



University of Wisconsin
Hospital and Clinics

**UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS
2014-2015 Annual Report**

Fiscal Year 2014-2015 was a milestone year for UW Health. January 1, 2015, marked the official merger of UW Health and Rockford, Ill.-based SwedishAmerican Health System. On July 1, 2015, we witnessed the merger of UW Hospitals and Clinics Authority and UW Medical Foundation, the group practice of the faculty physicians of UW School of Medicine and Public Health. The integration of the hospital and medical foundation was a foundational goal of UW Health's strategic plan for 2013-2015. Together the two mergers have increased the size, scope and geographic reach of UW Health and greatly expanded the oversight of the UW Hospitals and Clinics Authority Board to encompass not only UW Hospitals and Clinics but the entire newly integrated health system.

The year brought several executive leadership changes that helped prepare the organization for UW Health integration. The first changes occurred in August and September 2014.

- In August 2014, upon the resignation of Donna Katen-Bahensky, Ron Sliwinski assumed the role of UWHC president and CEO.
- Timothy Gaillard assumed Sliwinski's former role as Senior Vice President and Chief Operating Officer.
- In September 2014, upon the departure of Janice K. Bultema, Gary R. Johnson assumed the role of UWHC vice president for human resources.

In December 2014, several additional changes were announced:

- Elizabeth Bolt was hired as UW Health senior vice president for human resources with oversight of both UWHC and UWMF human resource departments.
- Robert O'Keefe succeeded the retiring Michael Buhl as UWHC senior vice president and chief financial officer.
- Teresa Neely was hired as chief ambulatory administrative officer to partner with then chief ambulatory medical officer, Dr. Peter Newcomer, in the integration of ambulatory operations across all UW Health.
- Beth Houlahan's role as senior vice president and chief nursing officer was expanded beyond UWHC to include all UW Health nursing operations.
- Kelly Wilson became UWHC senior vice president and general counsel, replacing James Dechene who retired at the end of FY14.
- Dr. Jonathan Jaffery, previously medical director for delivery system innovation, was appointed senior vice president and chief population health officer for UW Health.

FY15 presented a unique challenge for all health care organizations to become ready to care for patients with Ebola virus disease. The height of this effort occurred during the first half of the fiscal year, coinciding with the peak of the Ebola outbreak in East Africa. Working closely with the Centers for Disease Control and Wisconsin Department of Health Services, UW Health responded with a robust operational plan for screening, receiving, assessing and treating Ebola-infected patients. A multidisciplinary team of volunteers was recruited, trained and continues to maintain readiness to serve as a level one treatment center. Although the United States saw only a few cases of Ebola,

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treated mainly in the nation's biocontainment centers, the planning and training conducted for Ebola are expected to provide a strong foundation for response to any future special pathogens outbreaks.

In November 2014, UWHC hosted five surveyors from The Joint Commission for the organization's triennial accreditation survey. The hospital not only received accreditation but earned high praise from surveyors as evidenced in sample comments:

- "You have really mastered Epic [EHR] – everybody is able to bring up information requested immediately and you are turning it into dividends for your quality and safety"
- "The patient story page is fantastic"
- "Staff are very compassionate and passionate"
- After observing staff interacting with a patient and family, "The staff support, reassurance, and encouragement touched my heart"
- Impressed by room turnover in AFCH OR, surveyor stated "no one does it as well as you do"
- "Psychiatric unit is impressive; a lot of thought was put into designing it"

Finally, it should be mentioned that throughout the year, despite momentous changes and challenges, UWHC continued to garner national recognition as a high-performing health care organization, workplace of choice and leader in quality, safety and patient satisfaction. This year's honors include:

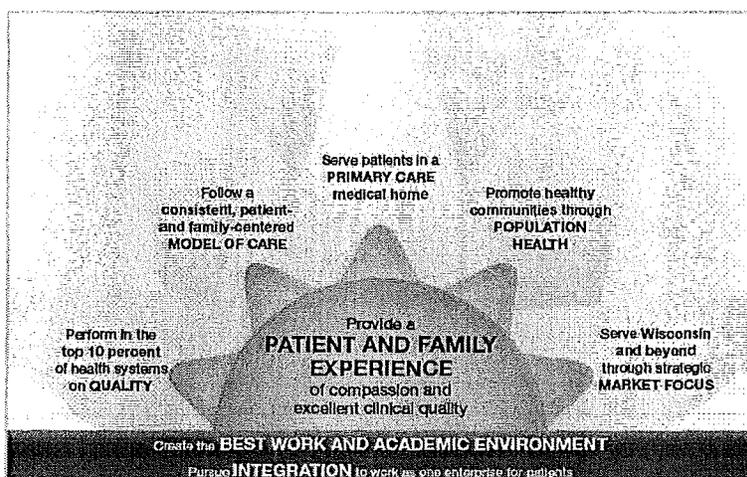
- Listed among the top 50 hospitals nationwide in 10 medical specialties, according to *US News & World Report*, "America's Best Hospitals." Ranked as high-performing in two additional specialties, and for the fourth year in a row rated the #1 hospital in the Wisconsin.
- American Family Children's Hospital ranked among the top 50 children's hospitals nationwide, according to *US News & World Report*, "Best Children's Hospitals Guide." AFCH received this ranking in five pediatric specialties.
- Magnet[®] hospital designation by the American Nurses Credentialing Center.
- Named for ninth consecutive year among "100 Best Companies" in the nation by *Working Mother* magazine.
- Named to *Hospitals and Health Networks* "100 Most Wired," 2015.
- Stage 7 (of 0-7) status by Health Information Management Systems Society (HIMSS) for electronic health record implementation.
- Named by *Becker's Hospital Review* as one of "100 Great Hospitals in America."
- Named by *Becker's Healthcare* as one of "150 Great Places to Work in Healthcare."

FY15 Strategic Accomplishments

The balance of this report summarizes UWHC's major FY15 accomplishments with respect to the UW Health strategic plan and overall financial performance, including background and context for the regional and internal integration.

PATIENT CARE

The stated goal of the UW Health strategic plan is unsurpassed patient care. The plan outlines eight major priorities and goals as depicted in the graphic and caption below.



Best Work and Academic Environment and Integration are foundational goals that underlie success in all aspects of our plan. They support our core goal of Patient and Family Experience, which is surrounded by the goals of Quality Distinction, Clinical Model of Care, Primary Care, Population Health and Market Focus. All priorities work together to achieve our ultimate goal of unsurpassed care, delivered with compassion and excellent clinical quality.

Integration

As noted above, integration became a singular focus as the year progressed, leading to the eventual merger of UWHC and UWMF. In December 2014, a group of UW Health senior leaders began working to develop a plan for how integration would work. The plan brought UWMF and UWHC together under the governance of the UW Hospitals and Clinics Authority Board. With unified governance, the plan called for hiring of a system-level CEO to oversee the UW Health enterprise. UWMF and UWHC continue to exist, and staff and physicians keep their current employers. The combined organizations share stewardship of all resources and allocate them strategically to ensure continued excellence in patient care while supporting the academic missions of UWSMPH.

Because the plan included governance changes for UWMF, a faculty vote of approval was required and held in the April. After passage by the faculty, the integration plan was approved by the UWMF Board and UWHC Authority Board as well as the UW Board of Regents and UW-Madison Chancellor.

The final plan met our three highest strategic goals: (1) create one clinical entity to address all aspects of care delivery and population health, (2) be more efficient (3) improve our financial strength to ensure support for our clinical and academic missions. As the plan gained momentum, the push toward operational integration accelerated and was yielding results even before the merger became official on July 1, 2015. Now under the interim leadership of Dr. Jeff Grossman, integration is proceeding and the search for a permanent UW Health CEO is underway.

Best Work and Academic Environment

UW Health's strategic goal to be the best work and academic environment is also foundational to all other goals, ensuring that we can continuously recruit, hire and retain best-of-the-best talent in all phases of leadership and operations.

In January 2015, the last of UWHC's collective bargaining agreements, with Wisconsin State Employees Union, expired and WSEU members transitioned to non-represented status, as required by Wisconsin Act 10. The transition plan for these employees mirrored that for other unions whose contracts had expired the previous year, including permanent and temporary supplemental pay increases to lessen financial impact, especially on lower-wage earners.

As a result of completing the Act 10 transition, FY16 is the first year in which the entire UWHC workforce is non-represented and under a market-based compensation system. In April, with integration on the

horizon, UW Health took the first steps toward the long-term goal of a UW Health-wide pay system that is market competitive, internally equitable and sustainable. A UW Health-wide compensation study begun in 2014 provided guidance. The plan makes FY16 a transitional year including:

1. A simplified version of the current merit pay process to serve until FY17 when a longer-term UW Health plan is in place.
2. Implementation of new pay structures in some areas: The legal integration of UWHC and UWMF removes legal barriers to creating an enterprise-wide compensation system. Planning began in Spring 2015 for a carefully phased implementation plan that will target FY16 wage adjustments for individual titles or groups of titles the compensation study indicates are out of alignment with the current market.
3. Targeted adjustments to certain special pay practices to better align with the external market and operational needs: These adjustments will also help achieve greater consistency of pay practices for hourly hospital staff and will help prepare for integration.

As the plan is implemented, no employees will have their base pay reduced while working in their current job.

Finally, in the spring of 2015, UWHC and UWMF implemented Taleo, a new online recruiting and onboarding system. The goals of Taleo are to unify the recruitment function, improve the candidate experience and streamline and optimize the hiring and on-boarding processes. The new system is expected to expand candidate pipelines, improve the quality of candidates, reduce time to hire, and provide a better experience for applicants, recruiters, and managers.

Quality Distinction

UW Health quality efforts run the gamut from continuous improvement work to ensuring patient safety, maintaining regulatory compliance and survey preparedness, and overseeing internal performance monitoring and public quality reporting.

According to recently reported CMS data collected on 33 quality metrics of the Medicare Shared Savings Program, UW Health ranks in the top 20 nationally for these quality measures:

- 1st for the Pneumococcal Vaccination
- 3rd for Colorectal Cancer Screening
- 7th for Influenza Immunization
- 8th for Mammography Screening
- 10th for LDL <100 mg/dL (Cholesterol)
- 12th for Diabetes: Percent with HbA1c >9 percent (% poor control)
- 14th for Shared Decision Making
- 17th for Ischemic Vascular Disease: Use of Aspirin or Other Antithrombotic
- 19th for Percentage of Primary Care Physicians who Qualified for Electronic Health Record Incentive Payment

Our overall quality score of 94.3 percent placed us fifth among 333 participating ACOs nationwide. UW Health was also one of the most efficient systems nationwide, with costs per patient well below the median.

High performance on these and other ambulatory quality metrics suggests that redesign of the primary care delivery system over the last seven years is paying dividends in terms of ability to reliably and efficiently deliver excellent clinical quality and to improve and sustain performance on many of the

preventive measures that will be key to success in the ongoing volume-to-value transition. As an added bonus, many of the principles and workflows that have proved successful in primary care settings have begun to be expanded selectively to specialty care settings.

UWHC focused sharply this year on reduction of catheter-associated urinary tract infections, which had been stubbornly resistant to change in FY14. In the second half of FY15, CAUTI rates began trending downward, helped by rounding to all units by the hospital CMO and vice president for nursing quality to discuss cases and answer questions about catheter placement, orders, delegation protocol for removal and so on. Unit-based teams of nurse managers, clinical nurse specialists and medical directors have also rounded on their own units to educate, monitor catheter use and ensure compliance with use of the CAUTI bundle. As these efforts continue, lessons learned will be applied to reduction of central-line blood stream infections, *c. difficile* and other hospital-acquired infections.

Patient and Family Experience

The patient and family experience goal of the UW Health Strategic Plan focuses on improving the patient experience and achieving a culture of patient- and family-centered care throughout the organization.

UWHC Organizational Dashboard metrics for Patient and Family Experience address inpatient satisfaction as reflected in HCAHPS responses on the item *overall rating of hospital* and outpatient satisfaction as reflected in the Avatar patient satisfaction metric *likelihood of recommending clinic*.

- *On overall rating of hospital*, performance remained steady throughout the year at about the 87th percentile for all hospitals in the Press Ganey database. Improvement efforts have focused on *communication with doctors* and *communication with nurses*, two items that correlate highly with overall rating. Improvement efforts focus on training for patient- and family-centered care team visits (rounds) and on intentional rounding by nurses and nurse managers.
- *Likelihood of recommending clinic* continued to perform well throughout the year in primary care, specialty care and UWHC clinics overall.

During FY15 physicians and advanced practice providers not only have continued to receive individual-level ambulatory data on a quarterly basis, but also now receive that data with full transparency across the entire organization; that is, numeric results for individual physicians are viewable by all other physicians. In addition, physicians who wish to do so can also access their data in real time via Avatar's secure web site.

Ambulatory patient experience data over the last five years reveals a steady upward trend on three key metrics: *Provider showed concern and sensitivity to my needs; need handled promptly if problem; and recommend provider's office*. Run charts for the time period suggest clear impact of several interventions including the implementation in 2012 of provider level reports followed by launch in 2013 of a physician coaching program and an employee incentive plan. Transparency of physician reports, first at the department level and then in 2014 at the organization level, also had a demonstrable impact.

In the latter half of FY15, we began preparing for the transition to CGCAHPS surveying in ambulatory settings. Use of the survey is mandated by CMS beginning in FY17, and UWHC opted to use FY16 as a transitional year. Beginning July 1, 2015, patients receive a survey with 37 CGCAHPS questions and 15 Avatar questions for continuity of benchmarking.

Clinical Model of Care

The aim of the Clinical Model of Care goal has been to create an organization-wide model of care that produces excellent clinical outcomes and also is characterized by innovation, academic excellence and

interdisciplinary collaboration. In FY15 this approach was seen in action during preparations for the opening of UW Health at The American Center, UW Health's new health and wellness campus on Madison's east side.

Planning for the facility provided a unique opportunity to reexamine traditional practices and boundaries and to design processes and workflows around the experience of patients and families. Along with innovative workflows that capture every aspect of an encounter from the time a patient arrives until the reason for their visit is resolved, The American Center also makes maximum use of technologies and is built for wellness programming and a population health focus.

Other care model work continued included a new phase of primary care redesign, expanding the role of clinic RNs (see primary care), and in inpatient settings continuous improvement around the discharge process, patient-and-family centered care team visits during bedside rounds and a "quieting" campaign to reduce noise and create a more serene healing environment.

Another major focus of care model development has been in ambulatory settings. UW Health ambulatory services reached a new milestone in November 2014 with the restructuring and integration of all ambulatory leadership positions at the director level and above. The move represents the next phase in the organization's journey towards a fully integrated health delivery system and model of care.

All ambulatory leaders are now responsible for management across UW Health, based on role and expertise, not based on employer or clinic ownership. All current directors have re-aligned their scope to serve clinics across the system, and all new leaders are hired into the system and culture of the integrated system. The new structure better positions leaders to support overarching strategic priorities including providing the best environment in which to work and the best care for patients. The new approach includes a dyad model in which physician leaders are paired with administrative leaders at all levels of the organization.

Major Clinical Services

UWHC's major clinical services continued to operate at a high level.

- **Cancer care** was again one of the seven medical specialties for which UWHC was recognized among the top 50 hospitals in the nation by *U.S. News & World Report*.

As in previous years, clinical trials at the UW Carbone Cancer Center offered cutting edge treatments to thousands of participants. The center continues to maximize access to its treatment options through strong alliances with regional health care facilities. The most recent new relationship was announced in June 2015 by ProHealth Care, Aurora Healthcare and UW Health. The three systems will collaborate to provide care at the new UW Cancer Center at ProHealth Care in Pewaukee. UW Health and the Carbone Cancer Center will provide medical direction at the facility which opened August 10, 2015. Services will include medical oncology, surgical oncology, radiation oncology, ancillary services and imaging, offered in a welcoming, easy-to-navigate environment.

- In March 2015, the **UW Transplant Program** garnered national attention when the longest kidney chain ever completed began and ended at UW Hospital and Clinics. The chain extended over nearly three months from the time the first recipient, a resident of Plymouth, Wisconsin, received her new kidney at UW Hospital from a humanitarian donor from Minneapolis. In total, the chain included 68 people (34 donors and 34 recipients) at 26 hospitals nationwide. UW Hospital had a total of five participants in the chain.

In a paired transplant chain, a humanitarian donor sets off a series of transplants in which family or friends of recipients give a kidney to another person in need — essentially paying donations forward on behalf of a loved one. Because these chains can include many participants, they can be especially helpful to individuals who are have difficulty finding a good donor match. Sixteen of the 35 recipients in this chain were in this hard-to-match category, including the final recipient from Wausau, WI, who received her new kidney March 26 at UWHC.

UW Hospital has been participating in the National Kidney Registry's paired kidney exchange program since 2011 and has helped 70 people get transplants through the program. Only four other transplant centers in the U.S. have helped more people get transplants through NKR's program.

- Obstetrical services, pediatric services and **American Family Children's Hospital** also saw a significant milestone in FY15 when UW Health and Meriter-UnityPoint Health announced a joint operating agreement for obstetrics and neonatal services. Effective January 1, 2015, the new partnership combines the strengths of UW Health's academic medicine and patient- and family-centered care within a community hospital and UW Health's nationally ranked pediatric hospital. Meriter has the busiest birthing center in the state and a Level III neonatal intensive-care unit (NICU) that can provide life support to extremely high-risk newborns. UW Health's American Family Children's Hospital opened a 14-bed Level IV NICU in May 2014, that offers a full range of pediatric medical and surgical specialists and can provide care for infants with highly complex conditions. In addition to better care and care coordination, the new alliance helps avoid duplication of services in the community and enhance quality, service and access while becoming more efficient in care delivery.

The partnership will be governed by a 10-member board with equal representation from UW Health and Meriter and includes representation of both independent and UW Health physicians. While each party will maintain complete ownership of its current assets, the new board will monitor quality and service performance, and review and approve annual budgets, strategic plans and policies and procedures.

- In addition to offering a full range of programs from sports rehabilitation and athletic training to traditional and robotic-assisted joint surgeries, **Orthopedics and Rehabilitation** was heavily involved throughout FY15 in planning for UW Health at The American Center and UW Health Rehabilitation Hospital. Again ranked in the top 50 nationwide by *US News & World Report*, orthopedics is the flagship service at the new American Center facility.

Even before The American Center opened, preparations were in the final stages for UW Health Rehabilitation Hospital, a joint venture of UW Health and Kindred Healthcare, a national company that specializes in rehabilitation care. Located on an adjacent parcel of land in The American Center business park, and opening September 29, 2015, the freestanding rehabilitation hospital has 50 inpatient beds, adding an exciting new post-acute care option for individuals who have experienced stroke, brain injury, spinal cord injuries, neurologic conditions, bilateral lower extremity joint replacements, hip fractures, lower extremity amputation and numerous other conditions. Patients admitted to Inpatient Rehabilitation Facilities (IRFs) are medically stable and able to tolerate therapy of greater intensity and duration that they would receive at a skilled nursing facility (SNF). With an emphasis on mobility and independence at home and in the community, IRFs have a track record, when compared to SNFs, of discharging more patients home with greater independence and avoiding hospital readmissions.

- The **Heart, Vascular and Thoracic** service line also prepared to added services at UW Health at The American Center, including a general cardiology clinic with same-day access, a consult service, echo cardiology, stress testing and other diagnostic services, as well as several subspecialty cardiology clinics: faint and falls, heart failure, electrophysiology, vascular and hypertension. In addition, cardiac rehabilitation and preventive cardiology services formerly at East Clinic will relocate to UW Health at The American Center.

HVT services emphasized regional outreach during FY15, as UW Health physicians provided traveled to provide care in communities such as Richland Center, Beaver Dam, Wausau, Rockford and other regional sites. Also reaching out to patients, UW Health cardiac surgeons held a series of “At the Forefront” patient education sessions to educate the community about current treatments and the unique benefits of care at an academic health center.

- The **Neurology and Neurosurgery** service line continued to provide excellent patient care as one of only three Joint Commission-certified Comprehensive Stroke Centers in Wisconsin. To meet the “comprehensive” standard, hospitals must demonstrate 24/7 readiness to treat multiple complex stroke cases at the same time. Certified Comprehensive Stroke Centers also must have advanced imaging and treatment capabilities, specialists on staff around the clock, specially trained staff and physicians, and faculty engaged in stroke research.

Extending the outstanding care delivered in Madison is the Wisconsin Telestroke Program, which allows UW Health stroke neurologists to assist regional hospitals in the diagnosis of patients who arrive at the regional emergency department with a suspected stroke. In November 2014, UW Health welcomed Beloit Health System as the seventh member of the program, joining hospitals in Beaver Dam, Lancaster, Platteville and Watertown in Wisconsin, and Belvidere and Rockford in northern Illinois. This collaborative approach extends the knowledge of UW experts to community hospitals without the expense of duplicating services. The result is quicker treatment for regional patients experiencing stroke symptoms. Stroke neurologists at the UW Comprehensive Stroke Center can examine patients and their brain scans via quick internet connection and consult with local physicians on treatment planning.

Primary Care

At the close of FY14, the RN care coordination phase of primary care redesign had been implemented in a handful of clinics, so that results could be observed and refinements made before spreading the model to all primary care venues. During FY15, the model has been fully implemented and begun to achieve anticipated improvements. Under the new model, clinic RNs play an expanded role in care coordination, especially in the care of patients with diabetes, hypertension or both.

At the same, primary care clinics have moved forward with a variety of other initiatives in alignment with the triple aim of better care, better health for populations (panels/diagnostic groups) of patients and greater efficiency through continuous improvement:

- Implementation in January 2015 of work to improve the top three ACO metrics needing improvement: fall risk screening, medication reconciliation and depression screening.
- Launch in Fall 2014 of Visibility Dashboards in each clinic for display of Avatar and WCHQ metrics, updated quarterly at first, then monthly
- A new model for deploying geriatric nurse practitioners to medically-homed patients in nursing homes -- by region, rather than by physician, for greater efficiency
- Improvements in pneumococcal vaccine screening in both internal medicine and family medicine

Recent UWHC benchmark data from the Medicare Shared Savings Program and from the University HealthSystem consortium suggest that primary care redesign and related changes associated with the move to population health management are paying off in both quality of care and efficiency. According to both MSSP and UHC data, UWHC ranks in the top five systems nationwide for performance on quality indicators while being in the lower half for cost of care.

Market Focus

Fulfillment of UWHC's statewide mission requires building relationships with referring hospitals and physicians throughout the state and developing outreach strategies that ensure our services are available to residents throughout Wisconsin. Because referral relationships do not always conform to state boundaries, relationships sometimes extend outside the state. Cultivating broad regional and even national referrals are consistent with our population health goals and necessary for UW Health to fulfill its vision to be a national leader in health care.

In FY15, the landscape in health care continued to evolve at a rapid pace. Many factors are encouraging health systems to collaborate, and UW Health moved forward with several significant new relationships.

Merger with SwedishAmerican Health System

January 1, 2015, marked the official merger date for UW Health and Rockford-based SwedishAmerican Health System. SwedishAmerican is the leading health system in Rockford and shares UW Health's commitment to collaboration, innovation and the highest quality clinical care and patient/family experience. The two organizations have been affiliated since 2010, and jointly pursued the merger as an opportunity to broaden reach, share improvement and cost reduction ideas, coordinate patient care within the region and make the best use of capital resources and technology.

With the merger, SwedishAmerican became part of UW Health's regional division, and is branded: SwedishAmerican, a Division of UW Health. Leaders in Madison and Rockford have been establishing the groundwork for the integration of the two organizations. The goal is a comprehensive and seamless regional health system, capable of serving larger populations, achieving higher levels of quality and realizing greater efficiencies than either organization could do alone. Working toward regional integration within the same timeframe as UW Health moves forward with internal integration will yield additional opportunities to strengthen all parts of UW Health and improve the health of our communities.

A management council has been established to oversee all UW Health-SwedishAmerican integration activities. Guiding principles and initial strategic direction have been identified. To make the best use of available resources, we will concentrate on primary care and specialty services with an underlying foundation of population health management and support from information systems to achieve the highest quality, safest, most reliable patient-centered care in the most efficient way.

Further planning is underway to translate this broad direction into an implementation plan with clear priorities and measurable outcomes. A primary goal will be to ensure resources are appropriately allocated and to balance commitments asked of individual departments, disciplines and programs. Working with the management council to lead the implementation planning is Sue Ertl, Vice President for Regional System Integration.

UnitedHealthcare Contract

Access for regional patients received a boost in spring 2015, when UW Health and UnitedHealthcare established a new multi-year relationship giving people enrolled in most UnitedHealthcare individual and employer-sponsored plans in-network access to all UW Health facilities and physicians, effective May 1, 2015. The contract includes United's highest volume insurance products and represents 90

percent of its commercial members in the state. The only UW Health services not included are behavioral health and AODA services. United Healthcare serves more than 1.4 million people in Wisconsin.

UW Health Cancer Center at ProHealth Care

As mentioned on page 6, the launch this year of UW Cancer Center at ProHealth Care in Pewaukee signaled another type of regional growth.

Formation of a Statewide Health Network

Early in FY15, UW Health and five other statewide health systems announced the formation of a new alliance to expand the delivery of high quality, affordable health care, advance population health and wellness programs, and explore ways to improve health care services for consumers and their communities. When launched in August 2014 as AboutHealth, the network included Aspirus, Aurora Health Care, Bellin Health, Gundersen Health System, ProHealth Care, ThedaCare and UW Health. Since that time, Marshfield Clinic has also joined the consortium. Together, these organizations provide access to health care for more than 90 percent of Wisconsin's population as well as portions of Iowa, Minnesota, Michigan and Illinois.

In June 2015, Arise Health Plan became the first insurance company to contract with the health systems and their ACOs through AboutHealth. The agreement outlines a commitment to progress toward population health management and a demonstration of value-based care. Arise and AboutHealth will offer co-branded individual and group coverage with AboutHealth providers for 2016, and will have individual and small-group plans on the Federally Facilitated Marketplace, or Exchange.

Population Health

In January 2015, UW Health completed its second year as an Accountable Care Organization in the Medicare Shared Savings Program. During the year we continued to transform our delivery system into one that meets today's demand for the highest quality, most efficient and best coordinated care possible. As mentioned above, recently released federal data suggest that our efforts are gaining traction, as UW Health ranks fifth best (98th percentile) for quality among 333 Medicare Accountable Care Organizations nationwide and is one of the most efficient with costs well below the median.

This ranking is a result of embracing the opportunity to reorient how we deliver care and how we do business in order to advance the triple aim of better care for individuals, better health for populations and smarter spending through improvement. Increasingly, we are moving toward a value-based system with incentives for delivery of proactive, coordinated and high quality care. Underlying population health management initiatives such as the complex case management and bundled care programs and RN care coordination is a commitment to leverage the tools of data collection and analysis and to standardize care around evidence-based best practices.

From a business perspective, we continue to work toward sustainable value-based programs that align care models with payment models. To expand and sustain these programs, we are seeking and embracing value-based reimbursement models, including a variety of governmental programs such as Medicare Value-Based Payment, Medicare Shared Savings and CMMI (Centers for Medicare and Medicaid Innovation) Grants, as well as value-based contracts with commercial payers, including UW Health's own Unity Health Plans.

EDUCATIONAL MISSION

With a robust array of Graduate Medical Education offerings, including 576 residents and fellows in approximately 50 accredited programs, UWHC continued in FY15 to improve the quality of learning environments for residents and fellows in ACGME-accredited programs. The goal is to ensure residents are integrated into – and knowledgeable about – UWHC policies and protocols regarding patient safety, quality improvement and transitions in care, as well as GME duty hours, professionalism and so on. Beyond these basics, the focus is on ensuring that residents and fellows are fully included in UWHC's work related to quality improvement, patient and family experience and the interdisciplinary model of care.

As it does every year, UWHC not only welcomed resident physicians and fellows, but also members of residency programs in pharmacy, physical therapy, nursing and hospital administration. Other new trainees include those in dietetic internships, a fellowship in athletic training and training programs in ultrasonography, radiologic technology, emergency medical services and a host of other areas.

RESEARCH MISSION

UWHC also continued this year to partner with the Clinical Translational Research Center of the UW School of Medicine and Public Health, located on the sixth floor of UWHC, to provide cutting-edge investigational treatments in an environment designed to help medical scientists conduct clinical research. Clinical trials, including promising cancer therapies, remain an important component of UWHC's partnership with the UW Carbone Cancer Center, which has several hundred clinical trials in progress at any given time. In FY15, trials in Alzheimer's disease, asthma, transplant, heart care, epilepsy, movement disorders, gastroenterology/hepatology and many other fields also offered patients access to promising new therapies.

COMMUNITY BENEFIT

UWHC follows the community benefit reporting categories and definitions of the Wisconsin Hospital Association. The figures below, reported in May 2015, are based on the most recent available data.

| | |
|---|-------------------|
| Community Health Improvement Services | |
| Community Health Education | \$ 672,687 |
| Community-Based Clinical Services | 56,671 |
| Health Care Support Services | 2,109,276 |
| TOTAL Community Health Improvement Services | 2,838,634 |
| Health Professions Education | 46,077,108 |
| Subsidized Health Services | 2,316,778 |
| Research | 1,195,389 |
| Financial and In-Kind Contributions | 9,041,457 |
| Community Building Activities | 677,123 |
| Community Benefit Operations | 119,885 |
| Financial Assistance (charity care) | 26,057,317 |
| Government-Sponsored Health Care | <u>47,209,112</u> |
| TOTAL COMMUNITY BENEFIT | \$135,532,803 |

FINANCIAL PERFORMANCE

Financial performance for the fiscal year ending June 30, 2015, improved over the prior year. Net income as a percentage of revenue, excluding the fair value gain/loss on investments and the fair value loss on swap agreements, increased to 7.7 percent.

Inpatient admissions increased 7.7 percent from the previous year to 30,794. Clinic visits were 4.8 percent higher than the previous year at 642,829. Emergency department visits came in 11.3 percent higher than the previous year at 55,660. Case mix index, an indicator of the severity of patient conditions, was 2.01 compared to 2.02 in the fiscal year ended June 30, 2014.

Governmental payers (Medicare and Medicaid) continue to grow as a portion of UWHC's overall business, as does Unity membership. Reimbursement from these payers does not cover the full cost of care. At the same time, UWHC saw a significant decrease in numbers of patients with little or no ability to pay due to the Affordable Care Act and expansion of the Wisconsin Medicaid Program coverage of childless adults, leading to a drop in charity care and bad debt for the year ended June 30, 2015, of \$36.8 million to \$59.7 million, or 1.8 percent of gross revenue.

UWHC is in a strong position compared to other organizations in the health care industry. Days cash on hand finished slightly higher at 215 compared to last year at 213. Days in accounts receivable decreased to 42. UWHC's S&P bond ratings improved to A+ with a positive outlook.

The final page of this report presents an additional summary of this year's financial performance.

The Year Ahead

During the coming year we anticipate focus and progress in the following high-priority areas.

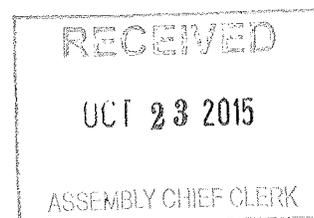
- Internal UW Health integration including hiring of a UW Health system CEO, operational integration of a variety of departments and programs, development of a new "funds flow" model and combined financial structure for UWHC and UWMF, and moves toward implementation of common pay structures and employment practices across UW Health.
- Regional integration with SwedishAmerican and introduction of a detailed implementation plan.
- Continued emphasis on population health management and the transition to value-based care models and payment models.
- Careful monitoring of volumes and financial patterns as UW Health at The American Center ramps up to full capacity.
- Monitoring of impact of the rehabilitation hospital joint venture and other joint ventures.
- Continuing partnership discussions to broaden our patient base, share risk for populations and increase access to UW Health care to more patients throughout the state and region.
- Continued diligent pursuit of our educational, research and community service missions.

Financial Performance 2014-2015**Financial summaries**

| | DRAFT AUDIT FY 2015 | AUDITED FY 2014 |
|--|---------------------|--------------------|
| University of Wisconsin Hospital and Clinics Summary of Financial Results for Fiscal Years Ended June 30, 2015 and 2014 (\$000 omitted) | | |
| Net Revenue | \$1,502,970 | \$1,353,784 |
| Expenses | 1,387,221 | 1,270,850 |
| INCOME FROM OPERATIONS | 115,749 | 82,934 |
| Investment and other non-operating income | 294,024 | 18,519 |
| Fair value gain/loss on investments | (10,596) | 17,862 |
| Fair Value gain/loss on swap agreements | (411) | (200) |
| Payment to UW School of Medicine and Public Health for capital expenditure support | (31,374) | (15,272) |
| | \$ 103,843 | \$ 84,400 |
| NET INCOME | | |
| Net income as % of revenue, excluding fair value gain/loss on investments and fair value loss on swap agreements | 7.7% | 6.4% |
| University of Wisconsin Hospital and Clinics Summary of Financial Position as of June 30, 2013 and 2012 (\$000 omitted) | | |
| CURRENT ASSETS | | |
| Cash | \$79,308 | \$ 60,260 |
| Patient & other accounts receivable | 201,039 | 180,739 |
| Inventories | 17,555 | 15,754 |
| Prepaid expenses | 9,589 | 7,242 |
| TOTAL CURRENT ASSETS | 307,491 | 263,995 |
| Investments | 739,989 | 802,778 |
| Net property & equipment | 747,757 | 609,117 |
| Other assets | 421,208 | 78,386 |
| TOTAL ASSETS | \$2,216,445 | \$1,754,276 |
| Deferred outflows of resources | 79,534 | 16,745 |
| TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES | \$2,295,979 | \$1,771,021 |
| CURRENT LIABILITIES | | |
| Current installments of long-term debt | \$15,321 | \$ 16,404 |
| Accounts payable & accrued liabilities | 269,221 | 230,912 |
| TOTAL CURRENT LIABILITIES | \$ 284,542 | \$ 247,316 |
| Long-term debt | \$ 437,761 | \$ 451,641 |
| Other long-term liabilities | 86,803 | 102,193 |
| Deferred inflows of resources | 4,134 | - |
| Net assets | 1,482,739 | 969,871 |
| TOTAL LIABILITIES & NET ASSETS | \$2,295,979 | \$1,771,021 |
| Net days revenue in accounts receivable | 42 | 43 |
| Long-term debt to total capitalization | 0.25 | 0.33 |



University of Wisconsin
Hospital and Clinics



TO: Governor Scott Walker
UW Board of Regents President Regina Millner
DOA Secretary Scott Neitzel
Senate Chief Clerk Jeff Renk
Assembly Chief Clerk Patrick Fuller

FROM: Ronald S. Sliwinski, President and CEO
University Wisconsin Hospitals and Clinics

DATE: October 1, 2015

RE: REPORT REQUIRED UNDER 233.04(1)

Attached please find a copy of the UWHC Authority report on patient care, education, research, community service activities and a draft audited financial statement, as required by state law.

Please feel free to contact me if you have questions or desire additional information.

Thank you.