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.
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

Estimates

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FY 2016 Budget

OPTN RESERVES

Goal $12,094,053
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

OPTN | UNOS
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.
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.