

Minutes of the University Health Care Committee
University of Kentucky Board of Trustees
Thursday, April 27, 2023

The University Health Care Committee of the Board of Trustees of the University of Kentucky met on April 27, 2023, in the Harris Ballroom of the Gatton Student Center.

A. Meeting Opened

E. Britt Brockman, chair of the University Health Care Committee called the meeting to order at 1:00 p.m.

B. Roll Call

The following members of the University Health Care Committee were in attendance: E. Britt Brockman, Ray Daniels, Ron Geoghegan, David Melanson and Hollie Swanson; Community Advisory members Jennifer Barber, Luther Deaton, William Farish, Josh Proffitt and Barbara Young.

C. Chair's Report

Chair Brockman welcomed former University of Kentucky Board of Trustees members Barbara Young and William Farish as new Community Advisory members to the University Health Care Committee. He thanked Ms. Young and Mr. Farish for their long-standing service to the university. Chair Brockman recognized Community Advisory members Jennifer Barber, Luther Deaton and Josh Proffitt. He detailed their service to the university and the health care landscape of Kentucky.

Chair Brockman discussed the strategies and goals for the retreat. He reminded the Committee of UK HealthCare's (UKHC) unyielding focus on addressing the advanced health needs of the Commonwealth. Chair Brockman stressed the need for UKHC to grow as an academic health system within a university enterprise focused on advancing Kentucky's health, economy and education.

Chair Brockman then recognized President Capilouto for his report.

D. President's Report

President Capilouto acknowledged the new Community Advisory members and reminded the Committee of the commitment and sacrifices of the early leaders to establish a medical center to serve Kentucky and train more doctors and health personnel. He emphasized the compelling mission, vision and talent required to progress into treatment and increasing the prevention of more diseases. The president continued that UKHC must "be a beacon of hope and center of healing throughout Kentucky".

E. Approval of Minutes

Chair Brockman stated that the minutes of the February 16, 2023 meeting had been distributed and asked for a motion. Trustee Geoghegan moved approval, and Trustee Melanson seconded the motion. The motion carried without dissent. (See meeting minutes on the Board of Trustees website, www.uky.edu/Trustees, under “Agenda”.)

F. Executive Vice President for Health Affairs (EVPHA) Report

Acting Co-EVPHA and Provost Robert DiPaola detailed the retreat agenda. Dr. DiPaola reported that during recent qualitative and quantitative meetings held with Acting Co-EVPHA and Executive Vice President for Finance and Administration Eric Monday and UKHC leadership, common themes were established. He continued that as a result of these meetings, it was determined that a refresh of the UK HealthCare 2025 Strategic Plan was needed.

Dr. Monday described three high level themes for the strategic refresh. He explained the questions posed to participants and the resulting themes identified. Dr. Monday continued that these themes included advanced care, taking care of our people and distinction. He presented the three themes for the meeting:

- Advanced subspecialty care for Kentucky and beyond
- Taking care of our people, community and talent
- Academic health system

G. External Market Review

Kaufmann Hall Managing Director Jason Sussman provided the Committee with an external market review. Mr. Sussman discussed UKHC’s performance and profitability in comparison to similar academic medical centers. He reported that industry-wide, the challenges remain numerous and persistent. Mr. Sussman stated that although UKHC is profitable, management must instill an enhanced level of discipline to stabilize its performance and fully utilize the benefits afforded it through the Directed Payment structure.

Mr. Sussman discussed UKHC’s wide range of strategic paths.

H. Advanced Subspecialty Care for Kentucky and Beyond

Inpatient Capacity

Senior Vice President and Chief Operations Officer Pete Gilbert described UKHC’s challenges to accept external transfers for patients requiring a higher level of care than can be provided at their current facility. He reported in March 2023 an estimated 188 patients, or approximately six per day, were denied transfer to UKHC due to a lack of

inpatient capacity. Mr. Gilbert estimated an additional seven patients per day were accepted but did not arrive. He explained that these patients may have passed away due to their severe illness or sent to another hospital. Mr. Gilbert stated “13 patients per day may not sound like a lot but it adds up to approximately 5,000 patients a year that are not transferred to UKHC due to capacity constraints”. He estimated the number of external patients unable to be transferred will increase in 2023.

Post-acute Update

Vice President for Hospital Operations Colleen Swartz detailed efforts to reduce inpatient length of stay by expediting transitions to a post-acute setting. She described UKHC’s efforts to avoid readmissions and support care transitions to post-acute facilities and partnering hospitals. Dr. Swartz explained by building a patient progression framework with multiple pathways focused on freeing up capacity can ensure the patient is in the most appropriate facility for the level of care needed.

Surgical Capacity

Chief Physician Executive and Chief Quality Officer Jay Grider explained that as an academic medical center, UKHC has a prescribed number of surgeries expected to be performed. He stated that during the pandemic, UKHC’s operating rooms continued to perform trauma and acute care cases. Dr. Grider maintained that even though there was a pause on elective surgeries, UKHC still performed surgeries that could not wait for the restrictions to be lifted. He expressed that although the pandemic impacted recruitment, UKHC is aggressively recruiting surgeons across the country. Dr. Grider mentioned that in order to have adequate space for both current demands and future growth, the Committee will later consider a Finance Committee Resolution (FCR 12) to complete eight additional operating rooms in Pavilion H. He emphasized the need to complete these additional operating rooms to support programs such as the UK Transplant Center. The transplant program at UKHC performed a record number of transplants in the calendar year 2022. He stated that UKHC is both the largest transplant center and donor hospital in Kentucky.

Endoscopy

Department of Internal Medicine Chair Darwin Conwell reported that expanded access for routine and advanced endoscopy services promotes the growth of multiple sub-specialty programs. He stressed that growth placed on UKHC’s overall endoscopy services has outpaced the ability to meet demands. Dr. Conwell remarked that increased demand for routine endoscopy services will continue to rise due to a change in guidelines for colorectal cancer screening to an earlier age. He believed an increase and continued demand in the general population will happen due to COVID-19. Dr. Conwell stated that pending approval by the board, FCR 12 will construct designated advanced endoscopy space.

Women's Health

Interim Department of Obstetrics and Gynecology Bryan Rone suggested current women's health facilities require a much-needed renovation. Dr. Rone added that pending board approval, FCR 12 would create standardized operating rooms, family spaces, staff workspaces and inpatient rooms in the birthing center. He stressed the need to ensure that women's health spaces are appropriate for the mother and baby patient population.

Kentucky Children's Hospital

Department of Pediatrics Chair Scottie Day remarked that the Kentucky Children's Hospital (KCH) is exceeding capacity and recently had to enact a crisis plan to manage increased demand for services by temporarily opening shuttered COVID-19 overflow spaces. Dr. Day identified recent increases in pediatric respiratory illnesses as one reason for the recent surge and predicted that the Kentucky Children's Hospital would continue to see a demand for pediatric and neonatal services. He identified another reason for the demand as the lack of facilities with pediatric and neonatal inpatient services. Dr. Day stated that many hospitals have closed their pediatric units.

Dr. Day continued that KCH provides pediatricians, partnerships and education throughout the state to drive healthy outcomes for Kentucky's children.

Dr. Day remarked that he would be remised if he did not mention the pediatric behavioral and mental health crisis currently happening. He stated that with the help of the Department of Psychiatry Chair Seth Himelhoch and his team, intensive outpatient services have opened to focus on depressive disorders. Dr. Day reported recent partnerships with schools to provide much needed resources.

Certificate of Need

Senior Vice President and Chief Administrative Officer Mark Birdwhistell informed the Committee of UKHC's recent submission for a certificate of need to the state for additional bed licenses to replace aging beds and facilities. He remarked that as demonstrated by previous discussions, demand exceeds capacity for UKHC's advanced subspecialty services. Mr. Birdwhistell continued that the recent certificate of need requested approval for an additional 300 inpatient beds on the Chandler campus.

I. Taking Care of Our People, Community and Talent

Workforce Update

Chief Nurse Executive Gwen Moreland provided an update on efforts to recruit and retain full-time equivalent (FTE) to meet UKHC's strategic goals. Dr. Moreland presented a report on the usage of agency registered nurses. She stated that UKHC spent approximately \$147M in CY2022 on 1,311 contract labor nurses due to vacancies.

Associate Vice President for Human Resources Melissa Frederick discussed recent actions to fill nursing vacancies. She discussed investments to recruit and retain nursing staff. Ms. Frederick stated that UKHC has created traveler conversion packages and expanded pipelines to train and recruit new graduates. She explained UKHC is exploring alternate staffing models and broadening incentive attributes.

Enhancing Community Access

Vice President for Health System Administration Rob Edwards presented UKHC's guiding principles when adding or expanding access external to the Chandler campus. Dr. Edwards stated that the university has seen a decrease in employees signing up for the UK Health Maintenance Organization (HMO). He explained that the HMO only allows employees to receive care provided by UKHC facilities and providers. Dr. Edwards continued that university employees electing to receive care outside the UKHC organization have increased at a steady rate. He discussed efforts to expand outpatient access and provide additional resources for university employees.

Vice President for Ambulatory and Medical Group Operations Tim Gaillard previewed a list of four new ambulatory sites. Mr. Gaillard explained the four new sites will be located in Lexington, Madison County and Frankfort. He stated that one of the new Lexington sites would target the underserved community and provide primary care and community services to an underserved population in Fayette County.

Dr. Monday continued the community access discussion by announcing plans to begin the design of a new medical office building and comprehensive outpatient center at the newly purchased Hamburg property. He explained that this will be the first phase of a potential multi-phased project. Dr. Monday included that the scope of work for the design phase will include programming services and schematic design.

J. Academic Health System

Dr. DiPaola described UKHC's mission to solve Kentucky's greatest problems through transdisciplinary research, education, service and care. He explained that UKHC provides a distinct service through the power of advanced and subspecialty care. Dr. DiPaola emphasized the importance of access to clinical trials, research and new discoveries for patients. He continued that these areas can only be provided by an academic health system grounded in research and education that leads to improved standards of care.

Dr. DiPaola discussed signature areas such as cancer, neuroscience and transplant leverage strengths of multiple units and initiatives. He described a signature area in stroke science led by Dr. Justin Fraser. Dr. DiPaola explained the process which includes using technology to coordinate care outside of UKHC for patients in the community that are experiencing stroke symptoms.

K. Quantitative Refresh 5-Year Forecast

5-Year Forecast

Dr. Monday discussed assumptions used during the creation of UKHC's 5-year forecast. He stated the forecast baseline begins with volume projections, and revenue assumptions and includes historical payer/patient mix. Dr. Monday described factors for salaries, benefits and supplies are based on available external sources such as Vizient. He explained that UKHC is projected to generate sufficient cash flow to support its preliminary capital plan and liquidity targets if performance initiatives are completed. Dr. Monday emphasized that UKHC is projected to have enough cash on hand to complete planned capital projects without creating debt. Dr. Monday presented a total cash balance in FY28 of \$2.2B.

FYTD23 March Financials

Chief Financial Officer Craig Collins presented the FYTD March Financials. Mr. Collins discussed that UKHC had finished March with a net income of \$416M. He continued that investment income made up approximately half or \$53M of the \$129M positive variance. He contributed positive revenues for the additional variances.

Mr. Collins continued by presenting a consolidated UKHC and Royal Blue Health financial report for FYTD23 March. He reminded the Committee that this was the first time reporting the combined financials since King's Daughters Health System joined the university. Mr. Collins reported the combined financials resulted in a 3.9% positive variance to budget.

L. Finance Committee Recommendations (FCRs)

FCR 12 Improve UK HealthCare Facilities – UK Chandler Hospital (Various Projects) Capital Project

The recommendation seeks that the Board of Trustees approve the initiation of the Improve UK HealthCare Facilities – UK Chandler Hospital (Various Projects) capital project.

Renovate approximately 34,000 gross square feet of active clinical space on the third floor of Pavilion HA in the Mother Baby and Labor and Delivery Units. The scope of work includes renovation of triage and post anesthesia care units.

Establish space for advanced endoscopy services on the first floor of Pavilion A in the Interventional Services Suite. The scope of the project will include two fixed and two mobile C-arm rooms within existing procedure rooms and will also create two general endoscopy rooms, clinical support spaces, and a potential scope reprocessing area adjacent to these procedure rooms.

Create an observation unit space adjacent to the existing Pavilion A Emergency Department (ED). Approximately 5,500 square feet of ground floor space is available for

clinical care and has most recently been used to temporarily support overflow ED patients.

Complete the operating room expansion project using 15,000 square feet of shelled space adjacent to the existing operating rooms and pre-op/post-op rooms on the second floor of Pavilion A. This project will create up to eight additional operating rooms and associated support spaces.

The \$82,000,000 project, authorized by the 2022 Kentucky General Assembly, is well within the total legislative authorization of \$310,000,000 and will be funded with agency funds.

Trustee Melanson made a motion to recommend approval of FCR 12. Trustee Swanson seconded the motion. The motion carried without dissent.

FCR 13 Construct/Improve Medical/Administrative Facility 1 UKHC (Medical Office Building-Design Phase) Capital Project

The recommendation that the Board of Trustees approve the initiation of the Construct/Improve Medical/Administrative Facility 1 UKHC (Medical Office Building – Design Phase) capital project.

UKHC identified a location in the Hamburg area of Lexington to expand its facilities. The Board approved the acquisition of the total acreage for this location at its June 17, 2022, and February 17, 2023, meetings. This property is in an excellent location – a high population area near the interstate and accessible to current and future UKHC patients.

This project will initiate the design phase of a medical office building. This comprehensive outpatient medical center will be the first phase of a potential multi-phased project at this new campus. The scope of work for the design phase will include detailed programming services, schematic design through construction documentation phases and budget estimates for all phases with projected timelines. Additional Board approval will be required to initiate the construction phase.

Trustee Daniels made a motion to recommend approval of FCR 13. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 14 Construct/Improve Medical/Administrative Facility 3 (Expand Patient Care Facility- Design Phase) Capital Project

The recommendation seeks approval to initiate the Construct/Improve Medical/Administrative Facility 3 (Expand Patient Care Facility – Design Phase) capital project.

This project will initiate the design phase of an expansion of the patient care facility to accommodate additional inpatient beds and clinical support services at the Chandler campus. General services targeted for this location include but are not limited to, adult and pediatric inpatient rooms, observation spaces, operating rooms, minor procedures,

diagnostic services, imaging services, pharmacy, retail, lab, administration, support and meeting spaces. The scope of work for the design phase will include detailed programming services, schematic design through construction documentation phases and budget estimates for all phases with projected timelines. Additional Board approval will be required to initiate the construction phase.

Trustee Melanson made a motion to recommend approval of FCR 14. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 15 Authorization of Lease Amendment for UK HealthCare Specialty Pharmacy Services

The recommendation seeks to authorize the Executive Vice President for Finance and Administration to negotiate and execute a building lease amendment between the University of Kentucky and Wellington Properties II, LLC at 531 Wellington Way in Lexington, Kentucky, to be used by UKHC Specialty Pharmacy Services.

UKHC Specialty Pharmacy provides specialty medications to UKHC patients. The business has grown significantly requiring additional staff to support the increase in demand for these services.

Trustee Swanson made a motion to recommend approval of FCR 15. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 16 Approval of Lease

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for office space for UKHC from the Kentucky Medical Services Foundation (KMSF) located at 2301, 2317, 2325 and 2333 Alumni Park Drive and 2347 Sterlington Road, Lexington, Kentucky.

The leased space will comprise 101,264 square feet in three adjacent buildings with an annual rent not to exceed \$2,744,254.40 per year to be funded with agency funds. This location is located close to an interchange for New Circle Road, and it provides easy access (parking, entryway and accessibility) and close proximity to the Chandler campus.

Trustee Daniels made a motion to recommend approval of FCR 16. Trustee Melanson seconded the motion. The motion carried without dissent.

FCR 17 Emergency Replacement of Air Handling Unit Coils Capital Project

The recommendation seeks approval of the initiation of the Emergency Replacement of Air Handling Unit Coils capital project.

On the evening of December 23, 2022, a combination of severely cold temperatures and power outages created conditions that led to the freezing and rupture of cooling and heating coils within 31 air handlers in several buildings. This project will replace the broken coils with new freeze-proof coils in all the air handling units. Local

heating/cooling outages will be required during coil replacement and will be scheduled to minimize the impact on building occupants.

Trustee Swanson made a motion to recommend approval of FCR 1. Trustee Geoghegan seconded the motion. The motion carried without dissent.

UHCCR 1 Advancing Kentucky: Growing as an Academic Health System within a University Enterprise

The recommendation seeks support for a refresh of the UK HealthCare 2025 Strategic Plan and endorses its five-year financial plan.

This strategic refresh is the culmination of an extensive qualitative and quantitative feedback cycle conducted with multiple stakeholders including clinical chairs, leadership at UK hospitals, Executive Vice President for Health Administration leadership and clinical affiliates. With a transdisciplinary and collaborative approach, the Board of Trustees is asked to reaffirm three key themes of the UK HealthCare 2025 Strategic Plan focused on:

- Enhancing the position of UKHC as the state's premier center for advanced sub-specialty care;
- Expanding UKHC's capacity to care for our community, our people and our talent; and
- Growing an academic health system for Kentucky to meet the health care needs of the state.

Trustee Daniels made a motion to recommend approval of UHCCR 1. Trustee Geoghegan seconded the motion. The motion carried without dissent.

M. Privileges and Appointments

Chief Physician Executive Jay Grider presented the list of credentials for approval presented by the UKHC Medical Staff. Chair Brockman called for a motion to approve the list of providers. Trustee Melanson moved to approve the list. Trustee Swanson seconded the motion, and it passed without dissent.

N. Other Business and Adjournment

Chair Brockman called for new or other business that needed to be brought before the University Health Care Committee or questions for the presenters. Hearing no further business, the meeting was adjourned at 5:13 p.m.

Respectfully submitted,

Leigh Bays Donald
University Health Care Committee Secretary