The University of Kentucky Board of Trustees University Health Care Committee met on March 16, 2015 in the Board Room located on the 18th Floor of the Patterson Office Tower from 8:45 AM to 9:45 AM. The meeting was called to order by Barbara Young, Chair of the University Health Care Committee, at 8:47 AM.

A. ATTENDANCE
University HealthCare Committee Members: Chair- Barbara Young, Bill Britton, Bill Farish, & Robert Vance

Additional University of Kentucky Board of Trustee Members: Dr. C.B. Akins, Mark Bryant, Sheila Brothers, Bill Gatton, Dr. Bob Grossman, Cammie DeShields Grant, Kelly Sullivan Holland, Jim Stuckert, & Dr. John Wilson

University Healthcare Committee Advisory Members: Jean West

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

Guests: Mark Birdwhistell, Leigh Donald, Susan Krauss, Amy Hisel, Dr. Scott Lephart, Kristi Lopez, Angie Martin, Eric Monday, Dr. Kevin Nelson, Ann Smith, Brett Short, Dr. Bill Swinford, Dr. Tukea Talbert, Bill Thro and Dr. Tim Tracy

B. APPROVAL OF MINUTES
Minutes from the December 8, 2014 meeting were presented for approval by Chair Young. The minutes were approved unanimously.

C. ACTION ITEMS
The Committee had 2 action items. FCR 10 recommended that the Board of Trustees approve the initiation of the construction phase of the Design/Renovate/ Upgrade Hospital Facilities-Good Samaritan capital project with a scope of $600,000 to be funded by agency funds. This project will upgrade the Good Samaritan Emergency Department. FCR 11 recommended that the Board of Trustees approve the
initiation of the Renovate/Upgrade UK HealthCare Facilities (Phase I-G) Capital Project. In response to the continued strong patient demand for the delivery of hospital system services, Phase I-G of the Facilities Development plan continues the fit-out of space within Pavilion A, including patient floor 11, relocation of the existing Blood Bank to Pavilion A, expansion and relocation of Radiology to Pavilion A and continuation of fit-out of new operating rooms. This phase of the project has an estimated scope of $75,000,000, well within the total legislative authorization of $130,000,000, and will be funded with agency funds. Contingent upon Board approval, the University will request the Capital Projects and Bond Oversight Committee to merge the $130,000,000 legislative project authorization titled Renovate/Upgrade UK HealthCare Facilities 2 and the previously approved $150,000,000 authorized project titled Renovate/Upgrade HealthCare Facilities for a combined $280,000,000 authorized scope for the 2014-2016 bienniums. FCR 10 and 11 were approved by the HealthCare Committee and sent on the Finance Committee and Board of Trustees for approval.

D. FINANCIAL UPDATE
Murray Clark presented the January Statistical and Financial Report. Inpatient discharges for January continue to be strong compared to both budget and prior year. Year-to-date discharges are 357 above budget and 1167 above prior year. The average length of stay is above budget and the Case Mix Index is also above budget and prior year. While the high Case Mix index is a factor in the increase in length of stay, continued attention has been and will continue to be focused on reducing the length of stay. The trend of the first seven months of the fiscal year continues to be very positive. Adult discharges are above budget and while both Pediatric and Neonatology discharges are below budget they are above the prior year. Length of stay continues to be higher than it should be in several medical services. Total visits to the Emergency Department are 9.38% above budget. Good Samaritan ED cases alone are 15.26% ahead of last year. FCR 10, which will be discussed shortly, addresses this issue in the request for funds to design, renovate and upgrade the Good Samaritan Emergency Department. YTD inpatient operating room cases are ahead of budget in both inpatient and outpatient cases. Hospital cases with a hospital charge are ahead of the prior year by 14.57%. This increase in activity in the hospital cases is consistent with and driven by a similar increase in the number of visits in the ambulatory clinics. FTEs per adjusted bed are below budget but in line with prior year. However, FTEs have increased to support overall activity. The payor mix has changed from both budget and the prior year with the change coming largely in the Medicaid classification which has risen to 38.1% of the total compared to 27.9% in fiscal year 2014. This change is reflected in the concurrent decline in Patient/Charity cases. The impact of the change from Patient/Charity to Medicaid continues to be a major driver in the hospital’s increase in net revenue. The income statement show net revenues for the year have significantly exceeded expectations driven by
volume, case mix, outliers and the Medicaid expansion program. Net revenues have outpaced expenses contributing to a significantly higher margin than budgeted. Non-operating revenues are well below budget driven by lower investment income and a bond refinancing cost. On the balance sheet cash totals have increases as a result of the increase in revenues and also include an advance from the state supporting the Eastern State contract and cash from the sale of CLI in January. The increase in restricted cash is from funds set aside to carry out projects currently underway. The balance sheet also reflects a loss of $6.0 million in board designated investments. Overall, liabilities have decreased by $16.3 million since June 30th. The major changes in liabilities include changes in payables, accrued expenses, unearned income (DSH payment), debt amount outstanding and deferred inflows of resources. The financial median analysis indicates total cash on hand to 154.44 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 and is currently above target. In summary, January continues the very positive trend observed in the first 6 months of FY 2015. The strong balance sheet reflects record volumes and a very high CMI. UK HealthCare is at present operating at near capacity levels. This has put considerable pressure on the system. The challenge now is to bring hospital capacity in line with patient volumes. This will require a continuing and careful assessment of UK’s present and future needs. The approval of by the state of UK HealthCare’s CON (Certificate of Need) increasing UK’s bed capacity from 825 to 945 beds last month was critical to UK HealthCare’s ability to meet these needs. In addition, the opening of the 8th floor in December 2014, the fit-out of the 9th and 10th floor approved at the June 2014 Board Meeting, and the fit-out the 11th floor of the PCF approved by the HealthCare Committee and full board today, will directly address and should help ease congestion throughout the entire hospital.

E. VOLUME UPDATE
Dr. Colleen Swartz presented the February volume update. Dr. Swartz began with a review of the rising daily census over the last 10 years. She pointed out that in 2004 the average daily census was a little over 300. In December 2014, the average daily census had risen to just under 700. However, due to the current capacity constraints UKHC is losing a large number of transfers. The continued fit-out of the PCF and approval by the state of UK HealthCare’s CON (Certificate of Need) will help alleviate these capacity issues at UK HealthCare. Dr. Swartz also presented a snapshot of the February census and spoke of the effect the snowy weather had on the operation of UK HealthCare’s outpatient visits and operating rooms and noted that there also was a decrease in average daily discharges. In addition many employees were affected and relied on transportation provided by local law enforcement agencies and UK HealthCare hat include the and creative overnight arrangements.
F. ACCREDITATION AND REGULATORY COMPLIANCE UPDATE
In preparation for the scheduled review of UK HealthCare by the Joint Commission, Dr. Tukea Talbert gave an update on Accreditation and Regulatory Compliance. She discussed the Joint Commission’s mission and methods and strategies for assessing compliance. Dr. Talbert pointed out that UK HealthCare prepares for the surprise visit by Joint Commission by always being prepared and ready and fostering a health care environment that is committed to excellence, safety, and continual improvement.

G. PRIVILEGES AND APPOINTMENTS
Dr. Kevin Nelson 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.

H. DISMISSAL
Seeing no other business, Chair Young adjourned the meeting at 9:48AM