

Special Called Meeting
MUSC / MUHA Board of Trustees

June 27, 2016

10:00 a.m.

Palmetto Club

Columbia, South Carolina

The Board of Trustees of the Medical University of South Carolina and Medical University Hospital Authority convened Monday, June 27, 2016, with the following members present: Dr. Don Johnson, Chair; Mr. Bill Baker; Ms. Terri Barnes; Mr. Bill Bingham; Dr. Harold Jablon; Ms. Barbara Johnson-Williams; Dr. James Lemon; Dr. Ragin Monteith; Mr. Charles Schulze; Dr. Murrell Smith; Mr. Michael Stavrinakis; Dr. Charles Thomas. Board members excused: Dr. Stan Baker, Mr. Jim Battle, Dr. Conyers O'Bryan and Mr. Tom Stephenson.

In addition the following MUSC leadership were present: Dr. David Cole; Ms. Lisa Montgomery; Dr. Pat Cawley; Dr. Ray Dubois; Ms. Annette Drachman; Dr. Bruce Elliott, Ms. Sheila Champlin; Mr. Steve Hargett; Mr. Matt Wain; Ms. Gina Ramsey; Ms. Susie Edwards; Mr. Patrick Wamsley; Mr. Greg Weigle; Dr. Scott Reeves; Dr. Donna Johnson; Dr. Rod Rutledge; Mr. Mark Sweatman.

Dr. Johnson called the meeting to order at 10:00 a.m.

Dr. Johnson recognized Dr. Lemon who moved that the Board go into closed session to discuss the following items pursuant to section 30-4-70 of the South Carolina Code:

- Personnel Matters to include compensation and evaluation metrics including an update of discussions held on June 10, 2016 at the MUSC/MUHA Board of Trustees Management Development & Compensation Subcommittee; and
- Expansion of clinical services including negotiations incident to proposed contractual arrangements and proposed sale or purchase of property pertaining to those services.

Board Action: The motion was seconded, voted on and unanimously carried for the Board to go into executive session. Dr. Johnson announced that the board would move into executive session following lunch.

Dr. David Cole, President and Ms. Lisa Montgomery, Executive Vice President for Finance and Operation gave opening remarks prior to the start of the budget presentations.

Medical University of South Carolina

Mr. Patrick Wamsley, CFO, MUSC, presented the proposed FY2017 MUSC Budget with a projected net income of \$1,835,686:

Revenue Budget Highlights:

Appropriations: \$107,355,327

MUSC

- \$900K for College of Dental Medicine debt service
- \$1.7 MM (estimate) for State-mandated COLA

MUHA

- \$17 MM for Telemedicine
- \$10 MM for Shawn Jenkins Children's Hospital
- \$750K for Shawn Jenkins Children's Hospital Helipad (1:1 match)

Tuition and Fees: \$100,818,389

- Tuition and Fees up an average of 2%

Research:

- Research revenues of \$182 MM

Other Additions:

- Includes compensation transfers from MUSC Physicians of \$81 MM

Mr. Wamsley reported that the following FY2017 tuition rate increases were approved by the Board of Trustees in April 2016.

College of Pharmacy – 3%

College of Graduate Studies – 2%

College of Dental Medicine – 2%

College of Health Professions – 2%

Expense Budget Highlights

Compensation

- State-mandated 3.25% COLA for all faculty and staff, effective July 1
 - Total Cost: \$11.8 MM
 - Estimated \$1.7 MM Appropriations provided only for State-funded employees of \$41 MM in salaries
 - Net cost to MUSC: \$10.1 MM

Contractual Services

- Includes \$30 MM to MUHA for the Shawn Jenkins Children's Hospital and Disproportionate Share
- Includes \$32 MM Supplemental Medicaid payments

Supplies, Travel and Other Expenses

- Supplies are \$40 MM
- Fixed Charges are \$37 MM

FY2017 Proposed Use of Prior Year Funds - \$5,627,183

FY2017 Proposed Capital Budget totaling \$12,594,572

MUSC Health

Prior to the MUSC Health budget presentation, Dr. Cawley gave an update on the following:

- Health reform Effects
- Exchange / Market Place Plans
- Cost Improvement Plans

Mr. Steve Hargett, CFO, MUHA, presented the MUHA FY 2017 budget projecting a net income of \$54,155,482.

Ms. Gina Ramsey, CFO, MUSC-P, presented the proposed MUSC-P FY2017 budget projecting a change in net position of (\$1,952,852) and the proposed MUSC-P Primary Care FY2017 budget projecting a change in net position of (\$1,255,877). Highlights from the presentation are as follows:

MUHA Revenue Assumptions:

- Patient Activity increases include: Patient days of 2.5%, Surgical Activity of 3.6%, Radiology Procedures of 3% and Lab Tests of 1%.
- Medicare FFY 2017 Inpatient Proposed Rule includes 1.3% increase.
- No Medicaid change in reimbursement.
- Disproportionate Share reduced \$7.5M for 2012 settlement recorded in 2016.
- Other Revenue increase of 4% due mainly from new Children's Eating Disorders Program funding.

MUSC-P Revenue Assumptions:

- Growth of 1.9% in clinical collections over the current year due to increased clinical faculty growth in ambulatory visits and procedures.
- No across the board rate increases but only in selected areas.
- Supplemental Medicaid (DHHS and MCO) payments are budgeted unchanged when compared to the FY 2016 budget. Program has been stabilized, although reduced from prior years, and will not go away.

MUHA/MUSC-P Expense Assumptions:

- Salaries and Wages – 3% average merit effective October, 2016. MUHA - reduction of 80 FTEs from current pay period and increase in State Retirement of 0.5%. MUSCP – FTE increases relate to clinical growth and Benefit increases relate to growth in health insurance.
- Supplies – increase due to growth and inflation absorbed by cost reduction initiatives.
- Depreciation and Interest – based on known capital purchases and funding requirements per current bond documents.

MUHA Non-Operating Revenue (Expense) Assumptions

- State Appropriation of \$27.75M is funding for Telemedicine of \$17M (MUHA - \$16M, AnMed Health - \$1M) and Shawn Jenkins Children's Hospital of \$10.75M.
- Gifts and Grants of \$18.75M represent fundraising for the Shawn Jenkins Children's Hospital.
- Issuance Costs of \$10.5M is the financing expenses for the Shawn Jenkins Children's Hospital.

MUSCP Non-Operating Revenue (Expense) Assumptions

- Remain about the same as 2016 projected actual

MUHA FY2017 Proposed Capital Budget of \$40,000,000

MUSC-P FY2017 Proposed Capital Budget of \$2,500,130

Following the budget presentations, the board recessed for lunch.

At 1:00 pm, the Board returned from lunch and moved into executive session.

At 3:40 pm, the Board returned to open session and there being no further business, Dr. Johnson adjourned the meeting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark W. Sweatman". The signature is written in a cursive style with a large initial "M".

Mark W. Sweatman
Secretary