

The Regents of the University of California

**COMMITTEE ON HEALTH SERVICES
COMMITTEE ON EDUCATIONAL POLICY**

January 14, 1999

The Committees on Health Services and Educational Policy met on the above date at UCSF - Laurel Heights, San Francisco.

Present: Representing the Committee on Health Services: Regents Atkinson, Davies, Khachigian, Leach, Preuss, and Sayles; Advisory member Vining
Representing the Committee on Educational Policy: Regents Atkinson, Davies, Khachigian, Kozberg, Miura, Montoya, and Willmon

In attendance: Regents Johnson and Lee, Faculty Representatives Coleman and Dorr, Secretary Trivette, General Counsel Holst, Assistant Treasurer Young representing Treasurer Small, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gomes, Hershman, and Hopper, Chancellors Berdahl, Bishop, Carnesale, Cicerone, Dynes, Greenwood, Orbach, and Vanderhoef, and Recording Secretary Bryan

The meeting convened at 10:55 a.m. with Committee on Health Services Chair Khachigian presiding.

UCI ACADEMIC MEDICAL CENTER UPDATE, IRVINE CAMPUS

Chancellor Cicerone reviewed the progress that has been made at the UCI Medical Center and the College of Medicine during the past two years and mentioned some facilities and infrastructure issues. He observed that the success of the Irvine campus as a whole is dependent upon the success of the College of Medicine and the achievements of the medical center. The College of Medicine accounts for half of the campus' incomes from sponsored research and private giving. Both the college and the medical center continue to enjoy strong financial support from local philanthopists as well as support from the Board of Supervisors and the community in general.

The progress at the College of Medicine and the medical center in the past few years has been significant. Mr. Cicerone reported that Dean Cesario has recruited excellent new faculty members, and chairs for the departments of medicine, neurology, and ophthalmology. The financial performance and market position of the medical center have improved. The College of Medicine ranks near the middle of the country's medical schools, and the medical center has improved its patient volume, mix, and profitability. He noted, however, that as a University of California campus, the standard must be one of excellence in all areas. The principle of striving for the best quality of care and service, financial performance, and research underlies the strategic planning that has been undertaken during the past few months.

Director Laret reported that 1998 was a very good year for UCI Medical Center and the College of Medicine. UCI became only the second UC campus to be designated as a comprehensive cancer center by the National Cancer Institute, which awarded to UCI a \$10 million grant to be the lead coordinating center across the nation for a study of the genetic links to cancer. UCI's medical students had entering GPAs and test scores that ranked in the top 10 percent of all entering medical students in the country. The medical center's score of 98 out of 100 in the triennial survey of the Joint Commission on the Accreditation of Health Care Organizations was one of highest in the region, as well as among academic medical centers nationally. Also, results have been encouraging following the establishment of very aggressive corporate compliance and risk management programs. Open professional liability claims are at their lowest level in eight years.

Mr. Laret noted that service to patients and referring physicians is a high priority. The medical center now has a centralized appointment scheduling call center that enables patients to make a single call to schedule multiple medical appointments at any of five outpatient facilities. By the end of the year, all services will be represented on single, comprehensible bills. It is an institutional goal to be among the top 10 per cent of hospitals in the country in patient satisfaction.

The medical center is on its way to a third straight profitable year. It relies on the disproportionate share funds received from the State for its service to low income patients, but management is working to reduce that reliance. Overall admissions increased by 10 percent this year because more physicians in the community are referring their commercially insured and Medicare patients to UCI. The hospital is full occasionally. UCI remains the only Level One trauma center in Orange County and the largest such center in the region. It has attained Blue Cross Center of Excellence status, and recently its bone marrow transplant program was accredited by the State.

Mr. Laret recalled that three years ago the expectations for UCIMC were less optimistic. Its financial circumstances were significantly weaker. The medical center's ability to compete effectively was threatened by a flurry of activity in its market, with hospital networks forming and physician groups expanding rapidly. Alternative plans for UCI were considered, including leasing the medical center to a for-profit hospital network as a way to strengthen the College of Medicine so as to assure the medical center's future. For financial reasons and political considerations, those discussions were concluded. In the meantime, the hospital systems that had formed are still a force, but the medical center is managing to remain competitive. Many physician practice management companies that were so powerful have fallen into disarray for financial reasons. Physicians in those groups have become strong referrers to UCI. After the review of alternative strategies for the medical center, it was decided that a focus on long-term strategies should be revived. Accordingly, a strategic planning process was begun early last year.

Mr. Laret emphasized that the serious issue of the hospital's aging facilities is being addressed. Two of its three buildings are in good shape, but the main hospital, which houses intensive and

neonatal care, cannot handle the equipment now routinely used in operating rooms. Basic systems are constantly breaking down. The three- and five-bed rooms in vogue in the 1960s no longer meet patients' expectations. UCI's longstanding financial challenges have been created by chronic under-investment over the years. While the strategic plan does not directly address the replacement of facilities, it positions the medical center to be stronger financially and to be in a better position to make the case that further investment is a worthy thing for The Regents and the State.

Dean Cesario outlined the strategic plan. He noted that the UCI College of Medicine and the medical center are inextricably linked. For that reason, a strategic plan needed to be developed that addressed both academic and clinical needs. The process involved over 150 faculty and staff and several planning groups and was facilitated by a healthcare consulting firm.

Dr. Cesario reported that the process began with an evaluation of UCI's current position in the academic and clinical marketplace. The UCI College of Medicine ranks in the middle of 125 U.S. medical schools in total research dollars. The administration's goal is to be in the top tier in research dollars per faculty member. Last year the UCI College of Medicine generated over \$60 million in research funds. The goal is to increase that to \$100 million within seven years. Strategies for achieving this research vision include the recruitment of new research faculty and an improvement of research productivity of the current faculty. The strategic plan calls for recruitment of 40 new research faculty over the next five years. Ten have been recruited since the process began. Current faculty are being asked to increase their grant funding by 5 percent per year.

Dr. Cesario believed that the primary limitation on the ability to recruit research faculty has been a lack of high-quality research space. The strategic plan calls for the building of two new medical research buildings on the campus over the next seven years, to be funded jointly by income generated from the Irvine Company's groundlease and by philanthropy. The lead gift for these buildings was announced recently. Community support has been significant, including a substantial endowment by Donald Bren for the recruitment of several new research faculty.

Dr. Cesario reported that in education, UCI's vision is to remain a leading school for primary care training, a role for which it has achieved national recognition while maintaining strong residency training programs in both primary care and specialty residencies. UCI has already achieved a State-mandated primary care specialty resident ratio of 50 percent primary care residents to 50 percent specialty residents and is on track to achieve planned residency reductions. In clinical care, its vision is to be the preeminent provider of tertiary care in Orange County. While UCI continues to provide comprehensive medical care to low-income populations, the greatest need in Orange County is for the specialty services that have been developed at UCI. As the only university medical center in a county of 3 million people, UCI intends over five years to add an additional 25 clinical faculty in specialty areas to strengthen its market position as the leading provider of specialty services. To further develop UCI's clinical position, strategies will be pursued to increase patient referrals from southern Orange

County and adjacent areas of Riverside County. UCI's relationships with medical groups in these areas are promising. A further clinical strategy is to build stronger relationships and an identity as the primary provider to seniors and other special populations such as Vietnamese and Latinos. UCI's workers' compensation referrals have grown; it now provides these services to the Orange County Fire Authority.

Dr. Cesario noted that the plan identifies strategies to improve service levels and operational efficiencies. An electronic medical records system must be developed that will make patient records immediately available whenever needed and will improve efficiency and physician availability. The strategic plan calls for improving clinical and academic programs by using \$15 million in funds that will be redirected following reductions in operating costs in both the hospital and the College of Medicine. The financial model for this plan relies entirely on internally-generated funds to support all of the strategies, with the exception of the financing of the research laboratories. The financial models also include tests of the impact of unanticipated and highly undesirable reductions in any of UCI's disproportionate share funds. If such reductions were to occur, various aspects of this plan would have to be delayed.

In summary, Dr. Cesario stated that this strategic plan appears to be the best available option for the UCI Medical Center and the College of Medicine. There are risks: the market may change in some unexpected manner, as it has in the past, or surprise facility problems may require the redirection of funds to other needs. Despite these risks, there is broad-based support and investment in this plan from UCI's faculty and staff.

Chancellor Cicerone expressed enthusiasm for the new strategic plan. He noted, however, that the medical center cannot be expected to excel if under-investment in its infrastructure continues. He was concerned also that the plan will have to be revised periodically to reflect the tremendous population growth in Orange County that is expected in the next decade.

Regent Lee urged the administration to focus on reversing the negative perceptions that the public continues to have about the UCI Medical Center. He encouraged increased interaction among the UCI, UCSD, and UCLA medical centers. He asked what the effect has been financially on UCI of having to pay out large sums during the past few years for medical malpractice settlements. Mr. Laret informed him that, although the medical center is showing a profit even with those funds included into its financial statements, it is paying increased premiums as the result of malpractice issues in the past.

Regent Johnson was pleased that the report on UCI was positive. She asked about the medical center's share of the healthcare market. Mr. Laret responded that, although referrals have increased, it is not clear whether the overall 6 percent market share is a result of that or simply of population increases. He hoped to be able to track the issue more precisely in the future. He indicated that an 8 percent market share would be a reasonable goal that would put the medical center in a more dominant position.

Faculty Representative Dorr noted that the faculty were enthusiastic about the progress that had been made on strategic planning. She was pleased that the process had included consideration of the needs of clinical services faculty.

The meeting adjourned at 11:30 a.m.

Attest:

Secretary