University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
July 20, 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 2:02 p.m. by Chair Robyn Caspersen and the following members were present, which constituted a quorum.

CALL TO ORDER

Board Members:

Present:
Robyn Caspersen
Jeff Ellis (via WebEx)
Harry Hagerty (via WebEx)
Christian Haase (via WebEx)
Barbara Fraser (Ex-Officio) (via WebEx)

Absent:
Dr. Donald Mackay (Excused)
Mary Lynn Palenik (Excused)

Others Present:
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
Susan Pitz, General Counsel
Emelia 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 June 22, 2022. *(For possible action)*

FINAL ACTION:

A motion was made by Member Hagerty that the minutes be approved as presented. Motion carried by a majority 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 June FY22; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- June FY22 Financials

DISCUSSION:

Jennifer Wakem, Chief Financial Officer, presented the financials for June, which is the last month of FY22.

The key indicators for June showed admissions were 1,827, which was 7.5% over budget. AADC continues to be high at 674. Average LOS was up over last month, 14% above budget. Hospital CMI dropped to 1.84 and Medicare CMI was 1.81.

Inpatient surgeries were strong, 12.5% above budget and outpatient surgeries were 10.5% above budget. There were 8 transplants. ER visits were 15.8% above budget.

Quick care locations were 32.5% above budget; Peccole, Summerlin and Centennial were the key locations.
Primary cares were up 26.5%; Peccole, Spring Valley and Nellis were the key drivers. Deliveries have bounced back with 113 for the month, up 4.63%.

Trended stats were compared to 2019 statistics and are consistent with what has been highlighted in previous months. There were 1,827 admissions for June, AADC was high and ALOS has been trending upward. The team has been working with the County to develop initiatives that could improve patient length of stay. The ED to observation rate was 12% and the ED to admission rate was 10%.

Payor mix trended showed inpatient was consistent with the 12-month average. Medicaid increased approximately 3%. ED payor mix showed Medicaid increased 2.44%.

Payor mix by surgical volumes showed Medicaid increased 3.19%, followed by Medicare at .46%. Outpatient surgeries showed Medicaid patient volumes at 35% and commercial followed at approximately 33%.

Two new slides were introduced to the committee which showed the quick and primary care payor mix grouped together and by location. In quick cares the number one payor is commercial at 46% and in primary care Medicare is at 44.3%, followed by commercial at 37.75%. She continued by showing the breakdown of payor mix by location. A conversation ensued regarding the drastic change in self-pay at quick care locations compared to June of 2021.

The summary income statement for June showed net patient revenue above budget $9.3 million. Other revenue was below budget by $2 million. Total net revenue was above budget $7.3 million. Operating expenses were over budget $3.2 million. Income from ops landed at earnings of $2.6 million for the month, compared to a budgeted loss of $1.5 million.

The year to date summary income statement showed net patient revenue was $117.6 million above budget. Operating expenses were $74.2 million above budget and total income from operations was positive for the month $23.7 million on a budgeted loss of $19.8 million. The summary income statement trended was provided as informational.

Salary, wages and benefits were over budget $2.7 million. Paid FTEs were 93 over budget. SWB per FTE has come down over time. Ms. Wakem shared another new slide which showed the SWB trended.

All other expenses were over budget by approximately $500K. Purchased services were $2.4 million over budget due to various reasons. Inflation causing increase in food costs.

There was a brief review of the June key financial indicators. Net to Gross ratio in profitability was 18.7% and the operating margin was 4%. Paid FTEs was the red due to volumes. Ms. Wakem stated days' cash on hand has dropped to 94 days. Ms. Wakem added that we continue to have outstanding federal supplemental payments. Candidate for billing is at 2.7 days. Cash collections are in the green.

Next, the capital plan for FY22 and a slide introducing the cash collection trend was reviewed.

Lastly, the cash flow statement and balance sheet highlights were shown. DSH payments in the amount of $50 million were received during the month.

Chair Caspersen asked Ms. Wakem to explain period 13 and what adjustments could be expected as the books are closed for the year. An update will be provided to the committee once period 13 is closed.

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 stated that the auditors have begun auditing financials for FY22 and she will keep the committee updated.

There was a brief discussion regarding hospital price transparency and data that is made available to the public.

FINAL ACTION TAKEN:
None

ITEM NO. 6 **Review and recommend for approval by the Governing Board the Agreement with Carl Zeiss Meditec USA, Inc. for the purchase of a KINEVO 900 Neuro Microscope System and Service Plan; authorize the Chief Executive Officer to execute future extensions/renewals of the service plan; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Quotation 00167552
- Quotation 00165778
  Disclosure of Ownership

DISCUSSION:

This is a capital purchase request to purchase a Neuro microscope system for UMC's Neuro service line enhancement project and is in accordance with our GPO pricing.

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. 7 **Review and recommend for approval by the Governing Board the Standardization Incentive Program – Group Acknowledgement Form with Network Services Company for janitorial/sanitation supplies and exercise any extension/renewal options; or take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- HPG-SIP Group Acknowledgement Form
- Sourcing Letter
- Disclosure of Ownership

DISCUSSION:

This is an agreement committing UMC to purchase 90% of its requirements for covered products during any 12-month period for janitorial and sanitation supplies for the hospital and outside clinics. This commitment will allow UMC to receive favorable HPG pricing. This is a 5-year agreement with a 30-day out.

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. 8 Review and recommend for approval by the Governing Board the purchase Agreement with McKesson Corporation for non-specialty pharmaceuticals; authorize the Chief Executive Officer to exercise any extension/renewal options; or take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:
- Master Distribution Agreement
- Customer Application
- Disclosure of Ownership

DISCUSSION:

This agreement will allow the UMC pharmacy to make direct purchases for non-specialty 340-B and wholesale acquisition cost drugs and have them shipped to contract pharmacies directly. There is no minimum purchase commitment and purchases will be on an as needed basis. This is a 5-year agreement.

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. 9 Review and recommend for approval by the Governing Board the Supply Agreement with McKesson Plasma and Biologics, LLC and exercise any extension options; or take action as deemed appropriate. (For possible action)

DOCUMENT(S) SUBMITTED**:**
- Supplier Agreement
- Disclosure of Ownership

DISCUSSION:

This is a supply agreement allowing the UMC pharmacy to purchase plasma and biologics used in transplant surgeries. This is a 5-year agreement and there is no minimum purchase commitment. Orders are placed as needed.

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 Agreement, and exercise any extension options with Werfen USA, LLC for hematology analyzers, software, warranty, and consumables; authorize the Chief Executive Officer to exercise any extension options; or take action as deemed appropriate. *(For possible action)*

DOCUMENT(S) SUBMITTED**:**
- Capital Purchase Proposal
- Sourcing Letter
- Disclosure of Ownership

DISCUSSION:

This agreement will allow an instrument purchase for the lab to perform rapid critical laboratory testing in-house as opposed to using an outside testing facility. This will save UMC's patients time and money. This is a 5-year agreement and is pursuant to HPG pricing.

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. 11 Review and recommend for approval by the Governing Board the Agreement with Honeywell International to replace Fire Alarm Panels and complete Alarm Synchronization; or take action as deemed appropriate. (For possible action)

DOCUMENT(S) SUBMITTED**:**
- Scope of Work Overview
- Disclosure of Ownership

DISCUSSION:

This is a capital project to replace end of life fire alarm panels throughout the hospital, as the replacement parts are no longer available. The Las Vegas Fire Department has mandated that UMC complete the strobe synchronization effort in conjunction with the Fire Alarm Control Panel replacements, therefore the Agreement includes the synchronization of fire Strobe alarms as required and in compliance with the ADA.

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. 12 Review and recommend for approval by the Governing Board the Amendment Two to Master Agreement with Kinect Energy, Inc. for Energy Management Services; or take action as deemed appropriate. *(For possible action)*

DOCUMENT(S) SUBMITTED**:**
- Amendment Two
- Disclosure of Ownership

DISCUSSION:

This amendment will extend the agreement for one year and apply additional funds. UMC receives consolidated invoices to help streamline the natural gas purchasing and procurement process.

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. 13 Review and recommend for approval by the Governing Board the Agreement with Norman S. Wright of Southern Nevada for replacement of chiller towers and supporting equipment; or take action as deemed appropriate. (For possible action)

DOCUMENT(S) SUBMITTED**:**
- Quotation
- Sourcing Letter
- Disclosure of Ownership

DISCUSSION:

This request is for the capital purchase of chiller towers and supporting equipment. This will ensure that UMC maintains appropriate HVAC functions for cooling and heating. It is a one-time purchase of this equipment using HPG purchasing requirements.

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 majority vote.

ITEM NO. 14 Review and recommend for approval by the Governing Board Change Order #001 to the Award of Bid No. 2020-07, Pharmacy Clean Room Design and Build Project, to Martin Harris Construction, LLC; authorize the Chief Executive Officer to execute future change orders; or take action as deemed appropriate. (For possible action)

DOCUMENT(S) SUBMITTED**:**

- Change Order
- Disclosure of Ownership

DISCUSSION:

This bid project was awarded in 2020, but was put on hold due to address change in requirements and regulations regarding clean rooms. The project is now being restarted and this change order request is for additional funding due to market changes and increases in construction costs, as well as changes in project design. This is a capital project.

FINAL ACTION TAKEN:

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

ITEM NO. 15 Discuss CEO FY22 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 take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- CEO Performance Objectives – FY22

DISCUSSION:

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

   This goal was achieved. Ms. Wakem briefly reviewed the positive income from ops, which exceeded the budgeted losses for the year.

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%.**

   This goal was met. Ms. Wakem stated that the SWB/APD was $200 per day better than goal. SWB as a percent of net patient revenue came in at 62.76%, which was .46% below goal.

There was continued discussion regarding the challenges that the team was able to manage and overcome for the year.

Member Hagerty applauds the achievements financially and operationally, but cautioned the team to manage SWB moving forward or it will overwhelm us.

Member Ellis stated that 100% award is reasonable. The Committee members agree.

FINAL ACTION TAKEN:

A motion was made by Member Hagerty to make a recommendation to the 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.

ITEM NO. 16 Discuss and establish annual CEO Performance Goals and Objectives for FY2023; and take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- CEO Performance Objectives FY23

DISCUSSION:

The team has developed 5 proposed goals to present to the Committee for consideration as fiscal year 2023 goals. Ms. Wakem reviewed the following proposed goals:

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

   Ms. Wakem explained the importance of this goal to the Committee. This is a very aggressive goal, given the potential upcoming challenges expected in the new year.

   Member Ellis stated that he is not opposed to this goal, but the Committee would also like to see goals that are more operationally driven. There was continued discussion regarding the impact COVID had on the budget in the past.

2. **Actual SWB per Adjusted Patient Day is less than $2,156 or Adjusted EPOB less than 5.95.**

   This goal was calculated by averaging the actuals vs. the budgeted amount for FY23. The formula used in creating this goal was explained to the Committee. There was lengthy discussion regarding how this goal will be managed and whether this is a something that could be monitored and tracked, but not established as a goal.

3. **ALOS less than or equal to 5.77.**

   The Committee would like to see the goal as an improvement over prior year, rather than hitting a definite number.

   Member Hagerty added that the committee would like the management team to focus on utilizing labor more effectively to reduce length of stay.

   Chair Caspersen added that the length of stay should be an improvement year over year based on the target goal of 5.77.

4. **Increase average monthly cash collections by 5%.**

   The Committee feels that this goal should be taken out.

5. **Allocate all of FY23 Capital money by end of (month) and spend x% or x% PO created of the $31M by end of fiscal year.**

   The Committee discussed the challenges of spending capital dollars for FY 20, 21 and 22. Management needs to work on streamlining the process. The Committee would like to see all capital for FY20, 21 and 22 to be in service year FY23.

   The team asked for clarification, as certain projects, like construction projects, must be paid over time. There was continued discussion regarding how the project reimbursement is received from the county and how the funds are applied, as well as focusing on the original timeline to keep the project completion on track.

   Member Hagerty wants to see capital spending on time and on budget for FY23 and change behaviors.

The following 4 goals were established as the final goals for FY23;

1. **Exceed fiscal year budgeted income from operations after depreciation and amortization.**
2. **Improve labor utilization with a target of SWB per APD of $2,156, Adjusted EPOB of 5.95.**
3. **Improve ALOS with a target of 5.77 days.**
4. **Complete capital spending on time on budget for FY20, FY21, and FY22.**

FINAL ACTION TAKEN:
A motion was made by Chair Caspersen to recommend the Audit and Finance Committee FY23 CEO Performance Goals to the Human Resources and Executive Compensation Committee. Motion carried by unanimous vote.

SECTION 3: EMERGING ISSUES

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)*

1. Impact of an online drug company on UMC

COMMENTS BY THE GENERAL PUBLIC:

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.
SPEAKERS(S): None

There being no further business to come before the Committee at this time, at the hour of 3:48 p.m., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: August 24, 2022
Minutes Prepared by: Stephanie Ceccarelli