

MEETING OF THE HOSPITAL COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

MAY 19, 2010

APPROVED BY THE
COMMITTEE

SEP 22 2010

Michele M. Thompson
SECRETARY OF THE BOARD

This meeting of the Hospital Committee was held in Room 206, A and B, Student Center West, University of Illinois at Chicago, 828 South Wolcott Avenue, Chicago, Illinois on Wednesday, May 19, beginning at 1:05 p.m. Trustee Timothy Koritz welcomed everyone to the meeting and asked the clerk to call the roll. The following members were present: Dr. Frances Carroll, Dr. Timothy Koritz, Mr. Carlos Tortolero¹, Mr. Matthew Reschke, Mr. Bogdan Zavorotny. Dr. Koritz asked those seated around the table to introduce themselves, including: President Stanley O. Ikenberry; Dr. Paula Allen-Meares, chancellor, University of Illinois at Chicago; Dr. Joseph Flaherty, dean, College of Medicine, Chicago; Mr. John DeNardo, CEO, Healthcare System, Chicago; Dr. William Chamberlin, chief medical officer, University of Illinois Hospital, Chicago; Mr. William Devoney, chief financial officer, University of Illinois Hospital, Chicago; Ms. Jo Menacher, office of the associate vice president for planning and budgeting, University administration; Dr. Michele M. Thompson, secretary of the board of trustees and the university; and Ms. Eileen B. Cable, special assistant to the secretary. Dr. Koritz asked all others present to introduce themselves. In order of introductions, these included: Dr. W. Randall Kangas, associate vice president for planning and budgeting; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Mr. Thomas R. Bearrows, university counsel; Dr. Martin Lipsky, dean, college of medicine, University of Illinois at Chicago, Rockford; Dr. David W. Bartels, vice dean, college of pharmacy, University of Illinois at Chicago, Rockford; Ms. Janet

¹ Mr. Tortolero arrived at 1:08 p.m.

Spunt, chief nursing officer, University of Illinois Hospital, Chicago; Christy Levy, office of the associate chancellor for public affairs, Chicago; Dr. Joe G.N. Garcia, vice chancellor for research, Chicago; Dr. Mrinalini Rao, vice president for academic affairs; Dr. Charles Evans, assistant vice president for academic affairs; Mr. Neal Crowley, office of university audits; Dr. Wesley N. Valdes, interim medical director, office of telehealth, college of medicine, Chicago; Mr. Arnim Dontes, senior associate dean, college of medicine, Chicago; Ms. Sherri McGinnis González, office of the associate chancellor for public affairs, Chicago.

Dr. Koritz thanked everyone for attending the committee meeting and expressed gratitude for the work of the student trustees who served on the committee, since this was their last meeting. He stated that complex federal healthcare legislation had been passed since the last meeting, and noted that the effects of the legislation are not yet apparent. Chancellor Allen-Meares and Dean Flaherty referred to an analysis of the healthcare legislation that was prepared by Dr. Robert Rich, Director, Institute of Government and Public Affairs, and Dr. Koritz said he received this from President Ikenberry. They mentioned that it would be included in the Board retreat in July.

Next, Dr. Koritz asked if there were any corrections or additions to the minutes from the committee meeting that was held on March 9, 2010. There were no comments or corrections, and on motion of Dr. Carroll, seconded by Mr. Zavorotny, the minutes were approved unanimously. Dr. Koritz then asked Dean Flaherty and Mr. DeNardo to begin their presentation on hospital and group practice financial updates.

Hospital and Group Practice Financial Updates

Mr. DeNardo asked Mr. Devoney to present a report on the financial performance of the medical center through March 31, 2010 (materials on file with the secretary). Mr. Devoney presented a comparison of the actual, budgeted, and historical figures for the medical center and on the projected finances for fiscal year 2011. He said the average daily census and surgical procedures have decreased, and clinic visits have remained the same. He stated that revenue is above expectations because of a one-time payment and higher volumes of outpatient ancillary testing services, and he provided additional details about these sources of revenue. He explained that this has resulted in a bottom line of approximately \$24.0 million. He also noted that the cost of salaries and benefits has decreased because the number of full time employees has dropped below 3,100 for the first time since 2006. Mr. DeNardo credited the staff for its contribution to a reduction in expenses and emphasized revenue generating initiatives such as the outreach lab, which provides laboratory testing for hospitals and groups throughout Illinois. He also mentioned the contributions of the radiation oncology unit due to a service contract with the Department of Veterans Affairs and increased diagnostic radiology testing. He stated that management is continuing to pursue additional activities to increase revenue.

Mr. Devoney then presented the projected finances for the end of fiscal year 2010 and fiscal year 2011, estimating a slight increase in the average daily census, surgical procedures, and clinic visits in 2011. He stated that next year's revenue may be lower than it was this year because of the absence of one-time Medicare and Medicaid payments received this year and uncertain reimbursement rates from Medicaid and Medicare. He said the health care system has witnessed a dramatic increase in charity care over the past two years, and hospital administration

expects bad debt to increase in fiscal year 2011. Mr. Devoney also mentioned costs for deferred maintenance and repairs, which he said will be treated as operating expenses, and costs for modifications to information technology systems to meet meaningful use guidelines established by the federal government to receive stimulus funding will affect net income in fiscal year 2011.

Mr. DeNardo then discussed the uncertainty of healthcare reform and said a coherent Medicaid strategy needs to continue to be developed. He said that the UIC health care system is the largest single site for providing inpatient care and the primary academic provider for Medicaid patients in the State, and stressed the need to address healthcare disparities. He stated that the medical center is positioned well, but noted there are unknown factors that can affect the medical center's finances. Mr. DeNardo also discussed the importance of the health care system having the funding to pay for maintenance and repairs to the current building, including the issues that were reported during the visit from the Illinois Department of Public Health. Dr. Carroll asked about the University's role in addressing healthcare disparities, and Dr. Garcia stated that it is one of the strengths of the Chicago campus, citing the Sickle Cell Center as one example. Additional discussion regarding the Sickle Cell Center and comments on healthcare disparities followed.

Next, Dean Flaherty presented an update on the group practice plan (materials on file with the secretary), which he said represents the activities of full and part time physicians that bill through the University. He reviewed expenses and revenue, and noted that the number of faculty participating has decreased, with insufficient funding available for new faculty. Dean Flaherty stated that the hospital receives a low reimbursement for services provided by residents, and emphasized the need to have enough reserves to continue its work.

Legislative Update

Dr. Koritz then asked Dean Flaherty to provide a legislative update. Dean Flaherty mentioned an increase in admission of Medicaid and privately insured patients and ongoing discussions regarding the structure of accountable care organizations, as well as funding from the American Recovery and Reinvestment Act for electronic health records.

Construction Progress

Next, Dr. Koritz asked Mr. DeNardo to report on construction progress. Mr. DeNardo stated that initial interviews for an architectural engineer to design renovations for the hospital have been completed, and there are plans to recommend an architect to the Board at its meeting on July 22. He stated that the project is on schedule.

Old Business

Dr. Koritz confirmed with members of the committee that there was no old business to discuss, and asked Dean Flaherty to introduce Dean Lipsky and Dr. Bartels to provide a report on the Rural Medical Education program and the Rockford pharmacy program (materials on file with the secretary).

Rural Medicine and Rockford Pharmacy Programs

Dean Lipsky described a new facility under construction at the College of Medicine at Rockford and provided an overview of the Rural Medical Education (RMED) program. He stated that there is a higher incidence of health issues among rural patients than those who live in more densely populated areas due to a lack of healthcare and health insurance, and described a

shortage of physicians and pharmacists in these areas. He reviewed the mission of the RMED program and stressed the importance of educating primary care physicians. Dean Lipsky presented the RMED model of recruitment, reinforcement, retention, and replication, and listed the achievements of the program. He said it is the best performing of the eight programs in the country that focus on rural medicine. Dean Lipsky introduced Dr. Bartels to provide additional information about the new pharmacy program that is being started at Rockford.

Dr. Bartels described an existing collaboration between the College of Medicine and the College of Pharmacy and said that some pharmacy students previously enrolled in courses at Chicago and completed a rotation at Rockford. He said that the first class of pharmacy students to participate in the complete program at Rockford will begin in the fall of 2010, and these students will be able to complete all four years there. Dr. Bartels described issues related to pharmacy practice in rural areas and emphasized that in this program pharmacy students will be paired to work with a pharmacist that is close to retirement to learn about pharmacy practice in a rural setting.

Committee members discussed the presentations with Dean Flaherty, Dean Lipsky, and Dr. Bartels, focusing on the applicant pool for the programs, enrollment data, and health disparities in rural and urban areas. Dr. Koritz thanked Dean Lipsky and Dr. Bartels for their presentations.

Telemedicine/IT and Healthcare Outreach

Next, Dr. Koritz asked Dean Flaherty for a report on telemedicine (materials on file with the secretary). Dean Flaherty presented the advantages of telehealth and described some applications of telemedicine, emphasizing that it could increase access to health providers. He

mentioned the role of telemedicine in critical access hospitals and described the treatment of stroke victims as an appropriate application. He also presented clinical service lines and proposed projects in development in the field of telemedicine, and recognized Dr. Wesley Valdes and Mr. Arnim Dontes for their contributions. Lastly, Dean Flaherty stated that the University is positioned to take a leadership role in this field, and committee members discussed the possibilities of utilizing telemedicine in fields such as dentistry, nursing, occupational therapy, and physical therapy. Dr. Koritz observed that the field has tremendous potential.

Annual Report on the Quality of Healthcare at the Medical Center

Dr. Chamberlin was then asked to present information from the Annual Report on the Quality of Healthcare at the Medical Center (materials on file with the secretary). He provided a general overview and highlighted the work of the Joint Commission Core Measure Teams. He stated that the Surgical Care Improvement (SCIP) Team focuses on the reduction of hospital associated infections in surgical patients and said that the medical center has done well in this area. He said the Anticoagulation/Venous Thrombosis Embolism (VTE/DVT) Team focuses on reducing the risk for complications related to the development of blood clots in hospitalized patients through an enforced screening process and therapy. He noted that the medical center's performance is better than State and national benchmarks in this area. Dr. Chamberlin then discussed the Pneumonia QI Team, which has improved timely administration of antibiotics to treat pneumonia and increased the use of the pneumococcal vaccine in patients over the age of 65. He also presented information on the Acute Myocardial Infarction (AMI) and Heart Failure QI Team, which focuses on treatment of heart attacks and heart failure. He mentioned the success

of the Stroke QI Team and reviewed other benchmark issues. Further, he described a federal review of Medicare records, which is an attempt to recover funds.

Illinois Department of Health Survey

Next, Dr. Koritz asked Mr. DeNardo to report on a recent survey from the Illinois Department of Public Health. Mr. DeNardo stated that an electrical failure of the campus's steam plant in December 2009 was cause for an investigation by the Illinois Department of Public Health. The subsequent report concluded the hospital was not in compliance with State standards. He said the main problem is with the steam plant, and noted that the two other problems that were cited were based on equipment that was original to the building or structural features of the hospital. He said it would cost between \$3.0 and \$5.0 million to repair and update the hospital. Next, he provided an update on the process and extension of certification for Medicare and Medicaid funding related to the repairs. Committee members discussed the ramifications of the findings, cost of repair, and the importance of having a safe environment in the hospital.

Committee Meeting Adjourned

There being no further business, Dr. Koritz stated that the next committee meeting is scheduled for September 22, 2010 at 1:00 p.m. at Urbana. He thanked President Ikenberry, who he acknowledged was attending his last meeting of the hospital committee. On motion of Mr. Tortolero, seconded by Dr. Carroll, the meeting was adjourned at 2:44 p.m.

Respectfully submitted,

Michele M. Thompson
Clerk

Timothy N. Koritz, M.D.
Chair

Eileen B. Cable
Assisting