

APPROVED BY THE
COMMITTEE

MAR 14 2012

Susan M. Kies
SECRETARY OF THE BOARD
Designate

MEETING OF THE UNIVERSITY HEALTHCARE SYSTEM COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
JANUARY 18, 2012

This meeting of the Hospital Committee was held in Rooms B and C, Student Center West, University of Illinois at Chicago, 828 South Wolcott Avenue, Chicago, Illinois on Wednesday, January 18, 2012, beginning at 8:00 a.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 Estrada¹, Dr. Timothy N. Koritz, and Mr. Lawrence Oliver. President Hogan was present. The following University officers were also present: Dr. Phyllis M. Wise, vice president, University of Illinois and chancellor, Urbana; Dr. Paula Allen-Meares, vice president, University of Illinois and chancellor, Chicago; Dr. Christophe Pierre, vice president for academic affairs; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Dr. Joe G.N. "Skip" Garcia, vice president for health affairs; Dr. Lawrence B. Schook, vice president for research; Mr. Thomas R. Bearrows, University counsel; Dr. Michele M. Thompson, secretary of the Board of Trustees and of the University, and Dr. Susan M. Kies, secretary-designate of the Board of Trustees and of the University. Attached is a listing of other staff members in attendance at this meeting.

¹ Mr. Estrada arrived at 8:10 a.m.

Dr. Koritz then asked all in attendance to introduce themselves and thanked everyone for coming. He then asked for a motion to approve the minutes of the meeting that was held on December 1, 2011. On motion of Mr. Oliver, seconded by Dr. Koritz, the minutes were approved. There were no nay votes.

REVIEW RECOMMENDED BOARD ITEMS AND REPORTS

Hospital Financial Performance

Dr. Koritz asked Mr. William L. Devoney, assistant vice president for health affairs and chief financial officer, University of Illinois Hospital, to provide a presentation on the financial performance of the hospital (materials on file with the clerk). Mr. Devoney discussed the medical center's performance through November 30, 2011, and stated that the year to date census is three percent higher than it was last year at this time. He discussed the financial impact of an increased average daily census and stated that each patient contributes to the hospital's revenue. He reported that the number of deliveries, surgical procedures, and clinic visits are higher than they were last year, and said that this is reflected in the \$304.3 million of net revenue, which he said is dramatically higher than it was last year. He reported that while salaries are higher than they were last year, they are less than budgeted. He stated that the cost of supplies is higher than it was last year and is also higher than budgeted, and he provided some explanations for this. He then discussed the hospital's net income of \$2.8 million to date, stated that Standard and Poor's reaffirmed the hospital's A credit rating, and stated that the hospital has provided \$16.5 million of charity care, noting that \$13.0 million was provided last year.

Mr. Devoney then discussed the payor mix, which he said consists of approximately 38 percent Medicaid, 27 percent Medicare, and 30 percent HMO, in addition to some smaller

programs. Discussion regarding the payor mix and the State's ability to continue to provide a higher rate of Medicaid reimbursements followed, with some expressing concern regarding the State's finances. Dr. Garcia commented on the importance of strategic affiliations, and said he would provide a report on this at the next meeting of this committee. Mr. John DeNardo, chief executive officer, University of Illinois Hospital, and associate vice president for health affairs, commented on the ability to provide dental services through the College of Dentistry, which he described as a unique feature of the health sciences system at the University.

Facilities' Construction Plans Update

Dr. Koritz then asked Mr. David H. Loffing, chief operating officer, University of Illinois Hospital, to provide an update on facilities' construction plans. Mr. Loffing stated that the upgrade to electrical systems at the hospital is underway and should be complete by the spring, and added that expenses for this project are being closely monitored. He reported that construction is currently delayed on a project to enhance outpatient facilities at the hospital with a 20 bed short stay unit, and stated that the project to renovate the operating room and kitchen is on hold. He told the committee that a schematic design for the emergency department, which he said would be the last phase of the project, is underway.

Mr. DeNardo stated that there is a need to increase capacity at the hospital and to renovate the building, and he emphasized the importance of these renovation projects. President Hogan stated that a reanalysis of the long term facilities plan is needed, since much has changed in recent years. Mr. Oliver asked if all inpatient beds are currently fully utilized, and Mr. Loffing explained that while some available inpatient beds are for intensive care and pediatrics, others are almost at capacity. Ms. Janet Spunt, chief nursing officer, University of Illinois

Hospital, added that most prefer private rooms, and said that some medical conditions may require the use of a private room.

Next, Mr. Loffing reported that the estimate on the assessment to correct the building envelope is \$26.0 million, and said that \$3.0 million is needed for urgent repairs. He stated that \$106.0 million is needed to restore the hospital over the next ten years.

Legislative Report

Next, Dr. Koritz asked Ms. Katherine Laing, executive director for governmental relations, and Mr. Michael Bass, senior associate vice president for business and finance and deputy comptroller, to provide a report on recent State legislation. Mr. Bass referred to important exemptions to the State procurement code that were passed by the General Assembly during its veto session, and said this is a reflection of the understanding of the unique status of higher education in the State. He then asked Dr. Heather Haberaecker, executive assistant vice president for business and finance, to comment on the ways in which these exemptions will affect the hospital. Dr. Haberaecker began her presentation (materials on file with the clerk) with an overview of the State procurement code and some of the challenges that result from its implementation. Next, she discussed the impact of Senate Bill 1750, which she said will enable the State's Chief Procurement Officer for higher education to waive the registration, certification, and hearing requirements of the procurement code for some purchases at medical, dental, or veterinary schools at the University of Illinois and Southern Illinois University, noting that this will require the University to demonstrate justification and necessity. Mr. Bass commented that this is a positive change, and he discussed the role and function of the Chief Procurement Officer, stating that the University's relationship with this person is evolving.

A brief discussion regarding an upcoming Supreme Court ruling on healthcare legislation followed, and Ms. Laing stated that many issues will be discussed during the 2012 legislative session, including those related to healthcare and pensions.

Mile Square Health Center Professional Services Agreement

Dr. Koritz then asked Dr. Garcia to provide information about the proposed Mile Square Health Center professional services agreement, which he said will appear on the Board's agenda the following day. Dr. Garcia stated that the Board approved plans to extend the Mile Square Health Center from two to five floors at its last meeting, and explained that there is an item on the Board's agenda for its meeting the following day which amends the contract for architectural and engineering services to account for the construction of the additional floors. Mr. Bass added that the initial contract was for an amount under \$1.0 million, which does not require approval by the Board, and explained that the amended contract crosses the threshold of \$1.0 million and now requires Board approval. There were no questions or comments about this item.

Illinois Nurses Association Contract Update

Next, Mr. DeNardo provided a brief history of contract negotiations with the Illinois Nurses Association and said that the contract is now with the Illinois Nurses Association for a ratification vote. He commented that he believes the contract is fair and balanced.

Medical Staff Credentialing Report

Dr. Koritz then introduced Dr. Richard A. Helmers, associate vice president for professional practice and chief medical officer, University of Illinois Hospital, to provide the medical staff credentialing report. Dr. Helmers stated that the Joint Commission, which is the accrediting

body for the hospital, requires that the medical staff credentialing report be presented to the Board each year. He stated that there were 155 new members admitted to the medical staff, that 117 resignations were received, and 391 members were reappointed. He reported that no members were expelled. Dr. Koritz stated that the full report was included in materials sent to committee members in advance of this meeting.

Healthcare System Dashboard Draft

Next, Dr. Garcia presented a proposed draft of the healthcare system dashboard (materials on file with the clerk), and said discussions with Dr. Avijit Ghosh, special assistant to the president, and President Hogan are underway regarding the metrics that will be used to compare the University of Illinois Hospital and Health Sciences System to its peers. Dr. Koritz suggested that a review of the dashboard occur at each meeting as a standard agenda item, and Mr. Estrada requested that metrics regarding charity care be added to the dashboard.

PRESENTATION: RESEARCH OPPORTUNITIES AND UNIVERSITY OF ILLINOIS HOSPITAL AND HEALTH SCIENCES SYSTEM UPDATE

Next, Dr. Koritz asked Dr. Garcia to provide a presentation on research opportunities and an update on the University of Illinois Hospital and Health Sciences System (materials on file with the clerk). Dr. Garcia began his presentation by comparing the costs of academic hospital and health system leadership at the University of Illinois Hospital and Health Sciences System to other Chicago area academic hospitals, and showed that total salaries at the University of Illinois Hospital and Health Sciences System are substantially less than those at Rush Medical Center, University of Chicago, and Northwestern Memorial Hospital, noting that the University of Illinois also receives significant funding through the National Institutes of Health. He then

discussed the awarding of a city contract for a health clinic in Englewood and various projects that are in development in response to the Centers for Medicare and Medicaid Services Healthcare Innovation Challenge. He told the committee that the current leadership structure and the hiring of outstanding faculty, such as Dr. Jerry Krishnan, associate vice president for population health, made it possible for the University to respond to these opportunities, and he emphasized a high level of engagement across the health sciences colleges. He discussed the importance of epidemiologic studies in addressing health disparities, and mentioned the work of Dr. Martha Daviglius, professor of medicine and director of the Institute for Minority Health Research, who has been granted five years of funding for research as part of the Hispanic Community Health Study/Study of Latinos.

Dr. Garcia provided a brief overview of the financial performance of the hospital, and showed that hospital charges and medical service plan charges have increased in fiscal year 2012, compared to the prior year. He then highlighted the sickle cell disease program, provided some information about the disease and its treatment, and said that the results of a study of allogeneic stem cell transplantation for aggressive sickle cell disease resulted in a patient who appears be cured of the disease. Next, he discussed the potential growth of the pulmonary critical care program, and provided information about sarcoidosis and an affiliation between the University and the Bernie Mac Foundation for the treatment of sarcoidosis. Dr. Garcia concluded his presentation with a video that is part of a University of Illinois Hospital and Health Sciences System marketing campaign.

Committee members discussed the presentation, and Dr. Garcia and Dr. Koritz responded to questions regarding sarcoidosis and its treatment. President Hogan and Dr. Koritz suggested that this presentation be made to the full Board at its meeting the following day.

OLD BUSINESS

Dr. Kortiz stated that the minutes of the meeting of Wolcott, Wood, and Taylor on December 2, 2011 were sent to committee members in advance of this meeting, and that the Board would meet to approve those minutes the following day.

NEW BUSINESS

Dr. Koritz stated that the next meeting of this committee is scheduled for Wednesday, March 14, 2012, at Urbana.

MEETING ADJOURNED

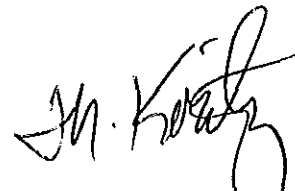
With no further questions or comments, and on motion of Mr. Estrada, seconded by Mr. Oliver, the meeting adjourned at 9:29 a.m. There were no nay votes.

Respectfully submitted,



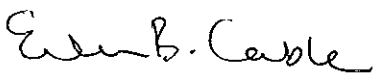
Susan M. Kies

*Clerk
Designate*



Timothy N. Koritz, M.D.

Chair



Eileen B. Cable

Assistant Clerk

UNIVERSITY HEALTHCARE SYSTEM COMMITTEE
STAFF AND PUBLIC ATTENDANCE, MEETING OF JANUARY 18, 2012

Mike Bass, senior associate vice president for business and finance and deputy comptroller
Eileen Cable, special assistant to the secretary, Board of Trustees
Neal Crowley, director, office of University audits
Robert Crouch, assistant vice president, HR, Chicago
John DeNardo, associate vice president for health affairs and chief executive officer, University of Illinois Hospital
William Devoney, assistant vice president for health affairs and chief financial officer, University of Illinois Hospital, Chicago
Eileen Doherty, administrative fellow, University of Illinois Hospital, Chicago
Charles Evans, associate vice president for academic affairs and director of University outreach and public service
Ellen Foran, assistant secretary, Board of Trustees
Marnie Fuesting, assistant secretary, Board of Trustees
Heather Haberaecker, executive assistant vice president for business and finance
Richard Helmers, associate vice president for professional practice and chief medical officer, University of Illinois Hospital, Chicago
Steve Holz, director, HR client relationship, Chicago
Mike Jonen, associate vice president for enterprise strategy
Lon Kaufman, vice chancellor for academic affairs and provost, Chicago
David Loffing, chief operating officer, University of Illinois Hospital, Chicago
Jo Menacher, associate director, University office for planning and budgeting
Uretz Oliphant, interim dean, college of medicine, Urbana
Maureen Parks, executive director of human resources, University of Illinois, and associate vice president for human resources, University administration
Menah Pratt-Clarke, associate chancellor, Urbana
Mary Jo Smith, Director, HR, University of Illinois Hospital, Chicago
Jan Spunt, chief of nursing, hospital, Chicago