

Board of Governors
University of Minnesota Hospitals and Clinics

Minutes

December 9, 1981

CALL: Chairman Al Hanser called the meeting to order at 1:35 p.m.

ATTENDANCE: Present: Al Hanser, Chairman Virgil Moline
Harry Atwood John Najarian, M.D.
Jo-Anne Barr Sally Pillsbury, Vice Chairman
Leonard Bienias John Quistgard
Dionisa Coates Margaret Sandberg
David Cost John Tiede
Al France Lawrence Weaver
Debbie Gruye John Westerman
Fannie Kakela Paul Winchell, M.D.
Mary Lebedoff

Absent: Jeanne Givens Paul Quie, M.D.
Jack Mason Timothy Vann

MINUTES
APPROVED:

Upon motion duly made and seconded, the Board of Governors unanimously approved the minutes of the November 18, 1981 meeting.

REPORT OF
JOINT MEETING
OF FINANCE AND
PLANNING AND
DEVELOPMENT
COMMITTEE:

Mr. Harry Atwood reported on the status of proposals for a campus hotel, the hospital capital assets management program, the development of a low-acuity general medical-surgical station, and on Renewal Project progress. Ms. Donna Ahlgren reviewed the cost deductions made from the design development estimate which reduced the project cost to \$175,518,000. Mr. John Westerman reported that the preliminary feasibility study from Ernst & Whinney shows the project to be fundamentally feasible, but changes in some key variables suggest that exploration of options to improve the margin of safety would be prudent.

Mr. Atwood moved that the following resolution be adopted:

"WHEREAS, it has been determined that there is a pressing need for new University Hospital inpatient facilities; and

WHEREAS, the Hospitals renewal project has received all appropriate approval; and

WHEREAS, funding of the renewal project through the sale of State of Minnesota general obligation bonds has been authorized by law; and

WHEREAS, the renewal project is to be financed through hospital revenue; and

WHEREAS, there have been changes in key variables in the factors influencing the project based on the findings of the Ernst and Whinney preliminary study; and

WHEREAS, additional analysis is needed to explore possible alternatives that may be suggested by these changes in external and internal variables; and

WHEREAS, the Board of Governors finds that the best interest of the people of the state is served by maintaining the University Hospitals renewal project on its original schedule; and

WHEREAS the Board of Governors finds that further analysis of the developing financial and other information and the impact of external and internal forces on the details of the project would not delay the schedule for the project;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Governors update the Board of Regents on its latest findings, and advise the Board of Regents of its desire to pursue further analysis of the project through the Vice President for Health Sciences; and

RESOLVED FURTHER, that the General Director, in cooperation with the several planning groups, shall be and hereby is directed, to explore all possible options to improve the probable margin of safety in the renewal project and report back to the Board of Governors at its January, 1982 meeting."

The motion was seconded and unanimously passed.

GENERAL
DIRECTORS
REPORT:

Mr. Westerman reported on the status of CSUH governance research, Inpatient Care Management Council progress, the Clinical Chiefs retreat, and the progress made by search committees for the Vice-President for Health Sciences and the General Director.

Ms. Kim Simensen presented analyses of reports on the competitive health marketplace developed by the Minnesota Coalition on Health Care Costs, the Governors Task Force, and the Citizens League.

INTRODUCTION
TO ORTHOPAEDIC
SURGERY:

Dr. Roby Thompson presented a description of the development of the Department of Orthopaedic Surgery at the University of Minnesota highlighting the departmental interests in joint replacement, scoliosis, and sports medicine.

TASK FORCE
ON GOVERNANCE
& ORGANIZATION

Ms. Sally Pillsbury reported on the revised draft of the Task Force Report. The Board discussed each recommended area for consideration by a joint task force of Regents and Governors. Mr. Al France moved that the Board of Governors adopt the following resolution and that the Task Force complete their report for submission to the Board of Regents prior to their January meeting:

"That the Board of Governors of University of Minnesota Hospitals and Clinics recommend to the Board of Regents that a joint task force of Regents and Governors be established to consider the principles of governance and organizational structure raised by the report of the Task Force on Governance and Organization and make recommendations for any appropriate changes in the Bylaws of the Board of Governors related to Board size, composition and skills, chairmanship, chief executive officer relationship, and policy development prior to March, 1982 consistent with the November Regent resolution. This date is important because of the need to decide the reporting relationship of the General Director prior to selection of the new Vice President for Health Sciences."

The motion was seconded and unanimously passed.

ADJOURNMENT:

There being no further business, Vice Chairman Pillsbury adjourned the meeting at 4:45 p.m.

Respectfully submitted,

Ron Werft
Ron Werft
Executive Assistant
to the Board of Governors

Decision on starting new 'U' hospital is delayed

By Joe Rigert
Staff Writer

The University of Minnesota Hospitals board of directors Wednesday delayed until next month a decision on whether to begin construction of a new hospital, after finding that the "margin of safety" on financing has been significantly reduced.

The hospitals administration indicated it will use the time to consider alternatives that could include a cut-back in the size of the project or a delay in construction.

A University Hospitals consultant, the Ernst & Whinney accounting firm, reported yesterday that patient revenues still would be adequate to pay for the project, despite a cut-back in state and federal medical payments, an increase in interest on bonds to finance it and a rise in employee salaries.

But Harry Atwood, chairman of a board committee, said, "We want time to look, to improve the probable margin of safety, to come up with a feeling that it is not only financially feasible, but also a prudent move to proceed as planned."

To maintain the project's financial feasibility, the University Hospitals

administration substantially changed its original plans, made last February. It proposed yesterday to impose an additional increase in patient rates by 1987 to pay off bonds, trim project costs and exclude plans for major remodeling of existing hospitals.

In a report to the board, University Hospitals Director John Westerman said the new pressures on financing do not suggest that the "fundamentally sound" project should be delayed or stopped.

Westerman added, however, that "such changes may be desirable." He said he wouldn't speculate on such changes until consultation with staff members "whose lives and professional careers" are linked to the project.

Asked about the options in an interview, Clifford Fearing, associate director for finance, acknowledged that they included a possible reduction in the size of the 520-bed hospital, a delay in the planned start of construction early next year and use of other methods of financing before the sale of bonds.

The hospitals administration disclosed yesterday that it already has made these changes to help ensure that the project would pay for itself:

- Raised the projected 1987 average daily patient charge to 13 percent more than it had proposed in February. That increase, combined with the expected increase from inflation, would boost the charge 118 percent, to \$1,163, by that time.

- Trimmed \$14 million from the project cost, reducing it to \$175 million. The administration would substitute vinyl tile for carpets, eliminate skylights, brick interior walls, automated clocks and a skyway. Among other changes, it would accomplish a major saving by reducing lead shielding for radiology.

Hospitals official Donna Ahlgren told the board that carpeting in patient areas would be impossible to maintain and an atrium with skylights would have been unusable seven months out of the year because it would be unheated.

Board member Fannie Kakela asked why the architects hadn't conferred with the administration to eliminate such items earlier. Atwood said architects like to present the nicest possible project "from their point of view."

- More than doubled its proposed short-term borrowing in 1985 to complete the financing. The Minnesota Legislature in May authorized the sale of \$190 million in bonds to finance the project, but the latest estimate of planning, construction and financing costs is \$215 million. The university is borrowing \$20 million now on a short-term basis for preliminary work and would borrow another \$24 million in 1985 to supplement the bond issues.

- Excluded from its financial plans a proposed \$40 million in remodeling of some of the existing 195 hospital beds and support services that will be retained. The Legislature deferred action on bonds for remodeling, but those costs had been included in the February Ernst & Whinney study of financial feasibility. Westerman said the university might seek private financing for the remodeling.

With those changes Ernst & Whinney found that the net revenues available for paying off bonds would fall from almost double the debt requirements, as determined in February,

Fearing told the board that although that debt coverage is within the minimum set by the administration, it is "kind of a slim margin" on which to proceed in view of the changes in bond interest rates.

In February University Hospitals had figured on interest rates of 7¼ to 8¼ percent. The rate is now estimated at 10½ percent.

Fearing said the hospitals administration wanted the additional month to study ways in which it might reduce the projected increase in patient charges as well as seek the improved margin of safety on financing and come up with more reliable estimates. He acknowledged that the administration also will want to see whether the state's present budget problems prompt additional cut-backs in medical payments.

Some leaders in the Twin Cities hospital and medical community questioned in February whether the increases in patient charges would cause a reduction in the University Hospitals patient load, reducing revenues needed to pay off the project. Some legislators also tried but failed to reduce the size of the hospital on grounds there is a surplus of hospital beds in the community.

Now, before any rate increase to finance the new hospital, the patient load already has begun to fall at University Hospitals — and at other area hospitals. This decline prompted the university to lower by 3 percent its 1987 estimate of hospital occupancy.

If hospital revenues were to fall short of debt requirements, the university would have to make up the shortage from other revenues or ask the state for aid from tax funds.

University Hospitals officials said yesterday the delay on whether to begin construction will not upset their project schedule. Workers are now digging the hole for the new hospital, but the state isn't scheduled to sell bonds for construction of the building until around February, when the site would be ready for construction.

Mpls Tribune
Thursday
Dec 10, 1981

Minneapolis Tribune - Friday, Nov 11, 1981

Auditor asked to review financing for 'U' hospital

Rep. John Weaver, IR-Anoka, said Thursday that he will ask the legislative auditor to review financing of the \$215-million University of Minnesota hospital project.

He said changing financial conditions, including high interest rates on bonds, warn of trouble for the project.

The 1981 Legislature authorized sale of \$190 million in bonds to finance the new 520-bed hospital. But the University Hospitals board of directors, citing a reduced margin of financial safety for the project, asked a committee of the schools' regents yesterday to approve a month's delay in deciding when to start construction.

The review sought by Weaver would

have to be approved by the Legislative Audit Commission, consisting of legislators.

Harry Atwood, chairman of the hospital board, emphasized yesterday that his panel still considers the project fundamentally strong and would not be considering whether or not to build. He said the hospital board was requesting the additional time to consider alternatives that could include a cutback in the size of the project or a delay in construction.

The regents were told that several factors — including interest rates on bonds and the general financial climate in the country — have changed considerably since a feasibility study on the project was completed in February.



House unit to review 'U' plan for new hospital

By Joe Rigert
Staff Writer

A Minnesota House committee has scheduled a hearing Dec. 14 on the University of Minnesota's \$190 million new hospital, in the face of continuing concern about financing of the project.

Rep. John Weaver, IR-Anoka, said he asked for the review because original assumptions that the project would pay for itself "seem to be no longer credible." He cited increased interest rates on bonds to finance the project, reductions in state and federal payments for hospital patients and "intensive scrutiny" by health insurers and employers on use of hospitals.

"If it is determined that the financial underpinnings of the project are no longer sound and credible ... It would appear to me logical that the proper conclusion would be to terminate the project without further delay," he said in a Nov. 19 letter to Rep. Michael Sieben, chairman of the House Appropriations Committee.

The education unit of the committee, which will conduct the hearing, timed it to consider an update of a study by the accounting firm Ernst & Young on the financial feasibility of the project. The latest study will look at the effect of changes in financial conditions.

University Hospitals officials told legislators at a hearing in October that it still looked then as though hospital patient revenues would be adequate to pay off bonds. The 1981 Legislature authorized the sale of \$100 million in state-backed bonds to build the 520-bed hospital.

That hearing came after University Hospitals Director John Westerman, in an internal memo, had described a potential budget squeeze this fiscal year, caused partly by a reduction in state medical-assistance payments.

Clifford Fearing, University Hospitals associate director for finance, said in an interview last week that the sale of other government bonds indicates that the state probably could sell the hospital bonds now at a lower interest rate than in October. He said construction costs also may be lower than expected.

Bond interest rates had soared to unusual heights because of inflation and uncertainty about the national

U Hospital continued on page 6B

economy. Interest rates generally have begun to decline as the nation heads into a recession, but government bonds continue to sell at high rates.

What Fearing estimated as an interest rate of around 10.5 percent for the hospital bonds would still be considerably higher than the rates of 7¼ to 8¼ percent at which the project originally was considered to be financially feasible, in February 1981. The rates peaked at more than 13 percent.

House Appropriations Committee leaders said in interviews last week that they were not yet concerned about the hospital financing, but scheduled the hearing as part of plans to keep informed on the state's largest construction project. If hospital revenues fell short of bond requirements, the university would have to make up the shortage from other revenues or ask the state for aid from tax funds.

Harry Atwood, chairman of planning and development on the University Hospitals board of directors, also told the Tribune last week that he was not concerned about the project finances, because of the indications that bond interest rates are going down.

"We have no concerns ... things are looking better they they were," he said.

But another member of the board, Alfred France of Duluth, said in an interview that "most of the board members have a concern" as they watch hospital revenues and interest rates. If financial conditions aren't satisfactory, he said, the board will have to consider such options as a delay in the start of construction or a reduction in the size of the hospital.

When the bond issue was before the Legislature, some legislators argued that the Twin Cities area already has an oversupply of hospital beds, but they failed in an attempt to reduce the proposed number of beds. The Legislature did postpone a decision on \$60 million in bonds for remodeling work, in view of concerns over the state's financial condition.

University Hospitals has used \$20 million in short-term financing to pay for planning, demolition and site-preparation work to prepare for construction of the new hospital.

Fearing said not enough of that money is left to undertake any major construction, which could begin in February or March.

That means that the Minnesota Department of Finance and the university probably will have to decide by early next year whether to sell bonds to begin construction, wait for a more favorable financial situation or reconsider the project's size.

Although the Legislature has approved the project, Rep. Lyndon Carlson, DFL-Brooklyn Center, indicated in an interview that the Legislature assumes that the university would make necessary changes in the size or timing of the project if it were no longer feasible as originally planned.

"We will question whether the change in assumptions is of such a magnitude that should cause concern," said Carlson, who is chairman of the appropriations unit that will hold the hearing.

On the Senate Finance Committee, Tom Nelson, DFL-Austin, said he wouldn't be surprised if the House hearing showed the project finances to be more favorable than earlier, but if not, he will ask his education subcommittee also to take another look at it.

Board of Governors
University of Minnesota Hospitals and Clinics

Minutes

November 18, 1981

CALL: Chairman Al Hanser called the meeting to order at 1:35 p.m.

ATTENDANCE: Present: Al Hanser, Chairman, Harry Atwood; Jo-Anne Barr; Dionisa Coates; David Cost; Jeanne Givens; Debbie Gruye; Fannie Kakela; Mary Lebedoff; John Najarian; Sally Pillsbury, Vice Chairman; Paul Quie; John Quistgard; John Tiede; John Westerman; Paul Winchell.

Absent: Leonard Bienias; Al France; John Mason; Virgil Moline; Margaret Sandberg; Timothy Vann; Lawrence Weaver.

MINUTES APPROVED: Upon motion duly made and seconded, and the unanimous vote of the Board, the minutes of the October 21, 1981 meeting of the Board of Governors were approved.

FINANCE COMMITTEE REPORT: Committee Chairman, Mr. David Cost, presented the report of the Finance Committee. Mr. Cost then moved:

BAD DEBT MOTION: That the amount of \$340,312.83 representing 1.0% of total hospital charges, be charged off as bad debt of hospital accounts receivable for the period July 1 - September 30, 1981.

The motion was duly seconded and adopted by unanimous vote.

Clifford Fearing presented his report on financial operations for the period July 1 - October 31, 1981, indicating a positive financial variance of \$567,877 or a 1.3% positive variance of total budgeted revenue.

REPORT OF
JOINT MEETING
OF FINANCE &
PLANNING AND
DEVELOPMENT
COMMITTEES:

Mr. Harry Atwood reported on the joint meeting held to discuss the State General Obligation Bond Loan Agreement. Mr. Cliff Fearing presented the draft loan agreement.

Mr. Atwood moved:

LOAN AGREE-
MENT MOTION:

That the Board of Governors, having reviewed the loan agreement and finding it to be appropriate and in order, recommend approval of the loan agreement to the Board of Regents.

The motion was seconded and was unanimously passed.

PLANNING &
DEVELOPMENT
COMMITTEE
REPORT:

Mr. Harry Atwood reported on developmental effort toward the establishment of a low-acuity station at University of Minnesota Hospitals and Clinics designed to treat low acuity patients at appropriately lower costs and charges. He also reported that Mr. Clint Hewitt, Assistant Vice President for Physical Planning, had received proposals for an on-campus motel and that these would be reviewed December 8, 1981.

EXECUTIVE
COMMITTEE
REPORT:

Chairman Hanser reported that the Executive Committee, after reviewing the Open Meeting Law and Data Practices Act, had decided that minutes of meetings of the Board of Governors should reflect only attendance, reports given, and the content and vote on action taken. It was agreed that this minute format would be reviewed after six months.

BYLAWS
COMMITTEE
REPORT:

Mr. John Diehl presented three recommendations of the Bylaws Committee regarding Board member indemnifications, change in name for Facilities Committee, and conditions for open meeting exceptions. After discussion of JCAH suggested Bylaws changes, it was agreed that all recommendations should be deferred until after the next meeting of the Bylaws Committee.

JOINT
CONFERENCE
COMMITTEE
REPORT:

Committee Chairman, Ms. Sally Pillsbury, reported on a Study of Isolation Policies, Practices, and Techniques. Ms. Pillsbury moved:

AUDIT
APPROVAL:

That the Study of Isolation Policies, Practices, and Techniques be approved.

The motion was duly seconded and adopted by a unanimous vote.

Ms. Pillsbury then moved:

CHIEFS'
REAPPOINTMENT:

That the following Chiefs of Clinical services whose terms expire in 1981, be reappointed as Chiefs of their respective services, as follows:

<u>Name</u>	<u>Department</u>
Dr. Ellis Benson	Laboratory Medicine & Pathology
Dr. Joseph Buckley	Anesthesiology
Dr. Shelley Chou	Neurosurgery
Dr. Edward Ciriacy	Family Practice
Dr. Thomas Ferris	Medicine
Dr. Elwin Fraley	Urology
Dr. Eugene Gedgudas	Radiology
Dr. Robert Goltz	Dermatology
Dr. Arthur Klassen	Neurology
Dr. Frederic Kottke	Physical Medicine & Rehabilitation
Dr. Seymour Levitt	Therapeutic Radiology
Dr. John Najarian	Surgery
Dr. Michael Paparella	Otolaryngology
Dr. Konald Prem	Obstetrics & Gynecology
Dr. Roby Thompson	Orthopedic Surgery

The motion was seconded and adopted by unanimous vote.

Mr. Ed Howell reported on the November site visit by the Joint Commission on the Accreditation of Hospitals indicating that the survey report and recommendation would be received in March 1982.

NOMINATING
COMMITTEE
REPORT:

Mr. Hanser reported on the meeting of the Nominating Committee which considered the filling of six vacancies as of December 31, 1981, and the nomination of a chairman and vice-chairman for 1982. Upon recommendation of the Nomination Committee, Mr. Hanser moved:

NOMINATIONS
AS GOVERNORS:

That Governors Barr, Cost, France, Gruye, and Moline be nominated to the Board of Regents to fill five vacancies created by expiration of their terms and that Dr. George Winn, a dentist from New Prague, Minnesota, be nominated to fill the sixth vacancy.

The motion was seconded and unanimously passed.

Upon recommendation from the Nominating Committee, Mr. Hanser then moved:

NOMINATIONS
AS OFFICERS:

That Ms. Sally Pillsbury be nominated for Chairman and Mr. David Cost for Vice Chairman of the Board of Governors for 1982.

The motion was seconded and unanimously passed.

GENERAL
DIRECTOR'S
REPORT:

Mr. John Westerman, General Director, reported that Mr. Jim McDiarmid had been appointed to develop the University Hospitals office of the University of Minnesota Foundation, that the Inpatient Care Management Council was considering application of the legislative subsidy, and that search committees were in process for Chairmen of the Departments of Neurology and Physical Medicine & Rehabilitation.

BOARD
CONCERNS:

Mr. Hanser reported on the Vice President for Health Sciences Search Committee, the General Director Search Committee, and the West Metro Trustees Council consideration of Metropolitan Health Board Phase IV Planning.

It was agreed that the December meeting would be held December 9, 1981.

Respectfully submitted,

Ron Werft

Ron Werft
Executive Assistant
to the Board of Governors

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
October 21, 1981

Present: Al Hanser, Chairman
Harry Atwood
Larry Baldwin
Jo-Anne Barr
Dionisa Coates
Al France
Debbie Gruye
Fannie Kakela
Mary Lebedoff
Virgil Moline
John Najarian
Paul Quie
Lawrence Weaver
Paul Winchell

Absent: Leonard Bienias
David Cost
Jeanne Givens
John Mason
Sally Pillsbury
John Quistgard
Margaret Sandberg
John Tiede
Timothy Vann
John Westerman

I. Minutes of Meeting - September 16, 1981

It was moved, seconded, and passed that the minutes of the September 16, 1981, Board of Governors meeting be approved as submitted.

II. Joint Conference Committee Report - Ms. Mary Lebedoff, Vice-Chairman

Ms. Lebedoff presented the report of the Credentials Committee which made recommendations for additions, deletions, and changes in status for members of the medical staff. It was moved, seconded, and passed that the report be approved.

Mr. John Diehl presented proposed changes in the Medical Staff Bylaws which had been approved by the Joint Conference Committee. The recommended changes were in the areas of gender references, method of amendment, rules and regulations, medical staff organization, and the representation of hospital psychologists on the Medical Staff Hospital Council. After further discussion on specific recommendations, it was moved, seconded, and passed that the Board of Governors approve the recommended revisions in the Medical Staff Bylaws.

Ms. Lebedoff reported that Mr. Al Dees had presented a report on the April 29, 1981 disaster drill. She reported that the Joint Commission on Accreditation of Hospitals (JCAH) standard requires two drills per year. Findings presented were in the areas of communication problems in the emergency management center and press reception area and delay in response by some personnel. Ms. Lebedoff reported that alternate sites were being developed to resolve these problems. It was moved, seconded, and passed that the Board of Governors approve the Disaster Drill Report.

Ms. Lebedoff reported that the JCAH site visit was scheduled for November 13, 16, and 17, 1981 and that a mock survey was to be held October 29th. She added that the Governing Body Conference, to which all Board members were invited, was currently scheduled for 10:30-11:30 a.m., Tuesday, November 17th in Dining Room III. Mr. Ed Howell indicated that he would provide notice to Board members. Ms. Lebedoff concluded by reporting that the JCAH site visit team consisted of one nurse, one physician, and one administrator.

III. Finance and Planning and Development - Joint Meeting

Mr. Harry Atwood reported on the joint meeting indicating that the committees had discussed first quarter financial statements for University Hospitals and the status of the Renewal Project.

Mr. Cliff Fearing presented the schedule for the Renewal Project and a schedule for the approval process for the bond issuance. He indicated that the bond loan agreement would be presented for Board of Governors approval at the November meeting prior to presentation to the Board of Regents.

Mr. Atwood reported that the Renewal Project was on schedule and under budget. He added that a "mock-up" of patient rooms was on display on the fourth floor of the Phillips Wangenstein Building and that Mr. Van Hulzen would lead a tour immediately after the Board meeting for interested members.

IV. Bylaws Committee Report

Chairman Hanser reported in Ms. Givens absence on the October meeting of the Bylaws Committee indicating that three revisions had been recommended. He added that these revisions would be sent to Board members for review prior to the November meeting.

V. General Directors Report

Mr. Don Van Hulzen reported for Mr. Westerman on current administrative activities indicating that the Inpatient Care Management Council continued to analyze financial issues and that the concept of a low-acuity station was being developed. He added that University of Minnesota Hospitals and Clinics had hosted the Fall meeting of the University Hospitals Executive Council October 1-2, 1981 and that presentations had been made by each of the member institutions on the response of academic health center hospitals to competition in the hospital industry.

Ms. Laura Willars reported on the new health sciences magazine indicating that an editor had been appointed to produce an issue semi-annually with a mailing list of 29,000, 55% of whom are alumni. She added that publication purpose was to update a target population of the major activities of all health sciences units.

Introduction to the Department of Psychiatry - Dr. Paula Clayton, Chairman, Department of Psychiatry

Dr. Paul Quie introduced Dr. Paula Clayton who is a graduate of Washington University, St. Louis, Missouri and former Chief Resident of Psychiatry at Barnes Hospital, Washington University. Dr. Clayton indicated that she accepted the position at the University of Minnesota because of the strength of the Hospitals, Medical School, and Department of Psychiatry. She emphasized that research support was strong at the University of Minnesota and the variety of research is attractive. She reported that the department is composed of twelve professors, six associate professors, and thirteen assistant professors and added that there is a good mix of M.D., and Ph.D.'s., including a mix of adult and child psychiatry.

Dr. Clayton reported that research emphasis include substance abuse, anorexia nervosa, bulimia, genetic twin studies, and electrophysiology. In addition, the department conducts cultural research with the Southeast Asian population and research into mental retardation.

Dr. Clayton indicated that her specific area of research is depression. She added that she hoped to be particularly involved in research related to suicide among adolescents.

VII. Board Concerns - Mr. Al Hanser, Chairman

On behalf of the Board of Governors, Chairman Hanser expressed appreciation to Mr. Larry Baldwin for his service to the Board of Governors.

Chairman Hanser reported that the draft working paper of the Board of Governors Task Force on Governance and Organization had been discussed at committee meetings and that a consultative process would begin with medical and administrative staff.

Ms. Johnelle Foley reported on the "MAPTH Prospectus" presented to the MAPTH Board of Directors which recommends a board organization with committees. She added that Mr. David Gitch, Director, St. Paul-Ramsey Medical Center had been elected Chairman of the MAPTH Board of Directors, Dr. Alvin Schulz from Hennepin County Medical Center was elected Vice Chairman, Dr. Randy Petzel from the VA was elected Secretary and Mr. John Westerman from University Hospitals was elected Treasurer.

Chairman Hanser reported that Mr. David LaVine from Metropolitan Medical Center had been elected President of the West Metro Trustees Council.

Mr. John Diehl introduced Ms. Kathleen McMannis, Assistant Hospital Attorney who is a 1981 graduate of the William Mitchell College of Law.

Dr. Paul Quie presented an account of his recent trip to The Republic of China as one of the University of Minnesota representatives to the Chinese Academy of Science.

There being no further business, the meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Ron Werft

Ron Werft

Executive Assistant to the Board

Minutes

Board of Governors

University of Minnesota Hospitals and Clinics

September 16, 1981

Present: Mr. Al Hanser, Chairman

Mr. Harry Atwood
Mr. Lawrence Baldwin
Ms. Joanne Barr
Mr. David Cost
Mr. Al France
Ms. Jeanne Givens
Ms. Debbie Gruye
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. John Mason
Dr. John Najarian
Ms. Sally Pillsbury
Mr. Jack Quistgard
Ms. Margaret Sandberg
Dr. John Tiede
Ms. Timothy Vann
Dean Lawrence Weaver
Mr. John Westerman

Chairman Hanser called the meeting to order at 1:40 P.M.

I. Minutes of Meeting Held August 17, 1981

The minutes were amended such that page 3, paragraph IV states, "It was reported that the estimates for a certified maximum construction price had been established at approximately \$142 million, plus \$32 million for equipment, fees and contingencies." It was moved, seconded and passed that the amended minutes be approved.

II. Finance Committee Report -- Mr. David Cost

Mr. Cost reported that the Finance Committee had received a report of the 1980-81 financial statements and a report from Dr. Roby Thompson on recommendations from a study of the operating room utilization.

Mr. Cliff Fearing reported on the 1980-81 financial statements, indicating that there was a negative variance from budget of 3.4%; that there are two significant factors contributing to this variance. The first reported was a \$890,895 negative variance in charitable care resulting from the hospitals' decision to write off all remaining Hill-Burton free care obligations in 1980-81. He added that these obligations were originally budgeted through 1988-89, but that a 1979 change in federal regulations allowed for an accelerated assignment of Hill-Burton obligations. The second significant variable is third party contract adjustments which account for \$2,373,054 negative variance. Mr. Fearing reported that the adjustments to the 1980 Medicare cost report account for a negative variance of over \$1.9 million. He added that Medicare has eliminated campus overhead as an allowable cost and has disallowed kidney transplant as an intensive care station. He noted that these two items (charitable care and third party adjustments) account for \$3,263,949, or 84% of the total variance of \$3,882,178.

Ms. Barbara Tebbitt provided an analysis of variance from budget for routine operations, indicating that major changes had taken place in a decrease in length of stay for psychiatry; rehabilitation had shorter admission stays; and surgical cases had been shifted to ambulatory surgery. Mr. Greg Hart reported on ancillary services, indicating that the number of outpatient visits had exceeded budget with significant increases in ophthalmology, ENT and psychiatry. He added that actual revenue had significantly exceeded budget in patient monitoring (+66%), blood bank (+17%), laboratories (+1.6%) and pharmacy (+12.1%).

Following the report on the 1980-81 financial statements and variance analysis, it was moved, seconded and passed that the Board of Governors adopt the following resolution.

Budget Resolution for 1981-82

Be it resolved that the Board of Governors Finance Committee recommends that the Board of Governors endorse a revised patient charge budget, as of this date, totaling \$140,479,360. This revision incorporates the Rate Review adjustments, adjustments pertaining to the MA/GAMC reimbursement changes, the revised wage and salary projections, and the reductions to salaries and supplies achieved through internal retrenchment. This revised budget represents an excess of revenue over expenses of \$1,896,159.

Rate Review Resolution for FY 81-82

Mr. Cost then moved that the following resolution be approved in order to comply with the Minnesota Rate Review Program:

Be it resolved that the Board of Governors Finance Committee recommends that the Board of Governors accept and endorse the adjustments made by the Minnesota Rate Review Program to the 1981-82 budget submission for University of Minnesota Hospitals and Clinics. Those adjustments are:

- A reduction in salary and fringe benefit costs totaling \$1,760,697.
- A reduction in supply and expense categories totaling \$799,000.
- Elimination of the loss carryforward from financial requirements totaling \$2,980,793.
- A reduction in net accounts receivable by \$300,000 for Blue Cross and \$875,000 for commercial receivables.
- A reduction to patient charges by an annualized \$1,384,725.

The impact of these adjustments will reduce our 1981-82 price increase from the 9.9% previously approved by the Board of Governors to 8.9%.

The motion was seconded and passed.

III. Joint Conference Committee Report -- Ms. Sally Pillsbury

Ms. Pillsbury reported on the September 15th meeting of the Joint Conference Committee. She reported on the Tonsillectomy and Adenoidectomy study presented by Dr. Scott Giebink, indicating that this study area had been one of the first audits approved by the Board of Governors and that the first area-wide audit was conducted on Tonsillectomies and Adenoidectomies. It was moved, seconded and passed that the audit on Tonsillectomies and Adenoidectomies be approved.

Ms. Pillsbury reported on the 1981-82 Quality Assurance Work Program, indicating that the issues to be studied had been identified through an extensive consultation process which included medical, nursing and administrative staff involvement. She added that the Quality Assurance Steering Committee would oversee the progress made toward resolution of identified issues during 1981-82. It was moved, seconded and passed that the 1981-82 Quality Assurance Work Program be approved.

Upon the recommendation of the Joint Conference Committee, it was moved, seconded and passed that Dr. Michael Daly be named Chairman of the Disaster Committee and that Dr. David Hurd be named Chairman of the Emergency Room Committee of the Medical Staff-Hospital Council.

IV. Planning and Development Committee Report -- Mr. Harry Atwood

Mr. Atwood reported on the joint meeting between the Planning and Development Committee and the Finance Committee, indicating that the meeting was held to update each committee with the planning and financial issues related to the Renewal Project. He reported that the scheduled date of completion remained set at 1986 and that the activities through the implosion of Powell Hall had taken place on schedule. He added that the University now has established

with Gilbane-Mortensen a guaranteed maximum construction price of \$144,980,400 inclusive of worker's compensation premiums. Mr. Atwood reported that the construction-labor stabilization agreement was yet to be confirmed.

Mr. Fearing reported that current bond market is unfavorable and that contracts to be let at the beginning of construction may have to be paid for through short-term financing.

V. Task Force on Governance and Organization -- Ms. Sally Pillsbury, Co-Chairman

Ms. Pillsbury reported on the August 19th and September 2nd meetings of the task force, indicating that the task force will meet bi-weekly until the November 13, 1981 annual report to the Board of Regents. She emphasized the need for Board input into the process. Ms. Pillsbury reported that Regent Lauris Krenik had met with the task force September 2nd to discuss the origin of the Board of Governors and had indicated that the Regents would welcome a report from the Board which listed the key governance and organizational issues considered by the task force along with the rationale for any recommended changes.

Ms. Pillsbury indicated that the task force had evaluated a number of areas in which a board might be involved, including medical staff policy, personnel policy, financial policy, purchasing policy, legal policy, facilities planning, marketing, compensation plans, corporate structure, fundraising, management staffing and legislative interaction. She reported that the task force concluded that the Board of Governors had authority of any significance only in the area of medical staff policy through the approval of medical staff bylaws and the credentialing of members of the medical staff. She added that this evaluation had completed the first task force charge item, evaluation of board role. She added that minutes of all meetings would be sent to all board members.

VI. General Directors Report -- Mr. John Westerman

Mr. Westerman reported on a number of upcoming activities. He reported that the Consortium for the Study of University Hospitals will hold a retreat January 18-19, 1982 and that each CSUH member would have board representation. He next reported that interviews were being held to staff the hospital fund-raising office of the University of Minnesota Foundation. He added that the Task Force on Governance and Organization represented a significant piece of business for the future of University Hospitals.

Mr. Westerman reported that the search committee for the position of Vice President for Health Sciences had been established. He added that Dr. John Najarian had been selected to represent the Medical School and that Mr. Harry Atwood had been selected to represent the hospital. Mr. Atwood indicated that the search committee schedule included target dates of December 7, 1981 for collection of applications and March, 1982 for the submission of 3-5 candidates to President Magrath. He added that President Magrath plans to appoint a new Vice President for Health Sciences July, 1982.

Mr. Westerman announced that he would be presenting a paper on Voluntary Accreditation in Sydney, Australia and would therefore be absent at the October meeting of the Board of Governors.

VII. Board Concerns -- Chairman Al Hanser

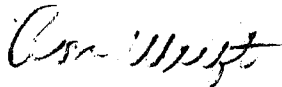
Chairman Hanser thanked Mr. Duane Wilson for attending meetings of the Board of Governors. He reported that Ms. Johnelle Foley had developed a prospectus for the Minnesota Association of Public Teaching Hospitals which outlines major research needs of the organization.

Mr. Hanser reported that the second annual East-West Metro Trustees Conference would be held October 7, 1981 and asked that members consider attending. He also reported that the Nominating Committee would be meeting at the end of October to recommend Board members for appointment or reappointment. Ms. Pillsbury reported that the members whose terms expire include Ms. Joanne Barr, Mr. Virgil Moline, Mr. Al France, Dr. John Tiede, Mr. David Cost and Ms. Debbie Gruye.

Mr. Hanser reported that the Minnesota Press Council had decided not to hear the grievance filed by the University of Minnesota Hospitals and Clinics against the Minneapolis Star and Tribune because of a procedural technicality.

There being no further business, the meeting was adjourned at 4:20 P.M.

Respectfully submitted,



Ron Werft

Executive Assistant to the Board

/mh

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
August 19, 1981

Present: Mr. Al Hanser, Chairman
Mr. Harry Atwood
Mr. Larry Baldwin
Ms. Jo-Anne Barr
Ms. Dionisa Coates
Mr. David Cost
Mr. Al France
Ms. Jeanne Givens
Ms. Debbie Gruye
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. Virgil Moline
Ms. Sally Pillsbury
Dr. Paul Quie
Mr. John Quistgard
Ms. Margaret Sandberg
Dr. John Tiede
Ms. Timothy Vann
Mr. John Westerman
Dr. Paul Winchell

Absent: Mr. Leonard Bienias
Mr. John Mason
Dr. John Najarian
Dean Lawrence Weaver

I. Announcements/Introductions - Al Hanser, Chairman

Chairman Al Hanser thanked Vice Chairman Sally Pillsbury for her role as Chairman at the Board of Governors 1981 Retreat. He added that he had heard the tapes of the Retreat and that the Board had seemed to make a great deal of progress. He announced that through a Board Retreat resolution, he had appointed a Task Force on Governance and Organization which would assess the role of the Board of Governors and make recommendations for any changes to the full Board. He added that he and Vice Chairman Pillsbury would co-chair the task force and that the membership would include Mr. Leonard Bienias, Ms. Margaret Sandberg, Ms. Fannie Kakela, Mr. Al France, Dr. Eugene Gedgudas, Dr. Robert Goltz, and Mr. David Preston.

Chairman Hanser introduced Ms. Kim Simensen, Administrative Fellow for 1981-83 indicating that she was replacing Mr. Kevin Moore who enters Law School at the University of Minnesota in September.

Chairman Hanser announced that the Annual Report to the Regents by the Board of Governors had been tentatively set for November 13, 1981.

Mr. Harry Atwood inquired about the wording on page ten of the Board of Governors Retreat Summary suggesting that the words "that the Chairman appoint a task force to:" be added to line 18. It was suggested that the summary be considered for approval in September.

II. Minutes - June 17, 1981

It was moved, seconded, and passed that the June 17, 1981 minutes be approved as submitted.

III. Finance Committee Report - Mr. David Cost, Committee Chairman

Mr. David Cost reported that the Finance Committee had evaluated the preliminary 1980-81 financial statements, but that the final year-end figures would be evaluated in September. He added that the committee had discussed the impact of the Rate Review hearing and that of the changes in the Department of Welfare reimbursement for MA and GAMC patients.

Mr. Cliff Fearing presented a handout (attached) on the potential impact of welfare program changes on University Hospitals' noting that some uncertainty remains regarding implementation, potential and probable losses due to the changes in eligibility, and reimbursement. He indicated that the potential losses due to changes in eligibility requirements for MA and GAMC patients totals \$5,411,000, and that the probable loss due to reimbursement limits totals \$2,209,257.

Mr. Fearing added that these changes had been very recent and that the administrative and medical staffs were working to resolve them.

Mr. Fearing reported on the July 30, 1981 hearing with the Rate Review Panel C indicating that the 1981-82 hospital budget increase of 9.9% had been cut to 8.9% by the panel as indicated in the August 17, 1981 letter (attached). He added that the staff reductions indicated by the panel totals 81 full-time equivalents.

Mr. David Cost presented the bad debt report for fourth quarter 1980-81 for approval. It was moved, seconded, and passed that the Board of Governors accept a bad debt write-off of \$412,082.04 for fourth quarter 1980-81.

It was added that the total bad debt for 1980-81 was \$1,295,259.06 after collections and that was equal to 1.0% of total revenue. Mr. Cost added that the Finance Committee would receive a budget variance in September.

IV. Planning and Development Committee Report - Mr. Harry Atwood, Committee Chairman

Mr. Harry Atwood reported that Mr. Ray Lopez, Project Manager for Gilbane-Mortensen had presented the role of a construction manager to the committee. He added that Gilbane-Mortensen is a joint venture between the Gilbane Construction Company, Providence, Rhode Island, and the Mortensen Construction Company located in the Twin Cities.

Mr. Atwood reported that the demolition of Powell Hall is scheduled for September 12 or 13, 1981 and that the implosion would take from 10 to 15 seconds. He added that the area would be secured.

Mr. Atwood reported that the construction schedule presented by Mr. Lopez includes the following key dates:

University Hospitals Renewal Project

Schedule for Construction

Award of first bid packages	August 18, 1981
Demolition of apartment building	August 18-22, 1981
Demolition of Powell Hall	September 12-13, 1981
Completion of site excavation	January, 1982
Completion of caissons and concrete foundations	August, 1982
Completion of structural steel construction	January, 1983
Completion of building exterior	September, 1983
Phased occupancy to begin	Spring, 1985
Estimated final occupancy	November, 1985
Certified completion date	August, 1986

It was reported that the estimates for a certified construction price had been established at \$140 million plus \$18 million for equipment, and \$13 million for fees and contingencies.

Finally, Mr. Atwood indicated that the no strike/no lock-out clause in the construction contract was still under negotiation.

V. Joint Conference Committee Report - Ms. Sally Pillsbury, Committee Chairman

Ms. Pillsbury reported that the committee had approved an audit of the Prophylactic Use of Antibiotics for Surgical Patients. She indicated that the audit was a restudy of an audit conducted in 1979. The recommendation was to use a form which requires documentation of use in the medical record. It was added that a third study would be conducted to evaluate the success of the form in increasing the use of prophylactic antibiotics. It was moved, seconded, and passed that the audit be approved.

Ms. Pillsbury reported that Mr. Ed Howell had presented to the committee on the upcoming Joint Commission on Accreditation of Hospitals site visit indicating that the visit would take place in December, 1981. She added that the role of the JCAH is both educational and regulatory. She also indicated that an emphasis would be placed on the new quality assurance standard.

It was added that the committee had received an update on the Private Review Program which involves Metropolitan businesses contracting with the Foundation for Health Care Evaluation to evaluate the appropriateness of admission and length of stay in hospitals of their employees. Ms. Pillsbury stated that the pilot program which was begun in July would be evaluated October 1, 1981.

VI. General Director's Report - Mr. John Westerman, General Director

In response to a question from Ms. Gruye regarding patient complaints, Mr. Westerman suggested that any complaint regarding patient care be directed to the chief of service or to Ms. Kathy Countryman, Director of Patient Relations.

Mr. Westerman reported that an advisory group had submitted a list of potential committee members for the search committee for the Vice President for Health Sciences. He added that it has been suggested that the hospital representative be a member of the Board of Governors.

Mr. Westerman also reported that the University of Minnesota Foundation had responded to the Board of Governors motion to work together in fundraising efforts for University Hospital's. He indicated that an agreement had been established whereby University Hospital's fund the office with \$27,000 and that this investment would be recovered within the first year.

Mr. Westerman reported that Mr. Kevin Moore, Dr. Robert Goltz, and Mr. Don Van Hulzen would be meeting with representatives of Nicollet-Eitel Health Plan

to discuss a bid for University provision of tertiary care services. He added that discussions were continuing with Mt. Sinai Hospital on possible cooperative efforts. University Hospitals representatives include Dr. David Brown, Dr. Paul Quie, Dr. Tom Ferris, Mr. Don Van Hulzen, and Chairman Al Hanser.

Mr. Westerman announced that Mr. Merle McGrath had successfully recovered from heart surgery.

VII. Minutes - July 28, 1981, Board Retreat

It was moved, seconded, and passed that the minutes of the meeting held July 28, 1981, be approved as submitted.

VIII. Board Concerns - Mr. Al Hanser, Board Chairman

Chairman Hanser announced that Ms. Pillsbury had represented University Hospitals at the West Metro Trustee Council meeting. He added that the Second Annual Twin City Area Hospital Trustees Conference will be held this Fall.

There being no further business, the meeting was adjourned at 3:35 p.m.

Respectfully submitted,

Ron Werft
Ron Werft
Secretary

IMPACT OF WELFARE PROGRAM CHANGES ON
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

PROGRAM	POTENTIAL LOSS	PROBABLE LOSS
I. <u>Catastrophic Health Expense Protection Program (CHEPP)</u>		
While the Legislature did pass a CHEPP program, it failed in Special Session to fund the program.		\$ 1,072,525
II <u>Medical Assistance (MA)</u>		
A. Eligibility requirements were changed. Among these changes were a 7% increase in income limits, consideration of stepparent income and a decrease in personal property standards. The effect of these changes reduce the number of eligible patients and are estimated to reduce dollars to UMHC by 35%.	\$4,058,250	
B. An 8% limit has been placed on payments per service unit for inpatient care and chemical dependency and alcoholism admissions must be certified. Loss estimate:		\$121,177
C. Outpatient clinic status has been changed to that of practitioner clinics and all outpatient charges are subject to 1979 usual and customary limits which will probably result in:		
outpatient ancillary loss:		\$ 6,794
clinic loss with possible combined physician billing:		\$ 67,310
III <u>General Assistance Medical Care (GAMC)</u>		
A. Eligibility requirement for GAMC were changed similar to MA including property considerations which will reduce eligible patients and reduce dollars to UMHC.	\$1,352,750	
B. Payments for inpatient (non-psychiatric) care are limited to the MA 8% cap plus an additional reduction of 35%		\$716,9
C. Payments for psychiatric inpatient care are limited to the MA 8% cap plus an additional reduction of 45% and certification process		\$161

PROGRAM

POTENTIAL
LOSSPROBABLE
LOSS

- D. Outpatient (non-psychiatric) clinic status has been changed similar to MA but subject to 1978 usual and customary levels plus an additional 25% reduction which will probably result in:

outpatient ancillary loss

\$35,150

clinic loss with possible combined
physician billing

24,035

- E. Outpatient psychiatric clinics also will be screened at 1978 levels but the additional reduction is at a higher discount - 45%

4,710

TOTAL ESTIMATED LOSSES

\$ 5,411,000\$2,209,257

\$7,620,251

August 17, 1981

minnesota hospital ASSOCIATION



representing nonprofit hospitals

Mr. John Westerman
General Director
University of Minnesota Hospitals
412 Union Street Southeast
Minneapolis, Minnesota 55455

Dear Mr. Westerman:

On July 30, 1981, Rate Review Panel C reviewed University of Minnesota Hospital's financial requirements and proposed rate increase for the fiscal year beginning July 1, 1981. The panel unanimously approved a 11.3% increase in hospital gross acute patient charges, which is 1.1% below the hospital's request of 12.4%. This change in the hospital's rates includes an 8.9% increase in charges due to price, which is 1.0% below the hospital's request of 9.9%. Based on projected volume and intensity (for the hospital), the approved rate increase will result in \$14,141,240 of additional revenue during the budget year, which is a reduction of \$1,384,724 from the request.

In granting the increase, the panel recommended that the following adjustments be made to budget year (BY) financial requirements:

That 81 fte's be removed from the BY, with a corresponding reduction of salary and employee benefit expense. This adjustment was made to reduce budget to actual staffing variances by approving a staffing ratio for the budget year of 5.35 fte's per adjusted occupied bed. As a result, salary expense is reduced by \$1,498,743 and employee benefit expense by \$261,954.

The panel also reduced travel expense by \$30,000, medical supplies by \$369,000, repairs and maintenance by \$100,000 and other expense by \$300,000. In each instance the panel was of the opinion that the budgeted increases were not reasonable, particularly in light of previous increases.

The sum of these adjustments reduces total hospital operating expense by \$2,559,697.

The panel reduced the amount of the net accounts receivables by \$300,000 for Blue Cross receivables and \$875,000 for commercial receivables. This brings the approved net days in receivables down to 72.2, which the panel agreed was a more reasonable level. These adjustments reduce the working capital requirement by \$1,175,000.

Since the hospital is not pricing for the prior period carry forward, the panel removed the \$2,980,793 carryforward from financial requirements for the BY.

The panel also expressed the following concerns:

The hospital should continue to pursue its appeal of the Section 223 limitations on reimbursement from Medicare. This limitation greatly increases the Medicare allowance, which then is passed on to other consumers in the form of higher charges.

The panel repeated the 1980 decision letter's concern that, "the University Hospital employees are part of the State of Minnesota's Civil Service System and receive significantly more liberal employee benefit plan than the metropolitan non-governmental hospitals. The panel recommended that the hospital undertake an aggressive plan to enlarge the future employee contribution to existing employee benefits to reduce the difference in benefits between the University Hospital employees and the community hospitals. Moreover, the panel asked that in any elected future increases in the program benefits, the employees contribute either 50% of the increase or 10% of the total premium charge."

The panel was concerned with the magnitude of allocation of overhead expense the hospital receives from the University. This amounted to \$4,884,000 budgeted for 1982 and did not appear to represent costs of overhead which the hospital was otherwise avoiding. The panel asked that the hospital be prepared to discuss this issue at its next review and asked that a detailed summary of this expense be provided in the hospital's next submission.

Because working capital and discounts change incrementally as charges are reduced, the following adjustments are necessary to meet the panel's recommendations:

A. Reduction in Net Receivables (Form I, Line 1, Column E)

After Rate Increase Amount as Submitted	After Rate Increase Amount as Adjusted	Difference
\$30,145,813	\$28,807,927	\$1,337,886

B. Reduction in Working Capital Requirement (Form A, Line 61, Column G)

After Rate Increase Amount as Submitted	After Rate Increase Amount as Adjusted	Difference
\$3,494,141	\$2,188,711	\$1,305,430

C. Increase in Allowances and Uncollectable Accounts (Form A, Line 62, Column G)

After Rate Increase Amount as Submitted	After Rate Increase Amount as Adjusted	Difference
\$14,001,217	\$14,285,090	\$283,873

D. Reduction in Total Financial Requirements (Form A, Line 74, Column G)

After Rate Increase Amount as Submitted	After Rate Increase Amount as Adjusted	Difference
\$146,383,633	\$139,821,585	\$6,562,048

E. Reduction in Total Patient Charges (Form A, Line 75, Column G)

After Rate Increase Amount as Submitted	After Rate Increase Amount as Adjusted	Difference
\$141,206,310	\$139,821,585	\$1,384,725

F. Reduction in Gain/Loss (Form , Line Column)

After Rate Increase Amount as Submitted	After Rate Increase Amount as Adjusted	Difference
\$5,177,323	\$ 0	\$5,177,323

G. Comparison of Total Financial Requirements and Total Patient Charges After Rate Increase

Adjusted Total Patient Charges	\$139,821,585
Adjusted Total Financial Requirements	<u>139,821,585</u>
Adjusted Gain/Loss	<u>\$ 0</u>

Because hospital rates are now equal to financial requirements, full funding of price level and historical depreciation will be required.

You may, of course, appeal this decision. Guidelines governing the appeal procedure are enclosed. To defray the expense of the appeal process, the MHA Board of Trustees has approved a surcharge equal to one-half of the original rate review fee, up to a maximum of \$750.

Please indicate in writing by August 24, 1981 whether or not you intend to comply with the panel's decision. If compliance is indicated please complete the enclosed schedule of budget adjustments.

If you have questions about any of the above, please call Dennis O'Neill at 331-9020 or 1/800/462-5368.

Sincerely,



Carl Schwensohn
Director of Rate Review

cc: Minnesota Department of Health
Ernest Lamson, Blue Cross/Blue Shield of Minnesota
HSA
Panel Members
Nels Larson, Controller
Cliff Fearing, Director of Finance

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
SUMMARY OF FINANCIAL IMPACT
RATE REVIEW DECISION

Rate Review Decision

Revenue Reductions	
Reduce Rates	\$1,384,724
Total Revenue Reductions	<u>\$1,384,724</u>
Expense Reductions	
Reduce FTE by 81	\$1,760,697
Reduce A/C Receivable	1,175,000
Reduce Supply/Expense	<u>799,000</u>
Total Expense Reductions	\$3,734,697
Carryforward Reductions	
Reduce 1980-81 Carryforward Loss	\$2,980,000

Actions Taken to Date

Reduced Supply & Expense	\$ 800,000 or more
Reduced Malpractice Premium	585,000
Reduced FTE (approximately 64 FTE)	1,400,000

Actions to be Taken to Achieve Compliance

Reduce Accounts Receivable	\$1,175,000
Reduce FTE by approximately 17	360,000

The rate review decision letter was received on 8/18/81. Prior to receipt of the letter, management was of the opinion that it could make a recommendation to the Board of Governors to comply with the decision. However, when we received the letter, there were a number of changes outlined by the Rate Review Program that we must verify prior to making this recommendation. It is our feeling that, if the other reductions in working capital and receivables are correct, we will recommend compliance. However, we feel that it's imperative to verify these calculations before we make this recommendation.

We will verify the areas of concern with Rate Review prior to 8/24/81 and will provide the Board of Governors with the exact impact the decision has on the 1981-82 financial statements and the actions required to achieve compliance at the September Board of Governors meeting.

University of Minnesota Hospitals and Clinics

Board of Governors

Minutes

July 28, 1981

Minnesuing Acres Conference Center

Present: Ms. Sally Pillsbury, Vice Chairman
Mr. Harry Atwood
Mr. Larry Baldwin
Ms. Jo-Anne Barr
Mr. Leonard Bienias
Ms. Dionisa Coates
Mr. Al France
Ms. Jeanne Givens
Ms. Debbie Gruye
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. Jack Mason
Mr. Virgil Moline
Mr. John Quistgard
Ms. Margaret Sandberg
Ms. Timothy Vann
Dean Lawrence Weaver
Mr. John Westerman
Dr. Paul Winchell

Staff: Mr. John Diehl
Mr. Cliff Fearing
Mr. Tom Jones
Mr. Don Van Hulzen
Mr. Ron Werft

Vice Chairman Pillsbury called the July meeting of the Board of Governors to order at 6:05 p.m.

I. Credentials Committee Report

Ms. Sally Pillsbury introduced the report of the Credentials Committee of the Medical Staff/Hospital Council indicating that it had been recommended by the Joint Conference Committee for approval by the Board of Governors. It was moved, seconded, and passed that the Board of Governors approve the report of the Credentials Committee (attached).

II. Vice President for Health Sciences Search

Mr. John Westerman announced that Dr. Lyle French, Vice President for Health Sciences, had announced his retirement from that position. He added that Dr. French would remain as Vice President until a replacement has been appointed.

Dean Lawrence Weaver reported on the study submitted to President Magrath on the

position of Vice President for Health Science. He stated that the search process would be very open and the applicant list could be as large as 200. In addition, he reported that a Board of Governors representative would be a member of the search committee. He concluded by commenting that the Board should maintain a high level of interest in the search for a new Vice President.

III. Year-End Financial Report - Mr. Cliff Fearing, Associate Director for Finance

Mr. Cliff Fearing reported that the 1980-81 financial statements were not yet completed, but that the final quarter revenues had met projections. Mr. Jack Mason inquired whether the final revenue total had met the target. Mr. Fearing indicated that the revenue totals appeared to be close to adjusted projection, and that preliminary financial statements would be available for the August meeting of the Finance Committee. Discussion followed on the causes of variations from budget. It was indicated that with the inception of the state rate review program, the need to project total financial requirements had become very important. Further discussion focused on the need for the Board of Governors to be aware of the assumptions on which the budget projections are made.

IV. Renewal Project Update - Mr. Don Van Hulzen, Senior Associate Director

Mr. Van Hulzen reminded the Board that the legislative approval of bonding authority for the Renewal Project came with a number of requirements including a guaranteed maximum cost of construction, a guaranteed completion date, and a no-strike, no lock-out clause with construction labor. He added that the hospitals and university staff continued to work on these components of the contract with the construction management company - Gilbane-Mortensen. He added that the contract with Gilbane-Mortensen would put them in charge of the project in terms of purchasing, packaging of bids, orchestration of construction scheduling, and commitment to a completion date and maximum cost of construction. Mr. Van Hulzen reported that the contract with Gilbane-Mortensen must be in place no later than September 15, 1981.

Mr. Fearing reported on the most recent financial feasibility study which uses current projected interest rates of 9.75%. He reported that in the original study, the interest rates were dropped from 9.75% to 8.0% over the three bond issues. He added that the current plan was to borrow through the issue of bonds for \$100 million in January, 1982, and \$90 million in January, 1983. He indicated that the drop in the state's bond rating to AA+ should not have a significant impact on interest rates for the project.

In response to a question regarding a projected increase in debt service per patient day indicated in the July Gilbane-Mortensen report, Mr. Fearing indicated that the difference was related to the increase in bond interest rates. Discussion emphasized the need for the Board to be kept very well informed on Renewal issues as members receive questions on the subject.

There being no further business, the meeting adjourned at 7:15 p.m.

Respectfully submitted,

Ron Werft
Ron Werft
Secretary

Steel

Minutes
Board of Governors
University of Minnesota Hospitals & Clinics
June 17, 1981

Present: Mr. Al Hanser, Chairman
Ms. Sally Pillsbury, Vice Chairman
Mr. Harry Atwood
Ms. Jo-Anne Barr
Mr. Leonard Bienias
Ms. Dionisa Coates
Mr. David Cost
Ms. Debbie Gruye
Ms. Mary Lebedoff
Mr. Virgil Moline
Ms. Fannie Kakela
Mr. John Quistgard
Dean Lawrence Weaver
Dr. Paul Winchell

Absent: Mr. Larry Baldwin
Mr. Al France
Ms. Jeanne Givens
Mr. John Mason
Dr. John Najarian
Dr. Paul Quie
Ms. Margaret Sandberg
Dr. John Tiede
Ms. Timothy Vann
Mr. John Westerman

The meeting of the Board of Governors was called to order by Vice Chairman Pillsbury at 1:40 p.m., in Room 555 of Diehl.

I. Minutes - May 20, 1981

It was moved, seconded, and passed that the May 20, 1981 minutes be approved as submitted.

II. Joint Conference Committee Report - Ms. Sally Pillsbury, Committee Chairman

Ms. Sally Pillsbury presented the report and recommendations of the Credentials Committee of the Medical Staff/Hospital Council indicating that the report makes recommendations for regular staff appointments, changes in staff categories, additional staff privileges, provisional Medical/Dental Staff appointments, resignations, and non-reappointments. Discussion focused on clarification of staff categories. It was moved, seconded, and passed that the recommendations submitted by the Credentials Committee be approved as submitted.

Ms. Pillsbury then moved that the appointments for Medical Staff/Hospital Council Committee Chairmen recommended by the Medical Staff/Hospital Council be approved. The motion was seconded and unanimously passed.

Ms. Pillsbury reported that the Medical Staff/Hospital Council had tabled a motion to participate in the private review of patients conducted by the Foundation for

Health Care Evaluation until clarifying information was made available. She indicated that this review would be done on behalf of local corporations whose employees were patients at University and other local hospitals.

It was then reported that a quality assurance study of cystoscopy patients had been conducted under the new Quality Assurance Program. After discussion, it was moved, seconded, and passed that the quality assurance study report be accepted.

III. Planning and Development Committee Report, Mr. Harry Atwood, Committee Chairman

Mr. Harry Atwood reported on the meeting of the Planning and Development Committee indicating that Mr. Donald Van Hulzen joined Ms. Donna Ahlgren as committee staff.

He reported that the planning office was currently working on the negotiation of a fixed price contract with Gilbane-Mortensen, the project construction manager. He added that the initial project cost of new building was \$172 million and that the goal is to keep this amount below \$180 million. Mr. Atwood reported that the total project cost would be fixed by the time of the July meeting. He added that the current Renewal Project Schedule calls for the demolition of Powell Hall in September, 1981 with a targeted completion date of July/August, 1985.

Mr. Atwood then reported on other planning activities at University Hospitals indicating that discussions had been held with representatives of Mt. Sinai Hospital. He indicated that the outcome had been a desire to conduct studies of potential joint efforts for cooperation similar to talks with other community hospitals.

Mr. Atwood reported on the possibility of constructing parking facilities and a university hotel indicating that the need for parking facilities required for Renewal construction was encouraging further discussions of a local hotel. He added that motel options included rooms with a range of quality accommodations for hospital and other university needs. He reported that the hotel would be a private venture, but associated parking would be managed by University Parking Services. He added that one proposed site was that located directly East of Parking Ramp A on Washington Avenue.

IV. Finance Committee Report - Mr. David Cost, Committee Chairman

Mr. David Cost reported on the meeting of the Finance Committee indicating that discussion had focused on the Renewal Project. He emphasized the importance of conducting joint meetings between the Finance Committee and the Planning & Development Committee.

Mr. Cost suggested that important issues for both committees were the project timetable and project organization.

Mr. Cliff Fearing reported that negotiations were currently taking place to establish a maximum established price with Gilbane-Mortensen and a no strike/no lock-out clause. He added that the critical financial element was the bond interest rate. Mr. Fearing suggested that alternatives included project deferment and further analysis of additional short-term borrowing to avoid bond interest rate problems.

Mr. Fearing reported that the State of Minnesota has tentative plans for issuing short-term notes in October and January/February and that University Hospitals would attempt to coincide with these issuance dates. Mr. Jack Quistgard suggested that the issuance costs should be made known.

Mr. Nels Larson summarized that Statement of Operations through May 31, 1981 noting that during the month of May, admissions totaled 1,767, or 26 (1.5%) below the budgeted number of admissions. He added that the average length of stay was 9.0 days, 0.5 days below the projected level, that there were 16,164 patient days and that the occupancy rate was 71.2%. Mr. Larson added that the outpatient census for May had been 17,282 which was 486 visits (2.7%) below the budget level. He also noted that the Hospital's operating position through eleven months of the fiscal year shows revenues over expense of \$3,702,874. He reported that patient care charges through May of \$114,512,951 continued to show a favorable variance due to higher than anticipated ancillary utilization. He added that year-to-date operating expenditures totaled \$111,375,766 yielding an unfavorable variance of \$1,608,661 (1.5%). He concluded by noting that the balance in patient accounts receivable at the end of May was \$30,045,647.

III. General Director's Report, Mr. John Westerman, General Director

Mr. Don Van Hulzen, Senior Associate Director, reported in the absence of Mr. John Westerman. Mr. Van Hulzen stated that Mr. Westerman was in London, England assessing the applicability of the Joint Commission model of quality assurance for National Health Service hospitals.

Mr. Van Hulzen reported on the retreat of the Health Sciences Deans and Directors. He reported that their discussions had centered on retrenchment, improved communication with non Health Sciences units, health manpower, faculty appointments, priorities for development, Health Science linkages with corporations, and International Programs.

He then reported that the Minnesota Association of Public Teaching Hospitals was currently considering the impact of changes in general assistance medical care on public general hospitals as well as fringe benefit programs for medical residents.

Mr. Van Hulzen next reported that the In-Patient Care Management Council was currently evaluating New Program Requests. He added that it had been decided for 1981-82 that no new programs would receive hospital funding unless revenues would expand as a result.

Mr. Fearing reported that Touche Ross was conducting a study in support of the Strategic Options Study. He added that the purpose was to review the hospitals organizational structure in financial terms.

Mr. Van Hulzen reported that the Department of Family Practice would be celebrating its 10th Anniversary starting June 18th.

VI. Board Concerns - Mr. Al Hanser, Board Chairman

Chairman Hanser reported that the Board Retreat would begin at 6:00 p.m., on the evening of July 27th and would end at noon on July 29th. He added that the Retreat will be a working session and that the Executive Committee would meet July 7th to finalize the agenda.

Mr. Hanser gave a note of thanks to Chris Mayer who is leaving the University in June.

There being no further business, the June meeting of the Board of Governors was adjourned at 3:20 p.m.

Respectfully submitted,

Ron Werft

Ron Werft
Secretary

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
May 20, 1981

Present: Ms. Sally Pillsbury, Vice Chairman
Mr. Harry Atwood
Mr. Larry Baldwin
Ms. Dionisa Coates
Ms. Jo-Anne Barr
Mr. David Cost
Ms. Jeanne Givens
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. John Mason
Mr. Virgil Moline
Dr. Paul Quie
Mr. Jack Quistgard
Dr. John Tiede
Ms. Timothy Vann
Dean Lawrence Weaver
Mr. John Westerman
Dr. Paul Winchell

Absent: Mr. Leonard Bienias
Mr. Al France
Ms. Debbie Gruye
Mr. Albert Hanser
Dr. John Najarian

The meeting of the Board of Governors was called to order by Vice Chairman Pillsbury at 1:30 p.m., in Room 555 of Diehl Hall.

I. Minutes - April 15, 1981

It was moved, seconded, and passed that the April 15, 1981 minutes be approved as submitted.

II. General Director's Report

Mr. Westerman introduced Ms. Joan Korek, President of the College Board of the Student goventment group in Pharmacy, who was selected as "Dean for a Day" and was spending the day with Dean Lawrence Weaver. Mr. Westerman added that Ms. Korek had been admitted to the Ph.D program in Pharmacy at the University of Texas.

Mr. Westerman pointed out that the Minnesota Daily had featured an article on Ms. Jo-Anne Barr and the Indian Health Board Clinic. He added that Mr. Leonard Bienias had been appointed to Mayor Fraser's Minneapolis Community Development Agency.

Ms. Johnelle Foley, Executive Director of the Minnesota Association of Public Teaching Hospitals, reported on a meeting of the Consortium for the Study of University Hospitals held in Atlanta April 6, 1981. Ms. Foley reported that the governance study protocol had been accepted and that the University of Minnesota Hospitals & Clinics were on the list of 15 university hospitals to be interviewed by the research centers working with the CSUH. Individuals to be interviewed include clinical chiefs, vice presidents, deans, administrators, governors, state representatives, and executives of the medical society, Rate Review and Metropolitan Health Board. Ms. Foley added that the CSUH Board of Directors had accepted four new members: University of Maryland, University of Colorado, University of Massachusetts, and University of Alabama. She added that other projects include the potential for a university hospitals data base and a seminar for January, 1982 on cost reimbursement for academic hospitals.

Mr. Westerman reported that on May 22, a Citizens League forum would be held to re-address questions on potential liaisons between University Hospitals and the Veterans Administration Hospital. He added that Mr. Daniel Cooney of the Minneapolis VA Hospital and he would be present to respond to questions raised.

Mr. Westerman also reported that the Minnesota Hospital Association had established a task force to examine problems of commercialization of health care.

The Board of Governors paid tribute to Mr. Robert Dickler for his leadership skills and effort as Senior Associate Director. Ms. Sally Pillsbury made special note of his contribution to Renewal Project effort.

Finance Committee Report

Mr. Nels Larson summarized the Statement of Operations through April 30, 1981 noting 17,751 admissions (0.7% below budget), 167,210 patient days (1.2% below budget), and a 9.4 day average length of stay. He added that during the month of April, there were 16,211 patient days, 884 days below budget. Mr. Larson indicated that clinic visits were 18,617 in April, 1,414 visits above budget and for the fiscal year through April 30, 1981 there were 172,078 visits, 5,845 above budget.

Mr. Larson reported that the overall financial position remains positive with April revenue over expense of \$663,224 or \$3,897,182 for the year. He added that the balance in patient accounts receivable totalled \$29,374,866 representing 84 days of outstanding revenue, a decrease due primarily to a reduction in Blue Cross and Medicare receivables.

Mr. Jack Quistgard proposed a resolution for the budget for fiscal year 1981-82.

Mr. Harry Atwood recommended that the resolution be amended to include the total

charges proposed for 1981-82. The amended resolution was moved, seconded and passed as follows:

BOARD OF GOVERNORS
BUDGET RESOLUTION FOR F.Y. 1982
May 20, 1981

WHEREAS, the Board of Governors is committed to indepth review of rising health care costs; the efficient delivery of services; and improvement in facilities;

WHEREAS, this requires great economy in use of resources for current programs and services; and

WHEREAS, the 1981-82 budget must reflect these needs and circumstances;

THEREFORE BE IT RESOLVED that the Board of Governors Finance Committee recommends that the Board of Governors endorse a budget for 1981-82 of \$141,149,289 that necessitates a 9.9% price increase; that current budgeted costs be maintained at or below inflation levels during 1981-82; and that enhancement of programs and services not be undertaken when such new commitments would necessitate an increase in prices.

The above budget was developed with salary increases for 1981-82 at 9.1% consistent with the Governor's recommendation. This includes 5.9% for inflation. Should final salary settlements exceed these levels, further budget action may be required.

IV. Planning and Development Committee Report

Mr. Atwood reported that the committee had approved for recommendation to the Board a capital budget for 1981-82 of \$4,595,394. He pointed out that approximately half this budget is devoted to radiology and laboratory technological improvements and replacements. Mr. Atwood's summary included a detail of items which require a Certificate of Need. Mr. Atwood then moved the following resolution:

The capital budget proposal of \$4,595,344 as submitted is approved and recommended to the Board of Governors with the proviso that a five-year capital asset management program looking ahead to completion of the Renewal Project will be developed for presentation

to the Board of Governors prior to submission to the 1982-83 capital budget request.

The motion was seconded and passed.

Mr. Atwood expressed the appreciation of the Planning and Development Committee to Bob Dickler for his efforts on the Renewal Project.

V. Joint Conference Committee Report

Ms. Sally Pillsbury presented the Quality Assurance Plan which had been approved for recommendation to the Board by the Joint Conference Committee. She pointed out that this plan reflected University Hospitals response to the JCAH with regard to the new standard on quality assurance which emphasizes an overall plan rather than achievement of a numerical audit requirement. It was moved, seconded, and passed that the Board of Governors accept the Quality Assurance Plan as submitted.

Discussion followed on the confidentiality of audit information, the issue being whether Board approval of audits might occur with only summary recommendation from the Joint Conference Committee and without complete audit information. It was recommended that Ms. Pillsbury and Mr. John Diehl further explore how to process Board approval of medical audits considering state law on confidentiality.

Ms. Pillsbury moved that an audit and re-study of coronary angiography patients be accepted by the Board. The motion was seconded and passed.

VI. Renewal Status Report

Mr. Robert Dickler reported on the legislative approval of an amended bonding bill for the Renewal Project. He indicated that highlights of the bill include 1) a requirement to adjust operating bed capacity with Metropolitan Health Board occupancy guidelines, 2) University specification of "full faith, credit of the Board of Regents" had been an essential to approval, 3) requirement to report all project funds not derived from patient patient revenue to the State Commissioner of Finance, 4) establishment of a no strike/no lock-out clause, 5) obtain a certified construction price, 6) funds not apply to renovation and remodeling, and 7) a requirement for an annual report to the legislature.

Mr. Dickler indicated that the amendments to the bonding bill do not alter the "J" project. He added that approval is reflective of a broad base of institutional goodwill and that approval opens new opportunities through publicity and identification of supporters. He then thanked the Board members for their support and noted the Board's maturing during the 1970's that he had been privileged to witness.

through publicity and identification of supporters. He then thanked the Board members for their support and noted the Board's maturing during the 1970s that he had been privileged to witness.

VII. Adjournment

Dean Lawrence Weaver invited the Board to a tour of a Pharmacy display at the Health Science Archives in the Owen Wangenstein library after the Board meeting. There being no further business, Vice Chairman Pillsbury adjourned the meeting at 3:35 p.m.

Respectfully submitted,

Ron Werft /s

Ron Werft
Secretary

Indian health clinic's funding endangered

By R. Scott Raymond

The Indian Health Board (IHB) of Minneapolis, a highly-rated community health clinic, is in danger of losing its federal funding.

IHB, a non-profit medical, dental, and mental health care facility operated by the Indian community, has received very favorable reviews from the federal Department of Health and Human Services, and the state and county health departments. These high ratings are the clinic's defense against President Reagan's budget cuts, according to Assistant Director JoAnne Barr.

The Reagan budget plan will reduce funding for urban Indian health programs from \$8.9 million to \$4.5 million in fiscal year 1982, cutting the programs completely in 1983. According to Independent Republican Sen. Rudy Boschwitz's staff, the appropriations committees are seriously considering eliminating all 41 urban Indian health programs around the country. The IHB stands to lose up to \$300,000 in the first year and \$600,000 in the second.

Many social and human service programs that rely on the federal government for survival face a similar fate.

Barr argues that the IHB, established

in 1971, is unique because it provides a service to a formerly neglected clientele.

In 1972 a survey by Lutheran Deaconess Hospital showed Minneapolis Indians had serious health problems and a mistrust for the health care system. IHB opened its first clinic in 1973 with a special federal \$150,000 appropriation that then-Congressman Donald Fraser pushed.

During the following eight years, Congress acted to ease urban Indian health problems and 40 similar clinics and outreach programs were funded.

IHB grew from a two-chair dental clinic to a multipurpose preventive health clinic, serving more than 20,000 visitors in 1980.

"It's (IHB), reduced the cost of health care for Hennepin County," said Barr. "Our health care is \$23 per medical encounter. If you go to the Hennepin County emergency room, it (the cost) can triple." The clinic is located at 2495 18th Ave. in the Little Earth of United Tribes housing in South Minneapolis.

"As far as I'm concerned, that's (IHB) a model for the nation to follow in

Health to 16

Health from 5

the area of community health clinics," said Richard Raile, the medical chief of staff for the Hennepin County Medical Center pediatrics program. Indian patients are much more likely to seek preventive health care at the IHB, he said.

"I would hope there would be some way government can be more sensitive in budgeting . . . the IHB is deserving of reward and should be saved," said Raile.

"Obviously in a time when government is trying to cut back, everyone has their constituencies," said Tom Mason, Boschwitz's press secretary. "People have to realize the mood of the country has switched."

Another Boschwitz aide, Liz Hardy, said the high quality of the IHB is known, but that their urban Indian health programs are not doing as well. "We just can't justify spending money because Minnesota runs its programs well," Hardy said.

Nevertheless, she said, "We will continue to fight for the Minneapolis Indian health clinic."

Staff members for IR Sen. David Duranberger said they also recognized the work of the clinic, but said the senator had not made a decision on the issue.

Barr is upset by comments that imply the clinic is on a dole. She counters by saying the IHB saves the government money.

"We saw there was a need there and we were the ones who did something about it," said Barr. "Everybody has

their fingers in the same pot. If Honeywell goes to (Washington) D.C. to get a contract, I don't view that as any different . . . because we do a good job."

Minnesota
Daily

Monday
May 18, 1981

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
April 15, 1981

Present: Mr. Al Hanser, Chairman
Ms. Sally Pillsbury, Vice Chairman
Mr. Larry Baldwin
Mr. Leonard Bienias
Ms. Dionisa Coates
Mr. David Cost
Mr. Al France
Ms. Debbie Gruye
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. John Mason
Mr. Virgil Moline
Dr. Paul Quie
Ms. Margaret Sandberg
Dr. John Tiede
Dean Lawrence Weaver
Mr. John Westerman
Dr. Paul Winchell

Absent: Mr. Harry Atwood
Ms. Jo-Anne Barr
Ms. Jeanne Givens
Dr. John Najarian
Mr. John Quistgard
Ms. Timothy Vann

The meeting of the Board of Governors of University Hospitals and Clinics was called to order by Vice Chairman Pillsbury at 1:35 p.m., in Room 555 Diehl Hall.

I. Minutes - March 18, 1981

The minutes of the March Board of Governors were approved as submitted.

II. Status Report on Nursing - Ms. Barbara Tebbitt, Director, Nursing Services

Vice Chairman Pillsbury introduced Ms. Barbara Tebbitt, Director of Nursing Services, who reported on trends in the Department of Nursing Services. Ms. Tebbitt began by describing the trends in vacancies noting that budgeted positions in March, 1980 were 742 for GSN's and LPN's with 63 vacancies or an 8.4% vacancy rate. She added that increases in acuity required more positions to be budgeted. In September 1980 there were 902 budgeted full time equivalents with 49.6 vacancies and a 5.5% vacancy rate. Ms. Tebbitt reported that the department had been able to maintain this vacancy rate through March, 1981. She indicated that March generally had the highest vacancy rates for the year.

In response to a question by Mr. David Cost regarding the balance between patient care needs and financial limits, Ms. Tebbitt noted that the intent is to budget according to actual care hours required.

Ms. Tebbitt then reported on the turnover rate. In 1978-79 the nurse turnover rate was 38.8% and in 1979-80 it dropped to 27.7%. It was stated that the data for the first 6 months of 1980-81 showed a rate of 13.0%. She added that these figures indicated a significant effort in the orientation of nursing staff of 81,000 hours. It was explained that nursing staff have the option of receiving overtime pay or time back for excess hours worked and effort is being given to decrease the number of hours owed in time back. Regarding the number of hours spent by nursing in one-to-one care outside of intensive care stations, Ms. Tebbitt reported that the number had been reduced from 19,000 to 9,000 in the past 6 months.

Relative to patient acuity, Ms. Tebbitt indicated that a computerized patient classification system (NUMIS) is used to assist in determining staffing requirements by shift. She added that the recent trends indicate an increase in the more acute patient classes in some areas, but that overall, the patient classification system shows no change this year in patient acuity. Ms. Tebbitt added that future effort would be spent on the development of standards of care with unique indicators for different stations. It was added that Nursing plans to become more flexible in responding to changes in patient census. Ms. Tebbitt reported that the reliability of any patient classification system is only as good as the people using it, and that there would be an increased effort in educating those using the system.

In response to a question regarding resignations, Ms. Tebbitt stated that the reasons for nurses leaving University Hospitals are primarily pregnancy and relocations.

III. Finance Committee Report - Mr. David Cost, Committee Chairman

Mr. David Cost introduced the Finance Committee Report indicating that the areas to be covered are year to date financial statements; 1981-82 tentative budget; and a recommendation for bad debts write-off. Mr. Cost reported that the total amount recommended by the Finance Committee for bad debts write-off during the third quarter of fiscal year 1980-81 is \$240,873.74. It was reported that the figure compares favorably with both third quarter 1979-80 bad debts and with the University Hospitals budget of 1.1% of gross charges. A motion for acceptance and write-off of \$240,873.74 in bad debt for the third quarter of fiscal year 1980-81 was seconded and passed.

Mr. Nels Larson reported on the Statement of Operations for the period of July 1, 1980 through March 31, 1981 indicating that the financial position through March was very stable. He stated that during the month of March, the 1909 admissions and 17,543 patient days at an average length of stay of 9.2 days resulted in an average daily census of 548 patients which was 0.8% below budget. It was reported that the outpatient census had been very positive with March clinic activity at 17,869 visits, 2.7% above budget and year to date clinic activity at 153,461 or 3.0% above budgeted visits.

Mr. Larson reported that the operating position through the first nine months of the fiscal year shows revenue over expense of \$3,233,958. He added that the balance in accounts receivable at the end of March totaled \$27,193,978 representing 79 days of outstanding revenue, a reduction of 8 days from February, primarily due to improved collections from Medicare and Blue Cross.

Mr. Cost presented the proposed Board of Governors Budget Resolution for Fiscal Year 1981-82 explaining that the Finance Committee is proposing preliminary approval of the 1981-82 budget, the intent of which is to conform to the Governor's wage and salary guidelines as well as the guidelines related to the feasibility study for University Hospital's Renewal Project. The proposed resolution was presented as follows:

BOARD OF GOVERNORS
BUDGET RESOLUTION FOR F.Y. 1982
APRIL 15, 1981

WHEREAS, the Board of Governors is committed to indepth review of rising health care costs; the efficient delivery of services; and improvement in facilities

WHEREAS, this requires great economy in use of resources for current programs and services; and

WHEREAS, the 1981-82 budget must reflect these needs and circumstances;

THEREFORE BE IT RESOLVED that the Board of Governors Finance Committee recommends that the Board of Governors give tentative endorsement to a budget for 1981-82 that necessitates a 9.9% price increase; that current budgeted costs be maintained at or below inflation levels during 1981-82; and that enhancement of programs and services not be undertaken when such new commitments would necessitate an increase in prices.

Mr. Larson reported that the budget had been developed through a top-down process. He reported that the key guidelines used was an assumed 9.9% price increase, and that other factors considered were guidelines of the feasibility study and volume justified staff increases. Mr. Larson added that the hospital budget is based upon the Governor's recommendation that state salaries not exceed 1980-81 salary costs by more than 9.1%.

Mr. Larson indicated that the proposed budget would be submitted to Rate Review on May 1, 1981. He added that the adoption of a 9.9% price increase and the need to cash flow \$9,522,000 results in a total patient revenue budget of \$141,066,414. Discussion followed on the programmatic impact of the proposed budget.

Mr. David Cost moved that the Board of Governors Budget Resolution for Fiscal Year 1981-82 be accepted. The motion was seconded and passed.

IV. Planning and Development Committee Report - Mr. Harry Atwood, Committee Chairman

Mr. Leonard Bienias indicated that the committee had discussed design development activities related to the Renewal Project and that plans are on schedule for a June report on updated cost estimates.

Mr. Ron Werft reported on activities brought to the committee from the Hospital Planning Steering Committee. It was indicated that staff had met with the Metropolitan Health Board on March 26 to discuss University Hospitals Long Range Plan as part of an annual review. The university meets or exceeds the intent of all guidelines for specialty care discussed including megovoltage radiation therapy, open heart surgery, neonatal intensive care, and spinal injury care. It was reported that discussion also focused on the progress of the Renewal Project bonding bill.

It was reported that the Hospital Planning Steering Committee had also received a report from the Center for Health Services Research which indicates the nature of University Hospitals' referral base. It was reported that data collected during a 6 month period shows that of 6,888 initial visits, 56% were from physician referrals, 8% were self referred, 16% were previous patients, 8% were internal referrals, 2% were from Group Health, and 6% were admitted from the Emergency Room. It was added that of the physicians referring, 83% referred one patient and this represents a viable referral base.

Joint Conference Committee Report - Ms. Sally Pillsbury, Committee Chairman

Ms. Mary Lebedoff reported on the proceedings of the Joint Conference Committee. She reported that Ms. Nancy Goldstein had presented a progress report on programs in patient education. Brochures and pamphlets used for patient education were presented for a number of disease categories, including psoriasis, dialysis, transplantation, pediatrics and cardiology. A number of these brochures are used by other hospitals. Dr. Paul Quie reported that Dr. Frank Cerra, a surgeon with a special interest in intensive care and metabolism and nutrition from Buffalo, New York would be joining the faculty and medical staff. Dr. Quie added that Dr. Bradley Fuhrman had been named Director of Pediatric Intensive Care and Dr. John Kersey had been named Medical Director of the Bone Marrow Transplant Unit.

Dr. Quie also reported that Dr. John LaBree, Associate Vice President for Health Sciences Affiliations and Outreach, had held a meeting with outstate physicians on March 14. It was reported that there had been an excellent turnout at this meeting

General Director's Report - Mr. John Westerman, General Director

Mr. Robert Dickler reported on University Hospitals appeal to the Minnesota News Council regarding the series of articles on University Hospital's Renewal Project in the Minneapolis Tribune indicating that the grievance was based on the distorted presentation of facts by the Tribune and the need to formally object to such presentation. It was reported that it will take several months before the Minnesota News Council takes final action.

Mr. John Westerman reported that the administrative restructuring had gone smoothly. He added that Mr. Kevin Moore had been accepted at the University of Minnesota Law School and that he would remain on the administrative staff on a part-time basis.

Mr. Westerman reported that staff had met with Senator David Durenberger to discuss the Renewal Project and the role of university hospitals in the health care delivery system.

Mr. Dickler reported on the status of the bonding bill in the legislature noting that the Senate Finance Committee is postponing hearings on the bill until it has been reviewed by the Appropriations Committee of the House.

Mr. Westerman reported that Dr. Quie had met with the advisory committee to steer the governance study on university hospitals being sponsored by the Consortium for the

Study of University Hospitals. He added that the University of Minnesota hopes to develop a data bank for information on the 65 university hospitals.

Finally, Mr. Westerman presented a list of issues which have been important to Minnesota legislators regarding the Renewal Project. He added that the list may be of assistance for those who contact representatives.

VII. Executive Committee Report - Mr. Al Hanser, Board Chairman

Chairman Al Hanser suggested that it would be appropriate for Board members to contact their legislators to discuss the Renewal Project Bonding bill and urged that they do so.

Ms. Sally Pillsbury reported on the Senate Club Luncheon held April 14 at the University. The luncheon had been hosted by Mrs. Gretchen Quie. Dr. Paul Quie and Ms. Barbara Reynolds presented the history and mission of university hospitals.

Dr. John Tiede reported that the University Hospitals Volunteers Association had held a seminar on the Vikings Childrens Fund which focused on the Viking's support of pediatric care at University Hospitals.

Chairman Hanser then reported that University Hospitals had signed a contract with HMO Minnesota, an HMO organized under Blue Cross/Blue Shield of Minnesota. Mr. Cliff Fearing added that the contract calls for HMO-Minnesota to make an advance to University Hospitals on patients projected for each month in exchange for a 15% discount. He reported that the program is being viewed as a pilot program and would be evaluated for system and cost-effectiveness.

Chairman Hanser reported that the Variety Club had held a dinner to dedicate the Jimmy Stewart Cardiovascular Research Laboratories in the Phillips/Wangensteen building. It was also reported that Dr. John Najarian, Mr. John Westerman, and Chairman Hanser had reported on the mission of University Hospitals' to the "555 Club", a business association of young executives in the metropolitan area involved in community affairs. He added that the Department of Pediatrics had presented a clear and comprehensive report on various pediatric clinical programs at the University of Minnesota and that this was followed by a tour of pediatric facilities.

There being no further business, the meeting was adjourned at 3:40 p.m.

Respectfully submitted,

Ron Werft
Ron Werft
Secretary

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
March 18, 1981

Present: Mr. Albert Hanser, Chairman
Ms. Sally Pillsbury, Vice Chairman
Mr. Harry Atwood
Mr. Larry Baldwin
Ms. Jo-Anne Barr
Mr. Leonard Bienias
Ms. Dionisa Coates
Mr. Al France
Ms. Debbie Gruye
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. Virgil Moline
Ms. Margaret Sandberg
Dr. John Tiede
Ms. Timothy Vann
Dean Lawrence Weaver
Mr. John Westerman
Dr. Paul Winchell

Absent: Mr. David Cost
Ms. Jeanne Givens
Mr. John Mason
Dr. John Najarian
Dr. Paul Quie
Mr. Jack Quistgard

The meeting of the Board of Governors was called to order by Chairman Hanser at 1:30 p.m., in Room 555 of Diehl Hall.

I. Announcements & Introductions

Chairman Hanser acknowledged the presence of Mr. Joe Rigert, writer for the Minneapolis Tribune; Ms. Kathy Countryman, Director of Patient Relations; Mr. Carter McComb, Director of Respiratory Care; Mr. Duane Wilson, Secretary to the Board of Regents; Ms. Estelle Sell, UHVA Representative; and Ms. Kim Simonsen, future Administrative Fellow.

Mr. Westerman announced that the MAPTH Board has recently initiated discussions with Ms. Johnelle Foley, Executive Assistant to the Board of Governors and Associate Director of University Hospitals, regarding the executive directorship of MAPTH. He indicated that in anticipation of Ms. Foley's employment by the MAPTH organization, Mr. Ron Werft has been appointed as the Executive Assistant to the Board of Governors. Chairman Hanser added that there will be more information regarding this change once arrangements are finalized by the MAPTH Board.

II. Approval - February 18, 1981 Minutes

Chairman Hanser called for approval of the minutes of the last Board meeting. A motion was made and seconded to accept the minutes. Mr. Baldwin suggested that the reference to an "anorexic" on page 7, of the February Board minutes, be changed to "a patient with anorexia nervosa". The motion to accept the minutes as amended was passed.

III. Joint Conference Committee Report - Ms. Sally Pillsbury, Committee Chairman

Ms. Pillsbury first reported that Mr. Ron Klemz, Director of Risk Management Services, presented an overview of the Risk Management Program to the Joint Conference Committee. She noted that he described historical factors, such as the rising trends in numbers of malpractice suits, which led to the change in emphasis to more co-ordinated programs of Risk Management in hospitals. Further, he described how many of the elements which aid in the identification of potential risk exposures already existed within University Hospitals' systems but simply required closer co-ordination to aid in the effectiveness and efficiency.

Ms. Pillsbury indicated that Mr. Klemz explained the objectives of Risk Management and, in particular, he discussed the usefulness of the incident reporting system. Ms. Pillsbury concluded that the Risk Management Program is doing an excellent job of enhancing and maintaining a safe and secure environment for the delivery of patient services.

Next, Ms. Pillsbury stated that Dr. Warren Warwick, Pediatrics, reported on the activities of the Cystic Fibrosis Center at University Hospitals. She indicated that Dr. Warwick described the disease as genetic in origin and chronic in duration. One of the greatest difficulties surrounding the disease and the major emphasis of the Center in terms of research, is early diagnosis of the condition. The Center is looking at early screening techniques and methods for identification of carriers. Dr. Warwick explained that the University's Center is one of the largest in North America with similar centers located in Toronto, Boston, and Cleveland. He stated that the University's Center has expanded to the extent that satellite programs have been developed in Sioux Falls, Bismark, and at the Mayo Clinic. Ms. Pillsbury indicated that, great strides are being made in terms of public education to aid in the early detection of Cystic Fibrosis.

Ms. Pillsbury next commented that Dr. Kronenberg reported on discussion topics of the Medical Staff Hospital Council which included Mr. Blue procedures, the Renewal Project, and proposed professional standards for the provision of psychological services. Ms. Pillsbury noted that Mr. Westerman informed the Joint Conference Committee of the status of contract with Blue Cross' HMO Minnesota. It was noted that the contract is currently being modified with finalization expected by April 1, 1981. The contract is to be a pilot project covering a one year period. A letter from Dr. Goltz, Chairman of the HMO Advisory Committee will soon be going to the Clinical Chiefs describing the contract. A similar letter addressed from Dr. Quie is being developed for the entire Medical Staff.

IV. Introduction to the Department of Psychiatry - Dr. Leonard Heston, Acting Head, Department of Psychiatry

Dr. Heston began his report by describing the Psychiatric Department statistically. He stated that Psychiatry has 60 beds, 450-550 admissions, 77-80% occupancy (one-fourth of the patients are non-Metro in terms of origin), and approximately 14,000 out-patient visits. There are 23 psychiatrists, and 11 psychologists on staff. A major thrust of the Department is Chemical Dependency research plus other areas such as smoking, genetics, behavior, eating disorders, and lie detection. Dr. Heston reported that in 1979-80, 6 books and 217 articles and chapters were produced by the Department of Psychiatry. The Department's research budget approximates \$1 million in funded projects.

Dr. Heston discussed trends in mental health both in terms of prevalent disorders occurring in the population and in terms of treatment techniques. He related the historical development of State support for psychiatric hospitals at the University. In response to questions from Board members, Dr. Heston discussed in more detail departmental activities in molecular methodologies, Alzheimers disease, and the controll of Chemical Dependency through Pharmacology. Chairman Hanser thanked Dr. Heston for his informative report.

V. Special Report - Dr. James Tiede, Medical Director, Wilmar Medical Center

Dr. John Tiede, Board member, introduced his son, Dr. James Tiede, who is currently visiting University Hospitals as a part of a seven week sabbatical in the field of Gastroenterology and Endoscopy.

Dr. James Tiede noted that he received part of his training at University Hospitals. He commented on the importance of University Hospitals in caring for the most difficult and complex cases. He stated that while he knows that the care provided at University Hospitals is excellent, he did wish to raise some concerns about the institution that he perceived as a physician practicing in the rural community who, from time to time, patients to the University. Dr. Tiede's concerns primarily revolved around lack of prompt communication with referring physicians. He did state that communication does vary from department to department and he did note that activities are underway which could facilitate and improve communications. In particular he mentioned that Dr. John LaBree, Associate Vice President for Outreach, has appointed a committee which is examining the relationship concerns between University and referring physicians. Dr. Tiede noted that he is a member of that committee. Also, he mentioned Dr. Steve Zuckerman's program with the rural co-operative and further, he noted the value of the Board of Governors and their role as liaisons to the community. Board members thanked Dr. Tiede for his personal expressions as a referring physician.

VI. Finance Committee Report - Mr. David Cost, Committee Chairman

In Mr. Cost's absence, Mr. France presented the Finance Committee report. Mr. France called upon Mr. Larson to briefly outline the Statement of Operations. Mr. Larson reported that the financial position of University Hospitals remains on plan through February. He pointed out that in-patient admissions were only one below the projected figure. He commented that year-to-date clinic visits are above average. Revenues are slightly over expenses but under budget. Expenditures are also below budget.

Mr. France next reported that the Finance Committee began discussion on the 1981-82 budget. He indicated that special meetings of the Committee will be held in April. Mr. France further noted that Ms. Barbara Tebbitt, Director of Nursing Services, presented a most interesting report to the Finance Committee regarding the impact of career laddering and other factors on the Nursing staff. He stated that the Committee concurred on the importance of Ms. Tebbitts report and requested that it be presented to the full Board as soon as possible.

VII. Planning and Development Committee Report - Mr. Harry Atwood, Committee Chairman

Mr. Atwood called upon Mr. Dickler to present the topics covered in the Planning and Development Committee meeting. Mr. Dickler first reported on the Renewal Project stating that construction planning is on schedule. He commented on the preparation of the legislation for the bonding bill and listed the sponsors as follows: Representative Norton, Sieban, Carlson, Sherwood, & Nelson and Senators Nelson, Moe, Ashback, Ullan, and Tennison. He indicated that he, Dr. French, Mr. Fearing, and Mr. Westerman continue to meet with members of the Legislature to explain the project. Further, he stated that the Regents were kept up to date with the current status of the Renewal Project at their last meeting. They expressed full support of the progress being made.

Mr. Dickler noted other items covered at the Planning & Development Committee meeting including a brief report from Ms. Ahlgren stating that preliminary work has begun on the Capital Budget. Also, Mr. Dickler commented that preparations are underway for the annual meeting with representatives of the Metropolitan Health Board for indepth review of University Hospitals' long range plan. Finally, Mr. Dickler stated that Mr. Werft, presented current patient origin statistics which show that trends identified in the Strategic Options Study are remaining constant.

VIII. Joint Finance/Planning & Development Committee Report

Mr. Atwood reported that in their joint session, the Finance Committee and the Planning & Development Committee discussed the most recent Renewal Project feasibility study as prepared by Ernst and Whinney. He noted that the study was presented at the February Board meeting and that members were to use the month to further review its contents. Mr. Atwood reiterated Mr. Dickler's comments regarding the Board of Regent's favorable reaction to the study at their last meeting.

He asked if there were any questions or comments at this time and there being none he referred the Board of the following resolution:

Whereas - the Board of Governors of University Hospitals and Clinics have reviewed and endorsed physical and financial planning for the University Hospitals Renewal Project on a continuous basis since mid-1979:

Whereas - the Commissioner of Health has issued a Certificate of Need for the University Hospitals Renewal Project:

Whereas - a comprehensive review of the Renewal Project on February 18 and March 18, 1981 indicates that the Renewal Project continues to be financially viable:

Whereas - The State of Minnesota is considering the issuance of up to \$250 million dollars of State General Obligation Bonds for the Renewal Project which will be repaid through Hospital revenue:

Therefore - be it resolved that the Board of Governors of University Hospitals and Clinics recommend that the Board of Regents of the University of Minnesota authorize the appropriate University offices, subsequent to approval by the State of Minnesota of the issuance of General Obligation Bonds for the Renewal Project, to:

- 1) Enter into a loan agreement, on the Regents behalf, with the State of Minnesota for the repayment of the General Obligation Bonds
- 2) Arrange for interim short-term financing through the issuance and sale of notes ("Capital Notes") to facilitate construction of the Renewal Project if such financing is required prior to the sale of General Obligation Bonds
- 3) Initiate construction of the University of Minnesota Hospitals and Clinics Renewal Project

Mr. Atwood explained that it was the recommendation of both the Finance and the Planning & Development Committees that the Board of Governors adopt the resolution and pass it to the Board of Regents (through Vice President French) for their approval at their April meeting. He noted that the key phrase in the resolution was "subsequent to approval by the State of Minnesota", commenting that by having this resolution on record, it will save time once Legislative approval for bonding is granted. Mr. Atwood's motion to adopt the resolution was seconded and passed.

IX. General Director's Report - Mr. John Westerman, General Director

Mr. Westerman commented on the several activities of various members of his staff. He noted that Mr. Howell and Mr. Werft will be working on a paper regarding Administrative Fellowships for a meeting on that subject to be held in Washington, D.C. Mr. Hart has recently been appointed by Vice President Nels Hasselmo to a University-wide committee on communications and information planning.

Mr. Westerman noted that the written report from the national meeting which Mr. Atwood attended on the Future of Health Planning sponsored by the AHA has been published. Mr. Westerman stated that the meeting's conclusions suggested that it was inappropriate to use planning solely as a means to control costs and very difficult to impose planning guidelines which can be utilized uniformly at the local level. Mr. Westerman mentioned that Mr. Atwood also visited Ohio State's University Hospitals' Board to consult with them on their governance functions and responsibilities.

Mr. Westerman reported that as a result of a suggestion from Ms. Pillsbury, Hospital's representatives did meet with Mr. Odegaard of the University of Minnesota Foundation about the possibility of a University Hospitals component within the Foundation to raise funds.


In concluding, Mr. Westerman commented on the excellent work of Mr. Wegmiller, President of the Health Central System, who recently published the proceedings of their deliberations on "Strategic Challenges for the 80's".

X. Board Concerns - Mr. Al Hanser, Board Chairman

In Chairman Hanser's absence, Ms. Pillsbury reported under this final agenda item. She related information presented that morning at a special meeting sponsored by the Metropolitan Health Board pertaining to the "state of the region" in terms of health care delivery.

There being no further business, the meeting of the Board of Governors was adjourned at 4:00 p.m.

Respectfully submitted,


Johnelle Foley
Secretary

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics

February 18, 1981

Present: Mr. Albert Hanser, Chairman
Ms. Sally Pillsbury, Vice Chairman
Mr. Harry Atwood
Mr. Larry Baldwin
Mr. David Cost
Mr. Al France
Ms. Debbie Gruye
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. John Mason
Dr. Paul Quie
Dean Lawrence Weaver
Mr. John Westerman
Dr. Paul Winchell

Absent: Ms. Jo-Anne Barr
Mr. Leonard Bienias
Ms. Dionisa Coates
Ms. Jeanne Givens
Mr. Virgil Moline
Dr. John Najarian
Mr. Jack Quistgard
Ms. Margaret Sandberg
Dr. John Tiede
Ms. Timothy Vann

The meeting of the Board of Governors of University of Minnesota Hospitals was called to order by Chairman Hanser at 1:35 p.m., in Room 555 of Diehl Hall.

I. Announcements/Introductions

Chairman Hanser greeted Mr. Duane Wilson, Secretary to the Board of Regents, and Mr. Joe Rigert, writer for the Minneapolis Tribune.

II. Minutes - January 21, 1981

Chairman Hanser called for approval of the minutes of the January Board meeting. A motion was made, seconded, and passed to approve the minutes as distributed.

III. Joint Meeting - Planning and Development and Finance Committee

Mr. Atwood explained that the purpose of the joint meeting was to review the latest feasibility study for the Renewal Project as prepared by Ernst & Whinney. He noted however, that Mr. Dickler first gave a brief up-date on the progress of planning for the Renewal Project. Mr. Dickler stated to the Board that the project remains on schedule. He indicated that the timing for the demolition of Powell Hall and excavation

may be affected by when, in Legislative session, the financing for the Project is approved. He concluded that until Legislative approval is finalized planning will continue at a programmed pace.

Mr. Cost then introduced the subject of the Ernst and Whinney Feasibility Study. He reminded the Board that in November, Ernst & Whinney had presented its plan as to how the firm would study the proposed financing for the Renewal Project. As promised then, they today presented their finalized study to the joint Committees. Mr. Cost referred the Board members to their copies of the blue book and summary of the study as prepared by Mr. Fearing. Mr. Cost asked that each Board member carefully examine the study during the next month. He suggested that should they have any questions regarding it that they contact Mr. Fearing's office. It was explained that the study would also be presented to the Regents at their March meeting. The Board of Governors would then vote on acceptance of the feasibility study at their March meeting and the Board of Regents would act on the study at their April meeting.

Mr. Cost then called upon Mr. Fearing to highlight some of the study's key points. Mr. Fearing stated that the feasibility study was based on some major assumptions. In particular, he mentioned first, that the study presumes that there will be no additional subsidies for new programs. Thus, any new programs will be self-supporting or will be included in the appropriation subsidy allocation. Second, it was assumed that there will be no increase in appropriations beyond base civil service inflation increases. Mr. Fearing went on to review some of the other assumptions pertaining to patient volume, revenue, expenses, and interest and debt financing. He pointed out that two aspects of this feasibility study were different. First, they had anticipated working with a 30 year bond but the State's Commissioner of Finance has agreed to a 10-12 year issue with refinancing over the thirty year period. Second, Ernst & Whinney vigorously challenged all previously made assumptions and concluded that they found them to be reasonable. They further concluded, as before, that financing for the Renewal Project is feasible and that State General Obligation financing is the best way to proceed because it is significantly less costly than U of M financing. Mr. Fearing concluded his remarks by indicating that it is imperative that activities continue to be closely monitored and that, in particular the financial markets be closely followed.

Mr. Atwood further reported that the members of both the Planning & Development Committee and the Finance Committee were extremely impressed with the conservative approach used by Ernst and Whinney and the thoroughness of their report.

IV. Joint Conference Committee Report - Ms. Sally Pillsbury, Committee Chairman

Ms. Sally Pillsbury, first mentioned that the Joint Conference Committee had three new members for 1981, in attendance at their meeting. They were Drs., Ciriacy, Klassen and L'Heureux. She reported that the Committee first heard a report from Mr. Howell in which he informed them of the interim report recently submitted to the JCAH and the status of University Hospitals' compliance with standards. Second, she stated that Dr. Dan Hankins, Chairman of the Emergency Preparedness Committee, presented the critique of the most recent Orange Alert drill. She related that this drill tested University Hospitals' ability to interact with other institutions better equipped to handle burn cases. She reported that the drill went smoothly although certain difficulties continue to be identified primarily as a result of the large turnover in staff. Mention was made of the fact that former Administrative Fellow, Irv Sawyers who is now at Sunrise Hospital in Las Vegas used University Hospitals' emergency preparedness techniques as he drilled his institution just prior to the MGM Grant Hotel fire. It was further pointed out that University Hospitals' last drill was perhaps somewhat adversely affected by a surprise visit by then-Vice President Mondale to former-Senator Coleman. The Orange Alert Drill was accepted by the Board of Governors.

Next, Ms. Pillsbury stated that Ms. Jan Brockway presented an up-date on activities relative to the Quality Assurance Program. Ms. Pillsbury explained that the program utilizes problem identification techniques to ensure quality care for patients and the most appropriate utilization of resources. She stated that incident reports were also briefly discussed and added that Mr. Ron Klemz, Director of Risk Management Services, whose program primarily uses incident reports, will soon be coming before the Joint Conference Committee.

Ms. Pillsbury then reported that the Committee reviewed Adult and Pediatric Audits of Central Parenteral Nutrition. She explained that this procedure pertained to the intravenous administration of nutrients to patients. She commented that as a result of these audits, the audit team recommended that a team of individuals be organized to follow this procedure throughout the Hospitals. Dr. Gentry, the presenter of the audit, reported that this recommendation was rejected by both the Clinical Chiefs and the Medical Staff/Hospital Council as they felt this complex procedure could not be standardized from service to service. In response to an inquiry from Mr. France, Dr. Quie explained that technology in this area is evolving extremely rapidly making it most difficult to establish any criteria in the field. He added that there exists no evidence to indicate that a team approach would be of benefit. Further, he mentioned that while some of the audit's findings regarding infection may be disturbing,

improvement has been great since he first started working in this area in 1967. The Board of Governors voted to approve the audits although, their approval was qualified with an expression of concern and request for early review.

At Ms. Pillsbury's request, Dr. Quie presented the Credentials Committee report to the Board of Governors. Dr. Quie briefly highlighted the backgrounds of some of the individuals requesting appointments to University Hospitals' Medical Staff. A motion was made, seconded, and passed to approve the Credentials Committee report.

Ms. Pillsbury also stated that Dr. L'Heureux presented the Medical Staff/Hospital Council report which touched upon discharge summary completion procedures and authorization for the selling of hearing aids and contacts under the auspices of University Hospitals. Dr. Ciriacy reported to the Committee on Clinical Chief activities in particular, citing developments in HMO involvement for University Hospitals. Mr. Westerman explained that he and Drs., Najarian and Quie appointed a task force chaired by Dr. Robert Goltz to explore the feasibility of University Hospitals participating in an HMO arrangement. Mr. Westerman indicated that excellent staff work by Mr. Moore and Mr. Fearing has resulted in a soon to be initiated pilot project with HMO Minnesota, a program sponsored by Blue Cross/Blue Shield of Minnesota. The arrangement calls for University Hospitals' providing services to these HMO patients at a reduced rate with the HMO providing advance payment thus improving cash flow. Dr. Winchell suggested that it will be important to ensure proper and thorough communication of this plan throughout the Medical Staff. Mr. Westerman pointed out that initiation of this effort was a result of the Board's strategic action plan.

V. Introduction to the Department of Laboratory Medicine & Pathology - Dr. Ellis Benson, Professor & Head

Dr. Benson explained that his Department is primarily involved in the diagnostic technology of Medicine. He stated that because University Hospitals' is so highly specialized, a strong Lab Medicine & Pathology Department is imperative. He explained that the two units became one in 1973, and added that the integration strengthened both and has aided in the Department's ability to attract highly qualified people. He stated that providing service to the clinical areas such as Bone Marrow, Transplantation, and Oncology is most demanding but added that the department also has a broad teaching and research role. He indicated that their teaching program does include technicians and commented that research is primarily in the area of machines, tests, procedures, and the use of computers. In response to a question from Mr. Atwood about the quality of the current facilities for the labs, Dr. Benson commented that the Department is currently being surveyed by their accrediting body and he noted that concerns regarding lack of

adequate space for the 18 divisions of the Department appeared to paramount to the surveyors.

Chairman Hanser thanked Dr. Benson for his interesting and informative presentation.

VI. Finance Committee Report - Mr. David Cost, Committee Chairman

Mr. Cost first requested that the Board consider the bad debt report for the second quarter of the fiscal year. He stated that the total amount recommended for bad debt is \$381,226.86 represented by 1,634 accounts. He stated that recoveries during the period amounted to \$2,523.15, leaving a net charge off of \$378,743.71. Mr. Cost explained that this is 1.2% of total charges and added that the amount budgeted was 1.1%. He moved for approval of the write-off. His motion was seconded, voted upon, and passed.

Mr. Cost then called upon Mr. Larson to present the Year-to-Date financial picture. Mr. Larson briefly reported that as of January 31, 1981, a favorable balance of \$3.5 million exists. He attributed this to increased charges due to continued greater than anticipated activity in the ancillary area.

Mr. Larson then referred the Board to the financial statement projecting year-end status. He explained that this statement is prepared by trending out current utilization along with making seasonal adjustments. He reported that projects predict a \$713,250 unfavorable variance. He added that this figure does not include the potential for an additional loss of \$700,000 should Medicare choose to disallow payment for the Colon Cancer Program. He indicated that the current unfavorable balance represents less than 1% of the budget. Mr. Larson also commented on a projected Cash Flow situation of \$2 million. He attributed this primarily to difficulties in Accounts Receivables where payment from Medicare and Medicaid will be dramatically slowed.

Mr. Mason inquired as to plans to adjust the budget to achieve established goals. He commented on his concerns with regard to not meeting budget 2 years in a row and suggested possible difficulties in properly projecting for the Renewal Project. Mr. Cost explained that unanticipated difficulties in projecting nursing salaries has caused the greatest problems in budgeting to date. He noted that the Finance Committee has asked for another review of this area. Mr. Atwood inquired about the projected decrease in appropriations. Mr. Fearing explained that the decrease represents University Hospitals' share in participating in the State's budget retrenchment. Mr. France commented on the difficulties in budgeting in this current economic environment. Chairman Hanser expressed appreciation for the careful monitoring of the budget by the Board members.

VII. General Director's Report - Mr. John Westerman, General Director

Mr. Westerman first mentioned that he planned to invite Dr. James Tiede to speak at the next Board meeting. Mr. Westerman explained that Dr. Tiede will be spending 7 weeks at University Hospitals and suggested that it would be interesting to hear about Dr. Tiede's medical training at Mayo and his practice in rural Wilmar.

Mr. Westerman also reported on Mr. Atwood's presentation regarding the Board of Governors to the Consortium for the study of University Hospitals in Phoenix. Mr. Westerman stated that Mr. Atwood's presentation was excellent. In terms of another conference, Mr. Westerman commented that he and Mr. Werft attended a meeting of the Voluntary Hospitals of America.

Mr. Westerman next reported on the meetings that he, Vice President French, meetings Mr. Dickler, and Mr. Fearing have been having with members of the Legislature to explain the Renewal Project. He noted that 70 such meetings have occurred to date and commented that they are going very well. In particular, he pointed out that sponsorship for the bonding bill is expected to be granted by some of the most influential Legislators.

VIII. Executive Committee Report - Mr. Al Hanser, Board Chairman

Chairman Hanser first reported that the Executive Committee was given an up-date on progress made in strategic action planning in the area of organizational considerations. He noted that Dr. Sharon Tolbert presented an interim report reflecting her work with governance patterns and that Mr. Diehl outlined his efforts to identify problems inherent with University Hospitals' current governance arrangement and to recommend change where needed. Chairman Hanser also mentioned that Mr. Werft presented patient origin statistics which demonstrated a leveling off of the trend of declining utilization.

Chairman Hanser also reported that Mr. Westerman described his process for seeking counsel in the re-organization of the Department of Health Services Administration with the departures of Mr. Dickler and Mr. Pierson.

Chairman Hanser informed the Board of recent discussions with representatives of the Variety Club who have raised concerns regarding lack of consultation on the matter of placing the Department of Psychiatry in the Variety Club Heart Center. Chairman Hanser suggested that the situation was the result of an unintentional oversight and related that the problem now appears to be in hand with a commitment to the Variety Club to re-study the utilization of the Heart Center at a later date.

IX. Board Concerns - Mr. Al Hanser, Board Chairman

Chairman Hanser commented on the most recent article to appear in the Minneapolis Tribune regarding the Renewal Project. He noted that he has commented to Mr. Isaacs regarding the excellent coverage of the Project.

Chairman Hanser also reported that the Trustee Council plans to conduct another conference in May with each institution being allowed three representatives. He added that in June, Mr. Atwood and another Board member will be attending the AHA sponsored trustee conference in San Diego.

Chairman Hanser reported that MAPTH activities are progressing. He indicated that the Search Committee for an Executive Director restructured itself and redefined its objectives to a more realistic point. He stated that the Committee has honed in on the type of individual that they want and suggested that he will be making an announcement regarding that matter at the March meeting.

Further, Chairman Hanser commented on the quality of the committee reports by each of the Committee Chairmen. Ms. Gruye commented on her pleasure in hearing of the quality of University Hospitals' program for Anorerics. Ms. Pillsbury noted Ms. Gruye's return to the field of Recreational Therapy. There being no further business, Chairman Hanser adjourned the meeting of the Board of Governors at 4:20 p.m.

Respectfully submitted,


Johnelle Foley
Secretary

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
January 21, 1981

Present: Mr. Albert Hanser, Chairman
Ms. Sally Pillsbury, Vice Chairman
Mr. Harry Atwood
Mr. Larry Baldwin
Ms. Jo-Anne Barr
Mr. Leonard Bienias
Ms. Dionisa Coates
Mr. David Cost
Mr. Al France
Js. Jeanne Givens
Ms. Debbie Gruye
Ms. Fannie Kakela
Ms. Mary Lebedoff
Mr. Virgil Moline
Dr. John Najarian
Dr. Paul Quie
Mr. Jack Quistgard
Dr. John Tiede
Ms. Timothy Vann
Dean Lawrence Weaver
Mr. John Westerman
Dr. Paul Winchell

Absent: Mr. John Mason
Ms. Margaret Sandberg

The meeting of the Board of Governors of University Hospitals and Clinics was called to order by Chairman Hanser at 1:35 p.m., in Room 555 Diehl Hall.

I. Announcements & Introductions

Chairman Hanser welcomed and thanked Mr. Al Fashionbar and the Angels, introduced by Governor Timothy Vann, for their outstanding contributions to the Cancer Gift Closet Program. Chairman Hanser recognized Ms. Estelle Sell, representing UHVA and introduced Ms. Marion Howard, newly appointed Director of Nursing Research. Other special guests recognized included Regent Peterson, and administrative fellow-elect Ms. Kim O'Grady/Simonsen.

Mr. Westerman announced the impending departure of two key personalities in the hospitals' senior administrative staff, Mr. Robert Dickler and Mr. Richard Pierson. Mr. Pierson is to assume the position of Hospital Director at the University of Arkansas Hospital, and Mr. Dickler will assume responsibilities as Chief Executive Officer at the University of Colorado Hospital in Denver on the first of July. Chairman Hanser applauded the success of Mssrs. Dickler and Pierson as a tribute to quality of administrative excellence practiced by Mr. Westerman and his staff.

II. Minutes - December 17, 1980

A motion was made, seconded, and passed to approve the minutes of the December Board of Governors meeting.

III. Introduction to the Hospitals Oral Surgery Department
- Dr. Daniel Waite, Professor & Head

Dr. Waite came to University Hospitals in 1967 after receiving his education in dentistry at the State University of Iowa and worked in capacities ranging from Instructor to Associate Professor at the Mayo Clinic. Dr. Waite delivered a stimulating presentation on Oral Surgery programs throughout the Health Sciences and explained the numerous aspects which related hospital dentistry to all other clinical programs. Dr. Waite pointed out that only 900 Hospital Dentistry programs existed in the entire country when he came to University Hospitals & Clinics in 1967, while as of 1979 over 3,700 Hospital Dentistry Programs operated throughout the United States. This in many ways emphasizes the expanding role of Oral Surgery and Dentistry Programs in the health care field today. Dr. Waite noted that his department performs more than 200 major procedures per year, but that nearly 100 of these procedures were performed outside University Hospitals & Clinics through affiliate programs due to inadequate operating space in the current facility. Dr. Waite's presentation emphasized the high degree of research and education associated with the Dentistry Program at University Hospitals & Clinics, and the Board applauded his continued efforts as a leader in the field of Dentistry and Oral Surgery at University Hospitals & Clinics.

IV. Finance Committee Report - Mr. David Cost, Committee Chairman

Chairman David Cost reported that the Finance Committee cancelled its meeting due to a lack of critical agenda items, and the degree of involvement by Financial Staff in legislative meetings regarding bonding for the Renewal Project. The Finance Committee Report consisted of a Statement on Operations by Mr. Larson which noted seasonal variations in the budget, but concluded that financial operations were generally on target.

Chairman Hanser questioned the impact of recent government actions which would increase payment turn-around time for Medicare and Medicaid reimbursement. Mr. Larson responded that reimbursement turn-around time from government payors was a long term problem and that the solution would doubtlessly also take time. When questioned as to the deliberacy of payment slow-downs from government at the state level, Mr. Larson noted that insufficient staffing and funding plagued these programs significantly. However, Mr. Larson stated that University Hospitals & Clinics, in an effort to expedite these problems, had improved its internal coding system and developed

tape to tape capacity for more rapid exchange of information. Mr. Larson concluded the financial report by stating that year-end financial reports would be presented at the next Board of Governors meeting.

V. Planning & Development Committee Report - Mr. Harry Atwood, Committee Chairman

Mr. Harry Atwood noted that the Planning and Development Committee meeting had been postponed due to lack of substantive agenda items, and that a comprehensive report would be forthcoming at the next meeting in regards to the progress of legislative activity on the Renewal Project.

VI. Executive Committee Report - Mr. Al Hanser, Chairman

Chairman Hanser noted that the Executive Committee discussed the potential of private donations to University Hospitals and Clinics for the renewal project, and questioned the potential impact on the legislature if no private funds had been pledged or solicited when the bonding bill reached the legislature.

Chairman Hanser noted that the 1981 Board of Governors Retreat had been scheduled for July 27-28 at Minnesuing. He also noted that the Commissioner of Health, Dr. George Petterson, had sent a letter to University Hospitals and Clinics confirming the approval of the Certificate of Need for Renewal. Chairman Hanser indicated that an informational meeting has been scheduled with the Citizens League representatives to provide them with factual information on the Renewal Project

VII. General Directors Report

Mr. Westerman noted that Mr. Atwood had been secured as a consultant by Ohio State University to make recommendations on governance. He also gave mentioned to a favorable article printed by the Minneapolis Tribune with regard to Commissioner Pettersons letter approving the Certificate of Need for Renewal.

Mr. Westerman commented on the progress of the Consortium for the Study of University Hospitals with a report on the upcoming meeting scheduled for January 28-29. He expressed his feelings that CSUH met a demonstrated need for evaluation of common problems among University Hospitals, and applauded the initiative of the Board of Governors in supporting CSUH.

Dr. Najarian announced that a memorial service was being given for Dr. Owen Wangensteen and that all the members of the Board of Governors were invited to attend.

VIII. Board Concerns - Mr. Al Hanser, Board Chairman

Chairman Hanser reported on the continued search for an Executive Director of MAPTH, and noted that Governor Atwood had declined to accept the position. Chairman Hanser

noted that recent discussions in the MAPTH organization demonstrated continued interest on the part of all members. He applauded the enthusiasm of all members as a significant step in the groups potential to achieve success in the future.

Chairman Hanser stated that Ms. Sudduth had an announcement to make to the Board. Ms. Sudduth explained that the Hospitals will be developing a plaque and a collage, containing photographs of each Board member, to be placed on the wall in the 3rd floor administrative corridor. The plaque will briefly explain the Board's role and the collage will identify each Board member by name and residence. She also stated that she would be calling each Board member to schedule an appointment for photography sessions with the Biomedical Graphics Department's portrait photographer. The sessions will be held on Board days in February and March.

Chairman Hanser concluded the meeting by pointing out the active role each Board member should play in the Renewal financing by first, talking to individuals in their legislative districts and second, disseminating accurate information which explained that money for Renewal was to be repaid and financed by the Hospital. Chairman Hanser thanked the Governors for their continued participation and active interest. The meeting was adjourned at 3:32 p.m.

Respectively submitted,

Kevin Moore/s

Kevin Moore
Acting Secretary