

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
October 2, 2008**

UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD

Thursday, October 2, 2008

8:30 - 10:30 a.m.

Board Room, The Rotunda

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:

Steven T. DeKoskey, M.D.
John B. Hanks, M.D.
R. Edward Howell
Leonard W. Sandridge

AGENDA

- | | | |
|------|---|----|
| I. | CONSENT ITEM | |
| | • Ten Year Capital Outlay Plan (2010-2020), Review of Medical Center Infrastructure Projects | 1 |
| II. | ACTION ITEMS | |
| | • Amended and Restated Bylaws of the Clinical Staff of the Medical Center | 3 |
| III. | REPORTS BY THE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE MEDICAL CENTER (Mr. Howell) | |
| | A. Vice-President's Remarks | 5 |
| | B. Finance, Write-offs, and Operations (Mr. Howell to introduce Mr. Larry Fitzgerald and Ms. Pamela F. Cipriano; Mr. Fitzgerald to report on Finance and Write-offs; Ms. Cipriano to report on Operations.) | 6 |
| | C. Capital Projects | 21 |
| | D. Health System Development (Written Report) | 25 |
| IV. | REPORT BY THE PRESIDENT OF THE CLINICAL STAFF OF THE MEDICAL CENTER (Dr. Hanks) | 29 |
| V. | Executive Session | |
| VI. | Joint Meeting with the Finance Committee - 10:30 - 11:30 (Executive Session) | |

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 strategic joint ventures, affiliations 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; standards and requirements for an integrated health information management system; 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 (22) 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.

MEDICAL CENTER OPERATING BOARD
CONSENT AGENDA

I. Ten Year Capital Outlay Plan (2010-2020), Review of Medical Center Infrastructure Projects: Approval of programmatic components of Medical Center infrastructure projects included in the 2010-2020 Update of the Major Capital Projects Program.

In October 2004, the Board of Visitors revised the policy outlining the involvement of the Board and its committees in the capital planning process. As a part of the development of the 2010-2020 update of the University's Major Capital Projects Program, certain committees will review the programmatic concepts of certain projects. The Medical Center Operating Board was assigned responsibility for reviewing the programmatic components of all Medical Center projects prior to the review of the overall Major Capital Projects Program.

The draft of the 2010-2020 Major Capital Projects Program, which will come to the Buildings and Grounds, External Affairs, and Finance Committees in February 2009, includes the following Medical Center Infrastructure Projects:

- Clinical Cancer Education Center: The Medical Center proposes the development of a Clinical Cancer Education Center adjacent to the Emily Couric Clinical Cancer Center. This project will proceed only if philanthropic money is available. When constructed, this building will connect the Emily Couric Clinical Cancer Center to the Lee Street Connector bridge and will contain an outpatient pharmacy.

- Northridge Development Project: The Board of Visitors has approved the development of a Long Term Acute Care Hospital at the Northridge Grounds site. As this site is developed, the Medical Center expects to make use of existing facilities on the property to support Medical Center functions, including additional parking, a materials management center and added office space.

- West Main Street Development, including UVA Children's Hospital: The Medical Center has proposed the development of a Clinical Office Building to be constructed on West Main Street. This development will include the Barry and Bill Battle Building of the Children's Hospital. In addition, this building will house a new Outpatient Surgery Center to replace the current facility,

which will be 25 years old and out of date when the West Main Street Project is completed.

ACTION REQUIRED: Approval by the Medical Center Operating Board

APPROVAL OF PROGRAMMATIC NEED FOR MEDICAL CENTER
INFRASTRUCTURE PROJECTS PROPOSED FOR THE 2010-2020 MAJOR
CAPITAL PROJECTS PROGRAM

RESOLVED, the Medical Center infrastructure projects proposed for the 2010-2020 Major Capital Projects Program are appropriate for inclusion in the Plan.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 2, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II. Amended and Restated Bylaws of the
Clinical Staff of the Medical Center

BACKGROUND: The Clinical Staff of the University of Virginia Medical Center is governed by Bylaws, last adopted September 1, 2005. The Bylaws have been reviewed and updated and the Medical Center seeks the approval of the Medical Center Operating Board.

DISCUSSION: In accordance with accreditation and other legal requirements, the Medical Center Operating Board has provided for an organized Clinical Staff for the Medical Center and has delegated to it the appropriate responsibility for the provision of quality care given by the Clinical Staff throughout the Medical Center. In addition, the Medical Center Operating Board has provided for a system of self-governance of the Clinical Staff, including the requirements for initial membership on the Clinical Staff, a mechanism for reviewing the qualifications of applicants for admission to the Clinical Staff, the procedures for the granting of clinical privileges to practice medicine within the Medical Center, and a process for continuing review and evaluation for membership and clinical privileges. The Amended and Restated Bylaws of the Clinical Staff of the Medical Center set forth these rights and responsibilities.

The Bylaws Committee of the Clinical Staff Executive Committee has proposed certain revisions and updates to the Amended and Restated Bylaws to comply with current accreditation standards and to reflect changes in practice or procedure. The Clinical Staff Executive Committee has approved the revisions and submits them for final approval by the Medical Center Operating Board.

ACTION REQUIRED: Approval by the Medical Center Operating Board

APPROVAL OF AMENDED AND RESTATED BYLAWS OF THE CLINICAL STAFF OF
THE MEDICAL CENTER

RESOLVED, the Medical Center Operating Board approves the Amended and Restated Bylaws of the Clinical Staff of the Medical Center. These amendments, which are appended to this Resolution as an Attachment, shall be effective as of October 2, 2008.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 2, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III.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: October 2, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III.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

On an unaudited basis, Fiscal Year 2008 ended with an operating margin of 4.0 percent which was below the goal of 4.3 percent. Total operating revenue was below budget and total operating expenses were above budget.

Inpatient admissions were 1.6 percent below budget. The lack of bed capacity at peak times has not permitted the Medical Center to accept all patients referred, which is the most significant factor causing the budget shortfall. At the end of June 2008, the Medical Center had 589 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, 2008.

Patient days were 0.2 percent above budget, and the average length of stay was 5.89 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 the case mix weights for Neurosurgery, TCV Surgery, Orthopedics and Transplant Surgery were below budget.

Medical admissions in Fiscal Year 2008 have increased by 2.9 percent over Fiscal Year 2007. Cases for neurology,

gastroenterology, and general medicine have all increased over last year. In addition, non-surgical cases for the services of Neurosurgery, TCV Surgery and Orthopedics have increased. At the same time, surgical admissions have declined by 4.0 percent. In the main operating room, Orthopedic and General Surgery cases are up over fiscal year 2007 by 12 percent and 10 percent, respectively. TCV Surgery, Transplant Surgery and OB/Gyn surgical cases are down as compared to fiscal year 2007.

Net patient service revenue for Fiscal Year 2008 was 1.6 percent below budget which is equivalent to 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 were 0.2 percent above the \$930.0 million budget. Total labor expenses (including salaries and wages, fringe benefits and contract labor) were 0.5 percent above budget. Medical supplies were above budget primarily due to higher costs for surgical implants and pharmaceuticals. Purchased services were above budget, partly due to higher than expected costs for utilities.

Full time equivalent employees were 57 above budget and 190 greater than the prior year. Contract labor FTEs were 46 above budget and 15 below the prior year. FTEs and salary, wage and benefit cost per FTE were:

	FY 2007	FY 2008	2008 Budget
FTEs on Payroll	5,904	6,094	6,037
Salary, Wage and Benefit Cost per FTE on Payroll	\$63,819	\$66,869	\$68,278
Contract Labor FTEs	286	271	225
Total FTEs	6,190	6,365	6,262

OTHER FINANCIAL ISSUES

Medical record documentation is used by the 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 Top 100 rankings and quality measures, which influence any number of important subjects such as QHIP. In collaboration with the School of Medicine Faculty we have begun a project with a consultant to improve and enhance medical record documentation and coding.

In that medical supplies and drugs are above budget and also above benchmarks, finance and operations have started a collaborative project (known as the "SCOPE" project) with an international supply chain consultant, Renoir, to assist in our efforts to lower medical supply and drug cost by at least \$8.6 million on an annual basis.

WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$164.8 million for the period July 1, 2007 through June 30, 2008 have been written off. Recoveries during this period totaled \$41.3 million.

Bad debt charges totaling \$45.2 million have been written off in Fiscal Year 2008. During this same period, \$20.1 million was recovered through suits, collection agencies, and Virginia refund set-off.

OPERATIONS REPORT

Technology and Health Information

A new Technology Services group has been created and is comprised of Radiology, Medical Laboratories, Clinical Engineering, Health Information Systems, Health System Computing Services and Telemedicine. As part of the development of Technology Services, a Program Management Office has been established to bring a standardized approach to all technology projects, with plans to expand this to all medical services projects in the Medical Center. Technology Services is also recruiting an Enterprise Architect to define a common electronic architecture for information exchange and semantic interoperability for all computers and digital devices used in patient care.

The Chief Technology and Health Information Officer is working with the Clinical Staff Executive Committee to sponsor a Clinical Staff retreat in 2009 focused on the use of technology in health care.

The Medical Center is conducting a thorough evaluation of electronic medical record technology, including the systems offered by the Medical Center's current EMR vendors, GE and Eclipsys. Invitations to participate in the evaluation process were sent to 2,300 staff, asking them to review and comment on materials from six vendors: EPIC, Cerner, Eclipsys, McKesson, Siemens and GE. At the same time, implementation of the GE Centricity Enterprise ambulatory functions in Medical Center clinics continues. Ninety (90%) percent of ambulatory patient visits are now documented online, inclusive of medications, clinical problems and allergies.

The Medical Center is establishing a data warehouse for the organization. Although the data warehouse is not a new development, it is a new area of focus for healthcare organizations. A data warehouse enables the organization to retrieve information from multiple operational systems that support the organization and to summarize the information at a management level, enabling improved, data-driven decision making. Currently, the data warehouse is supporting three significant initiatives: (1) the patient throughput initiative, 2) the physician quality dashboard, which will provide information necessary for credentialing and for meeting Joint Commission requirements, and (3) the SCOPE supply chain expense initiative.

Human Resources - Meeting Organizational Goals

Senior Leadership has partnered with Human Resources to provide training for all management teams to better understand the context of and business need for the Medical Center's organizational goals. The training is designed to increase commitment and support for unified accountability and achievement of these goals across the Medical Center.

The Medical Center has established organization wide goals based on the theme of "I Care, I Heal and I Build." Achieving these goals requires leadership from the entire management team. We will hold our managers accountable for shared organizational goals as well the individual, department-specific goals that support these organizational objectives. A five year plan has been created, and we will measure our progress toward these goals annually.

The Medical Center embraces the philosophy of performance-based compensation increases and will push merit pools down to the administrator level, rather than deploying them centrally

where some departments benefit more than others based on the distribution of increases. Now each administrator can decide how merit is to be distributed within their respective areas, which should distribute the merit pool more evenly across the organization.

Facilities

On June 25, 2008, the Medical Center received approval of its application for a Certificate of Public Need for the addition of 72 inpatient beds and two additional operating rooms (the "Hospital Bed Expansion Project").

Hearings have been held on the Medical Center's application for a Certificate of Public Need for Intraoperative Magnetic Resonance Imaging equipment. Following these hearings, the Department of COPN recommended that the Commissioner of Health approve the application.

The Department of Radiology recently replaced one of two Neuro Interventional suites with a state of the art, fully digital equipment platform. This provides the capacity to navigate complex brain interventions and treatments by acquiring three dimensional images.

The Department of Radiation Oncology reopened the newly renovated Moser Radiation Therapy Center on June 16 after completion of the first phase of renovation. The renovation included the installation of a state of the art Varian Trilogy linear accelerator. The Trilogy is capable of Two Dimensional (2D) and Three Dimensional Kilo Voltage image guidance, Image Guided Radiation Therapy, Three Dimensional Conformal Radiation Therapy, Intensity Modulated Radiation Therapy, and Stereotactic Radiosurgery. In addition, patients treated at the Moser Radiation Therapy Center have the benefit of the Real-Time Position Management system used for timed beam delivery with respiratory motion when clinically appropriate. In late September a RapidArc[®] system will be added to enable delivery of highly conformal treatments in two minutes or less, thus providing greater precision with fewer side effects.

The second phase of the renovation, scheduled to begin in January 2009, will include the construction of a second vault to house an additional Trilogy linear accelerator, a Computerized Tomography Simulator, and new space for support function. Addition of this equipment will double the facility's treatment capacity and allow patients to access all Radiation Oncology

services in one location. These services will be complementary to those to be offered at the new Emily Couric Clinical Cancer Center.

Medical Laboratory Operations

The Medical Laboratories' Lean process improvement project was recently completed. The objective was to employ Lean methodologies in the Phlebotomy, Specimen Management and Core Laboratory areas to improve service delivery and testing quality while reducing expenses and space requirements. As a result of the project, chemistry, hematology and coagulation test results from morning specimen collection rounds are consistently available to the clinicians by 8:30 am, the turn around time for the laboratories' most frequently ordered tests is less than 45 minutes, and 800 square feet of laboratory space was recovered. The next phase of the Lean project will facilitate further consolidation of laboratory services into the Clinical Laboratory Building.

The Blood Bank recently purchased and installed testing equipment to automate tasks typically performed manually by clinical laboratory scientists. This equipment fully automates blood product ABO/Rh typing, antibody screening, antibody identification and donor confirmation. The instruments can perform four type and screen assays almost twice as fast as current manual techniques.

Supply Chain Management

The SCOPE (Supply Chain Optimization and Performance Excellence) project was initiated in March 2008, with a target of an \$8.6M reduction in ongoing expenses and a \$2.3M one-time inventory reduction. To date, the twelve project teams have identified and implemented \$4.2M in Fiscal Year 2009 savings. These savings have been verified by an Evaluation Team, lead by Medical Center Finance personnel and have been applied to the respective departments' budgets. The total savings opportunity identified exceeds \$10M on an annual basis. The project has been very well received by employees, who have contributed many cost savings ideas to the team.

Documentation and Coding Improvements

Following a Request for Proposals process, a joint committee of clinical faculty and administration selected 3M Health Information Systems to provide consulting services to

review our processes and procedures and to make recommendations to achieve enhanced documentation and coding specificity. Desired outcomes include quality reporting that better reflects the acuity of our patient mix, leading to more accurate publicly reported outcomes data and mortality ratios. Additionally there is potential for the case mix index to increase, which would stimulate growth in net revenue. Phase I of this project, an analysis of our current processes, will begin within the next two months.

Nutrition Services

Medical Center Administration is working with Morrison Management Specialists to explore opportunities to offer more "green" products and services in the hospital cafeterias. A farmers' market was piloted in the cafeteria this summer, offering local produce for sale to employees. Morrison is also attempting to develop purchasing agreements with local farmers through Community Supported Agriculture networks. The sustainable food movement encourages the purchase of locally grown food to reducing the loss of nutrients during shipping. Shorter shipping distances also decrease carbon emissions while simultaneously reducing gas consumption. The cafeteria staff has also been growing herbs in containers on the cafeteria patio for use in cafeteria and catering meals. Other ecologically friendly practices being assessed include increased recycling of paper and plastic products and the use of more environmentally friendly food containers and utensils.

Patient and Guest Services

The First Impressions program was established in 2005 to create a more welcoming environment for patients and guests by enhancing the appearance of patient care and public areas. During Fiscal Year 2008, First Impressions focused on upgrading the patient day rooms on Floors 3-7. Painting, conversion from carpet to tile flooring, and installation of patient-friendly, functional furniture occurred on both adult and pediatrics units. Children's areas also received age-appropriate play tables and activity centers. First Impressions also continued to add artwork and plants to public areas. Among the exterior projects undertaken this year by First Impressions were the placement of planters at the West Complex entrance and attention to the furniture and ground cover within the Healing Garden near the entrance.

In September, the East Lobby Restrooms in the University Hospital will be closed to allow for the completion of new and expanded public restroom facilities. The new restrooms are scheduled to open by the first of December 2008.

In June the Hospitality House moved to its new location at 205 14th St. NW, less than one-half mile from the Medical Center. The Medical Center will lease the new building for 10 years. The Hospitality House is designed to provide low-cost, compassionate lodging for patients and their families who must stay near the Medical Center during treatment. To stay at the Hospitality House, patients and families must live more than 60 miles away and have a referral from a Medical Center social worker or healthcare practitioner. The four-story Hospitality House has 62 beds, and a total square footage of 13,241 allowing it to accommodate twice as many guests as its previous location. Several bedrooms are handicapped accessible, and rooms are accessible by elevator. Shuttle service is available between the Medical Center and the Hospitality House.

Awards and Recognition

Continuum Home Health Care, the Health System's home health agency, received high marks in a recent "Home Health Compare" for January through December 2007. The report evaluates quality measures, including home care patients' mobility, healing, and medication management. Of nine regional peers, Continuum was the only agency to achieve scores above the national and state averages in all measures.

U.S. News & World Report recognized seven medical specialties at the Health System in their annual survey of "America's Best Hospitals". These specialties include endocrinology, gynecology, cancer, neurology/neurosurgery, respiratory diseases, digestive disorders, and otolaryngology.

Community Service

The ninth annual Remote Area Medical Clinic was held July 25-27th in Wise. Over 210 University of Virginia health care professionals and other volunteers served over 1500 people from a wide area of Southwest Virginia with vision, dental, and medical issues that would otherwise go untreated.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Jun-06	Jun-07	UNAUDITED Jun-08	Jun-08
Net patient revenue	\$819.5	\$882.4	\$935.0	\$950.2
Other revenue	<u>37.5</u>	<u>37.9</u>	<u>36.0</u>	<u>21.4</u>
Total operating revenue	<u>\$857.0</u>	<u>\$920.3</u>	<u>\$971.0</u>	<u>\$971.6</u>
Operating expenses	768.3	823.2	872.5	866.1
Depreciation	45.9	48.3	51.3	54.8
Interest expense	<u>4.7</u>	<u>5.9</u>	<u>8.0</u>	<u>9.1</u>
Total operating expenses	<u>\$818.9</u>	<u>\$877.4</u>	<u>\$931.8</u>	<u>\$930.0</u>
Operating income (loss)	<u>\$38.1</u>	<u>\$42.9</u>	<u>\$39.2</u>	<u>\$41.6</u>
Non-operating income (loss)	<u>\$25.8</u>	<u>\$61.6</u>	<u>\$27.7</u>	<u>\$24.7</u>
Net income (loss)	<u>\$63.9</u>	<u>\$104.5</u>	<u>\$66.9</u>	<u>\$66.3</u>
Principal payment	\$8.8	\$8.2	\$6.6	\$8.0

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
	UNAUDITED			
	Jun-06	Jun-07	Jun-08	Jun-08
Operating margin (%)	4.4%	4.7%	4.0%	4.3%
Total margin (%)	7.2%	10.6%	6.7%	6.7%
Current ratio (x)	1.8	1.6	0.9	2.0
Days cash on hand (days)	199.2	218.9	195.4	190.0
Gross accounts receivable (days)	42.6	50.9	48.3	60.0
Average payment period (days)	65.5	77.2	42.0	60.4
Annual debt service coverage (x)	8.5	11.3	8.6	7.6
Debt-to-capitalization (%)	19.8%	18.3%	25.1%	20.0%
Capital expense (%)	6.2%	6.2%	6.4%	6.9%

University of Virginia Medical Center
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	UNAUDITED			
	Jun-06	Jun-07	Jun-08	Jun-08
Acute Admissions	29,458	30,145	29,922	30,405
Patient days	170,140	173,066	176,614	176,349
SS/PP Patients	7,359	6,928	7,660	6,359
Average length of stay	5.79	5.69	5.89	5.80
Clinic visits	604,369	630,160	642,777	650,511
ER visits	58,643	59,756	61,548	60,000
Medicare case mix index	1.9556	1.9422	1.9766	1.9559
Net Revenue by Payor				
Medicare (%)	36.15%	36.42%	36.31%	34.08%
Medicaid (%)	12.71%	12.98%	13.04%	12.85%
Commercial Insurance (%)	18.64%	18.73%	17.90%	20.19%
Anthem (%)	18.75%	18.63%	19.52%	18.51%
Southern Health (%)	5.27%	5.24%	5.57%	5.13%
Other (%)	<u>8.49%</u>	<u>8.00%</u>	<u>7.66%</u>	<u>9.24%</u>
Total	100.00%	100.00%	100.00%	100.00%
FTE's (including contract labor)	6,058	6,190	6,365	6,262

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 - June 2008 UNAUDITED

OPERATING STATISTICAL MEASURES - June 2008 UNAUDITED

ADMISSIONS and CASE MIX - Year to Date

	FY 07	FY 08	% Change
<u>ADMISSIONS:</u>			
Surgical	11,819	11,347	(4.0%)
Medical	12,029	12,373	2.9%
Transplant	247	211	(14.6%)
Obstetrics	2,062	2,081	0.9%
Pediatrics	2,433	2,332	(4.2%)
Psychiatric	1,555	1,578	1.5%
Subtotal Acute	30,145	29,922	(0.7%)
Short Stay	6,928	7,660	10.6%
Total Admissions	37,073	37,582	1.4%
<u>CASE MIX INDEX:</u>			
All Acute Inpatients	1.8120	1.8091	(0.2%)
Medicare Inpatients	1.9422	1.9766	1.8%

OTHER INSTITUTIONAL MEASURES - Year to Date

	FY 07	FY 08	% Change
<u>ACUTE INPATIENTS:</u>			
Inpatient Days	173,066	176,614	2.1%
Average Length of Stay	5.69	5.89	(3.5%)
Average Daily Census	474	483	1.9%
Births	1,813	1,803	(0.6%)
<u>OUTPATIENTS:</u>			
Clinic Visits	630,160	642,777	2.0%
Average Daily Visits	2,732	2,778	1.7%
Emergency Room Visits	59,756	61,548	3.0%
<u>SURGICAL CASES</u>			
Main Operating Room (IP and OP)	18,132	18,631	2.8%
UVA Outpatient Surgery Center	7,559	7,483	(1.0%)
Total	25,691	26,114	1.6%

OPERATING FINANCIAL MEASURES - June 2008 UNAUDITED

REVENUES and EXPENSES - Year to Date

	FY 07	FY 08	% Change
<u>NET REVENUES:</u>			
Paying Patient Revenue	\$ 826,975,606	\$ 866,814,978	4.8%
Indigent/Medicaid Supplement	55,425,379	68,152,345	23.0%
Net Patient Service Revenue	882,400,985	934,967,323	6.0%
Other Operating Revenue	37,911,681	35,981,366	(5.1%)
Total	\$ 920,312,666	\$ 970,948,689	5.5%
<u>EXPENSES:</u>			
Salaries, Wages & Contract Labor	\$ 401,032,750	\$ 431,473,872	7.6%
Supplies and Contracts	268,571,154	285,361,726	6.3%
Purchased Services	120,737,991	124,177,107	2.8%
Bad Debts	32,842,637	31,472,448	(4.2%)
Depreciation	48,267,336	51,272,980	6.2%
Interest Expense	5,953,921	8,011,676	34.6%
Total	\$ 877,405,789	\$ 931,769,809	6.2%
Operating Margin	\$ 42,906,877	\$ 39,178,880	(8.7%)
Operating Margin %	4.7%	4.0%	(14.9%)
Non-Operating Revenue	\$ 61,576,398	\$ 27,713,211	(55.0%)
Net Income	\$ 104,483,275	\$ 66,892,091	(36.0%)

OTHER INSTITUTIONAL MEASURES - Year to Date

	FY 07	FY 08	% Change
<u>NET REVENUE BY PAYOR:</u>			
Medicare	\$ 301,167,463	\$ 314,763,908	4.5%
Medicaid	107,330,716	113,023,947	5.3%
Commercial Insurance	154,892,125	155,130,105	0.2%
Anthem	154,097,824	169,182,406	9.8%
Southern Health	43,338,558	48,241,103	11.3%
Other	66,148,920	66,473,509	0.5%
Total Paying Patient Revenue	\$ 826,975,606	\$ 866,814,978	4.8%
<u>OTHER:</u>			
Collection % of Gross Billings	47.23%	44.48%	(5.8%)
Days of Revenue in Receivables (Gross)	50.9	48.3	(5.1%)
Cost per CMI & OP-Adj Discharge	\$ 8,543	\$ 8,811	3.1%
Cost per CMI & OP-Adj Day	\$ 1,488	\$ 1,493	0.3%
Cost per Outpatient Visit	\$ 74.03	\$ 77.69	4.9%
Total F.T.E.'s (including Contract Labor)	6,190	6,365	2.8%
F.T.E.'s Per Adjusted Occupied Bed	7.73	7.64	(1.2%)

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 - June 30, 2008 UNAUDITED

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

MEDICAL CENTER ACCOUNTS COMMITTEE REPORT

(Includes All Business Units)
(Dollars in Thousands)

	Year to Date	<u>Annual Activity</u>	
	June <u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
<u>INDIGENT CARE (IC)</u>			
Net Charge Write-Off	<u>133,320</u>	<u>113,523</u>	<u>93,577</u>
Percentage of Net Write-Offs to Revenue	6.34%	6.08%	5.61%
Total Reimbursable Indigent Care Cost	<u>54,558</u>	<u>43,652</u>	<u>40,901</u>
State and Federal Funding	54,558	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>
	June	<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>31,472</u>	<u>32,843</u>	<u>32,286</u>
Percentage of Net Write-Offs to Revenue	1.50%	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: October 2, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III.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
October 2008**

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

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

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
1. Pre-Construction				
*University Hospital: Renovate and relocate Surgical Pathology Laboratory – design underway.	\$6.5M (8,800 GSF)	Bonds	Feb 2008	2010
University Hospital: Add elevators – evaluations underway.	\$7.6 M	Bonds	Feb 2008	2010
Moser Radiation Therapy Center: Construct addition for 2 nd linear accelerator – design underway.	\$2.5 M (3,000 GSF)	Bonds	Feb 2008	2010
West Main Street: Upgrade streetscape and utilities.	\$4.0 M	Bonds	Feb 2008	2010
Primary Care Center: Repair brick façade and replace roof – work scheduled to start in September 2008.	\$6.6 M	Bonds	Feb 2008	2010

*Project modifies original HEP project

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

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
2. Under Construction				
University Hospital: Renovate Radiology Department – phased construction underway	\$21.2 M (52,000 GSF)	Bonds	Feb 2008	2010
Emily Couric Clinical Cancer Center : Construction documents complete for consolidated and comprehensive Cancer Center. Construction Manager (Gilbane/Russell) is on board. Ground breaking occurred April 12, 2008. Installation of building foundation is 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: October 2, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III.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 expectancy was committed by a School of Medicine alumnus in support of a professorship in the School of Medicine.

A School of Medicine alumnus and his wife documented a \$1.3 million bequest to the School of Medicine.

A \$1 million bequest has been committed in support of the Alfred R. Shands, Jr. Professorship in Orthopedics and Rehabilitation.

A School of Medicine alumnus documented a \$1 million bequest in unrestricted support for the Medical School Foundation.

A \$1 million commitment was received from a grateful patient in support of a Chairman's Discretionary Fund for Otolaryngology to fund departmental education and research programs.

The University of Virginia Cancer Center was awarded a \$1 million grant to improve cancer care and outreach in Southwest Virginia.

The Class of 1958 presented a \$1 million check to Dean Hostler during their 50th reunion dinner, held during the Medical Alumni Association Reunion Weekend in April. The gift is the largest class contribution in the Medical School's history. Other gift announcements included a \$100,000 commitment from the Class of 1973 in support of the Alex Litz Scholarship in the School of Medicine, and a \$25,000 gift from the Class of 1963 to the medical education building.

Other gifts and pledges received include:

- A \$500,000 documented bequest for The Albert M., Kate L., and Peter R. Kaplan Professorship in Cardiology;
- A \$250,000 contribution to the Frederic Berry Chair in Pediatric Anesthesiology;
- A \$225,000 contribution to the School of Medicine Dean's Discretionary Fund;
- A \$181,000 contribution for cancer research;
- A \$125,000 contribution to the W. Harry Muller Scholarship Fund in the School of Medicine;
- A \$105,000 documented bequest to the Frederic Berry Chair in Pediatric Anesthesiology;
- A \$100,000 contribution for the Paul A. Levine Chairman's Fund in Otolaryngology;
- A \$100,000 contribution to the Claude Moore Medical Education Building;
- \$100,000 in contributions for the Tegtmeyer Lectureship in Interventional Radiology;
- A \$100,000 documented bequest for clinical care programs and research in audiology and Otolaryngology;
- A \$100,000 documented bequest to the Leslie A. Faudree Scholarship Fund in the School of Medicine;
- A \$96,500 contribution to the Jean McNutt Martin Glasgow Scholarship Fund in the School of Medicine;
- A \$77,000 foundation commitment in support of pediatric cerebral palsy;
- A \$50,000 commitment to the School of Medicine Class of 1986 Scholarship Fund;
- A \$50,000 commitment for an award supporting the Medical Scientist Training Program;
- A \$60,000 documented bequest for future priorities of the Medical School Foundation;
- A \$25,000 commitment for rheumatology research; and
- A \$25,000 commitment for cancer research.

OTHER DEVELOPMENT INITIATIVES

Nine University of Virginia researchers were awarded \$10 million over three years by the University of Virginia Tobacco Research Program to advance the study of diseases associated with smoking. The program was created in 2007 following a gift from Philip Morris USA to the University. University and Health System leadership are continuing to work with Philip Morris to determine recipients for a second \$10 million distribution.

The University of Virginia has again been named one of the Hartwell Foundation's Top 10 Centers for Biomedical Research. This is the second year the University has received this designation, which will provide a \$100,000 fellowship for a researcher whose work impacts children's health. The designation also enables the University to submit internal nominations for a \$300,000 investigator award.

The Health System Development Office completed its second grateful patient direct mail solicitation this spring, producing \$12,284 in contributions. Over 73,000 letters were mailed, the letter included a reply card listing several Medical Center priorities as options for giving. The direct mail program has generated \$40,282 in contributions since its inception.

The 24th Annual Children's Hospital Telethon took place on May 31-June 1 as part of the FY 2008 annual fund effort, raising more than \$1.6 million in support for Children's Hospital initiatives. Dean Hostler and Mr. Howell as well as many other Health System leaders and faculty participated in the weekend.

The Strike Out Cancer softball benefit event on June 1 raised \$18,000 in support for cancer research through the Patients & Friends Research Fund.

The Heart and Vascular Center Advisory Board met on June 25 and welcomed Dr. Brian Annex, the new Division Chief of Cardiovascular Medicine.

Development Communications completed the summer issues of *Investing in Hope* and *Pulse*. *Investing in Hope* is mailed to 10,000 cancer donors, prospects, volunteers and friends, while *Pulse* is mailed to more than 30,000 alumni, donors, and friends of the Health System.

Between July 1, 2007 and June 30, 2008, Health System development staff made 1,816 face-to-face visits with donors and prospects. In July 2008, development staff made an additional 97 visits.

CAMPAIGN PROGRESS THROUGH JULY 31, 2008

The Health System exceeded its \$52 million fundraising goal in fiscal year 2008, raising a total of \$52.5 million. Through July 31, 2008, the Health System campaign total is \$411,201,917. This represents 82.24% of the campaign goal, with 57.31% of the campaign period elapsed. The following table shows the Fiscal Year 2009 totals through July 31 for new commitments, including new gifts and pledges.

	FY '09 (through 7/31/08)	FY '08 (through 7/31/07)
Total new commitments <i>(excludes pledge payments on previously booked pledges)</i>	\$1,635,237	\$10,657,924
New gifts	\$1,618,487	\$10,643,249
New pledges	\$16,750	\$14,675

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 2, 2008

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: IV. 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.