The Regents of the University of California

COMMITTEE ON HEALTH SERVICES
September 18, 2002

The Committee on Health Services met on the above date at UCSF–Laurel Heights, San Francisco.

Members present: Regents Atkinson, Davies, Johnson, Kozberg, Lee, Marcus, Moores, Preuss, Sainick, and Terrazas; Advisory member Seigler

In attendance: Regents Blum, Hopkinson, Ligot-Gordon, Montoya, Parsky, and Pattiz, Regents-designate Bodine and Murray, Faculty Representatives Binion and Pitts, Secretary Trivette, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice President Darling, Vice Presidents Hershman and McTague, Chancellors Berdahl, Bishop, Cicerone, Córdova, Dynes, Greenwood, Tomlinson-Keasey, Vanderhoef, and Yang, Executive Vice Chancellor Blackman representing Chancellor Carnesale, and Recording Secretary Bryan

The meeting convened at 9:30 a.m. with Committee Chair Lee presiding.

1. **APPROVAL OF MINUTES**

Upon motion duly made and seconded, the minutes of the meetings of May 16 and July 17, 2002 were approved.

2. **ACTIVITY AND FINANCIAL STATUS REPORT ON HOSPITALS AND CLINICS**

Vice President Broome reviewed the results of the operations of the University's medical centers for the fiscal year ending June 30. She noted that these results are unaudited.

Ms. Broome reported that the Los Angeles medical center experienced the highest growth in patient days, about 5 percent, of all of the University's medical centers. The Davis and San Francisco medical centers had a slow and steady growth of about 3 percent, driven by higher admissions and longer lengths of stay due to an increase in their case mix index. Los Angeles' admissions declined, but its length of stay increased. Its acuity remained steady. Patient days at the Irvine medical center remained flat, while those at San Diego declined because its pediatric patients are being seen at Children's Hospital. Outpatient volume has increased tremendously at Irvine during the last two years and has remained steady at San Francisco and Los Angeles. It took a dip at Davis last year when two unprofitable primary care clinics were closed. This year Davis is back to its previous level because of increased activity at its clinics that remained open. San Diego showed a slight decrease in outpatient volume this year, primarily because of the elimination of its home healthcare business.

Ms. Broome reported that total operating gain, which was about $75 million in 2000, dropped in 2001 by almost $10 million, primarily because the San Francisco medical center lost $8 million and the Los Angeles medical center lost about $3.6 million, but there was significant growth in total operating gain in 2002 due to the turnaround at UCSF and significant growth at the Irvine medical center. Also, there were some unexpected augmentations: an additional $5 million of Clinical Teaching Support was made available, and a class action lawsuit over Medi-Cal outpatient rates was finally resolved, providing the University with a settlement of over $10 million. Looking at the results individually, San Francisco, which last year had a loss of $8 million, this year had a profit of over $28.5 million as the result of recovering from the costs of the demerger, employing tight expense controls, renegotiating a number of managed care contracts, and cancelling some unprofitable capitated contracts. Irvine also had very significant growth, again the result of very tight expense controls combined with renegotiated contracts and a rate increase. Davis also experienced growth, primarily because of its increase in patient activity and changes in its patient mix. Los Angeles had minor growth, and San Diego's profit decreased as a result of significant increases in the cost of and heavier reliance on the nurse registry.

Ms. Broome compared the medical centers' financial positions in relation to their budgets. She noted that overall the medical centers had done well. At Los Angeles there were three beneficial items that were not anticipated, including the $5 million augmentation of CTS and the $10 million Medi-Cal class action settlement. Also, only $10 million of medical education funds was budgeted, because of uncertainty about how much money the program would be able to provide. In fact, it provided $55 million, which was comparable to prior years' amounts. Davis, Irvine, and San Francisco had significant increases over their budgets that were attributable to operations.

Ms. Broome noted that four of the five medical centers had improved their positions with regard to receivables in the past year. Davis had the fewest number of days of receivables with 51, San Diego had the next with 55, and Irvine followed with 58. San Francisco made strides in reducing its high number following the demerger, but Los Angeles lost a little of the ground gained last year, probably due to some renegotiated contracts.

Addressing the number of days of cash on hand, Ms. Broome reported that the Davis and San Diego medical centers had exceeded the recommended benchmark of 60 days and also improved their cash positions, as did Irvine, Los Angeles, and San Francisco. San Diego's cash position dropped a bit, primarily because of higher operating costs and the fact that it received some of its supplemental funding last year and some this year.

Vice President Broome reported that audited financials will be distributed to the Regents within the next two months.

Committee Chair Lee acknowledged that the activity and financial status report was good overall, especially in that the San Francisco medical center had moved from a position of financial loss to one of financial gain. Regent Davies believed that Chancellor Bishop should be acknowledged for this impressive turnaround.

The meeting adjourned at 9:45 a.m.

Attest:

Secretary