

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

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

June 1, 2023

HEALTH SYSTEM BOARD

Thursday, June 1, 2023

8:30 a.m. – 12:15 p.m.

Pavilion 1 & 2, Boar's Head Resort

Committee Members:

Babur B. Lateef, M.D., Chair
Robert M. Blue
Whittington W. Clement
Stephen P. Long, M.D.

James B. Murray Jr.
James V. Reyes
Douglas D. Wetmore

Public Members:

Kenneth B. Botsford, M.D., Vice Chair
William G. Crutchfield Jr.
Steven Danziger

Victoria D. Harker
Thomas A. Scully

Ex Officio Members:

James E. Ryan
Ian B. Baucom
Marianne Baernholdt
Jennifer Wagner Davis

Wendy M. Horton, Pharm.D.
K. Craig Kent, M.D.
Melina R. Kibbe, M.D.
Margaret C. Tracci, M.D.

AGENDA

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V. CLOSED SESSION

- 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 2023, 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 Code of Virginia. The meeting of the Health System Board is further privileged under Section 8.01-581.17 of the Code of Virginia.

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

BOARD MEETING: June 1, 2023

COMMITTEE: Health System Board

AGENDA ITEM: I.A. Opening Remarks from the Chair

ACTION REQUIRED: None

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

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

BOARD MEETING: June 1, 2023

COMMITTEE: Health System Board

AGENDA ITEM: I.B. 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 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.

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

BOARD MEETING: June 1, 2023

COMMITTEE: Health System Board

AGENDA ITEM: I.C. Paul and Diane Manning Biotechnology Institute Report

ACTION REQUIRED: None

BACKGROUND: On January 20, 2023, the University of Virginia announced plans to develop a biotechnology institute that positions UVA at the very forefront of cutting-edge medicine, such as cellular and gene therapies that revolutionize how diseases are treated and cured. The new institute is made possible in large part due to a \$100M gift from Paul and Diane Manning.

DISCUSSION: Dean Kibbe will provide a report on development of the Institute.

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

BOARD MEETING: June 1, 2023

COMMITTEE: Health System Board

AGENDA ITEM: II. Medical Center Report (Written 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, Ms. Horton served in several different leadership roles at University of Wisconsin Health, including Vice President of Operations.

DISCUSSION:

People

- The Medical Center's overall turnover rate continues to show improvement. In March, voluntary turnover was 15.9%, which is lower than both the national average of 22.7% and the southeast regional average of 23.5%.
- External travelers have continued to decrease, with the trend continuing over the past few months. The worked Full-Time Equivalent (FTE) of external travelers decreased from 874.9 in February to 678.3 in April.
- UVA Health has hired 190 new nurses who have graduated from nursing school. Out of these, 56 were hired in the winter cohort, and 134 were hired in the summer cohort. The new clinical intake team, led by front line nurses in partnership with Human Resources, was responsible for the hiring process. This team has helped tailor the process to better fit the needs of our clinical setting and ensure that the new hires are well prepared for their roles.
- A total of 80 international nurses from 12 countries have been hired to work at the Medical Center, with 30 currently working onsite.
- This summer the Medical Center will welcome 80 nurse externs through a nursing pipeline program aimed at third-year nursing students.
- Earn While You Learn will start its fourth cohort in June. The program includes a new partnership with PVCC, offering a stackable credential for Medical Lab Technologists, starting with Phlebotomy Certification and ending with a Medical Laboratory Technician associate degree.

Quality and Safety

- The Virginia Board of Pharmacy completed routine inspections of the Home Health Infusion Pharmacy, and Controlled Substance Registrations for the Children’s Hospital Clinics and Emily Couric Clinical Cancer Center Radiology.
- The Virginia Department of Health completed routine inspections of the Culpeper Dialysis Center, Zion Crossroads Dialysis Center, Farmville Dialysis Center, and Kidney Center Dialysis Center as part of the End Stage Renal Disease Program.
- The Joint Commission completed an Extension Survey of the Orthopedic Center Ivy Road.
- The Virginia Department of Health completed routine inspections of all Radioactive Materials Sites across the University of Virginia, including UVA Health.
- The Virginia Department of Health completed a College of American Pathologists validation inspection of Medical Laboratory services.
- The Virginia Department of Behavioral Health and Developmental Services completed an inspection of the Inpatient Psychiatry Substance Abuse Treatment program.
- Patient Safety Risk Rounds are increasingly being supported by the ICU Bundle Board. This automated data visualization tool enables team members to see the critical elements of care still pending quickly and easily for central venous catheters and urinary catheters and deliver that care. This work was piloted in the Medical Intensive Care Unit and is now expanding to surgical and pediatric ICUs as well.
- Recently, there has been substantial improvement in providing timely access to services in the Emergency Department. Less than 18 months ago, the percentage of patient encounters where the patient left without seeing a provider had reached a high of 14%. However, in the recent quarter, it has consistently been below 4% every month, even while the department saw historically high patient volumes. The best practice benchmark is to have left without being seen less than 2%. To further improve these results, the ED recently held a two-day rapid improvement event. During the event, they redesigned the flow of patient care to drive further improvement efforts.

Operations

- UVA Health has been named a “best in class” health system in Virginia for its cancer, heart, orthopedics, neurology, and digestive health care by WebMD and Medscape.
- UVA Health Focused Ultrasound Center team was visited by Dr. Sanjay Gupta of CNN. Dr. Gupta arrived in Charlottesville to witness and report on a focused ultrasound procedure that successfully treated a patient with essential tremor, effectively stopping the tremor involving one of her hands almost instantaneously.
- UVA Health developed a unique partnership between UVA Children’s and Sentara Martha Jefferson Hospital to open a new clinic providing neurodevelopmental and behavioral health services for children within the greater Charlottesville community and beyond. UVA Children's Neurodevelopmental and Behavioral Care clinic is scheduled to open in mid-2024 and will be staffed by UVA Children’s care providers.

- UVA Health Fresh Pharmacy program team received the UVA 2023 Excellence in Public Service Award. The program was launched as a food insecurity project to help pediatric patients and their families. It adds to food security efforts in partnership with our community and serves to help patients during times of stress and challenge.

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

<u>BOARD MEETING:</u>	June 1, 2023
<u>COMMITTEE:</u>	Health System Board
<u>AGENDA ITEM:</u>	III. School of Medicine Report (Written Report)
<u>ACTION REQUIRED:</u>	None

BACKGROUND: Melina R. Kibbe, M.D., became Dean of the School of Medicine on September 15, 2021. A member of the National Academy of Medicine, Dr. Kibbe is the editor of the *Journal of the American Medical Association (JAMA) Surgery*, a respected clinician, funded investigator, and highly recognized educator. Before coming to UVA, she was Chair of the Department of Surgery at the University of North Carolina.

DISCUSSION:

People

- The UVA School of Medicine (SOM) recently received results from both the AAMC StandPoint (faculty) and Press Ganey (staff) surveys. Both surveys are valuable tools in assessing the performance of the organization in areas such as job satisfaction, organizational culture, leader performance, and patient satisfaction. The overall engagement/response rate for the AAMC survey was 87% - this broke all records at the AAMC as the highest engagement in the history of the StandPoint survey. The engagement for the Press Ganey survey in the SOM was 74%. The School is working with all department chairs and center directors to develop action plans to address results from both surveys.
- Dr. Jeff Martens, PhD assumed his role as the Senior Associate Dean for Research on May 15, 2023. Dr Martens joined the UVA School of Medicine from the University of Florida. He will be an impactful leader in the expansion of the school's research programs and infrastructure in the coming years.
- Faculty departures through the first three quarters of FY23 remain low at 4%. Departures are below last fiscal year's departure rate of 5.87% over the same period. The AAMC average annual departure rate across all schools of medicine is 8.4%.
- The Virginia Academy of Clinical Psychologists presented the Psychologist of the Year Award to J. Kim Penberthy, PhD. This award is presented to a psychologist who has made significant contributions to the profession of psychology. Dr. Penberthy is the Chester F. Carlson Professor of Psychiatry & Neurobehavioral Sciences and is the president of the American Psychological Association's Society of Clinical Psychology.

Departments

- The School of Medicine completed five-year reviews of the Department of Pathology and the Department of Pharmacology resulting in the reappointment of Dr. Chris Moskaluk, MD and Dr. Doug Bayliss, PhD, respectively, as Chairs.
- The Department of Anesthesiology's Obstetric Division has been awarded Center of Excellence designation by the Society for Obstetric Anesthesiology and Perinatology (SOAP). The SOAP Center of Excellence designation was created to recognize institutions and programs that demonstrate excellence in obstetric anesthesia care and to set a benchmark of expected care to improve standards.
- The School of Medicine trained and graduated its seventh cohort from the Junior Faculty Development Program (JFDP). Sponsored by the Office of Faculty Affairs and Faculty Development, the JFDP is designed to address the needs of junior faculty and provide a foundation for their success. Participants join bi-weekly sessions focused on research, education, and career and academic development topics.

Clinical

- The UVA Surgery Team completed their 10,000th procedure using da Vinci Surgery. This incredible milestone is a testament to the team's commitment to providing the very best minimally invasive surgery to patients in Virginia. Many of the robotic surgeons at UVA Health have been instrumental in the growth of the da Vinci program.
- UVA Health has been named a "best in class" health system in Virginia for its cancer, heart, orthopedics, neurology, and digestive health care by WebMD and Medscape. The 2022-2023 WebMD Patient Choice and Medscape Physician Choice awards are based on surveys of consumers and physicians in Virginia, who were asked "to select the health system they believe provides the best overall quality and treatment capability."

Research

- The Blue Ridge Institute for Medical Research ranked UVA SOM #42 of 144 schools evaluated (Top 30% in the country) in their most recent national rankings. UVA exceeded last year's NIH funding with \$155.1M in NIH grants in FY22.
- The School of Medicine (SOM) is developing a new, full-service Clinical Trials Unit (CTU), intended to serve the School of Medicine, UVA Health, and the entire University of Virginia. The CTU will provide a centralized infrastructure to support clinical research in a methodologically sound, compliant, efficient, and cost-effective manner.
- The School of Medicine is reaffirming its commitment to NIH Research Career Development (K) Awards. K Awards are a vital funding source to support faculty as they grow in their research and serve as a starting point for future funding opportunities. Three researchers have obtained K awards so far in fiscal year 2023.
- In combined analysis from three clinical trials, an artificial pancreas developed at the University of Virginia Center for Diabetes Technology improves blood sugar control for people ages two to 72 with type 1 diabetes. The participants using the artificial pancreas spent an average of 2.8 more hours per day in their target blood sugar range compared with participants in control groups. The U.S. Food and Drug Administration has approved the system for people ages six and older with type 1 diabetes.

Education

- The School of Medicine recently completed a Liaison Committee on Medical Education (LCME) survey visit. Early indicators from the LCME reviewers were favorable for reaccreditation. Official results from the LCME will be released in October 2023.
- During National Match Day, UVA School of Medicine's Class of 2023 learned where they will continue their medical training as residents. Overall, we had a **>99%** match rate. The students matched into 25 different programs across 30 states. There were 23 students that matched to residency programs at UVA.
- For incoming residents, UVA filled **100%** of the positions offered in 30 different programs. The incoming residents are 52% female and 16.4% URiM.
- The School of Medicine recently celebrated the Biomedical Sciences Graduate Program (BIMS) Lab Coat Ceremony. This event marked the transition of 54 first-year BIMS students from class work to full-time research in their mentor's labs.
- The School of Medicine has finalized its incoming BIMS PhD class. This class includes 53 students and we expect to accept an additional seven students in the Medical Science Training Program. The incoming class is 64% female and 23% URiM.

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<u>BOARD MEETING:</u>	June 1, 2023
<u>COMMITTEE:</u>	Health System Board
<u>AGENDA ITEM:</u>	IV. School of Nursing Report (Written Report)
<u>ACTION REQUIRED:</u>	None

BACKGROUND: Marianne Baernholdt, PhD, MPH, RN, FAAN—the Sadie Heath Cabaniss Professor of Nursing—is a leading scholar of care quality and safety with an emphasis on healthcare in rural and global environments and has dedicated the expanse of her award-winning nursing career to teaching and mentoring students and junior faculty.

A former U.S. representative for the International Council of Nurses’ steering group for rural and remote nursing, Baernholdt was a founding director of UNC Chapel Hill’s Pan American Health Organization/W.H.O. Collaborating Center in Quality and Safety Education in Nursing and Midwifery and founder and director of VCU School of Nursing’s Langston Center for Quality, Safety, and Innovation. During her first tenure at UVA School of Nursing (2005-2014), she directed the Rural and Global Healthcare Center and led its Global Initiatives. Baernholdt was named to Virginia Business magazine’s “Top 100 People to Meet in 2023.”

DISCUSSION:

Academics and Strategic Planning

- In its latest Best Grad Schools Guide, *U.S. News & World Report* ranked the School’s MSN program No. 14 in the nation (the No. 7 public MSN) and its DNP program No. 28 in the nation (the No. 20 public DNP), accolades that position the School’s graduate programs in the top 2% of the more than 600 American nursing graduate programs.
- Thanks to fruitful funding years for its nurse scientists in both 2021 and 2022, the School earned its best NIH ranking—No. 33 in the nation, leaping 10 spots since 2022—since the Blue Ridge Institute for Medical Research first began compiling such data in 2014.
- To increase the supply of new nursing faculty and clinical instructors who can mentor prelicensure nursing students, several new professional development pathways for UVA Health team members interested in teaching have been established as part of the “Earn While You Learn” program:
 1. A three-day Clinician Instructor Workshop will ready BSN-prepared nurses to be clinical educators;

2. A new executive format Nurse Educator Academy will ready UVA Health nurses with at least a master's degree to not only teach BSN students but also be eligible for the Certified Nurse Education exam and credential;
 3. Through a partnership between the School, UVA Medical Center, and PVCC, a new path for patient care assistants and techs to first earn an associate's degree in nursing and, once they are RNs, a baccalaureate degree through the School's hybrid, part-time RN to BSN program.
- With a draft mission statement and goals now in place, the School's strategic plan will be finalized and implemented by early fall with some organizational changes to the leadership team. Based on input gathered across four fall 2022 meetings, an all-School Jan. 2023 strategic planning retreat, and with input from alumni and the School's Advisory Board, members of the Dean's Council are soliciting feedback on action items across four areas:
 1. Strengthening partnerships to improve healthcare access and health outcomes
 2. Expanding educational pathways through innovative curricula, programs, and practices
 3. Supporting the School community's wellbeing, development, and success
 4. Enhancing infrastructure to advance learning and nursing science
 - As part their preparation for the National Certification and Licensure Exam (NCLEX), all prelicensure students in both the BSN and CNL classes of 2023 took part in a new three-day, School-organized and facilitated intensive practice session off-site in mid-April. The preparation is part of a new effort to bolster these students' test readiness and NCLEX pass rates.
 - Effective May 8, UVA Health chief nursing officer Kathy Baker joined the School as the associate dean for clinical affairs. Dean Marianne Baernholdt has been named dean of professional nursing at UVA Medical Center.
 - New faculty hires this spring include: Dawn Bourne, assistant professor, Emily Evans, assistant professor, Christina Feggans-Langston, clinical instructor and Westhaven Nursing Clinic manager; Jennifer Gaines, clinical simulation educator; Susan Goins-Eplee, community health clinical instructor; Melissa Gomes, associate professor and associate dean for diversity, equity and inclusion; Lee Moore, assistant professor; and Shelly Smith, associate professor and interim associate dean for academic programs.
 - As part of a new initiative and the School's continued effort to attract new faculty members, three new post-doctoral fellows were hired and will join the faculty in Aug. 2023: Crystal Chu, Maria McDonald, and Victoria Petermann. During the next two years, these fellows will continue their research with faculty mentors, apply for external funding to support it, and, after their two-year fellowship term, will seamlessly transition into tenure-track assistant professorships at the School.

Research and Faculty Recognition

- Professor Virginia LeBaron was one of 16 nurse scientists to earn a three-year, \$450,000 fellowship to expand her development and assessment of a novel mHealth tool to improve patient-provider communication and cancer pain management as part of the Betty Irene Moore Foundation Fellowship program.

- Assistant professor Christine Connelly earned an All-UVA Teaching Award for 2023 for her lively, visual teaching methods. Connelly was honored at an event at Alumni Hall in late April and will be recognized during final exercises.
- Woodard Professor Richard Westphal, who earned a \$2.14M HRSA grant to develop the Wisdom, Wellbeing, and Peer Support Training Program that will educate more than 10,000 UVA Health clinicians, students, and emergency services and social support professionals, was featured in an hourlong documentary on Virginia Public Media titled “Caring for the Caregivers” that aired Mar. 16.
- Dean Marianne Baernholdt, professor Emma Mitchell, and clinical instructor Christina Feggans-Langston were featured as part of UVA Health’s International Women’s Day narrative celebrating their stories Mar. 8.
- Prof. Malinda Whitlow was one of 20 UVA Health clinicians honored at the final UVA Men’s Basketball game Mar. 5 on the floor of John Paul Jones Arena.
- Associate professor Katrina Debnam was one of two dozen UVA scientists to earn a 2023 UVA Research Achievement Award from the provost’s office Feb. 1. Debnam is the recipient of two NIH grants focused on reducing violence among young Black women.
- Prof. Kathryn Laughon was the first professor to earn a \$15,000 Compassionate Care Research-focused intramural grant to investigate the formal and informal social support networks of abused and non-abused women.

Student Honors

- Two hundred eighty graduates will earn nursing degrees on the north steps of the Rotunda May 21: 83 will earn BSNs; 38 RNs will earn BSNs; 52 CNL students will earn MSNs; 79 will earn MSNs and post-master’s certificates; 21 will earn DNPs; and seven will earn PhDs.
- May 5, 12 fourth-year BSN students presented their final Distinguished Majors original investigations that they completed over the last academic year with the guidance of mentor faculty members. CNL master’s students presented their final capstone projects over several days in late April as well as, their evidence-based analyses and unit changes which represent their final scholarly work before graduating.
- Prof. Vickie Southall’s community health students recently presented about disaster preparedness programs to more than 200 school nurses from across Virginia as part of the VA Department of Education’s Apr. 29 “Preparing for the Unexpected” conference. Her students also collected and distributed hundreds of dollars in period supplies to local food banks throughout the spring.
- Nursing students organized an Apr. 22 health fair to normalize local kids’ and Friendship Court residents’ proximity to and trust in emergency responders, partnering with the American Red Cross, Charlottesville Fire Department, and the Charlottesville Albemarle Rescue Squad. On Apr. 18, these students also organized a “Care Fair” for residents of the Haven who are experiencing homelessness, delivering basic physical assessments, and offering information about self-care, medication management, and mental health.

- The 2023 “Dare to Dream” event brought more than two dozen high schoolers to the School for a morning of learning, tours, and mindfulness activities on Mar. 25. Run by three student groups Diversity in Nursing for a Better Community, the Latinx Nursing Student Union, and the Black Student Nurses Alliance, faculty and staff members helped organize the day to help minority and underrepresented students interested in health careers learn more about the nursing school.
- The 6th annual Barbara Parker Research Symposium offered a forum for nine current PhD in nursing students to formally present their original investigations, the subjects of their forthcoming dissertations on March 21.
- Third-year BSN student Morgan Allen met President Joe Biden at a Feb. 28 event on healthcare in Virginia Beach. Allen, founder and president of the Black Student Nurses Alliance and a native of Goochland, Va., traveled with faculty member Malinda Whitlow, RN to BSN program director, and Mesha Jones, A UVA Health clinician and president of the UVA Medical Center Nursing Professional Governance Organization.
- As part of Black History Month, the Black Student Nurses’ Alliance hosted a Black Nurse Faculty Forum Feb. 22 with seven School of Nursing faculty and alumni who offered stories from their clinical, professional, and personal experiences.
- Two nursing students were chosen to tell their stories at UVA President Jim Ryan’s 5th annual Double Take storytelling event Feb. 20: Gaza native Abdallah Aljerjawi, a second-year BSN student, and El Salvadorian Katherine Flores, a Walentas Scholar and first-year BSN student.

Philanthropy and Alumni Affairs

- As of May 9, the School’s gifts and commitments to the Honor the Future Campaign total \$84,081,243—112% of the \$75M goal.
- The School will host Reunions June 3-4 and June 10-11.
- The spring print and digital edition of [*Virginia Nursing Legacy*](#) was sent in late April to more than 13,000 constituents, including peer institution leaders, faculty, staff, students, parents, board members, and members of the media, alumni, UVA Health and around-Grounds leaders, members of the media, and friends and supporters of the School.
- An Apr. 28, celebration of life honoring Barbara Brodie gathered more than 150 former students, fellow faculty members, and nursing alumni in honor of the late professor emerita. Brodie, who taught for 32 years and was connected to the School for more than 45, was instrumental in the creation and development of nurse practitioner programs in the state, founded the School’s PhD program, the School’s nursing history center, and its alumni association. The Barbara M. Brodie Endowed Faculty Fund, created in her honor and established in 2015, continues to draw support.
- To recruit more alumni to earn graduate degrees in nursing, the School organized a Jun. 26 virtual alumni info session event — “What can a grad nursing degree do for YOU?” — at which four alumni will share their own career trajectories and stories, offering testimony about the doors that graduate degrees in nursing open.

Events

- Professor Ishan Williams moderated “Animating Alzheimer’s” film premiere May 6 at the Jefferson School that drew more than 100 community members and was part of a 3Cavaliers-funded research team that developed the 15-minute short film on the neurological processes of AD and the impact on patients and caregivers.
- On May 3, the School unveiled a bench honoring the 150 Black licensed practical nursing (LPN) alumni who were part of a program developed by UVA School of Nursing, UVA Hospital, and Jackson P. Burley High School during segregation when Black students were not allowed entry to UVA. Part of the UVA Memorial Bench initiative, the ceremony gathered more than one hundred, including nearly 20 LPN alumni, many of whom are in their 70s and 80s, along with their family members, friends, and School officials.
- The School’s Global Initiatives hosted a lecture with Nicaraguan public health official and long-time research collaborator Orlando “Benito” Martinez-Granera, with Fundacion Movicancer on Apr. 24, who discussed his long-time research collaboration with prof. Emma Mitchell, an NIH-funded grantee studying novel means of screening and treatment of cervical cancer in Nicaragua, where it is the leading cause of preventable death among women ages 15 to 44.
- On Mar. 17, with Starr Hill Pathways Program, professor Malinda Whitlow, and associate dean Randy Jones, hosted more than 40 local middle schoolers who spent the day at the School getting hands on experience in nursing through mindfulness activities, visits with therapy dogs, anatomy and physiology labs, and even helped with the simulated delivery of an infant boy in the sim lab.
- The School organized an APRN Job Fair Mar. 1 with recruiters and clinicians from UVA Health that attracted several dozen MSN and DNP nursing students who learned more about the benefits of working as clinicians at UVA Health

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

BOARD MEETING: June 1, 2023

COMMITTEE: Health System Board

AGENDA ITEM: VI.A. Health System Consolidated Financials

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 Health System Board.

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

FINANCE REPORT

Overall, driven by the pandemic and workforce challenges, UVA Health’s operating income is unfavorable to budget for the nine months ended March 31, 2023.

	Operating Income			Operating Margin		
	<u>Actual</u>	<u>Budget</u>	<u>Pr Year</u>	<u>Actual</u>	<u>Budget</u>	<u>Pr Year</u>
Medical Center	39	44	52	2.1%	2.7%	3.2%
Community Health	5	9	5	1.4%	2.3%	1.3%
UPG	10	3	15	2.3%	0.7%	3.6%
SOM	(7)	(8)	14	-1.7%	-1.8%	3.5%
SON	0	-	1	0.0%	0.0%	2.7%
Health Sciences Library	(0)	(0)	(1)	-3.8%	-3.8%	-11.1%
Support/Transfers/Elims	<u>(42)</u>	<u>(41)</u>	<u>(34)</u>			
UVA Health	4	7	52	0.1%	0.2%	1.9%
One-Time CH Integration	(31)	(34)	(6)			
UVA Health including 1-Time	(27)	(27)	45	-0.9%	-1.0%	1.7%

UVA Medical Center

Through the third quarter of FY23, the operating income was \$39M, resulting in a 2.1% operating margin and yielding a \$5M unfavorable budget variance. Net revenue results were driven by high acuity, strong ambulatory volumes, and sustained outpatient pharmacy business. The all payer case mix was 2.37 and exceeded budget by 2.8%. The operating margin is supported by imaging, dialysis, home health and the management of shared services expenses. Continued dependence on nurse traveler/contract labor contributed significantly to the operating margin gap with labor being \$136M unfavorable to budget. The Medical Center generated \$141M in operating cash (EBITDA) after transfers and cash reserves totaled 211 days. Total expenses adjusted for volume and acuity were 6.5% unfavorable to budget, driven by inflation and labor challenges.

Total paid employees, including contracted employees, were 239 over 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 775 nurse travelers.

	<u>FY23 Actuals</u>	<u>FY23 Budget</u>
Employee FTEs	8,279	8,830
Contract Labor FTEs	906	116
Salary, Wage and Benefit Cost / FTE	\$104,850	\$96,429
Total FTEs	9,185	8,946

UVA Community Health

For the nine months ended March 31, 2023, UVA Community Health's operating income excluding one-time integration expense was \$5M, resulting in a 1.4% operating margin and yielding a \$4M unfavorable budget variance. Volumes were mixed with inpatient volumes and surgeries in-line with budget while outpatient volumes were ahead of budget. Labor costs were unfavorable to budget due to work force challenges and contract labor. One-time expense associated with moving services from Novant Health to UVA was \$31M, driving an overall operating loss of \$26, which was in line with budget.

UVA Physicians Group

Through the third quarter of FY2023, the Physicians Group (UPG) produced an operating surplus of \$10M, which was \$7M favorable to budget. Favorable results were driven by operating revenue, including patient care reimbursement and increased capture of Value-Based Care revenue. The results include \$29M in support for the Academic Mission.

UVA School of Medicine

Through the third quarter of FY2023, the School of Medicine generated a \$7M deficit, in line with budget. Significant activity includes the receipt of \$4M in unbudgeted gifts, a \$6M transfer from UPG as a contribution to endowments, \$2M in favorable Health System operating revenues, and \$2M in combined miscellaneous revenues. This is partially offset by an \$8M increase in discretionary spending, primarily labor. The School expects at least half of this spending to be shifted to more restricted funds such as grants or state funding, yielding an annual performance favorable to plan.

UVA School of Nursing

The School of Nursing is in-line budget after the third quarter of FY23. Graduate tuition revenue has decreased consistent with national trends but is offset by increases in research funding.

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

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-21	Mar-22	Mar-23	Mar-23
Net patient revenue	\$1,345.5	\$1,903.1	\$2,163.9	\$1,951.2
Other revenue	<u>50.5</u>	<u>70.7</u>	<u>59.2</u>	<u>60.7</u>
Total operating revenue	<u>\$1,396.0</u>	<u>\$1,973.8</u>	<u>\$2,223.1</u>	<u>\$2,011.9</u>
Operating expenses	1,254.2	1,791.1	2,048.8	1,838.3
Depreciation	92.0	116.5	129.0	123.9
Interest expense	<u>13.0</u>	<u>16.1</u>	<u>31.8</u>	<u>31.0</u>
Total operating expenses	<u>\$1,359.2</u>	<u>\$1,923.7</u>	<u>\$2,209.6</u>	<u>\$1,993.2</u>
Operating income (loss)	<u>\$36.8</u>	<u>\$50.1</u>	<u>\$13.5</u>	<u>\$18.7</u>
Non-operating income (loss)	<u>\$343.9</u>	<u>\$12.3</u>	(<u>\$33.1</u>)	<u>\$39.6</u>
Net income (loss)	<u><u>\$380.7</u></u>	<u><u>\$62.4</u></u>	<u><u>(\$19.6)</u></u>	<u><u>\$58.3</u></u>
Principal payment	\$15.5	\$16.3	\$28.2	\$28.2
<i>*7/1/21 and forward includes UVACH</i>				






University of Virginia Medical Center

Balance Sheet

(Dollars in Millions)

Description	Most Recent Three Fiscal Years		
	Mar-21	Mar-22	Mar-23
Assets			
Operating cash and investments	\$357.5	\$417.0	\$386.5
Patient accounts receivables	247.6	364.8	391.1
Property, plant and equipment	1,371.1	1,588.3	1,651.0
Depreciation reserve and other investments	537.1	522.3	420.2
Endowment Funds	847.7	940.6	864.0
Other assets	<u>294.1</u>	<u>493.2</u>	<u>556.8</u>
Total Assets	<u>\$3,655.1</u>	<u>\$4,326.2</u>	<u>\$4,269.5</u>
Liabilities			
Current portion long-term debt	\$10.4	\$10.1	\$14.3
Accounts payable & other liab	136.9	283.7	453.8
Long-term debt	742.7	893.3	868.4
Accrued leave and other LT liab	<u>609.9</u>	<u>530.1</u>	<u>617.7</u>
Total Liabilities	<u>\$1,500.0</u>	<u>\$1,717.2</u>	<u>\$1,954.2</u>
Fund Balance	<u>\$2,155.2</u>	<u>\$2,609.1</u>	<u>\$2,315.3</u>
Total Liabilities & Fund Balance	<u>\$3,655.1</u>	<u>\$4,326.2</u>	<u>\$4,269.5</u>
<i>*7/1/21 and forward includes UVACH</i>			

University of Virginia Medical Center
Financial Ratios

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-21	Mar-22	Mar-23	Mar-23
Operating margin (%)	2.6%	2.5%	0.6%	0.9%
Current ratio (x)	4.1	2.7	1.7	2.0 
Days cash on hand (days)	318	242	187	190 
Gross accounts receivable (days)	53.5	54.3	51.6	50.0 
Annual debt service coverage (x)	17.1	6.0	2.4	3.6 
Debt-to-capitalization (%)	27.2%	26.9%	28.9%	34.0% 
Capital expense (%)	7.7%	6.9%	7.3%	7.8%

University of Virginia Medical Center
Operating Statistics

Description	Most Recent Three Fiscal Years			Budget/Target
	Mar-21	Mar-22	Mar-23	Mar-23
Acute Discharges	19,479	19,173	19,611	20,434
Patient days	144,557	147,304	147,223	143,429
Observation Billed Encounters	4,265	4,520	5,780	4,136
All Payor CMI Adj Avg Length of Stay	3.14	3.18	3.24	3.00
OP Billed Encounters	630,458	684,801	701,098	661,829
ER Billed Encounters	26,612	30,569	36,456	30,610
All Payor CMI	2.33	2.37	2.37	2.30
FTE's (including contract labor)	8,814	8,856	9,185	8,946

Operating Statistics exclude UVA Community Health

University of Virginia Medical Center
SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES
Fiscal Year to Date March 31, 2023 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
<u>DISCHARGES</u>					<u>ACUTE INPATIENTS</u>				
Medical Center	19,611	20,434	(4.0%)	19,173	Inpatient Days - MC	147,223	143,429	2.6%	147,304
Community Health	10,580	10,576	0.0%	10,484	Inpatient Days - CH	39,839	39,945	(0.3%)	40,968
Total Discharges	30,191	31,010	(2.6%)	29,657	All Payor CMI Adjusted ALOS - MC	3.24	3.00	7.9%	3.18
Adjusted Discharges - MC	48,634	47,272	2.9%	45,881	All Payor CMI Adjusted ALOS - CH	2.59	2.58	(0.4%)	2.66
Adjusted Discharges - CH	32,801	36,893	(11.1%)	31,303	Average Daily Census - MC	537	512	5.0%	538
Total Adjusted Discharges	77,708	72,812	6.7%	73,842	Average Daily Census - CH	145	150	(3.3%)	150
<u>CASE MIX INDEX</u>					<u>BIRTHS</u>				
All Payor CMI - MC	2.37	2.30	2.8%	2.37	Births - MC	1,767	1,474	19.9%	1,664
All Payor CMI - CH	1.43	1.44	(0.7%)	1.47	Births - CH	1,913	2,013	(5.0%)	2,024
<u>OUTPATIENT BILLED ENCOUNTERS</u>					<u>SURGICAL CASES</u>				
Medical Center	701,098	661,829	5.9%	684,801	UVA Main Hospital Operating Room	14,857	15,361	(3.3%)	13,866
Community Health	197,950	194,386	1.8%	185,430	Battle	8,809	8,579	2.7%	8,580
Emergency Room - MC	36,456	30,610	19.1%	30,569	Monticello Surgery Center	6,107	5,197	17.5%	5,432
Emergency Room - CH	84,109	82,251	2.3%	78,235	Orthopedic Center	573			
					Community Health	8,357	8,401	(0.5%)	8,283
					Total	38,703	37,538	3.1%	36,161
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
<u>NET REVENUES</u>					<u>NET REVENUE BY PAYOR</u>				
Net Patient Service Revenue	\$2,163,931	\$1,951,175	10.9%	\$1,903,129	Medicare	\$634,821	\$545,094	16.5%	\$544,167
Other Operating Revenue	59,163	60,696	(2.5%)	70,717	Medicaid	\$362,647	\$350,171	3.6%	\$364,601
Total	\$2,223,094	\$2,011,871	10.5%	\$1,973,846	Commercial Insurance	\$272,820	\$235,819	15.7%	\$274,628
<u>EXPENSES</u>					<u>OTHER</u>				
Salaries, Wages & Contract Labor	\$1,028,256	\$874,752	(17.5%)	\$881,238	Anthem	\$490,365	\$454,362	7.9%	\$410,542
Supplies	597,596	520,004	(14.9%)	520,585	Aetna	\$162,692	\$143,791	13.1%	\$137,475
Contracts & Purchased Services	422,988	443,553	4.6%	389,317	Other	\$240,587	\$221,937	8.4%	\$171,715
Depreciation	129,011	123,865	(4.2%)	116,471	Total Paying Patient Revenue	\$2,163,931	\$1,951,175	10.9%	\$1,903,129
Interest Expense	31,781	30,992	(2.5%)	16,096	Collection % of Gross Billings	29.6%	27.4%	7.9%	28.6%
Total	\$2,209,631	\$1,993,166	(10.9%)	\$1,923,706	Days of Revenue in Receivables (Gross)	51.6	50.0	(3.2%)	54.3
Operating Income	\$13,462	\$18,704	(28.0%)	\$50,139	CMI Adjusted Cost per Adjusted Discharge	\$13,959	\$13,665	(2.1%)	\$12,717
Operating Margin %	0.6%	0.9%		2.5%	Total FTEs (including Contract Labor)	11,414	11,072	(3.1%)	11,012
					FTEs Per CMI Adjusted Discharge	19.8	20.8	5.0%	19.9

University of Virginia Medical Center

SUMMARY OF OPERATING STATISTICS AND FINANCIAL PERFORMANCE MEASURES

Fiscal Year to Date March 31, 2023 with Comparative Figures for Prior Fiscal Year

Assumptions - Operating Statistical Measures

Discharges and Case Mix Assumptions

Discharges include all admissions except normal new births

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 new births

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 1, 2023

COMMITTEE: Health System Board

AGENDA ITEM: VI.B. ACTION ITEM: Fiscal Year 2024 Operating and Capital Budgets for the University of Virginia Health System

BACKGROUND: UVA Health includes the Medical Center, UVA Community Health, the School of Medicine (SOM), the School of Nursing (SON), the University of Virginia Physicians Group (UPG), and the Health Sciences Library. The Medical Center, Community Health, 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 FY2024, UVA Health is budgeting operating loss of \$12M, as described below.

	Operating Income			Operating Margin		
	<u>FY22A</u>	<u>FY23P</u>	<u>FY24B</u>	<u>FY22A</u>	<u>FY23P</u>	<u>FY24B</u>
Medical Center	63	48	40	2.9%	2.1%	1.6%
Community Health	5	5	15	1.0%	1.0%	2.6%
UPG - SOM Clinical	16	6	(7)	2.9%	1.0%	-1.2%
SOM Academic	8	(16)	(17)	1.6%	-2.7%	-2.7%
SON Academic	0	0	0	0.1%	0.0%	0.0%
Health Sciences Library	0	0	0	5.8%	8.2%	0.5%
HS Improvements	-	-	13			
Elims	-	(6)	-	0.0%	3.3%	0.0%
Health System Support/Transfers	(45)	(44)	(51)			
UVA Health	48	(6)	(7)	1.3%	-0.2%	-0.2%
One-Time CH Integration	(25)	(40)	(5)			
Other One-Time Impacts	70	6	-			
UVA Health after 1-Time	93	(40)	(12)	2.5%	-1.0%	-0.3%

UVA Health: The rapidly changing healthcare environment requires a strong planning process. Leadership will identify and implement quality and process improvement strategies that will allow for operational streamlining and cost efficiencies, while navigating the current environment.

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

- Growth in ambulatory, tertiary/quaternary expansion, and regional growth, as well as in UVA Community Health.
- Leveraging facilities and infrastructure improvements by continued operationalization of Ivy Mountain Orthopedics Center.
- Containing costs and gaining efficiencies, serving as both the community safety net and a regional tertiary quaternary health system. Examples include revenue cycle/payor contracting, one team united on access, traveler reduction program, integrating supply chain, clinical engineering, and lease consolidation, examining non-core activities and pharmacy initiatives.
- Maintaining and improving strategic partnerships.
- Continuing to execute the Health System strategic plan.

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

- 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.

Medical Center

This section covers Medical Center operations in Charlottesville and the immediate surrounding areas. UVA Community Health, a fully consolidated subsidiary of the Medical Center, is discussed separately.

Market Conditions: For FY24, discharges are budgeted to grow 2.6% from FY23 projected levels. Although statewide admissions are trending downward, our budgeted projection is driven by targeted growth efforts across Cancer, Heart and Vascular, and Transplant. Additional discharges are also driven by lower expected acuity and corresponding length of stay, enhancing patient progression and throughput.

Outpatient services are expected to grow 3.2% for MC Billed Visits. The following table includes historical and projected patient volumes:

	Actual <u>FY 2022</u>	Projected <u>FY 2023</u>	Budget <u>FY 2024</u>
Discharges Medical Center	25,545	25,834	26,500
Discharges Transitional Care	153	13	0
Adjusted Discharges	61,387	62,959	64,779
Average length of stay MC	7.54	7.61	7.16
Outpatient Encounters - MC	907,087	898,781	927,110

Revenues: FY24 budgeted revenue is \$2.55B or 9.2% above projected FY23 revenue. One of the Medical Center's largest challenges is the unwillingness of the federal government to increase their payments commensurate with the increases in medical delivery costs. Growth in revenues into FY24 will result from rate increases in commercial contracts and a slight uptick in volumes.

Medical Center outpatient surgical volumes are expected to increase 2.5% as the number of procedures available in the ambulatory setting continues to increase, while main operating room surgeries are expected to grow 7.1%.

The Medical Center expects an aggregate rate increase of 5.0% on commercial contracts, which is commensurate with rate increases that will generally be implemented in the hospital industry.

Expenses: Expenses from operations are projected to increase by \$223.2M from the FY23 projection, a 9.8% increase. This represents a 7.1% increase when adjusting for patients' acuity (CMI), requiring more clinical care resources.

Previous increases in capital investment will result in an additional net depreciation expense of \$16M for FY24 as we invest in strategic projects. The Medical Center's 2023-2024 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 FY24 budget has been benchmarked with comparable academic medical centers. FTEs are planned at 9,603, an increase of 525 FTEs from the current Fiscal Year projection of 9,079 FTEs. This is mainly attributable to converting UPG, SOM and UVACH staff for revenue cycle, access and payor contracting, as well as converting traveler nurses to medical center employees.

With regard to compensation increases, the pool for market and merit actions has been established at \$72.1M, which includes the impact on benefit costs and is based on a 3.0% salary adjustment and October implementation date and substantial investment in market compensation adjustments of \$56.5M. Compensation changes related to market comparisons will be made strategically to maintain competitiveness across various hard-to-fill or retain positions. Merit increases will be based on FY24 cost of living adjustments.

Community Health: UVA Community Health is budgeted to have \$15M operating income in FY24 from ongoing operations, which excludes \$5M in one-time costs to complete the transition of services from Novant to UVA Health. Throughout FY23, Community Health prioritized the migration from current systems and processes that were tied to Novant Health to systems aligned with UVA Health. These efforts are close to being complete and will finalize early in FY24.

For FY24, discharges are budgeted to grow 3.0% from FY23 projected levels. Outpatient services are expected to grow 3.5% for Billed Clinic Visits. The following table includes historical and projected patient volumes:

	Actual	Projected	Budget
	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Discharges Community Health	13,953	14,334	14,764
Adjusted Discharges	48,012	44,124	45,929
Average length of stay	3.80	3.61	3.64
Outpatient Encounters	248,382	259,698	268,757

FY24 budgeted revenue is \$576M or 12% above projected FY23 revenue. Growth in revenues into FY24 will result from rate increases in commercial contracts and an uptick in volumes, partly driven by a shift of 45+ community-based providers out of UPG and into the Community Health Physicians group.

Hospital based surgical volumes are expected to increase 3.0%. Temporary operational changes related to the purchase of the Culpeper Ambulatory Surgery Center will offset those gains during FY24 while setting up for additional growth in future years.

Total expenses are projected to increase by \$18.6M from the FY23 projection, a 3.4% increase.

FTEs are planned at 2,358, an increase of 129 FTEs from the current fiscal year projection of 2,229 FTEs. This is mainly attributable to growth related to volumes and clinic expansions.

UVA Physicians Group

The clinical mission is comprised of professional services provided by SOM faculty and other clinicians employed through UPG. The FY24 budgeted operating income is a deficit of \$6.9M after \$40.0M of direct support for the academic mission. The budget includes planned spending of \$6.7M of retained earnings for strategic investment and program development. While the budget reflects an optimistic increase in patient volumes that exceeds typical annual growth patterns, there is downward pressure from a reduction in Medicare reimbursement, rapidly increasing market compensation levels, and overall market-driven cost increases.

The FY24 budget, on the surface, shows a 3.0% increase in patient care volumes over the FY23 projection. This year-over-year growth is tempered by a shift of 45+ community-based providers out of UPG and into the UVA Community Health Physicians Group. Adjusting for this out-migration of providers and clinics, the UPG budget for FY24 reflects a 7.8% increase in patient volumes over the FY23 projection. Patient revenue includes small increases in reimbursement rates from annual inflators built into some third-party contracts and MIPS (Medicare) incentive payments earned by providers for calendar year 2024. The revenue also reflects a decrease in overall Medicare reimbursement because of the Calendar Year 2023 Physician Fee Schedule. Reimbursement contracts with the two largest commercial payors are expected to be renegotiated in FY24, and those changes are not contemplated in this budget.

Total expenses are increasing because of labor costs that include a 3% annual merit/market increase on top of increases already implemented in the past 12-18 months in response to rapidly changing market conditions. Other expense increases are being driven by inflation and a loosening of restrictions related to COVID. In addition, this budget includes planned investment of retained earnings for specific strategic initiatives, most notable is the development of an infrastructure to support Value-Based Care. This is critical in enabling UPG to optimize patient care and optimize the financial benefits under risk-based contracts. The FY2024 budget does not include any cost savings from efficiencies gained in the Health System alignment of revenue cycle and payor contracting as we enter Year 2 of that arrangement.

Expenses to support the research and teaching efforts are reflected in the plan at \$40.0M, which is a \$1.3M increase over the FY2023 projection. In addition, the FY24 plan includes receipt of \$4M in Clinical Deficit Support for targeted clinical programs. Capital spend is budgeted at \$7.4M in FY24 and includes an investment in the facilities for a profitable UPG-owned pediatric clinic in the community.

The FY24 financial plan also includes a non-operating contribution expense of \$2M as Clinical Departments use prior year earnings as seed money to encourage alumni philanthropy. These non-operating contributions are not included in the \$6.9M operating deficit.

School of Medicine

The School of Medicine budgeted operating loss after transfers is \$17M. 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 School has proposed 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 2% tuition increase for the first year in-state students and 4% increase for the first-year out-of-state students in the Medical Education Program. The second, third-, and fourth-year medical students will carry forward with the current FY23 year tuition.

The research revenue is budgeted to increase by 4.2% over the FY23 projection. Of the \$192M budgeted research revenue, 81% is expected from already received grants and 14% from grants with high probability to be awarded – either Notice of Award or preliminary score in the funding range. Indirect Cost Recovery revenue is budgeted to grow at 5.9% – a rate higher than the grants revenue, driven by anticipated growth in the effective FA rate. The grants projection is based on the assumption that current operational

challenges with the grants administration and Workday transition will be resolved by the end of the current fiscal year.

Total capital spending for the School's mission is budgeted at \$12.8M in FY24. This includes spending for renovation work for research labs in MR4 and cores in Pinn Hall.

School of Nursing

The School of Nursing is budgeted to break even. No capital spending is anticipated for the School of Nursing in FY24.

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 \$163M be authorized for FY24 capital requirements. Request per enterprise: Medical Center \$101M, Community Health \$45M, School of Medicine \$9M (with an additional \$3.5M funded from external sources), and UPG \$7M.

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

2023-2024 OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER AND UNIVERSITY OF VIRGINIA COMMUNITY HEALTH

RESOLVED, the 2023-2024 \$3.0B operating and \$146M capital budgets for the University of Virginia Medical Center, inclusive of University of Virginia Community Health, 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 by the Health System Board.

Schedule A
University of Virginia - Medical Center
FY24 Projected Fiscal Plan
(dollars in millions)

	FY2022 Actual	FY2023 Forecast	FY2024 Budget
Revenues			
Total Gross Charges	\$ 8,929	\$ 9,543	\$ 10,254
Less Deductions:			
Indigent Care Deduction	217	224	269
Bad Debt	171	158	85
Contractual Deduction	5,958	6,370	6,882
Charity Care	27	24	33
Total Deductions	6,373	6,777	7,269
Net Patient Revenue	2,556	2,766	2,985
Miscellaneous Revenue	106	78	102
Total Revenue	2,662	2,844	3,087
Expenses			
Expenses from Operations			
Operating Expenses	2,406	2,628	2,820
Depreciation and Amortization	168	165	183
Interest Expense	39	38	34
Total Expenses from Operations *	2,613	2,831	3,037
Operating Income	48	13	50
Non-Operating Expense Transfers **	(45)	(44)	(47)
Net Income After Transfers	\$ 3	\$ (31)	\$ 3
Statistics			
Discharges - Medical Center	25,545	25,834	26,500
Discharges - Transitional Care Hospital	153	13	-
Discharges - Community Health	13,953	14,334	14,764
Outpatient Encounters	1,155,469	1,158,479	1,195,867
Emergency Room Billed Encounters	147,126	162,968	163,707
Average Length of Stay - Medical Center	7.54	7.61	7.16
Average Length of Stay - Transitional Care Hospital	27.22	42.23	n/a
Average Length of Stay - Community Health	3.80	3.61	3.64

* Includes \$25M, \$40M, and \$5M 1-time expense for Community Health integration in FY22-24 respectively

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

Schedule B				
University of Virginia Medical Center				
Operating Financial Plan				
(dollars in millions)				
	FY2024 Budget	FY2023 Projected	FY2023 Budget	FY2022 Actual
Operating Revenues				
Total Gross Charges	\$10,254	\$9,543	\$9,481	\$8,929
Less Deductions:				
Indigent Care Deduction	269	224	252	217
Bad Debt	85	158	105	171
Contractual Deduction	6,882	6,370	6,490	5,958
Charity Care	33	24	33	27
Total Deductions	7,269	6,777	6,880	6,373
Net Patient Revenue	2,985	2,766	2,600	2,556
Miscellaneous Revenue	102	78	81	106
Total Operating Revenues	3,087	2,844	2,681	2,662
Operating Expenses				
Compensation and Benefits	1,454	1,355	1,164	1,195
Supplies, Utilities, and Other	1,366	1,273	1,285	1,212
Depreciation and Amortization	183	165	166	168
Interest Expense	34	38	41	39
Total Operating Expenses *	3,037	2,831	2,656	2,613
Operating Income	50	13	25	48
Operating Income Percent	1.6%	0.5%	0.9%	1.8%
Non-Operating Expense Transfers **	(47)	(44)	(44)	(45)
Net Income After Transfers	3	(31)	(18)	3
Add back Depreciation and Amortization	183	165	166	168
Less Principal Payments on Debt	(40)	(38)	(38)	(34)
Add Non-Operating Gains and Transfers	3	(51)	100	(98)
Cash Available for Capital and Other	149	45	210	38
Capital Funded from Operations	(146)	(67)	(168)	(55)
Additions to Cash and Reserves	\$3	-\$21	\$42	-\$17

* Includes \$5M, \$40M, \$40M, and \$25M 1-time expense for Community Health integration in FY24B, FY23P, FY23B, and FY22A respectively.

** Represents Medical Center Transfers within UVA Health

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

BOARD MEETING: June 1, 2023

COMMITTEE: Health System Board

AGENDA ITEM: VII. Strategic Affiliation

BACKGROUND: The Code of Virginia includes in its provisions pertaining to the operations of the University of Virginia Medical Center (Va. Code § 23.1-2212 C.) that the Medical Center has the authority to create, own in whole or in part, or otherwise control corporations or other entities whose activities promote the operations of the Medical Center and its mission. UVA Health recently developed its 10-year “One Future Together | Health and Hope for All” strategic plan which includes a roadmap for strategic affiliations that will advance the mission of the Medical Center.

DISCUSSION: The Medical Center has signed a nonbinding Letter of Intent and is in the process of completing due diligence for a strategic affiliation with a health system. The next step is authorization by the Board of Visitors to negotiate terms and execute an agreement for a strategic affiliation with the health system once due diligence is completed. The UVA Health Strategy Taskforce recommends approval of this affiliation.

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

APPROVAL FOR STRATEGIC AFFILIATION BY THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

WHEREAS, the Code of Virginia includes in its provisions pertaining to the operations of the University of Virginia Medical Center (Va. Code § 23.1-2212 C.) that the Medical Center has the authority to create, own in whole or in part, or otherwise control corporations or other entities whose activities promote the operations of the Medical Center and its mission; and

WHEREAS, the UVA Health Strategy Taskforce has closely evaluated the opportunity to develop a strategic affiliation with a health system and recommends that the University enter into the affiliation;

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer and the Executive Vice President for Health Affairs to perform all necessary due diligence, including satisfying all regulatory requirements, to develop a strategic affiliation with a health system; and

RESOLVED FURTHER, pending completion of due diligence and satisfaction of all regulatory requirements, the Executive Vice President and Chief Operating Officer, with the

concurrence of the Chair of the Health System Board and the Chair of the Finance Committee, and in consultation with the President and University Counsel, is authorized to execute contracts and other legal documents as necessary to enter into a strategic affiliation; and

RESOLVED FURTHER, all prior acts performed by the Executive Vice President and Chief Operating Officer and her designees in connection with the evaluation and development of a strategic affiliation with a health system are in all respects approved, ratified, and confirmed.