Approved: March 14, 2007
Date

MINUTES OF THE SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

The meeting was called to order by Chairman James Barnett at 1:30 P.M. on March 8, 2007 in Room 231-N of the Capitol.

All members were present except:
Peggy Palmer- excused

Committee staff present:
Emalene Correll, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Nobuko Folmsbee, Office of Revisor of Statutes
Morgan Dreyer, Committee Secretary

Conferees appearing before the committee:
Barbara Atkinson, Dean and Executive Vice Chancellor, University of Kansas Medical Center
Irene Cumming, President and Chief Executive Officer, University of Kansas Hospital

Others attending:
See attached list.

Upon calling the meeting to order, Chairman Barnett asked the Committee to review the Minutes for March 7, 2007 for approval at the next meeting since time would be short for today's conferees.

The Chair called the Committee's attention to a letter submitted by officers of the Kansas University Hospital medical staff and as Clinical Faculty of the University School of Medicine. A copy of the testimony is (Attachment 1) attached hereto and incorporated into the Minutes as referenced.

Presentation on The University of Kansas Medical Center

Chairman Barnett then called upon conferee, Barbara Atkinson, Dean and Executive Vice Chancellor, University of Kansas Medical Center who briefed the Committee on KU Medical Center Affiliations. Highlights from her presentation included:

- **Booklet:** The University of Kansas Medical Center Serves Kansas, Partnerships For Progress: Moving Kansas Forward
- **Letter:** University of Kansas School of Medicine
- **Committee Brief:** Dean's Kansas Primary Care Education Enhancement Task Force
- **Testimony:** Briefing on KU Medical Center Hospital Affiliations - by Barbara Atkinson, MD
  - Partnership with Saint Luke's Hospital and KU Hospital
  - Education and training
  - Medical School and Primary Teaching Hospital
  - Growth and Success
  - Kansas Life Sciences Innovation Center
  - Funding
  - Working with the Kansas Legislature
  - KU-trained doctors practicing in 85 Kansas Counties
  - Financially/Administratively Sound
  - Re-investment and Support
  - Exposure to Students
  - Major Teaching Affiliates
  - Expansion of Residency Positions
  - National Cancer Institute Designation
  - Private Donor Investment
  - National Institute of Health Funding
  - Agreement Guidelines

MINUTES OF THE Senate Public Health and Welfare Committee at 1:30 P.M. on March 8, 2007 in Room 231-N of the Capitol.

- Conclusion

A copy of her presentation is (Attachment 2) attached hereto and incorporated into the Minutes as referenced.

Presentation on The University of Kansas Hospital

Chairman Barnett announced that all questions would be held til the end of the conferees. The Chair then call upon conferee, Irene Cumming, President and Chief Executive Officer, University of Kansas Hospital who briefed the Committee on The University of Kansas Hospital Affiliations. Highlights from her presentation included:

Testimony:

- Quality - rank in country/patient satisfaction
- Recognized by the Wall Street Journal
- Patient Satisfaction
- Patient Volume
- Uncompensated Care
- Financial Strength: Total Revenue
- Capital Investment
- Hospital Support for University and Faculty Physicians
- Hospital Support
- Proposed extension of affiliation of the University to Saint Luke's Hospital
- Consultant
- Non-binding Letter of Intent
- Vital Issues
  - Establish a level playing field that clearly allows the hospital to continue to grow programs for our patients
  - Determine how many residents are needed in Kansas, along with whatever residency commitments are made by KUMC to Saint Luke's, and how we will jointly assure that residency and fellowship needs are met
  - Establish fair plan of support for KUMC that does not create financial problems for the hospital
  - Establish plan to compensate hospital should financial harm result from the proposed affiliation structure
  - Define KU Hospital's role in the cancer program as it seeks National Cancer Institute designation
  - Conclusion

- **Articles:** Two from the Wall Street Journal

A copy of her presentation is (Attachment 3) attached hereto and incorporated into the Minutes as referenced.

Questions came from Senators Barnett, Wagle and Haley regarding authority in the statute for this affiliation to go forward, institutions in the State, why move forward with an affiliation when there is not an agreement between the hospital and the medical center, progress in working out objections, hearing from statutory authority, thankful for the opportunity to hear from the conferees today and look forward to working with the institutions on these issues.

Adjournment

With no more time left to ask questions, the meeting was adjourned at 2:30 p.m.

The next meeting is scheduled for March 14, 2007.

Senate Public Health and Welfare Committee

Please Sign In March 8, 2007

Kathy Damron, KU
Amy Jordan Wooden, KUMC
Marci Nielsen, KHPA
Barbara Atkinson, KUMC
Roy Jenson, KUMC
Kirk Benson KUMC
Glendon G. Cox, KUSOM
Chet Johnson MD KUSOM
Dorothy Hughes, KUMC
DAVID ADKINS KUMC
Cindy Deaton DOB
Pat Martin, League of Women Voters
Kari Bruffett, the University of Kansas Hospital
William Reed - Univ of Ks Hosp.
William Gabrielli MD KU med Center
Douglas A. Girod MD KU Med Ctr.
Ron Seeber - Hein Law Firm
Ron Gaches CBSA

THE UNIVERSITY
OF KANSAS HOSPITAL
KUMED

Medical Staff Affairs

March 5, 2007

Honorable James A. Barnett, Chair
Senator, State of Kansas
Chair – Public Health & Welfare
State Capitol, Room 120-S
300 SW 10th Avenue
Topeka, KS 66612

Honorable Senator Barnett and Kansas Senate Committee Members,

As officers of the Kansas University Hospital medical staff and as Clinical Faculty of the Kansas University School of Medicine, we are writing to express serious concerns regarding the proposed affiliation agreements between KU School of Medicine, KU Hospital Authority and St. Luke's Hospital. The Medical Staff/Clinical Faculty are the physicians who provide patient care at KU Hospital and do the clinical teaching of the School of Medicine. The Clinical Faculty clearly want to strengthen the School of Medicine and "Life Sciences" education and research in Kansas and greater Kansas City. To date, the planning and negotiation process for Affiliation and "Alignment" has not reflected a true partnership with the Clinical Faculty.

1. The KU Hospital Authority, created by the Kansas Legislature, has made dramatic progress in reversing the declining hospital operation and has steadily improved the quality of care to a nationally recognized level of excellence. The KU Hospital is an important asset to the School of Medicine and to the citizens of Kansas. Any effort to strengthen research at the School of Medicine and "life sciences" in Kansas (Kansas City) must not impede the growth and success of this thriving hospital enterprise. Lending or selling "academic credibility" to a major competitor may significantly impact the competitive hospital marketplace.

2. KU Hospital should have a leadership role in the National Cancer Institute designation effort. KU Hospital Authority has already invested heavily in rebuilding and strengthening cancer programs. Ninety-nine percent of medical staff surveyed believed that it was very important for KU Hospital to be the "flagship hospital" in National Cancer Institute designation. It has been reported that the KU School of Medicine has acknowledged KU Hospital will be the "flagship," however, it has not been formalized in the affiliation agreement.

3. The KU School of Medicine administration seeks to attain broader funding support for the School of Medicine through affiliations with other philanthropic, research, and clinical entities. These "corporate" affiliations have far reaching implications for the quality and integrity of the academic community. We are concerned that awarding of academic titles may be done for economic rather than academic merit; tenure track faculty may be replaced with part time "contingent" faculty for teaching; and residency programs may be encouraged to shift positions for economic gain.

All of these threaten academic integrity, academic freedom, and the principles of shared faculty governance ascribed to by the Kansas Board of Regents. In the "letter of intent", the Dean reserves the right to grant unmodified faculty titles to St. Luke's Hospital medical staff "as appropriate". Typically, such non-geographic appointments would carry a modifier such as "adjunct" or "clinical" professor. In effect, there would be no discernable difference between a "professor" of medicine at KU School of Medicine/KU Hospital and a "professor" of medicine at KU School of Medicine/Saint Luke's Hospital.

Senate Public Health and Welfare committee
Attachment #1
March 8, 2007

3901 Rainbow Boulevard | Kansas City, Kansas 66160-7201 | Phone (913) 588-1200 | Fax (913) 588-1212

4. The Administration of the School of Medicine has verbally discussed general ideas and conducted informational "faculty forums." Written "letter of intent" were made public about one month ago on January 31, 2007. The KU School of Medicine administration has mandated that all negotiations be completed by March 31, 2007. The reason for this time constraint is unclear. This time frame is too short to accomplish the planning tasks with any meaningful organized faculty participation.

5. St. Luke's Hospital is an excellent hospital, but has a consistent history of unsuccessful relationships with other local hospitals. Methods to measure the success/failure of this affiliation should be agreed upon by all parties. There should be legal means to terminate if unsuccessful by these measures.

6. The KU Hospital should not be sold to pay state debts. The financial exigencies of business burdening a private hospital would not allow it to readily assume the indigent care at its current magnitude and will be less likely to contribute to support excellence in teaching and research.

In short, the KU Hospital and KU Medical Center are valuable resources of the State of Kansas and citizens of Kansas. The Clinical Faculty want both to be excellent. With the proper alignment of the Hospital, Medical Center, and Clinical Faculty participation, we can continue to grow and achieve great things through hard work. We believe an outstanding clinical enterprise should be the "classroom" for strong medical education and provide the infrastructure for excellent clinical research. This will contribute to the State and greater Kansas City economy. Do you want to preserve and continue to grow an excellent academic teaching hospital, or do you want the major emphasis to be on increasing the National Institute of Health funding at the KU School of Medicine? With adequate diverse funding and a sound plan which does not jeopardize the clinical enterprise, perhaps we can achieve both.

Thank you for your consideration of these issues. Should you have any additional questions please feel free to contact us or any members of the clinical faculty.

Sincerely,

Elected Medical Staff Officers

H. William Barkman, MD, MSPH, Chief of Staff

Teresa Long, MD, Vice Chief of Staff

Mary Redmon, DO, Secretary

Michael Moncure, MD, Representative

Pam Shaw, MD, Representative

Kim Templeton, MD, Representative

Peter G. Smith, Ph.D.
Director, R.L. Smith Mental Retardation &
Developmental Disabilities Research Center
Professor, Molecular & Integrative Physiology

Michael J. Soares, Ph.D.
University Distinguished Professor &
Director, Inst. of Maternal-Fetal Biology
Div. of Cancer & Develop. Biology
Professor of Pathology & Laboratory Medicine

Jared J. Grantham, MD
University Distinguished Professor
The Kidney Institute

William (Bill) Brooks, PhD
Director
Hoglund Brain Imaging Center

Chris Crenner, MD PhD
Department Chair, Professor
History and Philosophy of Medicine

Randolph J. Nudo, PhD
Director, Center on Aging
Aging, Center on (Landon Center on Aging)

Patricia A. Thomas, MD, MA, FCAP
Professor & Chair
Pathology and Laboratory Medicine

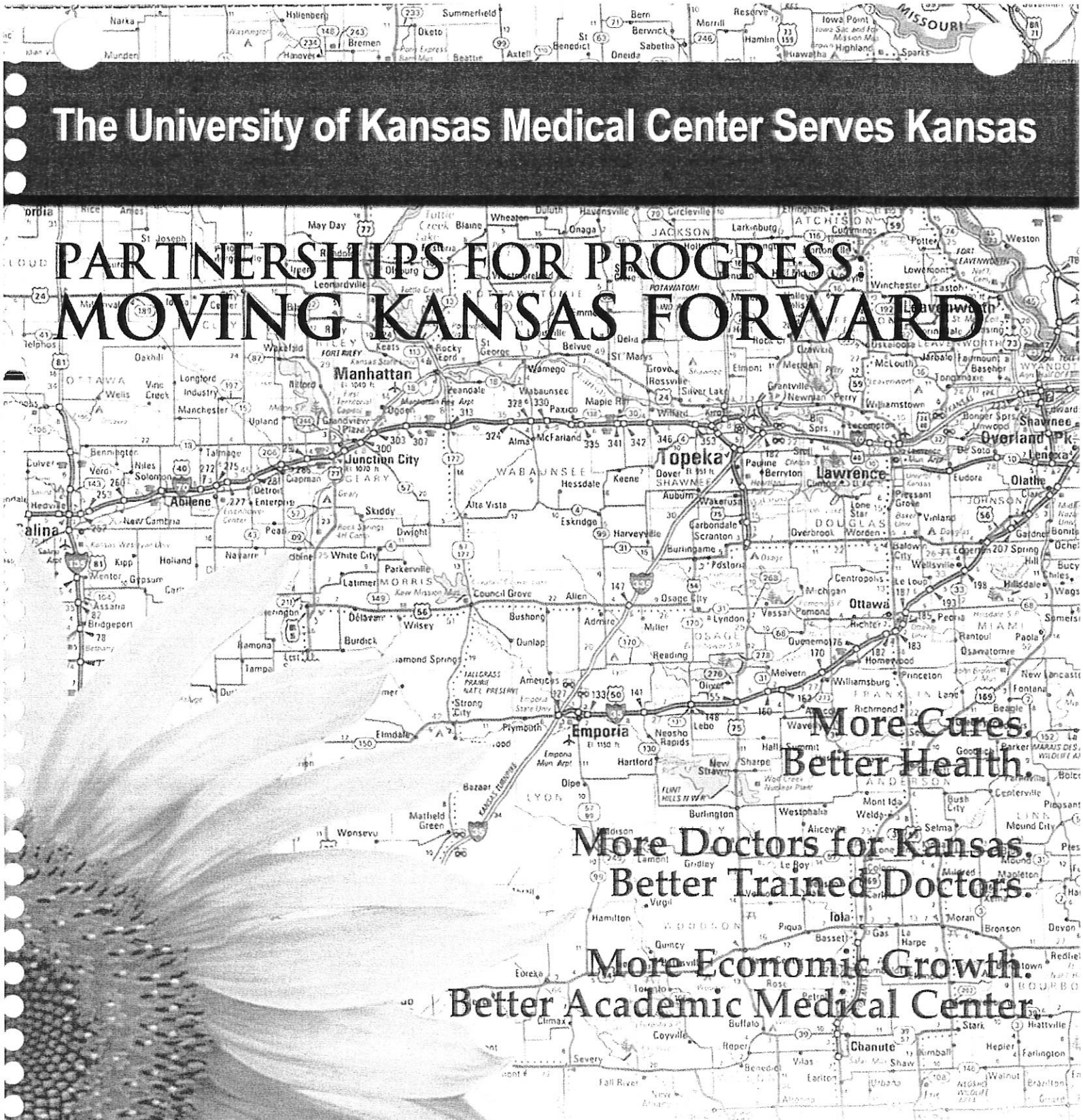
Paul D. Cheney, PhD
Professor & Chair
Molecular and Integrative Physiology

Scott J. Weir, PharmD, PhD
Director
Office of Therapeutics, Discovery and Development

Karen Kelly MD
Karen Kelly, MD
Deputy Director
Kansas Masonic Cancer Research Institute

The University of Kansas Medical Center Serves Kansas

PARTNERSHIPS FOR PROGRESS.
MOVING KANSAS FORWARD



More Cures.
Better Health.

More Doctors for Kansas.
Better Trained Doctors.

More Economic Growth.
Better Academic Medical Center.

Senate Public Health and Welfare Committee
Attachment #2
March 8, 2007

KU MEDICAL CENTER
The University of Kansas

A Message from Chancellor Robert Hemenway

The University of Kansas Medical Center (KUMC) exists to educate and train health professionals and scientists who are committed to discovering cures for the diseases that afflict us and effectively delivering those cures to the people of Kansas and the region.

An academic medical center consists of two basic elements: a medical school and its primary hospital. The medical school is where the research and the teaching take place; further research and teaching by the medical faculty and the delivery of cures take place at the hospital. The quality of an academic medical center is determined by the quality of its medical school, its allied health and nursing schools, and its hospital and the extent to which all focus on discovery and delivery of cures.

Only in the last few years has The University of Kansas Hospital (KUH) become financially and administratively sound. The creation of a KU Hospital Authority Board and restructuring of the hospital in 1998 put into place an administrative team that has carefully managed the hospital. KUH has gone from a place with serious problems to a financially successful hospital with a proud record of superb care.

Unlike community and for-profit hospitals, an academic medical center hospital must re-invest its profits into the medical school and its faculty to promote the basic research and teaching that give rise to the discovery of cures. Kansas state statute requires this re-investment. In every academic medical center there is a tension in striking the right balance between meeting the financial needs of the hospital and investing in the medical school. The best administrators and the best hospital boards understand this and find that right balance.

As important as the relationship is between a medical school and its primary hospital, the best academic medical centers must expose their students to many types of patients, procedures and styles of care in order to produce the very best physicians. This requires that a medical school affiliate with more than one hospital. A single hospital cannot sustain the requirements of a large and growing medical school.

We currently have multiple affiliates, including the two largest hospitals in Kansas – Wichita's Via Christi Regional Center and Wesley Medical Center. In Kansas City, we have decided to affiliate with additional hospitals to train more doctors and better educate them. Broad affiliation also is essential for KUMC to achieve its goal of becoming a National Cancer Institute-designated cancer center – the gold standard for cancer care. Expanding our research effort to seek cures for cancer is KU's No. 1 goal. We are far less likely to attain our cancer center goal without these affiliations.

The affiliation with these partners will ultimately **make it possible for us to train an additional 100 doctors a year** at an annual cost in excess of $10 million, which will be paid to KUMC entirely by these new hospital partners. As the state's only medical school, we are eager to train 100 additional doctors every year. Since more than half of all practicing physicians in Kansas are graduates of our medical school or residency programs, **we are confident that this affiliation will make more doctors available to serve Kansas communities.**

Medical research and education are expensive and complicated. **But the fundamental purpose of KUMC is simple: making the people of Kansas and the United States healthier.** The superb doctors and researchers at KUMC, KUH, Saint Luke's, Children's Mercy Hospital, the Veterans Administration Hospitals in Kansas City, Leavenworth, Topeka and Wichita, as well as our medical faculty and partner hospitals in Wichita, Salina and Topeka, are part of a vibrant network of talent focused on this fundamental purpose.

On behalf of these wonderful health care professionals, I pledge to you that we will remain dedicated and focused on discovery and delivery of cures to Kansans.

Robert Hemenway
Chancellor

Five Reasons Multiple Hospital Affiliations Are Good for Kansans

1. More Cures. Better Health.

With the additional investment in the KU School of Medicine, we will be able to attract world-class researchers and clinicians to our faculty. The Medical Center is striving to become a leader in clinical and translational research – which means taking discoveries in the laboratory and applying them to improve human health. As part of our expanded research effort, Kansas patients will have greater access to clinical trials and cutting-edge cures.

2. More Doctors.

We can train more doctors. With multiple education and research affiliations, the KU School of Medicine will be able to increase the number of residency slots and train more doctors – many of whom will likely choose to stay and practice in the state and region.

3. Better Doctors.

We can train better doctors. Multiple hospital affiliations allow for a diverse environment in which our students can learn from the best. With additional resources to the KU School of Medicine, we will be able to expand the faculty and attract new talent to our campuses in Kansas City and Wichita. In an academic medical setting, these experts will work with our medical students and residents to better prepare them for futures in health care.

4. A National Cancer Institute (NCI) Cancer Center for Kansas.

To achieve NCI designation for a comprehensive cancer center at KU, we will need access to a multitude of doctors and patients to facilitate clinical trials. Community collaboration is a key component in every successful application to the NCI. Partnerships between the Medical Center and every research hospital in the region will help us reach our goal.

5. A Stronger Kansas Economy.

With multiple hospital affiliations comes additional investment in the KU School of Medicine and the Medical Center as a whole. More resources allow us to continue to build new facilities like the $57 million Kansas Life Sciences Innovation Center, which recently opened on the KUMC campus. In addition to the economic impact of their construction and renovation, these facilities also attract new talent to the region along with the grant dollars they bring. With increased collaboration among various institutions, we are more likely to leverage our discoveries in the marketplace by commercializing the results of our research.

Frequently Asked Questions

Is it common for Academic Medical Centers to have more than one hospital affiliated with them?

Absolutely. In fact, a majority of the top 25 academic medical centers in the nation have more than one major hospital affiliation for various residency programs like internal medicine or surgery. And, in fact, KU Medical Center already has an affiliation with Saint Luke's Hospital, Children's Mercy Hospital and the Kansas City, Leavenworth and Topeka VA Medical Centers – not to mention the two major hospitals in Wichita – Via Christi and Wesley Medical Center. What is currently being negotiated is a *broader* affiliation with Saint Luke's Hospital.

Are these new affiliations necessary for KU to achieve its No. 1 priority of building a National Cancer Institute-designated comprehensive cancer center for Kansas?

Yes. Collaboration among regional hospitals and physicians and access to a large population of patients are critical components to a successful application for NCI designation. Partnerships with oncologists around Kansas City and throughout Kansas will allow us to take the most advanced cancer care to patients, regardless of where they live. We believe this will distinguish our model of care from other NCI applicants.

Why is KU Medical Center pursuing these affiliations?

To discover more cures and improve the health of Kansans. It's that simple. To do that, we need to leverage all available assets and build on our strengths. This includes partnerships with institutions such as the Stowers Institute for Medical Research and affiliations with hospitals conducting biomedical research like Saint Luke's and Children's Mercy. With multiple hospital affiliations, we can expect significant investment in our medical center, which translates into expanded research programs and even better clinical care dedicated to finding more cures and improving the health of Kansans.

2-5

How will Kansans benefit from such expanded affiliations?

More doctors and better doctors. More cures and improved health. The state's only academic medical center will be even stronger as a result of expanded private investment in its research and clinical programs.

Will these new affiliations result in a stronger KU Hospital?

Absolutely. The KU Hospital and the KU Medical Center are so intertwined – most people do not think of them as two separate institutions. As the Medical Center grows and gets stronger, so does the hospital. Our faculty are the hospital's physicians. New facilities like the University's Kansas Life Sciences Innovation Center and the Hospital's Center for Advanced Heart Care benefit both institutions. Additional outside investment in the Medical Center will allow our School of Medicine to move from being 81st in the country into the top 50. The KU Hospital – whose patient care is enhanced by the educational and research programs of the KU Medical Center – will absolutely benefit from this growth in funding, enhanced reputation and prestige. These affiliations will also result in a much more effective joint planning process between the KU Medical Center and KU Hospital – allowing both institutions to be even stronger in the future.

But what's to prevent these affiliations from putting the KU Hospital at a competitive disadvantage in the Kansas City health care market?

Because their success is our success, it is prudent to ensure that there is no unintended consequence of compromising the hospital's financial status as a result of multiple hospital affiliations. To that end, we will develop an economic trigger to compensate KU Hospital appropriately.

Will a proposal by the Kansas Legislature for legislative approval of agreements between KU Medical Center and/or the KU Hospital and any Missouri-based health care institutions make a difference?

Such involvement isn't necessary. The legislature obviously has a strong interest in the future of its only medical school, but requiring legislative approval for any agreement with a Missouri institution could have serious, unintended consequences. We are prepared to brief the legislature at any and all times and welcome the opportunity to discuss strategies designed to transform our academic medical center into a world-class institution. But appropriate oversight of potential affiliations is already in place. It rests with the KU Hospital Authority Board and the Kansas Board of Regents, the appointment of whose members the legislature approves.

How will these new affiliations affect the Medical Center's ongoing commitment to provide doctors for Kansas?

It will expand our ability to provide doctors for Kansas. We anticipate that multiple, broader hospital affiliations will allow us to train at least 100 more resident physicians. And, since many KU-trained physicians practice in Kansas, we expect more doctors to serve more Kansans. In addition, an outside investment in our academic medical center will allow us to target state dollars to better serve the state. We take our statutory commitment to educate and train doctors for Kansas very seriously and will never lose sight of our obligation to Kansans.

Will these new partnerships require Kansas taxpayer dollars to flow to Missouri institutions?

No. In fact, just the opposite will happen. Multiple hospital affiliations will generate a significant philanthropic investment in the Medical Center from entities and institutions that have historically focused their giving in Missouri. In addition, the Missouri hospitals which will have KU residents rotating through their hospitals will reimburse KU for the full cost of the residents – estimated at $100,000 - $115,000 per resident, per year. For 100 additional residents from KU, that translates into more than $10 million per year to the Medical Center.

Aren't the KU Hospital and the KU Medical Center the same thing?

Yes and no. While together the KU Medical Center and KU Hospital comprise the state's only academic medical center, they are legally separate entities. The KU Medical Center consists of the KU School of Medicine, School of Nursing, School of Allied Health and a limited number of programs in the Graduate School, and is governed by the Board of Regents. Since 1998, the KU Hospital has been governed by the University of Kansas Hospital Authority Board. The two institutions' working relationship is guided by a master affiliation agreement which includes such details as how faculty physicians and residents are paid. But because we share a campus, a brand, and the physicians and scientists who both teach students and treat patients, the majority of the public considers us one and the same. And, in many ways, we are.

The Potential Transformation of KUMC Over 10 Years with Outside Investment

KU MEDICAL CENTER
The University of Kansas

Our 10-Year Vision =

244 More Faculty, Researchers and Clinicians

100 More Residents Trained at KU

859,500 Additional Square Feet of Research Space

=

More Cures

Better Health

Better Doctors

The Potential Rise of the KU School of Medicine

2007

KU SCHOOL OF MEDICINE
The University of Kansas

- *81st in National Ranking for NIH Funding*
- *Approximately $65.2 Million in Extramural Funding (FY2005)*

Our 10-Year Vision

=

Top-50 Ranking for NIH Funding

$340 Million in Extramural Funding for KUMC

=

More Cures

Better Health

Better Doctors

Potential Economic Impact: Comparing Kansas and Iowa Schools of Medicine

KU SCHOOL OF MEDICINE
The University of Kansas

- *81st in National Ranking for NIH Funding*

$1.3 Billion

in Total State Business Volume Impact

THE UNIVERSITY OF IOWA

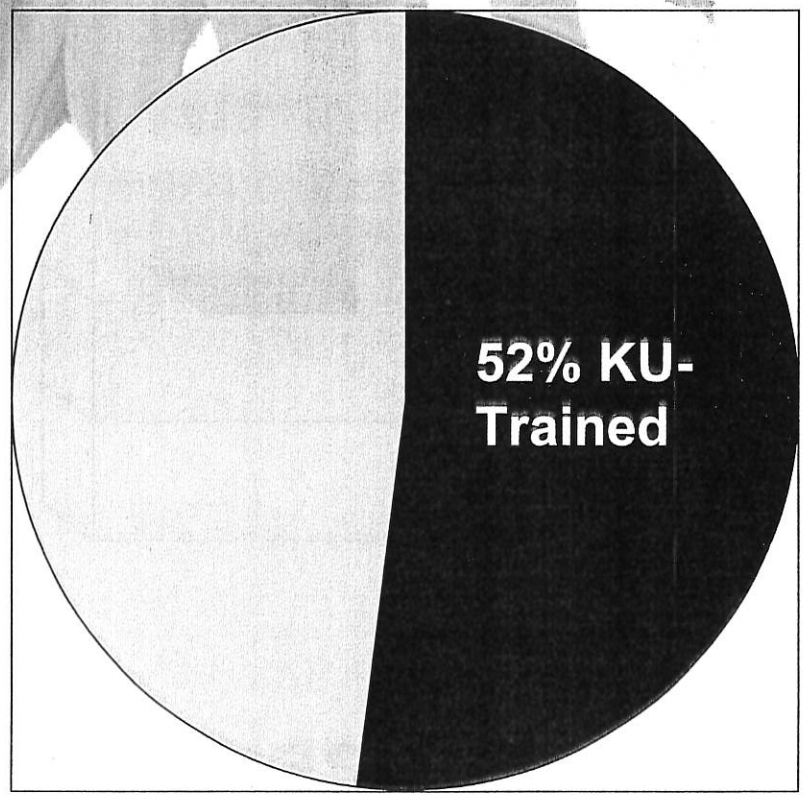
- *30th in National Ranking for NIH Funding*

$4.1 Billion

in Total State Business Volume Impact

Source: AAMC: The Economic Impact of AAMC - Member Medical Schools and Teaching Hospitals, Jan. 2007

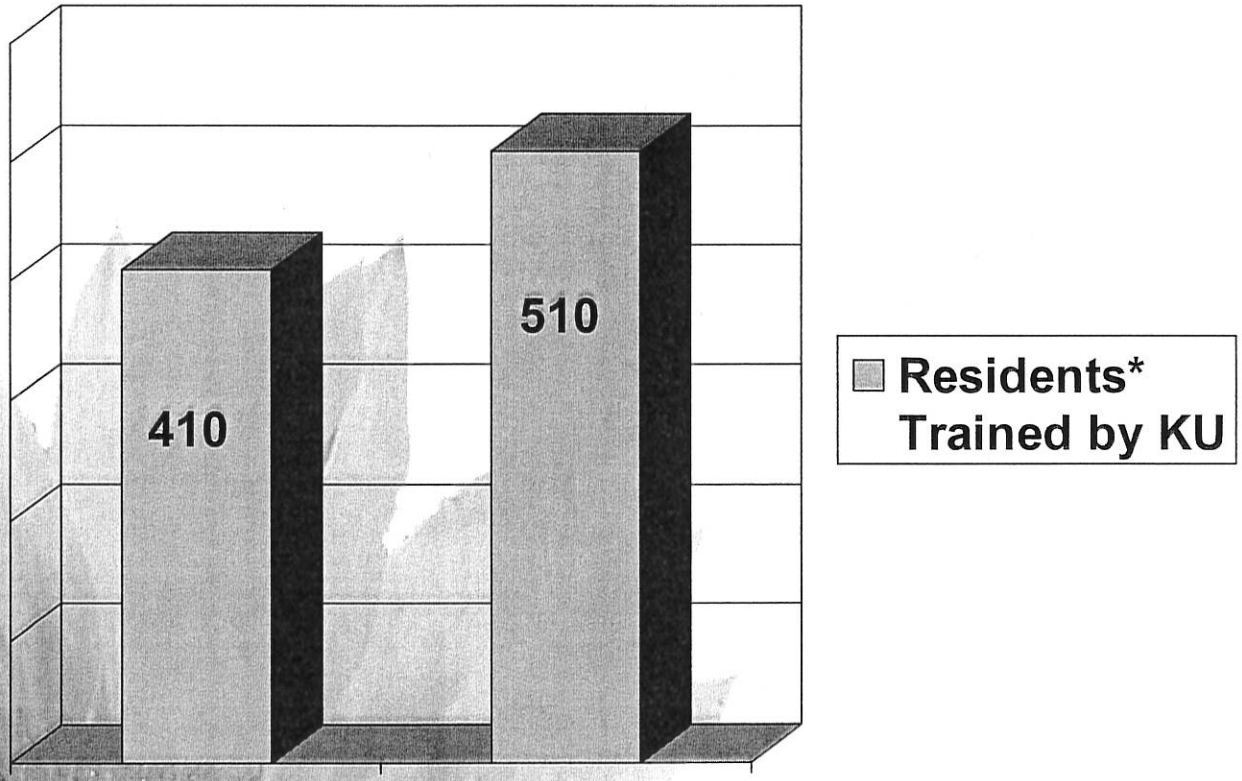
52% of Kansas Physicians are Trained at KU



All Kansas Physicians

- KU-Trained
- Other

KU's Kansas City-Based Residents



25% Increase in Residents Trained by KU with Multiple Hospital Affiliations

**A resident physician is an MD who has graduated from medical school and is currently completing clinical training.*

Voices of Support

"As a cancer patient and survivor, I believe Kansans should have easy access to the best treatments and cures. This highest quality of care is delivered at National Cancer Institute-designated comprehensive cancer centers. KU's quest for such a designation will be greatly enhanced if they are able to show strong collaborations between the university and major area hospitals. These affiliations mean more cures – delivered to patients here sooner. That means lives will be saved."
Frank Gaines, Member Kansas Board of Regents, Former State Representative and State Senator (1967-1993)

"For Kansas, the life sciences represent a promising new field in which to invest and grow. Kansas lawmakers have seized this opportunity by building new research facilities at major Kansas universities and developing creative ways to advance the biosciences. At the center of the Kansas life sciences strategy is the need for a growing and well regarded academic medical center. The KU Medical Center's planned affiliations with a committed group of research hospitals will help propel the Medical Center toward its goal of achieving top-50 status. This will mean significantly more grant dollars flowing to Kansas, more world-class scientific talent being recruited to Kansas, and the opportunity for economic growth as the results of research are commercialized."
Dan Glickman, Member, Kansas Bioscience Authority, Former Member of Congress from Kansas, Former Secretary, United States Department of Agriculture

"As a doctor in Kansas, I recognize the importance of a strong academic medical center to our state. I want doctors in Kansas to be among the best trained anywhere – our patients deserve the highest standards of care. The training of doctors is enhanced when those doing the teaching are also doing research – they are on the leading edge. So, when research opportunities are expanded at the Medical Center, I know the educational environment will be made even better. Smarter doctors mean better health care for Kansas."
William Greiner, MD, Atchison, Kansas

Voices of Support

"Taking full advantage of the opportunity to enhance human health, expand valued life sciences research and transform our economy is what these new affiliations are all about. They will provide significant new resources to support the KU Medical Center's goal to train more and better doctors for Kansas, to grow life sciences research and deliver the results of that research to patients. By working together with a committed consortium of hospitals, KU Medical Center will be the leader of a focused and expanded medical education and biomedical research agenda – all focused on improving human health. I commend the KU Medical Center for their vision to pursue such valuable partnerships."
Drue Jennings, Chairman, KU Medical Center and KU Hospital Advancement Board

"Change can sometimes be very hard. Some would rather protect the status quo at all cost than reach for the rewards to be achieved by passionately pursuing a new vision. While just about any issue involving health care these days seems quite complicated, the issue of whether the KU Medical Center should affiliate with additional hospitals is really quite simple. If we want more cures, if we want more and better doctors, and if we want to grow the life sciences by recruiting talented researchers and benefit from the grant dollars they will bring to Kansas – we must leverage our strengths by working together. We should not fear new collaborations – we should embrace them as the best way for our community and state to succeed in the new economy."
Dick Bond, Member, Kansas Board of Regents, Former State Senator (1986-2001)

"As a member of the medical staff of the University of Kansas Hospital and a family physician, I see these new hospital affiliations as extremely promising. These new partnerships will mean more faculty at KU, more clinical trials, more opportunities for the integration of research and education, and a more diverse set of environments in which our students can learn from the best. They will also mean more doctors trained at KU. Ultimately, patients throughout our state will be the beneficiaries of these new affiliations – and that is exactly where our focus should be."
Michael Kennedy, MD, Assistant Dean of Rural Health, KU School of Medicine

For More Information

Robert Hemenway
Chancellor
(785) 864-3131
rhemenway@ku.edu

Richard Lariviere
Provost and Executive Vice Chancellor
(785) 864-4904
rwlariviere@ku.edu

Barbara Atkinson, MD
Executive Vice Chancellor, KU Medical Center
Executive Dean, KU School of Medicine
(913) 588-1440
batkinson@kumc.edu

Roy A. Jensen, MD
Director, Kansas Masonic Cancer Research Institute
William R. Jewel, MD, Distinguished Kansas Masonic Professor
(913) 588-4700
rjensen@kumc.edu

KU School of Medicine
The University of Kansas

Dear Kansas Legislator:

We eagerly embrace the opportunity to forge a vibrant future for our state and region through the expansion of the life sciences. The State of Kansas has articulated an aggressive agenda to transform our economy by investing in and growing our state's capacity to conduct leading edge scientific research. The humanitarian and economic benefits of this targeted strategy are immense. This promising agenda requires that all of us think in new ways about how we can advance the expansion of research opportunities in Kansas. We believe that to fully leverage the opportunities before us we must be willing to partner with collaborators who share our passion for discovering new knowledge and who have the capacity and willingness to invest in the work necessary to achieve scientific breakthroughs.

We believe that the efforts currently underway to broaden the KU Medical Center's affiliations with area hospitals will accelerate our state's efforts to become a leader in the life sciences. We endorse these efforts and we support the leadership of the Medical Center for pursuing these alliances.

We are humbled by the role this academic medical center and its faculty have been asked to play as our state and region looks to us for leadership in moving the life sciences initiative forward. As leaders we have an obligation to pursue those strategies necessary to ensure our success. We firmly believe that the task of transforming our state's economy will not be a success in the absence of broader affiliations and collaborations with other valued life science institutions and hospitals.

The affiliations currently being finalized include the commitment from corporate and private donors for a significant influx of philanthropic support to further our educational and research mission. This philanthropic support is essential if we are to achieve our stated aspiration to become a top fifty school of medicine. These funds and others generated from our hospital partners will fuel our success in recruiting world-class faculty researchers and clinicians. This in turn will allow us to significantly expand our basic, translational and clinical research programs. More cures, better treatments and healthier patients will result. The health of the economy will also improve.

For our state's vibrant life sciences aspirations to be achieved we believe that the KU Medical Center must seek out new partners and strong education and research affiliations. We urge the support of the Kansas Legislature as the leadership of the medical center engages in this important initiative.

While we believe there are significant benefits to be achieved through broader affiliations, we also believe there is much to be lost if we choose not to pursue them. We are competing on a global stage--and many communities, states and regions are engaged in the quest to compete in the new knowledge economy. If we choose to stand still they will pass us by. Kansas is fortunate to have an academic medical center that is closely aligned with one of the most generously endowed private medical research institutes in the world, the Stowers Institute for Medical

Research. Should we fail to align the assets of our region to fully leverage the strengths of Stowers, we will seriously impede our ability to ever become a major life sciences center. If the affiliations KU now seeks are derailed it is likely Stowers will seek to partner with Washington University in St. Louis and their highly regarded school of medicine. To allow this resource to benefit a private, out of state medical school instead of our own KU School of Medicine would be a disaster.

We are proud of all that the KU School of Medicine has achieved for the citizens of Kansas. We are also excited about the opportunity for this medical center to achieve its goal of becoming a top fifty academic medical center. We hope you share our belief that new affiliations designed to enhance health, provide cures and new treatments and improve the education of health care professionals are worthy of your support.

Thank you for your consideration. We appreciate your service to the citizens of Kansas.

Sincerely,

Roy A. Jensen, MD
Director, Kansas Masonic Cancer Research Inst.
William R. Jewell, MD, Distinguished
Kansas Masonic Professor

Paul Terranova, PhD
Sr Assoc Dean for Research & Graduate Education
Office of the Executive Vice Chancellor

Dale R. Abrahamson, PhD
Professor & Chairman
Anatomy and Cell Biology

David F. Albertini, PhD
Hall Professor of Molecular Medicine
Dept of Molecular & Integ. Physiology

Edward Ellerbeck, MD, MPH
Professor and Chairman
Department of Preventive Medicine

Matthew S. Mayo, PhD
Director
Center for Biostatistics and Advanced Informatics

Opendra Narayan, DVM PhD
Professor and Chairman
Microbiology, Molecular Genetics & Immunology

L. Darryl Quarles, MD
Professor/Director
The Kidney Institute

Deans' Kansas Primary Care Education Enhancement Task Force

by

University of Kansas Medical Center Executive Vice Chancellor and KU School of Medicine Executive Dean Barbara Atkinson, MD

and KU School of Medicine-Wichita Dean Edwards Dismuke, MD

Summary

The affiliation currently being considered between Saint Luke's Hospital of Kansas City and the KU School of Medicine has the potential of providing additional resources to the School of Medicine to support its educational mission. In light of the importance the KU School of Medicine places on fulfilling its obligation to educate doctors to serve the needs of the citizens of Kansas, we as Executive Vice Chancellor of the KU Medical Center and Executive Dean of the KU School of Medicine and as the Dean of the KU School of Medicine-Wichita hereby create a task force to determine how best to invest a portion of these potential new resources to enhance the education of primary care doctors for Kansas and address how these new resources might best be directed to enhance public health.

The KU School of Medicine is proud of its historic commitment to train doctors for Kansas and yet with the workforce challenges and demographic shifts occurring in our state a sharper focus and specific recommendations will be helpful in guiding our efforts to fulfill this important part of our mission in the future. The University is also engaged in a planning process to determine how best to enhance its leadership in public health with many strengths in this area recognized on both campuses. It is with these challenges and opportunities in mind that we have appointed this task force to investigate strategies for enhancing the education of primary care physicians *in* Kansas and *for* Kansas and to make specific recommendations on how the KU School of Medicine can best invest its resources to achieve excellence in the education of primary care physicians and better meet the primary care physician workforce needs of our state.

Purpose and Scope of Work

The Deans' Kansas Primary Care Education Enhancement Task Force shall consider how the opportunities and resources created as a result of broader affiliations with Kansas City area hospitals and the University of Kansas School of Medicine can best be used to enhance primary care medical education for Kansas. The task force is charged with considering how new and existing resources might best be directed to improve outcomes. The task force should consider strategies to meet workforce requirements, potential student class size adjustments, enhancements to improve recruiting and retention of primary care resident physicians in Kansas, expansion of graduate medical education opportunities in primary care in Kansas and how to better expose Kansas primary care resident physicians to the best educational opportunities such as those in which students are exposed to faculty who have a commitment to excellent clinical care and research, among others. The task force should also consider and recommend strategies to enhance the capacity of the university to contribute to public health. The task force shall issue a final report and any interim reports it determines appropriate to set forth the vision and strategy the task force recommends for addressing the needs identified.

Timeline

The task force shall issue its final report on or before August 1, 2007.

Leadership and Members of Task Force

Don Brada, MD and Allen Greiner, MD will co-chair the task force. Mark Meyer, MD, Scott Moser, MD, Micheal Kennedy, MD, Garold Minns, MD, Doren Fredericksen, MD, Tim Bennett, MD and Barbara Gibson from KDHE will serve as members. David Cook, PhD and Lorene Valentine will staff the work of the task force.

Testimony Before the Senate Committee on Public Health and Welfare
1:30 pm, 231 N Kansas Statehouse
Thursday, March 8, 2007

Briefing on KU Medical Center Hospital Affiliations
By Barbara Atkinson, MD

Chairman Barnett and members of the Committee:

I am pleased to have this opportunity to appear before you and share with you some exciting developments at the University of Kansas Medical Center. I'd like to introduce my colleagues who are here today: Dr. Roy Jensen, director of the KU Cancer Center and professor of pathology; Dr. Glen Cox, a radiologist and Vice Dean of the School of Medicine; Dr. Kirk Benson, an anesthesiologist and president of Kansas University Physicians Incorporated (KUPI) and Senior Associate Dean for Clinical Affairs of the School of Medicine; Dr. William Gabrielli, vice president of KUPI and Chair of Psychiatry; Dr. Douglas Girod, treasurer of KUPI and Chair of Otolaryngology; and Dr. Chet Johnson, Chair of Pediatrics and representative of Clinical Chairs.

As many of you know, it was recently announced that the Medical Center has entered into separate letters of intent with Saint Luke's Hospital (SLH) and the University of Kansas Hospital (KUH) to pursue broader affiliations with each institution. The parties are now working on the details of these new partnerships, and I am hopeful that the major issues involved will be able to be resolved in the next several weeks. This Tuesday, we had the fifth of five major negotiating sessions with the KU Hospital leadership and KUPI leadership, several of whom are here with us today, and I am pleased to report that significant progress was made on many major issues. I believe that, if the KU Hospital honors their commitment to pursue a resolution of remaining issues in good faith, an agreement can be achieved.

I appear before you today as the Executive Vice Chancellor of the University of Kansas Medical Center, as Executive Dean of the KU School of Medicine and as a member of the KU Hospital's Authority Board. I am pleased to appear here with Irene Cumming, President and CEO of the University of Kansas Hospital. Together we have the privilege of administering our state's academic medical center. As the leader of the university's health science schools, I can assure you that I am committed to the continued success of the KU Hospital, and I commend Irene for her leadership of our hospital.

The University of Kansas Medical Center (KUMC) exists to educate and train health professionals and scientists who are committed to discovering treatments and cures for the diseases that afflict us and, also, for delivering the most up-to-date cures to the people of Kansas and the region.

An academic medical center consists of two basic elements: a medical school and its primary teaching hospital. The medical school is where the teaching and research take place and where the faculty of the school are physicians and scientists who provide

medical care while they teach students. This delivery of care which takes place at the hospital should be up-to-date so that the students and residents in training are exposed to the highest level of care available. We think our teaching hospitals should be able to solve the hardest problems and bring the newest treatments to the people of Kansas. The quality of an academic medical center is determined by the quality of its faculty in the medical school, the allied health and nursing schools, and its hospital, and the extent to which all focus on discovery and delivery of cures and treatments.

By any measure, the University of Kansas Medical Center had a banner year last year, building on an unprecedented five years of growth and success. The medical school rolled out a new curriculum this year, which will better enable us to train doctors for the medicine of the 21st century — using case-based problem solving in multidisciplinary team environments. This new curriculum will also encourage students to develop strong communications skills and to interact effectively with technology in the clinical setting.

Just last month, the Medical Center opened its new 200,000-square-foot Kansas Life Sciences Innovation Center. This new space provides Kansas with a state-of-the-art life sciences laboratory where world-class investigators are working to discover new information which leads to treatments to enhance human health.

The Medical Center has doubled the amount of funding our school receives from the National Institutes of Health, the gold standard in life sciences research. With an impressive growth of nearly 22% last year alone, we are on pace to double our NIH funding again over a five-year period. This increase was achieved even as overall NIH funding levels remained flat at the federal level. To accomplish these impressive numbers, the University has made some tough decisions to reallocate our resources and invest in growing programs with aggressive attention to faculty recruiting. We have successfully brought to Kansas some of the most distinguished medical faculty and scientists from around the nation and world. Last year, KUMC recruited 12 basic science researchers, six clinical researchers and 15 clinical practitioners. This year, we've already recruited 12 new clinical and research faculty members. Our recent growth has included some very well regarded individuals from places like Emory, Tufts and Duke. They came to Kansas because they recognized we were poised to achieve great things.

Last year the legislature embraced our dream to build a world-class cancer center at the University of Kansas. The Chancellor has declared this effort to be our university's top priority — reflecting our belief that KU is uniquely positioned in Kansas to lead the fight against cancer. The legislature's decision to appropriate five million dollars in this year's budget is already bearing fruit as we work to advance our goal of eliminating suffering and death from cancer. With your investment, we are putting in place the people and infrastructure to support a vibrant array of clinical trials as well as prevention, screening and survivorship programs. We are working with our partners across the state and have recently offered new trials to our colleagues in Wichita. We also have the goal of becoming a powerhouse of new drug development and discovery. Our cancer initiative is supported by our partners at the University of Kansas Hospital, where a new cancer treatment center is currently under construction in Westwood. Let me say thank you for

your support and leadership — we appreciate the trust the legislature has placed in us and we are working hard to continue to produce impressive results.

KU also considers our obligation to serve the medical needs of Kansans to be an important priority. KU-trained doctors now practice in 85 Kansas counties, and 52% of all the doctors in our state graduated from our School of Medicine, our residency programs, or both. We work hard through our rural health office to link communities in Kansas with doctors to meet their needs. The American Academy of Family Physicians recently ranked the KU School of Medicine first in the nation for placing graduates in family medicine residencies. For each of the last three years, relative to any of the other medical schools in the United States, we have the highest percentage of our class going into family medicine, and that also translates into highest number of students since our class size is large. With our telemedicine program and our outreach efforts to bring specialists to clinics throughout Kansas, we have provided health treatment to thousands of Kansans in dozens of counties.

Only in the last few years has The University of Kansas Hospital (KUH) become financially and administratively sound. The creation of a KU Hospital Authority Board and restructuring of the hospital in 1998 put into place an administrative team that has carefully managed the hospital. KUH has gone from having serious problems to a financially successful hospital with a record of superb care. We are proud of our Kansas City primary teaching hospital, just as we are proud of our major teaching hospital partners in Wichita.

Unlike community and for-profit hospitals, an academic medical center hospital and major teaching hospitals must re-invest some of their so-called "profits" into the medical school and its faculty physicians to support indigent care and to promote the basic teaching and research that gives rise to the discovery of new treatments. Kansas state statute requires this type of re-investment and support by KUH. In every academic medical center, there is a tension in striking the right balance between meeting the financial needs of the hospital and investing in the medical school. The best administrators and the best hospital boards understand this and find that right balance.

As important as the relationship is between a medical school and its primary hospital, the best academic medical centers must expose their students to many types of patients, procedures and styles of care in order to produce the very best physicians. This requires that a medical school affiliate with more than one hospital. A single hospital cannot sustain the requirements of a large and growing medical school. A majority of the top 25 academic medical centers in the United States have multiple major hospital affiliations. This is the norm rather than the exception.

We currently have multiple major teaching affiliates, including the two largest hospitals in Kansas – Wichita's Via Christi Regional Center and Wesley Medical Center. In Kansas City, we have decided to affiliate with additional hospitals to train more doctors and better educate them. Broad affiliation also is essential for KUMC to achieve its goal of becoming a National Cancer Institute-designated comprehensive cancer center – the

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gold standard for cancer care. Expanding our research effort to seek cures for cancer is KU's number-one goal. We are far less likely to attain our cancer center goal without these affiliations.

The affiliation with Saint Luke's Hospital will ultimately make it possible for KU to train up to an additional 100 doctors a year in our programs at an annual cost in excess of $10 million, which will be paid entirely by our new hospital partner. As part of the negotiations with KUH, they have also agreed to pay the full costs to add another 100 resident physicians. We are eager to train 200 additional doctors every year and must look for the funding necessary to add residency positions in Wichita as well. We have just finished a physician workforce study for the state and we know there is a serious shortage of doctors for Kansas, especially in rural areas. One of the recommendations of this report, which is soon to be released, is for a major expansion of residency positions and then ultimately an increase in the class size of the medical school.

The Director of the University of Kansas Cancer Center, Dr. Roy Jensen, has confirmed that our university's quest for National Cancer Institute designation for our cancer center will be greatly aided by additional collaborations with hospitals in our region. In fact, obtaining such a designation may be impossible without such partnerships. KU's application for NCI designation requires unprecedented levels of collaboration among health care institutions.

In order to achieve NCI designation as a comprehensive cancer center, KU will have to enlist the support and partnership of our region and state's leading health care providers. Obviously, the KUH will lead the way, but to be successful we must have the major hospitals in Kansas City, Wichita, and throughout Kansas as part of our Midwest Cancer Alliance network. These hospitals, particularly Saint Luke's, could choose to affiliate with other NCI designated cancer centers, such as the one in St. Louis, and in doing so, would significantly compromise our region's ability to obtain NCI designation at our state's academic medical center. Patients in our region deserve access to cancer clinical trials, and we can best serve those patients throughout our entire state and region by coordinating the work necessary to create the trials, administer them, and report our findings to others.

In addition to other benefits, these broader affiliations are supported by a broad-based group of corporations and private donors who have pledged up to $150 million of new investment over the next decade to support the expanded research and education vision of our medical center and our partnerships with other life sciences institutions. This is a staggering level of investment in our state's academic medical center and one that is necessary for us to achieve our goal of becoming one of the top-50 medical schools in the country.

The positive economic impact of such growth would be impressive as well. Take, for example, the University of Iowa, which ranks 30th overall in National Institutes of Health funding — it contributes $4.1 billion in total state business impact based on a study released just last month. By comparison, KU, which ranks 81st in NIH funding,

2-22

contributes $1.3 billion in total state business impact — an impressive contribution, but you can easily see how moving up in the rankings could provide a significant economic windfall for our state.

Medical research and education are expensive and complicated. But the fundamental purpose of KUMC is simple: making the people of Kansas and the United States healthier. The superb doctors and researchers at the KU Medical Center, KU Hospital, Saint Luke's Hospital, Children's Mercy Hospital, the Veterans Administration Hospitals in Kansas City, Leavenworth, Topeka and Wichita, as well as our physician faculty and partner hospitals in Wichita, Salina, Hays and Topeka, are part of a vibrant network of talent focused on this fundamental purpose.

While much of what has been written about the affiliations involves competition among hospitals, I think such a focus misses the point. As an academic medical center, we do not compete with other area hospitals — we compete with other academic medical centers in the United States. We must do all that we can locally to position ourselves to be successful in the local larger arena — where we offer unique benefits and the opportunities for future success is great.

As we work to finalize definitive agreements, let me assure you and our partners at the University of Kansas Hospital of the following:

- We will not support any partnerships or affiliations detrimental to the future of the KU faculty physicians or the patients these men and women treat.

- We will not support affiliations that transfer Kansas taxpayer dollars to directly benefit Missouri-based institutions.

- We will not support any affiliations that reduce the number of resident physicians from KU serving in the KU Hospital.

- We will not decrease the residency slots in Wichita or Salina as a result of any affiliation with Saint Luke's.

- We will not support any affiliation that would compromise our commitment to train doctors for Kansas or serve indigent Kansans.

- These affiliations are not being pursued to provide KU-based researchers with access to Missouri-based locations for the purpose of conducting stem cell research.

- We will only support affiliations which advance the vision of creating and sustaining new levels of excellence in the KU School of Medicine — and thereby contribute to improving the health of our state and region.

- We will keep the Kansas Board of Regents and the Kansas Legislature fully briefed on these affiliation discussions as we move forward — and at all times will welcome your feedback and look forward to addressing your concerns.

To make certain that any resources obtained as a result of any new affiliation also advances the primary care needs of Kansas communities, Dr. Ed Dismuke, the Dean of the School of Medicine-Wichita campus, and I have appointed a new task force charged with developing specific strategies to expand KU's capacity to provide doctors for Kansas. I have attached to this testimony a copy of the scope statement we used in appointing this task force. I look forward to their recommendations and will plan to share them with you when their report is issued later this summer.

Let me assure you that the University of Kansas Medical Center remains fully dedicated to delivering more and better treatments to Kansans, creating better health, training more doctors and contributing to the economic vitality of our state. The achievement of all of these goals is enhanced as a result of the affiliations currently being pursued.

Thank you for your consideration and attention. I look forward to your questions.

2-24

Presentation to
Senate Public Health and Welfare Committee

Irene Cumming
President and Chief Executive Officer
The University of Kansas Hospital

March 8, 2007

THE UNIVERSITY OF KANSAS HOSPITAL
KUMED

THE UNIVERSITY OF KANSAS HOSPITAL
KUMED

Good Afternoon. Thank you for inviting me here. I know there is great concern about the proposed affiliations which impact The University of Kansas Hospital and the University of Kansas Medical Center. No one has greater concern than our hospital.

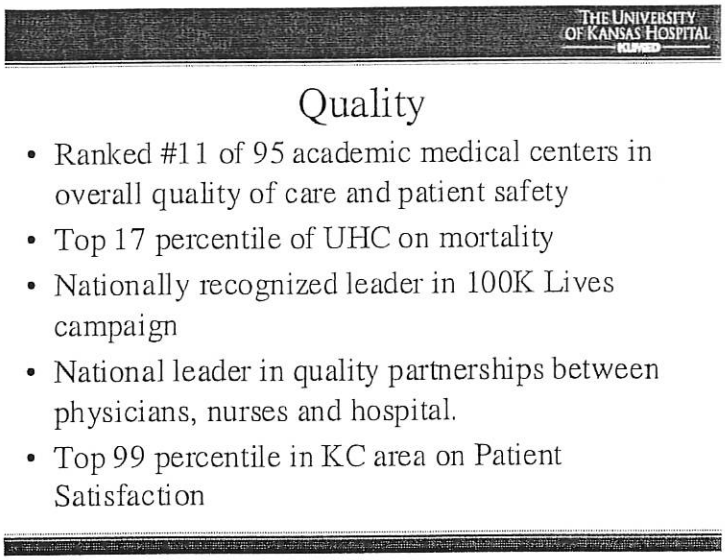
I know we have limited time, but I do want to share a couple of highlights about the hospital in way of background. I will run through the slides in your packet and you can look at them in more detail at your convenience.

For those of you who don't know, the Legislature decided to separate from the University system in 1998 because the hospital was falling apart financially, falling apart physically and falling apart in terms of its service to the community.

So on October 1, 1998, we were given a check for ten days worth of operating revenue, no endowment or state funds, and asked to do the best we can.

Senate Public Health and Welfare committee
Attention #3
March 8, 2007

We did the best we could...and them some.



The University HealthSystems Consortium reports that our hospital now ranks 11th in the country among academic medical centers for overall patient quality and safety. Ahead of us are names such as the Mayo Clinic, Northwestern and Brigham and Women's in Boston. Below us are such names as Duke, Stanford and Johns Hopkins. This survey used data in 2004. We anticipate jumping up the list in the next two years.

One factor in that jump was our mortality index, which was in the top 17th percentile of the best rates among UHC members.

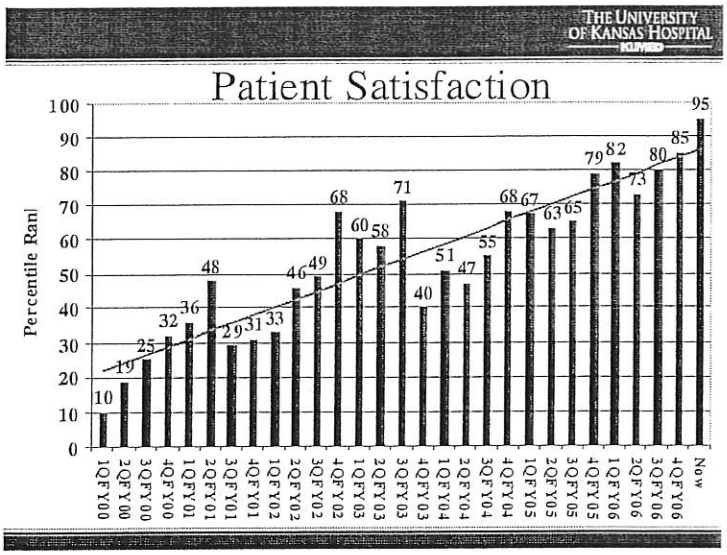
We have repeatedly been asked to speak about our success in the Institute for Healthcare Improvement's 100,000 Lives campaign. We led efforts to bring in new processes that reduced medical mistakes, preventing unnecessary deaths, as well as saving lives by getting critical care to patients at the first sign of a deteriorating condition.

Press Ganey, the nation's largest patient satisfaction survey firm, reports that we rank number 1 in patient satisfaction among Kansas City hospitals.

THE WALL STREET JOURNAL.

Our quality programs have been nationally recognized twice in the last month by the Wall Street Journal. You should have those articles in your packets.

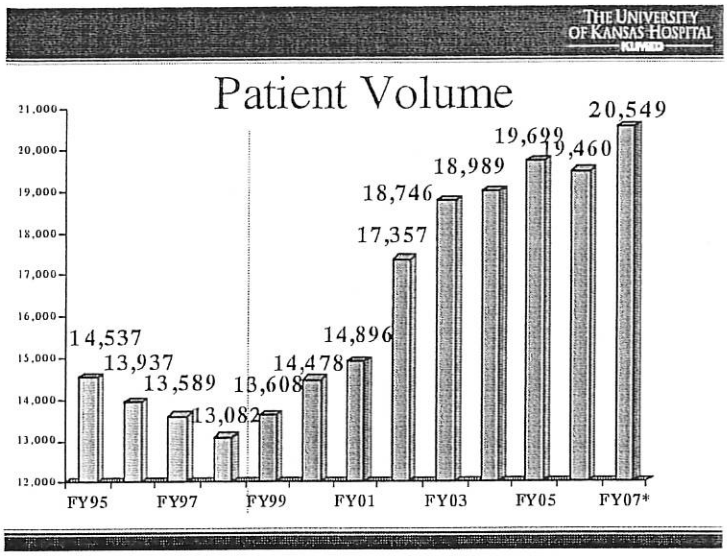
Because of the national respect for the University of Kansas Hospital, I was chair of the United Health Systems Consortium, current Chair of the Council of Teaching Hospitals and am the only area member on the board of the Association of American Medical Colleges.



The focus on quality produced one of the most dramatic turnarounds in patient satisfaction ever.

At the beginning, we were often in single digits in patient satisfaction.

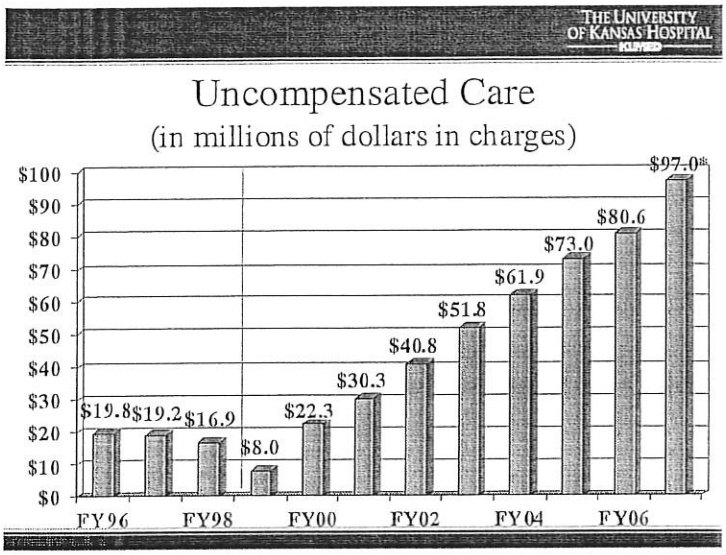
Now we are regularly in the 90th percentile range when compared to other hospitals in the country.



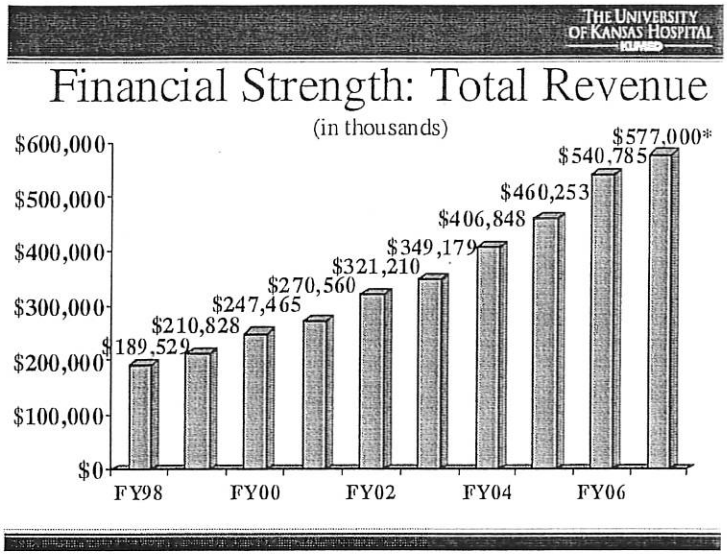
That push for quality has led to a major turnaround in patient volume.

It may look like we dipped a bit last year. But that is misleading. Frankly, we ran out of space to accommodate the demand for beds. And we were seeing sicker patients with longer stays. You can see we are projecting that by the end of fiscal year 2007, we will be climbing again, and setting more patient volume records.

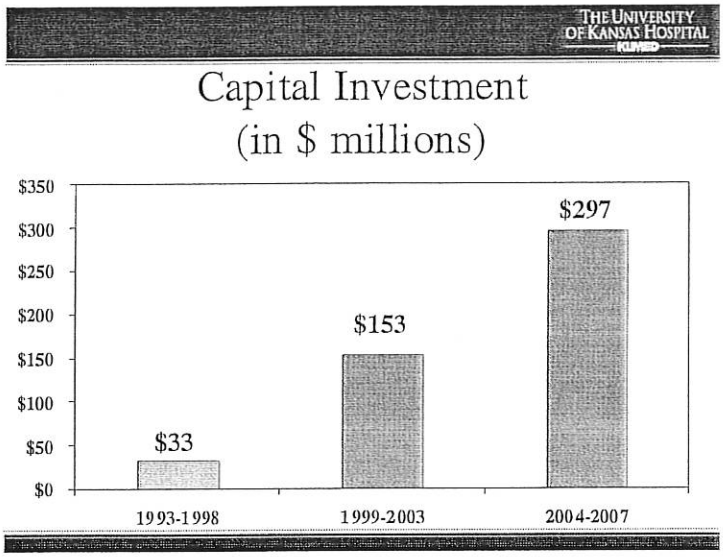
In the last two years, we have shattered every patient volume record in the 100 year history of the hospital.



We have been able to absorb steady increasing in the costs of caring for the uninsured without coming to the Legislature asking for help. So far this fiscal year, the jump in our charity care has exceeded the pace of past years.

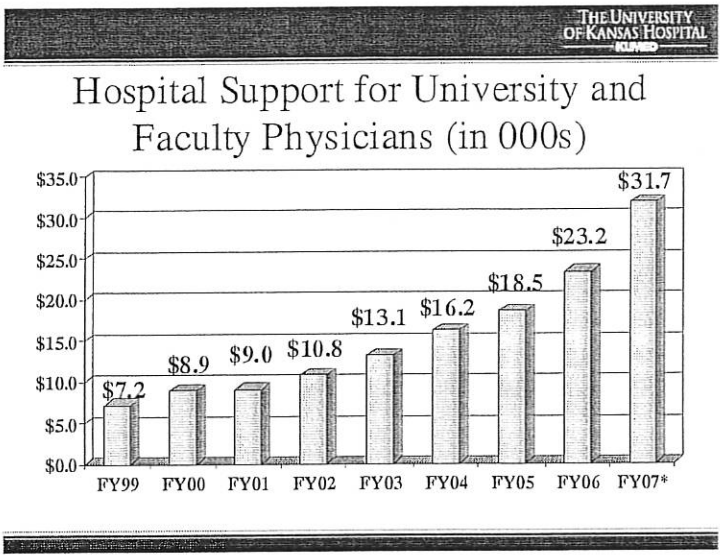


Our revenue has risen as well. Of course our costs have also increased. However, we have no shareholders other than the people of Kansas, so we invest any funds remaining into new or expanded programs, new technology and new space.



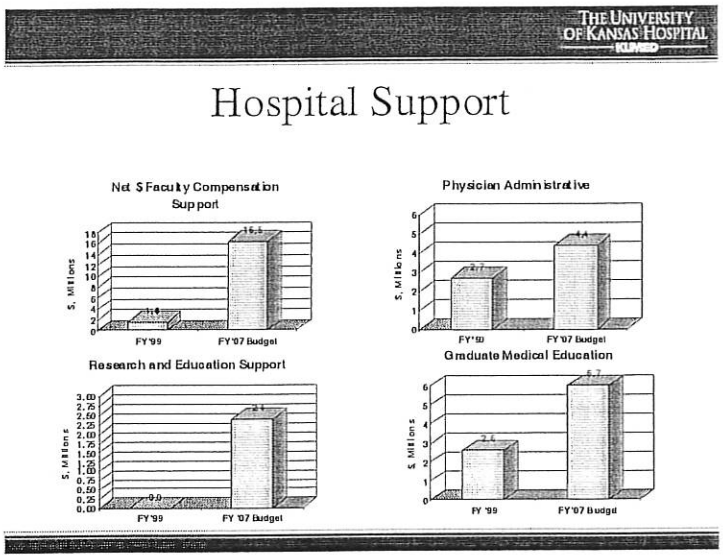
In the last five years as part of the university system, we had only $33 million of capital investments funds.

In the first five years of the authority, we spent five times more on capital investment. In the last three years alone, we spent nearly $300 million. These funds have gone for critically needed new space and leading edge technology.



As we have grown, so has our support for the faculty and the university.

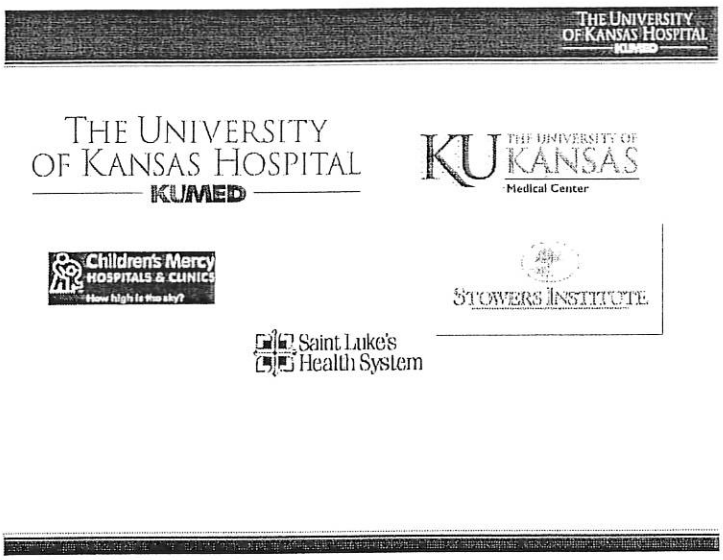
As you can see, we have steadily increased the support for faculty and the university over the years to more than $30 million this year. We are negotiating agreements now that will significantly add to that support.



By providing a stable academically oriented environment, KUHA is helping the University's training mission and its goal of advancing new knowledge through its clinical research initiatives.

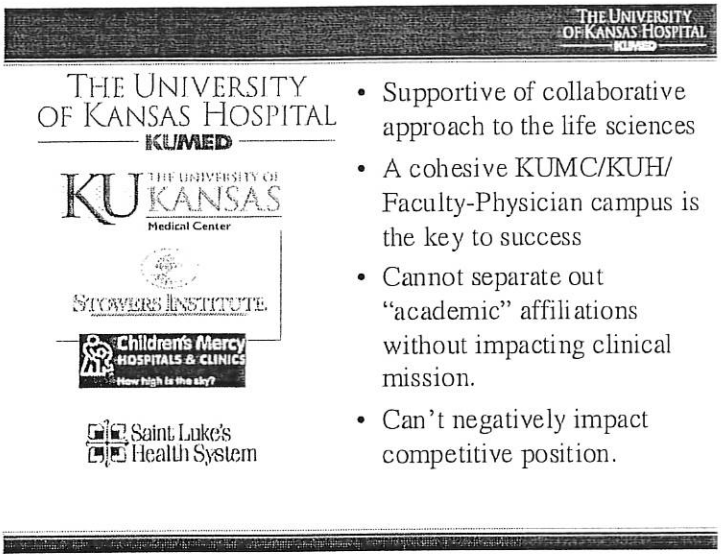
One thing to note is the increase in Graduate Medical Education funding through Medicare. The key reason for that significant growth was the hospital's investment to revitalize the heart program.

When the Authority was born, we discussed whether the residency program should be under the hospital, as it is in some settings. The University said it would keep control using the state appropriations and the Medicare GME money that the hospital provides to the University.



Of course, the key issue right now if the proposed extension of affiliation of the University to Saint Luke's Hospital. I want to give you the hospital's view on what is happening.

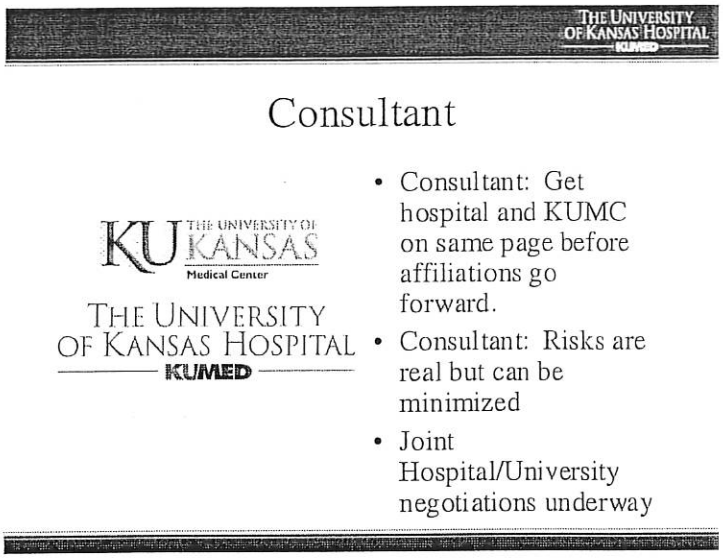
The University and some Kansas City civic leaders have a vision they believe would bring hundreds of millions of dollars into the University, through greater support from more hospitals, through untapped area philanthropy and through public funds.



The board and the hospital leadership are supportive of the collaborative approach to the life sciences in this area. We understand how working together can enhance the position of the School of Medicine.

But, we also understand that the functions of our campus....education, research, clinical care....must be a cohesive whole if any plan is to bring positive impacts here.

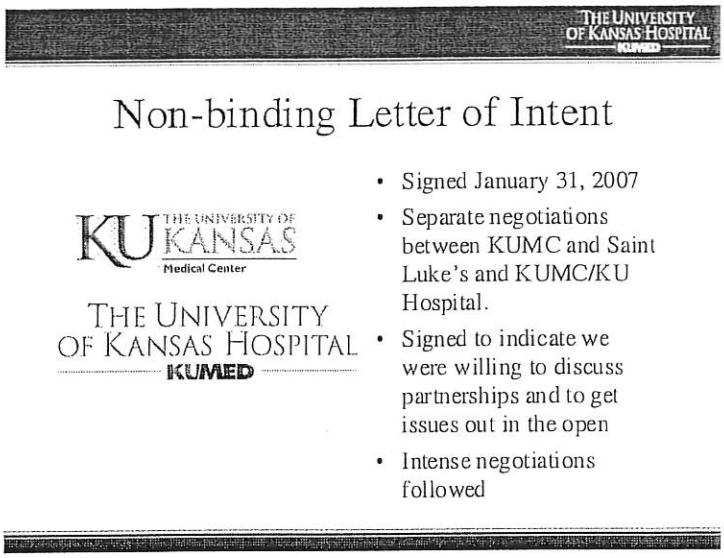
No one can successfully split off the interests of the Schools, the Hospital and the faculty physician, without harming the entire enterprise.



The hospital and the board agreed to hire the same consultant retained by the civic leaders to help us work out ways we could prevent or lessen the harm from the affiliations. The consultant recommended that the immediate focus be on getting the schools and the hospital issues resolved.

The consultant also said that there were real risks to the hospital under these affiliations, but that those risks can be minimized through negotiations

We have been meeting in exhaustive sessions to explore the intricate issues involved here.



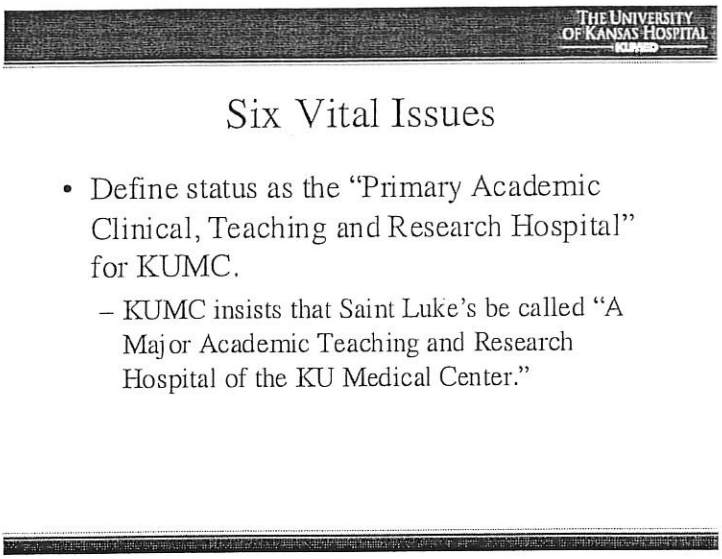
To show our good faith to the university and community, we signed a non binding letter of intent to go forward with these talks. A separate letter of intent was negotiated between the University and Saint Luke's

We also wanted to get the issues involved out to the public so they could be openly discussed.

We have been negotiating and as late as one week ago, I thought we were close to an agreement. I summarized for the University where the hospital negotiating team thought we were in reaching an agreement.

Then late Sunday night, I received communication from Dr. Atkinson that showed we were clearly far apart. A long session on Tuesday produced significant progress, but also clearly indicated areas of disagreement. We did agree on an outline of a plan of financial support for more residents and more unrestricted financial aid to the school.

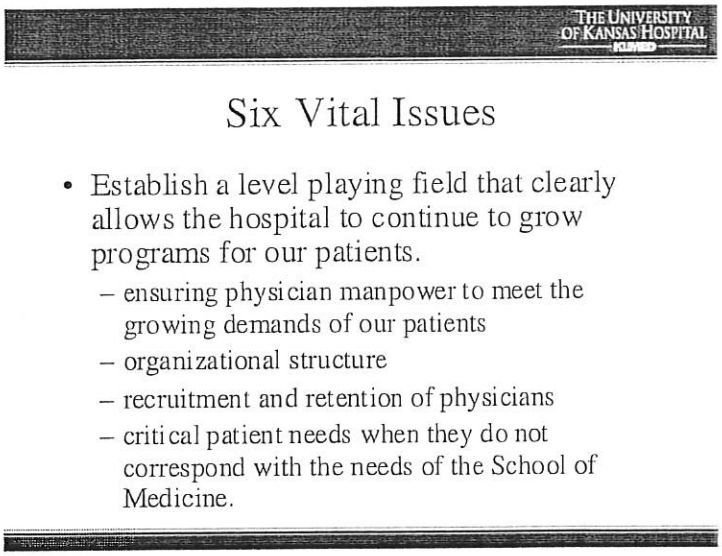
We have asked the University to stop all negotiations with Saint Luke's until the Hospital and School have a final agreement. Then, we can go forward together.



Let me outline some of the key issues. We must clearly define our status as the "Primary Academic Clinical, Teaching and Research Hospital" for KU Medical Center. The phrase sounds nice but we must define clearly what it means. The University has agreed with Saint Luke's to call Saint Luke's "A Major Academic Teaching and research Hospital of the KU Medical Center."

We object to that and will have further talks on it. However, Dr. Atkinson implied that the deal has been struck on the name issue with Saint Luke's and has not indicated flexibility.

KUmed object



We must establish a level playing field that allows us to continue to grow programs for our patients and meet their specialized care needs. This involves flexibility in ensuring physician staffing to meet the growing demands of our patients. This involves such areas as the organizational structure, as well as the recruitment and retention of physicians.

Let me explain what that means. In many programs here, we do not have the depth of physicians we would like, even though there is a clinical demand.
Now, if a critical physician leaves, we have to wait on the university's traditional recruitment, which has often closed down programs at the hospital for six months to 3 years while recruiting is going on.

Under the new arrangement, our concern is that Saint Luke's, which has flexibility to recruit physicians, can recruit a physician to fill the gap, which could remove the University's incentive to aggressively a recruit a replacement at KU Hospital.

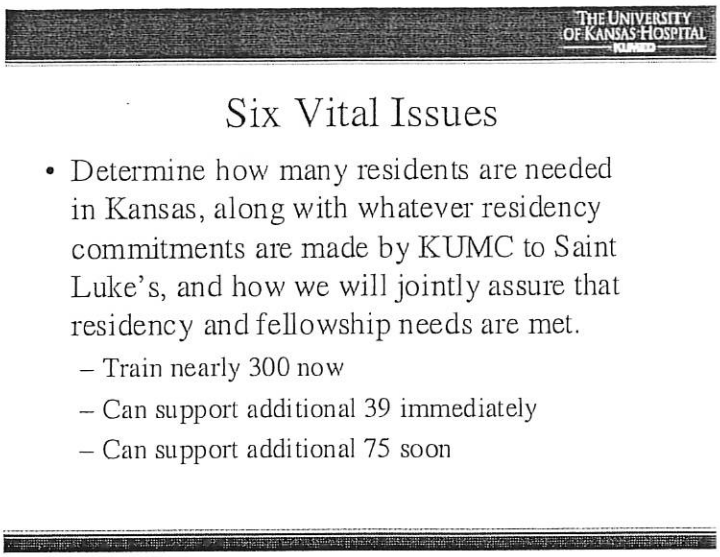
In that scenario, a good specialty program here suddenly could be housed at Saint Luke's, our primary local competitor. We need the same flexibility as Saint Luke's to respond.

This also means we must have the flexibility to meet critical patient needs when they do not correspond with the needs of KU Medical Center and the KU School of Medicine. In other

words, often the university recruiting is tailored to research needs. We need to respond to the clinical needs, as well.

All this is part of an alignment that brings physicians, the hospital and the University closer together. To best serve the people of Kansas, the hospital believes that alignment must include a single unified medical record throughout the organization. The hospital is prepared to financially back that effort.

Another concern that has developed is the open possibility that the University wants to partner with the heart program at Saint Luke's to the exclusion of the successful program at our hospital. They have already pulled out of a research project with out heart doctors to partner with Saint Luke's. Our program by the way, is presenting five major research papers at the American College of Cardiology this month, research that receives no support from the University.



We must develop a plan to determine how many residents and fellows can be accommodated at our hospital. We believe the hospital easily has the patient volume to support another 100 more residents. We have agreed to support financially another nearly 40 residents now, and up to an additional 75 in the future. All of these positions could be added at no cost to the State of Kansas, which means more physicians can be trained in Kansas without additional state expense.

The chair of the Wichita Center for Graduate Medical Education, which includes Salina as well as Wichita KU residencies, tells me the organization is concerned about the Saint Luke's expansion. It also says it can accommodate expanded residencies in the Wichita programs.

Six Vital Issues

- Establish fair plan of support for KUMC that does not create financial problems for the hospital.

We must agree on a fair plan of support for KU Medical Center that does not financially harm the hospital. Many of you will recall the preliminary $400 million proposal we made last year. That was rejected by the university because of the conditions we put upon it. Dr. Atkinson clearly told our board it was rejected for that reason.

Now that we are facing this new affiliation arrangement, we need to review the financial impact so that we can agree on a level of support that does not hurt the hospital, and one that will end ongoing arguments. We have to be able to continue to invest in quality patient care and not be seen **solely** as a drive through bank for research and education. We have a very strong "A" bond rating and we do not want to sacrifice that because of these new affiliations.

Six Vital Issues

- Establish plan to compensate hospital should financial harm result from the proposed affiliation structure.

We must agree on financial plan that compensates us if the new affiliation structure harms the hospital. We are concerned, as I mentioned that we are already seeing an increase in uncompensated care. Other hospitals at New York University, Tulane, the University of California at San Diego and at the University of Texas Southwest saw themselves become purely safety net hospitals because of the University affiliations with a community hospital.

In fact, the first draft of the Community Foundation's "Time To Get It Right" report indicates that some Kansas City, Missouri, leaders believe that KU Hospital should have a reduced role. It openly questions whether The University of Kansas Hospital should develop programs of excellence to compete with community hospitals such as Saint Luke's.

Six Vital Issues

- Define KU Hospital's role in the cancer program as it seeks National Cancer Institute designation.

We must clearly define the hospital's leadership role in the cancer program as it seeks Comprehensive Cancer Center designation from the National Cancer Institute. This issue has been going on for years. We have invested $75 million dollars in the last seven years to bring the clinical cancer program to a high level.

We have been told by the leaders of the university's cancer research program that they cannot get NCI without the Hospital's clinical program and that Saint Luke's will be part of the Midwest Cancer Alliance.

However, just a few days later, Dr. Atkinson informed me that Saint Luke's insisted on a branded presence on their campus, called the Kansas University Cancer Center at Saint Luke's. This is particularly puzzling because Saint Luke's cancer program is primarily in the hands of a private group, and not Saint Luke's itself.

In addition, we were told directly by community leaders that Saint Luke's was seeking this alliance to build up its own lacking cancer program. Let me assure this committee that we are very supportive of the Midwest Cancer Alliance, which will link hospitals, physicians and their patients to NCI benefits. We think hospitals around the state, and especially our Wichita colleagues, can support NCI.

THE UNIVERSITY OF KANSAS HOSPITAL
KUMED

We still have some very significant issues to negotiate. It is my hope that these issues can be resolved so that we are able to help the university achieve its vision. We have a fiduciary responsibility to this state asset and we take that very seriously.

We also understand how our partners in the Medical School want to move their program forward. We also want that for them.

We hope to report to you soon that we have found a win/win solution. But we feel it is vital that no new affiliation go forward until the Hospital and the University have reached accommodation on key issues.

I will be happy to answer any questions.

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THE WALL STREET JOURNAL.

WEDNESDAY, FEBRUARY 7, 2007

Hospitals Take Consumers' Advice

Satisfaction Surveys Lead to Changes; Spectrum Health Adopts Family-Centered Care

BY LAURA LANDRO

When Spectrum Health in Grand Rapids, Mich., launched a patient survey to get feedback about three of its hospitals in late 2004, it got dismal results: in addition to giving staff members low marks for helpfulness and attitude toward visitors, patients and their families reported feeling ill-informed about treatments in the hospital and unsure about instructions on how to care for themselves once they went home.

"It was a call to action," says Matt Van Vranken, Spectrum's executive vice president. "There were fundamental aspects of the way we interacted with patients that were broken." To fix them, Spectrum adopted a health-care model known as family-centered care, creating a patient and family advisory council to help shape hospital policy, eliminating set visiting hours, working with patients to determine who was authorized to hear medical information and make treatment decisions, and calling patients at home after discharge to clarify instructions.

In an industry never known for attention to customer service, hospitals around the country are borrowing a page from consumer- oriented companies, mining patient satisfaction surveys to identify patient pet peeves and service problems.

Increasingly, the survey findings are leading hospitals to adopt the family-centered-care approach, which advocates building strong partnerships with patients and their families to improve care.

Though hospitals have long conducted internal patient satisfaction surveys, they haven't always acted on the lessons learned. According to a 2006 national health-care satisfaction report from Press Ganey Associates, the leading provider of patient survey services to hospitals, the health-care industry in general "is not successfully responding to the opportunities for improvement presented by its customers."

Rating the Hospital Experience

Room for improvement in patient satisfaction scores

Rank	Aspect of care	Percent of patients in each response category: Very good	Good	Fair	Poor/Very poor
1	Response to concerns and complaints	50.7%	35.8	8.7	4.8
2	Staff effort to include you in treatment decisions	51.6%	35.9	8.6	3.9
3	Staff sensitivity to inconvenience	50.3%	33.4	8.3	3.0
4	Staff addressed your emotional needs	49.4%	36.9	9.5	4.2
5	How well the nurses kept you informed	57.1%	30.2	8.6	4.1

Note: Based on 2.2 million patients at over 1,500 hospitals nationwide
Source: Press Ganey Associates Inc.

For the past two years, for example, "response to concerns and complaints made during your stay" has been at the top of Press Ganey's patient priority index, which indicates "a communication disconnect" between patients and providers, according to the report, which is based on surveys of more than two million patients at 1,576 hospitals nationwide.

But that is starting to change, says Deirdre Mylod, Press Ganey's vice president of public policy. For the first time, hospitals this year will be required to participate in the federal government's national patient satisfaction survey program to receive full reimbursement from Medicare. The results of patient satisfaction surveys will be posted on the government's hospitalcompare.hhs.gov Web site later this year, which will allow consumers to see for the first time how hospitals are ranked by their patients -- and how they stack up to rivals.

In an increasingly competitive market, hospitals are also motivated by evidence that recommendations from friends and family influence health-care choices.

To get a better idea of patient experiences, Spectrum Health developed an "experience mapping" program, with staff members following patients during their visits to various departments such as obstetrics. Former patients and family members on its new advisory council identified 18 different goals to improve care, including working with human-resource staff members to "hire the right kind of people with a compassionate component built into their character" says Diana Smith, a former heart patient at the hospital who serves as co-chairwoman of the family advisory group. "It starts with the person who parks your car."

By the third quarter of last year, Spectrum's inpatient satisfaction scores increased from the bottom third in the country to better than 64% of all hospitals; its aim is to lift itself above the 90th percentile.

At Kansas University Hospital in Kansas City, Kan., chief executive Irene Cumming worked with her staff to better respond to patient complaints, including offering an apology such as flowers or candy when expressing regret that a patient or family member was upset about responsiveness or service. Staff can go to the gift shop, and charge a "gift" to a central hospital budget; the policy has helped increase the hospital's ranking for response to concerns and complaints by 74%. The hospital also puts up banners in different departments when they score the highest in patient satisfaction each week.

Kent Jackson, director of behavioral health and chairman of the patient and family care team at St. Luke's Hospital in Cedar Rapids, Iowa, says the hospital has boosted already strong patient satisfaction scores over the last year by offering perks like activity carts in waiting rooms that are stocked with DVD players, videogames for kids, and loaner laptops with free wireless access for adults; it also offers $25 gas cards to compensate patients if long waiting times mean they have to come back another day for a test or procedure. But it is also training staff members in better communication skills, like the importance of making eye contact and smiling at patients. Mr. Jackson says he's drawn many lessons from the book "If Disney Ran Your Hospital," which has become a bestseller in the industry since it was published more than two years ago.

Fred Lee, a former Orlando hospital executive who wrote the book after working with Disney for a year and a half, says hospitals can draw important lessons from Walt Disney Co.'s theme parks.

In the hospital, patients may be satisfied if their basic needs are met and nothing bad happens, and if staff members are professional and efficient. But to attain the highest level of patient satisfaction, hospitals have to do better than that, Mr. Lee says in an interview. "A hospital without compassion is like Disney without fun," Mr. Lee adds. "Hospitals have to create an experience for patients that will make them go away with a wonderful story to tell."

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Vein Attempts? Making Needles Easier to Bear

BATTLING HODGKIN'S LYMPHOMA, a cancer that began in his lymph nodes, Stephen Glover also suffers from a lifelong fear of needles that sometimes causes him to faint at the sight of a syringe. So when the 59-year-old retired business consultant needs to have blood drawn or an intravenous line inserted for chemotherapy, staffers at the University of Kansas Hospital call in a nurse from a special IV therapy team with expertise in "hard stick" patients.

THE INFORMED PATIENT

By Laura Landro

Hospitals are taking a stab at reducing the pain, stress and harm from venipuncture—the medical term for sticking a needle in a vein to draw blood samples, start an intravenous drip or administer medications. In addition to creating IV teams for patients with hard-to-access veins or fear of needles, hospitals are beefing up training programs for the medical technicians known as phlebotomists and other staffers who regularly draw blood, and developing stricter protocols for monitoring patients during and after procedures to avoid complications.

They are also using new devices such as Luminetx Corp.'s VeinViewer, which helps locate veins easily under the skin with the help of infrared light. And they are offering fast-acting topical anesthetics that work in as little as 10 minutes, including Vyteris Inc.'s LidoSite, which delivers the numbing agents lidocaine and epinephrine to the puncture site through a skin patch boosted by electrical current from a battery-powered device, and Endo Pharmaceuticals' Synera, a patch with its own heating element that warms the skin to speed absorption of the anesthetic. The Food and Drug Administration is currently reviewing another product, Zingo, developed by Anesiva Inc., which uses compressed gas to push lidocaine particles into the skin and

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Making Needles Easier to Bear

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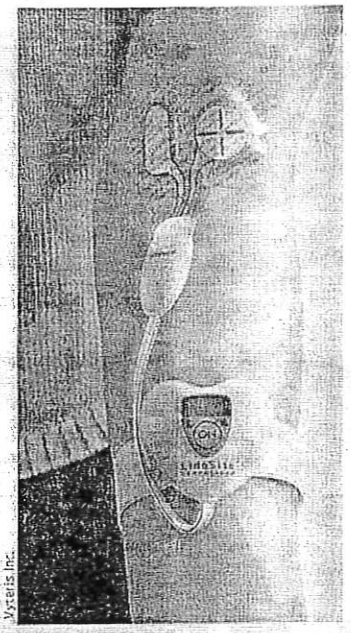
works in one to three minutes.

Behind the efforts is a growing recognition that one of the most common medical procedures, long viewed by hospital staffers as routine and easy-to-tolerate, can be terrifying and painful for many—and that serious injury, while relatively rare, can lead to disabling injuries and costly malpractice suits for hospitals. Patients surveyed by health-care satisfaction measurement firm **Press-Ganey Associates** Inc. rated their lab experience, which includes blood-draw, among the least satisfactory in the hospital. And a recent survey by market research firm TVG Inc., conducted with the support of Vyteris, concluded that more than 14 million adults and five million children over the age of five suffer from high discomfort during procedures or exhibit fear of needles, known as blenophobia.

Needle safety has improved in recent years thanks to programs and devices aimed at protecting health-care workers from exposure to infectious diseases like HIV and hepatitis C. But there are still about 385,000 sharps-related injuries to hospital-based workers annually. While there are no precise statistics on patient harm, with more than one billion venipunctures performed annually, experts say that thousands of injuries can be directly or indirectly linked to botched procedures. Poorly manipulated needles can pierce a nerve instead of a vein, paralyzing a patient's arm or hand. A leaking intravenous line that isn't closely monitored can inflame surrounding tissue and lead to potentially deadly infections, and patients who faint can fall during the procedure and sustain serious head trauma. In addition, an inexpertly drawn blood sample can ruin the specimen to be tested, leading to misdiagnosis, repeated blood draws, and delays in diagnosis and treatment.

"Most people don't have a clue of the complexities involved for the person drawing blood," says Dennis Ernst, a medical technician who runs the **Center for Phlebotomy Education** Inc. and is coordinator of the nonprofit Coalition for Phlebotomy Personnel Standards, which is pushing for states to require that staff with blood-collection responsibilities meet minimum training standards and be certified or licensed. At present, California is the only state with minimum training and certification requirements, and many hospitals require only rudimentary experience for phlebotomists or train them on the job. "If you don't know the standards and don't perform the procedure correctly you can really hurt patients and subject them to medicines and treatments that are unnecessary," Mr. Ernst warns.



Vyteris Inc.

The LidoSite device, made by Vyteris Inc., delivers **fast-acting topical anesthetics** to the skin using low-level electrical energy.

Incorrectly drawn samples can cause hemolysis—a rupture of red blood cells that effectively ruins the specimen, rendering it useless for diagnostic tests. To improve the quality of specimen collection, Memorial Regional Hospital in Hollywood, Fla., put all staffers who draw blood through a 40-hour course at a local community college and required them to perform 30 needle sticks under the guidance of a lab supervisor. Last fall, the emergency department brought in its own dedicated phlebotomy team, which draws blood for almost 300 patients a day. Since then, the rate of hemolyzed samples has dropped to under 2% from 2.4%, and fewer blood samples are being rejected by the lab because of "short draws" that don't produce enough blood, according to Melinda Stibal, administrative director of emergency and trauma services.

At Naples Community Hospital in Florida, where phlebotomists are required to undergo a seven-week training program, patients are randomly surveyed after procedures about the quality of the experience, including how well the phlebotomist communicated with them.

"Phlebotomists are being permitted to perform an invasive procedure," says Helen Ogden-Grable, clinical educator for the DSI Laboratories unit of the hospital's parent, NCH Healthcare System. "They have to realize that they hold the happiness and satisfaction of the patient in their hands."

The special IV team at the University of Kansas Hospital in Kansas City, Kan., which includes nurses skilled in infusion therapy, created a process that allows staffers to summon the nurse on duty with the greatest expertise in accessing a patient's veins when a patient like Mr. Glover has been identified as a "hard stick," according to Tammy Peterman, senior vice president of patient care. Since the team was created last September, the hospital's scores for "skill of the person who took my blood" went from the bottom quarter to the top quarter of all U.S. hospitals, and the scores for "skill of person who started IV" rose from the bottom half to the top 20% of all U.S. hospitals.

But some patients still experience pain no matter how skilled the technician—and asking for relief can still be a challenge. Patients may be charged a $10 to $25 co-pay depending on health-plan coverage for newer fast-acting anesthetic patches. But they aren't yet in wide distribution, and traditional numbing creams like Emla, which hospitals generally have on hand, take about an hour to work. "Right now, 80% of kids don't get anything, and adults are even further down the pecking order because no one thinks the pain is a big deal, and hospitals don't want to take the extra time or spend extra money" on anesthetics, says William Zempsky, associate director of pain relief at Connecticut Children's Medical Center in Hartford. (Dr. Zempsky has conducted clinical trials with new fast-acting topical anesthetics and worked as a consultant for some manufacturers.)

One strategy is to plan ahead, especially for children. Karen Porter, whose daughter Amy is being treated for a form of leukemia at Connecticut Children's, says the eight-year-old was terrified of the needle sticks required for blood draws and chemotherapy, and would scream whenever she saw a needle until the hospital gave her some topical cream to take home and apply an hour before she was due for the next procedure. "It has really decreased her fear," says Ms. Porter. "She calls it her magic cream."

Email me at: informedpatient@wsj.com.

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