

Minutes of the University of Kentucky Board of Trustees

Healthcare Committee

January 30, 2014

The University of Kentucky Board of Trustees Healthcare Committee met on January 30, 2014 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, James Booth, William C. Britton and Dr. Keith Gannon

Additional University of Kentucky Board of Trustee Members: Sheila Brothers, Bill Gatton, Kelly Sullivan Holland, James Stuckert, & Dr. John F. Wilson

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

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

Guests: Mark Birdwhistell, Jay Blanton, Murray Clark, Joe Claypool, Dr. Alan Daugherty, Dr. Michael Dobbs, Leigh Donald, Noha Elmaraghi, Dr. Brandon Fornwalt, Tom Harris, Clifton Iler, Susan Krauss, Kristi Lopez, Shea Luna, Angie Martin, Mary Meehan, Eric Monday, Cecilia Page, Margaret Pisacano, Dr. Mark Randall, Brett Short, Ann Smith, Dr. Vincent Sorrell, Bill Thro, Dr. Tim Tracy and Kim Wilson

B. APPROVAL OF MINUTES

Minutes from the December 16, 2013 meeting were presented for approval by Chair Young. The minutes were approved unanimously.

C. ACTION ITEMS

The Health Care Committee had 1 action item. FCR 2 recommended that the Board of Trustees approve the initiation of the fit-up of the Clinical Decision Unit (CDU) capital project and increase the total

Orthopaedic, Trauma/General surgery and Obstetrics make up the majority of the reduction in adult services. The year-to-date occupancy rate for the combined facilities was 82.9%. Occupancy year-to-date at Chandler was 90.08% for adults and 71.3% for children. Good Samaritan occupancy was 72.25%, adult occupancy was 77.70% and the Psychiatric occupancy was 49.51%. The occupancy includes a daily average of 46.3 patients awaiting a bed in a holding location primarily at Chandler. Both the average length of stay for the month and for year-to-date exceeds budget and the prior year. The average length of stay adjusted for case mix is 3.36 compared to a budget of 3.14, an increase of 0.23 days. There has been an overall increase in case mix in the Hospitals. The case mix has increased from a budget of 1.8521 to 1.8993 a 2.55% increase and from prior year of 1.8253 a 4.05%. At Chandler the case mix is now above 2.0 setting at 2.0605 year-to-date 3.49% above budget and 4.74% above the prior year. This change in case mix is a significant factor in our increase in LOS and the resulting total patient days. Patient days in the system are 3567 higher than budget on 1,142 discharges less than budgeted. As compared to last year we have provided 7,767 more bed days on 103 less discharges. The increase in patient days is in the adult services, the children days of care have declined as compared to budget and prior year. In summary our inpatient discharges are below expectations however the case mix has increased pushing our patient days higher. This change in our activity has created significant pressures on our capacity resulting in high numbers of boarders and our inability to accept all transfers. As a result of changes in Medicare regulations we are seeing an increase in observation cases. For the past 3 months observation cases have both exceeded the budget and the prior year totals. We now are forecasting that the change in the Medicare rules on observation versus admitted patients will have an annual negative impact of \$2 million. Emergency Room cases for the month were under budget by 55 cases bringing the year to date total to 45,375 compared to a budget of 48,042 or (2667)/5.5% under budget. However we are ahead of the prior year by 564 visits. As was noted in October the decline in ED visits seemed to be leveling off, we have now seen a slight increase over the prior year in visits for every month in the fiscal year except July. Operating Room cases for the month were 2433 compared to a budget of 2482. Year to date Inpatient cases of 7276 are above budget by 126 and above the prior year by 221. Outpatient cases of 7741 are below budget (8408) by 667 however the cases this year exceed the prior year by 197. In summary although cases are below budget they are very positive compared to the prior year. Outpatient cases with a hospital charge were significantly above budget for the month and now exceed the budget for the year. The December visit number was consistent with prior months, however, the budget was decreased for the month to account for an expected drop in visits during the holiday period which did not occur. FTEs per adjusted occupied bed for the month are in line with the budget and the prior year. It is notable however that the total FTEs have risen to manage the increase in patient days. Although our FTE's are tracking with our budget and activity we are continually working to move our FTE numbers closer to benchmark

from operations coupled with strong non-operating revenues however has exceeded budget for the year. Cash and cash equivalents for October totaled \$65.7 million. The total consisted of \$54.7 million in unrestricted cash and \$12.3 million in restricted funds. The unrestricted cash includes an advance by the State to cash flow for the Eastern State management contract. The accounts receivables as of December are higher than year end by \$1 million. However, due to the higher net revenue we are experiencing, the days in accounts receivable reflect a decline of two days from 39 days in AR to 37. Prepaid expenses are up in comparison to year end but in line with what would be expected at this point in the year. The increase in restricted cash is from funds set aside to carry out projects currently underway. The \$19.6 million increase in board designated investments reflects the earnings for the year. Capital assets are lower than FY 12 as depreciation for the year exceeds acquisitions for the period. We have approved a capital plan for FY13. Capital purchases will proceed throughout the year in accordance with our plan approved as part of our FY 14 Budget. Current liabilities in total are similar to year end. However, there have been changes within accounts. Payables have increased reflecting the increased expenses and the holiday closing. Accrued expenses are lower due to a lower amount of accrued payroll. Estimated accrued party liabilities are higher. Unearned income reflects the receipt in October of our annual DSH payment and the Eastern State Contract advance. The current portion of long-term debt and capital leases have been reduced as a result of payments to the debt holders. Days cash on hand has improved slightly since year end. Operating margin and EBIDA exceed target. Debt to capitalization has improved slightly since year end. Cash to debt has improved.

G. 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.

H. DISMISSAL

Seeing no other business, Chair Young adjourned the meeting at 5:37pm