

MINUTES

Finance Committee
University of Minnesota Hospitals and Clinics
January 18, 1978

Members Present: John Quistgard, Chairman
David Cost, Vice Chairman
Al France
Debbie Gruye
Seymour Levitt, M.D.
David Preston
John Westerman
Dan Notto

Absent: JoAnn Lutz
Don Brown
David Brown, M.D.

Staff: Johnelle Foley
Nels Larson
Cliff Fearing
Don Van Hulzen

Guests: Ed Howell
Ron Werft

The meeting of the Finance Committee of the Board of Governors was called to order by Chairman Quistgard at 9:32 a.m. in Room 626 of the Campus Club.

I Approval of the December 14, 1977 Meeting Minutes

Mr. Van Hulzen moved that the minutes of the last meeting be approved.

Mr. Notto seconded the motion and it passed unanimously.

II December YTD Financial Statements

Beginning with the Controller's Report, Mr. Larson pointed out that December showed a decrease in the length of stay from 8.8 days in November to 8.0 days in December. This decline changed our year to date loss from \$18,000 to \$541,000. The year to date census totals 100,873 patient days which is 3.3% below our projected census through the first six months. The admissions are below budget, but are comparable to last year. Mr. Larson explained that

the change we are seeing is primarily attributable to the decline in length of stay.

Mr. Larson then noted that the outpatient clinic activity is very close to budget and that we are seeing a changeover from inpatient to ambulatory care.

Next Mr. Larson referred the committee to several bar graphs showing patient days, admissions, percent occupancy and length of stay by prior year actual, current year budget, and current year actual for the first six months of this fiscal year. He pointed out that the decline in patient days is following a seasonal pattern along with admissions and percent occupancy. The length of stay graph shows a general trend downward. Mr. Fearing stated that we had not anticipated the sharp decline in the average length of stay and we had been optimistic regarding a continuing trend of increased admissions. Admissions seem to be holding close to last year's level rather than growing at the 3% level we had anticipated.

Mr. Preston asked if this has been analyzed as to the decline being due to particular services having more admissions or services having shorter days. Mr. Fearing responded that the trend seems to be generally across all services. It was suggested by Mr. Quistgard that for next month, a statement be prepared showing a comparison of average length of stay by department (this year to last year) in order to possibly identify a trend.

The next report reviewed by Mr. Larson was the Statement of Operations. He noted that the Patient Care Charges continue to reflect our decreased census and are running about 1.7% below budget. Deductions from Charges show a significant change in the area of Charitable Care where we are

experiencing more write offs at CUHCC and the 60 Fund. Other Operating Revenue continues to be below budget, but we received receipts this month for the sale of x-ray film and payments for PSRO. In the area of Expenditures, salaries continue to be down because we had anticipated the same type of merit program for Civil Service employees as in the past, but it was changed this year and reduced the number of dollars going to individuals for merit increases. In the General Supply & Expense area, there was a significant change in Blood and Blood Derivatives which went up because of buying ahead to beat a price increase. Maintenance and Repair costs were up this month because we received several annual service contracts which were paid. We also wrote off approximately \$18,000 of work in process of small remodeling projects. Mr. Larson then noted that the Operating Cash Flow showed a net cash available of \$259,000 and the changes here are because capital expenditures are running ahead of what we anticipated. Mr. Larson informed the committee that he would not review the Change of Funds Statement and the Balance Sheet, but they are for the committee's information. After some discussion by the Committee regarding the December YTD financial reports, it was decided that in the future it shall be stated on the reports when the budget is seasonally adjusted.

III Projected 6/30/78 Financial Position

IV Projected Rate Change Requirement

Mr. Fearing noted that as can be seen by our statements for the first six months, we have lost \$540,000. This is primarily due to the fact that we have a large fixed cost base and there is a certain amount of lag time in trying to accomplish reductions in expense to correspond with the day to day revenue loss. In addition, we went into the 1977-78 budget quite conservatively by anticipating a reduction in expense of \$700,000. This reduction in expense has taken place basically due to a reduction in volume.

Some of the cost savings programs which we had anticipated being well along with, such as the Laundry/Linen program, have been delayed, and we are not seeing those cost reductions as rapidly as we had anticipated. It is anticipated that for the remaining part of the year, we are going to be operating an inpatient census of approximately an 8.8 day average length of stay. Those projections would indicate that we are going to be under in routine revenue by 5% and overall revenue by about 1.6%. The 1.6% revenue reduction, coupled with salary increases over the second six months at 1.7% higher than we anticipated and Charitable Care write offs of 14.6% higher than original projections will all affect the year end net results. Mr. Fearing noted that there is a two-fold effect with regard to the changing volume or decline in the average length of stay. First, we have had a fairly constant cost per admission, changing less than 1%. On the other hand, we have had a 2.3% reduction in the average revenue per admission. We had anticipated an average revenue per admission this year of about \$2,956 which right now is at about \$2,922. We are projecting that if we brought that up for the last five months beginning February, to about \$2,934, which would be \$22 less per admission on an annual basis than we had originally projected, this would allow us the necessary money to meet our financial objectives and meet our financial requirements. Mr. Fearing stated that these adjustments have been cleared with Rate Review and that we are not exceeding the 6.6% level that was originally approved. This is not a rate increase, but a redistribution of the rate structure to maintain our original rate increase level per admission. Mr. Fearing also noted that in the cash flow we originally projected \$4,288,000 after all adjustments were made to the budget for the change in the union contract, etc. Right now we are projecting a \$3,710,000 cash flow. We intend to adjust

our rate structure to attain the difference. In addition to the rate restructuring, it will be necessary to keep our expenditure level \$700,000 to \$800,000 less than originally budgeted. With these adjustments, we will be able to cover our financial requirements with our revenues. During the last six months, we will be maintaining our expenditure level of 1.8 or 1.9% below our original budget and an adjustment of about 2.2% annualized with regard to the rate structure will bring it up to the 6.6% level which we have currently not achieved. Mr. Fearing stated that with the reduction in the average length of stay, there is no other alternative that we can make that will react fast enough to keep us in a financially viable position. Mr. Quistgard feels the Board may not fully understand the rate adjustment, and it was decided by the Committee to have Mr. Fearing distribute a written explanation to the full Board along with the minutes.

V December YTD Census Summary

Mr. Larson referred the committee to the Inpatient Census Data sheet. He noted that the Medical/Surgical and Pediatric areas showed a general decline in length of stay. Mr. Fearing pointed out that in the first 16 days of January the trend in average length of stay is continuing but should be going up the latter part of the month. Mr. Quistgard suggested that this data also be given to the full Board as a supplement to the information they already receive.

VI Summary Departmental Gain/Loss December YTD

In the Gain/Loss Summary by Major Service Area, within Nursing Services, Mr. Larson pointed out that Psychiatry and Rehabilitation do not include the appropriations and support dollars. Mr. Van Hulzen pointed out that the appropriations which used to come to us as categorical for Psychiatry and Rehabilitation are no longer required to be categorical, but are for

general support of the Hospital. Mr. Larson noted that the Clinical Research expense is only the indirects and we will have to refund the grant approximately \$61 per day. Mr. Fearing explained that from an overall prospective, with the exception of Rehab and the Outpatient Clinics, our ancillary rate structure is in a profit position and our real loss in net revenue occurs within the routine patient charge area.

VII Other

Mr. Fearing requested the Committee's approval for a bad debt write off for the second quarter of 315 accounts totalling \$212,194.33, with a recovery of \$9,952.89, leaving a net write off of \$202,241.44 so it can be forwarded to the Vice Presidents and the Regents for their approval.

Mr. Fearing noted that the anticipated 1.75% gross charge write offs for the year may be somewhat high but feels the trend in the fourth quarter will be higher when most of the write offs will occur because at that time the bad debts are recalled from the collection agencies.

A motion to approve the write offs was made by Mr. France, seconded by Mr. Cost, and unanimously approved by the Committee.

Mr. Quistgard informed the committee that he would be meeting with Mr. Cost and Mr. Fearing regarding suggestions for future agendas following the Finance Committee meeting. He stated that any members of the committee are welcome to make suggestions they may have regarding the agenda. Also, if any member would like to make suggestions on the report to the full Board, they are welcome to do so. Mr. Quistgard mentioned that he would prefer to have Mr. Fearing make a detailed report to the full Board and make a shorter presentation himself.

The minutes of the last meeting noted that Mr. Quistgard had requested a

report on the 20 day occupancy rate and he inquired if this report was forthcoming. Mr. Fearing felt it would be difficult to prepare but his staff is working on a way to perhaps have it available in about two months. Mr. Westerman added that he felt the committee would want to know this type of information and will talk to the computer staff about preparing it.

Mr. Fearing informed the committee that the Payroll Audit Report will be on next month's meeting agenda.

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

Respectfully submitted,



Teresa Rosecke
Secretary



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 18, 1978

TO: Board of Governors Finance Committee Members

FROM: Clifford P. Fearing

SUBJECT: Controller's Report for Period July 1, 1977 through
December 31, 1977

The financial statements for the month of December show a larger decline in occupancy than the census for the other five months of the 1977-78 fiscal year. The average length of stay continued to decline from 8.8 days in November to 8.0 days in December. This decline in length of stay resulted in the net operating revenues of the Hospital decreasing from a loss of \$18,555 at the end of November to a loss of \$541,774 at December 31, 1977. The year-to-date inpatient census of 100,873 days through December is 3,478 days below our projected census of 104,351 days. This represents an unfavorable variance of 3.3%. Inpatient admissions totaled 10,930 December year-to-date, 3.9% below our projected level at this time of 11,376. While we are below our projected admissions for this year, we are only 42 admissions behind last fiscal year's December total of 10,972. The change from last year represents a 0.4% decline.

The most important impact on the census is the general decline in the average length-of-stay. The average length-of-stay for December, 1977 was 8.0 days compared to 8.8 days for November, 1977 and 8.7 days for December, 1976. The average length-of-stay on a year-to-date basis for the same points in time are 9.0 days, 9.2 days, and 9.3 days respectively. These declines are not specific to one or two services but are general across most services.

The outpatient census continues to meet our projections through the second quarter. Outpatient clinic visits through December were 95,859, 0.3% below a projected clinic census of 95,588. It is significant to note that while this year's inpatient census is down 3.9% from last year's December year-to-date total of 104,966 days, the outpatient census is up 3.6% from last December's total

HEALTH SCIENCES

of 92,537. This continues to emphasize the trend toward increased ambulatory care within this Hospital and the industry as a whole.

The net result of the decrease in patient days puts patient revenues 1.7% below budget through the end of December. Inpatient routine revenue is 3.4% below budget and ancillary revenue is slightly below budget by .5%. The December year-to-date total revenue under expense of \$(541,774) is largely due to the patient revenues being 1.7% below budget. Operating expenses continue to show a favorable variance of 1.8% below budget. The combined impact of current census levels, patient revenues and the level of expenditures yields a December year-to-date variance of revenue under expense equal to (.2)% of total budgeted revenue.

Through the first six months of the 1977-78 fiscal year, the accounts receivable balance has increased \$1,839,000 to a total of \$17,470,000. The balance as of December 31, 1977 represents 87.3 days of revenue outstanding, up 4.4 days from the June 30, 1977 total of 82.9 days. Of the 4.4 day increase in days of revenue outstanding, approximately 2 days relate to GAMC accounts which the Hospital has been unable to bill through the month of December. The accounts receivable balance declined \$2,200 during the month of December.

A decline in occupancy and operating revenues is normal for the months of November and December. However, this year we have experienced a greater decline than we expected or what has occurred in prior years. Although we have experienced cost reductions in operating expenses for the first six months, the large fixed cost base and the lag time in accomplishing expenditure reductions have kept cost decreases from equaling the lost revenue for the six month period.

UMH&C went into 1977-78 with a stringent budget. The previously described changes in volume and the cost/revenue relationship associated therewith have had a twofold effect. First of all, our cost per admission has remained fairly constant showing less than a 1% increase. However, the revenues per admission have declined 2.3% from expected levels.

These two factors coupled with a 1.7% larger cost of living increase than expected will require UMH&C to continue to keep costs at their reduced level and adjust its revenue per admission to the 6.6% level originally approved by the Board of Governors for the 1977-78 fiscal year. This rate adjustment is planned for February 1, 1978. This adjustment does not represent a rate increase for Minnesota Rate Review purposes. It only brings total revenues per admission to the level approved by the UMH&C Board of Governors and the Minnesota

Board of Governors
Finance Committee
January 18, 1978
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Rate Review system for the 1977-78 fiscal year. Our projections indicate that if we can hold our expenditures at their present per admission level and adjust the revenues to their approved levels, we can attain the financial objectives set forth in the original 1977-78 budget.

CPF/tr

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
 INPATIENT CENSUS DATA BY MAJOR CATEGORY
 YEAR-TO-DATE DECEMBER 31, 1977

	<u>Available Beds</u>	<u>Budgeted Days</u>	<u>Actual Patient Days</u>	<u>Average Daily Census</u>	<u>Budgeted Admissions</u>	<u>Actual Number of Admissions</u>	<u>Average Length of Stay</u>	<u>Budgeted Occupancy</u>	<u>Actual Percent Occupancy</u>
Medical/Surgical	441	64,698	61,230	332.8	7,595	7,194	6.3	79.7	73.9
Pediatrics	100	12,460	11,990	65.2	1,554	1,518	6.7	67.7	65.2
Maternity	46	4,205	4,271	23.2	862	839	4.8	49.7	63.0
Psychiatry	68	6,825	7,772	42.2	181	197	30.8	54.6	62.1
Rehabilitation	40	4,278	4,323	23.5	159	134	18.9	58.1	58.7
Special Care Units	79	10,727	10,350	56.3	785	764	5.1	73.8	71.2
Clinical Research	<u>11</u>	<u>1,158</u>	<u>937</u>	<u>5.1</u>	<u>240</u>	<u>284</u>	<u>3.2</u>	<u>57.2</u>	<u>46.2</u>
Total	785	104,351	100,873	548.3	11,376	10,930	9.0	72.2	69.8

UNIVERSITY OF MINNESOTA HOSPITAL
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1977 TO DECEMBER 31, 1977

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/(Under) Budget</u>	<u>Variance %</u>
Gross Patient Charges	\$38,182,770	\$37,518,101	\$(664,669)	(1.7)
Deductions From Charges	2,370,326	2,476,946	106,620	4.5
Other Operating Revenue	<u>706,050</u>	<u>657,056</u>	<u>(48,994)</u>	(6.9)
Total Revenue From Operations	\$36,518,494	\$35,698,211	\$(820,283)	(2.2)
Expenditures				
Salaries	\$20,261,416	\$20,069,565	\$(191,851)	(0.9)
Fringe Benefits	3,621,832	3,531,087	(90,745)	(2.5)
Contract Compensation	3,491,870	3,459,491	(32,379)	(0.9)
Med. Supplies, Drugs, Blood	5,488,040	4,262,858	(225,182)	(4.1)
Campus Admin Expense	1,713,972	1,713,972	-0-	-
Depreciation	939,372	944,590	5,218	.6
General Supplies & Expense	<u>6,219,122</u>	<u>5,990,104</u>	<u>(229,018)</u>	(3.7)
Total Expenditures	\$41,735,624	\$40,971,667	\$(763,957)	(1.8)
Revenue Over/(Under) Expense	\$(5,217,130)	\$(5,273,456)	\$ (56,326)	(1.1)
Non-Operating				
Appropriations/Univ. Support	\$ 4,308,775	\$ 4,308,775	-0-	-
Accrued Interest Income	422,907	422,907	-0-	-
Shared Services	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	-
Total Non-Oper Rev	\$ 4,731,682	\$ 4,731,682	\$ -0-	-
Revenue Over/(Under) Expenses	\$ (485,448)	\$ (541,774)	\$ (56,326)(1)	

(1) Variance Equals (0.2)% of Total Budgeted Revenue.

UNIVERSITY OF MINNESOTA HOSPITALS
 OPERATING CASH FLOW
 FOR PERIOD JULY 1, 1977 TO DECEMBER 31, 1977

Source of Funds		
Beginning Cash Balance		\$ 451,287
Loss from Operations	(5,273,456)	
Non-Operating Revenue	<u>4,731,682</u>	
Excess of Revenue over Expense		(541,774)
Items not Requiring the Outlay of Cash		
Depreciation		944,590
University Support: G&A		1,713,972
K/E Utilities		27,496
Increase in Accrued Expenses		<u>1,819,695</u>
 Total Funds Provided from Operations		 \$4,415,266
Funds Applied		
Transfers to Plant		
Capital Expenditures	724,103	
Increase in Capital Encumbrance	<u>759,423</u>	
		1,483,526
Increase in Accounts Receivable		1,460,566
Increase in Accrued Revenue		1,211,966
Transfer for Funded Depreciation Required by MHA		<u>-0-</u>
 Total Funds Applied		 \$4,156,058
 Total Net Operating Cash Available		 <u>\$ 259,208</u> ⁽¹⁾

(1) Available for offsetting future cash need of \$1,819,695 to cover increase in accrued expenses. The resulting net deficit of \$1,560,487 is offset by the increase in accounts receivable of \$1,460,566. The net deficit is \$99,921

UNIVERSITY OF MINNESOTA
STATEMENT OF CHANGES IN FUND BALANCES
JULY 1, 1977 THROUGH DECEMBER 31, 1977

	<u>Operating Fund.</u>	<u>Reserve Fund</u>	<u>Plant Fund</u>	<u>Total Unrestricted Funds</u>
UNRESTRICTED FUNDS				
Beginning Balance	\$11,354,600	\$15,312,850	\$25,835,843	\$52,503,293
Net Income (Loss)	(15,388)			
Excess of Revenue over Expense				
Accrued Reserve Interest Income		317,590		
Accrued Approp Interest Income		105,317		
Depreciation Expense			(944,590)	
Loss on Sale/Disposal of Assets	4,868		(9,514)	
Total Unrestricted Income				
Less Expenses (Loss)				(541,717)
Unrealized Appropriation Revenue	3,838,223			3,838,223
Campus Support: G&A	1,713,972			1,713,972
K/E Utilities	27,496			27,496
Transfers to Plant				
Major Building Projects (Hosp. Only)		(164,336)		
Capital Expenditures	(724,103)		164,341	-
Capital Encumbrance Change	(759,423)		724,103	-
Equip, Remodel & Other Adjust	(65,194)		759,423	-
Increase in Restrict. Fund			(371,850)	(437,039)
Commitment to Plant			9,120	9,120
Transfers to/from Shared Bldg.Proj		(255,250)		(255,250)
Transfers to Fund Deprec at Price Level	-0-	-0-		-
	<u>\$15,375,051</u>	<u>\$15,316,171</u>	<u>\$26,166,876</u>	<u>\$56,858,098</u>
RESTRICTED FUNDS				
	<u>Gift</u>	<u>Endowment</u>	<u>Total</u>	
Beginning Balance	\$663,372	\$7,919,256	\$8,582,628	
Net Income				
Gifts	76,711			
Accrued Interest Income		115,154		
Misc. Expenses		-		
Charity Expenses	(9,062)			
Total Restricted Net Income				
Increase in Commitment to Plant	(8,934)	(186)	182,803	
Contribution to CUNCC		(30,948)	(9,120)	
Prior Period Adj	(118,720)		(30,948)	
Loss on Sale of Units		(12,387)	(118,720)	
	<u>\$603,367</u>	<u>\$7,990,889</u>	<u>\$8,594,256</u>	

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1977

	<u>12/31/77</u>	<u>6/30/77</u>		<u>12/31/77</u>	<u>6/30/77</u>
ASSETS			LIABILITIES AND FUND BALANCES		
UNRESTRICTED FUNDS			UNRESTRICTED FUNDS		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and Investments	\$ 4,021,216	\$ 483,132	Trade Accounts Payable	\$ 842,565	\$ 617,867
Patient Receivables Less			Insurance Payable	1,440,594	723,700
Allowance for Uncollectible			Accrued Salaries and Wages		
Accounts	14,591,630	13,131,064	Payable	1,736,905	1,258,195
Contractual Adjustments Receivable			Accrued Vacation Payable	2,114,449	2,021,722
from Third Party Payor			Accrued Professional Fees and		
Reimbursement Programs	966,001	464,382	Physicians Compensation	568,544	502,795
Other Receivables	476,605	189,143	Contracts Payable	<u>188,502</u>	
Inventories of Drugs and Supplies	<u>2,211,158</u>	<u>2,211,158</u>	TOTAL CURRENT LIABILITIES	\$ 6,891,559	\$ 5,124,279
TOTAL CURRENT ASSETS	\$22,266,610	\$16,478,879			
BOARD DESIGNATED ASSETS			FUND BALANCES		
Cash & Short Term Investments	\$ 2,793,266	\$ 3,087,085	Operating Funds	\$15,375,051	\$11,354,600
Interest Receivable	422,905	125,765	Board Designated Funds	15,316,171	15,312,850
Long Term Investments	<u>12,100,000</u>	<u>12,100,000</u>	Plant Funds	<u>26,166,876</u>	<u>25,835,843</u>
TOTAL BOARD DESIGNATED ASSETS	\$15,316,171	\$15,312,850	TOTAL UNRESTRICTED FUNDS	\$56,858,098	\$52,503,293
PLANT AND EQUIPMENT					
Cash & Investments for Construction	\$ 1,903,738	\$ 1,569,028			
Construction in Progress	3,063,645	5,223,257			
Buildings and Improvements	28,612,345	26,259,063			
Equipment	<u>13,124,907</u>	<u>12,430,280</u>			
	\$46,704,635	\$45,481,628			
Less Allowance for Depreciation	<u>(20,537,759)</u>	<u>(19,645,785)</u>			
	\$26,166,876	\$25,835,843			
TOTAL UNRESTRICTED FUNDS	\$63,749,657	\$57,627,572			
RESTRICTED FUNDS			RESTRICTED FUNDS		
Cash and Investments-Current Acct	\$ 603,367	\$ 663,372	Gift Funds	\$ 603,367	\$ 663,372
Cash and Investments-Prin. Acct	<u>7,990,889</u>	<u>7,919,256</u>	Endowment Funds	<u>7,990,889</u>	<u>7,919,256</u>
TOTAL RESTRICTED FUNDS	\$ 8,594,256	\$ 8,582,628	TOTAL RESTRICTED FUNDS	\$ 8,594,256	\$ 8,582,628
	<u>\$72,343,913</u>	<u>\$66,210,200</u>		<u>\$72,343,913</u>	<u>\$66,210,200</u>

UNIVERSITY OF MINNESOTA HOSPITALS
COMPARATIVE STATEMENT OF OPERATIONS
PROJECTED 1977-78

	Planned Budget \$	Revised Budget \$	% Change
Gross Patient Charges	\$77,232,850	\$75,975,608	(1.6)
Deductions from Charges	4,739,773	5,429,568	14.6
Other Operating Revenue	<u>1,400,583</u>	<u>1,565,077</u>	<u>11.7</u>
Total Rev. from Operations	\$73,893,660	\$72,111,117	(2.4)
Expenditures			
Salaries	\$40,588,886	\$40,031,082	(1.4)
Fringe Benefits	7,260,903	7,070,090	(2.6)
Contract Compensation	6,853,630	6,973,306	1.7
Med-Supplies, Drugs, Blood	10,846,767	10,347,413	(4.6)
Campus Admin. Expense	3,400,000	3,400,000	-
Depreciation	1,863,498	1,936,000	3.9
General Supplies & Expense	<u>12,313,078</u>	<u>12,199,547</u>	<u>(.9)</u>
Total Expenditures	\$83,126,762	\$81,957,438	(1.4)
Revenue Over/(Under) Expense	\$(9,233,102)	\$(9,846,321)	(6.6)
Non-Operating Revenue			
Appropriations & Support	\$ 8,591,320	\$ 8,536,896	(.6)
Interest Income	<u>838,919</u>	<u>837,060</u>	<u>(.2)</u>
Total Non-Operating	\$ 9,430,239	\$ 9,373,956	(.6)
Revenue Over/(Under) Expense	\$ 197,137	\$ (472,365)	(339.6)

UNIVERSITY OF MINNESOTA HOSPITALS
 PROJECTED CASH FLOW
 BUDGET YEAR 1977-78

	1977-78 Planned <u>Budget</u>	1977-78 Revised <u>Projection</u>
Excess of Revenue over Expenses	\$ 197,137	\$ (472,365)
Add:		
Depreciation	\$1,863,498	\$1,936,000
Campus G&A	3,400,000	3,400,000
Inc/(Dec) in Accrued Exp.	653,387	739,696
Contract Adjustments	60,400	60,400
Total Additions	<u>\$5,977,285</u>	<u>\$6,136,096</u>
 Total Cash Provided	 \$6,174,422	 \$5,663,731
Deduct:		
Inc. In Accts. Rec.	\$1,674,640	\$1,662,944
Inc. in Inventories	189,457	103,924
Inc. in Accrued Revenue	22,000	186,682
Total Cash Applied	<u>\$1,886,097</u>	<u>\$1,953,550</u>
 Cash Available	 \$4,288,325	 \$3,710,181



UNIVERSITY OF MINNESOTA

Hospitals and Clinics
Board of Governors
Box 502
Minneapolis, Minnesota 55455

January 12, 1978

TO: FINANCE COMMITTEE, BOARD OF GOVERNORS

David Brown, M.D	Dan Notto
Donald Brown	David Preston
David Cost, Vice Chairman	Don Van Hulzen
Al France	John Westerman
Debbie Gruye	
Seymour Levitt, M.D.	<u>Staff</u>
Jo-Anne Lutz	

Cliff Fearing, Controller
Terry Rosecke, Secretary
John Diehl, Legal Counsel

FROM: John Quistgard, Chairman

The January meeting of the Finance Committee will be held:

9:30 - 12:30
Wednesday, January 18, 1978
Room 626 Campus Club
Coffman Memorial Union

Lunch will be served immediately following the meeting. The agenda for the meeting is enclosed. Please return the enclosed postcard stating whether you can or cannot attend the meeting

JQ/sds

Ecnlosure

Finance Committee

Board of Governors

Room 626 - Campus Club

January 18, 1978

9:30 A.M.

Agenda

- I. Approval of December 14, 1977 Minutes
- II. December Year-To-Date Financial Statements
- III. Projected 6/30/78 Financial Position
- IV. Projected Rate Change Requirement
- V. December YTD Census Summary
- VI. Summary of Departmental Gain/Loss December YTD
- VII. Other
- VIII. Adjournment



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospitals
Minneapolis, Minnesota 55455

January 27, 1978

TO: University of Minnesota Hospitals Board of Governors

FROM: Clifford P. Fearing
Controller

A handwritten signature in cursive, appearing to read 'Clifford P. Fearing', written over the printed name.

SUBJECT: February 1, 1978 Rate Restructuring

The Finance Committee of the Board of Governors requested at the January 18, 1978 committee meeting that an explanation of the rate restructuring effective February 1, 1978 be made as a separate mailing to you with your normal monthly minutes.

The rate restructuring effective February 1, 1978 does not constitute a rate increase for Rate Review purposes nor does it go beyond the 6.6% increase approved by the Board of Governors for the period July 1, 1977 to June 30, 1978.

This restructuring is necessary to offset the decreased volumes of patient days and ancillary procedures which we have experienced during the first six months of 1977-78. These decreases in volumes have produced a reduction in revenue per admission below our required levels for attaining our approved financial objectives. The restructuring will allow the University of Minnesota Hospitals and Clinics to bring its actual revenues up from a current 4.3% increase per adjusted admission to a projected 6.6% increase per adjusted admission level. This will coincide with the original approved revenue levels for 1977-78. This restructuring should allow University of Minnesota Hospitals and Clinics to attain its previously approved financial objectives and stay within the previously approved rate increase by the Board of Governors for the fiscal year.

If you have any questions regarding this matter, please feel free to contact me at your convenience.

CPF/tr

MINUTES

Finance Committee
University of Minnesota Hospitals and Clinics
February 15, 1978

Members Present: David Cost, Vice Chairman
Al France
David Brown, M.D.
Seymour Levitt, M.D.
John Westerman
Dan Notto
Don Van Hulzen
Clint Johnson (representing V.P. Brown)

Absent: John Quistgard
JoAnn Lutz
Debbie Gruye
David Preston

Staff: Nels Larson
Cliff Fearing
John Diehl
Johnelle Foley

The meeting of the Finance Committee of the Board of Governors was called to order by Vice Chairman Cost at 10:15 a.m. in Room 606 of the Campus Club.

I Approval of the January 18, 1978 Meeting Minutes

Mr. France moved that the minutes of the last meeting be approved.

Mr. Notto seconded the motion and it passed unanimously.

II January YTD Financial Reports

During the month of January, activity levels within the Hospital began to recover toward the seasonal levels normally expected after the holidays. The financial statements at the end of January, however, show little overall change from December primarily because the increases in the census did not begin until the second half of the month. The average daily census during the first 15 days of January was 503, but averaged 588 from

the 16th through the 31st of the month. While this pattern did not allow as full a recovery as anticipated, the late increase prevented our financial position from becoming more unfavorable than expected. During January, revised projections were made of our inpatient census to the end of the current fiscal year based on our experience through December 31, 1977. Given our experience, and an estimate of an average length-of-stay of 8.8 days through June 30, 1978, our 1977-78 inpatient day projection was revised to 201,026 days from 211,220. Inpatient admission projections were revised to 22,311 from 23,221 for the year.

The January year-to-date inpatient census is currently 149 days above our revised projections based on December year-to-date operations.

Patient days through January year-to-date were projected at 117,679 days but were actually 117,828 days. Year-to-date admissions were projected at 12,930 and we achieved 12,938. Occupancy during January averaged 70.1% and is averaging 69.9% on a year-to-date basis.

The outpatient clinic census continues to run slightly ahead of budget. Clinic visits during January totaled 16,384 compared to a projection of 15,804. The year-to-date clinic census totals 112,243, 0.8% over a year-to-date projection of 111,392. The Hospital is currently 4,407 visits ahead of the January, 1977 total of 107,836, an increase of 4.1%.

With the census levels we've experienced through January, the Hospitals' overall operations are as expected. The one unusual item was a large purchase of whole blood for use within the Hemophilia Program. These blood items are acquired on a periodic basis as needed for the program. The Hospital incurred an excess of expenses over revenue of \$210,101 during January bringing the year-to-date loss to \$751,875.

The balance in accounts receivable decreased during January by \$29,007

to a total of \$17,440,928. The January 31, 1978 balance represents 87.0 days of revenue outstanding. While the change in the balance was not great, there was a significant change within categories of accounts receivable. A reduction of approximately \$940,000 occurred in the discharged receivables through active follow-up on third-party payors. Increases to accounts receivable were in the County and In-House categories. Of further note is that: (1) approximately two days of revenue continue to be held up in GAMC accounts which the Hospital is unable to bill; (2) intensive follow-up with Medical Assistance billing problems has yielded a payment of approximately \$665,000. This payment was issued on January 30, but was not received until February 1. That payment represents about 3.3 days of revenue.

In summary, based on our experience through January together with the restructuring of rates on February 1, 1978, we expect our projections to the end of the fiscal year to remain stable.

Mr. Van Hulzen reminded the committee that our financial goals are basically funding price level depreciation and interest on reserves which amounts to about \$4 million free cash flow available for future capital development and other purchases. Mr. Fearing commented that the \$773,000 budget position is where we anticipated being through January 31 and is the reason the rate restructuring was put into effect on February 1 to make up for the deficit.

The budgets have been adjusted for the first six months based on our revised projections. Mr. Larson then pointed out that our net operating cash increased to \$228,602 which is a change in our operating position of only \$30,000 from last month.

After a short discussion, it was decided by the committee to make a report showing our improved length of stay in a comparison over several

years, pointing out the variables and factors relating to the trend and tying in the cost per stay. The report will be made to the Finance Committee next month.

III Average Length of Stay by Service Comparison of 1976-77 to 1977-78

Mr. Larson reviewed the Inpatient Census Data by Major Category report which included an average length of stay by service comparison of 1976-77 to 1977-78. He pointed out that the greatest impact in average length of stay is in the Medical/Surgical category. The overall average length of stay from January, 1977 to January, 1978 has decreased .3% of a day. Mr. Larson then referred the committee to four graphs showing patient days, admissions, percent occupancy, and length of stay in comparison of activity this year to budgeted to last year. He noted that the graphs identify seasonal trends and on a year to date basis, we are behind on days by 4.4%, but only .5% behind in admissions.

IV Payroll Audit Report

Mr. Fearing informed the committee that Ernst and Ernst was requested to do an audit of our payroll procedures during their 1976-77 annual audit. He stated that we did this primarily because we have a different payroll system than the University and wanted to insure ourselves from an audit and control perspective that the system didn't have any significant problems or if it did, where these problems might lie and how they could be corrected. Mr. Fearing said that Ernst and Ernst did a very detailed audit of selected departments within the Hospitals and their basic overall comments were that the University Hospitals payroll system is solid from a control perspective.

Mr. Fearing then described Ernst & Ernst's recommendations and the Hospitals' response to the committee and provided both the Ernst & Ernst report and the Hospitals' written response for the committee to review before acceptance of the report at the March committee meeting. (Copies of the Ernst & Ernst report and the Hospitals' response are attached as part of these minutes.) After acceptance by the committee, the full Board will be informed of the audit and its results. Mr. Fearing added that the timetable for implementation of the acceptable procedure changes would be six to eight weeks.

V Other


Mr. Van Hulzen reported that in regard to the Debt Capacity Study, a meeting was held with Dick Kaston of Ernst and Ernst, and Ernst and Ernst was satisfied with the data put together by the accounting staff regarding manhours, full time equivalents and projections of those in relationship to workload and revenue. He added that some information for discussion should be available in April.

The Finance Committee would like a briefing from the Facilities Committee regarding the capital expenditures program and an update on the schedule of anticipated projects and the amount of cash involved. It is hoped that this can be done next month.

Mr. Diehl reported to the committee that the first malpractice case since the Miller vs Chou decision is set for trial in two weeks. He added that the Miller vs Chou case was one which says we were immune prior to August 1, 1976 if University Hospitals is a governmental activity and, if it was proprietary, we have never been immune.

There being no further business, the meeting of the Finance Committee was adjourned at 12:05 p.m.

Respectfully submitted,


Teresa Rosecke

Ernst & Ernst

1800 First National Bank Building • 120 S Sixth St • Minneapolis, MN 55402 • Phone 612/339-0771

January 16, 1978

Mr. Cliff Fearing
University of Minnesota Hospitals
and Clinics
P. O. Box 606 Mayo
420 Delaware Street S. E.
Minneapolis, Minnesota 55455

Dear Mr. Fearing:

In conjunction with our examination of the Hospitals' financial statements for the year ended June 30, 1977 and in accordance with your request, we performed certain additional procedures with respect to the Hospitals' payroll system. These procedures included a detail review of the payroll procedures used by the Payroll Department and the procedures used by the Laboratory, Nursing and Environmental Services Departments. We also reviewed the Operations Analysis Department's (OAD) procedures as it relates to the processing of the Hospitals' payroll.

In addition, we randomly selected fifty hospital payroll disbursements, excluding the exceptional payroll, from throughout the year. Our detailed testing of these disbursements included:

- . Review of the authorized pay rate in effect at the time the check was requested;
- . Review of the time cards to determine one was on file and was properly approved;
- . Recalculation of the gross pay;
- . Tracing the payroll expenses for one month to the respective departments' general ledger expense accounts; and
- . Obtaining a signed confirmation from the employees selected, confirming their job classification, social security number, tax withholding status, date of employment, rate of pay, and the correctness of any nontax payroll deductions.



If an employee had terminated, we noted that the employee was eliminated from the payroll records following the termination date noted in the employee's file.

No exceptions were noted as a result of our tests.

Based on our review and tests as outlined above it is our judgment that the system of control over payroll disbursements is very good on an overall basis. There are many elements which make up this system of control. Some of the more significant ones are:

Budget--The budget process provides an overall control of all expenditures on a departmental basis.

Segregation of duties--Various persons play a role in the data collection process which leads to issuing a payroll check. They are the employee, departmental supervisor, in some situations a department administrator, and the payroll clerk.

Time cards--Most employees are paid based on a time card which must be approved in writing by a person senior in position to the employee. A time card which has not been approved is not to be accepted by a payroll clerk.

Visual review--Payroll checks are reviewed by payroll clerks for reasonableness and are compared to a department prepared summary showing name, hours worked and other pertinent data.

Hiring procedure--This procedure requires an established vacant position, a vacant budgeted position or approval by department administration. New hires must go to the Payroll Department to fill out various required forms including Form W-4 for withholding of federal income taxes.

Job classification--Rates of pay are determined by a very rigid classification system.

No system, of course, is perfect, and we did note some potential opportunities for improving internal controls. In addition, we have suggested some procedures to help insure that controls are working as intended. Our comments relative to these areas are included herewith. These comments are not intended to be all inclusive, nor are they to reflect on the honesty or integrity of any employee. Also the comments pertain specifically to the departments we reviewed, but they will be appropriate for all departments to the extent that such procedures are not already being practiced.

PAYROLL AUDIT

All departments have some form of both payroll and personnel functions. Department personnel interview potential employees, notify the Personnel Department of terminations, approve time cards and distribute payroll checks. Given this situation and the complexity of the Hospitals' structure, some potential exists that persons may be paid based on improper payroll information or that persons may be paid without services having been rendered. To protect against these possibilities we suggest that periodic payroll audits (perhaps once a quarter) be performed by the Hospitals' Accounting Department. A payroll audit would encompass, but not necessarily be limited to, the following procedures:

For a given payroll period--

- . Compare hours paid against time cards.
- . Note that time cards are approved by the appropriate individual.
- . Recompute gross pay, tax deductions and net pay.
- . Compare net pay to the check issued.
- . Note that payee identified agrees with payee per disbursement records.
- . Note that check is endorsed by payee and compare endorsement to signature on W-4 (federal tax withholding) form.
- . Review payee's personnel file and note that department and job classification compare to payroll records.
- . Note that personnel file contains authorization for all non-tax deductions.

These procedures may be applied to an entire payroll, payrolls of various departments or a sampling of either population.

Two additional procedures which might detect payments to terminated persons are direct confirmation and physical payoff.

Under the confirmation procedure a letter would be mailed to the payee's home address requesting that pay received for a given payroll period be confirmed directly to the Accounting Department by return mail.

Under the physical payoff procedure payroll checks would be physically distributed by the Accounting Department requiring payee identification and payee signature of receipt.

IMPROVEMENT OF PROCEDURES

Payroll Department

Authorized Signers

The Payroll Department does not have a list of people authorized to approve time cards, nor do they have any type of signature card on file for these people. Although each payroll clerk is assigned certain departments and becomes familiar with an authorized person's signature, a control weakness exists if either the payroll clerk or the authorized person is absent (sick, vacation, etc.) and someone else is assigned to take that person's place. We recommend that a list be prepared and maintained on a departmental basis by the payroll department of the signatures of all persons authorized to approve time cards.

Unclaimed Checks

If any unclaimed checks are returned to the Payroll Department for safekeeping, the Payroll Department should void the check and set up a liability for the unclaimed wages. The Accounting Department should be advised independently by the various operating departments detailing the unclaimed checks returned to the Payroll Department.

Terminations

It would appear that the Payroll Department may not receive timely advice of terminations. The possibility should be considered to require terminated employees to go directly to the Payroll Department to sign a prenumbered form indicating that they have terminated their employee/employer relationship with the University Hospitals.

Laboratory Department

Time Cards

The time cards of the supervisors of the various laboratory departments are not formally approved by someone "senior" to the supervisors. Although all hours are summarized by department on a payroll summary sheet, which is reviewed for reasonableness on an overall basis by someone in the laboratory administrative office, it does not appear that the supervisors hours are reviewed for propriety. We recommend that a person in the laboratory administrative office be assigned to approve supervisor time cards.

Distribution of Checks

After the laboratory administrative office has picked up and sorted the payroll checks by department, the respective supervisors pick up their departments' payroll checks for distribution. At this time there does not appear to be any control over the distribution of checks for the following reasons:

- . The supervisors are not required to sign anything indicating the receipt of checks for their department;
- . The employee is not required to sign a control sheet indicating that he has received his check; and
- . Any unclaimed checks are retained by the department supervisor.

To strengthen control over the distribution of checks, it is recommended that a control listing by department be prepared and given to the department supervisor at the time that the checks are picked up for distribution. After a certain length of time (2-3 hours) the control sheet and any unclaimed checks should be returned to the administrative service office. A person should be designated to review the control sheet for the supervisor's and employees' signatures indicating that the checks were distributed and were received. This person should also check to see that a payroll check is returned with the control sheet for any unclaimed checks.

If the checks are not claimed by the employee after a certain length of time (one week), the checks should be returned to the Payroll Department for safekeeping and be accounted for as previously suggested (note: the Laboratory Department should follow-up on any unclaimed checks during the "one week" period).

The procedures suggested above are similar to those now being used by the nursing departments.

Environmental Services

Unclaimed Checks

To maintain a stronger control over the distribution of checks a control sheet should be returned to the Environmental Services Department with either the employee's signature, indicating that the check was received, or the unclaimed check. If, after trying to contact the employee to pick up the check, the check is not claimed within a certain time period (one week) the unclaimed check should be sent to the Payroll Department for safekeeping and be accounted for as previously suggested.



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 13, 1978

TO: Board of Governors Finance Committee

FROM: Clifford Fearing

SUBJECT: Payroll System Procedural Audit

As you are aware, we requested Ernst and Ernst to perform certain additional procedures regarding the Hospital payroll during their audit for fiscal year 1976-77. Administration has reviewed this report and feels the following comments are in order at this time.

We were generally pleased with Ernst & Ernst's payroll audit report since the results of the audit indicated the system of controls were good on an overall hospital basis. We are also pleased that Ernst & Ernst has made their suggestions for internal control improvements which will allow UMH&C to incorporate these suggestions into existing procedures or establish new procedures to accommodate these changes, specifically:

Authorized Signatures

We are developing an authorized payroll signature list by department.

Unclaimed Checks

We are reviewing for development a procedure which would allow the establishment of an unclaimed check liability account, and an independent notification process by the operating department of both Payroll and Accounting of any unclaimed checks. Since these accounting changes require interaction with Central University Accounting, we have been working on a procedure which will be acceptable in their system and accomplish our objectives.

Terminations

Although we concur with Ernst & Ernst's recommendation, we feel it would have little impact on the overall payroll control system since the employees who do not "flow" through Payroll now are those with no incentive to do so, i.e., part-time employees. Normally full-time employees do process through Payroll because

HEALTH SCIENCES

February 13, 1978

Page 2

it is the only way for them to receive their vacation pay. Part-time employees who do not have accrued vacation would not have the incentive to "flow" through Payroll.

Laboratory Department Time Cards

We believe this to be a very helpful recommendation and we will be requiring all departmental supervisors to have their time cards signed by the appropriate Department Head or Administrator.

Distribution of Checks

We will be implementing the necessary procedures to require all departments to authorize a department employee to sign for the receipt of all payroll checks. We are also evaluating the possibility of designing a computer generated (consistent with Payroll records) control sheet for each department so this recommendation will be directly traceable to the Payroll records for all departments at UMH&C.

Environmental Services Unclaimed Checks

The Environmental Services Department would comply with the overall procedures for check distribution and unclaimed checks.

We have provided you with copies of the Ernst & Ernst payroll audit report for your records. If you have specific questions regarding any of their comments or suggestions, please contact me at your convenience. In the meantime, we will be working to incorporate these suggestions into the payroll procedures to insure adequate control over these expenditures.

CPF/tr

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1977 THROUGH JANUARY 31, 1978

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/(Under) Budget</u>	<u>Variance %</u>
Gross Patient Charges	\$43,979,338	\$43,892,970	\$ (86,368)	(.2)
Deductions from Charges	2,932,691	2,934,490	1,799	.1
Other Operating Revenue	<u>808,663</u>	<u>905,414</u>	<u>96,751</u>	12.0
Total Revenue from Operations	\$41,855,310	\$41,863,894	\$ 8,584	-
Expenditures				
Salaries	\$23,577,769	\$23,634,776	\$ 57,007	.2
Fringe Benefits	4,164,185	4,156,150	(8,035)	(.2)
Contract Compensation	4,056,301	4,048,281	(8,020)	(.2)
Med. Supplies, Drugs, Blood	6,194,112	6,267,784	73,672	1.2
Campus Admin. Expense	2,002,739	2,002,739	-0-	-
Depreciation	1,114,390	1,102,057	(12,333)	(1.1)
General Supplies & Expense	<u>7,041,441</u>	<u>6,925,628</u>	<u>(115,813)</u>	(1.6)
Total Expenditures	\$48,150,937	\$48,137,415	\$ (13,522)	-
Revenue Over/(Under) Expense	\$ (6,295,627)	\$ (6,273,521)	\$ 22,106	.4
Non-Operating Revenue				
Appropriations/Univ. Support	\$ 5,028,583	\$ 5,028,583	-0-	-
Accrued Interest Income	<u>493,063</u>	<u>493,063</u>	-0-	-
Total Non-Oper Rev	\$ 5,521,646	\$ 5,521,646	-0-	-
Revenue Over/(Under) Expenses	\$ (773,981)	\$ (751,875)	\$ 22,106 (1)	

(1) Variance equals .1% of Total Budgeted Revenue

Note: The Budget column has been adjusted to reflect our revised projections through the end of the fiscal year based on the first six months of experience.

MINUTES
FINANCE COMMITTEE
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
JUNE 21, 1978

Members Present: John Quistgard, Chairman
Clint Johnson
JoAnne Lutz
David Brown, M.D.
David Preston
John Westerman

Absent: David Cost, Vice Chairman
Debbie Gruye
Al France
Dan Notto
Seymour Levitt, M.D.
Don Van Hulzen

Staff: Cliff Fearing
Nels Larson

Guests: Harry Atwood
Johnelle Foley
Robert Dickler
Mike McKee
Greg Hart

The meeting of the Finance Committee of the Board of Governors was called to order by Chairman Quistgard at 10:40 a.m. in Room 625 of the Campus Club.

I Approval of May 17, 1978 Minutes

Mr. Johnson moved that the minutes of this meeting be approved. Ms. Lutz seconded the motion and it passed unanimously.

II May YTD Financial Reports

Mr. Larson began by pointing out that the operating position of the Hospital improved markedly during the month of May largely as a result of the second highest number of admissions in at least the last eight years. The result of this increase in patient activity was to achieve an excess of revenues

over expense of \$510,986 for the month. For the month of May, Mr. Larson noted that the Hospital experienced an inpatient census of 17,395 days as a result of 2,037 admissions and an average length of stay of 8.9 days. This compares favorably to the 17,066 days and 1,892 admissions projected for the month. On a year-to-date basis, our actual census is 184,074 days compared to a projected YTD census of 184,330 days. May YTD admissions total 20,417 and the average length of stay YTD is stable at 9.0 days. Our occupancy through May has averaged 70.6%.

Mr. Larson also noted that the total clinic visits for May were 17,607; 2.0% above our projection of 17,263. On a year-to-date basis total visits are 178,010, 0.4% below our projection of 178,797 visits. Mr. Larson pointed out that emergency room activity accounts for 11% (19,535 visits) of the total YTD clinic visits. This represents an increase of over 7% in emergency room from a year ago.

May's operations resulted in revenues in excess of expense of \$510,986, thus yielding a positive year-to-date position of revenues in excess of expense of \$286,166. This position was achieved primarily as a result of the increased utilization of ancillary services brought about by the increase in the number of admissions. A second and equally important fact is that our expenditures remained relatively stable within our present range of operations. Also, there were no significant variance changes in any of the individual expense categories.

As of May 31, 1978 the Hospital had a balance in patient receivables of \$18,109,524. This balance represents 79.8 days of revenue outstanding, down 1.0 days from the April 30, 1978 total. Mr. Larson added that given our current position, we are optimistic in achieving our budgeted goal of 78.0 days by June 30, 1978 and our long range goal of 75.0 days in the

very near future. While our financial position continues to improve, there has been little change in the structure of our financial statements over the last several months. At this point in time, we are optimistic in achieving our projected net revenue of \$461,000 by June 30, 1978.

III Rate Review Outcome

Mr. Fearing informed the committee that on June 6, 1978 the Rate Review Panel reviewed University of Minnesota Hospitals proposed rate increase and financial requirements for the fiscal year beginning July 1, 1978. The panel approved the request subject to certain adjustments to the financial requirements which Mr. Fearing reviewed for the committee. The first item was a reclassification of \$20,000 of air ambulance cost from the financial requirements to charitable care. The second item was elimination of \$25,000 for implementation of Uniform Billing (UB16) which will not be put into effect during this budget year. The third item was a delay of a \$104,000 expenditure for the N.W. Hennepin County project for one year to cut the cost of health care. Mr. Fearing noted that the Northwest Hennepin project was a stipulation in securing a Certificate of Need for Unit B/C. He stated that a response will be drafted to both Rate Review and the Local Health Planning Agency pointing out that a delay at this point may stop the entire program. The last item was the elimination of \$600,000 for fringe benefits representing dependent health care and dependent dental coverage. Mr. Fearing pointed out that this item is mandated by the Legislature and that Rate Review suggests they will be contacting appropriate State executive and Legislative officials regarding this issue. Mr. Fearing stated that Rate Review indicates approval of a 6.7%

increase vs. the 7.06% approved by the Board of Governors because the Hospital Association does not control the professional billings and, therefore, they are not included in their percentage.

IV Other

Emergency Department Physician Staffing - Mr. Dickler informed the committee that in the past several weeks it has become clear that Emergency Department physician staffing will be critical criteria for designation of the emergency specialty categorizations as determined by the Metropolitan Councils Emergency Medical Services Advisory Committee. The criteria developed so far seem to be keying on the American College of Surgeons optimal trauma center guidelines which state, "emergency departments be staffed by physicians in at least the third post doctoral year with special competence in care of the critically injured on duty in the emergency department 24 hours a day." Mr. Dickler commented that approximately ten physicians have been identified from the Department of Medicine, all of whom have had emergency department experience, who are willing to assume this role as an additional responsibility.

Mr. Dickler explained that the Department of Medicine would be the hiring agent for these positions and would charge a professional fee for their services. The Hospital would do the billing for the Department of Medicine in accord with an agreed upon rate schedule. The expense projected for this additional physician coverage is \$140,000 and additional revenue is projected to be \$190,000 less 25% for bad debts and billing costs. The Department of Medicine would like a guarantee from the Hospitals of up to \$100,000 for the risk of billings collected. The contract with the Department of Medicine would have a monthly monitoring mechanism

and a stop clause for the first few months.

It was agreed that the Board of Governors will be asked for their approval of this expenditure at the meeting this afternoon.

Mr. Quistgard suggested that the Department of Medicine be required to report to the Finance Committee regarding their financial standing on a quarterly basis.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Teresa Rosecke". The signature is written in black ink and is positioned below the typed name.

Teresa Rosecke

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1977 TO MAY 31, 1978

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Over/(Under) Budget</u>	<u>Variance %</u>
Gross Patient Charges	\$70,676,058	\$70,763,867	\$ 87,809	0.1
Deductions from Charges	4,803,981	4,495,953	(308,028)	(6.4)
Other Operating Revenue	<u>1,413,786</u>	<u>1,430,704</u>	<u>16,918</u>	1.2
Total Revenue from Operations	\$67,285,863	\$67,698,618	\$ 412,755	0.6
Expenditures				
Salaries	\$36,623,168	\$36,702,439	\$ 79,271	0.2
Fringe Benefits	6,514,814	6,556,875	42,061	0.6
Contract Compensation	6,383,754	6,389,568	5,814	0.1
Med. Supplies, Drugs, Blood	9,887,490	10,246,746	359,256	3.6
Campus Admin. Expense	3,113,548	3,113,548	-0-	-
Depreciation	1,771,677	1,755,182	(16,495)	(0.9)
General Supplies & Expense	<u>11,437,186</u>	<u>11,251,600</u>	<u>(185,586)</u>	(1.6)
Total Expenditures	\$75,731,637	\$76,015,958	\$ 284,321	0.4
Revenue Over/(Under) Expense	\$(8,445,774)	\$(8,317,340)	\$ 128,434	1.5
Non-Operating Revenue				
Appropriations/Univ. Support	\$ 7,835,245	\$ 7,835,245	-0-	-
Accrued Interest Income	<u>768,261</u>	<u>768,261</u>	<u>-0-</u>	-
Total Non-Oper. Rev.	\$ 8,603,506	\$ 8,603,506	-0-	-
Revenue Over/(Under) Expenses	\$ 157,732	\$ 286,166	\$ 128,434 (1)	

(1) Variance equals 0.2% of Total Budgeted Revenue.

* The Budget column has been adjusted to reflect our revised projections through the end of the fiscal year based on the first six months of experience.

(Special Budget Meeting)

MINUTES
Finance Committee
University of Minnesota Hospitals and Clinics
April 14, 1978

Present: David Cost, Vice Chairman
Al France
JoAnn Lutz
David Brown, M.D.
Seymour Levitt, M.D.
Clint Johnson
John Westerman
Dan Notto
Don Van Hulzen

Staff: Cliff Fearing
Nels Larson
John Diehl

Guests: Harry Atwood
Bob Dickler
Steve Grygar

Absent: Debbie Gruye
Johnelle Foley
David Preston
John Quistgard

The meeting of the Finance Committee of the Board of Governors was called to order by Vice Chairman Cost at 9:45 a.m. in Room 625 of the Campus Club.

BUDGET 1978-79

Mr. Fearing began by referring the Committee members to the 1978-79 preliminary budget material. He reviewed the Funding of Operating Budget report which summarized the expense and revenue changes. He noted that a rate increase of 7.06% is required due to a projected 13.0% increase in expenses. Mr. Fearing also reviewed the Summary of 1977-78 to 1978-79 Expenditures which showed the projected 1978-79 expense to be \$93,049,177 as compared to a projected expense of \$82,379,544 for 1977-78.

The new programs were presented by Mr. Dickler and were categorized in terms of their implications into four broad categories of priority as requested by the Committee. Mr. Dickler noted that in the Unit Dose category the expense of \$147,313 is a one year only expense. After the start-up period, the cost savings from both drug reduction and personnel time in Nursing should offset the aggregate expense incurred. Mr. Dickler explained that the E.R. staffing request is an anticipated requirement and suggested that the Committee may want to consider requiring the Board to re-approve the expenditure of these funds at the time when the final commitment is made. Mr. Dickler noted that the majority of the new programs are compliance programs.

Mr. Dickler also reviewed the activity level position requests for 1978-79. The budget material included a summary showing which positions are full time or part time and the salary and fringe benefit expense both annually and effective for the budget year for general service and revenue generating departments. A narrative on each position request was also provided to the Committee.

In response to a question by Mr. Cost regarding what type of records and controls are used for the number of unbudgeted position additions during the year, Mr. Fearing noted that a system for budget changes has been established within the Hospital and that personnel changes currently require the signature of the Department Head, the Administrator, and either Mr. Robert Dickler or Mr. Don Van Hulzen.

Mr. Dickler reviewed the Unit B/C related position requests for the 1978-79 budget year. Again, a summary was provided to the Committee showing the number of F.T.E.'s, salary, fringe benefit and supply

expense both annually and effective for the budget year, along with a narrative on each position request.

Mr. Dickler noted that through the Ambulatory Care Management Council, the agreement is that all direct expenses of the clinic will be recovered through charges to the patients, with the Legislative Special being used to cover indirect expenses. He also stated that all of the staffing configurations are the product of meetings with each clinical department and an appropriate charge structure will offset these expenses.

Mr. Larson then referred the Committee to the Comparative Income Statement which included the planned budget for 1977-78, the projection through the end of the 1977-78 fiscal year based on actual experience to date, and the projection of the 1978-79 fiscal year based on the budget process which includes new program costs, activity level costs, Unit B/C costs, and the inflation factors. Mr. Larson noted that in Patient Care Revenue, an increase of 10% is projected, 7% through price increases. In Deductions from Revenue, a decrease of 2.1% is projected. The most significant change in this area is in third party contract adjustments where this year the Hospital was able to settle Medical Assistance cost reports for 1971, 1972, and 1973 and the Medicare cost report for 1973. Next year contract payments for the Clinical Research Center and Title V are being projected. In the area of Other Operating Revenue, the significant increase in Dept. Non-Patient Revenue is primarily due to projected receipts from the Blue Cross and the PSRO program. Mr. Larson stated that an increase in the area of salaries, wages, fringe benefits, and fees of 9.9% is being projected.

The academic contract is projected at 8%, i.e., 6.5% for salaries and 1.5% for fringe benefit increases. Mr. Larson noted that the total increase in the Operating Expense base is \$10,669,000 or a 13% increase.

Mr. Cost suggested that the Committee be provided with further detail showing the basis for the projections on admissions and length of stay as they affect patient days. Mr. France also suggested that further detail be provided on the components of the inflationary increases.

In reviewing the Cash Flow, Mr. Larson stated that even though we have projected an operating loss for the fiscal year 1978-79, we do anticipate an increase in non-cash outlays and a decrease in the cash applied, and will be able to fund \$4,525,726 of price level and historic depreciation.

In response to a question regarding the rationale for increasing rates at 7%, Mr. Fearing explained that the Rate Review System will allow \$4,525,000 in cash to fund depreciation, historic and price level. They also require us to offset tax levies and G&A. If we could fund the \$4,500,000 in price level and historic depreciation, we could meet all our other financial requirements. This is part of the overall financial policy of the Hospital. In order to fund that we only need to raise the rates by 7%. The Campus G&A which is \$3,600,000 is a non-cash outlay.

Also provided to the Committee for informational purposes, were a Major Patient Charge Increase summary, a summary of F.T.E. Changes 1977-78 to 1978-79, and a summary of Statistics Projection for 1977-78 and 1978-79 showing patient days, admissions and other levels of activity within the Hospital.

For specific dollar amounts regarding the 1978-79 budget, please refer to the budget packet.

Mr. Fearing explained to the Committee members that they can review the budget package until the next meeting at which time they will be asked to tentatively approve the budget for fiscal year 1978-79, and it will then be submitted to the full Board for their tentative approval at the April 19, 1978 meeting.

There being no further business, the meeting of the Finance Committee was adjourned at 1:10 p.m.

Respectfully submitted,



Teresa Rosecke

MINUTES
FINANCE COMMITTEE
UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
SEPTEMBER 20, 1978

Members Present: John Quistgard, Chairman
David Cost
Al France
Dan Notto
JoAnne Lutz
Seymour Levitt, M.D.
John Westerman
David Preston
Don Van Hulzen

Absent: Debbie Gruye
Clint Johnson
David Brown, M.D.

Staff: Cliff Fearing
Nels Larson

Guests: Harry Atwood
Johnelle Foley
Stanley Holmquist
Al Hanser
Dan Rode

The meeting of the Finance Committee of the Board of Governors was called to order by Chairman Quistgard at 9:35 a.m. in Room 608 of the Campus Club.

I Approval of June 21, 1978 Minutes

Ms. Lutz moved that the minutes of this meeting be approved. Mr. France seconded the motion and it passed unanimously.

II June 30, 1978 Financial Statements

Mr. Larson began by referring the committee members to the blue booklets containing the 1977-78 year end financial reports. Mr. Larson then summarized the major factors which contributed to our current financial position. He stated that the inpatient census for the 1977-78 fiscal year was 200,500

days compared to a projected total of 201,026 days, a 0.3% unfavorable variance. The most significant census factor was the continued decline in the average length of stay. The overall average for the year was 8.9 days, down 0.3 days from the prior year. Mr. Larson noted that the out-patient clinic census for the year increased from 190,566 in 1976-77 to 195,631 in 1977-78, an increase of 2.7%.

Patient care revenue showed little variance from budget. This reflects the fact that our census was very close to our projections and the mix and intensity of services was generally what we anticipated.

Operating expenses showed an unfavorable variance of 0.8%. Significant changes were evident in salaries, fringe benefits, physician compensation, drugs and depreciation costs. Mr. Larson pointed out that various categories showed a decline in expenditures from last year amounting to 8.5% of the respective 1976-77 totals. These categories included Laundry and Linen, Raw Food, Utilities, Insurance, and Campus Administrative. In regard to several questions raised on the insurance claims submitted, Mr. Fearing noted that Mr. Diehl is preparing an analysis of the outstanding claims for the auditors. Mr. Quistgard suggested that copies of this analysis be submitted to the Finance Committee members when it becomes available.

Mr. Larson commented that the balance in patient accounts receivable as of June 30, 1978 was \$18,099,504 representing 79.8 days of revenue outstanding, down 3.1 days from June 30, 1977.

From the overall activities of the current year, the Hospital was able to fund approximately \$5,191,000 for current capital obligations. As of June 30, 1978 the balance in the Hospitals reserve fund was \$11,742,307 of which \$1,916,475 must be retained to meet the requirements of our liability insurance policy. The balance will be used in 1978-79 to help fund a projected \$19,656,000 in capital expenditures.

Mr. Larson informed the committee that UMH&C was below the national average of cost increases and the reduction in the rate of increase was 3.4% in comparison to the national goal of 2.0%. Several graphs and tables showing the trends in activity over prior years were provided to the committee for their review.

III July and August, 1978 Financial Statements

Mr. Larson briefly reviewed the material given to the committee regarding the operations for the first two months of the 1978-79 fiscal year. He noted that July and August operations resulted in an August year-to-date excess of revenue over expense of \$888,485. Mr. Larson explained that this can be attributed to a number of factors - our census is very close to budget, but we are seeing a shift in routine to the more expensive beds such as Pediatrics and Special Care Units, and also a high ancillary utilization. There are also several expenditures which we have not yet incurred such as B/C expenditures, other non-B/C related building projects, minor remodeling, and the January 1, 1979 pay for performance. Mr. Larson stated that the first quarter operations will be reviewed very thoroughly to determine if these changes in volume, mix, and intensity are likely to continue through the end of the fiscal year.

IV Fourth Quarter - 1977-78 Bad Debt Report

The total amount recommended for bad debt approval for the fourth quarter of 1977-78 is \$250,707.90 represented by 838 accounts. A detailed summary of the account statistics was provided to the committee members for their review. Mr. Fearing noted that the total net loss figure for the fiscal year is \$945,369.87 representing 1.28% of total operating patient revenues as compared to budgeted bad debts of 1.75%.

The amount recommended for bad debt for the fourth quarter of 1977-78 was approved unanimously by the Finance Committee.

V Ernst and Ernst Debt Capacity Evaluation

Mr. Fearing referred the committee to three documents distributed for their information and review - the debt capacity evaluation report compiled by Ernst and Ernst for the University Hospitals, an analysis of the Ernst and Ernst debt capacity evaluation prepared by Mr. Fearing, and a letter to the committee from Mr. Westerman regarding the debt capacity evaluation policy issues.

Mr. Fearing stated that various assumptions have been made in determining that UMH&C does have the ability to finance its projected capital needs for the completion of Unit J in one of two timeframes (6/30/86 or 6/30/89) and the Board of Governors is asked to address various policy issues in this regard. He noted that the basic assumption of the evaluation is a future pricing concept under which UMH&C will raise its rate structure 1% to 1.5% per year above other needs to accomplish the Medicare/Medicaid charge-cost parity by June 30, 1983. The evaluation also demonstrates that the State General Obligation Bonds are the least costly financing vehicle. Mr. Fearing added that the support of the Board of Governors and the University Regents would be required to obtain State General Obligation Bonds. The third assumption is that existing and proposed federal reimbursement regulations will not materially affect UMH&C's ability to finance these needs. In this regard, there may be future policy questions that the Finance Committee and the Board of Governors will be required to address.

Mr. Fearing explained that General Obligation Bonding would require debt service per patient day of \$53.89 and \$67.84 for completion dates of 6/30/86 and 6/30/89 respectively. He added that it is important to note that the G/O Bonding appears to be more expensive on a per patient day basis because it is amortized over a 20 year life rather than a 30 year life.

The key assumptions that must be met if the levels of debt service amortization, as stated in the evaluation, are to be realized were pointed out by Mr. Fearing. They include the assumption that debt service coverage requirements and the interest rates that exist today will exist when the Hospitals enter the bond market. The two time-frames for construction completion of either 6/30/86 or 6/30/89 are crucial since any delays beyond completion by June 30, 1989 will require other additional capital funds.

Mr. Fearing added that it has also been assumed that certain costs arising from approved educational activities will be reimbursable although they will be in excess of the limitations on hospital inpatient general routine costs. It was noted that should these optimistic perspectives not come about, the Hospital would (1) find alternative methods of financing lost revenues, (2) other affected parties would find alternative methods of financing, (3) the Hospital would reduce its cost base, or (4) a combination of these methods.

The next major assumption is facilities utilization. We are projecting an average length of stay of 8.4 days, 25,156 admissions, and 234,846 outpatient visits by 1983. Operating expenses have been projected within certain rates and, if the expenses increase, larger rate increases will be required. It was also assumed that appropriations will remain at current levels. The last general assumption made was that capital needs will not increase significantly during this period. Mr. Fearing commented that these assumptions dictate that UMH&C will have to continue with its present program of cost containment and rates must be raised 1% to 1.5% per year.

After discussion of the Ernst and Ernst Debt Capacity Evaluation by the committee, it was suggested that a special presentation be made to the full Board of Governors in October. Chairman Quistgard will discuss the possibility of such a presentation with Chairman Atwood and will inform the committee members at the afternoon meeting of the full Board as to the date of the presentation.

VI Other

Chairman Quistgard suggested that year end materials be available at least ten days prior to the Finance Committee meeting next year. Chairman Quistgard also suggested that a statement be prepared for the full Board of Governors in regard to the Ernst and Ernst Debt Capacity Evaluation to go out in advance for their review.

There being no further business, the meeting of the Finance Committee was adjourned at 1:20 p.m.

Respectfully submitted,

A handwritten signature in cursive script, reading "Teresa Rosecke". The signature is written in black ink and is positioned above the printed name.

Teresa Rosecke

MINUTES
FINANCE COMMITTEE
UNIVERSITY OF MINNESOTA HOSPITALS & CLINICS
NOVEMBER 15, 1978

Members Present: John Quistgard, Chairman
David Cost
Al France
Debbie Gruye
JoAnne Barr
Clint Johnson
David Brown, M.D.
Dan Notto
David Preston
John Westerman
Don Van Hulzen

Absent: Seymour Levitt, M.D.

Staff: Cliff Fearing
Nels Larson
John Diehl

Guests: Harry Atwood
Johnelle Foley
Dan Rode

The meeting of the Finance Committee of the Board of Governors was called to order by Chairman Quistgard at 10:05 a.m. in the Dale Shephard Room of the Campus Club.

I Approval of the October 18, 1978 Meeting Minutes

Ms. Barr moved that the minutes of this meeting be approved. Mr. Johnson seconded the motion and it passed unanimously.

II October 31, 1978 YTD Financial Statements

In reviewing the report of operations for July 1, 1978 through October 31, 1978, Mr. Larson stated that the October financial statements continue to reflect the trends that developed through the first quarter of the fiscal year.

He noted that the inpatient census for October was 17,297 days, 1.1% above the projection of 17,106 days. Admissions were 1,921, the average length

of stay was 9.2 days and overall occupancy was 73.2%. Mr. Larson added that the inpatient census year-to-date of 68,256 represents a favorable variance of 0.4%. Even though the census is close to what was anticipated, the revenue is 1.8% higher than projection. The outpatient census year-to-date of 67,153 visits is 1.5% below projections.

Mr. Larson went on to say that the financial operations for the month resulted in a position of revenues over expense of \$1,826,720. He noted that the position continues to reflect the change in mix of routine utilization, the higher than anticipated level of activity in several ancillary departments and the fact that there are many expenses which have not yet been incurred to date. The overall revenue variance did not change from last month and is stable at 4.3% above budget. Expenditures showed a favorable variance of \$187,599 representing 0.6% of budgeted operating expenses.

Mr. Larson pointed out that accounts receivable declined during the month of October by \$97,600. He stated that the balance of \$19,501,800 represents 76.7 days of revenue outstanding, down 3.1 days from June 30, 1978.

Mr. Larson commented that the Hospitals position is stable and, if no significant changes occur through the end of 1978, management will be making recommendations regarding changes in the rate structure.

The census data, income statement and cash flow were also reviewed briefly by Mr. Larson. He noted that Medicare has indicated that investigational drugs will not be reimbursed under their program and, therefore, there is a risk that we may not be reimbursed for all ALG products used in transplants. At the present time, University Hospitals has an appeal in process for those particular items.

Mr. Van Hulzen also noted that Servicemaster is projecting a savings in direct labor costs of \$109,000 for Laundry & Linen under what was budgeted this year. Additional savings will be made by adding fringe benefits and also in reducing the amount of new linens put into circulation. In addition, Servicemaster plans to work with Nursing to control the volume of use.

III Ernst and Ernst Debt Capacity Evaluation

The Finance Committee further considered the Ernst and Ernst Debt Capacity Evaluation and continued its review of the report. The discussion was to be carried over to subsequent meetings.

Mr. Quistgard suggested that Mr. Diehl summarize the current status of the malpractice claims pending for the committee. Mr. Diehl explained that 19 cases are presently pending of which the events involved in 17 cases pre-date August 1, 1976 so there is no insurance coverage. Of these 17 cases which pre-date insurance coverage, 8 cases have been assessed to have potential material liability. The 8 cases approximate \$25,000,000. The outcome of a court decision as to whether UMH&C would be considered as a proprietary activity or protected by the doctrine of sovereign immunity will make a substantial difference on the impact these cases have on UMH&C's finances. Of the two insured cases, University Hospitals' insurance through Central Administration and Ruminco should cover any liability and they should have no additional impact on the Hospitals.

IV Other

As a matter of information, Dr. Brown informed the committee of an item of concern regarding fringe benefits for certain classifications

(4)

of employees. The Civil Service Rules state that employees in the "V" class may receive six days of vacation per year in lieu of overtime pay. Professionals in this class have been receiving both the extra vacation days and overtime pay for several years. The Civil Service Committee was asked for a new rule permitting this procedure and the request was denied. At this time, the matter is before Dr. Lyle French for an administrative review.

Ms. Foley noted that the Cost Concerns Committee report will be presented by Chairman Weaver at the Board meeting this afternoon.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Teresa Rosecke".

Teresa Rosecke
Secretary

UNIVERSITY OF MINNESOTA HOSPITALS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1978 TO OCTOBER 31, 1978

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under) Budget</u>	<u>Variance %</u>
Gross Patient Charges	\$29,420,996	\$30,686,697	\$1,265,701	4.3
Deductions from Charges	1,967,314	1,894,371	(72,943)	(3.7)
Other Operating Revenue	<u>565,560</u>	<u>582,780</u>	<u>17,220</u>	3.0
Total Revenue from Operations	\$28,019,242	\$29,375,106	\$1,355,864	4.8
Expenditures				
Salaries	\$14,208,271	\$14,590,815	\$ 382,544	2.7
Fringe Benefits	2,798,398	2,597,699	(200,699)	(7.2)
Contract Compensation	2,556,074	2,631,642	75,568	3.0
Med. Supplies, Drugs, Blood	4,195,222	4,698,116	502,894	12.0
Campus Admin. Expense	1,225,956	1,225,956	-0-	-
Depreciation	1,004,485	651,604	(352,881)	(35.1)
General Supplies & Expense	<u>5,007,192</u>	<u>4,412,167</u>	<u>(595,025)</u>	(11.9)
Total Expenditures	\$30,995,598	\$30,807,999	\$ (187,599)	(0.6)
Net Revenue from Operations	\$(2,976,356)	\$(1,432,893)	\$1,543,463	51.9
Non-Operating Revenue				
Appropriations/Univ. Support	\$ 3,068,772	\$ 3,068,772	-0-	-
Accrued Interest Income	<u>190,841</u>	<u>190,841</u>	-0-	-
Total Non-Oper. Rev.	\$ 3,259,613	\$ 3,259,613	-0-	-
Revenue Over/(Under) Expenses	\$ 283,257	\$ 1,826,720	\$1,543,463 (1)	

(1) Variance equals 5.5% of Total Budgeted Revenue.



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 5, 1978

TO: Finance Committee Members, Board of Governors
FROM: John Quistgard, Chairman
RE: Cancellation of the December Finance Committee Meeting

Due to the change in timing of the December Board of Governors meeting (the second Wednesday instead of the third Wednesday of the month) we will not have the financial data available for the Finance Committee meeting on Wednesday, December 13, 1978; therefore the Finance Committee meeting is cancelled.

You are all encouraged to attend the meeting of the Cost Concerns Task Force which will be held on Wednesday, December 13, 1978 at 11:30 a.m., in the Dale Shepherd Room of the Campus Club.

JQ/sds