

June 13, 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 June 13, 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, June 13, 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., C. Wilson McNeely, III, and Hovey S. Dabney, Rector, were present. Also present were Franklin K. Birckhead, Champ Clark, Mrs. Elsie Goodwyn Holland, Terence P. Ross, Ms. Elizabeth A. Twohy, Henry L. Valentine, II, and Ms. Kristine LaLonde; as well as John T. Casteen, III, Alexander G. Gilliam, Jr., Robert W. Cantrell, Paul J. Forch, Leonard W. Sandridge, Jr., Don E. Detmer, Peter W. Low, Ms. Colette Capone, Ernest H. Ern, Robert D. Sweeney, William W. Harmon, Ms. Polley Ann McClure, Terry Holland, and Ms. Jeanne Flippo Bailes.

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

Dr. Cantrell reminded the Committee that it is scheduled to meet again on July 9<sup>th</sup>. Part of that session, he said, is planned as an orientation for new members and will include a tour of some of the facilities at the Health Sciences Center. He invited all interested Board members to attend.

Dr. Cantrell next reported on a miscellany of items: The Health Sciences Center and the city Health Department were joint hosts for a meeting of the State Board of Health in April; Dr. Paul Levine has been named Chair of the Department of Otolaryngology, Head and Neck Surgery and Dr. Robert Chevalier Chair of the Department of Pediatrics. The 13<sup>th</sup> Children's Medical Center telethon on May 30-June 1, raised more money than ever before - \$760,824. On May 16<sup>th</sup>, the Health Sciences Center passed the \$100m mark in its goal of raising \$125m in the Capital Campaign; some 65% of the faculty have contributed to date. The School of Nursing has surpassed its goal of \$5.1m and has now raised its goal to \$5.85m. The Poison Control Center, which faced the possibility of closure because of lack of funding, has now - through a cooperative arrangement among several organizations - been assured of funding for the next five years. The Center is in operation 24 hours a day, every day of the year. A kidney dialysis center has been opened at Zion Crossroads in Louisa County, east of Charlottesville, and will be dedicated June 15<sup>th</sup>. Delegate Earl Dickinson of Louisa will deliver the principal address at the dedication ceremonies. The National Institutes of Health have awarded a \$10m grant to the University's Center for Immuno-Contraceptive Research to continue its work of developing new, more effective means of birth control; the Center is one of three contraceptive research centers in the country to receive renewed funding from the NIH. The magazine SELF, in its May issue, ranked the Medical Center as one of the ten best hospitals for women in the nation.

Dr. Cantrell then made a number of observations to the Committee in a report which he called "Responses to Changes in Healthcare Delivery."

He noted that the Congress is completing modifications to the Federal Budget which will reduce significantly Medicare payments, both reimbursements for provided care and for funding of graduate medical education. The extent and impact of this is unclear at this point, but it could be severe.

One strategy the government is proposing would encourage more elderly citizens to enter managed care programs, especially the capitated plans. The government would pay a fixed monthly amount per medical enrollee to the health care delivery system for all care delivered. If the costs of delivering that care are maintained within that budget, the system makes money; if the costs exceed that amount, the system would lose money. The concept is to promote wellness by reducing health risk factors, and to better manage chronic disease processes.

QualChoice has been designated to begin a pilot capitated program to be known as Medichoice, which will begin July 1<sup>st</sup> if all details can be worked out. Under Medichoice, the UVA Health System, the Martha Jefferson Hospital and affiliated physicians will begin to shift from a fee-for-service model to this capitated plan. Enrollment will be restricted to 4000 people this year in order to allow the providers time to adapt to this way of practice.

The funding of indigent care remains a problem. Assurances were given in the 1980's when the new hospital was built that 100% of the costs of indigent care would be covered; yet last year, only 70% of these costs were funded - and this figure does not include the \$17.9m worth of free care or the \$12m worth of un-compensated care provided by the clinical faculty. These shortfalls affect the entire Health Sciences Center since less money can be shifted to medical education and research salaries.

The Health Sciences Center is responding to some of these issues by being more proactive in the management of clinical care, by reducing expenses and by reviewing and evaluating the cost and outcome of many of the expensive services it offers. The Department of Health Evaluation Services, recently formed and one of the few in the country, is assisting in these efforts.

The Darden School has helped organize a course in Healthcare Management which is being given to 55 of the leaders of the Health Sciences Center, including the clinical chairs, the leadership of the Nursing School and senior administrators. The aim of the course is to encourage providers to continue to deliver first-rate health care, but to do it in a cost-effective, business-like fashion.

As an aside, Dr. Cantrell noted that the occupancy rate at the Hospital continues in the high seventy/low eighty percent range, which is remarkable when one considers that the national average is approximately fifty percent. He attributed this to the quality of the service provided and to the reduction in costs

which make the Hospital an attractive place for referrals from the point of view of third party payers. The recent affiliations with other hospitals and physician groups in the area, as well as the development of a network of primary care physicians, have also been significant in this regard.

A defect in the system, Dr. Cantrell said, is the lack of a comprehensive, region-wide information system. Efforts are being made to rectify this shortcoming.

Dr. Cantrell referred to several other efforts at improving care and reducing costs. One of these is Continuum, the Health Sciences Center's home healthcare program, which performed 24,417 visits in 1996. The phenomenal increase in the cost of drugs is another problem that is being addressed.

Summing up, Dr. Cantrell said he thought the Health Sciences Center is positioned in the medical marketplace about as well as can be expected, but given the volatile nature of health care delivery, the Center cannot rest on its laurels. He noted that at present there are about 7000 "medical addresses" in the country; within ten years, it has been estimated that this number will drop to 500, with the emergence of large chains of hospitals, insurers and provider groups. He said he believes the University's model of regional hospital affiliations and their attendant physician networks, will insure not only the continued well being of the Health Sciences Center, but will offer first-rate, cost-effective medical care for the citizens of the Commonwealth.

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On motion, the meeting was adjourned at 9:15 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, Jr.
- Mr. Robert D. Sweeney
- Mr. Ernest H. Ern
- Mr. William W. Harmon
- Ms. Colette Capone
- Ms. Polley Ann McClure
- Dr. Don E. Detmer
- Mr. L. Jay Lemons
- Mr. Terry Holland
- Ms. Louise Dudley