THE OHIO STATE UNIVERSITY

OFFICIAL PROCEEDINGS OF THE

SECOND MEETING OF THE

WEXNER MEDICAL CENTER BOARD

Columbus, Ohio, January 29, 2014

The Wexner Medical Center met on Wednesday, January 29 at the Ohio Union, Columbus, Ohio, pursuant to adjournment

The Chairman, Mr. Wexner, called the meeting of the Wexner Medical Center Board to order on Wednesday, January 29, 2014 at 10:06 am.

Present: Leslie A. Wexner, Chairman, Michael J. Gasser, Janet B. Reid, William G. Jurgensen, Cheryl L. Krueger, Corbet A. Price, David B. Fischer, Stephen D. Steinour, Abigail S. Wexner, John F. Wolfe, Robert H. Schottenstein, Joseph A. Alutto, Steven G. Gabbe, Geoffrey S. Chatas, Charles J. Lockwood, E. Christopher Ellison, Michael A. Caligiuri

Mr. Wexner:

I am going to call this meeting to order and ask Ms. Link to note the attendance.

Ms. Link:

A quorum is present.

Mr. Wexner:

I think the first item on the agenda is Dr. Gabbe.

Dr. Gabbe:

Good morning, everyone. I am glad everyone is here on this cold morning. At your place, you will see a letter that was sent to our colleagues at the Medical Center, which reviews the accomplishments of the Wexner Medical Center in 2013. Hopefully, you will have the chance to look at that. You will also find a 2014 Performance Data Book which gives you some key facts about the Wexner Medical Center. I think you will find that interesting and you will also find a Strategic Plan update recognizing that we will be working together on a new strategic and operational plan. I want to thank Gail Marsh and her team for putting those documents together.

In terms of an update, last week I had a chance to present the State of the Medical Center Address to our colleagues, physicians, nurses, educators, and researchers and we talked about the year coming ahead which will be a very momentous year for us at the Wexner Medical Center. We will be celebrating our 100th anniversary, our centennial, as will the Colleges of Nursing and Optometry.

Of course, in the coming year, we will open the new James Cancer Hospital and Solove Research Institute, our new Critical Care Center, and our new Emergency Department; so a lot of exciting things in the year. We talked in the State of the Medical Center Address about working smarter and working together in facing many of the challenges that you know so much about that have occurred in health care around the country.

I want to take a moment to congratulate our colleagues at Nationwide Children's Hospital. They were just named among the top five children's hospitals by Daily Parent magazine and I like the quote "all-star staff and user friendly on-line medical resources prove the consumer appeal of Nationwide Children's Hospital" so congratulations to them. We are proud to be their academic partners.

Also, I wanted to make sure the Board was aware that two weeks ago, Dr. Doug Scharre, who is a neurologist and of course a member of our neurosciences signature program group, published an important article in one of the neuroscience journals about the SAGE test. This is the Self-Administered Gerocognitive Examination that detects cognitive dysfunction as we age. This story has had over 350 million people around the world view it and the SAGE test itself has been downloaded by more than 600,000 people. We don't know if they all took it. I did. I actually downloaded it. I am thinking pretty clearly. I want to give you that good news but it is interesting if you want to download it and take it yourself, I think you will find it very interesting. We actually have the coverage from NBC Nightly News with Brian Williams for you to watch.

VIDEO

So as I said, over 350 million people have watched that around the world. We are very proud of Dr. Scharre and his team. We will turn now to the Medical Center Initiative Scorecard which is in your notebook. Because a lot of these items will be covered in the subsequent reports on our Financial Scorecard and the Expansion, I am not going to go over every one in detail. Most of them are green, as you see. As I note, the first five will be covered by Mr. Kasey, Mr. Geier, and Mr. Chatas in their reports as well the items in one through six under B.

Under development dollars, you will see a yellow. We are a few million dollars short in both philanthropic activity and private grants as compared to where we would like to be this year. We have raised $64.6 million and that is just a little short of our target for year-end. This is the first six months, obviously, year-end of nearly $132 million.

If you go to the Academic and Research Excellence Metrics, you will see one red and that is our total research awards. Last year, we had a large grant, a $19 million grant that had been awarded to Nationwide Children's Hospital for a Cancer Biorepository. That grant has ended and that accounts for the shortfall in total research awards this year. Our NIH awards, as you see, are just ahead of budget. If you drop down to the final metric D, patient care quality and satisfaction, this is the percent of people who award us 9s and 10s, the top scores after they have been an in-patient or after they have seen us in the clinic as an out-patient, you will see that we are within one to one and a half percent of both of those patient satisfactory metrics and we are working hard to reach our goals to be there by the end of the year.

Mr. Chair that is my report to date.

Mr. Schottenstein:

I have a quick question on some of these qualitative targets. I will just pick one out because it is an easy one, the US News and World Report ranking. As a member of this Board, in terms of just the overarching goal of the Medical Center, which this is really a university comment, what is the long-term goal? This is a big conversation, the long-term goal. I understand where we are today and maybe next month but if you put a column here for fiscal year 15, 16, 17, and 18 and of course there is a whole other set of books in terms of how to get there, but in terms of where we are really headed as opposed to right here and now.

Dr. Gabbe:

I would say our goal for many years has been to be a top 20 academic medical center, a top 10 public academic medical center, and a top 10 NCI funded cancer center.

Mr. Schottenstein:

And so understanding where we are in that continuum, it is hard. You can't tell from this sheet and I don't want to derail the conversation too much.

Dr. Gabbe:

I understand and of course that is an important part of our strategic planning process as well. I think, Mike, we are within $14 million of grant funding to become top 10. Is that right?

Dr. Caligiuri:

By NCI funding for the Cancer Center, yes.

Mr. Jurgensen:

Bobby, the longer term objectives are in here and we had this conversation about these scorecards. Geoff and I talk about them almost every month. This is true of university scorecards, as well as physical facilities, as well as every place we use them. They are mostly about the budget. They are not tracking. They weren't designed to which we actually think we should do something about that. They weren't meant to track where you are in getting to these kinds of objectives, which is kind of what you are asking about which would be the 15, 16, 17. I think what we need to do is go back and have a conversation again about what the purpose of these scorecards are, who are they for, and then redesign them in concert with wherever that discussion takes us. All of them suffer from what you are pointing out.

Dr. Gabbe:

One modification, Mr. Jurgensen, that we did make on the scorecards is to include the annual targets so you will see that on this scorecard and on the financial one as well.

Mr. Jurgensen:

Thank you.

Mr. Wexner:

Any other questions, comments?

Mr. Steinour:

If I could, is there a plan to close the gap in the patient quality scores, Dr. Gabbe, that we are executing against that somehow we should become familiar with?

Dr. Gabbe:

Yes, our patient experience council meets monthly. We have a team of leaders and staff who are working on our areas where we have fallen short, for example, in the in-patient area that would include quiet at night. That is something that we are working on very aggressively. In the out-patient area, a target for us is follow-up on test results. How do patients want to get their test results? Do they prefer a phone call? Do they want to get them through My_Chart? There are areas of targeted activity in each of those.

We have been in the past months at 90%, which is our goal. We have to sustain that excellence at 90% month after month. We have not done that yet.

Mr. Steinour:

Thank you.

Mr. Wexner:

Geoff.

Mr. Chatas:

I will go ahead and give my financial overview. Mr. Geier is here to the extent if we have questions. On the chart in front of you, there are a couple of changes. The first you will notice this month, we have included the total budget for the year so you will have a reference point in the far right. Next month, we will be adding more granular on the hospital performance and line of business performance but that is in progress right now.

This is six months, half the year, and if you go down to excess revenue over expense near the bottom, you will see that we are above budget and 10% above last year. That reflects a 5% increase in operating revenues and a 4.8% increase in expenses. We have had a good show of increasing revenue, although expense growth is roughly on track with it but not quite, which is the result of that incremental margin.

When you look at the revenue growth, and you will see that in the upper part of the chart, you will see that we continue to have strong growth in out-patient visits and that is the 10.5% increase in that middle box. The out-patient visits offset somewhat by a slight decline against last year and almost 3% decline against budget in total surgeries. This does reflect the loss of key surgeons in both Urology and Orthopedics, both of which are being addressed but you will see that showing up somewhat in the results.

Finally, I would comment if you go down to the bottom, you will see that our day's cash on hand continues to grow. We are at 64.3 days up from 59 last year and on track for 67 days by the end of the year in June.

Mr. Wexner:

Questions, comments? I think Jay, you were going to bring us up to date on building?

Mr. Kasey:

Yes, thank you Mr. Chairman. We want to give an update geared toward both what is coming forward and also the levels of risk that we continue to consider and plan for in the building project. I am going to show you several slides that are exemplary of some of the problems that we may encounter or are encountering but also of our growing level of confidence in the project.

The first slide is to demonstrate to you that we are going forward. The emergency management and the emergency medical systems ambulance drop-off has moved to the north side of the building from its normal and routine historic south side drop-off. Now we are, as of the end of this month, dropping off our critical patients on the north side. It allows us to continue to do work on the south side.

I would also mention that the forecourt, the Legacy Park and front of the building, have really ground to a stop in the last 10 days as weather has become very, very brutal. We can't get underground; we can't get in the ground. We are having some delays there. We anticipate that next week, we can get right back at it. We think that we can make this time up and for the ultimate opening of the building, these 10 days are not a critical path item.

Inside, we are making progress. The concourse is the major area that moves people between buildings in the medical center. The concourse is really the connection that connects all of our main hospital units together and has services located along it. Elements of that will open in the coming months as they become available. The new grab-and-go in front of Seasons Café is open and is really a nice added feature to our existing food services.

Additional areas that are important to us, the Emergency Department, is one of our first scheduled areas. The Emergency Department should open the first week in January so these new 52 treatment spaces will double the capacity of the existing Emergency Department and including the Clinical Decision Unit, which is located adjacent to the Emergency Department, will bring our capacity to 98 treatment spaces when it opens and it is moving along on track and on schedule.

The linear accelerator vaults are very important to finish out as scheduled in May. It takes about six weeks to do acceptance testing on each individual piece of equipment. We have seven of these going in. They won't all be done sequentially but this is one of our longest lead items for acceptance testing so these are key issues that have to be delivered on time.

The linear accelerator is a large piece of radiation equipment; the patient lays on a table and has the radiation trained on the tumor or on the cancer itself to eradicate the cancer. It is a very high tech and

precision piece of equipment. We have seven of those. These were all purchased under the CMS grant, the $100 million grant.

Also, I want to highlight that there were 14 total new emergency department examination rooms going into this facility. Each one has a level of commissioning that is very extensive and pushes the schedule on each one to make sure we have the gases, we have the electrical, we have the monitoring all appropriately detailed on each one.

The next slide or picture you have is of a graphic that is being designed. There is a graphic head wall in each of our patient rooms. We are evaluating different finishes, different details and looks for these. This was a recent change over the last year of trying to bring the Ohio State University branded finishes into the patient rooms, into the floors, and throughout the building. You see in front of you one of those ideas. It is a buckeye leaf that we have put up as a mock-up to look at how different designs could be incorporated into the rooms.

I want to give you some detail on some of the important transition planning pieces that are coming forward. The Transition Planning Committee is managed primarily by the James personnel. This committee brings together the different leaders to determine appropriate steps taken to orient and educate staff before they move into the building. We have been working with the Transition Planning Committee for over a year. Opening events for the entire new building are planned for the second week in November with a move in date of the second week and third week of December this year. There are seven planning groups which have been established. Each have leadership from either the ICU or the cancer teams and/or the facilities teams who fill out the building.

I would like to point out to you the schedule that you have in your book. There has been one change in the schedule but it is not a change due to a problem with the project. It was an error that we had in there. From what you have in your book and what you see on the slide on the overhead, the Emergency Department, which is the second green line, really is to be delivered the first week in June, not the first week in May which is what you have in your book.

I highlight this to show you the staggered delivery of different floors and different elements of the building. The problem is that this is a huge area of risk for us. If we don't deliver these on time and all of a sudden the delivery starts to back up so that half dozen or seven or eight of these are delivered on one date, the medical center personnel will be very hard pressed to come in and do the work they need to do to install the IT, the equipment, the education, and the in-servicing necessary to bring us online. All of the floors should be online by September 26, with the exception of floor 21 which was added late in the project. It will still be delivered to us before the opening and before patients go into the building.

Mr. Gasser:

What kind of control do we have over the delivery of these? Is that all outside or do we have some input into that.

Mr. Kasey:

With the construction management group, which is led by Turner, we have an accepted schedule which they have to meet. If they don't meet that schedule, they pay penalties, but truly that is the least of our controls. We are also planning a plan B, which is if we don't hit these dates and we get backed up, what is the acceleration we have to bring to the project from our people in order to have catch up so we can still move patients on the appropriate date? That is an expensive alternative for us but one that we may have to employ if we get backed up.

Mr. Schottenstein:

The projected final occupancy permit issued September 26, how does that compare with where we thought we would be when we broke ground? It sounds like we are right where we thought we would be which I think is pretty remarkable.

Mr. Kasey:

Well, it is about three weeks late to be honest, but it is well within the window that our client, who is the Critical Care, the Emergency Department, and Cancer Hospital had assumed so that they could do their start-up and be ready to hit the ground with servicing patients by the middle of December. So, we feel really good about it, Bobby, but there have been a couple of delays but we have accommodated those throughout the process.

Mr. Schottenstein:

Does the heat work in the entire building at this point?

Mr. Kasey:

Oh yea.

Mr. Schottenstein:

So if we took a tour of it today, we wouldn't freeze.

Mr. Kasey:

No, you can take a tour. It is a building in progress. It is really a tough environment right now.

Mr. Schottenstein:

Are the elevators working?

Mr. Kasey:

Yes, the elevators are working but we are looking forward to your tour in April.

Mr. Schottenstein:

Oh, is that scheduled?

Mr. Kasey:

That is anticipated. I want to go on and give you the budget overview that you are used to.

First of all, all the funds have been released by the Board. We still have not let go of the last $90 million of contracts. Those are around furniture and minor equipment. Those are coming. We feel good about those. We are going to hit those targets and budget and we are committed to bringing you the building on budget as well as on schedule.

The next slide is kind of busy in that regard. That is our project contingency summary. The interesting thing here is in November we had total contingencies remaining, or funds not committed for any other purpose at this time, of about $26 million. In January, that number has dropped down to about $22.5 million because we have worked out some of the costs that we knew were pending that we hadn't accepted yet. The good news is that the contingencies remaining after potential use has moved from $5

million to $8 million because we are feeling that our risks are diminished. Of the $22.5 million, we think that we will have more free cash at the end point of all of this project. We have freed up more money that we think is going back to the university at the conclusion of the project.

To be brief, I dropped down to this last set of numbers which are RFIs, requests for information. RFIs are the starting point for change orders. When a subcontractor has a question, they put it in what we call an RFI document to the construction manager and they have to show it to us. We put a conservative value on it and you see what those values have been over the last three months. When that is cleared, in other words it is answered so it doesn't go to a change order, we take that reserve away. We are managing that at a reasonable rate we think. The reason there were so many RFIs in December is as you move into more and more finish work, the subcontractors are asking very detailed questions about how this surface meets that surface. We also believe they are asking questions because they want a very superior finish. They aren't expensive, most of them don't have a value, but they are there. I bring that up because that is a risk to us.

Mr. Schottenstein:

Jay, if I am reading this right, based on what you know today, if you used up another $18 million of the contingencies, you would still have $5 million left, is that right?

Mr. Kasey:

Yes.

Mr. Schottenstein:

Let's hope that happens but if it does then there is a whole discussion on what happens to the $5 million because there are probably some things that maybe were on a "want to do" but not yet approved list.

Mr. Kasey:

We have an executive sponsor group headed by Dr. Gabbe, Mr. Chatas, and others who sit on it with me, Pete and others, and no changes are being approved right now in building. We are simply holding all of those. They are on a list. We can either accept them later or not. That group would be first in line of review for changes moving forward.

Mr. Chatas:

The only caveat is that we haven't borrowed the last $300 million dollars yet. We borrowed $700-800 million of the billion; of the $925 million we were going to borrow. We have that to do and we will do that once we know how much we need to finish the project. It will be an iterative process. There is a huge wish list but there is also a need to keep debt within reason.

Mr. Schottenstein:

And just for context, some people have not lived through this. I am specifically looking at David Fischer. This is his first meeting. The originally contingency was $75 million. Is that right?

Ms. Kasey:

The original contingency amount was right at $75 million, of which we gave $25 million back and this board approved that we would build out several more operating rooms and more floors, so the real contingency is about $50 million.

My last slide that I think important to point out to you, you have seen this in the past, it continues to grow. This project is generating about, as the state has asked us to measure it, about 28% of the contracts of

this project have gone to minority owned businesses. We are very proud of that. The state's requirement is 7% and we went way over and above that and I think we are going to close out very well in that regard.

At that point I ask if there are any questions.

Mr. Wexner:

Don't be bashful. Any comment further? Geoff, on your side? Thank you.

Before we adjourn into executive session, I want to say something in this public meeting that is important. Sitting around the table we have six university trustees as part of the Medical Center Board and several other trustees are in the room. All the trustees are welcome to come to any meeting or committee of the board or the university. Clearly those present today are quite welcomed to come to our meetings. We are them and having been a trustee of the university, I understand the concern that trustees have for the medical center. It is about half of the university. What we are trying to do on this Medical Center Board is understand the business of the business. The medical center as an operating hospital, research, all the physical places that it manages whether it is for out-patient or in-patient services around the country, and the complexity of a large community hospital that is connected to large academic medical center that is connected to research is not easy to understand. Hopefully with the questioning and the work that this board does, we can come to a better understanding of the medical center and we can create value by the time that we spend in these meetings which will help the university.

The question that Bob raised of how is the medical center ranked and what should it be I think probably is a critical question for this board and the board of the university of a large academic institution. As a large public institution, Ohio State is ranked 16. The goal is to get into the top 10 in five years. How that plan is detailed, when I think for my judgment that is a reasonable goal, what happens this year, next year, and the year after. There are deliverables and measurables, the plan that makes that goal become a reality within the designated period of time is the work of the board of the university. What are the priorities? Do you have the talent?

Clearly, I don't have to lecture to the board of the university, but the connection we have if we are 38 and for the university we go from 16 to 10, they might think that we should move into the top 20 because our part of the academic reputation of the university has to be folded into the goals of the whole university and the university has some financial constraints as most organizations do. I think what we are, at least what I am trying to do, is understand where we are and the range of possibilities while the board is deciding the priorities of the medical center to the university. If all the resources of the university were put behind the medical center, it would be not unreasonable to think that we could be in the top 10.

The university has a very complex set of priorities. Clearly, at a trustee level, and I am saying this publically purposefully, in about 1920, the trustees of the university made a strategic decision and that was that football would be important and they financed a stadium. It was so important that the trustees guaranteed the debt personally. That was a pretty important strategic decision. I am sure it was controversial at the time. Of all the things the university could have done in 1920, was this the most important thing? I think it turned out to be a pretty reasonable investment in terms of income and reputation of the university but it could have decided, like the University of Chicago, that football was completely unimportant.

I am clear in my own mind that we have work to do in understanding ranges of possibilities and also clear in my mind that the university has a reciprocal responsibility in their strategies and how much resource they want to put in what things. I think the work of this board is beyond dreams and fantasies. It has to fit into the total of the university, and again, the construct of this board. About a third of the board are administrators of the university, a third of this board are trustees, and a third of the board are, if you would, civilians that care about the medical center and the university. We are beginning to do the work of the work in the medical center and are very much in the beginning.

I would now propose a motion for us to adjourn so that we can go into executive session?

Mr. Schottenstein:

Can I just say one more thing before we do?

Mr. Wexner:

Of course. I yield to the Chairman.

Mr. Schottenstein:

This relates to your report Jay, the new hospital tower as I think everyone in this room knows, is the largest construction project in the history of the university. It wasn't guaranteed by the trustees like that stadium construction back in the 20s, but it nonetheless was a very significant project which still does pose enormous risk. I think it is remarkable, and we had a lot of help, there are a lot of people, but Jay that was your report, it is remarkable to hear we have a really good chance to open up within two to three weeks that was set over two years ago. If we just had a 5% overrun, it would have been $60 to $80 million dollars and it looks like we are going to come in under budget.

We had a lot of things break right for us. To see $100 million CMS grant which allowed us to do more, but even without that, we still would have come in under budget. I know we haven't crossed the goal yet and I don't want to have the scoreboard light up at this point, but I think that it is comforting to know where we are and I think that deserves mention.

Mr. Wexner:

Thank you. At this time, we would like to recess into Executive Session to consider business sensitive trade secret matters required to be kept confidential by Federal and State statutes and to discuss personnel matters regarding the appointment, employment and compensation of public officials. I would like to move for adjournment?

Upon motion of Mr. Wexner, seconded by Mr. Price, the Wexner Medical Center Board members adopted the foregoing motion by unanimous roll call vote, cast by board members Mr. Wexner, Mr. Gasser, Dr. Reid, Mr. Jurgensen, Ms. Krueger, Mr. Price, Mr. Fischer, Mr. Steinour, Mrs. Wexner, Mr. Wolfe, Mr. Schottenstein, President Alutto, Dr. Gabbe, and Mr. Chatas.

Mr. Wexner:

Thank you. We are adjourned.

Attest:

Leslie H. Wexner	Heather A. Link
Chairman	Associate Secretary