University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee
March 6, 2014

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Thursday, March 6, 2014
3:30 p.m.

The University Medical Center Governing Board Audit and Finance Committee had its first meeting, in Conference Room I/J, UMC Trauma Building, 5th Floor, Las Vegas, Clark County, Nevada, on Thursday, March 6, 2014, at the hour of 3:30 p.m. The meeting was called to order at the hour of 3:30 p.m. by Chair Eileen Raney and the following members were present, which constituted a quorum of the members thereof:

CALL TO ORDER

Board Members:

Present:
Eileen Raney, Chair
Jeff Ellis
Harry Hagerty

Absent:
Michael Saltman (arrived 3:47, Item #3)

Ex-Officio Members:

Present:
Stephanie Merrill, Chief Financial Officer

Also Present:
Lawrence Barnard, Chief Executive Officer
Lisa Logsdon, Deputy District Attorney
Hillary McElroy, Budget Manager
Peter Tibone, Reimbursement Manager

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 Approval of Agenda *[For possible action]*

DISCUSSION: None.

FINAL ACTION: A motion was made by Harry Hagerty that the agenda be approved as recommended. Motion carried by unanimous vote.

ITEM NO. 2 PUBLIC COMMENT

Chair Raney asked if there were any persons present in the audience wishing to be heard on any item on this agenda.

Speaker(s): None

SECTION 2. BUSINESS ITEMS

ITEM NO. 3 Review and discuss the 2015 Operating Budget submission. *(For possible action)*

DOCUMENTS SUBMITTED:

- DRAFT for Discussion – County Funding of UMC
- Medicaid Funding Definitions
- DRAFT Budget Submission FY Ending 6/30/14
- Budget Submission FY Ending 6/30/14
- E-mail from Consultant Larry Gage dated 3/5/14 re: Medicaid
- America's Essential Hospitals Presentation: Medicaid Payments to Incentivize Delivery System Reform
- Medicaid Financing

DISCUSSION:

Stephanie Merrill gave an overview Clark County's funding of UMC. For budget years 2011, 2012 and 2013 UMC received approximately $200 million. Funding is estimated at $197million for FY 2014, and staff is requesting $194 million for FY 2015.

The $91 million general fund request includes a $30 million increase to cover changes in the County's obligation to fund Clark County Social Services (CCSS). Those patients who previously qualified for CCSS will be converted to Medicaid Managed Care, which will be funded by the State. Because those patients are not restricted to using UMC for their healthcare needs, the affect of this change is not yet known. Additionally, Medicaid Managed Care reimbursement is lower than CCSS, and UMC will receive no retroactive payments for those patients. Since January, we have not received any Medicaid or Medicaid Managed Care payments. Because we can't anticipate the volume of enrollment or estimate the number of Medicaid patients getting their care at other hospitals, UMC is seeking to maintain the full contribution previously allocated to UMC. Essentially, UMC is asking to be funded at the same level as it has been in the past five years.

Peter Tibone, Reimbursement Director, gave an overview of Medicaid funding and definitions, and explained the difference between CCSS and Medicaid reimbursement, and how they impact UPL. He noted that the Affordable Care Act will begin reducing DSH and UPL payments in 2016. He also noted that the hospital is contracted with a vendor to look at potential for private UPL funding. The Committee will be kept up to date on any potential funding opportunities.

Budget submissions for current year and FY 2015 were reviewed. Stephanie Merrill gave a review of the income statement and cash flow detail. The income statement included the contributions piece discussed earlier in the meeting. The only increase in revenue is related to the Medicaid Managed Care enhancement program, which is included in the UPL. Under expenses, she explained that the salary and benefits increase includes anticipated salary increases based on SEIU negotiations. Services and Supplies are impacted by our growing pharmacy program, which does have some offsetting revenue. Purchased Services is impacted by the IT implementation (primarily McKesson electronic health record) resulting in an increase in hardware, software, and maintenance, as well as duplication of systems during implementation delays.

During a discussion regarding patient revenue, it was determined that the Medicaid funding amount we have estimated to replace CCSS should be removed, since the actual is unknown at this time. In seeking to maintain the current funding from the County, inclusion of both the dollars replacing CCSS and the increase in Medicaid is misleading, so the CCSS funding will not be reflected in the budget submission to the County.

There was consensus among the Committee members that because the budget format submitted to the County does not allow for any explanation of requests, the Hospital should prepare a fact sheet with all the details taken into consideration for requested funding. Additionally, it was recommended that the terminology be changed to County "contribution" rather than "subsidy", as some of that money is actually based on services provided.

There was discussion regarding whether the Hospital should ask for the supplemental requests previously identified in the presentation to the Governing Board. Staff recommended that the budget request be limited to the same amount that was granted in the current budget year. There was also discussion about the unknown effects of the Affordable Care Act, and the Governing Board's late involvement in a long and detailed process, and deadlines. For the aforementioned reasons, it was the consensus of the Committee members that rather than ask for additional funding, the Board should spend the next year making the business case for additional funding in FY 2016. There was further consensus that with the limited time allowed for education, the Committee understands and supports the Staff's assumptions, and that staff be directed to proceed with submission of the budget presented today, with the recommendation to remove the Medicaid amount estimated to replace CCSS from patient revenue.

The operating budget will be submitted to the County on March 7th, and staff will be present at the Budget Hearing on March 26th to answer any questions the County might have. The Commissioners will be briefed prior to the March 26th Budget Hearing.

Chair Raney requested that staff provide the Committee members with a calendar of events related to next year's budget process as soon as it is available, to allow the Committee's involvement from the beginning of the process.

FINAL ACTION: No action taken.

ITEM NO. 4 **Discuss and determine Committee goals, work plan and charter.** ***(For possible action)***

DOCUMENT SUBMITTED: Page 2 of Governing Board Policies and Procedures - AUDIT AND FINANCE COMMITTEE

DISCUSSION:

The Committee members reviewed the Audit and Finance Committee Purpose and Responsibilities, as outlined in the Governing Board Policies and Procedures. It was the consensus that while time will be devoted to compliance and risk management, the majority of the Committee's first 90 days would be spent on financial issues, to include the budget, and initially a significant amount of time would be spent on expenses and revenue, which would then lead into the discussion of the capital budget. It was recommended that the discussion include historical information relative to expenses and revenue, as well as planning for the future. It was also noted that the each of these items would be applied to the budget. Revenue and capital requests may overlap with the Strategic Planning Committee, and will be appropriately coordinated.

It was the consensus of Committee members that initially they would like all contracts that exceed the CEO's authority limits to come to the Audit and Finance Committee, prior to being placed on the Governing Board agenda for approval. The Committee members will have the opportunity to review the contracts in advance, and then pull any items from the Committee's consent agenda that they wish to discuss in further detail. As the Committee becomes more comfortable with the process, they may wish to expedite the process or increase the CEO's signature authority.

It was the consensus of the Committee that they be included in the internal audit reporting process.

FINAL ACTION: No action taken.

ITEM NO. 5 **Determine future meeting dates and times of the Audit & Finance Committee through Calendar Year 2014 and direct staff accordingly.** ***(For possible action)***

DISCUSSION:

Staff recommended that this Committee meet two weeks prior to the Governing Board, to ensure adequate time for staff to make any changes to contracts recommended by the Committee prior to the posting of the Board agenda. The Board Secretary was directed to coordinate a tentative meeting schedule for approval at the next Committee meetings.

FINAL ACTION: No action taken.

ITEM NO. 6 **Identify emerging issues to be addressed by staff or by the Audit & Finance Committee at future meetings; and direct staff accordingly.** ***(For possible action)***

- Receive a report on McKesson's implementation of the electronic health record, including capabilities and deadlines
- Discuss the format and timing of periodic financial reporting
- Receive a presentation from the Audit staff at the April meeting
- Receive a presentation from the Risk Manager at the May meeting
- Review results of RFP for financial auditors when available

COMMENTS BY THE GENERAL PUBLIC:

At this time, Chair Raney 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): Jerri Strasser, PICU Nurse, commented on the implementation and capabilities of the McKesson electronic health record, and commented on its negative impact on staff productivity. She also cautioned the Committee to carefully monitor the impacts of the Affordable Care Act on UMC.

There being no further business to come before the Board at this time, at the hour of 5:37 p.m., Chairman Raney adjourned the meeting.

APPROVED:

Eileen Raney, Committee Chair

ATTEST:

Cindy Dwyer, Board Secretary