The University of Kentucky Board of Trustees Healthcare Committee met on June 9, 2014 at the Keeneland Race Track in the Keene Barn for their annual retreat. A total of 179 people were in attendance that included the University Health Care Committee members, Community Advisory Members, additional Board of Trustee members, University of Kentucky and UK HealthCare senior leadership, guests, and members of the media. The meeting was called to order and by Barbara Young, Chair of the University Healthcare Committee, at 8:02am. Chair Young announced that a quorum was present.

A. **ATTENDANCE**

**University HealthCare Committee Members:** Barbara Young, Keith Gannon, Jim Booth, Bill Britton, & Bill Farish

**Additional University of Kentucky Board of Trustee Members:** C. B. Akins, Sr., Sheila Brothers, Mark Bryant, Jo Hern Curris, Bill Gatton, David Hawpe, Kelly Holland, Terry Moberly, Jim Stuckert & Dr. John Wilson

**University Healthcare Committee Advisory Members:** Mira Ball, Robert Clay, Luther Deaton, Pam Miller, Nick Nicholson & Myra Leigh Tobin

**Ex-Officio Members of the University HealthCare Committee:** President Eli Capilouto, Dr. Michael Karpf, Dr. Bernard Boulanger, Dr. Colleen Swartz, and Dr. Stephen Strup

B. **APPROVAL OF MINUTES**

Minutes from the May 4, 2014 meeting were presented for approval by Chair Young. The minutes were approved unanimously.

C. **CLOSE OF 2010-2015 STRATEGIC PLAN**

Dr. Michael Karpf, Executive Vice President for Health Affairs, discussed the completion of our strategic plan for 2010-2015. When the 2010-2015 Strategic Plan was created, it was known that we had to
accomplish three items to be successful. This included 1) Continue to refine approach to subspecialty care 2) Continue to mature relationships with regional providers 3) Reemphasize efficiency, quality, safety, and patient satisfaction. Our goal was to create a system that rationalizes care, not rations care. Our annual discharges have increased from 19,098 in FY03 to 35,511 in FY13. This translates into a total of 86 percent growth. Our market share the Lexington area has increased from 28.8% to 47.1% which resulted in UK HealthCare becoming the market leader for the area (all volume). We continue to lead the market in several service lines and are gaining momentum in others. We have established relationships both inside and outside the Commonwealth in locations such as West Virginia and continue grow our referral base. We continue to receive referrals from areas such as Louisville and Southern Indiana and have seen a 99% growth in inpatient discharges from this area since FY05. Our recent recognitions reflect our effort to provide exceptional care. Just naming a few, UK HealthCare received awards from the Joint Commission, NCI designation, the UHC Rising Star Award, and the award for being number 1 in nursing care for HCAHPS scores in Q4 2012. UK HealthCare must now refine and expand their strategy in the following ways. 1) It will continue to provide a broad spectrum of advanced subspecialty care so that Kentuckians do not have to travel outside Kentucky for medical care. 2) It will become a clinical destination serving Kentucky and beyond for highly specialized services. 3) It will support rural health care by collaborating closely with community providers. 4) It will mature collaborative relationships into a well-integrated health delivery system and 5) it will support the research and teaching missions of the University. UK HealthCare will provide care in appropriate settings, develop a seamless continuum of care and will partner with appropriate providers, insurers, purchasers, and integrative systems. This system will be virtual, real or a combination of both. Using this strategy, UK HealthCare will do well by continuing to care for Kentucky’s sickest patients which was a previous unmet need in Kentucky. Dr. Karpf demonstrated that 40% of the patients generated 20% of the contribution margin while 145 of patients with high a case mix index (CMI) contributed 44% of the contribution margin. Not only is this strategy working as demonstrated by the numerous awards that UK HealthCare has received in the last few year but achieved all while maintaining a very solid net revenue. Dr. Karpf ended his presentation by pointing out that with adult occupancy running at 90-95%, capacity continues to be a major challenge.

D. CAPACITY UPDATE

Dr. Colleen Swartz, Chief Nursing Officer followed Dr. Karpf with a capacity update. She asked the question, “How we have met the demand of the last 10 years and how we are optimizing the care provided.” In 2004 Chandler discharges were 19,644. By 2013 discharges grew over 86% to 35,511
discharges. At the same time UK HealthCare’s CMI has risen markedly. Dr. Swartz reviewed the steps that had been taken to serve the ever growing group of patients coming to UK HealthCare, including the creation of the capacity command center in 2005, the purchase of the 336 bed licensed Good Samaritan Hospital in 2007 and the continued opening of bed capacity at Good Samaritan Hospital in the ensuing years. In 2010 the new Chandler Emergency Department and 2 floors of Pavilion A opened. However, Dr. Swartz reported that even as floors open in Pavilion A, capacity continues to be a problem. She concluded by asking, “How will we meet the demand for the next 5-10 years and continue to optimize the care we provide.”

E. 5 YEAR PROJECTIONS, BORROWING CAPACITY & ANTICIPATED BUILDING PROJECT

Murray Clark, Chief Financial Officer, presented the 2015 Financial and Capital Plans and the 2015-19 financial forecast. The operating overview included a review of patient services provided at Chandler, Good Samaritan, Kentucky Clinic, and outreach clinics. In 2014, 254,189 patients were served inpatient discharges were 36,341, outpatient visits were 1,212,436 and pharmacy prescriptions were 283,975. An additional 2,132 patients were discharged from ESH. FY15 budget shows a combined UK Healthcare and Eastern State Hospital Full Time Equivalent count at 10,515 and 9,983 without Eastern State Hospital. Currently UK HealthCare has 13 outreach affiliations, including locations in Lexington, Georgetown, Hazard, Harlan, Maysville, Morehead, Rockcastle, Frankfort, Huntington WV, Ashland, Louisville, Cynthiana, and yet still with other areas still pending. UK HealthCare has outreach locations in 163 sites and currently considered a 75% percentile in teaching hospitals in overall CMI and discharges.

Mr. Clark presented the budget planning overview which had as objectives, 1) the establishment of a financial plan that is based on the elements of UK HealthCare’s business and operations that can be reasonably foreseen but is adaptable, 2) the creation of a financial plan that supports the strategic, capital and financial goals, and 3) the current 5 year projections must be rebased to set performance objectives that support the organization’s growth and long term viability. Eleven financial plan drivers, including outreach initiatives, service line initiatives, new business opportunities, patient quality and safety, customer satisfaction, operational performance, revenue management, equipment, facilities, IT and external factors such as state health plan revisions, Medicaid expansion and demographic trends were reviewed and drove the budgeting process and the FY2015-29 financial projections.

The 2015 budget of $1.116 billion was presented with a net revenue increase from 2014 forecast of FY2015 budget of 9%. Seven key assumptions drove the FY15 budget including 1) anticipated physician
recruitment, 2) volume, program and outreach growth, 3) the impact of Medicaid expansion and the resulting shift of cases from patient/charity to managed care organizations, 4) an average length of stay that reflects a decrease from FY14 to FY15 budget, 5) a cost reduction initiative that assumes a $10.6 million savings by FY2015, 6) a work force availability to support planned budget growth, and 7) an assumed 7.5% investment income. He then presented the UK HealthCare 205-2019 financial projections. These projections were quite conservative with an operating margin of under 3%, reflecting the unknowns of the current market. Risks include volume, reimbursement, costs, stable workforce and investment income changes.

The University Health Care Committee moved and voted to approve the FY2015 budget of $1.116 billion dollars.

Mr. Clark reviewed the Chandler Hospital facilities master plan which provides a step by step replacement of the original Chandler buildings so that over time the Markey Cancer Center, Gill Heart Building, Pavilion H and Pavilion A will house all of the inpatient facilities. Currently, Phase 1D, is under construction and due to open in December of 2014. This phase will add 64 beds on the 8th floor and the central pharmacy. Phase 1E (still in design phase), due to open in December 2014-February 2015 will add additional clinical decision unit beds. At this point in time, 763.1 million has been invested in the patient care facility, all of which has been financed by clinical activity. Future phases will add the 11th floor for cancer services, ancillary services, a new hospital laboratory, pediatric progressive and intensive care unit, patient floors 12 and 5, operating room in Pavilion A, additional heliport locations and offsite support services, endoscopy and interventional services. The cost for this development is projected at $257.1 million dollars.

The University Health Care Committee had a second action item. The University Finance Committee asked that the University Health Care committee endorse FCR 11, renovation and upgrade at UK HealthCare facilities. The University Health Care Committee voted unanimously to endorse FCR 11 and recommended approval to the University of Kentucky Board of Trustees.

F. STATUS OF GRADUATE MEDICAL EDUCATION

Dr. Susan M. McDowell, Associate Dean of Graduate Medical Education presented the Graduate Medical Education Institutional Review. She reported that the program has 50 medical training programs and 23 fellowship programs all with continued accreditation. No programs are on probation. All residency
positions were filled in 2014-15. The top specialty choice (20%) for the University of Kentucky College of Medicine seniors was Internal Medicine and 31% elected to remain at UK HealthCare and another 4% are staying at other programs in Kentucky. The results of the resident 2013-14 survey were presented with UK Graduate Medical Education falling within the national average. Dr. Chipper Griffith reported on the College of Medicine’s revised curriculum that aligns and integrates students learning blocks across disciplines and assures that the diagnostic is paired with the therapeutic. Every basic science course is now paired with a clinical co-course director. In this way, the biomedical is aligned with the clinical. Much attention has been devoted to recruitment of the best and brightest. As a result the number of applicants has risen dramatically and the MCAT scores have risen steadily. At present the University of Kentucky College of Medicine has 519 residents and 98 fellows. Dr. Griffith reviewed the Rural Physician Leadership Program which works to educate those from a rural community, educate them in the community and return them to the same area. He reported that 26 students are enrolled in the MD-PhD program and 25% are women and 31% are in-state students.

G. FACULTY COMPENSATION PLANNING COMMITTEE UPDATE

Dr. David Moliterno, Chair for Internal Medicine, presented an update on the Faculty Compensation Planning Committee which seeks to provide fair and equitable compensation for professional activities of physician faculty by incentivizing productivity through, 1) the use of objective measures to reward performance, 2) uncoupling bonuses from departmental fund balances linking instead to overall financials, and 3) standardizing DOE reporting. He reported that between 2011 and 2014 substantial progress has been made to add definition, consistency, and transparency to faculty efforts and compensation. As a result, salaries are more accurate and aligned with national benchmarks. Increasing emphasis will be placed on quality and group success. Ongoing strategies will work to preserve and advance the academic mission.

H. RESEARCH UPDATE

Dr. Mark Evers presented an update on research. At present UK’s Academic Medical Center is ranked 56th in funding from NIH. The goal in the next 5 years is to move to $34M in funding and then another $34M in the following 5 years. Following this path would allow UK to move within the top 40 in NIH funding within the next 10 years. 2014 was a banner year for UK in NIH funding and it is possible, based on increased funding from NIH this year that UK will move up 6 places to 50th. It is clear that research, i.e. innovation and discovery, drive great clinical care and reputation. Dr. Evers pointed out that in order
to sustain UK’s momentum it is imperative that UK continue to recruit additional funded investigators whose work fosters translational research and supports UK’s strengths. Equally important is the need for additional modern open-format space to enhance collaboration and growth. All of these initiatives require funding. It is apparent that for UK to continue on its path to becoming one of the top research Universities in the country it must receive sustained financial support from the state as well as clinical revenue and philanthropy. This will require a unified focus by the entire institution.

I. PREPARING FOR THE 2015-2020 STRATEGIC PLAN

Dr. Michael Karpf reviewed the underlying fundamentals that will drive the development of the 2015-2020 Strategic Plan for UK HealthCare. He began by reviewing the major challenges facing the system. He stated that UK must first understand its appropriate size. It must then strengthen its clinical service lines by setting targets for growth and faculty recruitment, expand its network, hardwire its relationships and develop medical management systems by building infrastructure capacity and preparing for capitation. Finally, UK will need to continue to enhance its brand, reaffirm its commitment to the enterprise goals and prepare for “Population Medicine” i.e. capitation/risk. “How big can we be?” and “How big should we be?” are two questions that must be asked and determined. In conclusion, Dr. Karpf echoed Dr. Evers in a discussion of the critical need for research space and announced that planning will begin during the next few months to develop a 2015-2020 Strategic Plan.

J. EASTERN STATE HOSPITAL PROGRAM REPORT

Dr. Andrew Cooley, Eastern State Hospital’s Interim Chief Administrative Officer and Dr. John Phillips, Eastern State Hospital’s Interim Chief Medical Officer presented an update on Eastern State Hospital (ESH). They reported that the facility transitioned smoothly with 100 hospital patients relocated to the new ESH facility and 28 personal care home patients transitioned to the new Central Kentucky Recovery Center in less than 3 hours. At present 140 beds are operational. The staff is now strategically focused on among other things building relationships within the community, developing performance metrics, developing a quality and safety department and integration with UK HealthCare.
K. COMPLIANCE UPDATE

Brett Short presented the Corporate Compliance update. His report covered the current compliance environment including enforcement activity and new standards. He discussed the baseline compliance metrics and new compliance work-plan additions.

L. ACTION ITEM

Dr. Bernard Boulanger, Chief Medical Officer, presented the 2015 Enterprise goals. These goals are driven by 3 guiding principles. The first principle is for UK HealthCare to become a national leader. The second principle is the emergence of value-driven healthcare with value equal to quality and service divided by cost. The third principle is preparedness or being ready and taking into account new national patient care measures. Dr. Boulanger presented the 2015 Enterprise goals on mortality, effectiveness, patient safety, efficiency, patient centeredness and work environment.

M. PRIVILEGES AND APPOINTMENTS

Dr. Boulanger presented for approval the current list of privileges and credentials. The HealthCare Committee made a motion to accept the privileges and credentials brought before them. The motion carried and was approved by the committee.

N. DISMISSAL

Seeing no other business, Chair Young adjourned the meeting at 3:38pm