CONTENTS

University of Minnesota Hospitals and Clinics

Board of Governors

December 19, 1984

555 Diehl Hall

University of Minnesota Campus

Agenda

I. Minutes - November 28, 1984 (Approval)

II. Chairman's Report - Mr. David Cost, Board Chair (Information)

III. Hospital Director's Report - Mr. C. Edward Schwartz, Hosp. Director (Information)

IV. Committee Reports

A. Finance Committee, Mr. Al France, Committee Chair

1. November Year-to-Date Financial Statements (Information)
2. Variable Rate Refunding Bonds - Status Report (Information)
3. Capital Expenditure Policy (Approval)

B. Planning & Development Committee, Mr. Al Hanser, Committee Chair

1. Computer Replacement Project (Information)
2. Air Ambulance Consortium/Separate Legal Entity (Endorsement)
3. Transfer of Stores Agreement Update (Information)

C. Joint Conference Committee, Mrs. Barbara O'Grady, Comm. Chair

1. Severity Indexing Update (Information)
2. Summarization of COCH Price Disclosure Project (Information)
3. Community Urologists Discussions (Information)
4. Medical Staff/Hospital Council Report (Information)
5. Clinical Chiefs Report (Information)

V. Renovation and Renewal Task Force Report, Mr. C. Edward Schwartz, Hospital Director (Approval)

D. Project Approval - Major Capital Expenditures

Initiation of projects involving major capital expenditures shall ~~require the endorsement of the~~ be presented for recommendation to the Planning and Development Committee, the Finance Committee and approval by the full Board of Governors. No commitment of funds, other than preliminary planning costs, for major capital expenditures shall occur without Board approval.

E. Monitoring and Reporting

A year-to-date summary report of actual capital expenditures shall be provided to the Board of Governors Finance Committee on a monthly basis by way of presentation of the appropriate cash flow statements. An annual summary report of actual capital expenditures shall be provided to the Board Finance Committee at the conclusion of each fiscal year.

Mr. Cliff Fearing, Chairman of the Renewal and Renovation Committee, presented the detailed findings of that group for Board information. The charge of the Task Force had been to develop a master plan for departments not included in Unit J that could be cost justified in terms of operating efficiency or revenue enhancement within a budget of $6.2 million, to define critical space needs that could not be cost justified, to analyze or evaluate space needs and to assess the benefits of retiring long term debt with the savings from the Unit J project.

Following several months of work, the Task Force put forth the following recommendations for Board discussions:

1. $2 million should be retained for investment at current interest rates to be used to offset the interest expense of $2 million of the outstanding bonds.

2. Develop a long range facilities improvement plan to address the renovation needs of departments that will not move to "J".

3. Reserve space adjacent to a Unit J link for the Department of Obstetrics.

4. Address the expansion needs of the Epilepsy Program independent of Mayo renovation planning.

5. Relocate Cystoscopy to level 4 of Mayo using approximately $400,000 of the Mayo relocation budget.

6. Relocate the Department of Psychiatry to 5th floor Mayo. Relocate departments displaced by this move.

7. Relinquish the NW corner of Mayo and the Variety Club Heart Hospital to the Health Sciences.

8. Develop a permanent planning structure to monitor future renovation planning.

Mr. Fearing explained each of these recommendations and responded to several questions. He noted that a strict cost justification of renovation had proved to be quite difficult and that the needs of departments clearly outweighed the available renovation dollars. Slides of the current Psychiatry facilities were shown. In conclusion, he agreed that a final presentation would be made to the Board of Governors in December that would include a renovation option that expends only a portion of the recommended dollar amount.

Mr. R. Edward Howell presented the Quarterly Purchasing Report for the period of August through October, 1984. He explained that expenditure levels for this period were slightly elevated due primarily to one large capital acquisition.

Mr. Geoffrey Kaufmann presented the Strategic Planning and Marketing work plan for the period of October, 1984 through September, 1985. Mr. Kaufmann reviewed specific tasks to be accomplished, each of which was accompanied by an intended time frame, and described several committee structures that would be involved in the conduct of these activities.

The seven major tasks to be accomplished included review and reformation of the mission statment, an internal assessment, an external assesment, major strategy development, the ongoing monitoring of the planning function itself and a communication of information to various publics.

The Board of Governors also reviewed an organizational chart which depicted the various committees to be involved. A strategic planning steering committe, whose membership is being finalized, will oversee the process and will work on a regular basis with the Board's Planning and Development Committee.

With that information, the Board of Governors seconded and unanimously passed a motion to approve the Strategic Planning and Marketing work plan as written.

HOSPITAL DIRECTOR'S REPORT:

Mr. C. Edward Schwartz updated the Board on several recent developments regarding the proposed Helicopter Program. Some weeks ago, the Health Board asked the Consortium to talk with North Memorial about integrating the two Helicopter Program proposals. Mr. C. Edward Schwartz indicated that those discussions had not proceeded well and that the Health Board would again be asked to review the two programs independently.

While the Consortium negotiations with North Memorial were taking place, the Health One Corporation, an affiliate of North Memorial in the Helicopter Program,bought one Twin Cities ambulance company and made acquisition overtures to the BMRA, with whom the Consortium had planned to contract for the provision of actual transport services. Mr. Schwartz reported that the Consortium is currently discussing protecting its position in the marketplace by acquiring BMRA.

Mr. Schwartz also reported that the Joint Commission on Accreditation of Hospitals visit had gone smoothly.and that a total of 18 areas were sighted during a summation conference as being in need of improvement. Mr. Schwartz expects that a final written of findings will be sent from the Joint Commission to the Hospitals in approximately 60 days, at which time it will be reviewed with the Board.

Lastly, Mr. Schwartz noted that the development of a patient/visitor parking ramp continues be explored with University officials. Recent discussions have focused on effort to acquire the desired land and on ownership issues.

FINANCE COMMITTEE REPORT:

Committee Chairman Al France and Mr. Cliff Fearing presented one item for Board information and one, the Bad Debt Write-off, for Board approval. Recaping the year-to-date inpatient census, Mr. Fearing noted that both the average length of stay and the patient days are about the 6.5% under budget, but that admissions are nearly on target. The outpatient census year-to-date is approximately 2.2% over budget. The Hospitals Statement of Operations as of the end of October shows a favorable variance of revenue over expenses.

Lastly, Mr. France recommended that a bad debt for the first quarter of the fiscal year of $391,562.03 be written off. The Board seconded and passed a motion to write off this bad debt, which represents .8% of the gross charges.

JOINT CONFERENCE COMMITTEE REPORT:

Committee Chair Barbara O'Grady reported that Dr. Roby Thompson had spent some time with the Joint Conference Committee discussing the formation of a new leadership body for the Clinical Chiefs. The group is now at the point of developing bylaws and article of incorporation for this new separate legal entity. The Joint Conference Committee had asked Dr. Thompson that they be kept abreast of developments as they occur.

Mrs. O'Grady also summarized the recent price disclosure data released by the Council of Community Hospitals. That data indicated that for the diagnoses' reviewed, the University Hospitals were approximately $12 more expensive than the community, but that for a full third of case mix groupings, the charges at UMH&C were below the community average.

The Medical Staff/Hospital Council Report provided to the Joint Conference Committee on November 14th, Mrs. O'Grady reported, focused on the problems the University Hospitals see with the recently developed Provider Review Organization (PRO) contract. Similiar concerns regarding this contract have surfaced at several other local hospitals.

Lastly, Mrs. O'Grady presented the recently developed Conflict of Interest Policy for review. Following a brief discussion, the Board seconded and passed the Board of Governors Conflict of Interest Policy as written.

OTHER:

Mr. Greg Hart reported that the Bureau of Mediation Services had scheduled an election at the University of Minnesota Hospitals and Clinics to determine whether the Registered Nurses wish to be represented by the University Federation of Nurses, an affiliate of the Federation of Nurses and Health Professionals, AFT, AFL-CIO. That election will be held on December 18 and 19, 1984.

ADJOURNMENT:

The Board of Governors agreed to postpone the discussion of their self-evaluation survey until the December 19, 1984 meeting. The meeting of the Board of Governors was adjourned at 4:10 p.m.

Respectfully submitted,

Nancy C. Janda
Executive Assistant
to the Board of Governors

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

December 19, 1984

TO: Members, Board of Governors

FROM: Greg Hart
Senior Associate Director

SUBJECT: Computer Replacement Project

Attached please find background material on the recommended replacement of University Hospitals central computer hardware.

The Hospitals current mainframe computers, purchased in 1981, have reached their saturation point. Our existing computer network connects 250 terminal devices and interfaces to four computer systems. Daily transaction volumes exceed 50,000 messages and 2,500 applications programs comprise over 50 information systems. Our need for information generated from these systems will continue to grow, yet expansion of the existing information systems, or the addition of new systems, is not possible because we have reached the capacity of our current hardware.

In preparation for and support of the computer upgrade, the Hospitals has also developed a long-range plan for its information systems. This information systems plan was written with the help of an external consultant, who also evaluated and recommended the computer replacement as outlined in the attachments to this memo.

Acquisition of this hardware will require the expenditure of approximately $2,500,000.

Attached you will find background material on our historical computer and information systems development, our current hardware status, and a brief summary of the consultant's report. This topic was presented to the Planning and Development Committee on December 12, 1984 and will be presented to the Finance Committee on December 19, 1984, both for information. These Committees will be asked to endorse the same in January prior to Board review for approval. We will be happy to answer any questions you may have next week.

/kj

attachments

Computer Replacement Project

I. Introduction and Historical Development

University Hospitals automated data processing history began in 1970, when the Hospitals purchased and installed its first computer. Prior to 1970, the Hospitals computer processing consisted of Patient Accounting and Accounts Receivable applications being provided by a shared service, and payroll and financial services being handled by main campus.

During the years 1970-1974 the first applications became operational. Early systems development were primarily those with strong financial tendencies. In 1973 computerization of the Pharmacy included the first development of an on-line information system and the first computer support of an ancillary department.

During late 1973 and early 1974 a Long Range Plan for continued computer system development was prepared and presented to the various Hospital decision-making bodies. It identified the relationship of program areas and help set the direction for the development which occurred from 1974 through 1980.

The period from 1974 through 1980 showed a rapid expansion of information systems. Major efforts included:

- A balance of development between service systems and accounting systems;
- Additional development of on-line systems;
- An increase in the development of information, management, and reporting systems;
- Continued enhancement of computer hardware;
- Conversion to large system computer family.

Priorities and direction were again evaluated in late 1980. This resulted in a five year plan for Information Systems Development published in January 1981. Expansion of services during the period 1981-1984 have been consistent with the direction committed to in that plan. Hospitals' systems services expanded with the changing capabilities of the computer industry. On-line information sources are being expanded into care-giving areas. Specialized computers are utilized to "distribute" the computer workload in the most cost beneficial manner. Computer to computer linkages have been established to facilitate information sharing and reduce redundant data input. Utilization of microcomputers and office automation techniques have been initiated.

A chronology of system applications growth at UMHC is shown in Attachment I.

As our computer applications have grown over the years, so has our computer hardware. Attachment II depicts a chronology of our hardware upgrades since 1970.

Attachment III demonstrates the growth in our "on-line" data communications activity over the past ten years, and projects growth through 1990.

II. Current Hardware Status

As is shown in Attachment II, UMHC is currently using dual "large system" computers (Burroughs models 6800/6900) for its central data processing. These processors were installed in early 1981 and have been in use for nearly four years. With the growth in systems development and on-line communications, the hardware began to reach a point of "overload" late in 1982. At that time we considered hardware replacement, but rejected that course of action due to the unavailability of a computer configured to meet our needs at a reasonable price. Instead, we engaged in a major "computer retrenchment", wherein we streamlined our applications and selectively eliminated some programs and reporting. That process has given us an additional 12 - 18 months of use, but we have now reached the point where replacement is necessary.

To demonstrate the need for replacement, attached are four charts (Attachments IV - VII) which show the changes in four key measures of computer utilization - processor utilization, data communications response time, memory utilization, and utilization of storage capacity.

III. Consultant's Report

Before moving forward on computer replacement, we have thought it important to also develop a long-range (five year) plan for information systems development. It is the information system which drives the machine, thus planning for hardware and software expansion should occur con-jointly.

Toward that end, we have engaged an external consultant who has had substantial experience nation-wide in institutions such as ours. Ernst and Whinney has submitted a preliminary report of their findings and recommendations. That report strongly recommends an upgrade of our mainframe processors.

In addition to the hardware upgrade recommendation, the consultant also recommended a number of changes directed at our internal process of systems development and management.

IV. Conclusion

We are continuing to develop the details of our plan for computer expansion looking in particular at the specific hardware configuration and methods of financing. Specific recommendations will be made at the January meeting of the Board and its committees.

ATTACHMENT I

SYSTEM GROWTH

On-Line

1970 - Patient Accounting
Accounts Receivable
Medical Records

1971 - Payroll Manhour Reporting

1972 - Outpatient Appointment Reporting
Outpatient Census Reporting
Hospital Telephone Directory
Accounts Receivable Rewrite

1973 - Doctor Master
Financial Reporting
Outpatient Pharmacy.....*
Pharmacy Formulary
Pharmacy Reporting
Property Management
Data Communication System

1974 - Inpatient Appointments
Nurse Utilization.....*
Patient Location.....*
Project Control

1975 - Length of Stay Reporting
Patient Billing Revision.....*
Operating Room Info System
Patient Index.....*

1976 - Capital Expenditures
Active Patient Files
Inpatient Pharmacy.....*
Revised Pharmacy Reporting
Radiology Registration and Charging.....*

1977 - Admission.....*
Medical Records Rewrite
Outpatient Data Entry.....*
Third Party Logs
Production Scheduling

1978 - Conversion to Large System
Data Communications System
Data Base Management

1979 - Medical Records Rewrite
Physical Medicine and Rehabilitation.....*
Warehouse Distribution Center.....*
Magnetic Media Library

1980 - Respiratory Care.....*
Radiology Rewrite.....*
Interface to Laboratory System.....*

		On-Line
1981	-	Personnel Reporting System.....*
		Patient Accounting System Enhancements.....*
		Physical Medicine and Rehab Enhancements.....*
		Hospital Information System Needs Evaluation
		Doctor Master Rewrite.....*
		ECG System Replacement
		FRS Upgrade.....*
1982	-	Location and Control (Records and Films).....*
		Word Processing Log.....*
		Respiratory Care Enhancements.....*
		Computer Assisted Budgeting (Salaries).....*
		Equipment Planning (Friesen).....*
		STAR - Nursing Station Information - Pilot.....*
		Third Party Logs.....*
		Management Information System Reporting.....*
		Clinic Information System.....*
		Corporate Reporting.....*
1983	-	Location and Control (Equipment).....*
		Computer Assisted Budgeting (Revenue).....*
		STAR - Enhancement.....*
		Operational Systems Retrenchment.....*
		P/P Flex Reporting.....*
		Laboratory Results Reporting.....*
1984	-	Distribution Center System Replacement.....*
		Purchasing.....*
		PPS/DRG/AWARE - Billing.....*
		Computer Assisted Budgeting (Expense).....*
		Radiology.....*
		NUMIS Enhancements.....*
		IP Pharmacy Dispensing Replacement.....*
		Corporate Reporting Enhancement.....*
		Microprocessing/Office Automation.....*
		Medical Records Enhancements.....*
		Patient Monitoring.....*

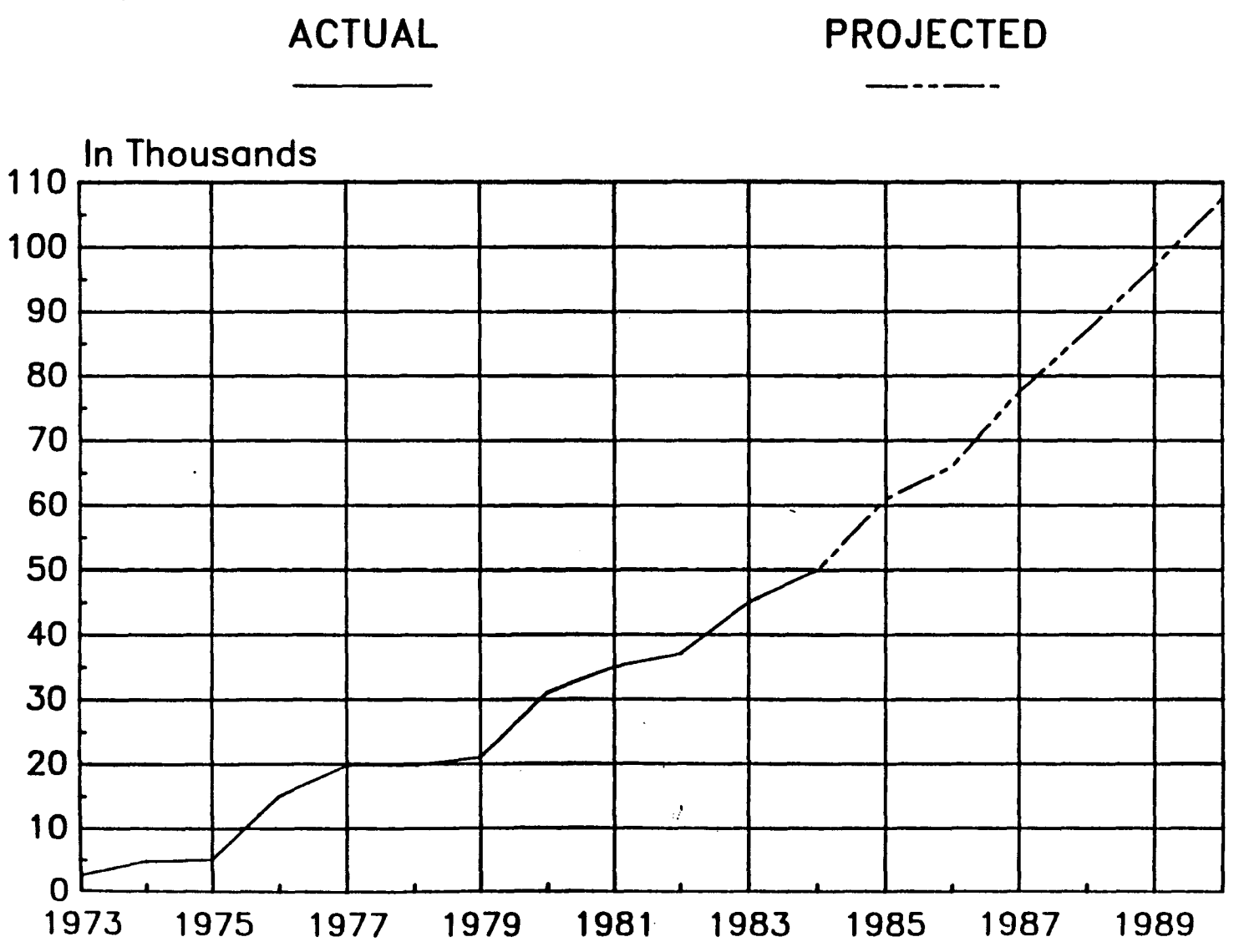
~ HARDWARE UPGRADES ~

1989 – 2 X A15 ?
1985 – 2 X A9F
1981 – 2 X 6900
1980 – B 6810
1979 – B 6807

B 4800
B 4700 – 1977
B 3700 – 1975
B 3500 – 1973
B 2500 – 1970

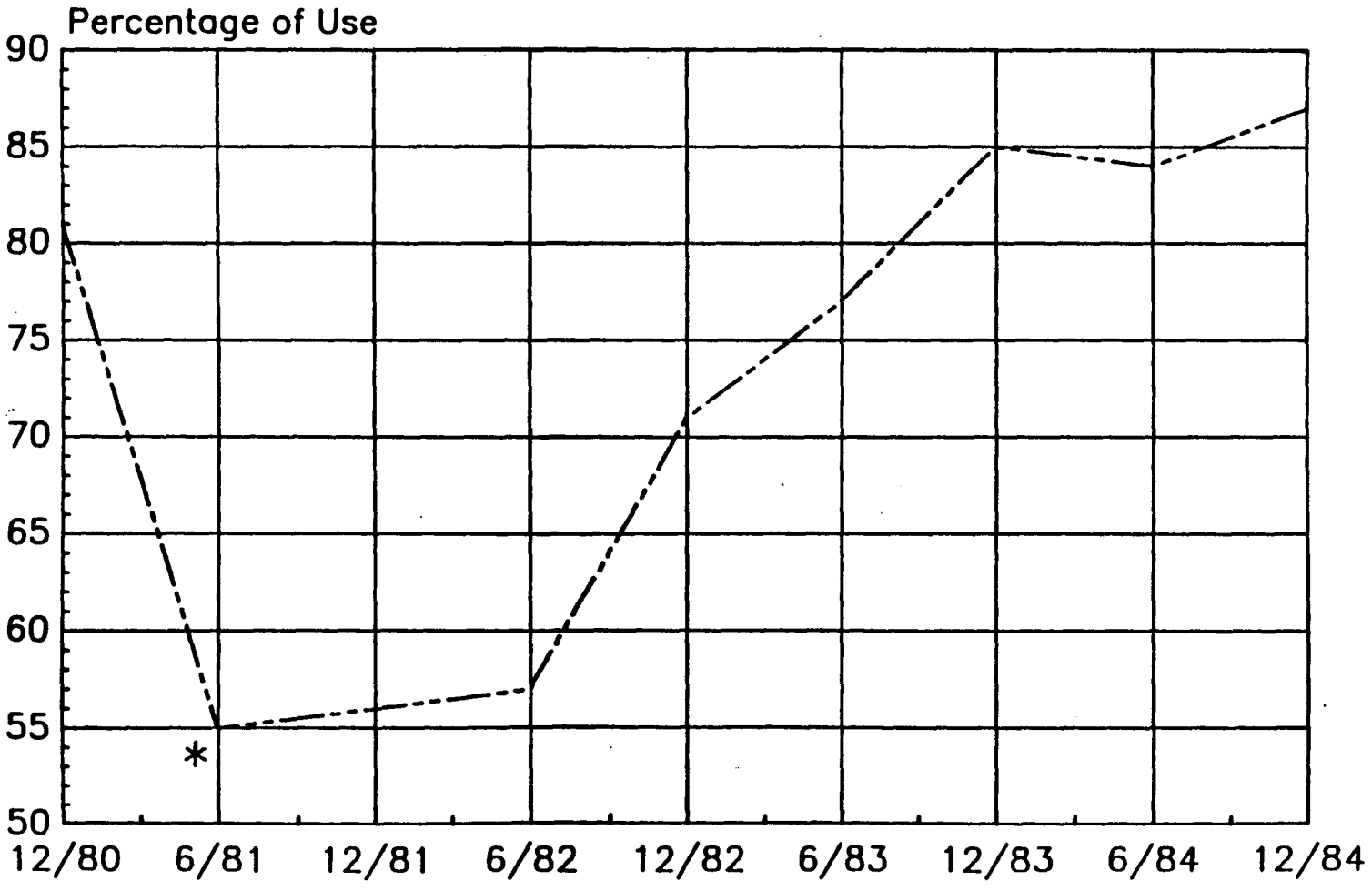
Shared Service

On~Line Activity



PROCESSOR UTILIZATION

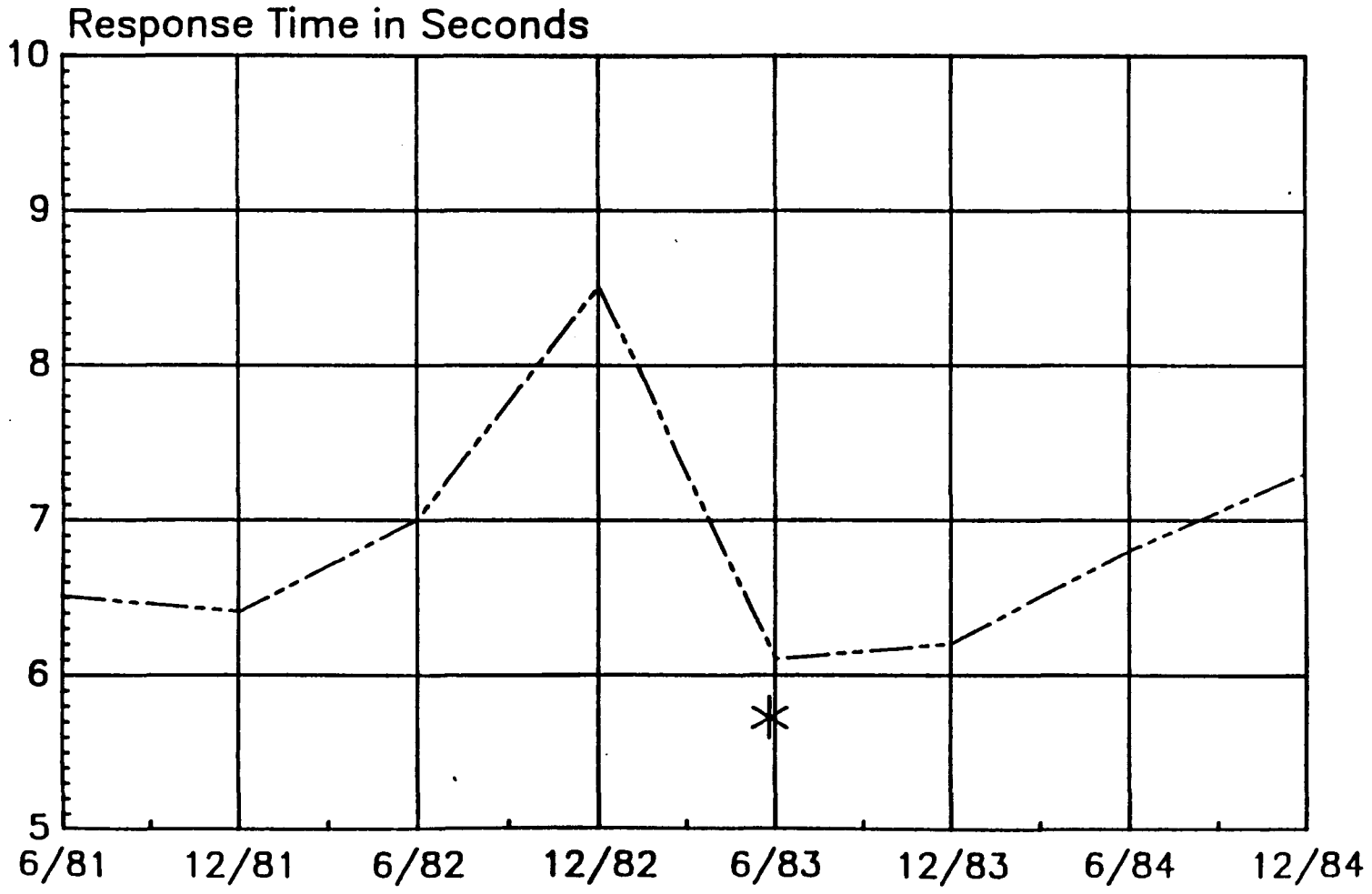
PERCENTAGE OF USE



* Systems Development Moved to Alternate Processor

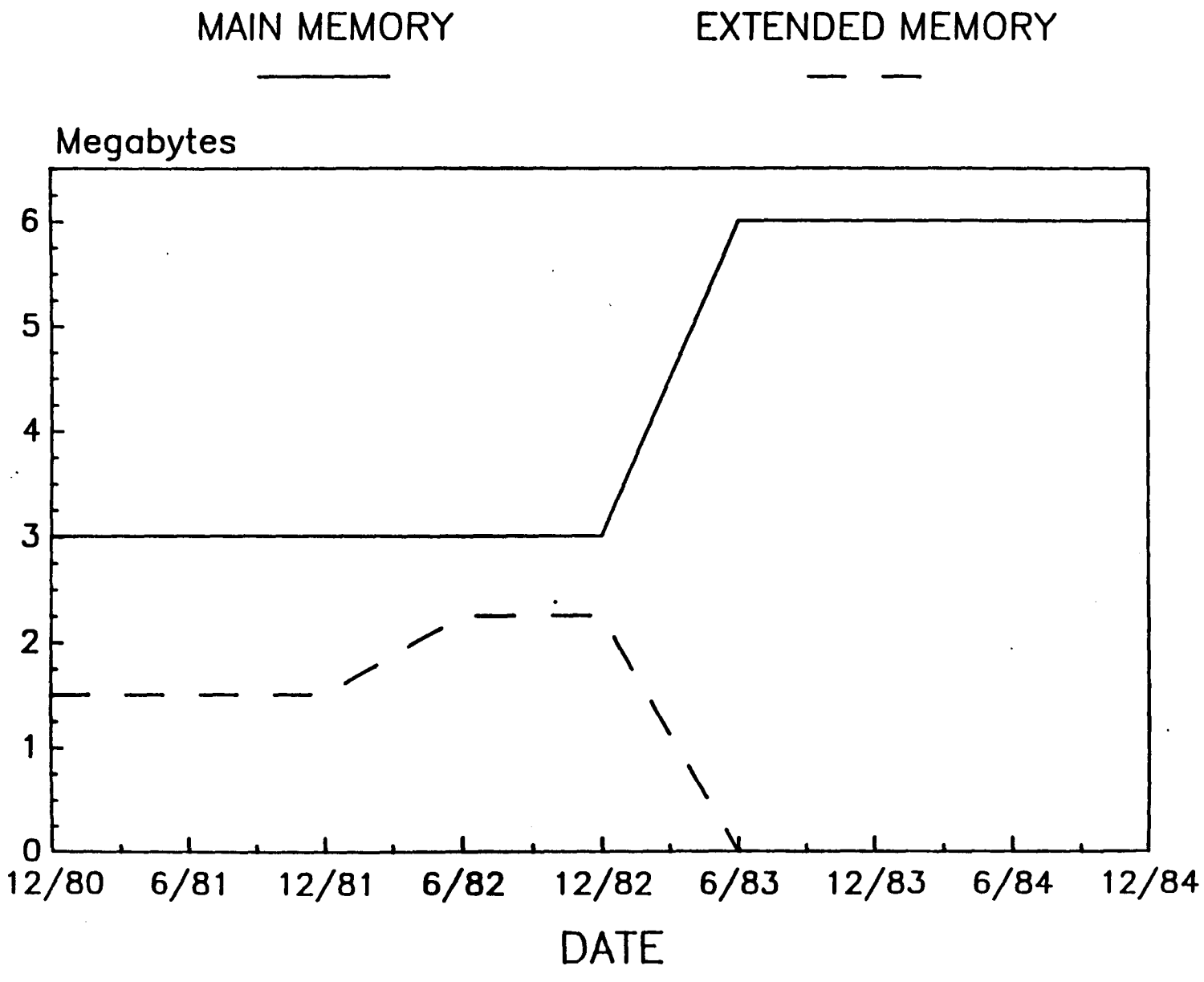
Data Communications Response Time

SECONDS

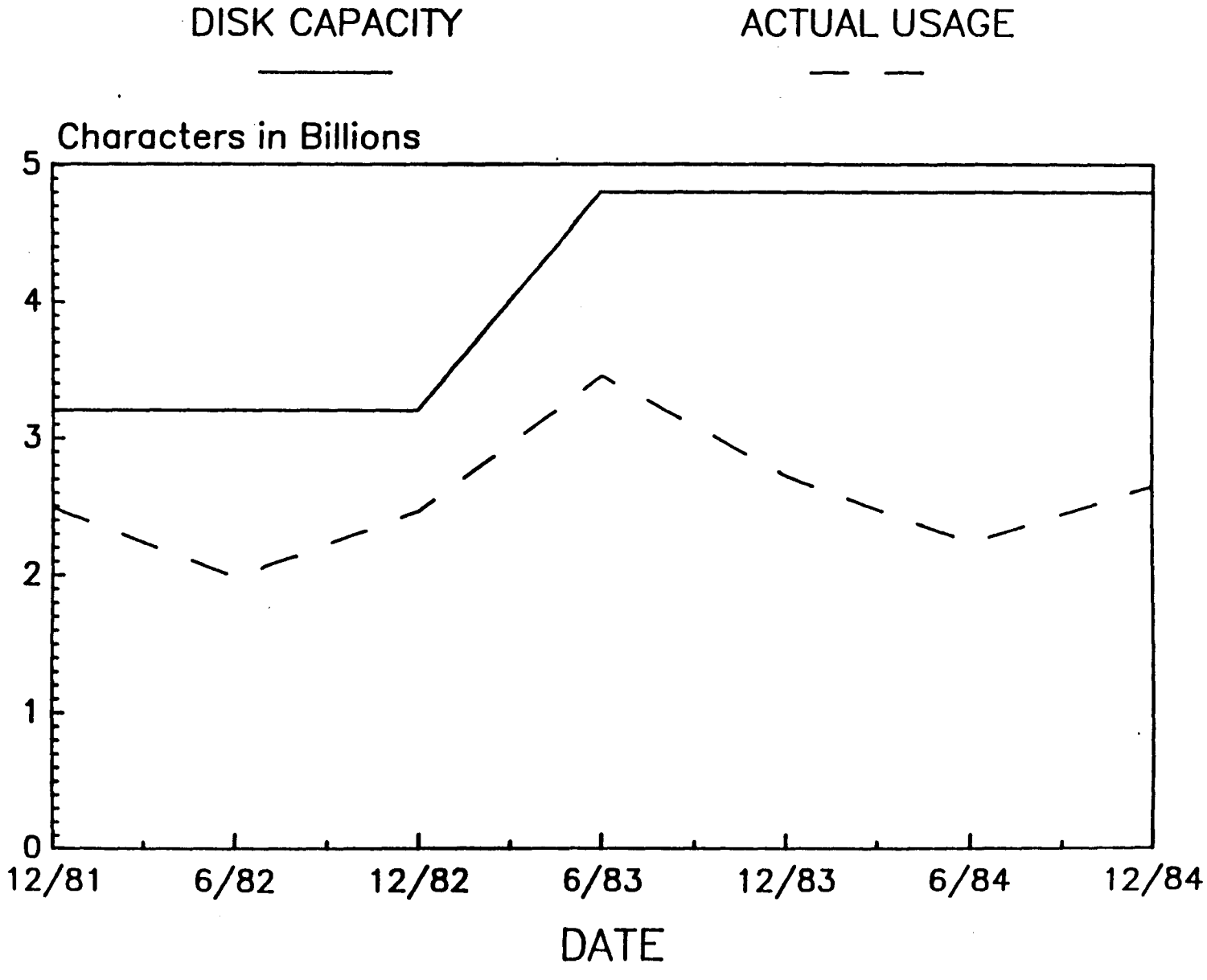


* Expand to Maximum Memory Capacity

MEMORY CAPACITY



UTILIZATION OF STORAGE CAPACITY



Office of the Hospital Director and
Assistant Vice President for Health Sciences

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
B-313 Mayo Memorial Building, Box 604
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

December 19, 1984

TO: Members, Board of Governors

FROM: C. Edward Schwartz
Hospital Director

RE: The Development of a Separate Legal Entity

For approximately five months now, the University Hospitals have actively been pursuing the development of a helicopter air ambulance program with Abbott Northwestern and St. Paul Ramsey Hospitals. The Consortium, as the three are being called, hope to have this program operational by March of 1985.

It is intended that the locally based Bio Medical Research Associates (BMRA) would provide the actual transportation services for the Consortium. The attached document outlines the proposed relationship between the Consortium and BMRA.

This concept was endorsed by the Planning and Development Committee on December 12, 1984 and will be presented to the Finance Committee, also for endorsement, on December 19, 1984. A proposed resolution for Board consideration appears at the end of this document.

CES:jmp

Air Ambulance Consortium (Separate Legal Entity)

December 19, 1984

Background

The Board of Governors approved in September, 1984, University Hospitals entering into a Consortium to operate an air ambulance program. The Consortium is a joint venture involving Abbott Northwestern Hospital, the St. Paul Ramsey Medical Center and the University of Minnesota Hospitals and Clinics as operators. It was intended that Bio Medical Research Associates (BMRA) would provide (through either acquisition or contract) the actual transportation services. BMRA is the holder of a state-wide advance life support transportation license which includes the ability to transport on the ground and in the air. The Consortium has applied for Federal 1122 review and on December 12 received the endorsement of the Implementation Committee. The Metropolitan Health Board is expected to approve our application on January 9, 1985. With that approval we would move immediately to implement the helicopter program. North Memorial Hospital also received endorsement by the Implementation Committee for their helicopter program on December 12, 1984.

HealthOne Corporation, an affiliate of North Memorial in their helicopter project, recently purchased one Twin Cities ambulance firm and made acquisition overtures to BMRA. To protect the Consortium's position in the market with BMRA, two alternatives seem possible: 1) One of the Consortium members could acquire the company and operate it for the benefit of the full Consortium, or 2) the Consortium members could form a new legal entity to own and operate the service. Failing a successful execution of one of these two alternatives, it is likely that BMRA would be acquired by a competitive air ambulance program and this would mean that the Consortium would not only need Federal 1122 approval, but also need to apply for a license and develop operational expertise in the vehicle aspects of the transportation services. The first option poses long-term control issues for the other non-owner members and unbalances the financial risk and opportunities. The second alternative balances risk and opportunities, and provides an organizational vehicle to assure acceptable operations. The members of the Consortium have expressed a willingness to enter into the service on the basis of one-third ownership for each institution.

Recommendation

It is recommended that the Finance Committee endorse, in principle, the Hospitals entering into the formation of a separate legal entity whose purpose is to acquire BMRA, continue the operation of its current services and implement an air ambulance program. The Hospitals would then proceed with negotiations with the involved parties and present final Articles of of Incorporation and other enabling documents to the Board of Governors prior to final implementation of the separate legal entity.

Following action by the Board of Governors, this recommendation will be presented to the Board of Regents for final consideration.

Proposed Resolution

The ~~Finance Committee~~ BOG endorses, ~~in principle~~, the development of a separate legal entity ~~comprised of the University Hospitals, Abbott Northwestern~~ and St. Paul Ramsey Hospital for the purpose of acquiring BMRA with the understanding that the Articles of Incorporation will be reviewed by the Board prior to the signing of a contract.

CES:jmp

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

December 19, 1984

TO: Board of Governors

FROM: Ed Howell R. Edward Howell
Associate Hospital Director

SUBJECT: Transfer of Stores Agreement Update

As you may recall, the Purchasing Implementation Plan which was approved in June 1983 called for the Hospitals and the University to explore the feasibility of delegating the responsibility to the Hospitals for the purchase and storage of items which were obtained from the General or Chemical Storehouse.

Since the delegation of purchasing authority to the Hospitals in February 1984, ongoing discussions have been held with the University for the purpose of delegating the stores responsibility to the Hospitals. These discussions have resulted in an agreement to transfer responsibility for the storage of certain high volume items to the Hospitals, consistant with the recommendations of the original purchasing implementation plan. The attached transfer agreement outlines the basis for delegating this responsibility.

The transfer of responsibility to the Hospitals for the storage of these high volume items is projected to reduce the annual storage and handling expense to the Hospitals by approximately $60,000, as well as streamlining the process for ordering necessary supply items. We believe this arrangement will substantially enhance the effectiveness of the purchasing program at University Hospitals and Clinics and bring it to the Board of Governors today for information.

I would be happy to answer any questions you may have regarding this agreement.

REH/sds

attachment

TRANSFER AGREEMENT

University/Hospitals Stores

Background

As outlined in the Purchasing Implementation Plan, supply and equipment items purchased by the Hospitals can be aggregated into three identifiable categories:

- PRIMARY use; these are items for which the Hospitals' utilization constitutes 90% or more of the total utilization within the University.
- MAJORITY use; these are items for which the Hospitals' utilization constitutes 51% to 89% of the total utilization within the University.
- SECONDARY use; these are items for which the Hospitals' utilization constitutes less than 51% of the total utilization within the University.

I. Storage of Primary Use Items

Items for which the Hospitals is the primary user are essentially unique to the Hospitals and are therefore covered by Phase I of the Purchasing Implementation Plan. Thus under the methodology established in Phase I, the Hospitals will issue contracts for those primary use items that are currently being stored in University Storehouses. This will be done as existing contracts for those items expire. In the future, items in this category which the University Storehouses wish to stock may be obtained either in limited quantities from the Hospitals Warehouse or directly from the vendor under contracts established by the Hospitals. Appendixes I, II and III identify primary and majority use items currently stored in University Storehouses with the associated dollar value.

II. Storage of Majority Use Items

Items for which the Hospitals is the majority user (51% or greater) will be stored in both the University Storehouses and the Hospitals Warehouses. University Purchasing will issue reciprocal contracts for those items as existing contracts expire. Reciprocal contracts allow the Hospital to obtain these items directly from the vendor with shipment directly to the Hospitals Warehouse.

Under this arrangement, the Hospitals will purchase directly from the vendor and thus not pay a handling fee. However, as contracts are reissued for both primary and majority use items, the Hospitals will assume the responsibility for transferring appropriate stock from the General and Chemical Storehouse to the Hospital Warehouse. The acquisition price to the Hospitals for this stock will include the current handling fee.

III. Storage of Secondary Use Items

For items for which the Hospitals is a secondary user, (less than 51%), the existing system of ordering from the appropriate storehouse with a handling mark-up will be maintained.

IV. Implementation

The target date for initiation of contract issuance and associated transfer of stock is November 1, 1984.

Under this agreement, the Hospitals will not purchase or warehouse supplies and/or equipment for any other unit of the University. Involved departments will be notified immediately of this change.

New items which require on-hand stock will be examined at the time of contract issuance to determine warehousing site.

Appendix I

Primary Use Items

Items not currently on contract - - Will be transferred November 1, 1984

Chemical Storehouse Stock Number	Description	On Hand	Value
X 10400	Caps - Child Resistant fits 5 dram vial	1 case	$ 1.24
X 10402	Caps - Child Resistant fitx 7 dram vial	2 cases	2.96
X 10406	Caps - Child Resistant fits 10, 13, 16	6 cases	9.90
X 10408	Caps - Child Resistant fits X17024 vial	3 cases	5.43
X 10410	Caps - Child Resistant fits 30, 40, 60 dram vial	2 cases	4.16
X 10436	Caps - Child Resistant fits 16 oz. amber & 1 oz. plastic	0 cases	0.00
X 10439	Caps - Child Resistant fits 32 oz. amber & 1½ oz. plastic	7 cases	126.91
X 10458	Caps - Child Resistant fits 3, 4, 8 oz. plastic	8 cases	107.04
X 30019	Alpha Keri Bath Oil 8 fl. oz.	2 cases	178.44
X 30120	Aquaphor 5#/can	17 cases	503.03
X 30200	Barosperse Contrast Media 25#	41 drums	2,797.02
X 30900	Hypague-M 75% 50 cc Winthrop H-340	94 vials	296.10
X 31318	Oratrast Lime Flavor 25%/box	20 boxes	595.40
X 31470	Renografin 60 30 ml.	70 vials	130.90
X 40120	Bandages - Zorac 4" J & J 7337	34 dozen	1,018.30
X 40400	Battle - Water & Ice Bag 2 qt.	329 each	1,562.75
X 41800	Sponges - X-Rayable medium 2000/case	40 cases	2,854.80
X 41830	Syringe - Asepto Catheter tip 1 oz.	618 each	2,082.66
X 41840	Syringe - Asepto Catheter tip 2 oz.	190 each	988.00
X 40550	Cushion - invalid 16" Davol 456	6 each	36.72

Chemical Storehouse Stock Number	Description	On Hand	Value
X 31314	Multibase (Burn Treatment) 7#/jar		$
X 40812	Gloves - Procedure sterile small 25/box		
X 40814	Gloves - Procedure sterile medium 25/box		
X 40816	Gloves - Procedure sterile large 25/box		
X 41004	Lap Sponges sterile prewashed 18 x 18		
X 41780	Sponges - Topper sterile 4 x 3 1200/cs.		

General Storehouse Stock Number	Description	On Hand	Value
D 30075	Wash Cloths - Unbleached	500 dozen	$1,205.00
D 30150	Twill Tape ½" x 720 yds.	28 spools	1,007.44
D 30170	Bath Towels - Unbleached	185 dozen	3,459.50

Appendix II

Primary Use Items

Items presently on contract - - Will be transferred as the contract expires

Chemical Storehouse Stock Number	Description	Expiration Date
X 41760	Sponges - Rondic large 2000/cs. Curity 6365	3/31/85
X 41770	Sponges - Rondic jumbo 1000/cs. Curity 1069	3/31/85
X 41790	Sponges - X-Rayable 4 x 8 tied in 10S	3/31/85
X 41820	Straws - Flex. ind. wrapped 500/box 20 box/cs.	3/31/85
X 40125	Bandages - Zorac 6" J & J 7338	3/31/85
X 40980	Kerlix Rolls Sterile 100/cs. B & B 6715	3/31/85
X 41660	Pads - O.B. Regular 12/bag, 100 bags/case	3/31/85
X 41670	Pads - O.B. individual wrapped large 40 doz./case	3/31/85
X 41690	Pads - Comb. Sterile 5 x 9 400/case J & J 2145	3/31/85
X 41700	Pads - Comb. non-sterile, 8 x 10 432/cs. J & J 8632	3/31/85
X 31252	Massage Lotion 8 oz. btl. 48/case	4/30/85
X 31473	Hypaque 60 50 ml. M-581 Odiatrizoate	4/30/85
X 30309	Cotazym Capsule 100/btl. Organon 381R	4/30/85
X 30398	Cystografin 300 ml.	4/30/85
X 30860	Hypaque - M 50% 30 cc Winthrop H-272	4/30/85
X 31240	Maalox 6 oz. size 36/case	4/30/85
X 41372	Renografin 60 50 ml.	4/30/85
X 31478	Renografin 76 50 ml.	4/30/85
X 31505	Sinografin inj. 10 ml.	4/30/85
X 42164	Syringes - Glaspak 1 cc BD 5292	5/30/85
X 42166	Syringes - Glaspak 2½ cc BD 5291	5/30/85
X 42168	Syringes - Glaspak 5 cc BD 5293	5/30/85
X 42160	Syringe - Ear & Ulcer 1 oz. Davol 526	5/30/85

Appendix III

Majority Use Items

Contracts will be reviewed and revised, as they expire, to allow the Hospitals to utilize University contracts.

Chemical Storehouse Stock Number	Unit	Description	Hospital Annual Usage	Hospital Annual Payment To Chem.
X 40280*	Case	Balls, Rayon Medium 4M/case	19.4	$ 176,35
X 40290*	Case	Balls, Rayon Large 2M/case	70.6	772.36
X 41710*	Case	Pads, Under-Linen-Savers 23 x 24	2,090	37,996.20
X 41714*	Case	Splints F.S. 3 x 15"	10.1	775.88
X 41716*	Case	Splints F.S. 4 x 15"	7	622.72
X 41718*	Case	Splints F.S. 5 x 30"	28.1	2,210.63
X 40248*	Case	Boxes for used syringes	8,873.3	2,307.06
13350*	Gro.	Pins, Safety #2	219	229.95
X 40630*	Doz.	Gauze, Seluage Packing Strips ¼" x 5 yds.	7.8	244.37
X 40640*	Doz.	Gauze, Seluage Packing Strips ½"	21.6	692.93
X 40650*	Doz.	Gauze, Seluage Packing Strips 1"	8.4	282.74
X 40660*	Doz.	Gauze, Iodoform Packing Strip ¼" x 5 yd.	3	100.98
X 40670*	Doz.	Gauze, Iodoform Packing Strip 1" x 5 yd.	4.2	170.77
X 40680*	Doz.	Gauze, Iodoform Packing Strip 1" x 5 yd.	5.4	218.21
X 41810*	Doz.	Sponge, Gauze-Sterile 4 x 4 x 8 PLY	429	20,291.70
X 42410*	Tube	Tape, Adh. Waterproof ½"	90	1,214.10
X 42420*	Tube	Tape, Adh. Waterproof 1"	1,500	21,120.00
X 42430*	Tube	Tape, Adh. Waterproof 2"	840	11,256.00
X 11050	Gross	Boxes, Slide Powder #88 (3 1/16 x 1 7/8 x 7/8)	4.8	90.10
X 11054	Gross	Boxes, Slide Powder #88xx (3 5/8 x 2 4/16 x 1 1/8)	4.8	115.06
11056	Gross	Boxes, Slide Powder #89 (2½ x 1½ x 5/8)	2.9	94.66

Chemical Storehouse Stock Number	Unit	Description	Hospital Annual Usage	Hospital Annual Payment To Chem.
X 11058	Gross	Boxes, Slide Powder #680B (4¼ x 3¼ x 5/8)	2.9	94.66
X 11060	Gross	Boxes, Gelusil Capacity of 50	4.8	205.20
X 11062	Gross	Boxes, Gelusil Capacity of 100	4.8	189.50
X 30215	Each	Betadine Germacidal Solution 2 oz.	12,732	5,602.08
X 30217*	Each	Betadine Surg. Solution 2 oz.	8,784	3,864.96
X 40150*	Doz.	Bandage, Plaster 2" Fast Set	4.8	20.78
X 40160*	Doz.	Bandage, Plaster 3" Fast Set	31.7	308.76
X 40170*	Doz.	Bandage, Plaster 4" Fast Set	82.6	764.88
X 40180*	Doz.	Bandage, Plaster 5" Fast Set	83.5	100.24
X 40190*	Doz.	Bandage, Plaster 6" Fast Set	70.1	951.96
X 40414*	Case	Bottles, Specimen 8 oz.	3.1	46.66
X 40690*	Each	Glasses, Medicine 1 oz.	2,655.4	955.94

Council of Community Hospitals Price Disclosure Project

Key Findings - University Hospitals

The Council of Community Hospitals earlier this year released the results of a study comparing hospital prices for a series of common medical problems. The study attempted to compare "apples to apples" in terms of the type of cases studied. Several important findings relative to University Hospitals were shown in the study:

1. Whereas most people think that University Hospitals is always the most expensive hospital, for any type of problem, in the Twin Cities, the study showed this is clearly not the case. In fact for one-third of the groups studied, charges at University Hospitals were less than the average for the Twin Cities.

2. Whereas most people think that University Hospitals is a much higher cost institution than any other hospital in the Twin Cities, the study showed that UMHC is very comparable to other large institutions, and, on the average for the cases studied, only 12% higher than the other hospitals.

3. The study also showed that for some of the diagnoses UMHC's charges are clearly higher than the norm. This is in part due to the severity of cases at UMHC, which was not totally accounted for in the study. This finding also points out to us, however, that we need to continually evaluate ourselves from a cost-competitive perspective, and the medical staff and management at UMHC involved on a daily basis in doing so.

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

December 13, 1984

TO: Board of Governors

FROM: C. Edward Schwartz
Hospital Director

SUBJECT: Renewal and Renovation Task Force Report and Recommendations.

The attached report of the Renewal and Renovation Task Force has been revised to address the questions and concerns raised at the November 28, 1984 Board of Governors meeting. This report has been reviewed by and endorsed by the Planning and Development Committee on December 12, 1984 and will be reviewed by the Finance Committee on December 19, 1984. If the Board of Governors endorses these recommendations, the recommendations will be forwarded to the Board of Regents for information in January and action in February.

The following resolution is offered for your action:

The Board of Governors endorse and forward the following recommendations to the Board of Regents for their consideration:

1. Invest $2 million to offset the interest expenses of $2 million of outstanding bonds.

2. Reserve (but not provide remodeling funds) space on the fourth level of the Mayo building for Obstetrics.

3. Allocate $4.2 million to renovate space for the Department of Psychiatry and relocate the Neurosurgery, Neurology, Anesthesia and Pathology offices and Departments of Respiratory Therapy and Electromyography.

4. Vacate approximately 24,000 square feet on the third and fourth levels of the Mayo building and all Hospital space in the Variety Club Heart Hospital (approximately 45,000 square feet). This space is to be turned over to the Health Sciences for reallocation.

5. Conclude a comprehensive building use master plan for all other services and departments within the Hospital following a detailed analysis of the projected occupancy of Unit J.

/jem
attachment

RECOMMENDATIONS TO THE BOARD OF GOVERNORS

REGARDING

THE USE OF UNIT "J" SURPLUS

BACKGROUND

In late 1983 it was determined that, with 98% of the Unit "J" work under contract, approximately $11.6 million had been saved on the total project. The terms of the Construction Manager's Agreement stipulated that that firm would receive $2 million in incentive payments, leaving a net savings of $9.6 million for the University. Under the convenants of the bond sale, surplus funds in the construction account may be used to:

1. Make any final payments required for construction or renovation associated with the project,
2. Fund obligations to the trustee or paying agent that might be outstanding,
3. Make further capital improvements in Hospital facilities,
4. Fund any deficits in the reserve fund, or
5. Make transfers to the sinking fund account.

Based on a recommendation of the Board of Governors, the Regents allocated $3.4 million of the remaining savings to complete several areas within Unit "J", and approved a study to determine the most efficient utilization of the remaining $6.2 million. This study was felt appropriate because the construction manager and hospital contingency budgets were viewed as being adequate to assure the financial completion of the project. In April of 1984, the Renovation and Renewal Task Force was appointed by the Hospital Director to investigate alternative uses for the funds and recommend a course of action.

The charge to the Task Force included the following:

1. Develop a renovation master plan for departments excluded from Unit "J" which is cost justified in terms of operational efficiency or revenue enhancements with a budget of approximately $6.2 million.

2. Define critical space needs which must be addressed which cannot be cost or revenue justified.
3. Analyze space needs:
    A. Define hospital needs for space vacated by departments moving to Unit "J",
    B. Define hospital space available for reassignment to other Health Science departments following the move to Unit "J".
4. Assess the benefit of reducing $6.2 million in project debt against the benefits of the renovation master plan.

To assist the Task Force in addressing these four areas the hospital retained the firm of Robert Douglass and Associates, the planning and consulting firm that had developed the Unit "J" original program statement. Key hospital and medical staff were closely consulted as each area was explored and alternatives considered.

ALTERNATIVES CONSIDERED

The Task Force considered each department or service that is not to be located within Unit "J", categorizing each in one of three areas: 1) those which could reduce operating expenses if renovated, or 2) those which could enhance operating revenue if renovated, or 3) those which neither contribute to reduced expenses or enhanced revenue but which required renovation to remain viable. Emphasis was placed on vacating the maximum amount of space possible and turning it over to the Health Sciences for allocation to other units. The impact of reduced expenses and/or enhanced revenue was considered over and against the favorable impact on operations that would result from reducing debt service by investing the $6.2 million or calling certain long bonds. Based on an analysis conducted by the Hospital financial staff, only the December 1, 2014 Term Bonds have any present value savings due to the need to purchase such bonds in the secondary market. Original issue Term Bonds require a premium and agent's fee to purchase in the current market. Although future market conditions cannot be definitively predicted, it is obvious that based on present financial conditions it would be more financially productive to invest funds and allocate the interest

income for debt service rather than repurchase bonds in the secondary market. (One consideration that was not part of the Task Force charge that is discussed in this paper is the possibility of using all or a part of the $6.2 million savings to fund the construction of a parking facility for patients and visitors.)

OUTCOME

The Task Force concluded that no department or service could demonstrate operating cost reductions, that would result from further renovation or relocation, of an order of magnitude that would approach offsetting the savings that could be realized by investing $6.2 million to reduce the debt service. However, after a comprehensive review of all Hospital space, the committee concluded that psychiatry patients are currently cared for in facilities that are very marginal at best. While many enhancements in the Department of Psychiatry have resulted in a much improved financial condition for the Psychiatry Service, it was felt that failure to improve the facilities would place the service in jeopardy and result in an erosion in the numbers of patients and total revenue. Many patient and family complaints have been made because of the current facilities and some individuals have actually left rather than receive care on the inpatient units.

The risk that would result from a deterioration in Psychiatry Patient Service are significant and warrant specific mention. First, as noted, occupancy in the Psychiatry Service has improved to the current level of 83%. Even though we have been successful in attracting patients, they may continue to leave prematurely or not return for follow-up care. The single focus of their objections has centered around the facilities that are provided on the patient units. Secondly, there are presently plans to develop and improve patient programs in the adolescent service. The current facilities represent a serious obstacle to those enhancements. Third, medical

science is clearly developing new frontiers in the neurosciences area, and while this will be a multi-departmental effort, the role of the Psychiatry Department will be central to all of the work in this area. Fourth, there are no identified alternatives for providing comprehensive medical student and residency training in psychiatry in other hospitals in the Twin Cities. There are several affiliations in psychiatry in other hospitals and clinics but none approaches the range of speciality Psychiatry Service that can be found in University Hospitals. Lastly, the department conducts significant sponsored research which could not be accomplished without the patient service programs at University Hospitals.

The most feasible plan to improve the psychiatry facilities is to renovate space in the fifth level of the Mayo building and locate Psychiatry in those facilities, utilizing the remaining funds to relocate those departments currently on that level. (The Department of Psychiatry is currently located on the sixth level of the Mayo building). This approach was selected from three alternatives that were identified because it met most of, but not all, of the department's objectives and it could be accomplished for less dollars than the other two. The most costly alternative would have required over $8 million to complete.

The Task Force recognized the need to reserve space for the Obstetrical Service on the fourth level of the Mayo building adjacent to Unit "J" and the Perinatal Care Unit; however, no specific program statement was developed for this area awaiting the recruitment of a new Departmental Chairman in Obstetrics and Gynecology.

The renovation of the Psychiatry facilties and the relocation of certain departments from the fifth level will require $4.2 million from savings and an expenditure of a portion of the $1.6 million originally budgeted for renovations in the Unit "J" project budget. The Task Force further recommended that $2 million of the Unit "J" savings should be invested to reduce the debt service.

As noted earlier, the feasibility of constructing a patient/visitor parking ramp arose as the Task Force was completing its recommendations and for that reason was not included in the report. Should this project be approved, the Hospitals may be called on to purchase land for construction and operation of the facility. In this event, it is the intent of the Hospitals to borrow funds to purchase the land and construct the facility using parking revenues to repay the loan. Should a subsidy prove necessary to assure a competitive rate for patients and visitors the Hospitals would use current operating funds to lower the amount financed, there by reducing the cash flow requirements to service the debt.

SUMMARY OF RECOMMENDATIONS

It is recommended that the Hospital Board of Governors endorse the following five points and forward the same to the Board of Regents for their consideration:

1. Invest $2 million of offset the interest expenses of $2 million of outstanding bonds.
2. Reserve (but not provide remodeling funds) space on the fourth level of the Mayo building for Obstetrics.
3. Allocate $4.2 million to renovate space for the Department of Psychiatry and relocate the Neurosurgery, Neurology, Anesthesia and Pathology offices and Departments of Respiratory Therapy and Electromyography.
4. Vacate approximately 24,000 square feet on the third and fourth levels of the Mayo building and all hospital space in the Variety Club Heart Hospital (approximately 45,000 square feet). This space is to be turned over to the Health Sciences for reallocation.
5. Conclude a comprehensive building use master plan for all other services and departments within the hospital following a detailed analysis of the projected occupancy of Unit "J".

Teaching hospitals

Consortium makes effort to surmount difficulties, aid university hospitals

David Pitts

By Linda Punch

Creating a consortium for university-owned teaching hospitals is a difficult task because of the diversity of governance and the wide variety of institutional regulations affecting these healthcare facilities.

Nevertheless, the University Hospital Consortium recently has been formed in an effort to improve the competitive stance of teaching hospitals.

The consortium reflects university hospitals' efforts to "survive in a more competitive environment," said Myles P. Lash, consortium president and executive director of the Medical College of Virginia Hospitals, Richmond, VA.

Other consortiums and alliances aren't "arranged to deal with the operational problems of university-owned teaching hospitals," Mr. Lash added. "We have to be responsible to the universities which we're part of. We also have to be responsible, in many respects, to state legislatures. We're operating under different governance and bylaws in the sense that the vast majority of us are part of other institutions."

Many states have very specific laws that make it hard for university hospitals to participate in shared service programs. Often, they can't negotiate contracts.

The new group aims to provide greater purchasing clout and joint venture opportunities and is believed to be a first for university-owned hospitals. The group "reflects the fact that the environment is changing, and university hospitals have to adopt new operating postures," Mr. Lash said. "It's clear that hospitals are networking more and more in order to take advantage of certain activities that are benefitted by economies of scale."

Twenty-three university-owned teaching hospitals with a total of 12,000 beds and revenues of $2 billion formed the consortium in September (MH, October, p. 22). Eight of the hospitals had been informally affiliated since 1980 through The Consortium for the Study of University Teaching Hospitals. The new group could have as many as 30 members by Jan. 1, Mr. Lash said. The consortium, which will be supported financially by membership dues, will open its office in Atlanta in January.

Unique challenges. University hospitals face a unique set of problems, including heavy charity caseloads and expensive teaching and research functions, which "community hospitals may or may not be involved with. There's a lot of cost associated (with the educational functions)," said David Pitts, president of Pitts Management Associates Inc., Baton Rouge, LA. PMA is developing programs for the consortium. The management consultant firm has worked with other large consortiums, including Voluntary Hospitals of America, Irving, TX.

"There's really no one who has developed an organization to be responsive to the unique situations of university hospitals," Mr. Lash said.

The Council of Teaching Hospitals provides a forum for university hospitals, but it doesn't offer "typical association services," such as group purchasing, Mr. Lash said. The consortium is "reviewing various state laws each of us is operating under and attempting to develop a bidding document" for group purchasing that will "be responsive to the various constraints."

The consortium is doing a "detailed analysis of who can and can't participate" in joint programs, including group purchasing, added James G. Wetrich, the consortium's executive secretary. Mr. Wetrich is former vice president of the Metropolitan Hospital Council of New Orleans and coordinated the council's group purchasing subsidiary, which performed purchasing services for 45 hospitals.

Many states have "very specific enabling laws for (university) hospitals that preclude them from participating in programs of shared services," Mr. Wetrich said, adding that many university hospitals must "bid everything out. They can't negotiate (contracts).

"We recognize that every university hospital (won't be able to take part in group purchasing programs). We just want to identify who can and who can't," he said, adding that guaranteeing volume for purchases is "the biggest issue" faced by group purchasing programs.

Joint projects mulled. The consortium also will be developing other joint projects. "We're trying to get the best bang for our buck and put our efforts where the best payoff will be," Mr. Pitts said.

The consortium is sifting through various university and state regulations "to find a common ground," Mr. Pitts said, adding that "we're very optimistic that there is sufficient common ground among the different hospitals to make it worthwhile. We think there's a lot of potential here (to get a good program going). These are the biggies—the really prestigious institutions."

The consortium leaders say they hope to develop "some of the traditional activities that large associations get into.... We hope to do some of the things VHA and other organizations have moved into, with the possible exception of raising capital," Mr. Lash said, noting that state-owned university hospitals may not be able to participate in capital formation ventures because of state regulations.

PMA also is helping the consortium administer ongoing research into problems unique to university hospitals, including questions of governance, how hospitals relate to the university and how university hospitals might be able to function better, Mr. Pitts said. The research is designed to improve the efficiency and management of university hospitals.

The consortium still is deciding if it will accept as members non-university teaching hospitals, including public hospitals and investor-owned hospitals, Mr. Lash added. ■

Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
October 24, 1984

CALL TO ORDER: Chairman David Cost called the October 24, 1984 meeting of the Board of Governors to order in Room 555 Diehl Hall at 1:45 p.m.

ATTENDANCE: Present: David Cost, Chairman
Al France
Robert Goltz, M.D.
Al Hanser
Lynn Hornquist
Robert Latz
David Lilly
Jerry Meilahn
James Moller, M.D.
Barbara O'Grady
C. Edward Schwartz
Neal A. Vanselow, M.D.

Absent: Phyllis Ellis
Virgil Moline

CHAIRMAN'S REPORT: Chairman David Cost explained that the conflict of interest policy being developed for the Board of Governors would be sent through the Joint Conference Committee for review instead of being presented directly to the full Board, as previously planned. Dr. Vanselow asked that a copy of the policy be made available as soon as possible to provide potential new board members an opportunity to review the policy when considering acceptance of an appointment to the Board of Governors.

Secondly, Mr. Cost asked members of the Board to expect a 45 question self evaluation survey in the mail. He requested that each member complete a survey and return it to the Board office by November 1, 1984.

Thirdly, Mr. Cost announced and explained the resignation of two members of the Board of Governors, Mr. Carl Drake and Ms. Lynn Hornquist. Mr. Cost also noted that the terms of three Board members would be expiring in December. Those three include Mr. Al France, Mr. Robert Latz, and himself. Per the Board Bylaws, neither Mr. Cost nor Mr. France are eligible for re-appointment. Mr. Latz is eligible for reappointment to the Board of Governors. Regents Drake, Goldfield and Long have been appointed to a nominating committee charged with filling the vacated slots on the Board of Governors.

HOSPITAL DIRECTOR'S REPORT:

Mr. C. Edward Schwartz reviewed preliminary plans for the development of a new parking structure. That ramp is to be located close to the Unit "J" facility. Negotiations with the land owners of the proposed site are currently underway. Discussions regarding options for ownership and management of the structure are also in progress.

Secondly, Mr. Schwartz reviewed the status of the certificate of need for the helicopter program. The Health Board has asked that the Consortium, which is comprised of the Abbott Northwestern Hospital, St. Paul Ramsey Hospital and the University of Minnesota Hospitals and Clinics, sit down and attempt to negotiate a cooperative agreement with North Memorial Hospital, who has also requested approval for a helicopter program. Public hearings on both the Consortium's and North Memorials Certificate of Needs will be postponed until these discussions have taken place.

Thirdly, Mr. Schwartz also reported that a certificate of need would be submitted for the extracorporeal lithothripter. The Hospital will be requesting an abbreviated or non-substantive review for Health Board approval of that acquisition.

The University Hospital Consortium, Mr. Schwartz reported, has recently expanded its purpose to include the potential for more operationally oriented joint ventures among its university based teaching hospital membership. The Consortium is being incorporated in the State of Minnesota and has engaged a consulting firm from Baton Rouge, Louisiana to assist the University Hospital Consortium in the evaluation and development of initial cooperative ventures.

Negotiations are currently underway between Blue Cross/Blue Shield of Minnesota and the University of Minnesota Hospitals and Clinics for the 1985 AWARE contract. Mr. C. Edward Schwartz reported that Blue Cross is now extending the option for participation in the AWARE program to hospitals statewide. Discussion followed regarding the general approach to the AWARE negotiations and how the Hospital might better position itself to secure a favorable contract.

Mr. Schwartz also apprised the Board of a study being conducted with the assistance of a Seattle based Executive Consulting Firm to evaluate the current structure of our ambulatory care services and to evaluate several options for change. The Clinical Chiefs are scheduled to review the findings of this study on October 30, 1984. Mr. Schwartz noted that this topic will be discussed in detail with the Board of Governors following review and comments by bodies internal to the Hospital.

Lastly, Mr. Schwartz reported that the Hospitals are in the process, under the direction of Mr. Geoff Kaufmann and Ms. Sally Howard, of developing an advertisement campaign for the Hospital. The Board of Governors discussed the positive and negative aspects of proceeding quickly with an advertising campaign.

PLANNING AND DEVELOPMENT COMMITTEE REPORT:

Committee Chairman Al Hanser reported on six items discussed at the October 10, 1984 Planning and Development Committee meeting. The results of the testing to evaluate the durability of the Unit "J" brickwork had been concluded, he reported. Although the ospital has not received a final written report from the Twin Cities Testing and Engineering Laboratory, the Hospitals did receive verbal confirmation that the Unit "J" external wall system would far exceed the ability to endure environmental conditions.

Secondly, Mr. Hanser reported on the settlement on the question as to whether the telephone workers or the electrical workers should install the broad co-axial cable in Unit "J". Three electrical workers were paid a total of $18,000 and all associated grievances were dropped. The telephone workers will be installing the cable in Unit "J".

Thirdly, on the topic of renewal and renovation of existing facilities, Mr. Hanser reported that preliminary plans for renovation had focused on the placement of the Department of Psychiatry, as they are targeted for the largest allocation of space and renovation dollars. The Planning and Development Committee, Mr. Hanser noted, will be reviewing the final recommendations or the Renewal and Renovation and Steering Committee at its November meeting. The Board of Governors to see those plans at their November meeting.

Mr. Hanser also reported that the Hospital had recently received a $200,000 endowment toward the Unit "J". Also on the topic of development Mr. Hanser reminded the Board members of the November 18, 1984 benefit for the Transplant Assistance Fund sponsored by Rocco Altobelli at the Carleton Celebrity Room.

Mr. Geoff Kaufmann, had Mr. Hanser reported, reviewed progress on the Strategic Planning and Marketing workplan. Review of those tasks, to be accomplished in chronological order, include the review and reformation of the Mission Statement, an internal assessment, an external assessment, the development of major strategies and tactics and, lastly, a monitoring and evaluation of the planning and marketing system itself.

Lastly, Mr. Hanser reported on a purchasing update made to the committee by Mr. R. Edward Howell. A recent adjustment made to a contract with Travenol Laboratories for IV-solutions and sets will result in a cost savings for the hospital of approximately $186,000.

JOINT CONFERENCE COMMITTEE REPORT:

Vice Chair Barbara O'Grady reported on four items reviewed at the October 10, 1984 Joint Conference Committee meeting. The first, presented for Board approval, involved the appointment of four Clinical Chiefs. The recommended appointments include Dr. Arndt Duvall as Chief of Otolaryngology (effective 10/15/84), Dr. William Gentry as Chief of Dermatology (effective 1/1/85), Dr. George Tagatz as Chief of OB/GYN (effective 1/1/85), and Dr. Mark Jaspers (effective 9/15/84) as Chief of Dentistry. The Board of Governors seconded and passed a motion to approve the appointments and effective dates of all four Clinical Chiefs.

Secondly, Mrs. Barbara O'Grady presented the report by the Medical Staff Credentials Committee which recommended several appointments to the medical staff, both in the initial or provisional and regular categories, two request for additional clinical privileges, three changes in staff

category, one request for privileges as a special specified professional personnel and resignations from seven members of the staff. The Board of Governors seconded and passed a motion to approve the Credentials Committee Report as written.

Thirdly, Mrs. O'Grady reminded the Board of the upcoming Joint Commission on Accreditation of Hospitals Site Visit. Following a brief review of preparatory efforts and the survey process, Mrs. O'Grady asked Ms. Nancy Janda to summarize anticipated Board involvement in the survey. Ms. Janda indicated the days, times, and intended purpose of Board attendance at four different meetings during the November 14, 15, and 16, 1984 survey.

Mrs. O'Grady also presented the recently developed Rules and Regulations of the Medical Staff for Board approval. These rules and regulations she reported, present in summary form the bylaws and operating policies of the Medical Staff and do not include substantive modifications from these policies. The Board seconded and passed a motion to approve those Rules and Regulations as written.

Lastly, Mrs. O'Grady reported briefly on three items discussed at the Joint Conference Committee meeting. They included the appointment of a task force to re-examine the Hospitals Smoking Policy, the completion of the combination and closure of nursing stations plan, and the recent negeotiations with the Spinal Cord Society of America to develop a Spinal Cord Center at the University of Minnesota Hospitals and Clinics.

FINANCE COMMITTEE REPORT:

Mr. Al France reviewed the Statement of Operations for the period of July 1, 1984 through September 30, 1984. Both inpatient and outpatient census levels, he reported, were lower than anticipated for that period. Decreases in both patient days and the length of stay were particularly evident during the month of September. However, the Hospitals financial position did reflect a favorable variance ($3.2 million) due primarily to a higher than expected investment income and increased ancillary revenues. Specific attention was devoted to a discussion of the significant increase in accounts receivable. Mr. Cliff Fearing, explained the sources of these difficulties and discussed efforts in progress to reduce the level of accounts receivable.

Secondly, Mr. France drew the Boards attention to copies of the Universit Annual Investment Report for the past fiscal year. Ms. Mary DesRoches had presented a detailed report on investments to the Finance Committee earlier that day.

Mr. France reported on five current personnel activities including the smooth implementation of the Personnel Policies and Procedures to date, the implementation of the pay plan approved as part of the 1984-85 budget, recent developments in the area of employee relations, the status of the Job Evaluation/Comparable Worth Study, and the upcoming union negotiations. The last two activities, in particular, Mr. France noted, will be warranting Board consideration during the next few months. The Job Evaluation Study, he reported, should conclude within 60 days. The study, in addition to creating a data base for job classification and compensation purposes, will become a key factor in dealing with the issue of comparble worth.

Preparations have begun for union negotiations with our AFSME and Teamster represented employees. Mr. France also reported to the Board the recently accelerated attempted to organize registered nurses at the University of Minnesota Hospitals and Clinics.

BYLAWS COMMITTEE REPORT:

Mr. Robert Latz, Chairman of the Bylaws Committee, presented five proposed changes to the Board Bylaws for consideration by the members of the Board. The first would eliminate the current requirement that the Vice Chair of the Board also serve as Chair of the Joint Conference Committee. This change is intended to simply provide the Chairman of the Board with additional flexibility in making committee appointments. A second and related change would make note of the desirability of nominating an individual for Board chairmanship who has experience in medical staff/board interrelationships. Thirdly, the Bylaws Committee recommended that the requirement that the Joint Conference Committee actually supervise a trial JCAH accreditation survey during the interim years between site surveys be eliminated. Instead, it was suggested that the Joint Conference Committee utilize the JCAH survey forms as a review method in estimating the Hospitals accreditation status. Fourthly, the Committee recommended that the requirement to review Board and Medical Staff Bylaws on an annual basis be changed to require periodic reviews as deemed necessary. This recommendation also included the elimination of parallel review of the Medical Staff Bylaws by the Bylaws Committee and the Joint Conference Committee. It was recommended that the Joint Conference Committee assume full responsibility for review. Lastly, Mr. Latz recommended on behalf of his Committee that the Board Bylaws be modified to reflect the passage of the Rules and Regulations of the medical staff and the shift from the one year to two year appointment term for medical staff membership.

Prior to approval of these changes, the Board recommended that the word biannally be changed to read biennally, meaning every two years.

The Board seconded and endorsed all five changes to the Board Bylaws including the last wording modification.

ADJOURNMENT: There being no further business the meeting of the Board of Governors was adjourned at 3:45 p.m.

Respectfully submitted,

Nancy C. Janda

Nancy C. Janda
Executive Assistant
to the Board of Governors

Minutes
Finance Committee
University of Minnesota Hospitals & Clinics
November 28, 1984

MEMBERS PRESENT:	Al France, Chair Mary Des Roches Clifford Fearing Jerry Meilahn C. Edward Schwartz Villis Vikmanis
MEMBER ABSENT:	Shelley Chou, M.D.
STAFF:	Greg Hart Nels Larson Jane Morris Barbara Tebbitt Nancy Janda
GUESTS:	Elwin Fraley, M.D. Mark Koenig Mary Ellen Wells Elizabeth White

CALL TO ORDER: The meeting of the Finance Committee was chaired by Mr. Al France and was called to order at 9:45 a.m. in the Dale Shepherd Room of the Campus Club.

MINUTES APPROVED: The minutes of the October 24, 1984 meeting of the Finance Committee were approved.

LITHOTRIPTER PROPOSAL (ENDORSEMENT): Mr. Hart introduced a proposal for acquisition of an extracorporeal shock wave lithotripter (ESWL), noting that the proposal had been presented to the Planning and Development Committee and approved at their meeting earlier in the week. He asked the Committee to consider endorsement of this proposal with two specific recommendations: 1) authorization for expenditure of $2,000,000 for equipment purchase, facility preparation and remodeling, and 2) that the Board of Governors go on record supporting the Hospitals' and the Department of Urology's efforts to develop this project as a "community/University" program.

Mr. Hart made a thorough presentation of ESWL technology, factors involved in acquisition, and economics involved. He explained that timing of acquisition was especially critical because of plans for ESWL purchase by other area

hospitals and urologists. University Hospitals has already had Certificate of Need approval for this project.

Following a discussion focusing on the problems involved in ESWL acquisition and economic feasibility, the Committee approved a motion to endorse the ESWL proposal and to recommend it for approval to the full Board of Governors.

PERSONNEL UPDATE - COMPARABLE WORTH PRESENTATION (INFORMATION):

Mr. Hart introduced Ms. White, Director of Hospital Personnel. Ms. White distributed a prepared report to the Committee on Comparable Worth and Job Evaluation. She outlined this report with a slide presentation focusing on the history of discrimination as the basis for current comparable worth legislation and the process that the University and University Hospitals have undertaken to evaluate and identify job and pay inequities. Mr. Hart added that Hospital Administration will continue to keep the Board of Governors informed regarding the outcome of the comparable worth studies as well as unionizing efforts. In particular these two factors will influence decisions that need to be made regarding the Hospital budget.

REFUNDING BONDS - STATUS REPORT (INFORMATION):

Ms. Des Roches briefed the Committee on options that are currently being considered for refunding of the Series 1982 Hospital Bonds. She explained the proposal by Merrill Lynch to accomplish a refunding in two parts, first with variable rate demand bonds, and then to refund again with fixed rate demand bonds when the interest rates drop to achieve the appropriate level of savings. She indicated that the refunding option will be brought to the Regents in December for their information and consideration. Mr. Fearing stressed the importance of keeping the Finance Committee and Board of Governors informed in order to address their concerns and to assure that the Hospital is moving in a reasonable and prudent manner regarding this matter.

NOVEMBER YTD FINANCIAL STATEMENTS (INFORMATION):

Mr. Fearing reviewed the Report of Operations for the period July 1, 1984 through October 31, 1984. He stated that inpatient admissions and outpatient visits increased over the levels experienced in September, however inpatient days remained below projections. Financial operations continue to reflect a favorable bottom line variance ($4,080,261) which is composed of the favorable variance in both operating and non-operating revenues.

Total expenditures through October are approximately 3.2% below budget levels. Mr. Fearing stated that the Hospital is running under budget in almost all areas of expense except for drugs.

On the negative side for the month, Accounts Receivable have continued to increase to 92.7 days of revenue outstanding.

Mr. Fearing explained that much of this is due to delays in payment and smaller than anticipated interim payments from Blue Cross and Blue Shield. However, negotiations are currently underway with Blue Cross to resolve this problem.

Mr. Fearing concluded that the Hospitals operating position as of the end of October is positive and well ahead of schedule in meeting financial objectives.

BAD DEBTS - 1st QUARTER 1984-85 (ENDORSEMENT):

Mr. Fearing reported that bad debts for the first quarter of 1984-85 amounted to $429,867.97 (represented by 1,228 accounts), and is 0.8% of gross charges, compared to a budgeted level of bad debts of 1.33%.

Mr. France raised a concern over the greater amount of bad debts in outpatient vs inpatient accounts. In response, Mr. Fearing explained that several options are already being considered to address this problem. He stated that a "pay as you go" rather than the total charge system now used may help, particularly in the outpatient and pharmacy areas.

A motion was made and approved by the Committee to endorse the bad debt report and recommend it to the full Board of Governors.

RENOVATION AND RENEWAL TASK FORCE REPORT (INFORMATION):

Mr. Fearing distributed an executive summary of the recommendations of the Renovation and Renewal Task Force. The task force's full report, in draft form, was also available.

Briefly, it was the task force's charge to investigate possible uses for the net savings of Unit J ($9.6 million). By earlier recommendation of the Board of Governors, $3.4 million was allocated to complete shell spaces in Unit J, leaving $6.2 million to be considered by the task force. Robert Douglass and Associates was retained by the Hospital to assist in consideration of alternative uses. Mr. Fearing stated that the conclusions of the task force are: 1) that $2 million of the savings be invested to reduce the debt service, 2) to reserve space on the 4th level of Mayo for the Department of Obstetrics and Gynecology, 3) to allocate $4.2 million to renovate space on the 5th floor of Mayo for the Department of Psychiatry and relocate the displaced departments, 4) to turn over space on the 3rd and 4th floors of Mayo and all space in Variety Club Heart Hospital to Health Sciences for reallocation, and 5) to develop a building use Master Plan for all other services and departments in the Hospitals.

Mr. Fearing indicated on floor plan drawings exactly which departments would be relocated and spaces where they would be moved.

Mr. Fearing asked the Committee to review the draft report of the Renovation and Renewal Task Force for possible action on the recommendations in December.

ADJOURNMENT: There being no further business, the meeting of the Finance Committee was adjourned at 12:45 p.m.

Respectfully submitted,

Jane E. Morris
Recording Secretary

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

December 19, 1984

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: Report of Operations for the Period July 1, 1984 through November 30, 1984.

The Hospitals' operations for the month of November saw little overall change from our October year-to-date position. Our inpatient admission levels were below seasonal projections, but we experienced higher than anticipated ancillary service utilization. To highlight our position:

Inpatient Census: During the month of November, admissions totaled 1,420, or 120 below projected admissions of 1,540. Patient days for November totaled 12,582 and were 1,936 days below projections. The patient day variance for the month is due to the combined effect of a shorter overall length of stay and the decline in admission levels. Admissions were again down in most service areas with the largest variance occuring in Otolaryngology where we have experienced the loss of medical staff.

November's census activity reduced our admissions variance from 34 (0.5%) below budget at the end of October to 154 (1.9%) below budget as of the end of November. The patient day variance declined from 4,018 days (6.6%) below budget at the end of October to 5,954 days (7.9%) below budget at the end of November.

To recap our year-to-date inpatient census:

	1983-84 Actual	1984-85 Budget	1984-85 Actual	Variance	% Variance
Admissions	8,484	8,274	8,120	(154)	(1.9)
Avg. Length of Stay	9.3	9.1	8.5	(0.6)	(6.6)
Patient Days	79,680	75,409	69,455	(5,954)	(7.9)
Percent Occupancy	70.9	71.8	66.2	(5.6)	(7.8)
Avg. Daily Census	520.8	492.9	454.0	(38.9)	(7.9)

Outpatient Census: For the month of November, clinic visits totaled 16,227 or 215 (1.3%) above projected visits of 16,012. Out year-to-date clinic census through November remains ahead of budget at 88,568 visits. This represents a favorable variance of 1,779 visits (2.0%) above projected visits of 86,789. We are also 1,130 visits ahead of last year's November YTD clinic census of 87,790.

Financial Operations: The Hospitals' Statement of Operations shows total revenues over expense of $6,825,101, a favorable variance of $4,103,421. This overall variance reflects both a favorable variance in net revenues from operations of $2,742,000, and a favorable variance in non-operating revenue of $1,362,000.

Patient care charges through November totaled $79,768,146 and are $2,853,254 (3.7%) above budgeted levels. Routine revenue is 5.5% below budget and continues to reflect the overall patient day variance. Ancillary revenue is 9.0% above budget and continues to reflect a utilization level per patient that is higher than anticipated. Inpatient ancillary revenue per admission has averaged $5,188 compared to a budgeted average of $4,723. Outpatient revenue per clinic visit has averaged $126 compared to the budgeted average of $113.

Operating expenditures through November totaled $68,529,293 and are approximately $2,008,000 (2.8%) below bdugeted levels. The overall favorable variance continues to be reflected in nearly all expense categories. The unfavorable variances in Drugs and Blood and Blood Derivatives continues to reflect higher than anticipated utilization levels.

Accounts Receivable: The balance in patient accounts receivable as of November 30, 1984 totaled $48,914,664 and represents 93.6 days of revenue outstanding. We have continued to work with Blue Cross with regard to their overall receivable position and believe we have made progress with them in resolving the current problems. It is our understanding that we will see positive adjustments beginning in January.

Conclusion: The Hospitals' overall financial position has remained relatively unchanged through the month of November. Our operating position is positive and continues to be above budgeted levels.

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1,1984 TO NOVEMBER 30,1984

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	$76,914,892	$79,768,146	$2,853,254	3.7%
Deductions from Charges	12,777,821	14,908,934	2,131,113	16.7
Other Operating Revenue	1,438,594	1,449,641	11,047	0.8%
Total Revenue from Operations	$65,575,665	$66,308,853	$733,188	1.1%
Expenditures				
Salaries	$33,629,098	$32,592,494	$-1,036,604	-3.1%
Fringe Benefits	6,817,877	5,948,883	-868,994	-12.7
Contract Compensation	3,538,250	3,537,319	-931	
Medical Supplies, Drugs, Blood	10,582,853	10,860,450	277,597	2.6
Campus Administration Expense	2,365,839	2,365,839	0	
Depreciation	2,747,309	2,777,808	30,499	
General Supplies & Expense	10,856,504	10,446,500	-410,004	-3.8
Total Expenditures	$70,537,730	$68,529,293	$-2,008,437	-2.8%
Net Revenue from Operations	$-4,962,065	$-2,220,440	$2,741,625	
Non-Operating Revenue				
Appropriations	$5,466,795	$5,423,607	$-43,188	-0.8%
Interest Income on Reserves	1,266,757	2,728,357	$1,461,600	
Shared Service	170,522	173,177	2,655	1.6
Investment Income on Trustee Held Assets	779,671	720,400	-59,271	-7.6
Total Non-Operating Revenue	$7,683,745	$9,045,541	$1,361,796	17.7%
Revenue Over / -Under Expenses	$2,721,680	$6,825,101	$4,103,421	(1)

(1) Variance equals 6.3% of total budgeted revenue.

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

December 13, 1984

TO: Members of the Board of Governors

FROM: C. Edward Schwartz, Hospital Director C. E. Schwartz

SUBJECT: Board of Governors Policy on Capital Expenditures

On several occasions Board members have raised questions regarding the process for approval of the capital budget and the relationship of that approval to the review of specific project proposals that are subsequently presented. Questions have most frequently related to the roles of the Finance and Planning and Development Committees, and the definition of dollar thresholds for projects that require specific Board consideration.

Existing Board policies do not sufficiently address the concerns that have been raised. Attachment "A" contains the most applicable statements in existing Board policies. This statement served as a point of reference for our staff in developing the Policy on Capital Expenditures that we are presenting for your consideration today.

Attachment "B" is the proposed Policy Statement on Capital Expenditures. This policy has been reviewed and endorsed by the Finance and Planning and Development Committees and is presented as an action item for the Board of Governors.

Recommendation: It is recommended that the Board of Governors approve the Policy on Capital Expenditures as written.

CES/slk

From "Statement of Financial Requirements," 1976

Equipment and Minor Remodeling A fund should be established to provide for these ongoing expenditures. This fund should be budgeted annually.

Expansion Capital expenditures and/or amortization of debt for 1) the acquisition of land 2) replacement and major modernization of buildings and 3) expansion of plant, equipment and services may be met by any or all of the following:

a. philanthropy
b. grants and appropriations
c. funded reserves accumulated from depreciation of capital assets at current price level replacement costs
d. income earned on investments of reserve funds, operating fund surpluses, endowments, gifts and grants when such income is not assigned for some other specific purposes by the Board of Governors and the Board of Regents or the donor

Policies which guide the financial management of capital assets include the following:

1. Capital costs in excess of $100,000 per project should be identified in a plan for the current and subsequent three year period.

2. A separate fund to finance approved projects should be maintained to cover full estimated costs.

3. A projected cash flow statment for capital expansion, replacement or modernization costs should be maintained. Source(s) of funds should be clearly identified.

4. Development and maintenance of the hospital's facilities plan and land use plan are a responsibility of the Facilities Committee of the Board. Commitments to capital development expenditures should result from concurrent involvement of the Finance Committee and the Facilities Committee for recommendation to the Board for its approval and recommendation to the Board of Regents.

Board of Governors
Policy on Capital Expenditures

A. Definitions

Capital Expenditures are those construction or remodeling projects or equipment purchases/leases, which involve expenditures of over $500 and an asset with a depreciable life of three years or longer.

Major Capital Expenditures are those construction or remodeling projects, or equipment purchases/leases, which involve expenditures of over $600,000 and an asset with a depreciable life of three years or longer.

B. Long-Range Capital Plan

Between April and June of each year the Hospital Director shall provide a long-range capital expenditure plan to the Board of Governors. This plan shall be reviewed by the Planning and Development Committee and the Finance Committee. The plan should identify total capital expenditures anticipated for each of the next five fiscal years, and should also identify anticipated major capital expenditures on an item-by-item basis.

The long-range capital plan is provided to the Board for use in financial and program planning. No specific action on the long-range capital plan is required, and authorization to proceed with any element of the plan shall not be considered to have been provided until approval of the Annual Capital Budget has occurred.

C. Annual Capital Budget

Between April and June of each year the Hospital Director shall provide a recommended Annual Capital Budget. This plan shall be presented for review & recommendation be reviewed and endorsed by the Planning and Development Committee and the Finance Committee, and approved by the full Board. The approved Annual Capital Budget shall be included in the overall Hospital budget plan provided to the Board of Regents each year. approval

The Annual Capital Budget shall include all capital expenditures, and shall identify major capital expenditures on an item-by-item basis.

Approval of the Annual Capital Plan shall authorize the expenditure of funds up to the approved budget limit. Initiation of major capital expenditures shall not occur without specific project approval by the Board, which may occur with the approval of the Annual Capital Budget, or may occur later in the fiscal year.

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

BOARD OF GOVERNORS

BOARD OF GOVERNORS' MEETING

AND

GOVERNORS' COMMITTEE MEETINGS

NOVEMBER, 1984

OFFICE OF THE BOARD OF GOVERNORS
B-390 MAYO

CONTENTS

University of Minnesota Hospitals and Clinics

Board of Governors

November 28, 1984

1:30 P.M.

555 Diehl Hall

University of Minnesota

Agenda

I. Minutes - October 24, 1984 (Approval)

II. Chairman's Report - Mr. David Cost, Board Chair (Information)

III. Hospital Director's Report - Mr. C. Edward Schwartz, Hosp. Director (Information)

IV. Committee Reports

A. Joint Conference Committee, Ms. Barbara O'Grady, Comm. Chair

1. Clinical Chiefs Executive Committee (Information)
2. Council of Community Hospitals Price Disclosure (Information)
3. Conflict of Interest Policy (Approval)
4. Medical Staff/Hospital Council Report (Information)

B. Planning & Development Committee, Mr. Al Hanser, Comm. Chair

1. Extracorporeal Lithothripter (Approval)
2. Renewal & Renovation Committee Report (Information)
3. Quarterly Purchasing Report (Approval)
4. Planning & Marketing Work Plan (Information)

C. Finance Committee, Mr. Al France, Comm. Chair

1. October YTD Financial Statements (Information)
2. First Quarter Bad Debts (Approval)
3. Personnel Update (Information)

V. Other

VI. Adjournment

MINUTES

Joint Conference Committee

Board of Governors

November 14, 1984

ATTENDANCE:

Present: Barbara O'Grady, Committee Chair
Phyllis Ellis
Robert Latz
Robert Maxwell, M.D.
James Moller, M.D.
C. Edward Schwartz

Absent: Paula Clayton, M.D.
Glenn Gullickson, M.D.

Staff: Jan Halverson
Greg Hart
Nancy Janda
Geoff Kaufmann
Barbara Tebbitt

Guests: Jan Brockway
Roby Thompson, M.D.

APPROVAL OF MINUTES:

The minutes of the October 10, 1984 meeting were approved as submitted.

CLINICAL CHIEFS EXECUTIVE COMMITTEE:

Dr. Roby Thompson reported on the most recent developments relative to the formation of a new body for the Clinical Chiefs. Dr. Thompson indicated that this process began at the Chiefs' retreat this summer, where there was discussion and agreement that the Chiefs needed a new form of organization to better plan and compete in the marketplace in the Twin Cities and State. The Chiefs, at their June retreat, appointed a task force to study this issue and asked Dr. Thompson to chair this task force. The task force has met several times over the summer and fall. The group is now at the point of nearing the creation of a separate legal entity and has contracted with legal counsel and a consultant to develop bylaws and articles of incorporation.

There were several questions from members of the Committee relative to the Chiefs' organization, including membership, relationship of the group to the Board, implications for medical staff bylaws, and individual faculty rights and participation in the group's efforts. The Joint Conference Committee expressed support for the Chiefs' effort and thanked Dr. Thompson for his presentation.

COCH PRICE DISCLOSURE PROJECT:

Ms. Brockway summarized recent price disclosure data released as a result of a project undertaken by the Council of Community Hospitals. Ms. Brockway indicated that the study shows that for the case mix groupings studied University Hospitals' average charges are 12% above those of the community. The data also indicate that for the case mix groups studied University Hospitals saw a 5% increase in average charges from 1982 to 1983.

Ms. Brockway also commented on the comparison of charges for these case mix groupings at University Hospitals compared to several other "competitor" hospitals. These data, coupled with the data for some of the specific case mix groupings, indicate several things. Included are 1) University Hospitals, though 12% above the community average, is not as expensive as many of the public believe; 2) University Hospitals is not always the most expensive hospital, in fact for one-third of the case mix groupings the charges at UMHC were below the mean; and 3) there are a number of areas where management and medical staff should pay attention in the future in terms of the charges being generated for a specific case mix group.

CONFLICT OF INTEREST POLICY:

Mr. Halverson and Mr. Latz presented a recommended Board policy on conflict of interest. Mr. Latz indicated earlier that this policy had been discussed by the Bylaws Committee, with the conclusion that the most appropriate policy is one of a general nature.

After discussion, the Joint Conference Committee endorsed the recommended policy on conflict of interest.

JCAH UPDATE:

Ms. Janda reported on the status of the Joint Commission survey, noting that the survey team has spent one day at UMHC and will be spending the next two days looking at a number of areas of the Hospital. She indicated that the review of the governance structure and bylaws took place early in the survey and that it appeared that a few changes may be recommended. The summation conference, to which the Joint Conference Committee members and other members of the Board are invited, was planned for Friday afternoon.

MEDICAL STAFF HOSPITAL COUNCIL REPORT:

Dr. Moller reported on the most recent meeting of the Medical Staff Hospital Council. He asked Mr. Hart to comment on the recently conducted disaster drills, and it was noted that two drills simulating snow emergency with a building collapse on campus were simulated with victims arriving at University Hospitals. Dr. Moller also reported on the Pharmacy and Therapeutics Committee recommendations relative to antibiotic usage and the Council's approval of the utilization review plan.

Dr. Moller also indicated that the medical staff and management have spent substantial time recently reviewing the Provider Review Organization (PRO) contract submitted to the Twin Cities hospitals by the Foundation for Health Care Evaluation. Dr. Moller indicated that there are numerous concerns that we and other hospitals have regarding this draft contract and that we will continue to work with the Foundation in the next several weeks to hopefully amend the contract to make it more suitable.

CLINICAL CHIEFS REPORT:

Mr. Hart reported on recent activities of the Clinical Chiefs, noting that much of the discussion has revolved around the organizational effort reported earlier by Dr. Thompson. Mr. Hart also reported on the status of the ambulatory care study, indicating that the consultant's report has been received but has been put on hold pending the results of the broader organizational effort by the Clinical Chiefs.

ADJOURNMENT:

There being no further business the meeting adjourned at approximately 8:30 p.m.

Respectfully submitted,

Greg Hart

GH/kj

RENOVATION & RENEWAL STEERING COMMITTEE

DRAFT

FINAL REPORT

BACKGROUND

Late in 1983 it became evident that the Unit J construction project would be completed at a significantly lower cost than was originally estimated. With the vast majority of construction under contract in December of 1983, the cost of work was approximately $11.6 million under budget, and the construction managers and owners contingency budgets of $5.3 million and $2.3 million, respectively, were virtually untouched. (As of November 30, 1984, these budgets remain at $5.3 million in construction managers and owners contingency budget. These amounts are adequate to complete the project at this time.) However, the University's construction manager contract stipulates that the construction manager's share of the $11.6 million savings realized on the project will be $2 million. Therefore, $9.6 million remained available for allocation within the covenants of the Series 1982 Bond Indenture. (The Series 1982 Bond Indenture requires the funds in the construction account to be kept available for the Renewal Project until the project is certified as complete by the University. Upon certified completion, the funds remaining in the construction account may be used for the following:

-- Final Project payments

-- Trustee or paying agent liabilities

-- Hospital capital improvements

-- Payments to the reserve fund to fully fund any reserve fund deficits

-- Transfer to the sinking fund account to accumulate principal payment requirements)

A report outlining alternatives for allocating Unit J surplus funds was reviewed by the Hospitals Board of Governors in December of 1983 and by the Board of Regents in January and February of 1984 (Reference 1). Based upon Board of Governors recommendations, the Regents allocated $2.4 million of the savings for completing several areas of Unit J unfinished space and $1 million to improve the efficiency of design in Unit J. Allocation of the remaining $6.2 million was postponed pending a review by the Hospital to determine what efficiencies could be obtained in operating the Hospital or what increased revenues could be produced from spending all or a portion of the remaining $6.2 million to renovate areas which had not been included in the original renewal renovation budget of $1.7 million.

In April of 1984 the Hospital Director appointed the Renovation and Renewal Task Force to advise him in the utilization of the $6.2 million. The task force charge was three fold:

1. Develop a renovation master plan for departments excluded from Unit J which is cost justified in terms of operation efficiency or revenue enhancements for a budget of approximately $6.2 million.
2. Define critical space needs which must be addressed which cannot be cost or revenue justified.
3. Analyze Space Needs
    A. Define Hospital needs for space vacated by departments moving to Unit J.
    B. Define Hospital space available for reassignment to other Health Sciences departments post Unit J occupancy.
4. Assess the benefit of returning $6.2 million in project debt against the benefits of the renovation master plan.

TASK FORCE PROCESS

The task force developed planning assumptions (Exhibit I), criteria (Exhibit II) and a criteria rating scale (Exhibit III) to aid in the determination of which Hospital departments were in greatest need of renovation.

Robert Douglass and Associates was retained by the Hospital: (1) to conduct existing space surveys and functional assessments of each potential renovation department (reference 2); (2) to assess the condition of existing buildings and building systems

(Reference 3); (3) to work with Hospital department heads in the development of space programs for all renovation departments (reference 4); and (4) to develop a Master Zoning concept for all departments remaining in existing buildings.

The Hospital Financial Division developed the financial analyses which were used in determining the cost/revenue benefits for each alternative reviewed by the task force.

FINDINGS AND CONCLUSIONS

I. BUILDING/BUILDING SYSTEMS ASSESSMENT

The building assessment has revealed that the condition of the Mayo and Variety buildings is generally good for non-patient care functions. The exception is the west and northwest corner of the Mayo building where mechanical and electrical services cannot support technology intensive departments.

CONCLUSION: The northwest corner of the building, because of its distance from Unit J and the lack of highly technical building services in this area, and because it is the area of the building where the School of Public Health wishes to expand and consolidate their programs, should be relinquished to the Vice President for Health Sciences when Unit J is occupied by the Hospital.

II. DEPARTMENTAL FUNCTIONAL ASSESSMENTS

Based on the task force criteria for determination of need for renovation, nearly all departments surveyed had deficiencies. While some deficiencies could be remedied by allocating additional space to the departments, other more severe deficiencies were found to require considerable renovation to correct.

CONCLUSION: More renovation is required in the surveyed departments than the $6.2 million budget could possibly accommodate.

III. COST JUSTIFICATION

Only 17 of the approximate 80 functional units considered for renovation could offer cost benefit rationale for renovation. In each of the 17 cases renovation costs could not be justified when weighed against potential savings accrued if the same funds were applied toward debt retirement. This condition was attributed to several factors:

A. The greatest savings anticipated by departments was a reduction in personnel facilitated by improved department location and relationships through renovation. All departments were forced to make

staffing reductions in October of 1983 in a cost saving measure unrelated to renovation planning. In many cases these reductions altered staffing to a level where additional cuts for renovation efficiencies became difficult, if not impossible to quantify.

B. The financial market is such that the investment of dollars to offset debt service gives a significant long term benefit in terms of dollars saved. It was difficult to match these cost savings through investment in renovation.

C. While it was originally anticipated that great cost efficiencies could be achieved through renovation, further analysis demonstrated that renovation was required more for the improvement of deteriorated and outdated space than for the increased operating efficiency of the department.

D. Many facility improvements would greatly enhance our ability to care for patients (shortened travel distances, improved decor in patient rooms) without significantly reducing operating costs.

CONCLUSION: Funds spent on proposed renovation cannot be justified solely in cost benefit terms. (16)

IV. REVENUE ENHANCEMENT JUSTIFICATION

Only three of the 80 functional units considered for renovation could offer any significant projections of increased revenue if renovation funds were allocated to their programs. These departments were Psychiatry, Obstetrics and Gynecology, and Epilepsy. The revenue enhancement analysis indicated that remodeling dollars applied to these three programs could be returned as follows:

PSYCHIATRY -- Robert Douglass Associates performed a detail market analysis for the Department of Psychiatry. Their findings which are documented in a report "Assessment of Obstetrical and Psychiatric Services" July 1984, basically support the clinical departmental projections which suggest an increase in beds to a maximum level of 70 while retaining an 85% occupancy level. These enhanced patient flows produced a net increase in annual net revenues of $256,000. Therefore, the Psychiatric program was included for detail review by the task force.

EPILEPSY -- University of Minnesota Hospitals & Clinics analysis of the Epilepsy program waiting list and current utilization factors suggest that the present 11 bed Epilepsy Unit could be increased in size to 18 - 20 beds. The net increase in annual net revenues by expansion of this program is $198,000. Therefore, the Epilepsy program was included for detail review by the task force.

OBSTETRICS AND GYNECOLOGY -- The future direction of Obstetrics and Gynecology has been discussed in significant detail over the last two years at UMH&C. Detailed net revenue analysis by UMH&C indicate that in Fiscal 1984 the Obstetrical Service incurred an operating loss of $428,000, this was down from $2,350,000 in 1983. Additional financial analysis indicate that a program expansion of 500 deliveries would produce an increase in net operating revenues of $290,000 (based on a 1983 study to bid on an HMO Obstetrical Service). These analyses indicate that positive financial results have occured in OB and more can be achieved with program expansion. Unfortunately, the loss of an HMO contract as of June 30, 1984, the decline of the Midwife Program, and the resignation of the Chief of the Clinical Service have once again moved the program into significant financial problems.

Based on these issues, the Dean of the Medical School and the Hospital Director appointed a task force in June 1984 to review the Obstetrical Service and its relationships to other clinical services. The task force was charged with assessing the future role of Obstetrics at UMH&C. The task force report (Exhibit ___) strongly recommends retaining the service but with certain prerequisites. Substantially, the task force recommendations suggest a new division director for the clinical service, improved marketing strategies, upgrading Obstectics and Gynecology physical facilities, and suggests enhancing patient accessability. In view of the task force report and the financial analysis which indicate a program expansion can enhance the financial viability of the service, the task force agreed to consider the service as a candidate for renovation funds.

CONCLUSION: As a result of revenue enhancement analysis, the Departments of Paychiatry, Epilepsy and Obstetrics and Gynecology were considered for further review by the task force.

V. FINANCIAL ANALYSIS OF USE OF $6.2 MILLION IN DEBT RETIREMENT OF UNIT J BONDS

BOND PURCHASE IN SECONDARY MARKET

A market analysis as of November 8, 1984 indicated that the premium to repurchase the term bonds of 2002, 2012, and 2014 would be 2% and would require a 1/8 of 1% agents commission to acquire. The Discount Term Bonds of 2016 would sell at an accreted value of .6561% plus a .5% agents commission.

Assuming these repurchase costs and assuming there was $6.2 million of these bonds that could be repurchased after the certified completion of Unit J, the following would be the reduction in actual debt service savings and the present value of the debt service savings @ 10% over the life of the specific issue:

Term Bonds Due		Int. Rate	Actual Debt Service Savings	Net Present Value Savings at 10%
12/1	2002	10.625%	$ 5,525,595	$ (929,225)
12/1	2012	10.375%	11,679,095	(345,458)
12/1	2014	11.000%	14,128,095	97,253
12/1	2016	6.750%*	7,136,076	(2,269,138)

*Price 65.375%

CONCLUSION: Based on this analysis only the Terms Bonds of 12/1/2014 have any present value savings by repurchasing in the secondary market and that savings is minimal.

-- Investment of $6.2 million based on current University yields on present investments.

An analytical comparison of break even interest rates compared to repurchasing bonds on the secondary market produces the following results:

Term Bonds Due	Break Even Investment VS Secondary Market Repurchase	Current Investment Return
Dec. 1, 2002	7.638%	11.25%
Dec. 1, 2012	9.321%	11.25%
Dec. 1, 2014	10.184%	11.25%
Dec. 1, 2016	5.474%	11.25%

Based on the current investment rates, the following represent the total savings and the net present value savings that could be achieved by investment of $6.2 million at current investment rates.

Term Bonds Due	Actual Debt Service Savings	Net Present Value Savings at 11.25%
Dec. 1, 2002	$12,516,250	$5,987,605
Dec. 1, 2012	18,654,250	6,584,178
Dec. 1, 2014	21,142,000	6,644,342
Dec. 1, 2016	15,894,120	6,692,954

CONCLUSION: Although future investment returns cannot be projected, it is obvious that based on present financial market conditions it would be better to invest the $6.2 million rather than repurchase bonds in the secondary market.

ADVANCED REFUNDING

Making the assumption that an advanced refunding of the Series 1982 Bonds would only occur if the interest rates were less than the 1982 Series rates and that present investment earnings rates are higher than the 1982 Series interest rates, it would again be a more efficient use of the $6.2 million to invest it at current market rates rather than use it as additional equity in an advanced refunding.

SUMMARY SAVINGS AND INCOME GENERATION FOR USE OF $6.2 MILLION IN RENEWAL PROJECT

The following represent the summary of investment of the $6.2 million in savings to offset debt service costs versus the increased revenues possible by use of the savings for various remodeling projects:

Net Margin Contribution Per Million Dollars:

	Gross	Net P.V.
Investment at Current Rates to Year 2016	$15,894,120	$6,692,954
Psychiatry	8,255,000	272,361
Epilepsy	27,594,000	910,352
Obstetrics	(4,205,700)	(138,751)

CONCLUSION: Based on the above analysis it is apparent that the use of funds for debt service purposes far surpasses thee gains which can be achieved by using the funds for renovation purposes.

VI. PRIORITIES FOR RENOVATION

After reviewing the cost/revenue justifications and assessing each of the 80 departments need for renovating, a criteria rating system was developed to quantify priorities among all Hospital departments which required renovation to stay competitive or which needed to expand to meet the health care needs of the area (Exhibit VI). Considering the limited funds available, and the lack of cost or revenue justification, the Committee only addressed the following departments on the priority listing. Those departments are:

(1) Obstetrics/Gynecology;

(2) Psychiatry;

(3) Epilepsy.

CONCLUSION: The Department of Psychiatry and those programs or functions it displaces should be the only programs considered for use of renovation dollars that are available at this time.

The following is the rationale behind this task force decision:

OBSTETRICS AND GYNECOLOGY -- The Robert Douglass & Associates assessment of the OB department indicated that (1) the volumes of service in this department are dropping annually; (2) the University's market share of the OB business is extremely low (2.2%) and dropping; (3) OB is a subsidized service and in its current state cannot operate without subsidy.

The OB Task Force indicated, and the Renovation and Renewal Committee agreed that the Department of Obstetrics and Gynecology is essential in fulfilling the academic mission of University Hospitals.

The Labor & Delivery Rooms and the Post Partum and Nursery Unit currently operate on two levels (Mayo 5 and 6) in space that only minimally meets operating requirements.

Is is the task force's recommendation that the Labor & Delivery, Post Partum and Nursery Units should be consolidated and upgraded. Further planning and funding for renovation should be postponed until a new department head is recruited. Space to accommodate a consolidated OB/GYN Department should be reserved in the Mayo Master Zoning plan.

EPILEPSY -- The future functional program for the Epilepsy Department anticipates the expansion of the program in a new direction. The department is currently adding an acute Neurodiagnostic bed which will accommodate a much higher acuity patient than their current 11 chronic beds. It is anticipated that this Neurodiagnostic program will expand to six beds in the short term future along with an expansion of three chronic epilepsy beds. Since these changes can occur in the near future, the department's potential expansion should be accomplished before renovation funds become available in mid-1986. The funding and renovation of the Epilepsy project should take place independent of this renovation plan based on its own cost justification analysis. Options for expansion of the Epilepsy unit are as follows:

1. Expand in current location

2. Move to new Mayo location in near future (6 months)

3. Plan relocation to Unit J if Unit J occupancy estimates and Epilepsy facilities plan dictates

4. Move to new Mayo location post Unit J occupancy

It is the task forces recommendation that the Epilepsy program should be accommodated before completion of Unit J. In the worst case scenario, space for Epilepsy should be reserved in Mayo Master Zoning plan for completion of the renovation after Unit J occupancy.

PSYCHIATRY -- The department has made significant progress over the past three years in building its program. While the University has been increasing its market share of metro and outstate psychiatry patients, it will become more difficult to experience continued growth without more functional facilities. It is projected that the University will have 3% - 3.5% of the metro and 14.5% - 16% of the outstate market share by 1986. Based on the market share projection, the average length of stay, and the occupancy standard of 85% - 90%, the Robert Douglass Associates assessment of Psychiatry concludes that an

appropriate bed complement for the department is approximately 65 - 70 beds. Growth of this department has occurred in facilities that are less than optimal. Psychiatry has the most serious space deficiency and poorest environmental conditions of all departments surveyed. Counseling rooms, group rooms, and staff support space on all units is inadequate. These spaces are often shared with other departments which further compromises their functions. No direct access to an outdoor recreation area is available in current location. The lighting is poor and the overall design of units does not provide a therapeutic milieu. Psychiatry, if left in its current location, will be extremely isolated from Unit J. The department believes that a move to the fifth floor of Mayo offers the department greatest flexibility now and in the future. It allows the department to remain consolidated on one level while providing for an increase in departmental space and providing a setting which will be a competitive force in the future.

The total cost of renovating the Department of Psychiatry on Level 5 of Mayo is $4.2 million. The price includes the cost of relocating displaced departments exclusive of Cystoscopy which is part of the original $1.7 million relocation budget approved by the Regents in 1982.

It is the task forces recommendation that the Psychiatry programs are first priority to receive Unit J surplus funds for renovation. Psychiatry programs should be relocated to Floor 5 in the Mayo building. The courtyard level 3 Mayo should be made available to Psychiatric patients for recreation. Psychiatry faculty offices should relocate to Floor 5 along with clinical space. No remodeling funds shall be used to renovate office space. The block design of the Psychiatry unit will be as illustrated in the attached Master Zoning diagram.

DISPLACED DEPARTMENTS -- Listed below are the departments which occupy Level 5 Mayo and will not relocate to Unit J: Neuro Surgery offices, Anesthesia offices, Surg Path offices, EMG Lab, Respiratory Therapy, Post Partum/Nursery (Cysto will be relocated elsewhere as part of this renovation plan). It is the task force's recommendation that all of these departments except Post Partum/Nursery will be relocated to accommodate to Psychiatry renovation. The costs of the relocation is included in the $4.2 million budget for Psychiatry renovation.

It is also the task force's recommendation that if Post Partum/Nursery relocate at a future date, the Department of Psychiatry have first priority to occupy the vacated space to accommodate any office functions left on the sixth floor.

SUMMARY PRIORITIES FOR RENOVATION

Although none of the three departments reviewed by the task force can provide anywhere near the cost benefit that is achieved by using the $6.2 million in savings as a debt service offset, the task force believes these departments must be considered for remodeling for the following reasons:

PSYCHIATRY: The present space location for the clinical service must be upgraded if the department is to remain competitive in providing psychiatric services. If the space is not upgraded, the clinical service will deteriorate and the program will need to be subsided or closed.

EPILEPSY: The present program size of 11 beds is not large enough to handle the needs of this patient population. Current program expansion is both economically visble and necessary to provide reasonable access to health care services for this populatin group.

OBSTETRICS AND GYNECOLOGY: The Obstetrics Task Force report concludes that Obstetrics is an essential element in maintaining a top rated Pediatric and Neonatal patient service. The space currently occupied by Obstetrics barely meets minimal standards and must be upgraded if the department is expected to maintain a program size of approximately 1,000 deliveries, which is what is needed to appropriately interact with the Pediatric and Neonatal clinical services.

VII. SPACE RELINQUISHED TO HEALTH SCIENCES

Once Unit J is occupied, there will be sizable sum of space left vacant. While a portion of that space will be utilized by Hospital departments, a commitment has been made to the Vice-President for Health Sciences to relinquish at least 70,000 square feet to other Health Sciences departments.

After considerable review by the Committee to determine the most appropriate space to relinquish to the Health Sciences, the following areas were selected to be relinquished to other areas of the Health Sciences:

	Net Square Feet	Gross Square Feet
VCHH		
First Floor	14,890	20,316
Second Floor	8,856	12,460
Third Floor	8,391	11,630
Fourth Floor	354	354
Total VCHH	32,491	44,760
Mayo		
Mayo Lobby	2,080	2,080
Mayo Coffee Shop	1,282	1,282
Mayo Second Floor	167	167
Mayo Third Floor - N.W. Quadrant	8,171	8,171
Mayo Fourth Floor - N.W. Quadrant	6,161	9,250
Total Mayo	17,861	20,950
GRAND TOTAL	50,352	68,235

The factors considered in relinquishing these areas were their relationship to Unit J, their compatiblity to patient care use, and their potential to accomodate future Mayo renovation needs. Based on its review of these factors, the task force selected the above sites as most appropriate for relinquishment at this time.

Additional space to be relinquished to Health Sciences shall be defined at the conclusion of Mayo renovation planning.

VIII. PROCESS FOR FURTHER PLANNING

It is recommended that further Mayo renovation planning be deferred at this time. This will permit an in-depth analysis of census trends in all hospital services. Once trends are established and beds are reallocated accordingly, a more current survey of available space and space requirements can be taken and planning resumed. It is also recommended that a permanent planning committee be established and that this report constitute the completion of this Task Force's work.

Based upon the acceptance of this report by the Hospital Director, the following is a summary of this reports recommendations:

SUMMARY OF RECOMMENDATIONS

1. Retain $2 million of the savings to be used for investment at current interest rates to be used to offset the interest expense of $2 million of the outstanding bonds. (Current interest income rates are higher than the outstanding debt.)

2. Develop a long range facilities improvement program to address the renovation needs of departments that will not relocate to Unit J. This program should include renovation priorities and potential funding sources.

3. Space, adjacent to a Unit J link, should be reserved for the Department of Obstetrics to accommodate (1) Labor & Delivery rooms; (2) Post Partum beds; and (3) Infant Nurseries. Detailed planning and funding of this project shall await the arrival of a new Chairman of the Department.

4. The expansion needs of the Department of Epilepsy should be addressed independent of Mayo Renovation planning. Whether the department expands in place or if a new department location is appropriate should be addressed in current nursing station reconfiguration plans. Until such time that a solution is in place, space should be reserved in the Mayo Master Zoning plan to accommodate the Epilepsy Department. Funding for the program should be provided from operating revenues and not from Renewal Project savings.

5. Relocate Cystoscopy to Level 4 Mayo using approximately $400,000 of Mayo relocation budget. $1.3 million of the $1.7 million move/renovation budget should be reserved for essential minor improvements to many departments (i.e. patching, paint, etc.).

6. The Department of Psychiatry should be relocated to the fifth floor of Mayo. The Master Zoning plan should assign as much of the fifth floor as necessary to accommodate the clinical services and departmental offices. Costs to relocate displaced departments shall be included in the Renovation budget. Psychiatry relocation will cost $4.2 million and shall include renovation or relocation of: Psychiatry clinical services, Neurosurgery/Neurology offices, Anesthesia/Surgical Pathology offices, Respiratory Therapy, EMG and Dome Room conversion.

7. Space in the northwest corner of Mayo, floors 3 and 4 will be relinquished to Health Sciences upon occupancy of Unit J. All Hospital space in VCHH should be relinquished to the Health Sciences upon relocation to Unit J or Mayo. These spaces total approximately 70,000 square feet as defined on previous page.

   Additional space to be relinquished to Health Sciences shall be defined at the conclusion of Mayo Renovation planning.

8. A permanent planning structure should be established to monitor future renovation planning.

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

November 12, 1984

TO: Board of Governors
Planning and Development Committee

FROM: Ed Howell REH
Associate Hospital Director

SUBJECT: Quarterly Purchasing Report

Attached is the Hospitals' Purchasing Activity Report for the period of August through October, 1984. The dollar volume of purchase is somewhat elevated during this period due to the acquisition of capital equipment items.

If you have any questions or concerns regarding this information, please feel free to contact me.

EH/kj

attachment

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
Materials Management Department
Box 517 Mayo Memorial Building
420 Delaware Street S E
Minneapolis, Minnesota 55455
(612) 376-4460

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

ADMINISTRATIVE REPORT ON PURCHASING ACTIVITY

PERIOD August - October

I. PURCHASE ORDER ANALYSIS

Range	Number of P.O.'s	Total Dollar Value
$0 - $499	4270	$ 570,381.88
$500 - $1,999	570	$ 571,469.53
$2,000 - $4,999	154	$ 500,149.52
$5,000 - $9,999	51	$ 375,258.31
$10,000 - OVER	36	$ 1,230,511.49
TOTAL PURCHASE ORDERS	5081	$ 3,247,770.73

II. CONFIRMING ORDERS

Range	Number of P.O.'s	Total Dollar Value
$0 - $99	170	$ 8,597.57
$100 - $499	247	$ 66,585.93
$500 - $999	33	$ 22,722.09
$1,000 - $1,999	25	$ 39,424.00
$2,000 - OVER	15	$ 91,751.41
TOTAL CONFIRMING ORDERS	490	$ 229,081.00
TOTAL PURCHASE & CONFIRMING ORDERS		$ 3,476,851.73

III. SET ASIDE AWARDS

Category	Vendor	Total Dollar Value
Carpet	Lakes Enterprises	$ 6,725.00

IV. PURCHASE AWARDS TO OTHER THAN APPARENT LOW BIDDER

(Attachment A)

V. SOLE SOURCE

(Attachment B)

ATTACHMENT A

I.V. PURCHASE AWARD TO OTHER THAN LOW BIDDER

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPT.
1.	H006664	ATC/Linear Accelerator	$433,021.00	$324,000.00	Ther. Rad.
	Reason:	ATC Brand, currently in use, provided inadequate service, 250+ hours of lost treatment time, lost revenue, increased labor cost due to rescheduling treatment, reduction in quality of patient care.			
2.	H012541	Beckman/Centrifuge	$6,111.94	$4,907.99	Labs
	Reason:	The lower bid was too large for the available space.			
3.	H012980	Fisher/Unassayed Lyophilized Bovine	$7,875.00	$5,400.00	Labs
	Reason:	Inconsistency in the control of the Delta Absorbance.			
4.	H011600	Immond Nuclear/PTH Kits	$7,280.00	$4,550.00	Labs
	Reason:	The low bid measures the mid molecule PTH and not the intact PTH specified.			
5.	H016666	Othro Diag./Cell Washing System	$4,430.00	$3,100.00	Labs
	Reason:	Low bid does not have a saline level detection system or an agitate function.			
6.	84-574	Motorola/Radio Pagers	$53,450.00	$44,051.39	Communicatio
	Reason:	Low bid did not have firm price for length of contract period.			
7.	84-591	C.R. Bard/Urologicals	$97,796.40	$89,366.64	Materials
	Reason:	Did not receive samples for evaluation in requested timeframe inferior products on received samples.			
8.	84-529	Whitaker/IV Caps	$45,938.88	$37,440.00	Materials
	Reason:	Low bid did not have injection cap as specified.			
9.	84-528	Deseret/IV Adapter	$4,200.00	$2,872.80	Materials
	Reason:	Items bid not PRN adapters as specified.			
10.	H12982	Fryer/Microscope	$3,672.00	$2,573.00	Nursing
	Reason:	Low bid is not compatible with equipment in In-Vitro Lab.			
11.	84-520	Auto-Suture/Staple Remover	$3,436.00	$2,457.75	Materials
	Reason:	Remover more difficult to control in clamping procedure.			

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPT.
12.	H012981	Boehringer Labs/Spirometer	$2,894.00	$1,870.00	Cardio. Res
	Reason:	User department was not furnished with descriptive literature.			
13.	H006673	Olympus Corp./Colonoscope	$9,400.00	$6,700.00	Outpatient
	Reason:	Required to match existing scope accessories.			
14.	H016735	Amsco/Surgical Table	$51,864.00	$42,000.00	OR
	Reason:	Low bid not as specified.			
15.	H017378	J.C. Pihaly/Forms	$9,506.40	$9.148.20	Materials
	Reason:	Low bid did not include shipping cost.			
16.	84-608	WGM/Cath. Kits	$69,638.60	$66,654.00	Materials
	Reason:	Solution cap is too thin to open and still hold its shape.			
17.	84-613	American Hosp./Hot Packs	$3,260.16	$1,598.60	Materials
	Reason:	Product did not control heat well enough for use in isolettes.			
18.	H017079	North Central/Scope & Camera	$9,432.00	$6,342.00	Labs
	Reason:	Low bid camera is not interchangeable with the present equipment.			
19.	H017080	Bio-Rad/Camera	$2,850.00	$1,540.00	Labs
	Reason:	Low bid not as specified.			
20.	H011856	USCI/Introducers	$9,210.00	$7,800.00	Labs
	Reason:	Lacks Backbleed valve, tapered delator and kink resistant sheath.			
21.	H017266	Hewlett Packard/Varian Printer/Plotter	$16,148.00	$12,538.75	Labs
	Reason:	Item did not meet bid specifications.			
22.	H018454	American Scientific/Tissue Embedding System	$4,000.00	$2,799.50	Labs
	Reason:	Does not have a holding area for base molds.			
23.	H020403	Olympus Corp./ Bronchofiberscope	$6,800.00	$4,900.00	Outpatient
	Reason:	Did not meet specifications.			

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPT.
24.	84-626	Colonial/Jackets	$2,419.20	$1,845.72	OR
	Reason: Sample not provided for evaluation.				
25.	84-580	TransHealth/Sterile Towels	$4,457.96	$4,026.66	OR
	Reason: Item not sterile per specification.				
26.	84-575	3M/Electrode	$31,650.00	$26,400.00	OR
	Reason: Item did not meet specifications.				
27.	84-579	C.R. Bard/Cath. Kit	$6,120.00	$5,265.00	Materials
	Reason: Not an acceptable alternative to the present touchless design.				
28.	84-529	Whittaker/Catheters	$7,680.00	$5,760.00	Materials
	Reason: Product more painful for patient use.				
29.	84-581	Gentec/Cast Padding	$4,889.60	$4,663.92	Materials
	Reason: Product difficult and time consuming to use.				
30.	H020059	V. Mueller/Instruments	$3,812.83	$3,221.82	OR
	Reason: Product is not of the precision required.				
31.	H020115	Stryker/Instruments	$13,031.17	$12,400.00	OR
	Reason: Item did not meet specifications.				

ATTACHMENT B

V. Sole Source

VENDOR	CONTRACT/P.O. #	VALUE	DEPARTMENT	PRODUCT
Astrocom	H006672	$8,280.00	Computer Services	Modems
Honeywell	H006670	$4,315.00	Maint. & Operation	Fire System Boards
General Electric	H013051	$35,945.00	Radiology	System Upgrade
Burroughs	H017520	$66,168.00	Computer Services	Line Software
Motorola	H017102	$2,077.50	Communications	Radio Pagers
George King Biomedical	H020272	$3,850.00	Labs	Deficient Plasma
Continental Health	H020182	$18,980.00	Operations Analysis	Pharmacy Software
Spectra Physics	H016804	$10,231.00	Labs	Replacement Tube for Laser
Jedmed	84-587	$8,630.40	O.R.	Hessburg-Baron Vacuum Trephine
Alcon	84-588	$10,280.50	O.R.	Alcon Sutures & Admin Set.
Shiley	84-624	$61,421.25	O.R.	Shiley Heart Valves
Pharmacia	84-620	$27,600.00	O.R.	Healon Syringe
Amercian Edwards	84-625	$62,975.00	O.R.	Carpentier-Edwards Heart Valves
Telectronics	84-589	$16,200.00	O.R.	Myocardial Pacing Leads
Brant-Wald	84-623	$5,151.24	O.R.	TUR Apron System
Cooper Laseronics	84-622	$33,150.00	O.R.	Cusapaks for Lasersonics Machine
Precision-Media	84-621	$2,844.00	O.R.	Urine Culture Plates

STRATEGIC PLANNING AND MARKETING WORK PLAN OCTOBER 84-SEPTEMBER 85

It is the intent of this document to lay out specific tasks and timeframes for action in strategic planning and marketing. This plan will be conducted by a variety of groups and through interaction at the governing board, medical staff, employee and patient levels.

Exhibits 1 and 2 pp (5-6) portray the overall framework for strategic planning and marketing and the responsibilities of each group involved. Other formal and informal interaction is anticipated through other standing committees of the board, medical staff and hospital.

Specific personnel that will be directly involved on a day to day basis in strategic planning and marketing include the senior associate director for planning and marketing, the yet to be hired assistant director for marketing and perhaps others as the need develops. These persons will actively interface with other members of administration on a daily basis and with the other groups shown in Exhibit 1 to perform the work described in subsequent pages.

We envision the strategic planning and marketing functions to be interrelated so that the planning in most cases percedes the marketing efforts. We also believe that it is advantageous to combine these two functions for continuity and follow through.

STRATEGIC PLANNING AND MARKETING SCHEDULE

Task 1 Mission Review and Reformation

This function will be performed through a task force appointed by the Strategic Planning Steering Committee (SPSC). It is envisioned that this task force will meet for 3 months December 84 - February 85. The final product will be a mission statement that can be widely disseminated throughout the organization. This mission statement will procede from the task force to the SPSC, to the Planning

and Development Committee to the Board of Governors. At the same time an internal mission and strategy statement will be developed to guide the future decision-making of UMH&C.

Task 2 Internal Assessment

There will be three major portions to this assessment including analyses of existing programs and services, the financial status of these programs and services and the staff resources available to provide these programs and services. Both the attending medical staff and referring physician population will be studied. A task force will be established to monitor and report on the internal assessment.

2a) Program and Service Assessment Tasks

- Analysis of inpatient, outpatient, diagnostic and treatment volumes and services to include DRG product family groupings and strengths/weaknesses determination. October-November 1984

2b) Financial Assessment Tasks

- Working with the finance department - determine which product families are generating revenues in excess of expenses, which are primarily reimbursed by governmental payees and which by other payers. Determine the future financial requirements of these product families based on interviews with providers. December-January 1984-85

2c) Staff Resource Assessment Tasks

- Analyze the medical staff by admissions, service, age, departmental strengths, weaknesses and depth.
- Assess departmental personnel in terms of numbers, strengths, weaknesses.

December-January 1984-85

Task 3 External Assessment

This task will combine elements of both planning and marketing. Four major components will be analyzed including general metro, state, and national healthcare trends, demographic characteristics of our service area, and a competition analysis. The marketing focus will be placed on analysis of present and expected market share by product; market, customer, and competition analysis and the opportunities and threats in these markets.

3a) External Assessment Tasks

Prepare analysis of local, state and national healthcare trends, especially as the will affect University-teaching hospitals.

December-January 1984-85

3b) Perform service area analyses using data from OAD and other sources, prepare both statistical and graphic information depicting this service area.

January-February 1985

3c) Using (rezide) or ther demographic data prepare selected demographic characteristcs of our service area population January-February 1985.

3d) - Prepare competitor analysis using state health department, AHA, Metro Health Planning Board and COCH data which will show by service trends for the last several years.

- Interview key resource people who know about competitor actions, follow-up on information leads.

February-March 1985

- Do focused market research on UMHC reputation and image based on patient and staff input. Perform marketing Feature/Advantage/Benefit (FAB) analysis.

February-March 1985

- Discover major problem areas that we must address to effectively compete by product family.
  February-March 1985

Task 4 Major Strategy Development

Based on the exhaustive information compiled in tasks 1-3 the SPSC, P and D Committee and the Board of Governors will set major institutional priorities and allocate resources to achieve these strategies. Major decisions will focus on which products to keep, which to emphasize, deemphasize or curtail. The decision process will include the results of market research on consumer wants and preferences.
March-May 1985

Task 5 Goals, Objectives and Tactics Development

Based on the overal institutional priorities set in Task 4, we will develop strategic product action plans for the product families identified in Task 2a and revised as a result of input from Task 3.

5a) Goals, Objectives and Tactics Development Tasks

- Meet with product family provider groups to develop action plans See Exhibit 3, p. 7-8, May-July 1985
- Choose appropriate marketing tools to accomplish action plans prepare promotion/advertising budgets and implement July-September 1985.

Task 6 Monitor Strategic Planning and Marketing System

The monitoring task will include follow up surveys on consumer satisfaction and market testing of new and altered products.

- Ongoing

Task 7 Marketing Communications Development

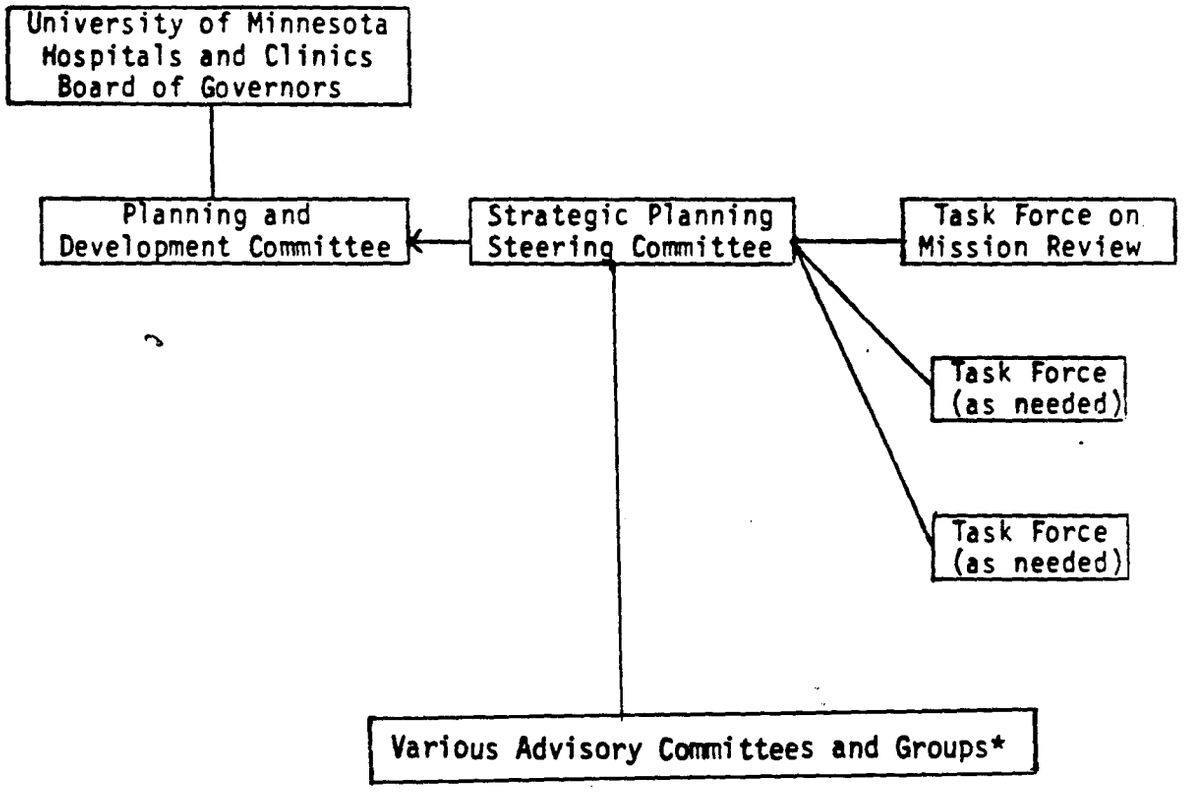
This function will be an ongoing one which will focus on the dissemination of information to various publics on our programs, services, costs etc. The initial effort will take place between December 1984 and February 1985 and will involve a contractural arrangement with a public relations firm. The major tasks to be accomplished over this three month period will include:

- creation of overall communication theme
- Analysis of available media for message transmission
- Creation of communication copy and graphics, visuals, commercials
- Placement of communications in selected media formats
- Monitor the feedback from communications and assess the effectiveness of our efforts.

These seven tasks are shown in a critical path chart in Exhibit IV page X.

EXHIBIT I

Framework for Strategic Planning and Marketing



Staff to this Framework
Planning and Marketing Staff
Administrative Work Group

* These committees and groups will include but not be limited to the Health Sciences Advisory Committee, Outstate Physicians Advisory Committee, Employee Advisory Committee, Patient and Employee Response Committee, Clinical Chiefs, Department Heads, Medical Staff Hospital Council.

EXHIBIT II

Responsibilities of Each Group in Strategic Planning and Marketing

Board of Governors
- Set policy regarding strategic planning and marketing;
- Approve mission and strategy statements;
- Provide overall direction to planning and development committee.

Planning and Development Committee
- Approve strategies, goals, and objectives to be recommended to the Board of Governors;
- Direct the planning and marketing function through the Strategic Planning Steering Committee.
- Act as forum and reality test for planning and marketing strategies.

Strategic Planning Steering Committee
(Dean of the Medical School, Director of the Hospitals, Chief of Staff, one Board member and one Clinical Chief)
- Convene and charge task forces with specific projects;
- Receive input from Advisory Committees;
- Direct planning and marketing and administrative staff work efforts.

Advisory Committees
- Serve as conduit to their respective interest groups;
- Provide input and perspective to Strategic Planning Steering Committee.

Task Forces
- Meet and perform work as assigned by the Strategic Planning Steering Committee.

EXHIBIT III

UMHC Strategic Product Action Plans

1. Product/Program Statement
   - Scope and nature
   - Services
   - Target market
   - Life cycle stage
   - Compatibility with role/mission and overall strategy

2. Definitions and criteria
   - Agency definitions
   - Legislative criteria

3. Environmental Analysis
   - Constraints
   - Regulation
   - Reimbursement
   - Political climate
   - Competition

4. Market Analysis
   - Service area
   - Population
   - Referral decision
   - Consumer attitudes
   - Projected utilization
   - Growth potential
   - Market share
   - Patient mix

5. Resource Analysis
   - Facilities
   - Staffing
   - Equipment
   - Capital expenditures, start-up and operations

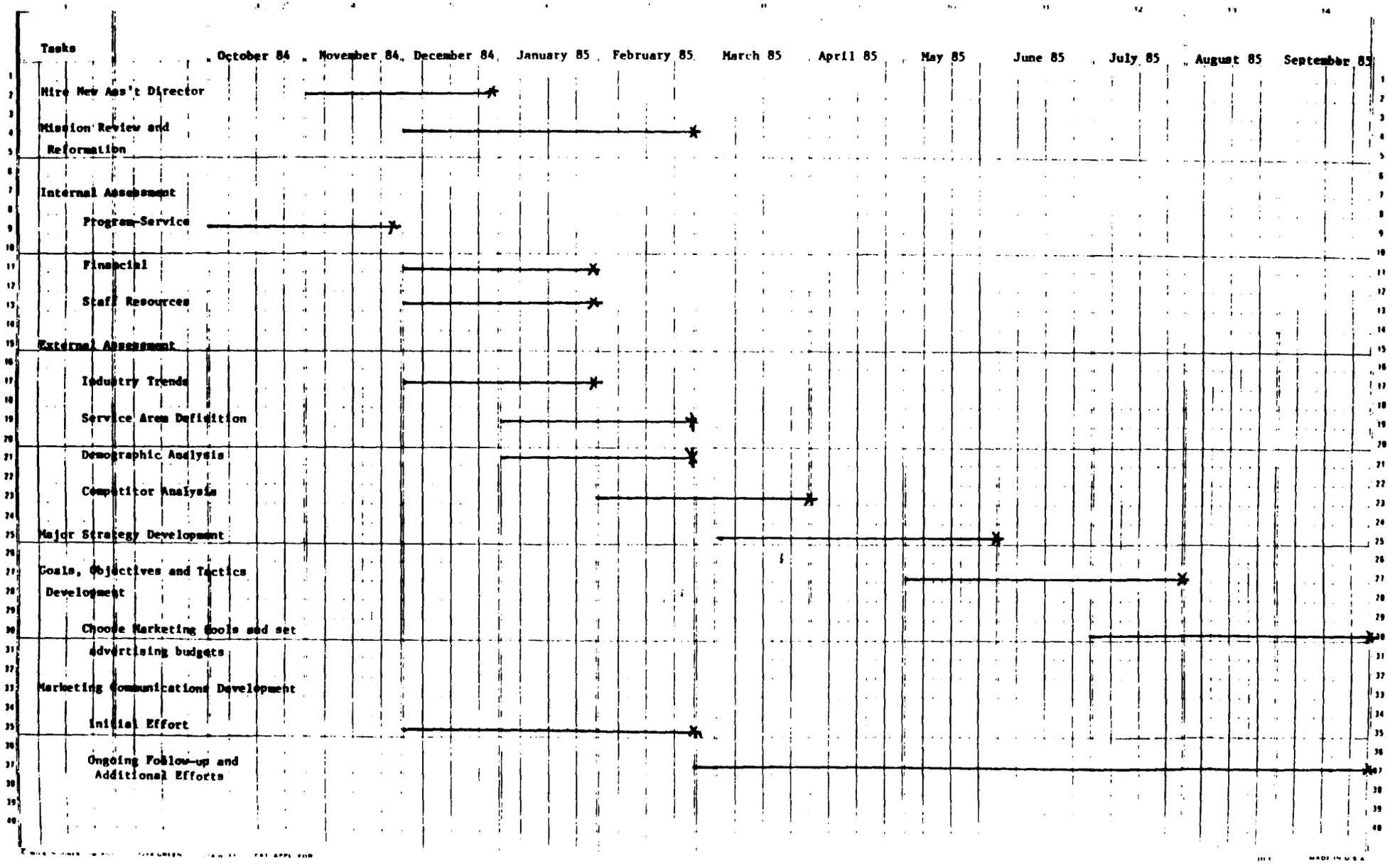
6. Administrative Analysis
   - Management strategy
   - Personnel
   - Corporate status
   - Quality standards
   - Licensing
   - Accreditation
   - Regulatory approval

7. Financial Analysis
   - Breakeven
   - Pay-back
   - Funding
   - Cash flow
   - Reimbursement

8. Implementation
   - Key decisions
   - Schedule
   - Budget
   - Marketing plan
   - Monitoring

EXHIBIT IV

STRATEGIC PLANNING AND MARKETING WORK PLAN
October 1984-September 1985



Minutes
Finance Committee
University of Minnesota Hospitals & Clinics
October 24, 1984

MEMBERS PRESENT:	Al France, Chair Mary Des Roches Clifford Fearing Jerry Meilahn C. Edward Schwartz Villis Vikmanis
MEMBER ABSENT:	Shelley Chou, M.D.
STAFF:	Greg Hart Nels Larson Jane Morris
GUESTS:	Lynn Hornquist Helen Pitt

CALL TO ORDER:

The meeting of the Finance Committee was chaired by Mr. Al France and was called to order at 10:10 a.m. in the Dale Shepherd Room of the Campus Club.

MINUTES APPROVED:

The minutes of the September 26, 1984 meeting of the Finance Committee were approved.

REVIEW OF SEPTEMBER YTD FINANCIAL STATEMENTS (INFORMATION):

Mr. Fearing reviewed the Report of Operations for the period July 1, 1984 through September 30, 1984. He stated that inpatient and outpatient census levels were lower than anticipated for the YTD. However, financial operations continue to reflect a favorable bottom line variance ($3.2 million) which is primarily made up of investment income and an increase in ancillary revenue. Intense ancillary utilization by inpatient and outpatient services accounts for approximately half of the 8.1% variance in ancillary revenue, and the remainder is due to using too low a budget base in projecting 1984-85 ancillary revenues. This budget base is being reviewed and may be revised on future financial statements.

Operating expenditures continue to be below budgeted levels, with the largest variance occuring in personnel costs (salaries and fringe benefits) due to reduced staffing levels. The exception to the favorable variances in expense categories is

in drugs and medical supplies, reflecting the increased utilization of ancillary services.

Mr. Fearing stated that a significant increase in patient accounts receivable occured during the months of July - September. This increase (approximately $6 million) can be accounted for by three factors: 1) the implementation of the Prospective Payment System, 2) an increase in Medical Assistance receivables. and 3) a $2.8 million increase in Blue Cross Blue Shield of Minnesota (BCBSM) receivables (BCBSM receivables have been increasing since the institution of the AWARE program on January 1, 1984). Major efforts are being undertaken to reduce receivables, including working with BCBSM to adjust payment levels with increased weekly and retroactive payments.

Even with this increase in receivables, the Hospitals operating position remains positive as evidenced in the Operating Cash Flow statement showing total operating cash available of $400,471 for the period.

Mr. Fearing added that in the audit of University Hospitals' 1983-84 financial statements, the auditors, Touche Ross, felt that receivables had been better than in previous years and will make an adjustment to reduce the reserves for write-offs by $1.5 million.

UNIVERSITY INVESTMENT REPORT (INFORMATION):

Ms. Des Roches introduced an Annual Investment Report for the fiscal year ended June 30, 1984 as presented to the Board of Regents earlier in October. The overall value of invested University endowment assets had decreased by 9.7% from the previous fiscal year. She explained that the University's high involvement in the stock market together with the difficult market environment of fiscal 1984 was responsible for this decrease in assets. Ms. Des Roches reviewed several schedules contained in the report illustrating the affects of asset allocation; differences between fixed income and equities; comparisons of the University of Minnesota and other university's endowment pools; performance of particular stocks; income summary of the group investment fund; and performance by manager. She added that the Regents chose not to change their approach regarding investments other than to eliminate one manager that showed particularly poor performance.

PERSONNEL ACTIVITIES (INFORMATION):

Mr. Hart referred to a memo directed to the Committee from Mr. Schwartz updating a number of personnel issues. He stated that the personnel policy and procedures have been fully implemented with very little problem. All portions of the pay plan have been implemented as well. Significant attention is being given to the issue of employee relations, and a "Fundamentals of Employee Relations" statement is currently

being developed. This statement will be brought to the Finance Committee at their November or December meeting. In regard to comparable worth, Mr. Hart reminded the Committee that the Board of Governors has a committment to report its conclusions to the University on this issue in April.

Mr. Hart advised the Committee that preparations have begun for upcoming union negotiations. He added that some initial efforts have been made by the American Federation of Nurses to organize the registered nursing staff. Mr. Hart assured the Committee that he would keep them appraised on developments in all of these areas.

BOARD POLICY ON CAPITAL EXPENDITURES (INFORMATION):

Mr. Hart introduced a draft of a proposed policy on capital expenditures. This policy would clarify the roles of the Finance Committee and Planning and Development Committee in assessing major projects and capital expenditures. Mr. France voiced concern that approval for major capital expenditures should come from both committees. Mr. France also suggested that consideration be given to increasing the current $200 lower limit for definition of a capital expenditure to a more realistic $5,000 lower limit.

This proposal will be examined again in a future Finance Committee meeting.

ADJOURNMENT:

There being no further business, the meeting of the Finance Committee was adjourned at 11:45 a.m.

Respectfully submitted,

Jane E. Morris

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

November 28, 1984

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: Report of Operations for the Period July 1, 1984 through October 31, 1984.

The Hospitals' operations for the month of October reflects many of the trends and relationships that we saw through the first quarter. Our inpatient admissions and outpatient visits increased over the levels we experienced during the month of September, inpatient days remained below our projections due to the overall length of stay being shorter than anticipated. To highlight our position:

Inpatient Census: During the month of October, admissions totaled 1,624, or 15 below projected admissions of 1,639. Patient days for October totaled 13,817 and were 1,775 days below projections. While admissions were very close to budgeted levels, our patient day levels were well below budget due to a reduced overall average length of stay. The reduced length of stay is evident in nearly all service areas.

October's census activity reduced our admissions variance from 19 (0.4%) below budget at the end of September to 34 (0.4%) below budget as of the end of October. The patient day variance declined from 2,243 days (5.0%) below budget at the end of September to 4,018 days (6.6%) below budget at the end of October.

To recap our year-to-date inpatient census:

	1983-84 Actual	1984-85 Budget	1984-85 Actual	Variance	% Variance
Admissions	6,879	6,734	6,700	(34)	(0.5)
Avg. Length of Stay	9.3	9.1	8.5	(0.6)	(6.6)
Patient Days	64,550	60,891	56,873	(4,018)	(6.6)
Percent Occupancy	71.5	72.2	66.7	(5.5)	(7.6)
Avg. Daily Census	524.8	495.0	462.4	(32.6)	(6.6)

Outpatient Census: For the month of October, clinic visits totaled 19,408 or 1,294 (7.1%) above projected visits of 18,114. Our year-to-date clinic census through October remains slightly ahead of budget at 72,341 visits. This represents a favorable variance of 1,564 visits (2.2%) above projected visits of 70,777. We are also 617 visits ahead of last year's October YTD clinic census of 71,724.

Financial Operations: The Hospitals' Statement of Operations shows total revenues over expense of $6,733,555, a favorable variance of $4,080,261. This overall variance reflects both a favorable variance in net revenues from operations of $3,011,461, and a favorable variance in non-operating revenue of $1,068,800.

Patient care charges through October totaled $64,671,349 and are $2,265,00 (3.6%) above budgeted levels. Routine revenue is 4.4% below budget and reflects the overall patient day variance. Ancillary revenue is over budget with a favorable variance of 8.2% and continues to reflect a utilization level per patient that is higher than anticipated. Inpatient ancillary revenue per admission has averaged $5,092 compared to the budgeted average of $4,723. Outpatient revenue per clinic visit has averaged $124 compared to the budgeted average of $113.

Operating expenditures through October totaled $54,932,943 and are approximately $1,790,000 (3.2%) below budgeted levels. The overall favorable variance continues to be reflected in nearly all expense categories. Drug costs however, continue to be above budgeted levels and reflects higher utilization levels than were anticipated.

Accounts Receivable: The balance in patient accounts receivable as of October 31, 1984 totaled $49,405,584 and represents 92.7 days of revenue outstanding. The anticipated adjustments to the periodic interim payments from Blue Cross did not occur in October as we had expected. There was an adjustment to the interim payments beginning in November, but we do not believe the adjustment was as great as it should have been. We are currently negotiating with Blue Cross with regard to their overall accounts receivable position and sense cooperation on their part to resolve the problem.

Conclusion: The Hospitals' operating position as of the end of October is positive and above budgeted levels. We continue to monitor our position closely and make operational changes that are necessary and appropriate.

/jem

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1984 TO OCTOBER 31,1984

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	$62,406,050	$64,671,349	$2,265,299	3.6%
Deductions from Charges	10,367,365	11,388,011	1,020,646	9.8%
Other Operating Revenue	1,160,616	1,137,232	-23,384	-2.0%
TOTAL REVENUE FROM OPERATIONS	$53,199,301	$54,420,570	$1,221,269	2.3%
Expenditures				
Salaries	$26,931,611	$25,925,345	$-1,006,266	-3.7%
Fringe Benefits	5,448,240	4,951,629	-496,611	-9.1
Contract Compensation	2,884,800	2,887,236	2,436	0.1%
Medical Supplies, Drugs, Blood	8,618,424	8,879,482	261,058	3.0%
Campus Administration Expense	1,901,950	1,901,950	0	
Depreciation	2,203,617	2,175,881	-27,736	-125.9%
General Supplies & Expense	8,734,493	8,211,420	-523,073	-6.0%
Total Expenditures	$56,723,135	$54,932,943	$-1,790,192	-3.2%
Net Revenue from Operations	$-3,523,834	$-512,373	$3,011,461	
Non-Operating Revenue				
Appropriations	$4,394,874	$4,360,155	$-34,719	-0.8%
Interest Income on Reserves	1,018,373	2,165,308	1,146,935	112.6%
Shared Service	137,086	141,203	4,117	3.0
Investment Income on Trustee Held Assets	626,795	579,262	-47,533	-7.6
Total Non-Operating Revenue	$6,177,128	$7,245,928	$1,068,800	17.3%
Revenue Over / -Under Expenses	$2,653,294	$6,733,555	$4,080,261	(1)

(1) Variance equals 7.7% of total budgeted revenue.

UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals and Clinics
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

NOvember 28, 1984

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: Bad Debts - July 1, 1984 through September 30, 1984.

The total amount recommended for bad debt of Hospital accounts receivable during the first quarter of 1984-85 is $429,867.97, represented by 1,228 accounts. Bad debt recoveries during this period amounted to $38,305.94, leaving a net charge off of $391,562.03. Bad debts for the first quarter of 1984-85 are 0.8% of gross charges, which compares to a budgeted level of bad debts of 1.33%.

A statistical summary follows on this report with detailed description of losses over $2,000 and recoveries over $200.

CPF/jem

attachments