The Regents of the University of California

COMMITTEE ON HEALTH SERVICES

January 18, 2006

The Committee on Health Services met on the above date at the Price Center, San Diego campus.

Members present: Regents Dynes, Gould, Island, Johnson, Lansing, Lee, Parsky, Preuss, Rominger, and Rosenthal; Advisory members Coombs and Brunk

In attendance: Regents Hopkinson, Juline, Lozano, Ruiz, Schilling, and Wachter, Regent-designate Schreiner, Faculty Representative Oakley, Secretary Trivette, General Counsel Holst, Acting Provost Hume, Senior Vice Presidents Darling and Mullinix, Vice President Gurtner, Chancellors Bishop, Córdova, Denton, Drake, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Bryan

The meeting convened at 5:30 p.m. with Committee Chair Lansing presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meetings of March 16 and November 17, 2005 were approved.

2. UPDATE ON UCSF MEDICAL CENTER, SAN FRANCISCO CAMPUS

Medical Center Director Laret recalled that in March 2005, the UCSF campus had provided a comprehensive review of UCSF Medical Center's performance over the past five years. The campus included in that discussion a review of the seismic issues facing UCSF Medical Center's Mount Zion campus, which must be retrofitted or closed by 2013, as well as the conceptual plan for developing a new clinical campus at Mission Bay to address those seismic problems and to further UCSF's academic programs. The Regents were informed of the successful negotiations for an option to exercise a 99-year ground lease for 9.7 acres of land immediately adjacent to the Mission Bay campus. UCSF continues to pursue acquisition of an additional 4.8 acres of adjacent land.

The land acquisition process at Mission Bay is proceeding apace; however, construction cost estimates for the initial hospital project at Mission Bay that would have accommodated the patients cared for at Mount Zion have increased beyond the anticipated funding resources. This cost inflation has made it infeasible to develop a hospital at Mission Bay within the seismic law (SB1953) timetable for Mount Zion. As a result, the campus is evaluating a dual course for addressing the seismic issues as well as developing the Mission Bay campus.

To address the Mount Zion 2013 deadline, the campus is evaluating options either to retrofit existing hospital buildings, with the addition of operating rooms and beds, or to construct a new facility to include core functions such as operating rooms and intensive care units that are in seismically deficient space at Mount Zion. Either of these options could be completed for a cost within Medical Center resources or current debt capacity, and could be finished before the 2013 seismic deadline. This approach has the added feature that it provides flexibility for the use of Mount Zion inpatient beds until at least 2030. The Hellman facility, a 60,000 square foot building built in 1916, is the first major element that must be dealt with. The tenants will be relocated in leased space and the building torn down. Three other buildings that are part of the facility will be seismically strengthened to meet University standards, some of which are necessary to meet State inpatient hospital requirements. An additional two operating rooms and between 28 and 56 additional beds will be built. The cost of this project is between $250 million and $300 million, of which approximately $100 million must be expended to meet University seismic and triggered infrastructure upgrades regardless of how the hospital will be used. Incremental costs include relocation of programs, faculty, and staff, upgrading facilities to meet State seismic requirements, and the additional operating rooms and beds. A more detailed project plan will be presented in the future. The cost, while significant, is within the debt capacity of UCSF Medical Center, and the project could be completed well before the deadline.

Director Laret reported that Children's Hospital, which is on the Parnassus site, is one of the highest ranked children's hospitals in the country. The program needs its own facility and visibility. If it left Parnassus, considerable space would be made available to adult programs to expand there; therefore, the campus decided to begin detailed planning for a 180-bed children's hospital as a first-phase project at Mission Bay. The estimated cost is $600 million based on a mid-point of construction in 2012. The campus is ready to begin raising funds for it. The project would be brought to The Regents when the financial feasibility for it is secure through hospital reserves, external financing backstopped by the Medical Center, and philanthropy – anticipated to be in 2011. Permission will be sought to proceed only when the philanthropic support has been obtained. Consistent with the original plan for Mission Bay, subsequent phases would include the inpatient and outpatient cancer programs and inpatient and outpatient women's programs.

Mr. Laret believed that this revised plan has the advantage that by 2013 the seismic requirements for Mount Zion will have been addressed, enabling the use of this hospital as needed until 2030, and for education, research, and outpatient services under University policy for as long as needed. Further, this plan allows UCSF to proceed with its long-term academic vision of a major clinical campus at Mission Bay to be built in phases as resources allow. The disadvantages are that the required investment at Mount Zion is significant, and making it will delay the Medical Center's ability to finance the first phase of Mission Bay. Another consideration is that when the children's hospital is completed at Mission Bay, UCSF will be operating hospitals on three sites, which is not ideal. No other alternative seems possible, however. The campus cannot afford the original Mission Bay plan. The two-track approach to continue acquiring land for a

clinical campus at Mission Bay and build it in phases as resources allow, plus making the seismic improvements to the Mount Zion campus that will enable it to remain in business until 2030, is consistent with UCSF's academic and clinical goals and is financially responsible.

Committee Chair Lansing believed that the project was ambitious but exciting. Regent Lee seconded her sentiments, noting that the campus has made valuable contributions to the City and provides the highest quality of patient care available.

Regent Johnson asked whether a timetable would be devised with a plan for fundraising and asked whether the campus intends to contribute to the $600 million cost. Mr. Laret responded that the Medical Center will finance the Mount Zion seismic upgrades out of debt, and by bringing on additional beds at Mount Zion, plus other beds that are being added, the campus' debt capacity is expected to be recharged by 2012-13, when it could return to borrow more in the bond market and would have raised the remainder through gifts.

Chancellor Bishop commented that adjusting the course was disappointing to the campus community. He commended Director Laret and Dean Kessler for conveying to the faculty the wisdom of the new plan.

3. **UPDATE ON UCSD MEDICAL CENTER CARDIOLOGY PROGRAM, SAN DIEGO CAMPUS**

Vice Chancellor Holmes reported that the project for the cardiovascular center and expansion of Thornton Hospital is critical for patients in the area and for the campus' education and research programs. He recalled that in May 2004, The Regents had granted preliminary planning approval for the project. Due to inflation and the continuing refinement of the project, however, the cost has increased.

Mr. Holmes recalled that the UC San Diego Medical Center is a two-hospital system that operates 386 beds at the Hillcrest campus, which is 12 miles south of the main campus, and 119 beds at the Thornton Hospital, which is the anchor to the medical complex in the eastern portion of the main campus. The system has been strong financially.

Chief Executive Officer Liekweg reported that Thornton Hospital continues to be a major reason for the Medical Center's ability to operate above its targeted margin. Though accounting for 24 percent of discharges, Thornton generates almost 60 percent of the Medical Center's net income. These vital resources are used to help care for the under- and uninsured, invest in state-of-the-art equipment and information technologies, maintain an aging facility at Hillcrest, and support academic and translational research missions. The project is critical in order to keep up with the rapidly growing demand for services at Thornton Hospital, while at the same time it will allow clinical, research, and training programs focused on patients with cardiovascular disease to be brought together. Since the project received planning approval, long-term market share projections of 8.5 percent have been achieved, with significant growth in the areas of cardiology and

stroke that are critical components of this project. Thornton Hospital reaches peak census on weekdays frequently at 85 percent occupancy, which is full by industry standards. With only 12 intensive care beds in this facility, the Thornton ICU operates full at least one out of every four days. With patients staying overnight in the OR recovery room or in the emergency department, the ER, which was planned to accommodate about 17,000 visits a year will see 22,000 this year, with a growth rate of 5 percent expected annually. The seven operating rooms are at capacity, with no rooms to accommodate any increase in demand, especially those types of tertiary care requiring intensive care unit beds. A bottleneck in any area will restrict the ability to meet an increase in demand for services. The project includes construction of a cardiovascular center that will have at its core outpatient treatment areas, cardiac catheterization laboratories, and faculty offices contiguous with expansion of critical care inpatient services, including additional intensive care unit beds, operating rooms, and a new emergency department, all sized to support the cardiovascular programs and the increasing demand for all patient services. The project will be funded through cash reserves, debt, and philanthropy. Design approval will be sought from the Committee on Grounds and Buildings at its March 2006 meeting.

Mr. Liekweg discussed the changes in the project since it was first presented. He reported that the program size has grown by about 6 percent, or 8,000 square feet, to accommodate the clinical needs of the patient volume projections that are expected in this facility. The second change is an increase in cost from the preliminary estimate of $100 million to $169 million. The primary driver to this change is the unprecedented increase in construction materials and labor costs. To develop a reliable cost estimate, these increases were taken into account and were verified by two independent cost estimates. The escalation factor was increased to 6 percent and a 10 percent contingency factor added. Approval will be sought also to spend $136.5 million to shell part of the building to provide for future program growth and flexibility to accommodate changes in technology. Funding resources remain the same as originally presented. The amount of debt has increased by $16 million to a total of $65 million, which is the debt cap allocated to the San Diego campus, and the amount of cash reserves committed to the project has increased by $20.5 million for a total of $41.5 million. The campus has $30 million in gifts and pledges. Even with the additional debt and cash pledged to support the project, which will open in spring 2010, key financial ratios remain strong and will improve in fiscal year 2011 and beyond.

Mr. Liekweg reiterated that the project is critical to the Medical Center’s success as the region’s only academic medical center. The creation of a cardiovascular center through the help of the donor community, combined with the expansion of Thornton Hospital, will position the Medical Center to meet patient care needs, aggressively treat cardiovascular disease, and generate in part the necessary resources to continue to serve the needs of the under- and uninsured and to invest in new technologies.

Regent Preuss commented that the Medical Center is an important resource for the community. Committee Chair Lansing reported that she had been impressed with both

hospitals and their staff. She also praised the Moores Cancer Center. She believed that the project plan was a wise one.

In response to a question asked by Regent Lee, Mr. Holmes reported that the Medical Center serves 8.5 percent of the discharges in San Diego but 36 percent of the uninsured patient care. Committee Chair Lansing emphasized that all of the University's hospitals do more than their fair share of caring for the uninsured.

Faculty Representative Oakley recalled that public speakers during the previous day's meeting of the Committee on Grounds and Buildings expressed the hope that expansion of Thornton Hospital will not adversely affect Hillcrest, which cares for a large percentage of indigents. He pointed out that indigent medical care at Hillcrest is subsidized by Thornton in the amount of $45 million a year.

> [For speakers' comments, refer to the minutes of the January 17, 2006 meeting of the Committee of the Whole.]

4. **LIVER TRANSPLANT PROGRAM UPDATE, IRVINE CAMPUS**

Chancellor Drake expressed his personal and professional empathy for anyone who may have been touched by the matters that led to the closing of the Irvine Medical Center's liver transplant program. He reported that an intensive fact-finding process has been undertaken, the results of which will be used to further improve the quality of health care and the effectiveness of the Medical Center's communications with its constituencies, and to restore the public trust.

Dr. Drake reported that he became aware of concerns about the Medical Center's liver program mid-morning on November 10, 2005. His first reaction was to suspend the program while determining the validity of the concerns. By noon that day, he learned that the Centers for Medicare and Medicaid Services in Washington had decided to suspend payments to the program. He chose immediately to close the program entirely and to begin a full-scale investigation of the circumstances that led CMS to suspend payment. On November 11, UCI Medical Center staff began the process of notifying patients on the waiting list that the program was closing. In working with them to facilitate their transfer to liver transplant programs in Los Angeles or San Diego, staff were instructed to make contact that day with all patients, contacting those with the highest severity scores first and the others within 48 hours. Followup took place later that week by registered mail and ultimately through in-person visits to those patients who did not respond to calls or registered letters. UCI Medical Center continues to work with these patients to manage their liver disease and facilitate their placement onto lists at programs in other regions.

Dr. Drake continued that on November 14, he formed a blue ribbon committee of nationally prominent, experienced reviewers to examine the liver transplant program's management in detail, in the context of the overall management of the Medical Center. Its members include former Regent Meredith Khachigian; UCSF Chancellor and Dean

Emeritus Dr. Haile Debas; Dr. Steven Wartman, President of the Association of Academic Health Centers; Dr. Kenneth Shine, Executive Vice Chancellor for Health Affairs, University of Texas; and Professor Ken Janda, Chair of the UC Irvine Academic Senate. Committee members were picked for their experience, perspective, and national reputations. They were given support but no instruction except to help get to the bottom of the issue and put in place mechanisms that will ensure that there is never again any doubt about the quality of UCI Medical Center's services. The committee has met twice and is expected to provide its report in early February. The CEO of the hospital has been placed on administrative leave during the review process, and the dean of the School of Medicine has relocated his primary office from the main campus to the Medical Center.

Dr. Drake reported that in December he met with leaders of the Center for Medicare and Medicaid Services to discuss this matter. CMS, the California Department of Health Services and the Joint Commission on Accreditation of Healthcare Organizations have conducted recent audits of the Medical Center, and UCI representatives will be meeting with the United Network for Organ Sharing later in the month. UCI is fully and actively cooperating with all of these agencies and their auditors and welcomes the information they will provide. Through the University of California's Washington, D.C. office, UCI has made contact with legislators who have expressed interest in this matter.

Dr. Drake indicated that following receipt of the blue ribbon panel report and the reports of the various State and federal agencies that have audited the hospital since November 10, he will take all necessary actions to support patient care quality. He reiterated his commitment to using any and all information that can be gathered to help restore confidence in UCI Medical Center, further improve the quality of its services, and fully regain the public trust.

Committee Chair Lansing commended Chancellor Drake for following through aggressively and thoughtfully in addressing this matter.

The Committee went into Closed Session at 6:10 p.m.

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The meeting adjourned at 6:40 p.m.

Attest:

Secretary