



University Health System

BEXAR COUNTY HOSPITAL DISTRICT BOARD OF MANAGERS

Tuesday, May 21, 2019

2:00 p.m.

Cypress Room

University Hospital

4502 Medical Drive

San Antonio, Texas 78229

MINUTES

BOARD MEMBERS PRESENT:

James R. Adams, Chair
Ira Smith, Vice Chair
Dianna M. Burns, M.D., Secretary
Robert Engberg
James C. Hasslocher

BOARD MEMBERS ABSENT:

Roberto L. Jimenez, M.D, Immediate Past Chair
Janie Barrera

OTHERS PRESENT:

George B. Hernández, Jr., President/Chief Executive Officer, University Health System
Tommye Austin, Ph.D., Senior Vice President/Chief Nurse Executive, University Health System
Edward Banos, Executive Vice President/Chief Operating Officer, University Health System
Lourdes Castro-Ramirez, President, University Health System Foundation
Ted Day, Executive Vice President, Strategic Planning and Business Development, University Health System
Sergio Farrell, Senior Vice President/Chief Ambulatory Services Officer, University Health System – Robert B. Green Campus
James Garcia, Executive Director, Financial Accounting, University Health System
Roe Garrett, Vice President/Controller, University Health System
Amy Hensz, Director, Practice Development, University Medicine Associates
Rob Hromas, MD, Dean, Long School of Medicine, UT Health, San Antonio
Reed Hurley, Executive Vice President/Chief Financial Officer, University Health System
Monika Kapur, MD, MBA, President/Chief Executive Officer, University Medicine Associates
Shelley Kofer, Manager, Public Relations/Corporate Communications, University Health System
Lillian F. Liao, MD, Vice President, Medical/Dental Staff, University Health System; and Assistant Professor/Clinical, Department of Surgery, UT Health, San Antonio
Bill Phillips, Senior Vice President/Chief Information Officer, Information Services, University Health System
Charles Reed, Vice President/Chief Nursing Officer for Clinical Excellence and Ancillary Services, University Health System
Serina Rivela, Interim Vice President/Associate General Counsel, Legal Services, University Health System

Edward Schweningen, Associate General Counsel/Legal Services, University Health System
Michael Roussos, Hospital Administrator, University Hospital
Don Ryden, Vice President/Project, Design, and Construction, University Health System
Armando J. Sandoval, Chief of Police/Protective Services, University Health System
Travis Smith, Deputy Chief Financial Officer, University Health System
Allan Strickland, Associate Administrator/Fiscal, University Hospital
James Willis, Vice President/Associate Administrator, University Hospital
Stephanie Whitehead, Executive Director, Pathology Services, University Health System
Chris Clark, Partner, BKD CPAs and Advisors
Kimberly Lopez-Gonzales, Partner, Garza, Gonzalez & Associates
Nancy Ozuna, Partner, BKD CPAs and Advisors
Richard Sanchez, Peace Officer Candidate
And other attendees.

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

Mr. Adams introduced Jeanene Atkinson, Chaplain, University Hospital, for the invocation and he led the Pledge of Allegiance.

CITIZENS' PARTICIPATION: None.

APPROVAL OF MINUTES OF PREVIOUS MEETING(S): *March 19, 2019 (Regular Meeting) and March 26, 2019 (Regular Meeting)*

SUMMARY:	Two (2) sets of meeting minutes were submitted for the Board's approval – regular meetings of March 19 and March 26, 2019.
RECOMMENDATION:	Staff recommended approval of the minutes as submitted.
ACTION:	There being NO OBJECTION , the minutes were APPROVED as submitted.
EVALUATION:	None.
FOLLOW-UP:	None.

REPORT FROM UT HEALTH SAN ANTONIO — ROB HROMAS, MD FOR WILLIAM HENRICH, M.D., PRESIDENT

SUMMARY:	Dr. Hromas noted that the 86 th Legislature passed a mission-specific research funding bill for UT Houston, UT Galveston, MD Anderson, and UT Southwestern, and it appears that UT Health San Antonio was inadvertently excluded. Mr. George Hernandez and Mr. Jim Adams will assist UT Health San Antonio in connecting with the appropriate people in Austin to correct. The Long School of Medicine is doing well; it has had two good financial months, almost at budget. Recruitments are moving rapidly. An offer was made to a Radiology Oncology candidate and the Epidemiology and Biostatistics chair position was filled with Dr. Amelie Ramirez, an expert in Hispanic breast cancer. This department is equivalent to Dr. Roberto Villarreal's Research & Information
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Management Department, and also serves as the pipeline to health sciences. Currently, there is one excellent Emergency Medicine candidate that will be coming back for another round of interviews. The School of Medicine will also start chair recruitment activities for the Department of Rehabilitation Medicine as Dr. Nicolas Walsh has announced his retirement effective January 1, 2020. Dr. Bryan Alsip will represent the Health System on that Search Committee. Also, in collaboration with the Health System, the School of Medicine is also recruiting a medical director for the Pediatric Emergency Department at University Hospital. Regarding the number of positions filled by Dr. Hromas since his arrival in 2018, he explained to the Board that the average life span of service as a chairperson in a medical school is 7 years. The Long School of Medicine has a total of 28 chairs with 4 positions open at any given time. At the present time, he is trying to fill 11 positions which is a little more than normal; however there were zero new hires during Dr. Ronald Rodriguez's interim period as Dean. Dr. Hromas is creating a team that understands healthcare the same way he does; he is patient centric, the institution must be financially sound, and provide service to the family in a clean, safe, and beautiful environment. He is very happy with existing chairs. When he asks faculty what they like about the present work environment, responses range from "the relationship with the Health System, the Oak Room, the upcoming Women's and Children's Tower, and Epic," all important topics to Dr. Hromas.

RECOMMENDATION: This report was provided for informational purposes.
ACTION: No action was required of the Board of Managers.
EVALUATION: None.
FOLLOW-UP: None.

NEW BUSINESS:

CONSENT AGENDA –JIM ADAMS, CHAIR

CONSIDERATION AND APPROPRIATE ACTION REGARDING MEDICAL-DENTAL STAFF RECOMMENDATIONS FOR STAFF MEMBERSHIP — RAJEEV SURI, M.D., PRESIDENT, MEDICAL/DENTAL STAFF

CONSIDERATION AND APPROPRIATE ACTION REGARDING RE-APPOINTMENTS TO THE CENTER FOR HEALTH CARE SERVICES BOARD OF TRUSTEES — ROBERT ENGBERG, CHAIR, NOMINATING COMMITTEE

CONSIDERATION AND APPROPRIATE ACTION REGARDING A RESOLUTION DECLARING THE PUBLIC USE AND NECESSITY FOR THE ACQUISITION IN FEE SIMPLE OF REAL PROPERTY RIGHTS TO A 2.3099 ACRE TRACT OF LAND, MORE OR LESS, BEING LOT 3 AND THE EAST 50 FEET OF LOT 2, BLOCK 6, NEW CITY BLOCK 12816, OAK HILLS SUBDIVISION UNIT 1, SAN ANTONIO, BEXAR COUNTY, TEXAS OWNED BY CLARITY CHILD GUIDANCE CENTER, TO ACHIEVE THE PUBLIC USE OF PROVIDING AN ELECTRONIC MEDICAL RECORDS TRAINING FACILITY AND A STAGING AREA DURING CONSTRUCTION OF THE WOMEN'S AND CHILDREN'S TOWER AND FURTHERING THE MISSION OF PROVIDING MEDICAL CARE TO THE NEEDY AND INDIGENT OF BEXAR COUNTY, TEXAS AND AUTHORIZING THE INSTITUTION OF CONDEMNATION PROCEEDINGS TO

ACQUIRE THESE RIGHTS — DON RYDEN

CONSIDERATION AND APPROPRIATE ACTION REGARDING PURCHASING ACTIVITIES (SEE ATTACHMENT A) — ANTONIO CARRILLO/TRAVIS SMITH

SUMMARY: The items above were presented for the Board's consideration as consent items. The following details are associated with these consent items:

Consideration and Appropriate Action Regarding Medical-Dental Staff Recommendations for Staff Membership — Rajeev Suri, M.D., President, Medical/Dental Staff -

Consideration and Appropriate Action Regarding Re-appointments to the Center For Health Care Services Board of Trustees — Robert Engberg, Chair, Nominating Committee - The current Sponsorship Agreement for The Center for Health Care Services (Center) between Bexar County and the University Health System establishes a Center Board composed of nine (9) Trustees. Commissioners' Court appoints five: one by each Court member on a prescribed schedule that occurs every two years. The Bexar County Hospital District Board of Managers appoints the remaining four (4) trustees, two at a time every other year. The terms of two trustees, Ms. Mary Rose Brown and Judge Polly Jackson Spencer expire June 30, 2019. After much thoughtful deliberation, the Board's Nominating Committee unreservedly recommends the re-appointments of Ms. Mary Rose Brown and Judge Polly Jackson Spencer to the Center's Board of Trustees, for a two year term, effective July 1, 2019 through June 30, 2021.

Consideration and Appropriate Action Regarding a Resolution Declaring the Public Use and Necessity for the Acquisition in Fee Simple of Real Property Rights to a 2.3099 Acre Tract of Land, More or Less, Being Lot 3 and the East 50 Feet of Lot 2, Block 6, New City Block 12816, Oak Hills Subdivision Unit 1, San Antonio, Bexar County, Texas Owned by Clarity Child Guidance Center, to Achieve the Public Use of Providing an Electronic Medical Records Training Facility and a Staging Area During Construction of the Women's and Children's Tower and Furthering the Mission of Providing Medical Care to the Needy and Indigent of Bexar County, Texas and Authorizing the Institution of Condemnation Proceedings to Acquire These Rights — Don Ryden - On April 30, 2019, the Board of Managers authorized the President/CEO to enter into a purchase agreement with Clarity Child Guidance Center (Clarity) to acquire the property located at 2135 Babcock Rd., San Antonio, Texas for the fair market appraised value of \$2,170,000. During this time, staff had reached a verbal agreement with Clarity on the terms of the sale which was memorialized in a fully negotiated, non-binding letter of intent to acquire the property. Shortly after submittal of the letter of intent to Clarity for final signature, Clarity was served with a lawsuit from a previous prospective buyer seeking to enforce the sale of the property. Clarity has since opted to try to resolve the dispute with this buyer rather than move forward with the sale of the property to the Health System. The Health System is in critical need of this property in

order to remain on schedule with the publicly funded Women's and Children's Tower and Associated Projects as well as implementation of the Epic Electronic Health Record Project. The short term use of this property is twofold, with an immediate use of the property as offsite construction offices for the current capital improvement project and then gradually also using the existing office space to serve as a supplemental training center for the implementation of the Epic Electronic Medical Record (EMR). Time is of the essence for both of these projects with immense financial consequences to the Health System should either project be delayed. Staff recommends Board of Managers approval of the Resolution declaring the public use and necessity and authorizing the institution of condemnation proceedings to acquire approximately 2.3099 acres of land located at 2135 Babcock Rd., San Antonio, Texas.

Consideration and Appropriate Action Regarding Purchasing Activities (See Attachment A) — Antonio Carrillo/Travis Smith - A total of 13 contracts with a value of \$26,754,100 are being presented to the Board of Managers during the May 21, 2019 meeting. The following contracts require approval by the BCHD Board of Managers: Ten (10) consent contracts with a total value of \$8,786,1953; and three (3) presented contracts with a total value of \$17,967,905. During the month of May 2019 there were no contracts classified as Small, Minority, Woman, or Veteran Owned Business Enterprises (SMWVBE).

RECOMMENDATION: Staff recommends approval of the items listed on the consent agenda.
ACTION: A **MOTION** to approve staff's recommendation was made by Mr. Engberg, **SECONDED** by Mr. Smith, and **PASSED UNANIMOUSLY**.
EVALUATION: None.
FOLLOW-UP: None.

ACTION ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING COMMISSIONING OF A PEACE OFFICER FOR BEXAR COUNTY HOSPITAL DISTRICT — CHIEF A.J. SANDOVAL, III/EDWARD BANOS

SUMMARY: The credentials of Mr. Richard Sanchez have been examined and certified by the Chief of Police as meeting all of the requirements of a University Health System Peace Officer. Mr. Sanchez retired from the San Antonio Police Department after serving 32 years and was assigned to the Prue Substation and various hospitals in the South Texas Medical Center for 20 years as a Law Enforcement Liaison. He obtained Master Peace Officer Certification in February 2006 and has completed the required 40 hours of Crisis Intervention Training.

RECOMMENDATION: Staff recommends Board approval to commission Richard Sanchez as a Bexar County Hospital District Peace Officer.

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

EVALUATION: None.
FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE EXTERNAL AUDITOR'S REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR 2018 — BKD, LLP/ROBERT ENGBERG, CHAIR, AUDIT COMMITTEE

SUMMARY:

Mr. Engberg informed the Board of Managers that the audit committee had met with BKD auditors earlier in the day for a review of the Health System's required communication and the audited financial statements for 2018. BKD will be report to the Board that the Health System and CFHP audits are complete and they plan to issue an unmodified or clean opinion. The CFHP audit report was presented to the CFHP Board on April 26, 2019. BKD also performed audits on three other entities: the Pension Plan, Foundation and Financial Assistance Programs. The audits for the Pension Plan and Foundation are complete. The Pension Plan audit report was presented and approved by the Pension Trustees on May 14, 2019. The Foundation audit report was presented to the executive committee of that Board on Monday, April 29, 2019. The Pension Plan financial statements are included in the Health System audit report which requires that the audit be complete prior to BKD issuing the Health System audit report. Mr. Engberg introduced, and yielded the floor to, Mr. Chris Clark, Partner with BKD for his formal presentation. He briefed the Board on required communications, presented risk areas along with comments for Information Technology, Accruals for malpractice, workers' compensation and health insurance claims, and Net OPEB liability. In addition, Adjustments were proposed and recorded in the following areas:

Adjustments - Impacting change in net position

Increase in OPEB deferred outflow s of resources	\$	3,541,334
Reduce employee health claims reserve		1,275,059
Reduce capitalized interest by related investment return		(3,276,295)
Reduce workers' comp and PLGL reserve to expected value		1,534,698
Other post-close adjustments prepared by UHS		<u>(520,317)</u>
Impact on change in net position	<u>\$</u>	<u>2,554,479</u>

GASB 75 ADOPTED – Requires recognition of net OPEB obligation and related deferred inflows and outflows of resources (and related disclosures),

Auditors provided an industry comparison against other Hospital Districts in the state for total assets, total debt, total equity, NPSR + Supplemental (excludes non-hospital component units), with University Health System leading in assets at \$2,933,808; debt at \$939,281; equity at \$1,123,001; NPSR at \$880,387, and 30,482 discharges. Dallas County followed with assets at \$2,257,183 and 51,475 discharges. Harris County, Tarrant County, El Paso County, and Moody's Averages were included in the comparison. Balance Sheets for the Health System for the period 2014 to 2018 were also reviewed. Hospital (only) days cash on hand is at 248 as compared to the Moody's recommendation of 210. Days cash on hand peer comparison indicates University Hospital leads at 248 as compared to Dallas at 50; Harris at 225; Tarrant at 200; and El Paso at 50. Net days in

Accounts Receivable is 71 for the Health System with the CareLink Financial Assistance Program; and 65 without CareLink, while other hospital districts are at 63, and Moody's recommends 48. Mr. Clark reviewed the Health System's long term debt to capitalization ratio for the period 2014 to 2018. It was over 40 percent in at the end of 2018 as compared to the 45 percent recommended by Moody's. Hospital Districts in the state of Texas averaged just under 40 percent in 2018. Board members also reviewed Statements of Revenues and Expenses:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net Patient Service Revenue	\$ 572,289	\$ 693,220	\$ 754,014	\$ 769,459	\$ 880,387
Premium revenue	310,530	328,389	391,048	496,472	517,460
Other Revenue	<u>52,842</u>	<u>75,804</u>	<u>93,349</u>	<u>83,233</u>	<u>90,141</u>
	<u>935,661</u>	<u>1,097,413</u>	<u>1,238,411</u>	<u>1,349,164</u>	<u>1,487,988</u>
Expenses					
Salaries and employee benefits	437,708	474,668	526,309	564,395	590,788
Supplies and other	692,031	782,026	898,337	1,039,098	1,151,321
Depreciation	<u>73,863</u>	<u>81,418</u>	<u>79,119</u>	<u>82,526</u>	<u>80,791</u>
	<u>1,203,602</u>	<u>1,338,112</u>	<u>1,503,765</u>	<u>1,686,019</u>	<u>1,822,900</u>
Operating Loss	(267,941)	(240,699)	(265,354)	(336,855)	(334,912)
Property Tax Revenue, Net	303,951	325,145	366,930	399,652	426,516
Other Revenue (Expense)	<u>(12,896)</u>	<u>(12,984)</u>	<u>(19,442)</u>	<u>(7,819)</u>	<u>3,830</u>
Change in Net Position	<u>\$ 23,114</u>	<u>\$ 71,462</u>	<u>\$ 82,134</u>	<u>\$ 54,978</u>	<u>\$ 95,434</u>

Uncompensated Care provided by the Health System was approximately 2 percent bad debt and 23 percent charity care. Property Tax Revenue (Consolidated) for the Health System was 22 percent of its total revenue in 2018, whereas both Dallas and Harris County were at 24 percent; Tarrant County was at 38 percent, and El Paso was at 15 percent. Auditors also review Capital Asset Investment for the period 2014 to 2018. In 2018, the Health System purchased assets in the amount of \$50 million; depreciation expense was a little more than \$75 million and the Moody's recommendation is \$100,000 million. When the Sky Tower opened in 2014, purchased assets were over \$175,000 million.

Industry Highlights – Twin Pressures

- “Bending the cost curve”, i.e. lowering demand for health care services
 - Value/outcomes based care and reimbursement
 - Alternative payment models (Accountable Care Organizations, Bundled Payments) and more care coordination
 - Shift from inpatient to outpatient setting
 - Post-acute transformation and finding best (and cheapest) setting for care – telehealth, home-health, etc.
 - Site neutral payments – payment for service and not dependent on care setting
- Lower reimbursement rates for services rendered
 - Demographic shifts and more Medicare / Medicaid in population
 - Federal and state budgets provide no relief in payment rates pressures
 - Consumerism and patients having more control or impact on health care decisions (high deductible plans, more retail options)

Other Matters

- GASB 87 (Leases) – 2020
- GASB 89 (Capitalized Interest) – 2020
- Ongoing evolution of Medicaid supplemental funding
 - UC transition
 - DSRIP phase-out
- Merger and acquisition activity
 - Focus on footprint expansion
 - Strategic alignment
 - Rural facilities
- UHRIP (Uniform Hospital Rate Increase Program)
 - Covers a portion of Medicaid shortfall
 - Processed through Medicaid managed care claims
- LPPF (Local Provider Participation Funds)
 - Used for non-federal share of supplemental funding
 - Replacing community benefit programs

Mr. Clark introduced, and yielded the floor to, Ms. Nancy Ozuna, BKD Diversity Partner, San Antonio office. She described BKD's Sky Initiative, a firm-wide sustainable growth strategy to emphasize and strengthen diversity by identifying and removing cultural barriers and biases preventing staff from maximizing their potential. The program exists to build inclusion and develop vital career skills, provide equitable access to career opportunities, leverage Sky Champions, Sky Council, and firm leaders to build a culture of inclusion and to bridge the leadership gap through programs and resources. Ms. Ozuna introduced, and yielded the floor to, Ms. Kimberly Lopez-Gonzales, Partner with Garza, Gonzalez & Associates, a minority firm that worked alongside BKD on Health System, Foundation, Pension and OPEB Plan audits. Ms. Lopez-Gonzalez spoke of her work experience alongside BKD CPAs and Auditors. She expressed gratitude for the exposure to areas which the minority firm would not otherwise experience. When prompted by Mr. Adams about the quality of the finance staff, Mr. Clark agreed that the quality is noticeable.

RECOMMENDATION: Staff recommends approval of the 2018 audited financial statements.

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

EVALUATION: Mr. Engberg is very pleased working with BKD, LLP.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING SELECTED PURCHASING ITEMS:

CONSIDERATION AND APPROPRIATE ACTION REGARDING AN AGREEMENT WITH SOUTH TEXAS BLOOD & TISSUE CENTER FOR BLOOD SUPPLY AND REFERENCE LABORATORY SERVICES — JIM WILLIS

SUMMARY: In August 2018, the Health System Transfusion Services - Pathology Department submitted a Request for Proposal (RFP) to perform due diligence in evaluating blood suppliers that can provide blood, blood products and blood related services to the Health System for a term of three years with two, one-year renewal options if agreeable by both parties. The current blood

supply contract #214020235-IF with the South Texas Blood & Tissue Center expires on June 30, 2019. From August 2018 to January 2019, Transfusion Services - Pathology Department evaluated three main blood suppliers to include Vitalant, Gulf Coast, and South Texas Blood and Tissue Center under RFP# 218-08-042-LAB. The evaluation committee consisted of nine voting members, including the Senior Vice President of Clinical Services, evaluated the bid proposals of the three blood supply vendors and reviewed their responses for turnaround time, delivery services, quality of products, pricing options, ordering capabilities, inventory management program and customer service. After the presentations, vendors were asked for a best and final offer. After multiple working group meetings with the voting members, a decision was made to award a three-year blood supply contract to the South Texas Blood and Tissue Center due to improved tracking methods to reduce turnaround times, 2.49 percent red cell cost decrease; plasma cost 5.66 percent decrease; platelet 1.56 percent cost decrease; antigen cost decrease of 23.08 percent; for a total three-year savings of approximately \$358,521.42 over the prior contract. The cost of a new three-year contract is \$16,670,097 or \$5,556,699 per year. This is a budgeted operational expense. The workforce composition data for the South Texas Blood and Tissue Center was provided for the Board's review.

RECOMMENDATION: Staff recommends the Board of Managers approve funds of \$16,670,097.00 for a new three year contract with South Texas Blood and Tissue Center.

ACTION: A **MOTION** to approve staff's recommendation was made by Mr. Hasslocher, **SECONDED** by Dr. Burns, and **PASSED UNANIMOUSLY**.

EVALUATION: None.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING AN AGREEMENT WITH SPAWGLASS CONTRACTORS, INC. FOR WATER SYSTEM UPGRADES IN THE STERILE PROCESSING DEPARTMENT IN THE SKY TOWER AT UNIVERSITY HOSPITAL — DON RYDEN

SUMMARY: The existing Sterile Processing Department is experiencing low water pressure to the Reverse Osmosis/Deionized (RO/DI) water system. An assessment by a local engineering firm has determined the existing system was undersized. The existing equipment and piping distribution system cannot meet the required water demand needed by the sterilization equipment. Upgrades are required to meet current and future sterilization demands. Recently, the Health System solicited Request for Proposals (RFCSP#219-01-005-CNST) for Construction Services with two firms responding:

<u>SpawGlass Contractors, Inc.</u>	<u>CGC Construction</u>
\$547,808	\$562,141
42 Calendar Days	115 Calendar Days

The proposals were evaluated based on the criteria provided to the firms in the RFP. Of the firms that proposed, SpawGlass Construction, Inc. was selected based on their competitive pricing, proposed schedule, healthcare experience and safety record. The amount of \$547,808 includes \$50,000 in owner allowance to cover unforeseen items discovered during

demolition and construction. This project will be funded from 2019 Capital Funds.

Water System Upgrade – Sky Tower, Basement Level Sterile Processing Department	Currently Funded	at Completion	Estimated
Design	\$97,400	\$97,400	
Construction	\$547,808	\$547,808	
Total	\$645,208	\$645,208	

The workforce data composition for SpawGlass was provided for the Board’s review.

RECOMMENDATION: Staff recommends Board of Managers’ approval of the selection of SpawGlass Contractors, Inc., as contractor for the Sterile Processing Department Water System Upgrade – Sky Tower, Basement Level at University Hospital and authorization for the President/Chief Executive Officer to execute the Construction Services Contract with SpawGlass Contractors, Inc. in the amount of \$547,808.

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

EVALUATION: Mr. Engberg inquired whether this upgrade would give the hospital excess capacity for future growth and Dr. Hromas asked about the impact on the new Women’s and Children’s Tower. The upgrade will address excess capacity and will take into consideration the excess demand brought on by the new tower. Mr. Ryden explained that in hindsight, staff has questions on whether the existing Reverse Osmosis/Deionized (RO/DI) water system was assessed appropriately for the size of the campus and it appears that it was not done with the right vision for what is now required. Mr. Banos added that in all probability, when the Sky Tower was built, the engineers looked only at the Sky Tower operating rooms and projected volume. Since then, management found that the 11th floor operating room, which was designated for pediatric cases only, was doing their own sterilizing, as were other areas. As a result, leadership moved the sterilizing function from 11th floor to the central sterilizing unit. Staff also moved some equipment that was outdated and in the Horizon Building to the central sterilizing unit. The staff could not predict that all sterile processing would be consolidated into one area and leadership is now looking at future needs; however, there are a several areas that were not receiving enough water, or not receiving good water. Mr. Adams and Mr. Banos acknowledged lessons learned. Staff is going to do things differently with the new Women’s and Children’s Tower where water, electricity, and/or vacuum pump issues are concerned.

FOLLOW-UP: None.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE DESIGN, CONSTRUCTION, AND FUNDING OF THE WOMEN’S AND CHILDREN’S TOWER AND ASSOCIATED PROJECTS — DON RYDEN

SUMMARY: With the recent completion of 100 percent Architectural Schematic Design (SD) in March 2019, the Construction Manager (Joeris/Dunn, a Joint Venture) has provided a current construction cost estimate for the Project. This construction cost estimate takes into account changes in design

elements that were identified in the SD process. These design elements include:

- Core and shell growth in the Tower, including additional fit-out
- Programming true-up of functional departmental areas
- Building circulation
- Mechanical/electrical infrastructure
- Increased parking capacity in the Garage to 900 spaces
- Structured design capacity for 12th Floor addition

These design modifications are in line with the overall clinical program as well as the Master Facility Plan. The estimated increased construction costs associated with these items is approximately \$31.4M. Mr. Ryden provided a detailed breakdown of the design elements. He noted that the new Tower shell itself grew by 29k square feet to accommodate some of the proposed build out, and as the actual programming began, the staff realized that to accommodate the clinical program for the beds in the new tower, staff found another 67k square feet would be needed:

	<u>Net Change</u>	
	Area Increase	Total Cost
* 100% SD Construction Budget Reconciliation:		
Tower & Podium:		
Shell	29,243 S.F.	\$ 8,334,000
Build Out	66,700 S.F.	\$21,252,000
HVE	725 S.F.	(\$ 3,247,000)
Site/Demo	29,243 S.F.	(\$ 6,364,000)
Garage	122,451 S.F.	<u>\$ 9,291,000</u>
Sub-Total		\$ 29,266,000
* Structured Design Capacity for 12 th Floor		<u>\$ 2,145,000</u>
		<u>\$ 31,411,000</u>

The workforce composition data for Marmon Mok/ZGF was provided for the Board's review. Marmon Mok/ZGF's participation levels are 20 percent for SWMVBE.

RECOMMENDATION: Staff recommends the Board of Managers approve additional funding for the Women's and Children's Tower and Associated Projects in the amount of \$44,246,000 to include a contract increase for design services in the amount of \$10,242,000 and authorize the President/Chief Executive Officer to execute the amendment to the Marmon Mok LLP agreement in that amount.

ACTION: A **MOTION** to approve staff's recommendation was made by Mr. Hasslocher, **SECONDED** by Dr. Burns, and **PASSED UNANIMOUSLY**.

EVALUATION: Leadership is trying to do a better job of keeping the Board informed of ongoing changes pertaining to the Women's and Children's Tower. Mr. Hernandez thanked UT Health San Antonio for their involvement in this project; the final product is going to be far superior than the Sky Tower because of lessons learned. The staff has a better process in place this time around. Mr. Ryden provided a status update on the design process and he informed the Board that the construction documents for the HVE will be completed this week. The three (3) phases of this process are schematic design, design development, and construction documents. Mr. Hernandez discussed the parking garage and that it was initially designed as a 750-car garage; however, as staff studied the growth, a decision was made that it was prudent to maximize up to 909 parking spaces at an additional cost,

also due to growth (will build up). Mr. Smith expressed a safety concern regarding the addition of height to the tower, due to a previous failure during the construction of the West Parking Garage. Mr. Ryden and Mr. Hernandez assured the Board that Mr. Smith's concerns are taken seriously and will be addressed. Staff challenged the design team to create opportunity for a 12th floor to the Women's and Children's Tower at a later date after the construction is completed, which the design team will do via the podium expansion. A 12th floor would accommodate 30 more hospital beds. Engineers are not changing the footprint of the tower, however; they will strengthen the garage with additional steel and stronger cement. Board members reiterated safety as a primary concern. Mr. Ryden shared a graphics presentation illustrating the Women's and Children's Tower connectivity to Sky Tower via a podium for floors 1 through 11, which includes the area staff now calls "HVE." When the Sky Tower was designed, there were concerns that the podium was too small and there would not be room for future growth, and only 24 operating rooms were planned. One surgeon in particular advocated for 35 operating rooms but the Health System did not have the funds to build additional operating rooms; however, there were enough funds to expand the podium so that operating rooms could be added at a later date. Initially, for the Sky Tower a larger podium was built, which is on the lower, non-bed floors. Over the construction phase, more operating rooms were finished, except two. Twenty-four (24) operating rooms were finished, but not equipped, and Mr. Hernandez reiterated that an expanded podium is essential for future growth. Dr. Burns applauded the staff's planning efforts for being cognizant of cost-savings opportunities planning forward to the 12th floor for 2020. It appears to her that everything is being considered. The cost of \$44,246,000 approved by the Board of Managers today is in addition to the \$475 million (includes Board contingency fund) or \$452 million (without Board contingency fund) previously allotted for the Women's and Children's Tower. Mr. Engberg suggested that staff provide the Board with a business plan to assist them in predicting Health System's needs in 3-4 years so that the Board can clearly understand next steps.

FOLLOW-UP: Mr. Adams asked the staff to visit with Mr. Engberg off line regarding his thoughts on the requested business plan.

CONSIDERATION AND APPROPRIATE ACTION REGARDING THE FINANCIAL REPORT FOR APRIL 2019 — REED HURLEY

SUMMARY: In April, clinical activity (as measured by inpatient discharges) was down 2.5 percent for the month compared to budget, 1.4 percent better than last year, and year to date basis is 6 percent over prior years. LOS in April was up as was case index indicating more severe cases this past month. Ambulatory missed budget by 5.5 percent, short of last year by 1.8 percent, and year to date basis is down 7.1 percent below budget, and 3.3 percent below year to date, which has to do with provider vacancies. Payor mix in April was slightly down for the year at 74.4 percent compared to budget at 74.3. Payor mix has been more stable in the last several years. Community First Health Plan (CFHP) fully-insured membership was down 1.5 percent to budget. On a consolidated basis, gain from operations was

\$13.5 million, \$6.0 million better than budget. The consolidated bottom line gain (before financing activity) was \$10.7 million, \$8.2 million better than the budgeted gain of \$2.4 million. Higher patient revenue and non-operating revenue resulted in performance better than budget. CFHP experienced a bottom line gain of \$1.4 million which was \$213 thousand better than budget. On a year to date basis, the Clinical Services Division did very well at \$4.4 million on a budget of \$5 million. CFHP has a bottom line of -\$1.7 million but budget was -\$4.1 million. Net patient revenue was up \$5.3 million, and the Graduate Medical Education (GME) program added \$60,000 to April revenue, which was up by \$5.8 million. Operating expenses were positive \$200,000. Medical supplies were over by \$1.2 million due to some pharmacy issues. Other non-operating revenue was better than budget due to investment income, depreciation was down, which is a \$2.2 million pick up for a \$4.7 million bottom line. Year to date net patient revenue is \$15.7 million above budget, GME is \$2.6 million above budget, and grant revenue was off by \$2 million. Purchased services were \$6 million below budget. Lower than budget employee compensation and purchased services expense drove the positive performance to budget, while higher premium revenue and medical claims expense offset each other., and Epic implementation was \$4.1 million below budget. All four months this year have been very strong financially, and Mr. Hurley does not predict changes in federal revenue sources until September, when the new fiscal year begins. Debt service revenue was \$5.8 million which matched budget. Mr. Hurley reviewed and discussed notable increases and/or decreases from the December 31, 2018 Consolidated Balance Sheet in detail with the Board.

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. Hasslocher, and **PASSED UNANIMOUSLY**.

EVALUATION: None.

FOLLOW-UP: None.

PRESENTATIONS AND EDUCATION:

REPORT ON PHYSICIAN RECRUITMENT AND RETENTION FOR AMBULATORY SERVICES — *SERGIO FARRELL/MONIKA KAPUR, M.D.*

SUMMARY: In 2018, University Medicine Associates' (UMA) physician turnover was 5.30 percent. During the first quarter of 2019, UMA experienced 6.72 percent turnover. This includes six adult primary care physician departures due to relocation, retirement, and desired change in practice environment. Three additional primary care physicians are scheduled to leave the practice during the second and third quarters of 2019. The national average turnover rate for employed primary care physicians was 12 percent as of 2018. UMA management is evaluating the reasons for these departures in more detail to create solutions to maintain the current workforce as well as recruit the best candidates that will expand our mission and care of our patients.

Current State

- Ambulatory activity is 7.9 percent under budget year to date
- The major contributor is physician vacancies

- Total of 13 open positions to recruit
- MDs: 9 vacancies
- APPs: 4 vacancies
- Physician turnover:
- 2018: 5.30 percent
- First Quarter 2019: 6.72 percent
- MDs: 2 hired, with 4 in the interview process

Factors to Physician Turnover

- Labor intensive Electronic Health Record (EHR) Epic is much more efficient
- Increased amount of administrative tasks required by health plans for complex care needs
- Retiring physician baby boomers

Current Programs and Initiatives

Retention

Improving the EHR: Epic 5/2020
Comprehensive Onboarding/Training

Recruitment

UT Residency Program

Provider Wellness Programs

RECOMMENDATION: This report was provided for informational purposes only.
ACTION: No action was required of the Board of Managers.
EVALUATION: None.
FOLLOW-UP: Physician burn out is a critical issue. Mr. Adams requested a future presentation regarding this topic and he suspended this presentation after Dr. Kapur covered provider wellness programs. In the interest of time, Mr. Hernandez agreed that Dr. Kapur will return with a description of the program addressing efforts to avoid physician burn out at the June Board meeting.

INFORMATION ONLY ITEMS:

2019 QUARTER 1 SUPPLIER DIVERSITY REPORT — EDWARD CRUZ JR./ANTONIO CARRILLO/TRAVIS SMITH

EPIC ELECTRONIC HEALTH RECORD PROJECT UPDATE — GEORGE B. HERNÁNDEZ, JR.

UPDATE ON PLANNING, DESIGN AND CONSTRUCTION ACTIVITIES — DON RYDEN

UNIVERSITY HEALTH SYSTEM FOUNDATION UPDATE — LOURDES CASTRO-RAMÍREZ

REPORT ON RECENT RECOGNITIONS AND UPCOMING EVENTS — LENI KIRKMAN

REPORT ON THE 86TH LEGISLATIVE SESSION — ANDREW SMITH

SUMMARY: Mr. Adams directed his colleagues' attention to the six (6) informational reports above and asked them to provide feedback, comments, or questions directly to the staff.
RECOMMENDATION: These reports were provided for informational purposes only.
ACTION: No action by the Board of Managers was required.
EVALUATION: None.
FOLLOW-UP: None.

ADJOURNMENT:

There being no further business, Mr. Adams adjourned the Board meeting at 4:06 p.m.

James R. Adams
Chair, Board of Managers

Dianna M. Burns, M.D.
Secretary, Board of Managers

Sandra D. Garcia, Recording Secretary