University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
March 24, 2021

UMC ProVidence Suite
Trauma Building, 5th Floor
800 Hope Place
Las Vegas, Clark County, Nevada
Wednesday, March 24, 2021
2:00 p.m.

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 2:06 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 (via WebEx)
Jeff Ellis (via WebEx) (2:08 pm)
Mary Lynn Palenik (via WebEx)
Christian Haase (via WebEx)
Barbara Frasier (Ex-Officio – via WebEx)

Absent:
Harry Hagerty - Excused

Others Present:
Mason Van Houweling, Chief Executive Officer (via WebEx)
Tony Marinello, Chief Operating Officer
Jennifer Wakem, Chief Financial Officer
Doug Metzger, Controller
Maria Sexton, Chief Information Officer
Susan Pitz, General Counsel
Lia Allen, Attorney
Carissa Rey, Academic and External Affairs Officer
Jacqueline Saites, Director of Contracts and Materials Management
Stephanie Ceccarelli, Governing 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 17, 2021. *(For possible action)*

FINAL ACTION:

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

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

FINAL ACTION:

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Receive the monthly financial report for February FY21; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- February FY21 Financial Report

DISCUSSION:

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

Key indicators were reviewed. Admissions were down 16% against prior year. Length of stay was up. Acuity remains high. Overall hospital CMI was 2.15 and Medicare CMI was 2.11.

Inpatient surgeries were down 7% and outpatient surgeries were up almost 12%. ER visits were down 27% against prior year. Quick cares were down roughly 42% against prior year. She noted the decline in ER visits is community wide. ED to admission conversion rate remains high, up 3%.

On trended stats, admissions remain low compared to pre-COVID average, down 429 admissions. AADC was 532 for the month of February.

Payor mix by admits trended shows Medicare is up 3% and Medicaid is down 1.3%. Payor mix trended for inpatient surgeries shows Medicaid is up almost 5%, self-pay down 2% and commercial is down almost 3.7%. Outpatient surgeries remain consistent. Governmental was down 1.5% and Medicare was up 1%.

Chair Caspersen asked if there was a reason behind these trends. Ms. Wakem responded it is due in part to lower ER volumes.

The income statement showed net patient revenue was above prior year $2.8 million and other revenue was up $1.1 million primarily due to COVID reference lab testing. Overall net revenue was up $4 million. Operating expenses were up $4.2 million over prior year. Income from ops showed a positive $376K for the month.

February YTD income from ops was down $22.9 million.

Income statement trended shows most recent two months in the black.

Key financial indicators shows day's cash on hand dropped to 33.3 days. There is approximately $117 million in outstanding federal supplemental payments. Updates were provided on IGT status. Candidate for bill was at 7.7 days. Cash collections were good.

Salary, wages and benefits for February were unfavorable, $340K over prior year. Overtime cost was $1.4 million and contract labor was at $1.8 million. An internal float pool has been discussed as a way to reduce premium labor costs.

Other expenses are up $3.8 million over prior year. Ms. Wakem let the committee know this number is trending down as COVID testing declines. COVID supplies and SWB related to COVID dropped significantly for the month of February.

Capital Plan – Monthly meetings are being held and projects are moving forward.

Cash flow statement was reviewed. We received $17.2 million from the County for COVID testing.

Balance sheet was reviewed. No significant changes from prior month were noted.

There were 57K COVID tests performed for the month of February. Vaccinations were up with 15K vaccines distributed.

Lastly, Ms. Wakem shared the Nevada Medicaid cost coverage after the supplemental payments. A discussion continued regarding this subject matter.

FINAL ACTION TAKEN:

None taken.

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

DOCUMENTS SUBMITTED:
- CFO Updates

DISCUSSION:

Carissa Rey, Academic and External Affairs Officer, provided an update on the Legislative Session and the bills that are currently being discussed. There are a variety of key bills currently under review, including healthcare related bills, behavioral health, Medicaid expansion and mental health, etc. She focused on bills related to Telehealth, All-Payor Claims Database and Provider Tax implementation, which would raise the Medicaid rates to Medicare rates. A discussion ensued regarding the rate difference between states.

Ms. Wakem updated the Committee on the BDO SEFA audit, which has been completed. There were no adverse findings. The FY20 audit included only Ryan White. In FY21, this audit will include Ryan White and Cares Act money.

COVID has dropped significantly in the hospital. Inpatient COVID positive patients have dropped to 136. We have roughly 10 patients daily. We received approximately $78 million COVID Cares Act money to date. Vaccination reimbursement is going up to $40 per shot.

American Rescue Plan Act of 2021 was passed in March. This is an additional $1.9 trillion COVID-19 economic stimulus package that is being pushed out and monitored.

She informed the Committee that UMC has been selected to participate in the Peterson-Milbank Program for Sustainable Health Care Costs, which address the underlying issue driving the growth in healthcare costs. Nevada is one of five states selected to participate. The discussion continued regarding this topic.

FINAL ACTION TAKEN:

None

At this time, the Committee reviewed Item 10 on the agenda.

ITEM NO. 10 **Review and recommend for approval by the Governing Board the Enterprise Service Agreement, Quotation, and Business Associate Agreement with American Well Corporation for a telemedicine technology platform; authorize the Chief Executive Officer to exercise any renewal options; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amwell Enterprise Service Agreement
- Amwell Quotation
- Amwell Business Associate Agreement
- Disclosure of Ownership

DISCUSSION:

Mr. Marinello explained this service agreement will enhance the telemedicine program. This is a 2-year agreement. It will interface with Epic and will take 4 months to implement.

Dr. Luis Medina Garcia, Medical Director – Telemedicine Services, explained how this service will benefit patients in the community, offering convenience and cost savings. He added that it will expedite patient connectivity into the patient portal, reduce wait times and connect patients with a physician more efficiently. This is a multi-faceted telemedicine service that can be customized for the needs of the hospital with no additional cost. Interpretive and video interpretation service capability is also included.

Jacqueline Saites, Director of Contracts and Materials Management added this is an initial 2-year term. It can be termed for cause and includes additional option periods. There is no increase during the initial term.

At this time there was discussion regarding the J&J vaccination and how it differs from the Pfizer and Moderna. Dr. Medina emphasized the safety and effectiveness of all of the vaccines.

FINAL ACTION TAKEN:

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

At this time, the Committee returned to Item 6 on the agenda.

ITEM NO. 6 **Receive and recommend for approval by the Governing Board the Professional Services Agreement with Southern Nevada Health District for sub-recipient grant funding; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Professional Services Agreement

DISCUSSION:

This will allow UMC to be a grant sub-recipient of a federal award. This will help identify through screening any HIV issues with patients so that they can be properly diagnosed, provide treatment and mitigate transmission of disease, provide resource coordination, as well as prevention and exposure medications.

FINAL ACTION TAKEN:

A motion was made by Member Palenik 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 Agreement for COG Cubicle Curtains with Emerald Utah, LLC; authorize the Chief Executive Officer to exercise the extension option; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Emerald Utah LLC Service Agreement
- Disclosure of Ownership
- HPG Sourcing Letter

DISCUSSION:

This will allow the vendor to implement a quarterly phased approach to cleaning cubicle curtains throughout certain areas of the facility.

FINAL ACTION TAKEN:

A motion was made by Member Palenik 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 Amendment One to Custom Equipment Purchase Option A Agreement with Sysmex America, Inc. for XN-9100 Hematology Equipment Reagents; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Sysmex America – Amendment One

DISCUSSION:

This is a request for additional funding. Ms. Saites explained that we have existing analyzing lab equipment and reagents are required for processing.

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 to Agreement for Maintenance, Software/Hardware, Purchase and Services and Quotation with Extreme Networks, Inc. for data network equipment and services; and take action as deemed appropriate. *(For possible action)***

DOCUMENTS SUBMITTED:
- Quotation
- Amendment to Agreement
- Disclosure of Ownership

DISCUSSION:

This amendment is to extend the existing agreement for an additional 5 years, in addition to replacing end of life equipment.

Maria Sexton, Chief Information Officer added this in the new generation of hardware and will support and manage the hospital's data network. This will replace end of life network infrastructure.
FINAL ACTION TAKEN:

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

ITEM NO. 11 Review and receive feedback on the tentative FY2022 Operating Budget to be considered by Clark County and discuss any changes; and direct staff accordingly. *(For possible action)*

DOCUMENTS SUBMITTED:
- FY22 Preliminary Budget

DISCUSSION:

Ms. Wakem provided the Committee with a timeline of events leading up to when the final budget is due to the County on April 22nd. The final budget will be submitted to the Governing Board for final approval on April 28th, which is after the deadline to submit to the County. We are awaiting confirmation from the County to submit the budget after this date.

High level assumptions for FY2022 were discussed. The most significant assumptions were made on COVID related impacts and what they will look like in 2022.

A breakdown of the gross charges for a rolling 12 months was provided. A 5% CDM increase effective July 1 was included. Historical data was used to build this plan and it was adjusted for COVID. The net revenue included a slight payor mix deterioration and Federal Supplemental Payments were built separately into the budget.

A summary of the budgeted income statement for FY22 was shown next to a comparison of the FY21 budget and FY20 actuals. Gross charges going up 4%. Net patient revenue is dropping 4.4% and other revenue is going down 14%. Ms. Wakem reminded the Committee that COVID activity, including testing and reimbursement were removed.

Payor mix deterioration was built in. Medicaid increased 2% and commercial decreased 2%.

For the FY22 Net Operating Revenue, federal supplemental payments increased 12.6% and total adjusted net patient revenue is expected to decrease. The net operating revenue explanations were shown. Total adjusted net patient revenue decreased 11.7% and the COVID 19 vaccine decrease was 3.9%. Other operating revenue decreasing 14.3%

Chair Caspersen asked about the sacred six strategic service lines and what type operating or strategic initiatives have been included into what is being projected for FY22. Ms. Wakem responded ambulatory expansion and overall volume increases were built in. The discussion continued regarding why the sacred six are not being more specifically enhanced in the overall financial performance of the hospital.

The FY22 Budget Summary for salaries, wages and benefits was reviewed. Ms. Wakem explained that salaries and benefits will each go up approximately $2 million. Overtime was brought down to $9.4 million and contract labor dropped to $10.6 million. FTEs are coming down. A conversation ensued regarding the increase in contract labor.

Chair Caspersen asked about SWB as a percent of net revenue of 60.2% and how this trend can be reversed. Ms. Wakem responded we need to find a less expensive way to staff, reduce premium pay, as well as manage labor targets to avoid the FTE increase.

Supplies were pulled down from projection by $42 million. There was concern regarding the cuts to the supply budget, should there be a return to normal in supply usage for the hospital. Ms. Saites added they have been strategic in our supply purchases. They are being managed and we are still tracking to make sure we have what we need.

Ms. Wakem concluded there is some gray area built into the budget and the stimulus package could have a favorable impact on the budget. She does not see any need to increase or change the $31 million allocation from the County.

Member Ellis if this is consensus by management, we should have a tool to monitor performance throughout the year. If this is a budget that is believed in, then it should move forward.

FINAL ACTION TAKEN:

None

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)*

DISCUSSION:

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 4:18 pm., Chair Caspersen adjourned the meeting.

MINUTES APPROVED: April 21, 2021
Minutes Prepared by: Stephanie Ceccarelli, Board Secretary