

May 29, 1998

MEMORANDUM

TO: The Health Affairs Committee:

Charles M. Caravati, Jr., Chair  
William G. Crutchfield, Jr.  
William H. Goodwin, Jr.  
T. Keister Greer  
Terence P. Ross  
Albert H. Small  
Joseph E. Wolfe  
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Champ Clark	Henry L. Valentine, II
Elsie Goodwyn Holland	Walter F. Walker
Timothy B. Robertson	Benjamin P.A. Warthen
Elizabeth A. Twohy	James C. Wheat, III
J. Michael Allen	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Health Affairs  
Committee

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:40 a.m., Friday, May 29, 1998, in the East Oval Room of the Rotunda; Charles M. Caravati, Jr., Chair, presided. William G. Crutchfield, Jr., William H. Goodwin, Jr., T. Keister Greer, Terence P. Ross, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present. Also present were Champ Clark, Mrs. Elsie Goodwyn Holland, Timothy B. Robertson, Henry L. Valentine, II, Walter F. Walker, Benjamin P.A. Warthen, James G. Wheat, III, and J. Michael Allen; as well as John T. Casteen, III, Alexander G. Gilliam, Jr., Paul J. Forch, Leonard W. Sandridge, Jr., Robert W. Cantrell, Peter W. Low, Don E. Detmer, Ms. Colette Capone, Ernest H. Ern, Ms. Polley

Ann McClure, Gene D. Block, L. Jay Lemons, Michael Halseth, Ronald Bouchard, and Ms. Jeanne Flippo Bailes.

NOTE: Because of a malfunction in the recording equipment, portions of these Minutes are reconstructed.

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

1. Conflict of Interests Regarding UVA/Health Services Foundation Contracts

The first item, a Consent Agenda item, was a proposed resolution covering conflicts of interest in the matter of UVA/Health Services Foundation contracts. Dr. Cantrell explained that clinical faculty in the School of Medicine are employees both of the University and of the Health Sciences Foundation. The Virginia State and Local Government Conflict of Interests Act in general prohibits this kind of situation, but an exemption is made in the case of schools of medicine and their faculty practice plans if this relationship is approved by the schools' boards of visitors. The resolution Dr. Cantrell proposed would give the necessary approval.

On motion, the Committee adopted the resolution and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, May 30, 1998).

2. Medical Center Benefits and Compensation Program

Dr. Cantrell introduced Mr. Bouchard, Associate Vice President for Health Sciences for Human Resources, and asked him to present the next item on the Agenda, the Compensation and Benefits Program for the Medical Center. Mr. Bouchard reminded the Committee that the Board of Visitors in June 1996, adopted an interim personnel system for the Medical Center under the terms of the Codified Autonomy legislation of the General Assembly. The Medical Center retained the consulting firm of Watson-Wyatt to help develop a more permanent system.

Mr. Bouchard outlined the proposed Program; Ms. Capone, Vice President for Management and Budget, commented on it from the perspective of University personnel policies.

On motion, the Committee adopted a resolution approving the Medical Center Compensation and Benefits Program, and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, May 30, 1998).

3. Medical Center Financial Report

Dr. Cantrell introduced Mr. Halseth, the Executive Director of the Medical Center, and asked him to give the quarterly financial report for the period ending March 31.

Mr. Halseth reported that in-patient admissions and patient days are about the same as for the third quarter last year. Occupancy also remains about the same. Out-patient and Emergency Room visits show a slight increase. Revenues for the quarter have exceeded the budget by \$1.9m. Operating expenses, however, have exceeded the budget by \$5.2m, mostly because of the increased cost of high-tech drugs and medical supplies. The operating margin thus stands at 5.6%.

Efforts will be made to control costs of medicine, Mr. Halseth said. Mr. Ross suggested that labor costs are high and that greater savings can be found in this area than in finding ways to reduce the cost of drugs and medicine. He proposed retaining an outside consultant to study the problem.

(See Minutes of the meeting of the Finance Committee, May 29, 1998, for more information on the Medical Center budget.)

4. Report by the Vice President  
and Provost for Health Sciences

Dr. Cantrell then gave his report. He announced that Ms. Marlene Bond has been appointed the first Associate Vice President for Nursing at the Health Sciences Center. The appointment is in addition to her role as the Chief Nursing Officer/Chief Health Care Professional. She has been associated with the Health Sciences Center for over thirty years.

Dr. Cantrell also announced the appointment of Mr. Harold H. Scott as Chief Information Officer at the Health Sciences Center.

Dr. Cantrell then outlined some of the steps being taken to achieve an operating margin of 6% for the Medical Center, as mandated by the Finance Committee of the Board. These include intensifying contract negotiations with payors; increasing the daily hospital rate for next year to five percent; setting aggressive goals for expense reduction; insuring that every legitimate billable charge is captured and billed on time; and evaluating programs with the potential that some may close. He discussed in some detail plans for cost saving in supplies and drugs. Dr. Cantrell emphasized, however, that patient care and academic programs funded in part by hospital revenues do not suffer.

The School of Medicine will undergo reaccreditation this fall. There will be a "site visit" on October 11 from the Liaison Committee on Medical Education, the national accreditation organization for medical schools. Their last visit was in 1991 when the Medical School received a full seven year accreditation.

The low level of state support for medical education continues to be a concern, Dr. Cantrell said. A study conducted by the School of Medicine, along with the two other medical schools in the state and by the Commonwealth, reveals that the University of Virginia Medical School ranks in the lowest quartile among state supported medical schools for state funding of medical education. The medical schools and the state attempted to address this in a plan adopted in January by the State Council for Higher Education which is based on general fund reimbursement for the time physicians spend delivering care to indigent patients. The SCHEV formula called for reimbursement at 79% of the costs incurred, and \$6m for medical education was submitted as a budget amendment. In spite of official support for this measure, the School of Medicine was appropriated only \$400,000 each year for two years.

Nonetheless, the concept of supporting medical education indirectly by partial payment of care to indigents was established.

Dr. Cantrell noted that last year the School of Medicine received over \$87m in sponsored research; research income should exceed \$90m by the end of this fiscal year. Although he expressed optimism about progress in research programs at the Medical School, Dr. Cantrell emphasized

that the serious lack of research space hampers these efforts. He reminded the Committee that the national ranking of medical schools is in large part determined by the amount of research funding.

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On motion, the meeting was adjourned at 9:35 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  
Mr. Gene D. Block  
Dr. Don E. Detmer  
Mr. L. Jay Lemons  
Mr. Terry Holland  
Ms. Louise Dudley