



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, April 13, 1988  
10:00 - 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. **1988-89 Budget**  
**pp. 1-21 (Discussion)**

Mr. Robert Dickler

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



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

April 8, 1988

TO: Board of Governors  
Finance Committee

FROM: Robert Dickler  
General Director

SUBJECT: 1988-89 Operating Budget for University of Minnesota  
Hospital and Clinic

Enclosed for your review are the operating budget schedules for the 1988-89 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 1988-89. The annual equipment and renovation budget will be presented to the Planning and Development Committee in their April 12, 1988 meeting for information.

The amount of funding for the capital budget is consistent with our long range financial planning at a total of \$8,000,000. This does not include principal payments of \$3,905,000 or 1988-89, and/or major facility projects for 1988-89. The major facility projects will be presented separately to the Board of Governors and funded from sources other than 1988-89 operating funds.

The 1988-89 operating budget includes two significant financial statement presentation changes. First, the University General Administrative allocation of University costs assigned to UMHC has been reduced from \$6,471,000 in 1987-88 to \$244,000 in 1988-89. As you know this has historically been a non cash expense shown on UMHC's financial statements in accordance with National Institute of Health (NIH) allocation guidelines (UMHC pays the University \$100,000 for these services). Central Administration has been negotiating with the NIH to change this methodology to improve the University's cost recovery on NIH grants and contracts and have been successful in these negotiations. At this time we do not foresee any negative financial implications in reimbursement from this change nor will it change our cash flow outcomes. However this will change the financial results on our operating statement significantly showing a lower net revenue over expense by \$6.2 million.

The second change is that we are dedicating the interest income on reserves for our long range capital programs. This does not change our financial outcomes since we have normally spent more on capital than we earned on reserves. We are making this change to more accurately reflect how the reserves and the interest income thereon are utilized.

April 8, 1988  
Page two

The attached schedules provide a fairly detailed description of the projected operating budget outcomes for 1988-89. The highlights of the operating budget are 9.8% price increase, bringing estimated gross patient charges to \$281,419,000; an average increase in costs of 5.4% increasing operating costs to \$258,476,000. Cash flows from operations for 1988-89 are expected to be \$160,000. This cash flow position will provide the resources necessary to fund principal and interest payments on our outstanding debt, provide \$8,000,000 for equipment and renovation, and reserve interest income of \$5,258,000 for major capitol projects.

We believe this budget is consistent with our budget objectives and incorporates all known variables that will impact UMHC in fiscal 1988-89.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BUDGET LETTER  
1988-89 BUDGET

The 1988-89 Budget has been developed with the following set of assumptions:

\* Medicare Prospective Payment System (PPS)

Assumptions affecting UMHC payments include the following:

- A 1.015% payment rate increase on the hospital portion of the DRG rate effective April 1, 1988 through August 20, 1988.
- A 3.0% payment rate increase (market basket less 2.0%; assume 5% market basket) on the federal portion of the DRG rate effective October 1, 1988 through June 30, 1989.
- The blend of PPS rates of 25% hospital specific/ 75% federal will continue through August 20, 1988. The PPS rate becomes 100% Federal effective August 21, 1988.
- A slight reduction in the indirect medical education factor effective October 1, 1988.
- A recognition of the Graduate Medical Education limitation on direct medical education factor based on fiscal year 1985 cost per FTE adjusted for inflation (CPI).
- Capital costs are reduced from a 12% reduction to a 15% reduction effective October 1, 1988.
- Pass-through reimbursement for CRNA's is eliminated effective January 1, 1989.

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

Payments will continue to be made based on the 39 diagnostic categories set up by the State Department of Human Services (DHS). We are assuming a continued distinction in payment rates between AFDC and non-AFDC patients, with a 6% increase in those rates effective July 1, 1988. In addition, we are assuming that the current GAMC ratable reduction rates will continue through the 1988-89 fiscal year.

\* Blue Cross and Blue Shield of Minnesota "AWARE" Program

We are assuming that the current payment levels in place for the calendar 1988 contract will continue through the 1988-89 fiscal year.

\* 1987-88 Budget Base

In projecting the 1988-89 fiscal year budget elements, the current experience in each category was used as the starting point to determine expected 1988-89 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 pending reimbursement regulations. The following are general descriptions of how the major elements in the 1988-89 budget were projected:

- Demand Analysis:

For the 1987-88 fiscal year we had developed a budget of 18,350 admissions and 153,000 patient days. Using our actual experience through December, 1987, we are projecting 19,336 admissions and 152,965 patient days. While the increase in admission levels occurred throughout the majority of clinical service areas, Medicine, Orthopaedics, and Surgery experienced the greatest increases.

The 1988-89 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 1988-89 has been budgeted at 18,700 admissions and 143,700 patient days.

Schedules I, II, and III summarize the demand forecasts for 1987-88 and 1988-89.

- Ancillary Service Utilization

While the 1988-89 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 1988-89 budget year we anticipate continued growth in several new programs, including Wound Healing and Home Nutrition, and a continued increase in several outpatient clinics, specifically, Diabetes Center, Day Hospital, and Comprehensive Cancer Care.

- Deductions from Charges

Schedule IV is a summary of the expected deductions from revenue for fiscal years 1987-88 and 1988-89. The fiscal 1988-89 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 primarily due to an increase in the interest earned on the bond proceeds over the original 1987-88 budget levels. No significant changes are expected in the 1988-89 budget year.

- Full-Time Equivalent Summary

Schedules VI through IX reference changes in full-time equivalents. From a 1987-88 budget base of

3797 FTE's, there has been an increase in full-time equivalent utilization to 3985.8 FTE's projected for year-end 1987-88, or an increase of 188.8 FTE's. A decreased use of FTE's is budgeted for 1988-89, to a level of 3927 FTE's.

Schedules VII through IX provide "reasonableness checks" at a hospital-wide productivity level, incorporating changes in admissions and clinic visits, programs and intensity changes, FTE's which are not actual cost additions (accounting changes), and FTE's added due to external environmental changes.

- Expenditure Summary

Schedule X is a comparative summary of expenditures projected for 1987-88 and budgeted for 1988-89. The expenditure levels have been determined using December, 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 and the University pay plans. The following inflationary assumptions were used in budgeting 1988-89:

	<u>Inflation %</u>
Salaries:	
July 1, 1988 across-the-board	2.3%
Step increases (Bargaining units, GSN's, Pharmacists, Rad. Tech's, CRNA's)	1.0%
Merit-based progression increases (Increase to equal 1.5% of the base for non-step/non-student classifications)	0.6%
Pay equity	0.6%
Marketplace range adjustments	0.3%
	-----
	4.8%
	=====
Fringe Benefits	11.1%
Academic/Resident Contract	4.1%
Physician Compensation	5.5%
Other Contracts	4.0%

Utilities	3.6%
Insurance	30.7%
Campus G & A	5.0%
Drugs	4.8%
Blood	4.7%
Medical Supplies	4.0%
Food	6.0%
Laundry and Linen	5.0%
Rental	2.9%
Maintenance	5.5%
General Supplies and Expense	3.6%

- Non-Operating Revenue

Schedule XI is a summary of expected appropriations and other non-patient revenues for fiscal years 1987-88 and 1988-89. The projection for inflationary increases on the appropriations is 2.2%. We are also assuming that in the 1988-89 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 \$319,000 in the budget year.

\* Fiscal Year 1988-89 Price and Revenue Increases

The price increase planned for 1988-89 is 9.8% and results in an increase in patient charges of approximately \$25,117,500. It brings total patient charges to \$281,419,000. The Comparative Statement of Operations and Operating Cash Flow on Schedule XII summarizes our projected position for the 1988-89 fiscal year.

\* Capital Expenditures

Capital expenditures that will be provided from operating cash flows in 1988-89 for recurring equipment replacement and minor remodeling will be \$8,000,000. Of this total, there are several projects which exceed the Board of Governors approval threshold of \$600,000. They are such things as the biliary lithotripter and the possible upgrade of the Neuroradiology area. These projects will be brought



to the Board for approval as they occur. In addition, \$3,905,000 will be spent for debt service on equipment and the bonds, and parking ramp amortization.

In addition to these equipment and remodeling items, UMHC is currently in the planning stage for replacement of facilities for those clinical programs that did not relocate to Unit J. For 1988-89, planning and construction costs are currently estimated to be approximately \$7,500,000. These costs could vary substantially based on the ultimate decision regarding this project and its timing. As usual, all major facilities, renovation, and equipment purchases will be brought to the Board for approval.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
 FOR FISCAL YEARS 1987-88 AND 1988-89  
 COMPARATIVE DEMAND ANALYSIS  
 INPATIENT ADMISSIONS

SCHEDULE I  
 -----

ADMISSIONS -----	1987-88 PLANNED BUDGET -----	1987-88 PROJECTION -----	1988-89 BUDGET -----
CLINICAL RESEARCH	445	475	465
DENTISTRY	66	58	57
DERMATOLOGY	16	16	16
FAMILY PRACTICE	24	16	16
GYNECOLOGY	1,374	1,359	1,332
MEDICINE	3,683	4,363	4,276
NEUROLOGY	356	341	334
NEUROSURGERY	829	866	849
NEWBORN	354	313	307
NUCLEAR MEDICINE	6	0	0
OBSTETRICS	599	565	553
OPHTHALMOLOGY	956	1,029	935
ORTHOPAEDICS	1,068	1,235	1,206
OTOLARYNGOLOGY	455	424	416
PEDIATRICS	3,206	3,136	2,969
PM & R	160	165	162
PSYCHIATRY - ADULT	762	824	770
PSYCHIATRY - CHILD	63	103	85
RADIOLOGY	0	1	1
RADIATION THERAPY	0	3	3
SURGERY	2,903	3,182	3,103
UROLOGY	1,025	862	845
TOTAL	----- 18,350	----- 19,336	----- 18,700

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
 FOR FISCAL YEARS 1987-88 AND 1988-89  
 COMPARATIVE DEMAND ANALYSIS  
 PATIENT DAYS

SCHEDULE II

PATIENT DAYS -----	1987-88 PLANNED BUDGET -----	1987-88 PROJECTION -----	1988-89 BUDGET -----
CLINICAL RESEARCH	2,254	1,560	1,490
DENTISTRY	119	114	109
DERMATOLOGY	206	156	149
FAMILY PRACTICE	149	64	61
GYNECOLOGY	5,903	6,527	6,235
MEDICINE	31,771	32,750	31,298
NEUROLOGY	2,527	2,056	1,963
NEUROSURGERY	5,967	6,668	6,369
NEWBORN	1,098	1,084	1,036
NUCLEAR MEDICINE	6	0	0
OBSTETRICS	2,586	2,697	2,577
OPHTHALMOLOGY	2,963	3,184	2,822
ORTHOPAEDICS	7,259	7,677	7,333
OTOLARYNGOLOGY	1,910	1,756	1,677
PEDIATRICS	34,079	32,904	30,222
PM & R	3,519	3,413	3,260
PSYCHIATRY - ADULT	16,908	15,534	14,140
PSYCHIATRY - CHILD	2,141	2,150	1,728
RADIOLOGY	0	1	1
RADIATION THERAPY	0	6	6
SURGERY	27,742	29,262	27,975
UROLOGY	3,893	3,402	3,249
TOTAL	----- 153,000	----- 152,965	----- 143,700

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
 FOR FISCAL YEARS 1987-88 AND 1988-89  
 COMPARATIVE DEMAND ANALYSIS  
 CLINIC VISITS

SCHEDULE III  
 -----

	1987-88 PLANNED BUDGET	1987-88 PROJECTION	1988-89 BUDGET
AMBULATORY CARE -----	-----	-----	-----
CLINIC VISITS	218,739	227,459	228,272
EMERGENCY ROOM VISITS	16,212	15,716	15,716
THERAPEUTIC RADIOLOGY VISITS	16,917	18,537	18,537
AMBULATORY SURGERY VISITS	3,792	4,004	3,575
TOTAL	----- 255,660 -----	----- 265,716 -----	----- 266,100 -----
COMMUNITY UNIVERSITY HEALTH CARE CENTER	48,000	50,000	50,000
HOME HEALTH	9,269	8,792	9,600

University of Minnesota Hospital and Clinic  
Deductions from Charges  
For Fiscal Years 1987-88 and 1988-89

SCHEDULE IV  
-----

	1987-88 PLANNED BUDGET -----	1987-88 PROJECTION -----	1988-89 BUDGET -----
Medicare/Medical Assistance	\$21,955,000	\$14,044,000	\$20,336,000
Blue Cross AWARE	4,855,000	5,655,000	5,010,000
GAMC Rateable Reduction	475,000	304,000	331,000
Billing Adjustments:			
Laboratory Medicine	4,911,000	5,415,000	5,898,000
Medical Assistance Holdback	3,179,000	4,197,000	4,068,000
Prompt Payment Discount	347,000	370,000	403,000
Late Charges	119,000	110,000	120,000
All Other Billing Adj.	615,000	1,298,000	1,413,000
Employee Benefits	38,000	32,000	35,000
Provision for Uncollectables	3,312,000	3,665,000	3,992,000
Other Contractual Adjustments:			
Clinical Research Center	955,000	509,000	613,000
Charitable Care	664,000	550,000	550,000
Kidney Acquisition	2,408,000	2,326,000	2,572,000
Negotiated Contracts	510,000	786,000	819,000
HMO Contracts	753,000	2,209,000	2,236,000
All Other Contract. Adj.	205,000	253,000	275,000
	-----	-----	-----
TOTAL	\$45,301,000	\$41,723,000	\$48,671,000
	=====	=====	=====

University of Minnesota Hospital and Clinic  
 Other Operating Revenue Summary  
 For Fiscal Years 1987-88 and 1988-89

Schedule V  
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	1987-88 Planned Budget -----	1987-88 Projection -----	1988-89 Budget -----
Food Services	\$1,348,000	\$1,491,000	\$1,528,000
Parking Services	500,000	576,000	576,000
Department Non-Patient	79,000	73,000	48,000
CUHCC Grants	1,067,000	1,168,000	1,105,000
Reference Lab Income	1,544,000	1,547,000	1,487,000
Pro Fees -- Net Revenue	1,352,000	1,477,000	1,533,000
X-Ray Silver Salvage	0	217,000	0
Donations to Operations from Restricted Funds	0	20,000	0
Interest Income on Bond Proceeds	1,576,000	2,232,000	2,407,000
Writedown of Current Assets	0	(121,000)	0
TOTAL	----- \$7,466,000 =====	----- \$8,680,000 =====	----- \$8,684,000 =====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
FOR FISCAL YEARS 1987-88 AND 1988-89  
FTE SUMMARY

SCHEDULE VI  
-----

<u>1987-88 Budget</u>	<u>1987-88 Projected</u>	<u>1988-89 Budget</u>
3797.0	3985.8 *	3927.0

\* Major increases include 107 FTE increase in ancillary departments (laboratory, pharmacy, heart cath, etc.), 44 FTE increase in nursing, 24 FTE increase in administrative departments (primarily information systems and finance), and 10 FTE increase in support service departments.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
 FOR FISCAL YEARS 1987-88 AND 1988-89  
 HOSPITAL-WIDE PRODUCTIVITY ANALYSIS

SCHEDULE VII  
 -----

1987-88 Budget	3797 FTE
1988-89 Budget	3927 FTE
	----
Net Increase	130 FTE

<u>Factor</u>	<u>Percentage</u>	<u>Impact</u>
Increase in Admissions/ Clinic Visits	2.5%	47.5* FTE
Program/Intensity Changes	3.6%	68.3* FTE
Contract cost shifts/Offsets	NA	23.9 FTE
		-----
		139.7 FTE
External/Regulatory Impact		6.5 FTE
		-----
		146.2

\*50% fixed cost, 50% variable cost used



UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
 FOR FISCAL YEARS 1987-88 AND 1988-89  
 HOSPITAL-WIDE PRODUCTIVITY ANALYSIS

SCHEDULE VIII  
 -----

1987-88 Budget	3797.0 FTE
1987-88 Projected	3985.8 FTE
	-----
Net Increase	188.8 FTE

Factor	Percentage	Impact
-----	-----	-----
Increase in Admissions/ Clinic Visits	5.0%	95.0*
Program/Intensity Changes	-.6%	-11.4*
Contract Cost Shifts/Offsets	NA	8.5
		-----
		92.1

\*50% fixed cost, 50% variable cost used

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 FOR FISCAL YEARS 1987-88 AND 1988-89  
 HOSPITAL-WIDE PRODUCTIVITY ANALYSIS

SCHEDULE IX  
 -----

1987-88 Projected	3985.8 FTE
1988-89 Budget	3927.0 FTE
	-----
Net Decrease	58.8 FTE

<u>Factor</u>	<u>Percentage</u>	<u>Impact</u>
Decrease in Admissions	-3.3%	-65.8* FTE
Intensity/Program Changes	+5.0%	+99.6* FTE
Contract Cost Shifts/Offsets	NA	+15.4 FTE
		-----
Net		+49.2 FTE
External Regulatory Impact		6.5 FTE
		-----
		+55.7

\*50% fixed cost, 50% variable cost used

University of Minnesota Hospital & Clinic  
 Non-Operating Revenue Summary  
 For Fiscal Years 1987-88 and 1988-89

Schedule XI  
 -----

	1987-88 Planned Budget -----	1987-88 Projection -----	1988-89 Budget -----
Appropriations	\$14,414,000	\$14,409,000	\$14,725,000
Interest on Appropriations	0	319,000	0
Interest Income on Reserves	5,518,000	6,685,000	5,258,000
Shared Services	383,000	118,000	101,000
Interest Income on Debt- Service Reserve Fund	1,808,000	2,605,000	1,094,000
Total	----- \$22,123,000 =====	----- \$24,136,000 =====	----- \$21,178,000 =====

University of Minnesota Hospital and Clinic  
 Summary Statement of Operations and Operating Cash Flow  
 For Fiscal Years 1987-88 and 1988-89

SCHEDULE XII  
 -----

	1987-88 B O G	1987-88 Projection	1988-89 Budget
Gross Patient Charges	\$ 249,618,000	\$ 257,348,000	\$ 281,419,000
Deductions from Charges	45,301,000	41,165,000	48,671,000
Other Operating Revenue	7,466,000	8,680,000	8,684,000
	-----	-----	-----
Total Revenue from Operations	\$ 211,783,000	\$ 224,863,000	\$ 241,432,000
<b>Expenditures</b>			
Salaries	\$ 101,075,000	\$ 104,669,000	\$ 106,821,000
Fringe Benefits	19,140,000	21,613,000	24,605,000
Contract Compensation	10,176,000	10,620,000	11,091,000
Medical Supplies, Drugs, Blood	40,029,000	40,467,000	44,073,000
Campus Administration Expense	6,471,000	244,000 a	256,000 a
Depreciation	16,694,000	17,353,000	17,918,000
Interest	12,005,000	12,216,000	12,005,000
General Supplies & Expense	35,283,000	38,064,000	41,707,000
	-----	-----	-----
Total Expenditures	\$ 240,873,000	\$ 245,246,000	\$ 258,476,000
Net Revenue from Operations	\$ (29,090,000)	\$ (20,383,000)	\$ (17,044,000)
Total Non-Operating Revenue	\$ 22,123,000	\$ 24,136,000	\$ 21,178,000
	-----	-----	-----
Revenue Over/-Under Expenses	\$ (6,967,000)	\$ 3,753,000	\$ 4,134,000
<b>Add Non-Cash Outlays:</b>			
Depreciation	\$ 16,694,000	\$ 17,353,000	\$ 17,918,000
Campus Administration Expense	6,371,000	144,000 a	156,000 a
K.E. Utilities	139,000	175,000	144,000
Net Increase/(Decrease) to Working Capital	(2,624,000)	(3,403,000)	862,000
Transfer for PCN Liability Payment	0	1,058,000 b	0
	-----	-----	-----
Total Funds Provided	\$ 13,613,000	\$ 19,080,000	\$ 23,214,000
<b>Funds Applied</b>			
Increase in Accounts Receivable	\$ 2,797,000	\$ 6,626,000	\$ 5,891,000
<b>Capital Obligations:</b>			
Architectural Fees	0	465,000 c	0
Principal Payment on Bonds	2,799,000	2,706,000	2,891,000
Principal Payment on Equipment	1,265,000	1,169,000	1,014,000
Recurring Equipment and Renovation	5,452,000	4,623,000	8,000,000
Reserves for Equipment Rollforward	0	925,000 d	0
Interest Income Committed to Capital Plan	0	0	5,258,000 e
	-----	-----	-----
Total Funds Applied	\$ 12,313,000	\$ 16,514,000	\$ 23,054,000
Total Cash Available from Operations	\$ 1,300,000	\$ 2,566,000	\$ 160,000
	=====	=====	=====

UMHC Board Designated Fund Activity  
6-30-87 through 2-29-88

	<u>Unspecified</u>	<u>Specified</u>	<u>Total</u>
Balance 6-30-87	\$57,048,000	\$ 8,511,000	\$65,559,000
Interest Income on Reserves and Appropriations	5,006,000	-0-	5,006,000
Net Transfers from Trustee for Equipment, Renovation Expenses, and Debt Service Costs	10,281,000	-0-	10,281,000
Payment of Primary Care Network Loan Guarantees	<1,058,000>	-0-	<1,058,000>
Transfer of Cash for Abandonment Cost Note Payable	-0-	<2,500,000>	<2,500,000>
Transfer for:			
Community University Health Care Center	<1,500,000>	1,500,000	-0-
MRI-2	<3,600,000>	3,600,000	-0-
Architect Fees	<465,000>	465,000	-0-
Dermatology Clinic Space	<400,000>	400,000	-0-
Eye Clinic	<40,000>	40,000	-0-
Closed Plant Funds	155,000	<155,000>	-0-
Expenditures Against Equipment Rollforward Reserve		<109,000>	<109,000>
Expenditures Against Plant Funds		<259,000>	<259,000>
Transfer from Operations - Capital Encumbrances		53,000	53,000
	<hr/>	<hr/>	<hr/>
Balance at 2-29-88	\$65,427,000	\$11,546,000	\$76,973,000 *

\*In addition to these funds, there is approximately \$20,000,000 of borrowed funds remaining in the Unit J construction trustee held account which can be used for capital expenditures or debt retirement.

UMHC Board Designated Fund Activity  
Projected 2-29-88 Through 6-30-88

	<u>Unspecified</u>	<u>Specified</u>	<u>Total</u>
Balance 2-29-88	\$65,427,000	\$11,546,000	\$76,973,000
Investment Income on Reserves and Appropriations	1,998,000		1,998,000
Transfers for:			
Community University Health Care Center	150,000	<150,000>	
Dermatology Clinic Space	<230,000>	230,000	
Closed Plant Funds	93,000	<93,000>	
Orthopaedic Surgery Loan		<513,000>	<513,000>
Projected Expenditures:			
Community University Health Care Center		<350,000>	<350,000>
MRI-2		<117,000>	<117,000>
Architectural Fees		<465,000>	<465,000>
Plant Funds		<230,000>	<230,000>
Biliary Lithotripter - Lease Expense	<8,000>		<8,000>
Equipment Rollforward Reserve:			
Projected Expenditures Against 1986-87 Reserve		<776,000>	<776,000>
Transfer of Unexpended 1986-87 Reserve	238,000	<238,000>	
Transfer for 1987-88 Reserve		925,000	925,000
Projected Net Operating Subsidy	<4,742,000>		<4,742,000>
 Projected Balance at 6-30-88	 \$62,926,000	 \$ 9,769,000	 \$72,695,000 *

\* In addition to these funds, there is approximately \$20,000,000 of borrowed funds remaining in the Unit J construction trustee held account which can be used for capital expenditures or debt retirement.

UMHC Board Designated Fund Activity  
Projected 7-1-88 through 6-30-89

	<u>Unspecified</u>	<u>Specified</u>	<u>Total</u>
Balance 6-30-88	\$62,926,000	\$ 9,769,000	\$72,695,000
Investment Income on Reserves	5,258,000		5,258,000
Transfer of Cash for Abandonment Cost Not Payable		<2,500,000>	<2,500,000>
Expenditures:			
Community University Health Care Center		<1,000,000>	<1,000,000>
MRI-2		<3,483,000>	<3,483,000>
Planning & Architecture Fees	<9,200,000>		<9,200,000>
Computer Hardware	<850,000>		<850,000>
Hyperthermia Equipment	<500,000>		<500,000>
Lithotripter I Upgrade	<400,000>		<400,000>
Operating Rooms	<250,000>		<250,000>
Biliary Lithotripter - Lease Expense	<92,000>		<92,000>
Purchase Cost	<1,100,000>		<1,100,000>
Projected Balance at 6-30-89	\$55,792,000	\$ 2,786,000	\$58,578,000 *

\* In addition to these funds, there is approximately \$20,000,000 of borrowed funds remaining in the Unit J construction trustee held account which can be used for capital expenditures or debt retirement.



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, April 27, 1988  
12:00 - 2:00 P.M.\*  
8-106 University Hospital**

**COMMITTEE MEMBERS**

Robert Nickoloff, Chairman  
Carol Campbell  
Edward Ciriacy, M.D.  
Robert Dickler  
Clifford Fearing  
Elwin Fraley, 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 Meetings held 3/11/88 and 4/13/88<br>(Approval) pp. 1-6 | Mr. Robert Nickoloff |
| II. March 31, 1988 Year-to-Date Financial Statements (Information) pp. 7-15  | Mr. Cliff Fearing    |
| III. Response to Auditors Letter to Management (Information) pp. 16-19   | Mr. Cliff Fearing    |
| IV. Third Quarter Fiscal Year 1988 Bad Debts (Endorsement) pp. 20-42   | Mr. Dan Rode         |
| V. 1988-89 Operating Budget (Follow-up)  | Mr. Robert Dickler   |
| VI. Lipid Research Center Space (Information)  | Mr. Cliff Fearing    |

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



**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
Board of Governors Finance Committee  
MARCH 11, 1988**

**MINUTES**

**CALL TO ORDER:**

On March 11, 1988 the Finance Committee meeting was called to order by Mr. Robert Nickoloff at 10:38 a.m. in the Board Room.

**ATTENDANCE:**

**Present:** Edward Ciriacy, M.D.  
Robert Dickler  
Cliff Fearing  
Elwin Fraley, M.D.  
Jerry Meilahn  
Robert Nickoloff

**Absent:** Carol Campbell  
Barbara O'Grady  
Vic Vikmanis

**Staff:** Greg Hart  
Nancy Janda  
Nels Larson  
Peter Lynch, M.D.  
Dan Rode  
Mary Ellen Wells

**APPROVAL OF THE MINUTES:**

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the December 16, 1987 meeting as written.

**BAD DEBTS:**

Mr. Daniel Rode summarized a proposed bad debt write-off for the second quarter of the 1987-88 fiscal year. The bad debts for the period totaled \$689,621.74. Net bad debts for the quarter are 1.09% of gross charges. A bad debt level of 1.33% of gross charges had been budgeted.

The Committee members agreed that an overview of our accounts receivable level and efforts underway aimed at reducing days in accounts receivable and bad debts would be helpful to the Committee. In conclusion, the bad debt write-off of \$689,621.74 for the quarter was approved.

## 1988-89 Budget:

Mr. Robert Dickler overviewed several variables that influenced the establishment of the budget for the fiscal year 1988-89. Those variables are detailed in the attached letter from Robert Dickler and included:

**Medicare Reimbursement:** The Omnibus Reconciliation Act of 1987 imposes several changes that will negatively influence our Medicare reimbursement level. Most notably, indirect medical education payments and capital expenditure reimbursement will together drop by some \$850,000 for the fiscal year. Next year is also the final transition year for UMHC away from cost reimbursement to a full prospective payment reimbursement reducing UMHC Medicare payments by \$2,200,000. These payments will likely not cover the costs of providing that care.

- **Health Insurance Costs:** Insurance costs for employees covered by Blue Cross are expected to rise by \$2.1 million over budgeted 1987-88 levels. HMOs are also expected to raise premiums on January 1, 1989. The estimated annual cost to UMHC of HMO premium increases is \$750,000.
- **Malpractice Insurance:** Premiums of malpractice insurance for employees and residents are expected to rise by \$500,000 above current year rates to a \$1,000,000 annually.
- **Interest on Appropriations:** State appropriations to the Hospital have been paid in a lump sum at the beginning of the year. Next year, payments will be made in monthly increments, resulting in a loss of interest income of approximately \$350,000 annually.

**Capital Planning:** The Strategic Planning Coordinating Committee is reviewing a ten year capital plan for equipment and non Unit J facilities. Preliminary estimates indicate that execution of this plan without new debt or additional state appropriations will require a \$1 million to \$1.5 million increase in net cash flows annually through 1998. A \$1 million cash flow increase for the 1988-89 fiscal year is targeted for this purpose.

- **Pay Equity:** The Board of Governors approved a 4 year comparable worth plan in 1985 that will bring all employees within 5% of the marketline; 1988-89 is the fourth and final year of this implementation plan. Costs to complete the 1985 plan in 1988-89 are about \$632,000. The Board of Regents is currently considering bringing all effected classes to the marketline by 1991. If the hospital were to pattern itself after the Regents, an additional \$1 million would be needed for pay equity for next fiscal year.

The above factors, Mr. Dickler noted, indicate that recent annual price increases of 3% or less are clearly not achievable next fiscal year. Other Twin City hospitals have been employing double digit price increases. It is uncertain at this point as to whether we will achieve a price increase of less than 10%.

The Finance Committee will be asked to endorse the budget on April 28, 1988. The Committee will have another opportunity to review the budget in the interim.

**DERMATOLOGY CLINIC EXPANSION:**

Ms. Mary Ellen Wells and Dr. Peter Lynch outlined a plan for completing 4,497 net square feet on the fourth floor of the Phillips-Wangensteen building for Dermatology. The new space will allow for the Department to expand its dermatologic surgical services. Architects have recently completed initial design plans that include 4 exam rooms, 4 procedure rooms, a lab, 4 offices and a reception area. The total cost of the project is about \$850,000. The hospital is being asked to assume responsibility for \$631,629 of that cost to cover exam rooms, procedure rooms, the reception area and the corridors. The Department of Dermatology will assume responsibility for the remainder of the costs.

The Finance Committee passed a motion to approve the expenditure of \$631,629 for Dermatology Clinic expansion.

**AUDITED FINANCIAL STATEMENTS:**

Mr. Nels Larson overviewed the audited financial statements for the fiscal years ending June 30, 1986 and June 30, 1987. The audit was done by Peat Marwick Main Company. The format for the statements used by Peat Marwick is different than the format usually presented to the Board of Governors. Mr. Larson has satisfactorily reconciled information presented in the audit to our internal statements. No significant changes in the results of operations were noted in the audit. The Peat Marwick management letter was recently received and will be reviewed with the Finance Committee at a future meeting.

**OTHER:**

Mr. Greg Hart overviewed the outcome of the March 11, 1988 Board of Regents meeting where President Keller presented his recommendations to strengthen the University's management accountability; the recommendations are intended to ensure that cost overruns similar to those experienced with the Eastcliff project will not recur.

**ADJOURNMENT:**

There being no further business, the March 11, meeting of the Finance meeting was adjourned at 12:15 p.m.

Respectfully submitted,



Nancy C. Janda  
Assistant Director and Secretary  
to the Board of Governors

**MINUTES**

**BOARD OF GOVERNORS FINANCE COMMITTEE**

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**April 13, 1988**

**CALL TO ORDER:**

Mr. Robert Nickoloff called the April 13, 1988 meeting of the Finance Committee to order at 10:14 A.M. in the Board Room.

**ATTENDANCE:**

Present: Carol Campbell  
Edward Ciriacy, M.D.  
Robert Dickler  
Clifford Fearing  
Jerry Meilahn  
Robert Nickoloff

Absent: Elwin Fraley, M.D.  
Barbara O'Grady  
Vic Vikmanis

Staff: Kay Fuecker  
Nels Larson  
Barbara Tebbitt

**1988-89 BUDGET:**

Mr. Robert Dickler reported that the rate increase for UMHC is higher than in the past, but below 10%. The price increase will be 9.8%.

The University's general administrative allocation to the Hospital, Mr. Dickler reported, has been reduced from \$6,471,000 in 1987-88 to \$244,000 in 1988-89. This will result in a lower net revenue over expense by \$6.2 million.

Accelerated Comparable Worth funding, Mr. Dickler reported, has been supported by the Board of Regents. The 1988-89 budget reflects UMHC's fourth year of the plan. At the end of that time UMHC will be within 5% of its target while the University will be within 7% of their target. No discussions have been scheduled to determine how to budget the final 5% and 7% respectively.

Mr. Fearing reported that the 1988-89 budget has been developed with the following set of assumptions:

- 1) 1987-88 Budget Base - Inpatient census for 1988-89 has been budgeted at 18,700 admissions and 143,700 patient days. We are projecting an average daily census of 394 as compared to 418 this year. Ancillary Services will be budgeted at a 9.4% overall increase, \$182 per inpatient and \$200 per outpatient. Moderate increases are expected in other operating revenues, particularly food services, parking services, pro fees and interest income on bonds.

FTE's - During 1987-88 there was an increase of 188.8 FTE's based on changes in admissions, program and intensity changes, workload, and new positions. The additions were 107 in ancillary departments, 44 in nursing, 24 in administrative departments, and 10 in support service departments. A net decrease of 60 FTE's is budgeted for 1988-89.

Pay Plan - The pay plan built into the 1988-89 budget includes: (1) an effective 2.3% change for all across-the-board increases. We have budgeted for a 2.0% across-the-board increase for all non-bargaining unit classifications and have budgeted a 3.0% increase for bargaining unit classifications in accordance with current contracts. (2) An effective 1.0% for step increases (applies to bargaining units, GSN's, Pharmacists, radiology techs, CRNA's). (3) An effective 0.6% change for merit-based progression increases. This increase is equal to 1.5% of the base for non-step/non-student classifications. (4) An effective 0.6% increase for pay equity changes and (5) an effective 0.3% change for marketplace range changes.

The pay equity amount included in the budget for Hospital dominated classifications reflects the fourth year of our four year plan. The pay equity amount included for University dominated classifications reflects the University's accelerated three year plan.

Non-Operating Revenue - Projected inflationary increases on appropriation are 2.2% and assuming that the appropriations will no longer earn interest income for UMHC. This year the amount of interest income earned on the appropriation was \$319,000.

Deductions from Charges - The fiscal 1988-89 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid programs. The greatest increases in the budget year are in Medicare and Medical Assistance. They are due to changes in the regulations, reductions in reimbursement for pass-throughs, and the impact of the rate increase. All other changes in deductions are related to volume and/or other minor contractual adjustments.

- 2) Fiscal Year 1988-89 Price and Revenue Increases - An increase of 9.8% is planned resulting in total patient charges to \$281,419,000.
- 3) Capital Expenditures - A limit of \$8,000,000 is being budgeted from operating cash flows for recurring equipment replacement and minor remodeling. Additionally, \$3,905,000 will be budgeted for debt

service on equipment, bonds and parking ramp amortization. A detailed capital expenditure plan will be presented to the Finance and Planning and Development Committees in May. Additional funds totaling \$7,500,000 to \$11,500,000 are budgeted for planning stage for replacement of facilities of those clinical programs that did not relocate to Unit J.

Mr. Fearing reviewed in detail the UMHC Board Designated Fund activity for 1987-88, noting the current level of the reserves at \$63,000,000. In addition there is \$40,000,000 in Trustee Health Assets (funds borrowed for construction projects), of which UMHC cannot touch approximately \$20,000,000 because it is for bond holder protection. An additional \$4.5 - \$5 Million in restricted endowments is also available for various purposes. Mr. Fearing reminded the Committee that the Hospital is 95% self-supported and 5% state supported. A document that was shared with the legislature when Mr. Robert Dickler and Mr. Robert Latz testified concerning UMHC central reserves will be included in the April, 1988 Board packet.

A reserve policy for The University of Minnesota Hospital and Clinic will be discussed after the current budget process has been completed. A target date for completion will be September, 1988.

The Finance Committee seconded and passed a motion to approve the 1988-89 Budget as presented.

#### **CAPITAL EXPENDITURE POLICY:**

Mr. Robert Dickler reviewed the proposed changes to the Board of Governors Policy on Capital Expenditures for the Committee's information. No action is expected at this time. The proposed changes include: defining recurring capital expenditures (\$500 - \$100,000), major capital expenditures (\$100,000 to \$600,000) and special projects (over \$600,000), the approval procedures involved in each, and procedures to deal with cost overruns, which were not covered by the Board of Governors policy in the past.

#### **ADJOURNMENT:**

There being no further business, the April 13, 1988 meeting of the Finance Committee was adjourned at 12:30 P.M.

Respectfully submitted,



Kay F. Fuecker  
Board of Governors Office



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

April 27, 1988

TO: Board of Governors Finance Committee  
FROM: Clifford P. Fearing  
SUBJECT: Report of Operations for the Period  
July 1, 1987 through March 31, 1988

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 experienced ancillary service utilization that was higher than anticipated. To highlight our position:

Inpatient Census: For the month of March, inpatient admissions totaled 1,632 or 76 above budgeted admissions of 1,556. Our overall average length of stay for the month was 8.2 days. Patient days for March totaled 13,193 and were 283 days over budget. The increase in admission levels over budget 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	14,170	13,666	14,237	571	4.2
Avg. Lnth. of Stay	8.3	8.4	8.0	-.4	-4.8
Patient Days	115,809	115,277	113,708	-1,569	-1.4
Avg. Daily Census	422.7	419.2	413.5	-5.7	-1.4
Percent Occupancy	71.9	72.0	71.3	-0.7	-0.9

Outpatient Census: Clinic visits for the month of March totaled 23,805 or 2,836 (13.5%) above budgeted visits of 20,969. Areas which experienced actual visits with large increases over budget were Ophthalmology, Psychology, and A.T.E.U. Community University Health Care Center (CUHCC) visits for the month of March totaled 4,235 or 45 (1.0%) above budgeted visits of 4,190, while Home Health visits of 949 for the month were 162 (20.5%) above budgeted visits of 787.

Report of Operations - March 1988

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	182,947	187,610	194,130	6,520	3.5
CUHCC Visits	35,280	35,810	36,228	418	1.2
HHA Visits	7,305	6,958	6,874	-84	-1.2

Financial Operations: The Hospital's Statement of Operations shows total expenses over revenues of \$1,252,354, a favorable variance of \$4,865,828.

Patient care charges through March totaled \$ 190,540,316 and were 2.4% over budget. Routine revenue was 2.2% under budget and reflected our year to date favorable patient day variance. Ancillary revenue was approximately \$138,965,480 (4.3%) above budget and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$7,182 per admission compared to the budgeted average of \$7,220 per admission. Outpatient revenue per clinic visit has averaged \$189 compared to the budgeted average of \$184.

Operating expenditures through March totaled \$184,210,799 and were approximately \$4,629,466 (2.6%) over budgeted levels. The overall variance relates to increased salary and fringe benefit costs.

Accounts Receivable: The balance in patient accounts receivable as of March, 1988 totaled \$72,932,450 and represented 100.24 days of revenue outstanding. The overall decrease in our patient receivables in March of 12.82 days occurred due to large payments received from Medicare, Minnesota MA and Commercial Insurance.

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.



UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1987 TO MARCH 31, 1988

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Patient Care Charges	\$185,993,118	\$190,540,316	\$4,547,198	2.4%
Deductions from Charges	-33,781,151	-31,206,976	2,574,175	7.6%
Other Operating Revenue	4,412,625	4,817,278	404,653	9.2%
Total Operating Revenue	156,624,592	164,150,618	7,526,026	4.8%
Total Expenditures	-179,581,333	-184,210,799	-4,629,466	-2.6%
Net Operating Revenue	-22,956,741	-20,060,181	2,896,560	
Non-Operating Revenue and Expenses	16,838,559	18,807,827	1,969,268	11.7%
Revenue over Expense	(\$6,118,182)	(\$1,252,354)	\$4,865,828	(1)
	=====	=====	=====	

(1) Variance equals 2.8% of total budgeted revenue.

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Admissions	13,666	14,237	571	4.2%
Patient Days	115,277	113,708	-1,569	-1.4%
Average Daily Census	419.2	413.5	-5.7	-1.4%
Average Length of Stay	8.5	8.0	-0.5	-5.9%
Percentage Occupancy	72.0%	71.3%	-0.7	0.9%
Outpatient Clinic Visits	187,610	194,130	6,520	3.5%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1987 TO MARCH 31, 1988

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
	-----	-----	-----	-----
Gross Patient Charges	\$185,993,118	\$190,540,316	\$4,547,198	2.4%
Deductions from Charges	33,781,151	31,206,976	-2,574,175	-7.6%
Other Operating Revenue	4,412,625	4,817,278	404,653	9.2%
	-----	-----	-----	-----
Total Revenue from Operations	\$156,624,592	\$164,150,618	\$7,526,026	4.8%
Expenditures				
Salaries	\$76,157,443	\$79,103,033	\$2,945,590	3.9%
Fringe Benefits	14,421,200	16,061,481	1,640,281	11.4
Contract Compensation	7,599,239	7,863,136	263,897	3.5
Medical Supplies, Drugs, Blood	29,705,582	29,092,534	-613,048	-2.1
Campus Administration Expense	4,862,391	4,862,391	0	
Depreciation and Amortization	12,502,046	13,022,828	520,782	4.2
General Supplies & Expense	34,333,432	34,205,396	-128,036	-0.4
	-----	-----	-----	-----
Total Expenditures	\$179,581,333	\$184,210,799	\$4,629,466	2.6%
	-----	-----	-----	-----
Net Revenue from Operations	(\$22,956,741)	(\$20,060,181)	\$2,896,560	
Non-Operating Revenues and Expenses				
Appropriations	\$10,830,417	\$10,826,475	(\$3,942)	
Interest Income on Reserves	4,364,744	5,545,499	1,180,755	27.1
Shared Services	287,398	125,185	-162,213	-56.4
Investment Income on Trustee Held Assets	1,356,000	2,310,668	954,668	70.4
	-----	-----	-----	-----
Total Non-Operating Revenues and Expenses	\$16,838,559	\$18,807,827	\$1,969,268	11.7%
	-----	-----	-----	-----
Revenue Over Expense	(\$6,118,182)	(\$1,252,354)	\$4,865,828	(1)
	=====	=====	=====	

(1) Variance equals 2.8% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
STATEMENT OF OPERATIONS  
FOR THE PERIOD JULY 1, 1987 TO MARCH 31, 1988

Annual Budget		Budgeted	Actual	Variance Over/-Under Budget	Variance %
	<b>Patient Care Charges</b>				
\$70,025,500	Routine	\$52,757,456	\$51,574,836	(\$1,182,620)	-2.2%
179,592,300	Ancillary	133,235,662	138,965,480	5,729,818	4.3
<u>\$249,617,800</u>	<b>Gross Charges</b>	<u>\$185,993,118</u>	<u>\$190,540,316</u>	<u>\$4,547,198</u>	<u>2.4%</u>
	<b>Deductions from Charges</b>				
\$27,750,800	Third Party Contractual Adjustments	\$20,677,443	\$15,106,165	(\$5,571,278)	-26.9%
9,219,200	Billing Adjustments & Employee Benefits	6,895,885	9,190,949	2,295,064	33.3
663,800	Charitable Care	494,605	406,463	-88,142	-17.8
4,355,300	Other Contractual Adjustments	3,245,185	3,976,133	730,948	22.5
3,312,300	Provisions for Uncollectables	2,468,033	2,527,266	59,233	2.4
<u>\$45,301,400</u>	<b>Total Deductions</b>	<u>\$33,781,151</u>	<u>\$31,206,976</u>	<u>(\$2,574,175)</u>	<u>-7.6%</u>
	<b>Other Operating Revenue</b>				
\$1,348,500	Food Services	\$1,013,217	\$1,104,951	\$91,734	9.1%
500,000	Parking Services	375,683	451,550	75,867	20.2%
78,700	Department Non-Patient	59,133	26,703	-32,430	-54.8
1,066,700	CUHCC Grants	796,870	833,340	36,470	4.6
1,543,700	Reference Lab Income	1,159,884	1,087,385	-72,499	-6.3
1,352,600	Pro Fees - Net Revenue	1,007,838	1,074,398	66,560	6.6
0	X-Ray Silver Salvage	0	216,753	216,753	
0	Donations from Restricted Funds	0	22,198	22,198	
<u>\$5,890,200</u>	<b>Total Other Revenue</b>	<u>\$4,412,625</u>	<u>\$4,817,278</u>	<u>\$404,653</u>	<u>9.2%</u>
<u>\$210,206,600</u>	<b>Total Revenue from Operations</b>	<u>\$156,624,592</u>	<u>\$164,150,618</u>	<u>\$7,526,026</u>	<u>4.8%</u>
	<b>Expenditures</b>				
\$101,075,300	Salaries	\$76,157,443	\$79,103,033	\$2,945,590	3.9%
19,139,500	Fringe Benefits	14,421,200	16,061,481	1,640,281	11.4
1,960,300	Academic Contracts	1,470,225	1,531,041	60,816	4.1
5,533,100	Resident Contracts	4,116,539	4,224,593	108,054	2.6
2,683,300	Physician Compensation	2,012,475	2,107,502	95,027	4.7
<u>\$130,391,500</u>	<b>Total Salary, F.B. &amp; Fees</b>	<u>\$98,177,882</u>	<u>\$103,027,650</u>	<u>\$4,849,768</u>	<u>4.9%</u>
2,106,000	Laundry & Linen	1,578,796	1,635,100	56,304	3.6%
1,688,200	Raw Food	1,270,307	1,227,825	-42,482	-3.3
20,236,500	Drugs	15,017,312	12,889,184	-2,128,128	-14.2
5,853,500	Blood & Blood Derivatives	4,343,827	5,217,631	873,804	20.1
13,939,600	Medical Supplies	10,344,443	10,985,719	641,276	6.2
4,254,600	Utilities	3,204,947	3,091,300	-113,647	-3.5
1,007,900	Insurance	717,125	838,433	121,308	16.9
2,902,200	Rental	2,176,650	2,404,338	227,688	10.5
4,252,100	Maintenance & Repair	3,194,884	3,180,790	-14,094	-0.4
1,475,700	Communications	1,108,791	1,248,814	140,023	12.6
0	Gain on Disposal of Assets	0	-2,008	-2,008	
6,471,400	Campus Administration Expense	4,862,391	4,862,391	0	
16,693,600	Depreciation and Amortization	12,502,046	13,022,828	520,782	4.2
10,428,000	Interest	7,860,743	7,586,413	-274,330	-3.5
17,596,200	General Supplies & Expense	13,221,189	12,994,391	-226,798	-1.7
<u>\$239,297,000</u>	<b>Total Expenditures</b>	<u>\$179,581,333</u>	<u>\$184,210,799</u>	<u>\$4,629,466</u>	<u>2.6%</u>
<u>(\$29,090,400)</u>	<b>Net Revenue from Operations</b>	<u>(\$22,956,741)</u>	<u>(\$20,060,181)</u>	<u>\$2,896,560</u>	
	<b>Non-Operating Revenue and Expenses</b>				
\$14,414,300	Appropriations & Support	\$10,830,417	\$10,826,475	(\$3,942)	-0.0%
0	Accrued Interest on Appropriation	0	212,070	212,070	
5,517,900	Interest Income on Reserves	4,364,744	5,333,429	968,685	22.2
382,500	Shared Services	287,398	125,185	-162,213	-56.4
1,808,000	Investment Income Held by Trustee	1,356,000	2,310,668	954,668	70.4
<u>\$22,122,700</u>	<b>Total Non-Operating Revenue and Expenses</b>	<u>\$16,838,559</u>	<u>\$18,807,827</u>	<u>\$1,969,268</u>	<u>11.7%</u>
<u>(\$6,967,700)</u>	<b>Revenue Over Expense</b>	<u>(\$6,118,182)</u>	<u>(\$1,252,354)</u>	<u>\$4,865,828</u>	<u>(1)</u>

(1) Variance equals 2.8% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
OPERATING CASH FLOW  
FOR THE PERIOD JULY 1, 1987 TO MARCH 31, 1988

Source of Funds

Beginning Operating Cash Balance		\$34,475
Net Income from Operations	-20,060,181	
Non-Operating Revenue	18,807,827	
-----		
Excess of Revenue over Expense		-1,252,354
Items not Requiring the Outlay of Cash:		
Depreciation		13,022,828
University Support: G & A		4,862,391
University Support: KE Utilities		168,367
Disposal of Asset - Syringes		23,700
Third Party Liability Transfer		5,616,327
Deferred Third Party Reimbursement		580,849
Renewal Project Interest Expense		7,120,062
Transfer for PCN Liability Payment		1,058,268
-----		
Total Funds Provided from Operations		\$31,234,913

Funds Applied

-----		
Transfers to Plant:		
Increase in Capital Expenditures	\$7,600,183	
Decrease in Capital Encumbrances	-285,222	
Total Transfers to Plant from Operations		\$7,314,961
Increase in Accounts Receivable		2,275,536
Increase in Prepaid Expenses		65,976
Increase in Inventory		127,054
Decrease in Accrued Expenses		5,149,249
Gain on Disposal of Assets		2,008
Increase in Other Receivables		478,551
Investment Income - Trustee Held Assets		2,310,668
Transfer to Reserves - Bond Retirement		2,018,750
Transfer to Reserves - Bond Interest		6,899,202
-----		
Total Funds Applied		26,641,955
-----		
Operating Cash Made Available from Operations		4,592,958
=====		

(1) Total Operating Cash Available of \$4,592,958 plus Transfers to Bond Retirement of \$2,018,750; plus Transfers to Bond Interest Payment of \$6,899,202; plus Transfers to Plant of \$7,314,961 equals Cash Generated from Operations of \$20,825,871.

Current Cash Summary

-----		
Operating Cash		\$4,592,958
Reserve Cash for Liability to Third Party Payors		8,689,424
Unrealized Appropriation Cash		3,582,677
Reserve Cash for Short Term Debt Retirement		2,500,000
Reserve Cash for Bond Int. & Principal Payment		2,376,651
-----		
		21,741,710
Less Interest Income on Reserves		-5,545,499
-----		
Total Current Cash		\$16,196,211
=====		

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

BALANCE SHEETS

MARCH 31, 1988 AND JUNE 30, 1987

ASSETS	3/31/88	6/30/87	LIABILITIES AND FUND BALANCES	3/31/88	6/30/87
	-----	-----		-----	-----
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Operating Cash	(\$796,089)	\$34,475	Accounts Payable	\$4,392,227	\$6,101,906
Reserve Cash- Third Party Payable	8,689,424	14,305,751	Payable to Third Party Contr. Payors	8,689,424	14,305,751
Unrealized Appropriation Cash	3,426,225	0	Salaries, Wages and Payroll Taxes	6,659,146	7,080,113
Reserve Cash- Short Term Debt	2,500,000	2,500,000	Accrued Vacation	7,256,468	6,706,164
Reserve Cash-Bond Int. & Prin. Pay.	2,376,651	4,214,376	Accrued Professional Fees and Physician Compensation	2,242,607	1,625,515
Accounts Receivable			Contracts Payable	1,441,862	2,368
Patient Receivables	72,932,450	72,366,775	Construction Retainages	0	918,370
Other Receivables	2,553,923	2,018,472	Interest Payable	1,947,106	4,263,164
	75,486,373	74,385,247	Current Portion of Long-Term Debt	3,976,886	3,796,447
Less Allowances for Losses in Collection	-5,813,140	-5,577,999	Promissory Notes Payable	2,500,000	2,500,000
Less Allowances for Discounts to Third Party Payors	-11,678,859	-13,623,861			
	57,994,374	55,183,387			
Trustee Held Assets	0	1,020,755			
Inventories of Drugs & Supplies	4,773,670	4,863,369			
Prepaid Expenses	459,121	393,145			
Silver Flake	216,753	0			
<b>TOTAL CURRENT ASSETS</b>	<b>\$79,640,129</b>	<b>\$82,515,258</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$39,105,726</b>	<b>\$47,299,798</b>
<b>BOARD DESIGNATED ASSETS:</b>					
Board Designated Assets Available for Assignment					
Cash & Investments	\$63,943,441	\$56,442,424			
Accrued Interest	2,143,595	605,020			
	66,087,036	57,047,444			
Assigned Cash & Investments	11,409,895	8,508,004			
<b>TOTAL BOARD DESIGNATED ASSETS</b>	<b>\$77,496,931</b>	<b>\$65,555,448</b>	<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>\$176,800,583</b>	<b>\$182,896,903</b>
DEFERRED THIRD PARTY REIMBURSEMENT	\$9,591,390	\$10,172,239			
OTHER ASSETS	258,189	258,189			
<b>LAND, BUILDINGS &amp; EQUIPMENT</b>					
Land, Buildings & Improvements	\$182,563,795	\$180,359,060			
Equipment	73,696,137	68,008,620			
	256,259,932	248,367,680			
Less Accumulated Depreciation	-78,685,190	-67,640,664	<b>UNRESTRICTED FUND BALANCE</b>	<b>\$177,597,766</b>	<b>\$170,460,153</b>
	177,574,742	180,727,016			
Construction in Progress	5,484,536	8,210,281			
<b>TOTAL LAND, BUILDINGS &amp; EQUIPMENT</b>	<b>\$183,059,278</b>	<b>\$188,937,297</b>			
TRUSTEE HELD ASSETS	\$41,558,190	\$51,195,164			
DEFERRED DEBT EXPENSE	\$1,899,968	\$2,023,259			
	\$393,504,075	\$400,656,854			
	=====	=====			
<b>RESTRICTED ASSETS</b>			<b>RESTRICTED FUND BALANCES</b>		
			Fund Balances		
Cash and Investments	\$5,711,397	\$4,856,396	Endowment Funds	\$1,920,650	\$1,846,730
	=====	=====	Gift Funds	3,790,747	3,009,666
				-----	-----
				\$5,711,397	\$4,856,396
				=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE PERIOD JULY 1, 1987 TO MARCH 31, 1988

UNRESTRICTED FUNDS	OPERATING FUND	BOARD DESIGNATED FUND	TRUSTEE & PLANT FUND	TOTAL UNRESTRICTED FUNDS
-----	-----	-----	-----	-----
Beginning Balance	\$33,976,173	\$57,047,446	\$79,436,534	\$170,460,153
Net Income				
-----				
Excess of Revenue over Expense	2,485,134			
Interest Income on Reserves		5,333,429		
Accrued Interest on Appropriations		212,070		
Depreciation Expense			-13,022,812	
Gain on Disposal of Assets			-21,692	
Interest Expense			1,450,849	
Interest Income on Trustee Held Fund			2,310,668	
Extraordinary Item				
Total Income				-1,252,354
Less Expense				
-----				
Unrealized Appropriation Revenue	3,582,677			3,582,677
University Support: G & A	4,862,391			4,862,391
K/E Utilities	168,367			168,367
Transfers Between Funds				
-----				
Major Building Projects- Hospital Only	-23,500	-285,474	308,974	
Capital Expenditures	-6,693,215		6,693,215	
Capital Encumbrance Change	285,222		-285,222	
Major Equipment Requisition	-758,860	7,225,366	-6,466,506	
Bond Interest Payment	10,877,804	-10,668,397	-209,407	
Bond Principal Sinking Fund	-1,549,583	1,549,583		
Short Term Note Funding	2,500,000	-2,500,000		
Bond Interest Expense Funding	-4,991,718	4,991,718		
Prior Year End Bond Interest Transfer	-4,214,376	4,214,376		
Reimbursement from Trustee - Bond Interest		4,841,928	-4,841,928	
PCN liability payment	1,058,268	-1,058,268		
Increase in Restricted Gift Fund				
Commitment to Plant			63,605	63,605
Unrestricted Donation			50,000	50,000
Adjustments to Hospital Shared Buildings		270	-337,343	-337,073
Orthopaedic Surgery loan	56,900		-56,900	
Bond Principal Payment		-2,630,000	2,630,000	
	-----	-----	-----	-----
Ending Balance	\$41,621,684	\$68,274,047	\$67,702,035	\$177,597,766
	=====	=====	=====	=====
RESTRICTED FUNDS		Gift	Endowment	Total
-----		-----	-----	-----
Beginning Balance		\$3,009,666	\$1,846,730	\$4,856,396
Income		1,366,889	74,665	1,441,554
Disbursement		-585,808	-745	-586,553
		-----	-----	-----
Ending Balance		\$3,790,747	\$1,920,650	\$5,711,397
		=====	=====	=====

## ACCOUNTS RECEIVABLE HIGHLIGHTS

March 31, 1988

Category	Amount	+ or (-) Prev. Mo.	% Change	+ or (-) 6/30/87	% Change	3/31/88 <sup>c</sup> Days
Total	\$72,815,434 <sup>a</sup>	\$(5,242,509)	(6.80)%	\$ 565,802	0.78 %	100.24 <sup>a</sup>
Inhouse	10,284,829 <sup>a</sup>	429,616	4.44 %	1,094,024	11.90 %	14.16 <sup>a</sup>
DNFB <sup>b</sup>	9,344,856 <sup>a</sup>	1,121,644	13.26 %	(616,955)	(6.19)%	12.86 <sup>a</sup>
	-2,322,097	- inpatient hold				
	-2,352,764	- outpatient hold				
	-4,165,789	- medical record hold				
	- 504,206	- misc. billing hold				
Collections	5,277,832	(28,307)	(0.54)%	(135,993)	(2.51)%	7.27
Follow-up	4,895,875	(186,874)	(3.67)%	(168,473)	(3.33)%	6.74
Net DAR	43,012,041 <sup>a</sup>	(6,578,588)	(13.36)%	393,198	.92 %	59.21 <sup>a</sup>

a. Figures shown are gross dollars or days and do not reflect contractual allowances or discounts (ie. Net DAR after adjustment would be approximately \$35,700,000 or 49.14 days).

b. Discharged not final billed.

c. Three month average daily revenue = \$726,428.

### Significant Changes

- The DNFB<sup>b</sup> category increased significantly in all categories except miscellaneous. This was due to a substantial increase in census during March and the increase in average revenue per day. Given this change in census has continued into April there may not be a drop in April's numbers.
- Significant increases in the Net DAR were experienced in Out-of-State Medicaid, \$473T; Special Contracts, \$199T; External Audits, \$119; and the V.A. Medical Center, \$110T. While the regular-HMO receivable was over-all just slightly higher (\$38T), most of this increase was due to a \$106T increase in PHP.
- Significant decreases in accounts receivable Net DAR were reflected in Minnesota Medical Assistance, \$3.3M; Commercial Insurance, \$2.4M; Medicare, \$490T; Agency Pending, \$277T; GAMC, \$132T; HMO-Medicare, \$93T; and NIH, \$91T. Agency Pending, \$277T; GAMC, \$132T; HMO-Medicare, \$93T; and NIH, \$91T. While cash flow showed a definite rise, part of this increase was due to the receipt of some early PIP payments, therefore we anticipate a reflection of this cash flow with a similar decrease in April.




UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

April 21, 1988

TO: Board of Governors  
Finance Committee

FROM: Clifford P. Fearing  
Senior Associate Director 

SUBJECT: Response to Auditors Letter of Comments and Recommendations  
Regarding Internal Control

The attached letter of comments and recommendations was provided by Peat Marwick Main & Co. in conjunction with their audit of the June 30, 1987 financial statements. The following is our response to the letter.

The Hospital's accounting staff recognizes, and concurs with, the need to develop more complete and timely reconciliation procedures. At this time we have partially implemented the recommendations cited by developing several reconciliations dealing with cash accounts, current assets and liabilities, Board designated assets, trustee held assets, and gift and endowment funds. These reconciliations are performed monthly except for the gift and endowment accounts which are reconciled on a quarterly basis in conjunction with the University's quarterly restricted fund reports.

Reconciliation procedures dealing with Property, Plant, and Equipment accounts are still being reviewed and developed. This is an area that has proved somewhat complex because of differing capitalization criteria between the Hospital and the University and the fact that the University does not depreciate its capital assets where the Hospital does.

In conclusion, there are still additional procedures that need to be developed and implemented. We believe however that we can have appropriate reconciliation procedures in place for the 1988 fiscal year-end audit that will address the concerns cited by Peat Marwick Main & Co.

CPF:th





# Peat Marwick

Certified Public Accountants

**Peat Marwick Main & Co.**

1700 IDS Center  
Minneapolis, MN 55402

Telephone 612 341 2222  
Telex 4310038 VERITATEMPS

Telecopier 612 341 0202

February 15, 1988

The Board of Governors  
University of Minnesota Hospital and Clinic

Dear Board Members:

We are presenting, for your consideration, our comments and recommendations regarding internal accounting control. These came to our attention during the course of our examination of the financial statements of University of Minnesota Hospital and Clinic (Hospital) for the year ended June 30, 1987 which we reported upon as of October 16, 1987.

As a result of our examination we have identified a condition, described in Exhibit I, that we believe results in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Hospital, may occur and not be detected within a timely period. Comments and recommendations which are somewhat less significant and relate to procedural matters have been included in a letter to Mr. Clifford P. Fearing dated February 15, 1988. This information should be considered in light of Exhibit II which describes the purpose of our study and evaluation of internal accounting controls as part of our examination.

The comments and recommendations presented in Exhibit I are intended to improve the system of internal accounting control. It should be noted that this letter, by its nature, primarily contains our comments and recommendations for improving such systems and does not include our observations on the many strong features of the Hospital's financial systems. The factual accuracy of our comments has been discussed with the management personnel responsible for the areas impacted by our comments and recommendations.

We would like to take this opportunity to express our appreciation for the courtesy and assistance extended to us by your personnel during the course of our examination. In addition, we would be most pleased to provide assistance in implementing any of our recommendations.

Very truly yours,

*Peat Marwick Main & Co.*



Member Firm of  
Klynveld Peat Marwick Goerdeler

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

Comments and Recommendations

GENERAL CONTROLS ENVIRONMENT

In our letter to you dated December 31, 1986 we stated that there were a significant number of reconciling problems, errors and improper transactions involving Hospital account balances on the University of Minnesota (University) general ledger, and that these problems were primarily the result of inadequate training, incorrect information being communicated, and the lack of timely reviews by Hospital and University accounting departments.

We stated that the condition summarized above constituted a material weakness in the system of internal control.

We recommended that all material account balances on the Hospital general ledger be reconciled to the University general ledger on a frequent and timely basis.

Status

During the past year, both University and Hospital accounting departments have expended significant effort in addressing this issue. It has been determined that a major barrier to successful resolution of this issue is in the system design area. There are two major accounting systems (University and Hospital) that interact with each other but are not able to communicate complete information for all transaction data. Some transaction data shows up on the University system and not on the Hospital system or the reverse. Considerable analysis and manual entries are necessary to bring the accounting systems into agreement. The volume of transactions, the complexity of some transactions and normal timing differences have created a significant requirement for manual intervention (fiscal analysis and manual entries).

The accounting departments have made considerable progress in identifying, documenting and correcting a number of areas. The Hospital accounting department is also moving toward implementation of a new general ledger software system. It believes full implementation of the new system will improve the reconciliation process.

We believe that the condition described above continues to constitute a material weakness in the system of internal control and that there is a need to implement additional procedures.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

Scope of Internal Accounting Control Review

As part of an examination of the financial statements, we perform a study and evaluation of the Hospital's system of internal accounting control to the extent we consider necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which did not extend beyond October 16, 1987, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Management is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments made by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, an expression of an opinion on the system of internal accounting control taken as a whole cannot be made.



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

March 20, 1988

TO: UMHC Board of Governors  
FROM: Clifford P. Fearing  
Senior Associate Director, UMHC  
SUBJECT: Bad Debts - Third Quarter, Fiscal Year 1988

The total amount recommended for bad debt for Hospitals and Clinics accounts receivable during the third quarter of 1987-88 is \$682,453.25, represented by 1,710 accounts. Bad debt recoveries during the period amounted to \$11,413.55 (63 accounts), leaving a net charge-off of \$671,039.70.

The net bad debts of \$671,039.70 for the third quarter were 1.06% of gross charges. This compares to a budgeted level of bad debts of 1.33% (\$816,463.00)

A statistical summary is attached along with a detailed description of losses over \$2000.00 and recoveries over \$200 for each month of the third quarter.

Year-to-date bad debts have amounted to \$2,321,402.59, represented by 4,648 accounts. Recoveries during these three quarters amounted to \$29,277.13 (198 accounts), leaving a net charge-off of \$2,292,125.46.

The net bad debts of \$2,292,125.46, for the three quarters were 1.20% of gross charges. This compares to a budgeted level of bad debts of 1.33% (\$2,468,033.00).

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

attachments

CPF:hbm

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**BAD DEBT STATISTICS**

**JANUARY 1988 THROUGH MARCH 1988**

	<b>Less Than \$2000</b>	<b># of Accounts</b>	<b>More Than \$2000</b>	<b># of Accounts</b>	<b>TOTAL AMOUNT</b>	<b>TOTAL # of ACCOUNTS</b>
<b>INPATIENT</b>						
Medicare (610) Non-Recoverable	\$ --	--	\$ --	--	\$ --	--
Bad Debt (701) Write-Offs	43,223.60	95	99,780.37	17	143,003.97	112
Bad Debt (702) Charity Care	<u>32,914.56</u>	67	<u>44,520.41</u>	10	<u>77,434.97</u>	77
Total	76,138.16	162	144,300.78	27	220,438.94	189
Recoveries	<u>(1,509.78)</u>	10	<u>(6,481.69)</u>	1	<u>(7,991.47)</u>	11
Net Total	<u>\$ 74,628.38</u>	162*	<u>\$ 137,819.09</u>	27*	<u>\$ 212,447.47</u>	189*
<b>OUTPATIENT</b>						
Medicare (610) Non-Recoverable	\$ 9,304.56	24	\$ 219,305.70	7	\$ 228,610.26	31
Bad Debt (701) Write-Offs	120,322.45	1110	41,638.26	5	161,960.71	1115
Bad Debt (702) Charity Care	<u>57,273.13</u>	370	<u>14,170.21</u>	5	<u>71,443.34</u>	375
Total	186,900.14	1504	275,114.17	17	462,014.31	1521
Recoveries	<u>(3,422.08)</u>	52	<u>(000.00)</u>	0	<u>(3,422.08)</u>	52
Net Total	<u>\$ 183,478.06</u>	1504*	<u>\$ 275,114.17</u>	17*	<u>\$ 458,592.23</u>	1521*
<b>INPATIENT AND OUTPATIENT TOTAL</b>	<u>\$ 258,106.44</u>	1666*	<u>\$ 412,933.26</u>	44*	<u>\$ 671,039.70</u>	1710*
<b>MEDICARE BAD DEBTS</b>						
Inpatient (710)	\$ 000.00	0	\$ 000.00	0	\$ 000.00	0
Outpatient (710)	<u>000.00</u>	0	<u>.00</u>	0	<u>000.00</u>	0
Total	000.00	0	000.00	0	000.00	0
Recoveries	<u>(000.00)</u>	0	<u>(000.00)</u>	0	<u>(000.00)</u>	0
Net Total	<u>\$ 000.00</u>	0*	<u>\$ 000.00</u>	0*	<u>\$ 000.00</u>	0*
<b>TOTAL NET BAD DEBT</b>	<u>\$ 258,106.44</u>	1666*	<u>\$ 412,933.26</u>	44*	<u>\$ 671,039.70</u>	1710*

NOTE: More than \$2,000 amount includes legal settlements totaling \$31,026.98

**DOLLARS BUDGETED**

**\$ 816,463.00**

\*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JANUARY 1988 THROUGH MARCH 1988

	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
<b>INPATIENT</b>												
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	\$1,537.76	34	19,788.70	46	21,897.14	15	46,488.73	14	53,291.64	3	143,003.97	112
Bad Debt (702) Charity Care	\$783.68	15	\$17,293.00	41	\$14,837.80	11	\$31,929.81	9	\$12,590.60	1	\$77,434.97	77
<b>Total</b>	<b>\$2,321.44</b>	<b>49</b>	<b>\$37,081.70</b>	<b>67</b>	<b>\$36,735.02</b>	<b>26</b>	<b>\$78,418.54</b>	<b>23</b>	<b>\$65,882.24</b>	<b>4</b>	<b>\$220,438.94</b>	<b>189</b>
Recoveries	(\$125.22)	5	(\$1,384.56)	5	\$0.00	0	(\$6,481.69)	1	\$0.00	0	(\$7,991.47)	11
<b>Net Total</b>	<b>\$2,196.22</b>	<b>49 *</b>	<b>\$35,697.14</b>	<b>67 *</b>	<b>\$36,735.02</b>	<b>26 *</b>	<b>\$71,936.85</b>	<b>23 *</b>	<b>\$65,882.24</b>	<b>4 *</b>	<b>\$212,447.47</b>	<b>189 *</b>
<b>OUTPATIENT</b>												
Medicare (610) Non-Recoverable	\$340.32	7	\$7,220.44	16	\$1,743.80	1	\$23,142.14	4	\$196,163.56	3	\$220,610.26	31
BAD DEBT (701) WRITE-OFFS	\$26,528.91	759	\$87,428.60	346	\$6,364.94	5	\$18,904.55	4	\$22,653.71	1	\$161,960.71	1115
Bad Debt (702) Charity Care	\$9,674.91	232	\$34,895.21	130	\$12,783.01	8	\$14,170.21	5	\$0.00	0	\$71,443.34	375
<b>Total</b>	<b>\$36,544.14</b>	<b>998</b>	<b>\$129,544.25</b>	<b>492</b>	<b>\$20,811.75</b>	<b>14</b>	<b>\$56,296.90</b>	<b>13</b>	<b>\$218,817.27</b>	<b>4</b>	<b>\$462,014.31</b>	<b>1521</b>
Recoveries	(\$1,061.80)	42	(\$2,360.28)	10	\$0.00	0	\$0.00	0	\$0.00	0	(\$3,422.08)	52
<b>Net Total</b>	<b>\$35,482.34</b>	<b>998 *</b>	<b>\$127,183.97</b>	<b>492 *</b>	<b>\$20,811.75</b>	<b>14 *</b>	<b>\$56,296.90</b>	<b>13 *</b>	<b>\$218,817.27</b>	<b>4 *</b>	<b>\$458,592.23</b>	<b>1521 *</b>
<b>INPATIENT AND OUTPATIENT TOTAL</b>	<b>\$37,678.56</b>	<b>1047 *</b>	<b>\$162,881.11</b>	<b>579 *</b>	<b>\$57,546.77</b>	<b>40 *</b>	<b>\$128,233.75</b>	<b>36 *</b>	<b>\$284,699.51</b>	<b>8 *</b>	<b>\$671,039.70</b>	<b>1710 *</b>
<b>MEDICARE BAD DEBTS</b>												
Inpatient (710)	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0
Outpatient (710)	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0
<b>Total</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>
Recoveries	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0
<b>Net Total</b>	<b>\$0.00</b>	<b>0 *</b>	<b>\$0.00</b>	<b>0 *</b>	<b>\$0.00</b>	<b>0 *</b>	<b>\$0.00</b>	<b>0 *</b>	<b>\$0.00</b>	<b>0 *</b>	<b>\$0.00</b>	<b>0 *</b>
<b>TOTAL NET BAD DEBT</b>	<b>\$37,678.56</b>	<b>1047 *</b>	<b>\$162,881.11</b>	<b>579 *</b>	<b>\$57,546.77</b>	<b>40 *</b>	<b>\$128,233.75</b>	<b>36 *</b>	<b>\$284,699.51</b>	<b>8 *</b>	<b>\$671,039.70</b>	<b>1710 *</b>
<b>DOLLARS BUDGETED</b>											<b>\$816,463.00</b>	

\* Net total of accounts do not include recoveries

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**BAD DEBT STATISTICS**

**JULY 1987 THROUGH MARCH 1988**

	<b>Less Than \$2000</b>	<b># of Accounts</b>	<b>More Than \$2000</b>	<b># of Accounts</b>	<b>TOTAL AMOUNT</b>	<b>TOTAL # of ACCOUNTS</b>
<b>INPATIENT</b>						
Medicare (610) Non-Recoverable	\$ --	--	\$ --	--	\$ --	--
Bad Debt (701) Write-Offs	182,721.13	336	424,921.71	64	607,642.84	400
Bad Debt (702) Charity Care	<u>79,736.67</u>	124	<u>262,177.55</u>	40	<u>341,914.22</u>	164
Total	262,457.80	460	687,099.26	104	949,557.06	564
Recoveries	<u>(4,993.77)</u>	38	<u>(6,481.69)</u>	1	<u>(11,475.46)</u>	39
Net Total	<u>\$ 257,464.03</u>	460*	<u>\$ 680,617.57</u>	104*	<u>\$ 938,081.60</u>	564*
<b>OUTPATIENT</b>						
Medicare (610) Non-Recoverable	\$ 21,198.82	55	\$ 692,250.04	22	\$ 713,448.86	77
Bad Debt (701) Write-Offs	393,908.20	3231	100,765.20	20	494,673.40	3251
Bad Debt (702) Charity Care	<u>128,098.75</u>	730	<u>28,010.71</u>	10	<u>156,109.46</u>	740
Total	543,205.77	4016	821,025.95	52	1,364,231.72	4068
Recoveries	<u>(13,705.66)</u>	156	<u>(2,231.35)</u>	1	<u>(15,937.01)</u>	157
Net Total	<u>\$ 529,500.11</u>	4016*	<u>\$ 818,794.60</u>	52*	<u>\$ 1,348,294.71</u>	4068*
<b>INPATIENT AND OUTPATIENT TOTAL</b>	<u>\$ 786,964.14</u>	4476*	<u>\$ 1,499,412.17</u>	156*	<u>\$ 2,286,376.31</u>	4632*
<b>MEDICARE BAD DEBTS</b>						
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>	1	<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*
<b>TOTAL NET BAD DEBT</b>	<u>\$ 792,713.29</u>	4492*	<u>\$ 1,499,412.17</u>	156*	<u>\$ 2,292,125.46</u>	4648*

NOTE: More than \$2,000 amount includes legal settlements totaling \$58,519.75

**DOLLARS BUDGETED**

**\$2,468,033.00**

\*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1987 THROUGH MARCH 1988

	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
<b>INPATIENT</b>												
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	\$3,741.89	89	\$1,533.43	100	\$7,445.81	67	\$207,487.42	54	\$217,434.29	10	\$607,642.84	400
Bad Debt (702) Charity Care	\$927.79	20	\$28,463.21	69	\$50,345.67	69	\$143,890.77	35	\$118,286.78	5	\$341,914.22	164
Total	\$4,669.68	109	\$109,996.64	249	\$147,791.48	136	\$351,378.19	89	\$335,721.07	15	\$949,557.06	564
Recoveries	(\$840.74)	26	(\$2,550.48)	11	(\$1,602.55)	1	(\$6,481.69)	1	\$0.00	0	(\$11,475.46)	39
Net Total	\$3,828.94	109 *	\$107,446.16	249 *	\$146,188.93	136 *	\$344,896.50	89 *	\$335,721.07	15 *	\$938,081.60	564 *
<b>OUTPATIENT</b>												
Medicare (610) Non-Recoverable	\$036.14	16	\$13,941.22	35	\$6,421.46	4	\$70,551.33	14	\$621,698.71	8	\$713,448.86	77
BAD DEBT (701) WRITE-OFFS	\$75,565.15	2136	\$282,765.32	1068	\$35,587.73	27	\$78,111.49	19	\$22,653.71	1	\$494,673.40	3251
Bad Debt (702) Charity Care	\$17,615.56	426	\$81,398.90	285	\$29,084.29	19	\$28,010.71	10	\$0.00	0	\$156,109.46	740
Total	\$94,006.85	2578	\$378,105.44	1388	\$71,093.48	50	\$176,673.53	43	\$644,352.42	9	\$1,364,231.72	4068
Recoveries	(\$3,038.27)	112	(\$10,667.39)	44	\$0.00	0	(\$2,231.35)	1	\$0.00	0	(\$15,937.01)	157
Net Total	\$90,968.58	2578 *	\$367,438.05	1388 *	\$71,093.48	50 *	\$174,442.18	43 *	\$644,352.42	9 *	\$1,348,294.71	4068 *
<b>INPATIENT AND OUTPATIENT TOTAL</b>	<b>\$94,797.52</b>	<b>2687 *</b>	<b>\$474,884.21</b>	<b>1637 *</b>	<b>\$217,282.41</b>	<b>186 *</b>	<b>\$519,338.68</b>	<b>132 *</b>	<b>\$980,073.49</b>	<b>24 *</b>	<b>\$2,286,376.31</b>	<b>4632 *</b>
<b>MEDICARE BAD DEBTS</b>												
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	(\$1,800.00)	1	\$0.00	0	\$0.00	0	(\$1,864.66)	2
Net Total	\$34.31	3 *	\$5,914.84	12 *	(\$200.00)	1 *	\$0.00	0 *	\$0.00	0 *	\$5,749.15	16 *
<b>TOTAL NET BAD DEBT</b>	<b>\$94,831.83</b>	<b>2690 *</b>	<b>\$480,799.05</b>	<b>1649 *</b>	<b>\$217,082.41</b>	<b>187 *</b>	<b>\$519,338.68</b>	<b>132 *</b>	<b>\$980,073.49</b>	<b>24 *</b>	<b>\$2,292,125.46</b>	<b>4640 *</b>
<b>DOLLARS BUDGETED</b>											<b>\$2,468,033.00</b>	

\* Net total of accounts do not include recoveries



**THIRD QUARTER FISCAL YEAR - 1988  
and YEAR-TO-DATE BAD DEBTS**

**BY STATE**

STATE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 88 NUMBER	TOTAL FSY 88 AMOUNT
Alabama	1	50.00	1	50.00
Alaska			1	28.96
Arizona	7	1,359.26	11	1,765.09
Arkansas	11	2,032.17	13	2,943.37
California	13	7,399.16	18	9,029.02
Colorado			7	364.00
Connecticut			3	1,556.60
Delaware				
Dist. of Colombia	1	223.60	1	223.60
Florida	4	246.30	13	1,293.81
Georgia			2	299.00
Hawaii			1	83.99
Idaho				
Illinois	16	4,224.97	55	64,340.13
Indiana	8	1,278.97	12	2,521.15
Iowa	10	1,172.65	39	16,306.90
Kansas	2	552.12	8	952.24
Kentucky			1	122.90
Louisiana	3	132.32	6	1,529.52
Maine				
Maryland				
Massachusetts	1	136.88	3	483.95
Michigan	17	6,449.09	44	33,394.76
Minnesota	1342	305,997.84	3810	994,657.93
Mississippi				
Missouri	4	1,228.09	6	3,545.10
Montana	3	634.80	5	3,842.16
Nebraska			1	236.34
Nevada				
New Hampshire			1	19.00
New Jersey	3	1,127.19	5	1,683.29
New Mexico	1	106.40	2	2,621.75
New York	12	3,307.61	14	3,530.82
North Carolina			13	7,071.82
North Dakota	26	10,575.56	70	30,943.31
Ohio	2	1,663.63	3	1,871.01
Oklahoma	1	271.00	3	1,630.91
Oregon	1	30.40	6	1,244.77
Pennsylvania	3	177.97	10	2,093.48
Puerto Rico				

continued on next page

**THIRD QUARTER FISCAL YEAR - 1988  
and YEAR-TO-DATE BAD DEBTS**

**BY STATE/Page Two**

STATE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 88 NUMBER	TOTAL FSY 88 AMOUNT
Rhode Island	1	61.00	1	61.00
South Carolina			1	240.92
South Dakota	46	24,638.16	96	155,086.94
Tennessee			1	2,250.00
Texas	4	5,285.30	18	10,696.74
Utah	4	332.01	4	332.01
Vermont				
Virginia			2	84,824.39
Washington	10	1,219.20	19	3,308.94
West Virginia	1	424.09	1	424.09
Wisconsin	109	38,792.73	199	89,269.87
Wyoming			2	182.12
Out-of-Country	6	1,036.45	20	5,286.99
<hr/>				
Total	1673	422,166.92	4552	1,544,244.69
Control		<u>260,286.33</u>		<u>777,157.90</u>
GRAND TOTAL		<u>682,453.25</u>		<u>2,321,402.59</u>

**THIRD QUARTER FISCAL YEAR - 1988  
and YEAR-TO-DATE BAD DEBTS**

**BY SERVICE**

ADMITTING SERVICE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 88 NUMBER	TOTAL FSY 88 AMOUNT
-----				
Anesthesiology				
Clinical Research	4	2,304.04	8	6,610.10
Dentistry	2	3,041.02	4	4,880.19
Dermatology	1	599.00	1	599.00
Family Practice				
OB			1	687.80
NB			1	123.07
GYN	3	3,142.03	12	17,666.45
GYN-Oncology	7	13,946.56	16	20,653.61
Lab Medicine & Pathology				
Medicine-Blue	6	34,565.65	14	43,250.45
Green	3	2,592.78	14	6,534.98
Masonic (Onc)	16	21,386.37	40	99,575.40
Purple			3	5,436.84
Red A	2	692.44	5	9,286.10
Red B			1	648.23
Rose A	3	4,474.45	8	7,302.78
Rose B				
White A	11	17,618.58	23	28,269.26
White B	3	741.38	14	10,559.39
Yellow A	3	370.26	11	23,768.26
Yellow B			4	3,027.64
Neurology	4	1,877.41	15	19,021.01
Neuro-epilepsy	2	376.39	4	3,408.03
Neurosurgery	13	9,855.28	32	76,918.77
New Born-General	2	1,381.92	8	3,738.85
Obstetrics-General	6	3,641.80	15	16,711.88
-Midwife			1	1,756.73
Ophthalmology	9	5,722.96	15	10,000.63
Orthopaedic Surgery	7	8,349.87	27	64,112.38
Otolaryngology	3	2,197.18	12	8,862.18
Pediatrics-General	17	20,987.64	45	66,837.92
Neurology			1	12,175.23
Neurosurgery	4	8,356.19	7	12,600.94
Ophthalmology	2	413.03	2	413.03
Orthopaedics	1	549.80	3	5,185.32
Otolaryngology	3	3,538.73	5	5,618.87
Surgery Green			2	2,513.42
Surgery Orange			1	49.10
Surg. Transplant	1	1,001.61	2	1,109.92
Urology			7	9,210.09
Physical Med. & Rehab.			7	44,391.94
Psychiatry-Child	1	24.50	3	2,069.70
-Adult	7	5,205.18	27	54,702.16
Radiology				

continued on next page

**THIRD QUARTER FISCAL YEAR - 1988  
and YEAR-TO-DATE BAD DEBTS**

**BY SERVICE/Page Two**

ADMITTING SERVICE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 88 NUMBER	TOTAL FSY 88 AMOUNT
<hr style="border-top: 1px dashed black;"/>				
Surgery-Blue	11	8,543.92	38	105,761.15
Orange	1	287.89	5	1,911.23
Purple	6	2,266.44	14	11,460.41
Red	8	11,196.37	22	32,764.34
White	3	2,260.77	25	31,194.22
Therapeutic Radiology				
Urology	9	8,405.56	31	30,720.77
Unknown	5	8,523.94	19	31,536.52
Outpatient	1484	201,727.98	3977	588,608.40
 Total	 1673	 422,166.92	 4552	 1,544,244.69
Control Accounts		<u>260,286.33</u>		<u>777,157.90</u>
GRAND TOTAL		<u>682,453.25</u>		<u>2,321,402.59</u>

BAD DEBT WRITEOFF (CONTROL) ACCOUNTS  
1ST HALF 1987-88

610 MEDICARE NON-RECOVERABLE

ACCT #	NAME OF ACCOUNT	JULY	AUGUST	SEPTEMBER	1ST QTR TOTAL	OCTOBER	NOVEMBER	DECEMBER	2ND QTR TOTAL
6901987	MEDI: DIALYSIS N/A RAD	356.00			356.00				
6901995	MEDI: DIALYSIS N/A CL FEE			50.10	50.10	-279.50	-15.50	31.00	-264.00
6902092	MEDI: DIALYSIS N/A PHARM	8,066.91		5,565.47	13,632.38	1,945.36	2,394.33	4,684.32	9,024.01
6907950	MED DENIED - HOSP LIABLE	-661.69	116.88	-36.00	-580.81	1,319.20	470.00	6,416.29	8,205.49
6914337	MEDI: CAPD N/A CLINIC FEE			423.00	423.00		31.00	168.00	199.00
6914485	MEDI: DIALYSIS N/A SUPP	650.85		249.65	900.50		102.20	670.40	852.60
6915169	MEDI: PMR-NO RECORD				0.00		5,671.67	51.07	5,722.74
6916639	MED - ESRD FUND	392.00	198.64	102.21	692.85	79.92	184.65	32.93	297.50
6919914	HHS-MEDICARE DENIAL W/O			325.00	325.00	252.00	290.00		550.00
6925093	MED-DIALYSIS:ROUTINE LAB	2,254.45	2,019.80	856.60	5,130.85	1,413.10	-2,231.35	3,722.20	2,903.95
6925101	MED-DIALYSIS:COMPOSITE	113,533.24	72,619.32	61,050.30	247,202.86	55,987.30	6,613.75	122,344.99	184,946.04
6925119	MED-DIALYSIS:OXYGEN	583.90	99.40	60.20	743.50	60.20		240.80	301.00
	701 BAD DEBT WRITEOFFS				0.00				
6906549	LEGAL SETTLEMENTS	3,036.60	5,021.00	6,467.60	14,525.36	7,735.47	1,644.92	915.83	10,296.22
6910301	BAD DEBT ASY UNL \$50	-96.71	-5.63	381.38	279.04	66.24	4.00	126.29	196.53
6912802	REFUNDS - UNLOCATABLE	-19.50			-19.50				
6910608	BAD DEBT - MED NC CHGS		761.59		761.59	5,231.94	639.95		5,871.89
	TOTAL	128,096.05	80,831.00	75,495.59	284,422.72	73,811.23	15,887.62	139,404.12	229,102.97

2ND HALF 1987-88

610 MEDICARE NON-RECOVERABLE

ACCT#	NAME OF ACCOUNT	JANUARY	FEBRUARY	MARCH	3RD QTR TOTAL	APRIL	MAY	JUNE	4TH QTR TOTAL
6901987	MEDI: DIALYSIS N/A RAD	82.10	57.20	622.10	761.40				
6901995	MEDI: DIALYSIS N/A CL FEE	18.00			18.00				
6902092	MEDI: DIALYSIS N/A PHARM	986.03	446.02	5,684.73	7,116.78				
6907950	MED DENIED - HOSP LIABLE	660.38	741.12	7,581.36	8,982.86				
6914337	MEDI: CAPD N/A CLINIC FEE			206.00	206.00				
6914485	MEDI: DIALYSIS N/A SUPP		38.00	577.15	615.15				
6915169	MEDI: PMR-NO RECORD	47.52			47.52				
6916639	MED - ESRD FUND	242.43	231.91		474.34				
6916761	MEDI:DIAL JUST IF UNWAILA		148.60		148.60				
6919336	MEDI: DIALYSIS N/A EDG	32.50		631.50	664.00				
6919914	HHS-MEDICARE DENIAL W/O	231.00	533.00	65.00	829.00				
6925093	MED-DIALYSIS:ROUTINE LAB	1,743.00	7,677.95	2,198.10	11,619.05				
6925101	MED-DIALYSIS:COMPOSITE	58,824.43	87,339.69	49,999.44	196,163.56				
6925119	MED-DIALYSIS:OXYGEN	270.90	481.60	210.70	963.20				
	701 BAD DEBT WRITEOFFS				0.00				
6906549	LEGAL SETTLEMENTS	3,435.90	22,653.71	4,937.37	31,026.98				
6910301	BAD DEBT ASY UNL \$50	16.71	36.00	596.38	649.09				
6912802	REFUNDS - UNLOCATABLE								
6910608	BAD DEBT - MED NC CHGS								
	TOTAL	66,591.70	120,384.00	73,309.83	260,286.33	0.00	0.00	0.00	

		CREDITS	TOTAL
1ST QUARTER TOTAL	284,422.72	819.53	285,242.25
2ND QUARTER TOTAL	229,102.97	2,526.35	231,629.32
3RD QUARTER TOTAL	260,286.33	0.00	260,286.33
4TH QUARTER TOTAL			0.00
TOTAL	773,812.02	3,345.88	777,157.90



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, May 25, 1988  
12:30 - 2:00 P.M.\*  
8-106 University Hospital**

**COMMITTEE MEMBERS**

Robert Nickoloff, Chairman  
Carol Campbell  
Edward Ciriacy, M.D.  
Robert Dickler  
Clifford Fearing  
Elwin Fraley, M.D.  
Jerry Meilahn  
Barbara O'Grady  
Vic Vikmanis

**A G E N D A**

- |      |   |                      |
|------|---|----------------------|
| I.   | <b>Opening of Meeting and Approval of Minutes of Finance Committee Meetings held 4/27/88 (Approval) pp. 1-3</b> | Mr. Robert Nickoloff |
| II.  | <b>April 30, 1988 Year-to-Date Financial Statements (Information) pp. 4-12</b>                                  | Mr. Cliff Fearing    |
| III. | <b>Personnel Policy Changes (Endorsement) pp. 13-25</b>   | Mr. Robert Dickler   |
| IV.  | <b>1988-89 Employee Compensation Plan (Endorsement) pp. 26-27</b>   | Mr. Robert Dickler   |
| V.   | <b>Radisson University Hotel (Information)</b>  | Mr. Cliff Fearing    |

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

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
Board of Governors Finance Committee  
April 27, 1988**

**MINUTES**

**CALL TO ORDER:**

On April 27, 1988 the Finance Committee meeting was called to order by Ms. Barbara O'Grady at 12:10 P.M. in the Board Room.

**ATTENDANCE:**

**Present:** Edward Ciriacy, M.D.  
Robert Dickler  
Cliff Fearing  
Elwin Fraley, M.D.  
Jerry Meilahn  
Barbara O'Grady  
Roger Peschke  
Vic Vikmanis

**Absent:** Robert Nickoloff

**Staff:** Kay Fuecker  
Greg Hart  
Nels Larson  
Dan Rode  
Barbara Tebbitt

**APPROVAL OF THE MINUTES:**

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the March 11 and April 13, 1988 meetings as written.

**YEAR-TO-DATE FINANCIAL STATEMENTS:**

Mr. Cliff Fearing reported the March average length of stay was 8.2 days, 4.2% above budget. The average daily census was 425, the year-to-date average daily census is 413. The census peaked at 506 on April 14, 1988. March Outpatient Clinic visits totalled 23,805 (13.5% above budgeted levels). The Home Health visits continued to increase. The Hospital shows a total expenses over revenues of \$1,252,354 for a favorable variance of \$4,865,828. Patient care charges were 2.4% over budget, ancillary revenue was 4.3% above budget,

and operating expenditures were 2.6% over budget. The Accounts Receivable represent 100.24 days outstanding. This decrease of 12.82 days occurred due to large payments received from Medicare, Minnesota MA and Commercial Insurance.

Mr. Fearing reviewed the hospital reserves of \$77,496,000, noting \$11.4 million has been set aside for debt repayment and certain capital projects such as the MRI II and the CUHCC project. A plan to deal with the reserves on an on-going basis will be presented to the Finance Committee duringg the summer. That plan will address the issues of how reserves are determined, how the reserves are used, the process used to determine usage of the funds.

Mr. Dan Rode reviewed the hospital accounts receivable in detail. UMHC experienced a \$5.2 million decrease on Medical Assistance receivables due to the State of Minnesota catching up on their backlog. Mr. Rode attributed the impact on receivables to the new State process and "the intensisve follow-up process of UMHC with commercial insurers. Mr. Rode distributed an accounts receivable spreadsheet representing the aging of various types of receivables. These figures show a significant increase in outpatient accounts, an increase in HMO accounts but a decrease in receivables overall or in the last two months. UMHC is working with HMO's to decrease turnaround time with some success.

#### **AUDITORS LETTER TO MANAGEMENT:**

Mr. Nels Larson reported the letter from Peat Marwick Main & Co. addresses the internal accounting control policy issues. These issues include reconciliation concerns involving Hospital account balances on the University of Minnesota general ledger, and that these problems were primarily the result of inconsistent information being communicated, and the lack of timely reviews by Hospital and University accounting departments. Mr. Fearing noted that UMHC choose to get the new financial system up and running this past fiscal year rather than developing reconciliation procedures. The changes suggested will be implemented when the new system is completely operational.

#### **THIRD QUARTER BAD DEBTS:**

Mr. Dan Rode reviewed the Third Quarter, 1988 Bad Debts. The Bad Debts totalled \$682,453.25, representing 1,710 accounts. Recoveries amounted to \$11,413.55, leaving a net charge-off of \$671,039.70, representing 1.06% of gross charges. Year-to-date bad debts have amounted to \$2,321,402.59, representing 4,648 accounts. After recoveries, there was a net charge-off of \$2,292,125.46. These debts were 1.20% of gross charges and compares to a budgeted bad debt level of 1.33%.

The Finance Committee passed a motion to endorse the Third Quarter, Fiscal Year 1988 Bad Debts as presented.



**1988-89 OPERATING BUDGET:**

Mr. Robert Dickler reported that since the Committee approved the budget on April 13, 1988, there is no other information to forward to the Committee.

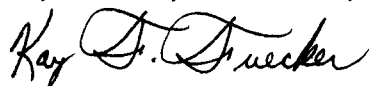
**LIPID RESEARCH CENTER SPACE:**

Mr. Cliff Fearing reported that UMHC has been asked to repay the University of Minnesota loan to UMHC for the space by the Lipic Research Center in the Phillips-Wangensteen Building. The cost of this loan is \$348,000 and that portion for which UMHC is responsible will be paid in the next 30 days. The exact amount of UMHC's payment is being determined based on UMHC's share of space occupied. The Lipid Research Center has moved to space in the old Variety Club Hospital and the PWB space is essentially outpatient space now occupied by the Arthritis and Diabetes Clinic and the Department of Medicine.

**ADJOURNMENT:**

There being no further business, the April 27, 1988 meeting of the Finance Committee was adjourned at 1:20 P.M.

Respectfully submitted,



Kay F. Fuecker  
Board of Governors Office



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

May 25, 1988

TO: Board of Governors, Finance Committee  
FROM: Clifford P. Fearing  
SUBJECT: Report of Operations for the Period  
July 1, 1987 through April 30, 1988

The Hospital's operations through the month of April 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 April, inpatient admissions totaled 1,616 or 74 above budgeted admissions of 1,542. Our overall average length of stay for the month was 8.0 days. Patient days for April totaled 13,335 and were 999 days over budget. The increase in admission levels over budget 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	15,805	15,208	15,853	645	4.2
Avg. Lnth. of Stay	8.3	8.4	8.0	-.4	-4.8
Patient Days	128,639	127,613	127,043	-570	-0.4
Avg. Daily Census	423.2	418.4	416.5	-1.9	-0.4
Percent Occupancy	72.1	71.9	71.9	0.0	0.0

Outpatient Census: Clinic visits for the month of April totaled 22,926 or 55 (0.2%) above budgeted visits of 22,871. Areas which experienced actual visits with large increases over budget were A.T.E.U. and the Diabetes Center. Community University Health Care Center (CUHCC) visits for the month of April totaled 3,145 or 1,045 (25.0%) under budgeted visits of 4,190, while Home Health visits of 964 for the month were 202 (26.5%) above budgeted visits of 762.

Report of Operations - April 1988

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	205,204	210,481	217,056	6,575	3.1
CUHCC Visits	39,721	40,000	39,373	-627	-1.6
HHA Visits	7,913	7,720	7,838	118	1.5

Financial Operations: The Hospital's Statement of Operations shows total expenses over revenues of \$2,587,270, a favorable variance of \$3,737,542.

Patient care charges through March totaled \$ 213,459,721 and were 3.1% over budget. Routine revenue was 1.2% under budget and reflects our year to date unfavorable patient day variance. Ancillary revenue was approximately \$7,167,400 (4.8%) above budget and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$7,270 per admission compared to the budgeted average of \$7,220 per admission. Outpatient revenue per clinic visit has averaged \$187 compared to the budgeted average of \$184.

Operating expenditures through April totaled \$205,730,724 and were approximately \$6,511,000 (3.3%) over budgeted levels. The overall variance relates to increased salary, fringe benefit and medical supply costs.

Accounts Receivable: The balance in patient accounts receivable as of April 30, 1988, totaled \$73,804,168 and represented 97.0 days of revenue outstanding. The overall decrease in our patient receivables in April of 3.2 days occurred in Medicare, Commercial Insurance and Blue Cross (Out-of-State).

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.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1987 TO APRIL 30, 1988

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	\$206,988,513	\$213,459,721	\$6,471,208	3.1%
Deductions from Charges	(37,582,017)	(36,214,903)	\$1,367,114	-3.6%
Other Operating Revenue	4,900,487	5,346,741	446,354	9.1%
<b>Total Operating Revenue</b>	<b>174,306,983</b>	<b>182,591,559</b>	<b>8,284,576</b>	<b>4.8%</b>
Total Expenditures	(199,219,575)	(205,730,724)	(6,511,149)	3.3%
<b>Net Operating Revenue</b>	<b>(24,912,592)</b>	<b>(23,139,165)</b>	<b>1,773,427</b>	
Non-Operating Revenue and Expenses	18,587,780	20,551,895	1,964,115	10.6%
<b>Revenue over Expense</b>	<b>(\$6,324,812)</b>	<b>(\$2,587,270)</b>	<b>\$3,737,542</b>	<b>(1)</b>

(1) Variance equals 1.9% of total budgeted revenue.

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Admissions	15,208	15,853	645	4.2%
Patient Days	127,613	127,043	(570)	-0.4%
Average Daily Census	418.4	416.5	-1.9	-0.4%
Average Length of Stay	8.4	8.0	-0.4	-4.8%
Percentage Occupancy	71.9	71.9	0	0.0%
Outpatient Clinic Visits	210,481	217,056	6,575	3.1%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1987 TO APRIL 30, 1988

	BUDGETED	ACTUAL	VARIANCE	
			OVER/(UNDER)	VARIANCE %
	-----	-----	-----	-----
Gross Patient Charges	\$206,988,513	\$213,459,721	\$6,471,208	3.1%
Deductions from Charges	37,582,017	36,214,903	(1,367,114)	-3.6%
Other Operating Revenue	4,900,487	5,346,741	446,254	9.1%
	-----	-----	-----	-----
Total Revenue from Operations	\$174,306,983	\$182,591,559	\$8,284,576	4.8%
Expenditures				
Salaries	\$84,330,053	\$87,718,754	\$3,388,701	4.0%
Fringe Benefits	15,968,675	17,615,787	1,647,112	10.3%
Contract Compensation	8,458,423	8,657,460	199,037	2.4%
Medical Supplies, Drugs, Blood	34,911,090	35,341,578	430,488	1.2%
Campus Administration Expense	5,392,621	5,392,833	212	0.0%
Depreciation and Amortization	13,884,315	14,482,999	598,684	4.3%
General Supplies & Expense	36,274,398	36,521,313	246,915	0.7%
	-----	-----	-----	-----
Total Expenditures	\$199,219,575	\$205,730,724	\$6,511,149	3.3%
	-----	-----	-----	-----
Net Revenue from Operations	(\$24,912,592)	(\$23,139,165)	\$1,773,427	
Non-Operating Revenues and Expenses				
Appropriations	\$12,011,437	\$12,007,545	(\$3,892)	-0.0%
Interest Income on Reserves	4,750,923	5,999,494	1,248,571	26.3%
Shared Services	318,750	130,226	(188,524)	-59.1%
Investment Income on Trustee Held Assets	1,506,670	2,414,630	907,960	60.3%
	-----	-----	-----	-----
Total Non-Operating Revenues and Expenses	\$18,587,780	\$20,551,895	\$1,964,115	10.6%
	-----	-----	-----	-----
Revenue Over Expense	(\$6,324,812)	(\$2,587,270)	\$3,737,542	(1)
	=====	=====	=====	

(1) Variance equals 1.9% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 1, 1987 TO APRIL 30, 1988

Annual Budget		Budgeted	Actual	Variance Over/(Under) Budget	Variance %
<b>Patient Care Charges</b>					
\$70,025,500	Routine	\$58,401,475	\$57,705,325	(\$696,150)	-1.2%
179,592,300	Ancillary	148,587,038	155,754,396	7,167,358	4.8%
\$249,617,800	<b>Gross Charges</b>	<b>\$206,988,513</b>	<b>\$213,459,721</b>	<b>\$6,471,208</b>	<b>3.1%</b>
<b>Deductions from Charges</b>					
\$27,750,800	Third Party Contractual Adjustments	\$23,011,368	\$17,845,257	(\$5,166,111)	-22.5%
9,219,200	Billing Adjustments & Employee Benefits	7,662,180	10,162,215	2,500,035	32.6%
663,800	Charitable Care	550,432	461,719	(88,713)	-16.1%
4,355,300	Other Contractual Adjustments	3,611,479	4,913,736	1,302,257	36.1%
3,312,300	Provision for Uncollectables	2,746,558	2,831,976	85,418	3.1%
\$45,301,400	<b>Total Deductions</b>	<b>\$37,582,017</b>	<b>\$36,214,903</b>	<b>(\$1,367,114)</b>	<b>-3.6%</b>
<b>Other Operating Revenue</b>					
\$1,348,500	Food Services	\$1,123,705	\$1,223,133	\$99,428	8.8%
500,000	Parking Services	416,650	512,083	95,433	22.9%
78,700	Department Non-Patient	65,584	23,164	(42,420)	-64.7%
1,066,700	CJHCC Grants	885,406	910,378	24,972	2.8%
1,543,700	Reference Lab Income	1,287,573	1,200,271	(87,302)	-6.8%
1,352,600	Pro Fees - Net Revenue	1,121,569	1,230,995	109,426	9.8%
0	X-Ray Silver Salvage	0	216,753	216,753	
0	Donations from Restricted Funds	0	29,964	29,964	
\$5,890,200	<b>Total Other Revenue</b>	<b>\$4,900,487</b>	<b>\$5,346,741</b>	<b>\$446,254</b>	<b>9.1%</b>
\$210,206,600	<b>Total Revenue from Operations</b>	<b>\$174,306,983</b>	<b>\$182,591,559</b>	<b>\$8,284,576</b>	<b>4.8%</b>
<b>Expenditures</b>					
\$101,075,300	Salaries	\$84,330,053	\$87,718,754	\$3,388,701	4.0%
19,139,500	Fringe Benefits	15,968,675	17,615,787	1,647,112	10.3%
1,960,300	Academic Contracts	1,633,620	1,701,190	67,570	4.1%
5,533,100	Resident Contracts	4,588,723	4,614,600	25,877	0.6%
2,683,300	Physician Compensation	2,236,080	2,341,670	105,590	4.7%
130,391,500	<b>Total Salary, F.B. &amp; Fees</b>	<b>108,757,151</b>	<b>113,992,001</b>	<b>5,234,850</b>	<b>4.8%</b>
2,106,000	Laundry & Linen	1,751,897	1,810,891	58,994	3.4%
1,688,200	Raw Food	1,407,471	1,448,096	40,625	2.9%
20,236,500	Drugs	15,356,603	13,396,755	(1,959,848)	-12.8%
5,853,500	Blood & Blood Derivatives	4,843,190	6,029,515	1,186,325	24.5%
13,939,600	Medical Supplies	14,711,297	15,915,308	1,204,011	8.2%
5,730,300	Utilities	4,760,537	4,682,659	(77,878)	-1.6%
1,007,900	Insurance	817,931	954,640	136,709	16.7%
2,902,200	Rentals	2,418,480	2,798,395	379,915	15.7%
4,252,100	Maintenance & Repair	3,543,298	3,538,384	(4,914)	-0.1%
0	Gain on Disposal of Assets	0	(2,008)	(2,008)	
6,471,400	Campus Administration Expense	5,392,621	5,392,833	212	
16,693,600	Depreciation and Amortization	13,884,315	14,482,999	598,684	4.3%
10,428,000	Interest	8,713,376	8,451,628	(261,748)	-3.0%
17,596,200	General Supplies & Expense	12,861,408	12,838,628	(22,780)	-0.2%
\$239,297,000	<b>Total Expenditures</b>	<b>\$199,219,575</b>	<b>\$205,730,724</b>	<b>\$6,511,149</b>	<b>3.3%</b>
(\$29,090,400)	<b>Net Revenue from Operations</b>	<b>(\$24,912,592)</b>	<b>(\$23,139,165)</b>	<b>\$1,773,427</b>	<b>-7.1%</b>
<b>Non-Operating Revenue &amp; Expense</b>					
\$14,414,300	Appropriation & Support	\$12,011,437	\$12,007,545	(\$3,892)	
0	Accrued Interest on Appropriation	0	240,346	240,346	
5,517,900	Interest Income on Reserves	4,750,923	5,759,148	1,008,225	21.2%
382,500	Shared Services	318,750	130,226	(188,524)	-59.1%
1,808,000	Interest Income Held by Trustee	1,506,670	2,414,630	907,960	60.3%
\$22,122,700	<b>Total Non-Operating Revenue &amp; Expenses</b>	<b>\$18,587,780</b>	<b>\$20,551,895</b>	<b>\$1,964,115</b>	<b>10.6%</b>
(\$6,967,700)	<b>Revenue Over Expense</b>	<b>(\$6,324,812)</b>	<b>(\$2,587,270)</b>	<b>\$3,737,542</b>	

(1) Variance equals 1.9% of total budgeted revenue.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1987 TO APRIL 30, 1988

Source of Funds

Beginning Operating Cash Balance		\$34,475
Net Income from Operations	(23,139,165)	
Non-Operating Revenue	20,551,895	
	-----	
Excess of Revenue over Expense		(2,587,270)
Items not Requiring the Outlay of Cash		
Depreciation		14,482,999
University Support: G & A		5,392,833
University Support: K/E Utilities		34,280
Disposal of Asset - Syringes		23,700
Third Party Liability Transfer		5,047,288
Deferred Third Party Reimbursement		640,709
Renewal Project Interest Expense		7,909,441
Transfer for PCN Liability Payment		1,058,268
		-----
Total Funds Provided from Operations		\$32,036,723

Funds Applied

Transfers to Plant:		
Increase in Capital Expenditures	\$8,461,982	
Decrease in Capital Encumbrances	(275,536)	
Total transfers to Plant from Operations		8,186,446
Increase in Accounts Receivable		2,758,013
Increase in Prepaid Expenses		246,619
Increase in Inventory		244,949
Increase in Other Receivables		327,286
Decrease in Accrued Expenses		3,234,894
Gain on Disposal of Assets		2,008
Investment Income - Trustee-held Assets		2,414,630
Transfers to Reserves - Bond Retirement		2,237,917
Transfers to Reserves - Bond Interest		7,664,041
		-----
Total Funds Applied		\$27,316,803
		-----
Operating Cash Made Available from Operations		\$4,719,920
		=====

Total Operating Cash Available of \$4,719,920 plus Transfers for Bond Retirement of \$2,237,917; plus Transfers for Bond Interest Payment of \$7,664,041; plus Transfers to Plant of \$8,186,446 equals Cash Generate from Operations of \$22,808,324.

Current Cash Summary

Operating Cash	\$4,719,920
Reserve Cash for Liability to Third Party Payors	9,258,460
Unrealized Appropriation Cash	2,401,607
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	3,564,976
	-----
	22,444,963
Less Interest Income on Reserves	(5,999,494)
	-----
Total Current Cash	\$16,445,469
	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

BALANCE SHEETS

APRIL 30, 1988 AND JUNE 30, 1987

ASSETS

	4/30/88	6/30/87
	-----	-----
<b>CURRENT ASSETS</b>		
Operating Cash	(\$1,279,574)	\$34,475
Reserve Cash- Third Party Payable	9,258,460	14,305,751
Unrealized Appropriation Cash	2,401,607	0
Reserve Cash- Short Term Debt	2,500,000	2,500,000
Reserve Cash- Bond Int. & Prin. Pay.	3,564,976	4,214,376
<b>Accounts Receivable</b>		
Patient Receivables	73,804,168	72,366,775
Other Receivables	2,402,656	2,018,472
	-----	-----
	76,206,824	74,385,247
Less Allowances for Losses in Collection	(5,886,116)	(5,578,000)
Less Allowances for Discounts to Third Party Payors	(11,995,125)	(13,623,861)
	-----	-----
	58,325,583	55,183,386
<b>Trustee Held Assets</b>	0	1,020,755
Inventories of Drugs & Supplies	4,891,566	4,863,369
Prepaid Expenses	639,762	393,145
Silver Deposits	216,752	0
	-----	-----
<b>TOTAL CURRENT ASSETS</b>	<b>\$80,519,132</b>	<b>\$82,515,257</b>
<b>BOARD DESIGNATED ASSET:</b>		
Board Designated Assets Available for Assignment		
Cash & Investments	\$64,544,832	\$56,442,424
Accrued Interest	1,225,173	605,020
	-----	-----
	65,770,005	57,047,444
Assigned Cash & Investments	11,285,630	8,508,004
	-----	-----
<b>TOTAL BOARD DESIGNATED ASSETS</b>	<b>\$77,055,635</b>	<b>\$65,555,448</b>
<b>DEFERRED THIRD PARTY REIMBURSEMENT</b>	<b>\$9,531,530</b>	<b>\$10,172,239</b>
<b>OTHER ASSETS</b>	<b>\$258,189</b>	<b>\$258,189</b>
<b>LAND, BUILDINGS &amp; EQUIPMENT</b>		
Land, Buildings & Improvements	\$182,563,795	\$180,359,060
Equipment	73,696,133	68,008,620
	-----	-----
	256,259,928	248,367,680
Less Accumulated Depreciation	(80,145,483)	(67,640,664)
	-----	-----
	176,114,445	180,727,016
Construction in Progress	6,341,396	8,210,281
	-----	-----
<b>TOTAL LAND, BUILDINGS &amp; EQUIPMENT</b>	<b>\$182,455,841</b>	<b>\$188,937,297</b>
<b>TRUSTEE HELD ASSETS</b>	<b>\$41,855,270</b>	<b>\$51,195,164</b>
<b>DEFERRED DEBT EXPENSE</b>	<b>\$1,886,269</b>	<b>\$2,023,259</b>
	-----	-----
	<b>\$393,561,866</b>	<b>\$400,656,853</b>
	=====	=====
<b>RESTRICTED ASSETS</b>		
Cash and Investments	\$5,940,143	\$4,856,396
	-----	-----

LIABILITIES AND FUND BALANCES

	4/30/88	6/30/87
	-----	-----
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$4,159,707	\$6,107,767
Payable to Third Party Contr. Payors	9,258,460	14,305,751
Salaries, Wages and Payroll Taxes	7,301,718	7,080,113
Accrued Vacation	7,293,910	6,706,162
Accrued Professional Fees and Physician Compensation	2,462,894	1,619,648
Contracts Payable	1,514,131	2,369
Construction Retainages	0	918,366
Interest Payable	2,899,160	4,263,163
Current Portion of Long-Term Debt	3,922,084	3,796,447
Promissory Notes Payable	2,500,000	2,500,000
	-----	-----
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$41,312,064</b>	<b>\$47,299,786</b>
<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>\$176,771,667</b>	<b>\$182,896,914</b>
<b>UNRESTRICTED FUND BALANCE</b>	<b>\$175,478,135</b>	<b>\$170,460,153</b>
<b>RESTRICTED FUND BALANCES</b>		
Fund Balances		
Endowment Funds	\$1,960,124	\$1,846,730
Gift Funds	3,980,019	3,009,666
	-----	-----
	<b>\$5,940,143</b>	<b>\$4,856,396</b>
	=====	=====



University of Minnesota Hospital & Clinic  
Statement of Changes in Fund Balance  
For the Period July 1, 1987 to April 30, 1988

	BOARD DESIGNATED FUND	TRUSTEE & PLANT FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS			
-----			
Beginning Balance	\$33,976,173	\$57,047,446	\$79,436,534
Net Income			\$170,460,153
-----			
Excess of Revenue over Expense	1,860,602		
Interest Income on Reserves		5,759,148	
Accrued Interest on Appropriations		240,346	
Depreciation Expense			(14,482,999)
Gain on Disposal of Assets			2,008
Interest Expense			1,618,995
Interest Income on Trustee Held Fund			2,414,630
 Total Income			 (2,587,270)
Less Expense			
-----			
Unrealized Appropriation Revenue	2,401,607		2,401,607
University Support: G & A	5,392,833		5,392,833
K/E Utilities	34,280		34,280
 Transfers Between Funds			
-----			
Major Building Projects- Hospital Only	(98,500)	(775,474)	873,974
Capital Expenditures	(7,427,256)	0	7,427,256
Capital Encumbrance Change	338,755		(338,755)
Major Equipment Requisition	(839,218)	7,225,366	(6,386,148)
Bond Interest Payment	10,877,804	(10,668,397)	(209,407)
Bond Principal Sinking Fund	(1,534,167)	1,534,167	
Short Term Note Funding	2,500,000	(2,500,000)	
Bond Interest Expense Funding	(4,799,031)	4,799,031	
Prior Year End Bond Interest Transfer	(4,214,376)	4,214,376	
Reimbursement from Trustee- Bond Interest		4,841,928	(4,841,928)
PCN liability payment	1,058,268	(1,058,268)	
Increase in Restricted Gift Fund			
Commitment to Plant			63,605
Unrestricted Donation			50,000
Adjustments to Hospital Shared Buildings	0	270	(337,343)
Orthopaedic Surgery loan	56,900		(56,900)
Bond Principal Payment	0	(2,630,000)	2,630,000
Ending Balance	\$39,584,674	\$68,029,939	\$67,863,522
	=====	=====	=====
 RESTRICTED FUNDS			
-----			
Beginning Balance		3,009,666	1,846,730
Income		1,579,270	114,139
Disbursement		(608,917)	(745)
Ending Balance		\$3,980,019	\$1,960,124
		=====	=====
		\$5,940,143	\$5,940,143
		=====	=====

## ACCOUNTS RECEIVABLE HIGHLIGHTS

April 30, 1988

Category	Amount	+ or (-) Prev. Mo.	% Change	+ or (-) 6/30/87	% Change	4/30/88 <sup>C</sup> Days
Total	\$73,687,164 <sup>a</sup>	\$ 871,730	1.20 %	\$ 1,437,532	1.99%	97.00
Inhouse	\$12,305,724 <sup>a</sup>	2,020,895	19.65 %	3,114,919	33.89%	16.20
DNFB <sup>6</sup>	7,718,528 <sup>a</sup>	(1,626,328)	(21.07)%	(2,243,283)	(22.52)%	10.16
	-1,927,891	-inpatient hold (four days)				
	-2,377,591	-outpatient hold (monthly cycle)				
	-3,411,467	-medical records hold				
	- 1,579	-miscellaneous billing hold				
Collections	5,328,176	50,345	0.95 %	(85,649)	(1.58)%	7.01
Follow-up	5,372,557	476,681	9.74 %	308,209	6.09 %	7.07
Net DAR	42,962,179 <sup>a</sup>	(49,863)	(0.12)%	343,335	0.81 %	56.56 <sup>a</sup>

- Figures shown are gross dollars of days and do not reflect contractual allowances or discounts (ie. Net DAR after adjustment would be approximately \$35,659,000 or 46.94 days).
- Discharged not final billed.
- Three month average daily revenue = \$759,631

### Significant Changes

- While the days in receivables decreased in April from 100.24 to 97.00, gross receivables increased by \$871,730 to \$73,687,164<sup>a</sup>. This phenomenon was created by the high census which raised the average daily revenue 33 thousand dollars thus lowering receivables days while reflecting in increases in inhouse accounts, which increased some two million dollars. The DNFB<sup>b</sup> category rebounded from last months increase by dropping 1.6 million dollars. The increase in the follow-up category reflects the improvement in account turnover experienced in the Net DAR.
- Significant increases on the Net DAR were experienced in eight categories, several due to new large accounts. Blue Cross/Blue Shield (MN) increased \$856T due to a dozen large accounts and a delay in increasing their PIP payment. Similarly the Medicare/HMO category increased \$444T due to one account of \$358T. Other increases were encountered in: Minnesota MA, \$480T; Misc. Agencies, \$181T (one account for \$222T); Verification Pending, \$154T; Special Contracts, \$148T; Agency Pending, \$110T; and Out-of-State Medicaid, \$73T (one account for \$358T).
- Significant decreases in accounts Net DAR were reflected in: Commercial Insurance, \$1M; Medicare, \$975T; Out-of-State Blue Cross, \$449T; and, HMO's, \$202T.




UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

May 17, 1988

TO: Members, Finance Committee

FROM: Robert Dickler   
General Director

SUBJECT: Personnel Policy Changes

From time to time recommendations for changes in the Hospital's Personnel Policies are brought to the Board of Governors, consistent with the Board of Regents delegation in 1984. Recommendations for changes in Personnel Policy are reviewed by the Employee Advisory Committee, the Personnel Advisory Committee, and the Human Resources Management Committee, before being forwarded to my office. The attached policy changes have been brought through this review process, and I would recommend them to you for your endorsement.

A summary of the recommended changes is as follows:

- Policy 3: To correct titles, to make wording of Hospital Policy consistent with University Policy (per Director of Office of Equal Opportunity and Affirmative Action), to clarify the process for submission of complaints.
- Policy 4: To correct titles, to make Policy 4 consistent with Policy 3, to clarify completion of training and probationary periods as recommended by University Attorney.
- Policy 5: To correct titles, to clarify completion of probationary periods as recommended by University Attorney, to specify length of probationary periods for part-time employees.
- Policy 15: To correct titles, to make permanent part-time employees eligible to accrue seniority as recommended by the Employee Advisory Committee, to eliminate references to mandatory retirement per change in law.

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

RD/kff

Attachments

April 16, 1984

**Discrimination and Political  
Activity  
Board of Governors**

POLICY

The University of Minnesota Hospitals and Clinics shall subscribe to the Equal Opportunity and Affirmative Action guidelines established by the University of Minnesota.

No discrimination shall be exercised, threatened, or promised by any person in The Hospital and Clinic service against or in favor of any employee on the basis of race, creed, religion, color, sex, national origin, sexual or affectional preference, marital status, status with regard to public assistance, disability, veteran status, age (except for mandatory retirement age), national origin, ancestry, political opinions, union or other organizational affiliations; nor shall any employee be subject to any form of sexual harassment, handicap, age, veteran status or sexual orientation. In adhering to this policy The University Hospital and Clinic abides by the requirements of Title IX of the Education Amendments of 1972; by Sections 503 and 504 of the Rehabilitation Act of 1973; by Executive Order 11246, as amended; 38 U.S.C. 2012, the Vietnam Era Veterans Readjustment Assistance Act of 1972, as amended; and by other applicable statutes and regulations relating to equality of opportunity.

No discrimination shall be exercised, threatened, or promised by any person in The Hospital and Clinic service against or in favor of any employee on the basis of political opinions, union or other organization affiliations; nor shall any employee be subject to any form of sexual harassment.

No employee of tThe University Hospitals and Clinic shall be required to pay any assessment, make any contribution, or pay any subscription for any political purpose whatsoever; nor shall any employee solicit or receive or be in any manner concerned with soliciting or receiving any assessment, subscription, or contribution for any political purpose whatsoever from any employee in The University Hospitals and Clinic. No officer or employee of tThe University Hospitals and Clinic shall directly or indirectly use his/her authority or official influence to compel any officer or employee in University Hospitals to apply for membership in or become a member of any political organization; or to pay or promise to pay any assessment, subscription, or contribution; or to take part in any political activity. The services of any person who is found to have violated this provision may be terminated.

PROCEDURE

Employees who feel that they have suffered due to encountered discrimination as defined in this policy have the right to submit a complaint to the Affirmative Action Office Human Resources Department. The complaint shall be in writing on a form provided by the Affirmative Action Office Human Resources Department, specifically detailing what element of the discrimination policy has been violated, and it will be submitted to the Affirmative Action Office at University of Minnesota Hospitals. As in the case of other grievances, it The form must be submitted to the Human Resources Department within thirty (30) working days after the aggrieved condition became known or should have become known.

Hospital Director

April 16, 1984

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PERSONNEL

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Discrimination and  
Political Activity

The Affirmative Action Office Human Resources Department shall investigate the allegations, and within ten (10) working days respond to the grievant employee.

If the grievant employee is not satisfied with the response of the Affirmative Action Office Human Resources Department, he/she may file a grievance within ten (10) working days according to the Hospital's grievance procedure, policy number 14. If both parties agree, the grievance may be initiated at step 3.

Discrimination grievances shall not be subject to arbitration unless the nature of the discrimination grievance is such that these policies apply but no administrative agency review or legal recourse is available. In such cases, the grievance shall be subject to the binding arbitration process consistent with policy number 14.

jk12-P332

April 16, 1984

**Recruitment and Employment**

Board of Governors

POLICY

The University of Minnesota Hospitals and Clinics will provide and administer a fair and orderly system to post and fill vacancies. Employment opportunities will be provided without regard to race, religion, creed, color, sex, national origin, handicap, age, veteran status or sexual orientation, sexual or affectional preference, marital status, status with regard to public assistance, disability, veteran status, age (except for mandatory retirement age), national origin, ancestry, political opinions, or union or other organizational affiliations.

More than one member of a family may work for The University of Minnesota Hospitals and Clinics provided that there will be no immediate supervisory or substantive administrative relationships among the relatives. "Members of a family" shall be interpreted as including:

1. by blood or adoptive relationship: parents, grandparents, children, grandchildren, brothers, sisters;
2. by marriage relationship: husband, wife, brother(sister)-in-law, father(mother)-in-law, son(daughter)-in-law, stepparent, stepchild.

PROCEDURESection 1Request to Fill New Position or Vacancy

When a new position or vacancy in an old position is to be filled, the department head shall submit a personnel requisition to the ~~Hospital Personnel Director~~ Human Resources Department on the form prescribed. Upon receipt of a requisition, the ~~Hospital Personnel Director~~ Human Resources Department shall have the classification of the position reviewed and shall either approve the requested classification or recommend reclassifying it, as may be appropriate.

Section 2Announcement of Employment Opportunities

Announcements (postings) of all vacancies in permanent continuing positions shall be posted on the official bulletin boards of the ~~Hospital Personnel~~ Human Resources Department.

An announcement concerning a vacancy in a continuing position shall remain posted for a minimum of five (5) work days. A hiring decision may be made at the end of the posting period.

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Recruitment and  
Employment

Temporary positions of less than six (6) months duration need not be posted, but the department must submit a requisition to the Hospital Personnel Director Human Resources Department before the position is filled.

Section 3Hiring and Certification

The Hospital Personnel Human Resources Department will screen applicants for minimum qualifications and refer qualified applicants to the hiring supervisor.

Applicants who have applied for a specific vacancy and who have been certified as meeting the minimum qualifications of that vacancy shall normally be given consideration for employment in the following order:

1. the incumbent of a position which has been reclassified;
2. former employees whose names appear on the layoff list, under Seniority, Layoff and Resignation policy;
3. current University Hospitals and Clinic employees;
4. current University employees
5. all other applicants.

The order of preference may be changed under special circumstances by the University Equal Opportunity Officer in accordance with Affirmative Action policies of the Board of Regents. Employment decisions will be made by supervisors and managers.

No appointment shall be submitted by a department head without prior certification by the Hospital Personnel Director Human Resources Department that the candidate is qualified. All appointments shall be subject to approval by the Hospital Personnel Human Resources Director and the Affirmative Action officer.

Section 4Procedure in Nepotism Cases

If a nepotism situation exists every reasonable effort will be made to transfer one of the employees to another position.

Any employee who has passed an initial probationary period and who is required to resign from a position in order to comply with the nepotism policy shall have rights to the layoff list as though he/she had been laid off.

Recruitment and  
EmploymentSection 5Employment Procedure and Files

Applications for all University of Minnesota Hospitals and Clinics employment shall be made on forms and in such manner as prescribed by the ~~Hospital Personnel~~ Human Resources Director, and upon submission to the ~~Hospital Personnel~~ Human Resources Department become the property of The University Hospitals and Clinic.

Each employee shall have a right to see his or her personnel file upon request in the ~~Hospital Personnel~~ Human Resources Department in the presence of the ~~Hospital Personnel~~ Human Resources Director or designated member of his/her staff. The official personnel file for each employee is the one maintained by the ~~Hospital Personnel~~ Human Resources Department.

Section 6Types of Appointment

Trainee appointments may be made when the ~~Hospital Personnel~~ Human Resource Director approves trainee programs to qualify persons for a particular work classification. An employee hired as a trainee shall be hired at a rate below the salary range for the class and may be granted incentive increases as he/she progresses through an organized training program until successfully completing the program and reaching minimum salary of the range for the class. He/she shall then be required to successfully complete the probationary period assigned to the class before receiving a continuing appointment. Successful completion of a training program or probation period is determined by the department head or other appropriate administrator.

Continuing appointments shall be made to any position in which the assigned work time is at least 50 percent of full time and of a continuing nature, when the employee has successfully completed the probationary period for the class of work.

Temporary appointments may be made to any positions (which have a beginning and ending date) may be made to any position. Employees on a temporary appointment, which may be part-time or full-time, shall not serve a probationary period and shall not have the same rights which accrue to an employee on a continuing appointment. Employees on a temporary appointment shall be notified, in writing, of the temporary nature of their appointment. Said document shall state clearly the definition of a temporary appointment and the ending date of the appointment, and shall be given to the employee by the supervisor and to the ~~Personnel~~ Human Resources Department at the time of hiring.

Part-time appointments may be made to any position in which the assigned work time is less than 75 percent time. Such an appointment may be temporary or continuing.



PERSONNEL

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April 16, 1984

**Probationary Period and Orientation**

6/85

Board of Governors

6/85

POLICY

The probationary period shall be regarded as an integral part of the selection process for appointment to any position in which the assigned work time is at least 50 percent time and of a continuing nature and shall be used by the supervisor for closely observing the employee's work, for helping the new employee adjust to the position, and for discontinuing the appointment of any employee whose performance does not meet required standards. Supervisors are required to help probationary employees understand their job responsibilities and duties. Successful completion of probation is determined by the department head or other appropriate administrator.

PROCEDURE

Section 1

Application of Probationary Period

A probationary period of employment shall be designated for each classification and shall be served by every employee hired in any a continuing position to work 50 percent time or more, regardless of whether such employment occurs as an original appointment, as a promotion, transfer, or demotion, and shall be successfully completed before the employee can be given a continuing appointment to the position.

No probationary period shall be required of an employee who is an incumbent in a reclassified position, who is assigned to a different position in the same job class in the same department, or who is re-employed in the same class and department following layoff or reinstatement after resignation unless probation is requested in writing by the appointing authority and approved by the ~~Hospital Personnel~~ Human Resources Director.

No probationary period shall be required of an employee who bumps back into any position in a classification in which he/she has previously passed probation.

The ~~Hospital Personnel~~ Human Resources Director shall determine and publish the length of the probationary period for each classification in which University Hospitals is predominant. This period may be not less than three (3) months or more than one year. Related

June 26, 1985

Hospital Director

**Probationary Period  
and Orientation**

and comparable classes shall have probationary periods of the same length. All employees working less than fulltime (but at least 50 percent time) shall work the same number of calendar months as fulltime employees to complete their probationary periods. Employees appointed less than 75 percent time will have probationary periods based on calendar months. The number of months shall be comparable to the number of months served by a full-time employee.

The probationary period shall be automatically extended by adding to it the number of work days the employee has been absent without pay.

**Section 2****Orientation**

Each supervisor shall develop an orientation plan and shall be responsible for the orientation of each employee. The ~~Hospital Personnel~~ Human Resources Director will develop a plan by which required information will be communicated to new employees.

**Section 3****Probationary Rating**

Each employee will receive a mid-term probationary evaluation, to be completed by the supervisor and discussed with the employee by the mid-point of the probationary period. At least ten (10) work days before the expiration of the probationary period the department head shall report, by submitting at least one written service rating to the ~~Hospital Personnel~~ Human Resources Department, his/her judgment of the quality and quantity of work of the employee. Failure by a supervisor to complete the written service rating will be construed as an automatic passing of probation. Employees will be provided with progress reports throughout their probationary period.

**Section 4****Discontinuance of Employment During Probationary Period**

If the department head determines at any time during the probationary period that the employee's performance does not meet required standards, he/she may discontinue the appointment. Such discontinuance is not grievable except under the discrimination policy. Discrimination grievances will not be subject to arbitration.

The department head shall normally give an employee who fails to pass his/her probation period at least ten (10) work days notice before termination, and shall normally attempt to help the employee correct deficiencies before giving termination notice unless unusual circumstances indicate immediate termination.

An employee who is being terminated during the probationary period shall have the right to return to his/her most recent, former position (or if that position no longer exists, to the layoff list) within ten (10) days of notifying the former supervisor, provided he/she:

## PERSONNEL

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Probationary Period  
and Orientation

- has successfully completed the probationary period from the former position; and
- was promoted or transferred from the former position, and notifies the former supervisor of the intent to return on or prior to the termination day.

An employee who is terminated from a position for disciplinary reasons while on probation and who has previously passed probation in another job classification shall be able to return to the previous job classification if a vacancy exists; the employee will again be considered to be in a probationary period, consistent with the usual period for that job classification.

An employee who is being terminated during the probationary period for sub-standard performance, and who chooses not to exercise the option to "bump" another employee from a previously held continuing position, has the option of going on the layoff list.

jk12-P334

April 16, 1984

**Seniority, Layoff, and Resignation**

Board of Governors

**POLICY**

There will be a fair and orderly system to identify seniority, conduct lay-offs, and accept resignations. A department head may lay off an employee because of abolition of position, shortage of work or funds, or other reasons beyond the employee's control which do not reflect discredit on the services of the employee.

**PROCEDURE****Section 1****Seniority**

Seniority shall mean length of service (total paid straight-time hours) in a continuous position. ~~of 50% or more. Seniority shall be accrued only by those employees whose appointment percentage is 50%-100% in one department. Employees whose appointment percentage is less than 50% in one department, or whose positions is are not continuous, do not accrue seniority.~~ An employee retains seniority in each of the classes in which he/she has worked.

For purposes of layoff, seniority shall be based on the length of service in a particular classification in a department.

For the purposes of required leave days, overtime scheduling, vacation, and hour scheduling, seniority shall be based upon:

- 1) the length of a service in particular classification in a department, or,
- 2) the length of service in a particular classification in a work location as designated by the Department Head and with the approval of the Human Resources Management Committee.

Seniority shall be acquired only after the completion of the probationary period, but shall date back to the date of entry into the class in the department or work location.

An employee who is being laid off and "bumps" into a temporary position in the same department will retain the status of a continuing employee and continue to accumulate seniority.

Seniority, Layoff, and  
Resignation

If overtime is required, the employee who usually performs the work shall be given first opportunity to work the overtime (including holidays). If the employee chooses not to accept overtime, other employees who are able to perform the work in an up-to-standard manner shall be permitted to work such overtime. If all employees decline to work such overtime, the person with the least amount of seniority in the work location may be required to work the overtime, providing that he/she is capable to perform the work.

An employee who transfers from one department or cost center to another department or cost center shall have the seniority credit at the time of transfer reinstated upon re-employment in that department or cost center, provided the employee has not terminated employment with The Hospital and Clinic during the interim. or had his/her appointment reduced below fifty (50) percent time for a period of four (4) consecutive calendar months.

Seniority credit of a former employee who is re-employed shall begin on the date of re-employment unless seniority is reinstated.

Section 2Layoff

A layoff is defined as an involuntary reduction of hours across benefit lines that occurs for a period of three (3) or more consecutive pay periods. Benefit lines are:

75-100%  
50-74%  
0-49%

Employees' hours may be reduced within benefit lines without incurring layoff. A department head may lay off an employee because of abolition of position, shortage of work or funds, or other reasons beyond the employee's control which do not reflect discredit on the services of the employee.

Employees whose jobs have been eliminated and who are not the least senior in their classification and department shall be allowed to:

1. 'Bump' the least senior or probationary employee who is performing essentially the same duties within the same class and department;
2. 'Bump' the least senior or probationary employee in the same class and department if qualified to perform the work, even though the duties are not essentially the same.

An employee retains seniority in each of the classes in which he/she has worked within a department and may choose demotion instead of layoff into positions for which he/she is qualified: (1) if a vacancy exists, or (2) if he/she has greater seniority in a formerly held class than the least senior incumbent in the department where the layoff occurs.

**Seniority, Layoff, and  
Resignation**

When it is determined that two or more persons have equal seniority in the class and department in which the layoff is to be made, the department head may use discretion to retain the most valuable employee.

Normally four (4) weeks, and at least two (2) weeks before the effective date of a layoff of an employee on a continuing position, the Ddepartment Hhead shall give written notice to the employee, with a copy to the Hospital Personnel Human Resource Department. This notice shall include an explanation of the employee's bumping rights and of the consequences for unemployment benefits if bumping rights are not exercised.

Employees who have successfully completed probation and cannot or do not exercise their bumping rights and are laid off, shall upon request to the Hospital Personnel Human Resource Department, be placed on a layoff list and shall be rehired in seniority order in positions for which they apply, ahead of all other applicants, except for recalled employees, for vacancies within a previously held classification, if qualified to perform the work.

An employee on the layoff list must be recalled when a vacancy occurs in the department and classification from which the layoff occurred, provided the employee is qualified to perform the work.

After receipt of recall notice, the employee shall have five (5) working days during which to indicate intent to return and at least twenty-two (22) additional working days to report to work. Failure to accept recall shall constitute a resignation which will include removal from the layoff list.

Employees on the layoff list are entitled to hiring preference as outlined in policy 4, section 3, Recruitment and Employment. Employees on the layoff list may apply for any vacancy but are not entitled to hiring preference except where the vacancy occurs in a previously held classification. This shall apply to any university employee.

Seniority of a former employee who is re-employed from a layoff list shall begin on the date of re-employment. In the event re-employment is in the same department in which he/she was previously employed, the seniority at the time of termination shall be restored.

When a former employee is re-employed from the layoff list, unused sick leave and time accumulated toward eligibility for vacation allowance based on years of service shall be restored, effective on the date of re-employment.

An employee's name shall remain on the layoff list for a period not to exceed two years or until the employee has returned to work at The Hospitals and Clinic within that time. An employee has the right to refuse re-employment to the first position of equivalent classification, and reasonably close salary offered, but must accept the second, or be removed from the layoff list.

Seniority, Layoff, and  
Resignation

Employees who have exhausted their rights on the layoff list shall be considered as having resigned in good standing.

**Section 3****Resignation, Retirement, and Reinstatement**

An employee may resign by presenting his/her resignation in writing to the department head. To resign in good standing, an employee must give adequate notice as determined by the department.

A former employee who was employed on a pre-arranged assigned schedule of at least 75 percent time (or 50 percent time if initial three-year criteria have been met), and who is re-employed in a position of at least 50 percent time within one year, may, at the discretion of the department head, have any or all of these items reinstated; unused sick leave, seniority credit, vacation leave accumulation rate and eligibility; and waiver of probationary period within a formerly held class.

Retirement shall be mandatory on June 30 following an employee's 70th birthday. Early retirement options are available.

nh12-P384



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

May 17, 1988

TO: Members, Finance Committee

FROM: Robert Dickler *RD*  
General Director

SUBJECT: 1988-89 Employee Compensation Plan

The Hospital's Personnel Policies and Procedures require that the Board of Governors approve an employee compensation plan on an annual basis. We would request approval from the Finance Committee and full Board for the six components of the pay plan outlined below, effective July 1, 1988.

In making these recommendations, we should note that we have considered marketplace salary changes, University pay plans, and union contract pay agreements, and attempted to reach a balance among those factors as we formulated the 1988-89 Hospital pay plan. Because we are in the second year of a biennium and the second year of our own collective bargaining agreements, and because the year two increases therein are very similar to last year's increases, the recommended pay plan for 1988-89 is very similar to that which was approved for 1987-88.

The pay plan recommendations can be implemented within the operating budget which the Board of Governors approved last month.

The recommended pay plan components are as follows:

1. For non-student, non-union employees in Hospital-dominated classifications:
  - A. Increase salaries and salary ranges by 2%.
  - B. Provide in-range progression increases on a merit basis, to average 1.5%, to those not on "step" plans.
  - C. Continue in-range progression increases on a "step" basis, according to existing accumulated hours scheduled for employees in general staff nurse, pharmacist, radiologic technologist, and nurse anesthetist job classifications. The cost of these increases is \$637,000.
  - D. Implement the comparable worth increases scheduled for year four of the previously approved four year plan. The cost of these increases is \$365,000.



2. For non-student, non-union employees in University-dominated classes:
  - A. Consistent with allowable University pay plan guidelines, provide in-range adjustments of 2% across the board.
  - B. Consistent with allowable University pay plan guidelines, provide an additional 1.5%, to be distributed on a merit basis, in a combination of in-range adjustment and lump sum payments.
  - C. Not requiring board approval, pay equity increases will be provided to employees in University-dominated classes, according to the University comparable worth plans. The cost of these increases is \$134,000.

The University's base pay plan calls for 2½% increases for employees in University-dominated classes. In addition, the University's guidelines allow for additional lump sum increases based upon the unit's financial ability to provide those increases. As was the case last year, we are recommending that the total increase for Hospital employees in University-dominated classes be 3½% (Items 2A plus 2B). This will result in the same average level of increase as is being provided for Hospital employees in Hospital-dominated classes (Item 1A plus 1B).

An additional comment on pay equity is in order. We are recommending that we complete the original four year comparable worth plan which the Board approved in 1985. The University is changing its pay equity plans, providing an increase for 1988-89 that is larger than in past years, but implementing that increase on January 1, rather than July 1. The net result, after these increases, is that the Hospital will be at 5% from its "target pay line", while the University will be 7%-8% from its target pay line. The Hospital's pay equity actions thus continue to be appropriate relative to the University. The issue of pay equity will require continued Board of Governors discussion over the next six to nine months.

Finally, it should be noted that the 1988-89 budget provides for miscellaneous, not-yet-designated increases based on marketplace needs in the amount of \$340,000. As noted earlier, all of the above recommendations can be implemented within the approved budget for 1988-89.

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

/kj