

September 11, 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 September 11, 2001

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:10 a.m., Tuesday, September 11, 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., Thomas J. Bliley, Jr., William G. Crutchfield, Jr., Terence P. Ross, Thomas A. Saunders, III,

Ms. Elizabeth A. Twohy, and John P. Ackerly, III, Rector, were present.

Benjamin P.A. Warthen and Joseph E. Wolfe also were present.

Present as well were Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Robert M. Carey, M.D., Thomas A. Massaro, M.D., William E. Carter, Jr., Larry L. Fitzgerald, Ms. Pamela Cipriano, John Hanks, Ms. Beth Hodsdon, Ms. Barbara Baldwin, Ms. Susan Harris, Ms. Sally Barbour, and Ms. Jeanne Flipppo Bailes.

The Chair recounted a telephone call he had received from someone he did not know in Richmond. The caller said he had been in an accident in Louisa County and had been taken to the Emergency Room at the Hospital for treatment. He told the Chair the treatment had been first rate and that he had been impressed by the professionalism and kindness of everyone, from orderlies to physicians.

Mr. Crutchfield said he has heard similar comments in Charlottesville. He suggested that the Committee draft a resolution of commendation to be presented to the staff of the Hospital. The Committee agreed to his proposal.

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

Mr. Sandridge introduced Ms. Pamela Cipriano, Chief Clinical Officer, who reported on the recruitment and retention of staff. Ms. Cipriano used as the basis of her report a recent study of health care staffing shortages done by Fitch, the health care analysts. She then compared Fitch's nationwide data to the situation at the University Medical Center (a copy of the Fitch study and Ms. Cipriano's comparisons is appended to these Minutes as an Attachment).

Mr. Sandridge and Mr. Fitzgerald gave a financial report on the Medical Center for Fiscal Year 2001, their figures being current as of June 30th.

Patient discharges declined during the year by 1.9%, primarily because the shortage of nurses caused fewer beds to be available. Gross patient revenue thus was below budget. The nursing shortage also was in part responsible for the increase in salaries and benefits which, by the year's end, was above budget. There was a dramatic increase in overtime pay, for example, which was 37% above what was spent in the previous fiscal year. Costs of supplies, too, were above budget, a reflection both of increases in pharmaceutical costs and growth in surgery admissions.

Net operating revenue was 4.3% above budget and 11.6% above the last fiscal year, but total operating expenses were 6.6% over budget and 13.7% above last year.

The operating margin for the fiscal year was 2.7%, which was below the budgeted 4.7% and last year's 4.5%.

Mr. Fitzgerald then showed charts illustrating trends in Medical Center finances over the last four years.

In the ensuing discussion, Mr. Crutchfield and others suggested that the Medical Center set quantifiable goals.

After adopting the necessary motion, the Committee went into Executive Session at 11:00 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 resumed in Open Session at 1:00 p.m., approved the following resolution, and, on further motion, 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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AGG:lah

These minutes have been posted to the University of Virginia's Board of Visitors website.
<http://www.virginia.edu/bov/healthminutes.html>

ATTACHMENT

FITCH HEALTHCARE SPECIAL REPORT
HEALTH CARE STAFFING SHORTAGE
August 27, 2001

FITCH REPORT (nationwide data)

UVA

Vacancy Rates for nurses in health care facilities

10% - 12%

12%

Aging of nurses (% of all nurses over age 40)

68%

60.40%

Areas of most severe shortages

**Intensive Care Units (ICUs)
Neonatal ICU
Emergency Room**

**Intensive Care Units (Adult and Pediatric)
Complex acute care
Radiology subspecialties**

Employed Nurses per 100,000 population

Virginia is in the lowest 20%

Strategies Used by hospitals with need for skilled nurses:

Immediate and Short Term Strategies

Increased Wages

Enhanced supplemental pay

Flexible schedules

Use of agency nurses

Equity adjustments, market-based adjustments

Shift differentials, sign on bonuses, holiday pay

Use of agency and travel nurses and technicians

Long Term Strategies

**Continuing education
Opportunities for clinical advancement
On-the-job training
Improve enrollment in nursing schools**

**Education fund for FY01 was 1-time
Clinical ladder is in place**

**Working with SON
Salary range adjustments
Magnet Recognition Application in process**

Quantitative Measures:

	FITCH Report (Years ending Dec 31)			UVA (Years ending Jun 30)			
	1999	2000	% Increase	1999	2000	2001 % Increase	
SWFB as % of Total Operating Revenue	52.1	52.4	0.6	42.7	42.2	44.1	3.1
SWFB as % of Total Operating Expense	51.6	52.2	1.2	43.7	44.1	45.3	3.7
SWFB/Discharge (\$)	6,270	6,654	6.1	7,071	7,380	8,917	26.1
SWFB/Average Daily Census (\$)	465,226	493,589	6.1	484,618	509,103	600,454	23.9
SWFB/Staff Bed (\$)	273,530	293,985	7.5	350,416	373,160	432,201	23.3
SWFB/Full-Time Equivalent Employee (\$)	47,796	53,500	11.9	45,074	47,080	49,571	10.0

* SWFB = Salaries, wages, fees, and benefits expense

* SWFB may or may not include purchased labor that we exclude - including ServiceMaster, Morrisons, Travelers

UVA sources of data

Financial Statement FY2000

Salaries and wages	164,944,610	168,373,911	200,796,725
Fringe Benefits	40,048,693	39,849,141	45,989,909
Total Salaries, Wages & FB	204,993,303	208,223,052	246,786,634
Total Revenue	479,627,424	493,987,761	559,822,861
Total Operating Expense	469,533,911	472,029,708	545,167,399

Statistical Summary Reports (June 2001 for 2000 and 1999 data), (June 1999 for 1999 beds)

Discharges	28,992	28,214	27,676
Average Daily Census	423	409	411
Beds Available	585	558	571

Performance Report - Year End

Full Time Equivalent Employee	4,547.92	4,422.78	4,978.44
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* FY2001 total revenues and expenses are not audited final results. An estimate for faculty effort of \$8.3 million is added to revenue and expenses

This \$8.3 million is consistent with the level reported on the faculty effort survey plus the difference of actual cost of G&A support for FY2000 and FY1999.

For the Fitch Report "Health Care Staffing Shortage" dated
June 27, 2001 please visit the following website:
[http://www.fitchratings.com/corporate/reports/report.cfm?rp
t_id=128314](http://www.fitchratings.com/corporate/reports/report.cfm?report_id=128314)