

April 11, 1997

MEMORANDUM

TO: The Health Affairs Committee:

Charles M. Caravati, Jr., M.D., Chair
John P. Ackerly, III
William G. Crutchfield, Jr.
William H. Goodwin, Jr.
T. Keister Greer
C. Wilson McNeely, III
Albert H. Small
Hovey S. Dabney, Ex Officio

and

The Remaining Members of the Board:

Franklin K. Birckhead Terence P. Ross
Champ Clark Elizabeth A. Twohy
Elsie Goodwyn Holland Henry L. Valentine, II
Kristine L. LaLonde Walter F. Walker
 James C. Wheat, III

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Health Affairs
Committee on April 11, 1997

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:50 a.m., Friday, April 11, 1997, in the East Oval Room of the Rotunda; Charles M. Caravati, Jr., M.D., Chair, presided. John P. Ackerly, III, William G. Crutchfield, Jr., William H. Goodwin, Jr., T. Keister Greer, C. Wilson McNeely, III, Albert H. Small, and Hovey S. Dabney, Rector. Also present were Franklin K. Birckhead, Champ Clark, Mrs. Elsie Goodwyn Holland, Terence P. Ross, Henry L. Valentine, II, Walter F. Walker, James C. Wheat, III, and Charles F. Irons; as well as John T. Casteen, III, Alexander G. Gilliam, Jr., Robert W. Cantrell, Paul J. Forch, Leonard W. Sandridge, Jr., Peter W. Low, Ms. Colette Capone, Robert D. Sweeney, Don E. Detmer, William W. Harmon, Ms. Polley Ann McClure, Thomas A. Massaro, Michael Halseth, Peter Munger, and Ms. Jeanne Flippo Bailes.

The Chair asked Dr. Cantrell, Vice President and Provost for Health Sciences, to present the Agenda.

Dr. Cantrell asked Dr. Thomas A. Massaro, Chief of Staff at the Health Sciences Center, to discuss the first Action Item on the Agenda, the Clinical Faculty Remuneration Plan.

Dr. Massaro spoke to the contributions made by the clinical faculty and pointed out that they were the only group of University employees who did not receive a raise last December. He said Dr. Cantrell and Dr. Carey, the Dean of the School of Medicine, propose that a 4% rise (which amounts to \$2.6m) be paid to these faculty. In addition, the Dean requests authority to pay academic incentives averaging 1.5% (\$975,000) of the clinical faculty salary base.

On motion, the Committee approved a resolution authorizing these payments and recommended it to the Finance Committee (see Minutes of the meeting of the Finance Committee, April 11, 1997) and to the full Board for approval (see Minutes of the meeting of the Board of Visitors, April 12, 1997).

Dr. Cantrell asked Mr. Michael Halseth, Executive Director of the Medical Center, to present the next Action Item, a Gainsharing Plan enhancement.

Mr. Halseth reminded the Committee that the Board previously approved a Gainsharing Plan for Medical Center employees. Payments from the Plan are determined both the financial strength of the Medical Center and the level of patient satisfaction with care received. It was determined that the operating margin of the Medical Center had to be at least \$10m and the Patient Satisfaction Index (this is determined quarterly by surveys conducted by a private firm) at least 4.49 before payments would be made. The maximum payments were set at 2% of employees' salaries (\$3m has been budgeted for this).

The financial performance of the Medical Center has been much better than expected, and Mr. Halseth proposed extending the Gainsharing Plan to clinical faculty. He also proposed that the operating margin cap be raised to \$20m and maximum payments to 4% from the previous 2%. The Vice President and Provost for Health Sciences and the Dean of the Medical School will determine the payment criteria for individual faculty.

Mr. Goodwin said he was in favor of the Plan but that he thought competitive compensation should be written into the Budget and not be part of a determination such as the Gainsharing

Plan. He recommended that the Board be given analyses of hospital salaries at other institutions in order that a determination can be made of the competitiveness of our wages.

The Chair replied that something of this sort is done now when Health Sciences prepares its Budget submission.

Mr. Crutchfield said he strongly endorsed the Plan but that he worried about two pitfalls: suppose the Patient Satisfaction Index is a fraction or two too low? Some of the extraordinary financial health of the Hospital this year can be attributed to federal payments and reimbursements; suppose these funds are curtailed - something over which the Medical Center has no control?

On motion, the Committee approved the resolution changing the Gainsharing Plan and recommended it to the Finance Committee (see Minutes of the meeting of the Finance Committee, April 11, 1997) and to the full Board (see Minutes of the meeting of the Board of Visitors, April 12, 1997) for approval.

Dr. Cantrell asked Mr. Peter Munger, Associate Vice President for Finance, to lead the discussion on the next Action Item, amending the Medical Center's 1996-97 operating budget.

Mr. Munger said Hospital revenues have been higher than projected and the Budget should be amended to reflect this. The amended Budget takes into account, too, the funds needed to pay for the enhancement of the Gainsharing Plan, just approved by the Committee, as well as \$1.2m necessary for supporting the primary care program. The amended Budget proposed by Mr. Munger would show \$421.5m in operating revenue, \$401.3m in operating expenses, with an operating margin of \$20.2m (or \$17.5m after subtracting losses).

The Chair complimented Mr. Munger and the staff of the Medical Center for the healthy financial state of the Hospital. Most hospitals, he said, now show deficits on their balance sheets.

On motion, the Committee approved a resolution authorizing amendments of the 1996-97 Medical Center Budget, and recommended it to the Finance Committee (see Minutes of the meeting of the Finance Committee, April 11, 1997) and to the full Board (see Minutes of the meeting of the Board of Visitors, April 12, 1997) for approval.

Dr. Cantrell then gave his customary report to the Committee, emphasizing the academic and research missions of the Health Sciences Center. Applications for admission to the School of Medicine continue at high rates, although - consistent with national trends - the number was down by 40 applications from last year. Nonetheless, there were 4,474 applicants for 139 places in the first year class. Fourth-year medical students celebrated "Match Day" on March 19th, the day on which they learn where they will be residents. This year, 60% of the graduating students elected residencies in primary care: Family Practice, Pediatrics, Internal Medicine, Obstetrics and Gynaecology.

Dr. Carey is in the 12th year of his very successful deanship; from the point of view of years in office, he is the 5th ranking Dean in the country.

Undergraduate admissions to the School of Nursing are increasingly competitive; less than 30% of those applying this year will be offered admission. Dean Lancaster was awarded the American Journal of Nursing "Book of the Year Award" for her textbook, co-authored by Marcia Stanhope of the University of Kentucky, Community Health Nursing: Promoting Health of Aggregates, Families and Individuals. The book is in its 4th edition.

The new Department of Health Evaluation Sciences, established less than two years ago as one of the few such programs in the United States, is well organized and fully operational. Biomedical research in the School of Medicine continues to diversify and expand. Dr. Cantrell here noted the crucial need for more research space and additional funds for research faculty. The School of Nursing now ranks 8th in the country in the amount of National Institutes of Health research funding for nursing schools.

There was a two day meeting in February involving several elements of Health Sciences as well as entities across the University. The Health Sciences Center acted as host to representatives from the World Health Organization and officials from Africa and South America, who discussed the establishment of a partnership among governments, the World Health Organization, academic institutions, and a wide array of University of Virginia programs.

The Medical Center has just received accreditation from the Joint Commission on the Accreditation of Healthcare Organizations. The accreditation is good for three years, the maximum allowable.

Groundbreaking ceremonies for the new 50-bed rehabilitation hospital at the Fontaine Research Park will take place April 23rd. On April 2nd, there was a formal opening ceremony at the Robert J. Roberts Pediatric Bone Marrow Transplant Program Unit at the University Hospital. The Unit is named after the late "Butch" Roberts, Chair of the Department of Pediatrics.

The Health Sciences Center's portion of the Capital Campaign has reached over 76.4% of its goal of \$125m. The Medical Faculty Campaign began February 17th and will end April 18th; there has been an overall 42% faculty participation. The School of Nursing has completed its faculty and staff campaign with 83% faculty participation.

Summing up, Dr. Cantrell said he thought things are going well, "but we must be ever vigilant."

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On motion, the meeting was adjourned at 9:30 a.m.

AGG:jb

Copies to: Mr. John T. Casteen, III
Mr. Paul J. Forch
Dr. Robert W. Cantrell
Mr. Peter W. Low
Mr. Leonard W. Sandridge
Mr. Robert D. Sweeney
Mr. Ernest H. Ern
Mr. William W. Harmon
Ms. Colette Capone
Ms. Polley Ann McClure
Mr. Terry Holland
Mr. L. Jay Lemons
Dr. Don E. Detmer
Ms. Louise Dudley