

OPTN/UNOS FINANCE COMMITTEE SUMMARY

ACTION ITEMS

- The Board is asked to approve the OPTN 2008 Budget and Registration Fee. (Item 1, Page 3)
- The Board is asked to approve the 2006 Audited Financial Statements for OPTN operations for the year ended September 30, 2006. (Item 2, Page 5)

OTHER ISSUES

- Review of Enterprise System Redesign Project and OPTN investments. (Item 3, Page 6)

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**Treasurer's Report
to the
OPTN/UNOS Board of Directors
Richmond, VA
June 26, 2007**

Dennis F. Heinrichs MBA, Chairman

The Finance Committee met on May 22, 2007, in Chicago, IL and via conference call on April 27, 2007, and discussed the following:

1). 2008 Operating Budget

On May 22, 2007, the Committee met to formally review, discuss and approve the 2008 OPTN budget. The goal of the 2008 OPTN budget is to position the OPTN to meet increased policy development, analytical, monitoring, and reporting requirements for the transplant community. In prior years, resources have been dedicated to supporting and improving IT operations and infrastructure. In 2007, the Finance Committee and Board of Directors approved a budget addendum and corresponding OPTN fee increase to increase support for the compliance and membership areas. In 2008, the OPTN will increase the focus is on research, policy development, and regional activities. The regional activities specifically will support the efforts of the Organ Donation Breakthrough Collaborative.

Due to strong projected registrations in 2008, no fee increase is included in this budget, even though an 8.2% cost increase over the 2007 OPTN budget (with addendum) is anticipated. The 2008 budget is based on the usage of approximately \$269,000 in funds from prior years, as registrations in 2008 will not fully fund the budget. Registrations in FY 2006 and FY 2007 are exceeding estimates, so a portion of the excess registration fee revenue could be used to supplement funding for the 2008 budget.

The 2008 budget exceeds the estimated OPTN contract expenditures in the OPTN contract UNOS signed with HRSA in 2005. The contract includes estimated costs for a seven year period, with cost increases limited to 4% each year, except for 2008, which had a 1% increase. The proposed 2008 budget has an 8.2% increase, instead of the 1% increase specified in the OPTN contract. Costs related to information technology, membership, compliance, and analytical support have grown and are continuing to grow compared to the level of effort initially proposed for the OPTN contract in 2005. UNOS has requested that HRSA increase the contract limitation to accommodate the 2008 budget and the remaining years of the contract.

Listed below are the proposed expenditures for the 2008 OPTN budget:

<u>Description</u>	<u>2008 Budget</u>	<u>2007 Budget</u>	<u>Difference</u>
Wages	\$13,961,000	\$12,749,000	\$1,212,000
Benefits	6,128,000	5,597,000	531,000
Travel	1,923,000	1,903,000	20,000
Other Direct Costs	3,118,000	2,645,000	473,000
Indirect Costs	<u>3,770,000</u>	<u>3,824,000</u>	<u>(54,000)</u>
Total Costs	<u>\$28,900,000</u>	<u>\$26,718,000</u>	<u>\$2,182,000</u>

Key provisions of the 2008 OPTN budget are as follows:

- Registrations for 2008 are expected to be 53,051, which represents a 4.8% increase over projected 2007 registrations of 50,629, and 7.7% over registrations budgeted for 2007. The number of registrations was estimated using regression models of current and historical data.
- Due to the increase in registrations, the OPTN fee will remain unchanged at \$502. No fee increase is proposed.
- Wages in the 2008 budget are expected to increase \$1,212,000 over the 2007 budget due to staff and salary adjustments occurring in 2007, routine salary increases in 2008, proposed salary adjustments in 2008, and the addition of six new positions in the 2008 budget.
- Benefits in the 2008 budget are expected to increase \$531,000 over the 2007 budget due to an increase in wage costs. Benefits are calculated using a fixed rate multiplied by wage costs.
- Travel costs in the 2008 budget are expected to increase \$20,000 over the 2007 budget. Many committees reduced expenditures from 2007 levels and the Board cycle was reduced from four meetings to three per year. These cost savings, however, were offset by cost increases in the Kidney, Membership and Living Donor Committees and regional meeting expenses.
- Other direct expenses are expected to increase \$473,000 over the 2007 budget due to increases in information technology expenditures.
- Indirect costs are expected to decline \$54,000 from the 2007 budget due to the use of a lower indirect cost rate in FY 2008. The current 16.7% indirect cost rate includes a 1.7% component to recapture bid and proposal costs during FY 2006 and FY 2007. UNOS expects the base indirect rate for FY 2008 to be approximately 15%.

- OPTN cash reserves in 2008 are expected to be approximately \$4,395,000. This balance has grown substantially over the past two years due to excess OPTN registration fee revenue of \$343,000 in FY 2006 and expected excess registration fee revenue of \$671,000 for FY 2007. In addition to excess registration fee revenue, the OPTN expects to receive \$559,000 from Kaiser Permanente Medical Center (CAKP) for unbilled registrations.
- UNOS contemplates using \$268,000 of the \$343,000 excess registration fee revenue from FY 2006 to supplement funding and ensure there is no OPTN fee increase for the 2008 budget.

For a full explanation of the 2008 OPTN budget, please see Exhibit A.

The Finance Committee unanimously recommended approval of the proposed 2008 OPTN budget and the associated \$502 OPTN registration fee. Therefore, the following resolutions are recommended for consideration by the Board of Directors:

****RESOLVED, that the 2008 OPTN operating budget is hereby approved, as recommended by the Finance Committee, and**

FURTHER RESOLVED, that the Board of Directors hereby approves the continuation of the existing OPTN patient registration fee of \$502, effective October 1, 2007.

2). OPTN Operations for the Year Ended September 30, 2006

In a conference call held on April 27, 2007, the Committee discussed the 2006 OMB Circular A-133 audit as performed by Keiter, Stephens, Hurst, Gary and Shreaves. The OMB Circular A-133 audit is required of any non-profit entity that receives \$300,000 or more in federal funds per year. Keiter Stephens issued an unqualified or “clean” opinion on UNOS’ financial statements and OPTN operations. No findings of material weaknesses in internal controls or non-compliance with federal or contract requirements were reported, but a reportable condition was noted.

Highlights of 2006 Operating Results:

- OPTN registration fee funding for the year was approximately \$23,343,000 based on 47,541 registrations.
- Registrations for 2006 exceeded budget by 905 and increased 6.3% over 2005 levels. The 6.3% overall increase in registrations was due to a 9.4% increase in kidney registrations. Kidney registrations are at least 60% of all registrations.
- Total OPTN Funding was \$25,343,000. OPTN registration fees were \$23,343,000 and HRSA funding was \$2,000,000. In addition to the \$23,343,000 in OPTN registrations, an adjustment of \$758,000 was made to account for unbilled

registrations to seven transplant centers including Kaiser Permanente Medical Center (CAKP).

- Total OPTN expenditures were \$24,749,000, while budgeted OPTN expenses were \$25,000,000. Ninety-nine percent of budgeted OPTN expenses were used in 2006 and the remaining one percent, \$250,801, funded by OPTN registration fees and HRSA funding, can be used in future contract years.

For a full explanation of OPTN operations ended September 30, 2006, see the attached Exhibit B. The 2006 OMB Circular A-133 audit, as performed by Keiter Stephens, Hurst, Gary and Shreaves is attached as Exhibit C.

The Finance Committee unanimously recommended approval of the 2006 audited financial statements. The following resolution is recommended for consideration by the Board of Directors:

****RESOLVED, that the 2006 OPTN audited financial statements and the related OMB Circular A-133 compliance audit, as performed by Keiter Stephens, Hurst, Gary and Shreaves, are hereby approved.**

3). Other Issues

The Finance Committee reviewed funding of the OPTN Enterprise System Redesign Project (ESRP), at the April 27, 2007 meeting and received a formal presentation about the system at the May 22, 2007 meeting by Berkeley Keck.

The Finance Committee reviewed investments in the OPTN Reserve at the April 27th meeting. The review occurs annually to ensure funds are invested in according to the OPTN Investment Policy.

**Attendance at the Finance Committee Meeting
May 22, 2007
Chicago, IL**

Committee Members Attending:

Dennis F. Heinrichs, BSN, MBA	Chair	(by telephone)
Linda Lentz, MBA	Region 1	(by telephone)
Leslie Cortina, CPA	Region 3	(by telephone)
Pam Gillette, MPH	Region 5	
Michael S. Millhollen	Region 6	
Jarold Anderson, MBA	Region 7	
Ewa Bardach, MA, CPA	Region 8	
Nancy Metzler	Region 9	(by telephone)
Marianne Beach, MSA	Region 10	
Kimberly N. Nicoll, RN, BSN	Region 11	(by telephone)
Daniel Barker, MHA, FACHE	At Large	
Jane L. Holtz, DBA	At Large	
Christopher J. McLaughlin	Ex Officio	
Mesmin Germain, MBA, MPH	Ex Officio	(by telephone)

Committee Members Unable to Attend:

Cataldo Doria, MD, PhD	Region 2
Marc R. Strode, CHE	Region 4
Douglas Slakey, MD, MPH	At Large

Staff Attending:

Walter K. Graham, Esq	UNOS
Otis P. Daily, PhD	UNOS
Mary D. Ellison, PhD	UNOS
Berkeley M. Keck	UNOS
Douglas E. Harvey, CPA	UNOS
Matthew Lovetro, CPA	UNOS

Guest Attending:

Lloyd Jordan, CPA	Incoming OPTN/UNOS Treasurer
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**Attendance at the Finance Committee Meeting
April 27, 2007
Conference Call**

Committee Members Attending:

Dennis F. Heinrichs, BSN, MBA	Chair
Cataldo Doria, MD, PhD	Region 2
Leslie Cortina, CPA	Region 3
Michael S. Millhollen	Region 6
Ewa Bardach, MA, CPA	Region 8
Nancy Metzler	Region 9
Marianne Beach, MSA	Region 10
Kimberly N. Nicoll, RN, BSN	Region 11
Daniel Barker, MHA, FACHE	At Large
Jane L. Holtz, DBA	At Large
Douglas Slakey, MD, MPH	At Large
Christopher J. McLaughlin	Ex Officio
Mesmin Germain, MBA, MPH	Ex Officio

Committee Members Unable to Attend:

Linda Lentz, MBA	Region 1
Marc R. Strode, CHE	Region 4
Pam Gillette, MPH	Region 5
Jarold Anderson, MBA	Region 7

Staff Attending:

Otis P. Daily, PhD	UNOS
Douglas A. Heiney	UNOS
Douglas E. Harvey, CPA	UNOS
Matthew Lovetro, CPA	UNOS

Guest Attending:

John Kent, CPA	Keiter, Stephens, Hurst, Gary and Shreaves
David Ralston, CPA	Keiter, Stephens, Hurst, Gary and Shreaves