

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

**Meeting of the Medical Center
Operating Board for the
University of Virginia
Medical Center**

June 8, 2017

**UNIVERSITY OF VIRGINIA
MEDICAL CENTER OPERATING BOARD**

**June 8, 2017
8:30 a.m. – 12:45 p.m.
Education Resource Center Auditorium**

Committee Members:

L.D. Britt, M.D., Chair
Frank M. Conner III
William H. Goodwin Jr.
Tammy S. Murphy
James B. Murray Jr.

James V. Reyes
Frank E. Genovese, Advisor
Nina J. Solenski, M.D., Advisor
A. Bobby Chhabra, M.D., Faculty
Consulting Member

Public Members:

Hunter E. Craig
Victoria D. Harker
Michael M.E. Johns, M.D.

Constance R. Kincheloe
Babur B. Lateef, M.D.

Ex Officio Members:

Teresa A. Sullivan
Dorrie K. Fontaine
Patrick D. Hogan
Thomas C. Katsouleas

Richard P. Shannon, M.D.
Pamela M. Sutton-Wallace
Scott A. Syverud, M.D.
David S. Wilkes, M.D.

AGENDA

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<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> – Strategic personnel, financial, investment, facility needs, market and resource considerations and efforts; potential joint ventures or affiliations and partnership strategies; innovative efforts to improve patient care and operations, including Epic Phase II; other strategic, clinical, academic, and research growth efforts; all of which further the strategic initiatives of the Medical Center and the School of Medicine and include employee performance and other proprietary metrics; – Confidential information and data related to the adequacy and quality, professional services, competency, and qualifications for professional staff privileges, and patient safety in clinical care, for the purpose of improving patient care; – Consultation with legal counsel regarding compliance with relevant federal and state legal requirements, licensure, legislative, and accreditation standards; all of which will involve proprietary business information and evaluation of the performance of specific 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), (8) and (22) 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: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: I. Opening Comments from the Chair

BACKGROUND: The Committee chair, Dr. Britt, will welcome guests and provide an overview of the meeting agenda.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: II. Opening Remarks from the Executive Vice President for Health Affairs

ACTION REQUIRED: None

BACKGROUND: Richard P. Shannon, M.D., is the Executive Vice President for Health Affairs for the University of Virginia. Before joining the University, he served as the Frank Wister Thomas Professor of Medicine at the University of Pennsylvania Perelman School of Medicine, and as chairman of the Department of Medicine of the University of Pennsylvania Health System. An internist and cardiologist, Dr. Shannon is widely recognized for his work on patient safety.

DISCUSSION: The Executive Vice President will inform the MCOB of recent events that do not require formal action, including a “Be Safe” moment and a report on the Health System consolidated goals.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III. A. Name Change of Medical Center Operating Board to Health System Board

DISCUSSION: The Chair seeks approval to change the name of the committee from the Medical Center Operating Board to the Health System Board in order to reflect appropriately the scope and oversight of the committee. The Health System Board is the governing board of the University's clinical enterprise, which includes responsibility for oversight of the operations of the Medical Center and the Transitional Care Hospital for Joint Commission on Accreditation of Hospital Organization purposes, as well as oversight of the School of Medicine and faculty physicians.

ACTION REQUIRED: Approval by the Medical Center Operating Board and by the Board of Visitors

NAME CHANGE OF MEDICAL CENTER OPERATING BOARD TO HEALTH SYSTEM BOARD

RESOLVED, the Board of Visitors approves changing the name of the Medical Center Operating Board to the Health System Board and reconfirms that the Health System Board has responsibility for oversight of the operations of the Medical Center and the Transitional Care Hospital for Joint Commission on Accreditation of Hospital Organization purposes, as well as oversight of the School of Medicine and the faculty physicians.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: III.B. Academic Affiliation with Inova Health System Foundation

BACKGROUND: The University of Virginia through its School of Medicine desires to collaborate and affiliate with Inova Health System Foundation (“Inova”) with respect to a number of academic endeavors. UVA desires to create a regional campus of its School of Medicine on the Inova Fairfax Campus in order to provide Clerkship and Post-Clerkship opportunities for UVA medical students. In addition, UVA desires to partner with Inova and other Virginia institutions of higher education as described below for the Global Genomics and Bioinformatics Research Institute on the campus of the former ExxonMobil headquarters in Falls Church, Virginia where Inova has established the Inova Center for Personalized Health. Inova and UVA intend to enter into a Master Academic Affiliation Agreement (the “Master Agreement”), as well as related agreements, to document their collaboration and affiliation.

DISCUSSION:

UVA Regional Campus

The UVA School of Medicine proposes to create a regional campus to be known as the “UVA School of Medicine – Inova Campus” (the “Regional Campus”), as such program is described by the Liaison Committee on Medical Education (“LCME”), which will be located on the Inova Fairfax campus and will include clinical rotations by medical students under the direction and supervision of Regional Campus faculty. UVA expects to send the first group of students to the Regional Campus in March 2021.

Specifically, UVA School of Medicine students can elect to complete their Clerkship and Post-Clerkship rotations at the Regional Campus rather than in Charlottesville or some other location. The “Clerkship” refers to that period of time that commences for a second year UVA medical student on or about March 1 and terminates on or about March 1 of such student’s third year of medical school and includes learning experiences required by the UVA School of Medicine Curriculum Committee for all medical students. The “Post-Clerkship” refers to that period of time that commences for a UVA medical student on or about March 1 of the third year of medical school and terminates upon graduation. The Post-Clerkship phase includes both required and elective learning experiences.

All UVA medical students will complete the first eighteen-months (the “Pre-Clerkship” phase) of their medical education on grounds in Charlottesville at the School of

Medicine. Each year up to approximately 36 medical students can elect through the application and acceptance process to go to the Regional Campus for their Clerkship and Post-Clerkship experiences. Ultimately UVA would have a cohort of approximately 72 medical students located at the Regional Campus (36 in their Clerkship rotation and 36 in their Post-Clerkship rotation).

The Regional Campus will provide the medical students who choose to go there with the opportunity to learn in an environment with a denser population. Additionally, the School of Medicine and the UVA Medical Center do not have sufficient clinical or facilities capacity to accommodate all of the Clerkship and Post-Clerkship rotations for all of the UVA medical students, which currently requires medical students to rotate at a number of other health care facilities.

UVA will retain primacy of authority at all times over all academic affairs for the Regional Campus, including (i) the recruitment and selection of students, (ii) the design, content, teaching methods, and evaluation of the curriculum, (iii) appointment of teaching faculty, and (iv) the requirements for promotion and graduation of students. The Regional Campus will be operated in compliance with applicable LCME and the Southern Association for Colleges and Schools (“SACS”) accreditation standards, as well as any applicable requirements from the State Council of Higher Education for Virginia (“SCHEV”). UVA expects to submit its application to the LCME in or about August 2017.

Regional Campus Faculty will be clinicians employed or contracted by Inova or an Inova affiliate and will be granted non-salaried, non-tenure eligible instructional faculty track appointments in the School of Medicine. Inova will provide educational facilities, offices and support services that comply with LCME requirements.

The initial estimated annual operating expenses for the Regional Campus are \$3.8 million. The School of Medicine will re-allocate approximately \$1.2 million annually from its budget to pay for the Regional Campus faculty expense and will assume approximately \$700,000 in additional Clerkship faculty direct expenses. UVA and Inova will split the additional approximately \$1.9 million of incremental administrative and support expenses for the first five years, and will revisit the budget for the Regional Campus thereafter.

Global Genomics and Bioinformatics Research Institute

UVA, Inova, and George Mason University (“GMU”) are the founding members of the Global Genomics and Bioinformatics Research Institute (the “Institute”), which will be housed on the campus of the Inova Center for Personalized Health (“ICPH”). The overarching mission of the Institute is to improve the quality of the human condition and its environment. The Institute will focus on five principle areas of research: genetics and genomics; systems biology of disease; developmental biology; computational biology; and bio-engineering.

The Institute has been formed as a Virginia nonstock corporation and plans to seek 501(c)(3) tax exempt status. The Institute has two classes of members: Class A and Class

B. Initially UVA, Inova, and GMU are the Class A members, and UVA, Inova, and GMU are also the Class B members. The Class A members have the right, among other things, to approve the retrofit of the Institute's Facilities. All decisions made by the Class A members require the affirmative vote of both UVA and Inova. The Class B members have the right, among other things, to approve the plan to recruit the Institute's researchers, and all matters that require a vote of the Class B members require that both UVA and Inova agree. Other state institutions of higher education (specifically Virginia Tech ("Tech"), Virginia Commonwealth University ("VCU"), Old Dominion University ("ODU"), and the College of William & Mary ("William & Mary")), or private sector entities with genomics or bioinformatics expertise, may join the Institute as members on terms agreed to by the Class A members. The governance structure is more specifically set forth in Articles of Incorporation and Bylaws for the Institute.

Initially the Institute has a five person Board of Directors, with UVA appointing two directors, Inova appointing two directors, and GMU appointing one director. Going forward, UVA and Inova can each appoint up to two more board members as necessary and appropriate for the governance of the Institute. The Institute has a President/CEO, whose duties include the day-to-day oversight of the Institute and serves as the primary management liaison with the Institute Board. John Niederhuber, M.D. from Inova is the founding President/CEO.

In addition, the Institute has a five person Scientific Advisory Committee (the "SAC") comprised initially of five scientists appointed by UVA, Inova, and GMU. The SAC serves as a peer review body to vet and recommend to the Institute Board the prioritization of Institute research, the necessary space needs for the Institute, and the criteria for the recruitment of research talent. Further the Institute Board is expected to appoint an External Advisory Committee of nationally and internationally recognized scientists from outside the Commonwealth, with appropriate content expertise, to periodically evaluate the Institute's research enterprise and resources and to provide strategic direction and advice to the Board for the continued growth of the Institute.

Inova and UVA will renovate "Building C" on the ICPH campus, an existing commercial office building of approximately 220,000 net square feet (approximately 202,000 rentable square feet), for Institute research laboratory space and related enhancements, together with other space in or adjacent to Building C for a vivarium and biorepository (collectively the "Institute Facilities"). UVA and Inova will equally bear the cost of the renovations of the Institute Facilities, less a one million dollar contribution from GMU. The current estimated cost of the renovations for the Institute Facilities is approximately \$111 million. UVA and Inova will each lease from the Institute approximately half of the Institute Facilities, with GMU and other future partners subleasing space as needed, on such terms as the participating parties agree regarding facility usage and investment.

In addition, UVA, Inova, GMU, and any future research participants will partner to recruit high caliber and high performing research talent to engage in Institute research on-site at the Institute Facilities. It is the parties' expectation that all researchers will have

M.D., Ph.D., or M.D./Ph.D. degrees and an established independent research laboratory, with a history of exceptional publications and extramural funding, in one or more of the Institute research focus areas. It is also the expectation that they will bring a team of scientists, as well as significant external funding, with them to the Institute.

The Virginia General Assembly has made available certain funding to support the Institute. Budget Item 478.20, H.B. 1500 (Chapter 836), of the 2016 Appropriation Act (the “Budget Item”) provides up to \$20 million for “lab renovations and enhancements and/or research equipment” for the Institute and up to \$8 million for incentive packages for the researcher recruitments for the Institute provided that the parties meet certain requirements as determined by the Virginia Research Investment Committee (“VRIC”), as set forth in the Budget Item. The funds in the Budget Item were appropriated for Fiscal Year 2017. The Budget Item recognizes UVA, GMU, Tech, VCU, ODU and William & Mary as potential eligible higher education participants and also permits private sector partners. At this time Inova, UVA, and GMU are pursuing this funding. On May 24 VRIC approved the \$20 million for the renovations to the Institute Facilities, and approved the five focus areas for research recruitments.

Based on the estimate of \$111 million for the renovation costs, UVA and Inova will commit to funding of approximately \$45 million each to retrofitting the Institute Facilities, the Commonwealth will fund \$20 million, and GMU will fund \$1 million. In the future, the Commonwealth may provide up to \$8 million for the researcher recruitments, predicated on the participation of one or more of the other four institutions of higher education named in the Budget Item (Tech, VCU, ODU, and William & Mary).

The Institute and its members will develop a comprehensive business plan and budget for the Institute, which will be reviewed and updated periodically.

In addition, UVA and Inova are exploring other research opportunities beyond the Institute.

ACTION REQUIRED: Approval by the Medical Center Operating Board, by the Finance Committee, and by the Board of Visitors.

APPROVAL OF ACADEMIC AFFILIATION WITH INOVA HEALTH SYSTEM FOUNDATION

WHEREAS, UVA, through its School of Medicine, desires to collaborate and affiliate with Inova Health System Foundation (“Inova”) on a number of academic initiatives to further the educational and research missions of the UVA School of Medicine; and

WHEREAS, the UVA School of Medicine desires to create an LCME-accredited campus on the Inova Fairfax Campus for the Clerkship and Post-Clerkship medical education of UVA medical students starting in March 2021; and

WHEREAS, the UVA School of Medicine desires to partner with Inova, and other institutions as appropriate, to create the Global Genomics and Bioinformatics Research Institute (the "Institute") on the Inova Campus; and

WHEREAS, the Virginia General Assembly has recognized the importance to the Commonwealth of collaborative efforts toward research with respect to genomics and bioinformatics and accordingly has appropriated funds for such purpose for use by the Institute (Budget Item 478.20) to be administered by the Virginia Research Investment Committee ("VRIC"), and UVA and Inova desire to pursue this funding; and

WHEREAS, the Medical Center Operating Board and the Finance Committee find it to be in the best interests of UVA for the School of Medicine to explore these opportunities with Inova and to enter into one or more affiliations or collaborative relationships as generally described herein;

RESOLVED, the Board of Visitors finds it to be in the best interest of and consistent with the mission and purpose of UVA and its School of Medicine for UVA, through its School of Medicine, to collaborate and affiliate with Inova as authorized hereby, and the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center Operating Board, and the Chair of the Finance Committee, is authorized to negotiate and agree upon the terms of UVA's overall academic collaborative relationship with Inova, including those terms to be included in the Master Agreement, on such terms at the Executive Vice President for Health Affairs deems appropriate; and

RESOLVED FURTHER, UVA, on behalf of the School of Medicine, is authorized to create the Regional Campus to be located on the Inova Fairfax, Virginia campus and to be known as the "UVA School of Medicine - Inova Campus" and to expend necessary UVA funds for such purpose, and the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center Operating Board, and the Chair of the Finance Committee, is authorized to negotiate and agree upon the terms of the Regional Campus agreement with Inova, and all other documents needed for the creation or operation of the Regional Campus, on such terms as the Executive Vice President for Health Affairs deems appropriate; and

RESOLVED FURTHER, UVA, on behalf of its School of Medicine, is authorized to enter into a collaborative relationship with Inova, and such other parties as may be determined to be necessary including GMU, for genomics and bioinformatics research, including the formation of the Global Genomics and Bioinformatics Research Institute entity (the "Institute"), and UVA is authorized to be a member in such Institute, lease and sublease space as required for UVA's needs, and to expend necessary UVA funds for such purpose; and

RESOLVED FURTHER, the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center

Operating Board, and the Chair of the Finance Committee, is authorized to negotiate and agree upon the terms of all research initiatives between UVA, Inova and such other parties as may be determined to be necessary including GMU; the terms to create and operate the Institute, including terms related to UVA's membership interest in the Institute; renovation and use of facilities for the Institute; recruitment of research talent for the Institute, state funding for the Institute, and other related matters, all on such terms as the Executive Vice President for Health Affairs deems appropriate; and

RESOLVED FURTHER, the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center Operating Board, and the Chair of the Finance Committee, is authorized to execute contracts and all other documents necessary to achieve the purposes described herein for the creation of an academic affiliation with Inova, including (i) creation and operation of the Regional Campus and (ii) the formation of the Institute and UVA's participation in the Institute as a member, *inter alia*, the Master Agreement, an agreement for the Regional Campus, Articles of Incorporation and Bylaws for the Institute, and further to execute such other documents as may be required by VRIC in order to pursue and receive state funding for the Institute, all on such terms as the Executive Vice President for Health Affairs deems appropriate, and to take all other actions and execute all other documents necessary and appropriate to consummate all of the foregoing matters; and

RESOLVED FURTHER, the Board of Visitors ratifies and approves all action taken prior to the date hereof on behalf of UVA to effectuate the foregoing, including action taken on behalf of UVA to obtain state funding for the Institute.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: IV.A. Fiscal Year 2017 Consolidated Year-to-Date Report

ACTION REQUIRED: None

BACKGROUND: The Medical Center prepares a periodic financial report and reviews it with the Executive Vice President for Health Affairs before submitting the report to the MCOB.

Douglas E. Lischke, C.P.A., M.B.A., C.I.T.P., C.H.F.P., serves as the Health System’s Chief Accounting Officer and Controller. Prior to coming to UVA Health System, Doug was the Associate Vice President for Financial Services and Controller for Wake Forest Baptist Medical Center. Doug is an active Certified Public Accountant, a Certified Healthcare Finance Professional, and a Certified Information Technology Professional with over 23 years of financial management experience.

FINANCE REPORT

School of Medicine – Academic, Clinical, Health Sciences Library

Operating Income YTD 3/31/17 (in millions) (“M”)	<u>Actual</u>	<u>Budget</u>	<u>Fav/ (Unfav)</u>
UPG-Clinical	(9.6)	2.2	(11.9)
SOM-Academic	(5.9)	(17.8)	11.9
Library	(0.7)	-	(0.7)
Consolidated SOM	(16.2)	(15.6)	(0.6)

The Consolidated School of Medicine generated an operating loss of \$16.2M after transfers from the Medical Center for the first nine months of Fiscal Year 2017, compared to a budgeted loss of \$15.6M.

The University of Virginia Physicians Group (UPG) produced an operating loss of \$9.6M, which was \$11.9M unfavorable to budget. This was driven by unplanned retirement expense of \$9.9M, which is expected to climb to \$15.3M by June 30, 2017. UPG’s non-faculty practices also missed the operating budget by \$1.5M, driven by new initiatives not

yet implemented (weekend and after hours care) and unexpected physician transitions. These losses were partially offset by additional indigent care recoveries.

This negative variance is offset by the Academic Division, which is \$11.9M favorable to budget, due to timing of new hires, favorable extramural funding, and gift income.

Medical Center

After nine months of operations in Fiscal Year 2017, the operating income for all Medical Center business units was \$72.2M, resulting in a 6.0% operating margin. Operating income was favorable to budget by \$48.3M. Overall, there was a positive trend for most financial indicators. Admissions, adjusted discharges, clinic visits, surgical cases, transplants, and case mix index were all above the budget and the prior year. The operating margin for the overall Medical Center is supported by continued strong results from our dialysis, imaging, post-acute, and infusion centers. At the end of March, cash reserves totaled 153 days. Effective July 2017, the Strategic Investment Pool will be accounted for as unrestricted, which will increase cash reserves to 190 days.

Total expenses adjusted for volume and case mix index were below the budget and the prior year as well.

Total paid employees for all business units, including contracted employees, were 129 below budget. Contract labor is primarily individuals employed by the School of Medicine and contracted to the Medical Center. The Medical Center had 61 nurse travelers.

	<u>FY 2017</u>	<u>2017 Budget</u>
Employee FTEs	7,827	8,019
Contract Labor FTEs	295	232
Salary, Wage and Benefit Cost/FTE	\$85,315	\$85,916
Total FTEs	8,122	8,251

We are projecting that the Medical Center and the overall Health System will exceed its budget for Fiscal Year 2017.

University of Virginia Medical Center

Income Statement

(Dollars in Millions)

Excluding Culpeper Regional Hospital

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-15	Mar-16	Mar-17	Mar-17
Net patient revenue	\$1,006.1	\$1,077.8	\$1,159.6	\$1,114.0
Other revenue	<u>31.0</u>	<u>35.7</u>	<u>41.4</u>	<u>38.1</u>
Total operating revenue	<u>\$1,037.2</u>	<u>\$1,113.4</u>	<u>\$1,201.0</u>	<u>\$1,152.1</u>
Operating expenses	900.1	977.9	1,044.4	1,036.7
Depreciation	66.3	71.6	71.4	76.1
Interest expense	<u>15.2</u>	<u>15.2</u>	<u>13.0</u>	<u>15.3</u>
Total operating expenses	<u>\$981.5</u>	<u>\$1,064.7</u>	<u>\$1,128.8</u>	<u>\$1,128.1</u>
Operating income (loss)	<u>\$55.6</u>	<u>\$48.7</u>	<u>\$72.2</u>	<u>\$24.0</u>
Principal payment	\$11.2	\$11.2	\$12.8	\$12.8

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

Excluding Culpeper Regional Hospital

Description	Most Recent Three Fiscal Years		
	Mar-15	Mar-16	Mar-17
Assets			
Operating cash and investments	\$300.8	\$218.4	\$68.4
Patient accounts receivables	167.4	172.9	184.9
Property, plant and equipment	849.4	874.1	987.7
Depreciation reserve and other investments	197.0	248.1	613.0
Endowment Funds	534.6	544.0	582.9
Other assets	<u>202.7</u>	<u>230.1</u>	<u>251.5</u>
Total Assets	<u>\$2,251.9</u>	<u>\$2,287.7</u>	<u>\$2,688.5</u>
Liabilities			
Current portion long-term debt	\$6.8	\$6.5	\$8.4
Accounts payable & other liab	120.8	131.1	113.6
Long-term debt	464.4	445.8	767.4
Accrued leave and other LT liab	<u>167.9</u>	<u>282.3</u>	<u>271.2</u>
Total Liabilities	- <u>\$759.8</u>	- <u>\$865.8</u>	- <u>\$1,160.6</u>
Fund Balance	- <u>\$1,492.1</u>	- <u>\$1,421.9</u>	- <u>\$1,527.9</u>
Total Liabilities & Fund Balance	<u>\$2,251.9</u>	<u>\$2,287.7</u>	<u>\$2,688.5</u>

*\$613M includes ED Tower bond issue funds of \$299M

**University of Virginia Medical Center
Financial Ratios**

Excluding Culpeper Regional Hospital

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-15	Mar-16	Mar-17	Mar-17
Operating margin (%)	5.4%	4.4%	6.0%	2.1%
Current ratio (x)	3.7	2.8	2.1	2.4
Days cash on hand (days)	198	171.2	151.8	190.0
Gross accounts receivable (days)	48	49.7	46.8	45.0
Annual debt service coverage (x)	5.3	5.7	7.0	5.2
Debt-to-capitalization (%)	32.7%	33.7%	44.8%	31.8%
Capital expense (%)	8.3%	8.2%	7.5%	8.1%

**University of Virginia Medical Center
Operating Statistics**

Excluding Culpeper Regional Hospital

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-15	Mar-16	Mar-17	Mar-17
Acute Admissions	21,113	21,090	21,743	21,072
Patient days	133,074	135,316	136,059	133,795
Observation Patients - MC only	3,200	3,347	3,275	3,246
Post Procedure Patient - MC only	3,433	3,456	3,882	3,549
All Payor CMI Adj. Average Length of Stay	2.93	2.89	2.89	2.90
Clinic visits	626,319	641,313	657,886	647,857
ER visits - MC only	45,161	47,232	47,103	47,268
All Payor CMI	2.04	2.09	2.12	2.07
Average beds available				
FTE's (including contract labor)	7,480	7,934	8,122	8,251

University of Virginia Medical Center
SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES
Fiscal Year to Date March 31, 2017 with Comparative Figures for Prior Fiscal Year to Date March 31, 2016
Excludes Culpeper Regional Hospital

OPERATING STATISTICAL MEASURES

ADMISSIONS and CASE MIX - Year to Date					OTHER INSTITUTIONAL MEASURES - Year to Date				
	<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>	<u>Prior Year</u>		<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>	<u>Prior Year</u>
ADMISSIONS:					ACUTE INPATIENTS:				
Adult	18,602	17,748	4.8%	17,795	Inpatient Days	136,059	133,795	1.7%	135,316
Pediatrics	1,992	2,116	(5.9%)	2,122	All Payor CMI Adjusted ALOS	2.89	2.90	(0.4%)	2.89
Psychiatric	839	887	(5.4%)	871	Average Daily Census	497	488	1.8%	492
Transitional Care	310	321	(3.4%)	302	Births	1,350	1,205	12.0%	1,254
Subtotal Acute	21,743	21,072	3.2%	21,090					
Observation	3,275	3,246	0.9%	3,347	OUTPATIENTS:				
Total Admissions	25,018	24,318	2.9%	24,437	Clinic Visits	657,886	647,857	1.5%	641,313
Adjusted Admissions	46,737	45,284	3.2%	44,135	Average Daily Visits	3,710	3,659	1.4%	3,614
Post Procedure	3,882	3,549	9.4%	3,456	Emergency Room Visits - MC	47,103	47,268	(0.3%)	47,232
CASE MIX INDEX:					SURGICAL CASES				
All Payor CMI	2.12	2.07	2.3%	2.09	UVA Main Hospital Operating Room (IP and OP)	13,180	12,719	3.6%	12,985
Medicare CMI - UVA Hosp & Clinics	2.24	2.23	0.7%	2.25	UVA Outpatient Surgery Center	9,408	9,267	1.5%	9,095
					Total	22,588	21,986	2.7%	22,080

OPERATING FINANCIAL MEASURES

REVENUES and EXPENSES - Year to Date					OTHER INSTITUTIONAL MEASURES - Year to Date				
	<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>	<u>Prior Year</u>		<u>Actual</u>	<u>Budget</u>	<u>% Variance</u>	<u>Prior Year</u>
(\$s in thousands)					(\$s in thousands)				
NET REVENUES:					NET REVENUE BY PAYOR:				
Net Patient Service Revenue	1,159,565	1,113,967	4.1%	1,077,777	Medicare	\$ 338,115	\$ 314,129	7.6%	\$ 313,355
Other Operating Revenue	41,437	38,100	8.8%	35,662	Medicaid	222,560	220,422	1.0%	215,123
Total	\$ 1,201,002	\$ 1,152,067	4.2%	\$ 1,113,439	Commercial Insurance	169,920	173,100	(1.8%)	176,165
					Anthem	240,995	227,344	6.0%	205,476
EXPENSES:					Aetna	79,242	78,745	0.6%	77,815
Salaries, Wages & Contract Labor	\$ 521,580	\$ 527,455	1.1%	\$ 491,140	Other	108,733	100,227	8.5%	89,843
Supplies	278,808	270,051	(3.2%)	258,963	Total Paying Patient Revenue	\$ 1,159,565	\$ 1,113,967	4.1%	\$ 1,077,777
Contracts & Purchased Services	243,985	239,188	(2.0%)	227,779					
Depreciation	71,359	76,136	6.3%	71,585	OTHER:				
Interest Expense	13,038	15,278	14.7%	15,245	Collection % of Gross Billings	29.68%	29.14%	1.8%	30.13%
Total	\$ 1,128,770	\$ 1,128,109	(0.1%)	\$ 1,064,712	Days of Revenue in Receivables (Gross)	46.8	45.0	(4.0%)	49.7
Operating Income	\$ 72,232	\$ 23,958	201.5%	\$ 48,726	Cost per CMI Adjusted Admission	\$ 11,482	\$ 12,107	5.2%	\$ 11,635
Operating Margin %	6.0%	2.1%		4.4%	Total F.T.E.'s (including Contract Labor)	8,122	8,251	1.6%	7,934
					F.T.E.'s Per CMI Adjusted Admission	22.64	24.26	6.7%	23.84

University of Virginia Medical Center

SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES

Fiscal Year to Date March 31, 2017 with Comparative Figures for Prior Fiscal Year to Date March 31, 2016

Assumptions - Operating Statistical Measures

Admissions and Case Mix Assumptions

Admissions include all admissions except normal new borns
Pediatric cases are those discharged from 7 West, 7 Central, 7 North, NICU and PICU
Psychiatric cases are those discharged from 5 East
TCH cases are those discharged from the TCH, excluding any Medicare interrupted stays
All other cases are reported as Adult
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 new borns
Surgical Cases are the number of patients/cases, regardless of the number of procedures performed on that patient

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 Adjusted Discharge uses All Payor CMI to adjust

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: IV.B. Fiscal Year 2018 Operating and Capital Budgets and Annual Renovation and Infrastructure Plan for the University of Virginia Health System

BACKGROUND: The Health System includes the Medical Center, the School of Medicine, UPG, and the Library. The Medical Center, School of Medicine, and Library’s operating and capital budgets are consolidated with the University’s overall budget. UPG is deemed a component unit and, therefore, reported separately from the University. The Board of Visitors acts on the proposed budget based on a recommendation of endorsement from the Medical Center Operating Board.

DISCUSSION: For Fiscal Year 2018, the Health System is budgeting a \$1.8M operating surplus. This is comprised of the Consolidated Medical Center’s operating income of \$63.6M and the Consolidated SOM’s operating loss of \$61.8M (before Medical Center non-operating support / transfers totaling \$55.6M). The Academic Division is budgeting a \$46.0M loss, which is driven by significant investments into the research enterprise. The Clinical division (UPG) is budgeting a loss of \$15.8M, driven by retirement/pension expense and lower clinical margins, primarily due to compensation adjustments and endowment transfers totaling \$2.8M.

Operating Income Comparison				
(\$'s in millions)				
	FY18B	FY17P	Variance	
MC Consolidated	63.6	87.5	(23.9)	EPIC \$22M & Ufirst/HR Redesign \$6M. Of the \$28M, \$21M is non-recurring expense.
SOM-Academic	(46.0)	(34.8)	(11.2)	New faculty recruits \$7.7M and new programs (including Clinical Translational Project) net of funding \$3.5M.
UPG-SOM Clinical	(15.8)	(7.5)	(8.3)	Pension expense and lower clinical margins primarily due to compensation adjustments and \$2.8M for endowment transfers.
Library	-	-	-	
SOM Consolidated	(61.8)	(42.3)	(19.5)	
Net Operating Inc/(Loss)	\$ 1.8	\$ 45.2	\$ (43.4)	

OPERATING PLAN: The rapidly changing health care environment will require continuous examination of budget assumptions and on-going financial performance. Through continuous improvement activities using lean methodologies, leadership will identify and implement quality and process improvement strategies that will allow for operational streamlining and cost efficiencies.

The major strategic initiatives that impact next year's fiscal plan include:

- Implementing EPIC Revenue Cycle, OR, Labs and Home Health as well as centralized scheduling and Kronos timekeeper.
- Redesigning the Human Resources and Payroll organization in alignment with UFirst.
- Advancing the relationship with Novant Health to create a Northern Virginia regional health system.
- Opening of endoscopy procedure center at Monroe Lane.
- Bolstering of the Be Safe infrastructure to further enhance safety and quality improvement efforts.
- Recruitment of physician scientists and chair replacements.
- Maintaining market driven and performance compensation enhancements for faculty and staff.
- Initiating clinical translational research project and enhancing School of Medicine IT infrastructure.
- Continued development of internally managed employee wellness program (Be Well).

The major risk factors that impact the ability to accomplish the budget include:

- National decisions related to healthcare reform including ACA repeal/replace, including the American Health Care Act of 2017, and Medicaid funding.
- Maintaining and growing a superior workforce in an environment where workforce shortages are projected.
- Further Medicare payment reductions in GME, IME and Facility Fees.
- Consolidation of commercial payers and price transparency.
- Ability to contain costs and gain efficiencies given an increasingly high acuity patient population.

School of Medicine

The education mission is composed primarily of the Medical Education Program, the Biomedical Sciences Graduate Program, and the Masters of Public Health Sciences. The Medical Education Program is expected to remain constant, with flat enrollment and flat tuition. The Biomedical Sciences Graduate Program and the Masters of Public Health Sciences programs are expected to maintain flat enrollment while increasing tuition by 6.6% and 4%, respectively. The research mission is anticipated to grow substantially in the coming years with the recruitment of 18 new physician/basic scientists. The plan calls for 32 new recruits, of which 14 have been hired with 18 remaining. This is driving part of the increase in extramural funding. Total strategic support in Fiscal Year 2018 is \$22.7M,

made up of \$4.2M in strategic hire support and \$18.5M in existing startup/development departmental packages. Total capital spend is budgeted at \$42.1M in Fiscal Year 2018, including \$32.2M related to Pinn Hall Renovations (\$25.7M of which is funded by the Medical Center).

The clinical mission, comprised of professional services provided through UPG, is expecting a 5.6% increase in patient care volumes over Fiscal Year 2017 projection. Reimbursement rates from commercially insured patients are expected to increase approximately 3.5% based on current contract terms and are structured as fee for service contracts. Inpatient volumes are expected to grow marginally, while outpatient is the primary driver of growth. Outpatient growth is due to continued efforts to increase productivity and efficiencies as well as expansion and facility upgrades within the Clinical Practice Group. Salary and benefit expense is projected to increase 8.2% and 10.8% over the Fiscal Year 2017 projection, respectively, with administrative operations maintaining flat FTE's year over year. Other expenses are increasing based on current trends. Capital spend is budgeted at \$10.9M in Fiscal Year 2018, primarily due to relocation and refurbishment of Clinical Practice locations.

Medical Center

Market Conditions: For Fiscal Year 2018, discharges are budgeted to grow 0.3% from Fiscal Year 2017 projected levels. Although statewide admissions are trending downward, our budgeted projection is driven by targeted growth efforts across Cancer, Heart and Vascular, Neuroscience, Transplant, and Orthopaedics. The Medical Center is expected to capture additional market share in high CMI services by continuing to invest in higher acuity services and through emerging regional partnership opportunities.

Outpatient services are expected to grow by 0.6% in total, which includes Emergency Department visits and clinic visits at our Outreach locations. The following table includes historical and projected patient volumes:

	<u>Actual</u> <u>FY 2016</u>	<u>Projected</u> <u>FY 2017</u>	<u>Budget</u> <u>FY 2018</u>
Discharges Medical Center	27,800	28,585	28,676
Discharges Transitional Care	389	405	413
Adjusted Discharges	59,278	62,191	62,145
Average length of stay (ALOS) MC	6.03	6.01	6.00
ALOS Transitional Care Hosp.	30.10	26.00	28.00
Patient days at MC	169,213	171,796	172,041
Clinic & ER visits	918,274	940,759	946,314

Revenues: Fiscal Year 2018 budgeted revenue is \$1.680B, 4.6% above projected Fiscal Year 2017 revenue. The Medical Center has seen a disproportionate share of revenue

growth in Medicaid and Medicare, and we expect this trend to continue as the population ages. One of the Medical Center's largest challenges is the unwillingness of government payers to increase their payments commensurate with the increases in medical delivery costs. Growth in revenues into Fiscal Year 2018 will result from rate increases in commercial contracts and a slight uptick in volumes.

Medical Center surgical volumes are expected to increase 2.4% in the outpatient surgery center as the number of procedures available in the ambulatory setting continues to increase, while main operating room surgeries are expected to remain flat.

The Medical Center expects an aggregate rate increase of 4.0% on commercial contracts, which is commensurate with rate increases that will generally be implemented in the hospital industry.

Expenses: Expenses from operations are projected to increase by \$96.7M from the Fiscal Year 2017 projection, a 6.4% increase. Expenses per case mix index (CMI) weighted adjusted discharges are projected to increase from \$11,437 to \$12,216 (excluding the Transitional Care Hospital). Excluding \$21.0M of non-recurring EPIC and UFirst costs, operating expenses are increasing 5.0%.

Previous increases in capital investment will result in additional net depreciation expense of \$1.4M for Fiscal Year 2018 as we invest in strategic projects. Additionally, interest cost on capital investments is increasing by \$2.3M for Fiscal Year 2018. The Medical Center's 2017-2018 fiscal plan accounts for these additional expenses while preserving its goal of providing high quality and cost effective health care, education, and research services.

Staffing: The Medical Center will be making strategic investments in incremental FTEs that support volume growth, enhanced care model for nursing support and retention as well as centralized scheduling processes (Patient Friendly Access). FTEs are planned at 8,589, an increase of 430 FTEs from the current Fiscal Year projection of 8,159 FTEs. This includes 56 FTE's that are temporary or transfers from other Health System enterprises.

Current FTE's	8,159	
Clinical Expansion/growth	87	Pharm, Endoscopy, Post Acute, Dialysis, Imaging
Nursing / Standard of Care Model	54	Care Model: RN's, Nurse managers
Patient Friendly Access	80	Centralized Scheduling, Registration (PODS)
EPIC / Revenue Cycle	62	EPIC support, Partial FTE's in 17, full in 18, Capital to Oper.
"Be well" Program	26	Will manage 20,000 members vs current 5,000
Other Hospital	65	Security, IT Cyber, Telemed, Support
New FTE's	374	4.6% increase
Total FTE's - FY18	8,533	
Transfers	34	Health South and Dev. Office
EPIC Temps	22	EPIC go live support
Total FTE's including temps/trans	8,589	

With regard to compensation, the pay-for-performance pool has been established at \$9.5M, which includes the impact on benefit costs and is based on a 2.5% salary adjustment with October implementation date. Other salary adjustments, such as market and compensation design adjustments, total \$7.4M including the impact on benefit costs.

A summary of historical and projected financial operating results are provided as follows:

(Millions)	Actual FY 2016	Projected FY 2017	Budgeted FY 2018
Total operating revenue	\$1,509	\$1,607	\$1,680
Operating expense	<u>1,431</u>	<u>1,519</u>	<u>1,616</u>
Operating income	78	87	64
Transfers to SOM*	<u>(49)</u>	<u>(31)</u>	<u>(56)</u>
Total Net Income	\$29	\$56	\$8
Operating margin	5.2%	5.4%	3.8%
EBITDA**	\$193	\$202	\$180

* Represents Medical Center Transfers to the School of Medicine. All other non-operating, such as investments and joint ventures are excluded from this presentation.

** EBITDA is operating earnings before interest, taxes, depreciation and amortization.

Capital Plan: Funds available to meet capital requirements are derived from operating cash flows, funded depreciation reserves, philanthropy, and investment income. The Health System faces many challenges regarding capital funding as continued pressures on the operating margin affect cash flow, while demand for capital has increased significantly due to space requirements, technological advances, and aging of existing equipment and facilities. The Health System management team recommends \$186.0M be authorized for Fiscal Year 2018 capital requirements. Request per enterprise: Medical Center \$133.0M, School of Medicine \$42.1M (with \$5.2M funded from external sources) and UPG \$10.9M.

ACTION REQUIRED: Approval by the Medical Center Operating Board, by the Finance Committee, and by the Board of Visitors

FISCAL YEAR 2018 OPERATING AND CAPITAL BUDGETS AND ANNUAL RENOVATION AND INFRASTRUCTURE PLAN FOR THE UNIVERSITY OF VIRGINIA HEALTH SYSTEM

RESOLVED, the Fiscal Year 2018 Operating and Capital Budgets and Annual Renovation and Infrastructure Plan for the University of Virginia Medical Center are approved, as recommended by the Executive Vice President for Health Affairs, the Executive Vice President and Chief Operating Officer of the University, and the Medical Center Operating Board.

Schedule A
University of Virginia - Medical Center
Projected Fiscal Plan
FY2018

	FY2016 Actual	FY2017 Forecast	FY2018 Budget
Revenues			
Total Gross Charges	\$ 4,822,930,846	\$ 5,219,375,720	\$ 5,528,624,947
Less Deductions:			
Indigent Care Deduction	295,581,036	320,199,198	337,278,931
Bad Debt	46,219,107	53,271,636	66,388,929
Contractual Deduction	3,024,385,143	3,297,258,121	3,499,488,960
Total Deductions	3,366,185,286	3,670,728,955	3,903,156,820
Net Patient Revenue	1,456,745,559	1,548,646,765	1,625,468,127
Miscellaneous Revenue	52,537,064	57,925,307	54,223,713
Total Revenue	1,509,282,623	1,606,572,072	1,679,691,840
Expenses			
Expenses from Operations			
Operating Expenses	1,315,929,705	1,404,490,935	1,497,529,701
Depreciation and Amortization	94,351,193	96,167,331	97,513,124
Interest Expense	20,534,901	18,687,468	21,008,777
Total Expenses from Operations	1,430,815,799	1,519,345,734	1,616,051,602
Operating Income	78,466,825	87,226,338	63,640,237
Non-Operating Expense Transfers **	(49,763,070)	(31,066,558)	(55,611,504)
Net Income After Transfers	\$ 28,703,755	\$ 56,159,780	\$ 8,028,733
Statistics			
Discharges - Medical Center	27,800	28,585	28,676
Discharges - Transitional Care Hospital	389	405	417
Patient Days of Care - Medical Center	169,213	171,796	172,041
Patient Days of Care - Transitional Care Hospital	11,479	10,936	11,680
Clinic and Emergency Room Visits (Excluding Acquired Practices and Freestanding Clinics)	918,274	940,759	946,314
Average Length of Stay - Medical Center	6.03	6.01	6.00
Average Length of Stay - Transitional Care Hospital	30.10	27.00	28.00

* Excludes Culpeper Regional Hospital

** Represents Medical Center Transfers to SOM. All other investment activity such as investment earnings and joint ventures are excluded from this presentation.

University of Virginia Medical Center
Operating Financial Plan
(dollars in thousands)

	FY2018 Budget	FY2017 Projected	FY2017 Budget	FY2016 Actual
Operating Revenues				
Total Gross Charges	\$5,528,625	\$5,219,376	\$5,117,343	\$4,822,931
Less Deductions:				
Indigent Care Deduction	337,279	320,199	318,233	295,581
Bad Debt	66,389	53,272	45,162	46,219
Contractual Deduction	3,499,489	3,297,258	3,258,685	3,024,385
Total Deductions	3,903,157	3,670,729	3,622,080	3,366,185
Net Patient Revenue	1,625,468	1,548,647	1,495,263	1,456,746
Miscellaneous Revenue	54,224	57,925	51,456	52,538
Total Operating Revenues	1,679,692	1,606,572	1,546,719	1,509,284
Operating Expenses				
Compensation and Benefits	767,117	701,776	705,220	660,849
Supplies, Utilities, and Other	730,413	702,716	682,560	655,081
Depreciation and Amortization	97,513	96,167	101,626	94,351
Interest Expense	21,009	18,687	20,519	20,535
Total Operating Expenses	1,616,052	1,519,346	1,509,925	1,430,816
Operating Income	63,640	87,226	36,793	78,467
Operating Income Percent	3.79%	5.43%	2.38%	5.20%
Non-Operating Expense Transfers **	(55,612)	(31,067)	(30,612)	(49,763)
Net Income After Transfers	8,028	56,159	6,181	28,704
Add back Depreciation and Amortization	97,513	96,167	101,626	94,351
Less Principal Payments on Debt	(18,739)	(17,420)	(17,420)	(15,599)
Add Non-Operating Gains and Transfers	(7)	33,649	14,309	6,143
Cash Available for Capital and Other	86,795	168,555	104,696	113,599
Capital Funded from Operations	(132,958)	(80,043)	(127,785)	(91,262)
Additions to Cash and Reserves	-\$46.163	\$88.512	-\$23.088	\$22.337

* Excludes Culpeper Regional Hospital and all associated activity related

** Represents Medical Center Transfers to SOM. All other investment activity such as investment earnings and joint ventures are excluded from this presentation.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2016

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: V.A. Medical Center Chief Executive Officer Report

ACTION REQUIRED: None

BACKGROUND: Pamela M. Sutton-Wallace is the Chief Executive Officer of the University of Virginia Medical Center. Before assuming this position on July 1, 2014, she served as Senior Vice President for Hospital Operations of Duke University Hospital where she was responsible for several key operational areas, including Perioperative, Emergency/Trauma, Diagnostic, Medical-Surgical Critical Care, and Facility and Support Services. Ms. Sutton-Wallace joined Duke in 1997 as an administrative fellow and held several management positions during her 17-year tenure at the Duke University Health System.

DISCUSSION: The Chief Executive Officer of the Medical Center will provide the MCOB a report on operational performance, none of which requires formal action. The following summarizes operations of the Medical Center with a focus on Fiscal Year 2017 priorities of quality, safety, patient experience, team member engagement, financial performance and growth, occurring since the last MCOB meeting.

OPERATIONS REPORT

In April, Medical Center leadership met for a one-day retreat where current state and the future of the Medical Center was discussed. The morning included a presentation from Chas Roades, Chief Research Officer at The Advisory Board Company. Mr. Roades discussed the American Health Care Act of 2017 and the significant impact it will have on the Medical Center. The afternoon focused on Fiscal Year 2018 Planning. A working draft of the Fiscal Year 2018 Medical Center Work Plan and Balanced Scorecard was reviewed along with instructions for how this will be cascaded down to each service line.

HEALING: Clinical Quality and Safety

In March, Be Safe training for service line team members was rolled out. The objective of the training is to establish decentralized Lean leaders throughout the Medical Center. Through the training, each team member identifies a project to work on as a vehicle to establish Lean competency. The training utilizes real time problem solving by requiring each team member to incorporate Lean principles, concepts, and methodology into their project.

Focused improvement efforts continue through several Be Safe Coalitions, with notable improvement in the area of Clostridium Difficile infection reduction, mortality reduction, and readmission reduction.

The Leapfrog Group issued their spring 2017 Hospital Safety Grades. The Medical Center scored a “B” with a score of 0.864.

Senior Leadership recommended two revisions to the “Big 6” Be Safe metrics for Fiscal Year 2018. The first revision is that the hand hygiene metric will be removed. However, performance monitoring will continue by Infection Prevention and Control to ensure acceptable performance. The second revision is that Reduction of Deep Vein Thrombosis (DVT) will be added as a metric after reviewing performance opportunities related to several quality metrics.

SERVING: Patient Experience

Inpatient Experience performance as reflected in the overall Hospital rating March Fiscal Year to date is 73.0%. This is well above prior year (70.5%) and approaching goal (74.0%). The Inpatient Experience Unit Based Bundle (Leader Rounding, Comfort Rounds, Bedside Handover of Care and Quiet at Night) remains the focus for the final quarter of the fiscal year. Leadership will increase daily rounding with a target of 100% of all patients/families interviewed.

Outpatient Clinic patient experience as reflected in the overall Doctor Rating is 85.9% for Fiscal Year to date March 2017 with a target of 86.2%. Improvement has been impacted as the Service Line structure continues to focus on each Service Line’s respective objectives across the continuum.

The Emergency Department Fiscal Year to date March 2017 remains at 83.2, just under goal of 84.0. The Patient Experience Bundle, Rapid Medical Evaluation and “direct to bed” (bedside triage) are having positive impacts on patients’ experience.

ENGAGING: Team Member Engagement

The 2017 Health System Week celebration was held from May 5 to 12. This was a wonderful opportunity to celebrate the many contributions team members make year-round to provide safe, high-quality healthcare. Health System leadership served meals to our team members and patients at various on-site and off-site events throughout the week.

Five team members were honored with the Leonard W. Sandridge Outstanding Contributor Award. This award is the highest honor a University of Virginia Health System team member can receive.

The 2017 UVA Health System Engagement Survey will be administered in June by the new vendor, Press Ganey. The survey results will help in establishing benchmarking data for Fiscal Year 2018.

The Medical Center has hired 102 temporary resources for Epic Phase 2 go live support, including 51 clinical travelers and 51 temporary Access Associates/Patient Specialists.

BUILDING: Growth and Stewardship

The Education Resource Center opened in April. The building includes much needed lecture space, a procedural simulation center and the relocation of our Graduate Medical Education (GME) offices. In addition, the building includes outpatient imaging services and the only 24/7 outpatient pharmacy in Charlottesville.

Epic Phase II “go-live” is scheduled for July 1, 2017. Being in the critical 60-day window, primary foci are end user training and solidification of new operational workflows. After July 1, there will be a critical period of time (30-60 days) where the monitoring of key operational and financial performance indicators will occur.

The hospital expansion project remains on schedule and on budget. Most of the framing of the new tower is clearly visible from Lee Street and Crispell Drive. Continued assessment of the future allocation of inpatient beds and operating room time is ongoing. While this new space will not be occupied until after Fiscal Year 2019, an executive leadership team responsible for overseeing the development of a comprehensive operational transition plan has been assembled.

Recent Designations and Re-Certifications

- The Virginia Department of Medical Assistance Services completed a licensure extension survey for the addition of Addiction, Recovery, and Treatment Services to the Inpatient Psychiatry license.
- The Accreditation Council for Graduate Medical Education completed a Clinical Learning Environment Review site visit.
- COLA completed an accreditation survey of the UVA Cancer Center- Augusta laboratory facility and services.
- The Centers for Medicare and Medicaid Services completed a comprehensive triennial survey of the Transplant Program.
- The Virginia Board of Pharmacy completed an initial licensure inspection of the new outpatient pharmacy in the Education Resource Center.
- The American Academy of Sleep Medicine re-accredited the Sleep Medicine Department and Services.
- The Centers for Medicare and Medicaid Services completed a triennial certification inspection of the Farmville Dialysis Center as part of the End Stage Renal Disease Program.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

<u>BOARD MEETING:</u>	June 8, 2017
<u>COMMITTEE:</u>	Medical Center Operating Board
<u>AGENDA ITEM:</u>	V.B. Graduate Medical Education Annual Report, including CLER Visit, and Discussion
<u>ACTION REQUIRED:</u>	None

BACKGROUND: At the University of Virginia Medical Center, Graduate Medical Education (GME) encompasses a wide range of post-graduate training in health care fields. Although most of this training occurs in specialty programs that further the knowledge and expertise of physicians, we also provide residency and fellowship training in dentistry, pharmacy, chaplaincy, radiation physics, clinical laboratory medicine, clinical psychology, and physical therapy. GME at UVA Medical Center remains highly regarded and matching into our programs is very competitive. We believe that it is part of our mission to train professionals who will serve as the key components of the healthcare workforce in the 21st century. It is our duty to educate them to provide safe, high quality patient care, and to encourage them to carry these skills, as well as a sense of professionalism and humanism, with them beyond their residencies and fellowships.

At UVA, oversight of our GME programs is performed by the Designated Institutional Official (DIO) and Associate Dean of GME in conjunction with the institution's GME Committee (GMEC), an advisory committee to the Clinical Staff Executive Committee. Dr. Susan E. Kirk has been the DIO and chair of the GMEC at UVA since April 2006. She also holds a joint appointment as an Associate Professor in Medicine and Obstetrics and Gynecology. She is a graduate of Douglass College and Rutgers Medical School. She completed her internship and residency, and was chief resident in Internal Medicine, at the University of North Carolina Chapel Hill. At the University of Virginia, she completed a fellowship and is currently board certified in the subspecialty of Endocrinology and Metabolism. Her area of clinical expertise is in diabetes and pregnancy. She is co-director of the High Risk Obstetrical Diabetes Clinic. Dr. Kirk was appointed to the Institutional Review Committee (IRC) of the Accreditation Council for Graduate Medical Education (ACGME) in July 2013. She was elected by her peers to serve as Vice-Chair (chair-elect) this year. In July, she will assume the role of chair of the IRC and will serve in this position through June 2020.

The GMEC meets monthly to review and approve all aspects of GME and is comprised of the DIO (Chair), representative physician program directors, the Chief Quality Officer, GME administrators, and two peer-selected residents, who also serve as the Housestaff Council Co-presidents. Additional voting members include the co-chairs of the Medical Student Advocacy Committee, a non-physician program director, and the chairs of its subcommittees, which include Education, Policy, and Stipends and Benefits. The GMEC

also provides an annual report to the Clinical Staff Executive Committee. The GMEC audits every program each year with an Annual Program Review. Programs that are found to be underperforming undergo a Special Review. In 2017, we conducted Special Reviews of the following programs: Dermatology, Neurosurgery, Ophthalmology, Pulmonary/Critical Care Medicine, and Psychiatry. The most common reason for underperformance was a negative trend on the ACGME’s annual anonymous survey.

For the 2016-17 academic year, the Medical Center sponsored approximately 800 residents and fellows in 116 active specialty and sub-specialty training programs. All programs are currently in good standing. These include 79 programs accredited by the ACGME; 30 additional fellowships (non-accredited or accredited by other than the ACGME such as American Society of Nephrology Fellowship Training Accreditation Program or the United Council of Neurologic Specialties); one American Dental Association-accredited Dentistry program; and six paramedical programs in Chaplaincy, Clinical Laboratory Medicine, Clinical Psychology, Pharmacy, Clinical Radiation Physics, and Physical Therapy.

DISCUSSION:

GME Trainee Statistics

The training year for residents and fellows generally runs July to June, although some programs, including most of the surgical specialty fellowships and Chaplaincy, have later start dates. Medical, dental, and clinical psychology residents are appointed annually and reappointed through the Credentials Committee. Statistics for Fiscal Year 2017 are as follows:

Departing GME Trainees:

Completed training program*	218
Not being reappointed for academic reasons	1
Resigned for personal or academic reasons	6
Terminated from program	2

* Of the 218 residents completing training, 39 were appointed to faculty positions within the School of Medicine.

New Appointments 250

Reappointments 542

Accreditation Status

ACGME-Accredited Training Programs

Accreditation of individual GME programs and the institution is provided largely by the ACGME. The following provides a summary of accreditation actions:

1. The Institution remains fully accredited. Its first self-study will be conducted in approximately 2020, with the next accreditation site visit to follow 12-18 months later. We had our second Clinical Learning Environment Review (CLER) visit in February 2017.
2. All residency and fellowship programs are now reviewed yearly by the ACGME through a peer review process carried out by twenty-six specialty-specific committees, known as Residency Review Committees (RRCs). The RRCs focus on the following elements:
 - Resident performance, including board pass rate
 - Faculty development and scholarly activity
 - Documented program improvement
 - Adherence to requirements such as duty hours
 - Achievement of competency milestones
 - Compliance as documented by Resident and Faculty Anonymous Survey results

All programs received a Letter of Notification from their RRC early in 2017. A summary of accreditation decisions includes the following:

- 71 programs have Continued Accreditation
- 0 have Continued with Warning
- 0 have Probation
- 0 have Withdraw or Withhold
- 8 have Initial accreditation (Anesthesiology-Critical Care Medicine, Neuromuscular Medicine, Gynecological Oncology, Maternal and Fetal Medicine, Pediatric Hematology and Oncology, Pediatric Gastroenterology, Clinical Informatics, and Interventional Radiology-Integrated)

Of the programs with Continued Accreditation:

- 57 (80%) have 0 citations and 0 concerning trends
- 6 (8%) have 0 citations and 1 concerning trend
- 8 (12%) have either a new or extended citation(s) or more than one concerning trend

The most common citation or concerning trend involved procedure volume or trainee experiences (four programs).

Annual Anonymous Survey of Residents and Faculty by the ACGME

The GMEC closely monitors both the aggregated and individual program results of the annual survey of its GME trainees and fellows by the ACGME. Although no standard error or standard deviations are available, review of the data show that the UVA average for satisfaction remains just above the national mean and that most areas are trending slightly upwards over a three-year period. Ninety-one percent of the 662 residents taking the survey felt either 'positive' or 'very positive' about attending UVA, with 6, 2, and 1% feeling 'neutral', 'negative' or 'very negative', respectively. These percentages are

essentially unchanged from 2015-16 survey. The faculty survey also remains unchanged with a mean above the national average, and 99% of faculty feeling positive or very positive about the GME environment at UVA, with 1% neutral.

National Match

Twenty-two residency programs, offering 155 positions in 28 different tracks, participated in the 2017 Match. Of special note, 21 programs obtained one or two of their top 20 ranked applicants. Furthermore, 17% of the matched applicants were graduates of UVA and an additional 16% were from other Commonwealth of Virginia medical schools. Importantly, with a concerted effort by the programs to recruit Under-Represented Minority (URM) applicants, UVA had a notable increase in matched URM students this year (15% compared to 7% in 2016). On a broader scope, our residency programs were very attractive to medical schools around the country, matching students from 29 states including the District of Columbia and five countries (Australia, India, Ireland, Israel, and Saudi Arabia).

Finance

The total direct budget for GME programs for fiscal year 2017 was \$53,067,571. Funds to support this program came from Medicare, Medicaid, and other government agencies (such as the NIH or branches of the military) industry sources, as well as the Medical Center.

In addition to continuing to fund innovative programs to support education such as the Master Educators Award, the Graduate Medical Education Innovative Grant Program, and the GME Certificate Program, the Medical Center increased salaries and benefits for all graduate medical trainees in February 2017 in order to remain competitive with GME programs nationally. This included a 4.5% mid-year correction to the mean after the Association for American Medical Colleges national benchmarks were released.

At UVA, we remain over our CMS cap by 132 (DME) or 138 (IME) positions.

*University of Virginia GME Trainee Stipends
Effective July 1, 2016 - June 30, 2017*

Program	Level	UVA Annual Salary	50 th Percentile All Regions*	Weighted Mean South Region*
Medical/Dental	PGY 1	\$54,107	\$53,850	\$51,310
	PGY 2	\$56,100	\$55,402	\$53,140
	PGY 3	\$58,255	\$57,532	\$54,850
	PGY 4	\$60,714	\$60,000	\$57,197
	PGY 5	\$62,623	\$62,225	\$59,725
	PGY 6	\$65,450	\$64,565	\$62,092
	PGY 7	\$67,802	\$66,884	\$64,048
	PGY 8	\$71,167	\$70,390	\$67,445
Chaplain		\$47,486		
Pharmacy	PGY 1	\$49,668		
	PGY 2	\$52,502		
Clinical Psychology	PGY 1	\$37,428		
	PGY 2	\$39,428		

*2017 AAMC Survey on Stipends, Benefits and Funding

GME Activities

Innovation in GME

The GME Innovative and Colligan Grant Programs continue to recognize projects designed by faculty and GME Trainees who attempt to improve trainee education. Many outstanding proposals were received in 2016-2017 and the following were approved for funding:

1. GME Innovation Grant:
 - *Enhanced Resident Education in Craniofacial Surgery using Patient-Specific 3D-Printed Models* (Drs. Jonathan Black, Patrick Cottler, Dwight Dart, and Shayne Peirce-Cottler, Department of Plastic Surgery): This project intends to replicate actual patient craniofacial skeletal pathology into 3D models and determine whether incorporating these models into resident training helps to address the challenges in craniofacial education.

- *Teleneurology – applications, evidence, and practice* (Dr. Nicole Chiota-McCullum, Department of Neurology): Whereas no structured curricula in teleneurology are currently available, this project would provide foundational knowledge, technical skills, and experience, within a supervised learning environment for residents in the area of consultative teleneurology. This will ultimately help mitigate the geographic disparity in access to neurologic care by broadly integrating teleneurology into future systems of health care delivery.
2. GME Colligan Grant: *The Wahoo Cool for School Project: Food Allergy Initiative* (Dr. Alice Hoyt, Fellow, Allergy and Immunology, Departments of Medicine and Pediatrics): The purpose of the Cool for School project is to improve the school-based safety of children with food allergy by providing parents, teachers and administrators with updated anaphylaxis management plans.

GME Program Improvement Activities

The GMEC reviews the action plans that are the result of the annual program review or special review that programs undergo to ensure that appropriate corrective action has been made. In addition, the GMEC conducts an off-site retreat to review the previous year’s program improvement projects and develop strategic plans for the upcoming year. Action plans are monitored throughout the year at GMEC meetings. Current- and upcoming-year action plans are as follows:

Academic Year 2016-2017

1. *Increase the diversity of GME trainees*
The GME community has long recognized its underperformance in attracting and recruiting not just 4th year URM students to its residency programs, but also diverse individuals as represented by sexual identity, ethnic or religious backgrounds, and both country and state of origin. Urged by Dean David Wilkes in October 2016 to make a concerted effort to reach out to the diverse UVA SOM graduating class, two program directors (Dr. Kristen Atkins, Pathology and Dr. Gerald Donowitz, Medicine) led the initiative to increase both our internal and external exposure to URM students. Our match rate of 15% (compared to 7% or less in previous years) of URM matched students is viewed as a partial success and one that will require considerable sustained effort if we are to repeat it in 2018 and beyond. The GMEC voted to keep this as an action item in Fiscal Year 2018. Additional efforts in Fiscal Year 2018 include “Second-look” weekends for URM students to return for a more in-depth exposure to their programs of interest and to engage with community members of diverse backgrounds.
2. *Enhance faculty development for Program Directors*
The GMEC recognized that most faculty development provided by the Health System was not geared towards GME and requested that educational experiences

specifically geared towards their success as GME leaders be developed and implemented. During the past academic year, topics chosen to help new and associate program directors were offered, including workshops on Remediation, Evaluation, Avoiding NRMP Match Violations, and GME Funding. This development series proved popular with both new and more senior program directors and will be continued with new topics in 2017-18.

3. *Trainee Well-being*

The GME Office devoted a full day of orientation to resident well-being, and connected interns to resources that they could use in their first year to help preserve emotional and physical health. For the coming year, this project will be expanded to cover all GME trainees.

Academic Year 2017-18

1. Engage GME trainees in Health System Process Improvement activities.
2. Directly involve GME trainees in eliminating inefficiencies and waste.

Both action items for the coming year can be integrated into the larger Health Systems work plan. Specifically, both process improvement and the elimination of waste or inefficient activities are cornerstones of Be Safe methodology. To date, most program directors and trainees have not received specific training in Be Safe terminology or tools. The action plans will involve simultaneously training physician teams at all levels (program director and faculty, fellows, and residents), providing a coach when needed for process improvement activities, and reconsidering the standard work of clinical areas so that GME trainees can be more involved in daily huddles and work. Progress will be monitored periodically at GME meetings.

Housestaff Council Activities

1. For the second year, GME Trainee stipends included an at-risk incentive related to a Medical Center performance metric. The Housestaff Council (HSC, peer-selected residents from each residency and fellowship program) this year chose reducing the number of inappropriate tests for *Clostridium Difficile*. The HSC, together with faculty mentor Dr. Kyle Enfield, designed performance improvement and education plans, and then oversaw the implementation of the project by all GME Trainees. Results show a substantial decrease in the number of inappropriate tests ordered, as well as the overall number of cases of *Clostridium Difficile*.
2. The results of GME Trainee responses on the most recent Employee Engagement survey remained positive in every category compared to the average level. They scored particularly well in three areas: Learn and grow (72nd percentile), demonstrated increased engagement in the areas of Progress (68th percentile), and development (69th percentile), continuing to reflect an overall positive environment for learning within the Medical Center.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: VI.A. Strategic Faculty Hires and Chair Searches

ACTION REQUIRED: None

BACKGROUND: David S. Wilkes, M.D. is the Dean of the School of Medicine. Dr. Wilkes is a nationally recognized specialist in pulmonary disease and critical care medicine. Before coming to UVA, Dr. Wilkes served as executive associate dean for research affairs at the Indiana University School of Medicine.

DISCUSSION:

STRATEGIC FACULTY HIRES

Shortly after his arrival in September 2015, Dean Wilkes announced the Strategic Hiring Initiative (SHI), which has the goal of transforming the research program at the School of Medicine through the recruitment of 32 funded mid- and senior-level faculty who collaborate across departments and schools. The SHI supports the School's goal of increasing NIH funding by \$50 million by 2020.

Dean Wilkes will provide a report on recent strategic hires in the School of Medicine. In addition, he will update the MCOB on current Chair searches.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: VI.B. School of Medicine Research Presentation: UVA Brain Institute

ACTION REQUIRED: None

BACKGROUND: Jaideep Kapur, M.D., Ph.D. is the Director of UVA-BRAIN, Eugene Meyer III Professor of Neuroscience, and Professor of Neurology. Dr. Kapur is an expert in the pathophysiology and animal models of epilepsy, the plasticity of synaptic transmission, and hormonal regulation of epilepsy. He has also established clinical studies to explore treatments for Status Epilepticus, and leads a national NIH-supported clinical trial based at UVA, ranking him among the top seven most highly supported investigators in neurology. He served as the President of the American Epilepsy Society in 2010 and received the 2013 Epilepsy Research Recognition Award for Basic Science conferred by the American Epilepsy Society.

DISCUSSION: UVA recently established the Brain Institute to take advantage of its significant research and educational strengths and in response to state and national needs and investments. The UVA Brain Institute proposes to build on areas of research prominence, such as neuromodulation, neurodegenerative disorders, and epilepsy. UVA's goal is to integrate basic, clinical and community research to impact care and treatments, thereby resulting in national and international pre-eminence for these areas of research. UVA intends to accomplish its goal by strategic hiring of mid-career faculty experts in these areas, development of brain imaging to understand onset, response and cure of disease, and big data analysis (neuromics) to understand clinical risk and responses in large populations. Connecting investigators to data resources and translational efforts will allow clinical breakthroughs. Expected strategic outcomes include the vertical integration of research leading to increased external funding in these areas, applications for nationally funded centers of excellence, and new treatments impacting clinical care. Dr. Jaideep Kapur will provide a report on this cross-Grounds initiative.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 8, 2017

COMMITTEE: Medical Center Operating Board

AGENDA ITEM: VII. Health System Development (Written) Report

ACTION REQUIRED: None

DISCUSSION: Health System Development provides reports of recent activity to the Medical Center Operating Board from time to time. This report is for the period January 1, 2017 to March 31, 2017.

**SIGNIFICANT GIFTS
January 1, 2017 – March 31, 2017**

A grateful patient made a \$2 million bequest to benefit the Paul A. Levine Chairman's Fund in the Department of Otolaryngology, Head and Neck Surgery.

The Soho Center made an in-kind gift of 116,336 books valued at \$1,803,208 to expand UVA Children's Hospital book program.

A grateful patient and former resident committed \$1.1 million, to be paid over his lifetime, to fully fund the John Jane Professorship at its \$2.5 million goal.

A grateful patient made a \$1 million commitment to endow a faculty development fund named for Daniel Becker, M.D.

The School of Medicine received an estate gift of \$850,000 in addition to \$5.2 million previously committed, to assist in the establishment of two endowed research funds valued at \$2.6 million each: The Robert Edison and Hermie Tillman Tanner Cardiology Medical Research Fund, and the Robert Edison and Hermie Tillman Tanner Cancer Medical Research Fund.

A grateful patient made a commitment for two planned gifts totaling \$625,000 to establish the Amy H. Bouton, Ph.D. Fund for Breast Cancer Research.

The Lettie Pate Whitehead Foundation committed \$515,000 to fund scholarships in the School of Nursing and School of Medicine.

A UVA Health Foundation trustee and School of Nursing alumna and her husband committed \$500,000 in support of the School's Compassionate Care Initiative in honor of Dean Fontaine.

A School of Medicine alumnus made a \$250,000 bequest to support the John Jane Fund for Excellence in Neurosurgery.

An anonymous donor committed \$250,000 to support three studies on the effects of the Compassionate Care Initiative at the School of Nursing.

The Honorable Tina Brozman Foundation for Ovarian Cancer Research committed \$200,000 for ovarian cancer research.

A friend of the Health System made a \$200,000 bequest to cardiology for studies related to aging and longevity.

Other gifts and pledges received include:

- A \$156,000 estate gift for the Cancer Center;
- A \$125,000 commitment for a collaborative Kinesiology and Parkinson's disease clinical trial;
- \$104,000 raised from the James Madison University MadiTHON for UVA Children's Hospital;
- A \$100,000 pledge for a Ph.D. student award in clinical research in the School of Nursing;
- A \$100,000 commitment to renovate a playroom at UVA Children's Hospital;
- \$60,627 raised from UVA Dance Marathon to benefit pediatric cancer research;
- \$60,000 raised from the Charlottesville Cares for Kids Radiothon to benefit UVA Children's Hospital;
- A \$50,000 pledge for the Keeping Families Connected program at UVA Children's Hospital; and
- A \$50,000 unrestricted planned gift to the School of Medicine.

OTHER DEVELOPMENT INITIATIVES

School of Nursing alumna Nancy Rizor hosted an alumni engagement dinner at her home in Atlanta on January 25, featuring Dean Fontaine.

Two Health System faculty were among several University faculty that participated in a "Day of Learning" event hosted by President Sullivan in Palm Beach, Florida, on February 7. Jony Kipnis, Ph.D., spoke about the brain's connection to the immune system, and Jeff Elias, M.D., discussed focused ultrasound technologies treating Parkinson's and other neurological diseases.

FUNDRAISING PROGRESS THROUGH MARCH 31, 2017

FY 17 to date progress (<i>7/1/16 through 3/31/17</i>)	FY 17 Annual Goal	FY 17 Progress to Date	Compare FY 16 (<i>through 3/31/16</i>)
New gifts	\$42,000,000	\$27,859,492	\$38,346,508
New pledges	\$7,000,000	\$8,414,763	\$5,310,452
Total new commitments (<i>excludes pledge payments on previously booked pledges</i>)	\$49,000,000	\$36,274,255	\$43,656,960
New expectancies	\$10,000,000	\$6,625,000	\$6,861,410
Total new gifts, pledges, and expectancies	\$59,000,000	\$42,899,255	\$50,518,370