



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

**MEETING OF THE  
BOARD OF GOVERNORS FINANCE COMMITTEE  
Wednesday, March 22, 1989  
12:00 - 2:00 p.m.\*  
8-106 University Hospital**

**COMMITTEE MEMBERS**

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

C A N C E L L E D



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

March 22, 1989

**TO:** Board of Governors Finance Committee  
**FROM:** Clifford P. Fearing  
**SUBJECT:** Report of Operations for the Period  
July 1, 1988 through February 28, 1989

The Hospital's operations through the month of February continue to reflect both inpatient admissions and outpatient visit activity that were above budgeted levels though the month of February saw a decline in census levels. Both ancillary and routine revenue were also above budgeted levels through February and for the month of February.

**INPATIENT CENSUS:** For the month of February, inpatient admissions totaled 1,373, which was 102 below budgeted admissions of 1,475. Our overall average length of stay for the month was 9.0 days. Patient days for February totaled 12,180 and were 1,053 days over budget. The decrease in admission levels from budget was primarily in the areas of Surgery, Gynecology, Ophthalmology, and Otolaryngology.

To recap our year-to-date inpatient census:

	1987-88	1988-89	1988-89		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>
Admissions	12,605	12,187	12,498	311	2.6
Patient Days	100,515	94,283	105,907	11,624	12.3
Avg Length of Stay	8.0	7.8	8.5	0.7	9.0
Avg Daily Census	411.9	388.0	435.8	47.8	12.3
Percent Occupancy	71.0	67.2	74.9	7.7	11.5

**OUTPATIENT CENSUS:** Clinic visits for the month of February totaled 20,704 which was 173, or  $-.8\%$ , under budgeted visits of 20,877. Areas in which actual visits were significantly under budget included Surgery, OB/GYN, Medicine, Ophthalmology, and Radiation Therapy. Community University Health Care Center (CUHCC) visits for the month of February totaled 3,083, which was 885, or  $22.3\%$ , under budgeted visits of 3,968, while Home Health visits of 997 for the month were 261, or  $35.4\%$ , above budgeted visits of 736.

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To recap our year-to-date outpatient census:

	1987-88	1988-89	1988-89		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>
Clinic Visits	170,325	172,487	177,364	4,877	2.8
CUHCC Visits	31,993	32,738	29,999	(2,739)	(8.4)
HHA Visits	5,925	6,391	7,970	1,579	24.7

**FINANCIAL OPERATIONS:** The Hospital's Statement of Operations shows total expense over revenue of \$637,507, an unfavorable variance of \$1,005,335.

Patient care charges through February totaled \$205,262,891, which was 11.9% over budget. Routine revenue was 15.6% over budget and reflects our year-to-date favorable patient day variance.

Ancillary revenue was \$14,381,843 above budget (10.6%) and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$8,820 per admission compared to the budgeted average of \$7,982 per admission. Outpatient revenue per clinic visit has averaged \$227 compared to the budgeted average of \$225.

Operating expenditures through February totaled \$180,903,740 and were \$9,384,065 (5.5%) over budgeted levels of \$171,519,675. The overall unfavorable variance relates primarily to the increased demand for patient services, and is reflected in higher personnel costs and patient care supplies (drugs, blood, and medical supplies and services).

Overall, the February loss from operations of \$485,000 was the result of an increased average length of stay, and high ancillary utilization levels. These two factors in conjunction with an increase in the proportion of fixed payment payors in February, resulted in the net revenues being less than expenses. In addition to the above, we recognized a 1988 BCBSM adjustment of \$1,619,440 to correct our audit calculation from that year. This adjustment reduces our accounts receivable but does not impact cash.

**ACCOUNTS RECEIVABLE:** The balance in patient accounts receivable as of February 28, 1989, totaled \$94,072,794 and represented 106.9 days of revenue outstanding. The overall decrease in our patient receivables in February of 2.7 days occurred primarily in Blue Cross and Special Transplant Contracts.

**CONCLUSION:** The Hospital's overall operating position is negative for the first time in several months. The negative position is

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attributed to a prior year adjustment which was recognized during the month of February. While both inpatient and outpatient census levels are above budget, we have experienced two consecutive months where expenditures have exceeded net revenues. We will continue to monitor our demand for service closely and we will make those operating changes that are necessary and appropriate to assure that our financial position does not continue to deteriorate.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1988 TO FEBRUARY 28, 1989

	1988-89 Budgeted	1988-89 Actual	Variance	
			Over/-Under Budget	Variance %
Patient Care Charges	\$183,511,613	\$205,262,891	\$21,751,278	11.9%
Deductions from Charges	31,738,368	45,405,799	13,667,431	43.1%
Other Operating Revenue	5,703,541	6,344,219	640,678	11.2%
Total Operating Revenue	157,476,786	166,201,311	8,724,525	5.5%
Total Expenditures	171,519,675	180,903,740	9,384,065	5.5%
Net Operating Revenue	(14,042,889)	(14,702,429)	(659,540)	-4.7%
Non-Operating Revenue and Expenses	14,410,717	15,684,362	1,273,645	8.8%
Revenue Over/Under Expense	367,828	981,933	614,105	
Prior Year BC/BS Adjustment		(1,619,440)	(1,619,440)	
Adjusted Revenue Over/Under Expense	\$367,828	(\$637,507)	(\$1,005,335)	

	1988-89 Budgeted	1988-89 Actual	Variance	
			Over/-Under Budget	Variance %
Admissions	12,187	12,498	311	2.6%
Patient Days	94,283	105,907	11,624	12.3%
Average Daily Census	388.0	435.8	47.8	12.3%
Average Length of Stay	7.8	8.5	0.7	9.0%
Percentage Occupancy	67.2	74.9	7.7	11.5%
Outpatient Clinic Visits	172,487	177,364	4,877	2.8%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
STATEMENT OF OPERATIONS  
FOR THE PERIOD ENDED JULY 1, 1988 TO FEBRUARY 28, 1989

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$72,149,000	ROUTINE	\$47,338,365	\$54,707,800	\$7,369,435	15.6%
209,270,000	ANCILLARY	136,173,248	150,555,091	14,381,843	10.6%
\$281,419,000	GROSS CHARGES	\$183,511,613	\$205,262,891	\$21,751,278	11.9%
	DEDUCTIONS FROM CHARGES				
\$8,692,000	BILLING ADJUSTMENTS	\$5,668,061	\$7,164,162	\$1,496,101	26.4%
7,346,000	HMO/PPO DISCOUNTS	4,790,486	10,260,632	5,470,146	114.2%
29,116,000	GOVERNMENTAL CONTRACTUAL ADJUST	18,986,047	25,112,663	6,126,616	32.3%
550,000	CHARITABLE CARE	358,650	352,937	(5,713)	-1.6%
2,967,000	PROVISION FOR UNCOLLECTABLES	1,935,125	2,515,405	580,280	30.0%
\$48,671,000	TOTAL DEDUCTIONS	\$31,738,368	\$45,405,799	\$13,667,431	43.1%
	OTHER OPERATING REVENUE				
\$1,528,000	FOOD SERVICES	\$994,135	\$1,017,312	\$23,177	2.3%
576,000	PARKING SERVICES	375,011	496,772	121,761	32.5%
48,000	DEPARTMENT NON-PATIENT	31,709	108,589	76,880	242.5%
1,105,000	CUHCC GRANTS	754,404	796,671	42,267	5.6%
1,487,000	REFERENCE LAB INCOME	967,373	1,280,344	312,971	32.4%
1,533,000	PRO FEES--NET REVENUE	999,647	1,115,299	115,652	11.6%
0	SILVER SALVAGE		(29,488)	(29,488)	
2,407,000	INCOME FROM BOND PROCEEDS	1,581,262	1,558,720	(22,542)	-1.4%
\$8,684,000	TOTAL OTHER REVENUE	\$5,703,541	\$6,344,219	\$640,678	11.2%
\$241,432,000	TOTAL REVENUE FROM OPERATIONS	\$157,476,786	\$166,201,311	\$8,724,525	5.5%
	EXPENDITURES				
\$106,821,000	SALARIES	\$71,415,998	\$75,692,889	\$4,276,891	6.0%
24,605,000	FRINGE BENEFITS	16,035,501	15,930,588	(104,913)	-0.7%
2,128,000	ACADEMIC CONTRACTS	1,419,011	1,409,965	(9,046)	-0.6%
5,907,000	RESIDENT CONTRACTS	3,910,976	3,785,338	(125,638)	-3.2%
3,056,000	PHYSICIAN COMPENSATION	2,037,325	1,994,927	(42,398)	-2.1%
142,517,000	TOTAL SALARY, F.B., & FEES	94,818,811	98,813,707	3,994,896	4.2%
2,418,000	LAUNDRY & LINEN	1,581,650	1,525,147	(56,503)	-3.6%
1,760,000	RAW FOOD	1,163,039	1,169,665	6,626	0.6%
18,140,000	DRUGS	11,802,670	12,068,819	266,149	2.3%
8,255,000	BLOOD & BLOOD DERIVATIVES	5,371,283	7,037,900	1,666,617	31.0%
20,348,000	MEDICAL SUPPLIES & SERVICES	13,870,706	17,124,501	3,253,795	23.5%
5,923,000	UTILITIES	4,057,150	3,922,379	(134,771)	-3.3%
1,383,000	INSURANCE	892,280	748,194	(144,086)	-16.1%
3,700,000	RENTAL	2,439,954	2,468,865	28,911	1.2%
4,475,000	MAINTENANCE & REPAIR	2,979,263	2,975,471	(3,792)	-0.1%
0	NET LOSS ON DISPOSAL OF ASSETS	0	21,522	21,522	
256,000	CAMPUS ADMINISTRATION EXPENSE	170,513	179,284	8,771	5.1%
17,918,000	DEPRECIATION	11,995,950	11,715,198	(280,752)	-2.3%
12,005,000	INTEREST	8,061,333	8,708,930	647,597	8.0%
19,378,000	GENERAL SUPPLIES & EXPENSE	12,315,072	12,424,158	109,086	0.9%
\$258,476,000	TOTAL EXPENDITURES	\$171,519,675	\$180,903,740	\$9,384,065	5.5%
(\$17,044,000)	NET REVENUE FROM OPERATIONS	(\$14,042,889)	(\$14,702,429)	(\$659,540)	-4.7%
	NON-OPERATING REVENUE				
\$14,725,000	APPROPRIATIONS & SUPPORT	\$9,816,379	\$9,929,115	\$112,736	1.1%
0	ACCRUED INTEREST ON APPROPRIATIONS	0	121,861	121,861	
5,258,000	INTEREST INCOME ON RESERVES	3,732,426	4,770,030	1,037,604	27.8%
101,000	SHARED SERVICES	126,898	102,322	(24,576)	-19.4%
1,094,000	INVESTMENT INCOME HELD BY TRUSTEE	735,015	715,830	(19,185)	-2.6%
	OTHER INVESTMENT INCOME		45,204	45,204	
\$21,178,000	TOTAL NON-OPERATING REVENUE	\$14,410,717	\$15,684,362	\$1,273,645	8.8%
\$4,134,000	REVENUE OVER/(UNDER) EXPENSE	\$367,828	\$981,933	\$614,105	
	PRIOR YEAR BC/BS ADJUSTMENT		(\$1,619,440)	(\$1,619,440)	
\$4,134,000	ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$367,828	(\$637,507)	(\$1,005,335)	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
BALANCE SHEETS

FEBRUARY 28, 1989 AND JUNE 30, 1988

ASSETS	02/28/89	6/30/88	LIABILITIES AND FUND BALANCES	02/28/89	6/30/88
<b>CURRENT ASSETS</b>					
Operating Cash	\$72,282	\$208,805	<b>CURRENT LIABILITIES</b>		
Reserve Cash- Third Party Payable	8,091,485	8,918,146	Accounts payable	\$9,143,628	\$8,034,429
Reserve Cash- Current Indebtedness	3,696,828	8,563,351	Payable to Third Party Contr. Payors	7,759,003	8,918,146
Accounts Receivable			Salaries, Wages and Payroll Taxes	6,115,325	4,550,262
Patient Receivables	94,072,794	81,094,942	Accrued Vacation	7,849,916	7,359,638
Other Receivables	1,789,897	1,946,003	Accrued Professional Fees and Physician Compensation	1,586,071	1,335,462
Third Party Receivable	2,482,518	0	Contracts Payable	375,120	434,994
Appropriation Receivable	1,235,477	0	Construction Retainages	0	171,434
	99,580,686	83,040,945	Interest Payable	1,037,751	4,927,542
Less Allowances for Losses in Collection	(6,132,214)	(5,609,000)	Current Portion of Long-Term Debt	756,967	3,826,673
			Promissory Notes Payable	2,500,000	2,500,000
Less Allowances for Discounts to Third Party Payors	(18,023,271)	(15,764,889)			
	75,425,201	61,667,056			
Trustee Held Assets	0	171,434			
Inventories of Drugs & Supplies	4,862,347	4,749,699			
Prepaid Expenses	718,101	977,120			
<b>TOTAL CURRENT ASSETS</b>	<b>\$92,866,244</b>	<b>\$85,255,611</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$37,123,781</b>	<b>\$42,058,580</b>
<b>ASSETS WHOSE USE IS LIMITED</b>					
Board Designated Assets Available for Assignment					
Cash & Investments	\$36,283,570	\$66,561,487			
Accrued Interest	1,189,928	148,240			
	37,473,498	66,709,727			
Cash & Invest for Debt Service	13,000,000				
Cash & Invest for Working Capital	8,743,264		<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<b>\$171,733,371</b>	<b>\$174,669,487</b>
<b>TOTAL</b>	<b>\$59,216,762</b>	<b>\$66,709,727</b>			
<b>PROPERTY, PLANT, &amp; EQUIPMENT</b>					
Land, Buildings & Improvements	\$183,387,663	\$183,083,996			
Equipment	81,181,145	77,311,403			
	264,568,808	260,395,399			
Less Accumulated Depreciation	(94,912,299)	(83,775,058)			
	169,656,509	176,620,341			
Construction in Progress	4,588,772	5,249,789			
<b>TOTAL PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b>174,245,281</b>	<b>\$181,870,130</b>			
Assigned Cash & Investments for Construction/Equipment	11,823,088	10,098,464			
<b>TOTAL</b>	<b>\$186,068,369</b>	<b>191,968,594</b>			
INVESTMENTS HELD BY BOND TRUSTEE	\$40,334,289	\$42,262,027			
<b>OTHER ASSETS</b>					
Deferred Third Party Reimbursement	\$8,072,557	\$8,520,626			
Deferred Debt Expense	1,203,836	\$1,360,345			
Deposits and Other	601,609	\$585,894			
<b>TOTAL</b>	<b>\$9,878,002</b>	<b>\$10,466,865</b>	<b>UNRESTRICTED FUND BALANCE</b>	<b>\$179,506,514</b>	<b>\$179,934,757</b>
<b>TOTAL ASSETS</b>	<b>\$388,363,666</b>	<b>\$396,662,824</b>	<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$388,363,666</b>	<b>\$396,662,824</b>
<b>RESTRICTED ASSETS</b>					
Cash and Investments	\$6,178,563	\$5,955,184	<b>RESTRICTED FUND BALANCES</b>		
			Endowment Funds	\$2,058,113	\$1,977,422
			Gift Funds	4,120,450	3,977,762
	\$6,178,563	\$5,955,184		\$6,178,563	\$5,955,184

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1988 TO FEBRUARY 28, 1989

Source of Funds

Beginning Operating Cash Balance		\$208,805
Net Income from Operations	(14,702,429)	
Prior Period Blue Cross Adjustment	(1,619,440)	
Non-Operating Revenue	15,684,362	
	-----	
Excess of Revenue over Expense		(637,507)
Items not Requiring the Outlay of Cash		
Depreciation		11,715,198
University Support: G & A		179,284
Loss on Disposal of assets		21,522
Deferred Third Party Reimbursement		448,069
Renewal Project Interest Expense		6,877,407
Increase in Accrued Expenses		3,558,059
Decrease in Prepaid Expenses		259,019
Decrease in Other Receivables		377,996
Transfer Third Party Reserve		3,641,661
		-----
Total Funds Provided from Operations		\$26,649,513

Funds Applied

Capital Expenditures	4,565,115
Appropriation Receivable	1,235,477
Increase in Inventory	128,364
Third Party Receivable	2,482,518
Decrease in Third Party Payable	1,159,143
Increase in Accounts Receivable	10,196,256
Investment Income - Trustee-held Assets	715,830
Transfers to Reserves - Bond Retirement	8,459,373
	-----
Total Funds Applied	\$28,942,076
	-----
Operating Cash Made Available from Operations	(\$2,292,563)
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Total Operating Cash Available of (\$2,292,563) plus Transfers for Bond Retirement of \$5,644,373; plus Transfers to Plant of \$4,565,115 equals Cash Generated from Operations of \$7,916,925.

Current Cash Summary

Operating Cash	(\$2,292,563)
Operating Cash from Working Capital Reserve	7,256,736
Reserve Cash for Liability to Third Party Payors	8,091,485
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	1,196,828
	-----
	16,752,486
Less Interest Income on Reserves	(4,891,891)
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Total Current Cash	\$11,860,595
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University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

For the Period July 1, 1988 to February 28, 1989

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
<b>UNRESTRICTED FUNDS</b>						
Beginning Balance	\$37,393,924	\$8,563,351	\$66,709,727	\$24,834,294	\$42,433,461	\$179,934,757
<b>Net Income</b>						
Excess of Revenue over Expense	4,177,475					
Interest Income on Reserves			4,770,030			
Accrued Interest on Appropriations			121,861			
Depreciation Expense				(11,715,198)		
Gain on Disposal of Assets				(21,522)		
Interest Income on Trustee Held Fund					715,830	
Amortization of Deferred Bond Expense				(244,703)		
Interest income on Bond Proceeds					1,558,720	
Total Income						(637,507)
<b>Less Expense</b>						
University Support: G & A	179,284					179,284
<b>Transfers Between Funds</b>						
Major Building Projects- Hosp. Capital Expenditures	(3,588,725)		(5,128,120)	5,128,120		0
Major Equipment Requisition	(976,390)			976,390		0
Adjustment to Shared Buildings				13,216		13,216
Bond Interest Payment	12,069,612	(10,934,861)			(1,134,751)	0
Bond Interest Expense Funding	(6,632,702)	7,056,672			(423,970)	0
Bond Principal Payments				2,815,000	(2,815,000)	0
Trsf over funding of Bond Princ.	2,815,000	(2,815,000)				0
Bond Principal Funding	(1,826,666)	1,826,666				0
Short Term Note Funding	2,500,000			(2,500,000)		0
Restrict Fd commitment to Plant Funding Working Capital	7,256,736		(7,256,736)	16,764		16,764
Ending Balance	\$53,367,548	\$3,696,828	\$59,216,762	\$22,891,086	\$40,334,290	\$179,506,514

RESTRICTED FUNDS	GIFT	ENDOWMENT	TOTAL
Beginning Balance	3,977,762	1,977,422	5,955,184
Income	938,217	80,356	1,018,573
Disbursement	(123,029)	335	(122,694)
Transfer to non-hospital fund	(672,500)		(672,500)
Ending Balance	\$4,120,450	\$2,058,113	\$6,178,563

## ACCOUNTS RECEIVABLE HIGHLIGHTS

February 28, 1989

Category	Amount	+ or (-) Prev. Mo.	% Change	+ or (-) 6/30/88	% Change	2/28/89 <sup>c</sup> Days
Total	\$94,002,418 <sup>a</sup>	\$ (622,868)	(0.66)%	\$14,935,967	18.89%	106.90 <sup>a</sup>
Inhouse	14,570,571 <sup>a</sup>	(361,520)	(2.42)%	1,718,558	13.37%	16.57 <sup>a</sup>
DNFB <sup>b</sup>	11,892,403 <sup>a</sup>	(460,588)	(3.73)%	2,661,841	28.84%	13.52 <sup>a</sup>
	\$3,934,069	-inpatient hold (six days)				
	2,050,225	-outpatient hold (monthly cycle)				
	5,238,082	-medical records hold				
	670,027	-miscellaneous hold				
Collections	5,256,694	194,113	3.83%	(13,101)	(0.25)%	5.98
Follow-up	7,648,987	830,988	12.19%	2,162,106	39.41%	8.70
Net DAR	54,633,764 <sup>a</sup>	(825,860)	(0.49)%	8,406,563	18.19%	62.13 <sup>a</sup>

- a. Figures shown are gross dollars or days and do not reflect contractual allowances or discounts. (i.e. Net DAR after adjustment would be approximately \$42,615,000 or 48.46 days.)
- b. Discharged not final billed.
- c. Three month average daily revenue = \$879,368 (a 9.80% increase from the 6/30/88 figure).

### Significant Changes:

- February receivables ended with a \$622,868 decrease and a 2.66 day decrease reflecting an increase in average daily revenue and some settlement activity with Blue Cross. Some improvement was made in the medical record holding category (\$926,916) but the bulk of the decrease in previous inhouse and DNFB<sup>b</sup> amount transferred to the Net DAR.
- Significant increases in the Net DAR for February occurred in Medicare, \$1.49M; Commercial Insurance, \$1.27M; Out-of-State Medicaid, \$671T; HMO's, \$290T; PRO (the group that reviews certain Medicare visits), \$280T; Misc. Special Billing, \$174T; County Papers, \$145T; V.A. Hospital, \$139T; GAMC, \$131T; CHAMP, \$99T; Minor HMO's, \$92T and Misc. Authorizations, \$87T.
- Significant decreases in Net DAR were reflected in Blue Cross, \$1.46M; Insurance Requests, \$665T; Transplant Contracts, \$539T; Minnesota MA, \$404T; Industrial Compensation, \$319T and HMO/Medicare, \$286T.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
STATEMENT OF OPERATIONS  
FOR THE PERIOD ENDED JULY 1, 1988 TO FEBRUARY 28, 1989

DATE: 03/21/89  
TIME: 11:20 AM

JANUARY BUDGETED	FEBRUARY ACTUAL	FEBRUARY VARIANCE	%	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANC %
\$5,586,295	\$6,283,401	\$697,106	12.5%	ROUTINE	\$47,338,365	\$54,707,800	\$7,369,435	15.6
16,481,310	17,732,072	1,250,762	7.6%	ANCILLARY	136,173,248	150,555,091	14,381,843	10.6
\$22,067,605	\$24,015,473	\$1,947,868	8.8%	GROSS CHARGES	\$183,511,613	\$205,262,891	\$21,751,278	11.9
				DEDUCTIONS FROM CHARGES				
\$681,595	\$1,096,862	\$415,267	60.9%	BILLING ADJUSTMENTS	\$5,668,061	\$7,164,162	\$1,496,101	26.4
576,065	1,267,265	691,200	120.0%	HMO/PPO DISCOUNTS	4,790,486	10,260,632	5,470,146	114.2
2,283,107	2,771,697	488,590	21.4%	GOVERNMENTAL CONTRACTUAL ADJUST	18,986,047	25,112,663	6,126,616	32.3
43,129	47,982	4,853	11.3%	CHARITABLE CARE	358,650	352,937	(5,713)	-1.6
232,702	253,584	20,882	9.0%	PROVISION FOR UNCOLLECTABLES	1,935,125	2,515,405	580,280	30.0
\$3,816,597	\$5,437,390	\$1,620,793	42.5%	TOTAL DEDUCTIONS	\$31,738,368	\$45,405,799	\$13,667,431	43.1
				OTHER OPERATING REVENUE				
\$120,532	\$117,933	(\$2,599)	-2.2%	FOOD SERVICES	\$994,135	\$1,017,312	\$23,177	2.3
45,467	64,175	18,708	41.1%	PARKING SERVICES	375,011	496,772	121,761	32.5
3,654	26,457	22,803	624.1%	DEPARTMENT NON-PATIENT	31,709	108,589	76,880	242.5
89,501	104,400	14,899	16.6%	CUHCC GRANTS	754,404	796,671	42,267	5.6
117,083	145,326	28,243	24.1%	REFERENCE LAB INCOME	967,373	1,280,344	312,971	32.4
120,209	128,380	8,171	6.8%	PRO FEES--NET REVENUE	999,647	1,115,299	115,652	11.6
	2,949	2,949		SILVER SALVAGE		(29,488)	(29,488)	
198,923	196,990	(1,933)	-1.0%	INCOME FROM BOND PROCEEDS	1,581,262	1,558,720	(22,542)	-1.4
\$695,370	\$786,610	\$91,240	13.1%	TOTAL OTHER REVENUE	\$5,703,541	\$6,344,219	\$640,678	11.2
\$18,946,377	\$19,364,693	\$418,316	2.2%	TOTAL REVENUE FROM OPERATIONS	\$157,476,786	\$166,201,311	\$8,724,525	5.5
				EXPENDITURES				
\$8,091,353	\$8,847,079	\$755,726	9.3%	SALARIES	\$71,415,998	\$75,692,889	\$4,276,891	6.0
1,958,610	1,857,193	(101,417)	-5.2%	FRINGE BENEFITS	16,035,501	15,930,588	(104,913)	-0.7
177,376	176,246	(1,130)	-0.6%	ACADEMIC CONTRACTS	1,419,011	1,409,965	(9,046)	-0.6
499,059	500,887	1,828	0.4%	RESIDENT CONTRACTS	3,910,976	3,785,338	(125,638)	-3.2
354,666	249,484	(5,182)	-2.0%	PHYSICIAN COMPENSATION	2,037,325	1,994,927	(42,398)	-2.1
\$10,981,063	\$11,630,889	\$649,826	5.9%	TOTAL SALARY, F.B., & FEES	94,818,811	98,813,707	3,994,896	4.2
188,410	184,233	(4,177)	-2.2%	LAUNDRY & LINEN	1,581,650	1,525,147	(56,503)	-3.6
135,616	142,014	6,398	4.7%	RAW FOOD	1,163,039	1,169,665	6,626	0.6
1,430,992	1,400,197	(30,795)	-2.2%	DRUGS	11,802,670	12,068,819	266,149	2.3
651,231	1,007,808	356,577	54.8%	BLOOD & BLOOD DERIVATIVES	5,371,283	7,037,900	1,666,617	31.0
1,681,727	2,217,699	535,972	31.9%	MEDICAL SUPPLIES & SERVICES	13,870,706	17,124,501	3,253,795	23.5
465,853	501,276	35,423	7.6%	UTILITIES	4,057,150	3,922,379	(134,771)	-3.3
122,703	62,720	(59,983)	-48.9%	INSURANCE	892,280	748,194	(144,086)	-16.1
293,467	283,052	(10,415)	-3.5%	RENTAL	2,439,954	2,468,865	28,911	1.2
343,290	494,835	151,545	44.1%	MAINTENANCE & REPAIR	2,979,263	2,975,471	(3,792)	-0.1
0	8,168	8,168		NET LOSS ON DISPOSAL OF ASSETS	0	21,522	21,522	
19,648	22,410	2,762	14.1%	CAMPUS ADMINISTRATION EXPENSE	170,513	179,284	8,771	5.1
1,390,376	1,488,340	97,964	7.0%	DEPRECIATION	11,995,950	11,715,198	(280,752)	-2.3
986,438	1,096,058	109,620	11.1%	INTEREST	8,061,333	8,708,930	647,597	8.0
1,419,021	1,272,421	(146,600)	-10.3%	GENERAL SUPPLIES & EXPENSE	12,315,072	12,424,158	109,086	0.9
\$20,109,834	\$21,812,120	\$1,702,286	8.5%	TOTAL EXPENDITURES	\$171,519,675	\$180,903,740	\$9,384,065	5.5
(\$1,163,457)	(\$2,447,427)	(\$1,283,970)	110.4%	NET REVENUE FROM OPERATIONS	(\$14,042,889)	(\$14,702,429)	(\$659,540)	-4.7
				NON-OPERATING REVENUE				
\$1,227,047	\$1,280,845	\$53,798	4.4%	APPROPRIATIONS & SUPPORT	\$9,816,379	\$9,929,115	\$112,736	1.1
0	0	0		ACCRUED INTEREST ON APPROPRIATIONS	0	121,861	121,861	
388,615	594,895	206,280	53.1%	INTEREST INCOME ON RESERVES	3,732,426	4,770,030	1,037,604	27.8
14,622	16,020	1,398	9.6%	SHARED SERVICES	126,898	102,322	(24,576)	-19.4
89,663	70,601	(19,062)	-21.3%	INVESTMENT INCOME HELD BY TRUSTEE	735,015	715,830	(19,185)	-2.6
	0	0		OTHER INVESTMENT INCOME		45,204	45,204	
\$1,719,947	\$1,962,361	\$242,414	14.1%	TOTAL NON-OPERATING REVENUE	\$14,410,717	\$15,684,362	\$1,273,645	8.8
\$556,491	(\$485,066)	(\$1,041,557)		REVENUE OVER/(UNDER) EXPENSE	\$367,828	\$981,933	\$614,105	
	(\$1,619,440)	(\$1,619,440)		PRIOR YEAR BC/BS ADJUSTMENT		(\$1,619,440)	(\$1,619,440)	
\$56,491	(\$2,104,506)	(\$2,660,997)		ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$367,828	(\$637,507)	(\$1,005,335)	



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

**JOINT MEETING OF THE  
FINANCE COMMITTEE AND BOARD OF GOVERNORS  
Monday, April 10, 1989  
1:00 - 3:00 p.m.\*  
8-106 University Hospital**

**FINANCE COMMITTEE MEMBERS**

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

**A G E N D A**

1. 1989-90 Budget  
pp. 1-15 (Information)

Mr. Robert Dickler

**\*A buffet lunch will be served at 12:30 p.m. 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 6, 1989

TO: Board of Governors Board of Governors  
Finance Committee

FROM: Robert Dickler  
General Director

SUBJECT: April 10, 1989 Finance Committee Meeting on 1989-90 UMHC Budget

As you know you have all been invited to attend a special Finance Committee meeting on April 10, 1989 to discuss the 1989-90 UMHC budget. There will be a light luncheon served at 12:30 p.m. and the meeting is scheduled to start at 1 p.m.

The capital budget which we have incorporated in these financial projections is consistent with our long range capital plan. The capital budget will be presented to the Planning and Development Committee at their May 8, 1989 meeting. These financial projections include \$8,300,000 in annual equipment replacement and minor renovation costs, and \$3,065,000 in principal payments. We are also incorporating \$2,069,000 of cash needs to fund other components of the capital plan, and we are dedicating \$5,550,000 of our interest income on reserves for the capital plan.

The projected financial statements have been proposed using these rate increase scenarios: six, seven and one half and nine percent. The intent of our meeting is informational in nature and we will not be requesting approval of the 1989-90 budget or a rate increase at this meeting. We intend to present the assumptions we have used in developing the budget and to provide you with the impact that various rate increase levels will have on Hospital and clinic operations in 1989-90.

We will seek your preliminary approval of a rate increase for rate review submission at the regular April Board meeting, and will seek your final approval of rate increases and the operating and capital budgets at the May, 1989 meeting.

The enclosed narrative and schedules outline our 1989-90 budget based on current assumptions. We look forward to our discussion with you on the budget on Monday, April 10, 1989.

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BUDGET LETTER  
1989-90 BUDGET**

The 1989-90 Budget has been developed with the following set of assumptions:

**1988-89 Budget Base**

In projecting the 1989-90 fiscal year budget elements, the current experience in each category was used as the starting point to determine expected 1989-90 results. As described below and shown in the attached schedules, forecast admissions, patient days, clinic visits, expenses, revenues, and revenue deductions have been 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 1989-90 budget were projected:

**\* Demand Analysis:**

For the 1988-89 fiscal year we had developed a budget of 18,700 admissions and 143,700 patient days. Using our actual experience through January, 1989, we are projecting 19,331 admissions and 159,000 patient days. The increase in admission levels occurred in more than half of the clinical service areas, with the most significant increase occurring in Medicine. Several areas experienced actual declines in admissions, including Ophthalmology and Surgery. The 10.6% increase in patient days reflects our significant rise in the overall average length of stay from 7.7 days to 8.2.

The 1989-90 census projections reflect an overall stable level of demand but with declines in specific services, such as Medicine, Otolaryngology and Surgery. These declines reflect changes in clinical staff or programs. In addition, we are assuming an aggressive utilization review process with a resultant decline in low-acuity patient days. Inpatient census for 1989-90 has been budgeted at 18,860 admissions and 158,100 patient days.

Schedules I, II, and III summarize the demand forecasts for 1988-89 and 1989-90.

**\* Ancillary Service Utilization**

The 1989-90 budget for ancillary service revenue reflects the projected decline in inpatient admission levels and the decline in ancillary utilization for our low acuity patient days. In the 1989-90 budget year we anticipate continued growth in several programs, including Bone Marrow Transplants, Kidney-Pancreas Transplants and Pancreas Transplants. New programs will also be starting in the outpatient clinics, specifically, Microsurgery, Low Back Functional Restoration, and Eating Disorders.

**\* Deductions from Charges**

Schedule IV is a summary of the expected deductions from revenue for fiscal years 1988-89 and 1989-90. The fiscal 1989-90 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid Programs.

**o Medicare Prospective Payment System (PPS)**

Assumptions affecting UMHC payments include the following:

- 1) A 3.2% payment rate increase (4.7% market basket less 1.5%) on the DRG rate, effective October 1, 1989.
- 2) A reduction in the indirect medical education factor from 7.7% to 5.5%, effective October 1, 1989.
- 3) A reduction of 10% in outpatient reimbursement for Ambulatory Surgery Center and radiology services, effective July 1, 1989.
- 4) A recognition of the Graduate Medical Education limitation on direct medical education factor based on fiscal year 1985 cost per FTE adjusted for inflation.
- 5) Capital costs are reduced from a 15% reduction to a 25% reduction effective October 1, 1989.

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

Payments will continue to be 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 5.7% increase in those rates effective July 1, 1989. In addition, we are assuming the GAMC ratable reduction rates will be eliminated as of June 30, 1989.

o **HMO/PPO Discounts**

The major contracts with HMO's and PPO's include the Blue Cross and Blue Shield AWARE contract, Physicians Health Plan (PHP), Group Health, Share, and Med Centers. For the budget year we are assuming that the payment levels in place for the calendar 1990 contracts (80.7%) will reflect a slight improvement over the current payment levels of 78.7%.

\* **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 1988-89 fiscal year is primarily due to an increase in the reference lab and pro fee revenues over the original 1988-89 budget levels. Moderate changes expected in the 1989-90 budget year will affect most of the other operating revenues for a budgeted increase in revenue of approximately \$1,068,000.

\* **Expenditure Summary**

Schedule VI is a comparative summary of expenditures projected for 1988-89 and budgeted for 1989-90. The expenditure levels have been determined using December, 1988, 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 1989-90:

	<u>Inflation %</u>
Salaries:	8.9%

This rate assumes a 12% increase for nursing classifications, and a 6% increase for all other employees, effective July 1, 1989. These salary increases include adjustments for step increases, pay equity, and marketplace range moves. The percent increase for each specific category has not yet been determined.

	<u>Inflation %</u>
Fringe Benefits	5.5%
Academic Contract (Salary only)	5.0%
Resident Contract	4.9%
Physician Compensation	6.0%
Laundry & Linen	5.2%
Raw Food	6.0%
Drugs	2.4%
Blood & Derivatives	5.7%
Medical Supplies	3.6%
Utilities	5.7%
Insurance	20.4%
Rental	3.4%
Maintenance & Repair	5.4%
Campus G & A	10.1%
General Supplies & Expenses	4.8%

\* **Non-Operating Revenue**

Schedule VII is a summary of expected appropriations and other non-patient revenues for fiscal years 1988-89 and 1989-90. The increase in non-operating revenue projected for the 1988-89 fiscal year is primarily due to an increase in interest income on reserves over the original 1988-89 budget levels. The projection for inflationary increases on the appropriations is 5.0%. We are also assuming that in the 1989-90 fiscal year the appropriations will no longer earn interest income for the Hospital. The appropriations will continue to be received by the Hospital on a monthly basis.

**Fiscal Year 1989-90 Price and Revenue Increases**

The price increase proposed for 1989-90 is 7.5% and results in an increase in patient charges of approximately \$31,504,000. It brings total patient charges to \$340,467,000. The Comparative Statement of Operations and Operating Cash Flow on Schedule VIII summarizes our projected position for the 1989-90 fiscal year.

**Capital Expenditures**

Capital expenditures that will be provided from operating cash flows in 1989-90 for recurring equipment replacement and minor remodeling will be \$7,876,000. In addition, \$3,131,000 will be spent for debt service on equipment and the bonds, and parking ramp amortization.

In addition to those capital expenditures provided from operating cash flow, we are projecting that we will spend \$17,606,000 from Hospital reserves. Within this total is \$4,712,000 for the completion of projects that have received Board of Governors approval (CUHCC, MRI, Surgical Pathology, and Masonic Hospital remodeling), \$5,120,000 for renovation/equipment projects that have yet to be brought to the Board for approval (Neuroradiology upgrade, computer upgrade, CT Scanner, Heart Cath, Lithotripter), \$6,140,000 for planning and architecture fees with regard to Unit J expansion and Mayo renovation, and \$1,634,000 of recurring equipment items funded from 1988/89.



UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 FOR FISCAL YEARS 1988-89 AND 1989-90  
 COMPARATIVE DEMAND ANALYSIS  
 INPATIENT ADMISSIONS

SCHEDULE I

	1988/89 PLANNED ADMITS	1988/89 PROJECTED ADMITS	1989/90 BUDGET ADMITS
CLINICAL RESEARCH	465	439	439
DENTISTRY	57	43	43
DERMATOLOGY	16	60	70
FAMILY PRACTICE	16	34	34
GYNECOLOGY	1,332	1,300	1,267
MEDICINE	4,276	5,014	4,594
NEWBORN	307	357	357
NEUROLOGY	334	401	401
NEUROSURGERY	849	951	926
OBSTETRICS	553	614	614
OPHTHALMOLOGY	935	496	543
ORTHOPEDICS	1,206	1,182	1,282
OTOLARYNGOLOGY	416	349	275
PEDIATRICS	2,969	3,084	3,083
PM&R	162	209	209
PSYCHIATRY-ADULT	770	856	856
PSYCHIATRY-CHILD	85	109	109
RADIATION THERAPY	3	4	4
RADIOLOGY	1	10	10
SURGERY	3,103	2,947	2,872
UROLOGY	845	872	872
TOTAL HOSPITAL	<u>18,700</u> =====	<u>19,331</u> =====	<u>18,860</u> =====

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 FOR FISCAL YEARS 1988-89 AND 1989-90  
 COMPARATIVE DEMAND ANALYSIS  
 PATIENT DAYS

SCHEDULE II

	1988/89 PLANNED DAYS	1988/89 PROJECTED DAYS	1989/90 BUDGET DAYS
CLINICAL RESEARCH	1,490	1,759	1,759
DENTISTRY	109	94	94
DERMATOLOGY	149	577	674
FAMILY PRACTICE	61	217	217
GYNECOLOGY	6,235	7,081	7,025
MEDICINE	31,298	35,040	35,366
NEWBORN	1,036	1,144	1,144
NEUROLOGY	1,963	2,978	2,978
NEUROSURGERY	6,369	6,659	6,459
OBSTETRICS	2,577	2,323	2,323
OPHTHALMOLOGY	2,822	1,516	1,660
ORTHOPEDICS	7,333	6,725	7,294
OTOLARYNGOLOGY	1,677	1,262	995
PEDIATRICS	30,222	33,351	33,351
PM&R	3,260	4,404	4,404
PSYCHIATRY-ADULT	14,140	15,624	15,624
PSYCHIATRY-CHILD	1,728	3,186	3,186
RADIATION THERAPY	6	8	8
RADIOLOGY	1	42	42
SURGERY	27,975	31,704	30,191
UROLOGY	3,249	3,306	3,306
TOTAL HOSPITAL	<u>143,700</u> =====	<u>159,000</u> =====	<u>158,100</u> =====

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 FOR FISCAL YEARS 1988-89 AND 1989-90  
 COMPARATIVE DEMAND ANALYSIS  
 CLINIC VISITS

SCHEDULE III

AMBULATORY CARE	1988/89 PLANNED VISITS	1988/89 PROJECTED VISITS	1989/90 BUDGET VISITS
CLINIC VISITS	228,272	233,103	240,360
EMERGENCY ROOM VISITS	15,716	16,626	17,457
RADIATION THERAPY VISITS	18,537	16,803	16,803
AMBULATORY SURGERY VISITS	3,575	3,768	3,580
TOTAL	<u>266,100</u> =====	<u>270,300</u> =====	<u>278,200</u> =====
COMMUNITY UNIVERSITY HEALTH CARE CENTER	50,000	46,700	46,700
HOME HEALTH	9,600	11,800	11,800

University of Minnesota Hospital and Clinic  
Deductions from Charges  
For Fiscal Years 1988-89 and 1989-90

SCHEDULE IV  
-----

	1988-89 PLANNED BUDGET -----	1988-89 PROJECTION -----	1989-90 BUDGET -----
Billing Adjustments	\$8,692,000	\$10,794,000	\$11,479,000
HMO/PPO Discounts	7,346,000	16,125,000	15,140,000
Government Contractual Adjustments	29,115,000	38,198,000	48,758,000
Charitable Care	550,000	550,000	550,000
Provision for Uncollectables	2,968,000	3,785,000	4,171,000
TOTAL	----- \$48,671,000 =====	----- \$69,452,000 =====	----- \$80,098,000 =====

University of Minnesota Hospital and Clinic  
 Other Operating Revenue Summary  
 For Fiscal Years 1988-89 and 1989-90

SCHEDULE V

	1988-89 PLANNED BUDGET	1988-89 PROJECTION	1989-90 BUDGET
	-----	-----	-----
Food Services	\$1,528,000	\$1,528,000	\$1,627,000
Parking Services	576,000	700,000	714,000
Department Non-Patient	48,000	119,000	77,000
CUHCC Grants	1,105,000	1,168,000	1,269,000
Reference Lab Income	1,487,000	1,790,000	1,958,000
Pro Fees -- Net Revenue	1,533,000	1,782,000	2,056,000
X-Ray Silver Salvage	0	(39,000)	40,000
Interest Income from Bond Proceeds	2,407,000	2,361,000	2,736,000
TOTAL	----- \$8,684,000 =====	----- \$9,409,000 =====	----- \$10,477,000 =====

University of Minnesota Hospital & Clinic  
 Expenditure Summary: 1988-89 Projection vs. 1989-90 Budget  
 For Fiscal Years 1988-89 and 1989-90

SCHEDULE VI

	1988-89 Planned Budget	1988-89 Projection	Variance	Percent Variance	1989-90 Budget	Increase/ (Decrease)	Percent Change
<b>EXPENDITURES</b>							
Salaries	\$106,821,000	\$114,595,000	\$7,774,000	7.3%	\$125,897,000	\$11,302,000	9.9%
Fringe Benefits	24,605,000	24,288,000	(317,000)	-1.3%	28,439,000	4,151,000	17.1%
Academic Contracts	2,128,000	2,115,000	(13,000)	-0.6%	2,235,000	120,000	5.7%
Resident Contracts	5,907,000	5,726,000	(181,000)	-3.1%	6,242,000	516,000	9.0%
Physician Compensation	3,056,000	2,989,000	(67,000)	-2.2%	3,167,000	178,000	6.0%
<b>TOTAL SALARY, F.B., &amp; FEES</b>	<b>\$142,517,000</b>	<b>\$149,713,000</b>	<b>\$7,196,000</b>	<b>5.0%</b>	<b>\$165,980,000</b>	<b>\$16,267,000</b>	<b>10.9%</b>
Laundry & Linen	2,418,000	2,295,000	(123,000)	-5.1%	2,395,000	100,000	4.4%
Raw Food	1,760,000	1,786,000	26,000	1.5%	1,988,000	202,000	11.3%
Drugs	18,140,000	18,849,000	709,000	3.9%	20,484,000	1,635,000	8.7%
Blood & Blood Derivatives	8,255,000	10,193,000	1,938,000	23.5%	11,409,000	1,216,000	11.9%
Medical Supplies & Services	21,318,000	24,701,000	3,383,000	15.9%	26,781,000	2,080,000	8.4%
Utilities	5,923,000	5,867,000	(56,000)	-0.9%	6,256,000	389,000	6.6%
Insurance	1,383,000	1,000,000	(383,000)	-27.7%	992,000	(8,000)	-0.8%
Rental	3,700,000	3,798,000	98,000	2.6%	3,973,000	175,000	4.6%
Maintenance & Repair	4,475,000	4,677,000	202,000	4.5%	5,297,000	620,000	13.3%
Net Loss on Disposal of Assets	0	31,000	31,000		24,000	(7,000)	-22.6%
Campus Administration Expense	256,000	256,000	0	0.0%	282,000	26,000	10.2%
Depreciation	17,918,000	17,625,000	(293,000)	-1.6%	18,283,000	658,000	3.7%
Interest	12,005,000	13,052,000	1,047,000	8.7%	13,038,000	(14,000)	-0.1%
General Supplies & Expense	18,408,000	20,181,000	1,773,000	9.6%	20,446,000	265,000	1.3%
<b>TOTAL SUPPLIES AND EXPENSES</b>	<b>115,959,000</b>	<b>124,311,000</b>	<b>8,352,000</b>	<b>7.2%</b>	<b>131,648,000</b>	<b>7,337,000</b>	<b>5.9%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$258,476,000</b>	<b>\$274,024,000</b>	<b>\$15,548,000</b>	<b>6.0%</b>	<b>\$297,628,000</b>	<b>\$23,604,000</b>	<b>8.6%</b>

University of Minnesota Hospital & Clinic  
 Non-Operating Revenue Summary  
 For Fiscal Years 1988-89 and 1989-90

SCHEDULE VII

	1988-89 PLANNED BUDGET	1988-89 PROJECTION	1989-90 BUDGET
	-----	-----	-----
Appropriations	\$14,725,000	\$14,883,000	\$15,579,000
Interest on Appropriations	0	126,000	0
Interest Income on Reserves	5,258,000	7,260,000	6,906,000
Shared Services	101,000	168,000	181,000
Investment Income Held By Trustee	1,094,000	1,008,000	873,000
Other Investment Income	0	130,000	130,000
	-----	-----	-----
TOTAL	\$21,178,000	\$23,575,000	\$23,669,000
	=====	=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
SUMMARY STATEMENT OF OPERATIONS AND SUMMARIZED OPERATING CASH FLOW  
1988/89 ANNUAL BUDGET, CURRENT YEAR PROJECTION, 1989/90 BUDGET

SCHEDULE VIII  
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	ANNUAL BUDGET	CURRENT YEAR PROJECTION	1989/90 BUDGET @ 1.06	1989/90 BUDGET @ 1.075	1989/90 BUDGET @ 1.09
Gross Patient Charges	\$281,419,000	\$308,963,000	\$335,793,000	\$340,467,000	\$345,142,000
Deductions from Charges	48,671,000	69,452,000	77,405,000	80,098,000	82,859,000
Other Operating Revenue	8,684,000	9,409,000	10,477,000	10,477,000	10,476,000
Total Operating Revenue	\$241,432,000	\$248,920,000	\$268,865,000	\$270,846,000	\$272,759,000
Expenditures					
Salaries	\$106,821,000	\$114,595,000	\$125,897,000	\$125,897,000	\$125,897,000
Fringe Benefits	24,605,000	24,288,000	28,439,000	28,439,000	28,439,000
Contract Compensation	11,091,000	10,830,000	11,644,000	11,644,000	11,644,000
Medical Supplies, Drugs, Blood	47,713,000	53,743,000	58,674,000	58,674,000	58,674,000
Campus Administration Expense	256,000	256,000	282,000	282,000	282,000
Depreciation	17,918,000	17,625,000	18,283,000	18,283,000	18,283,000
General Supplies & Expense	50,072,000	52,687,000	54,409,000	54,409,000	54,409,000
Total Expenditures	\$258,476,000	\$274,024,000	\$297,628,000	\$297,628,000	\$297,628,000
Net Revenue from Operations	(\$17,044,000)	(\$25,104,000)	(\$28,763,000)	(\$26,782,000)	(\$24,869,000)
Total Non-Operating Revenue					
Appropriations	\$14,725,000	\$14,883,000	\$15,579,000	\$15,579,000	\$15,579,000
Accrued Interest on Appropriations	0	126,000	0	0	0
Interest Income on Reserves	5,258,000	7,260,000	6,906,000	6,906,000	6,906,000
Shared Services	101,000	168,000	181,000	181,000	181,000
Investment Income on Trustee Held Assets	1,094,000	1,008,000	873,000	873,000	873,000
Other Investment Income	0	130,000	130,000	130,000	130,000
Total Non-Operating Revenues	\$21,178,000	\$23,575,000	\$23,669,000	\$23,669,000	\$23,669,000
Revenue Over/-Under Expenses	\$4,134,000	(\$1,529,000)	(\$5,094,000)	(\$3,113,000)	(\$1,200,000)
Add Non-Cash Outlays:					
Depreciation	17,918,000	17,625,000	18,283,000	18,283,000	18,283,000
University Support	300,000	156,000	182,000	182,000	182,000
Net Increase to Working Capital	863,000	2,272,000	2,777,000	2,777,000	2,778,000
Total Funds Provided	23,215,000	18,524,000	16,148,000	18,129,000	20,043,000
Funds Applied					
Increase in Accounts Receivable	5,891,000	4,307,000	4,435,000	5,055,000	5,676,000
Capital Expenditures:					
Principal Payment on Fixed-Rate Bonds	2,815,000	2,815,000	2,215,000	2,215,000	2,215,000
Principal Payment on Equipment	1,014,000	1,014,000	840,000	840,000	840,000
Recurring Equipment and Renovation	8,000,000	7,591,000	7,876,000	7,876,000	7,876,000
Parking Ramp Sinking Fund	76,000	76,000	76,000	76,000	76,000
Interest Income Committed to Capital Plan	5,258,000	5,258,000	5,550,000	5,550,000	5,550,000
Funding for Unit J	0	0	2,069,000	2,069,000	2,069,000
Total Funds Applied	23,054,000	21,061,000	23,061,000	23,681,000	24,302,000
Total Cash Available from Operations	\$161,000	(\$2,537,000)	(\$6,913,000)	(\$5,552,000)	(\$4,259,000)



SCHEDULE IX

University of Minnesota Hospital and Clinic  
Board Designated Fund Activity  
6-30-88 through 2-28-89

	<u>Unassigned</u>	<u>Assigned for Construction &amp; Equipment</u>	<u>Total</u>
Balance at 6-30-88	\$66,710,000	\$10,098,000	\$76,808,000
Reclassification to Establish:			
Cash and Invest. for Debt Service	<13,000,000>	-0-	<13,000,000>
Cash and Invest. for Working Capital	<16,000,000>	-0-	<16,000,000>
Subtotal: Balance after Reclassification	\$37,710,000	\$10,098,000	\$47,808,000
Investment Income on Reserves and Appropriations	4,892,000	-0-	4,892,000
Transfer of Cash to Current Assets for Abandonment Cost Note Payable	-0-	< 2,500,000>	< 2,500,000>
Transfers for:			
Surgical Pathology Remodeling	< 1,029,000>	1,029,000	-0-
Masonic Hospital Remodeling	< 600,000>	600,000	-0-
Dermatology Clinic	< 204,000>	204,000	-0-
Computer Upgrade	< 850,000>	850,000	-0-
Neuroradiology Upgrade	< 909,000>	909,000	-0-
Equipment Rollforward Reserve:			
Net Transfer for 1987-88 Reserve (\$2,214,600 less expenditures of \$689,600)	< 1,525,000>	1,525,000	-0-
Expenditures:			
C.U.H.C.C.	-0-	< 319,000>	< 319,000>
MRI II	-0-	< 270,000>	< 270,000>
Dermatology Clinic	-0-	< 176,000>	< 176,000>
Surgical Pathology	-0-	< 93,000>	< 93,000>
Plant Funds	< 11,000>	< 34,000>	< 45,000>
Balance at 2-28-89	\$37,474,000	\$11,823,000	\$49,297,000

University of Minnesota Hospital and Clinic  
Board Designated Fund Activity  
Projected 2-28-89 through 6-30-89

	<u>Unassigned</u>	<u>Assigned</u>	<u>Total</u>
Balance at 2-28-89	\$37,474,000	\$11,823,000	\$49,297,000
Investment Income on Reserves	2,494,000	-0-	2,494,000
Transfer of Investment Income to Working Capital Reserve	< 2,128,000>	-0-	< 2,128,000>
Projected Expenditures:			
C.U.H.C.C.		< 50,000>	< 50,000>
MRI II		< 530,000>	< 530,000>
Dermatology Clinic		< 597,000>	< 597,000>
Surgical Pathology		< 400,000>	< 400,000>
Masonic Hospital Remodeling		< 400,000>	< 400,000>
Computer Upgrade		< 330,000>	< 330,000>
Planning & Architecture Fees	< 200,000>		< 200,000>
Equipment Rollforward Reserve:			
Projected Expenditures against 1987-88 Reserve		< 1,908,000>	< 1,908,000>
Transfer of Unexpended 1987-88 Reserve	250,000	< 250,000>	-0-
Transfer for Unexpended 1988-89 Capital Budget		<u>1,634,000</u>	<u>1,634,000</u>
Projected Balance at 6-30-89	\$37,890,000	\$ 8,992,000	\$46,882,000

SCHEDULE XI

University of Minnesota Hospital and Clinic  
Board Designated Fund Activity  
Projected 7-1-89 through 6-30-90

	<u>Unassigned</u>	<u>Assigned</u>	<u>Total</u>
Projected Balance at 6-30-89	\$37,890,000	\$ 8,992,000	\$46,882,000
Investment Income on Reserves	6,906,000	-0-	6,906,000
Transfer of Investment Income to Working Capital Reserve	< 1,356,000>	-0-	< 1,356,000>
Funding from Operations for Unit J	2,069,000	-0-	2,069,000
Transfer of Cash to Current Assets for Abandonment Cost Note Payable	-0-	< 1,300,000>	< 1,300,000>
Projected Expenditures:			
C.U.H.C.C.	< 100,000>	< 981,000>	< 1,081,000>
MRI II		< 2,795,000>	< 2,795,000>
Surgical Pathology	-0-	< 536,000>	< 536,000>
Masonic Hospital	< 100,000>	< 200,000>	< 300,000>
Neuroradiology Upgrade	-0-	< 909,000>	< 909,000>
Computer Upgrade	< 969,000>		< 969,000>
CT Scanner	< 992,000>	-0-	< 992,000>
Heart Catheterization	< 1,700,000>	-0-	< 1,700,000>
Lithotripter	< 550,000>	-0-	< 550,000>
Planning & Architecture Fees	< 6,140,000>	-0-	< 6,140,000>
Equipment Rollforward Reserve - Expenditure Against 1988-89 Reserve		< 1,634,000>	< 1,634,000>
Projected Balance at 6-30-90	\$34,958,000	\$ 637,000	\$35,595,000



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

April 10, 1989

TO: Board of Governors  
FROM: Clifford P. Fearing  
Senior Associate Director  
SUBJECT: Proposed Medicare Adjustments

I am writing to you at this time to inform you that the local Medicare intermediary (Blue Cross and Blue Shield of Minnesota, BCBSM) intends to reduce UMHC's allowable capital costs for Medicare reimbursement purposes. These adjustments have been proposed beginning with the 1986-87 fiscal year. These same adjustments can also be expected for fiscal years 1988, 1989 and into the future until these issues are resolved.

The adjustments proposed for 1987 essentially eliminate the interest on Unit J as an allowable expense. The basis for the adjustments are that UMHC borrowed more money than it needed resulting in excess reserve funds. Medicare, therefore, believes the interest expense is not an allowable Medicare cost. UMHC has taken the position that the savings on Unit J and our reserves are intended for Phase II of the Renewal Project. Therefore the expenses should be allowable costs and the interest income nonoffsetable.

Since these adjustments are only proposed at this time we will have an opportunity to seek resolution on them before BCBSM takes their final position. We hope to have a much better understanding of the financial implications of the adjustments through negotiation with BCBSM before June 30, 1989. However, our current estimates indicate that the lost Medicare reimbursement will range from \$3.5 million to \$7.5 million for the three fiscal years 1987, 1988, and 1989. We have reserved approximately \$2.9 million for Medicare adjustment contingencies and it is our belief that the final adjustments will be closer to \$3.5 million than the \$7.5 million end of the range.

Since this is a very complex set of circumstances it will more than likely be September before our negotiations and discussions with BCBSM will be complete and we know the exact position BCBSM will take in this matter.

Although we believe that our position on these issues will ultimately prevail, it is possible that UMHC may have to appeal our position to the

April 10, 1989  
Page two

Provider Reimbursement Review Board (PRRB). The PRRB is the board which arbitrates disputes between the Health Care Finance Administration (Medicare) and providers where differences of opinion exist over reimbursement regulation interpretation. This is usually a very lengthy and complex process and could take several years to resolve. Unfortunately, in the interim, Medicare will pay UMHC on the lower cost basis.

We are also looking at ways to reduce the financial impact of these proposal adjustments should BCBSM remain firm in their position. These include using reserves to reduce debt until such time as the funds for Renewal Project Phase II are required. At such time UMHC would then re-borrow the needed funds for Phase II of the Renewal Project.

The immediate impact of these adjustments is that Medicare will reduce our monthly payments for capital in fiscal 88-89 by approximately \$800,000. Repayment for the 1987 and 1988 fiscal years are expected to be required in the fall of 1989 and 1990 respectively.

Since these adjustments are only in the proposal state and we have an opportunity to negotiate and clarify a number of issues pertaining to those adjustments, we are deferring including these adjustments in our current year financial statements until we have completed our negotiations. The unresolved adjustments will be made on our financial statements no later than June 30, 1989.

We will continue to keep you apprised of this situation as it evolves. In the interim, if you have any questions please contact me at your convenience.

/th



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 26, 1989  
12:00 - 2:00 p.m.\*  
8-106 University Hospital**

**COMMITTEE MEMBERS**

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

**A G E N D A**

- |      |   |                    |
|------|---|--------------------|
| I.   | <b>Opening of Meeting and Approval of Minutes of joint Finance and Board of Governors meeting held 4/10/89 (Approval) pp. 1-3</b> | Mr. Jerry Meilahn  |
| II.  | <b>March 31, 1989 Financial Statements (Information) pp. 4-12</b>   | Mr. Cliff Fearing  |
| III. | <b>1989-90 Budget (Information) pp. 13-29</b>   | Mr. Robert Dickler |
| IV.  | <b>Rate Increase Approval (Endorsement) pp. 13</b>  | Mr. Robert Dickler |
| V.   | <b>Major Capital Expenditure (Information) pp. 28-29</b>  | Mr. Greg Hart      |
| VI.  | <b>Third Quarter, 1988-89 Bad Debts (Endorsement) pp. 30-70</b>   | Mr. Dan Rode       |

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

**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
JOINT MEETING OF THE FINANCE COMMITTEE AND BOARD OF GOVERNORS  
April 10, 1989**

**MINUTES**

**ATTENDANCE:**

Present:	<u>Finance Committee</u> Carol Campbell Edward Ciriacy, M.D. Robert Dickler Clifford Fearing Elwin Fraley, M.D. Jerry Meilahn Vic Vikmanis	<u>Board of Governors</u> Leonard C. Bienias David M. Brown, M.D. Paula Clayton, M.D. Gus Donhowe Phyllis Ellis David Link Robert Nickoloff Cherie Perlmutter
Not Present:	Erwin L. Goldfine Barbara O'Grady	George Heenan B. Kristine Johnson Robert Latz James Moller, M.D.
Staff:	Kay Fuecker Greg Hart Teri Holberg Nancy Janda Nels Larson Barbara Tebbitt	

**CALL TO ORDER:**

The joint Finance and Board of Governors meeting was called to order by Mr. Jerry Meilahn, Chairman of Finance Committee, on April 10, 1989 at 1:05 p.m.

**1989-90 BUDGET:**

Mr. Robert Dickler noted that the 1989-90 UMHC budget is brought before the Finance Committee and Board of Governors for information and discussion at this time. The budget will be submitted for rate increase approval to the Finance Committee and Board of Governors at the April meetings and full budget approval will be sought in May.

Mr. Dickler reported that increases in compensation levels due to contract negotiations in all areas, and rapid changes in resource consumption due to increases in the average length of stay and in high ancillary utilization levels, are two areas that will impact UMHC's expenditures in this year and the 1989-90 budget year.

Mr. Clifford Fearing reported that the 1989-90 budget was developed with the following set of assumptions:

Demand Analysis - The overall average length of stay has increased from a budgeted level in 1988-89 of 7.7 to an actual level of 8.2 days through February 1989. Admissions are 4.4% above budget. As a result of these increases inpatient census for 1989-90 has been budgeted at 18,850 admissions and 158,100 patient days, with a projected average daily census of 443.

Ancillary Service Utilization - The projected increases for 1989-90 in ancillary service revenue reflects the projected decline in inpatient admissions levels and the decline in ancillary utilization for low acuity patient days.

Deduction from Changes -

Medicare Prospective Payment System

Mr. Fearing reported that the budget is based on the following assumptions:

- a) a 3.2% payment rate increase on DRG's;
- b) an indirect medical education payment reduction of 30%;
- c) a reduction of 10% in outpatient reimbursement for Ambulatory Surgery Center and radiology services; and
- d) the capital cost payments will be reduced to 80% of actual costs.

Medical Assistance and General Assistance Medical Care

Payment rates are expected to increase 5.7% effective July 1, 1989.

HMO/PP0 Discounts

Mr. Fearing noted reimbursement has dropped below 80% of charges during the last few months, but it is projected there will be a net increase of 2% for budget year 1989-90 bringing the total back to the 80% level.

Other Operating Revenue - Moderate changes expected in the 1989-90 budget year will affect most of the other operating revenues for a budgeted increase in other operating revenues of approximately \$1,068,000.

Expenditure Summary - Salary increases for 1989-90 would consist of a 12% increase for nursing and a 6% increase for all other employees. All other expenditures are expected to increase 5.9% overall.

Non-Operating Revenue - Projected inflationary increases on appropriations is 5.0%. It is also assumed that in 1989-90 the appropriation will no longer earn interest income for the Hospital.



Fiscal Year 1989-90 Price and Revenue Increases - Mr. Fearing reported that the 1989-90 budget presented to the Board is based on a 7.5% price increase, which would result in total patient charges of \$340,467,000. Administration may recommend a larger increase at the April Board meeting.

Capital Expenditures - Mr. Fearing reported that it is projected the Hospital will spend \$17,606,000 from its reserves in 1989-90. \$4,700,000 will be used for projects already approved by the Board (CUHCC, MRI, Surgery Pathology and Masonic Hospital remodeling), \$5,100,000 for new projects, \$6,100,000 for Unit J expansion and Mayo renovation, and \$1,600,000 for equipment approved but not purchased in 1988-89. Operating cash flows in 1989-90 will provide \$8,300,000 for equipment replacement and minor remodeling, and \$3,100,000 for debt service on equipment and bonds is also required next year.

Mr. Fearing reported that since the last Board meeting Medicare indicated it will be disallowing the majority of the interest on Unit J as an allowable expense. Medicare's position is that the Hospital borrowed more money than necessary for the Unit J Project, as explained under a separate memorandum to the Board, and that this adjustment may reduce Medicare reimbursement for 1988-89 by \$800,000.

For 1988-89 another adjustment will need to be made because of a recently discovered error in last year's audit. This adjustment will reduce Blue Cross receivables by \$1,600,000 for this year and has been incorporated in the 1988-89 financial projections.

Mr. Greg Hart brought to the attention of the Board that even with a 7.5% price increase there will be a negative cash flow of approximately \$5,500,000 for fiscal year 1989-90, and UMHC will attempt to regain \$1,000,000 of the 1988-89 projected loss in 1989-90.

To help in reducing this negative cash flow, Mr. Hart reported that a consulting firm, McFaul and Lyons, has been hired to assist the Hospital in reducing supply expenditures. Mr. Hart stated this firm has been used by a number of hospitals with very favorable results. With their assistance UMHC is targeting a \$2,000,000 reduction in non-salary expenditures. It is also expected that \$2,000,000 of the \$6,500,000 will be eliminated through improvements in receivables. The remaining \$2,500,000 would be eliminated by the reduction of approximately than seventy full time equivalents. This can be accomplished without layoffs.

Other suggestions for reducing the negative cash flow consisted of proposing a 1989-90 budget with a range of 7.5% to 9.5% for the rate increase. It was also proposed that UMHC request an increase in level of appropriations brought before the legislature in future years.

There being no further discussion, the April 10, 1989 meeting was adjourned at 2:15 p.m.

Respectfully submitted,

*Teri Holberg*

Teri Holberg  
Recording Secretary



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

April 26, 1989

**TO:** Board of Governors Finance Committee  
**FROM:** Clifford P. Fearing  
**SUBJECT:** Report of Operations for the Period  
July 1, 1988 through March 31, 1989

The Hospital's operations through the month of March continue to reflect both inpatient admissions and outpatient visit activity that are above budgeted levels although the month of March saw a decline in inpatient census levels. Both ancillary and routine revenue are above budgeted levels for the month of March and year-to-date.

**INPATIENT CENSUS:** For the month of March, inpatient admissions totaled 1,607, which was 34 below budgeted admissions of 1,641. Our overall average length of stay for the month was 8.6 days. Patient days for March totaled 13,931 and were 1,414 days over budget. The decrease in admission levels from budget was primarily in the areas of Gynecology, Ophthalmology, and Pediatrics. It was partially offset by an increase in Medicine.

To recap our year-to-date inpatient census:

	1987-88	1988-89	1988-89		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>
Admissions	14,237	13,828	14,105	277	2.0
Patient Days	113,708	106,800	119,838	13,038	12.2
Avg Length of Stay	8.0	7.7	8.5	0.8	10.4
Avg Daily Census	413.5	389.8	437.4	47.6	12.2
Percent Occupancy	71.3	67.6	75.2	7.6	11.2

**OUTPATIENT CENSUS:** Clinic visits for the month of March totaled 23,488 which was 244, or 1.0%, over budgeted visits of 23,244. Areas in which actual visits were significantly over budget included Orthopedics, Adult Psych, Family Practice and Masonic Day Hospital. The increases were offset by decreases in OB/GYN, Medicine, and Ophthalmology. Community University Health Care Center (CUHCC) visits for the month of March totaled 4,721, which was 158, or 3.5%, over budgeted visits of 4,563, while Home Health visits of 1,113 for the month were 298, or 36.5%, above budgeted visits of 815.

REPORT OF OPERATIONS  
MARCH 1989  
PAGE 2

To recap our year-to-date outpatient census:

	1987-88	1988-89	1988-89		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>
Clinic Visits	194,130	195,731	200,852	5,121	2.6
CUHCC Visits	36,228	37,302	34,720	(2,582)	(6.9)
HHA Visits	6,874	7,207	9,083	1,876	26.0

**FINANCIAL OPERATIONS:** The Hospital's Statement of Operations shows revenues over expenses by \$42,452, an unfavorable variance of \$1,331,478.

Patient care charges through March totaled \$233,234,035, which was 12.1% over budget. Routine revenue was 15.5% over budget and reflects our year-to-date favorable patient day variance.

Ancillary revenue was \$16,808,243 above budget (10.9%) and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$8,908 per admission compared to the budgeted average of \$7,982 per admission. Outpatient revenue per clinic visit has averaged \$227 compared to the budgeted average of \$225.

Operating expenditures through March totaled \$203,374,577 and were \$9,821,216 (5.1%) over budgeted levels of \$193,553,361. The overall unfavorable variance relates primarily to the increased demand for patient services, and is reflected in higher personnel costs and patient care supplies (drugs, blood, and medical supplies and services).

**ACCOUNTS RECEIVABLE:** The balance in patient accounts receivable as of March 31, 1989, totaled \$91,944,891 and represented 101.4 days of revenue outstanding. The overall decrease in our patient receivables in March of 5.5 days occurred primarily in Minnesota Medical Assistance and Medical Assistance - Other States.

**BOARD DESIGNATED ASSETS:** In March, because of arbitrage limitations on interest earnings, we transferred \$21,765,000 from the Trustee to the University. This move will enable us to earn a higher rate of interest on those funds.

**CONCLUSION:** The Hospital's overall operating position for the month of March is positive, reflecting net revenues greater than operating expenditures. The result is a slight improvement in our overall position in February. We will 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, 1988 TO MARCH 31, 1989

	1988-89 Budgeted	1988-89 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	\$208,135,349	\$233,234,036	\$25,098,687	12.1%
Deductions from Charges	35,997,050	52,839,594	\$16,842,544	46.8%
Other Operating Revenue	6,451,699	7,101,423	\$649,724	10.1%
Total Operating Revenue	178,589,998	187,495,865	8,905,867	5.0%
Total Expenditures	193,553,361	203,374,577	9,821,216	5.1%
Net Operating Revenue	(14,963,363)	(15,878,712)	(915,349)	-6.1%
Non-Operating Revenue and Expenses	16,137,293	17,540,604	1,403,311	8.7%
Revenue Over/Under Expense	\$1,173,930	\$1,661,892	\$487,962	
Prior Year BC/BS Adjustment		(1,619,440)		
Adjusted Revenue Over/(Under) Expense		42,452		

	1988-89 Budgeted	1988-89 Actual	Variance Over/-Under Budget	Variance %
Admissions	13,828	14,105	277	2.0%
Patient Days	106,800	119,838	13,038	12.2%
Average Daily Census	389.8	437.4	47.6	12.2%
Average Length of Stay	7.7	8.5	0.8	10.4%
Percentage Occupancy	67.6	75.2	7.6	11.2%
Outpatient Clinic Visits	195,731	200,852	5,121	2.6%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
STATEMENT OF OPERATIONS  
FOR THE PERIOD ENDED JULY 1, 1988 TO MARCH 31, 1989

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$72,149,000	ROUTINE	\$53,622,010	\$61,912,453	\$8,290,443	15.5%
209,270,000	ANCILLARY	154,513,339	171,321,582	16,808,243	10.9%
\$281,419,000	GROSS CHARGES	\$208,135,349	\$233,234,035	\$25,098,686	12.1%
	DEDUCTIONS FROM CHARGES				
\$8,692,000	BILLING ADJUSTMENTS	\$6,428,606	\$8,234,529	\$1,805,923	28.1%
7,346,000	HMO/PPO DISCOUNTS	5,433,277	12,291,994	6,858,717	126.2%
29,116,000	GOVERNMENTAL CONTRACTUAL ADJUST	21,533,610	29,098,234	7,564,624	35.1%
550,000	CHARITABLE CARE	406,776	404,487	(2,289)	-0.6%
2,967,000	PROVISION FOR UNCOLLECTABLES	2,194,781	2,810,350	615,568	28.0%
\$48,671,000	TOTAL DEDUCTIONS	\$35,997,050	\$52,839,594	\$16,842,544	46.8%
	OTHER OPERATING REVENUE				
\$1,528,000	FOOD SERVICES	\$1,128,152	\$1,155,264	\$27,112	2.4%
576,000	PARKING SERVICES	425,565	566,887	141,322	33.2%
48,000	DEPARTMENT NON-PATIENT	35,754	119,340	83,586	233.8%
1,105,000	CUHCC GRANTS	843,905	839,836	(4,069)	-0.5%
1,487,000	REFERENCE LAB INCOME	1,097,661	1,427,923	330,262	30.1%
1,533,000	PRO FEES--NET REVENUE	1,133,781	1,264,383	130,602	11.5%
0	SILVER SALVAGE		(35,582)	(35,582)	
2,407,000	INCOME FROM BOND PROCEEDS	1,786,880	1,763,372	(23,508)	-1.3%
\$8,684,000	TOTAL OTHER REVENUE	\$6,451,699	\$7,101,423	\$649,724	10.1%
\$241,432,000	TOTAL REVENUE FROM OPERATIONS	\$178,589,998	\$187,495,865	\$8,905,867	5.0%
	EXPENDITURES				
\$106,821,000	SALARIES	\$80,374,281	\$85,113,278	\$4,738,997	5.9%
24,605,000	FRINGE BENEFITS	18,203,834	17,907,932	(295,902)	-1.6%
2,128,000	ACADEMIC CONTRACTS	1,596,387	1,586,211	(10,176)	-0.6%
5,907,000	RESIDENT CONTRACTS	4,410,035	4,256,487	(153,548)	-3.5%
3,056,000	PHYSICIAN COMPENSATION	2,291,991	2,242,693	(49,298)	-2.2%
142,517,000	TOTAL SALARY, F.B., & FEES	106,876,528	111,106,601	4,230,073	4.0%
2,418,000	LAUNDRY & LINEN	1,792,739	1,710,680	(82,059)	-4.6%
1,760,000	RAW FOOD	1,314,392	1,333,865	19,473	1.5%
18,140,000	DRUGS	13,393,761	13,752,723	358,962	2.7%
8,255,000	BLOOD & BLOOD DERIVATIVES	6,095,373	7,730,667	1,635,293	26.8%
20,348,000	MEDICAL SUPPLIES & SERVICES	15,740,584	19,481,732	3,741,148	23.8%
5,923,000	UTILITIES	4,546,723	4,149,246	(397,477)	-8.7%
1,383,000	INSURANCE	1,014,982	810,629	(204,353)	-20.1%
3,700,000	RENTAL	2,757,759	2,898,827	141,068	5.1%
4,475,000	MAINTENANCE & REPAIR	3,359,333	3,290,145	(69,188)	-2.1%
0	NET LOSS ON DISPOSAL OF ASSETS	0	21,522	21,522	
256,000	CAMPUS ADMINISTRATION EXPENSE	192,266	201,695	9,429	4.9%
17,918,000	DEPRECIATION	13,535,000	13,200,738	(334,262)	-2.5%
12,005,000	INTEREST	9,047,790	9,778,166	730,376	8.1%
19,378,000	GENERAL SUPPLIES & EXPENSE	13,886,131	13,907,341	21,210	0.2%
\$258,476,000	TOTAL EXPENDITURES	\$193,553,361	\$203,374,577	\$9,821,216	5.1%
(\$17,044,000)	NET REVENUE FROM OPERATIONS	(\$14,963,363)	(\$15,878,712)	(\$915,349)	-6.1%
	NON-OPERATING REVENUE				
\$14,725,000	APPROPRIATIONS & SUPPORT	\$11,043,426	\$11,164,582	\$121,156	1.1%
0	ACCRUED INTEREST ON APPROPRIATIONS	0	121,861	121,861	
5,258,000	INTEREST INCOME ON RESERVES	4,125,844	5,284,567	1,158,723	28.1%
101,000	SHARED SERVICES	143,087	125,548	(17,539)	-12.3%
1,094,000	INVESTMENT INCOME HELD BY TRUSTEE	824,936	798,842	(26,094)	-3.2%
	OTHER INVESTMENT INCOME		45,204	45,204	
\$21,178,000	TOTAL NON-OPERATING REVENUE	\$16,137,293	\$17,540,604	\$1,403,311	8.7%
\$4,134,000	REVENUE OVER/(UNDER) EXPENSE	\$1,173,930	\$1,661,892	\$487,962	
	PRIOR YEAR BC/BS ADJUSTMENT		(\$1,619,440)	(\$1,619,440)	
\$4,134,000	ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$1,173,930	\$42,452	(\$1,131,478)	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
BALANCE SHEETS

MARCH 31, 1989 AND JUNE 30, 1988

ASSETS	03/31/89	6/30/88	LIABILITIES AND FUND BALANCES	03/31/89	6/30/88
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Operating Cash	\$72,282	\$208,805	Accounts payable	\$8,256,202	\$8,034,429
Reserve Cash- Third Party Payable	6,784,558	8,918,146	Payable to Third Party Contr. Payors	8,958,925	8,918,146
Reserve Cash- Current Indebtedness	4,893,658	8,563,351	Salaries, Wages and Payroll Taxes	7,119,012	4,550,262
Accounts Receivable			Accrued Vacation	7,834,741	7,359,638
Patient Receivables	91,692,532	81,094,942	Accrued Professional Fees and		
Other Receivables	2,196,601	1,946,003	Physician Compensation	1,733,674	1,335,462
Third Party Receivable	4,989,367	0	Contracts Payable	140,569	434,994
Appropriation Receivable	1,235,477	0	Construction Retainages	0	171,434
	100,113,977	83,040,945	Interest Payable	2,075,541	4,927,542
Less Allowances for Losses in Collection	(6,002,478)	(5,609,000)	Current Portion of Long-Term Debt	699,802	3,826,673
			Promissory Notes Payable	2,500,000	2,500,000
Less Allowances for Discounts to Third Party Payors	(19,515,983)	(15,764,889)			
	74,595,516	61,667,056			
Trustee Held Assets	0	171,434			
Inventories of Drugs & Supplies	4,819,180	4,749,699			
Prepaid Expenses	591,786	977,120			
<b>TOTAL CURRENT ASSETS</b>	<b>\$91,756,980</b>	<b>\$85,255,611</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$39,318,466</b>	<b>\$42,058,580</b>
<b>ASSETS WHOSE USE IS LIMITED</b>					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$59,321,986	\$66,561,487			
Accrued Interest	1,706,112	148,240			
	61,028,098	66,709,727			
Cash & Invest for Debt Service	13,000,000				
Cash & Invest for Working Capital	11,875,490		LONG-TERM DEBT, LESS CURRENT PORTION	\$171,702,864	\$174,669,487
<b>TOTAL</b>	<b>\$85,903,588</b>	<b>\$66,709,727</b>			
<b>PROPERTY, PLANT, &amp; EQUIPMENT</b>					
Land, Buildings & Improvements	\$183,573,536	\$183,083,996			
Equipment	81,241,155	77,311,403			
	264,814,691	260,395,399			
Less Accumulated Depreciation	(96,397,839)	(83,775,058)			
	168,416,852	176,620,341			
Construction in Progress	5,515,828	5,249,789			
<b>TOTAL PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b>173,932,680</b>	<b>\$181,870,130</b>			
Assigned Cash & Investments for Construction/Equipment	11,271,641	10,098,464			
<b>TOTAL</b>	<b>\$185,204,321</b>	<b>191,968,594</b>			
<b>INVESTMENTS HELD BY BOND TRUSTEE</b>	<b>\$18,651,872</b>	<b>\$42,262,027</b>			
<b>OTHER ASSETS</b>					
Deferred Third Party Reimbursement	\$8,017,004	\$8,520,626			
Deferred Debt Expense	1,196,872	\$1,360,345			
Deposits and Other	595,515	\$585,894			
<b>TOTAL</b>	<b>\$9,809,391</b>	<b>\$10,466,865</b>	<b>UNRESTRICTED FUND BALANCE</b>	<b>\$180,304,822</b>	<b>\$179,934,757</b>
<b>TOTAL ASSETS</b>	<b>\$391,326,152</b>	<b>\$396,662,824</b>	<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$391,326,152</b>	<b>\$396,662,824</b>
<b>RESTRICTED ASSETS</b>			<b>RESTRICTED FUND BALANCES</b>		
Cash and Investments	\$6,182,238	\$5,955,184	Endowment Funds	\$2,058,113	\$1,977,422
			Gift Funds	4,124,125	3,977,762
				\$6,182,238	\$5,955,184

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1988 TO MARCH 31, 1989

Source of Funds

Beginning Operating Cash Balance		\$208,805
Net Income from Operations	(15,878,712)	
Prior Period Blue Cross Adjustment	(1,619,440)	
Non-Operating Revenue	17,540,604	
	-----	
Excess of Revenue over Expense		42,452
Items not Requiring the Outlay of Cash		
Depreciation		13,200,738
University Support: G & A		201,695
Contribution to Capital (KE Utilities)		98,260
Loss on Disposal of Assets		21,522
Deferred Third Party Reimbursement		503,622
Renewal Project Interest Expense		7,703,587
Increase in Accrued Expenses		3,383,357
Decrease in Prepaid Expenses		385,334
Decrease in Other Receivables		223,651
Transfer Third Party Reserve		4,948,588
Increase in Third Party Payable		40,779
		-----
Total Funds Provided from Operations		\$30,962,390

Funds Applied

Capital Expenditures	5,370,564
Appropriation Receivable	1,235,477
Increase in Inventory	79,102
Third Party Receivable	4,989,367
Increase in Accounts Receivable	6,705,377
Investment Income - Trustee-held Assets	798,842
Transfers to Reserves - Bond Retirement	9,451,546
	-----
Total Funds Applied	\$28,630,275
	-----
Operating Cash Made Available from Operations	\$2,332,115
	=====

Total Operating Cash Available of \$2,332,115 plus Transfers for Bond Retirement of \$9,451,546; plus Transfers to Plant of \$5,370,564 equals Cash Generated from Operations of \$17,154,225.

Current Cash Summary

Operating Cash	\$2,332,115
Operating Cash from Working Capital Reserve	3,146,595
Reserve Cash for Liability to Third Party Payors	6,784,558
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	2,393,658
	-----
	17,156,926
Less Interest Income on Reserves	(5,406,428)
	-----
Total Current Cash	\$11,750,498
	=====

University of Minnesota Hospital & Clinic  
Statement of Changes in Fund Balance  
For the Period July 1, 1988 through March 31, 1989

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
<b>UNRESTRICTED FUNDS</b>						
Beginning Balance	\$37,393,924	\$8,563,351	\$66,709,727	\$24,834,294	\$42,433,461	\$179,934,757
<b>Net Income</b>						
Excess of Revenue over Expense	5,559,362					
Interest Income on Reserves			5,284,567			
Accrued Interest on Appropriations			121,861			
Depreciation Expense				(13,200,738)		
Gain on Disposal of Assets				(21,522)		
Interest Income on Trustee Held Fund					798,842	
Amortization of Deferred Bond Expense				(263,292)		
Interest income on Bond Proceeds					1,763,372	
<b>Total Income</b>						42,452
<b>Less Expense</b>						
University Support: G & A	201,695					201,695
Contribution to Capital	98,260					98,260
<b>Transfers Between Funds</b>						
Major Building Projects- Hosp. Capital Expenditures	(4,508,199)		(4,831,402)	4,831,402		0
Major Equipment Requisition	(867,472)			867,472		0
Adjustment to Shared Buildings				10,895		10,895
Bond Interest Payment	12,069,612	(10,811,156)			(1,258,456)	0
Bond Interest Expense Funding	(7,440,297)	7,945,214			(504,917)	0
Bond Principal Payments				2,815,000	(2,815,000)	0
Trsf over funding of Bond Princ.	2,815,000	(2,815,000)				0
Bond Principal Funding	(2,011,249)	2,011,249				0
Short Term Note Funding	2,500,000			(2,500,000)		0
Trsf Trustee Funds to Campus			21,765,430		(21,765,430)	0
Restrict Fd committment to Plant Funding Working Capital	3,146,595		(3,146,595)	16,763		16,763
<b>Ending Balance</b>	<b>\$48,957,231</b>	<b>\$4,893,658</b>	<b>\$85,903,588</b>	<b>\$21,898,473</b>	<b>\$18,651,872</b>	<b>\$180,304,822</b>

	GIFT	ENDOWMENT	TOTAL
<b>RESTRICTED FUNDS</b>			
Beginning Balance	3,977,762	1,977,422	5,955,184
Income	941,892	80,356	1,022,248
Disbursement	(123,029)	335	(122,694)
Transfer to non-hospital fund	(672,500)		(672,500)
<b>Ending Balance</b>	<b>\$4,124,125</b>	<b>\$2,058,113</b>	<b>\$6,182,238</b>



University of Minnesota Hospital and Clinic  
Board Designated Fund Activity  
6-30-88 through 3-31-89

	<u>Unassigned</u>	<u>Assigned for Construction &amp; Equipment</u>	<u>Total</u>
Balance at 6-30-88	\$66,710,000	\$10,098,000	\$76,808,000
Reclassification to Establish:			
Cash and Invest. for Debt Service	<13,000,000>	-0-	<13,000,000>
Cash and Invest. for Working Capital	<16,000,000>	-0-	<16,000,000>
Subtotal: Balance after Reclassification	\$37,710,000	\$10,098,000	\$47,808,000
Investment Income on Reserves and Appropriations	5,406,400	-0-	5,406,400
Transfer of Cash to University from Trustee	21,765,400		21,765,400
Transfer of Cash to Current Assets for Abandonment Cost Note Payable	-0-	< 2,500,000>	< 2,500,000>
Transfers for:			
Surgical Pathology Remodeling	< 1,029,000>	1,029,000	-0-
Masonic Hospital Remodeling	< 600,000>	600,000	-0-
Dermatology Clinic	< 204,000>	204,000	-0-
Computer Upgrade	< 850,000>	850,000	-0-
Neuroradiology Upgrade	< 909,000>	909,000	-0-
Equipment Rollforward Reserve:			
Net Transfer for 1987-88 Reserve (\$2,214,600 less expenditures of \$945,698)	< 1,268,900>	1,268,900	-0-
Expenditures:			
C.U.H.C.C.	-0-	< 331,400>	< 331,400>
MRI II	-0-	< 363,500>	< 363,500>
Dermatology Clinic	-0-	< 209,600>	< 209,600>
Surgical Pathology	-0-	< 194,300>	< 194,300>
Plant Funds	< 11,000>	< 88,500>	< 99,500>
Balance at 3-31-89	\$60,009,900	\$11,271,600	\$71,281,500

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
CAPITAL EXPENDITURES  
7-1-88 THRU 3-31-89

	ANNUAL BUDGET AND ROLLFORWARD			SEASONILIZED BUDGET			ACTUAL EXPENDITURES		
	BUDGET	ROLL FORWARD FROM 6-30-88	TOTAL	9-MONTH BUDGET	9-MONTH ROLLFORWARD	TOTAL	88-89 ACTUAL	87-88 ROLL FORWARD	TOTAL
RECURRING EQUIP & REMODEL:									
EQUIPMENT PURCHASES									
88-89 Budget	\$6,718,513		\$6,718,513	\$3,500,000		\$3,500,000	\$3,097,640		\$3,097,640
Rollforward		\$2,847,693	\$2,847,693		\$1,600,000	\$1,600,000		\$945,698	\$945,698
	\$6,718,513	\$2,847,693	\$9,566,206	\$3,500,000	\$1,600,000	\$5,100,000	\$3,097,640	\$945,698	\$4,043,338
REMODELING PROJECTS	\$1,272,650		\$1,272,650	\$775,000		\$775,000	\$277,132	\$187,729	\$464,861
	\$7,991,163	\$2,847,693	\$10,838,856	\$4,275,000	\$1,600,000	\$5,875,000	\$3,374,772	\$1,133,427	\$4,508,199
PRINCIPLE PAYMENTS									
CT SCANNER	\$179,800					\$133,600			\$133,600
COMPUTER EQUIP	\$665,795					\$530,397			\$530,397
LITHOTRIPTOR	\$288,405					\$214,316			\$214,316
	\$1,134,000					\$878,313			\$878,313
TOTAL:	\$9,125,163					\$6,753,313			\$5,386,512
BOND PAYMENTS:	\$2,815,000								\$2,815,000
CAPITAL PROJECTS:									
	AUTHORIZED BUDGET	EXPENDITURES 1988-89	TOTAL EXPEND. TO DATE						
MRI II	\$3,600,000	\$363,459	\$363,459						
DERMATOLOGY	\$612,410	\$209,557	\$270,451						
MAYO 4 SURG	\$1,029,350	\$193,296	\$193,296						
CUHCC	\$1,350,000	\$331,373	\$331,373						
MASONIC HOSP	\$600,000	\$11,187	\$11,187						
COMPUTER UPGRADE	\$850,000	--	--						
NEURORADIOLOGY UPGRADE	\$909,000	--	--						
TOTAL	\$8,950,760	\$1,108,872	\$1,169,766						
MISC. CAPITAL EXPEND		\$75,483							
		\$1,184,355							

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
STATEMENT OF OPERATIONS  
FOR THE PERIOD ENDED JULY 1, 1988 TO MARCH 31, 1989

MARCH BUDGETED	MARCH ACTUAL	MARCH VARIANCE	VARIANCE %		BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$6,283,645	\$7,204,653	\$921,008	14.7%	PATIENT CARE CHARGES	\$53,622,010	\$61,912,453	\$8,290,443	15.5%
18,340,091	20,766,491	2,426,400	13.2%	ROUTINE	154,513,339	171,321,582	16,808,243	10.9%
				ANCILLARY				
\$24,623,736	\$27,971,144	\$3,347,408	13.6%	GROSS CHARGES	\$208,135,349	\$233,234,035	\$25,098,686	12.1%
				DEDUCTIONS FROM CHARGES				
\$760,545	\$1,070,367	\$309,822	40.7%	BILLING ADJUSTMENTS	\$6,428,606	\$8,234,529	\$1,805,923	28.1%
642,791	2,031,362	1,388,571	216.0%	HMO/PPO DISCOUNTS	5,433,277	12,291,994	6,858,717	126.2%
2,547,563	3,985,571	1,438,008	56.4%	GOVERNMENTAL CONTRACTUAL ADJUST	21,533,610	29,098,234	7,564,624	35.1%
48,126	51,550	3,424	7.1%	CHARITABLE CARE	406,776	404,487	(2,289)	-0.6%
259,657	294,945	35,288	13.6%	PROVISION FOR UNCOLLECTABLES	2,194,781	2,810,350	615,568	28.0%
\$4,258,682	\$7,433,795	\$3,175,113	74.6%	TOTAL DEDUCTIONS	\$35,997,050	\$52,839,594	\$16,842,544	46.8%
				OTHER OPERATING REVENUE				
\$134,017	\$137,952	\$3,935	2.9%	FOOD SERVICES	\$1,128,152	\$1,155,264	\$27,112	2.4%
50,554	70,115	19,561	38.7%	PARKING SERVICES	425,565	566,887	141,322	33.2%
4,045	10,751	6,706	165.8%	DEPARTMENT NON-PATIENT	35,754	119,340	83,586	233.8%
89,501	43,165	(46,336)	-51.8%	CUHCC GRANTS	843,905	839,836	(4,069)	-0.5%
130,288	147,579	17,291	13.3%	REFERENCE LAB INCOME	1,097,661	1,427,923	330,262	30.1%
134,133	149,084	14,951	11.1%	PRO FEES--NET REVENUE	1,133,781	1,264,383	130,602	11.5%
	(6,094)	(6,094)		SILVER SALVAGE		(35,582)	(35,582)	
205,618	204,652	(966)	-0.5%	INCOME FROM BOND PROCEEDS	1,786,880	1,763,372	(23,508)	-1.3%
\$748,157	\$757,204	\$9,047	1.2%	TOTAL OTHER REVENUE	\$6,451,699	\$7,101,423	\$649,724	10.1%
\$21,113,212	\$21,294,554	\$181,342	0.9%	TOTAL REVENUE FROM OPERATIONS	\$178,589,998	\$187,495,865	\$8,905,867	5.0%
				EXPENDITURES				
\$8,958,284	\$9,420,389	\$462,105	5.2%	SALARIES	\$80,374,281	\$85,113,278	\$4,738,997	5.9%
2,168,333	1,977,344	(190,989)	-8.8%	FRINGE BENEFITS	18,203,834	17,907,932	(295,902)	-1.6%
177,376	176,246	(1,130)	-0.6%	ACADEMIC CONTRACTS	1,596,387	1,586,211	(10,176)	-0.6%
499,059	471,149	(27,910)	-5.6%	RESIDENT CONTRACTS	4,410,035	4,256,487	(153,548)	-3.5%
54,666	247,766	(6,900)	-2.7%	PHYSICIAN COMPENSATION	2,291,991	2,242,693	(49,298)	-2.2%
12,057,717	12,292,894	235,177	2.0%	TOTAL SALARY, F.B., & FEES	106,876,528	111,106,601	4,230,073	4.0%
211,090	185,533	(25,557)	-12.1%	LAUNDRY & LINEN	1,792,739	1,710,680	(82,059)	-4.6%
151,353	164,200	12,847	8.5%	RAW FOOD	1,314,392	1,333,865	19,473	1.5%
1,591,090	1,683,904	92,814	5.8%	DRUGS	13,393,761	13,752,723	358,962	2.7%
724,090	692,767	(31,324)	-4.3%	BLOOD & BLOOD DERIVATIVES	6,095,373	7,730,667	1,635,293	26.8%
1,869,878	2,357,231	487,353	26.1%	MEDICAL SUPPLIES & SERVICES	15,740,584	19,481,732	3,741,148	23.8%
489,573	226,867	(262,706)	-53.7%	UTILITIES	4,546,723	4,149,246	(397,477)	-8.7%
122,702	62,435	(60,267)	-49.1%	INSURANCE	1,014,982	810,629	(204,353)	-20.1%
317,804	429,962	112,158	35.3%	RENTAL	2,757,759	2,898,827	141,068	5.1%
380,071	314,674	(65,397)	-17.2%	MAINTENANCE & REPAIR	3,359,333	3,290,145	(69,188)	-2.1%
0	0	0		NET LOSS ON DISPOSAL OF ASSETS	0	21,522	21,522	
21,753	22,411	658	3.0%	CAMPUS ADMINISTRATION EXPENSE	192,266	201,695	9,429	4.9%
1,539,050	1,485,540	(53,510)	-3.5%	DEPRECIATION	13,535,000	13,200,738	(334,262)	-2.5%
986,457	1,069,236	82,779	8.4%	INTEREST	9,047,790	9,778,166	730,376	8.1%
1,571,059	1,483,183	(87,876)	-5.6%	GENERAL SUPPLIES & EXPENSE	13,886,131	13,907,341	21,210	0.2%
\$22,033,685	\$22,470,837	\$437,151	2.0%	TOTAL EXPENDITURES	\$193,553,361	\$203,374,577	\$9,821,216	5.1%
(\$920,474)	(\$1,176,283)	(\$255,809)	27.8%	NET REVENUE FROM OPERATIONS	(\$14,963,363)	(\$15,878,712)	(\$915,349)	-6.1%
				NON-OPERATING REVENUE				
\$1,227,047	\$1,235,467	\$8,420	0.7%	APPROPRIATIONS & SUPPORT	\$11,043,426	\$11,164,582	\$121,156	1.1%
0	0	0		ACCRUED INTEREST ON APPROPRIATIONS	0	121,861	121,861	
393,418	514,537	121,119	30.8%	INTEREST INCOME ON RESERVES	4,125,844	5,284,567	1,158,723	28.1%
16,189	23,226	7,037	43.5%	SHARED SERVICES	143,087	125,548	(17,539)	-12.3%
89,921	83,012	(6,909)	-7.7%	INVESTMENT INCOME HELD BY TRUSTEE	824,936	798,842	(26,094)	-3.2%
	0	0		OTHER INVESTMENT INCOME		45,204	45,204	
\$1,726,575	\$1,856,242	\$129,667	7.5%	TOTAL NON-OPERATING REVENUE	\$16,137,293	\$17,540,604	\$1,403,311	8.7%
\$806,102	\$679,959	(\$126,143)		REVENUE OVER/(UNDER) EXPENSE	\$1,173,930	\$1,661,892	\$487,962	
				PRIOR YEAR BC/BS ADJUSTMENT		(\$1,619,440)	(\$1,619,440)	
\$806,102	\$679,959	(\$126,143)		ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$1,173,930	\$42,452	(\$1,131,478)	



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

April 21, 1989

TO: Board of Governors  
Finance Committee

FROM: Robert Dickler  
General Director

SUBJECT: 1989-90 Budget

The enclosed materials are essentially the same that we provided you for the special Finance Committee meeting on April 10, 1989. We have however incorporated the changes necessary to bring the 1989-90 budget to a positive cash position of \$959,000. Assuming a 7.5% rate increase the changes incorporate a \$2,000,000 reduction in accounts receivable, a \$2,000,000 reduction in supplies and expenses, and a \$2,500,000 reduction in salaries and fringe benefits. Salaries and fringe benefits were decreased by reducing the full time equivalent base from 4,153 to 4,070 for 1989-90. We believe these reductions can occur through attrition before July 1, 1989 and therefore will not require other action to accomplish this objective.

We are also providing a 9.5% rate increase scenario which will provide a \$2,700,000 cash flow budget for 1989-90. Due to the uncertainties of Federal reimbursement and compensation levels, we believe it is prudent to seek your approval for a 9.5% rate increase for next year. However, it is our intent to put a 7.5% rate increase in place on July 1, 1989 and only increase the rates over 7.5% if compensation levels and/or Federal reimbursements are such that the higher rates become necessary.

As we discussed on April 10, 1989, we are seeking your approval of our rate increase at the April 26, 1989 meeting to be able to comply with the rate review program sixty day notice requirement for our July 1, 1989 rate increase. We will seek your endorsement of our total budget at the May meetings and should it become necessary or appropriate to reduce our rate increases we can reduce them without a minimum notice to the rate review program.

We look forward to discussing this with you on April 26, 1989. If you have questions in the interim, please contact us at your convenience.

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**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BUDGET LETTER  
1989-90 BUDGET**

The 1989-90 Budget has been developed with the following set of assumptions:

**1988-89 Budget Base**

In projecting the 1989-90 fiscal year budget elements, the current experience in each category was used as the starting point to determine expected 1989-90 results. As described below and shown in the attached schedules, forecast admissions, patient days, clinic visits, expenses, revenues, and revenue deductions have been 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 1989-90 budget were projected:

• **Demand Analysis:**

For the 1988-89 fiscal year we had developed a budget of 18,700 admissions and 143,700 patient days. Using our actual experience through January, 1989, we are projecting 19,331 admissions and 159,000 patient days. The increase in admission levels occurred in more than half of the clinical service areas, with the most significant increase occurring in Medicine. Several areas experienced actual declines in admissions, including Ophthalmology and Surgery. The 10.6% increase in patient days reflects our significant rise in the overall average length of stay from 7.7 days to 8.2.

The 1989-90 census projections reflect an overall stable level of demand but with declines in specific services, such as Medicine, Otolaryngology and Surgery. These declines reflect changes in clinical staff or programs. In addition, we are assuming an aggressive utilization review process with a resultant decline in low-acuity patient days. Inpatient census for 1989-90 has been budgeted at 18,860 admissions and 158,100 patient days.

Schedules I, II, and III summarize the demand forecasts for 1988-89 and 1989-90.

• **Ancillary Service Utilization**

The 1989-90 budget for ancillary service revenue reflects the projected decline in inpatient admission levels and the decline in ancillary utilization for our low acuity patient days. In the 1989-90 budget year we anticipate continued growth in several programs, including Bone Marrow Transplants, Kidney-Pancreas Transplants and Pancreas Transplants. New programs will also be starting in the outpatient clinics, specifically, Microsurgery, Low Back Functional Restoration, and Eating Disorders.

• **Deductions from Charges**

Schedule IV is a summary of the expected deductions from revenue for fiscal years 1988-89 and 1989-90. The fiscal 1989-90 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid Programs.

o **Medicare Prospective Payment System (PPS)**

Assumptions affecting UMHC payments include the following:

- 1) A 3.2% payment rate increase (4.7% market basket less 1.5%) on the DRG rate, effective October 1, 1989.
- 2) A reduction in the indirect medical education factor from 7.7% to 5.5%, effective October 1, 1989.
- 3) A reduction of 10% in outpatient reimbursement for Ambulatory Surgery Center and radiology services, effective July 1, 1989.
- 4) A recognition of the Graduate Medical Education limitation on direct medical education factor based on fiscal year 1985 cost per FTE adjusted for inflation.
- 5) Capital costs are reduced from a 15% reduction to a 25% reduction effective October 1, 1989.

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

Payments will continue to be 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 5.7% increase in those rates effective July 1, 1989. In addition, we are assuming the GAMC ratable reduction rates will be eliminated as of June 30, 1989.

o **HMO/PPO Discounts**

The major contracts with HMO's and PPO's include the Blue Cross and Blue Shield AWARE contract, Physicians Health Plan (PHP), Group Health, Share, and Med Centers. For the budget year we are assuming that the payment levels in place for the calendar 1990 contracts (80.7%) will reflect a slight improvement over the current payment levels of 78.7%.

• **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 1988-89 fiscal year is primarily due to an increase in the reference lab and pro fee revenues over the original 1988-89 budget levels. Moderate changes expected in the 1989-90 budget year will affect most of the other operating revenues for a budgeted increase in revenue of approximately \$1,068,000.

• **Expenditure Summary**

Schedule VI is a comparative summary of expenditures projected for 1988-89 and budgeted for 1989-90. The expenditure levels have been determined using December, 1988, 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 1989-90:

	<u>Inflation %</u>
Salaries:	8.9%

This rate assumes a 12% increase for nursing classifications, and a 6% increase for all other employees, effective July 1, 1989. These salary increases include adjustments for step increases, pay equity, and marketplace range moves. The percent increase for each specific category has not yet been determined.

	<u>Inflation %</u>
Fringe Benefits	5.5%
Academic Contract (Salary only)	5.0%
Resident Contract	4.9%
Physician Compensation	6.0%
Laundry & Linen	5.2%
Raw Food	6.0%
Drugs	2.4%
Blood & Derivatives	5.7%
Medical Supplies	3.6%
Utilities	5.7%
Insurance	20.4%
Rental	3.4%
Maintenance & Repair	5.4%
Campus G & A	10.1%
General Supplies & Expenses	4.8%

• **Non-Operating Revenue**

Schedule VII is a summary of expected appropriations and other non-patient revenues for fiscal years 1988-89 and 1989-90. The increase in non-operating revenue projected for the 1988-89 fiscal year is primarily due to an increase in interest income on reserves over the original 1988-89 budget levels. The projection for inflationary increases on the appropriations is 5.0%. We are also assuming that in the 1989-90 fiscal year the appropriations will no longer earn interest income for the Hospital. The appropriations will continue to be received by the Hospital on a monthly basis.

**Fiscal Year 1989-90 Price and Revenue Increases**

The price increase proposed for 1989-90 is 7.5% and results in an increase in patient charges of approximately \$31,504,000. It brings total patient charges to \$340,467,000. The Comparative Statement of Operations and Operating Cash Flow on Schedule VIII summarizes our projected position for the 1989-90 fiscal year.

**Capital Expenditures**

Capital expenditures that will be provided from operating cash flows in 1989-90 for recurring equipment replacement and minor remodeling will be \$7,876,000. In addition, \$3,131,000 will be spent for debt service on equipment and the bonds, and parking ramp amortization.

In addition to those capital expenditures provided from operating cash flow, we are projecting that we will spend \$17,606,000 from Hospital reserves. Within this total is \$4,712,000 for the completion of projects that have received Board of Governors approval (CUHCC, MRI, Surgical Pathology, and Masonic Hospital remodeling), \$5,120,000 for renovation/equipment projects that have yet to be brought to the Board for approval (Neuroradiology upgrade, computer upgrade, CT Scanner, Heart Cath, Lithotripter), \$6,140,000 for planning and architecture fees with regard to Unit J expansion and Mayo renovation, and \$1,634,000 of recurring equipment items funded from 1988/89.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 FOR FISCAL YEARS 1988-89 AND 1989-90  
 COMPARATIVE DEMAND ANALYSIS  
 INPATIENT ADMISSIONS

SCHEDULE I

	1988/89 PLANNED ADMITS	1988/89 PROJECTED ADMITS	1989/90 BUDGET ADMITS
CLINICAL RESEARCH	465	439	439
DENTISTRY	57	43	43
DERMATOLOGY	16	60	70
FAMILY PRACTICE	16	34	34
GYNECOLOGY	1,332	1,300	1,267
MEDICINE	4,276	5,014	4,594
NEWBORN	307	357	357
NEUROLOGY	334	401	401
NEUROSURGERY	849	951	926
OBSTETRICS	553	614	614
OPHTHALMOLOGY	935	496	543
ORTHOPEDICS	1,206	1,182	1,282
OTOLARYNGOLOGY	416	349	275
PEDIATRICS	2,969	3,084	3,083
PM&R	162	209	209
PSYCHIATRY-ADULT	770	856	856
PSYCHIATRY-CHILD	85	109	109
RADIATION THERAPY	3	4	4
RADIOLOGY	1	10	10
SURGERY	3,103	2,947	2,872
UROLOGY	845	872	872
	<hr/>	<hr/>	<hr/>
TOTAL HOSPITAL	18,700	19,331	18,860
	=====	=====	=====



UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 FOR FISCAL YEARS 1988-89 AND 1989-90  
 COMPARATIVE DEMAND ANALYSIS  
 PATIENT DAYS

SCHEDULE II

	1988/89 PLANNED DAYS	1988/89 PROJECTED DAYS	1989/90 BUDGET DAYS
CLINICAL RESEARCH	1,490	1,759	1,759
DENTISTRY	109	94	94
DERMATOLOGY	149	577	674
FAMILY PRACTICE	61	217	217
GYNECOLOGY	6,235	7,081	7,025
MEDICINE	31,298	35,040	35,366
NEWBORN	1,036	1,144	1,144
NEUROLOGY	1,963	2,978	2,978
NEUROSURGERY	6,369	6,659	6,459
OBSTETRICS	2,577	2,323	2,323
OPHTHALMOLOGY	2,822	1,516	1,660
ORTHOPEDICS	7,333	6,725	7,294
OTOLARYNGOLOGY	1,677	1,262	995
PEDIATRICS	30,222	33,351	33,351
PM&R	3,260	4,404	4,404
PSYCHIATRY-ADULT	14,140	15,624	15,624
PSYCHIATRY-CHILD	1,728	3,186	3,186
RADIATION THERAPY	6	8	8
RADIOLOGY	1	42	42
SURGERY	27,975	31,704	30,191
UROLOGY	3,249	3,306	3,306
TOTAL HOSPITAL	<u>143,700</u> =====	<u>159,000</u> =====	<u>158,100</u> =====

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 FOR FISCAL YEARS 1988-89 AND 1989-90  
 COMPARATIVE DEMAND ANALYSIS  
 CLINIC VISITS

SCHEDULE III

AMBULATORY CARE	1988/89 PLANNED VISITS	1988/89 PROJECTED VISITS	1989/90 BUDGET VISITS
CLINIC VISITS	228,272	233,103	240,360
EMERGENCY ROOM VISITS	15,716	16,626	17,457
RADIATION THERAPY VISITS	18,537	16,803	16,803
AMBULATORY SURGERY VISITS	3,575	3,768	3,580
TOTAL	<u>266,100</u> =====	<u>270,300</u> =====	<u>278,200</u> =====
COMMUNITY UNIVERSITY HEALTH CARE CENTER	50,000	46,700	46,700
HOME HEALTH	9,600	11,800	11,800

University of Minnesota Hospital and Clinic  
Deductions from Charges  
For Fiscal Years 1988-89 and 1989-90

SCHEDULE IV  
-----

	1988-89 PLANNED BUDGET -----	1988-89 PROJECTION -----	1989-90 BUDGET -----
Billing Adjustments	\$8,692,000	\$10,794,000	\$11,479,000
HMO/PPO Discounts	7,346,000	16,125,000	15,080,000
Government Contractual Adjustments	29,115,000	38,198,000	48,573,000
Charitable Care	550,000	550,000	550,000
Provision for Uncollectables	2,968,000	3,785,000	4,171,000
TOTAL	----- \$48,671,000 =====	----- \$69,452,000 =====	----- \$79,853,000 =====

University of Minnesota Hospital and Clinic  
 Other Operating Revenue Summary  
 For Fiscal Years 1988-89 and 1989-90

SCHEDULE V

	1988-89 PLANNED BUDGET	1988-89 PROJECTION	1989-90 BUDGET
	-----	-----	-----
Food Services	\$1,528,000	\$1,528,000	\$1,627,000
Parking Services	576,000	700,000	714,000
Department Non-Patient	48,000	119,000	77,000
CUHCC Grants	1,105,000	1,168,000	1,269,000
Reference Lab Income	1,487,000	1,790,000	1,958,000
Pro Fees -- Net Revenue	1,533,000	1,782,000	2,056,000
X-Ray Silver Salvage	0	(39,000)	40,000
Interest Income from Bond Proceeds	2,407,000	2,361,000	2,736,000
	-----	-----	-----
TOTAL	\$8,684,000	\$9,409,000	\$10,477,000
	=====	=====	=====

University of Minnesota Hospital & Clinic  
 Expenditure Summary: 1988-89 Projection vs. 1989-90 Budget  
 For Fiscal Years 1988-89 and 1989-90

SCHEDULE VI

	1988-89 Planned Budget	1988-89 Projection	Variance	Percent Variance	1989-90 Budget	Increase/ Decrease	Percent Change
<b>EXPENDITURES</b>							
Salaries	\$106,821,000	\$114,595,000	\$7,774,000	7.3%	\$123,859,000	\$9,264,000	8.1%
Fringe Benefits	24,605,000	24,288,000	(317,000)	-1.3%	27,976,000	3,688,000	15.2%
Academic Contracts	2,128,000	2,115,000	(13,000)	-0.6%	2,235,000	120,000	5.7%
Resident Contracts	5,907,000	5,726,000	(181,000)	-3.1%	6,242,000	516,000	9.0%
Physician Compensation	3,056,000	2,989,000	(67,000)	-2.2%	3,167,000	178,000	6.0%
<b>TOTAL SALARY, F.B., &amp; FEES</b>	<b>\$142,517,000</b>	<b>\$149,713,000</b>	<b>\$7,196,000</b>	<b>5.0%</b>	<b>\$163,479,000</b>	<b>\$13,766,000</b>	<b>9.2%</b>
Laundry & Linen	2,418,000	2,295,000	(123,000)	-5.1%	2,395,000	100,000	4.4%
Raw Food	1,760,000	1,786,000	26,000	1.5%	1,946,000	160,000	9.0%
Drugs	18,140,000	18,849,000	709,000	3.9%	20,366,000	1,517,000	8.0%
Blood & Blood Derivatives	8,255,000	10,193,000	1,938,000	23.5%	11,343,000	1,150,000	11.3%
Medical Supplies & Services	21,318,000	24,701,000	3,383,000	15.9%	26,628,000	1,927,000	7.8%
Utilities	5,923,000	5,867,000	(56,000)	-0.9%	6,256,000	389,000	6.6%
Insurance	1,383,000	1,000,000	(383,000)	-27.7%	992,000	(8,000)	-0.8%
Rental	3,700,000	3,798,000	98,000	2.6%	3,866,000	68,000	1.8%
Maintenance & Repair	4,475,000	4,677,000	202,000	4.5%	5,101,000	424,000	9.1%
Net Loss On Disposal Of Assets	0	31,000	31,000		24,000	(7,000)	-22.6%
Campus Administration Expense	256,000	256,000	0	0.0%	282,000	26,000	10.2%
Depreciation	17,918,000	17,625,000	(293,000)	-1.6%	18,283,000	658,000	3.7%
Interest	12,005,000	13,052,000	1,047,000	8.7%	13,038,000	(14,000)	-0.1%
General Supplies & Expenses	18,408,000	20,181,000	1,773,000	9.6%	19,129,000	(1,052,000)	-5.2%
<b>TOTAL SUPPLIES AND EXPENSES</b>	<b>\$115,959,000</b>	<b>\$124,311,000</b>	<b>\$8,352,000</b>	<b>7.2%</b>	<b>\$129,649,000</b>	<b>\$5,338,000</b>	<b>4.3%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$258,476,000</b>	<b>\$274,024,000</b>	<b>\$15,548,000</b>	<b>6.0%</b>	<b>\$293,128,000</b>	<b>\$19,104,000</b>	<b>7.0%</b>

University of Minnesota Hospital & Clinic  
 Non-Operating Revenue Summary  
 For Fiscal Years 1988-89 and 1989-90

SCHEDULE VII

	1988-89 PLANNED BUDGET	1988-89 PROJECTION	1989-90 BUDGET
	-----	-----	-----
Appropriations	\$14,725,000	\$14,883,000	\$15,579,000
Interest on Appropriations	0	126,000	0
Interest Income on Reserves	5,258,000	7,260,000	6,906,000
Shared Services	101,000	168,000	181,000
Investment Income Held By Trustee	1,094,000	1,008,000	873,000
Other Investment Income	0	130,000	130,000
	-----	-----	-----
TOTAL	\$21,178,000	\$23,575,000	\$23,669,000
	=====	=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC  
SUMMARY STATEMENT OF OPERATIONS AND SUMMARIZED OPERATING CASH FLOW  
1988/89 ANNUAL BUDGET, CURRENT YEAR PROJECTION, 1989/90 BUDGET

SCHEDULE VIII  
-----

	ANNUAL BUDGET	CURRENT YEAR PROJECTION	1989/90 BUDGET @ 1.075	1989/90 BUDGET @ 1.095
Gross Patient Charges	\$281,419,000	\$308,963,000	\$340,467,000	\$346,701,000
Deductions from Charges	48,671,000	69,452,000	79,853,000	83,513,000
Other Operating Revenue	8,684,000	9,409,000	10,477,000	10,476,000
<b>Total Operating Revenue</b>	<b>\$241,432,000</b>	<b>\$248,920,000</b>	<b>\$271,091,000</b>	<b>\$273,664,000</b>
<b>Expenditures</b>				
Salaries	\$106,821,000	\$114,595,000	\$123,859,000	\$123,859,000
Fringe Benefits	24,605,000	24,288,000	27,976,000	27,976,000
Contract Compensation	11,091,000	10,830,000	11,644,000	11,644,000
Medical Supplies, Drugs, Blood	47,713,000	53,743,000	58,337,000	58,337,000
Campus Administration Expense	256,000	256,000	282,000	282,000
Depreciation	17,918,000	17,625,000	18,283,000	18,283,000
General Supplies & Expense	50,072,000	52,687,000	52,747,000	52,747,000
<b>Total Expenditures</b>	<b>\$258,476,000</b>	<b>\$274,024,000</b>	<b>\$293,128,000</b>	<b>\$293,128,000</b>
<b>Net Revenue from Operations</b>	<b>(\$17,044,000)</b>	<b>(\$25,104,000)</b>	<b>(\$22,037,000)</b>	<b>(\$19,464,000)</b>
<b>Total Non-Operating Revenue</b>				
Appropriations	\$14,725,000	\$14,883,000	\$15,579,000	\$15,579,000
Accrued Interest on Appropriations	0	126,000	0	0
Interest Income on Reserves	5,258,000	7,260,000	6,906,000	6,906,000
Shared Services	101,000	168,000	181,000	181,000
Investment Income on Trustee Held Assets	1,094,000	1,008,000	873,000	873,000
Other Investment Income	0	130,000	130,000	130,000
<b>Total Non-Operating Revenues</b>	<b>\$21,178,000</b>	<b>\$23,575,000</b>	<b>\$23,669,000</b>	<b>\$23,669,000</b>
<b>Revenue Over/-Under Expenses</b>	<b>\$4,134,000</b>	<b>(\$1,529,000)</b>	<b>\$1,632,000</b>	<b>\$4,205,000</b>
<b>Add Non-Cash Outlays:</b>				
Depreciation	17,918,000	17,625,000	18,283,000	18,283,000
University Support	300,000	156,000	182,000	182,000
<b>Net Increase to Working Capital</b>	<b>863,000</b>	<b>2,272,000</b>	<b>2,539,000</b>	<b>2,539,000</b>
<b>Total Funds Provided</b>	<b>23,215,000</b>	<b>18,524,000</b>	<b>22,636,000</b>	<b>25,209,000</b>
<b>Funds Applied</b>				
Increase in Accounts Receivable	5,891,000	4,307,000	3,051,000	3,834,000
<b>Capital Expenditures:</b>				
Principal Payment on Fixed-Rate Bonds	2,815,000	2,815,000	2,215,000	2,215,000
Principal Payment on Equipment	1,014,000	1,014,000	840,000	840,000
Recurring Equipment and Renovation	8,000,000	7,591,000	7,876,000	7,876,000
Parking Ramp Sinking Fund	76,000	76,000	76,000	76,000
Interest Income Committed to Capital Plan	5,258,000	5,258,000	5,550,000	5,550,000
Funding for Unit J	0	0	2,069,000	2,069,000
<b>Total Funds Applied</b>	<b>23,054,000</b>	<b>21,061,000</b>	<b>21,677,000</b>	<b>22,460,000</b>
<b>Total Cash Available from Operations</b>	<b>\$161,000</b>	<b>(\$2,537,000)</b>	<b>\$959,000</b>	<b>\$2,749,000</b>

## SCHEDULE IX

University of Minnesota Hospital and Clinic  
Board Designated Fund Activity  
6-30-88 through 2-28-89

	<u>Unassigned</u>	<u>Assigned for Construction &amp; Equipment</u>	<u>Total</u>
Balance at 6-30-88	\$66,710,000	\$10,098,000	\$76,808,000
Reclassification to Establish:			
Cash and Invest. for Debt Service	<13,000,000>	-0-	<13,000,000>
Cash and Invest. for Working Capital	<16,000,000>	-0-	<16,000,000>
Subtotal: Balance after Reclassification	\$37,710,000	\$10,098,000	\$47,808,000
Investment Income on Reserves and -Appropriations	4,892,000	-0-	4,892,000
Transfer of Cash to Current Assets for Abandonment Cost Note Payable	-0-	< 2,500,000>	< 2,500,000>
Transfers for:			
Surgical Pathology Remodeling	< 1,029,000>	1,029,000	-0-
Masonic Hospital Remodeling	< 600,000>	600,000	-0-
Dermatology Clinic	< 204,000>	204,000	-0-
Computer Upgrade	< 850,000>	850,000	-0-
Neuroradiology Upgrade	< 909,000>	909,000	-0-
Equipment Rollforward Reserve:			
Net Transfer for 1987-88 Reserve (\$2,214,600 less expenditures of \$689,600)	< 1,525,000>	1,525,000	-0-
Expenditures:			
C.U.H.C.C.	-0-	< 319,000>	< 319,000>
MRI II	-0-	< 270,000>	< 270,000>
Dermatology Clinic	-0-	< 176,000>	< 176,000>
Surgical Pathology	-0-	< 93,000>	< 93,000>
Plant Funds	< 11,000>	< 34,000>	< 45,000>
Balance at 2-28-89	\$37,474,000	\$11,823,000	\$49,297,000



University of Minnesota Hospital and Clinic  
Board Designated Fund Activity  
Projected 2-28-89 through 6-30-89

	<u>Unassigned</u>	<u>Assigned</u>	<u>Total</u>
Balance at 2-28-89	\$37,474,000	\$11,823,000	\$49,297,000
Investment Income on Reserves	2,494,000	-0-	2,494,000
Transfer of Investment Income to Working Capital Reserve	< 2,128,000>	-0-	< 2,128,000>
Projected Expenditures:			
C.U.H.C.C.		< 50,000>	< 50,000>
MRI II		< 530,000>	< 530,000>
Dermatology Clinic		< 597,000>	< 597,000>
Surgical Pathology		< 400,000>	< 400,000>
Masonic Hospital Remodeling		< 400,000>	< 400,000>
Computer Upgrade		< 330,000>	< 330,000>
Planning & Architecture Fees	< 200,000>		< 200,000>
Equipment Rollforward Reserve:			
Projected Expenditures against 1987-88 Reserve		< 1,908,000>	< 1,908,000>
Transfer of Unexpended 1987-88 Reserve	250,000	< 250,000>	-0-
Transfer for Unexpended 1988-89 Capital Budget		<u>1,634,000</u>	<u>1,634,000</u>
Projected Balance at 6-30-89	<u>\$37,890,000</u>	<u>\$ 8,992,000</u>	<u>\$46,882,000</u>

University of Minnesota Hospital and Clinic  
Board Designated Fund Activity  
Projected 7-1-89 through 6-30-90

	<u>Unassigned</u>	<u>Assigned</u>	<u>Total</u>
Projected Balance at 6-30-89	\$37,890,000	\$ 8,992,000	\$46,882,000
Investment Income on Reserves	6,906,000	-0-	6,906,000
Transfer of Investment Income to Working Capital Reserve	< 1,356,000>	-0-	< 1,356,000>
Funding from Operations for Unit J	2,069,000	-0-	2,069,000
Transfer of Cash to Current Assets for Abandonment Cost Note Payable	-0-	< 1,300,000>	< 1,300,000>
Projected Expenditures:			
C.U.H.C.C.	< 100,000>	< 981,000>	< 1,081,000>
MRI II		< 2,795,000>	< 2,795,000>
Surgical Pathology	-0-	< 536,000>	< 536,000>
Masonic Hospital	< 100,000>	< 200,000>	< 300,000>
Neuroradiology Upgrade	-0-	< 909,000>	< 909,000>
Computer Upgrade	< 969,000>		< 969,000>
CT Scanner	< 992,000>	-0-	< 992,000>
Heart Catheterization	< 1,700,000>	-0-	< 1,700,000>
Lithotripter	< 550,000>	-0-	< 550,000>
Planning & Architecture Fees	< 6,140,000>	-0-	< 6,140,000>
Equipment Rollforward Reserve - Expenditure Against 1988-89 Reserve		<u>&lt; 1,634,000&gt;</u>	<u>&lt; 1,634,000&gt;</u>
Projected Balance at 6-30-90	\$34,958,000	\$ 637,000	\$35,595,000



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

April 18, 1989

TO: Board of Governors  
Finance Committee

FROM: Greg Hart  
Senior Associate Director

SUBJECT: Capital Expenditure

Attached is a major capital expenditure report for an item whose acquisition costs falls in the \$100,000 - \$600,000 range required for Board reporting. This is presented for information consistent with Board of Governors' policy.

We look forward to discussing this item with you at the Finance Committee meeting on April 26, 1989.

GH:th

Attachment

Planning & Dev. Committee Review:	<u>3/6/89</u>
Finance Committee Review:	<u>3/22/89</u>
Board of Governors Review:	<u>3/22/89</u>

## MAJOR CAPITAL EXPENDITURE REPORT

**EQUIPMENT:** Mobile C-arm Radiographic/Fluoroscopic Unit (2)

**PURCHASE PRICE:** \$136,000 each (2 budgeted)

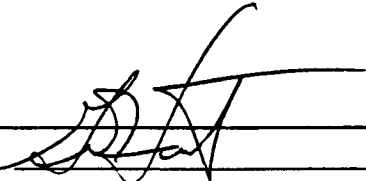
**DESCRIPTION:**

The Department of Diagnostic Radiology currently has 4 mobile c-arm radiographic/fluoroscopic machines to provide imaging support to physicians performing procedures in rooms in the main OR and the endoscopy suite which are not equipped with fixed x-ray machines and in the 4th floor (Unit J) procedure room. The service demand in the main OR requires permanent assignment of 3 units. The 4th unit is moved between the endoscopy suite and the 4th floor procedure room.

The number of procedures in the endoscopy suite requiring imaging support has grown to the point where a dedicated machine is required. In addition, there is now a demand for imaging support in the ambulatory surgery area in the Phillips Wangenstein Building. The frequency of the demand and the physical distance from Unit J necessitate acquisition of separate machine.

Consequently, the Radiology Department is in the process of specifying and purchasing 2 additional mobile c-arm radiographic/fluoroscopic imaging units. The units purchased will have capabilities comparable to and will be interchangeable with existing equipment.

Submitted By: Al Dees  
Title: Associate Director

Approved By:   
Title: Senior Associate Director



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

SUBJECT: Bad Debts - Third Quarter      DATE: April 17, 1989  
Fiscal Year 1989

TO:            UMHC Board of Governors Finance Committee

FROM:        Clifford P. Fearing  
              Senior Associate Director, UMHC

The total amount recommended for bad debt for Hospital and Clinic accounts receivable during the third quarter of 1988-89 is \$923,257.76 represented by 1502 accounts. Bad debt recoveries during the period amounted to \$4,810.44, leaving a net charge-off of \$918,447.32.

The net bad debts of \$918,447.32 for the quarter were 1.18% of gross charges. This compares to a budgeted level of bad debts of 1.05% (\$735,076.00)

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

Year-to-date bad debts have amounted to \$2,005,210.96 represented by 4432 accounts. Recoveries during this first half of this fiscal year amount to \$48,594.60, leaving a net charge-off of \$1,956,616.36.

The net bad debts of \$1,956,616.36 for the three quarters were 0.84% of gross charges. This compares to a budgeted level of bad debts of 1.05% (\$2,194,781.00).

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

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CPF:slw

Attachments

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**BAD DEBT STATISTICS**

**JANUARY 1989 THROUGH MARCH 1989**

	<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>						
Bad Debt (701) Write-Offs	40,789.13	87	283,852.08	36	324,641.21	123
Bad Debt (702) Charity Care	<u>24,381.35</u>	54	<u>199,252.94</u>	13	<u>223,634.29</u>	67
Total	65,170.48	141	483,105.02	49	548,275.50	190
Recoveries	(818.05)	7	(2,334.13)	1	(3,152.18)	8
Net Total	<u>\$ 64,352.43</u>	141*	<u>\$ 480,770.89</u>	49*	<u>\$ 545,123.32</u>	190*
<b>OUTPATIENT</b>						
Bad Debt (701) Write-Offs	133,033.32	994	161,196.40	9	294,229.72	1003
Bad Debt (702) Charity Care	<u>61,553.16</u>	302	<u>19,199.38</u>	7	<u>80,752.54</u>	309
Total	194,586.48	1296	180,395.78	16	374,982.26	1312
Recoveries	(1,658.26)	25	(000.00)	0	(1,658.26)	25
Net Total	<u>\$ 192,928.22</u>	1296*	<u>\$ 180,395.78</u>	16*	<u>\$ 373,324.00</u>	1312*
<b>INPATIENT AND OUTPATIENT TOTAL</b>						
	<u>\$ 257,280.65</u>	1437*	<u>\$ 661,166.67</u>	65*	<u>\$ 918,447.32</u>	1502*
<b>TOTAL BAD DEBTS</b>						
Bad Debt (701) Write-offs	\$ 173,822.45	1081	\$ 445,048.48	45	\$ 618,870.93	1126
Bad Debt (702) Charity Care	<u>85,934.51</u>	356	<u>218,452.32</u>	20	<u>304,386.83</u>	376
Total	259,756.96	1437	663,500.80	65	923,257.76	1502
Recoveries	(2,476.31)	32	(2,334.13)	1	(4,810.44)	33
<b>TOTAL NET BAD DEBT</b>	<u>\$ 257,280.65</u>	1437*	<u>\$ 661,166.67</u>	65*	<u>\$ 918,447.32</u>	1502*

NOTE: More than \$2,000 amount includes legal settlements totaling \$22,369.65

**DOLLARS BUDGETED**

**\$ 735,076.00**

\*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JANUARY 1989 THROUGH MARCH 1989

	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>												
Bad Debt (701) Write-Offs	\$1,099.33	28	\$22,846.15	48	\$16,843.65	11	\$129,640.43	27	\$154,211.65	9	\$324,641.21	123
Bad Debt (702) Charity Care	\$484.44	10	\$13,316.04	37	\$10,580.87	7	\$36,868.33	9	\$162,384.61	4	\$223,634.29	67
<b>Total</b>	<b>\$1,583.77</b>	<b>38</b>	<b>\$36,162.19</b>	<b>85</b>	<b>\$27,424.52</b>	<b>18</b>	<b>\$166,508.76</b>	<b>36</b>	<b>\$316,596.26</b>	<b>13</b>	<b>\$548,275.50</b>	<b>190</b>
Recoveries	(\$85.71)	5	(\$732.34)	2	\$0.00	0	(\$2,334.13)	1	\$0.00	0	(\$3,152.18)	8
<b>Net Total</b>	<b>\$1,498.06</b>	<b>38 *</b>	<b>\$35,429.85</b>	<b>85 *</b>	<b>\$27,424.52</b>	<b>18 *</b>	<b>\$164,174.63</b>	<b>36 *</b>	<b>\$316,596.26</b>	<b>13 *</b>	<b>\$545,123.32</b>	<b>190</b>
<b>OUTPATIENT</b>												
Bad Debt (701) Write-Offs	\$25,043.69	622	\$92,270.35	360	\$15,719.28	12	\$24,663.76	7	\$136,532.64	2	\$294,229.72	1003
Bad Debt (702) Charity Care	\$5,939.97	144	\$48,113.75	153	\$7,499.44	5	\$19,199.38	7	\$0.00	0	\$80,752.54	309
<b>Total</b>	<b>\$30,983.66</b>	<b>766</b>	<b>\$140,384.10</b>	<b>513</b>	<b>\$23,218.72</b>	<b>17</b>	<b>\$43,863.14</b>	<b>14</b>	<b>\$136,532.64</b>	<b>2</b>	<b>\$374,982.26</b>	<b>1312</b>
Recoveries	(\$686.86)	21	(\$971.40)	4	\$0.00	0	\$0.00	0	\$0.00	0	(\$1,658.26)	25
<b>Net Total</b>	<b>\$30,296.80</b>	<b>766 *</b>	<b>\$139,412.70</b>	<b>513 *</b>	<b>\$23,218.72</b>	<b>17 *</b>	<b>\$43,863.14</b>	<b>14 *</b>	<b>\$136,532.64</b>	<b>2 *</b>	<b>\$373,324.00</b>	<b>1312</b>
<b>TOTAL IP AND OP BAD DEBT</b>												
Bad Debt (701) Write-offs	\$26,143.02	650	\$115,116.50	408	\$32,562.93	23	\$154,304.19	34	\$290,744.29	11	\$618,870.93	1126
Bad Debt (702) Charity Care	\$6,424.41	154	\$61,429.79	190	\$18,090.31	12	\$56,067.71	16	\$162,384.61	4	\$304,386.83	376
<b>Total</b>	<b>\$32,567.43</b>	<b>804</b>	<b>\$176,546.29</b>	<b>598</b>	<b>\$50,643.24</b>	<b>35</b>	<b>\$210,371.90</b>	<b>50</b>	<b>\$453,128.90</b>	<b>15</b>	<b>\$923,257.76</b>	<b>1502</b>
Recoveries	(\$772.57)	26	(\$1,703.74)	6	\$0.00	0	(\$2,334.13)	1	\$0.00	0	(\$4,810.44)	33
<b>TOTAL NET BAD DEBT</b>	<b>\$31,794.86</b>	<b>804 *</b>	<b>\$174,842.55</b>	<b>598 *</b>	<b>\$50,643.24</b>	<b>35 *</b>	<b>\$208,037.77</b>	<b>50 *</b>	<b>\$453,128.90</b>	<b>15 *</b>	<b>\$918,447.32</b>	<b>1502</b>

DOLLARS BUDGETED

\$735,076.00

\* Net total of accounts do no include recoveries.

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**BAD DEBT STATISTICS**

**JULY 1989 THROUGH MARCH 1989**

	<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>						
Bad Debt (701) Write-Offs	142,442.21	313	612,538.92	82	754,981.13	395
Bad Debt (702) Charity Care	<u>58,337.58</u>	121	<u>381,815.14</u>	39	<u>440,152.72</u>	160
Total	200,779.79	434	994,354.06	121	1,195,133.85	555
Recoveries	<u>(1,980.17)</u>	19	<u>(31,642.33)</u>	4	<u>(33,622.50)</u>	23
Net Total	<u>\$ 198,799.62</u>	434*	<u>\$ 962,711.73</u>	121*	<u>\$1,161,511.35</u>	555*
<b>OUTPATIENT</b>						
Bad Debt (701) Write-Offs	437,359.08	3220	214,597.53	20	651,956.61	3240
Bad Debt (702) Charity Care	<u>119,744.80</u>	626	<u>38,375.70</u>	11	<u>158,120.50</u>	637
Total	557,103.88	3846	252,973.23	31	810,077.11	3877
Recoveries	<u>(14,972.10)</u>	112	<u>(000.00)</u>	0	<u>(14,972.10)</u>	112
Net Total	<u>\$ 542,131.78</u>	3846*	<u>\$ 252,973.23</u>	31*	<u>\$ 795,105.01</u>	3877*
<b>INPATIENT AND OUTPATIENT TOTAL</b>						
	<u>\$ 740,931.40</u>	4280*	<u>\$1,215,684.96</u>	152*	<u>\$1,956,616.36</u>	4432*
<b>TOTAL BAD DEBTS</b>						
Bad Debt (701) Write-offs	\$ 579,801.29	3533	\$ 827,136.45	102	\$1,406,937.74	3635
Bad Debt (702) Charity Care	<u>178,082.38</u>	747	<u>420,190.84</u>	50	<u>598,273.22</u>	797
Total	757,883.67	4280	1,247,327.29	152	2,005,210.96	4432
Recoveries	<u>(16,952.27)</u>	131	<u>(31,642.33)</u>	4	<u>(48,594.60)</u>	135
<b>TOTAL NET BAD DEBT</b>	<u>\$ 740,931.40</u>	4280*	<u>\$1,215,684.96</u>	152*	<u>\$1,956,616.36</u>	4432*

NOTE: More than \$2,000 amount includes legal settlements totaling \$55,923.56

**DOLLARS BUDGETED**

**\$2,194,781.00**

\*Net total of accounts do not include recoveries.



UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1988 THROUGH MARCH 1989

	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>												
Bad Debt (701) Write-Offs	\$3,994.17	102	\$70,004.70	166	\$68,443.34	45	\$260,775.29	66	\$351,763.63	16	\$754,981.13	395
Bad Debt (702) Charity Care	\$1,179.92	26	\$34,073.15	80	\$23,084.51	15	\$139,564.66	31	\$242,250.48	8	\$440,152.72	160
<b>Total</b>	<b>\$5,174.09</b>	<b>128</b>	<b>\$104,077.85</b>	<b>246</b>	<b>\$91,527.85</b>	<b>60</b>	<b>\$400,339.95</b>	<b>97</b>	<b>\$594,014.11</b>	<b>24</b>	<b>\$1,195,133.85</b>	<b>555</b>
Recoveries	(\$263.83)	15	(\$1,716.34)	4	\$0.00	0	(\$31,642.33)	4	\$0.00	0	(\$33,622.50)	23
<b>Net Total</b>	<b>\$4,910.26</b>	<b>128 *</b>	<b>\$102,361.51</b>	<b>246 *</b>	<b>\$91,527.85</b>	<b>60 *</b>	<b>\$368,697.62</b>	<b>97 *</b>	<b>\$594,014.11</b>	<b>24 *</b>	<b>\$1,161,511.35</b>	<b>555</b>
<b>OUTPATIENT</b>												
Bad Debt (701) Write-Offs	\$78,295.11	1984	\$304,378.98	1195	\$54,684.99	41	\$78,064.89	18	\$136,532.64	2	\$651,956.61	3240
Bad Debt (702) Charity Care	\$13,490.60	315	\$91,640.32	300	\$14,613.88	11	\$38,375.70	11	\$0.00	0	\$158,120.50	637
<b>Total</b>	<b>\$91,785.71</b>	<b>2299</b>	<b>\$396,019.30</b>	<b>1495</b>	<b>\$69,298.87</b>	<b>52</b>	<b>\$116,440.59</b>	<b>29</b>	<b>\$136,532.64</b>	<b>2</b>	<b>\$810,077.11</b>	<b>3877</b>
Recoveries	(\$2,228.27)	81	(\$6,856.35)	28	(\$5,887.48)	3	\$0.00	0	\$0.00	0	(\$14,972.10)	112
<b>Net Total</b>	<b>\$89,557.44</b>	<b>2299 *</b>	<b>\$389,162.95</b>	<b>1495 *</b>	<b>\$63,411.39</b>	<b>52 *</b>	<b>\$116,440.59</b>	<b>29 *</b>	<b>\$136,532.64</b>	<b>2 *</b>	<b>\$795,105.01</b>	<b>3877</b>
<b>TOTAL IP AND OP BAD DEBT</b>												
Bad Debt (701) Write-offs	\$82,289.28	2086	\$374,383.68	1361	\$123,128.33	86	\$338,840.18	84	\$488,296.27	18	\$1,406,937.74	3635
Bad Debt (702) Charity Care	\$14,670.52	341	\$125,713.47	380	\$37,698.39	26	\$177,940.36	42	\$242,250.48	8	\$598,273.22	797
<b>Total</b>	<b>\$96,959.80</b>	<b>2427</b>	<b>\$500,097.15</b>	<b>1741</b>	<b>\$160,826.72</b>	<b>112</b>	<b>\$516,780.54</b>	<b>126</b>	<b>\$730,546.75</b>	<b>26</b>	<b>\$2,005,210.96</b>	<b>4432</b>
Recoveries	(\$2,492.10)	96	(\$8,572.69)	32	(\$5,887.48)	3	(\$31,642.33)	4	\$0.00	0	(\$48,594.60)	135
<b>TOTAL NET BAD DEBT</b>	<b>\$94,467.70</b>	<b>2427 *</b>	<b>\$491,524.46</b>	<b>1741 *</b>	<b>\$154,939.24</b>	<b>112 *</b>	<b>\$485,138.21</b>	<b>126 *</b>	<b>\$730,546.75</b>	<b>26 *</b>	<b>\$1,956,616.36</b>	<b>4432</b>
<b>DOLLARS BUDGETED</b>											<b>\$2,194,781.00</b>	

\* Net total of accounts do not include recoveries.

**THIRD QUARTER FISCAL YEAR - 1989  
and YEAR-TO-DATE BAD DEBTS**

**BY SERVICE**

ADMITTING SERVICE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Anesthesiology				
Clinical Research	4	982.04	5	1,540.84
Dentistry	1	3,244.79	1	3,244.79
Dermatology			2	1,760.57
Family Practice				
OB			2	1,265.58
NB			4	1,507.95
GYN	3	1,711.53	9	9,643.54
GYN-Oncology	7	3,740.07	18	6,128.65
Lab Medicine & Pathology				
Medicine-Blue	6	16,906.98	17	25,998.43
Green	5	2,074.89	15	12,366.72
Masonic (Onc)	12	15,812.59	27	27,927.22
Purple	5	115,300.88	6	115,335.57
Red A	2	40.02	10	6,160.24
Red B	2	1,238.42	4	1,535.66
Rose A	6	54,148.60	8	56,228.67
Rose B				
White A	6	12,988.40	24	19,303.17
White B	5	1,090.10	13	5,957.69
Yellow A	2	29,591.79	4	32,650.42
Yellow B	2	840.80	5	1,894.15
Neurology	3	497.79	16	11,935.33
Neuro-epilepsy				
Neurosurgery	7	12,972.25	30	61,235.12
New Born-General	2	532.21	8	3,147.93
Obstetrics-General	7	23,653.65	24	34,476.75
-Midwife				
Ophthalmology	3	6,778.12	13	23,899.02
Orthopaedic Surgery	9	11,125.43	28	46,451.66
Otolaryngology	2	2,611.78	9	7,408.95
Pediatrics-General	17	22,551.01	47	77,060.92
Neurology	2	983.40	4	1,300.65
Neurosurgery			2	3,688.35
Ophthalmology			2	3,803.49
Orthopaedics			1	130.10
Otolaryngology	1	25.00	1	25.00
Surgery Green	1	3,106.10	5	5,740.01
Surgery Orange				
Surg. Transplant				
Urology			1	394.82
Physical Med. & Rehab.	2	1,678.00	3	2,127.12
Psychiatry-Child			4	2,985.04
-Adult	15	47,237.12	37	99,127.88
Radiology				

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**THIRD QUARTER FISCAL YEAR - 1989  
and YEAR-TO-DATE BAD DEBTS**

**BY SERVICE/Page Two**

ADMITTING SERVICE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Surgery-Blue	10	40,641.69	32	77,811.89
Orange	3	43,247.65	11	150,424.24
Purple	3	10,028.13	13	18,782.90
Red	6	2,558.54	18	34,307.18
White	11	11,197.63	26	50,012.14
Therapeutic Radiology				
Urology	7	27,433.81	26	57,739.00
Unknown	15	34,127.36	32	111,297.15
Outpatient	1321	230,830.91	3901	628,962.57
 Total	 1515	 793,529.48	 4470	 1,844,725.06
 Medicare Bad Debt*	 -22	 -16,392.41	 -62	 -27,438.32
Legal Settlements	3	22,369.65	9	57,896.96
Bad Debt Agcy Und \$50	3	232.76	8	718.82
Bad Debt - Med NC Chgs	3	123,518.28	7	129,308.44
 GRAND TOTAL	 1502	 923,257.76	 4432	 2,005,210.96
 RECOVERIES	 33	 -4,810.44	 135	 -48,594.60
 NET TOTAL	 1502	 918,447.32	 4432	 1,956,616.36

\*NOTE: Medicare Bad Debts are included in Service breakdown but are no longer included as a bad debt.

**THIRD QUARTER FISCAL YEAR - 1989  
and YEAR-TO-DATE BAD DEBTS**

**BY STATE**

STATE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Alabama			1	19.00
Alaska			9	2,476.10
Arizona			3	1,349.79
Arkansas	9	26,761.52	10	27,387.77
California	10	1,560.04	28	3,653.53
Colorado			3	473.06
Connecticut	2	875.00	2	875.00
Delaware				
Dist. of Columbia			1	706.80
Florida	5	3,652.86	13	8,291.58
Georgia	5	125.20	7	370.68
Hawaii				
Idaho			2	130.71
Illinois	20	22,063.67	36	29,155.44
Indiana	3	747.35	5	934.53
Iowa	8	7,596.14	24	18,946.47
Kansas			1	28.62
Kentucky	1	1,250.00	1	1,250.00
Louisiana	3	1,499.56	5	1,777.83
Maine				
Maryland	1	122.80	1	122.80
Massachusetts			4	682.95
Michigan	9	85,560.87	28	96,601.78
Minnesota	1281	485,135.44	3801	1,278,402.14
Mississippi			2	139.78
Missouri	2	1,806.29	6	2,783.49
Montana	4	438.43	17	27,187.70
Nebraska			5	254.45
Nevada	8	2,450.52	9	2,498.88
New Hampshire	1	20.00	1	20.00
New Jersey	2	2,595.39	2	2,595.39
New Mexico			1	131.00
New York	5	16,080.98	24	17,328.60
North Carolina	1	10,453.91	7	13,451.37
North Dakota	24	8,456.08	71	14,732.49
Ohio	6	1,466.41	13	2,730.17
Oklahoma	8	9,220.61	16	10,257.09
Oregon	1	222.00	5	27,301.55
Pennsylvania	8	7,090.40	13	49,456.05
Puerto Rico				

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**THIRD QUARTER FISCAL YEAR - 1989  
and YEAR-TO-DATE BAD DEBTS**

**BY STATE/Page Two**

STATE	THIRD QUARTER NUMBER	THIRD QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Rhode Island				
South Carolina			1	18.13
South Dakota	20	28,647.31	93	70,445.09
Tennessee	1	28.20	1	28.20
Texas	4	2,720.96	17	5,911.58
Utah				
Vermont				
Virginia	2	8,440.30	2	8,440.30
Washington	1	5,010.10	3	5,228.45
West Virginia			1	52.50
Wisconsin	55	44,843.87	154	65,340.94
Wyoming				
Out-of-Country	5	6,587.27	21	44,755.28
<b>TOTAL</b>	<b>1515</b>	<b>793,529.48</b>	<b>4470</b>	<b>1,844,725.06</b>
Medicare Bad Debt*	-22	-16,392.41	-62	-27,438.32
Legal Settlements	3	22,369.65	9	57,896.96
Bad Debt Agcy Und \$50	3	232.76	8	718.82
Bad Debt - Med NC Chgs	3	123,518.28	7	129,308.44
<b>GRAND TOTAL</b>	<b>1502</b>	<b>923,257.76</b>	<b>4432</b>	<b>2,005,210.96</b>
<b>RECOVERIES</b>	<b>33</b>	<b>-4,810.44</b>	<b>135</b>	<b>-48,594.60</b>
<b>NET TOTAL</b>	<b>1502</b>	<b>918,447.32</b>	<b>4432</b>	<b>1,956,616.36</b>

NOTE: Medicare Bad Debts are included in the State Breakdown but are no longer included as a Bad Debt.