

Minutes of the University of Kentucky Board of Trustees
University Health Care Committee
September 4, 2014

The University of Kentucky Board of Trustees University Health Care Committee met on September 4, 2014 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 HealthCare Committee Members: Chair-Barbara Young, Bill Britton, and Dr. Keith Gannon

Additional University of Kentucky Board of Trustee Members: Dr. C. B. Akins, Cammie DeShields Grant, Robert Grossman, David Hawpe, James Stuckert, and Robert Vance.

University Healthcare Committee Advisory Members: Mira Ball, Robert Clay, Nick Nicholson, and Myra Leigh Tobin.

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

Guests: Dr. Leslie Appiah, Shannon Carroll, Jennifer Christmann, Murray Clark, Dr. Michael Dobbs, Leigh Donald, Dr. Jay Grider, Dr. Wendy Hansen, Susan Krauss, Shea Luna, Angie Martin, Mary Meehan, Eric Monday, Dr. Kevin Nelson, Dr. Marc Randall, Brett Short, Ann Smith, Kim Wilson, and James Zembrodt

B. APPROVAL OF MINUTES

Minutes from the June 9, 2014 meeting were presented for approval by Chair Young. The minutes were approved unanimously.

C. CLINICAL UPDATE

Dr. Leslie Appiah was introduced by Dr. Wendy Hansen, Chair of UK HealthCare's Department of Obstetrics and Gynecology. Dr. Appiah is a board certified gynecologist with a specialization in oncofertility and fellowship training in pediatric and adolescent gynecology. Dr. Appiah explained to the Committee that the over the last 25 years the incidence of cancer diagnosis has roughly stayed the same

but the survival rate has increased leaving an abundance of cancer survivors in the state of Kentucky. Because the treatment used to cure cancer can often affect a patient's fertility, it was necessary to develop the oncofertility discipline.

Dr. Appiah began with a discussion regarding the evolution and standardization of care for fertility treatments. 70% of cancer patients under the age of 45 will not receive treatment for fertility preservation. The new Oncofertility Program at UK HealthCare optimizes the reproductive health of patients receiving chemotherapy and radiation medicine. The target population includes both genders from birth to the end of their reproductive years. All cancer patients are provided a treatment plan at the time of diagnosis. A fertility consult is requested by the oncologist based upon the patient's treatment plan and age. Gender and age will determine the options that can be utilized to preserve fertility in these patients. Dr. Appiah is focused on making sure that physicians around the state are aware of our services and patients are aware of their options for fertility preservation therapies.

The State of Kentucky does not currently mandate that insurance companies cover treatment for fertility preservation.

D. AMBULATORY FACILITIES PLANNING

Dr. Jay Grider and Murray Clark presented a report on UK HealthCare ambulatory facilities planning. Dr. Grider discussed the pressing need for modern and expanded facilities to handle the huge growth in outpatient volumes. UK HealthCare has three current areas of focus: 1) the construction and development of new space at Turfland, 2) the construction and completion of the new Shriner facility, 3) the expansion and refurbishment of space that currently housing pediatric hematology/oncology, urology, family medicine, sports medicine, transplant, and cardio-thoracic surgery. The opening of the Turfland Clinic will allow the creation of an attractive UK HealthCare ambulatory site that will be available to house existing programs that are now located within the KY Clinic. This vacated space will then be available for renovation and growth without the disruption of service or care. In addition, the move of Ophthalmology to the new Shriner's facility will allow programmatic growth. The Turfland Clinic is scheduled to open in February and the renovation of the 2nd floor of the Kentucky Clinic will begin in the spring.

E. FINANCIAL UPDATE

Murray Clark, Chief Financial Officer for UK Healthcare presented the July FY15 Financial Report. In summary, the level of activity for inpatient discharges is above budget and the prior year. Case mix is higher than anticipated for the period pushing patient days higher. Other key activities are up as well including outpatient visits, operating room cases, Emergency Department visits, observation and short

stay cases. Full Time Equivalents are somewhat below budget but are expected to increase as patient demand continues to increase and preparations begin to open the 8th floor in Pavilion A in December. The payor mix has shifted compared to budget and the prior year as the positive impact of the Medicaid expansion program continues. The income statement shows net revenues for the month significantly above budget driven by higher patient volumes, the case mix, outliers, and the Medicaid expansion program. Expenses are higher than budgeted but appropriate to the level of activity. The higher revenues offset the higher operating expenses and the loss in non-operating income to produce an increase in overall net assets of \$20.6 million for the month which was \$10.1 million higher than the budget. Total income from operations was \$25.1 million with an operating margin of 22.5%. Non-operating revenues were under budget for the month driven by negative investment income of \$2.8 million. The negative income and interest expense therefore created a net non-operating expense for the month of \$3.7 million. On the balance sheet, cash totals \$95.1 million which includes \$90.5 million in unrestricted funds, \$3.4 million in restricted funds and \$1.2 million in the plant fund. The unrestricted fund includes \$5.9 million advanced for Eastern State Hospital which will be used for operations throughout the year. Current liabilities in total are lower than year end, reflecting the effort made at year end to record all expenses to close the year out. By July the expenses have been paid and payables return to a normal level. The financial median analysis indicates total day's cash on hand at 122.55 well ahead of the FY15 target and advancing toward the 5 year goal of >150 days. Operating and EBIDA exceed target, debt to capitalization has improved and cash to debt has improved to 85.4%.

F. CAPACITY UPDATE

Dr. Colleen Swartz and James Zembrodt presented a UK HealthCare capacity update. Again, the question that was asked at the University HealthCare Retreat in June, was repeated, "How will we meet the demand for the next 5 years and continue to optimize the care we provide." Dr. Swartz pointed out that the daily census is still climbing with the average daily census for July surpassing all previous records. On July 23, 2014 the enterprise census topped out at 763, with 85 transitional patients. In 2013 NICU occupancy topped 84.8 % and the Chandler Hospital overall occupancy rate was 85.5%. This capacity update served as a background for James Zembrodt's presentation of UK HealthCare's submittal of a Certificate of Need (CON) for 120 additional Acute Care Beds at Chandler Hospital. At present, UK HealthCare is licensed for 825 beds. An additional 120 beds will grow capacity to 945 beds and allow the UK hospital system to operate more efficiently and meet the growing demand for care at UK HealthCare. Mr. Zembrodt explained the process and criteria by which UK will apply for expansion of their licensed capacity. For a CON application to be approved, the applicant must prove and document, 1) Consistency with the State Health Plan, 2) Need, 3) Accessibility, 4) Inter-relationships and Linkages, 5) Cost along with economic feasibility and resource availability and, 6) Quality of services. Mr. Zembrodt ran through

the expected timeline for the CON application. It is anticipated that the letter of intent will be filed on September 1, 2014 with the final decision coming on February 18, 2015.

G. CONSENT ITEMS

FCR14-Lease/Purchase Defibrillator Equipment

FCR15-Construct/Expand/Renovate Ambulatory Care Facility-UK HealthCare Capital Project (Kentucky Clinical Medical Plaza Second Floor)

FCR16-Construct/Expand/Renovate/Ambulatory Care Facility-UK HealthCare Capital Project (Pediatric Hematology/Oncology-Pavilion H)

FCR17-Repair/Upgrade/Improve Building Systems-UK HealthCare Capital Project (Good Samaritan Hospital-Replace Electric Switchgear)

FCR18-Repair/Upgrade/Improve Building Systems-UK HealthCare Capital Project (Pavilion HA Air Handling Unit # 9)

FCR19-Repair/Improve/Upgrade Building Systems-UK HealthCare Capital Project (Good Samaritan Hospital Air Handling Units #20 and #22)

FCR20-Authorization for Disposal of Surplus Equipment

FCR21-A Resolution Providing for the Authorization, Issuance and Sale of General Receipts Obligations of University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005

Dr. Karpf, Murray Clark and Dr. Grider reviewed FCRs14-21. Chair Young took a vote on each item to endorse and send it on to the University Finance Committee and Board of Trustees for a final approval. All items were voted on by the Committee and passed without dissent.

H. 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.

I. DISMISSAL

Seeing no other business, Chair Young adjourned the meeting at 5:41pm