year term agreement with a 2-year option without cost.

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. 10 **Review and recommend for approval by the Governing Board the Agreement with Optiv Security, Inc. for Check Point Software and Support; authorize the Chief Executive Officer to execute future Service Orders within his delegation of authority; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Quote

DISCUSSION:

This is a new agreement with the vendor to provide security services including threat prevention, firewall, security management, etc. This is a 3-year term and termination at any time with 30-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 agreement. Motion carried by unanimous vote.

ITEM NO. 11 Review and recommend for approval by the Governing Board the Amendment 1 to Medical Transport and Case Management Agreement with Sky Nurses, LLC; authorize the Chief Executive Officer to exercise any extension options and execute future amendments within his delegation of authority; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Medical Transport Case Management - Amendment 1

DISCUSSION:

UMC has previously entered into an agreement with Sky Nurses to provide consented patient medical transport. This amendment is a request for additional funding and the agreement terms remain the same. The agreement may be terminated with 30-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. 12 Discuss FY23 CEO/Organizational Performance Goals 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; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- FY23 Goals

DISCUSSION:

Ms. Wakem reminded the Committee of the goals set for FY23.

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

   This goal was met. UMC was approximately $2 million above budget. An additional $3.7 million was booked in period 13; there are still outstanding adjustments to be entered. Ms. Wakem shared some of the adjustments that were added and some of the items that have not come through as of yet. The Committee was reminded of some of the challenges that the team overcame to meet this goal.

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

This goal was met in both instances.

3. Improve ALOS with a target of 5.77 days.

   This goal was met. Ms. Wakem provided a variable breakdown of the volume by fiscal year, discharges and outliers, which is any patient that stayed at UMC for more than 30-days. A comparison of actions to improve the ALOS and volume were shown. The purpose of the slide was to show that the controllable discharges dropped by 5.6%.

   Member Hagerty commented that there was a reduction, but not at the magnitude of reduction that was expected. Mr. Marinello responded that improve was added to this goal because of the challenges involved to reach 5.77.

   Chair Caspersen suggested coming back to discuss this goal.

   Member Ellis commented that there was no qualifier included in meeting this goal and the results are what they are.

   Ms. Wakem asked the committee to consider the deliberate actions that were taken and the work the team did to reach this goal. She listed some of the actions taken to improve the length of stay.

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

   This team feels this goal was met. A chart was shown of the projects in process by fiscal year. There were a total 199 projects in process in 2022 and this was down to 14 projects in 2023. She next showed a slide of the status of the remaining projects, most of which are in the green; on time and on budget. Only one project was in the red and was stopped prematurely due to challenges with the scope of the project and is being restructured.

   Member Hagerty asked about the funds allocated for 2022. Mr. Marinello responded that the projects are on time and on budget and being paid when the project is complete successfully. A lengthy discussion continued regarding the time frame of when projects are started and when the capital dollars are being spent.

   Mr. Hagerty commented that once the projects get approved, we need to be quicker in getting the projects going and the capital dollars spent. We need to encourage different behavior in starting the process.

   Chair Caspersen stated that it continues to be a struggle in putting the capital to work, but acknowledged that progress has been made.

   After discussion, the Committee decided the following:

Chair Caspersen said that the first 2 goals have been met. The last 2 goals were not met. She proposed 85% of the goals met. There was a substantial amount of progress.

Member Hagerty proposed 70%. He continued that length of stay was missed entirely and gave credit for the capital goal.

Member Ellis agrees with Member Hagerty with his assessment of the goals and falls at the mid-point at 80%. He added that the overall performance this year was exceptional.

Member Mackay commented that he would be more inclined to agree with the 85% award.

After much consideration, Committee agreed to award an 80% achievement level for the goals.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to make a recommendation to the Human Resources and Executive Compensation Committee to award 80% achievement of the FY23 CEO/Organizational Performance goals. Motion carried by unanimous vote.

ITEM NO. 13 Discuss and establish the FY24 CEO/Organizational Performance Goals 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; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- FY24 Organizational Goals

DISCUSSION:

Ms. Wakem reviewed the proposed goals for FY24.

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

   The actuals were presented. The budget for FY24 is $61.8 million. Ms. Wakem commented to the board that the Radiology employment was not included in the FY24 budget and asked if there could be normalization of this next year.

   Member Ellis commented that he would like to review the overall labor costs of anesthesia, orthopedics and radiology.

   Chair Caspersen asked for clarification with regards the normalization of the goal. Mr. Marinello responded that the team does not know the impact

of the radiology service line and the team would like the understanding if there was a miss of the goal.

The Committee agrees that they would review an adjustment of the target.

2. Meet or exceed budgeted SWB per APD of $2,359 or adjusted EPOB of 5.72

   There was a discussion regarding whether this will increase professional fees and is this the new normal.

   The Committee asked if there was any way of looking at contract labor as a goal. Ms. Wakem said that it could be a consideration, but it is something that should be managed already. There was continued discussion regarding the target number in this goal category.

   After much discussion, the Committee agreed to table this goal. The team can focus on what SWB is as an organization, rather than focusing on it as a goal.

3. Improve discharged to home ALOS with a target of 4.61 days

   Ms. Wakem stated that this would be a 5% improvement on where we are today.

   Chair Caspersen suggested that the goal change to just have a target targeted improvement rather than to just improve the LOS.

   The Committee suggested setting a target of 4.5 days.

4. Façade project on time and on budget.

   A pie chart was shown of the phasing plan of the façade project by fiscal year. Ms. Wakem added that the spend be tracked by the completed descriptions in the phasing plans.

   Ms. Tello had concern if there was an unforeseen condition and if there would be an allowance.

At this time the Committee established the goals for FY24 which are as follows:

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

2. 4.5 day target for discharged to home ALOS

3. Phase 1 & Phase II of the façade project completed on time and on budget

FINAL ACTION TAKEN:

A motion was made by Member Mackay to make a recommendation to the Human Resources and Executive Compensation Committee of the FY24 CEO/Organizational Performance goals. Motion carried by unanimous vote.

SECTION 3: EMERGING ISSUES

ITEM NO. 14 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: None
SPEAKERS(S): None

There being no further business to come before the Committee at this time, at the hour of 4:42 pm., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: 09/20/2023
Minutes Prepared by: Stephanie Ceccarelli