



Treasurer's Report

OPTN/UNOS

Board of Directors Meeting

June 1-2, 2015

OPTN Items to be Presented

- Revisions to the OPTN Reserve Bylaw
- 2016 OPTN Budget and associated registration fee
- Consolidated audit report for FY 2014
- Interim FY 2015 financial results

OPTN Reserve Bylaw

- In 2000, the OPTN Reserve was established with a one-year reserve fee, generating approximately \$1,400,000.
- In 2013, OPTN reserves were deemed by the Committee to be insufficient to support an OPTN budget of \$45,000,000 where 90% of funding is registration fees.
- Starting in 2014, a component of the OPTN fee is dedicated to reserves.

OPTN Reserve Bylaw

- During OPTN contract negotiations with HRSA in 2013, it was recognized that once certain conditions were met, an automated mechanism was appropriate to withdraw OPTN reserve funds.
- OPTN reserve goals and criteria governing the withdraw of funds from reserves would be established through the adoption of an OPTN Bylaw.

OPTN Reserve Bylaw

- The Committee, with HRSA participation, recommended a bylaw for consideration by the Board in June 2014.
- The Board approved the Bylaw in June 2014. UNOS staff sent the Bylaw to HRSA for approval.
- In December 2014, HRSA notified UNOS of proposed changes to the Bylaw.

OPTN Reserve Bylaw

- The Committee discussed and accepted HRSA proposed changes to the Bylaw, added clarifying language, and made technical corrections.
- HRSA's proposed changes to the Bylaw: OPTN contract language was added in Section 8.2, 8.2.A, and 8.2.C.3.
- Revised Bylaw is for Board consideration.

OPTN Reserve Bylaw

- Board of Directors action required:
 - **RESOLVED that Article VIII (Financial Considerations), as set forth in Exhibit A, are hereby approved, effective notice to OPTN membership.**

2016 Budget

- OPTN is a cost sharing, cost reimbursement contract, with no fee for the OPTN contractor (UNOS).
- Expenditures, reserve funding, federal appropriations, and estimated registrations determine the annual OPTN fee
- After Board approval, the fee is sent to HRSA for approval.
- 2016 Budget = \$49,498,000
 - \$48,376,000 for program expenditures
 - \$ 1,122,000 for reserve funding

2016 Budget

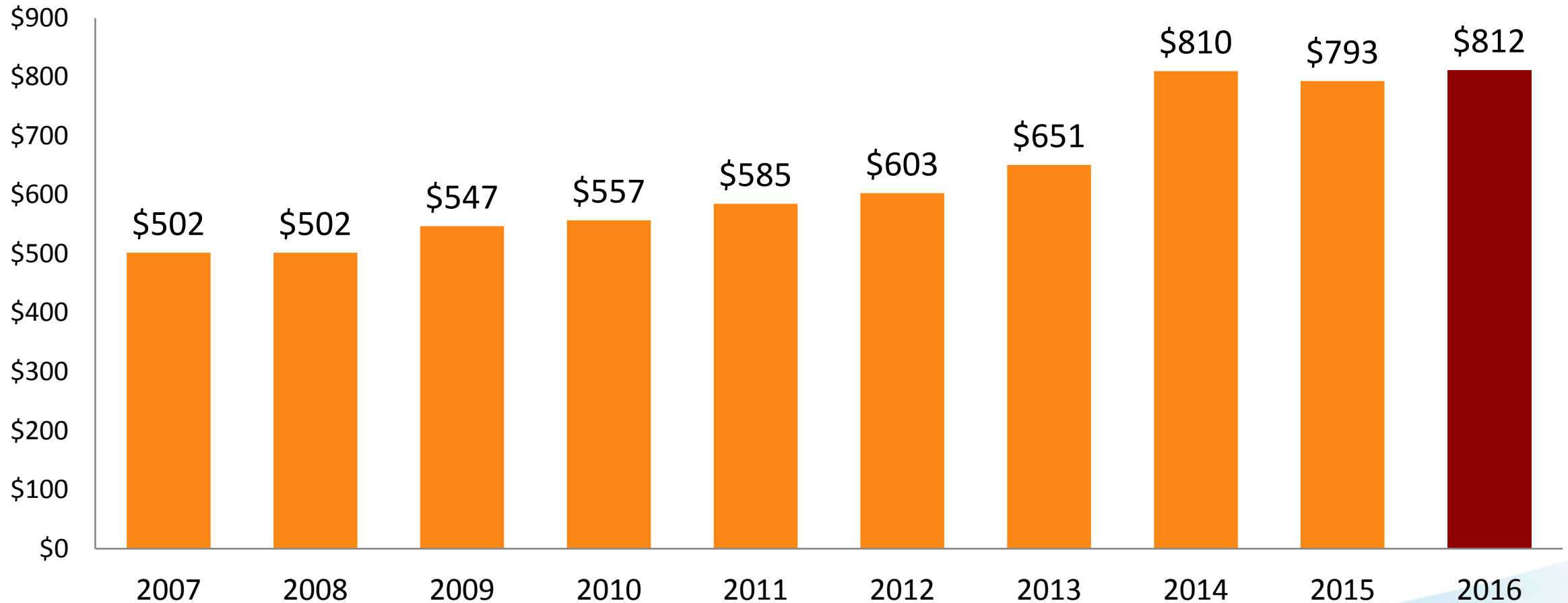
- Revenues:
 - \$3,500,000 in appropriated federal funds
 - \$500,000 increase from FY 2015 level of \$3,000,000
 - Contract modification has been received from HRSA
 - \$45,526,000 funded by 56,066 registrations x \$812 fee
 - \$44,404,000 for operations
 - \$ 1,122,000 for reserves
 - \$500,000 of FY 2014 funds used to cover IT projects in budget

2016 Budget

- OPTN fees:
 - Increased 2.4% or \$19 from \$793 to \$812
 - Operational component increased \$30
 - Expenditures increased 3.8%
 - Reserve component decreased \$11 from \$31 to \$20
 - \$20 reserve target fee proposed
 - Provides more than \$1,000,000 for reserves in a year

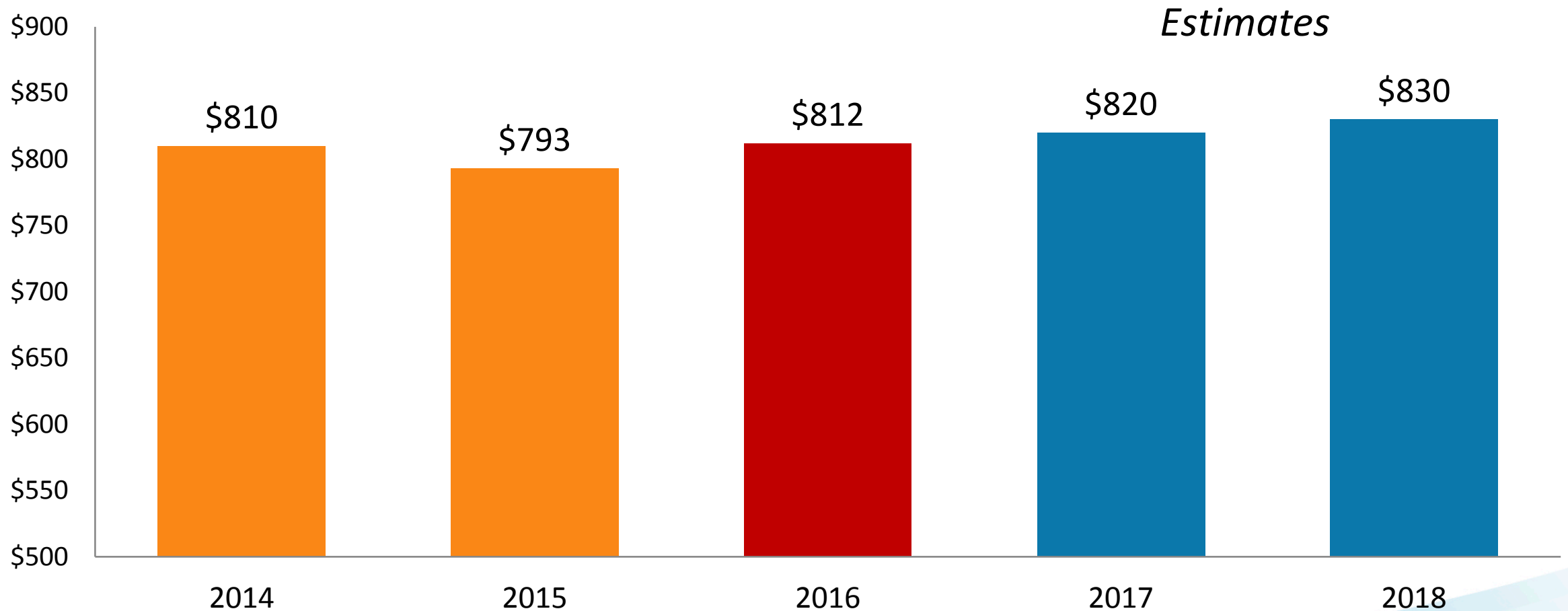
2016 Budget

OPTN Registration Fees (Reserve component began in 2014)



2016 Budget

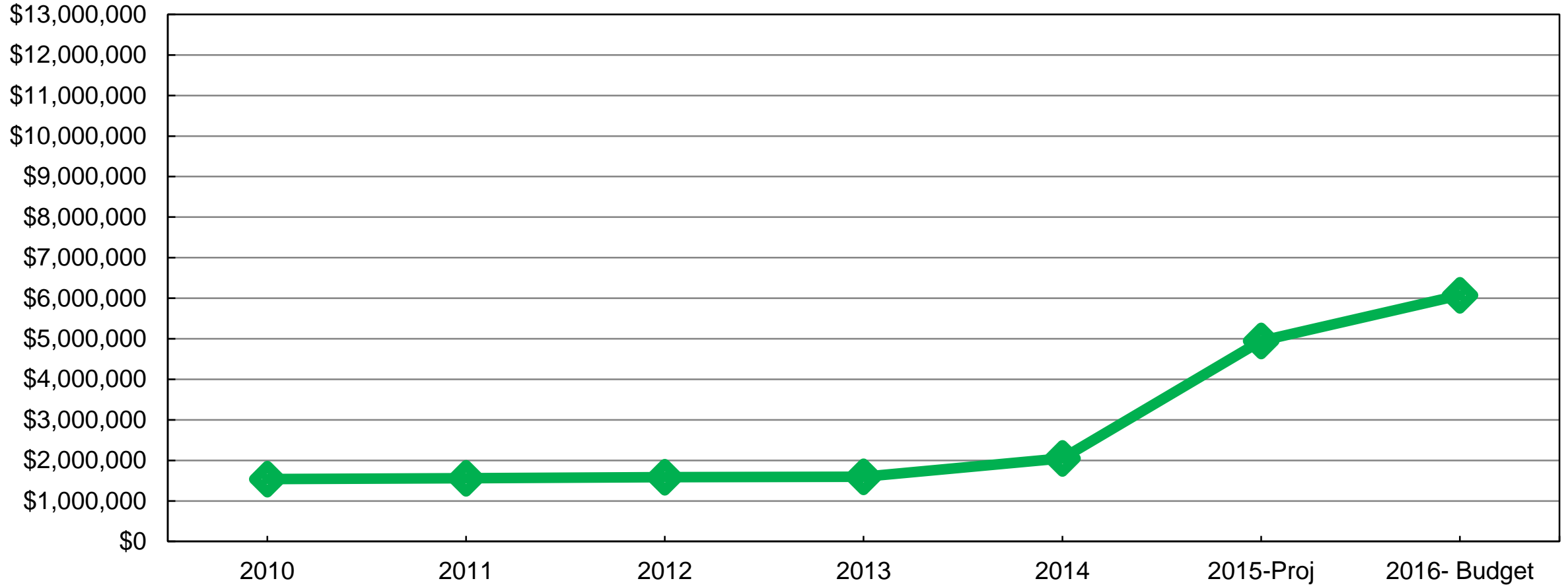
OPTN Registration Fees



FY 2016 Budget

Goal \$12,094,053

OPTN RESERVES

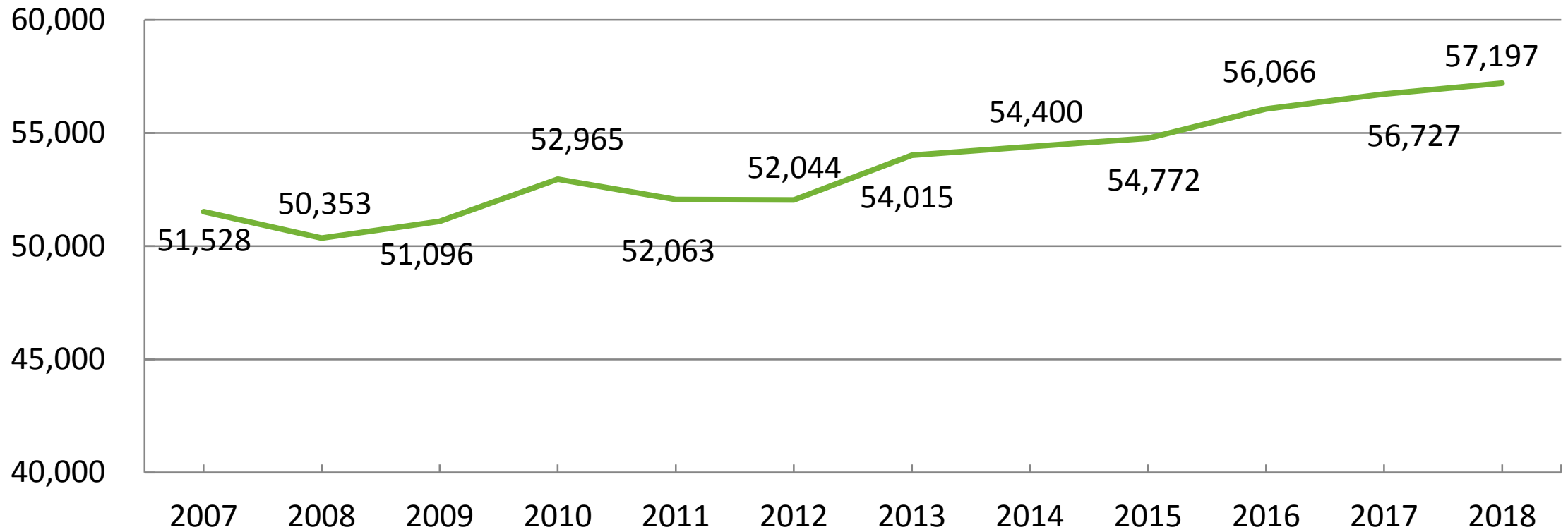


2016 Budget

- Registrations
 - Estimate of 56,066 based on Research Dept. analysis
 - Kidneys account for 63%, livers 21%, both 84% of total
 - Long term impact of KAS is unknown
 - Changes to liver allocation could have a negative impact
 - Registrations can vary 4% or 2,000 per year.
 - OPTN operating account balance of 2 months of expenses, approximately \$8,000,000, provides insurance if registrations do not meet expectations.

2016 Budget

Registrations – Actuals Through 2014



2016 Budget

- Expenditures
 - \$48,376,000 covered by the OPTN fee and federal appropriations
 - \$1,753,000 or 3.8% greater than in the 2015 Budget
 - Major cost drivers:
 - Depreciation charged to contract
 - Salary increases – 3% average
 - IT projects funded by \$500,000 in fees from FY 2014

2016 Budget and Fee

- Board of Directors action required:
 - **RESOLVED** that the 2016 OPTN Budget, set forth in Exhibit B is hereby approved.
 - **FURTHER RESOLVED** that the Board of Directors hereby approve an increase in the OPTN Patient Registration Fee from \$793 to \$812 effective October 1, 2015.

2016 Budget and Fee

- **FURTHER RESOLVED that Policy 3.4.A (Registration Fee) shall be amended as set forth below effective October 1, 2015.**
- **3.4.A Registration Fee**

The registration fee of ~~\$793~~ \$812 for the registration of a transplant candidate is authorized by 42 C.F.R. § 121.5(c) and OPTN Bylaws Section 1.2(D):
Registration Fees.

FY 2014 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.

2014 Audit

- Prior practice was for the audit to be accepted by the Board in June, nine months after September year-end.
- Finance Committee accepted the report in February 2015.
- The Executive Committee accepted the report in April 2015, prior to the Board meeting in June.
- No Board action is required.

OPTN Budget Modification

- The OPTN fee was substantially increased in 2014, primarily to provide resources for IT efforts.
- Due to timing of hiring a Chief Technology Officer, a department reorganization, and re-evaluation of the IT work-plan, approximately \$2,600,000 of funding relating to IT efforts was not spent in 2014.
- IT management developed a work-plan to spend \$2,100,000 in 2015 and \$500,000 in 2016.

OPTN Budget Modification

- In February 2015, the Finance Committee approved the work plan and recommended it to the Executive Committee for consideration.
- In March 2015, the Executive Committee approved the Finance Committee recommendation.
- The 2015 budget was increased by \$2,100,000, and the 2016 OPTN budget incorporated \$500,000. These expenditures are funded by fees collected in 2014.
- No Board action is required.

2015 Interim Results (6 months)

- Revenue and expenses
 - March registrations are .9% or \$186,000 **below** budget.
 - March expenditures are 4.9% or \$1,089,000 **below** budget.
 - Cash flow (registrations + federal funds – expenditures) is sufficient to meet OPTN needs.
 - OPTN reserves through March of \$2,695,000 are 24% of the current reserve target of \$11,131,000.