

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS  
MEETING OF THE  
MEDICAL CENTER  
OPERATING BOARD  
June 12, 2008**

UNIVERSITY OF VIRGINIA  
MEDICAL CENTER OPERATING BOARD

Thursday, June 12, 2008

8:00 - 11:00 a.m.

Medical Center Board Room

Committee Members:

E. Darracott Vaughan, Jr., M.D., Chair  
Thomas F. Farrell, II                      Randl L. Shure  
W. Heywood Fralin                      Edward J. Stemmler, M.D.  
Sam D. Graham, Jr., M.D.              The Hon. Jane H. Woods  
Randy J. Koporc  
Vincent J. Mastracco, Jr.  
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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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, affiliations or other competitive efforts, discussion of the Children's Hospital strategy, report on the integrated health information management system 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, including Medicaid Disproportionate Share, 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: June 12, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.A. Fiscal Year 2009 Medical Center  
Operating and Capital Budget

BACKGROUND: The Medical Center's operating and capital budgets are consolidated with the University's overall budget. At its June meeting, the Board of Visitors acts on both the overall budget and the proposed Medical Center budget based on a recommendation for approval from the Medical Center Operating Board.

DISCUSSION: The Medical Center's 2008-2009 fiscal plan has been developed to include aspects of the Decade Plan developed by the Medical Center and School of Medicine while considering the challenge of providing patient care, teaching, and research services in an increasingly changing health care industry. The cost of providing quality patient care will continue to rise because of increases in medical supply, pharmaceutical and medical device expenses, as well as a shortage of healthcare workers. In addition, in Fiscal Year 2009, the Medical Center expects to continue its growth in surgery and to care for patients with high acuity illnesses. The Fiscal Year 2009 budget represents the first time net revenue has exceeded one billion dollars.

The Medical Center budget development process is clinically focused and highly participatory. Patient care service management, support function management, and physicians have significant roles in the budget development cycle. The budget process begins with senior management developing basic budget assumptions such as admissions, length of stay, standard for the number of employees, and inflation. This information is communicated to Medical Center managers and ends with each operating unit providing a cumulative operating and capital budget that contains service demand forecasts, required full-time equivalent personnel, and non-labor expenses.

The Medical Center continues to modernize and integrate information technology services through the Integrated Health Information Management System (IHIMS) project.

Previous increases in capital investment will result in additional depreciation expense of \$7.0 million for Fiscal Year 2009. The budget recognizes an increased operating room capacity of 26 rooms for Fiscal Year 2009, as well as increased bed capacity. The Medical Center's 2008-2009 fiscal plan accounts for these additional expenses while preserving its goal of providing high quality and cost effective health care, education, and research services.

BUDGET AND OPERATING ASSUMPTIONS

Market conditions: For Fiscal Year 2009 admissions are budgeted to grow 3.0 percent from Fiscal Year 2008 projected levels. The growth will result from enhanced bed capacity consisting of seven ICU beds and nine acute care beds which will open during 2009. Outpatient service demand is projected to grow 4.0 percent from Fiscal Year 2008 projected levels. The following table includes historical and projected patient volumes:

	Budget	Projected	Budget
	<u>2007-2008</u>	<u>2007-2008</u>	<u>2008-2009</u>
Discharges	30,405	29,871	30,770
Adjusted Discharges	51,412	51,136	53,021
Average length of stay	5.8	5.9	5.8
Patient days	176,349	176,625	178,519
Clinic & ER visits	710,511	703,054	731,619

Revenues: The Medical Center's Fiscal Year 2009 budgeted payer mix remains consistent with that of 2008. One of the Medical Center's largest challenges is the unwillingness of government payers to increase their payments commensurate with the increases in medical delivery costs. Growth in revenues will result from the impact of the added beds, emerging new diagnostic and testing procedures, and the newly negotiated contracts with Anthem and Southern Health.

Rate changes: The Medical Center proposes an overall rate increase of 7.0 percent to 9.9 percent, which is commensurate with rate increases we believe will generally be implemented in the hospital industry. The most recent UHC Finance Performance Report shows the Medical Center's charges at the 45<sup>th</sup> percentile of UHC members.

Expenses: Expenses from operations are projected to increase by \$65.3 million. Expenses per CMI weighted adjusted discharge are

projected to increase 1.8 percent from \$9,893 to \$10,069. We anticipate that expense per CMI weighted adjusted discharge included in the budget will be approximately equal to the academic medical center median expense as shown in the University Health System Consortium Operational Data Base.

Staffing: The Medical Center's Fiscal Year 2009 budget includes 6,396 FTEs, an increase of 49 FTEs from staffing at the current Fiscal Year projection of 6,347 FTEs. The all payer, CMI weighted adjusted discharge FTEs will be 24.0 in Fiscal Year 2009, which is approximately equal to our benchmark.

Operating Plan: The rapidly changing health care environment will require continuous examination of budget assumptions. Management will monitor budget versus actual performance on a monthly basis and, where appropriate, make changes to operations. Also, management will continue to identify and implement process improvement strategies that will allow for operational streamlining and cost efficiencies.

The major strategic initiatives that impact next year's fiscal plan include:

- A focused collaborative effort between the Medical Center and the Faculty on documentation of clinical care and its coding.
- A focused collaborative effort between the Medical Center and the Faculty on supply cost.
- The continuation of our efforts to better engage our employees.
- The asset integration with Culpeper Regional Hospital.
- Construction of the Long Term Acute Care Hospital at Northridge.
- Construction of the Emily Couric Clinical Cancer Center.

The major risk factors that impact the ability to accomplish the fiscal plan include:

- Nationwide shortage in healthcare workers that could negatively impact our ability to staff expanded capacity, especially when we consider that our biggest need is for operating room personnel, who are some of the more difficult to recruit.
- Maintaining an adequate number of physicians in areas experiencing a national shortage.
- New CMS and other regulatory reimbursement changes.

- Advancements in medical technology that could alter expenses and/or revenues very quickly.
- Inflation for medical devices and pharmaceutical goods that could exceed the budget assumptions.
- Enhanced scrutiny by Federal regulators in areas such as medical records, billing, coding and contractual agreements.

A summary of historical and projected financial operating results are provided as follows:

(Millions)	Actual <u>2006-2007</u>	Projected <u>2007-2008</u>	Budgeted <u>2008-2009</u>
Total operating revenue	\$905	\$946	\$1,025
Operating expense	862	915	980
Operating income	43	31	45
Non-operating gain/loss)	62	29	20
Total margin	\$104	\$61	\$65
Operating income percent	4.7%	3.3%	4.4%

Capital Plan: Funds available to meet capital requirements are derived from operating cash flows, funded depreciation reserves, philanthropy, and interest income. The Medical Center faces many challenges regarding capital funding as continued pressures on the operating margin affect cash flow, while demand for capital has increased significantly because of space requirements, technological advances and aging of existing equipment. Subject to funds availability, the Medical Center management recommends \$79.8 million, which includes \$5.0 million for contingencies, be authorized for capital requirements.

ACTION REQUIRED: Approval by the Medical Center Operating Board, to be forwarded to the Finance Committee for further consideration. The Finance Committee will make the final recommendation to the full Board of Visitors.

RECOMMENDATION REGARDING FISCAL YEAR 2009 MEDICAL CENTER OPERATING AND CAPITAL BUDGETS

WHEREAS, the Medical Center Operating Board has reviewed the Fiscal Year 2009 Medical Center operating and capital budgets;

RESOLVED, the Medical Center Operating Board approves and recommends to the Finance Committee and to the Board of Visitors approval of the Fiscal Year 2009 Medical Center operating and capital budgets.

**Schedule A**  
**University of Virginia - Medical Center**  
**Projected Fiscal Plan**  
**2008-2009**

	2006-2007 Actual	2007-2008 Forecast	2008-2009 Budget
<b>Revenues</b>			
Total Gross Charges	\$ 1,868,435,495	\$ 2,078,680,099	\$ 2,336,911,219
Less Deductions:			
Indigent Care Deduction	113,523,474	131,008,931	146,818,627
Contractual Deduction	872,511,036	1,025,671,304	1,192,592,022
Total Deductions	986,034,509	1,156,680,234	1,339,410,649
Net Patient Revenue	882,400,985	921,999,864	997,500,570
Miscellaneous Revenue	22,438,096	24,245,199	27,329,227
<b>Total Revenue</b>	<b>904,839,081</b>	<b>946,245,063</b>	<b>1,024,829,797</b>
<b>Expenses</b>			
Expenses from Operations			
Operating Expenses	774,868,310	825,900,129	874,299,217
Depreciation and Amortization	48,267,336	49,803,590	56,802,226
Interest Expense	5,953,921	8,012,282	10,694,438
Bad Debt	32,842,637	31,110,556	38,299,016
Total Expenses from Operations	861,932,204	914,826,557	980,094,897
<b>Operating Income</b>	<b>42,906,877</b>	<b>31,418,506</b>	<b>44,734,900</b>
Other Gains and Losses			
Investment Income	57,082,227	31,580,187	25,120,455
Net gain from Affiliates	1,063,347	1,387,478	1,400,000
Loss on Fixed Assets	(429,171)	(82,766)	(800,000)
Other	3,859,997	(3,484,959)	(5,274,909)
Total Other Gains and Losses	61,576,400	29,399,940	20,445,546
<b>Revenues and Gains in Excess of Expenses</b>	<b>\$ 104,483,276</b>	<b>\$ 60,818,446</b>	<b>\$ 65,180,446</b>
<b>Statistics</b>			
Admissions or Discharges	30,145	29,871	30,770
Patient Days of Care	173,066	176,625	178,519
Clinic and Emergency Room Visits (Excluding Acquired Practices)	689,957	703,054	731,619
Average Length of Stay	5.7	5.9	5.8

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 12, 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: June 12, 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 that have occurred since the last Medical Center Operating Board meeting.

FINANCE REPORT

The first nine months of Fiscal Year 2008 ended with an operating margin of 3.3 percent which was below the goal of 3.9 percent. Total operating revenue and total operating expenses were below budget.

Inpatient admissions were 1.1 percent below budget. The lack of bed capacity at peak times has not permitted the Medical Center to accept all patients referred, and it is the most significant factor causing the budget shortfall. At the end of March 2008, the Medical Center had 588 staffed inpatient beds in operation, compared to 579 beds in operation at the same time last year. In addition to minor bed changes, a new 7 bed Medical Surgical Intensive Care Unit began operations on March 3<sup>rd</sup>. There are another 20 beds in a dedicated observation unit.

Patient days were 0.8 percent above budget, and the average length of stay was 5.93 days, compared to the 5.80 day budgeted length of stay. The case mix index for all acute inpatients was 1.81, which was below budget, primarily because Neurosurgery, TCV and Transplant Surgery cases were all below budget.

Medical admissions in the first nine months of Fiscal Year 2008 have increased by 6.3 percent over the first nine months of Fiscal Year 2007. Cases for Neurology, Gastroenterology, and General Medicine have all increased over last year. At the same time, surgical admissions have declined by 4.6 percent. In the main operating room Orthopedic and General Surgery cases are up over fiscal year 2007 by 13 percent and 11 percent, respectively.

Neurosurgery, TCV, and Transplant Surgery are all down as compared to fiscal year 2007.

Net patient service revenue through the first nine months of Fiscal Year 2008 was 2.3 percent below budget, which follows the admissions shortfall. The number of patients with high revenue commercial insurance has dropped, and they have been replaced with low revenue Medicaid patients.

Total operating expenses for Fiscal Year 2008 through March were 1.3 percent below the \$696.6 million budget. Total labor expenses (including salaries and wages, fringe benefits and contract labor) were 0.2 percent above budget. Medical supplies were above budget in part due to higher costs for surgical implants and pharmaceuticals. Purchased services were below budget, partly due to lower than expected costs for repairs and maintenance.

Full time equivalent employees were 48 above budget and 199 greater than the prior year. Contract labor FTEs were 51 above budget and 12 below the prior year. FTEs and salary, wage and benefit cost per FTE were:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>2008 Budget</u>
FTEs	5,875	6,074	6,026
Salary, Wage and Benefit Cost per FTE	\$64,375	\$66,459	\$68,063
Contract Labor FTEs	285	273	221
Total FTEs	6,159	6,347	6,248

## OTHER FINANCIAL ISSUES

Medical record documentation is used by Medical Center coders to determine diagnosis and procedure codes. The codes selected determine case mix index (which influences revenue), mortality index (which influences Top 100 rankings), and quality measures (which influence a number of other important metrics). In collaboration with the medical faculty we have begun a project with a consultant to improve and enhance medical record documentation and coding.

Because medical supply and drug expenses are above budget and also above benchmarks, Finance and Operations have initiated a collaborative project with an international supply chain consultant, the Renoir Group, to assist us in our efforts to significantly reduce medical supply and drug costs.

## WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$124.5 million for the period July 1, 2007, through March 31, 2008, have been written off. Recoveries during this period totaled \$30.0 million.

Bad debt charges totaling \$32.3 million have been written off in the first nine months of Fiscal Year 2008. During this same period, \$13.5 million was recovered through suits, collection agencies, and Virginia refund set-off.

## OPERATIONS REPORT

The Renoir expense reduction initiative, known as the SCOPE project (Supply Chain Optimization and Performance Excellence) began in March. Renoir has estimated that the Medical Center can realize a significant reduction in ongoing expenses and a \$2.3 million one-time inventory reduction. Twelve interdisciplinary teams, representing each of the high-spend areas of the Medical Center, have been formed and are working with Renoir to identify areas of opportunity. The teams include managers, physicians, and staff. A Steering Committee co-chaired by Pam Cipriano and Larry Fitzgerald and comprised of senior management and physician leadership has also been formed to oversee the project. The twelve teams are scheduled to present their findings to the Steering Committee at the end of May.

A multi-year, phased Radiology Master Renovation is underway at University Hospital East with the first element scheduled to be completed in mid-May. This initial phase renovates the former film room into a modern area for the reading and consultation of electronic imaging.

The primary goals for this master renovation are to improve the outpatient entrance and waiting areas, provide clinical care in a setting conducive to the change in the complexity of imaging and interventions in the hospital, improve the separation of patient flow through the imaging areas, and provide an environment to support the viewing of electronic imaging. Most notably, by reducing hallways and consolidating space, this renovation effort will re-capture 5,500 square feet of space which can be reallocated to further the clinical expansion of Radiology to accommodate the added patient volume anticipated with the Bed Expansion Project.

The Medical Laboratories have almost completed implementing the changes that are part of their first Lean process improvement project. This will allow the laboratories to improve service delivery and product quality as well as to reduce expenses and space needs. The scope of the project includes the core laboratory, phlebotomy and specimen management areas. The next phase of Lean in the Medical Laboratories will allow the consolidation of "like technologies" from other Medical Laboratories on the Medical Center campus into the space being made available in core laboratory, creating additional efficiencies. The Fiscal Year 2009 budget reflects reduced cost of \$200,000 as a result of the Lean project.

On April 30, 2008, the Medical Center held a grand opening for Altavista Dialysis, an outpatient facility located in Altavista. The unit is a 15 chair facility with 60 patients scheduled for regular dialysis three times a week. This dialysis unit is our eighth outpatient facility in the state.

Backup Care Options is continuing to grow as a benefit to staff. Registration for Backup Care Options is currently at 317 employees. To date, 20 episodes of care have been provided, and average satisfaction for services rendered is 4.71 out of 5.

The new 11th Street Garage, located at 117 11th Street, opened on April 1st, with 1026 spaces. The garage may be accessed from 11th Street or via the parking lot at 1222 Jefferson Park Avenue. Opening this garage allows the

demolition of the West Garage, which stands on the site of the Couric Cancer Center.

The Cardiac Catheterization lab is currently undergoing the replacement of one of its core adult bi-plane imaging laboratories. Because the newly selected equipment requires a different footing in the existing space, steel supports had to be installed in the laboratory floor, which is directly above the Emergency Department's ceiling. Four rooms in the Emergency Department thus were off line for several days to accommodate this structural fix, since a coordinated patient flow plan and the hours during which the work was performed had to be devised. Renovations are nearly complete, with equipment installation planned for mid-May. The lab should be fully tested and on-line for patients is early June.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-06	Mar-07	Mar-08	Mar-08
Net patient revenue	\$619.5	\$664.6	\$692.8	\$708.7
Other revenue	<u>16.1</u>	<u>16.8</u>	<u>18.2</u>	<u>16.1</u>
Total operating revenue	<u>\$635.6</u>	<u>\$681.4</u>	<u>\$711.0</u>	<u>\$724.8</u>
Operating expenses	566.6	607.9	644.0	648.7
Depreciation	34.3	35.2	37.4	41.1
Interest expense	<u>3.6</u>	<u>4.5</u>	<u>6.0</u>	<u>6.8</u>
Total operating expenses	<u>\$604.5</u>	<u>\$647.6</u>	<u>\$687.4</u>	<u>\$696.6</u>
Operating income (loss)	<u>\$31.1</u>	<u>\$33.8</u>	<u>\$23.6</u>	<u>\$28.2</u>
Non-operating income (loss)	<u>\$22.7</u>	<u>\$36.5</u>	<u>\$22.1</u>	<u>\$18.7</u>
Net income (loss)	<u>\$53.8</u>	<u>\$70.3</u>	<u>\$45.7</u>	<u>\$47.0</u>
Principal payment	\$6.6	\$6.2	\$5.0	\$6.0

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

Description	Most Recent Three Fiscal Years		
	Mar-06	Mar-07	Mar-08
<b>Assets</b>			
Operating cash and investments	\$128.2	\$219.5	\$85.4
Patient accounts receivables	61.0	61.4	53.6
Property, plant and equipment	346.7	372.9	409.5
Depreciation reserve and other investments	264.1	275.2	351.5
Endowment Funds	124.5	136.4	241.1
Other assets	<u>70.4</u>	<u>117.0</u>	<u>121.5</u>
<b>Total Assets</b>	<u>\$994.9</u>	<u>\$1,182.4</u>	<u>\$1,262.6</u>
<b>Liabilities</b>			
Current portion long-term debt	\$11.3	\$11.5	\$11.3
Accounts payable & other liab	66.1	108.3	90.0
Long-term debt	158.2	163.4	152.5
Accrued leave and other LT liab	<u>36.9</u>	<u>96.2</u>	<u>126.3</u>
<b>Total Liabilities</b>	<u>\$272.5</u>	<u>\$379.4</u>	<u>\$380.1</u>
<b>Fund Balance</b>	<u>\$722.4</u>	<u>\$803.0</u>	<u>\$882.5</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u>\$994.9</u>	<u>\$1,182.4</u>	<u>\$1,262.6</u>

University of Virginia Medical Center  
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-06	Mar-07	Mar-08	Mar-08
Operating margin (%)	4.9%	5.0%	3.3%	3.9%
Total margin (%)	8.2%	9.8%	6.2%	6.3%
Current ratio (x)	2.4	2.3	1.4	2.0
Days cash on hand (days)	171.9	213.6	215.9	190.0
Gross accounts receivable (days)	44.4	49.3	48.0	60.0
Average payment period (days)	37.3	53.8	42.9	60.4
Annual debt service coverage (x)	9.0	10.3	8.1	7.4
Debt-to-capitalization (%)	20.9%	19.7%	19.2%	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
	Mar-06	Mar-07	Mar-08	Mar-08
Acute Admissions	21,987	22,518	22,444	22,698
Patient days	127,530	129,472	132,710	131,649
SS/PP Patients	5,542	5,229	5,548	4,792
Average length of stay	5.79	5.68	5.93	5.80
Clinic visits	451,495	471,876	482,095	488,513
ER visits	44,039	44,097	46,156	44,900
Medicare case mix index	1.9616	1.9523	1.9711	1.9559
Net Revenue by Payor				
Medicare (%)	36.15%	36.42%	36.11%	34.08%
Medicaid (%)	12.71%	12.98%	13.34%	12.85%
Commercial Insurance (%)	18.64%	18.73%	18.49%	20.19%
Anthem (%)	18.75%	18.63%	19.17%	18.51%
Southern Health (%)	5.27%	5.24%	5.37%	5.13%
Other (%)	<u>8.49%</u>	<u>8.00%</u>	<u>7.52%</u>	<u>9.24%</u>
Total	100.0%	100.0%	100.0%	100%
FTE's (including contract labor)	6,029	6,159	6,347	6,248

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 - March 2008

**OPERATING STATISTICAL MEASURES - March 2008**

<b>ADMISSIONS and CASE MIX - Year to Date</b>				<b>OTHER INSTITUTIONAL MEASURES - Year to Date</b>			
	FY 07	FY 08	% Change		FY 07	FY 08	% Change
<b><u>ADMISSIONS:</u></b>				<b><u>ACUTE INPATIENTS:</u></b>			
Surgical	8,934	8,520	(4.6%)	Inpatient Days	129,472	132,710	2.5%
Medical	8,877	9,434	6.3%	Average Length of Stay	5.68	5.93	(4.4%)
Transplant	172	150	(12.8%)	Average Daily Census	473	483	2.1%
Obstetrics	1,566	1,422	(9.2%)	Births	1,365	1,381	1.2%
Pediatrics	1,809	1,765	(2.4%)	<b><u>OUTPATIENTS:</u></b>			
Psychiatric	1,160	1,153	(0.6%)	Clinic Visits	471,876	482,095	2.2%
Subtotal Acute	22,518	22,444	(0.3%)	Average Daily Visits	2,737	2,788	1.9%
Short Stay	5,229	5,548	6.1%	Emergency Room Visits	44,097	46,156	4.7%
Total Admissions	27,747	27,992	0.9%	<b><u>SURGICAL CASES</u></b>			
<b><u>CASE MIX INDEX:</u></b>				Main Operating Room (IP and OP)	13,665	13,973	2.3%
All Acute Inpatients	1.8233	1.8084	(0.8%)	UVA Outpatient Surgery Center	5,672	5,552	(2.1%)
Medicare Inpatients	1.9523	1.9711	1.0%	Total	19,337	19,525	1.0%

**OPERATING FINANCIAL MEASURES - March 2008**

<b>REVENUES and EXPENSES - Year to Date</b>				<b>OTHER INSTITUTIONAL MEASURES - Year to Date</b>			
	FY 07	FY 08	% Change		FY 07	FY 08	% Change
<b><u>NET REVENUES:</u></b>				<b><u>NET REVENUE BY PAYOR:</u></b>			
Paying Patient Revenue	\$ 622,857,512	\$ 642,269,182	3.1%	Medicare	\$ 226,831,863	\$ 231,937,639	2.3%
Indigent/Medicaid Supplement	41,758,847	50,490,280	20.9%	Medicaid	80,838,833	85,652,105	6.0%
Net Patient Service Revenue	664,616,359	692,759,462	4.2%	Commercial Insurance	116,660,906	118,749,171	1.8%
Other Operating Revenue	16,759,253	18,217,021	8.7%	Anthem	116,062,658	123,098,487	6.1%
Total	\$ 681,375,612	\$ 710,976,483	4.3%	Southern Health	32,641,526	34,504,030	5.7%
<b><u>EXPENSES:</u></b>				Other	49,821,726	48,327,749	(3.0%)
Salaries, Wages & Contract Labor	\$ 301,446,290	\$ 321,196,777	6.6%	Total Paying Patient Revenue	\$ 622,857,512	\$ 642,269,182	3.1%
Supplies and Contracts	200,517,089	213,605,509	6.5%	<b><u>OTHER:</u></b>			
Purchased Services	82,042,128	85,751,089	4.5%	Collection % of Gross Billings	47.57%	44.36%	(6.8%)
Bad Debts	23,952,919	23,375,418	(2.4%)	Days of Revenue in Receivables (Gross)	49.3	48.0	(2.6%)
Depreciation	35,168,677	37,420,730	6.4%	Cost per CMI & OP-Adj Discharge	\$ 8,418	\$ 8,767	4.1%
Interest Expense	4,470,996	6,020,157	34.6%	Cost per CMI & OP-Adj Day	\$ 1,464	\$ 1,483	1.3%
Total	\$ 647,598,099	\$ 687,369,680	6.1%	Cost per Outpatient Visit	\$ 68.70	\$ 72.02	4.8%
Operating Margin	\$ 33,777,513	\$ 23,606,803	(30.1%)	Total F.T.E.'s (including Contract Labor)	6,159	6,347	3.1%
Operating Margin %	5.0%	3.3%	(34.0%)	F.T.E.'s Per Adjusted Occupied Bed	7.74	7.68	(0.8%)
Non-Operating Revenue	\$ 36,540,062	\$ 22,090,121	(39.5%)				
Net Income	\$ 70,317,575	\$ 45,696,924	(35.0%)				

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 - March 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  
Obstetrics cases are determined by MDC  
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

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  
June 2008**

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
<b>1. Pre-Construction</b>				
<b>Clinical Office Building:</b> Board of Visitors approved project to complete the 3 <sup>rd</sup> floor fit out for the Spine Center and Orthopaedic Services. Design work underway.	\$8 M	Bonds	Jan 2003 Feb 2008	2009
<b>New Children's Hospital:</b> Facility programming being validated. Awaiting completion of fundraising efforts before proceeding with detailed design work	\$48 M	Bonds and Outside Fundraising	TBD	TBD
<b>University Hospital Bed Expansion:</b> Planning underway to increase inpatient bed capacity in University Hospital by adding 72 private, ICU-level rooms	\$80.2 M	TBD	Sept 2005 June 2007	2011
<b>*University Hospital:</b> Renovate Heart Center invasive procedure areas – design underway.	\$15.6 M (21,600 GSF)	Bonds	Feb 2008	2010
<b>*University Hospital:</b> Add two Operating Rooms and Magnetic Resonance Imaging Room (with equipment) – design underway	\$14.3 M (2,330 GSF)	Bonds	Feb 2008	2010

\*Project modifies original HEP project

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

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
<b>1. Pre-Construction</b>				
<b>*University Hospital:</b> Renovate and relocate Surgical Pathology Laboratory – design underway	\$6.5M (8,800 GSF)	Bonds	Feb 2008	2010
<b>University Hospital:</b> Add elevators – evaluations underway	\$7.6 M	Bonds	Feb 2008	2010
<b>Moser Radiation Therapy Center:</b> Construct addition for 2 <sup>nd</sup> linear accelerator – design underway	\$2.5 M (3,000 GSF)	Bonds	Feb 2008	2010
<b>West Main Street:</b> 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  
June 2008**

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
<b>2. Under Construction</b>				
<b>University Hospital:</b> Renovate Radiology Department – phased construction underway	\$21.2 M (52,000 GSF)	Bonds	Feb 2008	2010
<b>Primary Care Center:</b> Repair brick façade and replace roof – work scheduled to start in May, 2008	\$6.6 M	Bonds	Feb 2008	2010
<b>Emily Couric Clinical Cancer Center:</b> Construction documents complete for consolidated and comprehensive Cancer Center on site of present West Parking Deck. Construction Manager (Gilbane/Russell) is on board. Ground breaking occurred April 12, 2008. West Garage demolition underway.	\$74 M (including added floor)	General Fund Appropriation ( @ \$25 M) , Bonds and Outside Fundraising	Oct 2004 July 2006 (B&G Committee) June 2007	2010

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 12, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.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 grateful patient made a \$1 million gift in support of Dr. James Larner's research in radiation oncology.

The Department of Ophthalmology received an estate gift of \$900,000 in support of retinal research.

An additional \$760,000 distribution was received from the estate of Dr. Spencer P. Bass Jr. for unrestricted use by the School of Medicine, bringing the estate's total commitment to \$9.36 million in unrestricted funds, \$2 million of which will establish a professorship in family medicine.

The Swing Fore the Cure golf tournament contributed \$100,000 to the UVA Cancer Center in support of breast cancer research.

*Other gifts and pledges received include:*

- A \$54,797 commitment to the School of Medicine;
- A \$50,000 commitment to the School of Medicine;
- A \$50,000 commitment in support of neurogenetics research;
- A \$25,000 commitment in support of myotonic muscular dystrophy research;
- A \$25,000 commitment to the Claude Moore Medical Education Building; and

- Three \$25,000 commitments to the Emily Couric Clinical Cancer Center

#### OTHER DEVELOPMENT INITIATIVES

Sherry Snyder, former vice chair of the Ivy Foundation, and several family members returned to the Grounds on February 8<sup>th</sup>, to attend the Board of Visitors naming ceremony for the Sheridan G. Snyder Translational Research Building. The ceremony was attended also by Dean Hostler, Provost Garson and Mr. Howell. Mr. Howell and Cancer Center Director Michael Weber provided an update on the Emily Couric Clinical Cancer Center.

The Children's Hospital hosted the Main Event gala on February 16. The event, attended by Mr. Howell and many other notable guests, raised \$25,000 to benefit the fitness clinic in the Children's Hospital. On February 22-23, the 10<sup>th</sup> annual UVA Dance Marathon was held, raising an additional \$30,000 for the Children's Hospital.

Development Communications won a special merit award for *Pulse*, the Health System's campaign newsletter, from the Council for Advancement and Support of Education (CASE) District III for "Tabloid and Newsletter Design Improvement."

The annual Cancer Center dinner at Hamiltons' at First & Main was held on March 9. Cancer Center board member Kate Hamilton and her husband, Bill, hosted the event, which featured remarks by Dr. Craig Slingluff. More than \$140,000 has been raised from the dinner and will be used to establish a graduate fellowship in the Human Immune Therapy Center in memory of Rebecca Clary Harris. Provost Garson and Cancer Center Director Michael Weber attended as representatives of the Health System.

Nearly \$20,000 in support of Dr. Michael Williams' non-Hodgkin's lymphoma research was raised at a dinner held in Virginia Beach in March.

On April 12, the UVA Health System broke ground for the new Emily Couric Clinical Cancer Center. Approximately 250 donors, friends, faculty and staff of the Health System joined Mr. Howell and family members of the late Senator Emily Couric for the ceremony. The state-of-the-art facility will provide comprehensive care to cancer patients across the Commonwealth. President Casteen, Governor Kaine, Senator Creigh Deeds, and Dr. George Beller gave remarks in a moving tribute to Emily Couric, who died of pancreatic cancer in 2001. Interim Vice President

and Dean Sharon Hostler and Cancer Center Director Michael Weber, M.D. also described the clinical and programmatic elements that will be housed in the new building. The occasion culminated with the beginning of demolition of the hospital's west garage, the future site of the Couric Center.

Between July 1, 2007 and March 31, 2008, Health System development staff made 1,072 face-to-face visits with donors and prospects.

CAMPAIGN PROGRESS THROUGH MARCH 31, 2008

Through the end of March, the Health System campaign total is \$384,565,483. This represents 76.91% of the campaign total, with 53.13% of the campaign period elapsed. The following table shows the Fiscal Year 2008 totals for new commitments, including new gifts and pledges.

	FY '08	FY '07
Total new commitments <i>(excludes pledge payments on previously booked pledges)</i>	\$36,632,254	\$101,675,631
New gifts	\$28,299,575	\$19,537,984
New pledges	\$8,332,679	\$82,137,647

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 12, 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.