

Minutes of the University of Kentucky Board of Trustees
University Health Care Committee
May 2, 2016

I. Call to Order

The University of Kentucky Board of Trustees University Health Care Committee met on May 2, 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 4:00 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 Robert Clay, Luther Deaton, Missy Scanlon and Jean West.

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

Trustees C.B. Akins, Sr., William Britton, Robert Grossman, and David Hawpe were also present.

Before proceeding further with the meeting, Chair Vance acknowledged two new ex officio, non-voting members, to the Committee.

Dr. Phillip Chang is UK HealthCare’s new Chief Medical Officer. Dr. Chang succeeded Dr. Bernard Boulanger as Chief Medical Officer (“CMO”) effective March 1, 2016. Dr. Chang has been at UK since 2005 in a number of roles, and was most recently associate CMO and medical director for perioperative services.

Dr. Robert DiPaola is the College of Medicine’s new Dean. Dr. DiPaola succeeded Dr. Fred de Beer as Dean effective March 31, 2016. Dean DiPaola came to UK from the Rutgers Cancer Institute of New Jersey, where he had tremendous success as Director.

III. Approval of Minutes

Minutes from the Committee's February 18, 2016, meeting were presented for approval by Chair Vance. Motion was made by Mr. Booth to accept the minutes and seconded by Ms. Grant. With no further discussion, the motion carried unanimously.

Drs. Chang and DiPaola join President Capilouto, Dr. Karpf, Bo Cofield, Collen Swartz and Andrew Bernard as ex officio members of the Committee.

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 nine month period ending on March 31, 2016.

The first nine months have been very positive. Volumes for inpatient care are ahead of budget and case mix is higher than budgeted. These factors, combined with more outlier cases, have created higher inpatient revenue. Outpatient revenue exceeds budget primarily as a result of increased outpatient pharmacy sales. In summary, activity has produced revenue in excess of budget and expenses have largely been maintained within budget as adjusted for activity producing a very positive result for the fiscal year through March 2016.

Inpatient discharges year to date were 569 above budget for the year and 708 above the prior year. The increase in discharges is in services to adults and psychiatric patients. Discharges for pediatrics (any patient under 18 years of age) were below budget by 1.3%, but slightly ahead of last year. Neonatal discharges were virtually at budget and below the prior year by 6.6%.

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 67 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 the higher length of stay.

The combination of these factors had produced an increase in overall patient days, which are 15,415 above budget, and 7,472 above last year's number.

Observation cases exceed budget for the period. The number of cases exceeded budget by 19.5% for the period and is 18.5% higher than the prior year reporting period.

Emergency Department cases continue to increase at both Chandler and Good Samaritan Hospitals. Cases for the reporting period exceeded budget by 9.6%.

Total outpatient visits, which include both physician and technical visits, for the first nine months were 959,879 compared to a budget of 901,267 and are 6.5% higher than the prior year for the same reporting period.

Operating room activity is ahead of budget by 10.8%.

Payor mix of discharges for the period was in line with budget, although Medicaid discharges are somewhat higher. Medicare discharges are ahead of budget. Overall, the mix of discharges has shifted somewhat from the prior year with a small increase in the Medicaid percentage and a similar decline in the Medicare percentage. The percentage of Commercial patients is virtually the same as the prior year.

Net revenue exceeded budget for the year by \$70.4 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.

Total operating total operating income year-to-date is \$126 million.

Dr. Karpf asked Mr. Clark to explain the restricted cash total. Mr. Clark noted that restricted cash refers to the cash that is earmarked for a specific purpose/project and therefore not available for immediate and general use. Some projects are progressing at a slower pace than originally anticipated.

Trustee Hawpe asked Mr. Clark whether the Affordable Care Act's impact continues to be positive for UK HealthCare. Mr. Clark confirmed that it has and continues to be a strong positive for the enterprise. Mark Birdwhistell, Vice President for Administration and External Affairs, also noted that an update will be provided to the Board on that matter at the upcoming June 2016 retreat.

Trustee Britton asked for an update on the wait times in the emergency rooms and the status of the new Pavilion A floors opening. Dr. Swartz answered that things are still very congested in the emergency rooms, which is one of the reasons Dr. Cofield has been encouraging that low acuity needs be handled at Good Samaritan, when clinically appropriate. There is a great deal of work going on in the post-acute care side of things. Dr. Karpf noted this is an example of why UK HealthCare needs to increase its capacity. Floor nine of Pavilion A is scheduled to open in mid-May and floor 10 is scheduled to open in mid-June. Demand for services continues to be strong.

Chair Vance mentioned the impending retirement of Mr. Clark, and recognized Mr. Craig Collins as the incoming Vice President and Chief Financial Officer.

FCR 11 Approval to Lease

Mr. Clark presented the Committee with FCR 11 Approval to Lease.

On July 21, 2015, UK HealthCare (UKHC) leased 9,160 square feet in the 1648 McGrathiana Parkway building on the Coldstream Research Campus from VIIIIFS. The facility houses four of UK HealthCare's integrated business units. Additional space is needed to provide adequate office space for over 90 employees. UKHC is requesting authorization to lease an additional 2,995 square feet. With the addendum, UKHC will be leasing a total of 12,155 square feet at a price of \$17.25/sf which includes common area maintenance charges, property taxes, and utilities. The total annual rent following the addendum will be \$209,673.75, an increase of \$51,663.75 from the original lease amount of \$158,010. The leased space will be funded with agency funds.

A 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.

V. Clinical Update: Hematology and Blood & Marrow Transplant

Dr. Karpf introduced Gerhard C. Hildebrandt, MD, Division Chief, Hematology and Blood & Marrow Transplantation.

Dr. Hildebrandt provided the Committee an overview of the type of diseases the Division treats, why the University of Kentucky ("UK") offers hematopoietic cell transplantation ("HCT") and the forms of HCT done at UK. The UK program has been operating continuously for 33 years, is a National Marrow Donor Program Collection and Transplant Center, a Center for International Blood and Marrow Transplant Research Center and has been accredited by the Foundation for the Accreditation of Cellular Therapy (FACT) since 2009. He noted that FACT accreditation has been a significant accomplishment for the program. Since 1982, the Division has performed more than 1,900 transplants and currently performs more than 100 transplants per year.

Dr. Hildebrandt highlighted the partnership between UK HealthCare and Norton Healthcare. In October 2011, UK's Board of Trustees approved UHCCR1 to create a joint corporation for quality and research collaboration. Since January 2012, 90 patients from the Norton Healthcare oncology program have received a transplant at UK. Every

Tuesday, the UK HealthCare and Norton Healthcare teams meet to discuss patients and treatment options. The parties also have a joint tumor board that meets on Monday's to discuss patient research eligibility, patient charts and agree on treatment plans, discuss chemotherapy and radiation needs, and view pathology slides.

Dr. Hildebrandt reviewed composition of the Division's team, including leadership. In addition, he reviewed where the Division has clinics, patient severity of illness, patient length of stay and occupancy and patient satisfaction scores. The Division has both national and international visibility through various consortiums, working groups and committees, such as the National Institute of Health chronic graph-versus-host disease consortium and the Center for International Blood & Marrow Transplant Research.

Future goals of the Division include but are not limited to: offering haploidentical transplants to sickle cell patients; establishing long survivorship clinic, expanding care and treatment options for patients with transplant complications and expanding clinical trial portfolio.

Ms. West asked about the program's clinical trials, and Dr. Hildebrandt explained that while the program does do some trials, its Norton partner group currently does many more.

VI. Quality Update

Robert (Bo) Cofield, UK HealthCare's Chief Clinical Operations Officer, introduced Dr. Phillip Chang, Chief Medical Officer, to give an update on OptimalCare as a follow-up to discussion at the January board retreat, and discuss a pressure ulcer initiative.

UK HealthCare has shown that it can standardize care and family education for bronchiolitis across different practice models to improving patient outcomes. When thinking about reducing unnecessary variation in practice, we must remember that patients cross different settings (i.e. emergency department, inpatient and/or clinic) of health care and are vulnerable to the variability between these sites, including the variability which exists within each setting. Several initiatives have taken place to reduce these variations across the various settings, to include establishing and collecting key metrics, with positive results to date.

Dr. Cofield reported that in April 2015, the enterprise implemented an initiative called OptimalCare, with the focus of optimizing patient care through the elimination of unnecessary variations. Since this initiative was implemented, projects have been completed (i.e. bronchiolitis, post-cardiac care, concussion and pulmonary embolism), two projects are in progress (i.e. inpatient glycemic control and endocarditis) and two are

additional projects are being planned around enhanced recovery after surgery and pain management.

Dr. Chang reviewed a pressure ulcer initiative that was undertaken by perioperative services, which focused on prevention and early identification of pressure ulcers. The plan was implemented in late August 2015, and since then the number of pressure ulcer occurrences has significantly decreased. Three important lessons were learned: leadership support is critical to program success; recognition of front line staff aids engagement; and including unit champions in process is necessary for maximum impact.

VII. Privileges and Appointments

Mr. Cofield informed the Committee that Dr. Phillip K. Chang had been selected to assume the role of Chief Medical Officer for the UK HealthCare enterprise as of March 1, 2016, subject to the concurrence of this Committee and Board approval at tomorrow's meeting.

Dr. Cofield initiated a presentation 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 Ms. Young. With no further discussion, the motion carried unanimously.

VIII. Other Business

Chair Vance mentioned that the next Committee meeting would take place in June at Keeneland Entertainment Center.

IX. Adjournment

Chair Vance adjourned the meeting at 5:27 p.m.