

UNLV Medicine

Faculty Practice Business Plan

Presentation to NSHE

as of January 27, 2017

UNLV Medicine Vision, Mission and Academic Goals

Vision: To be recognized as a **preeminent multi-specialty academic medical group** in Nevada, differentiated by **innovations in patient-centered care, research and education.**

Mission: To **transform quality of care** for Nevada patients through **innovations in improved access and community integration**, while fostering a **learning environment that inspires and attracts students, faculty and community support/awareness.**

Academic Goals: Support the medical education (UME), training (GME) and clinical research missions of UNLV Medicine to:

- Provide exceptional medical care and a superior patient experience
- Build clinical, education, and research service lines and programs
- Be a sustainable, fiscally viable clinical enterprise of UNLV Medicine
- Provide clinical care settings to promote the education and training of students (UME), residents and fellows (GME)
- Translate leading scientific innovations into clinical practice while servicing the diverse healthcare needs of Southern Nevada region
- Support additional patient care activities for UNLV Faculty to enhance revenue as capacity allows, opportunities arise, and demand increases

UNLV Medicine Guiding Principles

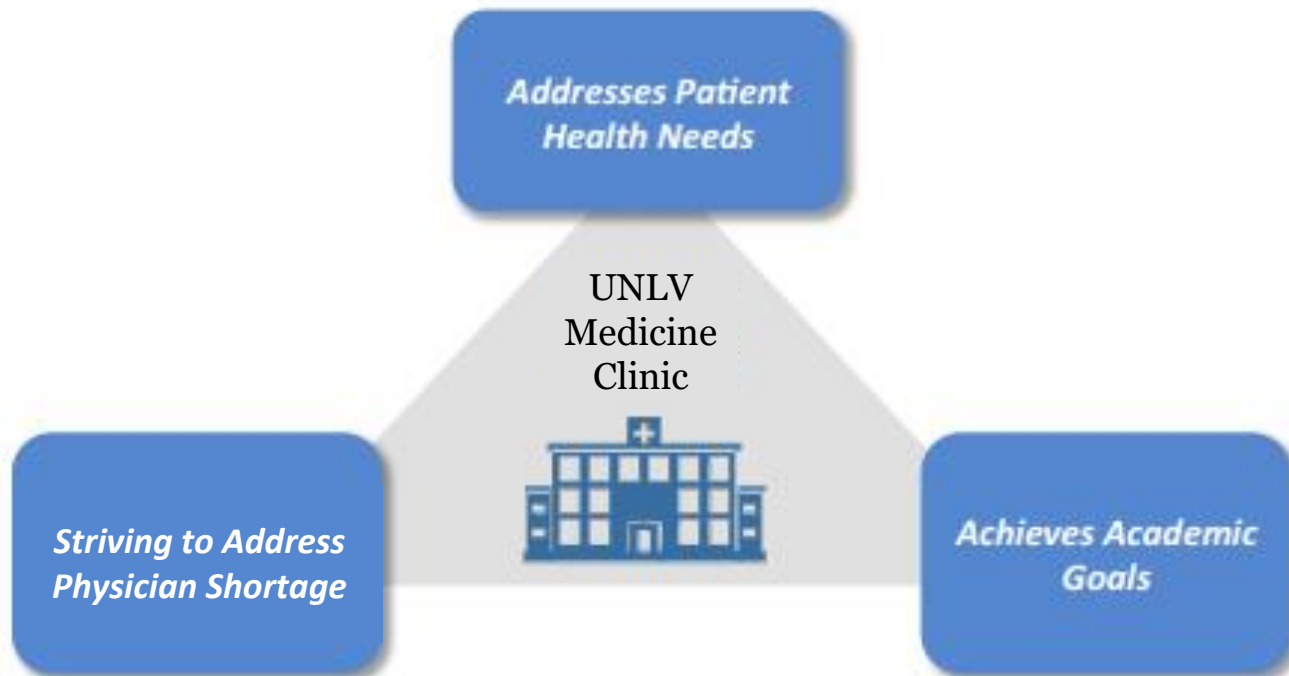
UNLV Medicine seeks to establish:

1. **High quality patient care** consistent with patient, community, payer and other stakeholder expectations
2. **Fiscal sustainability and growth** that supports the needs of the faculty practice and UNLV Medicine
3. **Collaborative relationship** with the Dean, SOM Administration, University and Affiliates
4. **Interdisciplinary cohesiveness and collaboration** within the faculty practice that supports nimble and aligned decision-making
5. **Operational efficiency** when it comes to improved patient access, referral management, clinic operations, billing, and technology (e.g., EMR, PACS, systems connectivity)
6. **Effective and enhanced contracting** with payers, clinical affiliates, and other contracted entities
7. **Transparency** in management and financial decision-making
8. **A strong administrative and practice management infrastructure** to support the financial and business needs of a multi-disciplinary physician practice
9. **Incentive based compensation** that rewards high producers across missions
10. Provide clinical care settings to **promote the education and training** of students, residents, and fellows

UNLV Medicine UNLV Medicine Clinic

UNLV Medicine will be a multispecialty faculty practice benefiting the Las Vegas community. As a part of UNLV Medicine, the UNLV Medicine Clinic (Longitudinal Integrated Clerkship Clinic) will be the primary teaching site (UME, GME) for the faculty practice, allowing for incremental faculty practice growth and complementing additional practice sites throughout the region.

Key Benefits to Las Vegas Community



Market Assessment Clinician Opportunity

<i>Rate per 100,000 Population (2013)</i>	<i>Nevada</i>	<i>National</i>	<i>Nevada Ranking*</i>
Physicians	226	326	47 th
Registered Nurses (2012)	610	839	51 th
Psychiatrists	6	13	50 th
Specialist Surgeons	36	54	51 th
General Surgeons	8	12	50 th
Pediatricians	60	113	49 th
Physical Therapists	44	61	48 th

**Out of 50 states plus DC*

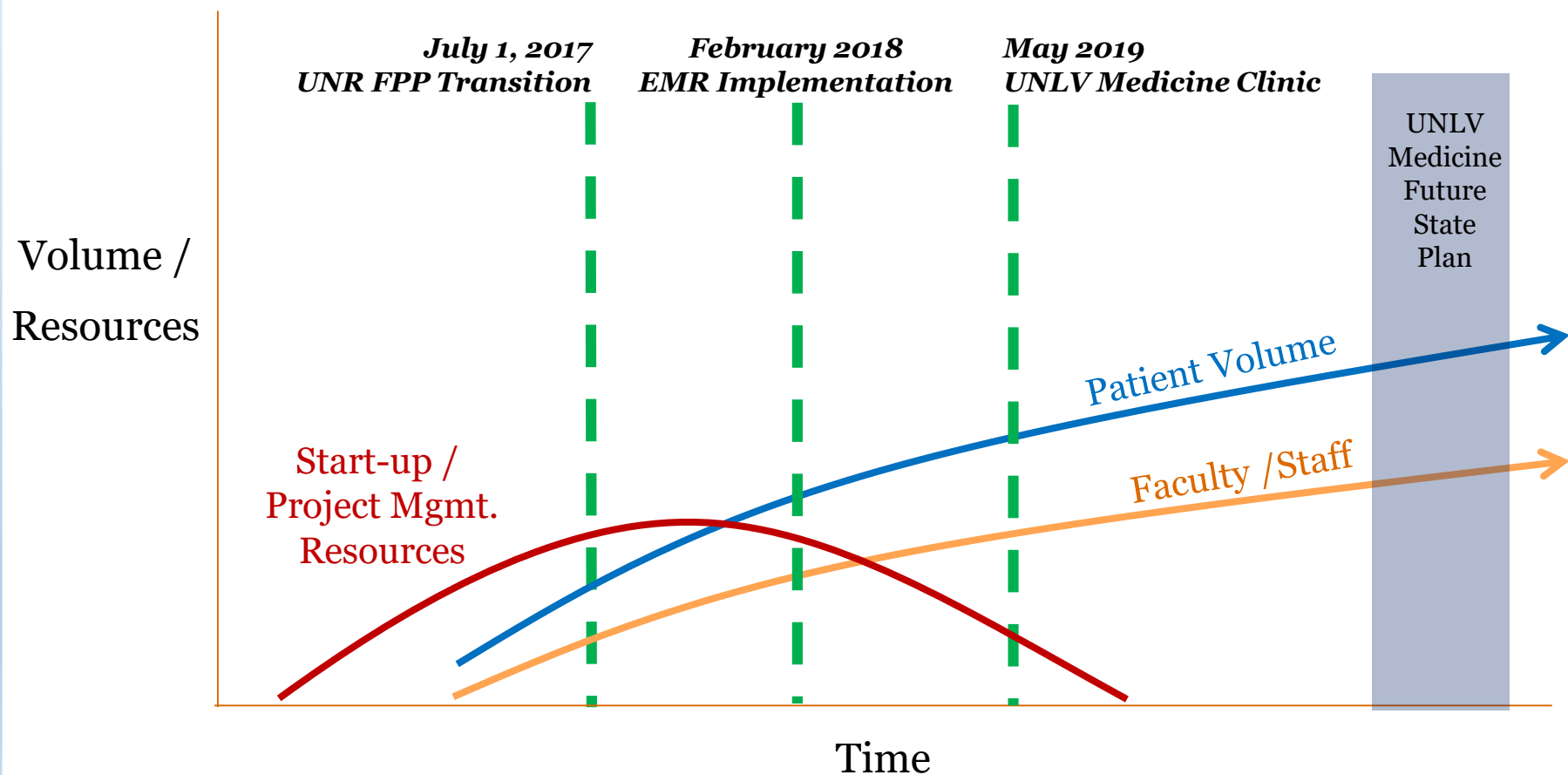
- Nevada ranks at or near the bottom of health care providers per 100,000 population. Fundamental steps are being taken to address the region's longstanding physician shortage
- More health systems are opening residency slots to accommodate new medical students
- State's overall uninsured rate has plummeted following the explosion in Nevada's Medicaid population with ACA implications of a new administration to be determined
- Accountable care organization (ACO) market continues its steady growth. Hospitals still show little urgency to move from Fee For Service, while physicians are making inroads in expanding their ACO partnerships with payers

The completion of a full AMC in Las Vegas through the addition of UNLV Medicine with a dedicated faculty practice will attract the "best and the brightest" of clinicians to Southern Nevada.

Sources: <http://www.leg.state.nv.us/Division/Research/Publications/Factsheets/HealthCareRankings.pdf>
Decision Resources Group - Las Vegas Market Overview (February 2016)

Financial Plan Faculty Practice Start-up and Future State

The goal is to have a financially viable UNLV Medicine faculty practice in the future to support the tripartite missions. While UNLV Medicine benefits from starting with the UNR FPP on July 1, 2017, UNLV Medicine faculty practice is envisioned to grow over the next few years towards the future state.



Financial Plan

UNLV Medicine Future State

Based on the following key assumptions the UNLV Medicine will generate a positive margin.

Key Assumptions		
1	Faculty cFTE	<i>UNLV Medicine Recruitment Plan</i> 115.4
II. Revenues		(\$ in Millions)
2	Clinical Revenue	A <i>MGMA 75th Percentile</i> \$89.0
3	Total Revenue	\$89.0
III. Expenses		
4	Faculty Salaries & Fringe	
5	Faculty Salary	<i>MGMA Median</i> B \$28.0
6	Faculty Fringe	<i>25% of Faculty Salary</i> \$7.0
7	Total Faculty Salaries & Fringe	\$35.0
8	Non-Faculty Salaries & Fringe	
9	Front Office Salaries	<i>MGMA Median</i> \$6.0
10	Business Office Salaries	C <i>MGMA Median</i> \$0.6
11	Clinical Support Salaries	<i>MGMA Median</i> \$14.5
12	Administrative Salaries	<i>MGMA Median</i> \$1.5
13	Non-Faculty Fringe	<i>28% of Non-Faculty Salary</i> \$6.3
14	Total Non-Faculty Salaries & Fringe	\$28.9
15	Non-Personnel Operating Expenses	
16	MSO Fee	<i>as a % of Total Medical Revenue</i> <i>MGMA Median</i> \$3.8
17	EMR	<i>\$1,370 per FTE per month</i> \$1.9
18	Dean's Tax	<i>5% of Net Revenue</i> \$4.4
19	Other Operating Expenses	<i>MGMA Median</i> \$12.2
20	Total Non-Personnel Operating Expenses	\$22.3
21	Total Expense	\$86.2
22	Net Income	\$2.8

- A** Assumption-driven revenue that has not delineated by individual revenue streams such as hospital funds flow/ancillary
- B** Faculty non-clinical effort and associated salary expenses are not included in the UNLV Medicine Future State Financial Plan
- C** Business Office Staffing ratio at MGMA 10th %'tile

Key Near Term Business Strategies for UNLV SOM Faculty Practice Plan

1. **Productivity Based Compensation Plan.** New "X,Y,Z" faculty compensation plan, with their total compensation directly tied to clinic productivity. The new annual leave policy is also a major change, moving to a maximum of 5 carryover days at the end of any year (vs 48) and no payout for accumulated leave upon termination/retirement (vs up to 48 days).
2. **On-Site Management.** Day to day management/oversight of all clinic activity will be from leadership located in Las Vegas and focused on financial performance and quality patient service.
3. **Clinic Sites.** Initially moving from 20 to 11 clinic sites in order to decrease overhead costs and increase productivity. Longer term we see the number of sites decreasing further, with larger clinics, and further reduction of overhead. Additionally, we will select strategic locations in the valley to maximize revenue while still meeting service mission.
4. **Patient Records Management.** We are outsourcing the billings and collections activities with the goal of decreasing the time from service to collection and increasing total collections.
5. **Electronic Medical Records System.** Such systems are critical to the training of doctors and the operation of clinics. We are partnering with UMC to use the same EMR system they have selected (EPIC), with full supported implementation and on-going operations.
6. **No UNLV "Taxes" on Clinics Until Stabilized.** We will not bill and collect any "Dean/Chair" type tax on the clinic activities until such time as the financial operation is stabilized, there is no outstanding debt, and there are resources to pay the tax and still maintain a positive financial balance for the practice plan.

Comparative Financials: UNR SOM FPP AND Proposed UNLV SOM FPP

<u>FY16 audited financial statements - UNR FPP</u>				
	MSAS	Mojave/NFPRP	Pharmacy	Total
<i>Revenue</i>				
1 Net patient service revenue	\$26,132,002	\$10,358,805	\$8,438,307	\$44,929,114
2 Contract Revenue	\$8,019,067			\$8,019,067
3 Other Revenue	\$1,865,175	\$1,042,188		\$2,907,363
4 Total revenue	\$36,016,244	\$11,400,993	\$8,438,307	\$55,855,544
<i>Expenses</i>				
5 Employee salaries, wages and benefits	\$11,455,434	\$7,717,025	\$381,092	\$19,553,551
6 Physician services	\$12,938,722	\$830,268	\$540,833	\$14,309,823
7 medical fees	\$7,617,974	\$3,136,223	\$288,603	\$11,042,800
8 Supplies	\$2,186,654	\$62,909	\$7,053,704	\$9,303,267
9 Purchased services, insurance and other	\$3,723,852	\$611,355	\$2,939	\$4,338,146
10 Depreciation and amortization	\$171,245	\$25,864	\$17,348	\$214,457
11 Total expenses	\$38,093,881	\$12,383,644	\$8,284,519	\$58,762,044
12 Operating Loss	-\$2,077,637	-\$982,651	\$153,788	-\$2,906,500
13 Add UMC revenue for professional services, budgeted in UNR accounts but will be in the UNLV FPP				\$11,300,000
14 Total Revenue with UMC professional services (proxy for total FY16 revenue)				\$67,155,544
15 UNLV SOM FPP FY18 Projected Total Revenue				\$73,600,000*

*Revenue calculated using FY16 year total while “Annualized FY17” based off 5-months ending November 2016 – of UNR SOM practice plan annualized

Financial Plan Multi-Year Plan

The following table provides an annualized year (FY17) – based on 5 month ending November 2016 – of UNR SOM practice plan compared to the UNLV Medicine commencing FY18. Year 1 – 4 based on historical adjusted UNR SOM information and several growth assumptions available at this time.

	Annualized FY17	Year 1 FY18	Year 2 FY19	Year 3 FY20	Year 4 FY21
(\$ in Millions)					
Revenues					
1 Total Professional Revenue	\$71.0	B \$73.6	\$76.9	C \$79.2	\$82.9
Expenses					
2 Total Faculty Salaries & Fringe	\$30.5	\$31.4	\$32.5	\$33.6	\$34.8
3 Total Non-Faculty Salaries & Fringe	\$13.3	\$13.5	\$13.8	\$14.1	\$14.4
4 Total Non-Personnel Operating Expenses	A \$26.7	\$25.3	\$25.9	\$26.4	D \$31.1
5 Total Expense	\$70.5	\$70.2	\$72.2	\$74.1	\$80.3
6 Net Income	\$0.5	\$3.4	\$4.7	\$5.1	\$2.6

A Dean's Tax paid in FY17

B EMR starts 2/2018. Outpatient revenue reduced by 50% for 1 month

C UNLV Medicine Clinic (Longitudinal Integrated Clerkship Clinic) begins 5/2019. Expect a 20% reduction in outpatient revenue for 4 months

D Dean's Tax waived Years 1 - 3, until working capital loan has been paid in full. The Dean's Tax waived in year 1 is \$3.7M, year 2 is \$3.8M, and year 3 is \$4.0M, all to be used to make payment toward the Working Capital Loan

Note: Revenues and expenses (in aggregate) are anticipated to increase by 2.4-5% and 3-4% year over year respectively

Source: UNLV SOM CFO Financial Forecast, "5 months Annualized and Projected" file

Financial Plan

Working Capital Fund Requirements

Working capital loan will need to be collateralized by UNLV.

	Year 1 FY18	Year 2 FY19	Year 3 FY20	Year 4 FY21
	(\$ in Millions)			
1 Net Income	\$3.4	\$4.7	\$5.1	\$2.6
2 Reduction of Accounts Receivable		\$4.3	\$1.5	(\$0.4)
3 Working Capital Loan Payment	\$3.4	\$9.0	\$6.6	\$2.3
4 Working Capital Loan	(\$18.9)	(\$15.5)	(\$6.5)	\$0.1
Net W/C loan balance	(\$15.5)	(\$6.5)		
5 Reserves			\$0.1	\$2.4

Working Capital Assumptions

- Working capital amount to be borrowed will be less than \$19.0M
- Anticipate paying off the working capital loan by beginning of Year 4 (FY21)
- Strive to build reserves up to 60 days of expenses

Source: UNLV SOM CFO Financial Forecast, “5 months Annualized and Projected” file

Financial Plan

Working Capital Detail

The tables below further breakdown the reduction of accounts receivable noted on the previous slide

	Year 1 FY18	Year 2 FY19	Year 3 FY20	Year 4 FY21
(Days)				
<i>Collected Current Year</i>				
1 Net FFS and Cap	120	60	45	45
2 All Other Revenue	60	30	30	30
<i>Collected Previous Year</i>				
4 Net FFS and Cap		90	60	45
5 All Other Revenue		45	30	30

	Year 1 FY18	Year 2 FY19	Year 3 FY20	Year 4 FY21
(\$ in Millions)				
<i>Collected Current Year</i>				
1 Net FFS and Cap	(\$13.2)	(\$6.9)	(\$5.3)	(\$5.6)
2 All Other Revenue	(\$5.7)	(\$2.9)	(\$3.0)	(\$3.1)
3 Working Capital Needs	(\$18.9)	(\$9.8)	(\$8.3)	(\$8.7)
<i>Collected Previous Year</i>				
4 Net FFS and Cap		\$9.9	\$6.9	\$5.3
5 All Other Revenue		\$4.2	\$2.9	\$3.0
6 Working Capital Needs		\$14.1	\$9.8	\$8.3
7 Reduction of Accounts Receivable	*	\$4.3	\$1.5	(\$0.4)

*Amount is the working capital loan

Source: UNLV SOM CFO Financial Forecast, "5 months Annualized and Projected" file

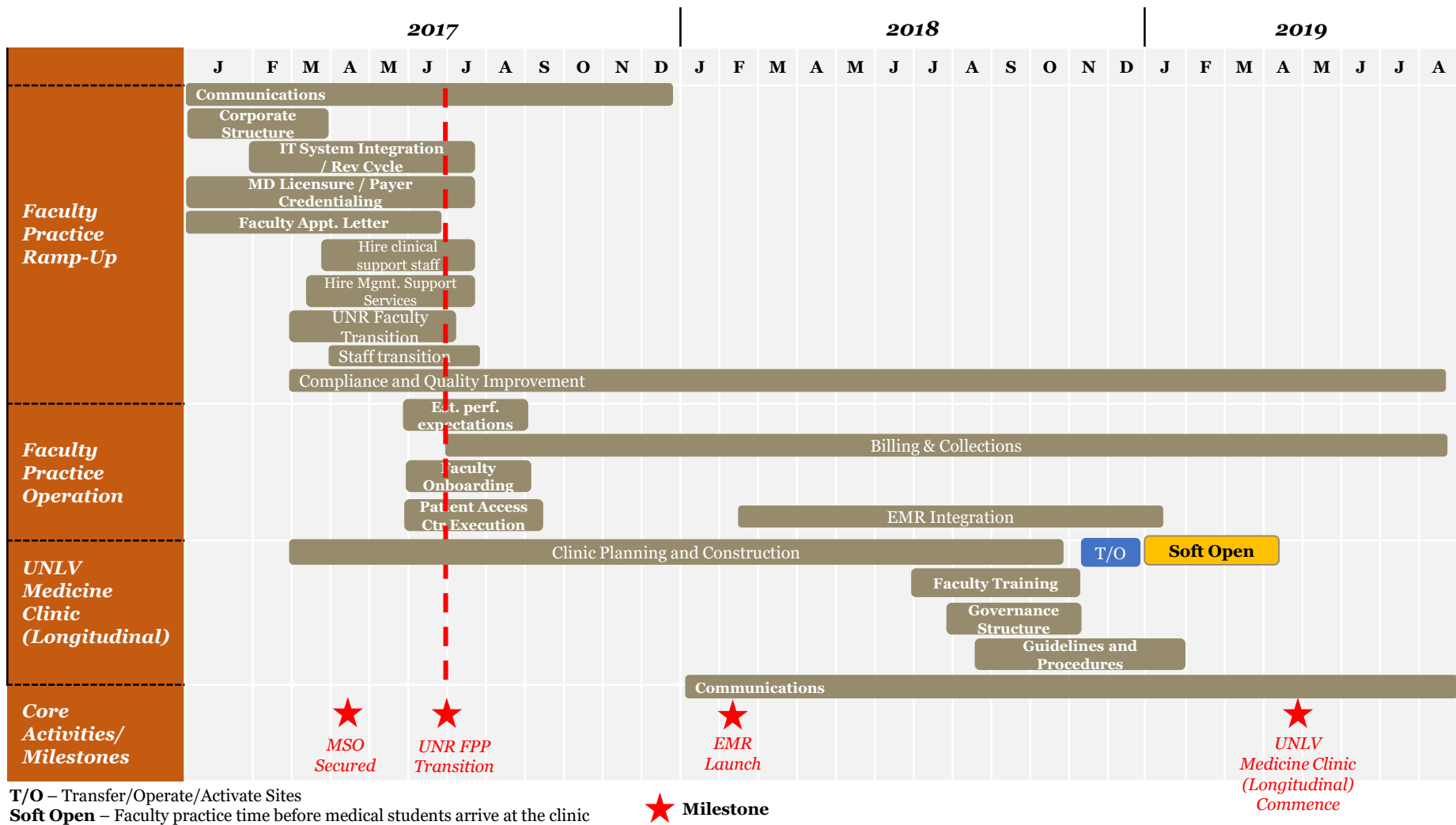
Key Success Factors

UNLV Medicine Faculty Practice

- **New organization and management** model built around local UNLV Medicine leadership and involvement in the clinical enterprise and operations that enables more rapid, streamlined and fact-based decision-making
- **Establishment of productivity-based faculty compensation and incentive plan** based on industry benchmarks (e.g., MGMA Academic Compensation) that increases or decreases overall compensation based on faculty performance across missions
- Provision of **adequate support staff** (e.g., clinical, business, front office) based on industry benchmarks (e.g., MGMA Cost and Revenue Report) to facilitate efficient clinic operations and faculty productivity and reinforced by a strong HR staff and policies
- **Launch of Patient Access Center** including call center to streamline patient scheduling
- Utilization of **Medical Services Organization for billing and collections** and payer contracting for revenue cycle management that leverages best practices and expertise
- **Institution of clinical compliance program** at enterprise-level
- **Recruitment of high quality chairs and clinical faculty** aligned to UNLV Medicine curriculum approach and clinical practice care delivery model
- Implementation of the longitudinal integrative clerkship care model that **emphasizes multidisciplinary and interdisciplinary care** that prioritizes (and incentivizes) faculty collaboration
- **Development of weekly/monthly management dashboards** that tracks quality, operational and financial performance and supports rapid remediation
- **Frequent, transparent and two-way communication** with all relevant stakeholders related to faculty practice expectations and performance
- **Technology infrastructure** that enables high operational performance
- **Creation of the Enhancement Center(s) to coordinate patient care**, provide social services based on patient needs, and share information among care delivery team(s) to enhance quality patient care, generate incremental revenue, and limit referral leakage
- **Strategic plan** based on market-driven priorities and competitively differentiated service offerings that highlights and leverages the UNLV SOM's tripartite strengths

Implementation Plan Faculty Practice Timeline and Milestones

As of January 2017, the following are key activities to operationalize the UNLV Medicine faculty practice.



T/O – Transfer/Operate/Activate Sites

Soft Open – Faculty practice time before medical students arrive at the clinic

★ Milestone

Immediate Next Steps

Faculty Practice Timeline Details

Faculty Practice Ramp Up Jan 2017 - June 2017

Key Planning Elements

- Communicate to key stakeholders (faculty, staff, patients) and establish marketing plan
- Establish faculty practice plan infrastructure (i.e. bylaws, operating agreement, 501c3)
- Integrate IT systems (access control, IDs, networking)
- Establish revenue cycle infrastructure and processes/policies
- Execute licensure of physicians and credentialing of providers and payer contracts
- Send faculty appointment / hire letters
- Hire / augment clinical support staff for operations and administration purposes
- Hire / augment management support services (i.e., COO, CEO, Administrators)
- Transition UNLV Medicine faculty with signing of contracts and member practice agreements
- Manage transition of clinical support staff (i.e. HR, admin, compliance)
- Establish compliance structure and continuous quality improvement for faculty practice, including billing and compliance

Faculty Practice Operations July 2017 onwards

Key Planning Elements

- Establish performance expectations and operation metrics for faculty and staff
- Establish appropriate billing and collections process, policies and compliance
- Develop continuing education and staff training around revenue cycle operations
- Integrate EMR solution across clinics/practices
- Reinforce faculty training around the UME curriculum approach (Longitudinal curriculum)
- Execute centralized patient access center (if applicable)

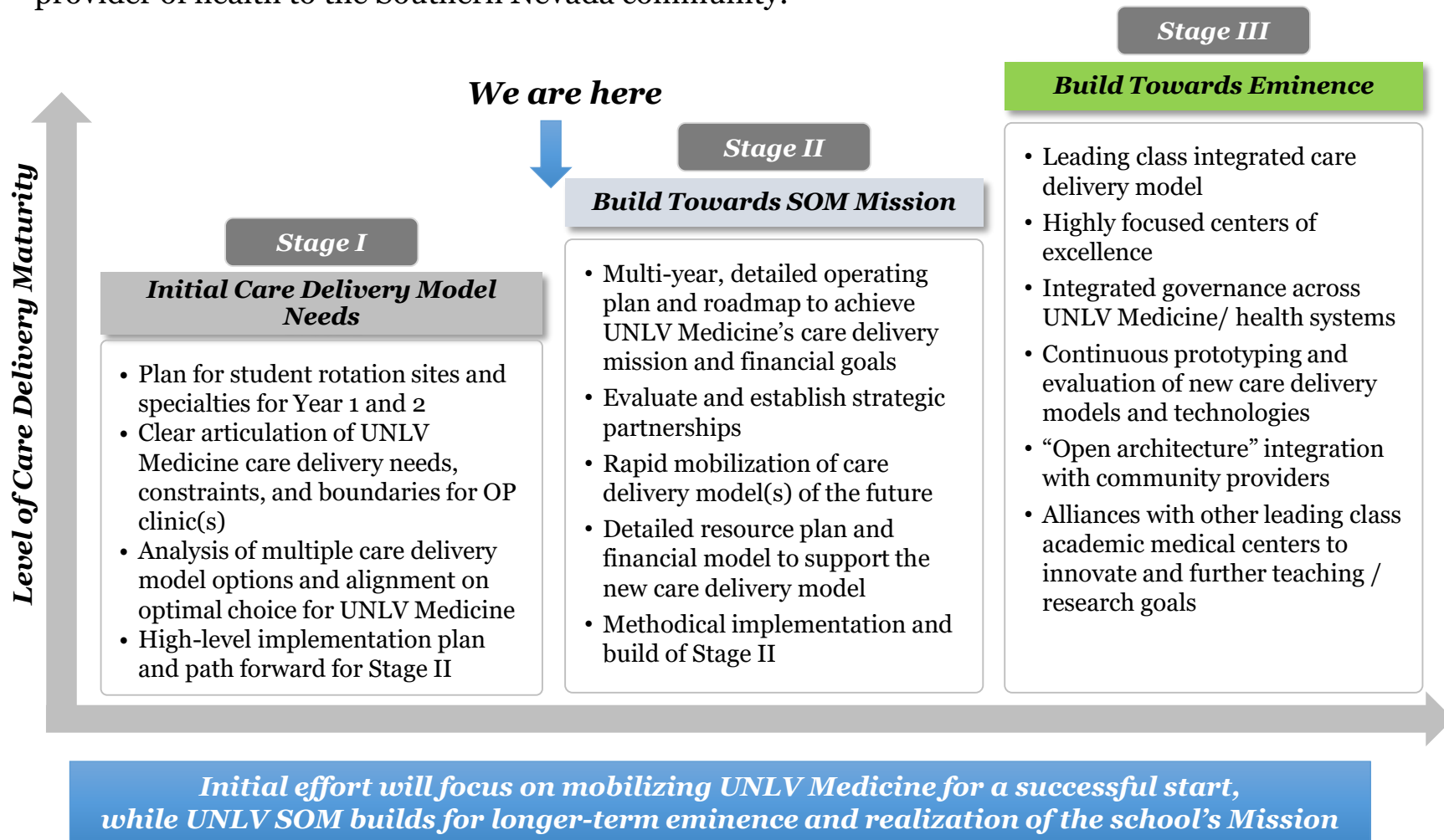
UNLV Medicine Clinic (Longitudinal) July 2018 onwards

Key Planning Elements

- Establish communication plan to key constituents (faculty, staff, residents and fellows, and others)
- Define clear project governance structure to enable clear and timely decision making
- Identify key faculty for UME or clerkship training purposes and establish faculty schedule
- Train faculty in new care delivery approach consistent with longitudinal educational experience
- Implement practice guidelines consistent with productivity, compensation, and incentive expectations
- Establish policies and procedures in support of clinic activities with overall UNLV Medicine faculty practice
- Transfer / operate / activate sites for longitudinal clinic
- Execute soft opening prior to commencement of clerkships

Implementation Plan Long Team Roadmap

Over the years, UNLV Medicine, along with its faculty practice and affiliates, will mature into a leading provider of health to the Southern Nevada community.



Appendix

UNLV

Appendix

Future State Financial Plan Inputs and Assumptions

The UNLV Medicine future state financial plan is assumption driven based on industry benchmarks.

Category	Source
FTEs	UNLV Medicine Recruitment Plan – new recruits expected to be 90% clinical Recruitment Plan includes: FY16 UNSOM Current Faculty, Educational/Clinical Faculty Requirements, and any additional faculty to be recruited identified by UNLV leadership
Revenue	Clinical: 75 th percentile, MGMA Non Academic; Total medical revenue by Specialty per FTE Physician Note: Assumption-driven revenue that has not delineated by individual revenue streams such as hospital funds flow/ancillary
Expenses	
Faculty Salary	Median MGMA Academic; Total compensation by Specialty per FTE Physician Note: Faculty non-clinical effort and associated salary expenses are not included in the UNLV Medicine Future State Financial Plan
Front Office, Business Office, Clinical Support Staff	MGMA Non Academic <ul style="list-style-type: none"> • Front Office and Clinical at Median, Business Office at the 10th percentile; Staffing per FTE Physician for Multispecialty with primary and specialty care • All at Median; Expenses per FTE Physician for Multispecialty with primary and specialty care
Administrative	Median MGMA Non Academic Management <ul style="list-style-type: none"> • Faculty practice Positions include 6 program administrators, COO, CFO, CEO • Total Compensation by Position
Fringe	25% of Faculty Salary 28% of Non-Faculty Salary
Non-Personnel Operating Expenses	<p>MSO Fee: Median, MGMA Non Academic; Management fees paid to MSO or PPMC as a % of total medical revenue</p> <p>EMR: \$1,370 per FTE per Month – MGMA, <i>Assessing Adoption of Health Information Technology</i>; “Mean EHR per Month Maintenance Cost per FTE Physician” (Size >20)</p> <p>Dean’s Tax: 5% of Net Revenue - UNLV Leadership</p> <p>Other Operating Expenses: 13.68% - Median - MGMA Non Academic - Includes following categories:</p> <ul style="list-style-type: none"> • Administrative supplies and services - 0.83% • Drug Supply - 5.69% • Building and Occupancy - 6.62% • Promotion and Marketing - 0.19% • Furniture and Equipment - 0.35%