REPORT FROM THE JUNE 9, 2016 MEETINGS OF THE MEDICAL CENTER OPERATING BOARD (MCOB) FOR THE UNIVERSITY OF VIRGINIA TRANSITIONAL CARE HOSPITAL AND THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

Opening Remarks from the Chair: L.D. Britt, MD, participated by telephone to open the meetings as he was attending his daughter’s graduation today. He commented that our goal is for the UVA Health System to be top tier in all areas, and noted that today’s meetings will demonstrate where we are bridging any gaps, including: (i) acquisition of tremendous talent, (ii) a world class health care system and network, (iii) improved clinical outcomes, (iv) patient satisfaction, (v) research efforts in the School of Medicine, (vi) education and training, which is why we are here, and (vii) financial viability. Dr. Britt called on Victoria Harker to chair the meetings and to recognize the four members of the MCOB whose terms end as of June 30. Ms. Harker, Rusty Conner, Frank Genovese and Jimmy Reyes each read commending resolutions for William Kanto, MD, LF Payne, Robert Gibson, MD and Wick Moorman for their contributions and service to the Health System.

UVA Transitional Care Hospital (TCH):

- Ms. Harker chaired the meeting.
- Michael McDaniel, RN, the Associate Chief of Transitional Care Services, provided the operations and finance report for the TCH, including financials through the third quarter of FY 16. The TCH exceeded its budget for this period.
- Mr. McDaniel also presented the FY 17 operating and capital budgets for the TCH, which were approved by the MCOB.
- Robert Powers, MD, who is President of the TCH Clinical Staff, was unable to attend the meeting. Mr. McDaniel provided the TCH Clinical Staff and Quality reports on behalf of Dr. Powers in Executive Session.
- The MCOB approved the credentialing actions for the TCH in public session.

UVA Medical Center:

- Ms. Harker chaired the meeting.
- Richard Shannon, MD, explained that David Wilkes, MD could not be present as he had a prior commitment chairing the Robert Woods Johnson Foundation Harold Amos Fellows Faculty Development Committee. He also noted that Pamela Sutton-Wallace would join the meeting late as she was in Chicago last night receiving an award from Modern Healthcare as one of the rising executives in health care in America. Dr. Shannon congratulated both Dean Wilkes and Ms. Sutton-Wallace for their achievements.
- Dr. Shannon reviewed with the Board the dashboard for the Health System Clinical Enterprise for the five strategic areas of focus (lead by example, virtuous cycle, partner of choice, drive innovation and top tier academic medical center)
and progress made to date in each area. Additional information on each strategy was presented during the course of the meeting. Dr. Shannon also informed the MCOB that in May the Health System leadership refreshed the strategic plan to integrate and include the updated Medical Center and School of Medicine strategies, and we will create a new integrated dashboard to reflect those changes for future MCOB meetings.

• Larry Fitzgerald reported on the FY16 third quarter consolidated financials for the Health System and stated the Health System exceeded the budget for this period (strategic initiative: virtuous cycle). The consolidated income statement includes all Health System entities, and he noted that the Health System is a $4 billion enterprise. While inpatient admissions are basically flat, CMI (severity of illness) has increased, which impacts the finances positively. Further, while not officially reporting on April, Mr. Fitzgerald informed the MCOB that the month of April was very successful.

• Mr. Fitzgerald also presented the FY 17 operating and capital budgets for the Health System. He commented that the Health System budget looks a little different from the University budget that will be presented at the Finance Committee later today, primarily due to including the University of Physicians Group clinical revenues in the Health System budget and the accrual versus cash basis of accounting. Mr. Pat Hogan agreed with Mr. Fitzgerald’s explanation. However, both noted that the Health System and University budgets are easily reconcilable.

Mr. Fitzgerald indicated that the Health System budget themes for FY 17 are modest growth in inpatient volume, about 3% growth in adjusted discharges, and a higher CMI; continued investment in our strategic plan (including service lines and Be Safe); investments in infrastructure (that include EPIC Phase II, population health, and patient friendly access); investment in funds flow; and School of Medicine investments (that include about $22 million towards recruitment of researchers and Chairs to replace those who are retiring). With respect to the School of Medicine, the Medical Center is also investing about $30 million more than it did in FY 16, and thus the Medical Center operating margin is projected to be lower in FY 17 than in FY16. Mr. Hogan commented that the Medical Center is doing well financially and thus this is the time to make some additional investments in the School. Mr. Fitzgerald provided the MCOB with some of the challenges facing the Health System, including significant changes in Medicare reimbursement policy for both the Medical Center and the physicians and the consolidation of commercial payers.

• Susan Kirk, MD, the Designated Institutional Official for Graduate Medical Education, provided the annual report on GME. In 2015-16 the Health System had approximately 770 residents and fellows in 75 ACGME-accredited training programs and 30 non-ACGME accredited training programs (generally programs that are too new to have board certification or accreditation). Our institutional accreditation is excellent. During the 2016 match, 28 UVA programs offered 151 positions to applicants across the country, with 21% from the UVA School of Medicine. Dr. Kirk also provided examples of innovative efforts in GME and
noted that UVA remains an attractive, competitive option for specialty and subspecialty training.

- The MCOB received written reports from the CEO of the Medical Center and the Executive Director of the UVA Health Foundation.

- In Executive Session the MCOB received updates on (i) quality and patient safety initiatives, (ii) the Be Well pilot program, (iii) strategic Health System priorities and imperatives, including research and other School of Medicine strategies and Health System strategic partnerships and initiatives, (iv) proprietary Medical Center performance metrics and initiatives to improve the patient experience, including patient friendly access, and (v) the Medical Center Clinical Staff (these discussions fall within all five strategic areas).

- In public session the MCOB (i) authorized Dr. Shannon to execute a two year contract extension for the procurement of blood services and products, (ii) approved the FY 17 operating and capital budgets for the Health System and (iii) approved the credentialing actions for the Medical Center.