

UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY
Minutes of Board of Directors Meeting

June 4, 2014

PRESENT: David Walsh (Chair), Tom Basting (Vice Chair), Chancellor Rebecca Blank, Rick Fetherston, Dean Robert Golden, Dr. Thomas Grist, Andrew Hitt, John Litscher, Rep. Howard Marklein, Dean Katharyn May, Regina Millner, Janice Mueller, Senator Luther Olsen, Lisa Reardon, Pablo Sanchez

EXCUSED: Dr. Humberto Vidaillet

LIAISON: Donna Katen-Bahensky, Dr. Nathan Rudin

STAFF: Kristi Amelong, Mike Buhl, Jim Dechene, Dr. Chris Green, Beth Houlahan, Jeff Poltawsky, Jay Robaidek, John Sheehan, Ron Sliwinski, Kelly Wilson, Beth Zahar, Kevin Eldridge and Tiffany Roepsch

GUESTS:

1. Call to Order

Chair David Walsh called the meeting to order at 1:30 p.m. Roll call was taken, and a quorum was present.

2. ACTION: Approval of Minutes of May 7, 2014 Authority Board Meeting

Mr. Fetherston moved approval of the minutes of the May 7, 2014 meeting (Attachment A). Chancellor Blank seconded the motion, and it passed unanimously.

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

Dr. Nathan Rudin, President of the UWHC Medical Staff, presented the Medical Board recommendations concerning medical staff memberships and clinical privileges (Attachment B). Chair Walsh moved that the recommendations be approved. Senator Olsen seconded the motion, and it passed unanimously.

4. Board Committee Reports

Mike Buhl, SVP & CFO, reported from the Finance Committee. Over the next two to three years, UWHC plans to reduce its cost structure 2.5% to 3% in order to maintain a 5% margin. We need to slow the rate of growth so the growth of costs is lower than the growth in revenues.

Mr. Buhl reported results being favorable for revenue, but that the increased revenue was offset by an increase in the cost structure. The biggest cost increases fell under medical materials and supplies. There was a \$5 Million variance, of which \$4 Million was driven by specialty drugs. Still, those drugs produce a 7-8% operating margin. For this month, income from operations fell short of budget by about \$1 Million. As for year to date performance, it is running .8% favorable, which translates to \$24 Million. Labor costs are up due to higher utilization of overtime and agency staff. Year to date, UWHC has a 5.5% operating margin versus a budget of 4.8%. Last year, we were at 8.8%, so 3% below last year but still ahead of budget.

Mr. Buhl noted that with respect to charity and bad debt expense, year-to-date actual is \$32 Million, up 1.3% of total gross revenue because patients are more at risk of producing bad debt given higher deductibles and co-insurance. Chancellor Blank noted charity care and bad debt

are interrelated. Mr. Buhl indicated the need to watch both, and healthcare reform may shift certain uncollected amounts between charity and bad debt.

Mr. Walsh indicated that the Finance Committee did not approve a proposed investment re-allocation because it wanted additional time to cogitate on the re-allocation decisions.

5. CFO Report

Mr. Buhl provided the CFO Report (Attachment C).

6. CEO Report

Ms. Katen-Bahensky, President and Chief Executive Officer, presented the CEO Report (Attachment D). She opened describing a recent Moody's report indicating the areas of focus for success in hospitals in the future.

The Board retreat will be held in September. Spouses will be invited to the dinner. She presented the hospital report for April in Madison. The trend is for less inpatient and more outpatient care delivered. Admissions are down for all Madison hospitals. She presented transplant service line rankings. We are the seventh largest transplant center in the country based on volume, up from 12 in 2012. All areas went up except lung, which dropped, although the cause was not known.

The new chair of Ophthalmology will be here on September 15th. She is a very strong candidate from Duke with a strong clinical and research background. Ms. Katen-Bahensky explained the work that has been done on the employee handbook, including extensive employee feedback. One of the most difficult portions was the grievance process, and we believe that the final result is one that is fair. Emergency Room visits were up at UWHC, while down at the other two hospitals. Dr. Green believes the movement to Unity might be driving some of this. Ms. Katen-Bahensky explained the Dane County Safe Sleep initiative to get the message out that babies need to sleep in their crib, on their back with nothing else in their crib. Of infant deaths, the vast majority are related to babies sleeping with their parents.

7. The American Center Update

John Sheehan, SVP and President of UW Health at The American Center, provided the Board with an update on The American Center progress. All of the major structures are up and in place. The big work will be to complete the work on the inside. The three wings of the American Center will be the West Wing, a 56-bed hospital servicing orthopedic and general medical/surgical patients and 14 operating rooms. This will also have a 48 room Universal Care Center for outpatient diagnostic and treatment procedures, and a 24-hour emergency room for treatment or transport. The center wing consists of clinic exam rooms serving patients in a number of specialties. The east wing is for physical and occupational therapy and includes a wellness center.

Mr. Sheehan described the focus areas from the UW Health Strategic Plan for The American Center; the leadership and associate selection process; and the work of various councils that are hard at work. Their plan is to see the first patient on August 17, 2015. A Grand Opening is planned for July 31, 2015. Mr. Sheehan has been pleased with the physician engagement throughout the process in making sure that we have the right people matched with the right roles at The American Center. Currently the budget is at \$235 Million, and he expects some savings from that number.

Dean May recommended that the organizational chart be more clear on nursing and medical accountabilities. Collaboration is not the same as team work, and she encouraged Mr. Sheehan to go back and consider that in those documents.

8. Other Matters

There were no Other Matters to present to the Board.

9. Closed Session

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

Rep. Marklein moved to go into closed session; Ms. Millner seconded the motion, and there was a unanimous roll call vote approving entering into closed session. The following members voted for the motion: Chair Walsh, Mr. Basting, Mr. Fetherston, Dean Golden, Dr. Grist, Mr. Hitt, Mr. Litscher, Dean May, Ms. Millner, Ms. Mueller, Senator Olsen, Ms. Reardon, and Mr. Sanchez. Chancellor Blank left prior to the Closed Session, so did not vote. The Board entered into closed session at 2:30 p.m.

The Board took no action in the closed session.

10. Return to Open Session – ACTION: Approval of FY15 Budget

Dean Golden moved approval of the resolution (Attachment F) approving the proposed FY 2015 capital and operating budget. Mr. Basting seconded the motion and it passed unanimously.

Dean May moved to adjourn the meeting; Senator Olsen seconded the motion; and the motion was unanimously approved.

Respectfully Submitted,

James C. Dechene, Secretary