

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

February 5, 2014

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

EXCUSED: Dean Robert Golden, Dean Katharyn May

LIAISON: Donna Katen-Bahensky, Dr. Nathan Rudin

STAFF: Kristi Amelong, Lisa Brunette, Mike Buhl, Jan Bultema, Mike Dallman, Jim Dechene, Beth Houlahan, Gary Johnson, Jeff Poltawsky, Jay Robaidek, Sue Sanford-Ring, John Sheehan, Ron Sliwinski, Dan Weissburg, Kelly Wilson

GUESTS: Andy Majka (phone), from KaufmanHall

1. Call to Order

Chair David Walsh called the meeting to order at 1:30 p.m. A quorum was present. Chair Walsh welcomed John Litscher to the Board.

2. Approval of Minutes of December 4, 2013 Authority Board Meeting

Dr. Vidaillet moved approval of the minutes of the December 4, 2013 meeting (Attachment A). Mr. Basting seconded the motion, and it passed unanimously.

3. Human Resources Annual Report

Jan Bultema, Senior Vice President, UWHC Human Resources, presented the FY13 Human Resources Annual Report. She highlighted activities in attracting and retaining valuable employees. She also discussed the five-year areas of needs based on growth, including needs for Registered Nurses. Ms. Bultema discussed the trend in days to fill a vacancy. The overall trend is at 39.6 days to fill a vacancy (75th percentile), up to 42.5 days in December. She indicated that we are not concerned with these results. Ms. Bultema also indicated that Learning and Development participation showed an increase due to increased use of computer-based training (CBT), and webinars, etc. The biggest growth has been in Lean education and patient and family centered care education. Last year, the employee engagement index was 75%, up from 73% in the prior survey. Retirements went up in the last fiscal year, reflecting a baby boomer impact on our workforce.

4. 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). Chancellor Blank moved that the recommendations be approved. Dr. Grist seconded the motion, and it passed unanimously.

5. Public Presentation (Unscheduled)

Approximately 15 individuals joined the meeting, including Lisa Subeck (District 1) and David Ahrens (District 15), City of Madison Counsel members, and John Hendrick, Chair of the Dane County Board. Ms. Subeck asked UWHCA to continue their relationship with the unions that existed prior to Act 10. She indicated that at the City level, they believe better quality service is provided when employees are at the table. They realize that it may look a little different today. The group presented a stack of "1800 petitions" from the community urging the hospital to give employees a voice at the table. Mr. Ahrens addressed the Board and explained that the City has continued their relationship with the unions, which has made them a better employer and better provider of services. He noted that Governors come and go, and changes happen, but the one thing that is a constant is a strong base with employers in the community. He indicated that Dane County values strong relationships with employees. Mr. Hendrick spoke, saying he knows that the hospital values its employees and hopes that Dane County can serve as an example of how it can move forward working with employees, and accepting input to collectively make this a wonderful institution. Ms. Subeck thanked the Board for their time.

6. ACTION: 2014 Reinstatement of Commitment to Compliance and Audit Committee Charter Revision

Dan Weissburg, Director, Compliance and Privacy Officer, presented proposed revisions of the Restatement of Commitment to Compliance and Audit Committee Charter previously reviewed by the Audit Committee of the Board, which recommended that the Board adopt the Restatement. Mr. Sanchez moved to approve the revised Restatement of Commitment to Compliance. Dr. Vidaillet seconded the motion, and it passed unanimously. The document is Attachment J to the minutes.

7. ACTION: Review and Approval Proposal for Rehabilitation Hospital Funding and Development

Mr. Ron Sliwinski, Senior Vice President/Chief Operating Officer, presented a proposal to fund and develop the Rehabilitation Hospital at UW Health at The American Center (Attachment D). The UWHCA Board previously has approved a joint venture with Centerre, a for-profit rehabilitation hospital company, to build a 50-bed rehabilitation hospital on a parcel of land adjacent to UW Health at The American Center. Management is recommending UWHC serve as developer, owner and lessor of the facility at an estimated cost of \$20 million, which would result in more financial control and return. The downside is that UWHCA would need to tie up cash to do the project. The scope of the Rehabilitation Hospital hasn't changed, but approval is being sought for funding and for UWHCA to act as the developer. UWHCA now will be the landlord to the joint venture instead of engaging a third party to perform that function. Mr. Buhl indicated that the Finance Committee approved the following recommendation and recommends that the Board approve same: "Recommendation to approve development by UWHCA of the Rehabilitation Hospital and to finance up to \$20 million through the use of operating cash." Dr. Vidaillet moved approval of the recommendation as stated by Mr. Buhl; Mr. Basting seconded the motion; and it passed unanimously.

8. ACTION: Review and Approval of Increase in Capital Budget for UW Health at The American Center

Mr. John Sheehan, Senior Vice President/ President, The American Center, presented The American Center Capital Revisions proposal requesting an increase in the capital investment for The American Center from \$215 million to \$235 million due to an increase in the scope of the project relating to operating rooms, the east wing and the basement; cost increases due to the addition of the ambulance garage doors and faculty offices; additional capital requirements for building code and meeting Leadership in Energy & Environmental Design ("LEED")

requirements; unexpected needs in groundwater site issues and structural requirements; and added costs for contingency, equipment and general construction inflation (Attachment E). Mr. Walsh asked if a motion to approve the increase would also include authorization to borrow funds, if needed. Mr. Buhl clarified that the request is originally to fund the increase out of cash with the option to obtain financing if needed. Senator Olsen moved approval of the recommendation by management to increase the project funding of The American Center by \$20 million to up to \$235 million, with the understanding that the increase will most likely be funded from cash from operations, but if management determines financing is more appropriate, the Board approves financing of the increased amount. Chancellor Blank seconded the motion and it passed unanimously.

9. ACTION: Review and Approval of Line of Credit

Mr. Mike Buhl, Senior Vice President/Chief Financial Officer, described a number of items for which UWHC anticipates a need for funding. He outlined specific capital and cash needs and proposed that UWHC execute a bank line of credit of up to \$50 million (Attachment F). Mr. Buhl originally requested authority for a \$25 million line of credit, which amount was increased to \$50 million at the recommendation of the Finance Committee upon hearing of the potential needs. Dr. Vidaillet questioned why UWHC management didn't ask for this when it went to the bond market. Mr. Buhl explained that the items in the request include demands that came up after the bond offering. Senator Olsen moved approval of the recommendation to authorize management to execute a line of credit with U.S. Bank in an amount not to exceed \$50 million. Dr. Vidaillet seconded the motion, and it passed unanimously.

10. ACTION: Review and Approval of Resolution of the Board of Directors of UWHCA Regarding Reimbursement Expenditures

Mr. Buhl presented a proposed Resolution of the Board of Directors of the University of Wisconsin Hospitals and Clinics Authority Regarding Reimbursement Expenditures (Attachment G). This resolution would allow UWHCA to reimburse itself for a number of capital expenditures that it pays with its own funds. Dr. Vidaillet moved approval of the resolution; Mr. Basting seconded the motion; and it passed unanimously.

11. Board Committee Reports

Mr. Buhl provided an overview of the Finance and Audit Committee reports, the highlights of which were the discussions of the action items above.

12. CFO Report

Mr. Buhl provided the CFO Report (Attachment H). Year to date net revenue remains positive by approximately \$24 million. There has been very strong demand for our services and favorable reimbursement. On the cost side, there are about \$15 million in additional costs added to meet demand. Materials and supplies, as well as FTE, all are up to meet to demand. Non-operating income is running positive YTD. Total net income is up about \$6 million.

13. CEO Report

Ms. Donna Katen-Bahensky, President and Chief Executive Officer, presented the CEO Report (Attachment I). She advised the Board about the national IV solution shortage that UWHC has been managing. UWHC is a high volume user of such solution because of surgical services and its ICUs. UWHC staff mobilized to make sure UWHC had adequate coverage, and things appear to have stabilized again on the national level. Ms. Katen-Bahensky described the flooding at UWHC's East Clinic on January 6, 2014 during record-breaking cold weather. She also highlighted a number of recent events:

- Cancer center openings at Swedish American Health System and the Beloit Cancer Center, both our partners. In connection with those partnerships, UWHC is providing protocols and other supports to allow patients to stay close to home.
- UW's Department of Surgery was ranked 5th in NIH research funding by the Blue Ridge Institute for Medical Research.
- Five female faculty were selected as Brava magazine's Women to Watch.
- UWHC has implemented a new initiative called "Bright Ideas for Improvement," which allows staff to submit ideas of organizational improvement.
- The AFCH Imaging Suite was opened — the first low dose radiation suite to be used by any healthcare organization in the world.

14. Other Matters

There were no Other Matters to present to the Board.

15. 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.

Mr. Sanchez moved to go into closed session; Mr. Basting seconded, and there was a unanimous roll call vote approving entering into closed session. The following members voted for the motion: David Walsh (Chair), Tom Basting, Chancellor Rebecca Blank, Rick Fetherston, Dr. Thomas Grist, Andrew Hitt, John Litscher, Rep. Howard Marklein, Regina Millner, Janice Mueller, Senator Luther Olsen, Lisa Reardon, Pablo Sanchez, and Dr. Humberto Vidaillet. The Board entered into closed session at 3:25 p.m.

The Board took no action in the closed session.

The meeting adjourned.

Respectfully Submitted,

James C. Dechene, Secretary

2014 Restatement of Commitment to Compliance

Approved by the UWHCA Board of Directors on February 5, 2014

As previously resolved by the Board on November 8, 2000 and May 7, 2008, the University of Wisconsin Hospitals and Clinics Authority (UWHC) has an ongoing commitment to conducting operations in a manner that promotes quality, efficiency, honesty, integrity, respect and compliance with applicable institutional policies and procedures, laws, regulations, and ethical principles.

In furtherance of this commitment, UWHC has in place the UWHC Compliance Program. The UWHC Compliance Program applies to all activities performed by UWHC "Staff Members" including medical staff, GME trainees, students, vendors, contractors, employees (including full time, part time, per diem, and temporary employees), agency and traveler staff, volunteers and other staff of UWHC. All Staff Members are obligated to incorporate elements of the UWHC Compliance Program, including the *UWHC Code of Conduct* and *UWHC Code of Ethics on Conflicts of Interest* into their daily performance.

The UWHC Compliance Program includes:

COMPLIANCE & PRIVACY OFFICER

Responsibility for administering the UWHC Compliance Program shall be assigned principally to the Compliance & Privacy Officer. The Compliance & Privacy Officer shall, without limitation:

1. Assist in the creation, review, and revision of appropriate policies, procedures and other writings to meet the objectives of the UWHC Compliance Program.
2. Maintain mechanisms to administer those policies, procedures and other writings and to evaluate their effectiveness.
3. Identify and remediate potential compliance vulnerability.
4. Ensure that Staff Members are educated about compliance issues and the UWHC Compliance Program.
5. Maintain communication channels to receive reports regarding potential compliance violations.
6. Ensure all reports regarding potential compliance violations are investigated and resolved.
7. Monitor activities related to the UWHC Compliance Program and report to the Compliance Executive Oversight Committee, the Audit Committee of the Board and the full Board, as appropriate.
8. Respond, in conjunction with the General Counsel, to external agency requests regarding compliance issues.

COMPLIANCE EXECUTIVE OVERSIGHT COMMITTEE

The Compliance Executive Oversight Committee shall be composed of UWHC's CEO, Senior Vice Presidents, Vice Presidents, the UWHC Compliance & Privacy Officer, and, as appropriate, others appointed by the CEO. The Compliance Executive Oversight Committee shall oversee and assist the Compliance and Privacy Officer in administering the UWHC Compliance Program.

UWHC CODE OF CONDUCT

The *UWHC Code of Conduct* is attached as Attachment 1.

UWHC CODE OF ETHICS ON CONFLICTS OF INTEREST

The *UWHC Code of Ethics on Conflicts of Interest* is attached as Attachment 2.

UWHC AUDIT COMMITTEE CHARTER

The *UWHC Audit Committee Charter* is attached as Attachment 3.

**UNIVERSITY OF WISCONSIN
HOSPITALS AND CLINICS AUTHORITY**

AUDIT COMMITTEE CHARTER

Revised February 5, 2014

1. Mission

- a. The Audit Committee of the Board of Trustees of the University of Wisconsin Hospitals and Clinics (UWHC) shall assist the Board in carrying out its responsibilities as they relate to the UWHC accounting policies, reporting practices, adequacy of internal controls, quality and integrity of financial reporting, compliance with laws and regulations, and such other matters as may be assigned by the board. The Audit Committee contributes to the integrity of these processes by its oversight function on behalf of the board.
- b. The Audit Committee shall establish and maintain lines of communication by and among the Board and the UWHC external auditors, Internal Audit Director, Compliance & Privacy Officer and management. In carrying out its mission, the Audit Committee shall have discretion to initiate such investigations as it shall deem necessary.

2. Composition

The Audit Committee shall be composed as provided in ARTICLE IV of The Bylaws of UWHCA.

3. Oversight of External Auditor

- a. *Selection and Reporting.* The Audit Committee shall have direct responsibility for the appointment, termination, compensation, evaluation and oversight of the UWHC's external auditor (including resolving disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing and issuing an audit report or performing other audit review or attest services for UWHC. The external auditor shall report directly to the Audit Committee.
- b. *Audit Partner Rotation.* The Audit Committee shall oversee the partner rotation of the external auditor. The external auditor's partner may not serve as the lead or secondary review partner of UWHC for more than five (5) years. However, flexibility of up to an additional two years is permitted where the audit committee believes this is necessary to maintain audit quality. After seven (7) years, the Audit Committee should consider putting the audit services out to bid.

- b. *Independence.* The Audit Committee shall take appropriate action to oversee the independence of the external reviewer. The Audit Committee shall obtain and review a formal written statement from the external auditor describing all relationships between the auditor and UWHC. The Audit Committee shall actively engage in dialogue with the external auditor concerning any disclosed relationship or services that might impact the objectivity and independence of the external auditor.
- c. *Pre-Approval of Audit Services.* Audit services shall not be provided to UWHC unless they have been pre-approved by the Audit Committee, whether provided by the principal external auditor or other firms. At the time the external auditor is selected, the Audit Committee shall be advised of any other services provided by the external auditor to UWHC.
- d. *Oversight.* On furtherance of its oversight role, the Audit Committee shall, as appropriate, receive and consider the reports required to be made by the external auditor regarding:
 - i. critical accounting policies and practices;
 - ii. alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with UWHC's management, including ramifications of the use of such alternative disclosures and treatments, and the treatment of preferred by the external auditor; and
 - iii. other material written communications between the external auditor and UWHC's management.

4. Review of Audited Financial Statements

The Audit Committee shall review and discuss with UWHC's management and external auditor UWHC's audited financial statements.

5. Oversight of the UWHC Internal Audit Department

- a. *Oversight.* The Audit Committee shall have general oversight of the UWHC Internal Audit Department. The Audit Committee shall review the plans, activities, resources, staffing and organizational structure of the UWHC Internal Audit Department with UWHC management and with the Director of Internal Audit. The Audit Committee shall review the significant reports to management prepared by the UWHC Internal Audit Department and management's response.
- b. *Appointment and Effectiveness.* The Audit Committee shall ensure that there are no unjustified restrictions or limitations on the UWHC Internal

Audit Department and shall review and concur in the appointment, replacement or dismissal of the Director of Internal Audit. The Audit Committee shall, on a regular basis, review the UWHC Internal Audit Department audit plan(s) to discuss any matters that the Committee or the Director of Internal Audit believes should be considered.

6. Oversight of the UWHC Compliance Department

- a. *Oversight.* The Audit Committee shall have general oversight of the UWHC Compliance Department. The Audit Committee shall review the plans, activities, resources, staffing and organizational structure of the UWHC Compliance Department with UWHC management and with the Compliance & Privacy Officer. The Audit Committee shall review the significant reports to management prepared by the UWHC Compliance Department and management's response.
- b. *Appointment and Effectiveness.* The Audit Committee shall ensure that there are no unjustified restrictions or limitations on the UWHC Compliance Department and shall review and concur in the appointment, replacement or dismissal of the Compliance & Privacy Officer. The Audit Committee shall, on a regular basis, review the UWHC Compliance Program to discuss any matters that the Committee or the Compliance & Privacy Officer believes should be considered.

7. Authority

- a. *Professional Advisors.* The Audit Committee shall have the authority to engage independent legal, accounting or other advisors as the Committee deems necessary or appropriate to carry out its responsibilities. The Audit Committee is empowered to cause UWHC to pay the costs of such advisors.
- b. *Investigations.* The Audit Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate. The Audit Committee shall have the authority to direct any officer, employee or advisor of UWHC to meet with the Audit Committee or with any advisor engaged by the Audit Committee.
- c. *Expenses.* The Audit Committee shall have the authority to incur expenses that are reasonable and necessary to carry out its responsibilities. The Audit Committee is empowered to cause UWHC to pay such expenses.
- d. *Rule and Procedures.* The Audit Committee is empowered to adopt such rules and procedures as it deems necessary and which are not inconsistent

with any provision of this Charter, the Bylaws of UWHC or the laws of the State of Wisconsin.

8. Meetings and Procedures

- a. *Meetings.* The Audit Committee shall meet as often as it deems necessary in order to perform its responsibilities but no less than quarterly. A majority of the number of Audit Committee members shall constitute a quorum for conducting business at a meeting. Meetings of the Audit Committee shall be subject to the State Open Meetings Law. The Audit Committee may meet in enclosed executive session in accordance with the Open Meeting Law regulations.
- b. *Reports to the Board of Directors.* The Audit Committee shall report regularly to the Board of Directors.

9. Limitation on Duties

- a. *Business Judgment Rule.* The Audit Committee shall discharge its responsibilities, and shall access the information provided by UWHC's management and the external auditor, in accordance with its business judgment. While the Audit Committee has the responsibilities described in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine or certify that UWHC's financial statements are complete, accurate, fairly presented or in accordance with generally accepted accounting principals or applicable laws, rules or regulations.
- b. *Responsibility of Management and External Auditor.* UWHC management is responsible for the preparation, presentation and integrity of UWHC's financial statements, for the appropriateness of the accounting and reporting policies that are used by UWHC and for implementing the internal controls of UWHC. The external auditor is responsible for auditing UWHC's financial statements. The review of the financial statements by the Audit Committee is not of the same nature nor for the same purpose as the audit performed by the external auditor. Consequently, the Audit Committee cannot provide any expert or special assurance as to UWHC's financial statements or internal controls or any professional certification as the external auditor's work.