

**Minutes of the University of Kentucky Board of Trustees
University Health Care Committee
September 8, 2016**

I. Call to Order

The University of Kentucky Board of Trustees University Health Care Committee met on September 8, 2016, at The Medical Center/Western Kentucky Health Sciences Complex, Bowling Green, Kentucky. The meeting was called to order by Robert Vance, Chair of the University Health Care Committee (“Committee”) at 3:00 p.m., Central Daylight Time (CDT).

II. Roll Call

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

Committee Community Advisory members present included Missy Scanlon and Nick Nicholson (via teleconference).

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

Trustees C.B. Akins, Sr., Jennifer Barber, Claude “Skip” Berry, III, William Britton, Lee Blonder, Britt Brockman, Michael Christian, David Hawpe, Bill Gatton, Robert Grossman, Kelly Holland, and David Melanson were also present.

After roll call, Chair Vance shared an update with the Committee that Community Advisory Member Jean West has been appointed by Governor Matt Bevin to a new role at the Cabinet for Health and Family Services and has resigned from the Committee to avoid any potential conflicts of interest. He also recognized and welcomed the new members of the Board of Trustees who were present for the meeting.

III. Approval of Minutes

Minutes from the June 23, 2016, meeting were presented for approval by Chair Vance. Motion was made by Ms. Young to accept the minutes and seconded by Mr. Booth. With no further discussion, the motion carried unanimously.

IV. Welcome and Comments

Mr. Gary Ransdell, President, Western Kentucky University, welcomed the Committee to the WKU campus and provided remarks about his hopes and plans for the UK College of Medicine regional campus expansion. He is optimistic about the opportunities for collaboration with UK and The Medical Center at Bowling Green and looks forward to the continued progress towards the completion of the College of Medicine expansion.

V. The Medical Center at Bowling Green Partnership

A. Welcome & Overview of The Medical Center at Bowling Green

Ms. Connie Smith, Chief Executive Officer, The Medical Center at Bowling Green provided a welcome and overview of The Medical Center's activities in the Western Kentucky region. The Medical Center at Bowling Green is part of Med Center Health, an entity with six different hospitals, 600 beds, and more than 3,700 employees, and has been providing patient care for 90 years. The Medical Center at Bowling Green offers 44 specialties, features a medical staff of 400 and generates \$400 million in annual net revenue. Key services offered at The Medical Center at Bowling Green are: ambulance service; inpatient/outpatient mental health services; prenatal, community, and dental clinic; Hospitality House; and Commonwealth Health Foundation.

Ms. Smith noted The Medical Center at Bowling Green is one of the 10 original members of the Kentucky Health Collaborative and looks forward to collaborations with the other founding members in the months ahead.

B. Orthopaedics & Sports Medicine

Darren Johnson, MD, Chair, UK Department of Orthopaedic Surgery & Sports Medicine, gave an update on the department and its affiliation between The Medical Center at Bowling Green and UK HealthCare. The Department of Orthopaedic Surgery & Sports Medicine has tripled in size since 2006 and features more than 30 faculty providing comprehensive care in nine specialties areas. The department annually performs more than 5,000 operating room cases and 55,000 outpatient visits.

Dr. Johnson highlighted the collaborative research done by the UK Sports Medicine Research Institute. The institute is led by Scott Lephart, PhD, Dean, UK College of Health Sciences, and it has secured over \$50 million in funded research and published more than 200 peer-reviewed manuscripts.

Dr. Johnson noted that Medical Center Orthopaedics opened in January 2015 and the affiliation between UK HealthCare and The Medical Center has been a win-win for patients by combining the excellent staff and facilities in Bowling Green with fellowship-trained UK faculty members. This has allowed for more convenience and continuity of care for patients, who can now receive follow-up and post-operative care closer to home. To date, around 50 patients have been referred from Medical Center Orthopaedics to UK HealthCare over the past year.

C. Communicating the Value of Partnership

Rob Edwards, DrPH, Chief External Affairs Officer, UK HealthCare, gave the Committee an update on branding and communication around the UK – Bowling Green partnership. The communication strategy focused on three key objectives: creating awareness of the clinical relationship; communicating to patients the value of the partnership; and defining how the partnership provides opportunities to build on both parties' shared resources and expertise.

Dr. Edwards displayed illustrations of the ways UK and Bowling Green had communicated the partnership in channels like an SEC basketball tournament advertisement, a web graphic, and flyers. He highlighted The Medical Center's affiliation with UK's Markey Cancer Center and the Norton Healthcare / UK HealthCare Stroke Care Network.

Dr. Edwards also noted that The Medical Center is one of the founding members of the Kentucky Health Collaborative and presented for the Committee a map of the founding members' locations throughout Kentucky.

D. College of Medicine Expansion & Strategic Opportunities

Robert DiPaola, MD, Dean, College of Medicine, provided an update on recent College of Medicine activities and strategic opportunities. Total enrollment in the program is up again, projected to be 544 for the 2016-17 academic year. Dr. DiPaola reported that the graduate medical education (GME) program has 53 accredited medical training programs (28 of which are residency, and 25 are fellowship).

Dr. DiPaola highlighted the College's plans to increase diversity and inclusion. Some activities in support of this include creating a new Associate Dean for Diversity and Inclusivity and making it a pillar in the College's new Strategic Plan, which is under development.

In terms of research and scholarly work, the College's objective are to: achieve a more than \$25 million increase in National Institutes of Health funding this year; enhance the multidisciplinary integration of research, education, and clinical care through programs like the Multidisciplinary Value Program (MVP) initiative; focus on intercollege and large integrative grants; and increase its focus on translational research that will address Kentucky's health disparities. Dr. DiPaola noted the College is emphasizing scientific and education integration with the clinical service lines and provided an update on recent ongoing chair recruitments. He provided an update on the MVP Initiative – the first two rounds of the process have been completed, with more activity ongoing.

Dr. DiPaola detailed the goals and timeline for the College's Strategic Planning process. The College hopes to roll out the plan by March 2017 and will have five key pillars: education, research, clinical, diversity and inclusivity, and community engagement. He listed some recent implementation initiatives in the College, including the Academic Service Lines, the REACH initiative, ACT initiative, Precision Medicine initiative, and the formation of an Internal Advisory Board.

He also provided the Committee with an update on the College of Medicine's regional campus expansion plans. This expansion makes strategic sense for UK for a number of reasons, including: the state's shortage of physicians; the College's deep applicant pool and having reached enrollment capacity on the Lexington campus; the university partnerships provide additional faculty to assist in teaching and educational space; and the clinical partnerships provide additional sites and physician / health care educators for clinical education.

Dr. DiPaola noted the partnership will be governed through a series of Executive Oversight and Implementation Committees, as well as several Operational Subcommittees. This structure will allow for better vision setting, strategic planning, decision making, and resource allocation among all expansion parties, while ensuring that all appropriate deadlines and requirements are being considered throughout the process.

Dr. DiPaola introduced Charles H. Griffith, MD, Vice Dean for Education, College of Medicine, to assist in answering the committee's questions on the expansion.

Chair Vance asked how many more physicians will be graduated as result of the expansion. Dr. DiPaola said they are thinking between 40-60 in the first class. Trustee Blonder asked about how the residency slots for new students will be allotted. Dr. DiPaola said a committee

is evaluating what the admission process will be and that those questions are being addressed at the committee level right now.

Trustee Hawpe asked how applicants will be distributed amongst the multiple sites. Dr. DiPaola responded that a process is being worked on and that UK has had conversations with other universities on their processes. He added there may be some preference given to students in choosing, or some preference to each site about appropriate geographic fits amongst students. Dr. Griffith added that they anticipate 3,500 applicants for around 130 slots, so he doesn't anticipate there being an issue with finding qualified applicants in each region for each site.

Board Chair Brockman asked about the mix of in-state and out-of-state applicants. Dr. Griffith noted it is currently around 75 percent in-state and 25 percent out-of-state. He added that the in-state pool is very heavily composed of applicants from western Kentucky and that there is a great interest in students coming to Bowling Green. The greatest indicator of physician retention in an area, Dr. Griffith said, was where he or she completed residency. If one does residency at a site, the higher the odds that physician will stay and practice in the same area.

Board Chair Brockman also asked if all qualified applicants would get special preference if they were from Morehead or Bowling Green areas. Dr. DiPaola answered that there may be opportunities there but that a committee was looking at that process and how best to proceed.

VI. Sanders-Brown Center on Aging

Linda Van Eldik, PhD, Director, Sanders-Brown Center on Aging, provided the Committee an overview and update of the Center's mission, leadership, and activities. The Center's mission is to improve the health of the elderly in Kentucky and beyond through research, outreach and education, and clinical programs. The Center's interdisciplinary team features 31 basic translational and clinical faculty and faculty associates from 12 departments and four colleges. The Center opened in 1979, starting with three faculty and a budget of \$250,000; today, the budget has escalated to around \$9 million. The Center was one of the original 10 NIH-funded Alzheimer's Disease Centers in the U.S.; today, just 30 of these centers exist throughout the U.S.

Dr. Van Eldik identified the Center's four major research areas: Alzheimer's disease and related dementias; stroke; healthy aging; and risk factors (Down syndrome, traumatic brain injury, and vascular co-morbidities).

Dr. Van Eldik reported the Center's funding was renewed in July 2016 for another five years (over \$8 million per year). The Center is the only National Institute on Aging-designated Center in Kentucky or surrounding states.

The Center's research is focused on defining the disease mechanisms that trigger a transition from normal brain aging to mild cognitive impairment or dementia, and then translating this knowledge into new therapies. This translational research has allowed the Center to reach underserved communities across Kentucky – Dr. Van Eldik highlighted its' African-American Dementia Outreach partnership, Memory Café, telemedicine-based outreach, and partnerships with organizations like the Alzheimer's Association, Bluegrass Area Agency on Aging, Independent Transportation Network and the American Association of Retired Persons. The Center also has extensive relationships with other UK units, including the Colleges of Pharmacy, Public Health, Health Sciences, Nursing, Arts & Sciences, and Medicine.

Dr. Van Eldik noted an external advisory committee of senior neuroscientists from leading research institutions visited the Center in 2015 and identified it as a one of the best ADC's, and one that features "world-class" scholarly productivity and unique resources to share with researchers around the world.

Dr. Van Eldik shared the Center's plans for the next five years, which include: continuing to facilitate and enhance basic translational, clinical and innovative research; growing educational opportunities and community partnership; maintaining an emphasis on underserved populations, particularly in the African-American community; and continuing to contribute to the national effort to advance aging research, education, and care.

Trustee Britton asked about the most exciting new therapies or treatments in the field currently. Dr. Van Eldik highlighted combination therapies, like intranatal insulin, as some of the more effective and promising treatments in the field.

VII. Financial Update

A. FY2016 Operating Performance and July 2016 Results

Craig Collins, Vice President and Chief Financial Officer, UK HealthCare, provided the Committee an update on the FY2016 financial close. The system ended FY2016 with an 8.9 percent operating margin, which was below the 10.9 percent budget target. System operating income did not meet budget during the fourth quarter after having very strong first three quarters. Specifically, Mr. Collins identified the system generated \$122 million in operations income in June, which was \$22 million below the budget target.

Mr. Collins reviewed the FY2016 key performance indicators. Discharges (37,789) were at an all-time high and above budget. Length of stay, Case Mix Index, number of patient days, observation cases, and short stay cases were all above budget.

He highlighted four specific areas that contributed to the operating margin deterioration in the third and fourth quarters. Net inpatient revenue dropped significantly in the fourth quarter, while personnel and fixed expenses increased in the third and fourth quarters. In all, total operating expenses experienced a big jump above expectations in the third and fourth quarters. In summary, operating margin from the first and second quarters was above 14 percent, and that dropped to 7.8 percent in the third quarter and negative 1.3 percent in the fourth quarter.

Mr. Collins then provided more specific updates in each of those areas. He noted \$14-15 million of non-recurring revenue reductions identified (tied to the failure of Kentucky Healthcare Cooperative, uncollectable accounts, and a cash advance to the College of Medicine and KMSF) will not be repeated in the coming year, and the \$4.1 million investment in the Soarian physician billing system was a one-time transfer. Labor was over budget by \$33.4 million in FY2016, though Mr. Collins noted the volume and acuity obligated UK HealthCare to increased growth. Fixed expenses were over budget by \$11.3 million for FY2016.

A new Enterprise Resource Management (ERM) process has been established to evaluate position requests going forward. All new service line, growth, enterprise, and working supervisor position requests will be processed through ERM and will require appropriate justification. Leadership has also reviewed supply chain processes, and is retooling in several ways. There will be more physician leadership with the Supply Chain Organization &

Performance Excellence (SCOPE), ambulatory care will be moved into a formal supply chain, and major suppliers will be engaged in distribution and inventory opportunities.

In total, cash and cash equivalents increased \$66.6 million year-over-year, with an ending balance of \$338.5 million. At year-end, there were 167.1 days cash on hand, a reduction of 5.17 days from the previous year.

Mr. Collins provided an updated on the FY2017 Year to Date (July) operating results. In July the system experienced a 16 percent operating margin, which was well over the 13 percent budget target. Many key performance indicators were below budget, but the case mix index (CMI) continues to be above 2.0. Net inpatient revenue was positive to plan and net outpatient service revenue was below budget by \$2.9 million. Retail pharmacy contributed \$5.5 million of operating income and variable (\$2.4 million) and fixed expenses (\$1.6 million) were below budget.

Dr. Karpf commented that on aggregate, it was a strong year for UK HealthCare, especially when compared to other academic medical centers. He said that leadership will remain diligent about making sure processes are in place to ensure continued financial success.

Board Chair Brockman asked about how well and for how many patients is the hospital currently staffed, given some of the financial slow-down on hiring for personnel. Mr. Cofield stated the hospital is currently staffed for just under 800 beds, with the final target number being 945. Board Chair Brockman asked when UK HealthCare expects to reach that 945 full capacity. Mr. Cofield responded that once the enterprise is fully prepared, it will open the fifth and twelfth floors, which will get the total bed capacity to 945. Dr. Karpf clarified that UK HealthCare does lease some space and beds, so the real number would be around 901 once floors five and twelve open.

Trustee Britton asked how the hospital is doing on its ER space issues. Dr. Karpf responded the situation has improved since the Committee last was updated. The hospital is still running boarders, but not nearly as many as before.

B. FCR's

i. FCR 10, Renovate / Improve UK Good Samaritan Hospital Facilities Capital Project (Replace Air Handling Units)

This project will replace two air handling units (#24 air handling unit and the roof top #54 air handling unit) at UK Good Samaritan Hospital.

Patient areas on the first, third, and fifth floors are heated and cooled by the #24 air handling unit while the operating rooms on the fifth floor are serviced by the #54 roof top air handling unit. The replacement of the 33-year-old units will ensure patient safety and comfort, air quality, and compliance with regulatory requirements.

The \$1,500,000 project 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 11, Renovate / Improve Clinical/Ambulatory Services Capital Project (Linear Accelerator / Brachytherapy)

This project will expand the basement area between Pavilion H and Pavilion CC for UK HealthCare (UKHC) Radiation Medicine.

This project will expand the basement area between Pavilion H and Pavilion CC to provide space for a fourth linear accelerator unit, and a connection into the recently approved Brachytherapy Suite capital project creating new treatment space, including pre- and post-treatment space.

The scope of this project is \$14,000,000 and will be funded with agency funds.

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

VIII. 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. Grant to accept the privileges and credentials as presented and seconded by Ms. Young. With no further discussion, the motion carried unanimously.

IX. Other Business

Seeing no other business, Chair Vance adjourned the meeting at 4:41 p.m. (CDT)