



UNIVERSITY OF MINNESOTA
TWIN CITIES

The University of Minnesota Hospital and Clinic
Harvard Street at East River Road
Minneapolis, Minnesota 55455

**MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE**
Wednesday, March 25, 1987
10:30 A.M.
Dale Shepherd Room - Campus Club
Coffman Memorial Union

COMMITTEE MEMBERS

Robert Nickoloff, Chair
Carol Campbell
Edward Ciriacy, M.D.
Clifford Fearing
Gregory Hart
William Krivit, M.D., Ph.D.
Jerry Meilahn
Barbara O'Grady
Vic Vikmanis

A G E N D A

- | | | |
|------|--|----------------------|
| I. | Opening of Meeting, and Approval of Minutes of Finance Committee Meeting held 2/25/87
(Approval) pp. 1-4 | Ms. Barbara O'Grady |
| II. | February Year-to-Date Financial Statements
(Information) pp. 5-12 | Mr. Clifford Fearing |
| III. | Primary Care Network Management Company
(Information) | Mr. Greg Hart |
| IV. | Preliminary Review of 1987-88 UMHC Operating Budget
(Information)
Materials to be distributed at the meeting. | Mr. Clifford Fearing |
| V. | Other Business | |
| VI. | Adjournment | |

Minutes
Meeting of the
Board of Governors Finance Committee
The University of Minnesota Hospital and Clinic
February 25, 1987

MEMBERS Carol Campbell

PRESENT: Edward Ciriacy, M.D.
Clifford Fearing
William Krivit, M.D., Ph.D.
Jerry Meilahn
Robert Nickoloff
Barbara O'Grady
C. Edward Schwartz
Vic Vikmanis

STAFF: Kay Fuecker
Greg Hart
Nancy Janda
Nels Larson
Helen Pitt
Dan Rode

CALL TO ORDER: The meeting of the Finance Committee was called to order by Mr. Robert Nickoloff, Chairman, at 9:40 A.M. in the Dale Shepherd Room of the Campus Club.

MINUTES: The minutes of the January 28, 1987 Finance Committee meeting were approved as written.

1/28/87
FINANCIAL
STATEMENTS: Mr. Cliff Fearing reported an average daily census for January, 1987, year-to-date of 417 with a current year daily census high of 490 on February 25, 1987. Admissions for the month were 1,607 or 7.9% above budget and patient days in January were 12,669 or 7.8% above budget. Outpatient clinic visits totaled 20,167, 8% above budget.

The Hospital, Mr. Fearing noted, shows total revenue over expense through the end of January of \$2,796,527 for a favorable variance over budget of \$9,285,047. Ancillary revenue was 18.9% above budget and reflected a favorable variance in admissions and clinic visits, and a higher than anticipated per patient utilization of services. Operating expenses through January were 5.1% above budget, primarily due to increased personnel costs and patient care supplies related to the increase in demand for patient services.

Mr. Fearing reported a positive cash flow of \$815,00 despite accounts receivables running 109.3 days outstanding. The increase of 1.8 days in January was primarily due to the Blue Cross/AWARE and Blue Cross Out-of-State categories.

Meeting of the Finance Committee
 Minutes, February 25, 1987
 Page Two

**PEAT, MARWICK
 MITCHELL 1986
 MANAGEMENT
 LETTER**

Mr. Cliff Fearing briefly reviewed the Peat Marwick Mitchell 1986 Management Letter. He noted that the Hospital's new financial system will correct the major weakness in the reporting systems and until the new system is in place, a monthly reconciliation with University accounts will be completed.

The new computer system, Mr. Fearing noted, will be located on the 1st floor of the Rehabilitation building where it should be running parallel to the old system in May and June and then switch to the new system exclusively on July 1.

**1985-86 AUDITED
 FINANCIAL
 STATEMENTS:**

Mr. Fearing reviewed the Audited Financial Statements for the fiscal year ended June 30, 1986. In comparing the Audited Financial Statements to the Hospital's preliminary statements issued in September, 1986, Peat Marwick & Mitchell made the following adjustments: 1) \$1,643,000 to reduce income for a claim made by the State of Wisconsin to recover payments made to UMHC in 1984 and 1985 which were deemed overpayments. UMHC is contesting this claim, but since it will most likely require litigation to settle the matter, the Auditors made the adjustment to conservatively represent UMHC's financial position. This claim came to light in October of 1986 after publication of UMHC's Preliminary Financial Statements. 2) PM&M increased UMHC's estimated liability for Medicare paybacks by \$366,000 for fiscal year 1985-86. The difference between UMHC's and PM&M's estimates is due to approach only. UMHC did not feel the adjustment significant enough to strongly oppose it. 3) PM&M corrected UMHC's accrued interest calculation on Hospital Debt which reduced interest expense by \$59,000. UMHC concurred with this adjustment.

Mr. Fearing reported one-half of Primary Care Network's equity contribution by the Hospital was written off during 1985-86, with the remaining half being done this year. The guaranteed loan will not be included in the hospital financial statement until they become payable.

**GRADUATE MEDICAL
 EDUCATION
 SURVEY**

The main purposes of the Graduate Medical Education Survey were to determine if UMHC was paying for a proportionate share of residents as compared to the other hospitals in relation to both inpatient and outpatient volumes, to determine the extent to which the other hospitals paid for medical fellows, to determine the level of stipend payments and to determine the extent to which the other hospitals

Meeting of the Finance Committee
 Minutes, February 25, 1987
 Page Three

paid for graduate medical education supervision. The major findings of the survey included: 1) there is no consistent or agreed upon formula for supporting residents; 2) UMHC pays for fewer residents than the hospitals in the survey; 3) the number of residents at UMHC is proportionately higher than at the other hospitals in the survey; 4) 38% of the hospitals surveyed paid for medical fellows; 5) all surveyed hospitals contracted with individual departments for specific residents and paid at that stipend level; and 6) 50% of the surveyed departments paid the medical school or clinical departments for associated supervisory functions.

Based on this survey, UMHC has agreed to: 1) increase its support from 196.5 FTE residents to 227 residents; 2) increase stipend support from the G-2 level to the midpoint level of the certification program; 3) will not provide specific funding for medical fellows; 4) Clinical Development Fund will be reduced to partially offset the increased costs; and 5) the new agreements will be effective July 1, 1987 and reviewed each January thereafter.

**ACCOUNTS REC-
 EIVABLE RED-
 UCATION PLAN:**

Mr. Dan Rode briefly reviewed the source of the accounts receivable: 1) 19% of receivables are UMHC's discharged not final billed accounts; 2) 27% are the collection and patient follow-up accounts; and 3) 54% are third party receivables. Mr. Rode noted that although the Hospital's accounts receivables are generally comparable to other Twin Cities Hospitals, a great variance occurs in how hospitals are reporting them.

Mr. Rode noted UMHC will be adopting the following procedures by increasing overtime, hiring of short-term part-time students or staff and/or the hiring of additional full-time personnel: enhance the discharged not final billed coding process; follow-up with insurance carriers, and where necessary seek the patients and employers assistance in obtaining payment whenever possible; in industrial compensation accounts UMHC will use the hearing process and legal counsel; seek an increase in our BCBSM PIP payments; and temporarily add additional staff with nursing backgrounds to attempt to resolve the backlog of audited accounts.

**PRIMARY CARE
 NETWORK MAN-
 AGEMENT COMPANY,
 INC.**

Mr. Ed Schwartz briefly reviewed the highlights of materials sent under separate cover to the committee. PCN invisions a break-even point in December, 1989 while maintaining minimum staffing levels. Mr. Schwartz then reviewed the financial obligations of UMHC and UMCA and noted UMCA is not in a position to increase its liabilities at this time.

Meeting of the Finance Committee
Minutes, February 25, 1987
Page Four

Mr. Schwartz noted the Executive Committee of the Board recommended funding for 1 year with close monitoring of the plan. Committee members felt the Finance Committee should be following PCN's progress each month at its meeting. Dr. Krivit requested that UMCA should be present at all meetings when PCN's financial positions is discussed.

The Finance Committee seconded and passed the motion to approve the following resolution and forward it to the Board of Regents:

WHEREAS, in August, 1985, the Board of Regents approved the purchase by the University of 34% of the stock in Primary Care Network Management Company; and,

WHEREAS, the closing with respect to the acquisition of Primary Care Network Management Company occurred on September 5, 1985; and,

WHEREAS, it has become necessary for Primary Care Network Management Company to increase it's credit line;

NOW, THEREFORE BE IT RESOLVED that the Board of Governors recommend to the Regents of the University of Minnesota that the appropriate administrative officers be authorized to sign the requisite financial documents to increase the University's guarantee of Primary Care Network Management Company debt from the University's current obligation of \$600,000 to an amount to exceed \$1,120,000.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 12:00 Noon.

Respectfully submitted,



Kay F. Fuecker
Recording Secretary

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Kay F. Fuecker
Recording Secretary



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospital and Clinic
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

March 25, 1987

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: Report of Operations for the Period
July 1, 1986 through February 28, 1987

The Hospital's operations through the month of February continued to reflect both inpatient admissions and outpatient visit activity that were above budgeted levels. In addition, we continued to experience ancillary service utilization that was higher than anticipated. To highlight our position:

Inpatient Census: For the month of February, inpatient admissions totaled 1,548 or 246 above budgeted admissions of 1,302. Our overall average length of stay for the month was 8.4 days. Patient days for February totaled 12,318 and were 1,483 days above budget. The increase in admission levels was primarily in the areas of Gynecology, Medicine, Pediatrics, and Urology.

To recap our year-to-date inpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Admissions	11,555	11,279	12,431	1,152	10.2
Avg.Lnth.of Stay	8.3	8.3	8.3	0	0.0
Patient Days	95,222	93,675	102,103	8,428	9.0
Percent Occupancy	66.3	64.2	71.3	7.1	11.1
Avg.Daily Census	391.9	385.5	420.2	34.7	9.0

Outpatient Census: Clinic visits for the month of February totaled 19,299 or 2,092 (12.2%) above budgeted visits of 17,207. The increase in activity was experienced in nearly all clinic areas with the largest increases occurring in Medicine, Ophthalmology, Emergency Services, and Urology.

Report of Operations - February, 1987

Page two

To recap our year-to-date outpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Clinic Visits	144,991	145,020	161,973	16,953	11.7
CUHCC Visits	26,710	24,768	30,788	6,020	24.3
HHA Visits	5,766	9,907	6,534	-3,373	-34.0

Financial Operations: The Hospital's Statement of Operations shows total revenues over expense of \$ 2,475,730, a favorable variance of \$ 9,848,677.

Patient care charges through February totaled \$154,426,815 and were 16.3% above budget. Routine revenue was 9.3% above budget and reflected our favorable patient day variance. Ancillary revenue was approximately \$17,899,800 (19.4%) above budget and reflected (1) the favorable variance in both admissions and clinic visits; and (2) the utilization of ancillary services per patient being higher than anticipated. Inpatient ancillary revenue has averaged \$6,646 per admission compared to the budgeted average of \$6,199 per admission. Outpatient revenue per clinic visit has averaged \$169 compared to the budgeted average of \$153.

Operating expenditures through February totaled \$148,143,000 and were approximately \$9,130,100 (6.6%) above budgeted levels. The overall unfavorable variance continued to relate to the increase in demand for patient services and was seen primarily in increased personnel costs (salaries and fringe benefits) and patient care supplies (drugs, blood, medical supplies).

Accounts Receivable: The balance in patient accounts receivable as of February 28, 1987 totaled \$73,955,056 and represented 111.1 days of revenue outstanding. The overall increase in our patient receivables in February of 1.7 days occurred primarily in the Minnesota Medical Assistance, Medicare/ESRD, and Blue Cross/AWARE (1987) categories.

Conclusion: The Hospital's overall operating position continues to be positive and above budgeted levels. Both inpatient and outpatient census levels remain above budget. We continue to monitor our demand for service closely and make those operating changes that are necessary and appropriate.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1986 TO FEBRUARY 28, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Patient Care Charges	\$132,731,031	\$154,426,815	\$21,695,784	16.3%
Deductions from Charges	-20,641,951	-23,012,634	-2,370,683	-11.5%
Other Operating Revenue	3,528,841	3,662,667	133,826	3.8%
Total Operating Revenue	115,617,921	135,076,848	19,458,927	16.8%
Total Expenditures	-139,012,981	-148,143,043	-9,130,062	-6.6%
Net Operating Revenue	-23,395,060	-13,066,195	10,328,865	
Non-Operating Revenue and Expenses	16,022,113	15,541,925	-480,188	-3.0%
Revenue Over Expense	\$-7,372,947	\$2,475,730	\$9,848,677	(1)

(1) Variance equals 7.5 % of total budgeted revenue.

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Admissions	11,279	12,431	1,152	10.2%
Patient Days	93,675	102,103	8,428	9.0%
Average Daily Census	385.5	420.2	34.7	9.0%
Average Length of Stay	8.3	8.3	0.0	0.0%
Percentage Occupancy	64.2%	71.3%	7.1%	11.1%
Outpatient Clinic Visits	145,020	161,973	16,953	11.7%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO FEBRUARY 28, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Gross Patient Charges	\$132,731,031	\$154,426,815	\$21,695,784	16.3%
Deductions from Charges	20,641,951	23,012,634	2,370,683	11.5
Other Operating Revenue	3,528,841	3,662,667	133,826	3.8
Total Revenue from Operations	\$115,617,921	\$135,076,848	\$19,458,927	16.8%
Expenditures				
Salaries	\$58,905,269	\$63,884,266	\$4,978,997	8.5%
Fringe Benefits	11,453,848	11,999,019	545,171	4.8
Contract Compensation	5,846,264	6,029,812	183,548	3.1
Medical Supplies, Drugs, Blood	19,867,290	22,720,200	2,852,910	14.4
Campus Administration Expense	4,142,649	4,142,649	0	
Depreciation and Amortization	9,389,388	10,898,981	1,509,593	16.1
General Supplies & Expense	29,408,273	28,468,116	-940,157	-3.2
Total Expenditures	\$139,012,981	\$148,143,043	\$9,130,062	6.6%
Net Revenue from Operations	\$-23,395,060	\$-13,066,195	\$10,328,865	
Non-Operating Revenues and Expenses				
Appropriations	\$9,534,498	\$9,721,678	\$187,180	2.0%
Interest Income on Reserves	4,864,111	4,288,886	-575,225	-11.8
Shared Services	242,535	309,299	66,764	27.5
Investment Income on Trustee Held Assets	1,380,969	1,222,062	-158,907	-11.5
Total Non-Operating Revenues and Expenses	\$16,022,113	\$15,541,925	\$-480,188	-3.0%
Revenue Over / -Under Expenses	\$-7,372,947	\$2,475,730	\$9,848,677	(1)

(1) Variance equals 7.5% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO FEBRUARY 28, 1987

Annual Budget		Budgeted	Actual	Variance Over/-Under Budget	Variance %
	Patient Care Charges				
\$60,169,700	Routine	\$40,648,488	\$44,444,519	\$3,796,031	9.3%
139,094,000	Ancillary	92,082,543	109,982,296	17,899,753	19.4
\$199,263,700	Gross Charges	\$132,731,031	\$154,426,815	\$21,695,784	16.3%
	Deductions from Charges				
\$16,821,600	Third Party Contractual Adjustments	\$11,173,753	\$12,496,209	\$1,322,456	11.8%
8,124,800	Billing Adjustments & Employee Benefits	5,411,070	5,558,360	147,290	2.7
420,000	Charitable Care	279,766	433,226	153,460	54.9
3,026,700	Other Contractual Adjustments	2,016,107	2,476,499	460,392	22.8
2,644,100	Provisions for Uncollectables	1,761,255	2,048,340	287,085	16.3
\$31,037,200	Total Deductions	\$20,641,951	\$23,012,634	\$2,370,683	11.5%
	Other Operating Revenue				
\$1,165,100	Food Services	\$775,672	\$907,521	\$131,849	17.0%
452,400	Parking Services	270,245	46,718	-223,527	-82.7
99,900	Department Non-Patient	66,511	71,734	5,223	7.9
1,023,100	CUHCC Grants	681,129	766,810	85,681	12.6
1,486,100	Reference Lab Income	989,377	979,238	-10,139	-1.0
1,119,800	Pro Fees - Net Revenue	745,907	865,409	119,502	16.0
0	Donations to Operations from Restricted Funds	0	25,237	25,237	
\$5,346,400	Total Other Revenue	\$3,528,841	\$3,662,667	\$133,826	3.8%
\$173,572,900	Total Revenue from Operations	\$115,617,921	\$135,076,848	\$19,458,927	16.8%
	Expenditures				
\$87,879,400	Salaries	\$58,905,269	\$63,884,266	\$4,978,997	8.5%
17,115,800	Fringe Benefits	11,453,848	11,999,019	545,171	4.8
1,875,700	Academic Contracts	1,250,464	1,245,456	-5,008	-0.4
4,685,500	Resident Contracts	3,123,664	3,123,664	0	
2,208,200	Physician Compensation	1,472,136	1,660,692	188,556	12.8
\$113,764,600	Total Salary, F.B. & Fees	\$76,205,381	\$81,913,097	\$5,707,716	7.5%
2,079,600	Laundry & Linen	1,395,220	1,365,721	-29,499	-2.1%
1,392,200	Raw Food	933,802	1,077,748	143,946	15.4
13,975,900	Drugs	9,257,786	10,325,903	1,068,117	11.5
4,880,400	Blood & Blood Derivatives	3,232,832	3,546,291	313,459	9.7
11,136,100	Medical Supplies	7,376,672	8,848,006	1,471,334	19.9
3,055,900	Utilities	2,079,651	2,745,380	665,729	32.0
2,832,400	Insurance	1,554,927	1,763,489	208,562	13.4
2,335,200	Rental	1,580,800	1,593,440	12,640	0.8
3,349,300	Maintenance & Repair	2,229,808	2,379,769	149,961	6.7
1,312,800	Communications	874,000	962,772	88,772	10.2
0	Net Loss on Disposal of Assets	0	9,311	9,311	
6,222,500	Campus Administration Expense	4,142,649	4,142,649	0	
14,103,400	Depreciation and Amortization	9,389,388	10,898,981	1,509,593	16.1
14,001,200	Interest	9,321,348	6,453,616	-2,867,732	-30.8
14,177,500	General Supplies & Expense	9,438,717	10,116,870	678,153	7.2
\$208,619,000	Total Expenditures	\$139,012,981	\$148,143,043	\$9,130,062	6.6%
-35,046,100	Net Revenue from Operations	\$-23,395,060	\$-13,066,195	\$10,328,865	
	Non-Operating Revenue and Expenses				
\$13,638,900	Appropriations & Support	\$9,080,142	\$9,227,344	\$147,202	1.6%
511,500	Accrued Interest on Appropriation	454,356	494,334	39,978	8.8
7,187,600	Interest Income on Reserves	4,864,111	4,288,886	-575,225	-11.8
364,300	Shared Services	242,535	309,299	66,764	27.5
2,074,300	Investment Income Held by Trustee	1,380,969	1,222,062	-158,907	-11.5
\$23,776,600	Total Non-Operating Revenue and Expenses	\$16,022,113	\$15,541,925	\$-480,188	-3.0%
-11,269,500	Revenue Over/-Under Expense	\$-7,372,947	\$2,475,730	\$9,848,677	

(1) Variance equals 7.5% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1986 TO FEBRUARY 28, 1987

Source of Funds

Beginning Operating Cash Balance		\$9,475
Net Income from Operations	-13,066,195	
Non-Operating Revenue	15,541,925	
		<hr/>
Excess of Revenue over Expense		2,475,730
Items not Requiring the Outlay of Cash:		
Depreciation		10,898,981
University Support: G & A		4,142,649
University Support: KE Utilities		147,038
Decrease in Other Receivables		962,534
Decrease in Prepaid Expenses		785,027
Deferred Third Party Reimbursement		478,888
Renewal Project Interest Expense		5,977,471
Miscellaneous Sources		12,565
		<hr/>
Total Funds Provided from Operations		\$25,890,358

Funds Applied

Transfers to Plant:		
Increase in Capital Expenditures	\$3,182,138	
Decrease in Capital Encumbrances	23,822	
Total Transfers to Plant from Operations		\$3,205,960
Increase in Accounts Receivable		13,827,198
Decrease in Inventories		100,928
Third Party Liabilities Transfer		264,220
Decrease in Accrued Expenses		2,260,456
Investment Income - Trustee Held Assets		1,222,062
Transfer to Reserves - Bond Retirement		1,753,333
Transfer to Reserves - Bond Interest Payable		4,559,089
		<hr/>
Total Funds Applied		\$ 27,193,246
Operating Cash Made Available from Operations		<hr/>
		\$ -1,302,888
		<hr/>

(1) Total Operating Cash Available of \$-1,302,888; plus Transfers to Plant of \$3,205,960; plus Transfers to Reserves for debt retirement and interest payable of \$6,312,422 equals Cash Generated from Operations of \$8,215,494.

Current Cash Summary

Operating Cash	\$ -1,302,888
Reserve Cash for Liability to Third Party Payors	10,253,440
Unrealized Appropriation Cash	4,632,656
Reserve Cash for Short Term Debt Retirement	2,500,000
	<hr/>
	16,083,208
Less Interest Income on Reserves	-4,783,220
	<hr/>
Total Current Cash	\$11,299,988
	<hr/>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

BALANCE SHEETS

FEBRUARY 28, 1987 AND JUNE 30, 1986

ASSETS

LIABILITIES AND FUND BALANCES

	2/28/87	6/30/86		2/28/87	6/30/86
	-----	-----		-----	-----
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$ -6,086,108	\$ 9,475	Accounts Payable	\$ 2,428,380	\$ 3,969,645
Reserve Cash- Third Party Payable	10,253,440	10,141,986	Payable to Third Party Contr. Payors	10,253,440	10,141,986
Unrealized Appropriation Cash	4,632,656	0	Salaries, Wages and Payroll Taxes	3,663,202	5,405,654
Reserve Cash- Short Term Debt	2,500,000	2,500,000	Accrued Vacation	6,505,131	5,957,248
Accounts Receivable			Accrued Professional Fees and Physician Compensation	1,658,651	2,468,184
Patient Receivables	73,955,056	55,896,815	Contracts Payable	1,243,321	2,312,557
Other Receivables	910,844	1,813,378	Interest Payable	2,016,957	2,407,435
	-----	-----	Current Portion of Long-Term Debt	3,778,094	6,155,057
Less Allowances for Losses in Collection	-5,250,496	-4,710,000			
Less Allowances for Discounts to Third Party Payors	-13,312,738	-9,622,191			
	-----	-----			
	56,302,666	43,378,002			
Trustee Held Assets	801,621	6,549,469			
Inventories of Drugs & Supplies	4,909,564	4,670,632			
Prepaid Expenses	252,363	1,037,390			
Silver Flake	0	138,004			
	-----	-----			
TOTAL CURRENT ASSETS	\$73,566,202	\$68,424,958	TOTAL CURRENT LIABILITIES	\$ 31,547,176	\$ 38,817,766
BOARD DESIGNATED ASSETS:					
Board Designated Assets Available for Assignment					
Cash & Investments	\$57,363,531	\$60,064,655			
Accrued Interest	2,192,025	749,059			
	-----	-----			
	59,555,556	60,813,714			
Cash & Investments Assigned to Construction Projects	7,409,638	5,059,360			
	-----	-----			
TOTAL BOARD DESIGNATED ASSETS	\$66,965,194	\$65,873,074			
DEFERRED THIRD PARTY REIMBURSEMENT	\$10,411,683	\$10,890,571			
OTHER ASSETS	591,161	591,161			
LAND, BUILDINGS & EQUIPMENT					
Land, Buildings & Improvements	\$176,039,302	\$174,543,682			
Equipment	70,126,290	64,418,269			
	-----	-----			
	246,165,592	238,961,951			
Less Accumulated Depreciation	-66,078,495	-55,384,931	UNRESTRICTED FUND BALANCE	\$175,979,444	\$164,581,371
	-----	-----			
	180,087,097	183,577,020			
Construction in Progress	8,973,717	7,458,010			
	-----	-----			
TOTAL LAND, BUILDINGS & EQUIPMENT	\$189,060,814	\$191,035,030			
TRUSTEE HELD ASSETS	\$50,655,848	\$50,143,723			
DEFERRED DEBT EXPENSE	\$2,078,064	\$2,187,659			
	-----	-----			
	\$393,328,966	\$389,146,176		\$393,328,966	\$389,146,176
	=====	=====		=====	=====
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
			Fund Balances		
Cash and Investments	\$4,650,183	\$4,243,247	Endowment Funds	\$1,782,638	\$1,656,445
	-----	-----	Gift Funds	2,867,545	2,586,802
				-----	-----
				\$4,650,183	\$4,243,247
				=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE PERIOD JULY 1, 1986 TO FEBRUARY 28, 1987

	OPERATING FUND	BOARD DESIGNATED FUND	PLANT FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS				
Beginning Balance	\$30,531,875	\$60,813,714	\$73,235,782	\$164,581,371
Net Income				
Excess of Revenue over Expense	5,455,721			
Interest Income on Reserves		4,288,886		
Accrued Interest on Appropriations		494,334		
Depreciation Expense			-10,898,981	
Loss on Disposal of Assets			-9,311	
Interest Expense			1,923,019	
Interest Income on Trustee Held Fund			1,222,062	
Total Income				2,475,730
Less Expense				
Unrealized Appropriation Revenue	4,632,656			4,632,656
University Support: G & A	4,142,649			4,142,649
K/E Utilities	147,038			147,038
Transfers Between Funds				
Major Building Projects- Hospital Only		-1,818,594	1,818,594	
Capital Expenditures	-3,182,138	-311,452	3,493,590	
Capital Encumbrance Change	-23,822		23,822	
Loan To Ortho Surgery	60,000	-60,000		
IV Pump Leasing	-36,000		36,000	
Major Equipment Purchases		-827,855	827,855	
CT Scanner	-845,880	845,880		
Transfer to Trustee- Interest Payment	6,267,482	-7,711,779	1,444,297	
Transfer to Trustee- Principal Payment		-2,470,000	2,470,000	
Transfer to Reserves- Debt Sinking Fund	-1,753,333	1,753,333		
Transfer to Reserves- Bond Interest	-4,559,089	4,559,089		
Ending Balance	\$40,837,159	\$59,555,556	\$75,586,729	\$175,979,444

	Gift	Endowment	Total
RESTRICTED FUNDS			
Beginning Balance	\$2,586,802	\$1,729,398	\$4,316,200
Income	280,743	53,240	333,983
Ending Balance	\$2,867,545	\$1,782,638	\$4,650,183



UNIVERSITY OF MINNESOTA
TWIN CITIES

The University of Minnesota Hospital and Clinic
Harvard Street at East River Road
Minneapolis, Minnesota 55455

March 20, 1987

TO: Board of Governors

FROM: Greg Hart
Interim Hospital Director

SUBJECT: 1987-88 Operating Budget for University of Minnesota
Hospital and Clinic

Enclosed for your review are the operating budget schedules for the 1987-88 fiscal year. These budget projections are the results of the Hospital budget process which has involved all levels of management preparing a projection of activity, costs, reserve, revenue deductions and capital needs required to operate University Hospital and Clinic in fiscal year 1987-88. The annual equipment and renovation budget will be presented to the Planning and Development in their April 1987 meeting and will be presented to the Finance Committee on April 22, 1987.

The amount of funding for the capital budget is consistent with our long range financial planning at a total of \$6,717,000. This does not include major capital projects which will be presented separately to the Board of Governors and funded from sources other than 1986-87 operating funds.

The attached schedules provide a fairly detailed description of the projected operating budget outcomes for 1987-88. The highlights of the operating budget are a 2.9% price increase, bringing estimated gross patient charges to \$249,617,800; an average increase in costs of 7.0%, increasing operating costs to \$239,297,000. Cash flows from operations for 1987-88 are expected to be \$1,299,300. This cash flow position will provide the resources necessary to fund principal and interest payments on our outstanding debt and provide \$6,717,000 for equipment and renovation.

We believe this budget is consistent with our budget objectives and incorporates all known variables that will impact UMHC in fiscal 1987-88.

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BUDGET LETTER
1987-88 BUDGET**

The 1987-88 Budget has been developed with the following set of assumptions:

- Medicare Prospective Payment System (PPS)

Assumptions affecting UMHC payments include the following:

- A 1.15% payment rate increase on the hospital portion of the DRG rate effective July 1, 1987.
- A 2.0% payment rate increase on the federal portion of the DRG rate effective October 1, 1987.
- The blend of PPS rates of 25% hospital specific/75% federal that become effective February 1987 will continue through the 1987-88 fiscal year.
- A reduction in the indirect medical education factor from 8.1% to 4.0% effective July 1, 1987.
- No change in the present level of payments for direct medical education.
- Capital costs would continue to be reduced by 3.5% through September 30, 1987 and will be reduced by 7.0% beginning October 1, 1987.

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

Payments will continue to be made based on the 36 diagnostic categories set up by the State Department of Human Services (DHS) and the payment rates will increase by 2.4% effective July 1, 1987. The 2.4% increase is the current proposal contained in the Governor's budget. In addition, we are assuming that the current GAMC ratable reduction rates will continue through the 1987-88 fiscal year.

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

We are assuming that the current payment levels in place for the calendar 1987 contract will continue through the 1987-88 fiscal year. We are also recognizing that effective December 1986 Blue Cross is no longer paying our clinic service fees and that this will reduce our reimbursement by approximately \$420,000 for the 1987-88 fiscal year.

- 1986-87 Budget Base

In projecting the 1987-88 fiscal year budget elements, the current experience in each category was used as the starting point to determine expected 1987-88 results. As described below and shown in the attached schedules, forecast admissions, patient days, clinic visits, expenses, revenues, and revenue deductions have been made based on current year experience. Current year experience has then been adjusted for changes in projected volume, mix and intensity of services, and new and also pending reimbursement regulations. The following are general descriptions of how the major elements in the 1987-88 budget were projected:

- Demand Analysis

For the 1986-87 fiscal year we had developed a budget of 16,950 admissions and 138,790 patient days. Using our actual experience through January, 1987 we are projecting 18,500 admissions and 154,450 patient days. While the increase in admission levels occurred throughout the majority of clinical service areas, Medicine, Pediatrics, Surgery and Urology experienced the greatest increase.

The 1987-88 census projections reflect a slight decline in demand because of the general HMO/PPO influence on competition as well as continued emphasis on same-day surgery admissions and efforts to reduce low-acuity patient days. Inpatient census for 1987-88 has been budgeted at 18,350 admissions and 153,000 patient days.

Schedules I, II and III summarize the demand forecasts for 1986-87 and 1987-88.

- Ancillary Service Utilization

While the 1987-88 budget for ancillary service revenue reflects the projected decline in inpatient admission levels, it also reflects a slightly higher average utilization level due to changes in the mix of our patient population. In The 1987-88 budget year we anticipate continued growth in the areas of bone marrow transplants, organ transplants, cardiology and cardiovascular surgery. Patients in these clinical areas typically utilize ancillary services at a level higher than the overall average. In addition we anticipate increased ancillary utilization in conjunction with the AIDS Treatment Evaluation Unit.

- Deductions from Charges

Schedule IV is a summary of the expected deductions from revenue for fiscal years 1986-87 and 1987-88. The fiscal 1987-88 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid programs.

- Other Operating Revenue

Schedule V is a summary of projected operating revenues from sources other than patient care. The increase in other operating revenue projected for the 1987-88 fiscal year is due primarily to the opening of the new parking ramp in January 1987 and reflecting a full year of operations in 1987-88.

- Full-Time Equivalent Summary

Schedule VI is a summary of the projected full-time equivalent (FTE) changes for the 1987-88 fiscal year. We are currently projecting FTEs for 1986-87 to average 3,780.0. Projected changes for the 1987-88 fiscal year include the addition of: (1) 13.0 FTEs to expand or enhance clinical programs; (2) 2.0 FTEs associated with the new parking ramp where the cost is offset with other operating revenue; (3) 2.0 FTEs necessary for Computer Support. With these changes the projected FTEs for 1987-88 average 3,797. Management is continuing to examine the departmental needs identified and will be evaluating those requested changes.

- Expenditure Summary

Schedule VII is a comparative summary of expenditures projected for 1986-87 and budgeted for 1987-88. The expenditure levels have been determined using January, 1987 year-to-date actual experience as a basis for projection. Although pay plans for employees have not been finalized, we have incorporated salary and wage increases that appear consistent with those in the community. The following inflationary assumptions were used in projecting 1987-88:

	<u>Inflation %</u>
Salaries:	
July 1, 1987 Across the Board	3.0%
Step Increases (Bargaining Units, GSN's Pharmacists, Rad. Tech, CRNA's)	1.1%
Merit Based Progression Increases (Increase to equal 1.5% of the base for non-step/non-student classifications.)	0.8%
Comparable Worth	0.5%
Market Place Range Adjustments	<u>1.3%</u>
	<u>6.7%</u>
Fringe Benefits	7.3%
Academic/Resident Contract	3.3%
Physician Compensation	4.3%
Other Contract	5.0%
Utilities	3.9%
Insurance	48.0%
Campus G & A	4.0%
Drugs	8.4%
Blood	2.4%
Medical Supplies	3.8%
Food	4.0%
Laundry and Linen	2.6%
Rental	3.0%
Maintenance	7.3%
General Supplies & Expense	4.5%

Depreciation and interest expense recognize a full year of cost for the addition of the parking ramp and the tunnel linking the parking ramp to Unit J.

- Non-Operating Revenue

Schedule VIII is a summary of expected appropriations and other non-patient revenues for fiscal years 1986-87 and 1987-88. The projection for inflationary increases on the appropriations is 4.0%. We are also assuming that in the 1987-88 fiscal year the appropriations will no longer earn interest income for the Hospital. The appropriations will be received by the Hospital on a monthly basis rather than being received in total on July 1. This change reduces our revenues by approximately \$540,000 in the budget year.

● Fiscal Year 1987-88 Price and Revenue Increases

The price increase planned for 1987-88 is 2.9% and results in an increase in patient charges of approximately \$7,035,000 and brings total patient charges to \$249,617,800. The Comparative Statement of Operations and Operating Cash Flow on Schedule IX summarizes our projected position for the 1987-88 fiscal year.

● Capital Expenditures

Capital expenditures that will be provided from operating cash flows in 1987-88 for re-occurring equipment replacement and minor remodeling will be \$6,717,000. Major capital projects such as the second MRI unit, Psychiatry renovation and other Mayo remodeling will be presented separately to the Board of Governors when their planning has been finalized. Funding for the major capital projects will be from Unit J savings or Hospital reserves.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 FOR FISCAL YEARS 1986-87 AND 1987-88
 COMPARATIVE DEMAND ANALYSIS
 INPATIENT ADMISSIONS

SCHEDULE I

ADMISSIONS	1986-87 PLANNED BUDGET	1986-87 PROJECTION	1987-88 BUDGET
CLINICAL RESEARCH	287	442	445
DENTISTRY	64	67	66
DERMATOLOGY	39	16	16
FAMILY PRACTICE	29	24	24
GYNECOLOGY	1,332	1,394	1,374
MEDICINE	3,186	3,634	3,683
NEUROLOGY	609	397	356
NEUROSURGERY	911	841	829
NEWBORN	333	360	354
NUCLEAR MEDICINE	3	6	6
OBSTETRICS	534	608	599
OPHTHALMOLOGY	980	971	956
ORTHOPAEDICS	1,000	1,034	1,068
OTOLARYNGOLOGY	498	462	455
PEDIATRICS	2,918	3,242	3,206
PM & R	225	162	160
PSYCHIATRY - ADULT	711	773	762
PSYCHIATRY - CHILD	74	64	63
RADIATION THERAPY	3	0	0
SURGERY	2,464	2,914	2,903
UROLOGY	750	1,089	1,025
TOTAL	16,950	18,500	18,350

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 FOR FISCAL YEARS 1986-87 AND 1987-88
 COMPARATIVE DEMAND ANALYSIS
 PATIENT DAYS

SCHEDULE II

PATIENT DAYS	1986-87 PLANNED BUDGET	1986-87 PROJECTION	1987-88 BUDGET
-----	-----	-----	-----
CLINICAL RESEARCH	1,642	2,237	2,254
DENTISTRY	108	121	119
DERMATOLOGY	353	206	206
FAMILY PRACTICE	58	149	149
GYNECOLOGY	5,812	5,982	5,903
MEDICINE	26,837	31,363	31,771
NEUROLOGY	6,786	3,394	2,527
NEUROSURGERY	6,280	6,047	5,967
NEWBORN	1,062	1,115	1,098
NUCLEAR MEDICINE	5	6	6
OBSTETRICS	2,398	2,623	2,586
OPHTHALMOLOGY	3,532	3,006	2,963
ORTHOPAEDICS	5,864	7,022	7,259
OTOLARYNGOLOGY	1,874	1,938	1,910
PEDIATRICS	28,837	34,412	34,079
PM & R	4,582	3,560	3,519
PSYCHIATRY - ADULT	14,499	17,139	16,908
PSYCHIATRY - CHILD	2,602	2,173	2,141
RADIATION THERAPY	7	0	0
SURGERY	22,104	27,824	27,742
UROLOGY	3,548	4,133	3,893
TOTAL	----- 138,790 -----	----- 154,450 -----	----- 153,000 -----

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 FOR FISCAL YEARS 1986-87 AND 1987-88
 COMPARATIVE DEMAND ANALYSIS
 CLINIC VISITS

SCHEDULE III

	1986-87 PLANNED BUDGET	1986-87 PROJECTION	1987-88 BUDGET
-----	-----	-----	-----
AMBULATORY CARE			
CLINIC VISITS	188,165	213,679	218,739
EMERGENCY ROOM VISITS	14,365	16,212	16,212
THERAPEUTIC RADIOLOGY VISITS	17,070	16,917	16,917
AMBULATORY SURGERY VISITS	3,000	3,792	3,792
	-----	-----	-----
TOTAL	222,600	250,600	255,660
	-----	-----	-----

COMMUNITY UNIVERSITY HEALTH CARE CENTER	37,600	44,982	48,000
HOME HEALTH	14,881	9,683	9,269

University of Minnesota Hospital & Clinic
Deductions from Charges
For Fiscal Years 1986-87 and 1987-88

Schedule IV

	1986-87 Planned Budget -----	1986-87 Projection -----	1987-88 Budget -----
Medicare/Medical Assistance	\$12,560,500	\$15,643,800	\$21,955,300
Blue Cross AWARE	3,567,100	3,536,000	4,855,400
GAMC Rateable Reduction	329,400	447,000	475,400
Billing Adjustments:			
Laboratory Medicine	3,306,000	4,626,800	4,911,400
Medical Assistance Holdback	3,862,600	2,988,200	3,178,600
Prompt Payment Discount	213,400	326,600	347,400
Late Charges	81,200	112,000	119,200
All Other Billing Adj.	613,200	578,100	614,900
Employee Benefits	48,400	35,500	37,800
Provision for Uncollectables	2,644,100	3,113,900	3,312,300
Other Contractual Adjustments:			
Clinical Research Center	694,000	940,000	955,000
Charitable Care	420,000	625,200	663,800
Kidney Acquisition	1,774,200	2,263,500	2,407,700
Negotiated Contracts	206,400	479,400	509,900
HMO Contracts	600,000	378,700	752,900
O.B. Specials/Group Health	11,900	12,000	12,800
All Other Contract Adj.	104,800	180,100	191,600
	-----	-----	-----
Total	<u>\$31,037,200</u>	<u>\$36,286,800</u>	<u>\$45,301,400</u>

University of Minnesota Hospital & Clinic
 Other Operating Revenue Summary
 For Fiscal Years 1986-87 and 1987-88

Schedule V

	1986-87 Planned Budget	1986-87 Projection	1987-88 Budget
	-----	-----	-----
Food Services	\$1,165,100	\$1,361,300	\$1,348,500
Parking Services	452,400	206,000	500,000
Department Non-Patient	99,900	102,900	78,700
CUHCC Grants	1,023,100	1,007,900	1,066,700
Reference Lab Income	1,486,100	1,484,300	1,543,700
Pro Fees--Net Revenue	1,119,800	1,288,800	1,352,600
Donations to Operations from Restricted Funds	0	25,000	0
	-----	-----	-----
Total	\$5,346,400 =====	\$5,476,200 =====	\$5,890,200 =====

University of Minnesota Hospital & Clinic
Full-time Equivalent (FTE) Summary
For Fiscal Years 1986-87 and 1987-88

Schedule VI

1986-87 Projected FTE's 3,780.0

Projected Changes:

Clinical Programs:

Operating Rooms	4.5	
Laboratories	4.5	
Radiology	2.0	
Outpatient Clinics	2.0	13.0

Revenue Offsets:

Parking Ramp		2.0
--------------	--	-----

Computer Support		2.0

1987-88 Budgeted FTE's 3,797.0
=====

University of Minnesota Hospital & Clinic
 Expenditure Summary: 1986-87 Projection vs 1987-88 Budget
 For Fiscal Years 1986-87 and 1987-88

Schedule VII

	1986-87 Planned Budget	1986-87 Projection	Variance	Percent Variance	1987-88 Budget	Increase/ (Decrease)	Percent Change
Expenditures							
Salaries	\$ 87,879,400	\$ 94,771,200	\$ 6,891,800	7.8%	\$ 101,075,300	\$ 6,304,100	6.7%
Fringe Benefits	17,115,800	17,760,800	645,000	3.8%	19,139,500	1,378,700	7.8%
Academic Contracts	1,875,700	1,868,100	-7,600	-0.4%	1,960,300	92,200	4.9%
Resident Contracts	4,685,500	4,632,200	-53,300	-1.1%	5,533,100	900,900	19.4%
Physician Compensation	2,208,200	2,490,800	282,600	12.8%	2,683,300	192,500	7.7%
Total Salary, F.B. & Fees	\$ 113,764,600	\$ 121,523,100	\$ 7,758,500	6.8%	\$ 130,391,500	\$ 8,868,400	7.3%
Laundry & Linen	\$ 2,079,600	\$ 2,070,100	\$ -9,500	-0.5%	\$ 2,106,000	\$ 35,900	1.7%
Raw Food	1,392,200	1,651,700	259,500	18.6%	1,688,200	36,500	2.2%
Drugs	13,975,900	16,612,000	2,636,100	18.9%	20,236,500	3,624,500	21.8%
Blood & Blood Derivatives	4,880,400	5,612,400	732,000	15.0%	5,853,500	241,100	4.3%
Medical Supplies	11,136,100	13,408,100	2,272,000	20.4%	13,939,600	531,500	4.0%
Utilities	3,055,900	4,220,300	1,164,400	38.1%	4,254,600	34,300	0.8%
Insurance	2,832,400	2,058,300	-774,100	-27.3%	1,007,900	-1,050,400	-51.0%
Rental	2,335,200	2,781,300	446,100	19.1%	2,902,200	120,900	4.3%
Maintenance & Repair	3,349,300	3,540,200	190,900	5.7%	4,252,100	711,900	20.1%
Communications	1,312,800	1,412,100	99,300	7.6%	1,475,700	63,600	4.5%
Net Loss on Disposal of Assets	0	10,000	10,000		0	-10,000	
Campus Administration Expense	6,222,500	6,222,500	0	0.0%	6,471,400	248,900	4.0%
Depreciation	14,103,400	16,283,800	2,180,400	15.5%	16,693,600	409,800	2.5%
Interest	14,001,200	9,674,100	-4,327,100	-30.9%	10,428,000	753,900	7.8%
General Supplies & Expense	14,177,500	16,542,100	2,364,600	16.7%	17,596,200	1,054,100	6.4%
Total Supplies & Expense	\$ 94,854,400	\$ 102,099,000	\$ 7,244,600	7.6%	\$ 108,905,500	\$ 6,806,500	6.7%
Total Expenditures	\$ 208,619,000	\$ 223,622,100	\$ 15,003,100	7.2%	\$ 239,297,000	\$ 15,674,900	7.0%

University of Minnesota Hospital & Clinic
 Non-Operating Revenue Summary
 For Fiscal Years 1986-87 and 1987-88

Schedule VIII

	1986-87 Planned Budget -----	1986-87 Projection -----	1987-88 Budget -----
Appropriations	\$13,638,900	\$13,859,900	\$14,414,300
Interest Income	7,699,100	6,771,600	5,517,900
Shared Services	364,300	374,700	382,500
Interest Income on Debt- Service Reserve Fund	2,074,300	1,833,100	1,808,000
	-----	-----	-----
Total	\$23,776,600 =====	\$22,839,300 =====	\$22,122,700 =====

University of Minnesota Hospital & Clinic
 Summary Statement of Operations and Operating Cash Flow
 For Fiscal Years 1986-87 and 1987-88

SCHEDULE IX

	1986-87 Budget	1986-87 Projection	1987-88 Budget
Gross Patient Charges	\$199,263,700	\$234,668,400	\$249,617,800
Deductions from Charges	31,037,200	36,286,800	45,301,400
Other Operating Revenue	5,346,400	5,476,200	5,890,200
Total Revenue from Operations	\$173,572,900	\$203,857,800	\$210,206,600
Expenditures			
Salaries	\$ 87,879,400	\$ 94,771,200	\$101,075,300
Fringe Benefits	17,115,800	17,760,800	19,139,500
Contract Compensation	8,769,400	8,991,100	10,176,700
Medical Supplies, Drugs, Blood	29,992,400	35,632,500	40,029,600
Campus Administration Expense	6,222,500	6,222,500	6,471,400
Depreciation	14,103,400	16,283,800	16,693,600
Interest	14,001,200	9,674,100	10,428,000
General Supplies & Expense	30,534,900	34,286,100	35,282,900
Total Expenditures	\$208,619,000	\$223,622,100	\$239,297,000
Net Revenue from Operations	\$-35,046,100	\$-19,764,300	\$-29,090,400
Total Non-Operating Revenue	\$ 23,776,600	\$ 22,839,300	\$ 22,122,700
Revenue Over/(Under) Expenses	\$-11,269,500	\$ 3,075,000	\$ -6,967,700
Add Non-Cash Outlays:			
Depreciation	\$ 14,103,400	\$ 16,283,800	\$ 16,693,600
Campus Administration Expense	6,122,500	6,122,500	6,371,400
K.E. Utilities	136,300	137,100	139,000
Increase in Accrued Interest	2,039,200	1,856,900	-26,500
Increase in Accrued Expense	1,196,000	1,852,500	2,079,700
Increase in 3rd Party Payable	227,700	290,200	300,000
Decrease in Accrued Revenue	142,600	307,200	179,800
Total Funds Provided	\$ 12,698,200	\$ 29,925,200	\$ 18,769,300
Funds Applied			
Increase in Accounts Receivable	\$ 435,900	\$ 12,807,800	\$ 2,797,400
Increase in Prepaid Expense	285,500	-267,300	43,300
Increase in Inventories	308,500	607,200	575,700
Transfer to Reserves - 3rd Party	227,700	290,200	300,000
Capital Obligations:			
Principal Payment on Fixed-Rate Bonds	2,550,000	2,550,000	2,722,500
Recurring Equipment and Renovation	4,108,500	6,411,900	6,717,000
Parking Ramp Sinking Fund	60,300	76,200	76,200
Reserve for Accrued Interest	4,721,800	4,264,400	4,237,900
Total Funds Applied	\$ 12,698,200	\$ 26,740,400	\$ 17,470,000
Total Cash Available from Operations	\$ 0	\$ 3,184,800	\$ 1,299,300



UNIVERSITY OF MINNESOTA
TWIN CITIES

University Hospital and Clinic
420 Delaware Street S.E.
Minneapolis, Minnesota 55455

**MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE
Wednesday, April 22, 1987
12:00 NOON*
The Board Room
(8-106 University Hospital)**

COMMITTEE MEMBERS

Robert Nickoloff, Chair
Carol Campbell
Edward Ciriacy, M.D.
Clifford Fearing
Gregory Hart
William Krivit, M.D.
Jerry Meilahn
Barbara O'Grady
Vic Vikmanis

A G E N D A

- | | | |
|-------|---|----------------------|
| I. | Opening of Meeting and Approval of Minutes of Finance Committee Meeting held 3/25/87
(Approval) pp. 1-3 | Mr. Robert Nickoloff |
| II. | March Year-to-Date Financial Statements
(Information) pp. | Mr. Clifford Fearing |
| III. | 1987-88 Operating Budget
(Endorsement) pp. | Mr. Clifford Fearing |
| IV. | 1987-88 Capital Budget
(Endorsement) pp. | Mr. Gregory Hart |
| V. | Mainframe Computer Replacement
(Information) pp. | Mr. William Herrick |
| VI. | Third Quarter, 1987 Bad Debts
(Endorsement) pp. | Mr. Clifford Fearing |
| VII. | PCN Update
(Information) | Mr. Greg Hart |
| VIII. | Other Business | |
| IX. | Adjournment | |

*** A buffet lunch will be served at 11:30 A.M. in the Board Room**

Minutes
Meeting of the
Board of Governors Finance Committee
The University of Minnesota Hospital and Clinic
March 25, 1987

MEMBERS Carol Campbell
PRESENT: Edward Ciriacy, M.D.
Clifford Fearing
Gregory Hart
William Krivit, M.D.
Barbara O'Grady
Vic Vikmanis

STAFF: Kay Fuecker
Nels Larson
Dan Rode
Barbara Tebbitt

CALL TO ORDER: The meeting of the Finance Committee was called to order by Ms. Barbara O'Grady at 10:40 A.M. in the Dale Shepherd Room of the Campus Club.

MINUTES: A motion was made and passed to change the minutes on page four, last line of the resolution - to delete the second word "to". With that change made, the minutes of the February 25, 1987 Finance meeting were approved as written.

2/25/87
FINANCIAL
STATEMENTS: Mr. Cliff Fearing reported that inpatient census for February exceeded projections by 19%. Patient census variance is 10.2% above budget. The average daily census for February was 420, the year-to-date average daily census of 420. Outpatient census is running 12% above budget.

The Hospital shows total revenues over expense of \$2,475,730 for a favorable variance of \$9,848,677. Patient care charges through February totaled \$154,426,815 and were 16.3% above budget. Routine revenue was 9.3% above budget and reflected our favorable patient day variance. Ancillary revenue was approximately \$17,899,800 (19.4%) above budget and reflects (1) the favorable variance in both admissions and clinic visits; and (2) the utilization of ancillary services per patient being higher than anticipated. Inpatient ancillary revenue has averaged \$6,646 per admission compared to the budgeted average of \$6,199 per admission. Outpatient revenue per clinic visit has averaged \$169 compared to the budgeted average of \$153.

Operating expenditures through February were approximately \$9,130,100 (6.6%) above budgeted levels. The overall un-

favorable variance continues to relate to the increase in demand for patient services and was seen primarily in increased personnel costs and patient care supplies.

Accounts receivable, Mr. Fearing noted, totaled \$73,955,056 and represented 111.1 days of revenue outstanding. The over-all increase of 1.7 days occurred primarily in the Minnesota Medical Assistance, Medicare/ESRD, and Blue Cross/AWARE categories.

**ACCOUNTS
RECEIVABLE:**

Mr. Dan Rode summarized the present status of the accounts receivable and informed the committee that he and his staff are working with various payors to enhance the turn around time for payments. Mr. Rode expects that with the efforts the hospital is putting on receivables that the hospital should see the beginning of a decline in receivable levels by the end of the fiscal year.

**PRIMARY CARE
NETWORK:**

Mr. Greg Hart reported that he will be meeting with Whitehead and Associates in the next week to formalize a contingency plan for monitoring enrollment and company financial performance each month. The need for an additional investor will also be discussed at the meeting with Whitehead and Associates. The January-March enrollment figures show PCN is meeting their enrollment projections for this time period.

**PRELIMINARY RE-
VIEW OF 1987-88
UMHC OPERATING
BUDGET**

Mr. Cliff Fearing reported that the budget is for discussion today and will be submitted for endorsement next month. Mr. Fearing noted several factors in the budget. Admissions are projected at 18,350 and 154,450 patient days. These projections reflect a slight decline in demand because of the general HMO/PPO influence on competition as well as continued emphasis on same-day surgery admissions and efforts to reduce low-acuity patient days. The hospital anticipates continued growth in bone marrow transplants, organ transplants, cardiology and cardiovascular surgery, as well as increased ancillary utilization in conjunction with the AIDS Treatment Evaluation Unit.

Proposed salary figures include the addition of 17 positions for next year. Thirteen are in clinical areas, 2 in computer support areas, and 2 for the operation of the park-

ing ramp. Mr. Hart reported that salary increases for 1987-88 will be in the range of 2.5% to 3%. Other increases to salaries for market place adjustments, comparable worth and performance increases will also be about 3%, bringing the total pay plan increases to around 6%.

Mr. Fearing noted that a 2.9% over-all increase in charges for the hospital has been recommended to fund next year's budget. Mr. Fearing also reported that a bill has been proposed in the legislature to make the hospital liable for sales tax, which it has not been in the past. These costs have not been included in the budget at this time.

Mr. Fearing reported that the designated Board reserves will be discussed in the near future.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:55 A.M.

Respectfully submitted,



Kay F. Fuecker
Recording Secretary



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

April 22, 1987

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: Report of Operations for the Period
July 1, 1986 through March 31, 1987

The Hospital's operations through the month of March continued to reflect both inpatient admissions and outpatient visit activity that were above budgeted levels. In addition, we continued to experience ancillary service utilization that was higher than anticipated. To highlight our position:

Inpatient Census: For the month of March, inpatient admissions totaled 1,739 or 332 above budgeted admissions of 1,407. Our overall average length of stay for the month was 8.1 days. Patient days for March totaled 13,706 and were 2,255 days above budget. The increase in admission levels was primarily in the areas of Gynecology, Medicine, Pediatrics, and Surgery.

To recap our year-to-date inpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Admissions	13,000	12,686	14,170	1,484	11.7
Avg.Lnth.of Stay	8.4	8.3	8.3	0	0.0
Patient Days	107,721	105,126	115,809	10,683	10.2
Percent Occupancy	65.7	63.9	71.9	8.0	12.5
Avg.Daily Census	393.1	383.7	422.7	39.0	10.2

Outpatient Census: Clinic visits for the month of March totaled 20,974 or 3,369 (19.1%) above budgeted visits of 17,605. The increase in activity was experienced in nearly all clinic areas with the largest increases occurring in Medicine, Otolaryngology, Emergency Services, and Urology.

Report of Operations - March, 1987

Page two

To recap our year-to-date outpatient census:

	1985-86	1986-87	1986-87		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Clinic Visits	163,318	162,625	182,947	20,322	12.5
CUHCC Visits	30,580	28,051	35,280	7,229	25.8
HHA Visits	6,652	11,171	7,305	-3,866	-34.6

Financial Operations: The Hospital's Statement of Operations shows total revenues over expense of \$ 2,958,845, a favorable variance of \$ 11,654,741.

Patient care charges through March totaled \$175,681,516 and were 17.8% above budget. Routine revenue was 10.6% above budget and reflected our favorable patient day variance. Ancillary revenue was approximately \$21,734,100 (21.0%) above budget and reflected (1) the favorable variance in both admissions and clinic visits; and (2) the utilization of ancillary services per patient being higher than anticipated. Inpatient ancillary revenue has averaged \$6,649 per admission compared to the budgeted average of \$6,199 per admission. Outpatient revenue per clinic visit has averaged \$170 compared to the budgeted average of \$153.

Operating expenditures through March totaled \$166,891,300 and were approximately \$ 10,291,400 (6.6%) above budgeted levels. The overall unfavorable variance continued to relate to the increase in demand for patient services and was seen primarily in increased personnel costs (salaries and fringe benefits) and patient care supplies (drugs, blood, medical supplies).

Accounts Receivable: The balance in patient accounts receivable as of March 31, 1987 totaled \$73,806,328 and represented 107.0 days of revenue outstanding. The overall decrease in our patient receivables in March of 4.1 days occurred primarily in the commercial insurance, Medicare, Medical Assistance categories, and in older accounts in general.

Conclusion: The Hospital's overall operating position continues to be positive and above budgeted levels. Both inpatient and outpatient census levels remain above budget. We continue to monitor our demand for service closely and make those operating changes that are necessary and appropriate.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY
FOR THE PERIOD JULY 1, 1986 TO MARCH 31, 1987

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/-Under Budget</u>	<u>Variance %</u>
Patient Care Charges	\$149,124,716	\$175,681,516	\$26,556,800	17.8%
Deductions from Charges	-23,210,046	-27,352,410	-4,142,364	-17.8%
Other Operating Revenue	3,987,802	4,071,239	83,437	2.1%
Total Operating Revenue	129,902,472	152,400,345	22,497,873	17.3%
Total Expenditures	-156,599,901	-166,891,271	-10,291,370	-6.6%
Net Operating Revenue	-26,697,429	-14,490,926	12,206,503	0.0%
Non-Operating Revenue and Expenses	18,001,533	17,449,771	-551,762	-3.1%
Revenue Over Expense	<u>\$-8,695,896</u>	<u>\$2,958,845</u>	<u>\$11,654,741</u>	(1)

(1) Variance equals 7.9 % of total budgeted revenue.

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Over/-Under Budget</u>	<u>Variance %</u>
Admissions	12,686	14,170	1,484	11.7%
Patient Days	105,126	115,809	10,683	10.2%
Average Daily Census	383.7	422.7	39.0	10.2%
Average Length of Stay	8.3	8.3	0.0	0.0%
Percentage Occupancy	63.9%	71.9%	8.0%	12.5%
Outpatient Clinic Visits	162,625	182,947	20,322	12.5%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO MARCH 31, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	\$149,124,716	\$175,681,516	\$26,556,800	17.8%
Deductions from Charges	23,210,046	27,352,410	4,142,364	17.8
Other Operating Revenue	3,987,802	4,071,239	83,437	2.1
Total Revenue from Operations	\$129,902,472	\$152,400,345	\$22,497,873	17.3%
Expenditures				
Salaries	\$66,228,464	\$71,744,201	\$5,515,737	8.3%
Fringe Benefits	12,885,086	13,794,148	909,062	7.1
Contract Compensation	6,577,047	6,783,521	206,474	3.1
Medical Supplies, Drugs, Blood	22,336,580	25,615,826	3,279,246	14.7
Campus Administration Expense	4,671,134	4,671,134	0	
Depreciation and Amortization	10,587,211	12,274,723	1,687,512	15.9
General Supplies & Expense	33,314,379	32,007,718	-1,306,661	-3.9
Total Expenditures	\$156,599,901	\$166,891,271	\$10,291,370	6.6%
Net Revenue from Operations	\$-26,697,429	\$-14,490,926	\$12,206,503	
Non-Operating Revenues and Expenses				
Appropriations	\$10,718,221	\$10,952,198	\$233,977	2.2%
Interest Income on Reserves	5,452,694	4,767,794	-575,225	-11.8
Shared Services	273,476	354,995	66,764	27.5
Investment Income on Trustee Held Assets	1,557,142	1,374,784	-182,358	-11.7
Total Non-Operating Revenues and Expenses	\$18,001,533	\$17,449,771	\$-551,762	-3.1%
Revenue Over / -Under Expenses	\$-8,695,896	\$2,958,845	\$11,654,741	(1)

(1) Variance equals 7.9% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1986 TO MARCH 31, 1987

Annual Budget		Budgeted	Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges					
\$60,169,700	Routine	\$45,629,539	\$50,452,208	\$4,822,669	10.6%
139,094,000	Ancillary	103,495,177	125,229,308	21,734,131	21.0
<u>\$199,263,700</u>	Gross Charges	<u>\$149,124,716</u>	<u>\$175,681,516</u>	<u>\$26,556,800</u>	<u>17.8%</u>
Deductions from Charges					
\$16,821,600	Third Party Contractual Adjustments	\$12,565,387	\$14,625,260	\$2,059,873	16.4%
8,124,800	Billing Adjustments & Employee Benefits	6,086,432	6,331,418	244,986	4.0
420,000	Charitable Care	314,320	486,645	172,325	54.8
3,026,700	Other Contractual Adjustments	2,265,118	3,578,074	1,312,956	58.0
2,644,100	Provisions for Uncollectables	1,978,789	2,331,013	352,224	17.8
<u>\$31,037,200</u>	Total Deductions	<u>\$23,210,046</u>	<u>\$27,352,410</u>	<u>\$4,142,364</u>	<u>17.8%</u>
Other Operating Revenue					
\$1,165,100	Food Services	\$874,626	\$1,030,412	\$155,786	17.8%
452,400	Parking Services	316,530	89,881	-226,649	-71.6
99,900	Department Non-Patient	74,996	93,695	18,699	24.9
1,023,100	CUHCC Grants	768,022	744,636	-23,386	-3.0
1,486,100	Reference Lab Income	1,115,594	1,102,295	-13,299	-1.2
1,119,800	Pro Fees - Net Revenue	838,034	983,275	145,241	17.3
0	Donations to Operations from Restricted Funds	0	27,045	27,045	
<u>\$5,346,400</u>	Total Other Revenue	<u>\$3,987,802</u>	<u>\$4,071,239</u>	<u>\$83,437</u>	<u>2.1%</u>
<u>\$173,572,900</u>	Total Revenue from Operations	<u>\$129,902,472</u>	<u>\$152,400,345</u>	<u>\$22,497,873</u>	<u>17.3%</u>
Expenditures					
\$87,879,400	Salaries	\$66,228,464	\$71,744,201	\$5,515,737	8.3%
17,115,800	Fringe Benefits	12,885,086	13,794,148	909,062	7.1
1,875,700	Academic Contracts	1,406,772	1,401,139	-5,633	-0.4
4,685,500	Resident Contracts	3,514,122	3,514,122	0	
2,208,200	Physician Compensation	1,656,153	1,868,260	212,107	12.8
<u>\$113,764,600</u>	Total Salary, F.B. & Fees	<u>\$85,690,597</u>	<u>\$92,321,870</u>	<u>\$6,631,273</u>	<u>7.7%</u>
2,079,600	Laundry & Linen	1,566,682	1,546,342	-20,340	-1.3%
1,392,200	Raw Food	1,050,212	1,216,537	166,325	15.8
13,975,900	Drugs	10,408,429	11,441,844	1,033,415	9.9
4,880,400	Blood & Blood Derivatives	3,634,638	4,066,297	431,659	11.9
11,136,100	Medical Supplies	8,293,513	10,107,685	1,814,172	21.9
3,055,900	Utilities	2,400,706	3,273,177	872,471	36.3
2,832,400	Insurance	1,874,288	1,875,126	838	
2,335,200	Rental	1,769,400	1,787,196	17,796	1.0
3,349,300	Maintenance & Repair	2,514,269	2,629,490	115,221	4.6
1,312,800	Communications	985,498	1,086,590	101,092	10.3
0	Net Loss on Disposal of Assets	0	87,970	87,970	
6,222,500	Campus Administration Expense	4,671,134	4,671,134	0	
14,103,400	Depreciation and Amortization	10,587,211	12,274,723	1,687,512	15.9
14,001,200	Interest	10,510,491	7,368,109	-3,142,382	-29.9
14,177,500	General Supplies & Expense	10,642,833	11,137,181	494,348	4.6
<u>\$208,619,000</u>	Total Expenditures	<u>\$156,599,901</u>	<u>\$166,891,271</u>	<u>\$10,291,370</u>	<u>6.6%</u>
<u>\$-35,046,100</u>	Net Revenue from Operations	<u>\$-26,697,429</u>	<u>\$-14,490,926</u>	<u>\$12,206,503</u>	
Non-Operating Revenue and Expenses					
\$13,638,900	Appropriations & Support	\$10,238,514	\$10,404,495	\$165,981	1.6%
511,500	Accrued Interest on Appropriation	479,707	547,703	67,996	14.2
7,187,600	Interest Income on Reserves	5,452,694	4,767,794	-684,900	-12.6
364,300	Shared Services	273,476	354,995	81,519	29.8
2,074,300	Investment Income Held by Trustee	1,557,142	1,374,784	-182,358	-11.7
<u>\$23,776,600</u>	Total Non-Operating Revenue and Expenses	<u>\$18,001,533</u>	<u>\$17,449,771</u>	<u>\$-551,762</u>	<u>-3.1%</u>
<u>\$-11,269,500</u>	Revenue Over/-Under Expense	<u>\$-8,695,896</u>	<u>\$2,958,845</u>	<u>\$11,654,741</u>	

(1) Variance equals 7.9% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1986 TO MARCH 31, 1987

Source of Funds

Beginning Operating Cash Balance		\$9,475
Net Income from Operations	-14,490,926	
Non-Operating Revenue	17,449,771	
Excess of Revenue over Expense		2,958,845
Items not Requiring the Outlay of Cash:		
Depreciation		12,274,723
University Support: G & A		4,671,134
University Support: KE Utilities		153,092
Decrease in Other Receivables		844,230
Decrease in Prepaid Expenses		690,742
Deferred Third Party Reimbursement		538,749
Renewal Project Interest Expense		6,614,914
Decrease in Accrued Expenses		692,871
Miscellaneous Sources		51,970
Total Funds Provided from Operations		\$29,500,745

Funds Applied

Transfers to Plant:		
Increase in Capital Expenditures	\$3,750,843	
Decrease in Capital Encumbrances	236,528	
Total Transfers to Plant from Operations		\$3,987,371
Increase in Accounts Receivable		11,741,191
Decrease in Inventories		128,963
Third Party Liabilities Transfer		1,937,983
Investment Income - Trustee Held Assets		1,374,784
Transfer to Reserves - Bond Retirement		1,892,501
Transfer to Reserves - Bond Interest Payable		5,737,843
Total Funds Applied		\$ 26,800,636
Operating Cash Made Available from Operations		\$ 2,700,109 (1)

(1) Total Operating Cash Available of \$2,700,109; plus Transfers to Plant of \$3,987,371; plus Transfers to Reserves for debt retirement and interest payable of \$7,630,344 equals Cash Generated from Operations of \$14,317,824.

Current Cash Summary

Operating Cash	\$2,700,109
Reserve Cash for Liability to Third Party Payors	12,079,969
Unrealized Appropriation Cash	3,455,505
Reserve Cash for Short Term Debt Retirement	2,500,000
	20,735,583
Less Interest Income on Reserves	-5,315,497
Total Current Cash	\$15,420,086

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

BALANCE SHEETS

MARCH 31, 1987 AND JUNE 30, 1986

ASSETS	3/31/87	6/30/86	LIABILITIES AND FUND BALANCES	3/31/87	6/30/86
	-----	-----		-----	-----
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$-2,615,388	\$9,475	Accounts Payable	\$2,579,899	\$3,969,645
Reserve Cash- Third Party Payable	12,079,969	10,141,986	Payable to Third Party Contr. Payors	12,079,969	10,141,986
Unrealized Appropriation Cash	3,455,505	0	Salaries, Wages and Payroll Taxes	4,795,757	5,405,654
Reserve Cash- Short Term Debt	2,500,000	2,500,000	Accrued Vacation	6,585,318	5,957,248
Accounts Receivable			Insurance Premiums Payable	156,552	0
Patient Receivables	73,806,328	55,896,815	Accrued Professional Fees and		
Other Receivables	1,029,148	1,813,378	Physician Compensation	1,876,056	2,468,184
	-----	-----	Contracts Payable	712,354	2,312,557
	74,835,476	57,710,193	Interest Payable	2,960,886	2,407,435
Less Allowances for Losses			Current Portion of Long-Term Debt	3,766,949	6,155,057
in Collection	-5,281,205	-4,710,000		-----	-----
Less Allowances for Discounts					
to Third Party Payors	-15,219,308	-9,622,191			
	-----	-----			
	54,334,963	43,378,002			
Trustee Held Assets	198,677	6,549,469			
Inventories of Drugs & Supplies	4,937,599	4,670,632			
Prepaid Expenses	346,648	1,037,390			
Silver Flake	0	138,004			
	-----	-----			
TOTAL CURRENT ASSETS	\$75,237,973	\$68,424,958	TOTAL CURRENT LIABILITIES	\$35,513,740	\$38,817,766
BOARD DESIGNATED ASSETS:					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$59,236,811	\$60,064,655			
Accrued Interest	2,079,169	749,059			
	-----	-----			
	61,315,980	60,813,714			
Cash & Investments Assigned					
to Construction Projects	7,763,368	5,059,360			
	-----	-----			
TOTAL BOARD DESIGNATED ASSETS	\$69,079,348	\$65,873,074	LONG-TERM DEBT, LESS CURRENT PORTION	\$185,710,214	\$185,747,039
DEFERRED THIRD PARTY REIMBURSEMENT	\$10,351,822	\$10,890,571			
OTHER ASSETS	591,161	591,161			
LAND, BUILDINGS & EQUIPMENT					
Land, Buildings & Improvements	\$176,093,830	\$174,543,682			
Equipment	69,478,541	64,418,269			
	-----	-----			
	245,572,371	238,961,951			
Less Accumulated Depreciation	-65,712,897	-55,384,931	UNRESTRICTED FUND BALANCE	\$175,819,947	\$164,581,371
	-----	-----		-----	-----
	179,859,474	183,577,020			
Construction in Progress	8,849,811	7,458,010			
	-----	-----			
TOTAL LAND, BUILDINGS & EQUIPMENT	\$188,709,285	\$191,035,030			
TRUSTEE HELD ASSETS	\$51,009,944	\$50,143,723			
DEFERRED DEBT EXPENSE	\$2,064,368	\$2,187,659			
	-----	-----			
	\$397,043,901	\$389,146,176		\$397,043,901	\$389,146,176
	=====	=====		=====	=====
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
			Fund Balances		
Cash and Investments	\$4,682,331	\$4,243,247	Endowment Funds	\$1,782,637	\$1,656,445
	-----	-----	Gift Funds	2,899,694	2,586,802
				-----	-----
				\$4,682,331	\$4,243,247
				=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE PERIOD JULY 1, 1986 TO MARCH 31, 1987

	OPERATING FUND	BOARD DESIGNATED FUND	PLANT FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS				
Beginning Balance	\$30,531,875	\$60,813,714	\$73,235,782	\$164,581,371
Net Income				
Excess of Revenue over Expense	6,484,514			
Interest Income on Reserves		4,767,794		
Accrued Interest on Appropriations		547,703		
Depreciation Expense			-12,274,723	
Loss on Disposal of Assets			-87,970	
Interest Expense			2,146,743	
Interest Income on Trustee Held Fund			1,374,784	
Total Income				2,958,845
Less Expense				
Unrealized Appropriation Revenue	3,455,505			3,455,505
University Support: G & A	4,671,134			4,671,134
K/E Utilities	153,092			153,092
Transfers Between Funds				
Major Building Projects- Hospital Only		-1,818,594	1,818,594	
Capital Expenditures	-3,750,843	-311,452	4,062,295	
Capital Encumbrance Change	-236,528		236,528	
Loan To Ortho Surgery	60,000	-60,000		
IV Pump Leasing	-36,000		36,000	
Major Equipment Purchases		-930,326	930,326	
CT Scanner	-858,575	858,575		
Transfer to Trustee- Interest Payment	6,267,482	-7,711,779	1,444,297	
Transfer to Trustee- Principal Payment		-2,470,000	2,470,000	
Transfer to Reserves- Debt Sinking Fund	-1,892,501	1,892,501		
Transfer to Reserves- Bond Interest	-5,737,843	5,737,843		
Ending Balance	\$39,111,312	\$61,315,979	\$75,392,656	\$175,819,947

	Gift	Endowment	Total
RESTRICTED FUNDS			
Beginning Balance	\$2,586,802	\$1,729,398	\$4,316,200
Income	312,892	53,239	366,131
Ending Balance	\$2,899,694	\$1,782,637	\$4,682,331

ACCOUNTS RECEIVABLE HIGHLIGHTS

MARCH 31, 1987

Category	Amount	+ or (-) Prev. Mo.	% Change	+ or (-) 6/30/87	% Change	3/31/87 ^a Days
Total	\$ 73,674,983 ^a	\$ (148,729)	(.2)%	\$ 17,190,814	24.31%	106.99
Inhouse	10,730,276 ^a	(43,262)	(.4)%	3,276,794	30.54%	15.58
DSNFB ^b	11,720,438 ^a	468,912	4.0%	2,111,490	18.02%	17.02
	2,293,626 - four day hold					
	5,903,268 - in medical records hold					
	1,707,686 - outpatient billing hold					
	1,815,860 - misc. billing holds					
Collec- tions	5,059,849	83,343	.02%	885,678	17.50%	7.35
Follow-up	4,810,170	141,690	2.95%	(464,179)	9.65%	6.99
Net DAR	41,354,250 ^a	(799,412)	(1.93)%	12,101,031	29.26%	60.05

a. These figures are gross amounts or days and do not reflect contractual allowances or discounts. (ie. Net DAR after adjustment would be approximately \$33,100,00.00 or 48.07 days)

b. Discharged Not Final Billed.

Significant Changes

- Substantial increase in activity once again is reflected in receivables under 30 days and in the DSNFB category. The increase in the patient follow-up category reflects some of the activity turnover in Net DAR.
- Increases in Net DAR reflect the increase activity especially with HMO's and out-of-state account increases of \$491T and \$645T respectively. Several individual accounts were in excess of \$200T. Our organ transplant, VA heart program and NIH categories also showed an increase of just over one million dollars.
- Significant decrease occurred in older accounts especially with: Blue Cross of Minnesota (approximately 24% - 1 million dollars); Commercial Insurance (\$1M); Medicare (\$1.2M); Indian Health Service (\$260T); Minnesota Medicaid (approximately \$700T); Blue Cross Out-of-State (\$410T) and Industrial Compensation (\$107T). These charges can be attributed to some year-end processing and our charge in follow-up.



UNIVERSITY OF MINNESOTA
TWIN CITIES

The University of Minnesota Hospital and Clinic
Harvard Street at East River Road
Minneapolis, Minnesota 55455

April 15, 1987

TO: Board of Governors
Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director

SUBJECT: 1987-88 Operating Budget

At the March, 1987 meeting we provided for your review Operating Budget schedules for the 1987-88 fiscal year. There were questions raised at that time about the projected changes in salary costs for the budget year. As a supplement to the budget packet you received last month, we are providing for you this month, a reconciliation of the change in salary costs from 1986-87 to 1987-88.

We will again review the Operating Budget with you and answer any questions regarding the budget at the April 22, 1987 meeting. We will be asking for your endorsement of the 1987-88 Operating Budget at that time.

CPF:th

University of Minnesota Hospital and Clinic
 Fiscal Year 1987-88
 Budgeted Salary Change

	<u>Change</u>	<u>% Change</u>
Pay plans:		
● Non-step/non-student classification: average of 4.5% to be divided between across-the-board and merit-based progression increases	\$1,746,500	
● Student classes (2.0%)	55,500	
● Bargaining units, GSN's, CRNA's, Pharmacists, Rad. techs		
- July 1, 1987 3.0% across-the-board	1,478,100	
- Step increases	840,200	
● Pay equity	500,000	
● Market place range adjustments	<u>1,175,000</u>	
Total pay plans	\$5,795,300	6.12%
Volume (17 FTE's)	450,000	
Extra workday	333,600	
Vacation/timeback	<u>(274,800)</u>	
Total Change	<u>\$6,304,100</u>	<u>6.65%</u>

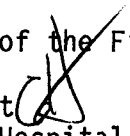


UNIVERSITY OF MINNESOTA
TWIN CITIES

The University of Minnesota Hospital and Clinic
Harvard Street at East River Road
Minneapolis, Minnesota 55455

April 13, 1987

TO: Members of the Finance Committee

FROM: Greg Hart 
Interim Hospital Director

SUBJECT: Capital Budget

Attached is a proposed Capital Budget for 1987-88. Also included is a schedule projecting major capital expenditures for the next five years.

We will review the projections in general and focus on the 1987-88 capital budget at our April meeting. The budget presented to the Board of Governors last month assumed the capital expenditures as outlined in the capital budget, thus the capital budget being submitted is consistent with the Hospital's overall financial plan for next year. Most importantly, the \$6,717,000 of recurring capital expenditures, to be financed from 1987-88 year cash flow, can be financed with the recommended 2.9% price increase.

The annual capital budget was endorsed by the Planning and Development Committee on April 13. Your endorsement of the annual capital budget is also requested this month along with the Hospital's operating budget. As usual, major capital expenditures will be brought forward during the year for project-specific approval.

We will be happy to answer any questions you may have next week.

/kj

attachments

1987-1988 Capital Budget

Recurring capital expenditures 1987-1988 (funded from current year capital)

Minor remodeling carried forward from previous year	321,000
Intermediate sized projects	670,000
Minor remodeling projects	450,000
Ambulatory Care equipment	350,000
Cardio-Respiratory equipment	612,000
Laboratory equipment	498,000
Nursing and patient care equipment	380,000
Operating Room equipment	610,000
Radiology equipment	862,000
Heart Cath equipment	350,000
Information Systems equipment	1,044,000
Misc. department equipment	<u>570,000</u>
TOTAL	6,717,000

Five Year Capital Expenditure Projections

	1988	1989	1990	1991	1992
I. Major Capital Expenditures (funded from prior year capital)					
Clinic space expansion and completion	500,000				
Masonic patient care unit	500,000				
A-15 computer	4,315,000				
MRI #2 remodel	1,000,000				
MRI #2 equipment	2,300,000				
Principle on debt for lithotripter, A9 computer and peripherals, CT scanner	1,264,800	1,134,000	628,000	207,000	58,000
Lithotripter II		1,000,000			
Computer upgrade			2,000,000	2,000,000	
Replace CT scanner				1,500,000	
Replace linear accelerator					<u>2,000,000</u>
TOTAL	9,879,800	2,134,000	2,628,000	3,707,000	2,058,000

II. Capital Expenditures from Bond Proceeds

Mayo renovation design and construction 7,100,000


*Projected expenditures for Mayo renovation beyond 1988 are currently being developed in the Long-Range Facility Improvement Plan. The long-range plan will be presented to the Board when complete.



UNIVERSITY OF MINNESOTA
TWIN CITIES

The University of Minnesota Hospital and Clinic
Harvard Street at East River Road
Minneapolis, Minnesota 55455

April 12, 1987

TO: Finance Committee
FROM: Greg Hart 
Interim Hospital Director
SUBJECT: Mainframe Computer Replacement

Attached is a proposal and recommendation for replacement of our mainframe computer hardware. This is the third planned major capital expenditure for computer replacement this fiscal year; the Board earlier approved replacement of our laboratory computer and purchase of hardware and software for our financial systems applications.

Mr. William Herrick, our Information Systems Department Director, will be at the Finance Committee meeting to present the proposal and answer your questions.

This item is presented for information this month, with a plan to seek your endorsement and approval of the full Board of Governors in May.

Thank you for your attention to the proposal; we look forward to our discussion next week.

GH/kj

attachment

BURROUGHS PRODUCTION MAINFRAME REPLACEMENT

INTRODUCTION

The University of Minnesota Hospital and Clinic (UMHC) has been developing its computer support system over the past seventeen years. Every four to five years the data processing needs of the organization have been extensively reviewed, and a strategic plan for computer support has been developed and approved.

The current strategic plan was prepared in 1984 with assistance from Ernst & Whinney healthcare consultant staff. In accord with the plan, mainframe computer capacity was expanded in January, 1985. Our staff has been proceeding with implementation of new applications and replacement or upgrading of existing applications.

UMHC's current computer network is displayed on Attachment A. The mainframe systems include two Burroughs A9F processors and a large disk storage system. One of the processors and its related disk system are designated as the "production" system. Six other computer systems, 50 micro computers, and 475 on-line devices (terminals and printers) are currently connected to it. The second processor, originally designed to be used for software development and testing, is now also used to do a significant amount of "production" batch processing.

Use of computer support to assist in delivery of care, to provide rapid and accurate information communication, and to support comprehensive data analysis in order to position the institution appropriately in the evolving marketplace has significantly exceeded the 1984 projections. The need to expand the capacity of the production system, as forecast in the 1984 strategic plan, has become reality.

CURRENT "PRODUCTION SYSTEM" UTILIZATION AND PERFORMANCE

A. Processor Utilization

When the production processor was installed in 1985, overall utilization was 50-55%. Currently, utilization is in excess of 70% of capacity with peaks ranging from 80 to 100% (see Attachment B).

When processor utilization exceeds 65-70%, performance of any computer system begins to degrade.

B. Batch Processing Time

Batch processing work should be completed between midnight and 7 a.m. daily -- the hours during which the on-line workload demand is minimal. The present production processor and related disk system do not have the capacity or speed to complete the current volume of batch work during these hours. Consequently, those batch applications which do not require direct access to the production data base have been shifted to the development/testing processor raising its utilization to over 90% during day-time hours (see Attachment C).

Even with the transfer of batch work, the daily cycles remaining on the production system are frequently not completed by 7 a.m. Therefore, they must be completed during peak periods of processor utilization and compete with on-line transactions from the nursing units and clinics.

C. On-line Response Time

The primary computer industry measurement for this aspect of performance is the average response time for 90% of transactions occurring each hour. The current UMHC hourly averages are equal to or greater than 4 seconds for all 24 hours of the day and are equal to or exceed 5 seconds for at least 14 hours of each day with peaks of 7-9 seconds during the heaviest hours.

D. Disk Storage System

The disk units currently being utilized to support our Burroughs configuration were originally installed in 1981. These disk units have become the cause for more than 90% of our unscheduled downtime. Recent performance records indicate an average of 8-12 disk failures per month. These failures account for 350-400 hours of restricted disk access and 3-1/2 to 4 hours of complete system downtime. This rate of failure is a clear indication that the disk system is worn out and must be replaced.

RECOMMENDATIONS

In May, 1986, the Information Services Department initiated a detailed analysis of the hardware resources and performance. The project focused on three components: mainframe processing, disk storage, and data communication. The following service goals were developed and approved by the Hospital's administrative staff:

- Reduce or eliminate downtime caused by preventive maintenance, power failures, and hardware failures.
- Reduce length of downtime periods caused by software problems and recovery processing time required after system failure.
- Provide 3 second average response time for 90% of on-line transactions during all 24 hours of each day.
- Provide capability for access to multiple computers by users from one terminal.

Alternatives for each of the three components (processor, disk, and data communications) were developed based on the service goals. Then different combinations of the component alternatives were evaluated to identify the best total solution. Consulting assistance for evaluation of current system performance and for computer simulation of various alternative combinations was obtained from Joseph & Cogan Associates, specialists in computer capacity planning. Based on the analysis and simulations, the following recommendations are made:

1. **Replace the production A9F processor with a Burroughs (UNISYS) A15F processor.**

Rationale:

- Will provide the additional speed and capacity required to eliminate batch processing during day-time hours.
- Will provide processor capacity necessary to reduce 90% response time levels to 3 seconds or less.
- Will provide adequate capacity to handle projected workload for the next 3-5 years.

2. **Replace existing disk drive units with new state-of-the-art thin film disk drive units.**

Rationale:

- Will eliminate frequent down-times due to disk system failures.
- Will enable faster and more effective data communication between the disk system and the processor, therefore, decreasing batch processing time and reducing on-line response time.
- Will reduce data base backup and recovery time.

3. **Upgrade data communication system by taking advantage of the new network processor (CP2000) architecture available with the A15 series.**

Rationale:

- Will enable increase in on-line data transmission speed required to reduce 90% response time average to 3 seconds or less.
- Will provide an architecture which will facilitate access to multiple computers from a single terminal.

ESTIMATED COST

A15F Computer and Operating Software	\$3,188,244
Disk System Replacement	921,314
Communications System Upgrade	<u>205,270</u>
TOTAL	\$4,314,828

COMPATIBILITY WITH 3-5 YEAR PLANS

The major new computer application planned during the next 3 years is the acquisition and installation of a Patient Care Information/Order Entry System (PCI/OE). Installation of this system will also require replacement of the Admissions/Discharge/Transfer System and have a direct influence on the replacement of the Patient Accounting System. The hardware replacement recommendations included in this proposal are intended to meet the immediate needs for additional processing resources and to place UMHC in a position which will allow the Patient Care Information/Order Entry System to be installed on either Burroughs or IBM hardware without major disruption to computer system operation. Each of the hardware alternatives have been reviewed for future impact.

A. Alternative I

Burroughs Based Patient Care Information/Order Entry System Selected. (Burroughs based Patient Accounting and A/D/T systems would also then be selected.)

1. Proposed new hardware would continue to be the "production" system.
2. "Development/Testing" A9F processor would have to be replaced with a second A15 processor and paired with the recommended A15F.
3. Use of the IBM system, currently being installed, would continue to grow slowly with the addition, primarily, of new financial applications.

See Attachment D for graphic display of projected systems utilization.

B. Alternative II

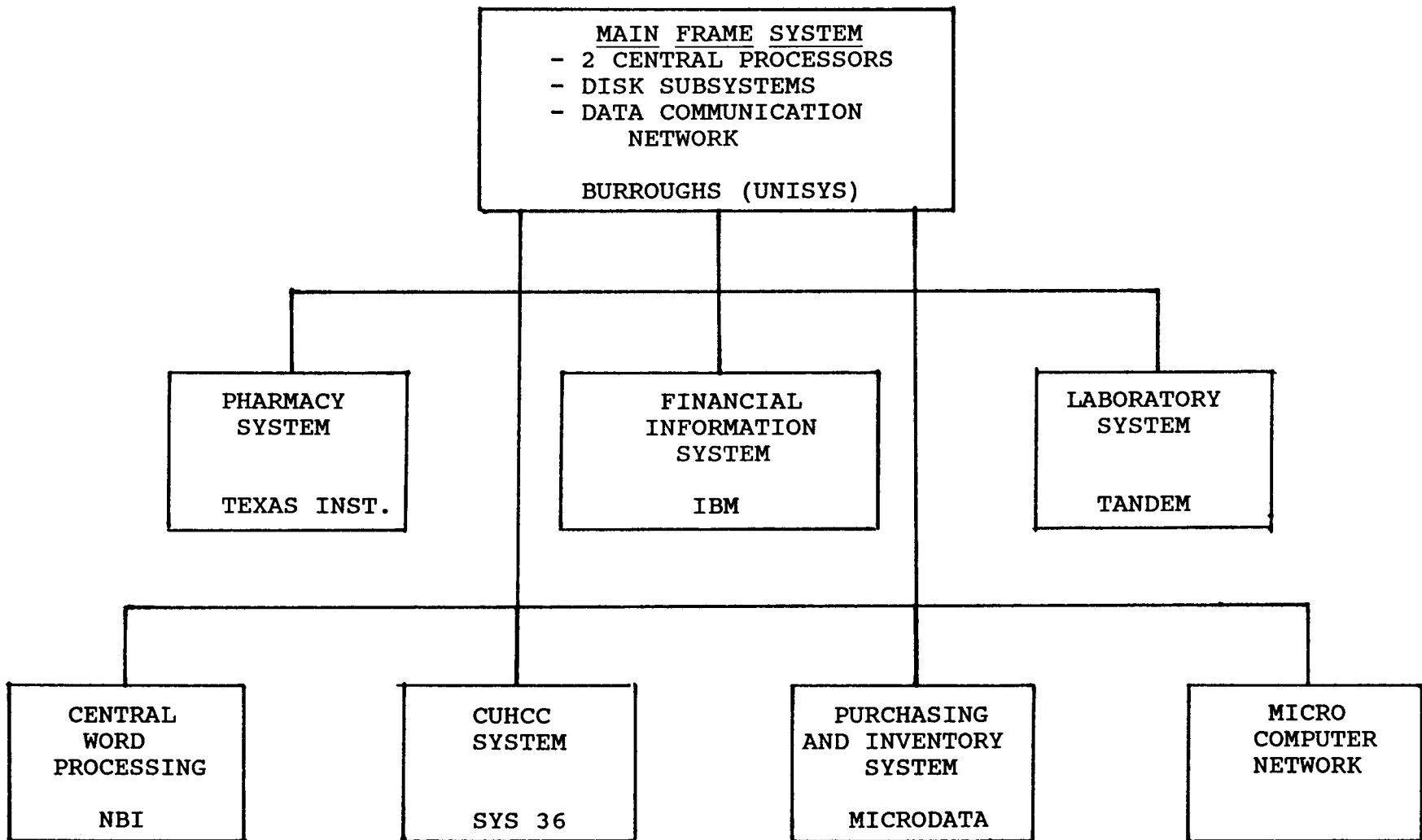
IBM Based Patient Care Information/Order Entry System Selected. (IBM based Patient Accounting and A/D/T system would also be selected.)

1. IBM system currently being installed would have to be upgraded to a 30XX system in 2-3 years, prior to actual implementation of PCI/OE system.

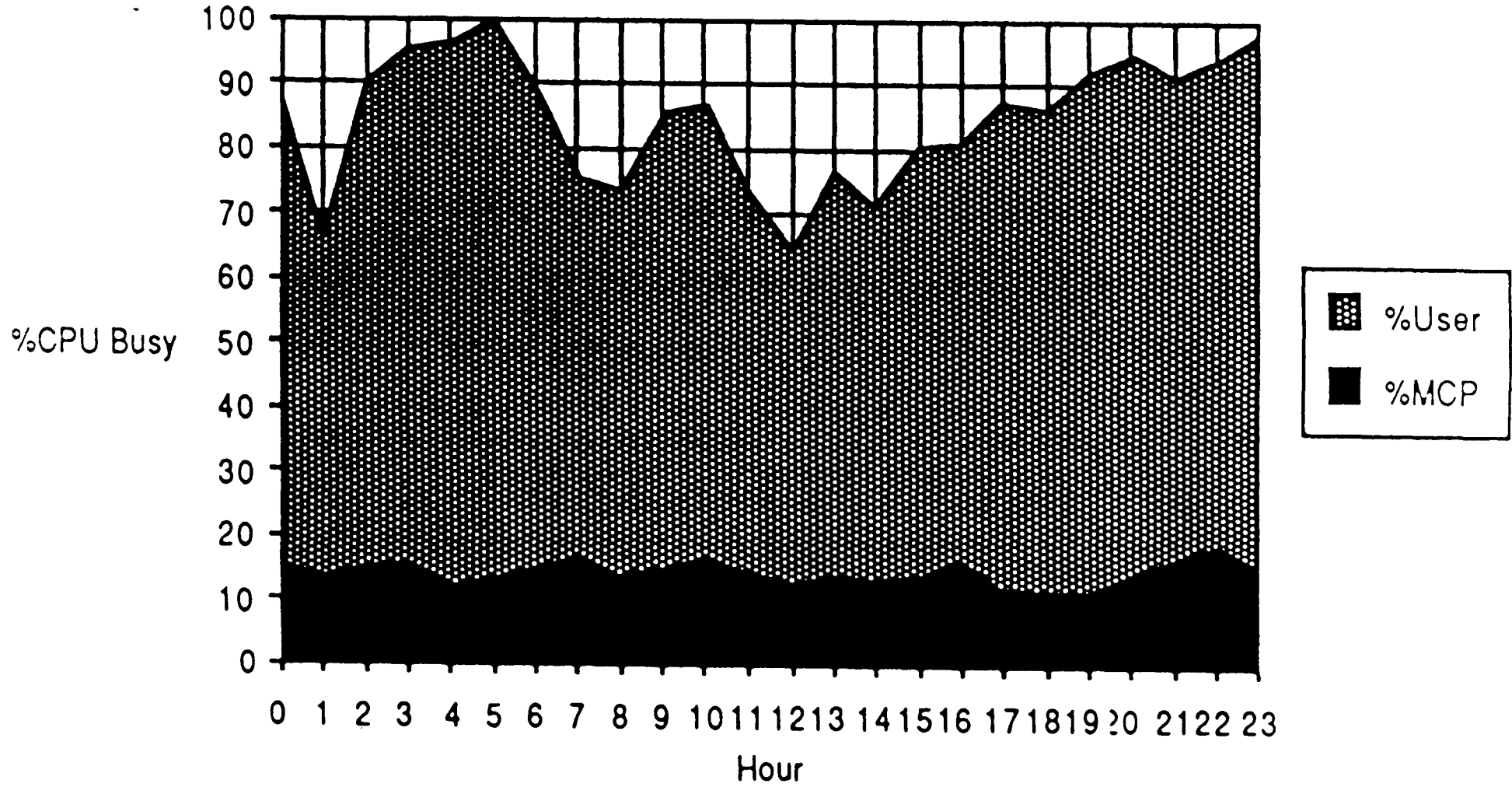
This upgraded IBM system would become the Hospital's mainframe computer system.

2. All Burroughs based mainframe systems would be transferred to the upgraded IBM system during the 2 years following implementation of the PCI/OE system. All Burroughs equipment would be sold during or at the end of the 2 year period.

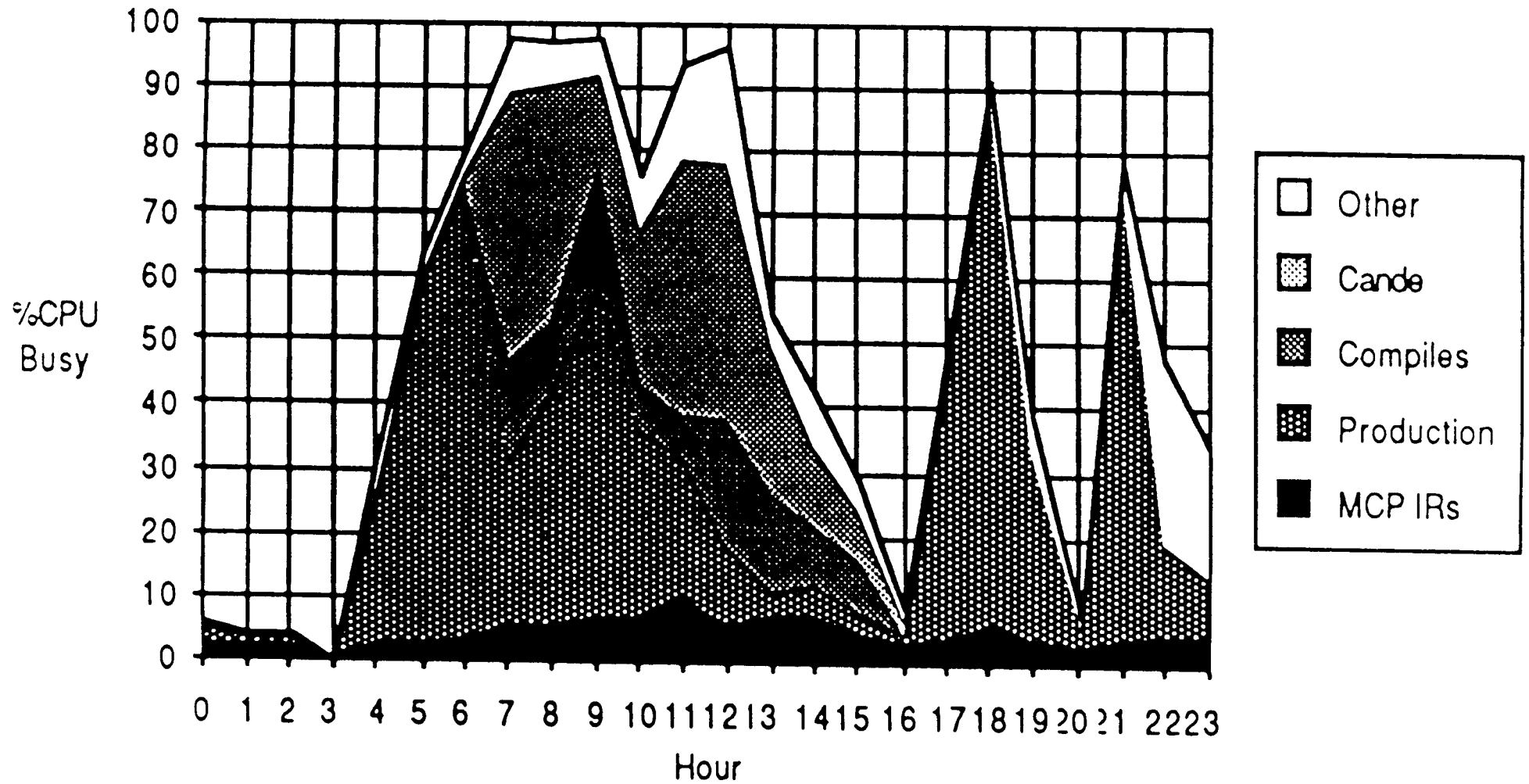
See Attachment E for graphic display of projected systems utilization.



Production CPU Utilization



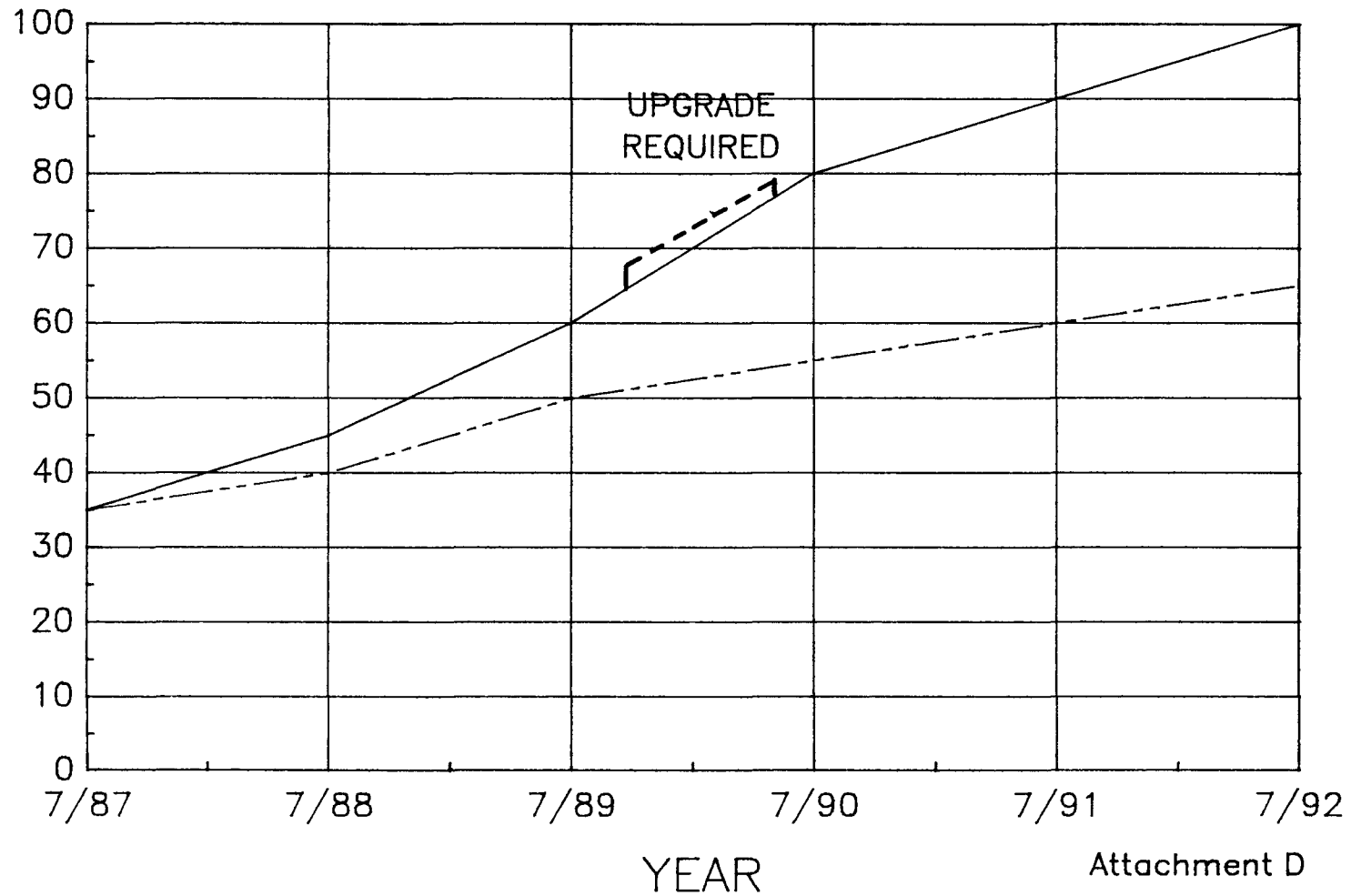
Development System Processor Utilization



PROJECTED PROCESSOR UTILIZATION BURROUGHS BASED PCI/OE

BURROUGHS

IBM

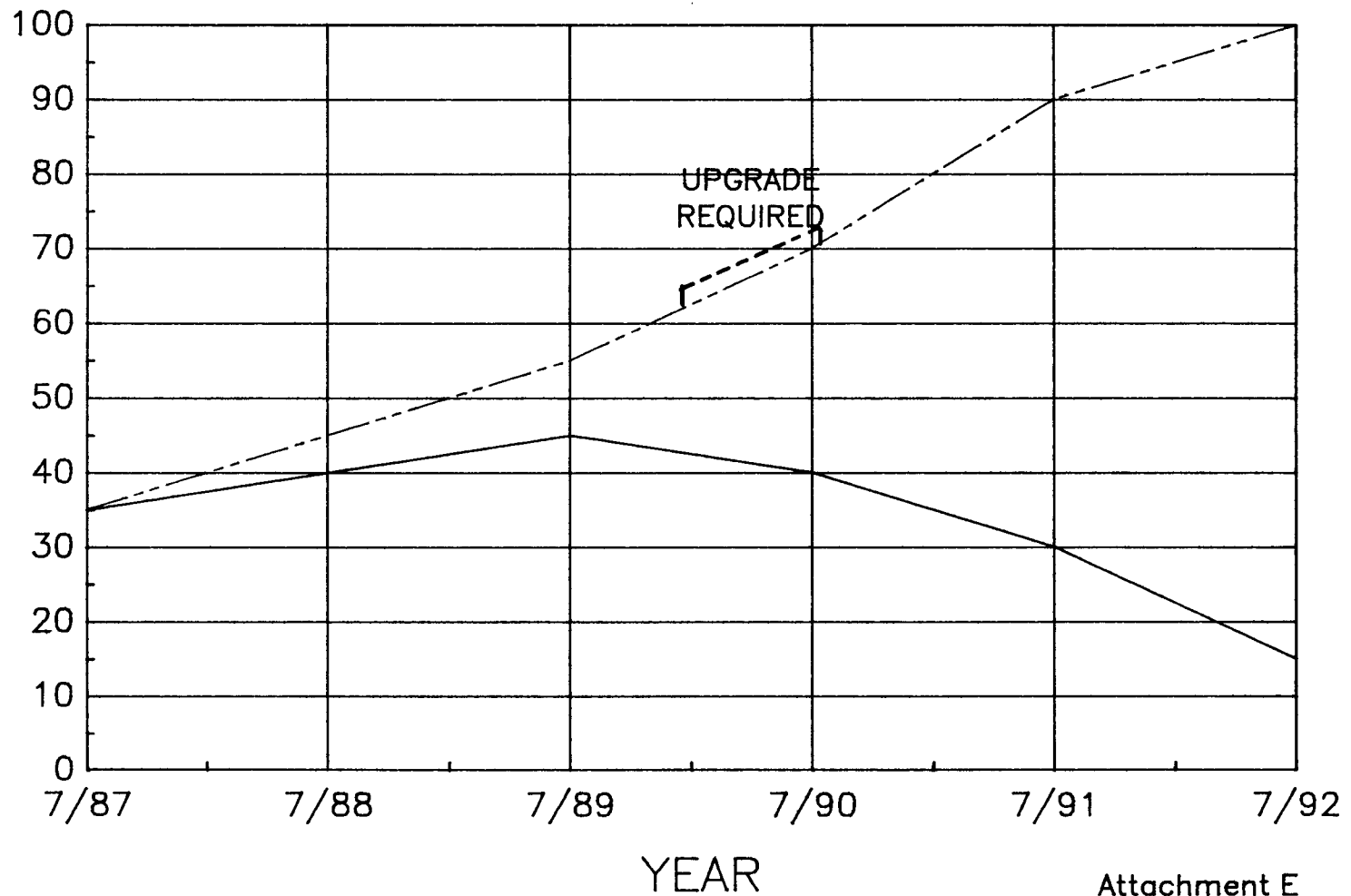


PROJECTED PROCESSOR UTILIZATION

IBM BASED PCI/OE

BURROUGHS

IBM





UNIVERSITY OF MINNESOTA
TWIN CITIES

The University of Minnesota Hospital and Clinic
Harvard Street at East River Road
Minneapolis, Minnesota 55455

April 14, 1987

TO: Board of Governors
FROM: Clifford P. Fearing
Senior Associate Director
SUBJECT: Bad Debts - Third Quarter, 1986-87

The total amount recommended for bad debt for Hospital and Clinic accounts receivable during the third quarter of 1986-87 is \$796,754.53, represented by 1413 accounts. Bad debt recoveries during the period amounted to \$12,551.42, leaving a net charge-off of \$784,203.11.

Total bad debts of the Third Quarter of this fiscal year in the amount of \$796,754.53, or 1.34% of gross charges. This compares to a budgeted level of bad debts of 1.33% (\$665,561.00).

A statistical summary is attached with a detailed description of losses over \$2,000 and recoveries over \$200 for each of the months in the third quarter. We have also included additional reports with a break down of bad debts by residence and by admitting clinical service for the quarter and year-to-date.

Year-to-date bad debts have amounted to \$1,794,723.04, represented by 3940 accounts. Recoveries during these three quarters amounted to \$34,915.26, leaving a net charge-off of \$1,759,807.78.

Total bad debts year-to-date for the fiscal year in the amount of \$1,794,723.04, or 1.02% of gross charges. This compares to a budgeted level of bad debts of 1.33% (\$1,978,538.00).

Statistical summaries of year to date figures are also attached.

attachments

CPF:ks1

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JANUARY 1987 THROUGH MARCH 1987

	Less Than \$2000	# of Accounts	More Than \$2000	# of Accounts	TOTAL AMOUNT	TOTAL # of ACCOUNTS
INPATIENT						
Medicare (610) Non-Recoverable	\$ --	--	\$ --	--	\$ --	--
Bad Debt (701) Write-Offs	<u>72,675.86</u>	156	<u>316,202.43</u>	32	<u>388,878.29</u>	188
Total	72,675.86	156	316,202.43	32	388,878.29	188
Recoveries	<u>(3,420.37)</u>	13	<u>000.00)</u>	0	<u>(3,420.37)</u>	13
Net Total	<u>\$ 69,255.49</u>	156*	<u>\$ 316,202.43</u>	32*	<u>\$ 385,457.92</u>	188*
OUTPATIENT						
Medicare (610) Non-Recoverable	\$ 5,159.77	17	\$ 223,380.57	4	\$ 228,540.34	21
Bad Debt (701) Write-Offs	<u>139,871.32</u>	1185	<u>34,407.12</u>	8	<u>174,278.44</u>	1193
Total	145,031.09	1202	257,787.69	12	402,818.78	1214
Recoveries	<u>(4,562.04)</u>	70	<u>(4,569.01)</u>	1	<u>(9,131.05)</u>	71
Net Total	<u>\$ 140,469.05</u>	1202*	<u>\$ 253,218.68</u>	12*	<u>\$ 393,687.73</u>	1214*
INPATIENT AND OUTPATIENT TOTAL						
	<u>\$ 209,724.54</u>	1358*	<u>\$ 569,421.11</u>	44*	<u>\$ 779,145.65</u>	1402*
MEDICARE BAD DEBTS						
Inpatient (710)	\$ 4,371.22	6	\$ 0.00	0	\$ 4,371.22	6
Outpatient (710)	<u>,686.24</u>	5	<u>.00</u>	0	<u>686.24</u>	5
Total	5,057.46	11	0.00	0	5,057.46	11
Recoveries	<u>(000.00)</u>	0	<u>(000.00)</u>	0	<u>(000.00)</u>	0
Net Total	<u>\$ 5,057.46</u>	11*	<u>\$ 000.00</u>	0	<u>\$ 5,057.46</u>	11*
TOTAL NET BAD DEBT						
	<u>\$ 214,782.00</u>	1369*	<u>\$ 569,421.11</u>	44*	<u>\$ 784,203.11</u>	1413*

NOTE: More than \$2,000 amount includes legal settlements totaling \$23,564.88

DOLLARS BUDGETED

\$ 665,561.00

*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JANUARY 1987 THROUGH MARCH 1987

	LESS THAN \$100	# OF ACCOUNTS	\$100 - \$199	# OF ACCOUNTS	\$1000 - \$1999	# OF ACCOUNTS	\$2000 - \$9,999	# OF ACCOUNTS	\$10,000 +	# OF ACCOUNTS	TOTAL AMOUNT	TOTAL # OF ACCOUNTS
INPATIENT												
Medicare (510) Non-Recoverable	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0
Bad Debt (701) Write-Offs	\$1,293.19	39	\$40,916.56	93	\$30,466.11	24	\$93,453.91	25	\$222,748.52	7	\$388,878.29	188
Total	\$1,293.19	39	\$40,916.56	93	\$30,466.11	24	\$93,453.91	25	\$222,748.52	7	\$388,878.29	188
Recoveries	(\$144.25)	7	(\$2,275.62)	5	(\$1,000.50)	1	\$0.00	0	\$0.00	0	(\$3,420.37)	13
Net Total	\$1,148.94	39 *	\$38,640.94	93 *	\$29,465.61	24 *	\$93,453.91	25 *	\$222,748.52	7 *	\$385,457.92	188 *
OUTPATIENT												
Medicare (510) Non-Recoverable	\$213.92	6	\$1,300.92	8	\$3,644.93	3	\$2,003.63	1	\$220,576.94	3	\$228,540.34	21
Bad Debt (710) Write-Offs	\$28,629.94	833	\$93,859.49	340	\$17,381.89	12	\$20,564.85	7	\$13,842.27	1	\$174,278.44	1193
Total	\$28,843.86	839	\$95,160.41	348	\$21,026.82	15	\$23,368.48	8	\$234,419.21	4	\$402,818.78	1214
Recoveries	(\$1,139.38)	58	(\$3,422.66)	12	\$0.00	0	(\$4,569.01)	1	\$0.00	0	(\$9,131.05)	71
Net Total	\$27,704.48	839 *	\$91,737.75	348 *	\$21,026.82	15 *	\$18,799.47	8 *	\$234,419.21	4 *	\$393,687.73	1214 *
INPATIENT AND OUTPATIENT TOTAL	\$28,853.42	878 *	\$130,378.69	441 *	\$50,492.43	39 *	\$112,253.38	33 *	\$457,167.73	11 *	\$779,145.65	1402 *
MEDICARE BAD DEBTS												
Inpatient (710)	\$0.00	0	\$2,571.22	5	\$1,000.00	1	\$0.00	0	\$0.00	0	\$4,371.22	6
Outpatient (710)	\$148.98	2	\$537.26	3	\$0.00	0	\$0.00	0	\$0.00	0	\$686.24	5
Total	\$148.98	2	\$3,108.48	8	\$1,000.00	1	\$0.00	0	\$0.00	0	\$5,057.46	11
Recoveries	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0
Net Total	\$148.98	2 *	\$3,108.48	8 *	\$1,000.00	1 *	\$0.00	0 *	\$0.00	0 *	\$5,057.46	11 *
TOTAL NET BAD DEBT	\$29,852.46	880 *	\$133,487.17	449 *	\$52,292.43	40 *	\$112,253.38	33 *	\$457,167.73	11 *	\$784,203.11	1413 *
DOLLARS BUDGETED											\$665,561.00	

* Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1986 THROUGH MARCH 1987

	Less Than \$2000	# of Accounts	More Than \$2000	# of Accounts	TOTAL AMOUNT	TOTAL # of ACCOUNTS
INPATIENT						
Medicare (610) Non-Recoverable	\$ --	--	\$ --	--	\$ --	--
Bad Debt (701) Write-Offs	<u>151,927.85</u>	394	<u>621,843.67</u>	69	<u>773,771.52</u>	463
Total	151,927.85	394	621,843.67	69	773,771.52	463
Recoveries	<u>(7,074.20)</u>	40	<u>(6,765.64)</u>	2	<u>(13,839.84)</u>	42
Net Total	<u>\$ 144,853.65</u>	394*	<u>\$ 615,078.03</u>	69*	<u>\$ 759,931.68</u>	463*
OUTPATIENT						
Medicare (610) Non-Recoverable	\$ 14,858.41	45	\$ 559,241.03	15	\$ 574,099.44	60
Bad Debt (701) Write-Offs	<u>328,488.95</u>	3370	<u>104,424.42</u>	20	<u>432,913.37</u>	3390
Total	343,347.36	3415	663,665.45	35	1,007,012.81	3450
Recoveries	<u>(12,635.11)</u>	325	<u>(8,440.31)</u>	2	<u>(21,075.42)</u>	327
Net Total	<u>\$ 330,712.25</u>	3415*	<u>\$ 655,225.14</u>	35*	<u>\$ 985,937.39</u>	3450*
INPATIENT AND OUTPATIENT TOTAL	<u>\$ 475,565.90</u>	3809*	<u>\$1,270,303.17</u>	104*	<u>\$1,745,869.07</u>	3913*
MEDICARE BAD DEBTS						
Inpatient (710)	\$ 8,505.22	16	\$ 4,187.27	1	\$ 12,692.49	17
Outpatient (710)	<u>1,246.22</u>	10	<u>.00</u>	0	<u>1,246.22</u>	10
Total	9,751.44	26	4,187.27	1	13,938.71	27
Recoveries	<u>(000.00)</u>	0	<u>(000.00)</u>	0	<u>(000.00)</u>	0
Net Total	<u>\$ 9,751.44</u>	26*	<u>\$ 4,187.27</u>	1	<u>\$ 13,938.71</u>	27*
TOTAL NET BAD DEBT	<u>\$ 485,317.34</u>	3835*	<u>\$1,274,490.44</u>	105*	<u>\$1,759,807.78</u>	3940*

NOTE: More than \$2,000 amount includes legal settlements totaling \$44,027.62

DOLLARS BUDGETED

\$1,978,538.00

*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1986 THROUGH MARCH 1987

	LESS THAN \$100	# OF ACCOUNTS	\$100 - \$999	# OF ACCOUNTS	\$1000 - \$1999	# OF ACCOUNTS	\$2000 - \$9,999	# OF ACCOUNTS	\$10,000 +	# OF ACCOUNTS	TOTAL AMOUNT	TOTAL # OF ACCOUNTS
INPATIENT												
Medicare (610) Non-Recoverable	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0
Bad Debt (701) Write-Offs	\$4,454.04	129	\$92,564.59	226	\$54,909.22	39	\$205,167.50	52	\$416,676.17	17	\$773,771.52	463
Total	\$4,454.04	129	\$92,564.59	226	\$54,909.22	39	\$205,167.50	52	\$416,676.17	17	\$773,771.52	463
Recoveries	(\$647.46)	27	(\$5,426.24)	12	(\$1,000.50)	1	(\$6,765.64)	2	0.00	0	(\$13,839.84)	42
Net Total	\$3,806.58	129 *	\$87,138.35	226 *	\$53,908.72	39 *	\$198,401.86	52 *	\$416,676.17	17 *	\$759,931.68	463 *
OUTPATIENT												
Medicare (610) Non-Recoverable	\$651.72	17	\$5,941.75	22	\$8,264.94	6	\$36,110.70	8	\$523,130.33	7	\$574,099.44	60
Bad Debt (710) Write-Offs	\$83,290.12	2518	\$200,059.87	827	\$37,138.96	25	\$54,878.42	16	\$49,546.00	4	\$432,913.37	3398
Total	\$83,941.84	2535	\$214,001.62	849	\$45,403.90	31	\$90,989.12	24	\$572,676.33	11	\$1,007,012.81	3450
Recoveries	(\$3,889.95)	172	(\$0,745.16)	153	0.00	0	(\$0,440.31)	2	0.00	0	(\$21,075.42)	327
Net Total	\$80,051.89	2535 *	\$205,256.46	849 *	\$45,403.90	31 *	\$82,548.81	24 *	\$572,676.33	11 *	\$985,937.39	3450 *
INPATIENT AND OUTPATIENT TOTAL	\$83,858.47	2664 *	\$292,394.81	1075 *	\$99,312.62	70 *	\$280,950.67	76 *	\$989,352.50	28 *	\$1,745,869.07	3913 *
MEDICARE BAD DEBTS												
Inpatient (710)	\$0.00	0	\$6,785.22	15	\$1,000.00	1	\$4,187.27	1	\$0.00	0	\$12,692.49	17
Outpatient (710)	\$281.72	5	\$964.50	5	0.00	0	0.00	0	0.00	0	\$1,246.22	10
Total	\$281.72	5	\$7,669.72	20	\$1,000.00	1	\$4,187.27	1	\$0.00	0	\$13,938.71	27
Recoveries	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0
Net Total	\$281.72	5 *	\$7,669.72	20 *	\$1,000.00	1 *	\$4,187.27	1 *	\$0.00	0 *	\$13,938.71	27 *
TOTAL NET BAD DEBT	\$84,140.19	2669 *	\$300,064.53	1095 *	\$101,112.62	71 *	\$285,137.94	77 *	\$989,352.50	28 *	\$1,759,807.78	3940 *

DOLLARS BUDGETED

\$1,978,538.00

* Net total of accounts do not include recoveries.

THIRD QUARTER FISCAL YEAR - 1987
and YEAR-TO-DATE BAD DEBTS
BY STATE

STATE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT ¹	YEAR- TO-DATE NUMBER	YEAR- TO-DATE AMOUNT ¹
Alabama		\$	7	\$ 399.92
Alaska	1	15.79	3	67.87
Arizona	7	573.24	25	17,889.07
Arkansas			3	643.27
California	6	290.48	36	5,918.83
Colorado	3	455.72	23	2,163.09
Connecticut			1	15.00
Delaware				
District of Columbia			2	37.70
Florida	6	1,427.21	18	17,869.09
Georgia			6	4,966.44
Hawaii				
Idaho			2	237.33
Illinois	4	484.97	18	1,547.81
Indiana	4	573.81	11	54,598.05
Iowa	7	3,797.81	20	5,534.43
Kansas			3	739.00
Kentucky			1	75.00
Louisiana	4	1,408.91	4	1,408.91
Maine	2	347.50	2	347.50
Maryland			8	2,209.38
Massachusetts			5	258.97
Michigan	5	1,549.98	8	1,816.58
Minnesota	1236	644,649.60 ²	3,333	1,346,705.58 ²
Mississippi	1	128.70	2	301.50
Missouri	2	1,577.01	4	1,893.59
Montana	2	371.77	6	887.81
Nebraska	1	178.40	4	40,547.47
Nevada			1	22.22
New Hampshire				
New Jersey				
New Mexico			1	123.20
New York	5	1,013.05	21	2,754.31
North Carolina	1	1,000.00	2	1,098.00
North Dakota	18	11,940.93	65	37,912.84
Ohio	6	1,122.65	9	4,992.91
Oklahoma			2	207.80
Oregon	2	1,147.65	2	1,147.65
Pennsylvania	1	72.50	1	72.50
Puerto Rico				
Rhode Island	2	20,432.19	2	20,432.19
South Carolina			2	302.46
South Dakota	41	7,411.34	103	70,580.32
Tennessee	4	532.77	7	628.27
Texas	6	86,482.80	15	99,839.90

STATE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT ¹	YEAR- TO-DATE NUMBER	YEAR- TO-DATE AMOUNT ¹
Utah			1	120.38
Vermont				
Virginia	1	60.00	1	60.00
Washington	1	41.42	2	68.80
West Virginia				
Wisconsin	30	6,562.04	128	28,044.48
Wyoming	1	1,037.36	1	1,037.36
Unidentified			19	16,198.26
TOTAL	<u>1,413</u>	\$ <u>796,754.53</u>	<u>3,940</u>	\$ <u>1,794,723.04</u>

1. These figures do not include recoveries to bad debt.

2. The Minnesota figures include not only Minnesota bad debts, but also includes some group bad debt, including Medicare and Legal categories.

THIRD QUARTER FISCAL YEAR - 1987
and YEAR TO DATE BAD DEBTS
BY ADMITTING SERVICE

ADMITTING SERVICE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT ¹	YEAR- TO-DATE NUMBER	YEAR- TO-DATE AMOUNT ¹
Anesthesiology		\$		\$
Clinical Research	2	236.82	2	236.82
Dentistry	1	19.68	2	29.61
Dermatology	2	714.81	2	714.81
Family Practice			1	517.88
GYN	3	5,591.95	9	12,383.72
GYN Oncology	10	41,524.46	33	52,689.94
Lab. Medicine & Pathology				
Medicine - Blue	4	603.18	7	4,693.42
-Green	3	1,358.32	13	10,888.09
-Masonic(Onc)	4	1,170.02	18	7,023.00
-Purple	2	23,632.44	3	25,846.43
-Red A	3	1,897.70	10	13,407.27
-Red B	1	47.80	2	250.50
-Rose A	1	429.58	4	832.80
-Rose B				
-White A	4	1,245.09	15	5,176.92
-White B	6	1,001.84	17	11,784.39
-Yellow A	8	2,557.86	10	2,666.46
-Yellow B	2	8,234.09	3	8,265.09
Neurology	9	18,113.67	14	34,993.36
Neuro-epilepsy			3	1,720.89
Neurosurgery	11	9,601.63	24	17,074.57
New Born - General	2	803.82	6	7,405.85
Obstetrics - General	4	2,551.50	8	3,041.22
- Midwife	1	994.53	1	994.53
Ophthalmology	6	5,227.04	13	6,987.64
Orthopaedic Surgery	7	4,783.32	31	15,604.91
Otolaryngology	8	7,082.45	16	11,020.58
Pediatrics -General	14	69,557.31	31	95,249.76
-Neurology	5	2,210.27	7	2,475.93
-Neurosurgery			1	125.00
-Ophthalmology	1	2,600.61	7	5,655.08
-Orthopaedic			2	4,224.91
-Otolaryngology	1	1,487.58	1	1,487.58
-Surgery Green	2	859.74	3	879.74
-Surgery Orange			3	1,863.17
-Surgery Transpl	2	85,548.47	2	85,548.47
-Urology			1	11.61
Physical Med. & Rehab.	1	96.50	3	208.24
Psychiatry - Child			11	1,734.05
- Adult	11	14,096.94	22	31,646.63

ADMITTING SERVICE	THIRD QUARTER NUMBER	THIRD QUARTER ₁ AMOUNT	YEAR- TO-DATE NUMBER	YEAR- TO-DATE ₁ AMOUNT
Radiology				
Surgery - Blue	10	7,025.14	24	61,035.62
- Orange	3	4,003.30	10	7,560.45
- Purple	6	4,702.80	11	58,374.10
- Red	4	4,540.14	12	16,275.50
- White	4	15,613.95	11	19,450.29
Therapeutic Radiology				
Urology	6	10,899.74	14	18,014.15
Unknown	20	30,533.42	53	118,393.03
Outpatient	<u>1,219</u>	<u>403,505.02</u>	<u>3,460</u>	<u>1,008,259.03</u>
TOTAL	<u>1,413</u>	<u>\$ 796,754.53</u>	<u>3,940</u>	<u>\$ 1,794,723.04</u>

1. These figures do not include recoveries to bad debt.