

November 15, 2001

MEMORANDUM

TO: The Health Affairs Committee:

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  
Thomas A. Saunders, III  
Elizabeth A. Twohy  
Harry J. G. van Beek  
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Thomas F. Farrell, II	Gordon F. Rainey, Jr.
Charles L. Glazer	Timothy B. Robertson
T. Keister Greer	Benjamin P.A. Warthen
Elsie Goodwyn Holland	Sasha L. Wilson
Joseph E. Wolfe	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Health Affairs  
Committee on November 15, 2001

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:05 a.m., Thursday, November 15, 2001, in the Hospital Dining Conference Rooms at the University Hospital; Charles M. Caravati, Jr., M.D., Chair, presided. H. Christopher Alexander, III, M.D., William G. Crutchfield, Jr., William H. Goodwin, Jr., Terence P. Ross, Thomas A. Saunders, III,

Harry J.G. van Beek, and John P. Ackerly, III, Rector, were present.

Benjamin P.A. Warthen also was present.

Present as well were Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Beth Hodsdon, Thomas A. Massaro, M.D., Robert M. Carey, M.D., George A. Beller, M.D., Bruce J. Hillman, M.D., William E. Carter, Jr., Ms. Pamela F. Cipriano, Marc Dettmann, Ms. Barbara Deily, Ralph Traylor, and Ms. Jeanne Flippo Bailes.

Charles H. Crowder, Jr., M.D., was present by special invitation.

The Chair asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda.

Mr. Sandridge told the Committee that Mr. Edward Howell, who will be the Chief Executive Officer of the Hospital, will assume his new duties in February. He plans, however, to attend the next meeting of the Committee in January.

Reminding the Committee that at its October meeting, there was a discussion of the activities of the Health Services Foundation, Mr. Sandridge said Members asked questions about similar physician practice plans at other institutions and that the administration of the HSF had promised to collect information and make a presentation to the Committee at a subsequent meeting. He introduced Mr. van Beek and Mr. Marc Dettmann, the Chief Executive Officer of the Health Services Foundation, who gave a report.

Mr. van Beek made further introductory remarks before deferring to Mr. Dettmann.

Mr. Dettmann listed five distinguishing characteristics of the academic medical centers considered in his survey:

1. Integration with medical school and hospital.
2. Financial support provided to medical school.
3. Integration within physician operations.
4. Legal organization.
5. Board composition.

On the first point, the spectrum of model considered ranged from "loosely" to "highly" structured; the University ranks, Mr. Dettmann said, on the "highly structured side of midpoint."

On the point, "financial support provided to medical school," the HSF ranks first among the plans surveyed and at the middle on "integration within physician operations."

As for "legal organization," Mr. Dettmann listed four categories: For-profit professional corporation, not-for-profit corporation, part of university, and mixed model. HSF is defined as a not-for-profit corporation. Mr. Dettmann characterized "board composition" as ranging from internal focus to external focus; HSF falls in the latter category as the majority of its board members are from the community rather than the institution.

Mr. Dettmann then attempted several conclusions: the trend among physician practice plans at academic medical centers has been toward not-for-profit corporate models such as HSF. HSF's financial contributions to the Medical School are very substantial and above average among the plans considered in the survey. HSF's governance is more community-oriented than that of most plans.

Mr. Goodwin suggested that the top ten or twenty, or whatever number Mr. Dettmann wishes to choose, physician practice plans be surveyed and HSF ranked against them. Mr. Dettmann and Mr. Sandridge promised such a survey for the next meeting of the Committee.

Mr. Carter then gave a report on summary results of the Performance Improvement Project, with emphasis on revenue enhancement efforts.

Mr. Sandridge reported briefly on the state of Augusta Dialysis, a treatment center in Augusta County acquired by the University in the spring of 2000. In short, he said, revenues have exceeded expectations and expenses are lower than projected.

Ms. Cipriano gave a report on staff recruitment and retention. Staff recruitment, in a word, has been successful and there are now limited vacancies in all areas and professional groups. These successes have enabled the

Medical Center to reopen patient beds, closed in the last few years because of staff shortages. Since December of last year, there has been a gain of five beds in intensive care units and twenty five in adult acute care. The trend in annual turnover among all employees has dropped from 19.2% between August 2000 and August 2001, to 18.01% between October 2000 and October 2001. The figures for the same periods for all nurses are 16.5% versus 15.35%. Some of these gains have been achieved through the use of temporary staff, which is expensive. High expenses for overtime is another factor. Ms. Cipriano said the challenge now is to keep these expenses within budget and to maintain a proper balance of temporary and permanent staff.

Mr. Sandridge and Mr. Frederick then gave the customary financial report for the Medical Center, noting that their figures were current as of September 30<sup>th</sup>.

In summary, the first quarter of Fiscal Year 2002 has not measured up to expectations. Volume is below budget and labor costs exceed budget. Patient discharges for the fiscal year to date are below budget by 3.1% and below the similar period last year by .8%. Inpatient revenue is thus down, but outpatient revenue is above budget. This is significant because inpatient treatment is profitable and outpatient treatment tends not to be.

Operating revenue for the fiscal year to date is 5% below budget but 7.8% above the same period last year. This increase over last year can be attributed mostly to the conversion of outpatient clinics to provider based clinics, which is not reflected in last year's figures and to the fact that gross charges for the Medical Center increased on July 1<sup>st</sup> of this year an average of 15%.

Total operating expenses for the quarter are .6% below budget and 12.6% above the same period last year. Services and supplies are higher than last year but below budget for this year. The number of FTEs (full-time equivalent employees) is 131 above budget and 549 over last year.

In sum, the operating margin for the quarter is 1.6%, which is below the 6% budgeted and last year's 5.9%.

Mr. Goodwin suggested that if these trends continue, the budget for the fiscal year should be reworked.

The Committee then had a required session on compliance training, conducted by Mr. Ralph Traylor, Interim Corporate Compliance Officer.

After adopting the necessary motion, the Committee went into Executive Session at 11:50 a.m.

That the Health Affairs Committee of the Board of Visitors of the University of Virginia go into Executive Session to discuss the appointment, assignment, performance, and evaluation of prospective candidates and specific individuals, and Medical Center departments which will also necessarily involve consideration of the performance of specific individuals; to discuss and evaluate proprietary business information and patient base development strategies regarding a health care venture and affiliation, where disclosure would adversely affect the Medical Center's competitive position and its negotiation of reimbursement terms in future provider contracts for medical services. The relevant exemptions to the Virginia Freedom of Information Act are provided for in Sections 2.2-3711 (A), (1), (8), (20) and (23) of the Code of Virginia.

The Committee recessed for lunch from 12:45 p.m. to 1:05 p.m., when it resumed its meeting in Executive Session.

The Committee resumed in Open Session at 2:00 p.m., adopted the following resolution, and adjourned.

That we vote on and record our certification that, to the best of each Board member's knowledge, only public business matters lawfully exempted from open meeting requirements and which were identified in the motion(s) authorizing the closed session, were heard, discussed or considered in closed session.

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These minutes have been posted to the University of Virginia's Board of Visitors website.

<http://www.virginia.edu/bov/healthminutes.html>