

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
HEALTH AFFAIRS COMMITTEE
JANUARY 24, 2002**

HEALTH AFFAIRS COMMITTEE

Thursday, January 24, 2002

2:30 to 5:30 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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IV. EXECUTIVE SESSION

- Discussion of the appointment, assignment, performance, and evaluation of prospective candidates and specific individuals and departments, which will also necessarily involve consideration of the performance of specific individuals; and discussion and evaluation of proprietary business information and patient base development strategies regarding a radiation therapy venture and affiliation; and proprietary business development information regarding strategies to deal with competitive market forces affecting financial performance, where disclosure would adversely affect the Medical Center's competitive position. The relevant exemptions to the Virginia Freedom of Information Act are found in Sections 2.2-3711(A) (1) and (23) of the Code of Virginia

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 24, 2002

COMMITTEE: Health Affairs

AGENDA ITEM: I. Creation of the University of
Virginia Medical Center Operating
Board

BACKGROUND: In 1996, the Health Affairs Committee delegated to the Medical Policy Council certain governance authority over clinical practice and graduate medical education policies and standards. A special committee appointed by the Rector has considered ways in which the support and governance of the Medical Center might be strengthened, including potentially changing the role of the Health Affairs Committee. The recommendations and resolution set forth below are results of the work of the special committee.

DISCUSSION: In order to centralize and strengthen the governance of the Medical Center, a specialized operating board should be devoted exclusively to overseeing the operations of the Medical Center. This operating board would be a subcommittee of the Health Affairs Committee. The operating board would be limited to no more than nine members, with an additional four ex-officio advisory members who are senior administrators. The legal responsibility for the Medical Center rests with the Board of Visitors, and therefore five of the operating board members should be members of the Board of Visitors, including the Rector and the current chairs of the Health Affairs and Finance Committees, and two others chosen by the Rector. In addition, persons with specialized healthcare or other expertise can provide valuable insights to the operating board, and should be selected by the Board of Visitors. Advisory members of the operating board would include the Vice President and Chief Executive Officer (CEO) of the Medical Center, the President of the Clinical Staff, the Executive Vice President and Chief Operating Officer of the University and the Dean/Vice President of the School of Medicine.

The operating board will need to meet frequently for timely review of Medical Center operations and to

understand and oversee the Medical Center's relationship with the School of Medicine, the School of Nursing and the Health Services Foundation. The operating board would work directly with the Vice President and CEO of the Medical Center and the Executive Vice President and Chief Operating Officer of the University to set expectations and a vision for the future of the Medical Center. The members of the operating board would be expected to serve as resource persons for the Medical Center and to assist in matters involving external constituents that require the intervention of board-level persons.

With the creation of the operating board, the 1996 delegation of authority to the Medical Policy Council would be repealed.

ACTION REQUIRED: Approval by the Health Affairs Committee and by the Board of Visitors

CREATION OF THE UNIVERSITY OF VIRGINIA MEDICAL CENTER
OPERATING BOARD

WHEREAS, a special subcommittee of the Board of Visitors, appointed by the Rector, has determined that in order to better operate and manage the Medical Center, the Board should establish a standing subcommittee of the Health Affairs Committee with exclusive responsibility for Medical Center operations;

RESOLVED that the 1996 delegation of authority to the Medical Policy Council is repealed and a standing subcommittee of the Board of Visitors is created, to be known hereafter as the University of Virginia Medical Center Operating Board. The Board shall be the governing board of the Medical Center for Joint Commission on Accreditation of Hospital Organizations purposes, and with the general powers and duties set forth below; and

RESOLVED FURTHER that the Rector and the chairs of the Health Affairs and Finance Committees shall be ex-officio voting members, the Rector shall choose two other members of the Board of Visitors who shall be voting members, and shall name the chair of the University of Virginia Medical Center Operating Board; and

RESOLVED FURTHER that the Board of Visitors may appoint no more than four public members to serve, without compensation save reimbursement of expenses as permitted by University policy, to be non-voting members with initial terms not to exceed four years, with eligibility of reappointment for one additional consecutive four-year term, such that no member shall be eligible to serve more than two successive terms; and

RESOLVED FURTHER that 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 shall serve as non-voting advisory members; and

RESOLVED FURTHER that the University of Virginia Medical Center Operating Board shall have the following duties and responsibilities:

1. Carrying out the mission of the Medical Center, which is to provide excellence and innovation in the care of patients, the training of health professionals, and the creation and sharing of health knowledge.
2. Developing a reporting matrix that shows the lines of authority within the Medical Center and indicates the key persons involved.
3. Establishing policies, promoting performance improvement and providing for organizational management and planning, including but not limited to, the delivery of quality patient care; providing for medical staff credentialing and appointments to the medical staff; financial management including annual operating and capital budgets; risk management; the use of the Medical Center for professional graduate medical education; and adopting resolutions, as necessary and appropriate, for the governance of the Medical Center.
4. Approving medical staff bylaws and other medical staff rules and regulations and ensuring that the medical staff is accountable to the University of Virginia Medical Center Operating Board for the quality of care provided to patients, including inpatient and outpatient services.

5. Providing for appropriate medical staff participation in governance, including but not limited to providing for representation by the medical staff at meetings of the University of Virginia Medical Center Operating Board.
6. Approving the selection of a vice president and chief executive officer who is responsible for managing the Medical Center based on criteria established by the University of Virginia Medical Center Operating Board.
7. Providing for compliance with applicable laws and regulations, and policies of the Board of Visitors.
8. Establishing appropriate standards for contracted services provided in the Medical Center.
9. Assuring the collaboration of administrators and physician leaders in developing, reviewing and revising policies and procedures.
10. Providing for methods of conflict resolution among the administrators and physician leaders and among persons under their leadership.
11. Other duties as may be delegated from time-to-time by the Board of Visitors.

RESOLVED FURTHER that the University of Virginia Medical Center Operating Board shall report its actions to the Health Affairs Committee at the following meeting of the Committee; and

RESOLVED FURTHER that appropriate officials of the University are authorized to take all actions necessary to carry out this resolution; and

RESOLVED FURTHER that all affiliated organizations providing clinical services or professional graduate medical education using University of Virginia facilities or resources shall, as a condition of their use of such facilities or resources, be subject to the authority of and the policies (including medical staff bylaws) adopted by the University of Virginia Medical Center Operating Board with respect to the provision of clinical services and professional graduate medical education at or in University of Virginia facilities; and

RESOLVED FURTHER that all such policies relating to the provision of clinical services or professional graduate medical education adopted by the University of Virginia Medical Center Operating Board shall likewise govern the professional graduate medical education and clinical activities of affiliated organizations at or in non-University facilities and the University of Virginia Medical Center Operating Board is hereby directed to take steps necessary to ensure that the aforesaid policies, and any changes thereto, are in a timely way communicated to and adopted by such affiliated organizations; and

RESOLVED FURTHER that the Manual of the Board of Visitors of the University of Virginia shall be amended by adding language defining the University of Virginia Medical Center Operating Board and its responsibilities to Section 3.25; and

RESOLVED FURTHER that this resolution and the Manual of the Board of Visitors of the University of Virginia shall serve as the bylaws of the University of Virginia Medical Center Operating Board; and

RESOLVED FURTHER that this authorization shall continue in effect until repealed or otherwise modified by the Board of Visitors.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 24, 2002

COMMITTEE: Health Affairs

AGENDA ITEM: II.A. Vice President's Remarks

ACTION REQUIRED: None

DISCUSSION: The Executive Vice President and Chief Operating Officer will inform the Board of recent events that do not require formal action, but of which it should be made aware.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 24, 2002

COMMITTEE: Health Affairs

AGENDA ITEM: II.B. Six Sigma - Status of
 Implementation

ACTION REQUIRED: None

BACKGROUND: The Board of Visitors was introduced to the Six Sigma program at its October meeting. The Medical Center has established a relationship with General Electric (GE) Medical Systems to acquire management techniques developed at GE and many other outstanding organizations during the past decade. The Board requested a periodic review of the progress in implementing this program.

DISCUSSION: The program continues to make good progress in implementing these techniques and training staff in these tools. Workout™ is the tool for eliminating non-value added tasks and facilitating rapid decision-making within the organization. Bringing together multiple stakeholders to make quick practical decisions, Workout™ is most useful for breaking down barriers between and among groups. Over the past two months the organization has conducted Workouts and the results have been very positive. Examples of successes will be presented.

Six Sigma is the statistically rigorous process improvement tool designed to reduce defects in complex process. The Medical Center is applying this approach to improve service quality, to enhance patient safety, and to streamline process flow in both patient care and administrative systems. Several pilot studies have been completed during this period. The results of these studies and the implications for enhanced efficiency and effectiveness will be reviewed.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 24, 2002

COMMITTEE: Health Affairs

AGENDA ITEM: II.C. The Health Insurance Portability
and Accountability Act (HIPAA)

ACTION REQUIRED: None

BACKGROUND: In The Health Insurance Portability and Accountability Act of 1996 (HIPAA), Congress directed the Department of Health and Human Services to adopt federal standards for standardization of healthcare billing and coding and protection of medical records. The protection standards will be enforced by the Office for Civil Rights. HIPAA has significant implications for the way the Medical Center does business and the School of Medicine does research.

DISCUSSION: Ms. Marge Sidebottom, Director for HIPAA Initiatives, will give an introductory presentation on HIPAA that will include challenges faced by the Medical Center as an academic medical center. Among these are implications for treatment, payment, business operations, fundraising and research. The target dates for compliance will be reviewed. Ms. Beth Hodsdon, University Associate General Counsel, and Ms. Barbara Baldwin, Chief Information Officer of the Health System, will be available for questions.

There are two major parts of the HIPAA legislation; the first part deals with coding and transactions, and the second part deals with patient privacy issues.

The coding and transactions portion of the regulations, to be enforced beginning in October 2002, requires a standardized format for submitting information for payment and other business operations.

The privacy portion requires patient consent (or in some cases, a more specific and limited "authorization") prior to most uses or disclosures of individually identifiable health information, whether in electronic, paper or oral form, and generally limits the use and disclosure to the "minimum necessary" for the purpose. The

rule also requires the Medical Center to enter into specialized confidentiality agreements with vendors with whom the Center shares protected health information. Proposed security regulations will require administrative, technical and physical safeguards to ensure the integrity of the protected health information.

The Medical Center has taken a team approach to prepare for HIPAA, utilizing existing structures where appropriate, and creating specialized short-term work groups as necessary, to plan and execute a response to this large and complex piece of regulation.

INFORMATION SHEET

The Health Insurance Portability and Accountability Act (HIPAA) of 1996

Background: Original Legislation

Amended the Social Security Act
Health Insurance Portability (COBRA)
Accountability - provide a means in which to reduce fraud and
abuse in the healthcare industry
Evolved into Administrative Simplification which has three
components:

1. Coding Transaction Sets - standard format for submitting
information for payment and
other business operations
2. Privacy - protection of individually identifiable health
information -- includes electronic, paper, and
oral communication
3. Security - security for access and reporting of
individually identifiable health information -
includes IS technical guidelines

Basic Definitions:

PHI - protected health information (individually identifiable
health information such as name, medical record number,
diagnosis, etc.)

TPO - treatment, payment, business operations - exclusionary
basis for exchange of information

Covered Entity - The entity that must comply with HIPAA. The
covered entity refers to healthcare providers, health plans and
healthcare clearing houses.

Consent - a consent is a general document that gives health care
providers, which have a direct treatment relationship with a
patient, permission to use and disclose all protected health
information for the purposes of treatment, payment or business
operations (TPO).

Authorization - an authorization is a more customized document that gives the covered entity permission to use specified protected health information for specific purposes, which are generally other than treatment, payment or business operations (TPO) such as research or psychotherapy notes.

Revocation - A written document presented by a patient to revoke a consent or authorization.

Minimum Necessary - The privacy rule requires covered entities to take reasonable steps to limit the use or disclosure of and requests for protected health information (PHI) to the minimum necessary to accomplish the intended purpose.

Business Associate - a business associate is a person or entity who provides certain functions, activities, or services for or to a covered entity, involving the use and/or disclosure of protected health information (PHI).

Chain of Trust - A chain of trust partner agreement is a contract entered into by two business partners in which both partners agree to electronically exchange data and protect the confidentiality and integrity of the data exchanged.

UVA Organizational Structure for HIPAA
University Administration
Health System Executive Management
HIPAA Steering committee
Advisory Committees and Workgroups (currently 18)

What are we doing?

Defining the Entity
Educating the Community
Assessing and Inventorying Systems
Conducting a PHI Summary
Assessing Technology Requirements
Networking with Academic Medical Centers and colleagues
locally and Nationally
Attending and presenting at Summits/Conferences as new
information becomes available
January Board of Visitor Presentation Planned

This is a methodical process staying focused on reality as we plan a strategic response to this large and complex piece of legislation.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 24, 2002

COMMITTEE: Health Affairs

AGENDA ITEM: II.D. Medical Center Financial Report
as of November 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.

DISCUSSION: The first five months of Fiscal Year 2002 were not up to expectations. Overall, volume was below budget and labor cost was above budget. If these trends continue, financial performance in Fiscal Year 2002 will continue to be below expectations.

The major determinant of net revenue is patient discharges. For the first five months of Fiscal Year 2002 discharges are below budget by 635 or 5.3 percent. Had discharges been equal to budget, net revenue would have been approximately \$10,000,000 higher. Several services, such as neurosurgery, inpatient surgery, and obstetrics are below budget. Outpatient volume, such as same day patients, are above budget but not enough to offset the drop in discharges.

Net operating revenue for Fiscal Year 2002 is 3.2 percent below budget but 8.6 percent above prior year. The increase in revenue over prior year is partly the result of the conversion of the outpatient clinics to provider-based clinics. This conversion occurred on August 1, 2000, so is not reflected in revenue for July 2000. In addition, gross charges for the Medical Center increased an average of 15.0 percent on July 1, 2001.

Total operating expenses for Fiscal Year 2002 are 2.5 percent above the \$236.2 million budget and 13.6 percent over prior year expenses. Salaries, wages and supplies are higher than both budget and prior year.

The number of full-time equivalent employees (FTEs) is 159 above budget and 500 above prior year. The increase in FTEs over prior year is the result of University and HSF employees transferring to the Medical Center's payroll and successful efforts to increase FTEs to permit the opening of more beds. Hospital and clinic FTEs are:

	<u>FY 2001</u>	<u>FY 2002</u>	<u>2002 Budget</u>
Hospital FTEs	4,412	4,830	4,687
Clinic FTEs	<u>360</u>	<u>442</u>	<u>426</u>
Total	4,772	5,272	5,113
Annualized			
Salary and Wage	\$39,478	\$42,422	\$41,180
Cost per FTE			

Plans have been prepared and are being evaluated to adjust expenses down by five percent. At this time, our plan is not to lay off employees or reduce services. The major component of the plan is to reduce hiring and limit discretionary spending. The organization is clearly focused on the requirement to reduce expenses.

The salary and wage cost per FTE in Fiscal Year 2002 is higher than in the prior year because of several salary adjustments made during Fiscal Year 2001:

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

The operating margin for Fiscal Year 2002 is .6 percent, which is below both the budgeted margin of 5.9 percent and the prior year's 5.0 percent margin.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 24, 2002

COMMITTEE: Health Affairs

AGENDA ITEM: III. Integrated Healthcare
Information Management System
(IHIMS) Quarterly 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 received a status report on the implementation of IHIMS at its July, 2001 meeting.

Progress report:

- The Medical Center no longer uses clinical results software, because it is no longer supported by Siemens Health Services. The software functioned as the electronic method to deliver patient clinical care results to care providers. The replacement software, the Clinical Archive System, is based on IBM products and was successfully implemented in August 2001, as projected. This clinical archive system replaces two previous clinical results reporting databases and establishes a single view for UVA Health System care providers. A survey of care providers since the implementation of the new system, shows high satisfaction with the efficiency of retrieving patient care results with the new clinical archive system.
- The Medical Center patient scheduling, registration and billing systems also required upgrading by October to remain supported by the vendor, Siemens Health Services. This upgrade was completed successfully in September without negative impact to accounts receivables. Future strategy planning by Health System Computing Services and Patient Financial Services on system improvements is

currently underway with a target date for completion of March 2002.

- UVA Health System received a refund from IDX of \$4,062,918 for payments previously made on the integrated systems project. IDX refunded these monies to UVA Health System as a demonstration of their commitment to work with the Medical Center on a positive basis. UVA Health System has the right to claim the remaining payments to IDX of \$1,512,819 at its election should movement on the new clinical system not progress as desired. The remaining amount represents 'mainframe' hardware that both parties determined should not be shipped back unless the Health System concludes that IDX is no longer a business partner in the IHIMS project.
 - Planning for the deployment of IDX's inpatient software, Lastword, is underway. March, 2002, is the target date for establishing the recommended implementation process.
 - Evaluation of IDX Lastword outpatient/ambulatory care capabilities is actively in progress with a March, 2002, timeframe recommended. Ambulatory care software can be a key component of productivity in clinical care. Therefore, each of the 22 Departmental Chairmen has assigned a physician to assure that department productivity and processes are represented. These physician designates have been appropriately active in the review of IDX software functions. As a key step, these designates will be involved in reference calls with peers in health systems already operating IDX Lastword (e.g., The Mayo Clinic, The University of Nebraska, and others).
 - Outpatient pharmacy capability is still under review.