

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

July 9, 2014

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

**EXCUSED:** Dr. Thomas Grist, Regina Millner, Dr. Humberto Vidaillet

**LIAISON:** Donna Katen-Bahensky, Dr. Nathan Rudin

**STAFF:** Kristi Amelong, Mike Buhl, Jim Dechene, Dr. Chris Green, Beth Houlahan, Sue Rees, Jay Robaidek, Sue Sanford-Ring, John Sheehan, Ron Sliwinski, Dan Weissburg, Kelly Wilson, Beth Zaher

**GUESTS:** Richard Elder, Michael Weiden

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 June 4, 2014 Authority Board Meeting

Ms. Mueller moved approval of the minutes of the June 4, 2014 meeting (Attachment A). Mr. Fetherston seconded the motion, and it passed unanimously.

3. Resolution Honoring Service of Tom Basting

Chair Walsh personally thanked Mr. Basting for his involvement in many important issues and his great service to the Board of the University of Wisconsin Hospitals and Clinics Authority. He read the Resolution honoring the service of Tom Basting (Attachment B), which was unanimously approved. Mr. Walsh indicated that former Chancellor David Ward has been appointed to the Authority Board to replace Mr. Basting, and that he will start in September.

Mr. Basting thanked the Board and stated he was proud to be part of this great organization, and that he learned much during his years of service, both as a public member of the Finance and Audit Committees prior to his service on the Board, and then through his Board service.

4. Resolution Honoring Service of Jim Dechene

Chair Walsh next thanked Jim Dechene for his service as Senior Vice President, General Counsel and Secretary of the Board of the University of Wisconsin Hospitals and Clinics Authority over the last five years, and read a Resolution to express UWHCA's gratitude for his service (Attachment C), which was unanimously approved. Mr. Dechene thanked the Board for the opportunity to serve as its General Counsel.

5. 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 D).

Representative Marklein moved that the recommendations be approved. Chancellor Blank seconded the motion, and it passed unanimously.

6. ACTION: Election of Officers

Chair Walsh asked if there were any more nominations for officers. There being none, Senator Olsen moved approval of the resolution presented in Attachment E approving the proposed slate of officers: Chair David Walsh; Vice Chair Tom Basting, Sr.; Secretary Kelly Wilson; and Assistant Secretaries Jan Bultema, Claire Finando, Tiffany Roepsch, and Kevin Eldridge. Ms. Mueller seconded the motion, and it passed unanimously.

7. ACTION: Board Committees and Membership

Senator Olsen moved approval of the Board Committee membership (Attachment F); Dean Golden seconded the motion, and it passed unanimously.

8. General Counsel Vacancy

The General Counsel Vacancy item was deferred.

9. Board Committee Reports

Mike Buhl, SVP & CFO, reported on the Audit Committee. He indicated that Scott Houtakker, Director, Internal Audit, informed the Audit Committee that his Senior Auditor is relocating and that he is in the process of recruiting to fulfill her position. He also reported on his review of employee fatigue, out of which came a hospital policy limiting hours of work at the hospital. Other areas reported on by Mr. Houtakker included construction issues and resident duty hours.

Ms. Mueller asked about overtime issues. Beth Houlahan, Chief Nursing Officer, commented on UWHCA efforts in this area and the push back by some nursing personnel on any efforts to limit the hours they are able to work voluntarily, against which they make the argument that they are professionals and can self-monitor. Ms. Katen-Bahensky commented that this is a different but related issue to mandatory overtime, where management requires staff to work additional hours. UWHCA has a policy prohibiting mandatory overtime except in emergency-type situations.

Mr. Buhl reported that the Finance Committee adopted a resolution on asset re-allocation, which he described as conservative.

Dan Weissburg, Compliance & Privacy Officer, gave the Compliance Report. He indicated that the trend line of terminations due to privacy violations is going down. He provided an update on an employee who was terminated due to drug diversion on which he reported at the last meeting. The employee has been charged with 84 felony counts and court action is in process.

Mr. Weissburg next reported that he and Ann Sheehy, UWSMPH Associate Professor and UWMF physician, have been working with a lobbying firm in Washington and trying to exert leadership regarding Recovery Audit Contractors ("RAC"), seeking reform in this area. Ms. Sheehy recently testified about observation versus inpatient reimbursement as part of a four-person panel in which she took a stance against the current rules. Mr. Weissburg said that management supports being out front on this. Ms. Katen-Bahensky commented that the government is now looking at the issues articulated by Ms. Sheehy.

Next, Mr. Weissburg indicated that the Audit Committee directed that UWHCA Compliance orchestrate catch-up orientation with the Board on Compliance issues. Mr. Weissburg explained that he has been asked to provide compliance materials to Board members, which he will do.

Mr. Weissburg is meeting with the Health Sciences Council on July 11, 2014 to discuss UW-Madison Health Sciences School Compliance program. The UW Foundation is building its own compliance program. Mr. Weissburg also commented on Chartwell Midwest Wisconsin's compliance efforts in collaboration with UWHCA's Compliance department.

#### 10. CFO Report

Mr. Buhl provided the CFO Report (Attachment G). Income from operations is off from budget by approximately \$2.5 Million unfavorable. There has been an up-tick in unrealized gains in fair market investments. Gross revenue is at \$25 Million favorable. Pharmaceutical costs have increased, particularly specialty and infusion drugs. In May, our costs were up almost \$10 Million, driven by infusion and specialty drugs. Those drugs, however, do provide higher levels of reimbursement that offset their costs and provide a favorable margin.

With respect to revenue and cost per CMI-adjusted discharge, revenue is up 1.8% but costs are up 4.7%. Mr. Buhl reiterated the need to manage costs within 95% or less of what UWHCA expects to receive from payors. In his words, "inflation hasn't taken a vacation," and that also contributes to increasing costs.

Mr. Buhl reported that UWHCA still expects to end the year with at least at a 5% operating margin. He explained that salary and fringes are also up. In response to questioning by the Board about the increase of 330 FTE positions, Mr. Buhl explained that those positions have primarily been in patient care areas, including staffing for the new Neonatal Intensive Care Unit ("NICU") that was added in May of this year. He indicated that we also added FTE to staff our Accountable Care Organization, but that the FTE increase mainly was due to increase in patient care areas. Ron Sliwinski, SVP & COO, added that we have had to bump up our capacity to take on new service areas, but that we expect the volume now to grow to fill the capacity.

#### 11. CEO Report

Ms. Katen-Bahensky presented the CEO Report (Attachment H). She pointed out the 4.6% increase in Emergency Room ("ER") visits compared to a drop of 3% and 6.4% for Meriter and St. Mary's, respectively. Chair Walsh commented that the overall number of ER visits in Madison has gone down, and Ms. Katen-Bahensky commented that might be at least partly due to more patients being insured under health care reform, so that they are seeing their primary care doctor rather than going to the Emergency Department.

Ms. Katen-Bahensky reported that our full survey from The Joint Commission will be held before December 3, 2014. She indicated that wait lists will be a focus for The Joint Commission, because of the recent Veterans Administration issues in the news.

Ms. Katen-Bahensky announced that there would be a Board retreat on September 3, 2014 at the Edgewater Hotel, with a dinner the evening before. She indicated that there would be a presenter from the American Hospital Association ("AHA") to speak about "the definition of 'hospital' for the future."

#### 12. Other Matters

There were no Other Matters to present to the Board.

13. 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. Litscher moved to go into closed session; Ms. Mueller 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, Chancellor Blank, Mr. Fetherston, Dean Golden, Mr. Hitt, Mr. Litscher, Representative Marklein, Dean May, Ms. Mueller, Senator Olsen, Ms. Reardon, and Mr. Sanchez.

Ms. Mueller moved to return to open session; Dean May seconded the motion; and the motion was unanimously approved.

The Board took no action in the closed session.

14. Return to Open Session – ACTION: Resolution on University Health Care

Mr. Basting moved, and Senator Olsen seconded, approval of the Resolution of the Board Approving the formation of a Corporate Joint Venture with the University of Wisconsin School of Medicine and Public Health and/or the University of Wisconsin Medical Foundation. The motion passed unanimously.

Senator Olsen moved to adjourn the meeting; Mr. Litscher seconded the motion; and the motion was unanimously approved.

Respectfully Submitted,

Kelly C. Wilson, Secretary