

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
February 8, 2007**

UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD

Thursday, February 8, 2007
8:30 - 11:30 a.m.
Medical Center Board Room

Committee Members:

E. Darracott Vaughan, Jr. M.D., Chair	
Thomas F. Farrell, II	Lewis F. Payne
W. Heywood Fralin	Randl L. Shure
Sam D. Graham, Jr., M.D.	Edward J. Stemmler, M.D.
Randy J. Koporc	Jane H. Woods
Vincent J. Mastracco, Jr.	

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. REPORTS BY THE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE MEDICAL CENTER (Mr. Howell)	
A. Vice President's Remarks	1
B. Finance, Write-offs and Operations (Mr. Howell to introduce Mr. Larry L. Fitzgerald and Ms. Margaret M. Van Bree; Mr. Fitzgerald to report on Finance and Write-offs; Ms. Van Bree to report on Operations)	2
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III. EXECUTIVE SESSION

- ACTION ITEMS - 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, market and personnel and non-personnel resource considerations and efforts regarding the Medical Center, necessary to assess and discuss the comparative standing of the Medical Center in a competitive health care marketplace, and which impact the long-range strategic goals of the Medical Center and its mission of patient care, education, and research, including potential investment of public funds for participation in a long term care facility and an outpatient dialysis facility;
 - Confidential information and data related to the adequacy and quality of professional services, patient safety in clinical care, and patient grievances for the purpose of improving patient care at the Medical Center; 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), (6), (7), and (23) of the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 8, 2007

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.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 8, 2007

COMMITTEE: Medical Center Operating Board

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

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a periodic 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 Medical Center Operating Board meeting.

DISCUSSION:

FINANCE

The first half of Fiscal Year 2007 ended with an operating margin of 4.8 percent, which was below the goal of 5.1 percent for the first six months of the fiscal year. Total operating revenue and total operating expenses were below budget.

Inpatient admissions were 1.3 percent below budget, but 1.6 percent above prior year. Family medicine, gynecology, neurosurgery, orthopedics, and pediatrics experienced increased admissions in the first half of Fiscal Year 2007. At the end of December, the Medical Center had 577 staffed beds in operation.

Patient days were 1.9 percent below budget, and the average length of stay was 5.74 days, compared to the 5.80 day budgeted length of stay. The case mix index for all acute inpatients was 1.84, which was above both budget and prior year. A lower than expected length of stay combined with a higher than expected case mix index indicates that the Medical Center continues to manage length of stay effectively.

Net patient service revenue for the first half of Fiscal Year 2007 was 1.0 percent below budget and 6.7 percent above prior year.

Total operating expenses for the first six months of Fiscal Year 2007 were 0.4 percent below the \$430.1 million budget and 6.6 percent above prior year expenses. Salaries and wages were below budget but above prior year expenses. Medical supplies

were above both the budget and prior year. Purchased services were above budget and prior year, largely due to the continued utilization of agency contracted labor.

Non-operating gains of \$51 million included a \$25 million appropriation from the state for construction of the Emily Couric Clinical Cancer Center. The accounting for the appropriation is reflected in the financial statements by increased net income, other assets, and debt service coverage.

Full time equivalent employees including contract labor were 18 above budget and 141 greater than the prior year. FTEs and salary and wage cost per FTE were:

	<u>FY 2006</u>	<u>FY 2007</u>	<u>2007 Budget</u>
FTEs-Payroll	5,681	5,808	5,837
Annualized Salary and Wage Cost per FTE	\$48,639	\$50,530	\$50,728
Contract Labor FTEs	275	288	241
Total FTEs	5,955	6,096	6,078

OTHER FINANCIAL ISSUES

The Virginia Department of Medical Assistance Services began an audit of the Medicaid and Indigent Care Cost Reports at the University of Virginia and Virginia Commonwealth University for Fiscal Year 2005. The cost report has been audited in previous years, and no significant adjustments were made. However, this is the first audit year in which physician costs are included in the cost report. The physician costs included in the cost report were provided by the University of Virginia Health Services Foundation. The audit will be extensive, with four auditors working full time for twelve weeks. We do not anticipate any audit adjustments, but any time a cost report is subjected to an initial audit unexpected findings can arise.

The Medical Center and Health Services Foundation have jointly begun the formal contract negotiation with Anthem, even though the current contract does not end until December 31, 2009. It took three years to negotiate the last Anthem contract so we are allowing three years this time as well. Several organizations, such as Wake Forest University Baptist Medical Center, West Virginia University Healthcare, and Piedmont

Hospital, have recently participated in unpleasant public contract disputes with Blue Cross. We have allowed adequate negotiation time to avoid a dispute with Anthem, but Anthem and the Medical Center/Health Services Foundation have several difficult issues to negotiate. We are hoping for a short and successful negotiation but we are planning for a long and difficult negotiation.

WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$74.0 million for the period July 1, 2006, through December 31, 2006, have been written off. Recoveries during this period totaled \$24.1 million.

Bad debt charges totaling \$20.6 million in the first half of Fiscal Year 2007 have been written off. During this same period, \$8.6 million was recovered through suits, collection agencies, and Virginia refund set-off.

OPERATIONS REPORT

On January 2, 2007, the University of Virginia Medical Center's Islet Cell Transplantation Center performed the first islet autotransplant procedure for chronic pancreatitis to be done in Virginia in which the islets were infused at the Medical Center with pancreatic tissue fully processed and isolated at the University of Virginia facility. The procedure prevents post-surgical diabetes from developing in the patient whose pancreas has been removed, and by using the patient's own cells rather than donor cells, the risk of rejection of engrafted cells is eliminated. The University of Virginia's Islet Cell Transplantation Center was established in 2004 and is supported by grants from the University of Virginia Ward Buchanan Fund and the Focus to Cure Diabetes Foundation of Gordonsville. The Center's islet cell processing facility is the first in Virginia and will be able to process cells for other transplant programs in the region.

The Scientific Registry of Transplant Recipients (SRTR) listed the University of Virginia Medical Center as the national leader in lung transplant survivability. Every six months, SRTR publishes updated reports on activities in each transplant center and organ procurement organization in the United States. These reports include organ donation and recovery statistics, waitlist activity, such as transplant rate, and post-transplant outcomes, such as graft and patient survival. Also included are summary reports of key center statistics, such as transplant volume, transplant rate, and post-transplant survival. The

University of Virginia performed 52 transplants from January 1, 2003, to June 30, 2005 with a survival rate of 98.08 percent.

The third annual Cultural and Diversity Fair, sponsored by the Professional Nursing Staff Organization, was held on December 4, 2006. The fair is a celebration of the many cultures represented within the Health System's employee and patient populations. Participants learned about resources offered by the University, the Health System and the community in areas ranging from health and wellness to education.

The University of Virginia Medical Center's Medical Laboratories successfully completed an unannounced inspection by the College of American Pathologists on December 11-12, 2006. The survey team, primarily from the Medical College of Georgia, was very complimentary of both the Medical Center and laboratory operations. Several opportunities for improvement were identified and are being addressed.

The Medical Center management team completed performance appraisals for 5,203 employees for the evaluation period from December 2005 through November 2006. The rating distribution and proposed percentage increases are as follows:

Pay for Performance Rating	Below Expectations	Meets Expectations	Exceeds Expectations	Outstanding
Pay for Performance Increase	0.0%	3.5%	4.5%	5.5%
Pay for Performance Distribution	.4%	41.2%	48.8%	9.6%
Number of Employees	19	2074	2451	479

Last year's rating distribution was .6% "Below Expectations", 45.5% "Meets Expectations", 46.4% "Exceeds Expectations", and 7.5% "Outstanding".

To assure that the Medical Center can retain and recruit nurses who can staff a wide variety of positions, pay raises for inpatient, home health, and procedure nurses were implemented on January 28, 2007. Clinician I and Clinician II positions were increased by \$1.50 an hour and Clinician III positions were increased by \$1.00 per hour. In addition, nurses who have

charge responsibility in inpatient units and specific procedure areas will receive a \$1.00 an hour charge-pay premium, also effective January 28. These increases were in addition to the annual pay-for-performance increases that were effective January 14.

The employee forum topic for January was patient safety. Three sessions were offered to help employees learn more about the Medical Center's focus on patient safety.

The 2006 Commonwealth of Virginia Campaign ended officially on November 30, 2006, and the results of the campaign were announced on January 12, 2007. The Campaign surpassed its \$650,000 goal by raising \$780,718. The Medical Center also exceeded its goal of \$137,500 by raising \$190,750.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec-04	Dec-05	Dec-06	Dec-06
Net patient revenue	\$380.9	\$411.6	\$439.3	\$443.7
Other revenue	<u>9.9</u>	<u>10.6</u>	<u>10.7</u>	<u>9.3</u>
Total operating revenue	<u>\$390.8</u>	<u>\$422.2</u>	<u>\$450.0</u>	<u>\$453.0</u>
Operating expenses	345.6	376.4	401.9	401.4
Depreciation	20.5	23.1	23.4	25.3
Interest expense	<u>2.5</u>	<u>2.3</u>	<u>3.0</u>	<u>3.3</u>
Total operating expenses	<u>\$368.6</u>	<u>\$401.8</u>	<u>\$428.3</u>	<u>\$430.0</u>
Operating income (loss)	<u>\$22.2</u>	<u>\$20.4</u>	<u>\$21.7</u>	<u>\$23.0</u>
Non-operating income (loss)	<u>\$14.8</u>	<u>\$12.8</u>	<u>\$51.4</u>	<u>\$7.7</u>
Net income (loss)	<u>\$37.0</u>	<u>\$33.2</u>	<u>\$73.1</u>	<u>\$30.7</u>
Principal payment	\$3.1	\$3.3	\$3.3	\$4.0

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

Description	Most Recent Three Fiscal Years		
	Dec-04	Dec-05	Dec-06
Assets			
Operating cash and investments	\$105.4	\$87.9	\$204.8
Patient accounts receivables	129.4	114.2	66.6
Property, plant and equipment	310.6	341.9	365.1
Depreciation reserve and other investments	226.0	236.1	267.5
Endowment Funds	109.8	119.1	134.2
Other assets	<u>71.8</u>	<u>80.4</u>	<u>123.6</u>
Total Assets	<u>\$953.0</u>	<u>\$979.6</u>	<u>\$1,161.8</u>
Liabilities			
Current portion long-term debt	\$12.9	\$12.8	\$13.2
Accounts payable & other liab	90.0	66.6	85.4
Long-term debt	128.0	125.4	163.2
Accrued leave and other LT liab	<u>80.2</u>	<u>72.6</u>	<u>94.4</u>
Total Liabilities	<u>\$311.1</u>	<u>\$277.4</u>	<u>\$356.2</u>
Fund Balance	<u>\$641.9</u>	<u>\$702.2</u>	<u>\$805.6</u>
Total Liabilities & Fund Balance	<u>\$953.0</u>	<u>\$979.6</u>	<u>\$1,161.8</u>

University of Virginia Medical Center
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec-04	Dec-05	Dec-06	Dec-06
Operating margin (%)	5.7%	4.8%	4.8%	5.1%
Total margin (%)	9.1%	7.6%	14.6%	6.7%
Current ratio (x)	2.3	2.5	2.8	2.0
Days cash on hand (days)	171.0	154.2	208.4	190.0
Gross accounts receivable (days)	53.2	44.9	49.1	60.0
Average payment period (days)	54.1	38.4	44.6	60.4
Annual debt service coverage (x)	10.8	10.6	15.8	8.1
Debt-to-capitalization (%)	19.4%	17.7%	19.6%	20.0%
Capital expense (%)	6.2%	6.3%	6.2%	6.7%

University of Virginia Medical Center
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec-04	Dec-05	Dec-06	Dec-06
Acute Admissions	14,353	14,695	14,924	15,113
Patient days	83,181	84,293	85,999	87,656
SS/PP Patients	4,010	3,717	3,261	3,847
Average length of stay	5.88	5.82	5.74	5.80
Clinic visits	293,181	293,385	309,988	309,561
ER visits	28,171	29,141	29,245	28,789
Medicare case mix index	1.93	1.97	1.96	1.96
Net Revenue by Payor				
Medicare (%)	35.1%	36.2%	35.0%	36.6%
Medicaid (%)	15.3%	12.7%	13.0%	14.9%
Commercial Insurance (%)	18.5%	18.6%	19.9%	15.8%
Anthem (%)	17.8%	18.7%	18.2%	20.7%
Southern Health (%)	5.0%	5.3%	4.9%	5.5%
Other (%)	<u>8.2%</u>	<u>8.5%</u>	<u>9.0%</u>	<u>6.5%</u>
Total	100.0%	100.0%	100.0%	100%
FTE's (including contract labor)	5,869	5,955	6,096	6,078

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 - December 2006

OPERATING STATISTICAL MEASURES - December 2006							
ADMISSIONS and CASE MIX - Year to Date				OTHER INSTITUTIONAL MEASURES - Year to Date			
	FY 06	FY 07	% Change		FY 06	FY 07	% Change
<u>ADMISSIONS:</u>				<u>ACUTE INPATIENTS:</u>			
Surgical	5,820	5,914	1.6%	Inpatient Days	84,293	85,999	2.0%
Medical	5,884	6,036	2.6%	Average Length of Stay	5.82	5.74	1.4%
Transplant	127	121	(4.7%)	Average Daily Census	458	467	2.0%
Obstetrics	966	928	(3.9%)	Births	895	901	0.7%
Pediatrics	1,169	1,164	(0.4%)	<u>OUTPATIENTS:</u>			
Psychiatric	729	761	4.4%	Clinic Visits	293,385	309,988	5.7%
Subtotal Acute	14,695	14,924	1.6%	Average Daily Visits	2,580	2,725	5.6%
Short Stay	3,717	3,261	(12.3%)	Emergency Room Visits	29,141	29,245	0.4%
Total Admissions	18,412	18,185	(1.2%)	<u>SURGICAL CASES</u>			
<u>CASE MIX INDEX:</u>				Main Operating Room (IP and OP)	9,033	9,117	0.9%
All Acute Inpatients	1.82	1.84	1.1%	UVA Outpatient Surgery Center	3,613	3,723	3.0%
Medicare Inpatients	1.97	1.96	(0.5%)	Total	12,646	12,840	1.5%
OPERATING FINANCIAL MEASURES - December 2006							
REVENUES and EXPENSES - Year to Date				OTHER INSTITUTIONAL MEASURES - Year to Date			
	FY 06	FY 07	% Change		FY 06	FY 07	% Change
<u>NET REVENUES:</u>				<u>NET REVENUE BY PAYOR:</u>			
Paying Patient Revenue	384,844,512	410,819,598	6.7%	Medicare	139,130,518	143,823,987	3.4%
Appropriations	26,717,730	28,499,255	6.7%	Medicaid	48,913,297	53,549,966	9.5%
Net Patient Service Revenue	411,562,242	439,318,853	6.7%	Commercial Insurance	71,718,388	81,757,336	14.0%
Other Operating Revenue	10,612,215	10,709,768	0.9%	Anthem	72,139,865	74,646,859	3.5%
Total	422,174,456	450,028,621	6.6%	Southern Health	20,286,928	20,208,233	(0.4%)
<u>EXPENSES:</u>				Other	32,655,516	36,833,217	12.8%
Salaries and Wages	174,900,665	185,206,913	5.9%	Total Paying Patient Revenue	384,844,512	410,819,598	6.7%
Supplies and Contracts	120,602,591	132,974,371	10.3%	<u>OTHER:</u>			
Purchased Services	62,322,648	66,614,791	6.9%	Collection % of Gross Billings	49.79%	47.37%	(4.8%)
Bad Debts	18,489,830	17,140,555	(7.3%)	Days of Revenue in Receivables (Gross)	44.9	49.1	9.4%
Depreciation	23,098,138	23,414,282	1.4%	Cost per CMI & OP-Adj Discharge	7,804	8,384	7.4%
Interest Expense	2,365,453	2,993,477	26.5%	Cost per CMI & OP-Adj Day	1,360	1,455	6.9%
Total	401,779,326	428,344,389	6.6%	Cost per Outpatient Visit	72.14	72.24	0.1%
Operating Margin	20,395,131	21,684,232	6.3%	Total F.T.E.'s (including Contract Labor)	5,955	6,096	2.4%
Operating Margin %	4.8%	4.8%	0.0%	F.T.E.'s Per Adjusted Occupied Bed	7.66	7.78	1.6%
Non-Operating Revenue	12,838,123	51,448,537	300.7%				
Net Income	33,233,253	73,132,770	120.1%				

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, bone marrow transplants and islet 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

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, and excludes bad debt
Costs for Cost per Outpatient Visit come from clinic income statement, and exclude bad debt
OP visits used in calculation of Cost per Outpatient Visit are provider based clinic visits only

MEDICAL CENTER ACCOUNTS COMMITTEE REPORT

(Includes All Business Units)
(Dollars in Thousands)

	Year to Date December <u>2006-07</u>	<u>Annual Activity</u>	
		<u>2005-06</u>	<u>2004-05</u>
<u>INDIGENT CARE (IC)</u>			
Net Charge Write-Off	54,717	93,577	80,155
Percentage of Net Write-Offs to Revenue	5.90%	5.61%	5.60%
Total Reimbursable Indigent Care Cost	23,307	40,901	37,985
State and Federal Funding	23,307	40,901	37,985
Total Indigent Care Cost Funding As a Percent of Total Indigent Care Cost	100%	100%	100%
Unfunded Indigent Cost	-	-	-
<u>BAD DEBT</u>			
	December <u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Net Charge Write-Offs	17,141	32,286	27,389
Percentage of Net Write-Offs to Revenue	1.85%	1.93%	1.91%

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 8, 2007

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.C. Capital Projects

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.

**The University of Virginia Medical Center
Capital Projects Report
February 2007**

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
1. Pre-Construction				
Clinical Office Building: Fontaine Avenue – Planning and design for 3 rd floor fitout awaiting final decision on specific tenant	\$16.75 M (total building budget)	Bonds	Jan '03	Floor 3 – occupants to be determined
Clinical Cancer Center : Construction documents underway for consolidated and comprehensive Cancer Center on site of present West Parking Deck. An additional floor (shell space) will be added for future use.	\$59 M (+\$8 M for added floor)	Bonds and Outside Fundraising	Apr '04 July '06 (B&G Committee)	2010
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
University Hospital Additional Beds: Planning underway to increase inpatient bed capacity in University Hospital	\$75.6 M	TBD	TBD	TBD

**The University of Virginia Medical Center
Capital Projects Report
February 2007**

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
2. Under Construction				
Primary Care Center : 1st Floor renovations (2 phases) to create new central registration hub, improve phlebotomy, improve patient care services at main entrance, and relocate Medical Center Executive Offices	\$3.0 M (\$3.4 M revised)	Medical Center Annual Capital Budget	N/A	1st phase is complete; 2nd phase target is September 2007
Hospital Expansion Project: Horizontal expansion of University Hospital and renovation of entire second floor to accommodate complete rebuilding and expansion of 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. 14 new ORs completed; relocated Central Sterile Supply (CSS); 5 renovated ORs completed	\$58.0 M (\$62.7 M revised)	Bonds @ \$54 M (\$58.7 M rev) + Operating Revenues @ \$4 M	Mar '99	Fall '06 (Revised Summer '07) Program Revisions to OR Complement and Heart Center Under Review
Short Stay Unit : Construction underway for a 20-bed unit to improve bed capacity in University Hospital	\$5.0M (\$5.5M revised including equip & furn)	Medical Center Annual Capital Budget and Outside Fundraising	N/A	Jan '07 (revised to Mar '07 due to structural steel upgrades for addition)
3. Construction Complete				
NICU Expansion : Major renovation of University Hospital 7th floor to accommodate an expanded Newborn Intensive Care Unit	\$3.8 M (\$5.05M revised including equipment & furniture)	Medical Center Annual Capital Budget and Outside Fundraising	Jan '03	Construction Completed

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 8, 2007

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.D. Health System Development

ACTION REQUIRED: None

BACKGROUND: Health System Development will provide reports of recent activity to the Medical Center Operating Board from time to time.

DISCUSSION:

SIGNIFICANT GIFTS

A \$2 million commitment was received to benefit the Chairman's Discretionary Fund in Otolaryngology/Head and Neck Surgery.

The Burford Liemenstoll Foundation, which was established from the estate of Betty Sams Christian, committed \$1 million to endow and name the Betty Sams Christian Child Health Advocacy Program at UVa Children's Hospital.

The Mary Morton Parsons Foundation awarded a \$1 million challenge grant to the School of Nursing towards the expansion and renovation of the Clinical Simulation Learning Center in McLeod.

A major Cancer Center donor has accelerated the pledge payments on a previous multi-million dollar commitment to the Cancer Center building and Women's Oncology program. The pledge has now been paid in full, and interest accrued on the pledge will be used to help fund an expansion floor of the Emily Couric Clinical Cancer Center.

Other gifts and pledges received include:

- A \$750,000 gift of real estate to benefit the Claude Moore Medical Education Building.
- Two \$250,000 endowments for a scholarship for undergraduate students and a fellowship for graduate students.
- Two pledges of \$100,000 each to benefit the Class of '58 fund for the medical education building.
- A \$100,000 commitment to the medical education building.

- A \$100,000 gift to the Emily Couric Clinical Cancer Center.
- A \$50,000 commitment to the Class of '57 Fund to benefit the medical education building.
- A gift of \$40,000 to cancer research.
- A \$35,000 donation to the Burn Unit to provide items for greater patient comfort, such as radiant lamps and a pressure-sensitive operating room mattress.
- A \$35,000 pledge to support development of a snakebite poisoning educational website by the Division of Medical Toxicology.
- A \$30,000 gift to provide seed funding for cancer research.

OTHER DEVELOPMENT INITIATIVES

The Health System Development Office Communications team worked with the University of Virginia Children's Hospital development staff to create an honor roll and list of upcoming events that was mailed to more than 7,000 households. This publication was intended to recognize past donors, create continued loyalty, and promote upcoming fund-raising events, and included a gift envelope.

On behalf of Health System and University of Virginia Health Foundation leadership, the Health System Development Communications team sent an "e-mail blast" to almost 8,000 donors, alumni, and friends of the Health System. The e-mail included a link to our newly redesigned University of Virginia Health Foundation web site and a virtual tour. To date, over 2500 people have clicked on the embedded e-mail link to access the site, and over 1,300 have watched the virtual tour. To view either the site or virtual tour, go to: www.uvahealthfoundation.org.

Two recent local events raised funds for the University of Virginia Cancer Center. On November 4, the University of Virginia student group FORCE (Fighting, Overcoming & Responding to Cancer Everywhere), held its annual Run for Lungs 5K. Proceeds benefited lung cancer research and were matched by an anonymous donor. On November 25, the Sperry Marine Hockey League hosted the Cure Cup, a charity hockey game at the Charlottesville Ice Park. Proceeds from this event benefited the Patients and Friends Research Fund for cancer research. These volunteer-driven events not only generate resources, but also raise awareness of the Cancer Center in the Charlottesville community.

Panera Bread sold Pink Ribbon bagels in honor of Breast Cancer Awareness Month. Six Panera cafes throughout Virginia donated a portion of the proceeds from the sale of the Pink Ribbon bagels to the University of Virginia Breast Care Center.

On November 23, over 1300 runners and walkers participated in the 25th Annual Boar's Head Turkey Trot to benefit the University of Virginia Children's Hospital. This event raised an estimated \$20,000.

Between July 1, 2006, and December 31, 2006, Health System development staff made 730 face-to-face visits with donors and prospects.

CAMPAIGN PROGRESS THROUGH NOVEMBER 30, 2006

NOTE: December 2006 totals are not yet available.

Through the end of November 2006, the Health System campaign total was \$282,008,735. This represents 56.4 % of the campaign total, with 36.5 % of the campaign period elapsed. The following table shows the Fiscal Year 2006 totals for new commitments, including new gifts and new pledges.

	FY '07	FY '06
Total new commitments (excluding payments on previously booked pledges)	\$68,538,919	\$16,892,418
New gifts	\$10,503,690	\$7,772,741
New pledges	\$58,035,229	\$9,199,667

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 8, 2007

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.E. Compliance Report

ACTION ITEM: None

BACKGROUND: The Office of Corporate Compliance provides an annual update of significant issues affecting the Medical Center's corporate compliance program. This year, the Medical Center is required to comply with the requirements of the Deficit Reduction Act of 2005. In addition, the Medical Center continues to participate in a Centers for Medicare and Medicaid Services project to evaluate compliance effectiveness.

DISCUSSION:

DEFICIT REDUCTION ACT OF 2005

The Deficit Reduction Act of 2005 went into effect on January 1, 2007. A major goal of the Act is to strengthen Medicaid enforcement. The principal mandate for healthcare providers is that compliance programs are now required for all providers receiving more than \$5 million in annual Medicaid funding.

Specifically, healthcare providers must implement or revise policies covering federal and state false claims acts. Employees must be educated about false claims and whistleblower protections. Employee handbooks must be revised to include details about false claims. Information also must be provided concerning how a provider receives complaints, investigates complaints, and resolves allegations of improper billing practices.

The Medical Center has responded by revising its Code of Conduct to include a section on "Facts About False Claims." All employees have been notified of the changes. In addition, educational content has been added to new employee training as well as to annual competency training addressing the required elements.

The Medical Center has already seen an increase in Medicaid audits as a result of the Act. Significant resources were

committed to strengthening enforcement activities along with a requirement that states report on audit effectiveness. These measures will produce increased scrutiny of Medicaid billing from both state and federal enforcement agencies.

COMPLIANCE EFFECTIVENESS PROJECT

The Medical Center has been participating in a pilot project with the Centers for Medicare and Medicaid Services to evaluate compliance effectiveness. The project began in early 2005 and has included two rounds of data collection coupled with analyses of billing accuracy.

The Medical Center's performance relative to other participants has been quite strong, suggesting that its compliance program is effective in achieving its goals. Project findings and outcome measures are currently expected to be reported by June 2007.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 8, 2007

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II. 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 which do not require formal action, but of which the Medical Center Operating Board should be aware.