Minutes of the University of Kentucky Board of Trustees
University Health Care Committee
December 8, 2014

The University of Kentucky Board of Trustees University Health Care Committee met on December 8, 2014 in conference room 127 of the Charles T. Wethington, Jr. Building. The meeting was called to order by Barbara Young, Chair of the University Health Care Committee, at 4:00 pm.

A. ATTENDANCE

University HealthCare Committee Members: Chair- Barbara Young, Jim Booth, Bill Britton, Bill Farish, Jr., and Robert Vance

Additional University of Kentucky Board of Trustee Members: Dr. C.B. Akins, Britt Brockman, Cammie DeShields Grant, Angela Edwards, Dr. Keith Gannon, Bill Gatton, Joe Grossman, David Hawpe, and James Stuckert

University Healthcare Committee Advisory Members: Pam Miller, Nick Nicholson, and Myra Tobin

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

Guests: Mark Birdwhistell, Jay Blanton, Murray Clark, Joe Claypool, Michael Dobbs, Leigh Bays Donald, Susan Krauss, Kristi Lopez, Angie Martin, Mary Meehan, Eric Monday, Dr. John Gurley, Amy Hisel, Kelly Sullivan Holland, Dr. Hassan Reda, Cecilia Page, Bret Short, Ann Smith, Dr. Susan Smyth, Bill Thro, Vicky Turner, and Jim Zembrudt

B. APPROVAL OF MINUTES

Minutes from the September 8, 2014 meeting were presented for approval by Chair Young. The minutes were approved unanimously.

C. FINANCIAL UPDATE

The FYTD October 2015 Financials were presented by Murray Clark, Chief Financial Officer. The statistical report indicated that inpatient discharges for the year are strong and well above budget compared to both budget and the prior year and 144 above budget for the month of October. Children’s discharges are 185 below budget but 85 above the prior year. The Case Mix Index (CMI) has increased
and continued attention will be focused on reducing the Length of Stay (LOS). An increase in patient
days as compared to budget is driven almost equally by the overall increase in volume and the length of
stay per case. Outpatient activity for the first 4 months of the year continue to be positive and above
budget and prior year. FTEs per adjusted bed are below budget but in line with prior year. FTEs have
increased to support overall activity and efforts are ongoing to move the FTE numbers closer to
benchmark in all areas. Due to Medicaid expansions patient/charity cases have continued to drop from
12.3% of discharges last year to 2.2% of discharges this year. The impact of the changes from
patient/charity to Medicaid is a major driver in the increase in net revenue. The income statement shows
net revenues for the year have exceeded expectations driven by volume, case mix, outliers and the
Medicaid expansion program. Fixed expenses are lower than budget for the year to date and while
expenses will vary against budget throughout the year but should stay in line with the budget overall.
Total income from operations for the month of October was $26.2 million with an operating margin of
22.3 % and $92.5 million for year to date. Non-operating revenues (expenses) are at variance to budget
by $12.6 million caused primarily by the under realization of investment income of $9.8 million and a
$5.5 million one-time charge of interest as a result of the refinancing of a portion of our debt. This one-
time charge will be offset by interest savings from the refinancing over the remaining life of the bonds.
On the balance sheet, cash totals $140.4 million and includes $135.2 in unrestricted funds which includes
$10.0 million in Eastern State advance payments and $5.2 million in restricted plant funds. Overall
liabilities have decreased by $17.7 million since June 30th. The major changes in liabilities include
changes in payables, debt amount outstanding and deferred inflows of resources. The financial median
analysis indicates total day’s cash on hand has increased to 134.85 days and the operating margin and
EBIDA have exceeded targets. Debt to capitalization has improved slightly since year end and cash to
debt has improved but may decline in the future when capital acquisitions are made in facilities and
equipment. Overall the financials are very strong. Total assets have increased and total liabilities have
dropped. Murray also discussed the financial planning process and scenario analysis with the Committee.
Kaufmann Hall will look at the current and 5-year outlook and present to the January 29, 2015 Board of
Trustees Retreat. The outlook will provide a profit and loss statement, balance sheet, credit rating
metrics, capital investment scenarios, and bond structuring for future debt capacity.

Mr. Clark updated the committee on the status of Phase I-E, the facilities planning for FY15-FY18, and
the UK HealthCare Master Planning. Phase I-E includes the fit up of the 9th and 10th floor with
construction starting in the early Spring of 2015 with substantial completion in Spring 2016. Occupancy
for the 9th and 10th floor will begin in Summer of 2016. Phase I-E also includes the new kitchen,
cafeteria, radiology, and hyperbaric services. Substantial completion of this part of Phase I-E should be
completed in the Summer of 2016. The new NICU and Children’s Services part of Phase I-E has not had
a schedule developed but construction will follow occupancy of floors 9 & 10. Mr. Clark provided the board materials detailing the facilities planning for 2014-2018 detailing the remaining projects and estimated costs. Architectural firm HGA is working on the facilities master plan.

**D. STRATEGIC PLANNING UPDATE**

Jim Zembrodt, Associate Vice President for Strategic Planning and Dr. Michael Karpf gave the strategic planning update.

The 2015-2020 Strategic Planning is based on UK HealthCare’s mission and vision that Kentuckians should not have to leave Kentucky to receive advanced subspecialty care. Areas of focus include:

- Facilities Planning
- Clinical Planning
- Financial Planning
- Research Planning

Deloitte Monitor has been selected to help UK HealthCare develop the process and standardization. Deloitte Monitor’s team has been conducting meetings with key UK HealthCare Leadership and Board of Trustee members. Most meetings should have occurred by the January 29th meeting and findings will be presented. Over the last five years UK HealthCare has worked to provide a broad range of advanced subspecialty care and has collaborated closely with community providers. In this way, UK HealthCare has matured into a well-integrated health delivery system and has become a clinical destination for Kentucky and beyond. An integral component of this strategic plan is the support it has given to the research and teaching missions of the University. However, due to the changing healthcare landscape for Academic Medical Centers the current strategic plan must be refined to work in today’s market. In January a financial, clinical and strategic planning retreat will be held to look at where UK HealthCare needs to go in the next five years by asking the following questions:

- Where to focus?
- Who will get us there?
- Which channels will best expand our reach and how can we accelerate progress through innovation and accessibility?
- How do we optimize profitability and fund programs?
- How do we add and capture value
- How do we deliver?

The January Retreat will focus on presenting a financial planning and scenario analysis which will provide direction regarding the ability to commit to the fit up of additional phases of Chandler Pavilion A and other capital needs. In June, it is expected that the final report will be presented to the Board.
E. CLINICAL UPDATE
Dr. John Gurley and Dr. Hassan Reda reported on the structural heart and valve program at UK HealthCare. They described innovative, percutaneous heart procedures taking place at UK which is now, along with a handful of other advanced cardiovascular care centers, uniquely positioned to handle such cutting edge care.

F. PRIVILEGES AND APPOINTMENTS
Dr. Andrew Bernard 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.

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