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SECRETARY OF THE BOARD

MEETING OF THE UNIVERSITY HEALTHCARE SYSTEM COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
SEPTEMBER 26, 2018

This meeting of the University Healthcare System Committee was held in Illini Rooms B and C, Illini Union, 1401 West Green Street, Urbana, Illinois, on Wednesday, September 26, 2018, beginning at 12:33 p.m.

Trustee Stuart C. King, chair of the committee, welcomed everyone to the meeting and asked the secretary to call the roll. The following committee members were present: Mr. Patrick J. Fitzgerald, Dr. Stuart C. King; Dr. Timothy N. Koritz; Mr. Edward L. McMillan; Ms. Shaina Humphrey, voting student trustee, Springfield. President Timothy L. Killeen was in attendance.

Also present were Dr. Barbara J. Wilson, executive vice president and vice president for academic affairs; Dr. Michael D. Amiridis, chancellor, University of Illinois at Chicago, and vice president, University of Illinois; Dr. Avijit Ghosh, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; and Ms. Dedra M. Williams, 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. King welcomed everyone to the meeting and asked those in attendance to introduce themselves.

MOTION FOR EXECUTIVE SESSION

At 12:35 p.m., Dr. King stated: "A motion is now in order to hold an executive session to consider pending, probable, or imminent litigation against, affecting, or on behalf of the University." On motion of Ms. Humphrey, seconded by Dr. Koritz, this motion was approved. There were no "nay" votes.

EXECUTIVE SESSION

Material redacted pursuant to the Illinois Open Meetings Act (5 ILCS 120/2.06d)

EXECUTIVE SESSION ADJOURNED

The executive session adjourned at 12:55 p.m.

REGULAR MEETING RESUMES

The meeting resumed at 12:57 p.m., with all committee members recorded as being present at the start of the meeting in attendance. Dr. King requested a motion to approve the minutes of the meeting held July 19, 2018. On motion of Mr. McMillan, seconded by Ms. Humphrey, the minutes were approved. There were no "nay" votes.

OPENING REMARKS

Dr. King invited Dr. Robert A. Barish, vice chancellor for health affairs, Chicago, to make some opening remarks. Dr. Barish referred to continuing momentum in the University of Illinois Hospital and Health Sciences System and said thanked the UI Health leadership team for their efforts. He also thanked the Board for its support and guidance.

REVIEW OF RECOMMENDED BOARD ITEMS FOR THE MEETING OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS ON SEPTEMBER 27, 2018

Dr. King introduced the recommended items within the purview of this committee on the Board's agenda for its meeting on September 27, 2018. All recommended items discussed at the meeting are on file with the secretary.

Name the Herbert and Carol Retzky Simulation Center, College of Pharmacy, Chicago

Dr. King asked Dr. Barish to discuss the recommendation to name the simulation center at the College of Pharmacy in recognition of Herbert and Carol Retzky's support. Dr. Barish said this recommendation is being made to recognize the Retzkys' generous pledge of \$1.0 million to support the renovation of the dispensing laboratory. Dr. Barish discussed Dr. and Ms. Retzky's history of support to the College of Pharmacy and described plans to renovate the dispensing simulation center and its benefits to pharmacy students.

Approve Project Budget for Surgical Innovation and Training Laboratory, Chicago

Dr. King then asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to report on the recommendation to approve the project budget for the Surgical Innovation and Training Laboratory, Chicago. Mr. Bass gave a history of the project and discussed its scope, and he told the committee that additional funds are needed for basement demolition, abatement, relocation of the prisoner holding area for the Department of Corrections, and the construction manager fee. He said funds for this project are available from gift funds, the restricted funds operating budget of the College of Medicine at the University of Illinois at Chicago, and from the institutional funds operating budget of the University of Illinois at Chicago.

Lease of Space for UIC College of Medicine, Urbana

Next, Mr. Bass discussed the recommendation pertaining to the lease of space for the UIC College of Medicine and said that this space, located on the first and basement floors of the building known as the Carle Forum, houses classroom, office, and storage space. He said the University has occupied the premises since 2009 and now wishes to exercise an option to extend the original lease to continue serving the needs of students completing their MD/PhD degrees at the Urbana regional site.

Dr. King questioned why this item is being reviewed by the University Healthcare System Committee, and Mr. Bass explained it is because it is a lease for the UIC College of Medicine.

Purchase Recommendations

Dr. King then asked Ms. Gloria Keeley, assistant vice president for administrative services, to report on purchase recommendations. Ms. Keeley provided information on the recommended purchase of temporary personnel services for the Department of Human Resources at Chicago to be used throughout the University of Illinois at Chicago, including the University of Illinois Hospital and Health Sciences System. She said the included vendors are being recommended for awards based on the quality of their technical responses to the criteria specified in the request for proposal (RFP) and said that competitive sealed proposal procedures were followed in accordance with the Illinois Procurement Code.

Ms. Keeley then reported on the recommended purchase of legacy software services for UI Health to support and maintain services of the current multiple disparate clinical, operational, and financial software systems during the transition and implementation of the 3i project. She told the committee that competitive sealed proposal procedures were followed in accordance with the Illinois Procurement Code.

Next, Ms. Keeley provided information on the recommended purchase of patented implants and supplies used in cardiological, spinal, and orthopedic surgeries and

procedures of the University of Illinois Hospital and Health Sciences System from Medtronic USA, Inc. She said this purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code section regarding contracts for medical supplies and services necessary for the delivery of care and treatment. Ms. Keeley said negotiations resulted in discounts of 10 percent to 40 percent off the list price.

REPORTS

Hospital and Clinics Chief Executive Officer Report

Dr. King asked Mr. Michael B. Zenn, chief executive officer, University of Illinois Hospital and Clinics, and Mr. David H. Loffing, chief operating officer, UI Hospital and Clinics, to provide a report (materials on file with the secretary) on the University of Illinois Hospital and Clinics. Mr. Zenn presented financial results for Fiscal Year 2018 and showed an increased operating margin. He reviewed Fiscal Year 2018 financial highlights and emphasized the need for the ambulatory surgery center, and he discussed a 7 percent increase in net patient revenue, noting this includes \$22.0 million of underpayment collections from prior years. Mr. Zenn also reported that the \$18.0 million Fiscal Year 2017 State appropriation was recorded in Fiscal Year 2018. Dr. Koritz inquired about accounts receivables compared to prior years, and Mr. Zenn indicated this area has seen improvement. Mr. Zenn then reported that operating expenses have reached \$1.05 billion and told the committee that days of cash on hand has reached 115.

Mr. Zenn and Mr. McMillan briefly discussed a fund for depreciation, and Mr. Zenn showed unrestricted and restricted cash and investments.

Mr. Zenn gave a brief quality and safety update and showed the hospital's positive rankings in several areas within the Vizient, Inc., consortium. He referred to the 2018 Culture of Safety survey and showed some high-level results, and he presented sustained gains in almost all areas of patient safety. Brief discussion followed, and President Killeen and Mr. Zenn commented on the \$22.0 million of underpayment collections from previous years. Mr. Zenn then gave an update on the 3i project and showed the updated 3i roadmap.

Next, Mr. Loffing provided a presentation on the Ambulatory Surgery Center and Specialty Clinics (materials on file with the secretary) and emphasized that this is needed to accommodate growth in outpatient surgery. He described the project, which will feature six operating rooms and space for specialty clinics, and showed the location of the site and its relationship to other university buildings, noting that an enclosed bridge will connect the ambulatory surgery center to the hospital. Mr. Loffing showed renderings of the building and described additional aspects of the project, including the anticipated cost and timeline. Dr. Koritz commented that the connection to the hospital is critical, and Mr. Zenn highlighted other features of the building, including a patient-friendly drop off area. Dr. Amiridis noted that this project is being completed through a public-private partnership that would not have been possible without a change

in State regulations that was recently passed. Dr. King inquired about a Certificate of Need, and Mr. Zenn and Mr. Loffing indicated this process will be starting soon.

Mr. Zenn then presented the planning construct for UI Health goals and initiatives for Fiscal Year 2019 and beyond. He showed performance goals for Fiscal Year 2019, initiatives for Fiscal Years 2019 through 2020, and areas for continued growth and optimizations for Fiscal Years 2019 through 2022 and beyond. He discussed plans for sharing these with hospital staff and explained this is a tactical plan, rather than a strategic plan. Next, Mr. Zenn presented a summary of the five-year capital plan, and he and Mr. McMillan discussed the capitalization of various costs. Mr. Zenn showed sources of capital funding and the three-year capital and funding plan for the Ambulatory Surgery Center and Specialty Clinic building.

Lastly, Mr. Zenn gave the Fiscal Year 2019 budget summary and presented charts depicting patient discharges, average length of stay, outpatient clinic visits, and net patient revenue, and he showed Fiscal Year 2019 budget highlights, including revenue, fees, and increases in expenses, personnel expenses, and supplies and drugs. He presented revenue, expense, and operating margin for the UI Hospital and clinics for Fiscal Years 2018 and 2019, and he showed the adjusted margin for Fiscal Years 2018 and 2019, which reflected adjustments for one-time items.

Mr. Zenn concluded his presentation and referred to significant momentum in the first two months of the year. Discussion followed regarding the hospital's operating margin, expenses, and depreciation. Mr. McMillan complimented Mr. Zenn

and the leadership team at the hospital on the improvement in the hospital's finances. He also recognized Dr. Ghosh, who previously served as chief executive officer of the hospital.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Dr. King announced that the next meeting is scheduled for November 14, 2018, at 12:30 p.m., in Chicago.

MEETING ADJOURNED

Dr. King reminded all in attendance of the importance of the work of those in health care, and he thanked them for their commitment and service. He then asked for a motion to adjourn the meeting. On motion of Ms. Humphrey, seconded by Dr. Koritz, the meeting adjourned at 1:57 p.m. There were no "nay" votes.

Respectfully submitted,


DEDRA M. WILLIAMS
Secretary

STUART C. KING, MD, MBA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary