Mr. Adams called the meeting to order at 2:00 p.m.
INVOCATION AND PLEDGE OF ALLEGIENCE:

Mr. Tomas Hernandez introduced Ms Rosa Rodriguez for the invocation and Mr. Adams led the pledge of allegiance.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE SELECTION OF ANNUAL FINANCIAL AUDITORS FOR UNIVERSITY HEALTH SYSTEM – ROBERT ENGBERG, CHAIRMAN, AUDIT COMMITTEE, BOARD OF MANAGERS

**SUMMARY:**

Earlier this year, the Health System issued a Request for Proposals for audit services for the principal University Health System audit on a consolidated basis, as well as the individual audits of the University Health System Pension Plan, the University Health System Foundation, the Financial Assistance Programs (Grants) and the statutory audit of Community First Health Plans, Inc. This approach resulted in increased opportunity for small local firms to submit independent proposals or participate in joint proposals with major firms.

On October 15, 2012 the Health System received proposals from five accounting firms related to this RFP. Three major firms submitted proposals to audit each of the five entities and included the participation of small local firms. Two small local firms’ submitted proposals on the three individual audits. The three major firms and their proposed partners were:

<table>
<thead>
<tr>
<th>Major Firm</th>
<th>Small Local Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ernst &amp; Young LLP</td>
<td>Martinez, Rosario &amp; Co. LLP</td>
</tr>
<tr>
<td>BKD LLP</td>
<td>Rinaldo J. Gonzalez PC</td>
</tr>
<tr>
<td>Grant Thornton LLP</td>
<td>Britts &amp; Associates LLP</td>
</tr>
<tr>
<td></td>
<td>Martinez, Rosario &amp; Co. LLP</td>
</tr>
</tbody>
</table>

The two firms seeking to provide audit services for the individual audits were:

- Martinez, Rosario & Co. LLP
- Garza, Gonzalez & Associates

The Audit Committee analyzed the proposals of all five firms using four guiding principles: Professional qualifications, opportunities for development of small local firm(s), prudence of rotating audit partners or changing audit firms, and cost of engagements.

The Audit Committee interviewed the three major firms on Wednesday October 24, 2012 and the two small local firms on Tuesday October 30, 2012. Each firm presented their professional qualifications and discussed their firms’ experience and skills to provide the required services.
The Audit Committee met again on November 8, 2012 to evaluate the firm presentations and proposals based on the four guiding principles. After considerable discussion, the Audit Committee agreed that all firms made strong cases that they could perform the services on which they proposed, but BKD LLP made the most thorough and complete case by a major firm of their professional qualifications, awareness of current healthcare topics and commitment to mentoring a local firm(s). BKD proposed the inclusion of a local firm for both the UHS and CFHP audits, where in prior years the local firm only participated in the UHS audit. In addition, this firm was the most knowledgeable regarding the Affordable Care Act, and issues related to the Texas Health Care Transformation and Quality Improvement Program

Martinez, Rosario & Company made a strong case regarding its performance and effective working relationship with the University Health System on the Ernst & Young engagement over the past 3 years. The Audit Committee believes inclusion of Martinez, Rosario in the UHS and CFHP audits would provide transition assistance to BKD and also provide significant exposure to healthcare technical specialties they might not otherwise obtain.

The most thorough and complete case for audit services related to the individual audits of the Pension Plan, the Foundation and the Grants was made by Garza, Gonzalez & Associates.

The fees proposed for the UHS and CFHP audits by BKD including scope modifications necessary to meet American Institute of Certified Public Accountants Audit Standards of $247,000 would be an 11% reduction to the fees paid for the 2011 audits. The fees proposed for the Pension Plan, Foundation and Grants by Garza, Gonzalez & Associates of $34,000 is a slight (1%) increase over the fees paid for the individual audits in 2011.

**RECOMMENDATION:** The Audit Committee recommends the selection of BKD LLP along with the firm of Martinez, Rosario & Co. to joint venture on the Health System and CFHP audits; and for Garza, Gonzalez & Associates to be engaged to perform the audits of the Pension Plan, Foundation and Financial Assistance Programs for 2012. The BKD and Garza, Gonzalez engagements have an option to renew for two successive one year terms after the initial year. The consensus among the Audit Committee is that selecting different firms for the Health System, CFHP and the three individual audits provides a fresh review of the Health System’s accounting records and controls.

**ACTION:** A **MOTION** to approve the Audit Committee’s recommendation as made by Mr. Briseno, **SECONDED** by Ms. Cedillo, and **PASSED UNANIMOUSLY**.

**EVALUATION:** None.

**FOLLOW-UP:** None.
REVIEW AND DISCUSSION REGARDING BEXAR COUNTY HOSPITAL DISTRICT D/B/A UNIVERSITY HEALTH SYSTEM’S OPERATING, DEBT SERVICE AND CAPITAL BUDGETS FOR FY 2013 – GEORGE B. HERNÁNDEZ, JR. /PEGGY DEMING

**SUMMARY:** Ms. Deming provided an overview regarding the impact of transition-related initiatives tied to the 2013 budget. She reviewed the incremental impact on the 2013 budget, consolidated variance from 2012 operations, and highlighted the differences for the following categories: Cost of DSRIP Projects, Anchor Costs (Invest in Workforce), Transition to New Facilities (Investment in Signature Services), and Community First Health Plans.

Clinical Services Operating Budget Excluding CFHP reflects a gain from operations of $8.8 million; a bottom line of $13.3 million which includes $1.9 million in meaningful use incentive funding and $2.6 million in investment income; debt service tax revenue and payments of $2.2 million; and capital request of $31.3 million.

Overall activity is projected to increase 5.1% based on adjusted discharges. Non-hospital ambulatory visits overall increase by 164,466 visits to 833,424.

Total Operating Revenue (TOR) is budgeted at $740.6 million which is $20.6 million or 2.9% increase over the estimated 2012 total.

Net Patient Revenue (NPR) of $31.9 million is projected and is an increase of $9.7 million or 2.9% from 2012. NPR represents the highest percentage of TOR at 46%.

Tax Revenue is projected to be $243.6 million, an increase of $4.2 million or 1.8% from 2012.

Disproportionate Share Hospital (DSH) estimate for FY 2013 is $18.4 million. The estimate is $3.0 million or 19.8% higher than the 2012 estimated.

Uncompensated Care (UC) – The UC funding for 2013 is estimated at $90.6 million. This is $2.5 million or 2.7% less than the UC transition year payment.

DSRIP funding for 2013 is estimated at $17.1 million which is $5.4 million or 46.2% more than the estimate for the first DSRIP year 2012 of $11.6 million.

Other revenue of $29.5 million includes tobacco funding, cafeteria revenue for visitors and staff due to projected increase in sales, sundry revenue from parking, disposal of assets, clinical research studies, UT leased space at University Hospital and Texas Diabetes Institute, pharmacy rebates, accounts payable rebates, copies of medical records, facility lease at RBG and other miscellaneous items.
Total Operating Expenses is (TOE) budgeted at $731.8 million which is $48.2 million or 7.1% increase over the estimated 2012 total. For Clinical Services, salaries and benefits make up 45% of TOE. Medical Services, Purchases Services and Supplies make up 16% each, and other 7%.

Salary cost of $269.9 million is $18.4 million or 7.3% higher than 2012. There is an increase of $1.9 million for merit raises due to change in scale from 2% to 3.5% average increases. Competitive pay adjustment of $2.0 million in targeted areas for nursing and CMA providers. New living wage rate of $11.08. 171 employees will receive a pay adjustment due to the new living wage rate and 826 employees will receive pay adjustment through a flat rate decompression mode. Total cost estimate for new living wage is $446,000. Benefits of $56.6 million represent 21.0% of salary cost, are $1.1 million or 2.0% than in 2011.

Medical Services of $119.3 million reflect an increase $4.0 million or 3.5% from the estimated 2012 amount. This is a net result of a decline in the supplemental Medicaid payment under the regional UPL program and an increase in house staff and CMA provider cost. On a per adjusted day basis, medical services are declining by 1.5%.

Ms. Deming provided a summary of capital items identified by staff that was prioritized to a target of $3.6 million for the 2013 budget. The ongoing capital requirements list was reviewed and discussed in detail with the Board members.

**RECOMMENDATION:** This report was provided for informational purposes only.

**ACTION:** No action was requested of the Board of Managers at this time.

**EVALUATION:**

A lengthy discussion ensued regarding the incentive payments available for projects under the Transformation waiver, which are meant to enhance access to health care, increase the quality of care, and the cost-effectiveness of care provided. Projects eligible for incentive payments must come from the DSRIP menu, be included in an HHSC and CMS-approved RHP plan and have corresponding metrics and milestones. A demonstration year was defined as a 12-month period beginning October 1 and ending September 30. The 1115 Transformation waiver currently consists of five demonstration years from 2011 to 2016. The 2013 budget is approached to position the Health System strategically to take advantage of incentive payments. Mr. Briseno requested a 5-year forecast for funds and programs related to the Transformation Waiver, in the event the Health System is not able to fulfill its role as regional anchor.

Dr. Jimenez expressed concern regarding the activity assumptions for non-hospital ambulatory visits, an overall increase of 164,466 to 833,424 visits. 95% of the ambulatory activity is tied to DSRIP plans. The current climate is very competitive and there will be many internal, operational changes necessary to achieve these projections.
Mr. Engberg expressed an interest in reviewing the Health System’s marketing plan/program. The advertising budget indicates an increase of $530,000 to support the operation of new facilities and strategic signature service investments.

Mr. Engberg asked about the financial management and requested a business plan perspective for cafeteria operations. Cafeteria revenue is up $100,000 or 2.8% from 2012 due to increase in sales.

Mr. Briseno asked about the net revenue amount for visitor and staff parking. What is the Health System doing to adjust the parking revenue stream in the context of adding 3,300 additional parking spaces at University Hospital? Sundry revenue is down due to several factors, including parking. Mr. Briseno indicated that the amounts for each of the sundry subcategories would be helpful.

Mr. Briseno asked how many employees had received merit increases in 2012. Mr. Adams expressed an interest in reviewing the Health System’s pay plan to include a definition of “merit” since approximately 96% of the staff received merit increases in 2012.

Ms. Rivas asked specific questions related to the capital list, which are purchased on a cash basis and are non-CIP related. Certain CIP salaries are currently listed on the capital equipment list to maximize CIP bond dollars. Staff will review this practice.

**FOLLOW-UP:** As indicated above.

**PROGRESS REPORT ON DEVELOPING A COMPREHENSIVE CHILDREN’S SERVICES VISION AND PLAN—GEORGE B. HERNÁNDEZ, JR. / CHRISTANN VASQUEZ/TED DAY**

**SUMMARY:** Following the October 2012 Board work session, meetings occurred between University Health System and UTHSCSA leadership to discuss planning and the importance of protecting existing neonatology and other pediatric service lines at University Hospital.

Based on recent decisions with the partnership for the new Children’s Hospital, the Health System is developing a short and long term plan to include an economically viable transition plan for pediatric services. The plan includes a pediatric service line matrix which outlines by service line the proposed strategy. Additional information includes enhanced pediatric services at RBG – Pedi Express.

Mr. Day reminded the Board members of items discussed at the October work session:

- Important to link high growth areas with existing partners.
- Bring services out to children in underserved, high growth areas.
- Must increase the availability of pediatric care where it is needed
• Must continue to improve and expand the system of pediatric ambulatory care
• We need to get at the core issues behind at risk behaviors - attack the source
• We need to establish a UHS pediatric presence in SA & the region
• Preserve and protect current UHS pediatric service line
• Serve all children - not just poor children
• Impact our schools
• We need to establish a UHS pediatric presence in SA & the region
• Cooperate with city of San Antonio, Bexar County, etc., to reduce high risk behaviors
• Early identification & diagnosis of pediatric health problems
• UHS is known as the center point for caring about children
• UHS budget is structured to easily identify pediatric investments
• Make sure we employ data driven efforts - do the research
• Invest in prioritized targeted fashion
• Establish time line
• Develop a culture of innovators & thinkers in pediatrics

Next Steps agreed upon by the Board in October:

• Generate report. Identify themes. Distill the information from this session.
• Get better understanding of what is going to happen with pediatrics in this community
• Make sure we're a party in all critical pediatric discussions - be at all the tables.
• Make sure we maintain and preserve a strong, vibrant and alive partnership with UTHSCSA - far beyond serving as a funding stream.
• Build partnerships with mental health and other providers.
• Establish time line

Mr. Day facilitated a Board discussion and analysis of Health System strengths, weaknesses, opportunities and threats. He reviewed pediatric patient activity and volume development, as well as the goal for transitioning pediatric services, which is to provide a seamless, efficient and high quality transition plan for outpatient and inpatient pediatric services to University Health System operations and facilities in 2013 and 2014 in various specialty services. Specific details regarding the uncertain timeline for transitioning the heart service line out of CHRISTUS Santa Rosa were discussed, as well as the fact that the Health System has not obtained a written commitment from the School of Medicine to transition these services to the Health System. Board members also discussed the various strategies for the successful transition of such.

**RECOMMENDATION:** Staff made the following recommendations for the Board’s consideration in the execution of a pediatric transition plan: 1) Incorporate additional input from Board’s work session; 2) Remodel 11th floor of 1968 building at University Hospital for pediatric beds; 3) Remodel “C”
Building at RBG for clinic space; 4) Use MARC and RBG for operating rooms; 5) Establish a network agreement with UT-Medicine; 6) incorporate service lines as discussed.

**ACTION:** No action was requested of the Board of Managers.

**EVALUATION:** None.

**FOLLOW-UP:** None.

**CONSIDERATION AND APPROPRIATE ACTION TO AMEND THE PROFESSIONAL SERVICES CONTRACT WITH RTKL FOR PEDIATRIC CLINIC DESIGN ON THE 6TH FLOOR OF THE CLINICAL SERVICES BUILDING AT THE ROBERT B. GREEN CAMPUS—MARK WEBB**

**SUMMARY:** University Health System has developed an economically viable plan to accommodate the relocation of pediatric inpatient services to University Hospital on a temporary basis and the relocation of the outpatient services to the RBG Campus on a permanent basis. The proposed plan for the RBG campus is a two step process that involves an interim Pediatric Clinic location until the permanent space in the new clinical services building is available. The timeframe reviewed with the Board is as follows:

- **July 2013:** Locate Pediatric Clinic in the existing Building B. Building C will be demolished prior to opening and will visually open up the campus to make the Pediatric Clinic more noticeable.
- **Early 2014:** Open new Pediatric Clinic on the 6th floor of the Clinical Services Building. This will relocate pediatrics from Building B to 6th floor of the new building. This will include approximately 25 exam rooms, 1 treatment room, 4 registration desks and 6 offices.
- **Demolish Building B to complete parking plaza.**

Specifically, this amendment includes the costs to:

1. Design a temporary Pediatric Clinic in the existing Express Med clinical space on the first floor of Building B. This would include child friendly themes, colors and furniture. The space would get a ‘face lift’ to temporarily accommodate the pediatrics department until the Pediatric Department located on the 6th floor of the Clinical Services Building is completed. Services include architectural, information technology, medical equipment, interiors, furniture and signage. Design would affect approximately 17,000 square foot of existing building including exterior building design for the south elevation where Building C will be removed. Cost for this design is $208,275.

2. Design a Pediatric Clinic on the 6th floor of the Clinical Services Building. Provide 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 one 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. Cost for this design is $365,287, which includes $25,000 for expedited plumbing and floor box design to expedite the work that will affect the Ambulatory Surgical Center on the floor below.

The fee for the proposed amendment, which has been reviewed by the project manager and staff, is $573,562. Mr. Webb reviewed the approved authorization for additional service requests for RTKL in detail with the Board, and informed them that the fees for this item will be funded from the 2012 end-of-year rebalance and are calculated in the financial pro forma for the Pediatric Transition Plan.

RECOMMENDATION: Staff recommended Board of Managers approval of an amendment to the contract with RTKL in the amount of $573,562 for additional architectural services.

ACTION: None. Board members opted to review both staff presentations related to pediatric services at the Robert B. Green Campus before deliberating and/or taking any action.

EVALUATION: None.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION TO APPROVE THE GUARANTEED MAXIMUM PRICE FOR RENOVATION OF THE 1ST FLOOR OF BUILDING B AND BUILD-OUT OF THE 6TH FLOOR OF THE CLINICAL SERVICES BUILDING FOR PEDIATRIC CLINIC SPACE AT THE ROBERT B. GREEN CAMPUS (RBG-GMP #6N)—MARK WEBB

SUMMARY: This item is associated with the construction services for the RBG campus Pediatric Transition. In order to accomplish the above schedule, the following schedule (durations are comparable to current project schedule) details will be implemented:

- Building B: Design, Construction, Occupy: December 2012 to July 14, 2013
- Fifth floor above ceiling prep for 6th floor pediatric clinic: (Ambulatory Surgical Center):
  - Design, Construction, Licensing, December 2012 to July 15
  - Occupy; July 15 to August 1
  - 6th floor Pediatrics; Design, Construction Occupy; December 2012 to May 2014
  - Substantial Completion for Building B demo and Parking plaza; May 2014 to March 2015

The total projected costs (except for design services fee) for the Proposed Plan was reviewed in detail with the Board for a total of $12,537,099. The Bartlett Cocke GMP for this proposed plan includes the costs for:

1. Building B renovations for temporary pediatric clinic
2. 6th floor Pediatrics clinic and lobby
3. Schedule modifications, including increased General Conditions cost
4. Clinical Pavilion Substantial completion date will be modified from March 20, 2013 to April 20, 2014
5. Final Clinical Pavilion completion date will be modified from May 20, 2013 to June 20, 2014
6. Project Substantial Completion will be modified from Feb 14, 2014 to March 20, 2015
7. Final Project Completion will be modified from April 18, 2014 to May 20, 2015

Bartlett Cocke, the RBG Construction Manager (CM), has reviewed the system and has provided a Guaranteed Maximum Price (GMP #6m) for the work associated with this GMP package.

The proposed GMP #6n in the amount of $10,156,308 will be funded from the 2012 end-of-year rebalance and is calculated in the financial pro forma for the Pediatric Transition Plan.

Additionally, the inclusion of GMP #6n increases the CM’s Construction Cost Limit (CCL) to a total of $106,162,207. This is the fifth amendment to the Bartlett Cocke CCL. These expenses are serving to expedite the future planned finish out of the 6th floor in the new clinical services building.

RECOMMENDATION: Staff recommends Board of Managers approval of an amendment to the existing Bartlett-Cocke Construction Management Agreement for GMP 6n in the amount of $10,156,308, and an increase the Construction Cost Limit to $106,162,207.

ACTION: None.

EVALUATION: Mr. Briseno expressed concern regarding the fast pace at which proposals for pediatric services are moving. Ms. Rivas and Mr. Smith agreed that the transition plans are important, but Mr. Briseno asked if these CIP decisions are premised upon an agreement with the School of Medicine that is still under negotiation. Is the Board of Managers being asked to approve investments before the Health System has secured a written, legal commitment from the School of Medicine? Mr. Hernandez reiterated that the shell space on 6th floor of the new building at the Robert B. Green is there for potential expansion for use as clinical space, not necessarily for pediatrics. Staff made the decision to bring these items to the Board with as many facts as are available right now, strictly as a timing issue. Ms. Vasquez informed the Board that the School of Medicine is committed to a long term presence at the Robert B. Green campus. If the heart program is moved out of CHRISTUS in June 2013, the Health System will not be ready to transition the program, and will have an enormous amount of work to do on the inpatient side as well. In addition, both RBG proposals are time sensitive if the School of Medicine is going to train resident physicians there in July 2013. Mr. Briseno point out that if the heart program is not moved out of CHRISTUS until June 2014, or if the School of Medicine decides to take the heart program to Northeast Baptist Hospital, a Vanguard facility, the
Health System will have re-designed one building, demolished another, and created pediatric medical/surgical ICU beds at the hospital. Although Mr. Briseno agreed with Mr. Engberg that long term projects will require some type of investment, he would prefer to have a commitment in place. He cautioned staff that these actions without a commitment from the School of Medicine do not strengthen the Health System’s negotiating position. Ms. Rivas urged staff to take into consideration the fact that CHRISTUS Santa Rosa remains a party to the negotiations. Mr. Adams expressed the Health System’s willingness to work with CHRISTUS on ambulatory matters, due to the mutual interest in children’s health and their presence in the community for over 100 years. Board members agreed that it is their job to look out for the community, and the Health System’s commitment to the Health Science Center must include whatever will take place from June 2013 through July 2014. Board members agreed not to proceed with any of pediatric transactions today until staff secures the appropriate agreements.

FOLLOW-UP: As indicated above.

CONSIDERATION AND APPROPRIATE ACTION TO APPROVE A PROFESSIONAL SERVICES CONTRACT WITH CHESNEY MORALES ARCHITECTS FOR DESIGN SERVICES FOR MEDICAL/SURGICAL AND ICU BEDS FOR PEDIATRIC INPATIENT CARE AT UNIVERSITY HOSPITAL—MARK WEBB

SUMMARY: This item was tabled until staff secures a written commitment from the School of Medicine.

RECOMMENDATION: None.

ACTION: None.

EVALUATION: None.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION TO AMEND THE CONTRACT WITH BROADDUS+MUNOZ FOR PROJECT MANAGEMENT SERVICES RELATED TO THE DESIGN OF MEDICAL/SURGICAL AND ICU BEDS FOR INPATIENT PEDIATRIC CARE AT UNIVERSITY HOSPITAL—MARK WEBB

SUMMARY: This item was tabled until staff secures a written commitment from the School of Medicine.

RECOMMENDATION: None.

ACTION: None.

EVALUATION: None.

FOLLOW-UP: None.

CLOSED MEETING:

Mr. Adams recessed the meeting and announced it closed to the public at 5:37 p.m. pursuant to Section 161.032 of the TEX. HEALTH & SAFETY CODE (Vernon Supp. 2008), to evaluate the quality of medical and/or health care services. Also present were George B. Hernandez, Jr., Christann Vasquez, and Bryan Alsip, M.D. After discussion, no action was taken in closed session. Mr. Adams
announced that the closed meeting ended at 5:55 p.m.

**ADJOURNMENT:**

There being no further business, Mr. Adams adjourned the meeting at 5:56 p.m.

__________________________________  ______________________________
Jim Adams                        Rebecca Q. Cedillo
Chair, Board of Managers        Secretary, Board of Managers

__________________________________
Sandra D. Garcia, Recording Secretary