

**Minutes of the University of Kentucky Board of Trustees**  
**University Health Care Committee**  
**February 18, 2016**

**I. Call to Order**

The University of Kentucky Board of Trustees University Health Care Committee met on February 18, 2016, in conference room 127 of the Charles T. Wethington, Jr. Building. The meeting was called to order by Robert Vance, Chair of the University Health Care Committee (“Committee”), at 4:02 p.m.

**II. Roll Call**

Committee members present included Chair Vance, James Booth, William Farish, Jr., Cammie Grant and Barbara Young.

Committee Community Advisory members present included Mira Ball, Luther Deaton and Missy Scanlon.

University Health Care ex officio members present included Andrew Bernard, MD, Michael Karpf, MD, Robert (Bo) Cofield, DrPH and Colleen Swartz, DNO, MSN, RN.

Trustees Angela Edwards, David Hawpe, Kelly Holland, Robert Grossman, and Sheila Brothers were also present.

Magnet Recognition

Prior to the approval of minutes, Chair Vance asked Colleen Swartz, Chief Nurse Executive for UK HealthCare, to provide the Committee with an update on yesterday’s nursing honor.

Dr. Swartz informed the Committee that UK HealthCare had achieved Magnet status – the highest institutional honor awarded for nursing excellence from the American Nurses Credentialing Center’s Magnet Recognition Program. Achieving Magnet status involves a rigorous and lengthy review and is the gold standard for nursing excellence. Dr. Swartz outlined the Magnet status process and UK HealthCare’s efforts toward meeting the rigorous standards. She thanked the Board for their support over the years.

### **III. Approval of Minutes**

Minutes from the Committee's January 27, 2016, meeting were presented for approval by Chair Vance. Motion was made by Mr. Farish to accept the minutes and seconded by Mr. Booth. With no further discussion, the motion carried unanimously.

### **IV. Financial Update**

Murray Clark, Chief Financial Officer of UK HealthCare, provided the Committee with an update on the hospital system's financials for the fiscal year six month period ending on December 31, 2015.

The first six months had been very positive. Volumes for inpatient care are a little above budget and revenue had been higher due to the volume, case mix of patients and outlier cases. Outpatient revenue exceeds budget primarily as a result of increased outpatient pharmacy sales. The activity has produced revenue in excess of budget and expenses had been maintained within budget as adjusted for activity producing a positive result for the fiscal year through December.

Inpatient discharges year to date were above budget for the year and above the prior year. The increase in discharges is in services to adults. Discharges for pediatrics (any patient under 18 years of age) were below budget by 4.9%, but slightly ahead of last year. Neonatal discharges were below budget and below the prior year by a similar amount (approximately 8%).

Hospital occupancy remains high for adult services, driven by the increased number of medical patients and the overall acuity. The occupancy at Chandler Hospital includes an average of 68 patients awaiting placement in a patient room each night. The high occupancy is also driven by an increase in the case mix index of the patients. The higher case mix is a factor in length of stay.

The combination of these factors had produced an increase in overall patient days. Patient days are nearly 6,800 above budget, and 6,000 above last year's number.

Observation cases exceed budget for the period. The number of cases exceeded budget by 18.8% for the period and is 25% higher than the prior year reporting period. The increase in cases is primarily the result of opening the observation unit in the Emergency Department in December 2014.

Emergency Department cases continue to increase at both Chandler and Good Samaritan Hospitals. Cases for the reporting period exceeded budget by 9.3%. Mr. Grossman asked a question about why the number of cases was much higher this year. Dr. Cofield answered that Medicaid expansion was the primary reason; a higher number of patients have gained Medicaid coverage since the implementation of the Affordable Care Act, and many of these enrollees are visiting emergency departments in greater numbers than ever before.

Total outpatient visits, which include both physician and technical visits, for the first six months were 634,065 compared to a budget of 616,352 and are 9.4% higher than the prior year for the same reporting period.

Operating room activity is under budget by 1.7%. This was primarily driven by the under realization of expected gynecology, surgical oncology and orthopaedic cases.

Payor mix of discharges for the period was in line with budget, although Medicaid discharges are somewhat higher. Medicare and indigent discharges were in line with budget.

Net revenue exceeded budget for the year by \$25.5 million. The increase in inpatient revenue was driven by a higher case mix, outlier cases and rate changes in Medicaid managed care contracts which took effect on October 1, 2015. The increase in outpatient revenue was driven by a net revenue per case increase.

Total operating expenses for the year were above budget by \$6.7 million, while total operating income is \$16 million above budget.

Mr. Clark noted we were currently struggling some with payors, citing Medicare's decision in December 2015 to suspend and review all claims over \$50,000 – which represents a significant number of UK HealthCare's claims. Many of these claims are still suspended and being reviewed, and we do not yet know when payments will be processed. Mr. Clark specified it would not be devastating, but will have some effect on cash flow.

UK HealthCare is continuing to pay down debt, with the overall balance sheet looking strong with 166 days of cash on hand. UK HealthCare continues to be reaffirmed by ratings agencies.

Mr. Deaton asked a question about the impact of the liquidation of the Kentucky Health Cooperative, Inc. on UK HealthCare. Mr. Clark said that UK does not expect to receive any payments until October 2016 at the earliest, and that UK will recoup some portion of the money it is owed, but not all. The total outstanding accounts receivable associated with this payor is approximately \$4.8 million.

FCR 11 Renovate/Expand Clinical Services Capital Project – William R. Willard Medical Education Building (College of Medicine Support Space)

Mr. Clark presented the Committee with FCR 11 Renovate/Expand Clinical Services Capital Project - William R. Willard Medical Education Building (College of Medicine Support Space).

This capital project will renovate and upgrade College of Medicine support space on the Chandler campus for clinical faculty and staff to support the recruitment of faculty for clinical and research operations. As UK HealthCare continues to experience exponential growth, faculty and staff are

recruited to further the services and programs available to the population served thus increasing the need for corresponding support space. The current support spaces are inadequate, and limited in flexibility and availability to keep up with the current level of growth.

The scope of this project is \$5,000,000 and will be funded with agency funds. The project is well within the total legislative authorization of \$15,000,000.

Dr. Karpf highlighted this project was another example of the continued linkage between UK HealthCare and the College of Medicine's relationship, which has been mutually beneficial for both parties.

A motion was made by Mr. Booth to recommend approval to the Finance Committee and seconded by Ms. Young. With no further discussion, the motion carried unanimously.

FCR 12 Construct/Upgrade/Fit-Up Support Services – UK HealthCare Capital Project (Good Samaritan Orthopaedic/Spine Services)

Mr. Clark presented the Committee with FCR 12 Construct/Upgrade/Fit-Up Support Services – UK HealthCare Capital Project (Good Samaritan Orthopaedic/Spine Services).

The current space at 125 East Maxwell Street in the Good Samaritan Office Building has become inadequate for the Department of Orthopaedic Surgery's Orthopaedic/Spine Clinic as the patient load has increased significantly in the last few years.

This capital project will renovate and upgrade areas currently occupied by the Orthopaedic/Spine Clinic. The project also will provide much needed additional space as the recently vacated adjoining suite will be renovated and updated for the clinic. The renovation and expansion will create more usable exam rooms, enhance patient and staff circulation, improve waiting areas, and provide a new x-ray suite, a service not currently available within the Good Samaritan Medical Office Building. These improvements will allow the consolidation of clinical services resulting in more efficient and accessible service to patients.

The scope of this project is \$1,500,000 and will be funded with agency funds and is well within the total legislative authorization of \$3,500,000.

Mr. Grossman asked if the suite adjoining the Orthopaedic/Spine Clinic is currently occupied; Mr. Clark responded that it had recently been vacated to allow for the renovation and expansion process.

Motion was made by Ms. Grant to recommend approval to the Finance Committee and seconded by Mr. Farish. With no further discussion, the motion carried unanimously.

## FCR 13 Patient Care Facility Capital project (Fit-Up Fifth Floor – Phase I-H)

Mr. Clark presented the Committee with FCR 13 Patient Care Facility Capital project (Fit-Up Fifth Floor – Phase I-H).

Since opening the first three patient care floors in Pavilion A in May 2011, UK HealthCare has continued to experience strong inpatient admissions growth. While UK HealthCare currently has the fit-up of three additional patient floors underway, this volume increase continues to place substantial capacity constraints on UK HealthCare inpatient operations. Consequently, the fit-up of an additional floor is needed to help alleviate the capacity constraints and improve patient care. This project will fit-up one of the remaining two shelled floors and provide an additional 64 private inpatient beds within the Patient Care Facility.

The scope of this project is \$37,000,000 and will be funded with agency funds. An increase in the approved scope of the Patient Care Facility capital project must be approved by the Board of Trustees prior to implementation. The estimated increase in scope to \$651,100,000 is well within the total legislative authorization of \$750,000,000.

Dr. Karpf mentioned that at the January 27, 2016 board retreat, there was detailed discussion of capacity concerns that UK HealthCare sought to address.

Motion was made by Ms. Young to recommend approval to the Finance Committee and seconded by Mr. Booth. With no further discussion, the motion carried unanimously.

## **V. Clinical Update: Urology – Past, Present and Future**

Stephen E. Strup, MD, James F. Glenn Professor and Chair, Department of Urology, provided the Committee with a brief history of UK Urology, which was established in 1960 with the opening of the medical school. The program began as a division and was reclassified to a department in 2014. The program has had 94 graduates, four of whom have become department chairs, and two of whom have become division chiefs at other institutions.

Dr. Strup reviewed the program's growth and geographic footprint. The number of clinic patient visits has grown from approximately 11,000 in 2010 to in excess of 21,000 in 2015. He highlighted the department's nine subspecialties, well-established research component and participation in several Markey Cancer Center clinical trials. A majority of current research efforts are focused on prostate cancer. Its residency program is highly desirable due to its reputation as a strong teaching program and for striking a balance with all strong subspecialty representation. In a very competitive match environment, the program has been able to match residents for the top of its match list each year.

The program has a diverse group of faculty that covers the spectrum of urologic care and productive research care. He noted plans to move into a new clinical office in May 2016 will have a tremendous impact on service and throughput.

Looking to the future, the program is considering adding a general urology core group of faculty to meet the needs of UK HealthCare's collaborative efforts, grow basic science and clinical research efforts with an emphasis on prostate and bladder cancer, and expand its clinical trial portfolio to support Markey Cancer Center and deliver cutting-edge cancer care.

## **VI. Approval to Amend Medical Staff Bylaws**

Robert (Bo) Cofield, DrPH, Chief Clinical Operations Officer, UK HealthCare, initiated a co-presentation with Dr. Andrew Bernard, President of the Medical Staff Executive Committee, on UHCC 1, UK HealthCare Medical Staff Bylaws.

Dr. Cofield noted that this discussion had been previously tabled due to receiving feedback from the Joint Commission. On February 1, 2016, the medical staff was notified the Organized Medical Staff (OMS) had adopted the resolution amending the Bylaws subject to the University Health Care Committee's approval.

Dr. Cofield summarized those changes, calling to the board's attention four in particular. In section 2.1.1., "or UK HealthCare Policy" was added to reflect that the Medical Staff will provide care to all patients in accordance with the non-discrimination policy. He reminded the Committee of UK's recognition from the Healthcare Equality Index in 2015. In section 7.8.5, a clarification was made to meet a Joint Commission requirement that the determination for continuation of disaster privileges occur within 72 hours of the volunteer's arrival. Section 9.4.2(a) clarified the Medical Staff Executive Committee (MSEC) will hold a meeting to discuss the findings of the investigation following summary suspension of a practitioner. Further, section 9.4.2(a)(i) clarified that a practitioner shall be afforded a hearing under the Fair Hearing Plan but any suspension remains in effect pending the hearing.

Chair Vance opened the floor for discussion. Hearing none, a motion was made by Ms. Young to accept UHCC 1 as presented and was seconded by Mr. Booth. With no further discussion, the motion carried unanimously.

## **VII. Privileges and Appointments**

Dr. Cofield initiated a co-presentation with Dr. Bernard for the Board's approval of the current list of privileges and credentials. Motion was made by Mr. Booth to accept the privileges and credentials as presented and seconded by Mr. Farish. With no further discussion, the motion carried unanimously.

## **VIII. Other Business**

Ms. Young asked a question about the security of UK HealthCare's medical records, in light of the recent news of Hollywood Presbyterian Medical Center's data being breached. Dr. Cecilia Page, Chief Information Officer, UK HealthCare, answered that UK is at a low risk for a similar incident here, noting that UK's medical records software does not open files of the same type as the particular virus that affected Hollywood Presbyterian Medical Center. Additionally, UK HealthCare's information technology team continues to monitor situations of this nature and works collaboratively with Risk Management and Compliance teams. Dr. Cofield noted that UK has a much greater depth of resources than Hollywood Presbyterian did. Mr. Brett Short, Chief Compliance Officer, mentioned the continued collaboration of his team with information technology leadership.

Dr. Karpf again recognized Dr. Swartz for her leadership in securing Magnet designation and noted the excitement and importance of this for UK HealthCare going forward. He pledged to tout this achievement in conjunction with UK HealthCare's branding campaign, which is in the early stages of deployment. He noted that Trustees would hear a presentation on the new branding campaign at an upcoming meeting.

Ms. Young asked a question about the opening of a new medical school program in Bowling Green and expansion of an existing program in Morehead. Dr. Karpf explained this is a partnership among UK's College of Medicine, Morehead State University, Western Kentucky University, St. Claire Regional Medical Center, King's Daughters Medical Center and The Medical Center at Bowling Green. Dr. Karpf mentioned that this initiative will help address the physician workforce shortage in Kentucky, and it was important for UK HealthCare to take the lead in solving this problem. He noted that Trustees will receive a more in depth presentation from Provost Tim Tracy at the February 19, 2016, full Board of Trustees meeting.

## **IX. Adjournment**

Chair Vance adjourned the meeting at 5:06 p.m.