

Minutes of the University Health Care Committee
University of Kentucky Board of Trustees
Thursday, February 20, 2025

The University Health Care Committee of the Board of Trustees of the University of Kentucky (UK) met on February 20, 2025, in the Gatton Student Center, Harris Ballroom.

A. Meeting Opened

Bob Vance, chair of the University Health Care Committee called the meeting to order at 3:48 p.m.

B. Roll Call

The following members of the University Health Care Committee were in attendance: Alex Boone, Ray Daniels, Ron Geoghegan, Brenda Baker Gosney and Bob Vance; Community Advisory members Jennifer Barber, Luther Deaton, Josh Proffitt and Barbara Young.

C. Approval of Minutes

Chair Vance stated that the minutes of the December 3, 2024 meeting had been distributed and asked for a motion. Trustee Gosney moved approval, and Trustee Boone seconded the motion. The motion carried without dissent. (See meeting minutes on the Board of Trustees website, www.uky.edu/Trustees, under “Agenda”.)

D. Executive Vice President for Health Affairs (EVPHA) Update

Programmatic Growth – Cardiovascular Health Service Line

Provost and Co-Executive Vice President for Health Affairs Robert DiPaola began the meeting with a discussion of ongoing efforts to improve patient care through structured, multidisciplinary programs. The focus was on organizing care into service lines, bringing together multiple disciplines to address complex patient needs. Previous examples, such as the cancer center, were used to illustrate this approach. The goal is to streamline care by unifying various specialties under one umbrella, making it easier for patients to navigate the healthcare system, particularly those with complex conditions such as cardiovascular disease.

The introduction of the cardiovascular health service line was highlighted as a significant step forward. This initiative aims to provide comprehensive care from prevention to advanced treatments, including cardiac transplant, ensuring that patients receive the necessary care within Kentucky without having to leave the state. The service

line will also improve access to care and enhance the patient experience by simplifying navigation across multiple specialties, all of which are connected under the cardiovascular umbrella.

The strategic refresh initiated two years ago continues to guide these efforts. Three main priorities from the refresh were emphasized:

1. Advanced Subspecialty Care: Ensuring that no patient needs to leave Kentucky for advanced care, especially in areas like organ transplantation and cardiac services.
2. Taking Care of Our People and Partners: Expanding access to care and addressing issues such as appointment wait times and coordination of services.
3. Distinction in Academic Health: Integrating cutting-edge research into patient care, so patients have access not only to standard treatments but also to the latest advancements in medical procedures and therapies.

The importance of structured service lines in providing high-quality, patient-centered care was emphasized. For example, in the case of cardiovascular care, patients may need to see a cardiologist, cardiac surgeon and specialists for imaging and rehabilitation. The service line model will help streamline these interactions, improving coordination and ensuring that care is personalized and timely.

Dr. DiPaola also addressed the growing complexity of cardiovascular care, with more procedures and therapies emerging at a rapid pace. Patients are increasingly sicker and often present with multiple conditions, which requires a coordinated approach across specialties. The goal of the service line is to manage this complexity while expanding capacity to meet the increasing demand for care.

Another key point was the alignment of resources and recruitment efforts. As the cardiovascular service line expands, it will require more specialized staff, including nurses, technicians and surgeons. The model will allow for more effective recruitment and ensure that all team members are aligned with the program's goals, improving patient care and outcomes.

Several areas within cardiovascular care were identified as critical components, including cardiac rehabilitation, stress testing, arrhythmia work, heart failure clinics and

cardiac transplant programs. The service line model aims to bring these disciplines together, allowing for more effective decision-making and comprehensive care.

Additionally, the need for a multidisciplinary cardiovascular health board was discussed. This board will focus on complex cases, bringing together specialists from various disciplines to provide a comprehensive, team-based approach to patient care. Similar to the tumor boards used in cancer care, this initiative will ensure that all perspectives are considered when making treatment decisions, ultimately benefiting patients by providing them with tailored, expert-driven care.

The meeting concluded with a focus on capacity building. As the state's leading academic health system, UK HealthCare (UKHC) is committed to expanding its capabilities to meet the needs of the growing patient population. This includes increasing bed and operating room capacity, recruiting more specialists and ensuring that care is delivered efficiently and effectively.

Overall, the launch of the Cardiovascular Health Service Line marks a significant step forward in transforming care delivery at UKHC. Through structured, multidisciplinary collaboration, the institution aims to provide top-tier cardiovascular care to patients across the state, improve access to services and lead the way in advanced research and education.

E. Financial and Operational Update

Executive Vice President for Finance and Administration and Co-Executive Vice President for Health Affairs Eric Monday welcomed and introduced UKHC's newest member of the executive leadership team, Tim Slocum.

Mr. Slocum began by expressing his excitement about serving at UKHC and his enthusiasm for working with the team. He highlighted the privilege of working with the Committee and shared an overview of key operational indicators through December.

Slocum first addressed the Average Length of Stay (ALOS) metric, emphasizing its importance as a measure of efficiency. He reported that the year-to-date budget target was 7.3 days, and the actual figure for the year-to-date was 7.31 days, which is very close

to the target. However, he noted that the ALOS in December increased to 7.64 days, primarily due to the discharge of several long-stay patients. Despite this, the team is focused on managing resources efficiently.

Next, Slocum presented data on Total Discharges, stating that UKHC has exceeded the budget by approximately 1,000 discharges through December, indicating a high volume of patient activity. The Case Mix Index (CMI), which measures patient acuity, was also discussed, showing a year-to-date value of 2.25, slightly higher than the budget target of 2.23. This indicates that UKHC is treating patients with higher acuity, in line with its focus on complex care.

Moving on to Relative Value Units (RVUs), Slocum shared that the year-to-date budget target was just under 2.9 million RVUs, and the actual figure was nearly 3 million. This signifies strong physician productivity across the system, supporting the increased patient volume and demand for services.

Slocum also touched on Inpatient Cases, reporting that UKHC is exceeding its budget for inpatient surgeries, with operating rooms remaining busy. On the Outpatient Surgery Cases, he indicated that while the system is slightly behind budget by 114 cases, the overall surgical numbers are still exceeding expectations through December.

Regarding Ambulatory Clinic Volumes, Slocum highlighted that UKHC is surpassing its budget with 752,000 visits year-to-date, compared to the target of 707,000. This reflects strong performance in outpatient services and a high volume of clinic visits.

Lastly, Slocum addressed Emergency Department (ED) Cases, noting that the total number of ED visits is just shy of the budget target of 67,000. However, he pointed out that the department has seen over 1,000 more patients compared to the same period last year.

Slocum concluded his presentation and opened the floor for any questions from the Committee.

Craig Collins, Chief Financial Officer, addressed the Committee presenting the financial results for the first six months of the FY25 for UKHC and the UKHC Enterprise. Collins began by providing a breakdown of the UKHC income statement. For the first six months of FY25, the total net income was \$98.1 million, which was \$1.2 million greater than budgeted. However, net patient revenue was \$17.7 million less than the budget due to changes in payer and patient mix, particularly a shift in governmental payers like Medicare and Medicare Advantage, as well as changes in the medical and surgical mix.

On a positive note, other revenue exceeded budget by \$13.4 million, driven by increased sales and services from the retail and specialty pharmacy, which has expanded across the Commonwealth. Total operating expenses were \$1.9 million higher than budgeted, primarily due to increases in drug and pharmaceutical expenses, which correlated with higher pharmacy revenues. Additionally, there were increases in purchased services related to business development functions. Collins noted that investment income was favorable, totaling \$56.6 million, which was \$3.8 million above the budget, while enabling transfers exceeded the budget by \$2.6 million. The net margin for the first six months stood at 5.2%.

When comparing the results to the previous year, Collins pointed out a \$135 million differential in the bottom line, largely attributed to variable expenses, especially in drugs and pharmaceuticals. He also highlighted an increase in physician productivity, facilitated by funds flow from the organization to the College of Medicine, totaling about \$27 million. Another new line item for this year, "enabling projects," was introduced to fund essential projects, such as the new addition to Chandler Hospital and other infrastructure projects like the research facility relocation and new power plant.

Moving on to the results for Royal Blue Health LLC in Ashland, Collins reported a net income of \$34.5 million, exceeding the budget by \$99.7 million. Their total net revenue was 2.3% above budget, and operating expenses were 1.9% higher, largely due to increased benefit expenses and outsourced physician fees, particularly in emergency services and radiology. Royal Blue Health's investment income was favorable, exceeding the budget by \$7.5 million.

For Claire Blue Health LLC, Collins shared that their first six months resulted in a net income of \$1.9 million, slightly under budget by \$8,000. Despite operating expenses rising by \$4.5 million due to pharmacy expansion and the hiring of new specialty staff, Claire Blue Health saw growth in retail and specialty pharmacy revenue. Their investment income also had a positive impact on their bottom line.

When consolidating the results for the entire UKHC Enterprise, Collins reported a total net income of \$134.6 million, \$8.6 million greater than budget, with a net margin of 5.3%.

Trustee Gosney asked for clarification regarding the changes in payer mix, specifically whether the shift involved more Medicare and less Medicaid. Collins confirmed that there has been an increase in Medicare, particularly Medicare Advantage, which presents challenges in certification and payment authorizations. At the same time, there has been a slight reduction in Medicaid visits, attributed to new enrollment processes and changes within the Medicaid program, though the impact has not been drastic.

The meeting concluded with an invitation for further questions, but no additional questions were raised.

FCR 9 Improve Building Systems – UK HealthCare Capital Projects

The recommendation that the Board of Trustees approve the initiation of the Improve Building Systems – UK HealthCare capital project.

This project will include multiple needed improvements to building systems on the UKHC Chandler Campus. These improvements include replacement of two air handlers, a water heater in Pavilion A and an HVAC system located in the nursing bridge of the Kentucky Clinic.

This \$6,500,000 capital project, authorized by the 2024 Kentucky General Assembly falls within the total legislative authorization of \$75,000,000 and will be funded using agency funds.

Trustee Geoghegan made a motion to recommend approval of FCR 9. Trustee Gosney seconded the motion. The motion carried without dissent.

FCR 10 Improve Medical Facility 3 – King’s Daughters Medical Center (Health Park) Capital Project

The recommendation that the Board of Trustees approve the initiation of the Improve Medical Facility 3 – King’s Daughters Medical Center (Health Park) capital project.

UK King's Daughters requires additional medical offices to accommodate the current and expanding patient population. On April 25, 2024, the Board approved the acquisition of the Health Park (formerly Bellefonte Centre) at 1000 Ashland Drive, Ashland, Kentucky. This project will fit out approximately 11,000 square feet of unused space in the Health Park for additional medical offices to better accommodate the growing integrative practices.

This \$3,500,000 capital project, authorized by the 2024 Kentucky General Assembly falls within the total legislative authorization of \$20,000,000 and will be funded using agency funds.

Trustee Daniels made a motion to recommend approval of FCR 10. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 11 Construct Medical Facility – King's Daughters Medical Center (Medical Office Building) Capital Project

The recommendation that the Board of Trustees approve the initiation of the Construct Medical Facility – King's Daughters Medical Center (Medical Office Building) capital project. This project will construct a medical office building in Greenup, Kentucky. UK King's Daughters requires additional medical offices to accommodate its current and expanding patient population. The new facility will include space for a Family Care Center and an Urgent Care Center to serve patients in Greenup and surrounding counties.

This project, authorized by the 2024 Kentucky General Assembly, is not expected to exceed \$7,000,000 and is within the total legislative authorization of \$100,000,000. This project will be funded with agency funds.

Trustee Geoghegan made a motion to recommend approval of FCR 11. Trustee Gosney seconded the motion. The motion carried without dissent.

Privileges and Appointments

Executive Chief Medical Officer Christopher DeSimone presented the list of providers from the UKHC Medical Staff for privileges and appointments. Trustee Gosney made a motion to approve the list. Trustee Boone seconded the motion, and it passed without dissent.

F. Other Business and Adjournment

Chair Vance called for new or other business that needed to be brought before the University Health Care Committee or questions for the presenters. Hearing no further business, the meeting was adjourned at 4:45 p.m.

Respectfully submitted,
Leigh Bays Donald
University Health Care Committee Secretary