

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS  
MEETING OF THE  
HEALTH AFFAIRS COMMITTEE  
JUNE 14, 2001**

HEALTH AFFAIRS COMMITTEE

Thursday, June 14, 2001  
4:00 - 4:45 p.m.  
Board Room, The Rotunda

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

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I. REPORTS BY THE VICE PRESIDENT AND PROVOST FOR THE HEALTH SYSTEM (Dr. Cantrell)	
A. Medical Center Financial Report (as of April 30, 2001) (Mr. Sandridge to introduce Mr. Larry Fitzgerald; Mr. Fitzgerald to report)	1
B. Web-Application in the Medical Curriculum (Mr. Sandridge to introduce Robert M. Carey, M.D., Dean Carey to introduce Mr. John Jackson; Mr. Jackson to report)	8
II. REMARKS BY THE VICE PRESIDENT AND PROVOST FOR THE HEALTH SYSTEM (Dr. Cantrell)	9
III. 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; and 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.	

The relevant exemptions to the Virginia Freedom of Information Act are found in Section 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: June 14, 2001

COMMITTEE: Health Affairs Committee

AGENDA ITEM: I.A. University of Virginia  
Medical Center Financial  
Report as of April 30, 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. The Health Services Foundation prepares and presents financial statements to the Vice President and Provost for the Health System.

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

- The discharges have declined in Fiscal Year 2001 as compared to Fiscal Year 2000 by 1.7 percent because of the reduction of bed availability caused by the nursing shortage. In order to maintain a safe ratio of nursing personnel to staff beds, especially intensive care beds, we have had to close beds. We have made progress toward opening beds as opened adult beds averaged 374 in December 2000 and should average 399 in May 2001.
- Personnel costs including contract labor, which accounts 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 (\$1.5 million) above Fiscal Year 2000 spending. The contracted labor cost is 29 percent (\$3.8 million) above budget, primarily because of the use of traveling nurses. We have been forced to retain traveling nurses in order to keep as many beds open as possible. Both overtime pay and traveling nurse expense were down as compared to March. We are expecting a larger decline in May.

- 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 in varying degrees. The total reduction to operating income directly related to the caregiver shortage is over \$10 million through April 2001.

DETAILED DISCUSSION: Discharges from the Medical Center for Fiscal Year 2001 are below budget by 2.3 percent, and below Fiscal Year 2000 by 1.7 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 .4 percent below budget and 1.3 percent above prior year. Average length of stay and case mix index are both higher than budget and higher than prior year.

Net operating revenue for Fiscal Year 2001 through April is 3.1 percent above budget and 13.4 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 April Fiscal Year 2001 are 5.7 percent over the \$419.1 million budget and 15.9 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 107 above budget and 513 above prior year. The increase in salaries and FTEs 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	4,275	4,534	4,439
Clinic FTEs	<u>135</u>	<u>389</u>	<u>377</u>
Total	4,410	4,923	4,816
Annualized			
Salary and Wage	\$37,818	\$39,981	\$39,032
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

Medical Center contracts are above budget primarily because of payments to physicians for medical direction being greater than budgeted. The higher cost of pharmaceuticals is a contributing factor to the increased medical supplies expense. Pharmaceuticals expense through April is \$4.2 million (13.9 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 April is \$1.8 million (53 percent) higher than prior year.

The operating margin for Fiscal Year 2001 through April is 2.5 percent, which is below the budgeted margin of 4.8 percent and the prior year's 4.6 percent margin.

**University of Virginia Medical Center**  
**Income Statement**  
(Dollars in Millions)

Description	Most Recent Three Fiscal Years			Budgeted
	Apr 99	Apr 00	Apr 01	Apr 01
Net patient revenue	\$380.8	\$392.0	\$443.2	\$430.8
Other revenue	<u>9.2</u>	<u>8.4</u>	<u>10.8</u>	<u>9.5</u>
Total operating revenue	<u>\$390.0</u>	<u>\$400.4</u>	<u>\$454.0</u>	<u>\$440.3</u>
Operating expenses	353.2	352.6	411.2	386.8
Depreciation	25.7	25.4	27.6	28.3
Interest expense	<u>4.6</u>	<u>4.1</u>	<u>4.0</u>	<u>4.0</u>
Total operating expenses	<u>\$383.5</u>	<u>\$382.1</u>	<u>\$442.8</u>	<u>\$419.1</u>
Operating income (loss)	<u>\$6.5</u>	<u>\$18.3</u>	<u>\$11.2</u>	<u>\$21.2</u>
Non-operating income (loss)	( <u>\$4.2</u> )	<u>\$5.2</u>	<u>\$5.8</u>	<u>\$4.6</u>
Net income (loss)	<u>\$2.3</u>	<u>\$23.5</u>	<u>\$17.0</u>	<u>\$25.8</u>
Debt principal	\$3.0	\$3.2	\$3.5	\$3.5

**University of Virginia Medical Center**  
**Balance Sheet**  
(Dollars in Millions)

Description	4/30/99	4/30/00	4/30/01
<b>Assets</b>			
Operating cash and investments	\$61.1	\$83.5	\$34.2
Patient accounts receivables	59.2	51.4	69.7
Other current assets	17.3	24.7	33.8
Property, plant and equipment	216.6	214.8	227.5
Depreciation reserve investments	142.4	158.6	175.6
Other assets	<u>11.2</u>	<u>16.9</u>	<u>18.7</u>
<b>Total Assets</b>	<u>\$507.8</u>	<u>\$549.9</u>	<u>\$559.5</u>
<b>Liabilities</b>			
Current portion long-term debt	\$3.9	\$3.8	\$4.1
Accounts payable & other liab	33.2	43.6	35.1
Long-term debt	93.1	97.4	93.1
Accrued leave and other LT liab	<u>13.2</u>	<u>12.8</u>	<u>16.9</u>
<b>Total Liabilities</b>	<u>\$143.4</u>	<u>\$157.6</u>	<u>\$149.2</u>
<b>Fund Balance</b>	<u>\$364.4</u>	<u>\$392.3</u>	<u>\$410.3</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u>\$507.8</u>	<u>\$549.9</u>	<u>\$559.5</u>

**University of Virginia Medical Center  
Financial Ratios**

<b>Description</b>	<b>Most Recent Three Fiscal Years</b>			<b>Budgeted</b>
	<b>Apr 99</b>	<b>Apr 00</b>	<b>Apr 01</b>	<b>Apr 01</b>
Operating margin (%)	1.7%	4.6%	2.5%	4.8%
Total margin (%)	0.6%	5.8%	3.7%	5.8%
Current ratio (x)	3.7	3.4	3.5	4.0
Days cash on hand (days)	177.2	211.6	157.8	190.0
Gross accounts receivable (days)	73.1	72.7	82.5	80.0
Average payment period (days)	31.5	40.5	28.7	30.6
Annual debt service coverage (x)	4.3	7.3	6.5	7.7
Debt-to-capitalization (%)	20.3%	19.9%	18.5%	20.0%
Capital expense (%)	7.9%	7.7%	7.1%	7.7%

**University of Virginia Medical Center  
Operating Statistics**

Description	Most Recent Three Fiscal Years			Budgeted
	Apr 99	Apr 00	Apr 01	Apr 01
Discharges	24,201	23,450	23,040	23,577
Patient days	129,463	123,667	125,256	125,697
Average length of stay	5.4	5.3	5.5	5.3
Clinic visits	394,197	412,817	425,496	425,133
ER visits	48,224	47,388	47,362	47,322
Medicare case mix index	1.8483	1.8002	1.8940	1.8040
Utilization by Payor Class				
Medicare %	36.6%	38.3%	38.5%	37.0%
Medicaid %	13.7%	12.0%	11.8%	11.9%
Blue Cross %	14.2%	16.3%	15.9%	14.0%
Managed care %	12.8%	13.2%	12.6%	15.5%
Self-pay, Commercial & other %	<del>22.8%</del>	<del>20.1%</del>	<del>21.2%</del>	<del>21.6%</del>
Total	100%	100%	100%	100%
FTE's	4,554	4,410	4,923	4,816

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 14, 2001

COMMITTEE: Health Affairs Committee

AGENDA ITEM: I.B. Web-applications in the  
Medical Curriculum

ACTION REQUIRED: None

BACKGROUND: Medical students have many study options: lectures, labs, small groups, texts, handouts, and now the World Wide Web. The use of web-applications in medical education at academic health centers has been increasing over the last decade. At the University of Virginia School of Medicine several new innovative web-applications recently have become available for both students and faculty.

DISCUSSION: The discussion will focus on a few of the web-applications currently available at the School of Medicine. Mr. Jackson of the Office of Medical Education will demonstrate the course web site for the first-year course, Cell and Tissue Structure. The focus will be on how a student might approach and use the web site for out-of-class study, by using the multimedia handouts and practice quizzes that are available. In an evaluation of the revised course this year, one student wrote, "This course set new standards for all other courses in the medical school."

In addition, Mr. Jackson will demonstrate two of the web resources available for faculty. The Multimedia database is a collection of over 3000 images for use in courses in both the basic and clinical sciences. This database is searchable and items can be used freely within the School of Medicine. Case Tool is a web-application that has been devised recently to assist faculty in the development of teaching clinical cases. Case Tool is database-driven and uses a series of web-forms to guide the case author.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 14, 2001

COMMITTEE: Health Affairs

AGENDA ITEM: II. Remarks by the Vice President  
and Provost for the Health System

ACTION REQUIRED: None

BACKGROUND: The Vice President and Provost for the Health System will utilize this portion of the Health Affairs Committee meeting to inform the Board of Visitors of recent events which do not require formal action, but of which they should be made aware. He will also reflect upon his tenure as Vice President and Provost for the Health System, which is officially concluding on June 30, 2001.