

Thomas A. Scully

STATEMENT TO BOARD OF VISITORS

Related to my resignation from the Health System Board

Thanks for the opportunity to provide my view of the recent developments at the UVa Health System and the departure of Dr. Craig Kent.

In the Spring of 2021, I was happy to get a call from former Rector Whit Clement, asking me to serve on the Board of the Health System. As a lifelong Republican conservative, health lawyer and policy person, I was a bit surprised that a Rector appointed by a Democratic Governor would think of me for the post. But as Whit said when he called, “I am only concerned about finding good people that understand what is good for the health system - not what their politics are”. Exactly as it should be.

My background for service to the Health System, and standing for my extensive comments below are as follows: staff for a Republican US Senator from 1981-85; a year working on the Bush ‘88 campaign, including as Communications Director of the 1988 GOP Convention; President GHW Bush’s primary White House health policy advisor for the duration of his term (1989-93); and President and CEO of the Federation of American Hospitals (the 2nd largest US hospital association, 1994-2000). I then returned to the government to run the Centers for Medicare and Medicaid Services (running the now \$1.6 trillion per year agency from 2001-04); and for the last 21 years I have been one of the most active healthcare investors in the US as a partner at Welsh Carson in New York. Woven around those posts, I practiced health law for over 20 years at three large Washington D.C. firms: Akin Gump, Patton Boggs and Alston and Bird (where I ran the health practice). I have served on the Board of four large public healthcare companies (each over \$1B a year), and ten private healthcare companies, chairing five of them, and many nonprofit and academic boards - including two others at UVa. I additionally served on the Board of the Dartmouth Medical School for 12 years. So, I know healthcare, academic healthcare, and appropriate law firm practices. I don’t believe any Republican has spent more time in federal health policy leadership roles in the last 40 years.

Though I have been active in health policy as a Republican for a very long time, it has always been cooperatively bipartisan. That is one of the many reasons I find the current situation inappropriately political, unpleasant and upsetting.

At the time I joined the Board I had never met Dr. Kent, nor had I met President Jim Ryan. This is not about Dr. Kent, or Jim Ryan, it is about UVa. First, a bit about Dr. Kent and President Ryan, as well as Paul Manning, after 4 years of observation.

President Ryan: I had read and heard from many of my UVa pals that he was “probably too liberal for this school and really was not a Virginia guy”. Having observed him now, there is no doubt that he is an A++ President - a total gentleman and great listener who hears all views, treats everyone fairly, and makes quick and strong decisions. Despite my unhappiness with the process and treatment of Dr. Kent, he handled this unpleasant situation as fairly as is humanly possible. He is a great leader for the University and, regardless of your political views, we are lucky to have him.

Our Board Chair, Paul Manning, is also a terrific man, who clearly has been amazingly generous to the school and supportive of the health system. I know he is at least as unhappy as I am with how this

inappropriate review of the Health System leadership has progressed, but again he has handled it fairly and in a very levelheaded way, and I am grateful for his thoughtful and patient leadership.

On to Dr. Craig Kent: I have watched and worked with him now regularly for four years. He may very well have made some mistakes, typical in managing a huge health system, but he has done a great job for the Health System and UVa Health is stronger, better run, provides better care, and is more accessible to patients than ever. Period - those are the facts. Every quality rating and every patient metric is way up under his leadership. And, though patient care is always paramount, the system is economically in better shape than ever. With his approval, I am sharing a letter to the Board from my good friend Dr. Neal Kassell (**attachment**), certainly the longest tenured doc that has any affiliation with UVa Health. He has more credibility in the University and physician community than I will ever have, so I will try not to restate his comments all again here, but I agree with his statements 100%. So, I will only briefly come back and list some more accomplishments of the Dr. Kent-led Health System later.

In joining the Health Board I reviewed the charter, which states "The Health System Board is charged with oversight of the operations of the Medical Center". What? - then how could the Board of Visitors conduct a review of its leaders for these many months, and demand Dr. Kent's immediate resignation last week -- with no notice -- having never spoken with any of the independent public members of the Health System Board? Certainly, the BOV **can** do that, but why then have a Health System Board? I can't speak for everyone, but I know from extensive discussions with most of my public Board colleagues, including Bill Crutchfield (one of the most experienced and revered UVa volunteer leaders in our history), Dr. Ken Botsford, a very experienced physician and healthcare business leader, and Steve Danziger, a very experienced and successful business leader in Northern Virginia, that all strongly support Dr. Kent and have been stunned by the irrational and unfair process that led to his dismissal.

How did we reach this point? My View

STEP 1:

- Almost immediately after I joined the Board, Dr. Kent and Dr. Kibbe proposed significant structural physician payment reform. It was clear from all the data, and it was obvious to any observer, that UVa had the ultimate "old boy" payment system. There was little to no correlation between what a UVa physician was paid and the amount of work he/she did, how many patients they saw (RVUs) or the amount of research they did. As a result, over the years UVa Health's ranking had fallen, the quality of care had faded, and structural payment "reform" was badly needed. UVa Health had fallen into a cocoon of comfortable mediocrity. Drs. Kibbe and Kent proposed a gently transitioned and phased in comprehensive payment reform program. Two years of measurement and evaluation, along with meetings with scores of folks from all 19 specialty groups, was undertaken before a long "phase in" of group-by-group payment changes would be initiated. I told Dr. Kent when it was proposed "boy you are sticking your head into a hornet's nest"? and he replied, "I know - but it simply has to be done".
- You would think all my conservative Republican friends would applaud this - "pay for performance" reform! The medical equivalent of taking on taking on poorly structured "tenure" in academia? It should have been a conservative model for any University health system?!
- In the summer of 2024, the System was preparing to announce the final roll out of "payment reform". *Like magic*, in September, 128 "anonymous" docs (out of 1400 in the health system)

declared that the health system was “corrupt” and Dr. Kent was evil and abusive! This was as predictable as the sun coming up. Having been at this for 45 years, I am certain that the vast bulk of the 128 - and their practice groups - would have been on the negative end of the “equitable performance-based redistribution” of University physician payment reform.

What do I know about this?? In 1989, working for President Bush, I negotiated the passage of national “Physician Payment Reform” (along with my friend Dr. Bill Roper - the recently retired Chancellor of UNC) which created the Resource Based Relative Value System, a system that creates the Relative Value Units by which all physicians are paid by Medicare, and most private payers follow its guidance. It is not a great system, but it is far better than what existed before. Nationally the doc community (led by the AMA) went crazy - attacking President Bush, picketing my speeches, demanding that Bill Roper and I be fired and claiming that medical practice was being destroyed as we know it. Sound familiar? Freshman Congressman LF Payne (now a BOV member) was there and watched it - you can ask him. This was a national explosion - but President Bush supported us, as did bipartisan Congressional leadership, and Bill and I survived, and the bill passed. Charlottesville is a much smaller and nastier political pot than D.C., and Dr. Craig Kent did not survive.

STEP 2:

- Almost simultaneous to all this doc activity and angst, the UVa Board of Visitors was changing. When I joined, all 17 members had been appointed by a Democratic governor. I have known many people on the BOV for decades and never really noticed a partisan edge - but apparently it was growing. I have never met Governor Youngkin, but I admire and support him, and I like many of his appointments. I am a committed Republican and I would generally applaud a gracious shift to more conservative approach to university oversight. But it is a fact that as the BOV switch from 17-0 Democrats over recent years to now 13-4 for GOP appointments, I have watched and heard the political edges sharpen. A number of the new members have grumbled about their prior treatment by the majority of the BOV, appointed by Democratic Governors. Privately I heard some members say, “the Democrats on the BOV have ignored us for years and run roughshod, and now the tables are turning”. That anger may well have been fair and deserved – but I would not expect it to drive the behavior and governance of a top University, nor a Health System.
- Walking into this growing maelstrom, stoked by a bunch of angry docs who wanted no change or reform, was our UVa Health System, and the somewhat politically naive Dr. Kent.

STEP 3:

- After the artificial firestorm created by the “letter from 128 courageous/anonymous docs” (isn’t that an oxymoron?), the University did what academics institutions do - it shut down and started an “investigation” to protect itself.
- One BOV member, who has made it clear to many that they have a strong interest in being the new Rector later this year, handpicked Williams and Connolly to do the investigation. That BOV member had also made clear to many that they wanted to “make a new mark on UVa”, and that included cleaning up UVa Health, and getting rid of Dr. Kent. Unfortunately, that quite talented Board Member knows nothing at all about healthcare, has no experience in healthcare, and did not leave the “investigation” to be conducted objectively. It was guided, coached, and directed to a

preconceived result. The young attorneys at WC also had no experience in healthcare, nor any knowledge of how large systems are run.

- I have worked with Williams and Connolly for years and have a number of old friends who are partners. Obviously, I practiced law at 3 other large and old D.C. firms, so I am quite familiar with the general excellence of Williams and Connolly. Only after insisting that I be interviewed, I had a lengthy interview with their young partners. There was no whiff of fairness or objectivity - it was clear and obvious that they were being directed to a preconceived outcome. This project was not William and Connolly's finest day, to say the least.
- Amazingly, no report was actually produced from all this work—just a slide show for the BOV that lists the “findings” of the WC interviews. Of course, none of the findings included the explanations or responses of Dr. Kent and his team, nor did they include any views of the Board of the Health System.
- Finally, the night before the “emergency BOV meeting” a 28-page letter listing a cascade of accusations against Dr. Kent was delivered to the BOV. Apparently some BOV members took this quite seriously, and were concerned that it might be released? I have read that letter, which is simply a rehash of all the complaints from the group of disgruntled doctors that have been stirring this pot for many months. There is nothing new. And it is written by a New Orleans attorney, Glad Jones, who, though I am told that he is a good lawyer and person, also knows nothing about healthcare, or UVa. He is a Louisiana environmental lawyer with no connection to UVa whose major qualification is that he is the brother of one of the most unhappy cardiologists.
- Apparently the BOV gave great weight to this input, but not that of the Board of the Health System or of the other 1275 physicians at UVa.

STEP 4:

- Last week the Board of Visitors, without discussing any of this with the Board of the Health System, convened an “emergency” meeting to discuss the report (even though there was a BOV and Board of the Health System meeting scheduled the next week). They have not shared that report with any of the public Board Members of the Health System, but I have spoken to enough BOV members to know the following: 1) the Williams and Connolly team gave a totally one-sided report of the information that they collected, without including the viewpoint of Dr. Kent or his team - or Health System Board members; 2) there was no new information that the Board of the Health System was not aware of, and the “major” misbehavior was totally anecdotal and certainly minor in any rational context; 3) the result was clearly prearranged and preordained before the Board of Visitors walked into the room; and 4) the BOV decided to either accept Craig's resignation, or fire him, with no notice - immediately. There was no emergency, and that approach was inappropriate and unfair treatment for a man, and a team, that had devoted 5 plus years to fixing and improving our health system.

You are the BOV - you can do what you like - and certainly can fire him, or anyone else in the University, at will. But I do not have to stand by and watch it happen without correcting the record and defending a good man.

So, what has improved in last 5 years Under Dr. Kent?

- Quality scores are way up
- Patient satisfaction is way up
- The university serves far more patients, and the system has grown to help far more Virginians
- Quality always comes first, but it is important that the health system is consistently profitable. “No margin, no mission” as our Catholic hospital friends often say? This year UVa Health is creating more than \$240M in free cash flow. A result that is not happening anywhere! Almost all other big nonprofit and University health systems have bled red ink throughout the pandemic—and since- and are struggling still. Few are making any margin, and this is the worst cycle for US hospitals in decades - and UVa is thriving?
- Things are likely to get much tougher with the proposed policy changes coming in the new administration, both from CMS and NIH.

I won't regurgitate all of Dr. Kassell's letter, I would refer you to the attachment to again restate all the good changes that have happened at UVa health in recent years, and the community and physician support that Dr. Kassell sees.

So why do I care so much?

Because I understand the damage you have done to the future of UVa Health. I like Dr. Kent, but this is not about him, it is about what he and his team have done in the last five years - and what you have stunningly disrupted. Most of that team will leave (if you don't fire them first). You will have a very difficult time finding someone good for this job, since the UVa physician community has chewed up and destroyed every head of the Health System in the last 25 years.

As Chair of the Strategy Subcommittee of the Health System Board, I have worked with the Health System Board and team on a number of important projects that should have been completed. Each would massively strengthen UVa Health and provide far better care for many Virginians – our mutual goal.

A Status Report:

- 1) A major cancer JV that is pending with the best independent system in Northern Virginia. UVa had prevailed in a competition with John Hopkins and others. STATUS - won't happen now
- 2) Acquisition of a hospital in Fauquier County that is struggling but would be easily turned around and succeed under the UVa brand and leadership, providing far better care for that region and solidifying UVa's connection to Northern Virginia patients. STATUS – won't happen now
- 3) Merger (at no cost) with a significant regional system in Southern Virginia that wanted a stronger and larger academic partner. UVa was the obvious and clear partner, to the benefit of that system, and its large community. STATUS – won't happen now

In the past, the recurring question from the BOV was- how can we be sure those expansion projects would ever work??

Since I have been involved, the only JV that the BOV approved, after 2 years of delay and questions, was a JV with Riverside Health. That JV has been exceptionally successful for UVa and Riverside and has exceeded all expectations. Future projects won't be easy with all our staff and leadership gone.

SO WHERE WILL YOU BE IN FIVE YEARS?

I love UVa, so I hope that I am wrong. But sadly, I am afraid that UVa Health will wallow back into its cocoon of mediocrity, and struggle with any leadership. And in five years, my colleagues in healthcare will say:

- 1) How did HCA (or INOVA) end up buying Fauquier Hospital—why didn't UVa do that?
- 2) How did Centra become part of the Duke system—why didn't UVa do that??
- 3) How did UVa blow up its cancer partnership with Virginia Hospital center and let Hopkins do that?

What makes me saddest of all is that I firmly believe that none of this should have happened. This is a combination of 2 toxic forces: 1) docs at UVa that don't - and never have - wanted any change and have attacked the UVa leadership continually (a few of the senior docs have been at this attack for 20 years - I have watched them); and 2) silly partisan BOV politics that have no place at the University. New Board members wanting to "take control and change things" would be fine—if they had a deeper understanding of health systems and how they operate? Very sad on all fronts.

I honestly don't know why you have a Health System Board—since it has no function? I have enjoyed working with many of you and will always love and appreciate UVa. Best of luck with the tough days ahead.

After reflecting on all the issues above, I hereby resign from the Board of the UVA Health System.

Tom Scully
UVa '79