



Health
Care
System
Annual
Report

FY13

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 (UNC Health Care) was created by the state to: (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; and, (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 15 years. UNC Health Care is a multi-hospital health system in partnership with a top-tier school of medicine, operating hospitals and physician practices across North Carolina. We are anchored by the academic medical center in Chapel Hill, with five community hospitals in Wake, Chatham, Henderson, Guilford and Caldwell counties. UNC Health Care's physicians practice medicine in communities across the entire state. Collectively, UNC Health Care employs more than 19,000 people and generates an annual economic impact in excess of \$5 billion.

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 2013.

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 due, in large measure, to the operational latitude granted under the statute. Operational flexibility in Human Resources, Purchasing, and Property Management enable UNC Health Care to remain attractive as an employer for increasingly scarce talent and to keep the cost of our services more affordable. These, in turn, have helped UNC Health Care achieve stable financial results.

Last year, we reported that UNC Hospitals was named a finalist for the prestigious American Hospital Association McKesson-Quest for Quality award that recognized our successful approach to continuous quality improvement. We also highlighted our exceptionally high patient satisfaction and co-worker satisfaction, among the highest reported for academic medical centers nationally. Building on past successes, UNC Health Care raised our performance in each of these important categories.

The recognition we earned from the American Hospital Association was due to our efforts to build a culture and processes that reinforce high quality. To accomplish this goal, we train literally thousands of our co-workers in Six Sigma and Lean techniques. These co-workers have achieved quantifiable improvements in key metrics such as reduced readmissions and central line infections. We are gratified to have again earned public recognition such as being named as a top 100 hospital by Cleverley + Associates for a "Community Value Leadership Award." The award is based on achieving high quality at a low cost.

Patients have reported that they are better satisfied with the service and care we delivered than ever before. Our inpatient satisfaction scores place us above the 85th percentile of academic medical centers. The latest HCAHPS, a patient satisfaction survey tool administered by the Centers for Medicaid and Medicare Services, ranked UNC Hospitals #4 in the Nation among academic medical centers, and #1 among Triangle health systems in all ten of the categories it measures.

We can report similarly outstanding results for co-worker satisfaction. Continuing a multi-year trend, our survey results demonstrate improved co-worker satisfaction. This year's results place UNC Health Care at the 96th percentile for academic medical centers. High co-worker satisfaction has translated directly into low staff turnover, an important contributor to UNC Health Care's improving performance.

At the UNC School of Medicine, we have achieved similarly strong improvements in areas that were already performing well. Research grants from the NIH rose as did medical student satisfaction with the quality of the education we provided. In both research and teaching, the UNC School of Medicine improved its ranking among marque programs nationally. The school received the #1 ranking nationally for our Primary Care program.

With gratitude for past achievements, we are entirely focused on the way forward.

UNC Health Care's Efforts to Lead in a Changing Environment

The health care sector continues to face tumultuous change. Pressure on health care providers has come in the form of expectations to provide greater value, to have fully interoperable electronic health records, to care for the uninsured, to integrate care for individual patients, and to improve wellness across populations. Our report last year emphasized these gathering pressures.

UNC Health Care has sought to remain a leader in evolving to meet the demands of the changing environment. We have carefully planned our investments, both in terms of human and financial capital, to better meet the needs of North Carolinians.

We are making infrastructure investments to modernize our patient care. The academic medical center in Chapel Hill chronically functions near maximum capacity. Further, many of our facilities, especially in procedural areas, were designed for the care we delivered five decades ago. To address these needs, we will develop our Hillsborough Campus as an extension of the academic campus and an OR tower on the Chapel Hill campus. These facilities are being designed to optimize efficiency and the patient experience.

We will implement an integrated medical record across all of our sites of service. UNC Health Care has long operated with electronic medical records. However, the system used at the academic medical center was unique from the system at Chatham Hospital, the system at Rex Hospital, or the several systems used in our community physician practices and new affiliates. These systems do not “talk” well with one another and any form of data transfer between them is limited and cumbersome. Therefore, we established a vision for one patient to have one record everywhere within UNC Health Care. We are currently in the process of implementing Epic’s medical record. This is a pervasive endeavor requiring organizational focus and resources. We will have our first go-live in the spring of 2014. The phased rollout will begin in the Triangle, eventually extending to all of our entities statewide.

We are preparing to transition from fee-for-volume to fee-for-value. Traditional payment mechanisms have paid providers for each intervention. As a result, providers are paid more for providing more care, not necessarily for providing better care. UNC Health Care is seeking ways to shift to a new model that shifts risk and accountability to UNC Health Care. We have formed a joint venture with Blue Cross Blue Shield of North Carolina (BCBSNC), Carolina Advanced Health, in which the financial rewards are predicated on improving health outcomes by providing appropriate care. Through early and comprehensive interventions, Carolina Advanced Health has begun to demonstrate that we can reduce overall cost. This is but one example among several that

we are pursuing as we embrace the long-term view that to increase the value of our clinical services, we must accept—and be rewarded for accepting—increased accountability and risk.

We are engaging with new partners as the provider community consolidates. Of the more than 100 hospitals in North Carolina, today fewer than 25 remain unaffiliated with larger systems. Nationally and in North Carolina, the increasing demands on providers, both physician groups and hospitals, has caused many to seek partners in larger systems. Several of these—High Point Regional Health System, Caldwell Memorial Hospital and, soon, Johnston Health joined UNC Health Care. With our help, these hospitals will be able to provide more of the care needed in local communities, they will be able to access our state-of-the-art information systems (e.g. Epic) that are otherwise unaffordable, and they will become more efficient by leveraging UNC Health Care’s scale.

UNC Health Care has partnered in other ways as well. For instance, with the Department of Defense and BCBSNC, we are developing a Physician Assistant degree program aimed at returning veterans with medical training. This is among the first of its kind in the nation. We also now have fully functioning branch campuses of the UNC School of Medicine at both Carolinas Medical Center and Mission Health & Hospitals. These collaborations helped increase our capacity from 640 medical school students just a few years ago to 720 today.

We are responding to the State’s needs and the needs of underserved populations. UNC Health Care has proudly cared for underserved patients as a safety net provider. In recent years, the cost we incur for those unable to pay for their care has exceeded \$300 million. We also serve North Carolina in other ways such as providing much of the specialty and hospital care for the Department of Public Safety. We have found multiple cost-saving measures that will preserve taxpayer resources. In early 2013, we also extended our psychiatric services in Wake County. We have opened new inpatient acute psychiatric beds, but also operate two levels of step down care that can be a model for better care that integrates psychiatric services with the patients’ other medical needs.

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 2013 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 remain consistently below

10% (Appendix III). Over the same period, we have similarly cut our premium labor expense. Concurrently, we improved our employee satisfaction scores from the 33rd percentile to the 91st percentile (Appendix IV), compared to all hospitals and the 96th percentile versus our academic peers.

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 have woven into 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. From 2010-2012, we made modest market adjustments for our employees. With wages increasing industry-wide as well as within this region, we have struggled to keep wages competitive. Additionally, higher out-of-pocket costs to our co-workers for the State Health Plan have eroded the impact of our modest growth in base pay.

As we hire new employees, we 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. To attract qualified talent in some fields, such as information technology, it can be necessary to raise compensation bands for all incumbents and new hires.

Though compensation remains a challenge, our practices have helped us maintain low turnover rates. (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 2013, we recorded an \$8.9 million benefit. Since first granted flexibility, we have

documented more than \$53.3 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. New affiliates to UNC Health Care have accessed the same pricing yielding millions of dollars in annual savings to each of Pardee Hospital, Caldwell Hospital, and High Point Hospital. Adding their purchasing power, in turn, will further reduce acquisition costs for all of UNC Health Care.

We continue to focus our efforts on reducing our costs. Achieving pricing parity was only a preliminary step. In early fiscal year 2013, 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.

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 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, for instance, 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 UNC Health Care's 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 UNC Health Care to efficiently enter into leased space contracts with approval from the Real Estate Portfolio Management Committee and UNC Health Care's Board of Directors.

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. 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.

Conclusion

The governance structure and flexibility given to the UNC Health Care System by the Legislature are essential to our operations. As detailed above, they enable 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.

Our statutory mandate allows us to nimbly respond to the 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.

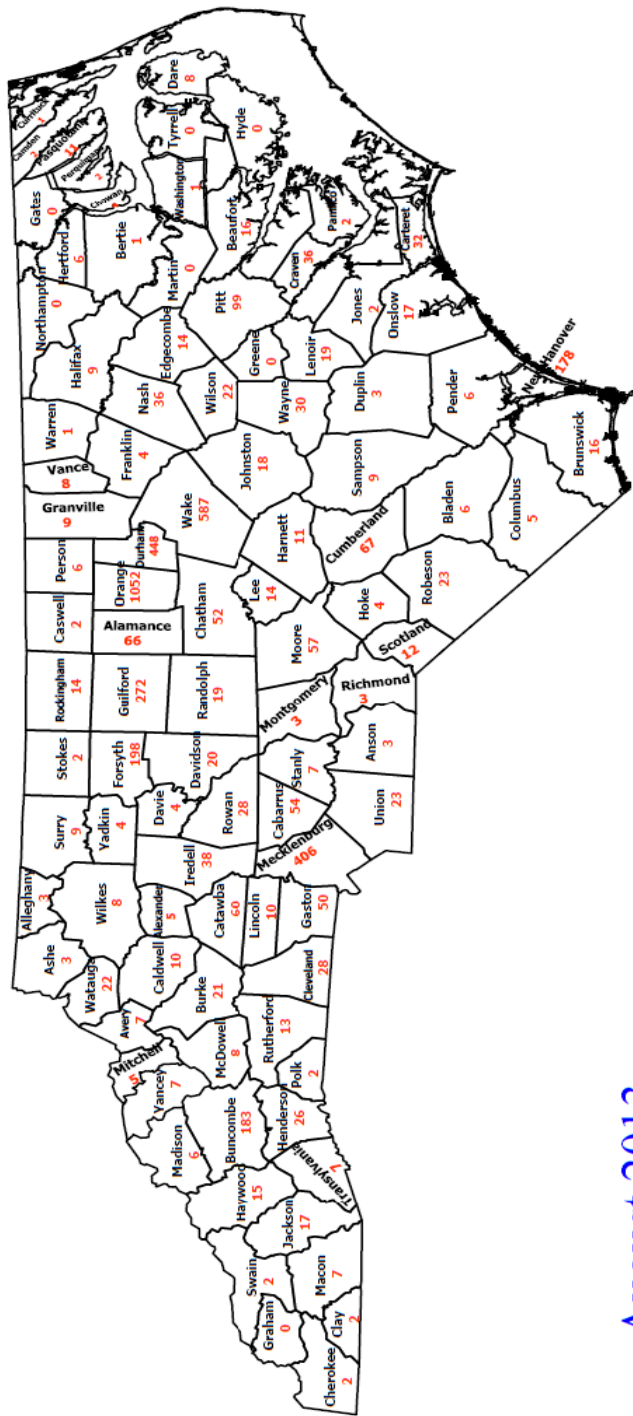
Appendices

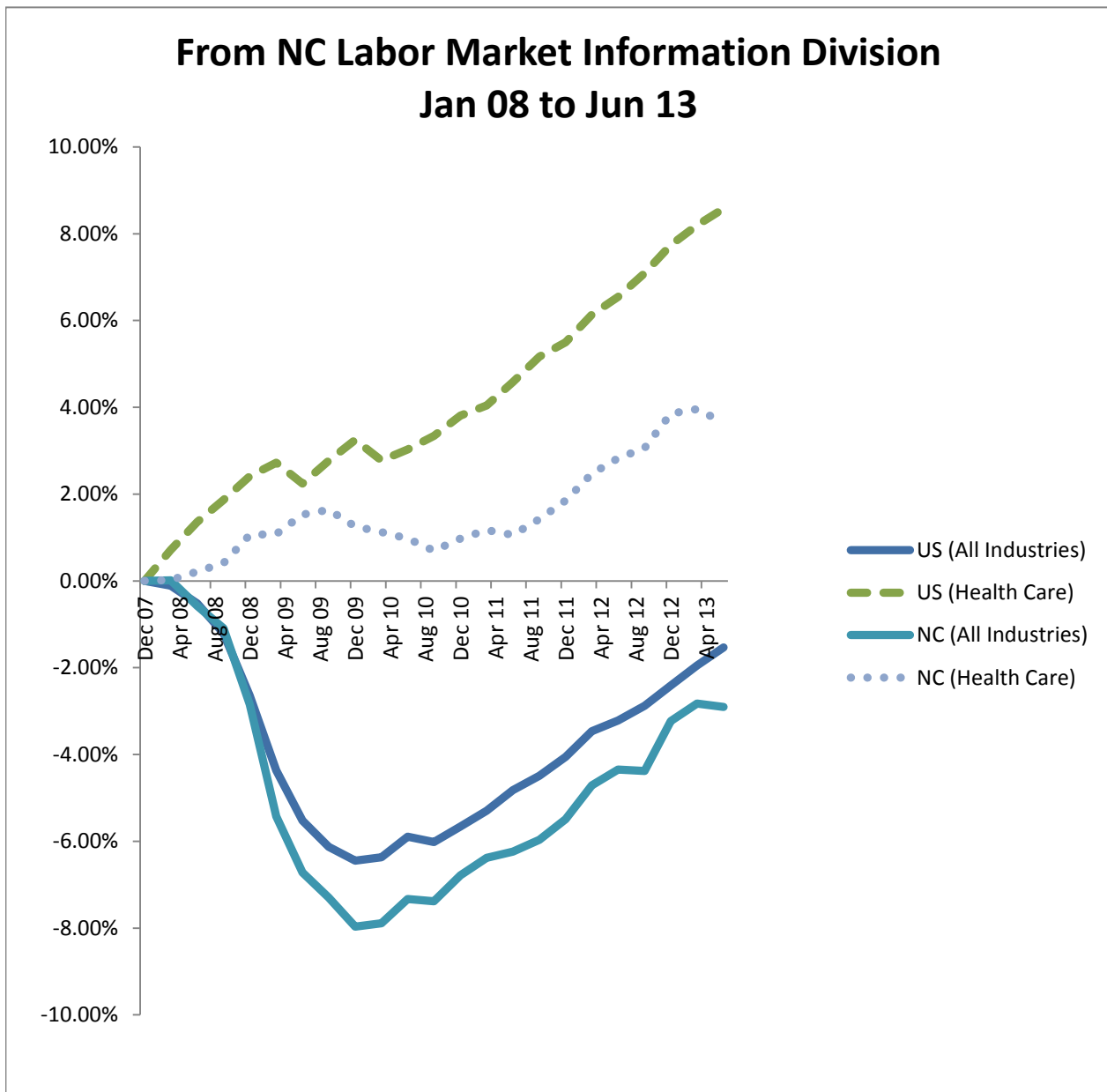
- I. UNC SCHOOL OF MEDICINE ALUMNI AND HOUSE STAFF MAP
- II. NC & FEDERAL EMPLOYMENT TRENDS
- III. EMPLOYEE TURNOVER RATES
- IV. EMPLOYEE SATISFACTION HISTORY
- V. UNC HEALTH CARE CULTURE
- VI. UNC HEALTH CARE INCENTIVE COMPENSATION
- VII. SELECTED EXTERNAL ACCOLADES
- VIII. DOCUMENTED PURCHASING SAVINGS
- 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

UNC-CH School of Medicine Alumni and Former Residents, UNC Hospitals

(duplicates eliminated)

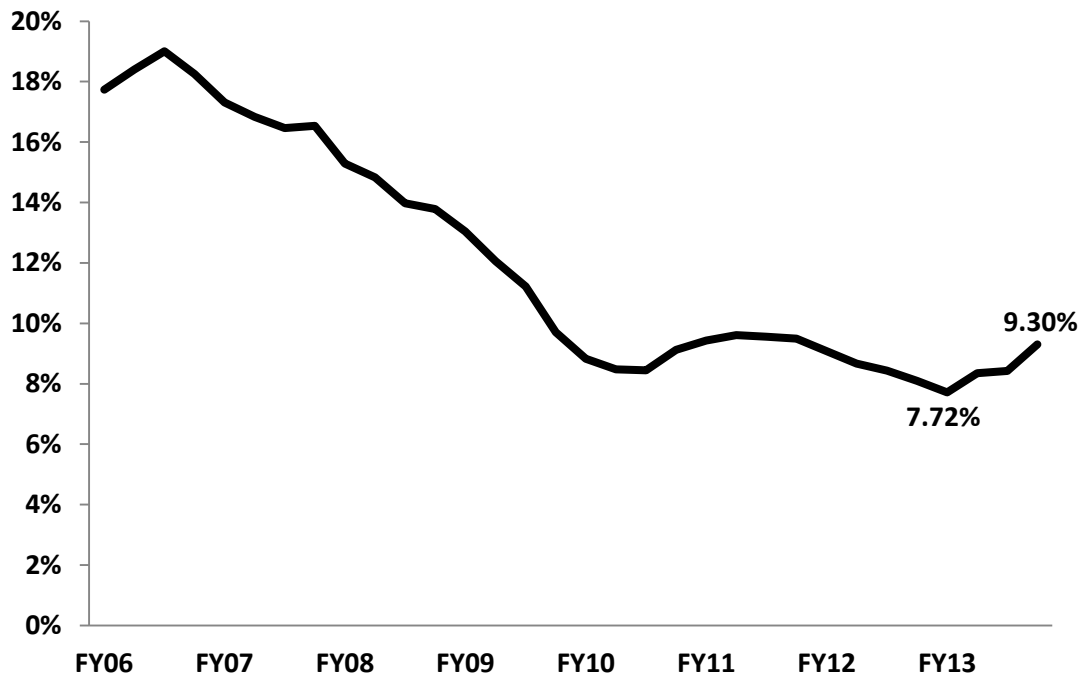
Total of unique individuals: 4670





Appendix III EMPLOYEE TURNOVER RATES

**UNC HCS Employee Turnover
FY06 - FY13**



Appendix IV EMPLOYEE SATISFACTION HISTORY



Appendix V UNC HEALTH CARE CULTURE

Hiring for Excellence

UNC Health Care 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

UNC Health Care 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. Despite success in fiscal years 2009-2012, and 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 \$3.7 million on third-party contract labor in fiscal year 2013.

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 91st percentile in fiscal year 2013. The numbers continue to be impressive when compared against peers at academic medical centers – UNC Health Care is in the 96th percentile in the Academic Health Care database for 2013.

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 2013, we responded to over 1,300 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	FY12
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	2.8% of gross pay
Min payout per FTE	\$750	\$1,000	\$750	\$114	\$0	\$119	\$65
Max payout per FTE	\$3,468	\$4,376	\$2,251	\$3,958	\$4,850	\$5,133	\$4,959
Eligible FTEs	4,548	4,927	5,124	6,323	6,261	6,691	6,977
Total expense	\$5.9M	\$8.1M	\$4.9M	\$6.5M	\$8.0M	\$11.0M	\$10.1M

Gross pay includes overtime, shift differential, on-call pay, etc.

Appendix VII SELECTED EXTERNAL ACCOLADES

U.S. News and World Report "America's Best Graduate Schools"

The UNC School of Medicine was ranked #1 for the first time by *U.S. News and World Report* in the magazine's 2013 "America's Best Graduate Schools" issue. The School ranked 1st in Primary Care and 22nd in Research overall. Family Medicine (2), Rural Medicine (5), Audiology (3), Physical Therapy (9), AIDS (9), Speech-Language Pathology (11) and Women's Health (15) are all currently listed as top specialties.

U.S. 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. Ear, Nose and Throat (22) Gynecology (43) and Cancer (44) are top 50 specialties. Multiple specialties at UNC Hospitals have been included in U.S. News & World Report Best Hospitals list for 21 consecutive years.

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 2013-2014 publication.

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

NC Children's Hospital was nationally ranked in 7 of 10 U.S. News Media Group's "America's Best Children's Hospitals" ranking categories.

Community Value Leadership Award

UNC Hospitals was 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 four North Carolina hospitals to make this list, and the only hospital in the Triangle.

Comprehensive Stroke Center Designation

UNC Hospitals was recognized by The Joint Commission and the American Heart Association/American Stroke Association (AHA/ASA) as meeting standards for Disease-Specific Care Comprehensive Stroke Center Certification. UNC Hospitals was the first hospital in the Southeast to receive this designation as a leader in providing complex stroke care.

UNC Physicians Listed in The Best Doctors in America 2013

277 University of North Carolina at Chapel Hill School of Medicine physicians were named to list. UNC Health Care maintains a high level of physicians named Best Doctors in America; 240 were named in 2011-2012, 219 in 2009-2010 and 242 in 2010-2011.

Appendix VII SELECTED EXTERNAL ACCOLADES

UNC Health Care highlighted in Healthcare Equality Index 2013

UNC Health Care, including UNC Hospitals, was recognized as a “Leader in LGBT Healthcare Equality” in the Healthcare Equality Index 2013, an annual survey conducted by the Human Rights Campaign (HRC) Foundation, the educational arm of the country’s largest lesbian, gay, bisexual and transgender (LGBT) organization.

UNC Health Care wins Fit-Friendly Award

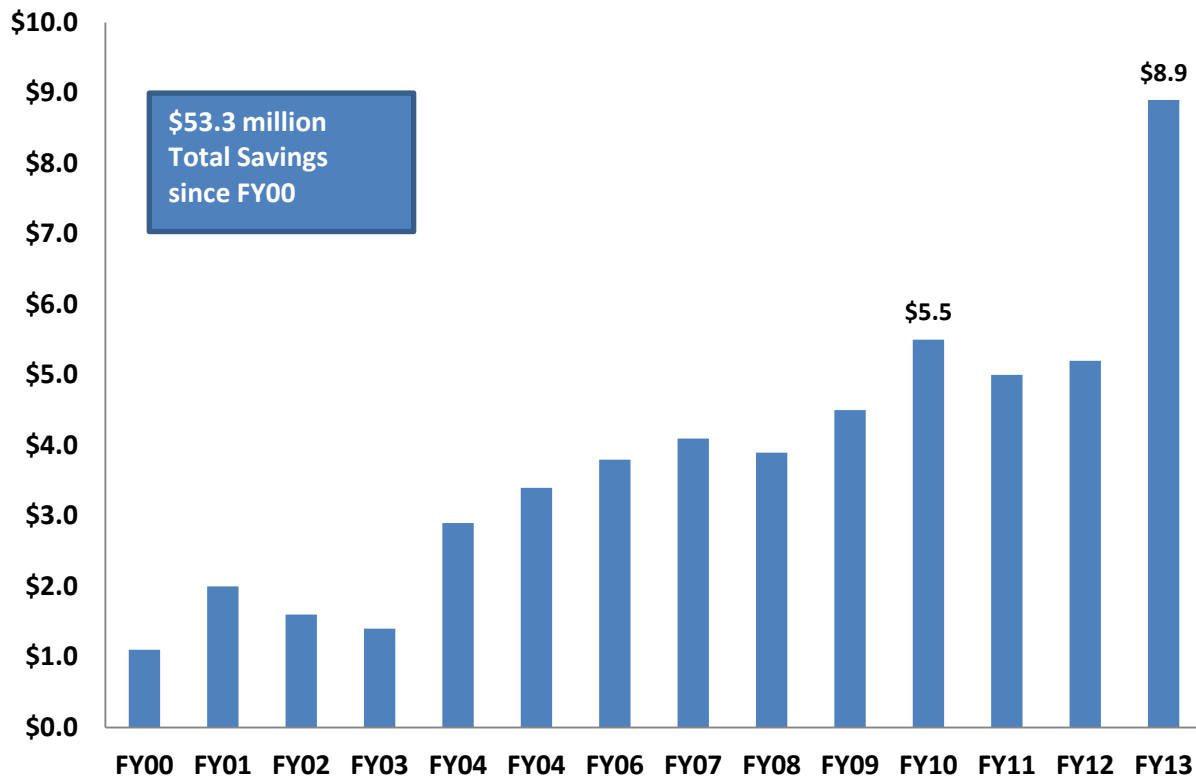
The American Heart Association recognized UNC Health Care as a Fit-Friendly company of gold status in 2013. Fit-Friendly companies are selected by the American Heart Association for employers who work diligently to ensure that their employees are healthy.

UNC Wins MatchMaestro award for Research Recruitment

In 2013, the University of North Carolina at Chapel Hill was the third recipient of the MatchMaestro trophy for enrolling the most volunteers through ResearchMatch.org, the national research study recruitment registry that helps match researchers and volunteers.

Appendix VIII PURCHASING SAVINGS FY00-FY13

Documented Savings (\$M)



Appendix IX PURCHASING EFFECIENCY FY00-FY13

Purchasing Effeciency Measures	Percent Change from FY00 to FY13
Staff Level	-11%
Dollar Volume	184%
Number of Purchase Orders	58%
Number of Purchase Order Lines	76%
Average \$ per Purchasing Agent	220%
Average \$ per Purchase Order	80%
Average # of Purchase Orders per Agent	78%
Average # P/O Lines per Agent	98%
Average \$ per Purchase Order Line	62%
Average # Lines per Purchase Order	11%

FY13 CM AT RISK CONSTRUCTION PROJECTS

Location	Activity	Improvement
UNC Hospitals - Chapel Hill Campus	Renovation	Upgraded exiting pathways in older facilities to meet current building code
UNC Hospitals - 1 Neurosciences	Expansion	Relocate Bone Marrow Transplant Unit and expand by eight (8) beds to meet increased demand (Part of 27-Bed CON)
UNC Hospitals - Ground Neurosciences	Renovation	Relocate Psychiatry Clinic to to allow for BMTU project. Also includes relocation of Psychiatry Faculty to various locations. (Part of 27-Bed CON)

FY13 SINGLE PRIME CONSTRUCTION PROJECTS - IN PROGRESS

Location	Activity	Improvement
UNC Hospitals - Operating Rooms	Expansion	To create a Children's Surgery and Sedation Center
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 6-Bed Tower	Renovation	To upgrade outdated facilities to improve operation and efficiency
Prestwick Condominiums	Expansion	To upfit space for Neurology clinic to relocate from Hospital space. (Part of 27-Bed CON)
Eastowne Campus - Building 500	Renovation	Relocate CCM functions that serve off-site locations. Relocate Medical Records functions not required to be in the Hospital. Create common use space for Eastowne Campus
Eastowne Campus - Building 100	Renovation	To create space to support EPIC implementation
Wakebrook Campus - Building 111	Renovation	Upfit facility for program changes to take over management of 16 licensed psychiatric beds

Appendix X CONSTRUCTION AND PROPERTY MANAGMENT PROJECTS FY13 (con't)

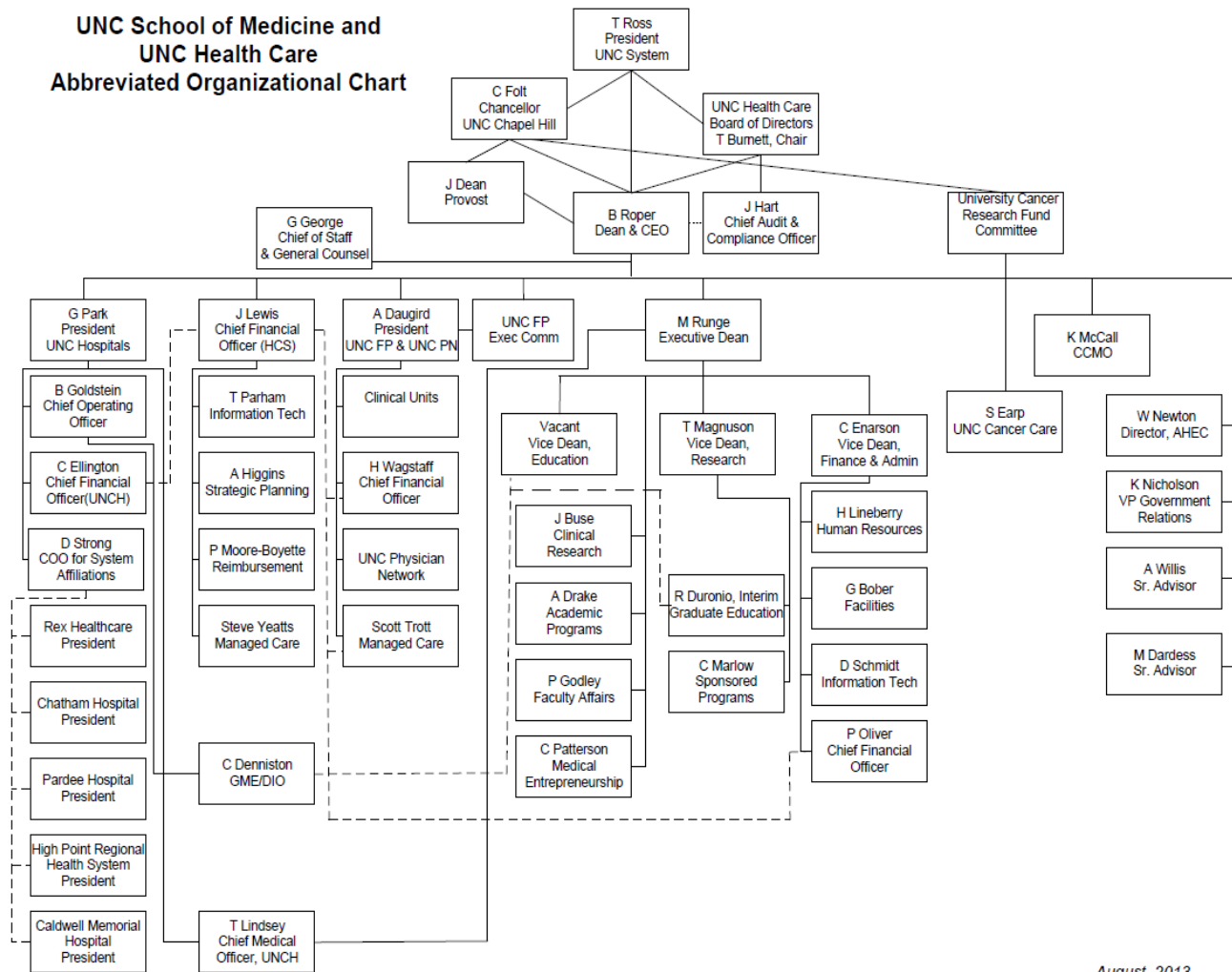
FY13 CONSTRUCTION PROJECTS - COMPLETE

Location	Activity	Improvement
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 - 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 Bed Tower	Renovation	Convert unutilized space into trash holding rooms.
UNC Hospitals - Surgical Services	Renovation	Replace central sterile dumbwaiters that were past service life
Eastowne Campus - Building 200	Renovation	Relocate and consolidate Revenue Cycle Office functions
Eastowne Campus - Buildings 300/400	Renovation	Relocate UNC Faculty Physicians Administration from property scheduled for demolition
Eastowne Campus - Buildings 600/700	Renovation	Relocate and consolidate Information System functions and EPIC implementation
UNC Hospitals - Parking and Valet Building	Expansion	Create parking and valet location adjacent to campus driveway to facilitate customer service
UNC Hospitals - Memorial Hospital	Renovation	Relocate home care store and create employee pharmacy
UNC Hospitals - Imaging and Spine Center	Renovation	Create a procedure room for expanded services
UNC Hospital - Friday Center Campus	Expansion	Expanded Joint Child Care Center in joint project with the University
Wakebrook - Campus - Building 107	Renovations	Upfit facility to meet licensure rules for change in program management

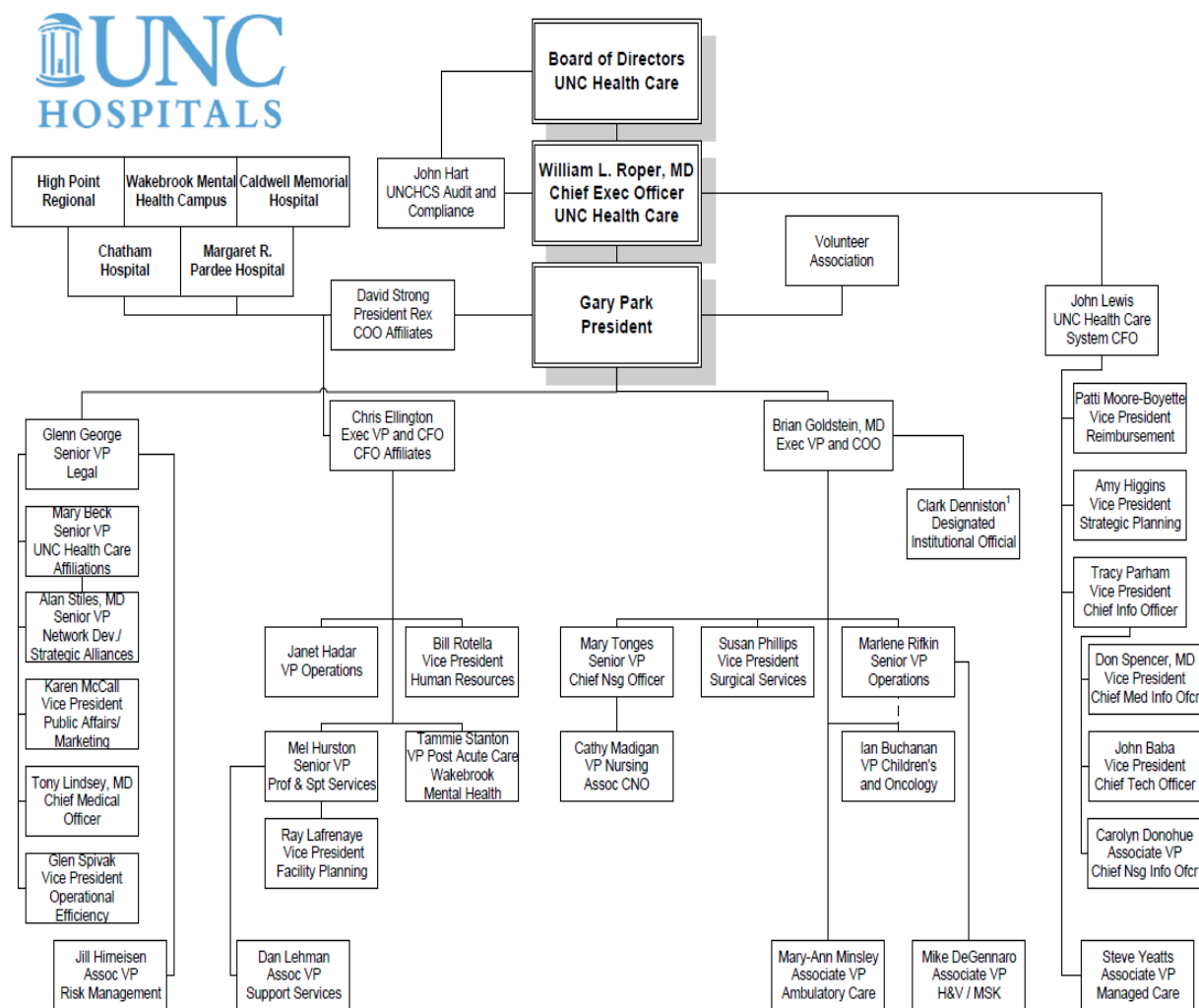
FY12 LEASE ACTIVITY

Location	Square footage	Program	Activity
Alamance County (Burlington)	1,610	Nephrology	Lease Renewal
Buncombe County (Asheville)	500	Gastroenterology/ Nephrology	Lease Renewal
Craven County (New Bern)	1,800	Ophthalmology	Lease Renewal
Cumberland County (Fayetteville)	1,530	Air Care	Lease Renewal
Orange County (Carrboro)	4,366	Psychiatry	Lease Renewal/Amendment
Orange County (Chapel Hill)	3,043	Carolina Clinic	New Lease
Orange County (Chapel Hill)	769	Hematology & Oncology	Lease Amendment
Orange County (Chapel Hill)	3,040	Urgent Care	Lease Renewal
Orange County (Chapel Hill)	1,520	Laboratory	Lease Renewal
Orange County (Chapel Hill)	1,520	Radiology	Lease Renewal
Orange County (Chapel Hill)	8,018	Oncology	Lease Renewal
Orange County (Chapel Hill)	8,018	Rheumatology	Lease Renewal
Orange County (Chapel Hill)	5,005	Speech, Audio, ENT	Lease Renewal
Orange County (Chapel Hill)	9 +/-	Wells Fargo ATM	New Lease
Orange County (Chapel Hill)	9 +/-	SECU ATM	Lease Renewal
Pearson County (Roxboro)	2,500	Ophthalmology	Lease Renewal
Wake County (Cary)	3,400	Pediatric Cardiology	Lease Amendment
Wake County (Raleigh)	2,152	Heart Center	Lease Amendment
Wake County (Raleigh)	7,146	Dermatology	New Lease
Wake County (Raleigh)	916	REX OB/GYN	Lease Renewal

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



August, 2013



¹ Reporting relationship also to UNC SOM

Gary L. Park
Gary L. Park, President

June, 2013