UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
FOR THE UNIVERSITY
OF VIRGINIA
TRANSITIONAL CARE HOSPITAL
May 21, 2012
UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD FOR THE
TRANSITIONAL CARE HOSPITAL

Monday, May 21, 2012
11:15 – 11:30 a.m.
The Great Hall at Garrett Hall

Committee Members:
Vincent J. Mastracco Jr., Chair
Helen E. Dragas
W. Heywood Fralin
Andrew K. Hodson, MB.Ch.B
Patrick D. Hogan
William P. Kanto Jr., M.D.
Constance R. Kincheloe
Mark J. Kington

Randolph J. Koporc
Stephen P. Long, M.D.
Edward D. Miller, M.D.
Charles W. Moorman
Jonathan B. Overdevest
The Hon. Lewis F. Payne
E. Darracott Vaughan Jr., M.D.

Ex Officio Members:
Teresa A. Sullivan
Steven T. DeKosky, M.D.
Dorrie K. Fontaine
Robert S. Gibson, M.D.
R. Edward Howell
John D. Simon
Michael Strine

AGENDA

I. ACTION ITEM

- Fiscal Year 2013 Transitional Care Hospital Operating and Capital Budgets (Mr. Howell to introduce Ms. Michelle D. Hereford; Ms. Hereford to report)

II. REPORTS BY THE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE TRANSITIONAL CARE HOSPITAL (Mr. Howell)

A. Vice President’s Remarks
B. Operations and Finance Report (Ms. Hereford)

III. EXECUTIVE SESSION

- To consider proposed personnel actions regarding the appointment, reappointment, resignation, assignment, performance, and credentialing of specific medical staff and allied health 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 Transitional Care Hospital, where disclosure at this time would adversely affect the competitive position of the Transitional Care Hospital, specifically:
  - 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 Transitional Care Hospital; and
  - Consultation with legal counsel regarding the Transitional Care Hospital compliance with relevant federal reimbursement regulations, licensure, and accreditation standards, all of which will involve proprietary business information of the Transitional Care Hospital and evaluation of the performance of specific Transitional Care Hospital 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), (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.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 21, 2012

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I. Fiscal Year 2013 Transitional Care Hospital Operating and Capital Budgets

BACKGROUND: The Transitional Care Hospital’s operating and capital budgets are consolidated with the Medical Center’s budget. At its May meeting, the Board of Visitors acts on the proposed budget based on a recommendation from the Medical Center Operating Board and the Finance Committee.

DISCUSSION: The Transitional Care Hospital’s 2013 fiscal plan has been developed while considering the challenge of providing a new patient care service in a new environment, developing a new workforce, and introducing teaching and training of clinical providers. The cost associated with providing quality patient care will continue to have upward pressure due to increases in medical supply, pharmaceutical and medical equipment expenses, as well as a shortage of health care workers. In addition, in Fiscal Year 2013, the Transitional Care Hospital expects to continue its volume growth of this very high acuity patient population.

The Transitional Care Hospital 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 discharges, length of stay, productivity standards which drive the number of employees, and inflation. This information is communicated to Transitional Care Hospital Managers and results 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.

BUDGET AND OPERATING ASSUMPTIONS

Market conditions: For Fiscal Year 2013 discharges are budgeted to grow in excess of 97% from Fiscal Year 2012 projected levels. The growth will be facilitated by increased employee recruitment, and additional referrals from outside facilities.
The following table includes historical and projected patient volumes:

<table>
<thead>
<tr>
<th></th>
<th>Budget FY 12</th>
<th>Projected FY 12</th>
<th>Budget FY 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discharges</td>
<td>276</td>
<td>182</td>
<td>360</td>
</tr>
<tr>
<td>Average Length of Stay</td>
<td>29</td>
<td>34</td>
<td>29</td>
</tr>
<tr>
<td>Patient Days</td>
<td>8,004</td>
<td>6,188</td>
<td>10,440</td>
</tr>
</tbody>
</table>

Revenues: The Transitional Care Hospital’s Fiscal Year 2013 budgeted payor mix remains consistent with that of Fiscal Year 2012. One of the Transitional Care Hospital’s largest challenges is the unwillingness of government payors to increase payments commensurate with the increases in medical delivery costs. Growth in revenues will result from the impact of increasing volume and negotiated contracts with rate increases.

Rate changes: The Transitional Care Hospital Medicare base rate for FY 13 is $37,929 per case. With a Medicare case mix index (CMI) of 1.40, this will result in a total Medicare reimbursement rate of $53,100 per case.

Expenses: Expenses from operations are projected to increase by 34% % from the Fiscal Year 2012 projection.

Previous increases in capital investment will result in additional depreciation expense of $100,000 for Fiscal Year 2013. The Transitional Care Hospital’s 2013 fiscal plan accounts for these additional expenses while preserving its goal of providing high quality and cost effective health care and education.

Staffing: The Transitional Care Hospital’s FTEs are planned at 124, an increase of 42 FTEs from staffing at the current Fiscal Year projection of 82 FTEs.

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:

- The continuation of the collaborative effort between the Transitional Care Hospital and the School of Medicine Faculty on documentation of clinical care and its coding.
- The continuation of the collaborative effort between the Transitional Care Hospital and the School of Medicine Faculty on supply cost.
- The continuation of efforts to better engage our employees and enhance patient satisfaction.
- The continuation of the collaborative effort between the Transitional Care Hospital and the Medical Center to reduce length of stay.
- The effort to enhance care delivery and integrate information technology services through the Electronic Medical Record project.

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

- Nationwide shortage of health care workers that could negatively impact our ability to maintain appropriate staffing.
- Maintaining an adequate number of physicians in areas experiencing a national shortage.
- Advancements in medical technology that could alter expenses and/or revenues very quickly.
- The emerging impact of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.
- Inflation for medical equipment and pharmaceutical goods that could exceed the budget assumptions.

A summary of Transitional Care Hospital projected financial operating results are provided as follows:

<table>
<thead>
<tr>
<th>(Millions)</th>
<th>Projected FY 12</th>
<th>Budget FY 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Revenue</td>
<td>$10.7</td>
<td>$20.0</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>14.4</td>
<td>18.8</td>
</tr>
<tr>
<td>Operating Income/(Loss)</td>
<td>(3.7)</td>
<td>1.2</td>
</tr>
<tr>
<td>Total Margin</td>
<td>(35%)</td>
<td>6%</td>
</tr>
</tbody>
</table>
Capital Plan: Funds available to meet capital requirements are derived from operating cash flows, funded depreciation reserves, philanthropy, and interest income. The Transitional Care Hospital faces many challenges regarding capital funding as continued pressures on the operating margin affect cash flow, while demand for capital will increase significantly due to the need to expand. Subject to funds availability, the Transitional Care Hospital management recommends $1,600,000 be authorized for capital requirements.

ACTION REQUIRED: Approval by the Medical Center Operating Board

APPROVAL OF THE 2012-2013 OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA TRANSITIONAL CARE HOSPITAL

RESOLVED, the 2012-2013 Operating and Capital Budgets for the University of Virginia Transitional Care Hospital, presented as a component of the Medical Center Operating Budget, are approved, as recommended by the President, Chief Operating Officer, and the Medical Center Operating Board.
### Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Budget</th>
<th>FY2012 Projected</th>
<th>FY2013 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross Charges</td>
<td>$56,719,254</td>
<td>$31,182,826</td>
<td>$59,543,942</td>
</tr>
<tr>
<td>Less Deductions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigent Care Deductions</td>
<td>(1,355,248)</td>
<td>(56,326)</td>
<td>(1,190,879)</td>
</tr>
<tr>
<td>Contractual Deductions</td>
<td>(36,563,666)</td>
<td>(20,996,336)</td>
<td>(38,629,116)</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>(37,918,914)</td>
<td>(21,052,662)</td>
<td>(39,819,995)</td>
</tr>
<tr>
<td>Net Patient Revenue</td>
<td>18,800,340</td>
<td>10,130,164</td>
<td>19,723,947</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td></td>
<td>598,496</td>
<td>293,196</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>18,800,340</td>
<td>10,728,660</td>
<td>20,017,143</td>
</tr>
</tbody>
</table>

### Expenses

**Expenses from Operations**

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Budget</th>
<th>FY2012 Projected</th>
<th>FY2013 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>15,354,445</td>
<td>12,283,414</td>
<td>16,375,140</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>1,093,722</td>
<td>1,404,679</td>
<td>1,508,407</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>896,033</td>
<td>896,998</td>
<td>777,385</td>
</tr>
<tr>
<td>Bad Debt</td>
<td>71,217</td>
<td>(141,353)</td>
<td>148,860</td>
</tr>
<tr>
<td><strong>Total Expenses from Operations</strong></td>
<td>17,415,417</td>
<td>14,443,738</td>
<td>18,809,792</td>
</tr>
</tbody>
</table>

**Operating Income**

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Budget</th>
<th>FY2012 Projected</th>
<th>FY2013 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,384,923</td>
<td></td>
<td>(3,715,078)</td>
<td>1,207,351</td>
</tr>
</tbody>
</table>

**Other Gains and Losses**

<table>
<thead>
<tr>
<th></th>
<th>FY2012 Budget</th>
<th>FY2012 Projected</th>
<th>FY2013 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and Gains in Excess of Expenses</strong></td>
<td>$1,384,923</td>
<td>$(3,715,078)</td>
<td>$1,207,351</td>
</tr>
</tbody>
</table>

### Statistics

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2012 Projected</th>
<th>FY2013</th>
</tr>
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<tbody>
<tr>
<td>Discharges - TCH</td>
<td>276</td>
<td>182</td>
<td>360</td>
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<td>Patient Days of Care - TCH</td>
<td>8,004</td>
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<td>Average Length of Stay - TCH</td>
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FY12 Projected as of March 2012
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 21, 2012
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 University of Virginia Transitional Care Hospital will inform the Medical Center Operating Board of recent events that do not require formal action.
UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD
AGENDA ITEM SUMMARY

BOARD MEETING: May 21, 2012

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.B. Operations and Finance Report

ACTION REQUIRED: None

BACKGROUND: The University of Virginia Transitional Care Hospital began operations on August 4, 2010. It prepares a periodic report, including write-offs of bad debt and indigent care, and reviews it with Executive Leadership before submitting the report to the Medical Center Operating Board. The University of Virginia Transitional Care Hospital also provides an update of significant operations of the hospital occurring since the last Medical Center Operating Board meeting.

FINANCE REPORT

The University of Virginia Transitional Care Hospital ended the period of July 1, 2011 through February 29, 2012 with an operating loss of $1,553,681, which is greater than the budgeted loss of $399,159. During this same period, inpatient discharges were 109 compared to the budget of 170. Average length of stay was 31.53 days, which is above the budget of 29.0. The Medicare Case Mix Index of 1.28 was less than the budget of 1.55. Total full-time equivalents (FTEs) were 101, including 17 contracted employees, which is below the overall budget of 119 FTEs.

OPERATIONS REPORT

Access to services at the Transitional Care Hospital is guided by the collaborative efforts of clinicians, insurance providers, patients, and families. The Transitional Care Hospital employs clinical liaisons who are deployed to the community to identify appropriate candidates and evaluate referrals. These referrals are often received directly from providers and through the use of an electronic program known as E-discharge. New referrals are brought to an interdisciplinary team and reviewed every morning during a daily huddle session.

For the period from July 1, 2011 through February 29, 2012, the total number of referrals was 390, resulting in 119 admissions. Eighty-three of those admissions (70%) were from
the Medical Center. The 83 Medical Center admissions represent 2,635 patient days or approximately 10.8 Medical Center beds.

Clinical Operations

Clinical services at the Transitional Care Hospital are provided by physicians, registered nurses, registered respiratory therapists, rehabilitation professionals, and support services, including patient care assistants, diagnostic radiology technicians, and pharmacists. These disciplines work collaboratively to develop a plan of care which is evaluated weekly in an interdisciplinary meeting. In addition, daily multidisciplinary rounds provide an opportunity to communicate a daily plan and recent changes in patient status.

Respiratory Complex, Wound Management, and Rehabilitation Services comprise a majority of the defined patient population.

Respiratory Services

Led by the Pulmonary Medical Director, Sharon Esau, M.D., and managed by a registered respiratory therapist, the Respiratory Program had a busy quarter. From January 1 to March 31, 2012 27 patients were admitted for vent weaning, and 18 (67%) achieved that goal. Discounting the three patients whose ventilator support was withdrawn at their request or their family's request, the success rate was 75% versus a 60.1% national benchmark. Moving forward we will use benchmark system data definitions and be better able to compare outcomes externally. Respiratory Services continues to evaluate the feasibility of a formal pulmonary rehabilitation program. We have implemented a joint educational series with Emergency Medicine Services to teach airway management competency certification to Licensed Independent Practitioners and Respiratory Therapists. The first educational session was held in March 2012 and was well received by all participants.

Wound Management

The wound management program is led by a nurse practitioner who is certified in wound and ostomy care. The Transitional Care Hospital Wound Ostomy Care Plan includes obtaining Joint Commission certification. We have made progress towards certification; however, Joint Commission requirements are complex and with small volumes, progress has been slow. We are in the process of negotiating the purchase and implementation of "Wound Manager", a computer program which will support the data
gathering and progress documentation required for Joint Commission certification.

**Rehabilitation Services**

The Physical Therapy, Occupational Therapy, and Speech Language Pathology program continues to serve our population well and contributes to patient satisfaction as well as to clinical status improvement. These therapy services continue to be in high demand as a result of acuity levels and complicating factors, including a high proportion of morbidly obese and/or debilitated patients in need of rehabilitation therapy. Patient satisfaction with these services remains high, and our patients continue to respond well physiologically as a result of this care.

**Care Management Report**

The Transitional Care Hospital has combined the Case Management program with the Clinical Liaison program to establish a Department of Care Management. This partnership strengthens communication, knowledge, and collaboration throughout the process of selection through discharge.

**Clinical Liaison**

A significant broadening of the referral base has occurred this quarter. New patient referrals have been received from more than 20 outside facilities, and the conversion rate (referral to admission) stands at 31%. This has been a result of the ongoing efforts of two clinical liaisons and a recent staffing shift to focus on marketing, with an emphasis on the areas north and east of Charlottesville.

**Case Management**

Length of stay is primarily driven by the patient’s clinical condition and guided by the use of McKesson’s Long Term Acute Care Hospital Interqual Criteria. Our goal has been to manage a patient’s stay and plan for safe discharge to an appropriate level of care on or within the target Diagnostic Related Group (DRG).

As of February 29, 2012, the average Medicare length of stay for FY 2012 is 33.1 days, and the overall length of stay for all payors is 30.4 days.

Factors resulting in an extended length of stay have been clinical conditions that are too complex to manage safely at a
lower level of care, time delays associated with services and consultations from other providers, and the lack of community resources, specifically skilled nursing facilities.

Factors resulting in an abbreviated length of stay (less than the anticipated 5/6 DRG date) include clinical conditions necessitating a return to Short Term Acute Care Hospital; a change in the patient’s goals (e.g., selecting palliative care or hospice), and faster than expected clinical improvement.

We will continue to strengthen and further develop the relationships with our referral sources. Planned areas of focus include communication of and access to patient clinical information from outside hospitals, and collaboratively and proactively agreeing to transfer plans should care need to be escalated.

Human Resources

The Transitional Care Hospital is currently staffed with 81.1 FTEs. Contracted registered nurses represent 14.4 FTEs. As the Transitional Care Hospital continues to grow and develop, it is be imperative to acquire and retain talented employees. Therefore, the focus has been on the following:

Recruitment

For the period from October 1, 2011 through February 29, 2012, we have successfully recruited 29 permanent staff: eight Registered Nurses, one Licensed Practical Nurse (LPN), 12 Patient Care Assistants, two Health Unit Coordinators, three Respiratory Therapists, one Inpatient Case Manager, one Administrative Assistant, and one Human Resources Consultant. In addition, with the addition of a Human Resources Consultant dedicated primarily to the Transitional Care Hospital, we expect to recruit full-time staff to replace our five current traveling nurses. We are also recruiting LPNs, a caregiver group we believe will provide high-quality and cost-effective support to our patient population.

Employee Engagement

In July 2011, 97% of Transitional Care Hospital employees participated in the Employee Engagement Survey. The overall facility Engagement Index was 73.04, which exceeds the National Healthcare Benchmark Index of 71.00. As a result of this survey, a multidisciplinary Employee Engagement Committee was formed. This employee led committee is working collaboratively with the leadership team to further understand the results and
develop actions to address them. To date, the Employee Engagement Committee has developed additional small surveys, developed a newsletter, presented findings to staff and leadership, and hosted various activities and events.

The Transitional Care Hospital hosted a UTeam meeting on April 6, 2012. Ed Howell, Bo Cofield and Larry Fitzgerald shared their collective vision of recent successes as a Health System and provided updates on operational performance, including overall goals, patient progression successes, and our continued expansion efforts. The presentation emphasized how “always” words and events will keep us on a path of providing superlative quality to our patients and families. Also discussed was a new shared leadership concept for the Medical Center.

System Human Resources Activities

Effective March 18, 2012 the definition of full-time employment changed from 40 hours per week to a minimum of 36 hours per week (0.9 FTE). Employees who selected the 0.9 flex option will move to 0.9 full-time status and will be regularly scheduled to work 36 hours per week. This is a positive change for these employees, who will no longer have to flex up to 40 hours per week and will see an increase in the employer benefit contributions. This change came about in response to feedback received during the July 2011 Engagement Survey.

Quality And Performance Improvement

The Quality and Performance Improvement Program has focused on improving our processes for obtaining patient and family feedback, using data collected during the past 18 months to identify improvement opportunities, preparing for external outcomes benchmarking, and maintaining ongoing readiness for regulatory surveys.

Patient Satisfaction

Recognizing that more than 50% of our discharged patients are transitioned to another level of care (e.g., Acute Inpatient Rehabilitation or Skilled Nursing Facility) and are not home to receive a mailed Patient Satisfaction Survey, we have worked with our survey company, Press Ganey, to change the process.

Effective May 2012, the Transitional Care Hospital will give the surveys to patients and their families just a few days prior to discharge. The patients and families can then complete the
survey and either return it by mail in the envelope provided or drop the sealed envelope in a designated locked box.

External Benchmarking

The Centers for Medicare and Medicaid Services has established a quality reporting program for Long-term Acute Care Hospitals. Data collection for this program will begin on October 1, 2012. Non-compliance with the program will result in a 2% reduction in annual payment updates.

The Transitional Care Hospital has been collecting data on the three quality measures for almost two years, and will attend the training offered by the Centers for Medicare and Medicaid Services in May 2012. We also have a contract for data submission with a vendor approved by the Joint Commission and the Centers for Medicare and Medicaid Services. The three quality measures are:

- Central Line Associated Blood Stream Infections
- Catheter Associated Urinary Tract Infections
- Hospital Acquired Pressure Ulcer, new or worsened

Accreditation

The Transitional Care Hospital, through the University of Virginia Medical Laboratories, has now received full College of American Pathologists Lab Accreditation, and has withdrawn from the Joint Commission Lab Accreditation.

Community Outreach

Through a Memorandum of Understanding with the Medical Center, the Transitional Care Hospital has implemented a volunteer program. We currently have three trained volunteers to assist with the first floor lobby receptionist duties, and we have plans for volunteers to assist patients more directly though bedside visitation. Additional plans include increasing our bird feeder and our horticulture programs. A Volunteer Coordinator is engaging our community with these efforts.