

October 15, 1999

MEMORANDUM

TO: The Health Affairs Committee:

Charles M. Caravati, Jr., M.D. Chair	Terence P. Ross
H. Christopher Alexander, III, M.D.	Elizabeth A. Twohy
William G. Crutchfield, Jr.	Harry J.G. van Beek
William H. Goodwin, Jr.	John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Champ Clark	Henry L. Valentine, II
T. Keister Greer	Walter F. Walker
Elsie Goodwyn Holland	Benjamin P.A. Warthen
Timothy B. Robertson	James C. Wheat, III
Albert H. Small	Joseph E. Wolfe
Robert G. Schoenvogel	

FROM: Alexander G. Gilliam, Jr.

RE: Minutes of the Meeting of the Health Affairs Committee
on October 15, 1999

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 12:15 p.m., Friday, October 15, 1999, in the East Oval Room of the Rotunda; Charles M. Caravati, Jr., M.D., Chair, presided. H. Christopher Alexander, III, M.D., William G. Crutchfield, Jr., William H. Goodwin, Jr., Ms. Elizabeth A. Twohy, Harry J.G. van Beek, and John P. Ackerly, III, Rector, were present. Champ Clark, Mrs. Elsie Goodwyn Holland, Timothy B. Robertson, Albert H. Small, Henry L. Valentine, II, and Robert G. Schoenvogel were present; as were John T. Casteen, III, Leonard W. Sandridge, Jr., Alexander G. Gilliam, Jr., Paul J. Forch, Robert W. Cantrell, M.D., Peter W. Low, William W. Harmon, Gene D. Block, Robert E. Reynolds, M.D., Ernest H. Ern, Terry Holland, Phillip Gibbs, M.D., Larry Fitzgerald, William Carter, and Ms. Jeanne Flippo Bailes.

The Chair introduced Dr. Alexander and Mr. van Beek, the new public Members of the Committee, as well as Dr. Phillip Gibbs, President of the Medical Alumni Association.

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

The first item, a Consent Agenda item, requested an exemption to the Virginia Conflict of Interests Act. The School of Medicine is negotiating two sponsored research contracts with Adenosine Therapeutics, LLC, a company in which several members of the faculty of the School of Medicine hold equity.

On motion, the Committee adopted a resolution approving the requested exemption, and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, October 16, 1999).

Dr. Cantrell introduced Mr. Larry Fitzgerald, the new Chief Financial Officer of the Health System, and asked him to give the fiscal year end financial report for the Medical Center.

Mr. Fitzgerald said he would give FY 1999 figures as well as budget projections for FY 2000.

Medical Center admissions in 1999 totaled 28,984, up from 27,923 in the previous fiscal year; the budgeted figure for fiscal year 2000 is 28,597. The Patient Days figure, Mr. Fitzgerald said, is a positive one, and shared by every department in the Medical Center: the number of patient days, which is to say the average number of days spent in hospital by patients, declined to 5.4 from 6 days last fiscal year; the budgeted figure for 2000 is also 5.4. Patient revenues have leveled out: the fiscal year 1997 figure was \$417.3m, \$450.8m in 1998 and \$458.9 in 1999; \$460.4m is budgeted for 2000. The Balanced Budget Act, Mr. Fitzgerald observed, is responsible for this change. Operating expenses have risen: \$401.7m in 1997, \$442.5m in 1998, \$460.4m in 1999 and \$451.1m projected for 2000. If the 1999 figure had been 2% or \$9m less, the Medical Center would have met the 4% operating margin desired by the Board. The steep rise is attributed to significant increases in the costs of pharmaceuticals and implants.

Finally, Mr. Fitzgerald cited figures for the Medical Center's operating margin: 6.2% in 1997, 5% in 1998, and 2.3% in 1999. The budgeted figure for 2000 is 4%. Mr. Fitzgerald observed that the national average operating margin for teaching hospitals is 1.5%.

Dr. Cantrell asked Mr. William Carter, Chief Operating Officer of the Health System, to report on cost reductions that are being implemented.

Mr. Carter cited five areas: Health Information Services, clinical labs, the Heart Center, the Children's Medical Center, and core clinical resources. He outlined some of the steps being taken in each area to contain expenses and listed figures: savings of \$222,828 in Health Information Services; a budgeted reduction of \$450,000 for FY 2000 in clinical labs; procurement savings of \$210,00 and process improvements savings of \$215,000 annually at the Heart Center; \$170,982 annually at the Children's Medical Center; \$452,500 eliminated for FY 2000 in core clinical services. Total cost reductions for the first quarter of FY 2000 in these areas are estimated at \$1,730,810.

The Rector recognized Ms. Karen Allen, Chair of the Provost's Employees Council, who attended the meeting by invitation.

The Committee recessed for lunch at 12:45 p.m., and resumed, in Open Session, at 1:40 p.m.

The Chair asked Dr. Cantrell to give his customary report.

Although the Health Affairs Committee, with its new public members, has met thrice since the May Board of Visitors meeting, the present meeting is the first with the full Board. Dr. Cantrell thus reviewed some highlights of the Health System that have occurred in the months since May: Ten specialties in the Health System were ranked among the top 50 in the country in *U.S. News and World Report's* annual compilation. In FY 1999, the School of Medicine received \$108m in sponsored research funds, an increase of 20% over FY 1998, and the School of Nursing \$2,403,563. By the end of September of this year, research grants were up 23% from the same month last year, with National Institutes of Health grants up almost 25%. Among the NIH research grants are \$4.2m to the Cancer Center to study how prostate cancer progresses from a localized slow growing tumor to one that develops rapidly; \$1.2m to study the genetic causes of hypertension and \$5.7m to study mutations of DNA as a cause for Parkinson's Disease.

In accord with the State's mandate for 50% of medical graduates to enter generalist medicine, Dr. Cantrell reported that 60% of the Class of 1999 have entered generalist residencies.

By the end of FY 1999, the Health Systems portion of the Capital Campaign had raised 101.6% of its \$160m goal with more than a year to go before the end of the Campaign.

Mr. Randolph Frank joined the Health System in June as the first Compliance Officer. He will interpret and keep track of the multiplicity of regulations governing health care.

Dr. Cantrell reported that in June he visited members of the Congressional Delegation to request support for the Harkins Bill which would fund research infrastructure with federal dollars, and to ask for help in obtaining relief from the unanticipated negative impact of the Balanced Budget Act of 1997.

The new parking garage opened on July 6th, and expansion and renovation of the Health Sciences Library continues.

Finally, Dr. Cantrell reported that the Health System will request \$7.7m in indigent care reimbursements from the General Assembly at the next Session; this money will be used for medical education. There will be a request for \$17.5m for cardiovascular and cancer research, telemedicine and public health outreach to counter the impact of tobacco on diseases. There will be, too, a \$1.75m proposal submitted for geriatric programs in response to legislation passed at the last Session of the General Assembly and requested by the Secretary of Health and Human Resources, Claude Allen, during his recent visit to the Medical Center.

The Chair announced that the next meeting of the Committee will be held in Charlottesville on November 17th.

On motion, the meeting was adjourned at 1:50 p.m.

AGG:jb

Copies to: Mr. John T. Casteen, III
Mr. Paul J. Forch
Mr. Gene D. Block
Dr. Robert W. Cantrell
Dr. Phillip Gibbs
Mr. Peter W. Low
Mr. Leonard W. Sandridge
Mr. Robert D. Sweeney
Mr. Ernest H. Ern
Mr. William W. Harmon
Ms. Colette Sheehy
Dr. Robert Reynolds
Mr. Terry Holland
Mr. L. Jay Lemons
Ms. Louise Dudley