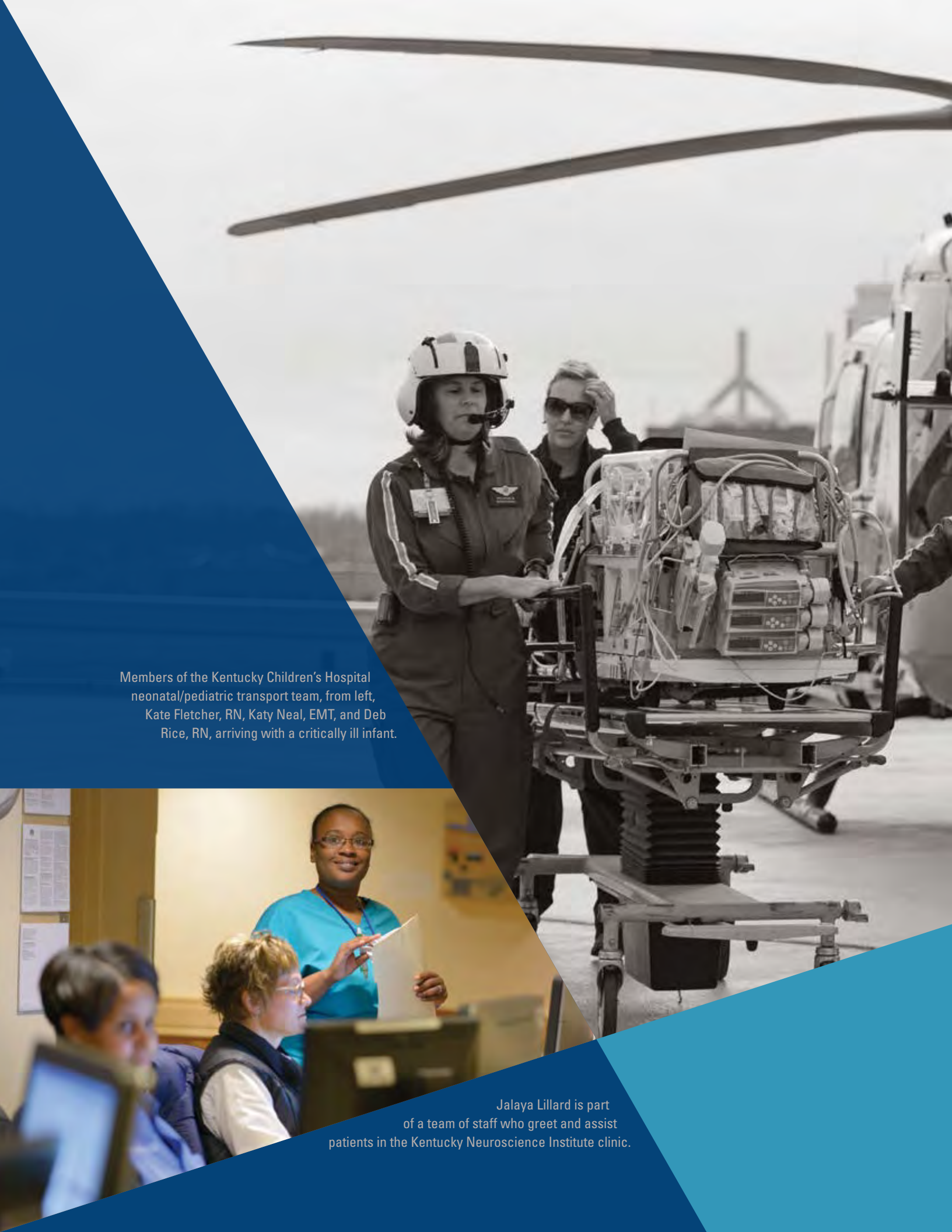


10 Years of Growth in Every Meaningful Dimension

ANNUAL REPORT 2014

UKHealthCare[®]



Members of the Kentucky Children's Hospital neonatal/pediatric transport team, from left, Kate Fletcher, RN, Katy Neal, EMT, and Deb Rice, RN, arriving with a critically ill infant.

Jalaya Lillard is part of a team of staff who greet and assist patients in the Kentucky Neuroscience Institute clinic.



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Becoming a regional referral center
and a medical destination

Firmly grounded on the pillars of academic health care — clinical care, research and education — UK HealthCare® is building relationships in Kentucky and beyond to strengthen local health care delivery and ensure the citizens of the Commonwealth have access to the advanced subspecialty care they need. Looking back over a decade of tremendous growth, the UK HealthCare of today is a thriving regional referral system with aspirations to become a medical destination and one of the nation's very best health care providers.



A report on fiscal year 2014 from the
Executive Vice President for Health Affairs

Surprising growth across every meaningful dimension

Fiscal year 2014 marks
10 years since a new
strategic plan for UK HealthCare®
was approved and launched. Since
then, we have exceeded our original
expectations.

Executive VP for
Health Affairs Michael
Karpf, MD, says
UK HealthCare's strength
and forward momentum
comes from a commitment
to the health care system of
the Commonwealth.

Our strategy has been to work with – not
compete against – local community providers.
We are expanding the care they can offer so
Kentuckians can stay closer to home for health
care. Our goal has been to build a comprehensive
system of care so that no Kentuckian needs to
leave the state to find the care they need.

In describing the changes UK HealthCare has
undergone over the past decade, this report looks
at how we have changed within five important
dimensions:

- 1) Quality of care
- 2) People
- 3) Patient centeredness
- 4) Research
- 5) Financial stability

Consumer perception of UK HealthCare has
changed radically in the last 10 years. We
are now clearly the place to go for advanced
medicine. We've grown from a small academic
medical center (AMC) at the 25th percentile of
volume to an AMC above the 75th percentile. Our
case mix index, a measure of the complexity of
our patients, now places us at the 75th percentile
among AMCs. The patients we treat are as sick
and as complicated as those seen at the nation's
best hospitals.

We have grown because we reached out to
community hospitals and providers and asked

them how we could help. We have learned how
to work together in mutually beneficial ways.
The need for a regional referral center is clear;
last year about 13,000 patients were transferred
to us from other facilities.

Our growth is based on strong clinical
performance as well as enhanced academic
performance. UK training programs are in
great shape. And during this same period,
the university received a coveted \$20 million
Clinical and Translational Science Award (CTSA),
renewed its elite Center on Aging grant, and
received National Cancer Institute designation.
Competition for each of these awards is intense,
and we are among only a handful of academic
medical centers to have earned all three.

After meeting and exceeding our goals for patient
volume, our challenge now is to increase our
capacity to grow. No one could have anticipated
the volumes we are seeing today – volumes that
have also enabled us to invest in patient care,
education and research.

In June, the UK Board of Trustees approved a
proposal by which we will address some of our
space needs. We continue to benefit from our
decision to build a replacement for Chandler
Hospital, but given the higher than projected
patient volumes we are seeing, we have not
been able to close many beds in the older facility.
Instead, we have accelerated our pace of fitting
out the new pavilion.

During fiscal year 2014 we were fitting out
a central inpatient pharmacy, a new floor for
cardiovascular services and a new observation
unit. In June, the board approved the fitting out of
two additional floors for medicine and pulmonary
patients, which should open in 2015.

“In an academic health center, research and clinical success are synergistic and interdependent. A strategic collaboration between the clinical and the academic enterprises will enhance the success of both beyond what would occur with an investment in either alone.”

– Bowman, M.A., et al. JAMA 2007

QUALITY CARE IS THE BEDROCK

Fiscal year 2014 started off with the announcement in July 2013 that the UK Markey Cancer Center has been designated by the National Cancer Institute (NCI) for the quality of its program. This placed UK HealthCare among an elite group of 68 centers nationwide with such an achievement. The result of this honor has been higher visibility for the center and its services and additional dollars in NCI funds for prevention and research efforts – both translating into more patients receiving the best evidence-based care available.

In September 2013, UK HealthCare assumed management of the new Eastern State Hospital, a step that draws acute care for mental health patients into the larger health care continuum where it should be. Already, improvements made in protocols and staffing have benefitted this vulnerable population.

Through UHC, a collaborative of more than 100 of the nation’s academic medical centers, we are benchmarking our progress in quality, safety, patient satisfaction and efficiency as reflected in their annual Quality and Accountability Study. Each year we reaffirm our commitment to become a top 10 performer in these areas. Since 2005 we have twice won the UHC Rising Star Award, most recently in October 2013 when we moved up from an overall ranking of 56th to 12th – the biggest improvement in ranking in UHC history.

Our networks with other providers have strengthened patient access to the most current, evidence-based care in trauma, stroke, cancer and, thanks to a neuroscience network added this year, epilepsy.

FOR BEST RESULTS, LEAD WITH YOUR STRENGTH

Translational research and clinical care cannot be separated. Major research-intensive referral centers improve the depth and breadth of the clinical services they offer.

Today, the NIH sends fewer dollars to the nation’s AMCs for research than it did 10 years ago. As research becomes more sophisticated and increasingly competitive, it is critically important that we build research excellence to maintain clinical excellence. Inevitably, AMCs with strong NIH funding also have strong clinical programs. And experience has shown that when clinical activity drops off, NIH funding also declines. The two are interlocked.

Fortunately, through focused recruitment of groups with successful research experience and individuals who complement what we have already built, UK is better positioned to compete for large grants. The challenge will be for UK HealthCare’s clinical enterprise to deliver more revenues so that we can build and improve clinical services and research. And, key to building research is accommodating the need for research space.

FOR THE GOOD OF KENTUCKY

What does clinical and research growth mean to the Commonwealth? The two may have been the state’s most important economic engine of the last decade. In 10 years’ time UK HealthCare has grown from a workforce of just over 5,000 full-time equivalents (FTEs) to more than 10,000 FTEs – an increase of 102 percent. This

includes clinicians and researchers. Lexington is poised to be both a clinical and a research destination.

The benefit to our community, the Bluegrass and the state over the last 10 years amounts to an additional \$580 million in salary and benefits annually, with our compensation growing from about \$320 million in 2004 to more than \$900 million in 2014. We have created significant job growth among highly skilled positions.

Within a decade, UK will have invested more than \$1.6 billion on behalf of the state in facilities, program development and new technology.

OUR VISION FOR THE FUTURE

Our goal has been to create a system that rationalizes care, not rations care. The system we envision provides care in appropriate settings within a seamless continuum of care. Such a system requires partnerships with providers, insurers and purchasers – all working within integrative information systems and using tools for medical management.

In renewing our strategic plan for 2015 to 2020, we will address major questions and challenges:

- Understanding our appropriate size.
- Strengthening our clinical service lines.
- Expansion of our network and more formal, structured relationships.
- Development of medical management systems.

- Continuing to build our brand.
- Preparation for “population medicine” and risk.

While we are particularly well designed to treat complex patients who need the unique services we provide, one goal of our planning will be to make sure they can access our care. In 2014 we were unable to accommodate about 1,100 requests from other facilities to transfer inpatients; 50 percent of them would have been ICU patients, the type of patient we are best equipped to treat.

We will continue working with community partners in broadening their ability to locally manage patients in order to reserve capacity for highly complex patients who require our facilities. We must continue to develop a network of hospitals and providers working together for the good of the patient. Our network needs to span 7 to 9 million people.

Since 2004, we have built networks with local providers around the Markey Cancer Center, the Gill Heart Institute, solid organ transplant, and stroke treatment and prevention. We now have a foothold in Louisville through a robust relationship with Norton Healthcare, and our presence extends beyond the state’s borders into West Virginia, Tennessee and Ohio.

In 2014, we evolved our cardiovascular services relationship with ARH to become directly responsible for quality, service and efficiency. UK physicians located in Hazard provide cardiovascular services, while UK has also initiated a management services agreement for the ARH cardiovascular

service line at seven of the ARH hospitals in Eastern Kentucky. We are working together to improve care and make it more efficient.

As we plan, we will establish a goal for each relationship as well as a path to mature each. We will look at how we can strengthen our service lines, evaluate faculty and support staff, and develop a five-year recruitment plan. We will create a capital plan for equipment and information technology systems. And we will try to better understand patient referrals and where additional relationships may be needed.

In terms of a medical management system, we will ensure we are as efficient and cost effective as possible. We simply must make sure we are trading the information needed to deliver the best care.

MAKING UK HEALTHCARE INDISPENSABLE

Academic medical centers are giant economic engines requiring significant resources. We must generate sufficient capital each year to grow and ensure we remain strong and able to perform our key role within Kentucky’s health care system.

Then, no matter what happens, UK HealthCare will survive the changes of the next decade.



*Michael Karpf, MD
Executive VP for Health Affairs
UK HealthCare® / University of Kentucky*

University Health Care Committee of the University of Kentucky Board of Trustees

As of June 30, 2014

Barbara Young, Chair
William S. Farish Jr.
O. Keith Gannon, PhD
William C. Britton
James H. Booth

Ex Officio Members

(Non-Voting)

Eli Capilouto, ScD
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Mira Ball
Robert Clay
Luther Deaton
Pam Miller
Nick Nicholson
Myra Leigh Tobin



Barbara Young,
chair of the UK Board of
Trustees University Health Care
Committee

After a busy 10 years, planning our next steps

Around the beginning of the 21st century, the University of Kentucky began to reimagine a future for its medical center. It was clear the world of medicine was changing and UK would need to adapt.

University leaders realized the time had come to reinvest. They recruited an experienced leader, reorganized the clinical enterprise, and created a strategic plan with a vision that no one should have to leave Kentucky to receive the health care they need.

Since the plan's launch in 2004, we've introduced thousands of Kentuckians to the UK HealthCare® brand. Early on, we knew that some Kentuckians were leaving the state for health care. Today, more of us have access to highly specialized medicine – a result of UK HealthCare's serious investment in people, facilities and resources over the last decade to create a major referral center that meets the state's needs.

The University Health Care Committee of the UK Board of Trustees meets in retreat each June to review the year's progress and set goals for the coming fiscal year. Last June, our primary question was, "Where do we go from here, and how big should we be?"

As we have improved access to the UK health system, established relationships with providers across the state, recruited needed specialists, and become more efficient, we've been faced with great demand in both inpatient and outpatient arenas. Today, we are operating near capacity

levels. The board recently instructed UK to seek certificate of need (CON) approval for 120 badly needed hospital beds. We are hopeful the state will approve our request.

The next big question is, what will implementation of the federal Affordable Care Act mean for Kentucky and UK HealthCare? In the short term the effect has been positive for both UK and our patients. More people have insurance and access is easier and more affordable for the sickest patients.

In the future, we anticipate patients will continue to seek our care. The need and networks are well established; the quality of care is assured. But will adequate reimbursement be there? Experts far and wide are divided on that question, and we must prepare for the significant changes brought about by health care reform.

UK must and will continue to provide patient-centered quality care in a safe environment that is both efficient and leading edge. At the same time, UK will need to be nimble and must continue to plan for the future by investing in infrastructure, research and people.



Barbara Young
Chair, University Health Care Committee
University of Kentucky Board of Trustees



Gill Heart Institute electrophysiologists Samy Claude-Lafay, MD, left, and Gustavo Moraes, MD, in a Gill cardiac cath lab.

Benchmarks



10 YEARS OF GROWTH IN EVERY MEANINGFUL DIMENSION

Whether talking about quality of care, size, breadth of specialty coverage, patient satisfaction, research standing or our ability to financially support the next step, UK HealthCare has been on a steep trajectory of growth and improvement since 2004. The following pages outline how far we've come within five important dimensions of what makes an academic medical center successful.

UHC Quality & Accountability Study

Employs a 1-to-5 star rating system and ranks more than 100 academic medical center's health systems in the U.S.



10 Years of Growth in Every Meaningful Dimension

Benchmark #1

In crafting UK HealthCare's 2004 strategic plan, we recognized the need to improve our quality to become a destination for advanced medicine. A decade later, the care we provide places us among the most improved and highest quality academic medical centers nationwide.

Quality



The Pediatric ICU team at Kentucky Children's Hospital meets with the patient's mother, Selene Quintana, to discuss her child's progress. In the photo from left, pediatric critical care specialist Philip Bernard, MD, medical student Grant Burkeen, pediatrics resident Thad Salmon, MD, Quintana, Kellie Crowe, RN, and Laura Broughton, RN. Not shown are Allyson Jacoby, RN, Karen Lommel, DO, and Cherlyn Rutherford, RRT.



Jeannie Nesbitt, Clay City, Kentucky

Jeannie

Through high-quality care, patient survives advanced-stage cancer

A tumor that invaded Jeannie Nesbitt's bile ducts and liver would have been deemed inoperable by others, but a team at UK Markey Cancer Center now has the 43-year-old living cancer-free.

Nesbitt, of Clay City, started feeling off in November 2013. Thinking she had an ulcer, she coped by living mainly on liquids the next three months.

The day Nesbitt was to see a specialist in Mount Sterling, her liver began shutting down and doctors transferred her to UK HealthCare.

Tests indicated *hilar cholangiocarcinoma*, a rare bile-duct tumor. Standard treatment involves surgery then, depending on pathology results, chemotherapy and or radiation. But Nesbitt's tumor had spread from her bile ducts deep into both sides of her liver, ruling out surgery since it would impact too much of her liver.

Her multidisciplinary team tailored a new treatment plan focusing on quality and individualized care.

They shrank Nesbitt's tumor with chemotherapy and radiation then surgically removed nearly 70 percent of her liver and her entire bile duct system, rebuilding ducts with a piece of her intestine.

"The last time I had a scan done, they said it was fine," Nesbitt said. "I feel like I'm five years healthier than I was before."

UHC Quality & Accountability Study

Employs a 1-to-5 star rating system and ranks more than 100 academic medical center's health systems in the U.S.



Largest jump in the rankings in UHC history



Quality improvement takes focused commitment

To meet the elevated standards of quality we set for UK HealthCare, clinical leadership in 2004 selected the University HealthSystem Consortium (UHC) Quality & Accountability Study as a measure. The study compares the nation's best academic medical centers, allowing us to track our own improvements and benchmark our rankings relative to other health systems.

Clinical leaders developed goals based on UHC measures and cascaded them through UK HealthCare's teams to make quality improvement a directive for all employees. With these clear targets, UK HealthCare has made substantial gains since 2005, its first full year participating in the study.

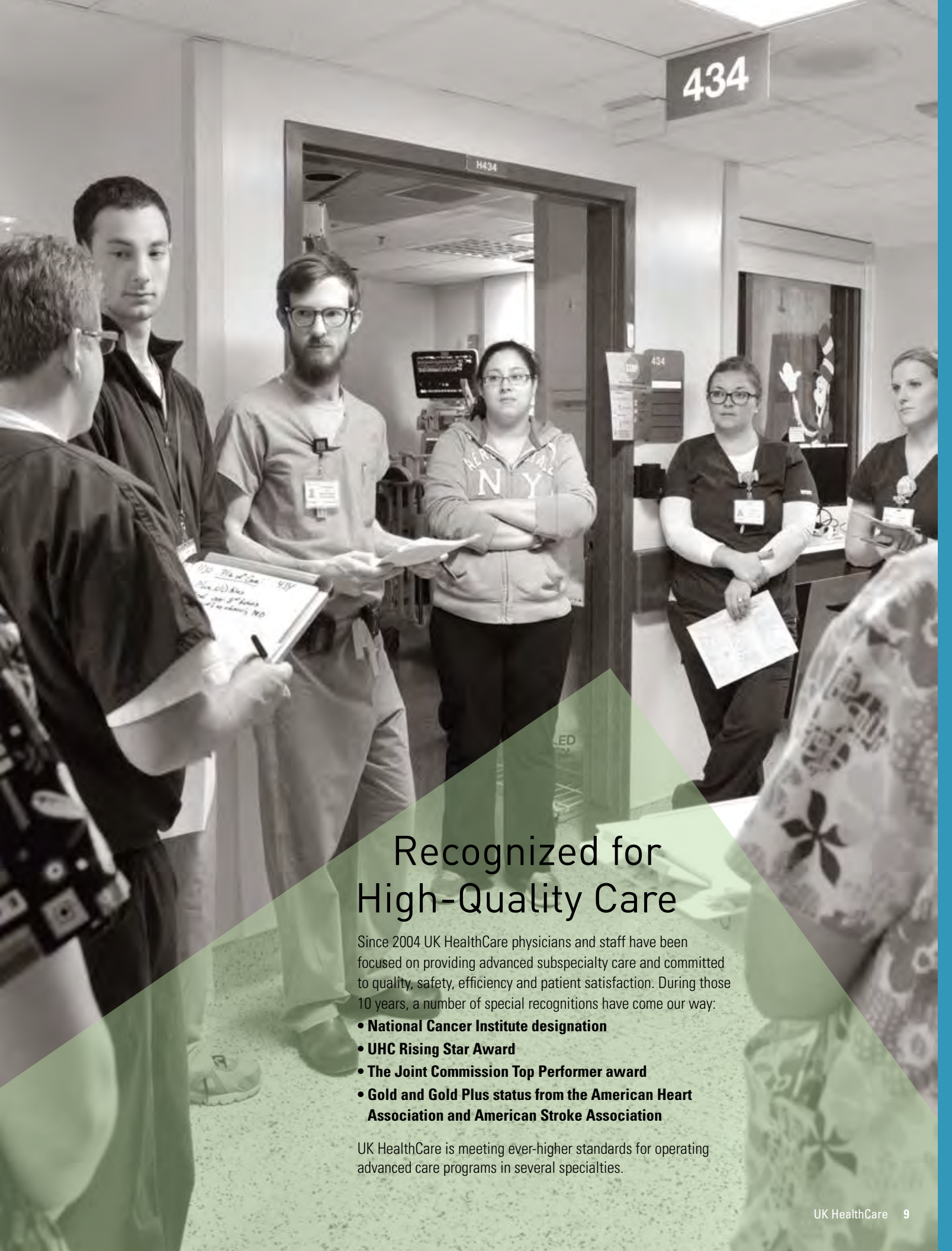
Multiple metrics constitute the study's overall ranking. Those include patient-survival rates and length-of-stay measures, which we improved by ensuring the best evidence-based treatment for each patient's condition, among other efforts. Readmission rates were reduced thanks to focus on safety protocols – which benefitted our efficiency scores.

We instituted quarterly quality meetings and invite all faculty and staff. Those highlight UK HealthCare's progress and reaffirm the priority placed on quality improvement. Believing transparency to be a key tool for improvement, we are posting many key metrics in a quality section on our website, ukhealthcare.uky.edu/quality.

Early on, UK HealthCare's efforts earned a UHC 2007 Rising Star award for significant improvement in the Quality and Accountability Study. In 2013, UK HealthCare was again recognized with a UHC Rising Star Award for Quality Leadership. Rocketing from 56th place among the more than 100 academic medical centers participating in the study to a rank of 12th in 2013, UK HealthCare made the largest improvement in rankings in UHC history.

UK HealthCare leaders are pleased with the progress but not satisfied. We plan to continue improving quality, aiming to benchmark in the top 10 percent of all academic medical centers.

The Pediatric ICU team at Kentucky Children's Hospital meets with the patient's mother, Selene Quintana, to discuss her child's progress. In the photo from left, pediatric critical care specialist Philip Bernard, MD, medical student Grant Burkeen, pediatrics resident Thad Salmon, MD, Quintana, Kellie Crowe, RN, and Laura Broughton, RN. Not shown are Allyson Jacoby, RN, Karen Lommel, DO, and Cherlyn Rutherford, RRT.



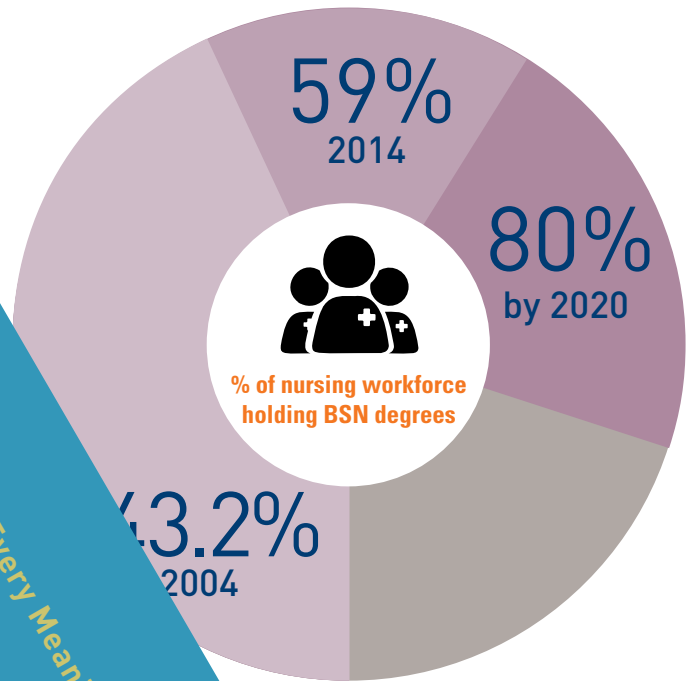
Recognized for High-Quality Care

Since 2004 UK HealthCare physicians and staff have been focused on providing advanced subspecialty care and committed to quality, safety, efficiency and patient satisfaction. During those 10 years, a number of special recognitions have come our way:

- **National Cancer Institute designation**
- **UHC Rising Star Award**
- **The Joint Commission Top Performer award**
- **Gold and Gold Plus status from the American Heart Association and American Stroke Association**

UK HealthCare is meeting ever-higher standards for operating advanced care programs in several specialties.

Nurses with Advanced Training



UK HealthCare introduced the Bachelor of Science in Nursing requirement for many nursing positions and listed it as preference in hiring. The goal is for 80% of nursing staff to hold the BSN degree by 2020. *Practice and Support Services*

Benchmark #2

UK HealthCare's people provide its greatest strength. By investing in our employees through the past decade, adding new positions, growing subspecialty coverage and emphasizing advanced education, UK HealthCare has positioned itself as a regional referral center and medical destination.

10 Years of Growth in Every Meaningful Dimension

People



Employee Engagement

Since 2012, UK HealthCare has taken an annual survey of its employees to understand how to improve employee engagement. Employees give scores of 1-5. Higher is better.

| | 2012 | 2013 | 2014 |
|---|------|------|------|
| This organization provides career development opportunities | 3.64 | 3.78 | 3.81 |
| I am proud to tell people I work for this organization | 4.03 | 4.14 | 4.21 |
| This organization provides high-quality care and service | 4.06 | 4.13 | 4.20 |

Source: Office of Patient Experience



Jane and David Neall, Chattanooga, Tennessee

Push to recruit specialists links patients with top-level care

As a six-year survivor of a rare pancreatic neuroendocrine cancer, Jane Neall well knows the importance of finding the right expert.

Neall, 59, of Chattanooga, a retired nurse practitioner, began experiencing symptoms in 2008. She was referred to Lowell Anthony, MD, a medical oncologist and researcher specializing in neuroendocrine and gastrointestinal cancers.

As part of a decade-long initiative to fill gaps in subspecialty coverage, UK HealthCare recruited Anthony in 2011, one of many national experts recruited since 2004. UK HealthCare's spectrum of specialists gives Kentuckians the option of staying in state for their care and attracts patients, like Neall, from across the country.

Anthony, chief of medical oncology at the UK Markey Cancer Center, coordinates Neall's care among three other physicians.

The cancer had spread to her liver, lymph nodes and pelvic organs. Following four major surgeries, three rounds of advanced treatment with microsphere implantation and chemotherapy, Neall said she feels quite healthy and is cancer-free.

"He was the first one to really give me hope," she said of Anthony. "To think that I was not given more than three to five years to live and here I am six years out. It's been an incredible journey."

Growing our most valuable resource, our people

Adding more than 5,000 jobs since 2004 has grown our employee base by 102 percent; salary and benefits in the same time period grew about 180 percent to more than \$900 million annually. UK HealthCare has become an important economic engine for Lexington, the Bluegrass and the state.

We are positioned better than ever to meet the medical needs of Kentuckians thanks to our 2004 strategy to locate and fill gaps in subspecialty coverage. We hired skilled experts for clinical service lines such as the Gill Heart Institute, Markey Cancer Center, Kentucky Neuroscience Institute and the UK Transplant Center. We are treating and curing patients today whom we could not have accepted a decade prior. Jane Neall's story (sidebar) is a prime example.

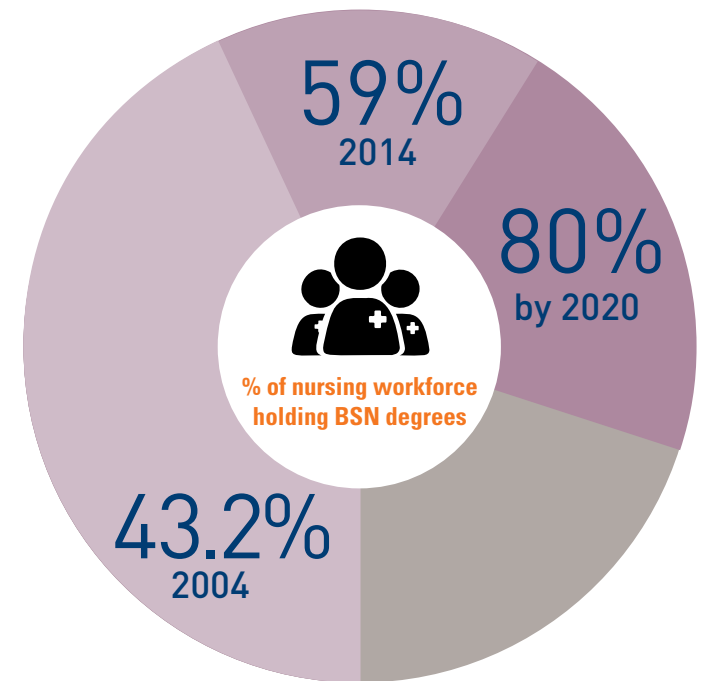
Numbers prove it, too. UK HealthCare's case management index (CMI), a measure of how complicated patients are on arrival, shows increasing complexity over the decade. Also, steady growth in patients other hospitals are seeking to transfer to UK HealthCare indicates we are advancing on the goal that no Kentuckian should need to leave the state for care, no matter how complex.

To ensure our nursing staff is educationally prepared to care for the complex needs of our patients, UK HealthCare provides tuition assistance to those seeking nursing degrees, Nursing Educational Awards for students in basic RN programs, and tuition repayment programs. The university's generous tuition benefits for employees are being utilized by UK HealthCare nurses to complete a Bachelor of Science in Nursing degree, and we are making exceptional progress toward our goal of an 80 percent BSN-prepared workforce by 2020.

Leadership's commitment to employee engagement is paying off as well. Our employee surveys show UK HealthCare's people are more engaged than ever in the organization's work and purpose – which is highly correlated to improved service.

In the coming years, UK HealthCare leaders will assess workforce size to keep it optimal and to continue supporting these improvements to our most highly valued resource – our people.

Nurses with Advanced Training



In 2012, UK HealthCare introduced the Bachelor of Science in Nursing requirement for many nursing positions and established it as preference in hiring. The goal is to have 80 percent hold the BSN degree by 2020.

Source: Nursing Practice and Support Services



Employee Engagement

| | 2012 | 2013 | 2014 |
|---|------|------|------|
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Since 2012, UK HealthCare has taken an annual survey of its employees to understand how to improve employee engagement. Employees give scores of 1-5. Higher is better.

Source: Office of Patient Experience

Overall Growth in Jobs

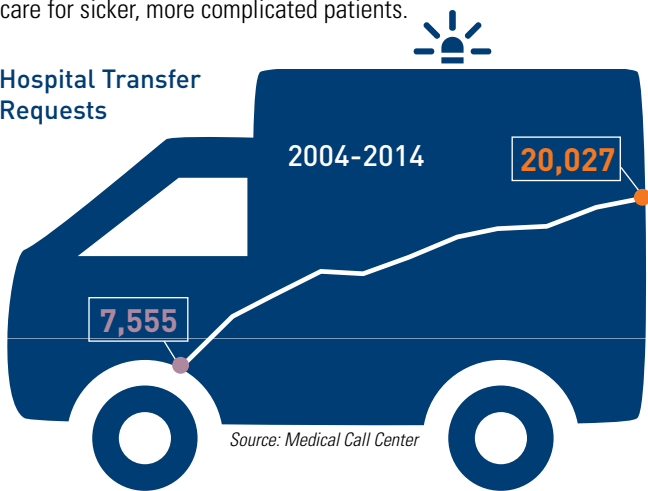


*In 2004, the College of Medicine reported people rather than full-time equivalent positions (FTEs). The clinical enterprise has always reported FTEs. 2014 represents FTEs in both areas at year's end.

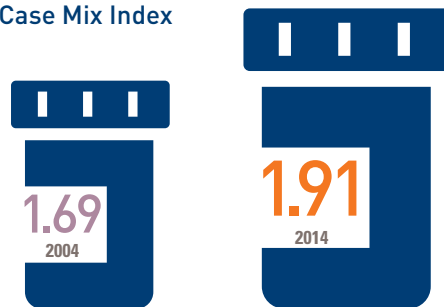
Improved Advanced Specialty Coverage

More requests to transfer patients to UK HealthCare and a higher case management index (CMI) demonstrate growth in our ability to care for sicker, more complicated patients.

Hospital Transfer Requests



Case Mix Index



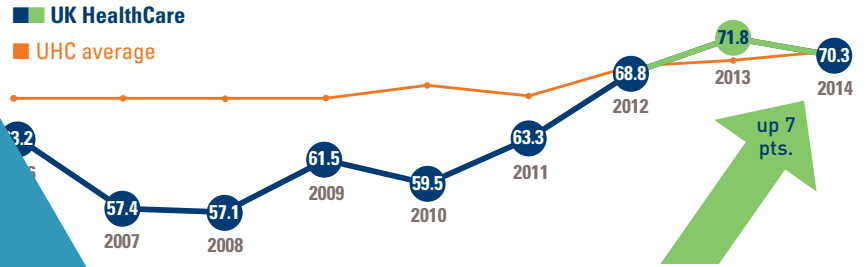
Case Mix Index (CMI) is a measure of the relative cost or resources needed to treat the mix of patients in each hospital. A higher index is a more complicated patient group requiring more resources to provide care. An index of 1 is average and even small increases reflect significant changes in the complexity of patients.

10 Years of Growth in Every Meaningful Dimension

Centered

We treat mothers and children, fathers and loved ones. We are committed to serving the people of Kentucky. Recognizing our responsibility to put the patient first, at UK HealthCare we are engaged in completely transforming our culture to be a patient-centered provider of care.

Overall Satisfaction

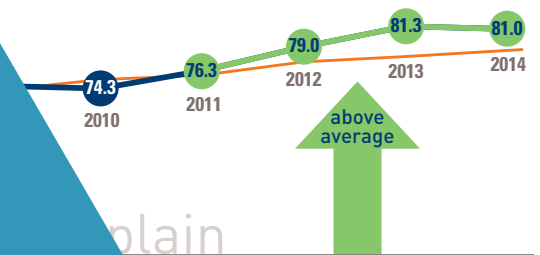


Inpatient rating of UK hospitals

Results from HCAHPS surveys mailed to all discharged inpatients. Percentage of patients ranking the hospital "9" or "10" (top box) for overall satisfaction.

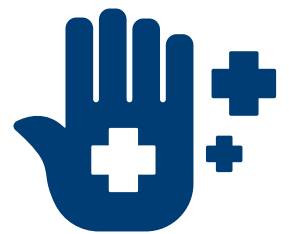
All years are fiscal years. Source: Office of Patient Experience

Satisfaction with Nursing

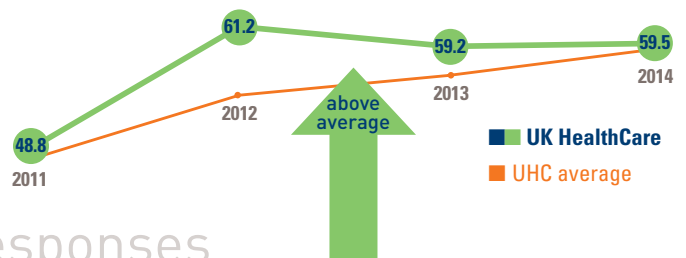


(top box) to questions about UK Nursing

All years are fiscal years. Source: Office of Patient Experience



Outpatient Satisfaction with Access to Care



quick responses

From surveys mailed to UK outpatients since 2011

Source: Office of Patient Experience



Valerie Hiatt, Lexington, Kentucky

Valerie

Making decisions large and small focused on the patient

Although Valerie Hiatt never let *brachymetatarsia*, a congenital foot condition, hold her back, physical and social issues still nagged.

Her left big toe was abnormally short, causing swelling, balance problems and sciatic nerve pain when she ran, as well as difficulty wearing high heels. She was self-conscious in sandals, at beaches and pools.

Hiatt, 43, a Lexington banking executive, found an orthopaedic surgeon in Maryland and decided better function and self-confidence were worth multiple 800-mile roundtrips.

But after checking locally, she was surprised to find UK HealthCare offers the highly specialized procedure. Moreover, her doctor, Heather Whitesel, DPM, explained various options and listened to her input. "Rather than just saying, 'That's interesting,' she actually had a solution," said Hiatt, who had visited many doctors.

In August, Whitesel and an orthopaedic surgical team cut a bone in Hiatt's toe and attached a fixator that spread it apart over several months, allowing an inch of new growth.

Hiatt praised everyone involved and said her surgeon, recruited to UK HealthCare in 2009, was in her corner the entire time.

"She was so supportive and a great cheerleader," Hiatt said. "My foot looks awesome, like a normal foot."

Patient centered – every patient, every time

Of the many measures to show how employees at UK HealthCare are dedicated to patients' needs, we think it's our patients who say it best.

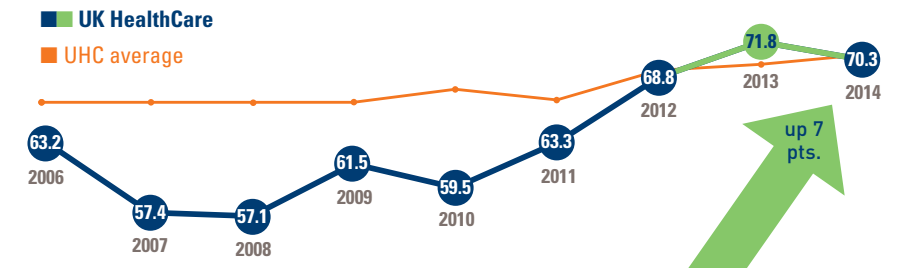
In 2006, we began surveying every patient discharged from our hospitals to understand how well we met their needs. In 2011, we started mailing surveys to each of our outpatients as well – those who visited one of our ambulatory clinics.

Using the same standardized surveys as are used by other members of the University HealthSystem Consortium (UHC) allows us to benchmark our progress relative to all participating academic medical centers across the nation. Most academic medical centers are also working to improve the patient experience, so the bar is continually raised.

Discharged hospital patients receive the HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) survey. Since 2006, the percentage of our patients giving top marks to their overall experience increased from 63.2 to 70.3, a jump of more than 7 percentage points. Our scores for satisfaction with nursing improved against the UHC average over those same nine years.

Outpatients rate their satisfaction across many dimensions, "Access to Care" being an area of focus identified in the 2004 strategic plan. Across four years, outpatients giving top ratings to their "access to care" experiences at UK HealthCare's clinics improved by 10.7 percentage points. As well, our scores continually outpaced the UHC average.

Overall Satisfaction

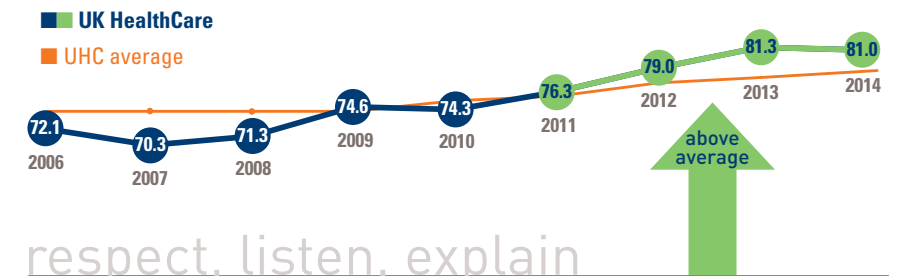


Overall inpatient rating of UK hospitals

Results from HCAHPS surveys mailed to all discharged inpatients. Percentage of patients ranking the hospital "9" or "10" (top box) for overall satisfaction.

All years are fiscal years. Source: Office of Patient Experience

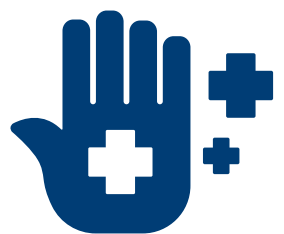
Satisfaction with Nursing



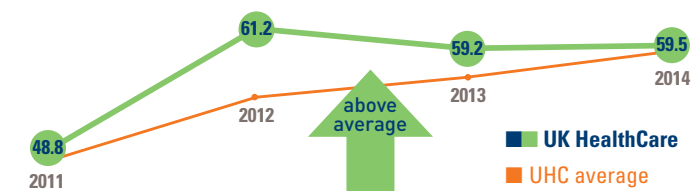
respect, listen, explain

Percentage of patients responding "Always" (top box) to questions about UK Nursing

All years are fiscal years. Source: Office of Patient Experience




Outpatient Satisfaction with Access to Care



quick responses

From surveys mailed to UK outpatients since 2011

Source: Office of Patient Experience



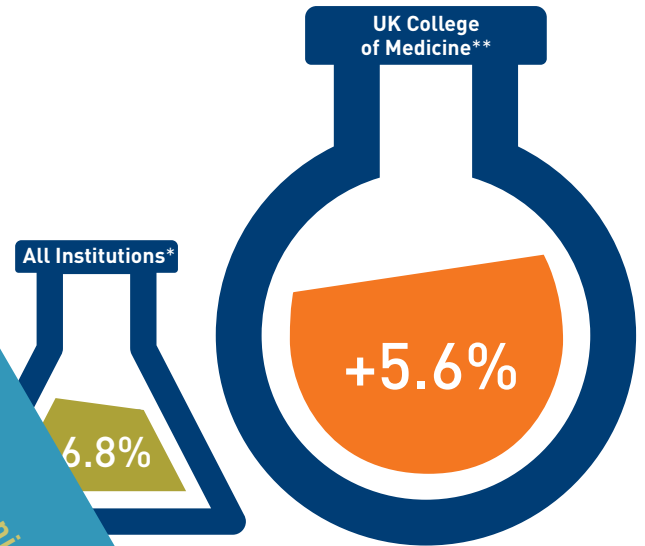
“Our cultural transformation has included a laser-like focus on patient centeredness: Every Patient, Every Time. Our patients expect great clinical outcomes and a superior experience. We intend to deliver on both.”

– Colleen Swartz, DNP, MBA, RN,
chief nurse executive

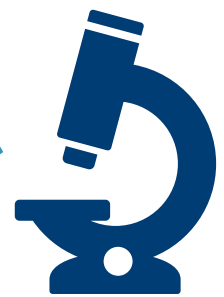
Hospitalized for more than two months awaiting a heart transplant, Melanie Dawn Thomas, 36, of Breathitt County, depends on CV-ICU nurses Steven Cornett, RN, BSN, CCRN, and Lauren Davis, RN, BSN, CCRN, to deliver great nursing care as well as emotional support. More than 60 percent of the nurses working on this unit have advanced training and certification in critical care.

Research Funding

We are competing effectively for research funding and growing annual NIH grants and contracts income by almost 6 percent.



NIH funding to all institutions has decreased by 1.5 percent while NIH funding to the UK College of Medicine was 5.6 percent higher in 2014 compared to 2013. Maintaining funding in such a competitive environment is a great accomplishment.



Benchmark #4

As the defining mark of an academic medical center, a thriving research enterprise is integral to providing high-level clinical care. In recommitting to medical research the past 10 years, UK HealthCare fortified a research portfolio that spans the spectrum from molecules to mice to monkeys to man.

10 Years of Growth in Every Meaningful Dimension

Research

* Source: National Institutes of Health, "Grants and Contracts" at http://report.nih.gov/budget_and_spending/
** Source: Alan Daugherty, PhD, DSc / UK College of Medicine. Excludes ARRA stimulus



Kim Campbell, Lexington, Kentucky

Kim

Weighing the risk; knowing when it's time to intervene

For Kim Campbell, a referral to the UK Gill Heart Institute in 2011 led to diagnosis of a *congenital ascending aortic aneurysm*, a weak section of her aortic wall at risk for rupture.

"Honestly it was horrible looking," she said. "It ballooned out and from the balloon came another balloon, like having a snowman."

Often, aneurysms of this type are diagnosed on the autopsy table. Campbell benefitted from a series of doctors whose experience helped them find and treat the unusual. Today, UK physician-scientists are researching better diagnosis and treatment of aneurysms.

UK cardiologists monitored Campbell for two years while she continued her active lifestyle, including workouts at the boxing club she and her husband own.

Last August her doctors determined it was time to address the problem with surgery. A team repaired Campbell's aorta and replaced a diseased heart valve. A procedure eight days later drained fluid pressing on her heart and lungs. Through months of cardiac rehab she has powered back to fighting form.

"I know that I had absolutely outstanding care every single step of the way," she said. "And I know I have a world-class body of cardiac professionals not two miles from my door."

Medical research bucks national trends; hits key milestones

In the past decade, UK HealthCare celebrated four research milestones amid continued strong grant funding. National Institutes of Health (NIH) funding to research organizations nationwide was down nearly \$1.6 billion in federal fiscal year 2014 compared to a decade earlier – a decline of almost 7 percent. Nevertheless, the College of Medicine maintained NIH funding that averaged \$64 million annually over a comparable time period. We are competing effectively for this key source of research funding and actually growing annual NIH grants and contracts income by almost 6 percent (FY14 compared to FY04).

In 2011, a \$20 million Clinical and Translational Science Award from the NIH funded our Center for Clinical and Translational Science, which helps move research findings into therapies, pharmaceuticals and interventions that improve lives.

Later that year, the National Institute on Aging renewed its longstanding grant to the UK Sanders-Brown Center on Aging for more than \$7 million. The funding supports continued research into Alzheimer's disease.

The Markey Cancer Center received designation from the National Cancer Institute in 2013, the culmination of a four-year effort. Markey's physicians and scientists now have access to additional funding and its patients can qualify for clinical trials not available elsewhere.

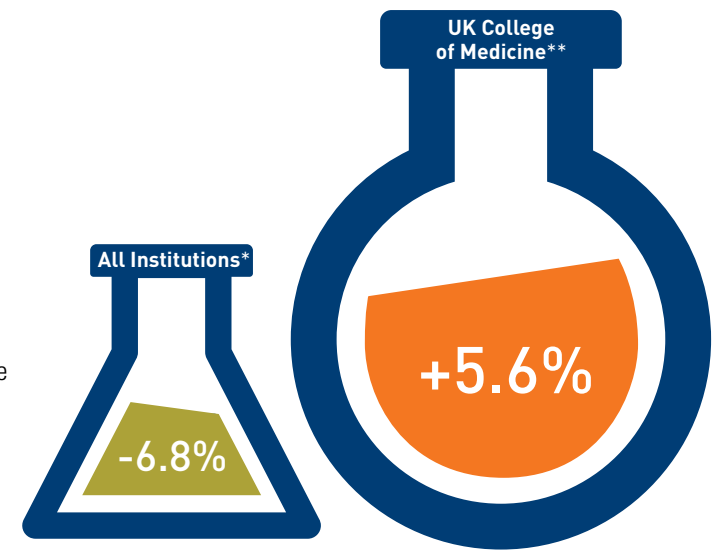
Together, these three major awards signify outstanding accomplishment on the part of the university in satisfying demanding application and review processes among a highly competitive field of applicants. Only a handful of academic medical centers nationwide can lay claim to all three.

Most recently, UK researchers received a \$14.9 million grant from the federal Patient Centered Outcomes Research Institute (PCORI) to identify optimal transition approaches as patients move between different-levels of care facilities and their homes. This work directly connects research with methods to improve patients' lives.

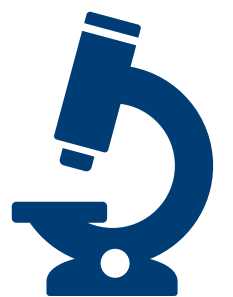
Those announcements, along with tens of millions of dollars in grants to individual investigators at the College of Medicine, underscore our full-spectrum approach to research. Knowing that innovation and discovery drive great clinical care and reputation, we will continue efforts to grow and support our research enterprise in the coming years.

Research Funding

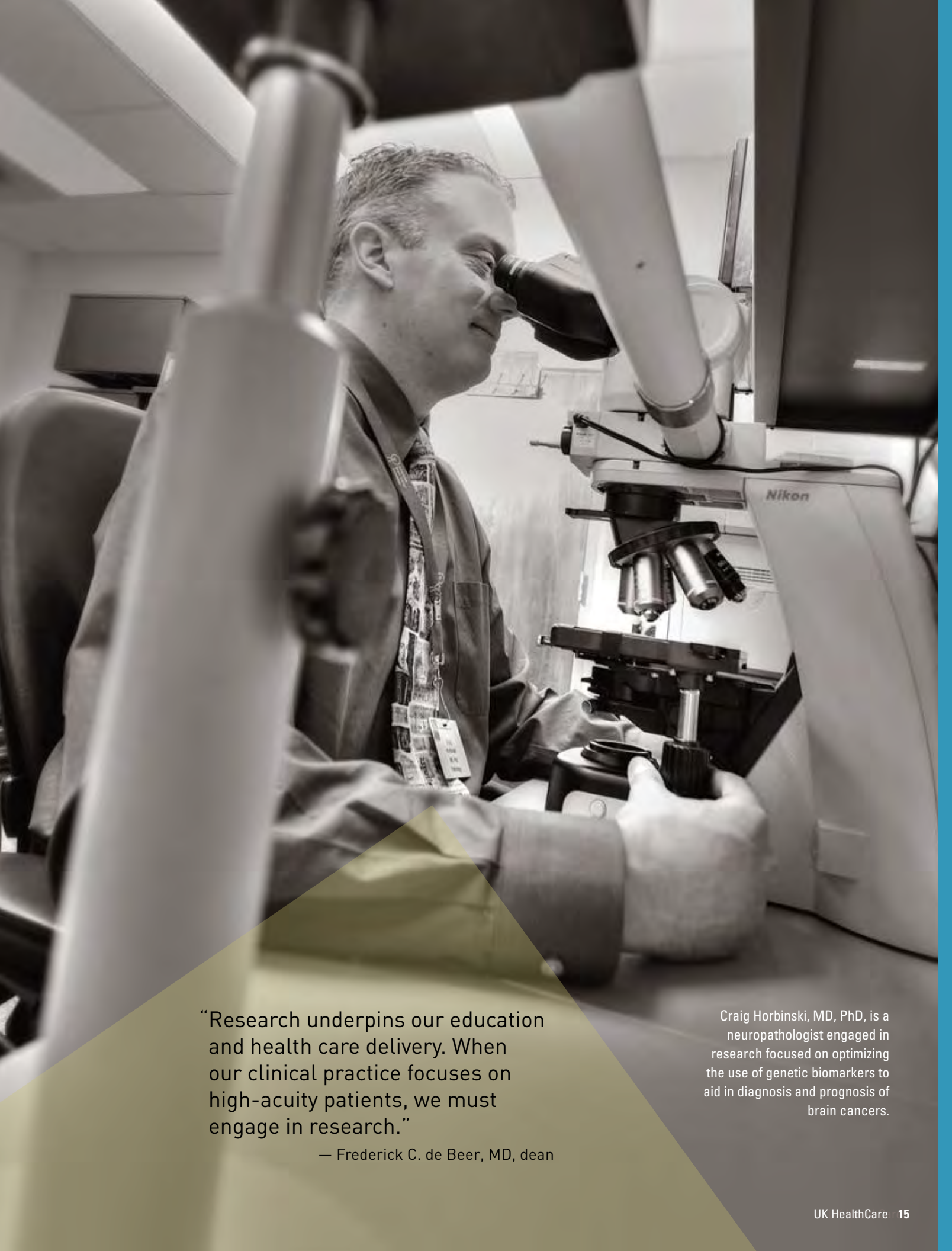
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* Source: National Institutes of Health, "Grants and Contracts" at http://report.nih.gov/budget_and_spending/
 ** Source: Alan Daugherty, PhD, DSc / UK College of Medicine. Excludes ARRA stimulus



“Research underpins our education and health care delivery. When our clinical practice focuses on high-acuity patients, we must engage in research.”

— Frederick C. de Beer, MD, dean

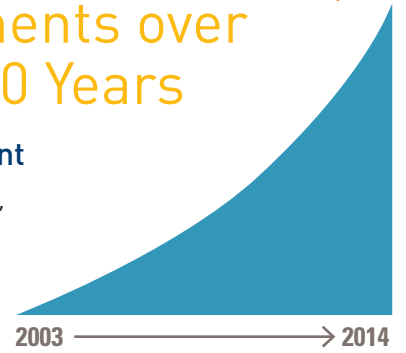
Craig Horbinski, MD, PhD, is a neuropathologist engaged in research focused on optimizing the use of genetic biomarkers to aid in diagnosis and prognosis of brain cancers.

Capital Investments over the Course of 10 Years

\$1.6 billion

Enormous capital investment

Since embarking on a new strategic plan, UK has invested more than \$1.6 billion in facilities, program development and new technology to support UK HealthCare.

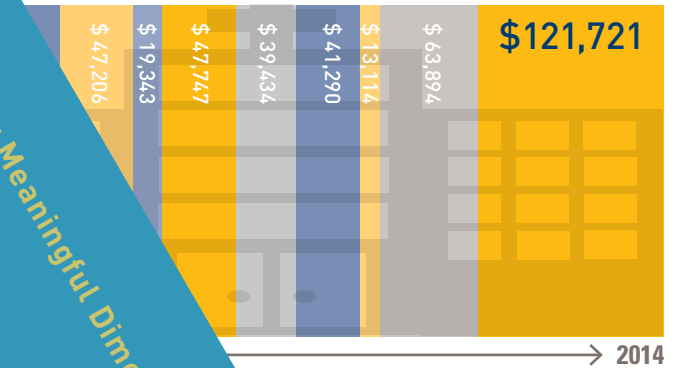


10 Years of Growth in Every Meaningful Dimension

Benchmark #5

By growing patient volume and improving overall performance throughout the past decade, UK HealthCare has been able to successfully meet its commitment to the Commonwealth for patient care, education and research. Producing a financial margin remains essential for the organization's health and growth.

Increase in Net Assets →



Financial



...s
... new
... and new
... construction.
... (at the monitor),
... rear left, and Valarie
... right, work in the carousel
... section of the Central Pharmacy at
Chandler Hospital.



Bonnie Collins, Hyden, Kentucky

Bonnie

Relationships with local providers make it easier for patients

When the biopsy of a lump in one of Bonnie Collins' breasts tested positive for cancer, she and her family faced hurdles far larger than treatment plans and logistics.

But an innovative affiliation between Hazard ARH Regional Medical Center, a 25-minute drive for Collins, 64, of Hyden, and the UK Markey Cancer Center two hours away, made the months-long road of fighting cancer smoother.

A surgical team at Markey performed a lumpectomy and, a short stay later, Collins returned home. At Hazard she receives chemotherapy from a UK-trained medical oncologist and hematologist.

"They have wonderful people just like in Lexington," Collins said between treatments.

UK HealthCare has established more than 200 outreach agreements with Kentucky hospitals. The network approach helps patients receive much of their care near home and transfer easily to UK HealthCare should more advanced care be required.

Agreements match patients with the most appropriate level of care, thereby supporting the financial viability of local providers while preserving access and capacity for patients UK HealthCare is best equipped to serve – complicated, complex patients.

After her treatment ends, Collins will receive checkups every few months. So receiving care nearby matters greatly to her.

"I really appreciate everything they've done for me," she said.

"I feel good about myself and I know I'm going to beat this."

Healthy performance metrics fuel improvements

The financial stability of UK HealthCare, achieved through a decade of increased efficiency, volume and reinvestment, is paramount to meeting the Commonwealth's health care needs.

By building a referral network via more than 200 affiliation agreements with hospitals across the state, UK HealthCare strengthened patient flow to its Level 1 trauma services, Gill Heart Institute, Markey Cancer Center, Transplant Center and Comprehensive Stroke Program. We are now expanding our Kentucky Neuroscience Institute network for epilepsy care.

These efforts helped establish UK HealthCare as a regional referral center for the most complex patients in Kentucky and beyond. Between 2004 and 2014, hospital discharges jumped by 79 percent, outpatient visits significantly increased, and careful management grew both our operating revenue and income.

Thoughtful stewardship of UK HealthCare's resources also positioned UK HealthCare to borrow more funds to invest in programs, people and facilities that propel our service mission. Going forward, we will continue those efforts. We also plan to extend our network to other hospitals and deepen our affiliations with many current members.

While the outlook for health care reform and its impact on hospital and provider reimbursement remain unknown, we are certain the platform we've built at UK HealthCare will meet the future's challenges.

During the course of FY 2014, areas such as the new Central Pharmacy, new Cardiovascular Services floor, and new Observation Unit were under construction.

At right, Teralla Smith (at the monitor), Melanie Eichner, rear left, and Valarie Wofford, rear right, work in the carousel tray section of the Central Pharmacy at Chandler Hospital.

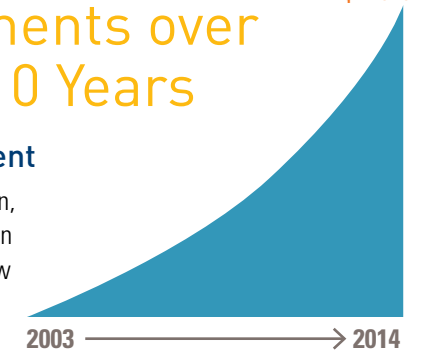


Capital Investments over the Course of 10 Years

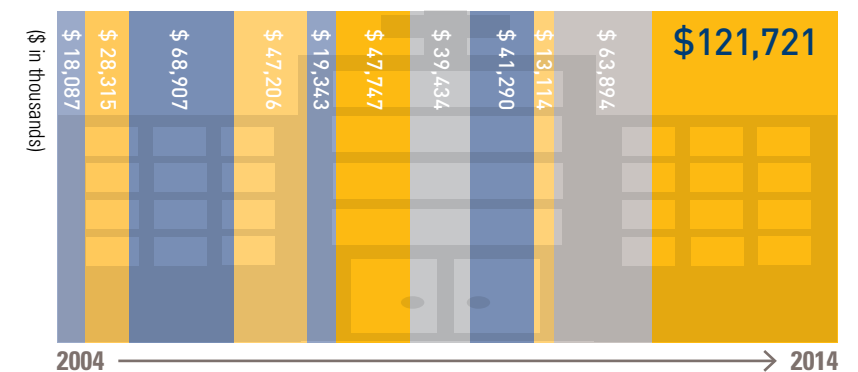
\$1.6 billion

Enormous capital investment

Since embarking on a new strategic plan, UK has invested more than \$1.6 billion in facilities, program development and new technology to support UK HealthCare.



Increase in Net Assets →

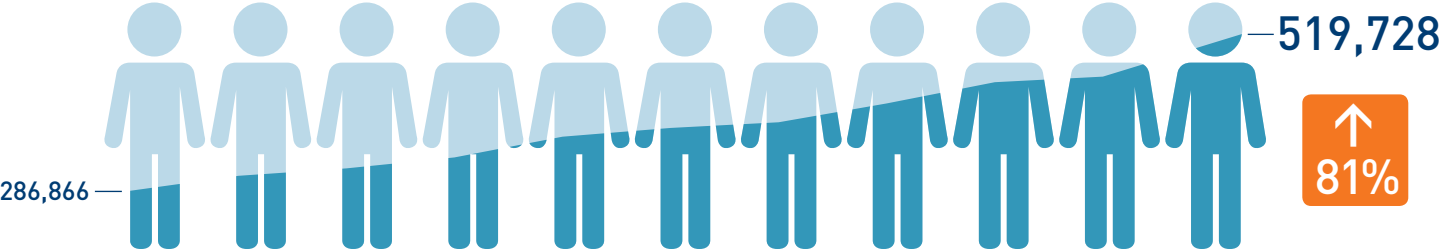


Patient Volume Trend

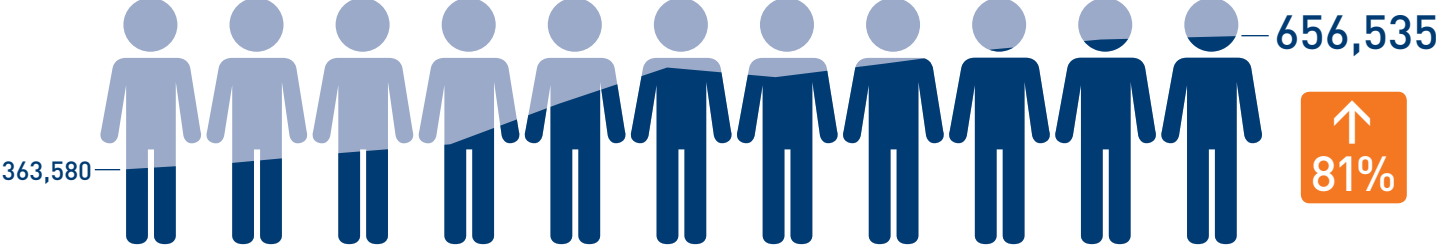
Hospital Discharges 2004-2014



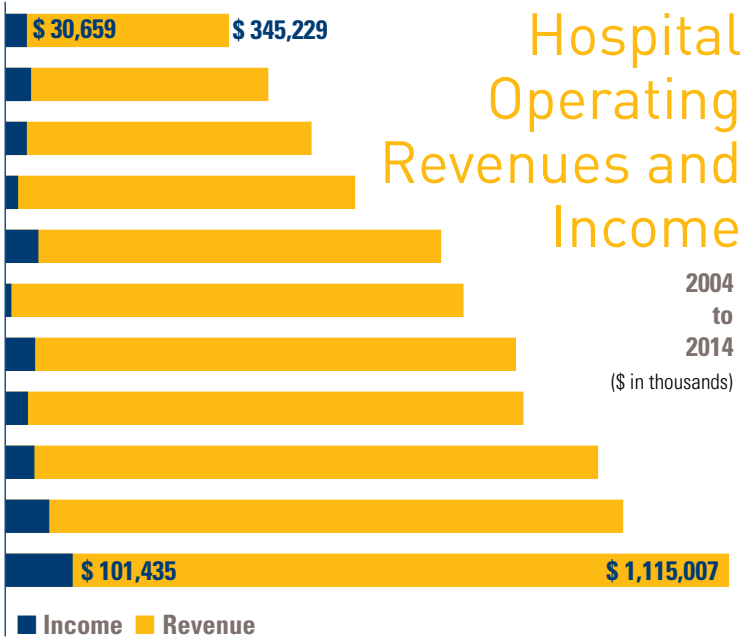
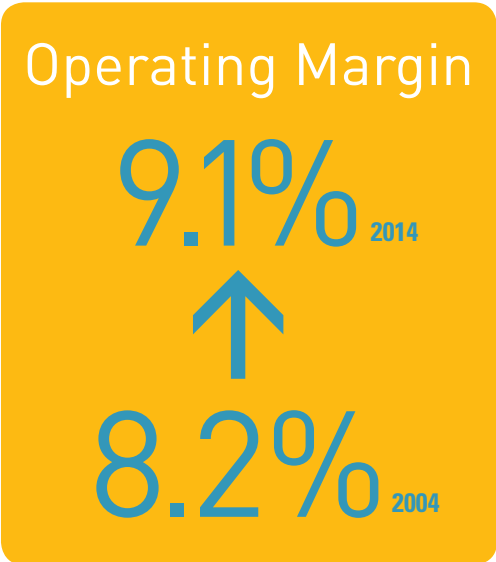
Hospital-based Outpatient Visits 2004-2014



Ambulatory Patient Visits 2004-2014



Note: Hospital-based outpatient visits include Emergency visits. Ambulatory patient visits are scheduled attended visits.





University of Kentucky College of Medicine

ANNUAL REPORT 2014

MISSION

The mission of the College of Medicine is to develop knowledge, skills and attitudes that promote professionalism, teamwork, life-long learning, empathy, scholarship, cultural sensitivity and leadership, with the goal of providing excellence in education, health care and research within the Commonwealth of Kentucky and beyond.

Members of the College of Medicine Class of 2017 engage during a flipped classroom session, part of a recently revised curriculum that allows students to view lectures digitally then use classroom time for small-group discussion, clarifications, case examples and other learning activities.



Committed to advancing the state's standard of care

The College of Medicine's **growth and development over the past decade** clearly illustrates the success of our long-term strategies. Meeting our commitment to the Commonwealth requires an integration of research, education and clinical practice. The UK College of Medicine, a key part of UK HealthCare, has supported this mission.

Complicated cases: the impact and the implications

UK HealthCare has positioned itself as a regional referral center. By forging strong relationships with hospitals across the state, more Kentuckians have access to routine and preventive care much closer to home. Patients with the most critical needs are referred to UK HealthCare and no longer have to leave the state for advanced specialty services.

The College of Medicine has been propelled by the momentum and increased stature associated with UK HealthCare's rising reputation. Our students, residents and fellows not only have the opportunity to train in advanced-care settings working alongside top-level faculty and mentors but are provided opportunities to participate in clinical and population research. Kentucky is thus well-served.

Education: from pipelines to fellowships to faculty

The Office of Medical Education has implemented significant changes in our education mission to better prepare our students to practice effectively in today's world.

Through the dedication and commitment of our experienced faculty and staff, the College of Medicine completed the first two years of its most substantial curriculum restructuring in two decades. The goal of this new format is to teach the foundation of the basic sciences in their clinical context and prepare our students to practice more effectively in today's world.

We have widened our applicant pool and made strides in enrolling more minority and rural students throughout the past decade by implementing and operating pipeline programs and other recruiting efforts. In 2014, we received nearly 2,500 applications for the College of Medicine compared with just fewer than 1,000 in 2004.

The medical school class size has increased to 136, the largest enrollment in the history of the college. Quality has not been compromised by this increase. The Class of 2017's mean MCAT score was 31.7, well above the 31.3 national average. The first-time pass rate on



Frederick C. de Beer, MD

*Dean, University of Kentucky College of Medicine
Vice President for Clinical Academic Affairs*



the USMLE STEP 2 exam was 97 percent with a mean score of 241 in the 2013-2014 academic year compared with 93 percent and an average score of 216 in the 2003-2004 academic year.

Our educational achievements are primarily attributed to the change in curriculum. We anticipate that these numbers will continue to increase with the full implementation of the new curriculum.

Our percentage of students matching into residencies at UK increased from 22 percent in 2013 to 31 percent in 2014. With an additional 4 percent remaining in Kentucky for their residency training, that brings the total percentage to 35, well up from the 2013 total of 31 percent.

The number of graduate medical education (GME) positions increased significantly over the past 10 years. With 108 new residency and 29 fellowship positions added in that time, our GME enrollment stood at 511 residents and 87 fellows at the beginning of fiscal 2014.

We also initiated new GME programs to address needs in our state's physician landscape. The college now offers 51 programs, 27 residency and 24 fellowship, an increase of four residency programs and nine fellowship programs since 2004. Our newest fellowships in pulmonary critical care medicine and vascular neurology address the state's high rate of lung diseases related to smoking and incidence of stroke and other cerebrovascular diseases.

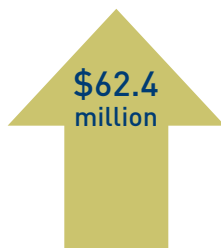
Keeping pace with this growth, we concluded fiscal year 2014 with 1,939 faculty including full-time, part-time and community members. Given our excellent faculty, our students get first-rate training, our patients receive top-quality care and research is flourishing.

Members of the Class of 2018 came from the broadest applicant pool the college has ever seen, with a class average MCAT score well above the national average.

Research: integral to success

Research underpins our education and health care delivery. When our clinical practice focuses on high-acuity patients, we must engage in research and facilitate an infrastructure that extends from molecules to mice to monkeys to man. Research allows us to not only practice the standard of care but advance the standard of UK.

For example, the Markey Cancer Center received National Cancer Institute designation in 2013. Markey's broad research endeavors played major roles in earning that distinction. Its tumor cell biology, drug discovery, translational, population and clinical trials research programs directly influence and support the sophisticated care that Markey's teams provide to Kentuckians and beyond.



NIH funding for fiscal year 2014 stood at \$62.4 million, up from \$50.6 million in fiscal year 2013. This demonstrates our commitment to research and its important role in the care we provide.

We must continue to strengthen our efforts to elevate the standard of care and position the University of Kentucky as the premier provider of superior medical services for the people of Kentucky and beyond.

Infrastructure investments: the physical and the conceptual

The College of Medicine has made significant strides in improving infrastructure, allowing us to meet our strategic goals.

In 2014, UK HealthCare announced plans to renovate a portion of the former Turfland Mall to expand ambulatory services. The new hospital, with its state-of-the-art patient care facilities, continues to help us serve a wide variety of patients and attract the interest of students and residents. Plans are being formulated to build an additional research facility similar to the Biomedical Biological Science Research Building. We continue to invest in technological resources including high-tech research devices, systems to enhance our education mission, and medical software programs, technologies and devices that improve patient care.

This past year we consolidated administrative and business operations in the College of Medicine into integrated business units (IBUs). The resulting IBUs are both standardizing and streamlining operations across like departments, divisions and services.



B. Mark Evers, MD

B. Mark Evers, MD, vice dean for academic development, is initiating plans to shape and secure our academic future. He will design and implement large-scale strategies to improve our standing nationally in metrics such as NIH funding and student achievement.



David Moliterno, MD

David Moliterno, MD, vice dean for clinical affairs, oversees clinical program development and care management for the college and UK HealthCare. These areas are critical to our continued trajectory. Under his leadership in this role and previously as senior associate dean for clinical affairs, the college made substantial progress in

aligning faculty compensation with national benchmarks, improving quality and group success by adding definition, consistency and transparency.

In summary

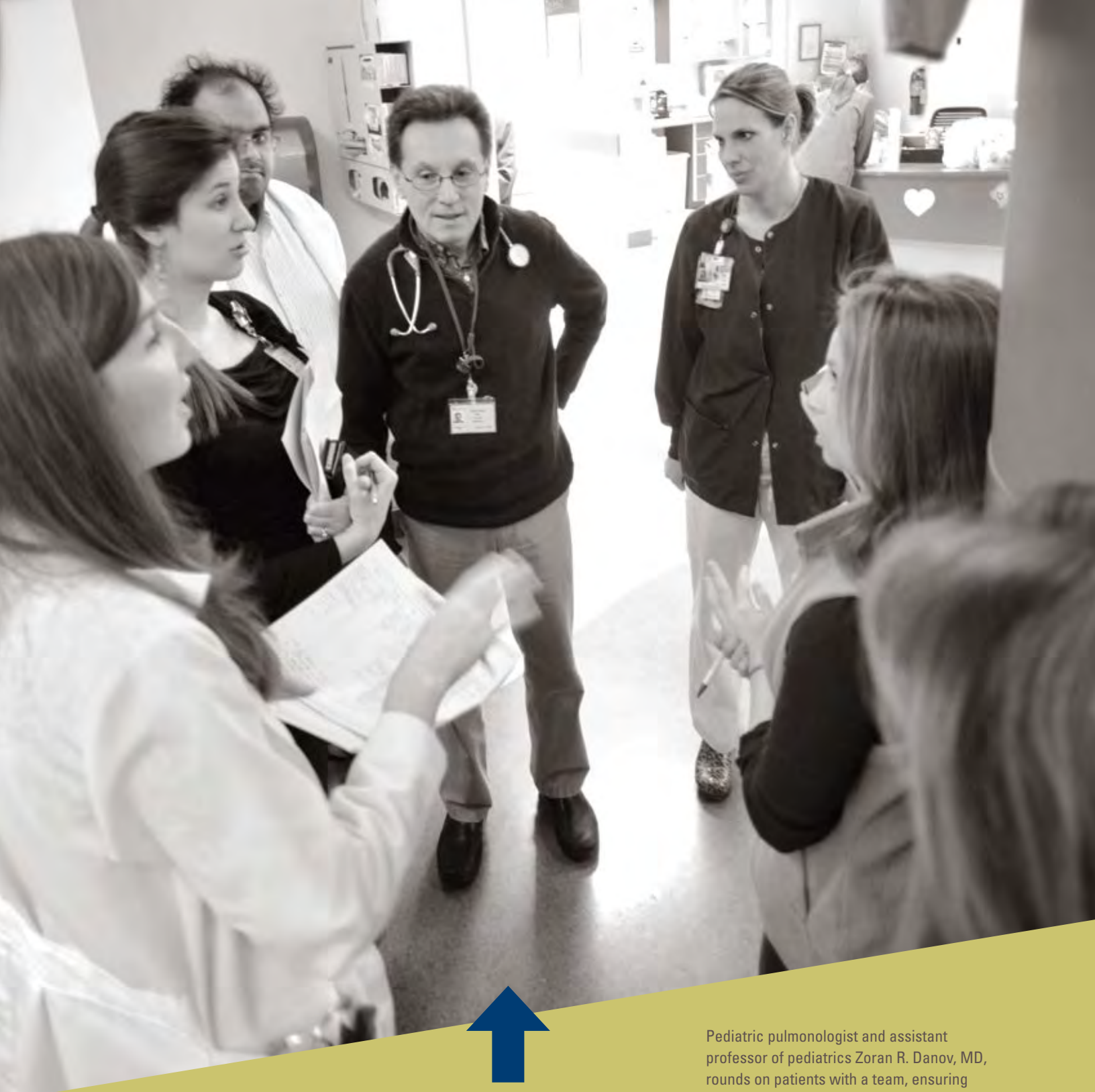
The College of Medicine must continue to integrate our education, research and clinical missions. We have made great advances in these areas, but we must continue to strengthen our efforts to elevate the standard of care and position the University of Kentucky as the premier provider of superior medical services for the people of Kentucky and beyond.

This strategy is essential for the future of our institution.

A handwritten signature in black ink, appearing to read "Fred de Beer".

Frederick C. de Beer, MD

*Dean, University of Kentucky College of Medicine
Vice President for Clinical Academic Affairs*



Given our excellent faculty, our students get first-rate training, our patients receive top-quality care and research is flourishing.

Pediatric pulmonologist and assistant professor of pediatrics Zoran R. Danov, MD, rounds on patients with a team, ensuring patients get high-quality care and trainees benefit from his experience and counsel. From front left, first-year triple-board resident Leslie Aslam, MD, second-year internal medicine/pediatrics resident Kristen Fletcher, MD, third-year medical student Amit Kumar Chakraborty, Michael Anne Payne, RN, and respiratory therapist Lorri Rogers, RRT.

By the Numbers

Education

Class of 2017 Mean Scores

As of August 1, 2013

COLLEGE GRADE POINT AVERAGE

3.60 Science

3.74 Non-science

3.66 Total GPA

MCAT SECTIONS (1-15 SCALE)

10.3 Verbal Reasoning

10.5 Physical Science

0 Writing Samples (J-T scores)

10.9 Biological Science

31.7 Mean total MCAT score

Approximately **78 percent** of all UK medical students enrolled for the 2013-14 academic year received federal student loan assistance, and **47 percent** received scholarship awards.

In 2014, UK medical students matched into **22 different specialties** for residency.

Fully **31 percent** elected to stay within the UK HealthCare system, and an additional

4 percent elected to stay in Kentucky for residency.

The college has **one of 10 triple-board residency programs** in the nation where residents can train in Adult Psychiatry, Child and Adolescent Psychiatry, and Pediatrics.

Outreach

67 New appointments in calendar 2014

210 Medical student rotations in fiscal year 2014

904 Total fiscal year 2014 College of Medicine community faculty

1,067 Weeks of medical student rotations

Learners

218 Graduate Students (As of start of 2014-2015 academic year; includes MS and PhD)

612 House Staff (As of July 1, 2014)

515 Residents

97 Fellows

505 Medical Students (As of start of 2014-2015 academic year)

Faculty and Staff

As of June 30, 2014

180 Part-time faculty

208 Basic science faculty

670 Clinical science department faculty

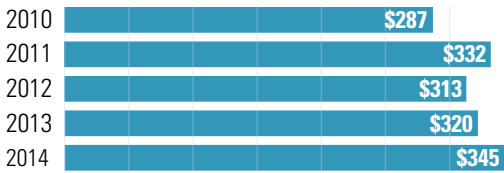
881 Community-based faculty

1,854 Staff

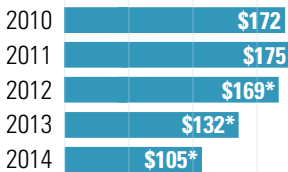
The College of Medicine is accredited by the Liaison Committee on Medical Education of the Association of American Medical Colleges and the American Medical Association.

Revenue & Sources (in millions)

Clinical



Grants including indirects



State



Gifts and Endowments



Other



50M 100M 150M 200M 250M 300M 350M

* Funding decrease due to Dept. of Corrections contract sunset beginning in December 2012.

**Previous years included VA faculty salaries of about \$12M; reporting change beginning 2014.

Research

Grants and contracts to the College of Medicine reached **\$103.8 million** in fiscal year 2014 (July 1, 2013 to June 30, 2014), including in excess of **\$62 million** in National Institutes of Health (NIH) funding.

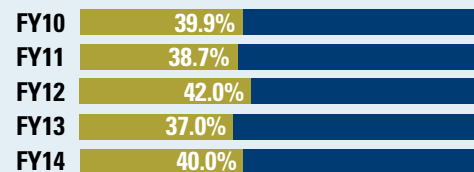
In federal fiscal year 2013, (Oct. 1, 2012 to Sept. 30, 2013) the College of Medicine received **59 percent** of the **NIH research funding** granted to Kentucky medical schools. In federal fiscal year 2014, it received **59.2 percent**.

College of Medicine Grants and Contracts Awarded (in millions, including indirects)



The College of Medicine has **253,396 net square feet** of **research space**.

The College of Medicine accounts for **40 percent** of **UK's grants and contracts**.





Terrence Barrett, MD, left, chief of digestive health, and his team participate in a strategic planning session.



Statistics and Financials

KEEPING OUR COMMITMENT

UK HealthCare's commitment to the Commonwealth of Kentucky requires investment in people, technology and infrastructure. Solid performance and financials have enabled us to grow as needed. Our improved financial stability since 2004 has been a great asset for growth.

Statistics and Trends

Hospital Operating Statistics for Year Ending June 30

| Discharges | 2014 | 2013 | 2004 |
|---|----------------|----------------|----------------|
| Medicare | 11,888 | 11,322 | 4,591 |
| Medicaid | 11,035 | 9,911 | 5,942 |
| Commercial/Blue Cross | 9,560 | 10,278 | 7,095 |
| Patient/Charity | 2,697 | 4,000 | 2,036 |
| Total Discharges | 35,180 | 35,511 | 19,664 |
| Licensed Beds | 825 | 825 | 473 |
| Available Beds | 757 | 718 | 406 |
| Average Daily Census | 627 | 577 | 308 |
| Average Length of Stay | 6.50 | 5.93 | 5.72 |
| Case Mix Index | 1.91 | 1.82 | 1.69 |
| Surgery | | | |
| Operative Cases | 29,951 | 28,638 | 17,246 |
| Hospital-based Outpatient | | | |
| Charged Hospital Clinic Visits | 428,582 | 368,223 | 246,546 |
| Emergency Visits | 91,146 | 88,752 | 40,320 |
| Total Hospital Outpatient Visits | 519,728 | 456,975 | 286,866 |

Other Operating Indicators for Year Ending June 30

| Ambulatory Services | 2014 | 2013 | 2004 |
|-----------------------------|-------------|-------------|-------------|
| Ambulatory Physician Visits | 656,535 | 647,206 | 377,781 |
| Professional Net Revenue* | \$ 233,645 | \$ 226,014 | \$ 135,442 |

*Accrual based and does not include bad debt; \$ in thousands.

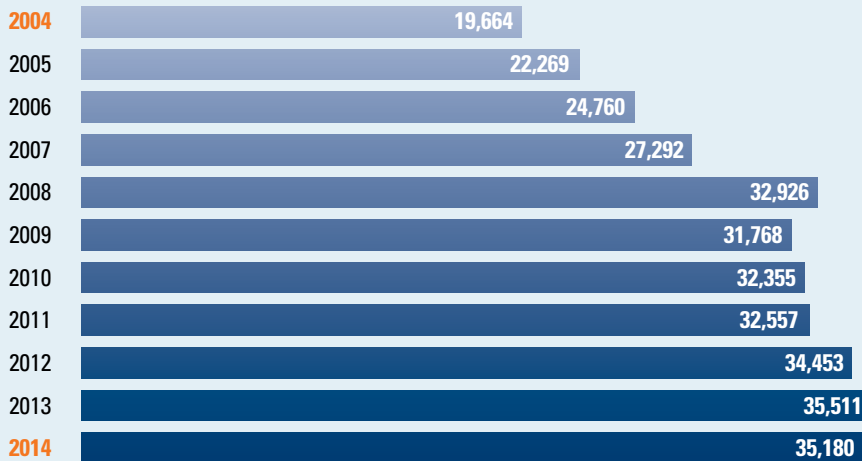
**All years adjusted to reflect scheduled attended visits.

| Other Service Relationships | 2014 | 2013 | 2005[†] |
|------------------------------------|-------------|----------------------|-------------------------|
| Referring Physicians | 4,907 | 4,909 | 1,397 |
| UK•MDs Physician Calls | 180,740 | 171,521 | 94,730 |
| Health Connection Consumer Calls | 199,682 | 174,203 | 51,862 |
| Website Users (Avg./Mo.) | 64,078 | 51,948 ^{††} | 12,912 |

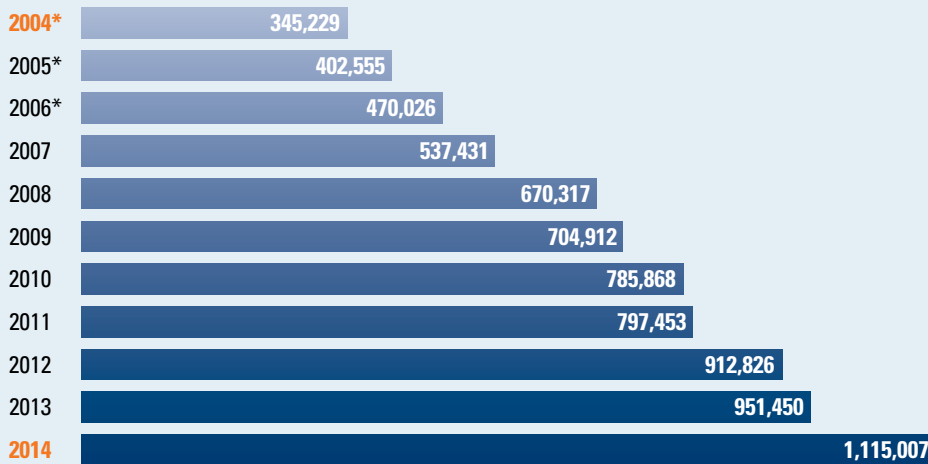
[†] Data collection for most of these items began in 2005.

^{††} New method of data collection – Google Analytics

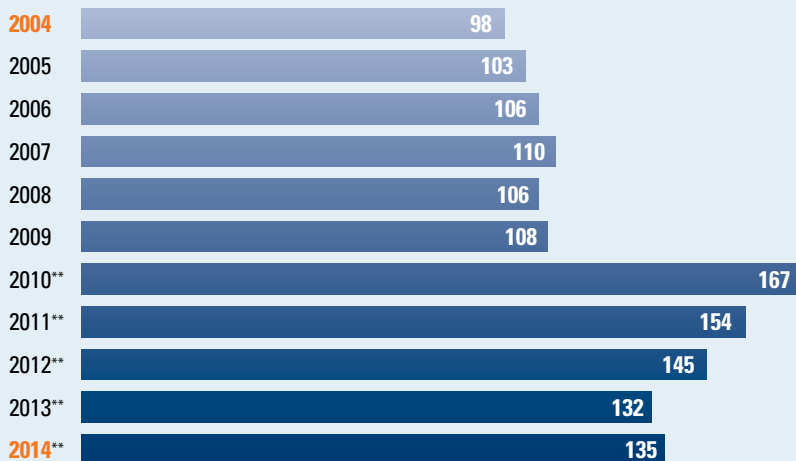
Hospital Discharges



Hospital Operating Revenue (\$ in the thousands)



Grants and Contracts Awarded (\$ in the millions)



*In 2004, bad debt was classified as an operating expense; GASB reporting requirements changed in 2008 and bad debt is now reported as a reduction to net patient service revenue; Hospital Operating Revenue 2004-2006 has been restated here for comparison purposes.

**Prior to 2010 reflects College of Medicine only; 2010-2014 includes colleges of Dentistry, Health Sciences, Medicine, Nursing, Pharmacy and Public Health.

Office of the Executive

Vice President for Health Affairs*

Michael Karpf, MD

Executive VP for Health Affairs

Murray Clark

Sr. VP for Health Affairs

Chief Financial Officer

Frederick C. de Beer, MD

VP for Clinical Academic Affairs

Dean, College of Medicine

Mark D. Birdwhistell

VP for Administration

& External Affairs

Brett Short

Chief Compliance Officer

Senior Administrative Team*

Mark D. Birdwhistell

Bernard Boulanger, MD

Murray Clark

Joseph D. Claypool

Fred de Beer, MD

Michael Karpf, MD

Cecilia Page

Marcus Randall, MD

Ann Smith

Colleen H. Swartz

Tim Tarnowski

Kim Wilson

*As of June 30, 2014

Financial Statements

For year ending June 30

Hospital Condensed Statements of Operating Revenues, Expenses and Changes in Net Assets

(\$ in the thousands)

| | 2014 | 2013 | 2004 |
|---|---------------------|-------------------|-------------------|
| Net Patient Service Revenue | \$ 1,039,264 | \$ 926,811 | \$ 342,291* |
| Sales and Services | 39,833 | 24,639 | \$ 2,938 |
| Management Contract Revenue | 35,910 | — | — |
| Total Operating Revenues | \$ 1,115,007 | \$ 951,450 | \$ 345,229 |
| Operating Expenses | \$1,013,572 | \$ 886,208 | \$ 314,570 |
| Operating Income | \$ 101,435 | \$ 65,242 | \$ 30,659 |
| Nonoperating Revenue (Expenses) | 29,524 | 14,350 | (2,985) |
| Income Before Transfers to UK | 130,959 | 79,592 | 27,674 |
| Transfers to UK/Other | (11,128) | (17,373) | (9,684) |
| Transfers from UK | 1,890 | 1,675 | 206 |
| Net Income (Loss) From Discontinued Operations | — | — | (109) |
| Total Increase In Net Position | \$ 121,721 | \$ 63,894 | \$ 18,087 |
| Operating Margin | 9.1% | 6.9% | 8.2% |
| Total Margin | 11.7% | 6.7% | 4.9% |

Statement of net assets and related statements of revenues, expenses and changes in net assets for the year ending June 30, 2014, were audited by BKD, LLP, of Louisville, Kentucky.

* In 2004, bad debt was classified as an operating expense; GASB reporting requirements changed in 2008 and bad debt is now reported as a reduction to net patient service revenue; 2004 has been restated above for comparison purposes.

Hospital Net Patient Revenue by Funding Source

(\$ in the thousands)

| Payor | 2014 | 2013 | 2004 |
|----------------------------------|---------------------|---------------------|--------------------|
| Medicare | \$ 293,394 | \$ 260,470 | \$ 90,288 |
| Medicaid | 279,784 | 247,313 | \$ 91,739 |
| Commercial/Blue Cross | 502,193 | 468,165 | \$ 152,223 |
| Patient/Charity | 97,105 | 96,071 | \$ 34,794 |
| Total | \$ 1,172,476 | \$ 1,072,019 | \$ 369,044 |
| Bad Debt | (133,212) | (145,208) | (26,753) |
| Total Net Patient Revenue | \$ 1,039,264 | \$ 926,811 | \$ 342,291* |

Hospital Condensed Statements of Net Position

(\$ in the thousands)

| | 2014 | 2013 | 2004 |
|------------------------------------|---------------------|---------------------|-------------------|
| Assets | | | |
| Current Assets | \$ 263,486 | \$ 197,394 | \$ 283,907 |
| Capital Asset, Net of Depreciation | 808,779 | 804,938 | 138,277 |
| Other Noncurrent Assets | 296,804 | 257,664 | 51,765 |
| Total Assets | \$ 1,369,069 | \$ 1,259,996 | \$ 473,949 |
| Liabilities | | | |
| Current Liabilities | \$ 149,852 | \$ 131,052 | \$ 33,743 |
| Noncurrent Liabilities | 397,500 | 428,948 | 11,844 |
| Total Liabilities | \$ 547,352 | \$ 560,000 | \$ 45,587 |
| Net Position | | | |
| Net Investment in Capital Assets | \$ 410,348 | \$ 373,346 | \$ 133,078 |
| Nonexpendable Other | 118 | 117 | — |
| Restricted Expendable | 10,331 | 14,965 | 569 |
| Unrestricted | 400,920 | 311,568 | 294,715 |
| Total Net Position | \$ 821,717 | \$ 699,996 | \$ 428,362 |

* In 2004, bad debt was classified as an operating expense; GASB reporting requirements changed in 2008 and bad debt is now reported as a reduction to net patient service revenue; 2004 has been restated above for comparison purposes.

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Culture of philanthropy important to growth

The significant strides UK HealthCare has made in the last decade could not have come without the growing support of the local community.

“To have those in Lexington, the region and the state enthusiastically support our efforts is a huge endorsement of the work we have done and are doing,” said Michael Karpf, MD, UK executive vice president for health affairs. “Philanthropy is essential to our strategy, especially when you consider that a number of major projects are being funded by private gifts, including the UK Arts in HealthCare program and renovations to Kentucky Children’s Hospital to enhance and update its child-friendly atmosphere.” In 2014, both of those projects received significant private gifts.



The Kincaid Celebrate Kentucky Wall provides a reminder of home to patients and visitors alike. Still and video images change with the seasons and reflect the people, places and spirit of Kentucky.

The Kincaid Celebrate Kentucky Wall

A major gift from Central Bank and Lexington businesswoman and UK graduate Joan D. Kincaid will fund The Kincaid Celebrate Kentucky Wall, the 90-foot multimedia display of still and video images from across Kentucky located in Pavilion A of UK Albert B. Chandler Hospital.

“The Kincaid Celebrate Kentucky Wall now bears the name of the family that founded and has long led one of the area’s oldest locally owned banks,” said Karpf.

Central Bank and the Kincaid family have longstanding ties to Lexington and UK. The bank was founded in 1946 by the late Garvice Kincaid, a UK graduate and member of the UK Board of Trustees. His daughters, Joan and the late Jane W. Kincaid, graduated from UK and were inducted into the Gatton College Alumni Hall of Fame.

“As a longtime Kentucky business, we identified with the Kentucky wall, which shows so well the beauty of our state,” said Luther Deaton Jr., chairman, president and CEO of Central Bank. “Our clients, like patients at the UK hospitals, are from across Kentucky.”

Nearly half of Chandler Hospital’s patients come to Lexington from other parts of the state. The images in the multimedia wall change throughout the day and with the seasons.

The Kincaid Celebrate Kentucky Wall, like the art found throughout UK HealthCare facilities, is more than a collection of pretty pictures. It is part of UK HealthCare’s integrated approach to health and wellness, a way to provide comfort and joy that ultimately can promote healing and good health for patients and their families as well as the medical professionals who care for them.



“Our primary goal in funding The Lexus Store of Lexington Ocean Pod at Kentucky Children’s Hospital is to assure a strong future for Kentucky’s families by providing our kids with the best possible facility in which to win the fight of their lives.”

— Rick Avare, dealer principal of The Lexus Store of Lexington and a founding member of The MAP Foundation, Inc.

Kentucky Children’s Hospital

At Kentucky Children’s Hospital (KCH), evidence of private donor support is all around as patients and their families enjoy the first stages of a \$6 million, multiyear renovation financed entirely by private gifts.

Pediatric patients and their families are greeted warmly in The Makenna Foundation Welcome Center, with its soothing earth tones, colorful tile accents and warm woods. What was once a long, institutional hallway is becoming Coaches for the Kids Hall of Champions. It will be enlivened with interactive elements funded by an annual fundraiser organized by UK football coach Mark Stoops and his wife, Chantel, a member of KCH’s Executive Development Council.

Murals depicting octopuses, crabs, turtles and other sea creatures give a pod of patient rooms a lively, undersea identity. The Lexus Store of Lexington Ocean Pod is designed to lift youngsters’ spirits, engage their imaginations and make them more comfortable during their hospital stay.

“Kentucky Children’s Hospital has served its patients well since it opened in 1997,” said Michael Karpf, MD, UK executive vice president for health affairs. “Today, some 5,000 children a year from Central and Eastern Kentucky undergo inpatient care here. With these gifts from The Makenna Foundation, The MAP Foundation/Lexus Store of Lexington and Coaches for the Kids, we are making the hospital a brighter, friendlier, more modern and efficient space for our patients and their families.”

Touches, like murals and vibrant wall tiles, make the day brighter for everyone, especially children. No one realizes that more than Sheila and Greg David, founders of The Makenna Foundation and members of the KCH Executive Development Council. Dedicated to their daughter Makenna’s memory, the foundation has funded numerous improvements at Kentucky Children’s Hospital, including The Makenna David Pediatric Emergency Center and now the new welcome center.



Cardiothoracic surgeon Michael E. Sekela, MD, left, and cardiologist Thomas F. Wayne Jr., MD, are among a growing number of faculty who are making gifts to improve the training and experience-level of future clinicians.

Faculty gifts evidence of a shared vision for the future

Through generous gifts, cardiologist Thomas F. Wayne Jr., MD, PhD, and cardiothoracic surgeon Michael E. Sekela, MD, are expanding educational experiences and opportunities for faculty and trainees.

A gift from Wayne, who joined the UK faculty 17 years ago after 21 years in private practice, has established the *Thomas F. Wayne Professorship in Women’s Heart Health*. The endowed professorship focuses on women’s coronary heart disease, an area of importance and interest to Wayne. More education is needed to raise awareness among women, he said. “Women are more worried about breast cancer and yet, more are going to die of coronary heart disease or stroke.”

Wayne’s gift also honors his father, Tom F. Wayne, an early leader at the UK medical center, who joined the faculty as an associate dean in 1963.

The *Michael E. Sekela, MD, Cardiothoracic Surgery Endowed Education Fund* will provide grants for learning opportunities for medical residents and fellows, such as travel to medical meetings or study and research in other states or other countries.

Sekela returned to UK in 2013 after 17 years in private practice, and he believes that experiences beyond the confines of campus give future doctors a broader viewpoint.

“This is a different world,” he said. “It is not provincial any more. It is global.”

Abundance

As work continues to fit out all floors of Pavilion A, the newest tower at UK Albert B. Chandler Hospital, UK HealthCare issued a commissioned call for art to serve as a major wayfinding piece that would greet guests coming and going via the concourse bridge between hospital and parking garage. Artist Lynn Basa of Chicago's proposal was selected and Basa was commissioned to create "Abundance," a major piece of art added at UK HealthCare during 2014.

"I wanted to create an artwork that patients, staff and visitors will find uplifting, literally and metaphorically," wrote Basa. "I wanted to take advantage of two outstanding features of the site: the height and the windows. Viewers will naturally lift their eyes skyward to see the artwork, and the sweeping view from the bridge gives the impression that one is floating above the ground."

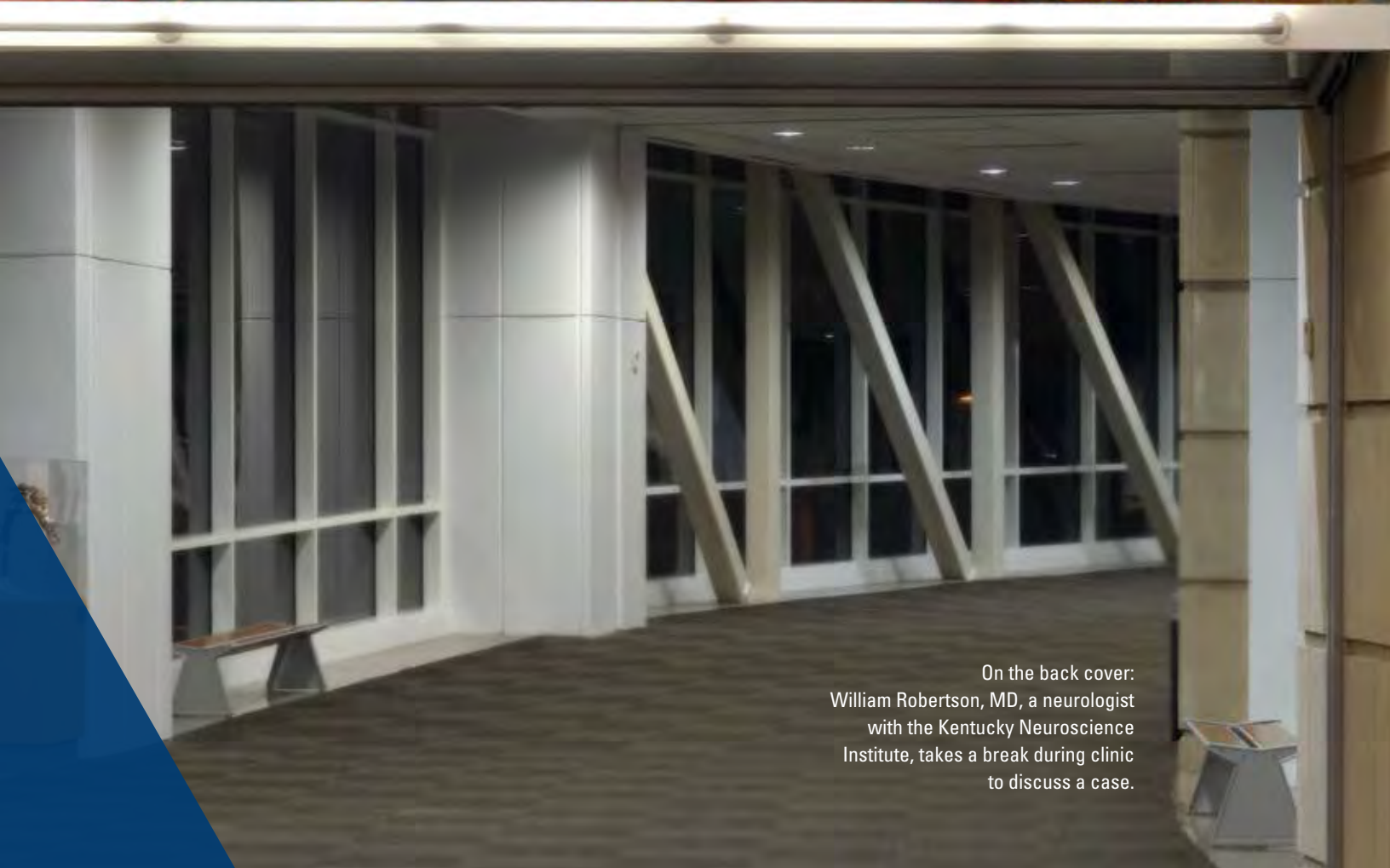
"'Abundance' is a two-part story," she continued. "Entering the hospital from the garage the mosaic is a profusion of forms that can be read simultaneously as a flower garden, the passing of seasons, a landscape and organisms. Leaving the hospital, those same forms have blossomed and are floating skyward. Every person will bring their own symbolism to the artwork depending on their state of mind."

"It's my hope that viewers will see something sublime in the artwork" Basa concluded, "whether that takes the form of beauty or joy, a memory or spiritual encouragement."

The UK Arts in HealthCare Program is funded entirely by private gifts. The community's support of this program is both appreciated and encouraged.



LYNN BASA
Chicago, Illinois
Abundance, 2014
Byzantine glass smalti and
hand-glazed ceramic tile



On the back cover:
William Robertson, MD, a neurologist
with the Kentucky Neuroscience
Institute, takes a break during clinic
to discuss a case.



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