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University of Minnesota Hospitals and Clinics
Board of Governors
May 22, 1985
1:30 p.m.
555 Diehl Hall

AGENDA

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Ms. Barbara O'Grady

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Mr. C. Edward Schwartz

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Minutes

Board of Governors

University of Minnesota Hospitals and Clinics

April 24, 1985

CALL TO ORDER:

Board Chairman Barbara O'Grady called the April 24, 1985 meeting of the Board of Governors to order at 1:45 p.m., in Room 555 Diehl Hall.

ATTENDANCE:

Present:	Al Hanser George Heenan Bradley Hillstrom Kris Johnson Robert Latz Jerry Meilahn Robert Nickoloff Barbara O'Grady C. Edward Schwartz Neal A. Vanselow, M.D.
Absent:	Phyllis Ellis Virgil Moline David Lilly James Moller, M.D. Roby Thompson, M.D.

APPROVAL OF MINUTES:

The Board of Governors seconded and passed a motion to approve the minutes of the March 27, 1985 meeting as written.

CHAIRMAN'S REPORT:

Chairman Barbara O'Grady introduced three visitors to the meeting; Delores Lutz from the Minnesota Daily, Nancy Wilson from Ambulatory Surgery and David Finke from Station 61. Ms. Wilson and Mr. Finke were at the Board of Governors meeting as representatives of the American Federation of State, County, and Municipal Employees.

Secondly, Mrs. O'Grady reminded the Board of several upcoming meetings or events. On May 1, 1985 the Board has been invited to a tour of Unit J and a dinner in honor of significant donors. On May 8, 1985 the Trustee Conference entitled "Winning and Losing in a Changing Market Place" will be held at the Radisson Plaza Hotel in St. Paul. On May 13, 1985 the Finance Committee will hold a special meeting to review the operating budget. On May 22, 1985 the Planning and Development Committee and Finance Committee will meet jointly to review both the capital and operating budgets. The full Board will be asked to review the budgets for informational purposes at the regularly scheduled May meeting.

HOSPITAL DIRECTOR'S REPORT:

Mr. C. Edward Schwartz reported briefly the findings of the Governor's Task Force on promoting Minnesota's Health/Medical Resources. That Task Force had concluded that the idea of exporting the state's resources is a worthwhile one. The Governor has budgeted $500,000 over the next bienium for planning and implementing the promotional program.

With regard to the Helicopter Program, Mr. Schwartz reported that the acquisition of B.M.R.A. by Critical Care Services, Inc. had been finalized. A temporary landing pad is currently under construction on the roof of parking ramp B and the hospital plans to begin transporting patients via air ambulance in the end of May.

Mr. Schwartz also reported on two recent personnel initiatives. The CARES Committee had sponsored a variety show for hospital employees on April 16, 1985. The employee recognition program is expanding with the addition of an employee of the month award, he reported.

Mr. Schwartz also mentioned, for information, that a committee entitled the Biological/Life Sciences Review Committee is currently evaluating the organizational structure of the Basic Sciences Department within the University. The Committee had issued a preliminary report of findings. A final report, which will be shared with the Board, should be issued within thirty days.

On the topic of recruitment, Mr. Schwartz reported that a list of candidates for both the heads of Otolaryngology and Dermatology had been forwarded to the Dean. The searches in OB-GYN and Radiology are in more preliminary stages, while candidates for the Directorship of the Clinical Research Center, the Division Head of Cardiovascular Surgery and the Cardiologist to head up the Heart Cath Lab had all recently been to the University of Minnesota for second visits.

Lastly, Mr. Schwartz reported that the Bed Allocation Committee, which is subcommittee of the Medical Staff Hospital Council, had been reevaluating the service assignments in Unit J. That Committee is scheduled to make their report to the Medical Staff Hospital Council in mid May.

FINANCE COMMITTEE REPORT:

Committee Chairman Jerry Meilahn and Mr. Cliff Fearing recapped our year to date inpatient census by noting that admissions are running 6.5% under budget, the average length of stay 5.5% below budget and patient days 11.3% under budget. The census figures for the month of March were reflective of these decreased utilization levels. Through March 31, 1985 the statement of operations shows a favorable variance of revenue over expenses of $16.3 million which is about 10.8% above budgeted levels.

Mr. Fearing also reported that the second phase of the series 1982 bond refinancing had been completed as planned, with the issuance of $65 million in variable rate bonds.

Thirdly, the Board of Governors discussed the Hospital's policy on admissions of patients without health care insurance. In sum, the hospitals have established mandatory deposit requirements for out-of-state patients seeking care for those categories of disease that customarily incur high expenses. With that background, the Board seconded and passed a motion to approve a bad debt write off of $630,682.10 for the third quarter of the 1984-1985 fiscal year.

Mr. Hart summarized three recent events related to the consideration of the comparable worth issue. Both the Hospital and the University's comparable worth plans were presented to the Faculty, Staff and Students Affairs Committee of the Board of Regents. A comparable worth report was also made to the Legislative Committee on Employee Relations. Thirdly, a letter of agreement had been signed with AFSCME committing the Hospitals and the University to studying forty jobs, twenty Hospital and twenty University, to determine the level of correlation between the two job evaluation systems. That study will be concluded before January 1, 1986. With that background information and following brief discussion, the Board of Governors seconded and passed a motion to approve the following resolution:

Whereas, the State of Minnesota and University of Minnesota have made a commitment to pay equity in compensation practices, and

Whereas, consistent with that commitment, University Hospitals has completed a job evaluation study and comparable worth analysis, and,

Whereas, the findings of the job evaluation study and comparable worth analysis suggest that certain adjustments may be appropriate, and,

Whereas, the objective of the Board of Governors is to take action consistent with those adjustments,

Therefore be it resolved, that the Board of Governors endorse the direction outlined in the five point plan recommended by hospital administration (attached), and

That the Board of Governors instruct hospital administration to incorporate the comparable worth plan into the Hospitals' financial planning process for fiscal year 1985-86, and

That the Board of Governors instructs hospital administration to continue to provide the Board with information, and recommendations where appropriate, on any modifications to this plan which may be considered based upon Federal action, State action, Board of Regents action, the results of the comparative Hospital/University job evaluation study, or other factors which may arise in the future.

The five point plan referenced in the resolution includes the following steps for comparable worth implementation:

1. The male market line, established as part of University Hospitals' job evaluation and comparable worth study, shall be the pay line which shall be targeted for purposes of the Hospitals' compensation practices.

2. The use of the targeted pay line shall be applied to female dominated, male dominated and balanced job classifications.

3. The initial phase of implementation shall be structured such that the affected job classifications which are more than 5% away from the targeted pay line shall be brought to within 5% of the targeted pay line.

4. The initial phase of implementation shall be four years in length.

5. During the four year initial implementation period, and at the end of the four year implementation period, continued comparable worth analyses will be conducted. Additional adjustments may be necessary after the initial four year period if there continues to be a differential between the target payline and the female internal payline.

PLANNING AND DEVELOPEMENT COMMITTEE REPORT:

Mr. Merwin reported that the deadline for submission of capital campaign priority lists to the University had been extended. The Hospitals continue to work with the Medical School to develop compatible list of priorities.

Mr. Mark Koenig reported on an amendment to the contract with the Unit J construction manager that would allow for early payout of the Unit J savings. The Board briefly discussed the incentives and disincentives for the construction manager to complete the project in a timely manner, given this amendment and concluded that the amendment was an appropriate one. The Unit J Project, Mr. Koenig reported, continues to progress extremely well. The site work package is currently out to bid, leaving only the cleanup package to be bid.

Thirdly, committee chairman Robert Latz and Mr. Geoff Kaufmann reported on several aspects of the University of Minnesota Hospitals and Clinics internal assessment, which is being conducted under the guidance of the Strategic Planning Steering Committee. That assessment summarized the utilization levels from several different perspectives and summarized a number of surveys conducted regarding the image of UMHC.

Mr. Kaufmann also reported that a committee, under the leadership of Dr. Paul Quie, is at work examining the option of redefining our Pediatrics Service so that those services would be considered a discrete entity, a Children's Hospital. A portion of this consideration includes application for membership in the National Association of Children's Hospitals (NACHRI). The Board will be asked to reconsider this issue at a later date.

Lastly, Mr. Hart reported that the Hospitals continue to plan for delivery of a Donier Extracorporeal Lithotripter. A variety of sites for that Lithotriper are currently being evaluated. Mr. Hart also responded to a question regarding a Lithotripter being developed by a New York based company, MedStone.

JOINT CONFERENCE COMMITTEE REPORT:

In the absence of committee chair Phillis Ellis, Mr. Bradley Hillstrom reported that the Joint Conference Committee had toured the Medical Records Department just before their April meeting. At the meeting, Mr. Hillstrom reported, there had been discussion of the recently approved policy on medical malpractice insurance. Apparently some physicians are having difficulty adding the Regents as a covered party to their current policies for a reasonable price.

Mr. Hillstrom also reported briefly on the negotiations of the Hospital's contract with the local professional review organization. Several local hospitals, he reported, are in the process of adapting to the functioning of the newly reorganized professional review organization.

Lastly, Mr. Hillstrom and Mr. Schwartz reported that the newly incorporated Clinical Chiefs Organization continues to work with a Boston based consulting firm, Health Systems, Inc. to formulate a business plan for the group. The Chiefs' Executive Committee is also in the process of recruiting a full-time Administrative Director.

OTHER:

Mr. Schwartz announced that after twenty-eight years at the University Hospitals, Ms. Shirley Sudduth had decided to resign her position. The Board acknowledged their appreciation for Shirley's support over the years.

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
Assistant Director
Executive Secretary
to the Board of Governors

MINUTES

Planning and Development Committee

May 8, 1985

CALL TO ORDER:

Acting Chariman, Virgil Moline, called the May 8, 1985 meeting of the Planning and Development Committee to order at 10:03 a.m. in the Conference Room at the Hospital Distribution Center.

Attendance: Present: Virgil Moline, Acting Chair
Frank Cerra, M.D.
Clint Hewitt
Kristine Johnson
Geoff Kaufmann
John LaBree, M.D.
I. Dodd Wilson, M.D.

Absent: Robert Latz
C. Edward Schwartz

Staff: Ed Howell
Nancy Janda
Mark Koenig
Ken Merwin

DISTRIBUTION CENTER TOUR

Mr. Howell gave a brief introduction to the tour of the Hospital Distribution Center. The Center was constructed in 1978 at a cost of $1.5 million and is a distribution center, not a warehouse. Supplies are not stored on this site, only delivered there and then sent to requesting departments at the hospital on a daily basis. This is also the facility where they open the bids. Mr. Howell said that several other institutions had toured the Distribution Center with the idea of using it as a model.

Mr. Lou Vietti, Director of Materials Management, led the tour and explained the operation of the Center. He showed the group the layout of the Center and explained how supplies are stocked and pulled from bins for distribution to the hospital. The bulk of the operation is run by computer and the Center is staffed by 11½ people.

QUARTERLY PURCHASING REPORT

Mr. Howell explained that the purchasing activity was consistent with previous reporting periods but that the dollar value was significantly higher because of the acquisition of the computer support system. Ms. Johnson moved that the Report be approved; Dr. Wilson seconded the motion.

STRATEGIC PLANNING INTERNAL ASSESSMENT

Mr. Kaufmann reported to the committee that the Strategic Planning Steering Committee's last meeting on May 3 was spent mainly discussing the Hospital's discussions with HMOs. The next meeting will be devoted mainly to the external assessment. Discussion of the five exhibits contained in the mailing followed with these points being made: Commercial insurance provides most of the patients at UMHC (32.7%) with HMOs sending only 5% of the patients. Reasons for this are that there are few formal contracts with the HMOs and that the perception is that we are not low cost and that HMOs prefer to refer their patients to what they perceive as low-cost facilities. The medical staff data show that all physicians on the active staff at UMHC are certified in their respective specialities but does not show where physicians are certified in more than one specialty. The active staff admits most of the patients (98.5% in 1984 based on 8 months of data) but physicians have fewer patients. Mr. Kaufmann stated that there was a need to get further data from departments where patients are admitted under the chairman's name rather than the actual attending physician's name. The highest admitters are those physicians between the ages of 40 and 60 years.

There was a detailed analysis of the five exhibits in the last handout for the Strategic Planning Steering Committee members. This data will be shared with the medical staff in each department.

Mr. Kaufmann also reported that IMI Research had been hired to do a Community Baseline Image Study. They are experienced in the local health care environment having done 14 studies in the past 20 months.

The Strategic Planning Steering Committee meets nearly every two weeks and there is a high level of interest among the members of the committee as evidenced by participation at the meetings and with outside assignments.

UMHC OUTREACH EFFORTS

Mr. Kaufmann explained that the primary activities of Outreach are community services, the coop program, and education and referral support. He stated that education and referral are extremely important, especially out-state.

Dr. LaBree gave a brief background of the Outreach program. He said that the initial contact was with hospitals in Minnesota but that particular effort was not very successful because UMHC physicians were dealing with patients in the hospital with no personal contact with the patient's physician. This approach is still being used, but we are now approaching clinics around the state, notably in Mankato, Bemidji, Grand Rapids, and Virginia. This approach is working better because the UMHC physician works with both the patient and his/her physician in a clinic setting rather than in a hospital. Dr. LaBree said that this will take time but that referrals from these clinics are rising.

Updated data was distributed and discussed. This data shows that we are maintaining numbers of patient referrals even in the face of declining admissions and patient days. This means that we are getting a larger part of the market share from a shrinking market.

Dr. LaBree also reported that we are sending out survey letters to referring physicians asking about their perception of communications with UMHC. Most letters are positive; Dr. LaBree is dealing with the negative responses and the letters are being forwarded to heads of departments involved in the survey. So far, letters have been sent for surgery, pediatrics, and OB/Gyn.

CAPITAL CAMPAIGN PLANNING

Mr. Merwin reported that they are now working with a rough list and that it will take about a month to match moneys available to need. He said that a week ago a group of major donors were given a tour of Unit J and that he felt it was very successful.

CLINICAL PROGRAM DEVELOPMENT FUND

Dr. Wilson reported on this topic in the absence of Mr. Hart. He said that an eight-member committee decided on the allocation of funds. There were a number of proposals and the committee first reviewed them in pairs and then with the entire committee. A brief discussion was held on some of the projects submitted.

UNIT J UPDATE

Mr. Koenig said that Bid Package 33 for landscaping has been assigned. To date, 11 of 33 bid packages have been closed. Sixteen trade contractors are now active on the site (17 with the landscaping package) and there was an average of 268 persons at work on the site during April. The work on Unit J continues to be under budget and it is expected that it will be completed under budget. Some of the problems encountered in Unit J were discussed.

OTHER BUSINESS

Ms. Janda reminded the committee that there will be a joint meeting of the Planning and Development Committee and the Finance Committee on May 22 at 9:30 a.m. However, Planning and Development committee members do not need to attend until 11:00 a.m.

Mr. Koenig reported that the temporary site for the helicopter on Ramp B has the ability to land a helicopter although there are still a few minor things to finish. The permanent site on the roof of Unit J is still in the engineering stage, but they still plan to have it operational on schedule.

Mr. Kaufmann reported that the 10th Annual Trustee Conference is being held today at the Radisson Plaza Hotel in St. Paul and that there will be 160-170 persons in attendance from around the state.

ADJOURNMENT

There being no further business the meeting of the Planning and Development Committee was adjourned at 11:35 a.m.

Respectfully submitted,

Ann S. Frohrip

Ann S. Frohrip
Senior Secretary
Planning and Marketing

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 16, 1985

TO: Board of Governors

FROM: Ed Howell
Associate Hospital Director

SUBJECT: Quarterly Purchasing Report

Attached is a copy of the Hospitals' purchasing activity report for the period February through April, 1985. You will note that while purchasing activity is consistent with previous recording periods the dollar value associated with these purchases is significantly elevated. This higher than average dollar value is due primarily to the acquisition of the computer support system which was previously approved by the Board of Governors.

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

EH/sb

attachment

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

ADMINISTRATIVE REPORT ON PURCHASING ACTIVITY

PERIOD FEBRUARY-APRIL 1985

I. PURCHASE ORDER ANALYSIS

Range	Number of P.O.'s	Total Dollar Value
$0 - $499	4,184	$ 570,705.71
$500 - $1,999	921	$ 959,412.99
$2,000 - $4,999	272	$ 844,467.13
$5,000 - $9,999	118	$ 836,446.23
$10,000 - OVER	73	$ 4,005,535.61
TOTAL PURCHASE ORDER	5,568	$ 7,216,567.67

II. CONFIRMING ORDERS

Range	Number of P.O.'s	Total Dollar Value
$0 - $99	173	$ 9,323.07
$100 - $499	229	$ 59,249.23
$500 - $999	38	$ 26,215.41
$1,000 - $1,999	25	$ 36,265.39
$2,000 - OVER	13	$ 58,785.34
TOTAL CONFIRMING ORDERS	478	$ 189,838.44
TOTAL	6,046	$ 7,406,406.11

III. SET ASIDE AWARDS

(Attachment C)

IV. PURCHASE AWARDS TO OTHER THAN APPARENT LOW BIDDER

(Attachment A)

V. SOLE SOURCE

(Attachment B)

ATTACHMENT A

IV. PURCHASE AWARD TO OTHER THAN LOW BIDDER, $5,000.00 OR MORE

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPARTMENT
1.	H029322	Data Access/ CRT's	$43,762.50	$27,875.00	I.S.D.
	Reason:	Protocol incorrect, insufficient pages, concatenation box not included and difference in format would require costly new programming.			
2.	85-439	Edward Don/China	$7,314.25	$6,904.00	Materials
	Reason:	F.O.B. shipping point raised net cost above next lowest bidder.			
3.	85-426 Line #1	Carnegie Textile/ Bath Blankets	$12,600.00	$10,418.10	Materials
	Reason:	Requested test sample not submitted.			
		Uniforms Mfg/Bath Blankets	$12,600.00	$11,188.80	Materials
	Reason:	Blanket was not size and weight specified.			
		American Whitegoods/ Bath Blankets	$12,600.00	$11,692.80	Materials
	Reason:	Blanket was too short after laundering.			
		Medline/Bath Blankets	$12,600.00	$10,584.00	Materials
	Reason:	Blanket was not size and weight specified.			
4.	85-426 Line #2	Shirlike/Thermal Blanket	$14,760.00	$14,371.20	Materials
	Reason:	Requested test sample not submitted.			
5.	H026519	Stryker/Camera Systems	$17,000.00	$11,225.75	O.R.
	Reason:	Size and weight incorrect, light source was not automatic and picture not as clear as specified equipment.			

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPARTMENT
6.	H026460	K.C.F. Medical/ Ventilators	$86,250.00	$79,580.00	Cardio-Resp.

Reason: Physician's preference, providing the hospital with a variety of ventilators that are both free standing and dependent upon additional support equipment.

7.	H027569	Puritan-Bennett/ Ventilators	$65,544.00	$52,830.00	Cardio-Resp.

Reason: No pressure mode, rates not appropriate for neonates, oxygen analyzer does not meet specifications and carbon dioxide analyzer does not meet specifications.

		Ohmeda/Ventilators	$65,544.00	$37,170.00	Cardio-Resp.

Reason: Incompatable humidifier, peep range does not meet specifications, preset rate range less than specified, will not deliver volume-limited breaths to neonates and does not measure and disply exhaled oxygen.

8.	85-339 Line#5&6	James Phillips/Lab Supplies	$29,123.30	$24,732.12	Materials

Reason: Testing samples were not submitted as requested.

9.	85-345 Line #7	Whittaker/Biopsy Needles	$6,923.00	$1,645.00	Materials

Reason: Fifteen gauge needle specified with sixteen gauge bid.

		James Phillips/Biopsy Needles	6,923.00	5,152.00	Materials

Reason: Fifteen Gauge needle specified with sixteen gauge bid.

		Transhealth/Biopsy Needles	$6,923.00	$4,849.25	Materials

Reason: Fifteen gauge needle specified with sixteen gauge bid.

10.	84-683 Line #1	Graphic Controls/ Electrodes	$13,000.00	$12,500.00	Materials

Reason: Tracing quality not as specified and gel stabilizing ring separated from the electrode when backing was removed.

		Consolidated/ Electrodes	$13,000.00	$12,500.00	Materials

Reason: Non-standard connection does not meet specifications.

		Andover/ Electrodes	$13,000.00	$12,950.00	Materials

Reason: Backing not cloth as specified and adhesive was too elastic.

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPARTMENT
11.	85-439	Associated/Water Pitchers	$9,622.80	$9,490.80	Materials
	Reason:	Hinge will not withstand several openings.			
		Gentec/Water Pitchers James Phillips/Water Pitchers Redline/Water Pitchers Whittaker/Water Pitchers	$9,622.80	$8,313.36	Materials
	Reason:	Hinge will not withstand several openings. Spout top detatches easily and risk of loss into patient's drink is substantial.			
12.	85-406	Transhealth/ Electrodes	$5,184.00	$1,897.92	Labs
	Reason:	Does not have silver snap as specified.			
13.	85-422	American Hospital Supply/Bath Towel	$22,385.00	$21,010.00	Materials
	Reason:	Size of towel not adequate.			
		Am. Whitegoods/ Bath Towel	$22,385.00	$20,790.00	Materials
	Reason:	Manufacturer is unable to supply.			
14.	H027148	E.I. DuPont de Nemours & Co./ Centrifuge	$7,008.32	$6,926.01	Labs
	Reason:	Manual controls were offered while digital were specified and maximum RPM's are only 3200 while 4200 were specified.			
15.	H011912 Line #1	Endo-Tech/RIA Sets	$5,720.00	$4,875.00	Labs
	Reason:	Establishing new reference and control ranges would be cost prohibitive.			
		Diagnostic Products/ RIA Sets	$5,720.00	$5,200.00	Labs
	Reason:	Establishing new reference and control ranges would be cost prohibitive.			
		Cambridge Med/RIA Sets	$5,720.00	$5,200.00	Labs
	Reason:	Establishing new reference and control ranges would be cost prohibitive.			

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPARTMENT
15.	(Continued)	Pantex/RIA Sets	$5,720.00	$1,820.00	Labs
	Reason:	Establishing new reference and control ranges would be cost prohibitive.			
		Squibb/RIA Sets	$5,720.00	$2,080.00	Labs
	Reason:	Establishing new reference and control ranges would be cost prohibitive.			
16.	H026143	Fisher/Centrifuge	$5,956.28	$4,971.28	Labs
	Reason:	Not frost free, rotor bowl not removable and dimensions are unacceptable.			
17.	H026518	ACMI/Endoscope Pantax/Endoscope	$8,800.00	$7,000.00	Outpatient
	Reason:	Optiumum performance requires use of existing parts, adapters and accessories, per physician's preference.			
		Fujinon/Endoscope	$8,800.00	$7,900.00	Outpatient
	Reason:	Optimum performance requires use of existing parts, adapters and accessories, per physician's preference.			
		Pentax/Endoscope	$8,800.00	$7,371.00	Outpatient
	Reason:	Optimum performance requires use of existing parts, adapters and accessories, per physician's preference.			
18.	85-313 Line #6	Medox/Universal Circuit	$9,735.00	$5,742.00	Materials
	Reason:	Segmented hose construction has high risk of valve disconnection and kinking.			
		Trimed/Universal Circuit	$9,735.00	$5,214.00	Materials
	Reason:	Segmented hose construction has high risk of kinking. Exhalation valve causes indication to be greater than actual.			
		U.H.S./Universal Circuit	$9,735.00	$6,567.00	Materials
	Reason:	No test sample submitted as requested.			
		AHS/Universal Circuit	$9,735.00	$5,156.25	Materials
	Reason:	Joint gaskets may come off inadvertently. Exhalation valve causes indication to be greater than actual.			

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPARTMENT
18.	(Continued)	Whittaker/Universal Circuit	$9,735.00	$7,322.70	Materials
	Reason:	Segmented hose construction has high risk of kinking. Connections at valve disconnect easily.			
		Transhealth/Universal Circuit	$9,735.00	$5,560.00	Materials
	Reason:	Segmented hose construction has high risk of kinking. Connections at valve disconnect easily.			
19.	85-461 Line #6	Medix/Collection Devices	$7,536.00	$7,392.00	Materials
	Reason:	Screw cap does not fit securely and graduated too close to the top of container.			
20.	85-452 Line #10	Abbott/Trays	$12,083.50	$11,325.60	Materials
	Reason:	Test samples were not received pursuant to bid specification time frame.			
21.	H031533	Advanced Tech./ Ultrasound System	$138,000.00	$114,570.00	Radiology
	Reason:	Physician preference based upon: Awarded equipment has superior special resolution throughout the anatomic structure; awarded equipment has deeper penetration with superior resolution; awarded equipment detects more and smaller structures with less scatter echoes.			
22.	H029219 Line #1	Engineering Dynamics/ Image Table	$9,450.00	$9,200.00	Radiology
	Reason:	Lower bid equipment does not have power tilt, is longer and less maneuverable, width allows less camera position flexibility and does not have a removable seat.			
23.	85-452 Line #14	AHS/Trays	$23,892.48	$18,702.72	Materials
	Reason:	Alternate does not contain removable inner tray and washed gauze ball sponges, as specified.			
		James Phillips/Trays	$23,892.48	$21,003.84	Materials
	Reason:	Alternate does not contain removable inner tray and washed gauze ball sponges as specified.			

	P.O. NUMBER	VENDOR/ITEM	TOTAL DOLLAR VALUE	DOLLAR VALUE LOW BID	DEPARTMENT
24.	85-450 Line #2	Terumo/Dailysers	$16,200.00	$12,000.00	Nursing
	Reason: Clearance rate is not equal to specification.				
25.	85-450 Line #1	Cobe/Capillary Dailysers	$16,200.00	$13,800.00	Nursing
	Reason: Clearance rate is not equal to specification.				
26.	85-452	Key Medical/Venous Sets	$7,056.00	$5,670.00	Materials
	Reason: Bid specifications required a complete listing of components, which the vendor failed to provide.				

ATTACHMENT B

V. SOLE SOURCE

VENDOR	CONTRACT/P.O.#	VALUE	DEPARTMENT	PRODUCT
N.C. Instruments	H027656	$61,041.00	O.R.	Microscopes
N.C. Instruments	H027655	$10,500.00	O.R.	Microscopes Modification
Medecron	H027651	$3,150.00	O.R.	Table Modificatior
Codman	85-393	$14,199.00	O.R.	Specialty Items
St. Jude	85-391	$108,940.00	O.R.	Heart Valves
3M Ortho	85-409	Open	O.R.	Implants
Seamless	85-376	$9,572.32	Materials	Surgeon's Gloves
Hexcell Med.	H028433	$4,260.00	O.R.	Ligaments
Preferred Surgical	H028459	$9,500.00	O.R.	Laser System
Radionics	H028460	$2,514.98	O.R.	Parts
G.E. Medical	H029189	$2,529.00	Radiology	Wheelchair
Radiation Product Design	H031690	$3,633.00	Ther. Radiol.	Radiation Shields
Continental Healthcare	H031504	$5,995.00	I.S.D.	Processor Board
Astrocom	H031505	$5,180.00	I.S.D.	Modems
Microdata	H031550	$13,896.00	I.S.D.	Processor
Pel Freeze	H031335	$7,225.00	Labs	Rabbit Complement
Deco Guard	H031542	$2,470.00	Maint. & Op.	Corner Guards

ATTACHMENT "C"

SET ASIDE REPORTING - COMMODITIES & SERVICES

Month: January 1985

Bid No. / Award No.	No. of Vendors Invited	No. of Bid Responses	Total $ Award	Rebid $ Award	S.E.D. VENDORS	Award Disposition	Remarks (listing of other bidders; basis for award)
H-07164			$40.68			**Everything for the Office	
H-25683			$ 1510.00			Sexton Data Prod.	
H-25780/Bid #89997	16	1	2012.00		SED Carpet List	Lakes' Enterprises	Low Bid
H-25984			124.31			Jameco Electronics	
H-26399			855.00			Lakes' Enterprises	
H-26418	19	2	809.00		SED Carpet List	Lakes' Enterprises	Midwest Interiors(no bid)
H-51706			62.70			Budget Paper	
H-91403			499.20			Budget Paper	
H-91403			2476.03			Budget Paper	
H-98272			1828.80			Budget Paper	
H-98850			353.60			Budget Paper	
H-25781			836.00			Lakes' Enterprises	
H-51732			640.00			Sexton Data	
H-98568			86.00			Sexton Data	
		TOTAL =	$12,133.32			**Everything for the Office has since been removed from the SED listing.	

SET ASIDE REPORTING - COMMODITIES & SERVICES

Month: February 1985

Bid No. / Award No.	No. of Vendors Invited	No. of Bid Responses	Total $ Award	Rebid $ Award	S.E.D. VENDORS	Award Disposition	Remarks (listing of other bidders; basis for award)
H-24807			$ 140.20			**Everything for the Office	
H-24808			5.18			"	
H-26648			27.72			"	
H-01945			108.18			"	
H-24588			269.25			"	
H-24815			30.65			"	
H-28028			19.95			"	
H-28026			109.91			"	
H-99219			1831.68			Budget Paper	
H-26418			809.00			Lakes' Enterprises	
H-26691			5960.00			Sexton Data	
H-26690			73.20			Sexton Data	
H-27979			284.40			Sexton Data	
H-51099			2222.72			Sexton Data	
		TOTAL =	$11,892.04				

** Everything for the Office has since been removed from the SED list.

SET ASIDE REPORTING - COMMODITIES & SERVICES

Month: March 1985

Bid No. / Award No.	No. of Vendors Invited	No. of Bid Responses	Total $ Award	Rebid $ Award	S.E.D. VENDORS	Award Disposition	Remarks (listing of other bidders; basis for award)
H-24625			$ 96.50			Lee Dental	
H-28536	8	1	1447.00		SED Office Supply List	Office Machine Sales	
H-51840			48.40			Budget Paper	
H-29411			350.00			Lakes' Enterprises	
H-29855			960.00			Lakes' Enterprises	
H-29869			171.50			Lee's Slipcover	
H-29890			264.20			G.Lee's Upholstery	
H-29883			914.30			Lee's Slipcover	
		TOTAL =	$ 4,251.90				

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

Date: May 2, 1985

To: Board of Governors

From: Geoff Kaufmann GJK

Subject: STRATEGIC PLANNING/INTERNAL ASSESSMENT

The April 19 meeting of the Strategic Planning Steering Committee focused on our current discussions with HMOs. The committee discussed major factors that UMHC should consider in evaluating potential relationships with HMOs.

Data contained in the following pages indicates the major sources of payment for our patients and an analysis of our medical staff. The financial data shows a wide distribution of payment with the major sources being commercial insurance, Medicare, Blue Cross, and medical assistance.

The medical staff analyses indicate that we have a very qualified staff; that our active staff are the primary admitters; that admissions per physician are declining; and that the age mix of our staff is generally favorable.

GLK:asf

Attachment

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
Source of Patients and Revenue By Payor Category
1982-84 Calendar Years

Category	1982 Patients	1982 Average Hospital Charge $	1983 Patients	1983 Average Hospital Charge $	1984 Patients	1984 Average Hospital Charge $	1984 Percent of Total Patients
Medicare							
Over 65	3,864	$ 5,753	3,938	$ 6,827	3,955	$ 7,333	20.3
Under 65	849	10,920	971	16,052	812	14,267	4.2
Blue Cross	2,867	5,194	2,700	7,107	2,544	7,888	13.1
Commercial Insurance	6,274	5,273	6,677	7,621	6,374	8,281	32.7
Medical Assistance	1,737	6,854	1,975	9,153	1,910	10,227	9.8
Public Health Service	242	7,721	224	8,892	163	11,024	0.8
Clinical Research Center	233	2,290	242	1,632	221	2,848	1.1
HMOs							
Group Health	915	2,379	850	2,831	576	3,832	3.0
HMOM	90	3,843	81	4,952	103	8,379	0.5
Share	45	3,622	69	5,315	116	12,302	0.6
Med Center	57	6,632	83	9,561	99	8,135	0.5
PHP	28	3,510	35	5,991	65	9,170	0.3
Coordinated HC	-	-	-	-	1	6,696	-
Subtotal HMOs	1,135		1,118		960		4.9
Workmen's Comp	327	3,076	360	3,949	336	4,082	1.7
Other	2,897		2,207		2,203		11.4
TOTAL	20,425	$ 5,723	20,412	$ 7,631	19,478	$ 8,291	100.0

Note: MedCenter Health Plan includes Nicollet-Eitel Health Plan.
Medical Assistance includes Crippled Children's Services.

UMHC MEDICAL STAFF ANALYSIS

Medical staff data depicted in the following exhibits covers FY 1982-83 and the first 8 months of FY 1984, July - February.

MAJOR SUMMARY CONCLUSIONS FROM EXHIBITS 1 - 5

Exhibit 1
All of our active staff physicians are board certified compared to 66.5% board certified in the U.S. This fact could be useful to us as we assess quality issues in comparison with community physicians.

Exhibit 2 (a, b, c)
The active staff admits most of the patients to UMHC (97-98%) and has significantly more admissions per physician than the consulting staff. The average number of admissions per active staff physician has declined over the three-year period from 1982-84 as shown below:

	Annual Admissions per Admitting Physician
1982	83.6
1983	77.7
1984 (est.)	74.1

In order to increase admissions to UMHC we could do several things from a medical staff perspective:

- increase the number of active staff physicians
- increase the number of courtesy staff physicians
- encourage courtesy staff physicians to admit in greater numbers

Exhibit 3
The largest volume departments are internal medicine, general surgery, pediatrics and Ob/Gyn. These services comprise over half of the inpatient volume at UMHC. Admissions per admitting physician vary from near zero in services which don't traditionally admit patients to near 200 in many of the surgically-oriented departments. Admission levels per admitting physician have declined in most departments over the period 1982-84.

Exhibit 4
The frequency of discharges by the active medical staff varies considerably from zero to over 700. This data reflects the fact that certain physicians have patients admitted under their name, but are not actually the attending physician caring for all these patients. We will attempt to distribute this patient load for these selected physicians in our next data run. These physicians may include, but may not be limited to:

L. Adcock, Ob/Gyn
H. Buchwald, General Surgery
D. Erickson, Neurosurgery
E. Fraley, Urology
T. Grage, Surgery
B. J. Kennedy, Internal Medicine
J. Najarian, General Surgery
D. Sutherland, General Surgery
T. Thompson, Pediatrics
L. Twiggs, Ob/Gyn

UMHC Medical Staff Analysis - 2

Exhibit 5

The age analysis of UMHC medical staff shows a well-balanced age mix with only two physicians over the age of 65 years in 1984. However, another eight are between 62 and 65 years and 18 are between 56 and 60 years of age. UMHC physicians tend to be more active admitters as they age, with the peak admitting years occurring between the ages of 46 and 60.

EXHIBIT 1

ACTIVE STAFF CERTIFIED
BY SPECIALTY

SPECIALTY	TOTAL PHYSICIANS	PHYSICIANS CERTIFIED	PERCENT BOARD CERTIFIED UMHC	U.S.
Family Practice	12	12	100.0	16.0
General Internal Medicine	86	86	100.0	56.0
Dermatology	5	5	100.0	75.1
Neurology	19	19	100.0	46.4
Physical Med & Rehab	8	8	100.0	64.0
General Surgery	21	21	100.0	63.6
Neurosurgery	8	8	100.0	61.9
Ophthalmology	11	11	100.0	71.8
Orthopedics	9	9	100.0	76.6
Otolaryngology	8	8	100.0	93.0
Urology	7	7	100.0	68.7
Obstetrics/Gynecology	15	15	100.0	66.0
Pediatrics	54	54	100.0	77.5
Psychiatry	21	21	100.0	46.4
Oral Surgery/Dentistry	17	17	100.0	0
Anesthesiology	15	15	100.0	55.5
Pathology	37	37	100.0	93.9
Radiation Therapy	4	4	100.0	0
Radiology	22	22	100.0	92.5
	379	379	100.0	66.5

EXHIBIT 2a

INPATIENT ACTIVITY OF MEDICAL STAFF
BY MEMBERSHIP CATEGORY
FY 1982

Membership Category	Number Physicians	Physicians Discharging	Patients Discharged	Percent Discharges	Discharging Physicians
Active	379	211	18,486	97.3	87.6
Consulting	181	15	508	2.6	33.8
Emeritus	5	1	2	.0	2.0
	565	227	18,996	100.0	83.6

EXHIBIT 2b

INPATIENT ACTIVITY OF MEDICAL STAFF
BY MEMBERSHIP CATEGORY
FY 1983

Membership Category	Number Physicians	Physicians Discharging	Patients Discharged	Percent Discharges	Discharging Physicians
Active	379	232	18,614	98.1	80.2
Consulting	181	12	349	1.8	29.0
Emeritus	5	0	0	.0	.0
	565	244	18,963	100.0	77.7

EXHIBIT 2c

INPATIENT ACTIVITY OF MEDICAL STAFF
BY MEMBERSHIP CATEGORY
FY 1984[a]

Membership Category	Number Physicians	Physicians Discharging	Patients Discharged	Percent Discharges	Discharging Physicians
Active	379	229	11,941	98.6	52.1
Consulting	181	16	164	1.3	10.2
Emeritus	5	0	0	.0	.0
	565	245	12,105	100.0	49.4

[a]1984 figures reflect only eight months of activity.

EXHIBIT 3

INPATIENT ACTIVITY OF MEDICAL STAFF
BY SPECIALTY
1982-84

Specialty	Number of Physicians Admitting Patients			Number of Patients Admitted			Percent of Total Admitted			Patients Per Admitting Physician		
	1982	1983	1984	1982	1983	1984[a]	1982	1983	1984[a]	1982	1983	1984[a]
Family Practice	3	5	4	146	199	116	.7	1.0	.9	48.6	39.8	29.0
General Internal Medicine	49	53	56	3,012	3,205	2,530	16.2	17.2	21.1	61.4	60.4	45.1
Dermatology	5	5	5	106	106	42	.5	.5	.3	21.2	21.2	8.4
Neurology	11	16	14	822	837	530	4.4	4.5	4.4	74.7	52.3	37.8
Physical Med & Rehab	5	5	6	254	293	205	1.3	1.5	1.7	50.8	58.6	34.1
General Surgery	18	18	16	3,677	3,332	1,967	19.8	17.9	16.4	204.2	185.1	122.9
Neurosurgery	7	7	7	1,119	1,181	770	6.0	6.3	6.4	159.8	168.7	110.0
Ophthalmology	9	9	10	996	968	735	5.3	5.2	6.1	110.6	107.5	73.5
Orthopedics	7	7	8	1,048	1,089	733	5.6	5.8	6.1	149.7	155.5	91.6
Otolaryngology	8	8	7	1,021	980	484	5.5	5.2	4.0	127.6	122.5	69.1
Urology	3	6	7	725	843	576	3.9	4.5	4.8	241.6	140.5	82.2
Obstetrics/Gynecology	11	11	11	2,221	2,104	1,228	12.0	11.3	10.2	201.9	191.2	111.6
Pediatrics	44	48	47	2,408	2,421	1,367	13.0	13.0	11.4	54.7	50.4	29.0
Psychiatry	12	13	14	577	738	488	3.1	3.9	4.0	48.0	56.7	34.8
Oral Surgery/Dentistry	4	7	5	155	127	56	.8	.6	.4	38.7	18.1	11.2
Anesthesiology	2	2	0	2	2	0	.0	.0	.0	1.0	1.0	.0
Pathology	9	9	8	189	182	108	1.0	.9	.9	21.0	20.2	13.5
Radiation Therapy	3	1	1	5	2	1	.0	.0	.0	1.6	2.0	1.0
Radiology	1	2	3	3	5	5	.0	.0	.0	3.0	2.5	1.6
	211	232	229	18,486	18,614	11,491	100.0	100.0	100.0	87.6	80.2	52.1

[a]1984 volumes reflect only eight months of activity.

EXHIBIT 4

FREQUENCY OF DISCHARGES
BY ACTIVE MEDICAL STAFF

Patients Discharged	1982	1983	1984[a]
0 - 0	168	147	150
1 - 9	33	38	44
10 - 19	19	17	33
20 - 29	16	18	31
30 - 39	16	23	18
40 - 49	13	17	21
50 - 99	53	54	43
100 - 149	27	32	25
150 - 199	13	14	7
200 - 249	7	7	5
250 - 299	5	5	1
300 - 399	3	3	0
400 - 499	4	3	1
500 - 599	1	0	0
500 - 699	0	0	0
700 - 999	1	1	0
	379	379	379

[a]1984 volumes reflect only 8 months of activity.

EXHIBIT 5

ADMISSIONS BY AGE GROUP
FOR ADMITTING PHYSICIANS

Age Group In Years	Physicians Admitting		% of Admitting Physicians		Patients Admitted		Admissions/ Physician	
	1983	1984[a]	1983	1984[a]	1983	1984[a]	1983	1984[a]
26 - 30	7	8	3.0	3.5	340	335	48.5	41.8
31 - 35	46	50	19.8	21.8	2,424	1,727	52.6	34.5
36 - 40	55	54	23.7	23.6	4,213	2,715	76.6	50.2
41 - 45	34	35	14.7	15.3	2,457	1,307	72.2	37.3
46 - 50	39	37	16.8	16.2	4,102	2,509	105.1	67.8
51 - 55	19	17	8.2	7.4	1,768	1,235	93.0	72.6
56 - 60	21	18	9.1	7.9	2,538	1,612	120.8	89.5
61 - 65	8	8	3.4	3.5	726	470	90.7	58.7
66 - 70	3	2	1.3	.9	46	31	15.3	15.5
	232	229	100.0	100.0	18,614	11,941	80.2	52.1

[a]1984 figures reflect only 8 months activity.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

Date: May 2, 1985

To: Board of Governors

From: Geoff Kaufmann GLK

Subject: UMHC OUTREACH EFFORTS

The University of Minnesota Hospitals and Clinics are very active in their support of the health care system throughout the state and in our neighboring states. Our primary outreach activities can be summarized in several programmatic efforts including:

- Community Services
- Co-op Program
- Targeted Community Educational/Referral Support

Because of the importance of referral business to UMHC we actively support these efforts. Data contained in the following pages show referral activity as a result of our outreach efforts. In most communities throughout the state we are experiencing stable to declining referral volumes. This is consistent with very large declines in these areas in total admissions to all hospitals. From a market share perspective, we are actually gaining a larger portion of referral patients over previous years.

Discussion at the May 8 meeting will focus on our outreach efforts and plans.

GLK:asf

Attachment

CO-OP COMMUNITIES

	1985	1984	PERCENT CHANGE
Appleton	3	3	-0-
Canby	19	13	+46
Graceville	2	10	-80
Granite Falls	24	27	-11
Madison-Dawson	5	12	-58
Montevideo	33	44	-25
Ortonville	19	26	-27
TOTAL	105	135	-22

FORMER CO-OP COMMUNITIES

	1985	1984	PERCENT CHANGE
Aitkin	18	30	-40
Big Fork	2	3	-33
Crosby	36	54	-33
Deer River	8	16	-50
Melrose	20	10	+100
Onamia	28	20	+40
Paynesville	4	13	-69
TOTAL	116	146	-20

IN-PATIENT

PHYSICIAN REFERRAL REPORT

7/1/84 THROUGH 3/31/85

TARGETED COMMUNITIES

	1985	1984	PERCENT CHANGE
*Aberdeen	127	N.A.	N.A.
Alexandria	55	61	-10
Bemidji	101	74	+37
Brainerd	90	111	-19
Grand Rapids	83	82	+1
Hibbing	104	101	+3
Mankato	169	169	-0-
Marshall	44	38	+16
Willmar	98	152	-36
Virginia	149	166	-10
TOTAL (Aberdeen not included)	893	954	-6

OTHER COMMUNITIES

Crookston	3	3	-0-
Duluth	118	135	-13
*Fairmont	19	N.A.	N.A.
*LaCrosse	16	N.A.	N.A.
Little Falls	53	69	-23
Little Fork	35	19	+84
*Menomonie	13	N.A.	N.A.
New Ulm	50	101	-50
St. Cloud	180	203	-11
Sleepy Eye	27	30	-10
*Williston	23	N.A.	N.A.
TOTAL (Fairmont, LaCrosse, Menomonie, Williston not included)	466	560	-17

* For period 10/1/84 through 3/31/85 only

PHYSICIAN REFERRALS TO IN-PATIENT SERVICES
(EXCLUDES INTERNAL REFERRALS AND
MULTIPLE ADMISSIONS FROM ONE REFERRAL)
7/1/84 THROUGH 3/31/85

SERVICE	FY TO DATE 1985			FY TO DATE 1984			PERCENT CHANGE		
SURGERY	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER
Red	25	69	35	32	79	29	-22	-13	+21
Orange	34	38	43	28	58	44	+21	-35	-2
White	42	92	30	24	101	48	+75	+9	-60
Purple	23	56	30	39	62	35	-41	-10	-14
Blue	56	41	35	51	33	34	+10	+24	-3
Peds Blue	5	2	1	9	3	6	-44	-33	-83
Peds Orange	13	27	21	9	22	21	+44	+23	-0-
Peds Green	9	33	14	12	31	18	-25	+6	-22
Total Surgery	207	358	209	204	389	235	+1	-8	-11
GRAND TOTAL		774			828			-7	
MEDICINE									
Yellow A	12	21	7	12	7	5	-0-	+200	+40
Yellow B	7	8	2	8	21	10	-12	-62	-80
Green	22	41	42	25	35	22	-12	+17	+90
Purple	18	5	3	16	11	9	+12	-55	-67
Red A	25	37	5	38	24	9	-34	+54	-44
Red B	13	21	2	25	9	8	-48	+133	-75
White A	41	56	21	36	49	25	+14	+14	-16
White B	44	50	23	38	29	24	+16	+72	-4
Rose A	16	23	6	15	14	6	+7	-64	-0-
Rose B	9	6	4	11	5	4	-18	+20	-0-
Blue	28	44	25	32	71	25	-12	-38	-0-
Total Medicine	235	312	140	256	275	147	-8	+13	-5
GRAND TOTAL		687			678			+1	

SERVICE	FY TO DATE 1985			FY TO DATE 1984			PERCENT CHANGE		
	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER
OBSTETRICS	14	88	4	22	102	8	-36	-14	-50
GRAND TOTAL		106			132			-20	
PSYCHIATRY									
Adult	59	40	16	45	48	15	+31	-17	+7
Peds	7	6	1	10	7	2	-30	-14	-50
Total Psychiatry	66	46	17	55	55	17	+20	-16	-0-
GRAND TOTAL		129			127			+2	
NEUROLOGY									
Adult	38	87	27	45	123	42	-16	-29	-36
Peds	9	20	11	9	21	17	-0-	-5	-35
Epilepsy	22	10	14	20	10	17	-10	-0-	-18
Total Neurology	69	117	52	74	154	76	-7	-24	-32
GRAND TOTAL		238			304			-22	
PEDIATRICS									
General	176	343	179	145	386	184	+21	-11	-3
Newborn	9	28	1	10	20	3	-10	+40	-67
Total Pediatrics	185	371	180	155	406	187	+19	-9	-4
GRAND TOTAL		736			748			-2	
PM&R	41	52	17	18	39	8	+128	+33	+112
GRAND TOTAL		110			65			+69	
CRC	24	36	18	30	20	18	-20	+80	-0-
GRAND TOTAL		78			68			+15	
GYN	33	22	14	107	131	27	-69	-83	-48
GRAND TOTAL		69			265			-74	

SERVICE	FY TO DATE 1985			FY TO DATE 1984			PERCENT CHANGE		
	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER
NEUROSURGERY									
Adult	175	171	98	155	197	125	+13	-15	-22
Peds	13	21	14	21	31	16	-38	-33	-12
Total Neurosurgery	188	192	112	176	228	141	+7	-16	-21
GRAND TOTAL		492			545			-10	
ORTHOPAEDICS									
Adult	159	115	60	112	122	57	+42	-6	+5
Peds	13	16	7	14	12	9	-7	+33	-22
Total Orthopaedics	172	131	67	126	134	66	+37	-2	+1
GRAND TOTAL		370			326			+13	
UROLOGY									
Adult	62	127	46	53	135	54	+17	-6	-15
Peds	6	19	12	14	18	9	-57	+6	+33
Total Urology	68	146	58	67	153	63	+1	-5	-8
GRAND TOTAL		272			283			-4	
OPHTHALMOLOGY									
Adult	147	176	163	132	157	110	+11	+12	+48
Peds	24	10	17	18	21	18	+33	-52	-6
Total Ophthalmology	171	186	180	150	178	128	+14	+4	+41
GRAND TOTAL		537			456			+18	
OTOLARYNGOLOGY									
Adult	92	109	53	95	162	59	-3	-33	-10
Peds	15	27	13	22	40	23	-32	-33	-43
Total Otolaryngology	107	136	66	117	202	82	-9	-33	-20
GRAND TOTAL		309			401			-23	

SERVICE	FY TO DATE 1985			FY TO DATE 1984			PERCENT CHANGE		
	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER	METRO	OUTSTATE	OTHER
DERMATOLOGY	14	5	2	25	13	8	-44	-62	-75
GRAND TOTAL		21			46			-54	
MASONIC									
Medicine	110	186	113	98	178	95	+12	+4	+19
Gynecology	200	215	37	149	169	35	+34	+27	+6
Total Masonic	310	401	150	247	347	130	+26	+16	+15
GRAND TOTAL		861			724			+19	
Total Hospital	1904	2599	1286	1829	2846	1341	+4	-9	-4
GRAND TOTAL		5789			6016			-4	

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 16, 1985

TO: Members, Board of Governors

FROM: Greg Hart
Senior Associate Director

SUBJECT: Clinical Program Development Fund

In September, 1984 the Board of Governors established the Clinical Program Development Fund. This $1,000,000 fund was created to encourage proposals or programs which would result in volume growth at UMHC.

Over the past several months a review of proposals submitted for use of this fund has been conducted. The primary review mechanism has been through a medical staff advisory committee, which acted as a "peer review" panel for the proposals submitted. The committee, which was chaired by Shelley Chou, M.D., has completed its evaluation process, and made its recommendations as to projects which should receive funding at this point in time. A listing of those projects is attached.

The Board of Governors expressed an intent to review and approve the initial project list for use of the fund. This list is being presented at the joint meeting of the Planning and Development Committee/Finance Committee on May 22 for endorsement. We will be asking for your approval of this initial project listing at the full Board meeting that same day.

We will be happy to answer any questions you may have relative to this project.

GH/kj

attachment

CLINICAL PROGRAM DEVELOPMENT FUND
MASTER SUMMARY

PROJECT	REQUESTOR	ORIGINAL REQUEST	RECOMMENDED ALLOCATION
Molecular Biology Laboratory	Drs. Benson, Orr	$41,000	$41,000
Cosmetic Surgery	Dr. Gentry	$128,000	$128,000
RPAP Computer Network	Dr. Verby	$2,800,000	$102,000
Chorionic Villi Sampling	Dr. Williams	$7,000	$7,000
Diabetes Center	Dr. Oppenheimer, et al	$95,000	$70,000
CUHCC Expansion	Dr. Deinard	$65,000	$65,000
Skeletal Dysplasia	Dr. Gorlin	$30,000	$22,500
Pediatric Pulmonary Medicine	Drs. Warwick, Elliot	$44,000	$25,000
Metabolic Reference Laboratory	Dr. Tuchman	$20,000	$20,000
Brain Tumor Task Force	Dr. Krivit, et al	$20,000	$7,000

PROJECT	REQUESTOR	ORIGINAL REQUEST	RECOMMENDED ALLOCATION
Neurofibromatosis	Dr. King, et al	$25,000	$25,000
Fetal Monitoring	Dr. Butler	$8,000	$8,000
Weight Control	Dr. Phinney	$50,000	$50,000
Arthritis Study/ Therapeutic Rad.	Dr Kim	$3,000	$3,000
Alzheimers Disease/ Pump Implant	Dr. Knopman/ Dr. Erickson	$40,000	$40,000
Child Abuse Treatment	Dr. Realmuto	$81,000	$46,000
AIDS Testing	Dr. Katzenstein	$50,000	$50,000
Intensive Care	Dr. Cerra, et al	$36,000	$28,000
Arthritis Center	Dr. Messner	$83,000	$41,000

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 16, 1985

TO: Members, Board of Governors

FROM: C. Edward Schwartz
Hospital Director

James H. Moller, M.D.
Chief of Staff

SUBJECT: Malpractice Insurance Requirements-Clinical Staff

Due to difficulties which numerous members of our clinical medical staff are experiencing in arranging malpractice insurance coverage consistent with the recently adopted requirements, the Medical Staff Hospital Council and the Council of Chiefs of Clinical Services have endorsed the attached resolution. We would recommend this resolution for Board of Governors approval.

It is our belief that there is not sufficient time between now and the time medical staff reappointments must be approved (June, 1985) to resolve the difficulties that have been experienced. At the same time, we continue to believe the objectives to be accomplished through the malpractice insurance requirements are important. We are therefore recommending a delay in the date at which those requirements become effective, and will be pursuing several alternatives to try and resolve the problems which have been encountered.

We will be happy to answer any questions you might have.

/kj

attachment

Having considered the recommendations of the Credentials Committee, and being fully apprised of the difficulties in securing malpractice insurance coverage naming the Board of Regents of the University of Minnesota as additional insureds, the Medical Staff-Hospital Council resolves to recommend to the Board of Governors as follows:

That the effective date of the malpractice insurance requirement for Clinical Staff, Specified Professional Personnel Clinical Staff, and Non-Hospital Ancillary Personnel, (Rules and Regulations of the Medical and Dental Staff, Sections: I D(3); II F(3) and III A(3), as it relates to naming the Board of Regents of the University of Minnesota as an additional insured on their malpractice insurance policy, be delayed until June 1, 1986.

Minutes
Finance Committee
University of Minnesota Hospitals & Clinics
April 24, 1985

MEMBERS PRESENT:	Jerry Meilahn Clifford Fearing Robert Nickoloff C. Edward Schwartz
MEMBERS ABSENT:	Shelley Chou, M.D. Mary Des Roches Al Hanser William Krivit, M.D. Vic Vikmanis
STAFF:	Greg Hart Nancy Janda Nels Larson Jane Morris Barbara Tebbitt

CALL TO ORDER: The meeting of the Finance Committee was chaired by Mr. Jerry Meilahn 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 March 27, 1985 meeting of the Finance Committee were approved.

MARCH YTD FINANCIAL STATEMENTS (INFORMATION): Mr. Fearing reviewed the Report of Operations for the period July 1, 1984 through March 31, 1985. He reported that March admissions of 1,413 were 361 below projections of 1,774 and patient days for the month of March totaling 12,848 were 2,700 days below budget. The year-to-date variances for admissions were 6.5% below budget and patient days varied 11.3% below budget. Mr. Fearing noted that the areas showing the greatest decline in admissions were Otolaryngology, Newborn and Obstetrics. Pediatrics admissions have also shown a significant loss. Outpatient clinic visits for March were below budget at 15,468 or 3,051 (16.5%) below projected visits of 18,519. Year-to-date, this represents a unfavorable variance of 231 visits (0.2%) below projected levels. The decline in the outpatient census for the month of March is largely due to several emergency situations that occurred because of severe weather and power losses.

The Statement of Operations shows total revenues over expense of $16,346,487 or $12,514,646 over the budgeted level. Of this variance, $10,045,000 reflects net revenues from operations and $2,469,000 is related to non-operating incomes such as investments on reserves.

Mr. Fearing stated that patient care charges were 2.5% above budgeted levels at $139,741,857 for the fiscal year through March 31, 1985. Routine revenue is 7.7% below budget reflecting the overall patient day variance, and ancillary revenue is 8.4% above budget continuing to reflect increased ancillary utilization.

Operating expenditures were under budget in almost all categories with the largest favorable variance in personnel costs. Drugs, and Blood and Blood Derivatives show unfavorable variances due to the higher than anticipated utilization levels.

The balance in accounts receivable for March totaled $49,370,828 representing 92.6 days of revenue outstanding. Mr. Fearing explained that some payment problems are occurring with commercial companies because they have not yet fully implemented changes required with the new uniform billing claim forms.

Regarding the Cash Flow Statement, Mr. Fearing stated that total operating cash available of $9,083,457 plus transfers to the renewal project of $3,000,000, plus transfers to debt retirement of $2,400,000, plus transfers to plant of $720,791, equals cash generated from operations of $15,204,248.

Mr. Fearing concluded his report stating that there have been no significant changes other than the larger than usual drop in admissions during March and that the Hospital remains in a very positive financial position.

BAD DEBT REPORT 3RD QUARTER FY 1984-85 (ENDORSEMENT):

Mr. Fearing stated that the total amount of bad debt for Hospital accounts receivable during the third quarter of 1984-85 was $630,682.10 (represented by 1,461 accounts). Total bad debts for the first three quarters of the fiscal year 1984-85 are $1,871,833.08 which is 1.34% of gross charges, compared to a budgeted level of bad debts of 1.33%. A total of $5,370.00 of Home Health Services accounts were also submitted for approval.

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

REFINANCING OF SERIES 1982 BONDS UPDATE (INFORMATION):

Mr. Fearing reported to the Committee that closing for the $65,000,000 Variable Rate Bond Issue occurred on April 22, 1985, $5,000,000 of which was designated by the Board of Governors for the proposed parking ramp construction. Copies of Official Statements for both the Variable Rate Bond Issue and the General Obligation Refunding Bond Issue will be mailed to the Board of Governors members.

Mr. Fearing indicated that a "cross-over" refunding may be necessary in the next 3 - 6 months to create a hedge against raising the variable rate interest rates. The cross-over refunding will be brought to the attention of this Committee again at the appropriate time.

UMHC PARKING RAMP STATUS REPORT (INFORMATION):

Mr. Fearing explained that Clint Hewitt's office has settled with two of the property owners and is still making counter offers with a third. Because the medical fraternity was asking for replacement cost of their house rather than market value, it will not be purchased. The church has agreed to give the University an easement in exchange for use of parking spaces in the completed ramp. He stated that construction is still expected to start in late summer or early fall.

1985-86 BUDGET UPDATE (INFORMATION):

Mr. Fearing reported that the overall budgeting process is fairly well completed and is being reviewed by management. A budget package will be mailed to the Committee members for their review before their special meeting concerning the 1985-86 Hospital budget scheduled for May 13th. Mr. Fearing stated that at the special meeting, tentative approval of the proposed budget and rate increase will be sought in order to coincide with the Rate Review submission deadline of May 15th. Mr. Schwartz explained that the rate increase can be cut back after submission to Rate Review, but cannot be increased. Mr. Fearing noted that the full Board of Governors will be asked to give final approval to the 1985-86 Hospital Budget at their June meeting.

COMPARABLE WORTH RECOMMENDATION (ENDORSEMENT):

Mr. Hart reviewed for the Committee the activity concerning the issue of comparable worth during the last few weeks. The Hospitals' and the University's plans for comparable worth were submitted to the Board of Regents on April 11 and to the Legislative Commission on Employee Relations on April 22 for their information. Also, because AFSCME has questioned the validity of and objected to the existence of two separate comparable worth studies, an agreement was signed between the University and AFSCME to compare outcomes of the Arthur Young study with those of the University study.

Mr. Hart presented the comparable worth resolution noting that it was not indicated that the above actions would alter this proposed resolution. The three part resolution as Mr. Hart outlined proposes: 1) endorsement of the five-point comparable worth plan (attached), 2) to incorporate the comparable worth plan into the Hospitals' planning process for fiscal year 1985-86, and 3) that the Board of Governors may modify this plan when and if appropriate.

Mr. Schwartz announced he had been informed that the comparable worth issue was not to be included in the agenda of the upcoming Board of Regents meeting, but they would include comparable worth as a factor in the University's budget.

There was some discussion concerning the appropriateness of acting on this resolution without knowledge of the University's intended actions. However, because the third part of the resolution instructs the Board of Governors to modify the comparable worth plan where appropriate, it was the consensus of the Committee to ask for recommendation of the proposed resolution.

A motion was made and approved to endorse the proposed comparable worth resolution and to recommend it to the full Board of Governors for approval. (The resolution and five-point plan are attached.)

LEGISLATIVE ACTION (INFORMATION):

Mr. Fearing informed the Committee of possible action by the Legislature which would no longer allow Medical Assistance recipients to choose their own health care service providers and would allow the welfare department to contract with specific HMOs, PPOs or other health insurers. Mr. Fearing noted that passage of this action may be further incentive for University Hospitals to seriously investigate the potential to set up its own HMO or PPO.

Mr. Fearing also noted that the Medicaid Demonstration project was turned down by the Hennepin County Commissioners, but that it was likely that the State would mandate their participation.

ADJOURNMENT:

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

Respectfully submitted,

Jane E. Morris
Recording Secretary

Minutes
Finance Committee
University of Minnesota Hospitals & Clinics
Special Meeting -- May 13, 1985

MEMBERS PRESENT:	Jerry Meilahn Clifford Fearing Al Hanser William Krivit, M.D. C. Edward Schwartz Vic Vikmanis
MEMBERS ABSENT:	Shelley Chou, M.D. Mary Des Roches Robert Nickoloff
STAFF:	Greg Hart Geoff Kaufmann Nels Larson Jane Morris Barbara Tebbitt

CALL TO ORDER: The special meeting of the Finance Committee was chaired by Mr. Jerry Meilahn and was called to order at 9:45 a.m. in room 626 of the Campus Club.

1985-86 HOSPITAL OPERATING BUDGET: The 1985-86 proposed Hospital Budget was introduced to the Committee by Mr. Schwartz. Mr. Schwartz highlighted some variables that are expected to impact the Hospital Budget for fiscal year 1985-86 such as: the tightening of reimbursements by all payor groups, more restrictive governmental regulations, declining average lengths of stays, and decreases in patient admissions. Also, by the end of the 1985-86 fiscal year, the new building will be completed and in operation. He stated that the Hospital has taken a conservative financial position with the proposed budget because of the variables listed above and others detailed in the budget package. Mr. Schwartz concluded his introductory remarks emphasizing the need for diversification -- University Hospitals cannot continue to operate as an inpatient facility only, but rather must move to become a diversified health care system.

A complete review of the 1985-86 Budget Letter was given by Mr. Fearing. He began with the budget objectives and then detailed major elements influencing the proposed Hospital Budget.

He stated that Medicare payments will continue to be made under the prospective payment system (PPS), and for fiscal year 1985-86 reimbursement will be based 50% on historical costs and 50% on the PPS rate. Some proposed Reagan administration budget reduction measures would reduce projected Medicare reimbursement by approximately $3,400,000 during the budget year, however, the approval of subprovider status to Psychiatry will add back about $400,000 to our Medicare reimbursement for 1985-86. Mr. Fearing also described changes in Medical Assistance and Blue Cross Blue Shield that will effect University Hospitals in 1985-86.

Mr. Fearing stated that the primary basis for the 1985-86 budget is the current 1984-85 fiscal year experience. He described in detail how major elements, e.g. demand, ancillary service utilization, full time equivalent (FTE) analysis, expenditures and revenues have been analyzed and incorporated into the 1985-86 proposed budget. In addition, it is expected that a 4.9% increase will be required to meet cash flow needs for 1985-86. Mr. Fearing reviewed several volume, FTE and financial schedules, further illustrating how the 1985-86 budget was projected.

Mr. Fearing asked for tentative approval to submit to the Minnesota Rate Review Program on May 15, 1985, the 4.9% rate increase proposed in the 1985-86 Hospital budget. A motion was made and passed by the Committee to tentatively endorse the 4.9% rate increase. This tentative approval is necessary to assure that UMHC can increase rates July 1, 1985.

Mr. Fearing announced that the next meeting of the Finance Committee will be held jointly with the Planning and Development Committee to obtain approval of the operating and capital budgets. The proposed 1985-86 Hospital Budget will be presented to the full Board of Governors for their information and review at their May meeting and for their final approval in June.

ADJOURNMENT: There being no further business, the special meeting of the Finance Committee was adjourned at 12:00 p.m.

Respectfully submitted,

Jane E. Morris
Recording Secretary

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 22, 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 April 30, 1985.

The operations of the Hospital through the month of April continue to reflect the relationships and trends in evidence through March. Inpatient census levels remain below seasonal projections while our outpatient census is right on budget. The impact of our lower inpatient census has been offset by 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 April totaled 1,490, or 195 below projected admissions of 1,646. Patient days for April totaled 12,287 and were 2,589 days below projections. The patient day variance for the month continues to be from the combined effect of lower admission levels and a shorter overall length of stay.

April's census activity changed our admissions variance from 949 (6.5%) below budget at the end of March to 1,105 (6.8%) below budget as of the end of April. The patient day variance changed from 15,116 days (11.3%) below budget at the end of March to 17,705 days (11.9%) below budget at the end of April.

To recap our year-to-date inpatient census:

	1983-84 Actual	1984-85 Budget	1984-85 Actual	Variance	% Variance
Admissions	16,549	16,301	15,196	<1,105>	<6.8>
Avg. Lgth. of Stay	9.1	9.1	8.6	<0.5>	<5.5>
Patient Days	152,383	148,614	130,909	<17,705>	<11.9>
Percent Occupancy	67.9	71.3	65.0	<6.3>	<8.8>
Avg. Daily Census	499.6	488.9	430.6	<58.3>	<11.9>

Outpatient Census: Clinic visits for the month of April totaled 19,215 or 720 (3.9%) above projected visits of 18,495. Our year-to-date clinic census through April totals 171,875 visits and represents a favorable variance of 489 visits (0.3%) above projected levels.

Financial Operations: The Hospitals' Statement of Operations shows total revenues over expense of $18,002,925, a favorable variance of $13,401,818. The overall variance reflects both a favorable variance in net revenues from operations of $10,622,000 and a favorable variance in non-operating revenues of $2,780,000.

Patient care charges through April totaled $155,624,233 and are $3,900,147 (2.6%) above budgeted levels. Routine revenue is 8.1% below budget and continues to reflect the overall patient day variance. Ancillary revenue however, is 8.7% above budget and continues to reflect utilization levels per patient that are higher than anticipated.

Operating expenditures through April totaled $136,096,228 and are $3,939,962 (2.8%) below budgeted levels. The overall favorable variance continues to be reflected in most expense categories with the largest favorable variance being in personnel costs (salaries and fringe benefits). 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 April 30, 1985 totaled $47,170,946 and represents 87.4 days of revenue outstanding. The number of days of revenue in accounts receivable declined in April by 5.2 days. This decline was primarily due to increased payment levels by Medicare and commercial insurance payors.

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

/jem

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1984 TO APRIL 30, 1985

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	$151,724,086	$155,624,233	$3,900,147	2.6%
Deductions from Charges	25,205,763	22,277,637	-2,928,126	-11.6%
Other Operating Revenue	2,851,926	2,705,322	-146,604	-5.1%
Total Revenue from Operations	$129,370,249	$136,051,918	$6,681,669	5.2%
Expenditures				
Salaries	$66,672,094	$64,526,086	$-2,146,008	-3.2%
Fringe Benefits	13,571,052	11,479,926	-2,091,126	-15.4
Contract Compensation	7,076,500	7,016,221	-60,280	-0.9
Medical Supplies, Drugs, Blood	20,850,961	21,764,831	913,885	4.4
Campus Administration Expense	4,700,752	4,700,752	0	
Depreciation	5,600,781	5,653,260	52,479	0.9
General Supplies & Expense	21,564,066	20,955,168	-608,898	-2.8
Total Expenditures	$140,036,206	$136,096,244	-3,939,948	-2.8%
Net Revenue from Operations	$-10,665,957	$-44,326	$10,621,617	
Non-Operating Revenue				
Appropriations	$10,862,128	$10,776,317	$-85,811	-0.8%
Interest Income on Reserves	2,516,956	5,405,584	$2,888,628	
Shared Service	338,813	350,808	11,995	3.5
Investment Income on Trustee Held Assets	1,549,151	1,514,526	-34,625	-2.2
Total Non-Operating Revenue	$15,267,048	$18,047,235	$2,780,187	18.2%
Revenue Over / -Under Expenses	$4,601,091	$18,002,909	$13,401,818	(1)

(1) Variance equals 10.4% of total budgeted revenue.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 22, 1985

TO: Board of Governors

FROM: C. Edward Schwartz
Hospital Director

SUBJECT: 1985-86 Operating Budget for University of Minnesota Hospitals and Clinics.

Enclosed for your review are the operating budget schedules for the 1985-86 fiscal year. As in the past, these budget forecasts are the results of the Hospital budget process which has involved all levels of management preparing a forecast of activity, costs, revenue, revenue deductions and capital needs required to operate University Hospitals in fiscal year 1985-86. The annual equipment and renovation budget was presented to the Planning and Development and Finance Committees on May 22, 1985 in a joint meeting. The amount of new capital expenditures we are requesting is consistent with our long range financial planning at $10,681,000. An additional $862,100 in installment purchases is also included as part of our 1985-86 cash requirements.

This budget also reflects our estimates of pending regulatory changes that would affect Medicare, Medical Assistance (Medicaid) and General Assistance Medical Care (GAMC) reimbursement levels in the 1985-86 fiscal year.

The attached schedules provide a fairly detailed description of the operating budget outcomes for 1985-86. The highlights of the operating budget are a 4.9% price increase, bringing estimated gross patient charges to $189,050,100; cost increases of 5.0%, increasing operating costs to $171,944,700; and revenues over expense of $10,342,000.

Cash flows from operations for 1985-86 are expected to be $18,756,500. This cash flow position will provide the resources necessary to fund $8,529,100 in capital needs, ($10,681,000 in capital expenditures for 1985-86, plus $862,100 in prior year capital expenditure principle payments, less $3,014,000 in 1985-86 expenditures which will be paid for from existing Hospital reserves) approximately $3,000,000 for contingencies and provide $7,000,000 for debt service. The capital budget is also enclosed for your review.

We believe this budget is consistent with our budget objectives and incorporates all known variables that will impact UMHC in fiscal 1985-86.

/jem

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
BUDGET LETTER
1985-86 BUDGET

The 1985-86 budget has been developed by management consistent with the following objectives:

1. To provide the capital and operating resources that are necessary and essential to fulfill the Hospitals' mission.

2. To reinforce the need for cost containment among the management and medical staff at the Hospitals, by communicating through the limitations imposed by the approved budget, the need for fiscal restraint and budgetary accountability.

3. To restrict the price increases necessary from the effects of cost shifting to the levels identified in the financial feasibility study. More specifically, to operate the Hospitals within the financial limitations imposed by new federal, state, and other third party payor payment systems.

4. To provide the cash flow necessary to fund the financial obligations resulting from the Renewal Project bonding, consistent with our projected cash requirements.

In addition to these broad budget objectives, several specific factors have been used as basic elements within the 1985-86 budget. These include:

- Medicare Prospective Payment System (PPS)

  Under the Social Security Amendments of 1983, Pub.L. 98-21, Title VI provides for Medicare payment for hospital inpatient services under a prospective payment system rather than on a reasonable cost basis. Some of the key aspects of PPS are:

  - Medicare payment will be made at a predetermined specific rate for each discharge.

  - All discharges are classified according to a list of diagnosis-related groups (DRGs).

  - The prospective rate will not include capital-related costs (e.g., depreciation, taxes, rent, interest) or direct medical education costs, which will temporarily continue to be reimbursed under a reasonable cost-based system.

- The statute provides for a 3-year transition period during which a declining portion of the total prospective payment will be based on hospitals' historical costs in a given base year and a gradually increasing portion will be based on a regional and/or national federal rate per discharge. Beginning with the fourth year and continuing thereafter (i.e., cost reporting periods beginning on or after October 1, 1986), Medicare payment for hospital inpatient services will be determined fully under a national DRG payment methodology.

- The federal payment rates are determined based on the mean urban or rural standard amount per discharge. This amount is then adjusted to account for area differences in hospital wages. The standard amounts per discharge will be updated annually. For FY 84 and FY 85, the prospective payment system must be "budget neutral". That is, payments may not be greater than nor less than the payments that would have been paid under the law previously in effect. Beginning with FY 86, the Secretary will determine the update factor taking into consideration recommendations made by a commission of independent experts appointed by the Director of the Office of Technology Assessment.

- Additional payments will be made to hospitals for discharges meeting specified criteria as "outliers". Outliers are cases that have an extremely long length of stay or unusually high cost when compared to most discharges classified in the same DRG. Additional payments will also be made for indirect costs of approved graduate medical education programs.

- Beneficiaries may be charged only for deductibles, coinsurance amounts, and non-covered services (e.g., phone, television, etc.). They may not be charged for differences between the hospitals' cost of providing covered care and the Medicare payment amount.

In an effort to reduce the 1986 federal budget deficit the Reagan Administration has proposed budget reductions both through regulatory and legislative channels. Some of the pending changes that have been incorporated into our 1985-86 budget projections include:

-- To freeze 1986 Medicare hospital inpatient prospective payments at the 1985 level.

-- Reduce the payment rate for indirect medical education by one-half. The Indirect Teaching Adjustment would be reduced from 11.58% to 5.79%.

-- Incorporating the depreciation and interest expense relating to major moveable equipment into the DRG rate. Depreciation, interest, rent, etc., on buildings and fixed equipment would continue to be a capital pass-through.

The impact of these three proposals is to reduce our projected Medicare reimbursement by approximately $3,400,000 during fiscal year 1985-86.

On a positive note, we have requested and been given approval for separate subprovider status for our inpatient Psychiatry stations. By having Psychiatry set up as a subprovider, similar to Rehabilitation, we are reimbursed under a reasonable cost-based system and not under DRGs. This change is projected to add approximately $400,000 to our Medicare reimbursement in 1985-86.

- Medical Assistance (Medicaid) and General Assistance Medical Care (GAMC)

Under these two programs hospitals are currently reimbursed for inpatient care at a single flat rate per discharge. Currently MA payments are $7,051 per discharge and GAMC are at $5,091. The Minnesota Department of Human Services is seeking to implement a new prospective payment structure that will provide for more than one payment rate using a modified DRG system. While the specific provisions of these changes are not yet finalized we believe the new payment structure will become effective early in the 1985-86 fiscal year.

For 1985-86 budget purposes we have used the existing flat rate structure and increased the payment levels by 5.0% effective July 1, 1985. We believe that by using the existing known structure to project our 1985-86 position, that any changes to a modified DRG system of reimbursement will only enhance our position. We have also not tried to project any positive or negative impact on volume with regard to pending legislation that would allow the Minnesota Department of Human Services to contract with HMOs, PPOs, or other health insurers for Medicaid services.

In addition to the above we have projected the GAMC rateable reduction at the highest levels currently proposed in pending legislation. If the highest level of rateable reductions are approved, our deduction from charges will increase by approximately $480,000 over the 1984-85 level of $868,400.

- Blue Cross and Blue Shield of Minnesota "AWARE" Program

The AWARE program is an insurance coverage where hospitals agree to provide services to patients at the fifty-fifth percentile (55%) of the average metropolitan area hospital charge in five general areas, i.e., Medical, Surgical, Obstetrics, Mental Disorders and Chemical Dependency and other limited specialty areas. UMHC chose to continue in this program for a second year as of January 1, 1985. For 1985-86 budget purposes we have made our projections using the current contract and projecting a 5.0% increase in contract payment levels beginning January 1, 1986.

- 1984-85 Budget Base

In conjunction with each of the above factors, the primary basis for the 1985-86 budget is the current 1984-85 fiscal year experience. In forecasting the 1985-86 fiscal year budget elements, the current experience in each category was used as the starting point to determine expected 1985-86 results. As described below and shown in the attached schedules, forecast admissions, patient days, clinic visits, expenses, revenues, and revenue deductions have been made based on current year experience. Current year experience has then been adjusted for changes in projected volume, mix and intensity of services, and new and also pending reimbursement regulations. The following are general descriptions of how the major elements in the 1985-86 budget were projected:

- Demand Analysis

For the 1984-85 fiscal year we had developed a base budget of 19,676 admissions and 178,861 patient days. In addition, because of significant declines in census during the 1983-84 fiscal year, we also developed a contingency budget of 18,923 admissions and 163,465 patient days. Using our actual experience through March 1985, we are projecting 18,323 admissions and 157,139 patient days. While the decline in admission levels occurred throughout the majority of clinical service areas, approximately 80% of the variance for the 1984-85 fiscal year occurred in two areas: (1) Obstetrics and Newborn were impacted by the loss of the Group Health contract, and (2) Otolaryngology was impacted by the loss of medical staff.

The above factors together with increasing emphasis on preadmission certification by payors, same-day surgery admissions, and efforts to reduce low-acuity patient days, were considered in projecting inpatient census levels for 1985-86. Inpatient census for 1985-86 has been budgeted at 17,935 admissions and 144,885 patient days.

Schedules I, II, and III summarize the demand forecasts for 1984-85 and 1985-86.

- Ancillary Service Utilization

As the 1984-85 budget was being developed we had just experienced several months of declining ancillary service utilization, together with the declining inpatient census levels. It appeared, that the downward trend in ancillary service utilization per patient could continue. We therefore developed our 1984-85 ancillary budget around the March and April 1984 levels, which as subsequent experience has shown were unusually low levels of activity. It was largely this conservative position in budgeting 1984-85 that has lead to our favorable 1984-85 ancillary revenue variance.

The 1985-86 budget for ancillary service revenue reflects the projected decline in inpatient admission levels. It also assumes that we will experience the same overall level of demand for ancillary services per patient in 1985-86 as we have experienced during 1984-85.

- Full-time Equivalent Analysis

Schedule IV summarized our projected full time equivalent (FTE) positions for the 1984-85 and 1985-86 fiscal years. Budgeted FTEs for the 1984-85 base budget were 3,441.4. With the decline in inpatient census levels we have also brought about reductions in our staffing levels. We are currently projecting FTEs for 1984-85 to average 3,360 (exclusive of CUHCC), or 81.4 FTEs below the base budget. While our inpatient census levels in total were below our contingency budget, we did not achieve the level of 3,286.4 FTEs identified with that contingency budget. This was due to the combined impact of the increased ancillary service utilization which required an additional 40 FTEs over the contingency budget and an increase in the proportion of intensive care patient days which required an additional 50 FTEs over the contingency budget levels. After these adjustments, the contingency budget would have been 3,376.4 FTEs compared to our actual level of 3,360 FTEs.

In addition to the 3,360.0 FTEs projected for the Hospital, there are 35.1 FTEs associated with the CUHCC that are consolidated into the total 1984-85 FTE projection of 3,395.1.

In developing the base budget for 1985-86 a target of 3,257.0 FTEs was established based on our long range planning model. This, in addition to 6.2 FTEs added through cost offsets or to support additional patient revenues, and the consolidation of 38.9 CUHCC FTEs, brings our 1985-86 FTE base to 3,302.1. We have also identified an additional 20.4 FTEs that will be necessary in relation to the move to Unit J. These FTE hours reflect a non-recurring need for orientation of staff to the new facility and also for the physical move itself. These requirements bring our number of FTEs to 3,322.5 for 1985-86.

- Expenditure Summary

Schedule VI is a comparative summary of expenditures projected for 1984-85 and budgeted for 1985-86. These expenditure levels have been determined using the number of full-time equivalents shown on Schedule IV as a basis for salaries and fringe benefits and the March, 1985 year-to-date actual experience as a basis for the other categories of expense. Although pay plans for employees have not been finalized, we have incorporated salary and wage increases that appear consistent with proposed actions being considered in this legislative session. The following inflationary assumptions were used in projecting 1985-86:

		Inflation %
Salaries		
- July 1, 1985 increase	3.75%	
- Carry forward of January 1, 1985 increase	0.50%	
- Comparable worth increase	0.78%	
- Nursing step increases	0.26%	
		5.29%
Fringe Benefits		6.2 %
Academic/Resident contracts		4.9 %
Physician Compensation		6.0 %
Other Contracts		6.0 %
Laundry/Linen		5.4 %
Food		4.5 %
Drugs		7.5 %
Blood/Blood Derivatives		6.0 %
Medical Supplies		5.1 %
Utilities		8.5 %
Insurance		39.3 %
Rental		2.1 %
Maintenance		5.9 %
Communications		3.5 %
Campus Administration		5.0 %
General Supplies/Expense		5.2 %

Depreciation expense has been projected using the capital equipment budget as the base for new purchases. Depreciation on most of Unit J has not been incorporated in 1985-86 because useful occupancy of the building has been assumed to occur in July 1986. Therapeutic Radiology depreciation expense has been included in operating expenses since August of 1984.

It should also be noted that in July, 1984 administrative responsibility for the Community-University Health Care Center (CUHCC) was changed from the office of the Vice President for Health Sciences to the Hospital. Incorporating CUHCC into the Hospital during the 1984-85 fiscal year added approximately $1,192,000 of expenditures that are not reflected in the 1984-85 Board budget. Expenditures budgeted for CUHCC in the 1985-86 fiscal year are $1,315,000. The expenditures for CUHCC in both the 1984-85 and 1985-86 fiscal years are covered by a combination of patient revenues and grant income.

- Deductions from charges

Schedule VII is a summary of the expected deductions from revenue for fiscal years 1984-85 and 1985-86. The fiscal year 1984-85 projection includes an adjustment reducing the third party contractual allowance by $2,700,000. This adjustment relates to

periods prior to 1984-85 and reflects an overstatement of discounts for Medical Assistance and Blue Cross. The fiscal 1985-86 projection is based on current experience as well as known changes in the Medicare Prospective Payment System. We have also incorporated the impact of pending regulatory and legislative changes relating to the Medicare and Medicaid programs.

- Non-Operating and Other Operating Revenue

  Schedule VIII is a summary of expected appropriations and other non-patient revenues for fiscal years 1984-85 and 1985-86. The projection for inflationary increases on the appropriations is 5.0%. We have also incorporated the impact of pending legislative changes that would change the method by which we receive a portion of the appropriations. This would have the effect of reducing the amount of the interest income earned on our appropriations by approximately $450,000.

- Cash Requirements for Capital Expenditures

  Schedule IX is a summary of the $15,529,100 in cash needs required to finance recurring equipment, remodeling and debt service in 1985-86.

- Fiscal Year 1985-86 Cost, Price and Revenue Increases

To finance the expected increases in cost, revenue deductions and capital related cash flow needs for 1985-86 will require an increase of 4.9% in price increases and result in a 1.9% increase in total patient charges. The lower increase in total patient charges reflects the projected decline in patient census levels. The Comparative Statement of Operations and Operating Cash Flow on Schedule X summarizes our projected position for fiscal year 1985-86.

/jem

SCHEDULE I

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
BUDGET YEAR 1985-86
COMPARATIVE DEMAND ANALYSIS
INPATIENT ADMISSIONS

ADMISSIONS	1984-85 PLANNED BUDGET	1984-85 PROJECTION	1985-86 BUDGET
CLINICAL RESEARCH	420	382	375
DENTISTRY	172	105	100
DERMATOLOGY	109	75	60
FAMILY PRACTICE	61	39	39
GYNECOLOGY	1,333	1,370	1,370
MEDICINE	3,492	3,665	3,615
NEUROLOGY	778	651	600
NEUROSURGERY	1,062	991	991
NEWBORN	796	463	460
OBSTETRICS	1,096	632	600
OPHTHALMOLOGY	829	1,029	1,000
ORTHOPAEDICS	991	994	994
OTOLARYNGOLOGY	945	670	645
PEDIATRICS	3,299	3,004	2,967
PM & R	257	317	300
PSYCHIATRY - ADULT	660	624	624
PSYCHIATRY - CHILD	91	82	85
SURGERY	2,490	2,436	2,316
UROLOGY	795	794	794
TOTAL	19,676	18,323	17,935

SCHEDULE II

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
BUDGET YEAR 1985-86
COMPARATIVE DEMAND ANALYSIS
PATIENT DAYS

PATIENT DAYS	1984-85 PLANNED BUDGET	1984-85 PROJECTION	1985-86 BUDGET
CLINICAL RESEARCH	1,940	2,077	2,040
DENTISTRY	530	231	200
DERMATOLOGY	1,438	666	530
FAMILY PRACTICE	389	157	157
GYNECOLOGY	7,691	6,403	5,787
MEDICINE	32,640	30,353	27,475
NEUROLOGY	8,340	6,777	6,250
NEUROSURGERY	8,507	6,914	6,914
NEWBORN	3,166	2,288	2,273
OBSTETRICS	4,091	2,676	2,400
OPHTHALMOLOGY	3,413	4,111	3,500
ORTHOPAEDICS	7,769	6,050	5,964
OTOLARYNGOLOGY	3,507	2,375	2,246
PEDIATRICS	39,058	34,042	31,747
PM & R	7,199	7,084	6,402
PSYCHIATRY - ADULT	14,809	15,638	13,948
PSYCHIATRY - CHILD	3,467	2,853	2,857
SURGERY	24,722	22,036	19,787
UROLOGY	6,185	4,408	4,408
TOTAL	178,861	157,139	144,885

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
BUDGET YEAR 1985-86
COMPARATIVE DEMAND ANALYSIS
CLINIC VISITS

SCHEDULE III

AMBULATORY CARE	1984-85 PLANNED BUDGET	1984-85 PROJECTION	1985-86 BUDGET
Clinic Visits	176,246	177,930	177,930
Emergency Room Visits	13,684	13,280	13,280
Therapeutic Radiology Visits	15,197	16,780	16,780
Ambulatory Surgery Visits	2,873	3,010	3,010
TOTAL	208,000	211,000	211,000

Schedule IV

University of Minnesota Hospitals & Clinics
Budget Year 1985-86
Full Time Equivalent (FTE) Summary

*	1984-85 Planned Budget	3441.4
	1984-85 Experience (Exclusive of Community-University Health Care Center) (CUHCC)	
	July to June FTE Reductions Due to lower than anticipated volume	<81.4>
	Projected June 30, 1985 FTE Position	3360.0
	1984-85 CUHCC FTE's(Consolidation of CUHCC into the Hospital)	35.1
*	Projected June 30, 1985 FTE Position Including CUHCC (1)	3395.1
	1985-86 Budgeted FTE's (base)	3257.0
	Add: FTE Additions based on supply and expense cost reductions or supported by additional patient revenues (see Schedule V)	6.2
	CUHCC FTE's	38.9
	1985-86 Budgeted FTE's (recurring)	3302.1
	Add: FTE's Related to Move to Unit J (non-recurring)	20.4
*	1985-86 Budgeted FTE's (total)	3322.5
	FTE Change Current Year to Budget Year (2)	<72.6>

(1) Projected position reflects YTD averaging; the FTE complement at June 30,1985 is expected to be approximately 3369.

(2) The necessary FTE reductions from current staffing levels to 1985-86 Budgeted FTE's (recurring) is 67 (3369-3302).

Schedule V

Position Increases
with
Offsetting Income Statement Effects

FTE	
1.0	Administration - Cost Offset
1.9	Third Party Reimbursement - Cost Offset
1.6	Sports Medicine - Revenue Justified
.5	Magnetic Resonance Imaging - Revenue Justified
.3	Infection Control - Cost Offset
.9	Outpatient Ancillary - Revenue Justified
6.2	FTE's

University of Minnesota Hospitals & Clinics
Expenditure Summary: 1984-85 Projection vs 1985-86 Budget
For Fiscal Years 1984-85 and 1985-86

Schedule VI

	1984-85 Planned Budget	1984-85 Projection	Variance	Percent Variance	1985-86 Budget	Increase/ (Decrease)	Percent Change
Expenditures							
Salaries	$ 80,011,200	$ 77,660,000	$ -2,351,200	-2.9%	$ 79,823,100	$ 2,163,100	2.8%
Fringe Benefits	16,298,900	13,706,700	-2,592,200	-15.9%	14,244,500	537,800	3.9%
Academic Contracts	1,722,200	1,729,400	7,200	0.4%	1,818,100	88,700	5.1%
Resident Contracts	4,466,000	4,400,100	-65,900	-1.5%	4,609,100	209,000	4.7%
Physician Compensation	2,303,600	2,294,700	-8,900	-0.4%	2,432,400	137,700	6.0%
Total Salary, F.B. & Fees	$ 104,801,900	$ 99,790,900	$ -5,011,000	-4.8%	$ 102,927,200	$ 3,136,300	3.1%
Laundry & Linen	$ 2,210,100	$ 2,049,300	$ -160,800	-7.3%	$ 2,135,300	$ 86,000	4.2%
Raw Food	1,403,100	1,310,300	-92,800	-6.6%	1,348,700	38,400	2.9%
Drugs	11,348,300	11,598,400	250,100	2.2%	12,278,000	679,600	5.9%
Blood & Blood Derivatives	4,206,000	4,827,500	621,500	14.8%	4,885,100	57,600	1.2%
Medical Supplies	9,634,400	9,259,700	-374,700	-3.9%	9,847,100	587,400	6.3%
Utilities	2,190,000	2,056,500	-133,500	-6.1%	2,491,500	435,000	21.2%
Insurance	834,000	1,219,900	385,900	46.3%	1,700,000	480,100	39.4%
Rental	1,921,700	1,927,900	6,200	0.3%	2,154,000	226,100	11.7%
Maintenance & Repair	2,968,700	2,767,500	-201,200	-6.8%	3,281,300	513,800	18.6%
Communications	1,140,300	1,248,400	108,100	9.5%	1,303,400	55,000	4.4%
Net Loss on Disposal of Assets	0	26,100	26,100		0	-26,100	
Campus Administration Expense	5,644,000	5,644,000	0	0.0%	5,926,200	282,200	5.0%
Depreciation	6,824,200	6,910,400	86,200	1.3%	7,422,400	512,000	7.4%
Interest	1,373,700	1,079,200	-294,500	-21.4%	1,063,000	-16,200	-1.5%
General Supplies & Expense	11,863,800	12,063,600	199,800	1.7%	13,181,500	1,117,900	9.3%
Total Supplies & Expense	$ 63,562,300	$ 63,988,700	$ 426,400	0.7%	$ 69,017,500	$ 5,028,800	7.9%
Total Expenditures	$ 168,364,200	$ 163,779,600	$ -4,584,600	-2.7%	$ 171,944,700	$ 8,165,100	5.0%

University of Minnesota Hospitals & Clinics
Deductions from Charges
Budget Year 1985-86

Schedule VII

	1984-85 Planned Budget	1984-85 Projection	1985-86 Budget
Medicare/Medical Assistance	$17,923,000	$10,236,100	$15,436,400
Medicare/Medical Assistance Screen Limits	390,000	900,700	995,200
Blue Cross AWARE	1,356,100	2,250,100	2,659,200
GAMC Rateable Reduction	676,200	868,400	1,446,200
Billing Adjustments:			
Laboratory Medicine	2,643,200	2,748,200	2,786,200
Medical Assistance Holdback	894,200	1,098,300	1,140,700
Prompt Payment Discount	169,800	208,600	212,500
Late Charges	82,500	88,800	90,500
All Other	674,700	782,900	798,400
Employee Benefits	29,500	29,000	29,600
Provision for Uncollectables	2,434,600	2,460,700	2,507,400
Other:			
Clinical Research Center	475,000	695,700	703,800
Charitable Care	270,000	439,400	510,900
Kidney Acquisition	1,525,400	1,420,200	1,447,200
Negotiated Contract	760,000	424,000	358,000
O.B. Specials/Group Health	63,500	112,600	30,700
All Other Contract Adj.	53,800	149,100	151,900
Totals	$30,421,500	$24,912,800	$31,304,800

Schedule VIII

University of Minnesota Hospitals & Clinics
Budget Year 1985-86
Non-Operating Revenue Analysis

	1984-85 Planned Budget	1984-85 Projection	1985-86 Budget
Appropriations	$13,041,700	$12,938,700	$13,585,600
Interest Income	3,022,000	6,370,000	4,520,300
Shared Services	406,800	398,500	399,600
Interest Income on Trustee-Held Funds	1,860,000	1,784,000	1,804,900
Total	$18,330,500	$21,491,200	$20,310,400

Schedule IX

University of Minnesota Hospitals & Clinics
Cash Requirements for Capital Expenditures
Budget Year 1985-86

Direct Purchased Capital Equipment and Remodeling	$7,667,000
Principal Payments on Installment Purchases	$862,100
Debt Service Provision	$7,000,000
Total Cash Requirements for Capital Expenditures	$15,529,100

University of Minnesota Hospitals & Clinics
Summary Statement of Operations and Operating Cash Flow
For Fiscal Years 1984-85 and 1985-86

Schedule X

	1984-85 Planned Budget	1984-85 Projection	1985-86 Budget
Gross Patient Charges	$ 183,121,400	$ 185,486,700	$ 189,050,100
Deductions from Charges	30,421,500	24,912,800	31,304,800
Other Operating Revenue	3,430,300	4,140,800	4,231,000
Total Revenue from Operations	$ 156,130,200	$ 164,714,700	$ 161,976,300
Expenditures			
Salaries	$ 80,011,200	$ 77,660,000	$ 79,823,100
Fringe Benefits	16,298,900	13,706,700	14,244,500
Contract Compensation	8,491,800	8,424,200	8,859,600
Medical Supplies, Drugs, Blood	25,188,700	25,685,600	27,010,200
Campus Administration Expense	5,644,000	5,644,000	5,926,200
Depreciation	6,824,200	6,910,400	7,422,400
Interest Expense	1,373,700	1,079,200	1,063,000
General Supplies & Expense	24,531,700	24,669,500	27,595,700
Total Expenditures	$ 168,364,200	$ 163,779,600	$ 171,944,700
Net Revenue from Operations	$ -12,234,000	$ 935,100	$ -9,968,400
Total Non-Operating Revenue	$ 18,330,500	$ 21,491,200	$ 20,310,400
Revenue Over/(Under) Expenses	$ 6,096,500	$ 22,426,300	$ 10,342,000
Add Non-Cash Outlays:			
Depreciation	$ 6,824,200	$ 6,910,400	$ 7,422,400
Campus Administration Expense	5,644,000	5,444,000	5,826,200
K.E. Utilities	149,000	138,100	161,900
Increase in Accrued Expense	867,300	-86,100	1,008,900
Increase in 3rd Party Payable	500,000	771,000	793,700
Decrease in Prepaid Expenses	136,000	135,300	138,000
Investment Income Held by Trustee	-1,860,000	-1,784,000	-1,804,900
Total Funds Provided	$ 18,357,000	$ 33,955,000	$ 23,888,200
Funds Applied:			
Increase in Accounts Receivable	$ 925,600	$ 3,995,300	$ 736,000
Increase in Accrued Revenue	28,000	-114,500	-402,700
Increase in Deferred 3rd Party	0	198,900	179,400
Increase in Inventories	272,100	15,100	191,900
Increase in Interest Payable	0	0	3,633,400
Transfer to Reserves - 3rd Party	500,000	771,000	793,700
Total Funds Applied	$ 1,725,700	$ 4,865,800	$ 5,131,700
Total Cash Available from Operations	$ 16,631,300	$ 29,089,200	$ 18,756,500

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 22, 1985

TO: Board of Governors

FROM: C. Edward Schwartz
Hospital Director

SUBJECT: 1985-86 Capital Expenditure Budget.

The capital expenditure budget for 1985-86 is $10,681,000. Included in this budget are $5,667,000 in replacement equipment and minor remodeling projects with purchase costs of less than $600,000; $2,314,000 in special remodeling projects and $2,700,000 for replacing and enhancing our Heart Catherization equipment.

We are proposing that $3,014,00 of the 1985-86 expenditures be purchased from prior years funded depreciation and that $7,667,000 be funded through 1985-86 depreciation of $7,422,400 and $244,600 from other 1985-86 cash flows. The $3,014,000 represents special remodeling projects of $2,314,000 and $700,000 for Heart Catherization equipment enhancements.

The attached schedule represents a two year historical overview of capital expenditures, the budget year proposal and four future year projections of capital requirements.

By approving this budget you are approving our 1985-86 budget only. Secondly, the Heart Catherization equipment purchase and the Epilepsy remodeling programs will be brought back for specific approval to the Finance and Planning and Development Committees during 1985-86 since they exceed $600,000. This budget is provided to you for information this month and will be brought back for final action at your June meeting.

/jem

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
LONG-RANGE FINANCIAL PLAN
CAPITAL EXPENDITURE TIMING REPORT

	1984	1985	1986	1987	1988	1989	1990	TOTAL
I. CAPITAL EXPENDITURES								
Equipment	$ 4,548,000	$ 4,697,000	$ 5,514,890	$ 3,698,504	$ 6,306,953	$ 6,892,493	$ 8,225,247	$39,883,087
Remodeling	398,000	406,000	152,110	410,000	410,000	410,000	410,000	2,596,110
NET CAPITAL EXPENDITURES	$ 4,946,000	$ 5,103,000	$ 5,667,000	$ 4,108,504	$ 6,716,953	$ 7,302,493	$ 8,635,247	$42,479,197
II. MAJOR CAPITAL EXPENDITURES								
REMODELING								
Unit BC Expansion(Shell Space)	$ 161,000	$ 0	$ 539,000	$ 0	$ 0	$ 0	$ 0	$ 700,000
Lipic Clinic Purchase	0	0	350,000	0	0	0	0	350,000
MRI - Remodeling	75,000	1,005,000	0	0	0	0	0	1,080,000
Mayo Remodeling (General)	0	0	0	0	1,000,000	1,000,000	1,000,000	3,000,000
Mayo Remodeling (Obstetrics)	0	0	0	1,000,000	1,000,000	0	0	2,000,000
Mayo Remodeling (Equipment)	0	0	0	250,000	250,000	0	0	500,000
Epilepsy Remodeling	0	0	600,000	600,000	0	0	0	1,200,000
CRC Remodeling	0	0	325,000	0	0	0	0	325,000
Lithotripter Remodeling	0	300,000	0	0	0	0	0	300,000
Unit J Program Additions	0	0	500,000	0	0	0	0	500,000
SUBTOTAL	$ 236,000	$ 1,305,000	$ 2,314,000	$ 1,850,000	$ 2,250,000	$ 1,000,000	$ 1,000,000	$ 9,955,000
EQUIPMENT								
Linear Accelerator	$ 0	$ 608,125	$ 0	$ 0	$ 0	$ 0	$ 0	$ 608,125
Heart Cath Enhancements	0	0	700,000	0	0	0	0	700,000
Heart Cath Replacements	0	0	2,000,000	0	0	0	0	2,000,000
Diagnostic Radiology - MRI	1,886,000	0	0	0	0	0	0	1,886,000
Lithotripter (Equipment)	0	1,500,000	0	0	0	0	0	1,500,000
Data Processing A9F Computer	0	2,331,225	0	0	0	0	0	2,331,225
SUBTOTAL	$ 1,886,000	$ 4,439,350	$ 2,700,000	$ 0	$ 0	$ 0	$ 0	$ 9,025,350
TOTAL MAJOR CAPITAL EXPENDITURES	$ 2,122,000	$ 5,744,350	$ 5,014,000	$ 1,850,000	$ 2,250,000	$ 1,000,000	$ 1,000,000	$ 18,980,350
GRAND TOTAL	$ 7,068,000	$10,847,350	$10,681,000	$ 5,958,504	$ 8,966,953	$ 8,302,493	$ 9,635,247	$ 61,459,547

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

BOARD OF GOVERNORS

BOARD OF GOVERNORS' MEETING

AND

GOVERNORS' COMMITTEE MEETINGS

APRIL 24, 1985

OFFICE OF THE BOARD OF GOVERNORS
B-390 MAYO

CONTENTS

University of Minnesota Hospitals and Clinics
Board of Governors
April 24, 1985
1:30 P.M.
555 Diehl Hall
University of Minnesota Campus

AGENDA

I. Minutes - March 27, 1985 (Approval)

II. Chairman's Report (Information)
Ms. Barbara O'Grady, Chair, Board of Governors

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

IV. Committee Reports

A. Planning & Development Committee Report
Mr. Robert Latz, Committee Chair

1. Capital Priorities and Campaign (Approval)
2. Unit J Update and Savings Buyout (Information)
3. Strategic Planning Steering Committee Internal Assessment (Information)
4. "Minnesota Childrens Hospital" and NACHRI (Information)
5. Lithotripter Program Update (Information)

B. Joint Conference Committee Report
Mr. Bradley Hillstrom, for Ms. Phyllis Ellis

1. PRO Relationships (Information)
2. Cardio Respiratory Advisory Committee Report (Information)
3. Medical Staff Hospital Council Report (Information)
4. Clinical Chiefs Report (Information)

C. Finance Committee Report
Mr. J. E. Meilahn, Committee Chair

1. March YTD Financial Statements (Information)
2. Update on Refinancing of Series 1982 Bonds (Information)
3. Comparable Worth Implementation Plan (Approval)
4. Bad Debt Report for Third Quarter 1984-85 (Approval)

V. Adjournment

Minutes

Board of Governors

University of Minnesota Hospitals and Clinics

March 27, 1985

CALL TO ORDER:

In the absence of Board Chairman Barbara O'Grady and Vice Chairman Robert Latz, Mr. Jerry Meilahn called the March 27, 1985 meeting of the Board of Governors to order at 1:45 p.m., in Room 555 Diehl Hall.

ATTENDANCE:

Present:	Phyllis Ellis
	Al Hanser
	George Heenan
	Bradley Hillstrom
	Kris Johnson
	Jerry Meilahn
	James Moller,M.D.
	Virgil Moline
	C. Edward Schwartz
	Roby Thompson, M.D.
	Neal A. Vanselow, M.D.
Absent:	Robert Latz
	David Lilly
	Robert Nickoloff
	Barbara O'Grady

APPROVAL OF MINUTES:

The Board of Governors seconded and passed a motion to approve the minutes of the February 27, 1985 meeting as written.

CHAIRMAN'S REPORT:

Mr. Jerry Meilahn asked that the Governors reserve the evening of Tuesday, April 23, 1985 for a dinner at the Minnesota Club honoring incoming and recently retired Board members.

HOSPITAL DIRECTOR'S REPORT:

Mr. C. Edward Schwartz reported that the Articles Of Incorporation for Critical Care Services, Inc., had been filed during the week of March 18, 1985 and that the papers finalizing the acquisition by the consortium of BMRA were being signed on the day of the Board meeting. The Chief Executive Officers of the three participating hospitals had temporarily been named as trustees of critical Care Services, Inc. A more permanent six person board is to be appointed in mid-April.

Mr. Schwartz asked that the members of the board reserve the evening of May 1, 1985 for a "Preview of 1986", a hospital event honoring significant donors. The evening will include a reception in the employee cafeteria of the new Unit "J" and a tour of the facility followed by a dinner at the University Radisson Hotel.

Dr. Neal Vanselow reported that the recruitment for the Dean of the School of Public Health had reached a successful conclusion and that the new dean would begin at the University in mid-August.

Mr. C. Edward Schwartz reported that the recruitment processes for the heads of Dermatology and Otolaryngology had both progressed to the point of name submission of preferred candidates by the respective search committees to Dean David Brown. Mr. Schwartz also reported that the application period for Obstetrics and Gynecology had recently been closed and that Dr. Eugene Gedgaudas had recently announced his intent to step down as Chair of the Department of Radiology. The recruitment for the Director of the Clinical Research Center, Division Head of Cardiovascular Surgery and for a clinical cardiologist to oversee the Cardiac Catheterization Laboratory are all likely to reach conclusion shortly, Mr. Schwartz reported.

Mr. Schwartz also noted that proposals for funding through the Clinical Program Development Fund are currently being reviewed.

Lastly, Mr. Schwartz responded to several questions regarding the acquisition of the extracorporeal lithotripter, concluding that the Hospitals continue to plan on delivery of a Dornier Lithotripter in the fourth quarter of 1985.

PLANNING AND DEVELOPMENT COMMITTEE REPORT:

In the absence of Committee Chairman Robert Latz, Mr. C. Edward Schwartz reported on three items addressed at the March Planning and Development Committee meeting. The Committee had reviewed, he reported, the detailed strategic planning work-plan and discussed the role of the Strategic Planning Steering Committee, which is responsible for acting in the capacity of a traditional planning group as well as in the capacity of a "think tank". The strategic planning work-plan approaches the development of a strategic plan in three phases: the analysis of existing internal and external environment; the discussion of major strategy developments; and the tactical and operational development phase. A task force is also working concurrently to review the mission statement for the hospital.

Secondly, Mr. R. Edward Howell presented the Quarterly Purchasing Report, noting that the aggregate dollar volumes for the months of November and December, 1984 and January 1985 were slightly elevated due, in large part, to the issuance of some large contracts for blood products. There were also a number of set aside awards during this period. With that information the Board of Governors seconded and passed a motion to approve the quarterly purchasing report as presented.

Mr. R. Edward Howell also presented a new purchasing policy on consignment contracts and two revised purchasing policies regarding the issuance of blanket contracts and product evaluation. The policy on consignment allows the hospitals to maintain on-site stock without expending dollars until products are utilized. The blanket contract policy facilitates the purchase of volumes of small items from a single vendor. The recommended change to this policy would raise the threshold for blanket contracts from $500 to $2000. The recommended modification to the product evaluation policy broadens the scope of products to be evaluated to include general use medical and surgical supplies. With that information the Board of Governors seconded and passed a motion to approve the three policies as written.

JOINT CONFERENCE COMMITTEE REPORT:

Committee Chair Phyllis Ellis and Ms. Nancy Janda reported on the findings of Joint Commission on Accreditation of Hospitals November site survey. The Hospitals have been awarded a three year accreditation contingent upon the improvement in the number of delinquent medical records. There were also forty four recommendations in addition to those cited for medical records, some of which will be clarified with the JCAH. It was agreed that any official modifications to the survey findings by the JCAH would be shared with the Board. A written response documenting a decreased number of medical records will be filed with the Joint Commission by mid-May.

Ms. Ellis also summarized the Patient Relations Program overview that had been presented to the Joint Conference Committee by Ms. Kathy Countryman, Director of Patient Relations. She described the history and development of the program at the Hospitals and described the services currently being provided to University Hospital patients.

Thirdly, Dr. Moller described the role of the Impaired Physicians Task Force, a recently formalized group to assist UMH&C staff physicians in resolving impairments such as chemical dependencies that limit productive functioning.

Lastly, Dr. Roby Thompson summarized progress to date on the development of the Clinical Chiefs Executive Committee. The group has incorporated. The primary purpose of the new corporation is to facilitate the development of contractual relationships for the provision of patient care. A Boston based consulting firm, Health Systems, Inc., is assisting the Executive Committee in formulating a business plan for the corporation and are exploring, with the Chiefs, the concept of service specific centers for clinical care. The Sports Medicine Institute was cited as an example of such a service specific center.

FINANCE COMMITTEE REPORT:

Mr. Cliff Fearing summarized the February year to date report of operations. Admissions year to date are running 4.5% under budget. The average length of stay is running 5.5% under budget while the patient day level is about 10.5% below projected levels. The outpatient census year to date is 2.1% above budgeted levels. The Hospitals statement of operations shows a total revenue over expenses of about $14 million.

Secondly, Mr. Meilahn presented a resolution for Board approval that would allow the Community University Health Care Center, a satellite center of the Hospitals in Southeast Minneapolis, to utilize patient fees collected in excess of those budgeted for clinic operation. The Board seconded and passed a motion to approve the following resolution as written:

> WHEREAS, the Hennepin County Mental Health Grant for CUHCC requires that excess patient funds be board restricted for use by CUHCC or turned over to Hennepin County, and
>
> WHEREAS, CUHCC collected $27,896 in excess of projected patient fees, insurance, and medical assistance payments in 1984,
>
> NOW THEREFORE BE IT RESOLVED that the Board of Governors restrict $27,896 for application toward Community University Health Care Center's future financial requirements.

Thirdly, Mr. Greg Hart spent a considerable amount of time updating the Board of the topic of comparable worth. The Regents are planning to review plans for implementation of comparable worth at their April meeting for information and at their May meeting for action. A comparable worth status report by the University will be made to the Legislative Committee on Employee Relations on April 22, 1985.

Mr. Hart briefly discussed the recent challenge by a group of State employees of the validity of the Arthur Young decision band method; the same method used by the Hospitals in the job evaluation study. That group has charged that the Arthur Young method is inherently biased, as it measures decision making responsibility of job classifications in organizations without accounting for gender partialities that may currently exist. A countersuit has been filed by Arthur Young. It is unlikely, Mr. Hart reported, that the courts will render a judgment on this issue within the Hospitals timetable for action on this issue.

Mr. Hart briefly reviewed the Hospitals objectives in dealing with comparable worth; social and legal obligations must be considered along with existing financial and competitive constraints. Mr. Hart also explained the respective market lines which represent targets for comparable worth implementation for the

Hospitals; the female market line, female internal line, combined male and female market line and male market line. He outlined preliminary intentions of the Hospitals which include moving all job classifications within a corridor surrounding the male market line over a period of approximately four years. The Board of Governors will be asked to reconsider this issue at the April meeting.

HEALTH SCIENCES UPDATE:

Dr Neal Vanselow presented the results of the November 1984 Survey on Health Sciences Student Indebtedness. Following a demographic description of respondents, Dr. Vanselow reviewed the current and projected debt levels of Health Sciences students aggregately and students by unit within the Health Sciences. In sum, high tuition and limited availability of financial aid resulting in high debt levels are clearly of concern to students. Debt levels influence current lifestyle and selection of postgraduate positions.

ADJOURNMENT:

There being no further business, the meeting of the Board of Governors adjourned at 4:15 p.m.

Respectfully submitted,

Nancy C. Janda

Nancy C. Janda
Executive Assistant
to the Board of Governors

MINUTES

Planning and Development Committee

April 10, 1985

CALL TO ORDER:

Committee Chairman, Robert Latz, called the April 10, 1985 meeting of the Planning and Development Committee to order at 10:05 a.m. in Hospital Dining Room III.

Attendance: Present: Robert Latz, Chair
Frank Cerra, M.D.
Clint Hewitt
Geoff Kaufmann
John LaBree, M.D.
Virgil Moline
I. Dodd Wilson, M.D.

Absent: Kristine Johnson
C. Edward Schwartz

Staff: Nancy Janda
Mark Koenig
Lisa McDonald
Ken Merwin

Guest: Ron Werft

APPROVAL OF MINUTES:

The minutes of the March 13, 1985 meeting were approved as submitted.

LITHOTRIPTER PROGRAM UPDATE

Mr. Hart told the group that the Lithotripter is currently scheduled to be delivered in November. However, Dornier is open to moving the date forward to accommodate us when we're ready for delivery. The 4th floor of Mayo is being evaluated as a potential site for the Lithotripter.

He reported that a group of community urologists is investigating the possibility of buying a Lithotripter manufactured by a New York-based firm, MedStone. The MedStone machine has not yet been approved by the F.D.A., as Dornier's has. Blue Cross Blue Shield of Minnesota is expected to provide reimbursement for procedures conducted utilizing machines approved by the F.D.A.

He reports that interest from MedCenter in using the University's machine is strong, and that discussions are planned with Group Health and Share.

Mr. Latz suggested that we market our Lithotripter as the only F.D.A-approved machine and stress that it costs less than invasive procedures.

STRATEGIC PLANNING STEERING COMMITTEE INTERNAL ASSESSMENT:

Mr. Kaufmann discussed the activity summaries contained in the mailing that members received prior to the meeting. Some of the specific points mentioned include: our market share is increasing but our ALOS is declining. Preliminary conclusions indicate that it may become necessary to use fewer buildings and develop new programs to stem decline. We also need to have more discussions with third-party payers.

He continued with a discussion of the Internal Assessment findings that were included in the mailing to committee members. Our image should stress professionalism and "caring".

Mr. Kaufmann also mentioned that the occupancy figures in the Star and Tribune did not reflect actual beds in use, but licensed capacity. It was suggested that the Council of Community Hospitals be contacted for a follow-up article.

"MINNESOTA CHILDREN'S HOSPITAL" AND NACHRI:

Mr. Kaufmann explained to the members that membership in NACHRI includes being a part of the Miracle Network that has been active in fund raising for children's hospitals nationally, including three Twin Cities children's hospitals. Referring to the handout, he informed the group that the U of M Hospitals meet all the medical staff requirements and either meet or can easily meet all of the requirements for membership. Areas that need to be addressed before considering membership are separation of facility, staff, and administration. Mr. Latz suggested that we quantify the benefits of being associated with NACHRI against the membership and organizational costs.

CAPITAL PRIORITIES AND CAMPAIGN:

Mr. Merwin reported that the University-wide capital campaign is moving ahead with Dr. Keller's endorsement. The list of proposed projects to be funded were reviewed. It was recommended that the list be revised and prioritized to reflect needs that would appeal more to philanthropists. All proposals are due by April 24, 1985. The Board of Governors will be asked to review the modified list at the April 24, 1985 meeting.

UNIT J UPDATE AND SAVINGS BUYOUT:

Mr. Koenig called the group's attention to the amendment to the construction agreement with Gilbane. The amendment will allow for early payout of the construction manager's portion of the Unit J savings. The members of the committee briefly discussed the incentives and disincentives to early payout.

Mr. Koenig also reported that bids on site work are due April 24 and that the clean-up package would be handled by the construction manager.

UMH&C MISSION REFORMATION TASK FORCE:

Mr. Kaufmann reported that the Mission Task Force is drafting a revision to the 1978 Mission Statement. The Statement will serve as a basis for defining strategies.

HELICOPTER UPDATE:

Mr. Werft told the members that an operating committee from St. Paul Ramsey, Abbott Northwestern, and the University Hospitals is meeting weekly working on details of the helicopter program. The name, Life 1 Minnesota, has been agreed upon. The schedule now stands that the helicopter will be here on June 1 and in service on June 15. It will be staffed mainly by critical care nurses.

Critical Care Services, Inc. will be run by a three-person board consisting of the CEOs from the hospitals. There will be one Medical Director from St. Paul Ramsey's Trauma Service and two Associate Directors from Abbott and UMHC that will be in charge of quality control.

An $85,000 budget will be used to promote Life 1 via press releases, ads, videotape and a brochure that will be sent to all doctors, sheriffs, state police, and ERs.

There will be a temporary landing pad for the helicopter on top of Ramp B which will be completed on May 1. The permanent landing site will be on the roof of Unit J.

OTHER BUSINESS:

Dr. LaBree asked the group if the Directory of Services should be the primary mode of getting information of our services to the referring physicians or if there should be separate mailings from each service. It was suggested that a quarterly update be sent out regarding service changes and additions.

ADJOURNMENT:

There being no further business the meeting of the Planning and Development Committee was adjourned at 11:48 a.m.

Respectfully submitted,

Ann Frohrip

Ann Frohrip
Secretary
Planning and Marketing

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

April 19, 1985

TO: Board of Governors

FROM: Mark Koenig
Acting Director,
Hospital Facilities Office

Included in your information packet is an amendment to the University agreement with the Unit J Construction Manager. This amendment allows for early dispersion of a portion of Unit J savings.

The original contract called for dispersion of savings at the end of the project. The amendment sets the dispersion date at April 1, 1985.

The advantages to the Hospital of early dispersion of savings are:

1. A reduction in the Hospitals overall financial risk in the Unit J Project of $10,100,000.

2. Increasing the Hospitals flexibility in utilizing the $10,100,000 by reducing our commitment to the Construction Manager by that amount.

/jem

SAVINGS BUYOUT

WHEREAS, paragraph 6.4 of the amendments to the Owner and Construction Manager agreement for the University Hospitals Renewal Project dated October 28, 1982 sets forth the arrangement for shared savings on the Project; and whereas, the Owner and Construction Manager desire to expedite the distribution of those savings.

IT IS HEREBY AGREED by the Owner and Construction Manager that $10,100,000 of the total anticpated Unit J Project savings will be distributed in accordance with the following agreement:

SAVINGS DISTRIBUTION PROCESS

On april 1, 1985 $10,100,000 in Unit J Project savings will be recognized. The $10,100,000 will be shared between the Construction Manager and the Owner in proportions of $8,100,000 to the Owner and $2,000,000 to the Construction Manager as if amounts were paid on the Certified Completion Date of December 1, 1986.

Payments made to the Construction Manager before the Certified Completion Date will be discounted proportionately at an annual rate of 10.05% compounded monthly for the period of time prior to December 1, 1986. The Construction Manager will accept the discounted payment as payment in full for each savings payment except as such payment may be subsequently adjusted as provided in paragraph "Adjustments to Payment at Final Completion" and "Adjustment to the Certified Completion Date." The Construction Manager recognizes the process described in this document as the only means through which savings will be distributed. Both parties agree to early payment of a protion of the Construction Manager's share of savings prusuant to the following schedule:

PAYMENT SCHEDULE

DATE	SAVINGS AMOUNT	MONTHS EARLY	DISCOUNT	PAYMENT DUE
4/1/85	$1,500,000	20	$230,450	$1,269,550
12/1/85	$ 100,000	12	$ 9,524	$ 90,476
Substantial Completion	$ 150,000	(Calculated at Substantial Completion)		
Final Completion	$ 250,000	(Calculated at final completion)		

ADJUSTMENT TO THE CERTIFIED COMPLETION DATE

At any time prior to final completion, the Owner and Construction Manager may agree to amend the Certified Completion Date. If the Certified Completion Date is amended the following adjustment will be made to any payment of Project savings already made to the Construction Manager:

(1) Each payment will be recalcuated for present value based upon the..... amended Certified Completion Date. The recalculation of payments due the Construction Manager will be discounted utilizing a 10.05 percentage rate compounded monthly, from the amended Certified Completion Date to date of payment.

(2) Additional funds due to the Construction Manager or the Owner as a result of this recalculation will be payable on the effective date of the amendment to the Certified Completion Date. The final adjustments in the payments will be made at final completion as described below under "Adjustment to Payments at Final Completion".

ADJUSTMENTS TO PAYMENTS AT FINAL COMPLETION

Final completion means the time at which all punchlists are complete, all contracts are closed, and all contractors are off the site. In the event that final completion of the Project occurs on a date other than the Certified Completion Date (or as amended), the discounts from the amounts paid or payable

to the Construction Manager again will be recalculated for present value based upon the date of final completion.

The recalculation of payments due the Construction Manager, or the Owner, will be discounted utilizing a 10.05 percentage rate compounded monthly from date of final completion to date of payment.

Additional funds due either the Construction Manager or the Owner as a result of this recalculation will be made at final completion.

SAVINGS IN EXCESS OF $10,100,000

This document describes the method for distribution of $10,100,000 of the total anticipated Project savings. Any Project savings in excess of $10,000,000 belong exclusively to the Owner.

MECHANISM FOR PAYMENT AND ADJUSTMENT TO CERTIFIED CONSTRUCTION PRIC

To extract the savings from the Certified Construction Price a credit change order will be written reducing the Certified Construction Price in the amount of $10,100,000. Each time payment is payable to the Construction Manager pursuant to the payment schedule above, the Construction Manager will invoice the Owner for the payment due on the "Construction Manager's Fee" invoice. A change order then will be written in the exact amount of payment, increasing the Certified Construction Price. Charges for Project savings will be shown separate from routine fee charges on invoices. Payment to the Construction Manager will be included in that month's Construction Manager Fee payment check. Increases in the Certified Construction Price resulting from payments of Project savings will not be subject to additional fee or overhead factors described in Paragraph 6.3 of the Construction Manager Owner Agreement.

IN WITNESS WHEREOF the Owner and Construction Manager have executed this agreement effective April 1, 1985 by their duly authorized representatives.

Regents of the University of Minnesota	Gilbane Building Company	M.A. Mortenson Company
_____	_____	_____
Vice President for Finance	Title: Paul J. Choquette, Jr. President	Title: M.A. Mortenson, Jr President
Date: _____	Date April 1, 1985	Date: April 3, 1985

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

Date: April 24, 1985

To: Board of Governors

From: Geoff Kaufmann

Subject: STRATEGIC PLANNING STEERING COMMITTEE INTERNAL ASSESSMENT UPDATE

This summarizes the Strategic Planning Steering Committee's conclusions regarding Inpatient/Outpatient volumes and UMHC's present image internally.

INPATIENT/OUTPATIENT VOLUMES

Attached is an analysis of inpatient and outpatient volume between 1981 and 1984. Inpatient admissions have been gradually declining along with patient days. UMHC should concentrate its efforts on patients and not patient days because of the evolving payment system. On a positive side, outpatient volumes have remained relatively stable.

UMHC PRESENT IMAGE

We are currently doing a number of surveys which attempt to assess our image. Perceptions about UMHC have been gathered internally from a number of focus group sessions conducted by an outside firm. Patient surveys are being revised; however, an outpatient clinic survey was completed in late August 1984 (see attachment). In our external assessment we plan to gain target consumer input on our image and will use this input in directing our outside promotional efforts.

In the clinics several statistics are worthy of note:

- 69% were referred by a physician
- 23% referred themselves
- most persons report few difficulties in getting appointments
- care was rated as excellent or good 83% of the time
- parking was a problem

One attachment portrays our internal focus group image survey both on current image and on how to change parts of our present image to enhance UMHC's position in the health care environment.

GLK:asf

Attachments

FINDINGS AND CONCLUSIONS
FROM INPATIENT/OUTPATIENT EXHIBITS

Inpatient Volumes

Admissions

- Gradually declining overall from 1981-84, further declines likely in 1984-85. Admissions are off 4.1 percent (467) for the first eight months of FY 1984-85 over FY 1983-84.

- By service, the admission activity varies with the largest declines between 1981 and 1984 occurring in:

Neurology	-21.1%	(197)
Surgery	-17.3%	(543)
Gynecology	-16.7%	(273)
Neurosurgery	-16.4%	(210)
Obstetrics	-11.9%	(146)
Otolaryngology	- 9.2%	(95)
Medicine	- 5.6%	(212)

- Comparisons between FY 1983-84 and FY 1984-85 reveal continued declines in:

Obstetrics	-39.1%	(284)
Otolaryngology	-28.6%	(172)
Neurology	-14.1%	(74)
Neurosurgery	- 6.5%	(47)
Surgery	- 5.4%	(92)

. with a downturn in pediatrics - 9.7% (219)

- Admission gains occurred between 1981 and 1984 in:

Adult Psych	+50.4%	(206)
Family Practice	+32.6%	(14)
CRC	+16.9%	(59)
Orthopaedics	+16.9%	(147)
Pediatrics	+ 6.2%	(200)

- Admission gains for the eight months year-to-date over the previous year occurred in:

Ophthalmology	+20.8%	(119)
Medicine	+ 4.2%	(97)
Orthopedics	+ 4.0%	(26)

Patient Days and Length of Stay

Overall patient days continue to decline as a result of both a declining admission volume and a shortening of the average length of stay. Patient Days declined in every service between 1981-1984 except for CRC, epilepsy, family practice, orthopedics, pediatrics, and adult psychiatry. The major factors at work in these services were the increased admissions between years. No major service recorded an increased average length of stay between 1981 and 1984. In the first eight months of FY 1984-85, patient days are off 10.4 percent (10,888). The ALOS has dropped .5 of a day in 1984-85 to date from 9.1 days to 8.6 days. Further reductions are likely.

Average Daily Census

Overall average census has declined since 1981, from nearly 550 to slightly under 500 in 1984. Year-to-date figures for 1984-85 show a drastic decline to 435. This decline is a function of both declines in admissions and average length of stay.

Percent Occupancy

The average occupancy percentage continues to decline from 75 percent in 1981 to 67.5 percent in 1984. Year-to-date figures for 1984-85 show a 64.4 percent average occupancy based on 676 beds.

Volume Conclusions Inpatient

- Overall volume declines are significant over the last five years.
- Major steps should be taken to build back patient volume.
- UMHC should concentrate its efforts on patients and not patient days because of the evolving payment system.
- Unless the decline in inpatient volumes is reversed we will have many excess beds, and conceivably could consolidate our inpatient operations into fewer buildings (perhaps into Mayo, J, and Masonic or even to Mayo and J).
- During our strategic planning process we should move ahead with the promotion of selected programs and services so that further declines are not automatic.
- During our strategic planning process we should examine potential relationships that could bring us patients without jeopardizing our existing patient base (e.g., outreach relationships, HMO contracts, etc.).

Outpatient Volumes

Outpatient volumes seemed to have peaked at about the 210,000 visit level. This volume includes emergency room and ambulatory surgery volumes. Most of the major clinics remain strong with the exception of ENT, family practice, pediatrics, surgery, and lately, OB with the loss of the Group Health contract.

Volume Conclusions Outpatient

- The outpatient areas remain relatively stable. One would expect that outpatient volume should be increasing given the shift of many modes of care to an ambulatory level even at UMHC.
- Continued efforts should be placed on the development of UMHC outpatient services to include the concepts of convenience, accessibility and cost competitiveness.

INTERNAL UTILIZATION

- INPATIENT UTILIZATION
- OUTPATIENT UTILIZATION

UMHC Identity Program - PHASE I

Opinion Summary

General Opinions regarding UMHC's present image:

Pros:

1. UMHC patients receive excellent one-on-one care.
2. UMHC has a reputation for stability. (The 75th hospital and 100th Medical School Anniversaries are coming up.)
3. UMHC has a positive relationship with the Univeraity and is associated with teaching.
4. UMHC provides good care and cares about people.
5. UMHC is a statewide medical and educational resource with unique programs and services. (Open heart surgery started here. Also known for kidney transplants and outreach care.)
6. UMHC is known as an ivory tower without being arrogant.
7. UMHC has a modern up-to-date image.
8. UMHC is more personable than Mayo.
9. Patients like UMHC once they are here.
10. UMHC deals with complex medical problems on a daily basis.
11. Many specialists are available at UMHC.
12. UMHC staff is well trained, competent and up-to-date.
13. UMHC doctors are leaders in the medical community.
14. UMHC is directly responsible for the high quality of medical care in Minnesota due to the well trained doctors educated there.
15. UMHC is known for its innovative research.
16. UMHC's diversity is a positive element.
17. Once patients get through the "red tape" of the system, they love the hospital and staff.
18. Our patients leave satisfied. Word of mouth recommendations have been our best sales tool.
19. UMHC's strongest point is its capacity to treat all kinds of illnesses - from easy to difficult.

20. UMHC has an international reputation and is regarded as providing top-notch medical care.

21. UMHC is researching tommorrow medical problems.

Cons

1. UMHC is a confusing place, both to staff and patients. While UMHC's patient care is considered excellent, its facilities are percieved as being poor.

2. Unresolved name issue is a big problem. (Children's Hospital name has not yet been decided either.)

3. Internally every department puts out its own publication.

4. UMHC is often thought of as a "last resort" place.

5. UMHC trys to be all things to all people - picks up the "medical pieces".

6. UMHC outpatient care is not as coordinated as Mayo.

7. People in the community think of UMHC as a castle with a moat - UMHC's capabilities are not understood by the public.

8. UMHC has a "research" image. Patients think they will be part of a research project. (But research is a two edged sword since it is needed.)

9. At UMHC, patients are transferred from service to service and don't know who their doctor is. They fear being caught up in the system.

10. Community surveys show that people think UMHC is:

    a. A hospital of last resort.
    b. Unaccessable - parking, referrals.
    c. High quality.
    d. High cost.
    e. State subsidized (6%)

11. UMHC trains people who eventually become their competition.

12. Some doctors who couldn't get teaching positions bad mouth UMHC.

13. "Town and Gown" syndrome - town doctors are afraid they won't get patients back after referring them to UMHC.

14. The public views UMHC as big, complicated, hard to get to and high tech (impersonal).

15. UMHC trys to be all things to all people.

16. The public thinks of teaching as being expensive and research being probing.

17. People are confused about costs at UMHC. Some think their care will be more expensive because of research while others think it will be cheaper because the doctors are residents.

18. External signage and graphics are now very confusing.

19. Hospitals (plural) is confusing.

20. The doctors at UMHC are known as having huge egos.

21. The attitudes in general at UMHC need to be improved.

22. A personnel stratification exists.

23. Patients are intimidated and awed by their doctors.

24. People don't think they should come to UMHC for common illnesses.

25. UMHC has a parking and overbooking problem.

26. Patients never get a glass of wine with their dinner at University Hospital.

University of Minnesota Hospitals and Clinics

Opinions Summary

Thoughts on changing UMHC's image:

General comments:

1. UMHC must market its new image to physicians locally, out-state nationally.

2. UMHC should project an image that is one step above the competition, rather than a clever image.

3. Beware of the word "clinic". It means different things to different people.

4. An organizational chart and audit of present collateral materials is needed.

5. We need to define visually what UMHC is.

6. The new image needs to be a bridge between the medical and non-medical staff, the administration and university employees.

7. The new image needs to be projected to consumers, physicians and alumni.

8. UMHC needs to be perceived as more approachable.

9. Create one symbol that will begin to market ourselves on a unit basis.

10. Patients identify with the specialized units, not the hospital as a whole. Specialized services will become more important in the future. (Example - the Spinal Cord Institute.)

11. The specialization trend offers excellent care for complex medical problems. It is a history making move. UMHC will have international programs in specialized areas.

12. UMHC needs to build an identity emphasizing the hospital rather than health sciences.

13. Keep in mind that there is a fine line between quality and excess in public perception.

14. Institute Center Hospitals must all come under the UMHC banner.

15. The new symbol is to be used as an advertising symbol, like Goldie the Gopher.

16. The new identity should inform the general public that: We're here, we're unique, you can see us.

17. The new symbol should also make consumers think of UMHC in such a way that it affects their decisions. (Example - insurance plans, etc.)

18. The new identity should inform out-state physicians that: What we do - we do better, we provide a service for them, we do complex things every day and we deal with "trainwrecks" - those people who have multi-system problems.

19. To date, most UMHC information has been designed for students and staff. The emphasis needs to change. We also need a routing system.

20. UMHC also stands for Upper Midwest Health Conference.

21. The symbol emphasis should be on medicine.

22. The gopher is not a good symbol for a hospital.

23. The symbol must have meaning for the organization and be a universally accepted image.

24. The new image must convey that we have clinics and an out-patient service.

25. UMHC needs to attract patients with basic illnesses - potential patients who could go anywhere.

26. The medical staff needs identification. A symbol of their own.

27. UMHC's problem is not with getting repeat business but rather with attracting the uninitiated.

28. Research on how other University hospitals images relate to their Universities is needed. We also need to research the images of other hospitals in the area.

29. Look at Fairviews "F" in a leaf shape as a reference.

30. The Old Health Sciences logo has been around since 1971.

31. UHC - there is a logotype existing for this configuration.

32. There is a need to unify the image of the hospitals and clinics.

33. There is a need for a timeless rather than a datable symbol.

34. The new symbol can <u>not</u> be all things to all people.

35. There is only so much meaning that can be incorporated into a symbol before it breaks down.

36. The new symbol should be simple and understated.

37. UMHC may have to take a neutral stance on the new symbol.

38. New new identity program should try to make using the facility easier. There is a need to quell peoples fear of the logistics of getting around the UMHC facilities.

39. The name hospitals and clinics should be changed to medical center.

40. The new symbol should work on all visual applications.

41. The use of initials could be confusing.

42. Should we use a slogan?

43. The new external graphics must be cohesive.

44. Don't use crosses or a DiVinci like man for the new symbol.

45. There will never be a consensus on which direction to go on the new image. But there will be a huge effort to bring all clinical "chiefs" together.

46. The new image should be dynamic and portray the quality of excellence.

Association with the University

1. Symbolism of the University may not be appropriate for hospitals and clinics.

2. Utilize the "University of" name as a national concept. (The anme could be shortened for P.R. purposes. Example - The Michigan Hospital.)

3. The present UM symbol is recognized internally and has some external recognition but the symbol itself means nothing to anyone.

4. The new image should be associated with the "good" part of the University.

5. The new identity should inform the general public that we are part of thw whole University system.

6. In the past UMHC has had to use the UM symbol. As a result, UMHC is recognized as a big part of the University.

7. The new identity should have a strong identification with the University symbol.

8. We need to keep the University of Minnesota in the logotype but there must be a clear definition between the University and the hospitals and clinics.

9. There needs to be an image "particular" to the hospitals and clinics that is separate from the University.

10. The public should be aware of the entire University first, then start to focus on the hospital.

Comments favoring a soft approach

1. Try a "treat the whole person" approach - possibly use a circle as an encompassing shape.

2. The symbol should portray a warm, inviting, easily understandable feeling.

3. New image should project a "loving arms" feeling.

4. Look at the United Way symbol as a reference.

5. Don't use crosses or doctors symbols.

6. There needs to be a "we care" feeling about the new symbol.

7. The new symbol needs to help calm people down.

Comments favoring a professional approach

1. The symbol should have a crisp, clean look. Examples to look at - Mercedes, IBM, AT&T ant TRW.

2. Use the shape of the two new buildings as a symbol shape.

3. Consider using only initials.

4. The new image should be daring and forceful. It must be distinctive, attention getting and show "zip" and life.

5. The new image should project professionalism and excellence like Michigan and Stanford. Look into a seal like image.

6. The new image should imply quality, caring and professionalism with a high tech feel because people come to UMHC to be cured.

7. A "loving arms" feeling should not be projected in the symbol.

8. The new image should go in the direction of the Mercedes symbol.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

Date: April 24, 1985

To: Board of Governors

From: Paul G. Quie and Geoff Kaufmann

Subject: PROPOSED MEMBERSHIP IN NACHRI

Membership in National Association of Children's Hospital (NACHRI) would have advantages for the University of Minnesota Children's Hospital including:

1. Association with approximately 70 hospitals for children in the United States

2. An efficient source of information on national child health care issues

3. The University of Minnesota will become part of a unified effort to influence public policies related to child health care

4. Enable participation in nationwide fund raising efforts for children

Planning to date regarding NACHRI membership has taken place within the department of pediatrics, but has also involved representatives of other specialties and hospital administration.

The committee's recommendation is to pursue institutional membership as a children's program that is part of a larger medical institution. Criteria for this level of membership include:

1. That the institution be the primary teaching site of an organized academic department of an approved medical school

2. That the application for membership be approved by the institution's governing body

3. That under the organizational structure the institution would:
   - safeguard the pediatric program's resources
   - approve the pediatric long-range plan
   - approve the pediatric operation plan

These three organizational objectives can be met by:

. a separate board
. a standing committee of the board together with either:
  - a foundation for fund raising
  - community-based advisory entity

4. UMHC meets all the requirements relating to the medical staff portion of the application

5. The institution shall have an individual responsible for the administration of the childrens' facility who is accountable for patient services especially nursing services. This can be met by:

   . an autonomous administration
   . an associate or assistant administrator assigned by pediatrics

6. Under resource allocation there must be fiscal autonomy and defined costs for the childrens' program. These requirements can be met by:

   . separate Medicare provider number or
   . separate budget and control of income and expense or
   . discrete cost centers for pediatrics and
   . a separate staffing plan

7. The program must have public identity through such devices as a:

   . distinct name or visual evidence
   . discrete entrance admitting or emergency facilities
   . separate fund raising
   . separate publications

8. UMHC will meet all of the facility requirements in Unit J

UMHC's annual dues to NACHRI would be $5,311 based on the pediatric station's expenses of $8.1 million in 1984.

PGQ;GLK:asf

MINUTES
Joint Conference Committee
Board of Governors
April 10, 1985

ATTENDANCE: Present: Phyllis Ellis, Committee Chair
Dr. Paula Clayton
Dr. Glenn Gullickson
Bradley Hillstrom
Dr. Robert Maxwell
Dr. James Moller

Absent: George Heenan
Ed Schwartz

Staff: Greg Hart
Jan Halverson
Ed Howell
Nancy Janda
Barbara Tebbitt

Guests: Dr. Russell Larsen

Prior to the formal meeting of the Joint Conference Committee the members toured the Medical Record Department.

APPROVAL OF MINUTES

The minutes of the March 13, 1985 meeting of the Joint Conference Committee were approved as submitted.

MEDICAL STAFF HOSPITAL COUNCIL REPORT

Dr. Moller reported on two items from the April Medical Staff Hospital Council meeting. The first item relates to the development of the Emergency Department, particularly medical direction, in light of the impending initiation of the helicopter program. Dr. Moller reported that Dr. Ed Seljeskog, Neurosurgery, has been chairing a task force whose role has been to evaluate our internal systems and response capabilities in preparation for the helicopter program. This task force has identified no major deficiencies, but is recommending that the medical support of the Emergency Department be upgraded from a trauma

perspective. Toward this end, it is anticipated that a member of the Department of Surgery will be appointed as co-director of the Emergency Department in the near future.

The second item on which Dr. Moller reported is the expanded Same Day Admission for Surgery (SDAS) protocol. This protocol, parts of which have been in place for some time, is intended to systematize and improve our abilities to admit patients on the same day in which they are scheduled for surgery. Elements of the protocol include medical records coordination, pre-admission laboratory and radiology coordination, O.R. scheduling, and a number of other items.

Dr. Moller also reported that there has been some difficulty experienced by clinical medical staff members in obtaining the newly required insurance consistent with the recent Bylaws revisions. Dr. Moller indicated that the bulk of these difficulties are being experienced by those insured through MMIE, and that we are currently in communication with MMIE regarding the problem. Dr. Clayton suggested that the clinical departments may act as a vehicle through which the required insurance can be obtained. Mr. Halverson agreed to pursue this idea.

PRO RELATIONSHIPS

Mr. Hart and Dr. Moller reported on the history and current status of our relationships with the local provider review organization (PRO). Mr. Hart indicated that the prospective payment legislation mandated the creation of local PROs, with whom the Federal Government contracts for purposes of utilization review and quality assurance. The governmental contract requires that the PROs, in turn, contract with the local providers to implement utilization and quality assurance review activities. The PRO for the Minneapolis/St. Paul area is the Foundation for Healthcare Evaluation.

It was noted that in the fall of 1984 the local PRO forwarded contracts to the area hospitals for their approval. The vast majority of the local hospitals refused to sign these contracts, largely for reasons of lack of due process provisions. At the most recent meeting of the Medical Staff Hospital Council, a University Hospital drafted contract was endorsed by the Council, and will soon be forwarded to the Foundation for Healthcare Evaluation. It is hoped that this draft contract will prove to be the

basis on which our relationship with the PRO is governed.

It was also noted that a member of the Hospitals' medical staff is currently being reviewed by the PRO. It is hoped that the contract which has been drafted will assist in establishing the protocol through which this review may be continued.

CARDIO-RESPIRATORY ADVISORY COMMITTEE

Dr. Russell Larsen, chair of the Cardio-Respiratory Advisory Committee, discussed the history, role, and current issues being dealt with by the CRAC. He indicated that the committee was originally formed in 1972, and that through its existence the group has maintained both a quality assurance and cost-control focus. Much of the group's efforts have been targeted at reduction in the use of inappropriate respiratory therapy modalities. More recently, the group has become responsible for monitoring, training, and evaluation of invasive pressure monitoring activities within the Hospitals as well.

Dr. Larsen indicated that Bylaws changes which were initiated at the recommendation of the Cost Containment Task Force (1983) have recently enhanced the authority of the CRAC and the Medical Director of Respiratory Therapy in administering policies directed at appropriate use of respiratory therapy resources. Dr. Larsen also described a case example in which there are differing judgments between the attending physicians and the medical director regarding the allocation of resources for respiratory therapy. Dr. Larsen and others noted that this kind of issue may be characteristic of those that will be seen increasingly in the future as there are increasing cost constraints imposed on the Hospitals and the medical staff.

Dr. Larsen responded to questions from the Committee, and the Committee thanked Dr. Larsen for his informative presentation.

COMPARABLE WORTH UPDATE

Mr. Hart summarized the upcoming schedule related to the Hospitals' comparable worth plan, noting that the matter is on the agenda of the Board of Regents at their April meeting and on the agenda of the Legislative Commission on Employee Relations on

April 22. Comparable worth is scheduled for continued Board of Governors discussion and action on April 24.

CLINICAL CHIEFS REPORT

Dr. Gullickson reported on the recent weekly meetings of the Clinical Chiefs. He indicated that Dr. Paul Ellwood from Interstudy attended the most recent meeting, and provided an overview of current and possible future changes in the healthcare delivery system, and also lead a discussion of the role of the academic health center within such a system. Dr. Gullickson also reported that the Chiefs discussed the recent legislative activities regarding the overall University budget request.

There being no further business the meeting adjourned at approximately 7:45 p.m.

Respectfully submitted,

Greg Hart

GH/kj

EXCERPT FROM

THE BYLAWS OF THE

MEDICAL AND DENTAL STAFF

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

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Cardio-Respiratory Advisory Committee

Section 1. Composition:

The Cardio-Respiratory Advisory Committee shall consist of six or more members of the medical staff and representatives of hospital management, Nursing, and Respiratory Therapy. Amended October 21, 1981.

Section 2. Duties:

The committee shall be responsible for advising the institution as to directions the involved services should take in developing, expanding or limiting related service programs. Amended October 21, 1981, February 22, 1984.

Section 3. Meetings:

The committee shall meet as often as necessary to accomplish its function, shall maintain a permanent record of its proceedings and actions, and shall make reports and recommendations as appropriate to the Medical Staff-Hospital Council and the General Director.

Minutes
Finance Committee
University of Minnesota Hospitals & Clinics
March 27, 1985

MEMBERS PRESENT:	Jerry Mellahn Mary Des Roches Clifford Fearing William Krivit, M.D. C. Edward Schwartz Vic Vikmanis
MEMBERS ABSENT:	Shelley Chou, M.D. Al Hanser Robert Nickoloff
STAFF:	Greg Hart Nancy Janda Nels Larson Jane Morris Barbara Tebbitt
GUESTS:	Ron Werft

CALL TO ORDER: The meeting of the Finance Committee was chaired by Mr. Jerry Mellahn 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 February 27, 1985 meeting of the Finance Committee were approved.

FEBRUARY YTD FINANCIAL STATEMENTS (INFORMATION): Mr. Fearing reviewed the Report of Operations for the period July 1, 1984 through February 28, 1985. He reported that February admissions of 1,358 were 121 below projections of 1,479 and patient days for the month of February totaling 12,265 were 1,528 below budget. The year-to-date variances for admissions were 4.6% below budget and patient days varied 10.5% below budget. Outpatient clinic visits for February were above projected visits by 5.2% for a total of 16,030. Year-to-date, this represents a favorable variance of 2.1% above projected levels.

The Statement of Operations shows total revenues over expense of $14,076,457 or $11,300,674 over the budgeted level. Of this variance, $9,105,000 reflects net revenues from operations and $2,196,000 is related to non-operating incomes such as investments on reserves.

Mr. Fearing stated that patient care charges were 3.8% above budgeted levels at $124,629,110 for the period through February 28, 1985. Routine revenue was 7.2% below budget reflecting the overall patient day variance, and ancillary revenue was 10.2% above budget due to increased ancillary utilization.

Operating expenditures continue to be under budget with the largest favorable variance in personnel costs. Unfavorable variances in Drugs, and Blood and Blood Derivatives reflect the higher than anticipated utilization levels.

The balance in accounts receivable for February totaled $49,418,330 representing 95.2 days of revenue outstanding. Mr. Fearing explained that significant payment problems are still being experienced with Medicare and all payor groups.

Regarding the cash flow statement, Mr. Fearing stated that total operating cash available of $8,353,674 plus transfers to renewal project of $2,666,667, plus transfers to debt retirement of $2,133,333, plus transfers to plant of $645,805, equals cash generated from operations of $13,799,479.

Mr. Fearing concluded his report stating that the Hospital remains in a very positive financial position.

1985-86 BUDGET PARAMETERS (INFORMATION):

Mr. Fearing presented a schedule of Major Budget Assumptions for budget year 1985-86. The schedule included a 3 year comparison of volume indicators and full-time equivalents, inflationary increases for major expenses, and dollar amount items that were new to the 1985-86 budget year or one-time expenses. The 1985-86 budget will assume that case mix will remain relatively constant, and a rate increase is targeted for 5%. He explained that the new budget will not be planned for as conservatively as in previous years.

The budgeting process is on schedule, and should be complete in May. Mr. Fearing announced that a special meeting of the Finance Committee has not yet been scheduled, but will be planned for early May.

Dr. Krivit reported that the Clinical Program Development Fund review is going very well and asked if funding will again be provided in 1985-86. Mr. Schwartz responded that funding for this year's program was built from the previous year's surplus and that funding for the 1985-86 program would most likely come from 1984-85 surplus if the program is continued.

REFINANCING OF SERIES 1982 BONDS STATUS REPORT (INFORMATION):

Mr. Fearing reported that work is continuing on the second phase of the refinancing. He noted that the $65 million issue will be going to market on April 18, 1985 with the closing on April 24, 1985. On April 1st Mr. Fearing and others will be returning to New York to meet with Moody's Investment Service regarding the bond ratings.

Ms. Des Roches noted that the strength of University Hospitals was reflected by the quick sale of the bonds.

UMHC PARKING RAMP STATUS REPORT (INFORMATION):

Mr. Schwartz introduced drawings of the potential parking structure location and property boundaries of the University and adjacent private owners. He stated that Clint Hewitt's office is in the process of making counter offers to the property owners. Of the possibilities considered, the most likely and most favorable option is the plan impacting the church property as little as possible. Also, it is likely that the medical fraternity house will choose to stay in their present location. Possibilities for a skyway will be considered when the location plans are settled. Dr. Krivit suggested that an alternate entrance be planned for to provide a convenience to the Hospitals' physicians.

CUHCC RESOLUTION ON RESTRICTED FUNDS (ENDORSEMENT):

Mr. Werft presented a resolution to restrict funds in excess of budgeted CUHCC fees to a CUHCC operating fund in accordance with the Hennepin County Mental Health Grant requirements. There was no discussion, and the following resolution was endorsed by the Committee for approval by the full Board of Governors:

> WHEREAS, the Hennepin County Mental Health Grant for CUHCC requires that excess patient funds be board restricted for use by CUHCC or turned over to Hennepin County, and
>
> WHEREAS, CUHCC collected $27,896 in excess of projected patient fees, insurance, and medical assistance payments in 1984,
>
> NOW THEREFORE BE IT RESOLVED that the Finance Committee of the Board of Governors restrict $27,896 for application toward Community University Health Care Center's future financial requirements.

COMPARABLE WORTH UPDATE (INFORMATION):

Mr. Hart informed the Committee that because of University and Legislative schedule changes, action on comparable worth recommendations will not need to be taken until the April meetings of the Finance Committee and Board of Governors. With the added time, the Hospital and Board members will be able to give further consideration to a final recommendation. Mr. Hart emphasized the need to strike the correct balance between social and legal considerations and the financial constraints of the Hospital.

The University will also be preparing a comparable worth plan for presentation at their April meeting; for action in May. The legislative presentation is now scheduled for April 22nd.

ADJOURNMENT: There being no further business, the meeting of the Finance Committee was adjourned at 11:15 a.m.

Respectfully submitted,

Jane E. Morris
Recording Secretary

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

April 24, 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 March 31, 1985.

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

Inpatient Census: Admissions for the month of March totaled 1,413, or 361 below projected admissions of 1,774. Patient days for March totaled 12,848 and were 2,700 days below projections. The patient day variance for the month continues to be from the combined effect of lower admission levels and a shorter overall length of stay.

March's census activity changed our admissions variance from 588 (4.6%) below budget at the end of February to 949 (6.5%) below budget as of the end of March. The patient day variance changed from 12,416 days (10.5%) below budget at the end of February to 15,116 days (11.3%) below budget at the end of March.

To recap our year-to-date inpatient census:

	1983-84 Actual	1984-85 Budget	1984-85 Actual	Variance	% Variance
Admissions	14,853	14,655	13,706	<949>	<6.5>
Avg. Lgth. of Stay	9.2	9.1	8.6	<0.5>	<5.5>
Patient Days	138,284	133,738	118,622	<15,116>	<11.3>
Percent Occupancy	68.3	71.2	65.0	<6.2>	<8.7>
Avg. Daily Census	502.9	488.1	432.9	<55.2>	<11.3>

Outpatient Census: Clinic visits for the month of March totaled 15,468 or 3,051 (16.5%) below projected visits of 18,519. Our year-to-date clinic census through March totals 152,660 visits and represents an unfavorable variance of 231 visits (0.2%) below projected levels.

Two factors during the month of March that adversely affected our clinic activities were: (1) the clinics were closed one day due to severe weather, and (2) several clinic areas were either closed or experienced reduced activity associated with a University holiday.

Financial Operations: The Hospitals' Statement of Operations shows total revenues over expense of $16,346,487, a favorable variance of $12,514,646. The overall variance reflects both a favorable variance in net revenues from operations of $10,045,000 and a favorable variance in non-operating revenues of $2,469,000.

Patient care charges through March totaled $139,741,857 and are $3,446,647 (2.5%) above budgeted levels. Routine revenue is 7.7% below budget and continues to reflect the overall patient day variance. Ancillary revenue however, is 8.4% above budget and continues to reflect utilization levels per patient that are higher than anticipated.

Operating expenditures through March totaled $122,419,456 and are $3,729,067 (3.0%) below budgeted levels. The overall favorable variance continues to be reflected in most expense categories with the largest favorable variance being in personnel costs (salaries and fringe benefits). 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 March 31, 1985 totaled $49,370,828 and represents 92.6 days of revenue outstanding. While the number of days of revenue in accounts receivable declined in March by 2.6 days, we experienced a significant increase in commercial insurance receivables. The increase in this category apparently is due to the fact that many companies have not yet fully implemented coding changes required with the use of the new uniform billing claim forms (UB82). We have made temporary changes to our billing system in an attempt to facilitate claims processing by commercial payors. It is hoped this problem will be resolved over the next 2 - 3 months.

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

/jem

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1984 TO MARCH 31, 1985

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	$136,295,210	$139,741,857	$3,446,647	2.5%
Deductions from Charges	22,642,877	19,652,711	-2,990,166	-13.2
Other Operating Revenue	2,567,601	2,447,063	-120,538	-4.7
Total Revenue from Operations	$116,219,934	$122,536,209	$6,316,275	5.4%
Expenditures				
Salaries	$60,177,956	$58,366,644	$ -1,811,312	-3.0%
Fringe Benefits	12,242,996	10,422,154	-1,820,842	-14.9
Contract Compensation	6,339,001	6,297,947	-41,054	-0.6
Medical Supplies, Drugs, Blood	18,727,680	19,338,701	611,021	3.3
Campus Administration Expense	4,236,862	4,236,862	0	
Depreciation	4,997,839	5,041,764	43,925	0.9
General Supplies & Expense	19,426,189	18,715,384	-710,805	-3.7
Total Expenditures	$126,148,523	$122,419,456	$ -3,729,067	-3.0%
Net Revenue from Operations	-9,928,589	116,753	$10,045,342	
Non-Operating Revenue				
Appropriations	$9,790,208	$9,712,865	$ -77,343	-0.8%
Interest Income on Reserves	2,268,570	4,887,423	$2,618,853	
Shared Service	305,378	314,030	8,652	2.8
Investment Income on Trustee Held Assets	1,396,274	1,315,416	-80,858	-5.8
Total Non-Operating Revenue	$13,760,430	$16,229,734	$2,469,304	17.9%
Revenue Over / -Under Expenses	$3,831,841	$16,346,487	$12,514,646	(1)

(1) Variance equals 10.8% of total budgeted revenue.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

April 24, 1985

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: Bad Debts -- January 1, 1985 through March 31, 1985.

The total amount recommended for bad debt of Hospital accounts receivable during the third quarter of 1984-85 is $630,682.10, represented by 1,461 accounts. Bad debt recoveries during the period amounted to $5,065.62, leaving a net charge off of $625,616.48.

Total bad debts for the first three quarters of the fiscal year 1984-85 are $1,871,833.08, which is 1.34% of gross charges. This compares to a budgeted level of bad debts of 1.33%.

Also enclosed for your approval are $5,370.00 of Home Health Services accounts.

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

CPF/jem

enc.