

The UNC Health Care System: an Update



UNC
HEALTH CARE

UNC Board of Trustees

January 27, 2011

Our Vision

To be the Nation's leading public academic health care system.

Leading. Teaching. Caring.

UNC Health Care: an Update

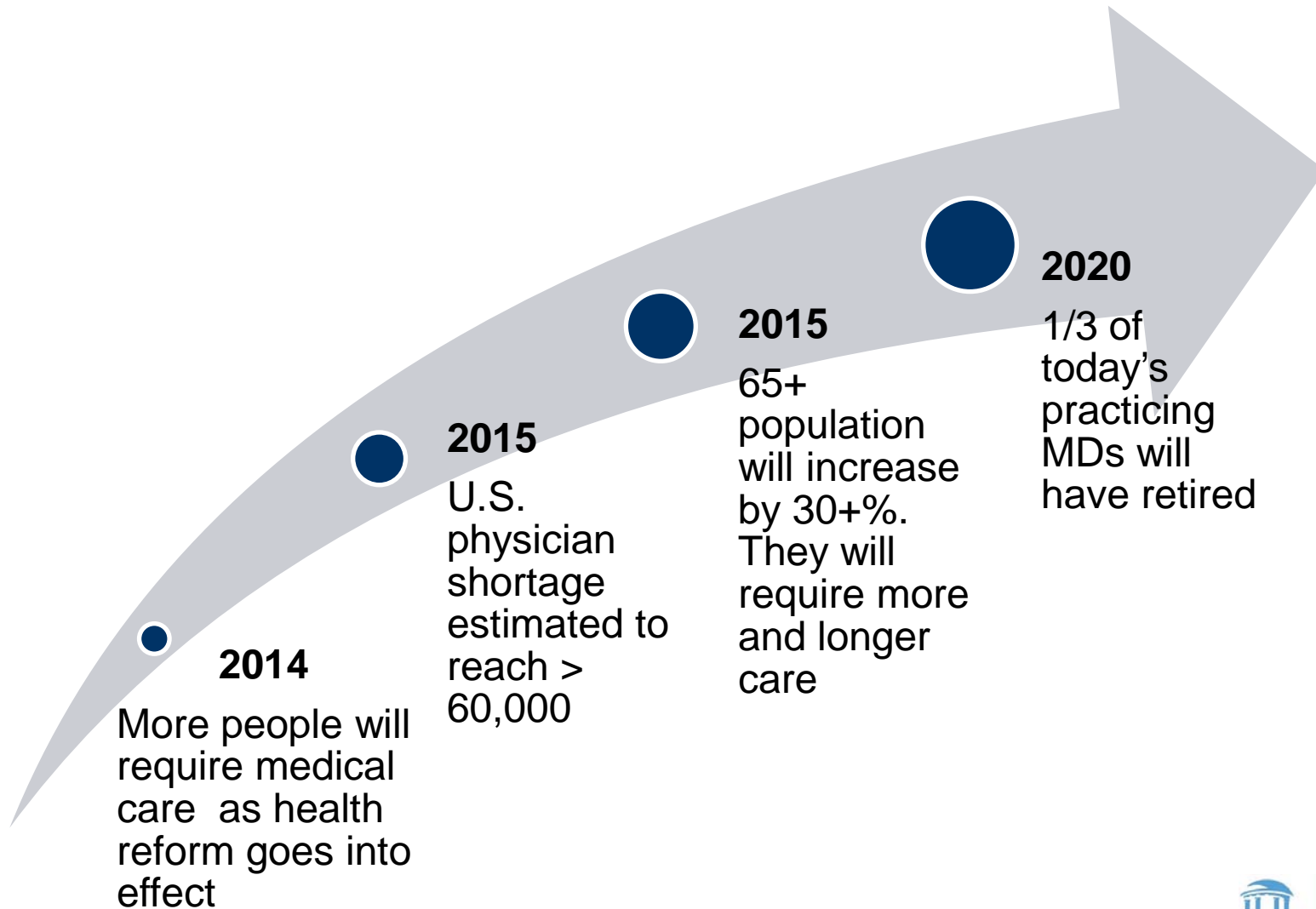
UNC School of Medicine

UNC Health Care System

Financing the Future

Conclusion

Our teaching mission is critically important, now more than ever



School of Medicine expansion

Third- and fourth-year students can study at Carolinas Medical Center or Mission Hospital

Foster interest in primary care in rural and underserved areas

Charlotte



Asheville



We're a leader in Medical Education

***U.S. News & World Report* ranked Family Medicine #2, Occupational Health #5, Physical Therapy #6, Infectious Disease #9, Speech Pathology #18**

We're innovating how we teach

We're currently undergoing reaccreditation

We're proud of our extraordinary research growth

Total Awards of \$424 million in medical research in 2010

- 53% of the total campus research
- 50% growth in NIH funding since 2007

Since 2009, School of Medicine stimulus (ARRA) grants

- 214 awards, \$85 million plus funding

Imaging Research Center and University Cancer Research Fund

- Fully funded by State of North Carolina
- \$240 million in capital and \$50 million annually respectively

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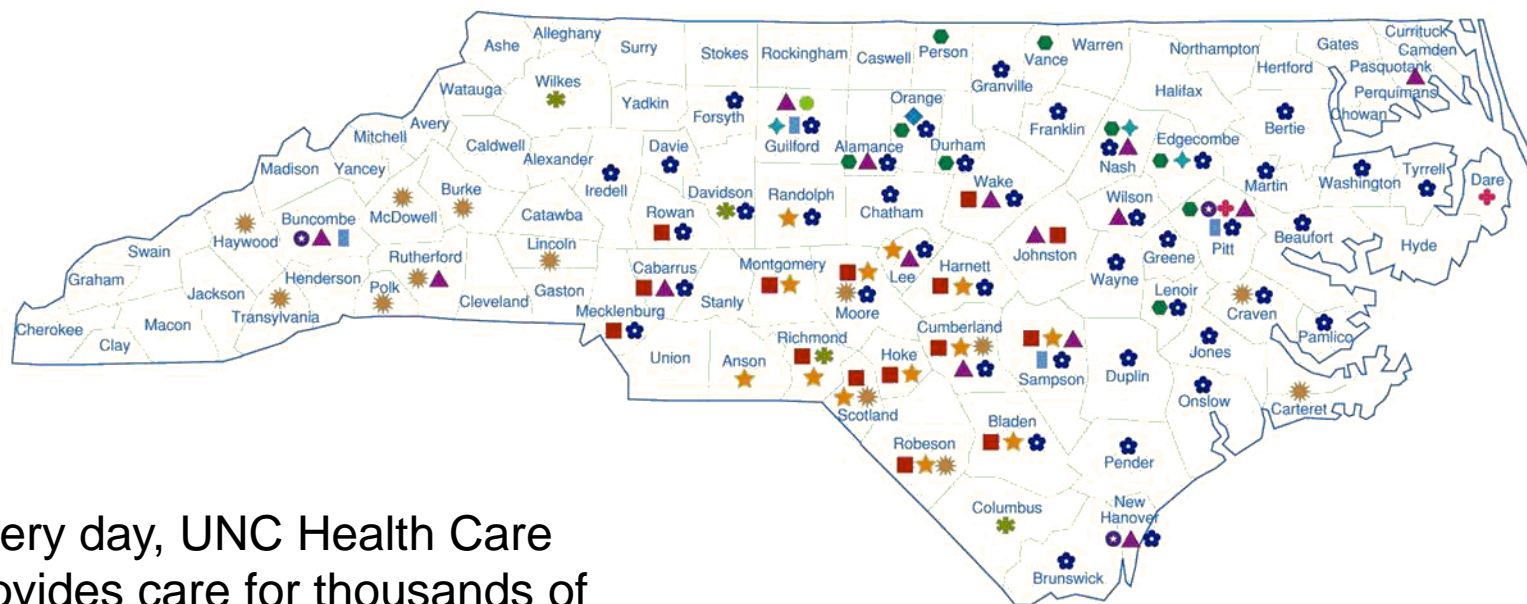
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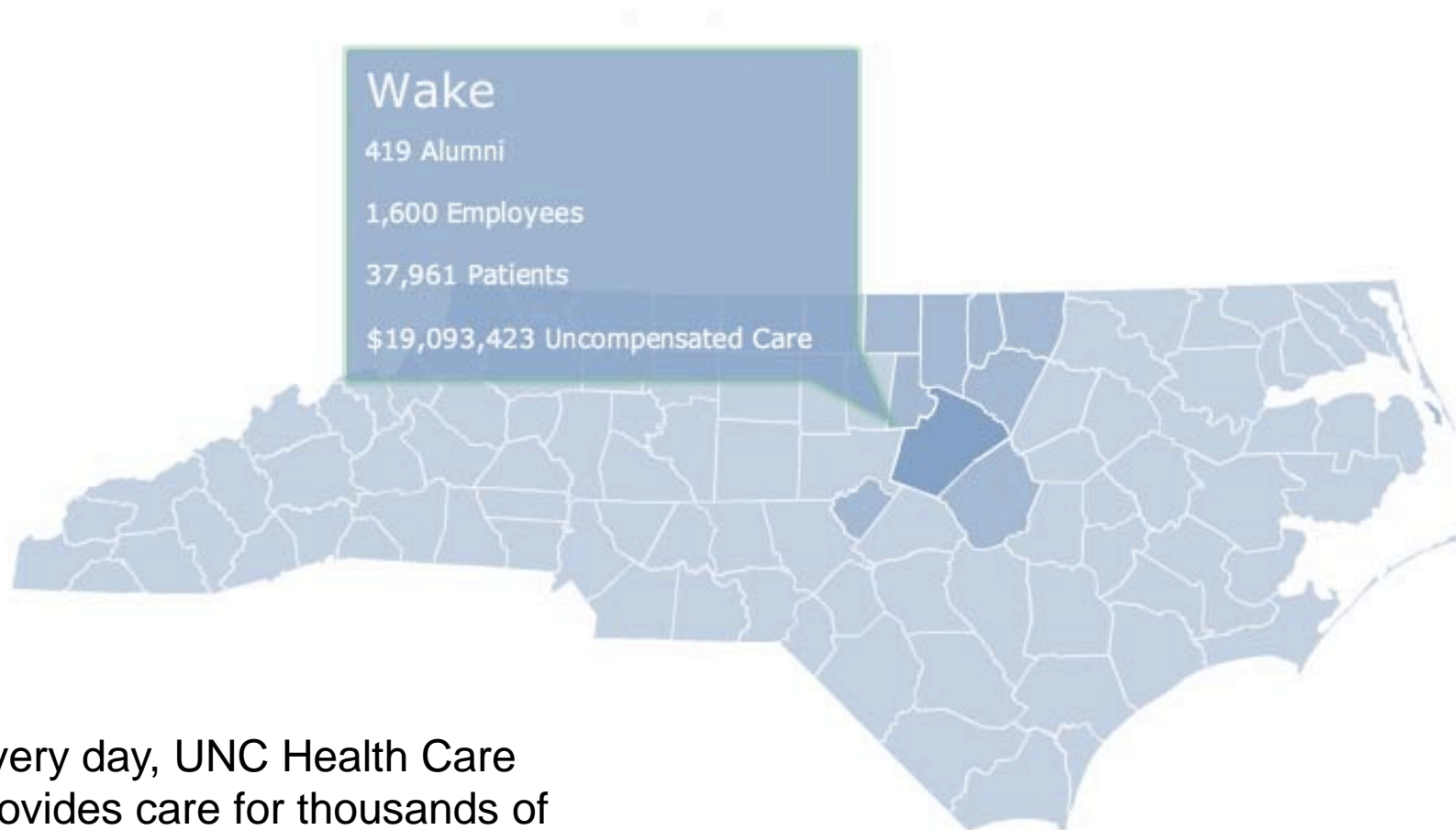
Conclusion

We serve North Carolina. Every day.



Every day, UNC Health Care provides care for thousands of people across North Carolina.

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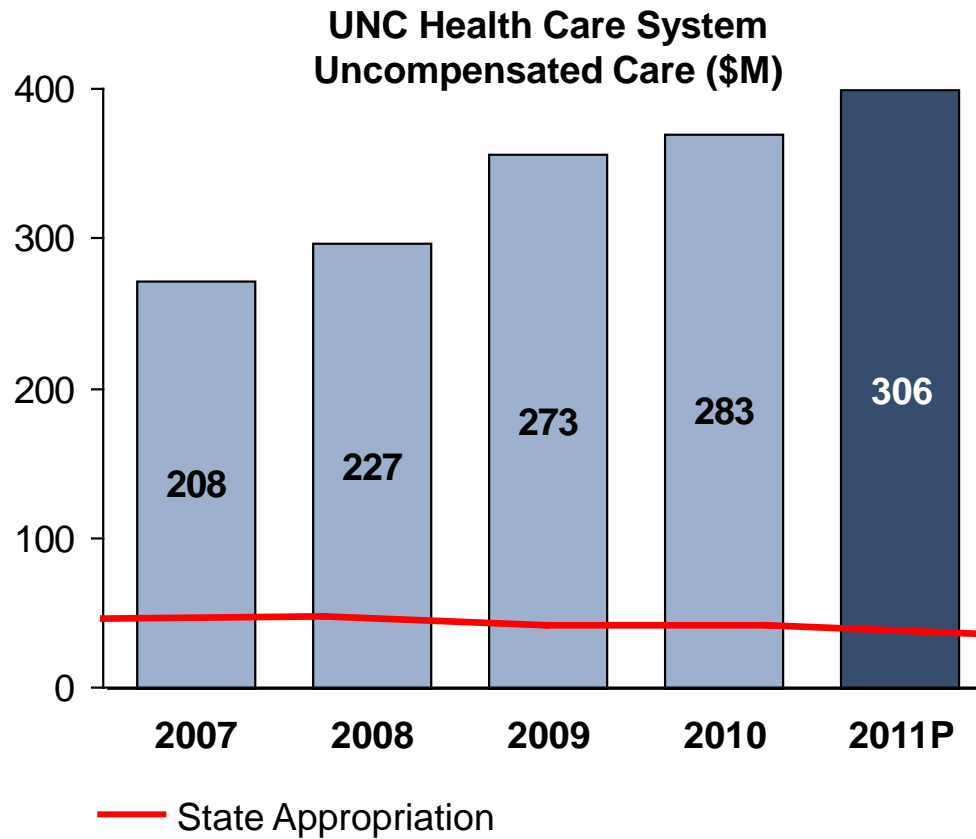
Every day, UNC Health Care provides care for thousands of people across North Carolina.

We are the state's flagship health care system

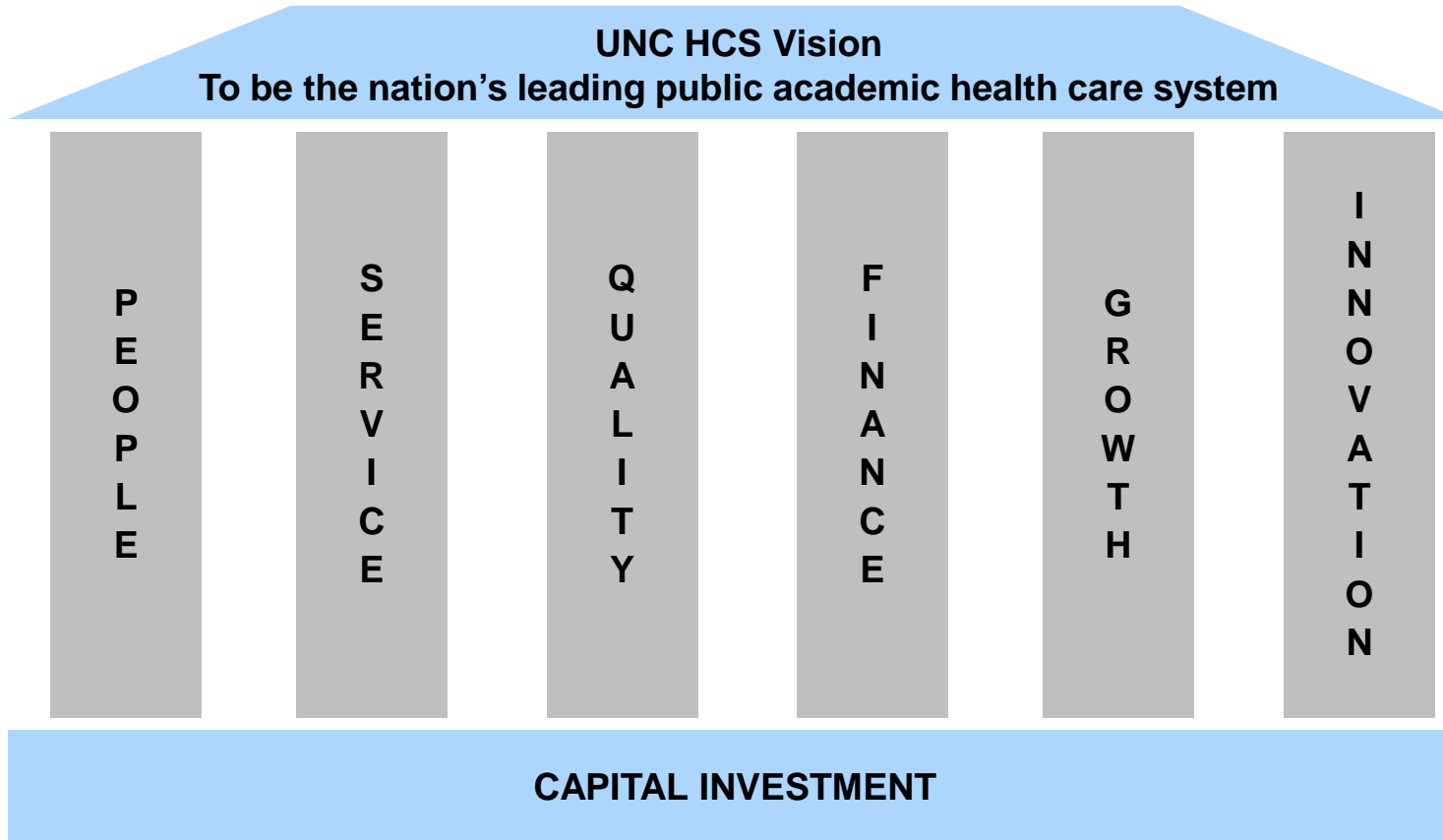
We have a state-mandated mission to provide care to North Carolinians, regardless of their ability to pay

In FY2010, we provided \$283 million in uncompensated care

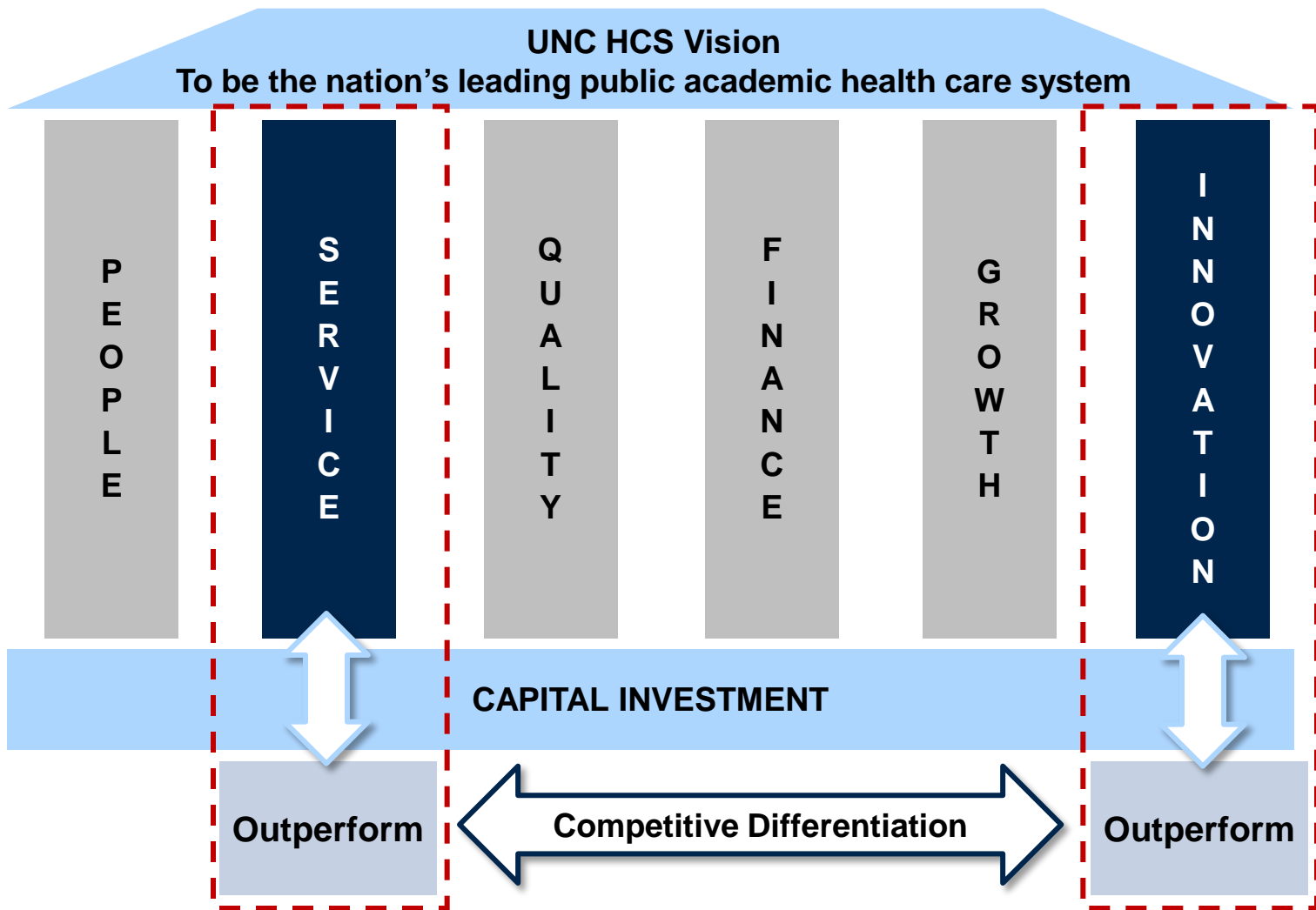
In FY2011, we expect that number to exceed \$300 million



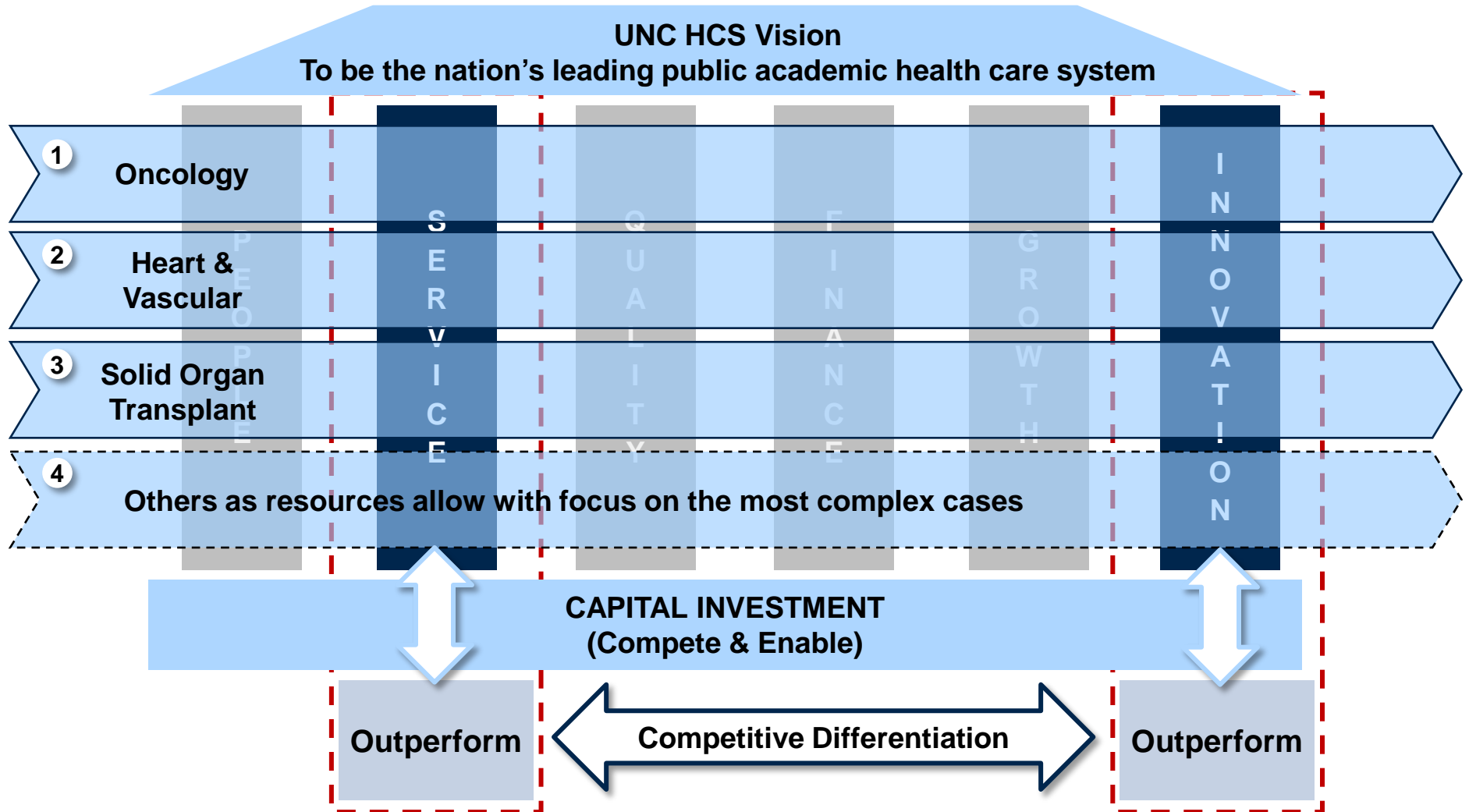
In November 2007, we built the UNC Health Care System's Strategic Plan on six pillars



We determined to focus on Service and Innovation



... and, in May of 2008, we prioritized key segments in which to execute those strategies



We are executing our Strategic Plan

2

Heart & Vascular

1. Consolidation and branding of UNC Heart & Vascular clinical service

UNC Center for Heart & Vascular Care

- Cardiology and Interventional Cardiology
- Vascular Surgery
- Heart Surgery
- Vascular Interventional Radiology

2. Formed Rex Heart & Vascular Specialists

3. Announced alignment with Wake Heart in October

The broader context

- **A rapid consolidation of physician practices is occurring**
 - Both locally and nationally
- **Health reform is uncertain - - but is driving change**
- **There is the need to expand care and access to that care**

We are leaders

But there are hurdles as we engage in fulfilling our mission

WakeMed accuses rival of ill will

News and Observer 12/9/10

State aims for Medicaid dollars

News and Observer 01/08/11

UNC Health, BCBS plan joint facility

News and Observer 01/11/11

Aetna-UNC flap may limit care

News and Observer 01/08/11

We are committed to our mission...

Our commitment to NC requires it

Health Reform... day-by-day

Health Reform affirmed the strategy we laid out in 2007

Serve North Carolina's citizens

- We are serving all of North Carolina, even as we anticipate payment declines
- We are leveraging programs which enable us to provide additional care to North Carolinians
- We are expanding care across the state

Innovate the care model

- A model based on patient volume alone is not sustainable
- We must increase the quality of care while reducing the cost of care

Health Reform... day-by-day

Health Reform affirmed the strategy we laid out in 2007

Initiatives to better serve North Carolina

- Increase federal Medicaid payments to North Carolina
- Expand care to North Carolinians

State aims for Medicaid dollars

News and Observer 01/08/11

UNC, Rex start Triangle Physician Network

News and Observer 10/08/10

Initiatives to foster innovation

- Partnership with Blue Cross to explore new health care delivery models
- Quality incentives imbedded into Managed Care contracts

UNC Health, BCBS plan joint facility

News and Observer 01/11/11

Initiatives to serve North Carolina better

We are expanding care to the citizens of North Carolina



Partnered with Rex Healthcare to form Triangle Physician Network (TPN) in Fall 2010 (a regional network of over 130 physicians)



Affiliated with Wake Heart & Vascular Associates in October 2010



BURLINGTON IMAGING
AND BREAST CENTER

Partnered with Burlington Imaging & Breast Center this month to improve imaging services provided to patients in Alamance County



Opened new Imaging and Spine Center this month on N.C. Highway 54

Initiatives to foster innovation

- 1. We announced plans to open a joint medical practice with Blue Cross and Blue Shield of North Carolina**
 - 3 year pilot project; clinic launch 4Q 2011
 - New clinic, serving BCBSNC patients only
 - Expect to care for 5000 patients with chronic conditions
 - Location likely Chapel Hill/Durham

- 2. We have imbedded quality improvement and innovation into our culture**
 - Tied system payment to stretch quality targets
 - Tied individual compensation to organizational quality targets

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Efforts to innovate come at a price

Aetna-UNC flap may limit care

News and Observer 01/08/11

Over the past several months, we have worked with Aetna to renew our insurance provider contracts

We seek very comparable terms – financial and otherwise – from all private insurers, including Aetna

- The rates and terms are reasonable in the marketplace
- They are affordable
- They enable us to continue to provide the highest quality healthcare to our patients, improve facilities and bring new technology to our hospitals and clinics

At this point, we are not optimistic that Aetna will agree to what we have proposed

- but there is nothing more we can offer

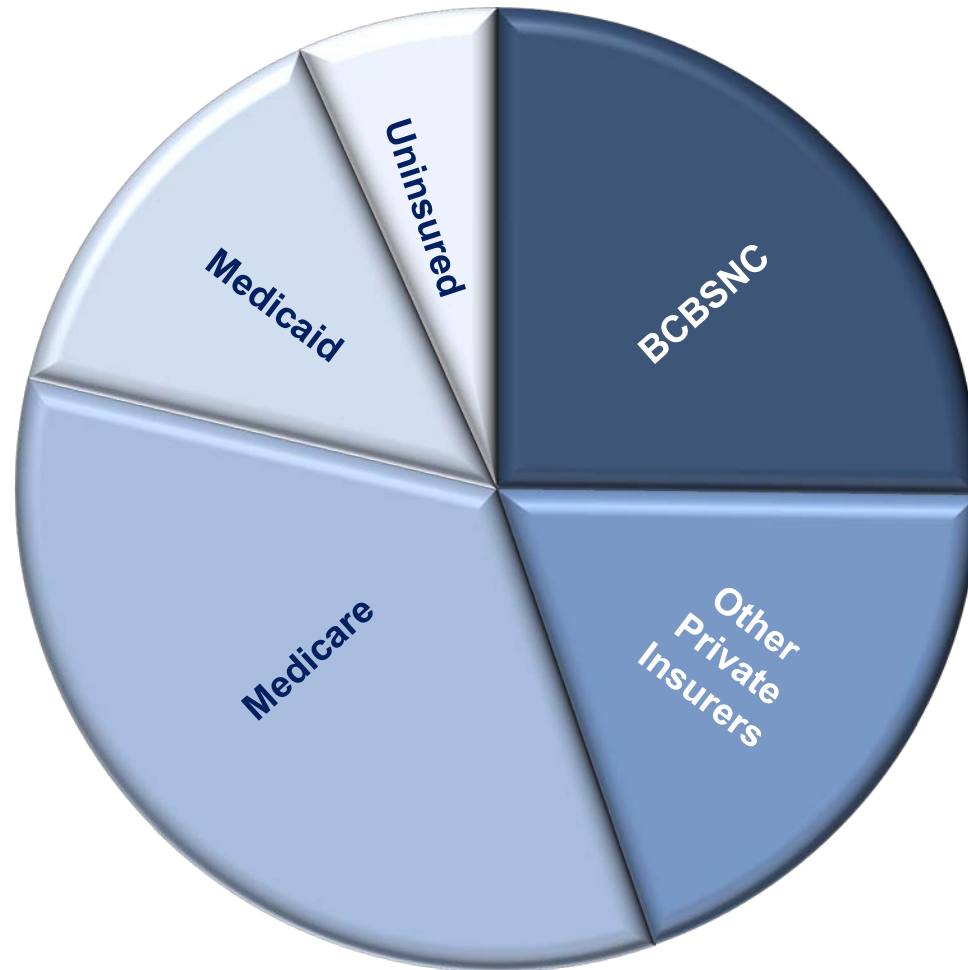
Fulfilling the Mission and executing the plan requires cash

We plan to spend almost \$1.2 billion over the next 5 years

Our reserves allow us to maintain bond rating which, in turn, makes debt affordable

	UNC Hospitals	Rex Healthcare
Bond Rating	AA-	A+
Reserves	\$707 million	\$137 million
Existing Debt	\$303 million	\$160 million
5-year Capital Plan	\$710 million	\$481 million
Expected Debt Issue	\$100 million	\$217 million

At the same time, we anticipate possible appropriation and payment changes



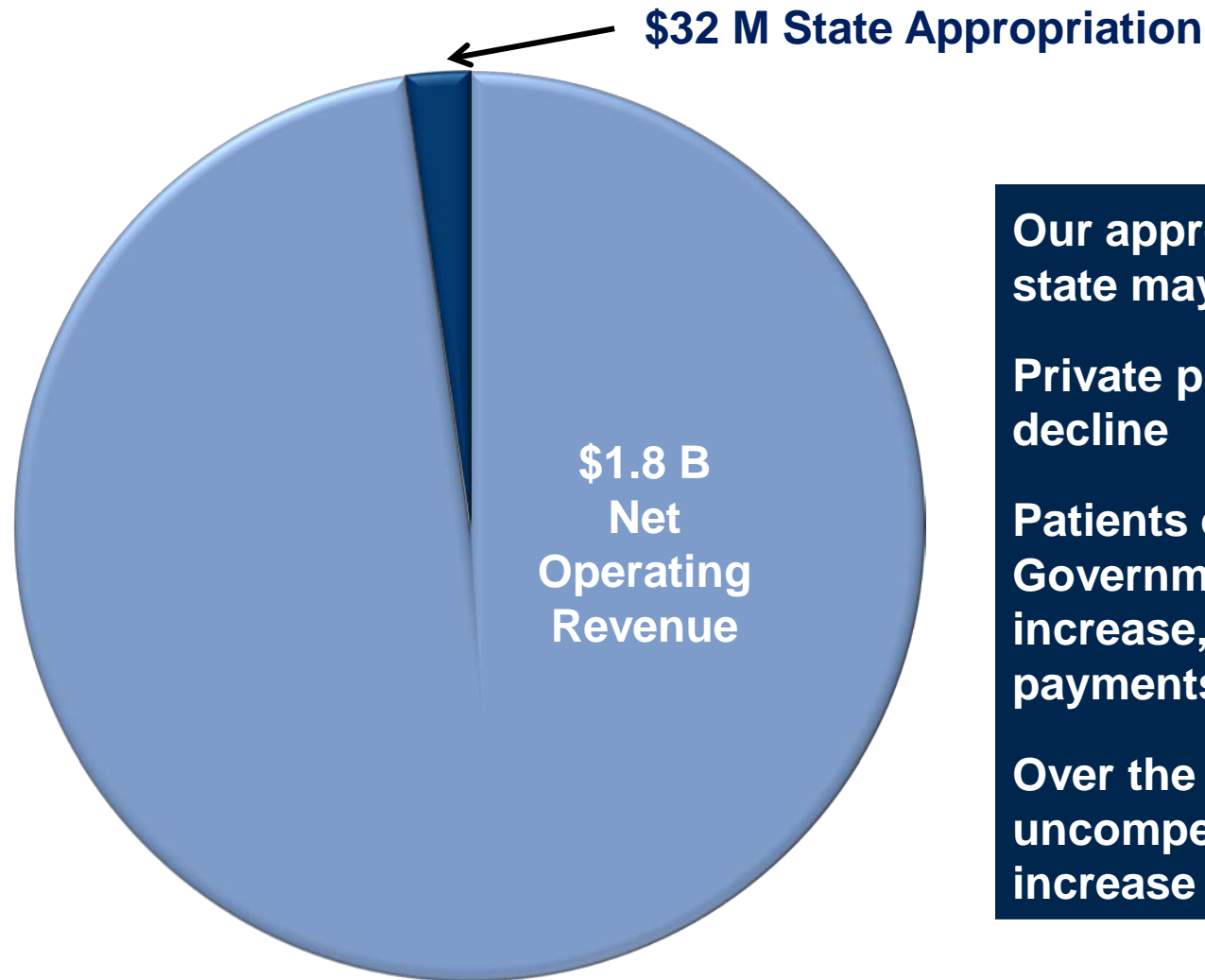
Our appropriation from the state may decline

Private payment will likely decline

Patients enrolled in Government programs will increase, yet government payments will likely decline

Over the short term, uncompensated care will increase

With revenues exceeding \$1.8B, the state appropriation is a small portion



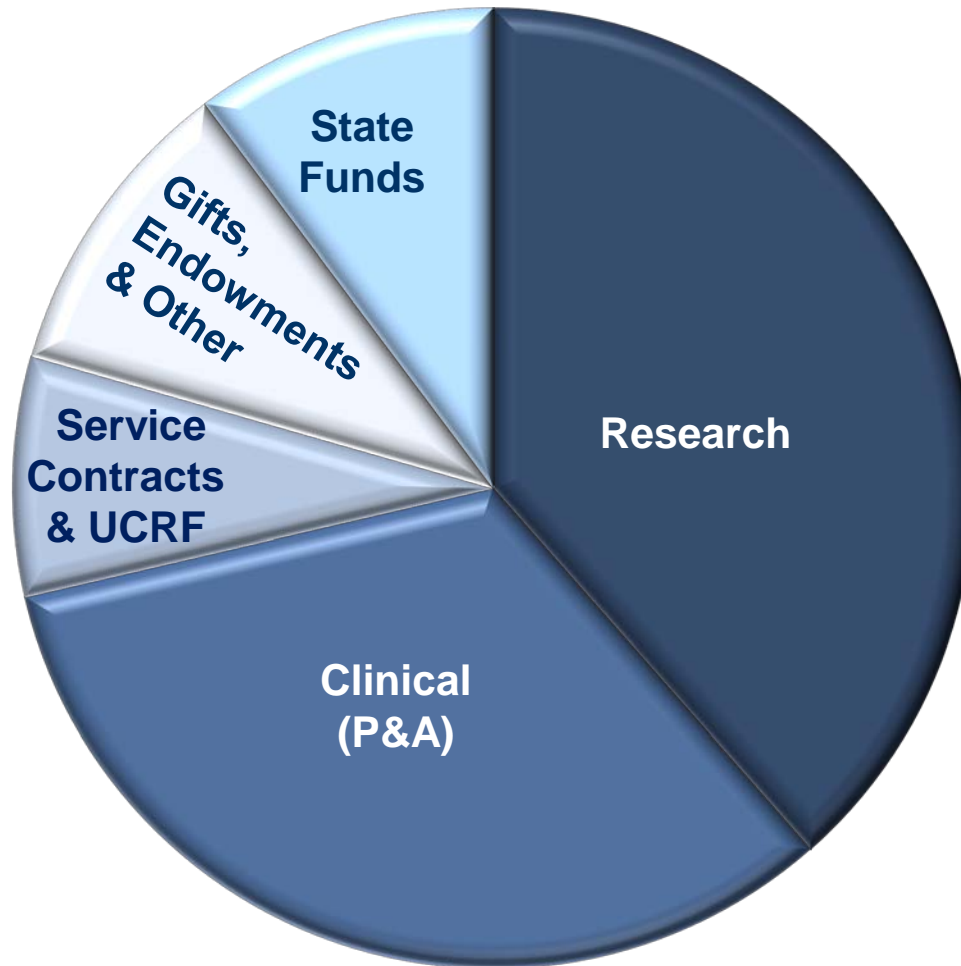
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School of Medicine funding sources

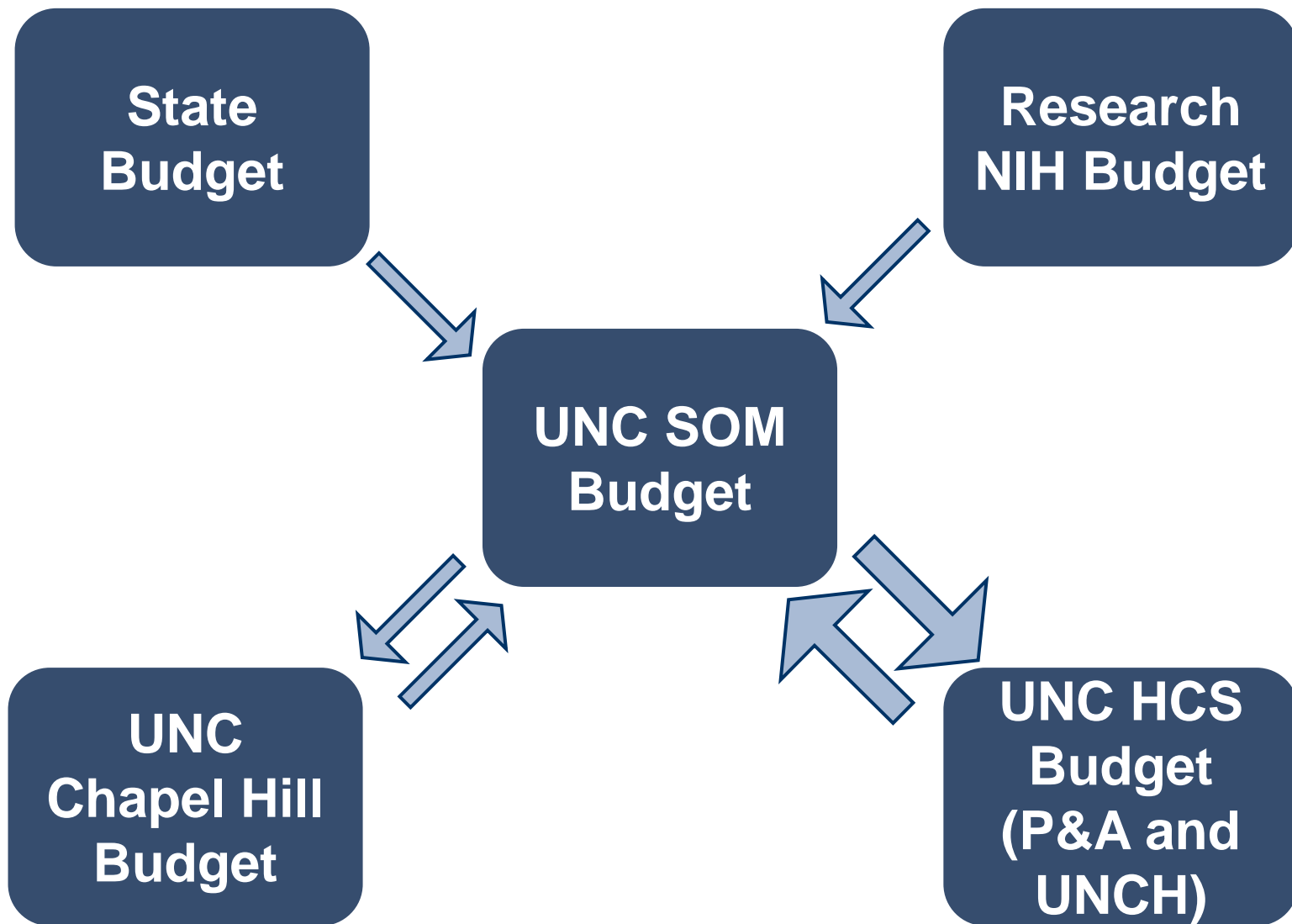


Our state funds may decline

Philanthropy has dropped over the last several years and may continue to decline

Over the short term, uncompensated care will increase

Funding pressures have multi-dimensional impact



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Going Forward Together with UNC-Chapel Hill

To serve the state of NC, the interests of the School of Medicine and Health Care System are closely intertwined with UNC-Chapel Hill in:

- Research
- Teaching
- Patient Care

The stewardship the Board of Trustees provides UNC-Chapel Hill is vital to the School's and Health Care System's continued leadership and growth

We believe the continued leadership and growth of the UNC School of Medicine and the UNC Health Care System are vital to UNC-Chapel Hill

Questions?