



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

**MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE
Wednesday, May 24, 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. | Opening of Meeting and Approval of Minutes of Finance Committee meetings held 2/22/89 and 4/26/89 (Approval) pp. 1-7 | Mr. Jerry Meilahn |
| II. | April 30, 1989 Financial Statements (Information) pp. 8-14 | Mr. Cliff Fearing |
| III. | 1989-90 Operating Budget (Endorsement) pp. 15-16 | Mr. Cliff Fearing |
| IV. | 1989-90 Capital Budget (Information) pp. 17-22 | Mr. Greg Hart |
| V. | Quarterly Capital Expenditure Report (Information) pp. 23-24 | Mr. Greg Hart |
| VI. | Major Capital Expenditures (Information) pp. 25-26 | Mr. Al Dees |
| VII. | MRI Financing (Information) | Mr. Cliff Fearing |

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

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
February 22, 1989

MINUTES

ATTENDANCE:

Present: Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
Elwin Fraley, M.D.
Jerry Meilahn
Roger Paschke
Vic Vikmanis

Not Present: Erwin Goldfine
Barbara O'Grady

Staff: Kay Fuecker
Greg Hart
Teri Holberg
Nancy Janda
Nels Larson
Dan Rode

CALL TO ORDER:

On February 22, 1989 the Finance Committee was called to order by Mr. Jerry Meilahn at 11:10 A.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the January 25, 1989 meeting as written.

JULY 1, 1988 THROUGH JANUARY 31, 1989 FINANCIALS:

Mr. Cliff Fearing reported that UMHC has continued a higher length of stay and high use of ancillary services in January. Year-to-date admissions are 3.9% over budget. Length of stay year-to-date is 8.4%. The average daily census was 434 as compared to 444 in January and 437 for the first 18 days of February. The average length of stay was 9.1 days as compared to a budgeted level of 7.8. Clinic visits were 8.5% over budget. Patient care charges

through January were 12.3% over budget. The Hospital's Statement of Operations shows total revenue over expense of \$1,446,999 for a favorable variance of \$1,655,661.

UNIVERSITY INTERNAL AUDIT:

Mr. Nels Larson and Mr. Cliff Fearing reviewed the December, 1988 University Internal Audit Department report. Eleven recommendations from the 1985 audit and 8 recommendations from the 1987 audit were considered by the auditors not to be implemented. All recommendations were procedural in nature. The Finance Committee noted the sensitivity of the audit reports and the Board of Governors need to be kept abreast of these reports. The hospital control issues noted in the audit will be implemented when time and money become available.

The Board of Governors Finance Committee seconded and passed a motion to accept the recommendations of the University Internal Audit and the Hospital response as written.

PEAT MARWICK MANAGEMENT LETTER:

Mr. Cliff Fearing reviewed the recommendations of the external auditor, Peat Marwick Main & Co. The report did not contain any material weaknesses in internal accounting control. Recommendations concerning third party program activity logs and third party contractual and settlement accounts were itemized and discussed. The installation of an automated third party claims management system will help to resolve both recommendations. Peat Marwick will return to discuss the system and review progress at the end of the 3rd quarter with Hospital management.

FIVE YEAR ACCOUNTS RECEIVABLE ANALYSIS:

Mr. Cliff Fearing noted the trends and actions being implemented by UMHC to target accounts receivables at about 100 days by June, 1989.

Mr. Dan Rode reviewed a 5-year trend analysis on receivable days. He noted, relevant to January's receivables, that there is a traditional decline in claims processing experienced by UMHC from November through February as a result of the various holidays. Currently, UMHC's processing is affected by: 1) considerable manual processing; 2) a very antiquated State Medicaid System (to be converted by 1991); 3) extensive follow-up requirements with third parties. Medicare has slowed down its processing times as have Blue Cross and the HMO's. Commercial Insurers have delayed their processing by requesting additional "information" from policy holders and hospitals. (UMHC presently has over \$ 1.2 million in claims returned for medical information.) Increased information obtained at patient admission will speed-up this process. Discussions continue with the HMO's to attempt to guarantee a turnaround claims time-table.

DEBT PRINCIPLE DISCUSSION:

Mr. Cliff Fearing reviewed the UMHC recommended debt guidelines and the recently passed University debt guidelines. The debt level ratio in determining a credit rating should be at least 2.0 to 1.0. Currently, UMHC has a reasonable debt service coverage ratio (2.3 to 1) as of 12/31/89 and should strive to maintain this ratio above 2.0 to 1. The current University debt is \$300 million including approximately \$172 million of UMHC debt. University guidelines call for total long-term indebtedness not to result in debt service exceeding 5% of unrestricted current funds revenue. That guideline would provide a \$400 million University debt limit. Any additional UMHC debt would have to be explored with the Vice President for Finance. Types of debt that may be available include leases, limited financing for expanded or new revenue sources, shorter term borrowing and shorter term variable rate bonds. UMHC should probably limit its borrowing to these purposes and utilize debt capacity within University guidelines.

This item will be brought back to the Committee and the Board as part of an updated package of recommended financial guidelines for UMHC.

1989-90 BUDGET OVERVIEW:

Mr. Cliff Fearing and Mr. Nels Larson reviewed the preparations for the 1989-90 Operating Budget. The increase is presently targeted for 7 - 8.5%. The problems impacting the budget are an increased length of stay, a sicker patient population, softened admissions in the last 45 days, high ancillary utilization, and decrease in commercial payors, and employee compensation increases.

CAPITAL EXPENDITURE POLICY REVISION:

Mr. Greg Hart reviewed the proposed capital expenditure policy changes that outline the handling of capital equipment acquired through lease arrangements. Mr. Hart proposed that "the annual capital budget should include lease payments in the amount anticipated for payment in the budget year" . . . "Expenditures associated with lease arrangements shall be reported over the term of the lease, as payments are made." Some minor changes to definitions were also suggested.

The Board of Governors Finance Committee seconded and passed a motion to approve the changes to the Capital Expenditure Policy as submitted.

CAPITAL EXPENDITURE REPORT:

Mr. Greg Hart reviewed the Capital Expenditure Report for the period July 1, 1988 through December 31, 1989. Actual expenses for the first six months were somewhat less than planned.

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
April 26, 1989

MINUTES

ATTENDANCE:

Present: Carol Campbell
Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
Elwin Fraley, M.D.
Vic Vikmanis

Not Present: Erwin L. Goldfine
Jerry Meilahn
Barbara O'Grady

Staff: Al Dees
Greg Hart
Teri Holberg
Nancy Janda
Nels Larson
Dan Rode
Barbara Tebbitt

CALL TO ORDER:

The Finance Committee was called to order by Mr. Robert M. Dickler on April 26, 1989 at 12:16 p.m.

APPROVAL OF THE MINUTES:

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the April 10, 1989 meeting as written.

JULY 1, 1989 THROUGH MARCH 31, 1989 FINANCIALS:

Mr. Clifford Fearing reported that ancillary activity levels continued to increase even though inpatient admissions for March were 2% under budget. Patient days were 1414 days over budget and the average length of stay was 8.5 days, which was budgeted at 7.7 days. Average daily census for March was 437. The first twenty-one days of April were reported to be running

slightly ahead of budget with an average daily census of 451. Outpatient visits were 1% over budget. A substantial turnaround was reported in the February to March net revenue. The net revenue position for March was \$679,000, where February had a loss of \$489,000. Ancillary revenue was reported to be 10.9% over budget and the receivables had declined from 107 days to 101 days.

Lastly, Mr. Fearing reported the \$21,765,000 remaining from the construction fund was transferred from the Trustees to the Hospital. The transfer will enable UMHC to earn a higher rate of interest of 9.5% on those funds.

1989-90 BUDGET:

Mr. Fearing presented to the Committee the 1989-90 Budget for information only. The 1989-90 Budget will be brought before the Committee in May, 1989 for endorsement.

Mr. Fearing stated what was brought before the Committee at this time had three major changes in the assumptions that were made in the proposal at the April 10th joint meeting. The changes were: 1) a decline in receivable levels by \$2,000,000, 2) a reduction in general supply and expenditure by \$2,000,000 and, 3) a reduction in FTEs from 4153 to 4080, reducing costs by \$2,500,000.

With these assumptions a 1989-90 budget was developed with a 7.5% rate increase, creating a cash flow of \$959,000, and a 9.5% rate increase which would have a cash flow of \$2,700,000. Because it remains unclear how the Medicare regulations and compensation packages will impact the budget, two rate increases were provided with the idea of proposing a rate increase of 9.5% with an implementation effective 7/1/89 of 7.5%. This would provide the flexibility to increase rates throughout the year up to 9.5% without the need to have the formal 60 day notice for rate review.

Mr. Fearing, therefore, submitted to the Committee, for endorsement, a rate increase of 9.5% with an implementation of 7.5% on July 1, 1989.

The Board of Governors Finance Committee seconded and passed the motion of a 9.5% rate increase with the immediate implementation effective July 1, 1989 of a 7.5% rate increase.

Buying Down of Hospital Debt - Update

Mr. Fearing updated the Committee on the buying down of the Hospital's debt. Medicare had proposed adjustments which would have disallowed all the interest expense on the Unit J building. Their reasoning was twofold: 1) they felt UMHC had over borrowed on the 1982 Bond issue by approximately \$21,000,000 and, 2) the total reserves were not dedicated to a specific project. Mr. Fearing reported after consulting with UMHC's Medicare attorney it was decided not to pursue the reimbursement of the \$21,000,000. As a result of this decision Medicare has agreed not to offset the interest income on this debt which would created a double offset.

With regard to the second issue, Mr. Fearing stated there are indications Medicare will not pursue the reserve issue any further. UMHC met with Medicare and presented to them documentation showing the renewal project was in fact a two phase project. Phase one being the Unit J building and phase two the extensive remodeling of the Mayo building. Medicare has not made a final decision as of yet, but it appears they may be changing their position.

Mr. Fearing reported that with the uncertainty of the reserve issue and with the transferring of the \$21,765,000 at an interest rate of 9.5% from the Trustee to UMHC, it is felt it is not time to buy down the debt. Further evaluation of the buying down on the debt will be made after Medicare has decided on the reserve issue.

MAJOR CAPITAL EXPENDITURE:

Mr. Al Dees reviewed, for information purposes, a major capital expenditure report in the \$100,000 - \$600,000 range. The major capital expenditure would be for two mobile C-arm radiologic/fluoroscopic units, which was included in the capital budget for this year. The operating room will receive one of these machines because of an increase in demand, and the other will go to endoscopy suite where the number of procedures have increased enough to justify having a machine in there at all times. At the present time the endoscopy suite is sharing a machine in with the fourth floor procedure room.

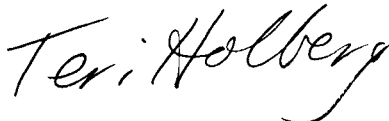
THIRD QUARTER, 1988-89 BAD DEBTS:

Mr. Dan Rode reported the bad debts for the third quarter totaled \$923,257.76 represented by 1,502 accounts. Recoveries amount to \$4,810.44, leaving a net charge-off of \$918,447.32. This amount represents 1.18% of gross charges and compares to a budgeted level of 1.05%.

The Finance Committee seconded and passed a motion to endorse the Third Quarter 1988-89 Bad Debt report as submitted.

There being no further discussion, the April 26, 1989 meeting was adjourned at 1:25 p.m.

Respectfully submitted,



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

May 24, 1989

TO: Board of Governors Finance Committee
FROM: Clifford P. Fearing
SUBJECT: Report of Operations for the Period
July 1, 1988 through April 30, 1989

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

INPATIENT CENSUS: For the month of April, inpatient admissions totaled 1,538, which was 45 below budgeted admissions of 1,583. Our overall average length of stay for the month was 8.5 days. Patient days for April totaled 13,366 and were 1,191 days over budget. The decrease in admission levels from budget was primarily in the areas of Gynecology and Ophthalmology. 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	15,853	15,411	15,643	232	1.5
Patient Days	127,043	118,975	133,204	14,229	12.0
Avg Length of Stay	8.0	7.7	8.5	0.8	10.4
Avg Daily Census	416.5	391.4	438.2	46.8	12.0
Percent Occupancy	71.9	67.8	75.5	7.7	11.4

OUTPATIENT CENSUS: Clinic visits for the month of April totaled 22,215 which was 1,239, or 5.3%, under budgeted visits of 23,454. Areas in which actual visits were under budget included Otolaryngology, Surgery, OB/GYN, Medicine and Ophthalmology. The decreases were partially offset by increases in Diabetes Center, Orthopedics, Masonic Day Hospital and Family Practice. Community University Health Care Center (CUHCC) visits for the month of April totaled 4,246, which was 278, or 7.0%, over budgeted visits of 3,968 while Home Health visits of 976 for the month were 187, or 23.7%, above budgeted visits of 789.

REPORT OF OPERATIONS
 APRIL 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	217,056	219,185	223,067	3,882	1.8
CUHCC Visits	40,046	41,270	38,966	(2,304)	(5.6)
HHA Visits	7,838	7,996	10,059	2,063	25.8

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows expenses over revenue by \$1,033,700, an unfavorable variance of \$1,990,932.

Patient care charges through April totaled \$258,587,465, which was 11.4% over budget. Routine revenue was 15.2% over budget and reflects our year-to-date favorable patient day variance.

Ancillary revenue was \$17,341,352 above budget (10.1%) and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$ 8,917 per admission compared to the budgeted average of \$7,982 per admission. Outpatient revenue per clinic visit has averaged \$225 compared to the budgeted average of \$226.

Operating expenditures through April totaled \$226,262,536 and were \$11,339,932(5.3%) over budgeted levels of \$214,922,604. 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 April 30, 1989, totaled \$93,068,254 and represented 102.6 days of revenue outstanding. The overall increase in our patient receivables in April of 1.2 days occurred primarily in Minnesota Medical Assistance and Medical Assistance - Other States.

CONCLUSION: The Hospital's overall operating position for the month of April is negative, for the second time this fiscal year. Losses for the month were centered around increased salary costs and deductions from charges. We will continue to investigate these variances and will report on them at the May 24, 1989 meeting.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1988 TO APRIL 30, 1989

	1988-89 Budgeted	1988-89 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	\$232,172,387	\$258,587,465	\$26,415,078	11.4%
Deductions from Charges	40,154,261	59,046,042	\$18,891,781	47.0%
Other Operating Revenue	7,186,765	7,891,864	\$705,099	9.8%
Total Operating Revenue	199,204,891	207,433,287	8,228,396	4.1%
Total Expenditures	214,922,604	226,262,536	11,339,932	5.3%
Net Operating Revenue	(15,717,713)	(18,829,249)	(3,111,536)	-19.8%
Non-Operating Revenue and Expenses	17,848,874	19,457,440	1,608,566	9.0%
Revenue Over/Under Expense	\$2,131,161	\$628,191	(\$1,502,970)	
Prior Year BC/BS Adjustment		(1,619,440)		
Adjusted Revenue Over/(Under) Expense		(991,249)		
	1988-89 Budgeted	1988-89 Actual	Variance Over/-Under Budget	Variance %
Admissions	15,411	15,643	232	1.5%
Patient Days	118,975	133,204	14,229	12.0%
Average Daily Census	391.4	438.2	46.8	12.0%
Average Length of Stay	7.7	8.5	0.8	10.4%
Percentage Occupancy	67.8	75.5	7.7	11.4%
Outpatient Clinic Visits	219,185	223,067	3,882	1.8%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1988 TO APRIL 30, 1989

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$72,149,000	ROUTINE	\$59,734,560	\$68,808,286	\$9,073,726	15.2%
209,270,000	ANCILLARY	172,437,827	189,779,179	17,341,352	10.1%
\$281,419,000	GROSS CHARGES	\$232,172,387	\$258,587,465	\$26,415,078	11.4%
	DEDUCTIONS FROM CHARGES				
\$8,692,000	BILLING ADJUSTMENTS	\$7,171,030	\$9,201,024	\$2,029,994	28.3%
7,346,000	HMO/PPO DISCOUNTS	6,060,752	13,064,659	7,003,907	115.6%
29,116,000	GOVERNMENTAL CONTRACTUAL ADJUST	24,020,473	33,261,599	9,241,126	38.5%
550,000	CHARITABLE CARE	453,754	441,407	(12,347)	-2.7%
2,967,000	PROVISION FOR UNCOLLECTABLES	2,448,251	3,077,353	629,102	25.7%
\$48,671,000	TOTAL DEDUCTIONS	\$40,154,261	\$59,046,042	\$18,891,781	47.0%
	OTHER OPERATING REVENUE				
\$1,528,000	FOOD SERVICES	\$1,258,620	\$1,278,207	\$19,587	1.6%
576,000	PARKING SERVICES	474,780	630,026	155,246	32.7%
48,000	DEPARTMENT NON-PATIENT	39,669	132,472	92,803	233.9%
1,105,000	CUHCC GRANTS	931,140	971,069	39,929	4.3%
1,487,000	REFERENCE LAB INCOME	1,224,996	1,571,157	346,161	28.3%
1,533,000	PRO FEES--NET REVENUE	1,264,718	1,406,472	141,754	11.2%
0	SILVER SALVAGE	0	(41,283)	(41,283)	
2,407,000	INCOME FROM BOND PROCEEDS	1,992,841	1,943,744	(49,097)	-2.5%
\$8,684,000	TOTAL OTHER REVENUE	\$7,186,765	\$7,891,864	\$705,099	9.8%
\$241,432,000	TOTAL REVENUE FROM OPERATIONS	\$199,204,892	\$207,433,287	\$8,228,395	4.1%
	EXPENDITURES				
\$106,821,000	SALARIES	\$89,043,588	\$94,634,492	\$5,590,904	6.3%
24,605,000	FRINGE BENEFITS	20,302,259	19,854,589	(447,670)	-2.2%
2,128,000	ACADEMIC CONTRACTS	1,773,763	1,762,457	(11,306)	-0.6%
5,907,000	RESIDENT CONTRACTS	4,909,094	4,728,019	(181,075)	-3.7%
3,056,000	PHYSICIAN COMPENSATION	2,546,657	2,491,802	(54,855)	-2.2%
142,517,000	TOTAL SALARY, F.B., & FEES	118,575,361	123,471,359	4,895,998	4.1%
2,418,000	LAUNDRY & LINEN	1,998,123	1,902,942	(95,181)	-4.8%
1,760,000	RAW FOOD	1,461,239	1,471,855	10,616	0.7%
18,140,000	DRUGS	14,942,716	15,633,210	690,494	4.6%
8,255,000	BLOOD & BLOOD DERIVATIVES	6,800,288	8,588,101	1,787,813	26.3%
20,348,000	MEDICAL SUPPLIES & SERVICES	17,560,944	21,401,951	3,841,007	21.9%
5,923,000	UTILITIES	5,015,934	4,931,955	(83,979)	-1.7%
1,383,000	INSURANCE	1,137,684	876,238	(261,446)	-23.0%
3,700,000	RENTAL	3,069,575	3,252,323	182,748	6.0%
4,475,000	MAINTENANCE & REPAIR	3,727,143	3,670,910	(56,233)	-1.5%
0	NET LOSS ON DISPOSAL OF ASSETS	0	21,952	21,952	
256,000	CAMPUS ADMINISTRATION EXPENSE	213,317	224,105	10,788	5.1%
17,918,000	DEPRECIATION	14,980,147	14,618,364	(361,783)	-2.4%
12,005,000	INTEREST	10,033,624	10,837,062	803,438	8.0%
19,378,000	GENERAL SUPPLIES & EXPENSE	15,406,510	15,360,209	(46,301)	-0.3%
\$258,476,000	TOTAL EXPENDITURES	\$214,922,604	\$226,262,536	\$11,339,932	5.3%
(\$17,044,000)	NET REVENUE FROM OPERATIONS	(\$15,717,713)	(\$18,829,249)	(\$3,111,536)	-19.8%
	NON-OPERATING REVENUE				
\$14,725,000	APPROPRIATIONS & SUPPORT	\$12,270,473	\$12,400,051	\$129,578	1.1%
0	ACCRUED INTEREST ON APPROPRIATIONS	0	121,861	121,861	
5,258,000	INTEREST INCOME ON RESERVES	4,504,863	5,876,902	1,372,039	30.5%
101,000	SHARED SERVICES	158,753	141,818	(16,935)	-10.7%
1,094,000	INVESTMENT INCOME HELD BY TRUSTEE	914,784	871,604	(43,180)	-4.7%
0	OTHER INVESTMENT INCOME	0	45,204	45,204	
\$21,178,000	TOTAL NON-OPERATING REVENUE	\$17,848,874	\$19,457,440	\$1,608,566	9.0%
\$4,134,000	REVENUE OVER/(UNDER) EXPENSE	\$2,131,161	\$628,191	(\$1,502,970)	
	PRIOR YEAR BC/BS ADJUSTMENT	0	(\$1,619,440)	(\$1,619,440)	
\$4,134,000	ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$2,131,161	(\$991,249)	(\$3,122,410)	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

APRIL 30 1989 AND JUNE 30, 1988

ASSETS	04/30/89	6/30/88	LIABILITIES AND FUND BALANCES	04/30/89	6/30/88
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$208,805	Accounts payable	\$10,656,574	\$8,034,429
Reserve Cash- Third Party Payable	6,550,457	8,918,146	Payable to Third Party Contr. Payors	8,282,013	8,918,146
Reserve Cash- Current Indebtedness	6,090,621	8,563,351	Salaries, Wages and Payroll Taxes	7,862,142	4,550,262
Accounts Receivable			Accrued Vacation	8,033,284	7,359,638
Patient Receivables	93,068,254	81,094,942	Accrued Professional Fees and		
Other Receivables	1,950,133	1,946,003	Physician Compensation	1,089,657	1,335,462
Third Party Receivable	4,546,556	0	Contracts Payable	33,333	434,994
Appropriation Receivable	1,235,477	0	Construction Retainages	0	171,434
	-----	-----	Interest Payable	3,056,783	4,927,542
	100,800,420	83,040,945	Current Portion of Long-Term Debt	1,071,539	3,826,673
Less Allowances for Losses in Collection	(6,154,449)	(5,609,000)	Promissory Notes Payable	2,500,000	2,500,000
	-----	-----			
Less Allowances for Discounts to Third Party Payors	(21,556,425)	(15,764,889)			
	73,089,546	61,667,056			
Trustee Held Assets	0	171,434			
Inventories of Drugs & Supplies	4,711,422	4,749,699			
Prepaid Expenses	802,105	977,120			
	-----	-----			
TOTAL CURRENT ASSETS	\$91,316,433	\$85,255,611	TOTAL CURRENT LIABILITIES	\$42,585,325	\$42,058,580
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$60,251,293	\$66,561,487			
Accrued Interest	940,575	148,240			
	-----	-----			
	61,191,868	66,709,727			
Cash & Invest for Debt Service	13,000,000				
Cash & Invest for Working Capital	14,996,846		LONG-TERM DEBT, LESS CURRENT PORTION	\$171,302,965	\$174,669,487
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TOTAL	\$89,188,714	\$66,709,727			
PROPERTY, PLANT, & EQUIPMENT					
Land, Buildings & Improvements	\$183,584,392	\$183,083,996			
Equipment	81,751,383	77,311,403			
	-----	-----			
	265,335,775	260,395,399			
Less Accumulated Depreciation	(97,790,045)	(83,775,058)			
	-----	-----			
	167,545,730	176,620,341			
Construction in Progress	8,262,205	5,249,789			
	-----	-----			
TOTAL PROPERTY, PLANT, & EQUIPMENT	175,807,935	\$181,870,130			
Assigned Cash & Investments for Construction/Equipment	8,304,188	10,098,464			
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TOTAL	\$184,112,123	191,968,594			
INVESTMENTS HELD BY BOND TRUSTEE	\$18,724,634	\$42,262,027			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,961,451	\$8,520,626			
Deferred Debt Expense	1,189,908	\$1,360,345			
Deposits and Other	594,855	\$585,894			
	-----	-----			
TOTAL	\$9,746,214	\$10,466,865	UNRESTRICTED FUND BALANCE	\$179,199,828	\$179,934,757
TOTAL ASSETS	\$393,088,118	\$396,662,824	TOTAL LIABILITIES & FUND BALANCE	\$393,088,118	\$396,662,824
	=====	=====		=====	=====
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
Cash and Investments	\$6,339,528	\$5,955,184	Endowment Funds	\$2,097,257	\$1,977,422
	-----	-----	Gift Funds	4,242,271	3,977,762
	=====	=====		-----	-----
				\$6,339,528	\$5,955,184
				=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1988 TO APRIL 30, 1989

Source of Funds

Beginning Operating Cash Balance		\$208,805
Net Income from Operations	(18,829,248)	
Prior Period Blue Cross Adjustment	(1,619,440)	
Non-Operating Revenue	19,457,439	

Excess of Revenue over Expense		(991,249)
Items not Requiring the Outlay of Cash		
Depreciation	14,618,364	
University Support: G & A	224,105	
Loss on Disposal of Assets	21,952	
Deferred Third Party Reimbursement	559,175	
Renewal Project Interest Expense	8,554,050	
Increase in Accrued Expenses	5,943,011	
Decrease in Prepaid Expenses	175,015	
Decrease in Other Receivables	217,459	
Transfer Third Party Reserve	5,182,689	
Increase in Third Party Payable	(636,133)	
Decrease in Inventory	29,318	

Total Funds Provided from Operations		\$34,106,561

Funds Applied

Capital Expenditures	6,280,704
Appropriation Receivable	1,235,477
Third Party Receivable	4,546,556
Increase in Accounts Receivable	5,636,327
Investment Income - Trustee-held Assets	871,604
Transfers to Reserves - Bond Retirement	10,468,001

Total Funds Applied	\$29,038,669
Operating Cash Made Available from Operations	\$5,067,892
	=====

Total Operating Cash Available of \$5,067,892 plus Transfers for Bond Retirement of \$10,468,002; plus Transfers to Plant of \$6,280,704 equals Cash Generated from Operations of \$21,816,597.

Current Cash Summary

Operating Cash	\$5,067,892
Operating Cash from Working Capital Reserve	1,003,153
Reserve Cash for Liability to Third Party Payors	6,550,457
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	3,590,621

	18,712,123
Less Interest Income on Reserves	(5,998,763)

Total Current Cash	\$12,713,360
	=====

University of Minnesota Hospital & Clinic
Statement of Changes in Fund Balance
For the Period July 1, 1988 through April 30, 1989

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS						
Beginning Balance	\$37,393,924	\$8,563,351	\$66,709,727	\$24,834,294	\$42,433,461	\$179,934,757
Net Income						
Excess of Revenue over Expense	5,116,836					
Interest Income on Reserves			5,876,902			
Accrued Interest on Appropriations			121,861			
Depreciation Expense				(14,618,364)		
Gain on Disposal of Assets				(21,952)		
Interest Income on Trustee Held Fund					871,604	
Amortization of Deferred Bond Expense				(281,881)		
Interest income on Bond Proceeds					1,943,745	
Total Income						(991,249)
Less Expense						
University Support: G & A	224,105					224,105
Transfers Between Funds						
Major Building Projects- Hosp. Capital Expenditures	(5,362,764)		(4,282,052)	4,282,052		0
Major Equipment Requisition	(918,103)			5,362,764		0
Adjustment to Shared Buildings				918,103		0
Bond Interest Payment	12,069,612	(10,811,156)		15,452	(1,258,456)	15,452
Bond Interest Expense Funding	(8,272,304)	8,957,594			(685,290)	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	(2,195,832)	2,195,832				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 commitment to Plant Funding Working Capital	1,003,153		(1,003,153)	16,763		16,763
Ending Balance	\$44,373,627	\$6,090,621	\$89,188,715	\$20,822,231	\$18,724,634	\$179,199,828

	GIFT	ENDOWMENT	TOTAL
RESTRICTED FUNDS			
Beginning Balance	3,977,762	1,977,422	5,955,184
Income	1,074,975	120,171	1,195,146
Disbursement	(137,966)	(336)	(138,302)
Transfer to non-hospital fund	(672,500)		(672,500)
Ending Balance	\$4,242,271	\$2,097,257	\$6,339,528

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1988 TO APRIL 30, 1989

DATE: 05/18/89
TIME: 02:07 PM

APRIL BUDGETED	APRIL ACTUAL	APRIL VARIANCE	VARIANCE %		BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$6,112,550	\$6,895,833	\$783,283	12.8%	PATIENT CARE CHARGES	\$59,734,560	\$68,808,286	\$9,073,726	15.2%
17,924,488	18,457,597	533,109	3.0%	ROUTINE	172,437,827	189,779,179	17,341,352	10.1%
				ANCILLARY				
\$24,037,038	\$25,353,430	\$1,316,392	5.5%	GROSS CHARGES	\$232,172,387	\$258,587,465	\$26,415,078	11.4%
				DEDUCTIONS FROM CHARGES				
\$742,424	\$966,495	\$224,071	30.2%	BILLING ADJUSTMENTS	\$7,171,030	\$9,201,024	\$2,029,994	28.3%
627,476	772,665	145,189	23.1%	HMO/PPO DISCOUNTS	6,060,752	13,064,659	7,003,907	115.6%
2,486,863	4,163,365	1,676,502	67.4%	GOVERNMENTAL CONTRACTUAL ADJUST	24,020,473	33,261,599	9,241,126	38.5%
46,978	36,920	(10,058)	-21.4%	CHARITABLE CARE	453,754	441,407	(12,347)	-2.7%
253,470	267,003	13,533	5.3%	PROVISION FOR UNCOLLECTABLES	2,448,251	3,077,353	629,102	25.7%
\$4,157,211	\$6,206,448	\$2,049,237	49.3%	TOTAL DEDUCTIONS	\$40,154,261	\$59,046,042	\$18,891,781	47.0%
				OTHER OPERATING REVENUE				
\$130,468	\$122,943	(\$7,525)	-5.8%	FOOD SERVICES	\$1,258,620	\$1,278,207	\$19,587	1.6%
49,216	63,139	13,923	28.3%	PARKING SERVICES	474,780	630,026	155,246	32.7%
3,915	13,132	9,217	235.5%	DEPARTMENT NON-PATIENT	39,669	132,472	92,803	233.9%
87,235	131,233	43,998	50.4%	CUHCC GRANTS	931,140	971,069	39,929	4.3%
127,335	143,234	15,899	12.5%	REFERENCE LAB INCOME	1,224,996	1,571,157	346,161	28.3%
130,938	142,089	11,151	8.5%	PRO FEES--NET REVENUE	1,264,718	1,406,472	141,754	11.2%
0	(5,701)	(5,701)		SILVER SALVAGE	0	0	(41,283)	
205,961	180,372	(25,589)	-12.4%	INCOME FROM BOND PROCEEDS	1,992,841	1,943,744	(49,097)	-2.5%
\$735,067	\$790,441	\$55,374	7.5%	TOTAL OTHER REVENUE	\$7,186,765	\$7,891,864	\$705,099	9.8%
\$20,614,894	\$19,937,423	(\$677,471)	-3.3%	TOTAL REVENUE FROM OPERATIONS	\$199,204,892	\$207,433,287	\$8,228,395	4.1%
				EXPENDITURES				
\$8,669,307	\$9,521,214	\$851,907	9.8%	SALARIES	\$89,043,588	\$94,634,492	\$5,590,904	6.3%
2,098,425	1,946,657	(151,768)	-7.2%	FRINGE BENEFITS	20,302,259	19,854,589	(447,670)	-2.2%
177,376	176,246	(1,130)	-0.6%	ACADEMIC CONTRACTS	1,773,763	1,762,457	(11,306)	-0.6%
499,059	471,532	(27,527)	-5.5%	RESIDENT CONTRACTS	4,909,094	4,728,019	(181,075)	-3.7%
54,666	249,109	(5,557)	-2.2%	PHYSICIAN COMPENSATION	2,546,657	2,491,802	(54,855)	-2.2%
11,698,833	12,364,758	665,925	5.7%	TOTAL SALARY, F.B., & FEES	118,575,361	123,471,359	4,895,998	4.1%
205,384	192,262	(13,122)	-6.4%	LAUNDRY & LINEN	1,998,123	1,902,942	(95,181)	-4.8%
146,847	137,990	(8,857)	-6.0%	RAW FOOD	1,461,239	1,471,855	10,616	0.7%
1,548,956	1,880,487	331,531	21.4%	DRUGS	14,942,716	15,633,210	690,494	4.6%
704,915	857,434	152,519	21.6%	BLOOD & BLOOD DERIVATIVES	6,800,288	8,588,101	1,787,813	26.3%
1,820,360	1,920,219	99,859	5.5%	MEDICAL SUPPLIES & SERVICES	17,560,944	21,401,951	3,841,007	21.9%
469,211	782,709	313,498	66.8%	UTILITIES	5,015,934	4,931,955	(83,979)	-1.7%
122,702	65,609	(57,093)	-46.5%	INSURANCE	1,137,684	876,238	(261,446)	-23.0%
311,816	353,496	41,680	13.4%	RENTAL	3,069,575	3,252,323	182,748	6.0%
367,810	380,765	12,955	3.5%	MAINTENANCE & REPAIR	3,727,143	3,670,910	(56,233)	-1.5%
0	430	430		NET LOSS ON DISPOSAL OF ASSETS	0	21,952	21,952	
21,051	22,410	1,359	6.5%	CAMPUS ADMINISTRATION EXPENSE	213,317	224,105	10,788	5.1%
1,445,147	1,417,626	(27,521)	-1.9%	DEPRECIATION	14,980,147	14,618,364	(361,783)	-2.4%
985,834	1,058,896	73,062	7.4%	INTEREST	10,033,624	10,837,062	803,438	8.0%
1,520,379	1,452,868	(67,511)	-4.4%	GENERAL SUPPLIES & EXPENSE	15,406,510	15,360,209	(46,301)	-0.3%
\$21,369,244	\$22,887,959	\$1,518,715	7.1%	TOTAL EXPENDITURES	\$214,922,604	\$226,262,536	\$11,339,932	5.3%
(\$754,350)	(\$2,950,536)	(\$2,196,186)	291.1%	NET REVENUE FROM OPERATIONS	(\$15,717,713)	(\$18,829,249)	(\$3,111,536)	-19.8%
				NON-OPERATING REVENUE				
\$1,227,047	\$1,235,469	\$8,422	0.7%	APPROPRIATIONS & SUPPORT	\$12,270,473	\$12,400,051	\$129,578	1.1%
0	0	0		ACCRUED INTEREST ON APPROPRIATIONS	0	121,861	121,861	
379,019	592,335	213,316	56.3%	INTEREST INCOME ON RESERVES	4,504,863	5,876,902	1,372,039	30.5%
15,666	16,270	604	3.9%	SHARED SERVICES	158,753	141,818	(16,935)	-10.7%
89,848	72,762	(17,086)	-19.0%	INVESTMENT INCOME HELD BY TRUSTEE	914,784	871,604	(43,180)	-4.7%
0	0	0		OTHER INVESTMENT INCOME	0	45,204	45,204	
\$1,711,581	\$1,916,836	\$205,255	12.0%	TOTAL NON-OPERATING REVENUE	\$17,848,874	\$19,457,440	\$1,608,566	9.0%
\$957,232	(\$1,033,700)	(\$1,990,932)		REVENUE OVER/(UNDER) EXPENSE	\$2,131,161	\$628,191	(\$1,502,970)	
0	0	0		PRIOR YEAR BC/BS ADJUSTMENT	0	(\$1,619,440)	(\$1,619,440)	
\$57,232	(\$1,033,700)	(\$1,990,932)		ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$2,131,161	(\$991,249)	(\$3,122,410)	



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 18, 1989

TO: Board of Governors
Finance Committee

FROM: Robert Dickler
General Director

SUBJECT: 1989-90 Operating Budget

The 1989-90 Operating Budget was presented to the Finance Committee on April 10th and 26th, and also to the Board of Governors for information on April 26, 1989. On April 26, 1989 the Board of Governors approved a 9.5% rate increase for 1989-90 with 7.5% of the increase to be implemented on July 1, 1989. The remaining 2% will be implemented, if necessary, when final compensation plans and regulatory payment levels are known. Implementation of any part of the additional 2% increase will be approved by the Board of Governors.

At this time we are requesting your endorsement of the remaining components of the 1989-90 Operating Budget to be brought to the Board of Regents for information at their June 1989 meeting and action in July 1989.

Attached for your review is the Summary Statement of Operations and Cash Flow for the current and budget years. We look forward to discussing this with you on May 24, 1989.

/th

Attachment

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

	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
Total Operating Revenue	\$241,432,000	\$248,920,000	\$271,091,000	\$273,664,000
Expenditures				
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
Total Expenditures	\$258,476,000	\$274,024,000	\$293,128,000	\$293,128,000
Net Revenue from Operations	(\$17,044,000)	(\$25,104,000)	(\$22,037,000)	(\$19,464,000)
Total Non-Operating Revenue				
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
Total Non-Operating Revenues	\$21,178,000	\$23,575,000	\$23,669,000	\$23,669,000
Revenue Over/-Under Expenses	\$4,134,000	(\$1,529,000)	\$1,632,000	\$4,205,000
Add Non-Cash Outlays:				
Depreciation	17,918,000	17,625,000	18,283,000	18,283,000
University Support	300,000	156,000	182,000	182,000
Net Increase to Working Capital	863,000	2,272,000	2,539,000	2,539,000
Total Funds Provided	23,215,000	18,524,000	22,636,000	25,209,000
Funds Applied				
Increase in Accounts Receivable	5,891,000	4,307,000	3,051,000	3,834,000
Capital Expenditures:				
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
Total Funds Applied	23,054,000	21,061,000	21,677,000	22,460,000
Total Cash Available from Operations	\$161,000	(\$2,537,000)	\$959,000	\$2,749,000



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 18, 1989

TO: Members, Finance Committee
FROM: Greg Hart
Senior Associate Director
SUBJECT: 1989-90 Capital Budget

Enclosed please find the proposed 1989-90 capital budget. Our operating budgets assumed cash flow for equipment and remodeling of \$8,300,000.

As the attached summary indicates, we are recommending an equipment and remodeling budget next year of \$8,300,000. Of this amount, \$6,723,000 is for equipment purchases, the remainder is for equipment installation and remodeling. A departmental breakdown of the equipment budget is attached.

The third attachment identifies those equipment purchases which are anticipated which are in excess of \$100,000, but less than the \$600,000 threshold requiring project-specific Board approval. We will be presenting brief reports to the Planning and Development Committee on the \$100,000 - \$600,000 purchases during the upcoming year.

The last attachment presents a ten-year capital expenditure plan. This ten-year plan does not require Board approval, but is informational in nature. The ten-year plan includes projects which have been identified as part of the Board approved Mayo remodeling plan (Renewal Project -Phase II). Please note major expenditures for Renewal Project II are included on the second page of the ten-year plan.

We will request Board approval for the recommended \$8,300,000 capital budget at your June meeting. This month's presentation is for information only. Major capital expenditures will be brought forward individually for approval at later dates.

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

/kj

attachments

DEPARTMENT

AMOUNT*

DEPARTMENT	AMOUNT*
Admissions	\$2,873
Ambulatory Care	\$262,037
Biomedical Eng.	\$22,770
Bone Marrow Transplant	\$369
Cardio-Respiratory	\$556,540
C.C.T.V.	\$44,040
Communications	\$20,861
Environmental Svcs.	\$67,770
Fin. Accounting	\$41,623
Hospital Facilities	\$7,104
Human Resources	\$39,610
Infection Control	\$4,550
Information Services	\$855,820
Laboratories	\$987,643
Labs - Neurology	\$28,000
Maint. & Operations	\$11,423
Materials Services	\$155,635
Medical Records	\$99,090
Nursing Services	\$138,303
Nutrition	\$43,514
Operating Rooms	\$675,840
Patient Accounting	\$9,200
Patient Relations	\$1,231
Pharmacy	\$8,370
PM and R	\$34,594
Protection Svcs.	\$6,600
Psychiatry	\$3,203
Quality Assurance	\$10,739
Radiology	\$1,387,167
Therapeutic Radiology	\$525,000
Anticipated Future Requests	\$671,481

GRAND TOTAL

\$6,723,000

* Departmental allocations may vary as refinement to this budget occurs.

1989 - 1990 Capital Budget Summary

Items Between \$100,000 and \$600,000

Diagnostic Radiology	Radiographic/Tomographic Peds Gamma Camera	\$168,000. \$210,000.
Hospital Laboratories	Pathfinder Mega	\$118,000.
Information Services	Applications Software and Related Hardware (Possible systems to be purchased include; Purchasing, Automated Time Card, Patient Care Documentation, Casemix Management, IMS Expansion, Outpatient Registration Scheduling and Billing)	\$677,552.
Therapeutic Radiology	Stereotactic Radio Surgery	\$500,000.
Grand Total		\$1,673,552.

ANNUAL CAPITAL REQUIREMENTS

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
APPROVED PROJECTS												
Dermatology Clinic.....(C)	0	630,000	0	0	0	0	0	0	0	0	0	630,000
A-15 Computer/Disc Drives.....(A)	3,800,000	0	0	0	0	0	0	0	0	0	0	3,800,000
MRI - II.....(C)	0	2,600,000	1,000,000	0	0	0	0	0	0	0	0	3,600,000
CUHCC.....(C)	0	331,373	1,018,627	0	0	0	0	0	0	0	0	1,350,000
Masonic III.....(C)	0	200,000	400,000	0	0	0	0	0	0	0	0	600,000
Approved Projects Subtotal.....	3,800,000	3,761,373	2,418,627	0	0	0	0	0	0	0	0	9,980,000
ANTICIPATED PROJECTS												
Lithotripter II.....	0	0	1,100,000	0	0	0	0	0	0	0	0	1,100,000
Lithotripter I Upgrade.....	0	0	0	0	1,216,000	0	0	0	0	0	0	1,216,000
Replace CT Scanners.....	0	0	992,000	0	1,094,000	0	1,206,000	0	0	0	0	3,292,000
Replace Linear Accel.....	0	0	1,700,000	0	1,300,000	0	1,500,000	0	0	0	0	4,500,000
Replace MRI-I.....	0	0	0	0	0	3,063,000	0	0	0	0	0	3,063,000
Computer Upgrade.....	0	650,000	1,700,000	4,150,000	1,500,000	1,500,000	1,500,000	5,500,000	1,500,000	1,500,000	1,500,000	21,000,000
Neuroradiology Upgrade.....	0	0	1,809,000	0	0	0	0	0	0	0	0	1,809,000
Anticipated New Technology.....	0	0	0	1,400,000	0	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	22,400,000
Heart Cath/CV Radiology.....	0	0	800,000	2,500,000	3,000,000	0	0	0	0	0	0	6,300,000
Property - Oak and Fulton.....	0	0	0	0	0	0	0	0	0	0	0	0
Anticipated Projects Subtotal.....	0	650,000	8,101,000	8,050,000	8,110,000	8,063,000	7,706,000	9,000,000	5,000,000	5,000,000	5,000,000	64,680,000
ANNUAL EQUIPMENT AND REMODELING PROJECTS												
Annual Equipment Replacement.....(B)	4,407,000	6,500,000	6,723,000	6,925,500	7,209,000	7,411,500	7,654,500	8,545,500	8,950,500	9,598,500	10,368,000	84,293,000
Annual Remodeling.....(B)	1,141,000	1,500,000	1,577,000	1,624,500	1,691,000	1,738,500	1,795,500	2,004,500	2,099,500	2,251,500	2,432,000	19,855,000
Equipment Rollforward.....(D)	0	2,850,000	0	0	0	0	0	0	0	0	0	2,850,000
Annual Equip and Remod Subtotal.....	5,548,000	10,850,000	8,300,000	8,550,000	8,900,000	9,150,000	9,450,000	10,550,000	11,050,000	11,850,000	12,800,000	106,998,000
ANNUAL PRINCIPAL PAYMENTS												
Unit J Principal Payments.....(B)	2,706,000	2,815,000	2,215,000	2,345,000	2,490,000	2,650,000	2,830,000	3,015,000	3,230,000	3,455,000	3,705,000	31,456,000
VRDB Principal Payments.....	0	0	0	0	0	0	0	0	1,681,000	1,681,000	1,681,000	5,043,000
Existing Other Principal Payments.....(B)	1,169,000	1,478,000	916,000	598,000	148,000	76,000	0	0	0	0	0	4,385,000
Annual Principal Payments Subtotal.....	3,875,000	4,293,000	3,131,000	2,943,000	2,638,000	2,726,000	2,830,000	3,015,000	4,911,000	5,136,000	5,386,000	40,884,000
Annual Capital Requirement Subtotal.....	13,223,000	19,554,373	21,950,627	19,543,000	19,648,000	19,939,000	19,986,000	22,565,000	20,961,000	21,986,000	23,186,000	222,542,000

(A) Funded from Trustee Account as of June 30th, 1988 of \$3,880,000
 (B) Funded as part of 1987-88 budget totalling \$9,423,000
 (C) Funded from Reserves as of June 30th, 1988, funding included in Beginning Reserve Balance
 (D) 2.2 million funded as of June 30th, 1988, funding included in Beginning Reserve Balance

BUILDING REPLACEMENT/MODERNIZATION

RENEWAL PROJECT PHASE II ===== **	Bldg	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Surgical Path.....(A)	Mayo	0	700,000	330,000	0	0	0	0	0	0	0	0	1,030,000
Mayo Clinical Program Remodeling Project.....	Mayo	0	0	1,575,000	5,512,500	5,325,075	0	0	0	0	0	0	12,412,575
Unit J Expansion Project.....	J	0	200,000	2,600,000	8,224,423	10,260,173	1,469,778	0	0	0	0	0	22,754,373
Building Upgrade.....	Mayo	0	0	2,125,000	4,910,000	4,977,788	0	0	0	0	0	0	12,012,788
Other Mayo Programs.....	Mayo	0	0	840,000	1,102,500	2,554,727	4,187,911	2,424,935	2,680,191	0	0	0	13,790,265
Total Project.....		0	900,000	7,470,000	19,749,423	23,117,762	5,657,689	2,424,935	2,680,191	0	0	0	62,000,000
Annual Capital Requirement Subtotal.....		13,223,000	19,554,373	21,950,627	19,543,000	19,648,000	19,939,000	19,986,000	22,565,000	20,961,000	21,986,000	23,186,000	222,542,000
Total.....		13,223,000	20,454,373	29,420,627	39,292,423	42,765,762	25,596,689	22,410,935	25,245,191	20,961,000	21,986,000	23,186,000	284,542,000

(A) Funded from Reserves as of June 30th, 1988, funding included in Beginning Reserve Balance



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 18, 1989

TO: Board of Governors
Finance Committee

FROM: Greg Hart
Senior Associate Director

SUBJECT: Quarterly Capital Expenditure Report

Consistent with Board of Governors' policy, attached please find a report on capital expenditure for the July, 1988 - March, 1989 time period. As you can see from the report, our capital expenditures year-to-date are running below budget and below historical seasonalized spending patterns.

This report is for your information; no action is required.

/th

Attachment

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						
CUNCC	\$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
TWIN CITIES

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

May 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 May 24, 1989.

GH:th

Attachment

MAJOR CAPITAL EXPENDITURE REPORT

EQUIPMENT: CT Scanner

PURCHASE PRICE: \$211,632 (1 year lease at \$17,636 per month)

DESCRIPTION:

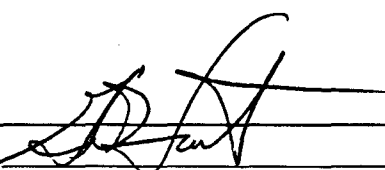
UMHC installed the oldest of its three CT Scanners in 1984. Based on the results of an analysis of financing alternatives, the unit was acquired through a five year, operating lease at a total cost of \$1,382,563.20 (\$23,042.72 per month). The lease is due to expire on May 31, 1989.

The total volume of CT procedures continues to increase annually necessitating operation of three scanners. The projected volume for the current year is 10,360, up 18% from 1985-86 when the decision to purchase a third scanner was made.

The leased unit is no longer state-of-the-art for many procedures and needs to be replaced. However, priority of other equipment needs and the desire to further evaluate the CT machines available in the marketplace has moved planning and budgeting for a replacement into the 1989-90 fiscal year. Therefore, the management staff has decided to extend the current operating lease for an additional one year period.

The cost of the extended lease is included in the fiscal 1989-90 budget projections.

Submitted By: Al Dees
Title: Assoc. Dir.

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

**MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE
Wednesday, June 28, 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. | Opening of Meeting and Approval of Minutes of Finance Committee meeting held 5/24/89 (Approval) pp. 1-4 | Mr. Jerry Meilahn |
| II. | May 31, 1989 Financial Statements (Information) pp. 5-19 | Mr. Cliff Fearing |
| III. | 1989-90 Capital Budget (Endorsement) pp. 20-25 | Mr. Greg Hart |
| IV. | 1989-90 Employee Compensation Plan (Endorsement) pp. 26-27 | Mr. Robert Dickler |
| IV. | Clinical Department Space Proposal (Information) pp. 28-55 | Mr. Robert Dickler |
| V. | Phase II Renewal Dedicated Reserves (Information) | Mr. Cliff Fearing |

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

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
May 24, 1989

MINUTES

ATTENDANCE:

Present: Carol Campbell
Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
Elwin Fraley, M.D.
Erwin L. Goldfine
Jerry Meilahn
Barbara O'Grady

Not Present: Vic Vikmanis

Staff: Al Dees
Greg Hart
Teri Holberg
Nancy Janda
Nels Larson
Helen Pitt
Dan Rode

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on May 24, 1989 at 12:18 p.m.

APPROVAL OF THE MINUTES:

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the February 22, 1989 and April 26, 1989 meetings as written.

JULY 1, 1989 THROUGH APRIL 30, 1989 FINANCIALS:

Mr. Clifford P. Fearing reported that UMHC had experienced a decline in the inpatient census for the month of April. Inpatient admissions for April totaled 1538, which was 2.8% under budget. The average length of stay was

at 8.5 Days, or .8 days over budget, and patient days for April were reported to be 9.8% over budget. As of April, year-to-date admissions were 1.5% over budget and patient days were 12% over budget. The average daily census for April was 438 days or 11% over budget. The first 22 days of May showed a decline in average daily census of 20 days and a decline in average length of stay to 8.2 days. Outpatient admissions were reported to be 5.3% under budget for the major clinics for the first time this year. CUHCC and Home Health visits continued to be over budget. Ancillary revenue was reported to be 10.1% over budget, and the accounts receivable were reported to have increased 1.2 days in April.

Lastly, Mr. Fearing reported the Hospital had a year-to-date positive revenue over expense of \$628,000. This amount was exclusive of the \$1,600,000 audit adjustment on the prior year Blue Cross receivables. Had the adjustment been calculated in for the month of April, the Hospital would have had a net loss of \$991,000. Mr. Fearing reported he had spoken with the auditors from Peat Marwick. They indicated to him a prior period adjustment will be made to last year's financial statement for that \$1,600,000. As a result of this, this year will stand on its own and the revenue over expense for the month of April will be \$628,000.

Mr. Robert Dickler informed the Committee that a hiring freeze had recently been imposed on the Hospital. He stated the reasons for this decision were twofold: 1) in the months of April the Hospital lost approximately \$1,000,000 and was \$2,000,000 behind budget, and 2) a decline in the average daily census. Mr. Dickler stated no hiring will be made at this time without the signing off by one of the Senior Associate Directors. The hiring freeze is in addition to the reduction in FTEs that was planned in the 1989-90 Budget.

1989-90 OPERATING BUDGET:

Mr. Clifford Fearing submitted to the Financial Committee, for endorsement, the 1989-90 Operating Budget. The 1989-90 Budget would have a rate increase of 9.5% with an implementation of 7.5% on July 1, 1989. After it becomes known how changes in Federal regulations will impact the budget and if it is believed necessary, with prior Board approval the remaining 2% would be implemented. The 9.5% rate increase would produce a net cash flow of \$2,700,000, where the 7.5% rate increase would produce a \$959,000 net cash flow. Mr. Fearing informed the Committee the 1989-90 Budget will go before the Board of Regents at their June meeting for information and to be presented to their July meeting for action.

The Board of Governors Finance Committee second and passed the motion to approve the 1989-90 Operating Budget.

1989-90 CAPITAL BUDGET:

Mr. Greg Hart presented to the Committee the 1989-90 Capital Budget and the Hospital's ten-year capital expenditure plan for information only. The 1989-90 Capital Budget will be brought before the Committee in June for endorsement. The ten-year capital expenditure plan does not require Board approval.

Ten-year Capital Expenditure Plan

Mr. Hart stated that in order to fund the ten year capital plan the Hospital will need to generate through the next ten years \$284,542,000 either from existing reserves or from cash flows generated from operations. Mr. Hart stated the \$284,000,000 comprised of approved projects (ex., Dermatology Clinic, MRI II, Masonic III, CUHCC), anticipated projects (ex., lithotripter II, replace CT scanner, computer upgrade) annual equipment and remodeling, principal payments on existing debt, and the second phase of the renewal project.

Mr. Hart reported the CUHCC project has been delayed because the architectural estimate exceeded the \$1.5 M that was budgeted for the project. Non-hospital sources of funds are now being investigated in order to complete the project. The Committee will be kept fully informed of the status of this project.

Capital Budget

Mr. Hart presented to the Committee the 1989-90 Capital Budget of \$8,300,000. The \$8,300,000 would come from current year operating cash flow. Of the \$8,300,000, \$6,700,000 would be for the purchasing of equipment, \$115,000 for equipment installation, and \$1,400,000 for remodeling. Because of the financial uncertainty in the coming year, Mr. Hart stated even though the Board will have approved the \$8,300,000, the departments will not be authorized to spend all of the funds given to them at one time. The departments will be authorized to spend 25% of their allotted amount per quarter. Review of the Hospital's financial situation will periodically be taken and, if it is felt necessary, the remaining amount of unspent capital funds, at the time of the review will be designated to other areas of the Hospital.

QUARTERLY CAPITAL EXPENDITURE REPORT:

Mr. Hart presented to the Committee the Quarterly Capital Expenditure Report for information only.

Mr. Hart reported the capital expenditure year-to-date was \$4,500,000. Comparing that amount to the seasonalized budget, the Hospital has underspent the capital budget by \$1,300,000. Mr. Hart informed the Committee that within the next two months the items that have been budgeted but not purchased will be reviewed and one of two things will occur. At that time it will be decided if the item will be rollforward to the the next year, or it was no longer necessary to purchase and the funds will go back into the reserves.

MAJOR CAPITAL EXPENDITURES:

Mr. Al Dees reviewed, for information purposes, a major capital expenditure report in the \$100,000 - \$600,000 range. The major capital expenditure would be for a one year continuation of the lease on a CT Scanner. Mr. Dees stated that because of priority of other equipment needs and the

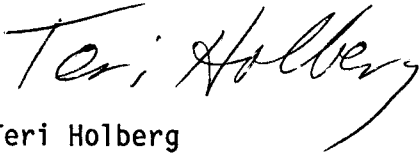
desire to further evaluate CT machines in the marketplace, it was decided to to extend the lease on the existing CT machine rather than purchase a new one at this time.

MRI FINANCING:

Mr. Fearing reported to the Committee, for information, the refinancing of the second MRI. It was been brought before the Committee at an earlier date to purchase a second MRI for \$2,192,000. After the recommendation was made the Hospital was approached by Comdisco, a medical equipment resale company. Comdisco's assistance in purchasing the MRI would guarantee an up front salvage value of \$348,000 to the Hospital. This would bring the purchase price for the Hospital to \$1,988,000. The depreciation and interest rate return from Medicare and Medicaid would be approximately \$540,000 over the life of the item. Therefore, the net cost of the MRI through Comdisco would be \$1,430,000, which would be at a minimum \$60,000-70,000 less than what the Hospital had originally intended on spending.

There being no further discussion, the May 24, 1989 meeting was adjourned at 1:25 p.m.

Respectfully submitted,



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

June 28, 1989

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

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

INPATIENT CENSUS: For the month of May, inpatient admissions totaled 1,619, which was 12 below budgeted admissions of 1,631. Our overall average length of stay for the month was 8.0 days. Patient days for May totaled 12,908 and were 342 days over budget. The decrease in admission levels from budget was primarily in the areas of Cardiovascular Surgery, Gynecology, and Ophthalmology.

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	17,551	17,042	17,262	220	1.3
Patient Days	141,041	131,541	146,080	14,539	11.1
Avg Length of Stay	8.0	7.7	8.4	0.7	9.1
Avg Daily Census	419.8	392.7	436.1	43.4	11.1
Percent Occupancy	72.5	68.1	74.9	6.8	10.0

OUTPATIENT CENSUS: Clinic visits for the month of May totaled 24,683 which was 1,850, or 8.1%, over budgeted visits of 22,833. Areas in which actual visits were over budget included Diabetes Center, Dermatology, Orthopedics, Masonic Day Hospital and Family Practice. The increases were offset by decreases in OB/GYN, Medicine and Ophthalmology. Community University Health Care Center (CUHCC) visits for the month of May totaled 4,531, which was 166, or 3.8%, over budgeted visits of 4,365, while Home Health visits of 1,097 for the month were 282, or 34.6%, above budgeted visits of 815.

REPORT OF OPERATIONS
MAY 1989
PAGE 2

To recap our year-to-date outpatient census:

	1987-88 <u>Actual</u>	1988-89 <u>Budget</u>	1988-89 <u>Actual</u>	<u>Variance</u>	<u>% Var</u>
Clinic Visits	240,322	242,018	247,750	5,732	2.4
CUHCC Visits	44,118	45,635	43,850	(1,785)	(3.9)
HHA Visits	8,643	8,811	11,156	2,345	26.6

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows expenses exceeding revenues by \$1,400,714, an unfavorable variance of \$4,168,434.

Patient care charges through May totaled \$284,017,131, which was 10.7% over budget. Routine revenue was 14.2% over budget and reflects our year-to-date favorable patient day variance.

Ancillary revenue was \$17,969,433 above budget (9.4%) and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$8,870 per admission compared to the budgeted average of \$7,982 per admission. Outpatient revenue per clinic visit has averaged \$224 compared to the budgeted average of \$225.

Operating expenditures through May totaled \$248,267,553 and were \$11,275,880 (4.8%) over budgeted levels of \$236,991,673. The overall unfavorable variance relates primarily to the increased demand for patient services, and is reflected in higher personnel costs and patient care supplies (blood and medical supplies and services).

ACCOUNTS RECEIVABLE: The balance in patient accounts receivable as of May 31, 1989, totaled \$88,940,078 and represented 99.4 days of revenue outstanding. The overall decrease in our patient receivables in May of 3.3 days occurred primarily in Commercial Insurance and Medicare.

CONCLUSION: The Hospital's overall operating position for the month of May is negative. This is the second consecutive month we have reported an operating loss, much of it due to significant increases in deductions from charges. We have seen an improvement in our operating expense position and continue to monitor and adjust our level of activity as appropriate.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

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

	1988-89 Budgeted	1988-89 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	\$256,649,683	\$284,017,131	\$27,367,448	10.7%
Deductions from Charges	44,387,613	65,652,112	21,264,499	47.9%
Other Operating Revenue	7,931,585	8,715,455	783,870	9.9%
Total Operating Revenue	220,193,655	227,080,474	6,886,819	3.1%
Total Expenditures	236,991,673	248,267,553	11,275,880	4.8%
Net Operating Revenue	(16,798,018)	(21,187,079)	(4,389,061)	-26.1%
Non-Operating Revenue and Expenses	19,565,739	21,405,805	1,840,066	9.4%
Revenue Over/Under Expense	2,767,721	218,726	(2,548,995)	
Prior Year BC/BS Adjustment		(1,619,440)	(1,619,440)	
Adjusted Revenue Over/Under Expense	\$2,767,721	(\$1,400,714)	(\$4,168,435)	

	1988-89 Budgeted	1988-89 Actual	Variance Over/-Under Budget	Variance %
Admissions	17,042	17,262	220	1.3%
Patient Days	131,541	146,080	14,539	11.1%
Average Daily Census	392.7	436.1	43.4	11.1%
Average Length of Stay	7.7	8.4	0.7	9.1%
Percentage Occupancy	68.1	74.9	6.8	10.0%
Outpatient Clinic Visits	242,018	247,750	5,732	2.4%

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

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$72,149,000	ROUTINE	\$66,044,266	\$75,442,281	\$9,398,015	14.2%
209,270,000	ANCILLARY	190,605,417	208,574,850	\$17,969,433	9.4%
\$281,419,000	GROSS CHARGES	\$256,649,683	\$284,017,131	\$27,367,448	10.7%
	DEDUCTIONS FROM CHARGES				
\$8,692,000	BILLING ADJUSTMENTS	\$7,927,052	\$10,488,837	\$2,561,785	32.3%
7,346,000	HMO/PPO DISCOUNTS	6,699,721	13,798,147	\$7,098,426	106.0%
29,116,000	GOVERNMENTAL CONTRACTUAL ADJUST	26,552,886	37,551,527	\$10,998,641	41.4%
550,000	CHARITABLE CARE	501,591	467,656	(\$33,935)	-6.8%
2,967,000	PROVISION FOR UNCOLLECTABLES	2,706,364	3,345,945	\$639,581	23.6%
\$48,671,000	TOTAL DEDUCTIONS	\$44,387,613	\$65,652,112	\$21,264,499	47.9%
	OTHER OPERATING REVENUE				
\$1,528,000	FOOD SERVICES	\$1,391,397	\$1,416,354	\$24,957	1.8%
576,000	PARKING SERVICES	524,867	702,784	\$177,917	33.9%
48,000	DEPARTMENT NON-PATIENT	43,714	146,252	\$102,538	234.6%
1,105,000	CUHCC GRANTS	1,018,375	1,074,766	\$56,391	5.5%
1,487,000	REFERENCE LAB INCOME	1,354,059	1,722,497	\$368,438	27.2%
1,533,000	PRO FEES--NET REVENUE	1,398,054	1,558,301	\$160,247	11.5%
0	SILVER SALVAGE		(58,146)	(\$58,146)	
2,407,000	INCOME FROM BOND PROCEEDS	2,201,119	2,152,647	(\$48,472)	-2.2%
\$8,684,000	TOTAL OTHER REVENUE	\$7,931,585	\$8,715,455	\$783,870	9.9%
\$241,432,000	TOTAL REVENUE FROM OPERATIONS	\$220,193,655	\$227,080,474	\$6,886,819	3.1%
	EXPENDITURES				
\$106,821,000	SALARIES	\$98,151,198	\$104,229,124	\$6,077,926	6.2%
24,605,000	FRINGE BENEFITS	22,506,787	21,901,558	(\$605,229)	-2.7%
2,128,000	ACADEMIC CONTRACTS	1,951,140	1,938,703	(\$12,437)	-0.6%
5,907,000	RESIDENT CONTRACTS	5,408,152	5,213,438	(\$194,714)	-3.6%
3,056,000	PHYSICIAN COMPENSATION	2,801,322	2,740,294	(\$61,028)	-2.2%
142,517,000	TOTAL SALARY, F.B., & FEES	130,818,599	136,023,117	\$5,204,518	4.0%
2,418,000	LAUNDRY & LINEN	2,209,076	2,098,080	(\$110,996)	-5.0%
1,760,000	RAW FOOD	1,612,890	1,633,812	\$20,922	1.3%
18,140,000	DRUGS	16,519,078	16,571,007	\$51,929	0.3%
8,255,000	BLOOD & BLOOD DERIVATIVES	7,517,675	9,406,679	\$1,889,004	25.1%
20,348,000	MEDICAL SUPPLIES & SERVICES	19,413,512	23,373,888	\$3,960,376	20.4%
5,923,000	UTILITIES	5,439,619	5,323,706	(\$115,913)	-2.1%
1,383,000	INSURANCE	1,260,386	1,042,205	(\$218,181)	-17.3%
3,700,000	RENTAL	3,388,237	3,532,091	\$143,854	4.2%
4,475,000	MAINTENANCE & REPAIR	4,107,214	4,086,890	(\$20,324)	-0.5%
0	NET LOSS ON DISPOSAL OF ASSETS	0	30,529	\$30,529	
256,000	CAMPUS ADMINISTRATION EXPENSE	235,070	246,516	\$11,446	4.9%
17,918,000	DEPRECIATION	16,473,373	16,044,367	(\$429,006)	-2.6%
12,005,000	INTEREST	11,019,374	11,895,282	\$875,908	7.9%
19,378,000	GENERAL SUPPLIES & EXPENSE	16,977,569	16,959,384	(\$18,185)	-0.1%
\$258,476,000	TOTAL EXPENDITURES	\$236,991,673	\$248,267,553	\$11,275,880	4.8%
(\$17,044,000)	NET REVENUE FROM OPERATIONS	(\$16,798,019)	(\$21,187,079)	(\$4,389,060)	26.1%
	NON-OPERATING REVENUE				
\$14,725,000	APPROPRIATIONS & SUPPORT	\$13,497,521	\$13,635,519	\$137,998	1.0%
0	ACCRUED INTEREST ON APPROPRIATIONS	0	119,719	\$119,719	
5,258,000	INTEREST INCOME ON RESERVES	4,888,557	6,502,314	\$1,613,757	33.0%
101,000	SHARED SERVICES	174,942	158,683	(\$16,259)	-9.3%
1,094,000	INVESTMENT INCOME HELD BY TRUSTEE	1,004,720	944,366	(\$60,354)	-6.0%
	OTHER INVESTMENT INCOME		45,204	\$45,204	
\$21,178,000	TOTAL NON-OPERATING REVENUE	\$19,565,739	\$21,405,805	\$1,840,066	9.4%
\$4,134,000	REVENUE OVER/(UNDER) EXPENSE	\$2,767,720	\$218,726	(\$2,548,994)	-92.1%
	PRIOR YEAR BC/BS ADJUSTMENT		(\$1,619,440)	(\$1,619,440)	
\$4,134,000	ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$ 2,767,720	(\$1,400,714)	(\$4,168,434)	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

MAY 31, 1989 AND JUNE 30, 1988

ASSETS	05/31/89	6/30/88	LIABILITIES AND FUND BALANCES	05/31/89	6/30/88
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$208,805	Accounts payable	\$9,390,666	\$8,034,429
Reserve Cash- Third Party Payable	4,798,457	8,918,146	Payable to Third Party Contr. Payors	6,688,028	8,918,146
Reserve Cash- Current Indebtedness	7,287,449	8,563,351	Salaries, Wages and Payroll Taxes	3,962,448	4,550,262
Accounts Receivable			Accrued Vacation	8,091,270	7,359,638
Patient Receivables	88,940,078	81,094,942	Accrued Professional Fees and		
Other Receivables	2,000,249	1,946,003	Physician Compensation	1,819,120	1,335,462
Third Party Receivable	4,704,571	0	Contracts Payable	36,666	434,994
Appropriation Receivable	1,235,477	0	Construction Retainages	0	171,434
	96,880,375	83,040,945	Interest Payable	4,073,544	4,927,542
Less Allowances for Losses			Current Portion of Long-Term Debt	1,065,670	3,826,673
in Collection	(6,266,879)	(5,609,000)	Promissory Notes Payable	2,500,000	2,500,000
Less Allowances for Discounts					
to Third Party Payors	(21,693,559)	(15,764,889)			
	68,919,937	61,667,056			
Trustee Held Assets	0	171,434			
Inventories of Drugs & Supplies	4,692,141	4,749,699			
Prepaid Expenses	732,704	977,120			
TOTAL CURRENT ASSETS	\$86,502,970	\$85,255,611	TOTAL CURRENT LIABILITIES	\$37,627,412	\$42,058,580
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$61,338,428	\$66,561,487			
Accrued Interest	1,567,665	148,240			
	62,906,093	66,709,727			
Cash & Invest for Debt Service	13,000,000				
Cash & Invest for Working Capital	14,948,527		LONG-TERM DEBT, LESS CURRENT PORTION	\$171,256,544	\$174,669,487
TOTAL	\$90,854,620	\$66,709,727			
PROPERTY, PLANT, & EQUIPMENT					
Land, Buildings & Improvements	\$183,587,189	\$183,083,996			
Equipment	82,276,236	77,311,403			
	265,863,425	260,395,399			
Less Accumulated Depreciation	(99,141,850)	(83,775,058)			
	166,721,575	176,620,341			
Construction in Progress	8,664,909	5,249,789			
TOTAL PROPERTY, PLANT, & EQUIPMENT	175,386,484	\$181,870,130			
Assigned Cash & Investments					
for Construction/Equipment	7,135,534	10,098,464			
TOTAL	\$182,522,018	191,968,594			
INVESTMENTS HELD BY BOND TRUSTEE	\$18,797,396	\$42,262,027			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,905,898	\$8,520,626	UNRESTRICTED FUND BALANCE	\$179,459,837	\$179,934,757
Deferred Debt Expense	1,182,944	\$1,360,345			
Deposits and Other	577,947	\$585,894	TOTAL LIABILITIES & FUND BALANCE	\$388,343,793	\$396,662,824
TOTAL	\$9,666,789	\$10,466,865			
TOTAL ASSETS	\$388,343,793	\$396,662,824	RESTRICTED FUND BALANCES		
RESTRICTED ASSETS			Endowment Funds	\$2,108,928	\$1,977,422
Cash and Investments	\$5,765,568	\$5,955,184	Gift Funds	3,656,640	3,977,762
	=====	=====		\$5,765,568	\$5,955,184
				=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance		\$208,805
Net Income from Operations	(21,187,079)	
Prior Period Blue Cross Adjustment	(1,619,440)	
Non-Operating Revenue	21,405,805	

Excess of Revenue over Expense		(1,400,714)
Items not Requiring the Outlay of Cash		
Depreciation		16,044,367
University Support: G & A		246,516
Loss on Disposal of Assets		30,529
Deferred Third Party Reimbursement		614,728
Renewal Project Interest Expense		9,375,982
Increase in Accrued Expenses		1,573,221
Decrease in Prepaid Expenses		244,416
Decrease in Other Receivables		167,343
Transfer Third Party Reserve		6,934,689
Decrease in Inventory		65,506

Total Funds Provided from Operations		\$34,105,388

Funds Applied

Decrease in Third Party Payable	2,230,118
Capital Expenditures	6,633,500
Appropriation Receivable	1,235,477
Third Party Receivable	4,704,571
Increase in Accounts Receivable	1,258,587
Investment Income - Trustee-held Assets	944,366
Transfers to Reserves - Bond Retirement	11,455,927

Total Funds Applied	\$28,462,546

Operating Cash Made Available from Operations	\$5,642,842
	=====

Total Operating Cash Available of \$5,642,874 plus Transfers for Bond Retirement of \$11,455,927; plus Transfers to Plant of \$6,633,500 equals Cash Generated from Operations of \$23,732,269.

Current Cash Summary

Operating Cash	\$5,642,842
Operating Cash from Working Capital Reserve	1,051,473
Reserve Cash for Liability to Third Party Payors	4,798,457
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	4,787,449

	18,780,221
Less Interest Income on Reserves	(6,622,033)

Total Current Cash	\$12,158,188
	=====

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

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS						
Beginning Balance	\$37,393,924	\$8,563,351	\$66,709,727	\$24,834,294	\$42,433,461	\$179,934,757
Net Income						
Excess of Revenue over Expense	5,255,606					
Interest Income on Reserves			6,502,314			
Accrued Interest on Appropriations			119,719			
Depreciation Expense				(16,044,367)		
Gain on Disposal of Assets				(30,529)		
Interest Income on Trustee Held Fund					944,366	
Amortization of Deferred Bond Expense				(300,470)		
Interest income on Bond Proceeds					2,152,647	
Total Income						(1,400,714)
Less Expense						
University Support: G & A	246,516					246,516
Transfers Between Funds						
Major Building Projects- Hosp.			(3,191,097)	3,191,097		0
Capital Expenditures	(3,666,937)			3,666,937		0
Adjustment to Shared Buildings				15,452		15,452
Major Equipment Requisition	(966,563)			966,563		0
Bond Interest Payment	12,069,612	(10,811,156)			(1,258,456)	0
Bond Interest Expense Funding	(9,075,647)	9,969,839			(894,192)	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	(2,380,415)	2,380,415				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				16,326		16,326
Restrict Fd transfer to Plant				647,500		647,500
Funding Working Capital	1,051,473		(1,051,473)			0
Ending Balance	\$45,242,569	\$7,287,449	\$90,854,620	\$17,277,803	\$18,797,396	\$179,459,837

	GIFT	ENDOWMENT	TOTAL
RESTRICTED FUNDS			
Beginning Balance	3,977,762	1,977,422	5,955,184
Income	1,191,506	133,842	1,325,348
Disbursement	(112,628)	(2,336)	(114,964)
Transfer to other funds	(1,400,000)		(1,400,000)
Ending Balance	\$3,656,640	\$2,108,928	\$5,765,568

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

BUDGETED	MAY ACTUAL	MAY VARIANCE	VARIANCE %		BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$6,309,706	\$6,633,995	\$324,289	5.1%	PATIENT CARE CHARGES	\$66,044,266	\$75,442,281	\$9,398,015	14.2%
18,167,590	\$18,795,671	\$628,081	3.5%	ROUTINE	190,605,417	208,574,850	\$17,969,433	9.4%
				ANCILLARY				
\$24,477,296	\$25,429,666	\$952,370	3.9%	GROSS CHARGES	\$256,649,683	\$284,017,131	\$27,367,448	10.7%
				DEDUCTIONS FROM CHARGES				
\$756,022	\$1,287,813	\$531,791	70.3%	BILLING ADJUSTMENTS	\$7,927,052	\$10,488,837	\$2,561,785	32.3%
638,968	\$733,488	\$94,520	14.8%	HMO/PPO DISCOUNTS	6,699,721	13,798,147	\$7,098,426	106.0%
2,532,412	\$4,289,928	\$1,757,516	69.4%	GOVERNMENTAL CONTRACTUAL ADJUST	26,552,886	37,551,527	\$10,998,641	41.4%
47,837	\$26,249	(\$21,588)	-45.1%	CHARITABLE CARE	501,591	467,656	(\$33,935)	-6.8%
258,112	\$268,592	\$10,480	4.1%	PROVISION FOR UNCOLLECTABLES	2,706,364	3,345,945	\$639,581	23.6%
\$4,233,352	\$6,606,070	\$2,372,718	56.0%	TOTAL DEDUCTIONS	\$44,387,613	\$65,652,112	\$21,264,499	47.9%
				OTHER OPERATING REVENUE				
\$132,776	\$138,147	\$5,371	4.0%	FOOD SERVICES	\$1,391,397	\$1,416,354	\$24,957	1.8%
50,086	\$72,758	\$22,672	45.3%	PARKING SERVICES	524,867	702,784	\$177,917	33.9%
4,045	\$13,780	\$9,735	240.7%	DEPARTMENT NON-PATIENT	43,714	146,252	\$102,538	234.6%
87,235	\$103,697	\$16,462	18.9%	CUHCC GRANTS	1,018,375	1,074,766	\$56,391	5.5%
129,062	\$151,340	\$22,278	17.3%	REFERENCE LAB INCOME	1,354,059	1,722,497	\$368,438	27.2%
133,336	\$151,829	\$18,493	13.9%	PRO FEES--NET REVENUE	1,398,054	1,558,301	\$160,247	11.5%
	(\$16,863)	(\$16,863)		SILVER SALVAGE		(58,146)	(\$58,146)	
	\$208,903	\$625	0.3%	INCOME FROM BOND PROCEEDS	2,201,119	2,152,647	(\$48,472)	-2.2%
\$744,819	\$823,591	\$78,772	10.6%	TOTAL OTHER REVENUE	\$7,931,585	\$8,715,455	\$783,870	9.9%
\$20,988,763	\$19,647,187	(\$1,341,576)	-6.4%	TOTAL REVENUE FROM OPERATIONS	\$220,193,655	\$227,080,474	\$6,886,819	3.1%
				EXPENDITURES				
\$9,107,610	\$9,594,632	\$487,022	5.3%	SALARIES	\$98,151,198	\$104,229,124	\$6,077,926	6.2%
2,204,528	\$2,046,969	(\$157,559)	-7.1%	FRINGE BENEFITS	22,506,787	21,901,558	(\$605,229)	-2.7%
177,376	\$176,246	(\$1,130)	-0.6%	ACADEMIC CONTRACTS	1,951,140	1,938,703	(\$12,437)	-0.6%
499,059	\$485,419	(\$13,640)	-2.7%	RESIDENT CONTRACTS	5,408,152	5,213,438	(\$194,714)	-3.6%
4,666	\$248,492	(\$6,174)	-2.4%	PHYSICIAN COMPENSATION	2,801,322	2,740,294	(\$61,028)	-2.2%
12,243,239	12,551,758	\$308,519	2.5%	TOTAL SALARY, F.B., & FEES	130,818,599	136,023,117	\$5,204,518	4.0%
210,954	\$195,138	(\$15,816)	-7.5%	LAUNDRY & LINEN	2,209,076	2,098,080	(\$110,996)	-5.0%
151,651	\$161,957	\$10,306	6.8%	RAW FOOD	1,612,890	1,633,812	\$20,922	1.3%
1,576,362	\$937,797	(\$638,565)	-40.5%	DRUGS	16,519,078	16,571,007	\$51,929	0.3%
717,387	\$818,578	\$101,191	14.1%	BLOOD & BLOOD DERIVATIVES	7,517,675	9,406,679	\$1,889,004	25.1%
1,852,569	\$1,971,937	\$119,368	6.4%	MEDICAL SUPPLIES & SERVICES	19,413,512	23,373,888	\$3,960,376	20.4%
423,685	\$391,751	(\$31,934)	-7.5%	UTILITIES	5,439,619	5,323,706	(\$115,913)	-2.1%
122,702	\$165,967	\$43,265	35.3%	INSURANCE	1,260,386	1,042,205	(\$218,181)	-17.3%
318,662	\$279,768	(\$38,894)	-12.2%	RENTAL	3,388,237	3,532,091	\$143,854	4.2%
380,071	\$415,980	\$35,909	9.4%	MAINTENANCE & REPAIR	4,107,214	4,086,890	(\$20,324)	-0.5%
0	\$8,577	\$8,577		NET LOSS ON DISPOSAL OF ASSETS	0	30,529	\$30,529	
21,753	\$22,411	\$658	3.0%	CAMPUS ADMINISTRATION EXPENSE	235,070	246,516	\$11,446	4.9%
1,493,227	\$1,426,003	(\$67,224)	-4.5%	DEPRECIATION	16,473,373	16,044,367	(\$429,006)	-2.6%
985,750	\$1,058,220	\$72,470	7.4%	INTEREST	11,019,374	11,895,282	\$875,908	7.9%
1,571,059	\$1,599,175	\$28,116	1.8%	GENERAL SUPPLIES & EXPENSE	16,977,569	16,959,384	(\$18,185)	-0.1%
\$22,069,069	\$22,005,017	(\$64,052)	-0.3%	TOTAL EXPENDITURES	\$236,991,673	\$248,267,553	\$11,275,880	4.8%
(\$1,080,306)	(\$2,357,830)	(\$1,277,524)	118.3%	NET REVENUE FROM OPERATIONS	(\$16,798,019)	(\$21,187,079)	(\$4,389,060)	26.1%
				NON-OPERATING REVENUE				
\$1,227,047	\$1,235,468	\$8,421	0.7%	APPROPRIATIONS & SUPPORT	\$13,497,521	\$13,635,519	\$137,998	1.0%
0	(\$2,142)	(\$2,142)		ACCRUED INTEREST ON APPROPRIATIONS	0	119,719	\$119,719	
383,694	\$625,412	\$241,718	63.0%	INTEREST INCOME ON RESERVES	4,888,557	6,502,314	\$1,613,757	33.0%
16,189	\$16,865	\$676	4.2%	SHARED SERVICES	174,942	158,683	(\$16,259)	-9.3%
89,935	\$72,762	(\$17,173)	-19.1%	INVESTMENT INCOME HELD BY TRUSTEE	1,004,720	944,366	(\$60,354)	-6.0%
	\$0	\$0		OTHER INVESTMENT INCOME		45,204	\$45,204	
\$1,716,865	\$1,948,365	\$231,500	13.5%	TOTAL NON-OPERATING REVENUE	\$19,565,739	\$21,405,805	\$1,840,066	9.4%
\$636,559	(\$409,465)	(\$1,046,024)		REVENUE OVER/(UNDER) EXPENSE	\$2,767,720	\$218,726	(\$2,548,994)	-92.1%
	0	\$0		PRIOR YEAR BC/BS ADJUSTMENT		(\$1,619,440)	(\$1,619,440)	
\$636,559	(\$409,465)	(\$1,046,024)		ADJUSTED REVENUE OVER/(UNDER) EXPENSE	\$2,767,720	(\$1,400,714)	(\$4,168,434)	

Significant increases in Net DAR were in Federal Blue Cross, \$954T (one transplant account is \$621T); Post-billing Information Requests, \$852T; Blue Cross Out-of-State, \$324T; Medical Assistance, \$210T; and, Contracts, \$119T.

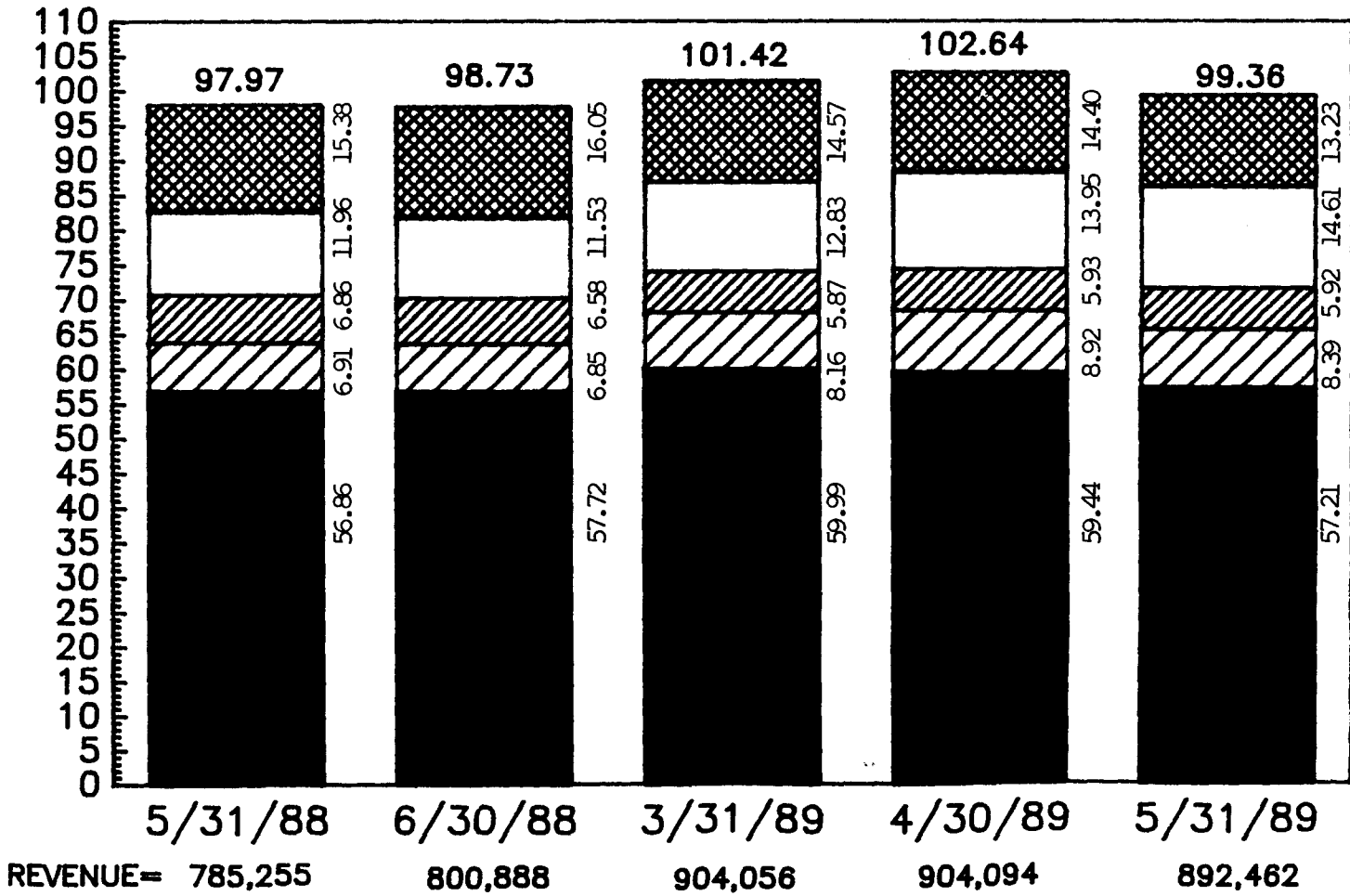
Significant decreases in Net DAR were experienced in Commercial Insurance, \$1,598T; Medicare, \$939T; HMO's, \$587T; Blue Cross, \$524T; Minnesota Medical Assistance, \$384T; HMO/Medicare, \$162T; GAMC, \$134T; and, Services for Children with Handicaps, \$125T.



DFR:slw

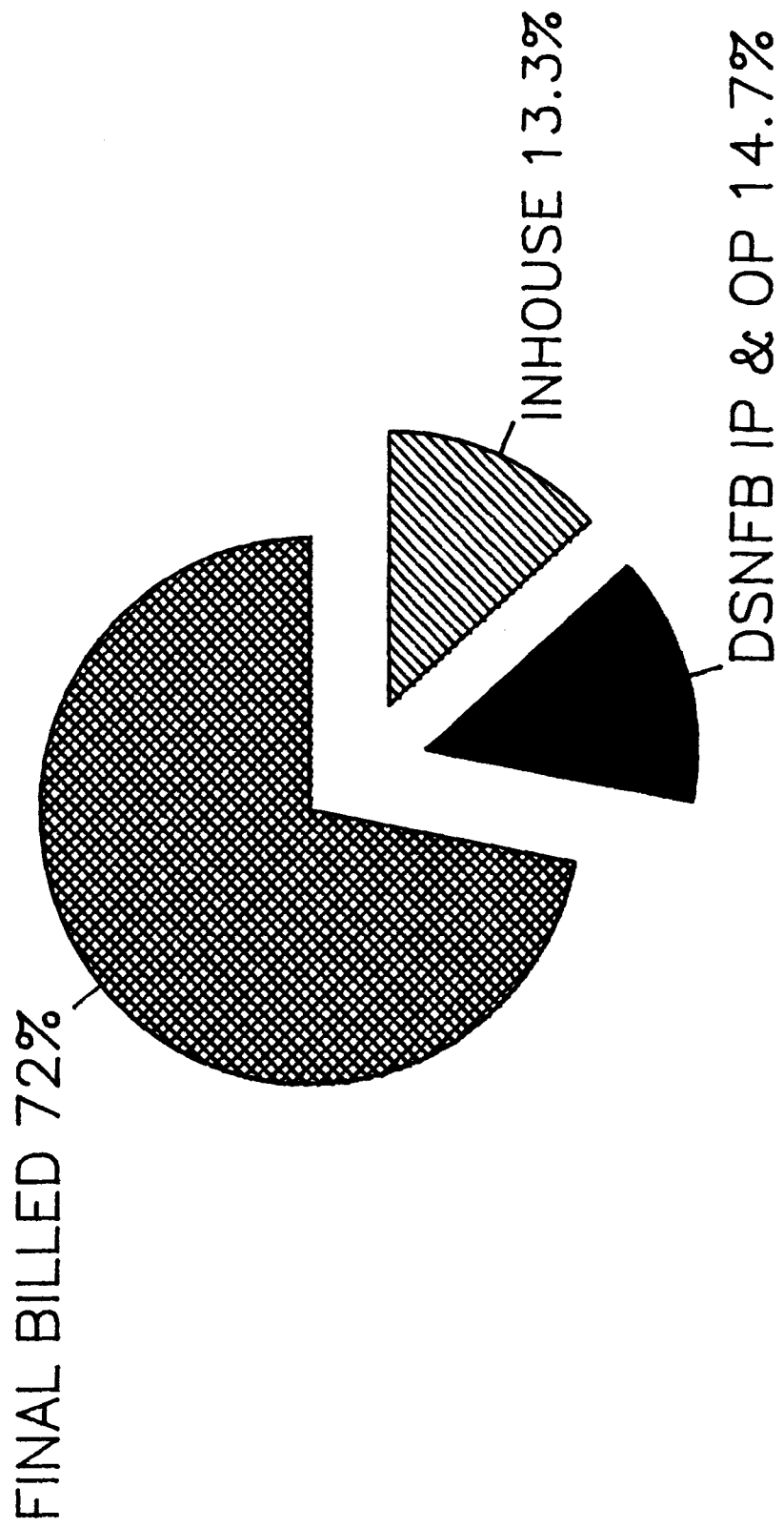
UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC REVENUE DAYS IN ACCOUNTS RECEIVABLE

NET DAR **AUTO** **COLLECTIONS** **DSNFB** **INHOUSE**



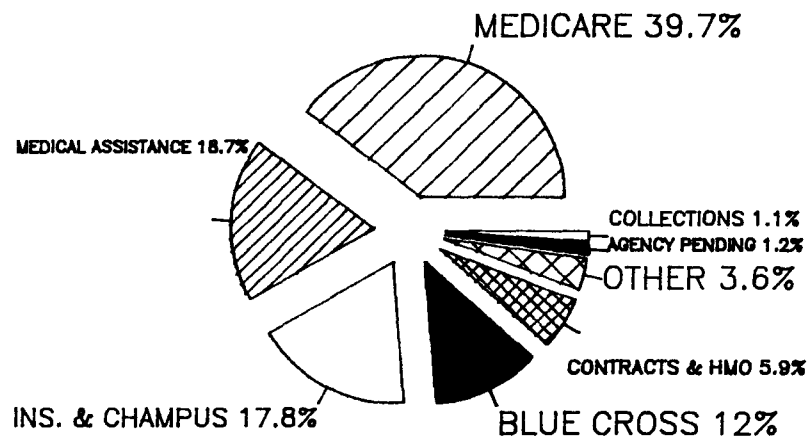
TOTAL ACCOUNTS RECEIVABLE

MAY 1989

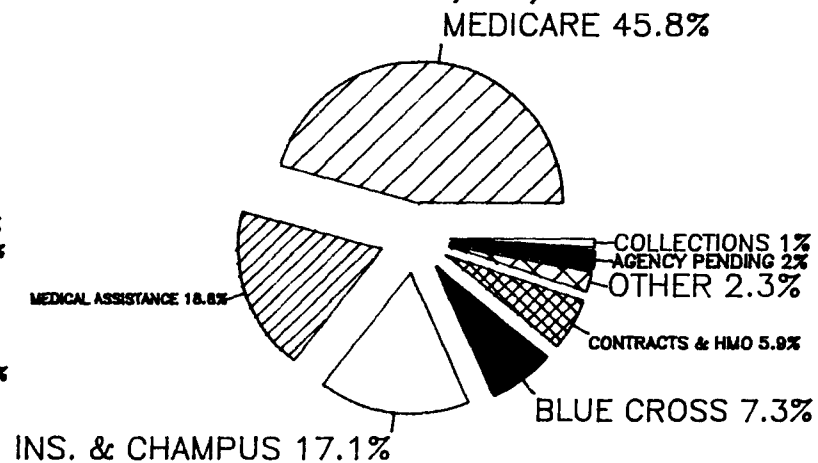


DISCHARGED NOT FINAL BILLED
MAY 1989

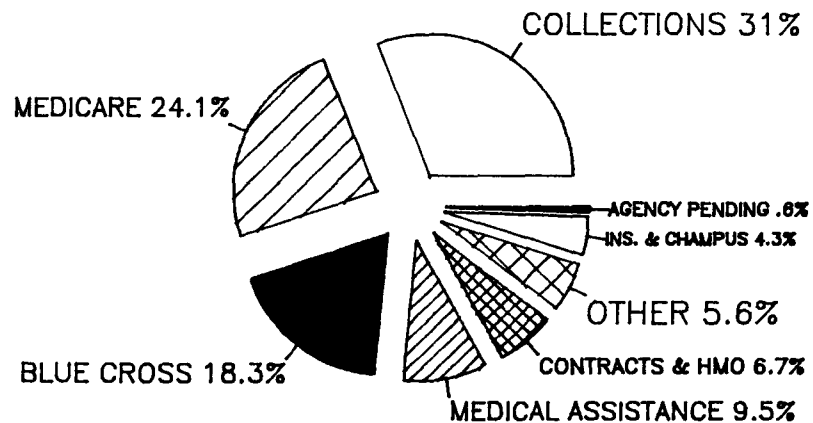
INPATIENT 5/31/89



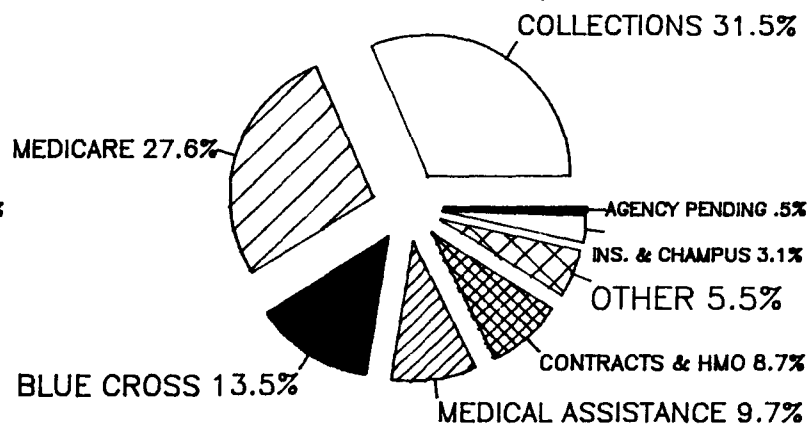
INPATIENT 5/31/88



OUTPATIENT 5/31/89

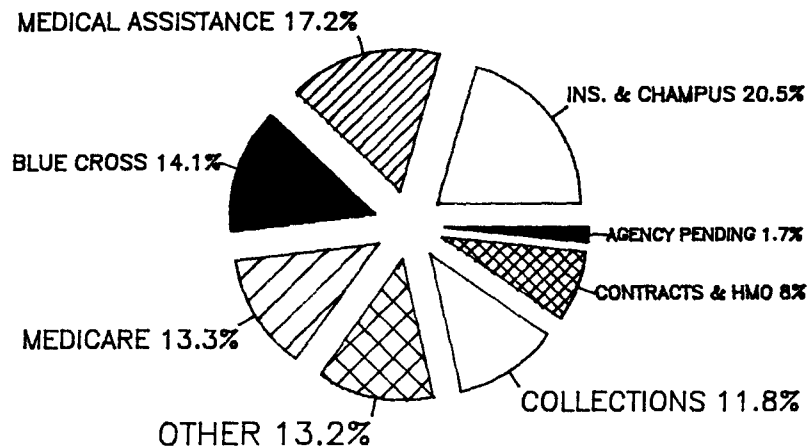


OUTPATIENT 5/31/88

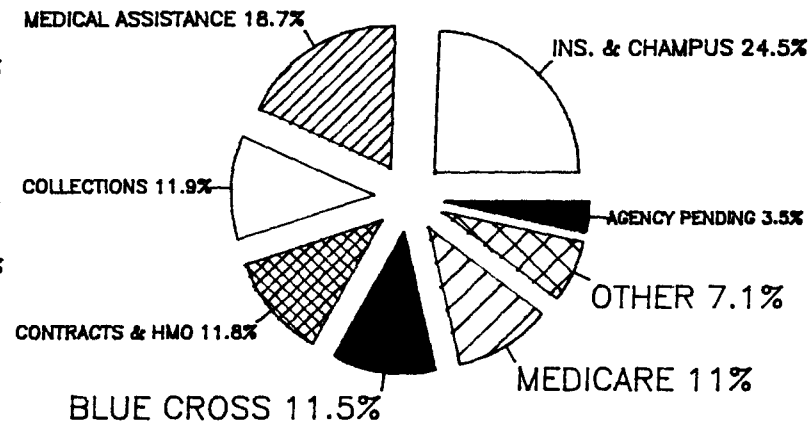


FINAL BILLED
MAY 1989

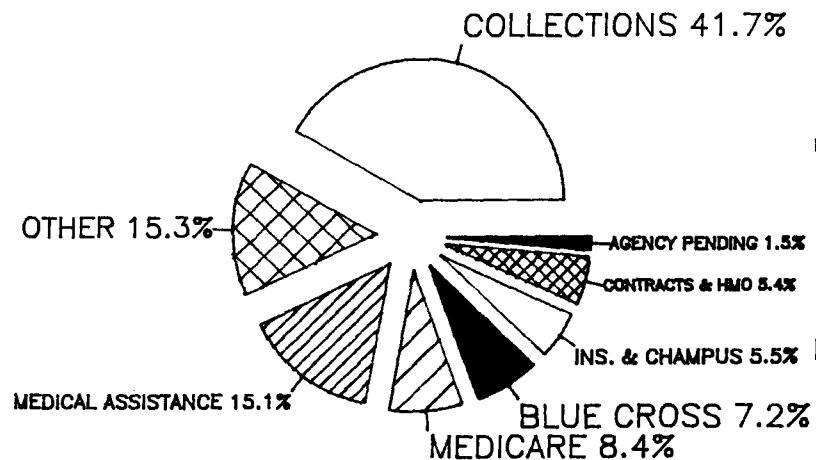
INPATIENT 5/31/89



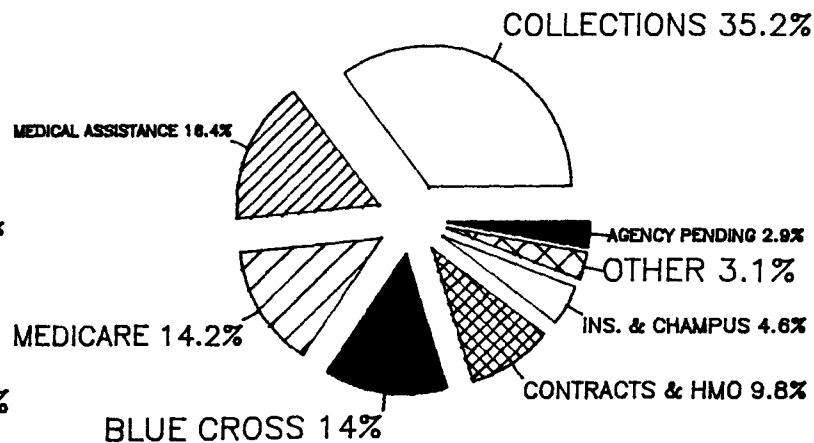
INPATIENT 5/31/88



OUTPATIENT 5/31/89



OUTPATIENT 5/31/88



UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

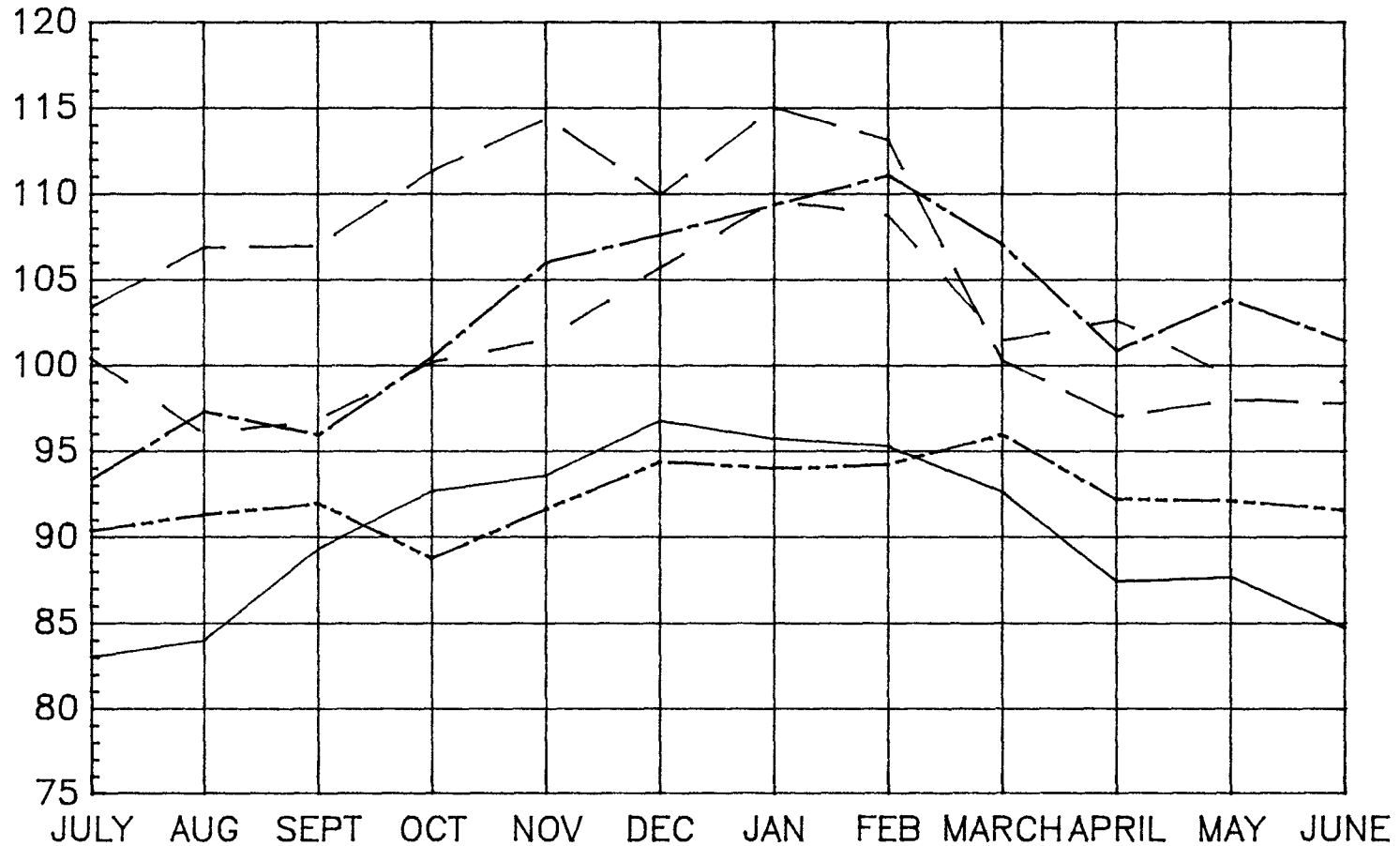
MAY 31, 1989 AND JUNE 30, 1988

	05/31/89	6/30/88	LIABILITIES AND FUND BALANCES	05/31/89	6/30/88
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$208,805	Accounts payable	\$9,390,666	\$8,034,429
Reserve Cash- Third Party Payable	4,798,457	8,918,146	Payable to Third Party Contr. Payors	6,688,028	8,918,146
Reserve Cash- Current Indebtedness	7,287,449	8,563,351	Salaries, Wages and Payroll Taxes	3,962,448	4,550,262
Accounts Receivable			Accrued Vacation	8,091,270	7,359,638
Patient Receivables	88,940,078	81,094,942	Accrued Professional Fees and		
Other Receivables	2,000,249	1,946,003	Physician Compensation	1,819,120	1,335,462
Third Party Receivable	4,704,571	0	Contracts Payable	36,666	434,994
Appropriation Receivable	1,235,477	0	Construction Retainages	0	171,434
	96,880,375	83,040,945	Interest Payable	4,073,544	4,927,542
Less Allowances for Losses in Collection	(6,266,879)	(5,609,000)	Current Portion of Long-Term Debt	1,065,670	3,826,673
			Promissory Notes Payable	2,500,000	2,500,000
Less Allowances for Discounts to Third Party Payors	(21,693,559)	(15,764,889)			
	68,919,937	61,667,056			
Trustee Held Assets	0	171,434			
Inventories of Drugs & Supplies	4,692,141	4,749,699			
Prepaid Expenses	732,704	977,120			
TOTAL CURRENT ASSETS	\$86,502,970	\$85,255,611	TOTAL CURRENT LIABILITIES	\$37,627,412	\$42,058,580
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$61,338,428	\$66,561,487			
Accrued Interest	1,567,665	148,240			
	62,906,093	66,709,727			
Cash & Invest for Debt Service	13,000,000				
Cash & Invest for Working Capital	14,948,527		LONG-TERM DEBT, LESS CURRENT PORTION	\$171,256,544	\$174,669,487
TOTAL	\$90,854,620	\$66,709,727			
PROPERTY, PLANT, & EQUIPMENT					
Land, Buildings & Improvements	\$183,587,189	\$183,083,996			
Equipment	82,276,236	77,311,403			
	265,863,425	260,395,399			
Less Accumulated Depreciation	(99,141,850)	(83,775,058)			
	166,721,575	176,620,341			
Construction in Progress	8,664,909	5,249,789			
TOTAL PROPERTY, PLANT, & EQUIPMENT	175,386,484	\$181,870,130			
Assigned Cash & Investments for Construction/Equipment	7,135,534	10,098,464			
TOTAL	\$182,522,018	191,968,594			
INVESTMENTS HELD BY BOND TRUSTEE	\$18,797,396	\$42,262,027			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,905,898	\$8,520,626	UNRESTRICTED FUND BALANCE	\$179,459,837	\$179,934,757
Deferred Debt Expense	1,182,944	\$1,360,345			
Deposits and Other	577,947	\$585,894			
TOTAL	\$9,666,789	\$10,466,865	TOTAL LIABILITIES & FUND BALANCE	\$388,343,793	\$396,662,824
TOTAL ASSETS	\$388,343,793	\$396,662,824			
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
Cash and Investments	\$5,765,568	\$5,955,184	Endowment Funds	\$2,108,928	\$1,977,422
			Gift Funds	3,656,640	3,977,762
				\$5,765,568	\$5,955,184

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

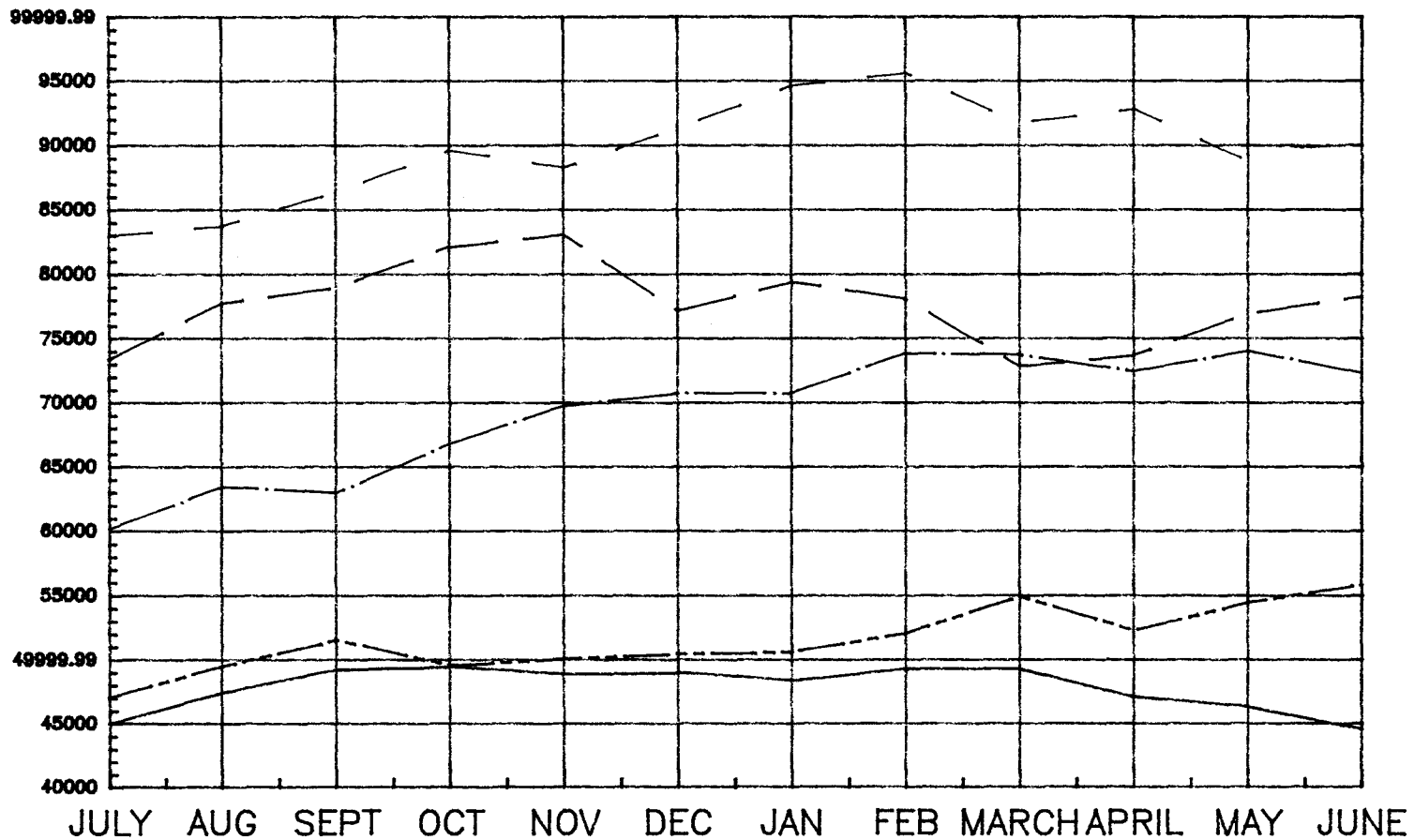
REVENUE DAYS JULY 1984 THROUGH MAY 1989

1984-85 1985-86 1986-87 1987-88 1988-89
 _____ - - - - - - - - - - - - - - - - - - - -



UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC TOTAL ACCOUNTS RECEIVABLE

1984-85 1985-86 1986-87 1987-88 1988-89

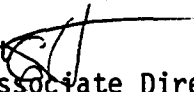




UNIVERSITY OF MINNESOTA
TWIN CITIES

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

June 1, 1989

TO: Members, Finance Committee
FROM: Greg Hart 
Senior Associate Director
SUBJECT: 1989-90 Capital Budget

Enclosed please find the proposed 1989-90 capital budget. Our operating budgets assumed cash flow for equipment and remodeling of \$8,300,000.

As the attached summary indicates, we are recommending an equipment and remodeling budget next year of \$8,300,000. Of this amount, \$6,723,000 is for equipment purchases, the remainder is for equipment installation and remodeling. A departmental breakdown of the equipment budget is attached.

The third attachment identifies those equipment purchases which are anticipated which are in excess of \$100,000, but less than the \$600,000 threshold requiring project-specific Board approval. We will be presenting brief reports to the Board on the \$100,000 - \$600,000 purchases during the upcoming year.

The last attachment presents a ten-year capital expenditure plan. This ten-year plan does not require Board approval, but is informational in nature. The ten-year plan includes projects which have been identified as part of the Board approved Mayo remodeling plan (Renewal Project - Phase II). Please note major expenditures for Renewal Project II are included on the second page of the ten-year plan.

We are requesting Committee and Board approval for the recommended total \$8,300,000 capital budget at the June meetings. We will be reporting actual capital expenditures compared to budget on a quarterly basis during the fiscal year, consistent with Board policy. Major capital expenditures will be brought forward individually for approval at later dates.

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

/kj

attachments

DEPARTMENT

AMOUNT*

DEPARTMENT	AMOUNT*
Admissions	\$2,873
Ambulatory Care	\$262,037
Biomedical Eng.	\$22,770
Bone Marrow Transplant	\$369
Cardio-Respiratory	\$556,540
C.C.T.V.	\$44,040
Communications	\$20,861
Environmental Svcs.	\$67,770
Fin. Accounting	\$41,623
Hospital Facilities	\$7,104
Human Resources	\$39,610
Infection Control	\$4,550
Information Services	\$855,820
Laboratories	\$987,643
Labs - Neurology	\$28,000
Maint. & Operations	\$11,423
Materials Services	\$155,635
Medical Records	\$99,090
Nursing Services	\$138,303
Nutrition	\$43,514
Operating Rooms	\$675,840
Patient Accounting	\$9,200
Patient Relations	\$1,231
Pharmacy	\$8,370
PM and R	\$34,594
Protection Svcs.	\$6,600
Psychiatry	\$3,203
Quality Assurance	\$10,739
Radiology	\$1,387,167
Therapeutic Radiology	\$525,000
Anticipated Future Requests	\$671,481

GRAND TOTAL

\$6,723,000

* Departmental allocations may vary as refinement to this budget occurs.

1989 - 1990 Capital Budget Summary

Items Between \$100,000 and \$600,000

Diagnostic Radiology	Radiographic/Tomographic Peds Gamma Camera	\$168,000. \$210,000.
Hospital Laboratories	Pathfinder Mega	\$118,000.
Information Services	Applications Software and Related Hardware (Possible systems to be purchased include; Purchasing, Automated Time Card, Patient Care Documentation, Casemix Management, IMS Expansion, Outpatient Registration Scheduling and Billing)	\$677,552.
Therapeutic Radiology	Stereotactic Radio Surgery	\$500,000.
Grand Total		\$1,673,552.

ANNUAL CAPITAL REQUIREMENTS

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
APPROVED PROJECTS												
Dermatology Clinic.....(C)	0	630,000	0	0	0	0	0	0	0	0	0	630,000
A-15 Computer/Disc Drives.....(A)	3,800,000	0	0	0	0	0	0	0	0	0	0	3,800,000
MRI - II.....(C)	0	2,600,000	1,000,000	0	0	0	0	0	0	0	0	3,600,000
CUMCC.....(C)	0	331,373	1,018,627	0	0	0	0	0	0	0	0	1,350,000
Masonic III.....(C)	0	200,000	400,000	0	0	0	0	0	0	0	0	600,000
Approved Projects Subtotal.....	3,800,000	3,761,373	2,418,627	0	0	0	0	0	0	0	0	9,980,000
ANTICIPATED PROJECTS												
Lithotripter II.....	0	0	1,100,000	0	0	0	0	0	0	0	0	1,100,000
Lithotripter I Upgrade.....	0	0	0	0	1,216,000	0	0	0	0	0	0	1,216,000
Replace CT Scanners.....	0	0	992,000	0	1,094,000	0	1,206,000	0	0	0	0	3,292,000
Replace Linear Accel.....	0	0	1,700,000	0	1,300,000	0	1,500,000	0	0	0	0	4,500,000
Replace MRI-I.....	0	0	0	0	0	3,063,000	0	0	0	0	0	3,063,000
Computer Upgrade.....	0	650,000	1,700,000	4,150,000	1,500,000	1,500,000	1,500,000	5,500,000	1,500,000	1,500,000	1,500,000	21,000,000
Neuroradiology Upgrade.....	0	0	1,809,000	0	0	0	0	0	0	0	0	1,809,000
Anticipated New Technology.....	0	0	0	1,400,000	0	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	22,400,000
Heart Cath/CV Radiology.....	0	0	800,000	2,500,000	3,000,000	0	0	0	0	0	0	6,300,000
Property - Oak and Fulton.....	0	0	0	0	0	0	0	0	0	0	0	0
Anticipated Projects Subtotal.....	0	650,000	8,101,000	8,050,000	8,110,000	8,063,000	7,706,000	9,000,000	5,000,000	5,000,000	5,000,000	64,680,000
ANNUAL EQUIPMENT AND REMODELING PROJECTS												
Annual Equipment Replacement.....(B)	4,407,000	6,500,000	6,723,000	6,925,500	7,209,000	7,411,500	7,654,500	8,545,500	8,950,500	9,598,500	10,368,000	84,293,000
Annual Remodeling.....(B)	1,141,000	1,500,000	1,577,000	1,624,500	1,691,000	1,738,500	1,795,500	2,004,500	2,099,500	2,251,500	2,432,000	19,855,000
Equipment Rollforward.....(D)	0	2,850,000	0	0	0	0	0	0	0	0	0	2,850,000
Annual Equip and Remod Subtotal.....	5,548,000	10,850,000	8,300,000	8,550,000	8,900,000	9,150,000	9,450,000	10,550,000	11,050,000	11,850,000	12,800,000	106,998,000
ANNUAL PRINCIPAL PAYMENTS												
Unit J Principal Payments.....(B)	2,706,000	2,815,000	2,215,000	2,345,000	2,490,000	2,650,000	2,830,000	3,015,000	3,230,000	3,455,000	3,705,000	31,456,000
VROB Principal Payments.....	0	0	0	0	0	0	0	0	1,681,000	1,681,000	1,681,000	5,043,000
Existing Other Principal Payments.....(B)	1,169,000	1,478,000	916,000	598,000	148,000	76,000	0	0	0	0	0	4,385,000
Annual Principal Payments Subtotal.....	3,875,000	4,293,000	3,131,000	2,943,000	2,638,000	2,726,000	2,830,000	3,015,000	4,911,000	5,136,000	5,386,000	40,884,000
Annual Capital Requirement Subtotal.....	13,223,000	19,554,373	21,950,627	19,543,000	19,648,000	19,939,000	19,986,000	22,565,000	20,961,000	21,986,000	23,186,000	222,542,000

(A) Funded from Trustee Account as of June 30th, 1988 of \$3,880,000
 (B) Funded as part of 1987-88 budget totalling \$9,423,000
 (C) Funded from Reserves as of June 30th, 1988, funding included in Beginning Reserve Balance
 (D) 2.2 million funded as of June 30th, 1988, funding included in Beginning Reserve Balance

BUILDING REPLACEMENT/MODERNIZATION

RENEWAL PROJECT PHASE II *****	Bldg	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Surgical Path.....(A)	Mayo	0	700,000	330,000	0	0	0	0	0	0	0	0	1,030,000
Mayo Clinical Program Remodeling Project.....	Mayo	0	0	1,575,000	5,512,500	5,325,075	0	0	0	0	0	0	12,412,575
Unit J Expansion Project.....	J	0	200,000	2,600,000	8,224,423	10,260,173	1,469,778	0	0	0	0	0	22,754,373
Building Upgrade.....	Mayo	0	0	2,125,000	4,910,000	4,977,788	0	0	0	0	0	0	12,012,788
Other Mayo Programs.....	Mayo	0	0	840,000	1,702,500	2,554,727	4,187,911	2,424,935	2,680,191	0	0	0	13,790,265
Total Project.....		0	900,000	7,470,000	19,749,423	23,117,762	5,657,689	2,424,935	2,680,191	0	0	0	62,000,000
Annual Capital Requirement Subtotal.....		13,223,000	19,554,373	21,950,627	19,543,000	19,648,000	19,939,000	19,986,000	22,565,000	20,961,000	21,986,000	23,186,000	222,542,000
Total.....		13,223,000	20,454,373	29,420,627	39,292,423	42,765,762	25,596,689	22,410,935	25,245,191	20,961,000	21,986,000	23,186,000	284,542,000

(A) Funded from Reserves as of June 30th, 1988, funding included in Beginning Reserve Balance



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

June 19, 1989

TO: Members, Finance Committee
Members, Board of Governors

FROM: Robert Dickler *RD/et*
General Director

SUBJECT: 1989-90 Employee Compensation Plan

We are requesting Board of Governors approval of the 1989-90 employee compensation plan this month, consistent with the Board approved Hospital Personnel Policies. As we have discussed in the past several months, this has been a somewhat difficult year to project in terms of employee compensation, given the community nursing negotiations, changing supply and demand relationships for a number of health professional classifications, and the still outstanding union negotiations with the AFSCME and Teamster bargaining units within the University.

The budget which the Board of Governors approved last month made certain assumptions about increases in employee compensation for next fiscal year. The recommendations we are presenting are within the salary expenditure levels projected in the 1989-90 budget.

As you are aware, the Board of Governors' approval of employee compensation matters relates to "Hospital-dominated classes" (primarily health professional, technical, and supervisory classifications), while the compensation plans for Hospital employees in "University-dominated classes" (e.g. secretarial staff, data processing staff) are determined by the University.

Compensation plans for employees in bargaining units represented by unions (AFSCME and Teamsters) are, of course, determined through the collective bargaining process. Union negotiations are underway with both bargaining units. Although the union contracts expire on June 30th, it is unlikely that the economic portion of the negotiations will be concluded until mid July or sometime thereafter. We will provide the Board of Governors with additional information on the tentative economic outcome of the union negotiations as such information becomes available.

The Finance Committee and Board of Governors discussed pay equity (comparable worth) earlier this year. The original Board approved four year pay equity plan concludes in June of this year. Consistent with the Board's earlier discussion, pay equity continues as an element of the compensation plan for 1989-90. This will keep us on the same schedule as the University for completion of pay equity in 1990-91.

June 19, 1989
Page two

With the above background information, the following recommendations for the 1989-90 compensation plan for non-student, non-unionized employees in Hospital-dominated classes are presented, with a recommended effective date of July 1, 1989:

1. A 4% general increase consisting of a 2% change in salary ranges and a 2% progression increase, i.e., movement through the salary range. For employee classes whose progression increases have traditionally been on a "step" basis to match the community (e.g., radiologic technologists), the "step" plan will continue to be used, rather than the above 2% progression increase. The total cost of these increases is \$981,738.
2. Pay equity increases for classes eligible for such adjustments, continuing the previously approved plan, representing a \$168,700 commitment.
3. Increases for registered nurse-related classes consistent with the recent community nursing contract settlement. These increases involve changes in salary ranges, progression increases, and increases in other areas of compensation such as shift differential and charge pay. Baccalaureate level nurses at UMHC will received \$25 per month more than those in the community as part of this recommendation. Pay equity for nursing staff is achieved within this overall compensation package. The total cost of these increases is \$4,611,202.
4. Additional marketplace increases, primarily for health professionals, where marketplace data or recruitment/retention issues evidence the need for such adjustments. These increases will be accomplished within the overall budget. The Hospital's financial position during the year, as well as market conditions, will be a consideration relative to actual implementation of these increases.

The University has not yet finalized its compensation plan for Civil Service employees. Compensation increases for Hospital employees in University-dominated classes will be set by the University when the Civil Service pay plan is finalized.

As noted earlier, we will report back to the Board relative to the status and outcomes of union negotiations. If we believe adjustments to the above plan are needed based upon union contract settlements, we will make recommendations to the Board accordingly.

We are recommending Board of Governors approval of the four components of the pay plan as outlined above. We look forward to answering any questions you may have at next week's meetings.

/th



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

June 22, 1989

TO: Board of Governors Finance Committee

FROM: Robert Dickler
General Director

SUBJECT: Clinical Department Space Proposal

Enclosed please find the Executive Summary of Clinical Departmental and General Space Issues. This summary was presented to the Council of Chiefs of Clinical Services by Dean David Brown, Dr. Paula Clayton, Dr. Donald Doughman, and myself, and is now presented to you for your information.

/th

Enclosure

Executive Summary

UMHC Renewal Project Phase II

Associated Clinical Departmental and General Space Issues

Introduction

This document is intended to summarize the key outcomes and recommendations relative to the recent extensive discussions on the subject of clinical departmental office space and space reallocation. The full history and complexity of this subject is described in detail in the Discussion Paper. Sections include history, departmental locations, funding for renovation, Hospital/Medical School space allocations, and future policy.

History

Most of the issues currently under review arise out of planning for Mayo renovation which occurred in the mid-1980s. At that time, office space for Psychiatry, Urology, Neurosurgery, Anesthesiology, Obstetrics, Neonatology and Surgical Pathology was addressed. Space was allocated for Neuro-epilepsy shortly thereafter. The then-planned move of Psychiatry from the sixth floor of Mayo to the fifth floor of Mayo was a major element of the overall plan. As that element changed, with inpatient Psychiatry planned in the Unit J addition, critical assumptions related to Mayo renovation and departmental office space were altered. That change, coupled with several points of ambiguity historically, have created the need for re-examination of plans from space allocation, location, and financing perspectives. While this re-examination has addressed the immediate needs of those departments involved in Mayo renovation, it has also raised issues of longer-term policy.

Departmental Locations

The locations for each of the clinical departmental offices involved in Renewal Project II, following the re-examination referenced above, are as follows:

1. Psychiatry, Anesthesiology, Neurosurgery, and Neuro-epilepsy would retain their existing office configurations on Mayo 6 and Mayo 5. Additional space to meet the current office program requests would be provided contiguous to the existing departmental spaces for Psychiatry, Anesthesiology, and Neurosurgery. Neuro-epilepsy is not programmed for additional space.
2. Psychiatry day hospital and outpatient facilities would also be located on Mayo 6, to facilitate interactions between these functions and the departmental offices.
3. NICU offices would be located on Mayo 4 as previously planned, contiguous to OB and the Unit J link.

4. OB office space would be developed contiguous to the OB Unit on Mayo 4 in a configuration consistent with final OB inpatient planning.
5. Radiology clerical, office and associated space would be located on Mayo 2 as previously planned.
6. Urology offices would be moved to Mayo 4, contiguous to the planned Cysto suite. A location closer to Unit J on Mayo 4 will be used in order to minimize remodeling costs and improve traffic flow.
7. The remodeling for Surgical Pathology offices on Mayo 4 will continue as planned. In addition, a small increment of space on Mayo 4 will be added to accommodate Neuro-pathology.

Funding for Renovation

8. University Hospital will provide the Medical School with \$1,586,000 to accomplish the renovation for departmental office space.
9. In addition to the above, the Hospital will fund central air conditioning for the office spaces as necessary.
10. Funding in 8 and 9 above, to the extent possible, will be provided within the existing Renewal Project budget.
11. The above figure is based on an estimated remodeling cost per square foot of 0-\$75. Variances from those remodeling cost levels, plus costs of interior finish upgrades above basic levels and furnishings, will be funded from Medical School and/or departmental sources. Further, the Medical School will be responsible for requests for reallocation of space or funds among the clinical departments.

Hospital/Medical School Space Allocations

12. The source of clinical departmental office space expansion from the 1985 plan to the current plan will be the vacated Hospital space allocated to the Medical School in 1985.
13. As a result of these numerous changes, the Medical School will receive 5300 NSF on Mayo 6 when vacated and 5,104 NSF elsewhere above and beyond clinical department office space.
14. In addition to (13) above, the Medical School will be assigned 10,400 NSF of currently unplanned Mayo/Rehab space and the Hospital, likewise, will retain 10,400 NSF of currently unplanned space.
15. The northwest corner of Mayo 5 will be used to meet the 5,104 NSF and 10,400 NSF allocations to the Medical School.

16. Other than the space allocated to the Medical School per #14 above, the 5300 NSF on Mayo 6, and the spaces allocated for departmental expansion, the Hospital will retain all other vacated Mayo/Rehab space, including that space temporarily assigned to various Medical School departments, to meet its programmatic requirements.

Future Policy

17. The above recommendations should not be viewed as setting precedent for future clinical departmental office space funding. The proposal reflects only the unique circumstances and considerations discussed in this document.
18. The Hospital, Medical School, Council of Chiefs of Clinical Services and Vice President for Health Sciences concur that comprehensive guidelines will be developed to avoid any further ambiguity regarding the provision of space, construction/remodeling, and maintenance of all clinical department office space. It is further recommended that the office space needs of clinical departments (Hospital and non-Hospital based) be a shared responsibility with the Medical School and clinical departments having the primary responsibility. These guidelines will be developed jointly prior to _____.*. It is understood that funding for any projects in addition to those specified herein will need to be delayed pending approval of the guidelines.
19. In relationship to #18 above the Hospital has indicated a willingness to provide full or partial funding for clinical departments (both Hospital and non-Hospital based) in circumstances such as relocation for Hospital activities, administrative offices, and special activity. All commitments must be in compliance with the Board of Governors capital expenditure guidelines.

Conclusion

The above 19 points, taken in totality, address the major issues related to clinical departmental office space location and renovation. In addition it finalizes planned reallocation of space from the Hospital to the Medical School. Further specifics are referenced in the full Discussion Paper and associated appendices, and more specific references therein should serve as the source of interpretation of the key points outlined in the Executive Summary.

*Assuming approval of this document by the Hospital Board of Governors in early summer, this date would be October 1, 1989.

Discussion Paper

UMHC Renewal Project Phase II

Associated Clinical Department and General Space Issues

May 1989

I. INTRODUCTION:

For several years a series of issues have been identified which are related to the University Hospital Renewal Project. With the formulation of an approved plan for the second phase of the Renewal Project, intensive discussions have occurred over the past several months to resolve these issues.

These issues fall into three inter-related areas of consideration: (1) the provision of space and associated funding for clinical department offices that have been, or are currently, related to the Renewal Project plan; (2) confirmation and/or modification of the commitments made in 1985 for reallocation of vacated Hospital space to the Medical School; and, (3) identification and potential reallocation of additional vacated Hospital space beyond the 1985 commitment. The intent of this discussion paper is to provide background for, and discussion of, each of these areas and to propose a comprehensive solution for all of these issues.

II. BACKGROUND

A. Clinical Departmental Office Space

While the issues and debates relating to clinical department office space have a long history, and are inherently related to the overall space constraints facing the institution, an appropriate point in time to focus on the specific circumstances confronting the Hospital and Medical School is the planning process which was undertaken for the second phase of the Renewal Project in the mid-1980s. At that time, it was envisioned that several clinical department office areas would need to be relocated due to the displacement of these functions for the development of clinical facilities and for reallocation of the sixth floor of the Mayo complex to the Medical School. Clinical department office space affected by these circumstances included Anesthesia, Neurosurgery, Urology, Psychiatry, and Surgical Pathology. In addition, planning at that time envisioned the potential need for new office configurations for the NICU faculty, OB faculty as a component of the new OB unit, PM&R faculty offices

integral to the rehabilitation and therapy patient care units, and Radiology needs not accommodated in Unit J.

At the time that these clinical departmental office space office configurations were incorporated in Renewal Project planning, the general position adopted by the Hospital was that when departmental areas needed to be relocated for Hospital needs the Hospital would assume responsibility for replacement at an equal level of quality and magnitude of space. In most of these instances, this commitment was articulated in writing and, in accord with the plans identified at that time, there were specific references to the level of Hospital financial responsibility - if any - which might be necessary for both relocated departmental space or other departmental areas. In other instances incomplete written communication or only verbal discussions occurred regarding financial responsibility for these office areas.

With the adoption of the current plan for the second phase of the Renewal Project, the necessity of relocating many of these departmental areas has been eliminated or reduced. This is because the current plan relocates Psychiatry inpatient facilities to Unit J eliminating the necessity of dislocating departmental space on floor 5 of Mayo.

The Hospital has articulated a position that since there is not a requirement to relocate many of these departmental areas that the new plan displaces these old agreements. This position has been disputed aggressively by many departmental and Medical School officials since their planning has assumed incorporation of these departmental requirements in the Renewal Project. In addition, it is articulated that historic planning provided for close proximity of offices and clinical space when this was considered to be appropriate, and other planning activities since 1985 has assumed that these departmental space needs would be accommodated by the Hospital. The departments and Medical School further argue that since it was assumed that these needs would be accommodated, neither the School nor departments have developed financial plans or resources for these office needs.

For example, the 1985 plan envisioned that the Psychiatry offices would relocate to areas on the fifth floor of Mayo already configured for departmental offices, i.e. - Anesthesiology and Neurosurgery. This relocation provided, in essence, an upgrade for Psychiatry since these facilities are already air-conditioned. While the 1985 plan stipulated that no Hospital funds would be needed beyond dome room upgrades

for Psychiatry offices, it also committed to air-conditioning Psychiatry facilities. Later renditions of the 1985 plan identified a need to continue to utilize some of the Psychiatry office space on the sixth floor and the current plan provides flexibility regarding Psychiatry facilities in Mayo. Those same 1985 plans required relocation of Neurosurgery, Anesthesiology, Neuro-epilepsy, and Urology to accommodate Psychiatry.

The foregoing background is further complicated by the historic Hospital position regarding responsibility for clinical department office space and events which have transpired since these plans were formulated. In relationship to the historic Hospital position, while no specific policy has existed it is clear that the Hospital has assumed only limited responsibility for clinical department space requirements. The responsibility the Hospital has assumed relates primarily to office space for Hospital based clinical departments (Radiology, Therapeutic Radiology, and Lab Medicine & Pathology); singular or small office configurations for faculty performing administrative functions for the Hospital; replacement of space displaced for other purposes; and occasional exceptions associated with recruitment or issue resolution. The Hospital has also provided loans to the Medical School and/or clinical departments for some clinical department space activity. This historic position would provide a rationale for Hospital funding of some of these areas.

In relationship to events which have transpired since the original plans were formulated in 1985, these plans have to some degree - often in an unclear fashion - been incorporated into recruitment efforts completed or currently in process for chairpersons of clinical departments. In addition, circumstances have changed which have led to redefinitions of space requirements for many of these departments.

B. Mayo Sixth Floor

In the 1985 Renewal Project Phase II plan, it was determined that the Hospital could reduce its space requirements in Mayo with the opening of Unit J and the remodeling of existing facilities. One of the areas relinquished was the sixth floor of the Mayo complex (37,000 NSF). All of this space, less 5,000 NSF retained by the Hospital for mechanical space, was allocated by the Health Sciences to the School of Medicine.

The viability of this plan is now in question depending on the outcome of the clinical department office space issues. Because the current Renewal Project plan does

not require relocation of Psychiatry to the fifth floor, whether the sixth floor space commitment to the Medical School can, or should, be fulfilled on the sixth floor or elsewhere needs to be resolved.

C. Other Space

At the time that the current plan for the second phase of the Renewal Project was formulated, it was determined that with the addition of a finished floor on Unit J as much as 20-24,000 additional NSF of existing Hospital space would not be required by the Hospital for the Renewal Project. The exact magnitude of space and its location cannot be determined until both master zoning and detailed planning can be completed. The Hospital also noted that this square footage may diminish as planning occurs due to the inefficiencies in space utilization inherent in reducing remodeling costs through re-use of existing space configurations. Re-use of existing space may require the use of more space than is technically required to fulfill program plans. This reallocation is also impacted by the magnitude and location of departmental space.

III. DISCUSSION AND PROPOSAL

The space issues related to the second phase of the Renewal Project are obviously complex and multi-faceted. To a large extent the ability to resolve the issues related to reallocated space are dependent upon a solution to clinical department office space. It is also necessary to have some sense of the solution to these clinical department office space issues to finalize overall planning for Phase II of the Renewal Project.

The key questions which require resolution in relationship to clinical department space are both the magnitude of space and sources of funding for necessary remodeling. In an attempt to resolve this issue the Hospital has developed an approach to clinical department space allocations and funding which attempts to equitably resolve the issue through the Hospital and Medical School sharing the implications of space requirements and the Hospital providing a base level of funding for remodeling with the School and departments assuming responsibility for levels of interior finish, furnishing and remodeling beyond those necessary for basic and acceptable office configurations.

Prior to detailing this approach, and its impact on each of the three major issue areas, it is necessary to articulate that this proposal should not be interpreted as precedent setting in relationship to the Hospital, Medical School and departments respective responsibilities for clinical department space in the future. Rather, it is a stand-alone proposal to resolve a set of multi-faceted issues which over time have become so complicated that it is literally impossible to adequately sort out all of the

ramifications, commitments and implications. Furthermore, it is assumed that as an integral component of this proposal a policy regarding future Hospital responsibility in relationship to clinical departmental space will be adopted by the Hospital and concurred with by the Medical School, clinical departments and Vice President for Health Sciences.

A. Clinical Department Office Space

Clinical department areas incorporated into these considerations include all or part of the office configurations for NICU, Obstetrics, Psychiatry, Urology, Anesthesia, Neurosurgery, Radiology and Neuro-epilepsy. In addition, a component of the Surgical Pathology program not incorporated in the current plans is also included. These departments, in aggregate for the space affected by the 1985 Phase II Renewal Project, occupied 25,162 NSF and developed program plans for 27,712 NSF. No specific plans existed in 1985 for Neuro-epilepsy and the Surgical Pathology expansion and square footage is not incorporated for these activities in the 27,712 NSF figure. Detailed figures are provided in Attachment I.

Over the past three years these program plans have been revised and updated for some departments so that current program plans indicate a potential need, based upon departmental requests, for 36,738 NSF including Neuro-epilepsy and the Surgical Pathology expansion. These figures are also detailed in Attachment I.

The 1985 plans envisioned the development of this square footage as part of the Renewal Project at a level of remodeling which would provide normative office configurations at a base level of interior finish (basic floor finishes, painted walls, basic drapes). Those plans also assumed that furnishings would be relocated from existing office areas or provided by the departments. The plans also assumed air conditioning in areas which did not have adequate environmental control because of window units or no air conditioning.

The 1985 plans for Psychiatry, Urology, NICU and OB also incorporated proximity of departmental offices to the inpatient and outpatient facilities included in the Renewal Project. Such proximity was felt to be desirable for both departmental and patient care programs.

Given the foregoing, a clinical department space plan has been developed which incorporates the basic tenets of the 1985 plan, but recognizes that total relocation of many of these departmental areas is no longer necessary. More specifically:

1. The current plan would retain the existing office configurations for Psychiatry, Anesthesiology, Neurosurgery and Neuro-epilepsy. Additional space required in accord with the current program request would be provided contiguous to these existing departmental areas. (NOTE: Current plans indicate that Neuro-epilepsy does not require additional space).
2. For Psychiatry the day hospital and outpatient facilities would be developed contiguous to existing and expanded departmental space on the sixth floor of Mayo.
3. NICU office space would be developed in accord with the 1985 plan, i.e., on the fourth floor of Mayo contiguous to the OB unit and the Unit J overpass.
4. OB office space would be developed in accord with the 1985 plan, i.e., contiguous to the OB unit on the fourth floor of Mayo.
5. Radiology office space would be developed in accord with the 1985 plan, i.e., on the second floor of Mayo in the old Radiology area.
6. Urology office space would be developed partially in accord with the 1985 plan - i.e., on the fourth floor of Mayo contiguous to clinical facilities. A new location has been identified, however, to minimize remodeling costs and improve traffic patterns.
7. The incremental expansion for Surgical Pathology beyond currently approved plans would be contiguous to the planned location on the fourth floor of Mayo.

This plan further envisions that the incremental expansion of space from the 1985 plan to the current plan would be allocated from the space committed to the Medical School in 1985. Thus, the Medical School would assume responsibility for office program expansion beyond the requirements identified in the 1985 plan.

Finally, the plan envisions that the Hospital would provide funding for remodeling in accord with the spirit of the 1985 plan. This funding plan assumes that any space that is currently utilized as clinical department space is satisfactory and no remodeling funds will be provided with two exceptions: air conditioning, where necessary, and funds to provide basic remodeling of dome rooms currently allocated to Neurosurgery and Anesthesiology. Funding would be provided for

incremental space or new space developed for clinical departments. A review of these areas indicates that 9,202 NSF of this space will require minor remodeling (few wall changes, painting, removal of fixtures, etc.) and 9,809 NSF requires moderate remodeling (some basic configuration changes). In aggregate this remodeling is estimated to require funding of \$1,586,000. This estimate is based upon \$35/sq. ft. for minor remodeling; \$75/sq. ft. for moderate remodeling; and factors for public space, architect fees, and some additional non-building costs. \$35 and \$75/sq. ft. for remodeling costs includes provision for inflation as well as some contingencies.

This estimate does not include the cost of necessary air conditioning, more substantive changes in configuration, upgraded interior finishes, or furnishing. The plan as developed assumes all of these costs - to the degree they are incurred - will be funded by the Medical School or departments with the exception of air conditioning of the necessary areas of Mayo sixth floor, which will be funded by the Hospital. Ongoing maintenance of all departmental office space will be the responsibility of the Medical School and University.

B. & C. Sixth Floor Mayo Space and Other Space

The foregoing plan obviously has significant impact on the allocation of Mayo sixth floor to the Medical School. Of the 32,000 NSF originally assumed to be available for redistribution, Psychiatry departmental offices, clinic space and day hospital will require 26,700 NSF leaving 5,300 NSF available for redistribution. Because space on the sixth floor of Mayo, for a variety of reasons, is very inefficient the 26,700 NSF originally committed has a 60% efficiency factor applied to it. Thus, 16,020 NSF elsewhere in Mayo or other facilities, along with 5,300 NSF on Mayo 6, needs to be allocated to meet the original 1895 commitment to the Medical School.

As noted earlier, it is currently estimated that up to 24,000 NSF of additional space may be available for redistribution based upon the current Renewal Project Phase II plan. This figure has been effected by recent decisions relating to the relocation of the PM&R Department, which committed 3,200 NSF of this 24,000 NSF estimate. Thus, up to 20,800 NSF may be available for redistribution.

To facilitate planning for both the Hospital and other Health Sciences units, it is proposed that this 20,800

NSF be allocated equally to the Hospital and Medical School. The retention of 10,400 NSF by the Hospital would be potentially utilized for a variety of purposes. First, it would be utilized to reduce remodeling costs where additional space allocations to Hospital programs can have a substantial impact on these costs. Second, it would be utilized to partially deal with Hospital space issues not incorporated into the second phase of the Renewal Project. These include ambulatory care, finance departmental space, hospital-based bone marrow office expansion and other needs which have been identified as space deficient. Also included within these potential needs are new activities such as child care facilities.

These total adjustments and changes require an aggregate of 26,420 NSF to be allocated to the Medical School in addition to the 5,300 NSF remaining on Mayo sixth floor. This 26,420 NSF is reduced by the incremental space required for the expansion of clinical department offices of 11,000 NSF which results in a final figure for allocation of 15,404 NSF to be relinquished to the Medical School in addition to the remaining sixth floor space. The foregoing calculations are detailed in Attachment IV.

To accommodate this space allocation, it is proposed that a significant component of the northwest corner of the Mayo complex on the 5th floor be allocated to the Medical School. The potential space which would be included in this allocation is identified in Attachment V.

It should be noted that this plan has attempted to identify areas for clinical departmental space which require the least possible level of remodeling from current configurations - thus, the change in location for Urology and Psychiatry offices from the 1985 plan. In addition, to minimize remodeling it envisions utilizing 38,628 NSF to fulfill the 36,738 NSF program (see Attachment I). Attachment II identifies the location of these clinical department spaces and color codes the level of anticipated remodeling. Attachment III summarizes and totals the necessary remodeling.

V. CONCLUSIONS AND RECOMMENDATIONS

The foregoing proposal is intended to provide a comprehensive solution to the clinical departmental space issues, as well as historical and current reallocations of space. Based upon this plan, it is recommended that:

- A. Up to an aggregate of 38,628 NSF of existing and new sq. footage be allocated to resolve the departmental office space requirements of Psychiatry, Urology, Anesthesiology, Neurosurgery, Radiology, OB, NICU, Neuro-epilepsy, and Surgical Pathology. It is further recommended that this space be allocated in the areas identified in Attachment II.
- B. An aggregate of up to \$1,586,000 of the approved Renewal Project budget be allocated by the Hospital for clinical department office space remodeling. The utilization of these funds is restricted to actual remodeling costs and associated fees and may not be utilized for furnishing or major upgrades of interior finishes. In addition, it is recommended that air conditioning be funded, to the extent necessary, through the existing Hospital Renewal Project budget. Based upon the information available, the space and funds identified should - in aggregate - be adequate to meet the departmental requirements.

Because the impact of incremental space for clinical department offices effects the total space available for Medical School activities, and clinical department offices are ultimately the Medical School's responsibility, the actual final plans for these areas should fall under the purview of the Medical School. Likewise, while the aggregate funding should be adequate, the Medical School should have the prerogative of reallocating funds between specific aspects of the project and to add other funding from non-Hospital sources if it is deemed appropriate. If the full magnitude of funds are not needed for the purposes stated, these should revert to the Hospital. It is, therefore, further recommended :

- C. That responsibility for further planning of the clinical departmental space specified in this document be the responsibility of the Medical School, including the prerogative to reduce space allocations and reallocate funds between project components. Any funding beyond the \$1,533,000 specified will be the responsibility of the Medical School and/or clinical departments and any unspent funds for the project and the purposes identified will revert to the Hospital. All planning will be coordinated with the Hospital and the Medical School will use the Renewal Project Phase II consultants (architect and consultant fees at normative levels are included in the budget allocation provided by the Hospital). Ongoing responsibility for maintenance and upkeep of clinical department office space affected by the project is the responsibility of the Medical School and University.

As noted in recommendation B it is recommended that funding for clinical department space come from the existing Renewal Project Phase II budget. Current estimates indicate that sufficient flexibility exists to accommodate these requirements. It should be recognized, however, that further planning may require reconsideration of, and an increase to, the project budget by the Board at a later date. Necessary approval processes for renovation of Medical School space included in the Renewal Project will also need to be clarified.

The foregoing parameters for clinical department office space, as well as the factors discussed in regard to the sixth floor of Mayo and other space reallocations, permits the overall issue of space reallocation to also be resolved. It is, therefore, recommended that:

- D. A total of 15,504 NSF on the fifth floor of the Mayo complex (northwest corner) and 5,300 NSF on the sixth floor of Mayo be allocated from the Hospital to the Medical School.

This reallocation from the Hospital to the School replaces the 1985 reallocation of Mayo sixth floor to the Medical School through the Vice President for Health Sciences, and is inclusive of additional space which can be reallocated as a result of the Renewal Project Phase II plan.

These allocations are net of additional space required for clinical department office space above and beyond the NSF determined in 1985. If further planning results in a reduction of space required for clinical department offices incorporated in these recommendations, this space remains under the purview of the Medical School. No Hospital funding beyond that specified for clinical department office space is associated with these space transfers.

Finally, as noted earlier, this recommendation should not be viewed as establishing Hospital responsibility in the future for clinical department space. To the contrary, this proposal reflects unique considerations and circumstances. To assure that the level of ambiguity and confusion which surrounded these issues is minimized in the future, it is, therefore, further recommended that:

- E. The Hospital, Medical School, Council of Chiefs of Clinical Services and Vice President for Health Sciences concur that comprehensive guidelines must be developed to avoid any further ambiguity regarding the provision of space, construction/remodeling, and maintenance of all clinical department office space. It is further recommended that the office space needs of clinical departments (hospital and non-hospital based) be a

responsibility shared to some extent by all the foregoing parties but that the Medical School and clinical departments have the major responsibility for funding clinical department office space. These guidelines will be developed jointly prior to *.

It is understood that funding for any projects in addition to those specified herein will need to be delayed pending approval of the guidelines.

It should be noted that in the spirit of this shared responsibility the Hospital has indicated a willingness to provide full or partial funding in a variety of circumstances including relocation of clinical department office space for Hospital functions, faculty serving in Hospital administrative roles for a significant percentage of their effort (i.e. 35% or more), faculty fulfilling an administrative functions where all parties agree location within Hospital areas is necessary, and a variety of special circumstances such as recruitment, new programs, etc. These, and other guidelines, which may be adopted for Hospital funding would be applicable to all clinical departments and controlled by UMHC Board of Governor captial guidelines.

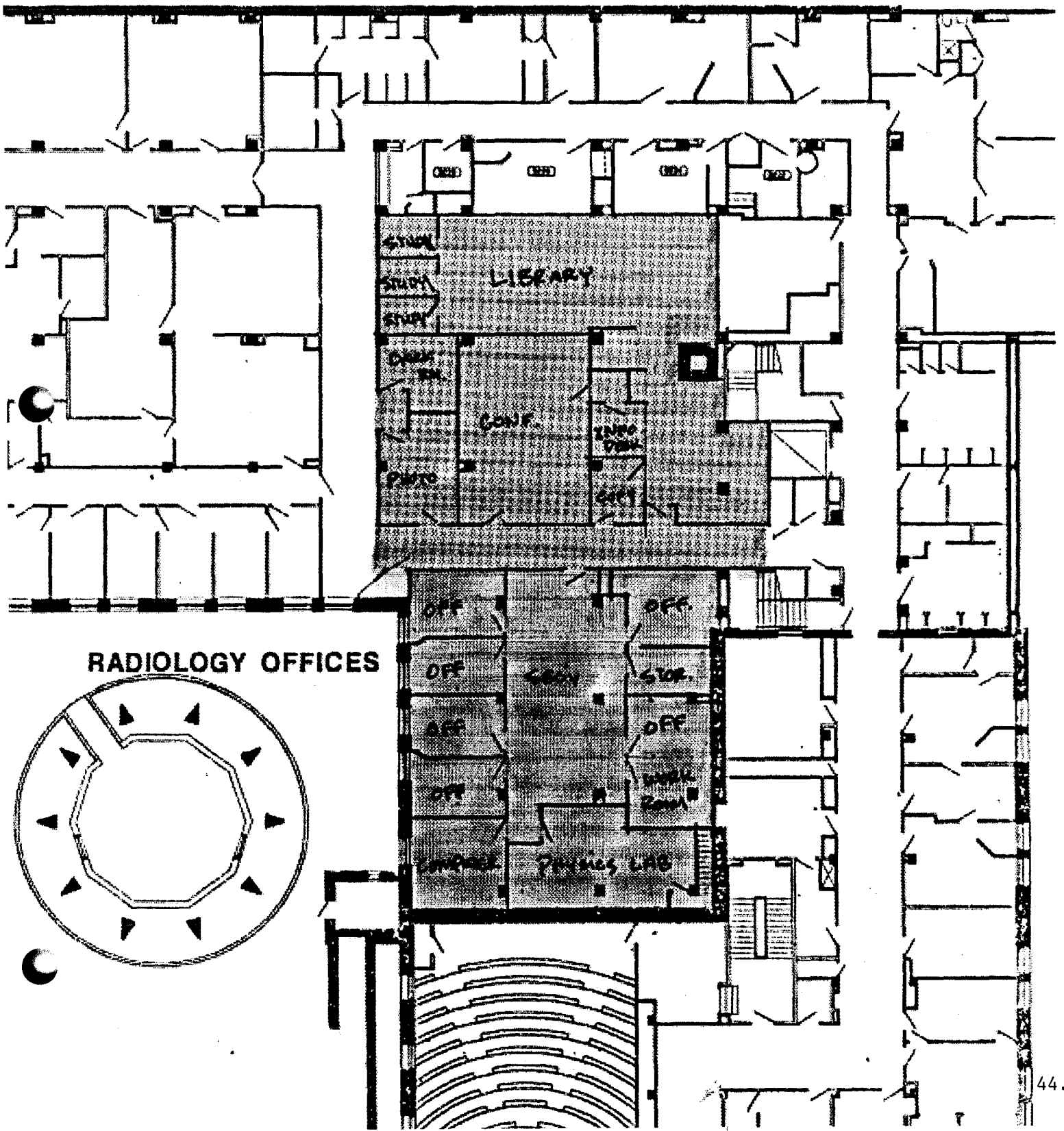
The foregoing recommendations should provide appropriate resolution of existing problems, appropriate future guidelines, and help expedite Renewal Project Phase II planning and construction.

*assuming approval of this document by the Hospital Board of Governors in early summer, this date would be October 1, 1989.

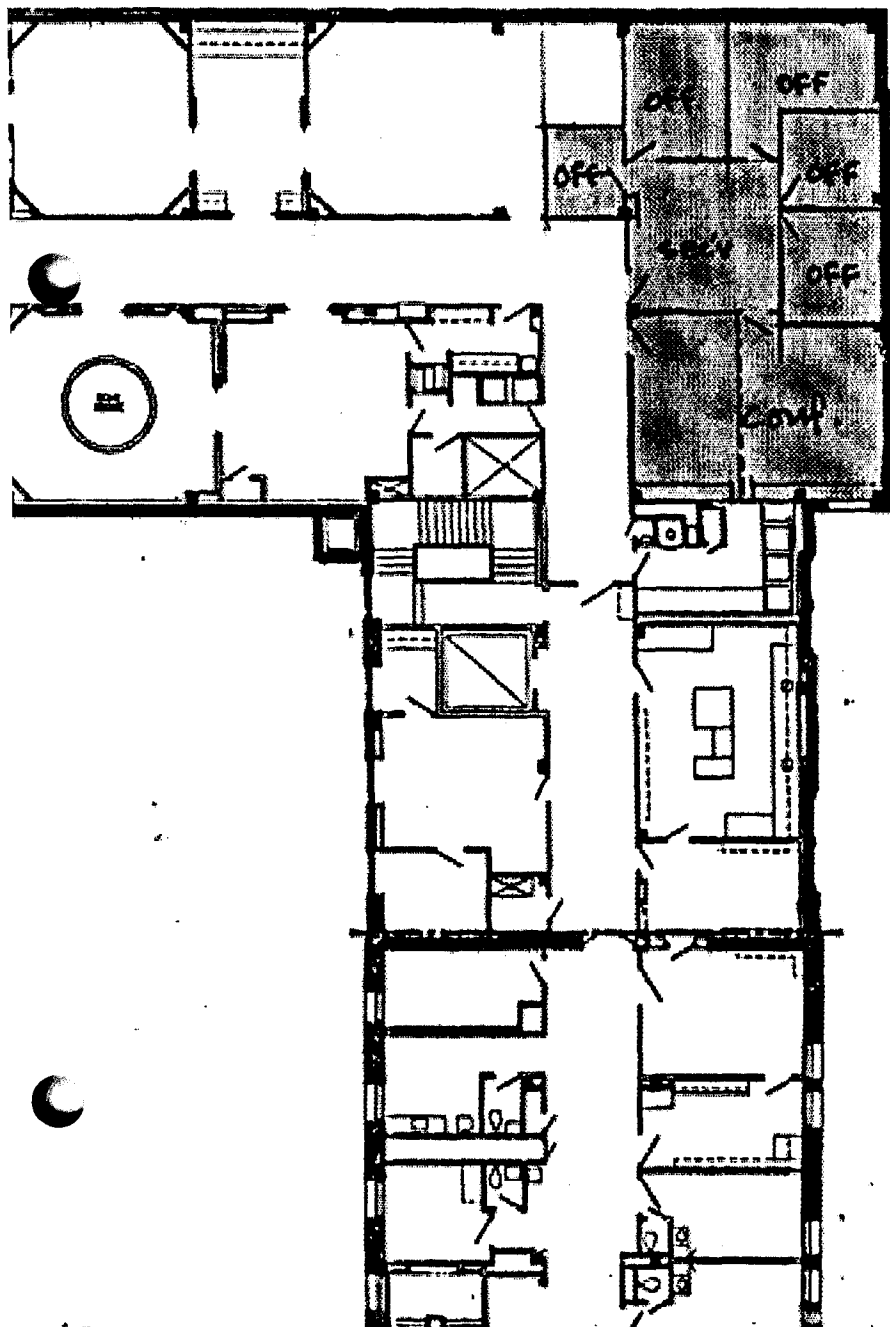
	Approx. Existing Prior to 1985	1985 Program Request	Net Change	Current Program Request	Actual Office Plan	Actual vs 1985 Program
NICU	340	1100	+ 760	1100	1100	0
OB/Gyn	690	690	0	1300	1372	682
Psychiatry	10900	12555	+1655	16400	16500	3945
Urology	2401	2890	+ 489	3800	4228	1338
Anesthesia	3454	3300	- 154	4820	5493	2193
Neurosurgery	2770	2570	- 200	3000	3339	769
Radiology	4607	4607	0	4607	4607	0
Subtotal	25162	27712	2550	35027	36639	8927
Neuro Epilepsy	0	0	0	1400	1678	1678
Surg Path Expansion	<u>0</u>	<u>0</u>	<u>0</u>	<u>311</u>	<u>311</u>	<u>311</u>
Total	25162	27712	2550	36738	38628	10916

- KEY
- * YELLOW EXIST. NO COST
- BLUE MIN. REMODEL
- # GREEN MOD. REMODEL

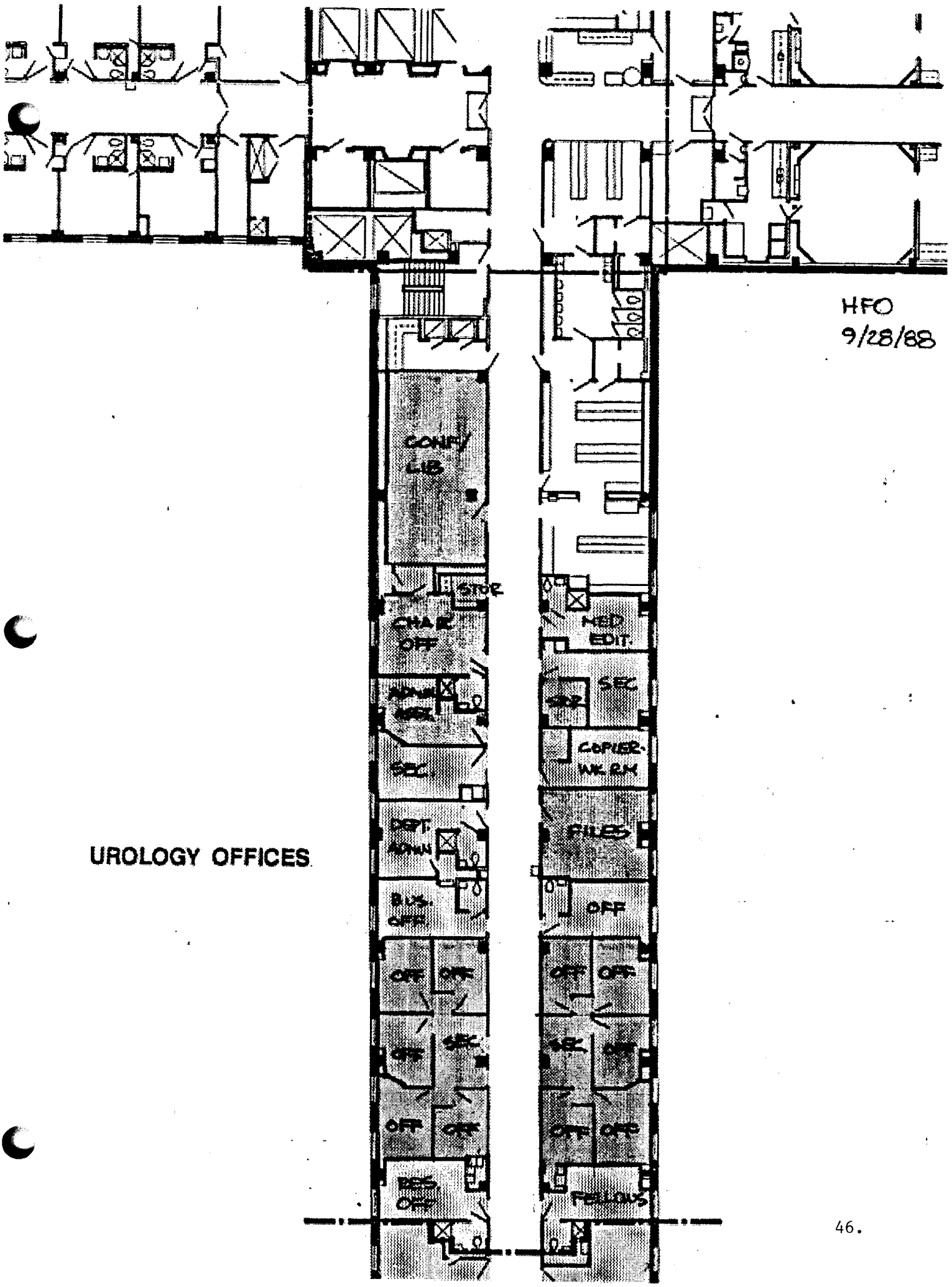
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 9/25/88
 ATTACHMENT II



OB/GYN OFFICES



This office location is tentative. Final office configuration and location is subject to additional planning.

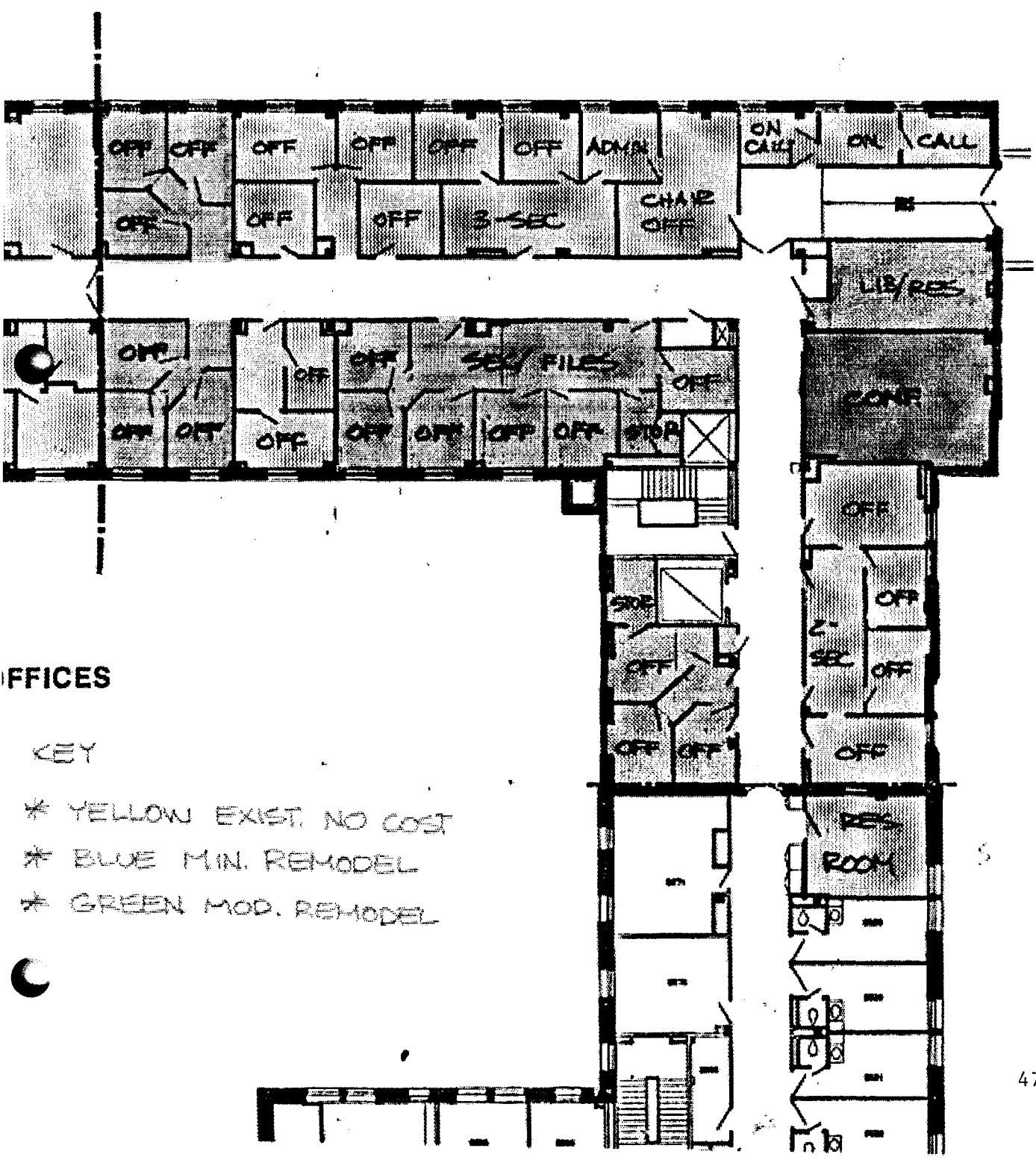


HFO
9/28/68

UROLOGY OFFICES

HFO
9/28/88

ANESTHESIA OFFICES



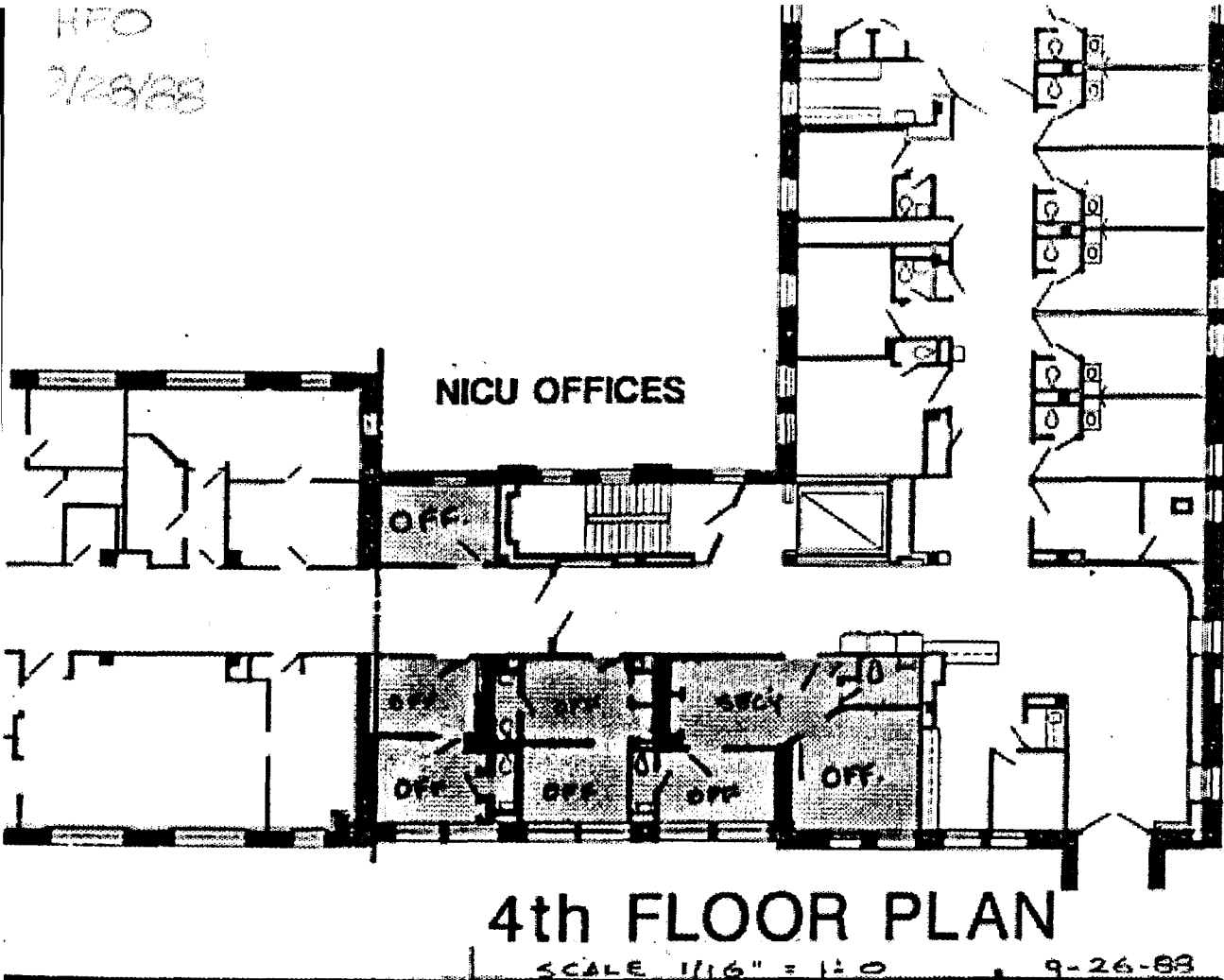
OFFICES

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- * GREEN MOD. REMODEL

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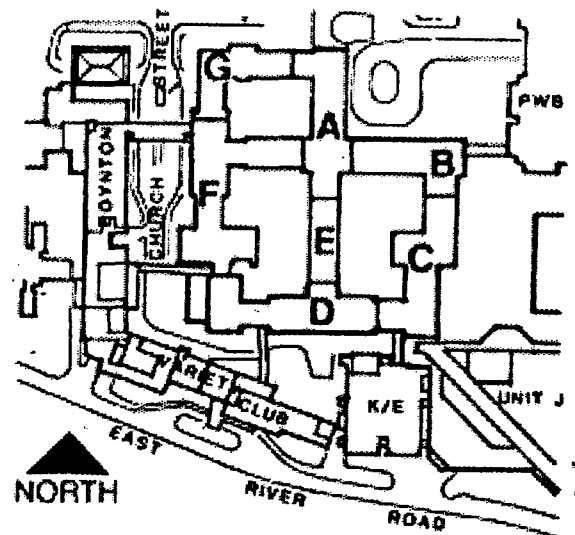
7/26/83



4th FLOOR PLAN

SCALE 1/16" = 1'-0" 9-26-83

University of Minnesota
Hospital and Clinic
Minneapolis, Minnesota



KEY PLAN

UNIVERSITY
HOSPITALS
RENOVATION
PROJECT

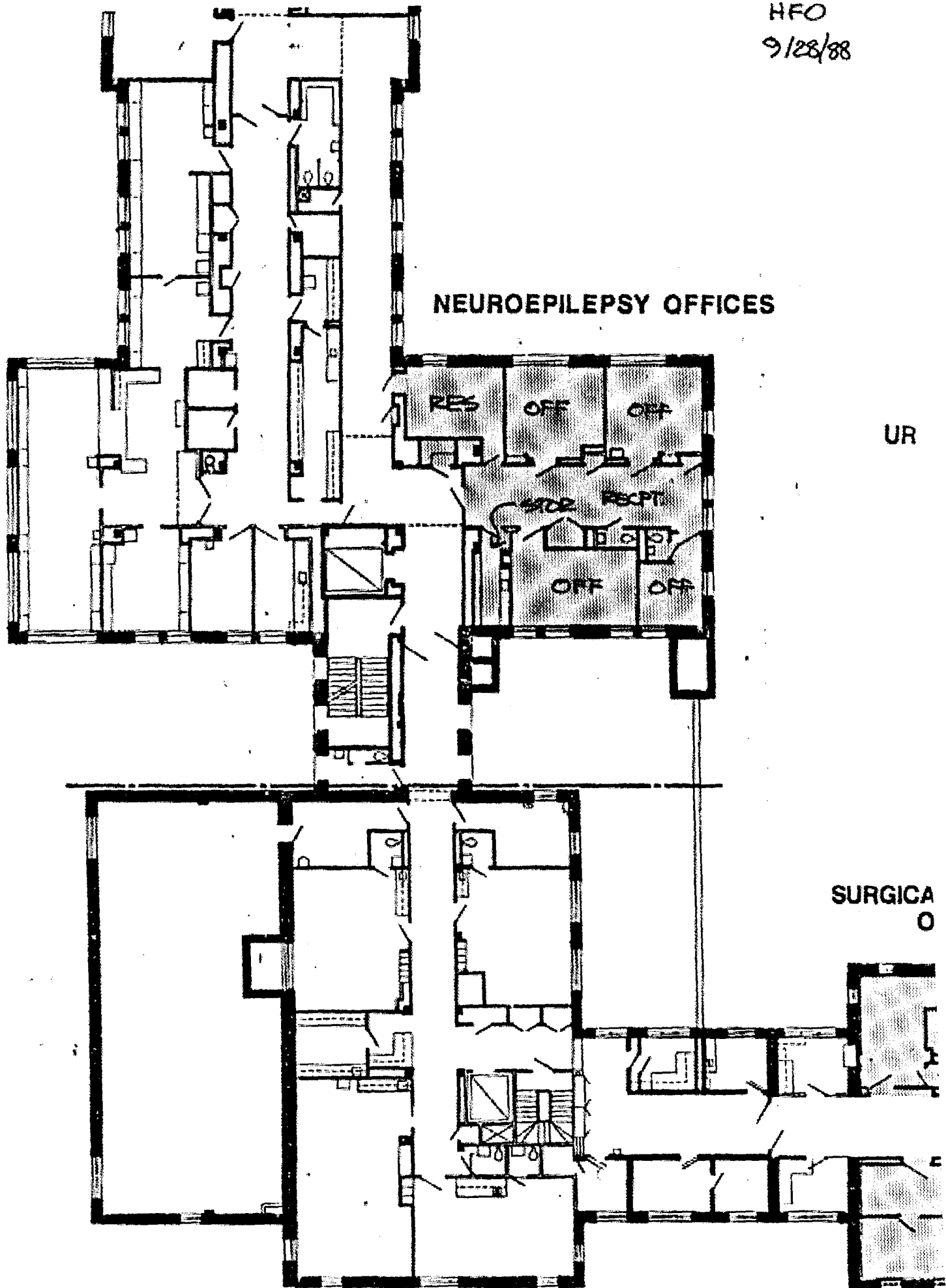


MAYO HOSPITAL

KEY

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- * BLUE MIN. REMODEL
- * GREEN MOD. REMODEL

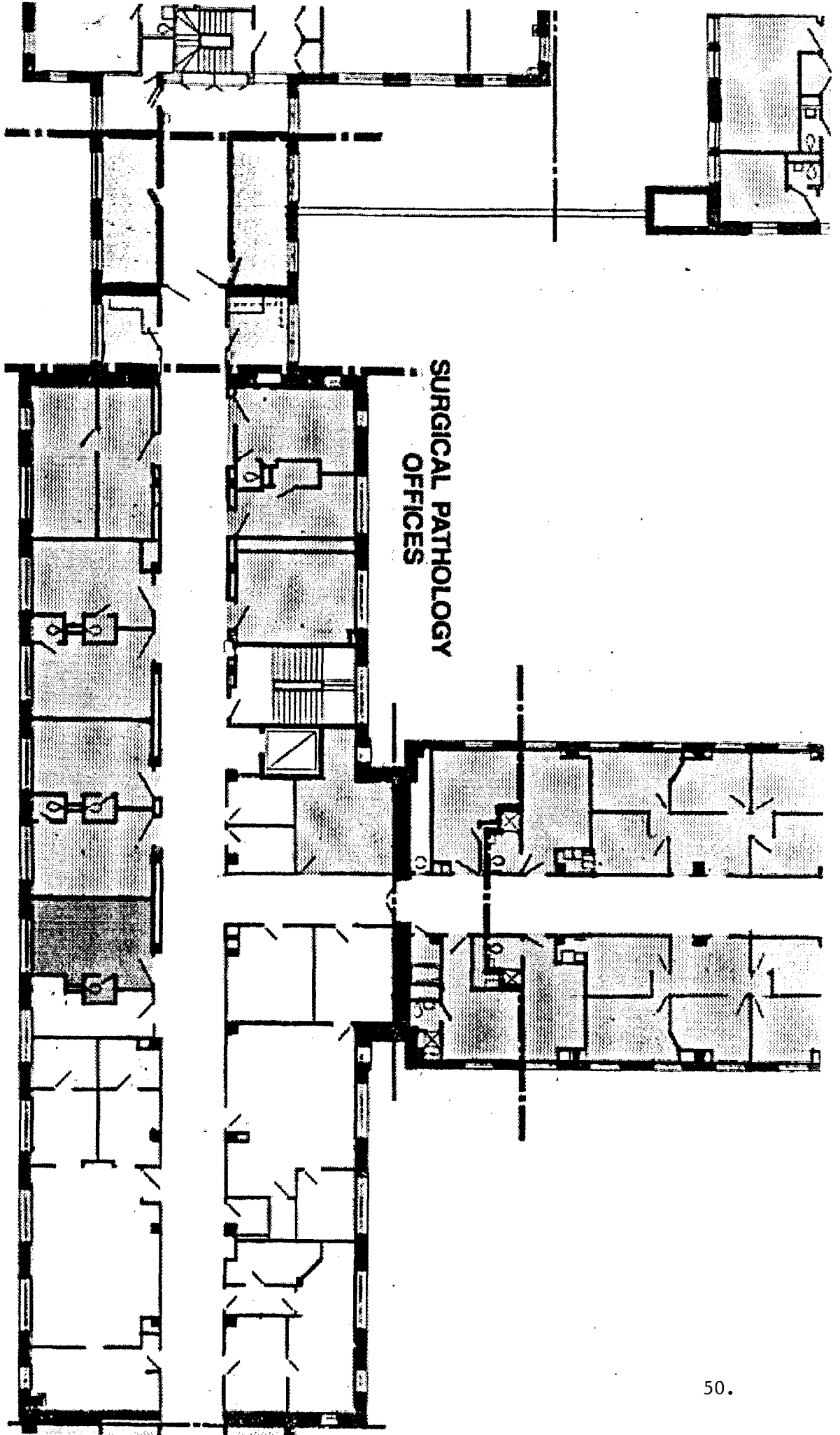
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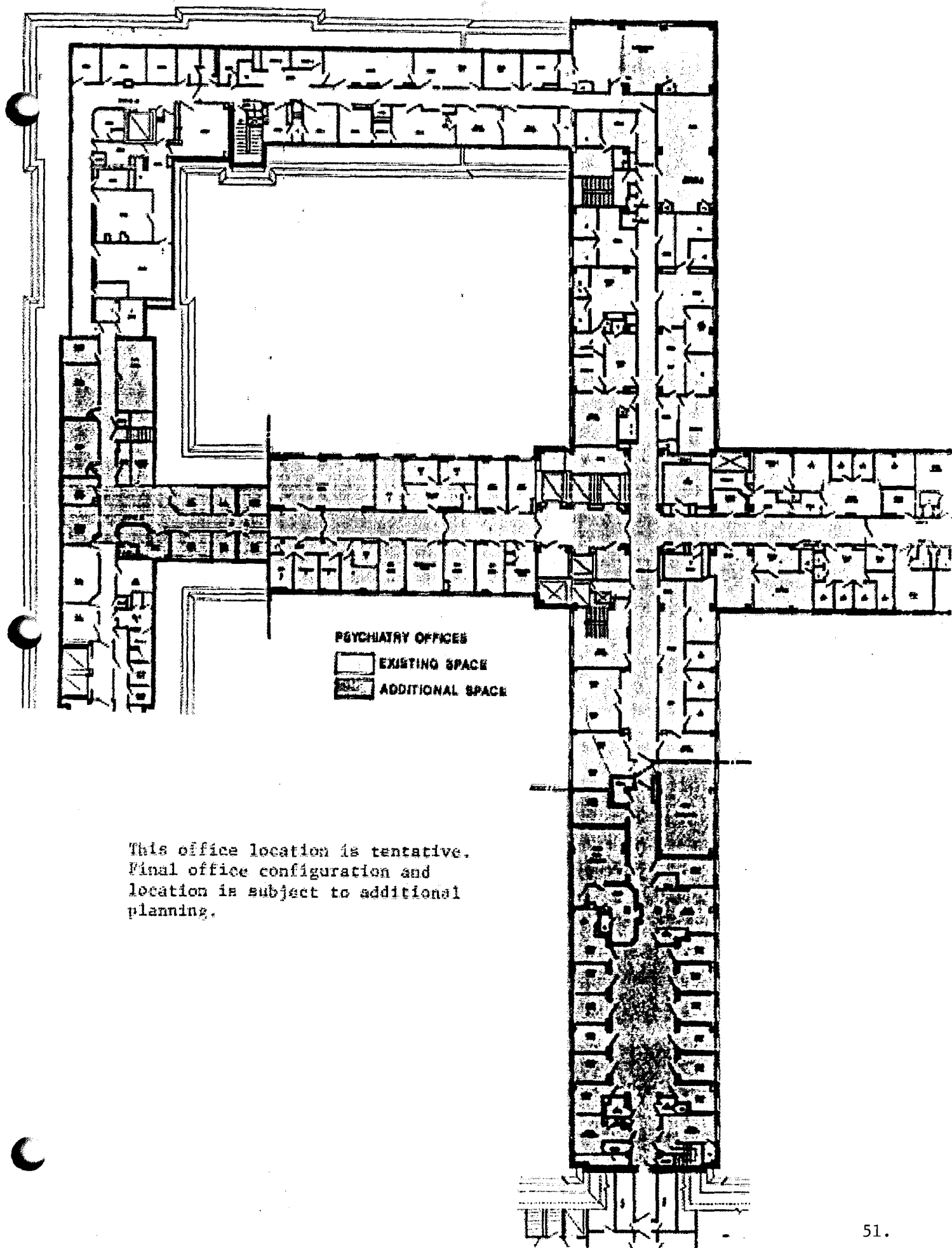


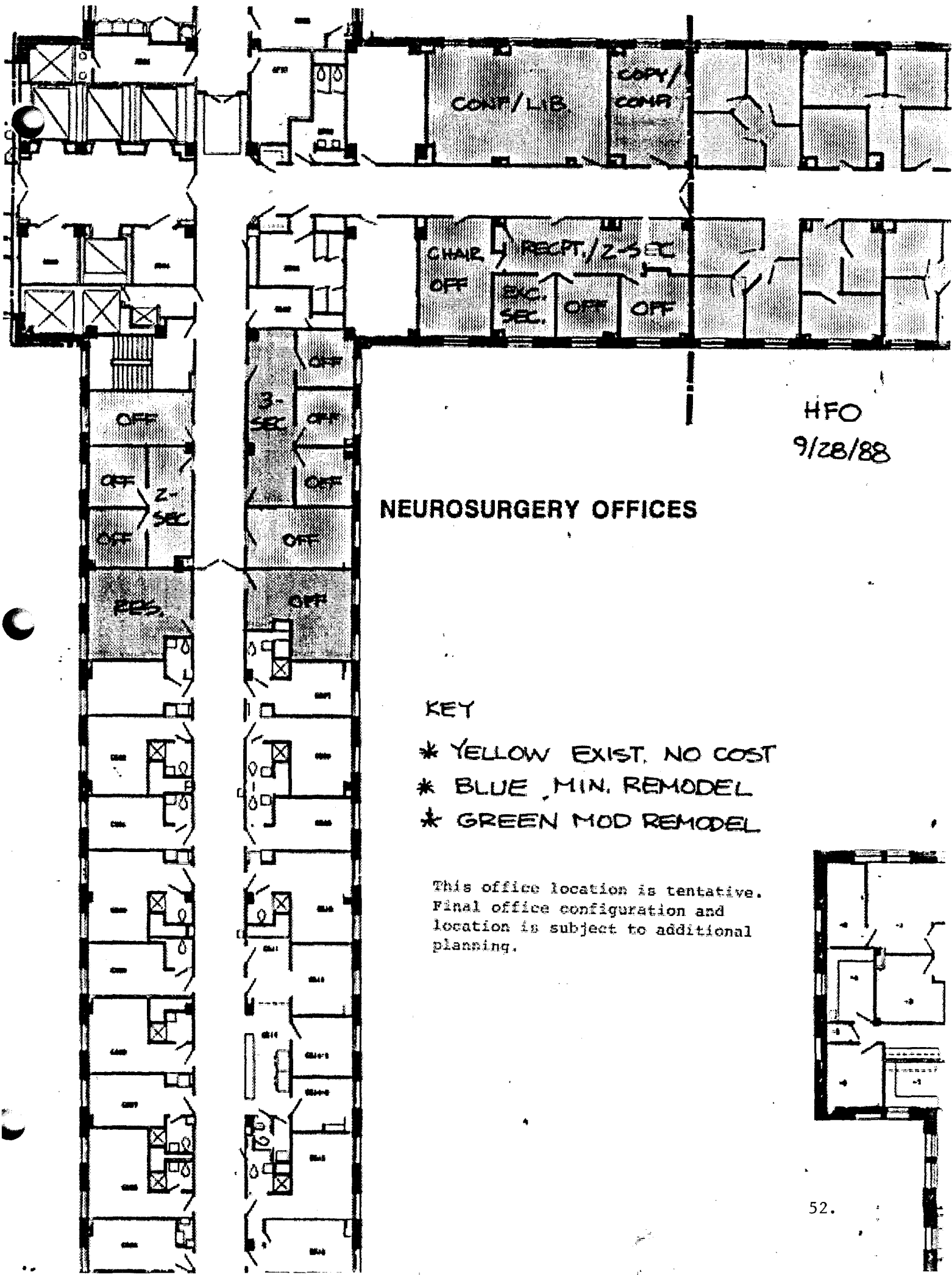
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SURGICAL SUITE
O

SURGICAL PATHOLOGY EXPANSION







HFO
9/28/88

NEUROSURGERY OFFICES

KEY

- * YELLOW EXIST. NO COST
- * BLUE MIN. REMODEL
- * GREEN MOD REMODEL

This office location is tentative. Final office configuration and location is subject to additional planning.

RENOVATION COSTS BASED ON CURRENT PROGRAM

DEPARTMENT	PROGRAM NSF	PLANNED NSF	RENOVATION COSTS							
			-		P.I.M.		MOD		TOTAL	
			NSF	\$	NSF	\$	NSF	\$	NSF	\$
NICU	1,100	1,100	-	-	1,100	48,125	-	-	1,100	48,125
OB/GYN	1,300	1,372	-	-	-	-	1,372	128,625	1,372	128,625
PSYCHIATRY	16,400	16,500	11,200	-0-	5,300	231,875	-	-	5,300	231,875
UROLOGY	3,000	4,220	1,618	-0-	1,140	49,875	1,470	137,812	2,610	187,687
ANESTHESIA	4,820	5,493	2,693	-0-	751	32,856	2,049	223,295	2,800	256,151
NEUROSURGERY	3,000	3,339	2,420	-0-	911	39,856	-	-	911	39,856
NEUROEPILEPSY	1,400	1,678	1,678	-0-	-	-	-	-	-	-
RADIOLOGY	4,607	4,607	-	-	-	-	4,607	431,906	4,607	431,906
SURG PATH EXPANSION	311	311	-	-	-	-	311	***55,000	311	55,000
TOTALS	35,738	38,628	19,617	-0-	9,202	482,587	9,809	976,638	19,811	***1,379,225

*INCLUDES \$31,200 TO INFILL THE EXISTING MAYO O.R. OBSERVATION

1,379,225 x 1.5 = 1,566,000

***CONSTRUCTION COSTS ONLY

****INCLUDES \$48,000 FOR MECHANICAL SERVICE FOR RELOCATED LAB