

June 16, 2000

MEMORANDUM

TO: The Health Affairs Committee:

Charles M. Caravati, Jr., M.D. Chair
H. Christopher Alexander, III, M.D.
Thomas J. Bliley, Jr.
William G. Crutchfield, Jr.
William H. Goodwin, Jr.
Terence P. Ross
Elizabeth A. Twohy
Harry J.G. van Beek
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Charles L. Glazer	Walter F. Walker
T. Keister Greer	Benjamin P.A. Warthen
Elsie Goodwyn Holland	James C. Wheat, III
Gordon F. Rainey, Jr.	Joseph E. Wolfe
Timothy B. Robertson	Stephen S. Phelan, Jr.

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Health Affairs
Committee on June 16, 2000

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:08 a.m., Friday, June 16, 2000, in the East Oval Room of the Rotunda; Charles M. Caravati, Jr., M.D., Chair, presided. Thomas J. Bliley, Jr., William G. Crutchfield, Jr., William H. Goodwin, Jr., Terence P. Ross, Ms. Elizabeth A. Twohy, H. Christopher Alexander, III, M.D., Harry J.G. van Beek, and John P. Ackerly, III, Rector, were

present. Also present were Charles L. Glazer, T. Keister Greer, Gordon F. Rainey, Jr., Walter F. Walker, Benjamin P.A. Warthen, James C. Wheat, III, Joseph E. Wolfe, and Stephen S. Phelan, Jr.

Present as well were John T. Casteen, III, Leonard W. Sandridge, Jr., Alexander G. Gilliam, Jr., Paul J. Forch, Robert W. Cantrell, M.D., Peter W. Low, Robert D. Sweeney, William W. Harmon, Robert E. Reynolds, M.D., Gene D. Block, William L. Carter, Jr., Thomas Massaro, M.D., Robert M. Carey, M.D., Lane Kneedler, Ms. Suzanne Burns, and Ms. Jeanne Flippo Bailes.

The Chair asked Dr. Cantrell, Vice President and Provost for Health Science, to present the Agenda. Dr. Cantrell asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to give a report on the financial state of the Medical Center. Mr. Sandridge, explaining that a detailed report had been given at the meeting of the Finance Committee the day before, (see Minutes of the meeting of the Finance Committee, June 15, 2000) asked Mr. Carter to give a summary report.

Mr. Carter said hospital admissions for the Fiscal Year to date are below budget by 1.7% and below Fiscal Year 1999 by 3.1%. The average length of stay for patients is down from last year and below budget, which is a contribution to the lowering of costs. Outpatient and Emergency Room visits are up from last year, though below budget for this year. Net operating revenue is up from last year and above budget for this year; expenses, though down from last year, are above budget for this year. The operating margin, however, stands at 4.6%, up from 1.7% last year and better than the budgeted 3.3% for this year.

Mr. Sandridge continued to the next item on the Agenda, a report on the Performance Improvement Project. The report, he said, would be done in three parts. He introduced Ms. Suzanne Burns to give the first part. Ms. Burns, an Associate Professor of Nursing, is Project Coordinator for Medical Management in the Health System; she described, as a clinician, a new procedure for caring for acutely ill patients.

Dr. Thomas Massaro, Chief of Staff, gave the second report, a brief description of "process improvement teams" which are in the process of organization. These will be teams of clinicians - nurses and physicians - who will study patient treatment procedures to find ways to improve them.

Mr. Carter gave the final segment of the report. There is a target figure of \$28.1 million in cost savings and revenue enhancement ideas; so far, the various teams working on the Performance Improvement Project have generated over \$14 million in ideas toward this end. Some examples of these initiatives cited by Mr. Carter include renegotiating contracts for medical supplies, decreasing bad debt write-offs, and organizing the automated distribution of supplies.

Dr. Cantrell introduced Dr. Robert Carey, Dean of the School of Medicine, and asked him to report on the ranking of the Medical School. The report was in response to a question raised by Mr. Ross at the April Board of Visitors meeting.

Dr. Carey based his report on the rankings of medical schools done by *U.S. News and World Report*, which does an annual survey of what it regards as the top 50 medical schools in the country. Since 1995-96, he said, the School of Medicine has ranked in the 26th to 30th range, with 30th being the current ranking.

The rankings, Dr. Carey explained are based on reputation (40%), research activity (30%), student selectivity (20%) and faculty resources (10%). The measurement used for research activity is the total dollar amount of National Institutes of Health research grants; that for student selectivity is a combination of average MCAT score (65%), average undergraduate grade point average (30%) and acceptance rate (5%). The measurement used for faculty resources is the faculty/student ratio.

Using these measurements, the Medical School ranks 23rd out of 50 in the country on reputation, and 21st on student selectivity, but only 46th on faculty/student ratio and 42nd on research activity.

The strongest departments in the School of Medicine from the point of view of rankings by NIH funding for research, are Molecular Physiology and Biological Physics (4th), Microbiology (7th), Cell Biology (10th), Biomedical Engineering (18th), Pharmacology (29th) and Surgical Departments (14th).

(A copy of the slides used by Dr. Carey in his presentation is appended to these Minutes as Attachment A.)

Dr. Carey told the Committee that in order to achieve a ranking among the top 20 medical schools in the country, according to the *U.S. News and World Report* compilation, NIH funding for research at the Medical School must be increased from \$68 million per annum to \$120 million per annum. He said this is an attainable goal if MR-6, the proposed new research building, can be built. If not, the Medical School's competition will overtake it and the School's ranking will erode. The national ranking determines the quality of students and faculty the School can attract, which means that an increase in research funding has a major impact on the overall quality of the School of Medicine.

Mr. Goodwin asked if a private entity could build MR-6. The President replied that the University does not have the financing mechanisms to do this. Mr. Glazer wondered if there were an institutional strategy to get the project done, and Mr. Goodwin asked for a thorough discussion of MR-6 at the next meeting of the Committee. The Chair promised that such a discussion will be on the Agenda for the July meeting.

The next item on the Agenda, a discussion of an analysis done on codified autonomy at the Medical Center, was introduced by Mr. Sandridge. He explained that "codified autonomy," which was requested by the University and granted by the General Assembly in 1996, differs from "public authority," the concept in place at the Medical College of Virginia. The Richmond law firm, Reed, Smith, Hazel & Thomas, was retained to review these two approaches to the hospitals' relationships with the Commonwealth, and to report its findings to the Committee. Mr. Sandridge introduced Mr. H. Lane Kneidler, who conducted the study

with his colleague, Mr. Walter A. Marston. Using their written report, which had been distributed previously to the Committee, Mr. Kneedler gave a summary of his and Mr. Marston's findings.

In brief summary, Mr. Kneedler said both approaches, codified autonomy and public authority, are working well and that neither "appears to be inherently preferable." Difficulties at the Medical Center probably can be addressed under codified autonomy rather than by transferring the Medical Center to a public authority, although a public authority is one way to address some of the issues.

Because the meeting had gone beyond its appointed time, Dr. Cantrell promised to provide his customary report in written form, to be mailed to the Committee (it is appended to these Minutes as Attachment B).

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On motion, the meeting was adjourned at 11:40 a.m.

AGG:jb

Attachments

- Copies to: Mr. John T. Casteen, III
Mr. Gene D. Block
Dr. Robert W. Cantrell
Mr. Ernest H. Ern
Mr. Paul J. Forch
Mr. William W. Harmon
Mr. Terry Holland
Mr. L. Jay Lemons
Mr. Peter W. Low
Dr. Robert E. Reynolds
Mr. Leonard W. Sandridge
Ms. Colette Sheehy
Mr. Robert D. Sweeney
Ms. Louise Dudley
Dr. George Beller
Dr. Bruce Hillman
Dr. Robert Carey