

Minutes of the University of Kentucky Board of Trustees
University Health Care Committee
February 16, 2017

I. Call to Order

The University of Kentucky Board of Trustees University Health Care Committee met on February 16, 2017, in conference room 127 of the Charles T. Wethington, Jr. Building. The meeting was called to order by Robert Vance, Chair of the University Health Care Committee (“Committee”) at 4:00 p.m.

II. Roll Call

Committee members present included Chair Vance, James Booth, Kelly Craft, Cammie Grant and Barbara Young.

University Health Care ex officio members present included President Eli Capilouto, Phillip Chang, MD, Robert DiPaola, MD, and Michael Karpf, MD.

Trustees Britt Brockman, Mark Bryant, Jennifer Yue Barber, David Hawpe, Kelly Holland, Michael Christian, Robert Grossman, Lee Blonder, and Dave Melanson were also present.

III. Approval of Minutes

Minutes from the December 12, 2016, meeting were presented for approval by Chair Vance. Motion was made by Ms. Young to accept the minutes and seconded by Ms. Grant. With no further discussion, the motion carried unanimously.

IV. Creating a Healing Environment

Dr. Karpf provided a brief overview and introduction for a presentation on how UK HealthCare has worked to create a healing and welcoming environment for patients. The UK Arts in HealthCare program established a community-based advisory committee to help define the mission and vision of the program. The program features local, national, and international artists, performing artists from UK faculty and staff and from the world stage, and therapeutic arts which employ art in the clinical setting to contribute to healing.

Jackie Hamilton, Director, UK Arts in HealthCare, presented on the healing presence of art at UK HealthCare. Since the groundbreaking on Pavilion A in 2007, UK HealthCare sought to develop its Arts in Health program; UK was one of the first medical centers to design a program from the ground up and has been recognized as a national leader. UK HealthCare will host the National Organization for Arts in Health’s May 2017 Board of Directors meeting. UK HealthCare’s art collection is privately funded with a focus on Kentucky and regional artists so patients can feel more comfortable and at home. Major public pieces were selected by a community/faculty advisory committee, and all art that is placed on walls in Pavilion A, clinics, and other buildings receives staff input beforehand so they can ensure employees are comfortable with the art in their place of work. Artwork such as the Kentucky Wall is representative of all six Kentucky regions and displays various images across all four seasons. Artwork such as this rotated on a reoccurring basis. Ms. Hamilton played several videos demonstrating some of the activities and opportunities offered, including body mapping, rotating galleries, the Performing Arts Series. The Performing Arts Series has been primarily supported through Hospital Auxiliary Services and philanthropic

efforts. In summary, UK HealthCare has supported artists and the Arts, while becoming a national example and champion for Arts in Health.

Cheryl Benze, Creative Arts Clinical Coordinator, UK HealthCare, presented information about Creative Arts Therapies at UK, which offers two major disciplines: Art Therapy and Music Therapy. Art Therapy allows individuals of all ages and backgrounds to use art media, the creative process and resulting artwork to: greater explore feelings, reconcile emotional conflicts, foster self-awareness, manage behavior and addictions, develop social skills, reduce anxiety, and increase sense of well-being. Art Therapy is used across multiple locations (i.e. Eastern State Hospital, Kentucky Children's Hospital, Markey Cancer Center, etc.) in the health system. Ms. Benze played a video and showed some illustrations of the impacts of Art Therapy.

Music Therapy is offered to individuals of all ages and abilities at UK HealthCare, and uses music to address non-musical goals, such as physical, cognitive, emotional, social, and spiritual needs. Ms. Benze stressed it is a clinical and evidence-based therapy. In conjunction with grant money from the Lucille Little Foundation, UK HealthCare and the UK School of Music developed the first graduate music therapy program in Kentucky; the grant also allows for research and education about music in health care, and allowed for the establishment of a health care performing art series. Ms. Benze demonstrated the techniques used in Music Therapy by performing a rendition of My Old Kentucky Home. Ms. Benze performed a song written by a previous patient who had engaged in Music Therapy. Benefits of Music Therapy have been shown to include: positive outcomes, increased patient satisfaction and staff engagement, cost-effectiveness, patient-centered compassionate care and an empathetic environment. She showed another video highlighting the patient and family-friendly experience.

Connie Jennings, MD, Medical Director, UK Integrative Medicine and Health, presented on the Integrative Medicine offerings at UK, which include numerous programs in the areas of exercise, food/nutrition, and mind body medicine. She shared a story about the High Tea at Markey program offered monthly and the joy and positivity that creates in many patients. She noted the highlights, benefits, and patient stories shared for the acupuncture, Jin Shin Jyutsu, meditation and movement, narrative medicine, massage therapy, and pet therapy programs. Dr. Jennings shared an example of how Jin Shin Jyutsu techniques are successfully used in the Kentucky Children's Hospital Neonatal Intensive Care Unit with babies born with Neonatal Abstinence Syndrome. UK offers many educational and hands-on opportunities to learn about proper nutrition and healthy eating, including the teaching kitchen, nutritional counseling, cooking demonstrations, and a collaboration with Kentucky Proud to educate about benefits of buying and eating locally. The Threshold Choir, a local a cappella choir of college students, fine arts faculty, and community members, brings comfort to the patient, family and caregivers in a patient's final hours. Dr. Jennings believes UK HealthCare was the first academic institution to feature a Threshold Choir. Dr. Jennings showed a video highlighting the choir performing, and shared a story about how they sang for a patient near the end of life.

Trustee Hawpe thanked the presenters for demonstrating another side of clinical care that doesn't receive as much attention as it often should. Trustee Blonder asked about whether there were plans to expand and whether an expansion would need for-profit support. Dr. Karpf responded that the program is driven almost entirely through philanthropy at the current moment. His long-term goal is to develop a serious endowment for it so that the program is not threatened. He shared a story about how one patient had told him that UK HealthCare had "created the Starbucks environment" in the hospital, where people can come to relax and enjoy the environment. Trustee Grant thanked the presenters for sharing these programs with the Committee and remarked that these are really impressive and she has seen in her career just how music can make such a

difference in one's life. Dr. Karpf commented that this is, and will continue to be, a top priority for UK HealthCare.

V. Financial Update

A. December FY 2017 Operating Results

Mr. Craig Collins, Vice President and Chief Financial Officer, UK HealthCare, provided the Committee an update on the FY2017 December operating results.

Overall, the enterprise financial performance is on track with budget projections. Year-to-date, operating margin is at \$77.2 million, just slightly (\$200,000) below budget of \$77.4 million. Operating margin year-to-date is 10.5%, in line with plan (10.4%). Operating income for hospital operations is \$7.3 million below budget year-to-date, but that is offset by operating income for retail, contract, and specialty pharmacy income, which is around \$7.1 million positive to plan. In December, UK HealthCare saw an 8.6% operating margin, below budget target of 11.7%. December and January's high targets for operating income and margin represent the fact this is an aspirational budget with very strong target numbers.

Many factors contributed to the operating revenues being \$9.8 million under budget year-to-date, including payer mix and outlier payments, patient volume and mix of services, and timing issues in receiving planned rebates. He explained that for certain types of patients – particularly Medicare patients in observation status – UK HealthCare struggles to break even in terms of reimbursement, and often will lose money on those patients. Mr. Collins noted that UK HealthCare saw an \$11.3 million positive variance from revenue cycle process improvements.

Personnel expenses are \$11.8 million over budget year-to-date. Discharges are below budget by 389 patients (including pediatric and adult) but there has been a significant change in bed type mix between Intensive Care Unit (ICU), intermediate and routine days. Contract and outsourced employees have contributed to a 1.5% increase in personnel expenses; this is largely in support of patient care staffing and expanded facilities and dietary services.

Variable expenses have a positive variance to budget of \$5.7 million year-to-date. Fixed expenses have a positive variance to budget of \$11.9 million year-to-date, primarily due to tighter controls on use of consultants and contracted services. Positive variances year-to-date in Enterprise Investment Requests (EIRs) and depreciation of \$3.7 million are due to the timing of expenditures.

Year-to-date, average daily census, average length-of-stay, patient days, and case mix index are all above budget, while discharges are below budget. Observation cases are up from budget, while short stays and outpatient cases are below budget.

Since the fourth quarter of FY2016, UK HealthCare has added 979 full-time equivalents (FTE); however, Mr. Collins noted, 693 of these were transfers from the College of Medicine in a change of accounting procedure. Other key areas of FTE growth were in hospital operations (220) and nursing (78). Efforts aimed at further reducing the number of contract and outsourced contract FTEs are ongoing. UK HealthCare is continuing to be diligent in managing the FTE process, but always with the goal of providing quality, uncompromising patient care. UK HealthCare recently changed its patient care benchmark targets with Vizient, seeking to move from the 35th to 50th percentile, and the increased FTE numbers help account for meeting some of those safety and quality indicators with the higher benchmarks.

The change in acuity and patient bed types is evidenced by the number of routine/intermediate patient days being down approximately 3,800 days/478 discharges, while ICU days are up by over 5,300 days/412 discharges. ICU patients require much more concentrated nurse staffing ratios than routine/intermediate patients. He shared that the cost to serve an ICU patient can be around \$370 per hour more than it costs to serve a routine patient.

UK HealthCare has 160.7 days (\$329 million) cash on hand, and maintaining strong cash on hand totals is always a priority for the enterprise.

Mr. Collins summarized some key takeaways from the financial performance overall:

- Operating revenues for the first six months of FY 2017 were flat to budget even though discharges were 2% below budget
- Operating revenues from retail, contract, and specialty pharmacy make up approximately 50% of the overall operating margin, providing close to 40,000 prescriptions per month to patients across the Commonwealth
- The acuity of patients continues to increase year over year and to budget; CMI is at 2.0286 and has been above 2.0 for 13 of the last 18 months, driving increases in census and patient days
- The second half of FY 2017 income for operations was budgeted 11.4% (\$11.2 million) greater than the first half of FY 2017 based on increased bed capacity and planned operating efficiencies
- Management continues to focus on expense reduction activities by monitoring FTE request, implementing supply and drug standardization, and focusing on Hospital Acquired Conditions (HAC) and Length of Stay (LOS) process improvements

It was noted that UK HealthCare has currently engaged an independent third party to assess and make recommendations in the areas of workforce management, patient access, and supply chain.

B. Business Items

i. FCR 9, Approval of Sublease (110 Conn Terrace, Lexington, KY 40508)

A need has been identified for office space associated with the University of Kentucky Department of Ophthalmology and Visual Science. This space would provide faculty and program support offices, as well as meeting and training spaces. Subleasing space from Kentucky Medical Services Foundation, Inc. allows UK HealthCare to be flexible and reactive to the ongoing growth of services necessary to provide state-of-the-art clinical services and programs to the Commonwealth.

The subleased space is 10,177 square feet of office space. The \$388,252.55 of annual rent will be funded with agency funds.

A motion was made by Mr. Booth to recommend approval to the Finance Committee and seconded by Ms. Young. With no further discussion, the motion carried unanimously.

ii. FCR 11, Disaster Recovery and Business Continuity Information Technology Capital Project

The primary objective of this project is to allow clinicians to continue providing care and senior management to continue operating the health care enterprise in the event of a catastrophic event. The Health Insurance Portability and Accountability Act (HIPAA) regulations and the Joint Commission accreditation standards require electronic systems and electronic medical records restoration as well as recovery capabilities. As a result of this project, UK HealthCare will rebuild critical core systems to improve existing business continuity/disaster recovery capabilities and enhance restoration of those systems to normal operations in the event of a catastrophic event.

The Business Continuity Plan for Disaster Recovery (BCPDR) capabilities will be completed over a five-year period. The project will require: (1) further enhancements to the BCPDR program; (2) investments in infrastructure (e.g., hardware); and (3) investments to maintain business continuity and disaster recovery capabilities. The BCPDR will provide the capability to recover and rebuild critical core and financial systems at a predetermined alternative location to allow recovery from a catastrophic event when normal business continuity safeguards are no longer effective.

The scope of this \$12,000,000 project was authorized by the 2016 Session of the Kentucky General Assembly and will be funded with agency funds.

A motion was made by Ms. Grant to recommend approval to the Finance Committee and seconded by Ms. Young. With no further discussion, the motion carried unanimously.

VI. Privileges and Appointments

Phil Chang, MD, Chief Medical Officer, UK HealthCare, initiated a presentation for the Board's approval of the current list of privileges and credentials. A motion was made by Ms. Grant to accept the privileges and credentials as presented and seconded by Mr. Booth. With no further discussion, the motion carried unanimously.

VII. Informational Items

A. FCR 4, Change Purpose and Name of Neurology Research Chair (Endowed Chair in Child Neurology)

Dr. Karpf provided an informational update on FCR 4, which will ask the Board of Trustees to approve the following modifications to the Endowed Neurology Research Chair in the College of Medicine: (1) change in purpose from supporting neurology research to supporting child neurology; and (2) change in name to the "Endowed Chair in Child Neurology."

B. FCR 5, Change Name of Endowed Chair in Neurosurgery (Byron and Judy Young Endowed Chair in Child Neurology)

Dr. Karpf provided an informational update on FCR 5, which will ask the Board of Trustees to approve the change in name of the "Endowed Chair in Neurosurgery" in the College of Medicine to the "Byron and Judy Young Endowed Chair in Brain Tumor Research."

C. PR 3, Appointment to Board of Directors of the University of Kentucky Center on Aging Foundation, Inc.

Dr. Karpf presented to the Committee a list of recommendations for appointments to the Board of Directors of the University of Kentucky Center on Aging Foundation. Under the Center's Articles of Incorporation, the UK Board of Trustees formally appoints members of the Board of Directors. The Foundation board members, the EVPHA, and President Capilouto support the nominations of: Stephen L. Grossman, Paula Hanson, and Chris Mossman.

D. PR 4, Renaming of University Building

Dr. Karpf provided an informational update on PR 4, which will ask the Board of Trustees to approve the official renaming of the "Linda and Jack Gill Heart Institute," to the "Gill Heart and Vascular Institute."

VIII. Other Business

Dr. Chang provided the Committee an update on its flu activation plan initiated this week. In light of the increased incidence of influenza activity noted in patients and healthcare workers at UK HealthCare, the flu activation plan was initiated on February 16, 2017, which triggers some temporary changes to hospital visitation policies. Changes to these visitation rules include: no visitors under the age of 12; no visitors with any flu-like symptoms; only two visitors in a patient's room at a time; visitors may be given masks or other protective clothing for use when visiting; additional rules may be in place in special care units, such as women's, children's, critical care and oncology units; and compassionate visitation exceptions will be made on a case-by-case basis. The Kentucky Department of Health is reporting influenza incidence to be "widespread." Additional protocols are in place for employees who are experiencing flu-like symptoms, including wearing of facemasks, flu vaccines, additional hygiene awareness, and/or not reporting to work if experiencing a fever. UK HealthCare continues to monitor incidence closely, and once the threat has receded, restrictions will be lifted as appropriate.

Chair Vance updated the Committee that he had met with Brett Short, Chief Compliance Officer, UK HealthCare, to receive an update on latest compliance activities. UK HealthCare's Compliance office is trying to bring compliance reporting more in line with expectations from the Office of the Inspector General of Health and Human Services when it comes health care governing boards. Chair Vance noted that he has asked Mr. Short to provide the Committee a report on these efforts at its next meeting in May.

IX. Adjournment

Seeing no other business, Chair Vance adjourned the meeting at 5:41 p.m.