**Minutes of the University of Kentucky Board of Trustees**
**University Health Care Committee**
**June 15, 2017**

## I. Call to Order

The University of Kentucky Board of Trustees University Health Care Committee met on June 15, 2017, at the Keeneland Entertainment Center at Keeneland Race Course, Lexington, KY. The meeting was called to order by Robert Vance, Chair of the University Health Care Committee ("Committee") at 8:05 a.m.

## II. Roll Call

Committee members present included Chair Vance, Kelly Craft, Cammie Grant and Barbara Young.

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

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

Trustees Mark Bryant, C.B. Akins, Sr., Claude (Skip) Berry, III, Britt Brockman, Mark Bryant, Jennifer Yue Barber, David Hawpe, Kelly Holland, Michael Christian, Robert Grossman, Lee Blonder, Rowan Reid, and Dave Melanson were also present. Student Government Association trustee-elect Ben Childress was also in attendance.

## III. Approval of Minutes

Minutes from the May 1, 2017, meeting were presented for approval by Chair Vance. Motion was made by Ms. Young to accept the minutes and seconded by Ms. Grant. With no further discussion, the motion carried unanimously.

## IV. A Retrospective and Prospective Look

Michael Karpf, MD, Executive Vice President for Health Affairs, University of Kentucky, reviewed UK HealthCare's growth since 2003 into becoming a super regional referral center and how its Strategic Plan helps inform the enterprise's future in the years ahead. Discharges have grown 105% from Fiscal Year (FY) 2003 through FY 2017. Transfers accepted has grown 453% since FY 2005. Case mix index has continued to be strong, well above the 75$^{th}$ percentile of other academic medical centers. Ambulatory visits are up approximate 66% from FY 2010.

Dr. Karpf reviewed a list of the 61 academic medical centers that have either a Clinical and Translational Science Awards Program, National Institutes of Health (NIH)-funded Alzheimer's Disease Center, and/or National Cancer Institute (NCI)-Designated Cancer Center. UK is one of 25 institutions that has two of those three distinctions, and there are 20 institutions that have all three of those; however, UK lags behind these other schools significantly in NIH funding and improving that total must be critical if UK wants to continue its growth. Since FY 2004, UK HealthCare has invested more than $2 billion to become a research intensive referral center for Kentucky.

Dr. Karpf reiterated UK HealthCare's vision to create a system that rationalizes care, not rations it, and noted some key places for the enterprise to go next: 945 inpatient beds, 45,000 discharges, continued expansion of ambulatory services and volume, increasing Case Mix Index (CMI), improving its research profile, and generating operating revenues of greater than $2 billion for the hospital system.

Dr. Karpf previewed each of the sections and presentations that the Committee would be hearing throughout the day.

## V. Federal and State Legislative Outlook

Mark Birdwhistell, Vice President, Administration and External Affairs, UK HealthCare, provided the committee an update on the evolving healthcare policy landscape at the federal and local levels.

Medicaid expansion in Kentucky increased the eligibility for Medicaid from a 2009 level of 36% of the Federal Poverty Level (FPL) to 138% of the FPL after the Affordable Care Act's (ACA) implementation. Pre-ACA, Medicaid was only available for a household of two with a combined income of $5,520 or less, versus post-ACA eligibility for household of two being set at $22,100 or less. Mr. Birdwhistell noted this is the reason Kentucky has seen such a big jump in Medicaid enrollment, going from a rate of more than 20% uninsured (pre-ACA) to a rate of less than 12% uninsured (post-ACA).

National projections estimated 40% of newly insured would obtain coverage through Medicaid expansion; however, 85% of Kentucky's newly-insured population was through Medicaid. Kentucky enrollment is far different from the national enrollment trends. Projected additional state costs of this newly-insured population is around $247 million for the upcoming biennium and another $509 for the following one, which has led to Kentucky's Governor seeking a waiver to overhaul the program.

Mr. Birdwhistell reviewed the three-phased Republican plan for health reform, which focuses on the American Health Care Act (AHCA), regulatory modifications, and additional legislation passed through the standard legislative process. The AHCA as currently written has three key impacts on Medicaid programs: increase in the state share of funding; conversion from open-ended federal funding to fixed budgets (like block grants or per-capita caps); and increased flexibility for states to design innovative programs. Mr. Birdwhistell noted that other Republican health priorities could be attached to other legislative efforts, such as key program reauthorizations, tax reform, or 340B Drug Pricing Program restrictions.

Mr. Birdwhistell reviewed the provisions of the Kentucky Medicaid 1115 Demonstration Waiver and highlighted a recent Bloomberg article that believes action from the Centers for Medicare and Medicaid Services (CMS) on Kentucky's waiver will be taken soon. He reviewed the fiscal impact of reform on UK HealthCare's FY 2018 revenue – around $41.8 million of revenue is highly-likely at-risk. He also thanked UK's Bart Hardin and Eric King for helping to keep UK well-represented and apprised of potential changes at the state and federal levels.

In conclusion, he said that states will have increased authority to cover Medicaid populations; there are multiple federal legislative and regulatory vehicles to watch; fixed budgets will likely materialize; there will be increased pressured on managed care organizations to create new

contracting models and cut costs; and the budget session of the next General Assembly will be critical for the University and UK HealthCare.

President Capilouto asked a question about what long-term concerns and impacts might UK need to be aware of a financial perspective. Mr. Birdwhistell said that much depends on what shape the legislation takes. The odds are that the impact will be greater than what is currently known, but not as bad as the worst-case scenario suggests.

## VI. Patient and Family Centered Care

Ms. Colleen Swartz, DNO, MSN, RN, Chief Nurse Executive and Chief Administrative Officer, UK HealthCare, provided the Committee an overview and some highlights of how the enterprise is providing patient and family-centered care.

Recently, 15 staff and faculty attended the International Institute for Patient and Family-Centered Care conference, and a new web-based training has been launched focusing on the principles of patient and family-centered care. Integrated Medicine is also key in this effort, and UK HealthCare offers programs like: music and art therapy, aromatherapy, narrative medicine; Jin Shin Jyutsu, massage therapy, Threshold Choir, and High Tea at Markey. Ms. Swartz also reviewed patient engagement efforts. Recently completed a patient journey mapping for the Cardiovascular Academic Service Line (ASL) and similar efforts are underway for Markey Cancer Center patients. Ms. Swartz discussed the success of the 30 in 30 rounding challenge in which nurses were challenged to round on staff. This challenge saw over 2,000 patient touches during the time period.

Ms. Swartz reviewed a list Patient and Family Advisory Councils that have been formed and meet regularly at UK HealthCare. Feedback, stories, experiences, and other involvement from these meetings is part of the enterprise's efforts in finding solutions to problems and enhancing its processes and delivery of care to improve quality, safety and experience. Some accomplishments of these groups include improved access for primary care for UK HealthCare employees, a redesign of the patient appointment letter, and continued involvement in the Power of (Advanced Medicine) campaign. She also reviewed a list of upcoming projects for some of these councils and shared a patient story about Cruz Espinoza and his family experience and praise for UK HealthCare.

## VII. Strategic and Cultural Alignment

Robert (Bo) Cofield, DrPH, Vice President and Chief Clinical Operations Officer, UK HealthCare presented information on the enterprise's continued growth and how it is ensuring it prioritizes being a diverse and inclusive culture in the midst of that growth. Faculty has grown from 898 in FY 2010 to more than 1,200 in the FY 2018 budgeted total. The number of full-time equivalents over the same period has grown from around 4,500 to a projected total of nearly 9,000 in FY 2018.

From 2010 to 2017, there has been a marked increase in the number of minority full time positions in the areas of professional; office and clerical; and technical/paraprofessional. Executive, administrative, or managerial totals have stayed relatively flat, while service and maintenance totals have dropped. In the College of Medicine, the total number of minority full-time positions has grown from 418 in 2010 to 508 in 2017. Under the Executive Vice President for Health Affairs domain, the number of female full-time positions has grown from 1,872 in 2010 to 2,565 in 2017; in the College of Medicine, these numbers show modest growth from 1,628 in 2010 to 1,840 in 2017.

## VIII. Employee and Physician Engagement

Mr. Cofield and Robert (Bob) DiPaola, MD, Dean, College of Medicine, University of Kentucky, provided the Committee an update on 2017 Employee and Physician Survey results, which were administered by Press Ganey.

Mr. Cofield first reviewed employee engagement results. Engagement went up from a 4.05 in 2016 to a 4.07 in 2017. This score was 0.06 below the National AMC average and in the 39$^{th}$ percentile, which was an increase from the 36$^{th}$ percentile in 2016. Highest performing items were fairness of pay and career development opportunities. Lowest performing items were collaboration between work units, employees going above and beyond, and satisfaction with recognition. Response rate was 77%, down from 81% in 2016 but well above the average of most AMCs, which is around 50%. Employee engagement has been trending positive since 2012, when the score was at 3.88.

Mr. Cofield reviewed survey results for lists of items related to key drivers of workforce engagement, items with greatest improvements over last year, and items with greatest declines over last year.

Dr. DiPaola next reviewed physician engagement results. Engagement went up from a 3.52 in 2016 to a 3.58 in 2017. Alignment score of 2.91 was consistent with 2016 performance, and the response rate dropped from 87% in 2016 to 74% in 2017. Dr. DiPaola provided an overview of engagement and alignment by provider type. Dr. DiPaola reviewed survey lists of items reflecting physician engagement and alignment key items.

He then reviewed workforce engagement by department-level score and reviewed survey items that reflected the greatest improvements over last year and items with greatest declines over last year. One major area for improvement based on the survey results is providing appropriate staff for physicians. Dr. DiPaola noted that especially in ambulatory settings, scheduling has been a concern for many physicians, and going forward they and faculty will be engaged to help the enterprise solve the issue.

Trustee Grossman thanked the presenters for offering a complete and unfiltered look at the survey results and noted that the problems the survey results reveal will take a significant amount of time to improve. Mr. Grossman said he believes a strong correlation exists between these results and the lower amount of NIH-funded research activity that Dr. Karpf highlighted earlier. Trustee Grossman remains optimistic that both of those things can be turned around going forward.

Trustee Blonder expressed that these scores are very troubling and indicate significant morale problems among the faculty. Dr. DiPaola commented that the scores will require greater participation of faculty in decision-making processes going forward and that efforts are already being made on this front. A productivity group comprised of faculty members meets weekly and makes recommendations for changes and improvements on a number of issues. Again, scheduling is a significant focus area for the enterprise and UK will engage in more tactics and activities over the next year to try and address these concerns. Dr. Karpf stressed that this is not an event; it is a process and one that will be ongoing in its efforts to improve engagement and make the enterprise stronger. He thanked the faculty and staff for their professionalism and indicated that in the midst of all the adversity, their leadership had been

instrumental in helping UK HealthCare improve from a two-star to four-star ranked hospital and have been providing incredible patient care.

Two faculty members in attendance added further comments. Dr. Paul Kearney mentioned that as a faculty member of 30 years, he believed there has always been a disconnect between leadership and the physicians in the hospital and that he felt decisions were being made from the top-down rather than the bottom-up. He believes morale is low and good physicians are leaving UK because of the environment, which in his opinion is not conducive to taking direct care of patients. He expressed that there is a need for the organization to make changes in mid-level management. Dr. Karpf noted that UK HealthCare has invested more than $2 billion in resources but that change processes will take time.

Dr. Wendy Hansen mentioned that as a faculty member of 13 years, she believes incredible growth has happened, sometimes even without the resources that faculty feels they need. She believes the top-down approach has been very effective over the last decade and that faculty is ready and anxious to be involved in the change process, though they know it will be a long-term process that takes time.

Trustee Blonder asked about the monetary resources UK HealthCare will be putting into this effort to address physicians' concerns. Dr. Karpf noted the importance of being fiscally responsible and that there are never enough resources to satisfy everyone. It is a difficult balancing act to be able to serve the community as efficiently as possible while employing more than 12,000 people and using lots of resources in that regard. UK HealthCare benchmarks itself against other institutions and has been playing catchup in regards to the deployment of resources for construction and personnel.

President Capilouto commented on the importance and weight that can be placed on having objective, quantitative data like this; data, he says, that UK cannot yet produce on its campus academic side. Having this foundation of data is important context for institutions like UK. There will no longer be increases in revenues from Medicaid. He cited other institutions like the University of North Carolina that are taking hundreds of millions of dollars out of their respective budgets and that UK will simply have to be more efficient in the services they deliver going forward. Even after achieving all of these efficiencies, he noted, the UK Board of Trustees had still had to reluctantly increase tuition. Many of the same pressures that UK HealthCare is dealing with today will have to be internalized and accounted for on the campus academic side in the years ahead.

Dr. Karpf alerted the Board to recent news story that he's provided them copies of regarding the Mayo Clinic, which recently had to take around $800 million out of its budget to prepare for the evolving healthcare landscape that institutions are having to take into account.

## IX. Integrated System of Subspecialty Care

Mr. Cofield led a presentation updating the Committee on subspecialty care at UK HealthCare. The Academic Service Line (ASL) operating model will increase the coordination and communication among ASLs, resulting in better patient and family-centered care and ensuring UK is prepared to meet future challenges. ASLs present the opportunity to better integrate research, education, and clinical operations. ASL leadership will be responsible and accountable for several goals:

- Reduced unnecessary variation
- Improved patient experience (e.g., patient experience scores)

- Improved faculty and staff engagement
- Improved patient safety and quality (e.g., reduced length of stay, mortality index, etc.)
- Improved utilization of resources (e.g., net patient revenue, etc.)
- Reduction of costs (e.g., supply chain savings)
- Strategic growth targets (e.g., patient volume and revenue growth)
- Higher ranking of sub-specialty programs within service line
- Increased access for patients to clinical trials
- Increased multi-disciplinary research across service line
- Integration of education components into the service line
- Integration across service line (e.g., transition of care measured by Health Information Exchange, etc.)

There are 11 ASLs planned at UK HealthCare to be rolled out in four phases: Obstetrics/Maternal Fetal Medicine/Neonatology (OMNI); Cardiovascular; Transplant; Markey Cancer; Kentucky Neuroscience Institute; Barnstable Brown; Digestive Health; Kentucky Children's Hospital; Behavioral Health; Musculoskeletal; and Trauma.

Susan Smyth, MD, PhD, Chief, Division of Cardiovascular Medicine, UK HealthCare, reviewed the Cardiovascular ASL's activities to date. She also recognized other service line leadership for their efforts towards implementation.

The service line has more than 639 daily patient touches, throughout the spectrum of promotion, prevention, diagnosis, treatment, and recovery. She detailed a list of metrics and targets the ASL is using to measure its progress and success. Dr. Smyth reviewed some accomplishments in providing best in class care for Kentuckians, which include: transplanting 43 hearts in 2016, creating a patient and family advisory council, implementing the Get Well Network, strengthening partnerships through the Gill Heart & Vascular Institute Network, clinical innovation and research, and continuing medical education activities such as Healthy Hearts Night for families and people of all ages and Operation Heart, which has provided more than 1,800 health screenings to individuals. Dr. Smyth concluded by reviewing future plans for the ASL, with proposed focus areas on resource/facilities planning, thematic research, and recruiting.

John O'Brien, MD, Chief, Division of Maternal-Fetal Medicine, UK HealthCare and Peter Giannone, MD, Chief, Division of Neonatology, UK HealthCare reviewed the OMNI ASL's background, vision, and activities to-date. The OMNI ASL was the first pilot for the implementation of the ASL operating model and provides care across the entire mother-baby continuum. Its vision is to be Kentucky's leader in maternal and infant health by delivering the highest quality family-centered care and to be nationally recognized in research, innovation, and education. Drs. O'Brien and Giannone reviewed 2020 long-term goals for the ASL, as well as metrics for measuring their progress.

They reviewed recent activities and highlights, which include creating a neonatal abstinence syndrome (NAS) unit, further developing and strengthening partnerships, the PATHways clinic, Blue Angels program, and Patient and Family Advisory Council. Dr. O'Brien noted that the transdisciplinary approach is going to help with moving this service line forward and providing outstanding care for patients.

Trustee Scanlon asked when the NAS unit will open and how many beds would be provided. Mr. Cofield answered that it will open in July with eight beds.

**Meeting recessed at 10:20 a.m.**

**Meeting reconvened at 10:30 a.m.**

## X. Strengthening Partnership Networks

Robert Edwards, DrPH, Chief External Affairs Officer, UK HealthCare, provided the Committee an update on the enterprise's effort to build and strengthen partnerships throughout the Commonwealth. He reviewed data on out-of-state migration for each of the state's market regions. Mr. Edwards discussed the growth of the Gill Heart & Vascular Institute Affiliate Network, Markey Cancer Center Networks, Norton HealthCare/UK HealthCare Stroke Care Network, and Organ Failure and Transplant Network. He noted that the 43 heart transplants performed in Calendar Year 2016 were the most done by a single facility in the history of Kentucky. He also detailed the Blue Angels high risk obstetrics and gynecology (OB/GYN) ultrasound program and all the sites where it is currently active. New network members (at one more of these networks) for FY 2017 include Harrison Memorial Hospital, Owensboro Health, Lake Cumberland Regional Hospital, Highlands Regional Medical Center, and Tri-State Regional Cancer Center.

Mr. Edwards cited the example of UK HealthCare's recent partnership with Frankfort Regional Medical Center (FRMC) as an example of creating a win-win for both parties and the Commonwealth. Since its launch in August 2016, UK neurology assistant professors have provided inpatient on-call coverage on a rotating three-week schedule, which has led to a 38% increase in the number of neuroscience discharges at FRMC. Mr. Edwards also highlighted another example of UK Orthopaedic Surgery assistant professors practicing full-time at Med Center Health in Bowling Green; that site is currently the Bowling Green market leader in surgical spine.

Mr. Edwards reviewed goals presented at the June 2016 Committee meeting, and noted how UK HealthCare has met those goals in improving market share or staying consistent in every region in Kentucky year-over-year. He reviewed the participation, activities, and membership of the Kentucky Health Collaborative. Cost savings have been identified, and in FY 2016, the KHC saved members $684,598 on shipping and freight and $69,008 on document shredding costs. There are further projected savings of up to $3 million for initiatives underway in the areas of linen and equipment purchases. Additional opportunities to purse in FY 2017 include: point-of-care testing system, drug-eluting stents, reference lab, Johnson & Johnson products, capital equipment, pharmacy compounding, and pharmacy intravenous immunoglobulin and albumin. Key tactics for the year ahead include extending the contract of an external supply chain expert, adding a sourcing team to expand completion of cost savings initiatives, and purchasing data collection and analysis portal to validate opportunities and monitor performance.

Trustee Bryant commented on the importance of getting more patients to UK from the western part of Kentucky. In his opinion, the keys for getting more would be education and transportation. He thought it might be wise to start advertising about UK's services in local markets in western Kentucky and there would be a strong mix of payers that represent untapped potential as UK HealthCare continues to build out its reach. Mr. Edwards highlighted that UK has had three cardiology fellows move to Paducah in recent years and provide fantastic care to the community while starting to refer their more complex patients to UK. Dr. Karpf added that he had recently taken a trip there and that Paducah is very much on

UK HealthCare's radar as a potential partner area. He also added that UK currently does a significant number of kidney transplants for patients from Paducah.

Mr. Edwards introduced guest speaker Garren Colvin, Chief Executive Officer, St. Elizabeth Healthcare. Mr. Colvin thanked the board for the invite and Dr. Karpf for his outstanding leadership. He noted the partnership with UK and other Collaborative members has led to seeing fewer patients leave Kentucky for care. St. Elizabeth Healthcare is very excited about the opportunity to participate in the UK College of Medicine-Northern Kentucky Campus. Mr. Colvin will soon be assuming the role of chair with the Collaborative and looks forward to continuing the important work of preparing for the health care of the future while cutting expenses and increasing efficiencies. He noted some of the Collaborative's ongoing work with regard to pursuing various smoking bans.

In closing, Mr. Edwards told the Committee the success story of patient Bruce Smith and of how his life has changed since receiving a successful transplant from UK HealthCare.

## XI. Moving to Value-Based Care

Mr. Cofield, Dr. DiPaola, and Cecilia Page, DNP, Chief Information Officer, UK HealthCare, updated the Committee on the enterprise's efforts at moving to value-based care. Mr. Cofield spoke on the factors necessary for creating value through medical management. The foundation of the medical management model is comprised of robust information management and analytics, focus on evidence-based practice, and collaborative health services research and implementation science.

Dr. Page presented the process of building out the electronic health record in order to create a safer system for better patient care. Interoperability and integration of this system will be essential to a value-based payments focus, as consumers expect a seamless transition of information across various care settings. Analytics are important to understanding patterns of relationships and predicting future outcomes, and understanding principles becomes the foundation for evidence-based practice and research. Evidence-based practice brings the clinical expertise of highly-competent, interdisciplinary team members to the care process and allows for better integration of the patient values and preferences in order to personalize care delivery.

Dr. DiPaola emphasized the importance of implementation science, which is the scientific study of methods to promote the systematic uptake of research findings and other evidence-based practices into routine practice, and hence, to improve the quality and effectiveness of health services. This allows multi-disciplinary teams to synthesize evidence, set performance goals, design innovative interventions, and evaluate their effectiveness.

Trustee Blonder asked a question about how personalized medicine fits into the move to a value-based care environment. Dr. DiPaola answered that it was something very important; precision medicine helps provide a more individualized approach to each patient and cited the example of genomic technologies as a way of proving more individualized care. Mr. Cofield reiterated the importance of having the processing power of a robust data infrastructure to provide analytics.

Trustee Grossman asked a question about the reduceability of research how to interpret the data and evidence of latest research. Dr. DiPaola said that its really speaks to the importance of an AMC in helping guide the process of interpreting data and ensuring high standards of care. Interpreting this evidence is going to become more important than ever. Mr. Cofield added that

there is 11 times more variation within hospitals than between hospitals when it comes to interpretation of evidence.

## XII. College of Medicine

Dr. DiPaola provided the Committee an update on the College of Medicine's recent activities and highlights. He reviewed the College's new mission, vision, and values statements as well as the College's pillar objectives of education, research, clinical care, diversity and inclusivity, and community engagement. He directed the Committee's attention to three key areas of the College's purpose: solving challenges in healthcare, transdisciplinary research, and transformation research, education, and advanced clinical care.

Dr. DiPaola detailed the poor health issues in Kentucky on issues ranging from cancer and chronic lower respiratory disease to diabetes, heart disease, and stroke. He noted some of the College's recent published research that details the rapid changes in new therapies being developed. There is a national need to drive evidence to efficient care and how that ties into the College's mission and research activity.

Dr. DiPaola next discussed transdisciplinary integration, in which researchers from different disciplines work jointly to develop and use a shared conceptual framework to create new approaches in addressing common problems. He detailed several key areas where the College was already practicing transdisciplinary integration: neuroscience, cardiovascular, cancer, diabetes and obesity, and drug addiction and abuse areas have seen cross-campus integration with Colleges of Pharmacy, Public Health, Nursing, Health Sciences, Dentistry, Agriculture, Arts and Sciences, and Engineering.

He also reviewed progress with the Multidisciplinary Value Program (MVP) initiative launched last year and detailed the various MVP awarded teams in the College. He cited the specific projects focused on improving addiction treatment for hospitalized opioid dependent patients with infective endocarditis and a clinical and translational project researching magnesium and verapamil after recanalization in ischemia of the cerebrum (MAVARIC) in the Kentucky regional population.

As part of the College's focus on transformational research, education, and advanced clinical care, the College has launched a new Value for Innovation and Implementation Program ($VI^2P$). He noted a selection of letters of intent for promising projects, some of which include research in the areas of: diabetes, preterm birth, Precision Medicine, Hepatitis C screening, and tobacco use.

The College's NIH awarded total has steadily increased in recent federal fiscal years, and UK has accordingly submitted more grants to NIH this year than last. The College ranks $48^{th}$ in total NIH awards year-to-date, with just over $23 million. More than 110 researchers in the College currently receive NIH funding and Dr. DiPaola noted the recruitment of faculty in 2016-17 with research effort. In terms of annual grant funding for the areas of neuroscience, cancer, cardiovascular, diabetes/obesity, and addiction, UK far outdistances other state institutions. Dr. DiPaola also highlighted four recent significant grants in programmatic signature areas of cancer and neuroscience, and in the future the College will target larger programmatic grants

Dr. DiPaola also mentioned the College's campus expansion activities – the College is currently working towards implementation of regional campus sites in Bowling Green, Morehead, and Northern Kentucky. Statewide, the College has a presence in nearly half the

counties in Kentucky through students, residencies, or regional campus expansion sites. In summary, focuses going forward will be on NIH funding, multi-investigator grants, interactivity, increasing translational and implementation science opportunities, mentorship/career development, and regional campus expansion to address the Commonwealth's physician shortage.

**XIII. Introduction of Poster Session**

Mr. Cofield introduced a quality improvement poster session that will be available during the lunch hour for recent posters that were recognized in the area of quality improvement.

**Meeting recessed for lunch at 12:00 p.m.**

**Meeting reconvened at 1:00 p.m.**

**XIV. Facilities: Planning for the Future**

Mr. Murray Clark, Senior Adviser for Health Affairs, UK HealthCare, presented to the Committee on the Facilities Master Plan history, facility accomplishments, future planning and next steps.

Mr. Clark traced the growth and development of the UK HealthCare facilities, from the 2005 Master Plan when the enterprise was licensed for 489 beds through the 2014 Master Plan, seeking license for 945 beds. Pavilion A has seen $715 million and 934,000 square feet of completed construction, with significant work still in planning or construction – including bed floors 5, 11, and 12. Pavilions H/HA have seen $8 million and 29,600 square feet of completed construction, with significant current projects including the construction of the new Neonatal Intensive Care Unit (NICU)/UK Kentucky Children's Hospital lobby, outpatient treatment and sedation space – a total of $84 million and 103,000 square feet. Good Samaritan has seen $10 million of completed renovations and upgrades, with a further renovation of the Emergency Department planned at $12.5 million. In terms of ambulatory space, more than $45 million has been spent to complete renovations of around 441,000 square feet; there is an additional 70,000 square feet and $40.5 million committed or in planning for further efforts with brachytherapy, integrated medicine, otolaryngology, specialty pediatrics, and Polk Dalton Clinic. Mr. Clark noted that as the NICU continues construction, he would love to have the board come tour the facility.

Mr. Clark noted that the investment in facilities has enabled: patient and family-centered care; maximized patient care, quality, safety, and clinical efficiency; optimal staff, faculty, and learner experience; enhanced care transitions in highly-complex environments; transdisciplinary teams through holistic care; alignment of clinical, research, and academic components; deployment and integration of new technologies; and the continuum of care. He did cite some of the facilities' shortcoming and areas needing improvement or renovations.

The current facilities space forecast projects having up to 2,520,000 long term square feet. Pavilion B will be a significant project in that it will accommodate growth in complex care, integrate the clinical experience on one campus, and further provide patient and family centered care within standard of care environment. Mr. Clark shared rendering of Pavilion B, the Advanced Ambulatory Care Center, and the Learning Center.

Next steps moving forward surround the future use of Pavilion H, use of University Inn, completion of Pavilion A, and expansion/renovation of ambulatory services. Next projects

focus on oncology expansion, Kentucky Clinic Medicine renovations, infrastructure upgrades, and Willard building renovations.

Dr. Karpf noted the importance of continuing to build out Pavilion HA. The future build out of Pavilion B could, in his opinion, put UK as one of the preeminent facilities among AMCs in the country.

## XV. Financial Planning and Management

Craig Collins, Vice President and Chief Financial Officer, UK HealthCare, presented the FY 2017 YTD operating results, FY 2018 financial and capital plan, and the FY 2018-22 five-year forecast.

Preliminary numbers for FY 2017 YTD through May indicate UK HealthCare to be at an 8.3% operating margin, which is below budget target of 11.2%. Operating margin for May was at 2.1%, below budget target of 11.2%. A change in payer mix in April and May played a strong contributing factor to missing budget, particularly the drop in commercial patients. Year-to-date, average daily census, length of stay, patient days, case mix index, observation cases, emergency department cases, operating room cases, and technical cases are above budget; total discharges and short stays are below budget. Current operating cash and cash equivalents is at $340.6 million. Contributing factors to the April and May performance included a 1.4% increase in discharge volume over March, decline in reimbursement due to a shift in payer mix and case acuity, and a 2% spike in operating expenses per case.

Mr. Collins walked through the guiding principles behind the 2018 financial and capital plan. The FY 2018 budget calls for $2.128 billion in total net revenue from all sources, with total expenses at $2.085 billion for the year. A projected 6.3% operating margin, while not as strong as recent UK HealthCare margins, is still very strong; most other AMCs consider a 3% margin to be a successful year.

On the inpatient side, this projects a four percent increase in discharges, five percent increase in inpatient days and average daily census, and six percent increase in average occupied beds. On the outpatient side, it projects a three percent increase in visits, with a seven percent increase in operating room cases and a 31% spike in observation cases. Plan assumes the payer mix will remain flat to FY 2017 with a minor rate increase for commercial payers. Plan also assumes revenue reductions of $44.5 million in hospital and pharmacy payments and $20.3 million in physician payments. Mr. Collins noted other considerations for the budget:

- A system market and merit pool has been budgeted for regular staff with distribution determined in the fall
- Value-based initiatives are being actively developed to increase efficiency, optimize revenue, reduce variation, and manage expenses to assist in offsetting known and upcoming revenue reductions
- Funding for strategic and research initiatives (i.e. College of Medicine expansion, service lines, etc.) has been incorporated in the expense base
- Investment in the growth of faculty and supporting resources in the College of Medicine via Enterprise Investment Requests (EIRs)

He also noted the projected faculty and FTE growth in the hospital system and among corporate FTEs in the proposed budget.

Mr. Collins presented the enterprise's five-year forecast to the Committee. He highlighted how potential changes to Kentucky's Medicaid program puts over $43 million at risk in FY 2018, a total that increases incrementally each year afterwards. He also detailed the long range capital plan and projected credit profile for UK HealthCare. The fifth floor, twelfth floor, birthing center, electronic medical record, and radiology projects have been moved out a year, but the interventional and endoscopic projects have stayed on plan. UK HealthCare will also plan to move forward with the $150 million in bond issuance that the Committee approved at its 2016 retreat.

Key conclusions from the five-year forecast are that the baseline financial plans are achievable based on known operational and external environment commitments and changes and that UK HealthCare will need to actively manage the velocity of its strategic capital investment in order to maintain financial equilibrium and re-generate capital capacity used. Key focuses must be on net reimbursement, future volume, vigilant cost and clinical care management, and value-based initiatives.

Trustee Brockman asked a question about what effects UK is seeing and anticipates from pharmacy reimbursements. Dr. Karpf stated that the state and federal agencies are looking very closely at how to manage pharmacy contracts and there will be an increased emphasis on efficiency there. The loss of physician supplemental payments (around $20 million) represents 10% of all the money the enterprise spends on faculty, and the hospital will be shouldering the burden of those cuts. EIRs, Dr. Karpf noted, have gone up $28 million from last year. Trustee Brockman asked if the poor performance trend in April and May will require UK HealthCare to revise its assumptions sometime into next year. Dr. Karpf answered he doesn't believe so. The pharmacy issue hit very quickly and unexpectedly. April's performance was an issue with patient volume, but May was not a volume problem – UK HealthCare put $5 million in reserves. Volume and payer mix are looking strong for June and the enterprise has accounted for potential external threats and cuts going forward.

Trustee Blonder asked about the growth of faculty and to explain the kinds of appointments that these faculty have. Dr. Karpf noted they are a combination of clinical title series, regular, and affiliated faculty and that clinical title series faculty are very important. Their role as mentors and role models for physicians UK is training for the future is critical. No university medical center can do research without support from a significant clinical engine and enterprise, and UK greatly values the role of these faculty.

At this time, Chair Vance asked if there was a motion to approve UK HealthCare's FY 2018 budget as brought forth by Mr. Collins. A motion was made by Ms. Young to approve the plan as presented and seconded by Ms. Grant. With no further discussion, the motion carried unanimously.

**A. Business Items**

**I. FCR 9, Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Pavilion HA Air Handling Unit #8)**

At its September 2014 meeting, the Board approved the initiation of the project for replacement of AHU #9, one of two AHUs that serve the sixth floor of Chandler Hospital. The remaining AHU #8 is in poor mechanical condition and replacement is necessary to ensure patient safety and comfort, air quality, and compliance with regulatory requirements. This project will complete the AHU replacements for the floor.

This $2,000,000 project, authorized by the 2016 Kentucky General Assembly, is well within the total legislative authorization of $20,000,000 and will be funded with agency funds.

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

**II. FCR 10, Renovate/Expand Clinical Services Capital Project – William R. Willard Medical Education Building (College of Medicine Support Space – Phase II)**

At its February 2016 meeting, the Board approved $5,000,000 for the first phase of renovations to the space in the William R. Willard Medical Education Building; upgrades to basic infrastructure needs; and the development of a plan for implementation of future needed renovations in the College of Medicine space on Chandler campus.

The planning has defined the ongoing need to repurpose and modernize outdated laboratory, office, and conference room spaces. The second phase of this project will continue the renovations of the space and will include faculty and staff offices, study spaces, and meeting rooms. Additional phases of the project may follow.

This $4,000,000 project, authorized by the 2016 Kentucky General Assembly, is well within the total legislative authorization of $15,000,000 and will be funded with agency funds.

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

**III. FCR 11, Construct/Expand/Renovate Ambulatory Care – UK HealthCare Capital Project (Department of Medicine Clinics)**

This project will continue the renewal of the Kentucky Clinic Medical Plaza. The Department of Medicine Clinics occupies the second floor of the Kentucky Clinic Medical Plaza and has significantly increased the patient load since the original construction of the facility in 1983. The planned renovation and expansion will create more usable exam rooms; enhance patient and staff circulation; improve waiting areas; and upgrade the HVAC systems to current standards. The improvements will result in more efficient operations necessary to manage the increasing volume of patients and complexity of care.

This $12,000,000 project, authorized by the 2016 Kentucky General Assembly, is well within the total legislative authorization of $20,000,000 and will be funded with agency funds.

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

Dr. Karpf concluded that when he came to UK in 2003, he never would have imagined being in a position to spend $2 billion in investments at the enterprise. While it is disappointing to delay some of the building projects by a year, UK HealthCare is still committing to significant spending on construction projects over the next five years. Over the next few months, UK will re-evaluate whether the fifth floor building needs to be delayed or if it can be put back onto its original schedule, as it is a significant and necessary project.

## XVI. Enterprise Goals

Mr. Cofield and Phillip Chang, MD, Chief Medical Officer, UK HealthCare, presented to the Committee the results and progress toward the FY 2016-17 enterprise goals, which were approved by the Committee at the June 2016 retreat. Mr. Cofield noted the national recognitions that UK has received, including being named by U.S. News and World Report as the best hospital in Kentucky and by Becker's Hospital Review as one of the 100 Great Hospitals in America for 2017. These awards are now largely based on quantifiable, objective data, which speaks to just how far UK HealthCare has come regarding its quality.

For the year, 11 goals were measured across six different domains. Of the 11 goals measured, UK HealthCare met maximum target on two goals, met target on two goals, met threshold on three goals, and the balance (four) were below threshold.

Areas that performed below threshold included:

- Patient Safety Indicator (PSI)-90 (harm score) – Missed the target on this, though year-to-date incidences of PSIs have dropped from 152 to 118.

- New Patient Visit Lag of ≤ 14 days (76 locations) – While below target, Dr. Chang noted that we have much more accessible data on this metric now and will be able to set a more realistic target going forward. When UK began using this metric years ago, little to no data was available about how to set an achievable goal.

- Same-hospital Readmissions – Next year the goal will be changing from same-hospital readmissions to unplanned readmissions, since that provides a more accurate picture of the type and quality of care UK provides.

- Ambulatory Clinician and Group Consumer Assessment of Healthcare Providers and System (CG-CAHPS) Survey Domains (6 total) – Dr. Chang noted that communications with and among doctors will be an important focus over the next year.

A new enterprise goal for this year was related to diversity and inclusivity. The four measures comprising the goal were each achieved this year and resulted in a max goal score.

Mr. Cofield noted that there will still be opportunities to meet some of these goals before the end of the year and that the performance to date is a testament to the diligence of all our faculty and staff. He also reviewed the 2016 Vizient quality and accountability scorecard; UK HealthCare has improved from a 2-star hospital in 2011 to a 4-star hospital in 2016. The enterprise has since received the Rising Star award and is now ranked 25$^{th}$ nationally among AMCs.

Mr. Cofield presented the FY 2017-18 enterprise goals for the board's approval, which are focused on improving patient survival rates, avoiding complications, efficiency of the care continuum, accessibility to care, and the patient and family experience. A motion was made by Ms. Young to accept the enterprise goals and seconded by Ms. Grant. With no further discussion, the motion carried unanimously.

Dr. Karpf remarked that this performance was a strong credit to the faculty and staff, who have moved UK HealthCare up the rankings through incredible trials and tribulations. He believes the organization has the capability to become a five-star hospital in the future.

## XVII. Privileges and Appointments

Mr. Cofield initiated a presentation for the Board's approval of the current list of privileges and credentials. A motion was made by Ms. Young to accept the privileges and credentials as presented and seconded by Ms. Grant. With no further discussion, the motion carried unanimously.

## XVIII. Wrap Up

Dr. Karpf provided a brief summary and wrap-up to the Committee. The same process of developing a vision that he had in 2003 is still the key to planning for the future today. Dr. Karpf reiterated that going forward, UK HealthCare must be:

- The preeminent academic medical center serving Kentucky and beyond – in all three missions
- The provider of accessible advanced subspecialty care for Kentucky and beyond
- The referral center for an extensive collaborative of healthcare providers across the state and beyond
- An organization focused on appropriate care in the appropriate setting – community first, ambulatory second, hospital third
- An organization operating at the highest levels of quality, safety, efficiency, and patient satisfaction
- A major economic driver for the Bluegrass and beyond

Becoming a research intensive referral AMC improves the health of the Commonwealth, enhances academics at UK, and allows UK HealthCare to be a major economic driver. From FY 2004 to FY 2017, UK HealthCare grew from 5,539 FTEs to 12,418 FTEs in January – a 124% increase. Similarly, personnel expenses have grown 197% - from around $375 million in FY 2004 to around $1.113 billion in FY 2017. Continuing to invest in personnel will be key to allowing UK HealthCare to further meet the health needs of the Commonwealth.

## XIX. Other Business

President Capilouto recognized and thanked Dr. Lee Todd and Dr. Karpf for their incredible leadership and vision for UK HealthCare. The high goals and standards they have for UK HealthCare will continue to be pursued in the years ahead.

Trustee Akins remarked that he has attended several Committee meetings over the years and has felt privileged to watch the enterprise grow tremendously to serve the Commonwealth. He was pleasantly surprised by some of the information he received throughout the day regarding strategic and cultural alignment and believes there is a direct correlation between the quality of care and patient satisfaction with the diversity of the care and service deliverers. He believes that correlation would greatly benefit the enterprise and institution and believes that UK and UK HealthCare should continue to paint a stronger, fuller picture of its commitment to diversity and inclusion in future meetings.

## XX. Adjournment

Seeing no other business, Chair Vance adjourned the meeting at 3:00 p.m.