A non-public meeting of the Board of Governors of the University of Minnesota Health System was held on Wednesday, April 26, 1995 at 4:20 p.m. at 555 Diehl Hall, pursuant to the following resolution adopted at a public meeting of the Board of Governors.

> RESOLVED, that on the recommendation of the President and as provided by Minnesota State Statue, a non-public meeting of the Board of Governors be held on Wednesday, April 26, 1995, at 555 Diehl Hall for the purpose of discussing specific marketing and contracting matters.

Board members present: L. Bentson, P. Bowlin, W. Brody, S. Chou, J. Corbett, M. Dougherty, S. Edwardson, R. Erickson, R. Fagerstrom, M. Goldberg, S. Hansen, A. Hanser, G. Hart, N. Johnson, D. Knopman, A. Kydd, R. Lund, P. Lynch, D. MacMillan, P. Madel, T. Madison, A. Michael, J. Morrison, A. Page, P. Rapp, H. Smith, D. Sudor, R. Thompson, B. VanderKooi

Staff present: K. Dunder, C. Fearing, G. Strandemo, P. Board, T. Thomspon, V. Pai

The meeting was adjourned at 5:05 p.m.

Gail Strandemo
Board of Governors

THE UNIVERSITY OF MINNESOTA HEALTH SYSTEM

BOARD OF GOVERNORS

APRIL 26, 1995

2:30 P.M.

555 DIEHL HALL

THE UNIVERSITY OF MINNESOTA HEALTH SYSTEM
BOARD OF GOVERNORS
April 26, 1995
2:30 P.M.
555 Diehl Hall

AGENDA

				Page
I.	Approval of the March 22, 1995 Minutes		Approval	1
II.	Chairman's Report		Information	
	A.	Board of Governors Self-Evaluation		
III.	Executive Report		Information	
	A.	Faculty Practice Task Force Update		
IV.	Special Presentation		Information	
		Dr. Wally Swentko Director, Rural Physician Associate Program		
V.	Consent Items			
	A.	Finance, Planning and Development Committee		
		1. March 22, 1995 Minutes of the Finance, Planning and Development Committee	Information	8
		2. March 31, 1995 UMCA Financials	Information	10
		3. March 31, 1995 Financials	Information	25
		4. 1994-95 Third Quarter Bad Debt Report	Approval	30
		5. 1994-95 Third Quarter Capital Expenditure Report	Information	40
		6. Quarterly Purchasing Report	Approval	43
	B.	Quality Management Committee		
		1. March 22, 1995 Minutes of the Quality Management Committee	Information	44
	C.	Human Resource Committee		
		1. February 22, 1995 Minutes of the Human Resource Committee	Information	46
	D.	Audit and Nominating Committee		
		1. March 22, 1995 Minutes of the Audit and Nominating Committee	Information	48

VI. Committee Reports

A. Finance, Planning and Development Committee

1.	MCT Center (Under separate cover)	Approval	
2.	Ambulatory Care Task Force Report (Under separate cover)	Information	
3.	UMHC 1995-96 Budget Update	Information	50

B. Quality Management Committee

1.	Medical Staff-Hospital Council Report Credentials Committee Recommendations	Approval	51

C. Human Resource Committee

No items requiring Board deliberation

D. Marketing Task Force Report

VII. Resolution to conduct Non-Public Meeting of the Board of Governors to Discuss:

1. Specific Marketing and Contracting Matters

VIII. Other Business

IX. Adjournment

MINUTES

BOARD OF GOVERNORS
The University of Minnesota Health System

March 22, 1995

Call To Order

The March 22, 1995 meeting of the Board of Governors was called to order at 1:00 p.m. at the Sheraton Inn Midway.

Attendance

Present:

Larry Bentson
Paul Bowlin, M.D.
William Brody, M.D.
Shelley Chou, M.D.
James Corbett
Michael Dougherty
Sandra Edwardson, PhD
Robert Erickson
Rose Fagerstrom
Michael Fay
Archie Givens
Marvin Goldberg, M.D.
Steve Hansen
Albert Hanser
Gregory Hart
Nellie Johnson
David Knopman, M.D.
Arthur Kydd
Peter Lynch, M.D.
Peter Madel
Tom Madison
Elizabeth Malkerson
Al Michael, M.D.
John Morrison
Alison Page
Peter Rapp
Henry Smith, M.D.
Donald Sudor
Roby Thompson, M.D.
Benjamin Vander Kooi

Not Present: Ronald Lund
Duncan MacMillan
Tom Madison
Kathy Tunheim

Approval of Minutes

The Board of Governors seconded and passed a motion to approve the minutes of the February 22, 1995 meeting as submitted.

Chairman's Report

Mr. Michael Dougherty welcomed new Board of Governors member, James Corbett.

Mr. Dougherty discussed the 1995 committee assignments which were distributed to each of the Board members.

Executive Report

Dr. William Brody reported that Dr. John Nagarian resigned his faculty appointment. He currently maintains his clinical privileges at UMHC.

Dr. Brody commended University of Minnesota Police Department staff for the fine job they did in handling the March 10th incident. A motion was seconded and passed for Mr. Greg Hart to put together a resolution which would be presented to the University of Minnesota Police Department staff.

Mr. Greg Hart reported that negotiations with Aspen Clinic were moving along positively.

Mr. Hart reported that the closing for the Mesaba Clinic and Mesabi Regional Medical Center, transactions are set for April 3 and April 6 respectively.

Mr. Peter Rapp introduced Mr. Mike Minear, Senior Associate Director and Chief Information Officer.

Consent Agenda

A motion was made and seconded to approve the consent agenda.

Quality Management Committee

Mr. Albert Hanser called on Dr. Marvin Goldberg to present the recommendations of the Quality Management Committee as to Medical Staff Bylaws changes. A motion was made and seconded and approve the Medical Staff Bylaws changes.

Adjournment

The meeting was adjourned at 1:30 p.m.

Respectfully submitted,

Gail Strandemo

Gail Strandemo
Board of Governors Office

UNIVERSITY OF MINNESOTA HEALTH SYSTEM

BOARD OF GOVERNORS MINI-RETREAT

MARCH 22, 1994

SUMMARY

The Meeting was called to order at 1:30 P.M.

INTRODUCTION

Mr. Michael Dougherty welcomed the members to the annual mini-retreat of the UMHS Board of Governors and introduced the agenda for the afternoon. Mr. Dougherty explained that the retreat would focus on the financial assumptions of UMHC and UMCA for the fiscal year 1995-96 and would also follow the progress made by the Medical School in putting together their financial summary as they approach their new fiscal year.

1995-96 BUDGET ASSUMPTIONS

UNIVERSITY/AHC BUDGET CONTEXT

Mr. Michael Dougherty invited Ms. Joanne Jackson, CFO of the Academic Health Center (AHC) to give an overview of the financial summary of the University of Minnesota and the AHC. Ms. Jackson presented the University's financial fund structure and the relationship of the AHC in receiving non-current and current funds including sponsored and non-sponsored monies and their distribution.

UMHC BUDGET ASSUMPTIONS

Mr. Michael Dougherty then invited Mr. Peter Rapp, General Director, UMHC to present UMHC budget assumptions for the fiscal year 1995-96. Mr. Rapp presented a review of the August and December 1994 planning assumptions and brought the members of the Board up-to-date on key variables being used to forecast the 1995/96 budget. Mr. Rapp indicated that a very conservative approach is being taken to minimally ensure a balanced operating budget in 1995-96. Mr. Rapp said that Managed Care continues to drive the market in this area and that strategic investment to maintain market position and significant cost reduction activity is required to remain competitive. According to Mr. Rapp the hospital will budget for an .5% decrease in inpatient volume and an 1.75% increase in outpatient volume next year. Mr. Rapp said other revenue assumptions of note are the changes in Medicare and Medicaid payments and other changes put in place by Blue Cross of Minnesota that will result in a reduced rate of payment.

On the expenditure side, Mr. Rapp highlighted a compensation plan that is market competitive and assumes the general inflation rates. Without management action, a $10.65 million deficit would occur. Management is responding accordingly to present a plan for 1995-96 that is consistent with UMHC's long range financial plan. Mr. Rapp said that to achieve this goal, several steps, including staff adjustment, managing market base compensation levels, limiting overhead adjustments and examining incentive models are being considered.

MEDICAL SCHOOL

MEDICAL SCHOOL FINANCIAL REPORT

Mr. Michael Dougherty then invited Mr. Peter Mitsch, the Director of Finance and Accounting of the Medical School to present a financial review of the medical school. Mr. Mitsch told the members that despite a difficult process of data gathering, the School was close to reconciling their financial situation.

Mr. Mitsch said in addition to the difficulties foreseen by the reduced funding from Central Administration, there would be fewer resources from individual departments to support research in the medical school. The current estimates of deficits for 1994/95 is projected at $3.3 million and another $1.0 million in 1995/96. Mr. Mitsch hoped that the trend will be stemmed by better fiscal management and tighter controls of the resources allocated to the medical school in the following years. Mr. Mitsch then outlined the fiscal relationship of the medical school with UMHC and the revenue stream that affects the DPGs through their contracts with the hospital and other payors.

DPG REVIEW

Ms. Joanne Jackson invited Mr. Howard Schur, Assistant Director, Medical School Private Practice Administration to provide an overview of the Departmental Practice Groups to the UMHS Board. Mr. Schur walked the members through the Regents' Rules on Private Practice (DPGs) and described the relationship between the Groups, the Provost's office, medical school and UMCA.

Mr. Schur said that financial tools developed over the past six months allow DPGs to submit better financial data and allow for better accounting practices. According to Mr. Schur, the DPGs now have a clearer understanding of their financial situation.

Ms. Jackson also added that the move toward a single group practice would eventually remove many deficiencies in the current financial reporting system.

ORGANIZATION

FACULTY PRACTICE ORGANIZATION

Dr. Roby Thompson, Chair of the UMCA Board of Directors detailed the move toward forming a new Faculty Practice Organization (FPO). Dr. Thompson said the goals of such an organization would be to ensure market competitive compensation to retain and recruit quality academic clinical faculty, share in a risk/reward model between the hospital and physicians and set priorities for clinical, research and educational activity of the AHC. Dr. Thompson then invited Dr. Frank Cerra, Chair of the Faculty Practice Plan Task Force to explain its activities.

Dr. Frank Cerra introduced the composition of the Task Force membership and outlined the process for the implementation of a FPO. Dr. Cerra said that the Task Force would use the three major goals identified to delineate goals and objectives of the FPO, to model a process that would address issues of governance, compensation, departmental authority, relationships and disposition of current DPGs assets and liabilities. Dr. Cerra hoped to present a preliminary report to the UMCA Board of Directors on April 17.

INCENTIVES, REWARDS AND PROGRAMS

Dr. William Brody, Provost, AHC spoke of the need to change and the difficulty that needed to be endured during the change process. Dr. Brody said that radical change is needed and cited the formation of a single group practice as difficult change that needs to happen to ensure both survival and progress in today's changing healthcare market. Dr. Brody also introduced the idea of creating incentives and rewards and the formation of programs to keep abreast of the fast pace of the marketplace. He then invited Ms. Joanne Jackson to outline such a plan for the AHC.

Ms. Joanne Jackson spoke of the "constant state of becoming" that was shaping today's environment and described the problems the present system configuration faced. She said the system currently places the hospital and medical school at odds with each other and does not allow for the incentivizing of high priority programs.

Ms. Jackson stressed the need for better resource management and to be sensitive to current market conditions that is demanding customer defined quality centers and can be achieved through cross-departmental programs that share risks, responsibilities and rewards. Ms. Jackson said that such programs can be achieved by collaborative group approach through interdisciplinary designs such as business segments in a matrix organization, aided by the formation of a single group practice, overseen by the Board and other entities in the AHC. Ms. Jackson hoped that a study of a plan to move toward such a model would be launched in July 1995 and be ready to be fully set up in the fiscal year 1996-97.

VALUES AND CULTURE

Dr. William Brody addressed the Board on the values and culture at the AHC and the need for change. Dr. Brody said the recent events had led to a loss of public trust and morale at the AHC and stressed the need for promotion of better values and for a radical change of culture. Dr. Brody also said he was forming a committee at the AHC level to address issues regarding conflict of interest, financial conduct, commitment to the AHC, and the ethical conduct of education, research and patient care.

Mr. Michael Dougherty applauded the efforts of Provost Dr. William Brody and praised the leadership he has exhibited during short period he has been at the University of Minnesota. Mr. Dougherty then invited members to stay and watch a tape of Dr. Brody's "State of the AHC" address.

There being no further items for discussion, the meeting was adjourned at 4:35 p.m.

Respectfully submitted,

Vaman Pai
Secretary to the Board
University of Minnesota Health System

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE,
PLANNING & DEVELOPMENT COMMITTEE
March 22, 1995

MINUTES

ATTENDANCE:

Members: John Morrison, Chair
Larry Bentson
Greg Hart
JoAnne Jackson
Arthur Kydd
Duncan MacMillan
Peter Madel
Alfred Michael, M.D.
Peter Rapp

Guests: Pat Board
William Brody, M.D.
Michael Fay, Board Member
Howard Schur
Don Sudor, Board Member

Staff: Beth Beyer
Joanne Disch
Wayne Drehmel, M.D.
Keith Dunder
Cliff Fearing
Nels Larson
Carter McComb
Mike Minear
Pete Mitsch

CALL TO ORDER:

The meeting of the Finance, Planning & Development Committee was called to order by John Morrison, Committee Chairperson, on March 22, 1995 at 11:17 A.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance, Planning & Development Committee seconded and passed a motion to approve the Finance, Planning & Development Committee minutes of the February 22, 1995 meeting as written.

FEBRUARY 28, 1995 FINANCIAL STATEMENTS:

Mr. Cliff Fearing reported to the Committee, for information, the February 28, 1995 financial statements. The inpatient admissions totaled 1,351, which were 28 greater than budgeted admissions; average length of stay was 7.0 days; patient days totaled 9,824 and were 72 days below budget.

Outpatient encounters through February 28, 1995 totaled 32,594, which was 6.4% above budgeted volumes.

Mr. Fearing indicated that the Hospital's Statement of Operations show revenues being greater than expenses by $6,190,000 and a favorable variance of $1,717,000. Operating expenditures through February totaled $204,946,000 and were 0.4% below budgeted levels of $205,759,000.

UMCA FINANCIAL REVIEW:

Mr. Pat Board reported to the Committee, for information, the financial statements for the period ending January 31, 1995 and the fiscal year to date for UMCA. Mr. Board indicated the UMCA income statement reflected a year-to-date actual net income of $206,006 versus a budgeted loss of $175,109. Mr. Board advised the Committee, UMCA will have a planned loss position over the next 18 months due to the implementation of the Common Billing Office.

GENE THERAPY PROGRAM/FACILITY:

Ms. JoAnne Jackson presented this item to the Committee for information only. Ms. Jackson will return at next month's Board meeting for approval on this item and a detailed presentation.

UMHC BUDGET ASSUMPTIONS:

Mr. Peter Rapp presented this item for information to the Committee. (Handout attached.)

There being no further discussion, the March 22, 1995 meeting was adjourned at 12:15 P.M.

Respectfully submitted,

Beth Beyer
Recording Secretary

/bb

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway
Minneapolis, MN 55455

March 19, 1995

To: UMHS Finance, Planning and Development Committee

From: Pat Board

Re: March Financials

Enclosed are the financial statements for the University of Minnesota Clinical Associates for March 1995. The key areas of note on the statements are:

- In March, we chose to drop the fee charged to departments for claims processed through UMCA under the "old system" (managed care claims only) from 10.6% of cash to 6.72% of cash. This necessitated a one-time adjustment to the "Service Fee Income" to adjust income that had previously been booked on an accrual basis at the higher rate. This action was taken to reflect a change in financing of UMCA (non-CBO fee used to be part of 10.6%). This will not adversely impact UMCA's ability to meet budget expectations.

- Expenses exceeded budget by 0.6%. The major variance was interest expense. This expense was not budgeted at this level and represents interest occurring for the working capital loan and capital leases for equipment. The increased interest accrual will be reflected in 1995/96 budget.

- To-date UMCA's use of the $805,000 line of credit from UMHS has been limited to $176,800 of projected $290,000. This is due to the ability to work "old" and "new" accounts for the first five departments converted, and cost management. It is yet too early to determine if this will continue.

Thank you for your review of this information. We look forward to discussing this material at the meeting.

PSB:bb

UMCA FINANCIAL STATEMENTS MARCH 31, 1995

- INCOME STATEMENT
- ALLOCATION OF COSTS BY DIVISION
- BALANCE SHEET
- CHANGE IN CASH POSITION

04/15/95
02:26 PM

UNIVERSITY OF MINNESOTA CLINICAL ASSOCIATES
INCOME STATEMENT
PERIOD #9 ENDING 03/31/95 AND FISCAL YEAR TO DATE

	Current Month-Actual	Current Month-Budget	Variance in $$'s	Year-to Date-Actual	Year-to Date-Budget	Variance in $$'s
REVENUE:						
Service Fee Income	$ 7,080	$ 77,326	$ (70,246)	$ 990,876	$ 1,017,834	$ (26,958)
CBO Fees	128,345	109,196	19,149	312,256	284,437	27,819
Non-CBO Fees	100,000	100,000	0	300,000	300,000	0
Hospital-based Dept. Fees	20,833	20,833	0	62,499	62,499	0
GHI Capitation Fees	10,959	6,679	4,280	117,843	93,500	24,343
Hospital Services	10,705	10,705	0	96,345	96,345	0
Interest Income	421	0	421	7,893	10,200	(2,307)
Clinical Department Dues		0	0	44,231	44,230	1
Scheduling/Registration		0	0	25,002	25,002	0
SUB-TOTAL: OPERATING REVENUE	278,343	324,739	(46,396)	1,956,945	1,934,047	22,898
Special Assessment				248,000		248,000
TOTAL REVENUE	278,343	324,739	(46,396)	2,204,945	1,934,047	270,898
EXPENSE:						
Employee Salaries	211,933	216,131	4,198	1,096,992	1,234,129	137,137
Employee Benefits	60,234	60,517	283	284,118	350,467	66,348
Temporary Agency Employees	2,942	1,000	(1,942)	28,342	14,950	(13,392)
Occupancy Costs	23,729	22,633	(1,096)	118,028	107,319	(10,709)
Data Processing	36,500	33,700	(2,800)	189,787	199,760	9,973
Supplies	7,054	12,191	5,137	57,323	48,217	(9,106)
Communications	13,165	11,021	(2,144)	52,334	48,503	(3,831)
General & Administrative	16,651	14,336	(2,315)	116,316	101,817	(14,499)
Consultant Fees	5,000	7,500	2,500	134,239	111,700	(22,539)
Interest Expense	11,313	7,000	(4,313)	37,160	30,393	(6,767)
TOTAL EXPENSE	388,520	386,029	(2,492)	2,114,638	2,247,255	132,617
NET INCOME BEFORE INCOME TAXES	(110,177)	(61,290)	(48,887)	90,308	(313,208)	403,516
PROVISION FOR INCOME TAXES				146		
NET INCOME	$ (110,177)	$ (61,290)	$ (48,887)	$ 90,162	$ (313,208)	$ 403,516

UNIVERSITY OF MINNESOTA CLINICAL ASSOCIATES
ALLOCATION OF EXPENSES BY DIVISION
PERIOD ENDING 3/31/95

	SUPPORT SERVICES									
	SYSTEM	HUMAN RESOURCES	ACCOUNTING	COMMON BILLING UNIT	CONTRACTS & UTIL. MGMT.	PROGRAM DEVELOPMENT	EXECUTIVE MANAGEMENT	TOTAL EXPENSE WITH ALLOCATION	TOTAL EXPENSE W/O ALLOCATION	BUDGET
Memo: FTE's @ 3/31/95	*7.00*	*1.50*	*3.50*	*52.00*	*12.50*		*3.50*	*68.00*	*80.00*	*86.50*
EXPENSE CATEGORY										
Employee Salaries	20,876	8,204	10,397	112,218	41,871		18,366	172,455	211,933	216,131
Employee Benefits	7,241	1,170	5,627	31,285	9,409		5,503	46,196	60,234	60,517
Temp. Agency Staffing				2,904			38	2,942	2,942	1,000
Occupancy Costs			21,960	1,465			303	1,769	23,729	22,633
Data Processing	36,500							0	36,500	33,700
Supplies	1,089	42	181	5,117	23		603	5,743	7,054	12,191
Communications	9,970			3,194				3,194	13,165	11,021
General & Administrative	1,528	854	8,982	924	3,139		1,225	5,288	16,651	14,336
Consultant Fees	5,000							0	5,000	7,500
Interest Expense			11,313					0	11,313	7,000
								0		
Total Expense Before Allocation	82,203	10,271	58,460	157,108	54,442	0	26,037	237,587	388,521	386,029
Allocated Expenses:										
System	(82,203)			62,475	14,797		4,932	82,203		
Human Resources		(10,271)		7,806	1,849		616	10,271		
Accounting			(58,460)	44,429	10,523		3,508	58,460		
Total Expense After Allocation	0	0	0	271,818	81,610	0	35,093	388,521	388,521	0

04/15/95
03:25 PM
c:\windows\123data\cost0295.wk4

UNIVERSITY OF MINNESOTA CLINICAL ASSOCIATES
BALANCE SHEET
MARCH 31, 1995

(UNAUDITED)

ASSETS:	OPERATIONS	REIMBURSE-MENT	TOTAL
Current Assets:			
Cash	$ (31,585)	$ 1,079,807	$ 1,048,222
Service Fees Receivable	283,480		283,480
A/R - CBO Fees	196,720		196,720
A/R - Non-CBO Fees	124,005		124,005
A/R - Hospital-based Departments	62,499		62,499
Due from UMHC	26,088		26,088
Departmental Dues Receivable	33,672		33,672
Advances to Departments-Medica	37,844		37,844
Special Assessment Receivable	16,568		16,568
A/R - UMHC/IDX/UMCA Service Fees	123,715		123,715
A/R - Departmental Fees	35,468		35,468
Prepaid Expenses	57,894		57,894
Other Current Assets	10,903		10,903
Total Current Assets	977,271	1,079,807	2,057,078
Property and Equipment:			
Office Equipment	61,895		61,895
Computer Equipment	112,884		112,884
(Accumulated Depreciation)	(123,713)		(123,713)
Total Property and Equipment	51,065	0	51,065
Total Assets	$ 1,028,336	1,079,807	2,108,143
LIABILITIES AND FUND BALANCE			
Liabilities:			
Notes Payable-Neurology	$ 4,000	$	$ 4,000
Departmental Loans	170,404		170,404
Notes Payable - UMHC	244,287		244,287
Accounts Payable	171,077		171,077
Accrued Salaries and Benefits	129,671		129,671
"Withholds" & Fees Payable	66,347		66,347
DPG Revenue Payable		946,862	946,862
Transplant "Other" Liability		16,673	16,673
Due to Vendors/Payors (Refunds, etc.)		102,237	102,237
Medica Reserve		14,035	14,035
Other Liabilities	6,036		6,036
Total Liabilities	791,822	1,079,807	1,871,629
Fund Balance	236,514		236,514
Total Liabilities and Fund Ba	$ 1,028,336	$ 1,079,807	$ 2,108,143

04/17/95
11:44 AM

UNIVERSITY OF MINNESOTA CLINICAL ASSOCIATES
CHANGES IN OPERATING CASH
(IN $ 000'S)
MONTH ENDING MARCH 31, 1995

Sources of Cash:		
Service Fee Revenue	$	92.9
CBO Fees		129.2
GHI Capitation Program Fees		11.0
Payment for Hospital Services		0.0
Interest Income		0.5
Receipt of Non-CBO Fees		200.5
Receipt of Departmental Fees		1.9
Total Cash Received during Period:		436.0
Uses of Cash:		
Payroll Expense		(224.0)
Payment of Operating Expenses		(132.5)
Bank Service Charges		(4.9)
Payment of Principal on Notes		(16.3)
Increase in Prepaid Expenses		(22.6)
Total Cash Expenditures during Period:		(400.3)
Change in Cash Position		35.7

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway
Minneapolis, MN 55455

April 19, 1995

To: **UMHS Finance, Planning and Development Committee**

From: **Pat Board** PSB

Re: **UMCA Accounts Receivable**

Attached is information related to the Accounts Receivable issue which was referenced at last month's meeting. We will use this information to serve as a base to describe the issue, its source and action steps which have been taken and are planned. There has been significant focus on this topic at many levels and considerable support is being provided to address the issues which have been identified.

We look forward to responding to your questions on this material.

PSB:bb

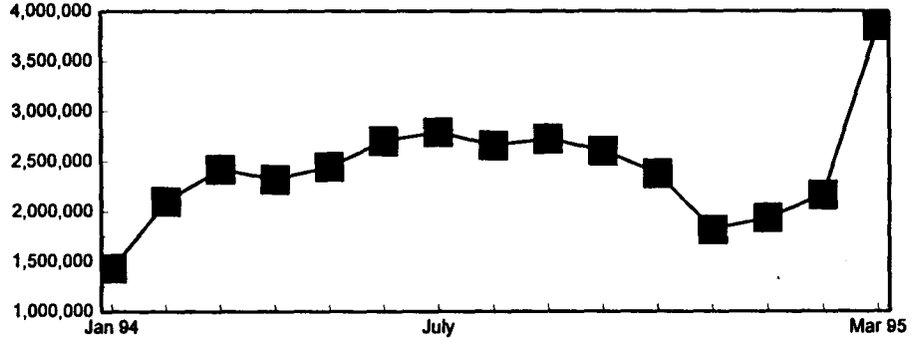
University Of Minnesota Clinical Associates

Accounts Receivable Analysis

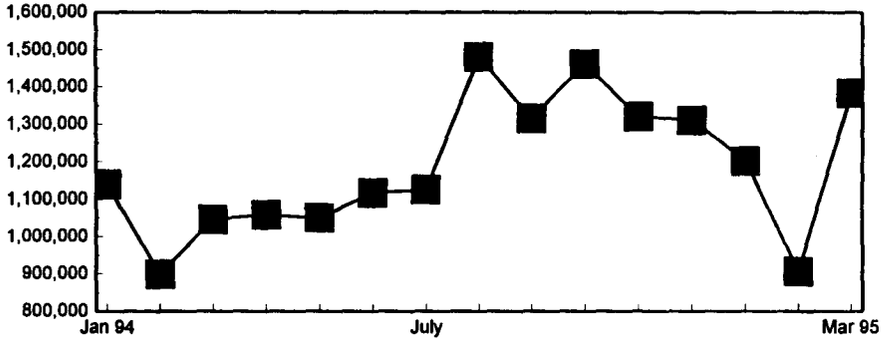
January 1994 through March 1995

	Charges	Payments	Adjustment	A/R Balance	Days In A/R
January 94	1,433,904	1,140,692	920,040	4,246,341	
February	2,102,919	899,375	662,038	4,787,848	
March	2,422,818	1,046,629	944,449	5,219,588	
April	2,323,361	1,058,962	1,023,234	5,460,753	
May	2,447,005	1,050,449	1,280,952	5,576,357	
June	2,701,937	1,117,601	1,282,173	5,878,519	79
July	2,792,475	1,126,352	1,276,544	6,268,099	76
August	2,659,611	1,480,731	1,759,705	5,687,274	67
September	2,726,109	1,315,722	1,265,488	5,832,173	67
October	2,604,114	1,461,616	1,253,347	5,721,324	65
November	2,381,158	1,321,305	1,257,133	5,524,044	63
December	1,817,344	1,310,715	944,707	5,085,966	61
January 95	1,936,544	1,202,317	805,304	5,014,890	64
February	2,164,483	907,321	1,078,630	5,193,422	69
March	3,851,609	1,383,789	1,186,652	6,474,590	79
Total/Ave for previsous 12 months	30,405,750	14,736,880	14,413,868	5,643,118	

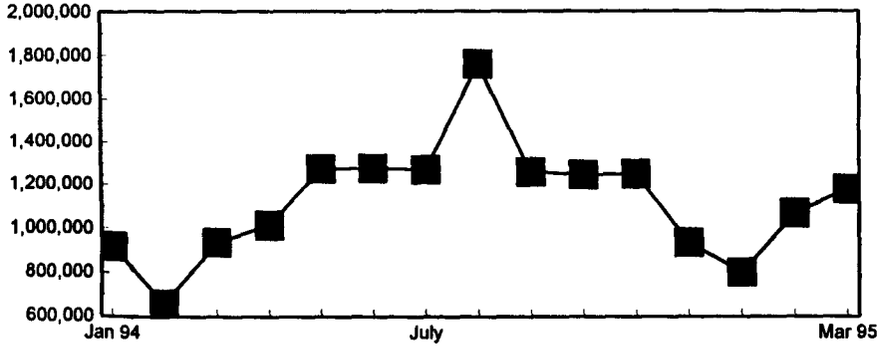
CHARGES



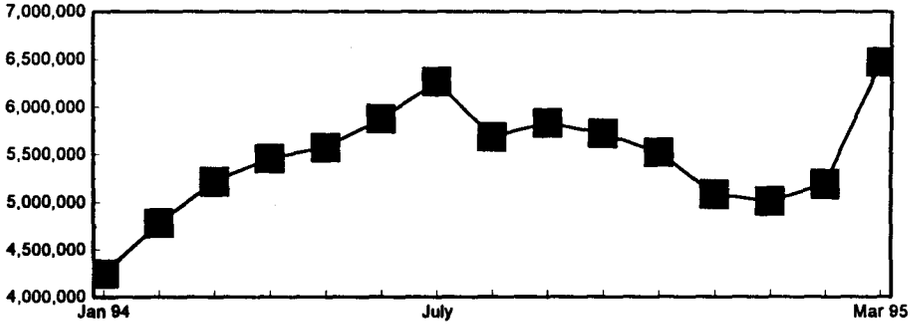
PAYMENTS



ADJUSTMENTS



A/R BALANCE



TOTAL UMCA

	Charges	A/R Balance	Days In A/R
January 94	1,433,904	4,246,341	
February	2,102,919	4,787,848	
March	2,422,818	5,219,588	
April	2,323,361	5,460,753	
May	2,447,005	5,576,357	
June	2,701,937	5,878,519	79
July	2,792,475	6,268,099	76
August	2,659,611	5,687,274	67
September	2,726,109	5,832,173	67
October	2,604,114	5,721,324	65
November	2,381,158	5,524,044	63
December	1,817,344	5,085,966	61
January 95	1,936,544	5,014,890	64
February	2,164,483	5,193,422	69
March	3,851,609	6,474,590	79
Total/Ave	30,405,750	5,643,118	

Total represents current 12 months of data

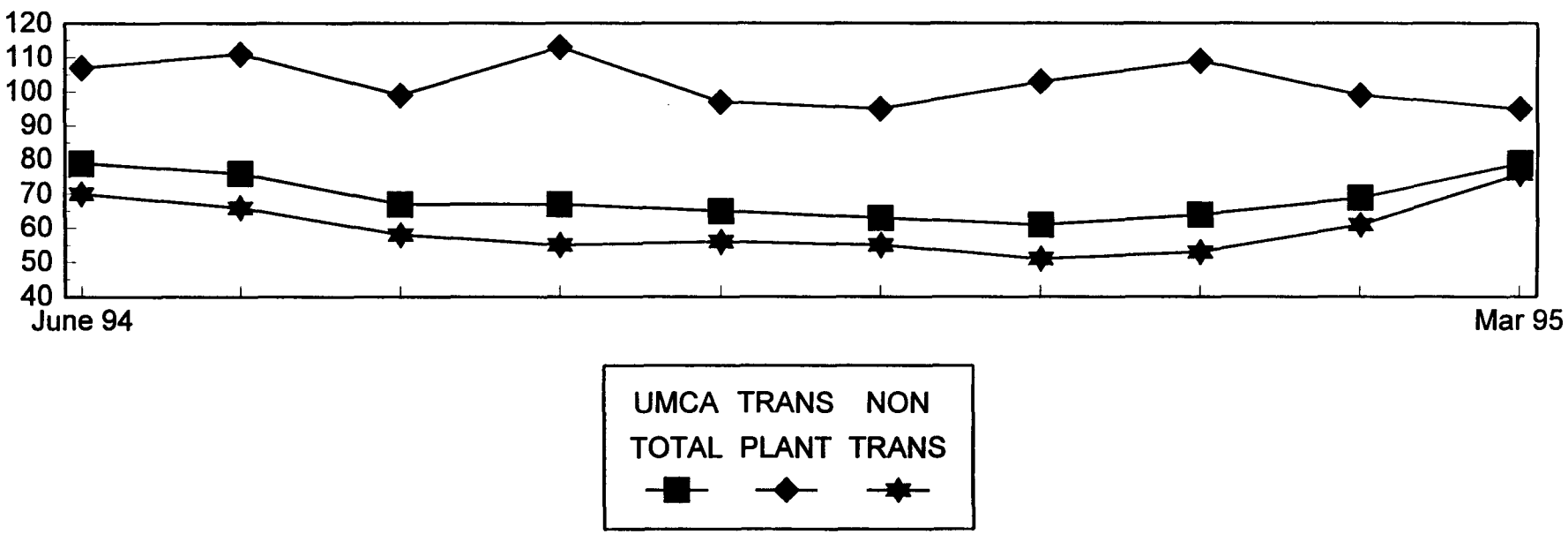
TRANSPLANTS

	Charges	A/R Balance	Days In A/R
January 94	367,252	946,263	
February	377,309	1,034,307	
March	660,835	1,362,440	
April	486,219	1,465,502	
May	515,852	1,511,587	
June	703,802	1,854,189	107
July	510,701	2,008,256	111
August	463,145	1,830,707	99
September	567,850	2,038,700	113
October	501,309	1,762,577	97
November	387,258	1,646,184	95
December	452,274	1,647,339	103
January 95	407,637	1,683,706	109
February	309,294	1,445,290	99
March	421,971	1,312,215	95
Total/Ave	5,727,312	1,683,854	

UMCA NON TRANSPLANT

	Charges	A/R Balance	Days In A/R
January 94	1,066,652	3,300,078	
February	1,725,610	3,753,541	
March	1,761,983	3,857,148	
April	1,837,142	3,995,251	
May	1,931,153	4,064,770	
June	1,998,135	4,024,330	70
July	2,281,774	4,259,843	66
August	2,196,466	3,856,567	58
September	2,158,259	3,793,473	55
October	2,102,805	3,958,747	56
November	1,993,900	3,877,860	55
December	1,365,070	3,438,627	51
January 95	1,528,907	3,331,184	53
February	1,855,189	3,748,132	61
March	3,429,638	5,162,375	76
Total/Ave	24,678,438	3,959,263	

COMPARISON OF DAYS IN A/R



University of Minnesota Clinical Associates
Cash Collections - January - March, 1995

	JAN.		FEB.		MAR.		YTD	
Department	Act.	(1) Avg.	Act.	Avg.	Act.	Avg.	Act.	Avg.
Dermatology	**186,483**	160,761	**172,201**	160,761	**186,130**	160,761	**544,814**	482,283
Medicine	**721,065**	897,048	**828,532**	897,048	**1,183,674**	897,048	**2,733,271**	2,691,144
Neurology (2)	**114,735**	74,554	**59,259**	74,554	**115,156**	74,554	**289,150**	223,662
Orthopaedics (3)	**NA**	345,075	**NA**	345,075	**342**	345,075	**342**	1,035,225
Rehab.	**37,386**	34,159	**38,626**	34,159	**60,227**	34,159	**136,239**	102,477
Urology (4)	**149,148**	94,975	**94,902**	94,975	**106,652**	94,975	**350,702**	284,925

(1) This is the average monthly cash collection for the DPGs for calendar 1994 reported by each DPG.

(2) The Neurology average number may not include some of the Neurology DPGs. However, it appears the budgeted figures include all Neurology DPGs. This needs more research.

(3) Orthopaedics first claim was entered into the system on March 7. Most of cash is still being collected through Orthopaedics (spin-down).

(4) Uncertain if Peds Urology was included in budget.

CASHCOLL.YTD

University of Minnesota Clinical Associates

Accounts Receivable
Overall Cause of Issues

- Complex process requiring integration of many components of health system

- Structural systems contributing to performance issues (registration/scheduling).

- Allocation of management resources to establishment of new Common Billing Office.

- Allocation of management resources to resolution of systems issues - registration/scheduling.

- Vacancy of key supervisory position.

University of Minnesota Clinical Associates
Accounts Receivable Issues Summary

Issue #1
UMCA Internal Processes

Examples

- Authorizations
  - paper process
  - lead time for securing authorization
  - performance/ monitoring standards
- Collections
  - insufficient use of automated system

Issue #2
UMCA Interfaces

Examples

- UMCA/DPG expectations
  - authorizations
  - # of appeals of claim
  - A/R differences
  - credentialling
- UMCA/UMHC/DPG Operational Flow
  - clinic front desk
  - timing of claim submission
- Electronic Interfaces

Issue #3
Contract/Payor Issues

Examples

- Transplants
- Medica
- Blue Plus/SHP
- Indian Health Service

University of Minnesota Clinical Associates
Accounts Receivable Issues
UMCA Internal Processes
Example of Major Action Steps

Action	Status
• Send all claims to charge entry except current/retroactive pending	• Complete on Tuesday, March 28th
• Change process so all claims entered to system first and authorization secured off edit list	• Change effective April 3rd
• Define standards for securing authorization	• Standards completed and effective May 1st
• Work on authorization for patients scheduled 10 days in advance versus 2 days	• Transition process completed by May 1st

University of Minnesota Clinical Associates
Accounts Receivable Issues
UMCA Interface
Example of Major Action Steps

Action	Status
• Define mutual expectation of UMCA/DPG on several parameters - effort placed to secure retro authorization - define when a denial is a denial	• Assign to Billing Advisory Team to develop recommendation for policies by May
• Reconcile and take action on all out-standing accounts receivable, and agree on current A/R	• Process underway to be completed in May
• Re-define operational flow for clinic desks	• Currently under discussion with UMHC administration
• Do programming to transfer authorization number directly to claim	• Will determine resources/timing
• Resolve registration interface	• Process meeting completed, target date established

Projects Currently Working On:

1. Find location for Board of Governors Audit Committee scheduled for Wednesday, April 26 from 11:00 to 12:00 for 8 people.

2. Confirm Finance and Audit Committee attendance before Wednesday, April 26.

3. When my Visa statement arrives, please send my receipts (located in envelope in Accounts Payable folder) to Mary Jane Dorr.

4. File Policy and Procedures (to be filed) in the Medical Staff Office. (Vaman can show you where).

5. When a binder comes from the storehouse, please put inserts on the top of my files in them and send to Rhonda, Heart Failure Clinic, Box 88.

6. Call O'Neal Wheatley at 1-800-320-0011 and let him know Cliff will not be able to meet with him on May 18. You can refer him to Nels Larson at 626-5559.

7. Schedule Tom Doyle (331-6321), Keith Dunder (6-5429), Steve Grygar (6-3192) and Cliff to meet sometime the week of May 15 for 1 1/2 hours. Cancel their meeting on the 17th from 10:00 - 11:30.

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway
Minneapolis, MN 55455

April 26, 1995

TO: Members, Board of Governors

FROM: Clifford P. Fearing

SUBJECT: Report of Operations for the Period
July 1, 1994 through March 31, 1995

The Hospital and Clinic's operations for the month of March reflect both admissions and outpatient encounters to be greater than budgeted levels. Admissions were slightly above budget, but because of lower than expected average length of stay, patient days were 0.3% below the budgeted level.

INPATIENT CENSUS: For the month of March, inpatient admissions totaled 1,588 which were 131 greater than the budgeted admissions of 1,457. The overall average length of stay for the month was 7.0 days. Patient days for March totaled 11,054 and were 38 days below budget. Admissions were greater than budgeted levels this month in the areas of Gynecology, Medicine, Pediatrics and Clinical Research. These were partially offset by less than budgeted admissions in the areas of Orthopedics and Neurosurgery.

OUTPATIENT CENSUS: Ambulatory care encounters (including CUHCC and Home Health) for the month of March totaled 36,107 which was 1,396, or 4.0%, above budgeted volumes of 34,711. Encounters were greater than budgeted levels in Family Practice, Medicine, Pediatrics, Rehab Services and Surgery. Encounters were slightly under budgeted levels in the areas of CUHCC and Neurology.

To recap our census:

Monthly Data						YTD Data				
93/94 Actual	94/95 Budget	94/95 Actual	Variance	% Var		93/94 Actual	94/95 Budget	94/95 Actual	Variance	% Var
1,531	1,457	1,588	131	9.0	Admissions	13,141	12,655	12,821	166	1.3
11,204	11,092	11,054	(38)	(0.3)	Patient Days	95,790	94,617	92,945	(1,672)	(1.8)
7.3	7.6	7.0	(0.6)	(7.9)	Avg Length of Stay	7.3	7.5	7.2	(0.3)	(4.0)
361.4	357.8	356.6	(1.2)	(0.3)	Avg Daily Census	349.6	345.3	339.2	(6.1)	(1.8)
65.4	67.5	65.8	(1.7)	(2.5)	Percent Occupancy	62.3	64.2	62.2	(2.0)	(3.1)
36,429	34,711	36,107	1,396	4.0	Amb Care Encounters	295,400	289,141	304,297	15,156	5.2

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows year to date revenues being greater than expenses by $8,050,000. This is a favorable variance of $2,599,000.

Patient care charges through March totaled $292,762,000, which was 0.2% greater than budget. Ancillary revenue was $1,711,000 or .8% above budget and routine revenue was $992,000 (1.2%) below budget. Inpatient revenue averaged $16,890 per admission compared to the budgeted average of $17,304. Outpatient revenue averaged $251 per encounter compared to the budgeted average of $253.

Deductions from revenue totaled $80,709,000 which was $1,228,000 or 1.5% over budgeted deductions of $79,481,000. Deductions from revenue were greater than anticipated through March primarily due to the HMO/PPO payor group. Both volumes and average charge per case for HMO/PPO payors were greater than anticipated. Blue Cross and Blue Shield, MA Demonstration Project and UCARE were the payors that were the major contributors to the unfavorable variance. The unfavorable variance on HMO/PPO write-offs was offset slightly by Minnesota Medicaid Program payments that continue to be greater than budgeted.

Operating expenditures through March totaled $231,585,000 and were $645,000 (0.3%) below budgeted levels of $232,230,000. The largest favorable variance is in supplies and services, where we experienced lower than anticipated drug utilization, and lower donor acquisition expenses. Insurance expense was greater than budget, due to the unanticipated reinstatement of insurance premiums to RUMINCO.

ACCOUNTS RECEIVABLE: The balance in net patient accounts receivable as of March 31, 1995, totaled $59,041,000 and represents 65.8 days of net revenue outstanding.

CONCLUSION: Our operating position for year-to-date March is positive and above budgeted levels. We continue to monitor our activity levels closely and are making operating changes that are necessary and appropriate.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
SUMMARY STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1994 TO MARCH 31, 1995

1993-94 MARCH ACTUAL	MARCH BUDGETED	MARCH ACTUAL	VARIANCE OVER/(UNDER) BUDGET	VARIANCE %		1993-94 MARCH YTD ACTUAL	YTD BUDGETED	YTD ACTUAL	VARIANCE OVER/(UNDER) BUDGET	VARIANCE %
$33,972,000	$33,983,000	**$35,285,000**	$1,302,000	3.8%	GROSS PATIENT REVENUE	$281,389,000	$292,042,000	**$292,762,000**	$720,000	0.2%
8,815,000	9,286,000	**9,827,000**	541,000	5.8%	DEDUCTIONS FROM REVENUE	75,080,000	79,481,000	**80,709,000**	1,228,000	1.5%
25,157,000	24,697,000	**25,458,000**	761,000	3.1%	NET PATIENT SERVICE REVENUE	206,309,000	212,561,000	**212,053,000**	(508,000)	-0.2%
					OTHER OPERATING REVENUE					
1,282,000	1,162,000	**1,162,000**	0	0.0%	APPROPRIATION AND SUPPORT	11,540,000	10,458,000	**10,458,000**	0	0.0%
1,410,000	1,168,000	**1,334,000**	166,000	14.2%	OTHER REVENUE	11,115,000	11,101,000	**12,044,000**	943,000	8.5%
2,692,000	2,330,000	**2,496,000**	166,000	7.1%	TOTAL OTHER REVENUE	22,655,000	21,559,000	**22,502,000**	943,000	4.4%
27,849,000	27,027,000	**27,954,000**	927,000	3.4%	TOTAL REVENUE FROM OPERATIONS	228,964,000	234,120,000	**234,555,000**	435,000	0.2%
					OPERATING EXPENSES					
10,666,000	10,788,000	**10,929,000**	141,000	1.3%	SALARIES	92,075,000	94,843,000	**95,921,000**	1,078,000	1.1%
2,213,000	2,496,000	**2,399,000**	(97,000)	-3.9%	FRINGE BENEFITS	19,660,000	21,282,000	**20,221,000**	(1,061,000)	-5.0%
1,720,000	1,676,000	**1,884,000**	208,000	12.4%	CONTRACT COMPENSATION	16,037,000	15,084,000	**15,732,000**	648,000	4.3%
6,700,000	6,266,000	**6,082,000**	(184,000)	-2.9%	SUPPLIES AND SERVICES	51,455,000	53,840,000	**51,773,000**	(2,067,000)	-3.8%
1,255,000	996,000	**1,072,000**	76,000	7.6%	UTILITIES AND MAINTENANCE	9,679,000	9,595,000	**9,369,000**	(226,000)	-2.4%
1,501,000	1,439,000	**1,542,000**	103,000	7.2%	GENERAL SUPPLIES AND EXPENSE	12,015,000	12,733,000	**13,673,000**	940,000	7.4%
15,000	14,000	**107,000**	93,000	664.3%	INSURANCE	183,000	127,000	**936,000**	809,000	637.0%
1,534,000	1,643,000	**1,622,000**	(21,000)	-1.3%	DEPRECIATION AND AMORTIZATION	14,010,000	14,535,000	**14,203,000**	(332,000)	-2.3%
590,000	570,000	**503,000**	(67,000)	-11.8%	INTEREST	5,098,000	5,212,000	**5,373,000**	161,000	3.1%
345,000	324,000	**371,000**	47,000	14.5%	MINNESOTA CARE TAX	2,983,000	2,780,000	**2,843,000**	63,000	2.3%
289,000	258,000	**127,000**	(131,000)	-50.8%	PROVISION FOR UNCOLLECTIBLES	2,250,000	2,199,000	**1,541,000**	(658,000)	-29.9%
26,828,000	26,470,000	**26,638,000**	168,000	0.6%	TOTAL OPERATING EXPENSE	225,445,000	232,230,000	**231,585,000**	(645,000)	-0.3%
1,021,000	**557,000**	**1,316,000**	**759,000**		**NET REVENUE FROM OPERATIONS**	**3,519,000**	**1,890,000**	**2,970,000**	**1,080,000**	
387,000	421,000	**544,000**	123,000	29.2%	NONOPERATING GAINS: INVESTMENT INCOME	3,763,000	3,561,000	**5,080,000**	1,519,000	42.7%
					REVENUE AND GAINS IN EXCESS OF EXPENSE					
1,408,000	978,000	**1,860,000**	882,000		BEFORE EXTRAORDINARY ITEM	7,282,000	5,451,000	**8,050,000**	2,599,000	
121,000	0	**0**	0		EXTRAORDINARY GAIN (LOSS)	(321,000)	0	**0**	0	
1,529,000	978,000	**1,860,000**	882,000		REVENUE AND GAINS IN EXCESS OF EXPENSE	6,961,000	5,451,000	**8,050,000**	2,599,000	

1993-94 MARCH ACTUAL	MARCH BUDGETED	MARCH ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %		1993-94 MARCH YTD ACTUAL	YTD BUDGETED	YTD ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
1,531	1,457	**1,588**	131	9.0%	ADMISSIONS	13,141	12,655	**12,821**	166	1.3%
11,204	11,092	**11,054**	(38)	-0.3%	PATIENT DAYS	95,790	94,617	**92,945**	(1,672)	-1.8%
7.3	7.6	**7.0**	(0.6)	-7.9%	AVERAGE LENGTH OF STAY	7.3	7.5	**7.2**	(0.3)	-4.0%
361.4	357.8	**356.6**	(1.2)	-0.3%	AVERAGE DAILY CENSUS	349.6	345.3	**339.2**	(6.1)	-1.8%
65.4	67.5	**65.8**	(1.7)	-2.5%	PERCENT OCCUPANCY	62.3	64.2	**62.2**	(2.0)	-3.1%
36,429	34,711	**36,107**	1,396	4.0%	AMBULATORY CARE ENCOUNTERS	295,400	289,141	**304,297**	15,156	5.2%

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BALANCE SHEETS
MARCH 31, 1995 AND JUNE 30, 1994

	3/31/95	6/30/94
ASSETS		
General Funds		
Current assets:		
Cash and cash equivalents	$40,988,000	$46,458,000
Receivables:		
Patient services, net of allowances and uncollectible accounts of $27,584,000 at Mar '95 and $28,926,000 at June '94	59,041,000	48,723,000
State appropriations	912,000	1,769,000
Other	2,542,000	2,721,000
Inventories	5,956,000	5,547,000
Prepaid expenses and other	369,000	200,000
Total current assets	109,808,000	105,418,000
Assets whose use is limited:		
By board for property and equipment replacement and expansion	154,281,000	158,899,000
Under bond indenture agreement held by trustee	10,079,000	10,276,000
Total assets whose use is limited	164,360,000	169,175,000
Property and Equipment, net	154,728,000	150,278,000
Other Assets:		
Long-term portion - promissory note	5,448,000	4,806,000
Deferred third-party reimbursement	3,238,000	3,738,000
Deferred financing costs	776,000	850,000
Other	3,198,000	3,666,000
Total other assets	12,660,000	13,060,000
TOTAL ASSETS	$441,556,000	$437,931,000
Restricted Funds		
Investments	$9,341,000	$9,149,000

	3/31/95	6/30/94
LIABILITIES AND FUND BALANCES		
General Funds		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$8,821,000	$8,520,000
Accounts payable	25,424,000	25,170,000
Due to third-party payors	14,704,000	6,873,000
Accrued liabilities:		
Salaries, wages and employee benefits	23,448,000	25,046,000
Interest	543,000	1,294,000
Deferred revenue	840,000	299,000
Total current liabilities	73,780,000	67,202,000
Long-term debt and capital lease obligations, less current maturities	139,487,000	148,207,000
Fund Balance	228,289,000	222,522,000
TOTAL LIABILITIES AND FUND BALANCE	$441,556,000	$437,931,000
Fund Balances:		
Endowment funds	$3,550,000	$3,438,000
Specific purpose funds	5,791,000	5,711,000
	$9,341,000	$9,149,000

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
ADMISSIONS & AVERAGE LENGTH OF STAY (ALOS) BY SERVICE
1993/94 AND 1994/95 COMPARISON

	ADMISSIONS							AVERAGE LENGTH OF STAY		
CLINICAL SERVICE	1993/94 MAR YTD ACTUAL	1994/95 MAR YTD BUDGET	1994/95 MAR YTD ACTUAL	VARIANCE	% VARIANCE	CHANGE FROM PRIOR YR	% CHANGE FROM PRIOR YR	1993/94 MAR YTD ALOS	1994/95 MAR YTD ALOS	CHANGE
ANESTHESIOLOGY	3	4	1	(3)	-75.0%	(2)	-66.7%	8.0	9.0	5.9
CLINICAL RESEARCH	398	271	368	97	35.8%	(30)	-7.5%	3.1	2.7	2.7
DENTISTRY	0	0	2	2		2		0.0	1.0	(0.2)
ORAL SURGERY	53	49	44	(5)	-10.2%	(9)	-17.0%	1.2	1.3	(9.2)
DERMATOLOGY	2	0	3	3		1	50.0%	10.5	5.7	1.6
FAMILY PRACTICE	163	220	153	(67)	-30.5%	(10)	-6.1%	4.1	3.0	(1.1)
GYNECOLOGY	885	900	1,241	341	37.9%	356	40.2%	4.4	4.0	(0.4)
MEDICINE	3,094	2,893	3,121	228	7.9%	27	0.9%	6.4	6.7	0.3
NEUROLOGY	253	275	263	(12)	-4.4%	10	4.0%	4.6	4.7	0.1
NEUROSURGERY	809	836	696	(140)	-16.7%	(113)	-14.0%	5.6	5.1	(0.5)
NEWBORN	273	79	3	(76)	-96.2%	(270)	-98.9%	1.9	1.5	(0.4)
OBSTETRICS	407	123	5	(118)	-95.9%	(402)	-98.8%	2.7	3.1	0.4
OPHTHALMOLOGY	243	249	217	(32)	-12.9%	(26)	-10.7%	2.1	2.3	0.2
ORTHOPEDICS	921	922	834	(88)	-9.5%	(87)	-9.4%	4.6	4.2	(0.4)
OTOLARYNGOLOGY	298	300	320	20	6.7%	22	7.4%	4.2	4.5	0.3
PEDIATRICS	2,194	2,378	2,345	(33)	-1.4%	151	6.9%	8.8	8.0	(0.8)
PHYSICAL MEDICINE & REHAB	150	145	129	(16)	-11.0%	(21)	-14.0%	18.1	20.8	2.7
PSYCHIATRY ADULT	576	554	695	141	25.5%	119	20.7%	13.3	12.3	(1.0)
PSYCHIATRY CHILD	70	78	109	31	39.7%	39	55.7%	24.4	19.4	(5.0)
RADIATION THERAPY	0	0	10	10		10		0.0	6.2	6.2
RADIOLOGY	15	21	8	(13)	-61.9%	(7)	-46.7%	0.5	3.9	3.4
SURGERY	2,053	2,076	2,035	(41)	-2.0%	(18)	-0.9%	8.8	8.0	(0.8)
UROLOGY	281	282	219	(63)	-22.3%	(62)	-22.1%	4.0	3.8	(0.2)
TOTAL	13,141	12,655	12,821	166	1.3%	(320)	-2.4%	7.3	7.2	(0.1)

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway
Minneapolis, MN 55455

Date: April 18, 1995

TO: UMHC Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director, UMHC

SUBJECT: Bad Debts - Third Quarter
Fiscal Year 1994-95

The total amount recommended for bad debts for Hospital and Clinic accounts receivable during the third quarter of 1994-95 is $839,882 represented by 1453 accounts. Bad debt recoveries during the period amounted to $4,901 (63 accounts) leaving a net charge-off of $834,981.

The net bad debts of $834,981 for the quarter were .83% of gross charges. This compares to a budgeted level of bad debts of .65% ($655,850).

For the fiscal year, the net bad debts to-date of $1,652,587 were .56% of gross charges. This compares to a budgeted level of bad debts of .66% ($1,949,124).

A statistical summary is attached along with a detailed description of losses $10,000 and higher and recoveries $10,000 and higher for each month of the third quarter.

Along with the quarter attachments, we have also included a fiscal year statistical summary and a breakdown of bad debts by residence and admitting clinical services.

CPF:lmj
Attachments

UMHC Hospital Billing Department

Bad Debt Statistics: Third Quarter and Year-to-Date, Fiscal Year 1995

By Service

Admitting Service	Third Quarter Amount	# of Accounts	Y-T-D Total Amount	Total # of Accounts
		0		
Anesthesiology	0.00	0	0.00	0
Clinical Research	1,596.02	2	4,824.47	4
Dentistry	0.00	0	0.00	0
Dermatology	0.00	0	0.00	0
Family Practice	0.00	0	0.00	0
OB	1,322.63	1	1,322.63	1
NB	0.00	0	0.00	0
GYN	379.00	1	4,448.29	4
GYN-Oncology	6,853.32	6	20,291.78	36
Hematology	19,071.53	7	29,407.95	13
Medicine-General	2,550.97	4	9,561.30	15
Medicine-Blue	13,803.12	16	28,033.75	24
Green	1,611.71	4	5,558.04	15
Masonic (Onc)	1,729.70	4	9,749.41	35
Purple	2,478.65	4	4,281.79	9
Red A	0.00	0	0.00	0
Red B	0.00	0	0.00	0
Rose A	0.00	0	698.48	2
Rose B	0.00	0	0.00	0
White A	6,949.49	14	42,185.14	45
White B	540.00	1	1,045.00	2
White C	0.00	0	0.00	0
Yellow A	0.00	0	1,659.76	4
Yellow B	3,471.57	3	8,543.76	9
Neurology	5,404.78	10	11,066.39	24
Neuro-epilepsy	0.00	0	0.00	0
Neurosurgery	41,810.92	3	51,449.41	18
New Born-General	994.08	2	994.08	2
Obstetrics-General	12,439.09	5	22,637.76	8
-Midwife	0.00	0	0.00	0
Ophthalmology	677.31	2	3,071.14	7
Oral Surgery	1,073.90	1	1,725.90	2
Orthopaedic Surgery	16,624.61	16	28,575.03	33
Otolaryngology	3,509.09	4	9,798.98	19
Pediatrics-General	705.45	1	7,421.71	4
BMT	100,931.72	1	115,140.57	6
Cardiac - OP	0.00	0	42.80	1
Cardiology	0.00	0	1,193.25	1
Dentistry	0.00	0	0.00	0
Dermatology	0.00	0	0.00	0
Gastro-Intestinal	2824.36	1	3,621.26	2
Hematology Oncology	450.00	1	1,815.18	4
Immunology	2796.92	3	2,796.92	3
Infectious Disease	823.99	1	823.99	1
Neonatology	0.00	0	21.02	1
Neurology	380.12	2	898.05	4
Neurosurgery	0.00	0	480.00	1
Opthalmology	0.00	0	0.00	0
Orthopaedics	0.00	0	261.92	1
Otolaryngology	1,209.15	2	1,209.15	2
Pulmonary	22,354.15	2	24,814.90	9
Renal	0.00	0	0.00	0

UMHC Hospital Billing Department

Bad Debt Statistics: Third Quarter and Year-to-Date, Fiscal Year 1995
By Service

Admitting Service	Third Quarter Amount	# of Accounts	Y-T-D Total Amount	Total # of Accounts
		0		
Surgery Green	282.86	1	2,993.72	4
Surgery Orange	168.25	1	318.79	2
Surg. Transplant	0.00	0	0.00	0
Urology	0.00	0	5,738.66	1
Physical Med. & Rehab.	696.62	2	2,408.36	6
Psychiatry-Child	12,187.11	1	18,757.13	3
-Adult	20,557.55	20	71,000.21	44
Radiology	0.00	0	714.06	1
Surgery-Blue	12,649.64	11	101,985.14	58
Orange	3,395.44	2	4,291.80	7
Purple	70,821.36	7	80,343.54	19
Red	18,563.31	4	21,138.50	12
White	3,893.93	3	24,591.46	14
Therapeutic Radiology	0.00	0	0.00	0
Urology	8,637.32	4	15,621.19	12
Unknown	0.00	0	2,107.59	1
Outpatient	286,404.26	1,447	775,708.93	4,249
Total	715,625.00	1627	1,589,190.04	4804
Medicare Bad Debt*	($32,509.62)	(180)	(137,533.28)	(754)
Legal Settlements	150,203.65	3	163,555.52	9
Bad Debt Agcy Und $50	0.00	0	50.30	1
Bad Debt - Med NC Chgs	6,562.97	3	49,418.39	9
Grand Total	839,882.00	1,453	1,664,680.97	4,069
Recoveries	(4,900.78)	(63)	(12,093.56)	(178)
Net Total	**834,981.22**	**1,390**	**1,652,587.41**	**3,891**

* NOTE: Medicare Bad Debts are included in the State Breakdown but are no longer included as a Bad Debt.

UMHC Hospital Billing Department

Bad Debt Statistics: Third Quarter and Year-to-Date, Fiscal Year 1995
By State

State	Third Quarter Amount	# of Accounts	Y-T-D Total Amount	Total # of Accounts
Alabama	500.00	1	6,976.50	11
Alaska	0.00	0	30.50	1
Arizona	885.01	2	3,933.89	5
Arkansas	0.00	0	0.00	0
California	4,122.16	7	14,273.72	19
Colorado	1,008.57	2	13,673.08	21
Connecticut	0.00	0	0.00	0
Delaware	0.00	0	0.00	0
Dist. of Colombia	0.00	0	0.00	0
Florida	292.14	2	24,798.41	30
Georgia	320.00	1	320.00	1
Hawaii	0.00	0	631.44	2
Idaho	0.00	0	0.00	0
Illinois	1,503.89	9	20,832.50	46
Indiana	128.95	1	595.49	7
Iowa	9,029.35	7	13,817.61	30
Kansas	0.00	0	589.42	6
Kentucky	422.24	1	422.24	1
Louisiana	0.00	0	21.20	1
Maine	0.00	0	335.10	1
Maryland	0.00	0	0.00	0
Massachusetts	0.00	0	55.00	1
Michigan	1,637.11	8	13,732.94	69
Minnesota	517,534.84	1,427	1,117,152.04	4,015
Mississippi	0.00	0	120.35	1
Missouri	102,904.82	5	106,670.81	8
Montana	676.00	1	4,657.65	7
Nebraska	0.00	0	2,045.64	2
Nevada	0.79	1	1,100.79	2
New Hampshire	143.47	1	143.47	1
New Jersey	0.00	0	1,705.85	3
New Mexico	0.00	0	32.60	1
New York	6,907.60	6	8,895.50	10
North Carolina	0.00	0	2,881.53	3
North Dakota	18,960.49	26	37,401.67	75
Ohio	174.18	2	199.18	3
Oklahoma	47.29	2	7,440.87	30
Oregon	3,388.27	8	3,388.27	8
Pennsylvania	0.00	0	203.61	5
Puerto Rico	0.00	0	0.00	0
Rhode Island	38.60	1	15,236.98	18
South Carolina	0.00	0	0.00	0
South Dakota	20,411.64	32	41,342.68	92
Tennessee	4,283.03	6	4,703.36	13
Texas	766.79	6	1,694.23	11
Utah	0.00	0	0.00	0
Vermont	0.00	0	0.00	0
Virginia	0.00	0	7,330.80	18
Washington	2,827.25	1	15,500.28	26

West Virginia	0.00	0	0.00	0
Wisconsin	12,346.61	48	71,453.70	174
Wyoming	496.69	3	496.69	3
Out-of-Country	3,867.22	10	22,352.45	23
Total	715,625.00	1,627	1,589,190.04	4,804
Medicare Bad Debt*	(32,509.62)	(180)	(137,533.28)	(754)
Legal Settlements	150,203.65	3	163,555.52	9
Bad Debt Agcy Und $50	0.00	0	50.30	1
Bad Debt - Med NC Chgs	6,562.97	3	49,418.39	9
Grand Total	839,882.00	1,453	1,664,680.97	4,069
Recoveries	(4,900.78)	(63)	(12,093.56)	(178)
Net Total	**834,981.22**	**1,390**	**1,652,587.41**	**3,891**

* NOTE: Medicare Bad Debts are included in the State Breakdown but are no longer included as a Bad Debt.

FY 1995 CAPITAL EXPENDITURE REPORT
CURRENT YEAR PROJECTS AND EQUIPMENT
7/1/94 THRU 3/31/95

	FY1995 BUDGET REQUEST	FY 1995 BUDGET APPROVED	9 MONTHS BUDGET	9 MONTHS ACTUAL EXPENSES	ACTUAL OVER/(UNDER) BUDGET
RECURRING CAPITAL EXPENSES					
RECURRING EQUIPMENT PURCHASES	$5,920,000	$5,920,000	$4,440,000	$624,862	($3,815,138)
RECURRING REMODELING PROJECTS	$1,880,000	$1,880,000	$1,410,000	$585,219	($824,781)
TOTAL RECURRING CAPITAL	$7,800,000	$7,800,000	$5,850,000	$1,210,081	($4,639,919)
MAJOR AND SPECIAL PROJECTS					
HEART CATH RM 1	$1,500,000	$1,500,000	$1,500,000	$0	($1,500,000)
INPATIENT PEDIATRICS	$1,250,000	$1,250,000	$1,250,000	$353,139	($896,861)
AMBULATORY CARE MASTER PLAN	$4,000,000	$0	$0	$0	$0
PACU RENOVATION	$2,000,000	$0	$0	$23,639	$23,639
PATIENT MEAL DELIVERY SYSTEM	$300,000	$0	$0	$0	$0
SERVICE IMPROVEMENTS	$300,000	$0	$0	$0	$0
BUILDING INFRASTRUCTURE	$650,000	$0	$0	$0	$0
FINANCIAL SYSTEM SOFTWARE	$350,000	$0	$0	$0	$0
HUMAN RESOURCES SOFTWARE	$250,000	$0	$0	$0	$0
TOTAL MAJOR AND SPECIAL PROJECTS	$10,600,000	$2,750,000	$2,750,000	$376,778	($2,373,222)
TOTAL PHASE II RENOVATION PROJECTS	$2,650,000	$2,650,000	$1,987,500	$222,277	($1,765,223)
TOTAL CURRENT YEAR EQUIP AND REMODEL	$21,050,000	$13,200,000	$10,587,500	$1,809,136	($8,778,364)

FY 1995 CAPITAL EXPENDITURE REPORT
PREVIOUSLY APPROVED PROJECTS AND EQUIPMENT
7/1/94 THRU 3/31/95

	PREVIOUSLY APPROVED PROJ 1995 BUDGET	9 MONTHS BUDGET	9 MONTHS ACTUAL EXPENSES	ACTUAL OVER/(UNDER) BUDGET
CAPITAL LEASE PAYMENTS				
CHEMICAL ANALYZERS	$23,401	$17,430	$17,430	$0
MRI 2	$528,078	$429,403	$429,403	$0
KODAK COPIER	$12,048	$8,930	$2,532	($6,398)
TOTAL CAPITAL LEASE PAYMENTS	$563,527	$455,763	$449,365	($6,398)
BOND PAYMENTS				
1985E BOND (PAYMENT 10/1/94)	$4,500,000	$4,500,000	$4,500,000	$0
1986A BOND (DUE 2/1/95)	$3,015,000	$3,015,000	$3,015,000	$0
TOTAL BOND PAYMENT	$7,515,000	$7,515,000	$7,515,000	$0
RECURRING BUDGET ROLLFORWARD				
RECURRING EQUIPMENT	$6,705,832	$5,029,374	$4,257,631	($771,743)
RECURRING REMODELING	$3,074,397	$2,305,798	$1,110,440	($1,195,358)
TOTAL ROLLFORWARD	$9,780,229	$7,335,172	$5,368,071	($1,967,101)

FY 1995 CAPITAL EXPENDITURE REPORT
PREVIOUSLY APPROVED PROJECTS AND EQUIPMENT
7/1/94 THRU 3/31/95

CAPITAL PROJECTS	UMHC FUNDS FROM RESERVES (1)	ADDITIONAL FUNDS FROM OTHER SOURCES (2)	TOTAL BUDGET (3)	1st QUARTER EXPEND. 1994-95 (4)	2nd QUARTER EXPEND. 1994-95 (5)	3rd QUARTER EXPEND. 1994-95 (6)	4th QUARTER EXPEND. 1994-95 (7)	CURRENT & PRIOR YEAR(S) EXPENDITURES (8)	EXPENDITURES OVER/(UNDER) BUDGET (Col 8 - Col 3)
(a) PHASE II RENOVATION	$12,330,000		$12,330,000	$636,867	$419,481	$167,096		$7,171,387	($5,158,613)
PHARMACY WORKSTATION	$400,000		$400,000	$35,907	$7,797	$86,500		$331,312	($68,688)
MATERIAL DISTRIBUTION SYS	$330,000		$330,000		$67,360			$118,065	($211,935)
SHORT STAY	$2,153,339	$50,000	$2,203,339	$41,360	$89,354	$2,951		$167,082	($2,036,257)
COMPUTER UPGRADE	$3,600,000		$3,600,000	$354,171	($67,768)	$282,323		$2,463,832	($1,136,168)
OUTPATIENT REGISTRATION	$1,374,700		$1,374,700	$40,200				$936,535	($438,165)
CONTRACT MGMT - SITE LIC.	$248,419		$248,419					$248,419	$0
LINEAR ACCELERATOR	$2,100,000		$2,100,000					$1,227,067	($872,933)
SPORTS MED	$825,000		$825,000	$9,881	($16,835)	($5,804)		$843,987	$18,987
GAMMA CAMERA	$800,000		$800,000					$476,850	($323,150)
NICU AT RIVERSIDE	$3,250,000		$3,250,000	$521,244	$1,168,937	$146,274		$2,989,070	($260,930)
PYXIS MEDSTATION SYSTEM	$703,306		$703,306	$95,585	$39,593	$154,130		$475,436	($227,870)
LOUNGE & CHAPEL	$280,000	$320,000	$600,000		$33,717	$280,932		$317,262	($282,738)
NEURO ANGIOGRAPHY	$2,201,830		$2,201,830	$1,369,044	$380,231	$259		$1,767,223	($434,607)
SIMULATOR	$525,000		$525,000		$406,627	$10,215		$460,129	($64,871)
CT SCANNERS	$1,820,000		$1,820,000	$615,432	$689,832	$326,316		$1,631,580	($188,420)
MRI I AND II UPGRADES	$1,260,000	$800,000 (b)	$2,060,000	$3,732	$18,608	$150,036		$172,376	($1,887,624)
ELECTROPHYS RADIOGRAPH	$1,600,000		$1,600,000			$6,183		$6,183	($1,593,817)
EMTEK	$4,264,810		$4,264,810	$1,460,589	$772,596	$9,808		$2,242,993	($2,021,817)
TOTAL	**$40,066,404**	**$1,170,000**	**$41,236,404**	**$5,184,011**	**$4,009,529**	**$1,617,219**	**$0**	**$24,046,788**	**($17,189,616)**

a.) PHASE II RENOVATION PROJECTS ARE BUDGETED FOR $20.48 MILLION WITH $2,650,000 BUDGETED AS CURRENT ACTIVITY.
b.) FUNDED FROM THE 1994 RECURRING CAPITAL.

THE UNIVERSITY OF MINNESOTA HEALTH SYSTEM
BOARD OF GOVERNORS
QUALITY MANAGEMENT COMMITTEE

March 22, 1995
Minutes

Attendance

Present:	S. Albert Hanser (Chair) Paul Bowlin, M.D. Frank Cerra, M.D. Sandra Edwardson Rose Fagerstrom Michael Fay (Vice Chair) Marvin Goldberg, M.D. Peter Lynch, M.D. Peter Rapp Donald Sudor
Absent:	Barbara Neubauer Benjamin VanderKooi
Staff:	Keith Dunder Jean Harris, M.D. Sally Huntington

Call To Order

The meeting of the Quality Management Committee was called to order at 9:40 a.m.

Approval of the February 22, 1995 Minutes

The Committee recommended approval and forwarded the February minutes as written.

Medical Staff-Hospital Council

Credentials Committee Report

Dr. Goldberg presented the Credentials Committee report and recommendations. Included were requests for approval of provisional status, addition and/or deletion of clinical privileges, and changes in staff category. Following review and discussion of supporting documentation, the Committee endorsed and forwarded the recommendations as submitted.

Medical Staff Bylaws Changes

Dr. Goldberg presented the medical staff bylaws changes designed to open the medical staff. He reviewed the relationships between the Medical School, Clinical Practice Plans, Regents, and UMHS Board. He highlighted the process for one time temporary privileges as well as changes in the definitions of staff categories. One typographical correction was made. The Committee discussed several issues including representative leadership perspectives and potential changes in peer review processes. A motion was made, seconded and passed to grandfather in existing physicians. The Committee endorsed the remaining recommendations as submitted.

Quality Management Steering Committee

The major recommendations of the Quality Management Steering Committee were presented by Dr. Harris. Included were inpatient satisfaction survey conclusions and recommendations, a clinical effectiveness update, and trends of interest from the Performance Report.

Ambulatory Care Planning Report

Dr. Lynch presented the Performance Standards section of the Ambulatory Care Planning Report. Included were data from patient, staff, and physician satisfaction surveys, as well as other management and service performance studies. Two priorities targeted for improvement through Quality Management Steering Committee mechanisms were clinic wait times and medical record availability. The Committee discussed the studies and results and commended Dr. Lynch and the Ambulatory Care staff for a rigorous and comprehensive evaluation.

Adjournment

There being no further business, the meeting adjourned at 10:45 a.m.

Respectfully Submitted

Sally Huntington

Sally Huntington, Director, Quality Support Services

The University of Minnesota Hospital and Clinic
Board of Governors
Human Resources Committee
February 22, 1995

Minutes

ATTENDANCE:

Members Present:	Steve Hansen Peter Madel Peter Rapp
Staff Present:	Helen Pitt

CALL TO ORDER:

The meeting was called to order at 11:10 a.m. by Steve Hansen.

APPROVAL OF MINUTES:

The minutes of the January 25, 1995 meeting were approved.

PERFORMANCE RELATED COMPENSATION UPDATE:

Peter Rapp updated the committee members on the status of planning for implementation of performance related compensation elements with the 1995-1996 pay plan. Both Mr. Hansen and Mr. Madel strongly encouraged staff to move forward with the planning and to consider including larger groups of employees. The Human Resources Committee will take the plan to the April Board of Governors meeting for discussion.

DISCRIMINATION ALLEGATIONS UPDATE:

Peter Rapp reported on events that have taken place over the past two months to follow up on the allegations, as well as activities in support of a diverse workplace.

LABOR NEGOTIATION STRATEGIES:

At 11:30 a.m. Peter Madel made a motion which was seconded to go into closed session to conduct a non-public meeting for the purpose of discussing labor negotiation strategies.

ADJOURNMENT:

The meeting was adjourned at 12 noon.

Respectfully submitted,

Helen Pitt

Helen Pitt
Staff to the Committee

HP/kj

THE UNIVERSITY OF MINNESOTA
HEALTH SYSTEM
BOARD OF GOVERNORS
AUDIT & NOMINATING COMMITTEE
March 22, 1995

MINUTES

ATTENDANCE:

Members: Greg Hart
Arthur Kydd, Chair
John Morrison

Guests: Gail Klatt
Jim McDonnell
Howard Schur

Staff: Beth Beyer
Clifford Fearing
JoAnne Jackson
Nels Larson
Vaman Pai

CALL TO ORDER:

The meeting of the Audit & Nominating Committee was called to order by Arthur Kydd, Committee Chair, on March 22, 1995 at 10:47 A.M.

CAREMARK/PMC AUDIT REPORT:

Mr. Art Kydd introduced Ms. Gail Klatt, Director of Internal Audits and Mr. Jim McDonnell, Audit Manager for the University. Mr. Art Kydd called on Ms. Klatt to present this first item to the Committee for information.

The results of this audit showed that the PMC (Physicians Managed Care) nonprofit corporation and its partnership with Caremark were created in an open and consultative manner. In consideration of legal uncertainties with the current relationships, the MCI (Managed Care Initiatives) Home Infusion Program is being converted to a program under the University of Minnesota Health System.

Another significant point that emerged from the audit is that all the funds distributed from the MCI partnership to PMC, and in turn from PMC to the University are accounted for. There was no evidence of personal gain by anyone involved with this joint venture.

LEGISLATIVE AUDIT:

This item was presented to the Committee for information by Ms. Klatt and Ms. JoAnne Jackson. The Legislative Auditor routinely

selects an area of the University to be audited each year. Several of the Department Practice Plans have been selected. Ms. JoAnne Jackson discussed the Physician Practice Plan's role in this audit.

There being no further discussion, the March 22, 1995 meeting was adjourned at 11:11 A.M.

Respectfully Submitted,

Beth Beyer
Recording Secretary

/bb

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
1995-96 MAJOR BUDGET PLANNING ASSUMPTIONS

PATIENT SERVICE VOLUMES	93-94 Actual	94-95 Budget	94-95 Projected	95-96 Projected
Admissions	17,650	16,784	16,896	16,670
Average Length of Stay	7.2	7.4	7.2	7.3
Patient Days	127,542	125,116	120,854	120,550
Ambulatory Care Encounters	402,227	396,600	409,031	416,159

Overall inpatient demand will continue to decline by 1.5% unless impacted by program change.

Outpatient demand will increase marginally. Exception is targeted growth through the Emergency Room and Home Health Services.

PATIENT SERVICE REVENUE

No change in overall average charges per admission or per encounter due to quality assurance reviews.

Overall average rate (price) increase of 3.5 %.

REIMBURSEMENT

Medicare - Base DRG rate up 2.0%
IME down to 5.6%. Estimated impact $4.6 million.

Medical Assistance - Rate decrease of 5.0%
Annual impact of $1.7 million.

Blue Cross - Rate decrease of 2.5%
Annual impact of $850,000.

HMO's - Rate increases averaging 2.0%

APPROPRIATION SUPPORT

No increase from 1994-95.

EXPENDITURES

Market/Inflation Impacts
Salary - Move to market definition of "Competition".

Supplies and Services - Average inflation rate of 3.3%.

Utilities and Maintenance - Average inflation rate of 2.6%.

Medical School support capped at 1994-95 levels.

Staffing reductions of approximately 125 FTE's.

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic *Office of the Chief of Staff*

Box 707
420 Delaware Street S.E.
Minneapolis, MN 55455-0392
612-626-1945

April 12, 1995

TO: Members of the Board of Governors

FROM: Marvin E. Goldberg, M.D., Chief of Staff MEG
Chairman, Medical Staff-Hospital Council

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

The Medical Staff-Hospital Council on April 11, 1995 approved the attached Credentials Committee Report and Recommendations.

I am forwarding these recommendations to you for your review and approval. I will report the outcome of the Medical Staff-Hospital Council and the Quality Management Committee's actions at that time. If you should have any questions, please feel free to call on me.

MEG/dd
Attachment

mshc/cred.bog

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic *Medical Staff Office*

Box 707
420 Delaware Street S.E.
Minneapolis, MN 55455-0392
612-626-1945
Fax: 612-626-3028

April 11, 1995

TO: Medical Staff-Hospital Council

FROM: Wesley Miller, 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 at its March 23, 1995 meeting, hereby recommends the approval of provisional status and clinical privileges to the following applicants to the Medical Staff of The University of Minnesota Hospital and Clinic.

Psychologists	Category	Temporary Expires
Richard S. Amado	Clinical Staff	June 8, 1995
Sue V. Petzel	Attending Staff	June 8, 1995
Department of Family Practice		
*Gregory M. Amer	Clincal Staff	July 23, 1995
*Lois A. Lenarz	Clinical Staff	June 3, 1995
Department of Hospital Dentistry		
Mitchell B. Day	Attending Staff	April 27, 1995
Department of Medicine		
Susan M. Ferron	Attending Staff	May 17, 1995
Department of Orthopedics		
Mark D. Fischer	Clinical Staff	May 30, 1995

Provisional status and clinical privileges continued:

Department of Pediatrics	Category	Temporary Expires
*Diane M. Adamski	Clinical Staff	May 13, 1995
*Gregg T. Aspnes	Clinical Staff	April 9, 1995
*Sheldon T. Berkowitz	Clinical Staff	May 13, 1995
*Steven V. Inman	Clinical Staff	March 30, 1995
*Sandhya B. Joshi	Clinical Staff	March 30, 1995
*Laura S. Saliterman	Clinical Staff	April 9, 1995
*Amarjit Singh	Clinical Staff	March 11, 1995
*Richard J. Stafford	Clinical Staff	April 27, 1995
*Richard G. Wicklund	Clinical Staff	March 24, 1995
*Gregory B. Wright	Clinical Staff	March 11, 1995
Department of Urology		
*Hossein Aliabadi	Clinical Staff	April 30, 1995

q

*These physicians also have the new Neonatal Privileges - The University of Minnesota Hospital and Clinic and University of Minnesota Newborn Intensive Care Unit at Fairview Riverside Medical Center.

The following medical staff have submitted applications and supporting documentation requesting change in staff category. The Committee has reviewed and considered their requests and hereby recommends approval.

Department of Medicine	Present Category	Requested Category
Joan Fox	Attending Staff	Clinical Staff
Simon Milstein	Attending Staff	Clinical Staff
Department of Radiology		
Steven Haugen	Attending Staff	Clinical Staff

The following medical staff are completing their provisional status and are eligible for regular appointments as members of the Medical Staff of The University of Minnesota Hospital and Clinic. The Committee has reviewed recommendations concerning their appointment and hereby recommends approval.

Department of Anesthesiology	Category	Date Eligible
Richard J. Carr	Attending Staff	December 22, 1994
Andrew J. Houlton	Attending Staff	February 25, 1995
Department of Dermatology		
Jeannie T. Larson	Attending Staff	October 27, 1994
Department of Family Practice		
Larry W. Kotek	Attending Staff	December 22, 1994
Daniel G. Mareck	Clinical Staff	February 25, 1995
Walter M. Swentko	Clinical Staff	December 22, 1994
Department of Hospital Dentistry		
Thomas M. Beckman	Clinical Staff	December 22, 1994
Mark J. Modjean	Clinical Staff	December 22, 1994
Department of Laboratory Medicine and Pathology		
Michael L. Anderson	Attending Staff	December 22, 1994
Robert E. Anderson	Attending Staff	December 22, 1994
Department of Neurology		
John J. Doyle	Attending Staff	December 22, 1994
Department of Obstetrics & Gynecology		
Sharon Norling	Attending Staff	December 22, 1994
Department of Pediatrics		
Mitchell J. Einzig	Clinical Staff	February 25, 1995
Brett J. Loechelt	Attending Staff	February 25, 1995
Julia Steinberger	Attending Staff	December 22, 1994
Department of Radiology		
John E. Carlson	Attending Staff	February 25, 1995
Philip M Ditmanson	Attending Staff	February 25, 1995
Kirk K. Garmager	Attending Staff	February 25, 1995

Medical staff eligible for regular appointments

Department of Radiology	Category	Date Eligible
Christopher A. Jackson	Attending Staff	February 25, 1995
William A. Mize	Attending Staff	December 22, 1994
Department of Surgery		
Bjorn K. Monson	Clinical Staff	December 22, 1994
Elmer J. Martinson	Attending Staff	December 22, 1994
Waleed N. Amra	Attending Staff	February 25, 1995

The Committee recommends acceptance of the resignations of Medical Staff appointments from the following physicians.

Department of Medicine	Category
Pablo Denes	Clinical Staff
Mark Freiberg	Attending Staff
Department of Neurology	
Robert A. Gross	Attending Staff
Bret C. Haake	Attending Staff
Department of Otolaryngology	
J. Andrew Bartlett	Clinical Staff
Department of Pediatrics	
David F. Graft	Clinical Staff
Department of Surgery	
Edward W. Humphrey	Attending Staff

The Committee recommends acceptance of Policy for Coordination of Privileges for Obstetrics and NICU.

Special issue to be discussed.

WM/dd

Minnesota Molecular and Cellular Therapeutics Facility (Bldg 436)

Programs

- Cell Therapeutics (Jeff McCullough)
- Gene Therapeutics (Scott McIvor)
- Bio-Therapeutics (Fatih Uckun)
- Education - Principles of Working in the GMP Environment (Ken Valentas and Jeff Tate)

Recommendation 19.

- ***Develop a primary care center (to include Family Practice, General Internal Medicine, Primary Care GYN, Geriatrics and possibly Pediatrics) located on the 2nd floor of PWB.***
- ***Include nurse practitioners as providers.***
- ***Include limited ancillary services which would be operated and billed by the physicians.***
- ***Develop alternatives for the hiring of "full time" primary care physicians, such as formation of a primary care physician group, contracting with an outside group such as Aspen Clinic to provide primary care services, and consolidation of prim***

FIVE YEAR FINANCIAL PROJECTIONS

Cumulative Revenue:	$32.2	(million)
Cumulative Expenses:	$31.0	(million)
Cumulative Net Revenue/(Expense):	$1.2	(million)

POTENTIAL SOURCES OF REVENUE

Federal Funding

NIH Blood Component $1,000,000/year for 5 years (To be submitted)

NIH Internal Gene Vector $2,500,000/5 years (To be submitted)

University of Minnesota Hospital

$5,000,000/5 years (Requested)

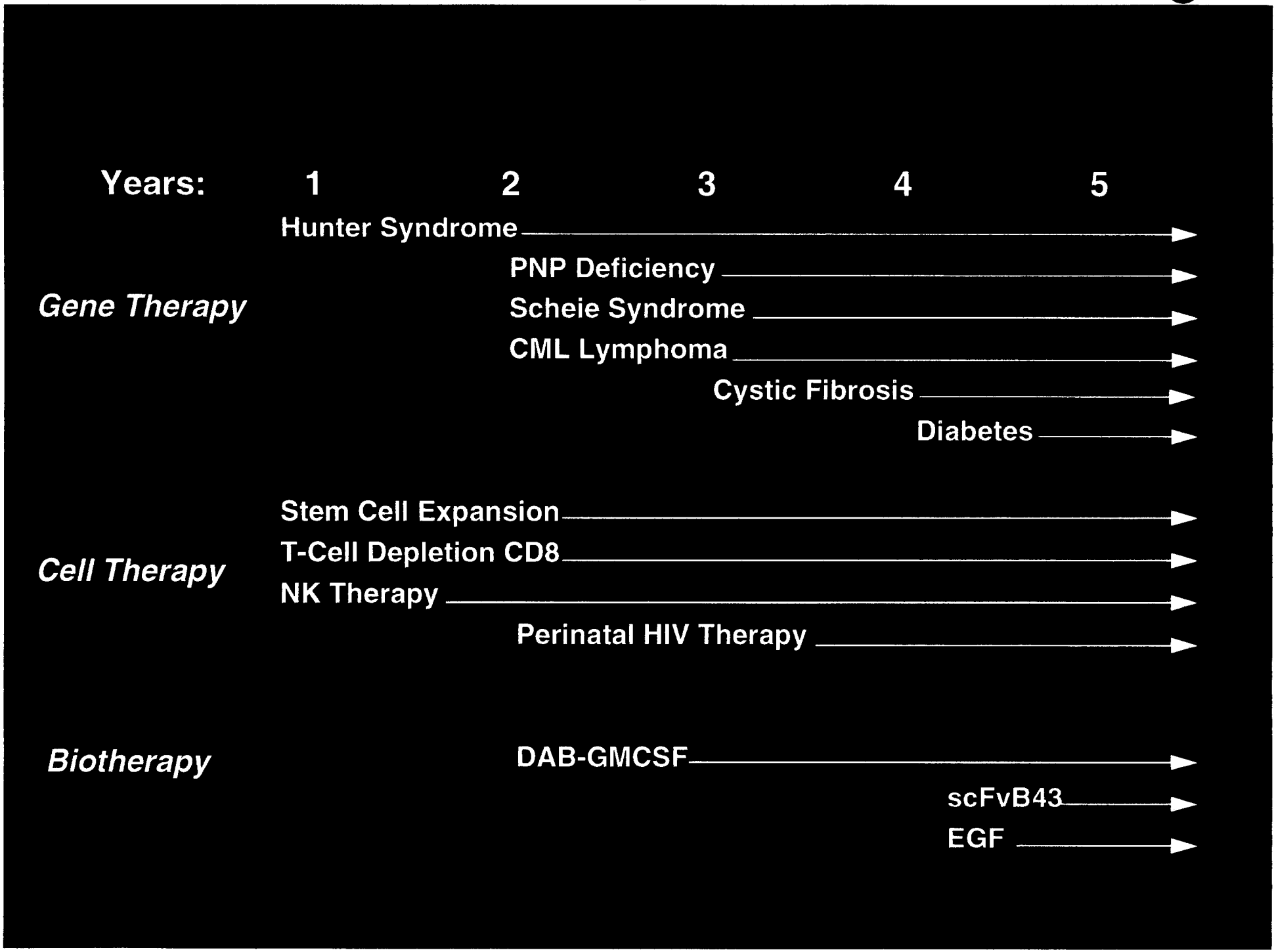
Contracts

Other Gene Vector Revenue $50,000/year for 5 years

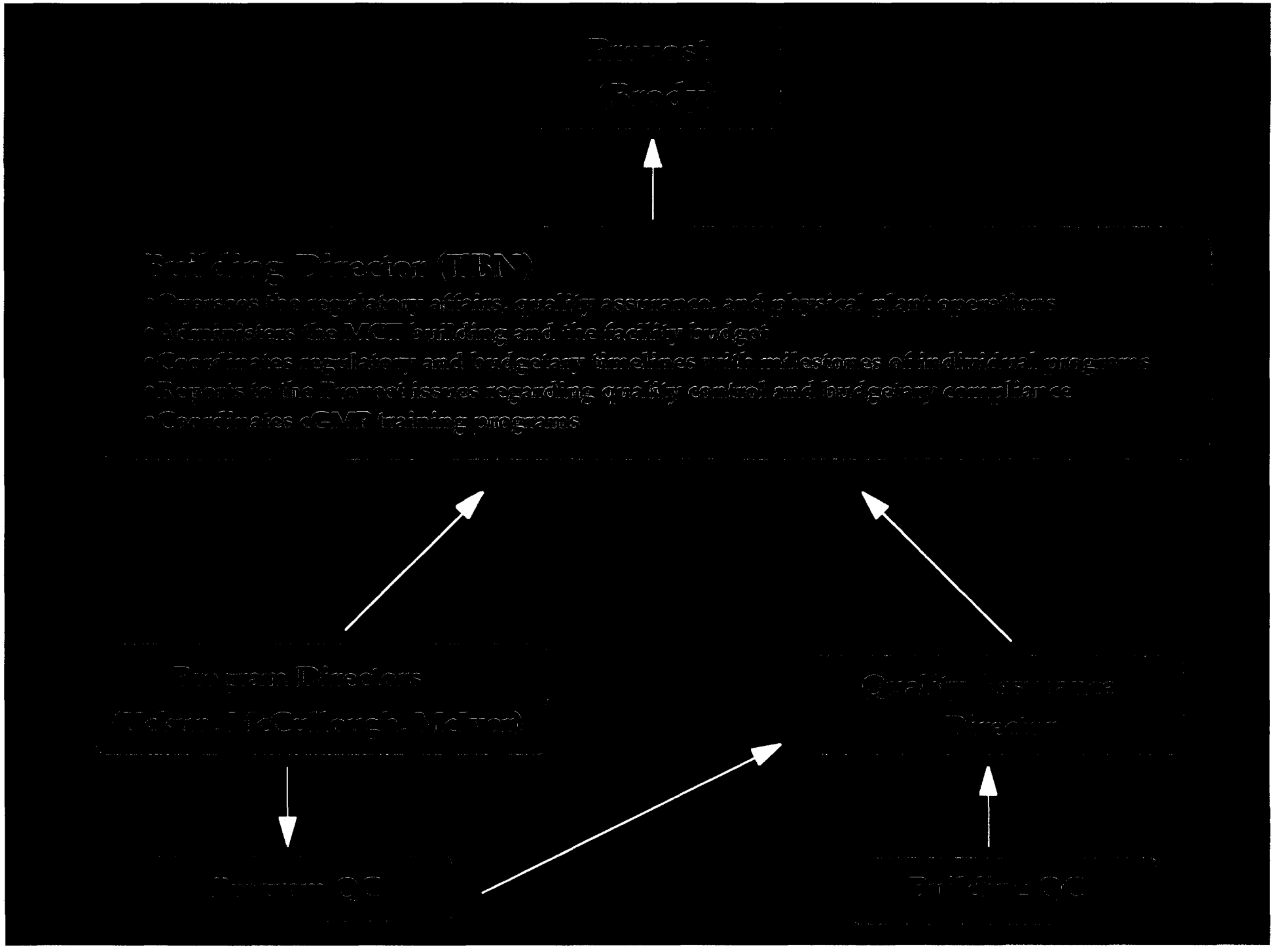
Potential Benefits to U of M Hospital

- Utilizes Basic Research Technologies and Applies to Clinical Problems
- Uniquely Equips U of M Hospital with Innovative Technologies Not Available at Other Hospitals, Regionally and Nationally
- Ranks U of M Hospital in a Position of National Prominence
- Attracts New Patient Populations Regionally and Nationally
- Creates New Sources of Revenue

PROGRAM MILESTONES


Years: 1 2 3 4 5
Hunter Syndrome
PNP Deficiency
Gene Therapy
Scheie Syndrome
CML Lymphoma
Cystic Fibrosis
Diabetes
Stem Cell Expansion
T-Cell Depletion CD8
Cell Therapy
NK Therapy
Perinatal HIV Therapy
Biotherapy
DAB-GMCSF
scFvB43
EGF

Years:	1	2	3	4	5	Cumulative
Gene Therapy	$2 .0 (million)	$3.0 (million)	$3.7 (million)	$3.8 (million)	$4.0 (million)	$16.5 (million)
Cell Therapy	$1.1 (million)	$1.3 (million)	$1.1 (million)	$1.1 (million)	$1.2 (million)	$5.8 (million)
Biotherapy	$0.1 (million)	$1.5 (million)	$1.9 (million)	$2.8 (million)	$3.6 (million)	$9.9 (million)
					Total	$32.2 (million)


Building Director (TBN)
• Oversees the regulatory affairs, quality assurance, and physical plant operations
• Administers the MCF building and the facility budget
• Coordinates regulatory and budgetary timelines with milestones of individual programs
• Reports to the Provost issues regarding quality control and budgetary compliance
• Coordinates cGMP training programs

#1 Biotherapy In

Molecular and Cellular Therapeutics Program
Financial Projection

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues					
Hospital Committment	$300,000	$200,000	$100,000	$0	$0
Grants					
Gene Therapy					
Awarded	$250,000	$104,000	$108,160	$112,486	$116,986
Anticipated	$1,039,126	$1,679,507	$2,207,448	$2,295,787	$2,388,179
Cell Therapy					
Awarded	$273,190	$93,000	$0	$0	$0
Anticipated	$0	$0	$120,000	$100,000	$130,000
Biotherapy					
Anticipated	$0	$500,000	$800,000	$1,200,000	$1,450,000
CR					
Gene Therapy	$327,770	$700,881	$870,016	$904,816	$941,233
Cell Therapy	$34,785	$26,340	$30,000	$25,000	$35,000
Biotherapy	$0	$200,000	$320,000	$480,000	$580,000
Future Contracts					
Gene Therapy	$300,000	$500,000	$500,000	$500,000	$500,000
Cell Therapy	$688,300	$1,005,300	$840,000	$972,800	$1,021,500
Biotherapy	$0	$300,000	$350,000	$400,000	$500,000
Vial Filling	$0	$144,000	$288,000	$576,000	$864,000
License Fees(Biotherapy)	$0	$250,000	$83,333	$83,333	$250,000
Total Revenue	$3,213,171	$5,703,028	$6,616,957	$7,650,222	$8,776,898
Expenses					
Utilities & Maintenance					
Steam	$135,000	$148,500	$163,350	$179,695	$197,653
Electric	$100,000	$110,000	$121,000	$133,100	$146,410
Water	$4,200	$4,620	$5,082	$5,590	$6,140
Waste managment	$5,400	$5,940	$6,534	$7,187	$7,906
Property Insurance	$8,400	$9,240	$10,164	$11,180	$12,298
General Repairs/Mainten.	$90,000	$99,000	$108,900	$119,790	$131,769
Subtotal	$343,000	$377,300	$415,030	$456,542	$502,176
Administrative Costs					
Building Director	$100,000	$104,000	$108,160	$112,486	116986
Clerical Assistant	$30,000	$31,200	$32,448	$33,746	35096
Facilities Coordinator	$60,000	$62,400	$64,896	$67,491	$70,192
Mechanic's (2)	$70,000	$72,800	$75,712	$78,740	$81,890
Maintain GMP	$35,000	$36,400	$37,856	$39,370	$40,945
Maintain Calibr. Equip	$33,600	$35,000	$36,400	$37,856	$39,370
Accountant	$45,000	$46,800	$48,672	$50,619	$52,644
Materials Mgnt.	$45,000	$46,800	$48,672	$50,619	$52,644
Subtotal	$288,600	$300,200	$312,208	$324,695	$337,685
Fringe @ 30%	$86,580	$90,060	$93,662	$97,409	$101,306
Subtotal	$375,180	$390,260	$405,870	$422,104	$438,991
Quality Assurance/Quality Control					
QA Director	$82,000	$85,280	$88,733	$92,282	$95,973
Document Specialist	$39,000	$40,560	$42,182	$43,870	$45,625
Microbiologists (2)	$65,000	$67,600	$70,304	$73,108	$76,040
QC Miscellaneous Supplies	$57,600	$59,904	$62,300	$64,802	$67,384
Subtotal	$243,600	$253,344	$263,519	$274,062	$285,022
Depreciation					
Building System	$466,667	$485,334	$504,747	$524,937	$545,934
Building Shell	$100,000	$104,000	$108,160	$112,486	$116,986
Equipment	$400,000	$416,000	$432,640	$449,946	$467,943
Subtotal	$966,667	$1,005,334	$1,045,547	$1,087,369	$1,130,863
Departmental Costs/ Continuing					
Gene Therapy	$1,334,270	$1,850,352	$2,173,928	$2,245,884	$2,321,141
Cell Therapy	$893,192	$1,075,050	$930,300	$1,047,800	$1,119,000
Renovation of Animal Facilities	$1,536,700				
Biotherapy	$0	$495,000	$740,000	$1,060,000	$1,287,500
Subtotal	$3,764,162	$3,420,402	$3,844,228	$4,353,684	$4,727,641
Total Expenses	$5,692,609	$5,446,640	$5,974,194	$6,593,761	$7,084,693
Annual Net Revenue/ (Expense)	($2,479,438)	$256,388	$642,763	$1,056,462	$1,692,206
Cummulative Costs	($2,479,438)	($2,223,050)	($1,580,287)	($523,826)	$1,168,380

Concerns about signage and directions are heightened because of the planned road construction on I94 beginning in the spring of 1995.

Recommendation 17. ***Improve signage for patients from the parking lot and throughout PWB.***

E. Aesthetics, cleaning and maintenance

A recent study of the cleaning and maintenance aspects of PWB was quite critical (See Appendix). While patients express a reasonable degree of satisfaction with cleanliness and appearance of common areas (89%) and examining rooms (92%), satisfaction rates by physicians (34%) and staff (28%) for cleanliness is quite poor. The Performance Standards Work Group determined University Facilities Management does not maintain PWB at an appropriate standard for health care facilities. UMHC is funding a one-time general clean-up of the clinics consisting of painting, cleaning ceiling tiles, deep-cleaning carpets, installing wall and corner guards and upgrading the lighting. For the improvements of this project to continue to be felt the day-to-day cleaning standards for the clinics must be substantially improved.

Recommendation 18. ***Transfer responsibility for cleaning and maintenance of the clinics from the University to the Hospital.***

REPORT ON PURCHASING ACTIVITY
PERIOD OF JANUARY 1,1995 THROUGH MARCH 31, 1995

Equipment Greater than $250,000

Dept: Nursing
Item: Beds (81 ea)
Vendor: Stryker Medical
Amount: $299,586.00
Comment:

Construction Greater than $250,000

No activity to report this quarter

Supply Contracts Greater than $750,000

No activity to report this quarter

Service Contracts Greater than $250,000

No activity to report this quarter

Consultant Contracts Greater than $250,000

No activity to report this quarter

Lease or Purchase of Property Greater than $250,000

No activity to report this quarter

Awards to Other than Low Bidder Greater than $100,000

No activity to report this quarter

3rd Step Vendor Appeals

No activity to report this quarter

IV. PRIMARY CARE

A. Internal Strategy

Until recently it was possible for physicians to refer patients anywhere they wished for specialty care. This allowed academic health centers (AHC) to develop informal referral networks and obviated the need for AHCs to become involved in the provision of primary care themselves. The change in the health care environment has made it necessary for AHCs to participate directly in primary care:

- The formation of managed care groups has disrupted referral patterns; specialty physicians can no longer count on high quality or low cost to assure a sufficient stream of patients.
- Most managed care plans now incorporate "gatekeepers" that restrict referrals.
- In fully capitated plans, close coordination between primary care providers and specialists is necessary to keep costs within bounds; coordination improves if all providers are part of the same "group".
- There are increased expectations for teaching primary care to medical students and residents; control of the quality of the education is enhanced when the primary care is part of one's own system.
- In the future UMHS will only be able to continue to care for its own employees if they are enrolled in a UMHS owned or affiliated primary care system.

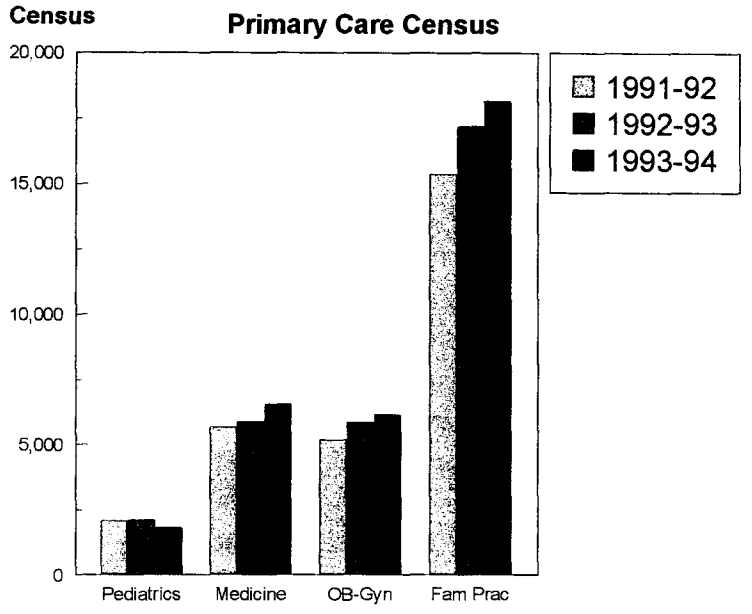
Given the high percentage of subspecialty services within UMHS, it is not likely that we will be able to build, from within, all of the primary care base that will be necessary to support the health system. UMHS must have an external primary care base as well.

The major reason for establishing a primary care base on campus is the large number of individuals who work or live in the area. The vast majority of the University's 17,499 employees work on the Minneapolis campus. With these employees' 9,178 dependents, the total potential market for UMHS is approximately 25,000. Of these, 2,263 (9%) have chosen UMHS as their primary care site through the State Health Plan or Medica Premier. UMHS has an opportunity to expand the number of University employees enrolled in its primary care sites.

In addition, over 250,000 people live in the 15 zip codes within a five mile radius of UMHS. Approximately 40,000 are of medicare age. Expansion of the UCARE HMO to target specifically medicare patients could attract a significant number of these individuals.

As the chart below indicates, the primary care census in Medicine, OB/Gyn and Family Practice has grown between 13% and 18% in the past three years.

Exhibit 22



In addition, patients choosing Medicine and Pediatrics as their primary care clinics under Medica or the State Health Plan grew from 1,647 in 1994 to 1,883 in 1995 (a 14% increase). Outpatient referrals from primary care physicians to UMHS specialists in fiscal year 1993-1994 totaled 2,096, generating $1,318,000 in charges. Emergency room and general medicine activity generated an additional $965,000. The current data base does not readily offer detail regarding direct primary care admissions or admissions through primary care referrals.

The PWB Primary Care Work Group recommends that primary care patients be served in a single Primary Care Center. The work group also believes that to be successful the Primary Care Center should not be housed in PWB but should be constructed as a free standing unit elsewhere on campus. The arguments for this position may be reviewed in the Work Group Report. Ambulatory Care Services agrees with the necessity of developing a Primary Care Center but believes, on the basis of the arguments expressed earlier in this report, that there are marked advantages to housing the Primary Care Center in PWB.

Financial constraints now present in the Department of Medicine, Pediatrics and OB/Gyn may hamper departmental hiring for primary care physicians. UMHS may need to help these departments hire a full complement of primary care providers.

The Community University Health Care Center (CUHCC) has demonstrated how effective an urban-based primary care center can be. Census has grown at least 15% per year for the past two years. The clinic has referred a steady stream of patients both to the clinics and the hospital. CUHCC is the largest UCARE clinic and has recently secured capitation agreements with Group Health, Metropolitan Health Plan and Medica. The clinic has grown much faster than anticipated and is in need of additional space at this time.

Initial merger discussions have occurred with the West Side Clinic in St. Paul. Such a merger would create economies of scale and efficiencies for both organizations as well as opening up a new geographic market for UMHS. These discussions should be pursued aggressively.

Recommendation 22. ***Expand the current CUHCC operation. Acquire West Side Clinic. Combine the administrative structure of CUHCC and West Side.***

Appendix

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
Minneapolis, MN 55455

TO: Mark Koenig

FROM: Beth Louden

cc: Sam Talbert
Linda Makinen
Sue Weber

RE: PWB Appearance

DATE: December 27, 1994

Per your request, a tour of the PWB to critique aesthetics and cleanliness was conducted in December 1994. Upon the completion of this tour, Linda Makinen prepared a detailed cost list of items in need of repair, replacement or enhancement, to appropriately provide an aesthetically pleasing appearance. Sam Talbert reviewed the clinic and associated public space square footage and calculated a cleaning square footage of 166,821 for the clinic, not 116,000 square feet.

We compared contract specifications versus the current level of service activity and recommended a level of frequency that would provide for a clean building. We assessed the customers' concerns, included my evaluation of the current condition of the building, and created both a long-term plan and a short-term plan. Our findings are as follows:

Long-Term Plan

* Aesthetics issues include such items as painting, graphics, lighting, carpet replacement, furniture replacement, restroom ADA upgrades and partition replacements. (Estimated $1,524,325, see attachment for specific detail.)

* Currently general cleaning annual contract reflects 14.5 FTEs per day, a charge of $64,090 per month. Sam indicated the actual time provided to clean these areas is 21.5 FTEs per day. At contract negotiation time, his intent is to change the contract monthly fee to reflect the increase in actual staff working in these areas. Our final recommendations include an increased frequency service level, including 3.0 FTEs assigned to Monday-Friday day shift to provide continuous service for areas such as public restrooms, public lobbies, entryways, waiting areas, elevators and escalators; this would increase the staff to 27.5 FTEs per day. The monthly contract would change from $64,090 per month to $121,550 per month. (See attachment for service frequency level comparisons.)

Short-Term Plan

1.	Contract out ceiling cleaning Estimated 50,000 square feet at 20 cents/ square foot	=	$ 10,000
2.	Contract out mass painting as outlined in Linda's report (Costs for painting are also in Linda's long-term action plan)	=	$184,500
3.	Contract out remodeling cleanup, carpet extraction, furniture cleaning, restroom cycling	=	$ 7,256
4.	Contract out window washing inside and outside	=	$ 15,000
	Short-Term Clean-up and Painting Total Costs		$216,756

$16,000 - wall guards ~~from~~
take from painting

Cost Estimates for General Fixups for Phillips Wangensteen Building Clinis

Patient Elevators and Elevator Lobbies			
Elevators	(6)		
	Walls	$21,000.00	
	Graphics	$4,000.00	
	Lighting	$10,000.00	$35,000.00
Lobbies	(9)		
	Lighting	$30,000.00	
	Painting	$13,500.00	$43,500.00
Patient Toilets	(18)		
	Painting	$15,000.00	
	Partitions	$72,000.00	
	ADA Upgrade	$400,000.00	$487,000.00
Clinics			
9th Floor	Eye Clinic		
	Painting	$22,000.00	
	Wall Protection	$2,000.00	
	Carpet repair	$1,000.00	
	Telephone area	$8,000.00	
	Reupholster	$12,000.00	$45,000.00

8th Floor	Audiology Clinic		
	Painting	$22,000.00	
	Wall Protection	$2,000.00	
	Carpet Corridors	$11,000.00	
	Reupholster	$9,000.00	
			$44,000.00
6th Floor	Diabetes Clinic		
	Painting	$12,000.00	
	Wall Protection	$1,000.00	
	New Chairs	$16,000.00	
			$29,000.00
5th Floor	Oncology Clinic		
	Painting	$22,000.00	
	Wall Protection	$2,000.00	
	Carpet Corridors	$11,000.00	
			$35,000.00
4th Floor	Pediatric Clinic		
	Painting	$12,000.00	
	Wall Protection	$2,000.00	
	Desk Repairs	$1,000.00	
			$15,000.00
4th Floor	Cutaneous Surgery Clinic		
	Painting	$12,000.00	
	Wall Protection	$1,000.00	
			$13,000.00

3rd Floor	Family Practice Clinic		
	Painting	$12,000.00	
	Wall Protection	$2,000.00	
	Carpet Corridors	$14,000.00	
	Dr.'s Desks	$8,000.00	$36,000.00
3rd Floor	Neuro/Psych Clinic		
	Painting	$12,000.00	
	Wall Protection	$2,000.00	
	Carpet Corridors	$14,000.00	
	Chair Rails	$10,000.00	
	New Chairs	$20,000.00	$58,000.00
2nd Floor	Medicine Clinic		
	Painting	$22,000.00	
	Wall Protection	$2,000.00	
	Carpet Replacement	$3,000.00	
	Desk Repair	$1,000.00	
	New Chairs	$36,000.00	$64,000.00
1st Floor	OB/Gyn Clinic		
	Painting	$4,000.00	
	Carpet Repair	$1,000.00	
	Repair Laminates	$1,000.00	4 10,000
	Carpet Ad	$4,000.00	10000

1st Floor	Orthopaedics Clinic		
	Painting(Lobby)	$4,000.00	
	Desk Repair	$1,000.00	
	New Chairs	$36,000.00	$41,000.00
Interior Graphics Repairs/ADA Upgrades Throughout		$10,000.00	$10,000.00
Ceiling and Lighting in all Clinic Lobbies			$300,000.00
Heating Units for 3rd Floor Entries			$60,000.00
TOTAL			$1,325,500.00
Add 15% Contingency			$198,825.00
TOTAL			$1,524,325.00

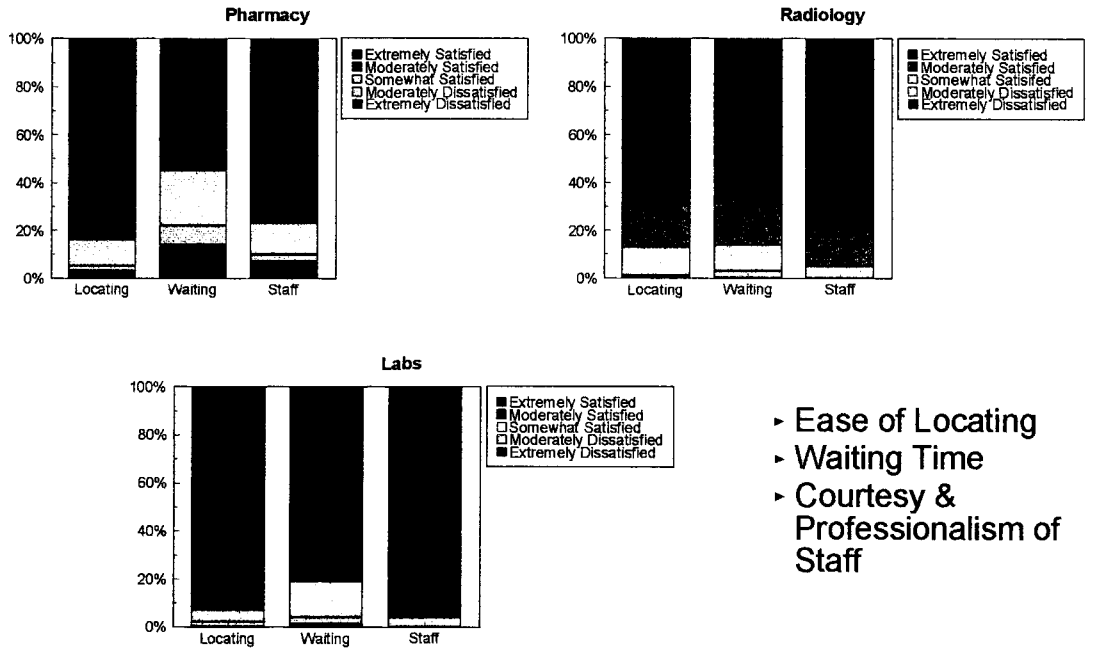
6. Satisfaction with Ancillary Services.

UMHS standard: Has not been developed.

The patient satisfaction survey revealed 82% satisfaction with waiting times in the laboratory and 96% satisfaction with courtesy and professionalism. Comparable figures for Radiology services were 86% and 87%. In contrast, only 46% of pharmacy patients were satisfied with waiting times and 76% were satisfied with courtesy and professionalism.

Exhibit 17

Patient Satisfaction with Pharmacy, Radiology, and Labs



Recommendation 11. ***Develop performance standards for outpatient laboratory, radiology and pharmacy services. Ensure that staff in ancillary areas understand that patient satisfaction is a top priority.***

C. Systems

Although patients were generally satisfied with their experience in the clinics, the physicians and staff identify many problems with systems and facilities. Much can be done to redesign, simplify and standardize the way in which patients enter, traverse and exit the clinics.

1. Scheduling and Registration

Patients were fairly happy with the scheduling process. Satisfaction with scheduling choices was 84%, with scheduler's courtesy 93% and with information and instructions provided 91%. The computerized scheduling system, to be implemented in April of 1995, will further enhance scheduling service to the patients.

Patients were likewise happy with registration: 96% were satisfied with the courtesy of the person handling registration whether this was handled by telephone or in person at the registration desk. Approximately 92% were satisfied with the instructions and information given. The registration system will be simplified when the new computerized system becomes available in April.

2. Billing

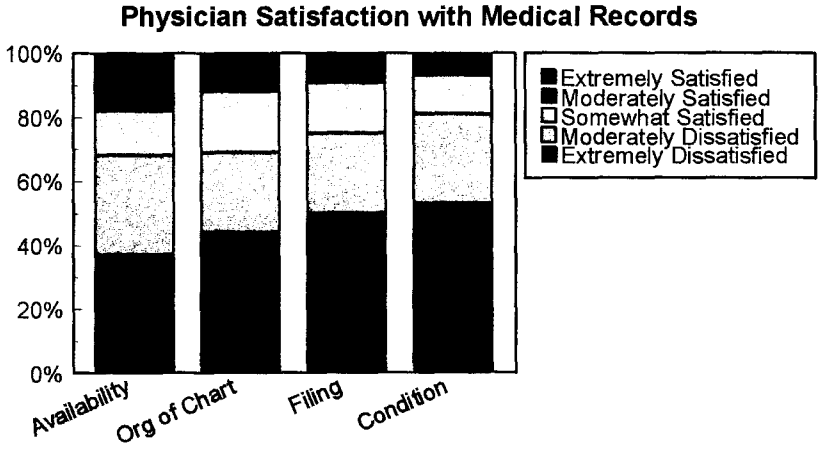
The survey did not collect data on satisfaction with the billing system. The Patient Billing and Patient Relations Departments are developing focus groups to discuss patient problems with billing. The planned conversion to a single bill for professional fees over the next 18 months will simplify the system from the physician side.

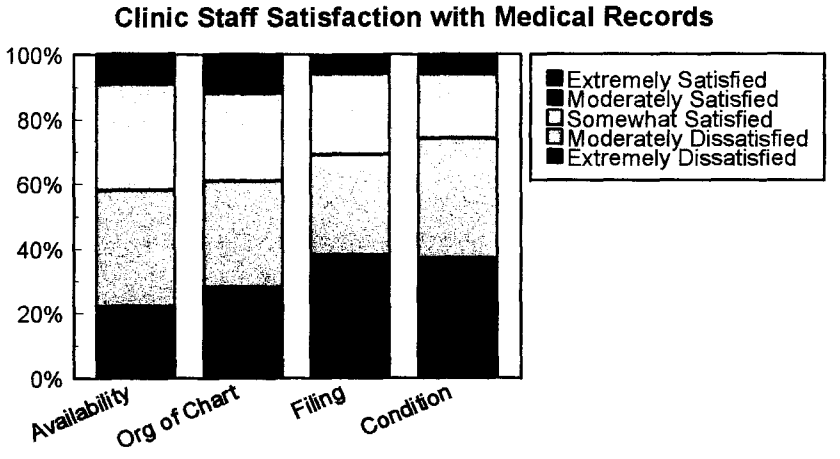
Recommendation 12. Institute a monitoring system for patient satisfaction with the billing process. Examine the possibility of using the IDX system for hospital outpatient as well as professional fee billing.

3. Medical Records

Many problems exist with the medical record system as it exists in the ambulatory care setting. As the graphs below indicate, all staff are highly dissatisfied with chart availability, organization, completeness and condition of the medical record.

Exhibit 18





In the fall of 1994, Ambulatory Care Services formed a task force to review the outpatient record and recommend improvements. These recommendations are outlined below in Exhibit 19.

Exhibit 19

Outpatient Medical Records
Task Force Recommendations

Add at least two full time staff in medical records to routinely organize and assemble the outpatient chart.

Reorganize the outpatient record:

- **Replace cover with a sturdier folder and distinguish it by color from the inpatient record**
- **Limit the size of each volume to a maximum of 1 1/2"**
- **One volume will contain all the current outpatient information and inpatient discharge summaries**
- **Only the current volume will be sent to clinics unless additional volumes are requested**
- **File outpatient progress notes in reverse chronological order.**

Improve computerized record tracking system.

Recommendation 13. Implement the recommendations of the 1994 medical records task force. Implement an improved record locator system. Consider the possibility of electronic (bar code) identification of the records which would simplify tracking of record movements. Investigate

UNIVERSITY OF MINNESOTA HEALTH SYSTEM
AMBULATORY CARE
PLANNING REPORT

March, 1995

Peter Lynch, M.D.

Susan Weber
Carl Anderson

Contributing
Linda Halvorson
Larry Hoversten
Kathy Diamond

TABLE OF CONTENTS

University of Minnesota Health System
AMBULATORY CARE
PLANNING REPORT
March, 1995

EXECUTIVE SUMMARY

A key measure of the UMHS' strength is the continued strength and competitiveness of its ambulatory care services both in providing direct patient care and retaining a viable patient base. In November, 1994, UMHC and UMCA leadership directed that Ambulatory Care Services develop a comprehensive plan for the provision of competitive services. This report is a compendium of the efforts of five work groups who met during the months of November and December, 1994 -- Performance Standards, Space Allocation and Utilization, Finances, Internal Primary Care and External Primary Care.

The reports of these work groups indicate that virtually none of the performance standards established by UMHC in October, 1992, have been met. In addition, the work groups identified problems in physician and staff satisfaction, effective utilization of space, physician productivity, overall efficiency of operations and the costs associated with those operations. The recommendations developed from the work group reports fall into four categories: **Clinic Management and Finances; Space Utilization, Reallocation and Physician Productivity; Performance Standards and Primary Care.**

I. CLINIC MANAGEMENT AND FINANCES

Issue: Both physicians and clinic staff report dissatisfaction with the current management structure. There is a significant desire and perceived benefit to increasing physician participation in and accountability for clinic operations.

The space reallocation and cost reduction recommendations outlined below are radical for this institution. Given the organizational history, the ability of the institution to achieve these goals is dependent on physicians assuming authority and responsibiity for the clinics.

Recommendations:

1. ***Implement a management structure whereby the clinic medical directors have financial and line staff authority and responsibility. Decrease the number of ambulatory care assistant directors from four to two.***
2. ***Revise clinic skill mix to approach national norms.***
3. ***Provide appropriate clerical personnel to carry out managed care functions and other clinic operations at the point of service.***

II. SPACE UTILIZATION, REALLOCATION, AND PHYSICIAN PRODUCTIVITY

Issue: The Space Utilization and Allocation Task Force concluded that, based on national data of clinic size and utilization, the space in PWB is in many places misallocated and/or underutilized. Moreover, the current space allocation process is not flexible enough to respond to developing priorities.

Recommendations:

4. ***Make a ten year commitment for the use of PWB as the major, central site for the provision of UMHS-related ambulatory care.***
5. ***Assign clinic space based on institutional priorities, growth rates, and utilization efficiency.***
6. ***Improve all clinic areas where major remodeling does not occur.***

III. PERFORMANCE STANDARDS

Issue: Satisfaction Levels. The Performance Standards Work Group concluded that virtually none of the standards developed by the Service Quality Task Force in October, 1992, are being met. The work group determined that these standards were reasonable and were comparable to those of our competitors. The wide variance between patient satisfaction ratings and internal staff evaluations suggest system-wide problems that may or may not be apparent to the patients. The work group concluded that a major culture shift needs to occur to increase both staff and patient satisfaction to the targeted performance level.

Recommendations:

7. ***Empower the medical directors with the responsibility and authority to meet clinic-related performance standards. Empower ambulatory care administration with the responsibility and authority to meet system-wide performance standards.***
8. ***Establish a system of incentives and sanctions with physicians to improve overall appointment availability.***
9. ***Establish a system of incentives and sanctions with physicians to improve overall waiting time.***
10. ***Develop internal standards for telephone function, develop a plan to meet the standard and monitor adherence to that standard. Improve and standardize clinic workflow and centralize functions.***
11. ***Develop performance standards for outpatient laboratory, radiology and pharmacy services.***
12. ***Institute a monitoring system for patient satisfaction with the billing process. Examine the possibility of using the IDX system for hospital outpatient billing.***
13. ***Implement the recommendations of the 1994 medical records task force. Develop an improved record locator system. Investigate the possibility of an early shift to an automated outpatient record system.***
14. ***Improve clinical, financial and management reporting systems in the outpatient arena.***

Issue: Facilities. PWB no longer meets the community standards for access, signage, patient flow, staff work efficiency and general appearance. A short term physical clean up is currently underway. In addition, UMHS must make an immediate commitment to improve all facets of customer service, eliminate staff work flow obstacles, and enhance the look and feel of the physical environment.

Recommendations:

15. ***Evaluate the potential for valet parking.***
16. ***Move the front entrance either to the corner of Harvard and Delaware or to the southwest corner of PWB.***
17. ***Improve signage for patients from the parking lot and throughout PWB.***
18. ***Transfer responsibility for cleaning and maintenance of the clinics from the University to the Hospital.***

IV. PRIMARY CARE

Issues: UMHS must develop a fertile primary care network to ensure its growth and health. Geographic service area, control of covered lives, targeted populations and solid network relationships are key criteria for a sound primary care strategic plan.The University's employees and the residents of the immediate geographic area provide a large potential market for UMHS' own Primary Care Center.The strategy for the wider metropolitan area will be effected by the final disposition of the agreement with Aspen Clinics. Any further strategies for the Twin Cities should be postponed until the Aspen arrangement is settled. The one exception is CUHCC, where steady growth in patient volume and programs has resulted in a need to increase clinic space.

Recommendations:

19. ***Develop a primary care center (to include Family Practice, General Internal Medicine, Primary Care GYN, Geriatrics and possibly Pediatrics) located on the 2nd floor of PWB.***
20. ***Expand Nurse Triage telephone services and combine it with the UAccess Line and Referral Center. Expand the scope of services offered in the Emergency Department including the development of an Urgent Care Center.***
21. ***Delay further planning on a local primary care strategy until the Aspen negotiations are complete.***
22. ***Expand the current CUHCC operation. Acquire West Side Clinic. Combine the administrative structure of CUHCC and West Side.***

INTRODUCTION

Cost reduction is the major force driving the ongoing changes in health care delivery. The greatest opportunity for cost reduction occurs with decreased use of inpatient facilities. Fewer admissions and shorter stays lead inexorably to both greater use of ambulatory care facilities and the provision of more complex services within that setting. These national trends have had an early and major impact on the University of Minnesota Health System (UMHS).

Five years ago (fiscal year 1989-1990) the annual number of outpatient visits at UMHS was 335,073.[1] In fiscal year 1994-1995, there will be more than 420,000 visits, representing an increase of 25%. Increases in patient visits have occurred unevenly across departments resulting in resource allocation problems.

Greater complexity in UMHS' outpatient population has resulted in three important changes in the provision of ambulatory care services:

- A single site for the provision of services is no longer sufficient. The system will continue to develop alternate campus sites such as Riverside and University Orthopedics and non-campus sites such as CUHCC.

- The mechanism for the assignment of space and personnel on campus does not meet current patient and programmatic needs.

- Ambulatory care finances have assumed new and important emphasis. Ambulatory care services can no longer serve as a "loss leader" for inpatient care.

The tripartite mission of research, education and patient care in academic health centers creates particular challenges for ambulatory care. Research and educational components are more easily and efficiently carried out in an inpatient setting where patients are available on a continuous basis. Carrying out these functions during the course of an outpatient visit is inherently less efficient. Ambulatory care's challenge will be to struggle with responding to the demands for cost reduction and increasing services to patients while at the same time continuing the tradition of high quality care.

In November, 1994, the UMCA and UMHC leadership directed that Ambulatory Care Services develop a comprehensive plan for the provision of ambulatory care services. The two organizations, acting jointly, created five work groups to address the following issues: (1) space assignment in the Phillips Wangensteen building (PWB); (2) intramural provision of primary care; (3) metro provision of primary care; (4) performance standards; and, (5) finances. Work group members were:

---

[1] Speech Rehabilitation, Cardiac Rehabilitation and Heart Cath Lab encounters were not included in the 1989-1990 census. They have been included in the outpatient census since FY 1991-1992.

Performance Standards	Space Allocation and Utilization	Finances	Primary Care-PWB Strategy	Primary Care-Ext Strategy
Chair– **CC Clawson, M.D.**	*Chair–* **Peter Lynch, M.D.**	*Co-Chairs–* **Nels Larson Pat Board**	*Chair–* **Bob Blum, M.D.**	*Chair–* **Pat Board**
Mark Dahl, M.D.	Carl Anderson	Sue Weber	Kathleen Watson, M.D.	Cliff Fearing
Craig Christianson, M.D.	Mary Sumpmann	Joe Heidkamp	Donald Asp, M.D.	Peter Lynch, M.D.
Gary Birnbaum, M.D.	Cynthia Ronning		William Saul, M.D.	Chuck Gooder
Sue Weber	Dolly Schmidt		Sue Weber	Ted Thompson, M.D.
Sam Ours	Tom Gilbert, M.D.		Ted Thompson, M.D.	(Ad hoc)
			Connie Parenti, M.D.	

The work groups were asked to complete their deliberations and formulate their reports by January 1, 1995. These reports were then studied by Ambulatory Care Services. The data, conclusions and recommendations contained therein were then compiled into this comprehensive plan for Ambulatory Care Services.

I. CLINIC MANAGEMENT AND FINANCES

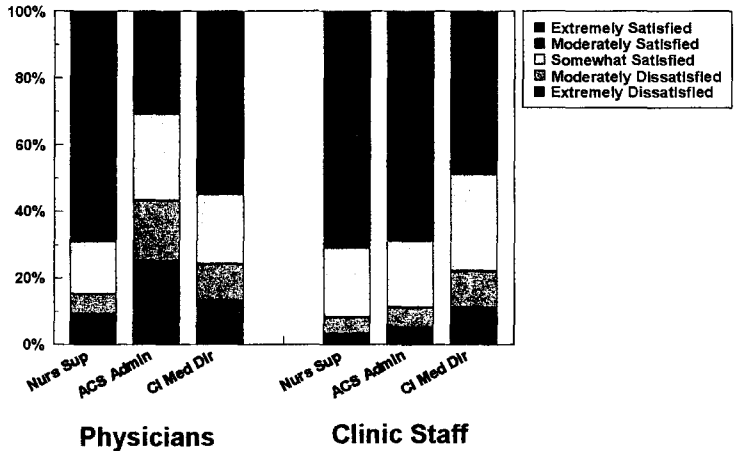
A. Clinic Management

In October, 1992, the Service Quality Task Force developed a set of performance standards for ambulatory care as part of the Hospital's overall strategic plan. Surveys conducted in November, 1994, revealed that virtually none of these standards are being met. Furthermore, neither the physicians nor the hospital have developed strategies to move the clinics toward meeting these standards.

Coupled with this, both physicians and clinic staff report dissatisfaction with the current approach to clinic management. As the tables below illustrate, physician dissatisfaction with the responsiveness of clinic management ranges from 15% at the nursing supervisor level to 43% at the Ambulatory Care Administration level. Similarly, clinic staff dissatisfaction ranges from 8% at the nursing supervisor level to 22% at the clinic medical director level. Comments on staff surveys reveal frustration with the decision-making process and with the ability of management to resolve problems.

Exhibit 1

Satisfaction with Responsivenesss



The medical staff has long believed that the patients and physicians would be better served if clinic activity was in the control of the physicians. The Performance Standards Work Group agreed with this position and recommended that clinic management change from the current model (Exhibit 2a) to a "Strong Medical Director" model (Exhibit 2b).

Exhibit 2a
University of Minnesota Hospital & Clinic
Ambulatory Care Services

Current Organization

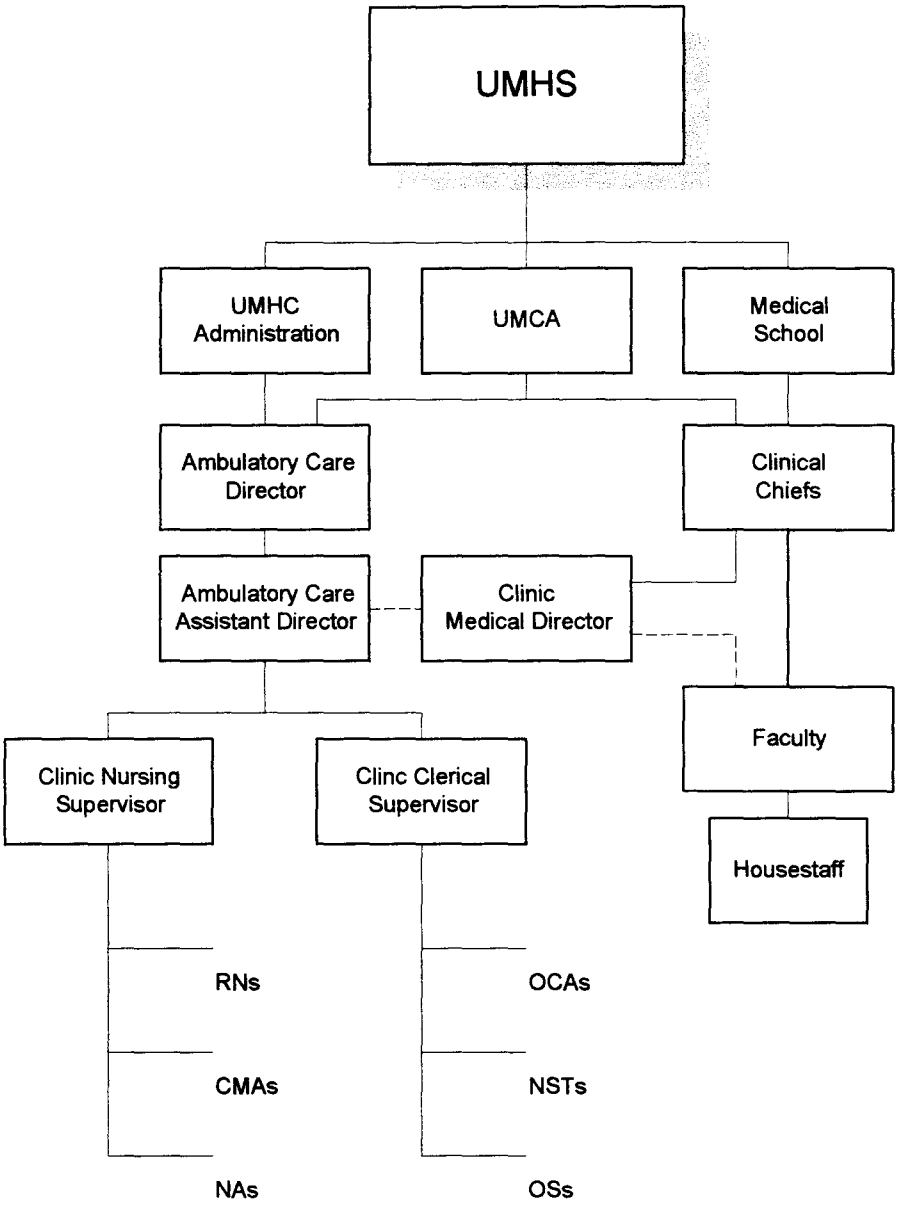
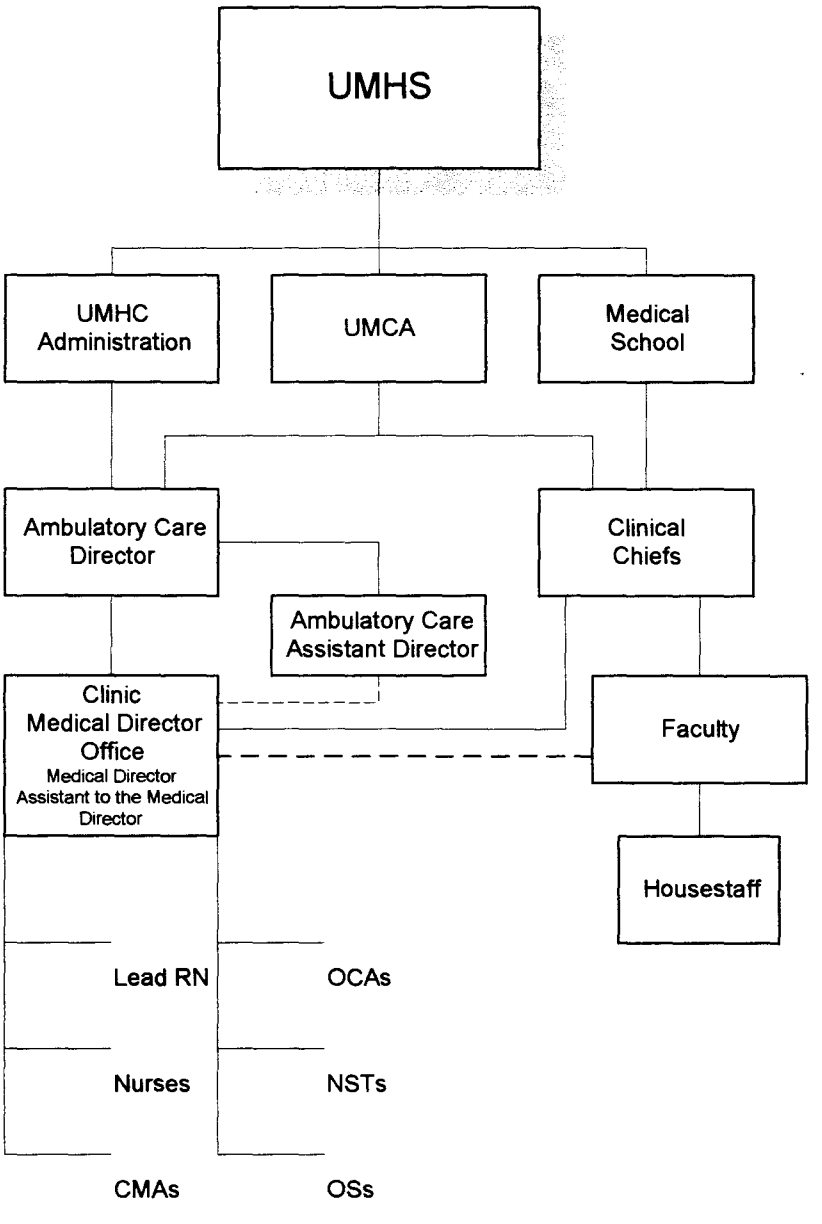


Exhibit 2b
University of Minnesota Hospital & Clinic
Ambulatory Care Services

Proposed Organization



Under the new model, the medical directors would assume responsibility for financial and patient care performance, quality assurance and clinical and clerical staff. The medical directors would have:

- Authority to make all decisions related to personnel at the clinic level.
- Responsibility for the clinic budget. The Hospital and each Medical School Department will enter into a risk sharing agreement based on incentives.
- Responsibility for patient care: The medical director will maintain performance standards at the clinic level.

The Hospital would compensate the departments for two to six hours per week of the Medical Director's time for this administrative work. Compensation would vary depending on the size and complexity of the clinic or program. Total expense is estimated at $300,000.

This recommendation and the others contained in this plan assumes that UMHS will function as an integrated system with the clinics operating under the joint responsibility of the physicians and the hospital. Its success is dependent upon the departments investing authority with the Medical Director to monitor and assure adherence to performance standards and upon the Hospital investing time and resources in developing the management, supervisory and financial analysis skills of the Clinic Medical Directors. The new model is designed to:

- Increase physician involvement at the clinic operational level;
- Promote a culture change through better understanding, more cooperation and a more open environment between the clinics and the departments; and,
- Improve key performance statistics.

Recommendation 1. ***Implement a management structure whereby the clinic medical directors have financial and line staff authority and responsibility. Develop a training and orientation program for the medical directors focused on personnel management, financial accounting and systems, and clinic operations to provide them with the proper tools to manage the clinics. Establish incentive agreements with the departments, including risks and rewards, based on budgetary and patient care performance. Reimburse the medical directors for their administrative responsibilities. Decrease the number of ambulatory care assistant directors from four to two.***

Within this organizational structure, the Ambulatory Care Assistant Directors no longer have line responsibility for individual clinics. Ambulatory Care administration would continue to be responsible for global areas:

- Information Systems
- Facilities Management
- Regulatory Compliance
- Billing Liaison
- New Program Development
- Purchasing
- Payroll and Personnel Processing
- Managed Care processing (shared with UMCA)
- Financial and Managerial Reporting
- Quality Improvement
- Staff Training and Orientation
- Standardization of Workflow across Clinics
- Construction and Project coordination

B. Clinic Finances

An analysis of clinic finances is incomplete without inclusion of both the hospital's and the physicians' revenues and costs. The hospital, responsible for clinic operations and maintenance, charges facility and procedure fees. The Medical School Departments charge professional fees to cover overhead and professional income.

The payors' reimbursement systems are complicated. For example, Medicare and Medicaid discount the professional fee reimbursement for outpatient activity by about 30% in recognition of the fact that physicians are not carrying the clinics' operating expenses. These two payers reimburse the hospital a percentage of its facility charge. In contrast, Blue Cross, most HMOs and other payers who have contracted with UMHC and UMCA do not reimburse the hospital for the facility charge, arguing that this charge is included in the professional fee.

There is also disparity in reimbursement between inpatient and outpatient services. For example, Medicaid reimburses close to full charges on inpatient care but reimburses only 50% of outpatient charges.

Historically the Medical School departments have not separately identified outpatient revenue and expenses. UMCA and the departments are planning to differentiate outpatient activity but have not as of this date. Therefore, the Task Force on Finances submitted data only on the hospital's clinic and ancillary income and costs. The table below (Exhibit 3) summarizes the Statement of Operations for fiscal year 1993-1994.

Exhibit 3

UNIVERSITY OF MINNESOTA
HOSPITAL AND CLINIC
Outpatient Services
Statement of Operations
Fiscal Year 1993-1994

Revenue	
Gross Charges	$69,867,154
Deductions from Charges	(22,418,713)
IME/GME Allocation	5,266,000
NET REVENUE	**$52,714,441**
Expenses	
Direct Costs	38,210,557
Indirect Costs	21,771,194
TOTAL EXPENSES	**$59,981,751**
SURPLUS/(DEFICIT)	**($7,267,310)**

The financial relationship between the hospital's outpatient experience and the physicians' experience remains unclear. What is clear is that substantial progress needs to be made to

improve the financial health of the clinics. There are significant opportunities to accomplish this in the hospital through cost reduction and revenue enhancement. In this health care environment, the key to an improved financial margin is cost reduction and better coordination of managed care processing.

1. Cost reduction.

Clinic staffing levels and skill mix were compared to the other hospitals in the University Hospital Consortium (UHC) using the MECON database and to community benchmarks using the Medical Group Management Association (MGMA) ***Cost Survey: 1994 Report Based on 1993 Data***. The data reveal several areas for potential cost reduction.

Compared to 22 other UHC Hospitals, UMHC is over the median in percentage of nursing and management staff and is at or under the 25th percentile in percentage of non-RN clinical and clerical support. In addition, UMHC's staffing cost ratio is well over the 75th percentile:

Exhibit 4

Comparison of UMHC Ambulatory Care Skill Mix to Other UHC Facilities

		UHC Comparison		
Staff Configuration	**UMHC**	**25th Percentile**	**50th Percentile**	**75th Percentile**
Total Paid FTEs	140.4	127.2	142	213.2
SKILL MIX				
RNs	33.1%	19.4%	27.0%	31.5%
LPNs	2.3%	3.3%	5.0%	11.9%
Other Clinical Support	11.8%	11.8%	16.9%	21.8%
Management	9.2%	3.3%	5.9%	7.5%
Other	43.6%	36.6%	40.0%	46.1%
AVERAGE STAFF COST RATIO				
Regionally Adjusted $/Hour	$15.70	$13.00	$13.50	$14.60

The MGMA comparison also reveals that UMHS's skill mix is out of proportion to national norms:

Exhibit 5

Comparison of UMHS Ambulatory Care Skill Mix to MGMA Benchmarks

		MGMA Comparison		
	Nursing Avg FTEs	Non-RN Clinical Avg FTEs	Clerical Avg FTEs	Total Avg FTEs
Current UMHS FTEs*	33.3	23.2	34.8	91.3
MGMA Benchmark based on number of physicians and clinic productivity**	18.7	40.9	28.5	88.1
Potential FTE Decrease/(Increase)	14.6	(17.70)	6.3	3.2
	Avg $22/hr	Avg $12/hr	Avg $12/hr	Avg $12/hr
Potential Salary Decrease/(Increase)	$668,096	($441,792)	$157,248	$383,552
With Average 20% fringe	$801,715	($530,150)	$188,698	$460,262***

* Does not include Psychiatry (Adult and Child Psychiatry clinics, Chemical Dependency and Eating Disorders Programs), Dermatology, Medicine subspecialty clinics and central administration. The total of 91.3 FTEs represents 65% of total Ambulatory Care Services FTEs.

** Neither the UMHS figures nor the MGMA benchmarks include managed care processing duties.

*** Figures do not take into account educational factors for UMHS support staff.

The potential savings in clinic skill mix adjustment is estimated at $500,000 after all clinic sites are accounted for. The success of reengineering at the clinic level depends on highly competent and trained staff as well as on systems (medical records, information systems, ambulatory care administration, work space and work flow) that support a highly efficient operation.

Recommendation 2. Medical Directors and Ambulatory Care Administration reengineer clinic skill mix to approach national norms. Empower ambulatory care administration with the authority and responsibility to optimize clinic operations and support systems.

2. Revenue Enhancement and Managed Care Processing

Insufficient effort has been expended to quantify lost revenue from pre-authorization deficiencies. However, Ambulatory Care Services believes that charge write-offs are substantial and justify a shift in resources. If the organization's resources and energy were re-directed to obtaining authorizations before the visit, the total number of hours devoted to the processing of managed care paper work can be reduced. The end result would be both additional hospital and professional revenue as well as less activity and resource requirements to obtain appropriate authorizations after the visit.

Over the past year, Ambulatory Care Services and the Departments have engaged in an ongoing discussion concerning adding 15 FTEs at the clinic level. The positions, titled "Clinic Specialist," would be responsible for full registration, managed care activities, accepting co-payments and deductibles, and other clerical activities that bridge department and hospital activities. It was proposed that these positions be funded jointly by UMHC, UMCA and the Medical School; however, budget constraints in all three divisions have held up discussions. With or without the position, the duties need to be performed at the point of service. To facilitate absorption of these duties within the clinic areas, both clinic work flow and front desk work space need to be redesigned.

Recommendation 3. ***Provide appropriate clerical personnel to carry out managed care functions and other clinic operations at the point of service. Ensure that clinic staff have sufficient training and skill to carry out these duties. Continue to work with UMCA to shift resources towards front end management. Continue education efforts with physicians regarding managed care systems and requirements.***

II. SPACE UTILIZATION, REALLOCATION AND PHYSICIAN PRODUCTIVITY

As Exhibits 6 and 7 on the following page demonstrate, there is a significant misallocation of resources in the majority of clinics with regard to both exam room utilization and physician efficiency. Review of the data suggests that, even with consideration of UMHS' educational mission, use of clinical space is maximized only in Family Practice, Medicine and Psychiatry clinics. Several clinical areas such as Pediatrics, PM&R and Neurosurgery are at less than 50% utilization. The data on which these graphs are based is found in the Space Allocation Work Group report. UMHS patient volume, room allocation, and the number of physicians were compared to national data collected by MGMA and presented in its ***Cost Survey: 1994 Report Based on 1993 Data***.

The data not only highlight the misallocation of space, they also demonstrate the need for allocation of space for critical strategic programs such as neurosciences and oncology. The plan to reallocate space uses both these factors as basic criteria.

Common belief holds that PWB is poorly suited for continued use as the primary site for the provision of UMHS-related ambulatory care. Careful consideration, however, suggests that this view is erroneous.

- Neither UMHC nor the Medical School incur any rental or leasing costs for PWB. This contrasts with the cost of $20 to $40 million dollars for building a clinic building elsewhere.
- Space efficiency surveys suggest that with better assignment of space increased efficiency in the utilization of space can be accomplished.
- Centralization of care in a single large site reduces the need for duplication of services (laboratories, systems, security, maintenance, etc.); economies of scale are realized.
- Centralization of care in a single large site enhances the ease and efficiency of cross service consultation; it also creates a critical mass of patients for teaching and research purposes.
- Centralization of care in a single large site encourages the desired development of interdepartmental programs and "center"-type grants.
- Location of a large, central site contiguous to the hospital is valuable and efficient; again, many systems can be shared.
- Location of a site near physician offices and laboratories obviates commuting back and forth; physician time utilization is maximized.
- Surveys of patient satisfaction suggest that patients are more satisfied with their care in PWB than has been previously assumed.

Exhibit 6
Ambulatory Care Services
Exam Room Utilization

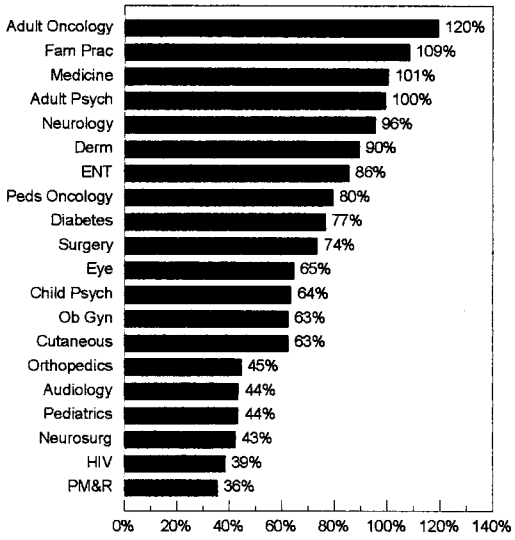
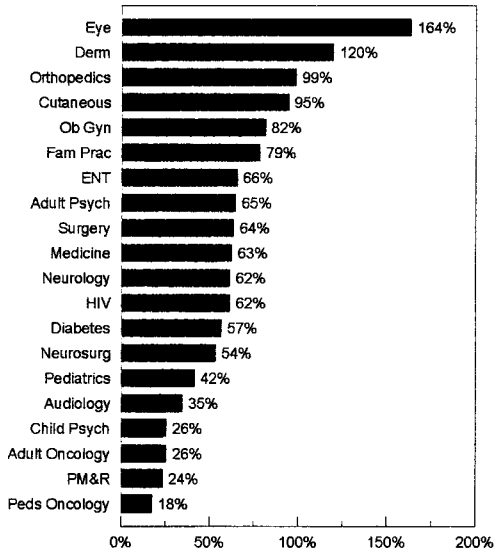


Exhibit 7
Ambulatory Care Services
Provider Efficiency in Clinics



Data derived by comparing UMHS census and physician activity to MGMA benchmarks. Additional time and space needs for training students, residents and fellows have been figured into both the room utilization and physician efficiency figures by adding a 33% education factor.

Recommendation 4. ***UMHS make a ten year commitment for the use of PWB as the major, central site for the provision of UMHS-related ambulatory care. UMHS expend sufficient resources on PWB to bring it up to contemporary and competitive standards as the system's major site for ambulatory care; this will require an estimated $10 million over five years.***

Assignment and Utilization of Space in PWB.

Space in PWB is "owned" by both the Medical School and the Hospital. Historically, space for clinical activities was the responsibility of the Hospital whereas space for non-clinical activities was the responsibility of the Medical School. This division of authority worked well originally but the lack of an overall coordinated plan has led to overlap and deflected responsibility in some areas, notably patient care related administration and clinical teaching. Moreover differential rates of growth in department size and clinical activity have led to varying degrees of crowding, inefficient space utilization and the (sometimes inappropriate) interconversion of clinical and non-clinical space. Once established, this misallocation has historically been nearly impossible to correct due to the phenomenon commonly referred to as "squatter's rights."

Clinical space must be assigned on the basis of UMHS priorities, growth areas, and demonstrated efficient utilization. As a first step in such a process, The Work Group on PWB Space Utilization and Reallocation carried out surveys regarding utilization efficiency and compared those data with bench mark data obtained from the Medical Group Management Association (MGMA). Summary data are contained in Exhibit 8 and demonstrate that there is sufficient space in PWB to accommodate the majority of clinics and programs once efficiency is achieved.

Exhibit 8
PWB Space Requirements

	Annual Visits	Current Exam Rooms	Required Exam Rooms
Current PWB Patient Care Services	202,492	235	170
Program Scheduled to Leave PWB			
Ambulatory Surgery	(5,628)		(12)
Programs Planned to Enter PWB			
Urology	7,432		6
BMT (additional)	6,000		6
Cancer (additional)	1,000		1
Proposed PWB Patient Care Services	**211,296**		**171**

* based on analysis of present utilization in comparison to MGMA data (adjusted for educational factor)

The work group and ambulatory care administration used these data in conjunction with the following assumptions to formulate several reallocation plans.

1) Ambulatory care at the national level is moving away from departmental focus and instead is emphasizing interdepartmental programs.

2) UMHS leadership and the Board of Governors have identified oncology, bone marrow transplant, neuroscience, cardiovascular services, pediatrics, and primary care as representing institutional, and thus ambulatory care, priorities.

3) In addition to current census data, trends in activity will also be considered. Space will be reduced where trends show declining census; modest expected increases in growth can be accommodated by better utilization of current space. Where additional space is needed, extended clinic hours should be considered.

4) Clinical space is a priority; current clinical space will not be diverted to offices or laboratories.

5) It is possible to accommodate most services within PWB. In addition to the institutional priorities listed above, criteria for inclusion in PWB will include those services with patients who have the most difficulty in getting around, the highest requirement for cross consultation and the greatest need for laboratory and imaging studies.

6) Significant remodeling will be necessary to accommodate consolidation and reallocation.

7) Unused space cannot be "held"; space not used on any given half day may be reassigned.

8) Cross utilization of waiting rooms, front desks and "generic" clinic space is desirable and necessary.

Several major problems occur with any attempt at reallocation. First, the shift to programs leads to claims by program directors that activities formerly carried out in departmental clinic space will transfer to the space requested for the program; clinic service directors frequently deny the likelihood of that occurrence. Thus dual claims for space are made for a given service. Second, each service estimates growth optimistically lest it lose out in space assignment. Third, loss or acquisition of medical personnel can quickly and greatly change service size; these changes cannot always be predicted. Fourth, swing space is necessary when major remodeling is carried out.

With all of the above in mind, the Space Utilization and Reallocation Work Group and Ambulatory Care Services made the primary recommendation as outlined below. Secondary recommendations are contained in the work group report.

Recommendation 5. ***Assign clinic space based on institutional priorities, growth rates, and utilization efficiency. Reassign space in PWB as detailed in Exhibit 9 below.***

Exhibit 9
Space Reallocation Recommendations

First Floor	• **General Dermatology moves to fourth floor** • **Women's Health Center leaves** (GYN Oncology joins Cancer Center; Primary Care GYN joins Primary Care Center; remaining GYN moves to Riverside) • **Ambulatory Surgery moves to the main hospital** • **Orthopaedics and PM&R remain** • **Surgery remains (incorporating Solid Organ Transplant Clinic)** • **Transplant Office moves from second floor** • **Neurosciences Center is formed** (incorporates Neurosurgery, Neurology, EEG and EMG) • **Urology moves in from Mayo**
Second Floor	• Finance moves out • Transplant Center Office moves to first floor • Ambulatory Care Administration moves • **Primary Care Center is formed** (Family Practice, Internal Medicine Primary Care, GYN Primary Care, Geriatrics) • **Medicine Subspecialties Clinic is formed** (excludes Diabetes) • **Digestive Diseases Center is formed**
Third Floor	• Neurology moves to first floor (Neurosciences Center) • Psychiatry moves to fourth floor PWB • **Heart/Lung Center is formed**
Fourth Floor	• Pediatric Ambulatory Care Center is relocated offsite • **Adult Psychiatry moves from third floor** • **Dermatology moves from first floor** • **Cutaneous Surgery remains**
Fifth Floor	• Donor Center moves to Mayo • EEG/EMG moves to Neurosciences Center • **Cancer Center is formed (incorporates Oncology Clinic)** • **BMT Center is formed**
Sixth Floor	• Heart Failure Clinic moves to Heart/Lung Center • **Diabetes Center remains** • **Provost's Office is built**
Seventh Floor	• **Dental Clinic remains**
Eighth Floor	• **ENT and Audiology remain**
Ninth Floor	• **Ophthalmology remains**

Recommendation 6. ***Implement planning for front desk reconfiguration, cleanup and aesthetic improvements on floors eight and nine as well as any other clinic areas where major remodeling does not occur.***

III. PERFORMANCE STANDARDS

A. Patient, Physician and Staff Overall Satisfaction Indices.

Through surveys of patients and staff and internal audits, the Performance Standards Work Group learned that:

- 89% of the patients are satisfied with their clinic experience (Exhibit 10). Although this level of satisfaction is high and compares favorably with other health plans (Exhibit 11), it does not meet the 95% standard established by the institution.
- The institution does not meet any of the other established performance standards.
- Physician and staff satisfaction is low both with management and operation of the clinics and with the support received from ancillary areas and the hospital's infrastructure.

Data regarding these items can be found in the Work Group report. Based on these results, the work group concluded that a cultural and leadership change is required.

Exhibit 10

Patient Rating of Overall Satisfaction With Clinic Experience

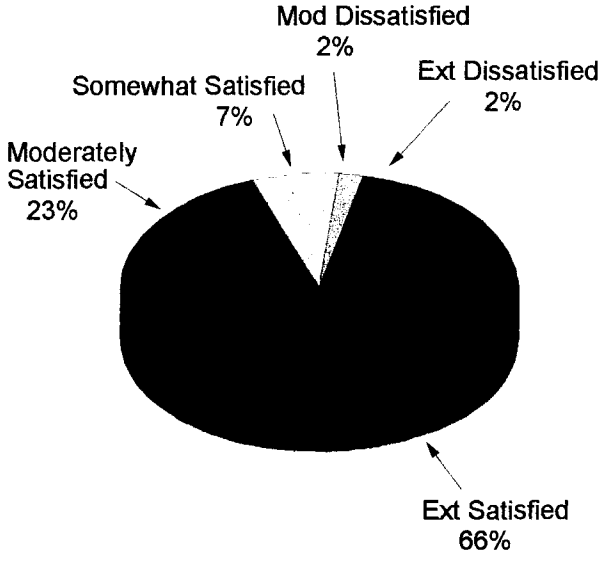
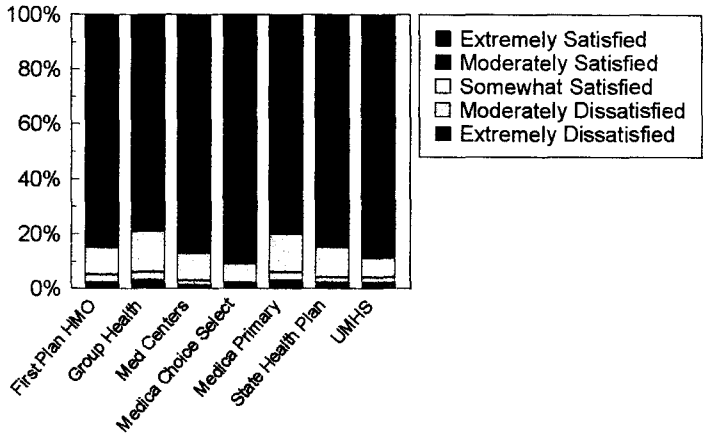


Exhibit 11

Patient Overall Satisfaction With Care at UMHS Compared With Other Health Plans



Source for non-UMHS health care systems: 1993 State of Minnesota Employee Satisfaction Survey

Recommendation 7. Empower the medical directors with the responsibility and authority to meet clinic-related performance standards. Empower ambulatory care administration with the responsibility and authority to meet system-wide performance standards. Focus initially on improving performance in the following areas:

for Patient Satisfaction

- *wait times in clinic*
- *appointment availability*

for Physician and Staff Satisfaction

- *availability, completeness and appearance of the medical record*
- *clerical work flow and staff competence*
- *ancillary services*

Complete a report on progress toward meeting performance standards within six months of implementation of the management changes outlined in this report. Publicize the results of performance measurement on an ongoing basis.

B. Specific Performance Standards.

Performance standards for Ambulatory Care were developed by the Service Quality Task Force in 1992. They were accepted by the Council of Clinical Chiefs in August, 1992, and approved for implementation by the Board of Governors in September, 1992. As of the end of 1994, none of the standards has been met.

1. Appointment Availability

UMHS Standard: Each clinic will develop specific appointment availability standards that may vary based on the patient's needs. At a minimum, 95% of patients will be able to obtain a routine clinic appointment within two weeks, if not with a particular physician, at least with a colleague in the same specialty area.

A survey of appointment availability conducted in October, 1994, showed that patients in the following subspecialties wait for more than two weeks for an appointment:

Exhibit 12

Clinics With Greater Than Two Week Wait for Appointment

CUHCC	Medicine
Medicine Pediatrics	Vascular
Dermatology	**Neurology**
General Dermatology Cutaneous Surgery Hair Loss Pediatric	Alzheimer's Multiple Sclerosis
ENT	**PM&R**
Neuro-otology	General PM&R Amputee Movement Disorder Pain
Ophthalmology	
Pediatric Plastic Eye Surgery	

Patients in these clinics account for about 10% of the total annual outpatient visits.

Measured in its strictest sense, UMHS physicians do not meet the appointment availability standard. The standard itself may be too broad and should not include highly subspecialized clinics which meet at infrequent intervals.

Recommendation 8. ***Establish a system of incentives and sanctions with physicians to improve overall appointment availability. Continue to monitor and publish results of waiting time surveys.***

The standard at the 95% level for appointment availability within two weeks is appropriate for the majority of UMHS clinics. However, this standard should be reviewed for certain subspecialty clinics.

2. Waiting Times in Clinics

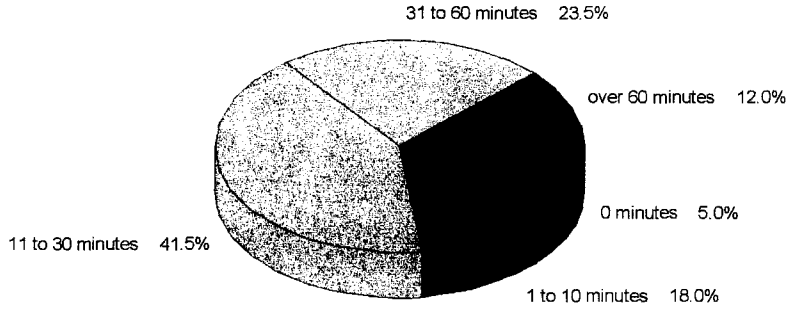
UMHS Standard: 90% of all patients will be seen by a physician (resident, fellow or attending physician) in clinic within 30 minutes of their appointment time, and/or will express satisfaction with the timeliness of their visit.

Blue Cross Standard: 80% of patients will be seen within 30 minutes.

Clinics have collected data on patient waiting times for the last year using a random monitoring tool. The methods and results are contained in the Work Group report. Only two clinics meet the internal standard (Audiology and Hemophilia). In eight clinics, at least 50% of the patients waited 30 minutes or more (Dermatology, Diabetes, Ophthalmology, HIV, Neurosurgery, Orthopedics, Surgery, and Urology). Exhibit 13 below represents current waiting times in clinics:

Exhibit 13

Waiting Time in Clinics



Over 35% of UMHS patients wait longer than 30 minutes before they see their primary physician.

Recommendation 9. Establish a system of incentives and sanctions with physicians to improve overall waiting time. Continue to monitor and publish results of waiting time surveys.

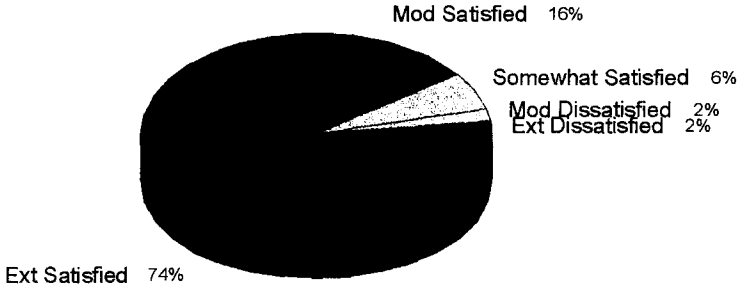
3. Physician Communication

UMHS standard: The level of patient satisfaction with the attending physician communication will be 95%.

Of the patients surveyed, 92% were satisfied with their physician's communication with themselves, 88% were satisfied with the clarity of information and explanations provided, and 96% were satisfied with the willingness of their physician to answer questions. Of all the standards developed in 1992, UMHS comes closest to meeting this standard.

Exhibit 14

Patient Satisfaction with Physician Communication



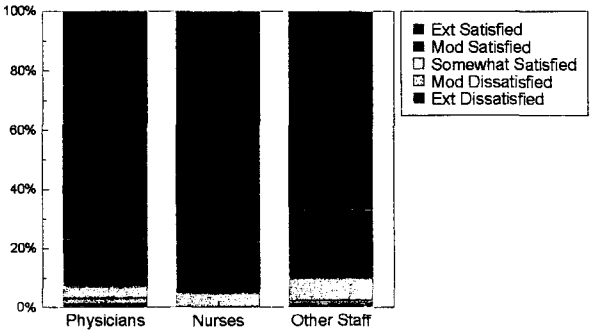
4. Satisfaction with Physicians, Nursing and Clerical Staff

UMHS standard: Has not been developed.

Overall, 95% of the patients were satisfied with the nursing personnel they encountered at the time of their visit. Similarly, 91% of the patients were satisfied with their encounters with the rest of the clinic staff. Patients were "extremely satisfied" with a smaller percentage of clerical staff than they were with physicians and nurses.

Exhibit 15

Patient Satisfaction with Clinic Staff



5. Telephone Function

UMHS standard: Has not been developed.

Data were reviewed on the six clinics that use the University's automated calling system (Diabetes, Neurology, Orthopedics/ Neurosurgery, Pediatrics, Psychiatry, and Wound Healing). Although the phones were answered in less than a minute on average, approximately one third of the calls were placed on hold. The average time a call was placed on hold was approximately one minute but the longest a call was on hold ranged from three and a half minutes to almost 40 minutes. Approximately 20% of all calls required transfer to another number. The experience of eight clinics for the week of November 27, 1994 is detailed below in Exhibit 16:

Exhibit 16
Clinic Telephone Response

CLINIC	TOTAL CALLS	BUSY SIGNALS	HANG UPS	AVG ANS TIME	# OF QUEUED CALLS	AVG TIME QUEUED	LONGEST QUEUED TIME	TRANS-FERRED CALLS
Diabetes	610	11	68	0:26	237	:58	7:38	105
ENT	643	0	125	0:16	176	0:40	3:28	136
Neurology	1,004	74	111	0:40	441	1:18	9:16	256
Ortho/Nrsg	1,199	23	85	0:14	342	:48	10:16	198
Peds	1,534	338	311	0:56	801	1:18	39:38	283
Psychiatry	1,236	53	163	0:22	398	0:56	12:08	273
Wnd Heal	567	0	22	0:22	188	0:54	7:24	115
PM&R	191	0	23	0:20	46	1:18	8:58	27

Recommendation 10. ***Develop internal standards for telephone function; develop a plan to meet the standard and monitor adherence to that standard. Change clinic workflow to allow clerical staff more time to field phone calls. Centralize functions (such as scheduling and nurse lines) in clinics to minimize transfers.***

In the fall of 1994, Ambulatory Care Services formed a task force to review the outpatient record and recommend improvements. These recommendations are outlined below in Exhibit 19.

Exhibit 19

Outpatient Medical Records
Task Force Recommendations

Add at least two full time staff in medical records to routinely organize and assemble the outpatient chart.

Reorganize the outpatient record:

- **Replace cover with a sturdier folder and distinguish it by color from the inpatient record**
- **Limit the size of each volume to a maximum of 1 1/2"**
- **One volume will contain all the current outpatient information and inpatient discharge summaries**
- **Only the current volume will be sent to clinics unless additional volumes are requested**
- **File outpatient progress notes in reverse chronological order.**

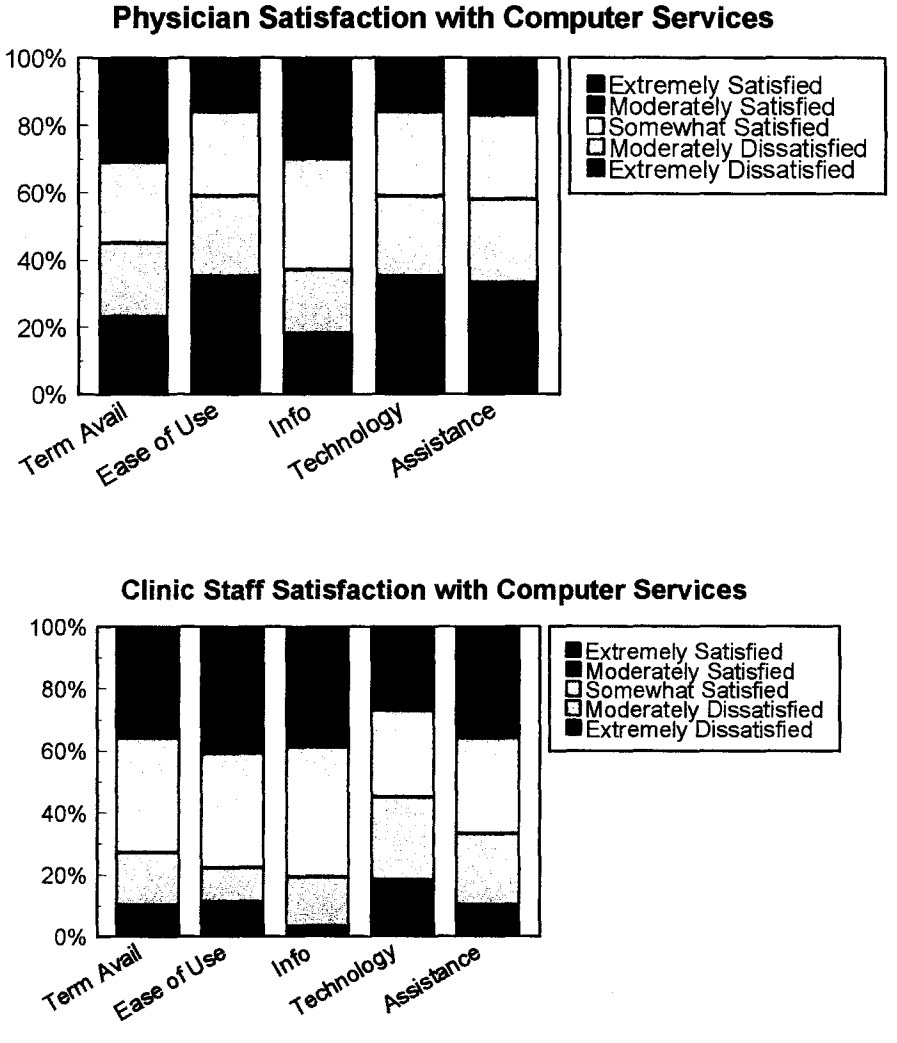
Improve computerized record tracking system.

Recommendation 13. Implement the recommendations of the 1994 medical records task force. Implement an improved record locator system. Consider the possibility of electronic (bar code) identification of the records which would simplify tracking of record movements. Investigate the possibility of an early shift to an automated outpatient record system.

4. Information Systems

The physician and staff surveys revealed low level of satisfaction with UMHS's information systems. As the graph below indicates, staff were dissatisfied with the availability of terminals, adequacy of information and availability of training and assistance.

Exhibit 20



The hospital's computer system was developed and has been maintained to support an inpatient service. This situation is unacceptable with the rise of ambulatory care activity and the increased importance of ambulatory care services in the health care market

Recommendation 14. ***Improve clinical, financial and reporting systems in the outpatient arena.***

D. Access: Parking, Entrance and Signage

Parking is casually discussed as one of the largest deterrents to utilization of our clinics. Satisfaction with parking facilities for patients is given as 23% by the physicians and 32% by the staff. On the other hand parking was rated as satisfactory by 72% of the patients in the telephone survey. Valet parking has been suggested as a remedy by many of our staff.

Recommendation 15. ***Evaluate the cost effectiveness and the level of enhanced patient satisfaction that would occur with valet parking. Obtain UMHS control over the underground parking in Mayo; evaluate the effectiveness of having this facility available nights and weekends.***

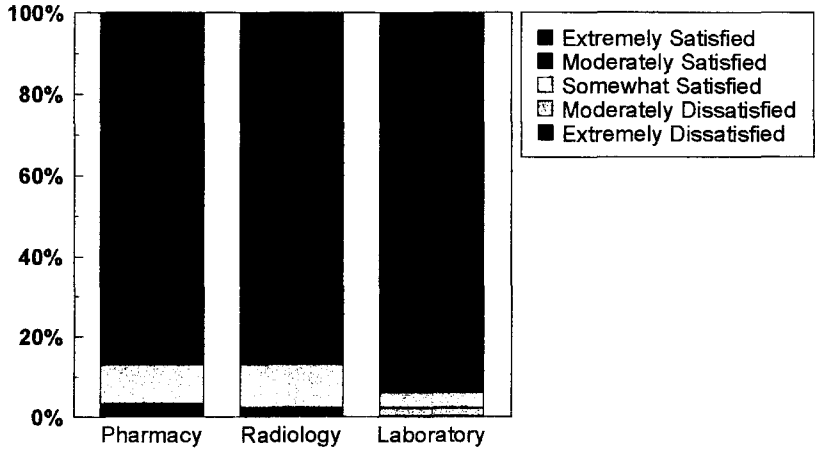
Numerous entrances exist to PWB. None is clearly marked such that patients know exactly where to go. The Delaware Street entrance is in the wind tunnel which makes entrance difficult and at times dangerous. There is currently no satisfactory area for drop off and pick up.

Recommendation 16. ***Move the front entrance either to the corner of Harvard and Delaware or to the southwest corner of PWB. Implement planning to develop a suitable area for patient drop off and pick up; consider using the Hospital mall as a possible site.***

Seventy-eight percent (78%) of new patients were satisfied with the ease of finding the clinic on their first visit. Overall, 84% were satisfied with the ease of locating the pharmacy, 87% with the ease of locating radiology and 94% with the ease of locating the laboratory.

Exhibit 21

Patient Satisfaction with Locating Ancillary Services



A non-public meeting of the Board of Governors of the University of Minnesota Health System was held on Wednesday, May 24, 1995 at 4:25 p.m. at 555 Diehl Hall, pursuant to the following resolution adopted at a public meeting of the Board of Governors.

> RESOLVED, that on the recommendation of the President and as provided by Minnesota State Statue, a non-public meeting of the Board of Governors be held on Wednesday, May 24, 1995, at 555 Diehl Hall for the purpose of discussing specific marketing and contracting matters.

Board members present: L. Bentson, P. Bowlin, W. Brody, F. Cerra, M. Dougherty, S. Edwardson, R. Erickson, M. Fay, A. Givens, M. Goldberg, S. Hansen, A. Hanser, G. Hart, N. Johnson, D. Knopman, A. Kydd, R. Lund, P. Lynch, P. Madel, T. Madison, E. Malkerson, A. Michael, J. Morrison, A. Page, P. Rapp, D. Sudor, R. Thompson, B. VanderKooi

Staff present: K. Dunder, C. Fearing, G. Strandemo, P. Board, J. Jackson, V. Pai

The meeting was adjourned at 4:55 p.m.

Gail Strandemo
Board of Governors

THE UNIVERSITY OF MINNESOTA HEALTH SYSTEM

BOARD OF GOVERNORS

MAY 24, 1995

2:30 P.M.

555 DIEHL HALL

THE UNIVERSITY OF MINNESOTA HEALTH SYSTEM
BOARD OF GOVERNORS
May 24, 1995
2:30 P.M.
555 Diehl Hall

AGENDA

				Page
I.	Approval of the April 26, 1995 Minutes		Approval	1
II.	Chairman's Report		Information	
III.	Executive Report		Information	
IV.	Special Presentation: Quality Management Report			
V.	Consent Items			
	A. Finance, Planning and Development Committee			
	1.	April 26, 1995 Minutes of the Finance, Planning and Development Committee	Information	5
	B. Quality Management Committee			
	1.	April 26, 1995 Minutes of the Quality Management Committee	Information	9
	C. Human Resource Committee			
	1.	April 26, 1995 Minutes of the Human Resource Committee	Information	11
	D. Audit and Nominating Committee			
	1.	April 26, 1995 Minutes of the Audit and Nominating Committee	Information	13
	E. Executive Committee		Information	15
	1.	May 18, 1995 Minutes of the Executive Committee		
VI.	Committee Reports			
	A. Finance, Planning and Development Committee			
	1.	University Medical Center - Mesabi Budget (To be distributed at the meeting)	Information	
	2.	Mesaba Clinic Budget (To be distributed at the meeting)	Information	
	3.	UMHC 1995-96 Operating & Capital Budgets	Approval	16
	4.	April 30, 1995 UMCA Financials	Information	28
	5.	April 30, 1995 UMHC Financials	Information	32

	6.	UMHSAC 1995-96 Budget (To be distributed at the meeting)	Information	
B.		Quality Management Committee		
	1.	CUHCC Governance Bylaws	Approval	36
C.		Human Resource Committee		
		No items requiring Board deliberation		
D.		Marketing Task Force Report		
E.		FORT Report	Information	

VII. Resolution to conduct Non-Public Meeting of the Board of Governors to Discuss:

1. Specific Marketing and Contracting Matters

VIII. Other Business

IX. Adjournment

*** Other Items ***

Ninth Annual MHA Trustee Conference at Cragun's

MINUTES

BOARD OF GOVERNORS
The University of Minnesota Health System

April 26, 1995

Call To Order

The April 26, 1995 meeting of the Board of Governors was called to order at 2:30 p.m. at 555 Diehl Hall.

Attendance

Present:

Larry Bentson
Paul Bowlin, M.D.
William Brody, M.D.
Shelley Chou, M.D.
James Corbett
Michael Dougherty
Sandra Edwardson, PhD
Robert Erickson
Rose Fagerstrom
Marvin Goldberg, M.D.
Steve Hansen
Albert Hanser
Gregory Hart
Nellie Johnson
David Knopman, M.D.
Arthur Kydd
Ronald Lund
Peter Lynch, M.D.
Duncan MacMillan
Peter Madel
Tom Madison
Al Michael, M.D.
John Morrison
Alison Page
Peter Rapp
Henry Smith, M.D.
Donald Sudor
Roby Thompson, M.D.
Benjamin Vander Kooi

Not Present: Michael Fay
Archie Givens
Elizabeth Malkerson
Kathy Tunheim

Approval of Minutes

The Board of Governors seconded and passed a motion to approve the minutes of the March 22, 1995 meeting as submitted.

Chairman's Report

Mr. Michael Dougherty announced that Mr. Leonard Bienias had passed away.

Mr. Dougherty called on Dr. Marvin Goldberg to announce the semi-annual Medical Staff Meeting on May 16, 1995.

Mr. Dougherty called on Nellie Johnson to review the Board of Governors Evaluation report.

Executive Report

Dr. William Brody reported that Dr. Frank Cerra was recommended to the Regents for the Dean of the Medical School. The Regents will be meeting on May 11 & 12, 1995.

Dr. Brody regretfully announced the resignation of Dr. Roberto Heros.

Dr. Brody reported on the Dr. Frank Johnson meetings in regards to the Medical School.

Mr. Greg Hart commended Mr. Keith Dunder, Mr. Cliff Fearing and Dr. Ted Thompson on the recent Hibbing acquisition.

Mr. Peter Rapp reported on the opening of a new medical staff lounge.

Special Presentation

Dr. Wally Swentko, Director Rural Physician Associate Program, gave an overview of the Rural Physician Associate Program.

The Board thanked Dr. Swentko for his presentation.

Consent Agenda

The March 31, 1995 UMCA Financials and the March 31, 1995 UMHC Financials items on the consent agenda were moved to the regular agenda for discussion. A motion was made and seconded to approve the remaining items on the consent agenda.

Finance Committee

Mr. John Morrison called on Mr. Cliff Fearing to give the March 31, 1995 Financial Report. Mr. Fearing reported that the Hospital's State of Operations for the period of July 1, 1994 thru March 31, 1995 shows year to date revenues being greater than expenses by $8,050,000. This is a favorable variance of $2,599,000.

Mr. Fearing reported that admissions for the month of March totaled 1,588 which were 131 greater than the budgeted admissions of 1,457. Outpatient clinic visits for the month of March totaled 36,107 which was 1,396, or 4.0%, above budgeted volumes of 34,711.

Mr. Morrison called on Mr. Pat Board to give the March 31, 1995 UMCA Financial Report. Mr. Board reported, for information, the UMCA financial report for the period ending March 31, 1995 and the fiscal year to date for UMCA. The month of March showed a negative variance to budget of $48,887 due to a planned change in the fee for UMCA services resulting in an accrual income adjustment. YTD financials show a net revenue of $90,162, a $403,516 favorable variance.

Mr. Morrison called on Dr. Tony Faras to give the MCT Center presentation. The Board seconded and passed a motion to approve the MCT Center for one year.

Mr. Morrison called on Dr. Peter Lynch to give the Ambulatory Care Task Force Report. This item was presented to the Board for information.

Mr. Morrison called on Mr. Peter Rapp to give the UMHC 1995-96 Budget update.

Quality Management Committee

Mr. Albert Hanser called on Dr. Marvin Goldberg to present the recommendations of the Quality Management Committee as to physician credentials. The recommendations of the Quality Management Committee were unanimously approved as presented.

Marketing Task Force Report

Mr. Hart gave an overview of the newly appointed Marketing Task Force to the

Board. Ms. Becky Malkerson Chairs the committee.

Faculty Practice Task Force

Dr. Roby Thompson gave an update on the Faculty Practice Task Force to the Board.

Adjournment

The meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Gail Strandemo

Gail Strandemo
Board of Governors Office

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE,
PLANNING & DEVELOPMENT COMMITTEE
April 26, 1995

MINUTES

ATTENDANCE:

Members: John Morrison, Chair
Larry Bentson
James Corbett
Al Hanser
Greg Hart
JoAnne Jackson
David Knopman, M.D.
Arthur Kydd
Duncan MacMillan
Peter Madel
Thomas Madison
Alfred Michael, M.D.
Peter Rapp

Guests: Pat Board
William Brody, M.D.,Board Member
Anthony Faras, M.D.
Peter Lynch, M.D., Board Member
Scott McIvor, M.D.
Jeff McCullough, M.D.
Don Sudor, Board Member
Fatih Uckun, M.D.

Staff: Joanne Disch
Wayne Drehmel, Ph.D.
Keith Dunder
Cliff Fearing
Helen Pitt
Mark Koenig
Nels Larson
Vaman Pai
Carter McComb
Ted Thompson, M.D.

CALL TO ORDER:

The meeting of the Finance, Planning & Development Committee was called to order by John Morrison, Committee Chairperson, on April 26, 1995 at 12:10 P.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance, Planning & Development Committee seconded and passed a motion to approve the Finance, Planning & Development Committee minutes of the March 22, 1995 meeting as submitted.

MINNESOTA MOLECULAR AND CELLULAR THERAPEUTICS CENTER

Anthony Faras, M.D., Director, Institute of Human Genetics and Professor of Microbiology at the University of Minnesota presented to the Finance and Planning Committee, a request for a $5 million funding over five years, of three clinical programs and one educational program in the Minnesota Molecular and Cellular Therapeutics Center. Dr. Faras said that the programs will cost $31.7 million over the next five years, while revenues from grants, central administration support and funding from UMHC are projected at $32.4 million. Dr. Faras added that the U of M Regents have approved the use of the former MALG building on the St. Paul campus, to house the Center which will house the Cell Therapeutics, the Gene Therapeutics, the Bio-Therapeutics, and the Education/GMP programs.

The Finance and Planning Committee seconded and approved a motion to recommend to the UMHS Board the allocation of $1 million for the next fiscal year, contingent on the Center bringing back a business plan next month and reviewing further four year requests annually.

AMBULATORY CARE TASK FORCE REPORT

Peter Lynch, M.D., Medical Director, Ambulatory Care Services presented the Ambulatory Care Task Force Report to the Finance and Development Committee. Dr. Lynch indicated that the findings indicate that given the current healthcare market, the Phillips-Wangensteen Building (PWB) would provide the best environment to provide for ambulatory care services if certain changes are made to the physical space, clinic management, and finally to improving patient, physician and staff satisfaction. Dr. Lynch said that to make PWB more user-friendly and efficient, space should be designated for programs and other ambulatory services. With regard to management, Dr. Lynch added that involving the physicians in a risk-reward partnership in the clinics, where greater day-to-day management is turned over to the physician staff, would provide added incentive to provide better service. Finally Dr. Lynch added that while patient satisfaction remains favorable, there is room for improvement. According to Dr. Lynch there is greater concern regarding physician and employee satisfaction and that better communication and improved medical record availability are currently high priorities in this area.

Dr. Lynch informed the members that, if they approve of the findings of the report, he would return to the Finance and Planning Committee and the UMHS board to ask for approval of funding for remodeling of PWB.

1995 UMHC BUDGET UPDATE

Mr. Peter Rapp, General Director, UMHC informed members that the management has reached a break-even operating budget for the 1995-96 fiscal year and that this would be brought to the Board for information in May and for approval in June. Mr. Rapp said that some changes to previous projections have been made to make adjustments for physician personnel changes, which could see a decrease in patient census and program growth.

MARCH 31, 1995 FINANCIAL STATEMENTS:

Mr. Cliff Fearing reported to the Committee, for information, the March 31, 1995 financial statements. The inpatient admissions totaled 1,588, which were 131 greater than budgeted admissions; average length of stay was 7.0 days; patient days totaled 11,054 and were 38 days below budget.

Outpatient encounters through March 31, 1995 totaled 36,107, which was 4.0% above budgeted volumes.

Mr. Fearing indicated that the Hospital's Statement of Operations show revenues being greater than expenses by $8,050,000 and a favorable variance of $2,599,000. The balance in net patient accounts receivable as of March 31, 1995, totaled $59,041,000 and represents 65.8 days of net revenue outstanding. Operating expenditures through March totaled $231,585,000 and were 0.3% below budgeted levels of $232,230,000.

THIRD QUARTER 1994-95 BAD DEBT REPORT:

Mr. Cliff Fearing reported the bad debts for the third quarter of 1994-95 totaled $839,882 represented by 1,453 accounts. Recoveries amounted to $4901 leaving a net charge-off of $834,981. This represents 0.83% of gross charges and compares to a budgeted level of 0.65%. For the fiscal year, the net bad debts to-date of $1,652,587 were .56% of gross charges, which compares to a budgeted level of bad debts of .66% or $1,949,124.

The Finance, Planning & Development Committee seconded and passed a motion to endorse the third Quarter 1994-95 Bad Debt Report as submitted.

1994-95 THIRD QUARTER CAPITAL EXPENDITURE REPORT:

Mr. Nels Larson reported to the Committee, for information, the third quarter capital expenditure report from July 1, 1994 through March 31, 1995. UMHC spent $1,809,136 out of a budgeted $10,587,500 for the nine month period and are currently $8,778,364 under budget.

The Committee seconded and passed a motion to approve this item.

QUARTERLY PURCHASING REPORT:

Mr. Mark Koenig presented the Quarterly Purchasing Report for approval. A motion was seconded and passed to approve the Quarterly Purchasing Report.

UMCA FINANCIAL REPORT:

Mr. Pat Board reported to the Committee, for information, the UMCA financial report for the period ending March 31, 1995 and the fiscal year to date for UMCA.

STANDARD AND POORS UPDATE

Mr. Roger Paschke informed the Committee that the University had undergone a complete credit ratings review by Moody's and Standard and Poors. Mr. Paschke reported that the review focused on the University's debt, half of which is UMHC's obligation. Ms. Joanne Jackson added that she and Roger Paschke are meeting with the reviewers next month to assure them of the University hospital's viability and the steps taken by the AHC to keep abreast of the healthcare market, which is one of the reviewer's concerns.

A motion was seconded and passed to convene a non-public session of the Finance, Planning and Development Committee. A non-public session of the Finance, Planning and Development Committee was called at 1:58 P.M. to discuss specific marketing and contracting matters.

A motion to reopen the closed meeting at 2:13 P.M. was made and seconded.There being no further discussion, the April 26, 1995 meeting was adjourned at 2:15 P.M.

Respectfully submitted,

Vaman Pai
Recording Secretary

/vp

THE UNIVERSITY OF MINNESOTA HEALTH SYSTEM
BOARD OF GOVERNORS
QUALITY MANAGEMENT COMMITTEE

April 26, 1995
Minutes

Attendance

Present:	S. Albert Hanser (Chair) Paul Bowlin, M.D. Sandra Edwardson Rose Fagerstrom Marvin Goldberg, M.D. Alison Page Peter Rapp Henry Smith, M.D. Donald Sudor Benjamin VanderKooi
Absent:	Frank Cerra, M.D. Michael Fay (Vice Chair) Peter Lynch, M.D. Barbara Neubauer
Staff:	Keith Dunder Jean Harris, M.D. Sally Huntington

Call To Order
The meeting of the Quality Management Committee was called to order at 9:35 a.m.

Approval of the March 22, 1995 Minutes
The Committee recommended approval and forwarded the March minutes as written.

Medical Staff-Hospital Council
Credentials Committee Report
Dr. Goldberg presented the Credentials Committee report and recommendations. Included were requests for approval of provisional status, changes in staff category, regular appointments, and resignations. Following review and discussion the Committee endorsed and forwarded the recommendations as submitted.

Quality Management/Service Improvement Program

Quarterly Progress Report

Dr. Harris presented a summary of progress for January through March of 1995. She reviewed the conclusions of evaluations to target expense reduction opportunities, the progress in development of intervention plans, and the implementation of key indicators of performance. She summarized the consumer feedback plan, the status of clinical pathway initiatives and systems improvement teams, and Clinical Outcomes Research Center projects.

The Committee discussed the proposed Ambulatory Bone Marrow Transplant Unit and the results of patient satisfaction surveys and focus groups. The Committee also discussed proposed strategies for increasing the flow of information from both UMHC and UMCA. The Committee commended progress during the first quarter and endorsed the importance of UMHC/UMCA integration.

Clinical Outcomes Research Center Update

Dr. Harris presented the results of a recent survey to identify clinical outcomes studies initiatied by UMHS departments. The April summary lists more than forty studies, half of which include functional status and quality of life measures. Examples include quality of life in children with hemophilia, a sudy of childhood cancer survivors, and a study of Parkinsons disease.

Other Business

Dr. Harris reported a Task Force has been formed to explore developing a Code of Conduct. She noted the Task Force has assembled materials from several businesses, the AMA principals of ethical practice, and other academic centers. Most resources are very general and with little commonality in content or approach. Recommendations will be brought to this Committee for discussion and approval.

Adjournment

There being no further business, the meeting adjourned at 10:45 a.m.

Respectfully Submitted

Sally Huntington

Sally Huntington, Director, Quality Support Services

The University of Minnesota Hospital and Clinic
Board of Governors
Human Resources Committee
April 26, 1995

Minutes

ATTENDANCE:

Members Present:	Steve Hansen
	Don Sudor
	Ronald Lund
	Peter Madel
	Peter Rapp
Staff Present:	Helen Pitt

CALL TO ORDER:

The meeting was called to order at 11:03 by Don Sudor.

APPROVAL OF MINUTES:

The minutes of the February 22, 1995 meeting were approved.

PERFORMANCE CULTURE STRATEGIES/COMPENSATION:

Trent Riley of DCA Stanton presented a preliminary proposal for a performance related compensation plan. Discussion followed regarding organizational readiness for the change, and the principles and elements included in the proposal. The simplicity of the plan was endorsed with the understanding that it would become more sophisticated over time. Comments focused on who would be included in the plan and the need to balance risk with payout.

The committee recommended that staff proceed with further development of a plan and consider an alternative which would engage all employees.

The revised overall compensation philosophy was reviewed by the committee and endorsed by those present.

AFFIRMATIVE ACTION/EQUAL EMPLOYMENT UPDATE:

Upon reviewing the materials presented, the committee recommended that all managers and supervisors have their efforts in regard to diversity and affirmative action goals included as part of the annual performance appraisal process.

Respectfully submitted,

Helen Pitt

Helen Pitt
Staff to the Committee

HP/kj

THE UNIVERSITY OF MINNESOTA
HEALTH SYSTEM
BOARD OF GOVERNORS
AUDIT & NOMINATING COMMITTEE
April 26, 1995

MINUTES

ATTENDANCE:

Members: Greg Hart
Arthur Kydd, Chair
John Morrison
Roby Thompson, MD

Guests: Gail Klatt
Terry Peterson*
Jonathan Kilmer*
Mark Cronister*
*Coopers & Lybrand Staff

Staff: Clifford Fearing
JoAnne Jackson
Nels Larson
Vaman Pai

CALL TO ORDER:

The meeting of the Audit & Nominating Committee was called to order by Arthur Kydd, Committee Chair, on April 26, 1995 at 11:10 A.M.

UMHC AUDIT MANAGEMENT LETTER

Mr. Clifford Fearing requested Mr. Terry Peterson of Coopers & Lybrand to present the UMHC Audit Management Letter to the Audit Committee. Mr. Peterson reported that while the audit firm was pleased with its overall findings, it had noted certain matters involving the internal control structure and its operations and submitted recommendations designed to help management make improvements and achieve operational efficiencies.

Mr. Peterson noted that management has acted or has agreed to take action on all the current year comments made by the audit firm. Mr. Peterson said that these include filing TEFRA Exemption with Medicare and the need for timely submission of departmental invoices to accounting. Mr. Peterson also said that a couple of items from last year's management letter, involving recording of cash payments and contractual adjustments still needed to be resolved. Mr. Peterson added that the hospital should seriously consider developing a business and information system disruption plan to be able to effectively continue critical business functions in the event of a disaster and the updating of the Finance Department's policy and procedures manual which were outdated.

Mr. Terry Peterson then introduced Mr. Jonathan Kilmer who will serve as the "engagement partner" with UMHC for the upcoming fiscal year.

LEGISLATIVE AUDIT:

Mr. Art Kydd introduced Ms. Gail Klatt, Director of Internal Audits and asked her to update the committee on the Legislative Audit being conducted in four Department Practice Groups (DPGs) this year. This item was presented to the Committee for information by Ms. Klatt and Ms. JoAnne Jackson.

Ms. Klatt informed the Committee that the audit was progressing well and that the University and the auditors from Barnes & Noble recognize the independence and privacy issues that concern the DPGs and are sensitive to them. Ms. Klatt said that the content of the audit has stayed consistent and allayed the concerns that the privacy and independence of the DPGs being audited will be jeopardized. Ms. Klatt added that the Audit Committee and the UMHS Board will be kept appraised of the results of the audit.

UMCA AUDITED FINANCIAL STATEMENTS:

Mr. Art Kydd invited Mr. Pat Board, Executive Director of University of Minnesota Clincal Associates (UMCA) to present their audited financial statements for information.

Mr. Pat Board presented the audit report prepared by the firm of Virchow, Krause, Helgeson & Company, for the seven month period ended June 30, 1994 to the Audit Committee. Mr. Board emphasized that the figures reflected only a seven month period to enable UMCA to begin its fiscal year on July 1, 1994, with the rest of the health system.

There being no further discussion, the April 26, 1995 meeting was adjourned at 11:50 A.M.

Respectfully Submitted,

Vaman Pai
Recording Secretary

/vp

UNIVERSITY OF MINNESOTA HEALTH SYSTEM

BOARD OF GOVERNORS EXECUTIVE COMMITTEE MEETING

MAY 18, 1995 MINUTES

PRESENT:	Mike Dougherty	Nellie Johnson	Bill Brody, MD
	Art Kydd	Al Hanser	Frank Cerra, MD
	Peter Rapp	Greg Hart	John Morrison

STAFF: Joanne Jackson, Vaman Pai

ABSENT: Tom Madison, Stephen Hansen, Roby Thompson, MD,

GUEST: Win Wallin

Mr. Michael Dougherty, Chair, called the meeting to order at 9:40 A.M.

The Executive Committee of the Board discussed the need for the Board and the AHC and UMHS leadership to refocus the strategic direction given the current healthcare market. The Committee discussed Dr. Brody's meetings with Mayo, Allina Health System and the Frank Johnson community group. The public utility model and revitalization initiatives relative to the Medical School were also discussed.

There being no further items for discussion, the meeting was adjourned.

Submitted by,

Vaman Pai
Staff

h:\admn\vaman\bog/exe595

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

General Director
Hospital Administration

Box 502
420 Delaware Street S.E.
Minneapolis, MN 55455

Office Location:
B313 Mayo Memorial Building

612-626-6933
Fax: 612-626-3028

May 16, 1995

TO: Members, Board of Governors

FROM: Peter F. Rapp
General Director, UMHC

SUBJECT: FY 1995/96 Budget

I am submitting for approval the fiscal year 1996 budget for the University of Minnesota Hospital and Clinic. The management staff has worked hard and creatively to deliver a budget that preserves the longstanding tradition of high quality and yet is responsive to the pressures of this unique marketplace.

Our objectives were:

1. Meet Board objectives of break-even on operations and a 3% total margin.

2. Assure high quality care is available through recruitment and retention of superior staff whose focus is quality, consumer oriented care.

3. Maintain a competitive price and cost structure.

4. Continue to contribute to the stability of the Medical School and its departments.

5. Develop delivery systems that enhance the continuity of care and allow the UMHS to provide access to a full continuum of services.

6. Assure our Ambulatory services meet or exceed consumers desires.

The assumptions in the proposal are consistent with our presentation earlier in the year. Relatively stable admissions and patient day volumes are projected. Continuing demands for access to outpatient resources will increase outpatient volumes slightly.

Reimbursement reductions represent our biggest area of concern. We are projecting reductions in Medicare reimbursement for medical education costs of approximately $4,200,000. Legislative action affecting Medicaid reimbursement is not complete. We are estimating however, the final package will result in reduction in payment levels of approximately 3.5%.

Additional reimbursement reductions associated with Blue Cross discounts and continued shifts to managed care vehicles will increase pressure on revenue.

Expense reductions are being implemented accordingly. A combination of personnel and non-labor cost reduction strategies have been used.

We have increased our emphasis on patient satisfaction and quality measures. We are also making a priority the linkage between our compensation program and achievement of financial and quality objectives.

The preliminary 1996 capital budget is included for your review. A total of $20,420,000 is anticipated with $7,800,000 of that total devoted to items of a recurring nature that are under $250,000. Major projects identified for individual review later in the year include an emphasis on outpatient refurbishment, significant investments in information system resources to assist in the strategic objectives, and ongoing replacement of imaging systems.

As always, these projects will be brought to you for review individually. Our team thanks you the support and I look forward to answering your questions at the May meeting.

PFR:sk

1994-95 Budget Base

As described below and shown in the attached schedules, forecasted admissions, patient days, outpatient encounters, expenses, revenues, and revenue deductions were based on current year experience as the starting point. Current year experience was then adjusted for changes in projected volume, mix, and intensity of services, for new and pending reimbursement regulations, and for reductions in costs identified as necessary to break even from operations. The following is a general description about the major elements considered in the development of the University of Minnesota Hospital and Clinic 1995-96 budget.

• Demand Analysis

For the 1994-95 fiscal year we developed a budget of 16,784 admissions and 125,116 patient days. Using our actual experience through December 1994, we are projecting 16,896 admissions and 120,854 patient days. Although admission levels are relatively stable, we are experiencing a downward shift of volume levels in Neurosurgery, Orthopedics, Pediatrics, and Urology. We are experiencing an upward shift of volume levels in Clinical Research, Gynecology, Medicine, and Psychiatry. The decrease in patient days reflects our decrease in overall average length of stay from the budgeted 7.4 days to the 7.2 days we are experiencing.

The 1995-96 inpatient census projections indicate an overall 1.3% decline in inpatient demand. A general marketplace decline of 1.5% is anticipated in most clinical service areas. The general marketplace decline will be slightly offset by an increase in Pediatrics, which is the result of an entire year of experience on the Neonatal Intensive Care Unit at Fairview Riverside in 1995-96. In total then, our 1995-96 budgeted admissions are 16,670 with an average length of stay of 7.3 days, resulting in 120,550 patient days.

For the 1994-95 fiscal year we developed a budget of 396,600 outpatient encounters. Based on actual December 1994, volumes, we are projecting 409,034 encounters for 1994-95. Medicine, Family Practice, Pediatrics, and Surgery are experiencing greater than anticipated encounters. Less than anticipated encounters is being experienced in Dermatology, Radiation Therapy, and Mental Health.

In 1995-96 we are projecting total outpatient encounters of 414,159. This represents a 1.3% increase and reflects an anticipated plateau in the growth levels in ambulatory care. Emergency Room, Home Health, and Urology are expected growth areas. Declines are expected in Neurology and Mental Health.

Schedules I, II, and III summarize the demand forecasts for 1994-95 and 1995-96.

• Patient Charges

The proposed 1995-96 budget includes a 5.0% price increase and yields approximately $19,710,000 in increased patient charges. Volume changes also impact patient charge levels. Outpatient ancillary revenue is expected to increase approximately $3,400,000 due to higher outpatient census. The net decline in inpatient census levels will reduce revenues by approximately $2,200,000.

- **Deductions from Charges**

The fiscal 1995-96 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid Programs.

- **Medicare Prospective Payment System (PPS)**

Assumptions affecting UMHC payments include the following:

1 A 2.0% payment rate increase on the DRG rate, effective October 1, 1995.

2 The factor for reimbursement of Indirect Medical Education (IME) is currently being debated. The budget assumes a reduction in the IME factor from 7.7% to 5.6% in the budget. This will reduce Medicare payments by approximately $4,200,000. PROPAC has recommended a reduction from 7.7% to 6.7% and the current Contract with America calls for a reduction from 7.7% to 4.7%. The outcome of IME will probably not be known until sometime this summer.

3. Direct Graduate Medical Education (GME) reimbursement is limited to a 1.06% or $80,000 increase. 1995-96 inflation increases on Medical Resident Stipend costs will be 4.0%. The reduced level of inflation in GME is due to the fact that only primary care programs will receive increases. All other specialty care programs are frozen at the fiscal 1993-94 levels.

These assumptions are, of course, subject to legislative change and will be monitored closely.

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

For the 1995-96 fiscal year we have assumed a reduction in overall reimbursement of 3.5% for both the Medicaid and GAMC programs. A portion of the reduction (2.0% or $475,000) is a carry-forward of reductions that occurred on January 1, 1995, as a result of the Department of Human Services (DHS) rebasing their payment rates. In addition, we assumed that DHS would implement further payment reductions (averaging 4.0%) on July 1, 1995, in conjunction with the State's budget actions. We have also assumed an inflationary rate adjustment of 3.0% effective January 1, 1996. At this time we do not anticipate any structural changes regarding payment categories or any changes to the provider surcharges.

- **HMO/PPO Discounts**

It is anticipated that there will be a continued increase in managed care volume. The major contracts with HMO's and PPO's include the Blue Cross and Blue Shield AWARE and Blue Plus contracts, U-CARE, Health Partners, Med Centers, AFFORDABLE Health Care, Preferred One, and MEDICA. 1995-96 budget year payment levels are anticipated to increase by an average of 2.5% by all HMO/PPO payors, except the Blue Cross network of payors. A decline in payment levels of 3.3%, or approximately $1,100,000, is expected from the Blue Cross payor network.

- **Other Operating Revenue**

The anticipated increase in other operating revenue projected for the 1994-95 fiscal year is due to increased Income from Bond Proceeds. This is a result of proceeds from the 1993A Bond Series being held longer in the bond account than was anticipated.

As a result of University of Minnesota budgetary problems, the Hospital will receive $1,000,000 less in appropriations in budget year 1995-96. It is probable that these funds will not be recovered in the next legislative biennium. A decline is also expected in Income from Bond Proceeds in 1995-96 as funds are drawn from the bond account where the 1993A bond proceeds are being held. These funds can only be used for capital purposes and the Hospital continues to draw them down as we incur capital expenditures.

- **Expenditure Summary**

The 1995-96 expenditure levels have been determined using December 1994, year-to-date actual experience as a basis for projection, and adjusted for anticipated volumes, new programs, and cost reductions.

Salaries and Fringe Benefits:

Although the compensation plan has not been finalized by the Human Resource Committee and the Finance, Planning, and Development Committee, we have incorporated an overall compensation increase that appears consistent with increases in the health care community for fiscal years 1994-95 and 1995-96. After specific compensation plans have been determined, they will be presented to the Board. Fringe benefit costs are budgeted to increase in fiscal year 1995-96 as a result of inflation and the University's effort to regain some under-recovered benefits for Life Insurance, Retirement, and Tuition.

The 1995-96 budget assumes salaries and fringe benefit costs that are slightly lower than 1994-95 projections. The overall compensation plan and the inflation on fringe benefits result in increased labor costs of approximately $5,200,000. The compensation plan is offset by reductions made due to the following: a.) lower volume projections ($1,218,000), b.) redesign processes ($1,410,000), and c.) organizational restructuring in Ambulatory Care, Laboratories, Pharmacy, Rehabilitation, and Nursing Administration ($4,508,000). An increase of approximately $1,800,000 is expected as a result of introducing new programs and making improvements in some services. These areas include Home Health, Heart Failure Treatment, CUHCC, Thoracic Transplant, Information Services, and Children Services.

We anticipate approximately $350,000, or 4.0%, in inflationary increases on stipends paid to the residents. We are also recognizing an increase of 2.5 FTE medical residents that will be supported by the Hospital. We are forecasting our commitments to the Medical School departments to be the same in 1995-96 as it is in the 1994-95 fiscal year. An additional $300,000 commitment for medical directors is anticipated as part of the Ambulatory Care reorganization plan. This $300,000 is offset by other operating cost reductions within Ambulatory Care.

Other Expenses:

The 1994-95 operating expenses are anticipated to be less than budgeted due to lower inpatient volumes and lower utilization of patient supplies and services.

Other expenses are anticipated to increase by $2,200,000 in 1995-96. Of this total, inflation accounts for $3,300,000. Depreciation expense is projected to increase by $1,700,000 mainly as result of major capital projects completed in 1994-95. Decreases are anticipated due to the following major categories: a.) lower volume projections ($740,000), b.) service reductions ($260,000), c.) work redesign ($520,000), and d.) inventory and resource utilization reductions ($1,400,000).

- **Non-Operating Revenue and Expense**

In the 1995-96 budget year, we are expecting a slight decrease in non-operating revenue of $676,000. Within this overall change, we are assuming an increase of approximately $594,000 in interest earned on our reserves. We anticipate earning a weighted effective rate of 6.1% on the cash reserves. This is an increase from the 5.75% weighted effective rate we are experiencing in 1994-95.

Costs associated with program development are presented as non-operating expenses. An increase in these expenses in the 1995-96 budget year offsets the anticipated increase in the interest earned on reserves. Costs during 1994-95 are those expended on the bone marrow stem cell product, Heart/Lung Program, Primary Care. Beginning April 1995, program development funds were made available to a number of new programs. Funding support for these programs will continue until April 1996 when the UMCA Program Development Committee will evaluate the programs and determine the future nature of the funds. Funds spent for these programs are anticipated to be $283,000 in 1994-95 and $1,131,000 in 1995-96.

Schedule IV represents the Comparative Statement of Operations and Operating Cash Flow for actual 1993-94, original 1994-95 budget, projected 1994-95, and 1995-96 budget year.

Capital Expenditures

Capital expenditures provided from operating cash flows in 1995-96 for recurring equipment and minor remodeling will be $7,800,000. An additional $8,271,000 will be spent for principal payments on the bonds and capital lease payments.

In addition to those capital expenditures provided from operating cash flow, we are projecting that we will spend $19,265,000 from Hospital reserves. $6,645,000 of the total capital expenditure amount is for the completion of other projects that have received Board of Governors approval (Short Stay Program, Electrophysiology Radiographic Equipment, and EMTEK). $12,620,000 of the capital expenditures is for equipment and renovation projects that have yet to be presented to the Board for approval (Diagnostic Radiology equipment, Linear Accelerator, Operating Room/PACU expansion, Information Systems, and others). Schedules V represents a historical trend of our capital plan and VI summarizes the capital plan through the year 2000.

University of Minnesota Hospital and Clinic
Admissions by Service

Schedule I

	1993-94 Actual	1994-95 Budgeted	1994-95 Projected	1995-96 Budgeted
Anesthesiology	3	4	0	0
Clinical Research Center	547	360	500	500
Dentistry	78	66	58	58
Dermatology	6	0	6	6
Family Practice	203	294	228	228
Gynecology	1,246	1,197	1,641	1,500
Medicine	4,105	3,850	4,071	4,042
Newborn	373	79	1	0
Neurology	364	367	370	370
Neurosurgery	1,048	1,112	884	883
Obstetrics	566	123	5	0
Ophthalmology	314	332	288	284
Orthopedics	1,224	1,227	1,105	1,105
Otolaryngology	394	400	427	421
Pediatrics	2,967	3,177	3,047	3,110
PM&R	206	192	166	164
Psych-Adult	798	739	964	875
Psych-Child	102	106	168	165
Radiation Therapy	0	0	4	0
Radiology	19	26	11	11
Surgery	2,723	2,759	2,681	2,681
Urology	364	374	271	267
All Services	**17,650**	**16,784**	**16,896**	**16,670**

University of Minnesota Hospital and Clinic
Patient Days

Schedule II

	1993-94 Actual	1994-95 Budgeted	1994-95 Projected	1995-96 Budgeted
Anesthesiology	24	20	0	0
Clinical Research Center	1,632	1,368	1,240	1,240
Dentistry	99	72	76	76
Dermatology	29	1	39	39
Family Practice	854	1,286	744	744
Gynecology	5,391	5,086	6,852	6,280
Medicine	27,951	25,448	28,520	28,336
Newborn	729	163	8	0
Neurology	1,848	1,842	1,746	1,746
Neurosurgery	5,907	7,124	4,679	4,679
Obstetrics	1,599	339	37	0
Ophthalmology	666	612	655	646
Orthopedics	5,659	5,619	4,879	4,879
Otolaryngology	1,644	1,717	2,125	2,097
Pediatrics	27,886	30,733	24,992	26,671
PM&R	3,825	3,125	3,810	3,769
Psych-Adult	10,391	10,457	11,193	10,170
Psych-Child	2,817	3,210	3,265	3,207
Radiation Therapy	0	0	9	0
Radiology	11	10	38	38
Surgery	27,099	25,290	24,932	24,932
Urology	1,481	1,594	1,015	1,001
All Services	**127,542**	**125,116**	**120,854**	**120,550**

University of Minnesota Hospital and Clinic
Clinic Encounters

Schedule III

LOCATION	1993-94 Actual Clinic Encounters	1994-95 Budgeted Clinic Encounters	1994-95 Projected Clinic Encounters	1995-96 Budgeted Clinic Encounters
AMBULATORY SURGERY	5,207	5,721	5,825	5,825
CUHCC	69,998	68,000	68,827	68,827
DENTAL	3,918	3,806	4,393	4,393
DERMATOLGY	16,574	16,865	15,567	15,567
DIALYSIS	6,621	6,336	7,545	7,545
EMERGENCY ROOM	18,450	17,920	17,608	19,000
ENDOSCOPY	3,586	3,538	3,351	3,351
FAMILY PRACTICE	18,134	18,515	21,081	21,081
GERIATRICS	0	0	480	480
HOME HEALTH ENCOUNTERS	14,279	14,028	14,348	17,468
MASONIC DAY HOSPITAL	10,753	11,187	11,584	11,984
MEDICINE	41,798	37,724	46,450	46,496
NEUROLOGY	7,694	7,595	7,500	7,375
NEUROSURGERY	4,125	4,417	3,974	3,974
ONCOLOGY	9,037	9,422	9,169	9,169
OPHTHALMOLOGY	21,077	22,680	22,252	22,250
ORTHOPEDICS	15,017	15,622	15,476	15,476
OTHER MENTAL HEALTH	5,527	5,724	1,700	200
OTOLARYNGOLOGY	12,279	12,470	12,723	13,223
P M & R	838	762	1,202	1,502
PATIENT LEARNING CTR	270	224	266	266
PEDIATRICS	13,249	13,194	14,277	14,277
PSYCHIATRY	28,409	28,756	28,840	28,840
RADIATION THERAPY	13,703	13,828	12,624	12,924
REHAB SERVICES	10,873	11,102	11,769	11,769
SURGERY	14,684	12,965	14,422	14,616
UROLOGY	7,064	7,081	7,223	7,723
WOMEN'S HEALTH	15,367	14,153	14,787	14,787
Total Outpatient Encounters	388,529	383,635	395,263	400,388
INPATIENTS SEEN IN CLINICS	13,698	12,965	13,771	13,771
Total Ambulatory Care Encounters	402,227	396,600	409,034	414,159

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
FOR FISCAL YEAR 1994/95 AND BUDGET YEAR 1995/96
SUMMARY STATEMENT OF OPERATIONS AND CASH FLOW

SCHEDULE IV

	1993/94 ACTUAL	1994/95 BUDGET	1994/95 PROJECTED	VARIANCE	% VAR	1995/96 BUDGET	CHANGE	% CHANGE
Gross Patient Revenue	$379,956,000	$389,327,000	$390,619,000	$1,292,000	0.33%	$411,619,000	$21,000,000	5.38%
Deductions from Charges	94,154,000	106,064,000	108,815,000	2,751,000	2.59%	124,135,000	15,320,000	14.08%
Net Patient Service Revenue	$285,802,000	$283,263,000	$281,804,000	($1,459,000)	-0.52%	$287,484,000	$5,680,000	2.02%
Other Operating Revenue	33,326,000	28,465,000	30,075,000	1,610,000	5.66%	28,944,000	(1,131,000)	-3.76%
Total Revenue From Operations	$319,128,000	$311,728,000	$311,879,000	$151,000	0.05%	$316,428,000	$4,549,000	1.46%
Total Operating Expenses	$301,298,000	$309,656,000	$309,629,000	($27,000)	-0.01%	$312,285,000	$2,656,000	0.86%
Net Revenue From Operations	**$17,830,000**	**$2,072,000**	**$2,250,000**	**$178,000**	**8.59%**	**$4,143,000**	**$1,893,000**	**84.13%**
Nonoperating Gains: Investment Income	5,843,000	4,798,000	6,867,000	2,069,000	43.12%	6,192,000	(675,000)	-9.83%
Revenue and Gains in Excess of Expense Before Extraordinary Item	$23,673,000	$6,870,000	$9,117,000	$2,247,000	32.71%	$10,335,000	$1,218,000	13.36%
Extraordinary Gain (Loss)	(150,000)	0	0	0		0	0	
Revenue and Gains in Excess of Expense	**$23,523,000**	**$6,870,000**	**$9,117,000**	**$2,247,000**	**32.71%**	**$10,335,000**	**$1,218,000**	**13.36%**
Noncash Revenues and Expenses Included in Operating Activity								
Depreciation and Amortization	$19,338,000	$19,661,000	$20,138,000			$20,689,000		
(Increase) Decrease in Working Capital	563,000	(1,831,000)	(7,399,000)			4,043,000		
Net Cash Provided by Operating and Nonoperating Activity	$43,424,000	$24,700,000	$21,856,000			$35,067,000		
Investing Activities								
Acquisition of Property, Plant, and Equipment	($16,982,000)	($50,778,000)	($23,812,000)			($27,065,000)		
Change in Promissory Notes	238,000	0	(1,554,000)			683,000		
Cash Outflows for Aquisitions	(467,000)	0	(6,743,000)			(444,000)		
Decrease (Increase) in Assets Whose use is Limited	(72,255,000)	0	14,492,000			0		
Total Investing Activities	($89,466,000)	($50,778,000)	($17,617,000)			($26,826,000)		
Financing Activities								
Repayment of Long Term Debt & Notes Payable	($6,330,000)	($8,043,000)	($7,965,000)			($8,271,000)		
Funds Transfered to/From Medical School & Other	0	0	(4,778,000)			(674,000)		
(Defeasance) Issuance of Long Term Debt	70,033,000	0	0			0		
Total Financing Activities	$63,703,000	($8,043,000)	($12,743,000)			($8,945,000)		
Change in Cash and Equivalents	$17,661,000	($34,121,000)	($8,504,000)			($704,000)		
* TOTAL MARGIN	7.2%	2.2%	2.9%			3.2%		

	FY 93 BUDGET	FY 94 BUDGET	FY 95 BUDGET	PROPOSED FY 96 BUDGET
MAJOR & SPECIAL PROJECTS	$23,820,500	$15,804,500	$10,600,000	$12,620,000
RECURRING EQUIPMENT	$6,425,000	$6,250,000	$5,950,000	$5,900,000
RECURRING REMODELING	$1,775,000	$1,750,000	$1,850,000	$1,900,000
RECURRING TOTAL	$8,200,000	$8,000,000	$7,800,000	$7,800,000
PHASE II RENOVATION	$8,568,355	$2,568,000	$2,650,000	$0
TOTAL	$40,588,855	$26,372,500	$21,050,000	$20,420,000

	1996	1997	1998	1999	2,000
FY 1996 MAJOR & SPECIAL PROJECTS					
Ambulatory Care Master Plan					
o Heart Lung Clinic / Vascular Center					
o Derm/surg Clinic Reno					
o General Clinic Desk Upgrade					
o Clinic / Hospital Access		INDIVIDUAL PROJECTS WILL BE BROUGHT FORWARD FOR BOARD APPROVAL AS THEY ARE SCHEDULED FOR DESIGN AND CONSTRUCTION			
o Pediatric Clinic					
o Neurosciences Renovation					
o Urgent Care Facility					
o Emergency Room Renovation					
o Digestive Diseases Center					
o Urology Clinic Relocation					
o Urology Clinic Equipment					
o Primary Care Clinic					
o BMT Program Improvements	$250,000				
o Cancer Center Ambulatory Care	$250,000				
o Medicine Subspecialties Clinic					
PACU Renovation	$1,700,000	$0	$0	$0	$0
Relocate Inpt. Rehab to Unit J	$500,000	$0	$0	$0	$0
Patient Meal Delivery System	$350,000	$0	$0	$0	$0
Washer/Decontaminator	$465,000	$0	$0	$0	$0
Service Improvements	$300,000	$300,000	$300,000	$300,000	$300,000
Information Systems Initiative	$4,566,000	$3,204,000	UNK	UNK	UNK
Portable Chest Units	$431,000	$0	$0	$0	$0
Digital Fluoro Unit	$1,800,000	$0	$0	$0	$0
High Dose Rate Afterloading	$425,000	$0	$0	$0	$0
Replace Linear Accelerator	$1,583,000	$0	$0	$1,600,000	$0
SUBTOTAL	$12,620,000	$3,504,000	$300,000	$1,900,000	$300,000
ANTICIPATED FUTURE PROJECTS					
Replace CT Simulator	$0	$1,300,000	$0	$0	$0
Heart Cath Room 2	$0	$1,500,000	$0	$0	$0
Heart Cath Room 3	$0	$0	$0	$0	$2,000,000
CV Surgery Replace Room 7	$0	$1,500,000	$0	$0	$0
New Technology / Program Development	$0	$2,000,000	$2,000,000	$2,000,000	$2,000,000
SUBTOTAL	$0	$6,300,000	$2,000,000	$2,000,000	$4,000,000
GRAND TOTAL	$12,620,000	$9,804,000	$2,300,000	$3,900,000	$4,300,000

THIS SCHEDULE DOES NOT INCLUDE A FUNDING PROJECTION FOR THE AMBULATORY CARE INITIATIVE CURRENTLY UNDER 'REVIEW EXCEPT FOR THE BMT AND CANCER CENTER PROJECTS

THIS SCHEDULE DOES NOT INCLUDE A FUNDING PROJECTION FOR PSYCHIATRY FACILITY IMPROVEMENTS CURRENTLY UNDER REVIEW.

UMCA FINANCIAL STATEMENTS APRIL 30, 1995

- NOTES
- INCOME STATEMENT
- CHANGE IN CASH POSITION
- BALANCE SHEET

UNIVERSITY OF MINNESOTA CLINICAL ASSOCIATES

NOTES TO FINANCIAL STATEMENTS
PERIOD ENDING APRIL 30, 1995 AND YEAR TO DATE

REVENUE:

Even though the service fee rate was reduced from 10% to 6.72% in March 1995, Service Fee Revenue was higher than budget due to increased charge activity levels.

Fees earned from the Common Billing Organization (CBO) function were also higher than budget due to increased charge activity levels.

EXPENSE:

Employee Salaries and Employee Benefits continue to be lower than budget because of several vacant positions and because planned staffing levels for the CBO have been reduced.

Extensive use of Temporary Agency Employees was made in April as part of the vigorous accounts receivable management process.

Occupancy Costs were lower than budget in April because rental rates at the Columbia Heights Business Center are still at the Year #1 level; depreciation expense has been less than originally estimated; and property and casualty insurance rates are also lower than forecast.

Supplies expense in April was lower than budget because requirements have stabilized along with employee staffing.

Communications expense was less than anticipated because of lower telephone, courier and postage costs.

General and Administrative expenses were less than budget for the month because of lower recruitment costs and bank service fees.

05/13/95
02:21 PM

UNIVERSITY OF MINNESOTA CLINICAL ASSOCIATES
INCOME STATEMENT
PERIOD #10 ENDING 04/30/95 AND FISCAL YEAR TO DATE

	Current Month-Actual	Current Month-Budget	Variance in $$'s	Year-to Date-Actual	Year-to Date-Budget	Variance in $$'s
REVENUE:						
Service Fee Income	$ 99,205	$ 71,438	$ 27,767	$ 1,090,081	$ 1,089,272	$ 809
CBO Fees	146,495	109,196	37,299	458,750	393,633	65,117
Non-CBO Fees	100,000	100,000	0	400,000	400,000	0
Hospital-based Dept. Fees	20,833	20,833	0	83,332	83,332	0
GHI Capitation Fees	11,892	6,679	5,213	129,735	100,179	29,556
Hospital Services	10,705	10,705	0	107,050	107,050	0
Interest Income	571	0	571	8,464	10,200	(1,736)
Clinical Department Dues		0	0	44,231	44,230	1
Scheduling/Registration		0	0	25,002	25,002	0
SUB-TOTAL: OPERATING REVENUE	389,701	318,851	70,850	2,346,646	2,252,898	93,748
Special Assessment				248,000	0	248,000
TOTAL REVENUE	389,701	318,851	70,850	2,594,646	2,252,898	341,748
EXPENSE:						
Employee Salaries	184,013	217,948	33,934	1,283,396	1,452,077	168,681
Employee Benefits	52,236	61,025	8,789	332,805	411,492	78,687
Temporary Agency Employees	14,987	0	(14,987)	43,329	14,950	(28,379)
Occupancy Costs	22,344	28,883	6,539	144,040	136,202	(7,838)
Data Processing	35,735	33,700	(2,035)	225,522	233,460	7,938
Supplies	6,980	13,171	6,191	64,032	61,388	(2,644)
Communications	8,971	11,531	2,560	62,732	60,034	(2,698)
General & Administrative	16,303	19,130	2,827	128,886	120,947	(7,939)
Consultant Fees	8,059	9,717	1,658	142,297	121,417	(20,881)
Interest Expense	8,041	6,250	(1,791)	45,265	36,643	(8,622)
TOTAL EXPENSE	357,668	401,355	43,687	2,472,305	2,648,610	176,305
NET INCOME BEFORE INCOME TAXES	32,033	(82,504)	114,536	122,341	(395,712)	518,053
PROVISION FOR INCOME TAXES				146		
NET INCOME	$ 32,033	$ (82,504)	$ 114,536	$ 122,195	$ (395,712)	$ 518,053

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

Harvard Street at East River Parkway
Minneapolis, MN 55455

May 24, 1995

TO: Members, Board of Governors

FROM: Clifford P. Fearing

SUBJECT: Report of Operations for the Period
July 1, 1994 through April 30, 1995

The Hospital and Clinic's operations for the month of April reflect both inpatient and outpatient volumes to be less than anticipated levels. The overall average length of stay was at the anticipated level of 7.4 days.

INPATIENT CENSUS: For the month of April, inpatient admissions totaled 1,342 and were 57 less than the budgeted admissions of 1,399. Patient days for April totaled 10,158 and were 151 days below budget. Admissions were less than budgeted levels this month in the areas of Neurology, Neurosurgery, Ophthalmology, and Surgery . These were partially offset by greater than budgeted admissions in the areas of Gynecology, Medicine, Adult Psych and Radiation Therapy.

OUTPATIENT CENSUS: Ambulatory care encounters (including CUHCC and Home Health) for the month of April totaled 34,852 which was 237, or 0.7%, below budgeted volumes of 35,089. Encounters were greater than budgeted levels in Home Health, Medicine, and Rehab Services. Encounters were slightly under budgeted levels in the areas of CUHCC, Family Practice, Psychiatry, Radiation Therapy, and Women's Health.

To recap our census:

Monthly Data						YTD Data				
93/94 Actual	94/95 Budget	94/95 Actual	Variance	% Var		93/94 Actual	94/95 Budget	94/95 Actual	Variance	% Var
1,450	1,399	1,342	(57)	(4.1)	Admissions	14,591	14,054	14,163	109	.80
10,542	10,309	10,158	(151)	(1.5)	Patient Days	106,332	104,926	103,103	(1,823)	(1.7)
7.1	7.4	7.4	0	0	Avg Length of Stay	7..3	7.5	7.3	(0.2)	(2.7)
351.4	343.6	338.6	(5.0)	(1.5)	Avg Daily Census	349.8	345.1	339.2	(5.9)	(1.7)
63.7	64.8	62.5	(2.3)	(3.5)	Percent Occupancy	62.4	64.2	62.2	(2.0)	(3.1)
35,348	35,089	34,852	(237)	(0.7)	Amb Care Encounters	330,748	324,230	339,149	14,919	4.6

UNIVERSITY OF MINNESOTA CLINICAL ASSOCIATES
BALANCE SHEET
APRIL 30, 1995

(UNAUDITED)

ASSETS:	OPERATIONS	REIMBURSE-MENT	TOTAL
Current Assets:			
Cash	$ 274,864	$ 1,489,047	$ 1,763,911
Service Fees Receivable	265,588		265,588
A/R - CBO Fees	71,742		71,742
A/R - Non-CBO Fees	111,326		111,326
A/R - Hospital-based Departments	83,332		83,332
Due from UMHC	6,604		6,604
Departmental Dues Receivable	14,238		14,238
Advances to Departments-Medica	28,379		28,379
Special Assessment Receivable	16,568		16,568
A/R - IDX Fees & Sched/Reg.	80,198		80,198
A/R - Departmental Fees	2,971		2,971
Prepaid Expenses	20,575		20,575
Other Current Assets	10,072		10,072
Total Current Assets	986,456	1,489,047	2,475,503
Property and Equipment:			
Office Equipment	85,937		85,937
Computer Equipment	112,884		112,884
(Accumulated Depreciation)	(125,075)		(125,075)
Total Property and Equipment	73,745	0	73,745
Total Assets	$ 1,060,201	1,489,047	2,549,248
LIABILITIES AND FUND BALANCE			
Liabilities:			
Notes Payable-Neurology	$ 4,000	$	$ 4,000
Departmental Loans	167,577		167,577
Notes Payable - UMHC	240,195		240,195
Accounts Payable	180,189		180,189
Accrued Salaries and Benefits	129,728		129,728
"Withholds" & Fees Payable	62,694		62,694
DPG Revenue Payable		1,373,731	1,373,731
Transplant "Other" Liability		50,316	50,316
Due to Vendors/Payors (Refunds, etc.)		50,965	50,965
Medica Reserve		14,035	14,035
Other Liabilities	7,271		7,271
Total Liabilities	791,655	1,489,047	2,280,702
Fund Balance	268,547		268,547
Total Liabilities and Fund Ba	$ 1,060,201	$ 1,489,047	$ 2,549,248

05/13/95
03:14 PM

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows year to date revenues being greater than expenses by $8,869,000. This is a favorable variance of $2,031,000. However, for the month of April 1995, inpatient admissions were below budget by 4.1% and outpatient encounters were below budget by 0.7%. This reduction in volumes created an operating loss for April of $246,000 compared to budgeted gain of $795,000, or a $1,041,000 variance for the month.

Patient care charges through April totaled $324,676,000, which was 0.1% less than budget. Ancillary revenue was $870,000 or 0.4% above budget and routine revenue was $1,118,000 (1.2%) below budget. Inpatient revenue averaged $16,929 per admission compared to the budgeted average of $17,299. Outpatient revenue averaged $250 per encounter compared to the budgeted average of $252.

Deductions from revenue totaled $89,585,000 which was $1,119,000 or 1.3% over budgeted deductions of $88,466,000. Deductions from revenue were greater than anticipated through April primarily due to the HMO/PPO payor group. Both volumes and average charge per case for HMO/PPO payors were greater than anticipated. Blue Cross and Blue Shield, MA Demonstration Project and U-CARE were the payors that were major contributors to the unfavorable variance. The unfavorable variance on HMO/PPO write-offs was offset slightly by Minnesota Medicaid Program payments that continue to be greater than budgeted.

Operating expenditures through April totaled $256,856,000 and were $598,000 (0.2%) below budgeted levels of $257,454,000. The largest favorable variance is in supplies and services, where we experienced lower than anticipated drug utilization and lower donor acquisition expenses. Insurance expense was greater than budget, due to the unanticipated reinstatement of insurance premiums to RUMINCO.

ACCOUNTS RECEIVABLE: The balance in net patient accounts receivable as of April 30, 1995, totaled $64,214,000 and represents 66.1 days of net revenue outstanding.

CONCLUSION: Although the total margin for year-to-date April is positive and above budgeted levels, the month of April showed an operating loss of $245,000. This is due primarily to admissions being below budget by over 4.0% without proportional expense reductions being experienced. May activity through 5-15-95 is at budgeted levels. We continue to monitor our activity levels closely, and are making operating changes that are necessary to reduce costs and increase efficiency and productivity, while maintaining a high quality of patient care.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
MANAGEMENT SUMMARY STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1994 TO APRIL 30, 1995

1993-94 APRIL ACTUAL	APRIL BUDGETED	APRIL ACTUAL	VARIANCE OVER/(UNDER) BUDGET	VARIANCE %		1993-94 APRIL YTD ACTUAL	YTD BUDGETED	YTD ACTUAL	VARIANCE OVER/(UNDER) BUDGET	VARIANCE %
$32,426,000	$32,882,000	**$31,914,000**	($968,000)	-2.9%	GROSS PATIENT REVENUE	$313,815,000	$324,924,000	**$324,676,000**	($248,000)	-0.1%
9,167,000	8,985,000	**8,876,000**	(109,000)	-1.2%	DEDUCTIONS FROM REVENUE	84,247,000	88,466,000	**89,585,000**	1,119,000	1.3%
23,259,000	23,897,000	**23,038,000**	(859,000)	-3.6%	NET PATIENT SERVICE REVENUE	229,568,000	236,458,000	**235,091,000**	(1,367,000)	-0.6%
					OTHER OPERATING REVENUE					
1,282,000	1,162,000	**1,162,000**	0	0.0%	APPROPRIATION AND SUPPORT	12,822,000	11,620,000	**11,620,000**	0	0.0%
1,006,000	959,000	**826,000**	(133,000)	-13.9%	OTHER REVENUE	8,766,000	9,505,000	**9,075,000**	(430,000)	-4.5%
2,288,000	2,121,000	**1,988,000**	(133,000)	-6.3%	TOTAL OTHER REVENUE	21,588,000	21,125,000	**20,695,000**	(430,000)	-2.0%
25,547,000	26,018,000	**25,026,000**	(992,000)	-3.8%	TOTAL REVENUE FROM OPERATIONS	251,156,000	257,583,000	**255,786,000**	(1,797,000)	-0.7%
					OPERATING EXPENSES					
10,087,000	9,947,000	**10,333,000**	386,000	3.9%	SALARIES	102,162,000	104,790,000	**106,254,000**	1,464,000	1.4%
2,102,000	2,305,000	**2,348,000**	43,000	1.9%	FRINGE BENEFITS	21,762,000	23,586,000	**22,569,000**	(1,017,000)	-4.3%
1,759,000	1,676,000	**1,801,000**	125,000	7.5%	CONTRACT COMPENSATION	17,796,000	16,760,000	**17,533,000**	773,000	4.6%
5,645,000	6,128,000	**5,693,000**	(435,000)	-7.1%	SUPPLIES AND SERVICES	57,098,000	59,969,000	**57,467,000**	(2,502,000)	-4.2%
1,064,000	981,000	**994,000**	13,000	1.3%	UTILITIES AND MAINTENANCE	10,743,000	10,577,000	**10,363,000**	(214,000)	-2.0%
1,364,000	1,396,000	**1,330,000**	(66,000)	-4.7%	GENERAL SUPPLIES AND EXPENSE	13,378,000	14,128,000	**15,003,000**	875,000	6.2%
14,000	14,000	**104,000**	90,000		INSURANCE	198,000	142,000	**1,040,000**	898,000	
1,538,000	1,659,000	**1,616,000**	(43,000)	-2.6%	DEPRECIATION AND AMORTIZATION	15,549,000	16,194,000	**15,819,000**	(375,000)	-2.3%
585,000	554,000	**621,000**	67,000	12.1%	INTEREST	5,683,000	5,766,000	**5,993,000**	227,000	3.9%
125,000	313,000	**253,000**	(60,000)	-19.2%	MINNESOTA CARE TAX	3,109,000	3,093,000	**3,096,000**	3,000	0.1%
272,000	250,000	**179,000**	(71,000)	-28.4%	PROVISION FOR UNCOLLECTIBLES	2,522,000	2,449,000	**1,719,000**	(730,000)	-29.8%
24,555,000	25,223,000	**25,272,000**	49,000	0.2%	TOTAL OPERATING EXPENSE	250,000,000	257,454,000	**256,856,000**	(598,000)	-0.2%
992,000	**795,000**	**(246,000)**	**(1,041,000)**		**NET REVENUE FROM OPERATIONS**	**1,156,000**	**129,000**	**(1,070,000)**	**(1,199,000)**	
1,564,000	593,000	**1,064,000**	471,000	79.4%	NONOPERATING GAINS: INVESTMENT INCOME	8,682,000	6,709,000	**9,939,000**	3,230,000	48.1%
					REVENUE AND GAINS IN EXCESS OF EXPENSE					
2,556,000	1,388,000	**818,000**	(570,000)		BEFORE EXTRAORDINARY ITEM	9,838,000	6,838,000	**8,869,000**	2,031,000	
0	0	**0**	0		EXTRAORDINARY GAIN (LOSS)	(321,000)	0	**0**	0	
2,556,000	1,388,000	**818,000**	(570,000)		REVENUE AND GAINS IN EXCESS OF EXPENSE	9,517,000	6,838,000	**8,869,000**	2,031,000	

1993-94 APRIL ACTUAL	APRIL BUDGETED	APRIL ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %		1993-94 APRIL YTD ACTUAL	YTD BUDGETED	YTD ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
1,450	1,399	**1,342**	(57)	-4.1%	ADMISSIONS	14,591	14,054	**14,163**	109	0.8%
10,542	10,309	**10,158**	(151)	-1.5%	PATIENT DAYS	106,332	104,926	**103,103**	(1,823)	-1.7%
7.1	7.4	**7.4**	0.0	0.0%	AVERAGE LENGTH OF STAY	7.3	7.5	**7.3**	(0.2)	-2.7%
351.4	343.6	**338.6**	(5.0)	-1.5%	AVERAGE DAILY CENSUS	349.8	345.1	**339.2**	(5.9)	-1.7%
63.7	64.8	**62.5**	(2.3)	-3.5%	PERCENT OCCUPANCY	62.4	64.2	**62.2**	(2.0)	-3.1%
35,348	35,089	**34,852**	(237)	-0.7%	AMBULATORY CARE ENCOUNTERS	330,748	324,230	**339,149**	14,919	4.6%

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BALANCE SHEETS
APRIL 30, 1995 AND JUNE 30, 1994

	4/30/95	6/30/94
ASSETS		
General Funds		
Current assets:		
Cash and cash equivalents	$41,897,000	$46,458,000
Receivables:		
Patient services, net of allowances and uncollectible accounts of $25,662,000 at Apr '95 and $28,926,000 at June '94	64,214,000	48,723,000
State appropriations	1,824,000	1,769,000
Other	2,650,000	2,721,000
Inventories	6,080,000	5,547,000
Prepaid expenses and other	324,000	200,000
Total current assets	116,989,000	105,418,000
Assets whose use is limited:		
By board for property and equipment replacement and expansion	144,553,000	158,899,000
Under bond indenture agreement held by trustee	10,132,000	10,276,000
Total assets whose use is limited	154,685,000	169,175,000
Property and Equipment, net	154,995,000	150,278,000
Other Assets:		
Long-term portion - promissory note	5,433,000	4,806,000
Deferred third-party reimbursement	3,182,000	3,738,000
Deferred financing costs	768,000	850,000
Other	11,149,000	3,666,000
Total other assets	20,532,000	13,060,000
TOTAL ASSETS	$447,201,000	$437,931,000
Restricted Funds		
Investments	$9,520,000	$9,149,000

	4/30/95	6/30/94
LIABILITIES AND FUND BALANCES		
General Funds		
Current liabilities:		
Current maturities of long-term debt and capital lease obligations	$8,772,000	$8,520,000
Accounts payable	29,037,000	25,170,000
Due to third-party payors	15,444,000	6,873,000
Accrued liabilities:		
Salaries, wages and employee benefits	24,336,000	25,046,000
Interest	1,146,000	1,294,000
Deferred revenue	586,000	299,000
Total current liabilities	79,321,000	67,202,000
Long-term debt and capital lease obligations, less current maturities	139,485,000	148,207,000
Fund Balance	228,395,000	222,522,000
TOTAL LIABILITIES AND FUND BALANCE	$447,201,000	$437,931,000
Fund Balances:		
Endowment funds	$3,601,000	$3,438,000
Specific purpose funds	5,919,000	5,711,000
	$9,520,000	$9,149,000

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic

General Director
Hospital Administration

Box 502
420 Delaware Street S.E.
Minneapolis, MN 55455

Office Location:
B313 Mayo Memorial Building

612-626-6933
Fax: 612-626-3028

May 18, 1995

TO: Members, Board of Governors

FROM: Peter F. Rapp
General Director

SUBJECT: CUHCC Governance Structure

At our December 1994 meeting, I shared with the Board a proposed governance structure and bylaws for the Community-University Health Care Center/Variety Children's Clinic (CUHCC). These bylaws are required to achieve designation as a Federally Qualified Health Center.

Since that time we have received review from HCFA about the suggested governance structure, identified a potential list of community members and made minor modifications in the language in order to receive approval from HCFA.

We request your approval of this change. As you can see, while oversight responsibilities are delegated by the UMHS Board to a community board, control of the operation is retained by the UMHS Board.

Significant financial benefit accrues to the organization and allows us to maintain its viability. We are expecting HCFA approval shortly after this action by the UMHS Board.

PFR:SK

BYLAWS OF THE COMMUNITY-UNIVERSITY HEALTH CARE CENTER/VARIETY CHILDREN'S CLINIC COMMUNITY GOVERNING BOARD

PREAMBLE

The Community-University Health Care Center/Variety Children's Clinic was begun by Central Administration, University of Minnesota, in 1966 to provide comprehensive health care to children of the Phillips neighborhood. In 1984, the Clinic was moved administratively under The University of Minnesota Hospital and Clinic (UMHC). In July, 1994, the Clinic's application for Federally Qualified Health Care Center Look-Alike Designation was approved with a waiver that the Clinic establish a community governing board with powers and responsibilities consistent with those of governing boards that are responsible for overseeing the performance of other community health centers.

ARTICLE I. Scope and Name

Scope of Services and Facility. The services and facilities of the Community-University Health Care Center/Variety Children's Clinic ("Clinic"), a neighborhood-based clinic serving a racially heterogeneous, lower socioeconomic, un- and under-insured population, shall be governed by these Bylaws. The Clinic's mission is to assess the medical, dental, and mental health needs of the community it serves, to provide clinical services to meet those needs, to evaluate the effectiveness of those services, and to act as an advocate for the community and its patient population in an effort to create a more effective and responsive service delivery system.

ARTICLE II. COMMUNITY GOVERNING BOARD

Section 1. Membership Appointment and Reappointment. The Clinic's governing board shall be known as the Community Governing Board ("Board"). The Board shall consist of fifteen (15) voting members and one (1) non-voting member, for a total of sixteen (16) members as follows:

(a) User Members. Eight (8) members shall be individuals who use the clinic for primary health care services, or who have an immediate family member who uses the clinic for primary health care services. These members shall reasonably reflect the age, race/ethnicity, sex, and income status of the Clinic's registered patient population, and the neighborhood primarily served by the clinic.

(b) Non-User Members. Seven (7) members shall be from the Twin Cities community, with specific experience or interest in health care issues and in the Clinic and its mission. One of this group shall be named from among the UMHS Board of Governors (by the UMHS Board), and two shall be designees of the General Director of UMHC. It is expected that this group of Board members will include broad representation of women and minority groups. Neither employees of the Clinic nor their relatives shall be eligible to serve on the Board as a voting member.

(c) Non-Voting Member. The Clinic's Executive Director shall be the non-voting *ex-officio* member.

(d) Initial Board Roster. The membership of the initial Board, and the terms of the members, shall be as follows:

Name	Term
User	
Cheng Lor	1 year
Matthew Barnes	2 years
Marilyn Bohne	3 years
Thomas Gilliam	1 year
Kounthea Heng	2 years
Jabari Odukale	3 years
Sally Johnson	1 year
Wendy Austin	2 years
Non-User	
Donald Fraser	3 years
Elaine Hutton	1 year
Laura Wittstocks	2 years
Banlang Phommosavanh	3 years
Archie Givens	1 year
Peter Rapp	
Peter Lynch	

Section 2. Terms of Office.

(a) User and Non-User Members. The initial terms of user and non-user members of the Board at the time of the establishment of the Board under these Bylaws shall be determined by resolution of the UMHS Board of Governors. Thereafter, the regular term of office of each

member of the Board shall commence as of January 1 of the year of appointment and shall be for a period of three (3) years.

(b) Term Limitations. No member of the Board shall serve longer than three (3) consecutive terms. An initial term of less than eighteen (18) months shall not be considered a term for the purpose of these limitations and persons who are appointed to fill the unexpired portion of vacated positions shall be considered to have served a term only if the term of the vacated position has at least eighteen (18) months remaining at the time of appointment. Members who have served three consecutive terms shall be eligible for reappointment only after three (3) years of non-service.

(c) Appointment Procedure. In the event of any vacancy occurring on the Board, whether by resignation, expiration of term, or otherwise, the Nominating Committee shall, within sixty (60) days, present to the full Board a list of qualified candidates, including at least two such candidates for each existing vacant position. New members to the Board shall be appointed upon the vote of a two-thirds majority of the Board. This provision shall not apply to the Board positions occupied by the member of the UMHS Board of Governors, or the designees of the UMHC General Director, which vacancies shall be filled by designation of the UMHS Board or the General Director.

Section 3. General Powers and Authority of the Community Governing Board.

(a) Source of Authority. The Board's authority is delegated by the UMHS Board of Governors. This delegation of authority is broad and has the express purpose of making full use of the Board's special expertise in directing the affairs and operations of the Clinic as a community health center.

(b) Responsibilities of the Community Governing Board. Pursuant to the UMHS Board of Governors' delegation of authority referenced above, the Community Governing Board shall have responsibilities, including but not limited to the following:

(1) To establish goals and objectives for the Clinic.

(2) To establish and monitor policies relating to operations at the Clinic, such as scope and availability of service, hours of service, etc.

(3) To develop and present to the UMHS Board of Governors for its review the annual operating and capital budgets of the Clinic. For purposes of exercising this authority the Board accepts UMHS' fiscal management and budgeting systems.

(4) To monitor and evaluate the Clinic's performance, including service obligations, productivity and patient satisfaction.

(5) To represent the Clinic in the community.

(6) To monitor and evaluate management of the Clinic.

(7) To assure compliance with applicable federal, state, and local laws and regulations.

(8) To provide such reports as are requested by the UMHS Board of Governors.

(c) **Reserved Powers.** Notwithstanding anything to the contrary herein, UMHS reserves and retains the following powers as to the management and affairs of the Clinic.

(1) UMHS shall be notified of any proposal for the Clinic to enter into a provider agreement with any third party payor.

(2) The Clinic's annual budget shall be formulated for the purpose of maintaining first rate medical, education, community service, and research programs. The annual budget shall be formulated by the Board, and shall be approved in writing by the Board prior to the beginning of the new fiscal year. Subsequent to such approval, but before the commencement of the fiscal year for which the budget shall apply, the annual budget shall be submitted for approval to UMHS, and shall be subject to the written approval of UMHS, consistent with the obligation of UMHS, as a public entity, to retain the authority to establish general fiscal policies.

(3) The prior written consent of UMHS shall also be required for:

(a) any merger, consolidation, or substantial transfer or encumbrance of any assets of Clinic;

(b) any modification or amendment of the capital or operating budget in excess of $50,000.00, or in excess of the aggregate of 10% of the budget;

(c) any action that might, in the reasonable judgment of UMHS, jeopardize the non-profit status of UMHS;

(d) the implementation of, or any subsequent change to, any strategic, business, or expansion plan or reallocation of space or personnel in a manner that affects the Clinic's capacity to deliver clinical services;

(e) any acquisition of any other entity, or any change to a new location, or expansion to additional locations, or any closure or significant reduction of staff in any location then staffed by Clinic's personnel; or

(f) any changes or modification in the Bylaws or other governing documents of the Clinic

Section 4. Meetings and Notice.

(a) Regular Meetings. Regular meetings of the Board shall be held each month at a time and place which shall be set and announced by the Chair of the Board. The regular meeting held in the month of January shall be the Annual Meeting of the Board.

(b) Special Meetings. Special meetings may be called by the Chair at his or her discretion or shall be called at the request of three (3) members of the Board at such time and place as the Chair may determine.

(c) All meetings of the Board shall be public meetings, except that the Board, when permitted to do so by law, may vote to hold a non-public meeting.

(d) Notice of the time and place and purpose of a meeting shall be given to all Board members at least three (3) days prior to the meeting. Notice may be actual notice by telephone or written notice by regular mail or electronic mail.

Section 5. Quorum.

At least one-half (1/2) of the total number of voting members shall be necessary for a quorum.

Section 6. Suspension and Removal

The Board may, by a two-thirds (2/3) vote of its voting membership, recommend, for cause which shall include the failure to attend at least one-half (1/2) of the Board meetings in any given year, the removal or suspension of any of its members. The member shall be given at least ten (10) days written notice of such a meeting and the basis for the proposed removal or suspension. The member so charged shall be entitled to be represented at the meeting at which the charges are to be heard by an attorney or other representative of the member's choice.

Section 7. Indemnification and Defense of Board Members.

The University shall provide indemnification and defense of members of the Board under the terms of the Regents' *Policy on Indemnification and Defense of Employees*, adopted May 8, 1985, as amended from time to time.

Section 8. Compensation of Board Members and Committee Members.

No Board member or any member of any committee of the Board shall receive any compensation for any services rendered in his or her capacity as a member. This shall not preclude any Board

member or committee member from receiving compensation from the University of Minnesota, UMHS, or UMHC for other services rendered or for actual expenses incurred as a member or in any other capacity. The Board may elect to provide transportation and baby-sitter services for Board members or to reimburse Board members for transportation and/or baby-sitter expenses.

ARTICLE III. OFFICERS

Section 1. Officers.

The officers of the Board shall consist of a Chair, a Vice Chair, and the Secretary. All shall be elected annually by the Board from the voting members of the Board.

Section 2. Chair.

The Chair shall appoint the Secretary and preside at all meetings of the Board. He or she shall make quarterly reports to the Board of Governors and such other reports as either the UMHS Board of Governors or the Board of Regents of the University of Minnesota shall direct. He or she shall prepare the order of business for all meetings, including any matters which may be ordered by the Board. He or she shall perform all of the acts usually attendant upon the office of Chair, shall appoint the chairs and members of all committees, and shall be an *ex-officio* member without vote of all standing and special committees.

Section 3. Vice Chair.

During the absence or inability of the Chair to act, the Vice Chair of the Board shall perform the duties and exercise the powers of the Chair.

Section 4. Secretary.

The Secretary shall provide the Chair with an agenda for each meeting; keep a faithful, correct, and full record of the minutes of the meetings of the Board; furnish timely copies to each member of the Board; and ensure that copies of all minutes of the Board and its committees are sent promptly to the Medical Director, UMHC Ambulatory Care Services. The Secretary shall be the custodian of and shall faithfully keep all records of the various committees, including the books, records, documents, valuable papers, and details governing the history and statistics of the Clinic. He or she shall be responsible for giving all notices and attending to all correspondence which may be ordered by the Board. He or she shall perform such other duties as may be generally attributable to the office of the Secretary. He or she shall be authorized to designate Assistant Secretaries to help in keeping any of the foregoing minutes and records.

Section 5. Clinic Executive Director.

The Clinic's Executive Director shall be responsible for the overall management of the Clinic as a community health center and as an outpatient clinic of UMHC. The Executive Director reports to the Medical Director, UMHC Ambulatory Care Services, and, if the Executive Director is a faculty member, to the Chairperson of his or her Medical School department. The Medical Director, UMHC Ambulatory Care Services, shall meet regularly with the Executive Director to exchange

relevant information and provide liaison and appropriate support to the Clinic. All Executive Directors subsequent to the one in place at the time these Bylaws are enacted shall be hired by the Board, upon the concurrence of the UMHC General Director, in accord with the UMHS personnel policies and procedures. The Chair of the Board, the Medical Director, UMHC Ambulatory Care Services, and, if the Director is a faculty member, the Chairperson of the Executive Director's Medical School department shall perform an annual review of the Executive Director's performance. The report of the annual review shall be submitted to the Board, to the Medical Director, UMHC Ambulatory Services, and to the UMHC General Director. The UMHC General Director shall act upon the suspension or discharge of the Executive Director in consultation with the Board.

Section 6. Compensation of Officers.

Officers of the Board, with the exception of the Executive Director, and Secretary or Assistant Secretaries if they are employees of the Clinic, shall not receive any compensation for any services rendered in their capacities as officers. This shall not preclude any officer from receiving compensation from the University of Minnesota, UMHS or UMHC for other non-related services actually rendered or for actual expenses incurred for serving the Clinic as an officer or in any other capacity.

ARTICLE IV. STANDING COMMITTEES

Section 1. Voting, Quorum and Membership.

The Chair of the Board shall select the Chair of each standing committee from the voting membership of the Board. Only members of the Board shall be eligible to vote on Committee matters. At least one-half (1/2) of the total number of voting Committee members shall be necessary for a quorum.

Section 2. Executive Committee.

(a) Composition. The Executive Committee shall consist of the Chair of the Board, the Vice Chair, the Executive Director, and the Chairs of the Finance, Planning and Audit and the Quality Management Committees and shall include at least one designee of the UMHC General Director.

(b) Duties. The Executive Committee shall have the power to transact such business of the Board as may be necessary during the interim between meetings of the Board. The Executive Committee shall be responsible to the Board and shall report to the Board prior to or at the Board's next meeting of such interim actions by the Executive Committee.

(c) Meetings. The Executive Committee shall meet at the call of the Chair as often as necessary to accomplish its duties, but never more than twice in succession without an intervening meeting of the full Board.

Section 3. Finance, Planning, and Audit Committee.

(a) Composition. The Finance, Planning, and Audit Committee shall consist of a Chair, at least three (3) other members of the Board, one of the designees of the UMHC General Director and the Clinic's Financial Officer.

(b) Duties.

(1) The Committee shall be responsible for reviewing and monitoring the finances of the Clinic, for examining monthly financial reports, and for formulating appropriate recommendations to the Board relative to budget and capital improvements.

(2) The Committee shall be responsible for the preparation and submission to the Board, for its review, of budgets for the Clinic showing the expected receipts, income and expenditures for the ensuing year. The Committee shall be further responsible for the examination of the monthly financial reports and for the annual review of the need for capital improvements.

(3) The Committee shall be responsible for reviewing and monitoring the physical status of the Clinic (including additions, alterations, repairs and maintenance), and for formulating appropriate recommendations to the Board.

(4) The Committee shall be responsible for reviewing and monitoring the Clinic's purchasing policies and practices and for formulating appropriate recommendations to the Board.

(5) The Committee shall be responsible for reviewing and monitoring resource allocation and risk-sharing and for formulating appropriate recommendations to the Board.

(6) The Committee shall be responsible for reviewing and monitoring planning by Clinic staff and relationships with the legislature and with County and State governmental agencies as health care reform continues in Minnesota, particularly for the un- and underinsured and vulnerable populations. The Committee shall formulate appropriate recommendations to the Board.

(7) The Committee shall be responsible for reviewing and monitoring the Clinic's programs and for formulating appropriate recommendations to the Board.

(8) The Committee shall be responsible for reviewing and monitoring strategic planning, marketing, and outreach activities, and for formulating appropriate recommendations to the Board.

(9) The Committee shall be responsible for initiating and overseeing the Clinic's annual financial audit, pursuant to FQHC regulations, and for commissioning other audits as it may deem necessary.

(c) **Meetings**. The Committee shall meet at least four (4) times per year and at the call of the Chair as often as necessary to accomplish its duties.

Section 4. Quality Management Committee.

(a) Composition. The Quality Management Committee shall consist of a Chair, the Clinic's Executive Director, the Medical Director, UMHC Ambulatory Care Services, or his or her designee, two user members of the Board, one non-user member of the Board, a member of UMHC's Quality Management Department, and a member of UMHC's Human Resources Department.

(b) Duties. The Committee shall be the forum for the discussion of matters dealing with the Clinic's health care policies and practices as they relate to the quality of patient care across all units of the Clinic. The Committee shall perform other duties as shall be given it by the Board and shall also have the following specific duties:

(1) To review the survey findings of any entity that monitors patient care in the Clinic, including the Joint Commission on Accreditation of Health Care Organizations (JCAHO) or other regulatory, accreditation or funding bodies. The Committee shall identify areas of suspected non-compliance with the accreditation standards or regulations and shall make recommendations to the Board for appropriate action.

(2) To review the implementation and results of the Clinic's quality assurance program and to develop and monitor those components of the Clinic's strategic plan that relate to quality assurance.

(3) To develop and maintain methods for the protection and care of patients and others in the event of disaster. Specifically, it shall adopt and periodically review a written plan to safeguard patients at the time of an internal disaster, particularly fire, and shall assure that the plan is rehearsed at least annually.

(4) To make recommendations to the Board regarding any communications, requests, or recommendations presented by the Medical, Dental, or Mental Health staffs through their duly authorized representatives.

(5) To receive and consider all reports on the work of the Medical, Dental, and Mental Health staffs and make such recommendations to the Board as the Committee considers to be in the best interests of the Clinic, UMHC, and UMHS.

(6) To make recommendations concerning the expansion of quality management and continuous quality improvement activities.

(c) **Meetings.** The Committee shall meet at least three (3) times per year and at the call of the Chair as often as necessary to accomplish its function.

Section 5. Bylaws Committee (*ad hoc*).

(a) **Composition.** The Bylaws Committee shall be an *ad hoc* committee. Its membership shall consist of a Chair, the Clinic's Executive Director, one user member of the Board, and two non-user members of the Board.

(b) **Duties.** The Committee shall make such periodic reviews of these Bylaws as are deemed necessary and make recommendations on its findings to the Board for review.

(c) **Meetings.** The Committee shall meet at the call of the Chair as often as necessary to accomplish its duties.

Section 6. Nominating Committee (*ad hoc*).

(a) Composition. The Nominating Committee shall be an *ad hoc* committee. Its membership shall consist of three (3) members of the Board, including one of the designees of the UMHC General Director, and at least one (1) user member.

(b) Duties.

(1) The Committee shall nominate one or more candidates for the position of Chair and Vice Chair, to be filled by election annually.

(2) The Committee shall develop a list of qualified candidates to fill any vacant seats on the Board.

(3) If a vacancy occurs, to identify candidates for the position of Executive Director.

(c) Meetings. The Committee shall meet at least once per year, and at the call of the Chair as often as necessary to accomplish its duties.

Section 7. Other Committees.

The Board may create such additional committees as it deems necessary.

ARTICLE V. STANDARDS OF CONDUCT

Board members, employees, consultants, or those who provide services or furnish goods to the Clinic shall have no potential or actual conflict of interest with the Clinic, UMHC, UMHS, or the University of Minnesota. Upon becoming aware of any actual or potential conflict of interest, a Board member shall fully report, in writing, to the Board, any such actual or potential conflict. The Board may then, by a vote of two-thirds (2/3) majority, determine whether such conflict may be waived. Board members must act in an ethical manner and shall not represent the Board at large unless authorized. All members shall act in a manner consistent with the policies and procedures of the Board when acting on behalf of the Board.

ARTICLE VI. EQUAL OPPORTUNITY AND AFFIRMATIVE ACTION

The University of Minnesota is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, religion, color, sex, national origin, handicap, age, veteran status, or sexual orientation. In adhering to this policy, the University abides by the requirements of Title IX of the Education Amendments of 1972; by Sections 503 and 504 of the Rehabilitation Act of 1973; by Executive Order 11246, as amended; by 38 U.S.C. 2012, the Vietnam Era Veterans Readjustment Assistance Act of 1972, as amended; and by other applicable statutes and regulations relating to equality of opportunity.

ARTICLE VII. AMENDMENTS

Those Bylaws may be amended or replaced in whole or in part, and the terms of the members of the Board may be changed at any regular meeting of the Board, by a vote of a two-thirds (2/3) majority of the members present at the meeting, subject to the written approval of the UMHS Board.

APPROVED BY THE BOARD OF GOVERNORS, UNIVERSITY OF MINNESOTA HEALTH SYSTEM _____ Date

_____
Chair, Board of Governors, UMHS

REVIEWED BY THE COMMUNITY GOVERNING BOARD, COMMUNITY UNIVERSITY HEALTH CARE CENTER/VARIETY CHILDREN'S CLINIC _____ Date

_____
Chair, Community Governing Board, Clinic

BIOGRAPHICAL SKETCHES OF BOARD MEMBERS

USERS:

THOMAS GILLIAM
- Fifteen years' experience in health care management
- MBA, St. Thomas College
- Adjunct faculty, Cardinal Stritch College and St. Mary's College, Minnesota
- Employed as an R.N., Methodist Hospital Emergency Room

MATTHEW BARNES
- First-year student in the Masters in Health Care Administration Program, School of Public Health, University of Minnesota

CHENG LOR
- 20-year-old Gustavus Adolphus graduate
- Currently interning at the Minnesota Mutual Tax Department
- Studying to be a C.P.A.
- Also enrolled at William Mitchell College of Law
- Emigrated from Cambodia in 1982

JABARI ODUKALE
- Clinic user for over 10 years
- Currently serves as a supervisor for Project in Self-Sufficiency, a program of the Minneapolis Public Housing Authority

WENDY AUSTIN
- Mother of four
- Housewife

MARILYN BOHNE
- Widow
- Lives in Seward Park
- Teacher
- Has a Master's degree in English as a Second Language
- Taught in Africa and Asia
- Currently teaches ESL

BIOGRAPHICAL SKETCHES OF BOARD MEMBERS (continued)

KOUNTHEA HENG
- Emigrated from Cambodia to Germany in 1974, where he studied for several years
- Left Germany and resettled in Minneapolis in 1984
- Self-employed business man (Heng One Hour Photo Services)

SALLY JOHNSON
- Born Lima, Peru
- Mother of three
- Adjunct faculy, Hamline Law School and William Mitchell College of Law

NON-USERS:

BANLANG PHOMMASAVANH
- M.A. in counseling
- Employed by the Minneapolis Public Schools
- Works with the Lao P.T.A.
- Member of BIHA Women United

DONALD FRASER
- Previously served as U.S. Representative from the 5th District
- Former Mayor of Minneapolis

ELAINE HUTTON
- Employed as an intake and assessment worker, Washington County Child Protective Services
- Special interest in the problems of adolescents

LAURA WITTSTOCK
- President, Migizi Communications
- Writer; journalist
- Writes regular column for *The Alley* (Phillips neighborhood newspaper) and Star-Tribune
- Board, Greater Minneapolis Metropolitan Housing Corporation
- Board, American Indian Business Development Corporation

BIOGRAPHICAL SKETCHES OF BOARD MEMBERS (continued)

PETER LYNCH

- Chairman, Department of Dermatology
- Director, Ambulatory Care Services, The University of Minnesota Hospital and Clinic

PETER RAPP

- CEO, The University of Minnesota Hospital and Clinic
- Involved in health care since 1974

ARCHIE GIVENS

- President, Legacy Care Center
- Involved in health care since 1968
- Former president, National Mental Health Association

UNIVERSITY OF MINNESOTA

The University of Minnesota Health System *Board of Governors*

Box 604
420 Delaware Street S.E.
Minneapolis, MN 55455
612-626-5003
Fax: 612-626-3028

May 9, 1995

TO: MEMBERS,
UMHS BOARD OF GOVERNORS

FROM: VAMAN PAI
SECRETARY, UMHS BOARD OF GOVERNORS

RE: ***NINTH ANNUAL MHA TRUSTEE CONFERENCE AT CRAGUN'S***

The Minnesota Hospital Trustee Association is sponsoring the ***Ninth Annual MHA Trustee Conference*** at Cragun's Conference Center, near Brainerd , July 7-9, 1995. This year's theme is ***Beyond Joint Venturing***. UMHS board member Michael Fay is the Conference Task Force Chair. The Conference begins on Friday, July 7, at 4: 00 P.M. and ends with a brunch on Sunday, July 9, at 8:30 A.M. The program for the Conference is listed below.

Friday, July 7, 4:00 - 4:45 pm *Select only one program in this slot.*

- ☐ #1 Legislative Update
- ☐ #2 Reimbursement Primer

Friday, July 7 5:00 - 6:00 pm *Select only one program in this slot*

- ☐ #3 Legislative Update
- ☐ #4 Trustee / Administrator Orientation
- ☐ #5 Public Health:...
- ☐ #6 Affiliations....To Be Or Not To Be

Saturday, July 8 9:00 - 10:15 am *Select only one program in this slot.*

- ☐ #9 Power & Politics
- ☐ #10 Ups & Downs Of Joining A System
- ☐ #11 Principles of Partnering
- ☐ #12 Vern Weckwerth - Board Leadership
- ☐ #13 Theresa Pesch - Public Health

Saturday, July 8 10:45 - 12:00 *Select only one program in this slot*

- ☐ #14 Physician Partnering
- ☐ #15 AHA / MHA Updates
- ☐ #16 Chisago Health Services
- ☐ #17 Mesabi Regional Medical Center
- ☐ #18 Douglas Ewald - Political Involvement

The Health System is willing to sponsor two members to attend the MHA Trustee Conference . Members may register for one or both days of the Conference. Please contact me at 612 / 626-6502 if you are interested.

UNIVERSITY OF MINNESOTA

Office of the President
University of Minnesota Health System

Mailing Address:
Box 604
420 Delaware Street S.E.
Minneapolis, MN 55455-0381

Office at:
B390 Mayo Memorial Building
420 Delaware Street S.E.

612-626-5003
Fax: 612-624-7183

TO: Members, Board of Governors

FROM: Gregory W. Hart

RE: 1995-96 University Medical Center - Mesabi Budget

DATE: May 23, 1995

The terms of our new affiliation agreement with Mesabi Regional Medical Center (now called University Medical Center - Mesabi) require that the Board of Directors of UMCM submit a recommended budget annually to the UMHS Board of Governors. Attached is a budget recommended by the UMCM Board. This budget is forwarded for information in May and approval in June.

Mr. Richard Kasner, Board Chair at UMCM and members of the executive staff will help present the recommended budget.

The highlights of the proposed budget include:

- A small (4%) projected volume increase, derived from the regional development plan that is part of our affiliation agreement
- Generally flat prices, with small increases limited to two pricing categories
- General inflationary increases
- A projected profit of $217,000
- Capital expenditures of $4.4 million; $2.4 million funded from the affiliation agreement, $500,000 from the IRRRB, and $1.5 million from current year cash flow.

Over the course of the coming year we will be working with UMCM staff and the UMCM Board to identify cost reduction opportunities. Areas to be examined include debt restructuring, malpractice insurance, group purchasing for supplies, and departmental productivity improvement.

We look forward to discussion with the Finance Committee and Board of Governors.

GWH/gs

MESABI REGIONAL MEDICAL CENTER

B U D G E T - FY 1996

JULY 1, 1995 - JUNE 30, 1996

(Revised May 12, 1995)
May 19, 1995

BUDGET COMMENTARY

The Fiscal Year 1996 budget projects a profit of $217,000 for the year ending June 30, 1996. The assumptions and analysis used to achieve this profit are listed on the following pages.

Admissions, Patient Days and Average Length of Stay

Inpatient admissions are budgeted to increase by 4.6% over FY1995. Included in the budget is the effect of a General Surgeon beginning 7/1/95 and a Urologist, Orthopaedic Surgeon and Gynecologist beginning 1/1/96. Our Mental Health Units and Chemical Dependency Unit are projecting increased admissions also.

Patient days are budgeted to increase by 6.0% over FY1995, which is due to the effect of the physician recruitment plan as stated above. The Mental Health and Chemical Dependency Unit also increased patient days.

ALOS was budgeted to be 5.4 compared to 5.3 for FY1995. The slight increase is due to more patient days budgeted in the Chemical Dependency - Long Term Psych. Unit.

The breakdown by unit is as follows:

BUDGETED 1996 HOSPITAL

UNIT	ADMITS	PT DAYS	AV LENGTH OF STAY	AV DAILY CENSUS
Peds	595	2,200	3.7	6.0
3-Center	1,566	7,830	5.0	21.5
ICU	352	1,280	3.6	3.5
ICU-Stepdown	60	410	6.8	1.1
Obstetrics	485	1,360	2.8	3.7
Treatment Center	182	4,330	23.8	11.9
5N-Medical	432	2,370	5.5	6.5
RMH-LT Psych.	48	1,095	22.8	3.0
Nursery	331	825	2.5	2.3
	4,051	21,700	5.4	59.5

PROJECTED 1995 HOSPITAL

UNIT	ADMITS	PT DAYS	ALOS	ADC	INC(DEC) 96 TO 95 ADMITS	INC(DEC) 96 TO 95 PT DAYS
Peds	603	2,230	3.7	6.1	-1.3%	-1.3%
3-Center	1,549	7,740	5.0	21.2	1.1%	1.2%
ICU	336	1,244	3.7	3.4	4.8%	2.9%
ICU-Stepdown	54	420	7.8	1.2	11.1%	-2.4%
Obstetrics	429	1,191	2.8	3.3	13.1%	14.2%
Treatment Center	170	4,136	24.3	11.3	7.1%	4.7%
5N-Medical	410	2,503	6.1	6.9	5.3%	-5.3%
RMH-LT Psych.	10	228	23.3	0.6	390.5%	380.3%
Nursery	312	777	2.5	2.1	6.1%	6.2%
	3,873	20,469	5.3	56.1	4.6%	6.0%

The breakdown of admissions by financial class is as follows:

ADMISSIONS BY FINANCIAL CLASS

	MEDICARE	MA	GA	AFDC	BCBS	HMO	COMM	OTH	TOTAL
Peds	818	212	125	136	446	32	321	110	2,200
[illegible]C	6,172	101	135	53	536	78	587	168	7,830
[illegible]CU	1,219	41	18	28	148	39	115	82	1,690
[illegible]OB	51	309	41	196	275	69	376	43	1,360
[illegible]rtmt Ctr	462	132	2,539	48	250	35	719	145	4,330
[illegible]MH-Med	1,120	465	256	32	199	29	136	133	2,370
[illegible]MH LT Psy	730	365							1,095
[illegible]ursery		203	14	118	187	41	242	20	825
	10,572	1,828	3,128	611	2,041	323	2,496	701	21,700
	48.72%	8.42%	14.41%	2.82%	9.41%	1.49%	11.50%	3.23%	100%

Outpatient Units

Outpatient Units are projected to remain stable for most departments. The surgical areas are projecting growth due to the physician recruitment plan. Rehabilitation Therapy has continued to grow and is projecting additional growth for FY1996. The outpatient Mental Health Units are also projecting growth in FY1996.

Average Daily Census

The average daily census for FY1996 is budgeted to be 59.5 patients including nursery. This is an increase of 3.4 over FY1995.

Revenue and Discounts

Net patient revenues are budgeted at $27,141,000. This is a 3.7% increase over projected 1995 revenue. Room rates were increased by $20 per day to $370. This increase amounted to $242,000 or .9% of the increase. The remainder of the increase is due to additional business as a result of the physician recruitment plan and projected increases in the outpatient Mental Health units. Outpatient observation rates were adjusted to match our room rates.

Financial Class Assumptions

1) Medicare: Reimburses at a fixed amount per inpatient case and cost based reimbursement on some outpatient procedures. Other selected outpatient procedures such as Lab, Radiology and Outpatient Surgeries are reimbursed under specific target rates. No increase in Medicare payments are presumed for FY1996.

2) Medicaid: Reimburses under a fixed payment per case methodology for inpatients and a fee schedule for outpatients. Medicaid rates were rebased in January of 1995. No assumption is made as to whether MRMC's rates will increase or decrease due to the state budget not being finalized at this time.

3) BCBS: Reimburses on a prospective reimbursement per day with case maximums. BCBS typically will increase payments in categories where the maximums allowed are not charged. MRMC has very few categories where we are not paid at the maximum; therefore, no significant increases in payments are budgeted - outpatients @ 90% charges.

4) All other payors continue the trend of aligning with Claims Administrators who request discounts. Patient deductibles and co-pays become the issue. It is increasingly evident that commercial insurances no longer pay 100% and in most cases 20% of the hospital charge is being assumed by the patient. This trend has effectively eliminated the cost shifting potential hospitals have had in the past. Therefore, commercial payments have not been budgeted to increase.

Discounts:
Third party discounts are budgeted at 27.2% of gross revenues. This reflects the current trend

Revenue by pay group is as follows:

Medicare	*47.6%*
Medicaid	*14.2%*
BCBS	*12.7%*
HMO's	*2.2%*
Commercial	*11.8%*
Other	*11.5%*
	100.0%

EXPENSES:

Salaries and Benefits:
Salary expense assumes increases consistent with prior years. The RN contract has no increase for FY96. AFSCME will receive 2% by contract and the LPN contract is open for negotiations.

Benefits Expense - will actually decrease over FY95 due to two years of RN pension expense being charged in FY95, which also covers FY96.

Fees:
Fees will be consistent with prior years recognizing additional expense for the Range Mental Health Contract and the Long Term Psychiatric Unit.

Supplies:
Supplies expense is budgeted based on volumes. An inflation rate of 3% was assumed.

Building & Equipment Costs:
Building and Equipment cost are budgeted at a 3% inflation rate.

Depreciation & Amortization - will increase due to new construction.

Other Expenses:
This category includes - purchased services, public relations, marketing, travel, texts, education, dues, insurance, taxes, bank charges and miscellaneous.

Cost Containment:
Cost saving measures are continually evaluated to help reduce expenses and enhance financial performance.

Cash Flow
Our cash position at 6/30/95 is projected to be 1.460 million. Total capital requests for FY1996 are 4.417 million, consisting of the following:

Interior Remodeling	*$1.112 million*
Building Expansion with U of M	*$2.500 million*
Equipment Replacement	*$ .805 million*
	$4.417 million

Cash contributed from outside sources will amount to $2.872 million, consisting of the following:

U of M - Building Expansion	*$2.000 million*
U of M - Regional Hub Development	
Surgical Equipment	*$ .225 million*
Information Systems	*$ .147 million*
IRRRB - Building Expansion	*$ .500 million*
	$2,872 million

The result is a need to generate $1.545 million in operations. The budget as presented generates $1.500 million, which will require a use of $45,000 of reserves.

Contingencies:

A. *The addition of $1,000,000 in construction contingencies would most certainly require a financing of some kind.*

B. *Should the new physician services budgeted to begin 1/1/96 not materialize, approximately $200,000 in expense reductions would be necessary.*

MESABI REGIONAL MEDICAL CENTER
(000's omitted)

BALANCE SHEET

	ACTUAL PER AUDIT JUNE 30, 1994	APPROVED BUDGET JUNE 30, 1995	ESTIMATE JUNE 30, 1995	BUDGET JUNE 30, 1996
ASSETS				
Current Assets:				
Cash Plus Investments	483	150	122	178
Accounts Receivable - Net	3,613	4,200	4,700	5,000
Other Current Assets	2,411	1,900	2,200	2,240
Total Current Assets	6,507	6,250	7,022	7,418
Hospital Depreciation Funds	1,129	1,300	1,338	1,238
Bond Reserve Fund	1,057	1,088	1,057	1,057
Funds Held for Debt Retirement				
Other Assets	309	370	345	350
Property, Plant & Equipment:				
Original Cost	23,870	25,878	24,900	29,317
Less Accumulated Depreciation	12,453	14,101	14,089	15,847
Net Book Value	11,417	11,777	10,811	13,470
Total Assets	20,419	20,785	20,573	23,533
LIABILITIES AND FUND BALANCE				
Current Liabilities:				
Current Portion of Long Term Debt	505	530	612	650
Short Term Debt	0	0	0	0
Trade Accounts Payable	1,320	950	1,000	950
Accrued Salaries & Benefits	1,496	1,763	1,369	1,598
Other Current Liabilities	243	1,070	650	730
Total Current Liabilities	3,564	4,313	3,631	3,928
Long Term Debt	8,915	8,331	8,573	8,115
Fund Balance - Unrestricted Fund	7,923	8,116	8,351	8,598
Fund Balance - Restricted Fund	17	25	18	2,892
Total Liabilities and Fund Balance	20,419	20,785	20,573	23,533
Acid Test Ratio	0.1	0.0	0.0	0.0
Hospital Current Ratio	2.1	1.8	2.3	2.2
Debt as a Percent of Capital (Net)	52.9%	50.6%	50.6%	41.4%
Debt Service Coverage Ratio (Annualized)	2.1	2.1	2.3	2.1

MESABI REGIONAL MEDICAL CENTER
(000's omitted)

INCOME STATEMENT

	ACTUAL PER AUDIT 1994	APPROVED BUDGET 1995	ESTIMATE 1995	BUDGET 1996	1996 OVER/UNDER 1995 EST.
HOSPITAL:					
Inpatient Rev.-Board & Care	6,655	7,537	6,768	7,749	981
Inpatient Rev.-Ancillary	14,524	14,970	14,244	14,662	418
Outpatient Revenue	12,684	12,874	14,095	14,863	768
HOME:					
Resident Revenue					0
Total Patient Revenue	33,863	35,381	35,107	37,274	2,167
Deduct 3rd Party Discounts	8,792	9,489	8,680	9,863	1,183
Deduct Bad Debts	127	165	205	214	9
Deduct Free Care	66	60	57	56	(1)
Net Patient Revenue	24,878	25,667	26,165	27,141	976
Add Miscellaneous Income	355	436	394	407	13
Total Revenue	25,233	26,103	26,559	27,548	989
Salaries	11,970	12,191	12,505	13,043	538
Employee Benefits	2,360	2,475	2,634	2,390	(244)
Fees	2,228	2,609	2,467	2,515	48
Supplies	3,363	3,559	3,529	3,785	256
Building & Equipment Cost	1,249	1,277	1,301	1,381	80
Depreciation	1,545	1,545	1,636	1,758	122
Amortization	33	32	34	19	(15)
Interest Expense	706	690	699	670	(29)
Rental Expense	91	91	87	113	26
Other Expense	1,598	1,618	1,730	1,823	93
Total Expenses	25,143	26,087	26,622	27,497	875
Net Revenue	90	16	(63)	51	114
% of Total Revenue	0.4%	0.1%	-0.2%	0.2%	0.4%
Interest Income	14	16	12	24	12
Depreciation Fund Income	136	160	140	142	2
Subtotal	240	192	89	217	128
% of Total Revenue	1.0%	0.7%	0.3%	0.8%	0.5%
Extraordinary Gain/Loss	0	0	269	0	(269)
Excess of Rev. Over Exp.	240	192	358	217	(141)
Return on Equity	3.1%	0.0%	1.1%	2.2%	1.1%
Return on Invested Capital	5.8%	0.0%	4.8%	5.0%	0.2%
Hospital Patient Revenue/Adj. Admit	4,256	4,339	4,434	4,387	(47)
Hospital Patient Revenue/Adj. Day	759	749	805	782	(24)
Hospital Outpatient Revenue/Admit	177	177	177	177	(0)
Hospital Cost/Adj. Admit	4,301	4,410	4,511	4,444	(67)
Hospital Cost/Adj. Day	767	761	819	792	(27)

MESABI REGIONAL MEDICAL CENTER OPERATIONAL RESULTS BY SERVICE
(000's omitted)

HOSPITAL:	ACTUAL PER AUDIT 1994	APPROVED BUDGET 1995	ESTIMATE 1995	BUDGET 1996	1996 OVER/UNDER 1995 EST.
Patient Charges	33,863	35,381	35,107	37,274	2,167
Deduct 3rd Party Discounts	8,792	9,489	8,680	9,863	1,183
Deduct Bad Debts	127	165	205	214	9
Deduct Free Care	66	60	57	56	(1)
Allocation of Misc. Income	355	436	394	407	13
Net Patient Revenue	25,233	26,103	26,559	27,548	989
Direct Expenses - Hospital	25,143	26,087	26,622	27,497	875
Allocated Expenses					0
Total Hospital Expenses	25,143	26,087	26,622	27,497	875
Net Revenue (Loss)	90	16	(63)	51	114
NURSING HOME:					
Resident Charges					0
Deduct Bad Debts					0
Allocation of Misc. Income					0
Net Resident Revenue	0	0	0	0	0
Direct Expenses - Home					0
Allocated Expenses					0
Total Home Expenses	0	0	0	0	0
Net Revenue (Loss)	0	0	0	0	0
OTHER SERVICES:					
Net Income					0
Direct Expenses					0
Allocated Expenses					0
Net Revenue	0	0	0	0	0
Interest Income	14	16	12	24	12
Depreciation Fund Income	136	160	140	142	2
Extraordinary Gain/Loss	0	0	269	0	(269)
Excess of Rev. Over Exp.	240	192	358	217	(141)
Nursing Home Rev./Day	0	0	0	0	0
Nursing Home Cost/Day	0	0	0	0	0

MESABI REGIONAL MEDICAL CENTER ACCOUNTS RECEIVABLE ANALYSIS
(000's omitted)

	Actual JUNE 30, 1994		Estimate JUNE 30, 1995		Budget JUNE 30, 1996	
HOSPITAL PATIENT ACCOUNTS RECEIVABLE:						
Patient Charges	33,863	365	35,107	365	37,274	365
Patient Charges per Cal. Day	92.775		96.184		102.121	
Total Hospital Patient Accounts	5,302	57.1	6,787	70.6	7,137	69.9
Deduct-Reserve for Bad Debts	337	3.6	337	3.5	337	3.3
-Prepayment Balances		0.0		0.0		0.0
-CY Medicare/Medicaid Balances	1,352	14.6	1,750	18.2	1,800	17.6
Net Hospital Patient Accounts	3,613	38.9	4,700	48.9	5,000	49.0
HOME RESIDENT ACCOUNTS RECEIVABLE:						
Resident Charges		365		365		365
Resident Charges per Calendar Day	0.000		0.000		0.000	
Total Nursing Home Accounts		0.0		0.0		0.0
Deduct Reserve for Bad Debts		0.0		0.0		0.0
Net Nursing Home Accounts	0	0.0	0	0.0	0	0.0

BAD DEBT ANALYSIS - HOSPITAL & HOME:	Actual	Estimate	Budget
Beginning Reserve Balance	337	337	337
Add Provision for Bad Debts	127	205	214
Deduct Accounts Written Off	284	292	310
Add Collections of Write-Offs	157	87	96
Ending Reserve Balance	337	337	337
% of Hospital & Home Accounts Receivable	6.4%	5.0%	4.7%
Net Write-Offs % of Gross Hosp. & Home Charges YTD	0.4%	0.6%	0.6%

	FISCAL 1994 ACTUAL		FISCAL 1995 ESTIMATE		FISCAL 1996 BUDGET	
HOSPITAL Gross Revenue by Payor:	Amt.	%	Amt.	%	Amt.	%
Medicare	16,545	48.9%	16,651	47.4%	17,760	47.6%
Medicaid	4,836	14.3%	4,855	13.8%	5,276	14.2%
Blue Cross	4,098	12.1%	4,439	12.6%	4,736	12.7%
HMO's	615	1.8%	778	2.2%	836	2.2%
Commercial	4,514	13.3%	4,098	11.7%	4,385	11.8%
All Other	3,255	9.6%	4,286	12.2%	4,281	11.5%
Total	33,863	100.0%	35,107	99.9%	37,274	100.0%

MESABI REGIONAL MEDICAL CENTER
(000's omitted)

STATISTICAL SUMMARY

	ACTUAL PER AUDIT 1994	APPROVED BUDGET 1995	ESTIMATE 1995	BUDGET 1996	1996 OVER/UNDER 1995 EST.
HOSPITAL:					
Inpatient Admissions	3,011	3,070	2,997	3,058	61
Patient Days	13,536	13,918	12,767	13,080	313
Average Length of Stay	4.5	4.5	4.3	4.3	0.0
Average Daily Census	37.1	38.1	35.0	35.8	0.9
Mental Health/C.D. Admissions	645	693	535	662	127
Mental Health/C.D. Days	6,962	7,884	6,679	7,795	1,116
Average Length of Stay	10.8	11.4	12.5	11.8	-0.7
Average Daily Census	19.1	21.6	18.3	21.4	3.1
Total Admissions	3,656	3,763	3,532	3,720	188
Total Patient Days	20,498	21,802	19,446	20,875	1,429
Total Average Daily Census	56.2	59.7	53.3	57.2	3.9
Total Licensed Beds	175	175	175	175	0
Total Staffed Beds	126	126	126	126	0
% Occupancy-Licensed Beds	32.1%	34.1%	30.4%	32.7%	2.2%
% Occupancy-Staffed Beds	44.6%	47.4%	42.3%	45.4%	3.1%
Outpatient Admissions	71,586	72,733	79,634	83,975	4,341
Nursery Admissions	322	330	318	331	13
Nursery Days	816	858	786	825	39
Average Length of Stay	2.5	2.6	2.5	2.5	0.0
Adjusted Admissions	5,846	5,915	5,901	6,187	286
Adjusted Days	32,774	34,273	32,491	34,719	2,229
Adjusted Census	89.8	93.9	89.0	95.1	6.1
HOME:					
Resident Days					0
Average Daily Census					0.0
Licensed Beds					0
% Occupancy	0.0%	0.0%	0.0%	0.0%	0.0%
FTE-Hours Worked	328.6	328.9	334.0	345.4	11.4
FTE-Other Hours	54.3	53.3	53.7	56.7	3.0
Other Hrs % of Hrs Worked	16.5%	16.2%	16.1%	16.4%	0.3%
Total FTE	382.9	382.2	387.7	402.1	14.4
Hospital FTE	382.9	382.2	387.7	402.1	14.4
Home FTE					0.0
Other FTE					0.0
FTE per Adj. Census-Hosp	4.3	4.1	4.4	4.2	-0.1
FTE per Adj. Census-Home	0.0	0.0	0.0	0.0	0.0
Hosp. FTE's/100 Adj. Adm.	6.6	6.5	6.6	6.5	-0.1
Average Salary Cost/Hour	$15.03	$15.34	$15.51	$15.59	$0.09
Average Benefit Cost/Hour	$2.96	$3.11	$3.27	$2.86	($0.41)
Overtime Premium Exp.	$481	$400	$450	$450	$0

MESABI REGIONAL MEDICAL CENTER
(000's omitted)

CASH FLOW ANALYSIS

	ESTIMATE 1995	BUDGET 1996
Funds from Operations		
Net Income	89	217
Depreciation Expense	1,636	1,758
TOTAL	1,725	1,975
Funds Used by Operations		
Capital Spending	1,030	4,417
Working Capital (Increase) Decrease	916	81
Principal Payments	235	420
Other - Non-Current Assets	36	5
Other - Fund Balance Changes	(339)	(30)
TOTAL	1,878	4,893
Funds Financed By		
Debt	0	0
Restricted Fund Donations	1	2,874
TOTAL	1	2,874
Net Change in Cash	(152)	(44)
Beginning Cash Balance	1,612	1,460
Ending Cash Balance	1,460	1,416
Net Cash Flow	(152)	(44)
Composition of Net Working Capital Change:		
(Increase) Decrease in Net Acct. Rec.	(1,087)	(300)
(Increase) Decrease in Other Current Assets	211	(40)
Increase (Decrease) in Other Current Liab.	(40)	259
Increase (Decrease) in Short Term Debt	0	0
Net Working Capital Increase/Decrease	(916)	(81)

UNIVERSITY OF MINNESOTA

The University of Minnesota Health System

Box 604
420 Delaware Street S.E.
Minneapolis, MN 55455
612-624-1970
Fax: 612-624-7183

TO: Members, Board of Governors

FROM: Clifford Fearing

RE: Mesaba Clinic (MC) 1995-96 Budget

DATE: May 18, 1995

The 1995-96 Budget for the Mesaba Clinic in Hibbing, Minnesota is attached for your review. As you know the acquisition of the Mesaba Clinic took place in April of this year, and this budget represents the first year of a five year business plan developed jointly by UMHS and the M.C.

In the fiscal year June 1, 1995 to May 31, 1996 the Clinic is expected to have a net operating margin of $375,000 and cash flow approximately $227,000 with projected capital expenditures of $158,000.

The attached schedules present the details of this budget for your review.

We look forward to discussing these with you on May 24, 1995.

CPF/gs

Mesaba Clinic
Forecast Budget Summary Of Assumptions

Gross Patient Charges:

Budgeted patient charges have been based upon fiscal year 1995 activities through January 31, 1995.

Price Increases:

A patient charge price increase has been budgeted at the following rate:

7/1/95	7%

Discounts/Adjustments Recovery Reductions:

Recovery ratios associated with discounts and adjustments have been decreased from historic levels by the following rate:

7/1/95	1.25%

Other Operating Revenue:

Budgeted other operating revenues have been based upon revenues recorded during fiscal year 1995 through the period ended January 31, 1995 and include the following: UMHS rent revenue related to outreach activities, finance charges assessed on patient accounts, rent received from Dr. Herslof and other miscellaneous income.

Physician Compensation and Benefits:

Physician compensation approximates compensation paid during fiscal year 1995 through the period ended January 31, 1995 for each physician. Budgeted compensation includes profit sharing contributions and bonuses.

Budgeted physician benefits include pension contributions, health insurance, taxes and other benefits.

Physician FTE Changes:

Ophthalmologist 12/1/95: The budget assumes the addition of a .5 FTE ophthalmologist beginning 12/1/95. Production has been assumed to be at a rate equaling 2/3 of Dr. McLeans production. Compensation has been calculated at $150,000 (annualized), exclusive of fringe benefits.

Surgeon 12/1/95: The budget assumes the addition of a 1.0 FTE surgeon beginning 12/1/95. First employment year production reflects 1/2 of Dr. Shenks production for the equivalent period. This production increases to 100% in the second employment year. Compensation has been calculated at $150,000 (annualized), exclusive of fringe benefits.

Family Practice 12/1/95: The budget assumes the addition of a 1.0 FTE Family Practice physician beginning 12/1/95. This position replaces Dr. Owens who is assumed to retire 6/30/95. It has been assumed that 100% of Dr. Owens production will be attributed to this FTE. Compensation has been calculated at $120,000 (annualized), exclusive of fringe benefits.

Internal Medicine 12/1/95: The budget assumes the addition of a 1.0 FTE internal medicine physician beginning 12/1/95. First employment year production reflects 1/2 of Dr. Stenstrom's production for the equivalent period. This production increases to 100% in the second employment year. Compensation has been calculated at $120,000 (annualized), exclusive of fringe benefits.

Signing Bonus:

Each new physician has been budgeted to receive a $20,000 signing bonus at the time of their employment.

Non-Physician Compensation and Benefits:

Non-physician compensation has been calculated for each employee based upon fiscal year 1995 through the period ended January 31, 1995 information with respect to the FTE status and hourly rates of employees (or the salary equivalent in the case of such employees) assuming 2,080 annual work hours.

Budgeted benefits include pension contributions, health insurance, taxes, year-end sick-time payouts and life insurance. As with non-physician compensation, benefits were calculated on an employee-by-employee basis for current employees.

Support Staff Increases:

A 1.0 FTE increase in nursing support has been included for each physician specialist addition at the time in which the specialist begins employment.

Inflation Increases:

Inflationary assumptions for physician and non-physician compensation have been budgeted at the following rates:

Physician Compensation

6/1/95 4.0%

Non-Physician Compensation

6/1/95 3.0%

Supplies:

Supplies include the following and were based upon expense as reported for fiscal year 1995 through the period ended January 31: drugs, medical supplies, administrative supplies, computer supplies, medical forms and hazardous waste supplies. An inflationary factor of 4% has been included .

Ancillary Department Supplies:

Ancillary department supplies include: laboratory supplies, radiology supplies, physical therapy supplies, ophthalmology supplies, chemotherapy supplies, injectable supplies and treadmill supplies. An inflationary factor of 4% has been included.

Occupancy and Use - Building;

Expenditures include: janitorial services, grounds maintenance, building repairs, housekeeping supplies, property taxes, professional office insurance and utilities. An inflationary factor of 4% has been included.

Occupancy and Use - Furniture, Fixtures and Equipment:

Expenditures include: maintenance/repair and depreciation. An assumption has been included in the budget regarding recurring capital expenditures. As a result, depreciation for these capital expenditures has been included assuming a 7 year life and utilizing the straight line method of depreciating the assets. An inflationary factor of 4% has been included.

Purchased Services - Medical:

Purchased service expenditures are based upon expense as reported in fiscal year 1995 through the period ended Janaury 31 and include lab and radiology services. Contract service expense has also been included and reflects compensation paid to visiting specialists and moonlighters. An inflationary factor of 4% has been included.

Other General and Administrative:

All other general and administrative expenses include: advertising, laundry and cleaning, medical dues, memberships, general liability insurance, malpractice insurance and bad debt. An inflationary factor of 4% has been used including malpractice insurance subject to the expense reductions discussed below. The allowance for bad debt assumes bad debt to equal 1.5% of gross charges.

Expenditure Reductions:

Budgeted expenditures for certain supplies and malpractice premiums have been reduced from historic levels to reflect transaction efficiency gains. These reductions are summarized below:

Drugs and Medications	10%
Medical, Administrative, Computer, Etc.	5%
Ancillary Supplies	8%
Malpractice Premiums	10%

Capital Expenditures:

Recurring capital expenditures are assumed to be approximately $150,000 for the fiscal period ending 6/30/96.

Operating Periods:

For financial reporting purposes, Mesaba Clinic operates on a fiscal year which begins June 1st and ends May 31st. The University of Minnesota Health System Affiliated Clinics Inc. (UMHSAC) operates on a fiscal year which begins July 1st and ends June 30th.

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Combined Statement of Operations

	31-May-96 Budget Period 1
Gross Patient Charges	*$9,672,390*
Contractual Adjustments and Allowances	*(1,960,342)*
Net Patient Service Revenue	*$7,712,048*
	17.1%
Other Operating Revenue	*$110,171*
Total Revenues	*$7,822,219*
Expenditures:	
Physician Compensation and Benefits	*$3,547,686*
Non-Physician Comp and Benefits	*2,259,039*
Supplies	*149,658*
Ancillary Department Supplies	*473,479*
Occupancy and Use - Building	*175,530*
Occupancy and Use - FFE	*154,094*
Purchased Services - Medical	*139,191*
Other General and Administrative	*548,196*
Total Expenditures	*$7,446,873*
Earnings Before Taxes	*$375,346*
Income Taxes	*$0*
Net Earning After Taxes	*$375,346*
% of Net Patient Service Revenue	*4.87%*
Cash Flow:	
Cash Provided by Operations	*($141,407)*
Cash Flow from Investing Activities	*(150,000)*
Cash Flow from Financing Activities	*142,964*
Total Other Cash Flow Items	*($148,443)*
Net Cash Flow	*$226,903*

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Statement of Cash Flows

	31-May-96 Budget Period 1
CASH FLOW FROM OPERATING ACTIVITIES	
Net Income	*$375,346*
Non-Cash Expenses and Revenues Included in Income:	
Depreciation and Amortization	*$98,035*
(Increase) Decrease in Receivables	*(251,425)*
(Increase) in Prepaid Expenses	*0*
(Increase) in Other Receivables	*0*
(Increase) in Other Assets	*0*
Increase in Trade Accounts Payable	*11,984*
Increase in Other Accruals	*0*
Increase in Deferred Taxes	*0*
Increase in Deferred Comp	*0*
Increase in Accrued Benefits	*0*
Increase in Other Accruals	*0*
Net Cash Provided (Used) by Operating Activities	*($141,407)*
CASH FLOW FROM INVESTING ACTIVITIES	
Investment Write-Off	*0*
Acquisition of Property and Equipment	*(150,000)*
Equity Contributions	*0*
Net Cash Used by Investing Activities	*($150,000)*

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Statement of Cash Flows

	31-May-96 Budget Period 1
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds on Short-term Debt	*$0*
Proceeds on Long-Term Debt	*150,000*
Payments on Short-term Debt:	
Equipment	*$0*
Building	*0*
Payments on Long-Term Debt:	
Equipment	*(7,036)*
Building	*0*
Net Cash Used in Financing Activities	*$142,964*
Net Other Cash Flow	*($148,443)*
Cash Flow and Net Income	*$226,903*
CASH BALANCE AT BEG OF YEAR	*$52,246*
CASH BALANCE AT END OF YEAR	*$279,149*

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Other Operating Revenue

	31-May-96 Budget Period 1
Outside Professional Revenue:	
Outreach Rent Revenue - UMHS	*$39,652*
Miscellaneous Operating Revenue:	
Finance Charges	*59,884*
Rent - Herslof	*6,175*
Discounts Earned	*1,442*
Other Misc	*3,018*
Total Miscellaneous Operating Revenue	*70,519*
Interest Income:	
Prior Year Cash Balance	*$0*
Interest Income Rate:	*0.00%*
Total Interest Income	*0*
Total Other Operating Income	*$110,171*

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Expenditures

	31-May-96 Budget Period 1
Volume Increase Factor :	*5.70%*
Annual Inflation Factor :	*4.00%*
SUPPLIES	
Drugs and Medications	*$72,957*
Medical Supplies	*$1,438*
Administrative Supplies	*$29,592*
Computer Supplies	*$31,866*
Medical Forms	*$318*
Hazardous Waste Supplies	*$13,488*
Total Supplies	*$149,658*
ANCILLARY DEPARTMENT SUPPLIES	
Laboratory Supplies	*$158,364*
Radiology Supplies	*$67,641*
Physical Therapy Supplies	*$13,711*
Opthalmology Supplies	*$3,135*
Chemotherapy Supplies	*$73,730*
Injectable Supplies	*$153,475*
Treadmill Supplies	*$3,424*
Total Ancillary Supplies	*$473,479*
OCCUPANCY AND USE - BUILDING	
Building - Janitorial Service	*$40,873*
Building - Interest Expense	*$0*
Building - Rent/Lease Payments	*$0*
Building-Grounds Maint	*$7,281*
Building-Repairs	*$7,994*
Building-Housekeeping Supplies	*$9,019*
Building-Property Tax	*$33,050*
Insurance - Prof Office Pkg	*$13,295*
Building - Utilities	*$56,333*
Building-Depreciation	*$7,684*
Total Building Occupancy	*$175,530*

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Expenditures

	31-May-96 Budget Period 1
OCCUPANCY AND USE - FURNITURE FIXTURES AND EQUIPMENT	
Equipment-Depreciation	*$90,351*
Equipment-Interest Expense	*$5,347*
Equipment-M&R - Prof Equip.	*$5,361*
Equipment-M&R - Small Equip	*$915*
Equipment-M&R - Lab	*$14,166*
Equipment-M&R - X-Ray	*$11,883*
Equipment-M&R - Office	*$8,447*
Equipment-M&R - Computer	*$17,625*
Equipment-Insurance	*$0*
Total Equipment	*$154,094*
PURCHASED SERVICES - MEDICAL	
Purchased Services - Laboratory	*$82,303*
Purchased Services - Radiology	*$2,918*
Purchased Services - Medical	*$0*
Purchased Services - Contract	*$53,970*
Total Purchased Services	*$139,191*
OTHER GENERAL AND ADMINISTRATIVE EXPENSES	
Telephone	*$36,887*
Laundry & Cleaning	*$55,619*
Postage and Freight	*$43,158*
Professional Services - Acctg	*$58,968*

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Expenditures

	11-May-96 Budget Period 1
OTHER GENERAL AND	
ADMINISTRATIVE EXPENSES	
Advertising & Promotion	$10,162
Professional Services - Legal	$31,451
Travel - Mileage Reimbursement	$5,765
Travel - Staff Travel & Meeting	$3,141
Employment Expenses	$1,014
Benefits Consulting	$15,129
Staff Memberships/Seminars	$1,726
Medical Dues & Licenses	$450
Education & Post-Grad Training	$0
Dues & Subscriptions	$5,900
Malpractice/Liability Insurance	$19,811
MinnesotaCare Tax	$74,045
Interest Expense	$0
Employee Relations	$13,490
Donations	$1,926
Bank Charges	$245
Payroll Service Fee	$8,961
Sales Tax	$3,873
Bad Debt	$145,086
Misc - Medical	$7,130
Misc - Admin	$4,259
Total Gen and Admin	$548,196
Total Expenditures	$1,640,149

The University of Minnesota Health System
Mesaba Clinic Forecasted Budget

Expenditure Summary

	31-May-96 Budget Period 1
Supplies	*$149,658*
Ancillary Department Supplies	*473,479*
Occupancy and Use - Building	*175,530*
Occupancy and Use - Furniture Fixtures and Equipment	*154,094*
Purchased Services - Medical	*139,191*
Other General and Administrative	*548,196*
Total Expenditures	*$1,640,149*

UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC.

Corporate Office

420 Delaware St. S.E. Box 704
Minneapolis, MN 55455
Telephone: (612) 626-5559
Facsimile: (612) 624-8128

May 23, 1995

TO: Members, Board of Governors

FROM: Clifford P. Fearing

SUBJECT: FY 1995-96 Budget (Subject to UMHSAC Board Approval)

The University of Minnesota Health System Affiliated Clinics, Inc. ("UMHSAC") is a Minnesota nonprofit tax-exempt 501(c)(3) corporation formed to own and operate medical clinics in Minnesota. The sole member of UMHSAC are the Regents of the University Of Minnesota, acting by and through the Board of Governors of the University of Minnesota Health System.

The UMHSAC budget period spans from July 1, 1995, through June 30, 1996. UMHSAC clinics include: Staub Pediatric Clinic, Heights Medical Clinic, Palen Clinic and the Mesaba Clinic. Summarized below is a discussion concerning the assumptions used in preparing the budget followed by a summary-level budgeted profit and loss statement for each divisional entity.

Staub Pediatric Clinic

Staub Pediatric Clinic was acquired by UMHSAC on August 1, 1994. Staub Pediatric Group, P.A. was formed in 1986 and has grown steadily each year since. The practice is now comprised of five physicians (Pediatricians), one nurse practitioner, one registered nurse, and six other office staff personnel. The Pediatric Group has two locations: The Fridley Office in the Unity Professional Building and the Shoreview Office located in the Shoreview Medical Building.

The Group's service area reaches from the City of Ramsey, to Isanti County, to Shoreview and to Northeast Minneapolis. It is concentrated in the communities of Fridley, Blaine, Coon Rapids, Anoka, New Brighton and St. Anthony. Staub Pediatric Clinic is one of only a few pediatric specialty providers serving this geographic area and we feel that there is substantial opportunity for growth within this market area.

°*Gross Fee For Service*

Gross FFS revenue has been based upon actual production data from 12/31/94 with additional adjustments for volume (5%) and price (4%) inflation; annual gross patient charges are approximately $1,270,000. Patient encounters have been forecasted at 14,895 which compares to 14,186 for calendar year 1994.

°*Charge Discounts*

Discounts and adjustments have been budgeted at 25% of charges based upon historic experience in the calendar period ended 12/31/94. Charge discounts also include an estimate for bad debt write-offs (1.25% of Gross Charges).

°*Other Income*

Other income includes rent revenue from sublet agreements ($11,700), capitated insurance payments ($3,800), collection fee revenue from retirement of pre-acquistion receivables ($2,000), holdback refunds ($24,000 - Medica, $2,000 - BCBS) and other miscellaneous revenues.

°*Personnel Related Expense*

Non-physician FTE levels are projected to remain constant with compensation increasing by a projected 3.25% wage increase effective 7/1/95. Other fringe benefit items including health, dental and life insurance premiums are projected to increase by 7% on the 1/1/96 renewal dates. Also included in this category are budgeted payments to other healthcare providers for whom UMHSAC provides billing services (Audiology and Pediatrics).

°*Building Related Expense*

Includes rent expense for Fridley and Shoreview locations, telephone costs and depreciation expense related to equipment purchase. Amounts were based upon 12/31/94 data with a price level adjustment of 4%.

°*Office Related Expense*

Budgeted costs include office supplies, postage and interest expense related to equipment purchase. Amounts were based upon 12/31/94 data with a price level adjustment of 4%.

°*Professional Fees*

Assumes that billing service fees will not be paid to outside billing agency; UMHSAC billing software is anticipated to be brought "in-house," using CUHCC or UMCA-based billing system.

°*Physician Expenses*

Includes salary and benefits for physicians as well as education allowances, professional liability insurance and professional dues and subscriptions. Salary and benefits are per employment agreements and represent a 3% increase over the previous period. An assumption which increases one of the Pediatricians' FTE status from .10 to .50 has been included within the projections. Additional allowances have been budgeted for on-call coverage provided one evening per week by staffing from the Department of Pediatrics.

°*Miscellaneous Expenses*

Category includes budgeted expenditures for yellow pages advertising, management fees paid for accounting, payroll and human resource consulting, MinnesotaCare taxes and interest on the working capital loan. Variable expenses have been based upon 12/31/94 data with a price level adjustment of 4%.

°*Medical Expenses*

Budgeted costs include medical and lab supplies, pharmaceutical expenses, medical waste destruction and lab fees. Amounts have been based upon 12/31/94 data with a price level adjustment of 4%.

Heights/Palen Medical Clinics

Palen Clinic/Heights Medical Clinic was acquired by UMHSAC on February 2, 1995. Palen Clinic, P.A. is an urban family practice that has two locations; Palen Clinic at 4119 East Lake Street, Minneapolis and Heights Medical Clinic at 4555 University Avenue, Columbia Heights. Palen Clinic, P.A. was incorporated on January 1, 1970. The Lake Street facility has approximately 5,300 square feet of rented space, 1.0 Family Practice physician, 1 physician assistant and 6.5 office staff personnel. The Heights Medical Clinic is housed within a 6,750 square foot clinic facility (which was purchased by UMHSAC), 1.0 Family Practice physician, 1 physician assistant and 5.4 office staff personnel.

Heights Medical Clinic

°*Gross Fee For Service*

Gross FFS revenue has been based upon actual production data from 12/31/94 with additional adjustments for volume and price (4%) inflation; annual gross patient charges are approximately $695,000 for the Heights site. Forecasted visits of 5,706 represents a small decrease from the previous year primarily due to the departure of a part-time Family Practice physician. The remaining physicians are budgeted to absorb some of this volume.

°*Charge Discounts*

Discounts and adjustments have been budgeted at 23% of charges based upon historic experience in the calendar period ended 12/31/94. Charge discounts also include an estimate for bad debt write-offs (1.0 % of Gross Charges).

°*Other Income*

Other income includes rent revenue from outreach agreements ($12,168), capitated insurance payments ($2,718), medical records copying charges ($2,392) and holdback refunds ($4,593 -Medica).

°*Personnel Related Expense*

FTE levels are projected to remain constant with compensation increasing by a projected 3.25% wage increase effective 7/1/95. Other fringe benefit items including health, dental and life insurance premiums are projected to increase by 7% on the 9/30/95 renewal dates.

°*Building Related Expense*

Includes utilities, office liability and building insurance, telephone and answering service, maintenance, custodian, property taxes, depreciation expense, interest on the building loan and other miscellaneous items. Costs have been based upon 12/31/94 data with a price level adjustment of 4%.

°*Office Related Expense*

Budgeted costs include office supplies, postage, printing, equipment repair and rental and interest expense related to equipment purchase. Amounts have been based on 12/31/94 data with a price level adjustment of 4%.

°*Professional Fees*

Assumes a reduction in billing hardware and software lease costs. UMHSAC billing software is anticipated to be brought "in-house," using CUHCC or UMCA-based billing system.

°*Physician Expenses*

Includes salary and benefits for physicians as well as education allowances, professional liability insurance and professional dues and subscriptions. Salary and benefits are per employment agreement and represent a 3% increase over the previous period. The physician assistants are projected to receive 3.25% increases on 7/1/95. The staffing complement includes a 1.0 FTE Family Practitioner and a 1.0 FTE Physicians Assistant.

°*Miscellaneous Expenses*

Category includes budgeted expenditures for yellow pages advertising, management fees paid for accounting, payroll and human resource consulting, MinnesotaCare taxes, interest on the working capital and account's receivable loans and other miscellaneous items.

Variable expenses have been based upon 12/31/94 data with a price level adjustment of 4%.

o*Medical Expenses*

Budgeted costs include medical and lab supplies, pharmaceutical expenses, x-ray supplies medical waste destruction, lab fees and medical interpretation fees. These amounts have been based upon 12/31/94 data price adjusted at 4%. Budgeted medical interpretation fees (for EKG readings) have been reduced from prior year assuming the purchase of a new EKG machine which will reduce costs by nearly $4,000 per year.

Palen Clinic

o*Gross Fee For Service*

Gross FFS revenue has been based upon actual production data from 12/31/94 with additional adjustments for volume and price (4%) inflation; annual gross patient charges are approximately $778,000 for the Palen site. Forecasted visits of 6,155 represent a 2% increase from the previous year

o*Charge Discounts*

Discounts and adjustments have been budgeted at 27% of charges based upon historic experience in the calendar period ended 12/31/94. Charge discounts also include an estimate for bad debt write-offs (2.1% of Gross Charges).

o*Other Income*

Other income includes rent revenue from outreach agreements ($12,012), medical records copying charges ($3,321), holdback refunds ($4,593 -Medica) and proceeds from the sale of obsolete equipment ($20,000).

o*Personnel Related Expense*

FTE levels are projected to remain constant with compensation increasing by a projected 3.25% wage increase effective 7/1/95. Other fringe benefit items including health, dental and life insurance premiums are projected to increase by 7% on the 9/30/95 renewal dates.

o*Building Related Expense*

Includes utilities, office liability insurance, telephone and answering service, custodian, depreciation expense and building rent. Costs have been based upon 12/31/94 data with a price level adjustment of 4%.

°*Office Related Expense*

Budgeted costs include office supplies, postage, printing, equipment repair and rental and interest expense related to equipment purchase. Amounts have been based on 12/31/94 data with a price level adjustment of 4%.

°*Professional Fees*

Assumes a reduction in billing hardware and software lease costs. UMHSAC billing software is anticipated to be brought "in-house," using CUHCC or UMCA-based billing system.

°*Physician Expenses*

Includes salary and benefits for physicians as well as education allowances, professional liability insurance and professional dues and subscriptions. Salary and benefits are per employment agreement and represent a 3% increase over the previous period. The physician assistants are projected to receive a 3.25% increase on 7/1/95. The staffing complement includes a 1.0 FTE Family Practitioner and a 1.0 FTE Physicians Assistant.

°*Miscellaneous Expenses*

Category includes budgeted expenditures for yellow pages advertising, management fees paid for accounting, payroll and human resource consulting, MinnesotaCare taxes, interest on the working capital and account's receivable loans and other miscellaneous items. Variable expenses have been based upon 12/31/94 data with a price level adjustment of 4%.

°*Medical Expenses*

Budgeted costs include medical and lab supplies, pharmaceutical expenses, x-ray supplies medical waste destruction, lab fees and medical interpretation fees. These amounts have been based upon 12/31/94 data price adjusted at 4%. Budgeted medical interpretation fees (for EKG readings) have been reduced from prior year assuming the purchase of a new EKG machine which will reduce costs by nearly $3,500 per year.

Administrative Office

Budgeted amounts include interest income on outstanding cash balances related to start-up funding, administrative space rent and miscellaneous sundry items.

Mesaba Clinic

See separate handout for "Mesaba Clinic Forecast Budget Summary of Assumptions."

Financial Summary

Following this narrative are the proposed FY 1995-96 UMHSAC summary-level budgets for Staub Pediatric Clinic, Heights Medical Clinic, Palen Clinic, Mesaba Clinic and Administrative Center.

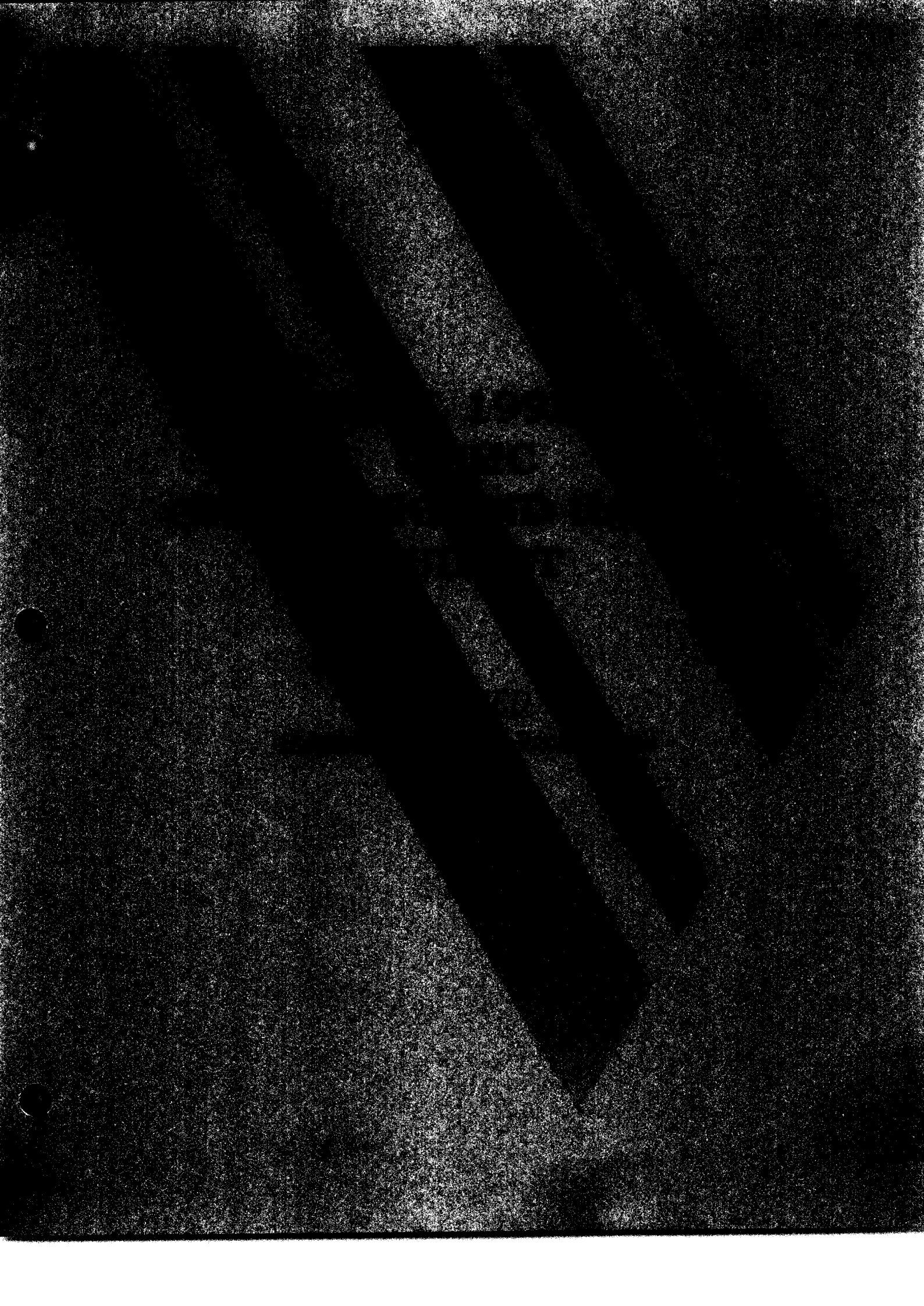
The budgets roll up to an overall cash flow gain of $274,947; $30,800 gain from Staub, $22,832 gain from Heights, ($0) gain/loss from Palen, $226,903 gain from Mesaba Clinic and ($5,588) loss associated with the non-revenue producing Administrative Center.

Attachments

University Of Minnesota Health System
Affiliated Clinics, Inc.

FY 1995-96 Proposed Budget

	Staub Pediatric Clinic	Heights Medical Clinic	Palen Clinic	Mesaba Clinic	Administrative Center	Totals
Gross Fee For Service	$1,269,557	$695,472	$777,889	$9,672,390	$0	$12,415,308
Charge Discounts	(316,778)	(168,908)	(226,688)	(1,960,342)	0	(2,672,716)
Other Income	46,694	21,871	39,925	110,171	2,000	220,661
Total Budgeted Income	**$999,473**	**$548,435**	**$591,126**	**$7,822,219**	**$2,000**	**$9,963,253**
Personnel Related Expense	$359,153	$158,816	$204,460	$2,259,039	$0	$2,981,468
Building and Maintenance	128,053	96,657	84,380	329,624	5,088	643,802
Office Related Expense	16,316	16,956	17,407	61,776	0	112,455
Professional Fees	0	2,956	2,956	139,191	0	145,103
Physician Expenses	325,226	151,877	152,310	3,547,686	0	4,177,099
Miscellaneous Expenses	47,764	28,304	28,715	548,196	500	653,479
Medical Expenses	122,810	61,781	96,427	561,362	0	842,380
Total Budgeted Expense	**$999,322**	**$517,347**	**$586,655**	**$7,446,874**	**$5,588**	**$9,555,786**
Budgeted Net Income (Loss)	**$151**	**$31,088**	**$4,471**	**$375,345**	**($3,588)**	**$407,467**
Add:						
Depreciation	$10,788	$31,164	$16,414	$98,035	$0	$156,401
Proceeds From Long-Term Debt	0	0	0	150,000	0	150,000
Increase in Accrued Trade Payables	0	0	0	11,984	0	11,984
Increase in Accrued Employee Benefits	37,449	13,065	16,117	0	0	66,631
Total Additions	**$48,237**	**$44,229**	**$32,531**	**$260,019**	**$0**	**$385,016**
Less:						
Increase in A/R	$0	($18,861)	($6,423)	($251,425)	$0	($276,709)
Capital Expenditures	0	(5,325)	(5,325)	(150,000)	(2,000)	(162,650)
Debt Service - Working Capital	(12,000)	(4,195)	(4,195)	0	0	(20,390)
Debt Service - Equipment	(5,588)	(7,972)	(7,972)	(7,036)	0	(28,568)
Debt Service - Building	0	(3,045)	0	0	0	(3,045)
Debt Service - Accounts Receivable	0	(13,087)	(13,087)	0	0	(26,174)
Total Subtractions	**($17,588)**	**($52,485)**	**($37,002)**	**($408,461)**	**($2,000)**	**($517,536)**
Net Change in Cash	**$30,800**	**$22,832**	**$0**	**$226,903**	**($5,588)**	**$274,947**



UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BUDGET LETTER
1995-96 BUDGET

1994-95 Budget Base

As described below and shown in the attached schedules, forecasted admissions, patient days, outpatient encounters, expenses, revenues, and revenue deductions were based on current year experience as the starting point. Current year experience was then adjusted for changes in projected volume, mix, and intensity of services, for new and pending reimbursement regulations, and for reductions in costs identified as necessary to break even from operations. The following is a general description about the major elements considered in the development of the University of Minnesota Hospital and Clinic 1995-96 budget.

• Demand Analysis

For the 1994-95 fiscal year we developed a budget of 16,784 admissions and 125,116 patient days. Using our actual experience through December 1994, we are projecting 16,896 admissions and 120,854 patient days. Although admission levels are relatively stable, we are experiencing a downward shift of volume levels in Neurosurgery, Orthopedics, Pediatrics, and Urology. We are experiencing an upward shift of volume levels in Clinical Research, Gynecology, Medicine, and Psychiatry. The decrease in patient days reflects our decrease in overall average length of stay from the budgeted 7.4 days to the 7.2 days we are experiencing.

The 1995-96 inpatient census projections indicate an overall 1.3% decline in inpatient demand. A general marketplace decline of 1.5% is anticipated in most clinical service areas. The general marketplace decline will be slightly offset by an increase in Pediatrics, which is the result of an entire year of experience on the Neonatal Intensive Care Unit at Fairview Riverside in 1995-96. In total then, our 1995-96 budgeted admissions are 16,670 with an average length of stay of 7.3 days, resulting in 120,550 patient days.

For the 1994-95 fiscal year we developed a budget of 396,600 outpatient encounters. Based on actual December 1994, volumes, we are projecting 409,034 encounters for 1994-95. Medicine, Family Practice, Pediatrics, and Surgery are experiencing greater than anticipated encounters. Less than anticipated encounters is being experienced in Dermatology, Radiation Therapy, and Mental Health.

In 1995-96 we are projecting total outpatient encounters of 414,159. This represents a 1.3% increase and reflects an anticipated plateau in the growth levels in ambulatory care. Emergency Room, Home Health, and Urology are expected growth areas. Declines are expected in Neurology and Mental Health.

Schedules I, II, and III summarize the demand forecasts for 1994-95 and 1995-96.

• Patient Charges

The proposed 1995-96 budget includes a 4.25% price increase and yields approximately $16,300,000 in increased patient charges. Volume changes also impact patient charge levels. Outpatient ancillary revenue is expected to increase approximately $3,400,000 due to higher outpatient census. The net decline in inpatient census levels will reduce revenues by approximately $2,200,000.

- **Deductions from Charges**

The fiscal 1995-96 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid Programs.

- **Medicare Prospective Payment System (PPS)**

Assumptions affecting UMHC payments include the following:

1 A 2.0% payment rate increase on the DRG rate, effective October 1, 1995.

2 The factor for reimbursement of Indirect Medical Education (IME) is currently being debated. The budget assumes a reduction in the IME factor from 7.7% to 5.6% in the budget. This will reduce Medicare payments by approximately $4,200,000. PROPAC has recommended a reduction from 7.7% to 6.7% and the current Contract with America calls for a reduction from 7.7% to 4.7%. The outcome of IME will probably not be known until sometime this summer.

3. Direct Graduate Medical Education (GME) reimbursement is limited to a 1.06% or $80,000 increase. 1995-96 inflation increases on Medical Resident Stipend costs will be 4.0%. The reduced level of inflation in GME is due to the fact that only primary care programs will receive increases. All other specialty care programs are frozen at the fiscal 1993-94 levels.

These assumptions are, of course, subject to legislative change and will be monitored closely.

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

For the 1995-96 fiscal year we have assumed a reduction in overall reimbursement of 3.5% for both the Medicaid and GAMC programs. A portion of the reduction (2.0% or $475,000) is a carry-forward of reductions that occurred on January 1, 1995, as a result of the Department of Human Services (DHS) rebasing their payment rates. In addition, we assumed that DHS would implement further payment reductions (averaging 4.0%) on July 1, 1995, in conjunction with the State's budget actions. We have also assumed an inflationary rate adjustment of 3.0% effective January 1, 1996. At this time we do not anticipate any structural changes regarding payment categories or any changes to the provider surcharges.

- **HMO/PPO Discounts**

It is anticipated that there will be a continued increase in managed care volume. The major contracts with HMO's and PPO's include the Blue Cross and Blue Shield AWARE and Blue Plus contracts, U-CARE, Health Partners, Med Centers, AFFORDABLE Health Care, Preferred One, and MEDICA. 1995-96 budget year payment levels are anticipated to increase by an average of 2.5% by all HMO/PPO payors, except the Blue Cross network of payors. A decline in payment levels of 3.3%, or approximately $1,100,000, is expected from the Blue Cross payor network.

- **Other Operating Revenue**

The anticipated increase in other operating revenue projected for the 1994-95 fiscal year is due to increased Income from Bond Proceeds. This is a result of proceeds from the 1993A Bond Series being held longer in the bond account than was anticipated.

As a result of University of Minnesota budgetary problems, the Hospital will receive $765,000 less in appropriations in budget year 1995-96. It is probable that these funds will not be recovered in the next legislative biennium. A decline is also expected in Income from Bond Proceeds in 1995-96 as funds are drawn from the bond account where the 1993A bond proceeds are being held. These funds can only be used for capital purposes and the Hospital continues to draw them down as we incur capital expenditures.

- **Expenditure Summary**

The 1995-96 expenditure levels have been determined using December 1994, year-to-date actual experience as a basis for projection, and adjusted for anticipated volumes, new programs, and cost reductions.

Salaries and Fringe Benefits:

Although the compensation plan has not been finalized by the Human Resource Committee and the Finance, Planning, and Development Committee, we have incorporated an overall compensation increase that appears consistent with increases in the health care community for fiscal years 1994-95 and 1995-96. After specific compensation plans have been determined, they will be presented to the Board. Fringe benefit costs are budgeted to increase in fiscal year 1995-96 as a result of inflation and the University's effort to regain some under-recovered benefits for Life Insurance, Retirement, and Tuition.

The 1995-96 budget assumes salaries and fringe benefit costs that are slightly lower than 1994-95 projections. The overall compensation plan and the inflation on fringe benefits result in increased labor costs of approximately $5,200,000. The compensation plan is offset by reductions made due to the following: a.) lower volume projections ($1,218,000), b.) redesign processes ($1,410,000), and c.) organizational restructuring in Ambulatory Care, Laboratories, Pharmacy, Rehabilitation, and Nursing Administration ($4,508,000). An increase of approximately $1,800,000 is expected as a result of introducing new programs and making improvements in some services. These areas include Home Health, Heart Failure Treatment, CUHCC, Thoracic Transplant, Information Services, and Children Services.

We anticipate approximately $350,000, or 4.0%, in inflationary increases on stipends paid to the residents. We are also recognizing an increase of 2.5 FTE medical residents that will be supported by the Hospital. We are forecasting our commitments to the Medical School departments to be the same in 1995-96 as it is in the 1994-95 fiscal year. An additional $300,000 commitment for medical directors is anticipated as part of the Ambulatory Care reorganization plan. This $300,000 is offset by other operating cost reductions within Ambulatory Care.

Other Expenses:

The 1994-95 operating expenses are anticipated to be less than budgeted due to lower inpatient volumes and lower utilization of patient supplies and services.

Other expenses are anticipated to increase by $2,200,000 in 1995-96. Of this total, inflation accounts for $3,300,000. Depreciation expense is projected to increase by $1,700,000 mainly as result of major capital projects completed in 1994-95. Decreases are anticipated due to the following major categories: a.) lower volume projections ($740,000), b.) service reductions ($260,000), c.) work redesign ($520,000), and d.) inventory and resource utilization reductions ($1,400,000).

- **Non-Operating Revenue and Expense**

In the 1995-96 budget year, we are expecting a slight decrease in non-operating revenue of $676,000. Within this overall change, we are assuming an increase of approximately $594,000 in interest earned on our reserves. We anticipate earning a weighted effective rate of 6.1% on the cash reserves. This is an increase from the 5.75% weighted effective rate we are experiencing in 1994-95.

Costs associated with program development are presented as non-operating expenses. An increase in these expenses in the 1995-96 budget year offsets the anticipated increase in the interest earned on reserves. Costs during 1994-95 are those expended on the bone marrow stem cell product, Heart/Lung Program, Primary Care. Beginning April 1995, program development funds were made available to a number of new programs. Funding support for these programs will continue until April 1996 when the UMCA Program Development Committee will evaluate the programs and determine the future nature of the funds. Funds spent for these programs are anticipated to be $283,000 in 1994-95 and $1,131,000 in 1995-96.

Schedule IV represents the Comparative Statement of Operations and Operating Cash Flow for actual 1993-94, original 1994-95 budget, projected 1994-95, and 1995-96 budget year.

Capital Expenditures

Capital expenditures provided from operating cash flows in 1995-96 for recurring equipment and minor remodeling will be $7,565,000. An additional $8,271,000 will be spent for principal payments on the bonds and capital lease payments.

In addition to those capital expenditures provided from operating cash flow, we are projecting that we will spend $19,265,000 from Hospital reserves. $6,645,000 of the total capital expenditure amount is for the completion of other projects that have received Board of Governors approval (Short Stay Program, Electrophysiology Radiographic Equipment, and EMTEK). $12,620,000 of the capital expenditures is for equipment and renovation projects that have yet to be presented to the Board for approval (Diagnostic Radiology equipment, Linear Accelerator, Operating Room/PACU expansion, Information Systems, and others). Schedules V represents a historical trend of our capital plan and VI summarizes the capital plan through the year 2000.

University of Minnesota Hospital and Clinic
Admissions by Service

Schedule I

	1993-94 Actual	1994-95 Budgeted	1994-95 Projected	1995-96 Budgeted
Anesthesiology	3	4	0	0
Clinical Research Center	547	360	500	500
Dentistry	78	66	58	58
Dermatology	6	0	6	6
Family Practice	203	294	228	228
Gynecology	1,246	1,197	1,641	1,500
Medicine	4,105	3,850	4,071	4,042
Newborn	373	79	1	0
Neurology	364	367	370	370
Neurosurgery	1,048	1,112	884	883
Obstetrics	566	123	5	0
Ophthalmology	314	332	288	284
Orthopedics	1,224	1,227	1,105	1,105
Otolaryngology	394	400	427	421
Pediatrics	2,967	3,177	3,047	3,110
PM&R	206	192	166	164
Psych-Adult	798	739	964	875
Psych-Child	102	106	168	165
Radiation Therapy	0	0	4	0
Radiology	19	26	11	11
Surgery	2,723	2,759	2,681	2,681
Urology	364	374	271	267
All Services	**17,650**	**16,784**	**16,896**	**16,670**

University of Minnesota Hospital and Clinic
Patient Days

Schedule II

	1993-94 Actual	1994-95 Budgeted	1994-95 Projected	1995-96 Budgeted
Anesthesiology	24	20	0	0
Clinical Research Center	1,632	1,368	1,240	1,240
Dentistry	99	72	76	76
Dermatology	29	1	39	39
Family Practice	854	1,286	744	744
Gynecology	5,391	5,086	6,852	6,280
Medicine	27,951	25,448	28,520	28,336
Newborn	729	163	8	0
Neurology	1,848	1,842	1,746	1,746
Neurosurgery	5,907	7,124	4,679	4,679
Obstetrics	1,599	339	37	0
Ophthalmology	666	612	655	646
Orthopedics	5,659	5,619	4,879	4,879
Otolaryngology	1,644	1,717	2,125	2,097
Pediatrics	27,886	30,733	24,992	26,671
PM&R	3,825	3,125	3,810	3,769
Psych-Adult	10,391	10,457	11,193	10,170
Psych-Child	2,817	3,210	3,265	3,207
Radiation Therapy	0	0	9	0
Radiology	11	10	38	38
Surgery	27,099	25,290	24,932	24,932
Urology	1,481	1,594	1,015	1,001
All Services	**127,542**	**125,116**	**120,854**	**120,550**

University of Minnesota Hospital and Clinic
Clinic Encounters

Schedule III

LOCATION	1993-94 Actual Clinic Encounters	1994-95 Budgeted Clinic Encounters	1994-95 Projected Clinic Encounters	1995-96 Budgeted Clinic Encounters
AMBULATORY SURGERY	5,207	5,721	5,825	5,825
CUHCC	69,998	68,000	68,827	68,827
DENTAL	3,918	3,806	4,393	4,393
DERMATOLGY	16,574	16,865	15,567	15,567
DIALYSIS	6,621	6,336	7,545	7,545
EMERGENCY ROOM	18,450	17,920	17,608	19,000
ENDOSCOPY	3,586	3,538	3,351	3,351
FAMILY PRACTICE	18,134	18,515	21,081	21,081
GERIATRICS	0	0	480	480
HOME HEALTH ENCOUNTERS	14,279	14,028	14,348	17,468
MASONIC DAY HOSPITAL	10,753	11,187	11,584	11,984
MEDICINE	41,796	37,724	46,450	46,496
NEUROLOGY	7,894	7,595	7,500	7,375
NEUROSURGERY	4,125	4,417	3,974	3,974
ONCOLOGY	9,037	9,422	9,169	9,169
OPHTHALMOLOGY	21,077	22,660	22,252	22,250
ORTHOPEDICS	15,017	15,622	15,476	15,476
OTHER MENTAL HEALTH	5,527	5,724	1,700	200
OTOLARYNGOLOGY	12,279	12,470	12,723	13,223
P M & R	838	762	1,202	1,502
PATIENT LEARNING CTR	270	224	266	266
PEDIATRICS	13,249	13,194	14,277	14,277
PSYCHIATRY	28,409	28,756	28,840	28,840
RADIATION THERAPY	13,703	13,828	12,824	12,924
REHAB SERVICES	10,873	11,102	11,769	11,769
SURGERY	14,684	12,965	14,422	14,616
UROLOGY	7,064	7,061	7,223	7,723
WOMEN'S HEALTH	15,367	14,153	14,787	14,787
Total Outpatient Encounters	388,529	383,635	395,263	400,388
INPATIENTS SEEN IN CLINICS	13,698	12,965	13,771	13,771
Total Ambulatory Care Encounters	402,227	396,600	409,034	414,159

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
FOR FISCAL YEAR 1994/95 AND BUDGET YEAR 1995/96
SUMMARY STATEMENT OF OPERATIONS AND CASH FLOW

SCHEDULE IV

	1993/94 ACTUAL	1994/95 BUDGET	1994/95 PROJECTED	VARIANCE	% VAR	1995/96 BUDGET	CHANGE	% CHANGE
Gross Patient Revenue	$379,956,000	$389,327,000	$390,619,000	$1,292,000	0.33%	$408,559,000	$17,940,000	4.59%
Deductions from Charges	94,154,000	106,064,000	108,815,000	2,751,000	2.59%	121,310,000	12,495,000	11.48%
Net Patient Service Revenue	$285,802,000	$283,263,000	$281,804,000	($1,459,000)	-0.52%	$287,249,000	$5,445,000	1.93%
Other Operating Revenue	33,326,000	28,465,000	30,075,000	1,610,000	5.66%	29,179,000	(896,000)	-2.98%
Total Revenue From Operations	$319,128,000	$311,728,000	$311,879,000	$151,000	0.05%	$316,428,000	$4,549,000	1.46%
Total Operating Expenses	$301,298,000	$309,656,000	$309,629,000	($27,000)	-0.01%	$312,285,000	$2,656,000	0.86%
Net Revenue From Operations	**$17,830,000**	**$2,072,000**	**$2,250,000**	**$178,000**	**8.59%**	**$4,143,000**	**$1,893,000**	**84.13%**
Nonoperating Gains: Investment Income	5,843,000	4,798,000	6,867,000	2,069,000	43.12%	6,192,000	(675,000)	-9.83%
Revenue and Gains in Excess of Expense Before Extraordinary Item	$23,673,000	$6,870,000	$9,117,000	$2,247,000	32.71%	$10,335,000	$1,218,000	13.36%
Extraordinary Gain (Loss)	(150,000)	0	0	0		0	0	
Revenue and Gains in Excess of Expense	**$23,523,000**	**$6,870,000**	**$9,117,000**	**$2,247,000**	**32.71%**	**$10,335,000**	**$1,218,000**	**13.36%**
Noncash Revenues and Expenses Included in Operating Activity								
Depreciation and Amortization	$19,338,000	$19,661,000	$20,138,000			$20,689,000		
(Increase) Decrease in Working Capital	563,000	(1,831,000)	(7,399,000)			4,500,000		
Net Cash Provided by Operating and Nonoperating Activity	$43,424,000	$24,700,000	$21,856,000			$35,524,000		
Investing Activities								
Acquisition of Property, Plant, and Equipment	($16,982,000)	($50,778,000)	($23,812,000)			($26,830,000)		
Change in Promissory Notes	238,000	0	(1,554,000)			683,000		
Cash Outflows for Aquisitions	(467,000)	0	(6,743,000)			(444,000)		
Decrease (Increase) in Assets Whose use is Limited	(72,255,000)	0	14,492,000			0		
Total Investing Activities	($89,466,000)	($50,778,000)	($17,617,000)			($26,591,000)		
Financing Activities								
Repayment of Long Term Debt & Notes Payable	($6,330,000)	($8,043,000)	($7,965,000)			($8,271,000)		
Funds Transfered to/From Medical School & Other	0	0	(4,778,000)			(909,000)		
(Defeasance) Issuance of Long Term Debt	70,033,000	0	0			0		
Total Financing Activities	$63,703,000	($8,043,000)	($12,743,000)			($9,180,000)		
	$17,661,000	($34,121,000)	($8,504,000)			($247,000)		

1996 CAPITAL BUDGET **SCHEDULE V**

	FY 93 BUDGET	FY 94 BUDGET	FY 95 BUDGET	PROPOSED FY 96 BUDGET
MAJOR & SPECIAL PROJECTS	$23,820,500	$15,804,500	$10,600,000	$12,620,000
RECURRING EQUIPMENT	$6,425,000	$6,250,000	$5,950,000	$5,665,000
RECURRING REMODELING	$1,775,000	$1,750,000	$1,850,000	$1,900,000
RECURRING TOTAL	$8,200,000	$8,000,000	$7,800,000	$7,565,000
PHASE II RENOVATION	$8,568,355	$2,568,000	$2,650,000	$0
TOTAL	$40,588,855	$26,372,500	$21,050,000	$20,185,000

	1996	1997	1998	1999	2,000
FY 1996 MAJOR & SPECIAL PROJECTS					
Ambulatory Care Master Plan					
o Heart Lung Clinic / Vascular Center					
o Derm/surg Clinic Reno					
o General Clinic Desk Upgrade					
o Clinic / Hospital Access		INDIVIDUAL PROJECTS WILL BE BROUGHT FORWARD FOR BOARD APPROVAL AS THEY ARE SCHEDULED FOR DESIGN AND CONSTRUCTION			
o Pediatric Clinic					
o Neurosciences Renovation					
o Urgent Care Facility					
o Emergency Room Renovation					
o Digestive Diseases Center					
o Urology Clinic Relocation					
o Urology Clinic Equipment					
o Primary Care Clinic					
o BMT Program Improvements	$250,000				
o Cancer Center Ambulatory Care	$250,000				
o Medicine Subspecialties Clinic					
PACU Renovation	$1,700,000	$0	$0	$0	$0
Relocate Inpt. Rehab to Unit J	$500,000	$0	$0	$0	$0
Patient Meal Delivery System	$350,000	$0	$0	$0	$0
Washer/Decontaminator	$465,000	$0	$0	$0	$0
Service Improvements	$300,000	$300,000	$300,000	$300,000	$300,000
Information Systems Initiative	$4,566,000	$3,204,000	UNK	UNK	UNK
Portable Chest Units	$431,000	$0	$0	$0	$0
Digital Fluoro Unit	$1,800,000	$0	$0	$0	$0
High Dose Rate Afterloading	$425,000	$0	$0	$0	$0
Replace Linear Accelerator	$1,583,000	$0	$0	$1,600,000	$0
SUBTOTAL	$12,620,000	$3,504,000	$300,000	$1,900,000	$300,000
ANTICIPATED FUTURE PROJECTS					
Replace CT Simulator	$0	$1,300,000	$0	$0	$0
Heart Cath Room 2	$0	$1,500,000	$0	$0	$0
Heart Cath Room 3	$0	$0	$0	$0	$2,000,000
CV Surgery Replace Room 7	$0	$1,500,000	$0	$0	$0
New Technology / Program Development	$0	$2,000,000	$2,000,000	$2,000,000	$2,000,000
SUBTOTAL	$0	$6,300,000	$2,000,000	$2,000,000	$4,000,000
GRAND TOTAL	$12,620,000	$9,804,000	$2,300,000	$3,900,000	$4,300,000

THIS SCHEDULE DOES NOT INCLUDE A FUNDING PROJECTION FOR THE AMBULATORY CARE INITIATIVE CURRENTLY UNDER 'REVIEW EXCEPT FOR THE BMT AND CANCER CENTER PROJECTS

THIS SCHEDULE DOES NOT INCLUDE A FUNDING PROJECTION FOR PSYCHIATRY FACILITY IMPROVEMENTS CURRENTLY UNDER REVIEW.

(d) Initial Board Roster. The membership of the initial Board, and the terms of the members, shall be as follows:

Name	Term
User	
Cheng Lor	1 year
Matthew Barnes	2 years
Marilyn Bohne	3 years
Thomas Gilliam	1 year
Kounthea Heng	2 years
Jabari Odukale	3 years
Sally Johnson	1 year
Wendy Austin	2 years
Non-User	
Donald Fraser	3 years
Elaine Hutton	1 year
Laura Wittstocks	2 years
Banlang Phommosavanh	3 years
Archie Givens	
Peter Rapp	
Peter Lynch	

Section 2. Terms of Office.

(a) User and Non-User Members. The initial terms of user and non-user members of the Board at the time of the establishment of the Board under these Bylaws shall be determined by resolution of the UMHS Board of Governors. Thereafter, the regular term of office of each

UNIVERSITY OF MINNESOTA

The University of Minnesota Hospital and Clinic *Office of the Chief of Staff*

Box 707
Harvard Street at East River Parkway
Minneapolis, MN 55455
612-626-1945

DATE: May 23, 1995

TO: Mr. Al Hanser, Chair,
Members, Quality Management Committee,
UMHS Board of Governors

FROM: Marvin E. Goldberg, MD
Chief of Staff
University of Minnesota Hospital and Clinic

RE: David L. Dunn, MD, New Interim Head, Department of Surgery

As you know, Dr. Frank Cerra has requested that his tenure as Interim Head of the Department of Surgery end, effective immediately. Dr. Cerra, Dean of the Medical School, has announced the appointment of Dr. David L. Dunn, Professor of Surgery, as the new Interim Head of the Department of Surgery, effective immediately.

According to Article III, Section 4, (b) of the UMHC Bylaws:

> Clinical chiefs shall be appointed by the Board of Governors. Continuance in office is governed by the same mechanisms as that for officers of the Medical Staff, as set forth in Article V, Part A, Section 7 of the Bylaws.

I recommend that Dr. David L. Dunn be appointed Clinical Chief of the Surgery Service effective immediately. I would also request the Committee to forward this recommendation to the UMHS Board of Governors for approval at the May 24, 1995 meeting.

Thank you.

CC: William Thompson, MD, Chair, Council of Chiefs
Frank Cerra, MD, Interim Dean
Mr. Gregory W. Hart, President, UMHS
Mr. Peter F. Rapp, General Director, UMHC

CURRICULUM VITAE

David L. Dunn, M.D., Ph.D.

OFFICE ADDRESS: Box 242 Mayo Memorial Building
The University of Minnesota Hospitals
The University of Minnesota
Minneapolis, Minnesota 55455

HOME ADDRESS: 7028 Shannon Drive
Edina, Minnesota 55439

BIRTH: December 4, 1952
Pontiac, Michigan

MARITAL STATUS: Married, two children

EDUCATION:

B.S. Zoology, 1973
The University of Michigan
Ann Arbor, Michigan

M.D., 1977
The University of Michigan Medical School
Ann Arbor, Michigan

Ph.D. Microbiology, 1985
The University of Minnesota Graduate School
Minneapolis, Minnesota

Medical Fellow (General Surgery), 1977-1985
Fellow in Transplantation, 1985-1986
Department of Surgery
The University of Minnesota
Minneapolis, Minnesota

PREVIOUS and CURRENT ACADEMIC APPOINTMENTS:

Assistant Professor of Surgery, 1986-1989

Associate Professor of Surgery with Tenure, 1989-1993

Professor of Surgery with Tenure, 1993-date

Interim Chair, Department of Surgery, 1995-date

Head, Division of Surgical Infectious Diseases, 1987-date

Co-director, Pancreaticobiliary Disease Center, 1986-date

Associate Member, Graduate Faculty in Surgery, 1986-1989

Full Member, Graduate Faculty in Surgery, 1989-date

Full Member, Biomedical Science Ph.D. Faculty, 1990-date

University Senate Member, 1992-1995

Director of Graduate Studies, Department of Surgery, 1993-date

Full Member, University of Minnesota Cancer Center, 1994-date

Residency Program Director, Department of Surgery, 1995-date

University of Minnesota Hospital Committee Appointments:

Antibiotic Subcommittee, Pharmacy and Therapeutics Committee, 1986-date
Disaster Committee, 1986-date
Emergency Department Committee, 1987-1989
Infection Control Committee, 1986-date
Transplant Program Utilization Work Force, 1987-date
Operating Rooms Resource Utilization Work Force, 1987-date
Quality Assurance Steering Committee, 1988-1992
Quality Assurance Special Work Group, 1991-1992
Pharmacy and Therapeutics Committee Adhoc Subcommittee for Development of Criteria for Use of Antibody to Gram-Negative Endotoxin (HA-1A), 1991-1992
Clinical Outcomes Task Force, 1992-date
Clinical Outcomes Task Force Subcommittee on the Outcome of Solid Organ Transplantation, 1992-date
Patient Care Delivery Systems and Processes Task Force, 1992-date
Minimally Invasive Surgery Task Force, 1992-date
Committee on Professional Credentialing and Staff Privileges, 1993-date
Perioperative Drug Therapy Subcommittee of the Pharmacy and Therapeutics Committee, 1993-date
Emerging Technology Task Force, 1993-date

University of Minnesota Committee Appointments:

Biomedical Scientist Ph.D. Program Committee, 1989-date
Cancer Task Force, 1986-date
Clinical Oncology Task Force, 1986-date
American Cancer Society Clinical Oncology Professor Selection Committee, 1989
General Clinical Research Center:
General Advisory Committee, 1986-1989
Scientific Advisory Committee, 1986-1989
M.D./Ph.D. Steering Committee, 1986-date
M.D./Ph.D. Physician Scientist Subcommittee, 1989-1992
Cancer Registry Biostatistics Committee for Cancer Center, 1991
Cancer Center Facility Planning Committee, 1991-1992
Immunology Planning Committee, 1991-1992
Ad Hoc Committee of Clinical Research Training and Graduate Degrees, 1991-date
Program Development and Evaluation Task Force, 1991-date
Dean's Scientific Seminar Committee, 1993-date
University of Minnesota Clinical Associates Program Development Committee, 1993-date
Medical School Committee of Private Practice, 1994-date
University of Minnesota Cancer Center's Database Advisory Committee, 1994-date
University of Minnesota Medical Students and Residents Task Force, 1994-date

Department of Surgery Committees and Appointments:

Promotion and Tenure Track Committee, 1993-date
Private Practice Subcommittee of the Advisory Council, 1993-date
Residency Review Committee, 1993-date
Administrative Head, White Surgery Service, 1994-date
Advisory Council, 1994-date
Development Committee, 1995-date
Ad hoc Committee for Evaluation of the Residency Program

External Committees:

Lifesource Advisory Board, 1989-date
General Surgery Subcomittee of the Medica Medical Policy Council, 1993-date

EDITORIAL BOARDS and REVIEW COMMITTEES:

Editorial Board, Clinical Transplantation, 1989-date

Editorial Board, Critical Care Medicine, 1990-date

Editorial Board, Journal of Surgical Research, 1991-date

Editorial Board, Annals of Surgery, 1991-date

Editorial Board, Transplantation Science, 1991-date

Editorial Board, Medical Intelligence Unit, 1991-date

Editorial Board, Circulatory Shock, 1993-date

Editorial Board, Surgical Infections: Index & Reviews, 1993-date

Editorial Board, Associate Editor, SHOCK: Molecular, Cellular, Systemic Pathobiological Aspects and Therapeutic Approaches, 1993-date

Editorial Board, Transplantation, 1993-date

Member, National Institutes of Health: Surgery, Anesthesiology and Trauma Study Section, Division of Research Grants, 1993-1997

BOARD CERTIFICATION: Diplomate, American Board of Surgery, 1986

Recertified, American Board of Surgery, 1994

FELLOWSHIP: American College of Surgeons, 1989

ACADEMIC AWARDS and GRANT SUPPORT:

Regents-Alumni Scholarship, The University of Michigan, 1971

B.S. Zoology with High Distinction, The University of Michigan, 1973

Alpha Omega Alpha, The University of Michigan Medical School, 1976

National Research Service Award "Pathogenic Factors in Experimental Peritonitis" National Institutes of Health AM0635301 (1981-1983)

American College of Surgeons Schering Scholarship Award (1983-1984)

Phi Kappa Phi, The University of Minnesota Graduate School, 1983

National Institutes of Health Young Investigator's Research Award "Mechanisms of Immunotherapeutic Protection during Gram-Negative Bacterial Sepsis" Grant IR23 GM32414 (Principal Investigator, 1983-1986)

American Society of Transplant Surgeons Sandoz Transplant Fellowship (first recipient), 1985-1987

David Gaviser Surgical Research Award Department of Surgery, The University of Minnesota, 1985

National Institutes of Health Public Health Service Grant "Pathogenesis and Treatment of Experimental Peritonitis" Grant AI 14032 (Co-investigator, 1985-1988; Principal Investigator: Richard L. Simmons, M.D.).

Minnesota Medical Foundation Research Grant "Detection of rejection and graft versus host disease after rat small bowel and multivisceral organ transplantation" (Principal Investigator, 1990-1991, Direct Costs = $10,000.00)

National Institutes of Health Research Career Development Award "Mechanisms of Immunotherapeutic Protection During Gram-Negative Bacterial Sepsis" Grant GM 00517 (Principal Investigator, 1988-1993, Direct Costs = $65,375.00 per year).

National Institutes of Health Program Project Grant "Studies of Organ Transplantation in Animals and Man" Grant 5P01-DK13083 (1987-1992; Program Director: John S. Najarian, M.D., Direct Costs = $830,332.00 per year).

Clinical Project IA (Co-investigator): "Comparative effect of OKT3 and ALG for prophylactic immunosuppression in clinical renal transplantation: a prospective randomized study"

Clinical Project IE (Co-investigator): "Continuing retrospective, prospective, and pilot studies in renal transplantation"

Clinical Project IIA (Co-investigator): "Cytomegalovirus infections in transplant recipients"

National Institutes of Health Program Project Grant "Studies of Organ Transplantation in Animals and Man" Grant 5P01-DK13083 (1992-1997; Program Director: John S. Najarian, M.D., Direct Costs = $716,278 per year).

Clinical Project IIa (Principal Investigator): Prophylaxis, treatment, and pathogenesis of cytomegalovirus disease in solid organ transplant recipients"

National Institutes of Health Postdoctoral Training Grant "Research Training for Surgical Scientists" Grant T32-DK07566 (Co-investigator, 1988-1993; Principal Investigator: John S. Najarian, M.D., Direct Costs = $168,675.00 per year).

National Cancer Institute Program Project Grant "Cancer and Leukemia Group B: Minnesota Oncology Group" Grant CA16450 (Co-investigator, 1988-1993; Principal Investigator: Bruce A. Peterson, M.D., Direct Costs = $159,084.00 per year)

National Institutes of Health Public Health Service Grant "Translocating Bacteria: Role in Post-Surgical Sepsis" Grant AI 23484 (Co-investigator, 1986-1995; Principal Investigator: Carol L. Wells, Ph.D., Direct Costs = $101,877.00 per year).

National Institutes of Health Public Health Service Grant "Mechanisms of Immunotherapeutic Protection During Gram-Negative Bacterial Sepsis" Grant R01 GM32414 (Principal Investigator, 1986-1995, Direct Costs = $83,543.00 per year).