

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS**

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

**February 28, 2019**

**HEALTH SYSTEM BOARD**  
**Thursday, February 28, 2019**  
**8:00 a.m. – 12:00 p.m.**  
**Board Room, The Rotunda**

**Committee Members:**

L.D. Britt, M.D., Chair  
Babur B. Lateef, M.D., Vice Chair  
Frank M. Conner III  
Tammy S. Murphy

James B. Murray Jr.  
James V. Reyes  
A. Bobby Chhabra, M.D., Faculty  
Consulting Member  
Jessica Lukacs, M.D., Student Member

**Public Members:**

William G. Crutchfield Jr.  
Eugene V. Fife

Victoria D. Harker  
John E. Niederhuber, M.D.

**Ex Officio Members:**

James E. Ryan  
Jennifer Wagner Davis  
Dorrie K. Fontaine  
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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• Transitional Care Hospital Operations Report (Mr. Tracey P. Turman, M.H.A.)	29
<b>V. CLOSED SESSION</b>	
• Discussion of proprietary, business-related information pertaining to the operations of the Medical Center, School of Medicine and the Transitional Care Hospital, where disclosure at this time would adversely affect the competitive position of the Medical Center, the School of Medicine or the Transitional Care Hospital, specifically:	
– Strategic personnel, financial, investment, facility needs, market considerations, growth initiatives, and other resource considerations and efforts in light of market and regulatory changes for the Health System Clinical Enterprise and expected impact for Fiscal Year 2019; proprietary updates on joint ventures, affiliations, and partnership strategies; proprietary improvement initiatives for patient care, clinical operations, and faculty team member engagement; all of which further the strategic initiatives of the Medical Center, the School of Medicine, and the Transitional Care Hospital 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, for the purpose of improving patient care for the Medical Center and the Transitional Care Hospital;	
– Consultation with legal counsel regarding compliance with relevant federal and state legal requirements, legislative and accreditation standards, and Clinical Staff member investigation; 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), (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> .	

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

**BOARD MEETING:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** I.A. 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:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** I.B. Reports 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 in November 2013, he served as the Frank Wister Thomas Professor of Medicine at the University of Pennsylvania Perelman School of Medicine, and as chair 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 Health System Board (HSB) of recent events that do not require formal action, including a “Be Safe” moment and the Health System consolidated goals.

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

**BOARD MEETING:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** I.C. Health System Consolidated Finance Report from the Finance Working Group and Discussion

**ACTION REQUIRED:** None

**BACKGROUND:** The Health System 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, C.P.A., M.B.A., C.I.T.P., C.H.F.P., serves as the Health System’s Chief Financial Officer. Prior to coming to the UVA Health System, he was the Associate Vice President for Financial Services and Controller for Wake Forest Baptist Medical Center. Mr. Lischke is an active Certified Public Accountant, a Certified Healthcare Finance Professional, and a Certified Information Technology Professional with over 24 years of financial management experience.

**DISCUSSION:**

**FINANCE REPORT**

**School of Medicine – Academic, Clinical, Health System Library**

Operating Income after transfers Year-to-Date 12/31/2018  
(in millions) (“M”)

	Actual	Budget	Fav / (Unfav)
UPG-Clinical	(4.5)	(8.2)	3.7
SOM - Academic	1.7	(2.7)	4.5
Library	.4	(.1)	.5
Consolidated SOM	(2.4)	(11.1)	8.7

Through the second quarter of Fiscal Year 2019, the Consolidated School of Medicine generated an operating loss of \$2.4M after transfers from the Medical Center, compared to a budgeted loss of \$11.1M.

The clinical enterprise (UPG) produced an operating loss of \$4.5M, which was \$3.7M favorable to budget. The favorable budget variance is primarily driven by Community Radiology billing catchup and better than expected performance within UVA Imaging. UPG results include \$15.3M investment in the academic mission.

The academic enterprise generated an operating income of \$1.7M, a \$4.5M favorable variance to budget. This favorable variance was driven by \$4.1M in increased gifts and endowment distributions as well as favorable salary coverage on grants and decreased non-personnel spending.

### **Medical Center**

After six months of operations in Fiscal Year 2019, the operating income for all Medical Center business units was \$43.2M, resulting in a 4.9% operating margin. Operating income was favorable to budget by \$3.1M. Key volume indicators - discharges, surgical cases, and outpatient visits - exceeded budget with the all payor case mix at 2.09 approaching the budget level of 2.10 for the Medical Center. Operating income for the consolidated Medical Center is supported by imaging, dialysis, the Transitional Care Hospital, Continuum, and the management of shared services expenses. For Fiscal Year 2019 through December, the Medical Center generated \$103.6M in cash from operations (EBITDA) and cash reserves totaled 197 days. Total expenses adjusted for volume and acuity were slightly favorable to budget.

Total paid employees for all business units, including contracted employees, were two below 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 102 nurse travelers.

	<b><u>FY2019</u></b>	<b><u>2019 Budget</u></b>
Employee FTEs	8,374	8,377
Contract Labor FTEs	333	332
Salary, Wage and Benefit Cost / FTE	\$88,559	\$88,361
Total FTEs	8,707	8,709

### **Transitional Care Hospital**

For the six months ended December 31, 2018, the operating loss for the Transitional Care Hospital was \$1.0M, yielding an unfavorable budget variance of \$1.2M. This variance was attributable to lower than expected volumes, lower case mix index, and unfavorable

payor and census mix. Operating performance improved in the second quarter (\$.2M loss) vs. first quarter (\$.8M loss).

Of the 177 discharges in the first two quarters, 77% were from the Medical Center, providing an approximate \$1.5M benefit to the Health System. This further demonstrates the importance and value of long term acute care services in the continuum of care.

Overall, the Health System's operating income is favorable to budget for the six months ended December 31, 2018.



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

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec-17	Dec-18	Dec-19	Dec-19
Net patient revenue	\$761.8	\$801.6	\$856.7	\$843.1
Other revenue	<u>27.8</u>	<u>24.3</u>	<u>26.6</u>	<u>24.0</u>
Total operating revenue	<u>\$789.6</u>	<u>\$825.9</u>	<u>\$883.3</u>	<u>\$867.0</u>
Operating expenses	696.2	748.1	779.7	766.1
Depreciation	48.1	49.5	50.6	50.7
Interest expense	<u>8.4</u>	<u>10.2</u>	<u>9.8</u>	<u>10.2</u>
Total operating expenses	<u>\$752.8</u>	<u>\$807.9</u>	<u>\$840.1</u>	<u>\$826.9</u>
Operating income (loss)	<u>\$36.8</u>	<u>\$18.1</u>	<u>\$43.2</u>	<u>\$40.1</u>
Non-operating income (loss)	<u>\$16.1</u>	<u>\$14.0</u>	<u>(\$70.5)</u>	<u>(\$30.4)</u>
Net income (loss)	<u>\$53.0</u>	<u>\$32.1</u>	<u>(\$27.3)</u>	<u>\$9.7</u>
Principal payment	\$8.6	\$10.3	\$10.8	\$10.8

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

Description	Most Recent Three Fiscal Years		
	Dec-17	Dec-18	Dec-19
<b>Assets</b>			
Cash and cash equivalents	\$43.3	\$6.2	\$85.5
Patient accounts receivables	176.9	236.4	244.4
Property, plant and equipment	963.1	1,090.2	1,201.8
Investments and Trustee Funds	618.6	575.6	472.0
Endowment Funds	569.6	628.0	623.9
Other assets	<u>271.1</u>	<u>266.1</u>	<u>259.4</u>
<b>Total Assets</b>	<u>\$2,642.5</u>	<u>\$2,802.4</u>	<u>\$2,886.9</u>
<b>Liabilities</b>			
Current portion long-term debt	\$13.0	\$15.4	\$16.1
Accounts payable & other liab	125.6	130.9	125.2
Long-term debt	767.4	790.3	772.8
Accrued leave and other LT liab	<u>226.9</u>	<u>256.6</u>	<u>406.1</u>
<b>Total Liabilities</b>	<u>\$1,133.0</u>	<u>\$1,193.2</u>	<u>\$1,320.3</u>
<b>Fund Balance</b>	<u>\$1,509.5</u>	<u>\$1,609.2</u>	<u>\$1,566.6</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u>\$2,642.5</u>	<u>\$2,802.4</u>	<u>\$2,886.9</u>

\*

\*\$472M includes ED/Bed Tower bond issue funds of \$124.1M

**University of Virginia Medical Center  
Financial Ratios**

Description	Most Recent Three Fiscal Years			Budget/Target
	Dec-17	Dec-18	Dec-19	Dec-19
Operating margin (%)	4.7%	2.2%	4.9%	4.6%
Current ratio (x)	1.6	1.7	2.3	2.0
Days cash on hand (days)	145.7	141.3	196.8	190.0
Gross accounts receivable (days)	47.4	53.4	50.7	45.0
Annual debt service coverage (x)	6.4	4.5	1.6	3.6
Debt-to-capitalization (%)	44.9%	44.6%	45.0%	47.6%
Capital expense (%)	7.5%	7.4%	7.2%	7.4%

**University of Virginia Medical Center  
Operating Statistics**

<b>Description</b>	<b>Most Recent Three Fiscal Years</b>			<b>Budget/Target</b>
	<b>Dec-17</b>	<b>Dec-18</b>	<b>Dec-19</b>	<b>Dec-19</b>
Acute Discharges	14,531	14,701	14,870	14,814
Patient days	90,067	94,645	95,857	96,406
Observation Billed Encounters - MC only	2,166	2,004	2,504	1,925
All Payor CMI Adj Avg Length of Stay - MC only	2.85	2.99	2.96	2.96
OP Billed Encounters	386,917	378,722	390,660	387,336
ER Billed Encounters	21,691	21,981	21,500	21,883
All Payor CMI - MC Only	2.11	2.09	2.09	2.10
Average beds available				
FTE's (including contract labor)	8,152	8,524	8,707	8,709

**SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES**  
**Fiscal Year to Date December 31, 2018 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
<b>DISCHARGES:</b>					<b>ACUTE INPATIENTS:</b>				
Medical Center	14,694	14,606	0.6%	14,513	Inpatient Days - MC	91,087	90,518	0.6%	89,564
Transitional Care	176	208	(15.4%)	188	All Payor CMI Adjusted ALOS - MC	2.96	2.96	0.2%	2.99
Subtotal	14,870	14,814	0.4%	14,701	Average Daily Census - MC	495	492	0.6%	487
Observation Billed Encounters	2,504	1,925	30.1%	2,004	Births	1,002	895	12.0%	900
Total Discharges & OBS Billed Encou	17,374	16,739	3.8%	16,705	<b>OUTPATIENT BILLED ENCOUNTERS:</b>				
Adjusted Discharges	32,353	31,521	2.6%	30,912	Medical Center	390,660	387,336	0.9%	378,722
					Average per Clinic Day	3,138	3,086	1.7%	3,030
					Emergency Room - MC	21,500	21,883	(1.8%)	21,981
					<b>SURGICAL CASES</b>				
<b>CASE MIX INDEX:</b>					UVA Main Hospital Operating Room	9,037	8,618	4.9%	9,148
All Payor CMI - UVA Hosp & Clinics	2.09	2.10	(0.3%)	2.09	Battle	6,395	5,954	7.4%	5,739
Medicare CMI - UVA Hosp & Clinics	2.19	2.23	(1.6%)	2.23	Total	15,432	14,572	5.9%	14,887

OPERATING FINANCIAL MEASURES									
REVENUES and EXPENSES - Year to Date					OTHER INSTITUTIONAL MEASURES - Year to Date				
(\$s in thousands)	Actual	Budget	% Variance	Prior Year	(\$s in thousands)	Actual	Budget	% Variance	Prior Year
<b>NET REVENUES:</b>					<b>NET REVENUE BY PAYOR:</b>				
Net Patient Service Revenue	856,745	843,063	1.6%	801,613	Medicare	\$ 244,252	\$ 237,736	2.7%	\$ 233,062
Other Operating Revenue	26,565	23,987	10.8%	24,336	Medicaid	166,028	166,818	(0.5%)	160,001
Total	\$ 883,310	\$ 867,049	1.9%	\$ 825,949	Commercial Insurance	133,495	131,004	1.9%	131,025
					Anthem	178,059	172,056	3.5%	152,826
					Aetna	58,548	59,595	(1.8%)	57,876
					Other	76,363	75,854	0.7%	66,822
<b>EXPENSES:</b>					Total Paying Patient Revenue	\$ 856,745	\$ 843,063	1.6%	\$ 801,613
Salaries, Wages & Contract Labor	\$ 387,499	\$ 394,020	1.7%	\$ 377,391	<b>OTHER:</b>				
Supplies	222,310	207,271	(7.3%)	197,256	Collection % of Gross Billings	28.92%	28.94%	(0.1%)	29.42%
Contracts & Purchased Services	169,923	164,774	(3.1%)	173,467	Days of Revenue in Receivables (Gross)	50.7	45.0	(12.7%)	53.4
Depreciation	50,568	50,669	0.2%	49,543	Cost per CMI Adjusted Admission	\$ 12,502	\$ 12,596	0.7%	\$ 12,569
Interest Expense	9,763	10,207	4.4%	10,199	Total F.T.E.'s (including Contract Labor)	8,707	8,709	0.0%	8,524
Total	\$ 840,064	\$ 826,941	(1.6%)	\$ 807,856	F.T.E.'s Per CMI Adjusted Admission	23.84	24.41	2.3%	24.40
Operating Income	\$ 43,247	\$ 40,108	7.8%	\$ 18,093					
Operating Margin %	4.9%	4.6%		2.2%					

**University of Virginia Medical Center**  
**SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES**  
**Fiscal Year to Date December 31, 2018 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:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** I.D. Health System Development Report

**ACTION REQUIRED:** None

**BACKGROUND:** Health System Development reports on recent activity to the Health System Board from time to time. Ms. Karen Rendleman, Senior Associate Vice President for Health System Development, has directed Health System fundraising efforts since 2006 and has been a member of the University of Virginia development community since 1988.

**DISCUSSION:**

**SIGNIFICANT GIFTS**

October 1 – December 31, 2018

Friends of the Health System pre-funded their \$2 million bequest to create a \$1 million Bicentennial Fellowship in Movement Disorders and a \$1 million Emerging Scholars Bicentennial Professorship in General Medicine.

An anonymous donor committed \$1,050,000 to establish an Emerging Scholar Bicentennial Professorship in Neurology at the School of Medicine.

A friend of the Health System committed \$1 million to create an endowed research fund to support cancer research, with a preference for immunotherapy and genomics.

An emeritus Health Foundation trustee committed \$525,000 for LaunchPad funding in 2018-2019 to support diabetes research in the School of Medicine, bringing his total commitment for the program to more than \$3 million.

A former UVA Health Foundation trustee and School of Medicine alumnus and his wife increased the value of their existing planned gift to Medicine and Nursing by \$485,901, resulting in a total gift of \$1,372,964 to the School of Medicine and \$358,476 to the School of Nursing.

A University alumnus and his wife committed to a planned gift valued at \$425,595 to benefit the UVA Brain Institute.

The Schiff Foundation committed \$380,000 in support of neuro-oncology research.

The Ivy Foundation made a \$250,000 commitment for the 2019 Ivy Biomedical Innovation Fund award program.

Friends of the Health System committed \$250,000 to continue their support of Dr. Loughran's LGL Leukemia research program.

A Class of 1961 School of Medicine alumnus pledged an additional \$250,000 for his named Medical Bicentennial Scholarship.

The Charlottesville Track Club donated \$210,000 to UVA Cancer Center's Breast Care Program from the proceeds of the 2018 Charlottesville Women's 4-Miler.

Friends of the Health System made a \$200,000 gift to support the Myles H. Thaler Center for AIDS and Human Retrovirus Research at UVA Health System.

***Other gifts and pledges received include:***

- A \$150,000 gift through the ziMS Foundation in support of Dr. Myla Goldman's multiple sclerosis research in the Department of Neurology;
- A \$125,000 pledge to create a named Bicentennial Scholarship in the School of Medicine;
- A \$100,000 commitment to create a Bicentennial Scholarship in the School of Medicine;
- A \$100,000 pledge to seed graduate research in cell biology;
- A \$100,000 commitment for a resident education endowment in the Department of Dermatology;
- A \$100,000 commitment in support of research in the Division of Nephrology;
- A \$55,000 grant from the Virginia Kincaid Charitable Foundation to support cancer research;
- A \$50,000 pledge over five years in support of the School of Nursing Annual Fund and Compassionate Care initiatives;
- A \$50,000 pledge over two years to initiate stem cell research in multiple sclerosis in the lab of Michael McConnell, Ph.D.; and
- A \$50,000 commitment for the Jay Dalglish Melanoma Research Fund.

**OTHER DEVELOPMENT INITIATIVES**

The UVA Health Foundation hosted a special event for current and emeritus Health Foundation trustees and selected donors and guests on October 4, 2018. Approximately 85 guests listened to an afternoon of Ted Talk-like presentations on "The Intersection of Technology and Healthcare," featuring School of Nursing and School of Medicine faculty. The event was followed by a cocktail reception and dinner in the Dome Room of the



Rotunda featuring Board of Visitors Vice Rector Jim Murray and Health System leadership. The evening culminated in the screening of a new thank you video to donors featuring Health System faculty and students, who shared the impact of private philanthropy on the Health System.

**FUNDRAISING PROGRESS THROUGH DECEMBER 31, 2018**

<b>Fundraising Progress</b> December 31, 2018 <b>FY 2019 Goal: \$100,000,000</b>	
<b>New gifts</b>	\$23,176,635
<b>New pledges</b>	\$4,327,760
<b>New expectancies</b>	\$15,820,537
<b>TOTAL</b>	<b>\$43,324,932</b>

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

**BOARD MEETING:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** I.E. Community Health Initiatives

**ACTION REQUIRED:** None

**BACKGROUND:** Amy Salerno, M.D., M.H.S is an internist who sees patients in primary care and as a hospitalist. Since coming to UVA in 2017, she also serves as the Director of Community Health and Well-Being for the UVA Health System and as the Medical Director of the UVA Wise Clinic. Prior to her role here at UVA, she was the Associate Director of Population Health for Yale University and worked as an internist on the Navajo Reservation in northern Arizona. Amy attended medical school at the University of Pittsburgh, did her residency at Emory University, and completed the Robert Wood Johnson Clinical Scholars Program at Yale University.

**DISCUSSION:** Health and well-being include physical health, mental health, and social health. Multiple factors can impact health and well-being, including: housing, food, safety, healthcare, social connections, education, employment, financial security, resiliency, autonomy, environmental factors, genetics, physical ability/activity, and historic trauma (personal and societal).

UVA Health System created the Office of Community Health and Well-Being to invest in Community Health with the following vision: To work in partnership with those in our local community on improving health and well-being, cultivating the ability of all people living in Virginia's Planning District 10 (Charlottesville city and Albemarle, Fluvanna, Greene, Louisa, and Nelson counties) to thrive. To create a strategic plan for the Office of Community Health and Well-Being, the following guiding principles were considered:

- Community is defined as all those who live in our region, not only the patients UVA serves.
- Shared power and shared decision-making will be key to the governance structure with our identified partners, including community-based organizations and community members.
- Decisions, outcomes, and successes will be informed by data, including both health outcomes and financial impacts for the Health System and the community.
- We will work to coordinate efforts through partnerships and avoid duplication.
- Sustainability is a critical component of a successful program or initiative.

- This is a living plan and will be continually modified through input from members of UVA, members of other community-based organizations, and the community members which this program will serve.

We have proposed three pillars of investment to improve community health and well-being. These programs depend on strong partnerships from across the Health System and the community. They will be driven by and evaluated with data and outcomes.

1. **Primary Care Network:** A community health worker model targeting neighborhoods of high opportunity. This will be a partnered program with initial partners that include UVA primary care clinics, Central Virginia Health Services, Inc. – a group of Federally Qualified Health Centers, and the Charlottesville Free Clinic.
2. **Social Determinants of Health Network:** partnered with local community-based organizations and other service providers to better connect our patients and our community members to existing resources that meet their social needs through a connected social determinants of health platform, allowing multi-directional communication and coordination of services.
3. **Community Investment:** partnered with community members and local community-based organizations to invest in locally identified health priorities.

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

**BOARD MEETING:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** II.A. Signatory Authority Related to Medical Center Contracts Exceeding \$5 Million Per Year

**BACKGROUND:** The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5 million.

**DISCUSSION:** In accordance with Medical Center procurement policy and its group purchasing organization affiliation with Premier Healthcare Alliance, LP, the four contracts listed below exceed \$5 million in spend per year, and thus, exceed the signatory authority of the Executive Vice President for Health Affairs.

- Morrison Management Specialists, Inc. for food & nutrition services
- Crothall Healthcare, Inc. for environmental services
- Cardinal Health 110, LLC, Cardinal Health 112, LLC, and affiliates (collectively “Cardinal Health”) for pharmacy distribution services
- Zoll Medical Corporation for AEDs & defibrillators

The expense for goods and services purchased through these contracts is reflected in the Medical Center’s Operating and Capital Budgets.

**ACTION REQUIRED:** Approval by the Health System Board, the Finance Committee, and by the Board of Visitors

**SIGNATORY AUTHORITY FOR FOUR MEDICAL CENTER CONTRACTS EXCEEDING \$5 MILLION PER YEAR**

RESOLVED, the Board of Visitors authorizes the Executive Vice President for Health Affairs to execute contracts on behalf of the Medical Center with Morrison Management Specialists, Inc., Crothall Healthcare, Inc., Cardinal Health, and Zoll Medical Corporation.

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

**BOARD MEETING:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** II.B. Medical Center Chief Executive Officer Operations Report

**ACTION REQUIRED:** None

**BACKGROUND:** Pamela M. Sutton-Wallace is the Chief Executive Officer for the University of Virginia Medical Center. She joined the Medical Center in July 2014 and oversees the strategic direction and operations of all inpatient and ambulatory services of the Medical Center.

**DISCUSSION:** This report summarizes operations of the Medical Center with focus on Fiscal Year 2019 priorities of quality and safety, patient experience, team member engagement, and financial performance, and growth.

**OPERATIONS REPORT**

**Goal: To become the safest place to receive care**

The Medical Center established aggressive performance targets for Fiscal Year 2019, benchmarking against the population of all hospitals. Compared to Fiscal Year 2018, there has been noted improvement in the rate of readmissions (13.23% to 13.06%) and c. Diff (6.8/10,000 to 6.6/10,000).

Compared to last month, the pressure ulcer injury rate and perioperative pulmonary embolism/DVT rate have improved, however, performance is not as strong as prior year. For pulmonary embolism and DVT prevention, all services now have programmed risk stratification algorithms and new reports will help to identify trends in performance. A working group has been organized to develop strategies to reduce the incidence of line-associated clots. The group will also work with the anti-microbial stewardship team, interventional radiology, and the hospitalist service to reduce unnecessary line placement.

**Goal: To be the healthiest work environment**

The Medical Center shared the Fiscal Year 2018 organizational and local employee engagement results with the workforce. For work units in Tiers 2 and 3, managers developed improvement plans with their team members. To underscore the importance of engaged and healthy teams, senior leaders completed their rounding as was outlined in the post-engagement survey plan throughout the Medical Center.

Large scale recognition events were held in December to recognize high and most improved performers and to recognize all team members during the annual “End of Year Celebration.” In total, seven different events were held on and off-Grounds.

The Medical Center made preparations for the successful implementation of Workday.

**Goal: To provide exceptional clinical care**

Inpatient units and outpatient clinics continue to experience favorable performance and improvement in patient satisfaction over and above a strong Fiscal Year 2018 performance.

Inpatient patient experience performance as reflected in the overall hospital rating of 9’s and 10’s for Fiscal Year-to-Date 2019 Quarter 2 is 79.1% (79<sup>th</sup> percentile), better than stretch target (78.5%). Managers continue to focus on the Inpatient Experience Bundle (Leader Rounding, Comfort Rounds, Bedside Handover of Care, and Quiet at Night) with particular attention on Leader Rounding. More than 10,000 rounds are conducted each month. Leader rounding supports immediate problem-solving and service recovery.

Outpatient clinic patient satisfaction results defined as the “willingness to recommend provider’s office” for Fiscal Year-to-Date 2019 Quarter 2 is 93.1% (73<sup>rd</sup> percentile), just under target (93.2%). Improvement is attributed to service line and clinic specific improvement strategies and the organizational focus on Ambulatory Optimization.

The Emergency Department Fiscal Year-to-Date 2019 Quarter 2 patient experience score was 81.8 (34<sup>th</sup> percentile) and is below Fiscal Year 2018 (83.8) and below target (87.3). A multidisciplinary team has been formed to focus on the key aspects of the patient experience (as derived from the survey data via the Press Ganey Priority Report analysis). The Priority Report indicates an opportunity to demonstrate greater empathy and courtesy and to improve information provided to the patient’s care partners. The team will continue to focus on hardwiring the key processes in Rapid Medical Evaluation and direct bedding.

**Goal: To ensure value-driven and efficient stewardship of resources**

Through six months of Fiscal Year 2019, the Medical Center’s financial performance was favorable with an operating margin of \$43.2M (4.9%) against a budget of \$40.1M (4.6%). Operating margin through the first two quarters exceeded same period margin of 2.2% in the prior year, firmly reflecting the Medical Center’s recovery to steady state performance post-Epic Phase II implementation. Key inpatient and outpatient volume indicators are the primary drivers of favorable performance. Efforts continue to achieve cost reduction goals, with focus shifting towards pharmaceutical and medical supply utilization.

The Ivy Mountain project continues to progress with site work underway and operational models under development. Additionally, the Medical Center is evaluating

several options to establish ambulatory sites off-Grounds. These efforts will advance the organizational strategy to improve outpatient services and deliver care in more patient friendly locations.

### **Recent Designations and Re-Certifications**

The Virginia Board of Pharmacy completed a routine certification survey of the pharmacies and services of the UVA Specialty pharmacy and the Battle Building pharmacy.

The Parent Project Muscular Dystrophy (PPMD) completed the initial certification for Duchenne muscular dystrophy care in Developmental Pediatrics. This is the first certified center in Virginia and the only center led by a developmental pediatrician.

The Virginia Department of Behavioral Health and Developmental Services completed their annual survey as well as the 2019 licensure renewal visit for Inpatient Psychiatry.

The College of American Pathologists (CAP) completed a re-accreditation survey of Medical Laboratories programs and services, including Transfusion Medicine in collaboration with American Association of Blood Banks (AABB). In addition, AABB completed a re-accreditation survey of the Blood Bank.

The Commission on Office Laboratory Accreditation (COLA) completed a re-accreditation survey of the UVA Cancer Center Augusta medical laboratory.

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

**BOARD MEETING:** February 28, 2018

**COMMITTEE:** Health System Board

**AGENDA ITEM:** II.C. Annual Compliance Report

**ACTION REQUIRED:** None

**BACKGROUND:** The Corporate Compliance and Privacy Department (“Department”) provides an annual overview of the Corporate Compliance program, including an update of significant issues affecting the Medical Center’s compliance program. The Department also prepares an annual project schedule based on potential organizational risks for noncompliance with federal or state law or other regulations and in alignment with the strategic goals of the University of Virginia Health System.

**DISCUSSION:** The Department implements and oversees a system-wide Corporate Compliance Program (“Program”) consistent with the values and mission of the Health System, the guidelines of the United States Department of Health and Human Services, and state and regional regulations. The compliance function promotes the prevention, detection, and resolution of actions and behaviors that do not conform to legal, policy, or business standards. This responsibility includes the obligation to develop policies and procedures that provide team member guidance, training to reinforce and promote compliance, the development of plans to improve or sustain compliance, metrics to measure Program and corrective action outcomes, and communication and reports to help management and board members evaluate the effectiveness of the Program against the standard elements of a compliance program. Highlights of these standards and outcomes are as follows.

**Compliance Officer and Compliance Committee**

The Chief Corporate Compliance Officer (“Officer”) has been in the position for two years, overseeing the operations of the Department and the Program, and reports to the Chief Executive Officer of the Medical Center.

The programmatic changes implemented to create more visibility and support have been successful in achieving a Department that interacts with and supports teams and management in achieving the goals of preventing, detecting, and resolving actual and potential non-compliance, as evidenced by the increasing involvement of the Department as a resource in problem-solving potential compliance risk. The Officer routinely reports to the University of Virginia Audit, Compliance, and Risk Committee and annually to the Health System Board.



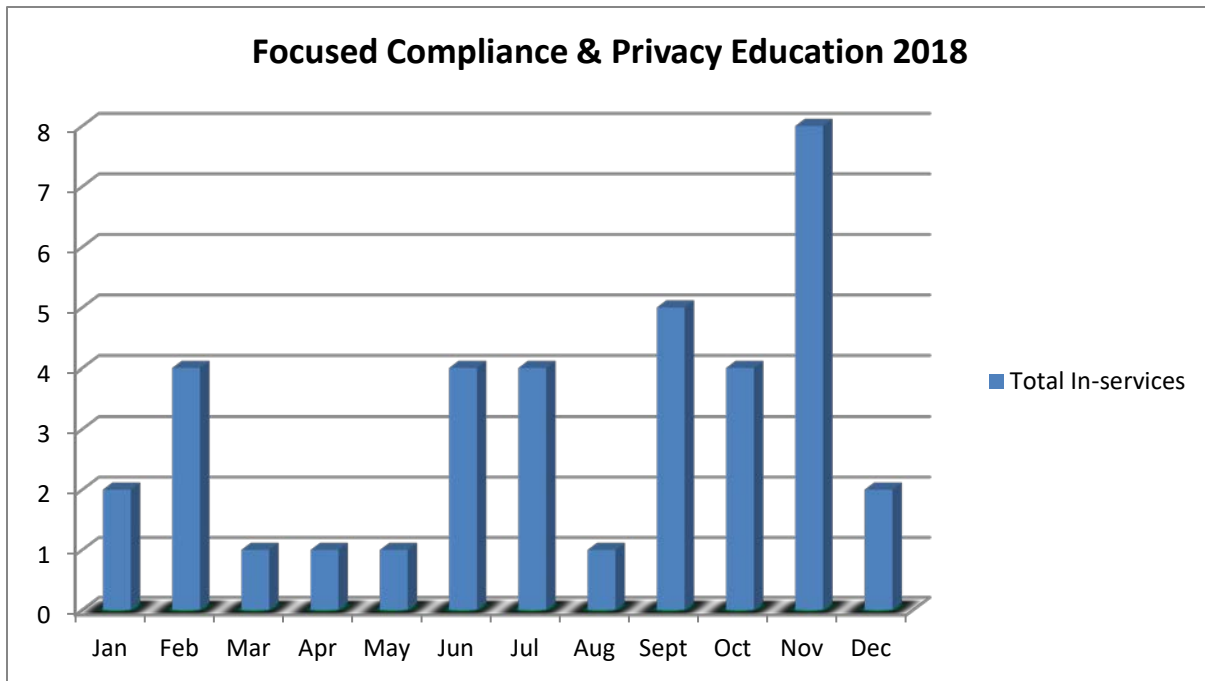
The Corporate Compliance Steering Committee (“Committee”) is advisory in nature and guides Program implementation. It meets quarterly, is chaired by the Officer and has a membership that includes representatives from Legal, Quality, Risk, Clinical Chairs, Service Line Leaders, and the current President of the Clinical Staff. The revised membership of the Committee, which includes representatives from key compliance-related functions, such as Information Security, Revenue Cycle, and Health Information Services, has provided a greater depth of subject matter expertise to better educate and inform Committee members on actual and potential compliance risks. The standing agenda item for the purpose of providing timely education and resources to Committee members on topics, such as cybersecurity risks, Freedom of Information Act requirements, etc., to assist them in their advisory role is viewed quite favorably, and Committee members routinely engage in dynamic and informative discussions on agenda topics, providing valuable thoughts and feedback as Committee members.

### **Written Policies and Procedures**

Organizations must establish standards, procedures, and controls to prevent and detect unethical conduct. As many operational areas have compliance requirements and impacts, the Officer is directly involved in Health System policy development, review, and feedback; the Officer is also involved in providing review and feedback for University-level policies that will involve Health System team members, managers, and operations. Compliance-related policies are reviewed and discussed routinely with the Committee. In light of privacy and confidentiality, the Officer and Department championed a much-needed new policy, effective November 1, 2018, regarding requirements relating to social media.

### **Effective Training and Education**

Compliance communication and education of involved individuals throughout all levels of the organization is key as compliance requirements and regulations are constantly changing, requiring a diligent effort to keep managers and team members updated. The Program emphasizes training and communication, as a means to promote compliance awareness and visibility, in annual on-boarding and episodic, customized training for specific teams to address identified issues and compliance risks. Training follow-up to documented issues also serves as mitigating corrective action, and the live training supports optimal engagement of the target audience and application of learning post-education. The Officer also routinely updates and advises the Medical Center Management Group on compliance issues and activities. The following graph displays the number of focused, episodic training sessions conducted by the Officer and Department in designated operational meetings and settings in addition to on-boarding and annual compliance training.



**Effective Lines of Communication**

The Department receives reports of compliance concerns and issues in a variety of ways. The organization operates in a culture of transparent reporting and identifying opportunities for improvement, thus a number of reports are received through the Be Safe reporting system. However, the Department routinely receives reports via telephone calls, emails, and personal contacts. Relatively few reports are received anonymously via the Compliance Help Line, attesting to the culture of transparency and continuous improvement.

**Ongoing Monitoring and Auditing**

As part of its responsibility under the Health Insurance Portability and Accountability Act (“HIPAA”), the Department routinely conducts Privacy site audits across the Health System. Department team members provide notice to the prospective audit site leadership, and use a consultative approach in performing the walk-through providing immediate feedback and question resolution during the process. In Calendar Year 2018, a total of 38 sites were audited; nine inpatient units, 16 outpatient clinics, and 13 procedural areas. Observed findings were communicated and resolved, and recommendations provided.

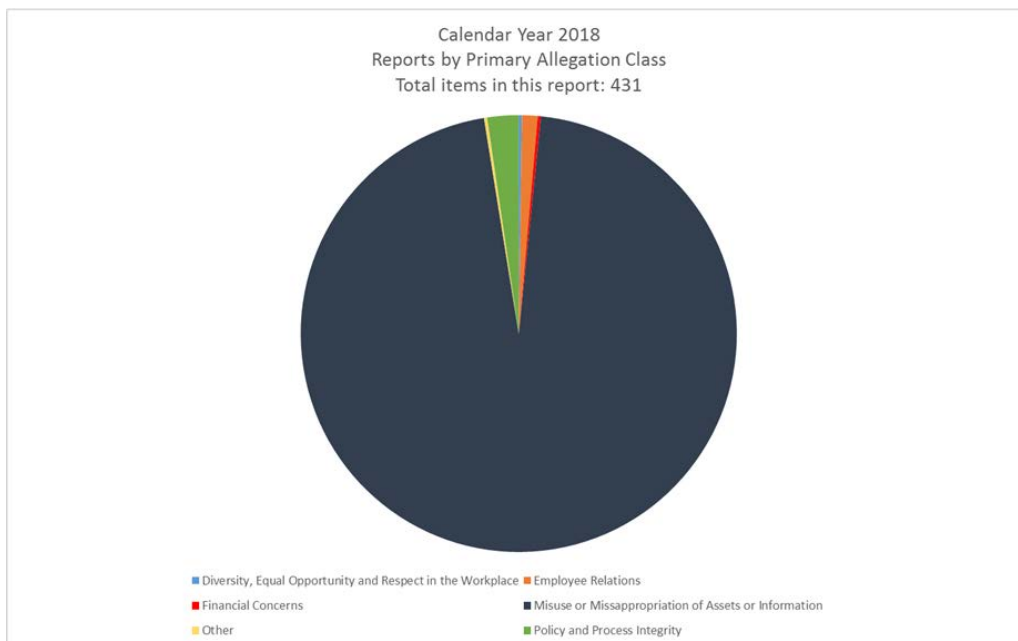
A portion of Department work supports the monitoring of Health System data integrity, coding, and billing compliance. Audit priority may be derived from multiple sources, e.g., the OIG annual work plan, observed trends, noted concerns, or regulatory changes. Audits are also performed for Transitional Care Hospital operations. The

Department collaborates with the involved department leaders and team members to review the findings and develop corrective action plans as needed, which the Department oversees to completion. The following graph notes audits completed in Calendar Year 2018.

<b>Coding and Process Audits 2018</b>
Syncope DRG Review
Ambulance Services – Payment Requirements
Hyperbaric Oxygen Therapy Service Reimbursement
Transitional Care Hospital DRG Review
Claims Process Review: Simple Visit Coding Diagnosis Validation
Bed Charge Review: Verification of Level of Care/Accommodation Code(s)
Medicare Secondary Payer Questionnaire & Notice of Privacy Practices Regulatory Review
Modifiers for 340b Drug Program
Bed Charge Review: Verification of Level of Care/Accommodation Code(s) for NICU & PICU
Primary Diagnosis Coding Accuracy/Clinical Documentation Review: Heart Failure & NSTEMI

**Prompt Response to Detected Problems and Enforcement of Standards**

Organizations are required to take appropriate investigative action in response to suspected compliance and ethics violations. The Department investigates and responds to all reported issues and concerns, and maintains a central repository for managing and tracking incident information and follow-up actions and outcomes. Investigations are done in collaboration with management and the appropriate resources, such as Legal, Human Resources, and Information Security. Organizational policy regarding corrective action and enforcement of standards is applied consistently by leadership with Human Resources and Department oversight. The following graph displays the population and primary allegation class of the 431 reported and investigated events in 2018, 354 of which were substantiated and resolved with appropriate follow up and corrective action.



## **Summary**

Calendar Year 2018 demonstrated further integration of the changes made by leadership in 2017 to develop the Department as an accessible and reliable resource to the organization. The Department is visible and viable, actively engaging with management and team members in providing resources and assistance in identifying compliance risks and resolving issues. The Officer and Department team members work side by side with the organization, providing the enforcement and consult necessary to prevent, detect, and resolve non-compliance, while positively interacting with, supporting, and facilitating Health System leaders, managers, and team members. The Officer is a contributing member of the University of Virginia Compliance Network, and also routinely collaborates with the University Physicians Group and the University of Virginia Internal Audit department in order to create a Program that is most consistent, comprehensive, and effective for the University of Virginia.

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

<b><u>BOARD MEETING:</u></b>	February 28, 2019
<b><u>COMMITTEE:</u></b>	Health System Board
<b><u>AGENDA ITEM:</u></b>	III. School of Medicine Report
<b><u>ACTION REQUIRED:</u></b>	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:** The School of Medicine continues to have a strong performance in research and the recruitment of creative, productive, and collaborative faculty members with the drive to transform its work and reputation.

The School has a critical need for data and reporting systems that will allow leaders to make informed decisions. It is developing the infrastructure and resources necessary to provide leaders with these business intelligence tools.

The School of Medicine has established the UVA School of Medicine Inova Campus in Fairfax.

**RESEARCH REPORT**

Karen Kemper Hirschi, Ph.D., recently accepted an offer to become Professor of Cell Biology, effective April 1, 2019.

Dr. Hirschi's lab is undertaking groundbreaking work in the area of blood vessel formation with a focus on understanding how the endothelial cells that line the insides of all blood vessels arise during development and become functionally specialized. Using the mouse model as a primary engine for new discovery, Dr. Hirschi is applying knowledge gained to direct the differentiation of human pluripotent stem cells. Her research is helping to develop strategies to repair and regenerate damaged or diseased vascular tissues. Dr. Hirschi's early work addressed how endothelial cells function to recruit other cell types that serve as the fundamental building blocks of blood vessel walls. The Hirschi lab continues to unravel the molecular mechanisms that drive vascular development and functional specialization, and also understand how the vasculature supports the development of other tissues.

In addition, at UVA, Dr. Hirschi will establish a Developmental Genomics Center, which will unite interests and catalyze collaborative efforts in developmental biology across Grounds and bridge investigators with the Genomics and Bioinformatics Research Institute at Inova. A primary goal of this collaborative program will be to translate developmentally oriented patient databases into disease gene discovery and lead to the creation of therapeutic interventions.

Dr. Hirschi comes to UVA from Yale University where she is Professor with tenure in the Departments of Medicine, Genetics, and Biomedical Engineering. She is co-director of Yale's Cardiovascular Research Center, and faculty member of Yale's Vascular Biology and Therapeutics Program, Stem Cell Center, and Combined Graduate Program in the Biological and Biomedical Sciences

### **BUSINESS INTELLIGENCE**

The School of Medicine has made it a priority to establish and build a Business Intelligence (BI) program that supports the achievement of strategic objectives. The BI infrastructure will deliver administrative data to the end users more dynamically, thereby reducing bottlenecks, making data actionable, and enabling the use of trusted information to understand and analyze organizational performance against set goals, make better and faster decisions, gain new insights, and optimize business processes.

BI supports informed decision-making by:

- Building an integrated data warehouse that hosts data from multiple systems.
- Enabling users to go to a single place to get their metrics.
- Providing self-service analytics.
- Documenting and surfacing consistent data definitions.

The BI Program's guiding principles are:

- Focus on mission value.
- Treat data as an organizational asset.
- Promote transparency, trust, and accountability.
- Treat data warehouse as the "trusted source of truth."
- Promote a data-driven organization.

The BI program focuses on providing administrative dashboards to help both the School of Medicine and UPG by surfacing metrics that are directly connected to the mission drivers. The BI Program recently completed its first project – the "Academic Funds Available" report – that created a single site where departments and centers can view all academic cash reserves. This will help administrators determine how to best use restricted, non-sponsored funds, facilitate broader oversight capability, and will enhance the ability to manage and validate academic cash reserves information from just one report.

The BI Program has three projects in process: budget variance (clinical affairs), research efforts and salary coverage (research), and underrepresented in medicine (education and faculty affairs). Three additional projects are in the queue: clinical productivity, space and funding, and EPA metrics.

### **EDUCATION REPORT**

The establishment of the UVA School of Medicine Inova Campus in Fairfax was approved by all of the necessary accrediting agencies in 2018. These were the Liaison Committee for Medical Education (LCME) in February, the State Council for Higher Education in Virginia (SCHEV) in March, and the Southern Association of Colleges and Schools (SACS) in April.

The work to operationalize the UVA School of Medicine Inova Campus continues and is on target. The School is beginning the process of appointing deans and over 500 faculty at the campus. The campus will provide clerkship and elective learning opportunities for 36 third- and fourth-year students, starting with the class of 2023, and notice of this opportunity was sent to medical school applicants in May of 2018.

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

**BOARD MEETING:** February 28, 2019

**COMMITTEE:** Health System Board

**AGENDA ITEM:** IV. Transitional Care Hospital Operations Report

**ACTION REQUIRED:** None

**BACKGROUND:** Tracy Turman, M.H.A., FACHE is the Administrator of the Transitional Care Hospital, a long-term acute care hospital (LTACH). He joined the organization on January 29, 2018 and oversees all operations of this long-term acute care facility.

**DISCUSSION:** This periodic report summarizes the operations of the Transitional Care Hospital (TCH). It reflects the performance and efforts related to the four key areas: healing, serving, engaging, and building.

**OPERATIONS REPORT**

**Goal: To become the safest place to receive care**

Performance on key quality metrics, including mortality, team member injury, 30-day readmission, facility acquired Clostridium Difficile Colitis (C. Diff) infection, and pressure injury are reported to the Health System Board Quality Subcommittee. While mortality is higher than the goal, it is still significantly under like hospitals providing long-term acute care. Vent weaning, pressure injury, C. Diff are all at or better than target year-to-date. Team member injury rate and 30-day readmission rate are above the set target. In effort to bring the rates back into the target range, performance improvement work is being done; it includes staff education, patient handling assessments, and more clinical scrutiny of referred patients. In addition, TCH is working on a performance improvement project to reduce falls and harm for falls for patients with delirium and other cognitive deficits.

These results and performance improvement initiative have been presented to the Health System Board Quality Subcommittee.

**Goal: To be the healthiest work environment**

The 2018 UVA Health System Engagement Survey was conducted in April-May, 2018 and the action plan development pertaining to the results is underway. The plan is created through the engagement of the "Experience Committee," which is a multidisciplinary team of employees and leadership focused on improving the experience of patients, families, and team members. Non-management members of the committee



have conducted in-person, anonymous surveys. However, the real efforts to improve engagement is occurring through management performing more focused, daily rounds and providing more assistance to front-line staff in daily operations.

**Goal: To provide exceptional clinical care**

The patient experience is key to providing the best care possible. It includes a collection of interactions that patients and their families have in and through our care. TCH evaluates this experience through the use of the Press Ganey LTACH Inpatient Survey Tool. The results continue to reflect a high-level of satisfaction with the care provided at TCH. The overall assessment rating for the fiscal year was 89.8%, a drop from first quarter and prior year mainly due to a lower response rate and two negative reviews that have been thoroughly investigated and found to be reflective of perception and not reality. TCH will focus on improving response rates through the remaining six months of Fiscal Year 2019 through focused outreach to patients prior to discharge.

**Goal: To ensure value-driven and efficient stewardship of resources**

For the six months ended December 31, 2018, the operating loss for the TCH was \$1.0M, versus a budget of \$0.2M. This variance was attributable to lower than expected volumes, lower case mix index, and unfavorable payer and census mix. Of the 177 discharges in first quarter, 77% were from the Medical Center and 9.5% of patient days were from charity patients which could not be placed elsewhere. By accepting these difficult to place patients and providing a less expensive level of inpatient care, TCH has been able to provide an approximate \$1.5M benefit to the Health System.

Breakdown of patients for second quarter by medical categories include 42% vent weaning and respiratory complex, 28% complex wounds, and 30% medically complex.

Discharge to the community remains the highest discharge dispositions for TCH (includes home, skilled nursing facilities, hospice, and assisted living facilities). Case mix index was 1.06, compared to a budget of 1.16. Average length of stay for Fiscal Year 2019 so far is 27.3 for all payers and 25.8 for Medicare patients which is favorable to prior year and to budget.

**RECENT DESIGNATIONS, INSPECTIONS, AND CERTIFICATION**

An unannounced complaint survey from the Virginia Department of Health occurred in November 2018. No plan of correction was required to be filed although the surveyors made three recommendations for documentation improvement.