



BOARD OF DIRECTORS MEETING

September 19, 2005
Minutes

The meeting called to order at 10:03 am. By unanimous vote the committee entered into Executive Session at 10:04 am.

Executive Session

Item A Clinical Facilities Planning – Preliminary Notes and Draft

Attendees –L. Aronson, J. Bigos, D. Budlong, G. Burrow, B. Carlson, J. Comerford, P. Deckers, C. Dugger, R. Galvin, J. Goldberg, A. Gnazzo (by phone), J. Haberland, R. Hennessey, N. Hutson, L. Jacobs, W. Kleinman, C. Leonardi, P. Robinson, R. Samuels, S. Strongwater, T. Trutter, D. Upton, J. Walter, S. Wetstone, S. Whetstone

Item B Capital Process Review – Pending Litigation

Attendees –L. Aronson, J. Bigos, D. Budlong, G. Burrow, B. Carlson, J. Comerford, P. Deckers, C. Dugger, R. Galvin, J. Goldberg, A. Gnazzo (by phone), J. Haberland, R. Hennessey, N. Hutson, L. Jacobs, W. Kleinman, C. Leonardi, P. Robinson, R. Samuels, S. Strongwater, T. Trutter, D. Upton, J. Walter, S. Wetstone, S. Whetstone

Executive session concluded at 10:24 am
Regular portion of the meeting resumed at 10:30 a.m.

Chair's Remarks

Dr. Burrow and Ms. Leonardi recognized the members going off the Board. The following resolutions were approved unanimously:

- "That the Board of Directors recognize the service of Bruce A. Chudwick as a member of the UCHC Board of Directors...Be it further resolved that this resolution be spread upon the minutes of the Board of Directors, with copies sent to the University of Connecticut Board of Trustees and to Mr. Chudwick."
- "That the Board of Directors recognize the service of Aldrage B. Cooper as a member of the UCHC Board of Directors...Be it further resolved that this resolution be spread upon the minutes of the

Board of Directors, with copies sent to the University of Connecticut Board of Trustees and to Mr. Cooper.”

- “That the Board of Directors recognize the service of Thomas J. Devers as a member of the UCHC Board of Directors...Be it further resolved that this resolution be spread upon the minutes of the Board of Directors, with copies sent to the University of Connecticut Board of Trustees and to Dr. Devers.”
- “That the Board of Directors recognize the service of Gerard J. Lawrence as a member of the UCHC Board of Directors...Be it further resolved that this resolution be spread upon the minutes of the Board of Directors, with copies sent to the University of Connecticut Board of Trustees and to Dr. Lawrence.”

Dr. Burrows introduced Dr. Bigos, who will be serving on the Clinical Affairs Subcommittee. Dr. Bigos is a pulmonologist and is currently serving as the President of the Connecticut State Medical Society.

Dr. Deckers recognized the tremendous contributions of Ms. Leonardi as Chair of the Board of Directors and stated that the success of the Health Center over the past five years was directly related to her leadership of the Board. He noted that she will serve as Chair of the Finance Committee.

1 Public Comment – None.

2 Approval of Minutes

- The minutes of the June 13, 2005 meeting were unanimously approved.

3 Consents – None.

4 Main Business

4.1 Stem Cell Research – Dr. Lalande

- Dr. Lalande presented an update on the University’s response to recent State legislation creating a \$100 million pool of funding over the next 10 years to enable human embryonic stem cell research in Connecticut. The State’s Stem Cell initiative allows for human embryonic stem cell research. With the exception of a few existing cell lines. Federal funds cannot support such research. There must be full consideration for the ethical and medical implications of the research and all donors must be volunteers and cannot be remunerated in any way.
- He described the different processes of establishing embryonic stem cell lines, as well as some alternative strategies such as human embryonic stem cells derived by somatic cell nuclear transfer

and adult stem cells. He explained stem cell research being conducted at UConn currently, and some of the areas of success (somatic cell nuclear transfer for establishing embryonic stem cell lines in several animal models; understanding the control of lineage decisions in stem cells; production of embryonic stem cell lines from normal and mutant mice; tagging the lineages of adult stem cells in living mice).

- A proposal to create a University of Connecticut Stem Cell Institute is under development and will bring together current expertise across the University. Academic leaders from both campuses are serving on the planning and working group and Bruce Carlson is serving as the administrative liaison to them.
- As part of the first phase, they are requesting from the University scientific start-up for a core laboratory of 3-4 scientists dedicated to the production, culture, and differentiation of embryonic stem cells. They will solicit the faculty for research proposals for the application to the State Stem Cell Fund and would like to be able to send out an ad to recruit a director later in the fall. Some 'start up' funds are available in the '06 budget, but more planning must take place to establish the governance of the Center, to secure its space and to identify complete funding.

5 CEO's Report

- Dr. Deckers referred the members to the sections in his report on education and administration. Presented the following demographics for the School of Medicine class of 2009: women comprise 71 percent of new matriculants; average age is 23.5; 76 percent are Connecticut residents; 23 percent are members of underrepresented minority groups, and 14 percent are Asian.
- He presented the following demographics for the School of Dental Medicine class of 2009: Out of 42 students, 16 are females and 12 (or 29 percent) are underrepresented minorities; average science GPA is 3.48 and average total GPA is 3.49. Teaching labs have been renovated.
- Also, working with the Board's mandate that we teach our residents and medical students how to be safe, planning is underway to develop a high fidelity simulation center for teaching and assessment which will complement the clinical skills assessment center.

6 Academic Affairs Subcommittee Report – Dr. Burrows

- Dr. Burrow presented a report on the last meeting of the subcommittee on September 7. At that time the subcommittee approved the annual reports for the following Endowed Chairs: Infectious Diseases/AIDS Research, Transfusion Medicine, and Human Genetics. The funding for these chairs was provided by the State Legislature and annual review by the Board of Trustees is required. One of the common themes in these reports was concern for decreased Federal funding.
- The subcommittee also reviewed and approved a number of recommendations for the awarding of academic tenure and promotion and one emeritus appointment. A sabbatic leave request was tabled pending more information about the source of funding. The recommendation for promotion

to senior rank for Dr. Dorsky was tabled pending additional information. In the presentation, it was indicated that the department chair wasn't asked to explain why he hadn't nominated the candidate for promotion. The subcommittee also wanted more information concerning the alternative route used for nomination.

7 Clinical Affairs Subcommittee Report – Dr. Strongwater

- Dr. Strongwater presented a report on the last meeting of the Committee on September 13. Management has initiated a planning process compliant with both earning the Baldrige award as well as meeting JCAHO accreditation requirements. This meeting was devoted to issues related to strategic planning.
- JDH has two pending Certificates of Need: one for the cardiac catheter lab / electrophysiology suite and a letter of intent for seven additional beds in the intensive care unit.
- A new summary report format has been developed for reporting to the BoD on a quarterly basis (page 12 of the meeting materials.). We have seen some recent drop in clinical volume over the summer that in part is due to physician turnover and medical leaves and the very high increases seen in certain areas last year (i.e. they are somewhat down this year but still substantially higher than the previous year.)
- Faculty retention can be a problem given the level of compensation available elsewhere. A revised clinical compensation plan will be brought to Board later.
- There was a report from Dr. Robinson about the status of the clinical dental program and progress that has been made.
- Dr. Galvin stated his belief that Dr. Strongwater's efforts have been outstanding in establishing a culture of safety in patient care.

8 Finance Subcommittee Report – Ms. Leonardi

Ms. Leonardi presented the report of the Financial Affairs Committee.

- The Hospital's risk management program was assessed by consultants. They found a number of positives, including our patient safety activities, but also found that connectiveness between units does not always exist. A more pro-active emphasis would be beneficial.

8.1.1 Un-audited Year End Report

- Un-audited results for FY '05 were reviewed. The hospital was profitable; but the dental clinics and UMG had losses. UMG's losses were related to expense reallocations (\$400k of human resources costs and \$700k of malpractice costs.) Our research revenues were below projections primarily due to a leveling off the NIH budget. Departments are utilizing cash reserves and therefore the increased expense costs in FY '05 were unbalanced by revenues which were posted in previous years.

- The Board discussed future trends in revenues. It will be harder and harder to obtain new NIH grants. Medicare reimbursements are not likely to increase at inflationary levels and may decrease for physician services. Utility costs are likely to climb in '06.

8.1.2 Revised FY06 Operating Budget

- A revised operating budget was presented. Two major changes occurred after the '06 budget was approved by the Board: a) Our State appropriation was \$1.1 million more than anticipated, and b) the fringe benefit rates set by the State resulted in a savings to UCHC of \$1.3 million.
- The revised budget anticipates less clinical volume than originally projected, higher utility costs, and provides for start up funding for stem cell research in response to the \$100 million allocated by the Legislature for this kind of research over the next 10 years.
- The Board discussed several issues:
 - The relative unpredictability of the fringe benefit rates set by the State each year.
 - The on-going costs to support the stem cell initiative
 - The need to invest in stem cell research and its potential importance to future health.

The following resolution was unanimously approved: **“That the Board of Trustees approves the Revised University of Connecticut Health Center Spending Plan for the Fiscal Year 2006.”**

8.1.3 Administrative Support Building Renovations

- Previously the BoD approved a \$7.5 million renovation of this building from administrative to clinical use. Since then, the decision was made that it would be better to move the current data center out of this building, add a GI suite to the plan, and to include the costs of the equipment needed in the building. In addition, new University polices require the contingency fee be raised from 5% to 12%. This would increase the total cost to \$13 million. It is important to note that this increase is not due to cost-overruns or corrections of code violations
- The mechanism for financing would be for UCHC to lease the building to the Finance Corporation (FC) and for the FC to borrow the necessary funds secured by a master lease agreement of UCHC back for renovated space.
- Five areas that will occupy the Medical Services Building are ENT, ophthalmology, dermatology, urology, and the GI suite. The net new marginal revenue for these services is \$2.5 million. The overall return on investment is expected to be ~ 6%/year.
- The Board expressed its concern that these plans are contingent on successful recruitment of physicians in the disciplines occupying the building. The national reputation of the units being housed in the building may make recruitments more likely. The actual mortgage rate (currently about 5.7%) might be better than that used in the financial models (7%).

The following resolution was unanimously approved: **“That the Board of Directors authorizes the University of Connecticut Health Center (UCHC) to contract with the University of Connecticut Health Center Finance Corporation (UCHCFC) on behalf of the Clinical Enterprise, to renovate the Administrative Services Building for clinical use; and further that the Board of Directors authorizes UCHC to execute and deliver such documents and to take or cause to be taken such actions as are necessary or advisable to make said renovation, and to contract with the UCHCFC to (i) lease the building and development rights to UCHCFC, (ii) enter into a mortgage to finance the full cost of renovation of the building and related expenses in an amount not to exceed \$13,000,000, (iii) to execute a long term master lease from UCHCFC to UCHC for the entire building, and (iv) enter into such related agreements and/or transactions as may be necessary or advisable to purchase, plan, implement, renovate and occupy the building.”**

8.1.4 Corrections Managed Health Care Memorandum of Understanding

- The Finance Subcommittee reviewed the draft CMHC MOU. This document contains far more detail than the current agreement. A consistent concern is that UCHC be held harmless and a DOC desire to hold back payment to ensure accountability. Use of more regular joint committees with DOC may alleviate their concern about accountability. This MOU will be brought back to Finance and the BoD for approval later this year. The current contract has been extended until then.

8.1.5 Renewal of the Lithotripsy contract:

- The following resolution was unanimously approved: **“That the UCHC Board of Directors recommend to the UCHC Finance Corporation Board of Directors to approve an Amendment to the Operating Agreement for Greater Hartford Lithotripsy, LLC, of which UConn Health Center Finance Corporation is a Member on behalf of each John Dempsey Hospital and UConn Medical Group, to extend the term specifying that termination will occur in accordance with the Dissolution provisions of the Article IX of the Agreement.”**

9 Other Subcommittee Reports

- The Joint Audit and Compliance Subcommittee Report was presented by Ms. Leonardi. The subcommittee discussed the report of the Governors Commission released in early September. She will be attending a meeting and giving a full report. Other internal reports were presented with no significant problems noted. The Connecticut state public auditors presented their findings on the Health Center. One concern was that the Dental School only has about 40 percent of their class as State residents. Dr. Deckers will show how the Dental School benefits the State above and beyond subsidizing students. There were concerns about the procurement process of the Finance Corporation which at times doesn't go through

an open advertising and bidding process, which could result in higher costs. Mike Walker will be providing the BoD a status report on audit and compliance at the December meeting of the Board.

- Dr. Deckers made the following comments. The hospital made \$8.5 million last year. Our sources of money are the Hospital and philanthropy. To be successful, we need an improved hospital to provide the capacity to make more money than we currently are on the hospital side. Also have to start looking at different ways of achieving expense reductions.

The meeting was adjourned at 12:38 p.m.

Respectfully submitted,

Peter J. Deckers, M.D.

Attendees

J. Bigos, G. Burrow, P. Deckers, R. Galvin, A. Gnazzo (by phone), J. Goldberg, J. Haberland, R. Hennessey, N. Hutson, L. Jacobs, C. Leonardi, R. Samuels, S. Strongwater

MATERIALS DISTRIBUTED AT THE MEETING:

UConn Health Center 2005 Clinical Annual Report
University Dentists – Past, Present, Future

NEXT MEETING

RETREAT

November 10, 2005

Simsbury Inn

10:00 am – 8:00 pm