

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
HEALTH AFFAIRS COMMITTEE
NOVEMBER 9, 2000**

HEALTH AFFAIRS COMMITTEE

Thursday, November 9, 2000

10:00 a.m.

Rare Books Room

Health Sciences Library

Committee Members:

Charles M. Caravati, Jr., M.D., Chair

H. Christopher Alexander, III, M.D.

Thomas J. Bliley, Jr.

Vincent F. Callahan, Jr.

William G. Crutchfield, Jr.

William H. Goodwin, Jr.

Terence P. Ross

Elizabeth A. Twohy

Harry J.G. van Beek

John P. Ackerly, III, Ex Officio

AGENDA

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I. REPORTS BY THE VICE PRESIDENT AND PROVOST FOR THE HEALTH SYSTEM (Dr. Cantrell)	
A. Medical Center Financial Report (as of September 30, 2000) (Mr. Sandridge to introduce Mr. Larry Fitzgerald; Mr. Fitzgerald to report)	1
B. Clinical Strategic Planning (Mr. Sandridge to introduce Dr. Thomas Massaro and Mr. William E. Carter; Dr. Massaro and Mr. Carter to report)	7
C. Health Sciences Library - Before and After Renovations (Dr. Cantrell to introduce Ms. Linda Watson; Ms. Watson to report)	9
D. Medical Student Experience at UVA (Dr. Cantrell to introduce Munsey Wheby, M.D.; Dr. Wheby to introduce Mr. Toby Campbell and Ms. Kate Lopez; Mr. Campbell and Ms. Lopez to report)	10
II. REMARKS BY THE VICE PRESIDENT AND PROVOST FOR THE HEALTH SYSTEM (Dr. Cantrell)	11

III. EXECUTIVE SESSION (Dr. Caravati)

- Discussion of proprietary business development and marketing information pertaining to community medicine initiatives, where disclosure of such information would adversely affect the competitive position of the Medical Center, and evaluation of performance of individual employees and departments. Discussion with legal counsel of the status of negotiations regarding provider contracts for clinical services to be performed by the Medical Center; evaluation of the Medical Center's quality assurance initiative; and discussion of the appointment and performance of specific appointees and employees of the Medical Center. The foregoing are authorized by Section 2.1-344(A)(1, (7), (8) and (23), and Section 8.01-581.16, of the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: November 9, 2000

COMMITTEE: Health Affairs

AGENDA ITEM: I.A. Medical Center Financial Report
as of September 30, 2000

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a financial report and reviews it with the Executive Vice President and Chief Operating Officer before submitting the report to the Health Affairs Committee of the Board of Visitors. The Health Services Foundation (HSF) prepares and presents financial statements to the Vice President and Provost for the Health System.

DISCUSSION: Discharges from the Medical Center for Fiscal Year 2001 are below budget by 1.2 percent, but above Fiscal Year 2000 by 0.5 percent. The Psychiatry and Surgery service lines experienced the most significant increases in discharges over last year, while the Neurology and Pediatrics service lines experienced the most significant decreases in discharges over last year. Although discharges are slightly below expectations, patient days are 0.7 percent above budget and 3.7 percent above prior year. A higher than expected case mix index has led to a higher than expected average length of stay for patients discharged through September.

Net operating revenue for Fiscal Year 2001 through September is 4.6 percent above budget and 15.5 percent above prior year. Lower than expected indigent care write-offs and contractual allowances are contributing factors to the favorable variance from budget. The high case mix index is a driver of the decreased contractual allowances. The large increase in net operating revenue over prior year is largely a result of the conversion of the outpatient clinics to provider-based entities. In addition, new revenues from the Augusta Dialysis Center contribute to the increase over prior year. Outpatient revenue is 20.2 percent higher than prior year through September.

Total operating expenses for this Fiscal Year through September are 3.7 percent over the \$120.6 million budget and 13.2 percent over prior year expenses. Salaries and wages, medical center

contracts and medical supplies are higher than budget and higher than prior year. The number of full-time equivalent employees (FTEs) is 113 above budget and 313 above prior year. The increase in salaries and FTEs over prior year is primarily the result of University and HSF employees moving to the Medical Center's payroll with the conversion to provider-based clinics in Fiscal Year 2001.

The operating margin for Fiscal Year 2001 through September is 5.9 percent, which is above the budgeted margin of 5.0 percent, and above the prior year's 3.9 percent margin.

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

Description	Most Recent Three Fiscal Years			Budgeted
	Sept 99	Sept 00	Sept 01	Sept 01
Net patient revenue	\$114.5	\$112.5	\$130.7	\$125.1
Other revenue	<u>3.3</u>	<u>2.5</u>	<u>2.2</u>	<u>1.9</u>
Total operating revenue	<u>\$117.8</u>	<u>\$115.0</u>	<u>\$132.9</u>	<u>\$127.0</u>
Operating expenses	104.2	101.8	116.1	111.1
Depreciation	7.8	7.5	7.8	8.3
Interest expense	<u>1.5</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>
Total operating expenses	<u>\$113.5</u>	<u>\$110.5</u>	<u>\$125.1</u>	<u>\$120.6</u>
Operating income (loss)	<u>\$4.3</u>	<u>\$4.5</u>	<u>\$7.8</u>	<u>\$6.4</u>
Non-operating income (loss)	<u>\$0.5</u>	<u>\$2.0</u>	<u>\$1.5</u>	<u>\$1.4</u>
Net income (loss)	<u>\$4.8</u>	<u>\$6.5</u>	<u>\$9.3</u>	<u>\$7.8</u>
Debt principal	\$0.9	\$1.0	\$1.1	\$1.1

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

Description	9/30/98	9/30/99	9/30/00
Assets			
Operating cash and investments	\$97.5	\$91.4	\$43.8
Patient accounts receivables	53.6	48.4	62.9
Other current assets	21.8	22.4	49.9
Property, plant and equipment	213.7	219.9	216.7
Depreciation reserve investments	124.2	138.4	157.9
Other assets	<u>18.5</u>	<u>17.9</u>	<u>18.0</u>
Total Assets	<u>\$529.3</u>	<u>\$538.4</u>	<u>\$549.2</u>
Liabilities			
Current portion long-term debt	\$3.6	\$3.8	\$4.1
Accounts payable & other liab	53.7	54.9	35.3
Long-term debt	92.6	93.0	93.2
Accrued leave and other LT liab	<u>12.9</u>	<u>12.3</u>	<u>13.8</u>
Total Liabilities	<u>\$162.8</u>	<u>\$164.0</u>	<u>\$146.4</u>
Fund Balance	<u>\$366.5</u>	<u>\$374.4</u>	<u>\$402.8</u>
Total Liabilities & Fund Balance	<u>\$529.3</u>	<u>\$538.4</u>	<u>\$549.2</u>

**University of Virginia Medical Center
Financial Ratios**

Description	Most Recent Three Fiscal Years			Budgeted
	Sept 99	Sept 00	Sept 01	Sept 01
Operating margin (%)	3.7%	3.9%	5.9%	5.0%
Total margin (%)	4.1%	5.6%	6.9%	6.1%
Current ratio (x)	3.0	2.8	4.0	4.0
Days cash on hand (days)	197.3	210.0	162.5	190.0
Gross accounts receivable (days)	92.0	92.0	91.9	80.0
Average payment period (days)	49.9	52.4	30.9	30.6
Annual debt service coverage (x)	5.9	7.1	8.1	7.7
Debt-to-capitalization (%)	20.2%	19.9%	18.8%	20.0%
Capital expense (%)	8.2%	7.9%	7.2%	7.9%

**University of Virginia Medical Center
Operating Statistics**

Description	Most Recent Three Fiscal Years			Budgeted
	Sept 99	Sept 00	Sept 01	Sept 01
Discharges	7,312	6,994	7,027	7,113
Patient days	40,681	36,508	37,864	37,614
Average length of stay	5.6	5.2	5.5	5.3
Clinic visits	115,582	120,198	122,814	125,434
ER visits	14,650	14,132	14,225	14,528
Medicare case mix index	1.9087	1.7549	1.8938	1.7588
Utilization by Payor Class				
Medicare %	36.4%	37.1%	38.8%	37.0%
Medicaid %	14.6%	12.0%	13.0%	11.9%
Blue Cross %	13.6%	16.5%	14.5%	14.0%
Managed care %	12.9%	13.2%	11.9%	15.5%
Self-pay, Commercial & other %	22.6%	21.3%	21.9%	21.6%
Total	100%	100%	100%	100%
FTE's	4,561	4,382	4,695	4,582

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: November 9, 2000

COMMITTEE: Health Affairs

AGENDA ITEM: I.B. Clinical Strategic Planning

ACTION REQUIRED: None

BACKGROUND: The University of Virginia Health System is in the process of developing a strategic plan for the clinical enterprise in order to assure success in achieving its service and academic missions in the next several years. The planning process, conducted with the analytic and facilitation services of the Computer Sciences Corporation (CSC) Healthcare Group, began in June 2000 and will be completed by November 2000.

DISCUSSION: The intent of the strategic planning process is to establish a vision and to set clear directions for the clinical enterprise for the next five to ten years. Since the last strategic plan was completed five years ago, much has been achieved by the Health System in accomplishing its goals. But the environment has changed considerably, including competitive forces in the region, federal and payor reimbursement and regulatory policies, technological, communication and biomedical advances, the increase in demand by consumers to be more involved in their own health care and the shift of service locations. The Health System is attempting to establish a data-driven understanding of these major environmental factors and to agree on major strategic initiatives and investments. The strategic plan will provide the context and umbrella under which market and internal initiatives will be undertaken, as well as priority setting processes.

The strategic planning process is using a central Steering Committee as its decision making group. With thirty-five members from diverse disciplines and backgrounds, this group is the core of the planning process. A high level Executive Committee will provide oversight to assure coordination with University and other Health System planning processes and initiatives. The main work of the planning process is being carried out by six Work Groups that will report to the Steering Committee. The issues that are being addressed, selected because of their strategic importance, include Local Market Strategy, Regional and State Market Strategy, National and

International Strategy, Internet Strategy, Best Place to Work Strategy and Alignment of Incentives within the Health System.

It is hoped that the Strategic Planning process will enable the Health System to achieve its stated mission and vision within the next several years. The process is designed to take full advantage of the skills and knowledge of the people who currently work in the Health System and who can help guide the institution to a future which benefits those we educate and serve.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: November 9, 2000

COMMITTEE: Health Affairs

AGENDA ITEM: I.C. Health Sciences Library -
Before and After Renovations

ACTION REQUIRED: None

BACKGROUND: In the 1996-98 biennium, the Claude Moore Health Sciences Library received \$5.5 million funded by bonds issued under the Commonwealth's 21st Century College Program to renovate and expand the 25 year old facility. At the June 1997 Board of Visitors meeting, the schematic design by the architectural firm of Ayers Saint Gross was approved. Construction began in May 1999 with a contract awarded to Daniel & Company from Richmond. Renovation was planned in phases to minimize disruptions to library operations. The first three phases - Ground Floor, 1st Floor, and 2nd Floor (south) are complete. The fourth phase, 2nd Floor (north), is currently under renovation with expected completion in mid-January 2001. Private funds will support the renovation of one additional study and stacks area which could not be accommodated within the \$5.5 million budget. That project will be completed in the summer of 2001.

DISCUSSION: The major goals of the renovation were to take advantage of unfinished basement space for expansion, update the remaining floors to meet current standards for technology, heating, ventilation and air conditioning, lighting, and Americans with Disabilities Act of 1990 (ADA) compliance, and to improve physical comfort and aesthetics. The idea was to create an intellectual haven at the geographic heart of the Health Sciences Center. By the accounts of both library employees as well as the faculty, staff and students served, the goals have been achieved. The Library's computer lab and classrooms are bustling, students plug in their laptops to available network connections, small group study rooms support the new medical curriculum, reading areas are airy and comfortable, a new entry foyer welcomes visitors, and a new rare books room supports historical research. A gala rededication ceremony will be planned for next year to celebrate the vision and hard work of the many individuals who participated in the project.

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BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: November 9, 2000

COMMITTEE: Health Affairs

AGENDA ITEM: I.D. Medical Students Presentation

ACTION REQUIRED: None

BACKGROUND: Because of the press of other issues, the Health Affairs Committee has only infrequent interaction with those undergoing education and training in the Health System. Accordingly, at the October meeting of the Board of Visitors it was requested that School of Medicine students give a brief presentation about their experiences at the next meeting.

DISCUSSION: Robert M. Carey, M.D., Dean of the School of Medicine, selected two medical students, Mr. Toby Campbell and Ms. Kate Lopez, to provide an overview of their experiences and share their impressions as students in the School of Medicine. Munsey S. Wheby, M.D., Senior Associate Dean of the School of Medicine, will introduce the students and provide pertinent background information. The students will respond to questions following their presentation.

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AGENDA ITEM: II. Remarks by the Vice President
and Provost for the Health
System

ACTION REQUIRED: None

DISCUSSION: The Vice President and Provost for the Health System will utilize this portion of the Health Affairs Committee meeting to inform the Board of Visitors of recent events which do not require formal action, but of which they should be made aware.