REGULAR BI-MONTHLY MEETING
OF THE BEXAR COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS

Tuesday, February 26, 2013
6:00 p.m.
Board Room
University Health System - Texas Diabetes Institute
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 Chairman
Robert Engberg
Alex Briseño
Ira Smith

OTHERS PRESENT:

George B. Hernández, Jr. President/Chief Executive Officer, University Health System
William Henrich, M.D., President, UTHSCSA
Tricia Aleman, Director, Marketing, University Health System
Ted Day, Vice President, Strategic Planning & Business Development, University Health System
Peggy Deming, Executive Vice President/Chief Financial Officer, University Health System
Theresa De La Haya, Vice President, Health Promotion/Clinical Prevention Services, University Health System
Don Finley, Senior Writer, Corporate Communications, University Health System
Roe Garrett, Vice President/Controller, University Health System
Barbara Holmes, Vice President/Chief Financial Officer, Community First Health Plans, Inc.
Greg Gieseman, President/Chief Executive Officer, Community First Health Plans, Inc.
Michael Hernandez, Vice President/Chief Legal Officer, University Health System
Leni Kirkman, Vice President, Strategic Communications and Patient Relations, University Health System
Sergio Farrell, Vice President, Ambulatory Services, University Health System
Tom Mayes, M.D., Chairman, Department of Pediatrics, UTHSCSA
John Meyers, M.D., President, Medical/Dental Staff, University Health System
Virginia Mika, Ph.D., Executive Director, CareLink Financial Assistance Program, University Health System
Priti Mody-Bailey, M.D., President, Community Medicine Associates
A.J. Sandoval, Chief of Police, University Health System
Christann Vasquez, Executive Vice President/Chief Operating Officer, University Health System
CALL TO ORDER AND RECORD OF ATTENDANCE:  JAMES R. ADAMS, CHAIR, BOARD OF MANAGERS

Mr. Adams called the meeting to order at 6:02 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Ms. De La Torre introduced Dr. Charles Cotrell, President Emeritus of St. Mary’s University, for the invocation, and Mr. Adams led the pledge of allegiance.

CITIZEN PARTICIPATION:  None.

APPROVAL OF MINUTES OF PREVIOUS MEETING:

December 17, 2012 (Special Meeting)

SUMMARY:  The minutes of the special meeting of Monday, December 17, 2012 were presented for the Board’s approval.

RECOMMENDATION:  Mr. Adams recommended approval of the minutes as submitted.

ACTION:  A MOTION to approve the minutes was made by Mr. Briseno, SECONDED by Mr. Engberg, and PASSED UNANIMOUSLY

EVALUATION:  Mr. Smith asked Mr. Hernandez to re-distribute the enhancements and contingency fund balance reports that were referred to on page 6 of the December 17 minutes.

FOLLOW-UP:  None.

CONSENT AGENDA – JIM ADAMS, CHAIR

CONSIDERATION AND APPROPRIATE ACTION REGARDING MEDICAL-DENTAL STAFF RECOMMENDATIONS FOR STAFF MEMBERSHIP – JOHN G. MYERS, M.D., PRESIDENT, MEDICAL/DENTAL STAFF

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE APPOINTMENT OF RONALD RODRIGUEZ, M.D., AS CHAIR, DEPARTMENT OF UROLOGY – JOHN G. MYERS, M.D.
CONSIDERATION AND APPROPRIATE ACTION REGARDING PURCHASING ACTIVITIES (SEE ATTACHMENT A) – KOURTNEY MOSBY/FRANCINE WILSON

SUMMARY: Items listed on the consent agenda were presented for Board approval.
RECOMMENDATION: Staff recommended approval of the items listed on the consent agenda.
ACTION: A MOTION to approve staff’s recommendation was made by Ms. Rivas, SECONDED by Ms. Cedillo and PASSED UNANIMOUSLY
EVALUATION: None.
FOLLOW-UP: None

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

SUMMARY: Mr. Adams welcomed Dr. Henrich on behalf of the Board. He informed his colleagues that he and Dr. Henrich had met on Saturday for the purpose of updating Dr. Henrich on the pediatrics network discussions. Mr. Adams then announced that earlier today, the parties had reached and signed an agreement aimed at making sure the children of Bexar County continue to have access to the highest level of comprehensive pediatric services. He yielded the floor to Dr. Henrich for his thoughts and remarks regarding this arrangement.

Dr. Henrich expressed delight at being back at work and thanked the Board for the get well wishes. He has been back at work for seven days now, and has spent most of his time becoming familiar with the details of the arrangement. He believes that we have before us enormous opportunities but tremendous challenges. Together our partnerships address issues related to budgets well in excess of one billion dollars, which he has kept in mind as he approaches this transition plan for pediatrics. He believes that we have before us enormous opportunities but tremendous challenges. Together our partnerships address issues related to budgets well in excess of one billion dollars, which he has kept in mind as he approaches this transition plan for pediatrics. The ambition that we have of being good Stewards of our missions, depends on a solid, unshaken partnership. In that regard, he complimented and thanked Drs. Gonzalez, Rosende, Mayes, and the rest of the UTHSCSA team, as well as the entire UHS team, who have worked diligently to provide this transition plan in a way that the Health System will not lose money, and he has been assured of every reasonable effort so that the UTHSCSA does not lose money either. Neither institution is ever at an advantage when one is at a disadvantage. Dr. Henrich informed the Board that he signed the agreement trusting the creative resource acquisition proposed by Mr. Hernandez. Dr. Henrich and staff have received approval from UT system executives to sign the agreement with that understanding. Finances in education are under pressure, and the UTHSCSA is riding a negative budget for this fiscal year. The budget sequestration, which is effective on March 1, will harm the UTHSCSA with regard to its indirect revenue, and will continue well into next year. The UT System is lobbying very hard to make the case for higher education, and in particular, for support of health institutions across the state. During the last biennial, the UTHSCSA took a disproportionate $25 million per year reduction in general revenue, which is unprecedented in the history of our state.
The last point that Dr. Henrich made that he feels the Board must understand, is that the most valuable asset in this unique partnership is the faculty. Everything that both institutions do depends on the faculty because they work in the trenches to create process improvements and have superb outcomes for our patients. As we move forward with our partnership and face uncertain times with regard to funding as the 1115 Waiver becomes more clarified, he urged the Board to pay particular attention to the faculty. He reiterated that the faculty are free agents, and do not sign long term contracts with UTHSCSA. Faculty who are talented can practice anywhere, and they are the faculty we want to keep. We want people who are in demand because those are the people who are the bright lights in our field, and we want people who will light our way to prominence. This transition plan is an important piece of stability for the faculty who are driving this engine. Dr. Henrich also expressed pride in the work that’s been accomplished to get us to this point. He looks forward to the partnership being fortified in many positive ways. He is also very pleased that the Board of Managers agrees with the arrangement.

Dr. Gonzalez acknowledged the physician leaders present, and yielded the floor to Mr. Adams and Mr. Hernandez for a brief overview of the agreement signed today.

**RECOMMENDATION:** None.

**ACTION:** None.

**EVALUATION:** Mr. Adams agreed with the comments made by Dr. Henrich and deems this transaction a landmark for both institutions but especially, the children of Bexar County, for whom the Health System has a special responsibility in providing accessible health care.

**FOLLOW-UP:** None.

**CONSIDERATION AND APPROPRIATE ACTION REGARDING SELECTED ITEMS:**

**CONSIDERATION AND APPROPRIATE ACTION TO APPROVE AN AGREEMENT WITH UT-MEDICINE FOR CHILDREN’S TRANSITION SERVICES — GEORGE B. HERNÁNDEZ, JR.**

**SUMMARY:** Mr. Adams reported that the Health Science Center had come up with a substantial amount of cash for operations and that Mr. Hernandez had developed some creative ways to use 1115 Waiver funds to help out. The use of waiver funds will not jeopardize any projects slated by the Health System, and any shortfall resides with the UTHSCSA. The parties are confident that there will not be a short fall. The Board approved the terms for transition at its last meeting and ratification by the full Board today is not a requirement. However, Mr. Adams invited the Board to re-affirm this action today, and he informed the Board that Dr. Jimenez and Ms. Cedillo had worked closely with Mr. Hernandez on the preamble as they had requested. The agreement embraces the concept that collectively, the University Health System and The University of
Texas Health Science Center at San Antonio share the vision of a preeminent, world renowned academic medical center. Our guiding principles established in the Affiliation Agreement promote our mutual goals to provide outstanding health care, professional education, research and policy through collaboration, and public engagement in the region. Along with combining culturally proficient health care we also aim to become internationally acknowledged as a destination for superior medical care and for the training of health care leaders to prevent, diagnose and treat disease in our community and beyond, in support of our joint vision.

The agreement includes a transition plan for UT Medicine pediatric specialists to provide both inpatient and outpatient care at University Hospital until a new comprehensive academic children’s hospital is built in San Antonio. UT Medicine will begin moving into University Health System facilities on or about July 1.

Mr. Hernandez provided a hand-out summarizing the contracts for consideration by the Board regarding transition services (See attached spreadsheet dated 2/26/13 incorporated herein as Attachment 1). He reviewed each line item, totaling $5,391,474 over a three year period for the agreements associated to the Ambulatory Surgery Center (ASC) at the Medical Arts and Research Center. The totals for each year are built into the direct expense for the business plan for the ASC. We will operate in the black with a positive contribution margin all three years. Mr. Smith asked if there was a way to monitor the performance of Health Inventures for management of the ASC, a way of ensuring that the Health System is not paying for non-performance. Mr. Hernandez replied that metrics in the contract are meant to assure that Health Inventures will comply with Health System requirements to help us achieve objectives.

Construction contracts for the Robert B. Green Campus relating to 6th floor capital requirements total $7,401,863, and is what UTHSCSA will pay. The Health System is picking up the cost for life safety and the lobby area that is for general use in the amount of $3,810,718.

Costs related to transition services at University Hospital total $3,900,000, which will be in the form of a GMP with ZVL Construction for design (by Chesney Morales), construction and equipment. The total capital related cost of Children’s Transition Services is $11,301,863.

Mr. Adams asked staff to explain the importance of Guaranteed Maximum Price contracts in response to a question posed by Mr. Smith regarding how long the Health System intends to work under GMPs. He has heard from community members that GMPs prevent other local businesses from bidding for work from the Health System. Mr. Hernandez explained that when there is a construction contract in place, the project site is turned over to the contractor. While the contractor has control over the jobsite, it is more efficient to continue to work with them under GMPs, otherwise, the Health System will need the contractor’s
permission to be on the site. The 6th floor at RBG is controlled by the Construction Manager, Bartlett Cocke. The other floors below the 6th floor have been turned over to the Health System. The Health System expects to close out the RBG project in February 2014, at which time GMPs will no longer be necessary.

The net income per year of $11.3 million will not be covered directly by UTHSCSA, but rather by net patient revenue. In this particular case, net patient revenue is positive. The fixed cost is not amortized for a three year period. Year one funding source will be from operations. This item was not budgeted in 2013 but the impact for 2013 budget is projected to be $1.3 million based on the business plan, which will be budgeted in future years. Funding source for capital items is the Capital Account.

Mr. Engberg reiterated a high level of confidence in the numbers, and clarified that in this application for today of $11.3 million, staff is being conservative for now, and the Health System has the funds to cover the costs. Mr. Hernandez provided copies of the signed Terms of Agreement for Pediatric Services to the Board members.

**RECOMMENDATION:** Mr. Adams recommended the Board’s re-affirmation of the pediatrics contract and transition plan with UTHSCSA.

**ACTION:** A MOTION to re-affirm the Board’s support for a pediatrics agreement and transition plan was made by Ms. Rivas, SECONDED by Ms. Cedillo, and PASSED UNANIMOUSLY.

**EVALUATION:** None.

**FOLLOW-UP:** None.

**CONSIDERATION AND APPROPRIATE ACTION REGARDING THE FOLLOWING CONTRACTS TO ESTABLISH A HOSPITAL OUTPATIENT AMBULATORY SURGICAL SERVICES DEPARTMENT:**

(1) **THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO FOR PROFESSIONAL SERVICES:**

**SUMMARY:** These services include medical directors and committee management services for operations and quality, as well as working with the Health System’s management team to achieve quality, patient satisfaction, supply expense reduction and standardization. The amounts payable for each of these services and incentives will be based on a fair market value analysis performed by an independent consulting company. The amounts paid will be based on services actually performed and incentives actually achieved as determined by management in coordination with these committees. The total amount paid to UTHSCSA will not exceed $250,000 per year. The initial term of the agreement is 36 months with optional annual renewals thereafter.

**RECOMMENDATION:** Staff recommends Board of Managers approval to enter into an agreement with UTHSCSA for professional services at the ASC suite on the 2nd floor of the MARC building an amount not to exceed $250,000 per year.
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.

LEASE OF SPACE AND EQUIPMENT WITH THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO; AND

SUMMARY: This agreement is a real property lease with UTHSCSA for the Ambulatory Surgery Center suite on the 2nd floor of the MARC building at 8300 Floyd Curl Drive. Staff will assure that Health System patients are not adversely affected by the relocation of these services as it relates to patient parking, pharmacy access and other patient support services. The leased space consists of 31,731 square feet. The initial rental rate is $24.58 per square foot, or $780,000 per year, with 2 percent increases in years two and three. The initial term of the lease is 36 months with optional annual renewals thereafter. Further, the Health System will enter into an equipment lease agreement with UTHSCSA for all of the medical and support equipment currently in service at the ASC suite on the 2nd floor of the MARC building. The rental rate is $23,000 per month, or $276,000 per year. The initial term of the lease is 36 months with optional annual renewals thereafter.

RECOMMENDATION: Staff recommends Board of Managers approval to enter into a real property lease agreement with UTHSCSA for 31,731 square feet at the MARC building, for $780,000 in year one, $795,600 in year two and $811,512 in year three. Staff also recommends Board approval to enter into an equipment lease agreement with UTHSCSA to lease all of the medical and support equipment currently in service on the 2nd floor of the MARC ASC at 8300 Floyd Curl Drive for $76,000 per year.

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

EVALUATION: None.

FOLLOW-UP: None.

(3) CONSULTING AGREEMENT WITH HEALTH INVENTURES TO ASSIST IN THE TRANSITION AND MANAGEMENT OF THE UNIVERSITY HEALTH SYSTEM AMBULATORY SURGICAL SERVICES CENTER AT THE MEDICAL ARTS & RESEARCH CENTER (“MARC”) —TED DAY

SUMMARY: There are two main components of the contract with Health Inventures. The initial phase will transition the MARC Ambulatory Surgery Center to a Health System owned and operated Ambulatory Surgery Center. The transition phase will include an analysis and execution of ensuring licensure, certification, and accreditation under state regulations. Health Inventures will also perform an analysis of the financial, materials and information management systems in place and make recommendations for ongoing systems management in all of these areas. They will provide an in-depth market analysis to position the facility to better serve our patients, and also further develop the physician engagement necessary to develop a successful ambulatory surgical center. The Health Inventures team will
also evaluate the facility to establish areas where processes can be implemented to improve quality and clinical effectiveness at the facility. The second phase consists of an operations management agreement, that will include providing and supporting an on-site administrator from Health Inventures to oversee operations. Health Inventures will focus on staffing and supply cost containment, as well as financial, materials and information systems improvements and support. They will bring their expertise to develop a centralized scheduling system of surgery patients at the Robert B. Green Campus, new UHS ASC at the MARC, and at University Hospital. They will assist with managed care contracting issues, and provide industry benchmarking services. They will also work closely with UHS staff in the areas of marketing and customer satisfaction, networking and educational opportunities. The administrator of the UH ASC will report to the University Hospital CEO.

The contract consists of a one time operation transition fee in the amount of $150,000 plus travel and incidental costs of Health Inventures team during transition process, as approved by the Heath System. The operations management contract (3 year term) contains a fixed monthly management fee of $15,000 (increase of 3% annually) totaling $556,362 over the 3 year term of the contract. Additionally, there are variable fees payable to Health Inventures worth a maximum of $240,000 per year ($720,000) over the 3 year term based on quality and safety (25%), financial performance (25%), stakeholder satisfaction (25%) and operational performance (25%). The metrics for these variable fees will be developed and evaluated annually by management. If the metrics are not met, the payments will not be made. This agreement can be terminated for cause or after year three without cause without penalty.

Recommendation: Staff recommends Board approval of a management and operation of the Health System ASC at the MARC and the ASC at the Robert B. Green at a cost of $150,000 plus travel and incidental costs. Additionally, staff recommends Board approval of up to $1,276,362 in fixed and variable management fees, plus the reimbursement of costs related to the onsite administrator.

Action: A motion to approve staff’s recommendation, with the additional rider of $25,000/year for travel, was made by Mr. Briseno, seconded by Mr. Smith, and passed unanimously.

Evaluation: Ms. Rivas asked why the operations management component of the agreement does not indicate an increase in marketing costs until 2017. Ms. Vasquez replied that during year one, the staff’s primary focus will be to market some of the many things going on at University Hospital. Staff will wait until year two to focus on the Ambulatory Surgical Center. Mr. Adams asked staff to take this particular point under advisement, to review current marketing efforts from a marketing perspective rather than an accountant’s perspective.

Dr. Jimenez initiated a discussion regarding forecasting of the outpatient surgery market nationally in the next five years. Is it a growth industry? How fast will it grow? What is the reimbursement associated with it? What does the local competition look like? This type of information should be part of the Health System’s business plan and Dr. Jimenez is
interested in reviewing it. Mr. Adams confirmed that ambulatory surgical centers are a growth industry, and he suggested that staff arrange for the on-site Health Inventures administrator to brief Dr. Jimenez on this topic. Mr. Hernandez will share some recent literature with Dr. Jimenez.

FOLLOW-UP: Staff will keep the Board of Managers apprised of Health Inventures’ performance, as requested by Mr. Smith.

CONSIDERATION AND APPROPRIATE ACTION TO AMEND THE PROFESSIONAL SERVICES CONTRACT WITH RTKL FOR DESIGN SERVICES RELATED TO PEDIATRIC SERVICES AT THE ROBERT B. GREEN CAMPUS—MARK WEBB

SUMMARY: The University Health System has developed an economically viable transition plan to provide interim facilities at University Hospital for a year when pediatric inpatients would be moved into the New Tower. The outpatient services will be relocated long term to the Clinical Services Building at the RBG Campus. Specialty pediatric services are planned in new construction on the 6th floor but other pediatric services will most likely be located on other floors to improve efficiency and customer service.

Specifically, this amendment includes the costs to design a Pediatric Clinic on the 6th floor of the RBG Pavilion. This shall include a full compliment of design services (architectural, mechanical plumbing, electrical, interiors, medical equipment planning and procurement, security, information technology, artwork and signage) for one third of the 6th floor of the Clinical Services Building. The south third of the 6th floor to be planned and designed will also include the west lobby, 25 exam rooms, 1 treatment room, 4 registration desks and 6 offices.

The fee for the proposed amendment, which has been reviewed by the project manager and staff is $385,000 (ASR 16). Mr. Webb reviewed previously approved authorization amounts and descriptions of additional service requests (ASR 1-15) for RTKL, for a revised contract amount of $10,815,163.

These fees will be funded from the Capital Account. The un-audited financial results for fiscal year 2012 are very positive. Once the audit is completed and the reserves rebalanced, adequate funding should be available in the Capital Account to cover the costs of the pediatric transition plan. At present, funds in the Capital Account are earning .58%. In lieu of funding through the Capital Account, staff inquired about possible financing options, including borrowing from a bank and issuing bonds, both of which have higher interests costs 3.25% - 4.0% and timing issues. In either case, the cost of borrowing exceeds the amounts being earned which supports staff recommendation of funding this project from the Capital Account.
As negotiated in RTKL’s original contract, 25.74% SMWVBE and 52% local participation goals are expected. Participation levels to date were reviewed by the Board.

RECOMMENDATION: Staff recommends Board of Managers’ approval of the amendment to the contract with RTKL in the amount of $385,000 and a revised contract of $385,000.

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

EVALUATION: None.

FOLLOW-UP: None

CONSIDERATION AND APPROPRIATE ACTION TO APPROVE THE GUARANTEED MAXIMUM PRICE FOR BUILD-OUT OF THE 6TH FLOOR OF THE CLINICAL SERVICES BUILDING FOR PEDIATRIC SERVICES AT THE ROBERT B. GREEN CAMPUS (GMP #6R)—MARK WEBB

SUMMARY: The University Health System has developed an economically viable transition plan to provide interim facilities at University Hospital for a year when pediatric inpatients would be moved into the New Tower. The outpatient services for the long term will be relocated to the Clinical Services Building at the RBG Campus.

Specifically, the Bartlett Cocke GMP for this proposed plan includes the following costs:

1. 6th floor Pediatrics clinic and lobby, Medical Equipment, and FFE.
2. Schedule modifications
   a. Clinical pavilion substantial completion date will be modified from July 20, 2013 to December 20, 2013; and
   b. Final clinical pavilion completion date will be modified from September 20, 2013 to February 20, 2014.

Bartlett Cocke, the RBG Construction Manager (CM), has reviewed the system and has provided a Guaranteed Maximum Price (GMP #6r) for the work associated with this GMP package. Mr. Webb reviewed all of the previously approved GMPs associated with this contract to date. The proposed GMP #6r in the amount of $10,827,581 will be funded from the Capital Account. The un-audited financial results for fiscal year 2012 are very positive. Once the audit is completed and the reserves rebalanced, adequate funding should be available in the Capital Account to cover the costs of the pediatric transition plan. At present, funds in the Capital Account are earning .58%. In lieu of funding through the Capital Account, staff inquired about possible financing options, including borrowing from a bank and issuing bonds, both of which have higher interests costs 3.25% - 4.0% and timing issues. In either case, the cost of borrowing exceeds the amounts being earned which supports staff recommendation of funding this project from the Capital Account. Additionally, the inclusion of GMP #6r increases the CM’s Construction
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Cost Limit (CCL) to a total of $107,438,192. This is the sixth amendment to the Bartlett Cocke CCL.

The participation goal for SMWVBE is 56% and the local participation goal is 95%. To date, SMWVBE participation of awarded construction projects is 64.06% and local participation is 98.36%. 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 SMWVBE numbers achieved for all construction amendments to date were reviewed and discussed. GMP dollars awarded to date is $85,219,862. GMP dollars remaining to procure is $10,948,974.

RECOMMENDATION: Staff recommends Board of Managers’ approval of GMP #6r in the amount of $10,827,581 and an amendment to the existing Bartlett-Cocke Construction Management Agreement in an amount of $10,827,581 as well as increase the Construction Cost Limit to $107,438,192.

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

EVALUATION: None.

FOLLOW-UP: None

CONSIDERATION AND APPROPRIATE ACTION TO APPROVE THE GUARANTEED MAXIMUM PRICE FOR PEDIATRIC INPATIENT CARE AT UNIVERSITY HOSPITAL (GMP #17)—MARK WEBB

SUMMARY: University Health System has developed an economically viable plan to provide additional temporary pediatric facilities at University Hospital until an academic children’s hospital is opened. The University Hospital plan is to recapture the 11th floor of the 1968 building for inpatient care, as well as a portion of the 5th floor. These former bed units are still licensed and the level of effort will be intentionally limited to interior refurbishment, providing furniture, fixtures and equipment and installing up to date information systems. The current adult dialysis unit would be converted to a pediatric dialysis unit. When the new hospital tower is completed in 2014, the pediatric beds will be relocated to the new facility. It is anticipated that the system will serve as the temporary site from mid-2013 until a new academic pediatric hospital opens in January 2016, at which time, a decision would be made to move services to the new facility. Due to the expedited nature of this work and the need to have design services provided immediately, staff recommends that a change order to the current ZVL contract and use of a design-assist architect Chesney Morales & Associates be utilized. Specifically, the scope for this work includes: Aesthetic upgrades, medical gas recertification, furniture, fixture, and medical equipment procurement and installation, and staff relocation. The scope of this GMP has been divided into three phases in order to accommodate a mid-summer opening. Meeting these dates will also depend on the relocation of the departments currently occupying these spaces.

As designs are refined the scope for refreshing these areas may be modified. ZVL, the tower project construction manager has provided a
GMP for work associated with this package. The proposed GMP #17 in the amount of $3,900,000 will be paid from the Capital Account. The un-audited financial results for fiscal year 2012 are very positive. Once the audit is completed and the reserves rebalanced, adequate funding should be available in the Capital Account to cover the costs of the pediatric transition plan. At present, funds in the Capital Account are earning .58%. In lieu of funding through the Capital Account, staff inquired about possible financing options, including borrowing from a bank and issuing bonds, both of which have higher interest rates 3.25% - 4.0% and timing issues. In either case, the cost of borrowing exceeds the amounts being earned which supports staff recommendation of funding this project from the Capital Account.

The participation goal for SMWVBE is 40% and the local participation goal is 80%. To date, SMWVBE participation of awarded construction projects is 41% and local participation is 79%. This does not include the dollars associated with the Construction Manager’s Fee or other project administrative costs including this GMP and insurance, bonds, permit fees, etc. The SMWVBE numbers achieved for all construction GMPs to date were reviewed and discussed. GMP dollars awarded to date is $510,744,635. GMP dollars remaining to procure is $58,658,464. Chesney Morales & Associates is 100% Local, Small, and Minority owned business enterprise.

RECOMMENDATION: Staff recommends Board of Manager’s approval of an amendment to the Zachry Vaughn Layton Construction Management Agreement for GMP #17 in the amount of $3,900,000.

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

EVALUATION: Dr. Jimenez and Mr. Adams encouraged staff to allow Dr. Roberto Villarreal to find a way to capture data from adult patients at University Hospital regarding their own children’s health care to further enhance existing research databases.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING A CONTRACT FOR LABORATORY SERVICES WITH SOUTH TEXAS REFERENCE LABORATORY/UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO—
KAREN BRYANT

SUMMARY: The Health System has contracted with UTHSCSA South Texas Reference Laboratory to provide reference lab testing services for both inpatients and ambulatory patients for many years. Both organizations have worked with consultants from MedAssets to evaluate cost saving opportunities in the provision of these testing services. In addition to the pricing reductions, staffs have agreed to a fixed formulary of tests that will be performed. Additions to this formulary of tests can only be made with the approval of the Laboratory Utilization Subcommittee, which will consider the relative cost and efficacy of the proposed test as it relates to improving patient care. Any tests performed that are not on the
formulary will not be paid for by the Health System. In order to best
detail these new terms and conditions, the current agreement with the
UTHSCSA South Texas Reference Laboratory (Contract No. 1000163-
01-LS) will be terminated and replaced by a new contract. The current
agreement was originally entered into December 1, 2009 and was
subsequently amended, effective December 1, 2010 for one year with
two successive one year renewals. The current term expires November
30, 2013. The total spent for calendar year 2012 was $1,590,147. Using
2012 testing activity, the new pricing will generate annual savings of
$300,271. Another positive result of our work with the MedAssets team
was the determination that it would be prudent for the Health System to
bring Cytomegalovirus Testing, currently being done by UTHSCSA, in
house. UHS has been paying UTHSCSA $305,000 per year for this
testing. The additional direct costs to be incurred by the UHS laboratory
to bring this testing in house will be $160,000, producing an additional
annual net savings of $145,000. The combination of these two initiatives
creates an overall savings of 28% versus total 2012 costs.

RECOMMENDATION: Staff recommends Board of Managers’ approval to terminate contract no.
1000163-01-LS between UTHSCSA South Texas Reference Laboratory and University Health System and replace with a new contract between
the parties based on the agreed upon new terms and conditions in an
amount not to exceed $989,876.

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

EVALUATION: None.
FOLLOW-UP: None

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

UNIVERSITY HOSPITAL:

CONSIDERATION AND APPROPRIATE ACTION TO AMEND THE PROFESSIONAL
SERVICES CONTRACT WITH PERKINS + WILL FOR OWNER REQUESTED CHANGES
THAT INCLUDE: FIRE ALARM CABLE CHANGES, MODIFICATIONS TO THE
PREVIOUSLY APPROVED PNEUMATIC TUBE STATION ENHANCEMENTS, EXPANSION
OF TRAUMA SERVICES OFFICES INTO BASEMENT LEVEL SHELL SPACE, NURSING
FLOOR MODIFICATIONS, ADDITION OF TRANSPORTATION SERVICES IN LEVEL G
SHELL SPACE AND REVISIONS TO NEW TOWER HARDWARE SETS—MARK WEBB

On May 20, 2009 the Board of Managers approved a contract with
Perkins+Will to provide architectural/engineering services for the CIP
projects at University Hospital. Perkins+Will was selected through a
Request for Qualifications and interview process to evaluate and perform
a range of services including but not limited to: functional and space
programming, area analysis reporting, budget reconciliation services,
constructability reviews, scheduling assistance, architectural design, civil
engineering, site structural engineering, security consultation, heliport
design, art/community involvement planning, simulation modeling and
building information modeling. The original agreement, with a not to exceed contract amount of $45,310,513, has been amended to include additional design for the remote parking lot, facility hardening, zoning changes, Pavilion IT, mock ups, central utility plant (CUP), payment of permit fees, approved enhancements, the Heart Center study and planning studies concerning medical equipment integration, basement excavation, loading dock revisions, blood bank and Emergency Center design, meeting room and patient room reconfigurations, as well as additional designs throughout University Hospital, Staff and the CIP team requested that Perkins+Will develop designs and engineered solutions to meet specialized needs in the new tower that weren’t originally contemplated by staff during the original design. These changes are needed to accommodate more efficient patient care and flow, operational efficiency, and code modifications. Specifically, these items, which are all in new tower include:

1. Fire Alarm Cable Changes;
2. Design MEP support system for underground pneumatic tube
3. Expansion of Trauma Services Offices into Basement Level Shell Space
4. Nursing Floor Modifications
5. Addition of Transfer Center in Level G Shell Space
6. Revisions to New Tower Hardware Sets

The project manager has reviewed and negotiated these fees and recommends approval. Fees for this contract amendment will be paid from project funds. Perkins+Will participation levels are 38% for SMWVBE and 60% local firms.

**RECOMMENDATION:** Staff recommends Board of Managers’ approval of an amendment to the contract with Perkins+Will in the amount of $138,392.

**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

**SUMMARY:** During the finalization of planning for the renovation of the existing buildings three areas were identified for renovations as part of Phase 2 with construction scheduled to begin the summer of 2014 after the Tower move-in. These renovations will accommodate a new follow-up clinic, a new observation unit and Pharmacy.

The Follow-up Clinic will consist of approximately 35,000 square feet to be located in the third floor space, currently occupied by the Physical Therapy/Occupational Therapy which will be moving to the Pavilion in April 2013. The Health System has engaged RTKL Architects to simulate various conceptual designs for this clinic and will work with the
HDR Design Team in the development of a functional space program. This program will support the defined patient flow processes through each clinic, for each patient type, and they will also accommodate the existing backfill space limitations, including current life safety requirements. Preliminary studies have determined the purposes and locations of the following functions; however, as simulation studies are reviewed, final purposes and locations for these functions will be determined (floor plans were provided for the Board’s review). The following clinical functions are currently anticipated to be components of the shared, multi-discipline, multi-specialty Follow-up Clinic: Adult Trauma, Pediatric Trauma, Transplant, Rehabilitation, Vascular Hematology/Oncology, Pulmonary Function, Eye, and Pediatric Specialty. The existing Hyperbaric Oxygen Therapy space will remain intact but may involve minor refurbishment and portions may be repurposed and included in the Follow-up Clinic.

The Observation Unit will support the trauma center and Heart & Vascular Institute in the new tower and will consist of approximately 16,000 square feet on the ground floor of the 1981 building, in space currently occupied by the Emergency Center.

The new pharmacy consists of approximately 14,000 square feet on the ground floor of the 1968 and 1981 buildings and will support patients in the new tower and the existing buildings, as well as the outpatient pharmacy located at the Pavilion. The new pharmacy will occupy space currently utilized by the Emergency Center and Central Supply Departments (both of these functions will be moving to the new tower).

A Request for Qualifications (RFQ) was issued on September 12, 2012. On October 1, 2012, six responses, Chesney Morales & Associates, e-Medical Solutions, HDR Architects, Madeline Anz Slay Architecture, McCall & Associates-AIA-Architects, and O’Connell Robertson were received, evaluated, and ranked. Three (3) of the most highly qualified respondents, Chesney Morales, HDR, and O’Connell Robertson, were shortlisted and interviewed. Based on the vendor’s substantial experience in Follow-Up Clinics, Pharmacy, and Observation Units and information obtained at the interviews, the selection committee recommends HDR Architects to perform design services for the Phase 2 Renovations at University Hospital. The proposed contract, which has been reviewed and negotiated by the project manager, is recommended for approval. Fees will be paid from project funds. HDR is 100% local and has proposed 40% (or $790,500) SMWVE participation through their subcontractors, West East Design Group and Datacom.

**RECOMMENDATION:** Staff recommends Board of Managers’ approval of a professional services agreement with HDR Architects in the amount of $1,959,688. These funds are included in the CIP budget.

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

**EVALUATION:** After discussion of the proposed 40% SMWVE breakout (Small 18.2%; Asian 16.6% and Woman 5.5%), Mr. Briseno asked Mr. Webb to reiterate the Board’s SMWVE policy to the vendor; and that it is
impossible to allocate zero percent to Hispanic-owned businesses in San Antonio. At this time, Mr. Briseno referenced Mr. Webb’s monthly CIP SMWVBE Status Report for the month of January. He noted that Barlett Cocke had exceeded their goal of 56% SMWVBE participation in construction services at RBG. This achievement has not been parallel by any other project in this community. Regarding the breakdown for professional services on this same status report, Mr. Briseno suggested a further breakdown by type of service to be provided, such as: 1) project design; 2) management; and 3) engineering, for a true picture of minority owned business participation.

FOLLOW-UP: As indicated above.

CONSIDERATION AND APPROPRIATE ACTION REGARDING REPORT FOR JANUARY 2013 FINANCIAL STATEMENTS—ROE GARRETT/PEGGY DEMING

SUMMARY: For the month activity was down 1.6% for the Clinical Services (as measured based on discharges adjusted for outpatient activity). Community First Health Plan (CFHP) fully-insured membership was up 2.1%. From operations, the Health System experienced a gain of $2.4 million which was $3.2 million higher than the budgeted loss of $815,000 due to lower operating expense. Meaningful use incentive of $158,000 was recorded and was due to corporate and CMA the achievement of incentive awards for the electronic medical record implementation. Investment income was under budget by $4,000 due to slightly lower interest rates than budgeted. An unrealized market loss of $220,000 was recorded in the month. The bottom line gain excluding debt service was $2.6 million which was $3.0 million higher than the budgeted loss of $418,000. CFHP reflected bottom line loss of $803,000 which was $545,000 off from a budgeted loss of $1.3 million. 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/or decreases from the Consolidated Balance Sheet were reviewed in detailed

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

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

EVALUATION: Mr. Briseno suggested an in-depth analysis, during the next budget process, of projections for the last three years, since the Health System has consistently outperformed its projections. Mr. Adams agreed, and expressed an interest in reviewing a comparison against other hospital districts in the state. Dr. Jimenez interjected that the numbers would be more meaningful to him if staff would connect the budget figures to the services provided by the Health System.

FOLLOW-UP: None
YEAR IN REVIEW — PEGGY DEMING, CHRISTANN VASQUEZ AND GEORGE B. HERNÁNDEZ, JR.

REPORT ON RECENT RECOGNITIONS AND UPCOMING EVENTS — LENI KIRKMAN

SUMMARY: Mr. Adams directed the Board’s attention to the two written reports indicated above. He urged his colleagues to review them and to contact staff with questions.

RECOMMENDATION: These reports were provided for informational purposes only.

ACTION: None.

EVALUATION: Dr. Jimenez asked Chief of Police Armando Sandoval to elaborate on a recent recognition by the Texas Police Chief’s Association. The Health System’s police department is the only hospital district to have received this award out of 2,651 police agencies in the state. Only 66 were recognized and the Health System is ranked at number 60. Mr. Adams thanked the staff for their hard work in the pediatrics arrangement with UTHSCSA, and he congratulated the entire Board for helping to achieve the final result.

FOLLOW-UP: None

INFORMATION ONLY ITEMS:

REPORT REGARDING MEDICAL-DENTAL STAFF COMMITTEES AND DEPARTMENTS — JOHN G. MYERS, M.D., PRESIDENT, MEDICAL/DENTAL STAFF

UPDATE ON CAPITAL IMPROVEMENT PROGRAM ACTIVITIES — MARK WEBB

REPORT ON THE FAMILY FOCUSED AIDS CLINICAL TREATMENT SERVICES CLINIC (“FFACTS”) AT THE ROBERT B. GREEN CAMPUS — SERGIO FARRELL

4TH QUARTER AND YEAR 2012 SUPPLIER DIVERSITY REPORT — GABRIELA CANALES/FRANCINE WILSON

REPORT ON THE 83RD TEXAS LEGISLATURE — ANDREW SMITH

SUMMARY: Mr. Adams directed the Board’s attention to the five written reports indicated above. He urged his colleagues to review them and to contact staff with questions.

RECOMMENDATION: These reports were provided for informational purposes only.

ACTION: None.

EVALUATION: None.

FOLLOW-UP: None
ADJOURNMENT:

There being no further business, Mr. Adams adjourned the public meeting at 8:00 p.m.

James R. Adams
Chair, Board of Managers

Rebecca Q. Cedillo
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary