



University of Connecticut
Health Center

Health Affairs Committee

June 18, 2002
Minutes

Attendees: See attached list.

Ms. Leonardi called the meeting to order at 8:25 a.m.

I. Public Comment

- None.

II. Introductory Business Items

- A. Approval of Minutes – June 19, 2001; June 26, 2001; July 10, 2001; September 20, 2001; October 24, 2001; November 6, 2001; November 16, 2001; December 4, 2001; January 8, 2002; March 5, 2002; April 2, 2002
- The minutes were approved unanimously.
- B. Recognition(s) – None.

III. Consents:

A. Institutional

- Contracts > \$500,000
 - The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve contracts HC-1 to HC-14 noting that HC-1 to HC-11 and HC-13 to HC-14 represent transfers associated with the personnel costs (stipend, fringe and educational costs) incurred in rotating residents between the Health Center and various health care institutions. The expense contract with the Capital Area Health Consortium associated with these revenues was approved by the BoT at its April 2002 meeting. Although many of these contracts are below the \$500,000 threshold required for BOT approval or the \$100,000 threshold for reporting, they were presented together in order to convey the full scope of this activity.***

B. Specific to the Clinical Programs and UCHC Finance Corporation

- The HAC unanimously approved the following recommendation to the Board of Trustees - ***That the Board of Trustees authorize the acquisition and installation of a special procedures angiography suite for John Dempsey Hospital at a total cost not to exceed \$2,000,000, including construction associated with the equipment, \$1,345,000 for the equipment; and further authorize the financing of the equipment through a five-year GE Capital lease, which lease will be effective upon acceptance of the equipment by John Dempsey Hospital; with the understanding that John Dempsey Hospital will make payments as required by the vendor contract prior to acceptance an amount up to \$1,076,000 and, upon acceptance of the equipment coincident with the effective date of the lease, GE will reimburse the hospital for amounts down-paid for the equipment, and GE will pay the balance of the equipment cost.***

- The HAC unanimously approved the following recommendation to the Board of Trustees - ***That the Board of Trustees authorize the acquisition and installation of a linear accelerator for John Dempsey Hospital at a total cost not to exceed \$2,600,000, including \$1,081,923 for the construction and renovation associated with the equipment, \$1,195,791 for the equipment, and an estimated \$154,669 for financing costs; and further authorize the financing of the equipment through a five-year GE Capital lease, which lease will be effective upon acceptance of the equipment by John Dempsey Hospital; with the understanding that John Dempsey Hospital will pay the vendor for the construction and renovations (\$1,081,923) and make two down payments on the equipment (\$597,896, 50% of the total equipment costs) and, upon acceptance of the equipment coincident with the effective date of the lease, GE will reimburse the hospital for amounts down-paid for the equipment, and GE will pay the balance of the equipment cost.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees authorize the University of Connecticut Health Center, School of Dental Medicine, through its clinical activities operating as University Dentists and Faculty Practice, to contract with the University of Connecticut Health Center Finance Corporation to perform functions as set forth in Section 10a-250 et seq. Of the Connecticut General statutes, and further authorize the transfer of up to \$590,000, for the period July 1, 2002 to June 30, 2003, from University Dentists and Faculty Practice to the Finance Corporation to fund said functions. Monies will be transferred to the Finance Corporation on an as-needed basis during the fiscal year.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees authorize the University of Connecticut Health Center through its clinical activities operating as the Correctional Managed Health Care Program, to contract with the University of Connecticut Health Center Finance Corporation to purchase hemodialysis services and pharmaceuticals for the Correctional Managed Health Care Program, and further authorize the transfer of up to \$1,500,000, for the period July 1, 2002 to June 30, 2003, Health Center to the Finance Corporation to finance this contract. Monies will be transferred to the Finance Corporation on an as-needed basis during this period.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees authorize the John Dempsey Hospital to contract with the University of Connecticut Health Center Finance Corporation to perform functions as set forth in Section 10a-250 et seq. of the Connecticut General statutes, and further authorize the transfer of up to \$29,626,750, for the period July 1, 2002 to June 30, 2003, from the Hospital to the Finance Corporation to fund said functions. Monies will be transferred to the Finance Corporation on a quarterly basis during the fiscal year.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees authorize the University of Connecticut Health Center, School of Medicine, through its clinical activities operating as UConn Medical Group and UConn Health Partners, to contract with the University of Connecticut Health Center Finance Corporation to perform functions as set forth in Section 10a-250 et seq. of the Connecticut General Statutes, and further authorize the transfer of up to \$7,774,400 for the period July 1, 2002 to June 30, 2003, from the UConn Medical Group and UConn Health Partners to the Finance Corporation***

to fund said functions. Monies will be transferred to the Finance Corporation on an as-needed basis during the fiscal year.

C. Specific to Schools

- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve the School of Medicine recommendations for tenure, promotion, appointment, reappointment, sabbatics and emeritus appointments.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve the School of Dental Medicine recommendations for tenure, promotion, appointment, reappointment, sabbatics and emeritus appointments.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve the appointment of George Y. Wu, M.D., Ph.D. to the Herman Lopata Chair in Hepatitis Research commencing 1992.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve the appointment of George A. Kuchel, M.D. to the Travelers Chair in Geriatrics and Gerontology commencing July 1, 2001.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve the appointment of Richard E. Mains, Ph.D., to the William Beecher Scoville Chair in Neuroscience commencing 2000.***
- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve the appointment of Victor Hesselbrock, Ph.D. to the Physicians' Health Services Chair in Alcohol and Substance Abuse commencing July 1, 2002.***

IV. Information Items:

A. Regularly Recurring Items

- Contracts > \$100,000
- Personnel actions

B. Policy Changes

- None.

C. Other Items

- None.

V. Education: None.

VI. Main Business Items

A. Chair's Remarks and Reports (C. Leonardi)

B. CFO's Remarks and Reports

1. Summary of FY 02 (P. Deckers)

It is anticipated that UCHC will end FY 02 on budget despite many challenges that included: declining reimbursement rates for physician services from Federal Medicare and State Medicaid sources, failure to obtain additional State funding for the 5th year of the research strategic plan and new Signature Programs, an unexpectedly high adjustment to the State fringe benefit rate and a State budget recession during the year. While corrective actions resulted in a balanced budget, the progress with the new Signature Programs was less aggressive than originally intended.

There have been many successes in FY 02 including progress in implementing the Signature programs, the addition of a 5th Signature Program (cardiology), approval of a Certificate of Need for an Ambulatory Surgery Center, the student test scores in the School of Dental Medicine (#1 in the nation), the continued recognition of the School of Medicine's model innovative curriculum that is both ambulatory and problem-based, and the indexing of all community-based activities and bioterrorism resources in the Connecticut Health database.

Research awards are projected to be 15.8% higher in FY 02 which is on top of 16.5% and 19.5% increases in the previous two years. Due to lack of laboratory space, this is only expected to increase by ~10% next year.

Clinical volume increases were also very strong with a 13.8% rise in inpatient admissions, 17.8% rise in out-patient JDH activities and a 30% increase in the faculty practice. Hospital average daily census rose by almost 4% while length of stay dropped from 6.9 to 6.3 days. Revenue per adjusted discharge was slightly more than expense per adjusted discharge, \$10,359 and \$10346 respectively.

Opportunity registry improvements have totaled over \$40 million over the last three years. Initiatives have begun in working with other State agencies such as with the Department of Corrections in implementing a robotic pharmacy system, with the Department of Public Health in planning the construction of a new DPH laboratory on campus, and with the Office of Policy and Management in maximizing the routine of federal Medicaid dollars for educational activities.

2. On going challenges:

- Implementation of the Signature Programs and research strategic plans
- Reorganization of the School of Medicine Departments
- Continue "synergy" development to improve operations university-wide
- Increase development growth
- Uncertainty of the State budget situation
- Fiscal challenges and support operations strengthened including opportunity registry improvements of \$12.6 million; information technology strategic planning process and a 10-year facilities master plan

It was noted that increases in clinical volume were impressive and the question was raised as to where were they coming from. There has been a 3-4% growth in patient admissions in the region for all hospitals which is a portion of the increase, but UCHC is gaining market share and exceeding this average. This may be due to the shifting demographics in the Farmington River Valley which included both a population increase as well a shift to older residents (mature housing communities are driving this as well as the natural aging of the population.) The Emergency Room serves as a gateway to the hospital and its presence and quality are gaining note in the valley. It was noted that our marketing efforts may also be accountable for some of the clinical gain.

3. Proposed FY 03 Operating Budget & Biennial Budget for FY 04 & FY 05 (D. Upton)

- The proposed FY 03 budget is based on three assumptions:
 - General fund allocation from the State will be at the level initially approved the Appropriations Committee
 - Clinical volumes continue to grow, but only at about 45-60% as fast as prior years)
 - Research revenues continue to grow, but at rates lower than previous years due to the saturation of available laboratory space
- Revenues (not including the State appropriation) are expected to be ~\$414 million (+9% or \$34.6 million over FY 02). Expenses will be \$514 million (+8%). The State appropriation is expected to be ~\$100 million (+4%).
- Research revenues are expected to increase by ~\$10.5 million. Approximately one third of this increase results from multi-year grants that have already been awarded.
- Patient volume increases will account for ~\$12.4 million of increased revenues.
- A concern was raised on whether the revenues received for the Correction Managed Health Care program were tied to the actual expenses incurred. While in the past positive excess (revenue over expense) was returned to CMHC, we would need to discuss the reverse situation with the Department of Corrections.
- Two corrections were made to page 4 of the FY 03 budget report concerning the sources of Expense variances from FY 02 to FY 03. The volume related increase for UMG should be \$2,136,474 rather than \$872,000 and the current operations for Pediatric Specialty Program transferred to CCMC should be -\$3,424,124 rather than -\$2,159,650.
- A question was raised regarding the increases in revenues and expenses for Interns and Residents. Both are almost entirely for wages and benefits of house officers stationed at various hospitals in the greater Hartford area and represent a pass through. The increase in scope is in anticipation of 50 additional positions that will all go to hospitals other than John Dempsey. The Committee requested a breakdown of where these new positions will be assigned and this will be provided in July after the residents report for duty.
- A question was raised as to the impact of the recent change accreditation guidelines related to working schedules of residents that takes effect in FY 04. These changes shorten the workweek of many residents and provide for minimum off-shift periods. Compliance with the standards will be a very serious matter. For example, the Yale Surgery program has lost accreditation over similar issues. The reduction in resident services may produce a staffing problem for hospitals. There will be a need to employ alternative providers to cover for the missing resident hours and this could be expensive. This will have to be factored into the John Dempsey Hospital budget for FY 04.
- A question was raised as to whether there was capacity in the John Dempsey Hospital to accommodate the predicted increases in patient volume. It is believed we still have capacity left.
- A request was made for more details concerning the unit breakdowns of the drop of hospital length of stay and an explanation of why this occurred. This analysis will be provided to the Committee in July.
- The biennial budgets for FY 04 and FY 05 represent both increases to meet current expenses and programmatic increases for the signature programs (see page 20 of the budget package.) Year-end excess is estimated to be ~\$238 thousand in FY 03, ~\$500 thousand in FY 04 and ~\$700 thousand in FY 05.
- A question was raised as why the percentage increase of research funding was predicted to be less than the last few years. This is due to limitations on free laboratory space. One of the projects proposed in the 21st Century UConn initiative is \$60 million for a new research wing.

- A question was raised whether research will always be a money loser if treated as a separate cost center. While there is a continuing effort to align revenues and expenses, it is anticipated that research will always need State support.
 - A concern was raised that the revenues from development efforts need to be increased through aggressive efforts. While this is clearly viewed as an area of opportunity, it will take some time to have a material impact on the whole budget since only about 5% of endowment funds are available each year for operational activities.
4. Proposed FY 03 Capital Budget, Biennial Capital Budget for FY 04 & FY 05 and Five Year Capital Budget FY 04-08 (D. Upton)
- The Health Center received no new authorizations for capital from the State budget in FY 02 and FY 03 due to the large backlog of approved but unallocated funds that existed. Over the last 15 months, the Bond Commission has released ~\$14.9 million leaving a balance of ~\$12.1 million left unallocated.
 - A new request for \$15 million is being made in FY 04. In anticipation of the approval of 21st Century UConn, no new requests will occur in FY 05+. If this initiative is not funded, the need for State capital funds in FY 05 will have to be made clear to the Legislature.
 - A question was raised as to what UCHC would do if State capital remained unallocated. In several cases this would result in the delayed implementation of certain programs such as ADA issues. It is not possible to take current allocated funds and apply them to other projects.
 - A request was made to provide the Committee with more details on the 21st Century UConn project list as well as more details on the projects in the 5 year Capital Budget, especially those funded with non-State bond funds. In addition, the result of the Master Space Plan will be provided when the consultants are through preparing it. The whole capital budget, projects and funding methods will need to be presented to the new Board of Directors in a clear manner.
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- The HAC unanimously approved the following recommendation to the Board of Trustees – **That the Board of Trustees approves the University of Connecticut Health Center Operating Budget for the FY03 for \$514.1 million of revenue, including state funding.**
 - The HAC unanimously approved the following recommendation to the Board of Trustees – **That the Board of Trustees approves the University of Connecticut Health Center Biennium operating budget for FY04 and FY05.**
 - The HAC unanimously approved the following recommendation to the Board of Trustees – **That the Board of Trustees approves the University of Connecticut Health Center Biennium Capital Bond Fund Request of \$15,000,000 for FY04 and \$30,400,000 for FY05 contingent upon 21st Century UConn deliberations, the Capital Spending Plan for FY03, and the 5-year Capital Spending Plan for FY04-08.**
- C. Executive Vice President and Deans' Remarks and Reports
1. UConn Health Center
 - Medical Arts and Research Building of Farmington, LLC – Approval of operating agreement including land lease – due to the ongoing nature of the negotiations, the discussion on this topic was moved into executive session. No public action was taken at this time
 2. School of Medicine (P. Deckers)

- School of Medicine Reorganization
 - Internal discussions have begun to move from a departmental/Center organizational structure to thematic “institutes”. These are still in an embryonic stage. More information will be provided to the Committee later this year.
- 3. School of Dental Medicine (P. Robinson)
 - The School of Dental Medicine is revising its approach to measuring clinical competency of its pre-doctoral students moving away from simple national and State examination to include other clinical observations. This change is indicated because dental graduates can often directly enter practice without additional postgraduate training and because more training is taking place in less controllable community sites. The most difficult aspect of new approaches will be the calibration of the observers and this will require extensive training.
 - The research efforts of the School of Dental Medicine increased ~15-20% last year. The production per faculty member ranked 7th in the nation and is expected to increase this year.
- D. Clinical Operations Report (S. Strongwater)
 - Additional attention will be spent on improving and expanding our relationship with the Department of Veterans Affairs and our activities in Rocky Hill.
 - Two silver medals were received from the CHA for social work and clinical engineering departments.
 - Recently released OHCA report on the State of Hospitals in Connecticut was misleading regarding the status of JDH because data from 1999 was used
 - Patient satisfaction scores are optimistic
 - Diversity training for all employees is currently underway
 - UMG HMO contracts up for renewal will be renegotiated with emphasis on a more competitive arrangement
 - Presentation on Patient Safety System – S. Strongwater
 - Prevention of medical errors – 53% of errors due to adverse drug events, i.e. ordering and prescribing, transcription, medication preparation and administration
 - Patient safety requirements are driven by initiatives such as Leapfrog, IOM reporting, public disclosure laws and Healthcare Business requirements. The patient quality bill passed by the State mandates patient safety but it is unfounded. A Federal bill has not passed as yet.
 - After a comprehensive selection process and setting criteria an ASP (application service provider) is recommended.
 - Cost and financing strategy:
 - Subscription based
 - Annual costs - \$1.5 million
 - One time costs \$4.9 million
 - Total cost of project over 7 years - \$15 million
 - Annual cost with one-time amortization over 7 years = \$2.2 million
 - Annual financial impact may be as much as \$2.6 million as a conservative estimate

A concern was raised that it might be difficult to get physicians to use the electronic order entry systems. Many of these cultural issues have already begun to be addressed due to the currently operating order entry pilot. In addition, in most cases the physicians are our employees rather than community physicians as would be the case in most other hospitals. Funds are being budgeted for training to help alleviate this potential problem.

A request was made to see the Buy or Build analysis. The CIO will provide this to the Committee this summer.

A concern was raised whether the system would be so customized as to make UCHC's implementation incompatible with future upgrades of the product. UCHC intends to stay with a 'plain vanilla' version of the software so as not to encounter this potential future problem.

- The HAC unanimously approved the following recommendation to the Board of Trustees – ***That the Board of Trustees approve funding for an amount not to exceed \$15.5 million over a 7-year period to contract with an Application Service Provider (ASP) for access to a Patient Safety System on a few-for-use basis at an anticipated annual cost of \$1.5 million and one-time costs including \$614,519 for hardware purchases, \$280,212 for licensing fees and \$4 million for vendor professional services required to customize the system to UConn Health Center needs.***

VII. Executive Session

Executive Session was entered into at 11:05 a.m.

Executive Session concluded at 11:28 a.m.

There being no further business, the meeting was adjourned at 11:28 am.

Respectfully submitted,

Peter J. Deckers, M.D.

Attendees

J. Abromaitis, N. Adams, L. Aronson, P Austin, N. Brady, A. Borda, S Brohinsky, T. Callahan, B Carlson, T. Cawley, J. Comerford, P Deckers, T. Fallon, R Garibaldi, R. Gelfenbien, J. Goldberg, E. Grab, L. Jacobs, W Kleinman, B. Koeppen, J Lattanzio, C Leonardi, S. Margiotta, J Mazzone, P. McManus, J. Morningstar, J. Noonan, P Robinson, L. Shanley, R Simon, S Strongwater, R. Trestman, D Turling, D Upton, J. Walter, S. Wetstone, S Whetstone.