



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

VED

**MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE**
Wednesday, January 27, 1988
12:30 P.M.*
8-106 University Hospital

COMMITTEE MEMBERS

Robert Nickoloff, Chair
Carol Campbell
Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
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 12/16/87 (Approval) pp. 1-3 | Mr. Robert Nickoloff |
| II. December 31, 1987 Year-to-Date Financial Statements (Information) pp. 4-12 | Mr. Clifford Fearing |
| III. Community University Health Care Center Facility Update (Information) | Mr. Greg Hart |
| IV. Lithotripter Progress Report (Information) pp. 13-15 | Mr. Greg Hart |
| V. Other Business | |

* A buffet lunch will be served at 12:00 Noon in the Board Room

**Minutes
Meeting of the
Board of Governors Finance Committee
The University of Minnesota Hospital and Clinic
December 16, 1987**

ATTENDANCE:

Present: Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
William Krivit, M.D.
J.E. Meilahn
Robert Nickoloff
Vic Vikmanis

Absent: Carol Campbell
Barbara O'Grady

Guests: Amos Deinard, M.D.
William Thompson, M.D.
Sue Weber
Mary Ellen Wells

Staff: Al Dees
Kay Fuecker
Greg Hart
Nancy Janda
Nels Larson
Dan Rode
Barbara Tebbitt

CALL TO ORDER:

The meeting of the Finance Committee was called to order by Mr. Robert Nickoloff at 12:15 P.M. in the Board Room (8-106 University Hospital).

APPROVAL OF THE MINUTES:

A motion was seconded and passed to approve the minutes of the October 28, 1987 meeting of the Finance Committee as written.

NOVEMBER 30, 1987 FINANCIAL STATEMENTS:

Mr. Cliff Fearing reported that in November UMHC experienced a decline in the average length of stay, 7.9 days compared to a budgeted level of 8.3 days. Occupancy levels are down to 72.5%, but overall are above budgeted levels for

the year. Outpatient census continues to be 1.2% above budgeted levels. The Hospital's revenues over expenses were \$3,752,504 for a favorable variance of \$5,913,395.

Ancillary revenue averaged \$7,179 per admission compared to a budgeted average of \$7,220. Outpatient revenue per clinic visit has averaged \$182 compared to the budgeted average of \$184.

Operating expenses were approximately \$1,113,000 (1.1%) under budgeted levels. The overall favorable variance relates to decreased patient care related costs.

ACCOUNTS RECEIVABLES:

Mr. Fearing also reported that the accounts receivables represent 110.08 days. The overall decrease in patient receivables in November of 1.22 days occurred primarily in the General Assistance, Blue Cross and Public Health Service categories. UMHC is working with an accounting firm to target areas that should be addressed to improve the accounts receivables. The venture will attempt to identify reductions in Medicaid and commercial insurers and Blue Cross payments. Mr. Fearing noted that PHP has agreed to an advance payment due to the large numbers of held claims by their organization.

MAGNETIC RESONANCE IMAGING UNIT II:

Mr. Al Dees and Dr. William Thompson, Head of the Radiology Department, discussed the proposal to purchase an additional MRI Unit for \$3.6 million dollars from existing hospital reserves. With its current unit, Radiology currently staffs 2 full-time shifts five days per week and one shift on Saturday. Approximately 10-12 procedures are referred elsewhere each week due to lack of MRI time available. The addition of this machine would enable more neurology, urology and spinal procedures to be done and will enhance the availability of research time.

Dr. Thompson also reported that a "Spectroscopy Center" is being put together and he will be co-director. This center will be located totally underground on the Minneapolis Campus, probably near the current Radiology facility. The National Institutes of Health has requested that a proposal be submitted for funding. More details will be reported as they are known.

The Finance Committee seconded and passed a motion to endorse the purchase of a second MRI unit in the Department of Radiology as proposed from existing hospital reserves.

COMMUNITY UNIVERSITY HEALTH CARE CENTER BUILDING PROPOSAL:

Mr. Greg Hart briefly reviewed the historical discussion of CUHCC particularly noting that the bad debt level realized by UMHC from CUHCC is

comparable to other hospitals bad debts in the metropolitan area. The residents of the Phillips Neighborhood have written a letter to the Board of Regents and the Board of Governors asking that CUHCC remain in the current neighborhood. Hospital Administration will be following up on this and report back to the Finance Committee.

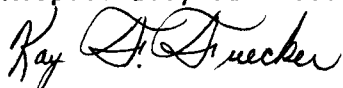
Ms. Mary Ellen Wells presented a financial and pragmatic overview of the CUHCC program. She suggested that the key issue the Board of Governors must address is whether UMHC should continue to support the program and toward what levels. If the program is going to continue it must have upgraded facilities.

Mr. Hart reported that the Phillips Neighborhood group has asked for more time to discuss CUHCC's plans and has proposed a site on the corner of Franklin and Chicago. That site and others will be discussed with the group before administration requests the Finance and Planning and Development Committees and the Board to approve the proposal. In keeping with this plan, Mr. Hart reported that the Board will be requested to endorse a resolution authorizing Hospital Administration to continue its efforts to determine a preferred site for the future location of CUHCC and that that information be brought back to this committee and the Board in January, 1988.

ADJOURNMENT:

There being no further business, the Finance Committee adjourned at 2:10 p.m.

Respectfully submitted,



Kay F. Fuecker
Recording Secretary



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 27, 1988

TO: Board of Governors Finance Committee
FROM: Clifford P. Fearing
SUBJECT: Report of Operations for the Period
July 1, 1987 through December 31, 1987

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

Inpatient Census: For the month of December, inpatient admissions totaled 1,467 or 126 above budgeted admissions of 1,341. Our overall average length of stay for the month was 7.7 days. Patient days for December totaled 11,443 and were 314 days under budget. The increase in admission levels is primarily in the area of Medicine.

To recap our year-to-date inpatient census:

	1986-87	1987-88	1987-88		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Admissions	9,276	9,103	9,539	436	4.8
Avg. Lnth. of Stay	8.4	8.5	7.9	-.6	-7.1
Patient Days	77,116	77,653	75,934	-1,719	-2.2
Avg. Daily Census	419.1	422.0	412.7	-9.3	-2.2
Percent Occupancy	70.7	72.5	71.0	-1.5	-2.1

Outpatient Census: Clinic visits for the month of December totaled 20,931 or 2,278 (12.2%) above budgeted visits of 18,653. Areas which experienced actual visits with large increases over budget were Ophthalmology and Radiation Therapy. Community University Health Care Center (CUHCC) visits for the month of December totaled 3,764 or 236 (5.9%) below budgeted visits of 4,000, while Home Health visits of 849 for the month were 62 (7.9%) above budgeted visits of 787.

Report of Operations - December 1987

Page 2

To recap our year-to-date outpatient census:

	1986-87	1987-88	1987-88		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
Clinic Visits	122,507	125,922	130,043	4,121	3.3
CUHCC Visits	22,555	24,000	24,646	646	2.7
HHA Visits	4,992	4,673	4,306	-367	-7.9

Financial Operations: The Hospital's Statement of Operations shows total revenues over expense of \$2,580,472, a favorable variance of \$7,237,821.

Patient care charges through December totaled \$127,107,192 and were 2.1% over budget. Routine revenue was 2.8% under budget and reflected our unfavorable patient day variance. Ancillary revenue was approximately \$3,629,175 (4.1%) above budget and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$7,177 per admission compared to the budgeted average of \$7,220 per admission. Outpatient revenue per clinic visit has averaged \$185 compared to the budgeted average of \$184.

Operating expenditures through December totaled \$122,750,192 and were approximately \$1,904,429 (1.6%) over budgeted levels. The overall variance relates to increased salary and fringe benefit costs.

Accounts Receivable: The balance in patient accounts receivable as of December 31, 1987 totaled \$77,229,763 and represented 109.90 days of revenue outstanding. The overall decrease in our patient receivables in December of 0.18 days occurred primarily in the Minnesota Medical Assistance, HMO and Special Contract Areas.

Conclusion: The Hospital's overall operating position is 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.

ACCOUNTS RECEIVABLE HIGHLIGHTS
DECEMBER 31, 1987

Category	Amount	+ or (-) Prev. mo.	% Change	+ or (-) 6/30/87	% Change	12-31-87 Days
Total	\$77,112,698 ^a	\$(2,875,413)	(3.59)%	\$4,863,066	6.73 %	109.90
Inhouse	8,459,104 ^a	(1,294,223)	(13.27)%	(731,701)	(7.96)%	12.06
DNFB ^b	9,667,167 ^a	(5,148,885)	(34.75)%	(294,644)	(2.96)%	13.78
	- 1,796,477					- four day inpatient hold
	- 4,429,898					- outpatient billing hold
	- 1,920,451					- medical record hold
	- 1,520,341					- misc. billing hold
Collections	5,244,147	255,647	5.12 %	(169,678)	(3.13)%	7.47
Follow-up	5,090,986	(152,309)	(2.90)%	26,638	0.53 %	7.26
Net DAR	48,651,291 ^a	3,464,358	7.67 %	6,032,450	14.15 %	69.33

a. Figures shown are gross dollars or days and do not reflect contractual allowances or discounts (ie Net DAR after adjustment would be approximately \$38,435,000 or 54.77 days.).

b. Discharged not final billed

Significant changes

- Inhouse and DNFB categories decreased and Net DAR increased in December in part due to the holiday season where the census decreases and claim turnaround increases. The DNFB category reflected the final coding of DRG based accounts for billing accounting in part for the increase in Net DAR. The holiday season also accounts for some of the misc. holds in billing.
- Increases in accounts receivable NET DAR were experienced in Medicare, \$3.4M, reflecting the DRG issue; Agency Pending, \$161T; Out-of-State Blue Cross, \$264T; Indian Health Service, \$125T, due to the Federal Budget Freeze; VA Hospital, \$220T, which should be settled with a new contract; Blue Cross \$435T, related to PIP fluxion; and Misc. Contracts, \$212T, most of which is new business.
- Decreases in accounts during the month included Medical Assistance/GAMC, \$4,035, which reflected increased payments and the adjustments for discounts; External Audits, \$78T; U-Care Minnesota, \$166T; HMO's \$345T; Transplant Contracts, \$227T and Misc. Agencies \$130T.

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

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Patient Care Charges	\$124,463,756	\$127,107,192	\$2,643,436	2.1%
Deductions from Charges	-22,605,531	-18,203,932	4,401,599	19.5%
Other Operating Revenue	2,950,601	3,364,489	413,888	14.0%
Total Operating Revenue	104,808,826	112,267,749	7,458,923	7.1%
Total Expenditures	-120,845,763	-122,750,192	-1,904,429	-1.6%
Net Operating Revenue	-16,036,937	-10,482,443	5,554,494	0.0%
Non-Operating Revenue and Expenses	11,379,588	13,062,915	1,683,327	14.8%
Revenue over Expense	\$ -4,657,349	\$2,580,472	\$7,237,821	(1)
	=====	=====	=====	

(1) Variance equals 6.2 % of total budgeted revenue.

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Admissions	9,103	9,539	436	4.8%
Patient Days	77,653	75,934	-1,719	-2.2%
Average Daily Census	422.0	412.7	-9.3	-2.2%
Average Length of Stay	8.5	7.9	-0.6	-7.1%
Percentage Occupancy	72.5%	71.0%	-1.5	-2.1%
Outpatient Clinic Visits	125,922	130,043	4,121	3.3%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1987 TO DECEMBER 31, 1987

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	\$124,463,756	\$127,107,192	\$2,643,436	2.1%
Deductions from Charges	22,605,531	18,203,932	-4,401,599	-19.5%
Other Operating Revenue	2,950,601	3,364,489	413,888	14.0%
Total Revenue from Operations	\$104,808,826	\$112,267,749	\$7,458,923	7.1%
Expenditures				
Salaries	\$51,111,983	\$52,608,672	\$1,496,689	2.9%
Fringe Benefits	9,678,656	11,792,631	2,113,975	21.8
Contract Compensation	5,568,826	5,564,858	-3,968	-0.1
Medical Supplies, Drugs, Blood	19,800,763	18,951,973	-848,790	-4.3
Campus Administration Expense	3,253,382	3,253,382	0	
Depreciation and Amortization	8,446,913	8,692,216	245,303	2.9
General Supplies & Expense	22,985,240	21,886,460	-1,098,780	-4.8
Total Expenditures	\$120,845,763	\$122,750,192	\$1,904,429	1.6%
Net Revenue from Operations	\$-16,036,937	\$-10,482,443	\$5,554,494	
Non-Operating Revenues and Expenses				
Appropriations	\$7,246,533	\$7,165,328	\$-81,205	-1.1%
Interest Income on Reserves	3,036,760	3,747,054	710,294	-12.5
Shared Services	192,295	97,437	-94,858	27.4
Investment Income on Trustee Held Assets	904,000	2,053,096	1,149,096	127.1
Total Non-Operating Revenues and Expenses	\$11,379,588	\$13,062,915	\$1,683,327	14.8%
Revenue Over Expense	\$-4,657,349	\$2,580,472	\$7,237,821	(1)

(1) Variance equals 6.2% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1987 TO DECEMBER 31, 1987

Annual Budget		Budgeted	Actual	Variance Over/-Under Budget	Variance %
	Patient Care Charges				
\$70,025,500	Routine	\$35,538,984	\$34,553,245	\$-985,739	-2.8%
179,592,300	Ancillary	88,924,772	92,553,947	3,629,175	4.1
<u>\$249,617,800</u>	Gross Charges	<u>\$124,463,756</u>	<u>\$127,107,192</u>	<u>\$2,643,436</u>	<u>2.1%</u>
	Deductions from Charges				
\$27,750,800	Third Party Contractual Adjustments	\$13,837,029	\$8,678,391	\$-5,158,638	-37.3%
9,219,200	Billing Adjustments & Employee Benefits	4,614,322	5,149,083	534,761	11.6
663,800	Charitable Care	330,982	267,757	-63,225	-19.1
4,355,300	Other Contractual Adjustments	2,171,628	2,422,448	250,820	11.5
3,312,300	Provisions for Uncollectables	1,651,570	1,686,253	34,683	2.1
<u>\$45,301,400</u>	Total Deductions	<u>\$22,605,531</u>	<u>\$18,203,932</u>	<u>\$-4,401,599</u>	<u>-19.5%</u>
	Other Operating Revenue				
\$1,348,500	Food Services	\$677,934	\$729,371	\$51,437	7.6%
500,000	Parking Services	251,366	288,181	36,815	14.6
78,700	Department Non-Patient	39,565	32,926	-6,639	-16.8
1,066,700	CUHCC Grants	531,238	533,012	1,774	0.3
1,543,700	Reference Lab Income	776,068	803,891	27,823	3.6
1,352,600	Pro Fees - Net Revenue	674,430	729,747	55,317	8.2
0	X-Ray Silver Salvage	0	235,706	235,706	
0	Donations from Restricted Funds	0	11,655	11,655	
<u>\$5,890,200</u>	Total Other Revenue	<u>\$2,950,601</u>	<u>\$3,364,489</u>	<u>\$413,888</u>	<u>14.0%</u>
<u>\$210,206,600</u>	Total Revenue from Operations	<u>\$104,808,826</u>	<u>\$112,267,749</u>	<u>\$7,458,923</u>	<u>7.1%</u>
	Expenditures				
\$101,075,300	Salaries	\$51,111,983	\$52,608,672	\$1,496,689	2.9%
19,139,500	Fringe Benefits	9,678,656	11,792,631	2,113,975	21.8
1,960,300	Academic Contracts	980,149	980,149	0	
5,533,100	Resident Contracts	3,247,027	3,247,027	0	
2,683,300	Physician Compensation	1,341,650	1,337,682	-3,968	-0.3
<u>\$130,391,500</u>	Total Salary, F.B. & Fees	<u>\$66,359,465</u>	<u>\$69,966,161</u>	<u>\$3,606,696</u>	<u>5.4%</u>
2,106,000	Laundry & Linen	1,059,841	1,132,900	73,059	6.9%
1,688,200	Raw Food	852,991	832,809	-20,182	-2.4
20,236,500	Drugs	10,010,047	8,592,789	-1,417,258	-14.2
5,853,500	Blood & Blood Derivatives	2,895,451	3,468,191	572,740	19.8
13,939,600	Medical Supplies	6,895,265	6,890,993	-4,272	-0.1
4,254,600	Utilities	2,105,224	2,037,270	-67,954	-3.2
1,007,900	Insurance	506,704	491,942	-14,762	-2.9
2,902,200	Rental	1,451,100	1,528,694	77,594	5.3
4,252,100	Maintenance & Repair	2,137,668	2,121,129	-16,539	-0.8
1,475,700	Communications	741,882	824,920	83,038	11.2
0	Gain on Disposal of Assets	0	-38,500	-38,500	
6,471,400	Campus Administration Expense	3,253,382	3,253,382	0	
16,693,600	Depreciation and Amortization	8,446,913	8,692,216	245,303	2.9
10,428,000	Interest	5,283,653	4,945,042	-338,611	-6.4
17,596,200	General Supplies & Expense	8,846,177	8,010,254	-835,923	-9.4
<u>\$239,297,000</u>	Total Expenditures	<u>\$120,845,763</u>	<u>\$122,750,192</u>	<u>\$1,904,429</u>	<u>1.6%</u>
<u>\$-29,090,400</u>	Net Revenue from Operations	<u>\$-16,036,937</u>	<u>\$-10,482,443</u>	<u>\$5,554,494</u>	
	Non-Operating Revenue and Expenses				
\$14,414,300	Appropriations & Support	\$7,246,533	\$7,165,328	\$-81,205	-1.1%
0	Accrued Interest on Appropriation	0	170,558	170,558	
5,517,900	Interest Income on Reserves	3,036,760	3,576,496	539,736	17.8
382,500	Shared Services	192,295	97,437	-94,858	-49.3
1,808,000	Investment Income Held by Trustee	904,000	2,053,096	1,149,096	127.1
<u>\$22,122,700</u>	Total Non-Operating Revenue and Expenses	<u>\$11,379,588</u>	<u>\$13,062,915</u>	<u>\$1,683,327</u>	<u>14.8%</u>
<u>\$-6,967,700</u>	Revenue Over Expense	<u>\$-4,657,349</u>	<u>\$2,580,472</u>	<u>\$7,237,821</u>	<u>(1)</u>

(1) Variance equals 6.2% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance		\$34,475
Net Income from Operations	\$ -10,482,443	
Non-Operating Revenue	13,062,915	

Excess of Revenue over Expense		2,580,472
Items not Requiring the Outlay of Cash:		
Depreciation		8,692,216
University Support: G & A		3,253,382
University Support: KE Utilities		176,096
Decrease in Other Receivables		567,086
Third Party Liability Transfer		728,719
Deferred Third Party Reimbursement		401,266
Renewal Project Interest Expense		4,672,484
Transfer for PCN Liability Payment		1,058,268

Total Funds Provided from Operations		\$22,164,464

Funds Applied

Transfers to Plant:		
Increase in Capital Expenditures	\$5,713,275	
Decrease in Capital Encumbrances	-44,200	
Total Transfers to Plant from Operations		\$5,669,075
Increase in Accounts Receivable		6,894,333
Increase in Prepaid Expenses		334,601
Increase in Inventory		127,080
Decrease in Accrued Expenses		2,074,781
Gain on Disposal of Assets		38,500
Investment Income - Trustee Held Assets		2,053,096
Transfer to Reserves - Bond Retirement		1,315,002
Transfer to Reserves - Bond Interest Payable		4,525,244

Total Funds Applied \$23,031,712

Operating Cash Made Available from Operations \$-867,248

Current Cash Summary

Operating Cash	\$-867,248
Reserve Cash for Liability to Third Party Payors	13,576,286
Unrealized Appropriation Cash	7,087,372
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Interest Payment	4,768,772

	27,065,182
Less Interest Income on Reserves	-3,747,054

Total Current Cash	\$23,318,128
	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

BALANCE SHEETS

DECEMBER 31, 1987 AND JUNE 30, 1987

ASSETS

LIABILITIES AND FUND BALANCES

	12/31/87	6/30/87		12/31/87	6/30/87
	-----	-----		-----	-----
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$-4,614,302	\$34,475	Accounts Payable	\$3,383,428	\$6,101,515
Reserve Cash- Third Party Payable	13,576,286	14,305,005	Payable to Third Party Contr. Payors	13,576,286	14,305,005
Unrealized Appropriation Cash	7,087,372	0	Salaries, Wages and Payroll Taxes	5,441,262	7,080,113
Reserve Cash- Short Term Debt	2,500,000	2,500,000	Accrued Vacation	6,938,998	6,706,164
Reserve Cash-Bond Interest Payable	4,768,772	4,214,376	Accrued Professional Fees and		
Accounts Receivable			Physician Compensation	2,350,542	1,625,515
Patient Receivables	77,229,763	72,366,775	Contracts Payable	2,063,408	920,738
Other Receivables	1,451,386	2,018,472	Interest Payable	4,809,534	4,263,164
	-----	-----	Current Portion of Long-Term Debt	3,782,479	3,796,447
Less Allowances for Losses	78,681,149	74,385,247	Promissory Notes Payable	2,500,000	2,500,000
in Collection	-5,643,167	-5,577,999		-----	-----
	-----	-----			
Less Allowances for Discounts					
to Third Party Payors	-11,527,348	-13,623,861			
	-----	-----			
	61,510,634	55,183,387			
	-----	-----			
Trustee Held Assets	0	1,020,755			
Inventories of Drugs & Supplies	4,754,743	4,863,369			
Prepaid Expenses	727,746	393,145			
Silver Flake	235,706	0			
	-----	-----			
TOTAL CURRENT ASSETS	\$90,546,957	\$82,514,512	TOTAL CURRENT LIABILITIES	\$44,845,937	\$47,298,661
	-----	-----		-----	-----
BOARD DESIGNATED ASSETS:					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$66,359,103	\$56,443,170			
Accrued Interest	1,806,059	605,020			
	-----	-----			
	68,165,162	57,048,190			
Cash & Investments Assigned					
to Construction Projects	9,776,205	8,510,966			
	-----	-----			
TOTAL BOARD DESIGNATED ASSETS	\$77,941,367	\$65,559,156			
	-----	-----			
DEFERRED THIRD PARTY REIMBURSEMENT	\$9,770,973	\$10,172,239			
	-----	-----			
OTHER ASSETS	258,190	258,189			
	-----	-----			
LAND, BUILDINGS & EQUIPMENT					
Land, Buildings & Improvements	\$181,488,598	\$180,359,060			
Equipment	75,083,679	68,008,620			
	-----	-----			
	256,572,277	248,367,680			
Less Accumulated Depreciation	-75,771,535	-67,640,664			
	-----	-----			
	180,800,742	180,727,016			
Construction in Progress	4,921,911	8,136,413			
	-----	-----			
TOTAL LAND, BUILDINGS & EQUIPMENT	\$185,722,653	\$188,863,429			
	-----	-----			
TRUSTEE HELD ASSETS	\$42,007,799	\$51,195,164			
	-----	-----			
DEFERRED DEBT EXPENSE	\$1,941,065	\$2,023,259			
	-----	-----			
	\$408,189,004	\$400,585,948		\$408,189,004	\$400,585,948
	=====	=====		=====	=====
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
			Fund Balances		
			Endowment Funds	\$1,883,807	\$1,846,730
			Gift Funds	3,087,995	3,009,666
				-----	-----
Cash and Investments	\$4,971,802	\$4,856,396		\$4,971,802	\$4,856,396
	=====	=====		=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD JULY 1, 1987 TO DECEMBER 31, 1987

	OPERATING FUND	BOARD DESIGNATED FUND	TRUSTEE & PLANT FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS				
Beginning Balance	\$33,979,528	\$57,048,190	\$79,362,666	\$170,390,384
Net Income				
Excess of Revenue over Expense	4,470,770			
Interest Income on Reserves		3,576,496		
Accrued Interest on Appropriations		170,558		
Depreciation Expense			-8,692,216	
Gain on Disposal of Assets			38,500	
Interest Expense			963,268	
Interest Income on Trustee Held Fund			2,053,096	
Extraordinary Item				
Total Income				2,580,472
Less Expense				
Unrealized Appropriation Revenue	7,087,372			7,087,372
University Support: G & A	3,253,382			3,253,382
K/E Utilities	176,096			176,096
Transfers Between Funds				
Major Building Projects- Hospital Only		-284,894	284,894	0
Capital Expenditures	-5,117,310		5,117,310	0
Capital Encumbrance Change	44,200		-44,200	0
Major Equipment Requisition	-513,665	5,956,979	-5,443,314	0
Bond Interest Payment	5,081,357	-4,871,950	-209,407	0
Bond Principal Sinking Fund	-1,315,002	1,315,002	0	0
Short Term Note Funding	2,500,000	-2,500,000		0
Bond Interest Expense Funding	243,528	-243,528		0
Prior Year End Bond Interest Transfer	-4,214,376	4,214,376		0
Reimbursement from Trustee - Bond Interst		4,841,929	-4,841,929	0
PCN liability payment	1,058,268	-1,058,268		0
Increase in Restricted Gift Fund				0
Commitment to Plant			20,470	20,470
Unrestricted Donation			50,000	50,000
Adjustments to Hospital Shared Buildings		270	-95,344	-95,074
Ending Balance	\$46,734,148	\$68,165,160	\$68,563,794	\$183,463,102

	Gift	Endowment	Total
RESTRICTED FUNDS			
Beginning Balance	\$3,009,666	\$1,846,730	\$4,856,396
Income	610,444	37,077	647,521
Disbursement	-532,115		-532,115
Ending Balance	\$3,087,995	\$1,883,807	\$4,971,802



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 21, 1988

TO: Members, Board of Governors Finance Committee
FROM: Greg Hart
SUBJECT: Lithotripsy Report

You may recall that the Board of Governors authorized the capital expenditures associated with the extracorporeal shockwave lithotripsy programs in the spring of 1985, and that the program became operational in December, 1985. Given that the program has now been in operation for a two year period, we thought it appropriate to provide the Finance Committee with a progress report. This report was presented to the Planning and Development Committee on January 14, 1988. As you can see from the attached information, the program has exceeded our original objectives.

Lithotripsy technology continues to expand. The original (and still current) applications of lithotripsy relate to kidney stone treatment. Newly emerging applications are moving toward gallstone treatment, using different or combined machines. We will be discussing the topic of lithotripsy technology growth with the Finance Committee as well, as our planning efforts in this regard have intensified substantially in the last 30-60 days.

We look forward to discussing this with you on January 27th.

Attachment



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

March 3, 1988

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing

SUBJECT: Special Finance Committee Meeting

Due to the cancellation of the February 24, 1988 Finance Committee meeting, we have scheduled a special meeting on March 11, 1988 to complete the original agenda.

The primary focus of this meeting will be to begin discussion of the 1988-1989 budget. A rewritten Finance packet is attached for your review. We have not included additional copies of the 1986-1987 Audited Financial Statements. Please bring your copies with you if you have questions.

Lunch will be provided after the meeting.

CPF/kff



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
Friday, March 11, 1988
10:30 - 12:00 Noon*
8-106 University Hospital**

COMMITTEE MEMBERS

Robert Nickoloff, Chairman
Carol Campbell
Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
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 12/16/87 (Approval) pp. 1-3 | Mr. Robert Nickoloff |
| II. Dermatology Expansion (Information) pp. 4-6 | Mr. Greg Hart |
| III. 2nd Quarter Bad Debts (Endorsement) pp. 7-34 | Mr. Clifford Fearing |
| IV. Preliminary 1988-89 Budget (Information) pp. 35-37 | Mr. Robert Dickler |
| V. Audited Year-End Financial Statements (Discussion) | Mr. Nels Larson |

***A buffet lunch will be served at 12:00 Noon in the Board Room.**

**Minutes
Meeting of the
Board of Governors Finance Committee
The University of Minnesota Hospital and Clinic
December 16, 1987**

ATTENDANCE:

Present: Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
William Krivit, M.D.
J.E. Meilahn
Robert Nickoloff
Vic Vikmanis

Absent: Carol Campbell
Barbara O'Grady

Guests: Amos Deinard, M.D.
William Thompson, M.D.
Sue Weber
Mary Ellen Wells

Staff: Al Dees
Kay Fuecker
Greg Hart
Nancy Janda
Nels Larson
Dan Rode
Barbara Tebbitt

CALL TO ORDER:

The meeting of the Finance Committee was called to order by Mr. Robert Nickoloff at 12:15 P.M. in the Board Room (8-106 University Hospital).

APPROVAL OF THE MINUTES:

A motion was seconded and passed to approve the minutes of the October 28, 1987 meeting of the Finance Committee as written.

NOVEMBER 30, 1987 FINANCIAL STATEMENTS:

Mr. Cliff Fearing reported that in November UMHC experienced a decline in the average length of stay, 7.9 days compared to a budgeted level of 8.3 days. Occupancy levels are down to 72.5%, but overall are above budgeted levels for

the year. Outpatient census continues to be 1.2% above budgeted levels. The Hospital's revenues over expenses were \$3,752,504 for a favorable variance of \$5,913,395.

Ancillary revenue averaged \$7,179 per admission compared to a budgeted average of \$7,220. Outpatient revenue per clinic visit has averaged \$182 compared to the budgeted average of \$184.

Operating expenses were approximately \$1,113,000 (1.1%) under budgeted levels. The overall favorable variance relates to decreased patient care related costs.

ACCOUNTS RECEIVABLES:

Mr. Fearing also reported that the accounts receivable represent 110.08 days. The overall decrease in patient receivables in November of 1.22 days occurred primarily in the General Assistance, Blue Cross and Public Health Service categories. UMHC is working with an accounting firm to target areas that should be addressed to improve the accounts receivables. The venture will attempt to identify reductions in Medicaid and commercial insurers and Blue Cross payments. Mr. Fearing noted that PHP has agreed to an advance payment due to the large numbers of held claims by their organization.

MAGNETIC RESONANCE IMAGING UNIT II:

Mr. Al Dees and Dr. William Thompson, Clinical Chief of Radiology, discussed the proposal to purchase an additional MRI Unit for \$3.6 million dollars from existing hospital reserves. With its current unit, Radiology currently staffs 2 full-time shifts five days per week and one shift on Saturday. Approximately 10-12 procedures are referred elsewhere each week due to lack of MRI time. The addition of this machine would enable more neurology, urology and spinal procedures to be done and will enhance the availability of research time.

Dr. Thompson also reported that a "Spectroscopy Center" is being put together and he will be co-director. This center will be located totally underground on the Minneapolis Campus, probably near the current Radiology facility. The National Institutes of Health has requested that a proposal be submitted for funding. More details will be reported as they are known.

The Finance Committee seconded and passed a motion to endorse the purchase of a second MRI unit in the Department of Radiology as proposed from existing hospital reserves.

COMMUNITY UNIVERSITY HEALTH CARE CENTER BUILDING PROPOSAL:

Mr. Greg Hart briefly reviewed the historical discussion of CUHCC particularly noting that the bad debt level realized by UMHC from CUHCC is

comparable to other hospitals bad debts in the metropolitan area. The residents of the Phillips Neighborhood have written a letter to the Board of Regents and the Board of Governors asking that CUHCC remain in the current neighborhood. Hospital Administration will be following up on this and report back to the Finance Committee.

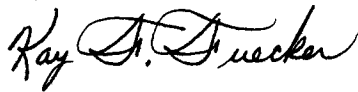
Ms. Mary Ellen Wells presented a financial and programmatic overview of the CUHCC program. She suggested that the key issue the Board of Governors must address is whether UMHC should continue to support the program and toward what levels. If the program is going to continue it must have upgraded facilities.

Mr. Hart reported that the Phillips Neighborhood group has asked for more time to discuss CUHCC's plans and has proposed a site on the corner of Franklin and Chicago. That site and others will be discussed with the group before administration requests the Finance and Planning and Development Committees and the Board to approve the proposal. In keeping with this plan, Mr. Hart reported that the Board will be requested to endorse a resolution authorizing Hospital Administration to continue its efforts to determine a preferred site for the future location of CUHCC and that that information be brought back to this committee and the Board in January, 1988.

ADJOURNMENT:

There being no further business, the Finance Committee adjourned at 2:10 p.m.

Respectfully submitted,



Kay F. Fuecker
Recording Secretary



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 18, 1988

TO: Members of the Finance Committee
FROM: Greg Hart *GH*
REGARDING: Dermatology Clinic Expansion Project

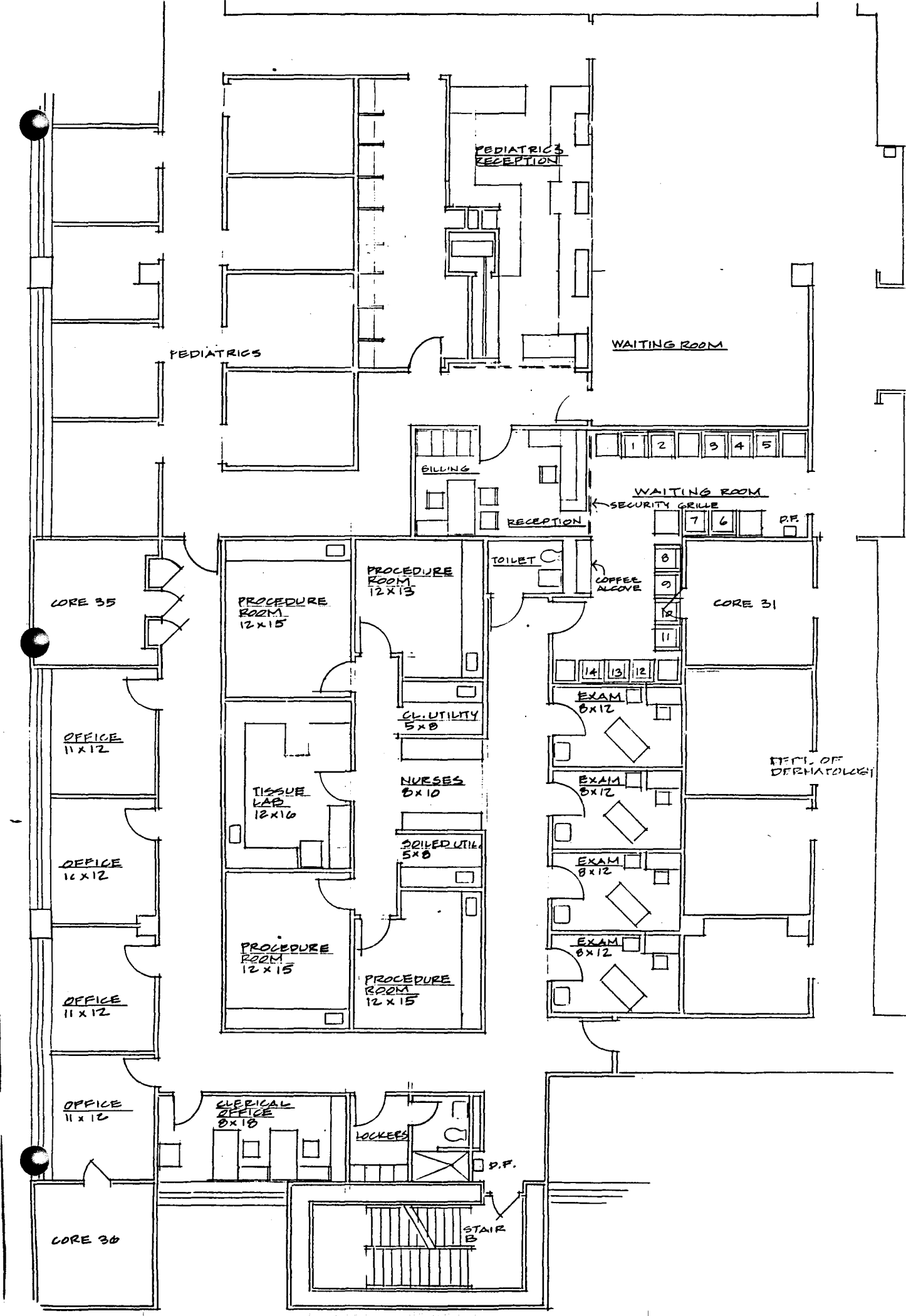
The 1987-88 UMHC capital plan includes the expansion of the Dermatology Clinic in the fourth floor shell space of the Phillips-Wangensteen Building. Architects have recently completed initial design plans that include 3,541 net square feet for clinic space and 956 net square feet for Department of Dermatology offices and laboratory. The architects estimate the Hospital's portion of the project to cost \$631,629. This estimate includes a design and bidding contingency of 15% as well as a Health Sciences assessment for overhead expenses related to the building (e.g. elevators).

The Dermatology Clinic currently shares a clinic module with Surgery on the first floor of Phillips-Wangensteen. Attached is a floor plan of the finished shell space on the fourth floor. This addition will be used primarily for dermatology micrographic removal of cancer, laser procedures, and other dermatologic surgery. We anticipate, therefore, that this space has greater construction costs associated with it than with the typical clinic module that contains examination rooms. Also, some modifications in the existing Pediatric Clinic reception area and waiting room, needed to accommodate the new clinic, are included as part of this project.

Because the estimate is over the \$600,000 threshold, we are bringing this project forward to the Board for informational purposes. We will not have the actual project cost until construction documents and bidding has occurred. If necessary, we will return at that time to present further details regarding the program for Board approval.

Dr. Peter Lynch, Chairman of the Department of Dermatology and Mary Ellen Wells from our administrative staff will be available for your questions. Thank you for your consideration.

Attachment



Dermatology Clinic Project Cost Estimate

Construction Costs	\$383,188
Estimating Contingency (5%)	<u>19,159</u>
Total Construction Cost	\$402,347
Bidding Contingency (10%)	40,234
Movable Furnishings (8%)	32,188
Building Assessment	30,534
Non-building Costs (25%)	<u>126,326</u>
 Total Estimated Project Cost	 \$631,629



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 10, 1988

TO: UMHC Board of Governors

FROM: Clifford P. Fearing
Senior Associate Director, UMHC

SUBJECT: Bad Debts - Second Quarter, Fiscal Year 1988.

The total amount recommended for bad debt for Hospital and Clinic accounts receivable during the second quarter of 1987-88 is \$689,621.74 represented by 1,336 accounts. Bad debt recoveries during the period amounted to \$10,687.30, leaving a net charge-off of \$678,934.44.

The net bad debts of \$678,934.44 for the second quarter were 1.09% of gross charges. This compares to a budgeted level of bad debts of 1.33% (\$792,102).

A statistical summary is attached along with a detailed description of losses over \$2,000.00 and recoveries over \$200 for each month of the second quarter.

Year to date bad debts have amounted to \$1,638,949.34 represented by 2938 accounts. Recoveries during these two quarters amounted to \$17,863.58 leaving a net charge-off of \$1,621,085.76.

The net bad debts of \$1,621,085.76 for the two quarters were 1.28% of gross charges. This compares to a budgeted level of bad debts of 1.33% of (\$1,651,570).

Along with a year-to-date statistical summary, we have also included reports with a breakdown of bad debts by residence and by the admitting clinical services.

attachments

ACCOUNTS RECEIVABLE HIGHLIGHTS
January 31, 1988

Category	Amount	+ or (-) Prev. Mo.	% Change	+ or (-) 6/30/87	% Change	1-31-88 Days
Total	\$79,390,735 ^a	\$2,278,037	2.95%	7,141,102	9.88%	114.97
Inhouse	9,131,261 ^a	(535,906)	(5.54)%	(59,544)	(0.65)%	13.22
DNFB ^b	10,737,692 ^a	2,278,588	26.94%	775,881	7.79%	15.55
	- 2,253,336	- inpatient hold				
	- 2,331,760	- outpatient hold				
	- 4,522,116	- medical record hold				
	- 1,630,480	- misc. billing hold				
Collections	5,225,242	(18,905)	(0.36)%	(188,583)	(3.48)%	7.57
Follow-up	5,053,176	(37,810)	(0.74)%	(11,172)	(0.22)%	7.32
Net DAR	49,243,363 ^a	592,070	(1.22)%	6,624,520	15.54%	71.31

a. Figures shown are gross dollars or days and do not reflect contractual allowances or discounts (ie Net DAR after adjustment would be approximately \$38,902,000 or 56.34 days)

b. Discharged not final billed.

Significant Changes:

- The DNFB category significantly increased this month reflecting a significant number of inpatients requiring medical recording and turned into the category towards the end of January along with a hold placed on outpatient Blue Cross billing to permit changes in the 1988 AWARE Contract.
- Increases in accounts receivable Net DAR were reflected in Commercial Insurance, \$992T; Minnesota MA, \$555T; HMO's, \$413T; Agency Pending, \$203T; Misc. Authorization, \$162T; External Audits, \$150T; Special Contracts, \$135T; and Industrial Compensation, \$128T. Special project: have begun with DH&S on Commercial Insurance and Medical Assistance. Increases in Authorization, Special Contracts and Industrial Compensation reflect new business.
- Decreases in accounts receivable Net DAR were reflected in Medicare, \$520T, Blue Cross Out-of-State, \$560T, Out-of-State Medical Assistance, \$474T and Blue Cross, \$84T.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

OCTOBER 1987 THROUGH DECEMBER 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	53,067.38	90	66,054.48	15	119,121.86	105
Bad Debt (702) Charity Care	<u>19,965.05</u>	28	<u>131,036.39</u>	19	<u>151,001.44</u>	47
Total	76,319.64	118	197,090.87	34	270,123.30	152
Recoveries	<u>(2,090.45)</u>	28	<u>(000.00)</u>	0	<u>(2,090.45)</u>	12
Net Total	<u>\$ 70,941.98</u>	118	<u>\$ 197,090.87</u>	34*	<u>\$ 268,032.85</u>	152*
OUTPATIENT						
Medicare (610) Non-Recoverable	\$ 11,894.26	31	\$ 207,834.85	6	\$ 215,264.68	25
Bad Debt (701) Write-Offs	273,585.75	2121	28,817.99	6	160,552.45	963
Bad Debt (702) Charity Care	<u>70,825.62</u>	360	<u>4,775.60</u>	2	<u>37,306.50</u>	183
Total	356,305.63	2512	241,428.44	16	413,123.63	1171
Recoveries	<u>(10,283.58)</u>	104	<u>(2,231.35)</u>	1	<u>(8,596.85)</u>	53
Net Total	<u>\$ 346,022.05</u>	2512*	<u>\$ 239,197.09</u>	16*	<u>\$ 404,526.78</u>	1171*
INPATIENT AND OUTPATIENT TOTAL	<u>\$ 528,857.70</u>	2810*	<u>\$ 436,287.96</u>	50*	<u>\$ 672,559.63</u>	1323*
MEDICARE BAD DEBTS						
Inpatient (710)	\$ 6,079.23	11	\$ 000.00	0	\$ 4,840.23	8
Outpatient (710)	<u>1,534.58</u>	5	<u>.00</u>	0	<u>1,534.58</u>	5
Total	7,613.81	16	000.00	0	6,374.81	13
Recoveries	<u>(1,864.66)</u>	2	<u>(000.00)</u>	0	<u>(000.00)</u>	0
Net Total	<u>\$ 5,749.15</u>	16*	<u>\$ 000.00</u>	0	<u>\$ 6,374.81</u>	13*
TOTAL NET BAD DEBT	<u>\$ 534,606.85</u>	2826*	<u>\$ 436,287.96</u>	50*	<u>\$ 678,934.44</u>	1336*

NOTE: More than \$2,000 amount includes legal settlements totaling \$12,967.41

DOLLARS BUDGETED

\$ 792,102.00

*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

OCTOBER 1987 THROUGH DECEMBER 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	\$1,027.55	22	23,766.54	50	28,273.29	18	66,054.48	15	0.00	0	119,121.86	105
Bad Debt (702) Charity Care	\$71.46	3	\$6,000.05	16	\$13,893.54	9	\$59,780.16	16	\$71,256.23	3	\$151,001.44	47
Total	\$1,099.01	25	\$29,766.59	66	\$42,166.83	27	\$125,834.64	31	\$71,256.23	3	\$270,123.30	152
Recoveries	(\$287.90)	9	(\$200.00)	2	(\$1,602.55)	1	\$0.00	0	0.00	0	(\$2,090.45)	12
Net Total	\$811.11	25 *	\$29,566.59	66 *	\$40,564.28	27 *	\$125,834.64	31 *	\$71,256.23	3 *	\$268,032.85	152 *
OUTPATIENT												
Medicare (610) Non-Recoverable	\$286.12	6	\$2,466.05	8	\$4,677.66	3	\$29,502.56	6	\$178,332.29	2	\$215,264.68	25
BAD DEBT (701) WRITE-OFFS	\$21,599.20	610	\$89,516.36	332	\$20,618.90	15	\$28,817.99	6	\$0.00	0	\$168,552.45	963
Bad Debt (702) Charity Care	\$3,946.01	100	\$22,004.50	77	\$5,810.39	4	\$4,775.60	2	\$0.00	0	\$37,306.50	183
Total	\$25,831.33	716	\$114,786.91	417	\$31,106.95	22	\$63,096.15	14	\$178,332.29	2	\$413,123.63	1171
Recoveries	(\$829.15)	30	(\$5,536.35)	22	\$0.00	0	(\$2,231.35)	1	\$0.00	0	(\$8,596.85)	53
Net Total	\$24,972.18	716 *	\$109,250.56	417 *	\$31,106.95	22 *	\$60,864.80	14 *	\$178,332.29	2 *	\$404,526.78	1171 *
INPATIENT AND OUTPATIENT TOTAL	\$25,781.29	741 *	\$130,817.15	483 *	\$71,671.23	49 *	\$186,699.44	45 *	\$249,588.52	5 *	\$672,559.63	1323 *
MEDICARE BAD DEBTS												
Inpatient (710)	\$0.00	0	\$3,240.23	7	\$1,600.00	1	\$0.00	0	\$0.00	0	\$4,840.23	8
Outpatient (710)	\$98.97	3	\$1,435.61	2	\$0.00	0	\$0.00	0	\$0.00	0	\$1,534.58	5
Total	\$98.97	3	\$4,675.84	9	\$1,600.00	1	\$0.00	0	\$0.00	0	\$6,374.81	13
Recoveries	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0
Net Total	\$98.97	3 *	\$4,675.84	9 *	\$1,600.00	1 *	\$0.00	0 *	\$0.00	0 *	\$6,374.81	13 *
TOTAL NET BAD DEBT	\$25,882.26	744 *	\$143,492.99	492 *	\$73,271.23	50 *	\$186,699.44	45 *	\$249,588.52	5 *	\$678,934.44	1336 *
DOLLARS ROUNDED											\$792,102.00	

* Net total of accounts do not include recoveries

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1987 THROUGH DECEMBER 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	139,497.53	241	325,141.34	47	464,638.87	288
Bad Debt (702) Charity Care	<u>46,822.11</u>	57	<u>217,657.14</u>	30	<u>264,479.25</u>	87
Total	186,319.64	298	542,798.48	77	729,118.12	375
Recoveries	<u>(3,483.99)</u>	28	<u>(000.00)</u>	0	<u>(3,483.99)</u>	28
Net Total	<u>\$ 182,835.65</u>	298*	<u>\$ 542,798.48</u>	77*	<u>\$ 725,634.13</u>	375*
OUTPATIENT						
Medicare (610) Non-Recoverable	\$ 11,894.26	31	\$ 472,944.34	15	\$ 484,838.60	46
Bad Debt (701) Write-Offs	273,585.75	2121	59,126.94	15	332,712.69	2136
Bad Debt (702) Charity Care	<u>70,825.62</u>	360	<u>13,840.50</u>	5	<u>84,666.12</u>	365
Total	356,305.63	2512	545,911.78	35	902,217.41	2547
Recoveries	<u>(10,283.58)</u>	104	<u>(2,231.35)</u>	1	<u>(12,514.93)</u>	105
Net Total	<u>\$ 346,022.05</u>	2512*	<u>\$ 543,680.43</u>	35*	<u>\$ 889,702.48</u>	2547*
INPATIENT AND OUTPATIENT TOTAL						
	<u>\$ 528,857.70</u>	2810*	<u>\$1,086,478.91</u>	112*	<u>\$1,615,336.61</u>	2922*
MEDICARE BAD DEBTS						
Inpatient (710)	\$ 6,079.23	11	\$ 000.00	0	\$ 6,079.23	11
Outpatient (710)	<u>1,534.58</u>	5	<u>.00</u>	0	<u>1,534.58</u>	5
Total	7,613.81	16	000.00	0	7,613.81	16
Recoveries	<u>(1,864.66)</u>	2	<u>(000.00)</u>	0	<u>(1,864.66)</u>	2
Net Total	<u>\$ 5,749.15</u>	16*	<u>\$ 000.00</u>	0	<u>\$ 5,749.15</u>	16*
TOTAL NET BAD DEBT						
	<u>\$ 534,606.85</u>	2826*	<u>\$1,086,478.91</u>	112*	<u>\$1,621,085.76</u>	2938*

NOTE: More than \$2,000 amount includes legal settlements totaling \$27,492.77

DOLLARS BUDGETED

\$1,651,570.00

*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1987 THROUGH DECEMBER 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	\$2,204.13	55	\$61,744.73	134	\$75,548.67	52	\$160,998.69	40	\$164,142.65	7	\$464,638.87	288
Bad Debt (702) Charity Care	\$144.11	5	\$11,170.21	28	\$35,587.79	24	\$111,960.96	26	\$105,696.18	4	\$264,479.25	87
Total	\$2,348.24	60	\$72,914.94	162	\$111,856.46	76	\$272,959.65	66	\$269,838.83	11	\$729,118.12	375
Recoveries	(\$715.52)	21	(\$1,165.92)	6	(\$1,602.55)	1	\$0.00	0	\$0.00	0	(\$3,483.99)	28
Net Total	\$1,632.72	60 *	\$71,749.02	162 *	\$109,453.91	76 *	\$272,959.65	66 *	\$269,838.83	11 *	\$725,634.13	375 *
OUTPATIENT												
Medicare (610) Non-Recoverable	\$450.82	9	\$6,720.78	19	\$4,677.66	3	\$47,489.19	10	\$425,535.15	5	\$484,838.60	46
Bad Debt (710) Write-Offs	\$49,026.24	1377	\$195,336.72	722	\$29,222.79	22	\$59,126.94	15	\$0.00	0	\$332,712.69	2136
Bad Debt (702) Charity Care	\$7,940.65	194	\$46,583.69	155	\$16,381.28	11	\$13,840.50	5	\$0.00	0	\$84,666.12	365
Total	\$57,462.71	1580	\$248,561.19	896	\$50,281.73	36	\$120,376.63	30	\$425,535.15	5	\$902,217.41	2547
Recoveries	(\$1,976.47)	70	(\$8,387.11)	34	\$0.00	0	(\$2,231.35)	1	\$0.00	0	(\$12,514.93)	105
Net Total	\$55,486.24	1580 *	\$240,254.08	896 *	\$50,281.73	36 *	\$118,145.28	30 *	\$425,535.15	5 *	\$889,702.48	2547 *
INPATIENT AND OUTPATIENT TOTAL	\$57,118.96	1640 *	\$312,003.10	1058 *	\$159,735.64	112 *	\$391,104.93	96 *	\$695,373.98	16 *	\$1,615,336.61	2922 *
MEDICARE BAD DEBTS												
Inpatient (710)	\$0.00	0	\$4,479.23	10	\$1,600.00	1	\$0.00	0	\$0.00	0	\$6,079.23	11
Outpatient (710)	\$98.97	3	\$1,435.61	2	\$0.00	0	\$0.00	0	\$0.00	0	\$1,534.58	5
Total	\$98.97	3	\$5,914.84	12	\$1,600.00	1	\$0.00	0	\$0.00	0	\$7,613.81	16
Recoveries	(\$64.66)	1	\$0.00	0	(\$1,000.00)	1	\$0.00	0	\$0.00	0	(\$1,064.66)	2
Net Total	\$34.31	3 *	\$5,914.84	12 *	(\$200.00)	1 *	\$0.00	0 *	\$0.00	0 *	\$6,549.15	16 *
TOTAL NET BAD DEBT	\$57,153.27	1643 *	\$317,917.94	1070 *	\$159,535.64	113 *	\$391,104.93	96 *	\$695,373.98	16 *	\$1,621,885.76	2938 *

DOLLARS BUDGETED

\$1,651,570.00

* Net total of accounts do not include recoveries.

SECOND QUARTER FISCAL YEAR - 1988
and YEAR-TO-DATE BAD DEBTS
BY SERVICE

ADMITTING SERVICE	SECOND QUARTER NUMBER	SECOND QUARTER AMOUNT	TOTAL FSY 88 NUMBER	TOTAL FSY 88 AMOUNT
Anesthesiology				
Clinical Research	3	2,319.25	4	4,306.06
Dentistry			2	1,839.17
Dermatology				
Family Practice				
OB	1	687.80	1	687.80
NB	1	123.07	1	123.07
GYN	1	2,935.62	9	14,524.42
GYN-Oncology	4	6,290.27	9	6,707.05
Lab Medicine & Pathology				
Medicine-Blue	3	1,030.74	8	8,684.80
Green	4	1,843.43	11	3,942.20
Masonic(onc)	15	26,838.78	24	78,189.03
Purple	3	5,436.84	3	5,436.84
Red A			3	8,593.66
Red B	1	648.23	1	648.23
Rose A	1	816.11	5	2,828.33
Rose B				
White A	6	5,006.18	12	10,650.68
White B	7	1,800.69	11	9,818.01
Yellow A	3	2,965.83	8	23,398.00
Yellow B	3	797.70	4	3,027.64
Neurology	6	11,089.15	11	17,143.60
Neuro-epilepsy			2	3,031.64
Neurosurgery	12	36,744.85	19	67,063.49
New Born-General	2	853.40	6	2,356.93
Obstetrics-General	1	2,278.34	9	13,070.08
-Midwife			1	1,756.73
Ophthalmology	1	521.25	6	4,277.67
Orthopaedic Surgery	9	10,646.52	20	55,762.51
Otolaryngology	1	2,200.76	9	6,665.00
Pediatrics-General	8	10,518.70	28	45,850.28
Neurology			1	12,175.23
Neurosurgery	1	3,222.95	3	4,244.75
Ophthalmology				
Orthopaedics			2	4,635.52
Otolaryngology	1	1,702.36	2	2,080.14
Surgery Green			2	2,513.42
Surgery Orange	1	49.10	1	49.10
Surg. Transplant	1	108.31	1	108.31
Urology	3	309.04	7	9,210.09
Physical Med. & Rehab.	3	40,646.92	7	44,391.94
Psychiatry-Child	2	2,045.20	2	2,045.20
Adult	12	32,534.88	20	49,496.98
Radiology				

SECOND QUARTER FISCAL YEAR - 1988
and YEAR-TO-DATE BAD DEBTS
BY SERVICE
Page Two

ADMITTING SERVICE	SECOND QUARTER NUMBER	SECOND QUARTER AMOUNT	TOTAL FSY 88 NUMBER	TOTAL FSY 88 AMOUNT
Surgery-Blue	13	11,538.13	27	97,217.23
Orange			4	1,623.34
Purple	3	3,105.67	8	9,913.97
Red	10	16,815.17	14	21,567.97
White	6	19,907.75	22	28,933.45
Therapeutic Radiology				
Urology	8	8,584.54	22	22,315.21
Unknown			14	23,012.58
Outpatient	1143	183,028.89	2493	386,880.42
Total	1303	\$457,992.42	2879	\$1,122,077.77
Control Accounts		<u>220,942.02</u>		<u>499,007.99</u>
GRAND TOTAL		<u>\$678,934.44</u>		<u>\$1,621,085.76</u>

SECOND QUARTER FISCAL YEAR - 1988
and YEAR-TO-DATE BAD DEBTS
BY STATE

STATE	SECOND QUARTER NUMBER	SECOND QUARTER AMOUNT ¹	TOTAL FSY NUMBER	TOTAL FSY AMOUNT ¹
Alabama				
Alaska	1	28.96	1	28.96
Arizona	1	21.00	4	405.83
Arkansas	2	911.20	2	911.20
California			5	1,629.86
Colorado	1	79.80	7	364.00
Connecticut	1	1,182.00	3	1,556.60
Delaware				
Dist. of Columbia				
Florida	7	530.43	9	1,047.51
Georgia			2	299.00
Hawaii			1	83.99
Idaho				
Illinois	6	4,345.89	39	60,115.16
Indiana	4	1,242.18	4	1,242.18
Iowa	7	724.58	29	15,134.25
Kansas			6	400.12
Kentucky			1	122.90
Louisiana	1	887.07	3	1,397.20
Maine				
Maryland				
Massachusetts			2	347.07
Michigan	17	16,931.87	27	26,945.67
Minnesota	1141	317,710.91	2469	688,679.09
Mississippi				
Missouri	2	2,317.01	2	2,317.01
Montana	1	1,161.80	2	3,207.36
Nebraska			1	236.34
Nevada				
New Hampshire	1	19.00	1	19.00
New Jersey			2	556.10
New Mexico			1	2,515.35
New York			2	223.21
North Carolina	12	6,973.59	13	7,071.82
North Dakota	12	5,195.10	44	20,367.75
Ohio	1	207.38	1	207.38
Oklahoma	2	1,359.91	2	1,359.91
Oregon	1	12.36	5	1,214.37
Pennsylvania	5	1,700.51	7	1,915.51
Puerto Rico				

SECOND QUARTER FISCAL YEAR - 1988
and YEAR-TO-DATE BAD DEBTS
BY STATE
Page Two

STATE	SECOND QUARTER NUMBER	SECOND QUARTER AMOUNT ¹	TOTAL FSY NUMBER	TOTAL FSY AMOUNT ¹
Rhode Island			1	240.92
South Carolina			51	130,457.78
South Dakota	21	71,055.23	51	130,457.78
Tennessee	1	2,250.00	1	2,250.00
Texas	4	1,658.82	14	5,411.44
Utah				
Vermont				
Virginia			2	84,824.39
Washington	4	1,425.65	9	2,089.74
West Virginia				
Wisconsin	43	17,827.43	90	50,477.14
Wyoming	2	182.12	2	182.12
Out-of-Country	2	50.62	12	4,222.54
Total	1303	\$457,992.42	2879	\$1,122,077.77
Control Accounts		<u>220,942.02</u>		<u>499,007.99</u>
GRAND TOTAL		<u>\$678,934.44</u>		<u>\$1,621,085.76</u>



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

March 2, 1988

TO: Board of Governors
Finance Committee

FROM: Robert Dickler

SUBJECT: 1988-1989 UMHC Budget Time Frames and Significant 1988-89 Issues

I would like to take this opportunity to bring forth for discussion the 1988-1989 budget time frames and to discuss several major issues we will need to address in the 1988-89 budget cycle. Since this is the first UMHC budget that will be brought to the Board of Governors since I became Director, I want to begin the process this month to allow ample time for discussion and review of our financial objectives for 1989.

As you know, the State of Minnesota maintains a hospital rate review program. The objective of the rate review program is to review and comment on the reasonableness of the rates hospitals charge for their services. The rate review program requires hospitals to file an application to raise rates 60 days in advance of implementing any rate increase. UMHC's fiscal year begins on July 1, 1988 at which time many of our costs also increase (salaries, fringe benefits, etc.). July 1 is also the anniversary date of many of our HMO contracts. For these reasons we have historically adjusted our rates on July 1. Since we would hope to adjust our rates on July 1, 1988, the final budget endorsement must be completed at the April 28, 1988 Board of Governors meeting.

Although there are various components of the budget process which I may wish to change over time the present process will serve us well as we plan for next year. In my opinion it is more important for the Board of Governors to consider the principals and objectives on which the budget is developed than to review detailed financial calculations. With appropriate review of budget principles and objectives, the Board will be able to provide Management with appropriate direction as to its desired objectives. Review of the final financial calculations can then be done as a reasonableness check on these goals and objectives. I would hope that we could develop this framework over the coming year.

For the next several meetings we will be presenting the Finance Committee and the full Board with various elements of 1988-89 Financial Plan.

March 2, 1988
Page two

Recent changes in reimbursement levels enacted by Congress, rising health care expenses for our employees, increasing malpractice insurance costs, pay equity costs, our need to modernize facilities and our need to acquire new technology will have a significant impact on the 1988-89 budget.

Due to the significance of these items we believe that it is important for the Board of Governors to understand their impact on the 1988-89 budget before the detailed plan is presented. Although each of these areas will be discussed with the Board of Governors in detail, we believe an overview of these items at this time is imperative.

The Omnibus Budget Reconciliation Act of 1987 (OBRA) contains several changes to UMHC's reimbursement levels for Medicare patients which will significantly reduce UMHC's revenues from this program. The most significant of these changes are in the areas of indirect medical education reimbursement and capital reimbursement. For 1988-89 these payment levels will drop from 1987-88 levels by approximately \$850,000. 1988-89 is also the year UMHC will complete its transition from cost reimbursement under Medicare to full prospective payment reimbursement. Since UMHC's total budget is not yet known, the exact impact of this transition cannot be determined. However, based on a 5% average UMHC cost increase and a 1.5% DRG increase, the impact will require UMHC to cost shift approximately \$2,200,000 to other payors.

Increases in costs over the 5% level are expected in several areas. Recent changes in health insurance costs negotiated between the State of Minnesota and BCBSM will increase UMHC's health insurance costs over current levels by \$2,150,000. In addition, UMHC can expect HMO's to significantly increase their premium on 1/1/89. We expect these cost increases to increase at least \$750,000 on an annual basis.

UMHC developed a pay equity plan in 1985 for implementation over a four year period. Under the final year of this plan 1988-89, UMHC would increase salaries to affected classes by \$632,000. However, the Regents are presently considering a plan which would increase UMHC's cost under this program by \$3,400,000 over three years. The 1988-89 impact of this change could increase UMHC's costs by \$700,000. Fringe benefits related to this plan would increase UMHC's costs approximately \$300,000 per year over the three year period. The policy position of the Board of Governors regarding pay equity will need to be explored in detail by the Board over the next several months.

1988-89 malpractice insurance premiums will probably be at least \$500,000 higher than in 1987-88. Although initial premium increases proposed for the University and the Hospital were well in excess of final premiums, the excellent financial condition of the University's self insurance company (Ruminco) enabled the rates to be reduced by approximately 50%.

March 2, 1988

Page two

As of July 1, 1988, UMHC will no longer receive its State appropriation at the beginning of the year. Instead, the State will pay the Hospital throughout the year for this appropriation. This will eliminate UMHC's opportunity to invest the appropriation proceeds and will reduce our revenues by \$350,000 per year.

The Strategic Planning Coordinating Committee is presently reviewing a ten year capital plan for equipment and for the modernization of facilities which were not replaced with Unit J. Preliminary estimates indicate that in order to complete this plan without new debt, increased appropriations or non-UMHC capital infusion will require a \$1 million to \$1.5 million increase in net cash flows annually through 1998 in uninflated dollars. For 1988-89 this cash flow increment is targeted at \$1 million.

Unfortunately of the items described above the only areas of discretion are in the pay equity and capital cash flows. All other changes are either regulatory or are costs over which UMHC as an entity currently has no control.

Although many of these changes will not impact our competitors, the changes for Medicare and the operating positions of many Twin City hospitals will cause rate increases to be much higher in 1988-89. Recent rate increases by one of our major competitors are 11.5% or higher on an annual basis. We believe this will be the norm rather than the exception.

As usual in our budget process we will attempt to minimize expenses and maximize revenues. However we believe that recent annual rate increases of 3% or less are not achievable without significantly altering our programmatic base and/or deferring many of our capital plans for several years.

The health care provider and insurance market in the Metro area is under significant financial stress. UMHC's present position is strong and if we approach the next several years cautiously we will be in a position to secure our long term role as a major tertiary care teaching hospital