The University of Kentucky Board of Trustees University Health Care Committee met on May 7, 2015 in conference room 127 of the Charles T. Wethington, Jr. Building. The meeting was called to order and by Barbara Young, Chair of the University Health Care Committee, at 4:00 pm.

A. ATTENDANCE

University Health Care Committee Members: Chair-Barbara Young, Jim Booth, Bill Britton, Bill Farish, and Robert Vance

Additional University of Kentucky Board of Trustee Members: Dr. C.B. Akins, Dr. Britt Brockman, Mark Bryant, Angela Edwards, Dr. Keith Gannon, Bill Gatton, Cammie Grant, Dr. Robert Grossman, Kelly Holland, Jim Stuckert & Dr. John Wilson

University Healthcare Committee Advisory Members: Mira Ball, Robert Clay, Pam Miller, & Jean West

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

Guests: Julie Balog, Jay Blanton, Dr. Allen Brenzel, Shannon Carroll, Joe Claypool, Dr. Andrew Cooley, Dr. Michael Dobbs, Leigh Donald, Rob Edwards, Clif Iler, Gary Johnson, Susan Krauss, Shea Luna, Angie Martin, Dr. Kevin Nelson, Cecilia Page, Dr. Marc Randall, Brett Short, Andrea Slone, Ann Smith, Tim Tracy, Mary Vosevich, Dr. Mark Williams, & Kim Wilson

B. APPROVAL OF MINUTES

Minutes from the January 29, 2015 and March 16, 2015 meeting were presented for approval by Chair Young. The minutes from both meetings were approved unanimously.

C. EASTERN STATE HOSPITAL UPDATE

Dr. Andrew Cooley and Dr. Allen Brenzel presented an update on Eastern State Hospital. Since 2013 when the State contracted with UK HealthCare to operate Eastern State Hospital, much has been accomplished to benefit the patients in residence. Under the leadership of Dr. Cooley and John Phillips,
the medical staff has been stabilized and patients have benefited from a dramatic decrease in seclusions, restraints and falls. Quality metrics have been established and an active treatment data collection process has been developed. In addition, community partners such as local judges have been engaged. Community relationships are improving perception and transparency. In the future much attention will be focused on continued improvement and continuous readiness for The Joint Commission survey.

D. CLINICAL UPDATE
Dr. Michael Dobbs presented a Stroke Care Network update. He stated that the mission of the Stroke Care Network was to improve the quality of care, preventative medicine, education and research into stroke and related diseases throughout the Commonwealth of Kentucky. The goal of the Stroke Care Network is to establish protocols for the prevention and treatment of stroke that can be adopted by hospital and medical centers throughout the Commonwealth. At present there are 24 Stroke Network affiliates in Kentucky, 6-9 are pending and several other facilities are in the early discussion stage. In addition, a stroke registry has been established that will collect data to promote and support value based patient care that can be shared across the network.

E. FINANCIAL UPDATE
Murray Clark presented the FYTD March 2015 Financial Report. Inpatient discharges for the year continue to be strong compared to both budget and prior year. The average length of stay is above budget and is seen in the adult and psychiatric services. The case mix index is also above budget and prior year. The increase in case mix is a factor in the increase in length of stay (LOS); however, significant opportunities to reduce LOS exist and a major focus is being placed on these opportunities. Total visits for the Emergency Department are above budget by 10.8% and above prior year by 11.76%. YTD inpatient operating room cases are ahead of budget in both inpatient and outpatient cases. Outpatient cases with a hospital charge exceed budget and prior year and are consistent with the increase in the number of visits in the ambulatory clinics. Full Time Equivalents (FTEs) are below budget but above prior year and have increased to support overall activity. The payor mix of discharges has changed positively from both budget and prior year. The major change is in the Medicaid classification where Medicaid discharges now represent 38.5% of total compared with prior year percentage of 29.51%. The converse is the case in Patient/Charity which has dropped from historical levels off 12% to only 1.77% in the current year. Medicare discharges have risen whereas commercial/other discharges are even with last year. The increase in net revenue has been largely driven by the impact of the change from Patient/Charity to Medicaid. The income statement reflects an increase in net revenues for the year that 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 increased as a result of the increase in revenues and the sale of Coldstream Lab Industries (CLI). The $6.0 million decrease in board designated investments reflects the loss for the year from funds invested. Overall liabilities have decreased by $14.1 million since June 30. The major changes in liabilities include changes in payables, accrued expenses, unearned income, debt amount, third party settlement and outstanding and deferred inflow of resources. The financial median analysis indicates total cash on hand has increased to 160.98 days largely the result of the increase in revenue and subsequent cash collections and the sale of CLI. The operating margin and earnings before interest, depreciation and amortization (EBIDA) have exceeded targets. Debt to capitalization has improved slightly since year end and cash to debt has improved and is currently above our target. The ratios to cash may decline as capital acquisitions are made in facilities and equipment. The trend of the first nine months for the fiscal year continues to be positive, remaining above budget expectations and the prior year.

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