

University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
July 24, 2024

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 2:04 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
Harry Hagerty (via webex)
Jeff Ellis (via webex)
Mary Lynn Palenik (via webex)

Absent:

Christian Haase (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
Maria Sexton, Chief Information Officer
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 June 20, 2024. (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*)

FINAL ACTION:

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Review the results of the follow up of the Receiving Dock audit dated July 15, 2024; and direct staff accordingly. (*For possible action*)

DOCUMENTS SUBMITTED:

- June FY24 Financials

DISCUSSION:

Nate Strohl, UMC Internal Auditor provided a follow up report on the Receiving Dock Audit. A follow up audit was performed to ensure that corrective actions were taken. No findings were noted on the follow up audit.

FINAL ACTION TAKEN:

None taken

ITEM NO. 5 Review the results of the audit of the Façade construction Project dated July 15, 2024; and direct staff accordingly. (*For possible action*)

DOCUMENTS SUBMITTED:

- June FY24 Financials

DISCUSSION:

Mr. Strohl stated that an audit of the façade construction project and determined that UMC was in compliance with selected key controls as documented within the risk assessment profile. A list of the judgmentally selected test items were reviewed. There were no exceptions noted in the project.

Member Caspersen asked how many noise complaints were noted. Mr. Strohl responded that there were approximately 30 complaints received.

Ms. Tello continued the discussion by providing an update on the project. A review of slides depicting the phasing plan, total project completion to date and the advance schedule of FY25 completion was presented. At this time, the project is ahead of budget, and on time and on schedule.

A key control on the risk mitigation document included a finance review of owner contingency, funding and value engineering. Ms. Tello recapped the phasing plan overview, noting construction that was done on an advanced schedule.

Lastly, the committee was able to review slides showing progress of the exterior to date, before and after images and the time capsule dedication, which will be opened in 2044.

Thank you to everyone who had a part in this project. Final completion is scheduled for June 2025.

FINAL ACTION TAKEN:

None taken

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

DOCUMENTS SUBMITTED:

- June FY24 Financials

DISCUSSION:

Jennifer Wakem, Chief Financial Officer presented the financials for the month of June.

Admissions were below budget 10%. AADC was 587. Length of stay was 5.87 Hospital acuity was 1.92 and Medicare CMI was 2.06. Inpatient surgeries were 10% below budget and outpatient surgeries were 3% above budget. ER visits were 8,753 for the month and there were 18 transplants for the month. ED to obs was at 23%.

Quick care volume was down 24% and primary care was below budget 24%. There were 503 telehealth visits. Ortho clinic volumes were 31% below budget, but 12% above prior year. Deliveries were at 126 for the month.

In trended stats, length of stay had a record low at 5.57. Inpatient surgeries were 15 over and outpatient surgeries were 43 over the 12month average.

Payor mix trended for inpatient showed a drop in commercial of 4%, an increase in Medicare of 1.5% and a decrease in self-pay of 2%. The ED statistics reflected an increase of 1% in government, a 3% decrease in Medicaid, an increase in Medicare 2%.

Inpatient surgical payor mix trends showed commercial down 2% and government went up 2%. Outpatient surgical cases were up 2.5% in commercial, government was down 2%, Medicaid was up 2% and Medicare was down 2.5%.

Summary income statement showed net patient revenue was approximately \$2 million above budget. Other revenue was above budget \$600K. Total revenue was above budget \$2.6 million. Total operating expense was \$280k below budget, leaving us \$3.7 million above budget for the month. Discussion continued regarding exceeding budget despite the decreased volume during the month.

The year to date income statement showed overall revenue was below budget \$11 million. Other revenue was above budget \$3.3 million. Total operating revenue was below budget \$7.7 million. Operating expenses were below budget \$1 million. Income from ops was \$67.4 on a budget of \$66.1, leaving us \$1.3 million above budget year-to-date. Income statement trended was presented as informational.

Salaries, wages and benefits were below budget \$2.1 million. Overtime was below budget 15%, and is being managed well. Contract labor is over budget, primarily due to radiology. Trended salaries, wages and benefits was briefly discussed.

All other expenses for the month were approximately \$1.8 million over budget primarily due to supply costs.

Key financial indicators were reviewed in profitability, labor, liquidity and cash collections. Profitability was mostly in the green. Labor was in the green. Liquidity and cash collections were in the green. Days' cash on hand is in the green at over 3 months. Cash collections were below target. We did not hit our cash collection goal for the month.

Cash flow statement for June shows \$75.2 million was received from patients and payors. Approximately \$28.2 million was received in supplemental payments.

The balance sheet shows a slight decrease in cash from prior month, but remains consistent from previous months.

FINAL ACTION TAKEN:

None taken.

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

DOCUMENTS SUBMITTED:

- None

DISCUSSION:

- BDO began their financial statement audit. Updates will be provided.

- Supplemental payments outstanding as of June are \$85.5 million, the majority relates to FY24. UMC continues to work with the state on older outstanding payments.

FINAL ACTION TAKEN:

None taken

ITEM NO. 8 Review FY24 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:

- PowerPoint

DISCUSSION:

There were 3 goals total. Ms. Wakem reminded the committee that the value of the total goals was 25%.

1. Exceed fiscal year budgeted income from operations plus depreciation and amortization – This goal was met. We beat budget by \$1.2 million. It was noted that despite the challenges with radiology, the team was able to accomplish this goal. Ms. Wakem reviewed surgical growth over the year and the receipt of supplemental payments over the year.
2. 4.5 day target for discharged to home ALOS – We hit 4.44, down 1% and overall LOS was down approximately 9%. This goal was met.
3. Phase I & Phase II façade project on time and on budget. – This goal was met.

Chair Caspersen commented that although there were delays, this goal was able to move forward.

Member Hagerty added that this is a great accomplishment.

Staff recommends that all of the goals were met and this would award 100%. Chair Caspersen thanked the team for their achievements.

The committee members agree that the team is worthy of 100% of the goal award.

There was brief discussion regarding the percentage awarded to the A&F committee. The team will confirm the percentage allotted as it applies to this committee.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to award 100% as related to the Audit and Finance Committee and recommend for approval by the Human Resources and Executive Compensation Committee. Motion carried by unanimous vote.

ITEM NO. 9 Review FY25 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:

- PowerPoint Presentation

DISCUSSION:

Ms. Wakem reviewed changes made to the proposed goals based on feedback received from the Committee at last month's meeting.

The following proposed goals were reviewed:

1. Exceed fiscal year budgeted income from operations plus depreciation and amortization
2. 4.44 day target for discharged to home ALOS
3. Status accuracy for Obs in the ED: Target is 8.31%
4. Improve labor utilization with a target (budgeted) of SWB per APD of \$2,907. Adjusted EPOB of 6.64
5. First Case On Time Start (FCOTS): Target is 80%

After lengthy discussion regarding the intended objective of goal #3, it was modified to state "8.31% target for ED to Observation". A lengthy discussion ensued regarding situations where observations are appropriate, how payor mix affects observation statistics and what drives the reduction in observation percentages.

Goal #4 has been budgeted.

Goal #5 would be an aggressive target at 80%. The team is implementing strategies to streamline the process to start cases on-time. Discussion continued regarding inpatient vs. outpatient surgery start times. There should be accountability for late starts.

Goal #2 should be a better improvement statistic of at least 5% or 4.25.

After much discussion of all of the goals, the Committee agreed on the following 5 goals:

1. Exceed fiscal year budgeted income from operations plus depreciation and amortization
2. 4.25 day target for discharged to home ALOS
3. Status accuracy for Obs in the ED: Target is 8.3%
4. Improve labor utilization with a target (budgeted) of SWB per APD of \$2,907. Adjusted EPOB of 6.64

5. OR First Case On Time Start (FCOTS): Target is 80%

FINAL ACTION TAKEN:

A motion was made by Member Mackay to accept the proposed FY25 Organizational goals as they relate to the Audit and Finance Committee and recommend for approval by the Human Resources and Executive Compensation Committee. Motion carried by unanimous vote.

ITEM NO. 10 Review and recommend for approval by the Governing Board the Agreement with EV&A Architects for UMC's prospective parking structure project; or take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:

- Contract – Redacted
- Disclosure of Ownership

DISCUSSION:

This is a new agreement with vendor to provide drawings for a potential future project involving a 5-story parking structure. To secure the permits and licensure. The agreement is not to exceed 3-years from effective date and terminate at any time.

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 Receive a report on the emergency repairs of a broken water main/pipe repair; or take action as deemed appropriate. (For possible action); or take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:

- Services Agreement

DISCUSSION:

A failure of a deteriorated domestic water line system resulted in emergency repairs to restore water flow to the south tower of the campus. The water line needed to be repaired immediately to prevent further water flow disruption. Martin Harris construction was engaged to perform the emergent repairs. Under NRS 338, this project was not bid out.

It was explained to the committee that it is an NRS requirement that the governing body is informed of the emergency repair that is not bid out.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to accept and make a recommendation to the Governing Board to accept the report. Motion carried by unanimous vote.

- ITEM NO. 12 Review and recommend for approval by the Governing Board the Order Form and Amendment with Spok, Inc. for IT Services; authorize the Chief Executive Officer to execute renewals or amendments; or take action as deemed appropriate. (*For possible action*)**

DOCUMENTS SUBMITTED:

- Order Form - Redacted
- Sourcing Letter
- Disclosure of Ownership

DISCUSSION:

This current vendor provides software for the PBX internal paging system. This agreement will extend maintenance and support for the software through June 2028 and add additional funding.

Member Hagerty asked if the term of the extension would go beyond the current PBX system.

Maria Sexton, UMC CIO, responded that Spok is used to interface with other systems and will continue to be used.

FINAL ACTION TAKEN:

A motion was made by Member Mackay to approve and make a recommendation to the Governing Board to approve the amendment. Carried by unanimous vote.

- ITEM NO. 13 Review and recommend for approval by the Governing Board the Amendment 26 to Software License and Services Agreement with Solventum Health Information Systems, Inc.; or take action as deemed appropriate. (*For possible action*)**

DOCUMENTS SUBMITTED:

- Amendment 26 - Software License and Service Agreement (redacted)
- Disclosure of Ownership

DISCUSSION:

Solventum is formerly known as 3M Health Information Systems, Inc. This is an agreement to extend CDI software used in the health information department and fluency direct system. This amendment will extend the agreement for one year while staff works to effect a new master agreement with Solventum.

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

DOCUMENTS SUBMITTED:

- Amendment to Service Agreement
- Disclosure of Ownership

DISCUSSION:

Kinect Energy will provide advisory, consulting, and procurement services regarding the acquisition of natural gas. This is an amendment to extend the agreement until October 31st while transitioning to Southwest Gas. There is no termination fee.

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 First Amendment to Master Affiliation Agreement for Graduate Medical Education with the Board of Regents of the Nevada System of Higher Education on behalf of the Kirk Kerkorian School of Medicine at the University of Nevada, Las Vegas; or take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:

- First Amendment to Master GME

DISCUSSION:

This 1st Amendment will allow us to co-terminate with the preliminary Affiliation Agreement, adds a PLA for Rheumatology, and updates timekeeping responsibilities and schedule to clinic sites.

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. 16 Review and recommend for approval by the Board of Hospital Trustees for University Medical Center of Southern Nevada, the Fifth Amendment to Interlocal Medical Office Lease with the Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada, Las Vegas, Kirk Kerkorian School of Medicine for rentable space at the Lied Building located at 1524 Pinto Lane; or take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:

- 1524 Pinto Lane Proposed Amendment No 5_revised UNLV

DISCUSSION:

This will extend the term of the lease of a portion of the third floor to UNLV for a period of 9-months.

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 unanimous vote.

SECTION 3: EMERGING ISSUES

ITEM NO. 16 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. A future presentation on insurance costs at UMC. The Committee feels this could be a regular item.
2. Discussion regarding the CrowdStrike system outage and possible effect on UMC operations and lessons learned.

Maria Sexton responded that there was no indication that there was a cyberattack, but this was a system update patch or software update to their system. This locked companies out of their systems. Although UMC was not directly impacted, we did receive minimal impacts through some of our system partners. Ms. Sexton continued the discussion regarding the testing of third party patches with systems such as Microsoft. She highlighted that this is not a frequent occurrence. There was continued discussion regarding the greatest risk to operating systems.

Chair Caspersen stated that the issue regarding CrowdStrike was handled and is not considered an emerging issue.

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 3:50 pm., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: August 21, 2024
Minutes Prepared by: Stephanie Ceccarelli