

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
April 3, 2008**

UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD

Thursday, April 3, 2008
12:15 - 3:15 p.m.
Medical Center Board Room

Committee Members:

E. Darracott Vaughan, Jr., M.D., Chair	
W. Heywood Fralin	Randl L. Shure
Sam D. Graham, Jr., M.D.	Edward J. Stemmler, M.D.
Randy J. Koporc	The Hon. Jane H. Woods
Vincent J. Mastracco, Jr.	John O. Wynne
The Hon. Lewis F. Payne	

Ex Officio Members:

Sharon L. Hostler, M.D.
John B. Hanks, M.D.
R. Edward Howell
Leonard W. Sandridge

AGENDA

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III. REPORT BY THE PRESIDENT OF THE CLINICAL STAFF OF THE MEDICAL CENTER (Dr. Hanks)

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IV. 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. The meeting of the Medical Center Operating Board is further privileged under Section 8.01-581.17 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 personnel, financial, market and resource considerations and efforts regarding the Medical Center, including capacity planning and potential strategic joint ventures or other competitive efforts, and linkage to the long-range strategic goals of the Medical Center and Health System Decade Plan and the mission of patient care, education, and research, all where public discussion would adversely affect the Medical Center's bargaining position;
 - 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, and negotiations concerning performance of a contract, all of 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. The meeting of the Medical Center Operating Board is further privileged under Section 8.01-581.17 of the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.A. Recognition of Medical Center Auxiliary
100th Anniversary

BACKGROUND: The University of Virginia Hospital Auxiliary is celebrating its 100th Anniversary of outstanding service to the Medical Center, its patients, and their families.

DISCUSSION:

The University of Virginia Hospital Auxiliary began providing services to benefit the Medical Center, its patients and their families in October, 1908. The breadth and depth of the organization's service is notable. In 1927, the Auxiliary helped provide the Hospital with its first full-time social worker. Auxiliary members established the Hospitality House (which we believe was the first in the Commonwealth), which provides services for families during the hospitalization of a loved one.

Each day throughout the years these volunteers have worked selflessly to help patients by providing day-to-day comforts and services - delivering flowers, operating the gift shop, supporting families in the surgical waiting room, and rocking babies in the Children's Hospital.

In addition to serving our patients and families, the Auxiliary has a longstanding commitment to education. The Auxiliary sponsors scholarships in nursing and other health related fields and supports the future development of quality health care providers.

The collective fund raising efforts of Auxiliary members have been a core component of their work over the years. Fund raising initiatives include Daffodil Day, the Lights of Love holiday tree, and book sales. In addition, proceeds from the Hospital Auxiliary Gift Shop are used to help fund the many important programs and activities sponsored by the Auxiliary to benefit the Medical Center.

The Auxiliary's outstanding service and fundraising efforts have helped to meet the diverse needs of patients and their families and have provided vital support for the Medical Center for a century.

The General Assembly has passed a resolution commending the Hospital Auxiliary for its work.

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

COMMENDATION OF THE UNIVERSITY OF VIRGINIA HOSPITAL AUXILIARY

RESOLVED, the Board of Visitors recognizes, commends, and congratulates the University of Virginia Hospital Auxiliary for 100 years of service and contribution to the University of Virginia Medical Center and its patients.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.B. Buchanan Endowment Criteria and Awards

BACKGROUND: Mr. Ward Buchanan, a 1914 graduate of the University's Law School, left a \$52.6 million bequest to create an unrestricted endowment fund for the University of Virginia Medical Center. Interest earnings from the Ward Buchanan Fund are being used to provide seed funding of unique, "clinically differentiating" programs at the Medical Center. The annual interest amounts to approximately \$2.3 million, and with matching funds, up to \$5 million will be available. Funding will be provided for a maximum of three years for each new clinical program.

DISCUSSION:

A. Annual Buchanan Report

As in past years, a request was sent to all School of Medicine clinical department chairs and clinical staff members for submission of Letters of Intent describing proposed clinically differentiating programs.

In order to receive funding, the programs had to demonstrate that an 11% return on investment over a three year period and 7% net operating margin in the 3rd and final year of funding could be achieved. Programs had to be clinically differentiating and set the University of Virginia Medical Center apart from other academic medical centers and hospitals in the area.

Using these criteria, the Buchanan Endowment Programs Committee recommended that two programs receive funding. The Vice President and Chief Executive Officer of the Medical Center and the Interim Vice President and Dean of the Medical School made the final decision and concurred with the Committee's recommendations. The two programs are:

- Women's Cardiometabolic Prevention Program: Practice Model Innovations to Deliver Profitable, Effective Care: The goal of this program is to develop a sustainable women's

heart health prevention program, recognizing that cardiovascular disease is the leading cause of death in American women. The model will incorporate group medical visits provided by an interdisciplinary team of healthcare practitioners and ancillary service providers.

- The University of Virginia Skull Base Institute: This program will provide comprehensive care (including surgery, gamma knife, and external beam radiation) to patients with tumors of the skull base, and is a partnership between the Department of Neurosurgery and Otolaryngology - Head and Neck Surgery. The Institute also will coordinate both clinical and translational research efforts between the two departments.

B. Buchanan Criteria

The Medical Center and the School of Medicine are committed to advancing the clinical research mission of the School of Medicine and to that end seek to dedicate up to 25% of the Buchanan funds for research purposes that are part of a differentiating clinical program. For example, a Phase III clinical trial could be included within a Buchanan program. Another example is the work required to document superior patient outcomes when patients are treated in a clinically differentiating program.

ACTION REQUIRED: Approval by the Medical Center Operating Board

CRITERIA FOR BUCHANAN FUNDING

RESOLVED, the Medical Center Operating Board approves the use of up to 25% of Buchanan funding for Clinical Trials Research that is part of a differentiating clinical program.

University of Virginia
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.C. Approval of Signatory Authority for
Medical Center Procurement of Intraoperative
MRI

BACKGROUND: The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5 million.

DISCUSSION: The Medical Center is seeking to incorporate Magnetic Resonance Imaging capabilities into two new operating rooms by installing high field (1.5 Tesla) ceiling-mounted Magnetic Resonance Imaging equipment. The equipment will be parked in a bay between the two operating rooms and, as intraoperative imaging is required, will enter the room along a track on the ceiling and situate itself over the surgical table. The cost of the equipment, maintenance and support is expected to be \$8.65 million, thus exceeding the signatory authority of the Executive Vice President and Chief Operating Officer of the University.

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

APPROVAL OF SIGNATORY AUTHORITY FOR MEDICAL CENTER PROCUREMENT OF INTRAOPERATIVE MRI

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer of the University to execute a contract for the procurement of intraoperative MRI equipment, based on the recommendation of the Vice President and Chief Executive Officer of the Medical Center in accordance with Medical Center procurement policy.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

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.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

COMMITTEE: Medical Center Operating Board

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

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 of the University before submitting the report to the Medical Center Operating Board. In addition, the Medical Center provides an update of significant operations of the Medical Center occurring since the last Medical Center Operating Board meeting.

FINANCE REPORT

The first seven months of Fiscal Year 2008 ended with an operating margin of 3.2 percent, which was below the goal of 3.6 percent. Total operating revenue and total operating expenses were below budget but above the prior year.

Inpatient admissions were 0.9 percent below budget and 0.1 percent below prior year. Observation patients were 14.2 percent above budget and 5.2 percent above prior year. Taken together, combined admissions and observation patients were 1.8 percent above budget and 0.9 percent above the first seven months of Fiscal Year 2007. At the end of January 2008, the Medical Center had 580 staffed inpatient beds in operation, compared to 579 beds in operation at the same time last year. In addition, there are 20 beds in a dedicated observation unit which opened in April 2007.

Patient days were 0.1 percent above budget, and the average length of stay was 5.90 days, compared to the 5.80 day budgeted length of stay. The case mix index for all acute inpatients was 1.80, which was below both budget and prior year.

Medical admissions in the first seven months of Fiscal Year 2008 increased by 4.8 percent over the first seven months of Fiscal Year 2007. Cases for neurology, gastroenterology, nephrology and clinical research all increased over last year. At the same time, surgical admissions declined by 4.6 percent. Neurosurgery cases through January were down by 6.4 percent from last year due to the loss of a key pituitary physician and the

suspension of gamma knife cases while the machine was being upgraded to the newest generation. A 2.6 percent decline in the number of thoracic cardiovascular cases also contributed to the lower number of surgical cases in Fiscal Year 2008.

Net patient service revenue through the first seven months of Fiscal Year 2008 was 1.8 percent below budget and 4.7 percent above prior year.

Total operating expenses for Fiscal Year 2008 through January were 1.0 percent below the \$536.2 million budget and 6.6 percent above prior year expenses. Salaries and wages for employees on the Medical Center's payroll were below budget but above prior year expenses. Contract labor was above both budget and prior year due to the continued utilization of agency contracted labor in areas including the operating rooms, radiology, the neonatal intensive care unit, and other pediatric and adult inpatient units. Medical supplies were above budget and prior year expenses, in part due to higher costs for surgical implants and pharmaceuticals. Purchased services were below budget, partly due to lower than expected costs for repair and maintenance, but purchased services were above prior year expenses.

Full time equivalent employees were 16 above budget and 195 greater than the prior year. Contract labor FTEs were 54 above budget and 10 below the prior year. FTEs and salary, wage and benefit cost per FTE were:

	FY 2007	FY 2008	2008 Budget
FTEs on Payroll	5,830	6,025	6,009
Salary, Wage and Benefit Cost per FTE on Payroll	\$63,757	\$66,477	\$67,742
Contract Labor FTEs	285	275	221
Total FTEs	6,115	6,300	6,230

OTHER FINANCIAL ISSUES

The Medical Center and Health Services Foundation concluded 14 months of negotiations with Anthem by signing a seven year contract, which is forecast to provide \$1.75 billion of revenue to the two entities combined. Our negotiating objectives were to obtain (1) reimbursement at a level necessary for our Health System to continue satisfying its mission, (2) a commitment to simplify our relationship administratively, (3) continued open access to our Health System for Anthem enrollees and (4) recognition by Anthem that, as a leading academic health system, we are at the forefront in health care, using new technologies and treatments well in advance of many other providers. All of these objectives were achieved. Over the next seven years the Medical Center is forecast to realize a significant contribution to the operating margin of the Medical Center from Anthem. The Health Services Foundation is also scheduled to realize its financial goals. As we look to what promises to be a turbulent time in the future for the healthcare industry, we believe this contract will be an anchor for both the Medical Center and Health Services Foundation.

To support good customer service and, in response to the trend in healthcare consumerism, the Medical Center developed a service to provide written charge estimates for patients or other healthcare providers. This process was developed collaboratively with the Health Services Foundation, to ensure both hospital and physician charges are accurately provided with a single point of contact. A web portal and internal e-mail address were created to facilitate requests. We have provided over 1,300 price quotes. To date we are not aware of a single instance where the quote varied dramatically from the estimate.

WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$97.7 million for the period July 1, 2007 through January 31, 2008 have been written off. Recoveries during this period totaled \$24.2 million.

Bad debt charges totaling \$25.3 million have been written off in the first seven months of Fiscal Year 2008. During this same period, \$9.8 million was recovered through suits, collection agencies, and Virginia refund set-off.

OPERATIONS REPORT

Business Planning

Six strategic units will produce business plans this year. This includes the current four "Centers" (Cancer, Heart and Vascular, Children's Services, and Digestive Health) as well as Transplant Services and Neurosciences. The Medical Center has entered into a contract with Sg2, a health care intelligence company, to assist in this process. Sg2 will form a partnership with key faculty and staff of four defined areas to begin the administrative planning process. Those four areas are Cancer, Heart and Vascular, Neurosciences, and Children's Services. The process will begin with half day educational sessions for each of these areas, composed of small groups of Sg2 experts and selected UVA participants. The groups will methodically review the current and likely future state of their clinical areas and develop plans that will profile where we are, where we need to be, and how we will achieve the resulting goals in an integrated approach that incorporates strategy, capital requirements, technology and operations. Sg2 will also help critique all six areas as needed.

Renoir Group Supply Chain Consulting Engagement

In January 2008 the Renoir Group, an international consulting company, completed a 3-week assessment of the Medical Center's supply chain and identified cost saving opportunities. Renoir submitted a proposal to achieve these savings over a 50-week period. Senior management has approved the proposal and the engagement began in March. The engagement is sponsored by the Executive Team and led by a team of three individuals from Renoir and four Medical Center staff. It will involve multiple action teams that will be accountable to senior management for achieving savings targets.

Radiology

The multi-phased Radiology renovation at the University Hospital first floor location began in December 2007. Construction is underway in the area previously occupied by the film room. With the complete transition to electronic imaging, we are able to recapture this storage space and will use it for clinical care and services. The first phase of the project relocates one third of the reading rooms into a newly renovated and futuristic model for electronic reading of images and clinical consultation. Also, in February 2008, Radiology initiated a one year project to upgrade its current information

system. This upgrade will further improve clinical efficiency and effectiveness by enhancing the integration of patient clinical data, image data and result generation.

Medical Laboratories

The Core Laboratory Lean process improvement project continues. The objective is to employ Lean methodologies to improve service delivery and testing quality while reducing expenses and space requirements. The anticipated completion date has moved from early March 2008, to late April 2008, due to the permitting process required by the University to renovate current space.

The recent flu outbreak has created challenges for the Microbiology Laboratory. The number of flu orders has increased dramatically. Testing frequency has been increased to accommodate the volume and to provide results to the health care provider more quickly. This is particularly important since results are used to determine if a patient needs to be placed in an isolation bed. Also, in order to confirm a "negative" flu result obtained from the rapid immunoassay test, additional testing must be performed. This year, the laboratory implemented a new confirmatory flu test that takes five hours to complete. Previously, a flu culture required five days.

Joint Commission Point of Care Laboratory Survey

The Joint Commission on Accreditation of Healthcare Organizations ("the Joint Commission") conducted an unannounced survey of the Medical Center's point-of-care laboratory testing program on March 4-7. The team of two surveyors conducted a review of multiple testing sites both on-grounds and off, including services at Augusta Medical Center. Over the course of the four day survey, they also reviewed patient care in cases within the past two years using the "tracer methodology," which involves a review of care across a patient's experience looking for evidence of compliance with a variety of Joint Commission standards. The Medical Center received two primary recommendations for improvement in the area of the National Patient Safety goals and several minor suggestions for consideration. The Medical Center will submit an action plan to the Joint Commission to assure that corrective measures are in place.

SCI Outpatient Scheduling and Registration System

The Medical Center purchased an integrated scheduling and registration system from SCI Solutions, Inc., a vendor of access and revenue cycle management products for the healthcare industry. The SCI system offers several functional advantages compared to Siemens' Resource Scheduling System. The SCI system's flexible, rules-based scheduling maximizes available appointments, ensures required resources are available, reduces cancellations and no-shows, and maximizes the physician's time in clinic. Itineraries can be auto-faxed to referring physicians, wait times can be reduced, and the "check-in" process on the day of a patient's appointment can be streamlined. SCI also has a greater capacity to provide instructions to help patients prepare for their visit.

The SCI system also offers improved ability to manage referrals, obtain authorizations, and perform medical necessity checks that will help providers obtain anticipated payments. Patients will have a better opportunity to seek financial assistance, will better understand their financial obligations, and will have fewer questions when they receive their bills.

The system will be fully implemented following testing at two or three pilot sites this spring. The plan is to have the SCI system implemented in most outpatient settings by September, 2008.

Medical Surgical ICU Opening

On March 3rd, the Medical Surgical Intensive Care Unit (MSICU) opened on the third floor of University Hospital. The MSICU is a seven bed unit designed for a variety of medical and surgical patients requiring critical care. The staff will include unit-based acute care nurse practitioners, who will provide the primary care to patients with oversight by an attending Pulmonary-Critical Care physician. Surgical patients will be co-managed by critical care and surgical attending physicians.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Jan-06	Jan-07	Jan-08	Jan-08
Net patient revenue	\$480.8	\$514.9	\$539.0	\$548.9
Other revenue	<u>12.8</u>	<u>12.9</u>	<u>14.7</u>	<u>12.6</u>
Total operating revenue	<u>\$493.6</u>	<u>\$527.8</u>	<u>\$553.7</u>	<u>\$561.5</u>
Operating expenses	440.0	472.3	502.3	504.2
Depreciation	27.1	27.3	29.1	32.0
Interest expense	<u>2.7</u>	<u>3.5</u>	<u>4.7</u>	<u>5.3</u>
Total operating expenses	<u>\$469.8</u>	<u>\$503.1</u>	<u>\$536.1</u>	<u>\$541.5</u>
Operating income (loss)	<u>\$23.8</u>	<u>\$24.7</u>	<u>\$17.6</u>	<u>\$20.0</u>
Non-operating income (loss)	<u>\$16.8</u>	<u>\$58.2</u>	<u>\$24.0</u>	<u>\$14.6</u>
Net income (loss)	<u>\$40.6</u>	<u>\$82.9</u>	<u>\$41.6</u>	<u>\$34.6</u>
Principal payment	\$5.1	\$4.8	\$3.9	\$4.7

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

Description	Most Recent Three Fiscal Years		
	Jan-06	Jan-07	Jan-08
Assets			
Operating cash and investments	\$106.4	\$202.2	\$84.7
Patient accounts receivables	102.9	62.7	51.8
Property, plant and equipment	344.8	366.2	396.6
Depreciation reserve and other investments	264.9	275.3	438.4
Endowment Funds	121.5	136.3	158.8
Other assets	<u>73.5</u>	<u>117.5</u>	<u>121.7</u>
Total Assets	<u>\$1,014.0</u>	<u>\$1,160.2</u>	<u>\$1,252.0</u>
Liabilities			
Current portion long-term debt	\$12.7	\$12.9	\$12.5
Accounts payable & other liab	59.1	76.0	79.3
Long-term debt	158.5	163.4	152.7
Accrued leave and other LT liab	<u>74.7</u>	<u>92.4</u>	<u>128.9</u>
Total Liabilities	<u>\$305.0</u>	<u>\$344.7</u>	<u>\$373.4</u>
Fund Balance	<u>\$709.0</u>	<u>\$815.5</u>	<u>\$878.6</u>
Total Liabilities & Fund Balance	<u>\$1,014.0</u>	<u>\$1,160.2</u>	<u>\$1,252.0</u>

University of Virginia Medical Center
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	Jan-06	Jan-07	Jan-08	Jan-08
Operating margin (%)	4.8%	4.7%	3.2%	3.6%
Total margin (%)	8.0%	14.1%	7.2%	6.0%
Current ratio (x)	2.9	3.0	1.5	2.0
Days cash on hand (days)	166.4	210.3	216.9	190.0
Gross accounts receivable (days)	45.2	47.1	50.3	60.0
Average payment period (days)	34.9	40.2	38.9	60.4
Annual debt service coverage (x)	9.0	13.7	8.8	7.2
Debt-to-capitalization (%)	21.2%	19.4%	17.5%	20.0%
Capital expense (%)	6.3%	6.1%	6.3%	6.9%

University of Virginia Medical Center
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	Jan-06	Jan-07	Jan-08	Jan-08
Acute Admissions	17,149	17,488	17,467	17,626
Patient days	98,690	100,478	102,375	102,232
SS/PP Patients	4,325	4,084	4,298	3,764
Average length of stay	5.80	5.71	5.90	5.80
Clinic visits	346,184	368,701	375,404	379,180
ER visits	34,084	34,248	35,733	34,993
Medicare case mix index	1.9598	1.9663	1.9632	1.9559
Net Revenue by Payor				
Medicare (%)	36.15%	36.42%	35.89%	34.08%
Medicaid (%)	12.71%	12.98%	13.27%	12.85%
Commercial Insurance (%)	18.64%	18.73%	18.90%	20.19%
Anthem (%)	18.75%	18.63%	18.81%	18.51%
Southern Health (%)	5.27%	5.24%	5.34%	5.13%
Other (%)	<u>8.49%</u>	<u>8.00%</u>	<u>7.79%</u>	<u>9.24%</u>
Total	100.0%	100.0%	100.0%	100%
FTE's (including contract labor)	5,983	6,115	6,300	6,230

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 - January 2008

OPERATING STATISTICAL MEASURES - January 2008

ADMISSIONS and CASE MIX - Year to Date				OTHER INSTITUTIONAL MEASURES - Year to Date			
	<u>FY 07</u>	<u>FY 08</u>	<u>% Change</u>		<u>FY 07</u>	<u>FY 08</u>	<u>% Change</u>
<u>ADMISSIONS:</u>				<u>ACUTE INPATIENTS:</u>			
Surgical	6,938	6,616	(4.6%)	Inpatient Days	100,478	102,375	1.9%
Medical	6,928	7,264	4.8%	Average Length of Stay	5.71	5.90	(3.3%)
Transplant	133	117	(12.0%)	Average Daily Census	467	476	1.9%
Obstetrics	1,211	1,257	3.8%	Births	1,053	1,084	2.9%
Pediatrics	1,383	1,343	(2.9%)	<u>OUTPATIENTS:</u>			
Psychiatric	895	870	(2.8%)	Clinic Visits	368,701	375,404	1.8%
Subtotal Acute	17,488	17,467	(0.1%)	Average Daily Visits	2,751	2,787	1.3%
Short Stay	4,084	4,298	5.2%	Emergency Room Visits	34,248	35,733	4.3%
Total Admissions	21,572	21,765	0.9%	<u>SURGICAL CASES</u>			
<u>CASE MIX INDEX:</u>				Main Operating Room (IP and OP)	10,694	10,851	1.5%
All Acute Inpatients	1.8394	1.8045	(1.9%)	UVA Outpatient Surgery Center	4,387	4,202	(4.2%)
Medicare Inpatients	1.9663	1.9632	(0.2%)	Total	15,081	15,053	(0.2%)

OPERATING FINANCIAL MEASURES - January 2008

REVENUES and EXPENSES - Year to Date				OTHER INSTITUTIONAL MEASURES - Year to Date			
	<u>FY 07</u>	<u>FY 08</u>	<u>% Change</u>		<u>FY 07</u>	<u>FY 08</u>	<u>% Change</u>
<u>NET REVENUES:</u>				<u>NET REVENUE BY PAYOR:</u>			
Paying Patient Revenue	\$ 478,436,633	\$ 500,485,836	4.6%	Medicare	\$ 174,236,756	\$ 179,644,393	3.1%
Appropriations	36,467,187	38,526,661	5.6%	Medicaid	62,094,874	66,432,544	7.0%
Net Patient Service Revenue	514,903,820	539,012,497	4.7%	Commercial Insurance	89,610,947	94,598,458	5.6%
Other Operating Revenue	12,904,658	14,734,534	14.2%	Anthem	89,151,413	94,133,789	5.6%
Total	\$ 527,808,478	\$ 553,747,031	4.9%	Southern Health	25,072,993	26,707,424	6.5%
<u>EXPENSES:</u>				Other	38,269,650	38,969,227	1.8%
Salaries, Wages & Contract Labor	\$ 232,705,252	\$ 249,197,756	7.1%	Total Paying Patient Revenue	\$ 478,436,633	\$ 500,485,836	4.6%
Supplies and Contracts	155,850,085	166,594,011	6.9%	<u>OTHER:</u>			
Purchased Services	64,399,077	67,031,266	4.1%	Collection % of Gross Billings	47.40%	44.45%	(6.2%)
Bad Debts	19,402,253	19,572,447	0.9%	Days of Revenue in Receivables (Gross)	47.1	50.3	6.8%
Depreciation	27,253,922	29,100,978	6.8%	Cost per CMI & OP-Adj Discharge	\$ 8,370	\$ 8,827	5.5%
Interest Expense	3,496,487	4,696,113	34.3%	Cost per CMI & OP-Adj Day	\$ 1,457	\$ 1,506	3.4%
Total	\$ 503,107,075	\$ 536,192,571	6.6%	Cost per Outpatient Visit	\$ 71.66	\$ 76.55	6.8%
Operating Margin	\$ 24,701,403	\$ 17,554,460	(28.9%)	Total F.T.E.'s (including Contract Labor)	6,115	6,300	3.0%
Operating Margin %	4.7%	3.2%	(45.6%)	F.T.E.'s Per Adjusted Occupied Bed	7.78	7.75	(0.4%)
Non-Operating Revenue	\$ 58,190,688	\$ 23,997,289	(58.8%)				
Net Income	\$ 82,892,091	\$ 41,551,749	(49.9%)				

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 - January 31, 2008

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	<u>Annual Activity</u>	
	January <u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
<u>INDIGENT CARE (IC)</u>			
Net Charge Write-Off	<u>74,855</u>	<u>113,523</u>	<u>93,577</u>
Percentage of Net Write-Offs to Revenue	6.17%	6.08%	5.61%
Total Reimbursable Indigent Care Cost	<u>32,482</u>	<u>43,652</u>	<u>40,901</u>
State and Federal Funding	32,482	43,652	40,901
Total Indigent Care Cost Funding As a Percent of Total Indigent Care Cost	100%	100%	100%
Unfunded Indigent Cost	<u>-</u>	<u>-</u>	<u>-</u>
	January	<u>Annual Activity</u>	
	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
<u>BAD DEBT</u>			
Net Charge Write-Offs	<u>19,572</u>	<u>32,843</u>	<u>32,286</u>
Percentage of Net Write-Offs to Revenue	1.61%	1.76%	1.93%

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: April 3, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.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
April 2008**

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
1. Pre-Construction				
<p>Clinical Office Building: Board of Visitors approved project to complete the 3rd floor fit out for the Spine Center and Orthopaedic Services</p>	\$8 M	Bonds	Jan 2003 Feb 2008	2009
<p>Emily Couric Clinical Cancer Center : Construction documents complete for consolidated and comprehensive Cancer Center on site of present West Parking Deck. An additional floor (shell space) will be added for future use. Construction Manager (Gilbane) is on board. Ground breaking is scheduled for April 12, 2008</p>	\$74 M (including added floor)	General Fund Appropriation (@ \$25 M) , Bonds and Outside Fundraising	Oct 2004 July 2006 (B&G Committee) June 2007	2010
<p>UVa Children's Hospital: Facility programming being validated. Awaiting completion of fundraising efforts before proceeding with detailed design work</p>	\$48 M	Bonds and Outside Fundraising	TBD	TBD
<p>University Hospital Bed Expansion: Planning underway to increase inpatient bed capacity in University Hospital by adding 72 private, ICU-level rooms</p>	\$80.2 M	TBD	Sept 2005 June 2007	2011

**The University of Virginia Medical Center
Capital Projects Report
April 2008**

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
1. Pre-Construction				
*University Hospital: Renovate Heart Center invasive procedure areas	\$15.6 M (21,600 GSF)	Bonds	Feb 2008	2010
*University Hospital: Add two Operating Rooms and Magnetic Resonance Imaging Room (with equipment)	\$14.3 M (2,330 GSF)	Bonds	Feb 2008	2010
*University Hospital: Renovate and relocate Surgical Pathology Laboratory	\$6.6 M (8,800 GSF)	Bonds	Feb 2008	2010
University Hospital: Add elevators	\$7.6 M	Bonds	Feb 2008	2010
University Hospital: Renovate Radiology Department	\$21.2 M (52,000 GSF)	Bonds	Feb 2008	2010
Primary Care Center: Repair brick façade and replace roof	\$6.6 M	Bonds	Feb 2008	2010
Moser Radiation Therapy Center: Construct addition for 2 nd linear accelerator	\$2.5 M (3,000 GSF)	Bonds	Feb 2008	2010
West Main Street: Upgrade streetscape and utilities	\$4.0 M	Bonds	Feb 2008	2010

*Project modifies original HEP project

**The University of Virginia Medical Center
Capital Projects Report
April 2008**

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
2. Under Construction				
<p>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. This project is now complete.</p>	<p>\$3.0 M (\$3.4 M revised)</p>	<p>Medical Center Annual Capital Budget</p>	<p>N/A</p>	<p>1st phase is complete; 2nd phase completed January 2008</p>
<p>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. The majority of the HEP project has been completed and is in operation or implementation. Several projects listed in Pre-Construction will modify the original HEP project.</p>	<p>\$58.0 M (\$62.7 M revised)</p>	<p>Bonds @ \$54 M (\$58.7 M rev) + Operating Revenues @ \$4 M</p>	<p>March 1999</p>	<p>Fall 2006 Revised to Summer 2007 Program revisions to OR complement and Heart Center under review</p>

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.D. Annual Compliance Report

ACTION REQUIRED: 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 will likely face increased enforcement activities as a result of the Deficit Reduction Act of 2005. In addition, the Medical Center has completed its participation in a Centers for Medicare and Medicaid Services (CMS) project on compliance effectiveness.

DISCUSSION:

INCREASED ENFORCEMENT ACTIVITY

The Deficit Reduction Act of 2005 went into effect on January 1, 2007. The Medical Center has already seen an increase in Medicaid audits as a result of the Act. Significant federal 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 billings from both state and federal enforcement agencies.

The Medical Center is actively engaged in preparing for the potential of audits from the new Medicaid Integrity Program (part of CMS), as well as additional audits from the Virginia Department of Medical Assistance Services (DMAS).

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 now concluded. CMS is in the process of publishing findings from the project. The Medical Center was able to obtain valuable insights into compliance as a result of its participation.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.E. 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

The Claude Moore Charitable Foundation made an additional \$5 million commitment to the Claude Moore Medical Education Building, bringing the foundation's total support for this project to \$17.5 million.

A new \$1 million pledge was received in support of the Emily Couric Clinical Cancer Center from a local Charlottesville couple, adding to their previous \$1 million commitment.

A new Cancer Center board member made a \$1 million commitment to provide art for the Emily Couric Clinical Cancer Center building and in support of cancer research.

Dr. Margaret Plews-Ogan was awarded \$999,210 from the Templeton Foundation for her research on Wisdom in the Humanities.

An alumnus made a \$500,000 bequest to the School of Medicine.

A bequest was documented from an alumnus of the Class of 1972 that will result in at least \$500,000 for scholarships in the School of Medicine.

The Emily Couric Clinical Cancer Center received a \$120,000 commitment.

Other gifts and pledges received include:

- A \$100,000 commitment to support surgical residents' research;
- A \$100,000 gift to the Claude Moore Medical Education Building;
- A \$100,000 contribution to fund a new lectureship in radiology;
- A \$100,000 commitment to neurogenetics research;
- A \$75,000 gift in support of neurogenetics research;
- A \$60,000 contribution to lung cancer research;
- A \$50,000 commitment to the Claude Moore Medical Education Building;
- A \$50,000 gift in support of research in neurological surgery;
- A \$35,000 commitment in support of medical scholarships;
- A \$30,000 contribution for the Telemedicine Program and Department of Pediatrics to provide care for underserved children in Virginia's rural areas; and
- A \$30,000 grant in support of cancer research.

OTHER DEVELOPMENT INITIATIVES

Three School of Medicine professorships were established at the October 4, 2007, Board of Visitors meeting: The Spencer P. Bass, M.D. Twenty-First Century Professorship in Family Medicine; the Jean & Ronald Butcher, M.D. Eminent Scholars Professorship in Neurology; and the Jean & Ronald Butcher, M.D. Eminent Scholars Professorship in Behavioral Medicine and Psychiatry.

The UVa Cancer Center premiered the inaugural issue of *Investing in Hope*, a newsletter that highlights fund-raising events held to benefit UVa cancer programs, as well as priority campaign needs in cancer. It will be mailed biannually to Cancer Center donors, friends, and volunteers. The newsletter is intended to generate continued interest in and support of Cancer Center Campaign goals, especially among annual fund donors who may be considering larger commitments.

A successful Patients and Friends event was held on November 1st, at Ivy Creek Farm, hosted by Kristin and Terry Holtzman. The event, which was attended by Mr. Howell and featured researcher Deb Lannigan, raised \$34,000 that will support cancer research.

Senior leadership from the Hartwell Foundation visited the Grounds to interview this year's investigator nominees. The visit involved extensive meetings with senior University and Health System leadership as well as key School of Medicine faculty. Final decisions regarding the selected Hartwell investigators will be announced in April. The foundation will fund at least one investigator with a \$300,000 grant.

In November of 2007, the UVa Health System Development Office sent its first major direct mail piece to 69,000 Medical Center patients. To date, 245 gifts have been received totaling \$24,335, primarily from donors who are first-time donors to the Health System and the University of Virginia.

Development communications efforts included the launch of new giving Web pages for Cancer, Children's, Heart, and Neurology among others. These pages facilitate online giving and enable donors to select specific areas of interest. The pages link from the UVa Health Foundation Web site and the Medical Center CarePages, and have already resulted in several gifts. In addition, the winter issue of *Pulse* was mailed to over 30,000 donors, alumni, and friends of the Health System. Communications also received an Award of Distinction from the Association of American Medical Colleges for the virtual tour, "*Transforming the Landscape of Healthcare.*"

On January 11th, 112 donors, prospects and friends gathered at Keswick Hall to learn about the Emily Couric Clinical Cancer Center. Mr. Howell and Dr. Peyton Taylor presented a virtual tour of the new facility and fielded questions from guests.

On January 27th, the Health System hosted several alumni, friends, and Health System leadership in the President's box for the men's basketball game.

Between July 1, 2007, and January 31, 2008, Health System development staff made 812 face-to-face visits with donors and prospects.

CAMPAIGN PROGRESS THROUGH JANUARY 30, 2008

Through the end of January, the Health System campaign total is \$351,054,343. This represents 70.21% of the campaign total, with 51.08% of the campaign period elapsed. The following table shows the Fiscal Year 2008 totals for new commitments, including new gifts and new pledges.

	FY 2008	FY 2007
Total new commitments (excludes pledge payments on previously booked pledges)	\$31,238,968	\$77,866,296
New gifts	\$23,257,588	\$16,286,462
New pledges	\$7,981,380	\$61,579,834

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.F. Continuum Home Health Annual Report

ACTION REQUIRED: None

BACKGROUND: The Joint Commission on Accreditation of Healthcare Organizations accredits the University of Virginia Medical Center, as well as over 19,000 other health care organizations. It requires that an annual report be presented to the governing body of the Medical Center describing major performance improvement activities in key areas.

DISCUSSION:

Department Overview

Continuum Home Health Care, a department of the Medical Center, is engaged in two primary lines of business, home health and home infusion services. Continuum is accredited by the Joint Commission on Accreditation of Healthcare Organizations and Medicare/Medicaid certified.

Home health services include the provision of skilled nursing, physical, occupational and speech therapies, home health aides and medical social work to patients residing in Albemarle, Greene, Madison, Orange, Louisa, Fluvanna, Buckingham, Nelson, Augusta and Rockingham counties. Continuum also offers specialty care through its Psychiatric Service, Pediatric Service and an interdisciplinary Wound Care Team.

Home infusion provides services in the same ten counties, and also provides pharmaceutical services throughout the state and out of state as needed to patients residing in Maryland, North Carolina and West Virginia. For home infusion patients residing outside of Continuum's direct service area, Continuum works with another Medicare certified home health agency to provide the direct services required.

Activity - I HEAL

	Unduplicated Admissions			
	FY04	FY05	FY06	FY07
Home Health	3339	3124	3400	3676
Home Infusion	831	962	873	951

Both home health and home infusion continue to demonstrate steady growth. The agency's goal for Fiscal Year 2007 was to increase home health referrals from the 3400 referrals in Fiscal Year 2006, and it exceeded its goal. Additionally, Continuum Home Health Care experienced a 50% increase in referrals from Martha Jefferson Hospital. Gaining new home health patients while delivering fewer visits provides a better reimbursement picture for home health, and Continuum exceeded its goal by providing 3% fewer visits while serving 8% more new patients. Home infusion experienced an 8% increase in therapy days in Fiscal Year 2007. Many home infusion patients require repeated treatment or remain on service for life (e.g., chemotherapy, tube feeding and TPN patients).

Operations - I BUILD

Finance

Significant differences in payor mix exists between home health and home infusion business lines adding to the complexity of intake and pre-authorization requirements. Traditionally Medicare covers very few home infusion therapies, but in Fiscal Year 2007 home infusion experienced a significant increase in patients with Medicare as a payer due to the transition of all dually eligible patients to a Medicare Part D prescription drug plan and the self enrollment of many Medicare patients to D plans.

Home health and home infusion continue to make a significant contribution to the Medical Center's bottom line, and also provide services critical to supporting the institutional priority of timely and effective patient discharge. Continuum's case weight (1.600) continues to exceed the National level (1.367), indicative of the acuity level of the patients Continuum manages effectively at home. (Case weight increased in Fiscal Year 2007 from the prior year's 1.521.) Agency responsiveness and the skill level of staff allow

Continuum to support the discharge of hospitalized patients that many home health agencies cannot or will not service at home.

Workplace Improvements

- Implemented a Pilot Project using four nurses who were trained to manage their case load based on clinical and financial outcomes, as opposed to productivity based care management. The pilot continues to be monitored after showing great improvement in patient outcomes.
- Procured a new clinical and financial pharmacy computer system, CPR+, and began training for implementation in Fiscal Year 2008.
- Purchased four home telemonitoring systems and began training and implementing telemonitoring for high risk home care patients.
- Development of an in-office process to provide direct feedback to field staff in their case management effectiveness for functional, clinical and financial outcomes.
- Integrated home health plan of care and medication profile into CareCast.
- Developed an on-line training program for home care clinicians to address high risk home care populations with poorest outcomes - chronic obstructive pulmonary disease, congestive heart failure and diabetes.
- Home care nurse obtained certification in Wound, Ostomy, Continence Nursing.
- Both home care coders obtained national Home Care Coding Certification.
- Pandemic plan developed.

Quality/Outcomes - I CARE

- Continuum Home Health Care is improving in all areas on Home Health Compare Data.
- Extensive work on Continuum's staff training resulted in improved clinical and financial outcomes. Continuum's risk adjusted standing demonstrates favorable patient outcomes with low visit utilization.

- Continuum has continued work on failure mode evaluation analysis focused on reducing rehospitalization of patients with Chronic Obstructive Pulmonary Disease. Continuum was able to decrease the readmission rate for these patients from 30% to 14%.
- Continuum decreased its overall patient readmission rate to 24%, well below the national average of 28%.
- Continuum ended Fiscal Year 2007 with an overall mean Patient Satisfaction score, as measured through use of the Press Ganey survey system, of 89.3 on all standard questions.
- Continuum's fall rates were 0.8%, well below the national average of 1.2% for home health patients

Home Health Medicare Report Card

Although Medicare requires certified home health agencies to track about 100 different patient outcome data elements at four different points during the process of care, it only uses 11 of these outcomes to generate its quarterly report cards. Medicare does use additional outcomes measures to determine reimbursement. Significant time was invested in the 1st and 2nd quarters of Fiscal Year 2007 on "back to basics" assessment and documentation, coupled with close monitoring of clinician documentation. Because of delays in CMS reporting, the impact of Continuum's intensive staff training is only starting to show in the latest Home Health Compare reports; it will not be completely evident until Fiscal Year 2008. Continuum Home Health Care is constantly monitoring its performance with targeted quality projects initiated when opportunities for potential improvements are identified.

Fiscal Year 2008 Operational Priorities

- Continuum will be reworking systems and processes to be able to handle changes in the CMS home health prospective payment system which went into effect on January 1, 2008.
- Develop and implement employee engagement action plans.
- Continuum will be increasing its use of tele-home monitoring capability in Fiscal Year 2008, initially focusing on the management of its extensive wound care population.
- Continuum will go live with its new home infusion pharmacy system.
- Continuum's infusion pharmacy will assume responsibility for high concentrate narcotic and baclofen compounding in

support of neurosurgical and chronic pain management patients with implantable pumps.

- Establish a program for coagulation monitoring, with bedside results reported in the home utilizing Coagucheck or a similar monitoring device. This program is designed to reduce drive time to laboratories and increase patient and physician satisfaction, with instant results facilitating improved care management.
- Continuum home health aides will begin using hand-held computers to improve documentation and communication.
- Continuum will begin its journey towards becoming a "paperless" agency, with all documentation being electronically stored.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 3, 2008

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 which do not require formal action, but of which the Medical Center Operating Board should be made aware.