

Minutes of the University Health Care Committee
University of Kentucky Board of Trustees
Thursday, September 11, 2025

The University Health Care Committee of the Board of Trustees of the University of Kentucky (UK) met on September 11, 2025, in the Gatton Student Center, Harris Ballroom.

A. Meeting Opened

Bob Vance, chair of the University Health Care Committee called the meeting to order at 3:15 p.m.

B. Roll Call

The following members of the University Health Care Committee were in attendance: Alex Boone, Ron Geoghegan, Brenda Baker Gosney and Bob Vance; Community Advisory members Jennifer Barber, Luther Deaton, Bill Farrish and Barbara Young.

C. Approval of Minutes

Chair Vance stated that the minutes of the June 13, 2025 meeting had been distributed and asked for a motion to approve. Trustee Boone moved approval, and Trustee Gosney seconded the motion. The motion carried without dissent. (See meeting minutes on the Board of Trustees website, www.uky.edu/Trustees, under "Agenda".)

D. Executive Vice President for Health Affairs (EVPHA) Update

Financial and Operational Update

Tim Slocum, senior vice president and chief operating officer, began by presenting the operational results for fiscal year 2025. He reported that the average length of stay across UK HealthCare was 7.48 days, slightly above the budgeted 7.36 days and the prior year's 7.34. The case mix index, a measure of patient acuity, was 2.29, exceeding both the budget of 2.23 and the prior year's 2.24. Total discharges for the year were 46,562, just under the budget of 46,784 and higher than the previous year's 45,778. Worked Relative Value Unit (RVUs) totaled 6.1 million, exceeding the budget of 5.9 million and the prior year's 5.7 million. Inpatient operating room cases reached 14,914, just 16 below budget, and outpatient operating room cases totaled 26,153, below the budget of 27,553 but above the prior year's 24,968. Ambulatory visits totaled 1.514 million, surpassing both the budget of 1.4 million and the prior year's 1.422 million. Emergency department visits totaled 130,589, below the budgeted 141,546. Mr. Slocum emphasized that overall, the system achieved healthy, incremental growth year over year and continued to focus on improving patient access and service delivery across the Commonwealth.

Craig Collins, senior vice president and chief financial officer, then presented the preliminary, unaudited financial results for fiscal year 2025. UK HealthCare reported a net income of \$288 million, which was \$16 million below budget. Net patient revenue came in \$1.8 million below budget, while other revenue exceeded budget by \$21 million. Total operating expenses were \$58 million over budget. Within that, personnel expenses were \$42 million favorable due to effective staffing and reduced contract labor, while drug and pharmaceutical expenses were \$68 million over budget, largely offset by related revenue growth. Investment income was \$27.8 million favorable to budget. Collins also noted that enabling transfers—funds supporting projects associated with the Chandler expansion and related College of Agriculture facilities—were incorporated as planned.

Compared to the prior fiscal year, UK HealthCare's operating revenue increased by \$247 million, and funds flow to the College of Medicine rose by \$50 million. Consolidated healthcare results showed a net income of \$400 million, \$12.6 million above budget, representing a 7.5 percent margin. Collins summarized affiliate performance as well, beginning with Royal Blue Health (King's Daughters), which reported a net income of \$98.3 million, \$37 million above budget. Total revenue was \$31.5 million above budget, primarily due to higher-than-expected outpatient volumes. Operating expenses were \$21.9 million above budget, driven by employee benefit costs and contracted physician fees in emergency, radiology and other clinical areas. Investment income was \$28 million favorable, resulting in an overall margin of 9.15 percent. Clear Blue Health (St. Claire) posted net income of \$569,000, slightly above budget. Revenue exceeded budget by \$6.8 million, supported by retail pharmacy expansion, though total operating expenses were \$16.9 million above budget due to pharmacy costs and new physician recruitment. The organization added approximately 15-16 new physicians during the year, representing strategic investments that will generate future revenue growth. Collins concluded that, collectively, UK HealthCare and its affiliates performed strongly in fiscal year 2025, achieving both financial and operational progress across the enterprise.

Mr. Slocum and Mr. Collins then presented the July 2025 (FY26) opening results. Operationally, July marked a strong start to the fiscal year. The average length of stay improved to 7.32 days, compared to over 7.5 days in the prior July, and the case mix index rose to 2.5, with 80 percent of cases coded at the time of reporting. Total discharges exceeded 4,000, more than 200 above budget. Worked RVUs totaled nearly 510,000, slightly under the budgeted 513,000 but consistent with high activity levels. Inpatient operating room cases exceeded plan, while outpatient cases totaled 2,335, above the budget of 2,160. Ambulatory visits were 134,109, surpassing both the budget of 126,711 and the prior year's 123,400. Emergency department visits totaled 11,418, above the budget of 10,676. Slocum noted strong throughput, sustained growth and positive momentum entering the new fiscal year.

Financially, July performance mirrored operational strength. UK HealthCare recorded a net income of \$42.7 million, \$21 million ahead of plan. Net patient revenue exceeded budget by \$21.9 million, while operating expenses were just \$1.3 million above budget. Personnel expenses were \$3.4 million favorable, and pharmaceutical expenses were lower than projected due to volume changes. Investment income was \$1.8 million

above budget, and enabling transfers were slightly higher than planned by \$171,000, reflecting continued support for Chandler expansion projects. Royal Blue Health reported a net income of \$6.7 million, \$3.3 million above budget, with a 6.82 percent margin, while Clear Blue Health ended the month with \$569,000 in net income, effectively on budget. Collins concluded that July demonstrated strong early indicators of continued growth, operational stability and fiscal discipline across the UK HealthCare system.

FCR 5 Approval to Acquire 500 25th Street, Ashland, Kentucky and Improve Parking/Transportation Systems – King's Daughters Medical Center Capital Project

The recommendation that the Board of Trustees authorize the Executive Vice President for Finance and Administration to acquire approximately 11.69 acres of land located at 525 17th Street in Ashland, Kentucky. The acquisition is intended to support the Improved Parking and Transportation System for King's Daughters Medical Center Capital Project. The property has been appraised at \$3.5 million, with an estimated acquisition cost of approximately \$2.8 million, and an additional \$3.5 million in construction costs associated with the project. The nearly twelve-acre parcel, adjacent to the UK King's Daughters campus, will be developed to provide additional parking capacity for the facility.

Trustee Gosney made a motion to recommend approval of FCR 5. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 6 Approval to Acquire 2600 Carter Avenue, Ashland, KY – Conflict of Interest

The recommendation seeks approval to acquire property located at 2600 Carter Avenue in Ashland, Kentucky. The proposed acquisition involves approximately one acre of land adjacent to the twelve-acre parcel referenced in FCR 5. The property is owned by a corporation managed by two employees of UK King's Daughters. The transaction has been reviewed and evaluated in accordance with all applicable laws, and the Office of General Counsel has confirmed that the acquisition complies with institutional policies and procedures. The property has been appraised at \$225,000, and the proposed purchase price is \$175,000, which is below the appraised value.

Trustee Gosney made a motion to recommend approval of FCR 6. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 7 Approval of Improvements to Leased Space (UK HealthCare Cardiac Rehab)

The recommendation seeks approval of a payment of up to \$240,000 for improvements to leased space for the University of Kentucky HealthCare Cardiac Rehabilitation Clinic, located at 135 East Maxwell Street in Lexington, Kentucky. The project was completed during fiscal year 2024, but upon review it was determined that it had not been presented to the Board for prior approval. Although the total cost is less

than the \$1 million capital threshold, the expenditure represents an institutional contribution to improvements on leased property not owned by the University, which under applicable Board regulations requires presentation to this body.

Trustee Gosney made a motion to recommend approval of FCR 7. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 9 Improve UK HealthCare Facilities – UK Chandler Hospital (Various Projects) Capital Project

The recommendation requests approval of a scope increase for the Improve UK HealthCare Facilities—UK Chandler Hospital (Various Projects) Capital Project. This project was initially presented to the Board in April 2023 as part of the strategic refresh initiative, with an original estimated cost of \$82 million. The revised project estimate is now \$115 million, representing an increase of \$33 million.

Trustee Gosney made a motion to recommend approval of FCR 9. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 10 Construct/Improve Medical/Administrative Facility 3 (Expand Patient Care Facility – Construction Phase 1) Capital Project

The recommendation seeks approval of an additional \$200 million to initiate the next phase of the Chandler expansion, including site preparation, utility relocation, and demolition activities. In April 2023, the Board approved the first component of this expansion, authorizing up to \$180 million to begin design work for an additional hospital tower or towers, with capacity for up to 900 new beds. This expansion, when combined with the existing 511 beds in Pavilion A, will ultimately provide nearly 1,400 continuous beds at the University of Kentucky, ensuring the institution can continue to accept all appropriate patient transfers and meet growing statewide demand for advanced care. The total anticipated project cost is expected to reach approximately \$3 billion upon full completion, and work will proceed in multiple phases. This request also includes authorization to pursue a bond issuance to reimburse the institution for expenditures associated with this phase. The bond is expected to be issued during fiscal year 2026, likely between April and June, to recover up to the \$200 million in project costs.

Trustee Boone made a motion to recommend approval of FCR 10. Trustee Geoghegan seconded the motion. The motion carried without dissent.

Reconciliation Update

Senior Vice President for Health Policy, Mark Birdwhistell, updated the Committee on recent developments related to the new reconciliation bill (One Big Beautiful Bill). Dr. Monday noted that Mr. Birdwhistell brings over forty-five years of combined public- and private-sector experience and is recognized nationally as an expert in Medicaid policy.

He emphasized the importance of the update in light of the ongoing challenges facing healthcare delivery in Kentucky and across the nation.

Mr. Birdwhistell began his presentation by providing an overview of the Medicaid program in the Commonwealth. He reported that approximately 1.47 million Kentuckians are currently covered by Medicaid, including 884,000 individuals in the traditional categories such as the elderly and pregnant women. 466,000 individuals were covered under Medicaid expansion adopted in Kentucky in 2014. He further noted that Kentucky has roughly 600,000 children receiving healthcare through Medicaid. Mr. Birdwhistell emphasized that these numbers underscore the program's essential role in providing care to the state's most vulnerable populations.

Mr. Birdwhistell commended the continued support of Representative Brett Guthrie and Kentucky's congressional delegation for preserving Medicaid coverage for the populations it was originally designed to serve.

On June 6, 2025, the President announced an intent to limit Medicaid-directed payments to levels not exceeding Medicare reimbursement rates and directed the Secretary of Health and Human Services to pursue the necessary regulatory changes. Proposed rules have not yet been released, and this potential change remains an area of active concern and monitoring.

The reconciliation legislation introduces significant restructuring of financial and eligibility components for Medicaid expansion, affecting approximately 688,000 individuals in Kentucky. Among its key provisions, the bill establishes a \$50 billion Rural Transformation Program to support providers in preparing for upcoming payment reductions, imposes an immediate moratorium on the creation or increase of provider taxes and shifts additional financial responsibility to the states. Mr. Birdwhistell noted that while these provisions may not directly affect UK HealthCare in the immediate term, they could indirectly influence the Commonwealth's fiscal outlook beginning in Fiscal Year 2030, potentially impacting overall healthcare funding.

In conclusion, Mr. Birdwhistell stated that current legislation preserves critical aspects of Medicaid that are vital to both the University and the Commonwealth, though forthcoming regulatory decisions could significantly shape the long-term financial landscape. UK HealthCare remains engaged with state and federal partners to safeguard access to care and maintain financial stability as changes in federal policy continue to evolve.

Privileges and Appointments

Executive Chief Medical Officer Christopher DeSimone presented the list of providers from the UKHC Medical Staff for privileges and appointments. Trustee Gosney made a motion to approve the list. Trustee Boone seconded the motion, and it passed without dissent.

E. Other Business and Adjournment

Chair Vance 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 4:18 p.m.

Respectfully submitted,
Leigh Bays Donald
University Health Care Committee Secretary