The University Medical Center Governing Board Audit and Finance Committee met in the Providence Suite, UMC Trauma Building, 5th Floor, Las Vegas, Clark County, Nevada, on Wednesday, February 23, 2016 at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:07 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
Donald Mackay
Jeff Ellis
Harry Hagerty (Via Phone)

Absent:
Robyn Caspersen (non-voting member) (excused)

Others Present:
Mason VanHouweling, Chief Executive Officer
Kurt Houser, Chief Operating Officer
Vick Gill, Assistant Hospital Administrator
Matt Cova, Director Business Development
Andrew Chung, Associate Administrator
Stephanie Merrill, Chief Financial Officer
Susan Pitz, General Counsel Hospital Administration
Terra Lovelin, Board Secretary

**SECTION 1. OPENING CEREMONIES**

**ITEM NO. 1 PUBLIC COMMENT**

Committee 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
ITEM NO. 2 Approval of minutes of the regular meeting of the UMC Governing Board Audit and Finance Committee meeting on January 13, 2016. (For possible action)

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

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Review the results of the audit of Staff Travel Expenses dated February 9, 2016; and direct staff accordingly (For possible action)

DOCUMENTS SUBMITTED:
- Audit Report: Staff Travel Expenses February 2016

DISCUSSION: Nate Strohl presented the findings from the Staff Travel Expenses audit report.

The objective was to determine whether UMC employees incurred vendor paid/reimbursed travel and that travel credit card charges were adequately controlled.

They found that employees did not accept vendor paid or reimbursed travel and the review on travel credit cards is appropriate. However, they identified an area of concern regarding submitting requests and approval of those requests.

Chair Raney asked if the committee would have more input on what is audited and Mr. Strohl replied that it is the plan in the future.

Stephanie Merrill, CFO mentioned that a new travel policy will be published shortly and in March, there will be training regarding the new policy.

FINAL ACTION: None

ITEM NO. 5 Review the results of the audit of Graduate Medical Education Payments dated February 9, 2016; and direct staff accordingly (For possible action)

DOCUMENTS SUBMITTED:
- Audit Report: Graduate Medical Education Payments

DISCUSSION: Mr. Strohl presented the findings from the GME Audit report
The objective was to determine whether UMC had maintained adequate supporting documentation for the full-time equivalent (FTE) cap and that the FTEs were calculated correctly according to CMS guidelines. Additionally, the objective was to determine that fiscal year 2014 FTEs maintained contracts with UNSOM.

During the testing the auditors found that UMC maintained adequate supporting documentation for the FTE cap, the FTE cap was calculated properly according to CMS guidelines, and that fiscal year 2014 FTEs were only claimed once. However, an area of concern was identified; student contracts. They found that there were six individuals claimed on the cost report that did not have current contracts between the medical school and the student.

**FINAL ACTION:** None.

### ITEM NO. 6

**Approve, adopt, and authorize the Chairman to sign the Charter establishing an independent UMC Internal Audit Department, separate from the Clark County Audit Department; providing for the appointment of the Auditing Supervisor; defining the scope of activities, responsibilities, and standards to be followed and reporting requirements of the office. (For possible action)**

**DOCUMENTS SUBMITTED:** UMC Internal Audit Department Charter

**DISCUSSION:** Mr. Strohl explained that the Internal Audit Department is being established as a separate independent office. This charter is an important step for enhancing the independence of the UMC Internal Audit Department and for protecting the public and patients of UMC.

UMC internal audit department separated from Clark County Audit on Feb. 1, 2016. Currently the UMC internal audit department reports administratively to Finance with a direct line to the Audit and Finance Committee of the Governing Board.

Chair Raney brought up some questions with regards to the reporting structure of the Internal Audit Department and Ms. Merrill said they could discuss it further if needed.

**FINAL ACTION:** 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. 7

**Review and recommend for approval by the Governing Board Amendment A4 to Management Services Agreement between Aramark Healthcare Technologies, LLC and University Medical Center of Southern Nevada; and take action as deemed appropriate. (For possible action)**

**DOCUMENTS SUBMITTED:**  
-Amendment A4 to Management Services Agreement
DISCUSSION: John Liston explained that this amendment for preventative maintenance with Aramark will result in a cost savings of $172,000 per year. The contract term began April 2012 through June 2018 with a 180 day termination notice.

Carissa Rey explained that amendments we signed and passed through over the years, did not match the contract language. We went back to Aramark and they agreed to lower their fee. There is better reconciliation and better control in place since this was discovered.

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. 8  
Review and recommend for approval by the Governing Board the Amendment One between Cox Communications Las Vegas, Inc. d/b/a Cox Business and University Medical Center of Southern Nevada for Network Connectivity Services and authorize the Chief Executive Officer to execute the amendment and future Service Orders/Change Orders under the appropriate signing authority; and take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:
-First Amendment to Contract for IT Infrastructure Services
-Disclosure of Ownership/Principals

DISCUSSION: This item is to approve the network connectivity service with Cox and will give us the same pricing as Clark County. We will remove all data center services, the T1 connections and add an increased band width. The estimated savings annually is $102,000 and the contract term is through January 2019.

FINAL ACTION: 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 Colocation Facilities Agreement between Switch, Ltd. and University Medical Center of Southern Nevada for Data Center Services and authorize the Chief Executive Officer to execute the agreement and future Service Orders/Change Orders under the appropriate signing authority; and take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:
-Colocation Facilities Agreement
-Disclosure of Ownership/Principals

DISCUSSION: This will move our current business with Cox to Switch for the IT infrastructure including the data center location facility services and high speed
network services. These are the lines that go into our hospital out to the quick cares and urgent cares. This will result in a savings of $95,880 annually and the term is for three years with a 30 day termination clause.

Member Hagerty asked whether the savings were duplicate or separate.

The services are not duplicates; the savings are with both Cox and Switch. The services were always at Switch, we were purchasing them through Cox. Cox was subcontracting to Switch, now we are not subcontracting but purchasing directly. This eliminates the overages and will save us money.

**FINAL ACTION:** 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. 10** Review and recommend for approval by the Governing Board the Eighth Amendment to the PHCS Participating Provider Agreement between MultiPlan, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. *(For possible action)*

**DOCUMENTS SUBMITTED:**
-Eighth Amendment of PHCS Participating Facility Agreement

**DISCUSSION:** Rose Coker, Director of Managed Care explained that amendment is for MultiPlan, Inc. and Private Healthcare Systems based on the increases to our Charge Master. Only through an amendment can this be accomplished; it will go back to July of 2015.

**FINAL ACTION:** 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. 11** Review and recommend that the Governing Board accept the six (6) Program Letters of Agreement and Memorandum of Understanding for FY 2016 between the Board of Regents of the Nevada System of Higher Education on behalf of the University of Nevada School of Medicine and University Medical Center of Southern Nevada, subject to final approval by the Board of Hospital Trustees; and take action as deemed appropriate. *(For possible action)*

**DOCUMENTS SUBMITTED:**
-Program Letter of Agreements for: Colorectal Fellowship Program, Gastroenterology and Hepatology Fellowship Program, Child and Adolescent Psychiatry Fellowship Program, Female Pelvic Medicine and Reconstructive Surgery Fellowship Program, Orthopedic Surgery Residency Program, Plastic Surgery Residency Program
-Attachment W: MOU

**DISCUSSION:** This is to approve six program letters of agreements and MOU for the FY 2016 budget for the Board of Regents for UNSOM. We are adding on-call
services and updating a few of the program directors names. The term is until June 2016 and we have a six month termination provision.

Vick Gill explained that UNSOM’s original request was for over $31 million and this year’s agreed upon budget was $26 million.

Member Ellis asked further questions with regards to professional services and staff replied it includes services the School of Medicine faculty provides to the hospital. A few examples include physicians who take care of our in house intensive care unit services, gastroenterology, on call services, etc.

Chair Raney would like a report on what is the net, net of UMC being a teaching facility.

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

ITEM NO. 12  Review and recommend for approval by the Governing Board, an Agreement with Nevada Heart and Vascular Center (Resh) LLP for Cardiology Professional Services and related Medical Directorship; and take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:
-Professional Services Agreement

DISCUSSION: This request is to review and recommend approval of a new agreement with the Nevada Heart and Vascular Center LLP to provide coverage to unassigned patients. The estimated savings for the three years is $3.6 million and we can terminate this agreement, without cause upon three hundred sixty-five days written notice after the third anniversary date.

It was noted that the self pay volume is 16%. A majority of our patients come through the Emergency Department.

FINAL ACTION: 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. 13 Review and recommend for approval by the Governing Board, an Agreement with RABessler, M.D., P.C. d/b/a Sound Physicians of Nevada II, for Hospitalist Medical Services; and take action as deemed appropriate. (For possible action)

DOCUMENTS SUBMITTED:
-Professional Services Agreement (Clinical Services)

DISCUSSION: We have contracted with Sound since 2007 and they have been great partners with UMC as well as providing great patient care. Their contract
was up for renewal and we renegotiated the agreement for an estimated annual savings of $1.1 million. This agreement goes through February 2019 and can be terminated with 365 days notice. The number of FTE’s is 18 and the billing is done by Sound.

In response to Chair Raney’s question regarding fair market value, it was explained that Altegra is the independent appraiser who determines what Fair Market Value is and ensures we get a fair price.

Chair Raney would like a summary that explains the process of each contract and the FMV.

Member Ellis would like to know what it would cost us to build it ourselves, in essence build vs. buy.

Mr. Gill explained that one of the approaches that Altegra uses is the cost approach; the cost that would take for us to replicate those services.

CEO VanHouweling suggested he could bring in the vendor to have them explain the process to the committee.

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

**ITEM NO. 14** Receive an update on the financial impact of the Primary/Quick Care Clinics on the hospital’s net revenue; and direct staff accordingly. *For possible action*

**DOCUMENTS SUBMITTED:** Primary Quick Care Clinic Presentation

**DISCUSSION:** Andrew Chung, Associate Administrator gave an update on the Primary and Quick care revenues.

Included in the report are the costs associated with direct expenses such as salaries and wages, benefits, supplies, and utilities.

We are on a good trend as the overall margin improvement is $2.5 million compared to FY14. A lot of that is attributed to better net revenue per visit.

There has been an increase in primary care visits since FY13. For FY15 there were 63,113 visits compared to 55,989 in FY 14, and 56,854 in FY 13.

We do have a competitive advantage in our name; the Quick Care name is solely UMC’s brand and is recognized by many. Also, Danita has been working with our advertising representatives to get ads in both print, radio and online.

In response to Chair Raney’s inquiry as to how much our quick cares make, Mr. Chung responded that any patient that has a relationship with our Quick Care and Primary Care is tracked across all the services at UMC. That is calculated as
a total payment, both self pay and insurance and that figure is around $37.6 million dollars.

Matt Cova explained that an almost profitable/flat return per physician is phenomenal compared to other primary care locations. Expansion is in the works and 2 to 5 locations are planned to help grow our UMC footprint. This plan will be brought to this committee in the near future.

A discussion ensued about what each of the line items were and what they included and Mr. Chung responded with further clarification.

Member Ellis said he would like to further analyze the financial details of the Quick Cares.

Chair Raney asked if we had an action plan for the underperforming clinics and Mr. Chung replied that we do. The clinics are also undergoing some cosmetic lobby renovations to give them a refreshed look.

FINAL ACTION: None Taken

ITEM NO. 15 Receive an update on UMC’s capital plans. (For possible action)

DOCUMENTS SUBMITTED: Capital Management Plan

DISCUSSION: An overview was presented on the current practice of how we allocate capital as well as our existing capital commitments.

With regards to the robotic program, we are awaiting full data and then staff will present the numbers to this committee.

Four types of investments the staff has discussed are:
- Facilities
- Equipment
- Information Technology
- Program start-ups / business development

Summary of Current Capital Commitments
- Critical Facility Infrastructure Replacement and Maintenance
- Facility Modernization Projects
- Wireless IT Infrastructure Upgrade (Support Central Telemetry)
- Equipment Lifecycle Replacement

A master plan needs to be completed soon and staff hopes to have to have the proposal to this committee by June.

Member Hagerty asked for an analysis regarding capital funding as a percentage of our net revenue so it can be presented to the County.

Mr. Chung noted that the $40 to $50 Million for EHR is a separate fund.
ITEM NO. 16 Receive monthly financial report for December 2015; and direct staff accordingly. (For possible action)

DOCUMENTS SUBMITTED:
- December FY2016 Financials

DISCUSSION: Chief Financial Officer, Stephanie Merrill gave a review of the financials for December FY 2016.

- 6 consecutive months with positive net operating income.
- Occupancy remains high and ED volumes exceeds prior years
- Net Revenue is $9.1 million dollars ahead of budget
- Operating expenses are about $100,000 over budget
- For FY 2016 we are sitting at a $14.1 million operating income
- Net PPE (Property, Plant and Equipment) continues to decline each month
- Net patient revenue exceeded budget
- Total operating cost is over budget due to supplies, salaries and benefits
- Average daily census is highest it’s been since August 2013
- Outpatient surgery is about the same as it was in 2014 and a bit less than 2015

Member Hagerty asked about the turnover times with regards to the rooms and patients. Mr. VanHouweling mentioned they were installing software that will track the turnover to ensure we are utilizing time and doctors well.

Don Galloway, Director of Surgery will present at a future meeting to further describe turnover and tracking.

FINAL ACTION: None Taken

ITEM NO. 17 Receive an update on the FY 2017 Budget process. (For possible action)

DOCUMENTS SUBMITTED: None submitted

DISCUSSION: Chief Financial Officer, Stephanie Merrill gave an update with regards to the FY 2017 Budget Process.

Time is being spent on the following:
- Contractual estimates are being updated
- Increasing surgery volume and related revenue
- New initiatives and projects from the Director of Business Development
- Impact of the EHR on staffing and training
- Nursing staffing
- $10 million dollars’ worth of new positions that have been proposed, none of which are in the budget currently
Ms. Merrill met with Yolanda King at the County and the County has committed $31 million for the next fiscal year.

**FINAL ACTION:** None Taken

**ITEM NO. 18 Receive an update from the Chief Financial Officer; and direct staff accordingly. (**For possible action**)**

**DOCUMENTS SUBMITTED:** None submitted

**DISCUSSION:** The deadline to get budget numbers to the County is March 4, 2016.

Ms. Raney would like this committee to see the budget before it is submitted to the County. She also mentioned that the committee has not seen a prioritized capital list and they need to see it.

**FINAL ACTION:** None taken

**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**)**

CEO VanHouweling mentioned that Health Care Coalition with over 275,000 members and 20 organizations are currently in negotiations to allow members to continue paying in-network rates at HCA facilities. HCA owns Sunrise Hospital, Southern Hills Hospital and Mountain View Hospital and four surgical clinics in Southern Nevada.

**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 Committee at this time, at the hour of 5:45 p.m., Chair Raney adjourned the meeting.

**MINUTES APPROVED:** March 16, 2016

**MINUTES PREPARED BY:** Terra Lovelin