

Minutes of the University of Kentucky Board of Trustees
Healthcare Committee
September 9, 2013

The University of Kentucky Board of Trustees Healthcare Committee met on September 9, 2013 in conference room 127 of the Charles T. Wethington, Jr. Building. The meeting was called to order and by Barbara Young, Chair of the University Healthcare Committee, at 4:00 pm.

A. ATTENDANCE

University HealthCare Committee Members: Chair-Barbara Young, William C. Britton, & Dr. Keith Gannon

Additional University of Kentucky Board of Trustee Members: Dr. C.B. Akins, Sr., James Booth, Dr. Britt Brockman, Mark Bryant, Jo Hern Curriss, Bill Gatton, David Hawpe, Kelly Sullivan Holland, Roshan Palli and James Stuckert

University Healthcare Committee Advisory Members: Mira Ball, Luther Deaton, Pam Miller, Nick Nicholson and Myra Leigh Tobin

Ex-Officio Members of the University HealthCare Committee: President Eli Capilouto, Dr. Michael Karpf, Dr. Frederick de Beer, Dr. Bernard Boulanger, Dr. Colleen Swartz, and Dr. Stephen Strup

Guests: Mark Birdwhistell, Jay Blanton, Murray Clark, Joe Claypool, Jonathan Curtright, Dr. Michael Dobbs, Leigh Donald, Clifton Iler, Susan Krauss, Angie Miller, Cecilia Page, Margaret Pisacano, Dr. Marc Randall, Brett Short, Dr. Susan Smyth, and Bill Thro

B. APPROVAL OF MINUTES

Minutes from the June 10, 2013 meeting were presented for approval by Chair Young. The minutes were approved unanimously.

C. CARDIOLOGY PROGRAM

Dr. Susan Smyth, Chief, Division of Cardiovascular Medicine, discussed the importance of the Gill Heart Institute becoming the premier destination for cardiovascular care in this region of the United States. Because the state of Kentucky has one of the worst heart attack survival rates in the country, it's very

important to be able provide the care that's needed. The Gill Heart Institute offers advanced cardiovascular care built on a foundation of research and innovation with a patient-centered approach. From prevention to rehabilitation, the approach may look very different but all have the same goal. Dr. Smyth discussed the transplant program at UK HealthCare and the progress and success that it has seen in the last 20 years. Other areas such as Cardiovascular Imaging have received numerous awards. The Gill Heart Institute has over 200 publications from 2012-2013, received over 4.1 million dollars in research support and 1.5 million in clinical and translational research support.

D. REPORT ON QUALITY

Dr. Bernard Boulanger, Chief Medical Officer, presented an update on quality and enterprise goal performance. Based upon the data received from 36,000 patients, our FY2013 Enterprise Goals either exceeded their target goals or met the target goals in all areas. These areas include mortality rates, effectiveness (core measures and readmits), safety (6 select patient safety indicators), length of stay, patient centeredness and employee engagement. We performed exceptionally well in the Mortality category with a Mortality O/E-YTD of 0.73. FY2014 goals will be met if UK HealthCare continues to emphasize quality, patient safety and satisfaction. UK HealthCare is strategically pursuing its vision to be a leader in quality of care and working hard to meet or exceed the Enterprise Goals as approved at the June 2013 Health Care Committee Retreat. Attention to these goals is ongoing and will be addressed and reported at all UK HealthCare Committee meetings. The UK HealthCare Mortality Index, 30 Day Survival, Patient Safety Composite and Efficiency of Care are now also available online.

E. CAPACITY MANAGEMENT

Dr. Colleen Swartz, Chief Nursing Executive, presented an update on the capacity issues facing the Albert B. Chandler and Good Samaritan Hospitals. Because of the lack of bed capacity, UK Healthcare is not able to accept many transfer patients from regional providers. Due to the lack of beds available on the floors, patients are unable to be moved from the Emergency Department and Post-Anesthesia Care Unit. This lack of movement creates a back-log of patients in all areas of the hospitals, many times resulting in patients being treated in hallways while waiting for open rooms. Dr. Swartz also reported on the significant improvement that UK HealthCare has shown in the area of patient centeredness. University Health Consortium System has named UK Albert B. Chandler Hospital with the greatest improvement following the 2011-2012 UHC Patient Experience Improvement Collaborative.

F. FINANCIAL REPORT

Murray Clark, Chief Financial Officer, presented the preliminary FYTD June 2013 Financials. In summary, patient care activity was very robust in FY13. Inpatient cases exceeded the budget significantly and most all other key indicators exceeded the budget and the prior year levels of activity. The growth of inpatient cases, however; is placing significant pressure on the capacity of the facility. A series of short-term, mid-term and long-term efforts are underway to add capacity. The income statement for FY2013 was positive in most all respects. Revenue exceeded expectations driven by both volume and greater net revenue per case. Expenses were below budget even though volume was up. Non-operating revenues exceeded expectations as a result of strong investment income with a year to date gain of \$24.6 million and year-end balance of \$232.7 million. Year-end income from operations was \$64,382,954 million with an operating margin for the year of 6.8%. This strong year-end resulted in spite of a \$9 million adjustment from Medicare that recalculated reimbursement since 2008 on disproportionate supplemental social security, Medicare and Medicaid. The balance sheet comparison to June 30, 2012 shows a significant change has occurred in strengthening the balance sheet in FY13. June ended with a total of \$48 million in cash. Operating cash was \$34 million and restricted cash held for capital and facilities projects in progress totaled \$14 million. The cash advance owed the University has been reduced from \$62 million to zero. In order to improve the cash position diligence has been applied to collect cash from all sources. The effect has been significant as demonstrated by the growth in cash equivalents. An increase in cash on hand is essential in preparation for the continued build-out of the primary care facility and investment in the program. Also included in the financial statement is a new scheduled title Financial Median Analysis. This operating EBIDA margin, MADS (Maximum Annual Debt) coverage, debt to capitalization, cash to debt and capital expenditure ratios that must be met in order to finance completion of the primary care facility. While several of the targets are below where they need to be, they moved in a positive direction in FY2013.

Preliminary financials for July indicate a very positive month driven by NICU cases, adult outlier cases, positive OR activity and an increase in outpatient visits. In summary, the income statement presents a very strong operating income and positive non-operating income, which have combined to produce an increase in net assets for July significantly above budget and the prior year. On the balance sheet cash and cash equivalent for July were \$24.1 million in operating cash compared with \$34 million at the year end and restricted cash of \$13.2 million compared to \$14 million at year end. Cash decreased as result of the reduction in payables and current liabilities are down significantly from year end. UK HealthCare is off to a very positive start with an operating income of \$14.1 million for the month of July.

G. FCR-14 PATIENT CARE FACILITY

FCR-14 recommended that Board of Trustees approve the planning and design of the fit-up of the Clinical Decision Unit (CDU) of the Patient Care Facility and increase the existing \$607,100,000 total project scope by \$500,000 to \$607,600,000. FCR-14 was approved by the Health Care Committee and was passed on to the Finance Committee.

H. FCR-15 UK GROUND LEASE TO SHRINERS HOSPITALS FOR CHILDREN

FCR-15 recommended that the Board of Trustees authorize the President, or his designee, to enter into a long-term ground lease with Shriners Hospitals for Children (“SHC”) for the purpose of the construction of a new Shriners Hospital facility. FCR-15 was approved by the Health Care Committee and was passed on to the Finance Committee.

I. UHCCR-1 CENTER ON AGING BOARD APPOINTMENT

UHCCR-1 recommended that the Board of Trustees appoint Mr. Dennis Pike as a member of the Board of Directors of the University of Kentucky Center on Aging Foundation, Inc. for a three year term ending August 30, 2016. Mr. Pike’s nomination was supported by Foundation board members and the Executive Vice President for Health Affairs, the President and the Health Care Committee. UHCCR-1 was approved by the members of the Health Care Committee.

J. PRIVILEGES AND APPOINTMENTS

Dr. Stephen Strup presented for approval the current list of privileges and credentials. The Health Care Committee made a motion to accept the privileges and credentials brought before them. The motion carried and was approved by the committee.

K. DISMISSAL

Seeing no other business, Chair Young adjourned the meeting at 5:52pm