

Joint Executive & Business & Finance Committee

Board of Trustees

Temple University -  
Of The Commonwealth System of Higher Education

Thursday, September 28, 1995 - 3:00 P.M.

Sullivan Hall, Room 200  
Park and Berks Malls

Attendance:

Members - Howard Gittis, presiding; Paul A. Dandridge,  
Peter D. DePaul, Louis J. Esposito, Richard J. Fox,  
Jane Scaccetti Fumo, Peter J. Liacouras, Joseph W.  
Marshall, III, Maureen H. McCullough, Daniel H. Polett,  
Edward H. Rosen, Anthony J. Scirica, Isadore A.  
Shrager,  
Clare L. Wofford, Paul Zelenkofske

Administration and Staff - James C. Bausman,  
Paul H. Boehringer, Richard A. Chant, Albert R.  
Checcio,  
Lawrence C. Connolly, James W. England,  
Richard M. Englert, Jay G. Falkenstein, Robert H. Lux,  
Leon S. Malmud, Timothy C. O'Rourke, William E. Orr,  
Arthur C. Papacostas, A. Kent Rayburn,  
Robert J. Reinstein, William G. Sites, Valaida S.  
Walker,  
James S. White, Beverly L. Breese

University Counsel - George E. Moore

General Counsel - Brian Keim, Peter Mattoon

Members Absent - Francis J. Catania, Theodore Z. Davis,  
Lewis F. Gould, Jr., Clifford Scott Green, Lacy H.  
Hunt,  
Sidney Kimmel, William W. Rieger, James A. Williams

Non-Voting Advisory Members Executive Committee Present:  
Karen S. Koziara (Faculty); Joseph A. Marlino (Alumni)

**RECOMMENDATIONS FOR JOINT COMMITTEE ACTION**

1. Approval of Conference Call Minutes, June 12, 1995

On motion duly made and seconded, the captioned Minutes were approved as distributed.

2. Next Meeting Date

The next regular meeting date is Thursday, October 26, 1995.

**RECOMMENDATION FOR EXECUTIVE COMMITTEE ACTION**

3. Nomination of Trustees to Serve on the Committee on Trustees

On motion duly made and seconded, the Executive Committee, in keeping with the By-Laws (Article IV, Section 6-A), voted to nominate for election by the Board of Trustees at its Annual Meeting on October 10, 1995, the following five members of the Board to serve on the Committee on Trustees for a one-year term, effective October 10, 1995: Louis J. Esposito, Clifford Scott Green, Anthony J. Scirica, Isadore A. Shrager, and Clare L. Wofford.

**RECOMMENDATIONS FOR JOINT COMMITTEE ACTION**

4. Borrowing Authority - 10/1/95 - 12/31/95

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, voted to authorize the officers to borrow for operating purposes of the University \$30 million on terms which the officers believe best for the University, such authorization to cover the period from October 1, 1995, through December 31, 1995. (The borrowing authority for the preceding quarter was also for \$30 million.)

5. Board and Standing Committees Meeting Schedule

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, voted to recommend that the Board of Trustees approve the Schedule Board Committee Meetings 1995-1996, as set forth in SUPPLEMENT I to these Minutes.

6. Final Consolidated Budget for 1995-1996

a) Non-Hospital Budget

President Liacouras presented the highlights of the Final Budget for 1995-1996 as given in SUPPLEMENT II which is attached to the official copy of these Minutes on file in the

Office of the Secretary.

Mr. Moore, referring to the item in the highlights on the transfer of \$1,200,000 from designated quasi-endowment which represents the Hospital's share in the final negotiations per our contract with Independence Blue Cross, said that Board approval for that transfer and for transfers related to Jeanes Hospital and to the Philadelphia Geriatric Center is required in order to be in compliance with the bond covenants. The approval must state that the transfers are to support health care-related activities.

Mr. Gittis commended the administration for an excellent job in securing the very good three-year package with Independence Blue Cross.

President Liacouras spoke of the enrollment item given in the highlights. He said that the enrollment decline was budgeted at 1.5%, but was in actuality 2.5%. The losses are in the School of Business and Management, 40% in the past seven years; the School of Communications and Theater, the College of Engineering and Ambler.

The President reported on five initiatives.

- 1) He said that because of demographics, what is happening at Temple University is the same as what is happening in major cities where children are increasingly minority children. Temple University cannot maintain its size without more of an outreach to the suburbs. He said we used to have an enrollment that was 70%-80% Philadelphia students; it is now down to between 30%-40% Philadelphia students. The President said we are going to look at the future of Ambler in order to make it a more hospitable site to those persons who would otherwise go to Ogontz Center. A task force is expected to have a plan of action by December 1, 1995.
- 2) The President said the marketing of Temple University has been mixed. He reported that he has made two hires: (a) an Assistant to the President for marketing, excluding the Temple University Hospital area, and (b) a person to be in charge of the implementation of the third volume of the Kearney Report.
- 3) The Kearney Report is very critical in a good sense of the term.

- 4) Responsibility based budgeting, which is also a part of the Kearney Report. The new Vice President for Financial Affairs, Martin Dorph, will chair a group of key people at Temple University so that we will end up with between 40-100 units which will have full cost budgeting, this not counting the State appropriation. It will be based on incentives and full costs.
- 5) The Continuing Education area. Ambler, as it is now, is an extension of the departments on Main Campus. The Ambler Dean does not hire faculty. One of the key issues for December 1 will be to determine whether we should move at Ambler towards a branch campus. It will buy services from Temple University or from the market. We need someone who focuses on the entire range of continuing, non-traditional education. The continuing education effort will include Ambler, Main Campus, the downtown campus, other sites established, as well as long distance learning. The person to bring it all together and eventually create a College of General Studies from this mix is the fifth initiative.

President Liacouras said the Kearney Report looks at a \$10 million savings in increased faculty teaching productivity. We know that the Esther Boyer College of Music, the School of Dentistry and other areas have one on one instruction. There could probably be some savings in rethinking the size of a certain number of classes.

The President said the Kearney Report includes a revision of the Student Services area. There is a strong recommendation to create an auxiliary service into a wholly owned separate corporation run like a business.

The President has asked the Chairman of the Board of Trustees to designate five Trustees to oversee implementation of the parts of the Kearney Report we wish to implement.

#### b) Hospital Budget

Dr. Malmud reported on the discussions in Washington regarding the severity of the medical cuts. His information from the House and Senate, as it applies to Temple University Hospital (TUH), is that the House bill would reduce the revenue to TUH by about \$85 million over the next seven years; the Senate bill would

reduce the revenue by about \$77 million.

Assuming no major change, Dr. Malmud said we anticipate an \$80 million reduction in revenue to TUH on the Medicare part of the bill alone. The Medicaid reductions are about 60% of the Medicare reductions. For that reason, the Budget before you must be reopened for expense reductions to TUH for the current year with two goals: 1) reducing expenses, and 2) continuing the market for increased revenue growth. Dr. Malmud said we will be cutting into programs at TUH which we believe can sustain a reduction in budget and not effect quality of care and revenues.

Mr. Lux said the TUH budget includes an operating budget, cash budget and a capital budget for NEH, etc. He reviewed the summary as given on page 9 of SUPPLEMENT II.

Mr. Gittis said this is the anticipated reduction in Medicare and Medicaid we knew was coming, and we budgeted as best we could. As a result of what we are now able to quantify, it will lead to a revamping of the budget. You should understand that we will have to go back on the expense side in order to get the over all performance set forth here.

Mr. Lux, speaking about the community based physician network, said it is very difficult in the current market to earn an excess of revenues on primary care physician revenues; therefore, it represents an investment. We expect these acquisitions to bring us 100,000 covered lives. Mr. Lux said the budget provides for the development of a complete organization around the physician group.

Mr. Gittis pointed out that the change in the projection involving Northeastern Hospital is significant. He said it is a good lesson for this Board as to the difficulty in predicting financial results of some of the ancillary hospitals we are buying. We are engaged in a risky venture and believe we are managing and will continue to manage it well.

Mr. Gittis said he believes we are at risk because of a lack of manpower, and that issue is being addressed immediately. We must be sure we have in place enough help. Because of our experience at NEH, we have restructured our plans at Roxborough.

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee voted to recommend that the Board of Trustees adopt the Final University and Hospital Budgets for 1995-1996 as given in Agenda Reference 6.

7. Conversion of 22 Medical/Surgical Hospital  
Beds in the Rock Pavilion

On motion duly made and seconded, the Business and Finance Committee and Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (9/28/95) that the officers be authorized to amend the previously approved authorization (CPPM 2/15/95, Joint Committees 2/23/95, Board ratification 3/14/95) and proceed with the renovations and equipment acquisitions necessary to convert twenty-two (22) medical/surgical beds on the second floor of the Hospital to intensive care unit beds, with the total project cost not-to-exceed \$2,070,000 (\$1,150,000 previously approved) with the Funding Source being Hospital Excess Revenues over Expenses and the Financing Source being Hospital Invested Cash.

8. Temple Physicians, Inc. Accounting System Software Hardware, Implementation and Integration

On motion duly made and seconded, the Business and Finance Committee and Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (9/28/95) and authorized the purchase, implementation and integration of a PC-based accounting system for Temple Physicians, Inc., at a cost not-to-exceed \$135,000, with the Funding Source being Hospital Excess Revenues and the Financing Source being Hospital Equity.

9. Primary Care Center at the Old Dental School - Design Phase Cost Increase

On motion duly made and seconded, the Business and Finance Committee and Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (9/28/95) and authorized the officers to increase the previously approved (CPPM 10/7/94; Board of Trustees 12/13/94) expenditures of \$238,184 for design professional services fees, related to renovation of the Old Dental School for a primary medical care delivery site by \$14,800 to a total of \$252,964, with the Funding and Financing Sources being Hospital Funds.

10. Primary Care Center, Old Dental School - Design of Renovations for Relocations

On motion duly made and seconded, the Business and Finance Committee and Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (9/28/95) and authorized the officers to retain Jacobs Wyper Architects to provide architectural and engineering design professional services for roof replacement and renovation of approximately 18,000 square feet of space on the second and third floors of the Old Dental

School building at a cost not-to-exceed \$82,633, including design contingency, with the Funding and Financing Sources being Hospital Funds.

11. Design and Engineering Services Contract for  
HSC Carlisle Street Garage

On motion duly made and seconded, the Business and Finance Committee and Executive Committee, the latter acting on behalf of the Board, upon the recommendation of the Board of Directors of Temple University Health System, Inc. (9/21/95) and the prior direction from the Joint Executive and Business and Finance Committees (6/21/95) voted to approve the recommendation of the Campus Planning and Plant Management Committee (9/28/95) and authorized the officers to enter into an agreement with Tim Haahs Associates for design and engineering services at a cost not-to-exceed \$266,000 plus reimbursable not-to-exceed \$2,700 plus 10% design contingency of \$26,600 plus inspection and engineering review not-to-exceed \$18,000 for a total design cost not-to-exceed \$313,000, with the Funding Source being Invested Hospital Cash or Future Financing and the Financing Source being Parking Revenues.

12. Ambler Campus Perimeter Road - Construction  
Authorization

On motion duly made and seconded, the Business and Finance Committee and Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (9/28/95) and authorized the officers to construct a perimeter road around the Ambler Campus at a cost not-to-exceed \$369,000, with the Funding Source being the 1991 University Bond Issue and the Financing Source being the Plant Development Fund.

13. Construction of Temporary Parking Lot  
at Geasy Field (grass lot)

On motion duly made and seconded, the Business and Finance Committee and Executive Committee, the latter acting on behalf of the Board, voted to approve the recommendation of the Campus Planning and Plant Management Committee (9/28/95) and authorized the officers to construct temporary parking at Geasy Field, Broad and Berks Streets, at a cost not-to-exceed \$360,300, with the Funding Source being Development and the Financing Source being Cash on Hand.

**REPORTS FOR INFORMATION**

The following reports were received as distributed.

**Joint Executive and Business and Finance Committees, 9/28/95  
MINUTES, page 7 of 11**

14. Renovation of the Lerro Building - Design Services
15. Installation of Backflow Preventers, Phase II
16. Renovations of Mitten Hall - Health Services  
Furniture and Equipment
17. Renovations to Pathology Research Space - 2nd Floor,  
OMS
18. Relocation of Thrombosis Research Center
19. Acuson Imaging System
20. Temple University Nursing Center: An Urban Care Model
- 20A. Seltzer Hall Lighting Retrofit
- 20B. Tomlinson Theater Improvements for Joint Use
21. Summary Status Report 1991 Bond Issue Projects
22. Summary Status Report of the  
Plant Development Fund Projects

#### EXECUTIVE SESSION

[Secretary's Note: The Joint Committees did not meet in Executive Session and did not receive a briefing on the following two items.]

23. Status of Major Capital Projects
24. Temple University Health System, Inc. Strategic Plan



## RECOMMENDATIONS FOR JOINT COMMITTEE ACTION

### 25. Temple University Health System, Inc. Strategic Plan

[Secretary's Note: The recommendation on the Temple University Health System, Inc. Strategic Plan was not considered at this meeting and will be brought before the full Board for action at its October 10, 1995 meeting.]

### 26. Affiliation Agreement with Jeanes Hospital

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, upon the recommendation of the Board of Directors of Temple University Health System, Inc. ("TUHS") (9/21/95), approved the execution of an Affiliation Agreement among the University, on behalf of Temple University Hospital, Inc., and TUHS, on the one hand; and Jeanes System Management Company and Jeanes Hospital, on the other hand; as more fully set forth in the resolution attached as SUPPLEMENT III to the official copy of these Minutes on file in the Office of the Secretary.

### 27. Affiliation Agreement with Philadelphia Geriatric Center

Mr. Gittis said that while we are putting up a \$1 million deposit, we will not get control of the Center for three to four years. This is because of the fact that they must get a site to build a new Center and then they need a Certificate of Need.

Mr. Zelenkofske said he understands we are looking at 1,000 beds, but there is a new Case Mix Index and the impact will be dramatic. He asked what impact that has on our budget.

Mr. Lux said for a six months period through January 30 of 1996, if that is when the case mix system becomes effective, there is \$1.8 million at Elmira Jeffries. We believe we have opportunities for the acuity level of the patients, and we are reviewing opportunities on the expense side.

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, upon consideration of the approval of the Board of Directors of Temple University Health System, Inc. ("TUHS") (9/21/95), approved the execution of an Affiliation Agreement among the University, on behalf of its divisions Temple University Hospital ("TUH") and Temple University School of Medicine ("TUSM"), on the one hand; and Philadelphia Geriatric Center, Inc. ("PGC"), The Home for the Jewish Aged (the "Home"), The York House ("York House") and Community Housing for the

Elderly ("Community Housing"); on the other hand; as more fully set forth in the resolution attached as SUPPLEMENT IV to the official copy of these Minutes on file in the Office of the Secretary.

**[Secretary's Note: Mr. Paul Zelenkofske recused himself from voting on the Affiliation Agreement with the Philadelphia Geriatric Center.]**

28. Agreement Between the University and Temple University Hospital Relating to Employee Benefits Contract with Independence Blue Cross

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee, the latter acting on behalf of the Board, approved the transfers from the Hospital to the University pursuant to the Agreement attached as SUPPLEMENT V to the official copy of these Minutes on file in the Office of the Secretary; such transfers to be used for the facilities, programs and services at the University's School of Medicine, School of Allied Health Professions, School of Pharmacy, and School of Dentistry; which purposes are hereby determined to support, sponsor and develop health care-related activities.

**OLD BUSINESS**

There was no Old Business.

**NEW BUSINESS**

Temple University 1996-1997 Appropriation Request

President Liacouras distributed a draft of the Temple University 1996-1997 Commonwealth Appropriation Request. He said it is based on A Plan to Renew Temple's Mission and the need for the State to make up the inequities of the Temple University Challenge Grant. It is also based on the needs for advanced technology and deferred maintenance. The President said we are asking for 4% and 1/2 of the four-year inequity in the Challenge Grant.

The President said our request to the State will be smaller than the requests of any of our sister institutions. He said we are doing this because we stated we would keep tuition at the rate of inflation if the State gives us the rate of inflation plus 1%

Ms. Fumo said she is convinced that the State does not

agree with President Liacouras on the notion of catch-up. She suggested that we ask for a tuition subsidy. President Liacouras said we are not going to give up the fact that we have lost \$7 million in the last four years, but likes the idea of asking for a tuition subsidy.

#### **ADJOURNMENT**

On motion duly made and seconded, the Business and Finance Committee and the Executive Committee adjourned at 4:25 P.M.