

Treasurer's Report

OPTN/UNOS

Board of Directors Meeting

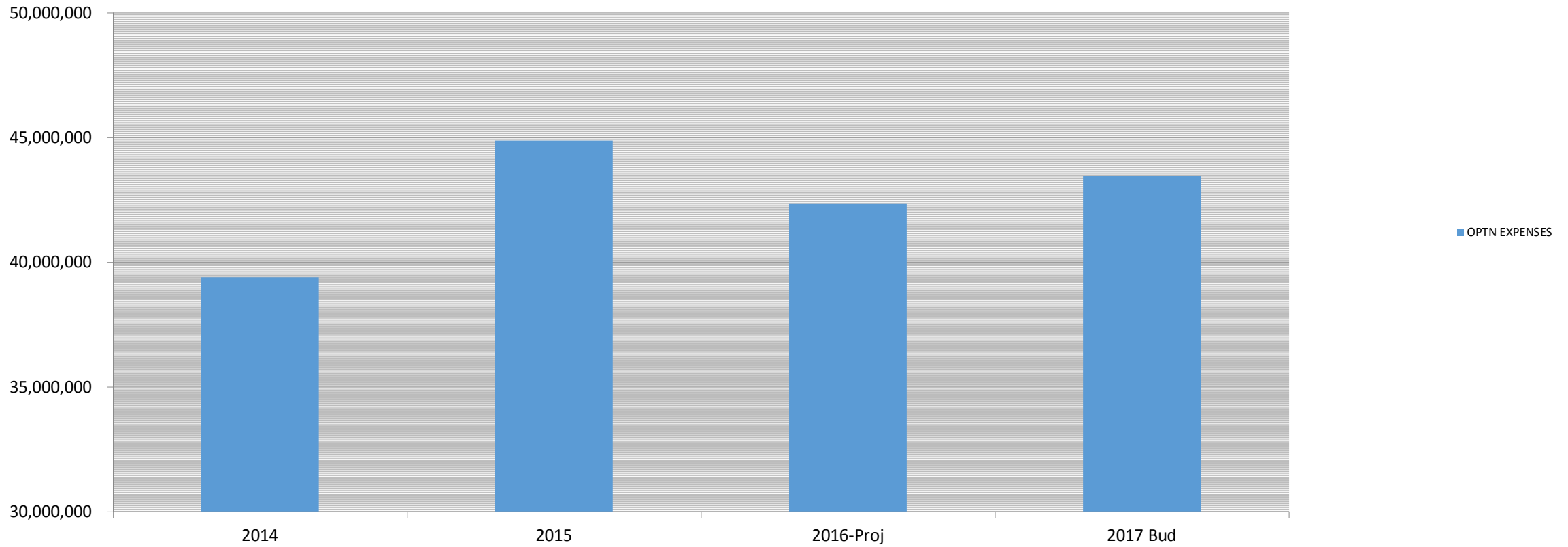
June 6-7, 2016

OPTN Items to be Presented

- 2017 OPTN Operating Budget and associated registration fee
- A-133 Consolidated audit report for FY 2015
- Interim FY 2016 financial results

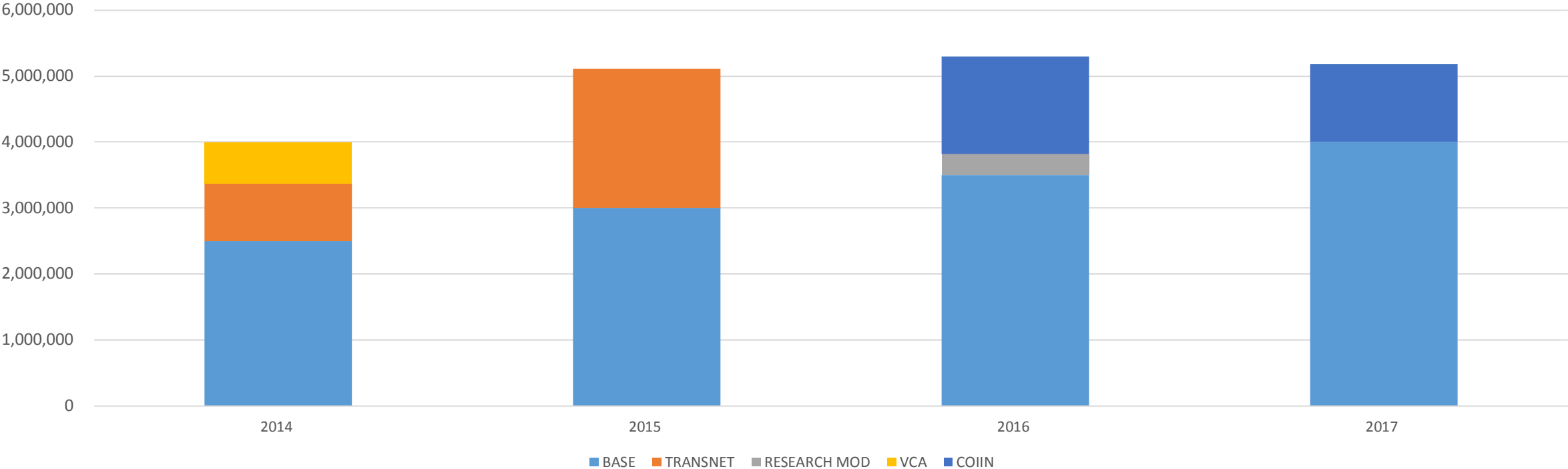
OPTN Expense History

OPTN EXPENSES



OPTN Federal Funding History

OPTN EXPENSES FEDERAL FUNDING 2014-2017



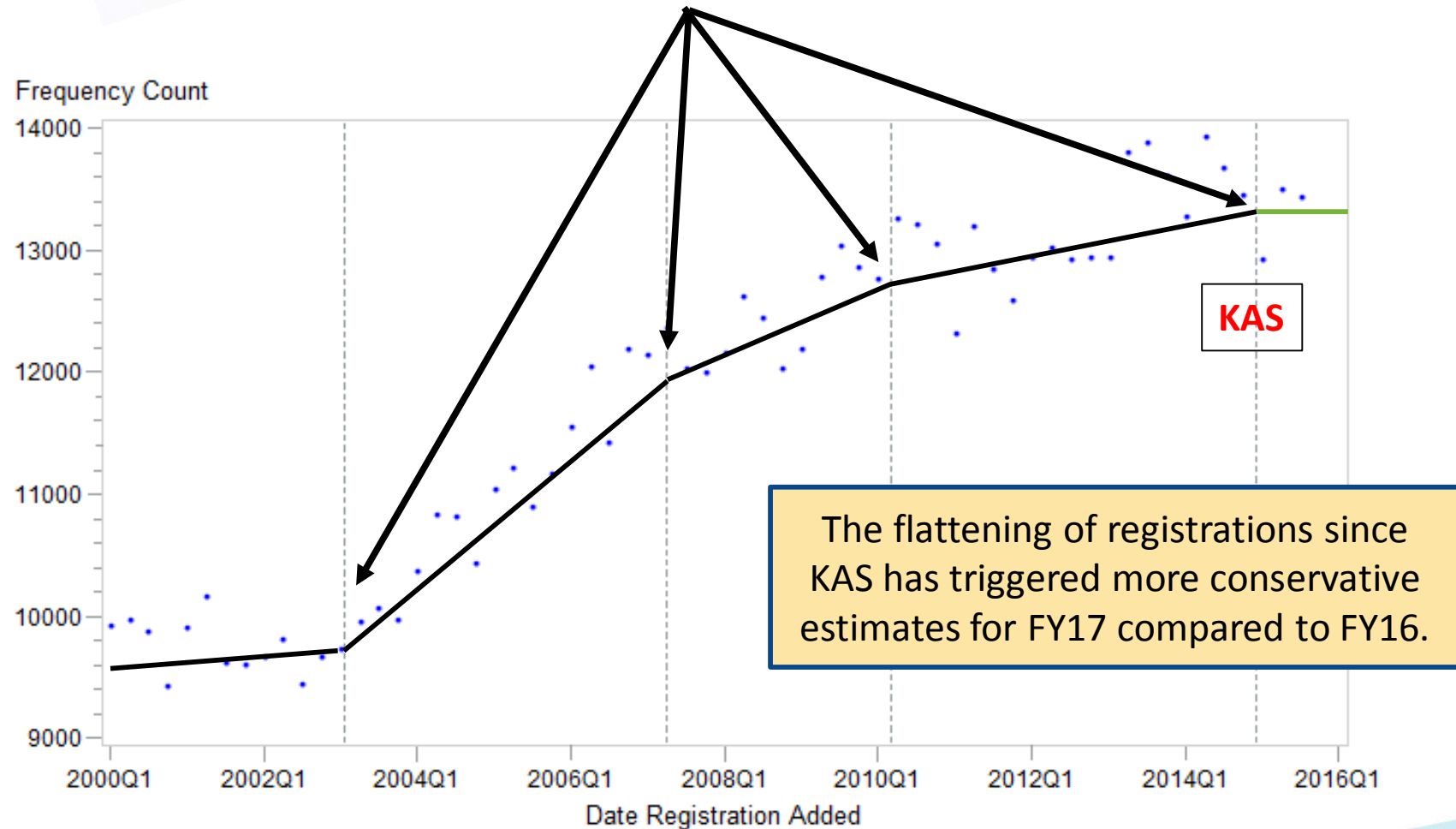
2017 Budget Assumptions

- Proposed expenditures, federal appropriations and estimated registrations determine the OPTN fee.
- The OPTN fee has two components, a base for operations and a reserve
- The combined fee is presented to the Board and then to HRSA for approval.

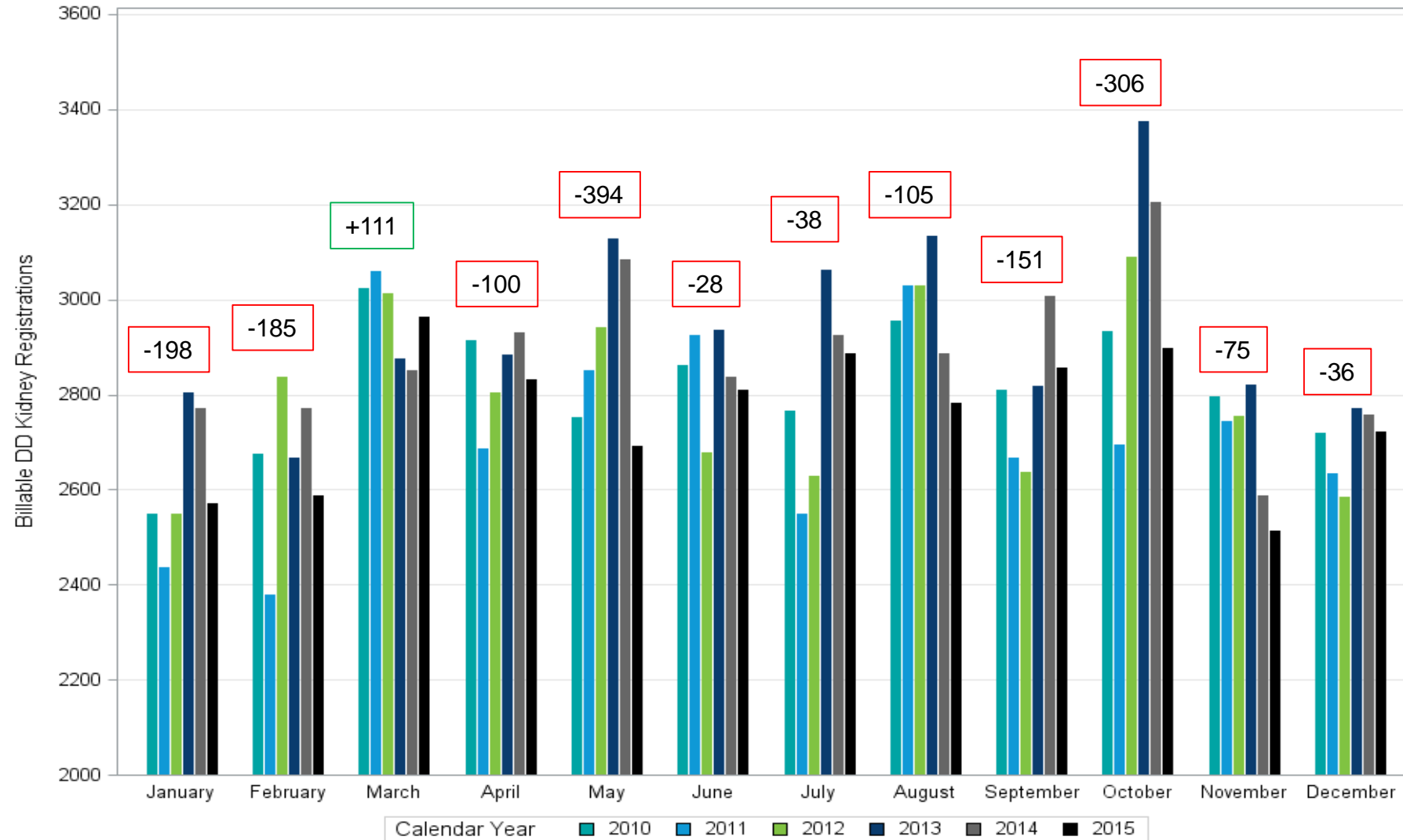
Registrations Overview

- Based on decrease in registrations since KAS implementation (December 2014), 2017 projections are estimated to be 53,433 – 4.7% below 2016 budgeted registrations.
- Internal, 14-month assessment of post-KAS kidney registrations indicates that listing behavior of centers has changed and there is no indication of reversal of this trend.
- Statistical model used to develop projections has been validated by a third-party, predictive analytics consulting firm, Accordion Health, based out Austin, TX.

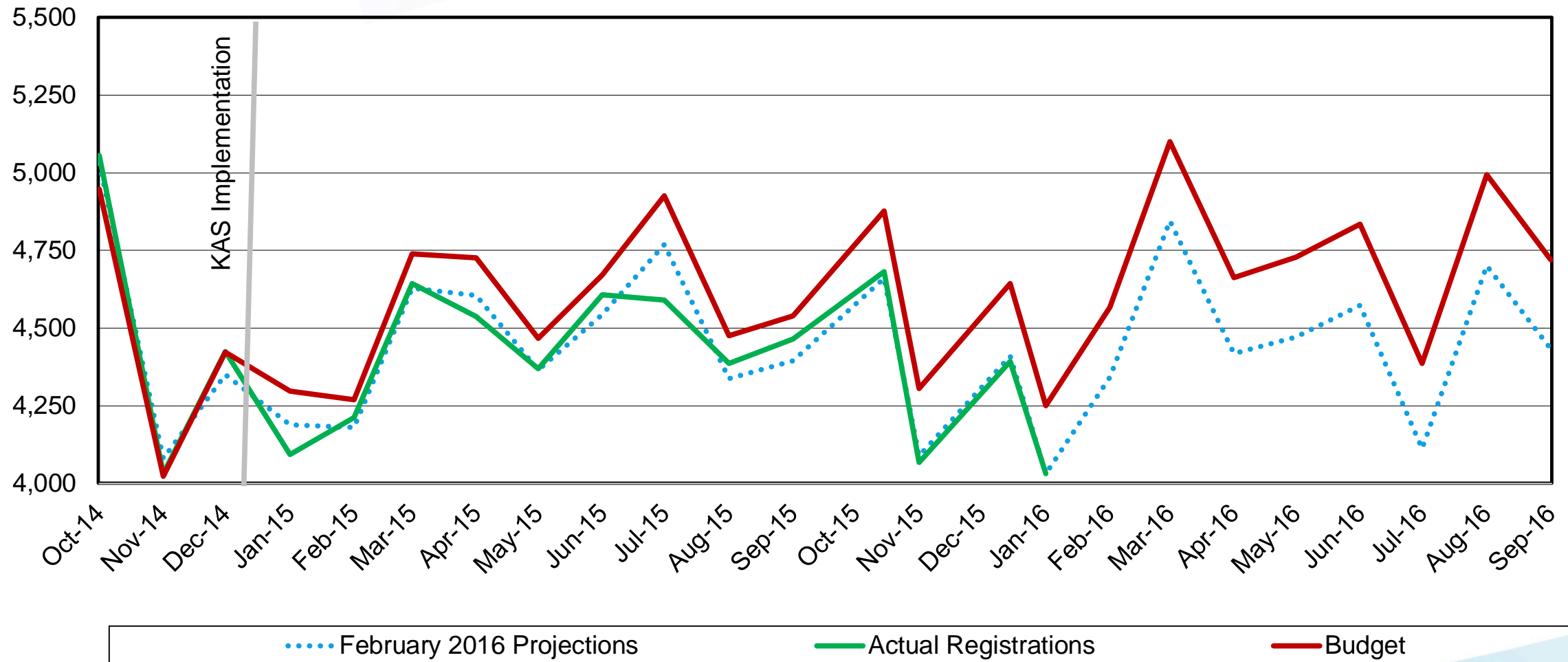
Historical Registrations by Quarter



KAS Impact – Registration Evidence



Re-examining FY 2016





Budget Assumptions

Network Funding:

- Registrations of 53,433 are expected to provide \$44,563,122 or 89.4% of funding.
- Base Federal appropriations of \$4,000,000 plus an anticipated \$1,175,854 in Federal funding to continue Option Task 18 is expected to provide 10.6% of funding



OPTN Expenses

- 2017 Budget Process
- All departments asked to reduce expenses from 2016 budget levels to match with expected registration levels
- Can we cut costs and still provide all the services required by the contract, plus member services above and beyond?

OPTN Expenses

- Wages and Benefits

2017 Budget	2016 Budget	2016 Forecast
\$32,550,000	\$33,764,000	\$32,029,000

- Decrease of \$1,214,000 (-4%) compared to 2016 Budget
- Increase of \$521,000 (2.4%) over current 2016 forecasted expenses

OPTN Expenses

- Travel

2017 Budget	2016 Budget	2016 Forecast
\$1,978,000	\$2,207,000	\$1,854,000

- Decrease of \$217,000 (-9.8%) compared to 2016 Budget
- Increase of \$124,000 (6.3 %) over current 2016 forecasted expenses

OPTN Expenses

- Other Direct Costs

- | 2017 Budget | 2016 Budget | 2016 Forecast |
|-------------|-------------|---------------|
|-------------|-------------|---------------|

\$7,780,200

\$7,660,000

\$7,433,000

- Increase of \$120,200 (1.5%) compared to 2016 Budget
- Increase of \$347,200 (4.5%) over current 2016 forecasted expenses

OPTN Expenses

- Indirect Costs

- 2017 Budget 2016 Budget 2016 Forecast

\$6,347,900

\$6,544,600

\$6,285,600

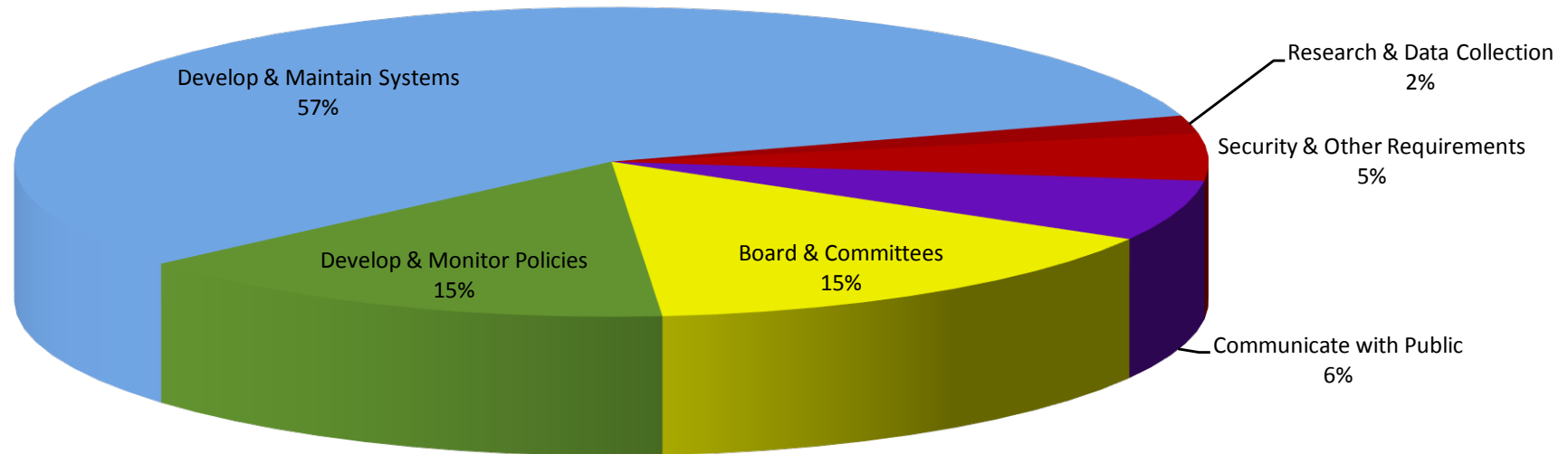
- Decrease of \$196,700 (-3%) compared to 2016 Budget
- Increase of \$62,300 (1%) over current 2016 forecasted expenses

OPTN Expenses

- Results of budgeting exercise:
- Overall costs of OPTN operations reduced \$1,507,915 (-3%) from 2016 Budget, and \$1,022,000 (2%) above current spending levels
- No reduction in services provided for members
- No danger of not meeting contract deliverables

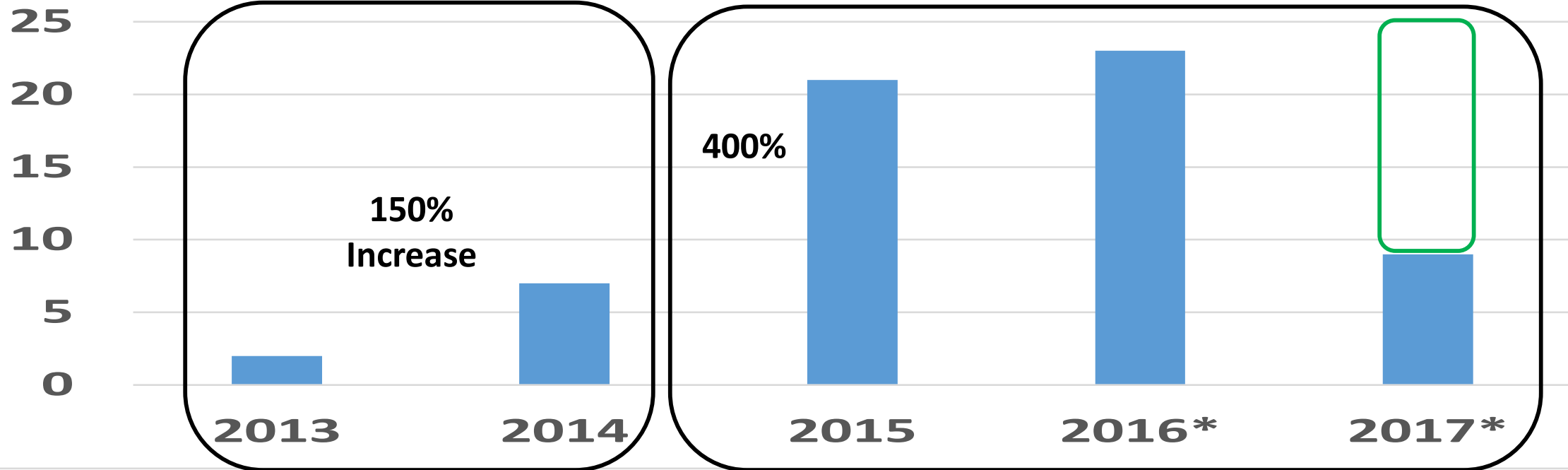
OPTN Expenses

OPTN EXPENSES BY FUNCTION 2017 BUDGETED EXPENSES - \$48,666,967



IT Progress since 2014 (Started Using Agile Method)

Increased Policy Deliveries



2013 =====> 2016
Catching up on BOD backlog

In addition:

- TransNet: 9+ deliveries in 2015 & 2016
- Other Non-Policy in 2016:
 - API
 - Data Lake first deliveries
 - OPTN Website + 508 Compliance
 - EMPIR, COIIN
 - KPD
 - UNet Browser

Predicted Available Capacity for:

- UNet Core Architecture Revamp
- Continue New Policy & Transnet Work
- Continued TransNet for Xplant Ctrs
- Continue API, Data Lake, Member Quality (EMPIR)
- Customer Innovations

IT BOD Backlog by the End of ...

2013

23 Projects

2 in progress
21 in queue

18 older than
12 months

2014

35 Projects

7 Delivered
5 in progress
23 in queue

16 older than
12 months

2015

48 Projects

23 delivered
7 in progress
18 in queue

6 older than
12 months

2016

38 Projects

26 delivered
5+ in progress
7 in queue

2 older than
12 months

2017

31 Projects

18+/- delivered
~6 in progress
~7 in queue

0 older than 12
months

OPTN Expenses and Fee Funding

	FY2014	FY2015	FY 2016 Proj	FY 2017 Budget
▪ Expenditures	\$39,435,540	\$44,896,919	\$47,645,201	\$48,666,967
▪ HRSA Federal Funding	<u>3,994,459</u>	<u>5,109,985</u>	<u>5,298,671</u>	<u>5,175,854</u>
▪ Fee Funding Needed	\$35,441,081	\$39,786,934	\$41,346,530	\$43,491,113
▪ Registrations	54,836	53,417	53,161	53,433
▪ OPTN Ops Fee	\$800	\$793	\$792	\$814
▪ Funds Available	\$43,868,800	\$42,359,681	\$42,103,512	\$43,494,462



OPTN Fees

- \$834 OPTN Fee
 - \$22 increase from last year's fee of \$812
 - \$814 for operations
 - \$22 increase from last year's fee of \$792
 - \$20 fee for reserves
 - No change from 2016

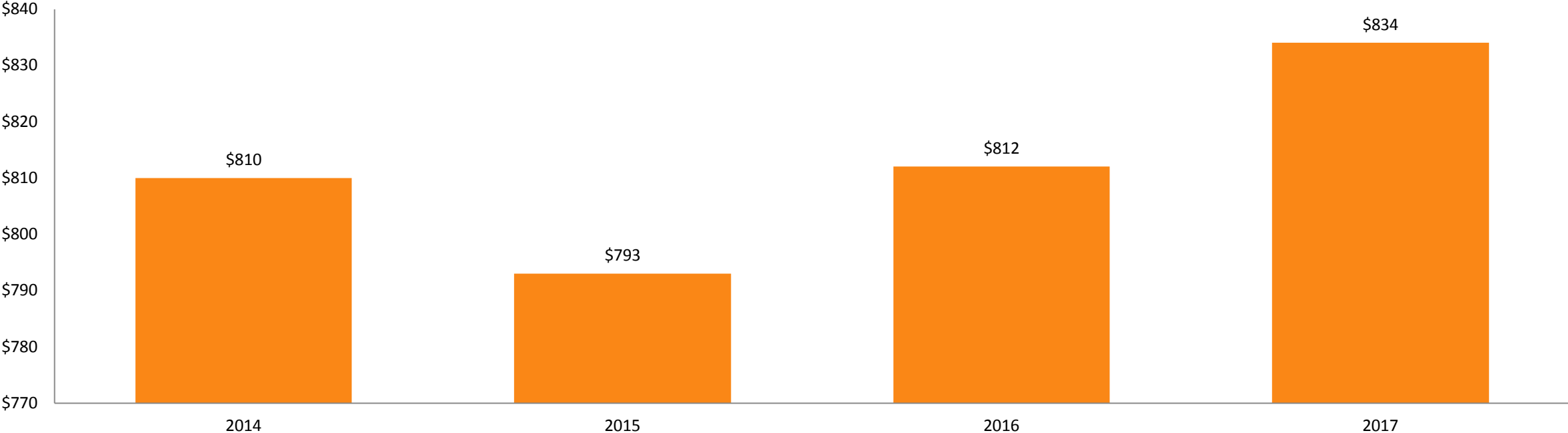
OPTN Revenue: Fees

Combined OPTN and UNOS fees

- Total fee increases \$22 from \$957 in FY 2016 to \$979 in FY2017
- OPTN portion of the fee increased \$22
- No change proposed to the current UNOS fee of \$145

OPTN Revenue: Fees

OPTN Registration Fees (Includes Reserve Components)



OPTN Operating Cash- Projected

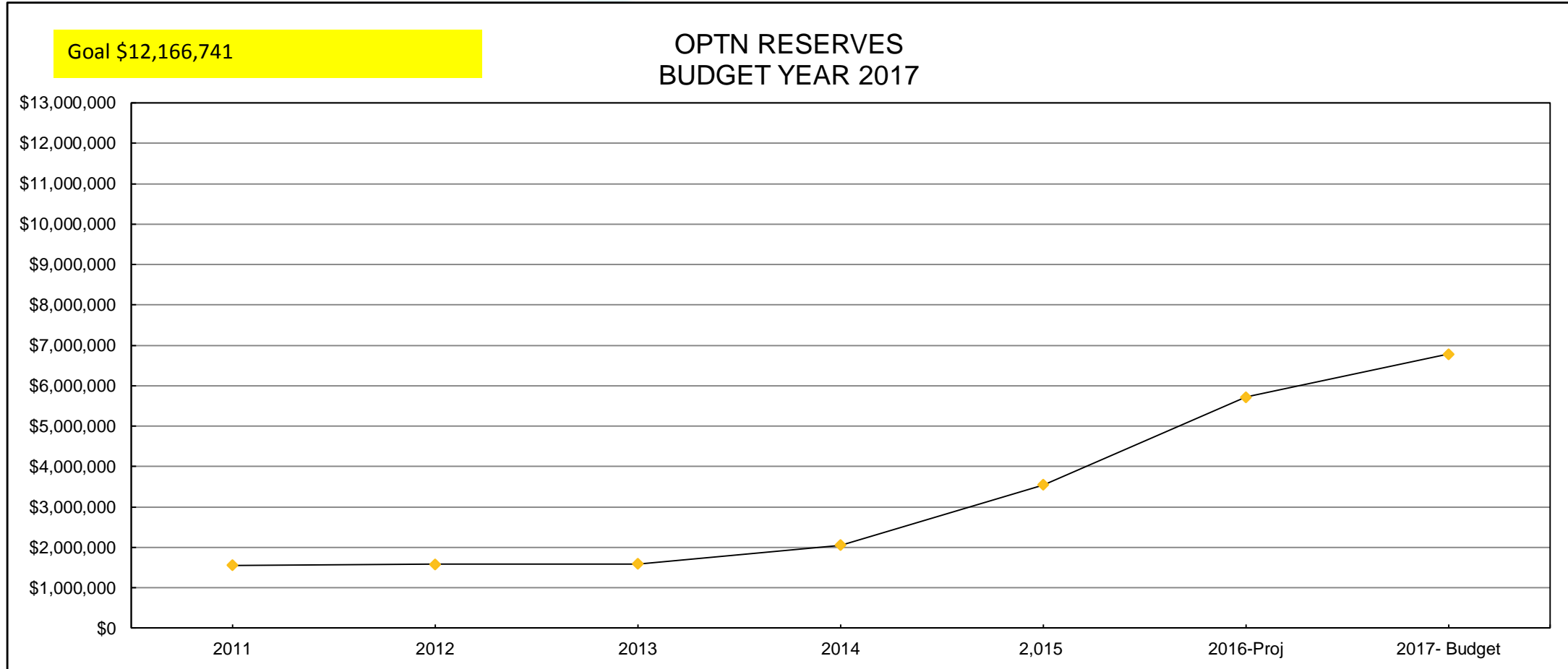
▪ End of FY 15 Balance	\$13,600,000
▪ Projected registrations FY 16	\$42,104,000
▪ Projected Expenses FY16	<u>\$42,347,000</u>
▪ FY 16 Estimated Funds	\$13,357,000
▪ Target OPTN Primary Account	\$ 8,100,000

(Two months operating)

OPTN Reserves

▪ FY 13 Balance		\$1,330,000
▪ FY 14 \$10 Funding		\$548,000
▪ FY 15 \$31 Funding		\$1,690,000
▪ FY 16 Transfer (FY 14)		\$1,100,000
▪ FY 16 \$20 Funding	+	\$1,063,220
▪ FY17 \$20 Funding		\$1,068,660
▪ FY 17 Estimated Balance		\$6,800,000
▪ Reserve Goal (3 months)		\$12,167,000

OPTN Reserves



2017 Budget and Fee

[Resolution 2, page 5]

RESOLVED, that the 2017 OPTN Operating Budget of \$48,666,967, shown on page 1 of OPTN Finance exhibit A, is hereby approved, and

FURTHER RESOLVED, that the Board of Directors hereby approve an increase in the OPTN patient registration fee from \$812 to \$834, effective October 1, 2016.

FURTHER RESOLVED, that Policy 11.0 (Registration Fee) shall be amended as set forth below effective October 1, 2016.

11.0 REGISTRATION FEE

- The OPTN Patient Registration Fee, as provided in Article I, Section 1.13 of the Bylaws for the listing of candidates as required by Policy 3.2.1 for listing a potential recipient in UNetsm, shall be ~~\$812~~ \$834.

FY 2015 Audit

- A-133 compliance report is a major component of the UNOS audit. Required for federal contract awards > \$300,000.
- Unmodified or “clean” opinion issued on UNOS financial statements.
- No material weaknesses in internal controls or non-compliance with federal or contract requirements were detected.
- UNOS is considered a low-risk auditee

FY 2015 Audit

- Finance Committee heard a presentation from Cherry Bekaert audit firm, and accepted the report in February 2016.
- No Board action is required.



2016 Interim Results

- Registrations- 4.22% below budget, but similar to 2015 levels
- Expenses through March- \$1,655,000 under budget
- Registration fees collected are sufficient to cover current operating costs
- OPTN Reserves-42% of goal of 3 months operating



QUESTIONS?