

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

**Meeting of the Health System Board
for the University of Virginia
Health System**

June 3, 2021

HEALTH SYSTEM BOARD
Thursday, June 3, 2021
8:30 a.m. – 12:00 p.m.
Pavilion Ballroom, Boar's Head Resort

Committee Members:

L.D. Britt, M.D., Chair	C. Evans Poston Jr.
Babur B. Lateef, M.D., Vice Chair	James V. Reyes
Robert M. Blue	A. Bobby Chhabra, M.D., Faculty Consulting Member
James B. Murray Jr.	

Public Members:

William G. Crutchfield Jr.	Tammy S. Murphy
Eugene V. Fife	John E. Niederhuber, M.D.
Victoria D. Harker	

Ex Officio Members:

James E. Ryan	K. Craig Kent, M.D
Pamela F. Cipriano	M. Elizabeth Magill
Jennifer Wagner Davis	Scott A. Syverud, M.D.
Wendy M. Horton	David S. Wilkes, M.D.

AGENDA

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• Discussion of proprietary, business-related information about the operations of the Medical Center, the School of Medicine, and the School of Nursing, where disclosure at this time would adversely affect the competitive position of the Medical Center, the School of Medicine, or the School of Nursing, specifically:	
– Strategic personnel recruitment and retention, financial, investment, facility needs, market considerations, growth initiatives, partnerships, and other resource considerations and efforts in light of market and regulatory changes for the Health System and expected impact for FY 2021, including proprietary information related to COVID-19; all of which further the strategic initiatives of the Medical Center, the School of Medicine, and the School of Nursing and include employee performance and other proprietary metrics;	
– Confidential information and data related to the adequacy and quality of professional services, competency, and qualifications for professional staff privileges, and patient safety in clinical care, to improve patient care for the Medical Center;	
– Consultation with legal counsel regarding compliance with relevant federal and state legal requirements and 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 Sections 2.2-3711(A)(1), (6), (8), and (22) of the <u>Code of Virginia</u> . The meeting of the Health System Board is further privileged under Section 8.01-581.17 of the <u>Code of Virginia</u> .	
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**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: I. Opening Remarks from the Chair

ACTION REQUIRED: None

BACKGROUND: The Committee Chair, Dr. Britt, will welcome guests and provide opening remarks.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

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

ACTION REQUIRED: None

BACKGROUND: On February 1, 2020, Dr. Kent became the Executive Vice President for Health Affairs. Dr. Kent has held several leadership positions, including chief of the combined Division of Vascular Surgery at Columbia and Cornell, chair of the Department of Surgery at the University of Wisconsin, and most recently Dean of the College of Medicine at The Ohio State University. His background includes substantial experience in growing clinical, research, and educational programs as well as health system management. He is a member of the National Academy of Medicine.

DISCUSSION: The Executive Vice President for Health Affairs will provide opening remarks, including introducing new senior leaders. Dr. Kent's remarks do not require formal action.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: II.B. Health System Development

ACTION REQUIRED: None

BACKGROUND: Health System Development reports on recent activity to the Health System Board from time to time.

UVA Health has raised \$469,702,938 to date towards its \$1B goal in the *Honor the Future* campaign. We finished FY 2020 with total commitments of \$71,097,908, the second-highest philanthropic total in history. Through April 30, UVA Health has raised \$39,171,949 for the current fiscal year.

This spring, in partnership with UVA Health senior leadership, we developed comprehensive campaign priorities focused on the pillars of Patient Care, Discovery, Medical Education, the School of Nursing, and Community. Our campaign priorities framework is a living document that will be refined by new UVA Health leadership and informed by the strategic plan as it evolves.

Over the past year, UVA Health leadership has participated in numerous virtual events ranging from conversations with small groups of high-level donors to the "On-Air with UVA" series that reaches thousands of participants across the UVA alumni constituency. Our online and electronic outreach to donors has been strong; with one quarter of the fiscal year remaining, UVA Health has already raised \$1,048,028 in online giving, surpassing its FY 2020 \$1M record.

Highlights of new commitments received in support of UVA Health include the following:

SIGNIFICANT GIFTS
July 1, 2020 – April 30, 2021

The School of Medicine received a \$2,626,853 distribution from the estate of a School of Nursing alumna, of which \$1.8M are new dollars in the *Honor the Future* campaign, to support a named Alzheimer's research fund.

An emeritus Health Foundation trustee made a two-year, \$2.1M commitment in support of the LaunchPad for Diabetes program.

An anonymous foundation committed \$1.9M to support a clinical trial in acute myeloid leukemia.

The School of Medicine received a \$1.7M estate distribution from a friend of UVA Health for memory disorders research in the Department of Neurology, honoring lead UVA volunteer Gordon F. Rainey, Jr. An additional \$300,000 distribution was received for the Charles L. Brown Award for Patient Care Quality at UVA Medical Center.

A School of Medicine alumnus documented a \$1.25M increase in his bequest to support a medical scholarship fund and an Alzheimer's research fund.

A grateful patient verbally committed to a \$1M bequest benefitting brain tumor research in the Department of Neurology.

A School of Medicine alumnus increased his bequest by \$1M to UVA School of Medicine in support of a professorship in Radiology, a Dean's Fund for Excellence, and atrial fibrillation research.

A UVA Health Foundation emeritus trustee, through his family foundation, committed \$900,000 to support multiple research efforts in the School of Medicine.

The estate of an anonymous donor designated UVA Children's as the recipient of a \$725,000 estate distribution for unrestricted use.

The Lettie Pate Whitehead Foundation committed \$655,000, of which \$584,267 will support undergraduate and graduate nursing scholarships, and \$70,733 will support medical scholarships for the 2021-22 academic year.

The Soho Center donated 51,000 new books to UVA Children's, valued at \$538,700.

A grateful patient documented a \$500,000 bequest to support brain cancer research in the Department of Neurology.

A University alumna, who is a family member of a grateful patient, documented a bequest estimated at \$500,000 in support of ovarian cancer research at UVA Cancer Center.

A School of Medicine alumnus and his spouse established planned giving vehicles totaling \$500,000, which will eventually benefit the Dean's Discretionary Fund in the School of Medicine.

The School of Medicine received a \$429,920 distribution from the estate of an anonymous donor in support of biomedical research.

A School of Medicine alumnus and his wife committed \$300,000 in support of the Department of Orthopedics.

Two University alumni spouses committed \$300,000 to the Division of Perceptual Studies at the School of Medicine.

Hospice of the Piedmont committed \$262,500 to the School of Medicine to fund a three-year fellowship in palliative care.

The School of Medicine is the beneficiary of several planned gifts valued at approximately \$260,000 from the estate of a friend of UVA Health whose husband was a School of Medicine alumnus.

An anonymous donor couple made a \$250,000 gift to support expanded COVID-19 testing efforts throughout the Charlottesville community.

UVA Cancer Center is the beneficiary of a \$250,000 realized bequest from a friend of UVA Health in support of cancer research.

The Ivy Foundation committed \$250,000 in support of the Ivy Biomedical Innovation Research Fund in the School of Medicine.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: II.C. Combining the Clinical Staff Membership of the UVA Medical Center and the UVA Transitional Care Hospital into a Joint, Integrated Medical Staff

BACKGROUND: In accordance with accreditation and other legal requirements, the Health System Board (HSB) has provided for an organized Clinical Staff for the Medical Center (MC) and has delegated to it the appropriate responsibility for the provision of quality care given by the Clinical Staff throughout the MC. Similarly, the HSB has provided for an organized Clinical Staff for the Transitional Care Hospital (TCH) and has delegated to it the appropriate responsibility for the provision of quality care given by the Clinical Staff to the patients of the TCH. In addition, in both the Clinical Staff of the MC and the Clinical Staff of the TCH, the HSB has provided for a system of self-governance of each Clinical Staff, including the requirements for initial membership on each respective Clinical Staff, a mechanism for reviewing the qualifications of applicants for admission to each respective Clinical Staff, the procedures for the granting of clinical privileges to practice medicine within the MC or the TCH, as applicable, and a process for continuing review and evaluation for membership and clinical privileges. The Amended and Restated Bylaws of each respective Clinical Staff set forth these rights and responsibilities.

The Centers for Medicare & Medicaid Services in 2014 revised Section 482.22(b) in its final rule by adding a new §482.22(b)(4), which permits the medical staff of a hospital which is part of a hospital system consisting of multiple, separately certified hospitals to participate in a unified, integrated medical staff which the system utilizes for two or more of its member hospitals, in accordance with State law. The Commonwealth of Virginia 12VAC5-410-210. Medical staff, also permits a unified medical staff allowing hospitals that are a part of a hospital system to have a unified and integrated medical staff as permitted under 42 CFR 482.22(b)(4).

For good cause and the creation of numerous efficiencies for the Clinical Staff of both the MC and the TCH, the HSB should approve the combination of the MC Clinical Staff and the TCH Clinical Staff into one unified, integrated UVA Clinical Staff. Once the HSB has given its approval, a majority of the Clinical Staff members at both the MC and the TCH must vote to accept the unified staff structure for its hospital. Following a majority vote in favor of combining the Clinical Staffs of the MC and the TCH, the MC and the TCH will work together to create unified Clinical Staff Bylaws, policies and procedures which will apply to both the MC and the TCH.

DISCUSSION: The HSB is asked to approve a resolution to combine the clinical staff membership of the MC and TCJ into a joint, integrated medical staff.

ACTION REQUIRED: Approval by the Health System Board

**COMBINING THE CLINICAL STAFF MEMBERSHIP OF THE UVA MEDICAL CENTER
AND THE UVA TRANSITIONAL CARE HOSPITAL INTO A JOINT, INTEGRATED
MEDICAL STAFF**

RESOLVED, the University of Virginia Health System Board approves the combination of the Medical Center and the Transitional Care Hospital into one unified, integrated UVA Clinical Staff.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: II.D. Reaffirmation of Medical Center Level I Trauma Status

BACKGROUND: In November 2014, the Medical Center Operating Board (now the Health System Board) approved the Medical Center application as a Level I Trauma Center as verified by the American College of Surgeons. A site visit for renewal is upcoming, and a reaffirming resolution from the Board is needed.

DISCUSSION: The Health System Board is asked to support and approve the Medical Center's continued designation as a Level I Trauma Center verified by the Commonwealth of Virginia and the American College of Surgeons.

ACTION REQUIRED: Approval by the Health System Board

REAFFIRMATION OF MEDICAL CENTER LEVEL I TRAUMA STATUS

RESOLVED, the Health System Board supports the Medical Center's continued designation as a Level I Trauma Center by the Commonwealth and the American College of Surgeons; and

RESOLVED FURTHER, the Medical Center commits to maintain the high standards needed to provide optimal care to all trauma patients.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: III.A. Medical Center Operations Report

ACTION REQUIRED: None

BACKGROUND: Wendy Horton became Medical Center CEO in November 2020. She came from The Ohio State University Wexner Medical Center, where she served as Chief Administrative Officer. Prior to Ohio State, Wendy served in several different leadership roles at University of Wisconsin Health, including Vice President of Operations.

OPERATIONS REPORT

Goal: To become the safest place to receive care

Performance rates for the Medical Center's balanced scorecard metrics are exceeding targets for both Mortality Index and Clostridium Difficile infections. Deep Vein Thrombosis Pulmonary Embolisms and Hospital Associated Pressure Injuries are performing at rates better than the prior fiscal year while performance for Catheter Associated Urinary Tract Infections and Central Line Associated Blood Stream Infections remains below the previous year.

Additional efforts to address the performance issues across all Healthcare Acquired Conditions have been initiated. These include enhancements to onboarding and ongoing training on Critical to Safety standard work as well as at the bedside observation and support for new staff.

Goal: To provide exceptional clinical care

Inpatient experience, as defined by the overall hospital rating of 9s and 10s for Fiscal Year to Date 2021, is 76.5% (70th percentile), below prior fiscal year (79.0%) and under target (79.8%). FY 2021's third-quarter results are up slightly over the prior quarter, and improvement was constrained by increased volume and necessary restrictive visitation policies. The plan for the remainder of the FY 2021 is to concentrate on the critical few units where improvement is expected and to provide focused support from the Patient Experience Office resources.

Outpatient clinic patient experience results defined as the "willingness to recommend provider's office" for Fiscal Year to Date 2021 is 94.3% (77th percentile),

matching target (94.3%) and above FY 2020 (93.7%). The very strong performance in the third quarter coincides with normal operating volumes and a restricted visitor policy. Despite these challenges, clinic-level improvement efforts drove the positive increase over the prior year.

Emergency Department patient experience score for FY 2021 is 81.1 (21st percentile), well below the prior fiscal year (84.0) and below target (84.3). The third quarter is well above prior performance for past two quarters and exceeded target for the first time in two quarters. The impact of limited inpatient capacity and boarding of inpatients in the Emergency Department was less impactful than prior quarters.

Transitional Care Hospital

OPERATIONS:

The TCH had a total of 172 admissions through the end of the third quarter of the current fiscal year. Of these patients, 157 were admitted directly from the UVA Medical Center, 15 from other community hospitals. Patient days are 25.8% under the budget through March. Management has flexed operations accordingly to reduce total expense by 14.6% to budget for the same time period. The overall acuity index is 1.043 through the end of the third quarter of FY 21. The average daily census in this prior rolling 12 months is 20.2 patients, and the average length of stay is 37.05 days.

QUALITY OF CARE:

The quality efforts at TCH for the third quarter of FY 2021 resulted in positive outcomes for the patients it served. The mortality rate for the year-to date is 2.30%, compared to the case mix index weighted national benchmark data of 14.49%. Acquired C. Difficile rate remains at 0.0 for this year through the first three quarters, compared to the National Health Safety Network Standardized Infection Rate of 1.0. TCH is currently in the top decile of national LTACH performance in this metric. In addition, the ventilator weaning rate is 80.77%, better than the CMI weighted national average performance of 54.66% observed in other long-term acute care providers. The 30-day unplanned readmission rate to the Medical Center was 11.39%, better than the internal goal of 19%. TCH is demonstrating continued improvement in hospital-acquired skin integrity injuries. This fiscal year through March, the rate of changes in skin integrity is at 2.94%, above our target rate of 2.40%, but improved from the FY21 Q1 rate of 6.78% and FY21 Q2 rate of 3.70%. This area is above the CMI weighted national average of 1.75% for the year and is receiving continued focus driving the positive trend.

PATIENT EXPERIENCE:

Patient satisfaction scores continue to reflect a high level of experience with the care provided at TCH. Of the surveys returned so far in FY 2021, all but one of the surveys returned rated TCH eight or higher on a 10-point Likert scale. Of respondents, 100% additionally indicated they would recommend TCH to others.

WORKFORCE:

Retention and recruitment are key priorities for the TCH and will remain a focus area. Team member injury rate has increased but remains within our acceptable target performance rate of 9.19. TCH observed and reported four team member injuries during the third quarter of FY 21. These consisted of two patient handling injuries, a needle stick exposure, and a staff member assaulted by a patient.

SUMMARY:

The provision of high-quality services to this very specific subset of UVA Health patients continues to add value to the health system. Currently, the TCH is engaged in new efforts to use its bed capacity to accept lower acuity patients in a lower cost of care model. This should support UVA's Medical Center in its progression of patients to an appropriate site of care, improving throughput and efficiency within the medical service areas of the main hospital.

Recent Designations and Re-certifications

The Virginia Department of Health completed a successful survey of Farmville Dialysis.

The Virginia Board of Pharmacy completed a successful inspection of the controlled substance registry for the Dentistry Clinic.

The American College of Radiology completed a successful virtual survey for reaccreditation of Radiation Oncology (Emily Couric Clinical Cancer Center and Moser).

The College of American Pathologists completed a successful virtual reaccreditation survey of the Medical Laboratories.

The Virginia Department of Health (on behalf of the Centers for Medicare and Medicaid Services) completed a successful triennial survey of Continuum Home Health.

The National Committee for Quality Assurance recognized the Patient Centered Medical Home of the Family Medicine Clinics for the fifth consecutive time since 2015.

Press Ganey awarded the Emily Couric Clinical Cancer with the 2020 Pinnacle of Excellence Award for patient experience for three consecutive years of excellence.

Newsweek honored UVA Medical Center by naming it one of the Best Maternity Hospitals 2021. This recognition was based on the 2020 Leapfrog Survey results.

The Angioma Alliance designated UVA Health as a Center of Excellence for its care of cerebral cavernous malformations.

UVA Health Geriatric Engagement & Resource Integration for Post-Acute and Long Term Care Facilities was recognized as a 2020 Health Quality Innovator of the Year Runner-Up for its collaborative program to reduce COVID-19 infections.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: III.B. Transplant Center Report

ACTION REQUIRED: None

BACKGROUND: José Oberholzer, MD, MHCM, FACS, is a researcher and surgeon and the Director of the Charles O. Strickler Transplant Center. Rob Teaster, RN, MBA, CPTC, is Administrator for Transplant Service Line & Digestive Health Programs.

DISCUSSION: Dr. José Oberholzer and Robert Teaster will provide reports on the UVA Transplant Center, which provides kidney, pancreas, liver, islet cells, heart and lung transplant services for adults and children.

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

<u>BOARD MEETING:</u>	June 3, 2021
<u>COMMITTEE:</u>	Audit, Compliance, and Risk
<u>AGENDA ITEM:</u>	III.C. Institutional Compliance and Medical Center Compliance FY 2021 Goals: Year-End Status Report
<u>ACTION REQUIRED:</u>	None
<u>DISCUSSION:</u>	

**Medical Center Compliance Goals
Fiscal Year 2020-2021
Year-End Status Report**

- 1. Oversight and Review of Changes in Law:** Collaborated with Telemedicine, University Counsel and clinical leaders to maintain vigilance on the changes in law and regulation that impacted the Medical Center's operations. This was critical in pandemic operations due to the volatility and flexibility of laws during the Public Health Emergency. Continued monitoring and support have remained a priority as the pandemic continues and compliance efforts need to adapt.
- 2. Revenue Integrity Audit Function:** Developed an expanded Compliance Audit Plan to provide more focused independent revenue integrity audits and reviews. The schedule was built on trended denials and probe reviews to determine compliance in high-risk areas as identified by the Office of Inspector General/Health & Human Services Work Plan. The programmed audits were completed ahead of schedule; once results were communicated and corrective action plans in progress, two additional audits were added, including a COVID-19 related billing compliance audit.
- 3. Management of Data Privacy and Security:** Partnered with HIT Information Security to evaluate and strengthen data privacy and security controls and policies. This was a focus as operations shifted to teleworking and remote communications in order to ensure appropriate management and controls of the highly sensitive data the Medical Center team members and third-party vendors routinely use and for which the Medical Center is responsible.
- 4. Participation and Support in UVA Health Bridge Plan work:** Involved in the work of three separate UVA Health Bridge Plan organizational initiatives; Patient Progression, Information Technology, and Revenue Cycle. Participation and support included determining priorities, making decisions, providing subject matter expertise and training to facilitate Plan progression.

5. **Compliance Risk Assessment:** Performed a comprehensive Compliance Risk Assessment to evaluate potential risk areas with operational, financial, reputational and/or stakeholder impact using the framework of the OIG elements of an effective compliance program. The scope of the assessment also included select academic departments that interface with Medical Center operations and functions. Risks in each area were analyzed, and the strengths and areas for improvement were identified, and follow-up corrective action plans are in progress.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: IV. School of Medicine Report

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:

GRADUATION 2021

In May, 147 medical students received their MDs. Of these students, 98% matched, and 14 will be entering their residencies at UVA. The top specialties were internal medicine, pediatrics, anesthesiology, family medicine, emergency medicine, and obstetrics-gynecology. The graduates have matched in some of the most competitive training programs in the nation's premier institutions. While data are not yet available on the incoming class, applications were up 35% over last year.

Also, in May, 29 graduate students received their PhD degrees. Out of 523 applications for the incoming biomedical sciences class, 39 students will be matriculating as members of the 2021-22 class. Of these, 74.4% are female, and 33.3% are underrepresented in biomedical sciences by NIH definitions (underrepresented minorities, individuals with disabilities and those from disadvantaged backgrounds). In Public Health Sciences (PHS), 52 students received their Master of Public Health (MPH) degrees, and seven graduated with a Master of Science in Clinical Research (MS-CR). PHS received the largest number of applications ever for 2021 (172 for the MPH and 13 for the MS-CR) and will have its largest-ever incoming class with 63 matriculating to the MPH program and 13 into the MS-CR program.

LEADERSHIP CHANGES

Dr. Randolph J. Canterbury, M.D., MS, Wilford W. Spradlin Professor and Senior Associate Dean for Education, will retire on June 30, 2021. He has an illustrious career as an educator, clinician, and national leader in medical education. He joined the School of Medicine faculty in 1984 in the Departments of Internal Medicine and Psychiatry, and he served as chair of the Department of Psychiatry (now Psychiatry and Neurobehavioral Sciences) from 1992-2004. He was appointed Associate Dean for Admissions 2004. He has

held the position of Senior Associate Dean for Education since 2008, and, in 2015, he served as Interim Dean. He served as chair of the Board of Directors for Piedmont Liability Trust from 2009-2020. He has been principal investigator on many grants from the NIH and the US Department of Education with a major focus on alcohol and other drug abuse on college campuses and HIV risk, and on curriculum development, implementation, and evaluation.

Dr. Canterbury has led transformation in the School of Medicine, unifying all SOM education across the continuum – undergraduate, graduate, and continuing medical education, graduate biomedical sciences (BIMS), and public health sciences – under the umbrella of the Office of Educational Affairs. Under his leadership, the BIMS and PHS degrees were moved to the SOM. He led a team in the development and implementation of the Next Generation (NxGen) "Cells to Society" curriculum, which transformed undergraduate medical education at UVA and influenced medical school curricula across the nation. Launched in August 2010, NxGen transitioned the SOM from a traditional, didactic, discipline-driven curriculum to an active-learning, system-based program throughout the four-year M.D. program and is now in version 2.0. He oversaw the construction of the Claude Moore Medical Education Building, a five-story facility that integrates small-group learning and individual instruction with state-of-the-art educational spaces.

Dr. Canterbury initiated a national recruitment plan for medical students to attract underrepresented minorities and recruited the School's first Assistant Dean for Diversity. He oversaw the implementation of multiple diversity initiatives, which have dramatically changed the composition of the School and led to an increase in the percentage of traditionally underrepresented minorities across all of the School's degree programs. The School's progress in increasing diversity led to it receiving the Health Professions Higher Education Excellence in Diversity Award from *INSIGHT into Diversity* magazine for nine consecutive years.

Dr. Meg Keeley, Harrison Distinguished Professor of Medical Education, Professor of Pediatrics and Assistant Dean for Student Affairs, will serve as Interim Senior Associate Dean. She is currently the Director of the post-clerkship curriculum and dual degree programs. She has been a member of the USMLE Step 2 Exam Committee of the National Board of Medical Examiners and is an active member of the Council on Medical Student Education in Pediatrics and the Alliance for Clinical Education. Dr. Keeley has been faculty at the Harvard Macy Institute and completed The Executive Program at the Darden School of Business. She is a Faculty Senator representing the School of Medicine and serves as Treasurer of the UVA Medical Alumni Association Board.

Dr. Keeley's research and scholarship focus on several areas of medical education, including clinical skills, professional identity formation, student advising, educational handovers and learning communities. She holds a patent for a clinical skills task trainer and has been honored with All-University Teaching Award. She is a member of the Academy for Excellence in Education and Past Chair of the Learning Communities Institute.

In 2018, she was honored with the Arky Award for significant contributions to the development of learning communities in medical education.

Katherine Peck, Chief Operating Officer since 2015, has announced her retirement effective June 30, 2021. Highly respected in the national arena, she brought an impressive record of accomplishment and innovation to UVA. She is a member and past chair of the Association of American Medical Colleges' (AAMC) Group on Business Affairs. Ms. Peck is a member of the AAMC Data-Driven Academic Medical Center Committee as well as the AAMC Data and Benchmarking Committee, for which she served as chair from April 2008-April 2009. In addition, she has participated on the Veterans Health Administration Medical Sharing Office Sole Source Contracting with Academic Affiliates Contract Pricing and Document Work Group and the AAMC Cost of Medical Education Resources Panel.

Ms. Peck was the Executive Associate Dean of Finance and Administrative Services at the Indiana University School of Medicine for three and half years before coming to UVA. Prior to Indiana University, she served for 11 years as Associate Dean of Financial Services at the University of Florida College of Medicine. Before joining academia in 2000, she worked as CFO/Controller for private companies in a variety of industries, including biotechnology, manufacturing, investment banking, and environmental waste management.

Ms. Peck instituted a number of measures to improve business operations at the School of Medicine. Among these was the development of the Business Intelligence (BI) program, which provides tools to aid in management and transparency to support the achievement of strategic objectives. In alignment with the Medical Center and UPG, Ms. Peck led the enhancement of financial reporting through consolidated financial reporting and budgeting and by the provision of monthly reports. Recognizing the need for greater efficiency and cost savings, efforts to streamline, cut waste, and improve customer service to our faculty and staff are constantly underway, she instituted the adoption of lean training and processes throughout the dean's office. Lean education led to the elimination of more than 3,700 non-value-added hours from processes and the development of more than 100 standard processes and templates. She also led the implementation of the department and center annual review process for a joint assessment of all missions by both department leadership and the dean's cabinet.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: V. School of Nursing Report

ACTION REQUIRED: None

BACKGROUND: Pamela Cipriano, PhD, was appointed as Dean and the Sadie Heath Cabaniss Professor at the School of Nursing in August 2019. A two-term president of the American Nurses Association (2014-2018), representing the interests of the nation's four million registered nurses, she was formerly the Chief Nursing Officer at UVA Health who led the Medical Center to its first Magnet designation in 2006. Dean Cipriano is currently the first Vice President of the International Council of Nurses, an advocate for strengthening nursing's influence on healthcare policy, and a leader in the effort to advance the roles and visibility of nurses.

Academics

The School will confer 274 nursing degrees to members of the Class of 2021, who walk the Lawn on May 21. Additionally, 281 members of the Class of 2020—whose ceremony was postponed due to the pandemic—will have the opportunity to celebrate their degrees with a walk the Lawn on May 16.

Participation in Community Vaccination Efforts

Through February and March, 48 third-year community health students took part in new vaccine clinic simulations and UVA Health training to prepare them to participate as vaccinators and educators at the Seminole Square clinic, for which they received clinical credit. All 48 students opted to serve as vaccinators even though the experience was optional. Nursing students also staffed phone banks to help community members schedule vaccination appointments and answered their questions, an effort put together by Associate Professor Kathryn Laughon and local health leaders. More than 40 nursing faculty and graduate advanced-practice students have already or continue volunteering to vaccinate at COVID-19 clinics in Charlottesville, across central Virginia, and around the state.

Surge in Applications, Rising Enrollments and Diversity Gains with Incoming Classes

The formation of incoming cohorts of nursing students have capped off our most competitive application and recruitment season in history. Applications increased for all programs: the BSN program 51%; CNL 23%; and MSN 27%. Among the incoming BSN class of 2025, approximately a third of students hail from under-represented or minority

backgrounds, are male and are first-generation college attendees. Extended deadlines for advanced practice students yielded an additional 40 applicants, and recruiters will admit an additional 24 BSN students by next spring through a new BSN transfer pathway. A new site opens for the executive format RN to BSN program this fall in Northern Virginia, adding to the Charlottesville and Richmond locations.

Helping to accommodate increased demand, Phase 1 of the Clinical Simulation Learning Center's \$2.1M expansion opened to students in late May, with three new simulation, observation, and debriefing rooms on the second floor of McLeod Hall. The expansion provides new technology and features reflective of UVA Health rooms, larger learning and observation spaces, and a flood of natural light. The next and final phase of construction has begun and will create dedicated lab space for dissection, practice, and suture labs and private rooms for more complex physical examination practice. Construction will be complete by spring 2022 and nearly doubles the size (from 9,200 square feet to 18,000 square feet) of the learning center.

Research

Two faculty earned R01 grants from the National Institutes of Health:

- Jeanne Alhusen, associate dean for research, was awarded \$1.9M from NICHD for "Psychosocial Stress and its Relation to Maternal and Infant Outcomes Among Women With Disabilities."
- Virginia LeBaron, assistant professor, earned a \$3.4M NINR grant for "Characterizing the Complexity of Advanced Cancer Pain in the Home Context by Leveraging Smart Health Technology."

Other faculty awards:

- Assistant professor Katrina Debnam, (with Youth-Nex director Nancy Deutsch) \$60K William T. Grant Foundation grant, "A Mixed Methods Consultancy."
- Associate professor Pamela DeGuzman, \$60K 3Cavaliers grant with environmental sciences professor Bob Davis and School of Data Science professor Bill Basener, "Heat Mortality, Mortality Displacement, and SARS-CoV-2."
- Assistant professor Meghan Mattos, \$89K Engineering in Medicine seed grant, with Arsalen Heydraian and Laura Barnes, professors of engineering, and Gabrielle Marzani, psychiatric medicine, "Control of Light Exposure and its Effect on Sleep Efficacy."

The School's Development Office organized the second Faculty Research Showcase with professors Jill Howie-Esquivel, who studies interventions for patients with heart failure, and Kathryn Laughon, a violence and women's health expert. The presentations are offered to students, faculty, alumni, and staff.

Student Honors

- An interprofessional team of nursing, public health, and medical students mentored by nursing faculty earned a third-place prize in the University of Minnesota's 2021 Clarion Case Competition, beating out nearly 30 other university teams.
- CNL first-year student Michaela Meyer, part of UVA's Track & Field team, qualified to compete in the Olympic Trials' 800m race this June.

Diversity, Equity, and Inclusion

- A second cohort of 20 faculty and staff leaders took part in the University of Southern California's nationally recognized Racial Equity Institute this spring, bringing to 38 the number of individuals in the nursing school who have been trained in the 8-week intensive course and leadership development program.
- Associate Dean Susan Kools, founder of the IDEA initiative, earned the John Casteen III Diversity-Equity-Leadership Award for 2021 in recognition of her significant contributions to establish and build the diversity, equity, and inclusion culture and activities in the School and serve as a leader across Grounds.

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

BOARD MEETING: June 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: VII.A. Health System Consolidated Financials Fiscal Year 2021
Year-to-Date

ACTION REQUIRED: None

BACKGROUND: UVA Health prepares a comprehensive financial package at least monthly and reviews it with the Executive Vice President for Health Affairs and other executive leaders of the University before submitting the report to the HSB.

Douglas E. Lischke serves as UVA Health's Chief Financial Officer. Prior to coming to UVAH, Doug was the Associate Vice President for Financial Services and Controller for Wake Forest Baptist Medical Center. He is an active Certified Public Accountant, a Certified Healthcare Finance Professional and a Certified Information Technology Professional with over 25 years of financial management experience.

FINANCE REPORT

Overall, UVA Health's operating income is favorable to budget for the nine months ended March 31, 2021, despite the pandemic.

	Operating Income			Operating Margin		
	Actual	Budget	Pr Year	Actual	Budget	Pr Year
UVA Hospital, Clinics, Subs & Joint Ventures	57.8	61.8	40.0			
Shared Services	(22.1)	(26.6)	(22.5)			
Consolidated Medical Center	35.8	35.2	17.5	2.6%	2.5%	1.3%
Clinical Operations	21.5	14.8	18.7			
Support of Academic Mission	(23.5)	(24.7)	(26.4)			
UPG - SOM Clinical	(2.0)	(10.0)	(7.8)	-0.5%	-2.6%	-2.0%
Academic Recurring Operations	23.4	11.3	11.6			
Strategic Investment from Reserves	(17.4)	(18.4)	(15.5)			
One Time Transfers	1.8	1.8	8.2			
SOM Academic	7.7	(5.2)	4.2	2.1%	-1.4%	1.1%
SON Academic	4.6	3.9	0.1	22.8%	20.2%	0.9%
Library - Health System	(0.7)	(1.8)	(2.0)	-17.1%	-41.5%	-58.2%
Health System Support/Transfers	(32.9)	(32.7)	(46.8)			
Consolidated Health System	12.5	(10.6)	(33.3)	0.6%	-0.5%	-1.7%

UVA Medical Center

For the first nine months of FY 2021, the operating income for all business units was \$35.8M, resulting in a 2.6% operating margin and yielding a \$0.6 favorable budget variance. This was primarily driven by the financial mitigation actions taken to address the impact of COVID-19 on volume disruption. In addition to mitigation efforts, the patient population for the first three quarters had a higher acuity, which also contributed to net revenue. The all payer case mix was 2.33 and exceeded budget by 6.2%. The operating margin for the consolidated Medical Center is supported by imaging, dialysis, the TCH, home health and the management of shared services expenses. Fiscal year to date March 31, 2021, the Medical Center generated \$107.9M in cash from operations (EBITDA) after transfers and cash reserves totaled 318 days, which was bolstered by Federal Loan funds of \$193M as well as strong investment returns. Excluding this \$193M, which must be repaid, cash reserves totaled 276 days. Total expenses adjusted for volume and acuity were 0.4% unfavorable to budget.

Total paid employees for all business units, including contracted employees, were 498 under budget. Contract labor is composed primarily of nurse travelers and individuals employed by the School of Medicine and contracted to the Medical Center. The Medical Center utilized 101 nurse travelers.

	<u>FY2021</u>	<u>2021 Budget</u>
Employee FTEs	8,566	9,196
Contract Labor FTEs	248	116
Salary, Wage and Benefit Cost / FTE	\$90,207	\$87,693
Total FTEs	8,814	9,312

Transitional Care Hospital

For the nine months ended March 31, 2021, the operating loss for the TCH was \$3.4M, yielding an unfavorable budget variance of \$1.5M. By accepting hard-to-place patients from the Medical Center and caring for them in a lower-cost setting, TCH experienced fewer qualified patients, lower case mix and a worsening payer mix. Additionally, staffing related to COVID-19 issues caused a reduction in capacity and negatively impacted admissions and discharges. TCH admitted 172 patients in the first nine months of FY 2021, and 91% of those were from the Medical Center.

Through cost savings generated by caring for patients in a lower-cost setting, TCH provided a \$1.2M benefit to the system in addition to freeing up beds at the Medical Center.

UVA Physicians Group (Clinical Enterprise)

Through the third quarter of FY 2021, the Physicians Group (UPG) produced an operating deficit of \$2.0M, which was \$8.0M favorable to budget and \$5.8M favorable to the prior year. The favorable budget variance is primarily driven by continuing financial mitigation efforts and cost savings offset by patient care volumes lower than plan. These results include \$23.5M in support towards the Academic Mission.

UVA School of Medicine (Academic Enterprise)

Through the third quarter of FY 2021, the School of Medicine generated operating income of \$7.7M, which was \$12.9M favorable to budget. This is primarily due to the financial mitigation plan, favorable gift revenues and controlled spending.

One-time strategic investments totaled \$17.4M and were funded by the Dean's reserves. In addition, the School received \$1.8M in transfers from the Medical Center for capital improvements (Pinn Hall renovations).

UVA School of Nursing (Academic Enterprise)

The School of Nursing has a favorable variance after the first nine months of FY 2021. Revenue growth in research and gifts offset an initial decrease in graduate tuition revenue and University support, but Clinical Nurse Leader enrollment numbers are strong

as a new cohort begins to matriculate next month, which improves overall tuition-based revenue for the fiscal year. Expenditures are in line with the budget.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-19	Mar-20	Mar-21	Mar-21
Net patient revenue	\$1,286.2	\$1,296.4	\$1,345.5	\$1,358.9
Other revenue	<u>39.2</u>	<u>42.6</u>	<u>50.5</u>	<u>39.5</u>
Total operating revenue	<u>\$1,325.3</u>	<u>\$1,339.0</u>	<u>\$1,396.0</u>	<u>\$1,398.4</u>
Operating expenses	1,171.7	1,226.4	1,255.2	1,253.2
Depreciation	75.8	81.2	92.0	96.1
Interest expense	<u>14.6</u>	<u>13.8</u>	<u>13.0</u>	<u>14.0</u>
Total operating expenses	<u>\$1,262.0</u>	<u>\$1,321.4</u>	<u>\$1,360.2</u>	<u>\$1,363.2</u>
Operating income (loss)	<u>\$63.3</u>	<u>\$17.5</u>	<u>\$35.8</u>	<u>\$35.2</u>
Non-operating income (loss)	(\$10.4)	(\$135.9)	\$331.6	(\$35.7)
Net income (loss)	<u>\$52.9</u>	<u>(\$118.4)</u>	<u>\$367.4</u>	<u>(\$0.5)</u>
Principal payment	\$15.5	\$16.3	\$16.1	\$16.1

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

Description	Most Recent Three Fiscal Years		
	Mar-19	Mar-20	Mar-21
Assets			
Operating cash and investments	\$40.9	\$40.3	\$357.8
Patient accounts receivables	275.4	230.2	246.9
Property, plant and equipment	1,216.8	1,328.6	1,371.8
Depreciation reserve and other investments	480.5	396.9	537.1
Endowment Funds	661.0	599.7	847.7
Other assets	<u>261.4</u>	<u>272.7</u>	<u>289.7</u>
Total Assets	<u>\$2,935.9</u>	<u>\$2,868.4</u>	<u>\$3,651.0</u>
Liabilities			
Current portion long-term debt	\$10.2	\$9.8	\$10.2
Accounts payable & other liab	141.1	123.9	134.1
Long-term debt	772.7	757.9	742.6
Accrued leave and other LT liab	<u>365.1</u>	<u>374.8</u>	<u>622.3</u>
Total Liabilities	<u>\$1,289.2</u>	<u>\$1,266.3</u>	<u>\$1,509.1</u>
Fund Balance	<u>\$1,646.8</u>	<u>\$1,602.1</u>	<u>\$2,141.8</u>
Total Liabilities & Fund Balance	<u>\$2,935.9</u>	<u>\$2,868.4</u>	<u>\$3,651.0</u>

University of Virginia Medical Center
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-19	Mar-20	Mar-21	Mar-21
Operating margin (%)	4.8%	1.3%	2.6%	2.5%
Current ratio (x)	2.1	2.0	4.2	2.0
Days cash on hand (days)	197	174	318	190
Gross accounts receivable (days)	53.5	48.7	54.1	50.0
Annual debt service coverage (x)	4.8	(0.8)	16.2	3.6
Debt-to-capitalization (%)	33.8%	33.8%	27.3%	34.0%
Capital expense (%)	7.2%	7.2%	7.7%	8.1%

University of Virginia Medical Center
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-19	Mar-20	Mar-21	Mar-21
Acute Discharges	21,940	20,734	19,561	21,934
Patient days	143,186	142,763	144,762	152,621
Observation Billed Encounters - MC only	3,826	3,947	4,222	3,772
All Payor CMI Adj Avg Length of Stay - MC only	3.02	3.06	3.12	3.05
OP Billed Encounters	598,546	606,986	627,668	619,523
ER Billed Encounters	32,534	33,803	26,649	36,832
All Payor CMI - MC Only	2.10	2.17	2.33	2.19
FTE's (including contract labor)	8,734	9,026	8,814	9,312

University of Virginia Medical Center
SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES
Fiscal Year to Date March 31, 2021 with Comparative Figures for Prior Fiscal Year

OPERATING STATISTICAL MEASURES									
DISCHARGES and CASE MIX - Year to Date					OTHER INSTITUTIONAL MEASURES - Year to Date				
	Actual	Budget	% Variance	Prior Year		Actual	Budget	% Variance	Prior Year
DISCHARGES:					ACUTE INPATIENTS:				
Medical Center	19,386	21,687	(10.6%)	20,523	Inpatient Days - MC	139,216	145,144	(4.1%)	135,874
Transitional Care	175	247	(29.1%)	211	All Payor CMI Adjusted ALOS - MC	3.12	3.05	(2.3%)	3.06
Subtotal	19,561	21,934	(10.8%)	20,734	Average Daily Census - MC	508	530	(4.1%)	494
Observation Billed Encounters	4,222	3,772	11.9%	3,947	Births	1,540	1,474	4.5%	1,497
Total Discharges & OBS Billed Encounters	23,783	25,706	(7.5%)	24,681	OUTPATIENT BILLED ENCOUNTERS:				
Adjusted Discharges	44,739	47,853	(6.5%)	46,406	Medical Center	627,668	619,523	1.3%	606,986
CASE MIX INDEX:					Average per Clinic Day	3,330	3,287	1.3%	3,186
All Payor CMI - UVA Hosp & Clinics	2.33	2.19	6.2%	2.17	Emergency Room - MC	26,649	36,832	(27.6%)	33,803
Medicare CMI - UVA Hosp & Clinics	2.50	2.32	7.8%	2.34	SURGICAL CASES				
					UVA Main Hospital Operating Room	13,636	13,981	(2.0%)	13,562
					Battle	9,768	9,896	(1.3%)	9,396
					Total	23,464	23,877	(1.7%)	22,958

OPERATING FINANCIAL MEASURES									
REVENUES and EXPENSES - Year to Date					OTHER INSTITUTIONAL MEASURES - Year to Date				
	Actual	Budget	% Variance	Prior Year		Actual	Budget	% Variance	Prior Year
(\$ in thousands)					(\$ in thousands)				
NET REVENUES:					NET REVENUE BY PAYOR:				
Net Patient Service Revenue	1,345,495	1,358,910	(1.0%)	1,296,395	Medicare	\$ 379,296	\$ 371,344	0.5%	\$ 379,704
Other Operating Revenue	50,481	39,510	27.8%	42,567	Medicaid	195,156	183,932	6.1%	239,922
Total	\$ 1,395,976	\$ 1,398,420	(0.2%)	\$ 1,338,962	Commercial Insurance	200,740	215,352	(6.8%)	192,934
EXPENSES:					Anthem	301,490	302,297	(0.3%)	281,664
Salaries, Wages & Contract Labor	\$ 599,882	\$ 616,281	2.7%	\$ 602,118	Aetna	103,534	97,966	5.7%	99,029
Supplies	383,721	371,179	(3.4%)	352,307	Other	171,279	188,019	(8.3%)	103,142
Contracts & Purchased Services	271,585	265,754	(2.2%)	271,983	Total Paying Patient Revenue	\$ 1,345,495	\$ 1,358,910	(1.0%)	\$ 1,296,395
Depreciation	92,005	96,054	4.2%	81,239	OTHER:				
Interest Expense	13,006	13,966	6.9%	13,800	Collection % of Gross Billings	27.14%	26.91%	0.3%	27.71%
Total	\$ 1,360,200	\$ 1,363,234	0.2%	\$ 1,321,447	Days of Revenue in Receivables (Gross)	54.1	50.0	(8.2%)	48.7
Operating Income	\$ 35,777	\$ 35,186	1.7%	\$ 17,514	Cost per CMI Adjusted Admission	\$ 13,120	\$ 13,065	(0.4%)	\$ 13,189
Operating Margin %	2.6%	2.5%		1.3%	Total F.T.E.'s (including Contract Labor)	8,814	9,312	5.3%	9,026
					F.T.E.'s Per CMI Adjusted Admission	23.29	24.45	4.7%	24.77

University of Virginia Medical Center

SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES

Fiscal Year to Date March 31, 2021 with Comparative Figures for Prior Fiscal Year

Assumptions – Operating Statistical Measures

Discharges and Case Mix Assumptions:

Discharges include all admissions except normal newborns

TCH cases are those discharged from the TCH, excluding any Medicare interrupted stays

Observations are for billed encounters only

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 newborns

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 3, 2021

COMMITTEE: Health System Board

AGENDA ITEM: VII.B. FY 2022 Operating and Capital Budgets for the University of Virginia Health System

BACKGROUND: UVA Health includes the Medical Center, the School of Medicine (SOM), the School of Nursing (SON), the University of Virginia Physicians Group (UPG), and the Library. The Medical Center, School of Medicine, School of Nursing, 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 Health System Board.

DISCUSSION: For FY 2022, the Health System is budgeting operating income of \$4M, as described below.

	Operating Income			Operating Margin		
	<u>FY20A</u>	<u>FY21P</u>	<u>FY22B</u>	<u>FY20A</u>	<u>FY21P</u>	<u>FY22B</u>
UVA Hospital, Clinics, Subs & Joint Ventures	44	89	197			
Shared Services	(26)	(29)	(131)			
Medical Center	17	60	66	1.0%	3.2%	3.3%
Clinical Operations	32	27	27			
Support of Academic Mission	(32)	(31)	(40)			
Physician Group	0	(3)	(13)	0.1%	-0.7%	-2.3%
Academic Recurring Operations	16	15	16			
Strategic Investment from Reserves	(23)	(25)	(22)			
One Time Transfers	11	2	-			
School of Medicine	4	(9)	(6)	0.8%	-1.8%	-1.2%
School of Nursing	1	0	(0)	3.6%	1.6%	-0.6%
Library - Health System	(0)	(0)	(1)	-2.8%	-2.8%	-22.5%
Health System Support/Transfers	(60)	(43)	(41)			
Consolidated Health System	(36)	6	4	-1.4%	0.2%	0.0%

In addition to the operating units shown in the previous table, UVA Health will acquire the Novant Health UVA Health Joint Operating Company (JOC) at the end of FY 2021. The JOC is projected to have an \$11M operating loss in FY 2022. This was excluded from the table above, so the FY 2022 numbers are comparable to prior years.

OPERATING PLAN: The rapidly changing healthcare environment requires a robust planning process, and plans for managing the finances through a more real-time rolling forecast are underway. 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:

- Growth in ambulatory, tertiary/quaternary expansion, and regional growth.
- Leveraging facilities and infrastructure improvements by continued operationalization of hospital expansion and completion of Ivy Mountain.
- Containing costs and gaining efficiencies, serving as both the community safety net and a regional tertiary quaternary health system.
- Maintaining high inpatient acuity (case mix index) and improving length of stay.
- Maintaining and improving our strategic partnerships.
- Completing a Health System strategic plan.

Other major factors that impact the ability to accomplish the budget include (industry-wide and not UVA specific):

- COVID-19 resurgence.
- Federal and state legislative pressures, specifically related to further payment reductions.
- Continued increase in consumerism; pressure on cost of care and price transparency, specifically for commodity services.

School of Medicine

The School of Medicine budgeted operating loss after transfers is (\$6.0M). The transfers include support for operating expenses, mainly for research, which would not occur if there were no support. It is important to note that the School's margin includes strategic spending, which are funds used for one-time, strategic investments by departments primarily in research and education. The Dean funds these investments with reserves, rather than ongoing recurring operating funds.

The education mission is composed primarily of the Medical Education Program, the Biomedical Sciences Graduate Program, and the Masters of Public Health Sciences. The Board of Visitors approved a 3.5% tuition increase for the Biomedical Sciences Graduate Program and the Masters of Public Health Sciences programs. The school has also proposed a 3% tuition increase for the first-year students in the Medical Education

Program. The Master of Public Health Program is projecting enrollment growth as well. The Medical Education and Biomedical Sciences programs are expected to remain at the current enrollment level. The FY 2022 budget incorporates \$3.4M expenses associated with the INOVA medical education initiative, which started in 2021.

The total grant expenses for the FY 2022 budget are projected to increase 3.1% over the FY 2021 projection, with 83% of the grants expenses budgeted on awards that are already received. The split between NIH and non-NIH grants is budgeted at 61/39 ratio, a slight shift from the FY 2021 60/40 ratio. The FY22 grants revenue is \$2.5M (1.4%) below the FY21 budget, however the variance is driven by lower non-personnel spending and has limited impact on the bottom line. The Indirect Cost Recovery revenue is budgeted to grow by 4.5% compared to FY21 budget and by 8.2% compared to FY21 projection. The higher growth rate for the Indirect Cost Recovery revenue is driven by higher F&A rate for NIH grants and increase in other federal grants.

Total capital spending for the School's mission is budgeted at \$11.4M in FY 2022. Anticipated capital spending for the academic mission includes the Pinn Hall Exterior Brick replacement and space renovations for Dr. Lucas Tamm's research program.

School of Nursing

The School of Nursing budgeted an operating loss of \$0.2M. No capital spending is anticipated for the School of Nursing in FY 2022.

UVA Physicians Group (Clinical Enterprise)

The Clinical Enterprise is comprised of professional services provided through UPG. The FY 2022 budgeted operating performance before and after transfers is \$26.7M and (\$13.1M), respectively. This includes at least \$2.6M in planned use of funds from prior years. The proposed budget reflects increases to patient care volumes and related expenses that assume the impacts of COVID-19 have largely ended. The budget also reflects close management of operating costs, while allowing a 2% increase in compensation for faculty and staff and specific programs to support team member satisfaction and mitigate provider burnout.

The FY 2022 budget includes a 1% increase in patient care volumes over FY 2021 projection. Patient revenue includes an increase in Medicare reimbursement as a result of the Consolidated Appropriations Act, 2021 passed by Congress on Dec 21, 2020, as well as a contracted rate increase from commercial payers. Total expenses before support of the academic mission are expected to increase as a result of modest increases in compensation (as described above) and post-COVID-19 non-personnel expenses. These are somewhat offset by an expected decline in overall defined benefit pension expense, as the plans are closed to new participants, and market returns have improved plan funding levels.

Similar to prior years, the FY 2022 budget includes an optimistic assumption for onboarding clinicians; post-COVID-19 patient demand and clinical support staffing will be

key components in the decision to hire these positions. Support for the research and teaching efforts is reflected in the plan at \$35.8M, an increase from prior year. In addition, the FY 2022 plan includes \$4M in transfers to the University to establish departmental quasi endowments. Capital spend is budgeted at \$4.9M in FY 2022, and includes several items that were delayed from FY2021 in order to better manage cash flow during the pandemic.

Medical Center

Market Conditions: For FY 2022, discharges are budgeted to grow 9.0% from FY 2021 projected levels. Although statewide admissions are trending downward, our budgeted projection is driven by post-COVID rebound of inpatient activity in strategic clinical areas, including Children's, Heart and Vascular, Neurosciences, Oncology, and Transplant services, and continued expansion of staffed beds in the University Hospital Expansion South Tower units. Targeted length of stay efforts and patient progression efforts will provide additional capacity for discharges, resulting in an average daily census of 532, +27 higher than current year projections.

Outpatient services are expected to grow by 2.8% in total. The following table includes historical and projected patient volumes:

	<u>Actual</u> <u>FY 2020</u>	<u>Projected</u> <u>FY 2021</u>	<u>Budget</u> <u>FY 2022</u>
Discharges Medical Center	26,044	25,922	28,245
Discharges Transitional Care	270	208	294
Adjusted Discharges	58,387	59,477	64,113
Average length of stay MC	6.72	7.08	6.80
Outpatient Encounters - MC	741,604	816,896	839,893

Revenues: FY 2022 budgeted revenue is \$2.0B, 6.9% above projected FY 2021 revenue. Growth in revenues into FY 2022 will result from an uptick in volumes due to increased inpatient capacity from decanting and reallocation of COVID-dedicated beds in the south tower inpatient units, expansion of outpatient, and continued high case mix index (CMI) of 2.26, which has been realized during FY 2021. Growth of staffing inpatient beds will focus on expansion of acute oncology, ICU pediatrics, and post-operative surgical subspecialty services.

Medical Center outpatient surgical volumes are expected to increase 1.4%. Main OR operating room floor renovations will be completed by June 2021, bringing an equivalent of three rooms online, resulting in 6.2% volume growth. Battle outpatient surgery center is expected to have (5.3%) decrease in volumes, resulting from offloading ophthalmology and other short-duration cases to Monticello Community Surgery Center, in exchange for additional capacity to grow fewer longer duration outpatient surgical cases.

Expenses: Expenses from operations are projected to increase 6.8% from the FY 2021 projection. The major sources of expense growth include volume growth and price inflation of pharmaceuticals, the reintroduction of the merit and market compensation pool and additional interest expense largely resulting from the University Hospital Expansion becoming fully operational.

FY 2022 includes the following improvements resulting from the FY 2021 Bridge Plan: strategic sourcing & value management expense reduction, revenue enhancement from CDI optimization, workforce optimization and staffing standardization, as well as improvements within the service line.

Conservative but continued capital spending in FY 2021 due to COVID financial mitigation will result in increased depreciation expense of \$5.9M for FY 2022. Capital investment will focus on strategic projects, including the Ivy Mountain Musculoskeletal Center, MR Linac, Sterile Processing Department Renovation, and continued funding of maintenance and replenishment pools to maintain property, plant, medical equipment, and health information technology. The Medical Center's 2021-2022 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's FY 2022 budget has been benchmarked with comparable academic medical centers. FTEs are planned at 9,250, an increase of 441 FTEs (5.0%) from the current FY projection of 8,809 FTEs.

With regard to compensation increases, the pool for market, merit, and living wage actions has been established at \$17.6M, which includes the impact on benefit costs and is based on 2.0% salary adjustments in aggregate and October implementation date. Compensation changes related to market comparisons will be done strategically to maintain competitiveness across various hard-to-fill or retain positions. Team member's specific merit increases will be based on FY 2021 performance reviews.

Transitional Care Hospital (TCH): The Medical Center includes the TCH as a strategically important asset. The TCH budget for FY 2022 has an operating loss of \$5.4M. This loss is due to the TCH mission to serve not only long-term acute care patients who qualify for higher long term acute care hospital reimbursement, but also medically complex patients who require acute care, but do not need to be at the Medical Center, and difficult to place patients ready for discharge, regardless of their ability to pay. TCH total discharges are expected to be 294, with 267 projected to come from the Medical Center, which will provide a financial benefit to the Medical Center. By caring for these patients in a lower-cost setting, TCH is able to reduce Medical Center operating costs and create capacity for additional Medical Center admissions.

Joint Operating Company

UVA Health plans to acquire the Novant Health UVA Health Joint Operating Company (JOC) at the end of FY 2021. The JOC is projected to have an \$11M operating loss

in FY 2022. Throughout FY 2022, the JOC will prioritize the migration from current systems and processes that are tied to Novant Health to systems aligned with UVA Health.

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. Subject to funds availability, the Health System management team recommends \$137.3M be authorized for FY 2022 capital requirements. Request per enterprise: Medical Center \$122.6M, School of Medicine \$9.8M (with an additional \$1.6M funded from external sources), and UPG \$4.9M.

ACTION REQUIRED: Approval by the Health System Board

FY 2022 OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA HEALTH SYSTEM

RESOLVED, the FY 2022 Operating and Capital Budgets for the University of Virginia Health System are approved, as recommended by the President, the Executive Vice President for Health Affairs, the Executive Vice President and Chief Operating Officer of the University, and the Health System Board.

Schedule A
University of Virginia - Medical Center
Projected Fiscal Plan
FY2022

	FY2020 Actual	FY2021 Forecast	FY2022 Budget
Revenues			
Total Gross Charges	\$ 6,028,385,299	\$ 6,663,989,468	\$ 7,243,159,879
Less Deductions:			
Indigent Care Deduction	167,885,011	181,809,054	160,189,222
Bad Debt	109,974,364	110,797,509	104,912,089
Contractual Deduction	4,040,852,848	4,533,256,018	5,004,813,701
Charity Care	20,907,512	20,915,629	22,320,272
Total Deductions	4,339,619,735	4,846,778,210	5,292,235,284
Net Patient Revenue	1,688,765,564	1,817,211,258	1,950,924,594
Miscellaneous Revenue	61,287,844	68,031,831	65,074,376
Total Revenue	1,750,053,408	1,885,243,089	2,015,998,970
Expenses			
Expenses from Operations			
Operating Expenses	1,598,549,248	1,682,320,344	1,789,185,587
Depreciation and Amortization	115,886,829	125,356,470	131,250,989
Interest Expense	18,307,234	17,438,676	29,537,354
Total Expenses from Operations	1,732,743,311	1,825,115,490	1,949,973,930
Operating Income	17,310,096	60,127,599	66,025,041
Non-Operating Expense Transfers *	(59,837,907)	(42,566,180)	(40,900,246)
Net Income After Transfers	\$ (42,527,811)	\$ 17,561,419	\$ 25,124,795
Statistics			
Discharges - Medical Center	26,044	25,922	28,245
Discharges - Transitional Care Hospital	270	208	294
Outpatient Encounters	741,600	816,896	839,893
Emergency Room Billed Encounters	40,659	35,138	36,137
Average Length of Stay - Medical Center	6.72	7.08	6.80
Average Length of Stay - Transitional Care Hospital	32.15	38.23	37.01

* Represents Medical Center Transfers within UVA Health. 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)

	FY2022 Budget	FY2021 Projected	FY2021 Budget	FY2020 Actual
Operating Revenues				
Total Gross Charges	\$7,243,160	\$6,663,989	\$6,815,258	\$6,028,385
Less Deductions:				
Indigent Care Deduction	160,189	181,809	185,931	167,885
Bad Debt	104,912	110,797	82,983	109,974
Contractual Deduction	5,004,814	4,533,256	4,696,602	4,040,853
Charity Care	22,320	20,916	10,162	20,908
Total Deductions	5,292,235	4,846,778	4,975,678	4,339,620
Net Patient Revenue	1,950,925	1,817,211	1,839,580	1,688,765
Miscellaneous Revenue	65,074	68,032	52,662	61,288
Total Operating Revenues	2,015,999	1,885,243	1,892,242	1,750,053
Operating Expenses				
Compensation and Benefits	824,375	806,495	823,101	783,524
Supplies, Utilities, and Other	964,811	875,826	855,729	815,026
Depreciation and Amortization	131,251	125,356	129,776	115,887
Interest Expense	29,537	17,438	18,633	18,307
Total Operating Expenses	1,949,974	1,825,115	1,827,239	1,732,743
Operating Income	66,025	60,128	65,003	17,310
Operating Income Percent	3.28%	3.19%	3.44%	0.99%
Non-Operating Expense Transfers *	(40,900)	(42,566)	(43,911)	(59,838)
Net Income After Transfers	25,125	17,562	21,092	(42,528)
Add back Depreciation and Amortization	131,251	125,356	129,776	115,887
Less Principal Payments on Debt	(33,822)	(23,151)	(23,151)	(22,082)
Add Non-Operating Gains and Transfers	92,386	235,765	(4,258)	96,576
Cash Available for Capital and Other	214,940	355,532	123,459	147,853
Capital Funded from Operations	(122,554)	(94,000)	(88,639)	(99,499)
Additions to Cash and Reserves	\$92,386	\$261,532	\$34,820	\$48,354

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