

Minutes of the Meeting of the Board of Trustees
University of Kentucky
University Health Care Committee
Thursday, June 20, 2019

The University Health Care Committee of the Board of Trustees of the University of Kentucky met on Thursday, June 20, 2019, in the Lewis Honors College on the University of Kentucky campus.

A. Meeting Opened

Robert Vance, Chair of the University Health Care Committee, called the meeting to order at 8:00 a.m.

B. Roll Call

Chair Vance announced that two new Community Advisory Members, Mr. Kevin Sowers and Mr. John McNeill, were recently appointed to the University Health Care Committee. Mr. McNeill was welcomed and asked to stand while Chair Vance read his biography. Chair Vance reported that Mr. Sowers was unable to attend the June meeting.

The following members of the University Health Care Committee answered the call of the roll: Jim Booth, Cammie DeShields Grant, Robert Grossman, Robert Vance, and Barbara Young; Community Advisory members Robert Clay, Missy Jarvis, John McNeill, Nick Nicholson, and Luther Deaton. Chair Vance stated that a quorum was present.

The UK HealthCare and University administration was represented by President Eli Capilouto, Executive Vice President for Health Affairs (EVPHA) Mark F. Newman, Executive Vice President for Finance and Administration Eric N. Monday, Vice President and College of Medicine Dean Robert DiPaola, Vice President and Chief Financial Officer Craig Collins, and Vice President for Hospital Operations Colleen Swartz.

Guests and members of the news media also were in attendance.

C. Approval of Minutes

Chair Vance asked for a motion for approval of the minutes from the April 29, 2019 meeting. Trustee Young moved approval of the minutes. Trustee Grant seconded the motion and the minutes passed without dissent. (See minutes on the Board of Trustees website, www.uky.edu/Trustees, under agenda.)

D. Executive Vice President for Health Affairs Update

Dr. Newman thanked the President's Office and the EVPHA team for all their work in preparation of the meeting. He announced that the guest speaker from the Association of American Medical Colleges (AAMC), Chief Health Care Officer Janis M. Orłowski, MD was unable to attend due a canceled flight.

Dr. Newman reiterated UK HealthCare's focus on caring for the people of the Commonwealth. As changes to reimbursements, resources, and the health care environment evolve, UK HealthCare will plan and make changes accordingly to ensure they can meet the needs of patients. Dr. Newman stated that strategies to expand quality improvement, technology, and access are key to their success and help them continue to invest in key missions. UK HealthCare continues to add affiliates, programs, and partnerships across the state to allow patients to keep their care close to home. Dr. Newman reported that he was proud of UK HealthCare's phenomenal growth, national recognitions, rankings and awards, but still not satisfied. Lower cost ambulatory settings, changes in policy, at-risk revenue, and consumer-driven health care are all drivers of change in academic health care. Managing a patient's health rather than illness will be important for reimbursement in the future. If a patient has their care at an academic medical center, they are statistically more likely to survive due to their unique capabilities, research, training, and quality of care. Academic medical centers also are economic drivers. They contribute to their communities and are, many times, the largest employer in the area. With changes to telehealth reimbursements, UK HealthCare and academic medical centers are working to expand their programs. Telehealth visits are now reimbursed at a rate similar to in-person office visits. These changes are key to getting care in remote areas. Insurance companies continue to transfer more risk to providers to keep their patients healthy.

Dr. Newman asked Vice President for Health System Administration and Chief of Staff Mark D. Birdwhistell to discuss Dr. Orłowski's slides on state and federal policies. Mr. Birdwhistell stated that what happens at the state and federal level strongly impacts the type of services and amount of reimbursement that UK HealthCare receives. These changes are very important from a clinical, academic, and research standpoint. UK HealthCare's changes to reimbursements for Medicare, Medicaid, payment rules, code collapsing, drug reimbursements, and graduate medical education are typical issues handled on any given day by the policy team. Programs such as 340B are very important to UK HealthCare due to their patient base.

Trustee Young asked Dr. Newman to clarify his statement of UK HealthCare's management of quality, cost, and value. Dr. Newman stated that cost is measured by the combination of quality and value.

Nearly all of UK HealthCare's revenue currently comes in as fee-for-service. UK HealthCare provides a service and gets paid for that service. Over the next few years, UK HealthCare will move to a percentage of their revenue being reimbursed based on quality. Mr. Birdwhistell reviewed losses and wins for UK HealthCare regarding changes in reimbursements and how future policies could impact UK HealthCare's financial health. In Fiscal Year 2020 as much as \$195,000,000 could be at risk in hospital reimbursements. As much as \$56,000,000 could be at risk in the physician and professional area. In preparation, UK HealthCare is making necessary changes and strengthening documentation to show they are providing value to the patients. Dr. Newman stated that there could be an upside to these policy changes if UK HealthCare performs. Trustee Grossman stated that the key to him appears to be how things are measured. Dr. Newman stated that in initial phases the bar will be somewhat low to help organizations adjust to regulations.

Dr. Colleen Swartz discussed UK HealthCare's relationship with skilled nursing facilities and the challenge of moving patients to those facilities. Trustee Grant inquired what the regional area is for placement. Dr. Swartz stated that placement can be based upon the needs of the patient and their preference in areas.

For the third year in a row, UK HealthCare made a call for abstract posters on quality. As part of the reward, selected winners were given the opportunity to present their posters at the June University Health Care Committee meeting. Winners represented a broad spectrum of departments at UK HealthCare. Trustees were given the opportunity to review the posters with the winning presenters from Eastern State Hospital, the UK HealthCare Emergency Department, Neonatal Unit, and other areas.

After the meeting reconvened, Dr. Newman and his team reviewed key components of the UK HealthCare strategy to finish strong on the 2020 Strategic Plan, invest in data and analytics, make strategic investments in ambulatory care, and build the 2025 Strategic Plan. He reported that all are necessary to build an academic health system for the Commonwealth.

Dr. Swartz reported the 2019 staff and providers engagement survey results. Although scores have improved for both staff and providers, Dr. Swartz conveyed that there is still room for advancement. Priorities and action plans have been determined and implemented by staff and leadership to continue the improvement. Trustee Lee Blonder inquired about the length of the presentation and asked Dr. Swartz and Dr. Newman to distribute additional information to the faculty. Dr. Newman advised that the broader data along with department-specific information is shared with each area unit-by-unit. Each unit then discusses areas of opportunity and creates their own plans to refine and make progress. Dr. Newman emphasized the importance of the work done in the departments and individual units. Trustee Blonder asked that the faculty receive all the slides and inquired if the physician scores were lower when not combined with other providers. Dean DiPaola stated that it was lower but was unsure of the exact percentile. President Capilouto noted that the current score of 4.07 and ranking of 45th percentile on a five point grading scale portrays that small movements translate into significant changes in ranking. Dr. Newman concurred that the higher percentiles are stacked on the graph.

E. Fiscal Sustainability

Associate Vice President for Philanthropy/UK HealthCare and College of Medicine John A. Perry introduced himself and stated that he sees an opportunity to build a grateful patient network. Alignment and integration with the UK Office of Philanthropy has been a focus for Mr. Perry in order to leverage UK philanthropy programs and grow the prospect base. The UK HealthCare Philanthropy Team is working with clinician leaders to build a grateful patient program in a collaborative way. Patients are usually loyal to the providers that provide their care. Planning and execution will include developing gift ranges, engaging volunteers, faculty and staff champions, and adding additional benchmarks.

Financial Planning and Management Clinical Funded Activities Fiscal Year 2020 (FY20)

Vice President and Chief Financial Officer Craig Collins presented the UK HealthCare Budget for Fiscal Year 2020 and reviewed the process. The FY 2020 Budget assumes projections for operational plans and recruitment assumptions. It also includes net revenue increases based on commercial payer strategies and pricing initiatives. Mr. Collins reviewed the planned strategic initiatives. The proposed 2020 UK HealthCare Budget would result in an increase in net assets of \$48,792,000 or a 2.19% operating margin. Trustee Grossman made a motion to accept the UK

HealthCare budget for FY20. Trustee Booth seconded the motion. The motion carried without dissent.

Dr. Colleen Swartz discussed efforts by the UK HealthCare operations and finance team to develop strategies to counterbalance the margin management work with clinical impact and outcomes surveillance. The team is working to target high-cost impact with material opportunity. A few of their efforts include optimizing strategies with payer contracts, evaluating telehealth integrations, and zeroing in on areas such as pharmacy leakage.

FCR 14 Acquire Telemedicine/Virtual Intensive Care Unit Information Technology Capital Project

The recommendation seeks approval to initiate the acquisition of UK Telehealth/Virtual ICU Information Technology Capital Project with an \$8,000,000 project scope. Implementation of this Project will allow improved care for UK HealthCare's most critically ill patients, shorter patient length of stay, increased internal capacity, and reduced costs. Trustee Young made a motion to accept FCR 14. Trustee Booth seconded the motion. The motion carried without dissent.

FCR 15 Authorization of Lease for UK HealthCare Specialty Pharmacy

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a building lease between the University of Kentucky and Wellington Properties III LLC at 531 Wellington Way in Lexington, Kentucky, to be used by UK HealthCare Specialty Pharmacy Services. A specialty pharmacy is a state-licensed pharmacy that solely or largely provides only medications for people with serious health conditions requiring complex therapies. The space at Chandler Hospital Pavilion H can no longer facilitate the 20 percent annual growth rate of the specialty pharmacy. In addition, non-oncology infusion services, which represents a growing subset of specialty pharmacy, will be moved from the Gill Building to the new specialty pharmacy location at 531 Wellington Way. Trustee Grossman made a motion to accept FCR 15. Trustee Young seconded the motion. The motion carried.

FCR 16 Approval of Improvements for the University of Kentucky Center on Drug and Alcohol Research

FCR 16 seeks approval of payment for improvements to leased space at 845 Angliana Avenue in Lexington, Kentucky, to be used by the UK Center on Drug and Alcohol Research (CDAR). A need has been identified to provide additional space to support the CDAR following its Federal grant award of more than \$87,000,000 to reduce opioid overdose deaths by 40 percent in 16 counties that represent more than a third of Kentucky's population. The lease will, at a minimum, double the size of the current CDAR space and will include administrative, faculty, and clinical outpatient space. Improvements to the space, estimated to be just under \$1,000,000, are necessary to support the profoundly important and ambitious goal of this study. Trustee Booth made a motion to accept FCR 16. Trustee Grant seconded the motion. The motion carried without dissent.

Fiscal Year 2020 UK HealthCare Enterprise Goals

Dr. Colleen Swartz reviewed the changes to the FY20 goals for the UK HealthCare

Enterprise. The FY20 goals were structured to better align with both Vizient and the Center for Medicaid and Medicare Services (CMS) measurements. Employee and provider safety goals were added due to national trends in workplace safety. In FY20 Eastern State Hospital and Ambulatory Services will be given their own grid. In prior years, the goals were separated only by adult and children. Trustee Grossman made a motion to accept the FY20 UK HealthCare Enterprise Goals for all four grids. Trustee Young seconded the motion. The motion carried without dissent.

Community Advisory Member Nick Nicholson congratulated the University for the HEAL Grant and expressed his concern for the opioid epidemic. He inquired about the efforts of UK HealthCare to include opioids in the quality and safety goals. Dr. Newman stated that although it was not included in the materials for the meeting, it is always a priority. Dr. Swartz advised on multiple initiatives at UK HealthCare to address the statewide problem. She reassured the Committee that it is always top of mind. Community Advisory Member John McNeill stated that the information regarding all that UK HealthCare and the University is doing to address the epidemic is an important message to share with the Community. Trustee Shuffett expressed her concerns as a physician regarding managing pain and trying to thoughtfully manage the disease and address it appropriately.

F. Privileges and Appointments

Chair Vance presented the list of credentials and appointments for approval. Chair Vance called for a motion to approve the list of providers. Trustee Grant moved to approve the list. Trustee Young seconded the motion and it passed without dissent.

G. Other Business

The Board and University Health Care Committee encouraged attendees to join them for lunch and sit with people unfamiliar to them.

H. Meeting Adjourned

Chair Vance called for new or other business that needed to be brought before the University Health Care Committee. Hearing no further business, the meeting was adjourned at 12:42 p.m.

Respectfully submitted,



Robert Vance
Chair, University Health Care Committee