

UNIVERSITY OF WASHINGTON

UW MEDICINE BOARD
Report to the
UW BOARD OF REGENTS**INTRODUCTION**

This report provides the University of Washington Board of Regents with an overview of the activities of the UW Medicine Board for fiscal year July 1, 2004 through June 30, 2005.

Ann Ramsay-Jenkins, Board Chair, submits this report to fulfill the requirement contained in the UW Medicine Board Bylaws, Article II, Section 2.2, which states that “*the chairperson of the board shall make an annual report to the Board of Regents.*”

OVERVIEW

UW Medicine includes the:

- University of Washington School of Medicine (UWSOM);
- University of Washington Medical Center (UWMC);
- Harborview Medical Center (Harborview);
- University of Washington Physicians (UWP);
- UW Physicians Network (UWPN);
- The University’s membership in the Children’s University Medical Group (CUMG); and
- The University’s membership in the Seattle Cancer Care Alliance (SCCA).

The Board is responsible for advising the Vice President for Medical Affairs/Dean of the School of Medicine (VPMA/Dean) regarding the operation and governance of those aspects of UW Medicine relating to the development and strategic allocation of resources, strategic aspects of academic programs, the planning and delivery of medical services, and the management of current and future extramural affiliations and operating agreements executed by the University with Harborview, the SCCA, and UWPN. The Board is also charged with governance of the patient care activities of UWMC.

HIGHLIGHTS**ACCOMPLISHMENTS**

There have been many significant accomplishments and events at UW Medicine during the past year. The following paragraphs provide a summary of some of the highlights.

Recognition

US News and World Report continued to recognize the excellence of our teaching, research, and patient care programs. For the twelfth consecutive year, the School of Medicine was ranked as the best medical school for primary care in the nation, and was second among all medical schools in NIH research funding based on FY 2004 grant awards. *US News and World Report* provides rankings of medical teaching programs in eight specialties. The UW School of Medicine was the only medical school in the country to have its teaching programs ranked in the top ten in all specialties. UWMC was ranked as the ninth best hospital in the country (top 1%) and the orthopaedics and rehabilitation medicine programs at Harborview were also ranked among the best in the nation. UWMC was one of only two Seattle hospitals receiving the “2005 Washington State Quality Award.”

Two faculty members, Drs. Mary-Claire King and Steven Henikoff were elected to the National Academy of Sciences and one faculty member, Dr. Diana Cardenas, was elected to the Institute of Medicine. Dr. Mary-Claire King is the American Cancer Society research professor in the departments of medicine and genome sciences and holds an affiliate membership in the clinical research division at Fred Hutchinson Cancer Research Center. Dr. Steven Henikoff is a member of the basic sciences division at Fred Hutchinson Cancer Research Center, an affiliate associate professor in genome sciences at the UW and an investigator for the Howard Hughes Medical Institute. Dr. Diana D. Cardenas is a professor of rehabilitation medicine and chief of rehabilitation medicine at UW Medical Center.

Facilities

Phase I of UW Medicine at Lake Union was launched in September 2003 and the research facility at 815 Mercer Street opened in January 2005. Four major translational research programs – Regenerative Medicine, Women’s Health, Proteomics, and Inflammation – occupy the 815 Mercer building. In March 2005, the Regents authorized the UW administration to exercise the option on Phase II of the South Lake Union project. The documents were signed in

May 2005, and planning is now underway to develop a 188,000 square foot laboratory building and a 97,000 square foot office building on the same block as the 815 Mercer Building. Construction is anticipated to start in the spring of 2006 with occupancy in the late summer of 2008.

Harborview Medical Center broke ground on a \$293 million capital improvement plan funded with \$193 million of King County general revenue bonds and \$100 million of funds from Harborview reserves, parking revenue bonds, and interest income. A major focus of the project is to provide seismic stabilization for the North Wing of the hospital. The project will add two new buildings that will house inpatient and clinic support services. The new facilities will provide additional inpatient beds that will bring the medical center to its licensed capacity of 413, and add 30 short-stay beds, 6 operating rooms, and an expand the emergency room.

UWMC began work on a \$10 million remodel of the third floor lobby and clinic area to create the new home and presence for the UW Medicine Regional Heart Center (RHC). The project will also include relocation and expansion of the outpatient pharmacy, blood draw services, and

patient intake areas, and a complete cosmetic upgrade of the main lobby area. The project will be completed in May 2006. Another \$7 million project on the second floor complements the RHC project by expanding the emergency medicine and cardiac procedures area immediately below the new third floor RHC location.

The UW Medicine Regional Heart Center opened its Alderwood cardiology clinic to patients May 16, 2005. The clinic is located at 18631 Alderwood Mall Parkway, Suite 310. The cardiology clinic will offer local routine cardiac care, as well as direct access to the full continuum of specialized cardiac services at UW Medicine.

Operations

There are a number of major management and operations improvements underway in the medical centers and clinics focused on enhancing the efficacy of our billing and cash receipts. This effort encompasses the entire revenue cycle, from patient registration through collection of charges from third parties and patients at UWMC, Harborview, and UWP. Cash collections for the medical centers have increased by an average of \$4.75 million per month. The medical centers implemented financial clearance centers to ensure that patient demographic and insurance information is as up to date as possible. UWP and CUMG converted to a new professional billing system in FY 2004. The benefits of the new system were reflected in the FY 2005 financial results with substantial increases in cash collections and reductions in the days in accounts receivable.

Care for UW student athletes

UW Medicine and the UW Department of Intercollegiate Athletics (ICA) completed a major update of their Memorandum of Understanding covering the medical care of student-athletes. The MOU gives UW Medicine authority and accountability for the quality of medical care provided by the University to its student-athletes, defines the scope of care provided by UW Medicine, and clarifies the relationships among UW Medicine providers, ICA athletic trainers and other providers.

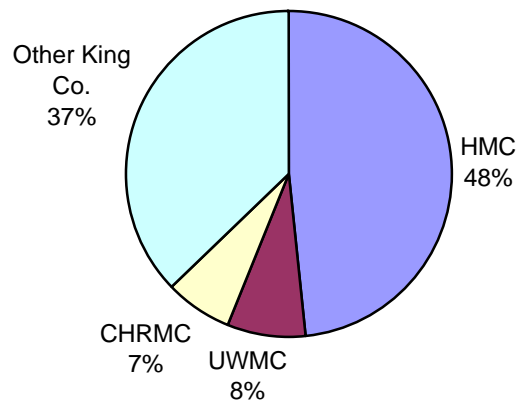
Compliance

Compliance with federal, state, and University policies and laws is a top priority of UW Medicine. The UW Medicine Board Review Committee completed its review of the federal billing investigation and made a number of recommendations to the University on ways to strengthen UW Medicine's compliance programs. We have taken the first step in implementing these recommendations with the appointment of Sue Clausen as the first Associate Vice President for Compliance with responsibility for leadership of UW Medicine's compliance systems and initiatives. The AVP for Compliance will have a direct relationship with the UW Medicine Board Compliance Committee, serving as its chief staff person, and also maintain a strong working relationship with the University officials responsible for compliance activities on a UW-wide basis, including the UW President. The Regents have also approved changes to the UW Medicine Board bylaws that add the President to the Board and strengthen the accountability of the Board to the President and Regents.

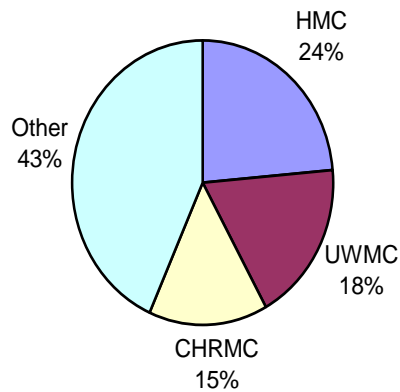
Charity Care

UW Medicine continues to be a vital part of the safety net for uninsured and underinsured patients in our community as illustrated by the following charts based on the most current data published by the State Department of Health.

Hospital-based charity care King County (2003 data)



Hospital-based Medicaid services King County (2003 data)



Harborview Medical Center and UW Medical Center account for 20% of the total hospital revenue in King County, and spend 4.5 % of their combined total revenue to provide charity care, compared with 0.8% on average for all other King County hospitals. There is growing pressure on our medical centers and physicians to provide an increasing share of care to the uninsured and underinsured as more private physicians and hospitals reduce their commitment to the underserved. This issue is discussed under “Challenges” below.

DEVELOPMENT

The number of donors to UW Medicine increased by 20%, from 15,677 in fiscal year 2004 to 18,807 in fiscal year 2005. Participation by UW Medicine alumni increased from 19.6% in FY 2004 to 21.5% in FY 05. This increase is attributed, in part, to increased and enhanced alumni programming, particularly the All-School Celebration and class reunions.

UW Medicine booked \$96.8 million in gifts, pledges, and private grants toward a campaign goal of \$1 billion, ending the fiscal year with \$523 million committed toward the campaign total.

One of the highlights of the past fiscal year was the Survivors Celebration Breakfast to benefit the Institute for Prostate Cancer Research, a partnership between UW Medicine and Fred Hutchinson Cancer Research Center. More than 600 prostate cancer survivors, their friends, and families attended. Every table was hosted by a prostate cancer survivor and the event raised nearly \$1 million. The event was chaired by Steve Fleischmann. This event was repeated in December 2005, and featured Lance Armstrong speaking to a capacity crowd of more than 1,000 people at the Sheraton ballroom.

CHALLENGES

Health care for the medically underserved

UWMC and Harborview have experienced material increases in the percentage of patients with limited or no insurance and those insured under the state’s Medical Assistance programs, placing additional stress on the finances of the medical centers and UW Physicians. UW Medicine is working through the Washington State Hospital Association and various community coalitions to encourage hospitals and physicians to recognize how important it is for all providers to meet their social obligation to provide a fair share of care to the underserved. UWMC and HMC have implemented systems and procedures to ensure that, despite the high demand, all patients requiring immediate care are seen. At the same time the medical centers have taken a more assertive position on questionable inpatient transfers from other hospitals to ensure essential access to our valuable tertiary and quaternary patient care services.

State health care programs

State funding for Medical Assistance programs remains a serious problem. The federal government ordered the State to discontinue the intergovernmental transfer programs that had

been a significant source of support for our patient care and teaching programs at Harborview and UW Medical Center as well as a source of revenue to the State to support indigent health care. We were able to work with the State to craft an alternative approach that will maintain reimbursement levels for the 2005-07 biennium. This special program, however, is not sustainable at the State level for more than one or two biennia, and the State has initiated a project to redesign the inpatient payment system. It is essential that we continue to work closely with the State in this redesign process.

Faculty salaries

There has been a significant improvement in faculty compensation in the basic science departments, but faculty compensation in the clinical departments remains well below the Association of American Medical Colleges (AAMC) 50th percentile. Overall, faculty compensation in the clinical departments is at the 35th percentile of all U.S. medical school faculty in clinical departments. Improved faculty compensation in the clinical departments is an important priority.

Information systems

Information technology (IT) is a major area of emphasis for UW Medicine. Successful implementation of the inpatient electronic medical record system, payroll and personnel system, and facility billing system replacement are essential to improving efficiency, patient safety, and financial performance at UW Medicine. We anticipate investing \$75 to \$80 million in capital for new systems development and enhanced infrastructure (data centers, networks, desktop devices) in the FY 2005- 2009 period. Beyond the capital demands of these projects, each of these projects entails major process change for physicians and staff. We encountered some significant difficulties with the implementation of the electronic medical record system. An independent review has confirmed the need for an effective electronic medical record and the selection of Cerner, Inc. as the best vendor for inpatient medical records and computer order entry systems. The report was, however, very critical of project management. In response to the recommendations, we have made significant organizational changes and completed a full reassessment of the project plan. The first step of the plan will be to stabilize the hardware and software environment to ensure that those applications that are operational achieve consistent and rapid response times from the standpoint of physicians and staff.

Capital requirements

In addition to capital to support our IT needs and routine replacement of equipment, the Board Planning Committee identified several key benchmarks related to meeting UW Medicine's capital requirements over the next five years. These benchmarks focus on three major projects – completion of the Harborview capital improvement project, bed additions at UW Medical Center, and the development of the School of Medicine's South Lake Union site. The key benchmarks by project are:

- Harborview capital improvement – The addition of new space will create a need for additional operating funds to support working capital requirements, new staff, equipment, and supplies. Harborview must maintain a 1% operating margin and achieve \$20 to \$40

million per year of process improvements in FY 2008, FY 2009, and FY 2010 to meet the operating costs of the new facilities.

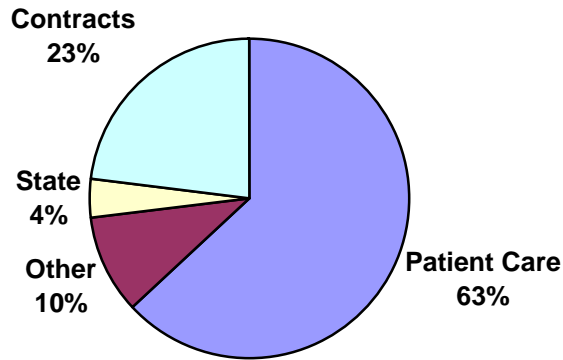
- UW Medical Center – Achieving and maintaining a 2.7% operating margin to form the capital required to fund an \$85 million bed expansion project.
- School of Medicine – Generation of indirect cost support to meet the occupancy costs of the laboratory space at South Lake Union has been predicated on a 3% annual growth rate in research funding, a 61.6% indirect cost rate, and interest rates on short-term and long-term borrowing of 5.5% and 6.0% respectively. Recently, the University was notified that the indirect cost rate for South Lake Union has been approved at 66% and will stay in effect for 4 years. This, along with the continued low interest rates, is very favorable news.

These high visibility projects underscore the challenges of supporting the capital requirements of UW Medicine's service and academic missions.

KEY STATISTICS & RESULTS

UW Medicine revenues were approximately \$1.925 billion in FY 2005. This represents an increase of approximately 6 % compared to FY 2004. The following charts summarize the sources of financial support for UW Medicine.

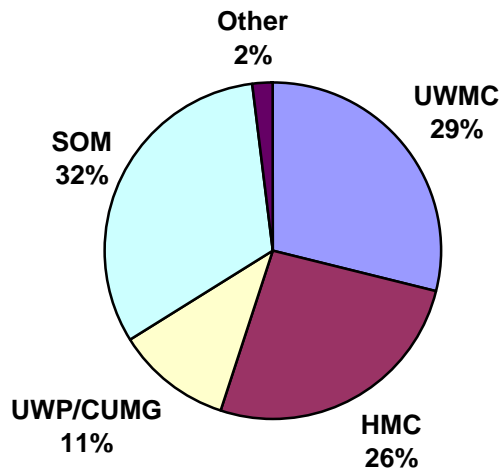
Fiscal Year 2005 – Revenue by source



Total Revenue: \$1.925 billion

(Other includes support from Wyoming, Alaska, Montana and Idaho, revenue from endowments and gifts, and cost centers.)

Fiscal Year 2005– Revenue by entity



Total Revenue: \$1.925 billion

(Other includes Airlift Northwest and the Consolidated Laundry.)

UW Medicine financial support comes predominantly from patient services revenues (63%) and research grants and contracts (23%). The following sections highlight the performance in each of these areas.

PATIENT CARE PROGRAMS

The following table summarizes net clinical revenue from patient services provided by UW Medicine medical centers, faculty physicians, and Airlift Northwest in FY 2005. This table does not include research grants and other funds received by the School of Medicine.

UW Medicine Clinical Organization	Net Patient Revenue
Harborview Medical Center	\$ 464,739,000
UW Medical Center	\$ 516,131,000
UW Physicians	\$ 152,085,000
UW Physicians Network	\$ 21,849,000
Children's University Medical Group	\$ 36,424,000
SCCA (outpatient clinic only)*	\$ 113,337,000
Airlift Northwest	\$ 27,105,000
Total	\$ 1,331,670 ,000

*Inpatient revenues for the SCCA 20 bed unit are included in the UWMC total.

Net income from operations per the audited financial statements was \$8,122,000 at Harborview and \$10,996,000 at UW Medical Center. Under governmental accounting standards, interest expense is reflected as a non-operating expense. The industry standard for non-governmental health care entities is to treat interest expense as an operating expense. Interest expense was \$6 million at UWMC and \$0.6 million at Harborview in FY 2005.

UWMC had more patients and performed more surgeries than in any previous year. The operating margin (including interest expense as an operating cost) of just under 1% was lower than previous years primarily due to decreased reimbursement. Reimbursement decreased due to:

- Shifts in payer mix from commercial sponsors to Medicare and Medicaid sponsors;
- Increases in length of stay early in the year that increased contractual allowances under case-based rate contracts; and
- Increases in the amount of patient responsibility that shifts the financial burden from the payer to the patient in the form of increased co-payments and deductibles that are more difficult to collect and more likely to end up as bad debt.

In FY 05, UWMC initiated a number of initiatives to reduce costs and improve reimbursement. These initiatives are focused on reducing the length of stay where appropriate, improving the revenue cycle as well as controlling wage and supply costs. Cost reductions were evident in the last quarter of FY 05 and other initiatives are expected to improve operations in FY06.

Harborview's financial results for the year exceeded expectations. Although the medical center experienced lower than expected volumes and some changes in payer mix, the positive results of the revenue enhancement project and receipt of one time Upper Payment Limit funding from the State more than compensated for those variations. In addition, salary and non-salary expenses were within 1-2% of budget.

Beginning in July 2004, UW Medicine adopted a new arrangement for sharing the cash subsidies required for UWPN. Harborview and UW Physicians will provide \$800,000 and \$200,000 respectively each year, and UWMC will bear the remaining financial risk. In FY 05 UWMC provided approximately \$3 million to UWPN. UWPN recorded a loss of \$3.9 million for the fiscal year ended June 30, 2005. This was \$1.1 million favorable to budget. The favorable variance was due to improved reimbursement related to an improved payer mix.

The Seattle Cancer Care Alliance (SCCA) posted a positive operating margin of \$14,480,000 in FY 2005. This was substantially ahead of expectations. The positive operating results were driven by revenue resulting from higher than anticipated bone marrow transplant and outpatient volumes. Operating expenses were maintained at budgeted levels. The majority of the operating margin was derived from the outpatient program, but the inpatient program also posted a positive operating result. This reflects the continued growth of the outpatient program and a stable inpatient program.

5-YEAR PERFORMANCE COMPARISON

The patient care activity of UW Medicine remains very strong. The following tables summarize the clinical activity for the owned and managed components of UW Medicine.

Harborview Medical Center

Statistic	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Admissions	16,684	16,758	17,314	19,087	18,375
Short Stay Patients	2,968	3,876	4,938	4,249	4,598
Patient Days	117,234	124,449	125,408	131,355	125,189
Outpatient visits	202,228	200,809	207,833	221,413	221,159
Emergency visits	81,285	85,809	88,081	87,634	79,112
Average Length of Stay	7.0 days	7.3 days	7.4 days	6.9 days	6.8 days

UW Medical Center

Statistic	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Admissions	16,407	16,517	16,966	17,919	18,086
Patient Days	111,959	111,612	111,688	118,209	118,455
Outpatient visits	329,695	331,303	333,784	350,062	352,927
Emergency Visits	35,360	34,873	33,892	35,462	35,547
Average Length of Stay	6.8 days	6.8 days	6.6 days	6.6 days	6.5 days

UW Physicians Network

Statistic	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Clinic Visits	211,008	220,400	225,167	232,458	237,732
New Patients	27,405	21,610	17,970	18,377	16,925

Seattle Cancer Care Alliance

Statistic	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Clinic Visits	12,508*	30,885	35,130	38,149	38,774
Admissions	198	352	365	372	444

*Clinic visits reflect only five months of operations in FY 2001. Inpatient admissions are for the SCCA 20 bed unit at UWMC and are included in the UWMC admissions total.

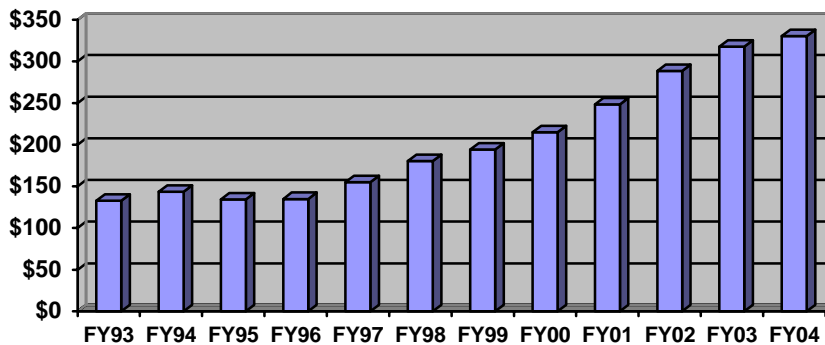
RESEARCH PROGRAMS

UW Medicine research continues to grow. UW School of Medicine awards through the University of Washington totaled \$460.4 million in FY 04, an increase of 6.5% over FY 03, and 48% of the total grant awards to the UW. Total awards to UW Medicine faculty in FY04 were greater than \$700 million.

NIH awards represent almost three-fourths of the total awards received by UW Medicine faculty. The following chart tracks the growth of NIH awards (managed by the UW) to UW Medicine faculty over the past 12 federal fiscal years (year ending September 30).

NIH Awards to UW School of Medicine managed at UW
Average annual rate of increase: 8.6%

\$ in millions



There were, in federal fiscal year 2004, 1,058 separate NIH awards to 687 Principal Investigators. There are an estimated 1,050 regular and research faculty working on NIH research grants. In addition to NIH awards managed by the UW, School of Medicine faculty receive NIH awards that are managed by affiliated institutions (e.g., FHCRC, Children’s). Total NIH awards to UW Medicine faculty in federal fiscal year 2004 were \$506.2 million. UW Medicine faculty were second in the country (and first among public institutions) in NIH research funding based on FY 2004 awards.

The balance of this report provides an abbreviated review of the work of the Board and its committees. Under UW Medicine Board bylaws, the Board Executive Committee, Compliance Committee, and Planning Committee are UW Medicine-wide committees. The Joint Conference, Finance, and Facilities committees are UWMC-specific committees. The Board members have been diligent in the discharge of the responsibilities that have been delegated to them.

ATTACHMENT A

Board Members and Meeting Attendance Roster

Michael Garvey is chairman of Saltchuk Resources, Inc., a holding company with investments primarily in the maritime industry. He formerly practiced law with the firms of Preston Thorgrimson and Garvey, Schubert & Barer, where he was founding member. Among his past and current business associations are Ste. Michelle Vintners, the K-2 Ski Co., Columbia River Farms Corp., Cascade Management Corp. (nursing homes), lumber companies, Foss Maritime Co., Totem Ocean Trailer Express, Inc., Tollycraft Yachts, KCM (architects and engineers), and SeaBear Co.

Gerald Grinstein, CEO of Delta Airlines and retired non-executive Chairman of Agilent Technologies, is a principal of the Madrona Investment Group and a member of the boards of directors for several corporations, including PACCAR, Inc., Delta Air Lines, Vans, Inc. and The Pittston Company. He has served as Chairman and CEO of Western Airlines and of Burlington Northern, Inc. and is a former partner in the firm of Preston, Thorgrimson, Ellis & Holman. He is co-chair of the UW Campaign for Washington and active in community organizations, including serving on the boards of the Seattle Long Live the Kings. He earned a bachelor's degree from Yale University and his law degree from Harvard University.

Charlotte Guyman, who earned both bachelors and M.B.A. degrees from the UW, was formerly general manager of MSN Internet sales and marketing for Microsoft, and has worked on MSNBC and several Microsoft consumer project lines. Her experience includes development of learning software for adults and children and the pioneering Internet application, Expedia. She has been general manager of Kids and Games software for Microsoft, as well as director of international marketing and director of consumer division marketing. Ms. Guyman also serves on the Berkshire Hathaway Board.

Michael Halleran, professor of classics and divisional dean of arts and humanities in the UW College of Arts and Sciences, holds the UW faculty position on the board. As divisional dean, Halleran oversees the academic arts and humanities departments, the Burke Museum, Henry Art Gallery, Meany Hall, and the Simpson Center for the Humanities. He has also been a member of the Imagining America National Advisory Board, the UW Rome Center Advisory Board, and the Bryn Mawr Classical Review. Halleran earned his undergraduate degree from Kenyon College and his master's and Ph.D. from Harvard University. He joined the UW faculty in 1983.

Frederick C. Kiga, is the Director of Corporate and government Relations for the Russell Investment Group. Mr. Kiga joined the Russell Company in August, 2003 from Washington State's Governor's Office, where he served as Chief of Staff to Governor Gary Locke. Mr. Kiga has BA and JD/MBA degrees from the University of Washington and is a member of the Washington State Bar. He was appointed by Governor Locke to the University of Washington Board of Regents in 2004.

Jonelle M.C. Johnson, Senior Vice President and Western Regional Manager of Global Treasury Management for Key Bank. Prior to joining Key Bank, Johnson was senior vice president and manager of Northwest Partners Support for Bank of America. She has also served as senior vice president and regional manager of treasury management for Wells Fargo, formerly First Interstate Bank. Johnson is a graduate of Leadership Tomorrow and of the Pacific Coast Banking School. She has served in various leadership positions and board memberships for several community organizations, including the American Red Cross, YWCA of Seattle King County/Snohomish County, Childhaven, the Public Defender's Association, OneReel, Seattle Rotary, Seattle Chapter of the Links, Inc., Seattle Cancer Care Alliance, University of Washington Medical Center and University of Washington Physicians Network.

Sylvia M. Mathews, chief operating officer and executive director of the Bill & Melinda Gates Foundation, joined the UW Medicine Board in 2002. She oversees foundation-wide strategic issues for both existing and new opportunities, legal affairs, foundation advocacy, evaluation and two of the Gates Foundation's areas of giving: special projects and global libraries. Before moving to Seattle in 2001, she was deputy director of the Office of Management and Budget in the Clinton administration, and from 1997 to 1998 was assistant to the president and deputy chief of staff in the White House. Mathews earned a bachelor's degree in government, cum laude, from Harvard University in 1987 and a degree in philosophy, politics and economics as a Rhodes Scholar at Oxford University in England.

J. Shan Mullin, former chair of the boards of the Fred Hutchinson Cancer Research Center (FHCRC) and the Seattle Cancer Care Alliance (SCCA), is a partner in the Seattle office of the Perkins Coie law firm. He earned both a bachelor's degree in business administration and a law degree from the UW. He has been a leader for numerous community organizations, and is now a board member for the Alki Foundation, Alliance for Education, Greater Seattle Chamber of Commerce, Trade Development Alliance, Washington Council on International Trade, Washington State China Relations Council and the United Way of King County Endowment Program. He chairs the Norman Archibald Charitable Foundation board and continues as a member of the boards for FHCRC and SCCA. Among other awards, he was named Citizen of the Year in 1995 by the Municipal League of King County. He received the Distinguished Alumni Award from the UW Law School in 2004 and the A.K. Guy Award for Volunteer Service from the YMCA, also in 2004.

Brooks G. Ragen holds degrees from Yale University, Stanford Law School and New York University Graduate School of Business Administration. He is a member of the Oregon State Bar. Mr. Ragen currently serves as CEO of Manzanita Capital. He is past chair of the UW Medicine Board and of various civic organizations including ACT Theatre, The Bush School, The Seattle Community Foundation, the Seattle Bond Club, and the Seattle Art Museum where he served as both President and Board Chair. He currently sits on the boards of the Seattle Art Museum, University of Washington Medicine, The Arbor Fund, The High Desert Museum (Bend, Oregon), and chairs the of UW Medicine's Board of Visitors and UW Medicine's Scholarship Development Committee. Mr. Ragen sits on the Board of the Cascade Natural Gas Corporation and is a past member of the Boards of Pacific Northwest Bell, US WEST NewVector, Tally Corporation, and Brooks Resources Corporation, now all subsidiaries of larger concerns or private companies.

Ann Ramsay-Jenkins, is chairman of the UW Medicine Board. She is co-founder and Vice President & Treasurer of the Washington Education Foundation which provides college scholarships and mentoring to low-income, high potential students across the state. Currently an estimated 2700 scholarships have been awarded to deserving youth. She served as Director of the Office of Budgets at Harvard University and as Assistant Secretary of Administration & Finance for the Commonwealth of Massachusetts. Ms. Ramsay-Jenkins has served two terms as a member of Washington's Higher Education Coordinating Board, has chaired the United Way of King County Board, the Seattle Repertory Theatre Board of Trustees, and was founding Chairman of the Seattle Repertory Theatre Foundation. She is also active in a number of other civic, professional and community organizations.

Dr. Paul G. Ramsey, is the Vice President for Medical Affairs and Dean of the School of Medicine at the University of Washington. He graduated from Harvard College in 1971 with honors in Biochemistry and received his M.D. from Harvard Medical School in 1975. Following completion of residency training in Internal Medicine at Massachusetts General Hospital, he came to the University of Washington in 1978. He served as Chair of the Department of Medicine from 1992 to 1997 when he was appointed Vice President for Medical Affairs and Dean

of the School of Medicine He has served on many national committees and is a member of multiple organizations, an elected member of the Association of American Physicians and the Institute of Medicine of the National Academy of Sciences.

Richard Scheumann, a long-term member of the UW Medicine Board, is president of Constructors-Pacific Company, a real estate development and marine services firm. He graduated from the UW in 1956 with a degree in mechanical engineering. He is a member of the UW Alumni Association and past member of the UW Development Fund Board. He is also a trustee for Sheldon Jackson College in Sitka, Alaska.

Orin C. Smith, retired president and chief executive officer of Starbucks Coffee Co. Before working at Starbucks he spent 14 years with Deloitte and Touche in management consulting, has taught at the college level and has served in two state administrations as chief financial officer. He is a member of several other boards of directors in the community, including the YMCA of Greater Seattle and the Alliance for Education.

Patricia Stanford, widow of Seattle Schools Superintendent John Stanford, currently serves on boards of directors for the Fred Hutchinson Cancer Research Center and the Seattle Cancer Care Alliance. She is also an active member of the USO of Puget Sound Board and in an advisory capacity to several other non-profit boards.

William J. Van Ness Jr., is a founding partner of the law firm Van Ness Feldman, with offices in Seattle and Washington, D.C. His practice focuses on policy issues before congressional committees, federal regulatory agencies and state agencies in areas of energy, natural resources, Alaska Native affairs, environmental and municipal law. Mr. Van Ness is the President of the Henry M. Jackson Foundation. He earned his B.A. degree at Western Washington State University (1962) and his law degree from the University of Washington (1966), where he served as Articles Editor of the *Washington Law Review*.

UW MEDICINE

BOARD ATTENDANCE RECORD

FISCAL YEAR 2005

	2004 ↓					2005 ↓						TOTAL
	7/12	9/13	10/4	11/1	12/6	1/3	2/7	3/7	4/4	5/2	6/6	
RAMSAY-JENKINS, Chair	X	X	X	X	*	X	X	X	X	X	X	11
RAGEN, Vice Chair	X	X	X	X	X	*	X	X	X	X	X	11
GARVEY	X	X	*	X	X	X	X	*	X	X	X	9
GRINSTEIN	*	*	*	*	*	*	*	*	*	*	*	0
GUYMAN	X	X	*	X	X	X	X	X	*	*	X	8
HALLERAN	X	X	X	*	*	X	X	*	X	*	X	7
JOHNSON	X	X	*	X	X	X	X	X	*	*	X	8
KIGA (appt. effective 3/05)								X	X	*	X	3
MATHEWS	X	X	*	X	X	X	X	X	X	*	X	9
MULLIN (appt. effective 10/04)			X	X	X	*	X	X	X	X	X	8
SCHEUMANN	X	X	X	X	X	X	X	X	*	X	*	9
SMITH	X	*	*	*	*	*	*	*	*	*	*	11
STANFORD (resigned 12/04)	X	X	X	X								4
VAN NESS	X	X	X	X	X	X	X	X	X	X	X	11
RAMSEY	X	X	X	X	X	X	X	X	X	X	X	11

*excused absence

ATTACHMENT B

**Board Committee Purpose
and Areas of Emphasis**

EXECUTIVE COMMITTEE

Purpose as defined by Article IV, Section 4.2.1

The Executive Committee, as requested by the VPMA/Dean, shall review and provide strategic advice on issues for presentation to the Board and shall have the power to transact such business of the Board between regular meetings of the Board as the Board may hereafter authorize. All actions of the Executive Committee shall be reported to the full Board at its next regular meeting.

Membership

Ann Ramsay-Jenkins, Chair, Brooks Ragen, Charlotte Guyman, Sylvia Mathews, Paul Ramsey

The Executive Committee charged the Board Review Committee to assess and analyze the lessons learned from the federal billing investigation. The charge to the review committee was to identify the structural, operational, and communications weaknesses, review the history of the UW Medicine compliance program and assess the adequacy of the current program, and assess whether the governance structure of UW Medicine and the practice plans provides the necessary level of oversight and recommend any changes in the governance structure.

The Committee received quarterly reports on the financial performance of UW Medicine.

The Committee also received reports on UW Medicine at South Lake Union, proteomics, Alfred Mann Institute, 2005-07 state budget, legislative issues and priorities, 2004 audits, and the Online Record of Clinical Activity (ORCA) system implementation.

PLANNING COMMITTEE

Purpose as defined by Article IV, Section 4.3.1

The Planning Committee shall be responsible for reviewing periodically the mission, programs and plans of UW Medicine in relation to the University and the community it serves. The Planning Committee is responsible for providing policy guidance for both immediate and long-range strategic and marketing plans of the entire UW Medicine, including the UWMC and Harborview and services jointly developed or shared with other health care providers. In conjunction with these planning functions, the Planning Committee is also responsible for advising the Board on the development and strategic allocation of UW Medicine resources.

Membership:

Brooks Ragen, Chair, Charlotte Guyman, Mike Garvey, William Van Ness, Kristin Houser, David Jaffe, Tom Norris, Lawrence Robinson, Richard Veith, Nancy Woods, Kathleen Sellick, Andrew Ziskind

The Planning Committee reviewed the financial structure, capital formation, and capital requirements of UWMC, HMC and the School of Medicine. The Committee identified several key benchmarks related to meeting UW Medicine's capital requirements over the next five years. These benchmarks center on three major projects – completion of the Harborview capital improvement project, bed additions at UW Medical Center, and the development of the School of Medicine's South Lake Union site. The key benchmarks by project are:

- Harborview capital improvement – The addition of new space will create a need for additional operating funds to support working capital requirements, new staff, equipment, and supplies. Harborview must maintain a 1% operating margin and achieve \$20 to \$40 million per year of process improvements in FY 2008, FY 2009, and FY 2010 to meet the operating costs of the new facilities.
- UW Medical Center – Achieving and maintaining a 2.7% operating margin to form the capital required to fund an \$85 million bed expansion project.
- School of Medicine – Generation of indirect cost support to meet the occupancy costs of the laboratory space at South Lake Union has been predicated on a 3% annual growth rate in research funding, a 61.6% indirect cost rate, and interest rates on short-term and long-term borrowing of 5.5% and 6.0% respectively.

The committee also reviewed access management, South Lake Union sensitivity analysis, and information technology investment.

COMPLIANCE COMMITTEE

Purpose as defined by Article IV, Section 4.4.1

The Compliance Committee shall be responsible for reviewing and evaluating the compliance programs of UW Medicine component entities. This review shall include receiving periodic reports on compliance activities of Harborview, the UWMC, UWP, CUMG, the UWPN, and the SCCA. The Compliance Committee shall be responsible for advising and making appropriate recommendations to the Board on the operation of UW Medicine compliance programs.

Membership:

Sylvia Mathews, Chair, Orin Smith, Brooks Ragen, Ann Ramsay-Jenkins, William Van Ness, Paul Ramsey

The Compliance Committee received reports on faculty effort certification, dental clinic billing, implementation of the Corporate Integrity Agreement (CIA), HIPPA, clinical trials billing, OIG work plan and compliance guidance, the TIGER project, Grants Information Memorandum (GIM) 34, and the emergency medicine program.

During the year the committee received quarterly status reports from the compliance officers at UWMC, HMC, UWPN, and UWP.

JOINT CONFERENCE COMMITTEE

Purpose as defined by Article V, Section 5.2.1

The Joint Conference Committee will serve as an advisory committee to the Board by providing a forum in which representatives of the Board, medical staff, and UWMC administration, shall jointly consider UWMC policy matters governing medical practice; review quality assurance reports. The Joint Conference Committee has the delegated authority from the Board to render decisions regarding approval of medical staff initial appointments, reappointments, additions to privileges, terminations, and other modifications to clinical privileges. The Joint Conference Committee shall present its actions to the Board for information purposes.

Membership:

Michael Halleran, Chair, Jonelle Johnson, Pat Stanford, Richard Scheumann, Peter Buckley, Mika Sinanan, James Fine, Norman Beauchamp, David Eschenbach, Amy Morris, Edward Walker, Susan Grant, Kathleen Sellick.

During the past year the Joint Conference Committee met monthly to review and act on all medical staff appointments and reappointments, as prescribed by the Medical Staff and UW Medicine Board Bylaws and the standards of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

Throughout the year, the Joint Conference Committee reviewed UWMC's ability to execute hospital-wide operational objectives and monitored the organization's performance. The Committee received feedback on the patients' perspective of the health care services provided by UWMC through the National Research Corporation. The results are compared to regional and national benchmarks and provide valuable feedback for generating improvements. In the quest to continuously improve patient satisfaction, UWMC has identified patient and family education initiatives and system processes that positively influence outcomes. The medical center's risk management goals and objectives and claims experience activity were reviewed on a semi-annual basis. The Committee received reports on human resources (recruitment and retention of nurses and other patient care staff), quality improvement/patient safety, patient care services

The Committee monitored UWMC's "Balanced Commitments" report that is designed to measure service quality, patient satisfaction, key indicators of financial performance, and the ability of faculty and staff to achieve and adapt to change in the organization.

The Committee had noteworthy discussions on the following topics:

- Human resources
- Transplantation Services
- Center for Clinical Excellence

- Simulation technology in improving patient safety
- Service lines
- Environment of care
- Malcolm Baldrige
- Institute for Healthcare Improvement's "100,000 lives" campaign
- Customer service integration
- Length of stay project

FINANCE COMMITTEE

Purpose as defined by Article V, Section 5.3.1

The Finance Committee shall be responsible for advising the Board on financial matters as they relate to the UWMC and its shared services, including reviewing the annual audit, annual budgets, and monthly financial reports. The Finance Committee shall also review programs, long-range financial plans, budget plans and proposals for rate-setting revenues, before they are submitted to the Board for final action.

Membership:

Charlotte Guyman, Chair, Jonelle Johnson, Michael Garvey, Michael Halleran, Peter Buckley, Richard Veith, Kathleen Sellick, Edward Walker

The Finance Committee met monthly to review the financial performance of UWMC in achieving operating objectives as defined in the annual budgets and program plans. The Committee monitored the increase in the percentage of uninsured and underinsured patients and the impact on revenue.

The UWMC Internal Auditor provided regular reports relative to:

- Ongoing independent appraisals of departments, systems and internal accounting;
- State audits; and
- Implementation of various internal controls to ensure compliance with policies, plans, procedures, laws and regulations.

The Finance Committee monitored the development of and approved the fiscal year 2006 operating and capital budget.

The Finance Committee received reports on labor relations, uncompensated care, state funding for hospital-based services at UWMC, ORCA, Payroll Enhancement and Personnel Project (PEPP), and facility master plan and financing parameters. The Committee monitored the status of the health care market through a regular report that benchmarks various measures of cost and utilization among local medical centers.

FACILITIES COMMITTEE

Purpose as defined by Article V, Section 5.4.1

The Facilities Committee shall have general supervision over and shall make recommendations to the Board concerning the program plans for UWMC and the physical use and status of the facilities to house the UWMC and its shared services.

Membership:

William Van Ness, Chair, Richard Scheumann, Larry Dean, John Coulter, Kathleen Sellick, Edward Walker

Throughout FY2005, the Facilities Committee received regular reports on issues related to the expansion and remodeling of UWMC and community developments affecting UWMC operations. The Committee reviewed the facility master plan, remodeling of the Regional Heart Center, third floor lobby remodel, and emergency medicine/cardiac procedures space. The Committee monitored Sound Transit's impacts on the Consolidated Laundry and potential siting of the UW station. The Committee also reviewed the PET/CT scanner acquisition and other radiology projects, Swedish liver transplant Certificate of Need, and the FY06 operating plan and capital plan.

BOARD REVIEW COMMITTEE

Purpose as defined by the action of the Board on August 2, 2004

Following the settlement of the federal billing investigation, the UW Medicine Board's Compliance Committee began to discuss the need to assess the lessons learned from this four and a half year process. These discussions culminated in a June 10th letter from Paul Ramsey in which he asked the UW Medicine Board to name a committee, independent of UW Medicine faculty and staff, to review the lessons learned from the federal billing investigation and identify steps necessary to ensure that UW Medicine is fully in compliance with the relevant federal regulations. The Review Committee was charged to:

- *Assess the structural, operational, educational, and communications weaknesses that contributed to the billing errors identified in the federal investigation.*
- *Assess the adequacy of the UW Medicine's evolving compliance program and identify any additional changes that may be needed.*
- *Assess whether the governance structure of UW Medicine and the physician practice plans provide the necessary level of oversight, and recommend any appropriate changes.*

Membership:

Bill Van Ness, Review Committee Chair, Orin Smith, Review Committee Vice Chair, Mike Garvey, Charlotte Guyman, Sylvia Mathews, Brooks Ragen, and Pat Stanford.

The Review Committee met throughout the 11 months following the August 2nd Board action. They conducted interviews with over 500 individuals and reviewed the voluminous record surrounding the criminal and civil case. The Committee issued its report on July 20, 2005 and the full report can be accessed on <http://depts.washington.edu/uwmbrc>.