

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
HEALTH AFFAIRS COMMITTEE
JULY 13, 2001**

HEALTH AFFAIRS COMMITTEE

Friday, July 13, 2001

1:15 - 3:15 p.m.

Troutman Sanders Mays and Valentine

23rd Floor Conference Room

1111 East Main Street, Richmond

Committee Members:

Charles M. Caravati, Jr., M.D., Chair

H. Christopher Alexander, III, M.D. Terence P. Ross

Thomas J. Bliley, Jr.

Thomas A. Saunders, III

Vincent F. Callahan, Jr.

Elizabeth A. Twohy

William G. Crutchfield, Jr.

Harry J.G. van Beek

William H. Goodwin, Jr.

John P. Ackerly, III, Ex Officio

AGENDA

	<u>PAGE</u>
I. REPORTS BY THE EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER (Mr. Sandridge)	
A. Integrated Health Information Management Systems Status Report (Mr. Sandridge to introduce Ms. Barbara Baldwin; Ms. Baldwin to report)	1
B. Health Care Professional Workforce (Mr. Sandridge to introduce Ms. Pamela Cipriano; Ms. Cipriano to report)	2
C. Medical Center Financial Report as of May 31, 2001 (Mr. Sandridge to introduce Mr. Larry Fitzgerald; Mr. Fitzgerald to report)	3
II. EXECUTIVE SESSION	
• Discussion of the appointment, assignment, performance, and evaluation of prospective candidates and specific employees of the University and departments of the Medical Center, which will necessarily involve discussion of the performance of specific individuals; discussion of existing investment in a joint venture, which will involve consideration of personnel and proprietary business data of the Medical Center, where public disclosure at this time would adversely affect the University's competitive position; discussion with legal counsel of the performance of Medical Center departments complying with regulatory requirements, which will	

also necessarily involve discussion of the performance of specific individuals; and discussion of proprietary, business-related information pertaining to business development and information systems, where public disclosure would adversely affect the competitive position of the Medical Center. The relevant exemptions to the Virginia Freedom of Information Act are found in Sections 2.1-344 A (1), (5), (6), (7), (8) and (23) of the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: July 13, 2001

COMMITTEE: Health Affairs Committee

AGENDA ITEM: I.A. Integrated Health Information Management
Systems Status Report

ACTION REQUIRED: None

BACKGROUND: The Board of Visitors approved the initiation of the Integrated Healthcare Information Management System (IHIMS) Project on May 14, 1999. The IHIMS Project is a complex initiative involving complete replacement of the systems infrastructure supporting both clinical care and administrative functions at UVa Health System, in support of a transformation in clinical care processes over a seven-year period. The Board has received regular status reports on the implementation of IHIMS at recent meetings.

DISCUSSION: The first system under IHIMS, the clinical archive system, will be implemented in August 2001. Ms. Barbara Baldwin, Chief Information Officer, will review the current status of the clinical and administrative initiatives of the IHIMS project.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: July 13, 2001

COMMITTEE: Health Affairs Committee

AGENDA ITEM: I.B. Health Care Professional Workforce

ACTION REQUIRED: None

BACKGROUND: One of the Medical Center's top priorities is to maximize use of inpatient beds. This requires recruitment of additional staff to re-open beds that have been closed because of staffing shortages or renovation. It also involves maintaining an appropriate complement of staff in support departments to handle increased volume on a proportional basis. Nationwide, personnel shortages in the health professions continue to increase competition for recruitment and retention, resulting in an added economic outlay for the same work force.

DISCUSSION: Ms. Pamela Cipriano, Chief Clinical Officer, will discuss current status of the clinical work force, and give a progress report on recruitment, retention and recognition of staff. She also will address bed availability and patient flow issues.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: July 13, 2001

COMMITTEE: Health Affairs Committee

AGENDA ITEM: I.C. University of Virginia Medical Center
Financial Report as of May 31, 2001

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a financial report and reviews it with the Executive Vice President and Chief Operating Officer before submitting the report to the Health Affairs Committee of the Board of Visitors.

DISCUSSION: Overall the financial statements reflect a series of broad operational issues such as the following:

- Discharges of patients have declined in Fiscal Year 2001 as compared to Fiscal Year 2000 by 1.8 percent because of reduced bed availability caused by the nursing shortage. In order to maintain a safe ratio of nursing personnel to staff beds, especially intensive care beds, beds were closed temporarily. We have made progress toward opening beds; opened adult beds averaged 374 in December 2000 and 397 in May 2001.
- Personnel costs including contract labor, which account for 50 percent of the Medical Center's operating expenses, are increasing in a number of ways associated with the nursing shortage. We have increased the rate of pay above what was budgeted. The overtime pay in Fiscal Year 2001 is 38 percent (\$1.6 million) above Fiscal Year 2000 spending. The contracted labor cost is 32 percent (\$4.6 million) above budget, primarily because of the use of traveling nurses. We have been forced to retain these expensive traveling nurses to keep as many beds open as possible.
- Supply cost is increasing primarily because of the increase in pharmaceutical costs and growth in surgery admissions with a decline in medicine admissions.

These broad operational issues are affecting all hospitals across the country to varying degrees. The total reduction to operating income directly related to the caregiver shortage is over \$10 million through May 2001.

Discharges from the Medical Center for Fiscal Year 2001 are below budget by 2.2 percent, and below Fiscal Year 2000 by 1.8 percent. The Psychiatry and Surgery service lines experienced the most significant increases in discharges over last year, while the Neurology and Pediatrics service lines experienced the most significant decline in discharges. Patient days are .3 percent below budget and .9 percent above prior year. Average length of stay and the case mix index are both higher than budget and higher than last year.

Net operating revenue for Fiscal Year 2001 through May is 4.2 percent above budget and 14.4 percent above prior year. The increases in revenue are primarily the results of lower indigent care write-offs, the conversion of the outpatient clinics to provider-based entities, the increase of the case mix index and the opening of the Augusta Dialysis Center.

Total operating expenses through May Fiscal Year 2001 are 6.9 percent over the \$461.7 million budget and 16.8 percent over prior year expenses. Salaries and wages, Medical Center contracts, supplies (medical and other) and purchased services are higher than budget and higher than prior year.

The number of full-time equivalent employees (FTEs) is 133 above budget and 535 above prior year. The increase in salaries and FTEs over prior year is primarily the result of University and HSF employees transferring to the Medical Center's payroll with the conversion to provider-based clinics in Fiscal Year 2001. Hospital and clinic FTEs are:

	<u>FY 2000</u>	<u>FY 2001</u>	<u>2001 Budget</u>
Hospital FTEs	4,282	4,558	4,443
Clinic FTEs	<u>137</u>	<u>396</u>	<u>378</u>
Total	4,419	4,954	4,821
Annualized			
Salary and Wage	\$38,042	\$40,252	\$39,100
Cost per FTE			

The salary and wage cost per FTE has increased because of salary adjustments made in:

July 2000	Retention and recruitment bonus
September 2000	Minimum wage range adjustment
October 2000	Implemented enhanced shift differential program
November 2000	Holiday/premium pay adjustment Equity increases to market rates
January 2001	4 percent pay for performance increase
March 2001	Internal equity alignment increases for health care professionals, RN wage premium for inpatient pool nurses

Medical Center contracts are above budget primarily because payments to physicians for medical direction are greater than budgeted. The higher cost of pharmaceuticals is a contributing factor to the increased medical supplies expense. Pharmaceuticals expense through May is \$5.2 million (15.5 percent) higher than prior year. Filling nursing vacancies by contracting with traveling nurses is a contributing factor to the increased purchased services expense. Traveler's expense through May is \$2.4 million (63 percent) higher than prior year.

The operating margin for Fiscal Year 2001 through May is 2.2 percent, which is below the budgeted margin of 4.7 percent and last year's 4.2 percent margin.