The Regents of the University of California

COMMITTEE ON HEALTH SERVICES
November 13, 2002

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

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

In attendance: Regents Blum, Connerly, Hopkinson, Ligot-Gordon, Lozano, Marcus, Montoya, and Parsky, Regents-designate Bodine and Murray, Faculty Representatives Binion and Pitts, Secretary Trivette, Associate Secretary Shaw, General Counsel Holst, Treasurer Russ, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Drake, Gurtner, and McTague, Chancellors Cicerone, Dynes, Tomlinson-Keasey, and Vanderhoef, and Recording Secretary Bryan

The meeting convened at 10:35 a.m. with Committee Vice Chair Johnson presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of September 18, 2002 were approved.

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

Vice President Broome began her report by noting that the Los Angeles, Davis and San Francisco medical centers had had steady increases in patient days during the reporting period. Their admissions increased, while the acuity of their patients remained steady. The Irvine and San Diego medical centers experienced slight declines in patient days. Irvine had increased admissions, but a decline in acuity affected the length of stay, while the fact that San Diego's pediatric patients are now at Children's Hospital caused a slight decrease in patient days there.

Ms. Broome turned to outpatient activity, which she reported had increased at the Los Angeles, Davis, San Francisco, and Irvine medical centers. Some of the increases were dramatic, in line with the national trend toward moving patient care to outpatient settings. San Diego had a drop in outpatient activity because it eliminated its unprofitable home health care business. She recalled that, at the end of last year, there was a class action suit involving Medi-Cal reimbursement rates for outpatient care that resulted in an increase in those rates.

The category "income before other changes in net assets" reports the bottom line of operations. Income in 2002 was nearly $25 million more than last year as a result of better reimbursement rates related to patient activity and also because a number of contracts were renegotiated with higher reimbursement rates. Ms. Broome reported that, individually, there had been increases in income this year for the San Francisco, San Diego, and Davis medical centers, primarily related to increases in reimbursement rates but also to the tighter control of expenses. The Los Angeles medical center had some improvement in that it experienced less of a loss than a year ago. It, too, is starting to see benefits from renegotiated contract reimbursement rates. Income at the Irvine medical center declined because SB 1255 funding was not approved this year, a situation which also had a negative effect on the San Diego and Davis medical centers. Irvine, however, suffered the greatest loss because it cares for the highest number of Medi-Cal patients. The San Francisco medical center did extremely well, mostly attributable to its having gotten out of managed care contracts and into renegotiated contracts.

Ms. Broome reported that three of the five medical centers, Irvine, Los Angeles, and San Diego, were performing better than their budget projections predicted. While the Davis medical center did not meet its budget projection because of the SB1255 funds which did not materialize, the Irvine medical center, which also did not get those funds, had better reimbursements, particularly in Medi-Cal and for outpatients, and it controlled some expenses and avoided incurring others. The Los Angeles medical center, which had budgeted for lower reimbursements because its new contract rates were not known at the time, saw some increase in its reimbursements. At San Diego, higher reimbursements were received through renegotiated contracts. San Francisco was slightly below budget because even though it had a significant increase in activity, it had budgeted to have about 700 more patient days than were experienced.

The category "days of revenue in accounts receivable" shows the important cash position of the medical centers. Ms. Broome reported that, while Los Angeles had a slight increase, the remaining medical centers reported a decrease in their days of revenue in receivables. The Irvine medical center experienced a particularly dramatic drop in the number of days. The Davis and Irvine medical centers exceeded the benchmark of 60 days of cash on hand, and Irvine, which had a large increase in the reduction of revenue in receivables, reduced expenses. Ms. Broome noted that 60 days was established in consultation with the Treasurer as an appropriate goal for days of revenue in accounts receivable for the University's medical centers. Los Angeles is still struggling with its cash position and has a line of credit from the Chancellor for $30 million for the year. The San Diego and San Francisco medical centers had slight decreases in cash on hand, although San Francisco made some gains in this category.

Regent Johnson noted that the report showed the Los Angeles medical center as having zero days of cash on hand. Vice President Broome responded that, although the situation at Los Angeles is challenging, it is improving slowly as reimbursement rates increase.

Regent Terrazas asked to what extent patient days were affected by nurses' strikes. Vice President Gurtner reported that, although each institution had planned for that eventuality, strikes did increase some expenses. He noted, however, that the recovery of any losses had been fairly rapid.

The meeting adjourned at 10:45 a.m.

Attest:

Secretary