

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS  
MEETING OF THE  
MEDICAL CENTER  
OPERATING BOARD  
September 1, 2005**

UNIVERSITY OF VIRGINIA  
MEDICAL CENTER OPERATING BOARD

Thursday, September 1, 2005

12:30 - 3:30 p.m.

Medical Center Board Room

Committee Members:

E. Darracott Vaughan, Jr. M.D., Chair	
Thomas F. Farrell, II	Randy J. Koporc
Eugene V. Fife	Vincent J. Mastracco, Jr.
W. Heywood Fralin	Lewis F. Payne
Sam D. Graham, Jr., M.D.	Randl L. Shure
	Edward J. Stemmler, M.D.

Ex Officio Members:

Arthur Garson, Jr., M.D.  
John B. Hanks, M.D.  
R. Edward Howell  
Leonard W. Sandridge

AGENDA

	<u>PAGE</u>
I. ACTION ITEMS	
A. Amended and Restated Bylaws of the Clinical Staff of the Medical Center	1
B. Medical Center Inpatient Bed Expansion	3
II. REPORTS BY THE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE MEDICAL CENTER (Mr. Howell)	
A. Vice President's Remarks	4
B. Finance, Write-offs and Operations (Mr. Howell to introduce Mr. Larry Fitzgerald and Ms. Margaret M. Van Bree; Mr. Fitzgerald to report on Finance and Write-offs; Ms. Van Bree to report on Operations)	5
C. Capital Projects	17
D. Graduate Medical Education (Mr. Howell to introduce Thomas A. Massaro, M.D.; Dr. Massaro to report)	20
III. REPORT BY THE PRESIDENT OF THE CLINICAL STAFF OF THE MEDICAL CENTER (Dr. Hanks)	26

#### IV. EXECUTIVE SESSION

- ACTION ITEMS - To consider proposed personnel actions regarding the appointment, reappointment, resignation, assignment, performance, and credentialing of specific medical staff and health care professionals, as provided for in Section 2.2-3711(A)(1) of the Code of Virginia.
- Discussion of proprietary, business-related information pertaining to the operations of the Medical Center, where disclosure at this time would adversely affect the competitive position of the Medical Center, specifically:
  - Strategic financial, resource, market and development considerations and efforts regarding the Medical Center, necessary to assess and discuss the comparative standing of the Medical Center in a competitive health care marketplace, and which impact the long-range strategic goals of the Medical Center.
  - Confidential information and data related to patient safety in clinical care, for the purpose of improving patient care at the Medical Center;
  - Consultation with legal counsel regarding the Medical Center's compliance with relevant federal reimbursement regulations, licensure and accreditation standards, which will also involve proprietary business information of the Medical Center and evaluation of the performance of specific Medical Center personnel.

The relevant exemptions to the Virginia Freedom of Information Act authorizing the discussion and consultation described above are provided for in Section 2.2-3711 (A) (1), (6), (7), (8), and (23) of the Code of Virginia. The meeting of the Medical Center Operating Board is further privileged under Section 8.01-581.17 of the Code of Virginia.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 1, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.A. Amended and Restated Bylaws of the  
Clinical Staff of the Medical Center

BACKGROUND: The Clinical Staff of the University of Virginia Medical Center is governed by Bylaws, last adopted September 19, 2002. The Bylaws have been reviewed and updated and the Medical Center seeks the approval of the Medical Center Operating Board.

DISCUSSION: In accordance with accreditation and other legal requirements, the Medical Center Operating Board has provided for an organized Clinical Staff for the Medical Center and has delegated to it the appropriate responsibility for the provision of quality care given by the Clinical Staff throughout the Medical Center. In addition, the Medical Center Operating Board has provided for a system of self-governance of the Clinical Staff, including the requirements for initial membership on the Clinical Staff, a mechanism for reviewing the qualifications of applicants for admission to the Clinical Staff, the procedures for the granting of clinical privileges to practice medicine within the Medical Center, and a process for continuing review and evaluation for membership and clinical privileges. The Amended and Restated Bylaws of the Clinical Staff of the Medical Center set forth these rights and responsibilities.

The Bylaws Committee of the Clinical Staff Executive Committee has proposed certain revisions and updates to the Amended and Restated Bylaws to comply with current accreditation standards, to reflect changes in practice or procedure, and to add two new categories of Clinical Staff members. The Clinical Staff Executive Committee has approved the revisions and submits them for final approval by the Medical Center Operating Board.

ACTION REQUIRED: Approval by the Medical Center Operating Board

APPROVAL OF AMENDED AND RESTATED BYLAWS OF THE CLINICAL STAFF  
OF THE MEDICAL CENTER

WHEREAS, the Medical Center Operating Board has reviewed the Amended and Restated Bylaws of the Clinical Staff of the Medical Center;

RESOLVED that the Medical Center Operating Board approves the Amended and Restated Bylaws of the Clinical Staff of the Medical Center. These amendments, which are appended to this Resolution as an Attachment, shall be effective September 1, 2005.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 1, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.B. Medical Center Inpatient Bed  
Expansion

BACKGROUND: The Medical Center seeks approval to add inpatient bed capacity.

DISCUSSION: The Medical Center has undertaken a bed need analysis which indicates a shortfall of approximately 110 beds by calendar year 2013. The Medical Center Clinical Staff has identified inpatient bed capacity as its highest priority. The Medical Center seeks approval to add beds to the existing hospital facility.

ACTION REQUIRED: Approval by the Medical Center Operating Board, to be forwarded to the Buildings and Grounds Committee for design approval and to the Finance Committee for approval of the financing plan and bond issuances, with final approval by the full Board.

RECOMMENDATION REGARDING MEDICAL CENTER INPATIENT BED EXPANSION

WHEREAS, the Medical Center Operating Board has reviewed the options regarding increasing inpatient capacity for the Medical Center;

RESOLVED, the Medical Center Operating Board approves, and recommends to the Buildings and Grounds Committee for design approvals and to the Finance Committee for financing approvals, the Medical Center Inpatient Bed Expansion project; this project is to add up to 130 inpatient beds to the existing hospital facility.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 1, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.A. Vice President's Remarks

ACTION REQUIRED: None

DISCUSSION: The Vice President and Chief Executive Officer of the Medical Center will inform the Medical Center Operating Board of recent events that do not require formal action, but of which it should be made aware.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 1, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.B. Finance, Write-offs and Operations

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a financial report, including write-offs of bad debt and indigent care, and reviews it with the Executive Vice President and Chief Operating Officer of the University before submitting the report to the Medical Center Operating Board. In addition, the Medical Center provides an update of significant operations of the Medical Center occurring since the last Medical Center Operating Board meeting.

DISCUSSION:

FINANCE

The first eleven months of Fiscal Year 2005 ended with an operating margin of 5.7 percent, which was above the goal of 4.9 percent. Total operating revenue and operating expenses were above budget and the prior year.

Through May of Fiscal Year 2005, admissions and short stay/post procedure patients were .5 percent below budget and 2.6 percent above the prior year. The sum of admissions and short stay/post procedure patients is one indication of change in market share, and this would indicate only limited change has occurred. However, admissions are below budget by 4.8 percent and short stay/post procedure patients are above budget by 19.4 percent. Patient days were 2.2 percent below budget and .2 percent above prior year. Length of stay was 5.78 days, which was above the 5.63 days budgeted length of stay. Case mix index of 1.92 is significantly above both budget and prior year and may be contributing to the increased length of stay. Admissions have decreased from prior year for several hospital services, including internal medicine (cardiology) and psychiatry. Overall acute admissions are down .8 percent from Fiscal Year 2004. The most significant increases in inpatient admissions over prior year were realized in neurosurgery and general surgery. Net patient service revenue for the first eleven months of Fiscal Year 2005 was 1.0 percent above budget and was 12.4 percent above prior year. An average rate increase of 9.5 percent was implemented on July 1, 2004. Other operating revenue was 17.2 percent above budget and 48.2 percent above prior year partly

due to money received for the cafeteria renovation, a legal settlement with a pharmaceutical company, and increased recoveries from the Health Services Foundation.

Total operating expenses through May of Fiscal Year 2005 were .4 percent above the \$678.9 million budget and 11.1 percent above prior year expenses. Salaries and wages were above budget and above prior year expenses, although fringe benefit expenses were below budget. Supplies and contracts were above both budget and prior year expenses. Purchased services were below budget but above prior year.

The number of full-time equivalent employees (FTEs) on payroll was 29 below budget and 340 above prior year. The Fiscal Year 2005 FTEs include 142 FTEs for Lynchburg Dialysis and the UVa Outpatient Surgery Center, which are not included in the prior year FTEs. FTEs and salary and wage cost per FTE were:

	<u>FY 2004</u>	<u>FY 2005</u>	<u>2005 Budget</u>
FTEs-Payroll	5,320	5,660	5,689
Annualized Salary and Wage Cost per FTE	\$46,147	\$47,340	\$46,304
Contract Labor FTEs	311	291	282
Total FTEs	5,632	5,951	5,971

OTHER FINANCIAL ISSUES

Organ transplant admissions, which are high revenue admissions, were higher in Fiscal Year 2005 than the prior year and the budget by 32 percent and 9 percent respectively. This is the result of an increased emphasis on transplant surgeries.

WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$93.3 million for the period July 1, 2004 through May 31, 2005 have been written off. Recoveries during this period totaled \$28.8 million.

Bad debt charges totaling \$34.8 million for the first eleven months of the fiscal year have been written off. During this same period, \$13.6 million was recovered through suits, collection agencies, and Virginia refund set-off.

## OPERATIONS REPORT

### U.S. News and World Report Rankings

Seven medical specialties at the University of Virginia Health System were ranked in the 16<sup>th</sup> annual U.S. News & World Report survey of "America's Best Hospitals" published in July. According to the magazine's editors, ranked hospitals tend to offer more advanced treatments, incorporate new research into patient care and conduct more research that gives critically ill patients better treatment options. The magazine also states that ranked hospitals are more experienced in performing complex and risky procedures, and study after study shows that when it comes to superior medical care, practice counts. University of Virginia departments and divisions listed in this year's guide and their rankings are: endocrinology (hormonal disorders) (6); ear, nose and throat (20); urology (22); cancer (32); gynecology (34); digestive disorders (37); and neurology and neurosurgery (48). This year just 176 hospitals, out of 6,007 U.S. medical centers, scored high enough to rank in even a single specialty. A Task Force has been formed to understand the medical specialty rankings at University of Virginia and determine how we can leverage our performance on this survey to be appropriately recognized.

### AMA Recognition

The University of Virginia Medical Center is one of eight hospitals in the United States, and the only hospital in Virginia and Washington, D.C area, to win recognition from the American Medical Association (AMA) for developing exemplary programs to improve communication between health care professionals and patients. Nearly 80 hospitals from across the country were nominated for this honor.

### Crothall Contract

On June 27, the University of Virginia Medical Center replaced its Environmental Services provider, Sodexo, with a new firm, Crothall Services Group. Crothall Services Group lists among its clients Cleveland Clinic, Northwestern, Duke, and Baylor and has a client retention rate of 99.7%. The contract with Sodexo, awarded through a competitive request for proposal process, began October 1, 2003 for a term of five years. The Medical Center negotiated with Crothall to retain all non-management employees of the former provider at their current pay rates and to continue current healthcare coverage

until conversion to Crothall's plan can be implemented. The financial terms and conditions of the new contract are comparable to the previous contract. The contract with Crothall is for a term of five years at a cost of \$7.8 million per year.

#### VASI

On July 1, Virginia Ambulatory Surgery, Inc. (VASI) was merged into the University of Virginia and transitioned to Medicare provider-based facility status. A requirement of Medicare's provider-based status is that the outpatient surgery center must be integrated with the services and operations of the Medical Center, as opposed to operating as a free standing entity. Under this new designation, the Medical Center is expected to see increased payment for services provided at the UVa Outpatient Surgery Center (formerly VASI).

#### Laboratory and Other Relocations

Ancillary support services to patient care were improved with the relocation of the Medical Laboratories during May and June. In May, the Anatomical Pathology Division moved into new space in the hospital expansion project. Previously, anatomical pathology functions occupied a small space contiguous to the operating rooms, while a majority of the division's functions, including the morgue, were housed in the West Complex. This move consolidates all anatomical pathology functions in space readily accessible to the operating rooms and related clinics. The Clinical Laboratories relocated from the second floor of University Hospital and from the West Complex to the newly constructed Clinical Laboratories building located at 11<sup>th</sup> and Main Streets. Laboratory specimens will be transported between University Hospital and the new laboratory building via pneumatic tube and courier.

#### Customer Service Plan

The Medical Center has developed a Customer Service Plan as part of its efforts to provide service excellence. Over thirty employees have participated in work groups to establish standards for improving patient satisfaction, enhancing employee interaction with patients and each other, engaging leadership in service excellence, and creating positive first impressions in our environment. Each month over the next year, one of the plan's numerous tactics will be rolled out across the organization. The first tactic, with the theme "I make the difference", was implemented this summer. It gives managers a tool to encourage their employees to make eye

contact with customers, stop and help someone who is lost, and always ask, "Is there anything else I can do for you?"

### JCAHO Visit

The Medical Center continues to prepare for the Joint Commission on Accreditation of Health Care Organizations (JCAHO) visit targeted for December 2005. JCAHO is a voluntary, not-for-profit organization that evaluates the quality and safety of care delivered in over 17,000 health care organizations across the country. The Medical Center will participate in a five-day on-site review conducted by a team of surveyors, including a physician, a nurse, an administrator, and a building life-safety expert. This visit will focus on a methodology that traces a patient through the entire medical encounter and will assess the hospital's performance in areas that affect patient care. This will be the Medical Center's last survey with a scheduled review date. Beginning in 2006, all JCAHO surveys will be unannounced.

### Trauma Center Site Visit

The Commonwealth of Virginia Office of Emergency Services' tri-annual trauma center site visit to the Medical Center will occur on September 29, 2005. This is a one-day survey conducted by a team of surveyors from other trauma centers in the Commonwealth. The team is multidisciplinary and composed health care professionals with expertise and experience in trauma and organizational support. The anticipated result of the survey is continued certification as a Level 1 trauma center.

### Remote Area Medical Clinic in Wise

In late July, the Health System participated in the 6<sup>th</sup> annual Remote Area Medical (RAM) Clinic in Wise, Virginia. This is the largest public health outreach effort in the country that includes dental, eye, ear and general medicine services. It is estimated that 6,400 people took advantage of this opportunity to receive free medical services. Health System volunteers provided 2,760 services to patients, which included 1,275 direct patient encounters (a 25% increase from 2004) and 1,485 indirect patient support services (a 33% increase from 2004). One hundred thirty five University of Virginia staff and faculty members participated in the three day clinic.

University of Virginia Medical Center  
Income Statement  
(Dollars in Millions)

Description	Most Recent Three Fiscal Years			Budget/Target
	May 2003	May 2004	May 2005	May 2005
Net patient revenue	\$571.1	\$627.7	\$705.5	\$698.7
Other revenue	<u>10.8</u>	<u>11.8</u>	<u>17.5</u>	<u>14.9</u>
Total operating revenue	<u>\$581.9</u>	<u>\$639.5</u>	<u>\$723.0</u>	<u>\$713.6</u>
Operating expenses	514.7	575.5	639.7	638.7
Depreciation	32.0	34.2	37.6	35.9
Interest expense	<u>4.1</u>	<u>3.9</u>	<u>4.4</u>	<u>4.3</u>
Total operating expenses	<u>\$550.8</u>	<u>\$613.6</u>	<u>\$681.7</u>	<u>\$678.9</u>
Operating income (loss)	<u>\$31.1</u>	<u>\$25.9</u>	<u>\$41.3</u>	<u>\$34.7</u>
Non-operating income (loss)	<u>\$11.3</u>	<u>\$17.9</u>	<u>\$23.0</u>	<u>\$12.6</u>
Net income (loss)	<u>\$42.4</u>	<u>\$43.8</u>	<u>\$64.3</u>	<u>\$47.3</u>
Principal payment	\$4.2	\$5.5	\$6.3	\$5.5

**University of Virginia Medical Center**  
**Balance Sheet**  
(Dollars in Millions)

Description	Most Recent Three Fiscal Years		
	May-03	May-04	May-05
<b>Assets</b>			
Operating cash and investments	\$64.1	\$76.1	\$110.4
Patient accounts receivables	77.6	94.9	97.3
Property, plant and equipment	244.7	290.2	322.4
Depreciation reserve and other investments	242.8	239.7	223.6
Endowment Funds	90.7	101.9	111.3
Other assets	<u>46.3</u>	<u>48.8</u>	<u>68.1</u>
<b>Total Assets</b>	<u>\$766.2</u>	<u>\$851.6</u>	<u>\$933.1</u>
<b>Liabilities</b>			
Current portion long-term debt	\$6.0	\$8.0	\$10.2
Accounts payable & other liab	60.1	81.1	100.9
Long-term debt	119.3	129.5	123.7
Accrued leave and other LT liab	<u>19.3</u>	<u>29.9</u>	<u>28.9</u>
<b>Total Liabilities</b>	<u>\$204.7</u>	<u>\$248.5</u>	<u>\$263.7</u>
<b>Fund Balance</b>	<u>\$561.5</u>	<u>\$603.1</u>	<u>\$669.4</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u>\$766.2</u>	<u>\$851.6</u>	<u>\$933.1</u>

University of Virginia Medical Center  
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	May 2003	May 2004	May 2005	May 2005
Operating margin (%)	5.3%	4.1%	5.7%	4.9%
Total margin (%)	7.1%	6.7%	8.6%	6.5%
Current ratio (x)	2.1	1.9	1.9	2.0
Days cash on hand (days)	178.2	172.9	171.2	190.0
Gross accounts receivable (days)	61.3	59.0	52.0	60.0
Average payment period (days)	42.7	51.5	57.8	60.4
Annual debt service coverage (x)	9.4	8.7	9.9	8.9
Debt-to-capitalization (%)	20.2%	20.5%	18.1%	20.0%
Capital expense (%)	6.6%	6.2%	6.2%	5.9%

University of Virginia Medical Center  
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	May 2003	May 2004	May 2005	May 2005
Admissions	25,052	26,786	26,560	27,900
Patient days	141,596	153,228	153,527	157,048
SS/PP Patients	6,956	6,184	7,261	6,081
Average length of stay	5.61	5.75	5.78	5.63
Clinic visits	495,362	517,588	546,131	521,762
ER visits	52,670	53,752	52,637	54,803
Medicare case mix index	1.8912	1.8314	1.9224	1.8333
Net Revenue by Payor				
Medicare %	36.3%	34.2%	36.0%	34.2%
Medicaid %	12.8%	14.1%	12.5%	14.1%
Managed care %	6.6%	8.7%	10.1%	8.7%
Commercial %	11.0%	9.3%	8.2%	9.3%
Other	<u>33.3%</u>	<u>33.7%</u>	<u>33.2%</u>	<u>33.7%</u>
Total	100.0%	100.0%	100.0%	100%
FTE's (including contract labor)	5,315	5,632	5,951	5,971

University of Virginia Medical Center  
**SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES**  
 Fiscal Year to Date with Comparative Figures for Prior Year to Date - May 31, 2005

**OPERATING STATISTICAL MEASURES - May 2005**

**ADMISSIONS and CASE MIX - Year to Date**

	<u>FY 04</u>	<u>FY 05</u>	<u>% Change</u>
<b>ADMISSIONS:</b>			
Surgical	11,492	11,555	0.5%
Medical	9,725	9,467	(2.7%)
Transplant	149	196	31.5%
Obstetrics	1,392	1,556	11.8%
Pediatrics	2,405	2,321	(3.5%)
Psychiatric	1,623	1,465	(9.7%)
Subtotal Acute	26,786	26,560	(0.8%)
Short Stay	6,184	7,261	17.4%
Total Admissions	32,970	33,821	2.6%
<b>CASE MIX INDEX:</b>			
All Acute Inpatients	1.7024	1.7487	2.7%
Medicare Inpatients	1.8314	1.9224	5.0%

**OTHER INSTITUTIONAL MEASURES - Year to Date**

	<u>FY 04</u>	<u>FY 05</u>	<u>% Change</u>
<b>ACUTE INPATIENTS:</b>			
Inpatient Days	153,228	153,527	0.2%
Average Length of Stay	5.75	5.78	0.5%
Average Daily Census	456	458	0.4%
Births	1,369	1,435	4.8%
<b>OUTPATIENTS:</b>			
Clinic Visits	517,588	546,131	5.5%
Average Daily Visits	2,487	2,592	4.2%
Emergency Room Visits	53,752	52,637	(2.1%)
<b>SURGICAL CASES - MAIN OR</b>			
Inpatient	12,576	12,757	1.4%
Outpatient	2,640	3,250	23.1%
Total	15,216	16,007	5.2%

**OPERATING FINANCIAL MEASURES - May 2005**

**REVENUES and EXPENSES - Year to Date**

	<u>FY 04</u>	<u>FY 05</u>	<u>% Change</u>
<b>NET REVENUES:</b>			
Paying Patient Revenue	597,376,591	660,917,416	10.6%
Appropriations	30,314,203	44,535,246	46.9%
Net Patient Service Revenue	627,690,794	705,452,662	12.4%
Other Operating Revenue	11,819,846	17,517,837	48.2%
Total	639,510,640	722,970,499	13.1%
<b>EXPENSES:</b>			
Salaries and Wages	279,958,840	306,648,930	9.5%
Supplies and Contracts	178,971,108	202,728,806	13.3%
Purchased Services	97,196,731	106,059,582	9.1%
Bad Debts	19,341,429	24,211,304	25.2%
Depreciation	34,231,303	37,578,203	9.8%
Interest Expense	3,929,223	4,432,263	12.8%
Total	613,628,634	681,659,088	11.1%
Operating Margin	25,882,006	41,311,411	59.6%
Operating Margin %	4.0%	5.7%	41.2%
Non-Operating Revenue	17,961,661	23,021,218	28.2%
Net Income	43,843,667	64,332,629	46.7%

**OTHER INSTITUTIONAL MEASURES - Year to Date**

	<u>FY 04</u>	<u>FY 05</u>	<u>% Change</u>
<b>NET REVENUE BY PAYOR:</b>			
Medicare	204,050,382	237,850,850	16.6%
Medicaid	84,215,949	82,701,444	(1.8%)
Managed Care	52,171,590	66,930,205	28.3%
Commercial Insurance	55,787,332	54,387,702	(2.5%)
Anthem	107,761,320	121,301,635	12.6%
Southern Health	34,260,546	36,924,433	7.8%
Tricare CHAMPUS	5,027,121	5,208,783	3.6%
Other	54,102,351	55,612,364	2.8%
Total Paying Patient Revenue	597,376,591	660,917,416	10.6%
Managed Care	52,171,590	66,930,205	28.3%
Non-Managed Care	545,205,001	593,987,211	8.9%
Total Paying Patient Revenue	597,376,591	660,917,416	10.6%
<b>OTHER:</b>			
Collection % of Gross Billings	60.57%	54.23%	(10.5%)
Days of Revenue in Receivables (Gross)	59.0	52.0	(11.9%)
Cost per CMI & OP-Adj Discharge	7,335	7,558	3.1%
Cost per CMI & OP-Adj Day	1,282	1,308	2.0%
Cost per Outpatient Visit	77.11	72.99	(5.3%)
Total F.T.E.'s (including Contract Labor)	5,632	5,951	5.7%
F.T.E.'s Per Adjusted Occupied Bed	7.36	7.62	3.5%

### **Assumptions - Operating Statistical Measures**

#### **Admissions and Case Mix Assumptions**

Admissions include all admissions except normal newborns  
Pediatric surgery cases are included in Pediatrics admissions  
Obstetrics surgery cases are included in Obstetrics admissions  
Transplant surgery cases are included in Transplant admissions  
Transplants include all solid organ transplants, bone marrow transplants and islet transplants  
All other surgery cases are counted as Surgical admissions  
Surgical cases are defined by DRG  
Short Stay Admissions include both short stay and post procedure patients  
Case Mix Index for All Acute Inpatients is All Payor Case Mix Index from Stat Report

#### **Other Institutional Measures Assumptions**

Patient Days, ALOS and ADC figures include all patients except normal newborns  
Surgical Cases are the number of patients/cases, regardless of the number of procedures performed on that patient  
Split of surgical cases into inpatient and outpatient based on discharges from the Surgical Admission Suite  
Inpatient surgical cases include both inpatients and short stay/post procedure patients  
Outpatient surgical cases do not include those performed at UVa Outpatient Surgical Center

15

### **Assumptions - Operating Financial Measures**

#### **Revenues and Expenses Assumptions:**

Medicaid out of state is included in Medicaid  
Medicaid HMOs are included in Medicaid  
Physician portion of DSH is included in Other  
Non-recurring revenue is included

#### **Other Institutional Measures Assumptions**

Collection % of Gross Billings includes appropriations  
Days of Revenue in Receivables (Gross) is the BOV definition  
Cost per CMI & OP-Adj Discharge and Day uses Medicare CMI to adjust, and excludes bad debt  
Costs for Cost per Outpatient Visit come from clinic income statement, and exclude bad debt  
OP visits used in calculation of Cost per Outpatient Visit are provider based clinic visits only

**MEDICAL CENTER**  
**ACCOUNTS COMMITTEE REPORT**  
(Includes All Business Units)  
(Dollars in Thousands)

<u>INDIGENT CARE (IC)</u>	Year to Date May <u>2004-05</u>	<u>Annual Activity</u>	
		<u>Estimated 2004-05</u>	<u>2003-04</u>
Net Charge Write-Off	<u>71,889</u>	<u>85,627</u>	<u>79,386</u>
Percentage of Net Write-Offs to Revenue	5.53%	6.65%	6.96%
Total Indigent Care Cost	<u>33,211</u>	<u>44,239</u>	<u>44,461</u>
State and Federal Funding	<u>33,211</u>	<u>42,398</u>	<u>44,461</u>
Total Indigent Care Cost Funding as % of Total Indigent Care Cost	100%	96%	100%
Unfunded Indigent Cost	<u>0</u>	<u>1,841</u>	<u>0</u>

<u>BAD DEBT</u>		<u>Annual Activity</u>	
		<u>Estimated 2004-05</u>	<u>2003-04</u>
Net Charge Write-Offs	<u>24,211</u>	<u>26,599</u>	<u>21,376</u>
Percentage of Net Write-Offs to Revenue	1.86%	2.07%	1.87%

Note:

Provisions for bad debt write-offs and indigent care write-offs are recorded for financial statement purposes based on the overall collectibility of the patient accounts receivable. These provisions differ from the actual write-offs of bad debts and indigent care which occur at the time an individual account is written off.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 1, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.C. Capital Projects

ACTION REQUIRED: None

BACKGROUND: The Medical Center is constantly improving and renovating its facilities. We will provide a status report of these capital projects at each Medical Center Operating Board meeting.

DISCUSSION: The current Medical Center capital projects report is set forth in the following table.

The University of Virginia Medical Center  
Capital Projects Report

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
<b>PRE-CONSTRUCTION</b>				
<u>Clinical Office Building</u> -- Fontaine Ave. Planning and Design for 3rd floor fitout awaiting final decision on specific tenant	\$16.75M	Bonds	Jan '03	Floors 1 & 2 Occupied; Floor 3 TBD (occupants not determined)
<u>New Cancer Center</u> -- Facility space programming underway for consolidated and comprehensive Cancer Center on site of present West Parking Deck; Architect/Engineer selection completed.	\$55 M	Bonds and Outside Fundraising	Apr '04	2009
<u>New Children's Hospital</u> - Facility space programming complete; Currently awaiting completion of fundraising efforts before proceeding with detailed design work	\$48 M	Bonds and Outside Fundraising	Apr '04	TBD
<u>University Hospital Additional Beds</u> - planning underway to increase inpatient bed capacity in University Hospital	\$25 M	TBD	TBD	TBD
<u>Primary Care Center 1st Floor</u> -- renovations to create new central registration hub, improve phlebotomy, improve patient care services at main entrance, and relocate Medical Center Executive Offices	\$3.0 M	Medical Center Annual Capital Budget	TBD	Spring '06

UNDER CONSTRUCTION				
<p><u>Hospital Expansion Project</u> -- horizontal expansion of University Hospital and renovation of entire second floor to accommodate complete rebuilding and expansion of Perioperative Services and Heart Center. Additional renovations and expansion for Interventional Radiology and Clinical Laboratory. Scope change (3/03) to include additional floor for Heart Center faculty offices. 14 new ORs completed; Central Sterile Supply (CSS) relocated.</p>	<p>\$58.0 M (\$62.7 M - revised)</p>	<p>Bonds @ \$54 M (\$58.7 M - revised) Hospital Operating Revenues @ \$4 M</p>	<p>Mar '99</p>	<p>Sept '05 (Summer '06 revised)</p>
<p><u>NICU Expansion</u> -- Construction underway for major renovation of University Hospital 7th floor to accommodate an expanded Newborn Intensive Care Unit.</p>	<p>\$3.8 M (\$5.05 M revised, incl. equipment &amp; furniture)</p>	<p>Medical Center Annual Capital Budget and Outside Fundraising</p>	<p>Jan '03</p>	<p>Jan '06 (all phases)</p>
CONSTRUCTION COMPLETE				
<p><u>Relocate Core Lab</u> - Construction underway for facility to house core lab activities from University Hospital 2nd floor.</p>	<p>\$3.9 M</p>	<p>Bonds</p>	<p>Apr '04</p>	<p>Building occupied</p>

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 1, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II.D. Graduate Medical Education

ACTION REQUIRED: None

BACKGROUND: One of the unique responsibilities of an academic medical center is graduate medical education (GME). The Medical Center has more than 700 individuals participating in 97 training programs - 67 programs accredited by the Accreditation Council for Graduate Medical Education (ACGME), 26 smaller medical subspecialty programs for which accreditation is not available, 1 program accredited by the American Dental Association, and 3 paramedical programs in Clinical Psychology, Pharmacy, and Chaplaincy.

Graduate medical education continues to undergo major changes following the ACGME implementation of duty hour limitations and introduction of competency-based education. The institution must lead programs in restructuring program goals and objectives, developing tools and systems for measuring outcomes and resident competency, and redefining the organizational culture to support these initiatives.

DISCUSSION:

Housestaff Statistics

The training year for housestaff generally is July to June, although several programs are slightly off-cycle. Medical, dental, and clinical psychology residents are appointed annually and reappointed through the Credentials Committee. Statistics for the Fiscal Year 2005 are as follows:

Departing Housestaff:

	<u>223</u>
Completed training program*	197
Completed preliminary year - transfer	7
Transferred to another program	6
Not reappointed for academic reasons	6
Resigned for personal or academic reasons	7
Terminated from program	1

\* Of the 197 residents completing training, 18 were appointed to faculty positions.

New Appointments 248

Reappointments 486

Accreditation Status

Accreditation of graduate medical education programs is provided by the ACGME. Accreditation is accomplished through a peer review process and is based upon established standards and guidelines by twenty-six specialty-specific committees, known as Residency Review Committees. The accreditation/reaccreditation process occurs periodically on a schedule set by the RRC and is based upon documentation provided by the program director and by a reviewer following an on-site visit of the program. The current accreditation status of our programs is as follows:

- 60 UVA programs have Full Accreditation
  - 22 primary residency programs
  - 37 subspecialty/fellowship programs
  - 1 combined program
- 3 subspecialty programs have Provisional Accreditation
- 4 subspecialty programs have Accreditation with Warning

Program success also is measured by the length of the accreditation provided by the Accreditation of Graduate Medical Education and the Residency Review Committees.

- 5 year accreditation -- 25 programs
- 4 - 4.9 year accreditation -- 9 programs
- 3 - 3.9 year accreditation -- 7 programs
- 2 - 2.9 year accreditation -- 22 programs
- 1 - 1.9 year accreditation -- 2 program

- Medicine/Psychiatry accreditation based upon the individual accreditation of Internal Medicine and Psychiatry programs.

The Medical Center, as the sponsoring institution for our 67 accredited programs, undergoes periodic reviews and site visits, as well. In 2002, the institution received a three-year Favorable Decision. On July 20, 2005, the ACGME conducted an institutional site visit. The site visitor reviewed documents and met with institutional administrators, the Graduate Medical Education Committee, and residents. The ACGME Institutional Review Committee will meet in October 2005 to review this information and provide the institution with reaccreditation.

#### National Match

The Medical Center participates in the National Residency Matching Program. This is required for programs offering Post Graduate Year 1 positions and available to programs offering Post Graduation Year 2 positions. 26 programs, offering 143 positions, participated in the 2005 Match - 17 Categorical programs (Post Graduate Year 1 for July 2005), 3 Preliminary programs (Post Graduate Year 1 for July 2005), and 7 Advanced programs (Post Graduate Year 2 for July 2006). 22 programs filled 100% of their positions. 3 Categorical programs - Internal Medicine, Obstetrics/Gynecology, and Medicine/Psychiatry - and the Preliminary Surgery program did not fill all positions offered.

#### Finance

The total direct budget for graduate medical education programs for Fiscal Year 2005 was \$43,761,000. Funds to support this program came from Medicare, Medicaid, and other government sources.

In June 2005, the institution was notified that the Centers for Medicare and Medicaid Services approved the Medical Center's application for an additional 25 resident and fellow positions for which Medicare will provide direct medical education funds and indirect medical education adjustments. These positions were redistributed by the Centers for Medicare and Medicaid Services from institutions operating below established direct and indirect medical education caps. The primary priorities for receipt of positions were for (1) rural hospital and only program in the state, (2) rural hospital, (3) other than large urban hospital and only program in the state, (4) other than large urban

hospital, (5) large urban hospital and only program in the state, and (6) large urban hospital. The Medical Center has 10 programs (13 positions) that are the only programs in Virginia. The Medical Center also was able to meet many of the other criteria for each program submitted and, thus, receive the 25 positions, the maximum number awarded to an institution.

### Update on Graduate Medical Education Initiatives

1. Duty Hours Compliance:
  - a. Programs continue to adjust rotation and call schedules to better manage busy services under new guidelines without compromising patient care.
  - b. The three programs that were granted institutional and ACGME approvals for 10% increase in duty hour limitations continue to monitor how these additional hours are being utilized.
  - c. The Resident and Fellow internet-based tracking system is being used by all programs to monitor compliance at both sponsoring and participating institutions.
2. Competency-Based Education:
  - a. Programs are in compliance with the implementation of competency based goals and objectives for training.
  - b. The Resident and Fellow internet-based evaluation system will be utilized by all training programs by December 2005. The institution has provided training, support, and guidance in developing evaluation tools that meet ACGME requirements and emphasize competency assessment.
3. Resident Supervision, Responsibilities, and Scope of Practice:
  - a. The Designated Institutional Official is directly involved in monitoring resident performance issues
  - b. Each program is reviewing and revising program policies which define the scopes of practice and supervision requirements for residents at each level of training.
  - c. Competency check lists are being developed which will provide information on each resident's competence to perform specific activities and procedures and the levels of supervision required. This information will be available to staff as a reference, distributed initially on paper. A web-based system will be developed to facilitate updates by the program directors and access to the information.

4. Innovations in Graduate Medical Education:
  - a. The Graduate Medical Education Innovation Grant Program, created in July 2003, encourages creative projects in restructuring resident education. Funds are available for pilot programs, demonstration projects, and proof-of-concept efforts relating to improvements in resident and fellow training. Grant proposals may be submitted for consideration by faculty, housestaff, and/or other staff involved in graduate medical education. To date, fourteen grant proposals have been awarded and/or are being considered. The principle focus is on the development or evaluation of new initiatives related to competency-based education. However, projects on duty hours or other topics related to quality of resident work life are also considered.
  - b. Support continues to be provided for presenting these and other innovative practices at graduate medical education conferences.
  - c. For the first time, this year Master Educator Awards were presented to two teaching faculty members who have been leaders in competency-based education, Bruce Schirmer, M.D. in the Department of Surgery and Keith Littlewood, M.D. in the Department of Anesthesiology.

Review of Graduate Medical Education Committee  
Activities During the Past Year

1. Improvements in working conditions and professional environment:
  - a. The Designated Institutional Official will meet in the Fall with individual program directors and coordinators to review duty hours, supervision, moonlighting, competencies, and funding.
  - b. The use of standardized rotation schedules across primary residency programs was re-reviewed and found to be successful. This practice will be continued.
  - c. In collaboration with the Patient Care Committee, a consistent approach was developed for signing out pagers when housestaff are off duty. This had been identified as a barrier to the timely reporting of critical lab results.
  - d. We implemented an exit interview process to obtain a final program evaluation from graduating residents to further assess program quality, compliance with duty hour requirements, and competency education. These evaluations will be utilized in conjunction with ACGME

resident surveys to monitor program quality and compliance.

2. Improvements in resident support and benefits:
  - a. The parking reimbursement was increased to reflect an increase in parking fees effective July 1, 2005.
  - b. The housestaff are satisfied with the new Mid-Atlantic Medical Services health insurance plans. 583 housestaff are enrolled in Mid-Atlantic Medical Services plans, while 146 remained with Southern Health.
  - c. Stipend levels were again increased by 3.5% across the board, with an additional \$500,000 provided for market adjustments.
3. Other activities:
  - a. A subcommittee of the Graduate Medical Education Committee developed guidelines and will review animal usage by programs for training residents.
  - b. In light of schedule changes brought about by duty hour requirements, on-call room assignments will be reviewed and modified as necessary. Funds have been budgeted to make significant cosmetic improvements and upgrades to the call rooms.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: September 1, 2005

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III. Report by the President of the  
Clinical Staff

ACTION REQUIRED: None

DISCUSSION: The President of the Clinical Staff of the Medical Center will inform the Medical Center Operating Board of recent events regarding the Clinical Staff, of which the Medical Center Operating Board should be made aware, but which do not require formal action.