REGULAR MEETING
OF THE BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS

Tuesday, April 24, 2012
6:00 p.m.
University Health System - Texas Diabetes Institute
(formerly known as University Center for Community Health)
701 S. Zarzamora
San Antonio, Texas 78207

MINUTES

BOARD MEMBERS PRESENT:

James R. Adams, Chair
Linda Rivas, Vice Chair
Rebecca Q. Cedillo, Secretary
Roberto L. Jimenez, M.D., Immediate Past Chair
Robert Engberg
Alex Briseño
Ira Smith

OTHERS PRESENT:

George B. Hernández, Jr. President/Chief Executive Officer, University Health System
Bryan Alsip, M.D., Executive Vice President/Chief Medical Officer, University Health System
Tricia Aleman, Director, Marketing, University Health System
Tim Brierty, Chief Executive Officer, University Hospital
Tracy Cotner-Pouncy, Director, Trauma Services, University Hospital
Peggy Deming, Executive Vice President/Chief Financial Officer, University Health System
Theresa De La Haya, Senior Vice President, Community Health and Clinical Preventive Programs,
University Health System
Sergio Farrell, Vice President, Ambulatory Services, University Health System
Andrew Garza, Operations Service Managers, University Family Health Center – North
Roe Garrett, Vice President/Controller, University Health System
Greg Gieseman, President/Chief Executive Officer, Community First Health Plans, Inc., and Vice
President Managed Care, University Health System
William Henrich, M.D., President, The University of Texas Health Science Center at San Antonio
Barbara Holmes, Vice President/Chief Financial Officer, Community First Health Plans, Inc.
Francisco Gonzalez-Señarano, Dean, School of Medicine, UTHSCSA
Michael Hernandez, Chief Legal Officer, University Health System
Sherry Johnson, Vice President/Integrity and Regulatory Services, University Health System
Leni Kirkman, Vice President, Strategic Communications and Patient Relations, University Health System
Gary McWilliams, M.D., Executive Vice President/Chief Ambulatory Services Officer, University Health System
Priti Mody-Bailey, M.D., President, Community Medicine Associates
Mary Ann Mote, Senior Vice President of Operations/Chief Revenue Officer
Kourtney Mosby, Administrative Director, Procurement Services, University Health System
Bill Phillips, Vice President/Chief Information Officer, Information Services, University Health System
Nancy Ray, Senior Vice President/Chief Nursing Officer, University Health System
Richard Rodriguez, Vice President, Facilities, University Health System
Theresa Scepanski, Senior Vice President, Organizational and Strategic Development, University Health System
Christann Vasquez, Executive Vice President/Chief Operating Officer, University Health System
Roberto Villarreal, M.D., Vice President, Community Initiatives, University Health System
Mark Webb, Sr. Vice President, Facilities Development and Project Management, University Health System
And other attendees.

MEMBERS OF THE PRESS:
Don Finley, San Antonio Express News

CALL TO ORDER AND RECORD OF ATTENDANCE:  JAMES R. ADAMS, CHAIR, BOARD OF MANAGERS

Mr. Adams called the meeting to order at 6:04 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Ms. De La Torre introduced Mr. Steve Sewell for the invocation. Mr. Adams led the pledge of allegiance.

CITIZEN PARTICIPATION:  None.

APPROVAL OF MINUTES OF PREVIOUS MEETING(S):  MARCH 20, 2012

SUMMARY:  The minutes of the March 20, 2012 meeting were presented for the Board’s approval.
RECOMMENDATION:  Mr. Adams recommended approval of the minutes as submitted.
ACTION:  A MOTION to approve the minutes as submitted was made by Mr. Engberg, SECONDED by Mr. Briseno and PASSED UNANIMOUSLY.
EVALUATION:  None.
FOLLOW-UP:  None.
REPORT FROM THE PRESIDENT OF THE HEALTH SCIENCE CENTER – WILLIAM HENRICH, M.D.:  

SUMMARY: Dr. Henrich acknowledged the physician leaders present. He informed the Board that Dr. Robert Quinn, the new Chair for the Department of Orthopaedics, an expert in bone oncology, has arrived. He will introduce Dr. Quin at an upcoming Board meeting.

Board members were invited to the School of Medicine’s Commencement Ceremony for the Class of 2012. The ceremony will be held in the Greehey Arena on the campus of St. Mary’s University on Sunday, May 27, 2012 at 2 p.m.

Two hundred twenty (220) physicians will be graduating. This class did a superb job in matching to post graduate positions. Dr. Henrich noted that about 45% of these graduates will stay in Texas, and about 25% will elect to stay in San Antonio. The one person who was not matched elected to do research for a year. This is an important point because medical schools across the country have increased their class size, but the number of graduate medical education positions in the country has not increased. There is more competition for these positions. The fact that all of these students did so well in the match is a compliment to the training they received at University Hospital and to the Medical Deans’ staff for counseling them so well. The students who were matched to San Antonio will arrive in July. This is an exemplary thing because about 65% of the time, where these students train is where they will stay, therefore, it’s to our benefit to attract the best and the brightest medical students.

RECOMMENDATION: This report was provided for information purposes only.

ACTION: None.

EVALUATION: At Dr. Jimenez’s request, Dr. Henrich elaborated on changes to the Medical College Admissions Test (MCAT) which were approved by the Association of American Medical Colleges in February. While we all aspire to seeking those qualities which will result in the most compassionate, caring and competent physicians, the MCAT is a test of ability as measured in standardized testing. The new MCAT, which will be first administered in 2015, will place more emphasis on social and behavioral sciences, critical analysis and reading to analyze areas in ethics and cross cultural studies and humanitarian issues. The new test takes into account important new values in medicine like diversity, with greater focus on health care for the underserved. Before, the test was largely devoted to science and math. The changes are viewed by many as positive, but as sensitive by others because it is not clear whether there will be as much of that kind of knowledge in the population that we want to attract. For example, in the Use of Medicine Report, one of the major conclusions is that to be effective as physicians, the population of physicians should mirror the population they’re treating. If the new test excludes from being qualified, a larger proportion of applicants who come from disadvantaged backgrounds or different cultures, then that will be difficult to reconcile with the recommendation because the number of pupils who will be matriculating in medical school will be
somewhat limited due to test results. This is a concern for educationists across the country and is not anything new. The article that Dr. Henrich referenced appeared in the Sunday, April 22, 2012, New York Times. He feels the article is a fair presentation of the dilemma admissions administrators face as they decide what to do with these limited number of seats in graduate medical education. The School of Medicine at San Antonio has seen a six percent increase in admission applications this year.

FOLLOW-UP: Mr. Hernandez will provide a copy of the MCAT article that appeared in the New York Times to the Board members.

NEW BUSINESS

CONSENT AGENDA – JAMES R. ADAMS

Consideration and Appropriate Action Regarding Medical-Dental Staff Recommendations for Staff Membership – Nicolas Walsh, M.D., President, Medical/Dental Staff

Consideration and Appropriate Action Regarding Appointments/Reappointments to the Board of Directors of Texas AirLife d/b/a/ San Antonio AirLife—Rebecca Cedillo

Consideration and Appropriate Action Regarding 1st Quarter 2012 Investment Report—Roe Garrett/Peggy Deming

Consideration and Appropriate Action Regarding a Resolution in Support of the Designation of University Hospital as a Level II Pediatric Trauma Center—Tracy Cotner-Pouncey/Lillian Liao, M.D., Pediatric Trauma Medical Director/Tim Brierty

Consideration and Appropriate Action Regarding UHS Policy No. 9.20, Stroke Center Program—Johanna Sharp, R.N./Tim Brierty

Consideration and Appropriate Action Regarding Purchasing Activities (See Attachment A) - Francine Crockett

RECOMMENDATION: Staff recommended approval of the items listed on the consent agenda.

ACTION: A MOTION to approve staff’s recommendation for the items listed on the consent agenda was made by Mr. Engberg, SECONDED by Ms. Rivas, and PASSED UNANIMOUSLY.

EVALUATION: Mr. Engberg welcomed Mr. Ira Smith to the Board of Directors of San Antonio AirLife. He wished Dr. Ronald Stewart well and expressed gratitude on behalf of his Board colleagues for the time he has given to San Antonio AirLife. He has been a wonderful Board member. His arms reach much further than AirLife in this area of emergency and trauma care, he is regional. He is an unbelievable person, he has contributed extraordinarily to the causes, one of which is San Antonio AirLife, and in dealing with the treatment of people in medical emergencies. He has accomplished many, many wonderful things and has involved many important associations. His foot print is large and the Board highly regards him as a tremendous and helpful person to move the AirLife program to the stellar position it is today.
Mr. Hernandez echoed Mr. Engberg’s sentiments, adding that Dr. Stewart has served on the AirLife Board for at least 14 years. His leadership is state wide. He is recognized in Austin, in particular, for his trauma program leadership. He gives many, many more hours than he has to, to the State trauma network. The last thing Mr. Hernandez recalled about Dr. Stewart was a Board retreat in 2006 concerning the Master Facility Plan and the trauma tower. At that retreat, Dr. Stewart gave a very passionate plea to the Board to proceed with the MFP and development of a trauma tower. He credited Dr. Stewart’s passion and commitment to the trauma program as one of the reasons the Health System is building a new tower at University Hospital today, not only for Level 1 trauma care but for all of signature services.

Dr. Jimenez asked Mr. Brierty to elaborate on the Resolution in Support of the Designation of University Hospital as a Level II Pediatric Trauma Center, and what the certification means for University Hospital. Mr. Brierty introduced Tracy Cotner-Pouncy, Director of Trauma Services, who explained that certification promotes the advancement of trauma centers in which hospitals provide not only the resources necessary for trauma care, but also the entire spectrum of care to deal with the needs of seriously or critically injured patients. This certification is specific to pediatrics. The children’s burn unit is not part of the trauma program, but it is the Health System’s goal to seek burn certification at a later date. Pediatric volume is at 850 burn and trauma patients per year. Minor trauma is distributed to other facilities but the Health System is the main facility for pediatric trauma. An essential requirement for verification by the American College of Surgeons is a documented statement of support by the Health System’s Board of Managers, as institutional commitment and dedication are critical to the success of a trauma center.

**FOLLOW-UP:** Mr. Adams thanked Ms. Cotner-Pouncy for the information and asked staff to prepare a letter thanking Dr. Stewart for his many accomplishments, but in particular, for his work related to San Antonio AirLife.

**ACTION ITEMS:**

**CONSIDERATION AND APPROPRIATE ACTION REGARDING THE EXTERNAL AUDITOR’S REPORT OF THE AUDITED FINANCIAL STATEMENTS FOR 2011—ERNST & YOUNG/PEGGY DEMING**

**SUMMARY:** Ms. Deming reported that the results of the basic financial statements as of December 31, 2011 were presented earlier today to the Board’s Audit Committee. She yielded the floor to Ms. Connie Baker of the Ernst & Young audit team, who announced to the Board that her team will be issuing an unqualified opinion of the 2011 financial statements.
Ms. Baker noted that there was no material internal control weakness identified during the course of the audit. The audit was conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. In the auditors’ opinion, based on the audits and the report of other auditors (Rinaldo Gonzalez), the financial statements referred to above present fairly, in all material respects, the respective financial position of the University Health System and its discretely presented component units as of December 31, 2011 and 2010, and the respective changes in financial position, and where applicable, cash flows, in conformity with accounting principles generally accepted in the United States.

Ms. Baker also informed the Board that her team continues to receive the full support and assistance of the Health System’s personnel in conducting the audit. She thanked the Board members for the open and candid dialogue earlier today, a critical step in the audit process and in the overall corporate governance process.

RECOMMENDATION: Staff recommended acceptance of the 2011 audited financial statements and audit results.

ACTION: A MOTION to approve staff’s recommendation was made by Mr. Engberg, SECONDED by Mr. Briseno, and PASSED UNANIMOUSLY.

EVALUATION: None.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING SELECTED PURCHASING ITEMS RELATED TO THE CAPITAL IMPROVEMENT PROJECT:

BOOTH CAMPUSES:

CONSIDERATION AND APPROPRIATE ACTION REGARDING CONTRACTS FOR THE PURCHASE OF FURNITURE FOR THE NEW HOSPITAL TOWER AND CLINICAL SERVICES BUILDING AT ROBERT B. GREEN CAMPUS WITH THE FOLLOWING VENDORS: BROUSSARD GROUP, OFFICE SOURCE, SPENCER COMPANY, TEXAS WILSON, WITTIGS OFFICE INTERIORS, AND WORKPLACE RESOURCE - MARK WEBB

SUMMARY: This purchase order provides furniture to outfit the new University Hospital tower and clinical services building and the Robert B. Green campus. Proposed pricing does not include the cost for furniture in the shelled areas of the tower, Market Place, gift shop, and future renovation spaces as the scope of these areas are still being defined. However, through this competitive bid, the pricing structure has been established allowing for more accurate budgeting. Funding is available through Bond Proceeds for a total of $3,517,924. Components of this vendor award are $2,322,309 for the University Hospital Tower, and $1,195,615 at Robert B. Green. OfficeSource, LTD is classified as a local Small, Woman-Owned Business Enterprise (SWBE), Historically Underutilized
OfficeSource has an Affirmative Action Plan or Policy in effect, and has a total of 28 employees. The Workforce Composition Data was reviewed with the Board.

This purchase order provides furniture to outfit the new University Hospital tower and clinical services building and the Robert B. Green campus. Proposed pricing does not include the cost for furniture in the shelled areas of the tower, Market Place, gift shop, and future renovation spaces as the scope of these areas are still being defined. However, through this competitive bid, the pricing structure has been established allowing for more accurate budgeting. Funding in the amount of $1,782,947 is available through Bond Proceeds. Components of this vendor award are $1,636,508 for the University Hospital Tower, and $146,439 at Robert B. Green. Workplace Resource, LLC is classified as a local Small, Woman-Owned Business Enterprise (SWBE), Historically Underutilized Business (HUB). Workplace Resource, LLC has an Affirmative Action Plan or Policy in effect, with a total of 78 employees. The Workforce Composition Data was reviewed with the Board.

This purchase order provides furniture to outfit the new University Hospital tower and clinical services building and the Robert B. Green campus. Proposed pricing does not include the cost for furniture in the shelled areas of the tower, Market Place, gift shop, and future renovation spaces as the scope of these areas are still being defined. However, through this competitive bid, the pricing structure has been established allowing for more accurate budgeting. Funding is available through Bond Proceeds. Components of this vendor award are $965,858 for the University Hospital Tower, and $266,086 at Robert B. Green. Broussard Group has an Affirmative Action Plan or Policy in effect. It is classified as a local Small Business Enterprise (SBE), and has a total of 31 employees. The Workforce Composition Data was reviewed with the Board.

This purchase order provides furniture to outfit the new University Hospital tower and clinical services building and the Robert B. Green campus. Proposed pricing does not include the cost for furniture in the shelled areas of the tower, Market Place, gift shop, and future renovation spaces as the scope of these areas are still being defined. However, through this competitive bid, the pricing structure has been established allowing for more accurate budgeting. Funding in the amount of $113,068 is available through Bond Proceeds. Components of this vendor award are $98,811 for the University Hospital Tower, and $14,257 at Robert B. Green. The Spencer Company is classified as a Small Business Enterprise (SBE). It has an Affirmative Action Plan or Policy in effect and has a total of 60 employees. The Workforce Composition Data was reviewed with the Board.

This Purchase order provides furniture to outfit the new University Hospital tower and clinical services building and the Robert B. Green campus. Proposed pricing does not include the cost for furniture in the
shelled areas of the tower, Market Place, gift shop, and future renovation spaces as the scope of these areas are still being defined. However, through this competitive bid, the pricing structure has been established allowing for more accurate budgeting. Funding in the amount of $50,666 is available through Bond Proceeds. Components of this vendor award are $48,901 for the University Hospital Tower, and $1,765 at Robert B. Green. **Texas Wilson Office Furniture and Services** is classified as a local Small, Minority Business Enterprise (SMBE), Historically Underutilized Business (HUB). It has a total of 55 employees. The Workforce Composition Data was reviewed with the Board.

This purchase order provides furniture to outfit the new University Hospital tower and clinical services building and the Robert B. Green campus. Proposed pricing does not include the cost for furniture in the shelled areas of the tower, Market Place, gift shop, and future renovation spaces as the scope of these areas are still being defined. However, through this competitive bid, the pricing structure has been established allowing for more accurate budgeting. Total award for furniture in the new tower at University Hospital is $5,136,628, and $1,640,096 at the Robert B. Green campus. As compared to projected budget, this is a 50.8% ($7M) savings. As a part of the overall CIP budget update during the May Board of Managers meeting, the CIP team will include recommendations on the allocation of these savings. Funding is available through Bond Proceeds. Components of this vendor award are $64,242 for the University Hospital Tower, and $15,934 at Robert B. Green. **Wittigs Office Interiors** is classified as a local Small Business Enterprise (SBE), has an Affirmative Action Plan or Policy in effect, and a total of 52 employees. The Workforce Composition Data was reviewed with the Board.

**RECOMMENDATION:** Staff recommends the Board of Managers approve purchase of furniture from the recommended vendors in the total amount of $5,136,627.69 for University Hospital and $1,640,095.12 for the Robert B. Green Campus.

**ACTION:** A **MOTION** to approve staff’s recommendation was made by Mr. Smith, **SECONDED** by Ms. Rivas, and **PASSED UNANIMOUSLY**.

**EVALUATION:** These items were all competitively bid, the recommended vendors all meet specifications in the RFP, and all of the proposed vendors were the lowest bidders. There were at least two bids received for every item.

Discussion ensued regarding minority-owned and woman-owned vendors and the manner in which the Health System tracks contracts awarded to such. Mr. Smith shared a minority business owner’s concern that many of the supply vendors who respond to RFPs have a history of doing business with UHS and are, therefore, able to navigate through the process successfully with prior information. Dr. Jimenez shared a similar concern that an even playing field does not exist because most minority vendors in Bexar County do not respond to Health System RFPs for historical reasons. Staff assured the Board that the current procurement process is very consistent, rigid, and fair.
Mr. Briseno encouraged staff to continue participation in the various Chamber events educating, promoting and increasing participation of SMWVBE vendors. Also, to take full advantage of the opportunities which allow the Health System to urge big businesses to team up with local, minority owned businesses. There are times when the law allows this type of negotiation, such as with the professional services procured for the Capital Improvement Project. He suggested that Mr. Hernandez provide an educational session for the Board regarding this topic.

Mr. Briseno would like to see the summary of purchasing activities break down of dollars awarded/paid to SMWVBE even further into the following categories: small, Hispanic, African American, other minority, woman and veteran-owned businesses, similar to the CIP program status report.

Mr. Hernandez assured the Board that staff takes this responsibility seriously and aggressively. It provides a purchasing website specifically for vendors, and educates, trains, and takes into consideration multiple factors when awarding RFPs. Mr. Briseno commended staff for the dramatic improvements in this complex area over the last several years.

FOLLOW-UP: None.

UNIVERSITY HOSPITAL:

CONSIDERATION AND APPROPRIATE ACTION TO APPROVE THE GUARANTEED MAXIMUM PRICE FOR THE LANDSCAPE WORK AROUND THE WEST PARKING GARAGE (WPG)(GMP#3E) - MARK WEBB

SUMMARY: Guaranteed Maximum Price Proposal (GMP #3e) provides for landscaping around the West Parking Garage (WPG) which includes: planting, irrigation, hardscape, and lighting. Final landscaping for this area will be done by completion of construction of the WPG. Funding is available through Bond Proceeds. The participation goals for SMWVBE and local firms is 40% and 80% respectively. To date, SMWVBE participation of awarded construction projects is 33.5% and local participation is 73%. This does not include the dollars associated with the Construction Manager's Fee or other project administrative costs (i.e., insurance, bonds, permit fees, etc.). The original contract in the amount of $44,451,753 was approved by the Board of Managers in September 2009. Modifications #1 through 53 total $504,972,290 and were for GMPs #1, 2, 2-R, 3a, 3b, 3c, 3d, 4, 4b, 5a, 5b, 5-R, 6, 7, 8, 8-R, 9a, 9b, 9b-R, 10, 11, 12, 13a, 13b, 13c, 13d, 13e, 13f, 13g, 13h, 13i, 13j, 13k, 13l, 13m, 13n, 14, 15a, 15b, 15c, 15d, 16c, and 16b. The total value of this contract including Modification #54 is $550,245,977. As compared to the Control Estimate, GMP #3e is under budget by $19,726.

RECOMMENDATION: Staff recommends the Board of Managers approve GMP #3e in the amount of $821,934 and authorize the President/CEO to execute an amendment to the Zachry Vaughn Layton Construction Management Agreement in the amount of $821,934.

ACTION: A MOTION to approve staff's recommendation was made by Mr. Smith, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY.
CONSIDERATION AND APPROPRIATE ACTION TO APPROVE THE GUARANTEED MAXIMUM PRICE FOR FINISH RENOVATIONS AND UPGRADES TO THE A, B, C, AND D BANK ELEVATORS AND DESIGN OF AUTOMATED GUIDANCE VEHICLE (AGV) ELEVATORS (GMP#15E) - MARK WEBB

SUMMARY: Guaranteed Maximum Price Proposal (GMP #15e) includes finish renovations and modernization upgrades to the A, B, C, and D bank elevators, design of Automated Guidance Vehicle (AGV) Elevators by the elevator subcontractor, and associated miscellaneous work. Funding is available through Bond Proceeds. The participation goals for SMWVBE and local firms is 40% and 80% respectively. To date, SMWVBE participation of awarded construction projects is 33.5% and local participation is 73%. This does not include the dollars associated with the Construction Manager's Fee or other project administrative costs (i.e., insurance, bonds, permit fees, etc.). The original contract in the amount of $44,451,753 was approved by the Board of Managers in September 2009. Modifications #1 through 54 total $505,794,224 and were for GMPs #1, 2, 2-R, 3a, 3b, 3c, 3d, 3e, 4, 4b, 5a, 5b, 5-R, 6, 7, 8, 8-R, 9a, 9b, 9b-R, 10, 11, 12, 13a, 13b, 13c, 13d, 13e, 13f, 13g, 13h, 13i, 13j, 13k, 13l, 13m, 14, 15a, 15b, 15c, 15d, 16c, and 16b. The total value of this contract including Modification #55 is $552,440,827. As compared to the Control Estimate, GMP #15e is under budget by $11,932.

RECOMMENDATION: Staff recommends the Board of Managers approve the credit to GMP #15e in the amount of $2,194,850 and authorize the President/CEO to execute the amendment to reduce the Zachry Vaughn Layton Construction Management Agreement in an amount of $2,194,850.

ACTION: A MOTION to approve staff's recommendation was made by Mr. Briseno, SECONDED by Mr. Smith, and PASSED UNANIMOUSLY

EVALUATION: None.
FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION TO AMEND THE PROFESSIONAL SERVICES CONTRACT WITH RABA KISTNER, INC. FOR COMPLETION OF AN ASBESTOS STUDY—MARK WEBB

SUMMARY: Modification #4 provides an Asbestos Containing Building Materials (ACBM) survey of the existing hospital Building #1 (1968) and Building #3 (1981) as well as database tracking software in accordance with City of San Antonio code requirement for issuing permits. This process ensures that workers undertaking demolition and construction work will neither be exposed to asbestos nor will they accidentally release asbestos into the air that could adversely affect patients, staff, visitors, or physicians. Any asbestos discovered will be abated in a highly controlled manner. The cost of this abatement will be submitted after the surveys are complete and the extent of asbestos is known. Funding is available through the Project Contingency Fund. The original contract in the amount of $2,195,374 was approved by the Board of Managers in
June 2009. Modifications #1-#3 total $801,733. Total contract value including Modification #4 is $3,131,319. The participation levels for this contract are 27.5% SMWVBE and 100% local. Raba-Kistner Consultants, Incorporated has an Affirmative Action Plan or Policy in effect. Raba-Kistner Consultants, Incorporated has a total of 303 employees. The Workforce Composition Data was reviewed with the Board.

RECOMMENDATION: Staff recommends the Board of Managers approve a contract increase for Geotechnical, Environmental Consulting, and Construction Materials Testing Services in the amount of $134,212 and authorize the President/CEO to execute the amendment to the Raba Kistner Agreement in that amount.

ACTION: A MOTION to approve staff’s recommendation was made by Ms. Cedillo, SECONDED by Mr. Briseno, and PASSED UNANIMOUSLY

EVALUATION: None.
FOLLOW-UP: None.

ROBERT B. GREEN CAMPUS:

CONSIDERATION AND APPROPRIATE ACTION TO REGARDING CLOSE-OUT OF THE GUARANTEED MAXIMUM PRICE FOR ENABLING PROJECTS AT THE ROBERT B. GREEN CAMPUS (RBG-GMP 2B) —MARK WEBB

SUMMARY: All work associated with RBG-GMP #02 has been completed. The west parking lot was substantially complete and operational on December 6, 2010. The final completion was received after the one year warranty on December 7, 2011. The Building “C” Atria work that occurred in four (4) phases was completed on August 25, 2011. Due to the competitive and diligent buy-out process the actual cost of work was less than the GMP. Now with the work successfully completed, the remaining funds in the GMP will be returned to University Health System through a credit amendment. The proposed RBG GMP #2b in the credit amount of ($137,185) leaves a balance of $360,846 from the GMP #2 control estimate of $2,289,567. To date, $360,845 in savings versus the control estimate for RBG-GMP #2 has been achieved. Bartlett Cocke, the RBG project construction manager, has provided a final credit GMP to close out GMP #2. The Project Manager has reviewed the proposed GMP and also recommends approval.

RECOMMENDATION: Staff recommends the Board of Managers approves the RBG-GMP 2b in the credit amount of ($137,185) and authorize the President/CEO to execute the amendment to the Bartlett-Cocke Construction Management Agreement in the credit amount of ($137,185).

ACTION: A MOTION to approve staff’s recommendation was made by Ms. Cedillo, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY

EVALUATION: None.
FOLLOW-UP: None.
CONSIDERATION AND APPROPRIATE ACTION REGARDING THE ENGAGEMENT OF A MERGER AND ACQUISITIONS CONSULTANT TO ASSIST THE HEALTH SYSTEM IN EVALUATING AND/OR NEGOTIATING PARTNERSHIP OPPORTUNITIES FOR A COMPREHENSIVE PEDIATRIC CARE DELIVERY NETWORK ANCHORED BY A FREESTANDING CHILDREN’S HOSPITAL—MARK WEBB

SUMMARY: In December of 2010, University Health System and CHRISTUS Santa Rosa signed a Memorandum of Understanding (MOU) to enter into an agreement that would allow for the two health systems to develop a comprehensive network of children’s services, which also includes a stand alone children’s hospital to serve our community and region. However, in March of this year, after 14 months of negotiation, the health system decided to pursue other options and potential partners.

Two other local potential partners have emerged. On March 30, 2012 the health system received a letter of interest in exploring options for a public private partnership from Methodist Healthcare System. Both the Methodist Board of Governors and HCA are engaged in evaluating a potential partnership with the Health System. More recently, Vanguard Health Systems along with The Children’s Hospital of Philadelphia expressed interest in partnering with the Health System in the development of a comprehensive pediatric care delivery network anchored by a freestanding children’s hospital serving San Antonio and South Texas.

In order to evaluate and provide the necessary due diligence of the proposals received, the Health System needs to engage an organization with requisite expertise in large scale transactions, including mergers and acquisitions. The scope of services provided will include, but not be limited to: assisting in the development of a term sheet(s) to be presented to prospective partners; reviewing and analyzing all indications of interest and proposals that are received; assisting in the negotiating and structuring potential transactions including business and valuation issues associated with each potential transaction; and assisting with the development of a capital plan to fund the new facilities.

Proposals were requested of two leading firms, Kaufman Hall and Cain Brothers. Each submitted proposals to assist the health system to provide the services listed above. Although both firms are highly qualified and leaders in the healthcare industry, the Cain Brothers proposal better addressed the services the Health System requires for this transaction.

Fees associated with this work will in part be determined by the length of time it takes to finalize a partnership agreement. After an initial $50,000 retainer, beginning with the second month the monthly fee is $25,000. Should the health system sign a letter of intent a fee of $100,000 will be due and if a transaction is consummated a fee of $750,000 will be due. Assuming a six month work period and successful completion of a transaction, the fees due would total $1,025,000. This does not include reimbursable out of pocket expenses. As such, staff recommends an
initial funding of an amount not to exceed $1,125,000. The staff recommends that funding for this project come from available cash reserves.

RECOMMENDATION: Staff recommends the Board of Managers approve an agreement with Cain Brothers in an amount not to exceed $1,125,000 for services associated with evaluating and/or negotiating partnership opportunities for the Comprehensive Pediatric Care Delivery Network anchored by a Freestanding Children’s Hospital and authorize the CEO to execute an appropriate agreement.

EVALUATION: Dr. Jimenez expressed concern with this recommendation in that the Board of Managers has not yet developed a vision for children’s services. What does a children’s network mean? What will it look like? Dell Children’s Hospital in Austin was successful because all of the pediatricians agreed that they would all work out of Dell. Secondly, the Board of Managers has not established any type of community focus groups that would allow the people in Bexar County to provide input towards a comprehensive children’s health network. Third, he feels strongly that a city-wide children’s health conference is needed to review ideas and feedback from the main players, the pediatric health care providers in Bexar County. He is uneasy about the fast rate at which this transaction is happening. The scene has changed dramatically in the last 3-4 weeks. Fourth, CHRISTUS has been doing this for 75 years, they are not amateurs. Will this lead to further fragmentation in children’s health? Finally, the recent change in medicine in the public sector, and in the private sector by 2014, dictates that parents will be the decision-makers for their children. We need their support.

Mr. Smith expressed his concern as being the financial aspect. Does this transaction make good sense in servicing the children of Bexar County? In addition, he feels that what went wrong 1990s was not allowing the community to participate. A children’s health network needs to be implemented with the help of the community.

Ms. Cedillo stated her priority as being the capability to provide a complete children’s network, a full continuum of care, from pre-natal to diagnostic to outpatient services.

Mr. Briseno agreed that the Health System’s goal ought to be to keep children out of the hospital. He also agreed that the staff needs professional transaction assistance in developing a term sheet and reviewing consequences, and in negotiating what the Health System is trying to accomplish. Our highest priority is the public interest. This firm, Cain Brothers, has a consistent record of serving not-profits, and is not in the business of maximizing profits. If the Health System is going to be involved, ultimately, the public accountability is going to be with the elected officials who have to vote on the matter. They will recognize the importance of community input.
Mr. Engberg expressed a need to have strong and confident professionals assist so that the Board can do the best job possible. Network is a term that the Board still needs to define, and it is appropriate to have this team help, or provide support. The Board has the power to share this responsibility with others in the community.

Mr. Adams feels strongly that he who does not have good counsel will not fare well. The Health System does not have the expertise necessary for the details that still need to be worked out. The Health System does have the expertise for providing a children’s health network and the Board does have a vision for a network that includes places where people can go to keep children out of hospitals. There is also a need to have the very best destination center in San Antonio for those children with critical needs.

Each of the proposals the Health System receives will have a different view of what a children’s health network ought to look like. We need to be able to evaluate, along with our partners at the UTHSCSA, exactly which model will meet the needs of this community. We then need to involve the appropriate people in the community, including the physicians, the UTHSCSA, and other agencies that provide services for children. This Board will be well advised to invest now so that at the end of the day the Health System can provide the best services to children.

As we learn more about each of the proposals, everything we do will be transparent to the entire community. We have got to get this endeavor right the first time. We are now at a point where we have an opportunity that will create a beacon for south Texas. Let us not get involved in issues that will kill this opportunity to provide premier children services.

Mr. Adams endorsed this transaction. He acknowledged needing the community’s support, as well as the physicians support.

**ACTION:** Mr. Briseno made a **MOTION** to postpone action on this item until after a closed session pursuant to TEX. GOV’T CODE, Section 551.085 (Vernon 2004), which will allow the Board to receive additional information about this business arrangement and will also allow staff to elaborate regarding the proposals received thus far. The **MOTION** was **SECONDED** by Mr. Smith and **PASSED UNANIMOUSLY**.

**FOLLOW-UP:** Board to take formal action after today’s closes session.
CONSIDERATION AND APPROPRIATE ACTION REGARDING REPORT FOR MARCH 2012 FINANCIAL STATEMENTS—ROE GARRETT/PEGGY DEMING

SUMMARY: For the month activity was up 2.2% for the Clinical Services (as measured based on discharges adjusted for outpatient activity). Community First Health Plan (CFHP) fully-insured membership was down 2.4%. From operations, the Health System experienced a gain of $1.2 million which was $1.8 million better than the budgeted loss of $593,000 due to higher operating revenue and lower operating expense. Meaningful use incentive of $327,000 was recorded and this equaled budgeted. Investment income was under budget by $26,000 due to lower interest rates than budgeted. An unrealized market loss of $191,000 was recorded in the month. The bottom line gain excluding debt service was $1.7 million which was $1.6 million better than the budgeted loss of $54,000. Including the $521,000 (reversing 1/8 of the amount recorded in December 2011) of the Premium Deficiency Reserve. CFHP reflected bottom line loss of $404,000 which was $423,000 off from a budgeted gain of $19,000. Debt Service Revenue was $3.5 million which is equal to the budgeted portion of the Debt Service payment of $3.5 million. Notable increases and decreases from the consolidated balance sheet were presented by Mr. Garrett.

RECOMMENDATION: Staff recommended acceptance of the financial statements subject to audit.

EVALUATION: None.

ACTION: A MOTION to approve staff’s recommendation subject to audit was made by Mr. Engberg, SECONDED by Ms. Cedillo and PASSED UNANIMOUSLY.

FOLLOW UP: None.

REPORTS AND EDUCATION:

FOLLOW UP REPORT ON THE PROVISION OF EMERGENCY MEDICAL SERVICES IN UNINCORPORATED BEXAR COUNTY—RICHARD RODRIGUEZ/BRYAN ALSIP, M.D.

ANNUAL REPORT ON PATIENT SATISFACTION—LENI KIRKMAN/CHRISTANN VASQUEZ

RECENT RECOGNITIONS AND UPCOMING EVENTS—LENI KIRKMAN

SUMMARY: In the interest of time, Mr. Adams directed the Board members’ attention to the detailed, written reports remaining in their Board books as indicated above. Ms. Kirkman reminded the Board members that the UHS Foundation Medical Miracles Gala will be held on Thursday, May 3, 2012.

RECOMMENDATION: None.

EVALUATION: None.

ACTION: These reports were provided for informational purposes only. No action was required by the Board.

FOLLOW UP: None.
INFORMATION ONLY ITEMS:

REPORT REGARDING YEAR 2012 MEDICAL-DENTAL STAFF COMMITTEES AND DEPARTMENTS — NICOLAS WALSH, M.D., PRESIDENT, MEDICAL/DENTAL STAFF

UPDATE ON CAPITAL IMPROVEMENT PROGRAM ACTIVITIES — MARK WEBB

SUMMARY: In the interest of time, Mr. Adams directed the Board members’ attention to the detailed, written reports remaining in their Board books as indicated above. He encouraged Board members to study the information and to contact Mr. Hernandez with specific questions or concerns.

RECOMMENDATION: None.

EVALUATION: None.

ACTION: These reports were provided for informational purposes only. No action was required by

FOLLOW UP: None.

CLOSED MEETING

Mr. Adams announced the Board meeting closed to the public at 8:16 p.m. A closed meeting was held to receive information and and/or deliberate regarding pricing, market data and/or financial and planning information relating to the arrangement or provision of proposed new services and/or product lines. All of the Board members were present. Also present were George Hernandez, Peggy Deming, Christann Vasquez, Mark Webb, and Michael Hernandez. After discussion, no action was taken in closed session. The closed meeting ended at 9:23 p.m. Immediately thereafter, Mr. Adams re-convened the public Board meeting and called for a MOTION regarding staff’s recommendation on the Engagement of a Merger and Acquisitions Consultant to Assist the Health System in Evaluating and/or Negotiating Partnership Opportunities for a Comprehensive Pediatric Care Delivery Network Anchored by a Freestanding Children’s Hospital:

A MOTION that Cain Brothers and Company be retained to assist staff of the University Health System in evaluating and reviewing any and all legitimate proposals for a comprehensive network of children’s healthcare services to be provided in Bexar County was made by Mr. Briseno and SECONDED by Mr. Engberg. Dr. Jimenez voted AGAINST this recommendation.

ADJOURNMENT:

There being no further business, Mr. Adams adjourned the meeting at 9:25 p.m.

James R. Adams
Chair, Board of Managers

Rebecca Q. Cedillo
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary