



BOARD OF REGENTS

**APRIL 19, 2023
SPECIAL MEETING
AGENDA BOOK**

**9:00 AM
Student Union Building, Ballroom C
Executive Session: SUB Sandia Room**



**UNIVERSITY OF NEW MEXICO
BOARD OF REGENTS SPECIAL MEETING**

Agenda

Wednesday, April 19, 2023, 9:00 AM
Student Union Building (SUB), Ballroom C
Livestream: <https://live.unm.edu/board-of-regents>

Agenda

1. Call to Order and Confirmation of a Quorum, *Chair Kim Sanchez Rael*
2. Adoption of the Agenda
3. Regents' Comments
4. UNM Administration's Presentation
5. Public Comment related to the agenda item* [*limit 3 min.*]
6. Discussion
7. To the extent determined necessary, vote to close the meeting in Executive Session (Roll Call) to consider the following:
 - discussions of strategic or long-range business plans of public hospitals as permitted by NMSA 1978, Section 10-15-1.H(9); and
 - discussion of the purchase, acquisition or disposal of real property as permitted by NMSA 1978, Section 10-15-1.H(8).
8. Vote to Re-Open the meeting and certification that the matters discussed in Closed Session were limited only to items on the Executive Session agenda
9. Vote on the transaction under which UNM Hospital will acquire all of the assets and assume all of the liabilities of SRMC and thereafter the SRMC Hospital would operate under UNM Hospital's License
10. Adjourn

*To register to give public comment, send an email to regents@unm.edu before 4:00 PM on Tuesday, April 18. A public comment sign-up sheet will also be available at the meeting. Write in comments to regents@unm.edu are welcomed and should be sent prior to the day of the meeting with preferable deadline of 4:00 PM on Tuesday, April 18.



SRMC Hospital Licensure Change

UNM REGENTS

APRIL 19, 2023

Agenda

- Situation Briefing
- Operational Impact
- Financial Impact
- What to expect

Situation Briefing

Current State

University of New Mexico (UNM) currently owns 100% of membership interest in UNM Sandoval Regional Medical Center, Inc. (SRMC) which is a University Research Park and Economic Development Act corporation. SRMC operates under its own license, its own provider numbers, medical staff, employees, and a degree of local variability relative to the broader University of New Mexico Health System (UNMHS).

A degree of integration is already in place across the health system for areas such as information technology, revenue cycle, payer contracting, supply chain, and some other support services.

Proposed Transaction

SRMC and UNMHS are planning a transaction to combine SRMC and University of New Mexico Hospital (UNMH) to create a fully integrated, multi-campus hospital under the UNMH license.

This transaction maintains certain aspects of SRMC's current operations; however, it also requires changes to operations. In order to create a multi-campus hospital, at close of transaction SRMC need to meet all requirements related to becoming a provider-based location of UNMH under CMS rules.

The proposed transaction will transfer all assets and liabilities of SRMC to UNM on behalf of UNMH and upon completion of the transaction the SRMC corporate entity will be dissolved.

Expected Benefits

SRMC and UNMH expect positive operational and financial effects from the transaction, including:

- Expanded teaching and training opportunities at SRMC and potential research opportunities
- Improved standardization, flexibility, and continuity of care for patients by streamlining access to tertiary and quaternary services available at UNMH and through the creation of a single medical staff
- Financial benefits include additional revenue generation at SRMC and potential access to state appropriations as a UNMH operation

Operational Impact

The transaction brings benefits across the tripartite mission



Clinical Care

Aligning SRMC and UNMH to create a multi-campus hospital further facilitates existing relationships in care delivery while expanding academic expertise in SRMC's community environment. Benefits include:

- Seamless transitions of care
- Expanded access to resources at UNMH for SRMC patients
- Standardization of policies, procedures, and care between campuses



Teaching

By creating a single academic hospital with two campuses teaching and training opportunities at SRMC increase, providing academic-level care to SRMC's community. Benefits include:

- Providing ready access to a community hospital-like training environment for residents
- Opportunity to create focused training programs for high-demand services at SRMC



Research

Alongside expansion of teaching opportunities, a combined multi-campus hospital can leverage UNMH's existing combined EHR data and access to SRMC's patient population to pursue additional research opportunities. UNMH can bring:

- Experience in developing research protocols
- Administrative expertise to support the research mission at the SRMC campus

Financial Impact

Overview and Summary

SRMC and UNMH Finance teams performed an analysis of financial impacts expected to result from the transaction to create a multi-campus hospital through a combination of UNMH and SRMC.

The resulting net annual benefit to SRMC is anticipated to be \$6,798,399 annually. Given the high levels of integration present between SRMC and UNMH, the outlined projected financial impacts are expected to be achieved within the first year. Current ongoing processes related to financial forecasts and regular updates expected to continue as currently laid out.

Note: Potential one-time costs are not included in the analysis and remain under development; these are expected to be borne largely by UNMH.

Projected \$6,937,142 increase in revenues

Driven by:

- \$5,343,027 increase in Medicare – FFS & Managed
- \$2,358,845 increase in Medicaid - FFS & Managed
- (\$764,730) decrease from Contracting / Managed Care

Offset by a \$138,743 increase in expenses

Driven by:

- \$138,743 increase in Gross Receipts Tax
- Other expenses assumed to remain status quo



Net Annual Recurring Benefit: \$6,798,399

Revenue Impact Detail

Expected net revenue increase of \$6,937,142

Impact Area	Key SRMC/UNMH Provided Assumptions (On an Annual Basis)	Risks & Considerations
Medicare – FFS & Managed (\$5,343,027 revenue increase)	<ul style="list-style-type: none"> DRG Difference: \$1,560,482 IME & GME: \$3,441,485 <ul style="list-style-type: none"> – IME multiplier decrease, but applied to SRMC volume DSH: \$263,684 OP Wage Index: \$77,325 	<ul style="list-style-type: none"> Must meet all CMS requirements for SRMC to be considered a provider-based location of UNMH prior to Day 1
Medicaid - FFS & Managed (\$2,358,845 revenue increase)	<ul style="list-style-type: none"> IP DRG Difference: \$2,803,523 IP Outlier Difference: \$166,464 OP: (\$144,356) DSH: (\$1,158,727) Medicaid-related IME: \$691,941 	<ul style="list-style-type: none"> Potential negative reaction from state related to a transaction that increases cost of care for the SRMC patient base Shift from current 13% + 2% to UMNH rate structure (+45%)
Medicaid Directed Payments	<ul style="list-style-type: none"> No change expected 	
Contracting / Managed Care (\$764,730 revenue decrease)	<ul style="list-style-type: none"> Presbyterian Commercial Per Diem Difference: \$47,425 Western Sky HIX: No impact IHS <ul style="list-style-type: none"> – IP: SRMC Medicare vs UNMH Per Diem: \$324,247 – OP: No impact Self Pay: (\$119,402) based on lower collection rates Humana VBC: (\$870,000) affected by SRMC population RAF BCBS VBC: (\$147,000) 	<ul style="list-style-type: none"> Response of payers to transactions of this type is often unpredictable and may require further negotiation Contracted rates – need to review assumptions

Expense Impact Detail

Expected net **expense increase** of \$138,743

Impact Area	Key SRMC/UNMH Provided Assumptions	Risk Considerations
Labor Expense (No change)	<ul style="list-style-type: none"> ▪ SRMC wage and benefit scales remain status quo as related to transaction <ul style="list-style-type: none"> – If transition to UNMH Scales required, potential impact of: <ul style="list-style-type: none"> – Salaries Impact: \$452,150 – Benefits Impact: \$507,036 	<ul style="list-style-type: none"> ▪ SRMC employees to move under a single HR management system and structure as part of UNMH as a distinct unit with status quo compensation and benefits ▪ Ongoing organization efforts and research periods for a large portion of the SRMC workforce may create challenges and effect labor expense as they evolve
Non-Labor Expense including Supply and Purchased Services (\$138,743 expense increase)	<ul style="list-style-type: none"> ▪ Goal is to maintain status quo supply costs <ul style="list-style-type: none"> – If result is a 5% increase in supply chain costs could increase up to \$657,949 annually ▪ Workers' Compensation and Medical Malpractice: No impact ▪ Gross Receipt Tax: \$138,743 	<ul style="list-style-type: none"> ▪ Costs associated with alignment between campuses will vary based on physician practice post-close ▪ Contracts for supplies and purchased services are generally consolidated across the existing UNMHS; however, there are likely agreements that could be affected including: <ul style="list-style-type: none"> – Agreements on SRMC paper or to which SRMC is the only party – Agreements with clauses that may permit reopening or renegotiation as a result of a transaction
One-Time Expenses	<ul style="list-style-type: none"> ▪ Most one-time costs borne by UNMH 	<ul style="list-style-type: none"> ▪ One-time expenses are common with any transaction and may rise to a level of materiality depending on timeline, magnitude of change/effort required, state-specific factors (e.g., retitling of certain SRMC assets), and other factors determined by the ultimate structure of the transaction and future state operating structure ▪ UNM Legal to confirm whether transfer creates a tax liability with outside counsel ▪ UNM Legal to confirm any one-time costs associated with HUD Loan and transfer

What to Expect

Remaining Status Quo

- Services offered at SRMC remain as currently planned, subject to continued evolution of care environment
- Systems and processes currently aligned and integrated across the system
 - Information Technology
 - Supply Chain
 - Revenue Cycle
 - Financial reporting to support Mill Levy and debt covenants (e.g., HUD)
- Financial items such as Mill Levy and HUD loan interest rate are expected to remain unchanged
- Employees physically at SRMC remain physically at SRMC with present pay scales and benefits
 - SRMC employees expected to move under a single HR management system via UNMH

Expected Changes

- In order to make SRMC a provider-based location and campus of UNMH, some key operational and administrative changes will be necessary, including (but not limited to):
 - SRMC legal entity will dissolve
 - SRMC Medicare CCN will be sunset, and licensed under UNMH
 - Medical Staff will be consolidated across both sites, including committees
 - Employees will become UNMH employees
 - Reporting structures may change in key areas (e.g., medical staff, nursing) to align with regulatory requirements
 - Branding and billing will be consolidated under the UNMH brand
 - SRMC will fall under UNMH's governing body(ies) as required by law and regulation

Communications and Key Milestones

Key Pre-Approval Communications

- President's Office Briefings - Nov 29, 2022 and Mar 29, 2023
- SRMC Board – Jan 26, Feb 23, and Mar 23, 2023
- UNMH Board – Jan 27 and Mar 29, 2023
- Deans Advisory Council – April 5, 2023
- Regents HSC Committee – Feb 7, 2023
- Regents Executive Session – Feb 14, 2023

Key Approval Milestones

- Regents HSC Committee Executive Session – April 7
- Regents Executive Session – April 10
- SRMC Board Resolutions –April 18*
- Regents Board Resolutions – April 19*
- State HED – May 10 (Jun 4 alternative)
- State Board of Finance – May 16 (Jun 20 alternative)
- HUD Notice – June 1
- CHOW – no later than Oct 2

**Special meeting and open session item noticed on April 14*

Communications Plan- Beginning Week of April 10

Phase 1 – Pre Regent and SRMC Meeting Notice

- SRMC Manager Meetings
- UNMH Managers Meetings

Phase 2 – Concurrent with Regent and SRMC Meeting Notice

- SRMC Board and Regent Open Meeting Notice
- Messages from UNMH and SRMC with FAQ
- Message from CMOs to Medical Staff
- Message to Collective Bargaining Units
- Contact key governmental stakeholders

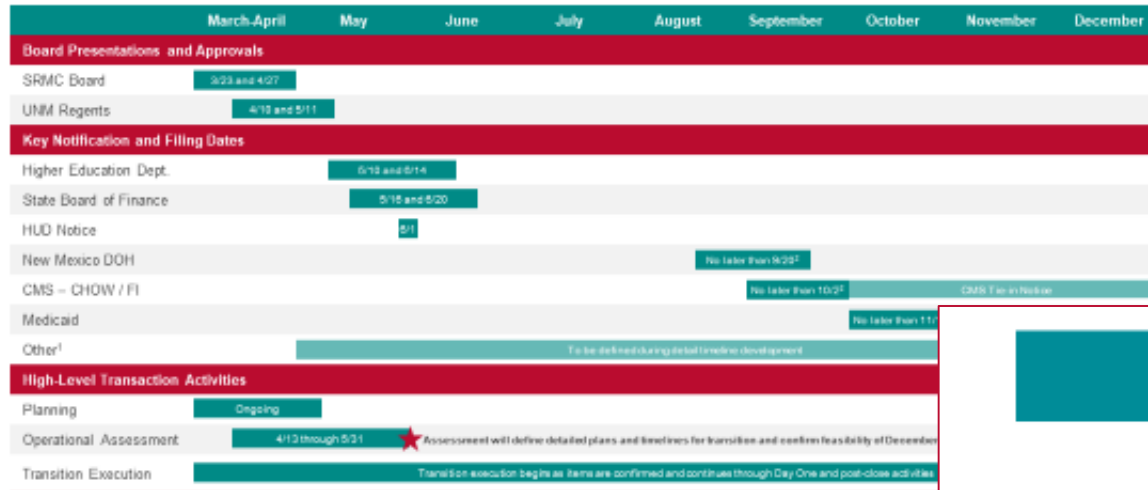
Phase 3 – After Regent Action

- Other key stakeholders and community leaders
- Letters to patients
- Media Relations
- HS Townhalls

Key Governmental Stakeholder Groups

- Governor's Office – TBD
- HSD – Mike Richards
- DOH – Mike Richards
- HHS Committee, LFC, Key Legislators – Stevie Olson/Governmental Affairs
- Sandoval County Management and Chair of Commission – Jamie Silva-Steele
- Bernalillo County Management and Chair of Commission – Kate Becker
- ABQ Mayor, Chair of Council – Mike Puelle
- RR Mayor, Chair of Council – Jamie Silva Steele
- Federal Staff Level courtesy call – Nathan Bush

Anticipated Timeline



¹ Detailed timeline under development with Kula Risk; additional key dates will be added as they are identified.
² Dates reflected as "no later than" may be dependent on outcomes of prior notifications and filings and represent the last possible date for completion for a December 31 close.



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**New operations would begin
Jan 1, 2024**

Detailed operational assessment of transition and implementation would begin after Regent approval

Transaction Workstreams

- Clinical Operations**
 - Behavioral Health
 - Care Delivery
 - Clinical Education
 - Clinical Operations (General)
 - Lab
 - Nursing
 - Patient Experience & Guest Services
 - Pharmacy
 - Radiology
- Education & Training**
 - Clinical Education
 - Education (General)
 - Learning & Development
 - Finance & Accounting
 - Accounts Payable
- Finance & Accounting (General)**
 - Financial Planning & Decision Support
 - General Accounting
 - Payroll
 - Tax & Government Filings
 - Treasury
- HR & Workforce**
 - Benefits
 - Employee Health
 - Employee Relations
 - Human Resources & Workforce (General)
 - Talent Management
- Information Technology**
- Legal & Regulatory**
 - Compliance
 - Legal
 - Legal, Risk, & Regulatory (General)
 - Privacy
 - Regulatory
 - Risk
- Marketing & Communications**
 - Communications
 - Digital
 - Marketing & Branding
 - Marketing & Communications (General)
- Medical Staff & Medical Group**
 - Bylaws
 - Credentialing & Enrollment
 - Medical Group
 - Medical Staff & Medical Group (General)
 - Physician Services
 - Provider Recruitment & Onboarding
- Real Estate & Facilities**
 - Food Services
 - Maintenance
 - Public Safety
 - Real Estate
 - Real Estate & Facilities (General)
 - Utilities
- Revenue Cycle & Payer Strategy**
 - Charge Entry & Coding
 - Credentialing / Enrollment
 - HM
 - Patient Access
 - Patient Financial Services
 - Payer Contracting
 - Revenue Cycle & Payer Strategy (General)
 - Utilization Review
- Supply Chain & Purchased Services**
 - Procurement
 - Sourcing
 - Supply Chain (General)
 - Vendor Management
 - Warehousing / Distribution / Logistics



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Questions and Feedback



Transaction Workstreams

Clinical Operations

- Behavioral Health
- Care Delivery
- Clinical Education
- Clinical Operations (General)
- Lab
- Nursing
- Patient Experience & Guest Services
- Pharmacy
- Radiology

Education & Training

- Clinical Education
- Education (General)
- Learning & Development
- Finance & Accounting
- Accounts Payable

Finance & Accounting (General)

- Financial Planning & Decision Support
- General Accounting
- Payroll
- Tax & Government Filings
- Treasury

HR & Workforce

- Benefits
- Employee Health
- Employee Relations
- Human Resources & Workforce(General)
- Talent Management

Information Technology

Legal & Regulatory

- Compliance
- Legal
- Legal, Risk, & Regulatory (General)
- Privacy
- Regulatory
- Risk

Marketing & Communications

- Communications
- Digital
- Marketing & Branding
- Marketing & Communications (General)

Medical Staff & Medical Group

- Bylaws
- Credentialing & Enrollment
- Medical Group
- Medical Staff & Medical Group (General)
- Physician Services
- Provider Recruitment & Onboarding

Real Estate & Facilities

- Food Services
- Maintenance
- Public Safety
- Real Estate
- Real Estate & Facilities (General)
- Utilities

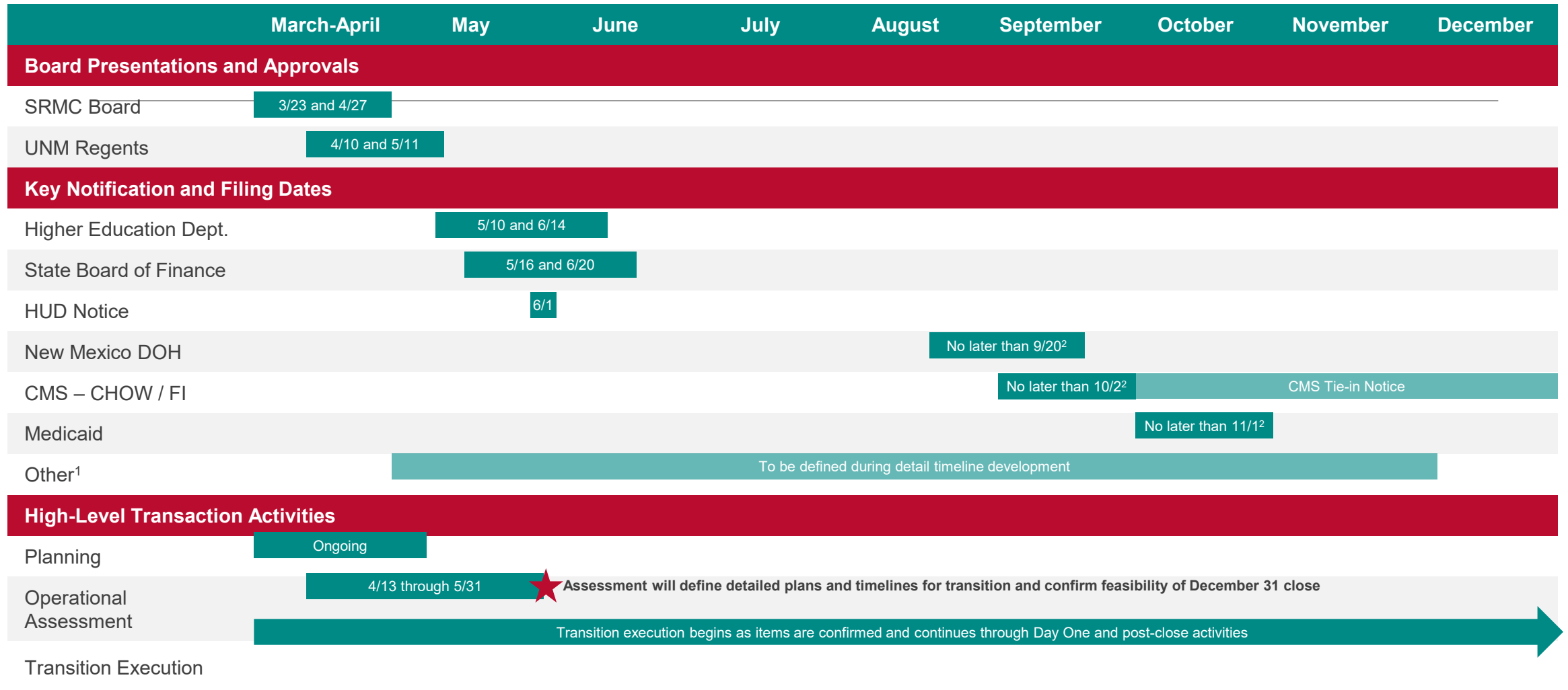
Revenue Cycle & Payer Strategy

- Charge Entry & Coding
- Credentialing / Enrollment
- HIM
- Patient Access
- Patient Financial Services
- Payer Contracting
- Revenue Cycle & Payer Strategy (General)
- Utilization Review

Supply Chain & Purchased Services

- Procurement
- Sourcing
- Supply Chain (General)
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Anticipated Timeline



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