

OPTN Finance Committee

Meeting Summary

May 20, 2021

Conference Call

Robert Goodman, MBA, Chair

Introduction

The OPTN Finance Committee met via Citrix GoToMeeting teleconference on 05/20/2021 to discuss the following agenda items:

1. Q2 YTD Financial Statements
2. FY 2021 Registrations
3. Q2 YTD Investment Performance
4. FY21 OPTN Task Budget vs. Actual
5. FY20 Indirect & Fringe Benefit Rates
6. Accenture Engagement
7. FY 2022 Budget Timeline

The following is a summary of the Committee's discussions.

1. Q2 YTD Financial Statements

Matt Rowland, UNOS Financial Analyst, reviewed the March YTD Statement of Financial Position and Statement of Activities. The Statement of Financial Position shows a strong cash position, strong investment performance, Accounts Receivable in excess of Accounts Payable, and net OPTN resource of \$35M. The Statement of Activities shows YTD actual expenses \$1.4M under budget due primarily to Wages & Benefits and Meetings & Travel. This is partially offset by higher Other Direct expenses which are above budget by \$1.2M. Mr. Rowland emphasized that variances are normal and expected and the organization is able to shift quickly to meet the priorities of the community. He also stated that there were some OPTN tasks that were behind schedule due to data requests but that we expected to make up most of the difference in the second half of the year.

Mr. Sharrock asked the question, "Why is the Other Direct 30% higher than budget?"

Mr. Shepard stated that he thought the variance was likely due to IT using a larger percentage of effort from contractors than staff than what was budgeted. Mr. Tulchinsky confirmed that Mr. Shepard's assumption was correct.

2. FY 2021 Registrations

Mr. Rowland explained that as of April, registrations are down 1,083 or \$810K below budget due to impacts from Covid. However, the months of March and April have exceeded budget and May was on track to meet or exceed budget as well.

3. Q2 YTD Investment Performance

The Truist Investment Manager spoke to the committee in the February meeting, and Mr. Rowland walked through some updates that took place since that meeting. Mr. Rowland pointed out that the short-term investment performance has been very impressive, however, it is more meaningful to look at

the longer-term performance such as the 3-year, 5-year, and Inception-to-Date which have been very good.

Mr. Harms congratulated the committee for entrusting UNOS with the investment of the reserve funds. In the past, the funds had been invested in CDs and by shifting to professional portfolio management, we are seeing the positive benefits of the move.

4. FY21 OPTN Task Budget vs. Actual

Mr. Rowland showed an overall view of the fiscal year 2021 OPTN budget by task and pointed out that most of the time and resources were expected to be focused in tasks: 2 (Governance Structure), 4 (Electronic Matching), 5 (Collect Official Data), 6 (Member Compliance, Performance Monitoring, Quality Improvement, and Sanctioning), 10 (Communication with Members), and 20 (Security & Privacy).

Actual expenses YTD are below budget due primarily to timing and shifts in priorities. Mr. Rowland pointed out that the hours worked in 2021 are higher than at the same point in 2020 and that due to the challenges of budgeting out more than a year in advance, variances are inevitable and expected. He explained again that some projects were ramping up that would shrink the variance in the second half of the year.

Mr. Goodman asked if we expect actual expenses to catch up with budget by the end of the year. Mr. Rowland responded that based on the discussions that he had been involved in, there were enough projects coming up that he was confident that we would meet budget by the end of the year.

Mr. Harms concurred that he fully expects to meet budget for the year. The task-by-task variances might continue, but the overall effort and expenditure will be in line with budget.

5. FY20 Indirect & Fringe Benefit Rates

On March 31, Finance submitted new Indirect Cost Rate and Fringe Benefit Rates for approval for fiscal year 2020. Approval was still pending. New rates were last made for fiscal year 2018. The proposed Indirect Cost Rate was approximately 1% lower than the previous rates due to a reduction in costs because the 2018 rates included 1.7 points for RFP costs. The Fringe Benefit Rate proposed was 3.74% lower than the previous rate due mainly to lower medical insurance costs. UNOS became self-insured several years ago and the savings were coming through in the lower rate.

Mr. Harms emphasized that the Indirect Cost Rate will fluctuate from year-to-year based on changes in overhead activities.

6. Accenture Engagements

Mr. Rowland explained that there were 2 engagements with Accenture focused on improving UNet. The first engagement is Waitlist User Interface and User Experience and the second engagement is for Real-Time Predictive Analytics at the Time of Organ Offer. Mr. Rowland stated that the projects would be kicking off later in the year. More updates will be coming in future meetings.

Mr. Tulchinsky clarified that the projects were already underway, but were still in the data-gathering phase, specifically, soliciting input from transplant professionals, surgeons, and hospital administrators for feedback on waitlist improvements.

7. FY 2022 Budget Timeline

Mr. Rowland updated the committee on the status of the FY 2022 budget process. Finance had met with all of the department directors, and overall Executive Team organizations, and were currently in the process of holding meetings with the departments and Brian Shepard and Steve Harms. We are on track to have the budget proposals ready at the June 11th Finance Committee meeting.

Mr. Sharrock asked when we anticipated having the meeting packets available for the June 11th budget discussion so that the committee would have time to pre-read and review in detail. Mr. Harms stated that we plan to have it available several days in advance, preferably a week in advance.

Mr. Harms stated that due to lower registrations in the past, and a conservative estimate for FY 2022 registrations that we will probably be proposing a registration fee increase.

Mr. Sharrock asked how much was the current registration fee. Mr. Harms responded that it was \$748.

Question: Is the forecast for future registrations based purely on past performance or do we solicit input from the transplant centers? Mr. Harms answered that we have done both in the past, but there has not been much outreach this year. Our models are heavily weighted on previous behavior so the downturn from Covid will skew the registration projections from the model, requiring some judgmental adjustments to the output from the model.

Mr. Harms stated again that the registration fee will need to be increased. Over the past several years, the excess reserve funds have been used to subsidize the OPTN activities, which allowed us to keep the fee flat. Those available funds have been drawn down and will not be available to continue to subsidize the OPTN expenses.

Mr. Shepard stated that we haven't had a fee increase in 5 or 6 years but it's necessary to keep up with the same level of effort.

Mr. Sharrock asked Mr. Tulchinsky for his thoughts on how secure was the OPTN data given the increase in cyber-attacks recently. Mr. Tulchinsky pointed out that we have implemented several security measures, but the security improvements and investments will continue. He stated that he had a high level of confidence that we are taking the right steps to address security vulnerabilities.

Mr. Sharrock asked Mr. Tulchinsky if we have seen attacks on our systems. Mr. Tulchinsky responded that yes, we have seen attempts but none have been successful so far. In accordance with our obligations, we keep HRSA and other agencies apprised of these attempts.

Mr. Goodman requested that when we present the fee increase for consideration and approval, that we include additional context so that the committee can have a better grasp on how the fees have trended over the past several years. Mr. Shepard assured him that we can certainly do that.

Upcoming Meeting

- June, 2021

Attendance

- **Committee Members**
 - Robert Goodman
 - Pono Shim
 - James Sharrock
 - Laura DePiero
 - Linda Cendales
 - Barry Massa
 - James Gleason
- **HRSA Representatives**
 - Christopher McLaughlin
- **UNOS Staff**
 - Brian Shepard
 - Steve Harms
 - Chelsea Haynes
 - Susie Sprinson
 - Matt Rowland
 - Alex Tulchinsky