REGULAR MEETING OF THE BOARD OF MANAGERS

Tuesday, August 28, 2001
Board Room
University Center for Community Health
701 S. Zarzamora

Minutes

BOARD MEMBERS PRESENT

Robert Jimenez, M.D., Chair
Jeff Judson, Secretary
Bob Engberg
Mary Beth Williamson
Luis Roberto Vera, Jr., J.D.
Joe D. Edmonson

BOARD MEMBERS ABSENT

James R. Adams, Vice Chair

OTHERS PRESENT

Jeff Turner, President/Chief Executive Officer, University Health System
John Blandford, Vice President, Information Services, University Health System
Linda Boyer-Owens, Vice President, People & Organizational Development
Chris Bracken, Professor, Department of Anesthesiology, UTHSCSA
Charles Bowden, Professor & Chairman, Department of Psychiatry, UTHSCSA
Alexander Briseño, Former City Manager and Bexar County Resident
Francisco Cigarroa, M.D., President, UTHSCSA
Francine Crockett, Administrative Director, Purchased Resources, University Health System
Theresa DeLaHaya, Vice President, University Center for Community Health and Prevention Services
Peggy Deming, Executive Vice President/Chief Financial Officer, University Health System
Gerald Dodd, M.D., Professor & Chairman, Department of Radiology, UTHSCSA
Steve Enders, Senior Vice President, Ambulatory Services, University Health System
Roe Garrett, Vice President/Controller, University Health System
Terence Herman, M.D., Professor & Chairman, Radiation Oncology, UTHSCSA
George B. Hernandez, Jr., Executive Vice President/Assistant Administrator, University Health System
Carlos Jaen, M.D., Chairman, Department of Family Practice & Community Medicine, UTHSCSA
Call to Order

Dr. Jimenez called the meeting to order at 6:20 p.m.

Invocation and Pledge of Allegiance

Ms. Lozano provided the invocation and Dr. Jimenez led the pledge of allegiance.

Special Recognition:

(A) On behalf of the Board of Managers and staff, Messrs. Vera and Turner presented Mr. Judson with a plaque recognizing his five years of leadership and service to the University Health System and to the people of Bexar County. Each Board member individually expressed their gratitude and appreciation.

Citizen's Participation

Ms. Mary Paccione, of COPS, thanked the Board for caring about the preventative health care needs of undocumented immigrants, and expressed interest in the UHS budget. She thanked Dr. Jimenez for postponing Board consideration of the increases in co-payments for CareLink program pharmacy benefits. Staff will make a formal presentation to the COPS organization to review all CareLink issues and inform them of the Health System’s financial situation and what
the increase in co-payments would accomplish. Dr. Jimenez thanked COPS for their interest in the well-being of the community.

Mr. M.K. Ramadoss addressed the Board as a citizen and taxpayer. He thanked Mr. Judson for serving the community and for sharing his knowledge and experience. He expressed concern about the $10 million capital request for the physician order system and urged organizational change. He cited an example from the Dallas County Jail, at which a similar computer system was implemented 24 years ago. At that time, it was proven that such a system does not reduce paperwork. He encouraged the Health System to research what other area hospitals are doing in this arena, and urged the Board to expedite completion of the cardiac cath lab and make it operational in 7-8 months. Mr. Judson thanked Mr. Ramadoss for his own interest in his community and for sharing his experience as a CPA as well as his knowledge in computer data management, which has also been beneficial to community.

APPROVAL OF MINUTES OF PREVIOUS MEETINGS

CONCLUSION: The minutes of the regular Board meeting of July 24, 2001 were presented for approval.

EVALUATION: Mr. Vera noted a correction in that Mr. Judson, not Dr. Jimenez, voted “NO” on Mr. Vera’s motion for approval of his recommendation to concurrently award the eligibility services contract to Medical Third Party Resources and Divisional Consulting under the Consent Agenda.

RECOMMENDATION: Dr. Jimenez recommended approval of the minutes with the correction noted by Mr. Vera.

ACTION: A MOTION for approval of the recommendation was made by Mrs. Williamson and SECONDED by Mr. Edmonson, and PASSED UNANIMOUSLY.

FOLLOW-UP: None.

REPORT FROM THE PRESIDENT OF THE HEALTH SCIENCE CENTER – DR. FRANCISCO CIGARROA

CONCLUSION: Dr. Cigarroa expressed deep respect and admiration for Ms. Ruth Lozano in her work with the parents of sick children at the University Health System. He reported on the recent ground breaking of the Children’s Cancer Research Center, a major breakthrough in pediatric oncology in San Antonio, the nation, and the world. He thanked the Board of Managers for the opportunity to meet regarding challenges and results of the Ad Hoc surgical services working group. He and Dr. Jimenez acknowledged the department chairs present.

EVALUATION: None.

RECOMMENDATION: None.

ACTION: This report was presented for information and no action was required.

FOLLOW-UP: None.
REPORTS OF STANDING COMMITTEES

None.

UNFINISHED BUSINESS

None.

NEW BUSINESS

A. CONSIDERATION OF APPROVAL OF RECOMMENDATIONS AND ACCEPTANCE OF REPORTS IDENTIFIED AS CONSENT AGENDA ITEMS:

CONCLUSION: Seven (7) items were presented for approval on the consent agenda:
1. Report from the President of the Medical-Dental Staff - William E. Strodel, M.D.
   (a) Consideration of Medical-Dental Staff Recommendations
   (b) Approval of Carlos R. Jaen, M.D., as the Chairman of the Department of Family Practice
2. Community Health Services Advisory Board – Steve Enders
5. Consideration of Appointments of Luis Vera and Ronald Stewart to the Board of Directors of Texas AirLife, d/b/a San Antonio AirLife – Jeff Turner
6. Consideration of Appointment of Daron R. Lofton to the Board of Trustees of Community First Health Plans, Inc. – Jeff Turner
7. Consideration of Purchasing Activities – Francine Crockett

EVALUATION: The following items were pulled for discussion:

Item No. 4 - Mr. Engberg asked Ms. Boyer-Owens to update her written report. She reported that four potential registered nurses were picked up at an Express-News job fair today, and an open house at University Hospital attracted 128 serious job seekers who toured, lunched and secured continuing education units. The Health System is attempting to lay a solid foundation for the future because experts predict that by 2008 nurses will retire at the rate of 38/year. Drs. Cigarroa and Wartman will travel to Mexico City this weekend for a meeting with the Dean of the University. Dr. Jimenez encouraged Dr. Cigarroa to also review with Mexican University officials collaboration possibilities regarding the nursing situation.

Item No. 3 - Mr. Judson reviewed the Express MedClinic present average of 30 patients per day between the hours of 3 and 11 p.m. He asked about the final patient activity goal for the clinic.
Out of the estimated 70,000 annual EC visits, the goal is to divert approximately 20,000 out of the EC and into the Express Med Clinic. All referrals, however, will be appropriately screened by physician assistants so as not violate any EMTALA regulations.

**RECOMMENDATION:** Staff recommended approval of the consent agenda en block.

**ACTION:** A MOTION for approval was made by Mrs. Williamson, SECONDED by Mr. Judson and PASSED UNANIMOUSLY.

**FOLLOW-UP:** Mr. Rufe will add information regarding Express MedClinic activity goals to his monthly EC report.

B. **ITEMS RELATED TO PLANNING & OPERATIONS – MARY BETH WILLIAMSON**

1. **STRATEGIC PLAN PROGRESS REPORT – JEAN SETZER**

**CONCLUSION:** Dr. Setzer provided a detailed planning matrix which highlighted the progress made to date in implementing priorities articulated in the Strategic Goals and Initiatives approved by the Board of Managers in July 2000. She reported that much of the progress over the past 12 months has been in upgrading information and analytical support to better define metrics and track outcomes. During this period the Health System has implemented new patient demographic, financial, accounting, and billing systems to support the functions of human resources, accounts payable, materials management, payroll, and the general ledger. The strategic direction, strategies, and related actions are to be re-evaluated in early 2002.

**EVALUATION:** None.

**RECOMMENDATION:** This report was provided for information. No action is required by the Board of Managers.

**ACTION:** None.

**FOLLOW-UP:** Mrs. Williamson will plan a board retreat for the fall of 2001. The agenda will include an analysis of changes in the local healthcare market, short-term accomplishments, and continuing challenges. The Board will consider the best approach to integrating patient and staff safety into strategies and action plans addressing clinical service quality as part of this planning session. Mr. Judson will be invited to participate at the retreat for finalization of the strategic plan. He encouraged staff to assign a timetable on each item so that tasks are accomplished timely, and to enhance the completed items on the matrix. The planning matrix will be updated to reflect that the current benchmarking system used is Solutiens.
C. **ITEMS RELATED TO BUDGET & FINANCE – ROBERT ENGBERG**

1. **CONSIDERATION OF COMMUNITY FIRST BOARD REQUEST ASKING APPROVAL UNDER MEMBER’S RIGHT CLAUSE REGARDING OFFICE SPACE LEASE – CHARLES KIGHT/JEFF TURNER**

**CONCLUSION:** At the Board of Managers meeting held in January 2001, the Board approved the recommendation of the CFHP Board of Directors to allow CFHP to commence negotiations for a ten-year office lease at Mockingbird Plaza on Fredericksburg Road. Lease negotiations at the Mockingbird Plaza location ceased May of 2001 due to concerns regarding viable expansion opportunities. Over the past two months, CFHP has been evaluating alternate locations for its corporate operations.

One potential location at 8400 Datapoint Drive, previously owned and occupied by the Datapoint Corporation, is one of three buildings on this campus. Recently all three buildings were purchased by an investor group who is in the process of completely renovating the entire campus.

Another location previously occupied by Southwestern Bell in Corporate Square at Loop 410, with similar lease terms and space assumptions, has also recently been identified by staff as potential office space for CFHP.

Total lease space assumptions begin at 26,500 square feet at the commencement of the lease and increase to 30,500 at the end of seven years, and 32,500 at the end of ten years.

Mockingbird is favorable by $221,250 over ten-year period. However, the total square footages compared (26,000 at beginning of term, 30,500 at year seven and 32,500 at year ten) were not necessarily available at Mockingbird due to the uncertainty of expansion options (noncontiguous space).

Datapoint is favorable by $383,814 over a seven-year period. Mockingbird did not offer a five-year option. The Datapoint property is offered on a five-year option at the same annual rental rate in for the first five years as the seven-year option, without a cancellation penalty. Hence, it would appear a five-year lease at Datapoint would compare favorably to Mockingbird as the cancellation penalty at Mockingbird would be at least as high, if not higher, than that imposed on the seven-year lease.

Direct comparison of tenant finish out allowances is complicated by the fact infrastructure was already developed at Mockingbird, and Datapoint is essentially shell space from the ceiling down. However, based on a careful review of the tenant finish out
allowance offered at Datapoint, it appears more favorable than the finish out offered by the Mockingbird Plaza owner.

**EVALUATION:** None.

**RECOMMENDATION:** At their August 9 meeting, the Community First Board approved staff’s recommendation to finalize a seven-year lease at the Datapoint location. However, due to the newly identified property in Corporate Square, Mr. Kight asked that the Board authorize staff to finalize a seven-year lease at either the Datapoint or Corporate Square location, whichever is more feasible for the organization, after staff has had the opportunity to thoroughly investigate both options.

**ACTION:** A **MOTION** for approval of the recommendation was made by Mrs. Williamson, **SECONDED** by Mr. Vera, and **PASSED UNANIMOUSLY**.

**FOLLOW-UP:** None.

2. **CONSIDERATION OF A RESOLUTION AUTHORIZING THE UNIVERSITY HEALTH SYSTEM TO PARTICIPATE WITH THE TEXAS HEALTH & HUMAN SERVICES COMMISSION TO DEVELOP ADDITIONAL PREMIUM REVENUE FOR UNDERSTATED FIRST YEAR RATES PAID BY THE CHILDREN’S HEALTH INSURANCE PROGRAM (CHIP); AND FURTHER AUTHORIZING LOCAL HEALTH SYSTEM FUNDS, NOT TO EXCEED $2,000,000 TO BE USED AS PART OF THE STATE MATH TO LEVERAGE FEDERAL APPROPRIATIONS FOR CHIP – CHARLES KIGHT/JEFF TURNER**

**CONCLUSION:** Enrollment of children up to 18 years of age in families under the 200% federal poverty level in the Children’s Health Insurance Program has brought millions of new state and federal dollars to provide health benefits to previous uninsured children. Community First has enrolled approximately 70% of all participating children and as of August 1 is providing coverage for 21,500 in the Bexar Service Area. For the seven month period ended July 31, 2001, Community First has accrued expenses over revenue of $692,000. At an average premium rate of about $65.50/month/child, CFHP’s premium revenue is now over $1,400,000/month.

There are two ongoing developments that should serve to move this important program towards breakeven or better financial performance. First, the contractual agreement with the CHIP Bureau provides for a premium rate negotiation with Community First for new, higher premium rates to be in effect on October 1st. The first rate increase offer on the table from the CHIP Bureau will significantly close the gap between the premium paid and actual claims experience. A CFHP counteroffer will be presented to the State in the next 30 days. The CHIP Bureau has committed to develop a strategy to pay the contracted plans a supplemental premium over the period May 2000-May 2001. These supplemental premium amounts are described by the
CHIP Bureau as a “bridge payment” to span between the now admittedly understated first year rates and the anticipated higher second year premium rates.

To facilitate the bridge financing as supplemental premium payments to the CHIP plans, the Bureau has asked the cooperation of local funding entities (hospital districts and state supported medical schools) which sponsor CHIP HMOs. Following the same methodology employed successfully over the last ten years to generate Medicaid Dispro Share payments, local funding entities would make intergovernmental transfers to the Texas Health and Human Services Commission who would combine the transfers with state revenues to draw down an increased federal share for CHIP. This increase in “all funds” (federal plus state) monies would allow the Commission to make a supplement premium payment to all CHIP HMOs based on relative acuity (based on claims data) among the plans of children enrolled plus membership size. For those HMOs like Community First the supplement premium would be disproportionately larger so that the HMO via Sponsorship Agreement would return the intergovernmental transfer provided as a surplus share payment.

**EVALUATION:** None.

**RECOMMENDATION:** Staff recommended approval of a Resolution Authorizing the University Health System to Participate with the Texas Health & Human Services Commission to Develop Additional Premium Revenue for Understated First Year Rates Paid by the Children’s Health Insurance Program (CHIP); and Further Authorizing Local Health System Funds, not to exceed $2,000,000 to be used as Part of the State Math to Leverage Federal Appropriations for CHIP.

**ACTION:** A MOTION for approval of the recommendation was made by Mrs. Williamson and SECONDED by Mr. Edmonson, and PASSED UNANIMOUSLY.

**FOLLOW-UP:** None.

3. **CONSIDERATION OF FINANCIAL/OPERATIONS REPORTS FOR JULY 2001 – PEGGY DEMING**

**CONCLUSION:** Ms. Deming reported that activity is 19.4% below budget, with an operating loss of $2.0m, $644k above budget. Patient revenue is down, other operating revenues are up, operating expenses are 5.9% above budget, and a net loss of $3k better than budgeted. Investment income is over budget by $1.0m due to interest rate experience. For year to date, activity is 3.0% below budget, operating loss of $2.1m is below budget, patient revenue is down but other revenues are up, expenses are 3.9% above budget, and
the net loss of $1.5m is $2.2 m better than budget. Staff expects YTD loss to be $9.1 m (excluding CFHP).

EVALUATION: None.
RECOMMENDATION: Staff recommended that the Board accept these reports subject to audit.
ACTION: A MOTION for approval of the recommendation was made by Mr. Edmonson, SECONDED by Mrs. Williamson, and PASSED UNANIMOUSLY
FOLLOW-UP: None.

4. **CONSIDERATION OF CARELINK CO-PAYMENTS FOR OUTPATIENT PHARMACY – GEORGE HERNANDEZ**

CONCLUSION: This item was tabled until staff provides the COPS organization with a formal presentation so that they may gain a better understanding of what an increase in co-payments would accomplish.

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

5. **CONSIDERATION OF RECOMMENDATIONS FROM THE STRATEGIC FINANCIAL PLANNING SUBCOMMITTEE REGARDING A TAX RAE TO SUPPORT OPERATING AND CAPITAL BUDGETS FOR 2002 – PEGGY DEMING**

CONCLUSION: On August 21st, staff presented information on the effective tax rate and its impact on the projected financial results for 2002 to the Strategic Financial Planning Subcommittee. The effective tax rate for 2002 is .232162 per $100 of property valuations which represents a 5% decrease from existing rate of .243869. Property valuations (including new properties) increased by 8% between 2001 and 2002. The net impact on the taxes levied using the effective tax rate is an increase in property taxes from 2001 of $3,195,000. This is the net impact of new properties ($4m) and an increase in the reserve for uncollectible accounts ($8k) predicted by the county. If the Health System were to keep its existing tax rate, net property taxes would increase by $9,137,000.

The above information was used to examine various scenarios for setting the tax rate. The picture under both scenarios is bleak and reflects significant and increasing losses from both operations and after investment income.

Staff also presented information on the process utilized to prioritize capital and the requests that were evaluated through 2005, which total $178 million of capital items and an $80 million master facility plan. Of the capital items noted, $35.6 million are primarily for replacement or are additions critical in maintaining
core hospital services. Critical items include the Cath Lab, replacement of worn out beds and monitors, replacement of x-ray machines and anesthesia and laboratory equipment. Of the $178 million critical capital, $31.3 million was identified for 2001 and 2002. In addition to the critical equipment items are systems to enhance services and save costs such as the Physician Order Entry and the PACS (Digital Radiology) systems. These items have also been determined to be critical and add $12.5 million to the critical core capital list for 2001 and 2002. Given the financial losses projected, it would be impossible for the Health System to generate enough funds from operations to meet the magnitude of its capital demands. This is particularly true without tax increases or external financing.

The Public Property Finance Act was also discussed. It provides for contractual obligations which are a form of debt permitted under the Hospital District’s charter. These are bonds to finance personal property with a term matching the useful life of the assets being financed. A portion of the maintenance and operations tax rate is set aside to pay back the principal and interest associated with the bonds.

**Evaluation:** Mr. Turner acknowledged critical capital needs and a plan by which to finance these needs. The Board will need to think about this issue over a period of years to figure what it will take to restore the Health System’s financial strength. Good managers cannot tolerate negative numbers and we cannot tax ourselves out of this situation, but Mr. Engberg sees taxing as part of the solution.

**Recommendation:** This report was presented for informational purposes only.

**Action:** None.

**Follow-up:** Dr. Jimenez requested a statement regarding the impact on the teaching and research missions of the University Health System to the document entitled, Tax Rate Setting in Support of the 2002 Operating and Capital Requirements, for the benefit of the public and Bexar County Commissioners Court. The SFPC will further evaluate tax rate setting and capital financing options at a meeting on August 27. A recommendation will be formulated and presented for consideration by the Board of Managers at a special meeting on August 30.

**Communication**

Dr. Jim Rogers was not present this evening due to the unexpected passing of his mother in Arizona.

Bexar County Judge Nelson Wolff’s health care summit will take place on Monday, September 10, 2001, at 9 a.m. at the Marriot Hotel on Loop 410 at IH 10. Mr. Turner’s office will make registration arrangements for interested board members.
Dr. Jimenez asked George Hernandez to provide an update regarding The Center for Health Care Services. Mr. Hernandez reported that meetings have been reduced from 12/year to 7/year, and that the new subcommittee structure allows staff and Board members to be more productive. The State of Texas is very interested in the ongoing changes and now ranks CHCS at number 11 across the state. Dr. Jimenez is pleased with Leon Evans’ performance and the financial surplus that is expected this year. The Center is building a safety net to avoid use of the Bexar County detention facilities to house the mentally ill.

**ADJOURNMENT**

There being no further business, the public meeting adjourned at 8:55 p.m. The Board of Managers then went into a closed session to evaluate the quality of medical and/or health care services as permitted by Section 161.032 of the TEXAS HEALTH & SAFETY CODE.

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Robert L. Jimenez, M.D., F.A.P.A  Jeff Judson, Secretary
Chairman, Board of Managers  Board of Managers

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Sandra D. Garcia, Recording Secretary