

The University of New Mexico
Board of Regents' Special Meeting
July 23, 2013
Roberts Room, Scholes Hall
Meeting Minutes

Members present: J.E. Gene Gallegos, Bradley C. Hosmer, James H. Koch, Heidi Overton (Quorum).

Members present via conference phone: Conrad D. James, Suzanne Quillen

Members unable to attend: President Jack L. Fortner

Administration present: President Robert Frank, Executive Vice President for Administration David Harris, Chancellor Paul Roth, Sr. Executive Officer Ava Lovell (Finance and Administration), CEO UNMH Steve McKernan, Associate University Counsel Kim Bell.

Regent Hosmer called the meeting to order at 2:05 p.m.

I. Confirmation of a Quorum, Regent Hosmer

Quorum established.

II. Adoption of the Agenda, Regent Hosmer

Motion to adopt agenda passed unanimously (1st Koch, 2nd Gallegos).

III. Comments from Regents (none)

ACTION ITEM:

IV. Consideration of strategic initiative for UNM Health Sciences Center and UNM Health System to engage in targeted increase in regional and local hospital affiliations/ventures to meet Vision2020 goals.

Chancellor Roth made the presentation. This meeting was precipitated by a discussion specific to the potential of the university entering into an agreement with a third party, Legacy Healthcare, to look at the operations and management of a hospital in Gallup. We had felt that there was some merit on the initial proposal when we were contacted by Gallup and began looking into preliminary information to determine whether it was worthwhile pursuing. During that discussion, the Regents felt that we needed to discuss this at a policy level before pursuing any more detailed action. In the presented report, four areas for consideration were developed that would conform to the idea of both policy and process.

The four areas had to do first with the level of public policy; the second area discusses the university's vision, mission and strategy. The third area discusses the policies relevant to operations and a tactical approach when identifying potential opportunities. The fourth and final area is a set of recommended steps we might follow as we move forward.

In the first area relevant to public policy, should Universities, particularly public Universities, be in the business of delivery of health care services. Chancellor Roth stated that the model of medical education is different from a traditional learning environment because it is on the job training and an apprentice style of learning, necessitating some relationship with clinical facilities. In fact, in the United States 46 out of 50 states have academic health centers in which there is a close affiliation or outright ownership of health care facilities, in which students learn and researchers explore questions of human health.

The academic medical centers play a critical role in addition to meeting very specific community health care needs. That has been integrated in how we define academic health care education in the academic health care centers in the United States. UNM has been in the business of delivery of health care services for over 60 years, in the form of running and operating UNM hospital (UNMH), various child and adult psychiatric centers, Carrie Tingly Hospital and recently with the Sandoval Regional Medical Center.

Regent Koch stated that UNMH is not a public hospital and asked for clarification that UNMH does not get the same funding that other public hospitals receive.

Chancellor Roth stated that UNMH is categorized as a public hospital and receives public funds in the form of Mil Levy funding.

Regent Koch stated that he believed that UNMH is public because UNM is a public university but other than the Mil Levy UNM does not receive the same state funding that other public hospitals receive.

Steve McKernan, CEO, UNMH and President, National Association of Public Hospitals, stated that UNMH is classified as a public hospital and receives direct support from the county, with the Mil Levy, which would put UNMH in that category. Some other characteristics of UNMH as a public hospital would be that our doors are open to all patients for any and all medical conditions, for any and all social circumstances, which is the real definition of what a public hospital is. If your status by the IRS is public and you meet the criteria of having your doors open for any and all patients, for any and all medical conditions then that effectively is the nature of a public hospital in the United States.

Regent Koch understands that UNMH has the Mil Levy and that the Mil Levy made UNM create our clinical operations and in 2016 there will be another vote on the Mil Levy, but other than the Mil Levy we do not have any straight funds directly to the hospital to deal with the public. Is it true that most public hospitals receive state support other than Mil Levies?

Mr. McKernan stated that that is sometimes true and sometimes not true, the distinction is the types of hospitals, there are local public hospitals and state operated public hospitals. Most of the state operated public hospitals, only about 20 in the US out of 5000 hospitals, will be affiliated with academic medical centers, such as UC Davis, UC Irvine, UC San Diego and many others, and traditionally have received state appropriations in the last few years. That model has actually changed; this is a relatively recent development, because what the state had done is taken those funds back and used them as matching for Medicaid, acquired special supplemental payment and moved those special supplemental payments to their state operated public hospital. It has evolved over the last couple of years because the states wanted to maximize the amount of federal money that they could draw down.

Regent Koch stated that this discussion is important because if we do what we are talking about, it seems that the University needs to approach the Legislature and the Governor for assistance because there needs to be other commitments of finances.

Mr. McKernan stated that because of the state waiver on centennial care and because of limits related to the disproportionate share and other past due payments we are going full circle again. Because of those limits, you will begin to see financing pushed back down to the

state level and there may be instances in which the operator may go to the state or local governments for additional financing to run these facilities.

Regent Gallegos asked is it to become a policy of UNM to develop a statewide, multi-hospital system. If the answer is yes, Gallup, Socorro, etc. each would be judged on their particular merits. There needs to be overarching discussion of do we want to have a multi-system statewide hospital system. We know that there may be more out there, what are the merits.

The only point to emphasize in section two is the notion of partnering and being fully engaged within local communities and partnering with local communities, including health facilities, in an effort to meet our mission. It is also stated in our strategic planning that it is important for us not just to be the University of New Mexico but to have a real and meaningful presence throughout the entire state of New Mexico. We received a very prestigious national award several years ago essentially on the basis to the degree in which we are fully incorporated in various communities throughout NM, and the headline was "UNM HSC campus is the largest campus in the world, and it is the state of NM."

Regent Gallegos stated that if we decide to do this it could vary from hospital to hospital.

Chancellor Roth agreed and stated that currently UNM has relationships with hospitals throughout the state. The spectrum of affiliations, one end is a working academic affiliation in a letter of agreement, to allow for students and residents to rotate through various hospitals under the supervision of the medical staff. There is also a tight relationship with the Albuquerque VA hospital. After WWII, public policy stated that there should be a working relationship between Veteran Hospitals and medical schools. In most of these relationships, the medical school faculty makes up most of the staff for the VA hospital. In UNMH's relationship with Albuquerque's VA hospital, our medical school faculty makes up the medical staff for the VA hospital. The federal government pays for resident's salaries, about 120 to train at the VA hospital and our medical staff provides the health care, even a tight relationship with research. On the other end of the spectrum, is the university owning and operating its own facilities. We bow own and operate a facility in Sandoval County. To Regent Gallegos point, we enjoy benefit in the full range of relationships with health care facilities, and there cannot be one specific model as the communities and HSC has different needs. We need to form a marriage of those two needs to best serve the mission and plan for the HSC and at the same time, meet the health care needs of the local communities.

Regent Gallegos stated that if we assume this is a good initiative here what the Regents need to know is that hospitals are a business. What is the economic landscape of NM and how do you see it for the business of hospitals, it could be risky.

Chancellor Roth stated that the hospital business in NM has always been a challenge. It is a poor state, our populations are distributed and arrays of issues pose a challenge for the business of health care institutions to survive. With the Affordable Care Act and issues with Medicare, the smaller hospitals in NM will be even more greatly challenged financially through the massively reduced revenue stream of sole community provider funds. Those dollars will be going from \$320 million to \$120 million, dramatic reductions especially in

small hospitals. One of the precipitating reasons for Rehoboth McKinley General Hospital in Gallup to contact us is driven by the fact that they were going to receive very dramatic reductions in their revenues and so the economics are pretty severe in the state of NM and

makes any effort on our part to consider a relationship, it requires management to perform due diligence and to have the Regents greatly informed and fully understanding the potential liability of these kinds of relationships.

Regent Quillen stated that hospitals are a business model whatever the ownership, and does depend on successful operation and quality outcomes of those facilities. Around the country 1000 hospitals were acquired or merged, smaller hospitals are going to be unable to survive the way they have in the past with the economic realities of our health care system, and they are joining with larger hospitals to sustain themselves. This is a trend and we are going to see more of these types of requests for UNM.

Regent Koch questioned our financial capabilities and stated that we need to get assistance from the legislature and the state, if Legacy leaves in Gallup, UNM will be left standing, if we go into this we cannot get out. We should have conversations with the LFC and the DFA to see if we will have support on the state level.

Chancellor Roth stated that these are important issues and there are many questions that will need to be answered, but all of this will be brought forth to the Regents. We are not asking for a decision on Gallup, but simply to begin discussion on this overall topic of hospital partnership and potential ventures and relationship. The administration will do due diligence and bring it forth to the Regents if it is found worthy of consideration and decide if the risk is worth it for all the advantages the projects may have the potential for.

Mr. McKernan stated that we could look at it systematically and look at what makes a community hospital, specifically in NM, successful. Partnerships, mergers and acquisitions are occurring nationwide so it is a worthwhile discussion to have.

Regent Overton referred to Regent Gallegos earlier point of does UNM want to form a multi-hospital system and she believes that in the changing era of health care it is something that is happening across the nation. It is a combination of financial situation and fulfilling academic missions.

President Frank affirmed that the University will do very careful due diligence and look at the potential risks and gains to bring the full picture to the Regents.

Chancellor Roth stated that the fourth and final point is to make sure that governance is kept well-informed and meeting all of the conditions of the open meetings act. Raising one dilemma, to maintain transparency and the delicate balance of how to keep everyone informed.

Regent Hosmer stated that the first question that needs to be considered is for the Regents to confirm or deliberately not confirm an approach to the future for the distribution of healthcare by UNM hospital HSC system across NM. As a working assumption, the process can be worked in a way that is satisfactory to all parties.

President Frank stated that if Regents granted approval, a team would be formed to examine these types of deals, including Gallup, and become a model to apply in the future.

The following motion passed unanimously with a quorum present: The Board of the University of New Mexico resolve approval for a UNM Health Sciences and UNM Health System initiative to engage in regional and local hospital affiliations and enterprises. (1st Gallegos, 2nd Overton).

V. Vote to close the meeting and to proceed into Executive Session

Motion to proceed into Executive Session passed unanimously at 3:26 p.m. (1st Koch, 2nd Gallegos).

VI. Executive Session 3:26 p.m. – 4:11 p.m.

A. Discussion and determination where appropriate of threatened or pending litigation pursuant to Section 10-15-1.H (7) NMSA (1978).

B. Discussion and determination where appropriate of the purchase, acquisition or disposal of real property pursuant to Section 10-15-1.H (8) NMSA (1978).

VII. Vote to re-open the meeting.


Motion to return to open session passed at 4:12 p.m. (1st Koch, 2nd Gallegos).


C. Certification that only the matters described in Agenda Item VI were discussed in Executive Session and, if necessary, final action with regard to those matters will be taken in Open Session.

Motion to certify that no action was taken in executive session passed unanimously. (1st Koch, 2nd Overton).

VIII. Adjournment

Motion to adjourn the meeting passed at 4:13 p.m. (1st Koch, 2nd Overton)



Jack L. Fortner, President

Bradley C. Hosmer, Secretary/Treasurer