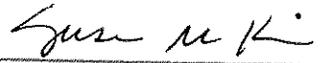


MAY 30 2012


SECRETARY OF THE BOARD

MEETING OF THE UNIVERSITY HEALTHCARE SYSTEM COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

MARCH 14, 2012

This meeting of the University Healthcare System Committee was held in Rooms B and C, Illini Union, 1401 West Green Street, Urbana campus, on Wednesday, March 14, 2012, 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. 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. Garcia, vice president for health affairs; Dr. Lawrence B. Schook, vice president for research; Dr. Avijit Ghosh, special assistant to the president; Mr. Thomas P. Hardy, executive director for University relations; Ms. Katherine Laing, executive director of governmental relations; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary of the Board of Trustees and of the University. Attached is a listing of other staff members in attendance at this meeting, as well as some members of the media.

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

January 18, 2012. On motion of Mr. Oliver, seconded by Mr. Estrada, the minutes were approved. There were no nay votes.

REPORTS TO THE COMMITTEE

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 hospital's performance through January 31, 2012, and he compared the average daily census and number of deliveries, operations, clinic visits, and emergency room visits to those that were budgeted and to the previous year. He also discussed the cost of salaries, supplies, and bad debt. He reported that the hospital's cash flow is currently less than budgeted and is improving, and that charity care has increased since last year. Brief discussion regarding the hospital's finances followed.

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 reported that the master design of the medical center was completed in February, and he provided updates on the hospital infrastructure and modernization project. He said that upgrades to the electrical system are underway and should be complete in late summer, and that the contracts related to the next phase of the project should be on the agenda at the Board meeting in May. He said the third phase of the project is currently being reevaluated.

Legislative Report

At 1:20 p.m., Dr. Koritz asked Ms. Katherine Laing, executive director for governmental relations, to provide a report on State legislation. Ms. Laing reported that potential legislation regarding pensions and Medicaid are under discussion by the General Assembly. She stated that there is some interest in realigning pension obligations to shift the burden to the employer and employee, and she briefly discussed the impact this would have on the University. She also referred to potential reductions in funding to Medicaid and its effect on the hospital, which was followed by a brief discussion among members of the committee and staff members on the importance of Medicaid funding at the hospital.

Safety and Risk Management Report

At 1:27 p.m., Dr. Koritz asked Dr. Bryan Becker, interim associate vice president for professional practice and chief medical officer at the University of Illinois Hospital, to provide a report on safety and risk management. Dr. Becker referred to the report (materials on file with the clerk) that had been sent to committee members in advance of this meeting, and he briefly discussed the sixty significant events that had been reported in the previous year. He described efforts to increase safety and reduce risk, and he referred to the “Seven Pillars” process for the prevention and response to patient harm at the hospital.

Healthcare System Dashboard Review

Next, Dr. Garcia presented the University of Illinois Hospital and Health Sciences System dashboard (materials on file with the clerk) and described the key performance metrics that will be used in the report. Brief discussion regarding some aspects of the report followed.

REVIEW RECOMMENDED BOARD ITEMS

Dr. Koritz introduced the discussion of items within the purview of the committee that were on the Board's agenda for its meeting on March 15, 2012.

Approve Project for Learning Center Space Renovation, College of Medicine

Dr. Koritz asked for comments regarding this item, and Dr. Dimitri Azar, dean of the College of Medicine, Chicago, referred to efforts to improve the college of medicine at all levels.

Committee members discussed the need for modern learning spaces that support an active method of learning and teaching, and Dr. Azar also provided information regarding funding for the project and its anticipated timeline for completion.

Approve Design for Mile Square Health Center, Chicago

Dr. Koritz referred to materials that were sent to the full Board regarding the design proposal for the Mile Square Health Center, Chicago. There were no questions or comments regarding the design, and Dr. Koritz indicated that this was discussed at greater length at the Audit, Budget, Finance, and Facilities Committee meeting.

Purchase Recommendations

Next, Dr. Koritz asked for comments regarding the recommended purchase of coding services at the University of Illinois Hospital and Health Sciences System; the recommended purchase of transfusion medicine and blood bank services; and the recommended contract renewal for the purchase of pacemakers, leads, implantable cardioverter defibrillators, and ancillary items. Mr. Devoney provided some information regarding the recommended purchase of coding services, which was followed by a brief discussion with Dr. Koritz. Dr. Garcia stated that the recommended purchase of blood bank services would lower cost while improving quality, and Mr. John DeNardo, chief executive officer, University of Illinois Hospital, and associate vice

president for health affairs, agreed, and both provided additional information regarding the recommendation. Dr. Heather Haberaecker, executive assistant vice president for business and finance, discussed the competitive selection procedures that were followed, and explained that only one vendor submitted a proposal because other vendors were unwilling to provide the services required in the request for proposal. Mr. Knorr added that the purchase recommendations were also reviewed by the Audit, Budget, Finance, and Facilities Committee at its last meeting.

There were no objections to forwarding these items to the full Board for consideration.

OLD BUSINESS

Dr. Koritz asked committee members if there were any topics to discuss under the aegis of old business. Mr. Estrada expressed concern regarding the increase in medical tuition rate that was approved at the last Board meeting in January 2012 and questioned why there was not an opportunity for the committee to review this at their last meeting. He referred to a lack of perceived communication with constituents and stated that greater dialogue is needed. Dr. Azar discussed reasons for the increase and stated that greater efforts will be made to include constituents and increase communication in the future. He said there is now a request to revise the medical tuition rate increase that was approved at the last Board meeting, and that this revision would reflect a modest increase from the prior year. He emphasized the importance of providing high quality medical education and thanked the current students for their devotion to the mission of the college. Committee members discussed the importance of a diverse medical class and commended current students for being advocates for the future of the college.

Dr. Koritz stated that he would inform Board members of this discussion at its meeting on March 15, 2012, and members of the committee discussed the process by which the Board

might approve revised medical tuition rates for the 2013 academic year. Dr. Azar explained that May 15, 2012 is the deadline for students to respond to acceptance offers from medical schools, and stressed that approving medical school tuition rates after this date could cause the college to lose students. Additional discussion regarding the urgency of this matter and requirements of the Open Meetings Act followed. Committee members also briefly discussed the process by which tuition is set. The discussion ended at 2:17 p.m.

PRESENTATIONS

College of Applied Health Sciences, Chicago

Dr. Koritz invited Dr. Bo Fernhall, dean of the College of Applied Health Sciences, to provide a presentation on the college (materials on file with the clerk). Dr. Fernhall discussed the mission, departments, programs and degrees, budget, and revenue at the college, and he also provided information regarding enrollment, alumni, and faculty. He then highlighted aspects of various departments within the college, and he concluded his presentation by stating that the College of Applied Health Sciences is one of the top colleges of applied health in the country. He said its departments are highly ranked and respected, and he told the committee that the college is among the top research programs in applied health in the United States, noting that there are also plans to initiate and grow its clinical presence in the coming years. Committee members congratulated Dr. Fernhall on the college's success.

University of Illinois Hospital and Health Sciences System Update

Next, Dr. Koritz asked Dr. Garcia to provide an update on the University of Illinois Hospital and Health Sciences System (materials on file with the clerk). Dr. Garcia provided an overview of the financial performance of the hospital, and he compared the budgeted inpatient daily census to the actual inpatient daily census in February and March 2012. He then reported on the financial

performance of the health enterprise, and he discussed several potential threats. He referred to strategies to address potential shortfalls, including revenue cycle integration and the forming of strategic affiliations, and he provided information regarding marquee programs at the hospital. Lastly, he referred to the marketing launch of the University of Illinois Hospital and Health Sciences System, and described several marketing initiatives. There were no comments or questions regarding this presentation, which concluded at 2:53 p.m.

NEW BUSINESS

Dr. Koritz stated that the next meeting of this committee is scheduled for Wednesday, May 30, 2012, at Chicago.

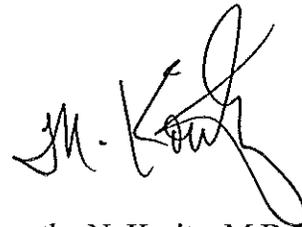
MEETING ADJOURNED

With no further questions or comments, and on motion of Mr. Estrada, seconded by Mr. Oliver, the meeting adjourned at 2:55 p.m. There were no nay votes.

Respectfully submitted,



Susan M. Kies
Clerk



Timothy N. Koritz, M.D.
Chair



Eileen B. Cable
Assistant Clerk

UNIVERSITY HEALTHCARE SYSTEM COMMITTEE
STAFF AND PUBLIC ATTENDANCE, MEETING OF MARCH 14, 2012

Dimitri Azar, dean, college of medicine, Chicago
Mike Bass, senior associate vice president for business and finance and deputy comptroller
Bryan Becker, interim associate vice president for professional practice and chief medical officer, University of Illinois hospital, Chicago
Eileen Cable, special assistant to the secretary, Board of Trustees
Neal Crowley, director, office of University audits
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
Mark Donovan, vice chancellor for administration, Chicago
Jennifer Eardley, interim director, division of biomedical science, Urbana
Charles Evans, associate vice president for academic affairs and director of University outreach and public service
Bo Fernhall, dean of the college of applied health sciences, Chicago
Heather Haberaecker, executive assistant vice president for business and finance
Barbara Henley, vice chancellor for student affairs, Chicago
Lon Kaufman, vice chancellor for academic affairs and provost, Chicago
Janier Koss, staff, board of trustees office
David Loffing, chief operating officer, University of Illinois hospital, Chicago
Jo Menacher, associate director, university office for planning and budgeting
Peter Newman, senior assistant vice president for treasury operations, business and financial services
Uretz Oliphant, interim dean, college of medicine, Urbana
Sue Parker, staff, board of trustees office
Menah Pratt-Clarke, associate chancellor, Urbana
Robin Sato, executive assistant to the chancellor, Chicago
Sandy Street, director of budget planning, university office for planning and budgeting
Dedra Williams, associate dean for administration, college of medicine, Urbana
Julie Worth, reporter, The News-Gazette