

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
MEDICAL CENTER
OPERATING BOARD
February 23, 2006**

UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD

Thursday, February 23, 2006

12:15 - 3:15 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

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I. REPORTS BY THE VICE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE MEDICAL CENTER (Mr. Howell)	
A. Vice President's Remarks	1
B. Finance, Write-offs and Operations (Mr. Howell to introduce Mr. Larry L. Fitzgerald and Ms. Margaret M. Van Bree; Mr. Fitzgerald to report on Finance and Write-offs; Ms. Van Bree to report on Operations)	2
C. Capital Projects	13
D. Health System Development (Mr. Howell to introduce Mr. Michael J. Morsberger, Mr. Morsberger to report)	16
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II. REPORT BY THE PRESIDENT OF THE CLINICAL STAFF OF THE MEDICAL CENTER (Dr. Hanks)	21

III. 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, market and personnel and non-personnel resource 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 and its mission of patient care, education, and research;
 - Confidential information and data related to the adequacy and quality of professional services, patient safety in clinical care, and patient grievances for the purpose of improving patient care at the Medical Center; and
 - 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), 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: February 23, 2006

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.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: February 23, 2006

COMMITTEE: Medical Center Operating Board

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

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a periodic 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 REPORT

The first half of Fiscal Year 2006 ended with an operating margin of 4.8 percent, which was slightly below the goal of 4.9 percent. Total operating revenue and operating expenses were both below budget.

For the period July 1 through December 31, 2005, inpatient admissions were 4.0 percent below budget, but 2.3 percent above prior year. For the same time period, observation patients were 2.6 percent below budget and 7.0 percent below prior year. Taken together, combined admissions and observation patients were 3.7 percent below budget and .3 percent above Fiscal Year 2005.

Patient days were 2.1 percent below budget, and the average length of stay was 5.82 days, compared to the 5.63 day budgeted length of stay. Medicare case mix index of 1.97 was above both budget and prior year, and is contributing to the higher than expected length of stay. The case mix index, which is a measure of acuity of illness, was above the 75th percentile in the most recent Council of Teaching Hospitals and Health Systems Survey of Hospital Operations and Financial Performance.

Increases in surgical cases were also contributing to an overall increased length of stay. Thoracic cardiovascular surgery and general surgery admissions were above the first half of last year by 13.0 percent and 9.4 percent, respectively. Transplant cases were also above budget and prior year, with kidney and lung transplants having the highest volume.

At the same time, medical admissions were 2.5 percent above the first half of Fiscal Year 2005. In addition, obstetrics volumes continued to increase, with total obstetrics cases 17.0 percent above prior year and births 17.2 percent above prior year. Inpatient volumes for psychiatry and pediatrics were below prior year by 10.3 percent and 7.7 percent, respectively.

Net patient service revenue for the first six months of Fiscal Year 2006 was 2.2 percent below budget and 8.1 percent above prior year.

Total operating expenses through December, 2005 were 1.7 percent below the \$408.9 million budget and 9.0 percent above prior year expenses. Salaries and wages were below budget but above prior year expenses. Supplies, contracts, and purchased services were also below budget and above prior year expenses.

The number of full-time equivalent employees (FTEs) on payroll was 111 below budget and 105 above prior year. The Fiscal Year 2006 FTEs include 103 FTEs for Lynchburg and Amherst Dialysis. These Dialysis employees comprised only 36 FTEs in Fiscal Year 2005 because the practices were not acquired until November 1, 2004. FTEs and salary and wage cost per FTE were:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>2006 Budget</u>
FTEs-Payroll	5,576	5,681	5,792
Annualized Salary and Wage Cost per FTE	\$46,778	\$48,243	\$48,393
Contract Labor FTEs	293	275	261
Total FTEs	5,869	5,955	6,053

OTHER FINANCIAL ISSUES

The Medical Center completed the second year under the Quality-In-Sights: Hospital Incentive Program with a composite score of 82.5, which was above the median in the third quartile. As a result of this score, the Medical Center will enjoy an increase to its Anthem inpatient rate of 1.28 percent effective January 1, 2006. This is over and above the Anthem negotiated rates.

Medical Center and Health Services Foundation senior leaders will be meeting with a group of Anthem executives, including Tom Byrd, President of Anthem Virginia, in Charlottesville. It is our plan to use this meeting to reinforce the strong desire of all the entities to serve the patient, who is the customer to both Anthem and the University of Virginia Health System. This will be an important meeting as we approach difficult contract negotiations between the Medical Center and Health Services Foundation with Anthem.

WRITE-OFF OF BAD DEBTS AND INDIGENT CARE

Indigent care charges totaling \$53.6 million for the period July 1, 2005, through December 31, 2005, have been written off. Recoveries during this period totaled \$16.8 million.

Bad debt charges totaling \$23.6 million for the first six months of the fiscal year have been written off. During this same period, \$7.4 million was recovered through suits, collection agencies, and Virginia refund set-off.

OPERATIONS REPORT

The Medical Center management team completed performance appraisals for 4,942 employees for the evaluation period from December 2004, through November 2005. The rating distribution and percentage increases are as follows:

Pay for Performance Rating	Below Expectations	Meets Expectations	Exceeds Expectations	Outstanding
Pay for Performance Increase	0.0%	3.0%	4.0%	6.0%
Rating Distribution	0.6%	45.5%	46.4%	7.5%
Number of Employees	29	2,248	2,294	371

The rating distribution is similar to last year, when the distribution was 1.0% "Needs Improvement" (Below Expectations), 45.0% "Meets Expectations", 45.5% "Exceeds Expectations", and 8.5% "Outstanding".

In December the Medical Center received notice of the verification of the University of Virginia Medical Center as a Level I Trauma Center. Level I Trauma Center designation is given to institutions that provide the highest level of specialty expertise and meet strict national standards for trauma care. Specialized surgeons, anesthesiologists, physician specialists, nurses, operating rooms, and resuscitation equipment are available around the clock, 365 days a year, to treat life-threatening injuries ranging from severe head trauma to gunshot wounds. The designation is for a three year period.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec 2003	Dec 2004	Dec 2005	Dec 2005
Net patient revenue	\$341.8	\$380.9	\$411.6	\$420.7
Other revenue	<u>5.7</u>	<u>9.9</u>	<u>10.6</u>	<u>9.3</u>
Total operating revenue	<u>\$347.5</u>	<u>\$390.8</u>	<u>\$422.2</u>	<u>\$430.0</u>
Operating expenses	307.9	345.6	376.3	380.1
Depreciation	18.3	20.5	23.1	25.5
Interest expense	<u>2.1</u>	<u>2.5</u>	<u>2.4</u>	<u>3.3</u>
Total operating expenses	<u>\$328.3</u>	<u>\$368.6</u>	<u>\$401.8</u>	<u>\$408.9</u>
Operating income (loss)	<u>\$19.2</u>	<u>\$22.2</u>	<u>\$20.4</u>	<u>\$21.1</u>
Non-operating income (loss)	<u>\$14.2</u>	<u>\$14.8</u>	<u>\$12.8</u>	<u>\$9.0</u>
Net income (loss)	<u>\$33.4</u>	<u>\$37.0</u>	<u>\$33.2</u>	<u>\$30.1</u>
Principal payment	\$3.2	\$4.4	\$4.1	\$4.0

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

Description	Most Recent Three Fiscal Years		
	Dec-03	Dec-04	Dec-05
Assets			
Operating cash and investments	\$90.6	\$105.4	\$87.9
Patient accounts receivables	98.8	129.4	114.2
Property, plant and equipment	263.9	310.6	341.9
Depreciation reserve and other investments	246.3	226.0	236.1
Endowment Funds	101.0	109.8	119.1
Other assets	<u>50.8</u>	<u>71.8</u>	<u>80.4</u>
Total Assets	<u>\$851.4</u>	<u>\$953.0</u>	<u>\$979.6</u>
Liabilities			
Current portion long-term debt	\$6.4	\$12.9	\$12.6
Accounts payable & other liab	109.1	145.8	114.2
Long-term debt	119.4	127.8	125.4
Accrued leave and other LT liab	<u>24.2</u>	<u>24.4</u>	<u>25.6</u>
Total Liabilities	<u>\$259.1</u>	<u>\$310.9</u>	<u>\$277.8</u>
Fund Balance	<u>\$592.3</u>	<u>\$642.1</u>	<u>\$701.8</u>
Total Liabilities & Fund Balance	<u>\$851.4</u>	<u>\$953.0</u>	<u>\$979.6</u>

University of Virginia Medical Center
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec 2003	Dec 2004	Dec 2005	Dec 2005
Operating margin (%)	5.5%	5.7%	4.8%	4.9%
Total margin (%)	9.2%	9.1%	7.6%	6.9%
Current ratio (x)	1.6	1.5	1.6	2.0
Days cash on hand (days)	186.3	170.5	154.0	190.0
Gross accounts receivable (days)	68.6	53.2	44.9	60.0
Average payment period (days)	68.6	83.9	61.6	60.4
Annual debt service coverage (x)	10.2	8.7	9.0	8.1
Debt-to-capitalization (%)	19.6%	19.4%	17.7%	20.0%
Capital expense (%)	6.2%	6.2%	6.3%	7.0%

University of Virginia Medical Center
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec 2003	Dec 2004	Dec 2005	Dec 2005
Admissions	14,659	14,353	14,689	15,303
Patient days	82,566	83,181	84,288	86,139
SS/PP Patients	3,197	4,010	3,731	3,831
Average length of stay	5.65	5.88	5.82	5.63
Clinic visits	281,455	293,181	292,637	296,819
ER visits	30,368	28,171	29,141	28,659
Medicare case mix index	1.8024	1.9272	1.9656	1.9300
Net Revenue by Payor				
Medicare %	35.9%	35.1%	36.2%	33.5%
Medicaid %	15.1%	15.3%	12.7%	19.3%
Managed care %	8.4%	9.7%	7.8%	8.4%
Commercial %	10.7%	8.1%	9.8%	9.9%
Other	<u>29.9%</u>	<u>31.8%</u>	<u>33.5%</u>	<u>28.9%</u>
Total	100.0%	100.0%	100.0%	100%
FTE's (including contract labor)	5,493	5,869	5,955	6,053

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 - December 2005

OPERATING STATISTICAL MEASURES - December 2005

ADMISSIONS and CASE MIX - Year to Date				OTHER INSTITUTIONAL MEASURES - Year to Date			
	FY 05	FY 06	% Change		FY 05	FY 06	% Change
ADMISSIONS:				ACUTE INPATIENTS:			
Surgical	5,582	5,802	3.9%	Inpatient Days	83,181	84,288	1.3%
Medical	5,755	5,897	2.5%	Average Length of Stay	5.88	5.82	(1.0%)
Transplant	112	127	13.4%	Average Daily Census	452	458	1.3%
Obstetrics	825	965	17.0%	Births	763	894	17.2%
Pediatrics	1,266	1,169	(7.7%)				
Psychiatric	813	729	(10.3%)	OUTPATIENTS:			
Subtotal Acute	14,353	14,689	2.3%	Clinic Visits	293,181	292,637	(0.2%)
				Average Daily Visits	2,550	2,574	0.9%
Short Stay	4,010	3,731	(7.0%)	Emergency Room Visits	28,171	29,141	3.4%
Total Admissions	18,363	18,420	0.3%				
				SURGICAL CASES - MAIN OR			
CASE MIX INDEX:				Inpatient	6,996	7,220	3.2%
All Acute Inpatients	1.7547	1.8237	3.9%	Outpatient	1,609	1,813	12.7%
Medicare Inpatients	1.9272	1.9656	2.0%	Total	8,605	9,033	5.0%

OPERATING FINANCIAL MEASURES - December 2005

REVENUES and EXPENSES - Year to Date				OTHER INSTITUTIONAL MEASURES - Year to Date			
	FY 05	FY 06	% Change		FY 05	FY 06	% Change
NET REVENUES:				NET REVENUE BY PAYOR:			
Patient Revenue	356,576,669	384,844,512	7.9%	Medicare	125,310,438	139,130,518	11.0%
Appropriations	24,291,951	26,717,730	10.0%	Medicaid	54,529,828	48,913,297	(10.3%)
Net Patient Service Revenue	380,868,620	411,562,242	8.1%	Managed Care	34,479,422	29,882,007	(13.3%)
Other Operating Revenue	9,947,472	10,612,215	6.7%	Commercial Insurance	28,908,127	37,875,381	31.0%
Total	390,816,092	422,174,457	8.0%	Anthem	63,380,261	72,139,865	13.8%
				Southern Health	17,951,252	20,286,928	13.0%
EXPENSES:				Tricare CHAMPUS	2,674,787	3,960,999	48.1%
Salaries and Wages	163,214,084	174,900,665	7.2%	Other	29,342,554	32,655,516	11.3%
Supplies and Contracts	110,431,078	120,602,591	9.2%	Total Patient Revenue	356,576,669	384,844,512	7.9%
Purchased Services	58,552,809	62,322,648	6.4%				
Bad Debts	13,440,000	18,489,830	37.6%	Managed Care	34,479,422	29,882,007	(13.3%)
Depreciation	20,495,797	23,098,138	12.7%	Non-Managed Care	322,097,247	354,962,505	10.2%
Interest Expense	2,469,241	2,365,453	(4.2%)	Total Patient Revenue	356,576,669	384,844,512	7.9%
Total	368,603,009	401,779,325	9.0%				
Operating Margin	22,213,083	20,395,132	(8.2%)	OTHER:			
Operating Margin %	5.68%	4.83%	(15.0%)	Collection % of Gross Billings	55.16%	49.79%	(9.7%)
Non-Operating Revenue	14,778,456	12,838,123	(13.1%)	Days of Revenue in Receivables (Gross)	53.4	44.9	(15.9%)
				Cost per CMI & OP-Adj Discharge	7,622	7,824	2.7%
Net Income	36,991,539	33,233,255	(10.2%)	Cost per CMI & OP-Adj Day	1,315	1,364	3.7%
				Cost per Outpatient Visit	67.36	68.73	2.0%
				Total F.T.E.'s (including Contract Labor)	5,869	5,955	1.5%
				F.T.E.'s Per Adjusted Occupied Bed	7.71	7.66	(0.6%)

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 - December 31, 2005

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

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)

	Year to Date December <u>2005-06</u>	Annual Activity	
<u>INDIGENT CARE (IC)</u>		<u>2004-05</u>	<u>2003-04</u>
Net Charge Write-Off	45,018	80,155	79,386
Percentage of Net Write-Offs to Revenue	5.45%	5.60%	6.96%
 Total Indigent Care Cost	 21,185	 36,900	 44,461
State and Federal Funding	21,185	36,900	44,461
Total Indigent Care Cost Funding As a Percent of Total Indigent Care Cost	100%	100%	100%
 Unfunded Indigent Cost	 0	 0	 0
		 Annual Activity	
<u>BAD DEBT</u>	<u>December 2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Net Charge Write-Offs	18,490	27,389	21,376
Percentage of Net Write-Offs to Revenue	2.24%	1.91%	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: February 23, 2006

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.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
PRE-CONSTRUCTION				
<u>Clinical Office Building-Fontaine Ave.</u> Planning and Design for 3rd floor fitout awaiting final decision on specific tenant	\$16.75 M (total building budget)	Bonds	Jan 2003	Floor 3 occupants not determined
<u>New Cancer Center - Facility space programming and schematic design underway for consolidated and comprehensive Cancer Center on site of present West Parking Deck</u>	\$55 M	Bonds and Outside Fundraising	Apr 2004	2009
<u>New Children's Hospital Facility space programming complete. Currently awaiting completion of fundraising before proceeding with detailed design work</u>	\$48 M	Bonds and Outside Fundraising	Apr 2004	TBD
<u>University Hospital Additional Beds - Planning underway to increase inpatient bed capacity in University Hospital</u>	\$75.6 M	TBD	TBD	TBD

Scope	Budget	Funding Source	BOV Approval Date	Projected Completion Date
UNDER CONSTRUCTION				
<u>Primary Care Center 1st Floor renovations</u> (2 phases) - 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	Not Required	Phase 1 - May 2006
<u>Hospital Expansion Project</u> - Horizontal expansion of University Hospital and renovation of entire second floor to accommodate complete rebuilding and expansion of the 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; 5 renovated Ors completed; Central Sterile Supply (CSS) relocated.	\$58.0 M (\$62.7 M revised)	Bonds @ \$54 M (\$58.7 M revised) + Hospital Operating Revenues @ \$4 M	March 1999	Fall 2006 (Revised -Spring 2007) Program Revisions to OR Complement and Heart Center Under Review
<u>NICU Expansion</u> - Construction underway for major renovation of University Hospital 7th floor to accommodate expanded Newborn Intensive Care Unit.	\$3.8 M (\$5.05 M revised, incl. equip & furn)	Medical Center Annual Capital Budget and Outside Fundraising	Jan 2003	February 2006 (Revised-April 2006) Revised to Accommodate Added Scope

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 23, 2006

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.D. Health System Development

ACTION REQUIRED: None

BACKGROUND: Health System Development will provide reports of recent activity to the Medical Center Operating Board from time to time.

DISCUSSION:

SIGNIFICANT GIFTS

At their December meeting, the board of trustees of the Ivy Foundation of Charlottesville voted to fund the Health System's \$45 million proposal in full. This gift will provide significant funds for the new Children's Hospital (\$15 million) and the Cancer Center (\$5 million) and will fund the construction of a new translational research building. The Ivy Foundation gift is the largest capital gift ever received by the Health System and the second largest gift overall. It will be the lead gift for the Health System's \$500 million campaign. President Casteen, Mr. Sandridge, and Dr. Garson, made presentations at the December board meeting. A formal gift agreement is in progress.

Paul and Diane Manning pledged \$1.5 million over two years in support of the University of Virginia's islet cell transplantation program.

Randy and Allison Shure made an additional commitment to the University of Virginia Children's Hospital Campaign to fund a professorship in Pediatric Neurology and provide research support for the program.

The Commonwealth Foundation for Cancer Research's \$1.25 million challenge benefiting the Human Immune Therapy Center has been fully matched.

Several clinical departments in the School of Medicine made significant pledges to the Claude Moore Medical Education Building. The Department of Dermatology completed a transfer of

\$250,000 and challenged other departments to rally behind the effort. Dr. Kenneth Greer, chair of dermatology, also made a personal contribution. In response to the challenge, the Department of Surgery pledged \$250,000 and the Department of Plastic Surgery pledged \$100,000.

Recent annual gifts to the University of Virginia Children's Hospital include \$134,000 from Klöckner Pentaplast of America, \$51,000 from Costco, \$42,000 raised through the UVa Children's Hospital "Radiothon," and \$33,000 raised through the Annual Boar's Head Turkey Trot.

Other gift highlights include:

- A \$1 million gift to the Charles O. Strickler Transplant Center
- A \$1 million gift to the Cancer Center building campaign
- A \$3 million commitment to the Dean's Discretionary Fund in the School of Medicine
- A gift of real estate valued at \$659,000 to support Dr. Davis Parker's research on Parkinson's disease
- A \$91,000 commitment for an unrestricted endowment for the Department of Radiology
- A \$62,000 gift to the UVa Children's Hospital
- A \$100,000 pledge to Women's Oncology in the new Cancer Center building
- A \$200,000 commitment to the Claude Moore Medical Educational Building
- A \$300,000 gift to the School of Medicine.

OTHER DEVELOPMENT INITIATIVES

Working with Health System Marketing, the Communications team finalized design and layout for a "Making a Difference" brochure that will be inserted in the patient handbook, which is distributed to some 40,000 hospital inpatients annually. The brochure highlights the impact of giving on patient care and medical research and gives a brief description of the Health System campaign. It also includes a giving/reply envelope and development contact information. Final printing and inserting of the brochure should be completed by early February.

The Journey of Discovery, an annual donor cultivation and stewardship event, attracted 42 current Health System donors, including many high-capacity individuals. Dr. Bankole Johnson, chair of the Department of Psychiatry, presented an overview of his research on addiction, followed by a luncheon during which Dean Garson spoke.

The Food Lion Neonatal Intensive Care Unit (NICU) opened in November 2005 and donors were invited in for a sneak preview. Local Food Lion representatives were on hand to see the impact of their \$1 million gift. Representatives from the corporate headquarters will visit in the spring once the entire project is completed.

The Communications Team completed "Investing in Children's Health," an honor roll to recognize annual gifts of \$500 and above to the University of Virginia Children's Hospital in the last fiscal year. In particular, the publication highlights community fund-raising events aimed at increasing support for University of Virginia Children's Hospital. This piece was mailed to Children's Hospital donors and prospects.

Through December 31, 2005, Health System development officers made 1935 total contacts (48% of annual goal), including 1030 visits (52% of annual goal).

CAMPAIGN PROGRESS THROUGH DECEMBER 31, 2005

Through the end of December the amount raised in the Health System Campaign was \$186,901,133*. This represents 37% of the Campaign goal, with 25% of the Campaign period elapsed. The following table shows the Fiscal Year 2006 totals for new commitments, including new gifts and new pledges.

	FY '06	FY '05
Total new commitments (excluding payments on previously booked pledges)	\$22,390,777	\$19,584,472
New gifts	\$11,639,665	\$15,099,766
New pledges	\$10,751,112	\$4,484,706

*Note: This total and the numbers in the chart do not include the Ivy Foundation's \$45 million gift, which will be booked when the gift agreement is finalized.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 23, 2006

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I.E. Compliance Report

ACTION ITEM: None

BACKGROUND: On August 31, 2004, the Medical Center ended its three-year Corporate Compliance Agreement with the Office of the Inspector General. The Medical Center submitted a final report to the Inspector General on October 26, 2004.

DISCUSSION:

COMPLIANCE EFFECTIVENESS PROJECT

The Medical Center has been participating in a pilot project with the Centers for Medicare and Medicaid Services (CMS) to evaluate compliance effectiveness. The Medical Center volunteered to participate in this project because it provided an opportunity to influence the development of compliance models in healthcare.

As part of the project, the Medical Center acted as host to a team of surveyors from CMS during February 2005. The CMS surveyors spent considerable time reviewing the compliance program and interviewing executives of the Medical Center.

Subsequent to that site visit, CMS has been studying data and collecting information about participants' billing practices. CMS has shared some initial observations about what it has learned, however, a final report is not expected until November 2006.

OIG WORK PLAN - 2006

Each year the Compliance Office uses the Office of the Inspector General Work Plan to develop its own auditing and monitoring projects. The Work Plan for 2006 is similar to the 2005 plan. Hospital initiatives include DRG coding, outlier payments, inpatient psychiatry, organ acquisition costs, purchasing rebates, coronary artery stents, and "Inpatient Only" services. Physician initiatives include care plan oversight, pathology services, and wound care services. Other initiatives

include cardiography and echocardiography services, physical and occupational therapy services, and Part B mental health services.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 23, 2006

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II. 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 which do not require formal action, but of which the Medical Center Operating Board should be aware.