

UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY

Minutes of Board of Directors Meeting

June 6, 2012

PRESENT: David Walsh (Chair), Michael Weiden (Vice Chair), Jeffrey Bartell, Tom Basting, Richard Fetherston, Dean Robert Golden, Rep. Howard Marklein, Dean Katharyn May, Sen. Luther Olsen, Pablo Sanchez, Dr. Humberto Vidaillet, and Dr. George Wilding

EXCUSED: Wendy Coomer, Michael Falbo, and Chancellor David Ward

LIAISONS: Donna Katen-Bahensky and Dr. Nathan Rudin

STAFF: Kristi Amelong, Mike Buhl, Jan Bultema, Jim Dechene, Beth Houlahan, Robert Miller, Jay Robaidek, Sue Sanford-Ring, Ron Sliwinski, Ralph Turner, and Dan Weissburg

GUESTS: Terry Bolz and Dr. Lee Wilke

1. Call to Order

Mr. Walsh, Chair, opened the meeting of the Board of Directors of the University of Wisconsin Hospitals and Clinics Authority at 1:30 p.m. A quorum was present.

2. Approval of Minutes of May 2, 2012, Authority Board Meetings

Mr. Weiden moved approval of the minutes of the May 2, 2012 meeting. Dr. Vidaillet seconded the motion and it passed unanimously.

3. Review and Approval of Medical Staff Membership and Clinical Privileges

Dr. Nathan Rudin, President of the Medical Staff, presented the Medical Board recommendations concerning medical staff memberships and clinical privileges. He explained that some of the reappointments of nurse practitioners had not been acted upon by the Medical Board due to a clerical error, but they needed to be approved by the Medical Board and the Board of Directors before July 1 to avoid a gap in their approval to practice. A list of the omitted nurse practitioners was distributed. They had all been recommended by the nursing committee that reviews these reappointments and there were no issues. After discussion, it was decided that the Board of Directors would approve them subject to the Medical Board's approval. Mr. Basting moved that the omitted nurse practitioner reappointments be approved subject to Medical Board approval and that all of the other membership and privilege recommendations of the Medical Board be approved. Dr. Vidaillet seconded the motion and it passed unanimously.

4. Board Committee Report

Mike Buhl, Senior Vice President and Chief Financial Officer, reported on the meeting of the Finance Committee. The Committee approved investing \$90 million of hospital cash in short term investments. The Committee also agreed to look at ways these types of investments could be made in a systematic way in the future. Mr. Buhl also reported that the RFPs for the bonding

the Hospital would be undertaking in the near future were due this coming Friday. It has not yet been decided whether to go to the bonding market this fall or to wait until next spring.

5. ACTION: Approval for Reimbursement from Bonds

Mr. Buhl presented a proposed resolution to expand the permitted reimbursement of expenditures from future bond proceeds. Mr. Bartell moved to approve the resolution attached as Exhibit 1. Senator Olsen seconded the motion and it passed unanimously.

6. CFO Report

Mr. Buhl reviewed the CFO Report. April inpatient revenue was down \$6 million but outpatient revenue was up \$10 million. There was a shift in the payer mix to a larger percentage from government payers. Costs were up in April. Mr. Buhl viewed April as a blip in performance and the early results for May indicate an improvement from April. Overall the year-to-date financials were still very strong. The current operating margin is around 8%. A question was asked as to why an increase in volume of activity sometimes is associated with a decrease in profit. It was explained that capitated payment arrangements with some insurers pay a flat rate for some populations regardless of the services provided to them.

Mr. Buhl also noted the strong cash on hand which is important for the bond market. There was a record tying low days in accounts receivable. He concluded by noting the amount of charity care and bad debt.

Net gain from operations for April was \$3.2 million. Net income for April, including non-operating losses, was \$2.8 million. Net gain from operations through April was \$75.7 million. Net income, including non-operating losses, was \$78.7 million.

7. CEO Report

Donna Katen-Bahensky, President and Chief Executive Officer, provided members with her report. She recently met with the Madison Chamber Policy Committee and their focus on the possible Payment in Lieu of Taxes (PILOT) discussions in the city of Madison. She also noted she recently attended Merrill Lynch's annual gala. There may be an interest in applying to be the charity of choice for next year's gala. She also mentioned her recent visit with the Hartford Foundation which selects Alzheimer's Centers of Excellence. UW Health is one of the few accredited in the country by Hartford. HBO recently ran a documentary about obesity featuring the Pediatric Fitness Clinic. HBO has returned to film at the clinic for a second installment. She congratulated the Carbone Cancer Center on a very successful fundraising event with Andy North this past Sunday and Monday. She highlighted two important leadership positions that have recently been filled. Daniel Ostlie has been named the new AFCH Surgeon-in-Chief and Hannel Tibagwa Ambord has been named the Director of the UW Digestive Health Center. Hannel received her MBA through the President's Scholarship Program at UWHC. The American Family Children's Hospital Radiothon was extremely successful. Some recent changes to the signage in the Trauma Life Support Center were shown which has made this area much more patient- and family-centered.

8. Closed Session

There being no other matters for the open session, Mr. Walsh proposed to take the meeting into closed session as previously announced. Mr. Walsh announced that the purpose for the closed session was for the discussion of financial and other matters, including budgetary matters, including the FY 13 Budget including hospital rates, which for competitive reasons require a closed session, as provided in section 19.85(1)(e), Wis. Stat.; and to consider employment and performance evaluation data of public employees, as provided in section 19.85(1)(c), Wis. Stat.; and for review of the services of health care providers, pursuant to section 146.38, Wis. Stat.

Dr. Vidaillet moved that the Board enter closed session. Mr. Bastings seconded the motion. The motion passed with a unanimous roll call vote. The following members voted for the motion: David Walsh (Chair), Michael Weiden (Vice Chair), Jeffrey Bartell, Tom Basting, Richard Fetherston, Dean Robert Golden, Rep. Howard Marklein, Sen. Luther Olsen, Pablo Sanchez, Dr. Humberto Vidaillet, and Dr. George Wilding. Dean Katharyn May was not present at the time of the vote.

The Board took no action in the closed session.

9. Return to Open Session: Approval of FY13 Budget

The Board resumed its open session as announced in the notice for the meeting. Mr. Sanchez moved adoption of the resolution approving the FY13 Budget [see Exhibit 2]. Dr. Golden seconded the motion and it passed unanimously.

The meeting adjourned.

Respectfully Submitted,

James C. Dechene, Secretary

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF WISCONSIN
HOSPITALS AND CLINICS AUTHORITY
REGARDING REIMBURSEMENT EXPENDITURES**

DEFINITION OF TERMS

In this resolution:

“UWHCA” means the University of Wisconsin Hospitals and Clinics Authority, a public body corporate and politic created by Wisconsin statutes.

“*Project*” means:

- (i) the acquisition of land related to any of the following described projects;
- (ii) the construction of East Campus project, the expansion and build out of the American Family Children’s Hospital, and construction of the Autopsy & Pathology suite at the Highland campus, and certain other planned capital building improvements and equipment expenditures;
- (iii) site preparation and similar costs incident to commencement of the above-described projects;
- (iv) the acquisition and installation of equipment for UWHCA’s facilities, including the new projects described above; and
- (vii) architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that are incurred prior to the commencement of the activities described in this paragraph.

BACKGROUND OF RESOLUTION

UWHCA is pursuing the Project. On an interim basis, until other financing for the Project is obtained, UWHCA intends to pay all or a portion of the costs of the Project from funds available to it. UWHCA does not intend that those funds, however, be committed for that purpose on a permanent basis. UWHCA intends to reimburse itself from the proceeds of reimbursement obligations or bonds to be issued on its behalf for the amounts which it has paid. It is the purpose of this resolution to formally state that intention.

RESOLVED

1. Intention to Reimburse. UWHCA declares its intention to reimburse itself for expenditures relating to the Project which it pays with its own funds. UWHCA expects the reimbursement to be funded with the proceeds of reimbursement obligations or bonds to be issued on its behalf with respect to the Project. UWHCA does not expect the aggregate principal amount of the obligations or bonds to be issued for the purpose of reimbursing the Corporation for costs of the Project to exceed \$50M. UWHCA acknowledges that any such reimbursement must be made not later than eighteen months after the later of the date on which the expenditure to be reimbursed is paid or the date on which the property for which the reimbursement is made is placed in service or abandoned, but in no event more than three

years after the date on which the expenditure to be reimbursed was paid. Each of the costs to be reimbursed is of a type that is properly chargeable to a capital account, or would be chargeable to a capital account with a proper election to do so, or is a cost of issuance for a bond.

2. Reasonableness. UWHCA's expectation to reimburse itself for costs of the Project which it pays before the reimbursement bonds are issued is reasonable. The funds applied to the temporary payment of the costs of the Project are needed on a long-term basis for other purposes and are not, therefore, available for the permanent payment of Project costs.

ADOPTED: June 6, 2012

**BOARD OF DIRECTORS OF THE
UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY (UWHC)**

**RESOLUTION
APPROVING CAPITAL AND OPERATING BUDGET FOR FY 2013**

WHEREAS, the Finance Committee of the Board of Directors of UWHC has reviewed the UWHC Capital and Operating Budget for FY 2013 as prepared by management and has recommended its approval to this Board; and

WHEREAS, this Board has reviewed the Capital and Operating Budget for FY 2013 as presented by management;

NOW THEREFORE BE IT RESOLVED THAT,

The Board of Directors of the University of Wisconsin Hospitals and Clinics Authority approves the FY 2013 Capital and Operating Budget including the fiscal performance targets, hospital rate increase, and other authorizations set forth in the attached Resolution of the Finance Committee approved at its meeting of June 6, 2012.

Approved by the Board of Directors, June 6, 2012

**Finance Committee Recommendation to the Board
To Approve Fiscal Year 2013 Capital and Operating Budget**

WHEREAS, the Finance Committee of the UWHC Board, among other matters, is charged with the review and recommendation to the UWHC board of the annual budget; and

WHEREAS, the annual budget in addition to being reflective of the prospective year's anticipated revenues, expenditures, margins and capital costs has embodied within it the attainment and/or maintenance of certain contractual and other financial and investment performance requirements and targets, which for purposes of allowing UWHC management to be given proper guidance throughout the subsequent fiscal year also require specific finance committee approval and further recommendation to the UWHC board for their approval.

NOW THEREFORE BE IT RESOLVED THAT,

The Finance Committee of the University of Wisconsin Hospital and Clinics (UWHC) recommends to the Board of UWHC that it approve the Capital and Operating budget for fiscal year 2013 as presented by management in its Executive Summary of the Capital and Operating Budget. Included in the budget prepared by management and further specifically recommended by the Finance Committee are the following important UWHC targets, initiatives, commitments and requested authorizations.

1. Authorization to spend \$139.4 million for capital expenditures to be funded from Series 2012 Bonds and operations.
2. Approval of a 5.0% price increase effective July 1, 2012 (approved at May 2nd, Finance Committee & Authority Board meetings).
3. The achievement of an Operating Margin of 6.5%.