University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
March 23, 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 2:05 p.m. by Chair Robyn Caspersen and the following members were present, which constituted a quorum.

CALL TO ORDER

Board Members:

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

Absent:
Mary Lynn Palenik (Excused)
Barbara Frasier (Ex-Officio) (Excused)

Others Present:
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
Kurt Houser, Chief Human Resources Officer
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 February 16, 2022. *(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 amended. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

At this time, the Committee tabled Items 4 and 5 to be considered later during the meeting.

ITEM NO. 6 Review and recommend for approval by the Governing Board the Hospital Agreement with Alignment Health Plan of Nevada, Inc., for Managed Care Services; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Hospital Agreement

DISCUSSION:
This agreement is to allow Medicare Advantage health plan network members access to hospital services. This is a 2-year term agreement 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. 7 Review and recommend for ratification by the Governing Board the Retinopathy of Prematurity Agreement with Bruce E. Snyder, M.D.; authorize the Chief Executive Officer to exercise any extension options; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Retinopathy of Prematurity Agreement

DISCUSSION:
This is a request for ratification for an agreement entered into on March 8, 2022 for the provider to provide on-call retinopathy of prematurity screenings and services to newborns at the NICU 7 days a week. This is a 3-year agreement with two 1-year extension options and 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. 8 Review and recommend for approval by the Governing Board the First Amendment to the Product Supply Agreement with Praxair Distribution, Inc.; authorize the Chief Executive Officer to execute future amendments or extensions within his delegation of authority; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- First Amendment to Product Supply Agreement
- Disclosure of Ownership

DISCUSSION:
This amendment will increase the funding of the agreement based on current and projected utilization over the next 2 years.

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. 9 Review and recommend for approval by the Governing Board the Amendment No. 3 to Contract for Medical Core & Support Services for HIV/AIDS Infected & Affected Clients in Las Vegas, Ryan White, Transitional Grant Area with Clark County, Nevada to renew Ryan White Part A services; authorize the Chief Executive Officer to accept any additional partial awards of grant funds to UMCSN; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Three

DISCUSSION:
This amendment extends the expiration of the agreement for six months, to September 22, 2022, and will provide additional time for the grant awards to be determined by Clark County.

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. 10 Review and recommend for approval by the Governing Board the Provider Agreement with Board of Regents on behalf of the College of Southern Nevada for dental services to Ryan White participants; authorize the Chief Executive Officer to exercise any extension/renewal option; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Provider Agreement
- Wellness Fee Schedule
- Disclosure of Ownership

DISCUSSION:
This request is to approve a new agreement for dental services. The compensation will continue pursuant to the established fee schedule with a not to exceed amount. The term is for 3-years, with an option to renew for two 1-year periods and includes a 30-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. 11 Review and recommend for approval by the Governing Board the Third Amendment to Agreement with Shannon Kane-Saenz for Data Engineering Consultation; authorize the Chief Executive Officer to execute amendments or extension options within his delegation of authority; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Third Amendment to Data Engineering Consultation Agreement
- Disclosure of Ownership

DISCUSSION:
This vendor provides UMC with critical specialized data engineering services to support Kaufman Hall and Epic platforms, among other services. This amendment is to increase funding and extend the expiration date to June 30, 2023. The amendment comes with a 30-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 amendment. Motion carried by unanimous vote.

ITEM NO. 12 Review and recommend for approval by the Governing Board the Service Agreement with American Sign Language Communication for language interpretation services; authorize the Chief Executive Officer to exercise amendments or extension options within his delegation of authority; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Agreement or Interpretation Services
- Disclosure of Ownership

DISCUSSION:
This vendor provides language interpretation and translation services onsite and remotely. The term is for 5-years with a 15-day out clause. They provide remote, video and over the phone translation services. Ms. Allen noted that they are now a vendor under UMC's GPO.

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. 13 Review and recommend for approval by the Governing Board the Amendment One to Professional Service Agreement for Architectural Design of UMC's exterior campus façade with Brad Henry Friedmutter & Associates, Ltd. d/b/a Friedmutter Group; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment One

DISCUSSION:
Friedmutter and Associates provides architectural designs for UMC's façade project. This amendment seeks to extend the agreement term for 3-years, increase funding and add architectural duties.

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 Services Agreement with EV&A Architects for Architectural Design and Engineering Services to support UMC's Trauma Feasibility Study Project; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Services Agreement
- Disclosure of Ownership

DISCUSSION:
This is a new services agreement which will allow the vendor to perform a trauma feasibility study for the existing Trauma Building to determine if more patient care areas and access can be added. The services will include field investigation, architecture, structural, mechanical, electrical and plumbing support renderings.

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. 15 Review and recommend for award by the Governing Board the Bid No. 2021-07 South Tower and Round Wing Cast Iron Piping Replacement to Monument Construction, the lowest responsive and responsible bidder, contingent upon submission of the required bonds and insurance; 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:
- Bid 2021-07 Bid Document
- Bid 2021-07 Letter of Award
- Disclosure of Ownership

DISCUSSION:
This is a capital project. This is a recommendation of award to Monument Construction. The term of the agreement is 24 weeks from the date of the Notice to Proceed. UMC may terminate at any time for convenience upon written notice.

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. 16 Review and recommend for approval by the Board of Hospital Trustees for University Medical Center of Southern Nevada, the Third 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, 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:
- Third Amendment to Lease Agreement

DISCUSSION:
This amendment will extend the term of the lease for 1-year.
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. 17 Review and recommend for ratification by the Board of Hospital Trustees for University Medical Center of Southern Nevada, the First Amendment to the Lease Agreement with METEJEMEI, LLC for rentable space for the UMC Quick Care and Primary Care at 5860 Losee Road; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- First Amendment
- Disclosure of Ownership

DISCUSSION:
This is an amendment to UMC’s lease for the Aliante Quick Care and Primary Care location. The amendment needed to be executed immediately to enable the property landlord’s general contractor to secure materials needed to begin construction, as costs for those materials are increasing. It is a ratification due

to the need to order supplies for immediate construction improvements to this property.

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

ITEM NO. 18 Review and recommend for approval by the Board of Hospital Trustees for University Medical Center of Southern Nevada, the Amendment Two to Amended and Restated Professional Services Agreement for Anesthesiology Clinical Services with Robert B. McBeath, M.D., PC d/b/a OptumCare Anesthesia; or take action as deemed appropriate. *(For possible action)*

DOCUMENTS SUBMITTED:
- Amendment Two to Provider Agreement

DISCUSSION:
This is amendment seeks to extend the term of the agreement for 1-year, through March 31, 2023, and add additional funding. UMC is currently negotiating a new agreement and new terms.

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

At this time, the committee returned to discuss Items 4 and 5.

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

DOCUMENTS SUBMITTED:
- February FY22 Financials

DISCUSSION:
Jennifer Wakem, Chief Financial Officer, presented the financials for February FY22.

Ms. Wakem summarized the key indicators for February are consistent with what has been reported in recent months. It was noted that admissions for February were below budget approximately 5%. AADC continues to be high at 668. Length of stay sits at 8.15 days; action plans are in place to pull this number down. She noted that the increased length of stay can be attributed to the staffing shortage challenges throughout the community.
Acuity remains high. Overall hospital CMI was 2.03 and Medicare CMI was 2.07.
Inpatient surgeries were above budget almost 6%. Outpatient surgeries were down slightly.
ER visits were 1% above budget.

The ED to admit conversion rate was 21%.
Quick cares were down almost 17%; Primary cares are down 5%.

Length of stay for the month trended more than 8 days, which was a record high. Outpatient surgeries were at 468.
Chair Caspersen asked if there are industry statistics on length of stay. Ms. Wakem responded that it is typically at 5 days for a teaching hospital.

Payor mix trended on inpatient, compared to the 12-month average Medicaid was up 2.25%. In the ED, Medicare is up just over 2%. Inpatient surgeries showed commercial down 3.5% and Medicaid was up 3.5%. Outpatient surgeries showed Medicaid was up 3%.

The summary income statement for February shows net patient revenue above budget approximately $11.1 million. Other revenue was flat with budget. Total net revenue was above budget $11.6 million. Operating expenses were over budget $13.4million.
Income from ops adding depreciation and amortization landed at a loss of $1.8 million for the month.

February year to date income statement showed positive earnings of $16.3 million. Next, she briefly reviewed the trended income statement.

Salary, wages and benefits are over budget $8.9 million. The overage in salaries was driven by the nursing incentives due to nursing shortage. Staff is currently reviewing plans to reduce premium labor costs and overtime. The addition of nurses to the resource float pool will assist in reducing overtime and contract labor. Kurt Houser, CHRO added that staff is being added as quickly as possible and he provided statistics on the current recruiting opportunities. Effective February 22nd, the nursing incentive pay was discontinued.

Other expenses showed supply costs were high. Purchase services were over budget $1 million. An informational slide on COVID expenses was shown.

Key financial indicators shows profitability, labor statistics, and liquidity were in the red. Days cash on hand has dropped slightly. Net days in AR is at 75 days. Candidate for bill was green at 5.6 days. Cash collections and point of service collections were in the green.

The capital plan for FY22 was reviewed. A breakdown of the capital spend for FY22, FY21 and FY20 was also shown.

Ms. Wakem provided a review of the cash flow statement for February, which highlighted the cash received from patients and payors.

Lastly, the balance sheet was reviewed.

ITEM NO. 5 Receive an update report from the Chief Financial Officer; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- None

DISCUSSION:

Federal Funding –

- HRSA will no longer accept claims for uninsured COVID patients as of March 22, 2022. This is for anyone tested for COVID-19.
- Funding will stop on April 5, 2022 for COVID vaccines.

Provider Relief Funding –

- UMC is waiting to see what the criteria will be to receive any of the remaining federal funding.

Medicare Sequestration –

- The moratorium is set to end on April 1, 2022. The 2% cut will be restored July 1st. This has been factored into the FY23 budget.

ITEM NO. 19 Review and receive feedback on the tentative FY 2023 Operating Budget to be considered by Clark County and discuss any changes; and direct staff accordingly. (*For possible action)*

DOCUMENTS SUBMITTED:
- Tentative FY 2023 Budget

DISCUSSION:
Ms. Wakem presented the FY 2023 tentative budget.

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

FY 2023 revenue assumptions were detailed. High impact strategies with length of stay, expense management, revenue enhancement, which includes managed care rate increases, were discussed. A summary of the FY 2023 Sacred Six Budget Initiative was provided. Ms. Wakem noted that COVID impacts were normalized and Federal Supplemental Payment assumptions were built into the tentative budget separately by program.

Ms. Wakem explained that AADC was pulled down to 562 and ALOS was dropped by 20% which is close to pre-pandemic averages.

Chair Caspersen asked what the primary reason why we would not go all the way back to pre-COVID averages.

Mr. Marinello responded that it is due to a change in culture, but it will take some time to get back to 2019 statistics.

Ms. Wakem continued by explaining the following net revenue normalization items that are anticipated not to repeat items:
- HRSA uninsured funding ($10.6M)
- Halting of COVID testing ($3.5M)
- Sequestration ($3M)
- Medicare 20% DRG ($2.5M)
- Revenue is expected go down due to volumes, as well as acuity.

She made the point that net revenue per APD is $3,648, which is an 11% increase in net revenue per APD. Supplemental payments are projected to be flat with FY22. Admissions are going up 2.5%.

The Committee continued by discussing the Sacred Six tentative budget initiatives and the high impact of the Sacred Six on volumes and how it affects hospital revenue. There was a lengthy discussion on the action items associated with each of the service lines and the revenue related to each of them.

Member Hagerty would like to receive a review of the revenue and costs associated with the service lines from the hospital committees.

Ms. Wakem suggested that the tentative budget summary could be given to the hospital committees and they could report back the on the tentative budget vs. actual performance. Chair Caspersen added that this is something could be reported to the Committee quarterly.

Member Ellis asked why net revenue is so much lower than the overall net revenue.

Ms. Wakem added that the Federal Supplemental payments are not included in the bottom line. There was continued discussion regarding the accrual of supplemental payments and when the payments are actually received. The Committee would like to see the margins forecasted as close to accurate as possible.

Member Hagerty commented that we have a forecast of revenue declining and expenses increasing, and if the same trends continue for the next five years, we have a very serious problem. If there was a forecast for 5-years down to a granular level, we could see future impacts. The discussion continued regarding this subject matter and strategic steps moving forward with regard to the Sacred Six.

Next, the Committee moved on to discuss the income statement summary with a breakdown of the FY23 tentative budget, FY22 projection, variance and percentages, as well as the FY21 and FY19 actuals for visual comparison. Expenses are projected to go down and salaries are projected to go down. Ms. Wakem provided a summary of what influenced the decrease in SWB.

Lastly, the capital plan for the FY23 service year was provided, with a breakdown of money that has already been allocated for certain projects. A discussion ensued on a more proactive approach on the capital spend plan.

The Committee was reminded of the timeline that the final budget is due to the County.

Chair Caspersen asked Ms. Wakem to perform a review of the planned changes and efficiencies, considering the further impacts on the tentative budget for presentation at the next meeting. She also requested that the Committee be given sufficient time to review the tentative budget prior to the next meeting and that any changes to the initial draft are highlighted.

SECTION 3: EMERGING ISSUES

ITEM NO. 20 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)*

There were no emerging issues.

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: April 20, 2022
Minutes Prepared by: Stephanie Ceccarelli