



UNC
HEALTH CARE

Health
Care
System
Annual
Report

FY12

Report to the
UNC Board of
Governors

Background

The University of North Carolina Health Care System was established on November 1, 1998 to integrate UNC Hospitals with the clinical patient care programs maintained by the UNC School of Medicine.

The UNC Health Care System was created by the state to perform four functions: (1) provide patient care, (2) facilitate the education of physicians and other health care providers, (3) conduct research collaboratively with the health sciences schools of the University of North Carolina at Chapel Hill, (4) render other services designed to promote the health and well-being of the citizens of North Carolina.

The provisions of the N.C.G.S. 116-37 led UNC Health Care to establish our three-part mission of teaching, research, and patient care, which have guided our activities for the last 14 years. We must deliver excellent service and operate leading programs. We must be deeply and broadly engaged with the people of North Carolina and the Nation to meet their health challenges. Throughout, we must maintain financial stability in support of our mission.

The authority granted in N.C.G.S. 116-37 subsection (d) personnel; subsection (h) purchases; subsection (i) property; and subsection (g) property construction has allowed the Board of Directors of the UNC Health Care System to approve the policies summarized below. In the following report, we detail how we use this flexibility to improve the operations of the UNC Health Care System. As required by statute, we will convey the report to the Joint Legislative Commission on Governmental Operations in September 2012.

N.C.G.S. 116-37 (b) was amended in June 2012 by the N.C. General Assembly, changing the governance of UNC Health Care. The new statute changes the number, selection and appointment of UNC Health Care System Board members. The direct appointment of our Board members by the UNC Board of Governors, in consultation with the president, reflects and reinforces our role as an affiliated enterprise of the University System. We welcome this change.

Annual Report

By caring for patients across all 100 counties in North Carolina (Appendix I), UNC Health Care improves the well-being of the state. As in past years, this year we can report many successes accruing to the UNC Health Care System due, in part, to the operational latitude granted under the statute.

Fiscal year 2012 was successful for UNC Health Care. Despite a quickly changing health care landscape and a slow moving economic recovery, we improved the quality of our care, improved our cost effectiveness, reacted nimbly to new challenges and opportunities, and improved our financial stability.

With stable operations, we were able to provide substantial support to the citizens of North Carolina, by improving access to quality health services, training the next generation of physicians and conducting research. We continue to work with other organizations and providers across the state to meet the growing demand for services and care.

Stable operations and minimal staff turnover have also led to exceptional leaps in health care quality, and employee and patient satisfaction. UNC Health Care was named a finalist for the coveted American Hospital Association McKesson-Quest for Quality award, which recognizes our culture for quality care and our approach to continuous quality improvement. The Leapfrog Group also named UNC Health Care a “Top Hospital” for quality, one of 65 in the nation, and the only hospital named in North Carolina.

Patients have been more satisfied than ever before, as patient satisfaction measure like HCAHPS and Press-Ganey surveys report excellent feedback from patients. In fiscal year 2011, UNC Health Care was consistently the leader among Triangle hospitals in HCAHPS scores, resulting from telephone surveys conducted by the U.S. Department of Health and Human Services.

This past year, we partnered with the North Carolina Hospital Association to increase the amount of federal support to North Carolina hospitals and providers. This increased federal support improves Medicaid reimbursement at participating hospitals and enables better access to care regardless of a patient’s ability to pay.

We entered a long-term relationship with Pardee Hospital in Hendersonville to improve access to specialty care in Henderson County, to improve health outcomes, and to more efficiently manage the hospital.

We continue to partner with Carolinas Medical Center and Mission Health & Hospitals to expand the medical school, and increase the number of students trained at the UNC School of Medicine. The overall class size of the UNC School of Medicine is now 180 students per year, up 20 students

from two years ago. The first class of medical students began studies in August 2011 at expansion sites in Charlotte and Asheville.

The UNC School of Medicine leads nationally in producing physicians who practice in underserved areas, obtaining NIH grants, and producing outstanding physician-scientists and future faculty members.

Our faculty members receive world-class recognition for research. UNC HIV prevention research was named “2011 Scientific Breakthrough of the Year” by the journal Science. The School of Medicine brought in more than \$391 million to the UNC campus in FY2012.

Health Care Outlook

One critical tenet of UNC Health Care’s mission is ensuring that patients have access to excellent and affordable care. Almost one in five North Carolinians do not have health care insurance. Evidence clearly shows that those who do not have insurance are less healthy than those who do. Despite the legal and political uncertainty in Washington and across the country, the Affordable Care Act will permanently change our operating landscape.

Health care providers across the nation, including UNC Health Care, have reacted to the realities in health care through industry consolidation, partnerships among hospitals, physicians and other health professionals and an increased emphasis on shared responsibility for improving health outcomes and reducing costs.

The changing health care landscape forces us to look at our internal operations, as well as at the external environment. Over the last year we have worked to redevelop our system strategy. We must foster innovation; do more with less; reduce duplication of efforts; build integrated information systems; and take better advantage of economies of scope and scale. We do all these things while improving the quality and the outcomes of the care we provide to our patients.

There is local evidence of the changing landscape. Last September, for example, Duke Health partnered with LifePoint Hospitals, a for-profit health care company, to own and manage community hospitals in North Carolina and the surrounding region. In June, Carolinas Health System signed a 10-year deal to manage Greensboro-based Cone Health. Other systems across the state are engaged in similar conversations across the state and region.

North Carolina hospitals and health care systems are not immune to the competition and changing market place. We will continue to evaluate, and enter into affiliation and management agreements when those relationships enhance care delivery in North Carolina, or when they fit our three-part mission of research, teaching and patient care.

WakeMed and Wake County Mental Health

In May 2011, WakeMed Health & Hospitals' offered to purchase Rex Healthcare from UNC Health Care. During much of fiscal year 2012, we responded to this offer and other public comments. In May 2012, with the support of Senate and House leadership, we worked with WakeMed to develop partnerships in important areas of medical education and health care delivery. WakeMed and UNC Health Care agreed to collaboration and transparency in other areas and to resolve current disputes amicably in support of an ongoing relationship.

Following more than 18 months of debate, we agreed to end the public disagreements. WakeMed agreed to withdraw its offer to purchase Rex. Both parties agreed to drop all outstanding public records requests. While both institutions will continue to compete fairly, and collaborate in other instances, the parties will maintain a respectful relationship. We agreed to continue our 40-year history of working together to educate the next generation of physicians, providing UNC residents and medical students the opportunity to continue rotations at WakeMed. As part of its mission to operate in an open and transparent manner, UNC Health Care agreed to voluntarily file IRS Form 990s for each of its private, nonprofit health care entities.

Both parties agreed that there is an outstanding need for inpatient behavioral health services in Wake County, especially following the closing of Dorothea Dix hospital. The parties will work collaboratively to plan for the development of future services in care of these patients in Wake County.

UNC Health Care will initiate new projects to reduce the mental health burden on emergency departments in Wake County. A major part of that effort will include an investment by UNC Health Care of \$30 million to develop and operate a 28-bed, inpatient psychiatric facility in Wake County to help address crisis and emergency demand. UNC Health Care also will commit a total of \$10 million over five years to support additional mental health services. By enhancing inpatient hospital and other services, UNC Health Care will offer more comprehensive care to patients suffering from mental illness than is currently available and help relieve overcrowding in Wake County emergency departments.

Personnel

UNC Health Care's exemption from the State Personnel Act remains an important element of our statutory flexibility. As in prior years, the State faced fiscal challenges in fiscal year 2012 that limited compensation enhancements for State employees. Such limitations are problematic in the health care market. Despite limited recovery in unemployment in most industries, unemployment for health care workers remains extremely low. Throughout the current recession, health care employment has increased (Appendix II) and wages have risen.

UNC Health Care has adopted many programs to compete for qualified professionals. These programs have helped us recruit and retain better trained caregivers with quantifiable benefits. Since 2007, our relative employee turnover declined from a peak of 19% to under 9% (Appendix III). Over the same period, we have similarly cut our premium labor expense by almost 28% since 2008. Concurrently, we improved our employee satisfaction scores from the 33rd percentile to the 87th percentile (Appendix IV), compared to peer institutions.

We have accomplished these positive developments by recognizing and rewarding our workforce, emphasizing communication, demonstrating our commitment to employee satisfaction, hiring competent staff who embody our ethos, articulating objective organizational goals, improving training, and creating career advancement opportunities. Each of these objectives is coupled with specific programs that we are weaving into the fabric of the UNC Health Care culture (Appendix V).

We have also offered competitive financial rewards to our employees. Our incentive plan enables all co-workers to earn additional salary by accomplishing organizational quality, service, satisfaction and financial goals. In each of the last several years, we have triggered payments by achieving most of these objectives (Appendix VI).

Despite these successes, we face continued challenges due to wage pressure. In 2009, we opted to forgo pay increases. In 2010 and 2011, we made modest market adjustments for our employees. With wages increasing industry-wide as well as within this region, our compensation has become less competitive. Additionally, with the currently mandated participation in the State Health Plan and its legislatively prescribed employee contributions, our employees' net compensation has not kept pace with local and regional health care markets despite the modest growth of base pay. We estimate that half of our employees continue to be paid below market, some substantially so.

We can only hire and retain employees with competitive compensation. As we hire new employees, we also strive to maintain internal compensation parity, especially because we are in an environment in which all of our salary information is public. Since 2009, our employees' salaries have been easily accessed on the internet. With unquestionably transparent compensation information, all applicants, employees or curiosity seekers are free to examine and compare. We are now experiencing the repercussion of these realities. For instance, in order to attract qualified and experienced talent in some fields where the labor market is tightest, including information technology, it may be necessary to offer cash hiring incentives rather than higher base pay. This pressure will only continue to build in areas of scarce labor for specialty talent.

Though compensation is challenging, the efforts described above have led to low turnover; which has improved employee satisfaction, reduced personnel expense, and provided service that our patients recognize as simply better (Appendix VII).

Purchasing

Statutory flexibility in purchasing has reduced acquisition costs, increased efficiencies and expanded our purchasing power. This benefits UNC Health Care, its partner institutions, as well as the State's purchasing organization.

Each year, our colleagues in Purchasing document savings realized from the flexibility legislation. In fiscal year 2012, we recorded a \$5.2 million benefit. Since first granted flexibility, we have documented more than \$44 million in savings (Appendix VIII). These savings are realized due to negotiations and other practices that fully leverage the strength of the UNC Health Care System. We gain additional leverage with MedAssets, our group purchasing organization (GPO). Through MedAssets contracts, we successfully source products that meet the needs of our patients, often at substantially reduced prices.

Within UNC Health Care, we have achieved pricing parity to reduce cost. We commonly found that UNC Hospitals and Rex Healthcare purchased like items at different unit costs. We have eliminated these differentials accessing the lower entity's pricing.

We continue to focus our efforts on reducing our costs. Achieving pricing parity was only a preliminary step. This summer, we opened the Shared Services Center, a 93,000 square foot facility in Morrisville, NC that will first co-locate, and eventually integrate our entities' purchasing, warehousing, and supply chain activities.

In June 2011, Margaret Pardee Hospital in Hendersonville, NC became a managed affiliate of UNC Health Care. Since joining the system, we have helped Pardee achieve \$3 million in cost savings leveraging the strength and resources of UNC Health Care.

In fiscal year 2012, we partnered with the Division of Adult Correction of the North Carolina Department of Public Safety to help outfit their two new hospitals. We saved \$1.6 million for them by including them in our purchasing affiliate program. The Division of Adult Correction, as well as other smaller hospitals across the region that are part of our GPO, are able to gain access to our pricing, thereby leveraging our collective purchasing power. UNC Health Care benefits from slightly lower costs and a modest rebate.

We also gauge the benefits of purchasing flexibility in staffing efficiencies. Before flexibility, all orders greater than \$10,000 were forwarded to the State's Purchases and Contracts Division for their approval prior to the awarding of purchase orders. This process often required 90 days or longer. We additionally faced bidding requirements that were resource intensive without necessarily yielding advantageous pricing. By acting more independently, the size of the purchasing staff has not grown despite a many-fold increase in its activity. (Efficiency improvements are detailed in Appendix IX.)

Construction and Property Management

Flexibility in construction and property management has yielded benefits in terms of our ability to act responsively, to manage cost-effectively and to oversee projects responsibly. Due to rapid growth, a need to improve ease-of-access to our services, and aging facilities, we have invested heavily in on-campus and off-campus locations. Our ability to keep pace has been enabled by the processes put in place in accordance with the flexibility legislation. Two UNC Health Care System management committees, the Construction Bidding Oversight Committee and the Property Committee, oversee these activities in accordance with the statute.

The Construction Bidding Oversight Committee uses approved criteria to determine when to utilize alternative forms of construction bidding e.g., single-prime versus multi-prime versus construction manager at-risk (CM at-risk). As with other building projects across the UNC System, we typically employ the CM at-risk delivery model for major projects. A construction manager commits to deliver the project within a guaranteed maximum price and absorbs the risk of delivering the project on time and on budget. This method enables us to bid projects publicly while still capturing the efficiency of coordinating with a lead contractor.

Through the UNC Health Care System Real Estate Portfolio Management Committee, the Board reviews new leases, and renewals of existing leases (Appendix XI). In a similar manner to purchasing flexibility, the statute allows the UNC Health Care System to efficiently enter into leased space contracts, with approval from the Real Estate Portfolio Management Committee and the UNC Health Care System Board.

With the Real Estate Portfolio Management Committee's guidance, we moved patient care programs from the Chapel Hill campus to nearby communities, as well as across North Carolina. These moves better accommodate patients and substantially expand our clinical presence in the state. At the intersection of Interstate 40 and Hwy. 54, for instance, we have leased the majority of available physician office space. The "UNC Healthway" enables our patients to conveniently access outpatient services from major thoroughfares. Further, these transactions help place components of existing programs into contiguous spaces, improving efficiency and convenience for patients and clinicians.

Conclusion

The governance structure and flexibility the legislature gave to the UNC Health Care System are essential to our operations. As detailed above, it has enabled us to recruit and retain highly qualified employees, acquire goods and services cost-effectively, build patient-centered facilities, ease access to our services, and grow in a responsive, efficient manner. These, in turn, have been essential ingredients to improving our quality, service and breadth of clinical programs.

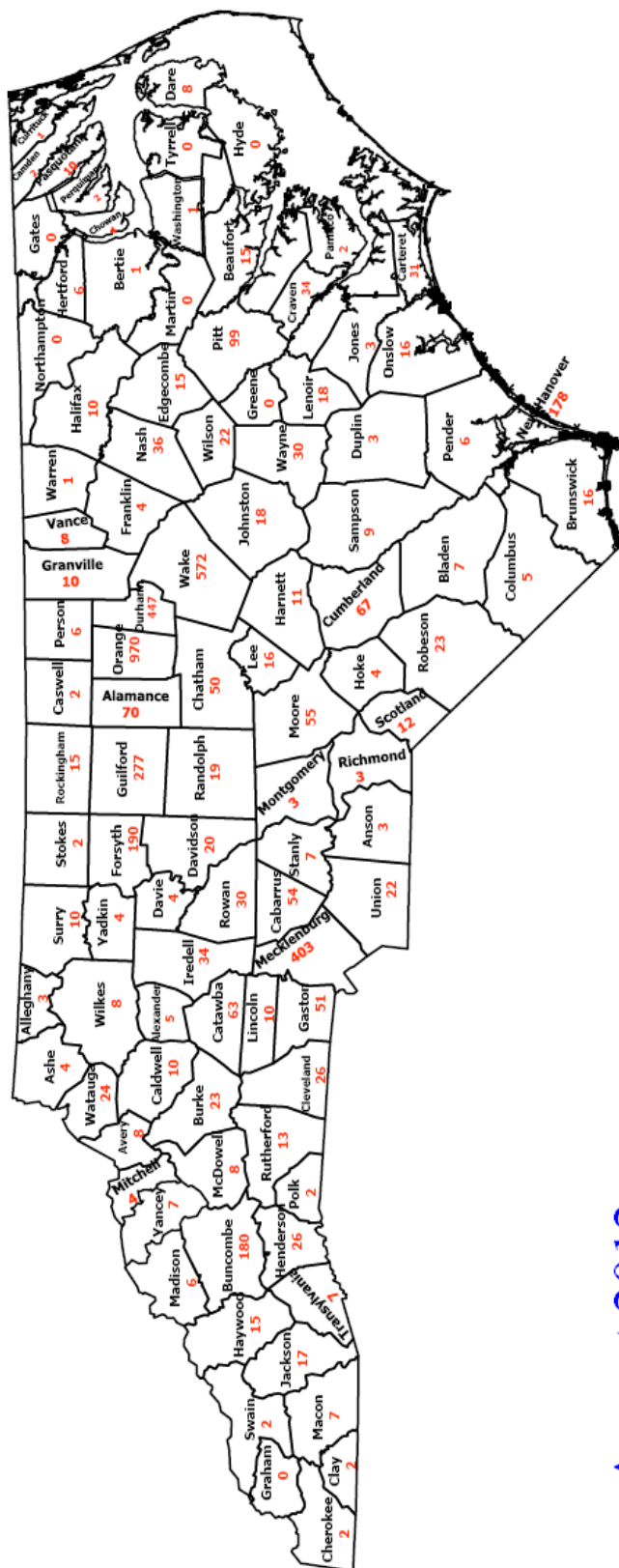
Regardless of the ultimate outcome on federal health reform, the health care environment has changed. Our statutory mandate allows us to nimbly respond to the ever-changing health care landscape and economic pressures. UNC Health Care will continue to conduct ground-breaking research, to train the next generation of physicians and to provide excellent clinical care to all North Carolinians, regardless of their ability to pay.

Appendices

- I. UNC SCHOOL OF MEDICINE ALUMNI AND HOUSE STAFF MAP
- II. NC & FEDERAL EMPLOYMENT TRENDS
- III. EMPLOYEE TURNOVER RATES
- IV. EMPLOYEE SATISFACTION HISTORY
- V. UNC HEALTH CARE CULTURE
- VI. UNC HEALTH CARE INCENTIVE COMPENSATION
- VII. SELECTED EXTERNAL ACCOLADES
- VIII. DOCUMENTED PURCHASING SAVINGS
- IX. PURCHASING EFFECIENCY
- X. CONSTRUCTION AND PROPERTY MANAGMEMENT PROJECTS
- XI. LEASE AGREEMENTS INITIATED OR RENEWED
- XII. UNC HEALTH CARE ORGANIZATIONAL CHART
- XIII. UNC HOSPITALS ORGANIZATIONAL CHART

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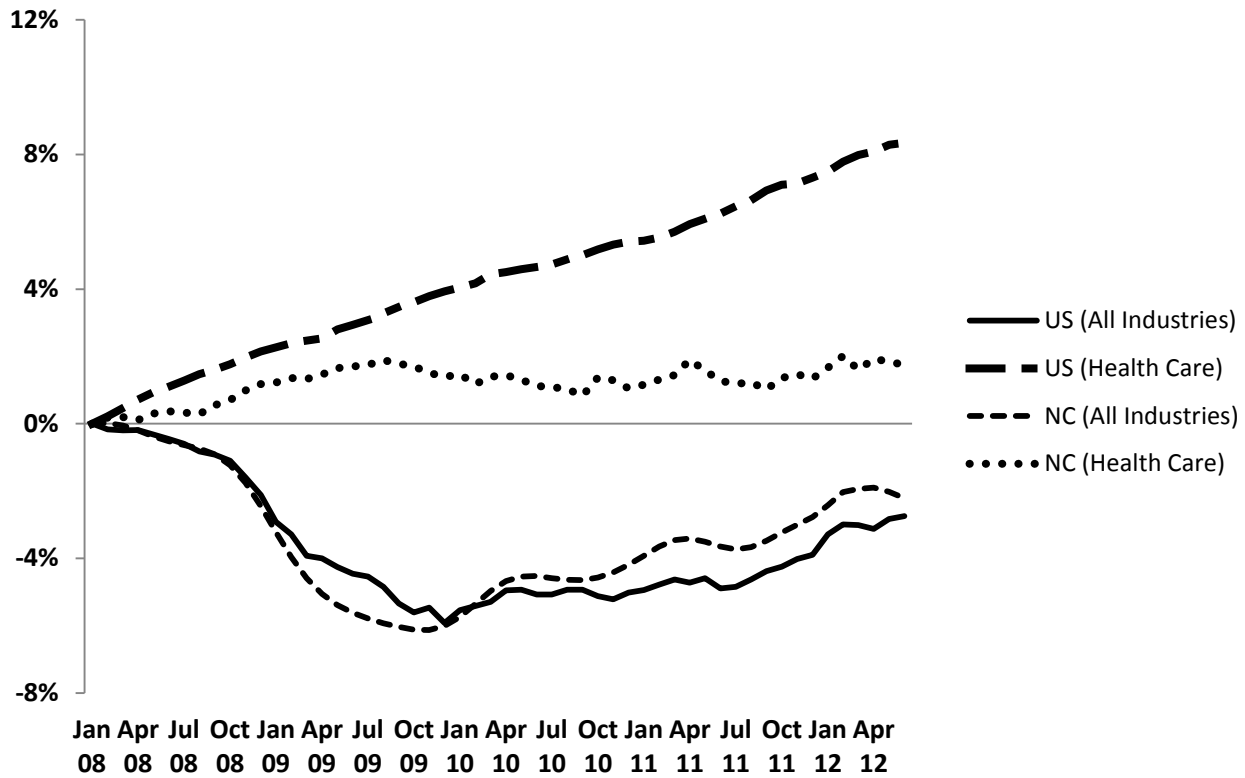
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August 2012

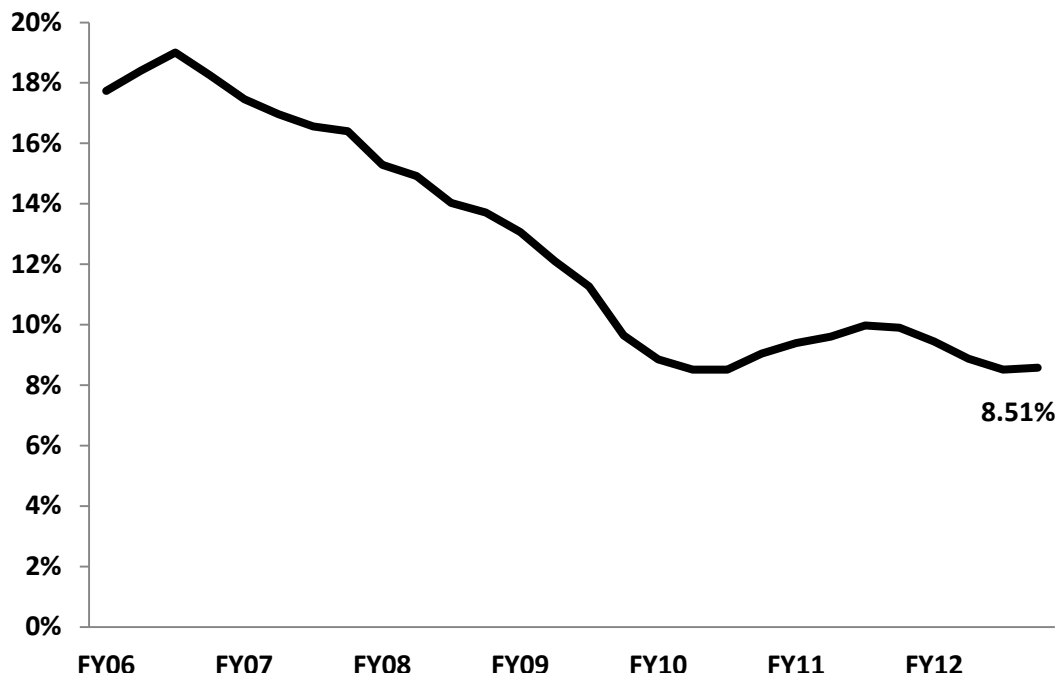
From NC Labor Market Information Division

Jan 08 to Jun 12

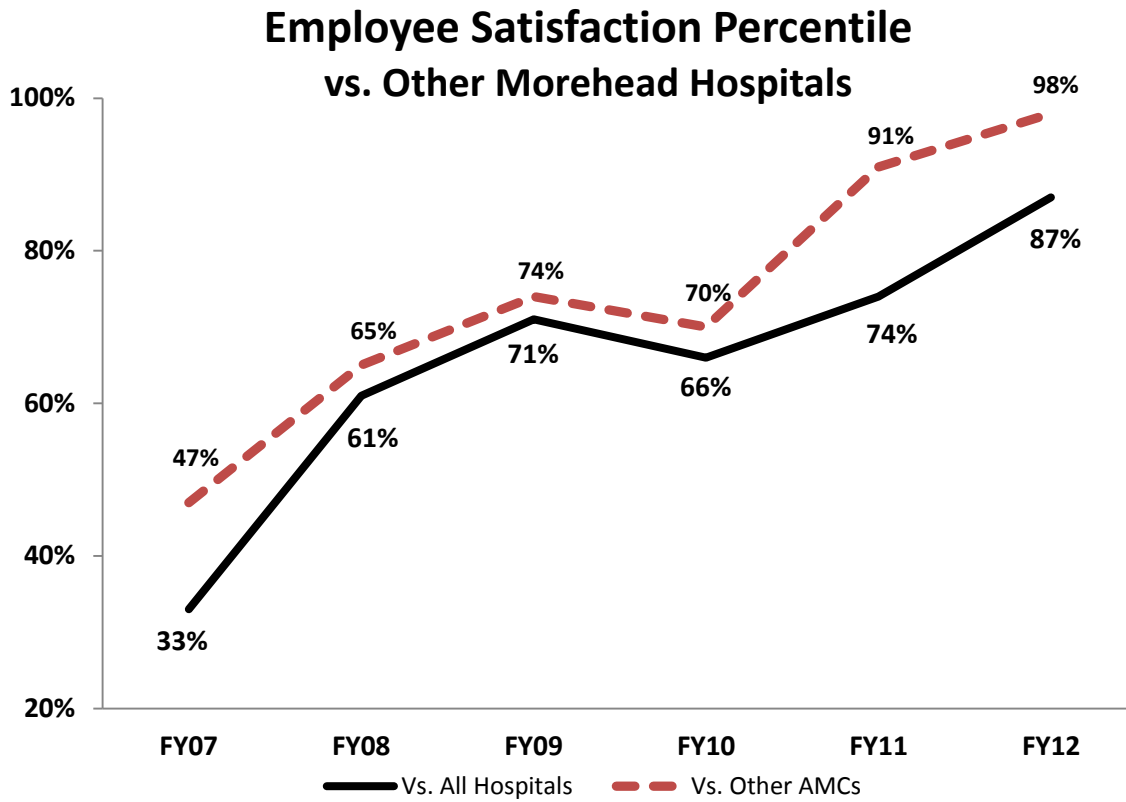


Appendix III EMPLOYEE TURNOVER RATES

UNC HCS Employee Turnover FY06 - FY11



Appendix IV EMPLOYEE SATISFACTION HISTORY



Appendix V UNC HEALTH CARE CULTURE

Hiring for Excellence

The UNC Health Care System utilizes Hiring for Excellence, a structured behavioral interviewing and selection process. All managers and staff interviewing candidates use data-driven best practices to select the best talent and the best fit. By recruiting the right team members we increase the level of care for our patients through increased skill level, increased employee engagement, and enhanced continuity of care.

Recruitment/Sourcing Talent

The UNC HCS has implemented many programs to recruit talented employees. In addition to local, regional, and national recruitment efforts, we continue a strategy of recruiting foreign nurses. We believe this will allow us to meet future staffing needs with seasoned, experienced nurses over multiple years.

We have significantly reduced our dependence on expensive third-party contract labor for those jobs with limited supply and availability, especially registered nurses and certified registered nurse anesthetists. We paid \$5.5 million in fiscal year 2009, were close to zero in fiscal year 2010, and paid \$1.2 million in fiscal year 2011. Despite diligent efforts to limit this type of expense, a tight healthcare employment market and high capacity at UNC Health Care necessitated increased third-party contract labor. We have spent \$1.6 million on third-party contract labor in fiscal year 2012.

Workforce Development

In an era of staffing shortages, improving the skills of our workforce is increasingly important. The UNC Health Care Learning Institute serves as a virtual organizational university focused on workforce development, clinical excellence, leadership development, and quality & service excellence. The Learning Institute provides a framework for knowledge sharing and strategic learning. We've also worked closely with local technical schools to develop/support training curricula that align with our short- and long-term needs. Our Employee Opinion Survey results indicate that employee perception of career development opportunities continue to improve as we implement these strategies.

The Employee Opinion Survey has also highlighted the need to improve the skills of our managers. The results of the Employee Opinion Survey stratify managers into low, medium, and high performing groups. This feedback has allowed us to identify managers who need some extra help. We developed a program to provide one-on-one mentoring and coaching to improve their management skills. These efforts have helped to increase employee satisfaction from the 33rd percentile in fiscal year 2007, to the 87th percentile in fiscal year 2012.

Enhanced Communication

"Glad You Asked" is a web-based communication tool that allows employees to pose questions directly to system leaders. Questions and responses are posted on the intranet for all employees to view. In fiscal year 2012, we responded to over 2,000 questions, and the website was one of the most popular and most frequently visited sites on the UNC Health Care's intranet.

Leadership Rounding continues to be a valuable technique used by all levels of management to interact with employees in their workplace. Improved employee opinion scores reflect that our leaders are visible and available to learn first-hand from employees. This presence further engenders employee trust in leadership and commitment to the values of the institution.

Appendix VI **UNC HEALTH CARE INCENTIVE COMPENSATION PAYMENTS CHAPEL HILL ENTITIES**

| | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 |
|--------------------|-----------------------------|-------------------------------|-----------------------------|-------------|-----------------------|----------------------|
| Payout per FTE | Greater of 2.5% or \$750 | Greater of 3.0% or \$1,000 | Greater of 1.5% or \$750 | 2.01% | 2.53% of gross pay | 2.7% of gross pay |
| Min payout per FTE | \$750 | \$1,000 | \$750 | \$114 | \$0 | \$119 |
| Max payout per FTE | \$3,468 | \$4,376 | \$2,251 | \$3,958 | \$4,850 | \$5,133 |
| Eligible FTEs | 4,548 | 4,927 | 5,124 | 6,323 | 6,261 | 6,691 |
| Total expense | \$5.9M | \$8.1M | \$4.9M | \$6.5M | \$8.0M | \$11.0M |

Appendix VII SELECTED EXTERNAL ACCOLADES

UNC Hospitals honored by American Hospital Association for Quality, Safety and Patient Care

UNC Hospitals was among four U.S. hospitals recognized for quality care and patient safety by the American Hospital Association (AHA). UNC Hospitals was honored as a finalist for the coveted American Hospital Association-McKesson Quest for Quality Prize, which recognizes health care organizations committed to creating a culture of quality patient care and developing successful approaches to quality improvements.

UNC Hospitals awarded AHA Mission 2012: Lifetime Gold Level Performance Achievement Award

The award recognizes UNC Hospitals' commitment and success in implementing a higher standard of care for heart attack patients that effectively improves the survival and care of STEMI (ST Elevation Myocardial Infarction) patients.

American Nurses Credentialing Center Magnet Recognition

UNC Hospitals has achieved Magnet designation for excellence in nursing services. UNC Hospitals is one of 378 facilities in the world, and among only 6 percent of all U.S. hospitals, that have earned Magnet designation.

Community Value Leadership Award

UNC Hospitals has been recognized as one of the top 100 hospitals for community value in America by Cleverley + Associates as part of its "Community Value Leadership Awards." UNC Hospitals is one of five North Carolina hospitals to make this list.

Cleverley ranks the top 100 hospitals each year based on its Community Value Index (CVI), which considers financial viability and plant reinvestment; hospital cost structure; hospital charge structure; and hospital quality performance.

Hospital Safety Grade

UNC Health Care and Rex Healthcare both received "A" grades from a national report that rates hospitals across the country according to how safe their hospital is for the patients. Both UNC and Rex have made an institutional commitment to providing safe and high quality care

Leapfrog Group Top Hospital 2011

UNC Hospitals has been named one of 65 "Top Hospitals" for patient safety and quality. UNC Hospitals is the only hospital in North Carolina that made the Leapfrog Group 2011 Top Hospitals list.

Appendix VII SELECTED EXTERNAL ACCOLADES

US News and World Report "America's Best Graduate Schools"

The UNC School of Medicine was once again ranked highly by *U.S. News and World Report* in the magazine's 2013 "America's Best Graduate Schools" issue. The School ranked 2nd in Primary Care and 21th in Research overall. Family Medicine, Rural Medicine, Internal Medicine and AIDS were also listed as top specialties.

US News and World Report "America's Best Hospitals"

Three adult medical specialties offered at UNC Hospitals rank among the top 50 programs of their kind nationwide in U.S. News & World Report's 2012-13 publication of America's Best Hospitals.

Gynecology - #34
Ear, Nose & Throat - #42
Cancer - #43

This is the 20th year in a row that multiple specialties at UNC Hospitals have been included in U.S. News & World Report Best Hospitals list.

U.S. News & World Report "Best Regional Hospitals 2012 - 13"

UNC Hospitals is ranked the #2 hospital in the Raleigh-Durham metro area by U.S. News & World Report in the 2012-2013 publication.

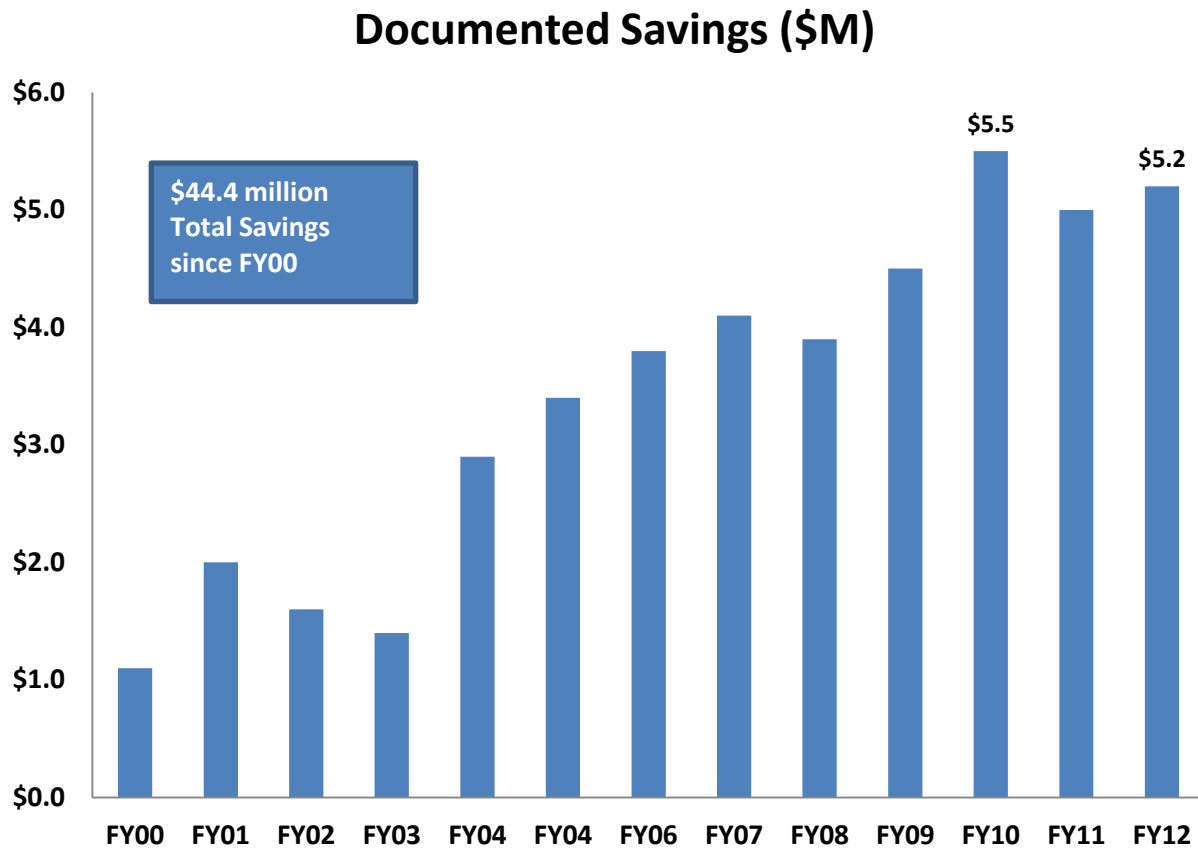
US News and World Report "America's Best Children's Hospitals"

NC Children's Hospital has been nationally ranked in 10 of 10 U.S. News Media Group's "America's Best Children's Hospitals" ranking categories, including a Top 10 ranking in pulmonology—the only top 10 ranking achieved by any children's hospital in North Carolina.

UNC Physicians Listed in The Best Doctors in America 2011-2012

240 University of North Carolina at Chapel Hill School of Medicine physicians named to list. UNC Health Care maintains a high level of physicians named Best Doctors in America; 219 were named in 2009-2010 and 242 named in 2010-2011.

Appendix VIII PURCHASING SAVINGS FY00-FY12



Appendix IX PURCHASING EFFECIENCY FY00-FY12

| Purchasing Efficiency Measures | Percent Change from FY00 to FY12 |
|--|-------------------------------------|
| Staff Level | -11.1% |
| Dollar Volume | 101.9% |
| Number of Purchase Orders | 44.5% |
| Number of Purchase Order Lines | 67.9% |
| Average \$ per Purchasing Agent | 127.1% |
| Average \$ per Purchase Order | 39.7% |
| Average # of Purchase Orders per Agent | 62.5% |
| Average # P/O Lines per Agent | 88.9% |
| Average \$ per Purchase Order Line | 20.1% |
| Average # Lines per Purchase Order | 15.7% |

FY12 CM AT RISK CONSTRUCTION PROJECTS

| Location | Activity | Improvement |
|-------------------------------------|------------------|---|
| UNC Hospitals - Hillsborough Campus | New Construction | Phase 1 - 60,000 sq. ft. physician office building Phase 2 - 50-bed acute care hospital; 18-bed ICU |
| UNC Hospitals - Chapel Hill Campus | Renovation | Upgraded exiting pathways in older facilities to meet current building code |

FY12 SINGLE PRIME CONSTRUCTION PROJECTS - IN PROGRESS

| Location | Activity | Improvement |
|---|------------------|--|
| UNC P&A Aesthetic & Laser Center | New Construction | New clinical space. Construction part of lease provisions |
| Carolina Crossing ENT Clinic | New Construction | New clinical space. Construction part of lease provisions |
| Carolina Crossing Hearing & Voice | New Construction | New clinical space. Construction part of lease provisions |
| Carolina Crossing Ophthalmology Clinic | New Construction | New clinical space. Construction part of lease provisions |
| Southern Village Dermatology | New Construction | New clinical space. Construction part of lease provisions |
| Rehabilitation Center | New Construction | New clinical space. Construction part of lease provisions |
| UNC Fertility | New Construction | New clinical space. Construction part of lease provisions |
| Allied Health Science Physical Therapy | New Construction | New clinical space. Construction part of lease provisions |
| UNC Hospitals - Operating Rooms | Expansion | To create a Children's Surgery and Sedation Center |
| UNC Hospitals - Cardiac Catheterization Lab | Expansion | To add a new Electrophysiology Lab to expand capacity to meet increased demand |
| UNC Cancer Hospital | Expansion | To prepare space for Radiation Oncology equipment required to be meet increasing demand |
| UNC Hospitals | Expansion | To create sunroom and rooftop garden to allow pediatric patients and their families to enjoy outside air in a controlled environment |
| UNC Hospitals | Expansion | To provide fire suppression to areas where UNC Hospitals' buildings abut other UNC-Chapel Hill buildings |
| UNC Hospitals | Expansion | To create a twenty-four (24) bed inpatient unit on 3-Bed Tower to meet increased demand |
| UNC Hospitals - Cardiac Catheterization Lab | Renovation | To replace equipment in Cardiac Catheterization Lab B |
| UNC Hospitals - Vascular Interventional Radiology Suite | Renovation | To replace equipment in the Vascular Interventional Radiology Department |
| UNC Hospitals - Women's and Children's Hospitals | Renovation | To replace flooring which is at the end of service life and other make other architectural improvements |
| UNC Hospitals 5-Bed Tower | Renovation | To upgrade outdated inpatient environment that will enhance the space and improve operational efficiency |
| UNC Hospitals 6-Bed Tower | Renovation | To upgrade outdated facilities to improve operation and efficiency |

Appendix X CONSTRUCTION AND PROPERTY MANAGMENT PROJECTS FY12 (con't)

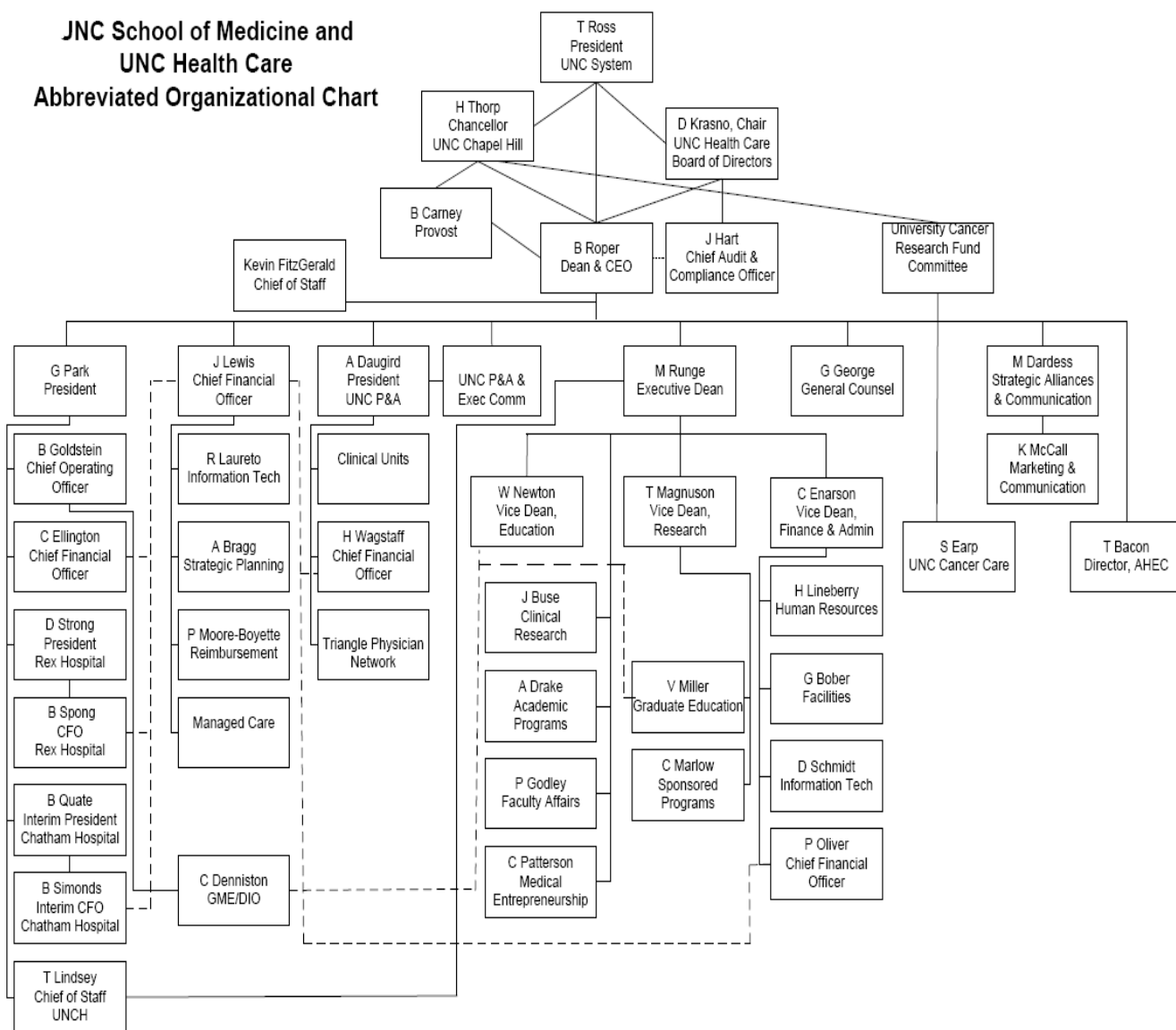
FY12 CONSTRUCTION PROJECTS - COMPLETE

| Location | Activity | Improvement |
|---|------------------|---|
| UNC P&A Orthopaedics | New Construction | New clinical space. Construction part of lease provisions |
| UNC Hospitals Geriatric Center | New Construction | New clinical space. Construction part of lease provisions |
| Vector Core | New Construction | New clinical space. Construction part of lease provisions |
| UNCHC Shared Service Center | New Construction | New clinical space. Construction part of lease provisions |
| Comprehensive Cancer Center | New Construction | New clinical space. Construction part of lease provisions |
| UNC Hospitals' Emergency Department | Expansion | Created a secure holding area for psychiatric patients undergoing evaluations |
| UNC Hospitals | Expansion | Created additional soiled holding areas by converting unused cart ejector areas to better comply with fire safety codes |
| UNC Hospitals | Expansion | Created sheltered storage area with Spill Prevention Contol and Countermeasures (SPCC) measures to support a food scrap recycling program |
| UNC Hospitals | Expansion | Created twenty-seven (27) inpatient beds on 7-Neurosciences Hospital |
| UNC Hospitals - Cardiac Catheterization Lab | Renovation | Replacement of aged equipment in Cardiac Catheterization Lab A |
| UNC Hospitals | Renovation | Renovated the All Faiths Chapel to make it non-denominational to better accommodate multiple faiths |
| UNC Hospitals' Emergency Department | Renovation | Improved egress from the Emergency Room and to improve security of the area for patients and staff members |
| UNC Hospitals' Maintenance Shop | Renovation | Replaced an outdated paint booth to improve safety for staff members |
| UNC Hospitals' Pharmacy | Renovation | Reconfigured space to create a "clean room" for the preparation of medications to meet code requirements |
| UNC Hospitals | Renovation | Relocated an Admissions Unit to better accommodate patients who would otherwise have to be held in the Emergency Room |
| UNC Hospitals' Lab | Renovation | Reconfigured clinical laboratory space to improve efficiencies |
| UNC SOM Morgue | Renovation | Added new and replaced outdated equipment to improve safety and to enhance teaching capabilities |
| UNC Hospitals' Operating Rooms | Renovation | Upgrade electrical systems to meet the demands of new technologies being used during surgical cases |

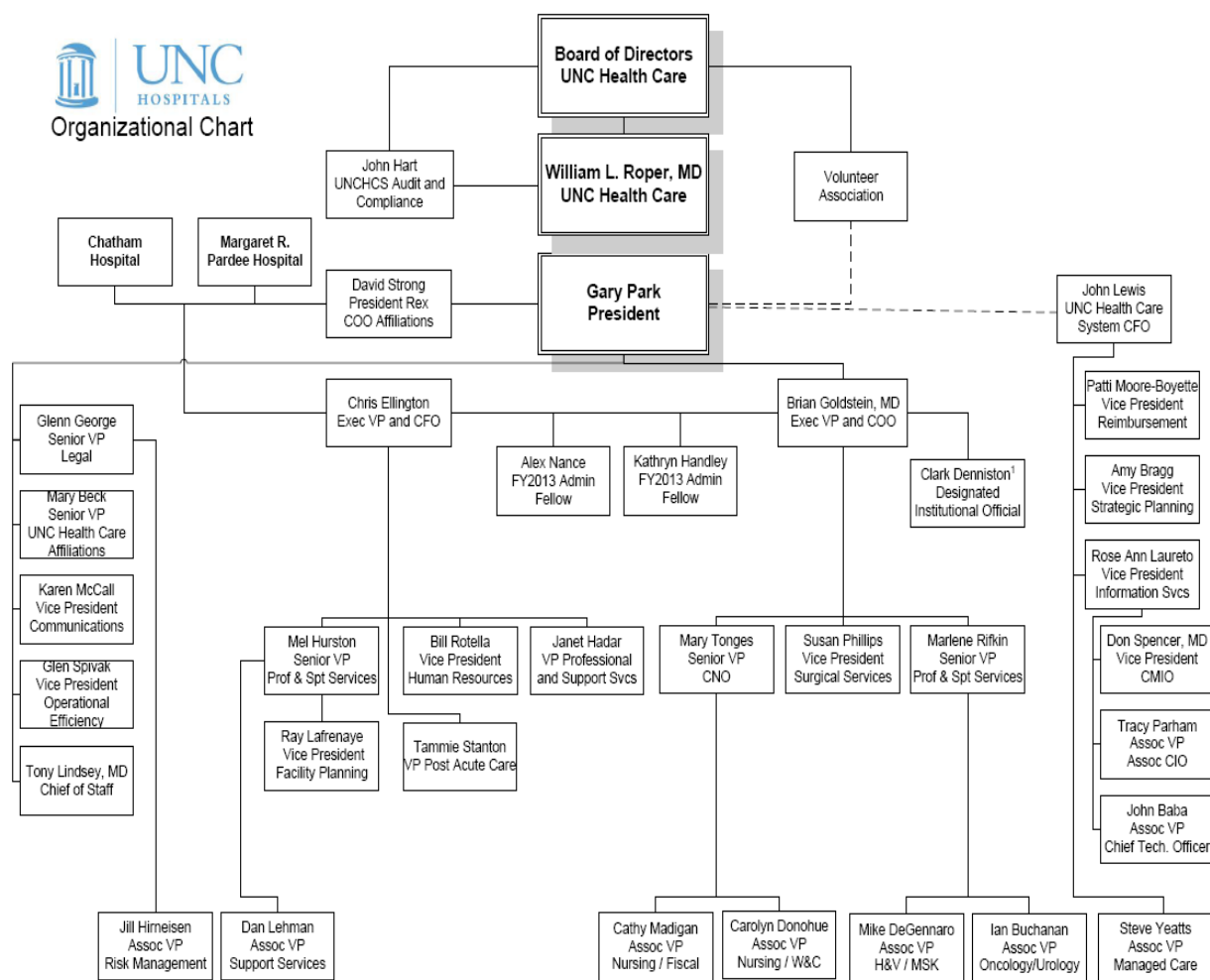
FY12 LEASE ACTIVITY

| Location | Square footage | Program | Activity | Improvement |
|--|-------------------|-------------------------|-----------------|----------------------------------|
| Orange County (Chapel Hill, NC) | 15,200 | Obstetrics | Lease Renewal | 19 Mental Health Apartments |
| Buncombe County (Asheville, NC) | 543 | Nephrology | Lease Renewal | Kidney Pre Transplant services |
| Chatham County (Pittsboro, NC) | 4,712 | Hospice | Lease Renewal | Hospice Nursing |
| Durham County (Chapel Hill, NC) | 806 | Geriatrics | Lease Amendment | Square footage adjustment |
| Guilford County (Greensboro, NC) | 1,654 | Pediatrics | Sub-lease | Pediatrics Outreach |
| Wake County (Raleigh, NC) | 4,515 | Obstetrics | Lease Amendment | |
| Orange County (Chapel Hill, NC) | 5,176 | Trauma | Lease Renewal | EMS PIC Program |
| Orange County (Chapel Hill, NC) | 25,266 | Rehabilitation | New Lease | Rehabilitation Clinic |
| Lee County (Sanford, NC) | 10,225 | Nephrology | Lease Renewal | Dialysis Unit |
| Orange County (Chapel Hill, NC) | 4,939 | Orthopaedics | Lease Amendment | Pain Center |
| Orange County (Chapel Hill, NC) | 2,905 | Dermatology | Lease Amendment | Mohs Surgery Expansion |
| Durham County (Chapel Hill, NC) | 2,579 | Oncology | Lease Amendment | 304 Square footage adjustment |
| Durham County (Chapel Hill, NC) | 1,530 | Oncology | Lease Amendment | Square footage adjustment |
| Orange County (Chapel Hill, NC) | 1,456 | Ophthalmology | Lease Amendment | Dr. Hagar |
| Orange County (Chapel Hill, NC) | 2,591 | Psychiatry | Lease Amendment | Psychiatric Clinic expansion |
| Orange County (Chapel Hill, NC) | 25,266 | Rehabilitation | Lease Amendment | Operations & Easement adjustment |
| Orange County (Chapel Hill, NC) | 2,400 | Obstetrics | Lease Amendment | 3 Mental Health Apartments |
| Wake County (Raleigh, NC) | 8,995 | Obstetrics | New Lease | Fertility Clinic |
| Orange County (Chapel Hill, NC) | 5,600 | Obstetrics | Lease Amendment | 3 Mental Health Apartments |
| Edgecombe and Nash County (Tarrboro, NC) and (Rocky Mount, NC) | 725 | Nephrology/Boise Willis | New Lease | Kidney Pre Transplant services |
| Chatham County (Pittsboro, NC) | 5,000 | Nephrology | New Lease | Dialysis |
| Craven County (New Bern, NC) | 1,800 | Ophthalmology | Lease Renewal | Ophthalmology |
| Person County (Roxboro, NC) | 2,500 | Ophthalmology | Lease Renewal | Ophthalmology |

**JNC School of Medicine and
UNC Health Care
Abbreviated Organizational Chart**



Effective January, 2012

¹ Reporting relationship also to UNC SOM

August, 2012
Gary L. Park, President