***University Medical Center of Southern Nevada***
***Governing Board Audit and Finance Committee Meeting***
*March 20, 2019*

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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 3:00 p.m. The meeting was called to order at the hour of 3:05 p.m. by Chair Robyn Caspersen and the following members were present, which constituted a quorum.

## CALL TO ORDER

Board Members:

Present:
Robyn Caspersen – Chair
Dr. Donald Mackay
Harry Hagerty – Via Phone
Chris Haase – Via Phone
Mary Lynn Palenik – Via Phone
Jeff Ellis

Others Present:
Barbara Fraser

Absent:
David Struve - Excused

Others Present:
Mason VanHouweling, Chief Executive Officer
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Lonnie Richardson, Chief Information Officer
Susan Pitz, General Counsel
Terra Lovelin, Administrative Assistant

**<u>SECTION 1. OPENING CEREMONIES</u>**

**ITEM NO. 1 PUBLIC COMMENT**

Committee Chair Caspersen asked if there were any persons present in the audience wishing 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 February 20, 2019. *(For possible action)***

Member Caspersen mentioned Member Ellis' comment with regards to Item No. 5 and added that if staff provided an answer to let the minutes reflect that.

<u>FINAL ACTION</u>: A motion was made by Dr. Mackay that the minutes be approved as amended. Motion carried by unanimous vote.

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

<u>FINAL ACTION</u>: A motion was made by Dr. Mackay that the agenda be approved as recommended. Motion carried by unanimous vote.

**<u>SECTION 2. BUSINESS ITEMS</u>**

**ITEM NO. 4 Receive the monthly financial report for February FY19; and direct staff accordingly. *(For possible action)***

<u>DOCUMENTS SUBMITTED</u>:
- February FY19 Financials

<u>DISCUSSION</u>: Jennifer Wakem, Chief Financial Officer presented the financials for February FY 2019.

- Admissions are up for the month
- Length of stay is below budget as well as ER visits
- Quick cares are doing well at 14.3% above budget; Blue diamond is doing very well
- Primary Care is up 22.9%; Nellis and Centennial Hills are doing great

Dr. Mackay asked if we knew how the other hospitals calculate admissions from the ED.

Mr. VanHouweling responded that in general, usually 60 to 70 percent of admissions come out of the ED.

Member Ellis commented that length of stay has improved quite a bit and staff replied that the throughput has been managed very well.

Payor mix by admits was shown as well as surgery by specialty. Orthopedics, general surgery, pediatrics and cardiovascular are the top four specialties.

Patient revenue is down for the month, $4.6 million. Overall net patient revenue is down $3.4 million.

It was noted that the cost report settlement was down.

- Income from operations was down $1.7 million
- Total patient revenue is down $13 million year to date
- Total other revenue is good against budget
- Salaries, wages and benefits for February was 1.8 percent over budget
- Expenses year to date is 4.3 percent over budget

Capital update
FY19 Budgeted $31 million
FY 19 Spent $14.1 million
FY 19 Committed $2.8 million

**ITEM NO. 5** **Review and receive feedback on the tentative FY 2020 Operating Budget as submitted to Clark County and discuss any changes; and direct staff accordingly. *(For possible action)***

<u>DOCUMENTS SUBMITTED</u>:
- Tentative FY2020 Budget

<u>DISCUSSION</u>: Ms. Wakem presented the FY 2020 budget.

Chair Caspersen asked Ms. Wakem for a high level overview of what went into creating the budget.

Ms. Wakem explained that this is the second year utilizing Kaufman Hall and actual data through January was used. Staff took run rate data and used closed account data; actual accounts that are settled and closed. The budget is a bit more refined this year as it was budgeted at the plan level and not at the payor level. The team then layered in the federal supplemental payments by program.

Feedback was solicited from everyone in the organization to get the budget numbers then the information was given to the senior team who then gathered the data and reviewed it at a higher level. The information then went back to the finance team for input into the system.

Ms. Wakem explained that patient days were pulled down 1.5% and additional visit volume was built in due to the Quick Care and Primary Care expansion projects.

Revenue is decreasing despite increasing volume. Only 23% of admissions on negotiated commercial plans we have control over. We have zero control over reimbursement from 77% of admissions.

Federal supplemental payments are decreasing, around $24 million or 10.9%
Decrease in UPL payments ($17.2M)
Decrease in MCO Enhanced rate payments ($5.9M)
Decrease in DSH payments ($3.6M)

Member Ellis asked Steven Hughey, Reimbursement Manger, about the MCO enhanced rate payments.

Mr. Hughey responded that based on what happened two years ago, this determines our rate this year. While the enrollment increases with the shift, the base amount will increase but the rate of the program is being reduced every year. The overall program will decline each year until it eventually completely disappears in 2027. We have no control over any of these changes or reductions.

Mr. Hughey briefly introduced himself per a request from Chair Caspersen. Prior to UMC Mr. Hughey worked for the State and operated the DSH program as well as helped to develop many other programs.

Mr. VanHouweling added that Steven is the top expert regarding these programs and the County confers with him when they need guidance.

Impacts to our net revenue were shown and include managed care rate increases, coding improvements, new service line business, a CDM rate increase and many others.

Operating revenues decreasing include such things as the 340B revenue and UNLV Epic implementation, where in FY19 they paid a one-time fee of $1.4 million.

Member Hagerty asked what would we get on raw reimbursement if we move to commercial, absent DSH and UPL payments.

Ms. Wakem replied that she could get him that information.

Member Palenik mentioned all the contracts that this committee has approved in the last few months and feels like the $1.4 million service line business amount should be considered.

Member Ellis brought up our volume and asked what more can we do to increase revenue when all of our beds are full.

Member Hagerty commented that we are going to have a problem in 2020 if we can’t improve revenue.

CEO VanHouweling mentioned that Yolanda King with the County asked UMC to do a presentation to the Trustees regarding our budget and the UPL/DSH reductions.

Member Ellis said he was comfortable with this budget.

Chair Caspersen asked Ms. Wakem to look at the numbers again and the efficiencies. She also asked to not receive the budget so close to the meeting next time.

FINAL ACTION TAKEN: None Taken

**ITEM NO. 6 Receive an update report from the Chief Financial Officer; and direct staff accordingly. *(For possible action)***

DOCUMENTS SUBMITTED:
- None submitted

DISCUSSION: Ms. Wakem had nothing to report.

FINAL ACTION TAKEN: None Taken

**ITEM NO. 7 Review and recommend for approval by the Governing Board the Amendment No. 6 to Hospital Participation Agreement between Health Value Management, Inc. d/b/a ChoiceCare Network and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment No. 6 to the Hospital Participation Agreement

DISCUSSION: Rose Coker said that this amendment is for the Humana contract that we currently have. Humana had a turnover in their staff that is managing the Nevada market and asked for an extension as they just hired a new staff member to do the negotiations. They have asked for an extension and this amendment will extend the term of the agreement to May 31, 2019.

FINAL ACTION TAKEN: A motion was made by Dr. 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 Amendment 1 to Master Services and License Agreement and Acknowledgement of Assignment between Press Ganey Associates, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Service Agreement

DISCUSSION: This is an amendment to add additional surveys for patient experience feedback and extends the current agreement through February 28, 2021.

The quality of this company's services is evaluated by the reports and response rates which are sent out and then returned to UMC.

FINAL ACTION TAKEN: A motion was made by Member Ellis to approve and make a recommendation to the Governing Board to approve the amendment. Motion carried by unanimous vote.

**ITEM NO. 9** **Review and recommend for approval by the Governing Board the award of RFP No. 2018-20 Early Out Self-Pay Pre-Collection Services to CMRE Financial Services, Inc.; for the Chief Executive Officer to execute options; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Request for Proposal 2018-20
- Addendum No. 1
- Addendum No. 2

DISCUSSION: This is a contract to assist in patient collections with a contingency vendor who takes a percentage of anything they collect. We will keep the collection services in house for 45 days then it will be turned over to the vendor.

Chair Caspersen asked what their demonstrated track record was.

Ms. Wakem replied that this company provided statistics showing their collection rates, customer services and feedback.

The vendor we have now is located in Ohio; a different time zone. This new vendor is in California which will be helpful.

FINAL ACTION TAKEN: A motion was made by Dr. Mackay to approve and make a recommendation to the Governing Board to approve the award. Motion carried by unanimous vote.

**SECTION 3: EMERGING ISSUES**

**ITEM NO. 11 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

**COMMENTS BY THE GENERAL PUBLIC:**

At this time, Chair Caspersen asked if there were any persons present in the audience wishing 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 5:11 p.m., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: April 17, 2019
Minutes Prepared by: Terra Lovelin