

January 24, 2002

MEMORANDUM

TO: The Health Affairs Committee:

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

and

The Remaining Members of the Board:

Thomas F. Farrell, II	Timothy B. Robertson
Charles L. Glazer	Benjamin P.A. Warthen
T. Keister Greer	Joseph E. Wolfe
Elsie Goodwyn Holland	Sasha L. Wilson
Gordon F. Rainey, Jr.	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Health Affairs
Committee on January 24, 2002

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 2:45 p.m., Thursday, January 24, 2002, in the Board Room of the Rotunda; Charles M. Caravati, Jr., M.D., Chair, presided. H. Christopher Alexander, III, M.D., Harry J.G. van Beek, Thomas J. Bliley, Jr., William G. Crutchfield, Jr., Terence P. Ross, Thomas A. Saunders, III, Ms. Elizabeth A. Twohy, and John P. Ackerly, III, Rector, were present.

Present as well were Thomas F. Farrell, II, Charles L. Glazer, Benjamin P.A. Warthen, and Joseph E. Wolfe.

Also present were Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Thomas Massaro, M.D., Robert E. Reynolds, M.D., Robert M. Carey, M.D., George A. Beller, M.D., Bruce J. Hillman, M.D., Larry Fitzgerald, William N. Carter, Marc Dettmann, Ms. Barbara S. Baldwin, Ms. Pamela Cipriano, Ms. Marjorie L. Sidebottom, Ms. Beth C. Hodsdon, and Ms. Jeanne Flippo Bailes.

R. Edward Howell was present as an observer.

The Chair asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda.

Mr. Sandridge introduced Mr. R. Edward Howell, who will assume his duties as Medical Center Vice President and Chief Executive Officer in February. Mr. Howell, he said, would attend several meetings of the Board and its Committees.

Mr. Sandridge then presented the Agenda item which called for action by the Committee: the creation of the Medical Center Operating Board. He reminded Members that in 1996, the Board of Visitors had delegated to the Medical Policy Council certain governance authority over clinical practice and graduate medical education policies and standards. More recently, the Rector appointed a special committee to consider ways in which the support and governance of the Medical Center might be strengthened. That committee has made a number of recommendations.

The committee recommends that a specialized operating board be devoted exclusively to overseeing the operations of the Medical Center. The board would be a subcommittee of the Health Affairs Committee; it would have no more than nine members with an additional four ex-officio advisory members. As the legal responsibility for the Medical Center rests with the Board of Visitors, five members of the new board would be Members of the Board of Visitors, including the Rector and the Chairs of the Health Affairs and Finance Committees; the Rector would choose the other two members and the Chair of the Operating Board. These

five Members of the Board would be the only voting members of the Operating Board. The Board of Visitors may appoint no more than four public, non-voting, members of the Operating Board. Finally, the Vice President and Chief Executive Officer of the Medical Center, the Executive Vice President and Chief Operating Officer of the University, the President of the Clinical Staff of the Medical Center, and the Dean/Vice President of the School of Medicine will serve as non-voting, advisory members of the Operating Board.

The creation of the Operating Board would repeal the authority delegated by the Board of Visitors in 1996 to the Medical Policy Council.

On motion, the Committee - with Mr. Ross voting Nay - approved the resolution and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, January 26, 2002).

Mr. Sandridge then introduced reports on a variety of topics. He said the Surgeon General of the Air Force has visited the Medical Center in connection with an emergency medicine collaboration with the Air Force Homeland Defense Committee.

Dr. Thomas Massaro gave a status report on the implementation of the Six Sigma program at the Medical Center. He cited as an example the improvements in the time it takes to discharge patients. Using Six Sigma principles of efficiency, 33% of patients being discharged are now out before noon, as opposed to 5% in January of last year. Mr. Ross commended him and staff for these improvements and asked that he thank and congratulate the people responsible.

Ms. Marjorie Sidebottam, Director for HIPPA Initiatives, gave a report on HIPPA - The Health Insurance Portability and Accountability Act of 1996. She outlined the Act and what will be required of the Medical Center to comply with its provisions.

Mr. Sandridge and Mr. Fitzgerald gave the customary report on Medical Center finances, prefacing it with "benchmarking" data which Mr. Fitzgerald explained came from data compiled by the American Association of Medical

Colleges. The AAMC survey is done every year and the results are published in December. It is very highly regarded.

In this survey, the Medical Center ranked slightly above median in its Medicare case mix index, in the 75th percentile on operating margin, below the median on patient care cost per discharge, and at the median on FTE/patient days.

Mr. Fitzgerald summed up his comments by saying that in comparison with its peers, the Medical Center has a very high case index, a low figure for length of stay, ranks above the median on cost per case, and has a low operating margin.

Continuing to his financial report - the figures were current to the end of November - Mr. Fitzgerald said patient discharges from the Medical Center for the first five months of the current fiscal year are below budget and lower than last year. If discharges had been at budget, revenues would have been approximately \$10million higher. Total net revenue stands at \$243.4million, which is above last year but below budget for this fiscal year. Total operating expenses are above budget and above last year. Mr. Fitzgerald commented that salaries, wages and supplies are higher than budget and higher than last year.

FTEs - full-time equivalent employees - are 159 above budget and 500 above last year. Operating income is significantly below budget and below last year's figure. The operating margin is .6%, which is below the budgeted margin of 5.9% and last year's 5%. In summary, Mr. Fitzgerald said, labor costs are above budget and revenues are below budget.

Mr. Sandridge asked Mr. Carter to comment. Mr. Carter outlined measures being taken to contain costs and said the major thrust of the Medical Center's efforts is to control the number of FTEs. The number of hires is going down and in January, in fact, only 19 persons were hired. More beds are opening in the Medical Center - there are 32 more open than at this time last year, and salary rises are being deferred.

After adopting the following motion, the Committee went into Executive Session at 4:05 p.m.

That the Health Affairs Committee of the Board of Visitors of the University of Virginia go into Executive Session to consider appointments and assignment, and to evaluate the performance of specific Medical Center employees and departments, which will also involve an evaluation of individual managers and personnel performance and advice from General Counsel, as provided for in Section 2.2-3711 (A) (1) and (7) of the Code of Virginia; and further to discuss with General Counsel proprietary business information of the Medical Center concerning Medicare participation and regulatory compliance; and to evaluate proprietary business development information of the Medical Center concerning investment in a radiation therapy venture; and market strategies and plans to improve patient base development and financial performance in our competitive health care market; where disclosure at this time would adversely affect the Medical Center's competitive position; as provided for in Sections 2.2-3711 (A) (6), (7) and (23) of the Code of Virginia.

The Committee resumed in Open Session at 4:55 p.m., and attested to the legality of the matters discussed in Executive Session.

That we vote on and record our certification that, to the best of each Board member's knowledge, only public business matters lawfully exempted from open meeting requirements and which were identified in the motion(s) authorizing the closed session, were heard, discussed or considered in closed session.

The Rector commended Dr. Caravati, who will complete his eight years on the Board on March 1st, and his leadership as Chair of the Committee.

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On motion, the meeting was adjourned at 5:00 p.m.

AGG:lah

These minutes have been posted to the University of Virginia's Board of Visitors website.
<http://www.virginia.edu/bov/healthminutes.html>