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## 03-07-2017 HSC Committee Meeting Minutes

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Meeting Minutes  
UNM Health Sciences Center Committee  
March 7, 2017

UNM Health Sciences Center Committee (the "HSCC") members present:

Marron Lee, Chair

Tom Clifford, Vice Chair

Rob Doughty, III

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Chair Lee called the meeting of the HSC Committee to order at 12:37 p.m. and confirmed that a quorum was present.

Approval of Agenda

A motion was made to adopt the agenda. The motion was seconded. The motion passed with a vote of 3-0-0.

Dr. Paul Roth requested to resubmit materials regarding the action item for nominations to the UNM Medical Group, Inc. Board of Directors. These materials were then distributed to the HSC Committee members and President Abdallah.

Approval of Minutes of Prior Meeting

A motion was made to approve the minutes of the February 7, 2017 meeting of the HSC Committee. The motion was seconded. The motion passed with a vote of 3-0-0.

Comments from Committee Members

There were no comments from committee members.

Chancellor's Administrative Report

Chancellor Roth announced that Dr. Nancy Ridenour, Dean of the UNM College of Nursing and Dr. Lynda Welage, Dean of the UNM College of Pharmacy will be stepping down and moving to other institutions. Dr. Roth announced that Dr. Martha McGrew, Executive Vice Dean, School of Medicine and Ms. Jamie Silva-Steele, Chief Executive Office, Sandoval Regional Medical Center, Inc. were recognized by the New Mexico Business Weekly as Women of Influence. Drs. Lana Melendres-Groves

and Dona Upson, Department of Internal Medicine, received the Clinton P. Anderson Award from the New Mexico Chapter of the American Lung Association. Dr. Roth announced that Dr. Howard Yonas, Chair, Department of Neurosurgery, was selected to receive the Louis Gorin Award for Outstanding Achievement in Rural Health Care given by the National Rural Health Association. Dr. Roth concluded by announcing that Ms. Rosalyn Nguyen, Attorney, Office of University Counsel's Health Sciences Division, was inducted as a Young Alumni Honoree into the UNM Anderson School of Management Hall of Fame.

Regent Clifford recommended that the UNM Board of Regents acknowledge these honorees with a formal letter of commendation.

### UNM Health System Update

Mr. Steve McKernan highlighted the Health System's financial stability at this point. Inpatient volumes, discharges, surgeries, clinic visits, emergency room visits are up; down in obstetrics. He highlighted the balance sheet, *i.e.*, cash, accounts receivables, accounts payable, current ratio. Dr. Mike Richards provided highlights regarding the Sandoval Regional Medical Center, Inc. with input by Ms. Jamie Silva-Steele, CEO. His highlights included ramifications due to the change in the Mill Levy for Sandoval County (45% of Mill Levy shared with Rusk Medical Center) in the amount of approximately \$6.2 million for SRMC. Twenty percent (20%) of that allocation was for the operation of a 12-bed geriatric behavioral unit. Due to the voters not approve the Mill Levy in November, Housing and Urban Development (HUD) was informed of the change in financial condition which required a submission of an action plan for how the HS would address the change in revenue to SRMC. The plan was approved by SRMC Board of Directors and submitted to HUD in February. The strategy in dealing with the revenue change is in three main areas: 1) cost saving initiatives -- closure of the Behavioral Health Unit at the SRMC location, adjustments to the Affiliation Agreement for Resident Education, managing personnel by reducing the total number of FTEs by 50, changed the critical care model by no longer affiliating with a community group but will provide predominantly through internal providers, and the implementation of a 340b pharmaceutical program at SRMC; 2) backfilling the clinical space where the Behavioral Health Unit; and 3) continued growth of clinical programs, *i.e.*, the GI services and procedures. Regent Lee inquired as to Pediatrics and Pediatric GI, specifically. Dr. Richards responded that there is no existing Pediatric inpatient service at SRMC but we will continue to offer outpatient Pediatrics at SRMC; Pediatric GI services require highly specialized support services so the SRMC expansion of GI services targets adults. Dr. Richards continued with additional continued growth of clinical programs' initiatives *i.e.*, expanding Surgical Services at SRMC, and diagnostics. These initiatives address the \$6.2 million loss of Mill Levy support. Regent Clifford requested a clarification from Mr. McKernan on the UNM Health System Total Operations – Income Statement YTD January 31, 2017 (in thousands), specifically as to year-to-date figures, actual results for first seven months, comparison with prior year, comparing those two periods (\$10 Million increase in Operating Loss and a \$7.5 million increase in Non-Operating Revenue for a \$2.5 million decrease in Net Position); Regent Clifford asked for an explanation on the \$7.5 million increase in Non-Operating Revenue (assuming Mill Levy is a major component). Mr. McKernan stated that he will provide the information and then discussed the projections – most is related to meaningful use payment received by the Practice Plan in medical resources worth \$5.5 million; the rest is Mill Levy.

Regent Clifford asked if that was nonrecurring. Mr. McKernan responded that it is not exactly nonrecurring -- at some point it will come to an end but good for another one to two years. Dr. Richards added that there is one more year in potential upside on Meaningful Use for eligible providers and then we move into a new reimbursement mechanism for provider services that will no longer have a Meaningful Use incentive payment. Regent Clifford inquired on Projection for FY17 and Budget in a following column – what is the difference? Mr. McKernan responded that it is taking what the year-to-date actuals and divide by seven, multiply by 12 for some adjustments that are expected between now and June 30. Regent Clifford stated “In the aggregate they are very similar to the seven month figures.” Mr. McKernan responded that it is making modifications for seven months in order to project our status by the end of a period. Regent Clifford inquired as to the last two columns related to the Budget. Mr. McKernan responded that it relates to the original budget that was approved by the Regents in April 2016; he clarified that these documents refer only to the Health System (UNM Medical Group, Sandoval Regional Medical Center and the UNM Hospitals), not the Health Sciences Center. Regent Clifford asked for confirmation in what looks to be about a \$10 million increased Operating Loss appears to be about \$4 million in excess of what was budgeted. Mr. McKernan responded affirmatively. Regent Clifford continued that this is being offset by higher than expected Non-Operating Revenue, therefore, the net position is positive relative to budget. Mr. McKernan responded affirmatively. Regent Clifford added his concern about the Operating Loss. Mr. McKernan responded that subsequent to the approved budget, a number of events occurred (*i.e.*, State of New Mexico reduced payments for Medicaid, the State requested a \$20 million additional intergovernmental transfer and we had contract negotiations with some Medicaid MCOs. Approximately July 1, we had thought our Revenues would be about \$40 million less than what we had originally budgeted but subsequently, we got involved with a number of activities within the Health System in which we focused on revenue cycle, activity levels, cost containment, etc. and through that we are at a situation (if you take out the \$5 million Meaningful Use), we are effectively at breakeven through the first seven months of the year. He continued an explanation of tendencies in Health System Revenues, etc. He inquired into changes to the Case Load and the difficulty to translate those into budgetary impacts, a definition of Relative Value Units (RVUs). It was agreed that in the future the “CMI Adjusted Patient Days” metric be provided. He requested a meeting with McKernan after the HSC Committee meeting to further discuss charts and to receive a briefing on budget preliminary data. Regent Clifford addressed current plans out of Washington regarding what might happen with Medicaid and a request to start discussion on same: timeline on preparation of FY18 budgets (HS budget to be complete approximately March 31 (for July) and present it to the Regents in early April. Regent Clifford requested a preview. Regent Lee inquired as to the number of total employees at SRMC, the reduction of 50 FTEs as mentioned earlier, what departments were impacted, Behavioral Health and how that will affect the promises made regarding behavioral health care through UNM. Dr. Richards responded that patients will be absorbed into the existing clinical platform. Discussion followed on number of psychiatric facilities recently opened in Albuquerque. Regent Clifford inquired on centralized procurement efforts in Bernalillo County’s implementation of their behavioral health initiative, ongoing discussion underway with Bernalillo County, etc. Mr. McKernan stated that he will provide updates on what Bernalillo County would like to do on behavioral health initiative. Discussion on the need for ambulatory care for intensive outpatient care, partial hospital care, and a variety of wrap-around services in the ambulatory environment. The dilemma is the reimbursement related to this care is insufficient for many providers to have those

programs in the community; Medicaid rates, etc. Dr. Roth commented that he sees no impact on the transition of geriatric inpatient behavioral health from SRMC to UNM Hospitals in discussions with the County and is confident that this is not even remotely impacting our ability to address the concerns that the County has raised. Dr. Roth commented on the gross receipts tax that is being accumulated at the County level and those discussions have not progressed as to the County's decision on how to allocate those funds. Much of what the County has been discussing relates to housing and other social services that may require much of those funds. Regent Clifford commented that, based on this input on rates, "I presume that they're hearing that from other providers but I don't think it would hurt for us ... to provide that feedback as well to them on use of the Gross Receipts Tax. On the MOU, what I heard the Chair trying to do is raise an issue that they could raise with us..." Dr. Roth clarified that, from his point of view, it will not impact conversations. Discussion followed on community clinics for mental health care, etc. Dr. Richards commented that we recently opened a new 24-bed behavioral health unit in our collaboration with Genesis.

#### Public Comment

There was no public comment.

#### Action Items

##### Request for the Approval of Nominations to the UNM Medical Group, Inc. Board of Directors

Dr. Mike Richards presented background on the nomination of Dr. Gary Mlady, Chair, Radiology and Dr. Melissa Ivers, physician in the Department of Dental Medicine and Vice Chair of the Physicians Advisory Group, to the UNM Medical Group, Inc. Board of Directors. Drs. Mlady and Ivers were in the audience and briefly addressed the HSC Committee. A motion was made to approve the nomination of Dr. Gary Mlady and Dr. Melissa Ivers to the UNM Medical Group, Inc. Board of Directors. The motion was seconded. The motion passed with a vote of 3-0-0.

##### Request for the Approval of Nominations to the Lovelace UNM Rehabilitation Hospital Board of Directors

Dr. Mike Richards presented background on the nominations of himself, Dr. Martha McGrew, and Ms. Jill Klar to the Lovelace UNM Rehabilitation Hospital Board of Directors. The nominees were in the audience. A motion was made to approve the nomination of Dr. Michael Richards, Dr. Martha McGrew, Executive Vice Dean and physician in the Department of Family & Community Medicine, and Ms. Jill Klar, Interim Chief Executive Officer and Chief Operating Officer of UNM Medical Group, Inc. to the Lovelace UNM Rehabilitation Hospital Board of Directors. The motion was seconded. The motion passed with a vote of 3-0-0.

### Request for the Approval of the UNM Hospitals Contract with Cyberonics, Inc.

Mr. Steve McKernan provided a brief background on the request for the approval of a UNMH Hospitals contract with Cyberonics, Inc. Regent Clifford inquired as to whether this contract was a lease basis versus a purchase. Mr. McKernan answered that it is a purchase. Discussion was held on sole source, etc. A motion was made to approve the UNM Hospitals contract with Cyberonics, Inc. The motion was seconded. The motion passed with a vote of 3-0-0.

### Information Items

#### HSC Financial Update

Ms. Ava Lovell provided an update on the UNM Health Sciences Center finances that included information for seven months or 58% of the year, I&G (tuition, benefits, Research, (discussed Social Security, Cigarette Tax), Public Service, etc. Regent Clifford asked, “Do you show budgeted balances in the table?” Ms. Lovell responded in the affirmative and provided further explanation of the table. Regent Clifford asked for verification that it is not recognized as a Revenue. Dr. Roth noted that this is a difference in how the HSC reports finances as compared to Main campus. Discussion. Ms. Lovell continued with information on Student Aid, Student Activities, Sponsored Programs, Clinical Operations (favorable at approximately \$804,000), Expenses, Salaries, Benefits, etc. Regent Clifford requested information on breakdowns. He asked, “To what extent does the Case Load drive Expenses ... is there a correlation.” He also inquired as to Tuition in I&G being up significantly – is that due to an enrollment increase? Year to date is up about 10%.” Ms. Lovell responded yes, it is all enrollment. Discussion. Regarding the Cigarette Tax, Regent Clifford noticed budget initiatives at the State to modify the distribution, the analyses, etc. – that does not refer to our Research funding but does it refer to any capital initiatives existing? Discussion with input from Dr. Cheryl Willman.

#### Meeting Minutes from the UNM Hospitals Board of Trustees and the Sandoval Regional Medical Center, Inc. Board of Directors

Regent Lee referenced the minutes included in the agenda as information items from the UNM Hospitals Board of Trustee meetings and the Sandoval Regional Medical Center, Inc. Board of Directors meeting. No discussion.

#### Executive Session

A motion was made for the HSC Committee to convene in executive session for the reasons specified in the published agenda. The motion was seconded. The motion passed with a vote of 3-0-0.

Following the executive session, a motion was made to reconvene in open session and a certification that only those matters described in agenda item X were discussed in executive session. The motion was seconded. The motion passed with a vote of 3-0-0.

Adjournment

A motion was made to adjourn the meeting. The motion was seconded. The motion passed with a vote of 3-0-0.

Approval of Minutes:

Marron Lee  
Marron Lee, Chair, HSC Committee

05/09/17  
Date