

Minutes of the University Health Care Committee  
University of Kentucky Board of Trustees  
Thursday, September 15, 2022

The University Health Care Committee of the Board of Trustees of the University of Kentucky met on September 15, 2022, in the Harris Ballroom of the Gatton Student Center.

A. Meeting Opened

E. Britt Brockman, chair of the University Health Care Committee (Committee), called the meeting to order at 4:30 p.m.

B. Roll Call

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

C. Approval of Minutes

Chair Brockman stated that the minutes of the June 17, 2022 meeting had been distributed and asked for a motion. Trustee Melanson moved approval, and Trustee Swanson seconded the motion. The motion carried without dissent. (See meeting minutes on the Board of Trustees website, [www.uky.edu/Trustees](http://www.uky.edu/Trustees), under "Agenda".)

D. Executive Vice President for Health Affairs Report

Executive Vice President for Health Affairs Mark F. Newman, MD, previewed the agenda for the meeting and the upcoming Albert B. Chandler Hospital 60<sup>th</sup> Anniversary events. He highlighted challenges faced by healthcare organizations across the country and although UK HealthCare (UKHC) has also faced many of these, they have found ways to continue providing high quality care for the state of Kentucky and offset negative margins.

Dr. Newman reviewed variances to the fiscal year end 2022 preliminary unaudited results. He stated that total operating revenue exceeded budget by \$218M but operating expenses also exceeded budget by \$345M. He added that \$219M of the variance can be attributed to personnel expenses.

Chief Operating Officer Pete Gilbert detailed the status of improvement initiatives previously presented to the Committee. Mr. Gilbert stated that once completed these initiatives would result in \$190M of revenue and a reduction of expenses for UKHC. Mr. Gilbert reported 76% of all UKHC new hires are currently clinical and turnover rates are below the national average.

Dr. Newman discussed the summarized FY2023 UKHC Budget. He presented a net income after expenses of \$450M for UKHC Clinical Operations. He indicated that the goal is to reinvest the income in access for patients.

Chair of Psychiatry Seth Himelhoch, MD discussed the importance of access to behavioral health care within UKHC's larger system due to the increase in demand as a result of the COVID-19 pandemic.

#### UHCCR 1 Approval of Creation of an Affiliated Corporation for Future Community Medical Practice Activities

The recommendation seeks approval for the Board of Trustees to authorize the Board of Directors of Beyond Blue Corporation to incorporate or organize a new wholly owned, community practice affiliated corporation, which will take the form of a limited liability company, to expand patient access to needed and necessary health care resources, increase quality and improve the value of the delivery of health care, and to fulfill the University of Kentucky's mission to better meet the health care needs of the citizens of the Commonwealth of Kentucky. The new affiliated corporation will employ community practice physicians and other providers and would be used to acquire, build, or partner with one or more existing community medical practices in the future. The new affiliated corporation will be governed by a board consisting of senior university officials from UK HealthCare and other parts of the university. Membership on the Board of the affiliated corporation will be based on the position held at the university.

Trustee Swanson made a motion to approve UHCCR 1. Trustee Melanson seconded the motion and the motion carried without dissent.

#### E. Medicaid Directed Payments Quality Update

Vice President for Health System Administration and Chief of Staff Mark D. Birdwhistell reviewed the university directed payment program that reimburses UKHC for achieving quality and value measures established by the federal government. Mr. Birdwhistell explained that these measures were established to improve access and healthcare outcomes for Medicaid patients. He stated that UKHC is currently meeting nine of the 14 measures needed to receive the payments. Mr. Birdwhistell discussed the increasing at-risk portion of the payments and changes to the measures. He explained that this program has transformed and served as a catalyst for quality care in the ambulatory space at UKHC.

#### F. Kentucky Children's Hospital Update

Chair of Pediatrics Scottie B. Day, MD presented information regarding the recent Kentucky Children's Hospital's 25<sup>th</sup> Anniversary Celebration. Dr. Day played a video created for the anniversary that commemorated Dr. Jackie Noonan and other dedicated faculty and staff on their impact on the lives of Kentucky's children over the last 25 years. Dr. Noonan was instrumental in furthering UKHC's mission of taking care of the Commonwealth's smallest patients.

Dr. Day forecasted the demand for children's services over the next 10 years and the need for an increase in services by the region's only Level 1 Pediatric Trauma Center. Dr. Day reported that currently, the Kentucky Children's Hospital operates 202 beds. He explained that these beds include 81 neonatal intensive care beds.

#### G. Financial and Operational Update

Chief Financial Officer Craig Collins presented the month ending July 31, 2022. Mr. Collins stated that the revenue was strong and reported a positive variance to the budget.

Chief Operations Officer Pete Gilbert reported discharges for FY2023 July were under budget by 134. He reported a very busy month for the emergency department and operating rooms as both were over budget.

Mr. Gilbert discussed initiatives to decrease the length of stay by avoiding readmissions, supporting discharge transitions and avoiding unnecessary admissions through telehealth, paramedicine programs and other initiatives developed.

#### FCR 5 Approval of Improvements to Leased Space (UK HealthCare Fountain Court – Primary Care)

The recommendation seeks approval of the payment of up to \$995,000 for improvements to leased space for the University of Kentucky HealthCare Primary Care Clinic located at 245 Fountain Court, Lexington, Kentucky. The scope of work includes the design and construction of a primary care clinic consisting of clinical exam rooms and associated workspace, along with a retail pharmacy to support the clinic. Trustee Melanson made a motion to recommend approval of FCR 5. Trustee Swanson seconded the motion and the motion carried without dissent.

#### FCR 6 Approval of Lease

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for the University of Kentucky for space located at 1900 Richmond Road, Lexington, Kentucky with the Easter Seals Society.

A need has been identified to provide space that supports UK HealthCare's (UKHC) Pediatrics outpatient programs including a complex care clinic, developmental 4 pediatrics and the Neonatal Intensive Care Unit (NICU) graduate clinic. UKHC is partnering with Easter Seals on a new comprehensive model of multidisciplinary care for children with special health care needs. Currently, families struggle with the logistics of caring for their children as there is no model in Kentucky where these services are provided in one location. Families must go to multiple sites to obtain the appropriate care for their children. The children who will be served have multiple medical and social needs and bringing these services together will ease the burden on families. This partnership will increase patient access to these services and will create programmatic synergy to

better serve the children. This co-location will also create opportunities for community partners to work together to pool resources.

The leased space will comprise 25,017 square feet with an annual base rent of \$550,374 plus amortized rent of \$438,555 as repayment of fit-up costs to be funded with agency funds and Children's Miracle Network donations.

Trustee Swanson made a motion to recommend approval of FCR 6. Trustee Melanson seconded the motion and the motion carried without dissent.

#### FCR 7 Approval to Acquire Property Through Eminent Domain

The recommendation requests that the Board of Trustees, acting pursuant to its statutory authority under Kentucky Revised Statutes (KRS) Sections 164.260 and 164.410 and the Eminent Domain Act of Kentucky, authorize and direct the acquisition through condemnation proceedings of property located at 136 State Street in Lexington, Kentucky. This property is essential to the university's purpose and mission in providing healthcare through a new Cancer Treatment Center/ Ambulatory Surgery Center Capital Project, for which the Board approved design work on May 4, 2021.

To accommodate the expansion of UK HealthCare, including the new cancer center/ambulatory surgery center, the university needs to acquire 41 residential parcels most of which are located in the 100 block of Conn Terrace, State Street, University Avenue and Waller Avenue. To date, the university has acquired 23 of these parcels. To comply with the cancer center construction schedule, the university needs possession of all 41 properties by December 31, 2022. The property listed above (136 State Street) is a rental property. The university has obtained appraisals of the property from two appraisers on Kentucky's prequalified appraiser list. The university has offered to purchase the property for fair market value based on those appraisals. The property owner has rejected this offer and made a counteroffer at a price that the secretary of the Finance and Administration Cabinet will not approve without a supporting appraisal.

The university has explained the requirements of KRS §164A.575(6) to the parcel owner. The university encouraged the parcel owner to get its own appraisal(s) from an appraiser licensed or certified in Kentucky that could be considered when determining an acceptable fair market value. The parcel owner, through counsel, has stated that it does not intend to get such an appraisal.

KRS §164.260 states in the relevant part that "When unable to contract with the owner of land or other property or material necessary for the purposes of the university, it may acquire the same by condemnation proceedings in the manner provided in the Eminent Domain Act of Kentucky." Because the parcel owner has refused to negotiate in the manner required by KRS §164A.575(6), the eminent domain procedure will be required to determine the value. Given this property is crucial to this project and the proposed schedule for construction, and the good faith efforts of the university to this point, the university administration recommends that the Board of Trustees authorize condemnation. Additional efforts will be made to reach an agreement with the property owner prior to filing the formal condemnation proceedings. Trustee Melanson made a

motion to recommend approval of FCR 7. Trustee Swanson seconded the motion and the motion carried without dissent.

FCR 11 Acquire/Improve Elevator Systems-UKHC (Parking Structure 8) Capital Project

The recommendation seeks approval of the initiation of the Acquire/Improve Elevator Systems – UKHC (Parking Structure 8) capital project. Parking Structure 8, which is attached to the Chandler Hospital building via a bridge connection, was originally constructed with one shell shaft to add an additional elevator for patient/visitor transport within the structure. Since the building opened UK HealthCare has seen a steady increase in volume at this parking structure which has put stress on the existing elevators. This project will outfit the vacant shaft with a new elevator to help with the vertical flow within the garage, thus reducing wait times and providing coverage when one of the others may be in need of service.

Trustee Swanson made a motion to recommend approval of FCR 11. Trustee Melanson seconded the motion and the motion carried without dissent.

H. Privileges and Appointments

Chief Physician Executive Jay Grider, DO 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 the motion carried without dissent.

I. 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 5:45 p.m.

Respectfully submitted,

Leigh Bays Donald  
University Health Care Committee Secretary