MINUTES OF THE BOARD OF DIRECTORS QUALITY AND CHARITY CARE TRUST, INC.

In Open Session

February 18, 2004

The Board of Directors of the Quality and Charity Care Trust, Inc., met on Wednesday, February 18, 2004, at 12 Noon in the Jefferson Room of Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Mr. Larry L. Owsley, Chairman

Mr. William Mulloy, Sr., Vice Chairman

Mr. Mike Curtin Ms. Jane Driskell Dr. Joel Kaplan

Ms. Mary Gwen Wheeler

Absent: Ms. Marie Abrams

Dr. William VonderHaar

From the

University: Mr. Glenn Bossmeyer, Assistant University Counsel

Mr. Robert Barbier, Vice President and CFO, University Hospital Mr. William Guy, Assistant to the Vice President for Business Affairs Mr. Rex Davidson, Manager of Foundation Accounting, Controller's Office

Ms. Kathleen Smith, Assistant Secretary Ms. Debbie Dougherty, Board Liaison

Guests: Mr. Bernie Backert, Deloitte & Touche

I. Call to Order

After determining a quorum present, Chairman Owsley called the meeting to order at 12:10 p.m. He welcomed new board member, Mike Curtin. Mr. Curtin is Vice President for Finance at the University of Louisville.

II. Approval of Minutes

Mr. Mulloy made a motion, which Dr. Kaplan seconded, to approve the minutes of June 25, 2003. The motion passed unanimously.

III. Report of the Ombudsperson

Mr. Barbier informed the QCCT board that Mr. John Nord, business office manager for University Hospital, reported there were no issues. Mr. Barbier will submit a written report confirming this information to Dr. Joel Kaplan for the record.

IV. Report of the Nominating Committee

Mr. Mulloy reported the Nominating Committee met at 11:30 a.m. on February 18. He made a motion, which Ms. Driskell seconded, to approve the following slate of officers for 2004.

Dr. Joel A. Kaplan, Chairman Marie Abrams, Vice Chair

Mike Curtin, Secretary-Treasurer

The motion passed unanimously.

V. Action Item: Approval of Audited Financial Statements for FY 2003

Mr. Curtin reported that Deloitte & Touche, LLP issued a clean, unqualified opinion for the FY 2003 financial statements. Mr. Curtin introduced the University's external auditor, Mr. Bernie Backert of Deloitte and Touche. Mr. Backert said the total annual funding provided from the three governmental sources, as specified by the trust agreement amounted, to \$30.6 million for the year ended June 30, 2003. For the fiscal year ended June 30, 2003, the Trust's total assets were \$203 thousand compared to \$1.5 million for the year ended June 30, 2002. The decrease resulted from the receipt during the year ended June 30, 2003 of the \$1.4 million government funding receivable from Jefferson County. For fiscal year ended June 30, 2003, the Trust remitted \$31.9 million to the UMC as compared to \$28.8 million for the year ended June 30, 2002. For year ended June 30, 2003, the total hospital charges for indigent patients at 100% of billing rates, established by UMC for hospital care were \$149.2 million, an increase of 27% over last year's total of \$117.2 million. According to the Trust Agreement, only 58%, or \$86.5 million, of these billed charges are eligible for reimbursement. Funding for the Trust amounted to \$30.6 million for the year, leaving \$55.9 million in eligible patient billing needs that were not reimbursed.

Mr. Backert said the major factors that affecting funds remitted to the Trust are changes in the consumer price index (CPI), collection of tax revenues by the contributing governments, and amendments to the Trust Agreement. The annual Trust funding required from the City of Louisville, Jefferson County and the Commonwealth of Kentucky was established by the Agreement, last revised in February, 1996. He confirmed any funding increase is determined by a formula that considers the lesser of the annual increase in the consumer price index or each government's rate of increase in tax revenues. Mr. Backert said for year ending June 30, 2004, the Trust will receive total combined funding amounting of \$30.7 million.

Mr. Backert reported the Statement of Assets and Liabilities as of June 30, 2003 and 2002:

ASSETS	2003	2002
Cash	\$ 1,076	\$ 87
Investments-US Government Agencies	199,939	184,764
Government funding receivable from Jefferson Co.		1,360,400
Other Assets	2,429	2,008
Total Assets	\$203,344	<u>\$1,547,259</u>
LIABILITIES		
Accrued administrative expenses	\$14,558	\$10,300
Due to University Medical Center, Inc.	188,786	1,536,959
Total Liabilities	<u>\$203,344</u>	<u>\$1,547,259</u>

Mr. Backert reviewed the following Statement of Changes in Balance Due to University Medical Center. Inc.

Contai, inc.	2003	2002
Balance due to University Medical Center-beginning of year	\$1,536,959	\$134,767
Receipts:		
Government funding	30,556,836	30,148,455
Interest income	34,898	56,762
Total Receipts	30,591,734	30,205,217
Disbursements		
Distributions to University Medical Center, Inc.		
-indigent care	31,917,232	28,787,542

Administrative expenses Total Disbursements	22,675 31,939,907	15,483 28,803,025
Balance due to University Medical Center, Incend of year	\$188,78 <u>6</u>	\$1,536,959

Mr. Backert reported the financial records are in excellent order and the hospital maintains an indigent care patient log. In response to Mr. Owsley's inquiry concerning possible administrative improvements, Mr. Backert said the current procedures work very well and he did not recommend any significant changes. In response to Ms. Wheeler's inquiry how charges are assessed relating to different rates, Mr. Backert responded the charges are fully loaded less the allowance. The patient is billed after appropriate adjustments are made. The log reports all funding sources. All transactions processed in a given Trust year are accumulated, by patient, in a log for that year. With the exception of year-end, in-house patients and patients discharged but not yet finally billed, transactions are generally recorded in the Log at the time of final billing and are categorized by the Trust year in which the patient is billed.

Ms. Driskell requested billing information/component units be supplied. Mr. Backert noted that GASB 39 provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based upon the nature and significance of their relationship with the primary government. Mr. Backert said that auditors for QCCT and University Medical Center are involved in reviewing the files. Mr. Barbier confirmed that Ernst & Young, LLP are the UMC auditors. Mr. Owsley asked that once this determination is made, the auditors should notify Mr. Curtin. Ms. Wheeler made a motion, which Dr. Kaplan seconded, to approve the

Chair's recommendation that the Board of Directors accept the audit report for the Quality and Charity Care Trust, Inc. for the year ended June 30, 2003 as prepared by Deloitte & Touche.

The motion passed unanimously.

VI. Action Item: Approval of Signature Authority

Upon reviewing the signature authority document, Mr. Mulloy made a motion, which Dr. Kaplan seconded, to approve the

Chair's recommendation that the Board of Directors adopt the attached resolution allowing the following officers or employees of the University of Louisville be empowered to sign checks on or withdrawal requests subject to the conditions of the attached resolution in the name of the Quality Charity Care Trust.

The motion passed unanimously.

VII. Action Item: Approval of Amendment of Bylaws

Mr. Owsley said the purpose of the bylaws amendment was to reflect the change to the merged government. In response to Ms. Wheeler's inquiry, Mr. Bossmeyer acknowledged the number of merged government representatives remained constant with the change; the change reflects the consolidation of City of Louisville and Jefferson County into Louisville Metro Government representation. The procedures remained the same. Mr.Mulloy made a motion, which Mr. Curtin seconded, to approve the

Chair's recommendation that the Board of Directors approve an amendment of By-Laws Article II, Section 2.1 Board of Directors, as follows: Section 2.1 <u>Board of Directors</u>. Effective May 1, 1983, the government of the Corporation shall be vested in a Board of Directors composed of six persons appointed by the Board of Trustees of the University of Louisville (one of whom will be selected upon the recommendation of the Governor of the Commonwealth of Kentucky) and three other directors selected by the Board of Trustees, **two from a list of at least five nominees submitted by the Mayor of Louisville Metro and one from a list of three nominees submitted by the Louisville Metro Board of Health**. one each from a list of three nominees submitted by the Mayor of Louisville, Jefferson County Judge/Executive and Louisville and Jefferson County Board of Health respectively.

The motion passed unanimously. In response to Ms. Wheeler's inquiry concerning terms and process for appointment, Ms. Smith noted the terms are for three years; prior to the expiration of appointment, the President writes to the appropriate agency and request nominees. Mr. Owsley noted the Trust Agreement should be amended to reflect the change to Louisville Metro Government. The current Trust Agreement refers to Jefferson County and the City of Louisville. He confirmed that under the current Trust Agreement, the contracts are still in effect. Ms. Driskell said the time frame on all laws is five years. Contracts are reviewed as expiration dates approach; new contracts are with Metro Government. Dr. Kaplan will pursue the necessary changes.

VII. Other Business

Mr. Curtin reported originally the cost escalator for QCCT was not included in the Governor's budget recommendation; however, those figures are now included. Mr. Curtin anticipates no problems with state funding. Mr. Curtin introduced Mr. Rex Davidson, CPA, accounting manager in the Controller's Office who works with cost escalators and budget calculations.

The next meeting of the QCCT Board will be in May, 2004. Ms. Driskell requested a more frequent schedule of cost calculations and assessments. Although more frequent calculations would not be audited (external auditing is performed at year end), Mr. Barbier agreed to supply information on the current year-end basis and one additional time throughout the year. Ms. Driskell also asked if previous year data could be included. Ms. Wheeler requested an updated list of the board membership. Dr. Kaplan thanked Mr. Owsley for his excellent service as chair.

VIII. Adjournment

DOADD ACTION.

Ms. Wheeler made a motion, which Mr. Curtin seconded, to adjourn the meeting at 12:40 p.m. The motion passed unanimously.

DUAND ACTIV	UIN:		
PassedX	X	_	
Did not pass			
Other		_	
Asst. Secretary_	Latal.	M. Smit	h

RECOMMENDATION TO BOARD OF DIRECTORS OF THE QUALITY AND CHARITY CARE TRUST, INC. CONCERNING AUDIT REPORT FOR YEAR ENDED JUNE 30, 2003

February 18, 2004

RECOMMENDATION:

The Chair recommends:

That the Board of Directors accept the audit report for the Quality and Charity Care Trust, Inc. for the year ended June 30, 2003 as prepared by Deloitte & Touche.

BOARD ACTION:	
PassedX	
Did not pass	
Other	
Asst. Secretary Lorge . M. Smith	

RECOMMENDATION TO THE BOARD OF DIRECTORS QUALITY & CHARITY CARE TRUST, INC. REGARDING AMENDMENT TO BY-LAWS

February 18, 2004

RECOMMENDATION:

That the Board of Directors approves an amendment of By-Laws Article II, Section 2.1 Board of Directors, as follows:

Section 2.1 <u>Board of Directors</u>. Effective May 1, 1983, the government of the Corporation shall be vested in a Board of Directors composed of six persons appointed by the Board of Trustees of the University of Louisville (one of whom will be selected upon the recommendation of the Governor of the Commonwealth of Kentucky) and three other directors selected by the Board of Trustees, **two from a list of at least five nominees submitted by the Mayor of Louisville Metro and one from a list of three nominees submitted by the Louisville Metro Board of Health.** one each from a list of three nominees submitted by the Mayor of Louisville, Jefferson County Judge/Executive and Louisville and Jefferson County Board of Health respectively.

BOARD ACTION:

PassedX	
Did not pass	
Other	
_	
Asst. Secretary_	M. Smith

RECOMMENDATION TO THE BOARD OF DIRECTORS QUALITY, CHARITY CARE TRUST CONCERNING SIGNATURE AUTHORITY

February 18, 2004

RECOMMENDATION:

The Chairman recommends:

That the Board of Directors adopt the attached resolution allowing the following officers or employees of the University of Louisville be empowered to sign checks on or withdrawal requests subject to the conditions of the attached resolution in the name of the Quality Charity Care Trust.

BOARD ACTION:	
PassedX	
Did not pass	
Other	
Asst. Secretary_	M. Smith

RESOLUTION

RESOLVED THAT:

Assistant Secretary

	(1)	The Republic Bank and Trust Company of Louisville, Louisville, Kentucky ("Bank") is designated a depository of funds of the Quality, Charity Care Trust ("QCCT").	
	(2)	The following account is authorized and the name of the account is "Quality, Charity Care Trust"	
	(3)	The following officer and employees of the University of Louisville, listed below, are authorized to sign checks on or withdrawal requests subject to the conditions of paragraph (4) of this resolution:	
		J. Curtinesident for Finance, U of L	
	Larry W Controll	Z. Zink ler and Treasurer, U of L	
		R. Gahlinger at Treasurer, U of L	
	(4)	The following limitations shall apply to the signature authority of the above named University officers and employees: (a) for amounts of \$25,000 or less – one signature which may be mechanical; (b) for amounts of more than \$25,000 and less than $$100,000$ – two signatures, one of which can be mechanical; and (c) for amounts of $$100,000$ or more – two signatures, both of which must be manual.	
	(5)	The officers and employees named above have provided specific Signatures herein and are authorized to sign signature cards and accounts agreements.	
	(6)	The Assistant Secretary of the Board of Directors is authorized and directed to deliver for and on behalf of the QCCT, a certificate of this resolution to this bank.	
	(7)	The Bank is authorized to rely upon this Resolution until the Bank has received written notice or recession of the resolution.	
ACTIO	<u>N:</u>		
Passed			
Did not	pass		
Other			
Date			