

January 30, 1999

MEMORANDUM

TO: The Health Affairs Committee:

Charles M. Caravati, Jr., M.D., 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:

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

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Health Affairs Committee  
on January 30, 1999

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:50 a.m., Saturday, January 30, 1999, 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, Albert H. Small, Joseph E. Wolfe, and John P. Ackerly, III, were present. Also present were Mrs. Elsie Goodwyn Holland, Timothy B. Robertson, Ms. Elizabeth A. Twohy, Benjamin P.A. Warthen, and J. Michael Allen; as well as

John T. Casteen, III, Alexander G. Gilliam, Jr., Richard Kast, Leonard W. Sandridge, Jr., Robert W. Cantrell, Peter W. Low, William W. Harmon, Ms. Polley Ann McClure, Gene D. Block, Ms. Colette Capone, William E. Carter, Jr., L. Jay Lemons, and Ms. Jeanne F. Bailes.

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

Dr. Cantrell explained briefly the first item on the Agenda, a Consent item involving a conflict of interest exemption. He explained that in developing an internet-based program called "Cardiovascular Cybervillage," the School of Medicine needs to use software developed by CardioConcepts, a Charlottesville company owned by two members of the Medical School faculty. He proposed a resolution for an exemption to the Virginia Conflict of Interests Act.

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, January 30, 1999.)

Dr. Cantrell asked Mr. Carter, Senior Associate Vice President for Operations of the Health System, to give a report on Medical Center finances through December 31<sup>st</sup>, the first two quarters of Fiscal Year 1999.

Mr. Carter said admissions for the period are higher than the same period last year and higher than budgeted; patient days continue to decline and are lower than budget and lower than last year; the occupancy rate continues high; outpatient and Emergency Room visits are less than budgeted but higher than last year. All of these figures are positive.

Operating revenue is higher than last year but below budget for this year. Operating expenses are an area of concern, Mr. Carter said, and demand immediate attention: they are higher for both quarters than budget and higher than last year. The operating margin for the two quarters is considerably below budget.

Mr. Carter said that he and Dr. Massaro have undertaken actions to change this. He told the Committee he would report on these actions at the March Board meeting. He added that

this situation is common in teaching hospitals all over the country at this moment.

The Chair commented that Mr. Carter has been in his present job for a month and that he is encouraged by the actions Mr. Carter is undertaking.

Dr. Cantrell then gave his customary report.

He elaborated on some of the figures cited by Mr. Carter, noting that although revenues are \$3m more than this time last year, they are \$800,000 below budget. One reason for this is reduced reimbursements for Medicare and Medicaid which, Dr. Cantrell said, is similar to "contractual allowances," the difference between what the Medical Center charges and what it is paid by commercial insurers. This phenomenon was expected - it has been happening on the West Coast and in the larger metropolitan areas - but the sharp rise was not expected: there has been a doubling of contractual allowances in a two year period.

Dr. Cantrell then discussed efforts that are underway to reduce expenses. He said he does not anticipate finding any one cost-saving initiative that will save millions of dollars, but he believes there will be many saving \$100,000 to \$200,000 each.

He reported that Mr. Carter attended a meeting several weeks ago of the University Healthsystem Consortium, a grouping of 80 academic medical centers. All, apparently, have financial problems similar to the Medical Center's. The Georgetown University Medical Center, for example, lost \$62m last year and the University of Pennsylvania Medical Center lost more than \$100m. The Medical College of Virginia is projecting an \$8m operating deficit this year.

Dr. Cantrell said the Medical Center in December was ranked among the top 15 academic medical centers (of 99) and among the top 100 hospitals (out of 3258) in the country. It was the only academic medical center in the Southeast to be so recognized, even though the Southeast led the nation for the fourth consecutive year with 43% of all benchmark hospitals.

The Whitaker Foundation made a grant of \$10.5m in December; \$3m of this is for program development in Biomedical Engineering and \$7.5m is seed money to help pay for the Biomedical Research Building. This biomedical research endeavor is a joint effort between the School of Medicine and the School of Engineering and Applied Sciences. The National Institutes of Health awarded an \$8m grant, also in December, to study the structure and function of proteins that are important in regulating blood pressure and heart function.

Dr. Cantrell noted that "the amount of awards [to the School of Medicine and the School of Nursing] continues an upward trend," but that Health Sciences has reached the capacity of its research space; even the new Biomedical Research building, which will be completed in December, 2001, will only meet current needs. He said his goal is to double the amount of biomedical research at the University during the next five years, but in order to do this, more research space is needed.

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On motion, the Committee adjourned at 11:10 a.m.

AGG:lah

- Copies to: Mr. John T. Casteen, III  
Mr. Paul J. Forch  
Mr. Gene D. Block  
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. Terry Holland  
Mr. L. Jay Lemons  
Ms. Louise Dudley