

## **OPTN Finance Committee**

### **Meeting Summary**

**June 1, 2022**

**WebEx**

**Brad Kornfeld, Chair**

**Dale Smith, Director of Finance**

### **Introduction**

The OPTN Finance Committee met via WebEx teleconference on 6/1/2022 to discuss the following agenda items:

- Fiscal Year 2023 Proposed OPTN Operating Budget
- Fiscal Year 2024 Forecast OPTN Operating Budget
- Committee Resolutions

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

Brad Kornfeld started the meeting by welcoming everyone in attendance and introduced the fiscal year 2023 proposed budget discussion by letting everyone know that the proposed budget would be an increase due to more work requested by HRSA and the transplant community. He let the committee know that they would review a preliminary forecast for the fiscal year 2024 operating budget. He encouraged everyone to ask questions and participate in the discussion and reminded the committee that the meeting would end with a vote on whether to recommend the fiscal year 2023 budget to the Board of Directors for final approval. Mr. Kornfeld then turned the time over to Dale Smith to lead the discussion.

### **Fiscal Year 2023 Proposed OPTN Operating Budget**

Mr. Smith walked through the agenda and then provided a summary of the functional revenue and expense budget for fiscal year 2023. He explained that the budget revenue is based on the expectation of 65,000 registrations in fiscal year 2023. Fiscal year 2022 is on track to end the year at 63,000 registrations versus a budget of 63,800. Mr. Smith pointed out that some of the costs would be offset by \$4,600,000 of revenue from a Paycheck Protection Program loan that was forgiven and will be credited back to the OPTN. He walked through the proposed expenses, highlighting that most of the increase is in Purchased Services, Software Subscriptions, and Meetings & Travel. Personnel Expenses are a slight decrease from fiscal year 2022 due to additional analysis that has been done by the finance team to determine a more accurate assumption for the number of hours that employees will bill to the OPTN. Meetings & Travel expenses are increasing due to inflation and the expectation of returning to pre-pandemic travel and meeting schedules.

Mr. Smith asked Alex Tulchinsky, Chief Technology Officer, to explain the drivers of some of the increases in Purchased Services and Software Subscriptions. Mr. Tulchinsky explained that COVID delayed some of the expenditures that were planned for the technology transformation in cloud services, IT security, software, and consulting services. COVID created an uncertainty around registrations and revenues; to be fiscally responsible, the technology projects were paused. If not for

COVID, the expenses would have been spread out over the past several years and the increase would have been more gradual. The increases in fiscal years 2022 and 2023 are due to catching up to where the technology upgrades should be. Barry Massa asked for an overview of the types of things that fall under Purchased Services versus Software Subscriptions to explain the large increases in expenses. Mr. Tulchinsky provided the example that Accenture Federal provides expertise around predictive modeling algorithms and other implementation consulting that fall under Purchased Services rather than Software Subscriptions. Mr. Smith added that consulting expenses for projects related to a Microsoft 365 implementation, ICD-10 project, and IT security are also included in Purchased Services and are included in the cost increase. Bob Goodman asked if there will be a return on investment for some of these projects. Mr. Tulchinsky replied that when it comes to IT security, the return on investment will be prevention of incidents that would otherwise have happened. The return on investment for predictive analytics will be improvements for decision making related to organ offers. Mr. Tulchinsky added that the transition to the cloud will allow for scaling without additional costs which would not otherwise be the case.

Mr. Smith presented a summary of the 5-year budget that was provided to HRSA in 2018 during the last contract negotiation compared with actual budgets over the same period of time. The total costs over the 5-year period are higher than what was proposed. He explained that the proposal to HRSA is a floor of what expenses are forecast to be required to accomplish the minimum contract requirements. Higher expenses are an indication of going beyond the minimum requirements.

Mr. Smith walked through an example OPTN voucher for the fiscal year 2023 budget. He then showed a table and chart with the budgeted expenses summarized by contract functions. He explained that the largest cost increases are in the functions that will be most impacted by the increased capacity requested by the Policy Oversight Committee and increased costs related to travel and meetings. He walked through a calculation showing how the OPTN Patient Registration Fee is calculated. Mr. Massa asked how we are tracking in fiscal year 2022 versus budget. Mr. Smith replied that he expects that we will come in 97 - 98% of budget. There are several projects that might take place during the remainder of this fiscal year that will get us closer to the OPTN budget. Mr. Massa asked whether the budgeted overspend of \$19.5M versus what was proposed to HRSA during the last contract negotiation will be seen negatively by HRSA during the next submission cycle. Mr. Smith answered that the original proposal was seen as a floor and that due to additional work and requests from HRSA and the community, the additional expenses will be seen positively by HRSA as a fulfillment of the commitment. Shannon Taitt from HRSA expressed that HRSA does not have any concerns since they are being updated regularly on what is being spent. Brian Shepard explained that most of the increase is coming in the final year of the contract and is directly related to requests from the Policy Oversight Committee which weren't foreseen at the beginning of the contract. The increases are due to a change in strategy and a deliberate decision to increase capacity rather than doing the same work but needing more money to do it. He feels confident that HRSA will not have concerns about exceeding budget based on the reasons.

Mr. Smith showed a graph of the patient registration fees over the past 6 years compared with the proposed fee for fiscal year 2023.

### **Fiscal Year 2024 Forecast Operating Budget**

Mr. Smith walked through the assumptions that went into the fiscal year 2024 projected budget. He reminded the committee that fiscal year 2024 would be a new contract with unknown contract requirements. The main driver of the expected increases in fiscal year 2024 are related to the POC

capacity increases. He emphasized that the OPTN fee has been supplemented over the past several years by drawdowns on the operating account and in fiscal year 2023 by \$4.6M from a PPP loan forgiveness credited back to the OPTN. Those drawdowns will not always be available so there will be increases required to the OPTN Patient Registration Fee in the future. Andrea Tietjen asked how many registrations we were expecting in fiscal year 2024 and how much the \$7.5M projected expense increase might increase registration fees. Mr. Smith replied that he isn't sure if registrations will continue to grow at pre-pandemic rates but, hypothetically, if there are 75,000 registrations, it would be an increase of \$100 per registration assuming no drawdowns. We will need to continue to look for ways to control costs. Ms. Tietjen asked if we could insert task descriptions instead of just task numbers. Mr. Smith replied that we would work on incorporating that feedback.

### **Committee Resolutions**

Mr. Kornfeld thanked the contractor for their efforts and for the committee's participation. He then invited the committee to vote on the committee resolutions. The committee voted unanimously to recommend the fiscal year 2023 operating budget of \$72,482,500 and increasing the OPTN Patient Registration Fee to \$944.

Mr. Kornfeld thanked everyone for their participation and concluded the meeting.

### **Attendance**

- **Committee Members**
  - Brad Kornfeld
  - Linda Cendales
  - Bob Goodman
  - Barry Massa
  - Jeffrey Orłowski
  - Andrea Tietjen
- **HRSA Representatives**
  - Shannon Taitt
  - Vanessa Arriola
- **UNOS Staff**
  - Dale Smith
  - Steve Harms
  - Susie Sprinson
  - Brian Shepard
  - Lauren Mauk
  - James Alcorn
  - Roger Brown
  - Alex Tulchinsky
  - Maureen McBride
  - Susan Tlusty
  - Sarah Payamps
  - Matt Rowland
  - Courtney Jett
  - Isaac Hager