UK HealthCare
Strategic Plan 2020
Mid-Year Update
1/27/2016
<table>
<thead>
<tr>
<th></th>
<th>Session Title</th>
<th>Presenter(s)</th>
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<tr>
<td>1</td>
<td>Opening Remarks (10 min)</td>
<td>Michael Karpf, MD</td>
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<td>2</td>
<td>Patient Centered Care (10 min)</td>
<td>Bo Cofield, DrPH</td>
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<td>3</td>
<td>Growth in Complex Care (10 min)</td>
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<td>4</td>
<td>Strengthen Partnership Networks (45 min)</td>
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<td></td>
<td>a) Acute Care</td>
<td>Rob Edwards, DrPH</td>
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<td>b) Cincinnati Children’s</td>
<td>Bernie Boulanger, MD</td>
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<td>c) Post-Acute Care</td>
<td>Colleen Swartz, DNP</td>
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<td></td>
<td>d) Primary Care &amp; Community Care / Telehealth</td>
<td>Bo Cofield, DrPH</td>
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<td>5</td>
<td>Value-Based Care &amp; Payments (10 min)</td>
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<td></td>
<td>a) Overview</td>
<td>Bo Cofield, DrPH</td>
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<td>b) OptimalCare</td>
<td>Bernie Boulanger, MD</td>
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<td>Strategic Enablers (10 min)</td>
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<td></td>
<td>a) Implementation &amp; Marketing</td>
<td>Mark D. Birdwhistell</td>
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<td>b) Technology</td>
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<td>7</td>
<td>Facility Planning (20 min)</td>
<td>Ann Smith &amp; Murray Clark</td>
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<td>Financial Position Update (30 min)</td>
<td>Craig Collins &amp; Murray Clark</td>
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<td>9</td>
<td>Closing Remarks (10 min)</td>
<td>Michael Karpf, MD</td>
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We Undertook a Marathon, not a Sprint

When we committed to be an outstanding referral / research intensive Academic Medical Center
Advanced Subspecialty Care
- Level 1 Trauma Center; Kentucky Children’s Hospital, Solid-Organ Transplantation, Markey Cancer Center, Advanced Neurosciences, Advanced Surgery, Cardiovascular Services

Regional Care – Preserving Rural Providers
- Leverage community health care providers by augmenting specialty services and allowing patients to remain close to home and utilize local services

Efficiency, Quality and Patient Safety
- Center for Enterprise Quality and Safety has been established to focus on the development of efficient processes aimed at optimizing clinical outcomes and the safety of patients
Realization – We Must Expand the Footprint

### Market Definition
- **Primary** - 0.3M population
- **Secondary** - 0.5M population
- **Tertiary** - 1.0M population
- **Other** - 2.5M population

<table>
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<tr>
<th>Procedure</th>
<th>Estimated Incidence per One Million KY Residents</th>
<th>Aspirational Volume</th>
<th>Population Required to Achieve Aspirational Volume</th>
<th>Population Required to have 50% Market Share</th>
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<td>Kidney &amp; Kidney / Pancreas Transplants</td>
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<td>Brain Cancer Admissions</td>
<td>68.30</td>
<td>250</td>
<td>3,660,000</td>
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*Note: Estimated Incidence rates are based on various healthcare statistics.*
Defining Market Space

= Potential Partnering Organizations
Advancing to serve the health care needs of Kentucky and beyond

- Continue to refine approach to subspecialty care
- Continue to mature relationships with regional providers
- Reemphasize efficiency, quality, safety, and patient satisfaction
Total Discharges - COTH Benchmark

- 3,200
- 4,200
- 5,200
- 6,200
- 7,200
- 8,200
- 9,200
- 10,200
- 11,200

UK HealthCare

Median Teaching Hospital

75th Percentile Teaching Hospital

25th Percentile Teaching Hospital

Shaded area includes Good Samaritan & Chandler
Case Mix Index - COTH Benchmark

- UK HealthCare
- 75th Percentile Teaching Hospital
- Median Teaching Hospital
- 25th Percentile Teaching Hospital
Delivering on Our Mission

To be a successful referral / research intensive Academic Medical Center, we must excel in both our clinical and academic programs.
Increased National Interest

- **Total Applicants**
- **Kentucky Applicants**

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<th>Year</th>
<th>Total Applicants</th>
<th>Kentucky Applicants</th>
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<td>2013</td>
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<td>2014</td>
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<tr>
<td>2016</td>
<td>4,000</td>
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College of Medicine – Student Diversity

2015 Incoming M1 Class

- African American: 8%
- Asian: 15%
- Hispanic: 1%
- Not Reported: 1%
- Appalachian: 16%
- International: 6%
College of Medicine – Recruiting Activities

- UK See Blue Preview Nights (undergraduate recruiting)
- UK Come See For Yourself (undergraduate minority recruiting)
- Student National Medical Association Conference
- Bridges to Medicine
- College Visits
- UK Premedical group presentations

- Class presentations, e.g. UK101 sections, HSP 101
- RPLP Open Houses
- UKMED
- Boot Camp
- One on one advising
- Personal phone calls
College of Medicine – Kentucky Applicant Pool

Number of African-American / Black Applicants 2010-2015
African-American/Black Graduates from UK CoM

- Graduation rates for all medical students remains ~95%.
- Graduation rates for all demographics (gender, race, in-state status, etc.) are equivalent.
- Examples of residency placement:
  - Harvard-Anesthesia
  - Colorado-ENT Surgery
  - Miami-Neurology
  - Emory-Family Medicine
  - UCSF-Internal Medicine
  - Pittsburgh-Internal Medicine, Psychiatry
  - George Washington-Internal Medicine
College of Medicine – Residency Placement

Graduates Staying for UK Residency Training (2011-2015)

Graduate Year

2011 24% 11%
2012 21% 15%
2013 25% 18%
2014 33% 22%
2015 25% 32%

In-State Students
Out of State Students
College of Medicine – Accreditation

Program Accreditation Status

• Total of 54 medical training programs
  o 29 Residency Programs
  o 25 Fellowship Programs
    • Three newly ACGME-accredited fellowships for 2014-2015
      o Neuroradiology
      o Advanced Heart Failure / Transplant Cardiology
      o Critical Care Medicine

• All with Continued Accreditation from ACGME

• No programs on probation
# NIH Funding – 2015 Federal Fiscal Year

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>FUNDING</th>
<th>Rank</th>
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<td>JOHNS HOPKINS UNIVERSITY</td>
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Note: Blue shading highlights public organizations ranked above the University of Kentucky.

Data Source: NIH Reporter, the federal database of grants awarded by NIH to Domestic Institutes of Higher Education.

Draft Document for Discussion Purposes Only
NIH Funding by Federal Fiscal Year

- MEDICAL COLLEGE OF WISCONSIN
- UNIVERSITY OF KENTUCKY
- UNIVERSITY OF LOUISVILLE
- UNIVERSITY OF VIRGINIA
- UNIVERSITY OF CINCINNATI
- WAKE FOREST UNIVERSITY
Responding to National Drivers of Change

UKHC and other providers in Kentucky will need to respond to national trends

1. Scale Matters
2. Inpatient to Outpatient
3. Payment Reform
4. Clinical Integration
5. Patient Experience
6. Enabling Technology
7. Focus on Value

Future Drivers of Change in KY
Value-Based Care in Kentucky

Pressure to lower health care costs and the increasing prevalence of VBC initiatives may “tip the scale” towards value-based care in Kentucky.

Factors That Could “Tip the Scale”

- Phasing of payment reform
- Competition amongst providers
- Commonwealth of Kentucky fiscal requirements
- Increased focus on population health management
- Proliferation of population management technology
- UKHC leadership in care excellence
Changes in the national market and within the Commonwealth have created a major inflection point in healthcare delivery in Kentucky.

National trends in healthcare will shift Kentucky’s focus from isolated illness and injury care to coordinated, comprehensive care and improved outcomes.

1. Kentucky needs a statewide health network or collaborative to shape the future.

2. Focus will shift to improving health outcomes and rationalizing not rationing care.

3. Care must be affordable, accessible, coordinated, efficient, and high quality.
It’s a Marathon, not a Sprint
Create a system that rationalizes care, not rations care.

- Provides care in appropriate settings and develops a seamless continuum of care.

- Will require partnerships with providers, insurers, and purchasers AND appropriate integrative systems – information systems and medical management tools.

- System may be virtual, real or a combination.
UK HealthCare Strategy 2020

The Foundation of the Strategy:
- Patient Centered Care
  - Patient Experience
  - Strategic Cultural Alignment

Chapter I: Growth in Complex Care
- Service Line Growth
- Service Line Growth Enablers
- Ambulatory Specialty Care

Chapter II: Strengthen Partnership Networks
- Acute Care Partnerships
- Post-Acute Care Partnerships
- Primary Care Partnerships
- Community Care/Telehealth

Chapter III: Value-Based Care and Payments
- Value-Based Care
- Value-Based Payment Models
- Complex Chronic Care

Chapter IV: Strategic Enablers
- Service Line Operating Model
- Technology
- Strategy Implementation
- Facility Planning
- Marketing
### Strategic Cultural Alignment

#### Staff Engagement

- Senior Leader communication of 2020 Strategy underway
- RFP submitted for revitalized Reward and Recognition program
- Quarterly Staff Appreciation Stations started in November 2015.
- 2016 survey planning underway for mid-March launch
- Talent Management - Group one complete and group two – starting in early 2016.
- Leadership Development Quarterly Sessions approved and in development -starting in February 2016.

#### Physician Engagement

- Senior Leader communication of 2020 Strategy underway
- Meetings held with each Department Chair to review data
- Physician Engagement Leadership Group meetings started in late 2015 and continues to meet monthly.
- 2016 survey planning underway for mid-March launch
- Senior Leader shadowing of faculty begin in Spring 2016
- Involve faculty in Quarterly Leadership Development activities

### Diversity & Inclusivity
Diversity and Inclusivity Process Measures

- Developing a Diversity and Inclusiveness (D&I) Steering Council at UKHC
- UKHC earned Healthcare Equity Index (HEI) designation
- Eastern State Hospital, managed by UKHC, is an HEI leader (www.hrc.org
- UKHC is a member of the Institute for Diversity in Health Management
- Deployment of Unconscious Bias training to all UKHC team members and faculty
- Development of D&I web-based training for all UKHC team members and faculty (to be completed annually)
- Establish numerical objectives for Strategy 2020 in-line with University strategic goals
- Introducing D&I concepts at New Employee Orientation

THE FOUNDATION OF THE STRATEGY: PATIENT CENTERED CARE

Patient Experience

The Patient Journey:
- Design a leading patient-centric experience
- Enable staff and leadership to be ambassadors of the patient-centered culture and UKHC Brand
Heart Transplantation Patients

The journey...
THE FOUNDATION OF THE STRATEGY: PATIENT CENTERED CARE

Patient Experience

Middle-Aged Male
Southern KY

Hypertension  Pulmonary Embolism  Esophageal Reflux
Valve Disease  Cardiomyopathy  Renal Failure
AMI  Dysrhythmia  Liver Disorder
Cardiac Bypass  Heart Failure  Lupus
Diabetes  Obesity  Mental Disorders
Hyperlipidemia  Anemia  Anxiety / Panic
Electrolyte Imbalance  Pacemaker  Alcohol Abuse
Smoking  Heart Transplant  Hearing Loss

Inpatient Stays 17 with 46 Patient Days
ED or Outpatient Procedure Visits 15
Clinic Visits 14 (not shown)
Total Charges $1.1 M
Referral Date 2/15/2013
Evaluation Date 2/27/2013
List Date 4/1/2013
Transplant Date 8/27/2013

INPATIENT
ED / Hospital Outpatient


UK HealthCare
Establishing Patient and Family Partners Programs

- Kentucky Children’s Hospital Patient/Family Partnership Council
- Building Design Team Patient/Family Council
- UKHC Employee Patient/Family Partnership Council
- UKHC Patient/Family Partnership Council
THE FOUNDATION OF THE STRATEGY: PATIENT CENTERED CARE

Patient Experience

Markey Cancer Center 3RD Floor Hematology/BMT Unit
UK HealthCare Strategy 2020
GROWTH IN COMPLEX CARE
Service Line Growth

Woman Donates Kidney to Stranger, Now They’re Getting Married

Heart transplants unite long-lost brothers

Young Lexington actor is back in full voice after almost dying

After One Twin Brother Collapses, the Other Discovers They Share a Rare and Often-Fatal Heart Defect: ‘God Saved Both of Our Lives’

Kidney donors, recipients meet for the first time

UK broke Kentucky heart transplant record in 2015
GROWTH IN COMPLEX CARE
Service Line Growth

Annual Average Daily Census
CY 2004 – CYTD 2015

- Pavilion A Opened (6th/7th floors)
- Pavilion A (8th floor)
- Purchase of Good Samaritan Hospital
- New Chandler ED Opened
UK HealthCare Adult Transfer Request Trend
(CY2008 – CY2015 Annualized)

- Transfers “Lost”
- Transfers Accepted

Note: 2015 data annualized based on September 2015 YTD
A formal Service Line Operating Model is the next step in the maturation of growing our advanced subspecialty programs.

- Create a more integrated multispecialty team
- Continue to focus on the most advanced subspecialty care and its future evolution in technology and care delivery
- Grow programs to comparable size of national programs to ensure future relevance
- Continuous value optimization (quality, patient experience and cost efficiency)
- Place greater focus on managing the patient across the continuum of care
UKHC leadership has identified nine service lines as priorities for growth over the next five years, supported by growth accelerators:

- Gill Heart Institute
- End-Stage Organ Failure & Transplantation
- OB / MFM / NICU
- Markey Cancer Center
- Kentucky Children’s Hospital
- Digestive Health
- Kentucky Neuroscience Institute
- Musculoskeletal
- Trauma & Acute Care General Surgery
• Significant investments made to-date:
  – $15 million has been set aside for start-up investments associated with the implementation of strategic initiatives
  – 90+ faculty recruitments approved for FY 2017 focused both on subspecialists and primary care providers
  – Markey Cancer Center Affiliate and Research Networks as well as Community Outreach and Education
  – Personalized Medicine / Genomics Program
  – Enhancement and integration of ambulatory services associated with the Joint Replacement Program
Ambulatory Visits

The FY 2016 Forecast is projected to have 54% higher ambulatory volume compared to FY 2010

Note: Includes Clinic Visits, Outpatient Hospital Visits and Retail Pharmacy
GROWTH IN COMPLEX CARE
Ambulatory Specialty Care

Rationalize Ambulatory locations with clinical affiliates

Increase Access will be Critical for the Future

Increase UKHC Facility Size

Improved Operational Efficiency

Rationalize Local Ambulatory Locations
UK HealthCare Strategy 2020

Chapter I: Growth in Complex Care
- Patient Experience
- Service Line Growth
- Service Line Growth Enablers
- Ambulatory Specialty Care

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- Service Line Operating Model
- Technology
- Strategy Implementation
- Facility Planning
- Marketing
• **Responding to National Drivers of Change:** UKHC and other providers in Kentucky will need to respond to national trends.
• National trends towards decreased inpatient utilization is a challenge

Inpatient Discharges / 1,000 Population

A shift in inpatient discharges that more closely aligns with median or top quartile markets nationally, could lead to margin erosion.

Government and private payers will likely begin to rationalize utilization as state and employer budgets for health care are constrained.
Nationally, the hospital industry is consolidating as providers seek the necessary scale to compete in today’s healthcare environment.
Consolidation within Kentucky’s fragmented payer market, such as the potential sale of Humana, could accelerate payment model shifts and heighten the need for provider collaboration.

“Health insurer Humana Inc. is exploring a possible sale of the company, a move that could trigger a round of mergers in an industry grappling with challenges and opportunities the federal health-care overhaul has created.”

-Wall Street Journal

“Aetna has been viewed by some industry analysts as the most likely acquirer of Humana, and executives at Aetna have spoken publicly about their interest in acquisitions. Cigna and Anthem also have been linked to Humana, though some industry experts believe an Anthem tie-up could face regulatory challenges over Humana’s commercial business, which overlaps with Anthem’s in markets such as Kentucky.”

-Wall Street Journal
• **The Need for Change:** There are many areas of opportunity to improve healthcare in Kentucky

- **Fourth highest** mortality rate for heart disease in the US
- **Highest rate of smoking** in the US
- The **prevalence of obesity increased** from 30.4% to 31.3% in 2013

<table>
<thead>
<tr>
<th>Rank</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>44th</td>
<td>Premature Death</td>
</tr>
<tr>
<td>45th</td>
<td>All Health Outcomes</td>
</tr>
<tr>
<td>49th</td>
<td>Number of days a person could not perform work due to physical health issues</td>
</tr>
<tr>
<td>50th</td>
<td>Smoking and Cancer Deaths</td>
</tr>
</tbody>
</table>
STRENGTHEN PARTNERSHIP NETWORKS
Acute Care

FY15 UKHC Inpatient Cases

- KY Appalachia: 47%
- Fayette County: 29%
- Other: 24%

Prevalence of Diabetes

- KY Appalachia: 13.3%
- Kentucky: 10.5%

Prevalence of Obesity

- KY Appalachia: 34.6%
- Kentucky: 31.5%

Prevalence of Asthma

- KY Appalachia: 17.0%
- Kentucky: 14.8%

**STRENGTHEN PARTNERSHIP NETWORKS**

**Acute Care**

- **Inflection Point for Kentucky:** Changes in the national market and within the Commonwealth have created a major inflection point in healthcare delivery in Kentucky.

  *National trends in healthcare will shift Kentucky’s focus from isolated illness and injury care to coordinated, comprehensive care and improved outcomes*

1. Kentucky needs a statewide health network or collaborative to shape the future.

2. Focus will shift to improving health outcomes and rationalizing not rationing care.

3. Care must be affordable, accessible, coordinated, efficient, and high quality.
• Acute Care Partnerships: Selected Strategy

UKHC could be a catalyst to pursue a collaborative in the Commonwealth in order to gain scale and prepare for population health

Expand UKHC’s presence across Kentucky and beyond to reach patients near their homes and rationalize care across the region ...

...by collaborating with health systems to reduce costs and increase efficiency...

...and position for population health by building a partnership network that reaches five million lives...

...and by partnering with smaller community hospitals in order to deliver community care close to home and provide seamless complex care at the quaternary academic hub
As providers seek scale and efficiency, organizations are utilizing an array of partnership structuring options.
Leading Healthcare Organizations are Responding by Forming Collaboratives

Most of these state-wide collaboratives structure their programs and services around the Triple Aim, which aligns with UK HealthCare’s strategic plan.
The Evolution of UK HealthCare's Outreach and Partnerships

UKHC Clinical Outreach
Over 150 Outreach Clinics

UKHC / ARH
OB / Markey / Stroke / Cardiovascular

UKHC / Norton Alliance
Quality and Research Collaboration
Transplant Clinic / Stroke Care Network / Educational

UKHC / Baptist
NAS / Transplant

Kentucky Health Collaborative
Mission of the Proposed Kentucky Health Collaborative
The purpose of the Kentucky Health Collaborative is to be a state-wide collaborative of leading healthcare providers and systems that serves as a model for quality, safety, access, coordination, effectiveness, and efficiency of care and the advancement of benchmark clinical services, education, and research through innovative collaborative initiatives.
STRENGTHEN PARTNERSHIP NETWORKS
Acute Care
Next Steps:

- Finalize Business Structure, Governance Structure and Capitalization Terms and meeting schedule
- A general announcement will be made January 27\textsuperscript{TH} regarding the formation of the collaborative and the hiring of an executive director
- Collaborate with group to launch round table approach to organize initiative planning teams
• Initial Priorities Identified by Potential Members

Joint Purchased Services and Supply Chain

Improve Care Access, Coordination and Care Transitions while Supporting Longer Term Workforce Development / Training

Developing Cancer Prevention, Control Activity, and other Health Promotion Efforts

Population Health Information Technology
In partnering with Cincinnati Children's, UK HealthCare will be collaborating with one of the top three children's hospitals in the country and a Top 10 pediatric heart care program.

#caring4kidshearts

Cincinnati Children's

UKHealthCare
Kentucky Children’s Hospital
Integrated Pediatric Heart Care

One Program, Two Sites
Clinical Programs, Education, Research
Post-Acute Care Partnerships: Improve outcomes and reduce wait times for post-acute care by partnering with local and regional facilities

*Improve care delivery and virtually expand acute care capacity* by moving patients to more appropriate settings as quickly as health status warrants…

…by *creating access to inpatient rehab beds* in conjunction with local providers…

…and *improving UKHC’s discharge planning processes* to improve outcomes and reduce costs

…and *developing an integrated post-acute care network* across Kentucky for UKHC patients leading to improved outcomes and efficiency indicated by a LOS Index to 1.0 or less.
STRENGTHEN PARTNERSHIP NETWORKS

*Post-Acute Care*

Source: Derived from Sg2 Care Continuum
STRENGTHEN PARTNERSHIP NETWORKS
Post-Acute Care

UNIVERSITY OF KENTUCKY HEALTHCARE
CHANDLER & GOOD SAMARITAN HOSPITALS
INPATIENTS DISCHARGED TO REHAB - LOS INDEX TREND
Fiscal Year-to-Date through November 30, 2015

<table>
<thead>
<tr>
<th>Fiscal Yr</th>
<th>Avg LOS Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014</td>
<td>1.572</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1.654</td>
</tr>
<tr>
<td>FYTD 2016</td>
<td>1.443</td>
</tr>
</tbody>
</table>

HealthSouth Acquisition of Cardinal Hill
• Established Post-Acute Care Partnerships
  • Cardinal Hill / HealthSouth Rehabilitation Hospital
  • Stepworks Recovery Center and Recovery Works Programs
  • Appalachian Regional Healthcare and LifePoint Health Swing Bed Program
  • Skilled Nursing Facility Preferred Provider Network
  • Kentucky Appalachian Transitions Services (KATS) Program
Primary Care Partnerships

• As the health care system continues to evolve, it will be critical for UK HealthCare to have the appropriate sized primary care network either through partnering with existing providers or growing its existing practices.
• Telehealth was first established at UKHC in 1995 and had expanded to over 40 healthcare clinics by 1999

• In 2000, all payors began to reimburse providers for clinical visits completed via telehealth

• Telehealth gets the right care to the right people at the right time in the right place at the right cost

• The program conducted less than 100 clinical encounters in 1996 and in 2015 reached over 4,700 patients in over 23 medical specialty services
UK HealthCare Strategy 2020

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The Foundation of the Strategy: Patient Centered Care
- Patient Experience
- Strategic Cultural Alignment
Changing the Care Delivery Model to Prepare for the Future

Value Based Payment Models

Value Based Care + Complex Chronic Care
UK OptimalCare

Goal: Optimize patient care through the elimination of unnecessary variation

<table>
<thead>
<tr>
<th>Necessary</th>
<th>Unnecessary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Patient factors</td>
<td>• Variable application of evidence-based practice</td>
</tr>
<tr>
<td>• Uncontrollable extrinsic forces</td>
<td>• Local clinical culture lacking best practice mindset</td>
</tr>
<tr>
<td>• Negotiated patient preference</td>
<td>• Physician, nurse or other provider preference (style, habit, recency bias)</td>
</tr>
<tr>
<td></td>
<td>• Convenience (hospital/provider centered)</td>
</tr>
<tr>
<td></td>
<td>• External pressure (reimbursement, patient preference, etc.)</td>
</tr>
</tbody>
</table>
VALUE-BASED CARE AND PAYMENTS
Value-Based Care

Functions

- Identify opportunities for improving value delivery.

\[
\text{Value} = \frac{\text{Quality} + \text{Service} + \text{Access}}{\text{Cost}}
\]

- Prioritize opportunities

- Engage and support OptimalCare Teams in identifying practice gaps and barriers

- Allocate resources for OptimalCare teams to ensure success

- Facilitate implementation and measurement

---

UK OptimalCare Support Group Members

- Bernie Boulanger - Chair
- Sue Durachta (Ambulatory)
- Byron Gabbard (Finance)
- Gary Johnson (Pharmacy)
- Lorra Miracle (Supply Chain)
- Cecilia Page (CIO)
- Carol Steltenkamp (CMIO)
- Colleen Swartz (CNE)
- Mark Williams (CTLO)
UK OptimalCare: Achievements

- **Infant Bronchiolitis**  
  - Dr. Jeff Bennett

- **Pulmonary Embolism**  
  - Dr. George Davis, Dr. Susan Smyth & Dr. E. Xenos

- **Concussion**  
  - Dr. Dan Han
UK HealthCare Strategy 2020

The Foundation of the Strategy: Patient Centered Care

Chapter I: Growth in Complex Care

1. Patient Experience
2. Strategic Cultural Alignment
3. Service Line Growth
4. Service Line Growth Enablers
5. Ambulatory Specialty Care

Chapter II: Strengthen Partnership Networks

1. Acute Care Partnerships
2. Post-Acute Care Partnerships
3. Primary Care Partnerships
4. Community Care/Telehealth

Chapter III: Value-Based Care and Payments

1. Value-Based Care
2. Value-Based Payment Models
3. Complex Chronic Care

Chapter IV: Strategic Enablers

- Service Line Operating Model
- Technology
- Strategy Implementation
- Facility Planning
- Marketing
Enterprise Strategy Office created and fully staffed

Communication cascade has been deployed to inform and engage all team members of UK HealthCare regarding the strategic plan and their role in the implementation

Priority setting and decision-making process has been developed to manage strategic initiatives

Implementation progress is being tracked and communicated to Executive Leadership
# STRATEGIC ENABLERS

## Marketing

<table>
<thead>
<tr>
<th>Accomplishments To Date</th>
<th>Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant growth in <strong>Awareness</strong> of UKHC brand name</td>
<td>Increase <strong>Understanding</strong> of what the UKHC brand is and what makes it <strong>Different</strong></td>
</tr>
<tr>
<td>Significant growth, especially as it relates to <strong>Hospital to Hospital Transfer</strong> and outreach partnerships</td>
<td><strong>Drive</strong> UKHC as a choice among <strong>Consumers</strong></td>
</tr>
<tr>
<td>Growth of <strong>Sub-brands like Markey and Gill</strong> as standalone brands</td>
<td><strong>Clarify</strong> and increase the <strong>connection</strong> between UKHC masterbrand and sub brands like Markey &amp; Gill</td>
</tr>
<tr>
<td>Launch of <strong>First-ever Brand Campaigns</strong></td>
<td><strong>Launch of new brand campaign that underscores our Differentiators</strong> as a provider of Advanced Medicine</td>
</tr>
<tr>
<td>Provided <strong>Strong Tactical Support</strong> to the enterprise through support materials</td>
<td><strong>Position</strong> marketing as a <strong>Strategic Enabler</strong> for enterprise</td>
</tr>
<tr>
<td>Raise profile of UKHC among key stakeholders</td>
<td><strong>Raise esteem and reputation of UKHC nationally, regionally and locally</strong></td>
</tr>
</tbody>
</table>
• **Electronic Health Record**: An enterprise foundation necessary for an integrated, patient-centric, *point of care* system – Strategic opportunities for improvement developed by June 30, 2016

• **Enterprise Analytics and Data Warehouse**: An enterprise foundation necessary for meeting analytics and data requirements for a patient-centered *system of care*

• **Enterprise Integration and Interoperability**: An enterprise foundation necessary for enabling interoperability and data sharing internally and externally to UKHC
Facilities development will continue into the foreseeable future as we both renew and expand to meet the demand for our services.

Facilities have and will continue to be developed in a phased approach.
Hospital Facilities
## STRATEGIC ENABLERS

### Facility Planning

## Chandler Hospital - Completed

<table>
<thead>
<tr>
<th>Phase</th>
<th>Scope</th>
<th>Square Feet of Phase</th>
<th>Cost of Phase</th>
<th>Cumulative Project Cost</th>
<th>Cumulative % SF Finished</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1A</td>
<td>1.24M square foot structure; two patient floors, ED, lobby, parking garage; infrastructure, auditorium, chapel and related support space</td>
<td>560,000</td>
<td>$532.3M</td>
<td>$532.3M</td>
<td>47%</td>
</tr>
<tr>
<td>Phase 1B</td>
<td>Operating rooms, PACU, central sterile and related support space</td>
<td>95,800</td>
<td>$37.7M</td>
<td>$570.0M</td>
<td>55%</td>
</tr>
<tr>
<td>Phase 1C</td>
<td>Data Center and related support space</td>
<td>4,500</td>
<td>$5.6M</td>
<td>$575.6M</td>
<td>55%</td>
</tr>
<tr>
<td>Phase 1D</td>
<td>One patient floor and pharmacy project</td>
<td>73,500</td>
<td>$31.5M</td>
<td>$607.1M</td>
<td>61%</td>
</tr>
<tr>
<td>Phase 1E</td>
<td>Clinical Decision Unit (OBS unit)</td>
<td>9,000</td>
<td>$6.0M</td>
<td>$613.1M</td>
<td>62%</td>
</tr>
</tbody>
</table>
### Chandler Hospital – Construction

<table>
<thead>
<tr>
<th>Phase</th>
<th>Scope</th>
<th>Square Feet of Phase*</th>
<th>Cost of Phase</th>
<th>Cumulative Project Cost</th>
<th>Cumulative % SF Finished*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1F/1G</td>
<td>-9th Floor&lt;br&gt;-10th Floor&lt;br&gt;-Kitchen, Cafeteria&lt;br&gt;-Radiology Phase I (MRI/CT/Ultrasound) hyperbaric &amp; Eye Consult&lt;br&gt;-NICU, KCH Entry, OP Treatment and Sedation&lt;br&gt;-ORs and support space, 11th Floor&lt;br&gt;-Blood Bank, PT/OT/RT</td>
<td>266,040</td>
<td>$262.0M</td>
<td>$875.1M</td>
<td>81%</td>
</tr>
</tbody>
</table>

*Square footage fit up related to Pav A facility only (does not account for Pav HA/H associated components of projects)
Chandler Hospital – Construction Timeline

- **Blood Bank**
  - 9th floor Pav A

- **10th floor Pav A**
  - Q1 2016
  - Q2 2016
  - Q3 2016
  - Q4 2016

- **11th floor Pav A**
  - Q1 2017
  - Q2 2017
  - Q3 2017
  - Q4 2017

- **Kitchen/Cafeteria**

- **Radiology Phase I**

- **Surgery 1-3a**

- **NICU/OP/KCH Lobby**
# STRATEGIC ENABLERS

**Facility Planning**

---

## Chandler Hospital – Future

<table>
<thead>
<tr>
<th>Future Fit-up</th>
<th>Pavilion</th>
<th>Est Cost*</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radiology Phase 2</td>
<td>A</td>
<td>$11.3M</td>
<td>Completes Radiology in Pav A</td>
</tr>
<tr>
<td>Patient Floor 5</td>
<td>A</td>
<td>$37M</td>
<td>Continues with fit up of patient rooms in Pav A</td>
</tr>
<tr>
<td>Patient Floor 12</td>
<td>A</td>
<td>$37M</td>
<td>Completes the fit up of patient rooms in Pav A</td>
</tr>
<tr>
<td>Pav A PACU (3b &amp; 4)</td>
<td>A</td>
<td>$8.1M</td>
<td>Completes fit up of Pav A PACU</td>
</tr>
<tr>
<td>Pav A ORs (phase 5)</td>
<td>A</td>
<td>$16.4M</td>
<td>Completes fit up of Pav A ORs</td>
</tr>
<tr>
<td>Birthing Center</td>
<td>H &amp; HA</td>
<td>$22.0M^</td>
<td>Provides long term birthing program best practice</td>
</tr>
<tr>
<td>CDU Relocation</td>
<td>H</td>
<td>$6M^</td>
<td>Provide consolidated CDU</td>
</tr>
<tr>
<td>Interventional Services Study</td>
<td>A &amp; G</td>
<td>$35.37M^</td>
<td>Relocates interventional services to Pav A and provides new expanded location for Endoscopy</td>
</tr>
<tr>
<td>Dialysis/Pheresis Study</td>
<td>H</td>
<td>$2.5M^</td>
<td>Provides a long term location centrally located to Pavilion A and B for Dialysis/Pheresis services</td>
</tr>
<tr>
<td>Office Support</td>
<td>A/H</td>
<td>$10.1M~</td>
<td>Completes fit up of Pav A support services space and others within Pav H</td>
</tr>
<tr>
<td>Garage Extension</td>
<td>n/a</td>
<td>$35M</td>
<td>Provide additional 1000-1200 parking spaces</td>
</tr>
</tbody>
</table>

*estimates to be revised based on updated master plan

^does not include FFE budget numbers

~area will be less than original estimate if less complex fit up

---

**Draft Document for Discussion Purposes Only**
<table>
<thead>
<tr>
<th>Future Fit-up</th>
<th>Pavilion</th>
<th>Est Cost*</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Laboratory Relocation</td>
<td>H</td>
<td>$45.6M</td>
<td>Relocates laboratory allowing for the floor to be retrofitted for PICU</td>
</tr>
<tr>
<td>Pediatric Progressive care and PICU</td>
<td>HA</td>
<td>$21.7M</td>
<td>Completes move of Pediatrics to space consistent with current standards</td>
</tr>
<tr>
<td>Heliport</td>
<td>A</td>
<td>$2.1M</td>
<td>Adds 2 heliports to Pav A</td>
</tr>
<tr>
<td>Upgrade H 7&amp;8</td>
<td>H</td>
<td>$15.0M</td>
<td>Interim solution for Pav H beds or office/support (eg Phase 1 infusion, hospice, sim space)</td>
</tr>
<tr>
<td>Roach upgrade</td>
<td>CC</td>
<td>$15.0M</td>
<td>Interim solution for Roach beds or ambulatory space or office/support (eg Phase 1 infusion, hospice, sim space)</td>
</tr>
<tr>
<td>Pav H upgrade for support</td>
<td>H</td>
<td>$40.5M</td>
<td>Converts Pav H long term use (envelope &amp; Infrastructure)</td>
</tr>
</tbody>
</table>

**TOTAL** $360.67M+

*estimates to be revised based on updated master plan
Ambulatory Facilities
## Ambulatory – Recently Completed

<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Square Feet</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pain Services</td>
<td>KYC South</td>
<td>6,152</td>
<td>Relocation from UKGS to KY Clinic South. Provided an increase in procedural and exam room capacity in order to accommodate increased volumes.</td>
</tr>
<tr>
<td>General Pediatrics</td>
<td>KYC South</td>
<td>20,295</td>
<td>Relocation from KY Clinic to KY Clinic South to provide space for expanded volumes in both General Pediatrics and future expansion of Specialty Pediatric Services.</td>
</tr>
<tr>
<td>Rheumatology &amp; Nephrology Clinic</td>
<td>UKGS - PAC</td>
<td>4,865</td>
<td>Relocation of services to the UKGS PAC building to provide expanded space for increased patient volumes.</td>
</tr>
</tbody>
</table>
# Ambulatory – Construction

<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Square Feet</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ophthalmology</td>
<td>Shriners</td>
<td>40,000</td>
<td>Relocation of ophthalmology services and administrative support to the 4th/5th floor of the Shriners’ building.</td>
</tr>
<tr>
<td>Specialty Pediatrics</td>
<td>KYC 2</td>
<td>8,445 (A) 8,176 (B)</td>
<td>(A) Renovation/upgrade of current specialty pediatrics clinic to current pediatric specific finishes (B) Expansion of services into vacated general pediatrics pod within the KY Clinic</td>
</tr>
<tr>
<td>Transplant Clinic</td>
<td>KYC 3</td>
<td>16,443</td>
<td>Relocation/expansion of clinical services and administrative support in the KY Clinic</td>
</tr>
<tr>
<td>Urology Clinic</td>
<td>KYC 2</td>
<td>8,860</td>
<td>Renovation/expansion of clinical space within the KY Clinic</td>
</tr>
</tbody>
</table>

Draft Document for Discussion Purposes Only
## Ambulatory – Construction

<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Square Feet</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance Blue Pediatric Hematology Oncology Clinic</td>
<td>Pav H</td>
<td>9,100</td>
<td>Renovation and relocation to the 4th floor in closer proximity to KCH inpatient services</td>
</tr>
<tr>
<td>Orthopaedic Clinic</td>
<td>KYC 1</td>
<td>17,655</td>
<td>Renovation of existing clinic in order to increase operational efficiencies and improve patient flow.</td>
</tr>
<tr>
<td>Community Cardiology</td>
<td>UKGS MOB</td>
<td>6,620</td>
<td>Relocation to MOB at UKGS from the Gill to allow for increased patient volumes</td>
</tr>
<tr>
<td>Radial Lounge</td>
<td>Gill</td>
<td>583</td>
<td>Renovate a space to provide a recovery space for increased through put of the Cath Labs recovery.</td>
</tr>
</tbody>
</table>
## Ambulatory – Preliminary Planning

<table>
<thead>
<tr>
<th>Priorities in Study</th>
<th>Location</th>
<th>Square Feet</th>
<th>Issues Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicine Services</td>
<td>KYC 2</td>
<td>22,000</td>
<td>High growth, space constraints</td>
</tr>
<tr>
<td>UKGS MOB Lab services</td>
<td>UKGS MOB 1</td>
<td>290+</td>
<td>Limited capacity, space constraints</td>
</tr>
<tr>
<td>Turfland</td>
<td>Turfland 1 &amp; 2</td>
<td>11,803 (A) 35,000 (B)</td>
<td>(A)Expansion of clinical services (B)Administrative support space available at location.</td>
</tr>
</tbody>
</table>
## Ambulatory – Future

<table>
<thead>
<tr>
<th>Priorities for Future Study</th>
<th>Issues Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oncology</td>
<td>High growth and utilization, space constraints</td>
</tr>
<tr>
<td>OB/GYN</td>
<td>High growth and space constraints</td>
</tr>
<tr>
<td>Infectious Disease</td>
<td>High growth and utilization</td>
</tr>
<tr>
<td>CT Surgery &amp; Cardiology</td>
<td>Consolidation within 1 location</td>
</tr>
<tr>
<td>ENT</td>
<td>Need increased flexibility and flow improvement</td>
</tr>
<tr>
<td>Spine &amp; Joint</td>
<td>Low exam room to provider ratio, limited radiology access</td>
</tr>
<tr>
<td>KYC Therapy</td>
<td>Space constraints</td>
</tr>
<tr>
<td>Dentistry</td>
<td>Space constraints</td>
</tr>
<tr>
<td>Radiology services – MOB</td>
<td>Limited access for Spine/Joint and other services in MOB</td>
</tr>
</tbody>
</table>
Academic & Support Facilities
Academic & Support Space:

- Relocated administrative functions as appropriate off campus
- Reallocating campus space to highest and best use
- Redeveloping Hospital and College of Medicine space for academic and support space
Considerations and Recommendations

- Next Facilities Phases -

Hospital • Ambulatory • Academic & Support
Patient Bed Capacity Review – December Report
“Key Take Away Points”

• UK HealthCare inpatient capacity is at maximum levels nearly every day

• No end in sight to the demand for our high quality, specialized services

• More than 75% of 128 new beds in Pavilion A will be consumed upon opening in CY2016

• UK HealthCare must consider additional expansion of clinical capacity to support planned Service Line growth
The existing “Transitional” patients will fill this space

Opening Summer 2016
64 Beds

NINTH FLOOR PLAN
PATIENT CARE FACILITY (PAVILION A)
68,164 Gross Square Ft.
STRATEGIC ENABLERS
Facility Planning

With our maximum transitional patients and typical number of “Lost Transfers”

Pavilion A 10th floor
Opening CY2016
Total of 64 Beds
Patient Floors

- Floors 5 and 12 of Pavilion A remain “shelled”

- This creates total incremental inpatient capacity of 128 beds
Additional Considerations to Support Future Growth

- Interventional Services (Angiography and Cardiac Catheterization Labs)
- Diagnostic and Therapeutic Endoscopy Services
- Dialysis / Pheresis Services
- Radiology “Phase 2”
- Vascular and Pulmonary Function Testing
Additional Facility Considerations to Support Service Line Growth

• An Additional 64 Inpatient Beds
• OB/GYN Facility Renovations
• Clinical Decision Unit Re-location
• Expansion of Surgical Services
• Ambulatory Care Capacity
Recommendations

- Complete the fit up of Fifth Floor of in Pavilion A (FCR at February Board Meeting - $37M)

- Initiate project to provide Radiology services to Spine/Joint program and other service in MOB (FCR at February Board Meeting - $1.5M)

- Initiate project to upgrade / renovate facilities in the College of Medicine to faculty office and support space (FCR at February Board Meeting - $5M)

- UKHC Leadership will propose additional facility investments in May/June
Financial Forecast & the Strategic Plan
Financial Planning Framework

• Review current financial drivers and results
  – Operating Cost Changes
  – Activity Forecast
  – Reimbursement / Payment Trends

• Overlay Current Operations with Strategic Plan Impacts
  – Strategic Investments
    • Programmatic
    • Faculty
    • Operational
  – Strategic Capital Investments
    • Facilities
    • Infrastructure
    • Information Technology
Financial Plan/Model Drivers

Clinical and Operation Requirements

- Continued high patient demand for services
- Workforce needs (faculty and staff)
- Information technology – data warehouse (5-year assumption = $37.6M)
- Strategic plan investments (5-year assumption = $25M)
- Research and academic support (5-year assumption = $50M)

UK HealthCare Strategic Capital and Investment Needs

- Approved projects, infrastructure and capital expenditures, are estimated to be $628 million for FY2016 through FY2020
  
  - Facilities Infrastructure = $24.4M
  - Ambulatory = $25.4M
  - Chandler Hospital = $226.3M
  - Routine Equipment & Renovations = $352.0M

- The potential need for $600 to $725 million of additional capital expenditure for facilities, equipment and information technology is also forecasted over the next 5 to 7 years
  
  - Ambulatory = $50.0M
  - Information Technology = $250-$300M
  - Chandler Hospital = $320-$360M
  - Equipment = $7.0M
Financial Plan/Model Drivers

**Increasing Capital Access Standards**

- Maintenance of UK HealthCare’s current level of capital access (essentially an “A” rating) requires strong performance and liquidity
- Benefits of a strong UK HealthCare to the broader UK system (especially in terms of liquidity) are explicit and material

**Market-Driven Forces / Sensitivities**

- Insurance market transformation, including increased consumerism
- Constriction of Medicare, Medicaid and commercial reimbursement
- Downward pressure on inpatient utilization; mixed changes in outpatient services
## Financial Plan/Model Projections

### Key Utilization Statistics

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Discharges</td>
<td>37,333</td>
<td>38,778</td>
<td>40,534</td>
<td>42,000</td>
<td>42,936</td>
</tr>
<tr>
<td>Inpatient Days</td>
<td>250,151</td>
<td>257,839</td>
<td>267,674</td>
<td>275,444</td>
<td>280,006</td>
</tr>
<tr>
<td>Average Length of Stay</td>
<td>6.70</td>
<td>6.65</td>
<td>6.60</td>
<td>6.56</td>
<td>6.52</td>
</tr>
<tr>
<td>Average Daily Census</td>
<td>685</td>
<td>706</td>
<td>733</td>
<td>755</td>
<td>767</td>
</tr>
<tr>
<td>Outpatient Visits</td>
<td>1,428,967</td>
<td>1,506,669</td>
<td>1,574,666</td>
<td>1,640,910</td>
<td>1,686,546</td>
</tr>
<tr>
<td>Number of Licensed Beds</td>
<td>855</td>
<td>901</td>
<td>901</td>
<td>901</td>
<td>901</td>
</tr>
<tr>
<td>Occupancy %</td>
<td>80.16%</td>
<td>78.40%</td>
<td>81.39%</td>
<td>83.76%</td>
<td>85.14%</td>
</tr>
</tbody>
</table>

Note: 475 Transfers added in FY2018 in addition to 1% per year growth assumption
## Financial Plan/Model Projections

<table>
<thead>
<tr>
<th>Ratio / Statistic</th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Historical</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating EBIDA</td>
<td>$61.2</td>
<td>---</td>
<td>$100.8</td>
<td>$143.7</td>
</tr>
<tr>
<td>Cash Flow (Net Inc + Depr)</td>
<td>$81.9</td>
<td>---</td>
<td>$115.2</td>
<td>$173.2</td>
</tr>
<tr>
<td>Total Debt</td>
<td>$205.1</td>
<td>---</td>
<td>$457.7</td>
<td>$423.6</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>$15.9</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

### Profitability

<table>
<thead>
<tr>
<th></th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Historical</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Margin</td>
<td>3.0%</td>
<td>2.9%</td>
<td>3.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Operating EBIDA Margin</td>
<td>10.6%</td>
<td>9.1%</td>
<td>10.6%</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

### Debt Position

<table>
<thead>
<tr>
<th></th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Historical</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>MADS Coverage (x)</td>
<td>5.4</td>
<td>4.0</td>
<td>3.1</td>
<td>4.5</td>
</tr>
</tbody>
</table>

### Liquidity

<table>
<thead>
<tr>
<th></th>
<th>Moody's</th>
<th>S&amp;P</th>
<th>Historical</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Cash on Hand (days)</td>
<td>235.6</td>
<td>196.4</td>
<td>118.0</td>
<td>137.4</td>
</tr>
</tbody>
</table>
Note (A): Strategic Reserve Position calculated as surplus (deficit) of actual days cash on hand versus 170 days cash on hand target.

Note (B): Debt capacity assumes MADS coverage target of 4.0 (weighted 50%), debt-to-cap target of 40% (weighted 10%), and cash-to-debt target of 125% (weighted 40%); debt capacity targets are in line with 2015 Not for profit Healthcare rating agency medians for Moody’s “A2” and S&P “A” categories.
Financial Plan
Sensitivity and Risk
## Risk Profile Matrix / Management

<table>
<thead>
<tr>
<th>Risk</th>
<th>Control</th>
<th>Magnitude</th>
<th>Strategic Placemat – Potential Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Patient Centered Care</td>
</tr>
<tr>
<td>Medicaid</td>
<td>State</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Managed Care Rates</td>
<td>Payors</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>IP Volumes</td>
<td>Market</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>OP Volumes</td>
<td>Market</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>ALOS</td>
<td></td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Non-Labor</td>
<td></td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Labor Productivity</td>
<td></td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Capital Need</td>
<td></td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Operating Support</td>
<td></td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

- **High Impact**
- **Low Impact**

- **Positive Impact**
- **Negative Impact**
Testing the Impact of Changes to Key Assumptions on UK HealthCare’s Capital Capacity is a Vital Management Tool

- The only thing we can be sure of is that the assumptions are “wrong” as soon as they are defined.
- Risk associated with key assumptions was tested through sensitivity analysis and development of alternative operating scenarios.
- Analysis was focused on areas associated with the highest levels of potential volatility and uncertainty, including:
  - Medicare, Medicaid, and managed care and commercial insurer payment rates.
  - Future status of special programs (e.g., Medicaid expansion and disproportionate share).
  - Future inpatient volume, outpatient volume, and length of stay trends.
- Sensitivity impact was quantified in terms of UK HealthCare capital capacity (i.e., its ability to generate the capital necessary to pursue incremental strategic initiatives).
Sensitivity Analysis Results

Medicaid Expansion, COM Volume Growth, and Managed Care Rates are Key Areas of Risk

Percentage of FY2020 Baseline Capital Capacity

<table>
<thead>
<tr>
<th>Baseline</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid Expansion</td>
<td>49%</td>
</tr>
<tr>
<td>IP Vol: 1% Lower</td>
<td>80%</td>
</tr>
<tr>
<td>OP Vol: 1% Lower</td>
<td>81%</td>
</tr>
<tr>
<td>COM Vol: 30% Lower</td>
<td>46%</td>
</tr>
<tr>
<td>ALOS +0.5 Days</td>
<td>50%</td>
</tr>
<tr>
<td>1% Higher Non-Labor</td>
<td>53%</td>
</tr>
<tr>
<td>1% Lower FTE Productivity</td>
<td>64%</td>
</tr>
<tr>
<td>Medicare 1% Reduction</td>
<td>82%</td>
</tr>
</tbody>
</table>

Draft Document for Discussion Purposes Only
Baseline Conclusions

• The UK HealthCare baseline financial plan projects that the organization will be well positioned to make additional investments in operations, strategy and capital.

• Based on the baseline projections, UK HealthCare will re-generate necessary capital capacity available to support future strategic initiatives and investments.

• Sensitivity analysis indicates that future risk for UK HealthCare is focused in three major areas over which UK HealthCare has the least control:
  – Medicaid Expansion
  – Future Volume
  – Managed Care Rates

• Vigilant cost, clinical care management and successful strategic investments will support the systems continued financial requirements.
UK HealthCare Strategy 2020

Chapter I: Growth in Complex Care
1. Service Line Growth
2. Service Line Growth Enablers
3. Ambulatory Specialty Care

Chapter II: Strengthen Partnership Networks
1. Acute Care Partnerships
2. Post-Acute Care Partnerships
3. Primary Care Partnerships
4. Community Care/Telehealth

Chapter III: Value-Based Care and Payments
1. Value-Based Care
2. Value-Based Payment Models
3. Complex Chronic Care

Chapter IV: Strategic Enablers
- Service Line Operating Model
- Technology
- Strategy Implementation
- Facility Planning
- Marketing
It’s a Marathon, not a Sprint

Next Milestones

- Establish the Collaborative
- Continue with Next Phase of Facility Plan
- Plan Next Part of Race Course – Medical Management
What We Must Be

1. The preeminent academic medical center serving Kentucky and beyond – in all three missions

2. The provider of accessible advanced subspecialty care for Kentucky and beyond

3. The Academic Medical Center serving an extensive collaborative of healthcare providers across the state and beyond

4. An Organization focused on appropriate care in the appropriate setting – community first, ambulatory second, hospital third

5. An organization operating at the highest levels of quality, safety, efficiency, patient satisfaction and employee/faculty engagement

6. The fundamental support of UK’s biomedical research and educational efforts

7. A major economic driver for the Bluegrass and beyond
Economic Impact - FTEs

FY 2004 Actual: 5,539

FY 2016 Nov YTD: 11,576

109% Increase

- UHS
- CKMS
- KMSF
- Eastern State
- College of Medicine
- Hospitals / Corporate
Economic Impact – Personnel Expense

FY 2004 Actual: $375M
FY 2016 Forecast: $1,035M

176% Increase

Total represents UHS, CKMS, KMSF, Eastern State, College of Medicine, & Hospitals/Corporate
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