

Minutes of the University Health Care Committee
University of Kentucky Board of Trustees
Tuesday, December 3, 2024

The University Health Care Committee of the Board of Trustees of the University of Kentucky (UK) met on December 3, 2024, in the Gatton Student Center, Harris Ballroom.

A. Meeting Opened

Bob Vance, chair of the University Health Care Committee called the meeting to order at 8:30 a.m.

B. Roll Call

The following members of the University Health Care Committee were in attendance: Alex Boone, Ray Daniels, Ron Geoghegan, Brenda Baker Gosney and Bob Vance; Community Advisory members Jennifer Barber, Luther Deaton, Josh Proffitt and Barbara Young.

C. Approval of Minutes

Chair Vance stated that the minutes of the September 13, 2024 meeting had been distributed and asked for a motion. Trustee Gosney moved approval, and Trustee Boone seconded the motion. The motion carried without dissent. (See meeting minutes on the Board of Trustees website, www.uky.edu/Trustees, under "Agenda".)

D. Executive Vice President for Health Affairs (EVPHA) Update

Provost and Co-Executive Vice President for Health Affairs Robert DiPaola outlined the agenda for the meeting and introduced Senior Associate Dean, Graduate Medical Education, University of Kentucky (UK) College of Medicine, Katherine McKinney.

Graduate Medical Education (GME) 2023-24 Annual Report

Dr. McKinney began her presentation by sharing insights into GME at the University of Kentucky, highlighting that the institution has expanded to 77 physician residencies and fellowships, a significant increase over the last decade. She noted that UK is now among the top quartile of institutions nationally for GME training, reflecting the overall growth of healthcare across the enterprise.

Dr. McKinney discussed the importance of accreditation site visits, explaining that UK is one of eight institutions in Kentucky authorized to offer physician residency and fellowship training. She proudly reported that UK achieved substantial compliance with no citations during the ten-year site visit in early 2024.

Each training program undergoes annual accreditation decisions. Dr. McKinney provided an overview of the accreditation statuses, indicating that most programs are in continued accreditation, while some are in initial accreditation. She clarified that the accreditation with warning for one program does not equate to a negative status but

indicates concerns that need to be addressed.

New programs introduced include an integrated interventional radiology residency and recognition for the physical medicine and rehabilitation program, allowing advanced training in osteopathic manipulation. Dr. McKinney emphasized that GME at UK is continuously expanding, with 936 residents and fellows currently enrolled.

Dr. McKinney shared demographic insights on first-year physician trainees and expressed pride in training the most physician residents and fellows in Kentucky. New GME campuses in Ashland and Pikeville are under development, with accreditation expected soon.

Trustee Gosney congratulated Dr. McKinney on the growth of programs, inquiring about the potential for further expansion. Dr. McKinney responded that there is no cap on GME growth and future programs are in the pipeline.

The discussion wrapped up with additional questions and positive feedback for Dr. McKinney's leadership in GME.

Corporate Compliance Annual Update

UK HealthCare (UKHC) Chief Compliance Officer, Interim Chief Privacy Officer, R. Brett Short, along with his team members Assistant Chief Compliance Officer Noelle True and Associate Privacy Director Sarah Hines presented the report.

Mr. Short expressed gratitude for the opportunity to discuss the essential mission of compliance at the University of Kentucky and emphasized their commitment to mitigating risks that could hinder this mission. He provided an overview of the program, highlighting key regulatory updates and expectations.

Noelle True began by detailing the structure of the compliance office, which consists of three teams: the compliance team focusing on healthcare regulations, the billing compliance audit team ensuring accurate billing practices and the privacy team dedicated to HIPAA compliance and patient privacy.

Ms. True also shared updates on staffing, noting the addition of a research compliance manager, a new billing compliance officer and four additional billing compliance auditor roles, with three already filled. The office adheres to federal compliance guidance, implementing the seven essential elements set forth by the Federal Office of Inspector General.

Ms. True outlined the actions taken in response to new compliance guidance introduced in November 2023, including the formation of a workgroup to address identified gaps and updates to board training materials for trustees.

Ms. True presented the completed work plan items from the previous fiscal year's risk assessment and discussed this year's top risks, emphasizing vendor compliance audits as a new focus. The comply line data revealed the types of reported issues, with privacy, human resources and compliance being the most prevalent. The meeting also covered

conflict of interest disclosures, with a 100% completion rate on questionnaires sent to faculty and staff. Ms. True briefly highlighted recent regulatory audits, including those related to the Controlled Substances Act and the No Surprises Act.

Sarah Hines provided privacy policy updates, noting the amendment of the release of medical information policy to comply with new regulations. She discussed the impact of a recent cybersecurity event involving Change Healthcare and the anticipated new HIPAA security rule.

The meeting concluded with a call for questions, with attendees expressing appreciation for the compliance team's efforts in ensuring a secure operational environment.

Length of Stay

Chair Vance introduced the next agenda item, inviting Acting Chief Operations Officer Colleen Swartz to discuss UKHC's ongoing efforts to decrease length of stay, improve access and facilitate the acceptance of more patient transfers.

Dr. Swartz began by emphasizing the collaborative nature of these initiatives and acknowledged the hard work of the case management team, specifically Angie Lang and Denise McCowan, who play a crucial role in managing patient care transitions. She highlighted the urgency of these efforts, especially with the recent opening of the 12th floor in Pavilion A and the limited inpatient capacity until the Chandler expansion is complete.

Dr. Swartz presented data indicating that the average length of stay for October was 7.12 days, outperforming the budgeted goal of 7.5 days. The Chandler Hospital's length of stay was particularly notable at 7.05 days, marking a significant improvement. She also reviewed the organization's progress since 2021, noting a consistent downward trend in length of stay metrics.

Dr. Swartz introduced the concept of the length of stay index, which compares UKHC's performance against similar academic medical centers. The current index stands at 0.92, indicating a favorable gap between observed and expected lengths of stay. She stressed the importance of ensuring patients are discharged when they are medically ready, while also addressing the challenges of patient choice in discharge options.

Dr. Swartz discussed various strategies in place to manage patient progression, including efforts to avoid unnecessary admissions and improve discharge planning. She highlighted the Emergency Psychiatric Assessment, Treatment and Healing (EmPATH) program for behavioral health patients and the development of a medical respite program for substance use disorder patients, both aimed at providing appropriate care alternatives and reducing hospital length of stay.

Reporting a downward trend in extended stays for patients transitioning to post-acute care settings, she shared data on opportunity days. The partnership with Appalachian Regional Healthcare (ARH) has also been instrumental in streamlining patient referrals and care transitions.

Dr. Swartz touched on efforts within the Kentucky Children's Hospital and women's

care to address length of stay issues, noting improvements in pediatric and maternity metrics.

Dr. Swartz concluded the presentation by sharing insights on overall transfer requests and admissions, indicating a strong demand for services and a commitment to accepting patients while managing capacity effectively.

Following her presentation, Chair Vance opened the floor for questions. Board members commended Dr. Swartz for her thorough explanation and the team's ongoing efforts.

Chair Vance then moved on to address other disclosures required by UKHC's governing bodies, noting letters of appointment for infection prevention and control, and the antibiotic stewardship program.

E. Financial and Operational Update

Chair Vance transitioned the meeting into the financial and operational update, inviting Senior Vice President and Chief Financial Officer Craig Collins to provide insights on performance for FYTD25 October. Mr. Collins reported that UKHC had over 4,000 discharges in October, reflecting effective management of length of stay. The case mix index was slightly lower than budgeted at 2.2 and attributed to an increase in medical patients compared to surgical patients on the transfer list. The organization achieved nearly 540,000 RVUs, exceeding budget expectations in both inpatient and outpatient cases.

Mr. Collins detailed the financial results for the four months ending October 31, 2024. Net patient revenues reached approximately \$1.2B, which included prior year adjustments related to Medicaid and commercial payer settlements. Other operating revenue also surpassed budget projections, driven by increased retail and specialty pharmacy activities, leading to a total revenue increase compared to the previous year. Total operating expenses were reported above budget, primarily due to higher medical supply costs, particularly pharmaceuticals for outpatient infusions. Mr. Collins highlighted that non-operating revenues were greater than budget, primarily from investment income, while non-operating expenses included funding for enabling projects related to the Chandler expansion. The total net margin for October year-to-date was above budget but less than the previous year, largely due to enabling project expenses and pharmaceutical growth.

Mr. Collins covered the performance of Royal Blue Health LLC and Claire Blue Health LLC, noting positive trends in patient care revenues and operating expenses across both entities. The consolidated net margin for the UKHC enterprise reflected a positive margin. He concluded by emphasizing the importance of monitoring the operating margin, which is currently at 5.5%, and exceeding the budget.

Trustee Geoghegan made a motion to recommend approval of FCR 7. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 15 Approval of Sublease

The recommendation that the Board of Trustees authorize the Executive Vice

President for Finance and Administration to negotiate and execute a sublease for UKHC, Primary Care Clinic, at 245 Fountain Court, Lexington, Kentucky from the Kentucky Medical Services Foundation, Inc.

The proposed sublease is intended to establish a UK Healthcare Primary Care Clinic at a strategic location near Man O War Boulevard. This subleased space encompasses 8,441 square feet with an annual rental cost of \$270,123, which will be financed through agency funds.

Trustee Boone made a motion to recommend approval of FCR 15. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 16 Approval of Lease

The recommendation that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate and execute a lease for University of Kentucky Healthcare (UKHC) at the properties located at 2301, 2317, 2325, 2333 Alumni Park Plaza and 2347 Sterlington Road, Lexington, Kentucky, from the Kentucky Medical Services Foundation, Inc. (KMSF).

The proposed lease involves 135,220 square feet of space at an annual rental cost of \$3,921,380, to be funded with agency funds. UKHC has leased space in these buildings since 2008. This new lease will expand the square footage and accommodate various administrative functions.

Trustee Gosney made a motion to recommend approval of FCR 16. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 17 Approval of Sublease

The recommendation that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate and execute a sublease for the University of Kentucky's Department of Ophthalmology and Visual Science at 110 Conn Terrace, Lexington, Kentucky, from the Kentucky Medical Services Foundation, Inc.

The proposed sublease encompasses 10,177 square feet with an annual rental cost of \$417,257.04, funded through agency funds. This renewal provides essential space for faculty and program support offices, as well as meeting and training areas. The subleased space will enable UK Healthcare to remain flexible and responsive to the ongoing growth of necessary clinical services.

Trustee Boone made a motion to recommend approval of FCR 17. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 19 Improve UK HealthCare Facilities – UK Chandler Hospital (Pavilion A Basement Central Scope Processing) Capital Project

The recommendation that the Board of Trustees approve the initiation of the capital project Improve UK HealthCare Facilities – UK Chandler Hospital (Pavilion A Basement

Central Scope Processing).

The proposed project aims to consolidate the processing and disinfection of various clinical scopes into a single location within the Chandler Hospital campus, enhancing efficiency and oversight of the cleaning processes. The scope of work will involve fitting out the designated space with necessary mechanical, electrical, plumbing and finishing work to support the processing equipment.

This \$10,000,000 capital project, authorized by the 2024 Kentucky General Assembly falls within the total legislative authorization of \$150,000,000 and will be funded using agency funds.

Trustee Boone made a motion to recommend approval of FCR 19. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 21 Acquire/Improve Medical/Administration Facility 3 (UK King's Daughters Emergency Department, Imaging and Endoscopy) Capital Project

The recommendation that the Board of Trustees approve an increase in scope by \$45,000,000 and will complete the construction, furnishings and equipment for the new Endoscopy, Bronchoscopy and Urology procedure suites on the ground floor. This project, which began prior to the transition to member substitution will expand the original project to include a central sterile area to process scope equipment, dedicated endoscopy, urology and bronchoscopy procedure rooms to accommodate additional services.

This project, authorized by the 2022 Kentucky General Assembly, is not expected to exceed \$207,000,000 and is within the total legislative authorization of \$300,000,000. This project will be funded with agency funds.

Trustee Geoghegan made a motion to recommend approval of FCR 21. Trustee Gosney seconded the motion. The motion carried without dissent.

Privileges and Appointments

Executive Chief Medical Officer Christopher DeSimone presented the list of providers from the UKHC Medical Staff for privileges and appointments. Trustee Boone made a motion to approve the list. Trustee Geoghegan seconded the motion, and it passed without dissent.

F. Other Business and Adjournment

Chair Vance called for new or other business that needed to be brought before the University Health Care Committee or questions for the presenters. Hearing no further business, the meeting was adjourned at 9:38 a.m.

Respectfully submitted,
Leigh Bays Donald
University Health Care Committee Secretary