University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Special Meeting
March 19, 2014

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Wednesday, March 19, 2014
1:00 p.m.

The University Medical Center Governing Board Audit and Finance Committee met in special session in Conference Room I/J, UMC Trauma Building, 5th Floor, Las Vegas, Clark County, Nevada, on Wednesday, March 19, 2014, at the hour of 1:00 p.m. The meeting was called to order at the hour of 1:04 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 (participated by conference call)
Jeff Ellis
Harry Hagerty

Absent:
Michael Saltman (Excused)

Others Present:

John O'Reilly, Governing Board Chair (arrived during Item #8)
Stephanie Merrill, Chief Financial Officer
John Liston, Director, Purchasing and Contracts
Lisa Logsdon, Deputy District Attorney
Cindy Dwyer, Board Secretary

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 Ratify the Letter of Agreement between the Board of Regents of the Nevada System of Higher Education (NSHE) on behalf of the College of Southern Nevada (CSN) and University Medical Center of Southern Nevada for dental care services. *(For possible action)*

DOCUMENTS SUBMITTED:

- Letter of Agreement for Claims Payment between UMC and Board of Regents
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This agreement is for dental services for the UMC Wellness Center HIV patients, one of many specialty services not provide by UMC. The cost of these services is covered by Ryan White Grant funds.

There was a consensus that contract items approved by the Audit and Finance Committee will be forwarded to the Governing Board for inclusion on the Board's Consent Agenda for approval. Any items that Board members wish to discuss further can be pulled from the Consent Agenda, and moved to the Business Agenda. If the Committee does not approve a contract, it will be placed on the Board's Business Agenda.

Committee members requested that in the future, the contract background information include more specific details on the fiscal impact to UMC, i.e., volume, costs vs. charges. There was also discussion about confidentiality of pricing. Ms. Logsdon clarified that by law, confidential contract pricing can be provided to Board and Committee members without making the information public.

ACTION TAKEN: A motion was made by Harry Hagerty to make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 4 **Ratify an agreement for Laboratory Services to Valley Hospital; and authorize the Chief Executive Officer to sign the Agreement and authorize the signature of future amendments.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Laboratory Services Agreement between UMC and Valley Hospital
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This is a short-term agreement effective through May, 31, 2014 requested by Valley Hospital for UMC to provide limited lab testing while they replace necessary equipment. UMC will receive approximately $116,000 for this service. The Committee again requested that in the future they be provided with the details of the fiscal impact, i.e., cost vs. charges. Ms. Merrill confirmed that as part of the contract process, the Budget Staff looks at the fiscal impact of all contracts, but she will confirm prior to the Governing Board meeting that this contract covers UMC's expenses.

ACTION TAKEN: A motion was made by Jeff Ellis to make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 5 **Ratify an agreement for Laboratory Services to Clinical Pathology Laboratories, Inc.; and authorize the Chief Executive Officer to sign the Agreement and authorize the signature of future amendments.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Laboratory Services Agreement between UMC and Clinical Pathology Laboratories

DISCUSSION: This agreement is for the UMC Laboratory to provide two tests being conducted for our transplant patients, which will ensure more timely results. It is estimated that bringing this testing in-house will result in approximately $6,000 per year. The Committee requested additional information in the future regarding cost vs. charges.

ACTION TAKEN: A motion was made by Harry Hagerty to make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 6 **Ratify Amendment Two to the Hospital Services Agreement between Teachers Health Trust and University Medical Center of Southern Nevada for managed care services.** ***(For possible action)***

DOCUMENTS SUBMITTED:
- Second Amendment Hospital Services Agreement between UMC and Teachers Health Trust
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This agreement extends the Coalition managed care rates to the Teachers Health Trust. This Agreement brought approximately $1.3 million to UMC in 2012. Committee members requested that when reviewing future managed care contracts that they see rates and comparisons to other managed care contracts. Ms. Logsdon reminded the Committee that, while the Committee members can see those rates, they are considered proprietary information and are not public.

It was recommended that Rose Coker, Director of Managed Care, be invited to a future meeting to talk about managed care in general. It was suggested that Mr. Ellis contact Ms. Coker in advance to discuss what kind of information the Committee would find helpful.

ACTION TAKEN: A motion was made by Jeff Ellis to make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 7 **Approve a contract for a Cath Lab upgrade between Philips Healthcare and University Medical Center of Southern Nevada; and authorize the Chief Executive Officer to sign the agreement and any amendments not to exceed 15% over the awarded amount. *(For possible action)***

DOCUMENTS SUBMITTED:
- Amendment between UMC and Philips Healthcare
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This contract is for the purchase of equipment replacing an end-of-life unit in Cath Lab #2. This equipment will be purchased with a portion of the $6 million capital budget allocation from Clark County earlier in the current fiscal year.

Mr. Hagerty explained that the UMC Foundation received $1 million in funds associated with the United Healthcare merger, which is restricted for use in Cardiology. Although about $250,000 of this money has already been spent, he suggested that perhaps the Foundation should be requested to contribute toward this Cath Lab equipment purchase using the United Healthcare funds. This would free up the capital money for another capital need within the institution. The Committee was in agreement to make a formal request of the Foundation. In the mean time, the Hospital will proceed with the purchase, and then work out the funding with the Foundation, subject to the approval of the Foundation.

ACTION TAKEN: A motion was made by Jeff Ellis to make a recommendation to the Governing Board to approve the agreement. Motion carried by unanimous vote.

ITEM NO. 8 Review the contract for Auditing Services; and take action as deemed appropriate for recommendation of acceptance by the Governing Board. *(For possible action)*

DOCUMENTS SUBMITTED:

- UMC Audit Firm Selection (PowerPoint presentation)
- Letter of Agreement to Provide Services between UMC and BDO USA
- Letters of Reference
- Disclosure of Ownership

DISCUSSION: Though NRS does not require a competitive bidding process for professional services, an RFP was issued for Auditing Services, which resulted in six respondents. The top three respondents were invited to give oral presentations to an ad hoc committee. Selection criteria included healthcare/hospital experience and government enterprise experience, as well as the impact on UMC staff, and fees. Staff recommends a contract with BDO USA. The anticipated savings is $80,000 per year. The term agreed to was a two year agreement with three one-year options to renew. There is a 30 day out clause for both parties.

Some Committee members had concerns that the contract did not specifically include a commitment to provide healthcare expertise. Ms. Merrill indicated that it was quite clear in the interview process that BDO would be sending a senior auditor to Las Vegas to expand the healthcare knowledge of the local staff. All travel expense will be absorbed by the vendor. She noted that while the audit partner is local, the main healthcare consultant/branch is out of state.

There was discussion about the two-year contract term, including concerns about continuity of audit staff for a two-year contract, knowing that there would be a lot of costs in the first year for the vendor. There was also discussion about the need to be able to terminate with a 30-day out clause. If the auditor left in the middle of an audit, it would be quite a burden on the hospital. It was the consensus of the Committee that staff be directed to:

- Confirm level of staffing and commitments for healthcare expertise
- Provide partner bios to Committee members
- Explore 30-day out clause
- Pursue 3-year contract

ACTION TAKEN: A motion was made by Jeff Ellis to make a recommendation to the Governing Board to approve the agreement as discussed above. Motion carried by unanimous vote.

ITEM NO. 9 Receive a report on cash flow and potential need for increase to Clark County inter-fund loan and direct staff accordingly. (For possible action)

DOCUMENTS SUBMITTED:

- Operating Cash Flow Projection FYE 6/30/14

DISCUSSION: In follow-up to an inquiry from the County Manager, Chair Raney recently requested Stephanie Merrill, CFO, to analyze potential cash flow through the end of FY 2014 to determine whether an additional loan from the County would be necessary for the current fiscal year.

Chair Raney reminded Committee members that the current cash flow shortage is primarily due to the switchover from Clark County Social Services to Medicaid Managed Care. Ms. Merrill explained that information presented today assumed that April, May and June cash collections would be the same rate as the previous eight months. However, in looking at the cash flow for the past three weeks, the anticipated shortfall went from $30.5 million down to $25.5 million this week.

Ms. Merrill has contacted the State, requesting an advance for Medicaid patient billing currently in Accounts Receivable. The State was willing to discuss an advance, but they can only negotiate an advance for the Medicaid fee-for-service patients; they have no control over the Medicaid Managed Care, which is where the bulk of the problem is. Additionally, the State would expect repayment before fiscal year end. Ms. Merrill also received some general information on Medicaid volume, and will share that information with the Committee members.

After receiving Ms. Merrill's report, the Committee estimated that the hospital would probably need an addition $13 million by fiscal year end. There was discussion about whether further subsidy would be required for cash flow based on flat budget for 2015. We could still require an additional subsidy or loan, depending on the impact of Medicaid Managed Care on patient volume. In July we'll have access to the new fiscal year County subsidy, and we should be recovering from the IT system change, as well as the conversation from CCSS to Medicaid Managed Care, which will allow some time to see how things are flowing.

John O'Reilly, Eileen Raney, and Larry Barnard plan to meet with Board of Trustees Chair Commissioner Weekly and County Manager Don Burnette prior to the March 26th Budget hearing. It was recommended that they request the $90 subsidy for FY 2015, with the understanding that if we see a decrease in volume we'll respond accordingly, but may need an additional loan at a later date.

It was the consensus of the Committee that this item be placed on the March 26th Governing Board agenda for review. Back-up information will include the presentation received today, as well as the budget submitted to the County.

Staff and Board will continue discussions with County to address cash flow for the remainder of FY 2014.

ACTION TAKEN: No action taken.

ITEM 10: 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)*

- Invite Rose Coker, Director of Managed Care, to a future meeting to provide a briefing on managed care.
- Staff to enhance the contract summaries provided to the Committee to ensure thorough financial analysis.
- Ongoing review of Cash Flow

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): None

There being no further business to come before the Board at this time, at the hour of 2:09 p.m., Chairman Raney adjourned the meeting.

APPROVED:

Eileen F Raney

Eileen Raney, Committee Chair

ATTEST:

Cindy Dwyer

Cindy Dwyer, Board Secretary