REGULAR MEETING OF THE BOARD OF MANAGERS

Tuesday, May 26, 2009
6:00 p.m.
Board Room, University Center for Community Health
701 S. Zarzamora
San Antonio, Texas

MINUTES

BOARD MEMBERS PRESENT:

Robert L. Jimenez, M.D., Chair
Ira Smith, Secretary
Robert Engberg
Alex Briseño
Rebecca Q. Cedillo

BOARD MEMBERS ABSENT:

James R. Adams, Vice Chair
Linda Rivas

OTHERS PRESENT:

George B. Hernández, Jr., President/Chief Executive Officer, University Health System
Tricia Aleman, Director, Corporate Communications & Marketing, University Health System
David Beal, Vice President/Chief Financial Officer, Community First Health Plans, Inc.
Francine Crockett, Vice President, Supply Chain Management, University Health System
Peggy Deming, Executive Vice President/Chief Financial Officer, University Health System
Theresa De La Haya, Vice President, Prevention & Community Health, University Health System
Steve Enders, Senior Vice President, Ambulatory Services, University Health System
Roe Garret, Vice President/Controller, University Health System
Glenn Halff, M.D., Interim Dean, School of Medicine, UTHSCSA
Kevin Hart, Interim Director, Radiology Services, University Health System
William Henrich, M.D., F.A.P.A., Interim President, UTHSCSA
Michael Hernandez, Attorney, Director, Contract Compliance & Administration, Facilities Development & Project Management
Sherry Johnson, Integrity Officer, University Health System
Luci Leykum, M.D., Assistant Professor, Department of Medicine/Hospital Medicine, UTHSCSA
Leni Kirkman, Executive Director, Corporate Communications, University Health System
Cervando Martinez, M.D., Professor, Department of Psychiatry, UTHSCSA
Karen McMurry, Vice President, Legal Services & Risk Management, University Health System
Gary McWilliams, M.D., Senior Executive Vice President/Chief Ambulatory Services, University Health System
CALL TO ORDER AND RECORD OF ATTENDANCE: ROBERTO L. JIMENEZ, M.D., CHAIRMAN, BOARD OF MANAGERS

Dr. Jimenez called the meeting to order at 6:10 p.m.

INVOCATION

Ms. De La Torre introduced Ms. Shirley Johnson for the invocation, and Dr. Jimenez led the pledge of allegiance.

CTIZEN PARTICIPATION:

Mr. Charles Curth read a complaint filed by his wife, Sylvia Curth, with the Texas Medical Board against a UT Medicine practitioner at University Hospital. Mrs. Curth provided written copies of the complaint to Mr. Hernandez and Dr. Jimenez. A copy will be maintained as part of the Board minutes dated May 26, 2009.

APPROVAL OF MINUTES OF PREVIOUS MEETING OF THE BOARD OF MANAGERS:

APRIL 21, 2009:

SUMMARY: The minutes of the Special Board of Managers meeting of April 21, 2009 were presented for approval.

RECOMMENDATION: Dr. Jimenez recommended approval of the minutes as submitted.

ACTION: A MOTION for approval of the minutes was made by Mr. Smith, SECONDED by Mr. Briseño, and PASSED UNANIMOUSLY.

EVALUATION: None.

FOLLOW-UP: None.

APRIL 28, 2009:

SUMMARY: The minutes of the Regular Board of Managers meeting of April 28, 2009 were presented for approval.
RECOMMENDATION: Dr. Jimenez recommended approval of the minutes as submitted.
ACTION: A MOTION for approval of the minutes was made by Mr. Briseño, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY.
EVALUATION: None.
FOLLOW-UP: None.

REPORT FROM THE PRESIDENT OF THE HEALTH SCIENCE CENTER – BILL HENRICH, M.D.:

SUMMARY: Dr. Henrich reported on this year’s commencement exercises for the five respective schools: School of Medicine, School of Nursing, Dental School, Graduate School of Biomedical Sciences, School of Health Professions. Dr. Halff thanked Mr. Hernandez for participating again this year as a member of the School of Medicine’s platform party. Dr. Henrich updated the Board of Managers with information on the next Board of Regents meeting, which is scheduled for June 18, at which time they are expected to officially name the next UTHSCSA President. Dr. Halff introduced the physician leaders present.

RECOMMENDATION: None.
ACTION: None.
EVALUATION: None.
FOLLOW-UP: None.

NEW BUSINESS

Consent Agenda – Dr. Jimenez

**Action Items:**

1. Report from the Medical/Dental Staff – Nicolas Walsh, M.D., President, Medical/Dental Staff
   (a) Consideration and Appropriate Action Regarding Medical/Dental Staff Recommendations for Staff Membership

2. Consideration and Appropriate Action Regarding a Resolution in Support of the Medicaid Graduate Medical Education Reimbursement Initiative and Work Plan – Karen McMurry

3. Consideration and Appropriate Action Regarding Re-Appointments to the University Health System Board of Pension Plan Trustees – Dr. Jimenez for Jim Adams

4. Consideration and Appropriate Action Regarding Purchasing Activities (See Attachment A) – Francine Crockett

**Information Only**

1. Report on the 81st Texas Legislature – Andrew Smith

RECOMMENDATION: Staff recommended approval of the action items listed on the consent agenda.
ACTION: A MOTION for approval of the items listed on the consent agenda was made by Mr. Briseño, SECONDED by Ms. Cedillo, and PASSED UNANIMOUSLY.

EVALUATION: The Board asked for additional information regarding the proposed Resolution in Support of the Medicaid Graduate Education Reimbursement Initiative and Work Plan. Mr. Hernandez explained that University Health System, along with several other teaching hospitals in the state, seeks to have its graduate medical education costs re-calculated and reimbursed by an amount that was previously underpaid for years 1998-2001. In 1992, a precedent was established by Dallas County Hospital District when it successfully sued the Health & Human Services Commission, the agency responsible for determining the method of disbursement of Medicaid funds, including GME costs, for certain years. The amount currently at stake has been estimated to be $822 million. Staff is cautiously optimistic that this matter will be amicably and favorably resolved within the next several months; however, in the event that does not happen, outside council has asked for a Board Resolution which authorizes the President/CEO, or his designee, to take whatever action is necessary, including litigation, to conclude his matter.

Mr. Smith expressed concern that the Resolution authorizes the President/CEO to pursue any/all legal remedies available to seek reimbursement without further consulting the Board of Managers. Mr. Smith requested that the Resolution be amended to reflect that the Board of Managers wishes to be fully briefed prior to pursuing any legal action against the Texas Health & Human Services Commission.

In addition, Mr. Smith wishes to better understand the medical/dental staff credentialing and verification process and therefore requested a written copy of the process. Dr. Halff will relay this message to Dr. Walsh who was not in attendance this evening.

Mr. Andrew Smith was asked to elaborate on state budget issues still being addressed by the 81st Legislature specifically, funding to increase the annual production of registered nurse graduates.

FOLLOW-UP: The Resolution in Support of the Medicaid Graduate Education Reimbursement Initiative and Work Plan will be amended as requested by Mr. Smith. Mr. Hernandez will forward a written copy of the credentialing and verification process to Mr. Smith as he requested.

NEW BUSINESS:

ITEMS RELATED TO PLANNING & OPERATIONS – IRA SMITH, CHAIR, PLANNING & OPERATIONS COMMITTEE
UPDATE ON CAPITAL IMPROVEMENT PROGRAM ACTIVITIES – GEORGE HERNANDEZ/ MARK WEBB

SUMMARY:
Mr. Webb provided the following update of progress made since the last Capital Improvement Program report to the Board of Managers in April, 2009:

CIP Enabling Projects
Staff is continuing to evaluate various building/site modifications and changes in an effort to minimize the impacts on hospital operations and patient inconvenience, as well as maximize staff efficiency during construction of the CIP projects.

Patient and Visitor Parking
The Facilities Development team is continuing to plan for staff parking needs during construction. A lease for property that will accommodate approximately 600 parking spaces will be presented for Board of Managers consideration next month; it was approved by the Board of Methodist Healthcare Ministries earlier today.

Consultant Services

UH Construction Manager – On May 1, 2009, the process began for selecting the Construction Manager that will lead the construction efforts at the UH Campus. Submittals to the Request for Qualifications are due June 1, 2009. The evaluation committee will review the submittals and interview firms to determine a shortlist of firms to receive a Request for Proposal (second phase of the selection process). It is anticipated the evaluation process will be completed in July with a recommendation to the Board of Managers in July or August.

Materials Handling & Distribution – The firm of Lerch Bates is continuing their efforts to establish the space and systems parameters related to materials handling, distribution, and disposal requirements of the project.

Information Technology – The firm of RTKL is continuing their efforts to establish the space and systems parameters related to the information technology requirements of the project.

UHCD Architectural/Engineering Services - On April 28, 2009, the Board of Managers approved the following four firms to compete in the UHCD campus Design Challenge.

- Anshen + Allen with local architectural firms Lake Flato, Alamo Architects, O'Neil Conrad Oppelt, and Lopez Salas
- Marmon Mok and Chesney Morales with HOK
- Page Southerland Page
• RTKL with local architectural firms Overland Partners and Paul Anthony

The firms participated in a design charrette with the evaluation committee on May 21 and will submit their conceptual design responses in early June. The Design Challenge evaluation process should be completed after the design team presentations on June 15 & 16, with a recommendation presented to the Board of Managers on June 23.

UH Architectural/Engineering Services – On May 4, 2009, the three firms (listed below) competing in the UH campus Design Challenge delivered their design concepts and made presentations to the evaluation committee on May 11 & 12. On May 19, the Board of Managers approved the team of Perkins + Will to provide Architectural/Engineering Services for the hospital site.

• Anshen + Allen with local architectural firms Lake Flato, Alamo Architects, O'Neill Conrad Oppelt, and Lopez Salas

• Perkins + Will with local architectural firms Garza/Bomberger, RVK, and Richard Sanchez

• RTKL with local architectural firms Overland Partners and Paul Anthony

**Food Service Consultant** – On May 1, four submittals for the Food Service Consultant Request for Proposals were received. An evaluation committee reviewed the responses and interviewed three firms on May 19. The evaluation process has been completed and a recommendation to the Board of Managers will be presented in June.

The scope of services for the consultant involves developing a comprehensive plan for food services, including production delivery method options, operational and business planning, facility requirements, and other services associated with determining the most appropriate course of action in food service for UHS.

**Communications**

The Target 2012 Newsletter is receiving positive feedback on the new Question and Answer section. The next issue will include a link to photographs of the selected UH Design Challenge submission.

**RECOMMENDATION:** This report was provided for informational purposes only. No action was requested.

**ACTION:** None.

**EVALUATION:** Mr. Smith expressed concern over the many recent and upcoming purchasing opportunities tied to the capital improvement project and the lack of an official statement by the Board of Managers regarding the findings of the San Antonio Regional Business Disparity Causation
Analysis Study. Mr. Briseño reiterated the Board’s position to encourage, promote and increase participation of Small, Minority, and Women-owned Business Enterprises (SMWBE) as being high priority. Although a major contract was recently awarded to the nationally acclaimed firm of Perkins & Will, the Board of Managers strongly encouraged the firm to subcontract and/or joint venture with local firms. Mr. Hernandez assured Mr. Smith that staff is keenly aware of the Board’s position to provide contracting opportunities and remove barriers that may minimize opportunities for SMWBE vendors to do business with the Health System.

Mr. Webb described a process within his department to encourage local SMWBE participation and to help monitor a vendors’ commitment to subcontract with local vendors and suppliers. The process will help ensure certification, if needed, and will also monitor payments to subcontractors.

Mr. Hernandez reported that the Health System would be joining the County of Bexar in hiring an expert to further examine the findings of the disparity study. He will keep the Board of Managers informed as this item proceeds.

FOLLOW UP: None.

ITEMS RELATED TO BUDGET & FINANCE – ROBERT ENGBERG, CHAIR, BUDGET & FINANCE COMMITTEE

CONSIDERATION AND APPROPRIATE ACTION REGARDING SELECTED PURCHASING ITEMS:

SUMMARY: a. Construction Project Related to Installation of Chillers in Conjunction with the Veteran’s Administration Hospital – Greg Rufe for Richard Rodriguez – This contract provides construction services for the installation of two additional 1,250 ton chillers and all associated materials for the Energy Plant. The Energy Plant, placed into operation in 1996, produces chilled water for air conditioning of the University Hospital and Veterans Hospital (VA). Due to increased demand for chilled water by both facilities, the Energy Plan has reached the point where additional staging and redundancy is required. In accordance with the existing agreement with the VA, the VA will sponsor 42.1% ($730,966) of the construction cost. Capital funds are available for this acquisition which is included as a priority item on the 2009 capital list. The total cost of this project to include construction administration is $1,734,785.

RECOMMENDATION: Staff recommends the Board of Managers approve and authorize the purchase request for Construction Services to L.C. Mosel Company, the lowest bidder, in the amount of $1,003,819 for the installation of the additional chillers at the Energy Plant.
ACTION: A MOTION for approval of this recommendation was made by Mr. Briseño, SECONDED by Ms. Cedillo, and PASSED UNANIMOUSLY.

EVALUATION: Mr. Smith expressed his preference for use of the term “best qualified” as opposed to “lowest bidder” in all purchasing transactions. Mr. Hernandez explained that the appropriate purchasing term, according to Texas statute is “responsible bidder” which means willing and able to perform the requirements in the invitation for bid. The responsible bidder can demonstrate the capacity and willingness to perform the bid and meets the criteria described by the Health System. A vendor is never selected only on the basis of price.

FOLLOW UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING LEASE OF OFFICE SPACE FOR ADMINISTRATIVE STAFF AT UNIVERSITY HOSPITAL IN SUPPORT OF CAPITAL IMPROVEMENT PLAN – GEORGE HERNANDEZ AND MARK WEBB FOR RICHARD RODRIGUEZ

SUMMARY: In preparation for the planned construction at the hospital, certain administrative functions or departments need to be temporarily relocated off campus to facilitate construction and improve access. In general these functions or departments support Health System operations and do not provide direct patient services, hospital staff support, or patient relations activities. The departments recommended for relocation off the hospital site are:

- CEO/CFO offices
- Strategic Planning
- Legal Services
- Finance
- Integrity Services
- Learning and Human Resources
- Governmental Relations, and
- Corporate Communications

These departments represent approximately 75 employees and occupy approximately 14,000 square feet on the first floor of the 1968 and 1981 buildings. All will be impacted by the construction that will take place in front of the hospital as well as the necessary structural reinforcement that would occur on the second floor of the 1981 building for the probable relocation of the MRI function.

The relocation of these functions and department enable the following:

1. An increase of approximately 50 parking spaces at University Hospital;
2. The creation of swing space in support operations during construction at University Hospital; and
3. The ability to relocate the MRI to a suitable clinical location second
floor of the 1981 building.

Staff considered multiple locations in the search process. The following properties were determined as most suitable:

1. Corporate Square – 4801 N.W. Loop 410
2. Citizens Center – 4715 Fredericksburg Road
3. Blanco Plaza – 6609 Blanco Road

Mr. Rodriguez provided a financial analysis of the three properties comparing square footage, lease costs, leasehold improvement allowance and cost to occupy the building. The total square footage includes approximately 700 square feet for a conference room for possible committee and board meetings. Based on the financial analysis, the former Community First leasehold interest at Corporate Square offers the Health System the most favorable terms. Corporate Square offers an effective annual base rate of $15.65 per square foot (inclusive of triple net fees) compared to $15.91 at Blanco Plaza and $17.27 at Citizens Center. This site also provides on site security, management and maintenance staff as well a small café on the first floor. The other properties do not offer these total amenities.

Moving into Corporate Square would cost approximately $418,294 for the new telephone switch, networking cabling, Information System equipment and remodeling above the leasehold improvement allowance. If the Health System moves to either of the other two properties, there will be additional cost to disassemble the existing office cubicles, to transport and to reassemble in the new location. Also, there will be additional cost to install Cat 6 cabling and phone jacks for the new telephone switch. Compared to the other two properties, moving into Corporate Square would save approximately $62,440. Formerly occupied by Community First Health Plans, Corporate Square still houses the office cubicles and is already wired for computer usage. The cost of moving the office cubicles is less at Corporate Square since the relocation would be from the ninth to the tenth floor of the same building.

RECOMMENDATION: Staff recommends that the Board of Managers grant authority to the President/Chief Executive Officer to enter into a lease agreement with Transwestern for the office space located at the Corporate Square Building, 4801 N.W. Loop 410 and to expend additional funds of $418,294 to bring the leased space into operation.

ACTION: A MOTION for approval of this recommendation was made by Mr. Smith, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY.

EVALUATION: Mr. Hernandez anticipates spending a significant amount of time at University Hospital during all phases of the CIP implementation. He assured the Board members that the UHS Data Center and Business Center, as well as the various Family Health Centers, have all reached maximum office space capacity and that this move, which will occur by mid-September, is necessary. This lease is for 69 months, 9 months of
which will be rent-free. The estimated amount of the lease is $1.6 million.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING FINANCIAL STATEMENTS FOR APRIL 2009 – PEGGY DEMING

SUMMARY: In April, activity was down 9.5% for the Clinical Services (as measured based on discharges adjusted for outpatient activity). Community First Health Plans, Inc., fully-insured membership was up 4.9%. From operations, the Health System experienced a $3.8 million gain which was a $3.2 million positive variance from the budgeted gain of $565,000. The positive operating performance resulted from higher operating revenue. Investment income was below budget by $473,000 as actual short term interest rates are at .3% compared to a 2% budgeted return. An unrealized market gain of $26,000 was recorded due to small decrease in interest rates in April. The bottom line for the month reflected a gain of $6.7 million which was %$2.8 million above budget. Included in the above results is CFHP which experienced $435,000 gain from operations ($36,000 below the budgeted gain of $471,000) and a bottom gain of $579,000 ($9,000) less than the budgeted gain) in April. Ms. Deming review notable increases and decreases from the consolidated balance sheet in detail.

RECOMMENDATION: Ms. Deming recommended approval of the financial statements, subject to audit.

ACTION: A MOTION for approval of this recommendation was made by Mr. Engberg, SECONDED by Mr. Briseño, and PASSED UNANIMOUSLY.

EVALUATION: None.

FOLLOW-UP: None.

REPORT ON RESERVES FOR CAPITAL EXPENDITURES – PEGGY DEMING

SUMMARY: Staff has reviewed the provisions related to reserve balances and transfer to reserves for capital expenditures provided under the Reserve Policy (No. 7.0504) and the Funding of Financial Reserves for Capital Expenditures Policy (No. 7.0502). In applying the provisions of these policies and based on audited results for 2008, staff will transfer $50.6 million in cash flow to reserves. Of the amount of the transfer, $5.5 million will need to be transferred to the Emergency Operating Fund to meet the 90 days of cash expenditure level in compliance with the Reserve Policy. The remaining $45.1 million will be transferred to the Capital Needs Fund to address future capital needs in compliance with Policy No. 7.0502.

RECOMMENDATION: This report was provided for informational purposes only. No action was required by the Board of Managers.

ACTION: None.

EVALUATION: None.
FOLLOW-UP: None.

ADJOURNMENT:

There being no further business, Dr. Jimenez adjourned the public meeting at 7:40 p.m.

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Robin L. Jimenez, M.D., F.A.P.A. Ira Smith
Chairman, Board of Managers Secretary, Board of Managers

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Sandra D. Garcia, Recording Secretary