

The discussion held in executive session has not been approved for release to the public and has thus been deleted from these minutes.

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MEETING OF THE BOARD OF TRUSTEES
OF THE
UNIVERSITY OF ILLINOIS

July 21, 2010

This meeting of the Board of Trustees of the University of Illinois was held in the 8th Floor Conference Room (8175), College of Medicine Research Building, 909 South Wolcott Avenue, Chicago campus, Chicago, Illinois, on Thursday, July 21, beginning at 8:10 a.m. The meeting was also televised in the Moss Auditorium on located on the first floor of the same building.

Chair Christopher G. Kennedy welcomed President Hogan to his first Board meeting and called the meeting to order. He asked the secretary to call the roll. The following members of the Board were present: Dr. Frances G. Carroll, Ms. Karen Hasara, Mr. Christopher G. Kennedy, Dr. Timothy N. Koritz, Mr. Edward L. McMillan, Mr. James D. Montgomery, Mr. Lawrence Oliver II, Ms. Pamela B. Strobel, Mr. Carlos Tortolero. Governor Pat Quinn was absent. The following nonvoting student trustees were present: Mr. Daniel A. Soso, Urbana campus; Ms. Roshina K. Khan, Chicago campus; Mr. Charles L. Olivier III, Springfield campus.

The following University officers were present: Dr. Robert A. Easter, interim provost/chancellor, University of Illinois at Urbana-Champaign; Dr. Paula Allen-Meares, chancellor, University of Illinois at Chicago; Dr. Richard D. Ringeisen,

chancellor, University of Illinois at Springfield; Dr. Mrinalini Rao, vice president for academic affairs; Dr. Avijit Ghosh, vice president for technology and economic development; and the officers of the Board, Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, university counsel; Mr. Lester H. McKeever, Jr., treasurer; and Dr. Michele M. Thompson, secretary. In addition, the following persons were in attendance: Ms. Katherine Laing, executive director for governmental relations; and Mr. Thomas P. Hardy, executive director for university relations; President Emeritus Stanley O. Ikenberry, senior advisor; Dr. Lisa Troyer, chief of staff for the president; Ms. Marna K. Fuesting and Ms. C. Ellen Foran, both assistant secretaries; Ms. Eileen B. Cable, special assistant to the secretary.

Mr. Kennedy then asked Trustee Strobel to introduce the first session, “Overview of Current Higher Education Environment.”

OVERVIEW OF CURRENT HIGHER EDUCATION ENVIRONMENT

Ms. Strobel encouraged her colleagues to participate in all parts of the retreat and said she hoped this session would initiate a good discussion to start the day.

She then stated that discussions of principles of governance are prominent in board rooms across the country, and referenced materials she received at a recent conference of the Association of Governing Boards (AGB). Next, she introduced Dr. Richard Legon, president, Association of Governing Boards, to lead a discussion on

governance, implications of the challenges facing higher education, and hallmarks of an effective board.

Dr. Legon thanked Mr. Kennedy, Ms. Strobel, President Hogan, President Emeritus Ikenberry, and Dr. Thompson for inviting him to participate in the retreat.

Dr. Legon began by providing comments about the current environment for boards in higher education, stating that there are more challenges now than in most previous times. He mentioned an increased interest in “citizen control” of higher education in the United States, and said that Illinois’ failure to adequately fund higher education is an example of a national trend to treat funding for public higher education as a discretionary matter. He described national financial and academic challenges, and said that decreases in funding and an expectation of public universities that they increase access and affordability have forced universities to do more with less. He said that governance is especially challenging in this environment, emphasizing that the ultimate responsibility of a board is in policy development rather than management, and that board members must work to ensure the public’s trust. He encouraged the Board to ask questions, request additional data when needed, and utilize each individual’s unique perspective while always speaking with one voice for public pronouncements. Dr. Legon referred to the ten areas of responsibility and hallmarks of effective boards listed in the AGB publication, *Effective Governing Boards*, and stated that the Board should oversee academic quality and effectiveness while ensuring the primary mission of the University.

He said he encourages boards to utilize self evaluations and issue conflict of interest policies for themselves.

Additional discussion included appropriate committee structure, risk management policies, and the possibility of creating a separate audit committee. Dr. Legon said that much of the work of a board occurs through committees, and committee agendas should reflect the University's strategic initiatives and current challenges. He then discussed the need for a president to create a forward looking strategic plan endorsed by the board and to consider how University priorities relate to expenditures. A discussion of annual assessments of presidents followed, and Dr. Legon indicated that board members may want to consult the AGB's model for such assessments. Additional discussion included the trend to decrease higher education funding, the size of university boards across the country, the inclusion of student trustees, the role of faculty members and governing boards, and key metrics that university boards should regularly consult.

Board members then discussed the loss of federal stimulus funding and its impact on higher education and the University of Illinois in particular for Fiscal Years 2011 and 2012.

With no additional questions or comments, Ms. Strobel thanked Dr. Legon for his insights. This session ended at 10:00 a.m., at which point Mr. Kennedy suggested a short break.

ACADEMIC HEALTH SCIENCES CENTER AND HEALTH CARE REFORM

At 10:20 a.m., Dr. Koritz introduced the session on the Academic Health Sciences Center and Health Care Reform, and asked Chancellor Allen-Meares to provide brief remarks.

Dr. Allen-Meares summarized the work of a task group she convened on this topic, which included Mr. John J. DeNardo, CEO, HealthCare System, Chicago; Dr. Joseph A. Flaherty, dean, College of Medicine; Dr. R. Michael Tanner, provost and vice chancellor for academic affairs, Chicago; Ms. Ann Patla, special assistant to the CEO, Healthcare System, Chicago, and State and federal Medicaid liaison; Dr. Heather J. Haberaecker, executive assistant vice president for business and finance; Dr. Robert F. Rich, director, Institute of Governmental and Public Affairs, Urbana; and Dr. Joe G. N. Garcia, vice chancellor for research, Chicago.

She then gave an overview of the health sciences center at Chicago and said the University of Illinois is well positioned to bring together the basic sciences and health sciences in a very dynamic way.

Dr. Koritz shared the discoveries he had made about the health sciences colleges and the medical center over the past nine months, and described the benefits of the University owning its teaching hospital versus other alternatives. He concluded that owning one's hospital leads to greater financial risk, but is advantageous in that the educational mission is protected and students and faculty are better served. He then introduced Dr. Rich and Ms. Patla to present information on federal healthcare reform legislation.

Dr. Rich stated that he would summarize recent federal legislation regarding healthcare reform within a national context, stating that in the main, the recently approved legislation has not been implemented. He described anticipated impact, including a decrease in numbers of uninsured, greater cost controls, and an expansion of the healthcare workforce. He stated that subsidies for purchase of private insurance would lead to a decrease in uninsured individuals, and that cost controls would decrease the cost of Medicaid. He predicted an increase in Medicaid patients and a loss of Disproportionate Share (DISH) funding, and said that some number of uninsured persons will persist. The trustees and Dr. Rich discussed the income level for qualification for Medicaid eligibility, the effect of healthcare reform on undocumented workers, and cuts to Medicare. Mr. Kennedy asked about the effect of healthcare legislation on undocumented individuals, and Dr. Rich stated that it would force those individuals to rely on charity care.

Ms. Patla presented information on the impact of healthcare reform from a provider perspective, summarizing the effects these changes will bring to the medical center at Chicago. She said that the academic medical center at Chicago is unlike any other in Illinois and possibly the nation. She also noted that the effects of healthcare reform will not begin to be seen until 2014 when the provisions are implemented and said these promise to be positive. She stated that charity care will be replaced in some cases by Medicaid or private insurance, and predicted an overall expansion of Medicaid, noting that it seems to be the default private option. She emphasized that the healthcare team at

the medical center has the talent to not only respond, but to act as a leader in this area over the next few years. Further, she discussed the ramifications of healthcare reform and opined that the loss of DISH funding will be replaced by other revenues. Ms. Patla also referred to the development of a physician or medical home that would serve as a patient's primary point of care, which she said is already being implemented at the medical center. She also provided clarification regarding the State reimbursement rate for Medicaid patients, which she and Mr. DeNardo explained is better than the rate that private hospitals receive. Ms. Strobel asked about possible risks related to the implementation of health care legislation for the medical center. Ms. Patla said risks seem unlikely.

At 10:56 a.m., Dr. Koritz thanked Dr. Rich and Ms. Patla and asked Dean Flaherty and Mr. DeNardo to begin their presentation on the mission and vision of the academic health sciences center of the future. Dean Flaherty began by outlining the mission of the medical center, which he said focuses on the creation of knowledge, training, and public service to urban and rural poor populations. He emphasized the commitment of the medical center and the College of Medicine to public service and said that the medical center is currently ranked in the top 20 of medical schools with a commitment to public service and is the only one that is also a major research entity. He reviewed his assumptions for his comments for this session, and said that these include the following for the future: a continuation of the same level of Medicaid funding, a gravitation toward population based care, a future need for expert consultations due to

life transitions occurring outside hospitals, the continuation and addition of partnerships, and the ability for the health sciences center to be a Statewide accountable care organization. He also mentioned the future of telehealth, stating that this field emphasizes areas in which the University already excels, such as use of technology in treating patients in remote sites. He referred to the large research mission of the complex of health sciences colleges at Chicago, and noted that the College of Medicine educates the majority of underrepresented minority physicians in the U.S. after Howard University and Meharry Medical School. Dean Flaherty emphasized the need to expand, focusing on areas in which the college and hospital excel.

Board members discussed the presentation, and Dean Flaherty provided additional information about the College of Dentistry's patient services and the concept of a medical home. Additional discussion included the need for more primary care physicians and personal educational debt relief for those who choose to become primary care physicians.

Mr. DeNardo then resumed the discussion of the health sciences center of the future, referring to a slide (materials on file with the secretary) that positions the ambulatory and integrated care hub as a central unit with services such as home health care and telehealth networks, State agencies, regional sites, community based primary care, critical access hospitals and emergency rooms, and the institutions of the Illinois Medical District providing care to patients throughout the State. He emphasized that the goal is not to add to hospital bed capacity, but to develop an acute care building for high

technology services and treatments, and noted that all outpatient services will one day be performed outside the hospital. Mr. DeNardo reviewed the current master plan phasing strategy, focusing on the critical care or “high-tech” tower that is proposed. The Board discussed the effects of the expansion of Rush University Medical Center, and Dean Flaherty suggested that it is necessary for the medical center to compete in some areas while cooperating in others. He also asserted that a cohesive name or brand is important within the health sciences colleges and the medical center.

Additional discussion surrounding the need for a University-owned hospital followed, and Dean Flaherty stated that while it is possible to have a good program utilizing affiliate hospitals, the academic mission is always at risk with such arrangements. One commentator, Dr. Jerry Bauman, dean, College of Pharmacy, Chicago, said the absence of a teaching hospital would cripple some programs in the health sciences. Dean Flaherty also described the need for students, as future physicians, to learn from researchers, and another commentator, Dr. Joe Garcia mentioned the role of research in academic medical center rankings. He also noted that the combination of clinical care and research establish a sustainable business model. Mr. Kennedy added that a critical component of the mission of the University is to provide great doctors and care to the people of Illinois, which requires a great medical school, outstanding faculty, ample research capabilities, and sufficient infrastructure. He stated that great research portfolios and their subsidies allow the medical center to provide care to the populations that the State would like the University to serve. Mr. McMillan also mentioned the

University's mission to provide doctors of excellent quality to people throughout the State, including rural areas, and Dean Flaherty stated that a high percentage of medical school graduates from the University practice in the State.

Dr. Koritz acknowledged that the next session, which would focus on the master facility plan, had already been addressed. He provided additional information about the high-tech tower and introduced the next topic, which focused on the financing of the master facility plan. Mr. Kennedy mentioned the possibility of funding construction costs through bonding from future profits, which he noted has been done at other Chicago area hospitals, and suggested the prospect of a profitable hospital capable of funding its own renovation. Mr. DeNardo encouraged that a sensible business plan be developed; the academic health center be viewed as a health sciences enterprise unit that includes the College of Medicine, the hospital, and the health sciences colleges; and a consultant be employed. Mr. Kennedy stated that a self-funded model would prevent future delays of construction and renovation. Additional discussion included the possibility of funding construction costs through bonding from future profits and the unique components of the high-tech tower. Mr. Kennedy noted that other hospitals have been able to proceed through the use of a fully bonded program, and suggested that achieving a four percent profit each year could make it possible to bond out an \$800.0 million new hospital when combined with inexpensive state loan funding.

Next, Dr. Koritz introduced Dr. Fady T. Charbel, professor and head, Department of Neurological Surgery, Chicago, to present a faculty member perspective.

Dr. Charbel stated that he had come to the University in 1991 and today he was encouraged by the discussion he heard throughout this session. He said that times are changing and that healthcare is at the top of the national agenda. He noted that it should also be at or near the top of the agenda for the University of Illinois, and referred to both Mr. Kennedy's comments and the need to fulfill the mission of the University. He then focused on the role of telehealth and said this presents an opportunity to create something of value for health care. He expressed hope and optimism for the future of the University, especially the health sciences center, and in the leadership of the Board.

At 12:05 p.m., Mr. Kennedy announced that the scheduled break would be postponed until 12:30 p.m., in order to continue the discussion. Dr. Koritz then asked Mr. Knorr to discuss financing for the academic health sciences center of the future. Mr. Knorr described funding sources for the renovation of the hospital, which he said includes requests for funding from the State, funding from hospital operations, city assistance, and a small amount from health facility revenue bonds. He then discussed financing for the total project, in the amount of \$660.0 million, which he said could be funded through requests to the State, federal guarantee revenue bonds, revenue bond financing, private giving, and some assistance from the city for infrastructure. He then emphasized that the current focus should be on the hospital renovation project. Mr. Kennedy asked if it would be possible to identify federal funding through the congressional delegation, and Mr. Knorr confirmed that it might. Additional discussion surrounding the expected bed capacity of the new tower and its impact on research and

revenue followed. Ms. Strobel expressed support for the concept, with the caution that it will likely not generate enough revenue to pay for its initial cost. Others agreed that funding would need to also come from additional sources, aside from revenue. President Hogan stated a commitment to having the best academic health sciences center possible and encouraged collaboration across the campuses. Dr. Koritz thanked Chancellor Allen-Meares and the presenters, which was followed by a round of applause. Mr. Kennedy noted that this Board may be remembered for their actions concerning the academic medical center.

MOTION FOR EXECUTIVE SESSION

At 12:30 p.m., Chair Kennedy stated: “A motion is now in order to hold an executive session to consider University employment or appointment-related matters.”

On motion of Dr. Carroll, seconded by Mr. Montgomery, this motion was approved.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session was adjourned at 1:25 p.m., and the trustees returned to the Board retreat.

REGULAR SESSION RESUMED

At 1:40 p.m., the meeting resumed in regular session. All Board members recorded as present at the start of the meeting were in attendance.

A STRATEGIC VIEW OF DIVERSITY: DISCUSSION OF GOALS AND EXPECTATIONS

Ms. Hasara introduced this session, stating that diversity is a topic about which the trustees have been planning further discussion. Referring to her years as Mayor of Springfield she said that while diversity can sometimes be difficult to discuss, government institutions should lead the private sector in increasing diversity and in efforts in behalf of diversity. She then introduced Dr. James D. Anderson, professor and head, Department of Educational Policy Studies, Urbana, to comment on “The University of Illinois--from Project 500 to the Present”; Ms. Cynthia Soto, State representative, Fourth District, to provide comments from the perspective of State policy; and Dr. Ralph Cintron, associate professor, Department of English, Chicago, to discuss diversity in various contexts.

Dr. Anderson described his experience as a student at Urbana, and he also described the program, Project 500, initiated in 1968, which was the University’s first attempt to diversify the student body at Urbana. He said that minority students made up two percent of the total student population at Urbana at that time. He then stated: “experience trumps mountains and valleys,” to indicate the importance of a good student

experience. To expand on that, he added that as a department head, leading one of the most diverse departments of its type in the country, he and his colleagues engage undergraduate students and develop relationships early in their academic careers, which has resulted in a high percentage of graduate student enrollments from underrepresented groups. He noted the rate of tenure achievement for Ph.D. graduates from the Department of Educational Policy Studies is 100 percent, and said the department has had to stop recruiting new students because of high demand. He also stressed that resources are necessary to support diversity.

Next, Dr. Cintron commented on his research and anthropological field work in Latino communities, that includes living in the homes of those with low levels of education, many of whom are undocumented. He said his work has been transformative, and he is currently in the planning stage for taking the conceptualization of diversity into something greater than numbers and representation. He gave as an example the transfer of knowledge in community settings, a series of ongoing lectures by faculty at Ron's Barber Shop on the west side of Chicago. He discussed notions of diversity, ranging from the counting of physical bodies to the idea of diversity as a core cultural concept and its relation to the production of knowledge. He also said that further stages of his planned research include diversity as a heuristic factor that can serve to transform curricula, and referred to discussions earlier in the day pertaining to healthcare as a conceptualization of diversity in the medical field. He also discussed examples in other subject areas.

Representative Soto stated that she has been the State representative from the Fourth District for the past ten years and is chair of the higher education appropriations committee. She said that as a member of the Black Caucus in the General Assembly, she advocated for programs to support higher education, and she stated that stronger programs are necessary to implement needed change. She expressed concern regarding the enrollment and retention of students from underrepresented groups at the University and emphasized the importance of increasing diversity at the University. She encouraged increased retention and outreach efforts and advocated for support for new students.

Ms. Hasara then referred to the materials the trustees were sent before the retreat, stating that they were helpful and reflect the good work that is already being done. She referred to Representative Soto's remarks and agreed that additional work is needed. Discussion followed, and Dr. Anderson discussed the role of faculty and student support programs in student success. Trustees continued to discuss retention, recruitment, admission requirements, and the importance of financial aid. Dr. Anderson advocated the importance of creating an atmosphere where underrepresented students feel welcome, and Mr. Oliver said short-term, mid-term, and long-term approaches to the hopes for greater diversity are needed, that a multi-pronged approach is necessary, and that retention is crucial. Ms. Soto encouraged the evaluation of programs to determine those that are successful and asked for a review of the University's mission statement. Dr. Cintron stated that universities are becoming transnational entities and cited

philosophical studies that have drawn correlations between the philosophies of multiple cultures. Dr. Anderson also added that diversity benefits the development of new ideas by producing more complex thought and innovation. Additional discussion regarding the benefits of diversity continued, as well as the need for greater diversity in administrative positions. The Board discussed the University's responsibility to the people of Illinois, the role of social justice, and the need to develop an attitude, culture, and plan that are viewed as aggressively embracing diversity. President Hogan mentioned the need to determine strategic priorities. As the discussion concluded, all agreed it had been a wonderful and healthy discussion, and the Board members thanked the presenters for their input.

The session ended at 3:22 p.m., and Mr. Kennedy called for a short break.

ILLINOIS AND THE FUTURE: BUILDING THE AGENDA

At 3:40 p.m., Mr. Kennedy introduced the next session which he said would utilize a different approach than the other sessions to initiate discussion. He requested the trustees to identify topics and questions related to the University to be answered or addressed at a later date. These questions were divided into the following topics or categories: the Board's role; Board meetings; strategies; diversity/access; advocacy; extension; finance and budget; administration; educational programs; athletics; compensation; fundraising; government relations; ranking of academic programs; economic development; public agenda (IBHE); regulations; personnel; health sciences center; capital programs; facilities

and maintenance. Topics and questions were added to slides that were projected onto a screen as the trustees posed questions throughout the session (materials on file with the secretary). After the initial discussion, Mr. Kennedy also gave the chancellors an opportunity to pose questions to add to the document. The session concluded with a document outlining the questions and topics proposed by both trustees and chancellors.

MOTION TO ADJOURN BOARD MEETING

Mr. Kennedy stated that the executive session scheduled to begin at 4:00 p.m. would be postponed until the next day.

On motion of Mr. Montgomery, seconded by Mr. Oliver, the Board adjourned at 4:50 p.m.

MICHELE M. THOMPSON
Secretary

CHRISTOPHER G. KENNEDY
Chair