

The Regents of the University of California

**COMMITTEE ON HEALTH SERVICES**

July 13, 2011

The Committee on Health Services met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents De La Peña, Island, Lozano, Mireles, Pattiz, Pelliccioni, and Zettel; Ex officio members Gould and Lansing; Advisory member Anderson; Staff Advisors Herbert and Smith

In attendance: Regents Hallett, Kieffer, Makarechian, Marcus, Reiss, Ruiz, and Varner, Regents-designate Mendelson, Rubenstein, and Stein, Faculty Representative Simmons, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice President Stobo, Vice Presidents Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 10:45 a.m. with Committee Chair De La Peña presiding.

**1. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of March 17, 2011 were approved.

**2. UNIVERSITY OF CALIFORNIA HEALTH UPDATE**

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Senior Vice President Stobo stated that the item contained an update on Martin Luther King Jr. Hospital and on activities pertaining to the Center for Health Quality and Innovation. He pointed out that, while the item stated that the Center would fund eleven proposals, in fact it would fund nine proposals. The item also highlighted the savings that the UC medical centers have achieved over the past three years through its group purchasing organization (GPO) and special pharmaceutical pricing.

Regent Lozano asked why UC Irvine and UCLA declined offers to operate Martin Luther King Jr. Hospital. Dr. Stobo responded that those campuses' informal responses were appropriate, in his opinion, since the University's strength is not community hospital management. Committee Chair De La Peña added that it was understood when the

hospital agreement was reached that UC would have a seat on the hospital's board, but no daily management role.

Regent Makarechian asked how the total cost for construction of Martin Luther King Jr. Hospital was determined and if the University would be involved in managing the construction or cost. Dr. Stobo responded that the University has no financial interest in the hospital. The construction would be managed completely by the board of Martin Luther King Jr. Hospital. Los Angeles County committed to capitalize the build-out of the hospital and to provide ongoing operational financial support. Decisions regarding cost of construction would be made by the hospital board and Los Angeles County. UC will be paid to provide medical care and physicians for the 145-bed hospital.

Chairman Lansing congratulated Dr. Stobo for achieving \$1 billion in savings. Regarding operational management of Martin Luther King Jr. Hospital, she stated her opinion that UC should remain true to the original equitable agreement approved by the Regents.

Chairman Lansing commented on the great potential for the University to develop a central body to invest in research, so that, for example, when UC scientists discover a drug, the University would have an ownership stake in any resulting companies. Dr. Stobo recalled that Chairman Lansing and Regent Blum had proposed this idea a few years prior. He reported that Vice President Beckwith had recently convened a systemwide group of entrepreneurial UC scientists to discuss ways the University could foster the translation of research into the commercial arena. One resulting suggestion was to develop a proof of concept fund to provide support for this transition of ideas from the laboratory to industry. Mr. Beckwith's office received over 100 responses to its Request for Proposals (RFP). An academic group and a venture capital group reviewed these proposals two weeks ago and fifteen proposals will be funded. Dr. Stobo said that a small amount of money can have a powerful effect to spur innovation.

Regent Zettel congratulated Dr. Stobo and his team for their development of the Center for Health Quality and Innovation, which she said would lead to better patient care and cost savings throughout the UC system. She asked about the time frame for the accepted proposals and whether the Regents would receive a follow-up report on projected savings. Dr. Stobo replied that he would provide a follow-up to the Regents on the progress made by the proposals, which are divided into two groups, multi-campus and single campus. The multi-campus projects are all for a three-year period, at a cost of \$250,000 per year or \$750,000 total. Most of the single-campus projects are for one or two-year periods. As a condition of acceptance of funding, the principal investigators are required to submit yearly progress reports, which will be evaluated by the same group who reviewed the original proposals. Some of the proposals have a clear-cut return on investment (ROI) at the site; for other projects, the ROI would be more in terms of quality of outcomes and cost avoidance, such as a reduction in the rate of re-admittance. The ROI will be considered when determining if another round of funding would be worthwhile.

Regent Pelliccioni commended the medical centers' use of systemwide contracting and asked how medical supplies are defined. Dr. Stobo responded that the term referred mostly to consumable, disposable supplies used in the hospitals. He stated that he would clarify if any durable equipment would be included. Regent Pelliccioni asked if the systemwide contracting could be expanded to include additional types of medical supplies. Dr. Stobo agreed that there could be such opportunity, but cautioned that preferences of individual campuses have to be discussed and resolved.

In response to a further question from Regent Pelliccioni, Dr. Stobo explained that the 340B Drug Pricing Program was legislated through the U.S. Department of Health and Human Services in the early 1990s to allow certain institutions, either government-owned or those which receive significant government support, to be eligible to receive substantial rebates from pharmaceutical companies for drugs given to outpatients. UC qualifies because it operates "disproportionate share" hospitals, meaning those that serve a significantly disproportionate number of low-income patients. The 340B discounts range from 40 to 55 percent. Dr. Stobo stated that more savings could be achieved, for example, by receiving 340B pricing for pharmaceuticals for UC employees.

Faculty Representative Simmons asked how the cost savings under the GPO were estimated. Dr. Stobo responded that UC calculated the estimates by taking the total amount spent through the GPO and computing the savings gained on an aggregate basis. Dr. Stobo stated that these figures are examined very carefully to assure that UC is achieving adequate savings, since UC pays the GPO a net fee of 66 basis points.

Committee Chair De La Peña asked Dr. Stobo to explain UC's relationship with Novation. Dr. Stobo replied that UC belongs and pays dues to the University HealthSystem Consortium, a national organization representing hundreds of hospital members. That organization contracts with the GPO Novation on behalf of the aggregate hospitals. Dr. Stobo stated that his office tracks the program closely to monitor administrative fees and savings. The consortium enables the group to more easily purchase supplies for a large number of hospitals.

### **3. ESTABLISHMENT OF UNIVERSITY OF CALIFORNIA UMBILICAL CORD BLOOD COLLECTION PROGRAM**

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chairman Lansing stated that the umbilical cord blood collection program is an outstanding example of cooperation among the UC medical centers.

UC Davis Vice Chancellor for Health Sciences Claire Pomeroy explained that, while cord blood transplants can save lives of children with leukemia and adults with a variety of immunodeficiency diseases, there are not always the necessary units of umbilical cord blood available. There has been no public collection service in California. In the past year the State Legislature passed AB52, establishing a method to help fund collection of

umbilical cord blood, which can then be stored in blood banks and given to patients in need of blood transplants. Dr. Pomeroy added that, since the cord blood must be matched to the recipient, California's diverse population would be a tremendous asset in establishing a diverse racial and ethnic genetic cord blood collection. UC cord blood experts have come together to plan the process for collection and education. She emphasized that this program is an excellent way for the University to provide service to the state and save lives.

The meeting adjourned at 11:00 a.m.

Attest:

Secretary and Chief of Staff