

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
September 2, 2004**

UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD

Thursday, September 2, 2004
12:30 - 3:30 p.m.

Medical Center Dining Conference Rooms 1, 2 and 3

Committee Members:

| | |
|---------------------------------------|------------------------------|
| E. Darracott Vaughan, Jr. M.D., Chair | |
| William G. Crutchfield, Jr. | Gordon F. Rainey, Jr. |
| Eugene V. Fife | Thomas A. Saunders, III |
| Randy J. Koporc | Katherine L. Smallwood, M.D. |
| Lewis F. Payne | Edward J. Stemmler, M.D. |

Ex Officio Members:

Arthur Garson, Jr., M.D.
John B. Hanks, M.D.
R. Edward Howell
Leonard W. Sandridge

AGENDA

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|---|-------------|
| I. ACTION ITEM | |
| • Endorsement of the Naming of University of Virginia Children's Hospital (Mr. Howell to introduce Ms. Margaret M. Van Bree; Ms. Van Bree to report) | 1 |
| II. REPORTS BY THE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE MEDICAL CENTER (Mr. Howell) | |
| A. Vice President's Remarks | 2 |
| B. Finance, Write-offs and Operations (Mr. Howell to introduce Mr. Larry Fitzgerald, who will report on Finance and Write-offs; Ms. Van Bree to report on Operations) | 3 |
| C. Capital Projects | 15 |
| D. Quality Subcommittee (Mr. Fife) | 19 |
| E. Graduate Medical Education (Mr. Howell to introduce Thomas A. Massaro, M.D.; Dr. Massaro to report) | 20 |
| III. REPORT BY THE PRESIDENT OF THE CLINICAL STAFF OF THE MEDICAL CENTER (Dr. Hanks) | 22 |

IV. EXECUTIVE SESSION

- ACTION ITEM - To consider proposed personnel actions regarding the appointment, reappointment, resignation, assignment, performance, and credentialing of specific medical staff and health care professionals, as provided for in Section 2.2-3711 (A) (1) of the Code of Virginia.
- Discussion of proprietary, business-related information pertaining to the operations of the Medical Center, where disclosure at this time would adversely affect the competitive position of the Medical Center, specifically:
 - Consideration of specific marketing strategies for the Medical Center for Fiscal Year 2005 and investing of public funds for purchase of an off-site outpatient care facility, where public discussion would adversely affect the Medical Center's bargaining position; and
 - Consultation with legal counsel regarding the Medical Center's compliance with relevant federal reimbursement regulations and accreditation standards, which will also involve proprietary business information of the Medical Center and evaluation of the performance of specific Medical Center personnel.

The relevant exemptions to the Virginia Freedom of Information Act authorizing the discussion and consultation described above are provided for in Section 2.2-3711 (A) (1), (3), (6), (7), and (23) of the Code of Virginia.

V. OPTIONAL TOUR OF THE EAST CAFETERIA RENOVATIONS

Upon conclusion of the meeting, the Medical Center will host a tour of the recently renovated East Cafeteria.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 2, 2004

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I. Endorsement of the Naming of the
University of Virginia Children's Hospital

BACKGROUND: The Medical Center provides general and subspecialty care on an inpatient and outpatient basis to children who range in age from premature infants to 21 years.

DISCUSSION: Currently the University of Virginia patient care efforts for children fall under the "Children's Medical Center" umbrella. Based on market studies and data, the general public does not have the kind of awareness of the Children's Medical Center as is the case for some of the other Health System programs or clinical areas. The term "children's hospital" is more consistent with industry standards and is a more distinctive name. Therefore, the Medical Center desires to change the name of the Children's Medical Center to the University of Virginia Children's Hospital.

ACTION REQUIRED: Endorsement by the Medical Center Operating Board. This action will be reported to the Board of Visitors as a matter of record.

ENDORSEMENT REGARDING NAMING OF UNIVERSITY OF VIRGINIA
CHILDREN'S HOSPITAL

RESOLVED that the Medical Center Operating Board, following the recommendation of the Medical Center Administration, endorses the change in name from the University of Virginia Children's Medical Center to the University of Virginia Children's Hospital.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 2, 2004

COMMITTEE: Medical Center Operating Board

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

ACTION REQUIRED: None

DISCUSSION: The Vice President and Chief Executive Officer of the Medical Center will inform the Medical Center Operating 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: September 2, 2004

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.B. Finance and Write-offs

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a financial and operations report, including write-offs of bad debt and indigent care, and reviews it with the Executive Vice President and Chief Operating Officer before submitting the report to the Medical Center Operating Board of the Board of Visitors.

DISCUSSION:

FINANCE

The first eleven months of Fiscal Year 2004 ended with an operating margin of 4.0 percent, which fell slightly short of the goal of 4.2 percent. Total operating revenue was above budget and above the prior year. Total operating expenses also were above budget and above prior year.

Through the first eleven months of Fiscal Year 2004, inpatient admissions were 5.1 percent above budget and 6.9 percent above prior year. Patient days were 7.3 percent above budget and 8.2 percent above prior year. Length of stay was 5.7 days, which was above the 5.6 day budgeted length of stay. With the exception of psychiatry and urology, admissions for most hospital services were above prior year. The most significant increases in inpatient admissions occurred in neurology, neurosurgery, general surgery and pediatrics. Same day patients were 19.0 percent below budget and 11.5 percent below prior year. The Medical Center adopted a new process to improve the appropriateness of classifying patients between admissions and same day status that has resulted in classifying some patients as admissions who historically would have been classified as a same day patient. While the number of same day patients has declined, inpatient admissions with a one-day length of stay have increased by 16 percent over the prior year.

Total operating revenue for the first eleven months of Fiscal Year 2004 was .4 percent above budget and 9.9 percent

above prior year. Rate increases were implemented on July 1, 2003 and again on January 1, 2004 in order to bring the Medical Center's gross charges more in line with other academic medical centers.

Total operating expenses for the first eleven months of Fiscal Year 2004 were .6 percent above the \$610.1 million budget and 11.4 percent above prior year expenses. Salaries and wages, supplies and contracts were above both budget and prior year expenses. Purchased services were below budget but above prior year expenses.

The number of full-time equivalent employees (FTEs) was 54 below budget and 233 above prior year. FTEs and salary and wage cost per FTE were:

| | <u>FY 2003</u> | <u>FY 2004</u> | <u>2004 Budget</u> |
|-----------------|----------------|----------------|--------------------|
| FTEs | 5,048 | 5,281 | 5,335 |
| Annualized | | | |
| Salary and Wage | \$43,891 | \$46,488 | \$44,821 |
| Cost per FTE | | | |

OTHER FINANCIAL ISSUES

The Medical Center is continuing its efforts to provide national leadership on the issue of billing and collection practices to uninsured patients, especially those with low income. Mr. Howell was interviewed by Trustee magazine for its May article "Who Should Pay for the Uninsured". The Medical Center requested the Virginia Department of Medical Assistance Services (DMAS) to consider expanding the definition of an indigent patient. The Director of DMAS responded by asking the Medical Center, Virginia Commonwealth University, and DMAS to work together to analyze the financial impact of this potential change and to provide the data for a funding request to the General Assembly.

The American Hospital Association asked that all hospitals confirm their commitment to billing and collecting guidelines the Association issued. The Medical Center was one of 64 Virginia hospitals to make the written commitment. The guidelines were consistent with the Medical Center's historical billing and collection policies and practices.

One of the provisions of The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) permits pharmaceutical companies to sell drugs for inpatient use at the public service prices to hospitals such as the Medical Center that have a high percentage of indigent patients. Historically this favorable pricing has been available only for outpatient drugs. The large pharmaceutical companies have not agreed to provide the lower prices to qualifying hospitals. We are pursuing this cost saving opportunity through efforts nationally and locally. The potential annual savings to the Medical Center could be as high as \$5 million.

WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$84.0 million for the period July 1, 2003, through May 31, 2004, have been written off. Recoveries during this period totaled \$14.2 million.

Bad debt charges totaling \$25.9 million for the first eleven months of the fiscal year have been written off. During this same period, \$12.4 million was recovered through suits, collection agencies, and Virginia refund set-off.

The 2004-2006 biennial budget for the University provides the Medical Center with authority to collect its own debts and to compromise, settle and discharge accounts receivable claims rather than using the Debt Collection Division of the Office of the Attorney General, provided the Medical Center can demonstrate to the Secretary of Finance that it will be more cost effective. The Secretary has granted this authorization to the Medical Center for Fiscal Year 2005 and will review the performance next spring in order to re-evaluate the authorization for Fiscal Year 2006.

OPERATIONS REPORT

In addition to strong inpatient volumes, through the first eleven months of Fiscal Year 2004 emergency room visits were approximate to budget, and surgical volume continued to rise as the number of operating rooms running later into the day has increased our capacity. Surgical cases were 3.3 percent above budget and 8.3 percent ahead of last year. Outpatient clinic visits, however, were approximately 1 percent below the budget target through May 2004.

The University of Virginia on behalf of its Medical Center replaced the University of Virginia Health Services Foundation (HSF) as the sole member of Virginia Ambulatory Surgery, Inc., (VASI) effective July 1, 2004. VASI operates 6 operating rooms and one procedure room as a free-standing ambulatory surgery center. Fiscal Year 2004 volume at VASI was 7,614 cases. The primary services utilizing VASI include general surgery, otolaryngology, orthopaedic surgery, ophthalmology, gynecology, urology, plastic surgery, and IVF. VASI is accredited through the American Association of Ambulatory Health Care and anticipates the next accreditation survey to be in September 2004.

Eighty employees transferred from HSF to the Medical Center, with only one employee deciding to find employment elsewhere. The Medical Center has entered into a six-month management services agreement with HSF to provide services related to patient billing and accounting, as well as overall management of VASI through the administrative director. The administrative director, Gerry Dobrasz, is planning to retire at the end of December, and the Medical Center has initiated a search for a new administrative director, who will be a Medical Center employee. A Clinical Practice Committee, comprised of surgeons, anesthesiologists, nursing and administration, has been established to oversee the clinical practice within VASI and to make recommendations to the University for the granting of clinical privileges and credentials for physicians and allied health professionals to practice at VASI. The VASI Transitional Leadership Team, comprised of R. Edward Howell, Arthur Garson, Jr., M.D., John Hanks, M.D., Terrance Yemen, M.D., Margaret Van Bree and Marc Dettmann will provide strategic policy oversight and guidance for VASI for the next six months to one year.

In addition to the acquisition of VASI, HSF transferred to the Medical Center as of July 1, the ownership and operation of the Institute of Quality Health (IQ Health). IQ Health provides occupational and employee health services, including employee assistance programs, for the University of Virginia and community businesses and organizations. All thirteen employees of IQ Health transferred to the Medical Center.

Nine medical specialties at the University of Virginia Health System were listed in the U.S. News & World Report's 2004 edition of "America's Best Hospitals" published in July. According to the magazine editors, ranked hospitals performed large numbers of tricky and risky procedures, and study after study shows that expertise counts. Ranked hospitals also adhere

closely to advance treatment guidelines, incorporate new findings into patient care, and conduct research that gives desperately ill patients more options. University of Virginia departments and divisions listed in this year's guide and their rankings are: endocrinology (hormonal disorders) (5); ear, nose and throat (18); urology (19); digestive disorders (24); gynecology (27); cancer (32); orthopedics (33); neurology and neurosurgery (37); and kidney disease (49).

The Commission on Accreditation for Rehabilitation Facilities (CARF) surveyed the Kluge Children's Rehabilitation Center July 12-13th, for its comprehensive inpatient and outpatient rehabilitation services. The final report of the surveyors is expected in mid-September.

In 2003, the Department of Health and Human Services established a national initiative for medical centers and organ procurement organizations to collaborate in order to dramatically increase access to transplantable organs. A number of factors can influence the overall donation of organs, including early identification of potential organ donors, the experience of the family during the patient's stay in the hospital, and having families approached by personnel specialty trained in talking about organ donation. A team of Medical Center physicians, nurses, and other care givers, along with representatives from LifeNet, the local organ procurement agency, established a task force to improve the rate of referral to LifeNet and the overall number of organ donations. Prior to the start of the task force in September 2003, the referral rate of medically suitable patients to LifeNet was 64%. Over the past nine months, the referral rate has increased to 92%. The number of referrals to LifeNet resulting in a final decision of donation has increased from 27% prior to the initiative to 60% at the end of July.

The newly-renovated Medical Center East Cafeteria opened for business on July 5th, and a grand opening ceremony was held on July 12th. Changes in the cafeteria design have improved traffic flow for patients, visitors and busy employees who also now have a far greater variety of menu items available.

The Medical Center continues to hold Employee Forums on a bimonthly schedule. The May Employee Forum focused on the services of the Children's Medical Center, and the September Employee Forum will feature upcoming Marketing initiatives and highlight the Medical Center's involvement with the community.

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

| Description | Most Recent Three Fiscal Years | | | Budget/Target |
|-----------------------------|--------------------------------|----------------|----------------|----------------|
| | May FY02 | May FY03 | May FY04 | May FY04 |
| Net patient revenue | \$543.5 | \$571.1 | \$627.7 | \$623.2 |
| Other revenue | <u>10.3</u> | <u>10.8</u> | <u>11.8</u> | <u>13.9</u> |
| Total operating revenue | <u>\$553.8</u> | <u>\$581.9</u> | <u>\$639.5</u> | <u>\$637.1</u> |
| Operating expenses | 504.0 | 514.7 | 575.5 | 569.3 |
| Depreciation | 31.1 | 32.0 | 34.2 | 36.6 |
| Interest expense | <u>4.2</u> | <u>4.1</u> | <u>3.9</u> | <u>4.2</u> |
| Total operating expenses | <u>\$539.3</u> | <u>\$550.8</u> | <u>\$613.6</u> | <u>\$610.1</u> |
| Operating income (loss) | <u>\$14.5</u> | <u>\$31.1</u> | <u>\$25.9</u> | <u>\$27.0</u> |
| Non-operating income (loss) | <u>\$1.1</u> | <u>\$11.3</u> | <u>\$17.9</u> | <u>\$7.5</u> |
| Net income (loss) | <u>\$15.6</u> | <u>\$42.4</u> | <u>\$43.8</u> | <u>\$34.5</u> |
| Principal payment | \$3.9 | \$4.2 | \$5.5 | \$5.5 |

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

| Description | Most Recent Three Fiscal Years | | |
|---|--------------------------------|----------------|----------------|
| | May FY02 | May FY03 | May FY04 |
| Assets | | | |
| Operating cash and investments | \$13.5 | \$64.1 | \$76.1 |
| Patient accounts receivables | 85.8 | 77.6 | 95.0 |
| Property, plant and equipment | 229.6 | 244.7 | 290.2 |
| Depreciation reserve and other investments | 188.1 | 242.8 | 239.7 |
| Endowment Funds | 91.7 | 90.7 | 102.0 |
| Other assets | <u>69.2</u> | <u>46.6</u> | <u>48.8</u> |
| Total Assets | <u>\$677.9</u> | <u>\$766.5</u> | <u>\$851.8</u> |
| Liabilities | | | |
| Current portion long-term debt | \$0.0 | \$6.0 | \$0.2 |
| Accounts payable & other liab | 39.8 | 60.1 | 79.2 |
| Long-term debt | 88.6 | 119.3 | 137.5 |
| Accrued leave and other LT liab | <u>19.2</u> | <u>19.3</u> | <u>31.8</u> |
| Total Liabilities | <u>\$147.6</u> | <u>\$204.7</u> | <u>\$248.7</u> |
| Fund Balance | <u>\$530.3</u> | <u>\$561.8</u> | <u>\$603.2</u> |
| Total Liabilities & Fund Balance | <u>\$677.9</u> | <u>\$766.5</u> | <u>\$851.8</u> |

University of Virginia Medical Center
Financial Ratios

| Description | Most Recent Three Fiscal Years | | | Budget/Target |
|----------------------------------|--------------------------------|----------|----------|---------------|
| | May FY02 | May FY03 | May FY04 | May FY04 |
| Operating margin (%) | 2.6% | 5.3% | 4.0% | 4.2% |
| Total margin (%) | 2.8% | 7.1% | 6.7% | 5.4% |
| Current ratio (x) | 2.5 | 2.1 | 2.2 | 4.0 |
| Days cash on hand (days) | 137.3 | 177.6 | 173.5 | 190.0 |
| Gross accounts receivable (days) | 68.2 | 61.3 | 59.0 | 60.0 |
| Average payment period (days) | 26.3 | 42.8 | 46.0 | 30.6 |
| Annual debt service coverage (x) | 6.3 | 9.4 | 8.7 | 7.8 |
| Debt-to-capitalization (%) | 16.8% | 20.2% | 21.5% | 20.0% |
| Capital expense (%) | 6.5% | 6.6% | 6.2% | 6.7% |

University of Virginia Medical Center
Operating Statistics

| Description | Most Recent Three Fiscal Years | | | Budget/Target |
|-------------------------|--------------------------------|--------------|--------------|---------------|
| | May FY02 | May FY03 | May FY04 | May FY04 |
| Admissions | 24,618 | 25,052 | 26,789 | 25,477 |
| Patient days | 137,444 | 141,596 | 153,228 | 142,739 |
| SS/PP Patients | 7,340 | 6,956 | 6,158 | 7,605 |
| Average length of stay | 5.6 | 5.6 | 5.7 | 5.6 |
| Clinic visits | 489,661 | 495,362 | 517,149 | 521,689 |
| ER visits | 53,933 | 52,670 | 53,752 | 53,839 |
| Medicare case mix index | 1.9214 | 1.8912 | 1.8257 | 1.9075 |
| Net Revenue by Payor | | | | |
| Medicare % | 38.6% | 36.3% | 34.2% | 33.5% |
| Medicaid % | 13.9% | 12.8% | 14.1% | 15.7% |
| Managed care % | 7.1% | 6.6% | 8.7% | 6.8% |
| Commercial % | 9.5% | 11.0% | 9.3% | 12.8% |
| Other | <u>30.9%</u> | <u>33.4%</u> | <u>33.7%</u> | <u>31.3%</u> |
| Total | 100% | 100% | 100% | 100% |
| FTE's | 5,328 | 5,048 | 5,281 | 5,335 |

University of Virginia Medical Center
SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES
 Fiscal Year to Date with Comparative Figures for Prior Year to Date - May 31, 2004

OPERATING STATISTICAL MEASURES - May 2004

| ADMISSIONS and CASE MIX - Year to Date | | | | OTHER INSTITUTIONAL MEASURES - Year to Date | | | |
|--|--------|--------|----------|---|---------|---------|----------|
| | FY 03 | FY 04 | % Change | | FY 03 | FY 04 | % Change |
| ADMISSIONS: | | | | ACUTE INPATIENTS: | | | |
| Surgical | 9,495 | 9,971 | 5.0% | Inpatient Days | 141,596 | 153,228 | 8.2% |
| Medical | 10,370 | 11,248 | 8.5% | Average Length of Stay | 5.6 | 5.7 | 1.8% |
| Transplant | 158 | 150 | (5.1%) | Average Daily Census | 423 | 456 | 7.8% |
| Obstetrics | 1,270 | 1,392 | 9.6% | Births | 1,216 | 1,372 | 12.8% |
| Pediatrics | 2,090 | 2,405 | 15.1% | OUTPATIENTS: | | | |
| Psychiatric | 1,669 | 1,623 | (2.8%) | Clinic Visits | 495,362 | 517,149 | 4.4% |
| Subtotal Acute | 25,052 | 26,789 | 6.9% | Average Daily Visits | 2,367 | 2,485 | 5.0% |
| Short Stay | 6,956 | 6,158 | (11.5%) | Emergency Room Visits | 52,670 | 53,752 | 2.1% |
| Total Admissions | 32,008 | 32,947 | 2.9% | SURGICAL CASES | | | |
| CASE MIX INDEX: | | | | Inpatient | 11,766 | 12,576 | 6.9% |
| All Acute Inpatients | 1.7269 | 1.7017 | (1.5%) | Outpatient | 2,290 | 2,640 | 15.3% |
| Medicare Inpatients | 1.8912 | 1.8257 | (3.5%) | Total | 14,056 | 15,216 | 8.3% |

OPERATING FINANCIAL MEASURES - May 2004

| REVENUES and EXPENSES - Year to Date | | | | OTHER INSTITUTIONAL MEASURES - Year to Date | | | |
|--------------------------------------|-------------|-------------|----------|---|-------------|-------------|----------|
| | FY 03 | FY 04 | % Change | | FY 03 | FY 04 | % Change |
| NET REVENUES: | | | | NET REVENUE BY PAYOR: | | | |
| Total Patient Rev. | 538,883,924 | 597,376,591 | 10.9% | Medicare | 195,399,311 | 204,050,382 | 4.4% |
| Appropriations | 32,193,644 | 30,314,203 | (5.8%) | Medicaid | 69,138,807 | 84,215,949 | 21.8% |
| Misc Revenue | 10,836,124 | 11,819,846 | 9.1% | Managed Care | 35,296,897 | 52,171,590 | 47.8% |
| Total | 581,913,692 | 639,510,640 | 9.9% | Commercial Insurance | 59,115,566 | 55,787,332 | (5.6%) |
| EXPENSES: | | | | Anthem | 86,059,763 | 107,761,320 | 25.2% |
| Salaries and Wages | 250,652,255 | 279,958,842 | 11.7% | Southern Health | 25,004,214 | 34,260,546 | 37.0% |
| Supplies and Contracts | 160,080,295 | 178,971,108 | 11.8% | Tricare CHAMPUS | 7,813,817 | 5,027,121 | (35.7%) |
| Purchased Services | 83,568,591 | 97,196,730 | 16.3% | Other | 61,055,549 | 54,102,351 | (11.4%) |
| Bad Debts | 20,390,335 | 19,341,429 | (5.1%) | Total Paying Patient Rev. | 538,883,924 | 597,376,591 | 10.9% |
| Depreciation | 32,043,622 | 34,231,303 | 6.8% | Managed Care | 35,296,897 | 52,171,590 | 47.8% |
| Interest Expense | 4,108,746 | 3,929,223 | (4.4%) | Non-Managed Care | 503,587,027 | 545,205,001 | 8.3% |
| Total | 550,843,844 | 613,628,635 | 11.4% | Total Paying Patient Rev. | 538,883,924 | 597,376,591 | 10.9% |
| Operating Margin | 31,069,848 | 25,882,005 | (16.7%) | OTHER: | | | |
| Operating Margin % | 5.3% | 4.0% | (24.5%) | Collection % of Gross Billings | 65.47% | 62.17% | (5.0%) |
| Non-Operating Revenue | 11,304,628 | 17,961,661 | 58.9% | Days of Revenue in Receivables (Gross) | 61.3 | 59.0 | (3.8%) |
| Net Income | 42,374,476 | 43,843,666 | 3.5% | Cost per CMI & OP-Adj Discharge | 6,994 | 7,610 | 8.8% |
| | | | | Cost per CMI & OP-Adj Day | 1,237 | 1,331 | 7.5% |
| | | | | Cost per Outpatient Visit | 71.27 | 78.40 | 10.0% |
| | | | | Total F.T.E.'s | 5,048 | 5,281 | 4.6% |
| | | | | F.T.E.'s Per Adjusted Occupied Bed | 7.18 | 7.02 | (2.2%) |

Assumptions - Operating Statistical Measures

Admissions and Case Mix Assumptions

Admissions include all admissions except normal newborns
Pediatric surgery cases are included in Pediatrics admissions
Obstetrics surgery cases are included in Obstetrics admissions
Transplant surgery cases are included in Transplant admissions
Transplants include all solid organ transplants and bone marrow transplants
All other surgery cases are counted as Surgical admissions
Surgical cases are defined by DRG
Short Stay Admissions include both short stay and post procedure patients
Case Mix Index for All Acute Inpatients is All Payor Case Mix Index from Stat Report

Other Institutional Measures Assumptions

Patient Days, ALOS and ADC figures include all patients except normal newborns
Surgical Cases are the number of patients/cases, regardless of the number of procedures performed on that patient
Split of surgical cases into inpatient and outpatient based on discharges from the Surgical Admission Suite
Inpatient surgical cases include both inpatients and short stay/post procedure patients
Outpatient surgical cases do not include those performed at VASC

Assumptions - Operating Financial Measures

Revenues and Expenses Assumptions:

Medicaid out of state is included in Medicaid
Medicaid HMOs are included in Medicaid
Physician portion of DSH is included in Other
Non-recurring revenue is included

Other Institutional Measures Assumptions

Collection % of Gross Billings includes appropriations
Days of Revenue in Receivables (Gross) is the BOV definition
Cost per CMI & OP-Adj Discharge and Day uses Medicare CMI to adjust
Costs for Cost per Outpatient Visit come from clinic income statement
OP visits used in calculation of Cost per Outpatient Visit are provider based clinic visits only
FTEs are Medical Center FTEs only, does not include contract labor FTEs

**MEDICAL CENTER
ACCOUNTS COMMITTEE REPORT**

(Includes All Business Units)
(Dollars in Thousands)

| | Year to Date May <u>2003-04</u> | Annual Activity | |
|---|---------------------------------------|-----------------------------|----------------|
| | | Estimated <u>2003-04</u> | <u>2002-03</u> |
| <u>INDIGENT CARE (IC)</u> | | | |
| Net Charge Write-Off | 72,953 | 87,190 | 69,241 |
| Percentage of Net Write-Offs to Revenue | 7.04% | 7.90% | 7.19% |
| Net Medical Center IC Charges Factored to Cost | 41,311 | 51,695 | 48,888 |
| Medicaid Unreimbursed Cost | 0 | 0 | (371) |
| Total Indigent Care Cost | 41,311 | 51,695 | 48,517 |
| State Allocation | 31,939 | 0.00 | 0.00 |
| Medicaid Disproportionate Share Adjustment Payment (Note 1) | 8,972 | 46,530 | 46,680 |
| Total Indigent Care Cost Funding | 40,911 | 46,530 | 46,680 |
| Total Indigent Care Cost Funding as % of Total Indigent Care Cost | 99% | 90% | 96% |
| Unfunded Indigent Cost | 400 | 5,165 | 1,837 |
| | | | |
| | Year to Date May <u>2003-04</u> | Annual Activity | |
| | | Estimated <u>2003-04</u> | <u>2002-03</u> |
| <u>BAD DEBT</u> | | | |
| Net Charge Write-Offs | 19,341 | 26,569 | 22,860 |
| Percentage of Net Write-Offs to Revenue | 1.87% | 2.41% | 2.37% |

Notes:

1. In addition to the state payments above, \$5,494,594 was received and transferred to the School of Medicine to partially offset their indigent care costs.
2. A provision for bad debt write-offs is recorded for financial statement purposes based on the overall collectibility of the patient accounts receivable. This provision differs from the actual write-offs of bad debts which occurs at the time an individual account is written off.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 2, 2004

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.C. Capital Projects Report

ACTION REQUIRED: None

BACKGROUND: The Medical Center is constantly improving and renovating its facilities. We will provide a status report of these capital projects at each Medical Center Operating Board meeting.

DISCUSSION: The current Medical Center capital projects report is set forth in the following table.

ATTACHMENT

The University of Virginia Medical Center
Capital Projects Report

| Scope | Budget | Funding Source | BOV Approval Date | Projected Completion Date |
|--|-----------|--|-------------------|---------------------------|
| PRE-CONSTRUCTION | | | | |
| Clinical Office Building-Fontaine (Neurology & Digestive Health) - First and second floors occupied; Planning and Design for 3rd floor fitout underway. | \$ 16.75M | Bonds | Jan '03 | Aug '05 |
| NICU Expansion - Design underway for major renovation of Univ Hosp 7th floor to accommodate an expanded NICU; project also involves consolidation of Burn unit with STICU in Univ Hosp 5th floor and relocation of PICU to Univ Hosp 7 West. | \$3.8 M | Medical Center Annual Capital Budget and Outside Fundraising | Jan '03 | Jan '06 (all phases) |
| Relocate University Medical Associates Clinic to 1222 JPA - Design underway for complete renovation and fitout of 1222 JPA 3rd floor for UMA clinic; This project will provide other relocation opportunities and ultimate expansion of Heart Center clinics in Primary Care Center. | \$1.96 M | Medical Center Annual Capital Budget | Jan '03 | Dec '04 |
| Relocate Core Lab - Design complete and construction imminent for construction of facility to house core lab activities from Univ Hosp 2nd floor. | \$3.9 M | Bonds | Apr '04 | Jan '05 |

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|---|------------------------------------|--|----------------|-----------------------------------|
| <p>New Cancer Center - Facility space programming underway for consolidated and comprehensive Cancer Center on site of present West Parking Deck; Architect/Engineer selection for building design is underway.</p> | <p>\$55 M</p> | <p>Bonds and Outside Fundraising</p> | <p>Apr '04</p> | <p>2009</p> |
| <p>New Children's Hospital - Facility space programming complete; Currently awaiting completion of fundraising efforts before proceeding with detailed design work.</p> | <p>\$48 M</p> | <p>Bonds and Outside Fundraising</p> | <p>Apr '04</p> | <p>TBD</p> |
| <p>UNDER CONSTRUCTION</p> | | | | |
| <p>South Garage Expansion - provide 419 additional parking spaces to replace those lost by construction, potential loss of a leased lot and for reserved parking expansion.</p> | <p>\$8.5 M</p> | <p>Bonds</p> | <p>Oct '00</p> | <p>May '04 (Aug '04-revised)</p> |
| <p>Hospital Expansion Project - horizontal expansion of University Hospital and renovation of entire second floor to accommodate complete rebuilding and expansion of the Perioperative Services and Heart Center. Additional renovations and expansion for Interventional Radiology and Clinical Laboratory. Scope change (3/03) to include additional floor for Heart Center faculty offices.</p> | <p>\$58.0 M (\$62.7 M-revised)</p> | <p>Bonds @ \$54 M (\$58.7 M - revised) Hospital Operating Revenues @ \$4 M</p> | <p>Mar '99</p> | <p>Sept '05 (May '06 revised)</p> |

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|--|---------------------------|--------------------------------------|---------|------------------------------|
| Critical Care Unit Expansion (STICU) Phase II additional 2 beds to the STICU in University Hospital. | \$3.25 M (\$2.7M-revised) | Medical Center Annual Capital Budget | Oct '00 | March '03 (Sept '04-revised) |
|--|---------------------------|--------------------------------------|---------|------------------------------|

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 2, 2004

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.D. Quality Subcommittee

ACTION REQUIRED: None

BACKGROUND: The Quality Subcommittee of the Medical Center Operating Board is charged with the review at a high level of the quality and performance improvement clinical activities of the Medical Center, including patient safety, environmental safety and patient satisfaction.

DISCUSSION: Mr. Fife will provide a report from the August 30th meeting of the Subcommittee. The areas to be considered by the Subcommittee include review of (i) the Subcommittee's purpose, (ii) quality and performance improvement program results and (iii) external quality reports.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 2, 2004

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.E. University of Virginia Graduate
Medical Education

ACTION REQUIRED: None

BACKGROUND: One of the unique responsibilities of an academic medical center is the training of new physicians. The Medical Center has 675 individuals participating in 91 Graduate Medical Education (GME) training programs. Sixty-five programs are accredited by the ACGME; there is no formal accreditation process for 25 smaller subspecialty programs. The total direct budget for the GME programs is \$41,578,000. Funds to support these programs come from Medicare, Medicaid, other government sources and annual scholarship programs for fellows established by Morrison's, the nutrition services vendor for the Medical Center, and by Sodexo, the environmental services vendor. The GME process is undergoing major changes nationally with the imposition of duty hours limitations and the introduction of competency-based education goals.

DISCUSSION: The University of Virginia Health System Decade Plan commits the Medical Center to becoming one of the leading sites for resident education in the country. Several initiatives are underway to help us achieve that goal:

1. Duty Hours Compliance:
 - a. Programs have modified rotation and call schedules to better manage busy services under new guidelines.
 - b. Three programs have received institutional and ACGME specialty approvals for 10% increase in duty hour limitations.
 - c. An internet-based tracking system was implemented institution-wide to monitor compliance at both sponsoring and participating institutions.

2. Competency Based Education:
 - a. Programs have begun implementation of competency based standards.
 - b. In August, the Medical Center began implementation of an internet-based evaluation system.

3. Innovations in Graduate Medical Education:
 - a. The Medical Center is providing seed funding for medical education and research projects designed to document progress and outcomes of competency based education.
 - b. There is support for presenting these and other innovative practices at GME conferences.

The GME Committee activities during the past Fiscal Year included:

1. Improvements in working conditions and professional environment:
 - a. Designated Institutional Officer (DIO) meetings with individual program directors and coordinators (duty hours, supervision, moonlighting, competencies, funding).
 - b. Standardization of rotation schedules across programs.
 - c. Collaboration with nursing leadership to monitor impact of implementing schedule changes required by duty hour requirements.
 - d. Implementation of a final program evaluation for graduating residents.
2. Improvements in resident support and benefits:
 - a. Parking.
 - b. Health Insurance.
 - c. Market adjustment of stipends.

In addition, the GME Committee has enhanced the safety and quality of patient care provided by residents by requiring more direct involvement of the DIO in monitoring resident performance issues.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 2, 2004

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III. Report by the President of the
Clinical Staff

ACTION REQUIRED: None

DISCUSSION: The President of the Clinical Staff of the Medical Center will inform the Medical Center Operating Board of recent events regarding the Clinical Staff, of which the Medical Center Operating Board should be made aware, but which do not require formal action.