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**University of Minnesota Hospitals and Clinics  
Board of Governors**

October 23, 1985  
1:30 P.M.  
555 Diehl Hall

**AGENDA**

- |      |   |             |
|------|---|-------------|
| I.   | <u>Approval of September 25, 1985 Minutes</u>                                     | Approval    |
| II.  | <u>Chairman's Report</u><br>Ms. Barbara O'Grady                                   | Information |
| III. | <u>Hospital Director's Report</u>   | Information |
| IV.  | <u>Committee Reports</u>  |             |
|      | A. <u>Joint Conference Committee Report</u><br>Ms. Phyllis Ellis                  |             |
|      | 1. Infection Control Committee Report   | Discussion  |
|      | 2. Medical Staff Hospital Council Report  |             |
|      | • Credentials Committee Report  | Approval    |
|      | 3. Patient Evaluation Project   | Information |
|      | 4. Clinical Chiefs Report   | Information |
|      | B. <u>Finance Committee Report</u><br>Mr. Jerry Meilahn                           |             |
|      | 1. Report of Operations for the Period<br>July 1, 1985 through September 30, 1985 | Information |
|      | 2. 1985-86 First Quarter Bad Debts  | Approval    |
|      | 3. Parking Ramp Status Report   | Information |
|      | 4. Primary Care Network Update  | Information |
|      | 5. Comparable Worth Update  | Information |

**MINUTES**  
**BOARD OF GOVERNORS**  
**UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS**  
**September 25, 1985**

**CALL TO ORDER**

Chairman Barbara O'Grady called the September 25, 1985 meeting of the Board of Governors to order at 1:40 p.m. in Room 555 Diehl Hall.

**ATTENDANCE**

Present: Leonard Bienias  
Phyllis Ellis  
Al Hanser  
George Heenan  
Bradley Hillstrom  
Kris Johnson  
Jerry Meilahn  
James Moller, M.D.  
Robert Nickoloff  
Barbara O'Grady  
C. Edward Schwartz  
Neal A. Vanselow, M.D.

Absent: Shelley Chou, M.D.  
Robert Latz  
David Lilly

**APPROVAL OF MINUTES**

The Board of Governors seconded and passed a motion to approve the minutes of the July 24, 1985 meeting as written.

**CHAIRMAN'S REPORT**

Chairman Barbara O'Grady introduced guests to the Board meeting including Ms. Kathy Karies, Assistant Director of Personnel; Mr. David Coombes, the new University of Minnesota Clinical Associates Executive Director; Mr. David Finke, from Station 61 and representing AFSCME; and Ms. Dolores Lutz from the Minnesota Daily. Ms. O'Grady also introduced Ms. Helen Pitt, Associate Director of Nursing, who was sitting in for Ms. Barbara Tebbitt.

Secondly, Chairman O'Grady recognized the retirement of Mr. Duane Wilson as Secretary to the Board of Regents. Mr. Wilson was presented with a gift from the Board. Mr. Wilson introduced the newly appointed Secretary to the Board of Regents, Ms. Barbara Muesing.

Chairman O'Grady announced that the October meeting of the Board of Governors will be held as originally scheduled on October 23, 1985. She also noted that a meeting to discuss Board of Governors Retreat follow up issues would be scheduled.

Lastly, Ms. O'Grady announced that she had been elected to chair the new Metro Hospitals Trustees Council, which brings together the East and West Metro Hospital Trustee Councils.

#### **DIRECTORS REPORT**

Mr. C. Edward Schwartz reported that Dr. Jack Duvall had been appointed Chairman of the Department of Otolaryngology and that Dr. Roby Thompson had been appointed as Interim Head of Physical Medicine and Rehabilitation. Dr. Thompson also holds the position as Chairman of the Department of Orthopedics. Active chairmanship searches are in progress in the Departments of Dermatology, Neurology, OB/Gyn, and Radiology. A Cardiovascular surgeon is also being interviewed.

Secondly, Mr. Schwartz announced that the Hospital's annual Consolidated Fund Drive will begin in October. A benefit for the Hospitals, sponsored by Rocco Altobelli, is also being planned for the evening of November 10, 1985.

Mr. Schwartz announced that a new low cost housing alternative for transplant patients, the Potters House, had celebrated its completion and opening on September 7, 1985. The Potters House is located about 5 blocks from the Hospitals and is run by an independent association.

Mr. Schwartz noted that a second series of advertisements for the Hospitals is being developed and will be available to preview in early November.

Dr. Neal Vanselow reported that the University of Minnesota had been selected as a participant in a study sponsored by the Association of Academic Medical Centers and the Association of Academic Health Centers which will evaluate the differing levels of autonomy between university's and their teaching hospitals. Dr. Fred Munson from the University of Michigan is the lead researcher on this project and may be interested in meeting with members of the Board.

#### **JOINT CONFERENCE COMMITTEE REPORT**

Committee Chairman Phyllis Ellis reported that the University Hospitals had received a request from the Federal Government, through the local Veterans Administration Medical Center, to participate in the National Disaster Medical System. The request asks hospitals nationally to commit to a minimum and maximum number of beds that could be utilized in the event of a major disaster. A similar request was received in 1982. The Board members agreed that a response indicating that the University Hospitals would, in the event

of a major disaster, implement our usual and customary disaster plans. Given the acuity of our patient population, the commitment to free up a defined number of beds in the event of a disaster was not deemed appropriate.

Secondly, Ms. Ellis presented the Medical Staff appointment recommendations from the Credentials Committee. The recommendations had been reviewed and endorsed by the Joint Conference Committee and the Medical Staff Hospital Council. The Board of Governors seconded and passed a motion to approve the Credentials Committee Report dated August 26, 1985, as written.

Thirdly, Ms. Ellis described the Biomedical Ethics Committee presentation done by Ms. Diane Bartels and Dr. Ted Thompson for the Joint Conference Committee. The role, membership, and recent activities of the Bioethics Committee were discussed. The committee has formed consultative teams for Pediatrics, Adult Medicine, and Adult Surgery to assist UMHC staff, patients and families in the resolution of ethical questions related to patient care.

#### **PLANNING AND DEVELOPMENT COMMITTEE REPORT**

In the absence of Committee Chairman Robert Latz, Mr. C. Edward Schwartz reported on three of the items covered at the September 11, 1985 Planning and Development Committee meeting. The Committee discussed the process used in developing a corporate symbol for the Hospitals and critiqued the proposed symbol. That symbol had been reviewed in a broad variety of forums and is now being revised.

The Planning and Development Committee had also reviewed the Hospital's application for NACHRI membership. Several governance, organizational and administrative issues associated with that membership were examined.

The extracorporal lithotripter, Mr. Schwartz reported, will arrive on about October 7, 1985 and should be in operation by late November. ✓

#### **FINANCE COMMITTEE REPORT**

Committee Chairman Jerry Meilahn and Mr. Cliff Fearing summarized the report of operations for the 1984-85 fiscal year. Highlights of that summary included a total of 18,049 admissions (8.3% below budget), an average length of stay of 8.6 days (5.5% below budget) and 155,029 patient days (13.3% below budget). The Hospitals outpatient clinics census remained relatively stable, with 209,912 visits (.9% above budget).

Revenue from operations during the fiscal year totaled \$171,218,559 (9.7% over budget) while expenditures from operations totaled \$163,278,036 (3% under budget). In sum, gross revenue over expenditures, including nonoperating revenue and a net loss on refinancing long term debt, was \$15,954,621 (6.3% over budget).

During the first two months of the current fiscal year, Mr. Fearing reported, the Hospitals continue to experience lower than anticipated utilization of inpatient services; outpatient visits remain stable. The members of the

Board spend a considerable period of time discussing UMHC market share, the responsibility for monitoring utilization levels, and the impact of decreasing inpatient utilization on graduate medical education.

Mr. Greg Hart reviewed several issues related to the Hospitals 1985-86 Compensation Plan. Earlier this year, he noted, the Governors approved a 3% increase in salary ranges and employee salaries for individuals in Hospital dominated classifications. Subsequent to that approval, the AFSCME contract was settled, the University reached tentative agreement with the Teamsters, and the University Civil Service Pay Plan was approved. Mr. Hart detailed the components of each of those compensation plans.

The Hospitals budget included a projected 3.75% increase, exclusive of comparable worth and a special nursing progression adjustment. Given the additional information now available, the following recommendations were made for the 1985-86 compensation plan:

Hospital Dominated Classes (except staff nurses):

- 3% salary range increase (previously approved)
- .75% progression increase

Staff Nurse Classes

- 3% salary range increase (previously approved)
- community progression increase (previously approved)

Hospital Employees in University Dominated Classifications

- 3.75 progression increase (2% across the board, 1.75% merit based)

It was recommended that all be retroactive to July 1, 1985.

The Board seconded and passed a motion to approve the compensation plan as presented.

It was also noted that the University Board of Regents is not expected to act upon the comparable worth issue until the October or November meetings. The Board of Governors agreed to continue to defer final action on the Hospitals comparable worth plan until the Regents have acted.

Mr. Hart also presented a personnel policy change for Board approval. The Hospitals Personnel Policies currently state that "the University of Minnesota Hospitals and Clinics shall provide 10 holidays each fiscal year for employees appointed at 50% or more time." Both the State and the University have recently enhanced their employee benefits through the addition of an eleventh holiday to be taken on Martin Luther King Day in January.

The Board of Governors passed and seconded a motion to approve the addition of this eleventh holiday.

Mr. Cliff Fearing overviewed the plans for the Hospital's parking ramp. That ramp will be located at the corner of Harvard and Delaware Streets and will accommodate 610 spaces. A ramp with open walls and an entrance on Delaware Street and exit on Walnut Street is planned.

#### **EVENT PLANNING FOR THE NEW HOSPITAL AND 75TH ANNIVERSARY**

Mr. Schwartz briefly overviewed the special events being planned by a committee chaired by Ms. Mary Hastings, to commemorate the opening of Unit J next spring and the Hospital's 75th anniversary next fall. The Board of Governors will be asked to host the ribbon cutting ceremony and dinner marking the opening of the new Hospital. That event is currently scheduled for March 7, 1986.

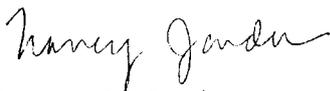
#### **OTHER**

The Board briefly discussed the current use by University athletic teams of the University of Minnesota Hospitals.

#### **ADJOURNMENT**

There being no further business, the September 25, 1985 meeting of the Board of Governors was adjourned at 3:30 p.m.

Respectfully submitted,



Nancy C. Janda  
Assistant Director and  
Executive Secretary to the Board of Governors

MINUTES  
Joint Conference Committee  
Board of Governors  
October 9, 1985

**ATTENDANCE:** Present: Phyllis Ellis, Chair  
Dr. Glenn Gullickson  
George Heenan  
Bradley Hillstrom  
Ed Schwartz

Absent: Dr. Paula Clayton  
Dr. Robert Maxwell  
Dr. James Moller

Staff: Greg Hart  
Nancy Janda  
Geoff Kaufmann  
Barbara Tebbitt

Guest: Nancy Green  
Dr. Frank Rhame

**APPROVAL OF MINUTES**

The minutes of the September 11, 1985 meeting of the Joint Conference Committee were approved as submitted.

**INFECTION CONTROL COMMITTEE REPORT**

Dr. Frank Rhame, Infection Control Committee Chairman and Hospital Infection Control Officer, reported on the activities of the Infection Control Committee. He briefly described the role of the Committee, indicating that the large majority of the Committee's efforts over the past several months have been related to AIDS.

Dr. Rhame then described the future projections for the incidence of AIDS, the implications of the disease from a hospital infection control and clinical management standpoint, staff implications from a continuing education standpoint, and ethical/financial/public relations considerations in

dealing with the disease. Dr. Rhame stressed for the Committee the fact that University Hospitals has been at or ahead of national standards, particularly from an infection control standpoint, in management of patients with AIDS. He noted the numerous recent revisions to isolation and other policies which have been made by the Infection Control Committee, many of which have preceded the recommendations from the Center for Disease Control and other agencies. Dr. Rhame also described his work with the CDC and other national and state agencies in this rapidly changing arena.

After extensive discussion, the group thanked Dr. Rhame for his informative presentation.

#### **MEDICAL STAFF HOSPITAL COUNCIL REPORT**

Mr. Hart reported on behalf of Dr. Moller on the recent Medical Staff Hospital Council meeting.

Recommendations from the Credentials Committee were reviewed by the Joint Conference Committee. The report and recommendations of the Credentials Committee were endorsed for recommendation for approval to the full Board.

#### **PATIENT EVALUATION PROJECT**

Ms. Nancy Green, Patient Relations Department, provided the Committee with an update on the status of the patient evaluation project. She noted that input from the Joint Conference Committee, as well as numerous other groups, has been incorporated in final drafting of the survey. Ms. Green distributed copies of this draft, along with a cover letter to be sent along with the survey.

Committee discussion focused on the process for follow-up of the survey results, and in particular, the communication of such in the cover letter and the closing statements in the survey. Ms. Green indicated that she would recompose these sections consistent with the Joint Conference Committee's discussion. Ms. Green noted that the survey will be going to print shortly, with a targeted implementation date of November 1. The current plan is to utilize the survey over a six month trial period, after which further modifications will be made based upon the initial six month results.

**CLINICAL CHIEFS REPORT**

Dr. Gullickson reported that recent meetings of the Clinical Chiefs have included recommendations from the Education Committee regarding distribution of medical fellow positions, as well as several other ongoing or routine items of information.

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

Respectfully submitted,

*Greg Hart* /kj  
Greg Hart

GH/kj



UNIVERSITY OF MINNESOTA  
TWIN CITIES

Office of the Chief of Staff

University Hospitals and Clinics  
Box 707 Mayo Memorial Building  
420 Delaware Street S.E.  
Minneapolis, Minnesota 55455

October 17, 1985

TO: Board of Governors

FROM: James H. Moller, M.D., Chief of Staff  
Chairman, Medical Staff Hospital Council

SUBJECT: Credentials Committee/Medical Staff Hospital Council  
Report and Recommendations

The attached Credentials Committee report has been reviewed and endorsed by both the Medical Staff Hospital Council and the Joint Conference Committee. The report is being presented for your October 23, 1985 approval.

I will be available to answer any questions that you may have at that time.

Thank you.

Attachment.



September 27, 1985

TO: Medical Staff-Hospital Council

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

SUBJECT: Credentials Committee Report and Recommendations

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

<u>Hospital Dentistry</u>	<u>Category</u>
John R. Biorn	Attending
 <u>Internal Medicine</u>	
Adrian K. Almquist	Attending
Kenneth W. Baran	Attending
Peter B. Bitterman	Attending
Brian T. Lew	Attending
Andrew G. L. McGinn	Attending
Peter B. Meier	Clinical
John R. Raines	Clinical
Peter T. Reissmann	Attending
Gary R. Shapiro	Attending
Gregory L. Silvis	Attending
Coleman I. Smith	Attending
Randall P. Stark	Attending
Christopher J. Sullivan	Attending
 <u>Laboratory Medicine &amp; Pathology</u>	
John H. Eckfeldt	Attending
Sheryl D. Michels	Attending
Teresa L. Perrone	Attending
Hannis W. Thompson, III	Attending

Applications for Appointment to the Medical Staff and Requests for  
Clinical Privileges Continued:

<u>Neurology</u>	<u>Category</u>
Allan P. Ingenito	Attending
Cynthia A. Rask	Attending
<u>Obstetrics &amp; Gynecology</u>	
Donald A. Pavelka	Attending
<u>Orthopedics</u>	
Elizabeth A. Arendt	Attending
<u>Pediatrics</u>	
Michael K. Georgieff	Attending
Tyrone R. Melvin	Attending
Jeffrey L. Platt	Attending
Sarah J. Schwarzenberg	Attending
Deborah L. Smith-Wright	Attending
Mendel Tuchman	Attending
<u>Psychiatry</u>	
Gail A. Bernstein	Attending
<u>Radiology</u>	
Michael D. Darcy	Attending
Kenneth P. Korte	Attending
Tony P. Smith	Attending
John W. Steely	Attending
<u>Surgery</u>	
Carl E. Arentzen	Attending
<u>Therapeutic Radiology</u>	
David J. Monyak	Attending

continued.....

The following physicians are completing their provisional status and are eligible for regular appointments as members of the medical staff of the University of Minnesota Hospitals and Clinics. The Committee have reviewed recommendations concerning their appointments and hereby recommend approval.

<u>Internal Medicine</u>	<u>Category</u>	<u>Date Eligible</u>
Charles W. Andres	Attending	July 23, 1985
Steven F. Duane	Clinical	July 23, 1985
Daniel Frenning	Clinical	July 23, 1985
Irvine F. Goldenberg	Attending	April 24, 1985
Ellis G. Levine	Attending	July 23, 1985
Jeffrey M. Rank	Attending	July 23, 1985
Kathleen V. Watson	Attending	July 23, 1985
<u>Pediatrics</u>		
Bruce C. Bostrom	Attending	April 24, 1985
<u>Psychiatry</u>		
James A. Halikas	Attending	July 23, 1985
<u>Surgery</u>		
Thomas D. Dressel	Clinical	July 23, 1985
David R. Knighton	Attending	July 23, 1985

The following physicians and dentist have submitted resignations from the medical staff of the University of Minnesota Hospitals and Clinics with the exception of the one noted in the Department of Surgery whose faculty appointment has been terminated. The Credentials Committee hereby recommends acceptance of the resignations and the termination of medical staff appointment of the physician in the Department of Surgery.

<u>Hospital Dentistry</u>	<u>Category</u>
Martin W. Ritzau	Attending - Visiting Professor
<u>Internal Medicine</u>	
Hallie N. Richards	Attending

Continued.....

Recommendations for Acceptance of Resignations and Termination of Medical  
Staff Appointment Continued:

<u>Laboratory Medicine &amp; Pathology</u>	<u>Category</u>
Elizabeth H. Perry	Attending
Juan Rosai	Attending
<u>Pediatrics</u>	
Kiran Belani	Clinical
Allison Eddy	Attending
Bradley Fuhrman	Attending
<u>Radiology</u>	
Leroy A. Forstrom	Clinical
Steven A. Sirr	Attending
<u>Surgery</u>	
Richard Moore	Attending (faculty appointment terminated June 30, 1985)
<u>Urology</u>	
Perinchery Narayan	Attending

MINUTES  
Planning and Development Committee  
October 9, 1985

**CALL TO ORDER**

Committee Chairman, Mr. Robert Latz, called the October 9, 1985 meeting of the Planning and Development Committee to order at 10:14 a.m. in Hospital Dining Room III.

Attendance: Present Robert Latz, Chair  
Frank Cerra, M.D.  
Clint Hewitt  
B. Kristine Johnson  
Geoff Kaufmann  
John LaBree, M.D.  
C. Edward Schwartz  
I. Dodd Wilson

Staff Nancy Janda  
Mark Koenig  
Lisa McDonald  
Ken Merwin

**APPROVAL OF MINUTES**

The minutes of the September 11, 1985 meeting were approved as mailed.

**PROJECT UPDATE**

Unit J

Mr. Koenig reported that everything is on schedule and March is still the targeted month for occupancy.

Parking Ramp

The preliminary design of the new parking ramp is being finalized with the architect. Mr. Koenig also stated that there are some land issues yet to be resolved. Tunnel linkages to Masonic are being explored. Ideally, there would be direct linkage from the new parking ramp to Unit J. There are several constraints (i.e., utilities, closing of Delaware during construction) that have to be resolved.

**MISSION STATEMENT**

Mr. Kaufmann discussed the UMHC Mission Statement which was unanimously adopted by the Planning and Development Committee with the following changes:

1. University of Minnesota Hospitals and Clinics be referred to as "The University of Minnesota Hospital and Clinics." "The" was added to the front and the "s" was removed from hospital to minimize confusion by the public with those hospitals claiming affiliation with UMHC. Hopefully, reference to one hospital will communicate to the public that we are one organization.

2. "The cost effective statement" be amended in the Patient role section so that it does not directly follow the quality patient services reference.
3. Finally, the patient flexibility statement be revised to read, "to assure adequate patient care volume the University Hospital will develop strategies to respond to the changing health care system and environment.

It was recommended that the Mission Statement be presented at the November Board of Governors meeting so that Mr. Schwartz and Dr. Vanselow could be present. In the interim, Mr. Latz suggested that the University of Minnesota Hospitals and Clinics summarize all current affiliations including residencies to understand how other organizations use our name.

#### **NACHRI APPLICATION**

Mr. Kaufmann reviewed the revised draft of the NACHRI application. Mr. Latz recommended that the cover letter list only the University of Minnesota Hospital and Clinics as the applicant for NACHRI membership. Other changes were recommended before the application is taken to the Board.

#### **MARKETING UPDATE**

Mr Kaufmann discussed the hospital's marketing objectives, strategies, and positioning. He also discussed target audiences which consist of referring physicians and consumers broken up into sub-categories. Dr. LaBree expressed his concern about the current T.V. ads spilling into non-metro areas. Dr. Wilson stated that UMHC positioning should reflect a comprehensive service scope. Mr. Kaufmann stated that a comprehensive marketing plan will be presented at the next meeting.

#### **PHYSICIAN ADVISORY COMMITTEE MEETING SUMMARY**

Dr. LaBree reported that seventy physicians and their spouses attended the Physician Advisory Committee Meeting on October 5, 1985. The majority of physicians were part of the Rural Physician Associate Program (RPAP) with twenty of the physicians from the Physician Advisory Board. The feedback was productive and the Outreach Committee received several requests for new outreach efforts in selected Minnesota communities.

#### **BOARD OF GOVERNORS RETREAT/PLANNING AND DEVELOPMENT COMMITTEE IMPLICATIONS**

Because of time constraints, this topic will be covered at the next meeting of the Planning and Development Committee.

#### **ADJOURNMENT**

The Planning and Development Committee adjourned at 12:10 p.m.

Respectfully submitted,



Lisa G. McDonald  
Assistant Director  
Planning and Marketing

**Minutes**  
**Meeting of the**  
**Board of Governors Finance Committee**  
**University of Minnesota Hospitals & Clinics**  
September 25, 1985

**MEMBERS PRESENT:** Jerry Meilahn  
Edward Ciriacy, M.D.  
Clifford Fearing  
William Krivit, M.D.  
Robert Nickoloff  
Anton Potami  
C. Edward Schwartz

**MEMBERS ABSENT:** Al Hanser  
Vic Vikmanis

**STAFF:** Greg Hart  
Nels Larson  
Jane Morris  
Barbara Tebbitt

**GUESTS:** Mark Koenig

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

**MINUTES APPROVED:** The minutes of the July 24, 1985 meeting of the Finance Committee were approved.

**FISCAL YEAR-END FINANCIAL STATEMENTS (INFORMATION):** Mr. Fearing reviewed the Report of Operations for the fiscal year 1984-85. He stated that although census and utilization have declined substantially over the year, the Hospitals' financial objectives have continued to be met. Admissions declined 9.7% from the previous year; patient days were down 14.7% in 1984-85 compared to 1983-84, and the average length of stay declined from 9.0 days last year to 8.6 days in 1984-85. Mr. Fearing noted that these declines are not as great as the declines experienced state-wide and are in line with declines experienced within the Twin City community.

The Hospitals' outpatient census remained relatively stable over the year. Clinic census declines in several areas occurred because of the loss of the departmental chairman.

Mr. Fearing reviewed the financial statements for fiscal year 1984-85 noting that they are preliminary statements until the 1984-85 audit is complete. Revenue over expenses equals \$15,954,621 and is \$9,858,121 over the 1984-85 amount budgeted. In regard to the Cash Flow statement, Mr. Fearing explained that total operating cash available of \$6,845, plus transfers to Renewal Project of \$4,000,000, plus transfers to debt retirement of \$3,200,000, plus transfers to plant of \$1,900,286, plus transfers to reserves from operations of \$22,538,526, equals cash generated from operations of \$31,645,657. This is exclusive of \$7.6 million received from Medicare as payment for the granting of a 100% exception to the routine cost limits for 1981-83.

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

Mr. Fearing reviewed the Report of Operations for the period July 1, 1985 through August 31, 1985. He reported that July through August admissions of 3,067 were 5.1% below projections and patient days for the period totaling 25,141 were 904 below budget. Overall length of stay of 8.2 days was slightly above the projected level of 8.1 days. Outpatient clinic visits for the period were 34,417 or 1,419 (3.8%) above projected visits.

Total revenues over expense through August 31, 1985 are \$4,474,775, a favorable variance of \$1,402,207 reflecting both a favorable variance in net operating and non-operating revenues. Patient care charges through August totaled \$33,206,662 (0.1% below budget). Operating expenditures for the period were \$28,779,046, or \$32,265 below budgeted levels.

The balance in patient accounts receivable as of August 31, 1985 totalled \$49,447,807 representing 91.3 days of revenue outstanding. The increase reflects the UMHC price increase effective July 1, 1985 and increases in Medicare and Blue Cross.

**PRIMARY CARE  
NETWORK UPDATE  
(INFORMATION):**

Mr. Schwartz informed the Committee that the formal closing of the Primary Care Network (PCN) purchase was completed at the PCN offices on September 6, 1985. The University acquired 1,000 shares of PCN, or 34% of the total shares. The University will have three representatives on the PCN Board, to be appointed by the Board of Regents. Dr. Vanselow, Mr. Schwartz and a University of Minnesota Clinical Associates (UMCA) designee will be suggested to President Keller as representatives to be appointed to the PCN Board. Mr. Schwartz noted that Allen Reilly will be joining PCN between November 1985 and January 1986 as Chief Operating Officer of PCN. Mr. Schwartz stressed that the University will be concentrating on its role as an investor in PCN, not manager.

**COMPENSATION PLAN  
(ENDORSEMENT):**

Mr. Hart quickly outlined the proposed final 1985-86 UMHC compensation plan. Earlier in the year, the Board of Governors approved a 3% increase in salaries. Since then the AFSCME contract has been settled, a tentative agreement was reached with the Teamsters and the Board of Regents approved the Civil Service pay plan. Mr. Hart gave details of these University settlements and noted that the plans are retroactive to July 1, 1985. Keeping in line with the 3.75% salary increase budgeted by the Hospital, Mr. Hart outlined the proposed 1985-86 compensation plan:

- Hospital Dominated Classes (Except Staff Nurses): A 3% salary range increase (previously approved) and 0.75% progression increase.
- Staff Nurse Classes: A 3% salary range increase (previously approved) and a community progression increase (previously approved).
- Hospital Employees in University Dominated Classes: A 3.75% progression increase (2% across-the-board, 1.75% merit based).

It was recommended that all of the above be retroactive to July 1, 1985.

The above plan was endorsed by the Committee and recommended for approval to the full Board of Governors.

**PERSONNEL POLICY  
CHANGE  
(ENDORSEMENT):**

Mr. Hart informed the Committee that an additional holiday (Martin Luther King day) was recently added by the State of Minnesota and the University for their employees. In order to maintain parity with the University on this matter, Mr. Hart proposed that this holiday be included as a benefit to UMHC employees as well. The Committee endorsed the addition of the holiday and recommended it for approval to the full Board of Governors.

**COMPARABLE WORTH  
UPDATE  
(INFORMATION):**

Mr. Hart reported that the Board of Regents still have not acted on the issue of comparable worth. Comparable worth will, however, be an informational agenda item for the Regents in October, with no action to be taken until November or December. Mr. Hart will keep the Committee informed on further Comparable worth developments as they occur.

**UMHC PARKING RAMP  
STATUS REPORT  
(INFORMATION):**

Mr. Fearing distributed and outlined a schedule of cost breakdown for the UMHC parking ramp. He noted that total cost for the ramp is estimated at approximately \$4.2 - \$4.3 million, exclusive of the costs of a potential tunnel system connecting the ramp with the Hospitals and Clinics. Mr. Fearing then presented sketches of proposed facades and tunnel options. The final choice for the facade, he explained, was the alternative with the most open area, primarily to provide for the most security and ventilation. He gave detailed explanations of four options for a possible tunnel (and/or skyway) system. The estimated cost of a connecting system would be approximately \$500,000 - \$1,000,000, depending on the option chosen.

Mr. Fearing stated that beginning in mid to late October, demolition of the houses on the parking ramp property will begin, and digging for the ramp footings will begin in December.

**ADJOURNMENT:**

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

Respectfully submitted,



Jane E. Morris  
Recording Secretary



October 23, 1985

**TO:** Members, Board of Governors  
**FROM:** Clifford P. Fearing  
Senior Associate Director  
**SUBJECT:** Report of Operations for the Period  
July 1, 1985 through September 30, 1985.

The Hospitals' operations for the month of September continue to reflect inpatient census levels that are slightly below budget and an outpatient census that is above budgeted levels. In addition we continue to experience ancillary service utilization that is higher than anticipated. To highlight our position:

**Inpatient Census:** For the month of September, inpatient admissions totaled 1,439 or 37 below projected admissions of 1,476. Our overall average length of stay for the month was 8.4 days and is slightly above the projected level of 8.1 days. Patient days for September totaled 11,921 and were 150 days below projections.

The decrease in admission levels is primarily in the areas of Medicine, Neurosurgery, Otolaryngology and Urology.

To recap our year-to-date inpatient census:

	1984-85 Actual	1985-86 Budget	1985-86 Actual	Variance	% Variance
Admissions	5,076	4,709	4,506	<203>	<4.3>
Avg. Lgth. of Stay	8.4	8.1	8.3	0.2	2.5
Patient Days	43,056	38,116	37,062	<1,054>	<2.8>
Percent Occupancy	66.2	69.3	67.2	<2.1>	<3.0>
Avg. Daily Census	468.0	414.3	402.8	<11.5>	<2.8>

**Outpatient Census:** Clinic visits for the month of September totaled 17,526 or 559 (3.3%) above projected visits of 16,967. The September year-to-date clinic census totaled 55,986 visits and is 3.7% (2,021 visits) above budget and 4.9% (2,591 visits) above our September total of a year ago. The increase in clinic census above budgeted levels was experienced in the areas of Surgery, Medicine, Ophthalmology, Neurosurgery, Orthopaedics, Psychiatry, Radiation Therapy and Family Practice.

**Financial Operations:** The Hospitals Statement of Operations shows total revenues over expenses of \$6,258,400, a favorable variance of \$2,367,050. This overall variance reflects both a favorable variance in net revenues from operations of \$1,470,000 and a favorable variance in non-operating revenue of \$897,000 due primarily to our investment income being higher than anticipated.

Patient care charges through September totaled \$49,162,207 and is 1.4% above budget. Routine revenue is 0.5% below budget and differs somewhat from our patient day variance which is 2.8% below budget. This difference is due to a change in the mix of our bed utilization whereby we have experienced a slightly higher proportion of patient days in our higher priced beds (Intensive Care Units and Psychiatry). Ancillary revenue is approximately \$747,000 (2.2%) above budget and relates to the fact that (1) outpatient clinic visits are above projections, and (2) the utilization of ancillary services per patient are higher than anticipated. Inpatient ancillary revenue has averaged \$5,897 per admission compared to the budgeted average of \$5,570 per admission. Outpatient revenue per clinic visit increased slightly this month to an average of \$140 compared to the budgeted average of \$136.

Third Party contractual adjustments continue to be under budget as a result of anticipated regulatory changes which have not yet gone into effect. We should note that there is additional uncertainty in this area as a result of emergency legislation passed by Congress on September 30th postponing implementation of the Medicare prospective system charges for fiscal year 1986 for 45 days. This action was taken because Congress was unable to complete the budget reconciliation legislation before October 1. As a result of the emergency legislation, hospital Medicare payments are frozen at their fiscal year 1985 levels. In addition, the Health Care Financing Administration (HCFA) cannot implement the fiscal year 1986 changes until November 15, 1985, or until Congress takes further action. The action could take any one of several forms: Congress could hurry passage of the 1985 Deficit Reduction Bill, extend the postponement further, or allow HCFA to implement the Year 3 changes. Further, it is unknown at this time whether the congressional changes will be retroactive to October 1.

Operating expenditures through September totaled \$42,872,573 and are approximately \$266,000 (0.6%) below budgeted levels. Supply and expense categories are generally below budget and reflect the fact that (1) we have not yet experienced all of the price increases that were anticipated, and (2) we have not yet incurred the cost of various periodic purchases. Fringe benefits however, are over budget and reflect an increased billing rate implemented by the University in August primarily relating to health insurance.

**Accounts Receivable:** The balance in patient accounts receivable as of September 30, 1985 totaled \$51,504,305 and represents 92.0 days of revenue outstanding. The increase in Medicare and Blue Cross receivables that we saw through August continue to be reflected through September. In addition, we have experienced rather significant increases in Minnesota Medical assistance receivables. The increase in Medical Assistance continues to relate to the State's difficulties in converting their claims processing procedures to new uniform billing claim forms.

**Conclusion:** The Hospitals' overall operating position is positive through the first quarter and above budgeted levels. While our inpatient census levels are lower than anticipated, the impact has been offset by increased intensity of care and by outpatient demand in excess of budgeted levels.

/jem

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1985 TO SEPTEMBER 30, 1985

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	\$48,489,444	\$49,162,207	\$672,763	1.4%
Deductions from Charges	7,696,397	7,164,341	-532,056	-6.9%
Other Operating Revenue	1,072,629	1,071,997	-632	-0.1%
<b>Total Revenue from Operations</b>	<b>\$41,865,676</b>	<b>\$43,069,863</b>	<b>\$1,204,187</b>	<b>2.9%</b>
<b>Expenditures</b>				
Salaries	\$20,120,453	\$20,395,088	\$ 274,635	1.4%
Fringe Benefits	3,596,915	3,781,976	185,061	5.1
Contract Compensation	2,181,393	2,181,393	0	0.0
Medical Supplies, Drugs, Blood	6,766,273	6,668,440	-97,833	-1.4
Campus Administration Expense	1,493,712	1,493,712	0	
Depreciation	1,870,850	1,838,256	-32,594	-1.7
General Supplies & Expense	7,109,222	6,513,708	-595,514	-8.4
<b>Total Expenditures</b>	<b>\$43,138,818</b>	<b>\$42,872,573</b>	<b>\$ -266,245</b>	<b>-0.6%</b>
<b>Net Revenue from Operations</b>	<b>\$-1,273,142</b>	<b>\$ 197,290</b>	<b>\$1,470,432</b>	
<b>Non-Operating Revenue</b>				
Appropriations	\$3,527,100	\$3,527,100	\$ 0	
Interest Income on Reserves	1,081,736	1,958,486	876,750	
Shared Service	100,728	112,424	11,696	11.6
Investment Income on Trustee Held Assets	454,928	463,100	8,172	1.8
<b>Total Non-Operating Revenue</b>	<b>\$5,164,492</b>	<b>\$6,061,110</b>	<b>\$896,618</b>	<b>17.4%</b>
<b>Revenue Over / -Under Expenses</b>	<b>\$3,891,350</b>	<b>\$6,258,400</b>	<b>\$2,367,050</b>	<b>(1)</b>

(1) Variance equals 5.7% of total budgeted revenue.



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

October 23, 1985

TO: Members, Board of Governors

FROM: Clifford P. Fearing  
Senior Associate Director

SUBJECT: Bad Debts -- July 1, 1985 through September 30, 1985.

The total amount recommended for bad debt of Hospital accounts receivable during the first quarter of 1985-86 is \$617,281.03, represented by 1,229 accounts. Bad debt recoveries during the period amounted to \$42,149.85, leaving a net charge off of \$575,131.18.

Total bad debts for the first quarter amount to 1.26% of gross charges. This compares to a budgeted level of bad debts of 1.33%.

Also recommended for your approval are \$897.00 of Home Health Services accounts.

CPF/jem

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**University of Minnesota Hospitals and Clinics  
Board of Governors**

September 25, 1985  
1:30 P.M.  
555 Diehl Hall

**AGENDA**

- |      |   |             |
|------|---|-------------|
| I.   | <u>Approval of July 24, 1985 Minutes</u>                                      | Approval    |
| II.  | <u>Chairman's Report</u><br>Ms. Barbara O'Grady                               | Information |
| III. | <u>Hospital Director's Report</u><br>Mr. C. Edward Schwartz                   | Information |
| IV.  | <u>Committee Reports</u>  |             |
|      | A. <u>Joint Conference Committee Report</u><br>Ms. Phyllis Ellis              |             |
|      | 1. National Disaster Medical System   | Information |
|      | 2. Credentials Committee Report   | Approval    |
|      | 3. Biomedical Ethics Committee Report   | Information |
|      | B. <u>Planning and Development Committee Report</u><br>Mr. C. Edward Schwartz |             |
|      | 1. UMHC Symbol  | Information |
|      | 2. Update on NACHRI Membership  | Information |
|      | 3. Lithotripter Update  | Information |
|      | C. <u>Finance Committee Report</u><br>Mr. Jerry Mielahn                       |             |
|      | 1. Report of Operations for the Period<br>July 1, 1984 through June 30, 1985  | Information |

- |      |   |             |
|------|---|-------------|
| 2.   | Report of Operations for the Period<br>July 1, 1985 through August 31, 1985 | Information |
| 3.   | Compensation Plan   | Discussion  |
| 4.   | Personnel Policy Change (Holidays)  | Approval    |
| 5.   | Comparable Worth Update   | Information |
| V.   | Events Planning for New Hospital and 75th Anniversary                       | Discussion  |
| VI.  | Other Business  |             |
| VII. | Adjournment   |             |

**MINUTES  
BOARD OF GOVERNORS  
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
July 24, 1985**

**CALL TO ORDER:**

Board Chairman Barbara O'Grady called the July 24, 1985 meeting of the Board of Governors to order at 1:40 P.M. in Room 555 Diehl Hall.

**ATTENDANCE:**

Present: Shelley Chou, M.D.  
Al Hanser  
George Heenan  
Brad Hillstrom  
David Lilly  
James Moller, M.D.  
Robert Nickoloff  
Barbara O'Grady  
C. Edward Schwartz  
Neal A. Vanselow, M.D.

Absent: Phyllis Ellis  
Kris Johnson  
Robert Latz  
Jerry Meilahn

**APPROVAL OF MINUTES:**

The Board of Governors seconded and passed a motion to approve the minutes of the June 26, 1985 meeting as written.

**CHAIRMAN'S REPORT:**

Chairman Barbara O'Grady introduced three guests to the meeting: Ms. Elizabeth McGough, Administrative Resident, Ms. Nancy Wilson, from Ambulatory Surgery and representing AFSCME, and Ms. Dolores Lutz, from the Minnesota Daily.

Mrs. O'Grady confirmed the dates of August 28, 29, and 30, 1985 for the Board of Governors Retreat at Minnesuing Acres in Wisconsin. Board members were invited to comment on the draft agenda over the course of the coming weeks.

Mrs. O'Grady also announced the retirement from the Board of Mr. Virgil Moline. Mr. Leonard Bienias was appointed by the Board of Regents to succeed Mr. Moline on the Board of Governors effective August 31, 1985.

#### **HOSPITAL DIRECTOR'S REPORT:**

Mr. C. Edward Schwartz noted that the Helicopter Program was off to a good start with a dozen trips in its first 10 days of operation, five of which had come to the University of Minnesota Hospitals. One of those patients had come from Wisconsin, while the others were from Minnesota. Mr. Schwartz also confirmed that the three year lease for the helicopter and fixed-wing airplace space at Holman Field had been secured as planned with a firm called Sanborn.

Secondly, Mr. Schwartz described the information being gathered to evaluate participation with the Primary Care Network. Following a short period of data analysis, each of the potential buyers and consultants will meet to evaluate the purchase option. Mr. Schwartz noted that the Board would be receiving information by mail regarding P.C.N. and asked members of the Board to reserve the afternoon of August 2, 1985 for a special Board meeting to reach conclusion on this issue.

Mr. Schwartz also briefly overviewed the University Hospitals Consortium's Strategic Plan. The questions of time frames for progress of identified objectives and the advantages of regional versus national networking were discussed. He also noted recent discussions with the Variety Club regarding options for a multi-year contribution.

Lastly, Mr. Schwartz reported that a series of special events are being planned in honor of the Unit J opening and the Hospitals' 75th Anniversary. Mr. Schwartz intends to review those special event plans with the Board of Governors in September.

#### **JOINT CONFERENCE COMMITTEE REPORT:**

In the absence of Committee Chair Phyllis Ellis, Mr. George Heenan reported on the proceedings of the July 10, 1985 Joint Conference Meeting. The Committee had discussed the role and primary objectives of the Hospital's Quality Assurance Program. The system is currently being refined to assist the Hospital's staff in establishing indicators for measuring and monitoring quality of care.

Secondly, the Committee reviewed a draft Patient Satisfaction Questionnaire. The questionnaire is a tool designed to solicit feedback from recently discharged patients regarding several aspects of their care.

Dr. Jim Moller presented the recommendations by the Hospital Staff Medical Hospital Council for the 1985-86 Council Committee Chairmen. The Joint Conference Committee had reviewed and endorsed the appointments at their July meeting. Four new committee chairmen were being recommended including Dr. Michael Steffes (Cardiovascular Advisory Committee), Dr. Roger Edson (Product Evaluation and Standardization Committee), Dr. Edward Scott (Transfusion and Therapeutics Committee), and Dr. I. Dodd Wilson (Utilization Management

Committee). The remaining 13 committee chairmen were being recommended for reappointment. With that background information, the Board seconded and passed a motion to approve all of the committee chairman appointments as recommended.

Mr. Hennan also put forth the Joint Conference Committee's recommendation that the staff privileges for Dr. James E. Hinrichs of the Department of Dentistry be approved. On June 26, 1985 the Board had granted Dr. Hinrichs an extension in order that he secure the appropriate malpractice insurance. The Board seconded and passed a motion to approve this reappointment.

The Joint Conference Committee had also discussed special provisions being made for the resuscitation of AIDS patients. Dr. Shelley Chou also reported that the University of Minnesota Clinical Associates (UMCA) had extended an offer to a candidate for their Executive Director position.

#### **FINANCE COMMITTEE REPORT:**

In the absence of Committee Chairperson Jerry Meilahn, Mr. Robert Nickoloff reviewed the proceedings of the July 26, 1985 Finance Committee meeting. The Committee had reviewed the preliminary report of operations for June and for the 1984-85 fiscal year. Admissions for the month of June were 311 below projected levels, and 1,627 (8.3%) below budgeted levels for the year. The number of patient days for June were 3,449 below budget resulting in an actual number of patient days for the fiscal year of 155,029 (13.3% below budget). Outpatient levels were slightly (.9%) above budget for the year.

Mr. Fearing also explained two unexpected year-end adjustments. The first related to an approximate \$14,675,000 expense associated with refinancing the bonds. The second related to Medicare contract adjustments for the 1980-81, and 1982-83 fiscal years. The Hospitals had asked for a review of the reimbursement routine cost limitations and were granted, as requested, an increased reimbursement of \$4,000,848 for the two fiscal years. Additionally, preliminary notice has been given of an additional reimbursement for the 1981-82 fiscal year, which would total about \$2,000,000.

Plans for the new parking ramp, Mr. Nickoloff and Mr. Schwartz reported, are proceeding well. Three parcels of land have been acquired. Discussions with representatives of the Church at Harvard and Delaware Streets regarding an exchange of land continue. The architect for the ramp will be named shortly. The ramp completion is scheduled for late summer, 1986.

Thirdly, the Finance Committee recommended that the Board of Governors write-off \$1,637,647.27 in bad debts for the fourth quarter of the 1984-85 fiscal year. \$1,364.60 in Home Health Service accounts were also recommended for write-off. The Board seconded and passed a motion to approve those bad debt write-offs as recommended.

Fourthly, Mr. Ron Werft reviewed the proposal for replacement of Cardiac Catherization Laboratory Radiology Equipment. That equipment proposal had been reviewed by the new Cardiovascular Advisory Committee of the Medical Staff Hospital Council and several of the clinical departments and had been included in the Capital Budget for the 1985-86 fiscal year. Mr. Werft noted a

question that had been raised by Governor Latz as to whether a portion of this acquisition should be delayed until a new Cardiologist and Cardiovascular Surgeon are recruited. In response to that and other questions, Mr. Werft reviewed three options for acquiring this equipment:

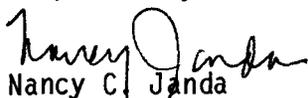
- replace existing equipment only
- replace existing equipment now and upgrade additional equipment following the recruitment of a Cardiologist and a Cardiovascular Surgeon.
- upgrade the equipment now for placement in Unit J.

Following a discussion of each of these options, the Board passed and seconded a motion to approve the full upgrade of cardiac catheterization laboratory radiology equipment at an acquisition price of \$2,729,654.

**ADJOURNMENT TO NON-PUBLIC SESSION:**

At 2:45 P.M. the Board of Governors seconded and passed a motion to adjourn to a non-public session for the purpose of discussing labor negotiations.

Respectfully submitted,



Nancy C. Janda  
Assistant Director and  
Executive Assistant to the Board of Governors

MINUTES  
Joint Conference Committee  
Board of Governors  
September 11, 1985

**ATTENDANCE:** Present: Phyllis Ellis, Committee Chair  
Dr. Robert Maxwell  
Dr. James Moller

Absent: Dr. Paula Clayton  
Dr. Glenn Gullickson  
George Heenan  
Bradley Hillstrom  
Ed Schwartz

Staff: Jan Halverson  
Greg Hart  
Geoff Kaufmann

Guests: Dianne Bartels  
Dr. Ted Thompson

**APPROVAL OF MINUTES**

The minutes of the July 10, 1985 meeting of the Joint Conference Committee were approved as submitted.

**MEDICAL STAFF HOSPITAL COUNCIL REPORT**

Dr. Moller reported on the September 10, 1985 meeting of the Medical Staff Hospital Council. The report of the Credentials Committee was recommended by Dr. Moller to the Joint Conference Committee. In making the Credentials Committee recommendations, Dr. Moller reported that there may be a hearing under the Medical Staff Bylaws regarding a Credentials Committee action relative to an applicant's request for clinical privileges at University Hospitals. Dr. Moller indicated that he would provide the Committee with further information on this matter next month. The Joint Conference Committee then acted to endorse the recommendations of the Credentials Committee.

Dr. Moller and Mr. Hart also discussed the National Disaster Medical System. University Hospitals has received a request from the Federal Government, through the local Veterans Administration Medical Center, to participate in the National Disaster Medical System. This effort is being put together to prepare, on a national basis, for major disasters which may necessitate large numbers of hospital beds being utilized to respond to the disaster.

Mr. Hart indicated that several years ago a similar request was made by the Federal Government, using the nomenclature Civilian Military Hospital System. At that point the effort was oriented toward potential military actions and the need to respond to large numbers of casualties. The action taken by University Hospitals several years ago was to communicate the fact that we would participate by implementation of our usual and customary disaster plan, but that we could not commit a number of beds given the nature of patients hospitalized within our institution.

Dr. Moller indicated that the Council discussion concluded that the response to this recent request should be similar to that made in 1982. The Joint Conference Committee concurred with this approach.

#### **BIOMEDICAL ETHICS COMMITTEE**

Ms. Dianne Bartels and Dr. Ted Thompson, co-chairs of the Biomedical Ethics Committee, discussed the role, membership, and recent activities of the Committee. The most notable development of late has been that of the creation of a consultation service sponsored by the Committee. Consultation teams for Pediatrics, Adult Medicine, and Adult Surgery have been developed. The role of these teams is to assist UMHC staff, patients, and families in the resolution of ethical questions related to patient care. Ms. Bartels indicated that one to two requests for consultations are received each month. Typically these requests are focused on improving communications among various members of the health team, patients, and families.

Dr. Thompson also reported on the status of the Infant Care Subcommittee, and Baby Doe regulations.

## CLINICAL CHIEFS REPORT

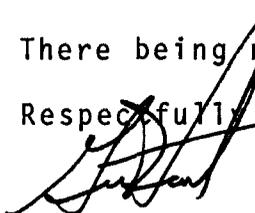
Mr. Hart indicated that recent discussion at the Clinical Chiefs' meetings have addressed the Board of Governors' retreat, University of Minnesota Clinical Associates' updates, the weekly radio show which will feature University Medical School faculty, and the development of a symbol or logo for the Hospitals. It was also noted that David Coombes has been appointed as Executive Director of University of Minnesota Clinical Associates and has now assumed his duties on a full-time basis.

## BOARD RETREAT FOLLOW-UP

Ms. Ellis reported on the proceedings of the Board of Governors' recent retreat. It was noted that referring physician communication and patient/visitor relations will be subjects which the Joint Conference Committee will wish to monitor over the coming year.

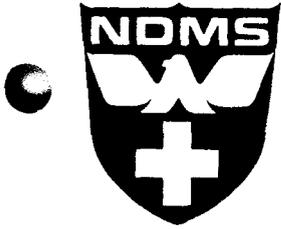
There being no further business, the meeting was adjourned.

Respectfully submitted,

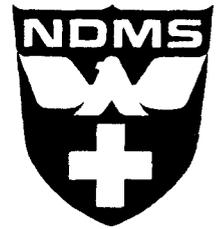


Greg Hart

GH/kj



**Memorandum of Understanding  
Between  
National Disaster Medical System  
and**



To ensure that our Nation is prepared to respond medically to all types of mass casualty emergency situations, whether from a natural or man-made disaster in this country or from United States military casualties being returned from an overseas conventional conflict, a coordinated response of both the federal and civilian health care facilities is required. We acknowledge the willingness of the various medical communities within the United States to respond to a catastrophic medical emergency, and the need for unusually rapid and complex response, transportation, treatment, and hospitalization. A rapid response requires the development of a comprehensive emergency medical plan whereby some casualties would receive definitive treatment in private sector hospitals located throughout the United States. In response to this need, the National Disaster Medical System (NDMS) has been created to care for victims of any incident that exceeds the medical care capability of the affected state, region, or federal medical care systems.

The \_\_\_\_\_  
*name of hospital*

agrees that upon activation of the National Disaster Medical System it will make available to the U.S. Government, through the National Disaster Medical System, a minimum of \_\_\_\_\_ to a maximum of \_\_\_\_\_  
*number number*

beds with all necessary treatment and administrative processing as may be required for the patients hospitalized therein; and for its part, the U.S. Government agrees to compensate, at the hospital's regular charges for its patient care services at the time said services are provided.

By this Memorandum of Understanding, the U.S. Government and the aforementioned hospital mutually agree to jointly plan for the admission, treatment, hospitalization and discharge of all patients transferred to the facility under the National Disaster Medical System. In addition, the hospital agrees to participate in joint annual exercises of the NDMS which will meet external disaster standards established by the Joint Commission on Accreditation of Hospitals or by the American Osteopathic Hospital Association.

For the purpose of facilitating the National Disaster Medical System, \_\_\_\_\_  
*Title of official signing for NDMS*  
will represent the U.S. Government.

For the National Disaster Medical System

For the \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



UNIVERSITY OF MINNESOTA  
TWIN CITIES

University Hospitals and Clinics  
Box 707 Mayo Memorial Building  
420 Delaware Street S.E.  
Minneapolis, Minnesota 55455

September 19, 1985

TO: Board of Governors

FROM: James H. Moller, M.D., Chief of Staff  
Chairman, Medical Staff-Hospital Council

SUBJECT: Credentials Committee/Medical Staff-Hospital Council  
Report and Recommendations

The attached Credentials Committee report has been reviewed and endorsed by both the Medical Staff Hospital Council and the Joint Conference Committee. The report is being presented for your September 25, 1985 approval.

I will be available to answer any questions that you may have at that time.

Thank you.

Attachment



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

August 26, 1985

TO: Medical Staff-Hospital Council  
FROM: Henry Buchwald, M.D.  
Chairman, Credentials Committee  
SUBJECT: Credentials Committee Report and Recommendations

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

<u>Hospital Dentistry</u>	<u>Category</u>
Joseph M. Grayden, D.D.S.	Attending
<u>Family Practice &amp; Community Health</u>	
John G. Halvorsen, M.D.	Attending
Nancy C. Richardson, M.D.	Clinical
<u>Internal Medicine</u>	
Ashley T. Haase, M.D.	Attending
<u>Pediatrics</u>	
Karl H. Chun, M.D.	Attending
<u>Radiology</u>	
Janis G. Letourneau, M.D.	Attending
<u>Urology</u>	
Abraham Ami Sidi, M.D.	Clinical

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

<u>Hospital Dentistry</u>	<u>Category</u>	<u>Date Eligible</u>
John C. Marker, D.D.S.	Clinical	July 23, 1985
Franklin R. Stickel, D.D.S.	Clinical	July 23, 1985

Internal Medicine

Larry Bell, M.D.	Attending	April 24, 1985
Peter Carson, M.D.	Attending	April 24, 1985
Steven Kuross, M.D.	Attending	April 24, 1985
Arne Slungaard, M.D.	Attending	April 24, 1985

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

<u>Hospital Dentistry</u>	<u>From</u>	<u>To</u>
Mark Jaspers, D.D.S.	Clinical	Attending
Paul O. Walker, D.D.S.	Clinical	Attending

<u>Internal Medicine</u>	<u>From</u>	<u>To</u>
Ivan Frantz, M.D.	Attending	Emeritus

Primary appointment from Internal Medicine to Laboratory Medicine and Pathology with a joint appointment in Internal Medicine.

Privileges: Add - Laboratory Medicine and Pathology

Karl A. Nath, M.D.

Attending (no change)

Privileges: Delete - Emergency Room Privileges  
 Add - General Medicine and Nephrology

Neurosurgery

<u>From</u>	<u>To</u>	
Lyle A. French, M.D.	Attending	Emeritus

Privileges: Delete - surgical procedures

continued....

Obstetrics & Gynecology

Harry Foreman, M.D.

From

Attending

To

Emeritus

Preston P. Williams, M.D.

Privileges: Add - Chorionic villi sampling,  
fetoscopy and obstetric  
ultrasound

Psychiatry

Eduardo A. Colon, M.D.

From

Clinical

To

Attending

The following physician has left the University of Minnesota Hospitals and his faculty appointment has been terminated. The Committee hereby recommends termination of his medical staff appointment.

Psychiatry

John R. Hughes, M.D.

Category

Attending

The following Specified Professional Personnel have applied for appointment to the psychology staff and have requested clinical privileges. The Committee hereby recommends approval of these applicants and their requests for privileges.

Psychiatry

Susan E. Erbaugh, Ph.D.

Category

Clinical

Absalom M. Yellin, Ph.D.

Attending

MINUTES  
Planning and Development Committee  
September 11, 1985

**CALL TO ORDER**

Committee Chairman, Mr. Robert Latz, called the September 11, 1985 meeting of the Planning and Development Committee to order at 10:12 a.m. in Hospital Dining Room III.

Attendance: Present	Robert Latz, Chair Frank Cerra, M.D. Clint Hewitt Geoff Kaufmann John LaBree, M.D. C. Edward Schwartz
Absent	B. Kristine Johnson I. Dodd Wilson
Staff	Greg Hart Ed Howell Mark Koenig
Guests	Roberta Collins Kevin Kuester Eric Madsen

**APPROVAL OF MINUTES**

The minutes of the August 14, 1985 meeting were approved as mailed.

**PRESENTATION OF NEW UMHC SYMBOL**

By way of introduction of the guests, Mr. Hart explained that the Hospital had undertaken a Corporate Identity Study which involved adopting a new symbol to be introduced in conjunction with the new hospital. The consultants held interviews and consumer focus groups to get ideas for designing a new logo.

Mr. Madsen gave a slide presentation of the process they used to arrive at their recommended design. They looked at the competition locally; other University symbols; and traditional symbols, which, it was decided, were not appropriate.

They also looked at letter forms, geometric shapes, and shield shapes and worked with them in combination with a "U", an "M", and "U" and "M" together. They tried to symbolize the tertiary mission of the Hospital by integrating the Hospital's three-fold mission into the shield, but when the logo was reduced for letterhead, etc. it became too small and difficult to read.

The final recommendation, they felt, was both symbolic and contemporary.

Discussion on the recommended symbol followed. One concern was that a "U" was not included in the symbol. It was felt that the target group for the new symbol should be external, not internal. Additional input on the proposed symbol will be solicited from the clinical chiefs and other selected parties.

#### **NACHRI APPLICATION**

Mr. Kaufmann reported that the major issues that will need to be addressed in our NACHRI application are governance, organization, and administration. We currently meet, or can meet, the requirements for membership except for some clarification in the above mentioned issues.

The committee then went through the application page-by-page making comments and suggestions about rewording and clarification of various parts of the application.

Mr. Latz asked about the name, Children's Hospital of Minnesota; it was explained that, at this point, the name is generic and is being used for purposes of the draft.

The application will be reviewed further before it is presented to the Board of Governors.

#### **PROJECT UPDATES**

##### Lithotripter

Mr. Koenig reported that there will be a meeting with the equipment manager next week. There will be a possible revision in the delivery date because the target date for construction has been changed from between September 15 and October 22 to between October 1 and October 22. Mr. Kaufmann told the committee that the Planning and Marketing Department is presently working on a media campaign for the lithotripter.

Mr. Latz suggested that we market ourselves as a high-tech hospital.

##### Parking Ramp

Mr. Koenig said that an advisory group is now meeting to work on the design, number of spaces, entrance/exits, and linkage to the Hospital for the new parking ramp.

Discussion followed on merits and costs of the linkage to the Hospital, which would be either an overhead walkway or a tunnel.

##### Unit J

Mr. Koenig reported that two floors of Unit J have been turned over to the hospital. Not all corrections have been made and Hospital facility personnel will not make their inspection until all of those corrections have been made.

**BOARD OF GOVERNORS RETREAT/PLANNING AND DEVELOPMENT COMMITTEE IMPLICATIONS**

Because of time constraints, this topic will be covered at the next meeting of the Planning and Development Committee.

**ADJOURNMENT**

The Planning and Development Committee adjourned at 12:07 p.m.

Respectfully submitted,

*Ann S. Frohrip*

Ann S. Frohrip  
Senior Secretary  
Planning and Marketing

**Minutes  
Meeting of the  
Board of Governors Finance Committee  
University of Minnesota Hospitals & Clinics  
July 24, 1985**

**MEMBERS  
PRESENT:**

Clifford Fearing  
William Krivit, M.D.  
Robert Nickoloff  
Anton Potami  
C. Edward Schwartz  
Vic Vikmanis

**MEMBERS  
ABSENT:**

Jerry Meilahn  
Al Hanser

**STAFF:**

Greg Hart  
Nancy Janda  
Nels Larson  
Jane Morris  
Barbara Tebbitt

**GUESTS:**

Joel Erlandson  
Ed Howell  
Liz McGouch  
Ron Werft

**CALL TO  
ORDER:**

The meeting of the Finance Committee was chaired by Mr. Robert Nickoloff and was called to order at 9:45 a.m. in the Dale Shepherd Room of the Campus Club.

**MINUTES  
APPROVED:**

The minutes of the June 26, 1985 meeting of the Finance Committee were approved.

**JUNE YTD CENSUS  
INFORMATION AND  
ACCOUNTING  
ADJUSTMENTS  
(INFORMATION):**

Mr. Fearing reviewed the Report of Operations for the period July 1, 1984 through June 30, 1985. He reported that June admissions of 1,410 were 311 below projections of 1,721 and patient days for the month of June totaling 11,730 were 3,449 below budget. The year-to-date variance for admissions was 8.3% below budget and patient days varied 13.3% below budget.

Outpatient clinic visits for June were 18,099 or 719 (3.8%) below projected visits of 18,818. The year-to-date clinic census through June totals 209,912 visits and represents a favorable variance of 1,912 visits (0.9%) above projected levels.

Mr. Fearing informed the Committee that financial statements for June are not yet available because of the year-end closing process. However, no significant changes in the overall financial position relative to current year operations are anticipated. He also noted the two year-end adjustments that will be made to the financial statements for the 1984-85 fiscal year. These adjustments are related to the refinancing transaction and the receipt of a 100% exemption to the Medicare Routine Cost Limits for 1981 and 1983. An exemption for 1982 is expected to be granted as well. The effect of these adjustments should bring the year-end bottom line to approximately \$18 million, Mr. Fearing estimated.

The balance in patient accounts receivable for June totaled \$44,551,248 representing 84.7 days of revenue outstanding, which is down 3 days from the May level.

**CRITICAL CARE  
SERVICES (CCSI)  
LOAN  
(INFORMATION):**

Mr. Fearing informed the Committee of loans that had been made by the University to CCSI in order to reduce some of their long-term debt. When UMHC went into the joint venture with Abbott-Northwestern and St. Paul Ramsey to purchase BMRA and establish the helicopter service, BMRA had about \$500,000 worth of long-term loans with high interest rates on their books. University Hospitals decided to put up \$403,000 in a long-term loan at less than 6% interest to BMRA, reducing its monthly cash flow by \$1,700 - \$1,800. Mr. Fearing noted that this will begin to show up on the July 1985 financial statements as a special receivable. UMHC is one-third owner of BMRA, however, in the event of a default, full ownership would revert to UMHC.

**UMHC PARKING RAMP  
STATUS REPORT  
(INFORMATION):**

Mr. Fearing reported that there do not seem to be any more problems with property acquisition for the parking ramp. Architects are scheduled to be interviewed and selected by next week. Completion of the ramp should take place approximately eleven months after architect selection, which would place the ramp opening about 2 - 3 months after the opening of Unit J. Mr. Schwartz noted that the construction and operation of the ramp will be the sole responsibility of UMHC, not the University.

**BAD DEBT REPORT  
FOURTH QUARTER  
(ENDORSEMENT):**

Mr. Fearing stated that the total amount of bad debt for Hospital accounts receivable during the fourth quarter of 1984-85 was \$1,643,967.71 (represented by 2,908 accounts). He explained that the unusually high amount of bad debt this quarter is an anomaly and did not expect it to continue. Total bad debts for the 1984-85 fiscal year are \$3,515,800.79, which is 1.9% of gross charges (compared to a budgeted level of bad debts of 1.3%). A total of \$1,364.60 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.

**INTERNAL AUDIT  
REPORT  
(INFORMATION):**

Mr. Fearing reported that the first formal audit of the Hospitals done by the University was complete and that a very thorough job was done. The final report was provided to the members of the Board of Governors but does not go on to the Board of Regents.

Mr. Fearing introduced Joel Erlandson, Director, Hospital Accounting, and Ed Howell, Associate Hospital Director, who each went over several specific recommendations of the report and UMHC's responses. Mr. Fearing noted that these internal audits will now be done bi-annually. However, another audit will be done next year in connection with initiation of the new communications system.

**HEART CATH  
EQUIPMENT PROPOSAL  
(ENDORSEMENT):**

Mr. Werft introduced a proposal for expenditure of \$2,730,000 to replace and upgrade outdated Radiology equipment. Mr. Werft noted that the upgraded equipment was critical to the recruitment of quality candidates for cardiology and cardio-vascular surgery staff. Mr. Werft reviewed a handout detailing costs of equipment replacement only versus upgrading now or post-Unit J opening. Considering both cost and recruitment potential, it was felt that replacing and upgrading the equipment now was the best solution.

A motion was made and approved by the Committee to endorse the proposal for expenditure of \$2,730,000 for radiology equipment in the cardiac catheterization laboratory and to recommend it for approval to the full Board of Governors.

**UNION NEGOTIATIONS  
(INFORMATION):**

Mr. Hart informed the Committee that comparable worth will play a significant part in the continuing union negotiation process. He felt it was probable that the Regents would approve a comparable worth plan at their September meeting since they have already approved comparable worth in principle. A proposal for an employee pay plan may be ready to submit to this Committee for approval within the next couple of months.

**ADJOURNMENT:**

There being no further business, the meeting of the Finance Committee was adjourned at 11:35 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

September 25, 1985

**TO:** Members, Board of Governors

**FROM:** Clifford P. Fearing  
Senior Associate Director

**SUBJECT:** Report of Operations for the Period  
July 1, 1984 through June 30, 1985.

The 1984-85 fiscal year for University of Minnesota Hospitals and Clinics was the second year of rather significant declines in admissions and length of stay. The decline in census levels, which was larger than anticipated, required reductions in our work force and in other operating expenditures. Although UMHC experienced these declines in utilization, the overall financial objectives of the organization continued to be met. Below is a brief summary of major factors which have contributed to our 1984-85 financial position:

**Inpatient Census:** Admissions for the 1984-85 fiscal year totaled 18,049 compared to 19,991 for the previous year, a decline of 1,942 (9.7%). Patient days for the year totaled 155,029, down by 26,776 (14.7%) from 181,805 days in 1983-84. The Hospitals overall average length-of-stay declined from 9.0 days last year to 8.6 days in the current year.

While we had budgeted for a decline in our inpatient census levels, the change was larger than we anticipated. The decline in patient days was the result of both a reduced length-of-stay and reduced admission levels. The reduction in our average length-of-stay was experienced in nearly all clinical services. Where it is appropriate, we continue to see increased scheduling of same-day admissions for both surgical and non-surgical procedures and continued emphasis on discharge planning, thereby shortening the patient's stay in the Hospital. Much of this change is due to changing practice patterns by our medical staff and is seen as positive given the changing reimbursement environment.

In addition to the reduced length-of-stay, we have also experienced reduced admission levels from a year ago. Contributing to this reduction were factors such as changing physician referral patterns, loss of medical staff, increases in the utilization of outpatient services, and expanding

requirements for pre-admission certification. The largest declines occurred primarily within three areas: Obstetrics/Newborn, Otolaryngology and Pediatrics. One notable exception to this downward trend was in Ophthalmology where we saw an increase of 139 (16%) admissions. Factors behind this increase include the addition of medical staff, the return of some case load previously done elsewhere in the community, and a general increase in volume.

It is again important to note that although we have experienced a second year of significant declines in our admissions and patient day levels, these declines continue to be no greater than those experienced within the Twin City community and are not as great as the declines experienced state-wide. With the changing reimbursement environment and the competitive market in this area, hospitals will continue to see changes in the delivery of health care that will undoubtedly result in lower admission levels and shorter lengths of stay.

To recap our inpatient census for the 1984-85 fiscal year:

	1983-84 Actual	1984-85 Budget	1984-85 Actual	Variance	% Variance
Admissions	19,991	19,676	18,049	<1,627>	<8.3>
Avg. Lgth. of Stay	9.0	9.1	8.6	<0.5>	<5.5>
Patient Days	181,805	178,861	155,029	<23,832>	<13.3>
Percent Occupancy	67.5	71.4	64.7	<6.7>	<9.4>
Avg. Daily Census	496.7	490.0	424.7	<65.3>	<13.3>

**Outpatient Census:** The Hospitals' outpatient clinic census remained relatively stable again in 1984-85, decreasing by 274 visits from 210,186 in 1983-84 to 209,912 in the current year. This represents a decrease of 0.1% from the prior year and a 0.9% (1,912) increase over the budgeted 1984-85 total of 208,000 visits.

While our total clinic census decreased only slightly from a year ago, we have experienced increases and decreases within several clinic areas. The most significant increases occurred within Psychiatry, Medicine, Surgery, Family Practice, Orthopaedics, and Ambulatory Surgery. The Ambulatory Surgery Center experienced its third year of near 10% growth by increasing its activity by 297 cases to a total of 3,083 surgical procedures. It should also be noted that the new Sports Medicine Clinic opened in mid-January and had 1,559 clinic visits. Areas that experienced a decline in clinic census included Otolaryngology/Audiology, Dentistry, Dermatology, Child Bearing/Child Rearing and all areas that had departmental chairman turnover in 1985.

**Operations - Revenue:** Patient care revenue for the 1984-85 fiscal year totaled \$185,987,530 and is an increase of nearly \$5,169,000 (2.9%) over the 1983-84 fiscal year. The increase in revenue is approximately \$2,866,000 above budget and results in an overall favorable variance of 1.6%. This overall variance is primarily due to higher than anticipated ancillary service utilization.

Routine revenue totaled \$60,239,525 and represents an unfavorable variance of approximately \$6,361,000. While our routine revenue variance was 9.6% below budget, our patient day variance was 13.3% below budget. This difference reflects the fact that we had a higher proportion of patient days within our intensive care units where the daily charges are higher than the overall average. Ancillary service revenue totaled \$125,748,005 and was approximately \$9,227,000 (7.9%) above budget. The overall ancillary variance reflects a utilization level per patient that is higher than anticipated. Inpatient ancillary revenue per admission averaged \$5,455 compared to the budgeted average of \$4,723. Outpatient revenue per clinic visit averaged \$130 compared to the budgeted average of \$113. Nearly all ancillary areas experienced revenues above budget.

**Deductions from Charges:** Deductions from charges totaled \$18,113,173 for the 1984-85 fiscal year and represent an overall variance of nearly \$12,308,000. This overall favorable variance is due to third party contractual adjustments for the current fiscal year as well as adjustments and recoveries for prior years.

First, approximately \$4,607,000 is the result of experiencing both a lower level of Medicare and Medical Assistance discharges than anticipated during the current fiscal year and realizing a higher level of payment for Medicare discharges under the first year of the Prospective Payment system than was anticipated.

Secondly, \$7,598,000 reflects a recovery of prior years Medicare cost associated with the Section 223 Routine Cost Limitations for fiscal years 1980-81, 1981-82, and 1982-83. For those fiscal years, we have been granted full exception and are now being reimbursed the difference between what was paid under the Section 223 regulations and our full routine care costs. Our operating cash flow, however, will not reflect the cash from this adjustment during the 1984-85 fiscal year because the cash was received after June 30, 1985. The remaining \$2,700,000 reflects other prior year (1982-83) adjustments to Medicare and Medical Assistance payables which were finalized during 1984-85.

**Operations - Expenditures:** Operating expenses for the 1984-85 fiscal year totaled \$163,278,036 and is an increase of \$4,725,000 (3.0%) over the 1983-84 fiscal year. The increase in expense is approximately \$5,086,000 less than budget and results in an overall favorable variance of 3.0%. This overall variance is due primarily to the decline in inpatient volume.

Personnel costs (salaries and fringe benefits) are below budget by a net amount of \$5,366,000. The reduced salary costs are largely the result of reduced staffing levels in response to the decline in patient census. During the 1984-85 fiscal year we averaged 3,359 full-time equivalents (FTE) which is down 82 FTEs from the budgeted total of 3,441. The favorable variance in fringe benefits relates to both the reduced salary costs and also a 2.0 percentage point reduction in the employer contribution for the Civil Service retirement plan (MSRS). The change in the retirement plan occurred after we submitted our 1984-85 budget.

Supplies and expense directly related to patient care activities were approximately \$379,000 over budget in aggregate. These would include such things as drugs, blood and blood derivatives, laboratory and medical supplies, laundry and food services, critical care equipment rental, etc. The overall unfavorable variance is due to the unfavorable variance in drug costs of nearly \$1,097,000 and the unfavorable variance in blood and blood derivative costs of \$495,000. Drug costs were over budget as a result of increased utilization and the introduction of Intravenous HyperImmune CMV Globulin (IVG-CMU) which was not in the 1984-85 budget. IVG-CMV is used for all transplant patients where there is evidence of CMV (cyto megalovirus) infection. Blood and blood derivative costs were over budget as a result of increased utilization associated with both our transplant and hemophilia patient populations. Offsetting the unfavorable variances for drugs, blood, and blood derivatives, the balance of the expense associated with patient care activities is nearly \$1,213,000 below budget and more closely reflects the overall decline in patient census.

Expenses related to buildings, building services, and equipment were approximately \$54,000 over budget. This includes such things as utilities, maintenance and repair, communications, depreciation, cleaning supplies, etc. These costs are relatively fixed and do not vary in relation to patient activity levels.

Insurance expense was nearly \$54,000 over budget this fiscal year as a result of larger increases in the premium for our Comprehensive General and Professional Liability Insurance effective January 1, 1985 than we expected. The increases we experienced reflects the general increase in liability insurance costs seen throughout the industry.

Interest expense for the 1984-85 fiscal year was \$559,000 below budget and is due to occupying Therapeutic Radiology in August of 1984 rather than on July 1, 1984, and the upgrading of our computer main-frame in February of 1985 rather than July of 1984.

In addition to the above, we also experienced a net unfavorable variance in other supply and expense categories totaling approximately \$405,000. This was primarily the result of unbudgeted expenditures associated with (1) the establishment of Critical Care Services, Inc. and the Spinal Cord Center, and (2) advertising and public relations costs.

**Non-Operating Revenue:** The favorable variance in non-operating revenues is the result of significantly higher investment earnings than what was anticipated in the 1984-85 budget. Our level of earnings was the result of higher average yields on both our appropriations and our reserve balances, and being able to maintain a higher than expected average cash balance in our reserve accounts throughout the fiscal year. We had expected both our Medicare and Medical Assistance Intermediaries to require payment on prior year liabilities. This action did not occur and allowed us to retain a higher than anticipated cash balance for investment.

**Extraordinary Item - Net Loss on Refinancing of Long-Term Debt:** The expense associated with advanced refunding of the Series 1982 Bonds is being reflected in the 1984-85 financial statements and nets to approximately \$13,946,000. These are expenses which are associated with purchasing the 1982 Bonds. While this expense will reduce our total revenue over expense on the Statement of Operations, it does not effect our operating cash flow because the expense was paid by cash from the refinancing which will be repaid over 25 years. As you will recall, the projected savings from the refinancing was \$92 million. The \$92 million is net of the \$13,946,000 in expense associated with the refinancing.

**Accounts Receivable:** The balance in patient accounts receivable as of June 30, 1985 totaled \$44,863,558 and represents 84.9 days of revenue outstanding, an increase of 3.6 days from June 30, 1984. The increases we have experienced occurred within the Medicare and Medical Assistance categories. The increase in Medicare receivables is primarily the result of the diagnosis and procedure coding process necessary to assure appropriate payment by DRG under the Prospective Payment System. In addition, Medicare claims falling into the cost-outlier status are held pending review by the PRO (Professional Review Organization). As of June 30, 1985, we had claims totaling nearly \$835,000 pending review by the PRO. The increase in Medical Assistance receivables is primarily related to the state's difficulties in

converting their claims processing procedures to new uniform billing claim forms. These factors do not affect the ultimate collectability of our accounts, but have increased the length of time it takes to receive payment.

**Capital Expenditures:** During the 1984-85 fiscal year, the Hospital expended \$8,026,000 from operating funds for current year capital expenditures. The major components of our capital spending were: (1) \$1,900,000 for recurring equipment and remodeling; (2) \$4,000,000 for the Renewal Project; (3) \$925,000 toward the Magnetic Resonance Imaging Unit; (4) \$625,000 related to the linear accelerator; (5) \$554,000 for computer hardware equipment; and (6) \$22,000 for several miscellaneous support projects.

**Conclusion:** Although the 1984-85 fiscal year was one of significant change in a very dynamic and competitive environment, UMHC achieved its financial objectives. Increasing pressure on providers to reduce the cost of health care services is evidenced by both lower admission levels and reduced lengths of stay. Increased utilization of Ambulatory Surgery, more stringent admission approvals by most third party payors and reduced referrals caused the number of our admissions to decline by over 8% during the fiscal year. Further reductions in the average length of stay came as a result of wider use of same day surgery and early discharge planning. Other cost reduction efforts also become more evident as HMOs, insurance companies and many self-insured companies moved to contract with specific providers for specific services. These activities are forcing UMHC, as well as other providers, away from fee for service medicine and toward negotiated fixed fee pricing. UMHC is working with numerous HMOs, PPOs and other insurers to develop pricing strategies which will enhance our competitive position. Continued efforts directed at cost control are also a part of UMHC's management objectives.

The competitive and cost conscious environment we are in will continue, and will challenge us to find new sources of revenue and ways to reduce costs. Market penetration, program diversification, program affiliation, and possible program divestiture, where appropriate, may be required for UMHC to sustain its mission of patient service, education and research.

/jem

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE YEAR JULY 1, 1984 TO JUNE 30, 1985

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Gross Patient Charges	\$183,121,400	\$185,987,530	\$2,866,130	1.6%
Deductions from Charges	30,421,500	18,113,173	-12,308,327	-40.5%
Other Operating Revenue	3,430,300	3,344,202	-86,098	-2.5%
<b>Total Revenue from Operations</b>	<b>\$156,130,200</b>	<b>\$171,218,559</b>	<b>\$15,088,359</b>	<b>9.7%</b>
<b>Expenditures</b>				
Salaries	\$80,011,200	\$77,365,872	\$-2,645,328	-3.3%
Fringe Benefits	16,298,900	13,578,192	-2,720,708	-16.7
Contract Compensation	8,491,800	8,438,503	-53,298	-0.6
Medical Supplies, Drugs, Blood	25,188,700	26,319,486	1,130,807	4.5
Campus Administration Expense	5,644,000	5,644,000	0	
Depreciation	6,824,200	6,899,571	75,371	1.1
General Supplies & Expense	25,905,400	25,032,412	-872,988	-3.4
<b>Total Expenditures</b>	<b>\$168,364,200</b>	<b>\$163,278,036</b>	<b>\$-5,086,143</b>	<b>-3.0%</b>
<b>Net Revenue from Operations</b>	<b>\$-12,234,000</b>	<b>\$7,940,523</b>	<b>\$20,174,502</b>	
<b>Non-Operating Revenue</b>				
Appropriations	\$13,041,700	\$12,938,672	\$-103,028	-0.8%
Interest Income on Reserves	3,022,000	6,795,456	3,773,456	
Shared Service	406,800	441,718	34,918	8.6
Investment Income on Trustee Held Assets	1,860,000	1,784,067	-75,933	-4.1
<b>Total Non-Operating Revenue</b>	<b>\$18,330,500</b>	<b>\$21,959,913</b>	<b>\$3,629,413</b>	<b>19.8%</b>
<b>Revenue Over Expense Before Extraordinary Item</b>	<b>\$6,096,500</b>	<b>\$29,900,436</b>	<b>\$23,803,915</b>	
<b>Extraordinary Item</b>				
Net Loss on Refinancing of Long Term Debt	0	\$13,945,815	\$13,945,815	
<b>Revenue Over / -Under Expenses</b>	<b>\$6,096,500</b>	<b>\$15,954,621</b>	<b>\$9,858,121</b>	<b>(1)</b>

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

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance		\$ 6,845
Net Income from Operations	7,940,523	
Non-Operating Revenue	21,959,913	
Net Loss on Refinancing of Long Term Debt	-13,945,815	
		<u>15,954,621</u>
Excess of Revenue over Expense		15,954,621
Items not Requiring the Outlay of Cash:		
Depreciation		6,899,571
University Support: G & A		5,644,000
University Support: KE Utilities		135,947
Net Loss on Refinancing of Long Term Debt		13,945,815
Decrease in Inventories		95,965
Transfer to Operations from Reserves		562,395
Reserve Cash Paid On Third Party Liability		5,270,284
Plant Cash Paid on Operating Liability		421,815
Miscellaneous Adjustments		1,009,779
		<u>\$49,947,037</u>
Total Funds Provided from Operations		\$49,947,037

Funds Applied

Transfers to Plant:		
Increase in Capital Expenditures	\$4,210,004	
Decrease in Capital Encumbrances	-2,309,718	
Total Transfers to Plant		1,900,286
Decrease in Accrued Expenses		5,777,683
Increase in Accounts Receivable		1,401,294
Increase in Accrued Revenue		8,104,294
Increase in Prepaid Expenses		271,906
Increase in Deferred Third Party Reimbursement		196,153
Investment Income - Trustee Held Assets		1,784,067
Transfer to Reserves - Liability/Discounts to Third Party Payors		765,983
Transfer to Reserves - Renewal Project Equity		4,000,000
Transfer to Reserves - Short-term Debt Retirement		3,200,000
Transfer to Reserves From Operations		22,538,526
		<u>\$49,940,192</u>
Total Funds Applied		\$49,940,192

Total Operating Cash Available \$6,845

(1) Total Operating Cash Available of \$ 6,845 plus Transfers to Renewal Project of \$4,000,000; plus Transfers to Debt Retirement of \$ 3,200,000 plus Transfers to Plant of \$1,900,286 plus Transfers to Reserves from Operations of \$22,538,526 equals Cash Generated from Operations of \$31,645,657.

Current Cash Summary

Operating Cash	\$6,845
Reserve for Liability to Third Party Payors	16,889,843
Reserve for Short Term Debt Retirement	8,800,000
	<u>\$25,696,688</u>
Total Current Cash	\$25,696,688

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

BALANCE SHEETS

JUNE 30, 1985 AND 1984

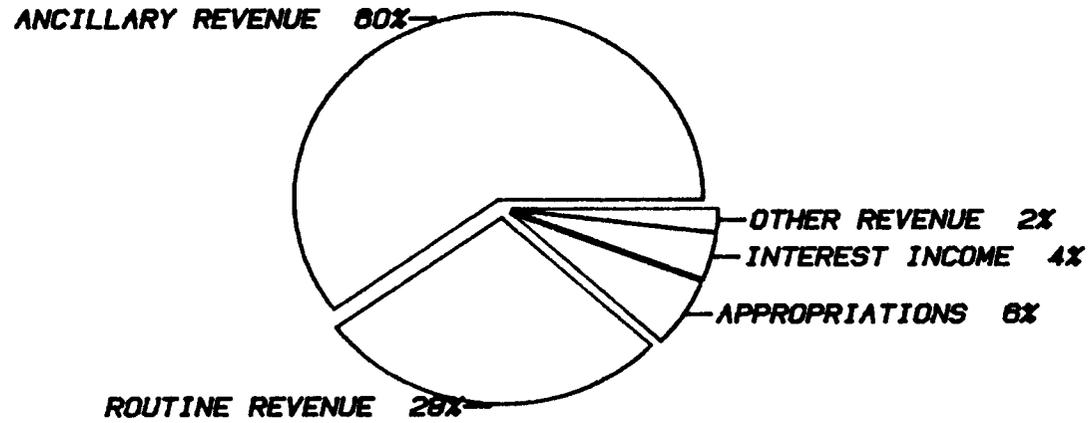
ASSETS	6/30/85	6/30/84	LIABILITIES AND FUND BALANCES	6/30/85	6/30/84
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash	\$25,696,688	\$27,206,540	Accounts Payable	\$3,133,011	\$6,438,825
Accounts Receivable			Payable to Third Party Contr. Payors	16,889,843	21,394,144
Patient Receivables	44,863,558	41,612,264	Salaries, Wages and Payroll Taxes	4,301,870	5,958,750
Receivable from Medicare	7,597,713	0	Accrued Vacation	5,295,058	4,823,141
Other Receivables	1,267,950	1,400,348	Insurance Premiums Payable	762,623	762,623
	53,729,221	43,012,612	Accrued Professional Fees and Physician Compensation	1,876,182	1,637,431
Less Allowances for Losses in Collection	-3,550,000	-3,600,000	Contracts Payable	3,816,204	1,087,477
	45,579,221	36,712,612	Interest Payable	3,919,052	1,268,000
Less Allowances for Discounts to Third Party Payors	-4,600,000	-2,700,000	Current Portion of Long-Term Debt	797,013	396,034
	45,579,221	36,712,612	Current Liabilities Excluding Promissory Notes Payable	40,790,856	43,766,425
Trustee Held Assets	7,431,304	4,448,639	Promissory Notes Payable	8,800,000	8,800,000
Inventories of Drugs & Supplies	3,713,433	3,809,398			
Prepaid Expenses	786,209	514,303	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$49,590,856</b>	<b>\$52,566,425</b>
Silver Flake	166,472	227,204			
<b>TOTAL CURRENT ASSETS</b>	<b>\$83,373,327</b>	<b>\$72,918,696</b>			
<b>BOARD DESIGNATED ASSETS:</b>					
Board Designated Assets Available for Assignment					
Cash & Investments	\$37,970,466	\$28,859,093			
Accrued Interest	624,901	571,218			
	38,595,367	29,430,311			
Cash & Investments Assigned to Construction Projects	9,451,858	4,503,470	<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>\$163,429,153</b>	<b>\$147,591,926</b>
<b>TOTAL BOARD DESIGNATED ASSETS</b>	<b>\$48,047,225</b>	<b>\$33,933,781</b>			
<b>DEFERRED THIRD PARTY REIMBURSEMENT</b>	<b>\$5,438,989</b>	<b>\$3,597,836</b>			
<b>OTHER ASSETS</b>	<b>285,734</b>	<b>0</b>			
<b>LAND, BUILDINGS &amp; EQUIPMENT</b>					
Land, Buildings & Improvements	\$67,524,131	\$64,307,676			
Equipment	41,332,677	35,401,888			
	108,856,808	99,709,564			
Less Accumulated Depreciation	-49,333,974	-44,203,620	<b>UNRESTRICTED FUND BALANCE</b>	<b>\$154,199,440</b>	<b>\$132,972,734</b>
	59,522,834	55,505,944			
Construction in Progress	96,924,804	59,145,512			
<b>TOTAL LAND, BUILDINGS &amp; EQUIPMENT</b>	<b>\$156,447,638</b>	<b>\$114,651,456</b>			
<b>TRUSTEE HELD ASSETS</b>	<b>\$72,238,436</b>	<b>\$102,699,169</b>			
Deferred Debt Expense, Less Amortization of \$ 524,298 and \$325,422 for Periods Ended 6/30/85 and 6/30/84, Respectively	\$1,388,100	\$5,330,147			
	\$367,219,449	\$333,131,085		\$367,219,449	\$333,131,085
	\$367,219,449	\$333,131,085		\$367,219,449	\$333,131,085
<b>RESTRICTED ASSETS</b>			<b>RESTRICTED FUND BALANCES</b>		
			Fund Balances		
Cash and Investments	\$3,367,441	\$2,900,249	Endowment Funds	\$1,570,180	\$1,409,829
	\$3,367,441	\$2,900,249	Gift Funds	1,797,261	1,524,720
	\$3,367,441	\$2,900,249	Net unrealized Loss on Debt and Equity Securities	0	-34,300
	\$3,367,441	\$2,900,249		\$3,367,441	\$2,900,249

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE PERIOD JULY 1, 1984 TO JUNE 30, 1985

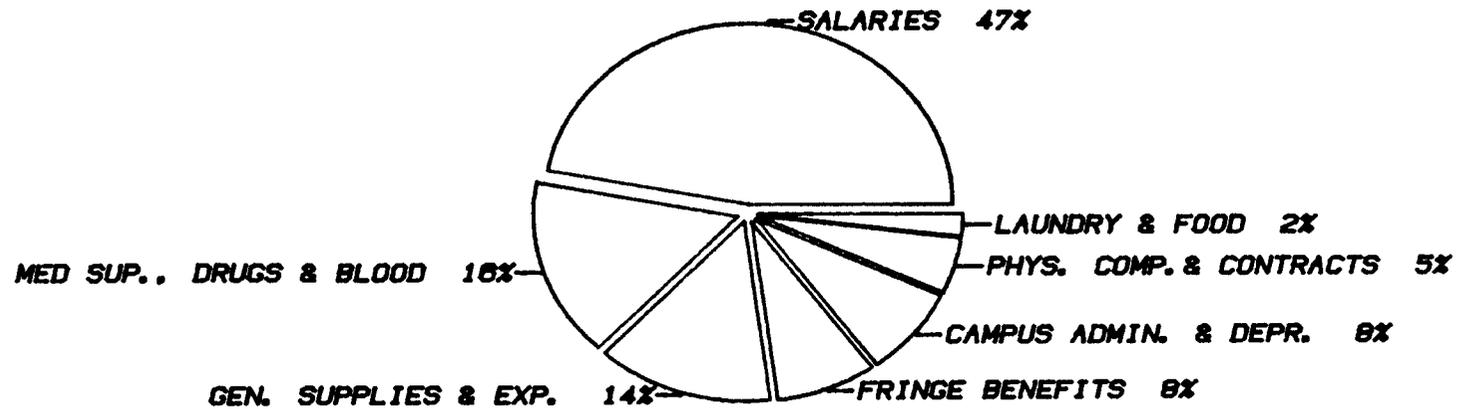
	OPERATING FUND	BOARD DESIGNATED FUND	PLANT FUND	TOTAL UNRESTRICTED FUNDS
<b>UNRESTRICTED FUNDS</b>				
Beginning Balance	\$21,876,467	\$29,430,311	\$81,665,956	\$132,972,734
Net Income				
Excess of Revenue over Expense	28,240,977			
Interest Income on Reserves		6,170,555		
Accrued Interest on Appropriations		624,901		
Depreciation Expense			-6,899,571	
Loss on Sale of Assets			-20,493	
Interest Income on Trustee Held Fund			1,784,067	
Loss on Refinancing of Long Term Debt			-13,945,815	
Total Income				15,954,621
Less Expense				
University Support: G & A	5,644,000			5,644,000
K/E Utilities	135,947			135,947
<b>Transfers Between Funds</b>				
Major Building Projects (Hospital only)		-1,127,331	1,127,331	
Capital Expenditures	-4,210,004		4,210,004	
Capital Encumbrance Change	2,309,718		-2,309,718	
Equipment, Remodeling & Other Adjustments	-428,123	20,385	438,942	31,204
Increase in Restricted Fund				
Commitment to Plant			14,704	14,704
Major Equipment Purchase		-553,770		-553,770
Transfer to Operations- Linear Accelerator	444,895	-444,895		
Transfer to Reserves from Operations	-8,592,711	8,592,711		
Transfer to Reserves- Renewal Project	-4,000,000	4,000,000		
Transfer to Trustee- Renewal Project		-8,000,000	8,000,000	
Reserve Cash Paid on Operating Liability	117,500	-117,500		
Ending Balance	\$41,538,666	\$38,595,367	\$74,065,407	\$154,199,440
		Gift	Endowment	Total
<b>RESTRICTED FUNDS</b>				
Beginning Balance		\$1,496,020	\$1,409,829	\$2,905,849
Income		315,945	160,351	476,296
Increase in Commitment to Plant		-14,704		-14,704
Ending Balance		\$1,797,261	\$1,570,180	\$3,367,441

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
YEAR ENDING 6/30/85

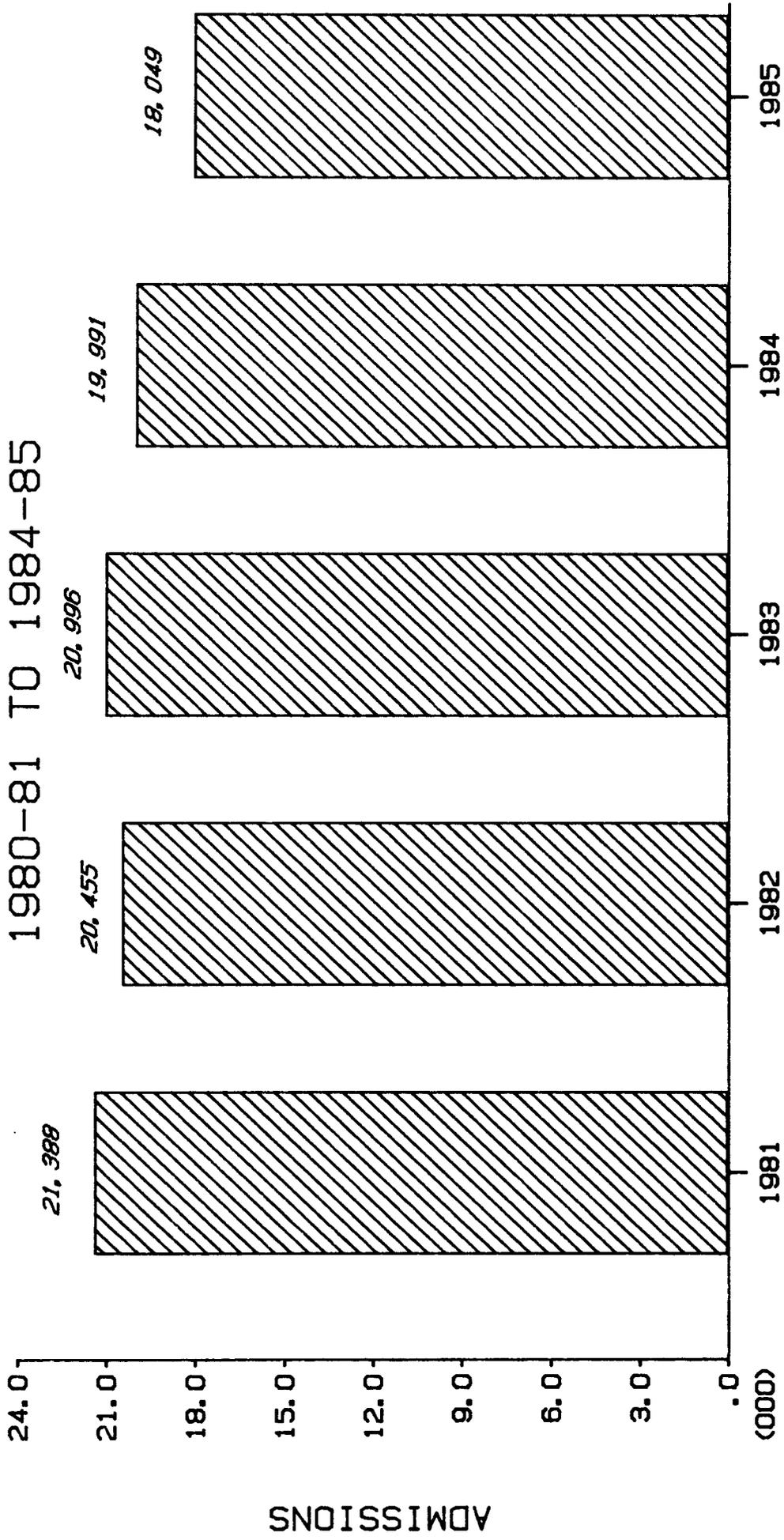
REVENUE SUMMARY



EXPENSE SUMMARY

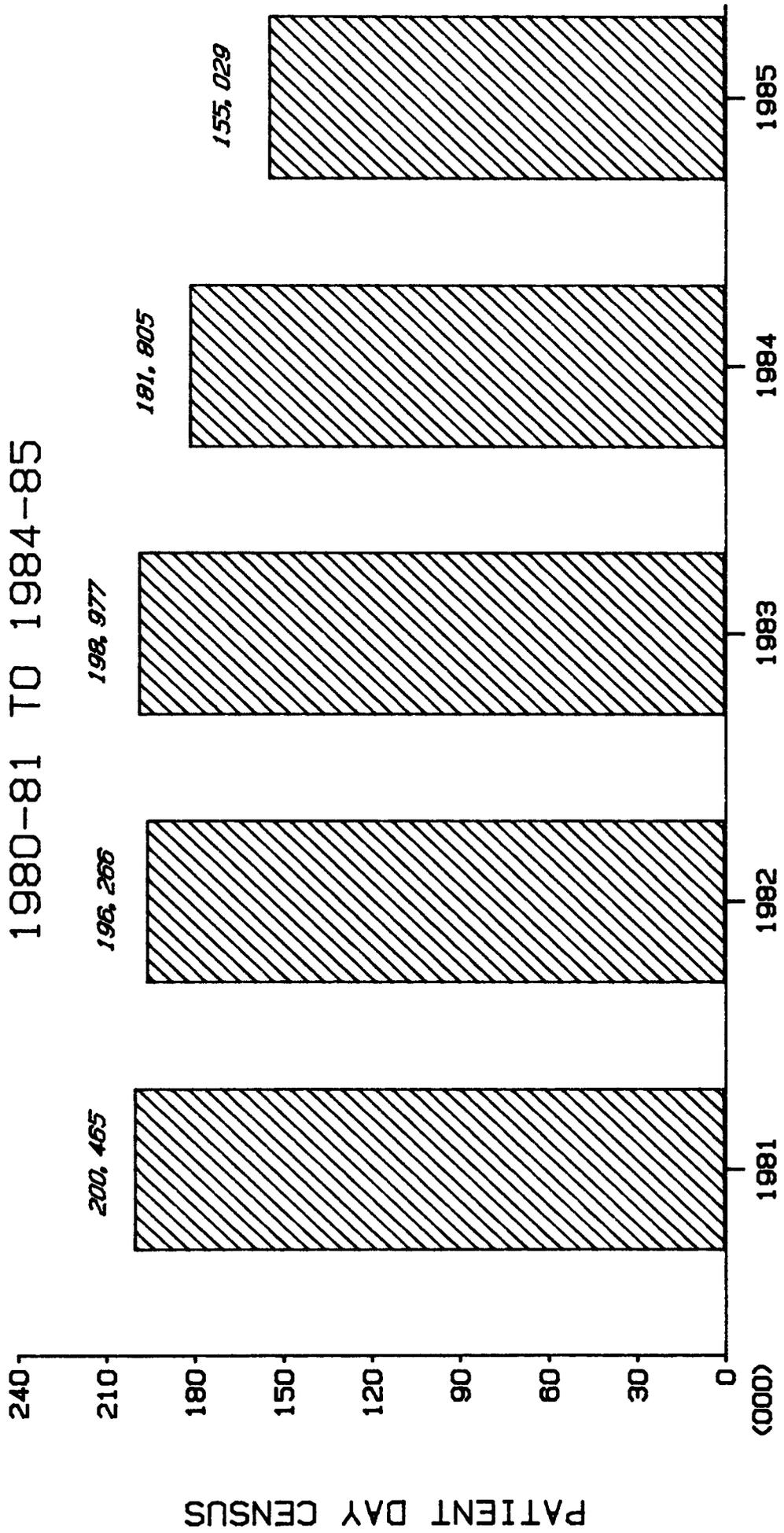


UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
 NUMBER OF ADMISSIONS  
 1980-81 TO 1984-85

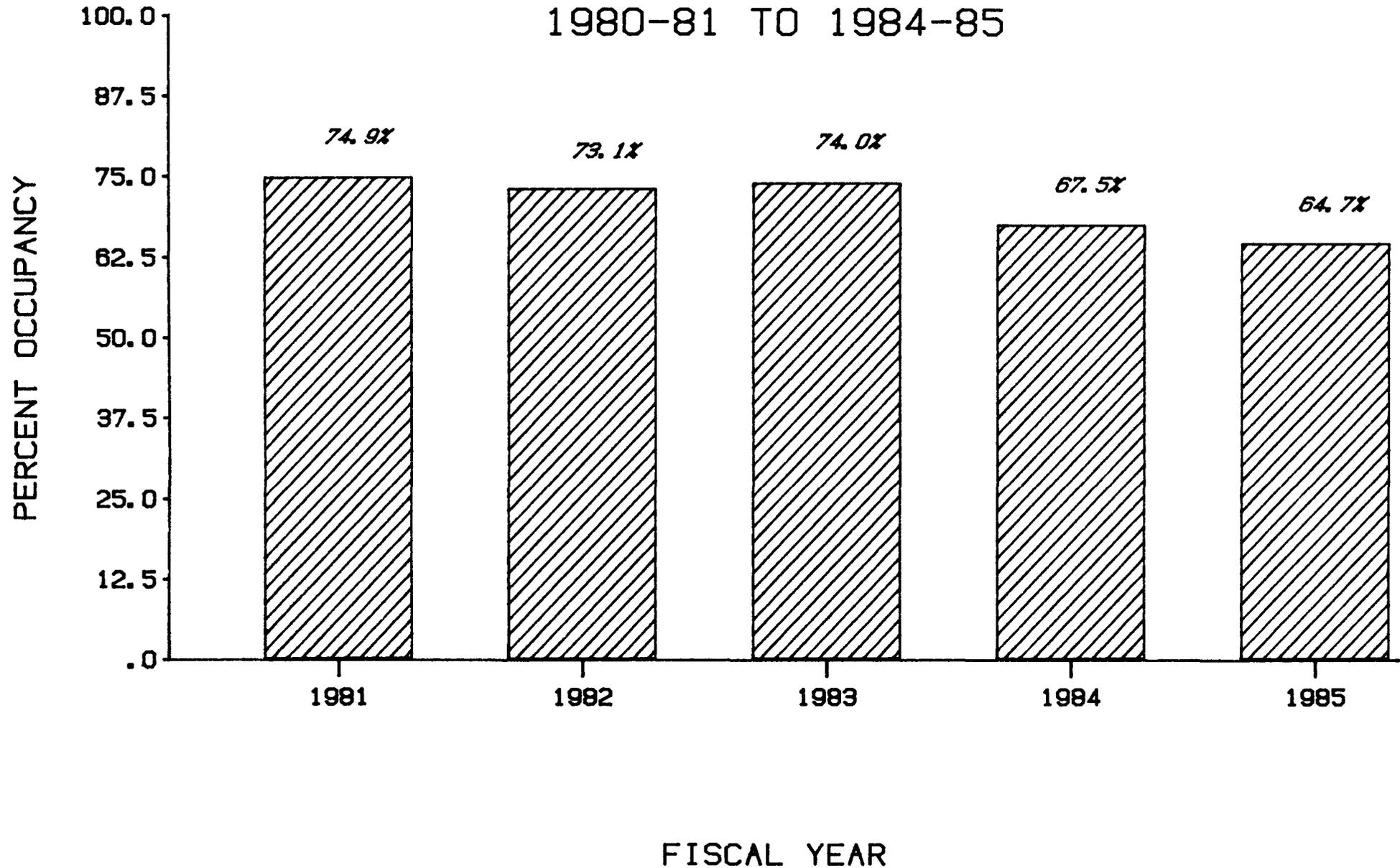


FISCAL YEAR

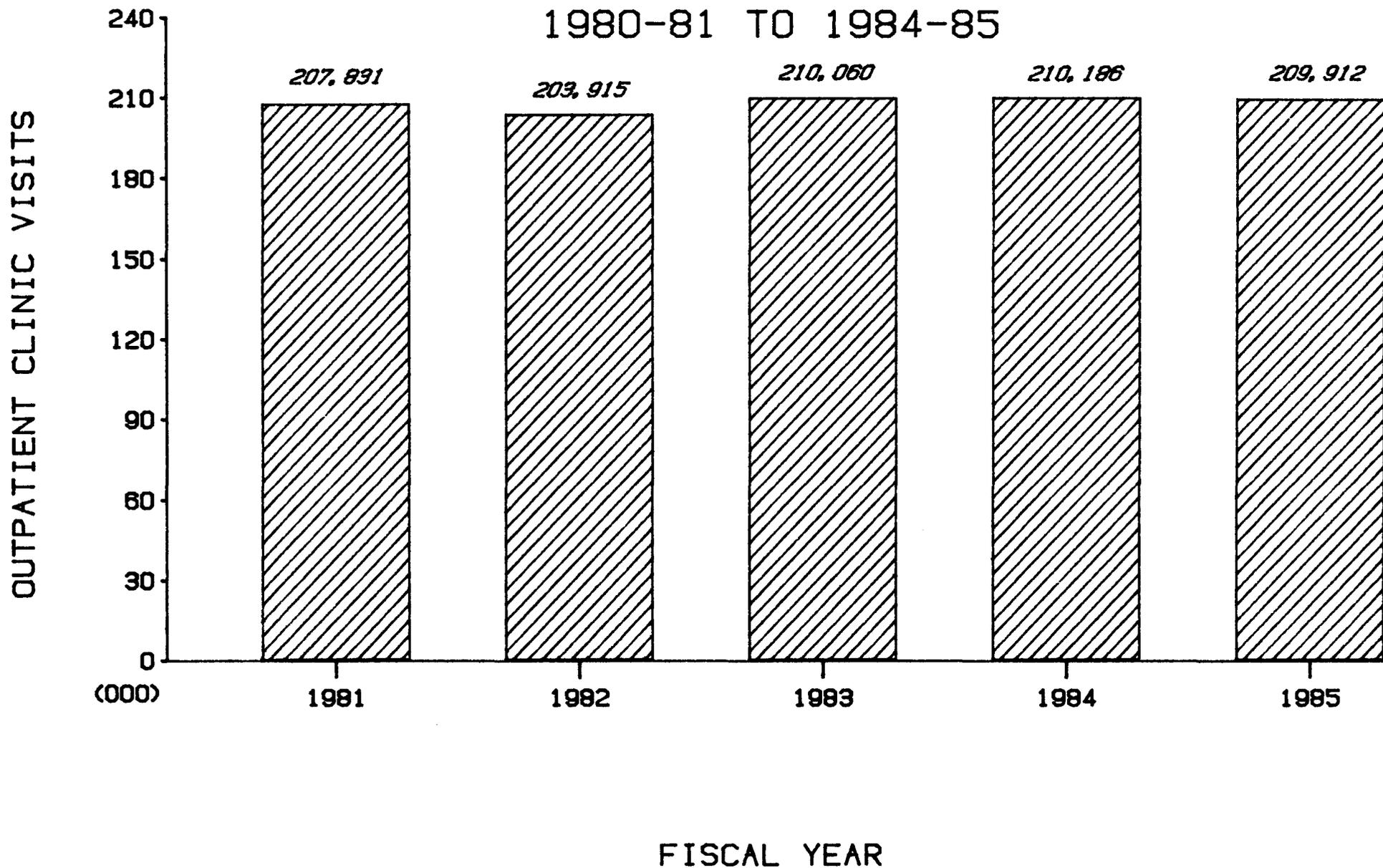
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
 PATIENT DAY CENSUS  
 1980-81 TO 1984-85



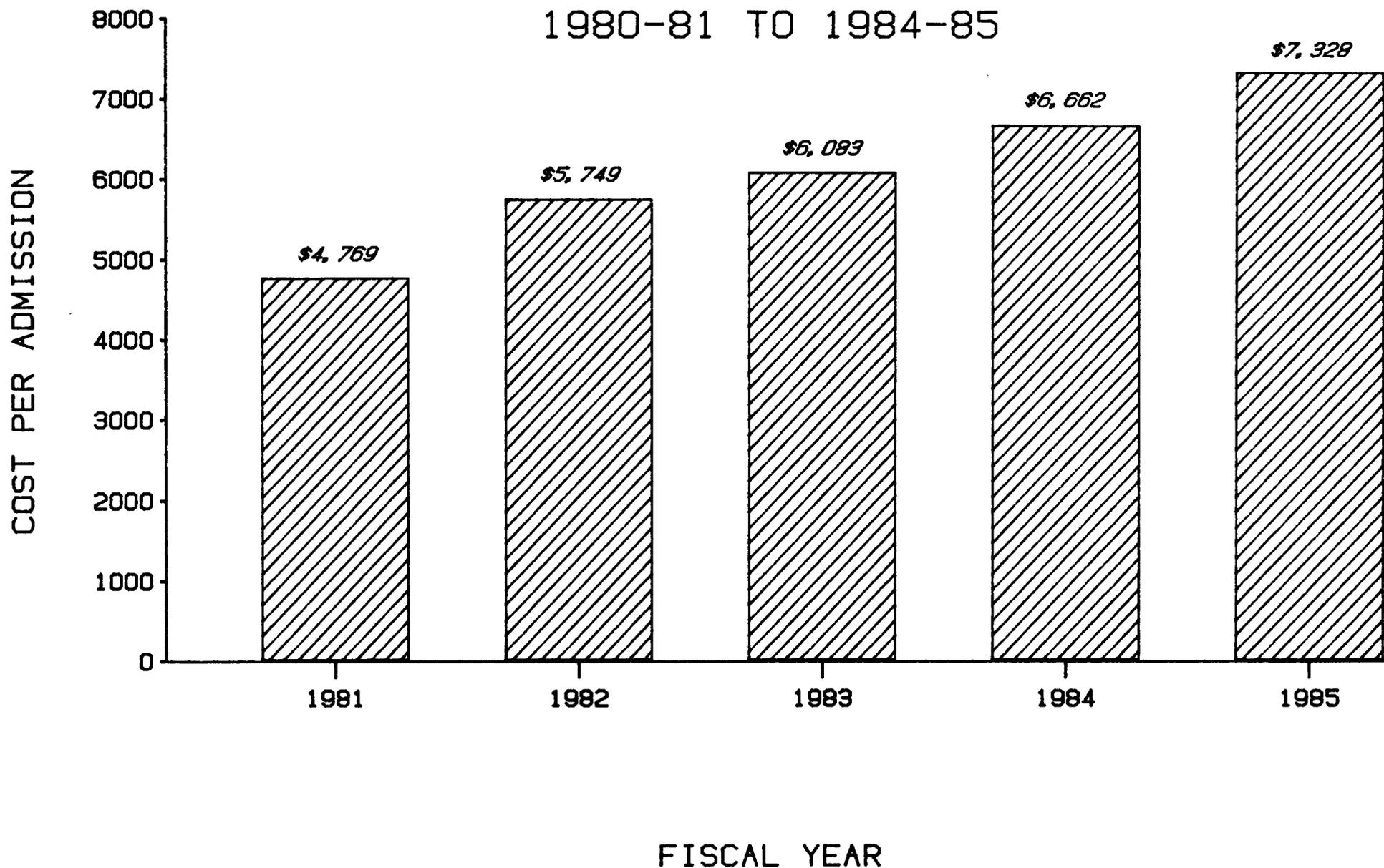
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
PERCENT OCCUPANCY  
1980-81 TO 1984-85



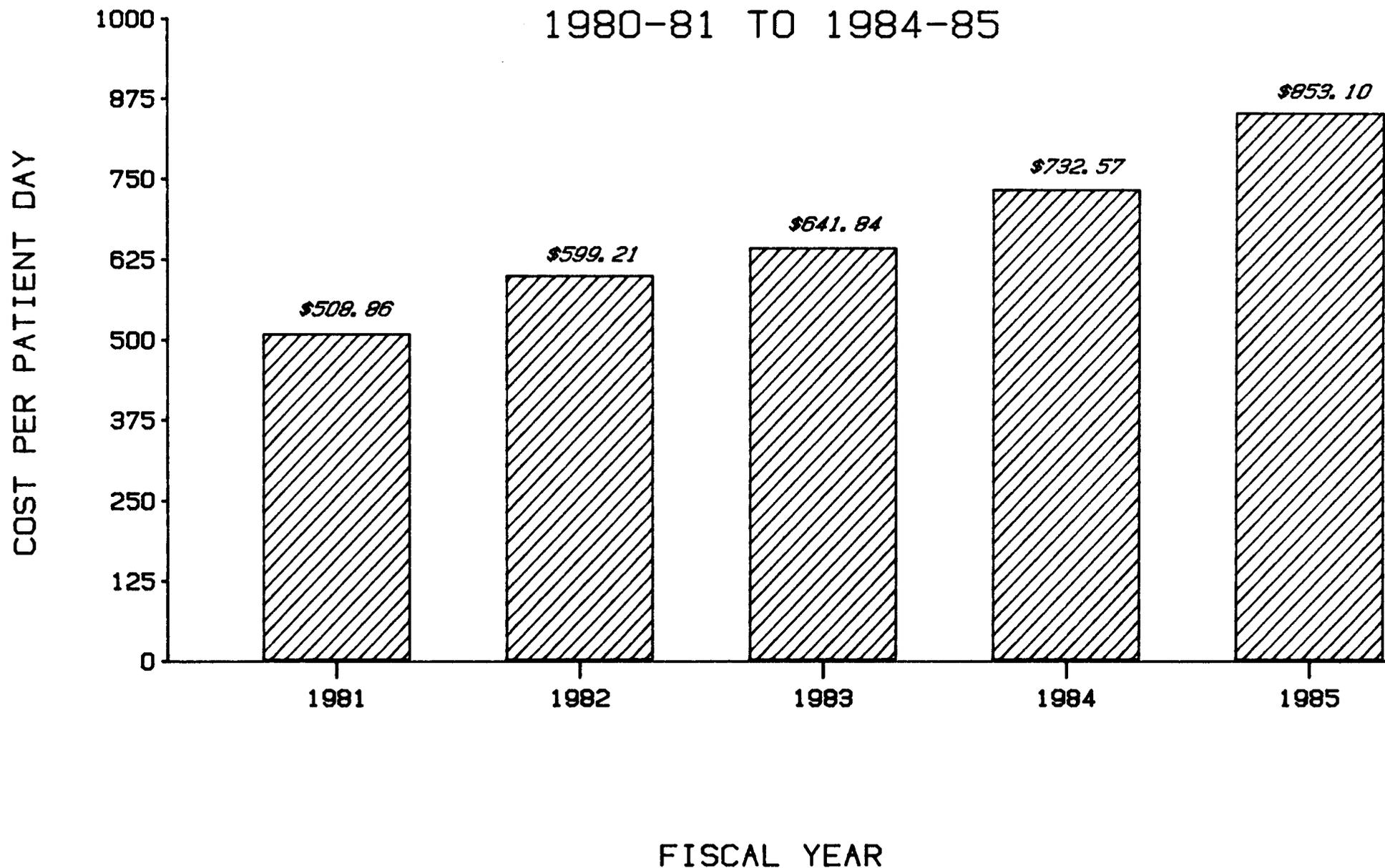
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
OUTPATIENT CLINIC VISITS  
1980-81 TO 1984-85



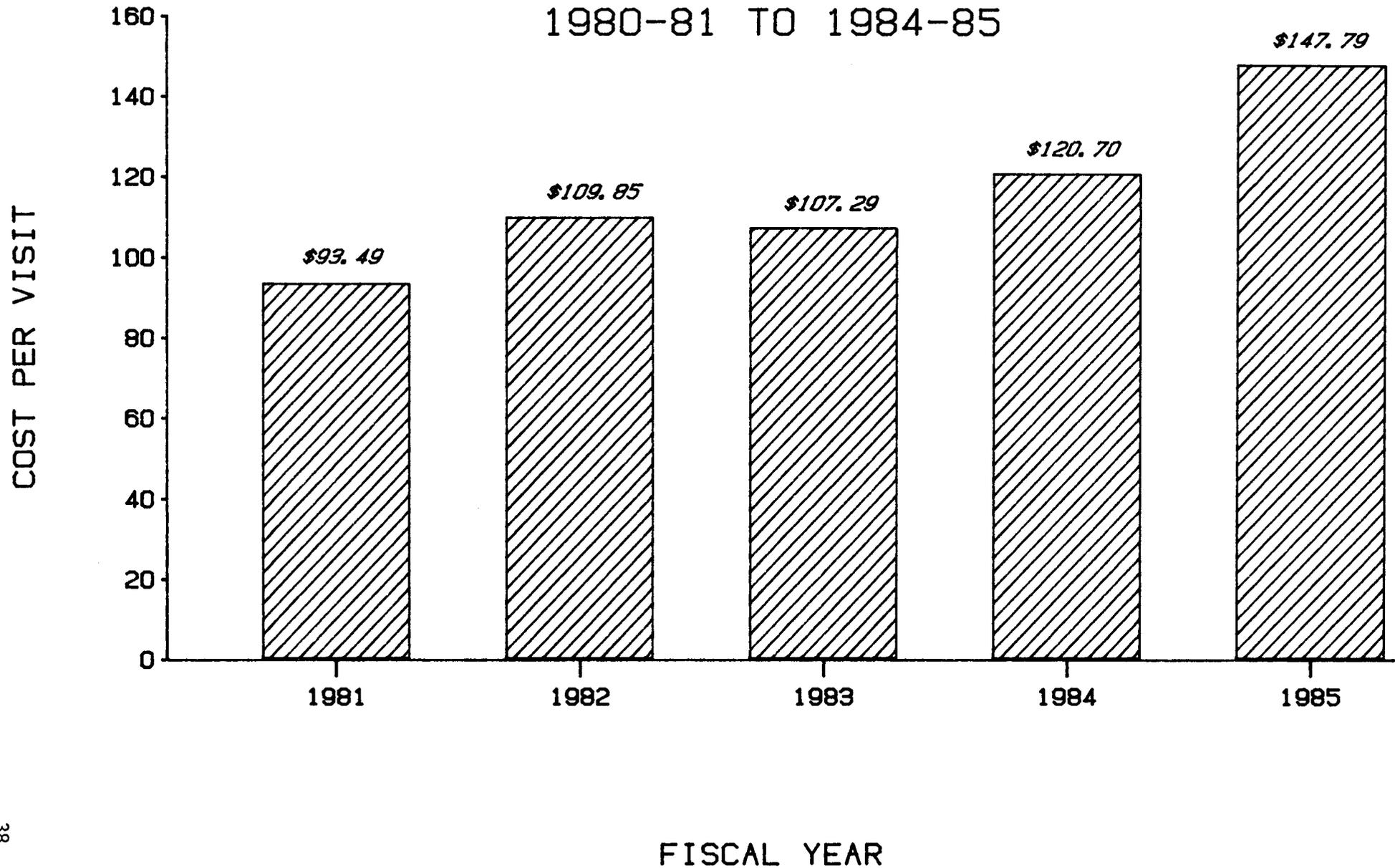
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
INPATIENT COST PER ADMISSION  
1980-81 TO 1984-85



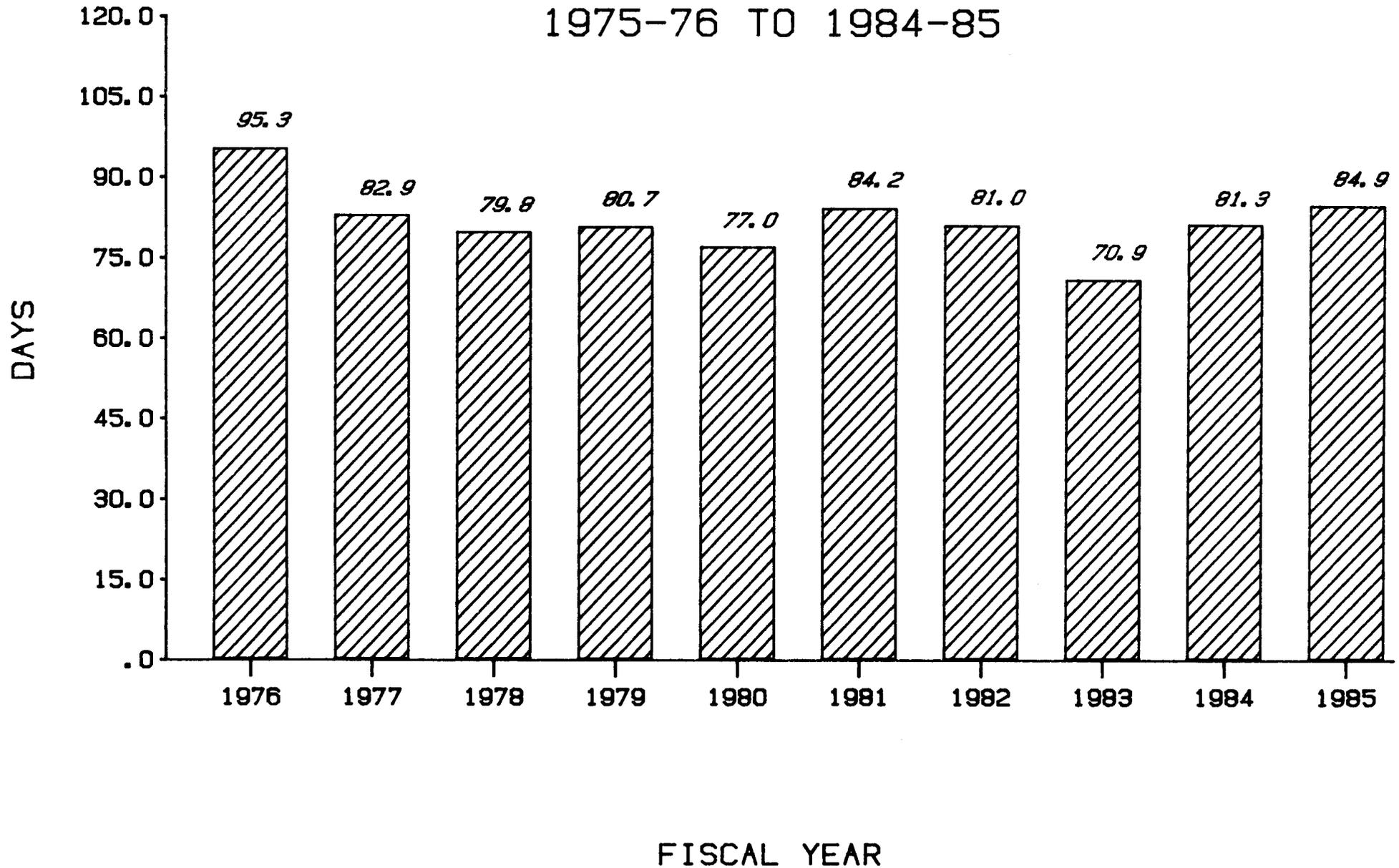
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
INPATIENT COST PER PATIENT DAY  
1980-81 TO 1984-85



UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
OUTPATIENT COST PER VISIT  
1980-81 TO 1984-85



UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
REVENUE DAYS IN ACCOUNTS RECEIVABLE  
1975-76 TO 1984-85



UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
 INPATIENT CENSUS BY MAJOR CATEGORY  
 JUNE 30, 1985 YEAR TO DATE

	AVERAGE	INPATIENT DAYS		ADMISSIONS		OCCUPANCY RATE		AVERAGE STAY	
	BEDS	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	PRIOR YR	CURRENT YR
MEDICAL/SURGICAL	340.8	97,041	77,660	13,321	11,830	74.9	62.4	7.5	6.6
PEDIATRICS	80.0	20,629	18,056	2,334	2,322	68.1	61.8	8.7	7.7
PSYCHIATRY	63.0	18,456	18,439	665	714	80.3	80.2	26.1	26.0
REHABILITATION	32.9	7,154	6,445	353	359	49.0	53.7	21.0	18.0
OBSTETRICS	22.0	3,558	2,790	777	648	44.3	34.7	3.9	4.3
NEWBORN	17.8	3,373	3,257	521	471	46.2	50.2	5.6	6.8
INTENSIVE CARE-ADULT	64.6	17,102	17,750	1,002	1,171	69.9	75.3	16.4	15.1
INTENSIVE CARE-PEDS	35.9	11,548	10,632	703	534	87.9	81.2	17.3	19.6
<b>TOTAL HOSPITAL</b>	<b>656.9</b>	<b>178,861</b>	<b>155,029</b>	<b>19,676</b>	<b>18,049</b>	<b>71.4</b>	<b>64.7</b>	<b>9.0</b>	<b>8.6</b>
<b>TOTAL - EXCLUDING PSYCH &amp; REHAB</b>	<b>561.1</b>	<b>153,251</b>	<b>130,145</b>	<b>18,658</b>	<b>16,976</b>	<b>72.0</b>	<b>63.5</b>	<b>8.2</b>	<b>7.6</b>

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS  
SOURCE OF RECEIPTS  
1981 TO 1985

	1981		1982		1983		1984		1985	
	AMT. IN 1,000'S	% OF TOTAL								
MEDICARE	\$30,614	24.5	\$27,877	20.1	\$37,470	21.4	\$36,437	19.8	\$39,556	20.8
MEDICAL ASSISTANCE & FEDERAL CRIPPLED CHILDREN	14,201	11.4	16,632	12.0	19,503	11.2	15,227	8.3	12,983	6.8
BLUE CROSS	19,310	15.4	19,765	14.2	21,362	12.2	19,281	10.5	20,203	10.6
OTHER COMMERCIAL INSURANCE	37,994	30.4	44,439	32.0	60,743	34.7	70,545	38.4	71,879	37.7
PATIENT LIABILITY	6,211	5.0	7,414	5.3	8,942	5.1	8,897	4.8	9,567	5.0
MISC. AGENCY ACCOUNTS	3,562	2.8	6,105	4.4	8,450	4.8	10,435	5.7	12,383	6.5
COUNTY	1,229	1.0	1,746	1.3	2,555	1.5	1,647	0.9	994	0.5
STUDENT HEALTH SERVICE	189	0.2	144	0.1	172	0.1	118	0.1	36	0.0
COLLECTION AGENCIES	70	0.1	241	0.2	467	0.3	557	0.3	687	0.4
OTHER	508	0.4	1,019	0.7	852	0.5	1,303	0.7	1,040	0.5
REFUNDS	-3,024	-2.4	-3,401	-2.4	-4,416	-2.5	-4,531	-2.5	-3,948	-2.1
<b>SUBTOTAL: PATIENT CARE RECEIPTS</b>	<b>\$110,864</b>	<b>88.7</b>	<b>\$121,981</b>	<b>87.8</b>	<b>\$156,100</b>	<b>89.3</b>	<b>\$159,916</b>	<b>87.0</b>	<b>\$165,380</b>	<b>86.8</b>
APPROPRIATIONS/SUPPORT	10,240	8.2	11,596	8.3	11,557	6.6	12,421	6.8	12,939	6.8
INVESTMENT INCOME	1,390	1.1	2,845	2.0	3,587	2.1	7,600	4.1	8,580	4.5
OTHER INCOME	2,536	2.0	2,569	1.8	3,581	2.0	3,830	2.1	3,679	1.9
<b>TOTAL</b>	<b>\$125,030</b>	<b>100.0</b>	<b>\$138,991</b>	<b>100.0</b>	<b>\$174,825</b>	<b>100.0</b>	<b>\$183,767</b>	<b>100.0</b>	<b>\$190,578</b>	<b>100.0</b>



September 25, 1985

**TO:** Members, Board of Governors  
**FROM:** Clifford P. Fearing  
Senior Associate Director  
**SUBJECT:** Report of Operations for the Period  
July 1, 1985 through August 31, 1985.

The Hospitals' operations through the first two months of the 1985-86 fiscal year reflect inpatient census activity slightly below budgeted levels. However, outpatient visits are above budgeted levels, and we are seeing relatively intense ancillary service utilization. To highlight our position:

**Inpatient Census:** For the months of July and August, inpatient admissions totaled 3,067 and represent an unfavorable variance from budget of 5.1%. The decrease in admission levels was primarily evident in the areas of Medicine, Pediatrics, Neurosurgery and Otolaryngology. Our overall average length of stay of 8.2 days is slightly above the projected level of 8.1 days. The resulting year-to-date inpatient census of 25,141 days is 904 days or 3.5% below budget.

To recap our year-to-date inpatient census:

	1984-85 Actual	1985-86 Budget	1985-86 Actual	Variance	% Variance
Admissions	3,611	3,233	3,067	<166>	<5.1>
Avg. Lgth. of Stay	8.3	8.1	8.2	0.1	1.2
Patient Days	29,843	26,045	25,141	<904>	<3.5>
Percent Occupancy	66.1	69.2	67.0	<2.2>	<3.2>
Avg. Daily Census	481.4	420.1	405.5	<14.6>	<3.5>

**Outpatient Census:** Clinic visits through July and August totaled 38,417 and are 3.8% (1,419 visits) above budget and 3.3% (1,215 visits) above our August year-to-date total of a year ago. The increase in clinic census above budgeted levels was evident in the areas of Surgery, Medicine, Ophthalmology, Neurosurgery, Orthopaedics, Psychiatry and Radiation Therapy.

**Financial Operations:** The Hospitals Statement of Operations shows total revenues over expenses of \$4,474,775, a favorable variance of \$1,402,207. This overall variance reflects both a favorable variance in net revenues from operations of \$820,129 and a favorable variance in non-operating revenue, due to our investment income being higher than anticipated, by \$582,078.

Patient care charges through August totaled \$33,206,662 and is 0.1% below budget. Patient days are 3.5% below budget, however routine revenue is only 1.7% below budget. This difference is due to a change in the mix of our bed utilization whereby we have experienced a slightly higher proportion of patient days in our higher priced beds (Intensive Care Units and Psychiatry). Ancillary revenue is approximately \$133,500 (0.6%) above budget and relates to the fact that (1) outpatient clinic visits are above projections, and (2) the utilization of ancillary services per patient are higher than anticipated. Inpatient ancillary revenue has averaged \$5,859 per admission compared to the budgeted average of \$5,570 per admission. Outpatient revenue per clinic visit is consistent with the budgeted average of \$136.

Third Party contractual adjustments are running under budget due to regulatory changes anticipated for 1985-86 which have not gone into effect. These anticipated changes were (1) to freeze the 1986 Medicare prospective payments at the 1985 level, and (2) reduce the payment rate for indirect medical education by one-half. It now appears, based on regulations published September 3, 1985, that the freeze will become effective for fiscal year 1986-87. The indirect medical education issue is still under legislative review. However, it appears that the proposed reduction in payment levels will not affect our operations until fiscal year 1986-87.

Operating expenditures through August totaled \$28,779,046 and are approximately \$332,300 (1.1%) below budgeted levels. Supply and expense categories are generally below budget and reflect the fact that (1) we have not yet experienced all of the price increases that were anticipated, and (2) we have not yet incurred the cost of various periodic purchases. Fringe benefits however, are over budget and reflect an increased billing rate implemented by the University in August primarily relating to health insurance. The reasons for this increase are currently being reviewed.

**Accounts Receivable:** The balance in patient accounts receivable as of August 31, 1985 totaled \$49,447,807 and represents 91.3 days of revenue outstanding. The increase through August reflects the impact of (1) the July 1, 1985 price increase, and (2) increases in Medicare and Blue Cross.

**Conclusion:** The Hospitals' operating position is positive and above budgeted levels. While our inpatient census levels are lower than anticipated, the impact has been offset by increased intensity of care and by outpatient demand in excess of budgeted levels.

UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1985 TO AUGUST 31, 1985

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Gross Patient Charges	\$33,243,781	\$33,206,662	\$-37,119	-0.1%
Deductions from Charges	5,276,616	4,733,157	-543,459	-10.3%
Other Operating Revenue	726,282	717,806	-8,476	-1.2%
<b>Total Revenue from Operations</b>	<b>\$28,693,447</b>	<b>\$29,191,311</b>	<b>\$497,864</b>	<b>1.7%</b>
<b>Expenditures</b>				
Salaries	\$13,520,165	\$13,595,711	\$75,546	0.6%
Fringe Benefits	2,424,008	2,545,120	121,112	5.0
Contract Compensation	1,454,262	1,459,389	5,127	0.4
Medical Supplies, Drugs, Blood	4,645,719	4,563,178	-82,541	-1.8
Campus Administration Expense	1,006,632	1,006,632		
Depreciation	1,260,790	1,230,382	-30,408	-2.4
General Supplies & Expense	4,789,735	4,378,634	-411,101	-8.6
<b>Total Expenditures</b>	<b>\$29,101,311</b>	<b>\$28,779,046</b>	<b>\$-322,265</b>	<b>-1.1%</b>
<b>Net Revenue from Operations</b>	<b>\$-407,864</b>	<b>\$412,265</b>	<b>\$820,129</b>	
<b>Non-Operating Revenue</b>				
Appropriations	\$2,376,960	\$2,376,960		
Interest Income on Reserves	729,008	1,317,156	\$588,148	
Shared Service	67,882	61,812	-6,070	-8.9
Investment Income on Trustee Held Assets	306,582	306,582		
<b>Total Non-Operating Revenue</b>	<b>\$3,480,432</b>	<b>\$4,062,510</b>	<b>\$582,078</b>	<b>16.7%</b>
<b>Revenue Over / -Under Expenses</b>	<b>\$3,072,568</b>	<b>\$4,474,775</b>	<b>\$1,402,207</b>	<b>(1)</b>

(1) Variance equals 4.9% of total budgeted revenue.



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

September 25, 1985

**TO:** Members, Board of Governors  
**FROM:** C. Edward Schwartz *C. E. Schwartz*  
Hospital Director  
**SUBJECT:** 1985-86 Compensation Plan

Earlier this year the Board of Governors approved a 3% increase in salary ranges and employee salaries for individuals in Hospital-dominated classes. When that action was taken, we indicated that we would be making further recommendations regarding employee compensation later in the year.

Since the Board's earlier action additional information has become available. The AFSCME contract has been settled; the University has reached tentative agreement with its Teamster unit; and the University's Civil Service pay plan was approved by the Board of Regents in September. The essentials of the above are as follows:

AFSCME

- 3.5% salary range increase
- Market inequities and progression increases for certain classes and employees
- Comparable worth settlement

Teamsters (tentative)

- 4.0% salary range increase
- Market inequities and progression increases for certain classes and employees
- Not impacted by comparable worth

**University Civil Service**

- Two options available
  - (a) 4.25% across-the-board progression increases, or
  - (b) 2.0% across-the-board progression increases, with an additional 2.25% merit allocation.
- Comparable worth to be further discussed and potentially approved in October

All of the above plans (AFSCME, Teamsters and Civil Service) are retroactive to July 1, 1985.

The Hospitals' budget included a projected 3.75% increase in salaries (exclusive of comparable worth and a special nursing progression adjustment). Given the union contract settlements and University plans noted earlier, we would recommend the following as the 1985-86 compensation plan:

**Hospital Dominated Classes (Except Staff Nurses)**

- 3% salary range increase (previously approved)
- 0.75% progression increase

**Staff Nurse Classes**

- 3% salary range increase (previously approved)
- Community progression increase (previously approved)

**Hospital Employees In University Dominated Classes**

- 3.75% progression increase (2% across-the-board, 1.75% merit based)

It is recommended that all of the above be retroactive to July 1, 1985.

The above recommended plan will allow the Hospitals to stay within its budget parameters. It also, in our judgment, results in reasonable parity between represented and non-represented employee salary increases. For hospital employees in University dominated classes, the increases recommended are less than the full merit allocation allowable under the Civil Service Pay Plan. The increases recommended are, however, the same as those recommended for hospital employees in Hospital dominated classes; this is an objective that we have thought it important to achieve. (The University Personnel Department and general counsel are aware of this recommendation and have indicated that the action is consistent with the Board of Regents approved pay plan and University practice.)

As noted earlier, the University is not expected to act upon comparable worth until its October meeting, at the earliest. We would thus recommend that the Board of Governors continue to defer final action on the Hospitals' comparable worth plan. We will continue to keep the Board up to date on the subject of comparable worth, with a request for action likely coming at the October or November meetings.

We will be happy to provide any additional information or answer any questions you may have at the September 25 meetings.

/kj



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

September 19, 1985

TO: Board of Governors

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

SUBJECT: Personnel Policies - Holidays

The Hospitals' Personnel Policies currently state that "University of Minnesota Hospitals and Clinics shall provide ten (10) holidays each fiscal year for all employees appointed at 50% or more time." (Personnel Policy #11).

The State of Minnesota and University of Minnesota have recently enhanced their employee benefits through the addition of an eleventh holiday. In order to maintain a position of parity with the University in regard to the number of holidays, I would recommend that the Board of Governors approve an additional (eleventh) holiday.

The Hospitals' budget for 1985-86 did not include this additional holiday. Because we must, obviously, continue to staff the Hospitals on days designated as holidays, and because a portion of this staffing becomes paid at overtime rates, there is an incremental cost involved of approximately \$100,000. We do not believe this additional cost represents an impact on the Hospitals' budget of such a magnitude that we should consider varying from the broader University policy on this subject.

This change does require Board of Governors' approval. We will be happy to answer any questions you may have at the upcoming meeting.

/kj



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

September 20, 1985

TO: Board of Governors

FROM: C. Edward Schwartz  
Hospital Director

REGARDING: Event Planning for New Hospital and 75th Anniversary

As you know, we have a group at work to plan the events that will commemorate the opening of Unit J and celebrate the 75th Anniversary of our Hospitals. Both of these events will of course occur during calendar year 1986. Mary Hastings has served as the chairperson of the planning committee and has agreed to serve as the coordinator of the various events as they take place. We have included on that committee representatives from the University, the Health Sciences, the Medical school and the hospital staff.

The attached description was supplied to me by Mary Hastings and highlights the major events that would occur in conjunction with the opening and anniversary celebrations. At this point in time, the dates that have been fixed are target dates that we are using for planning purposes and they need to be integrated into the overall building activation plan in a more exacting manner as we proceed in the next several months.

I am planning to review the attached at our September 25, 1985 Board meeting. Mary Hastings will be at the meeting to respond to any questions that you may have.

Thank you.

CELEBRATION OVERVIEW FOR OPENING OF  
NEW HOSPITAL AND 75TH ANNIVERSARY  
1986

The Celebration Planning Committee for the 75th Anniversary of University of Minnesota Hospitals and Clinics and the Grand Opening of Unit J has been charged to plan specific events, promotional items, publications and lectures that will commemorate these two special 1986 occurrences. Appointment of an Honorary Celebration Committee and an overall budget for the celebrations are also among the charges to this planning group.

The Celebration Planning Committee has defined the various populations that will be invited to tour the new facility before it opens in March, 1986. These groups, for the most part, will be hosted in several ways along with their tour. Food related activities will primarily be in the cafeteria of the new hospital building and the Radisson University Inn.

The celebration highlights will be the Opening Ceremony, scheduled for March 7, 1986, and the Dedication/75th Anniversary with a Recognition Ceremony on September 5, 1986.

The opening ceremonies will include "Throwing Away the Key", symbolizing that our doors will always be open. It will be placed in a time capsule along with other items collected from the various hospital departments. The time capsule will be buried that day beneath the entrance to the new hospital. The evening of March 7 will feature an invitation dinner for community leaders and special guests. The dinner will be planned by a committee of the Hospital Auxiliary and hosted by the Board of Governors.

September 5, 1986, will be the official Dedication and 75th Anniversary of University of Minnesota Hospitals and Clinics. The anniversary celebration will feature cake and ice cream served by "celebrities" in the courtyard of the new hospital, along with other festive activities done in a way that will not be disturbing to the patients inside.

The Recognition Ceremony will be held in the afternoon, honoring many of the people who have helped to give the hospital the fine reputation that it has held for seventy five years. The Recognition Dinner will follow in the evening.

There are several support activities and items that are being planned in addition to the events planned for March 7 and September 5, 1986. As mentioned, tours and activities will be provided to a variety of groups and employees before the hospital opens (limited tours will continue after the opening). The hospital will be open for tours for the community-at-large for one week in February. During that time, there will be free health screening provided in the lobby by students and faculty, along with exhibits of various hospital programs and information about the hospital and the services available. Promotional and informational items will be given to everyone who tours the hospital in 1986.

On a more limited basis, a commemorative magazine and gift items will be presented to special guests during that time. One limited gift item will be a 2½" commemorative coin, featuring the new hospital on the face. The magazine will feature items of interest from the past and present, as well as a look forward.

Lecture series for doctors, nurses and others are also being planned as part of the celebration activities. These lectures will be offered to health professionals in the area, and would award continuing credit for attendance.

It is also possible that some lectures will be presented in the non-metro area as part of the 75th Anniversary Celebration. These lectures would be presented in conjunction with the Community Services Program, which has established connections in various parts of the state and region.

The committee anticipates that nearly all the expenses for the opening and 75th anniversary events will be covered by the various building companies, contractors, and other vendors involved with University of Minnesota Hospitals and Clinics.

The Celebration Planning Committee and its task forces are meeting regularly to plan and fine tune each event for the opening and the anniversary celebrations. In the next several months, more will be known about the content of events and lectures, as well as luminaries and special guests that can be expected to attend.

**UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS**

**BOARD OF GOVERNORS**

**QUARTERLY REPORT TO THE REGENTS**

**SEPTEMBER 13, 1985**

Chairman McQuiggan, President Keller, members of the Board of Regents, ladies and gentlemen, good morning. I am pleased to be here with you to overview the activities of the Board of Governors for the months of June through August.

**Primary Care Network**

I am pleased to report that on September 6th Whitehead and Associates and the University of Minnesota Hospitals did acquire 85% of the stock in the Primary Care Network Management Company. As planned, the Hospitals, together with the University of Minnesota Clinical Associates, did acquire 34% of that stock.

The Governors are satisfied that the agreement reached with our investor partner, Whitehead and Associates, does protect our interests as a minority shareholder. HMO certification of the Primary Care Network by the State Department of Health also occurred on September 6. Candidates for the Management Company's Chief Executive Officer position are currently being interviewed. With that person on board, the process of marketing the plan and enrolling participants can begin.

I would note that the Governors are appreciative of your support for this acquisition. Although the Primary Care Network currently represents an infrastructure upon which an HMO can be built, we viewed this as an important opportunity to secure and strengthen the linkages between the University Hospitals and physicians and the physicians out-state.

Concurrently, negotiations are underway with three locally based HMOs for provision by the University Hospitals of care for their enrollees on a referral basis.

### Helicopter

During its first six weeks of operation the Life One Minnesota helicopter made forty-four flights; a number which exceeds projected levels. Approximately one third of those flights were to the University of Minnesota Hospitals and Clinics.

The program has been broadly publicized and the helicopter is currently visiting hospitals statewide in an effort to familiarize physicians with the service. Just prior to program implementation, the helicopter spent a full day at our Hospitals. Approximately eight hundred Hospital staff members came out to participate in a series of events planned for the day.

You may know that as a result of operating difficulties, the helicopter made an emergency landing in St. Paul last week. Fortunately there were no injuries involved and the helicopter will be back into full service within a few days.

### Board of Governors Retreat

During the last week in August, the Governors set aside a few days away for a retreat. We discussed several issues all relating to a general theme of positioning the Hospitals positively for the future. Several products of the Hospitals' strategic planning process were discussed in detail, including the findings of our internal and external assessments. The Board spent an afternoon discussing areas in which we as Trustees might, individually or collectively, assist in positioning the Hospitals appropriately in an increasingly competitive environment.

In an effort to summarize our outcomes very briefly, I would simply say that there are several current competitive strategies that are, or will shortly, yield positive results. At the same time, a demanding environment continues to call for increasingly skillful foresight on the part of the decision makers. Several strategies for strengthening our Hospitals were discussed, including expanded participation with HMOs, an improved guest relations program and increased communication with our referring physicians.

### Other

On an annual basis, the Governors conduct a medical staff credentials review and approve the appointments of the Chiefs of Clinical Service and the Chairman of seventeen Medical Staff Committees. Those reviews took place, as scheduled, in June.

Our annual review of the Hospitals' Personnel Policies was also completed in June. That review resulted in the minor modifications of two policies. The first instituted a mid-range evaluation of new employees during their

probationary period. The second put into policy the practice of requiring Hospital employees to report for scheduled shifts during officially declared University of Minnesota severe weather closings. Both of those policy changes had been recommended by the Hospitals' Employee Advisory Committee.

Purchasing volume during the months of May, June, and July was down slightly, but the dollar value associated with those purchases was higher than average. This was due primarily to the acquisition of our extracorporeal lithotripter.

#### Closing Comment on Unit J

Lastly, with great pride, I report that the completion of Unit J is now in sight. The monthly progress reports to the Board of Governors have, over the summer months, turned to talk of completing the building's middle floors, planning for the move in late March, 1986, and the special events commemorating the Hospitals opening and the September, 1986 75th Anniversary of the Hospitals.

Later this fall you will begin seeing a variety of communications regarding the new hospital. I know that the members of the Board of Governors are looking forward to celebrating the opening of the building with the Regents next spring.

This concludes my prepared remarks this morning. If there are questions, I would be happy to respond to them at this point.

Thank you.