

## **OPTN Finance Committee**

### **Meeting Summary**

**June 1, 2023**

**WebEx Meeting**

**Brad Kornfeld, Chair (absent)**

**Dale Smith, Chief Financial Officer**

### **Introduction**

The OPTN Finance Committee met via WebEx teleconference on 6/1/2023 to discuss the following agenda items:

1. Opening Remarks
2. FY 2024 OPTN Budget Working Session
3. Update on OPTN Registration Fee

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

#### **1. Opening Remarks**

Dale Smith, CFO, welcomed the committee and noted that the Treasurer was unable to attend. Mr. Smith emphasized the meeting's importance and encouraged active participation, questioning, and critical thinking.

#### **2. FY 2024 OPTN Budget Working Session**

Dr. Nicole Turgeon, Chair of Policy Oversight Committee (POC), presented on enterprise-level policy projects and their implementation hours per cycle. She discussed the current state of the portfolio within budget constraints and the challenges posed by the gap between portfolio priorities and the available budget. The projects mentioned were awaiting board approval and would start implementation no later than December. A Committee member inquired about the status of the listed projects and the level of detail in the estimates of implementation hours. Dr. Turgeon explained that the estimates were determined by the IT department based on their expertise and standards. A UNOS staff member added that the estimates start broad and become more refined as the projects progress and their scope is clarified. The committee member emphasized the need for granular information and detailed review of the projects' staffing requirements and reiterated the need to prioritize projects for the next year's budget while considering existing commitments and workload. Chris McLaughlin, HRSA representative highlighted the importance of reviewing granular information.

Following the POC discussion, Mr. Smith reiterated the main objectives of the meeting were to work towards finalizing the fiscal year 2024 budget and to prepare for the upcoming meeting on June 6<sup>th</sup>. He highlighted the significance of incorporating feedback received during previous discussions and incorporating additional qualitative information into the Board package. Mr. Smith reminded the Committee of the internal process of holding value stream meetings with internal leaders to review and finalize budget item requests. Mr. Smith reiterated the importance of understanding what is included in the budget as well as what is excluded. He emphasized the need to demonstrate due diligence in decision-making and to consider the prioritization of items. A timeline slide was presented highlighting the scheduled Finance Committee vote on the 6<sup>th</sup> of June. Mr. Smith mentioned that the target deadline for submitting the budget proposal to HRSA for approval is June 30<sup>th</sup>. Mr. Smith highlighted that there

were several areas where costs needed to be added, including merit increases, purchase services, and IT security modifications. He also mentioned that some items had been removed from the budget as they had been completed or were deemed unnecessary. Mr. Smith emphasized that the pluses and minuses were currently balanced, resulting in a 1.8% budget increase.

After the slide presentation, a committee member raised a question regarding the projected expenses and income for fiscal year 2023. Mr. Smith responded that the current forecast indicated expenses ranging between \$70.5 million and \$71.5 million, which was within a few percent of the budgeted amount. He clarified that this forecast did not account for any changes to the fee structure throughout the fiscal year. The committee member sought further clarification on the utilization of the operating account, to which Mr. Smith confirmed that due to reduced billing with the unchanged fee structure, some of the services would be covered using operating cash. The committee member expressed the need to understand the final position at the end of fiscal year 2023 and the utilization of the operating account. Mr. Smith acknowledged the importance of addressing this and stated that it would be discussed in more detail later in the meeting, along with the projected operating balance and the potential application of excess funds.

A committee member acknowledged that the current trend suggests that they are below the \$72 million expense budget. They requested clarification on the specific categories where the reduction in expenses occurred. Mr. Smith explained that the biggest reduction was in purchased services. Some consulting engagements were delayed, resulting in a shift in expenses. Mr. Smith mentioned that the May financials would provide a better understanding of the budget tracking. He also noted that travel expenses were reduced due to lower in-person attendance. The committee member confirmed that the decrease in expenses was primarily a timing issue and not a deliberate decision to put projects on hold. Mr. Smith added that while they currently had excess funds to support the budget, this model would not be sustainable in the future. He emphasized the importance of aligning the budget and fees moving forward. The committee member stated the importance of communication to the board that critical projects were not sacrificed and that they were still moving forward, particularly in the area of patient care.

A HRSA representative sought clarification on the 5% merit increase mentioned earlier. Mr. Smith explained that the increase was based on a market analysis conducted by Tony Ponsiglione, Chief People Officer. The increase was intended for all staff but would be distributed based on performance and other factors. A Committee member expressed concern about the 5% merit increase, flagging as potentially high. They questioned if the increase included a cost of living adjustment or if it aimed to compensate for withholdings from previous years. They also inquired about budgeting for a vacancy factor to account for positions that are not filled at all times. Mr. Smith confirmed that they considered vacancy factors in the budget at department levels. He clarified that the 5% merit increase was inclusive of a cost of living adjustment. Mr. Smith confirmed that merit increases go into effect starting October 1<sup>st</sup>.

Mr. Smith continued the presentation providing information on the Program Manager for IT Information Security. The role will oversee the operation of the OPTN member and third party security program. Mr. Smith presented adding a Senior Database Administrator role within the current organizational structure. The purpose was to enhance security measures and address the increased workload. Tiwan Nicholson, Senior Director of IT Operations, added that the addition was necessary due to limited resources and the need for appropriate support. He explained that the role was essential to ensure sufficient bench strength and support for production database workload. Mr. Smith proceeded to discuss the software engineering staff requests and its impact on the budget. A committee member raised concerns about the increase in expenditures compared to incoming revenue. Mr. Smith

acknowledged the concern and mentioned the need for a fee increase to avoid dipping into the operating account. A committee member emphasized the importance of considering the cost-benefit analysis of the proposed additions and the future implications on the budget. A committee member expressed concern regarding the budget starting with greater expenditures than revenue and stressed the need for a commitment regarding the fee increase to avoid a larger deficit. Mr. Smith agreed and informed the committee that a meeting with HRSA had been requested to discuss financial support and alignment with priorities. The committee agreed that the 5-person software engineering staff request should be included in the budget based on the current workload and priorities. However, it was acknowledged that further evaluation and adjustments could be made if necessary.

The meeting continued with a discussion on meetings and travel budget. It was noted that there has been a decrease in in-person meeting attendance, and efforts have been made to update the budget accordingly. The recent trends in airfare and room rates have shown a decline, which has positively impacted the budget. The committee participants highlighted the significance of in-person committee meetings and the value of networking and connection. However, concerns were raised regarding the necessity of every committee meeting twice in person. It was suggested that a more detailed analysis of individual committee requirements could help identify potential reductions, especially for committees involving patients who may have limitations on travel. Further discussions on this topic are expected.

The focus then shifted to legal expenses, particularly in relation to ongoing lawsuits. The budget currently includes a placeholder for a \$700,000 increase related to eGFR lawsuit. The participants acknowledged that the legal expenses are an expected and necessary expense as the organization is named in the lawsuit. Questions were raised regarding whether the fees for legal services should be explicitly justified and covered through the fee structure. The matter will be further reviewed and clarified before finalizing the budget.

The next agenda item involved member security work and associated costs. It was mentioned that Accenture is currently performing the required work, and their cost estimates are pending. The budget currently allocates \$2.5 million for these services, which is subject to adjustment based on the timeline and assessments required. It was noted that there will be real costs incurred in fiscal year 2023, considering the immediate need to initiate the security work.

Mr. Smith discussed the importance of FedRAMP readiness and certification. He explained that to obtain FedRAMP certification, a government agency must sponsor the organization. Mr. Smith mentioned that there have been discussions with Mr. McLaughlin and other IT personnel regarding modifications and the need to increase security. He emphasized the necessity of preparing for the public cloud and its associated budget implications.

Mr. Smith highlighted the challenge of providing IT support during off-hours, specifically from 7 PM to 7 AM. He explained that during this time, the 24-hour Organ Center becomes the default contact point for IT issues. If the Organ Center cannot resolve the problem, they escalate it to an IT professional. The objective is to establish a reliable 24/7 on-call IT support system, which requires adjustments in payment and staffing arrangements. Mr. Smith emphasized that this change would enhance user experience and system support, albeit with a budget impact of \$250,000.

Mr. Smith provided an overview of the budget allocation for facilities. He mentioned that the depreciation budget has increased due to previous capital expenses. Office supplies and security budget amounts have decreased due to improved contract pricing.

The budget for software subscriptions and telecom has remained relatively stable, with occasional additions and roll-offs. These changes have had minimal impact on the overall budget.

Mr. Smith sought feedback from the attendees regarding the proposed budget. He asked if the \$73.8 million figure was acceptable and requested input on any adjustments or concerns. Mr. Smith also mentioned the intention to include actuals and forecasts for the current fiscal year (2023) in the next budget package discussion. He emphasized the need to consider these figures as estimates and subject to change.

The committee then discussed the timeline for budget planning and mentioned the federal appropriation cap of \$7 million. He informed the attendees that the current contract expires on September 29, 2023. Mr. Smith indicated that the budgeted registrations for fiscal year 2023 amounted to 65,000, with a possible increase due to recent trends. He explained the potential need for additional fees to support the budget and presented a breakdown of excess funds in the operating account. Mr. Smith clarified that no fee proposal was being presented at the current meeting but would be included in the next week's proposal. A committee member raised the question of utilizing excess funds in the operating account for priority projects. Mr. Smith expressed that he had not yet formed a final opinion on the exact amount but suggested that the operating account should not be less than one month's worth of expenses. He proposed considering amounts ranging from \$3 million to \$6 million, but highlighted the need for further discussions on reserve bylaws and allocation of funds. The committee member suggested that rather than a straight \$5 million allocation, they could tie the amount to specific high-priority projects. Mr. Smith agreed, stating that it might be more effective to attach the funds to specific projects rather than a fixed dollar amount. He emphasized the importance of presenting a detailed plan, specifying how the funds would be used.

### **3. Update on OPTN Registration Fee**

Mr. Smith proceeded with the next agenda item, sharing the registration fee data. He informed the attendees that as of that morning, there were 6,200 registrations for the month of May, the highest number ever recorded. He mentioned that if they reached the projected numbers for the next four months, they would surpass 65,000 registrations. This information provided them with confidence in their future registration budgeting process, as they were working closely with research and conducting thorough analysis.

Mr. Smith displayed a slide illustrating the ten-year fee history. He noted that the compound annual growth rate over the past ten years, based on the actual fees used, was 2.09%. He commended the efforts of the committee and previous committees in managing fees while experiencing continuous growth in the number of people on the registry and transplants performed. Mr. Smith highlighted that this analysis offered a broader perspective rather than focusing on year-to-year variations.

Concluding the meeting, Mr. Smith thanked all participants for their engagement, time, and contributions. He expressed his sincere appreciation for their efforts in supporting the organization's life-saving work and acknowledged the challenges posed by their full-time commitments.

The meeting was adjourned.

## Attendance

- **Committee Members**
  - Andrea Tietjen
  - Barry Massa
  - Jeff Orlovski
  - Robert Goodman
  - Stuart Sweet
- **HRSA Representatives**
  - Christopher McLaughlin
  - Mesmin Germain
- **UNOS Staff**
  - Anna Messmer
  - Cole Fox
  - Dale Smith
  - Jacquelyn Flannagan
  - Jason Livingston
  - Julie Nolan
  - Kasey Darnes
  - Lauren Mauk
  - Liz Robbins Callahan
  - Mary Beth Murphy
  - Maureen McBride
  - Michael Ghaffari
  - Michael Letson
  - Morgan Jupe
  - Roger Brown
  - Ryan Ehrensberger
  - Susie Sprinson
  - Tiwan Nicholson
  - Tony Ponsiglione