

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
February 3, 2005**

UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD

Thursday, February 3, 2005
8:00 - 11:00 a.m.
Board Room, The Rotunda

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

	<u>PAGE</u>
I. ACTION ITEM	
• Merger of Virginia Ambulatory Surgery, Inc.	1
II. REPORTS BY THE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE MEDICAL CENTER (Mr. Howell)	
A. Vice President's Remarks	3
B. Finance, Write-offs and Operations (Mr. Howell to introduce Mr. Larry Fitzgerald and Ms. Margaret M. Van Bree; Mr. Fitzgerald to report on Finance and Write-offs; Ms. Van Bree to report on Operations)	4
C. Capital Projects	16
D. Integrated Healthcare Information Management System	19
E. Medical Center Compliance	21
III. REPORT BY THE PRESIDENT OF THE CLINICAL STAFF OF THE MEDICAL CENTER (Dr. Hanks)	23

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:
 - Strategic financial, resource and market considerations regarding the Medical Center and the School of Medicine, including linkage to the strategic decade plan, allocation of surgical resources and potential strategic joint venture or other effort regarding specialized patient care, all 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, licensure 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.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 3, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I. Merger of Virginia Ambulatory
Surgery, Inc.

BACKGROUND: On July 1, 2004, the University of Virginia on behalf of its Medical Center acquired Virginia Ambulatory Surgery, Inc., known as VASI, from the University of Virginia Health Services Foundation. VASI is a Virginia non-stock corporation with the University as the sole member. VASI has no board of directors.

DISCUSSION: VASI was retained as a separate entity in order to provide for a smooth transition of the surgery operations and management to the Medical Center. The Medical Center contracted with the Health Services Foundation to manage VASI on an interim basis. The Medical Center desires to integrate fully the operations of the surgery center into the Medical Center and to seek "provider based" status for the surgery center under Medicare laws and regulations. To qualify for this status, VASI cannot continue as a separate corporation, and the Medical Center intends to merge VASI into the University of Virginia in or about April 2005. The Plan of Merger is attached as Exhibit A.

ACTION REQUIRED: Approval by the Medical Center Operating Board and by the Board of Visitors

MERGER OF VIRGINIA AMBULATORY SURGERY, INC.

RESOLVED that pursuant to *Virginia Code* Section 13.1-895(B), the Board of Visitors approves the plan of merger of Virginia Ambulatory Surgery, Inc., shown as an attachment to this resolution, into the University of Virginia; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer of the University be authorized to approve and execute all documents on behalf of the University and Virginia Ambulatory Surgery, Inc. and to take such other actions as he deems necessary and appropriate to consummate the merger.

Exhibit A

PLAN OF MERGER

Virginia Ambulatory Surgery, Inc. is a Virginia non-stock corporation whose sole member is the Rector and Visitors of the University of Virginia, which has determined that it is advisable that Virginia Ambulatory Surgery, Inc., be merged with and into The Rector and Visitors of the University of Virginia, a public corporation and agency of the Commonwealth of Virginia existing under the laws of the Commonwealth of Virginia.

1. Procedure for the Merger: The closing of the transactions contemplated by this Plan of Merger shall take place in or about April, 2005, or on such other date as the Executive Vice President and Chief Operating Officer of the University of Virginia, acting on behalf of the University and Virginia Ambulatory Surgery, Inc., may determine. At the closing, Virginia Ambulatory Surgery, Inc., shall be merged into The Rector and Visitors of the University of Virginia.

2. Surviving Corporation: The Rector and Visitors of the University of Virginia shall be the surviving corporation.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 3, 2005

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: February 3, 2005

COMMITTEE: Medical Center Operating Board

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

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a financial 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. In addition, the Medical Center provides an update of significant operations of the Medical Center occurring since the last meeting of the Medical Center Operating Board.

DISCUSSION:

FINANCE

The first five months of Fiscal Year 2005 ended with an operating margin of 5.8 percent, which was above the goal of 4.6 percent. Total operating revenue and operating expenses were above budget and the same period in the prior year.

Through November 2004, inpatient admissions were 4.9 percent below budget and 2.0 percent below prior year. Patient days were 1.9 percent below budget and .6 percent above prior year. Length of stay was 5.87 days, which was above the 5.63 days budgeted length of stay. The case mix index of 1.93 is significantly above both budget and prior year and is contributing to the increased length of stay. Admissions have decreased from prior year for several hospital services, including internal medicine (cardiology), orthopedics, and psychiatry. The most significant increase in inpatient admissions over prior year was realized in neurosurgery. The decrease in admissions continues to be offset by an increase in same day patients. The number of same day patients has increased by 20.2 percent over budget and 22.6 percent over prior year.

Net patient service revenue for the first five months of Fiscal Year 2005 was 1.2 percent above budget and was 10.9 percent above prior year. An average rate increase of 9.5 percent was implemented on July 1, 2004. Since the typical increase in payments by Medicare and other payors is less than the charge increase percentage, the collections as a percentage of gross revenue have dropped from 62.21 percent in Fiscal Year 2004 to 55.66 percent in Fiscal Year 2005. Other operating revenue was 27.7 percent above budget and 76.6 percent above prior year because of money received for the cafeteria renovation and a legal settlement with a pharmaceutical company.

Total operating expenses through November 2004 were .5 percent above the \$304.8 million budget and 11.9 percent above prior year expenses. Salaries and wages were above budget and above prior year expenses, although fringe benefit expenses were below budget. Supplies, contracts, and purchased services were above both budget and prior year expenses.

The number of full-time equivalent employees (FTEs) on payroll was 48 below budget and 349 above prior year. The Fiscal Year 2005 FTEs include 94 FTEs for Lynchburg Dialysis and Virginia Ambulatory Surgery, Inc., which are not included in the prior year FTEs. FTEs and salary and wage cost per FTE were:

	<u>FY 2004</u>	<u>FY 2005</u>	<u>2005 Budget</u>
FTEs-Payroll	5,246	5,595	5,643
Annualized Salary and Wage Cost per FTE	\$45,360	\$47,175	\$46,055
Contract Labor FTEs	299	295	283
Total FTEs	5,545	5,890	5,926

OTHER FINANCIAL ISSUES

On November 1, 2004, an asset purchase transaction was closed for a kidney dialysis business located in Lynchburg. The business consists of dialysis centers in Amherst and

Lynchburg, a large nocturnal dialysis service, and a hospital dialysis service contract. This purchase effectively doubles the number of patients receiving dialysis services through the Medical Center, which enhances research and teaching opportunities. The financial returns have been projected to exceed our financial targets of 7 percent operating margin and 11 percent internal rate of return.

Surgical and organ transplant admissions in Fiscal Year 2005 are higher than the prior year by 4.2 percent and 28.6 percent respectively. Medical admissions in Fiscal Year 2005 are 9.7 percent below the prior year. The growth in surgery is the result of our efforts to extend the availability of the operating rooms longer each day and to staff operating rooms on Saturdays. The effect of the increase in surgery patients is showing itself in the financial statements. This growth should continue as in November we expanded the number of operating rooms by 2; a further expansion of operating rooms will occur in the summer of 2006.

WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$41.3 million for the period July 1, 2004, through November 30, 2004, have been written off. Recoveries during this period totaled \$12.4 million.

Bad debt charges totaling \$14.3 million for the first five months of the Fiscal Year 2005 have been written off. During this same period, \$5.5 million was recovered through suits, collection agencies, and Virginia refund set-off.

OPERATIONS REPORT

Total inpatient volume through November 2004 equals 15,271 discharges, 64 patients below budget. Outpatient visits, including the Emergency Room visits, for the same period are 3.6 percent above budget.

The Medical Center acquired Virginia Ambulatory Surgery, Inc. effective July 1, 2004. VASI volumes through November are 1.6 percent below budget at 3,009 cases.

In late November, the Medical Center successfully relocated into 14 new operating rooms and Central Sterile Supply as part of the Medical Center Hospital Expansion Project. Ten of the 14 rooms feature "Smart OR" technology which provides for information integration across operating rooms and allows educational and clinical exchanges internally, as well as external to the operating room. The new Central Sterile Supply area provides support for processing of equipment and instruments for the operating rooms and other procedural areas. The new location more than doubles the footprint of the current space and is of a size to meet the growing demand in surgical and procedural areas.

In December, the Medical Center also opened the newly renovated cafeteria located in the West Complex, named "Wahoo West Café". This dining facility provides a retail outlet for patients, staff and students and is opened Monday through Friday for breakfast through lunch.

The University of Virginia Children's Hospital is seeking accreditation by the National Association of Children's Hospitals and Related Institutions.

The Medical Center has established a Customer Service Task Force to assess, identify, and prioritize customer service strategies for program planning and implementation to enhance customer service values throughout the Medical Center. The Task Force has identified the following four major initiative groups to include in a customer service tactical plan for implementation: Leadership, Patient Satisfaction, Employee Expectations, and First Impressions. Work groups are being charged to develop tactical plans for a two year period.

The Medical Center management team completed performance appraisals for 4,816 employees for the evaluation period from January 2004, through November 2004. The rating distribution and percentage increase is as follows:

Pay for Performance Rating	Needs Improvement	Meets Expectation	Exceeds Expectations	Outstanding
Pay for Performance Increase	0.0%	2.5%	4.0%	6.0%
Pay for Performance Distribution	1.0%	45.0%	45.5%	8.5%
Number of Employees	48	2,161	2,201	406

The rating distribution is similar to last year's where the distribution was 0.9 percent "Needs Improvement", 44.5 percent "Commendable" (Meets Expectations), 45.5 percent "Peak" (Exceeds Expectations), and 9.1 percent Outstanding.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Nov 03	Nov 04	Nov 05	Nov 05
Net patient revenue	\$257.3	\$285.6	\$316.8	\$313.1
Other revenue	<u>5.4</u>	<u>4.7</u>	<u>8.3</u>	<u>6.5</u>
Total operating revenue	<u>\$262.7</u>	<u>\$290.3</u>	<u>\$325.1</u>	<u>\$319.6</u>
Operating expenses	227.3	256.7	287.1	286.5
Depreciation	14.4	15.2	17.1	16.3
Interest expense	<u>2.0</u>	<u>1.8</u>	<u>2.1</u>	<u>2.0</u>
Total operating expenses	<u>\$243.7</u>	<u>\$273.7</u>	<u>\$306.3</u>	<u>\$304.8</u>
Operating income (loss)	<u>\$19.0</u>	<u>\$16.6</u>	<u>\$18.8</u>	<u>\$14.8</u>
Non-operating income (loss)	<u>\$4.1</u>	<u>\$10.1</u>	<u>\$9.6</u>	<u>\$5.7</u>
Net income (loss)	<u>\$23.1</u>	<u>\$26.7</u>	<u>\$28.4</u>	<u>\$20.5</u>
Principal payment	\$1.8	\$2.3	\$2.6	\$2.5

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

Description	Most Recent Three Fiscal Years		
	Nov-03	Nov-04	Nov-05
Assets			
Operating cash and investments	\$51.8	\$68.4	\$96.8
Patient accounts receivables	88.1	109.0	111.6
Property, plant and equipment	240.0	261.5	308.4
Depreciation reserve and other investments	206.4	245.9	227.4
Endowment Funds	88.2	98.7	107.4
Other assets	<u>44.2</u>	<u>50.9</u>	<u>69.8</u>
Total Assets	<u>\$718.7</u>	<u>\$834.4</u>	<u>\$921.4</u>
Liabilities			
Current portion long-term debt	\$4.6	\$7.8	\$12.9
Accounts payable & other liab	69.2	97.2	119.9
Long-term debt	85.2	117.3	128.0
Accrued leave and other LT liab	<u>17.7</u>	<u>26.0</u>	<u>26.9</u>
Total Liabilities	<u>\$176.7</u>	<u>\$248.3</u>	<u>\$287.7</u>
Fund Balance	<u>\$542.0</u>	<u>\$586.1</u>	<u>\$633.7</u>
Total Liabilities & Fund Balance	<u>\$718.7</u>	<u>\$834.4</u>	<u>\$921.4</u>

University of Virginia Medical Center
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	Nov-03	Nov-04	Nov-05	Nov-05
Operating margin (%)	7.2%	5.7%	5.8%	4.6%
Total margin (%)	8.7%	8.9%	8.5%	6.3%
Current ratio (x)	1.9	1.7	1.6	2.0
Days cash on hand (days)	175.0	172.7	165.8	190.0
Gross accounts receivable (days)	70.4	72.4	64.8	60.0
Average payment period (days)	49.2	62.1	70.3	60.4
Annual debt service coverage (x)	10.5	10.8	10.2	8.6
Debt-to-capitalization (%)	15.8%	19.4%	19.6%	20.0%
Capital expense (%)	6.7%	6.2%	6.3%	6.0%

University of Virginia Medical Center
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	Nov-03	Nov-04	Nov-05	Nov-05
Admissions	11,308	12,221	11,972	12,591
Patient days	63,462	69,096	69,519	70,874
SS/PP Patients	3,439	2,690	3,299	2,744
Average length of stay	5.59	5.63	5.87	5.63
Clinic visits	228,848	232,884	245,792	236,141
ER visits	24,469	24,885	23,625	24,804
Medicare case mix index	1.8909	1.8082	1.9279	1.8333
Net Revenue by Payor				
Medicare %	34.6%	35.1%	35.6%	34.2%
Medicaid %	13.2%	17.4%	14.6%	14.1%
Managed care %	6.0%	8.2%	9.0%	8.7%
Commercial %	10.6%	11.1%	8.4%	9.3%
Other	<u>35.6%</u>	<u>28.2%</u>	<u>32.4%</u>	<u>33.7%</u>
Total	100%	100%	100%	100%
FTE's (including contract labor)	5,368	5,545	5,890	5,926

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 - November 30, 2004

OPERATING STATISTICAL MEASURES - November 2004

ADMISSIONS and CASE MIX - Year to Date			
	<u>FY 04</u>	<u>FY 05</u>	<u>% Change</u>
ADMISSIONS:			
Surgical	5,147	5,361	4.2%
Medical	4,532	4,094	(9.7%)
Transplant	70	90	28.6%
Obstetrics	674	693	2.8%
Pediatrics	1,052	1,064	1.1%
Psychiatric	746	670	(10.2%)
Subtotal Acute	12,221	11,972	(2.0%)
Short Stay	2,690	3,299	22.6%
Total Admissions	14,911	15,271	2.4%
CASE MIX INDEX:			
All Acute Inpatients	1.6947	1.7483	3.2%
Medicare Inpatients	1.8082	1.9279	6.6%

OTHER INSTITUTIONAL MEASURES - Year to Date		
	<u>FY 04</u>	<u>FY 05</u>
ACUTE INPATIENTS:		
Inpatient Days	69,096	69,519
Average Length of Stay	5.63	5.87
Average Daily Census	452	454
Births	608	631
OUTPATIENTS:		
Clinic Visits	232,884	245,792
Average Daily Visits	2,485	2,566
Emergency Room Visits	24,885	23,625
SURGICAL CASES		
Inpatient	5,645	5,884
Outpatient	1,267	1,348
Total	6,912	7,232

OPERATING FINANCIAL MEASURES - November 2004

REVENUES and EXPENSES - Year to Date			
	<u>FY 04</u>	<u>FY 05</u>	<u>% Change</u>
NET REVENUES:			
Paying Patient Revenue	270,947,526	296,583,779	9.5%
Appropriations	14,633,475	20,243,294	38.3%
Net Patient Service Revenue	285,581,001	316,827,073	10.9%
Other Operating Revenue	4,718,494	8,294,071	75.8%
Total	290,299,495	325,121,144	12.0%
EXPENSES:			
Salaries and Wages	123,630,874	136,465,115	10.4%
Supplies and Contracts	60,897,286	70,141,195	15.2%
Purchased Services	62,323,626	70,590,239	13.3%
Bad Debts	9,851,533	9,944,021	0.9%
Depreciation	15,235,031	17,122,153	12.4%
Interest Expense	1,763,506	2,052,945	16.4%
Total	273,701,856	306,315,668	11.9%
Operating Margin	16,597,639	18,805,476	13.3%
Operating Margin %	5.7%	5.8%	1.2%
Non-Operating Revenue	10,081,029	9,593,736	(4.8%)
Net Income	26,678,668	28,399,212	6.4%

OTHER INSTITUTIONAL MEASURES - Year to Date		
	<u>FY 04</u>	<u>FY 05</u>
NET REVENUE BY PAYOR:		
Medicare	94,981,593	105,503,218
Medicaid	47,136,569	43,320,286
Managed Care	22,340,583	26,668,811
Commercial Insurance	29,991,805	24,859,538
Anthem	48,222,577	52,940,966
Southern Health	12,777,074	14,655,424
Tricare CHAMPUS	2,410,138	2,308,297
Other	13,087,187	26,327,240
Total Paying Patient Revenue	270,947,526	296,583,779
Managed Care	22,340,583	26,668,811
Non-Managed Care	248,606,943	269,914,969
Total Paying Patient Revenue	270,947,526	296,583,779
OTHER:		
Collection % of Gross Billings	62.21%	55.66%
Days of Revenue in Receivables (Gross)	72.4	64.8
Cost per CMI & OP-Adj Discharge	7,490	7,904
Cost per CMI & OP-Adj Day	1,325	1,361
Cost per Outpatient Visit	76.26	72.58
Total F.T.E.'s (including Contract Labor)	5,545	5,890
F.T.E.'s Per Adjusted Occupied Bed	7.43	7.72

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 Nov <u>2004-05</u>	Annual Activity		
		Estimated <u>2004-05</u>	Annual Activity <u>2003-04</u> <u>2002-03</u>	
<u>INDIGENT CARE (IC)</u>				
Net Charge Write-Off	33,219	85,627	72,953	69,241
Percentage of Net Write-Offs to Revenue	5.84%	6.65%	7.04%	7.19%
Net Medical Center IC Charges Factored to Cost	20,155	44,239	43,276	48,888
Medicaid Unreimbursed Cost	<u>0</u>	<u>0</u>	<u>0</u>	<u>(371)</u>
Total Indigent Care Cost	<u>20,155</u>	<u>44,239</u>	<u>43,276</u>	<u>48,517</u>
State Allocation	16,772	32,293	31,701	0.00
Medicaid Disproportionate Share Adjustment Payment (Note 1)	<u>2,551</u>	<u>10,105</u>	<u>9,787</u>	<u>46,680</u>
Total Indigent Care Cost Funding	<u>19,323</u>	<u>42,398</u>	<u>41,488</u>	<u>46,680</u>
Total Indigent Care Cost Funding as % of Total Indigent Care Cost	96%	96%	96%	96%
Unfunded Indigent Cost	<u>832</u>	<u>1,845</u>	<u>1,787</u>	<u>1,837</u>
		Annual Activity		
		Estimated	Annual Activity	
		<u>2004-05</u>	<u>2003-04</u> <u>2002-03</u>	
<u>BAD DEBT</u>				
Net Charge Write-Offs	<u>9,944</u>	<u>26,599</u>	<u>21,376</u>	<u>22,860</u>
Percentage of Net Write-Offs to Revenue	1.75%	2.07%	1.87%	2.37%

Note:

Provisions for bad debt write-offs and indigent care write-offs are recorded for financial statement purposes based on the overall collectibility of the patient accounts receivable. These provisions differ from the actual write-offs of bad debts and indigent care which occur at the time an individual account is written off.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 3, 2005

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 on these capital projects at each Medical Center Operating Board meeting.

DISCUSSION: The current Medical Center capital projects report is set forth in the attached 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 (May '06 revised)
New Cancer Center - Facility space programming underway for consolidated and comprehensive Cancer Center on site of present West Parking Deck; Architect/Engineer selection completed.	\$55 M	Bonds and Outside Fundraising	Apr '04	2009
New Children's Hospital - Facility space programming complete; Currently awaiting completion of fundraising efforts before proceeding with detailed design work	\$48 M	Bonds and Outside Fundraising	Apr '04	TBD
UNDER CONSTRUCTION				
NICU Expansion - Construction underway for major renovation of Univ Hosp 7th floor to accommodate an expanded NICU; Consolidation of Burn unit with STICU in Univ Hosp 5th floor was completed; construction for relocation of PICU to Univ Hosp 7 West underway.	\$3.8 M (\$4.6M revised, incl. equip & furn)	Medical Center Annual Capital Budget and Outside Fundraising	Jan '03	Jan '06 (all phases)

<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>
<p>Relocate University Medical Associates Clinic to 1222 JPA - Construction 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.</p>	<p>\$2.3 M</p>	<p>Medical Center Annual Capital Budget</p>	<p>Jan '03</p>	<p>Dec '04 (Jan '05 revised)</p>
<p>Relocate Core Lab - Construction underway a facility to house core lab activities from Univ Hosp 2nd floor.</p>	<p>\$3.9 M</p>	<p>Bonds</p>	<p>Apr '04</p>	<p>Jan '05 (Feb '05 revised)</p>

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 3, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.D. Integrated Healthcare
Information Management System

ACTION REQUIRED: None

BACKGROUND: The Board of Visitors approved the Integrated Healthcare Information Management System (IHIMS) Project on May 14, 1999. The central vendor for this project, IDX Systems, Inc., was awarded the contract June 30, 1999. The IHIMS Project is a Health System initiative to provide a central patient information system that is consistent across the continuum of care, i.e. outpatient, emergency department, and inpatient care. This multi-year initiative establishes an electronic patient record capability and enables transformation of clinical care workflow processes.

DISCUSSION: The Medical Center has successfully met a significant IHIMS milestone with the November 30, 2004, implementation of IDX's Carecast clinical results repository. This milestone was met within the authorized budget. The next milestones are as follows:

- Three 'pilot' outpatient clinics will be implemented on the functions of nursing intake and physician order entry. The results of these pilots will be evaluated in March 2005.
- The remaining clinics (110 clinics and care sites) begin scheduled implementations in April 2005.
- Disaster recovery capability for the Carecast system will be established in February 2005 in preparation for the clinics' implementation.
- Currently, 13 referring practices utilize IDX's 'Referring Practice Online' module to request appointments at the Medical Center for their patients. The next step is to give referring practices the ability to view their own patients' results. The original target set in 2003 for patient results access was January 2005. In the December Medical Center Operating Board report, a delay until March was noted to accommodate combining

both results access and secured email. IDX is now working with the Medical Center on an improved method of access for the referring practices that warrants a further delay until June 2005.

- Critical Care process teams have begun documenting current and proposed workflows in preparation for the implementation of the critical care system, PICIS, in February 2006.
- Interdisciplinary process teams will be initiated in June 2005 to document the emergency department and the inpatient workflows in preparation for the implementation of IDX/Carecast system.
- Inpatient conversion to IDX's Carecast clinical software is targeted for July 2006 and will be coordinated with the arrival of the new House Staff. When the inpatient conversion is completed, the Medical Center will have a central clinical system supporting an electronic medical record capability.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 3, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.E. Medical Center Compliance Report

ACTION ITEM: None

BACKGROUND: On August 31, 2004, the Medical Center ended its three-year Corporate Compliance Agreement (CCA) with the Office of the Inspector General (OIG). The Medical Center submitted a final report to the OIG on October 26, 2004.

DISCUSSION:

On November 17th and 18th, the Medical Center hosted a site visit by two representatives from the OIG. The visit was a final opportunity for the OIG to evaluate the Medical Center's compliance with the terms of the CCA.

The site visit included interviews with the Medical Center Chief Executive Officer, the Compliance Officer, the Compliance Steering Committee, and with employees of Patient Financial Services, Inpatient Coding, Patient Access, and Finance. Also included was a tour of selected outpatient clinics and inpatient units.

At the conclusion of the visit, the OIG visitors presented a positive assessment of the Medical Center's compliance program, indicating they were favorably impressed with the numerous interactions they had with employees. The only recommendation provided was for the Medical Center to continue its compliance efforts at the same high level.

COMPLIANCE EFFECTIVENESS PROJECT

On November 12, 2004, the Medical Center was notified of its selection to participate in a pilot project with the Centers for Medicare and Medicaid Services to evaluate compliance effectiveness. The Medical Center volunteered to participate in this project because of the opportunity

it provided to influence the development of compliance models in healthcare.

The project will last approximately eighteen months and will include two site visits to the Medical Center as well as related documentation reviews.

Compliance effectiveness is the focus both of the recently enacted changes to the Federal Sentencing Guidelines and the recently released compliance guidance for hospitals issued by the OIG. The Medical Center is now at the forefront of Federal efforts to define what is an effective compliance program in healthcare.

OIG WORK PLAN - 2005

The OIG Work Plan for 2005 is similar to the 2004 edition. There are hospital initiatives including Diagnosis Related Group coding, outlier payments, inpatient psychiatry, readmissions, organ acquisition costs, purchasing rebates, coronary artery stents, and outpatient cardiac rehabilitation.

Physician initiatives include evaluation and management coding, pathology services, and the correct use of modifiers when submitting claims.

There are other initiatives such as cardiography and echocardiography services, physical and occupational therapy services, air ambulance services, and provider-based entities.

Each year the Compliance Office uses the OIG Work Plan to develop its own auditing and monitoring projects.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 3, 2005

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.