University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
January 19, 2022

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:

Barbara Frasier (Ex-Officio)

Others Present:
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
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 December 8, 2021. *(For possible action)*

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)*

FINAL ACTION:

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive the monthly financial reports for November FY22 and December FY22; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- November FY22 and December FY22 Financials

DISCUSSION:

Jennifer Wakem, Chief Financial Officer presented the financials for November and December.

A brief review of the November financials highlighted admissions were 10.5% over budget and AADC was at 648. Length of stay was 10% over budget and acuity was high with hospital CMI at 1.92 and Medicare CMI at 2.16.

Inpatient surgeries were above budget 22% and outpatient surgeries were above budget 3%. ER visits were up 15% and the ER to admit conversion rate was approximately 20%.

Quick cares were about 5% above budget and primary care was consistent with budget. Deliveries showed a significant increase with 123 for the month.

The income statement for November showed net patient revenue was above budget 32%. Other revenue was down $1 million. Overall net revenue was $15 million over budget and other operating expenses above budget $7.2 million. Income from ops before depreciation was $1.1 with a l budgeted loss of $6.6 million. Adding back depreciation and amortization, earnings were $3.2 million compared to a budgeted loss of $4.3 million.

Ms. Wakem next presented the financials for the month of December.

Admissions were 5.5% over budget and AADC was at 660. The hospital has had significant volume and is using 7 overflow areas.

Length of stay was high, 30% above budget. Ms. Wakem noted that case management has recently done a restructure with their shifts and is trying a triad staffing model to help move the needle on discharges. The actual key driver with increased length of stay is the staffing shortage at post-acute care facilities.

Acuity was high with hospital CMI at 2.03. Medicare CMI dropped to 1.79.

Inpatient surgeries were above budget almost 2% and outpatient surgeries were down 2%. ER visits were high, at 9,236. Pediatric ED volume had the most significant increase for the month at 1,060.

Quick cares were about 25% above budget; Peccole, Summerlin and Blue Diamond were the key drivers.

Primary cares were consistent with budget; Centennial, Summerlin and Blue Diamond were the stand outs.

Chair Caspersen asked what the effect has been by asking patients to not visit the Quick Care locations for testing and what the effect has been thus far in January. Mr. Marinello said it was semi-effective; volumes have come down and additional testing sites have made a difference.

The key indicators year to date were reviewed. Admissions were above budget 6.5%, AADC was 635. Length of stay was 6.75 and hospital acuity close to 2. Inpatient surgeries were 11.5% above budget and outpatient surgeries were 7% above budget. ER visits 16% above budget. Quick Cares over budget 20% and Primary Cares were 10% over budget.

The trended stats were compared to FY19; admissions are strong at 1,821 but not as high as FY19, which was 1,935. AADC was high.
Medicare decreased slightly. Inpatient surgeries were below prior year by 60 cases and outpatient surgeries were down by 37 cases. ER visits were 9,236.

Member Palenik asked if transplants are affected by COVID. Ms. Wakem stated that it is related to the number of available transplants, which are down. Priorty depends on how long a patient has been on the wait list.

Payor mix trends by patient type was briefly reviewed.

The income statement for December showed net patient revenue was strong, almost $14 million above budget. Other revenue was down $2.4 million. Overall net revenue was $11.6 million over budget and other operating expenses above budget $6.5 million. Income from ops before depreciation was $3.6 with a budgeted loss of $1.4 million.

The income statement year to date showed positive income from ops of $15.3 million with a budgeted loss of $12.8 million.

Chair Caspersen asked if there was any additional revenue related to the federal supplemental payments or Cares Act money. Ms. Wakem responded that there was none.

Member Hagerty asked about budget planning for FY23, since the past two years have been positive. Ms. Wakem stated that there is no reason to expect that we should be in a loss situation and the team will begin discussing this. The trended income statement was shown.

There was a lengthy discussion regarding labor expense. For December, we were over budget $5.4 million over budget due to the market rates of nursing and contract labor, as well as overtime and incentive pay. A review of the Mercer Study, which was used to obtain a market comparison of job classifications, resulted in pay rate adjustments for UMC staff. Over $10 million has been spent over the past 10 months in market adjustments. The discussion continued regarding managing labor costs and the effects that the staffing shortage has had on patient length of stay and discharges.

To date, 29 employees have been hired into the nursing float pool.

Other expenses are up $1.1 million due to professional fees.

COVID expenses were shown.

Key financial indicators were reviewed in profitability, labor, liquidity and cash collections. Days cash on hand is green, with 4.8 months of cash on hand. Cash collections were strong for the month.

A breakdown of the capital plans for FY20, FY21 and FY22 was provided. The Committee recommended the detail for FY22 be shown, with a line total for FY20 and FY22. There was also a suggestion to just provide a high level grouping of the project costs. Focus on month to month progress that has been made on capital spend from prior fiscal years was also suggested.

Lastly, Ms. Wakem provided a review of cash flow and the balance sheet.

<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)*

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

<u>DISCUSSION</u>:

Ms. Wakem updated the on the BDO Single Audit, which is required by any facility receiving federal awards over $750K. The single audit has been completed and there were no findings to report. The report will be brought back to the Committee for review at the next meeting.

Due to a lack of staffing at the State level, the time to qualify patients for Medicaid has increased substantially. The time to qualify patients for Medicaid is now 45-days.

Sequestration - The moratorium has been extended until April 1st on the 2% Medicare reductions. The reduction will be reduced to 1%.

Ms. Wakem next shared the status of outstanding supplemental payments from FY20 and FY21.

Provider Relief Funding – UMC did not qualify for any of the $9 billion in supplemental funding that was released by the feds in December. Another $8 billion is set to be released and UMC has submitted an application to receive benefits.

Lastly, an update was provided on SB248 regarding the collection of bad debt from patients. A lawsuit has been filed seeking an injunction against this bill. No ruling has yet been filed. To date, there are over 21K unworked bad debt accounts sent to collection agencies. Ms. Wakem will continue to update the Committee on this subject. A discussion ensued regarding the impact of the contract terms of the agencies working the accounts and the recovery efforts.

FINAL ACTION TAKEN:
None taken

ITEM NO. 6 **Review and recommend for award by the Governing Board the Bid No. 2021-06 Enterprise Quick Care Phase Two Renovation to Monument Construction, the lowest responsive and responsible bidder; authorize the Chief Executive Officer to exercise any Change Orders within his delegation of authority; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Monument Construction Bid 2021
- Letter of Award
- Disclosure of Ownership

DISCUSSION:

This refresh project entails remodeling work of the Enterprise Quick Care location in the occupational medicine and quick care areas, to include, among other things, the demolition of doors, millwork, plumbing fixtures, electrical work and finishes. The Bid was published in October and received a total of 4 responses. Monument Construction was awarded the bid. The project will take 24-weeks from start to completion and finishes the back area of the building.

FINAL ACTION TAKEN:

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

ITEM NO. 7 **Review and recommend for approval by the Governing Board the Amendment 1 to the Purchaser Specific Agreement with Airgas USA, LLC for Medical Cylinder Gases and Inventory Control Management; authorize the Chief Executive Officer to exercise any renewal options; or take action as deemed appropriate.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Purchaser Specific Agreement - Amendment 1
- Bulk Oxygen Sourcing Letter
- Disclosure of Ownership

DISCUSSION:

The amendment extends the current agreement term for an additional year and adds additional funding due to an increase in use of product due to COVID patient admissions.

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. 8 **Review and recommend for approval by the Governing Board the Water Safety Scope of Work Agreement with Nalco Company, LLC for water safety services; or take action as deemed appropriate.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Scope of Work Agreement
- Disclosure of Ownership

DISCUSSION:

This new agreement combines services that were previously separated into different agreements. This is to approve the current proposal for a water safety program and will provide secondary disinfection services and water testing to UMC to ensure safe and sanitary conditions in the water system. This is for a 3-year term with a 90-day out clause.

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 Purchase Commitment Agreement with Cepheid for the purchase of COVID-19 4-Plex Test Kits; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Agreement
- Agreement – Terms and Conditions
- Disclosure of Ownership
-

DISCUSSION:

This request is for the approval of a purchase commitment agreement to purchase 4-plex test kits to support UMC's COVID-19 testing efforts throughout the community. The term is for 36 months.

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 Interlocal Agreement with Clark County, NV for sub-recipient grant funding; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Interlocal Agreement

DISCUSSION:

Clark County is a recipient of grant funds for HIV community efforts. This request is for approval on an Interlocal agreement where UMC is sub-recipient of grant funds aimed to develop a partnership with community based organizations to assist in diagnosis and treatment of patients with HIV. The goal is to increase access to care and improve health outcomes for these newly diagnosed patients. The performance period is through February 28,2023.

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 Board of Hospital Trustees for University Medical Center of Southern Nevada, the Amendment 1 to Client Agreement with FocusOne Solutions, LLC for professional**

temporary and direct hire staffing services; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Client Agreement – Amendment 1

DISCUSSION:

This is an amendment to our current agreement with FocusOne Solutions. Due to competitive market conditions and unforeseen costs of nurse travelers during the pandemic, this request is to update the compensation percentage, increase the budget and update the direct hire placement fee. The term is or 2 years with the option to extend for 1-year and a 60-day out clause.

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 amendment. Motion carried by unanimous vote.

SECTION 3: EMERGING ISSUES

ITEM NO. 12 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 3:15 pm., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: February 16, 2022
Minutes Prepared by: Stephanie Ceccarelli