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

Tuesday, January 22, 2013
2:00 p.m.
Conference Room A
Corporate Square
4801 NW Loop 410, 10th Floor
San Antonio, Texas 78229-5347

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
Tim Brierty, Chief Executive Officer, University Hospital
Ted Day, Vice President, Strategic Planning, University Health System
Peggy Deming, Executive Vice President/Chief Financial Officer, University Health System
Don Finley, Senior Writer, Corporate Communications, University Health System
Michael Hernandez, Vice President/Chief Legal Officer, University Health System
Sherry Johnson, Vice President/Integrity Officer, University Health System
Leni Kirkman, Vice President, Corporate Communications & Patient Relations, University Health System
Allen Strickland, Vice President/Assistant Administration, University Hospital
Christann Vasquez, Executive Vice President/Chief Operating Officer, University Health System
Mark Webb, Senior Vice President, Facilities Administration, University Health System
Ernesto Gomez, Ph.D., President/Chief Executive Officer, CentroMed
Kenneth Kalkwarf, D.D.S., President Ad Interim, UTHSCSA
Francisco Gonzalez-Scarano, M.D., Dean, School of Medicine, UTHSCSA
John G. Myers, M.D., Clinical Professor, Department of Surgery, UTHSCSA
Tom Mayes, Professor and Chairman, Department of Pediatrics, UTHSCSA
CALL TO ORDER AND RECORD OF ATTENDANCE: JIM ADAMS, CHAIR, BOARD OF MANAGERS

Mr. Adams called the meeting to order at 2:12 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE:

Ms. Liliana De La Torre introduced Ms. Dennise Martinez for the invocation and Mr. Adams led the pledge of allegiance.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE ESTABLISHMENT OF A HOSPITAL OUTPATIENT AMBULATORY SURGICAL SERVICES DEPARTMENT AT THE UTHSCSA MEDICAL ARTS & RESEARCH CENTER OWNED BY UNIVERSITY HEALTH SYSTEM; AND CONSIDERATION AND APPROPRIATE ACTION OF THE FOLLOWING CONTRACTS IN SUPPORT THEREOF: 1) THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO FOR PROFESSIONAL SERVICES; 2) LEASE OF SPACE AND EQUIPMENT WITH THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO; AND 3) CONSULTING AGREEMENT WITH HEALTH INVENTURES TO ASSIST IN THE TRANSITION AND MANAGEMENT OF THE UNIVERSITY HEALTH SYSTEM AMBULATORY SURGICAL SERVICES CENTER AT THE

SUMMARY: Mr. Hernandez introduced the physician leaders present today. Mr. Adams welcomed the physicians and acknowledged that the Health System is moving to a different and new level of efficiency, and that there is a heightened sense of partnership between the Health System and the Health Science Center. Mr. Adams reported on his most recent experience in the Emergency Department the prior week, very orderly, with patients being kept informed. Both organizations are at a place where all concerned are trying to do better. Both the staff and the Board of Managers are excited about where we are today. Mr. Hernandez thanked the staff for their work and Dr. Gonzalez-Scarano for his leadership. He yielded the floor to Mr. Brierty for a graphics presentation:

Staff has been exploring the integration of outpatient Perioperative services with UTHSCSA at the Medical Arts and Research Center (MARC) since 2010. Discussions centered on the importance of decompressing acute care operating rooms while providing a better experience of patient centered care. Out of necessity, the Health System has periodically shifted certain outpatient cases to the MARC Ambulatory Surgery Center (ASC). This created operating room access for inpatient surgical procedures. It also increased access for inpatients and improved patient throughput and bed capacity by reducing time spent in the hospital by these patients while waiting to get on the operating room schedule.

With these benefits in mind, discussions between the Health System and UTHSCSA produced an opportunity for the Health System to operate the MARC ASC and convert that facility to a hospital outpatient department based ASC owned and operated by the Health System. The Health System would lease the MARC ASC
facility and equipment. The ASC will be staffed by UHS employees with the exception of the on-site administrative director, who will be retained through an agreement with Health Inventures, pursuant to their response to a Request for Proposal issued in early 2012. This arrangement calls for a contract with Health Inventures to supply an on site administrative director, employ most of the current MARC ASC staff, and transfer additional support staff from the Health System as needed and, was more fully discussed in a separate written report today.

Providing surgical services to lower acuity patients at the MARC ASC will allow the Health System to offer surgical services in the right setting creating a less strenuous experience for outpatient surgery patients. Additionally, the Health System can open access for the surgeons to grow inpatient service lines as the staff prepares to move into the new hospital facility. There are roughly 3,000 outpatient cases per year that could move out of University Hospital ORs and into this facility, freeing up OR time for more complex cases. The movement of these cases to the new ASC at the MARC will enable the Health System to take advantage of the cost per case savings available in this facility versus the hospital for those procedures not requiring acute care, and will improve patient throughput on the surgical units.

Primary goals with this alignment strategy include improved quality, patient access, patient satisfaction, and program efficiency.

The Health System would lease the ASC suite (31,731 sq ft.) on the 2nd floor of the MARC together with all medical and support equipment currently in use at the facility. The Health System and UTHSCSA would enter into a Professional Services Agreement under which UTHSCSA would provide medical directors, joint management services and work with the management team to achieve quality, patient satisfaction and other performance goals. Working with UTHSCSA, we will develop an operational oversight committee consisting of 50% UHS representatives and 50% UTHSCSA representatives to manage and plan the operations of the ambulatory surgery center.

This facility, as well as the Robert B. Green ASC and the University Hospital Surgical Services would benefit from a system wide, fully integrated centralized scheduling and patient registration system, increasing access for acute care ORs for future growth. Net revenue, variable expenses, CareLink payments to MARC, fixed expenses, totals expenses and net income for years 1 through 5 were reviewed and discussed with the Board.

RECOMMENDATION: Staff recommends Board of Managers’ approval to enter into an agreement with UTHSCSA to lease the MARC Ambulatory Surgery Center and operate it as a Hospital Outpatient Department; and for the retention of Health Inventures to manage the transition to and operation of the UHS Ambulatory Surgery Center.

ACTION: None. In light of the Board’s interest and questions, Mr. Adams informed staff that the Board would not be voting on any of the proposed contracts related to the establishment of a hospital outpatient Ambulatory Surgical Services Department today.

EVALUATION: Mr. Hernandez reiterated that only cases typically scheduled at University Hospital for outpatient procedures would be moved to the MARC, and that the RBG campus case load would remain downtown when appropriate. Ms. Rivas
was concerned with the limited parking situation at the MARC, as well as the parking fees, which are different than those of the Health System. Staff estimates that a total of 15 cases per day will be transferred to the MARC and does not foresee that parking will be an issue. Ms. Vasquez offered to explore a parking subsidy option for Health System patients. Ms. Rivas asked about pharmacy services for those Health System patients who are treated at the MARC, and about the feasibility of a satellite CareLink office on site. The Health System recently finalized a contractual arrangement with HEB for 340B pharmacy pricing, which will be transparent to the patient. The current HEB pharmacy at the MARC, or any HEB pharmacy, will be available for their use, as will the outpatient pharmacy at the UHS Pavilion on Medical Drive. A CareLink enrollment office is not feasible because the unfunded patients referred to the MARC are existing CareLink patients.

Mr. Engberg described the proposal as an interesting and promising opportunity and a significant operation. He asked if Health Inventures had visited the Health System as a way of understanding the cultural aspects of the population served. He feels the business plan presented today is not complete, and overall, would like to know more about the personnel and management of the ASC. He is interested in knowing what will happen at new unit, but also how staff will transition cases out of University Hospital.

Mr. Briseno expressed concern that the arrangement with Health Inventures would take away from the Health System’s principle of providing personalized healthcare. He noted that staff did not provide a detailed, financial slide during the graphics presentation, which would hold them accountable to the public. Given that there is a fifty-fifty split between the Health System and UTHSCSA on the governing Board that will oversee management of the ASC by Health Inventures, Mr. Briseno asked if the arrangement also called for a fifty-fifty split in the cost of operations.

Further, the written report includes a chart outlining payments by the Health System as follows: $250,000/year to UT Medicine for professional services, and another $760,000/year in rent, plus $180,000 in year one for the professional management by Health Inventures, including the opportunity for a bonus in the amount of $240,000. Mr. Briseno agreed that providing ASC services at the MARC makes sense from a patient perspective, but he has many questions about the numbers that are not answered. For example, he directed the Board’s attention to page 3 of the written report, fiscal impact section, for Year 1:

- Net Patient Revenue (income) – for only UHS patients is $6.1 million
- Variable expenses - $5.1 million
- Cost Avoidance (CareLink Payments to MARC) – ($700,000)
- Fixed expenses (third party administrator, rent, and professional services) - $2,094,951
- Total expenses of $6.5 million, and with a net loss of ($394,512) - for the first transitional year.

In Year 2 staff predicts an increase of net patient revenue by $1.2 million with a positive net income of $828,910, with the numbers looking great after that. From year 1 to year 2, net patient revenue increases by 24 percent and expenses
increase only by 8.5 percent. If the reason for the patient revenue increase is due to the increase in patients, one would expect to see an increase in costs; however, costs increase only by 3.5 percent and the revenue goes up fairly dramatically.

After year 2, the increases decline to an average of 5.7 percent per year and then patient revenue and total expenses increase at a rate lower than the revenue increases. Does this mean that the Health System is charging the patient more than the cost is to serve them? Is the Health System making a bigger profit? How much of the net patient revenue is assumed to be the $240,000 potential bonus for the third party administrator? In addition, who is the independent manager from Health Inventures accountable to? How many employees will the Health System have at the ASC? Is there a plan to eventually hand over the two operating rooms at the RBG campus to Health Inventures for management?

Mr. Strickland addressed Mr. Briseno’s questions: The difference between year 1 and year 2 are the number of cases. We do not anticipate getting to all 3,000 cases during year 1. Expenses do not change a lot in year 2 except for variable expenses, and those are on a case by case basis. Staff will continue to do everything to be as efficient as possible, with a joint management agreement in place. There will be recommendations made by the third party manager based on industry benchmarks. There will be 24.6 FTEs at the ACE and not many will be added between year 1 and year 2. By year 2 when efficiencies start to kick in, FTEs will go down to 22.8. After that staff will assess exactly how many direct labor hours are needed by case. There will be six operating room suites that will run from 8 a.m. to 10 p.m. during the week, 16 hour shifts, or four employees per potential suite.

Cost increases are due to supplies, which will vary on a case-by-case basis. Ms. Vasquez reviewed the plan for the RBG ASC, which is for one of the current, knowledgeable OR leaders from the inpatient side to move to the RBG, for cross learning from RBG to the MARC and benchmarking off of what is being done the MARC. Ms. Vasquez acknowledged that the staff person will not be eligible for the same bonus as the third party manager.

Mr. Brierty explained that Health Inventures is going to manage all three sites (RBG, University Hospital and MARC) so that one phone call will get the patient to the correct location. If the physician feels that a patient would be better served at the hospital or would need overnight observation, the protocol will allow the physician to select the location. Dr. Gonzalez-Scarano interjected that physicians along with anesthesiologists will ultimately decide by co-morbidity whether a patient must stay overnight, and acknowledged that overnight capability is not available at the MARC.

Ms. Rivas was uneasy about moving forward at this time due to the number of questions that remain outstanding. For example, what is the time frame for the lease contract with UTHSCSA? Is there an out clause? Why is the term of the contract with Health Inventures for four years?

The ASC proposal is a three year commitment to the School of Medicine with additional years based on the third-year outcomes. There is a 180-day notice
termination clause. Staff anticipates renewal of the contract with Health Inventures based on positive outcomes during the third year.

Mr. Smith’s concern had to do with third party management and the Health System’s operational oversight of only 50 percent. In his opinion, it is important for the manager to be fully aware of the Health System’s charge. Mr. Brierty reiterated that the Health System will have authority to select the right person for the job, someone who understands the Health System’s vision and mission. Further, the efficiency piece is an opportunity to provide better patient-centered care, and staff has a responsibility to make sure the ASC is a high quality operation.

To better understand this theoretically, Dr. Jimenez would like to see case studies or histories, the tracer-type that The Joint Commission carries out when they visit a facility. He suggested tracing five patients (both complicated and straightforward cases) upon arrival through the end of their visits, to include financial information, such as supply costs and revenue per case.

Mr. Briseno suggested that staff provide a more comprehensive financial table or graph which ties all of the ASC data and contracts together, including the information that is available for the RBG ASC. He strongly encouraged staff that in the future, they arrange special work sessions allotting ample time for deliberation when asking the Board to review major issues or to make such important decisions.

Mr. Hernandez assured the Board that staff would make themselves available to answer all of their questions and he thanked the staff for their work in developing the proposal thus far.

Dr. Gonzalez-Scarano urged the Board to recognize that staff is trying free up valuable inpatient space. He reported having heard from various department chairs in the last two months (ENT, CT, and neurosurgery) about patients they had admitted for elective surgeries only to have to discharge them due to lack of operating room space at University Hospital. These are patients who were turned away and had to go elsewhere. As Dean of the Medical School, it is very difficult for him to insist that faculty use Health System facilities because of the acute OR problem that currently exists. Further, it is almost impossible to recoup a broken relationship between the patient and a faculty physician once the patient has been turned away.

Mr. Adams expressed support for the third party proposal from a logical and conceptual point of view because he is concerned with staff being able to handle all of the challenges that come with the new trauma tower. He did not agree that the third party administrator is not being held accountable. He commended the staff for recognizing they are not experts in certain areas, but agreed with Mr. Briseno’s point that the Board ought not to have been presented with materials that lack a detailed financial piece.

FOLLOW-UP: Mr. Adams cautioned staff about the Board’s need for financial information to properly assess proposals. He invited Board members to contact staff directly with specific questions that called for detailed explanations. He asked Board members to plan for a brief discussion and necessary action at their next meeting.
and asked staff to gather all of the business pieces and respond to all of the questions raised today.

RECESS:

Mr. Adams moved to recess the meeting for a five minute break at 3:32 p.m. The public meeting reconvened at 3:37 p.m.

CONSIDERATION AND APPROPRIATE ACTION REGARDING CHILDREN’S SERVICES TRANSITION FOR UNIVERSITY HEALTH SYSTEM FACILITIES—TED DAY/CHRISTANN VASQUEZ

SUMMARY: Mr. Adams introduced this topic and announced that the Board would not be voting on this item today. He acknowledged the complexity of the subject and stated that the intent of today’s report was for informational purposes only. It is his desire to keep the Board of Managers fully informed on a topic that is important to all of them. He takes his charge as Chair to be representative of the UHS mission and long term vision. He recalled very specific direction from the Board emphasizing a focus on ambulatory treatment, access, and what is right for the community. Mr. Adams assured the Board that nothing is to be perceived as valuable to someone else other than the children of this community. Staff will not move forward with any plans until there is a consensus among this Board.

Mr. Hernandez echoed Mr. Adams’ sentiments about the Board’s charge and back-tracked to last August when the working group started looking at providing an ambulatory network of culturally sensitive children’s services. At about that time, Nashville-based Vanguard Health Systems and The Children’s Hospital of Philadelphia (CHOP), approached the School of Medicine about building children’s hospitals in San Antonio, which has led to the School of Medicine’s transition out of CHRISTUS Santa Rosa. The School of Medicine has asked the Health System to help in that transition and as good citizens to the community and as good partners, the Health System is supportive of that transition consistent with the financial liability and community needs. From the Health System’s perspective, this is an opportunity to bring a robust pediatrics program to the RBG campus which has been absent for almost 15 years.

Dr. Gonzalez-Scarano reported on the status of the potential partnership with Vanguard and CHOP, stating that the affiliation agreement with them is 99 percent. The agreement excludes any existing relationships with any government organizations, and it is specifically designed to allow the close relationship with the Health System to continue. Dr. Gonzalez-Scarano reiterated that he views the continuing relationship for pediatric services as a permanent relationship and one that is parallel in terms of services, to the other partnerships. His vision for pediatrics services is that children in Bexar County, and eventually South Texas, will have the same kind of care, the best possible care. He congratulated the Board on the grand opening of the new facility at the Robert B.
Green campus two Saturdays ago. He along with many of the faculty attended and they are excited about the possibility of having a permanent presence at that superb community facility, and they all highly value the relationship with the Health System.

Dr. Kalkwarf expressed excitement to be involved in discussions for the last 8 months, and to witness the evolution of the relationship based on mutual advantages for both organizations, but mostly for the children of South Texas. Dr. Mayes described the last 18 years as an interesting journey. He is excited about what the partnership has the potential to offer on the ambulatory side, not only in pediatric care, but also in research, and training the next generation of health care professionals. Although he is an inpatient physician, he acknowledged that 90 percent of the care provided is in the ambulatory setting. His desire is to run a pediatric service that provides the right care at the right place for all of the kids of South Texas.

Mr. Hernandez informed the people in attendance that today’s presentation would take place in closed session because the information involves competitive, marketing and proprietary data.

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

**CLOSED MEETING**

Mr. Adams announced the meeting closed to the public at 4:02 p.m., pursuant to Tex. Gov’t Code, Section 551.085 (Vernon 2004) for the purpose of receiving information relating to negotiation for the arrangement or provision of services or product lines. All Board members were present. Also present were George Hernandez, Peggy Deming, Christann Vasquez, Dr. Bryan Alsip, Ted Day, and Michael Hernandez.

Mr. Adams announced that the closed meeting ended at 5:30 p.m. After discussion, no action was taken in closed session. Mr. Adams reconvened the public meeting at 5:32 p.m.

**STATUS REPORT ON PROJECT BUDGETS, ENHANCEMENT PRIORITIES AND CONTINGENCY LEVELS FOR THE CAPITAL IMPROVEMENT PROJECT—MARK WEBB**

**SUMMARY:** In the interest of time, Ms. Rivas suggested that this item be moved to the next meeting on Tuesday, January 29, 2013. Board members agreed.

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

There being no further business, Mr. Adams adjourned the meeting at 5:35 pm.

Jim Adams
Chair, Board of Managers

Rebecca Q. Cedillo
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary