Minutes of the University of Kentucky Board of Trustees
Healthcare Committee Retreat
January 29, 2015

The University of Kentucky Board of Trustees Health Care Committee met on Jan 29, 2015 at the Keeneland Race Track for a half day retreat. A total of 84 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 Health Care Committee, at 8:02am. Chair Young announced that a quorum was present.

A. ATTENDANCE
University HealthCare Committee Members: Barbara Young, Bill Britton, Jim Booth, & Robert Vance

Additional University of Kentucky Board of Trustee Members: C. B. Akins, Sr., Sheila Brothers, Keith Gannon, Cammie Grant, Robert Grossman, David Hawpe, Kelly Holland, Jim Stuckert, & John Wilson

University Healthcare Committee Advisory Member: Luther Deaton, Pam Miller, & Nick Nicholson

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

B. INTRODUCTION
Dr. Michael Karpf stated that the purpose of the retreat was to brief the Board on the current environment of healthcare in Kentucky, the continued need for clinical facilities, and review UK HealthCare’s 5 year financial projections.

C. CLINICAL STRATEGIC PLANNING
Jeff Christoff, Josh Lee, and Dr. Ken Abrams from Monitor Deloitte presented their findings from their current state assessment. Deloitte interacted with many facets of UKHC throughout the 8 week current state assessment to produce the strategic fact base. They engaged individuals from across the enterprise and held over 100 face to face interviews with enterprise and service line leaders. The assessment was co-developed with over 20 senior administrative and clinical leaders to review enterprise current state. UK
HealthCare created strategic plans in 2004 and 2011 to respond effectively to the needs of the Commonwealth and successfully executed on those plans by evidence of increased investment, market position, clinical outreach, case complexity, volume growth and safety and quality improvements. In order to remain successful UK HealthCare should focus on evolving for the future model of healthcare. Kentucky is one of the most complex health care delivery environments in the country. Over the next 5 years fiscal realities of the Commonwealth could present a challenge to funding the current Medicaid expansion. The national healthcare environment is in a flux due to changing patient dynamics, payment reform, volume to value, disease management, shifting sites of care, and increased access to care. Federal and state waivers, along with reduced program funding, could pose a threat to Kentucky. The implementation of Section 1115 waivers, including the growing popularity of the DSRIP program, could negatively impact utilization. UK HealthCare’s major payers are increasing their value-based contract portfolio. Local and regional providers are developing innovative reimbursement and care models. UK HealthCare has focused on treating the most complex patients and partnering with community providers to keep lower acuity patients in the home community. A strong focus on geographic expansion through outreach and development of high-end specialty care has positioned UK HealthCare well amongst leading Academic Medical Centers (AMCs) and has strengthened UK HealthCare’s partners across the Commonwealth. UK HealthCare has a strong market position and a large outreach network to serve Kentucky. The evolving environment may drive a need for a more tangible affiliation over time. The spectrum of affiliation may start with a simple cooperation and move towards ownership. A scale becomes necessary to survive; other regional AMCs have a similar growth agenda which is increasing competition for Kentucky patients. Robust, sustained growth has been driven by a focus on developing advanced, destination acute care services and sub-specialties. Future growth may require continued focus on faculty and relationship development, clinical and operational integration, and capacity. UK HealthCare has recently improved its position relative to peers in cost per discharge but has opportunities in other areas. UKHC is in the best quartile in labor productivity but has opportunities for improvement in length of stay, supply expense and IP Drug expense. Colleen Swartz responded to questions about UKHC’s Magnet status. On April 1st, UKHC will submit their application for Magnet Status. Dr. Swartz discussed the measures that are being taken to achieve the status. Dr. Karpf responded to a question about academic planning. He discussed the four aspects of our strategic planning process that include clinical, physical, financial, and academic planning. There is an academic planning process that is underway from our VP for Research and Deans. More information will be provided regarding the academic planning process at the June Retreat. Deloitte responded to a question that defined value based care. Deloitte will update the Board of Trustees on the strategic planning process at the June 18th Retreat. Dr. Karpf answered a question regarding our length of stay, CMI, and occupancy rates. Our length of stay is
adjusted with the CMI. Dr. Karpf responded to a question regarding diversity and stated that the University of Kentucky actively monitors, reviews data, and seeks diversity throughout the University.

D. CONTINUED CLINICAL DEMAND

In FY03 UKHealthCare had 19,098 discharges and now will finish FY15 with over 37,000 discharges. They have exceeded the plans to be a 75th percentile AMC and the most recent COTH data shows that the discharges, CMI, and patient days are similar to AMCs in major metropolitan areas. The reason for their growth includes new and expanded high quality clinical programs which are still growing and continuing to mature. Colleen Swartz discussed our capacity challenges, lost transfers, and daily census throughout the Enterprise. On January 16th, we reached a new record level census of 806. UK HealthCare did not build facilities with the hope that they would be utilized. Instead they build based upon current need and capacity issues. Although we already dominate local market share, we are still building depth and breadth of most service lines and expanding geographic reach. These efforts should maintain and grow our current volumes.

E. FACILITIES PLANNING-PHASE I-G

Murray Clark and the HGA Architects reviewed charts that detailed UK HealthCare’s facility master plan. The discussion included the history and future plans. Due to a changing environment that included the purchase of Good Samaritan, many changes have been made since the plans originated in 2005. UK HealthCare is looking over what needs to be done over the next 2 to 3 years to make sure they have the right services in the right places. Mr. Clark responded to a question about the quality of space and reassured the Board that the future facilities will follow the quality of design similar to the space that has already been completed.

F. FINANCIAL POSITION UPDATE

Jason Sussman from Kaufman Hall discussed UK HealthCare’s capital position, future financial trajectory, and financial plan sensitivity and risk. The strategic requirements of UK HealthCare are being driven by internal and external forces. These include market driven forces, facilities and equipment needs, and increasing capital access standards. Their total strategic investment requirements are substantial and extend beyond bricks and mortar. UK HealthCare’s projections reflect strong operating revenue. The baseline projections generate additional capital capacity that would be available to support future capital and strategic initiatives. The financial plan projections for UK HealthCare indicate that the organization is well positioned to pursue its currently identified plan for strategic capital. Based on the
plan, UK HealthCare will regenerate necessary capital capacity available to support future strategic initiatives and investments including continued build out of Pavilion A. Sensitivity analysis indicates that future risk for UK HealthCare is focused in two major areas of Medicaid Expansion and future volumes. Baseline financial projections were generated to reflect business as usual operations based on UK HealthCare’s current position, operating structure, and performance.

G. DISMISSAL

Seeing no other business, Chair Young adjourned the meeting at 11:38pm.