

**EL PASO COUNTY HOSPITAL DISTRICT
SPECIAL FINANCE COMMITTEE MEETING MINUTES**

Friday, January 6, 2017
8:15 a.m.

4815 Alameda Ave., 8th Floor Board Room
El Paso, Texas 79905

PRESENT

James Volk, Chair
Miguel Fernandez, Committee Member
Michael Nuñez, Chief Financial Officer
Jacob Cintron, President & Chief Executive Officer
Lorena Navedo, Executive Chief of Staff
Leticia Flores, Corporate Controller
Cathy Gibson, Chief Compliance Officer
Christina Ford, Chief Legal Officer
Joe Garcia, Chief Nursing Officer
Maria Zampini, Chief Operating Officer
Frank Dominguez, EPF President & Chief Executive Officer
Sabrina Addison, Recording Secretary

GUESTS

Tom Watson, BKD LLP
Francisco Rios, El Paso County
Jorge Reyes, Constituent Services Coordinator - Commissioners Court Pct. 3
Bruce Yetter, El Paso County Attorney
Myron Lewis, Pharmacy Director
Leticia Venzor, Assistant Controller
Diana Ramirez, Accounting Supervisor
Jesus Rios, Accounting Supervisor
Audrey Garcia, EPCH

ABSENT

Darius Boman, M.D., Medical Staff Representative
Carmen Arrieta-Candelaria, Committee Member

AGENDA ITEM	CONCLUSION/RECOMMENDATIONS	ACTION	FOLLOW-UP
I. Call to Order II. Establish a Quorum	Mr. James Volk called the meeting to order at 08:15 a.m., January 13, 2017 after establishing that there was a quorum present.		
III. Discuss and take appropriate action on the El Paso County Hospital District Audited Financial Statements as of September 30, 2016 and the year then ended. Mr. Michael Nuñez Mr. Tom Watson	Mr. Tom Watson provided the following comments on the Financial Statement Audit Required Communications and noted that BKD will issue an unmodified or clean opinion on UMC, EPCH, EPF, UMCF and Uniform Guidance federal awards and compliance. During the audit, a significant amount of time was spent reviewing accounting policies and accounting treatments for variations from GAAP.	Motion to approve and forward to the Board was made by Mr. Fernandez and seconded by Mr. Cintron.	

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	<p><u>Major Issues Impacting the 2016 Financial Statements:</u></p> <ul style="list-style-type: none"> • EPCH – now an entity of UMC, Fresh Start accounting applied 1/1/16 • Adoption of GASB 80 (combined campus-wide financial statements) • Medicaid Supplemental Payment Programs • Nursing Home UPL/MPAP Program Converting to QIPP Program <p><u>EPCH's Accounting Implications</u></p> <ul style="list-style-type: none"> • EPCH became a blended component of UMC, effective the date of the bankruptcy emergence. • EPCH will continue to follow non-profit accounting on the individual financial statements and follow governmental accounting when consolidated with UMC. <p>Mr. Watson provided a detailed review of EPCH Applied Fresh Start accounting, key requirements and when fresh start accounting is applicable.</p> <p>Mr. Watson discussed the Fair Value adjustments by Huron and the Fresh Start adjustments as of 1/1/2016, to include other unique issues with EPCH Accounting on slides 5 and 6.</p> <p><u>GASB 68 – Year #2</u> In 2015 UMC was required to adopt GASB 68, which required the pension liability to be recognized on the balance sheet. The liability amount was approximately \$19.9 million and increased to approximately \$44.2 million in 2016; mainly due to the investment performance of assets in the common trust fund that did not meet the investment return projections.</p> <p>The Deferred outflows increased to \$32 million and comprised of approximately \$25 million lower investment performance. This will be amortized to expense over a five year period. The variance is a result of the contributions made to the plan after the measurement date of 12/31/16.</p> <p>There was a decrease in Funded status from 94% to 87%. Other assumptions (discount/inflation rates, etc.) remain constant between the years.</p> <p>Mr. Watson highlighted the following risk areas:</p> <ul style="list-style-type: none"> • Patient Account Receivables – EPCH/UMC was satisfactory, approximately 98% of accounts collected. • Third Party Settlements/Waiver Transactions – NAIP was the only 		

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	<p>receivable pending for UMC (approx. \$5 million).</p> <ul style="list-style-type: none"> • Accrual for Malpractice, Worker's Compensation and Employee Health Insurance Claims – Satisfactory. • Reserve for EPF Medical Claims Liability – Significant liability in unpaid health claims for members for each year (approx. \$14 million) and satisfactory at the end of 2016. • Internal Controls over Financial Reporting and Segregation of Duties – No significant variances identified in policies and practices. <p><u>Audit Differences/Communications</u></p> <ul style="list-style-type: none"> • No Proposed Audit Adjustments recorded. • One minor unrecorded audit differences related to the timing of revenues/billing after the end of the year that is related to prior year (<0.5% of net position). • No difficulties encountered by audit team • No disagreements with management • No contentious accounting issues • No consultations with other accountants <p><u>Other Required Communications</u></p> <p><i>Significant Issues Discussed with Management:</i></p> <ul style="list-style-type: none"> • OPEB (Post Employment Retirement Benefit) beginning 1/1/17 – The impact in 2017 will be minor and will receive GASB 68 treatment in 2018. There will be a liability for the unfunded component of the OPEB and potentially result in an additional several million based on actuary computations. • EPCH Accounting Matters <p><i>Material Written Communications:</i></p> <ul style="list-style-type: none"> • Audit Communication Letter • Management Representation Letter • BKD will provide separate communications for EPCH, El Paso First and the Foundation. <p>Mr. Watson reviewed and provided comments on slides 12 – 23.</p> <ul style="list-style-type: none"> • UMC Comparison to Other Districts • Balance Sheets/Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position • Days Cash of Hand • Days in Accounts Receivable 		

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	<ul style="list-style-type: none"> • Cash to Long-term Debt • Statements of Revenues, Expenses and Changes in Net Position • Patient Collections vs. Net Revenue (UMC) • Tax Revenue \$ and % of Total Revenue • Premium Revenue vs. Claims Costs with Member Months (El Paso First) • Employee Benefits as % of Salaries • Capital Asset Purchases vs. Depreciation Expense <p>Mr. Nuñez added that combined financial statements presented each month have excluded EPCH, which resulted in a \$3.9 million decrease in Net Position for UMC, El Paso First and the Foundation in the month of September. Including EPCH's nine month performance resulted in a positive \$400 thousand in Net Position. During the nine months, EPCH received two years of Medicaid Supplemental/UC benefits for 2015/2016 and will receive one year moving forward.</p> <p>Mr. Nuñez also acknowledged Ms. Flores and the UMC accounting team, Mr. Tassoni and Mr. Bernal from EPCH, Ms. Verosky and Mr. Gonzalez from El Paso for their time and efforts preparing for the audit.</p>		
<p>IV. Adjournment</p> <p>Mr. James Volk</p>	<p>Mr. Volk adjourned the meeting for January 6, 2017 at 9:14 a.m.</p>		


 F. James Volk -Committee Chair