

September 7, 1999

MEMORANDUM

TO: The Health Affairs Committee:

Charles M. Caravati, Jr., M.D. Chair	Terence P. Ross
H. Christopher Alexander, III, M.D.	Elizabeth A. Twohy
William G. Crutchfield, Jr.	Harry J.G. van Beek
William H. Goodwin, Jr.	John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Champ Clark	Henry L. Valentine, II
T. Keister Greer	Walter F. Walker
Elsie Goodwyn Holland	Benjamin P.A. Warthen
Timothy B. Robertson	James C. Wheat, III
Albert H. Small	Joseph E. Wolfe
Robert G. Schoenvogel	

FROM: Alexander G. Gilliam, Jr.

RE: Minutes of the Meeting of the Health Affairs Committee

The Health Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 11:05 a.m., Tuesday, September 7, 1999, in the Hospital Dining Conference Rooms of the Health Sciences Center; Charles M. Caravati, Jr., M.D., Chair, presided. H. Christopher Alexander, M.D., Harry J.G. van Beek, William G. Crutchfield, Jr., William H. Goodwin, Jr., Terence P. Ross, Ms. Elizabeth A. Twohy, and John P. Ackerly, III, Rector, were present; as were John T. Casteen, III, Leonard W. Sandridge, Jr., Alexander G. Gilliam, Jr., Paul J. Forch, Robert W. Cantrell, M.D., Beth Hodsdon, Thomas A. Massaro, M.D., Larry L. Fitzgerald, Bruce J. Hillman, M.D., Michael O. Thorner, M.D., Kenneth E. Greer, M.D., Paul A. Levine, M.D., William D. Steers, M.D., and Ms. Jeanne Flippo Bailes.

BECAUSE OF A MALFUNCTION IN THE RECORDING EQUIPMENT, THESE MINUTES ARE A RECONSTRUCTION

The Chair introduced the new members of the Committee - Dr. H. Christopher Alexander of Roanoke and Mr. Harry J.G. van Beek of Gordonsville, and asked Dr. Cantrell, Vice President and Provost for Health Sciences, to present the Agenda.

Dr. Cantrell explained that the first part of the meeting would consist of presentations by the President of the Health Services Foundation, Dr. Hillman, and by five of the clinical chairs of the School of Medicine.

Dr. Hillman, who is also the Chair of the Department of Radiology, gave a brief overview of the Health Services Foundation and the clinical faculty. He then introduced Dr. Michael Thorner, Chair of the Department of Medicine, Dr. Kenneth Greer, Chair of the Department of Dermatology, Dr. Paul Levine, Chair of the Department of Otolaryngology, and Dr. William Steers, Chair of the Department of Urology. Each gave presentations on their departments and Dr. Hillman talked about the Department of Radiology.

Dr. Hillman, in his Health Services Foundation presentation, noted that the HSF funds 55% of all clinical faculty salaries and is the source of all patients. The ideal toward which the HSF aspires, he said, is a balance between the well-being of the Medical Center and the HSF and to align physician and Medical Center incentives.

Among the highlights of the several departmental presentations were the following: Dermatology is a small department but is one of the most sought after residencies at the Hospital. It operated at a deficit for 15 years but has been "in the black" for the last six years. Dr. Greer commented that his department does not want satellite operations because it believes they are not good educationally. Dr. Steers told the Committee that the Department of Urology was conducting no prostate research in 1995 but now has seventeen members engaged in this particular research; the department wants to develop and Institute for Prostate Cancer Research. In terms of NIH grants, Urology ranks among the top ten in the country in the field. The Department of Medicine has thirteen divisions, ranging - alphabetically - from Allergy & Immunology to Rheumatology; two of these ranked among the top twenty in the country according to the *US News & World Report*. The Department and its referrals accounted for 28% of Health System net patient revenues last year. The Department of Otolaryngology ranked 16<sup>th</sup> in the country in the most recent *US News and World Report* listing.

The Committee recessed for lunch at 12:10 p.m., and resumed, again in Open Session, at 12:30.

Mr. Fitzgerald, the new Chief Financial Officer for the Medical Center, gave a report on FY 1999 figures. Hospital admissions were

28,984, up from 27,923 the previous year; the budgeted figure for 2000 is 28,597. Patient days are down to 5.4 for average length of stay from 6 days last year; 5.4 are budgeted for 2000. Outpatient and Emergency Room visits were 530,202, up from 514,488; 548,155 is the budgeted figure for next year. Net patient revenue was \$458.9m as compared with \$450.8 last year; \$460.4m is budgeted for next year. The occupancy rate stood at 73.1% as compared with 74.4% last year; 2000 is budgeted at 72.6%. Operating expenses were \$460.4m; the total for 1998 was \$442.5m and the budget for 2000 calls for \$451.1m. The operating margin this past fiscal year was 2.3% as compared with 5% last year; the budgeted margin for 2000 is 4%.

The goal for FY 2000, Mr. Fitzgerald said, is to "get expenses down."

Dr. Massaro then gave a report on his investigations, on site, of the operations of two public academic medical centers, the University of Colorado and the Oregon Health Sciences University.

Dr. Cantrell gave his customary report: He is a member of a group of colleagues from several academic health centers who will be meeting with Members of Congress to seek relief from some of the effects of the Balanced Budget legislation. Contacts have been made with the Virginia congressional delegation. Members of the General Assembly's Joint Commission on Health Care met at the University on August 27<sup>th</sup> as part of their work on a study to examine the effect of current reimbursement policies on academic health centers; the study was mandated by Senate Joint Resolution 464, passed in the last Session of the General Assembly. The Commission members were briefed by Dean Carey and Mr. Carter; their report is due on November 9<sup>th</sup>. The Medical Center continues to seek relief from indigent care costs which have not been reimbursed by the state.

Dr. Cantrell said Health Sciences hopes that some of the tobacco settlement funds can be used to address health needs related to smoking. Dr. Thomas Daniel of the Medical School faculty, a physician who specializes in thoracic surgery, is head of a committee who are preparing a recommendation for cancer and cardiovascular research and education related to tobacco. State support will be sought for planning an urgently needed research building. The new Biomedical Research Building which is in progress and which will be done in two years, will meet only current research space needs. More research space is vital, he emphasized, if research activity is to be expanded, and medical school rankings are tied to the amounts of funded biomedical research.

The Commonwealth, Dr. Cantrell reminded the Committee, has directed that 50% of the graduates of the School of Medicine enter generalist medicine; 60% of this year's graduates entered primary care residencies. Finally, he reported that with 16 months to go before the end of the Capital Campaign, Health Sciences has raised \$167m of irrevocable gifts, which exceeds both the original goal of \$125m and the

revised goal of \$160m. He said he hoped that \$200 can be raised before the end of the Campaign.

There was a brief discussion of use of the tobacco settlement money with some Members stating that it would be inexpedient to oppose the Governor's proposed uses of that money.

The Committee recessed for five minutes at 1:30 p.m. and then, on motion, went into Executive Session at 1:35.

The following motion was adopted:

That the Health Affairs Committee of the Board of Visitors go into Executive Session for discussion concerning performance and reappointment of Medical Center personnel; and discussion of proprietary business-related information pertaining to the operations of the Medical Center, where disclosure of such information would adversely affect the competitive position of the Medical Center, to consult with Counsel with respect to IDX's performance under its agreement and the possible restructuring of the Health System; and to receive a confidential briefing on pending litigation concerning the Medical Center; and to consult with Legal Counsel regarding compliance with federal regulations, and to discuss personnel assignments in and disposition and use of University facilities, with regard to clinic operations of the Medical Center; as provided for in Section 2.1-344 (A) (1), (3), (7), and (23) of the Code of Virginia.

On motion, the meeting was adjourned at 2:55 p.m.

AGG:jb

Copies to: Mr. John T. Casteen, III  
Mr. Paul J. Forch  
Mr. Gene D. Block  
Dr. Robert W. Cantrell  
Dr. Phillip Gibbs  
Mr. Peter W. Low  
Mr. Leonard W. Sandridge  
Mr. Robert D. Sweeney  
Mr. Ernest H. Ern  
Mr. William W. Harmon  
Ms. Colette Sheehy  
Dr. Robert Reynolds  
Mr. Terry Holland  
Mr. L. Jay Lemons  
Ms. Louise Dudley