UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1980 TO NOVEMBER 30, 1980

| | Budget | Actual | Variance Over/(Under) Budget | Variance % |
|---|---|---|---|---|
| Gross Patient Charges | $52,208,294 | $52,849,665 | $ 641,371 | 1.2 |
| Deductions from Charges | 5,618,436 | 5,789,304 | 170,868 | 3.0 |
| Other Operating Revenue | 902,835 | 861,383 | (41,452) | (4.6) |
| Total Revenue from Operations | $47,492,693 | $47,921,744 | $ 429,051 | 0.9 |
| Expenditures | | | | |
| Salaries | $23,443,597 | $23,940,948 | $ 497,351 | 2.1 |
| Fringe Benefits | 4,185,930 | 4,124,446 | (61,484) | (1.5) |
| Contract Compensation | 3,880,554 | 3,814,026 | (66,528) | (1.7) |
| Med. Supplies, Drugs, Blood | 7,080,411 | 6,717,197 | (363,214) | (5.1) |
| Campus Admin. Expense | 1,746,086 | 1,746,086 | -0- | - |
| Depreciation | 1,634,959 | 1,604,496 | (30,463) | (1.9) |
| General Supplies & Expense | 7,437,818 | 6,865,268 | (572,550) | (7.7) |
| Total Expenditures | $49,409,355 | $48,812,467 | $(596,888) | (1.2) |
| Net Revenue from Operations | $(1,916,662) | $ (890,723) | $1,025,939 | |
| Non-Operating Revenue | | | | |
| Appropriations/Univ. Support | $ 4,390,744 | $ 4,344,809 | $ (45,935) | (1.0) |
| Accrued Interest Income | 473,286 | 472,382 | (904) | (0.2) |
| Shared Service | 88,077 | 125,435 | 37,358 | 42.4 |
| Total Non-Operating Revenue | $ 4,952,107 | $ 4,942,626 | $ (9,481) | (0.2) |
| Revenue Over/(Under) Expenses | $ 3,035,445 | $ 4,051,903 | $1,016,458 (1) | |

(1) Variance equals 2.1% of Total Budgeted Revenue.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 17, 1980

TO: Board of Governors Finance Committee

FROM: Nels E. Larson
Assistant Controller

SUBJECT: Report on Operations for the Period July 1, 1980 through November 30, 1980

The Hospitals operating position through November continues to reflect the trends and relationships that were in evidence through October. Our overall position remains positive, largely because of the higher than anticipated ancillary service utilization. To highlight our position:

Inpatient Census - During the month of November, the Hospital achieved an average occupancy rate of 73.8% based on an average daily census of 542 patient days. The decline in occupancy during November relates primarily to the Thanksgiving holiday period. November patient days totaled 16,270, 52 days under projected days of 16,322. Admissions for November were 1,661 or 31 under projected admissions of 1,692. The average length of stay for November was 9.6 days.

While there continues to be a slight change in the mix of bed utilization, our overall census is very close to projected levels. To recap our year-to-date inpatient census:

| | Budget | Actual | Variance | Variance % |
|---|---|---|---|---|
| Admissions | 9,128 | 8,999 | (129) | (1.4) |
| Avg Length of Stay | 9.5 | 9.5 | - | - |
| Patient Days | 85,517 | 86,293 | 776 | .9 |
| Percent Occupancy | 76.1 | 76.8 | .7 | .9 |

Outpatient Census - November clinic visits totaled 15,723, and is 695 visits (1.6%) below our projected total of 16,418. The year-to-date clinic visit total of 86,783 is above the projected visits of 85,434. November YTD visits are 2,262 (2.7%) visits ahead of last year at this time.

Financial Operations - The November YTD operating position shows revenues over expenses of $4,051,903, a favorable variance of $1,016,458. This position is due to the favorable variances in patient care charges and in operating expenditures.

Charges to patients through November totaled $52,849,665 and are $641,371 (1.2%) above budgeted levels. This favorable variance is due in large part to the increases in the level of ancillary service utilization. This higher than anticipated utilization has occurred primarily within the Blood Bank, Patient Monitoring, Pharmacy, Respiratory Therapy, and Outpatient Clinics.

Operating expenses through November total $48,812,467 and is $596,888 (1.2%) below budgeted levels. This favorable variance continues to reflect (1) that we have not yet incurred the cost of periodic purchases within the general supply category and (2) the Hospital has not experienced anticipated price increases in some of the medical supply items (primarily x-ray film).

We are also seeing a favorable variance in drug expenditures resulting from changes in the utilization of drugs used in our transplant program.

Accounts Receivable - The balance in patient accounts receivable at November totaled $29,169,020, an increase of $6,981,392 from June 30, 1980. The November balance represents 85 days of outstanding revenue. The November increase is due in part to the Thanksgiving holiday schedule and also to problems experienced by the Medicare intermediary patient query system.

Conclusion - The Hospitals' overall financial position is positive through November. If the current census and utilization levels continue through year end, it is expected that we will achieve our planned financial objectives.

/tr

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
INPATIENT CENSUS DATA BY MAJOR CATEGORY
NOVEMBER 30, 1980 YEAR TO DATE

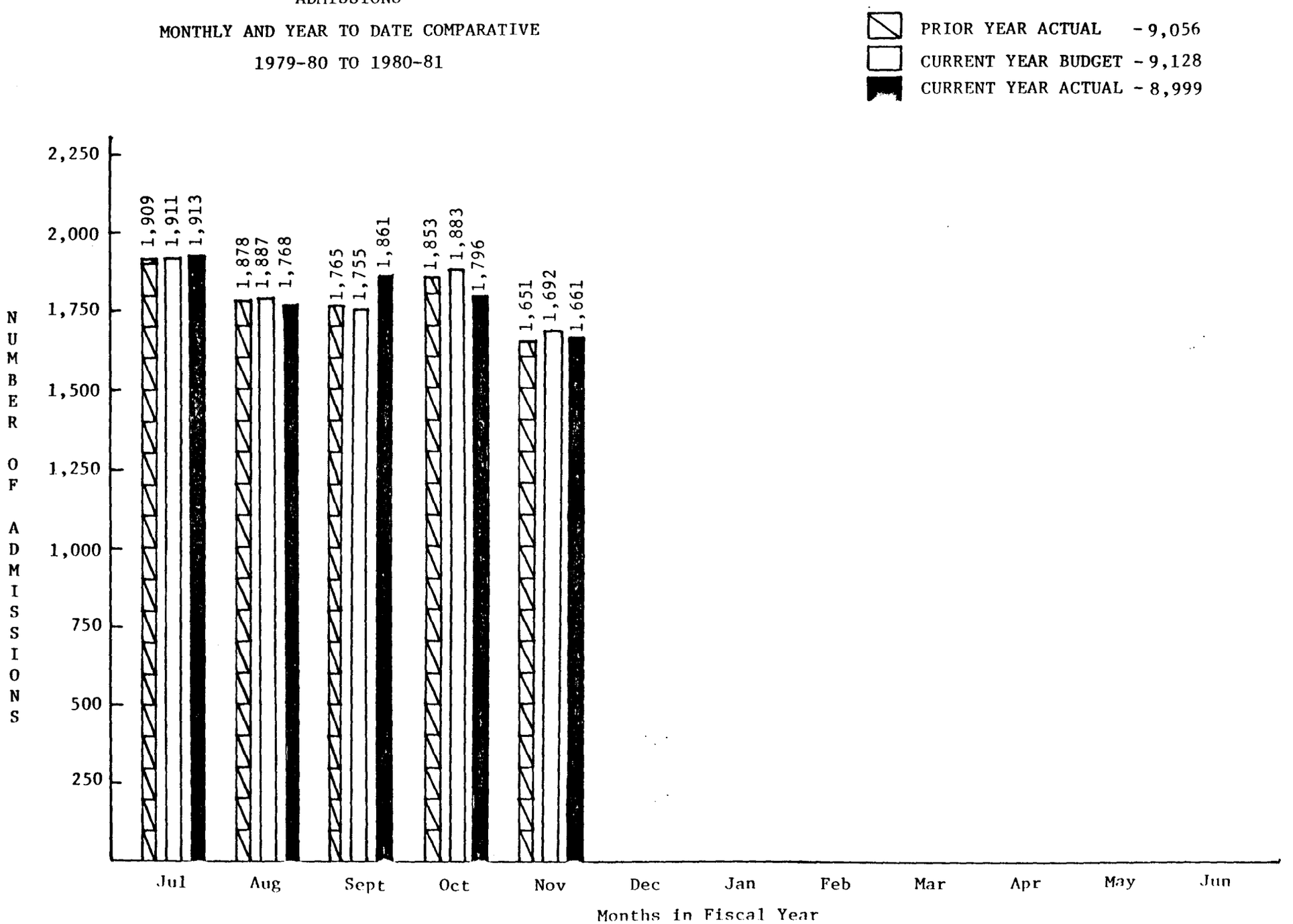
| | Available Beds | Inpatient Days | | Admissions | | % Occupancy | | Average L.O.S. | |
|---|---|---|---|---|---|---|---|---|---|
| | | Current Bud | Actual | Current Bud | Actual | Current Bud | Actual | Prior Yr | Current Actual |
| Medical/Surgical | 408 | 49,684 | 50,140 | 6,075 | 5,956 | 78.6 | 79.3 | 8.5 | 8.4 |
| Pediatrics | 86 | 9,381 | 10,084 | 1,122 | 1,045 | 71.3 | 76.6 | 8.5 | 9.5 |
| Obstetrics | 24 | 2,429 | 2,751 | 494 | 526 | 66.2 | 74.9 | 5.1 | 5.2 |
| Newborn | 20 | 1,770 | 1,977 | 405 | 442 | 57.8 | 64.6 | 4.5 | 4.5 |
| Psychiatry | 60 | 7,235 | 7,126 | 211 | 210 | 78.8 | 77.6 | 35.4 | 36.2 |
| Rehabilitation | 40 | 3,498 | 3,641 | 113 | 133 | 57.2 | 59.5 | 31.6 | 25.3 |
| Intensive Care-Adult | 58 | 7,124 | 6,411 | 448 | 445 | 80.6 | 72.5 | 12.7 | 14.5 |
| Intensive Care-Peds | 34 | 4,396 | 4,163 | 260 | 242 | 84.5 | 80.0 | 22.9 | 17.1 |
| Total | 730 | 85,517 | 86,293 | 9,128 | 8,999 | 76.1 | 76.8 | 9.5 | 9.5 |
| Total (excluding Psych and Rehab) | 630 | 74,784 | 75,526 | 8 804 | 8,656 | 77.0 | 77.8 | 8.6 | 8.7 |

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

ADMISSIONS

MONTHLY AND YEAR TO DATE COMPARATIVE

1979-80 TO 1980-81

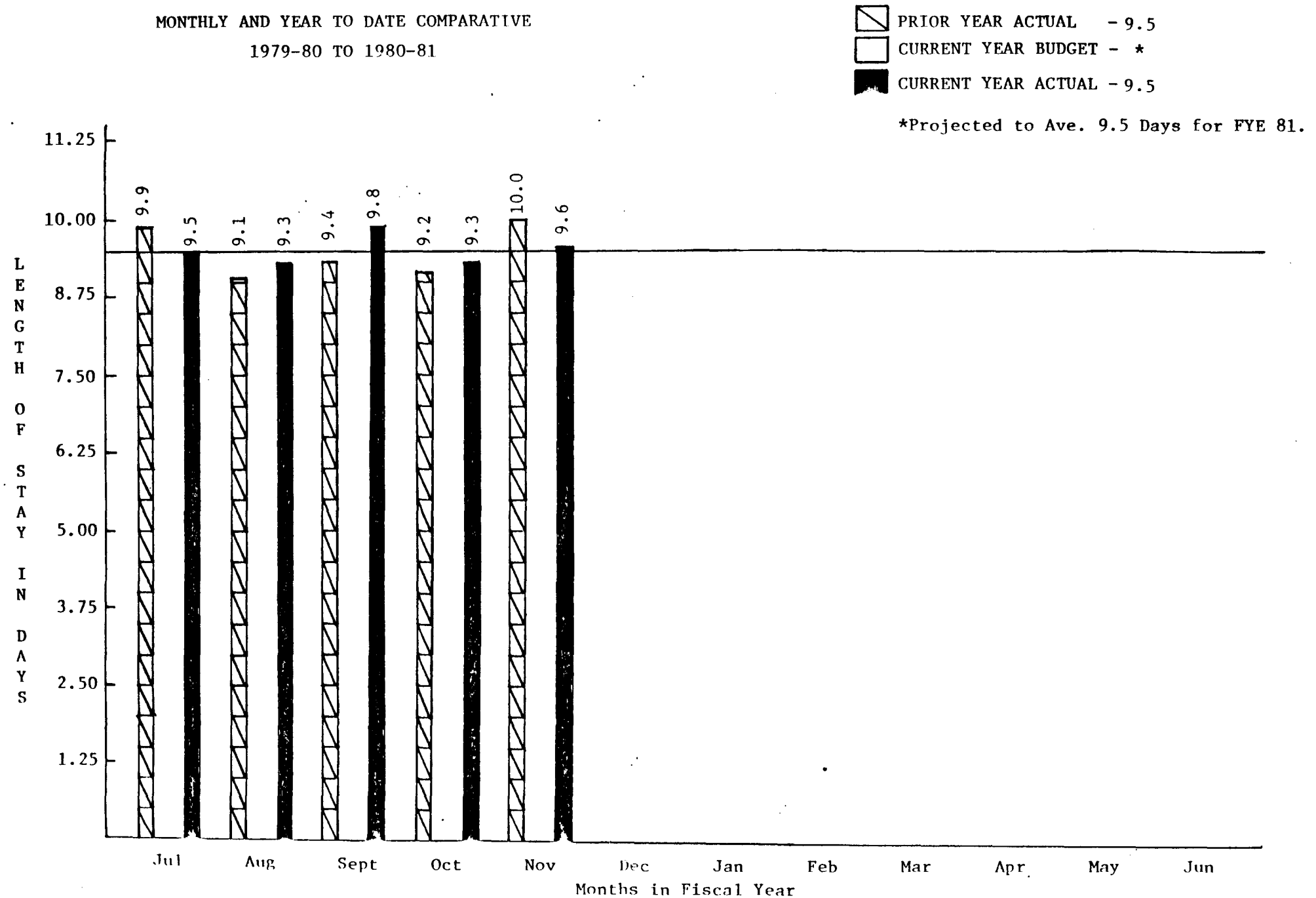


UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

LENGTH OF STAY

MONTHLY AND YEAR TO DATE COMPARATIVE

1979-80 TO 1980-81

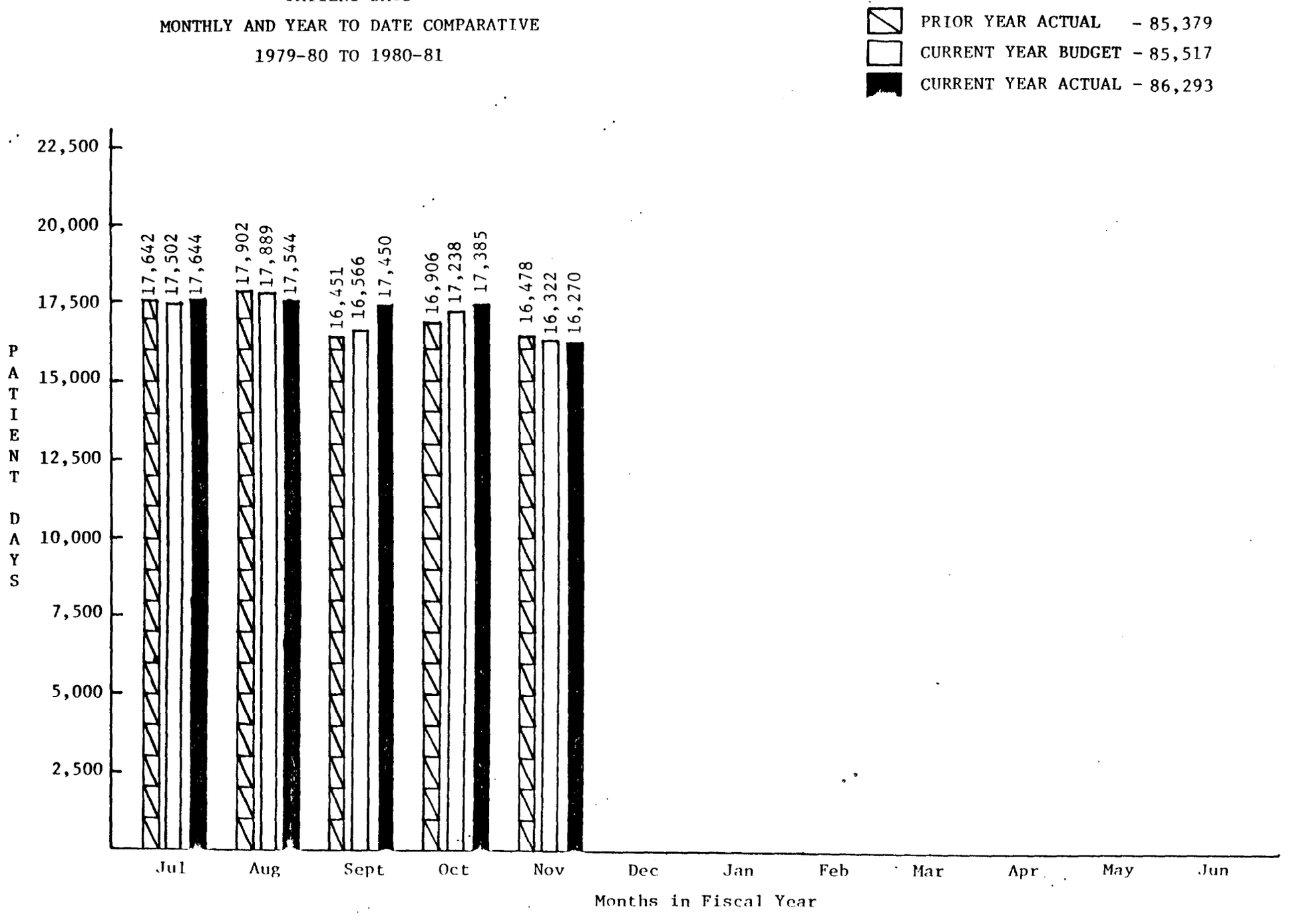


UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

PATIENT DAYS

MONTHLY AND YEAR TO DATE COMPARATIVE

1979-80 TO 1980-81

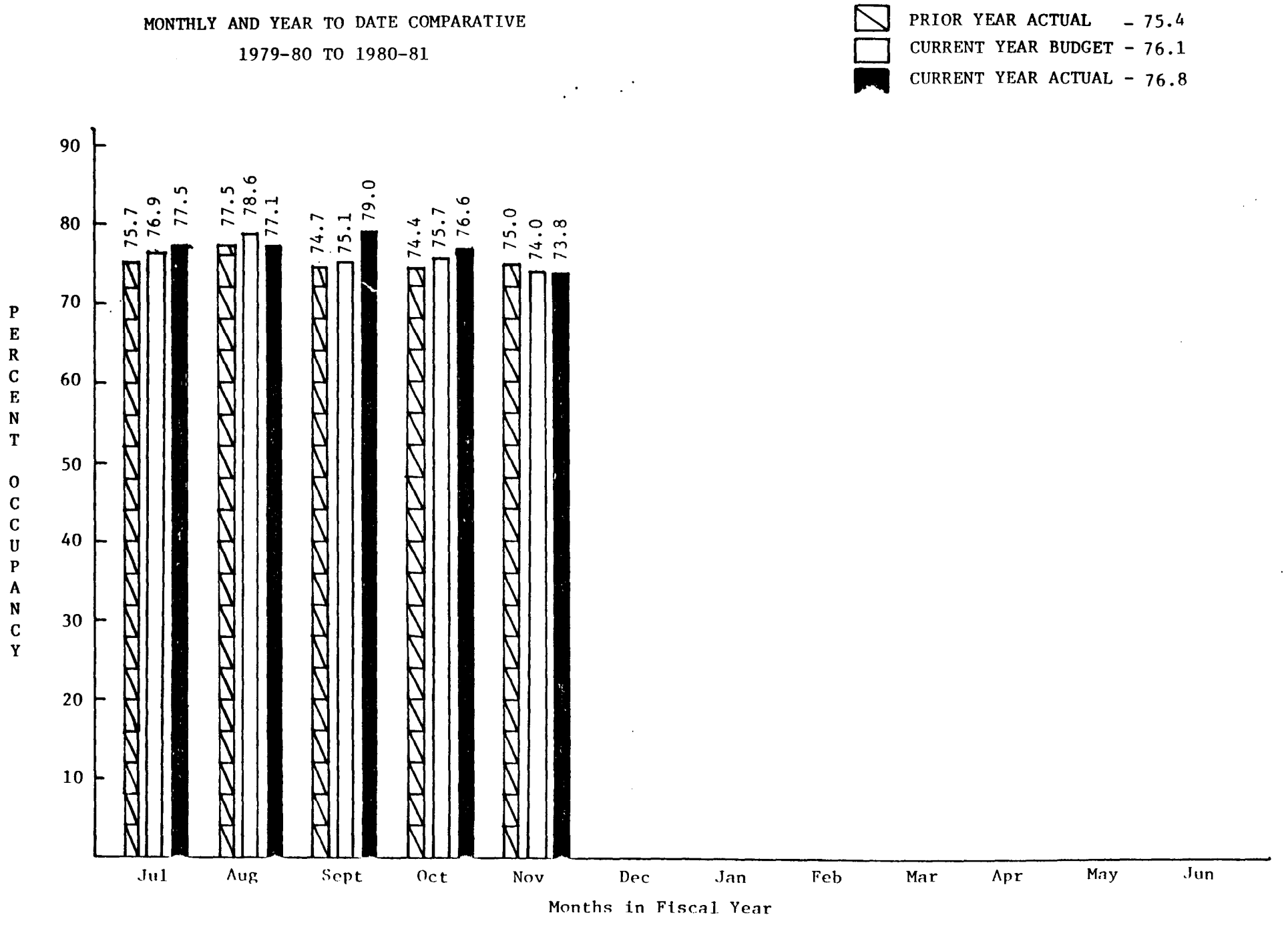


UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

PERCENT OCCUPANCY

MONTHLY AND YEAR TO DATE COMPARATIVE

1979-80 TO 1980-81

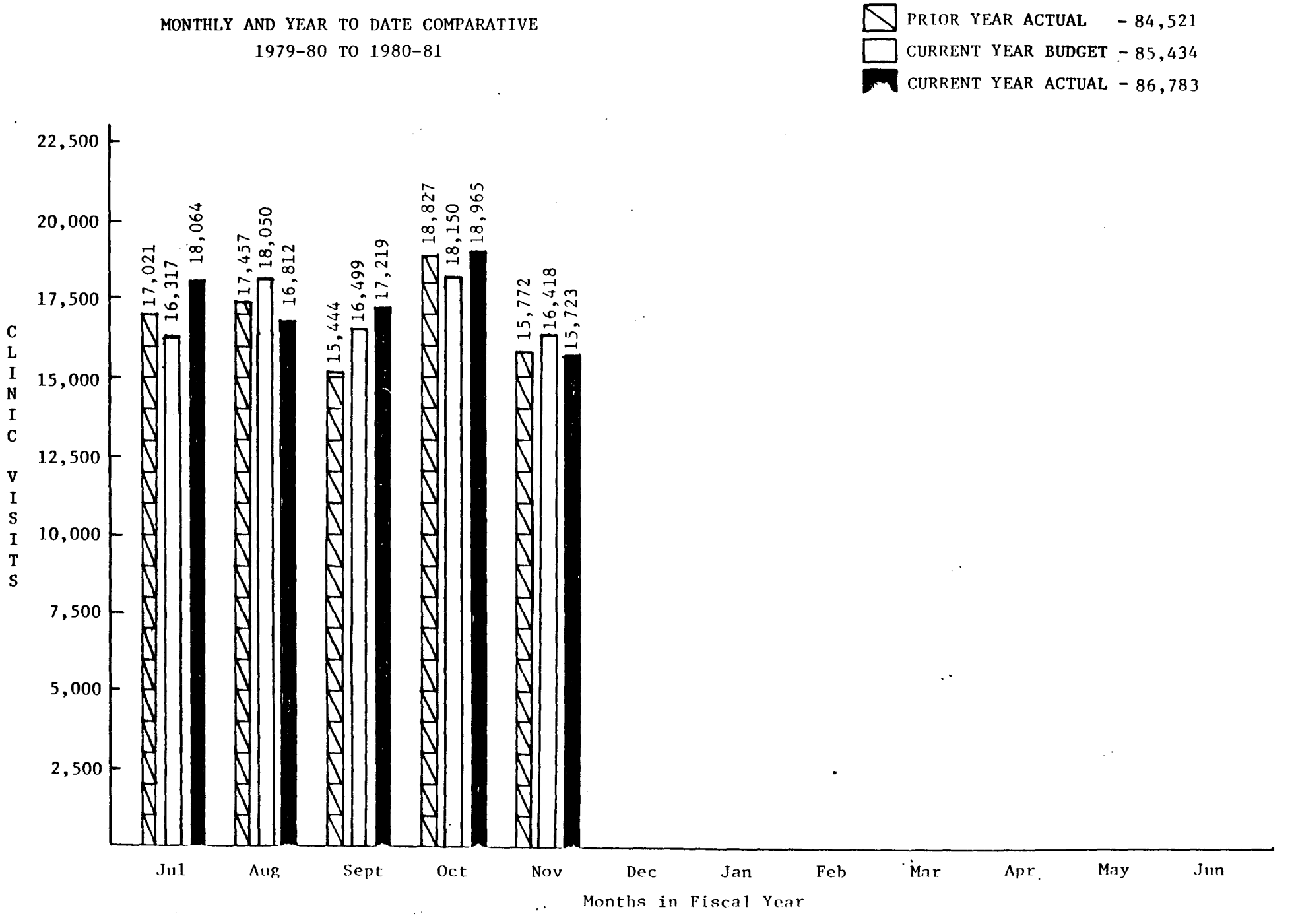


UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS

CLINIC VISITS

MONTHLY AND YEAR TO DATE COMPARATIVE

1979-80 TO 1980-81



UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
STATEMENT OF OPERATIONS
FOR PERIOD JULY 1, 1980 TO NOVEMBER 30, 1980

| | Budgeted | Actual | Variance Over/(Under) Budget | Variance % |
|---|---|---|---|---|
| PATIENT CARE CHARGES | | | | |
| Routine | $21,988,079 | $21,699,089 | $(288,990) | (1.3) |
| Ancillary | 30,220,215 | 31,150,576 | 930,361 | 3.1 |
| Gross Charges | $52,208,294 | $52,849,665 | $ 641,371 | 1.2 |
| DEDUCTIONS FROM CHARGES | | | | |
| Third Party Contract Adj. | $ 3,028,954 | $ 2,941,277 | $ (87,677) | (2.9) |
| Billing Adjustments & Employee Benefits | 888,608 | 724,948 | (163,660) | (18.4) |
| Charitable Care | 470,439 | 748,315 | 277,876 | 59.1 |
| Other Contract Adj. | 652,248 | 788,884 | 136,636 | 20.9 |
| Allow for Uncoll Accts | 578,187 | 585,884 | 7,697 | 1.3 |
| Donations from Restricted Funds | - | (4) | (4) | - |
| Total Deductions | $ 5,618,436 | $ 5,789,304 | $ 170,868 | 3.0 |
| OTHER OPERATING REVENUE | | | | |
| Food Services | $ 421,340 | $ 397,493 | $ (23,847) | (5.7) |
| Powell Hall Motel | 137,440 | 109,038 | (28,402) | (20.7) |
| Departmental Non-Patient | 60,186 | 74,518 | 14,332 | 23.8 |
| Reference Lab Income | 230,741 | 215,096 | (15,645) | (6.8) |
| Pro Fees - Net Revenue | 53,128 | 58,336 | 5,208 | 9.8 |
| Donations to Operations from Restricted Funds | - | 6,902 | 6,902 | - |
| Total Other Revenue | $ 902,835 | $ 861,383 | $ (41,452) | (4.6) |
| Total Revenue from Operations | $47,492,693 | $47,921,744 | $ 429,051 | 0.9 |
| EXPENDITURES | | | | |
| Salaries | $23,443,597 | $23,940,948 | $ 497,351 | 2.1 |
| Fringe Benefits | 4,185,930 | 4,124,446 | (61,484) | (1.5) |
| Academic Contracts | 575,1[illegible] | 575,152 | -0- | - |
| Resident Contracts | 1,447,267 | 1,447,267 | -0- | - |
| Physician Compensation | 1,858,135 | 1,791,607 | (66,528) | (3.6) |
| Total Salaries, Wages, F.B., and Fees | 31,510,081 | 31,879,420 | 369,339 | 1.2 |
| Laundry & Linen | 747,128 | 747,079 | (49) | - |
| Raw Food | 587,099 | 562,089 | (25,010) | (4.3) |
| Drugs | 2,578,037 | 2,470,490 | (107,547) | (4.2) |
| Blood & Blood Derivatives | 1,214,524 | 1,344,633 | 130,109 | 10.7 |
| Medical Supplies | 3,287,850 | 2,902,074 | (385,776) | (11.7) |
| Utilities | 655,764 | 659,360 | 3,596 | 0.5 |
| Insurance | 569,248 | 564,141 | (5,107) | (0.9) |
| Rental | 288,424 | 261,201 | (27,223) | (9.4) |
| Maintenance & Repair | 725,555 | 679,244 | (46,311) | (6.4) |
| Communications | 425,051 | 326,757 | (98,294) | (23.1) |
| Net Loss on Disposal of Assets | -0- | 13,928 | 13,928 | - |
| Campus Adm Expense | 1,746,086 | 1,746,086 | -0- | - |
| Depreciation | 1,634,959 | 1,604,496 | (30,463) | (1.9) |
| General Supplies & Exp. | 3,439,549 | 3,051,469 | (388,080) | (11.3) |
| Total Expenditures | $49,409,355 | $48,812,467 | $(596,888) | (1.2) |
| Net Revenue from Operations | $(1,916,662) | $ (890,723) | $1,025,939 | |
| NON-OPERATING REVENUE | | | | |
| Appropriations & Support | $ 4,390,744 | $ 4,344,809 | $ (45,935) | (1.0) |
| Accrued Interest on Approp | 158,001 | 157,097 | (904) | (0.6) |
| Interest Income on Reserves | 315,285 | 315,285 | -0- | - |
| Shared Services | 88,077 | 125,435 | 37,358 | 42.4 |
| Total Non-Operating Revenue | $ 4,952,107 | $ 4,942,626 | $ (9,481) | (0.2) |
| Revenue over/(Under) Expenses | $ 3,035,445 | $ 4,051,903 | $1,016,458 (1) | |

(1) Variance equals 2.1% of Total Budgeted Revenue.

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
OPERATING CASH FLOW
FOR PERIOD JULY 1, 1980 TO NOVEMBER 30, 1980

| | | |
|---|---|---|
| Source of Funds | | |
| Beginning Cash Balance | | $ 506,903 |
| Loss from Operations | (890,723) | |
| Non-Operating Revenue | 4,942,626 | |
| Excess of Revenue over Expense | | 4,051,903 |
| Items not Requiring the Outlay of Cash: | | |
| Depreciation | | 1,604,496 |
| University Support: G&A | | 1,746,086 |
| K/E Utilities | | 34,222 |
| Increase in Accrued Expenses | | 2,617,186 |
| Other Adjustments | | 134,477 |
| Total Funds Provided from Operations | | $10,695,273 |
| Funds Applied | | |
| Transfers to Plant: | | |
| Capital Expenditures | 893,612 | |
| Increase in Capital Encumbrances | 940,514 | |
| Total Transfers to Plant | | 1,834,126 |
| Increase in Accounts Receivable | | 6,834,265 |
| Increase in Accrued Revenue | | 546,260 |
| Increase in Inventory | | 288,865 |
| Total Funds Applied | | $9,503,516 |
| Total Net Operating Cash Available | | $1,191,757 (1) |

(1) Available for offsetting future cash need of $2,617,186 for increase in accrued expenses. The resulting net deficit of $1,425,429 is offset by the increase in accounts receivable of $6,834,265. The net working capital increase is $5,408,836.

CITIZENS LEAGUE
530 Syndicate Building
Minneapolis, MN 55402

November 19, 1980

STATEMENT TO THE METROPOLITAN HEALTH BOARD
November 19, 1980
Concerning Rebuilding Proposal of University Hospitals

## I. Introduction

Madam Chair, Members of the Health Board: The Citizens League appreciates the opportunity to appear before you and present our views on this proposal.

It is appropriate that the Citizens League speak to this issue, because it involves a major new investment in our area's health care system -- a topic of long-time concern and involvement for our organization.

In 1977 the League issued a study entitled "More Care About the Cost in Hospitals." Its central finding was that the Twin Cities area has a very high quality, and also a very large and expensive, hospital system, whose expansion is essentially unrestrained at the moment, either by public control or by competitive forces in the health care market.

Our central conclusion was that the arrangements for financing medical and hospital care must now be re-examined and rearranged, to restrain the expansion within some limits set by public policy.

Since that time, we have continued to be actively involved on the issue of systemwide cost containment and have commented on your plans for areawide reduction We continue to feel, as we stated in our June 1977 position, that the relatively small cut proposed by that plan, in the area's hospital capacity makes it "essential to maintain a tight control on the flow of investment into the system."

In that context we turn our attention to the merits of this proposal.

## II. The University's Proposal Should Receive the Full Scrutiny of State and Regional Policymakers.

The University of Minnesota Hospitals has been an outstanding provider of medical care. Its national reputation is well known and well earned. It seems clear that much of its present plant is outdated and should be replaced in some form. Despite these considerations, however, it is in the public interest to fully examine all facets of proposals calling for the expenditure of significant sums of public monies. This, clearly, is one such proposal. At a total cost of more than one-half billion dollars over a 30-year period, this is, by far, the largest hospital proposal in the state's history. The debate surrounding this proposal gives the region and the state their best -- and perhaps only -- opportunity to come to grips with fundamental questions about the future of this nationally-respected hospital.

## III. There are Many Questions That Could Be Asked About This Application But, Essentially, Three Questions Seem To Be Central

### A. Has the Process Been Thorough Enough, Given the Size of This Proposal?

On a project of this scale, calling as it does for a substantial expenditure of public funds, the public and the applicant must have confidence that the bodies charged with reviewing the proposal did a thorough and fair job. Did the reviewing authorities, for example, explore both sides of the issue? Did they consult other parties besides the applicant or those who had a direct interest in the proposal? If no one, other than the applicant, came forward, voluntarily, were efforts initiated to actively seek out other perspectives? The process of actively seeking out other perspectives need not turn up opposition. It might lend even more credence to the merits of the project. At the very least, however, such activities would assure the public that the review had been thorough. And it would also protect against the faulty assumption that, simply because no opposing views surfaced, there were, in fact, no legitimate opposing views.

In this case, we question whether the Health Board's review process has been thorough enough. From the public record, it appears that virtually no one without some affiliation to the applicant was consulted during the project review hearings (the one exception being a representative of a group to save Powell Hall). No efforts seem to have been made to solicit other views, or to explore national trends affecting university hospitals.

In our statement of nearly a year ago, the League stated, "If the community had deliberately tried to maximize the flow of money into hospital expansion, it probably would have created substantially the system now in place. With hospitals' ability to secure reimbursement and public credit virtually unlimited, the only remaining obstacle is the certificate-of-need process. That that is true really shows how important it is that your process be thorough and take the initiative to get out in front of proposals and applications.

We recognize, of course, that this project is different from most others under your review. The University Hospitals is both a state and regional provider. Therefore, two "need" decisions are required -- one at the state level, and one at the regional level. Many of the issues surrounding this issue are, by nature, state issues and can most appropriately be raised at the state level.

We all share the common interest of assuring that a high level of intelligent debate takes place on this issue. Since it appears that the Health Board will approve this proposal, we raise the next two major questions in order to continue public discussion of this issue between now and the time it comes up for legislative consideration.

B. Will the State Have to Invest Tax Dollars to Help Finance This Project?

The University of Minnesota Hospitals proposes to finance the project through the use of tax-exempt State of Minnesota general obligation bonds: to be repaid by the University through patient revenue and other resources over a 20-year period.

As we see it, there are essentially four issues here with which state policymakers must grapple. They are:

1. The Unusual Method of Financing This Proposal

   Although the constitution limits state general obligation bonds to 20 years, the University of Minnesota is proposing that the state issue 20-

year bonds, but then turn around and loan the money to the University of Minnesota on a 30-year repayment schedule. Thus, the University will get 30-year financing with the state complying with the technical requirements of the constitution What this means is that a subsidy will be required during the first 20 years, with the hope that the U of M Hospitals will repay the subsidy during the next ten years. It also means that the state, at least initially, will absorb the greater share of both the costs and risks associated with this proposal.

2. Sufficiency of University Hospital Revenues Over Time

The University's dominant means of repaying the state will be through the use of debt financing ac rued through patient revenues. The question then arises as to whether hospital occupancy will be high enough over the 30-year period to supply the needed revenues with which to repay the state.

The University assumes that they will. Judging from the Health Board's Project Review Committee's Report, however, that assumption deserves legislative scrutiny. For several key trends could actually reduce the University's volume levels below the level that they anticipate. Briefly, these factors are:

* The trend toward price-conscious purchase of medical care - As more medical care is purchased on a price-conscious basis, the University may find itself at a competitive disadvantage in relation to other metropolitan acute care and tertiary care providers, because of its higher costs, longer length of stay, and forced subsidization of medical education out of patient revenues. Obviously, the 13% increase in patient charges because of construction of the new hospital must also be considered.

* Other hospital' increased capacity to deal with medically sophisticated patients.

* The supply of specialists and subspecialists in the region and out-state, and their increased ability to treat patients in their offices on an outpatient basis.

Given these trends, the Project Review Committee concluded that University Hospitals is at somewhat of a "watershed" point, in terms of volume levels. For that reason, as well as those cited above, they concluded that volume projections for future years should be examined "from a conservative perspective."

These trends cannot conclusively verify that the University Hospitals' volume will significantly decline during the next decade, or even during the 20-year life of the State GO bonds. But they do raise the question of a possible risk of that occurring -- to the state and its taxpayers -- affecting, as it would, the institution's ability to repay its debt to the state.

Given the serious nature of these questions, no final action on this project should occur until the Legislature has carefully weighed all of the financial implications and alternatives.

For, clearly, full state backing of this proposal would be an unprecedented action. The State has never committed the level of general obligation bonds that the Unive sity is seeking, to any one applicant. Nor has the State ever refinanced a half-billion dollar project before. That is not to say that it shouldn't, in this case.

C. Given the Changing Role of the University Hospitals, Does This Proposal Affirmatively Carry Forward the State's Major Health Care Objectives?

In addressing this issue it is important to consider that major changes have already taken place in the role of this institution.

University Hospitals were originally established to: (a) take care of indigent patients, and (b) to be a training hospital for future physicians. Both of these roles are much less central to the institution's mission now than they were. Medicare and Medicaid now allow indigent patients to be cared for anywhere. Most of the state's medical education, which involves a hospital setting, takes place in other hospitals. As the institution has de-emphasized these roles, it has emphasized others -- post-graduate education, for example, and resea ch and development. One of the major questions this application poses to the state and its legislators and to the region, and you, its policymakers, is whether to support this shift in emphasis.

For, clearly, what distinguishes the University of Minnesota Hospitals is not the patient care -- most of which is easily accessible elsewhere. Nor is it the medical education component. The case fo the University Hospitals rests on research. The present reimbursement system for medical care is helping to support research and development in medicine. It can be arg'ed, as the University does, that this research and development function plays a vital role in our local economy. But, if that is the justification for the p oposal, then it is well to ask whether this type of research and development should be financed directly by the State, or by other sources that have an interest in furthering medical technology. Is it the state's role to prov de a $300 million labo atory for medical technological research? Does this proposal affirmatively carry forward out objectives in the health ca e system?

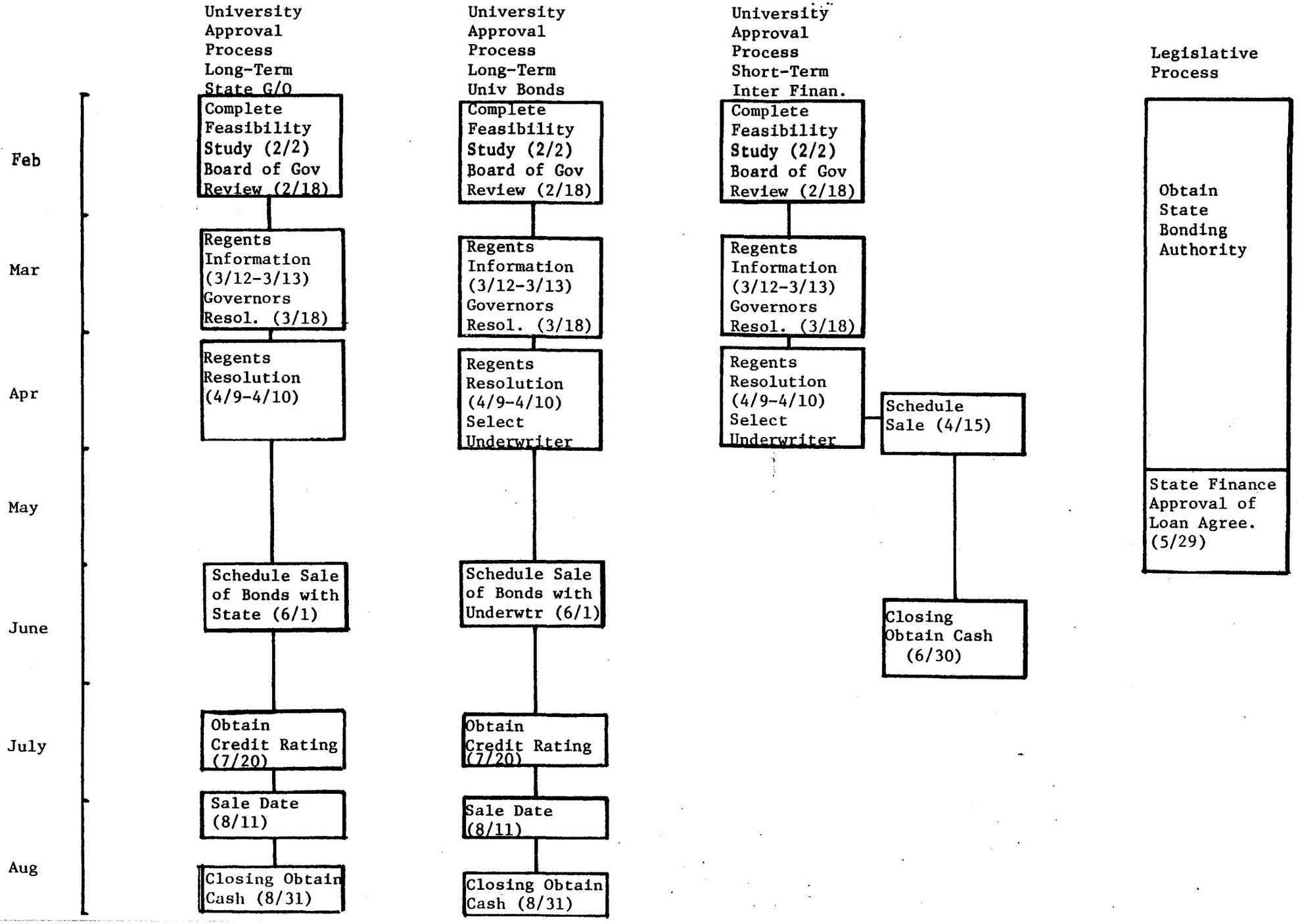
If one of our objectives is health promotion and education -- in a word, preventive medicine -- would this proposal be in turn with those goals?

What would be the state's role in the maintenance of this kind of research-oriented facility, in the event that national research funds were diver ed to other uses?

Is the state best advised to concentrate most of its monies in one major specialty center in the Twin Cities, or to divide the money among numerous regional specialty centers throughout the state? What level of medical spec alization should we have in our rural areas?

Many of these questions require a great deal more study before they can be answered. Much of that study, necessarily, is beyond the scope of this review and the resources of the Health Board. But, again, we think that the quality of the public debate on this issue to date has not been what it should. We raise these issues solely to contribute to that debate. Ultimately, however, the most thorough discussion of these issues should take place in a series of legislative hearings on the project. We recommend that the Minnesota State Legislature initiate such hearings early in the 1981 session.

UNIVERSITY OF MINNESOTA HOSPITALS AND CLINICS
PROCESSES TO OBTAIN RENEWAL FINANCING



MINUTES
Finance Committee
University of Minnesota Hospitals and Clinics
November 19, 1980

| | |
|---|---|
| Members Present: | David Cost, Chairman |
| | John Quistgard, Vice Chairman |
| | JoAnne Barr |
| | Al France |
| | Debbie Gruye |
| | Clint Johnson |
| | Fannie Kakela |
| | Virgil Moline |
| | John Tiede |
| | Cliff Fearing |
| | David Preston |
| | John Westerman |
| Absent: | David Brown |
| | Seymour Levitt |
| Staff: | John Diehl |
| | Nels Larson |
| | Terry Rosecke |
| Guests: | Clint Hewitt |
| | Harry Atwood |
| | Paul Winchell |
| | Bob Dickler |
| | Don Van Hulzen |
| | Kevin Moore |
| | Johnelle Foley |
| | Steve Grygar |
| | Dick Kasten |
| | Tom Bohannon |
| | Ven Houts |

The meeting of the Finance Committee was called to order by Chairman Cost at 9:25 a.m. in Room 626 of the Campus Club.

Approval of October 15, 1980 Minutes

A motion to approve the minutes was made by Ms. Barr, seconded by Ms. Gruye, and approved unanimously by the committee.

Ernst & Whinney Presentation

Mr. Fearing opened the meeting by introducing Mr. Ven Houts, Mr. Tom Bohannon, and Mr. Dick Kasten of Ernst & Whinney. He then turned the meeting over to

Mr. Houts, the Manager of the Minneapolis Health Care staff. Mr. Houts began by giving a brief recap of the financial feasibility studies which have been completed to date. He stated that alternatives in financing, pricing strategy, and timing have been considered along with estimated costs of construction, interest rates, interest revenue, and the amount of funds to borrow. He added that throughout the debt capacity analysis, various financial models were developed to determine the debt size, to project results of operations, and to project cash flow.

Mr. Houts also stated that, since the Certificate of Need application was submitted, Ernst & Whinney has been conducting a sensitivity analysis of the impact of a significant increase or decrease in patient days. Ernst & Whinney will also be challenging demand assumptions and staffing on an in-depth basis. Mr. Houts explained that the next financial feasibility study, after review by management and the Finance Committee, will be used in negotiating with the State Department of Finance in determining the finance agreement and financing arrangements for the project. The State Department of Finance may use the financial feasibility study in the official statement for sale of bonds.

Mr. Kasten added that a certain amount of flexibility will be built into the scenarios and stated that, in the next 8-12 weeks, Ernst & Whinney will be analyzing and challenging information gathered about the community and about operating a teaching facility.

It was requested that the Finance Committee be provided with a timetable on the Renewal Project process at the next meeting.

Mr. Dickler commented briefly on the legislative committee meetings which have been held to date.

October YTD Financial Statements

As stated by Mr. Larson, the overall operating position of the Hospital continues to reflect the change in the inpatient census mix and increase in ancillary utilization. During the month of October, admissions totaled 1,796 and the average length of stay was 9.3 days. The occupancy rate for October was 76.6%. October clinic visits totaled 18,965 which is 4.5% over projected visits.

Mr. Larson added that the October YTD operating position shows revenues over expense of $3,707,797. Patient care charges are 2.3% above budgeted levels and expenditures show a favorable variance at (0.7)%.

The balance in patient accounts receivable at the end of October was $27,675,676, an increase of $5,488,048 from June 30, 1980. The balance represents 78 days of outstanding revenue.

Mr. Larson also pointed out that the net operating cash available as of October 31, 1980 was $940,075. This total reflects a reduction of $900,000 due to a decrease by several days in the accrued salary and benefits.

Mr. Larson went on to note that the financial position has been projected to the end of the fiscal year based on the operations of the first quarter. He added that, in making the projections, current mix and utilization levels were used along with historic seasonal relationships. On the basis of these projections, a reduction in planned cash flow of approximately $332,000 is anticipated. Because this projection is based on only three months of activity and the projected variance is small, no specific action is recommended at this time. If projections based on two quarters of activity indicate a potential problem, appropriate action will be taken to achieve our budgeted position.

First Quarter Bad Debt Report 80/81

The amount recommended for bad debt during the first quarter of 1980-81 was $322,010.65 represented by 879 accounts. Bad debt recoveries during this period amounted to $28,717.54 leaving a net charge off of $293,293.11.

Ms. Barr made a motion to approve the amount recommended for bad debt. Ms. Gruye seconded the motion and it passed unanimously.

Other

Mr. Larson pointed out that the Touche Ross audit report was distributed to committee members. He indicated that the only change from the preliminary report was the reclassification of the malpractice settlement. Any questions or comments regarding this report can be brought up next month.

There being no further business, the meeting of the Finance Committee was adjourned at 11:33 a.m.

Respectfully submitted,

Terry Rosecke

Terry Rosecke
Secretary