

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
BOARD OF GOVERNORS

BOARD OF GOVERNORS' MEETING
AND
GOVERNORS' COMMITTEE MEETINGS

JANUARY, 1985

OFFICE OF THE BOARD OF GOVERNORS
B-390 MAYO

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University of Minnesota Hospitals and Clinics

Board of Governors

January 23, 1985

555 Diehl Hall

University of Minnesota Campus

Agenda

- I. Minutes - December 19, 1984 (Approval)
- II. Report of Nominating Committee, Mr. Jerry Meilahn, Comm. Chair (Approval)
- III. Passing of the Gavel by Outgoing Chair David Cost to Incoming Chair
- IV. Hospital Director's Report - Mr. C. Edward Schwartz, Hospital Director (Information)
- V. Institutional Objectives Update - Fiscal Year 1984-85,
C. Edward Schwartz, Hospital Director (Discussion)
- VI. Committee Reports
 - A. Joint Conference Committee, Ms. Barbara O'Grady, Comm. Chair
 1. Credentials Committee Report (Approval)
 2. Medical Staff/Hospital Council Report (Information)
 3. Tissue & Procedure Review Committee Overview (Information)
 4. Clinical Chiefs Report (Information)
 5. Joint Conference Committee Evaluation (Information)
 - B. Planning & Development Committee Report, Mr. C. Edward Schwartz,
for Mr. Al Hanser, Committee Chair
 1. Development Update (Information)
 2. Renewal Project Update (Information)
 - C. Finance Committee Report, Mr. Al France, Committee Chair
 1. December Year-To-Date Financial Statements (Information)
 2. Variable Rate Refunding Bonds - Status Report (Information)
 3. Computer Replacement Project (Approval)
 4. UMHC Parking Ramp - Status Report (Information)
 5. Hospital Corporate Membership on Blue Cross Blue Shield
of Minnesota Board (Approval)
 6. Comparable Worth and Job Evaluation (Information)
- VII. Other
- VIII. Adjournment

Minutes
Board of Governors
University of Minnesota Hospitals & Clinics
December 19, 1984

CALL TO ORDER:

Chairman David Cost called the December 19, 1984 meeting of the Board of Governors to order in Room 555 Diehl Hall at 1:45 p.m.

ATTENDANCE: Present: David Cost, Chair
 Phyllis Ellis
 Al France
 Al Hanser
 Robert Latz
 Jerry Meilahn
 Barbara O'Grady
 C. Edward Schwartz
 Neal Vanselow, M.D.

Absent: Robert Goltz, M.D.
 David Lilly
 Virgil Moline
 James Moller, M.D.

APPROVAL OF MINUTES:

The Board seconded and passed a motion to approve the minutes of the November 28, 1984 meeting as written.

CHAIRMAN'S REPORT:

Chairman David Cost introduced Ms. Sandy L'Herault, the Chair of the Council on Activities and Recreation for Employees (CARES). Mr. Russ Farrell highlighted the accomplishments of the CARES Committee, the most recent of which had been a series of holiday activities for the hospital staff.

Secondly, Chairman Cost announced the December 14, 1984 Regental approval of four new members of the Board. Those new members include: Mr. George Heenan, Mr. Bradley Hillstrom, Ms. Kristine Johnson and Mr. Robert Nickoloff. The Regents also appointed Governor Robert Latz to a second term on the Board.

Chairman Cost reminded the Board that incoming, current and outgoing Board members will all be asked to the January 23, 1985 meeting. A nominating committee consisting of Mr. Jerry Meilahn, Ms. Phyllis Ellis and Dr. Neal Vanselow will recommend a new Chair and Vice Chair of the Board at that time. Committee appointments will be made by the new Chair shortly after the January meeting.

HOSPITAL DIRECTOR'S REPORT

Mr. C. Edward Schwartz reported that active discussions had resumed with representatives of the Variety Club regarding the uses of the Variety Club Heart Hospital post Unit J.

Secondly, Mr. Schwartz reported that the Hill & Knowlton, Inc., consulting firm had been selected for the assistance of the first phase of an advertising program for the Hospitals.

Thirdly, Mr. Schwartz reminded the Board of an election in process to determine whether the Registered Nurses at the Hospitals wished to be represented by the University Federation of Nurses, an affiliate of the Federation of Nurses and Health Care Professionals, AFT, AFL-CIO. Results of that election process are expected on the evening of December 19th.

RENEWAL AND RENOVATION COMMITTEE REPORT

Mr. C. Edward Schwartz and Mr. Cliff Fearing presented the final recommendations of the Renewal and Renovation Task Force for endorsement by the Board of Governors. The Governors reviewed a series of slides displaying five years of utilization statistics for the Department of Psychiatry and that portrays the current facilities occupied by the department.

The Board of Governors seconded and passed a motion to modify the proposed written resolution by deleting clause 5, which called for continued master planning following a detailed analysis of the projected occupancy of Unit J. The Board considered this continued master planning to be an essential component of the renovation planning, but did not consider the recommendation to be consistent with the others being considered. With that modification, the Board seconded and passed a motion to endorse the following recommendations and forward the same 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, Neuro-

logy, 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 re-allocation.

BOARD OF GOVERNORS SELF-EVALUATION SURVEY

Ms. Nancy Janda highlighted the findings of the self-evaluation survey completed by the members of the Board. Several of these findings were discussed by the Board of Governors including the evaluation process for the Hospital Director, the Board's interaction with the community and within the political arena, the monitoring of the quality of patient care rendered at UMH&C, the division of workload among committees and the desire to devote Board time toward consideration of the "big picture", rather than information or detailed operational items.

FINANCE COMMITTEE REPORT

Mr. Al France and Mr. Cliff Fearing presented the report of operations for the period of July 1, 1984 through November 30, 1984. Admissions are running slightly over-budget (1.9%) year-to-date, the length of stay and patient days are showing greater negative variances (6.6% and 7.9% respectively). The year-to-date clinic census through November remains ahead of budget by about 2%. The Hospitals statement of operations through November shows total revenue over expenses of approximately \$6.8 million, a favorable variance of approximately \$4.1 million.

Secondly, Mr. Fearing reported that approximately 30 requests for proposal had been sent to investment banking firms to solicit ideas on best to proceed with refunding the Series 1982 Bonds. Those RFP's are due back on January 4, 1985. Mr. Fearing indicated that this item would be back to the Governors for more detailed discussion following analysis of the responses to the request for proposal.

Thirdly, Mr. France presented the Capital Expenditure Policy for Board approval. That policy had been previously reviewed by both the Planning and Development Committee and the Finance Committee. Mr. France recommended three wording modifications to the policy on behalf of the Finance Committee. Those modifications included:

Section 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 ~~reviewed and endorsed by the Planning and~~

~~Development Committee and the Finance Committee~~ presented for recommendation to the Planning and Development Committee and the Finance Committee and for approval to 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. The annual capital budget is a component of the total operating budget which is submitted annually to the Board of Regents for final approval.

Section D. Project Approval - Major Capital Expenditures

Initiation of projects involving major capital expenditures shall ~~require the endorsement of the Planning and Development Committee, the Finance Committee~~ be presented for recommendation to the Planning and Development Committee and the Finance Committee and for approval to the full Board of Governors.

PLANNING AND DEVELOPMENT COMMITTEE REPORT

Mr. Greg Hart presented a report on the University Hospitals Information Systems, with emphasis on the core of the system, the main-frame. He briefly reviewed the history and uses of automated data processing at the Hospitals, the status of the main-frame currently being used and the results of an information systems analysis completed with the assistance of Ernst & Whinney. Mr. Hart explained four key measures of computer utilization, all of which demonstrate that the UMH&C's main-frame has reached a saturation point. The analysis done by Ernst & Whinney, he reported strongly recommends the replacement of the current main-frame. The cost of that replacement would be approximately \$2.5 million.

Mr. Hart agreed to return in January to present a recommendation on that computer upgrade.

Secondly, Mr. Al Hanser briefly summarized activities to date in the development of the Helicopter Air Ambulance program. As part of this program development, the Hospitals would like to part of a separate legal entity which would acquire the Bio Medical Research Associates (BMRA).

Following brief discussion the Board seconded and passed a motion to endorse the following resolution and forward the same to the Board of Regents for final consideration.

The Board of Governors endorses the development of a separate legal entity for the purpose of acquiring BMRA with the understanding that the Articles of Incorporation will be reviewed by the Board prior the signing of a contract.

Mr. R. Edward Howell recalled for the Board that the Purchasing

Implementation Plan, which was approved in June of 1983, called for the Hospitals and the University to explore the feasibility of delegating responsibility to the Hospitals for the purchasing and storage of items obtained from the General or Chemical Warehouse. Mr. Howell reported that the exploration of this delegation had resulted in an agreement to transfer responsibilities for the storage of certain high volume items to the Hospitals. This delegation is expected to reduce the Hospitals annual storage and handling expense of these high volume items by approximately \$60,000.

JOINT CONFERENCE COMMITTEE REPORT

Ms. Barbara O'Grady summarized four informational items that had been reviewed by the Joint Conference Committee at its December meeting. The first was an update and severity indexing methodologies, which demonstrated the varied techniques available for the measuring the acuity of patients.

Secondly, Ms. O'Grady summarized three Council of Community Hospital Price Disclosure Project Findings that are of particular interest to UMH&C. These findings include:

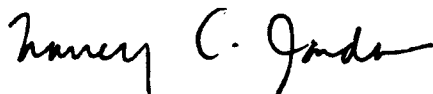
- For one-third of the diagnoses studied, the charges at UMH&C are below average.
- On the average for the cases studied, UMH&C charges at 12% higher than other local hospitals.
- There are some diagnostic categories where UMH&C charges are clearly higher than the norm. This is due in part to the severity of cases at UMH&C.

Ms. O'Grady reported that discussions with community urologists regarding the use of the lithotripter had not, to date, resulted in agreement for shared utilization of this technology, but that those discussions would continued. Lastly, Ms. O'Grady reported that the development of the Clinical Chiefs Executive Committee was proceeding as anticipated and that the group is currently in the process of reviewing articles of incorporation. ✓

ADJOURNMENT:

There being no further business the meeting of the Board of Governors was adjourned at 3:50 p.m.

Respectfully submitted,



Nancy C. Janda
Executive Assistant

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 23, 1985

TO: Members of the Board of Governors
FROM: C. Edward Schwartz, Hospital Director
C. Edward Schwartz
RE: Update on Institutional Objectives

You will recall that last spring a series of institutional objectives were developed for the 1984-85 fiscal year. Those objectives were reviewed and approved by the Board of Governors on May 23, 1984.

We have recently evaluated our progress to date on each of these objectives. The attached document summarizes the status of each item.

I am planning to discuss the attached document at the Board meeting on January 23, 1985.

CES/sds

Enclosure

HEALTH SCIENCES

University of Minnesota Hospitals and Clinics
Institutional Objectives
Fiscal Year 1984-85
Update
January 23, 1985

Institutional Objectives

Update

A. Medical Staff and Programmatic Developments

- | | |
|--|--|
| 1. Implement new program initiatives endorsed by Management and the Medical Staff Budget Advisory Committee and approved by the Hospital's Board of Governors. | Most notable examples of new program initiatives developed by Administrative and Medical Staffs and approved by the Board this fiscal year are the extracorporeal lithotripter program and the helicopter program. |
| 2. Work with the Council of Chiefs to finalize a plan to maximize the operational efficiency and revenue flow in Ambulatory Services and implement that plan during the fiscal year. | Comprehensive assessment of Ambulatory Care Services completed by Executive Consulting, Inc.; further action pending completion of Clinical Chiefs Executive Committee structure. |
| 3. Organize administrative efforts and Hospital resources available to support the Dean of the Medical School in the recruitment of Departmental Chairman and Departmental Chairman in the recruitment of Clinical Faculty, to fill known vacancies. | Dean David Brown appointed in September, 1984; Hospital administrative representatives currently participating in search committees for Chairman of Otolaryngology, Dermatology and Obstetrics. |
| 4. Work with the University to finalize a site selection for a new patient parking structure. Complete architectural, operational and financial plans to assure the availability of that facility by December 1986. | Land acquisition offers have been made; programmatic and financial feasibility study currently in progress. |
| 5. Complete discussions with the Management of the new University Radisson Hotel to provide adequate low cost rooms for University Hospital. | Agreement for low cost rooms finalized; Hotel to open in March, 1985. |

A. Medical Staff and Programmatic Developments (cont.)

6. In cooperation with the Clinical Chiefs, explore the feasibility of establishing a second site to house outpatients and their families who are receiving care at the University Hospitals.
7. Establish a fund to be used to support approved Clinical Services proposals that will directly enhance Hospital patient activity volumes. Proposals will be reviewed by the Executive Committee of the Council of Clinical Chiefs or a similarly designated panel which shall, in turn, make recommendations to the Hospital Director. The Hospital shall submit the initial group of project proposals to the Board of Governors for its approval and report subsequent projects on a monthly basis.
8. Develop alternate organizational models directed at enhancing continuity of care. Emphasis should be given to cooperative relationships with other providers, as well as to enhanced communication with referring physicians, discharge planning, delivery of services in the outpatient clinics and through home health care.
9. Work with Hospital and Clinical Departments to implement a Hospital-wide patient care management information system which provides the Hospital and Medical Staff with timely information about the quality, safety and appropriateness of patient care.
10. Expand the role of the Hospital Auxiliary to incorporate new areas that involve a greater number of support activities.

Update

Regional kidney foundation and UMH&C, the V.A., Hennepin County Medical Center and Metropolitan Medical Center are pursuing the development of a 30-50 room facility to house primarily kidney dialysis and kidney transplant patients.

Approximately twenty five proposals received to date; Medical Staff Budget Advisory Committee began reviewing proposals in December of 1984; Board presentations to begin in spring 1985.

Several programs are being developed or have been implemented that are directed at enhancing continuity of care for UMHC patients; examples include the STAR information system for select nursing stations, the same day admission surgery program and the product related home service program, which is being developed to allow patients to receive a variety of treatments in the home that would have previously required an outpatient visit or admission.

Medical record for all Blue Cross and Medicare patients now include a daily charge update. Additional patient care information projects in developmental phase; computer mainframe upgrade is key to future growth.

Membership increased three fold this fiscal year; several successful new projects, activities completed to date; support of traditional activities (ie, gift shop) continues.

B. External Market Share Objectives

1. Complete planning for a private payor sponsored University Faculty and Staff Preferred Provider Organization and make recommendations to the Board of Governors and/or University Executive Officers regarding implementation by December 1984.
2. Negotiate at least ten service arrangements resulting from Medical Staff/Hospital joint ventures to realize new referral and/or income sources.
3. Finalize planning grant applications to the Commonwealth Fund involving UMHC and five out-state hospitals and their medical staffs, preparatory to the implementation of referral, continuing education and specialty service arrangements by October 1984.
4. Facilitate the rapid successful integration of the Senior Associate Director for Planning and Marketing into the Hospital and Medical Staff organizations by September 1984.
5. Implement a long-range strategic planning process by June 1985 that includes a thorough assessment of the internal and external environments.
6. Evaluate and strengthen the UMHC Marketing and Public Relations efforts in accordance with the findings of the Brum and Anderson study.

Update

Feasibility of establishing PPO/HMO proceeding on two fronts: exploring expansion of currently existing Hospital off site clinics to offer coverage options to Hospital and University staff; Prudential Insurance currently studying utilization levels of Hospital and University staff to evaluate potential sponsorship.

Several major agreements to date; several more currently in progress; Spinal Cord Center, HMO Minnesota General contract, Coon Rapids Clinic neonatal intensive care agreement, Group Health transplant agreement primary examples of successfully negotiated service agreements.

Discussion with Medical and Administrative staffs of five hospitals regarding broad range of patient care and educational agreements have resulted in a series of agreements. Direct correlation between these relationships and increased referrals are being observed.

Mr. Geoffrey Kaufmann joined the organization on September 1, 1984; Planning and Marketing function growing steadily and progressing well.

Strategic Planning and Marketing workplan approved by Board of Governors in November of 1984. Implementation, which will result in a formal long range strategic plan, progressing well.

Functions increasingly organized and integrated; Examples include: UMHC second annual report to be distributed in February; public relations firm Hill and Knowlton retained to assist in media campaign to commence first quarter of calendar year 1985.

C. Financial Objectives

1. Finalize the preparation for the Medical Prospective Payment System, including the establishment of a subprovider for Rehabilitation and Psychiatry by September 1, 1984. Continue planning toward the "Childrens Hospital" provider concept, targeted toward Unit J opening date in 1986.
2. Monitor the institutional advantages and disadvantages of participation in the Blue Cross Blue Shield of Minnesota AWARE program and make recommendations to the Board of Governors in December of 1984 regarding the continuation of participation after December 31, 1984.
3. Budget and manage hospital finances to assure an excess of revenue over expenses sufficient to assure the payment of Hospital obligations that come due during 1984-85 relative to abandonment cost and equity contributions for the Unit "J" Project.
4. Maintain a high level of Management and Medical Staff accountability for the achievement of Cost Containment Task Force objectives. Quarterly status reports will be made to the Hospital Board of Governors.
5. Monitor the Bond Market and maintain an ongoing status of preparedness to refinance the Unit "J" Bond issue when interest costs are sufficiently reduced to accomplish debt savings objectives.
6. Develop an institutional long-range financial plan that is consistent with the mission, role and institutional objectives of the Hospitals.

Update

Prospective Payment System phase in period began July 1, 1984. Psychiatry subprovider status denied, appeal in progress, subprovider status expected for fiscal year 1985-86; committee recently appointed to assume responsibility for planning "Childrens Hospital" provider concept.

Blue Cross Blue Shield of Minnesota/UMH&C negotiations brought to successful conclusion in December, 1984. AWARE contract signed for calender year 1985.

December year to date revenues over expenses exceed budgeted levels.

Majority of objectives have been accomplished; last formal report to Board of Governors, May 16, 1984.

Market is being monitored very closely; ongoing state of preparedness clearly maintained; frequently discussed with Finance Committee.

Long range financial forecasting done repeatedly as part of preparedness for refinancing bonds; long range financial plan will be integral part of long range strategic plan.

C. Financial Objectives (cont.)

7. Working through the University, establish relationships with key state legislators to make them more directly aware of significant reimbursement issues of major teaching hospitals that will arise as a result of the prospective payment system and competitive environment.
8. Continue the development of federal congressional linkages to advise and represent the interest of UMHC on general and reimbursement matters as the prospective payment system implementation continues. Special emphasis in this area for fiscal 84-85 will center on reimbursement for capital costs, severity indexing, graduate medical education funding and the maintenance of quality clinical care.

Update

Hospital link to legislators is managed on an ongoing basis through the office of the Vice President for Health Sciences.

Hospital Director organized and participated in hearing with Senator Durrenburger on graduate medical education. Hospital Director is member of Council of Teaching Hospitals Capital Cost Committee.

D. Operating and Activity Objectives

1. Work to strengthen Hospital employee relations consistent with the newly established Hospital Personnel policies, particularly in the areas of compensation policy and labor relations.
2. Work to strengthen the Hospitals' Purchasing system, consistent with the newly developed Hospital Purchasing Policies, particularly in the areas of accounts payable and storehouse distribution; to include exploration of strengthening the Hospitals' purchasing position through group purchasing agreements with similar institutions.
3. Manage an ongoing bed complement consistent with projected demand and occupancy standards established for UMHC as a part of the Unit "J" Certificate of Need and implement required organizational changes consistent with patient Unit configuration once Unit "J" is operationalized.

Update

Implementation of Personnel Policies very smooth to date; job evaluation study completed; Personnel Advisory Committee appointed and active; employee relations philosophy statement currently under review.

Implementation of Purchasing Policies very smooth to date; Hospital distribution center is now directly handling a greater proportion of supply items previously warehoused in University's General and Chemical Warehouse; Development of computerized purchasing and accounts payable system continues with a target completion date of June 30, 1985: UMHC currently participating in group purchasing study with University Hospital Consortium.

Major combination and closure of station plan implemented in September, 1984; additional reconfigurations being implemented when necessary; Bed Allocation Committee currently evaluating projected demand and occupancy standards for "J"; target evaluation completion date: April, 1985.

D. Operating and Activity Objectives (cont.)

4. Finalized the Unit "J" activation plan and begin a departmental training and orientation activities to assure a smooth transition to the new facility with a minimum of service interruption.
5. Assure the successful integration of the Health Sciences Director of Public Relations with the Hospital Administrative structure and finalize the Hospital Public Relations organization, including recruitment, as appropriate.
6. Re-evaluate the Hospital Administrative structure to assure that it continues to be sufficient to meet organizational needs.
7. Continue the Hospitals' annual giving program, and secure \$1,250,000 in gifts during the fiscal year.
8. Establish a capital giving campaign to assure funds to acquire equipment for the public and patient areas of Unit "J".

E. Construction and Renovation Objectives

1. Manage the Unit "J" construction activities, including recently approved facility upgrades and shell space completion, to assure that the project is completed on time and within budget.
2. Complete the construction of the Nuclear Magnetic Resonance space on schedule to meet August 1984 delivery schedule of equipment.

Update

Formal move planning structure to be operationalized February 1, 1985.

Ms. Sally Howard joined the Health Sciences staff in May, 1984; Hospital Division of Publications reorganized as part of new community Relations function under leadership of Ms. Roberta Collins; appropriate linkages between Hospital and Health Sciences Public Relations established; Recruitment successful in both departments.

Evaluation of administrative structure will be completed toward the end of the current fiscal year.

Goal modified to \$927,000 level; December year to date giving levels = \$394,309.

Decision made not to pursue capital giving during current fiscal year based on findings of Flessner Report.

Funds approved for facility upgrades and shell space completion; working drawings complete or in progress; "J" is on schedule and \$11 million under budget.

Magnetic Resonance Imaging unit is operational; first human procedure done January, 1985.

E. Construction and Renovation Objectives (cont.)

3. Complete the Mayo/Heart Hospital renovations Planning Project by December of 1984 and work with the Board of Governors and the Board of Regents in determining the appropriateness of planned renovations directed at patient care delivery efficiency and cost.

4. Establish a plan by December of 1984 relative to the completion of the fourth and sixth level of building B/C shell space that is integral to the Unit "J" construction and Mayo/Heart renovation projects.

5. Renovate physical facilities in accordance with the guidelines set forth in the Mayo/Heart Renovation Plan and the 1984-85 Capital Budget only.

Update

Final recommendation of Renewal and Renovation Task Force were endorsed by Board of Governors in December 1984 and presented to Regents for information in January, 1985; Regents will be asked to approve plan in February; master planning continues.

Space not allocated; pending review and approval of Clinical Program Development Fund proposals and conclusion of Mayo/Heart renovation planning.

Renovation in accordance with guidelines unless exception specifically granted by Hospital Director.

MINUTES
Joint Conference Committee
Board of Governors
January 9, 1985

ATTENDANCE: Present: Barbara O'Grady, Committee Chair
Dr. Paula Clayton
Phyllis Ellis
Robert Latz
Robert Maxwell, M.D.
C. Edward Schwartz

Absent: James Moller, M.D.
Glenn Gullickson, M.D.

Staff: Jan Halverson
Ed Howell
Greg Hart
Geoff Kaufmann
Barbara Tebbitt

APPROVAL OF MINUTES

The minutes of the December 12, 1984 meeting were approved as submitted.

MEDICAL STAFF HOSPITAL COUNCIL REPORT

Dr. Maxwell reported on behalf of Dr. Moller on the December 11, 1984 meeting of the Medical Staff Hospital Council. Dr. Maxwell indicated that the Committee discussed a set of recommendations from the Transfusion Therapeutics Committee which identified guidelines for utilization of blood platelets. The Council also discussed the need to raise the malpractice requirements for clinical medical staff members to \$1,000,000 and to add the Regents as named insured in the policies of the clinical medical staff members. Bylaws revisions are currently being developed in this area and will be brought through the Medical Staff Hospital Council and the Council of Clinical Chiefs in February or March.

Dr. Maxwell also indicated that the Medical Staff Hospital Council had approved the Credentials Committee recommendations. The Joint Conference Committee acted to endorse the Credentials Committee report.

TISSUE AND PROCEDURE REVIEW COMMITTEE OVERVIEW

Dr. Maxwell, chairperson of the Tissue and Procedure Review Committee, reported on the role, membership, and activities of the Tissue and Procedure Review Committee. He indicated that approximately two years ago the committee had adopted a mechanism to review all tissue removed intraoperatively. This system "codes" all tissues and brings cases in which there are significant concern before the committee. Dr. Maxwell also described the range of actions open to the committee and the committee's experience over the past two years.

CLINICAL CHIEFS REPORT

Dr. Paula Clayton reported on behalf of the Clinical Chiefs. She indicated that the Chiefs new organization is moving forward but that a formal meeting and appointment of officers has not yet occurred. Dr. Clayton also reported on the successful appeal of professional payments for psychiatric services rendered to GAMC patients.

JOINT CONFERENCE COMMITTEE EVALUATION

Ms. O'Grady opened this discussion by indicating that as a follow up to the overall Board of Governors evaluation, the Joint Conference Committee might wish to evaluate its performance and future role. Mr. Hart described the types of quality assurance activities which the Joint Conference Committee has focused on during the last two years. It was noted that the activities are primarily oriented toward broad systems and medical care in general. There has historically been little involvement of the Joint Conference Committee in issues more directly related to patient care and service. Along these lines, Mr. Hart reported on the current status of the development of a new patient questionnaire, and indicated that the Joint Conference Committee might wish to review the questionnaire and data generated by it in future

meetings. It was also suggested that future agendas include a report from the Patient Relations Program, a report on Home Care/Discharge Planning, and a report on the Hospitals' DNR policy.

There being no further business the Committee adjourned at approximately 8 p.m.

Respectfully submitted,

Greg Hart, kj
Greg Hart

GH/kj



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 31, 1984

TO: Board of Governors

FROM: Henry Buchwald, M.D.
Chairman, Credentials Committee

SUBJECT: Credentials Committee Report and Recommendations

The Credentials Committee after examining all pertinent information provided to them concerning the professional competence and other necessary qualifications, hereby recommend the approval of provisional status and clinical privileges to the following applicants to the Medical Staff of the University of Minnesota Hospitals and Clinics.

<u>Hospital Dentistry</u>	<u>Category</u>
John C. Marker	Clinical
Franklin R. Stickel	Clinical
<u>Medicine</u>	
Charles V. Andres	Attending (Director, Emergency Room)
Steven F. Duane	Clinical
Daniel H. Frenning	Clinical
James W. Leatherman	Clinical
Ellis G. Levine	Attending
Robert K. Meiches	Attending
Dennis E. Niewoehner	Clinical
Kathleen V. Watson	Attending
<u>Neurosurgery</u>	
Robert R. Hansebout	Attending
<u>Psychiatry</u>	
James A. Halikas	Attending
<u>Surgery</u>	
Thomas D. Dressel	Attending
David R. Knighton	Attending

The following physicians and dentists are completing their provision status and are eligible for regular appointments as members of the Medical Staff of the University of Minnesota Hospitals and Clinics. The Credentials Committee have reviewed recommendations concerning their appointments and hereby recommend approval.

<u>Hospital Dentistry</u>	<u>Category</u>	<u>Date Eligible</u>
Graeme A. Browne	Clinical	October 25, 1984
Mohamed S. El Deeb	Attending	July 25, 1984
Chester J. Schultz, Jr.	Clinical	October 25, 1984
<u>Pediatrics</u>		
David J. Klein	Attending	October 25, 1984
Joseph L. Rigatuso	Clinical	October 25, 1984
Douglas Y. Tate	Clinical	October 25, 1984

The following physicians have submitted applications and supporting documentation requesting addition and/or deletion of clinical privileges. The Credentials Committee have reviewed and considered their requests and hereby recommend approval.

Medicine

Linda Hedemark
 Marshall Hertz

Stuart Lancer
 Nancy L. Meryhew

Otolaryngology

George L. Adams
 Norman T. Berlinger
 Robert Maisel

Privileges

Addition of laser bronchoscopy.
 Addition of Pulmonary disease including procedures.
 Deletion of Emergency Room privileges.
 Deletion of Emergency Room privileges.
 Deletion of Emergency Room privileges.
 Addition of laser excisions or other soft material laser procedures.
 Addition of laser endoscopy & laser tumor excisions.
 Addition of laser procedures.

The following physician has submitted an application for change in medical staff category. The Credentials Committee hereby recommends approval of the request as submitted.

<u>Otolaryngology</u>	<u>From</u>	<u>To</u>
Timothy T.K. Jung	Attending	Clinical

The Credentials Committee recommends acceptance of resignations from the medical staff and Specified Professional Personnel (psychologist) as submitted.

Included below are several individuals who have left the University of Minnesota and their faculty appointments have been terminated without the submission of resignations. The Credentials Committee recommends termination of their appointments.

Hospital Dentistry

Daniel E. Waite

Medicine

Charles Herzog

Kalle Kang (faculty termination)

P. William Ludwig

David A. Plut

Psychologists

James L. Ayers (faculty termination)

Susan E. Erbaugh

Minutes
Planning and Development Committee
Board of Governors
Wednesday, January 9, 1985

CALL TO ORDER:

Committee Chairman Al Hanser called the January 9, 1985 meeting of the Planning and Development Committee to order at 10:35 a.m., in Hospital Dining Room #3.

ATTENDANCE: Present: Al Hanser, Committee Chair
Geoff Kaufmann
William Krivit, M.D.
John LaBree, M.D.
Virgil Moline
C. Edward Schwartz
I. Dodd Wilson, M.D.

Absent: Clint Hewitt

Staff: Cliff Fearing
Greg Hart
Ed Howell
Nancy Janda
Mark Koenig
Ken Merwin

Guests: Bill Herrick

APPROVAL OF MINUTES:

The Planning and Development Committee seconded and passed a motion to approve the minutes of the December 12, 1984 meeting as written.

RENEWAL PROJECT PROGRESS REPORT:

Mr. Mark Koenig summarized the recent project on the Unit J facility. Final change order work continues in the Magnetic Resonance Imaging suite. The M.R.I. is currently in operation and the first human diagnostic exam was done on December 31, 1984. The contractors continue to work on the demolition of the southeast portion of the Mayo building to ready the area for its link to Unit J and the construction of the northwest corner of

Unit J first floor. Interior work is progressing throughout the building. Two packages remain to be sent out for bid, the site work and the final cleanup. Lastly, Mr. Koenig reported that the average daily manpower on site in December was 260.

COMPUTER REPLACEMENT PROJECT

Mr. Greg Hart reviewed three key measures of computer capacity including processing utilization, response time and memory capacity, all which indicate that the UMH&C current main-frame computer has reached a saturation point. Mr. Hart briefly reviewed the options of trying to expand the capacity of the current main-frame, of trying to supplement the main-frame with mini or micro computers that would function in a de-centralized fashion and the potential of selectively eliminating some of the applications. He explained that each of these options, had to varying extents, been employed during the last 12 to 18 months and that given the increased need for integrated information, the replacement of the main-frame had been deemed necessary. The recent information systems analysis done by Ernst & Whinney supported this conclusion.

Mr. Hart also reported that an analysis was performed to determine the least costly way of financing the proposed \$2.5 million acquisition of a new main-frame. Of the options available, financing using a portion of the proceeds of the university's recent variable rate demand bond sale is most economical.

In conclusion, the Planning and Development Committee seconded and passed a motion to endorse the recommendation to authorize the expenditure of up to \$2.5 million for the computer replacement project.

DEVELOPMENT UPDATE

Mr. Ken Merwin announced recent changes in the leadership at the University of Minnesota Foundation, noting that Mr. Steven Roszell recently became the new Executive Director and that Mr. Dave Phillips replaced Mr. Dick Meyer as Director of Development.

Secondly, Mr. Merwin discussed the proposed modifications to the federal tax code with the committee. Treasury Secretary Donald Regan has recommended that contributions could be deducted only to the extent that they exceed 2% of adjusted gross income. The current code contains no such threshold. The treasury secretary also recommended, Mr. Merwin reported, the repeal of the 1981 federal legislation permitting charitable deductions for tax payors who do not itemize their gifts. Thirdly, the proposed modifications to the tax code would allow deduction of gifts of appreciated property only to the extent of original cost, rather than current market value.

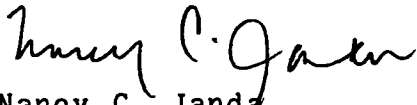
The Committee discussed the potential impacts that these reforms in the tax code might have on the Hospitals. Mr. Merwin agreed to provide additional information on this topic to committee members, should they be interested in contacting members of the Minnesota Congressional Delegation.

Lastly, Mr. Merwin summarized giving levels year to date. Through December, \$132,209 cash gifts have been received. Additionally, \$262,000 in expectancies had been booked for a total of \$394,309. The goal for fiscal year 1984-85 is \$927,000.

ADJOURNMENT:

There being no further business the meeting of the Planning and Development Committee was adjourned at 11:30 a.m.

Respectfully submitted,



Nancy C. Janda
Executive Assistant
to the Board of Governors

Minutes
Finance Committee
University of Minnesota Hospitals & Clinics
December 19, 1984

**MEMBERS
PRESENT:** Al France
Shelley Chou, M.D.
Clifford Fearing
Jerry Meilahn
C. Edward Schwartz
Villis Vikmanis

**MEMBER
ABSENT:** Mary Des Roches

STAFF: Greg Hart
Nancy Janda
Nels Larson
Jane Morris
Barb Tebbitt

GUESTS: Bill Herrick
Mark Koenig

**CALL TO
ORDER:** The meeting of the Finance Committee was chaired by
Mr. Al France and was called to order at 9:40 a.m. in the Dale
Shepherd Room of the Campus Club.

**MINUTES
APPROVED:** The minutes of the November 28, 1984 meeting of the
Finance Committee were approved.

**1983-84 AUDITED
FINANCIAL
STATEMENTS
(INFORMATION):** Mr. Fearing stated that two adjustments were made by the
auditors, Touche Ross & Co., to the audited financial
statements:

- 1) An adjustment was made to Board Designated
Cash for the receipt of a 1982 and 1983
Medicare Settlement of \$2 million for
Graduate Medical Education expenses.
- 2) An analysis by Touche Ross of the receiv-
ables lead to a reduction of \$1.5 million
to the allowance for bad debt accounts.

Mr. Fearing informed the Committee that the Regents have
approved the selection of Peat, Marwick and Mitchell as the new
auditors for the Hospital and the University under a 5 year
contract.

**NOVEMBER YTD
FINANCIAL
STATEMENTS
(INFORMATION):**

Mr. Fearing reviewed the Report of Operations for the period July 1, 1984 through November 30, 1984. He stated that Inpatient admissions were 120 below projections at 1,420, and patient days also fell short of projections at 12,582 for the month of November. Two areas that have impacted admissions in particular are Otolaryngology and Obstetrics. These departments have both experienced loss of their chairman, and Obstetrics recently lost a major contract with Group Health. Outpatient visits are 1.3% above projections at 16,012. Further increases are expected in the outpatient area when the Sports Medicine Clinic officially opens.

The Statement of Operations shows net revenue over expense of \$6,825,101, a favorable variance of \$4,103,421 composed of \$2,742,000 in net revenues from operations and \$1,362,000 in interest income from our reserve account.

Accounts receivable continued to increase in November to 93.6 days of revenue outstanding, totaling \$48,914,664. The Hospital has, however, reached a mutual agreement with Blue Cross Blue Shield to provide UMHC with an advance that is equivalent to the average outstanding balance in all accounts over 15 days that are on their system. This arrangement will go into place on January 1, 1985, along with the the new AWARE contract.

Regarding the cash flow statement, Mr. Fearing stated that total operating cash available of \$4,321,153 plus transfers to Renewal Project of \$1,666,666, plus transfers to plant of \$1,273,798, equal cash generated from operations of \$8,594,951.

**COMPUTER
REPLACEMENT
PROJECT
(INFORMATION):**

Mr. Hart first introduced Mr. Bill Herrick, the Director of the Hospitals computer and data processing center. He then presented a recommendation to replace the Hospitals mainframe computer hardware. This recommendation is being presented to this Committee, the Planning and Development Committee and the Board of Governors for information, with action requested at the January meetings of the committees and full Board. Mr. Hart stated that the firm of Ernst & Whinney was engaged as a consultant to develop a hardware plan and a 5 year information systems development plan, and they are strongly supporting the recommended hardware expansion.

Mr. Herrick presented several graphs to the Committee illustrating the growth of transactions and need for systems upgrade/expansion. He stated that the best alternative was determined to be the Burroughs A9F.

Acquisition of this hardware is expected to cost approximately \$2.5 million. Mr. Fearing explained that the most likely financing option is an outright purchase from Burroughs using variable rate bonds.

**RENOVATION &
RENEWAL TASK
FORCE REPORT
(ENDORSEMENT):**

Mr. Schwartz summarized the recommendations to the Committee regarding the use of Unit J surplus emphasizing the importance of maintaining the Psychiatry Program and why an investment needs to be made in that program at this time.

Mr. Fearing showed, on schematic drawings, which spaces would be occupied by Psychiatry and the displaced departments when the move takes place. He stated that Dr. Clayton has made significant improvements in increasing census in Psychiatry and felt that it would be possible to achieve a breakeven position in that program in 1984-85. He added that remodeling for the move could be started anytime between September 1985 and March 1986, depending on the displaced departments involved.

Mr. France suggested that the possible construction of a parking ramp be excluded from these recommendations and that the resolution to be recommended to the Board of Governors include only points 1 - 4 as listed in the summary:

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.

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

**VARIABLE RATE
REFUNDING BONDS
STATUS REPORT
(INFORMATION):**

Mr. Fearing informed the Committee that earlier this month, the Board of Regents gave authority to do a regular fixed rate refunding, if interest rates drop to 9.6%. Authority to refund using variable rate bonds was not sought, but was presented to the Regents for information at the last meeting. He added that requests for financing proposals were mailed on December 18th and are due back to the University on January 4th.

**CAPITAL
EXPENDITURE
POLICY
(ENDORSEMENT):**

Mr. Schwartz asked that the Committee endorse the proposed Policy Statement on Capital Expenditures, which had been revised to incorporate the suggestions proposed in previous committee meetings to clarify its intent. (See attached Policy)

A motion was made and approved by the Committee to endorse the Policy on Capital Expenditures and to recommend it to the full Board of Governors.

**AIR AMBULANCE
CONSORTIUM/
SEPARATE LEGAL
ENTITY
(ENDORSEMENT):**

Mr. Schwartz gave a brief summary of the Hospitals' activities involving the formation of a consortium composed of UMHC, Abbott Northwestern and St. Paul Ramsey hospitals for the purpose of developing a helicopter air ambulance program. This Consortium would constitute a separate legal entity to acquire Bio Medical Research Associates (BMRA) who would provide the actual transportation services for the Consortium.

The proposed resolution was amended to read as follows:

The Finance Committee endorsed the development of a separate legal entity 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.

A motion was made and approved by the Committee to endorse the resolution as amended and to recommend it to the full Board of Governors.

ADJOURNMENT:

There being no further business, the meeting of the Finance Committee was adjourned at 12:10 p.m.

Respectfully submitted,



Jane E. Morris
Recording Secretary

Minutes
Finance Committee
University of Minnesota Hospitals & Clinics
January 23, 1985

**MEMBERS
PRESENT:** Al France
Shelley Chou, M.D.
Clifford Fearing
Jerry Meilahn
C. Edward Schwartz

**MEMBERS
ABSENT:** Mary Des Roches
Vic Vikmanis

STAFF: Greg Hart
Nancy Janda
Nels Larson
Jane Morris
Helen Pitt

GUESTS: Dave Cost
Bill Herrick

**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 December 19, 1984 meeting of the
Finance Committee were approved.

**DECEMBER YTD
FINANCIAL
STATEMENTS
(INFORMATION):** Mr. Fearing reviewed the Report of Operations for the
period July 1, 1984 through December 31, 1984. He stated
that both inpatient admissions and patient days were below
seasonal projections. Admissions totaled 1,218, falling short
of projections by 223, and patient days of 11,215 were 2,491
below projections for the month of December. Outpatient clinic
visits totaled 14,371 and were 10.0% below projected visits of
15,972 for December.

The Statement of Operations shows net revenue over expense of
\$6,871,377. This variance over budget of \$4,904,714, continues
to reflect the favorable variance in net revenues from
operations and a favorable variance in non-operating revenues.

The balance in accounts receivable for December totaled \$49,321,301, representing 96.8 days of revenue outstanding. Mr. Fearing stated that the increase in accounts receivable is typical for the month of December and hopefully represents the peak of this trend. He reported to the Committee that an advance has been received from BCBSM and that resolutions are still being worked toward with Medical Assistance.

Regarding the cash flow statement, Mr. Fearing stated that total operating cash available of \$4,762,640 plus transfers to renewal project of \$2,000,000, plus transfers to debt retirement of \$1,600,000 plus transfers to plant of \$1,510,547 equal cash generated from operations of \$9,873,187.

**VARIABLE RATE
REFUNDING BONDS
(INFORMATION):**

Mr. Fearing informed the Committee that the proposals for the variable rate advanced refunding on the 1982 Series Bonds for the Renewal Project were received in December and have been evaluated. Although Merrill Lynch had been working with the Hospital regarding the possibility of a refunding, two firms, Goldman Sachs and Drexel, Buranham & Lambert, offered packages that far surpassed the Merrill Lynch proposal. Goldman Sachs will be the senior underwriter for the refunding which could occur as early as next week.

Mr. Fearing added that two changes need to be taken up with the Regents before the advanced refunding can take place: 1) make the refunding bonds a University General Obligation Issue in order to make the bonds more attractive on the market; 2) obtain authorization to revise the Regents previous resolution requiring use of the same underwriting banking team. Mr. Fearing stated that Vice President Lilly is in agreement with these revisions and there should be no trouble obtaining Regents approval.

**COMPUTER
REPLACEMENT
PROJECT
(ENDORSEMENT):**

Mr. Hart asked for Finance Committee approval of the Computer Replacement Project which was presented for information at last month's Committee meeting. He reiterated that present computer hardware has been saturated and has not been providing satisfactory performance. The project acquisition cost will be \$2.5 million and would be best financed using a portion of the proceeds from the University's existing variable rate demand bond issue.

After some discussion regarding the increase in the original estimated cost and present acquisition estimates, a motion was made and approved by the Committee to endorse the expenditure of up to \$2.5 million for the computer replacement project and to forward this project proposal to the full Board of Governors for their approval.

**UMHC PARKING
RAMP - STATUS
REPORT
(ENDORSEMENT):**

Mr. Schwartz introduced to the Committee a paper outlining a potential new Hospital patient and visitor parking facility. He indicated the probable location of the facility would be on Delaware St. between Harvard and Walnut streets, and the approximate size of the ramp would provide for 560 parking spaces. Mr. Schwartz further explained that it would be the Hospitals' intention to acquire the property, operate and build the ramp as a Hospital project rather than the University's. In this way, the Hospital could more appropriately serve patient and visitor needs.

Mr. Fearing reviewed a schedule showing a forecast statement of operations for the parking ramp over a 5 year period and assuming no equity contribution by the Hospital. Mr. Schwartz added that this facility will be paid for by parking revenues, not by using patient care revenues.

Mr. Schwartz asked for approval of the following recommendation:

It is recommended that the Finance Committee endorse and forward to the Board of Governors, for further consideration, the concept of the Hospitals building and operating a patient/visitor parking ramp, with the understanding that the Hospitals would proceed with the required planning steps and submit a specific architectural plan for consideration by the Board at the earliest possible date.

A motion was made and approved by the Committee to endorse the above and to recommend it for approval to the full Board of Governors.

**HOSP. CORPORATE
MEMBERSHIP ON
BCBSM BOARD
(ENDORSEMENT):**

Mr. Schwartz informed the Committee that his term as a Hospital Corporate Member of the Blue Cross Blue Shield of Minnesota (BCBSM) Board expired in 1984. Per the notice received from BCBSM, they are now asking for Board of Governors certification of the persons elected to serve in this capacity. UMHC is eligible for three members, and currently Clifford Fearing and Jan Halverson are serving terms ending in 1986.

A motion was made and passed by the Committee to extend Mr. Schwartz's term as a Hospital Corporate Member to BCBSM for three years and to recommend this for approval by the full Board of Governors.

Mr. Fearing announced that this Committee meeting would be the last attended and chaired by Mr. France. On behalf of the Finance Committee, he thanked Mr. France for his years of service on this Committee and the Board of Governors. Mr. Schwartz added that preparations are being made for a dinner honoring Mr. France and the other outgoing Board members (to be announced at a later date).

ADJOURNMENT:

There being no further business, the meeting of the Finance Committee was adjourned at 11:30 p.m.

Respectfully submitted,



Jane E. Morris
Recording Secretary

January 23, 1985

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

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

For the month of December the Hospital experienced inpatient admission levels and outpatient clinic visit levels that were below seasonal projections. The decline in census was experienced in nearly all service areas. Offsetting the impact of the lower census has been higher than anticipated ancillary service utilization together with overall expenditure levels that are below budget. To highlight our position:

Inpatient Census: Admissions for the month of December totaled 1,218, or 223 below projected admissions of 1,441. Patient days for December totaled 11,215 and were 2,491 days below projections. The patient day variance for the month is due to the combined effect of the decline in admission levels and a shorter overall length of stay.

December's census activity reduced our admissions variance from 154 (1.9%) below budget at the end of November to 377 (3.9%) below budget as of the end of December. The patient day variance declined from 5,954 days (7.9%) below budget at the end of November to 8,445 days (9.5%) below budget at the end of December.

To recap our year-to-date inpatient census:

	<u>1983-84</u> <u>Actual</u>	<u>1984-85</u> <u>Budget</u>	<u>1984-85</u> <u>Actual</u>	<u>Variance</u>	<u>%</u> <u>Variance</u>
Admissions	9,916	9,715	9,338	<377>	<3.9>
Avg. Lgth. of Stay	9.3	9.1	8.5	<0.6>	<6.6>
Patient Days	94,066	89,115	80,670	<8,445>	<9.5>
Percent Occupancy	69.5	70.6	64.5	<6.1>	<8.6>
Avg. Daily Census	511.2	484.3	438.4	<45.9>	<9.5>

Outpatient Census: Clinic visits for the month of December totaled 14,371 or 1,601 (10.0%) below projected visits of 15,972. The decline in outpatient activity occurred throughout the clinics and is consistent with, but somewhat less severe, than the decline in the inpatient census. Our year-to-date clinic census through December totals 103,291 visits, and represents a favorable variance of 530 visits (0.5%) above projected levels.

Financial Operations: The Hospitals' statement of Operations shows total revenues over expense of \$6,871,377, a favorable variance of \$4,904,714. This overall variance continues to reflect both a favorable variance in net revenues from operations and a favorable variance in non-operating revenues.

Patient care charges through December totaled \$93,635,827 and are \$2,940,858 (3.2%) above budgeted levels. Routine revenue is 6.7% below budget and reflects the overall patient day variance. Ancillary revenue remains 9.0% above budget and continues to reflect utilization levels per patient that are higher than anticipated.

Operating expenditures through December totaled \$82,055,985 and are approximately \$2,565,000 (3.0%) below budgeted levels. The overall favorable variance continues to be reflected in nearly all expense categories. Drugs, and Blood and Blood Derivatives, continue to show unfavorable variances and reflect higher than anticipated utilization levels.

Accounts Receivable: The balance in patient accounts receivable as of December 31, 1984 totaled \$49,321,301 and represents 96.8 days of revenue outstanding. While total receivables increased by approximately \$406,000 during the month of December, the number of days of revenue outstanding increased by 3.2 for the month due to a decline in our average daily revenue. The decline in the average daily revenue at this time of year is typical and reflects the lower census levels over the holidays.

Conclusion: As of the end of the second quarter, the Hospitals' overall financial position remains positive and above budgeted levels. We continue to monitor our demand for service, and to the extent it changes, we will make those operational changes that are necessary and appropriate.

/jem

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

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

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	\$90,694,969	\$93,635,827	\$2,940,858	3.2%
Deductions from Charges	15,066,889	17,190,102	2,123,213	14.1%
Other Operating Revenue	1,719,348	1,589,274	-130,074	-7.6%
Total Revenue from Operations	\$77,347,428	\$78,034,999	\$687,571	0.9%
Expenditures				
Salaries	\$40,541,032	\$39,244,680	\$-1,296,352	-3.2%
Fringe Benefits	8,231,371	7,115,976	-1,115,395	-13.6
Contract Compensation	4,245,900	4,244,783	-1,117	-0.0%
Medical Supplies, Drugs, Blood	12,430,568	12,898,975	468,407	3.8%
Campus Administration Expense	2,845,192	2,845,192	0	
Depreciation	3,308,537	3,362,618	54,081	163.5%
General Supplies & Expense	13,018,747	12,343,761	-674,986	-5.2%
Total Expenditures	\$84,621,347	\$82,055,985	\$-2,565,362	-3.0%
Net Revenue from Operations	\$-7,273,919	\$-4,020,986	\$3,252,933	
Non-Operating Revenue				
Appropriations	\$6,574,446	\$6,522,508	\$-51,938	-0.8%
Interest Income on Reserves	1,523,420	3,303,220	\$1,779,800	116.8%
Shared Service	205,072	207,220	2,148	1.0
Investment Income on Trustee Held Assets	937,644	859,415	-78,229	-8.3
Total Non-Operating Revenue	\$9,240,582	\$10,892,363	\$1,651,781	17.9%
Revenue Over / -Under Expenses	\$1,966,663	\$6,871,377	\$4,904,714	(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

January 23, 1985

TO: Members, Board of Governors
FROM: C. Edward Schwartz, Hospital Director
SUBJECT: Computer Replacement Project



During the month of December, the Planning and Development Committee, the Finance Committee and the Board of Governors reviewed the proposed Hospitals' computer replacement project for informational purposes. The Planning and Development Committee endorsed the project proposal on January 9, 1985. The Finance Committee has been asked to do the same at its January meeting. We are requesting that following Finance Committee endorsement on January 23, 1985, the full Board review and approve this program.

Enclosed you will find background information on the project. The Ernst and Whinney executive summary of their study of the Hospitals information systems is included.

Over the course of the past several weeks we have completed an analysis of the alternate funding mechanisms for this mainframe computer replacement and have determined that using a portion of the proceeds from the University's existing variable rate demand bond issue is the best financing arrangement.

Based on this information, we recommend that the Board of Governors approve the expenditure of up to \$2,500,000 for the computer replacement project.

We will be happy to answer any questions that you may have at your meeting next week.

CES/sds

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 ~

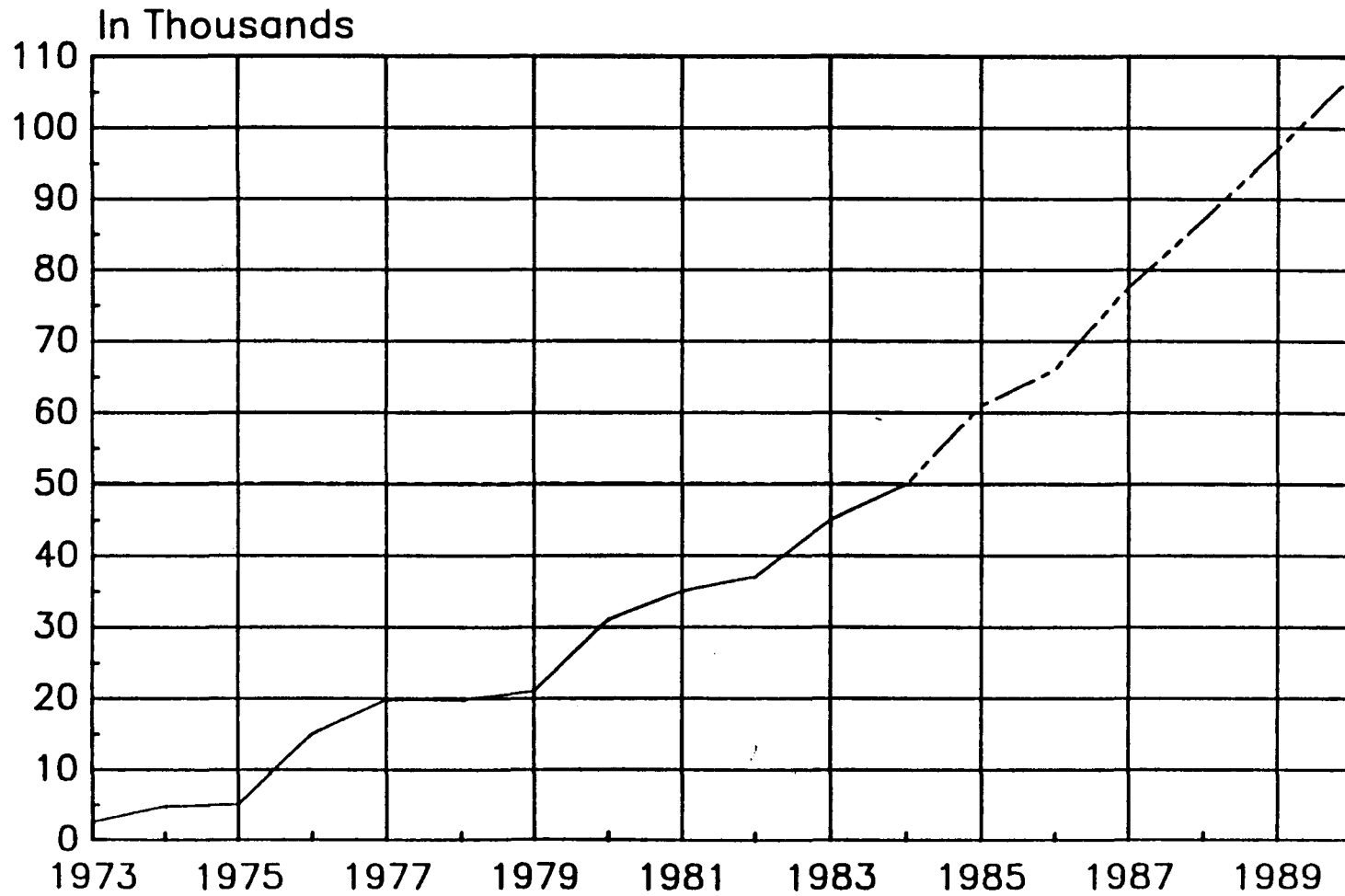
	1989	-	2 X A15 ?
	1985	-	2 X A9F
	1981	-	2 X 6900
	1980	-	B 6810
	1979	-	B 6807
B 4800			
B 4700	-	1977	
B 3700	-	1975	
B 3500	-	1973	
B 2500	-	1970	

Shared Service

On~Line Activity

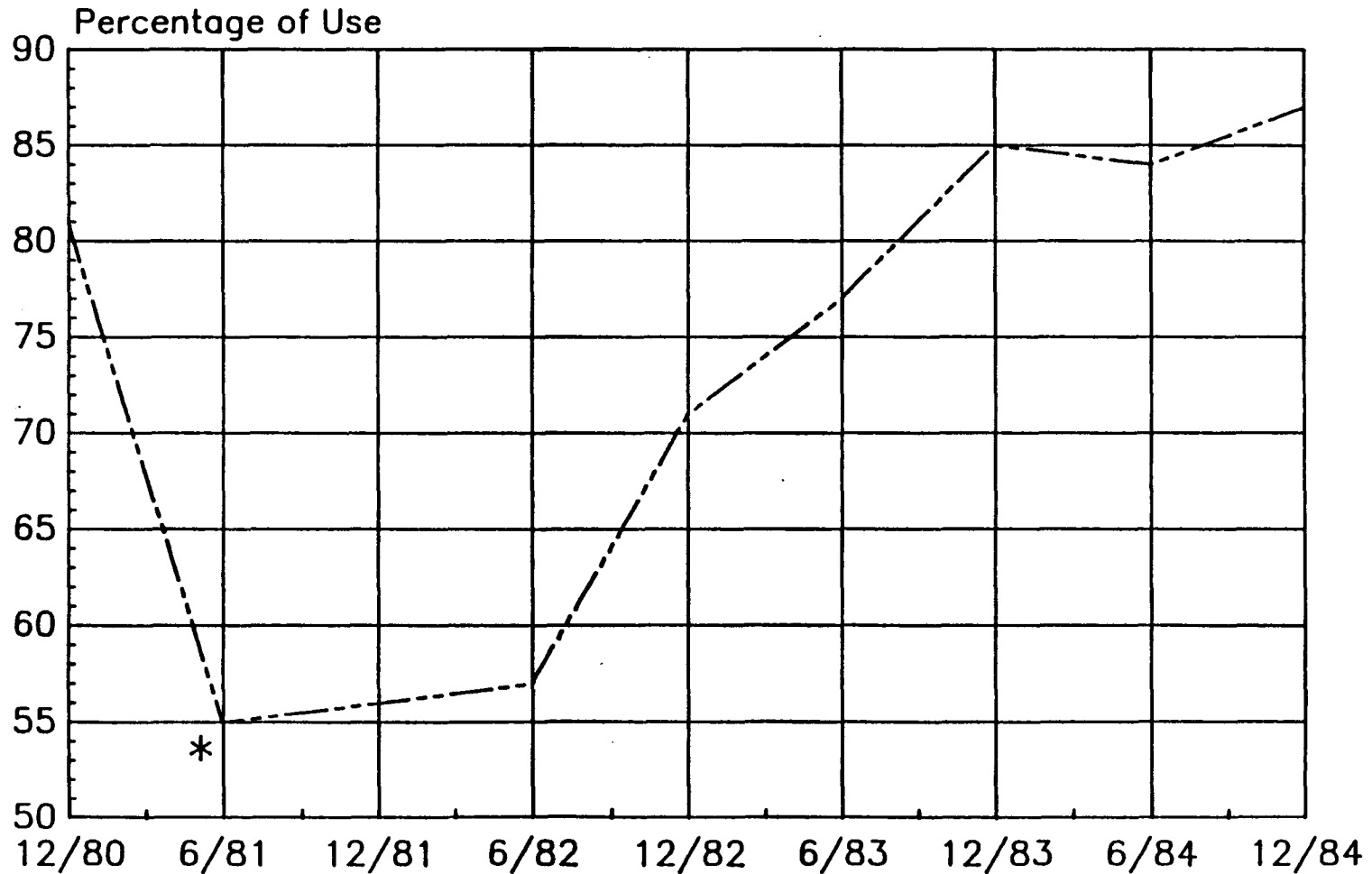
ACTUAL

PROJECTED



PROCESSOR UTILIZATION

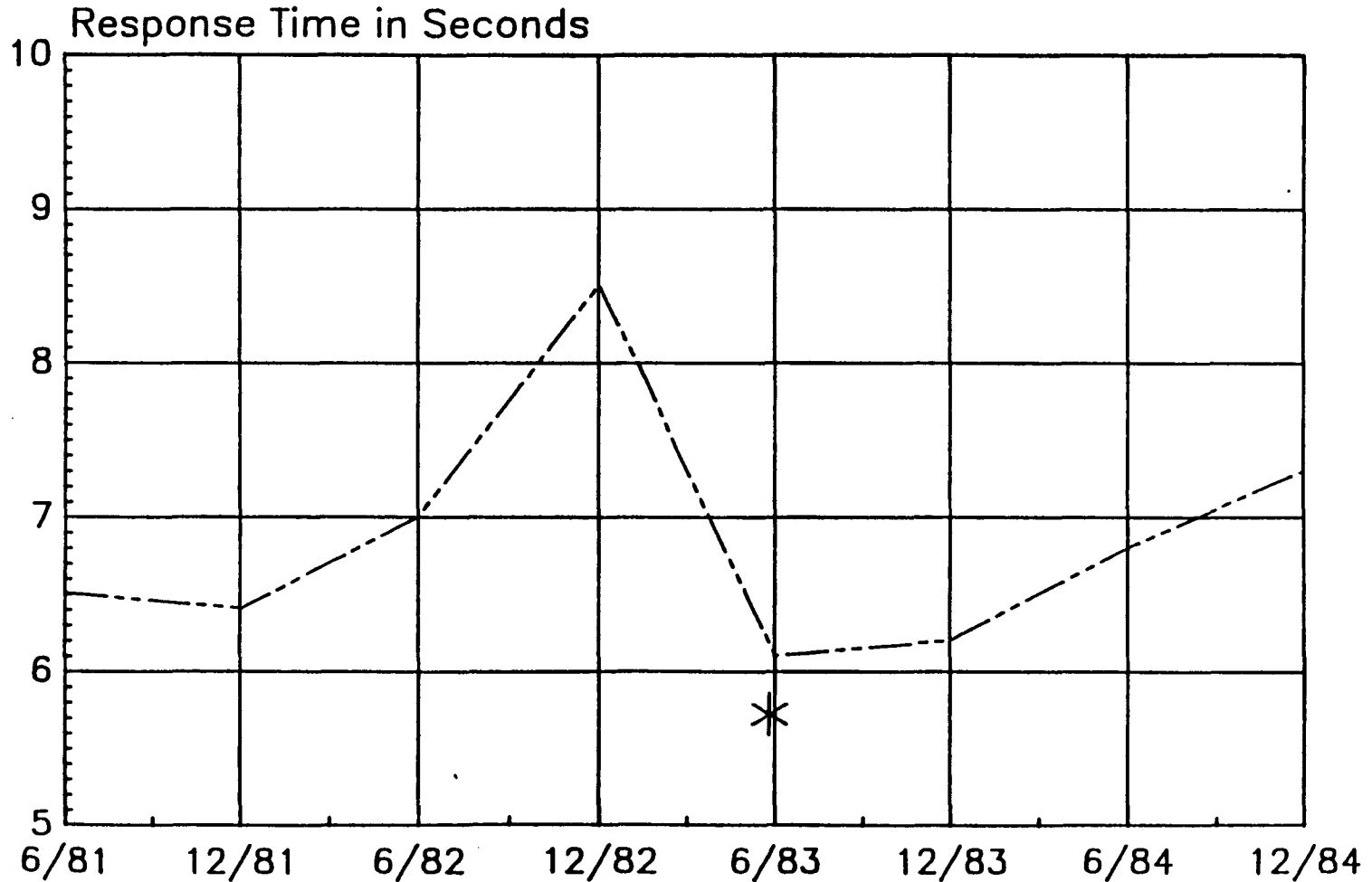
PERCENTAGE OF USE



* Systems Development Moved to Alternate Processor

Data Communications Response Time

SECONDS

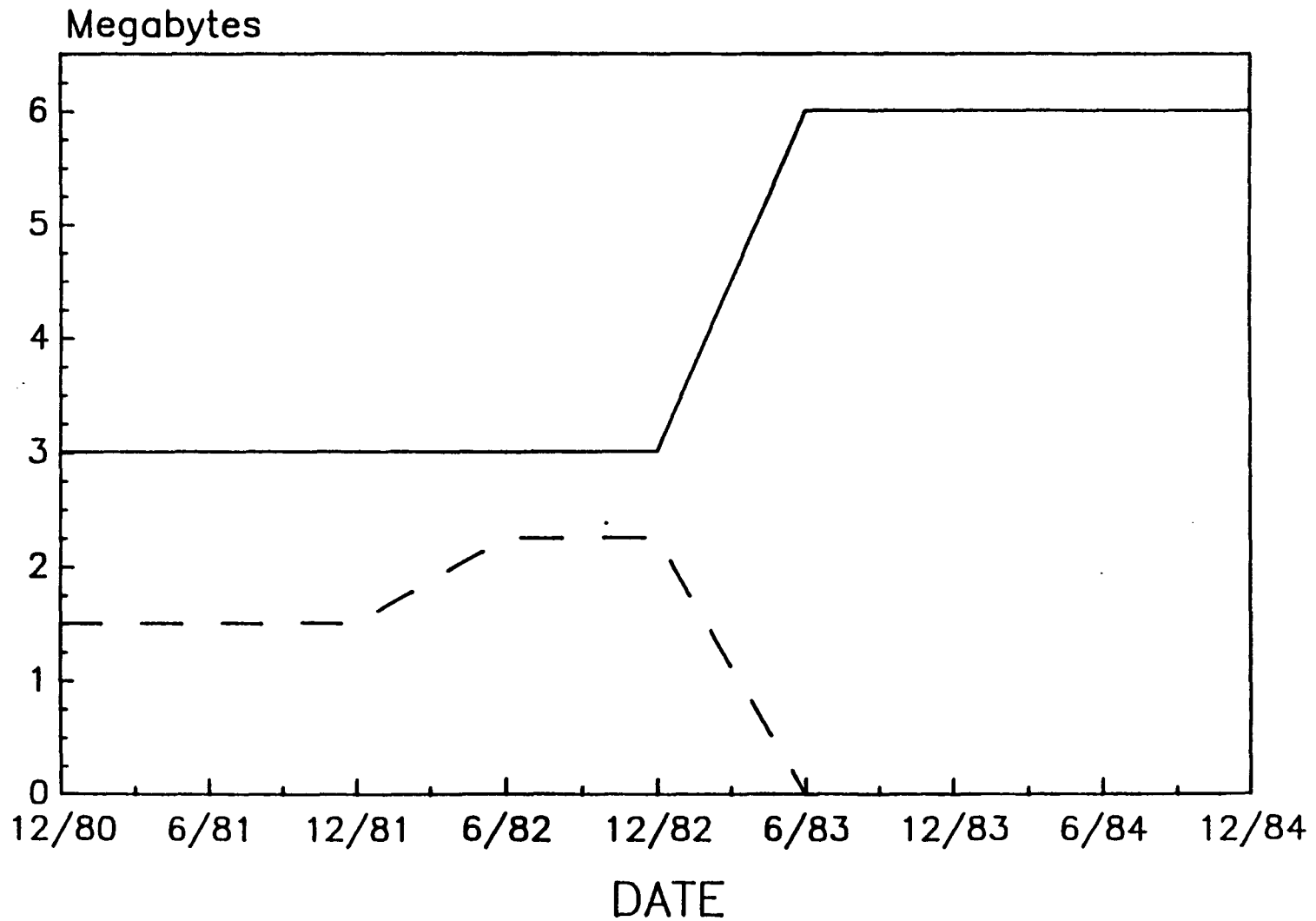


* Expand to Maximum Memory Capacity

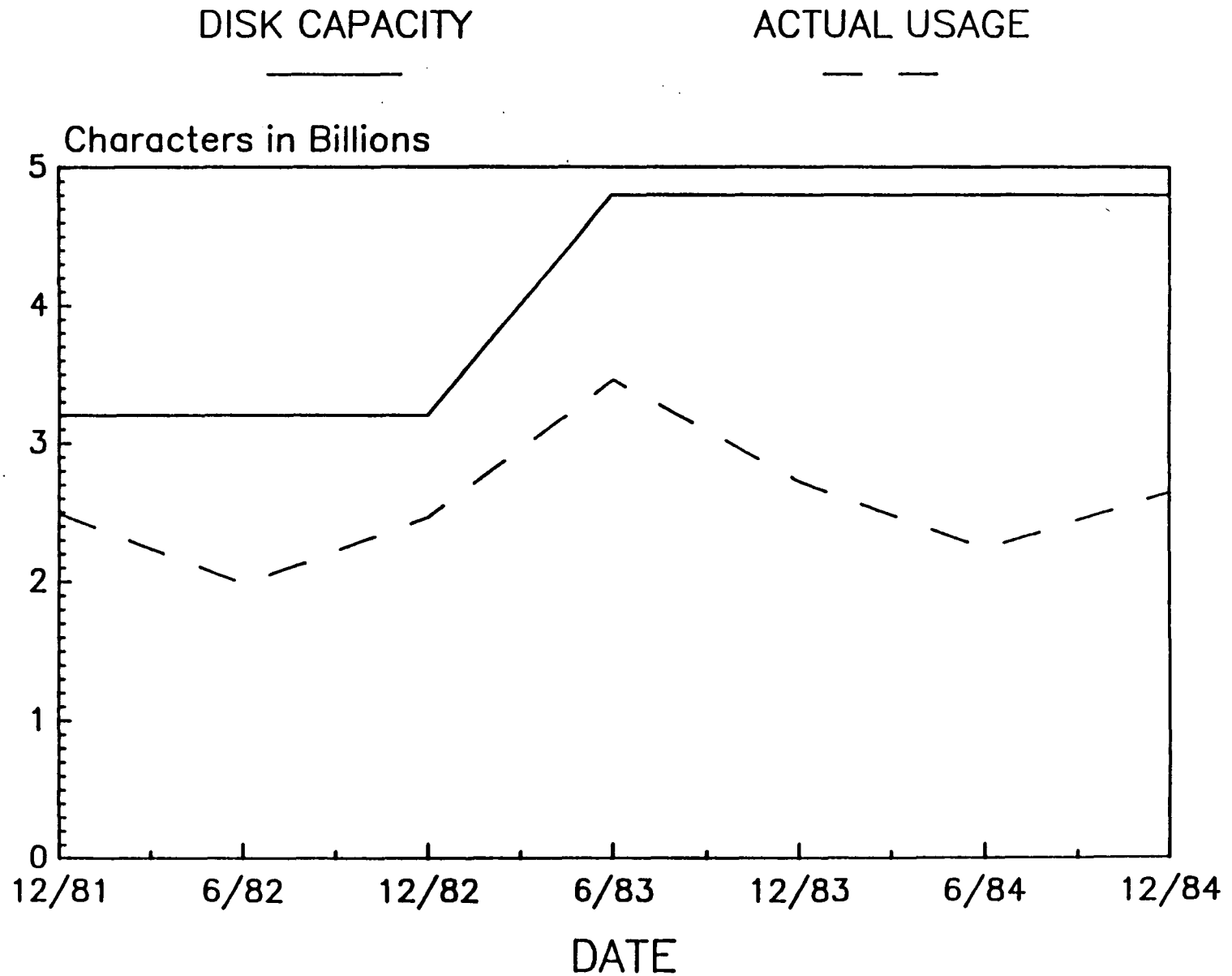
MEMORY CAPACITY

MAIN MEMORY

EXTENDED MEMORY



UTILIZATION OF STORAGE CAPACITY



PAPER FOR THE
BOARD OF GOVERNORS

JANUARY 23

HOSPITAL PATIENT AND VISITOR PARKING FACILITY

BACKGROUND

The University has conducted several access and parking studies over recent months, all of which confirm that there is an acute shortage of parking spaces and a need to improve access to parking facilities. The shortages exist in virtually every category, i.e., the faculty, staff, students, patients and visitors. There are several efforts underway by the University to improve the access situation and to provide more and better faculty and staff parking facilities. One aspect of these several studies has specifically addressed patient and visitor parking.

The University and the Hospitals, with the assistance of BRW, Inc., a planning, transportation and parking consulting firm, have analyzed several sites where a new patient/visitor facility might be located. The prime consideration was given to the proximity of the new facility to the outpatient clinics and the entrance to Unit "J" and to the major ingress and egress routes to the facility from major highways. Consideration was also given to those sites where property was already owned by the University. The site selected by the University is the block bounded by Washington, Delaware, Walnut and Harvards Streets. (Site map-Attachment "A")

The exact "footprint" of the ramp has not been finally determined but it is apparent that several lots, now privately owned, would need to be acquired by the University to permit the construction of a ramp that would be adequate in size to accommodate the patient/visitor demands. The probable location of the ramp is presented in Attachment "B". It is felt that the ramp could accommodate approximately 560 spaces.

The Regents have authorized the Vice President for Finance to have appraisals done relative to the private property under consideration, and to make purchase offers based on the values determined by those appraisals. Those offers have been made and responses by the property owners are expected in the near future.

As the feasibility of such a ramp grew greater, consideration was given to the potential of the Hospitals acquiring the property, and building and operating the ramp. The central rationale for considering this unique approach (all of the other University parking facilities are owned and operated by the University Parking Office) related to the singular focus of the ramp to serve Hospital patient and visitor needs. It was felt important that the Hospitals be able to train personnel who would view their role as parking attendants as critical in relating to its most important constituent group, patients and visitors. It is also important for the Hospitals to be able to assure that the charges to patients and visitors for parking services are competitive with charges of other hospitals. The concept of the Hospitals operating the patient/visitor ramp has been discussed with the Regents. If we are to go forward, specific consideration of this concept must now occur by the Board of Governors.

PROGRAM PROPOSAL

It is proposed that the Hospitals provide funding for the University to acquire the required privately-owned property at an estimated cost of \$800,000 to \$1,100,000. The approximate ramp size will accommodate 560 parking spaces with ingress and egress from either Delaware and/or Walnut streets. The cost of constructing the parking facility is estimated to be between \$3.4 million and \$3.7 million and will take approximately 12 months to construct once the site is cleared. Patients and visitors would receive a time-stamped card on entering and would pay an attendant upon leaving the ramp. The attendant would also be available for directional assistance.

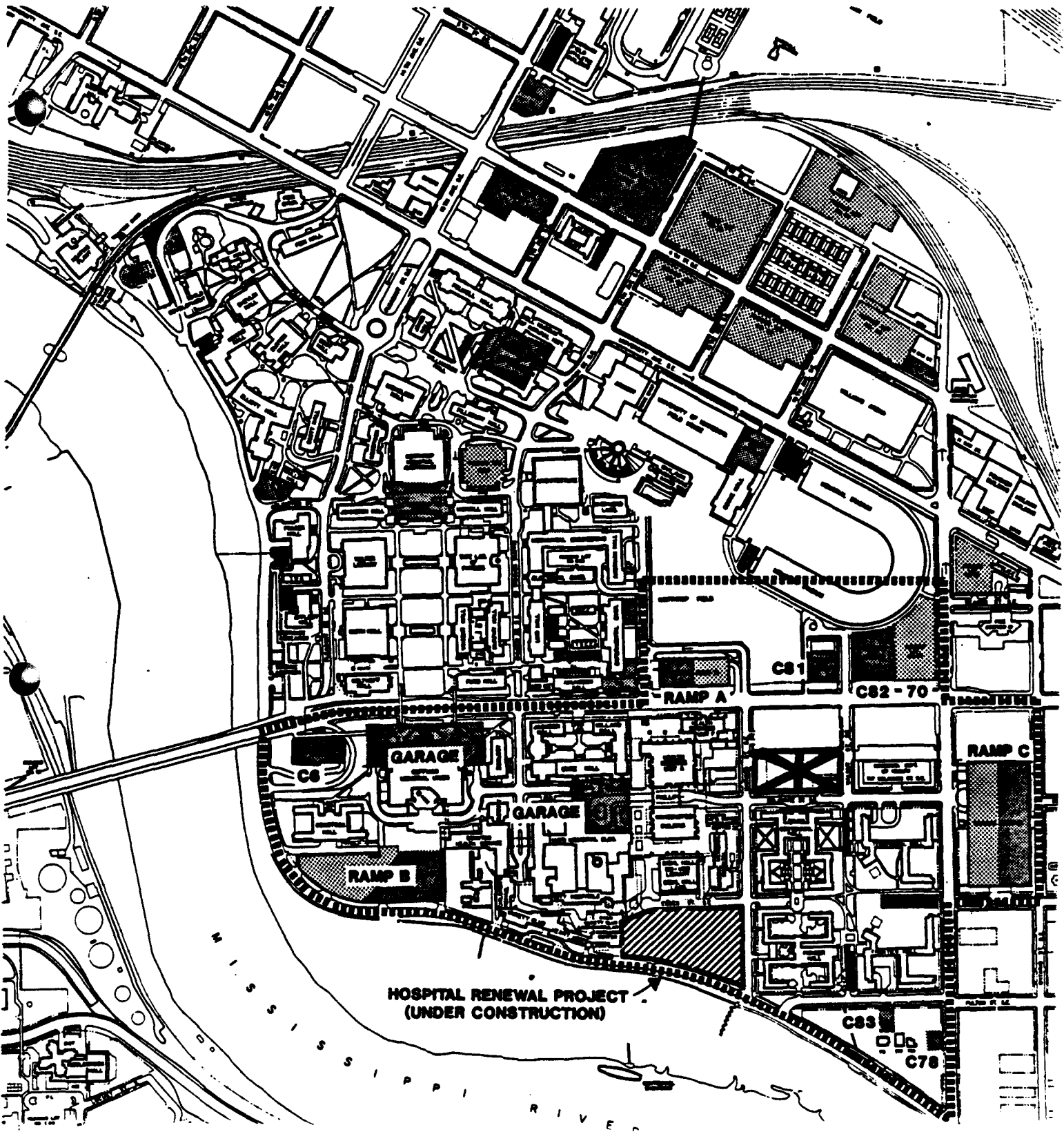
PROJECT FINANCING

It is proposed that the Hospitals borrow funds to acquire the land and build the structure. The financing assumptions that have been used assume an 8.5% variable rate financing alternative with an expected useful life of the ramp of 25 years. Attachment "C" describes the annual cost to operate the facility; and outlines the anticipated revenue and resultant cash flows that would be generated by parking charges. The bottom line of these financial projections is that the facility will most likely have a positive cash flow in the third year of operation and produce a small but positive cash flow from that point forward. (These operating assumptions assume that depreciation is used for principal payments on the debt.)

RECOMMENDATION

It is recommended that the Board of Governors approve the concept of the Hospitals building and operating a patient/visitor parking ramp, with the understanding that the Hospitals would proceed with the required planning steps and submit a specific architectural plan for consideration by the Board at the earliest possible date.

CES: jmp

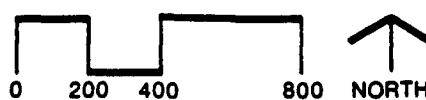


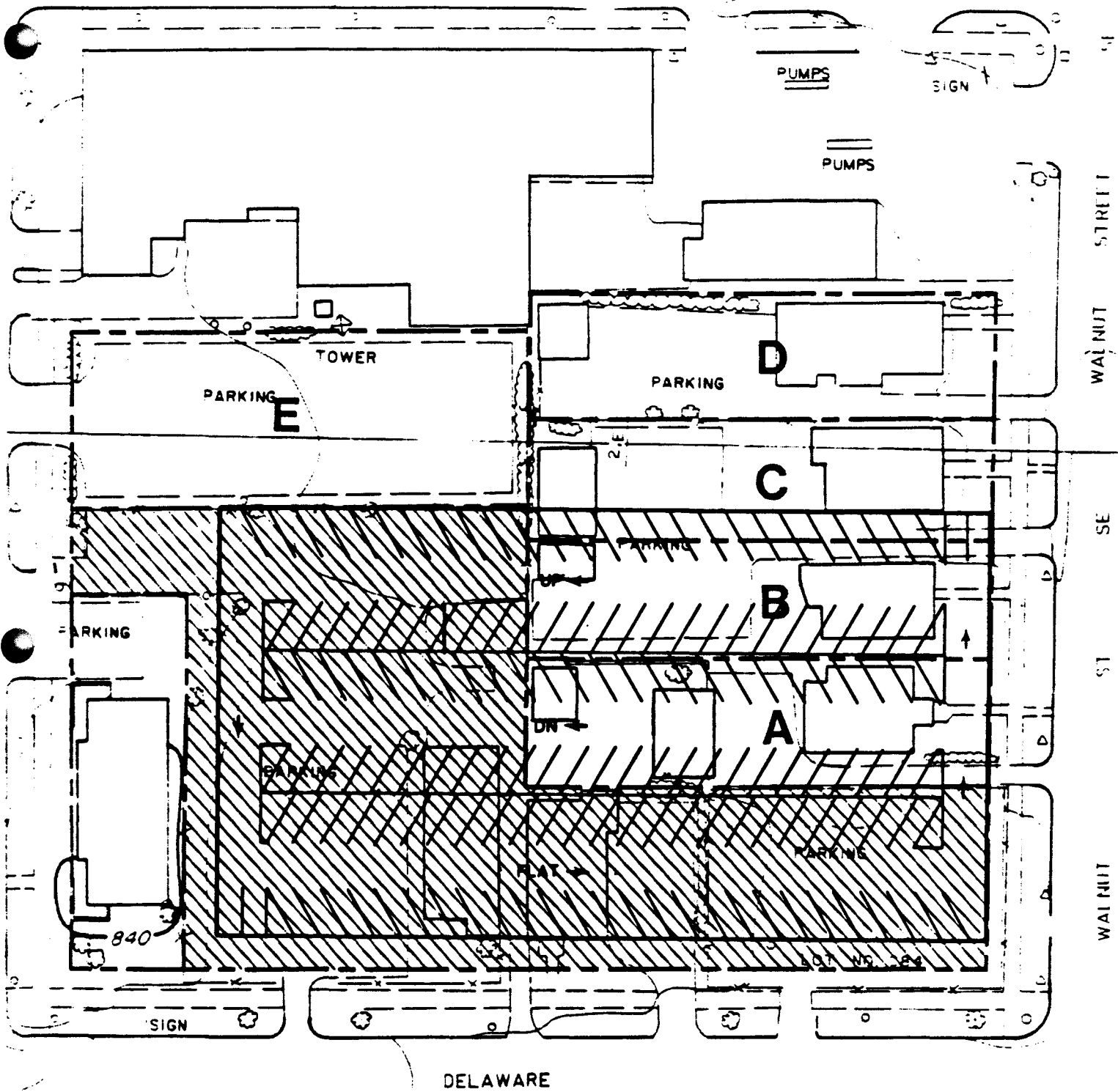
**UNIVERSITY OF MINNESOTA
HEALTH SCIENCE
PARKING STUDY**

**FIGURE 1
STUDY AREA**

- STUDY AREA
- CONTRACT PARKING
- ▨ PUBLIC PARKING
- ▧ METER PARKING

SOURCE:
UNIVERSITY OF MINNESOTA
PARKING SERVICES

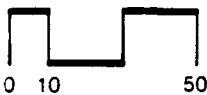




**UNIVERSITY OF MINNESOTA
HEALTH SCIENCE
PARKING STUDY**



**FIGURE 7
STUDY AREA
ALTERNATIVE 3**



--- PROPERTY LINES

 OWNED BY U OF M

SOURCE:
UNIVERSITY OF MINNESOTA
PARKING SERVICES

University of Minnesota Hospitals & Clinics
Health Sciences Parking Ramp

Forecast Statement of Operations

	Year 1	Year 2	Year 3	Year 4	Year 5
Ramp Income.....	\$524,160	\$567,840	\$611,520	\$655,200	\$656,660
Expenditures:					
Salaries.....	\$50,866	\$53,918	\$57,153	\$60,582	\$64,217
Fringe Benefits.....	4,069	4,376	4,710	5,068	5,453
Recurring Maintenance.....	19,000	20,425	21,957	23,604	25,374
Other Supplies.....	2,000	2,110	2,226	2,348	2,476
Depreciation.....	198,735	198,735	198,735	198,735	198,735
Interest.....	401,328	395,838	389,909	383,506	376,551
Amortization Expense.....	1,926	1,926	1,926	1,926	1,926
Utilities.....	11,000	12,320	13,798	15,454	17,309
Campus service expense.....	10,483	11,357	12,230	13,104	13,976
Structural Repairs.....	15,000	15,900	16,854	17,865	18,937
Total Expenditures.....	\$714,407	\$716,907	\$719,500	\$722,193	\$724,997
Operating Gain/(Loss)...	(\$190,247)	(\$149,067)	(\$107,980)	(\$66,993)	(\$26,117)
Cash Flow:					
Operating Gain/(Loss).....	(\$190,247)	(\$149,067)	(\$107,980)	(\$66,993)	(\$26,117)
Principal Payments.....	(68,621)	(74,111)	(80,039)	(86,443)	(93,356)
Non-funded Depreciation.....	198,735	198,735	198,735	198,735	198,735
Amortization.....	1,926	1,926	1,926	1,926	1,926
Increase in Accrued Expense.....	15,000	15,900	16,854	(42,135)	18,937
Cash from Operations....	(\$43,207)	(\$6,617)	\$29,496	\$5,091	\$100,123
Ramp Utilization:					
Weekday Occupancy Rate.....	70.00%	70.00%	70.00%	70.00%	70.00%
Week-end Occupancy Rate.....	20.00%	20.00%	20.00%	20.00%	20.00%
Average Chargeable Ramp Hours.....	873,600	873,600	873,600	873,600	873,600
Forecast Chargeable rate per hour...	\$0.60	\$0.65	\$0.70	\$0.75	\$0.80
Cash-flow Breakeven					
Rate per hour.....	\$0.65	\$0.66	\$0.67	\$0.74	\$0.69
Debt Service Coverage Ratio.....	0.91	0.99	1.06	1.14	1.21



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 23, 1985

TO: Members of the Board of Governors
FROM: C. Edward Schwartz, Hospital Director
C. Edward Schwartz
RE: UMH&C Representation on Blue Cross Blue Shield
of Minnesota Board

The attached letter was sent to you as trustees of the University of Minnesota Hospitals and Clinics from Blue Cross Blue Shield of Minnesota. They are requesting that you appoint representatives from the Hospital to their Board. My term as UMH&C representative expired at the end of 1984. Mr. Cliff Fearing and Mr. Jan Halverson are currently serving terms that expire in 1986. I would like to be reappointed for a second three year term and will be asking you to approve this appointment at the Board meeting on January 23, 1985.

Thank you.

CES/sds



**Blue Cross and
Blue Shield**
of Minnesota

P.O. Box 64560 • St. Paul, Minnesota 55164

December 1, 1984

**TO THE GOVERNING BODY OF PARTICIPATING HOSPITALS OF BLUE CROSS
AND BLUE SHIELD OF MINNESOTA ELIGIBLE TO ELECT MEMBERS BY
INDIVIDUAL HOSPITALS**

In accordance with the By-Laws of Blue Cross and Blue Shield of Minnesota, an election process is held annually to elect 78 Hospital Corporate Members.

As an individual hospital with 10,000 or more Blue Cross bed patient days, your hospital is eligible for three Members. Currently C. Edward Schwartz was elected for a term ending in 1984 and Clifford Fearing and Jan Halvorson for terms ending 1986.

Enclosed is a form for certifying to this corporation the election by the governing body of your hospital the one individual elected to serve as a Member of Blue Cross and Blue Shield of Minnesota.

Kindly return this certificate to Patsy Schmelzer, Secretary of Blue Cross and Blue Shield of Minnesota in the reply envelope as early as possible, but no later than January 31, 1985.

Sincerely,

Beverly Taylor
Vice President
Board & Corporate Affairs



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 23, 1985

TO: Members, Board of Governors
FROM: C. Edward Schwartz, Hospital Director
C. Edward Schwartz
SUBJECT: Comparable Worth and Job Evaluation

You will recall that in response to the need for an updated job evaluation system and the April, 1984 legislative request for a report on comparable worth, a re-evaluation of all Hospital dominated job classes has been in progress since early 1984.

The attached material contains an outline and some reference materials that pertain to this issue. Ms. Elisabeth White, the Hospital Personnel Director, will present information on our progress to date at the January 23, 1985 meeting. This was previously presented to the Finance Committee for information.

CES/sds

HISTORY OF COMPARABLE WORTH

Equal Pay Act - 1963

- equal pay for equal work
- prohibits reducing the wage rate of any employee to achieve compliance

Civil Rights Act - 1964

- prohibits discrimination in employment
- includes compensation and classification

County of Washington, Oregon v. Gunther - 1981

- study of relative value of jobs determines pay rates
- when a study is made, the employer must adhere to the results

AFSCME v. The State of Washington

- a series of studies (1974-80) made to determine sex-based wage discrimination
- adjustments not implemented
- State found guilty of discrimination for "failure to pay"
- inability to pay is not an allowable defense

MINNESOTA

Amendments to Chapter 43A, pertaining to state employees - 1981

- requires the establishment of equitable compensation relationships between female-dominated, male-dominated, and balanced classes in the executive branch
- requires a report every odd-numbered year of the inequities that exist
- first implementation July 1, 1983

Letter of Agreement between AFSCME and University of Minnesota and University of Minnesota Hospitals and Clinics - 1983

- agreement to conduct job evaluation studies
- identification of male-female composition of all job classes
- compensation for all classes
- report by January 1, 1985

Amendment to Chapter 456, pertaining to University of Minnesota employees requests

- a job evaluation study
- an analysis of compensation comparability for male-dominated, female-dominated and balanced classes
- a report by April 1, 1985

TIMELINE OF EVENTS

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

- . May 1983 Requests for proposals sent to eight job evaluation consultants
- . January 1984 Letter of Agreement regarding job evaluation and comparability studies signed with AFSCME
- . March 1984 ARTHUR YOUNG CO. selected as consultant
- . April 11-27,1984 Employee and management information meetings regarding Arthur Young's Decision Band Method of job evaluation
- . April 24, 1984 Legislation signed requesting University of Minnesota to conduct Compensation Comparability Study
- . May 10,1984 Hospitals Job Evaluation Committee's first meeting
- . October 5, 1984 First report of Job Evaluation Study to Hospitals Human Resource Management Committee

OBJECTIVES OF JOB EVALUATION STUDY

1. To establish a method of evaluating jobs that is:
 - a) objective
 - b) systematic
 - c) technically sound
 - d) a basis for a compensation system
 - e) easily maintained.

These were the initial objectives in early 1983.

During the course of the year, and before the selection of the consultant was finalized, the following objective was added:

2. To establish a method for conducting a study of the comparability of male-dominated and female-dominated classes.

The Arthur Young Company was selected because:

1. The company had experience with health care and government employee systems;
2. The Decision Band Method can be easily understood by managers, supervisors and employees;
3. The method is as objective, if not more so, than other job evaluation methods;
4. The consultants have a local office, which afforded easy access and good service;
5. The method is suitable for a comparable worth study;
6. The company has had comparable worth experience;
7. This was the least costly of the proposals.

THE DECISION STRUCTURE

Band		Grade		Sub-grade
F	Policy	11	Coordinating	1
F		10	Noncoordinating	3
F		10		2
F		10		1
E	Programming	9	Coordinating	2
E		9		1
E		8	Noncoordinating	3
E		8		2
E		8		1
D	Interpretive	7	Coordinating	2
D		7		1
D		6	Noncoordinating	3
D		6		2
D		6		1
C	Process	5	Coordinating	2
C		5		1
C		4	Noncoordinating	3
C		4		2
C		4		1
B	Operational	3	Coordinating	2
B		3		1
B		2	Noncoordinating	3
B		2		2
B		2		1
A	Defined	1	Noncoordinating	3
A		1		2
A		1		1

Typically 27 In Total

The Equal Pay Act of 1963 requires that men and women be paid "equal pay for equal work". It states that (29 U.S.C. Subsection 206(d)(1)(1970):

No employer having employees subject to any provision of this section shall discriminate, within any establishment in which such employees are employed, the rate at which he pays wages to employees of the opposite sex in such establishment for equal work on jobs the performance of which requires equal skill, effort, and responsibility, and which are performed under similar working conditions, except where such payment is made pursuant to (i) a seniority system; (ii) a merit system; (iii) a system which measures earnings by quantity or quality of production; or (iv) a differential based on any other factor other than sex. Provided, that an employer who is paying a wage rate differential in violation of this subsection shall not, in order to comply with the provisions of this subsection, reduce the wage rate of any employee.

Title VII of the Civil Rights Act of 1964 states in part (Sec. 703(a))

...it shall be an unlawful employment practice for an employer--(1) to fail or refuse to hire or to discharge any individual, or otherwise discriminate against any individual with respect to his compensation, terms, conditions or privileges of employment, because of such individual's race, color, religion, sex, or national origin; or (2) to limit, segregate, or classify his employees or applicants for employment in any way which would deprive any individual of employment opportunities or otherwise adversely affect his status as an employee, because of such individual's race, color, religion, sex, or national origin.

CHAPTER 43A

DEPARTMENT OF EMPLOYEE RELATIONS

43A.01 POLICIES.

Subdivision 1. General. It is the policy of the state to maintain an efficient and effective merit based personnel management system to meet the management needs of the state and the social, economic and program needs of the people of the state. The system shall provide means to recruit, select and develop an effective, productive and responsive work force representative of the labor market according to the demands of society, equity and law, and shall include policies and procedures for employee hiring and advancement, training and career development, job classification, salary administration, employee benefits, discipline, discharge, retirement and other related activities as appropriate, taking into consideration formal and informal labor relations arrangements.

Subd. 2. Precedence of merit principles and nondiscrimination. It is the policy of this state to provide for equal employment opportunity consistent with chapter 363 by ensuring that all personnel actions be based on the ability to perform the duties and responsibilities assigned to the position without regard to age, race, creed or religion, color, disability, sex, national origin, marital status, status with regard to public assistance, or political affiliation. It is the policy of this state to take affirmative action to eliminate the underutilization of qualified members of protected groups in the civil service, where such action is not in conflict with other provisions of this chapter or chapter 179, in order to correct imbalances and eliminate the present effects of past discrimination.

No contract executed pursuant to chapter 179 shall modify, waive or abridge sections 43A.01, 43A.07 to 43A.13, 43A.15, and 43A.17 to 43A.21, except to the extent expressly permitted in those sections.

Subd. 3. Equitable compensation relationships. It is the policy of this state to attempt to establish equitable compensation relationships between female-dominated, male-dominated, and balanced classes of employees in the executive branch. Compensation relationships are equitable within the meaning of this subdivision when the primary consideration in negotiating, establishing, recommending, and approving total compensation is comparability of the value of the work in relationship to other positions in the executive branch.

43A.05 POWERS AND RESPONSIBILITIES THROUGH THE PERSONNEL BUREAU.

Subd. 5. Comparability adjustments. The commissioner shall compile, subject to availability of funds and personnel, and submit to the legislative commission on employee relations by January 1 of each odd-numbered year a list showing, by bargaining unit, and by plan for executive branch employees covered by a plan established pursuant to section 43A.18, those female-dominated classes and those male-dominated classes in state civil service for which a compensation inequity exists based on comparability of the value of the work. The commissioner shall also submit to the legislative commission on employee relations, along with the list, an estimate of the appropriation necessary for providing comparability adjustments for classes on the list. The commission shall review and approve, disapprove, or modify, the list and proposed appropriation. The commission's action shall be submitted to the full legislature in the same manner as provided in section 3.855 and section 43A.18 or section 179.74, subdivision 5, provided that the full legislature may approve, reject, or modify the commission's action. The commission shall show the distribution of the proposed appropriation among the bargaining units and among the plans established under 43A.18. Each bargaining unit and each plan shall be allocated that proportion of the total proposed appropriation which equals the number of positions in the unit or plan approved by the commission for comparability adjustments divided by the total number of positions on the list approved by the commission for comparability adjustments. Distribution of any appropriated funds within each bargaining unit or plan shall be determined by collective bargaining agreements or by plans.

LETTER OF UNDERSTANDING

The University of Minnesota and the University of Minnesota Hospitals and Clinics agree to conduct job evaluation studies. The studies will take into account the following factors:

Identification of male-female composition of all job classes; an objective system of measuring each classification's economic contribution to the Employer; the current compensation for all classifications.

The University of Minnesota and the University of Minnesota Hospitals and Clinics agree to provide to the Union a summary report of the methodology used and the results of the studies by January 1, 1985.

Agreed to this 17 day of January, 1984.

FOR THE UNION

Martha Johnson
James Hagan
Margaret K. Jones

FOR THE EMPLOYER

Russell A. Farnell
Elisabeth White
[Signature]

Excerpt From
Minutes
Board of Governors
University of Minnesota Hospitals and Clinics
January 23, 1985

Computer Replacement Project:

Mr. Greg Hart detailed the quantitative need measurements that led the hospitals to conclude that the replacement of the hospitals main-frame computer is necessary. The information systems study completed by Ernst & Whinney confirmed this conclusion.

Mr. Hart also noted that when the feasibility study for the Series 1982 Bonds was completed, this project was anticipated at an estimated cost of \$1.75 million. Some eighteen months ago, reassessment of this anticipated expenditure resulted in an increased cost estimate. The five year capital expenditure plan and the 1984-85 capital budget reviewed by the Board of Governors last Spring estimated the cost of the computer replacement project at \$2.5 million. Mr. Hart affirmed that the \$2.5 million project cost remains a reliable one. An analysis was performed to determine the least costly way of financing this acquisition. Of the options available, financing using a portion of the proceeds from the University's recent variable rate demand bond sale was determined to be to be most economical.

With that background information, the Board of Governors seconded and passed a motion to approve the authorization of expenditure of up to \$2.5 million for the computer replacement project.

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

January 20, 1985

To: Members of the Board of Governors
Members of the Finance Committee

From: Nancy C. Janda *Nancy*
Executive Assistant to the Board of Governors

Re: Supplement to the Board and Finance Committee
Packets for January 23, 1985

On January 23, 1985 we will be requesting endorsement by the Finance Committee and approval by the full Board of the computer replacement project. Unfortunately, the attachment for this item in the Board and/or Finance Committee packets that were mailed to you were incomplete. Please review the enclosed document on the computer replacement project for Wednesday, rather than the attachment in your bound packets.

I hope that this error has not inconvenienced you in any way. See you on Wednesday.

Thank you.

HEALTH SCIENCES

January 23, 1985

TO: Members, Board of Governors
FROM: C. Edward Schwartz, Hospital Director
SUBJECT: Computer Replacement Project

C. Edward Schwartz

During the month of December, the Planning and Development Committee, the Finance Committee and the Board of Governors reviewed the proposed Hospitals' computer replacement project for informational purposes. The Planning and Development Committee endorsed the project proposal on January 9, 1985. The Finance Committee has been asked to do the same at its January meeting. We are requesting that following Finance Committee endorsement on January 23, 1985, the full Board review and approve this program.

Enclosed you will find background information on the project. The Ernst and Whinney executive summary of their study of the Hospitals information systems is included.

Over the course of the past several weeks we have completed an analysis of the alternate funding mechanisms for this mainframe computer replacement and have determined that using a portion of the proceeds from the University's existing variable rate demand bond issue is the best financing arrangement.

Based on this information, we recommend that the Board of Governors approve the expenditure of up to \$2,500,000 for the computer replacement project.

We will be happy to answer any questions that you may have at your meeting next week.

CES/sds

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.

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

Attachment II 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 I, UMH&C 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 three charts (Attachments III - V) which show the changes in three key measures of computer utilization - processor utilization, data communications response time and memory utilization.

III. Consultant's Report and Recommendations

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 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. Attachment VI is the executive summary of the consultant's report.

IV. Financing

A financial analysis was performed to determine the least costly method of financing the computer system. The financing methods studied were (1) an outright purchase using Hospital cash reserves, (2) an

operating lease, (3) an installment sale offered through the vendor, and (4) self-financing using a portion of the proceeds of the University's recent variable rate demand bond sale.

The analysis utilized present value concepts (time value of money) as well as quantifying the various reimbursement implications with each form of financing. The objective was to pick the financing option which provided the greatest cash reimbursement relative to cash outlay. The figures presented below are the final results of this analysis; the dollars reflect cash payments adjusted for the time value of money and positive or negative reimbursement differentials.

Self-financing	\$2,482,886
Operating Lease	2,496,467
Installment Sale	2,638,623
Outright Purchase	3,015,124

The choice is to self-finance the acquisition, in that this method had the lowest adjusted cost. As was mentioned earlier, the source of the self-financing dollars are from a recent bond sale of the University. This sale, among other University needs, provided the Hospitals with approximately ten million dollars to be used for equipment acquisitions. The Hospital will repay the University principal and interest over the life of the asset.

An upgrade of our computer hardware has been anticipated for some time. In early 1982, in preparation for the Renewal Project bond issue, we projected an approximate \$1,750,000 cost for the computer project. In the five year capital budget plan presented to the Board in May 1984, a \$2,500,000 project estimate was used. The \$750,000 difference between the original estimate and the more recent estimate has been subtracted from other future year recurring capital budgets. In other words, we are continuing to work within the original total equipment need projections outlined in the 1982 feasibility studies.

V. Conclusions and Recommendations

Given (a) the Hospitals' growing information needs, (2) the fact that the Hospitals' existing computer hardware is currently used to capacity, (c) the external consultant's supporting recommendations and information systems development plan, and (d) the availability of funding and the identification of the best financing mechanism, we would recommend that the Board of Governors authorize the expenditure of up to \$2,500,000 for the computer replacement project.

~ HARDWARE UPGRADES ~

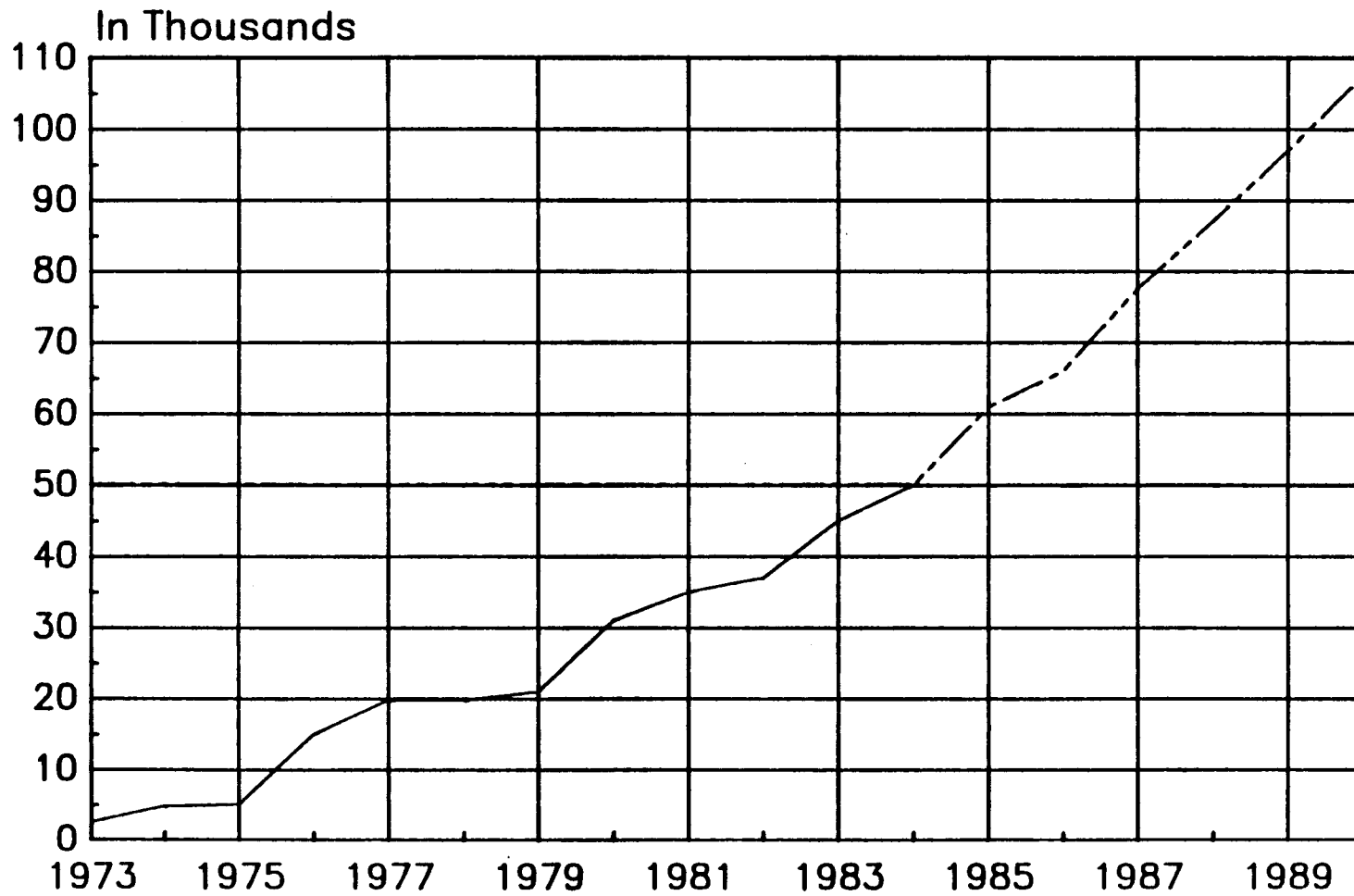
	1989	-	2 X A15 ?
	1985	-	2 X A9F
	1981	-	2 X 6900
	1980	-	B 6810
	1979	-	B 6807
B 4800			
B 4700	-	1977	
B 3700	-	1975	
B 3500	-	1973	
B 2500	-	1970	

Shared Service

On~Line Activity

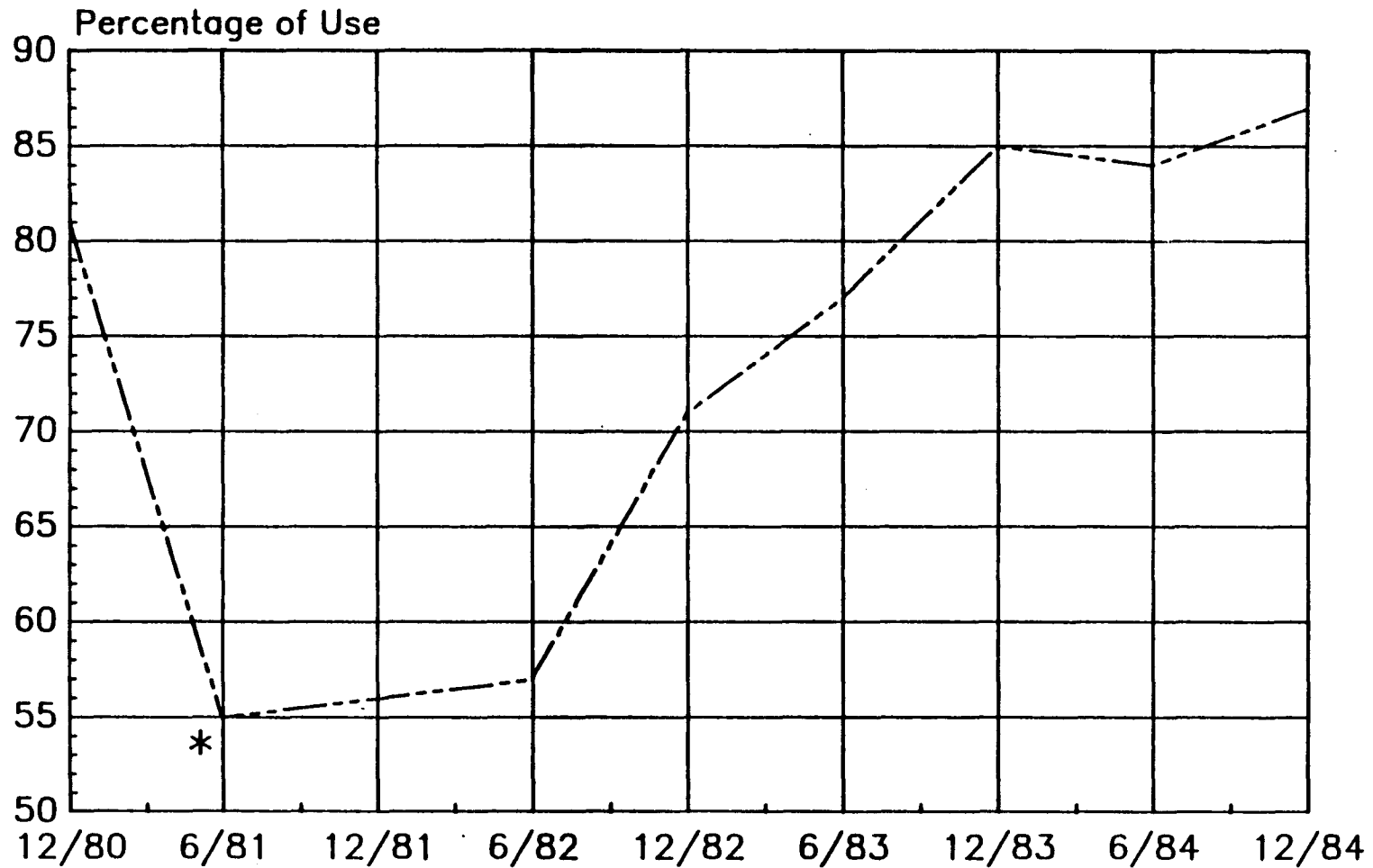
ACTUAL

PROJECTED



PROCESSOR UTILIZATION

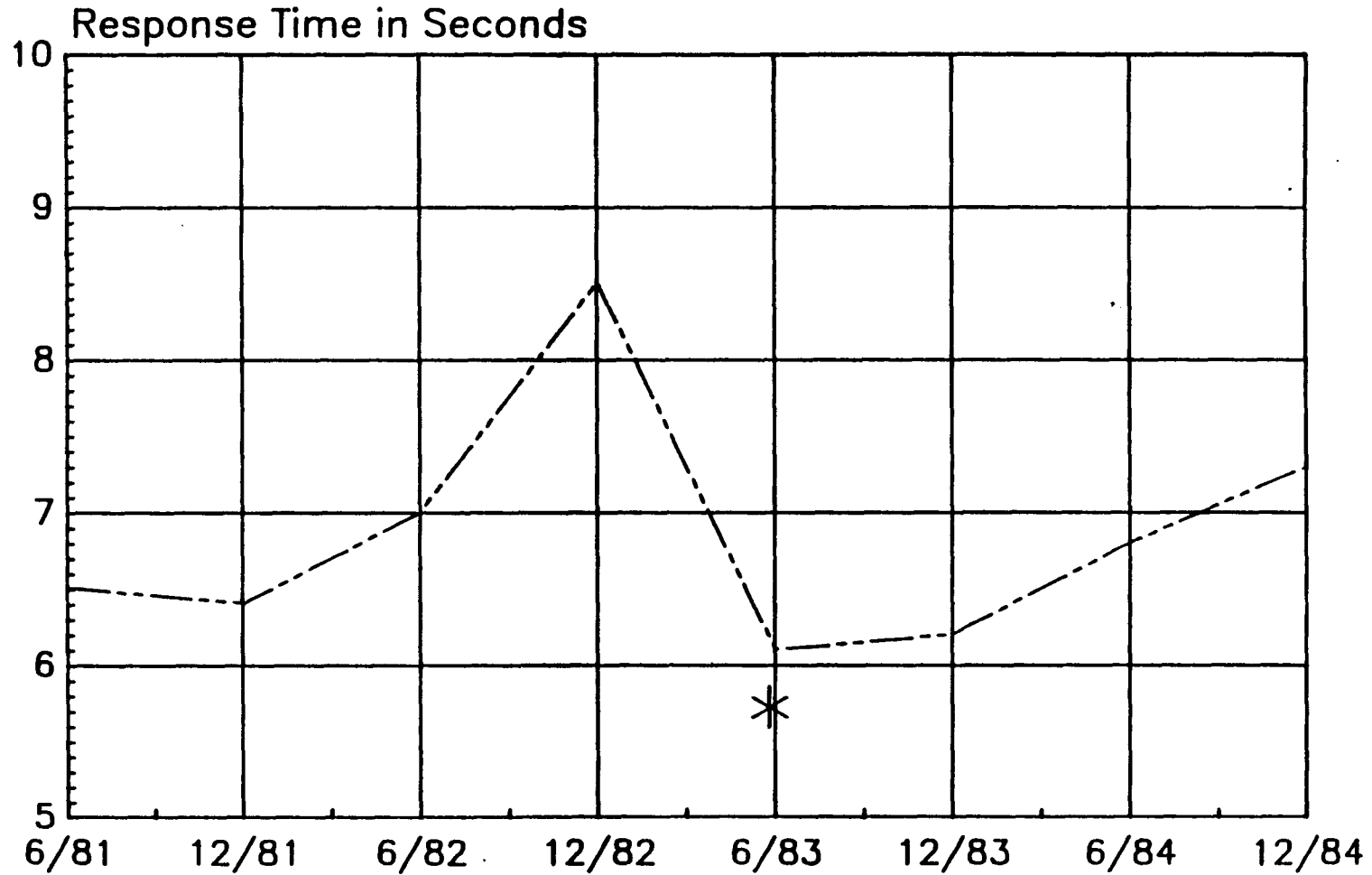
PERCENTAGE OF USE



* Systems Development Moved to Alternate Processor

Data Communications Response Time

SECONDS

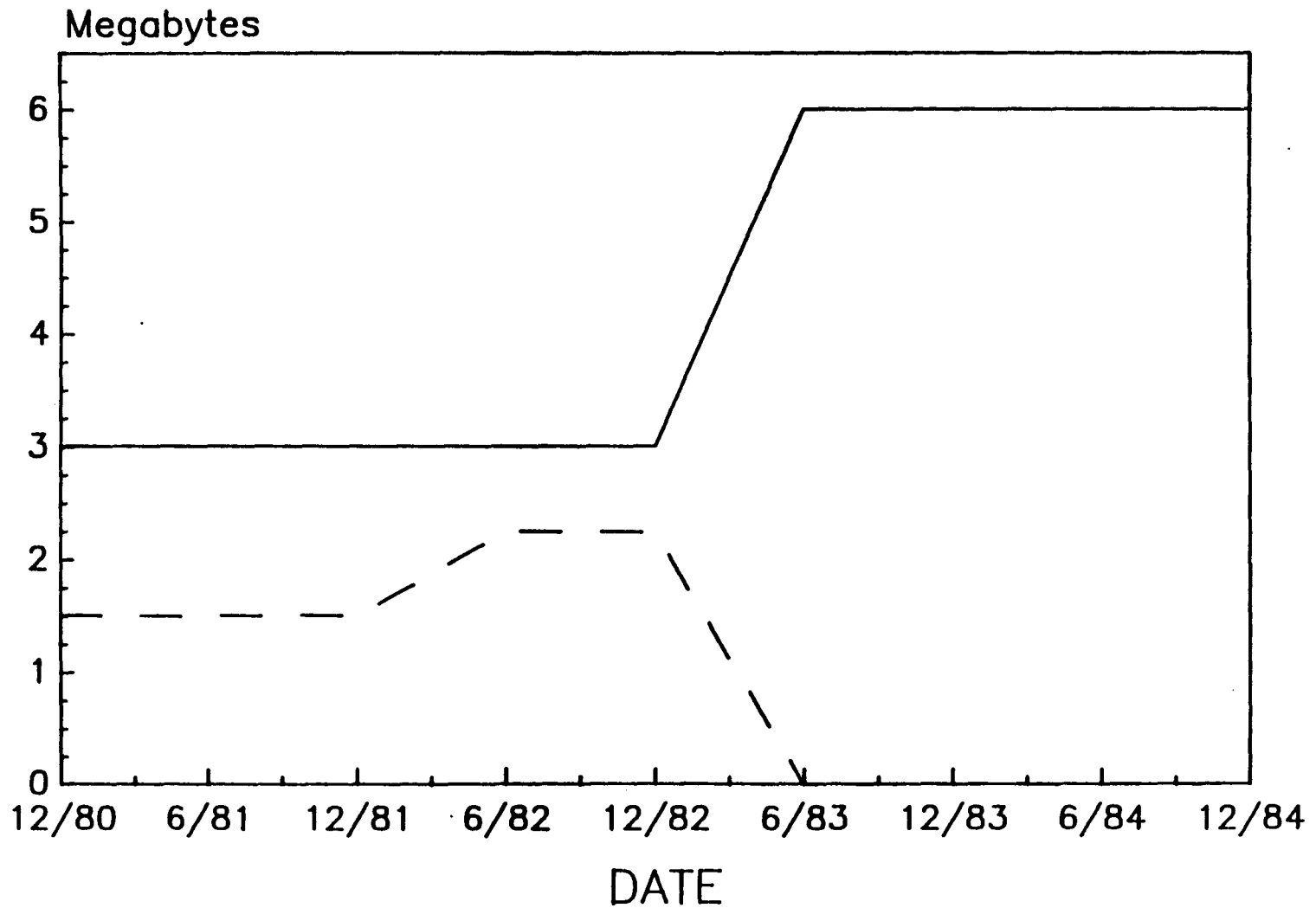


* Expand to Maximum Memory Capacity

MEMORY CAPACITY

MAIN MEMORY

EXTENDED MEMORY



Ernst & Whinney

150 South Wacker Drive
Chicago, Illinois 60606

312/368-1800

December 21, 1984

Mr. Greg Hart
Senior Associate Director
and Director of Operations
University of Minnesota Hospitals
and Clinics
420 Delaware Street S. E.
Minneapolis, Minnesota 55455

Dear Mr. Hart:

The enclosed Information Systems Plan ("the Plan") documents the strategic direction for automation at the University of Minnesota Hospitals and Clinics (the "UMHC") over the next five years. The Plan has the primary objective of improving patient and financial management information and has been developed with the assistance of Ernst & Whinney and the Operations Analysis Department ("OAD") and with input from various information sources, including UMHC management and the applications marketplace for the health care industry.

The Plan identifies a five-year time frame for the completion of current development efforts and for the introduction of new applications. A strategy is provided which enhances the current hardware and applications, and offers a sound foundation to allow the UMHC to respond to changing requirements. Included in the Plan are estimates of time and cost. In order to implement this Plan, the UMHC must commit the resources and financial support needed as documented in the Plan.

The basic objectives of the plan include:

An increase in the range of functions provided by the information systems directed at improved patient management, enhancement of management information and increased productivity and cost containment.

The implementation of a hospital-wide patient care management system which provides staff with management, operating and patient care information.

The maximization of operational efficiency and revenue flow.

The installation of current hardware technology which will allow for growth, flexibility and selection of proven application software and development tools.

In order to attain these objectives we recommend the following as major management actions:

Hardware

- Upgrade the existing Burroughs B6810 and B6930 processors to A9F processors to provide improved system performance. The B6000 processors are no longer able to provide the required performance due to UMHC's increased volume of transactions.

Future Application Development

- Increase the use of commercial software packages which have been thoroughly tested and which are fully supported by reliable vendors. These packages should be integrated with current UMHC applications.
- Purchase and utilize application and/or fourth generation tools for in-house application development. In-house software development should not be undertaken unless a package solution does not exist, and the application has high priority requirements for the UMHC.

Organization and Management

- Expand the skills of the current OAD staff to include expertise in the areas of specific application functions such as, patient care and patient accounting, and project management techniques such as, the ability to set realistic targets and reach project management goals. We recommend an initial strategy of using consultants to provide project management direction and skills in addition to experience and knowledge in specific application areas. An ongoing strategy should be to develop this expertise in-house to install packages, use development tools and provide application expertise.
- User representatives should be identified in each department for which a major system is being developed or installed. The individual(s) should represent the most knowledgeable user base as their impact on project implementation will be significant. These representatives will participate as key team members with OAD throughout the project life cycle and help to guide the project on a day to day basis, and participate in the definition of user requirements and system testing.
- Establish an approach to project management which assigns a member of the administrative staff to be responsible for each major development project in his area. The executive will coordinate the assignment of resources to the project team, review the project plan, monitor progress against the plan and report periodically to the Information Systems Steering Committee.
- Utilize the Information Systems Steering Committee to regularly monitor progress of all components of this Plan. This Committee should meet quarterly to monitor progress and make recommendations for changes in priorities or additions of projects on the timeline of the Application Systems Architecture. The Operations Analysis Department should be an advisor to this group on matters relating to the Plan.

The Plan is summarized in two exhibits which describe the UMHC's information system objectives. The exhibits are:

- The Computer Systems Architecture (Exhibit 1), and
- the Application Systems Architecture (Exhibit 2).

The Computer Systems Architecture and the Application Systems Architecture are intended to serve as guides to UMHC in providing and allocating the resources associated with implementation and support of the Plan. They describe the various relationships between both hardware and software. The Computer Systems Architecture identifies the different hardware components of the Plan, the applications resident on each component, and the linkages between physically separate components.

The Application Systems Architecture sequences and groups applications for implementation. Additionally, it identifies the appropriate hardware component, identifies the implementation approach and estimates the implementation times for each application. The Application Systems Architecture currently includes the implementation of an on-line patient care system, e.g. bedside support and care planning, during 1987. We understand the UMHC has a strong desire to implement such a system as soon as a proven cost beneficial system becomes available. We support the UMHC in its desire to implement a patient care system and concur it is essential to identify a proven solution. The two Architectures are described further in the following report.

The report provides estimated costs for implementation of the Plan. The approximate capital costs are \$7,670,000. The approximate operating costs are \$18,004,000 and represent the sum of estimated yearly expenses from 1985 through 1989. These approximate costs are not accurate enough for budgeting purposes, but are presented to assist UMHC in assessing the financial feasibility of the Plan. We believe the hardware selected is appropriate for UMHC, and that the hardware replacement and new applications are essential for effective operations and management. The benefits of the proposed applications will be achieved in improvements to patient care, enhancements to management information, and increases in productivity and financial viability. The estimated capital expenditures and operating expenses are comparable to the expenditures and expenses for data processing operations of university teaching hospitals similar in size and complexity to UMHC.

In order for the Plan to be successful, tactical implementation plans must be created for each application. These plans will identify detailed project tasks and resources required. The tactical plans should include:

- a description of tasks to be performed,
- task start and completion dates,
- determination of critical tasks,
- identification of individuals responsible for completion of specific tasks, and
- development of accurate costs for budgeting purposes.

Initial development efforts should focus on those systems required to be installed prior to the opening of Unit J in the spring of 1986. Progress on the implementation effort must be closely managed and monitored against the tactical plan to ensure the objectives are met on a timely basis. After completion of the detailed implementation plan in which resource requirements have been precisely described, the UMHC must then commit those resources. Without the necessary resources, both personnel and equipment, successful implementation of the Plan will be impossible. Success will require careful planning and coordination among the UMHC's administration, the Operations Analysis Department, key department managers, end-users and outside vendors.

We appreciate the opportunity to have assisted the University of Minnesota Hospitals and Clinics in the development of its Information Systems Plan and are prepared to provide additional assistance, as necessary, to ensure the success of its implementation.

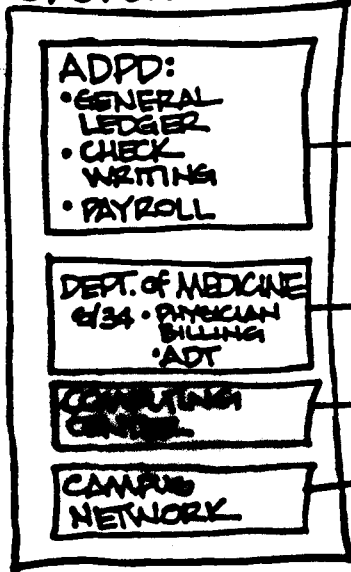
Very truly yours,

Ernest J. Whinney

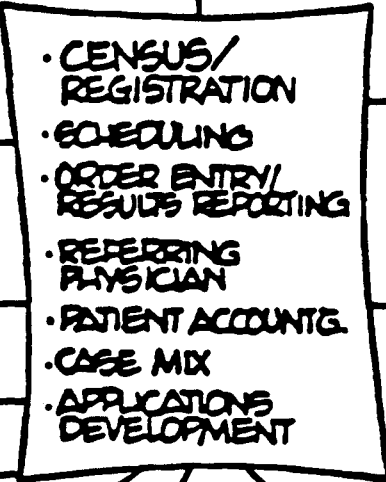
COMPUTER SYSTEMS ARCHITECTURE:



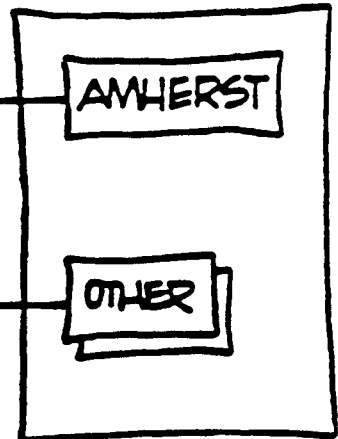
CAMPUS SYSTEMS:



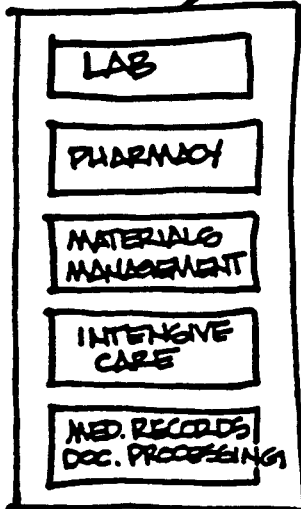
CORE SYSTEMS:



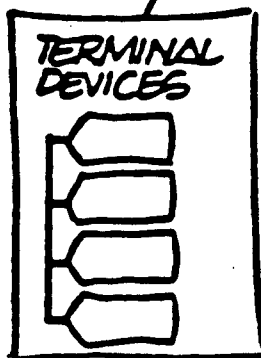
EXTERNAL SYSTEMS:



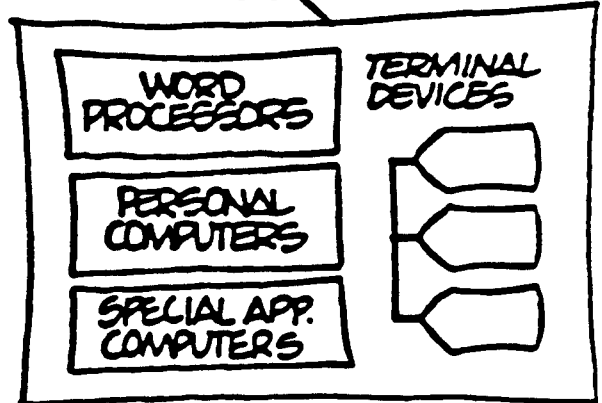
SATELLITE SYSTEMS:



PAT. CARE NETWORK:



ADMIN'TIVE NETWORK:



STAND ALONE SYSTEMS:

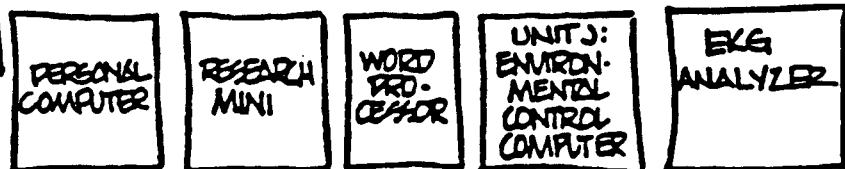


EXHIBIT 5
University of Minnesota Hospitals and Clinics
Information Systems Plan
Application Systems Architecture

Task	Description	Status	Development Approach	CALENDAR YEAR QUARTERS																			
				1985				1986				1987				1988				1989			
				1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	*** Unit J Occupancy ***			.	.	.	.	*	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Information Services Internal																							
2	Data Management Support	In Progress		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
3	Electronics Technician Support	In Progress		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
4	Environmental Software Support	In Progress		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
5	Management Engineering Support	In Progress		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
6	Support Services - Central Sys	In Progress		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
7	Support Services - Micro System	In Progress		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
8	A9 Implementation	Proposed		---	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
9	Cobol-74 Conversion	In Progress	Enhance	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
10	Operations Analysis Relocation	Proposed		.	.	.	.	.	.	.	.	---	.	.	.	.	.	.	.	.	.	.	.
Administrative Systems																							
11	Decision Support - Phase I	In Progress	Develop	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
12	Office Automation - Phase I	In Progress	Package	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
13	Hospital Marketing Support-PhI	Proposed	Develop	---	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
14	Data Communications Upgrade	Proposed	Develop	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
15	Unit J Support	Proposed		.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
16	Hospital Marketing Supprt-PhII	Proposed	Develop	.	.	---	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
17	Decision Support - Phase II	Proposed	Package	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.
18	Management Information System	Existing	Develop	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.
19	Office Automation - Phase II	Proposed	Package	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.
20	Campus Communications	Proposed	Develop	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.
21	Preventive Maintenance	Existing	Package	.	.	.	.	.	.	.	.	---	.	.	.	.	.	.	.	.	.	.	.
22	History Storage	Proposed	Develop	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.
23	Central Information Directory	Existing	Develop	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.
24	Office Automation - Phase III	Proposed	Package	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.

EXHIBIT 5 (continued)
 University of Minnesota Hospitals and Clinics
 Information Systems Plan
 Application Systems Architecture

Task	Description	Status	Development Approach	CALENDAR YEAR QUARTERS																			
				1985				1986				1987				1988				1989			
				1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Clinical Systems																							
25	Laboratory	Existing	Package	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
26	Order Communication	Proposed	Pckge/Dvlp	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
27	Surgery Scheduling	Proposed	Package	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
28	Nutrition	Proposed	Package	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
29	Infection Control	Proposed	Package	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
30	Physical Medicine and Rehap	Existing	Develop	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.
31	EKG Replacement	Existing	Package	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.
32	Pharmacy	Existing	Enhance	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.
33	Radiology	Existing	Enhance	.	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.
34	Respiratory Care	Existing	Enhance	.	.	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.
Financial Systems																							
35	Inventory/Warehouse/Purchasing	Existing	Package	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
36	Accounts Payable	In Progress	Package	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
37	Cost Accounting	In Progress	Develop	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
38	Departmental Forecasting	Proposed	Enhance	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
39	Patient Information Reframting	Proposed	Develop	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
40	Financial Reporting	Proposed	Package	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
41	Admissions / Census	Proposed	Package	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
42	Case Mix Management	Existing	Enhance	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
43	Productivity Monitoring	Proposed	Develop	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
44	Patient Accounting	Existing	Develop	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.
45	Collections	Existing	Enhance	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.
46	Human Resources	Existing	Package	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.
47	Property Management	Existing	Enhance	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.
Patient Care Systems																							
48	STAR Expansion	Existing	Enhance	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
49	Outpatient Scheduling/Regstrn	Proposed	Package	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
50	Inpatient Scheduling	Proposed	Package	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
51	Care Plans	Proposed	Package	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.	.	.	.
52	Medical Records	Existing	Enhance	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.	.
53	Intensive Care System	Existing	Enhance	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.	.
54	Location and Control	Existing	Enhance	.	.	.	.	.	.	.	.	.	.	.	.	.	-----	.	.	.	.	.	.