

SEP - 8 2011

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

*Michele M. Thompson*  
SECRETARY OF THE BOARD

JUNE 8, 2011

This meeting of the Hospital Committee was held in Rooms 218/219, Student Residence Hall, 818 South Wolcott Avenue, Chicago, Illinois, on Wednesday, June 8, 2011, beginning at 1:00 p.m. Trustee Timothy N. Koritz, chair of the committee, welcomed everyone to the meeting and asked the clerk to call the roll. The following members were present: Mr. Ricardo Estrada, Dr. Timothy N. Koritz, and Mr. Lawrence Oliver<sup>1</sup>. Ms. Roshina Khan, student trustee from the Chicago campus, was present. Dr. Koritz asked those seated around the table to introduce themselves, and included were the following: President Michael J. Hogan; Dr. Paula Allen-Meares, vice president, University of Illinois and chancellor, Chicago; Dr. Joe G.N. Garcia, interim vice president for health affairs, University of Illinois; Mr. Thomas R. Bearrows, University counsel; Dr. Michele M. Thompson, secretary of the Board of Trustees and of the University; Dr. Jerry L. Bauman, interim vice chancellor for academic affairs and provost, Chicago; Dr. Dimitri Azar, interim dean, College of Medicine, Chicago; Mr. John J. DeNardo, chief executive officer, Healthcare System, Chicago; Dr. William H. Chamberlin, chief medical officer, University of Illinois Hospital, Chicago; Mr. William L. Devoney, chief financial officer, University of Illinois Hospital, Chicago; Dr. Kenneth Schmidt, past president of the Illinois Medical District Commission and former member of the Board of Trustees of the University of Illinois; Mr. David H. Loffing, interim chief operating officer and senior associate hospital director, University of Illinois Hospital, Chicago; and Ms. Janet M. Spunt, chief nursing officer,

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<sup>1</sup> Mr. Oliver arrived at 1:16 p.m.

University of Illinois Hospital, Chicago. The following University officers were also in attendance: Dr. Mrinalini C. Rao, vice president for academic affairs; Dr. Lawrence B. Schook, interim vice president for research; Mr. Thomas P. Hardy, executive director for University relations; and Ms. Katherine R. Laing, executive director for governmental relations.

Dr. Koritz then asked all in attendance to introduce themselves. He congratulated Ms. Khan on her recent graduation, stated that this would be her last committee meeting, and wished her good luck in the future, which was followed by a round of applause. He then introduced Dr. Dimitri Azar, interim dean of the College of Medicine at Chicago, who had been appointed to the position since the committee last met. Next, Dr. Koritz asked for a motion to approve the minutes of the meeting that was held on March 22, 2011. On motion of Dr. Koritz, seconded by Mr. Estrada, the minutes were approved.

#### THE ILLINOIS MEDICAL DISTRICT COMMISSION

Dr. Koritz introduced Dr. Kenneth Schmidt, past president of the Illinois Medical District Commission and former member of the Board of Trustees of the University of Illinois, to provide an overview of the history of the Illinois Medical District Commission. Dr. Schmidt began his presentation (materials on file with the clerk) with a brief overview of the history of the hospitals that have existed in the area that is now the Illinois Medical District, and described the process by which its borders were designated. He listed the current district members and institutions and provided some general information about the district and the responsibilities of the commission. He then discussed the Chicago Technology Park, which is located within the Illinois Medical District, and asked Mr. Samuel Pruett, director of the Chicago Technology Park and executive director of the Illinois Medical District, to provide comments. Mr. Pruett provided additional

information about the Chicago Technology Park and described its history, location, and future plans, and stated that as one of the first business incubators in the country, it has provided an outstanding return on investment, due in part to the businesses it has brought to the State. Dr. Schmidt said that because of a lack of State support, it is no longer possible for the Illinois Medical District to subsidize the Chicago Technology Park Research Center on behalf of the University, and expressed hope for its continued success.

Next, Dr. Schmidt discussed future plans for the Illinois Medical District, including a shift from selling land to leasing, and described some of the businesses, projects, and other tenants that reside in the district. He also discussed the construction of a vertiport, which he said is privately funded, that can facilitate the use of a BA609 helicopter and may be used for time sensitive transportation such as that required for procedures such as those involving organ transplants. He showed a short movie about the BA609, and stated that this project will generate revenue. He concluded by stating that the Illinois Medical District has seen some successes and failures, expressed the need for more inter-institutional cooperation, and discussed the potential for Chicago to be viewed as a medical destination with the University at the forefront. Dr. Koritz thanked Dr. Schmidt for the presentation, and Dr. Schmidt and Mr. Pruett left the meeting.

#### COMMENTS ON THE UNIVERSITY OF ILLINOIS HEALTHCARE SYSTEM

Dr. Koritz then asked Dr. Joe G.N. "Skip" Garcia, interim vice president for health affairs, to provide a presentation (materials on file with the clerk) on the University of Illinois healthcare system. Dr. Garcia provided a brief history of the University of Illinois Hospital and emphasized procedures and surgeries that were first discovered and conducted at the hospital. He also told

the committee about the receipt of some awards and the recent full accreditation by the Joint Commission, and he discussed the hospital's modest net income and small operating margin, stating that a sustainable enterprise will require an operating margin of at least three percent. He reviewed additional challenges, including a decrease in the average daily census, and suggested areas for improvement. He then provided information about the primary service area of the hospital, the population of which is largely Hispanic/Latino or African American and includes five of the ten poorest communities in Chicago, and explained that health disparities are a critical issue with the increasing rate of disease affecting these populations. He showed that the percentage of adults diagnosed with diabetes in neighborhoods within the hospital's primary service area far exceeds the percentage of adults diagnosed with diabetes in other areas of Chicago, and he presented a slide reflecting the increased age adjusted diabetes mortality rates in Chicago and South Lawndale, which is a community within the hospital's primary service area. He then presented a slide depicting asthma disparities in Chicago, and showed the lifetime asthma prevalence and asthma mortality rates among various ethnic groups within the hospital's primary service area and throughout Chicago. He stated that asthma is prevalent among African American and Puerto Rican individuals, and is not prevalent among Mexicans. He presented a graph to reflect the DNA research that was conducted in this area and stated that the University has an opportunity to make inroads to reduce health disparities.

Dr. Garcia then discussed methods for improving the financial health of the medical center, including a clarification of the mission of the University of Illinois clinical enterprise, leveraging its strengths in personalized medicine and health disparities, enhancing enterprise-wide thinking, and rebranding. He referred to the previous names of the medical center and described a lack of awareness and name confusion among consumers, particularly within its

primary service area, and provided a brief summary of market research stating that the terms 'hospital' and 'health sciences system' are preferred among target audiences.

Committee members briefly discussed the presentation, and Dr. Garcia provided additional information about data he provided regarding the occurrence of asthma and diabetes in specific communities in Chicago. He also referred to the recent hiring of an epidemiologist and said there are plans to conduct some of the largest African American and Latino epidemiology studies in the country.

#### MEDICAL CENTER FINANCIAL UPDATE

Mr. Devoney began his presentation (materials on file with the clerk) with a review of the medical center's performance through April 30, 2011. He stated that the average daily census has decreased and is below budget, and indicated that May and June may reflect an increase. He stated that deliveries and surgeries have also decreased compared to last year, and said that total clinical revenue is \$11.7 million below budget. He stated that the outpatient volume had resulted in \$3.5 million in net revenue over budget, and reported that salaries are lower than budgeted because of unfilled positions, noting that some retroactive payment settlements for union contracts are reflected in the total and were not included in the original budget. He stated that bad debt and the cost of supplies are below budget, and that charity care has increased by \$1.4 million. He stated that between 2.1 and 2.3 percent of gross charges are bad debt and charity care, with the industry average equaling between 2 and 2.5 percent. He reported that net income to date equals \$5.6 million. Mr. DeNardo commented that in response to the decrease in the average daily census, the hospital administration has reduced staffing, improved processes, and increased efficiencies. He said that outpatient and high technology revenues have continued to

grow, and he stated that the results of reducing costs and improving efficiencies combined with a potential increase in the average daily census can lead to success.

Committee members then discussed the presentation and inquired about the cost of charity care compared to bad debt, and Mr. Devoney stated that he would provide this information in the future. The committee also briefly discussed reporting finances to reflect depreciation and the role of depreciation in reporting.

#### FACILITIES' CONSTRUCTION PLANS UPDATE

Dr. Koritz then asked Mr. DeNardo to provide an update on facilities' construction plans, and Mr. DeNardo commented on the hospital infrastructure project and stated that an item would appear on the Board's agenda the following day requesting approval of a contract for electrical work. He said this is the first phase of the project and explained what this contract would accomplish, and he also indicated that this is an important step to improve the facility.

#### MEDICAL CENTER COMPLIANCE REPORT

Next, Dr. Koritz asked Dr. Chamberlin to present the medical center compliance report (materials on file with the clerk). Dr. Chamberlin stated that the compliance plan is being rewritten, and described some of the complexities involved with medical compliance. He said that the structure of the plan is being altered, with some emphasis being placed on content issues, including clinical regulatory issues, finance and business, and information security. He also reported the hiring of a certified auditor who previously worked in the department of University audits and will establish an audit program as part of the compliance plan to provide better audit processes.

## OLD BUSINESS

Dr. Garcia referred to a revision of an item on the Board's agenda for its meeting the following day that was reviewed by the committee at its previous meeting regarding changes to the University's self-insurance plan to update off-site medical malpractice limits. He stated that since the committee last met and discussed the item, the proposed effective date was changed to January 2012. There were no questions or concerns expressed related to this item.

Dr. Koritz then asked Vice President/Chancellor Allen-Meares to comment on the search for a dean for the College of Medicine at Chicago, and Dr. Allen-Meares reported that a chair for the search committee has been identified, and a national search will be underway after a search committee is assembled.

Next, Dr. Koritz inquired about the status of engaging consultants to study planning for the hospital, and President Hogan stated that a new request for proposal has been issued to review strategic partnerships and revenue cycles. He stated that the selected consultants will be introduced to the committee.

## NEW BUSINESS

Mr. DeNardo commented on upcoming negotiations to renew the contract with the Illinois Nurses Association, and explained that other unions have filed to represent the nurses. He said that AFSCME (American Federation of State, County, and Municipal Employees) and National Nurses United have obtained the required number of signatures to represent the nurses, and explained that this is a complex labor relations issue for the nursing staff. He provided some additional information about the process, and Dr. Allen-Meares noted that Mr. Steven A. Veazie, deputy University counsel and executive director of labor relations, is also assisting with this

issue for the nursing staff. He provided some additional information about the process, and Dr. Allen-Meares noted that Mr. Steven A. Veazie, deputy University counsel and executive director of labor relations, is also assisting with this issue. Mr. DeNardo told the committee that the decision is made by the nursing staff, and explained that the stated position of the administration is neutral.

Dr. Koritz referred to another item on the Board's agenda for the meeting the following day to appoint Dr. Garcia as the vice president for health affairs. He also proposed a discussion of a future Board item to change the name of the hospital committee, and he asked Dr. Garcia to comment. Dr. Garcia referred to his presentation and said that the scope of the University's healthcare enterprise has expanded beyond the hospital, and explained that changing the name of the committee would better reflect that scope. Dr. Koritz referred to related discussions from a previous meeting and confirmed that the committee would propose changing the name to the University Healthcare System Committee. After brief discussion regarding alternative names and procedures for approval, all were in favor of changing the committee name.

Next, Dr. Koritz stated that because the Board retreat is scheduled for June 20, 2011, the hospital committee will not meet until September 7, 2011, at Springfield. There was no objection to this.

At 2:50 p.m., Dr. Koritz requested a motion for an executive session to consider pending, probable, or imminent litigation against, affecting, or on behalf of the University. On motion of Mr. Oliver, seconded by Mr. Estrada, this motion was approved.



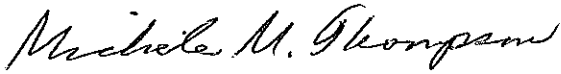
## EXECUTIVE SESSION

Dr. Koritz told committee members that he wanted to provide some information regarding a medical malpractice claim that would be discussed in an executive session at the Board meeting the following day. Mr. Bearrows provided background information about the case and referred to the seven pillars and full disclosure programs that are used in instances of medical error at the hospital. Dr. Chamberlin introduced Dr. David Schwartz, professor and head of the department of anesthesiology and chair of the committee that reviews such cases, who he said would be available to answer questions from Board members the following day. Dr. Chamberlin provided the history of the full disclosure program and described the process that is followed in the event of a medical error, and emphasized that this is a unique approach that recognizes causation and works toward mediation. He also explained that errors and potential errors are documented and tracked and are often followed by changes in procedure, education, or training. Mr. Bearrows provided additional details regarding this specific case, and committee members discussed the full disclosure approach to responding to medical errors and agreed that this is both ethical and cost effective. After some additional discussion regarding this specific case, the executive session adjourned at 3:09 p.m.

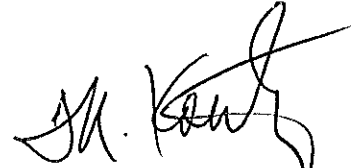
MEETING ADJOURNED

With no further questions or comments, the meeting adjourned at 3:10 p.m.

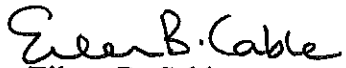
Respectfully submitted,



Michele M. Thompson  
*Clerk*



Timothy N. Koritz, M.D.  
*Chair*



Eileen B. Cable  
*Assistant Clerk*

HOSPITAL COMMITTEE  
STAFF AND PUBLIC ATTENDANCE, MEETING OF JUNE 8, 2011

Lisa Troyer, chief of staff, office of the president

Mark Rosati, associate chancellor, office of public affairs

Randy Kangas, associate vice president for planning and budgeting

Doug Beckmann, senior associate vice president for business and finance

Patricia Kale, executive director, risk management

Heather Haberaecker, executive assistant vice president for business and finance

Mark Donovan, vice chancellor for administrative services, Chicago

Cayce Mallen, student and marketing intern, Chicago

Camille Baxter, associate director, medical center marketing

Phoebe E. Leneer, education programs manager, mechanical science and engineering, Urbana

Neal Crowley, director of University audits at Chicago

Anjali Sharma, student and intern, Chicago

Margaret Grumley, student and marketing intern, Chicago

Amanda Henry, student and nursing administration intern, Chicago

Mary Connor, student and intern, Chicago

Donald Chambers, University Senates Conference

Lynn Pardie, interim vice chancellor for academic affairs and provost, Springfield

Jo Menacher, associate director, planning and budgeting

Eileen Cable, special assistant to the secretary, Board of Trustees office

Ellen Foran, assistant secretary, Board of Trustees office

Marnie K. Fuesting, assistant secretary, Board of Trustees office