



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

COMMITTEE MEMBERS

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

A G E N D A

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|------|--|--------------------|
| I. | Opening of Meeting and Approval of Minutes of Finance Committee meeting held 6/28/89 (Approval) pp. 1-4 | Mr. Jerry Meilahn |
| II. | June 30, 1989 Preliminary Financial Statements (Information) pp. 5 | Mr. Cliff Fearing |
| III. | Clinical Department Space Proposal (Endorsement) pp. 6-33 | Mr. Robert Dickler |
| IV. | Hospital Investment Policy (Information) | Mr. Roger Paschke |
| IV. | Fourth Quarter, 1988-89 Bad Debts (Endorsement) pp. 34-66 | 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
June 28, 1989

MINUTES

ATTENDANCE:

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

Vic Vikmanis

Not Present: Elwin Fraley, M.D.
Barbara O'Grady

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

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on June 28, 1989 at 12:10 P.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the May 24, 1989 meetings as written.

JULY 1, 1989 THROUGH MAY 31, 1989 FINANCIALS:

Mr. Clifford P. Fearing reported to the Committee inpatient admissions for May totaled 1,619, which was 7% below budget. He also reported the overall average length of stay for May was 8.0 days, patient days were 342 days over budget, and average daily census was 416. Outpatient admissions for May totaled 24,683, or 8.1% over budget. Mr. Fearing stated the Hospital had an operating loss of \$409,000 for the month of May. This loss brought the net revenue over expense for the year to \$218,000, which was \$2,500,000

under budget. The \$1,600,000 Blue Cross adjustment from the 1988 financial statements continues to be carried, which then brought the net revenue position to a \$1,400,714 loss.

Mr. Dan Rode reported the balance for accounts receivable as of 5/31/89 totaled \$88,940,078 and represented 99.4 days of revenue outstanding. The May decline in accounts receivable of 3.28 days occurred primarily in Commercial Insurance and Medicare.

1989-90 CAPITAL BUDGET

Mr. Greg Hart submitted to the Finance Committee the 1989-90 Capital Budget of \$8,300,000 for endorsement.

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

1989-90 EMPLOYEE COMPENSATION PLAN

Mr. Robert M. Dickler submitted to the Finance Committee, for endorsement, the 1989-90 Employee Compensation Plan.

Mr. Dickler presented the following recommendations to the Committee for non-student, non-unionized employees in Hospital-dominated classes with an effective date of July 1, 1989. Recommendations were not included for Hospital employees in University-dominated classes and employees in bargaining units represented by unions, because the University had not finalized its compensation plan for Civil Service Employees and union negotiations had not been completed.

1) 4% general increase consisting of a 2% change in salary ranges and a 2% progression increases, i.e., movement through the salary range. Total cost would be \$981,738.

2) Pay equity increases for employees in compensation plan in #1 above. Total cost would be \$168,700. This is the third year of a four year pay equity plan.

3) Increases for registered nurse-related classes consistent with recent community nursing contract settlement. Increases involve changes in salary ranges, progression increases, and increases in other areas of compensation such as shift differential and charge pay. Total cost of increases would be \$4,611,202.

4) Additional marketplace increases, primarily for health professions, where marketplace data or recruitment/retention issues evidence the need for such adjustment. These increases would be accomplished within overall budget.

The Board of Governors Finance Committee second and passed the motion to approve the 1989-90 Employee Compensation Plan.

CLINICAL DEPARTMENT SPACE PROPOSAL

Mr. Dickler presented the Clinical Department Space Proposal for information only.

The proposal states that the Hospital will fund the remodeling necessary to provide the specified departments with a basic office configuration, if one does not currently exist. If the assigned space currently functions as office space no remodeling will be undertaken. Air conditioning will be provided in all office areas as part of this proposal. Mr. Dickler reported the Hospital would provide the Medical School with \$1,500,000 for the necessary renovation. These funds are included in the existing \$62,000,000 renewal project budget. The \$1,500,000 is exclusive of air conditioning and other utility upgrade costs.

Mr. Dickler reported this proposal has been endorsed by the Vice President for Health Sciences, the Dean of the Medical School, and the Council of Chiefs of Clinical Services. This proposal will be brought before the Board for approval next month.

PHASE II RENEWAL DEDICATED RESERVES

Mr. Fearing proposed to the Committee that a plant fund for Phase II of the Renewal Project be established. He also suggested that the Hospital establish specific depreciation reserve funds for the remaining components of the Hospital's capital plan and depreciation reserve needs over the next ten years. The intent of the proposal is to identify capital reserves for the renewal project to satisfy Medicare regulations.

A motion was made to endorse this proposal. The Board of Governors Finance Committee second and passed the motion to establish a plant fund for Phase II of the Renewal Project.

Blue Cross Contract Update

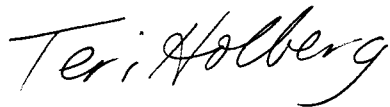
Mr. Fearing reported to the Committee that he had met with individuals from Blue Cross and the Department of Employee Services for the State of Minnesota to discuss the Blue Cross contract. Blue Cross' proposal to the Hospital was that UMHC and UMCA would be, within the State health care, network, primary, secondary, and tertiary care providers. The base provider network for the State health plan would be Blue Plus Network, whose core hospital care providers for the Twin Cities consist of Abbott Northwestern, United, North Memorial, St. Paul-Ramsey, and Riverside. The University Hospital would be a member of the State health care network, but not be a member of the Blue Plus Network.

Blue Cross' proposal would be that the University Hospital would accept 90% of the AWARE Gold, AWARE Limited, and AWARE program rates. Blue Cross feels this would help in reducing the State's plan members costs. Mr. Fearing informed the Committee that all other providers would be paid at the AWARE rate. Blue Cross also proposed that all physicians within the State health plan network, including University physicians, accept 80% of the Blue Plus Network allowable fees. Blue Cross did not indicate what the

allowable fees would be. Mr. Fearing reported that Blue Cross would not be willing to allow the Hospital to make any incentives to University or State employees to go to the University Hospital for care. Mr. Fearing stated Blue Cross gave the Hospital a deadline of July 15, 1989 to decide whether to accept the contract or not. Mr. Fearing will keep the Committee informed of further developments.

There being no further discussion, the June 28, 1989 meeting was adjourned at 1:35 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

July 20, 1989

TO: Board of Governors Finance Committee
FROM: Clifford P. Fearing
SUBJECT: June 30, 1989 Financial Statements

As you know, in past years the June 30 year end financial statements are usually presented in August or September to the Board of Governors rather than in July, which would be the normal timing. This delay has been caused by the year end closing process.

During the past year we have made numerous changes to process our financial statements that will allow us to provide the statement to you in the July meeting. Although we will not include the June financial statements in this mailing, we will be presenting the financial statement at the meeting on July 26, 1989.

CPF:th



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

July 19, 1989

TO: Members of the Board of Governors, Finance Committee

FROM: Robert Dickler
Hospital Director

RE: Renewal Project Phase II:
Clinical Department Office Space

Over the past six months, discussions have been pursued to resolve clinical department office space issues related to the second phase of the Renewal Project. These efforts have manifested the enclosed plan. Both an executive summary and complete proposal are enclosed for your consideration.

This proposal has been reviewed and endorsed by the Dean's office, Office of the Vice President for Health Sciences and Council of Chiefs of Clinical Services. While some issues continue to be identified by individual departments, it is our belief that these issues can reasonably be resolved within the financing and square footage parameters identified in the plan.

For ease of reproduction, color coding has been eliminated from the attached floor plans. That color coding differentiated areas scheduled for light remodeling from those where we anticipate heavier remodeling. In the Psychiatry floor plan, color coding had been used to differentiate existing space from new space. Color coded originals will be available for your review at the Board of Governors meeting.

We look forward to discussing this proposal with you. Please feel free to contact me if you have any questions.

RD:jm

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 May 1, 1989. 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.

Discussion Paper

UMHC Renewal Project Phase II

Associated Clinical Department and General Space Issues

January 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:

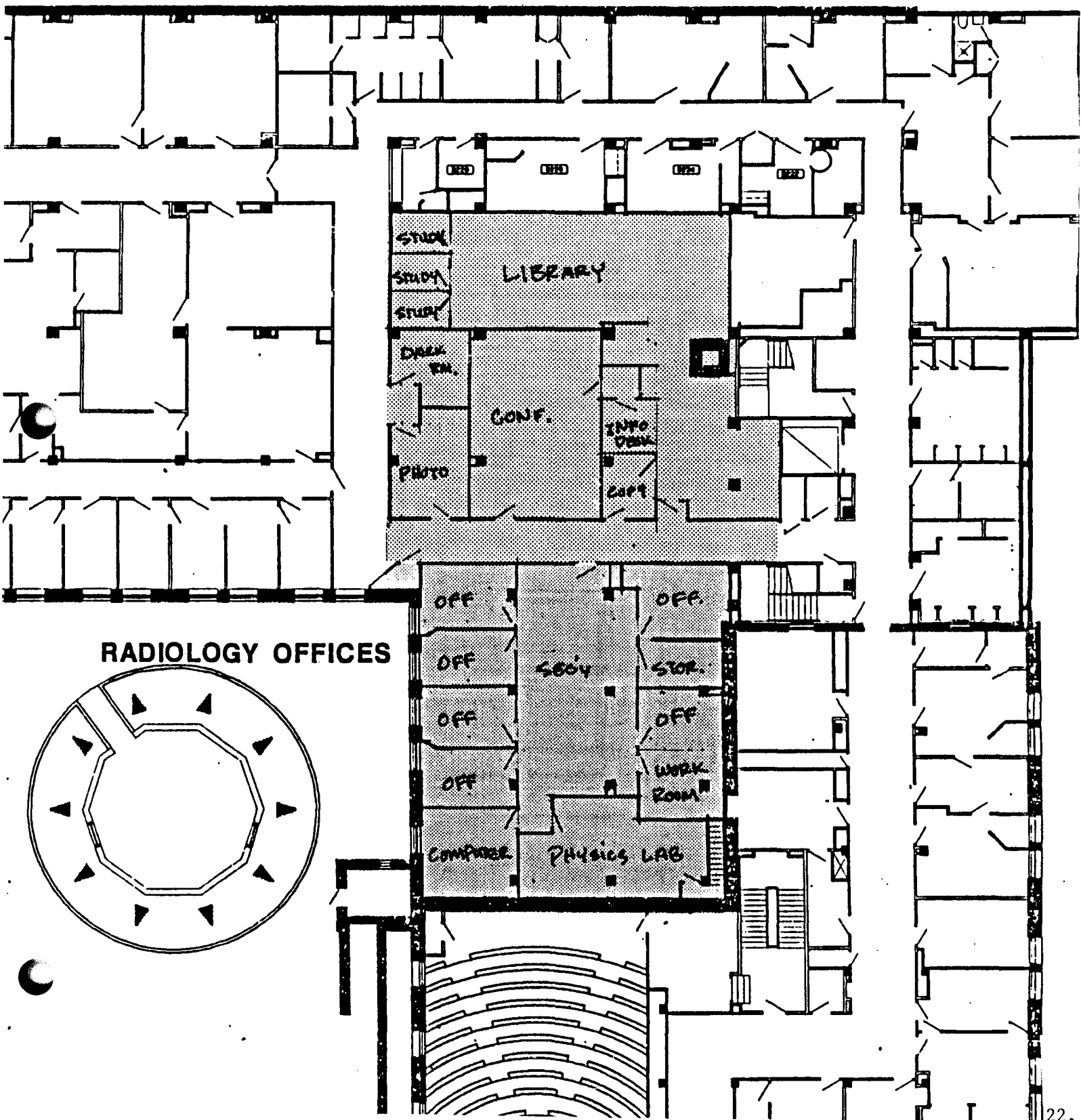
- E. The Hospital, Medical School, Council of Chiefs of Clinical Services and Vice President for Health Sciences concur that comprehensive guidelines must be developed to avoid any further ambiguity regarding the provision of space, construction/remodeling, and maintenance of all clinical department 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 May 1, 1989. It is understood that funding for any projects in addition to those specified herein will need to be delayed pending approval of the guidelines.

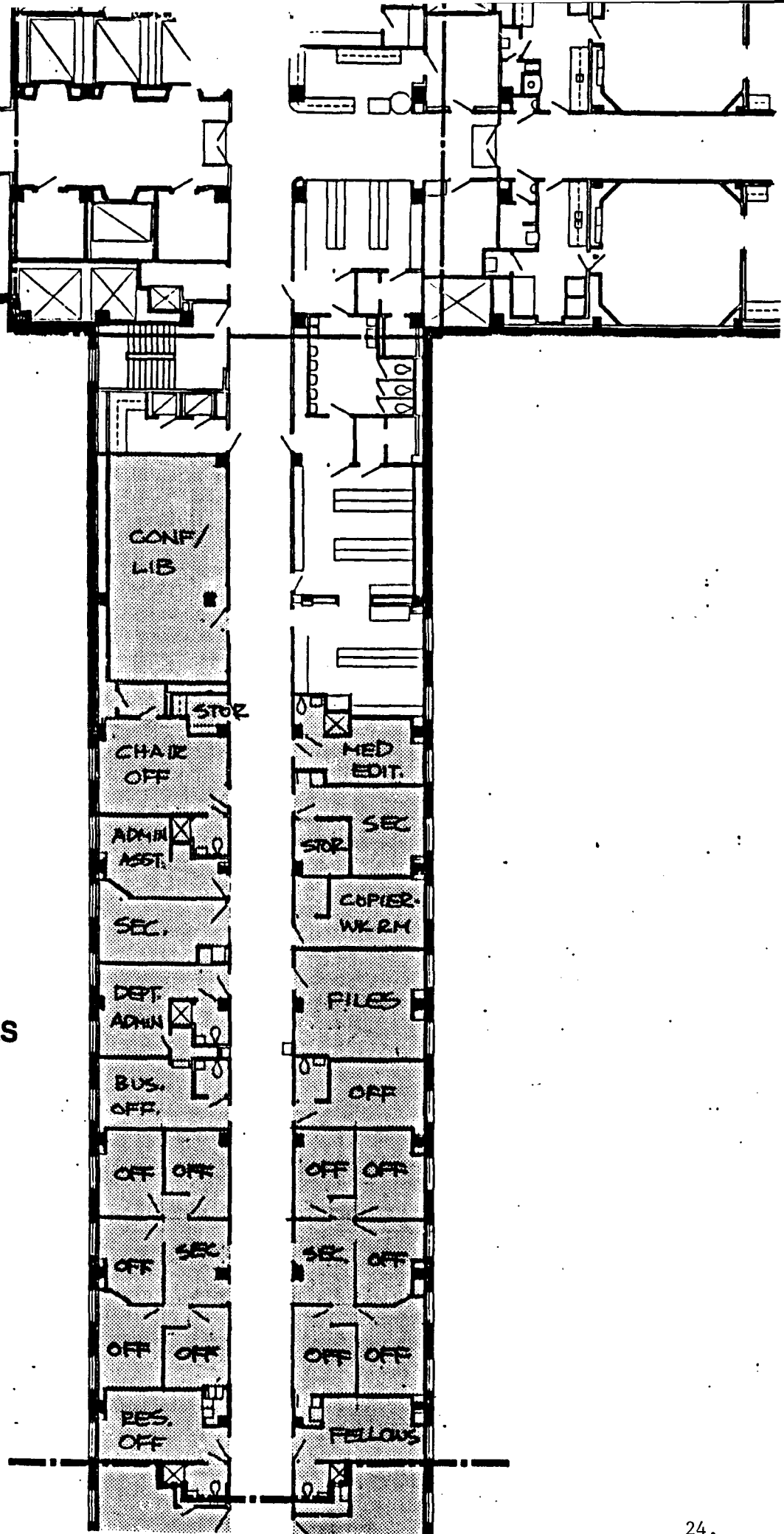
It should be noted that in the spirit of this shared responsibility the Hospital has indicated a willingness to provide full or partial funding in a variety of circumstances including relocation of clinical department office space for Hospital functions, faculty serving in Hospital administrative roles 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 capital guidelines.

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

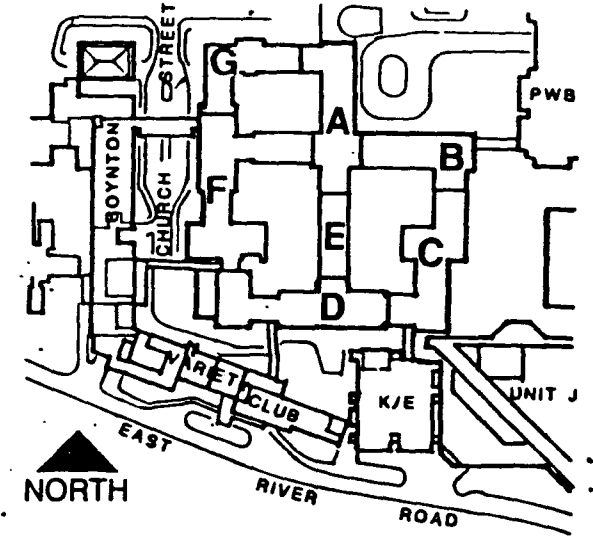
	Approx. Existing Prior to 1985	1985 Program Request	Net Change	Current Program Request	Actual Office Plan	Actual vs 1985 Program
NICU	340	1100	+ 760	1100	1100	0
OB/Gyn	690	690	0	1300	1372	682
Psychiatry	10900	12555	+1655	16400	16500	3945
Urology	2401	2890	+ 489	3800	4228	1338
Anesthesia	3454	3300	- 154	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



UROLOGY OFFICES



University of Minnesota
Hospital and Clinic
Minneapolis, Minnesota

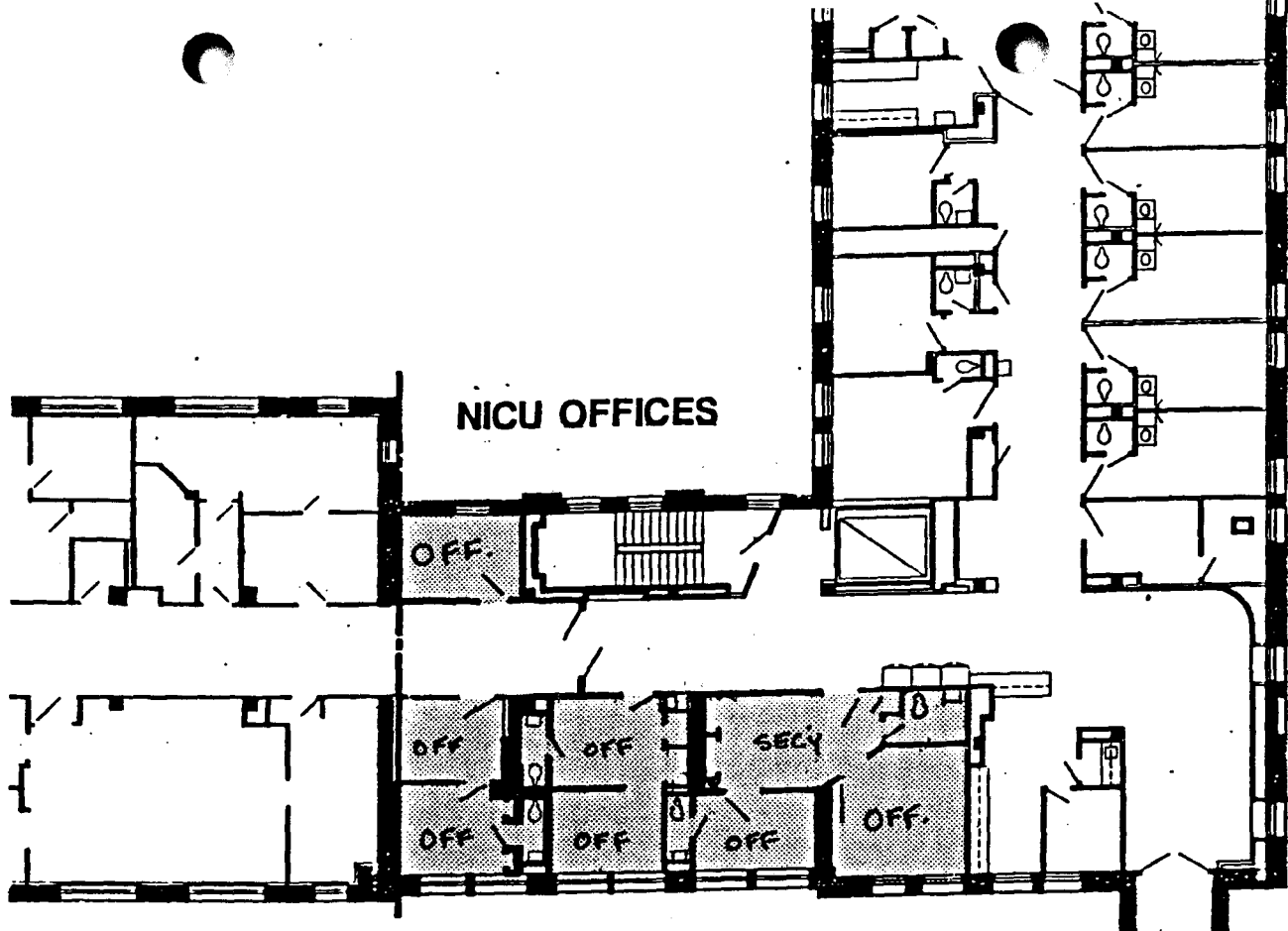


KEY PLAN

UNIVERSITY
HOSPITALS
RENOVATION
PROJECT

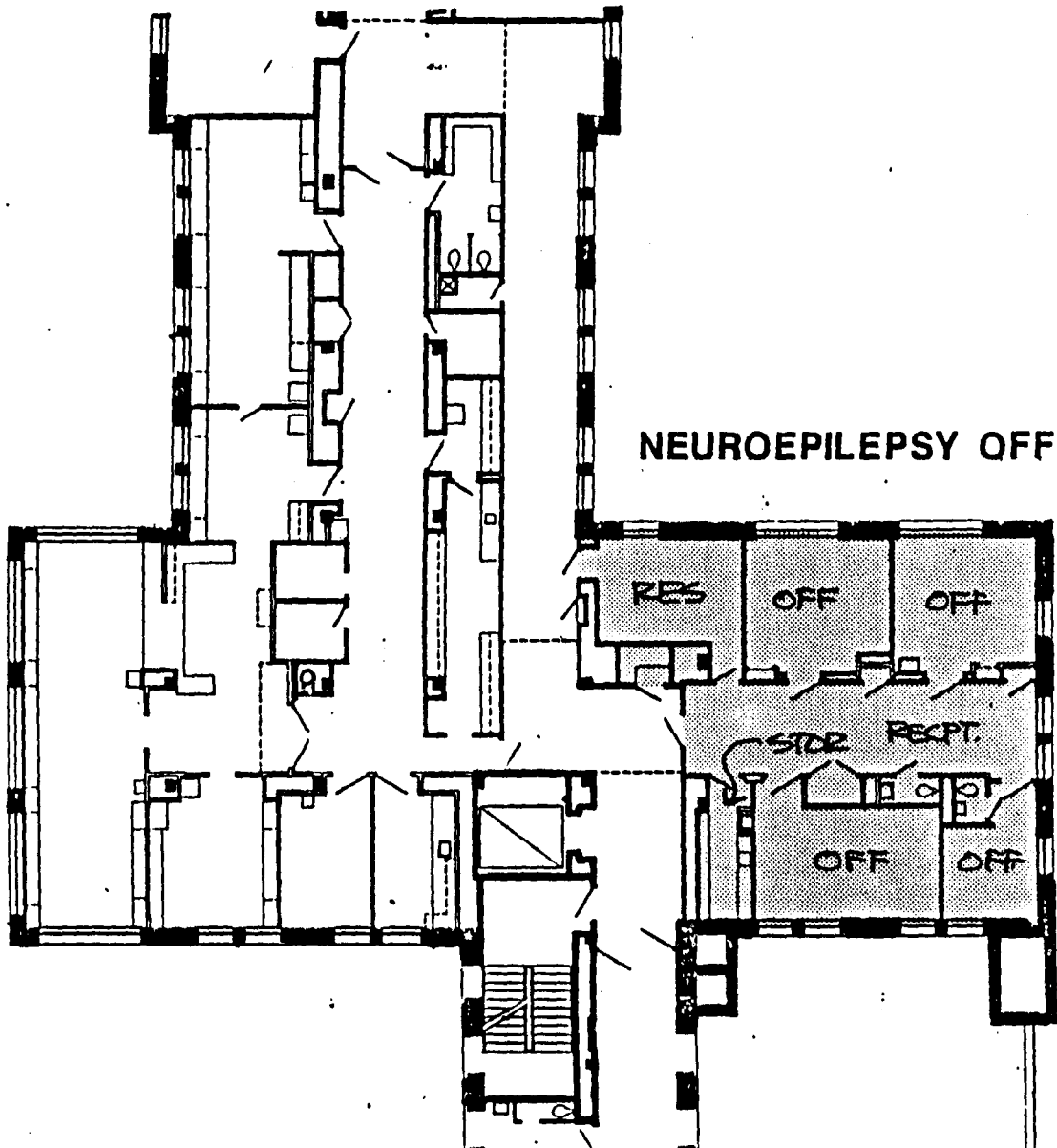


MAYO HOSPITAL

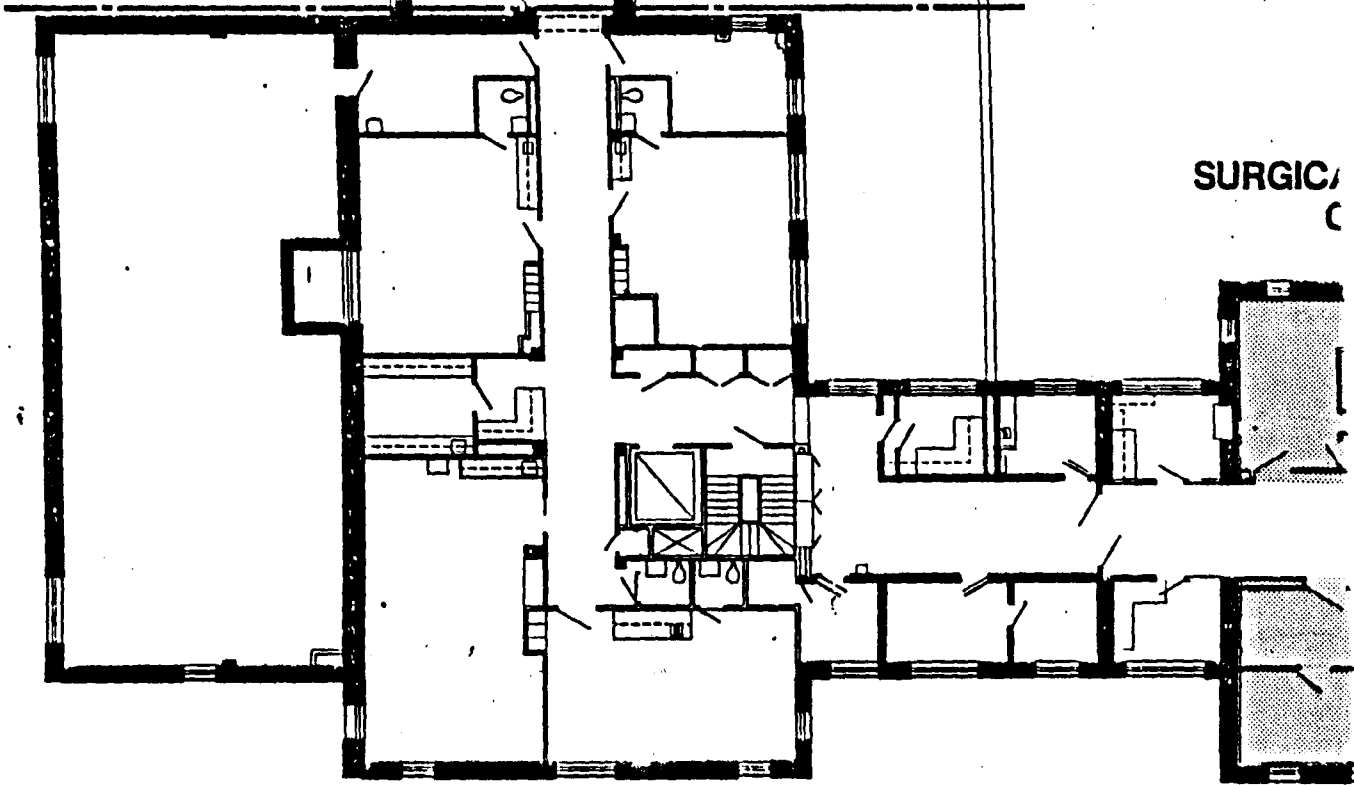


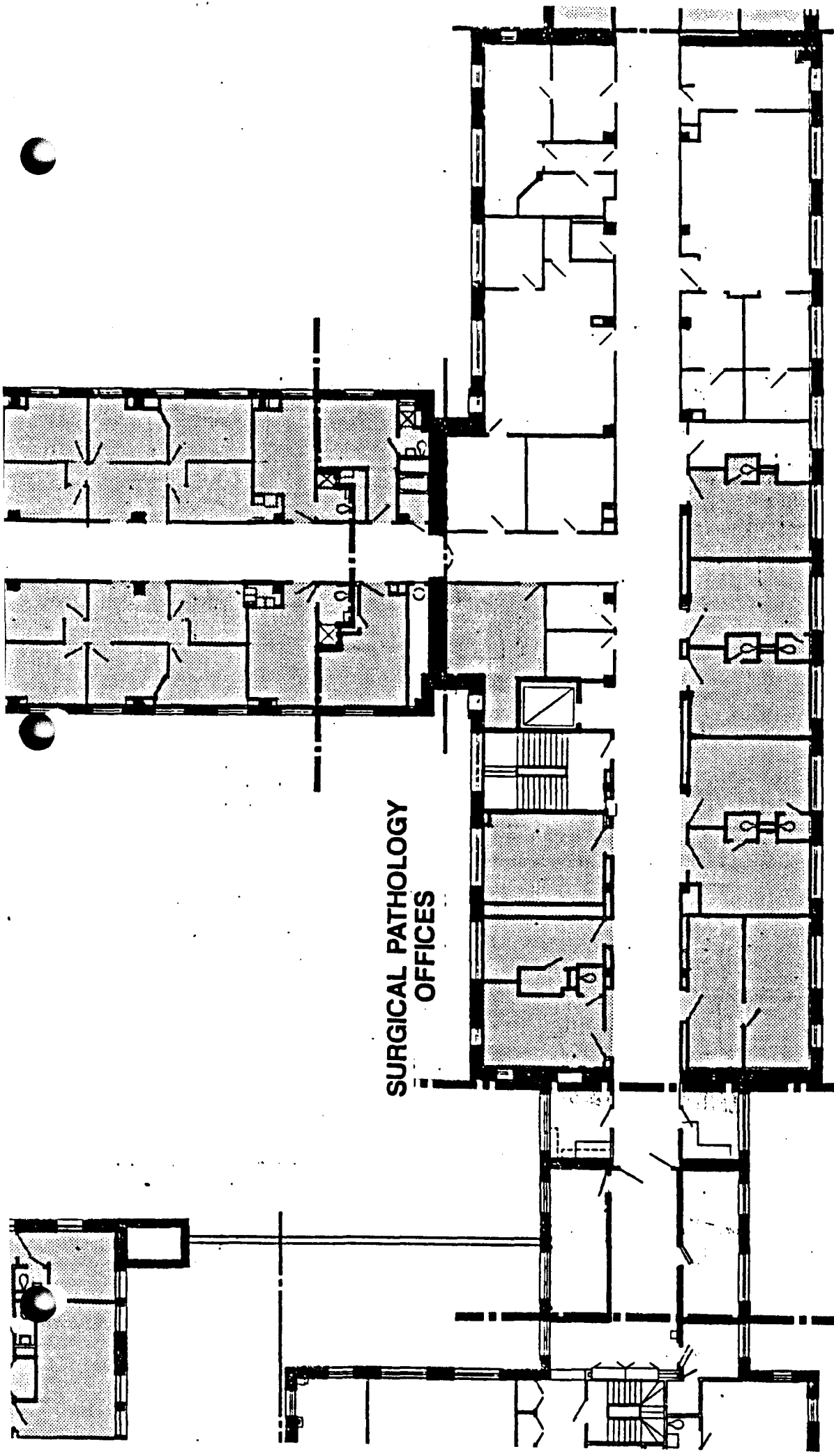
4th FLOOR PLAN

SCALE 1/16" = 1'-0" 9-26-88



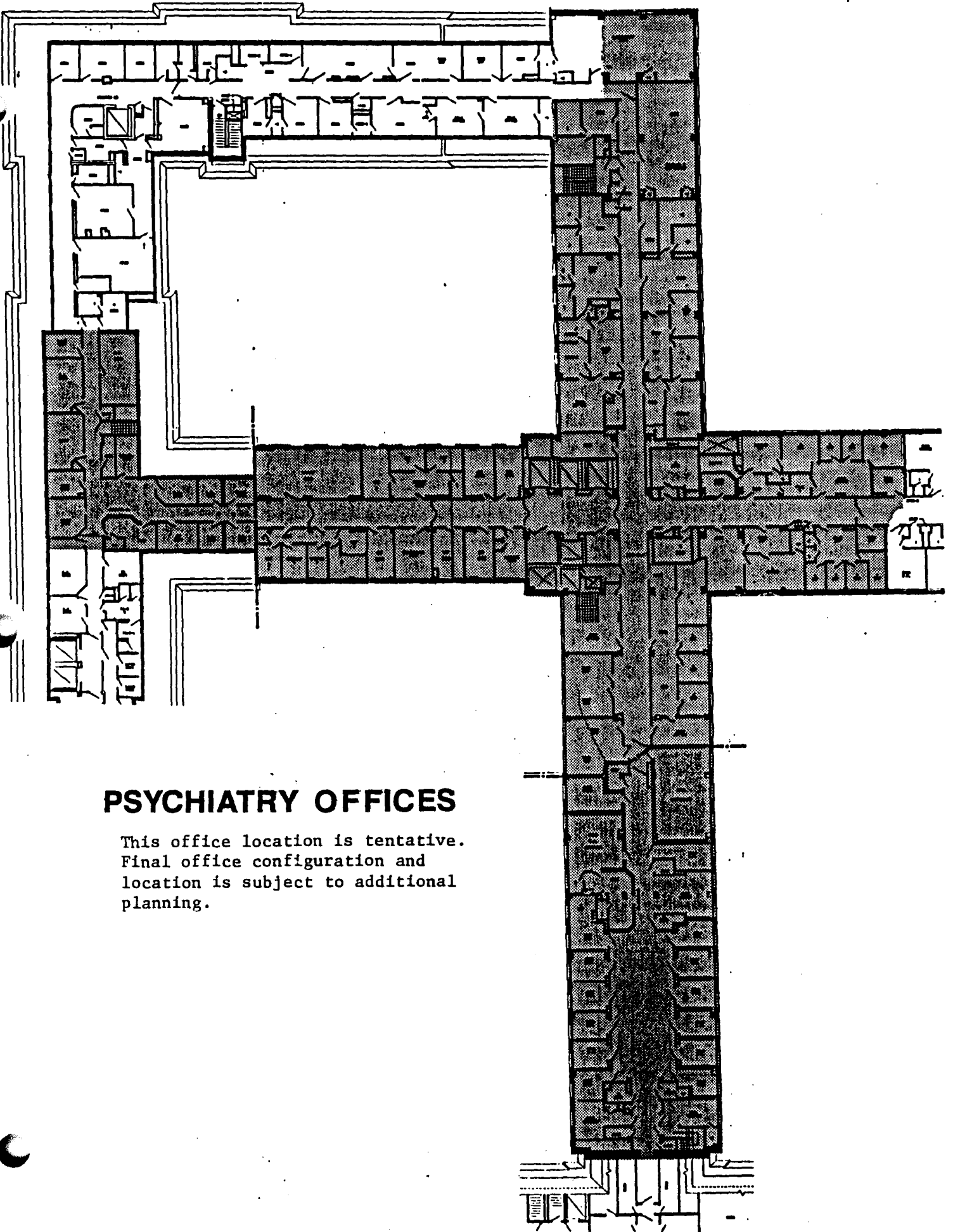
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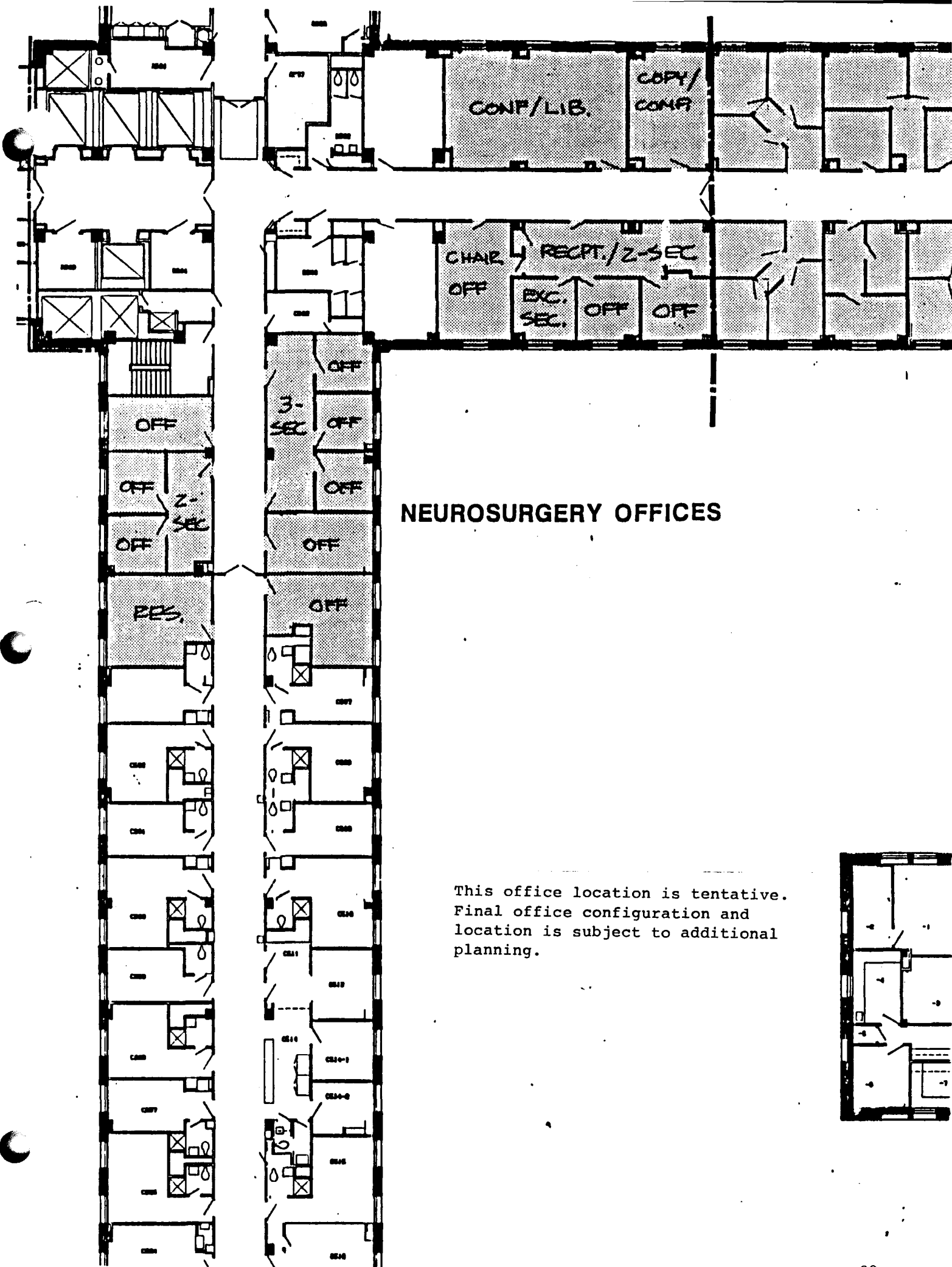
**SURGICAL PATHOLOGY
OFFICES**

SURGICAL PATHOLOGY EXPANSION



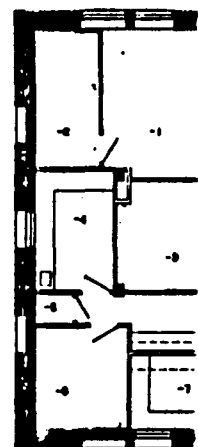
PSYCHIATRY OFFICES

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



NEUROSURGERY OFFICES

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							
			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
URDLOGY	3,800	4,228	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	2,428	-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
SRJG PATH EXPANSION	311	311	-	-	-	-	311	***55,000	311	55,000
TOTALS	35,738	38,628	19,617	-0-	9,202	402,587	9,809	976,638	19,811	***1,379,225

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

1,379,225x1.5=1,586,000

***CONSTRUCTION COSTS ONLY

****INCLUDES \$40,000 FOR MECHANICAL SERVICE FOR RELOCATED LAB

37,000	Approximate available NSF Mayo Level 6
- 5,000	Available for future mechanical space
<u>32,000</u>	Space originally assumed to be available for redistribution to other Health Sciences users

Proposed Future Occupancy of Mayo Level 6

16,400	Psychiatry offices
5,800	Psychiatry Day Hospital program
4,500	Psychiatry Clinic
<u>26,700</u>	Proposed future NSF programmed on Mayo Level 6

Proposed New Commitment Regarding Redistribution of Hospital Space

32,000	Original commitment on Level 6
<u>26,700</u>	Proposed future programs on Level 6
5,300	Remains available for redistribution on floor 6
32,000	Original construction on Level 6
<u>5,300</u>	Available NSF on Level 6 for redistribution
<u>26,700</u>	Remaining commitment of Hospital space
x.6	Inefficiency factor for poor configuration/elevation of floor 6
<u>16,020</u>	Proposed new commitment assuming good quality space

=====

Hospital Space Available for Hospital/Non-Hospital Functions Post UHRP Phase II Planning

24,000	UHRP phase II unassigned space
-2,000	Boynton Bridge, Library, files
<u>-1,200</u>	Hospital relocation of Mayo 8
<u>20,800</u>	Remains available
- 2	Assume Hospital and non-Hospital functions have equal justification for space
<u>10,400</u>	Committed to non-Hospital functions

=====

Proposed Commitment of Hospital Space to Medical School

16,020	Remaining commitment from floor 6
<u>10,400</u>	Remaining commitment from UHRP phase II planning
<u>26,420</u>	Proposed new commitment (excluding 7800 NSF on Mayo 6)

Assumed Redistribution of Space

26,420	Proposed new commitment
<u>-10,916</u>	Faculty office requirements expansion since 1985
<u>15,504</u>	Remaining commitment (excluding 5,300 NSF on floor 6)



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

SUBJECT: Bad Debts - Fourth Quarter
Fiscal Year 1988-89

DATE: July 17, 1989

TO: UMHC Board of Governors

FROM: Clifford P. Fearing
Senior Associate Director, UMHC

The total amount recommended for bad debt for Hospital and Clinic accounts receivable during the fourth quarter of 1988-89 is \$708,213.74 represented by 2197 accounts. Bad debt recoveries during the period amounted to \$18,441.25 leaving a net charge-off of \$689,772.49.

The net bad debts of \$689,772.49 for the quarter were 0.90% of gross charges. This compares to a budgeted level of bad debts of 1.05% (\$772,775.00)

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

Total fiscal year bad debts have amounted to \$2,713,424.70 represented by 6629 accounts. Recoveries during the fiscal year amounted to \$67,035.85 (167 accounts), leaving a net charge-off of \$2,646,388.85.

The net bad debts of \$2,646,388.85 for the fiscal year were 0.85% of gross charges. This compares to a budgeted level of bad debts of 1.05% (\$2,968,000.00).

Along with the quarter attachments, we have also included a fiscal year statistical summary and a breakdown of bad debts by residence and admitting clinical services.

CPF:s|w

Attachments

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

APRIL 1989 THROUGH JUNE 1989

	Less Than \$2000	# of Accounts	More Than \$2000	# of Accounts	TOTAL AMOUNT	TOTAL # of ACCOUNTS
INPATIENT						
Bad Debt (701) Write-Offs	45,169.42	116	183,496.82	27	228,666.24	143
Bad Debt (702) Charity Care	<u>20,365.37</u>	46	<u>169,720.97</u>	10	<u>190,086.34</u>	56
Total	65,534.79	162	353,217.79	37	418,752.58	199
Recoveries	<u>(2,049.64)</u>	8	<u>(11,734.00)</u>	1	<u>(13,783.64)</u>	9
Net Total	<u>\$ 63,485.15</u>	162*	<u>\$ 341,483.79</u>	37*	<u>\$ 404,968.94</u>	199*
 OUTPATIENT						
Bad Debt (701) Write-Offs	162,575.63	1771	51,556.04	12	214,131.67	1783
Bad Debt (702) Charity Care	<u>42,819.45</u>	209	<u>32,510.04</u>	6	<u>75,329.49</u>	215
Total	205,395.08	1980	84,066.08	18	289,461.16	1998
Recoveries	<u>(2,421.61)</u>	22	<u>(2,236.00)</u>	1	<u>(4,657.61)</u>	23
Net Total	<u>\$ 202,973.47</u>	1980*	<u>\$ 81,830.08</u>	18*	<u>\$ 284,803.55</u>	1998*
 INPATIENT AND OUTPATIENT TOTAL						
	<u>\$ 266,458.62</u>	2142*	<u>\$ 423,313.87</u>	55*	<u>\$ 689,772.50</u>	2197*
 TOTAL BAD DEBTS						
Bad Debt (701) Write-offs	\$ 207,745.05	1887	\$ 235,052.86	39	\$ 442,797.91	1926
Bad Debt (702) Charity Care	<u>63,184.82</u>	255	<u>202,231.01</u>	16	<u>265,415.83</u>	271
Total	270,929.87	2142	437,283.87	55	708,213.74	2197
Recoveries	<u>(4,471.25)</u>	30	<u>(13,970.00)</u>	2	<u>(18,441.25)</u>	32
TOTAL NET BAD DEBT	<u>\$ 266,458.62</u>	2142*	<u>\$ 423,313.87</u>	55*	<u>\$ 689,772.49</u>	2197*

NOTE: More than \$2,000 amount includes legal settlements totaling \$18,861.01

DOLLARS BUDGETED

\$ 772,774.00

*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

APRIL 1989 THROUGH JUNE 1989

	LESS THAN \$100	# OF ACCOUNTS	\$100 - \$999	# OF ACCOUNTS	\$1000 - \$1999	# OF ACCOUNTS	\$2000 - \$9,999	# OF ACCOUNTS	\$10,000 +	# OF ACCOUNTS	TOTAL AMOUNT	TOTAL # OF ACCOUNTS
INPATIENT												
Bad Debt (701) Write-Offs	\$1,389.73	37	\$29,889.17	69	\$13,890.52	10	\$87,827.80	22	\$95,669.02	5	\$228,666.24	143
Bad Debt (702) Charity Care	\$328.93	6	\$15,384.93	37	\$4,651.51	3	\$31,821.45	7	\$137,899.52	3	\$190,086.34	56
Total	\$1,718.66	43	\$45,274.10	106	\$18,542.03	13	\$119,649.25	29	\$233,568.54	8	\$418,752.58	199
Recoveries	(\$91.20)	6	(\$958.44)	1	(\$1,000.00)	1	(\$11,734.00)	1	\$0.00	0	(\$13,783.64)	9
Net Total	\$1,627.46	43 *	\$44,315.66	106 *	\$17,542.03	13 *	\$107,915.25	29 *	\$233,568.54	8 *	\$404,968.94	199
OUTPATIENT												
Bad Debt (701) Write-Offs	\$44,546.32	1362	\$102,731.34	397	\$15,297.97	12	\$51,556.04	12	\$0.00	0	\$214,131.67	1783
Bad Debt (702) Charity Care	\$4,626.09	123	\$26,839.04	78	\$11,354.32	8	\$16,447.85	5	\$16,062.19	1	\$75,329.49	215
Total	\$49,172.41	1485	\$129,570.38	475	\$26,652.29	20	\$68,003.89	17	\$16,062.19	1	\$289,461.16	1998
Recoveries	(\$401.41)	19	(\$522.00)	2	(\$1,498.20)	1	(\$2,236.00)	1	\$0.00	0	(\$4,657.61)	23
Net Total	\$48,771.00	1485 *	\$129,048.38	475 *	\$25,154.09	20 *	\$65,767.89	17 *	\$16,062.19	1 *	\$284,803.55	1998
TOTAL IP AND OP BAD DEBT												
Bad Debt (701) Write-offs	\$45,936.05	1399	\$132,620.51	466	\$29,188.49	22	\$139,383.84	34	\$95,669.02	5	\$442,797.91	1926
Bad Debt (702) Charity Care	\$4,955.02	129	\$42,223.97	115	\$16,005.83	11	\$48,269.30	12	\$153,961.71	4	\$265,415.83	271
Total	\$50,891.07	1528	\$174,844.48	581	\$45,194.32	33	\$187,653.14	46	\$249,630.73	9	\$708,213.74	2197
Recoveries	(\$492.61)	25	(\$1,480.44)	3	(\$2,498.20)	2	(\$13,970.00)	2	\$0.00	0	(\$18,441.25)	32
TOTAL NET BAD DEBT	\$50,398.46	1528 *	\$173,364.04	581 *	\$42,696.12	33 *	\$173,683.14	46 *	\$249,630.73	9 *	\$689,772.49	2197
DOLLARS BUDGETED											\$772,774.00	

* Net total of accounts do no include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1988 THROUGH JUNE 1989

	Less Than \$2000	# of Accounts	More Than \$2000	# of Accounts	TOTAL AMOUNT	TOTAL # of ACCOUNTS
INPATIENT						
Bad Debt (701) Write-Offs	\$ 187,611.63	429	\$ 796,035.74	109	\$ 983,647.37	538
Bad Debt (702) Charity Care	<u>78,702.95</u>	167	<u>551,536.11</u>	49	<u>630,239.06</u>	216
Total	266,314.58	596	1,347,571.85	158	1,613,886.43	754
Recoveries	<u>(4,029.81)</u>	27	<u>(43,376.33)</u>	5	<u>(47,406.14)</u>	32
Net Total	<u>\$ 262,284.77</u>	596*	<u>\$1,304,195.52</u>	158*	<u>\$1,566,480.29</u>	754*
OUTPATIENT						
Bad Debt (701) Write-Offs	\$ 599,934.71	4991	266,153.57	32	\$ 866,088.28	5023
Bad Debt (702) Charity Care	<u>162,564.25</u>	835	<u>70,885.74</u>	17	<u>233,449.99</u>	852
Total	762,498.96	5826	337,039.31	49	1,099,538.27	5875
Recoveries	<u>(17,393.71)</u>	134	<u>(2,236.00)</u>	1	<u>(19,629.71)</u>	135
Net Total	<u>\$ 745,105.25</u>	5826*	<u>\$ 334,803.31</u>	49*	<u>\$1,079,908.56</u>	5875*
INPATIENT AND OUTPATIENT TOTAL	<u>\$1,007,390.02</u>	6422*	<u>\$1,638,998.83</u>	207*	<u>\$2,646,388.85</u>	6629*
TOTAL BAD DEBTS						
Bad Debt (701) Write-offs	\$ 787,546.34	5420	\$1,062,189.31	141	\$1,849,735.65	5561
Bad Debt (702) Charity Care	<u>241,267.20</u>	1002	<u>622,421.85</u>	66	<u>863,689.05</u>	1068
Total	1,028,813.54	6422	1,684,611.16	207	2,713,424.70	6629
Recoveries	<u>(21,423.52)</u>	161	<u>(45,612.33)</u>	6	<u>(67,035.85)</u>	167
TOTAL NET BAD DEBT	<u>\$1,007,390.02</u>	6422*	<u>\$1,638,998.83</u>	207*	<u>\$2,646,388.85</u>	6629*

NOTE: More than \$2,000 amount includes legal settlements totaling \$76,757.97

DOLLARS BUDGETED

\$2,967,555.00

*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1988 THROUGH JUNE 1989

	LESS THAN \$100	# OF ACCOUNTS	\$100 - \$999	# OF ACCOUNTS	\$1000 - \$1999	# OF ACCOUNTS	\$2000 - \$9,999	# OF ACCOUNTS	\$10,000 +	# OF ACCOUNTS	TOTAL AMOUNT	TOTAL # OF ACCOUNTS
INPATIENT												
Bad Debt (701) Write-Offs	\$5,383.90	139	\$99,893.87	235	\$82,333.86	55	\$348,603.09	88	\$447,432.65	21	\$983,647.37	538
Bad Debt (702) Charity Care	\$1,508.85	32	\$49,458.08	117	\$27,736.02	18	\$171,386.11	38	\$380,150.00	11	\$630,239.06	216
Total	\$6,892.75	171	\$149,351.95	352	\$110,069.88	73	\$519,989.20	126	\$827,582.65	32	\$1,613,886.43	754
Recoveries	(\$355.03)	21	(\$2,674.78)	5	(\$1,000.00)	1	(\$43,376.33)	5	\$0.00	0	(\$47,406.14)	32
Net Total	\$6,537.72	171 *	\$146,677.17	352 *	\$109,069.88	73 *	\$476,612.87	126 *	\$827,582.65	32 *	\$1,566,480.29	754
OUTPATIENT												
Bad Debt (701) Write-Offs	\$122,841.43	3346	\$407,110.32	1592	\$69,982.96	53	\$129,620.93	30	\$136,532.64	2	\$866,088.28	5023
Bad Debt (702) Charity Care	\$18,116.69	438	\$118,479.36	378	\$25,968.20	19	\$54,823.55	16	\$16,062.19	1	\$233,449.99	852
Total	\$140,958.12	3784	\$525,589.68	1970	\$95,951.16	72	\$184,444.48	46	\$152,594.83	3	\$1,099,538.27	5875
Recoveries	(\$2,629.68)	100	(\$7,378.35)	30	(\$7,385.68)	4	(\$2,236.00)	1	\$0.00	0	(\$19,629.71)	135
Net Total	\$138,328.44	3784 *	\$518,211.33	1970 *	\$88,565.48	72 *	\$182,208.48	46 *	\$152,594.83	3 *	\$1,079,908.56	5875
TOTAL IP AND OP BAD DEBT												
Bad Debt (701) Write-offs	\$128,225.33	3485	\$507,004.19	1827	\$152,316.82	108	\$478,224.02	118	\$583,965.29	23	\$1,849,735.65	5561
Bad Debt (702) Charity Care	\$19,625.54	470	\$167,937.44	495	\$53,704.22	37	\$226,209.66	54	\$396,212.19	12	\$863,689.05	1068
Total	\$147,850.87	3955	\$674,941.63	2322	\$206,021.04	145	\$704,433.68	172	\$980,177.48	35	\$2,713,424.70	6629
Recoveries	(\$2,984.71)	121	(\$10,053.13)	35	(\$8,385.68)	5	(\$45,612.33)	6	\$0.00	0	(\$67,035.85)	167
TOTAL NET BAD DEBT	\$144,866.16	3955 *	\$664,888.50	2322 *	\$197,635.36	145 *	\$658,821.35	172 *	\$980,177.48	35 *	\$2,646,388.85	6629
DOLLARS BUDGETED											\$2,967,555.00	

* Net total of accounts do not include recoveries.

**FOURTH QUARTER FISCAL YEAR - 1989
and YEAR-TO-DATE BAD DEBITS**

BY SERVICE

ADMITTING SERVICE	FOURTH QUARTER NUMBER	FOURTH QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Anesthesiology				
Clinical Research	1	668.36	6	2,209.20
Dentistry	1	50.00	2	3,294.79
Dermatology			2	1,760.57
Family Practice	1	81.94	1	81.94
OB			2	1,265.58
NB			4	1,507.95
GYN	4	5,810.34	15	15,453.88
GYN-Oncology	11	12,485.93	29	18,614.58
Lab Medicine & Pathology				
Medicine-Blue	11	7,476.83	28	33,475.26
Green	1	1,400.75	16	13,767.47
Masonic (Onc)	14	5,282.04	41	33,209.26
Purple	1	5.20	7	115,340.77
Red A	9	42,827.00	19	48,987.24
Red B	1	359.18	5	1,894.84
Rose A	3	3,753.37	11	59,982.04
Rose B	1	236.43	1	236.43
White A	10	19,306.75	34	38,609.92
White B	4	1,025.08	17	6,982.77
Yellow A	2	716.60	6	33,367.02
Yellow B	2	838.96	7	2,733.11
Neurology	1	203.84	17	12,139.17
Neuro-epilepsy				
Neurosurgery	13	36,106.22	43	97,341.34
New Born-General	2	1,466.15	10	4,614.08
Obstetrics-General	5	7,386.14	29	41,862.89
-Midwife				
Ophthalmology	3	330.57	16	24,229.59
Orthopaedic Surgery	4	5,998.82	32	52,450.48
Otolaryngology	3	2,151.21	12	9,560.16
Pediatrics-General	22	30,389.79	69	107,450.71
Dermatology	1	275.05	1	275.05
Neurology	3	658.00	7	1,958.65
Neurosurgery	2	1,104.38	4	4,792.73
Ophthalmology	2	708.98	4	4,512.47
Orthopaedics			1	130.10
Otolaryngology			1	25.00
Surgery Green	1	2,318.79	6	8,058.80
Surgery Orange	1	925.14	1	925.14
Surg. Transplant	1	520.21	1	520.21
Urology			1	394.82
Physical Med. & Rehab.	2	5,108.43	5	7,235.55
Psychiatry-Child			4	2,985.04
-Adult	17	18,185.90	54	117,313.78
Radiology				

continued on next page

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

BY SERVICE/Page Two

ADMITTING SERVICE	FOURTH QUARTER NUMBER	FOURTH QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Surgery-Blue	11	136,462.11	43	214,273.99
Orange	3	1,309.15	14	151,733.39
Purple	7	11,091.89	20	29,874.79
Red	12	2,289.18	30	36,596.36
White	4	1,137.13	30	51,149.27
Therapeutic Radiology				
Urology	11	48,926.74	37	106,665.74
Unknown	6	11,379.34	38	122,676.49
Outpatient	2025	259,068.87	5926	888,031.44
 Total	 2239	 687,826.79	 6709	 2,532,551.85
 Medicare Bad Debt*	 -51	 -13,312.65	 -113	 -40,750.97
Legal Settlements	3	18,861.01	12	76,757.97
Bad Debt Agcy Und \$50	3	169.30	11	888.12
Bad Debt - Med NC Chgs	3	14,669.29	10	143,977.73
 GRAND TOTAL	 2197	 708,213.74	 6629	 2,713,424.70
 RECOVERIES	 32	 -18,441.25	 167	 -67,035.85
 NET TOTAL	 2197	 689,772.49	 6629	 2,646,388.85

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

**FOURTH QUARTER FISCAL YEAR - 1989
and YEAR-TO-DATE BAD DEBITS**

BY STATE

STATE	FOURTH QUARTER NUMBER	FOURTH QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Alabama			1	19.00
Alaska			9	2,476.10
Arizona	6	317.27	9	1,667.06
Arkansas			10	27,387.77
California	3	1,033.75	31	4,687.28
Colorado	2	192.06	5	665.12
Connecticut			2	875.00
Delaware				
Dist. of Colombia	1	20.00	2	726.80
Florida	4	997.70	17	9,289.28
Georgia	3	225.50	10	596.18
Hawaii	1	23.61	1	23.61
Idaho	1	37.35	3	168.06
Illinois	13	2,029.09	49	31,184.53
Indiana	18	4,298.10	23	5,232.63
Iowa	16	1,744.81	40	20,691.28
Kansas	3	152.28	4	180.90
Kentucky	1	79.30	2	1,329.30
Louisiana			5	1,777.83
Maine				
Maryland			1	122.80
Massachusetts	8	1,881.74	12	2,564.69
Michigan	20	3,739.83	48	100,341.61
Minnesota	1984	483,052.78	5785	1,761,454.92
Mississippi			2	139.78
Missouri	1	428.00	7	3,211.49
Montana	3	1,137.68	20	28,325.38
Nebraska	2	378.84	7	633.29
Nevada			9	2,498.88
New Hampshire			1	20.00
New Jersey	8	4,035.31	10	6,630.70
New Mexico			1	131.00
New York	3	184.40	27	17,513.00
North Carolina	3	1,280.10	10	14,731.47
North Dakota	27	6,728.24	98	21,460.73
Ohio	3	620.61	16	3,350.78
Oklahoma			16	10,257.09
Oregon			5	27,301.55
Pennsylvania	2	631.00	15	50,087.05
Puerto Rico				

continued on next page

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

BY STATE/Page Two

STATE	FOURTH QUARTER NUMBER	FOURTH QUARTER AMOUNT	TOTAL FSY 89 NUMBER	TOTAL FSY 89 AMOUNT
Rhode Island	1	247.70	1	247.70
South Carolina	1	8.60	2	26.73
South Dakota	34	12,016.79	127	82,461.88
Tennessee			1	28.20
Texas	5	20,650.82	22	26,562.40
Utah				
Vermont	1	115.80	1	115.80
Virginia	2	98.40	4	8,538.70
Washington	3	247.91	6	5,476.36
West Virginia			1	52.50
Wisconsin	49	37,723.58	203	103,064.52
Wyoming				
Out-of-Country	7	101,467.84	28	146,223.12
TOTAL	2239	687,826.79	6709	2,532,551.85
Medicare Bad Debt*	-51	-13,312.65	-113	-40,750.97
Legal Settlements	3	18,861.01	12	76,757.97
Bad Debt Agcy Und \$50	3	169.30	11	888.12
Bad Debt - Med NC Chgs	3	14,669.29	10	143,977.73
GRAND TOTAL	2197	708,213.74	6629	2,713,424.70
RECOVERIES	32	-18,441.25	167	-67,035.85
NET TOTAL	2197	689,772.49	6629	2,646,388.85

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



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

July 26, 1989

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

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

INPATIENT CENSUS: For the month of June, inpatient admissions totaled 1,594, which was 64 below budgeted admissions of 1,658. Our overall average length of stay for the month was 7.7 days. Patient days for June totaled 12,295 and were 136 days over budget. The decrease in admission levels from budget was primarily in the areas of Surgery, Medicine, Ophthalmology, and Urology.

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	19,246	18,700	18,856	156	0.8
Patient Days	154,537	143,700	158,375	14,675	10.2
Avg Length of Stay	8.0	7.7	8.4	0.7	9.1
Avg Daily Census	422.2	393.7	433.9	40.2	10.2
Percent Occupancy	72.9	68.2	74.5	6.3	9.2

OUTPATIENT CENSUS: Clinic visits for the month of June totaled 24,572 which was 490, or 2.0%, over budgeted visits of 24,082. Areas in which actual visits were over budget included Diabetes Center, Dermatology, Masonic Day Hospital, Eating Disorders, Radiation Therapy, and Family Practice. The increases were offset by decreases in OB/GYN, Medicine, Ophthalmology, and Urology. Community University Health Care Center (CUHCC) visits for the month of June totaled 4,415, which was 50, or 1.1%, over budgeted visits of 4,365, while Home Health visits of 914 for the month were 125, or 15.8%, above budgeted visits of 789.

REPORT OF OPERATIONS
 JUNE 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	264,505	266,100	272,322	6,222	2.3
CUHCC Visits	48,305	50,000	48,265	(1,735)	(3.5)
HHA Visits	9,409	9,600	12,070	2,470	25.7

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues over expenses by \$453,746, an unfavorable variance of \$3,679,535.

Patient care charges through June totaled \$309,752,943, which was 10.1% over budget. Routine revenue was 13.4% over budget and reflects our year-to-date favorable patient day variance.

Ancillary revenue was \$18,631,707 above budget (8.9%) and reflected the favorable variance in both admissions and clinic visits. Inpatient ancillary revenue has averaged \$8,840 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 \$225.

Operating expenditures through June totaled \$268,521,721 and were \$9,955,598 (3.9%) over budgeted levels of \$258,566,123. 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 June 30, 1989, totaled \$85,706,462 and represented 97.4 days of revenue outstanding. The overall decrease in our patient receivables in June of 2.0 days occurred primarily in Minnesota Medical Assistance and Medicare.

CONCLUSION: The Hospital's overall operating position is positive. We have seen improvement in our operating expense position during the past month and we continue to monitor our demand for service closely and make those operating changes that are necessary and appropriate.

The June financial statements presented today are preliminary in that the University, and the Hospital, have not completed the year-end closing process. Even though these are preliminary statements, we do not anticipate any material changes to them as a result of the closing process. Financial statements reflecting the final close will be presented at the September meeting of the Board.

PRELIMINARY STATEMENT

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

FOR THE PERIOD ENDING JULY 1, 1988 TO JUNE 30, 1989

	Budgeted	Actual	Variance Over/-Under Budget	Variance %
Gross Patient Charges	\$281,419,061	\$309,752,943	\$28,333,882	10.1%
Deductions from Charges	48,671,482	72,533,428	23,861,946	49.0%
Other Operating Revenue	8,684,223	9,936,332	1,252,109	14.4%
Total Operating Revenue	\$241,431,802	\$247,155,847	\$5,724,045	2.4%
Expenditures				
Salaries	\$106,820,505	\$113,695,757	\$6,875,252	6.4%
Fringe Benefits	24,605,212	22,291,166	(2,314,046)	-9.4%
Contract Compensation	11,091,715	10,755,918	(335,797)	-3.0%
Medical Supplies, Drugs, Blood	47,713,219	53,106,278	5,393,059	11.3%
Campus Administration Expense	256,121	268,927	12,806	5.0%
Depreciation and Amortization	17,918,520	17,546,527	(371,993)	-2.1%
Interest	12,004,781	12,953,149	948,368	7.9%
General Supplies & Expense	38,156,050	37,903,999	(252,051)	-0.7%
Total Expenditures	\$258,566,123	\$268,521,721	\$9,955,598	3.9%
Net Revenue from Operations	(\$17,134,321)	(\$21,365,874)	(\$4,231,553)	24.7%
Non-Operating Revenue and Expenses				
Appropriations	14,724,568	14,870,988	\$146,420	1.0%
Accrued Interest on Appropriations	0	119,719	\$119,719	
Interest Income on Reserves	5,257,858	7,098,906	\$1,841,048	35.0%
Shared Services	190,608	175,854	(\$14,754)	-7.7%
Investment Income on Trustee Held Assets	1,094,568	1,012,997	(\$81,571)	-7.5%
Other Investments	0	160,596	\$160,596	
Total Non-Operating Revenues and Expenses	21,267,602	23,439,060	\$2,171,458	10.2%
Revenue Over/Under Expense	\$4,133,281	\$2,073,186	(\$2,060,095)	
Prior Year BC/BS Adjustment		(1,619,440)	(\$1,619,440)	
Adjusted Revenue Over/Under Expense	4,133,281	453,746	(\$3,679,535)	

PRELIMINARY STATEMENT

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

JUNE 30, 1989 AND JUNE 30, 1988

ASSETS	06/30/89	6/30/88	LIABILITIES AND FUND BALANCES	06/30/89	6/30/88
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$208,805	Accounts payable	\$9,327,008	\$8,034,42
Reserve Cash- Third Party Payable	5,680,664	8,918,146	Payable to Third Party Contr. Payors	8,265,862	8,918,14
Reserve Cash- Current Indebtedness	8,484,278	8,563,351	Salaries, Wages and Payroll Taxes	4,687,494	4,550,26
Reserve Cash-Fringe Benefits	1,598,000		Accrued Vacation	8,187,806	7,359,63
A/R Patient Receivables	85,706,462	81,094,942	Accrued Professional Fees and Physician Compensation	1,827,935	1,335,46
Other Receivables	2,452,553	1,946,003	Contracts Payable	135,307	434,99
Third Party Receivable	4,863,123	0	Construction Retainages	0	171,43
Appropriation Receivable	1,235,467	0	Interest Payable	5,084,931	4,927,54
	94,257,605	83,040,945	Current Portion of Long-Term Debt	2,724,523	3,826,67
Less Allowances for Losses in Collection	(5,933,101)	(5,609,000)	Promissory Notes Payable	2,500,000	2,500,00
Less Allowances for Discounts to Third Party Payors	(18,482,268)	(15,764,889)			
	69,842,236	61,667,056			
Trustee Held Assets	0	171,434			
Inventories of Drugs & Supplies	4,928,266	4,749,699			
Prepaid Expenses	257,272	977,120			
TOTAL CURRENT ASSETS	\$90,862,998	\$85,255,611	TOTAL CURRENT LIABILITIES	\$42,740,866	\$42,058,58
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets Available for Assignment					
Cash & Investments	\$61,979,683	\$66,561,487			
Accrued Interest	1,573,001	148,240			
	63,552,684	66,709,727			
Cash & Invest for Debt Service	13,000,000				
Cash & Invest for Working Capital	16,000,000		LONG-TERM DEBT, LESS CURRENT PORTION	\$169,579,548	\$174,669,48
TOTAL	\$92,552,684	\$66,709,727			
Land, Buildings & Improvements	\$184,168,980	\$183,083,996			
Equipment	83,089,362	77,311,403			
	267,258,342	260,395,399			
Less Accumulated Depreciation	(100,371,670)	(83,775,058)			
	166,886,672	176,620,341			
Construction in Progress	8,510,206	5,249,789			
TOTAL PROPERTY, PLANT, & EQUIPMENT	175,396,878	\$181,870,130			
Assigned Cash & Investments for Construction/Equipment	6,506,734	10,098,464			
TOTAL	\$181,903,612	191,968,594			
INVESTMENTS HELD BY BOND TRUSTEE	\$18,866,028	\$42,262,027			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,905,898	\$8,520,626	UNRESTRICTED FUND BALANCE	\$181,644,451	\$179,934,75
Deferred Debt Expense	1,175,980	\$1,360,345			
Deposits and Other	697,664	\$585,894	TOTAL LIABILITIES & FUND BALANCE	\$393,964,864	\$396,662,82
TOTAL	\$9,779,542	\$10,466,865			
TOTAL ASSETS	\$393,964,864	\$396,662,824	RESTRICTED FUND BALANCES		
		(0)	Endowment Funds	\$2,109,876	\$1,977,42
RESTRICTED ASSETS			Gift Funds	3,704,653	3,977,76
Cash and Investments	\$5,814,529	\$5,955,184		\$5,814,529	\$5,955,18

PRELIMINARY STATEMENTS

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

For the Period July 1, 1988 through June 30, 1989

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
<u>UNRESTRICTED FUNDS</u>						
Beginning Balance	\$37,393,924	\$8,563,351	\$66,709,727	\$24,834,294	\$42,433,461	\$179,934,757
<u>Net Income</u>						
Excess of Revenue over Expense	7,761,984					
Interest Income on Reserves			7,098,906			
Accrued Interest on Appropriations			119,719			
Depreciation Expense				(17,546,527)		
Gain on Disposal of Assets				(64,448)		
Interest Income on Trustee Held Fund					1,012,997	
Amortization of Deferred Bond Expense				(319,059)		
Interest income on Bond Proceeds			500,500		1,889,674	
Total Income						453,746
<u>Less Expense</u>						
University Support: G & A	268,927					268,927
<u>Transfers Between Funds</u>						
Major Building Projects- Hosp. Capital Expenditures	(6,395,538)		(3,141,098)	3,141,098		0
Adjustment to Shared Buildings				15,452		15,452
Major Equipment Requisition	(1,011,783)			1,011,783		0
Bond Interest Payment	12,069,612	(10,811,156)			(1,258,456)	0
Bond Interest Expense Funding	(9,850,366)	10,982,085	(500,500)		(631,219)	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	(2,564,998)	2,564,998				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				16,766		16,766
Restrict Fd transfer to Plant				647,500		647,500
Funding Transfers for CUHCC				307,303		307,303
Ending Balance	\$42,986,762	\$8,484,278	\$92,552,684	\$18,754,700	\$18,866,027	\$181,644,451

	GIFT	ENDOWMENT	TOTAL
<u>RESTRICTED FUNDS</u>			
Beginning Balance	3,977,762	1,977,422	5,955,184
Income	1,238,543	134,841	1,373,384
Disbursement	(111,652)	(2,387)	(114,039)
Transfer to other funds	(1,400,000)		(1,400,000)
Ending Balance	\$3,704,653	\$2,109,876	\$5,814,529



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, August 23, 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 7/26/89 (Approval) pp. 1-3 | Mr. Jerry Meilahn |
| II. | July 31, 1989 Financial Statements (Information) pp. 4 | Mr. Cliff Fearing |
| III. | Hospital Admissions Policies (Information) | Mr. Cliff Fearing |
| IV. | Hospital Investment Policy (Endorsement) | Mr. Cliff Fearing |
| V. | Major Capital Expenditure (Information) pp. 5-6 | Mr. Greg Hart |
| VI. | Major Capital Expenditure (Information) pp. 7-8 | Mr. Geoff Kaufmann |
| VII. | Other | |

***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
July 26, 1989

MINUTES

ATTENDANCE:

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

Not Present: Edward Ciriacy, M.D.
Erwin L. Goldfine
Vic Vikmanis

Staff: Greg Hart
Teri Holberg
Nancy Janda
Nels Larson
Roger Paschke

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on July 26, 1989 at 12:10 P.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the June 28, 1989 meeting as written.

JULY 1, 1988 THROUGH JUNE 30, 1989 PRELIMINARY FINANCIALS:

Mr. Clifford P. Fearing reported to the Committee the June financial statements were preliminary because the University, and the Hospital, had not completed the year end closing. Mr. Fearing stated that when the final financial statement for 1988-89 is given to the Board in September, the numbers should not be substantially different than what was presented at the July Board meeting.

Mr. Fearing reported inpatient admissions for June totaled 1,594, which was approximately 4% below budget. For the month of June the overall average length of stay was 7.7 days and patient days were 136 days over budget. Year to date for admissions of 18,856 were .8% over budget, patient days of 158,375 were 10.2% over budget, an average length of stay of 8.4 days was

9.1% over budget. Mr. Fearing reported the first 25 days of July had an average daily census of 419 with admissions being 4% below budget. This is consistent with the last four months. Outpatient visits for June totaled 24,572 which was 2% over budget. Year to date clinic visits were reported to be 2.3% over budget, or a total of 272,322.

Mr. Fearing reported the Hospital's Statement of Operations showed a profit of \$453,746, which included two offsetting prior year adjustments and a fringe benefit adjustment reducing hospital costs by \$1,600,000. Without the adjustment the Hospital would have a \$2,073,186 net revenue over expense for the year. Mr. Fearing stated there were two significant events that had occurred during June to bring the net revenue to a positive number, where in the past few months it has been at a loss. The first event was that HCFA informed UMHC and other hospitals they had won two reimbursement appeals, one on malpractice insurance and the other on base rates that were granted under the DRG payment systems. As a result of this the Hospital recaptured approximately \$1,600,000 of prior year profit. The other issue was that the University credited the Hospital with approximately \$1,600,000 in reduced fringe benefit costs for the year. Mr. Fearing stated the University will take back the money as of July 1, 1989, and at the same time the Hospital will create a prepaid fringe benefit asset which will be shown in the financial statement throughout the year. Without these two factors Mr. Fearing stated the Hospital had an operating loss of in excess of \$1,000,000 for the month of June.

Lastly, Mr. Fearing reported the balance of accounts receivable as of June 30, 1989 totaled \$85,706,462 and represented 97.4 days of revenue outstanding. The June decline in accounts receivable of 2 days occurred primarily in Minnesota Medical Assistance and Medicare.

CLINICAL DEPARTMENT SPACE PROPOSAL

Mr. Robert Dickler submitted to the Finance Committee the Clinical Department Space Proposal for endorsement.

The Finance Committee seconded and passed the motion to approve the Clinical Department Space Proposal.

HOSPITAL INVESTMENT POLICY

Mr. Roger Paschke, from the University's Office of Asset Management, suggested to the Committee that the Hospital invest part of its reserves, i.e., \$22,400,000, into a long term reserve pool. Mr. Paschke stated the Hospital would need to invest the money in the pool for 3-5 years and that the yield is anticipated to be approximately 9-10% on the investment. Mr. Paschke indicated there would be some risk in this type of investment. For example if there was a call by the Hospital on the funds in a year or two after committing to the pool the funds may need to be sold off at a loss, but it is felt the risk is rather low. Because there is such a strong bond market at the present time, Mr. Paschke suggested buying into the group investment pool on a gradual basis over the next twelve months. Mr. Fearing will bring a recommendation to the Committee at the August meeting.

FOURTH QUARTER, 1988-89 BAD DEBTS:

Mr. Fearing reported the bad debts for the fourth quarter totaled \$708,213.74, representing 2,197 accounts. Recoveries amounted to \$18,441.25, leaving a net charge-off of \$689,772.49. This amount represents 0.90% of gross charges and compares to a budgeted level of bad debts of 1.05%.

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

Mr. Fearing stated a draft of an admissions policy will be presented to the Committee at the August meeting.

Mr. Dickler reported to the Committee that in the last legislative session the laws had been changed in the Medicaid coverage for transplants. He stated Minnesota Medicaid will now only cover transplant procedures approved by Medicare, which would eliminate coverage of heart/lung, lung, pancreas, adult liver, a number of categories of bone marrow, and combination transplants. Mr. Dickler indicated this would effect between 5-8% of the patients on the transplant waiting list at the Hospital. Individuals who are on the waiting list due to prior Medicaid approval will continue to be on the list for one year from the date they were given approval. Administration is pursuing the next steps with legislative leaders and Department of Human Service officials and will report back further developments to the Committee as they occur.

Blue Cross Contract Update

Mr. Fearing reported to the Committee the most recent developments of the negotiations with Blue Cross on the State of Minnesota employee health plan. With regard to the physicians' contract, Blue Cross would reduce the number of specialists in the Blue Plus Network from 2900 to approximately 1500. It was felt the reduction would draw more patients to the Hospital and its clinics.

Mr. Fearing reported that Blue Cross compared what they have paid UMHC per case with the other hospitals and found out that with a 10% discount UMHC's payments are only 3% below what the other hospitals are being paid. UMHC has therefore agreed to accept 92% of the AWARE rate on the State contract. Mr. Fearing stated there has been a verbal agreement on the generalized terms but a formal contract had not yet been developed. Administration will report the outcome of the contract to the Committee when it is finalized.

There being no further discussion, the July 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

August 17, 1989

TO: Board of Governors
Finance Committee

FROM: Clifford P. Fearing

SUBJECT: July Meeting Agenda Materials

Due to the timing of the year end closing, the July Financial Statements and the draft of the admission policies will be brought to the Committee the day of the meeting.

CPF:th



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

August 16, 1989

TO: Members of the Finance Committee
FROM: Greg Hart *GH*
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 Board of Governors meeting on August 23, 1989.

GH:th

Attachment

MAJOR CAPITAL EXPENDITURE REPORT

EQUIPMENT: Implantable Pneumatic Ventricular Assist Device

PURCHASE PRICE: \$108,500 (2 units)

DESCRIPTION: The University Hospital currently has a device for the short-term assistance of left ventricular cardiac function. The current device operates on the principle of centrifugal force. Newer technology (implantable pneumatic ventricular assist device, VAD) is now available which may represent an important step forward in treatment of patients with end stage cardiac disease.

Recently, Thermo Cardiosystems Inc. of Wilburn, Massachusetts was granted investigational device exemption for an implantable left ventricular assist device. The HEART MATE 1000 IP VAD is currently approved by the FDA for use in a number of institutions; University Hospital would be an additional approved site. The device has been used primarily to treat patients with severe left ventricular failure who are unresponsive to conventional pharmacological and/or intra-aortic balloon counter pulsation support. The device may be used as a bridge to transplant and further, the HEART MATE VAD is approved for use in acute myocardial infarction and myocarditis patients.

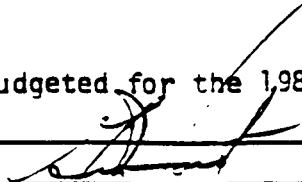
The principal distinguishing features of the HEART MATE are the fact that it is implantable and the surface coatings utilized, minimizing the probability of clotting. These features allow patients to be sustained on the device for extended periods of time.

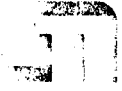
The HEART MATE has been used successfully in a number of patients at centers including the Texas Heart Institute in Houston, Texas, the Washington Hospital Center in Washington, D.C. and the London Hospital in London, England.

The Hospital is in the process of specifying and purchasing two HEART MATE 1000 implantable pneumatic ventricular assist devices. These units will allow us to maintain our state of the art cardiovascular and thoracic surgery program.

Purchase of these devices was budgeted for the 1989-90 fiscal year.

Submitted By: Greg Hart
Title: Senior Associate Director

Approved By: 
Title: _____



UNIVERSITY OF MINNESOTA
TWIN CITIES

Department of Planning and Marketing
The University of Minnesota Hospital and Clinic
C-116 Mayo Memorial Building
Box 200, 420 Delaware Street S.E.
Minneapolis, Minnesota 55455
Office (612) 626-3330
FAX (612) 626-4853

Date: August 14, 1989
To: Board of Governors, Finance Committee
From: Geoff Kaufmann
Subject: **CONTINUED DEVELOPMENT OF PHYSICIAN COMPUTER NETWORK AND CAPITAL REQUEST ASSOCIATED WITH ITS EXPANSION**

Last year, as a part of the capital budget request, the Board of Governors approved a pilot project which set up physician computer linkages with clinics in our region. This pilot was very successful in creating easy two-way communication with those medical groups.

We have had numerous requests from other medical groups to expand this network and wish to meet these requests. It is anticipated that 50 additional sites will be added this year with 40 of these being external to UMHC. We will continue to keep the Board of Governors apprised on the progress of this important project.

GLK:asf

MAJOR CAPITAL EXPENDITURE REPORT

EQUIPMENT: PC-Communications Software Licenses (70)
Network Communication Workstations (30)

PURCHASE PRICE: \$225,000

DESCRIPTION: The University Hospital currently has a computer communications network to facilitate the exchange of patient information between University and outstate referring physicians. Physicians on the Network can transmit and receive patient demographic and clinical data, and are provided with patient status reports and updates. ECG and PFT tests can also be transmitted over the Network from the primary care MD's office to UMHC for overread. Direct access is provided via computer to the Biomedical Library and the UMHC internal departments of: Admissions, Emergency Room, Intensive Care, ECG Lab, Cardiac Cath Lab, Medical Outreach, and Nutrition for dietary consults.

The Upper Midwest Healthcare Network now consists of 15 outstate practices and 18 internal UMHC sites. Preliminary results from the first 6 months of operation indicate the program has had a positive impact on inpatient admissions. Several of UMHC's major competitors are also now implementing or studying similar networks.

The Network expansion plan for 1989/90 calls for the addition of 50 or more network sites, 10 internal and 40 external. To accomplish this, the Hospital is currently in the process of purchasing 10 network systems (i.e. workstation and software) for internal expansion, and 20 systems as inventory to rotate for 90 day trials to external sites. The purchase of the additional 40 software licenses assumes that 40 of the 60 to 80 external sites that trial the network during 1989/90 will implement. External sites choosing to join the Network purchase their own computer station, while UMHC furnishes the communications software license. The 50-65% implementation rate is comparable to the experience of other hospitals with the same system.

Purchase of this equipment and software was budgeted for the 1989/90 fiscal year.

Submitted By: Helene Wald
Title: Network Coordinator

Approved By: [Signature]
Title: _____



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

August 21, 1989

TO: Board of Governors Finance Committee
FROM: Clifford P. Fearing
SUBJECT: Admissions Policies

As you know the Board of Governors has expressed a growing concern over certain types of bad debts which are incurred by The University of Minnesota Hospital and Clinic. It is the expressed position of the Board of Governors that many of these bad debts could be avoided with the implementation of more restrictive admissions policies at UMHC. To that end, the Board of Governors requested that Administration develop admissions policies that will improve UMHC's bad debt write-offs, yet maintain a charitable posture regarding patient care at UMHC.

The attached document is a first draft of such admissions policies for your review and comment. We are not asking for your approval of these policies at this time because they have not been approved by the Medical Staff Hospital Council. Upon approval by the Council these policies will be returned for your approval.

CPF:th

Attachment

From existing UMHC Policy 5.14 regarding UMHC's Hill-Burton Community Service and Emergency Service obligations HHS 42 C.F.R. Section 124(G)

BACKGROUND

The Department of Health and Human Services (HHS) requires health care facilities that accept funds under Title VI (Hill-Burton Act) to provide uncompensated services and ensure that services are offered to the public without discrimination.

As of January 1, 1981, UMHC met its uncompensated services requirement. Under Subpart G of 42CFR Part 124, UMHC continues to have a community service obligation.

POLICY

In compliance with 42CFR, Part 124, Section G, The University of Minnesota Hospital and Clinic shall make **emergency services** available to all persons residing in UMHC's service area, which is the state of Minnesota. These services shall be rendered without regard to "race, color, national origin, creed, or any other grounds unrelated to an individual's need for the service or the availability of the needed service in the facility." UMHC shall post the appropriate notices required under Subpart G and shall report on its compliance with its Title VI obligation.

PROCEDURE

1. Under Section 124.603 of Subpart G (42CFR Part 124), UMHC must make emergency services available to all persons residing within our service area, the state of Minnesota. Therefore, all such persons shall be permitted access to the hospital's Emergency Department for **emergency services**. Subpart G does not change other legal or ethical requirements related to the rendering of **emergency services**.
2. Acceptance of such patients for **emergency services** does not require UMHC to render non-emergency services once the patient is stabilized. However, UMHC must accept Minnesota residents who are covered under Medicare or Medicaid/Medical Assistance Programs for all necessary services per the rules and regulations governing these programs.
7. **Emergency Services** are defined as the reasonable diagnosis and treatment services necessary to eliminate any immediate threat to a patient's life or well-being.

Proposed Policy - Emergency Services

UMHC shall treat, on an emergency basis, any patient who presents himself/herself, in person, to UMHC in Minneapolis, MN, for emergency service. Such persons shall receive medical care, as required, until the emergency condition is eliminated. Medical care beyond that point shall be dictated by the medical condition of the patient, the patient's or the patient's guardian's expressed desires and the requirements of the patient's third party payer.

Proposed Policy - Non-Emergency Health Care Services

UMHC recognizes that in order to continue to support its tripartite mission of patient care, education, and research, proper business practices must be used to ensure the financial support of UMHC. Concurrently UMHC acknowledges that it has an obligation to assist its patients to secure coverage whenever possible. To this end UMHC will work with the patient or patient guarantor to obtain any and all financial support that may be available. To accomplish these objective all patients requiring non-emergency inpatient or ambulatory care should be scheduled within UMHC such that the Admissions Department has five (5) working days notice in which to perform a pre-admission screening. UMHC shall provide non-emergency care to patients who meet the following financial criteria.

Admissions Requirements (non-emergency):

1. All foreign patients must have made a deposit, verified a credit line or have insurance coverage equal to the estimated procedure expense, and such deposits credit lines or insurance must be accepted and/or confirmed prior to the day of admission in writing.
- 2.a. All out-of-state patients except Medicare patients must make a deposit, verify a credit line and/or have written confirmation of insurance or public assistance coverage equivalent to at least 85% of the estimated procedure expense prior to admission. The remaining 15% must be paid under a payment plan established prior to admission. If a contract or agreement exists between UMHC and a third party payor that prohibits this practice, this will not be done.
- 2.b. The University of Minnesota Hospital and Clinic will accept Medicare coverage as meeting the financial requirements in 2.a.
- 2.c. The University of Minnesota Hospital and Clinic will not accept Medical Assistance as adequate coverage from states whose medical assistance program do not meet the expected payment levels established from time to time by UMHC. (At the present time UMHC financial criteria is a minimum of 85% of charges.) UMHC will only accept emergency out-of-state Medical Assistance patients whose emergency occurs within the State of Minnesota (and not an emergency that exists within their home state. Therefore emergency air or ground transports will not be accepted unless the financial criteria are met.).
- 3.a All State of Minnesota patients will be provided care without regard to their ability to pay for their care. However, every Minnesota resident will be expected to contribute to the cost of their care at levels consistent with their ability to pay.

Minnesota Patients With or Pending Medical Assistance, or Other Public Assistance Programs:

- 3.b. Prior to a non-emergency admission of any Minnesota resident eligible for Medical Assistance, General Assistance Medical Care, Crippled Childrens Programs, the patient must be certified by the county as eligible and all necessary actions associated with

eligibility must be completed. Furthermore, UMHC will certify that certain spend down limits have been met prior to admission when applicable. Admissions will be deferred until such certification is complete.

- 3.c. All patients on Medical Assistance, General Assistance Medical Care, Crippled Childrens Programs who reach the end of their coverage under that program while hospitalized shall assign UMHC at a time and place required by UMHC the right of UMHC to request continuance of their coverage on their behalf with the appropriate program.
- 3.d. All emergency patients whose coverage must depend on the application to Medical Assistance, General Assistance Medical Care, Crippled Childres Program, etc. will work with UMHC staff to initiate a completed application for such programs prior to their discharge.
4. For all deposits made at UMHC a statement must be signed by the depositor that they understand that the deposit is based on an estimated expense and acceptance of a deposit, by UMHC, does not waive responsibility of the guarantor and/or the third party for balances above the estimated procedure expense.



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

August 23, 1989

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

The Hospital's operations for the month of July reflect both inpatient admissions and outpatient visit activity that are below budgeted levels. Similarly, both routine and ancillary revenue are below budgeted levels for the month.

INPATIENT CENSUS: For the month of July, inpatient admissions totaled 1,576, which was 53 below budgeted admissions of 1,629. Our overall average length of stay for the month was 8.4 days. Patient days for July totaled 13,050 and were 710 days below budget. The decrease in admission levels from budget was primarily in the areas of Medicine, Neurosurgery, and Orthopedics.

To recap our year-to-date inpatient census:

	1988-89	1989-90	1989-90		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>
Admissions	1,624	1,629	1,576	(53)	(3.3)
Patient Days	13,776	13,760	13,050	(710)	(5.2)
Avg Length of Stay	8.3	8.4	8.4	0.0	0.0
Avg Daily Census	444.4	443.9	421.0	(22.9)	(5.2)
Percent Occupancy	77.2	75.8	71.8	(4.0)	(5.3)

OUTPATIENT CENSUS: Clinic visits for the month of July totaled 21,933 which was 1,309, or 5.6%, below budgeted visits of 23,242. Visits were below budget in almost all areas with the most significant decreases occurring in Dermatology, OB/GYN, Sports Medicine, Orthopedics and Adult Psych. The only areas that reported visits significantly above budgeted levels were Radiation Therapy, Emergency Room, and Family Practice. Community University Health Care Center (CUHCC) visits for the month of July totaled 4,146 which was 425, or 11.4%, over budgeted visits of 3,721, while Home Health visits of 865 for the month were 137, or 13.7%, below budgeted visits of 1,002.

REPORT OF OPERATIONS
 JULY 1989
 PAGE 2

To recap our year-to-date outpatient census:

	1988-89	1989-90	1989-90		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>
Clinic Visits	21,808	23,242	21,933	(1,309)	(5.6)
CUHCC Visits	3,361	3,721	4,146	425	11.4
HHA Visits	823	1,002	865	(137)	(13.7)

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues under expenses by \$232,312, an unfavorable variance of (\$742,124).

Patient care charges through July totaled \$27,414,606, which was 6.3% under budget. Routine revenue was 2.9% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was \$1,595,458 below budget (7.7%) and reflected the unfavorable variance in both admissions and clinic visits. Inpatient ancillary revenue averaged \$9,068 per admission compared to the budgeted average of \$8,922 per admission. Outpatient revenue per clinic visit averaged \$225 compared to the budgeted average of \$271.

Operating expenditures for July totaled \$24,061,101 and were \$817,951 (3.3%) below budgeted levels of \$24,879,052. The overall favorable variance relates primarily to the decreased demand for patient services, and is reflected across most expense categories.

ACCOUNTS RECEIVABLE: The balance in patient accounts receivable as of July 31, 1989, totaled \$90,078,678 and represented 100.8 days of revenue outstanding. The overall increase in our patient receivables in July of 3.4 days occurred primarily in Medicare, Transplant Contracts and Commercial Insurance.

CONCLUSION: The Hospital's overall operating position shows a loss for the month of July. While we have seen some improvement in our expenditure levels, we are continuing to closely monitor our demand for services and make those operating changes that are necessary and appropriate to bring our expense levels into line with net revenues.

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

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$87,616,000	ROUTINE	\$8,427,561	\$8,179,948	(\$247,613)	-2.9%
252,851,000	ANCILLARY	20,830,116	19,234,658	(\$1,595,458)	-7.7%
\$340,467,000	GROSS CHARGES	\$29,257,677	\$27,414,606	(\$1,843,071)	-6.3%
	DEDUCTIONS FROM CHARGES				
\$11,479,000	BILLING ADJUSTMENTS	\$985,960	\$895,578	(\$90,382)	-9.2%
15,080,000	HMO/PPO DISCOUNTS	1,295,258	1,592,834	\$297,576	23.0%
48,573,000	GOVERNMENTAL CONTRACTUAL ADJUST	4,172,055	3,596,477	(\$575,578)	-13.8%
550,000	CHARITABLE CARE	47,530	62,171	\$14,641	30.8%
4,171,000	PROVISION FOR UNCOLLECTABLES	358,257	335,687	(\$22,570)	-6.3%
\$79,853,000	TOTAL DEDUCTIONS	\$6,859,060	\$6,482,747	(\$376,313)	-5.5%
	OTHER OPERATING REVENUE				
\$1,627,000	FOOD SERVICES	\$139,390	\$130,334	(\$9,056)	-6.5%
714,000	PARKING SERVICES	61,170	70,287	\$9,117	14.9%
77,000	DEPARTMENT NON-PATIENT	8,805	6,622	(\$2,183)	-24.8%
1,269,000	CUHCC GRANTS	105,750	105,185	(\$565)	-0.5%
1,958,000	REFERENCE LAB INCOME	167,405	150,610	(\$16,795)	-10.0%
2,056,000	PRO FEES--NET REVENUE	176,595	152,705	(\$23,890)	-13.5%
40,000	SILVER SALVAGE	3,397	(7,213)	(\$10,610)	-312.3%
2,124,684	INCOME FROM BOND PROCEEDS	184,588	187,431	\$2,843	1.5%
\$9,865,684	TOTAL OTHER REVENUE	\$847,100	\$795,961	(\$51,139)	-6.0%
\$270,479,684	TOTAL REVENUE FROM OPERATIONS	\$23,245,717	\$21,727,820	(\$1,517,897)	-6.5%
	EXPENDITURES				
\$123,859,000	SALARIES	\$10,594,755	\$10,375,895	(\$218,860)	-2.1%
27,976,000	FRINGE BENEFITS	2,376,934	2,368,361	(\$8,573)	-0.4%
2,235,000	ACADEMIC CONTRACTS	186,258	186,258	\$0	0.0%
6,242,000	RESIDENT CONTRACTS	508,551	508,551	\$0	0.0%
3,167,000	PHYSICIAN COMPENSATION	263,917	263,949	\$32	0.0%
163,479,000	TOTAL SALARY, F.B., & FEES	13,930,415	13,703,014	(\$227,401)	-1.6%
2,395,000	LAUNDRY & LINEN	207,452	178,289	(\$29,163)	-14.1%
1,946,000	RAW FOOD	167,841	149,159	(\$18,682)	-11.1%
20,366,000	DRUGS	1,748,513	1,802,677	\$54,164	3.1%
11,343,000	BLOOD & BLOOD DERIVATIVES	971,786	830,077	(\$141,709)	-14.6%
26,628,000	MEDICAL SUPPLIES & SERVICES	2,281,294	2,054,069	(\$227,225)	-10.0%
6,256,000	UTILITIES	557,024	539,215	(\$17,809)	-3.2%
992,000	INSURANCE	63,100	59,605	(\$3,495)	-5.5%
3,866,000	RENTAL	327,728	296,114	(\$31,614)	-9.6%
5,101,000	MAINTENANCE & REPAIR	433,236	413,921	(\$19,315)	-4.5%
24,000	NET LOSS ON DISPOSAL OF ASSETS	2,038	219	(\$1,819)	-89.3%
282,000	CAMPUS ADMINISTRATION EXPENSE	23,982	23,982	\$0	0.0%
18,283,000	DEPRECIATION	1,446,360	1,430,277	(\$16,083)	-1.1%
13,038,000	INTEREST	1,093,666	1,104,413	\$10,747	1.0%
19,129,000	GENERAL SUPPLIES & EXPENSE	1,624,655	1,476,070	(\$148,585)	-9.1%
\$293,128,000	TOTAL EXPENDITURES	\$24,879,090	\$24,061,101	(\$817,989)	-3.3%
(\$22,648,316)	NET REVENUE FROM OPERATIONS	(\$1,633,373)	(\$2,333,281)	(\$699,908)	42.9%
	NON-OPERATING REVENUE				
\$15,579,000	APPROPRIATIONS & SUPPORT	\$1,298,250	\$1,298,285	\$35	0.0%
0	ACCRUED INTEREST ON APPROPRIATIONS	0	0	\$0	
6,906,000	INTEREST INCOME ON RESERVES	692,448	655,711	(\$36,737)	-5.3%
181,000	SHARED SERVICES	15,373	14,168	(\$1,205)	-7.8%
1,484,316	INVESTMENT INCOME HELD BY TRUSTEE	126,035	122,920	(\$3,115)	-2.5%
130,000	OTHER INVESTMENT INCOME	11,041	9,885	(\$1,156)	-10.5%
\$24,280,316	TOTAL NON-OPERATING REVENUE	\$2,143,147	\$2,100,969	(\$42,178)	-2.0%
1,632,000	REVENUE OVER/(UNDER) EXPENSE	509,774	(\$232,312)	(\$742,086)	-145.6%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

JULY 31, 1989 AND JUNE 30, 1989

ASSETS	07/31/89	6/30/89	LIABILITIES AND FUND BALANCES	07/31/89	6/30/89
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$72,282	Accounts payable	\$11,842,811	\$10,344,781
Reserve Cash- Third Party Payable	5,615,833	4,994,382	Payable to Third Party Contr. Payors	8,513,956	8,265,862
Reserve Cash- Current Indebtedness	9,728,199	8,484,278	Salaries, Wages and Payroll Taxes	6,218,342	4,687,494
Reserve Cash- Fringe Benefits		798,431	Accrued Vacation	8,124,149	8,187,806
Accounts Receivable			Accrued Professional Fees and Physician Compensation	515,643	752,931
Patient Receivables	90,078,678	85,706,462	Contracts Payable	551,885	40,000
Other Receivables	2,599,127	2,473,790	Construction Retainages	0	215,074
Third Party Receivable	4,863,123	4,863,123	Interest Payable	6,144,573	5,084,931
Appropriation Receivable	1,298,285	1,235,467	Current Portion of Long-Term Debt	2,696,877	2,725,544
	-----	-----	Promissory Notes Payable	2,500,000	2,500,000
Less Allowances for Losses in Collection	(6,154,724)	(5,933,101)			
Less Allowances for Discounts to Third Party Payors	(20,540,892)	(18,482,268)			
	-----	-----			
	72,143,597	69,863,473			
Inventories of Drugs & Supplies	4,801,099	4,928,266			
Prepaid Expenses	1,299,760	657,134			
	-----	-----			
TOTAL CURRENT ASSETS	\$93,660,770	\$89,798,246	TOTAL CURRENT LIABILITIES	\$47,108,235	\$42,804,423
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets					
Available for Assignment					
Cash & Investments	\$63,700,693	\$63,557,755			
Accrued Interest	805,663	148,243			
	-----	-----			
Cash & Invest for Debt Service	64,506,356	63,705,998			
Cash & Invest for Debt Service	13,000,000	13,000,000			
Cash & Invest for Working Capital	16,535,058	16,000,000			
	-----	-----			
TOTAL	\$94,041,414	\$92,705,998	LONG-TERM DEBT, LESS CURRENT PORTION	\$169,574,473	\$169,579,548
PROPERTY, PLANT, & EQUIPMENT					
Land, Buildings & Improvements	\$184,169,329	\$184,168,980			
Equipment	83,522,618	83,089,362			
	-----	-----			
	267,691,947	267,258,342			
Less Accumulated Depreciation	(101,786,230)	(100,371,670)			
	-----	-----			
	165,905,717	166,886,672			
Construction in Progress	8,895,390	8,939,186			
	-----	-----			
TOTAL PROPERTY, PLANT, & EQUIPMENT	174,801,107	\$175,825,858			
Assigned Cash & Investments for Construction/Equipment	7,006,734	7,006,734			
	-----	-----			
TOTAL	\$181,807,841	182,832,592			
INVESTMENTS HELD BY BOND TRUSTEE	\$18,847,962	\$18,869,683			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,794,792	\$7,850,345			
Deferred Debt Expense	1,169,016	\$1,175,980			
Deposits and Other	690,390	\$697,664			
	-----	-----			
TOTAL	\$9,654,198	\$9,723,989	UNRESTRICTED FUND BALANCE	\$181,329,477	\$181,546,538
TOTAL ASSETS	\$398,012,185	\$393,930,508	TOTAL LIABILITIES & FUND BALANCE	\$398,012,185	\$393,930,509
	=====	=====		=====	=====
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
Cash and Investments	\$6,005,010	\$5,814,529	Endowment Funds	\$3,275,530	\$2,109,876
	-----	-----	Gift Funds	2,729,480	3,704,653
	=====	=====		-----	-----
				\$6,005,010	\$5,814,529
	=====	=====		=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance		\$72,282
Net Income from Operations	(2,333,281)	
Non-Operating Revenue	2,100,969	
Excess of Revenue over Expense		(232,312)
Items not Requiring the Outlay of Cash		
Depreciation		1,430,277
University Support: G & A		23,982
Loss on Disposal of Assets		219
Deferred Third Party Reimbursement		55,553
Renewal Project Interest Expense		890,630
Increase in Accrued Expenses		3,239,987
Decrease in Third Party Payable		248,094
Decrease in Inventory		134,441
Transfer from Fringe Benefit Reserve		798,431
Total Funds Provided from Operations		\$6,661,584

Funds Applied

Decrease in Prepaid Expenses	635,352
Transfer Third Party Reserve	621,451
Increase in Other Receivables	125,337
Capital Expenditures	682,062
Appropriation Receivable	62,818
Increase in Accounts Receivable	2,091,969
Investment Income - Trustee-held Assets	122,920
Transfers to Reserves - Bond Retirement	1,056,624
Total Funds Applied	\$5,398,534
Operating Cash Made Available from Operations	\$1,263,051

Total Operating Cash Available of \$1,263,051 plus Transfers for Bond Retirement of \$1,056,624; plus Transfers to Plant of \$682,062 equals Cash Generated from Operations of \$3,001,737.

Current Cash Summary

Operating Cash	\$1,263,051
Operating Cash from Working Capital Reserve	(535,058)
Reserve Cash for Liability to Third Party Payors	5,615,833
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	7,228,199
	16,072,025
Less Interest Income on Reserves	(655,711)
Total Current Cash	\$15,416,314

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

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS						
Beginning Balance	\$42,236,888	\$8,484,278	\$92,705,998	\$19,249,692	\$18,869,683	181,546,539
Net Income						
Excess of Revenue over Expense	250,711					
Interest Income on Reserves			655,711			
Accrued Interest on Appropriations			0			
Depreciation Expense				(1,430,277)		
Gain on Disposal of Assets				(219)		
Interest Income on Trustee Held Fund					122,920	
Amortization of Deferred Bond Expense				(18,589)		
Interest income on Bond Proceeds					187,431	
Total Income						(232,312)
Less Expense						
University Support: G & A	23,982					23,982
Transfers Between Funds						
Major Building Projects- Hosp. Capital Expenditures	(636,695)			636,695		0
Major Equipment Requisition	(45,367)			45,367		0
Adjustment to Shared Buildings				(8,732)		(8,732)
Bond Interest Expense Funding	(872,041)	1,059,471			(187,430)	0
Bond Principal Funding	(184,583)	184,583				0
Trnsf Trustee Funds to Campus Funding Working Capital	(535,058)		144,647 535,058		(144,647)	0
Ending Balance	\$40,237,836	\$9,728,332	\$94,041,414	\$18,473,937	\$18,847,957	\$181,329,477

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

DATE: 08/23/89
TIME: 09:47 AM

JULY BUDGETED	JULY ACTUAL	JULY VARIANCE	VARIANCE %		BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$8,427,561	\$8,179,948	(\$247,613)	-2.9%	ROUTINE	\$8,427,561	\$8,179,948	(\$247,613)	-2.9%
\$20,830,116	\$19,234,658	(\$1,595,458)	-7.7%	ANCILLARY	20,830,116	19,234,658	(\$1,595,458)	-7.7%
\$29,257,677	\$27,414,606	(\$1,843,071)	-6.3%	GROSS CHARGES	\$29,257,677	\$27,414,606	(\$1,843,071)	-6.3%
				DEDUCTIONS FROM CHARGES				
\$985,960	\$895,578	(\$90,382)	-9.2%	BILLING ADJUSTMENTS	\$985,960	\$895,578	(\$90,382)	-9.2%
\$1,295,258	\$1,592,834	\$297,576	23.0%	HMO/PPO DISCOUNTS	1,295,258	1,592,834	\$297,576	23.0%
\$4,172,055	\$3,596,477	(\$575,578)	-13.8%	GOVERNMENTAL CONTRACTUAL ADJUST	4,172,055	3,596,477	(\$575,578)	-13.8%
\$47,530	\$62,171	\$14,641	30.8%	CHARITABLE CARE	47,530	62,171	\$14,641	30.8%
\$358,257	\$335,687	(\$22,570)	-6.3%	PROVISION FOR UNCOLLECTABLES	358,257	335,687	(\$22,570)	-6.3%
\$6,859,060	\$6,482,747	(\$376,313)	-5.5%	TOTAL DEDUCTIONS	\$6,859,060	\$6,482,747	(\$376,313)	-5.5%
				OTHER OPERATING REVENUE				
\$139,390	\$130,334	(\$9,056)	-6.5%	FOOD SERVICES	\$139,390	\$130,334	(\$9,056)	-6.5%
\$61,170	\$70,287	\$9,117	14.9%	PARKING SERVICES	61,170	70,287	\$9,117	14.9%
\$8,805	\$6,622	(\$2,183)	-24.8%	DEPARTMENT NON-PATIENT	8,805	6,622	(\$2,183)	-24.8%
\$105,750	\$105,185	(\$565)	-0.5%	CUHCC GRANTS	105,750	105,185	(\$565)	-0.5%
\$167,405	\$150,610	(\$16,795)	-10.0%	REFERENCE LAB INCOME	167,405	150,610	(\$16,795)	-10.0%
\$176,595	\$152,705	(\$23,890)	-13.5%	PRO FEES--NET REVENUE	176,595	152,705	(\$23,890)	-13.5%
\$3,397	(\$7,213)	(\$10,610)	-312.3%	SILVER SALVAGE	3,397	(\$7,213)	(\$10,610)	-312.3%
\$184,588	\$187,431	\$2,843	1.5%	INCOME FROM BOND PROCEEDS	184,588	187,431	\$2,843	1.5%
\$847,100	\$795,961	(\$51,139)	-6.0%	TOTAL OTHER REVENUE	\$847,100	\$795,961	(\$51,139)	-6.0%
\$23,245,717	\$21,727,820	(\$1,517,897)	-6.5%	TOTAL REVENUE FROM OPERATIONS	\$23,245,717	\$21,727,820	(\$1,517,897)	-6.5%
				EXPENDITURES				
\$10,594,755	\$10,375,895	(\$218,860)	-2.1%	SALARIES	\$10,594,755	\$10,375,895	(\$218,860)	-2.1%
\$2,376,934	\$2,368,361	(\$8,573)	-0.4%	FRINGE BENEFITS	2,376,934	2,368,361	(\$8,573)	-0.4%
\$186,258	\$186,258	\$0	0.0%	ACADEMIC CONTRACTS	186,258	186,258	\$0	0.0%
\$508,551	\$508,551	\$0	0.0%	RESIDENT CONTRACTS	508,551	508,551	\$0	0.0%
\$263,917	\$263,949	\$32	0.0%	PHYSICIAN COMPENSATION	263,917	263,949	\$32	0.0%
\$13,930,415	\$13,703,014	(\$227,401)	-1.6%	TOTAL SALARY, F.B., & FEES	13,930,415	13,703,014	(\$227,401)	-1.6%
\$207,452	\$178,289	(\$29,163)	-14.1%	LAUNDRY & LINEN	207,452	178,289	(\$29,163)	-14.1%
\$167,841	\$149,159	(\$18,682)	-11.1%	RAW FOOD	167,841	149,159	(\$18,682)	-11.1%
\$1,748,513	\$1,802,677	\$54,164	3.1%	DRUGS	1,748,513	1,802,677	\$54,164	3.1%
\$971,786	\$830,077	(\$141,709)	-14.6%	BLOOD & BLOOD DERIVATIVES	971,786	830,077	(\$141,709)	-14.6%
\$2,281,294	\$2,054,069	(\$227,225)	-10.0%	MEDICAL SUPPLIES & SERVICES	2,281,294	2,054,069	(\$227,225)	-10.0%
\$557,024	\$539,215	(\$17,809)	-3.2%	UTILITIES	557,024	539,215	(\$17,809)	-3.2%
\$63,100	\$59,605	(\$3,495)	-5.5%	INSURANCE	63,100	59,605	(\$3,495)	-5.5%
\$327,728	\$296,114	(\$31,614)	-9.6%	RENTAL	327,728	296,114	(\$31,614)	-9.6%
\$433,236	\$413,921	(\$19,315)	-4.5%	MAINTENANCE & REPAIR	433,236	413,921	(\$19,315)	-4.5%
\$2,038	\$219	(\$1,819)	-89.3%	NET LOSS ON DISPOSAL OF ASSETS	2,038	219	(\$1,819)	-89.3%
\$23,982	\$23,982	\$0	0.0%	CAMPUS ADMINISTRATION EXPENSE	23,982	23,982	\$0	0.0%
\$1,446,360	\$1,430,277	(\$16,083)	-1.1%	DEPRECIATION	1,446,360	1,430,277	(\$16,083)	-1.1%
\$1,093,666	\$1,104,413	\$10,747	1.0%	INTEREST	1,093,666	1,104,413	\$10,747	1.0%
\$1,624,655	\$1,476,070	(\$148,585)	-9.1%	GENERAL SUPPLIES & EXPENSE	1,624,655	1,476,070	(\$148,585)	-9.1%
\$24,879,090	\$24,061,101	(\$817,989)	-3.3%	TOTAL EXPENDITURES	\$24,879,090	\$24,061,101	(\$817,989)	-3.3%
(\$1,633,373)	(\$2,333,281)	(\$699,908)	42.9%	NET REVENUE FROM OPERATIONS	(\$1,633,373)	(\$2,333,281)	(\$699,908)	42.9%
				NON-OPERATING REVENUE				
\$1,298,250	\$1,298,285	\$35	0.0%	APPROPRIATIONS & SUPPORT	\$1,298,250	\$1,298,285	\$35	0.0%
\$0	\$0	\$0	0.0%	ACCRUED INTEREST ON APPROPRIATIONS	0	0	\$0	0.0%
\$692,448	\$655,711	(\$36,737)	-5.3%	INTEREST INCOME ON RESERVES	692,448	655,711	(\$36,737)	-5.3%
\$15,373	\$14,168	(\$1,205)	-7.8%	SHARED SERVICES	15,373	14,168	(\$1,205)	-7.8%
\$126,035	\$122,920	(\$3,115)	-2.5%	INVESTMENT INCOME HELD BY TRUSTEE	126,035	122,920	(\$3,115)	-2.5%
\$11,041	\$9,885	(\$1,156)	-10.5%	OTHER INVESTMENT INCOME	11,041	9,885	(\$1,156)	-10.5%
\$2,143,147	\$2,100,969	(\$42,178)	-2.0%	TOTAL NON-OPERATING REVENUE	\$2,143,147	\$2,100,969	(\$42,178)	-2.0%
\$509,774	(\$232,312)	(\$742,086)		REVENUE OVER/(UNDER) EXPENSE	509,774	(\$232,312)	(\$742,086)	-145.6%