



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, November 15, 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 8/23/89 (Approval) pp. 1-4 | Mr. Jerry Meilahn |
| II. | October 31, 1989 Financial Statements (Information) (To be distributed at meeting) | Mr. Cliff Fearing |
| III. | 1988-89 Year-End Financial Statements (Information) pp. 5 - 29 | Mr. Cliff Fearing |
| IV. | UMCA Update (Information) | Dr. Edward Ciriacy |
| V. | Personnel Policy Amendment (Information) pp. 30 - 43 | Mr. Greg Hart |
| VI. | First Quarter, 1989-90 Bad Debts (Endorsement) pp. 44 - 72 | Mr. Cliff Fearing |
| 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
August 23, 1989

MINUTES

ATTENDANCE:

Present:	Robert Dickler Clifford Fearing Elwin Fraley, M.D. Jerry Meilahn Barbara O'Grady
Not Present:	Carol Campbell Edward Ciriacy, M.D. Erwin L. Goldfine Vic Vikmanis
Staff:	Greg Hart Teri Holberg Nancy Janda Mark Koenig Shannon Lorbiecki Nels Larson Barbara Tebbitt

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on August 23, 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 July 26, 1989 meeting as written.

JULY 1, 1988 THROUGH JULY 31, 1989 FINANCIALS:

Mr. Clifford P. Fearing reported to the Committee the month of July had a net operating loss of \$232,312, which was \$742,124 below budget. Mr. Fearing stated inpatient admissions for July totaled 1,576, which was 3.3% below budget. The overall average length of stay for July was 8.4 days and patient days were 710 days under budget. The average daily census for July was reported to be 444, which was 5% below budget. Mr. Fearing reported the first 21 days of August had an average daily census of 448, the average length of stay was 8.17 days, and admissions were 6% over budget. Outpatient visits for July totaled 23,933 which was 5.6% below budget. CUHCC visits were reported to be 11.4% over budget, while Home Health visits were 13.7% below budget for the month of July.

Lastly, Mr. Fearing reported the balance of accounts receivable as of July 31, 1989 totaled \$90,078,678 and represented 100.8 days of revenue outstanding. Mr. Fearing stated the collections in the first 21 days in month of August were at a higher level on a per day basis and the accounts receivables should turn around in the month of August.

Mr. Fearing informed the Committee that the University of Minnesota decided not to issue UMHC \$1,600,000 in fringe benefit expense reduction on the June 30, 1989 financial statement as was reported in the July Finance Committee meeting. The University has decided instead to credit UMHC for \$800,000 for the fringe benefit costs. Therefore, since the Hospital had earlier made the \$1,600,000 adjustment, the Hospital financial statement throughout the 1989-90 year will show a \$800,000 prepaid fringe benefit asset. This will also create a year end net loss of \$345,000.

HOSPITAL ADMISSIONS POLICY:

Mr. Fearing presented to the Finance Committee, for information purposes, the first draft of the admissions policies which had been requested by the Board of Governors. The policy will be brought before the Medical Staff Hospital Council and the Clinical Chiefs for their review and comments. After incorporating those comments, the admissions policies will then be brought before the Board for approval. The admissions policies are anticipated to improve the Hospital's bad debt write-offs, yet maintain a charitable posture regarding patient care.

Mr. Fearing stated UMHC's Hill-Burton Community Service and Emergency Service obligations requires UMHC to treat all people within the state of Minnesota for emergency services. The proposed policy for emergency services would not change the way UMHC has operated in the past. UMHC would continue to give medical care until the emergency condition is eliminated and that medical care beyond that point would be dictated by the patient's condition, the patient's desires, and the requirements of the patient's third party payer.

The following is the proposed policy for non-emergency admissions.

1. Foreign patients must have a deposit, verified 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.
2. 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% would be paid under a payment plan established prior to admission.
3. State of MN patients will be given care without regard to their ability to pay, but residents are expected to contribute to the cost of their care at levels consistent with their ability to pay.

Prior to admission Minnesota residents who come to UMHC for non-emergency care and who are eligible for a public assistance program must complete the application and be certified by the county welfare department that they and are eligible for medical

assistance. Non-emergency admissions will be deferred until such certification is complete.

When a patient's medical assistance approval is about to lapse while the patient is hospitalized at UMHC, UMHC will pursue continuance of coverage on the patient's behalf. Emergency patients whose coverage must depend on medical assistance will work with the UMHC staff in the efforts made in applying for medical assistance prior to their discharge.

4. When a patient makes a deposit they must sign a statement stating they understand that the deposit is based on an estimated expense of the procedure.

Mr. Meilahn requested a clause be added to the policy stating where an exception had been made, or the proper procedure had not been followed, a review/audit will be made of those cases. Mr. Fearing stated it would be incorporated into the admissions policies.

MAJOR CAPITAL EXPENDITURE:

Mr. Greg Hart reviewed, for information purposes, a major capital expenditure report in the \$100,000 - \$600,000 range. The major capital expenditure would be for two implantable pneumatic ventricular assist devices at a total cost of \$108,000. Mr. Hart stated the implantable device would be used primarily with patients on the transplant waiting list who have severe left ventricular failure and who are not responding to conventional procedures. Mr. Hart stated there will be a review of this program within the next six to twelve months.

The manufacturer, Thermo Cardiosystems Inc., was granted investigational device exemption. The device is currently approved by the FDA for use in a number of institutions; UMHC would be an additional approved site. Mr. Hart stated because the device will be used on a clinical trial basis there will not be reimbursement for its use by insurance companies or third party payers during this initial phase. The purchase of the two units was budgeted for the 1989-90 fiscal year.

AFSME Negotiations

Mr. Hart reported to the Committee the status of the AFSME negotiations. Mr. Hart stated the University is attempting to structure the various pay plans, unionized and non-unionized, around a 6% total package. The State AFSME employees recently settled with a 5% base increase plus 1% increase in economic items, and the University's Teamsters Union settled with a 5% base increase plus a 1% increase in economic items. In addition to these settlements, the University will recommend to the Regents a 4% increase for Civil Service employees, with an additional 2% for comparable worth. Mr. Hart stated negotiations were still underway with the Hospital and AFSME and he will keep the Committee informed of any further developments.

MAJOR CAPITAL EXPENDITURE:

Mr. Robert Dickler reviewed, for information purposes, a major capital expenditure report in the \$100,000 - \$600,000 range. The major capital

expenditure would be for 40 PC-communication software licenses and 30 network communication workstations at a total cost of \$225,000. Last year the Upper Midwest Healthcare Network was created to facilitate the exchange of patient information between the University Hospital and outstate referring physicians with the use of a computer communication network. Mr. Dickler stated the project has proven to be successful and has created a positive impact on inpatient admissions. The purchasing of this equipment and software would be used to expand to other medical groups who have expressed a desire to join the Network. The purchase of the software and equipment has been budgeted for the 1989-90 fiscal year.

Masonic III Budget Status

Mr. Mark Koenig reported to the Finance Committee the Masonic III renovation project would exceed the Board approved budget of \$1,161,000 by at least 10%. Mr. Koenig stated the reason for this was unanticipated expenses in removing the asbestos in Masonic III. The unforeseen expenses were:

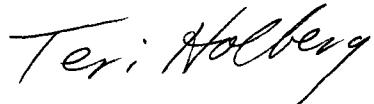
1. Fiberglass insulation became contaminated while asbestos was being removed and need to be replaced.
2. The original estimate of the removal of the asbestos was exceeded by \$42,000.
3. Environmental Health and Safety recommended that additional precautions be made in areas where asbestos remained undisturbed. This could be done either by enclosing the ceiling areas or removing the asbestos and replacing existing ceilings.

Mr. Koenig reported the Planning and Development Committee voted for the more aggressive approach in removing all asbestos and replacing the ceilings. Mr. Koenig stated this was the more expensive option, but it would eliminate the possibility of having to contend with the problem in the future. The total additional funds that would be needed for this option would be \$235,000.

The Financial Committee seconded and passed a motion to increase the Masonic III renovation project by \$235,000.

There being no further discussion, the August 23, 1989 meeting was adjourned at 1:50 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

November 15, 1989

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

The Hospital's operations for the month of October reflect inpatient admissions that are above budgeted levels but patient days and outpatient visit activity that fall below budgeted levels. Consequently, both routine and ancillary revenue are below budgeted levels for the month.

INPATIENT CENSUS: For the month of October, inpatient admissions totaled 1,627, which was 70 above budgeted admissions of 1,557. Our overall average length of stay for the month was 8.1 days. Patient days for October totaled 12,873 and were 653 days below budget. The decrease in admission levels from budget was primarily in the areas of Medicine, Neurology, Obstetrics, and Urology.

To recap our year-to-date inpatient census:

	1988-89 <u>Actual</u>	1989-90 <u>Budget</u>	1989-90 <u>Actual</u>	<u>Variance</u>	% <u>Var</u>
Admissions	6,476	6,385	6,407	22	0.3
Patient Days	54,753	53,818	51,350	(2,468)	(4.6)
Avg Length of Stay	8.5	8.4	8.0	(0.4)	(4.8)
Avg Daily Census	445.2	437.5	417.5	(20.0)	(4.6)
Percent Occupancy	76.2	74.7	71.8	(2.9)	(3.9)

OUTPATIENT CENSUS: Clinic visits for the month of October totaled 23,741 which was 372, or 1.5%, below budgeted visits of 24,113. Visits were significantly below budget in Dermatology, OB/GYN, Sports Medicine, Dentistry, and Adult and Child Psych. Areas that reported visits considerably above budgeted levels were Medicine, Emergency Room, Otolaryngology, Endoscopy, and Family Practice. Community University Health Care Center (CUHCC) visits for the month of October totaled 4,468 which was 375, or 9.2%, over budgeted visits of 4,093, while Home Health visits of 911 for the month were 91, or 9.1%, below budgeted visits of 1,002.

REPORT OF OPERATIONS
OCTOBER 1989
PAGE 2

To recap our year-to-date outpatient census:

	1988-89 <u>Actual</u>	1989-90 <u>Budget</u>	1989-90 <u>Actual</u>	<u>Variance</u>	% <u>Var</u>
Clinic Visits	91,936	93,981	92,731	(1,250)	(1.3)
CUHCC Visits	15,223	15,815	17,563	1,748	11.1
HHA Visits	3,663	3,976	3,720	(256)	(6.4)

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues over expenses by \$4,170,623, a favorable variance of \$1,340,436.

Patient care charges through October totaled \$108,944,178, which was 5.6% under budget. Routine revenue was 3.1% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was \$5,432,356 below budget (6.6%) and primarily reflected the unfavorable variance in clinic visits. Inpatient ancillary revenue averaged \$8,684 per admission compared to the budgeted average of \$8,922 per admission. Outpatient revenue per clinic visit averaged \$230 compared to the budgeted average of \$271.

Operating expenditures through October totaled \$92,217,800 and were \$5,030,500 (5.2%) below budgeted levels of \$97,248,316. 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 October 31, 1989, totaled \$83,039,052 and represented 89.7 days of revenue outstanding. The overall decrease in our patient receivables in October of 5.3 days occurred primarily in Transplant Contracts and Commercial Insurance.

CONCLUSION: The Hospital's overall operating position is positive and above budgeted levels for the month of October and year-to-date. 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

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

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

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	\$115,389,825	\$108,944,178	(\$6,445,647)	-5.6%
Deductions from Charges	27,057,884	24,112,939	(2,944,945)	-10.9%
Other Operating Revenue	3,356,159	3,250,158	(106,001)	-3.2%
Total Operating Revenue	91,688,100	88,081,397	(3,606,703)	-3.9%
Total Expenditures	97,248,316	92,217,779	(5,030,537)	-5.2%
Net Operating Revenue	(5,560,216)	(4,136,382)	1,423,834	25.6%
Non-Operating Revenue and Expenses	8,390,403	8,307,005	(83,398)	-1.0%
Revenue Over/Under Expense	2,830,187	4,170,623	1,340,436	

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Admissions	6,385	6,407	22	0.3%
Patient Days	53,818	51,350	(2,468)	-4.6%
Average Daily Census	437.5	417.5	(20.0)	-4.6%
Average Length of Stay	8.4	8.0	(0.4)	-4.8%
Percentage Occupancy	74.7	71.8	(2.9)	-3.9%
Outpatient Clinic Visits	93,981	92,731	(1,250)	-1.3%

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

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$87,616,000	ROUTINE	\$32,963,684	\$31,950,393	(\$1,013,291)	-3.1%
252,851,000	ANCILLARY	82,426,141	76,993,785	(\$5,432,356)	-6.6%
\$340,467,000	GROSS CHARGES	\$115,389,825	\$108,944,178	(\$6,445,647)	-5.6%
	DEDUCTIONS FROM CHARGES				
\$11,479,000	BILLING ADJUSTMENTS	\$3,889,771	\$4,181,732	\$291,961	7.5%
15,080,000	HMO/PPO DISCOUNTS	5,110,005	6,089,401	\$979,396	19.2%
48,573,000	GOVERNMENTAL CONTRACTUAL ADJUST	16,459,433	12,265,850	(\$4,193,583)	-25.5%
550,000	CHARITABLE CARE	185,291	241,721	\$56,430	30.5%
4,171,000	PROVISION FOR UNCOLLECTABLES	1,413,384	1,334,235	(\$79,149)	-5.6%
\$79,853,000	TOTAL DEDUCTIONS	\$27,057,884	\$24,112,939	(\$2,944,945)	-10.9%
	OTHER OPERATING REVENUE				
\$1,627,000	FOOD SERVICES	\$550,286	\$520,593	(\$29,693)	-5.4%
714,000	PARKING SERVICES	241,489	295,162	\$53,673	22.2%
77,000	DEPARTMENT NON-PATIENT	35,242	40,128	\$4,886	13.9%
	NURSING GRANT	0	37,765	\$37,765	
1,269,000	CUHCC GRANTS	423,000	430,806	\$7,806	1.8%
1,958,000	REFERENCE LAB INCOME	662,434	625,601	(\$36,833)	-5.6%
2,056,000	PRO FEES--NET REVENUE	696,696	559,096	(\$137,600)	-19.8%
40,000	SILVER SALVAGE	13,479	17,162	\$3,683	27.3%
2,124,684	INCOME FROM BOND PROCEEDS	733,533	723,845	(\$9,688)	-1.3%
\$9,865,684	TOTAL OTHER REVENUE	\$3,356,159	\$3,250,158	(\$106,001)	-3.2%
\$270,479,684	TOTAL REVENUE FROM OPERATIONS	\$91,688,100	\$88,081,397	(\$3,606,703)	-3.9%
	EXPENDITURES				
\$123,859,000	SALARIES	\$41,052,004	\$38,649,378	(\$2,402,626)	-5.9%
27,976,000	FRINGE BENEFITS	8,939,380	9,260,975	\$321,595	3.6%
2,235,000	ACADEMIC CONTRACTS	745,000	728,411	(\$16,589)	-2.2%
6,242,000	RESIDENT CONTRACTS	2,034,208	2,031,378	(\$2,830)	-0.1%
3,167,000	PHYSICIAN COMPENSATION	1,055,667	1,055,799	\$132	0.0%
163,479,000	TOTAL SALARY, F.B., & FEES	53,826,259	51,725,941	(\$2,100,318)	-3.9%
	LAUNDRY & LINEN	813,675	751,498	(\$62,177)	-7.6%
1,946,000	RAW FOOD	659,964	608,029	(\$51,935)	-7.9%
20,366,000	DRUGS	6,912,458	6,623,798	(\$288,660)	-4.2%
11,343,000	BLOOD & BLOOD DERIVATIVES	3,836,441	2,990,172	(\$846,269)	-22.1%
26,628,000	MEDICAL SUPPLIES & SERVICES	9,006,148	8,477,898	(\$528,250)	-5.9%
6,256,000	UTILITIES	2,195,667	2,145,353	(\$50,314)	-2.3%
992,000	INSURANCE	253,843	254,452	\$609	0.2%
3,866,000	RENTAL	1,299,430	1,245,016	(\$54,414)	-4.2%
5,101,000	MAINTENANCE & REPAIR	1,718,967	1,472,618	(\$246,349)	-14.3%
24,000	NET LOSS ON DISPOSAL OF ASSETS	8,087	27,656	\$19,569	242.0%
282,000	CAMPUS ADMINISTRATION EXPENSE	95,030	95,155	\$125	0.1%
18,283,000	DEPRECIATION	5,813,482	5,730,766	(\$82,716)	-1.4%
13,038,000	INTEREST	4,362,654	4,453,162	\$90,508	2.1%
19,129,000	GENERAL SUPPLIES & EXPENSE	6,446,211	5,616,265	(\$829,946)	-12.9%
\$293,128,000	TOTAL EXPENDITURES	\$97,248,316	\$92,217,779	(\$5,030,537)	-5.2%
(\$22,648,316)	NET REVENUE FROM OPERATIONS	(\$5,560,216)	(\$4,136,382)	\$1,423,834	-25.6%
	NON-OPERATING REVENUE				
\$15,579,000	APPROPRIATIONS & SUPPORT	\$5,193,000	\$5,142,486	(\$50,514)	-1.0%
6,906,000	INTEREST INCOME ON RESERVES	2,588,539	2,547,185	(\$41,354)	-1.6%
181,000	SHARED SERVICES	60,995	58,872	(\$2,123)	-3.5%
1,484,316	INVESTMENT INCOME HELD BY TRUSTEE	504,061	489,830	(\$14,231)	-2.8%
130,000	OTHER INVESTMENT INCOME	43,808	68,632	\$24,824	56.7%
\$24,280,316	TOTAL NON-OPERATING REVENUE	\$8,390,403	\$8,307,005	(\$83,398)	-1.0%
1,632,000	REVENUE OVER/(UNDER) EXPENSE	\$2,830,187	\$4,170,623	\$1,340,436	47.4%
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UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

OCTOBER 31, 1989 AND JUNE 30, 1989



ASSETS	10/31/89	6/30/89	LIABILITIES AND FUND BALANCES	10/31/89	6/30/89
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$72,282	Accounts Payable	\$9,488,953	\$8,926,779
Reserve Cash- Third Party Payable	10,933,883	4,994,382	Payable to Third Party Contr. Payors	8,118,883	10,071,821
Reserve Cash- Current Indebtedness	6,139,667	8,484,143	Salaries, Wages and Payroll Taxes	8,907,988	4,820,284
Reserve Cash- Fringe Benefits	0	798,151	Accrued Vacation	7,699,398	8,187,806
Accounts Receivable			Accrued Professional Fees and Physician Compensation	1,804,547	741,071
Patient Receivables	83,039,052	87,672,463	Contracts Payable	2,084,711	40,000
Other Receivables	1,893,738	1,167,188	Construction Retainages	0	215,074
Third Party Receivable	6,587,693	6,333,531	Interest Payable	3,188,453	5,085,186
Appropriation Receivable	2,562,755	1,235,467	Current Portion of Long-Term Debt	2,618,558	2,724,624
	94,083,238	96,408,649	Promissory Notes Payable	1,300,000	2,500,000
Less Allowances for Losses in Collection	(6,641,007)	(5,933,101)			
Less Allowances for Discounts to Third Party Payors	(21,048,064)	(19,160,666)			
	66,394,167	71,314,882			
Inventories of Drugs & Supplies	5,001,747	4,928,266			
Prepaid Expenses	1,456,594	657,135			
TOTAL CURRENT ASSETS	\$89,998,340	\$91,249,241	TOTAL CURRENT LIABILITIES	\$45,211,491	\$43,312,645
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets Available for Assignment					
Cash & Investments	\$66,553,343	\$63,557,757			
Accrued Interest	1,100,103	148,244			
	67,653,446	63,706,001			
Cash & Invest for Debt Service	13,000,000	13,000,000	LONG-TERM DEBT, LESS CURRENT PORTION	\$168,258,648	\$169,579,548
Cash & Invest for Working Capital	20,828,275	16,000,000			
TOTAL PROPERTY, PLANT, & EQUIPMENT	\$101,481,721	\$92,706,001			
Land, Buildings & Improvements	\$183,772,927	\$184,168,980			
Equipment	84,689,721	83,089,361			
	268,462,648	267,258,341			
Less Accumulated Depreciation	(105,484,491)	(100,371,670)			
Construction in Progress	162,978,157	166,886,671			
	9,629,831	9,057,292			
TOTAL PROPERTY, PLANT, & EQUIPMENT	172,607,988	\$175,943,963			
Assigned Cash & Investments for Construction/Equipment	7,935,695	7,006,734			
TOTAL	\$180,543,683	182,950,697			
INVESTMENTS HELD BY BOND TRUSTEE	\$18,731,719	\$18,870,093			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,515,581	\$7,737,794			
Deferred Debt Expense	1,148,124	\$1,175,980			
Deposits and Other	735,043	\$675,798			
TOTAL	\$9,398,748	\$9,589,572	UNRESTRICTED FUND BALANCE	\$186,684,072	\$182,473,411
TOTAL ASSETS	\$400,154,211	\$395,365,604	TOTAL LIABILITIES & FUND BALANCE	\$400,154,211	\$395,365,604
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
Endowment Funds			Endowment Funds	\$2,269,160	\$2,161,348
Gift Funds			Gift Funds	3,857,090	3,289,413
 TOTAL	\$6,126,250	\$5,450,761			
 and Investments					

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance	\$72,282
Net Income from Operations	(4,136,382)
Non-Operating Revenue	8,307,005
Excess of Revenue over Expense	4,170,623
Items not Requiring the Outlay of Cash	
Depreciation	5,730,766
University Support: G & A	95,155
Loss on Disposal of Assets	27,656
Deferred Third Party Reimbursement	222,213
Renewal Project Interest Expense	3,657,528
Increase in Accrued Expenses	7,255,733
Transfer from Fringe Benefit Reserve	798,151
Decrease in Accounts Receivable	7,228,715
Total Funds Provided from Operations	\$29,258,822

Funds Applied

Transfer Third Party Reserve	5,939,501
Increase in Third Party Receivable	254,162
Decrease in Third Party Payable	1,952,938
Increase in Prepaid Expenses	858,704
Increase in Other Receivables	726,550
Capital Expenditures	2,390,977
Appropriation Receivable	1,327,288
Increase in Inventory	73,481
Investment Income - Trustee-held Assets	489,830
Transfers to Reserves - Bond Retirement	4,321,505
Total Funds Applied	\$18,334,936
Operating Cash Made Available from Operations	\$10,923,886

Total Operating Cash Available of \$10,923,886 plus Transfers for Bond Retirement of \$4,321,505; plus Transfers to Plant of \$2,390,977 equals Cash Generated from Operations of \$17,636,368.

Current Cash Summary

Operating Cash	\$10,923,886
Operating Cash to Working Capital Reserve	(8,304,053)
Reserve Cash for Liability to Third Party Payors	10,933,883
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	3,639,667

	19,693,383
Less Interest Income on Reserves and Grant	(2,547,551)
Total Current Cash	\$17,145,832

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

For the Period July 1, 1989 through October 31, 1989

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS						
Beginning Balance	\$42,910,805	\$8,484,143	\$92,706,001	\$19,502,374	\$18,870,093	182,473,416
Net Income						
Excess of Revenue over Expense	6,242,175					
Interest Income on Reserves		2,547,185				
Interest Income on Nursing Grant		366				
Depreciation Expense			(5,730,766)			
Loss on Disposal of Assets			(27,656)			
Interest Income on Trustee Held Fund				489,830		
Amortization of Deferred Bond Expense			(74,356)			
Interest Income on Bond Proceeds				723,845		
Total Income						4,170,623
Less Expense						
University Support: G & A	95,155					95,155
Transfers Between Funds						
Major Building Projects- Hosp.			(2,704,087)	2,704,087		0
Capital Expenditures	(2,217,511)			2,217,511		0
Major Equipment Requisition	(173,466)			173,466		0
Adjustment to Shared Buildings			(55,122)			(55,122)
Bond Interest Payment	6,189,827	(5,919,000)			(270,827)	
Bond Interest Expense Funding	(3,583,172)	4,036,191			(453,019)	0
Bond Principal Funding	(738,333)	738,333				0
Decrease in Short Term Note Funding		(1,200,000)		1,200,000		
Trsf Trustee Funds to Campus			628,203		(628,203)	0
Funding Working Capital	(8,304,053)	8,304,053				0
Ending Balance	\$40,421,427	\$6,139,667	\$101,481,721	\$19,909,538	\$18,731,719	\$186,684,072
RESTRICTED FUNDS						
	GIFT	ENDOWMENT		TOTAL		
Beginning Balance	3,289,413	2,161,348		5,450,761		
Income	588,191	108,106		696,297		
Disbursements	(20,514)	(294)		(20,808)		
Ending Balance	\$3,857,090	\$2,269,160		\$6,126,250		

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

OCTOBER BUDGETED	OCTOBER ACTUAL	OCTOBER VARIANCE	VARIANCE %	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$8,285,367	\$7,902,387	(\$382,980)	-4.6%	ROUTINE ANCILLARY	\$32,963,684	\$31,950,393	(\$1,013,291)	-3.1%
\$20,423,710	\$19,330,620	(\$1,093,090)	-5.4%		82,426,141	76,993,785	(\$5,432,356)	-6.6%
\$28,709,077	\$27,233,007	(\$1,476,070)	-5.1%	GROSS CHARGES	\$115,389,825	\$108,944,178	(\$6,445,647)	-5.6%
				DEDUCTIONS FROM CHARGES				
\$967,401	\$1,245,349	\$277,948	28.7%	BILLING ADJUSTMENTS	\$3,889,771	\$4,181,732	\$291,961	7.5%
\$1,270,878	\$2,089,746	\$818,868	64.4%	HMO/PPO DISCOUNTS	5,110,005	6,089,401	\$979,396	19.2%
\$4,093,526	\$1,877,237	(\$2,216,289)	-54.1%	GOVERNMENTAL CONTRACTUAL ADJUST	16,459,433	12,265,850	(\$4,193,583)	-25.5%
\$46,359	\$53,261	\$6,902	14.9%	CHARITABLE CARE	185,291	241,721	\$56,430	30.5%
\$351,514	\$332,892	(\$18,622)	-5.3%	PROVISION FOR UNCOLLECTABLES	1,413,384	1,334,235	(\$79,149)	-5.6%
\$6,729,678	\$5,598,485	(\$1,131,193)	-16.8%	TOTAL DEDUCTIONS	\$27,057,884	\$24,112,939	(\$2,944,945)	-10.9%
				OTHER OPERATING REVENUE				
\$135,465	\$132,461	(\$3,004)	-2.2%	FOOD SERVICES	\$550,286	\$520,593	(\$29,693)	-5.4%
\$59,448	\$84,355	\$24,907	41.9%	PARKING SERVICES	241,489	295,162	\$53,673	22.2%
\$8,888	\$9,127	\$239	2.7%	DEPARTMENT NON-PATIENT	35,242	40,128	\$4,886	13.9%
0	366	\$366		NURSING GRANT	0	37,765	\$37,765	
\$105,750	\$122,767	\$17,017	16.1%	CUHCC GRANTS	423,000	430,806	\$7,806	1.8%
\$164,139	\$158,489	(\$5,650)	-3.4%	REFERENCE LAB INCOME	662,434	625,601	(\$36,833)	-5.6%
\$173,271	\$128,142	(\$45,129)	-26.0%	PRO FEES--NET REVENUE	696,696	559,096	(\$137,600)	-19.8%
\$3,397	\$740	(\$2,657)	-78.2%	SILVER SALVAGE	13,479	17,162	\$3,683	27.3%
\$185,158	\$175,357	(\$9,801)	-5.3%	INCOME FROM BOND PROCEEDS	733,533	723,845	(\$9,688)	-1.3%
\$835,516	\$811,804	(\$23,712)	-2.8%	TOTAL OTHER REVENUE	\$3,356,159	\$3,250,158	(\$106,001)	-3.2%
\$22,814,915	\$22,446,326	(\$368,589)	-1.6%	TOTAL REVENUE FROM OPERATIONS	\$91,688,100	\$88,081,397	(\$3,606,703)	-3.9%
				EXPENDITURES				
\$10,275,607	\$9,431,915	(\$843,692)	-8.2%	SALARIES	\$41,052,004	\$38,649,378	(\$2,402,626)	-5.9%
\$2,222,801	\$2,320,584	\$97,783	4.4%	FRINGE BENEFITS	8,939,380	9,260,975	\$321,595	3.6%
\$186,250	\$182,103	(\$4,147)	-2.2%	ACADEMIC CONTRACTS	745,000	728,411	(\$16,589)	-2.2%
\$508,552	\$507,845	(\$707)	-0.1%	RESIDENT CONTRACTS	2,034,208	2,031,378	(\$2,830)	-0.1%
\$263,917	\$263,950	\$33	0.0%	PHYSICIAN COMPENSATION	1,055,667	1,055,799	\$132	0.0%
\$13,457,127	\$12,706,397	(\$750,730)	-5.6%	TOTAL SALARY, F.B., & FEES	53,826,259	51,725,941	(\$2,100,318)	-3.9%
\$203,227	\$182,611	(\$20,616)	-10.1%	LAUNDRY & LINEN	813,675	751,498	(\$62,177)	-7.6%
\$164,923	\$162,147	(\$2,776)	-1.7%	RAW FOOD	659,964	608,029	(\$51,935)	-7.9%
\$1,744,464	\$1,996,963	\$252,499	14.5%	DRUGS	6,912,458	6,623,798	(\$288,660)	-4.2%
\$944,428	\$846,947	(\$97,481)	-10.3%	BLOOD & BLOOD DERIVATIVES	3,836,441	2,990,172	(\$846,269)	-22.1%
\$2,217,070	\$2,183,779	(\$33,291)	-1.5%	MEDICAL SUPPLIES & SERVICES	9,006,148	8,477,898	(\$528,250)	-5.9%
\$486,104	\$457,014	(\$29,090)	-6.0%	UTILITIES	2,195,667	2,145,353	(\$50,314)	-2.3%
\$63,833	\$62,980	(\$853)	-1.3%	INSURANCE	253,843	254,452	\$609	0.2%
\$325,024	\$286,137	(\$38,887)	-12.0%	RENTAL	1,299,430	1,245,016	(\$54,414)	-4.2%
\$433,236	\$319,117	(\$114,119)	-26.3%	MAINTENANCE & REPAIR	1,718,967	1,472,618	(\$246,349)	-14.3%
\$2,038	\$18,897	\$16,859	827.2%	NET LOSS ON DISPOSAL OF ASSETS	8,087	27,656	\$19,569	242.0%
\$23,951	\$23,982	\$31	0.1%	CAMPUS ADMINISTRATION EXPENSE	95,030	95,155	\$125	0.1%
\$1,474,402	\$1,443,011	(\$31,391)	-2.1%	DEPRECIATION	5,813,482	5,730,766	(\$82,716)	-1.4%
\$1,089,560	\$1,088,771	(\$789)	-0.1%	INTEREST	4,362,654	4,453,162	\$90,508	2.1%
\$1,624,653	\$1,497,521	(\$127,132)	-7.8%	GENERAL SUPPLIES & EXPENSE	6,446,211	5,616,265	(\$829,946)	-12.9%
\$24,254,040	\$23,276,274	(\$977,766)	-4.0%	TOTAL EXPENDITURES	\$97,248,316	\$92,217,779	(\$5,030,537)	-5.2%
(\$1,439,125)	(\$829,948)	\$609,177	-42.3%	NET REVENUE FROM OPERATIONS	(\$5,560,216)	(\$4,136,382)	\$1,423,834	-25.6%
				NON-OPERATING REVENUE				
\$1,298,250	\$1,298,354	\$104	0.0%	APPROPRIATIONS & SUPPORT	\$5,193,000	\$5,142,486	(\$50,514)	-1.0%
\$623,991	\$627,904	\$3,913	0.6%	INTEREST INCOME ON RESERVES	2,588,539	2,547,185	(\$41,354)	-1.6%
\$15,373	\$17,458	\$2,085	13.6%	SHARED SERVICES	60,995	58,872	(\$2,123)	-3.5%
\$126,035	\$122,211	(\$3,824)	-3.0%	INVESTMENT INCOME HELD BY TRUSTEE	504,061	489,830	(\$14,231)	-2.8%
\$11,041	\$39,473	\$28,432	257.5%	OTHER INVESTMENT INCOME	43,808	68,632	\$24,824	56.7%
\$2,074,690	\$2,105,400	\$30,710	1.5%	TOTAL NON-OPERATING REVENUE	\$8,390,403	\$8,307,005	(\$83,398)	-1.0%
\$635,565	\$1,275,452	\$639,887	100.7%	REVENUE OVER/(UNDER) EXPENSE	\$2,830,187	\$4,170,623	\$1,340,436	47.4%

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

SUMMARY OF ADJUSTMENTS TO THE 1988-89 PRELIMINARY STATEMENT OF OPERATIONS

The preliminary 1988-89 Statement of Operations presented in July indicated that the net revenue over expense for the fiscal year was \$453,746. At the time preliminary statements were issued in July, the University had not completed its year-end closing process. During the subsequent closing process several adjustments were made which have changed the net revenue over expense to \$2,488,240. The following is a summary of those adjustments.

Preliminary Revenue Over Expense	\$2,073,186
Prior Year BC/BS Adjustment	<u><1,619,4401></u>
Preliminary Net Revenue Over Expense	\$453,746
Campus Fringe Benefit Adjustment for Over Recovery of Expense	<u><799,569></u>
Preliminary Net Revenue Over Expense as Adjusted	<\$345,823>
Restatement of BC/BS Adjustment to the Prior Year	\$1,619,440
Subsequent Entries Resulting From University of Minnesota Final 6/30/89 Closing:	
Increase in Investment Income	140,551
Decrease in Operating Expenses	300,896
Third Party Contractual Adjustments Increasing Expected Payments from Third Parties	773,176
Independent Auditor Adjustments	<u>-0-</u>
Final Net Revenue Over Expense	<u>\$2,488,240</u>



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

November 15, 1989

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing
 Senior Associate Director

SUBJECT: Report of Operations for the Period
 July 1, 1988 through June 30, 1989

The 1988-89 fiscal year for University of Minnesota Hospital and Clinic has shown a decline in inpatient admissions for the first time since fiscal year 1985-86. At the same time, however, we experienced a significant increase in ancillary utilization, and our outpatient clinic visits increased over prior year levels. Our levels of staffing and operating expenses increased during the year as outpatient and ancillary demand for services went up. Below is a brief summary of major factors which have contributed to our 1988-89 financial position.

Inpatient Census: Admissions for the 1988-89 fiscal year totaled 18,856 compared to 19,246 for the previous year, a decrease of 390, or (2.0%). Patient days for the year totaled 158,375, up by 3,838 (2.5%) from 154,537 days in 1987-88. The hospital overall average length of stay increased from 8.0 days last year to 8.4 days in the current year.

We budgeted for a decline in our inpatient census levels in 1988-89 which was consistent with industry trends. However, we experienced slightly higher than anticipated inpatient admissions and significantly higher patient days, due to an increase in average length of stay. While admissions in most areas decreased from the prior year or remained constant, Medicine and Transplant Surgery showed some increase. The major contributors to the increase in Medicine and Surgery were increased efforts of our Outreach program, and the continuing expansion of existing programs. Average length-of-stay increased slightly as a result of a small increase in the acuity levels for some patient populations.

To recap our inpatient census for the 1988-89 fiscal year:

	<u>1987-88 Actual</u>	<u>1988-89 Budget</u>	<u>1988-89 Actual</u>	<u>Variance</u>	<u>% Variance</u>
Admissions	19,246	18,700	18,856	156	0.8
Avg. Lgth. of Stay	8.0	7.7	8.4	0.7	9.1
Patient Days	154,537	143,700	158,375	14,675	10.2
Percent Occupancy	72.9	68.2	74.5	6.3	9.2
Avg. Daily Census	422.2	393.7	433.9	40.2	10.2

Outpatient Census: The Hospital's outpatient clinic census showed a significant increase over the 1987-88 levels, going from 264,505 visits in 1987-88 to 272,322 in 1988-89. This represents a 3.0% increase over the prior year levels and a 2.5% increase (6,222) over the budgeted 1988-89 total of 266,100. The increase in clinic census occurred in most clinic areas, with the most significant increases occurring in Dermatology, Orthopedics, Masonic Day Hospital, Family Practice, Emergency Room, Adult Psych, and the Diabetes Center.

To recap our outpatient census for the 1988-89 fiscal year:

	<u>1987-88 Actual</u>	<u>1988-89 Budget</u>	<u>1988-89 Actual</u>	<u>Variance</u>	<u>% Variance</u>
Clinic Visits	264,505	266,100	272,322	6,622	2.5
CUHCC Visits	48,305	50,000	48,265	(1,735)	(3.5)
HHA Visits	9,409	9,600	12,070	2,470	25.7

Operations - Revenue: Patient care revenue for the 1988-89 fiscal year totaled \$309,737,139 and is an increase of \$49,123,657 (18.8%) over the 1987-88 fiscal year. The increase in revenue is approximately \$28,318,100 above budget and results in an overall favorable variance of 10.1%. This overall variance is due to higher than anticipated patient days and higher than anticipated ancillary utilization for inpatient populations.

Routine revenue totaled \$81,851,063, and represents a favorable variance of approximately \$9,702,100. Ancillary service revenue totaled \$227,886,076, and was approximately \$18,616,100 (8.9%) above budget. The overall ancillary variance reflects a utilization level per patient that was higher than anticipated. Inpatient ancillary revenue per admission averaged \$8,840 compared to the budgeted average of \$7,982. Outpatient revenue per clinic visit was right at budgeted levels of \$225. Nearly all ancillary areas experienced revenues above budget, with the greatest increases occurring in the operating room, clinical labs and the blood bank, cardio-respiratory areas, diagnostic radiology, and central sterile processing. In addition, we saw a continued increase in revenue from the expansion of existing programs, specifically Home Nutrition and Transplants.

Deductions from Charges: Deductions from charges totaled \$71,760,252 for the fiscal year and represent an overall unfavorable variance of \$23,089,252. The major portion of this variance is a \$13,064,500 (44.9%) unfavorable variance in government contractual adjustments. While reimbursement rates per admission for both Medicare and Medical Assistance patients rose in 1988-89, they lagged behind the increases in charges per case by 4%, accounting for more than \$6,000,000 of the variance. In addition, UMHC experienced increased write-offs due to more restrictive screen limits on MA charges, lower MA reimbursement from other states as those states moved to DRG payment systems, and unfavorable Medicare settlements of several prior periods.

The \$6,001,700 (81.7%) unfavorable variance in HMO write-offs and \$3,570,200 (41.1%) unfavorable variance in billing adjustments were due to several factors. In 1988-89, we saw an increase in the number of negotiated contracts for specific services (\$1,500,000), increased HMO volumes (\$1,834,000), smaller than anticipated final HMO settlements for prior periods (\$752,000), and a significant decrease in the reimbursement rates from AWARE, 11% for inpatient and 14% for outpatient (\$3,503,000), due to increased average charges per case.

Other Operating Revenue: Other operating revenue totaled \$9,944,090 for the 1988-89 fiscal year, an increase of \$1,348,000 (15.7%) over the prior year total of \$8,596,071. The increase is \$1,260,100 (14.5%) over the budgeted revenue of \$8,684,000, and reflects significant volume variances for parking services, reference lab, and professional fees. Partially offsetting this increase is a devaluation of the silver salvaged from old radiology films.

Operations - Expenditures: Operating expenses for the 1988-89 fiscal year totaled \$269,013,277 and was an increase of \$21,789,421 (8.8%) over the 1987-88 fiscal year. The increase in expense was approximately \$10,537,300 over budget and resulted in an overall variance of 4.1%. Most of this variance was associated with the increase in demand for patient services.

Personnel costs (salaries and fringe benefits) were over budget by \$5,429,900. The increased salary costs were the result of higher staffing levels. During the 1988-89 fiscal year we averaged 4,106 full-time equivalents (FTE's), which was an increase of 177 over the budgeted total of 3,929. The increase in staffing levels is largely attributed to the increased census levels experienced throughout the year, with patient-related services accounting for 72% of the FTE increase. The favorable variance in fringe benefit expenses relates to a much lower fringe benefit rate being charged than what was budgeted. While we experienced the expected increase in our health insurance rates, the rates on the other benefit components were significantly less than what was anticipated.

Supplies and expense directly related to patient care activities were \$5,963,500 over budget in aggregate. Many of these expenses

relate directly to the increase in ancillary revenues. They include such things as drugs, blood and blood derivatives, laboratory and medical supplies, laundry and food services, services related to kidney and bone marrow acquisitions, rental of patient care equipment, and patient care contracted services.

Expenses related to buildings, building services, and equipment were \$357,700 under budget. These costs include utilities, maintenance and repair, communications, building rental, and depreciation. Equipment depreciation expense accounted for most of the total variance. This decrease resulted from delays in purchasing some capital items, and decisions to lease some items that we had originally planned to purchase.

Insurance expense for 1988-89 totaled \$1,104,582 and was \$278,418 under budget. This variance is partly the result of a drop in the premium cost of our liability and property insurance. In addition, we received a large retroactive credit adjustment against the liability insurance premium because of our low loss experience.

Finally, we experienced a net favorable variance in our general supply and expense categories totaling \$220,300. The major portions of this variance relate to an \$870,000 favorable variance in general administrative expenses, such as advertising, consulting, travel, and contracted services, and a \$394,000 favorable variance in stipend and insurance costs for residents, and insurance costs for the Emergency Room physicians. Offsetting this favorable variance is an unfavorable variance in interest expense of \$948,500 due to increased rates on the variable rate bonds.

Non-Operating Revenue: Non-operating revenues totaled \$23,580,540 in 1988-89 and represent a favorable variance from budget of \$2,402,500. The overall variance is mainly due to increased interest earnings on our reserve funds. Our reserves showed a higher cash balance than what was anticipated, and we earned a higher interest rate on those funds.

Accounts Receivable: The balance in patient accounts receivable as of June 30, 1989 totaled \$87,672,795 and represents 97.4 days of revenue outstanding; this is a decrease of 1.3 days and an increase of \$7,437,585 from June 30, 1988. Factors contributing to this increase include the higher charge levels per patient, and continuing changes in third party billing requirements.

Capital Expenditures: During the 1988-89 fiscal year, UMHC expended \$22,525,700 from hospital operating funds, \$2,500,000 from our reserve funds, and \$5,200,900 from the hospital plant and trustee funds for current year capital expenditures. The major components of our capital spending were: (1) \$11,830,300 for recurring equipment, remodeling, and renovation, (2) \$1,011,700 in principal payments for computer hardware and the lithotripter, (3) \$2,500,000 in principal payments on short-term debt, and (4) \$14,884,600 in principal and interest payments on bonds.

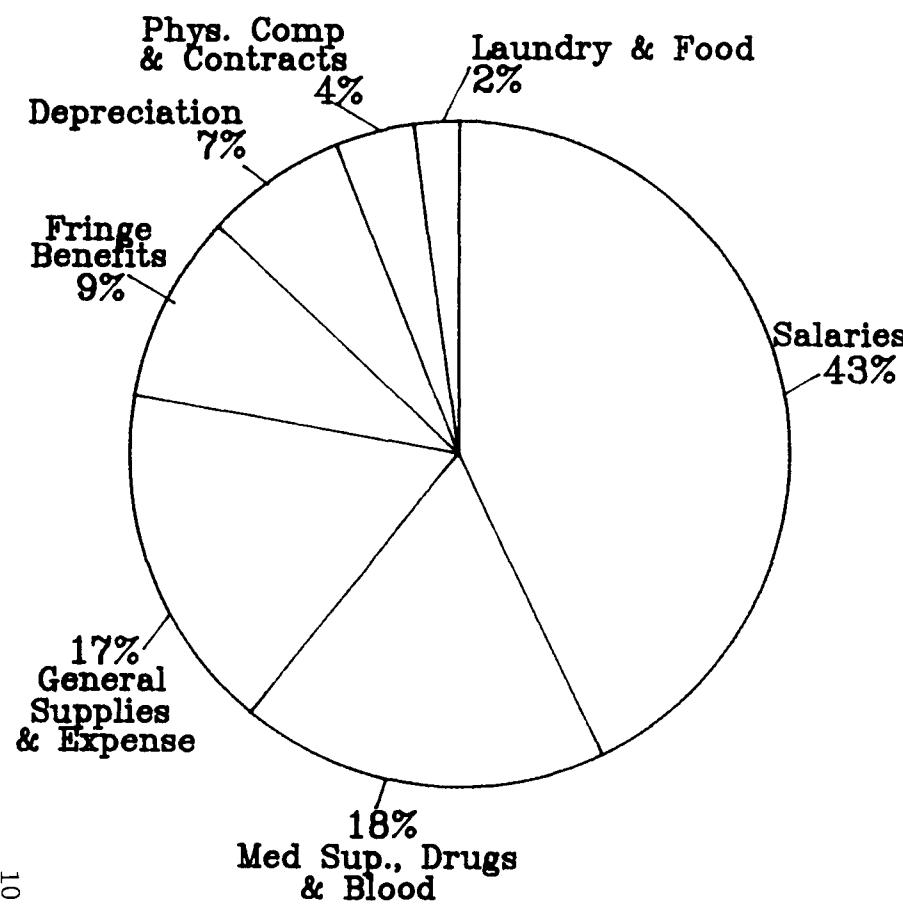
Conclusion: For the first time since fiscal year 1985-86, UMHC experienced a decline in our admission levels. At the same time, our outpatient visits increased and our average length of stay climbed, forcing up our patient days. Although the increased ALOS can be explained in part by a slightly higher patient acuity, the impact of longer stays on reimbursement from third party payors can be considerable. We must continue to work towards identifying methods of maintaining and enhancing the quality of patient care while still maintaining the integrity of UMHC's financial position.

UMHC continued to experience increasing pressure from third party payors as HMO's, insurance companies, and self-insured companies moved to contract for specific services, and more governmental agencies moved towards prospective payment systems. These activities are continuing to force UMHC, as well as other providers, away from fee-for-service pricing and toward negotiated fixed fee pricing. UMHC must keep working with the HMO's, PPO's, and other insurers to develop pricing strategies which will enhance our competitive position while enabling us to meet our financial goals and objectives.

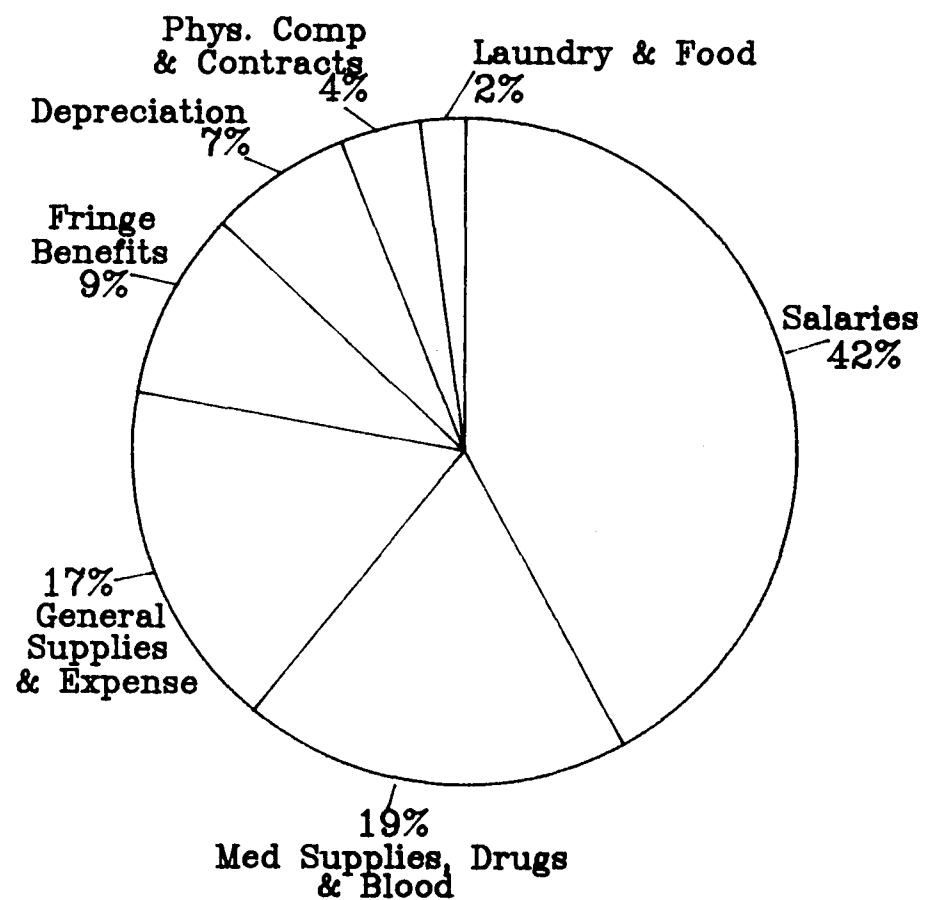
The competitive and cost conscious environment we are in will continue, and will challenge us to find new sources of revenue and ways to reduce costs. Market penetration, program diversification and expansion, program affiliation, and possible program divestiture, where appropriate, may be required for UMHC to sustain its mission of patient service, education, and research.

University of Minnesota Hospital and Clinic

87/88 Expense Summary

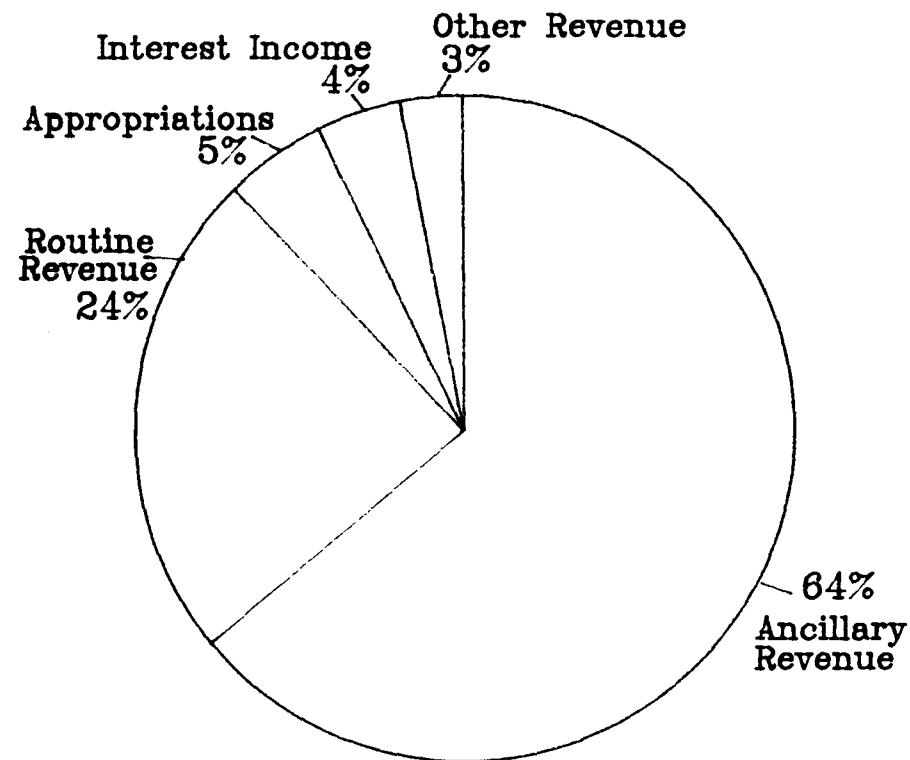


88/89 Expense Summary

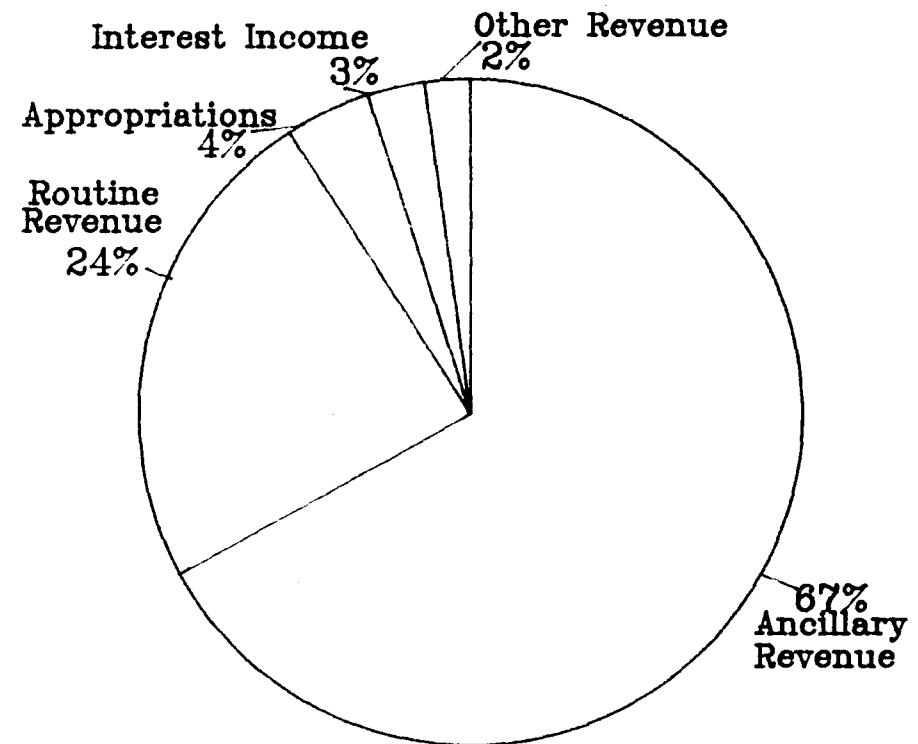


University of Minnesota Hospital and Clinic

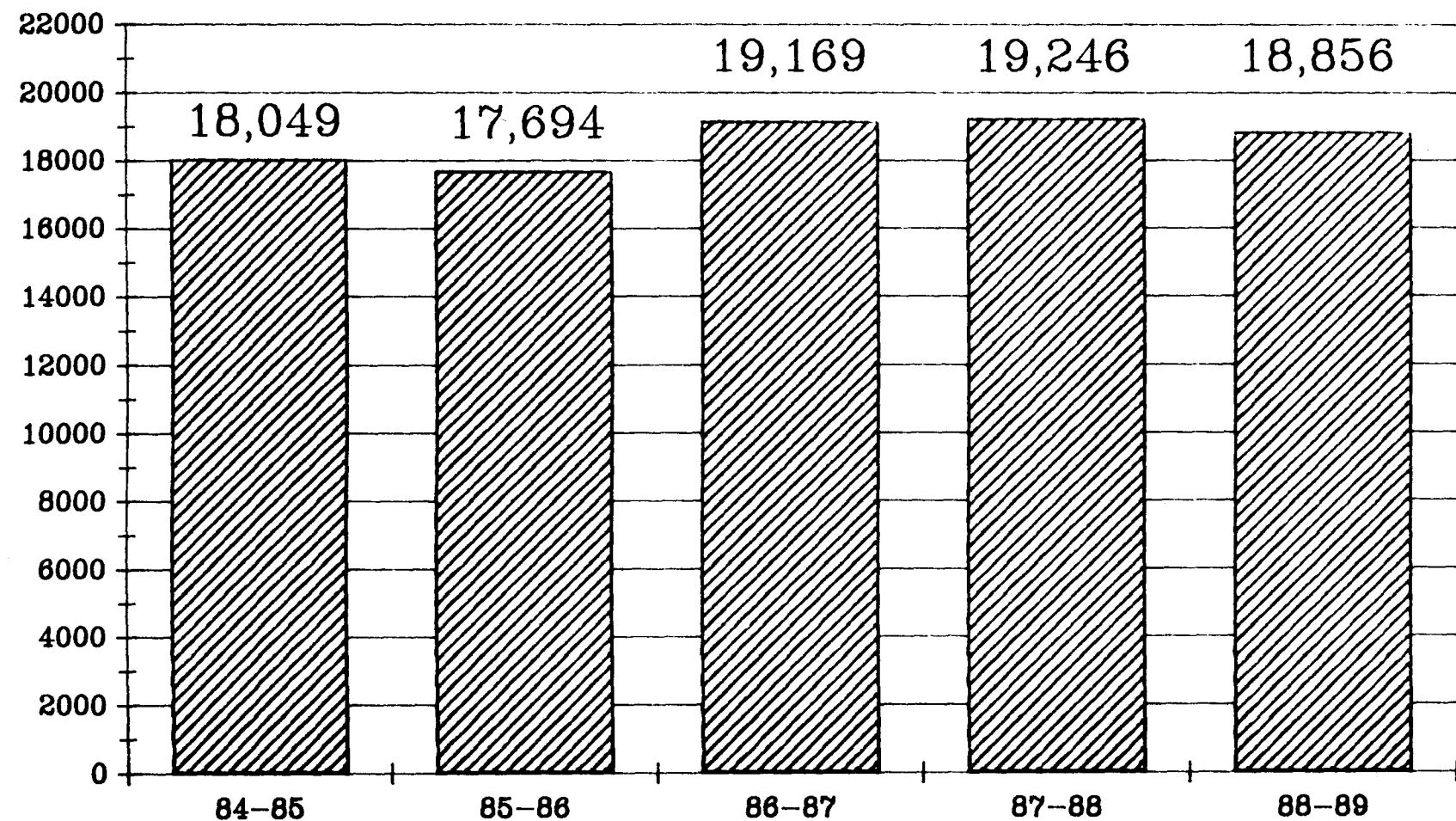
87/88 Revenue Summary



88/89 Revenue Summary



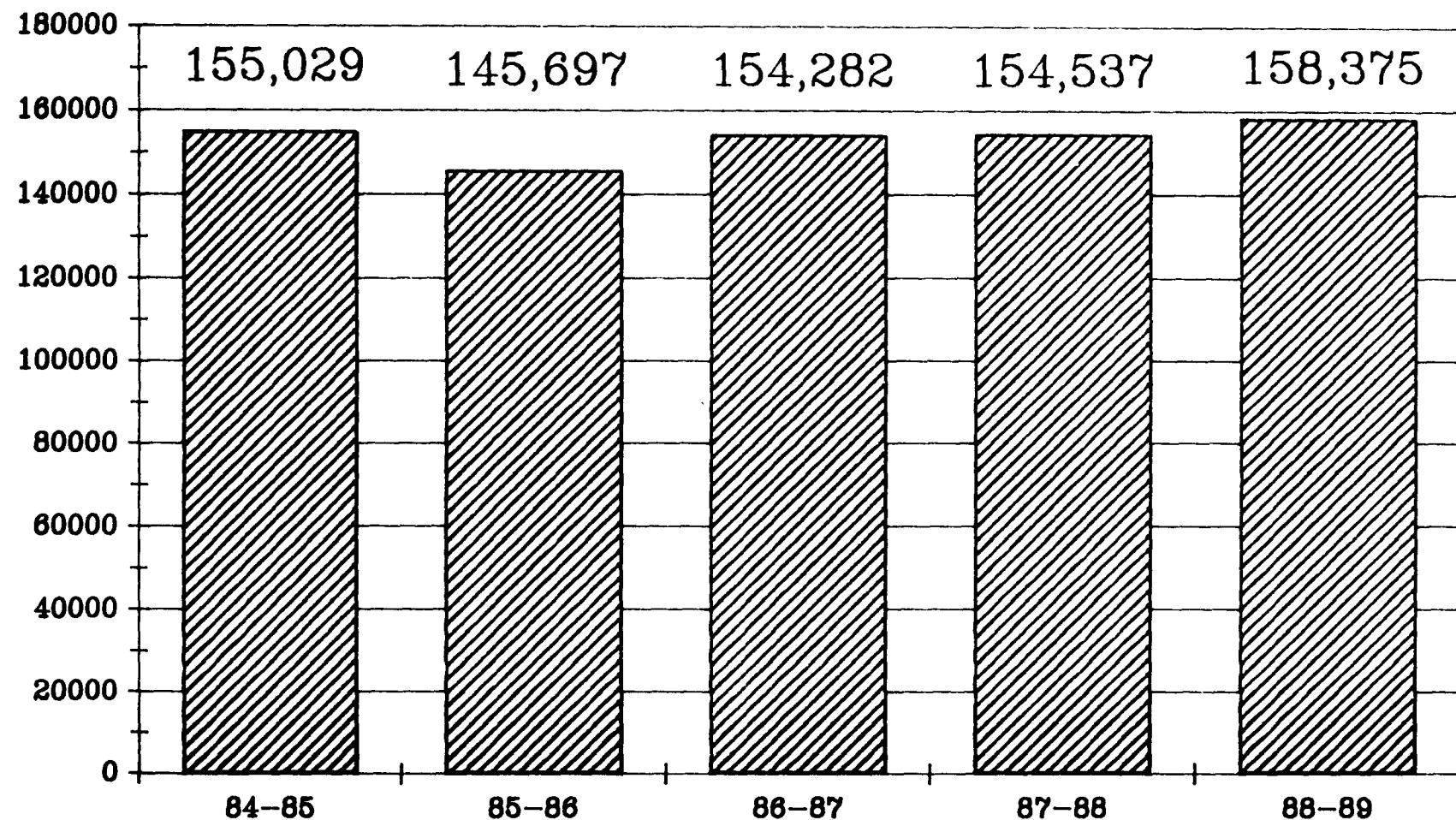
University of Minnesota Hospital and Clinic
Admissions
1984-85 through 1988-89



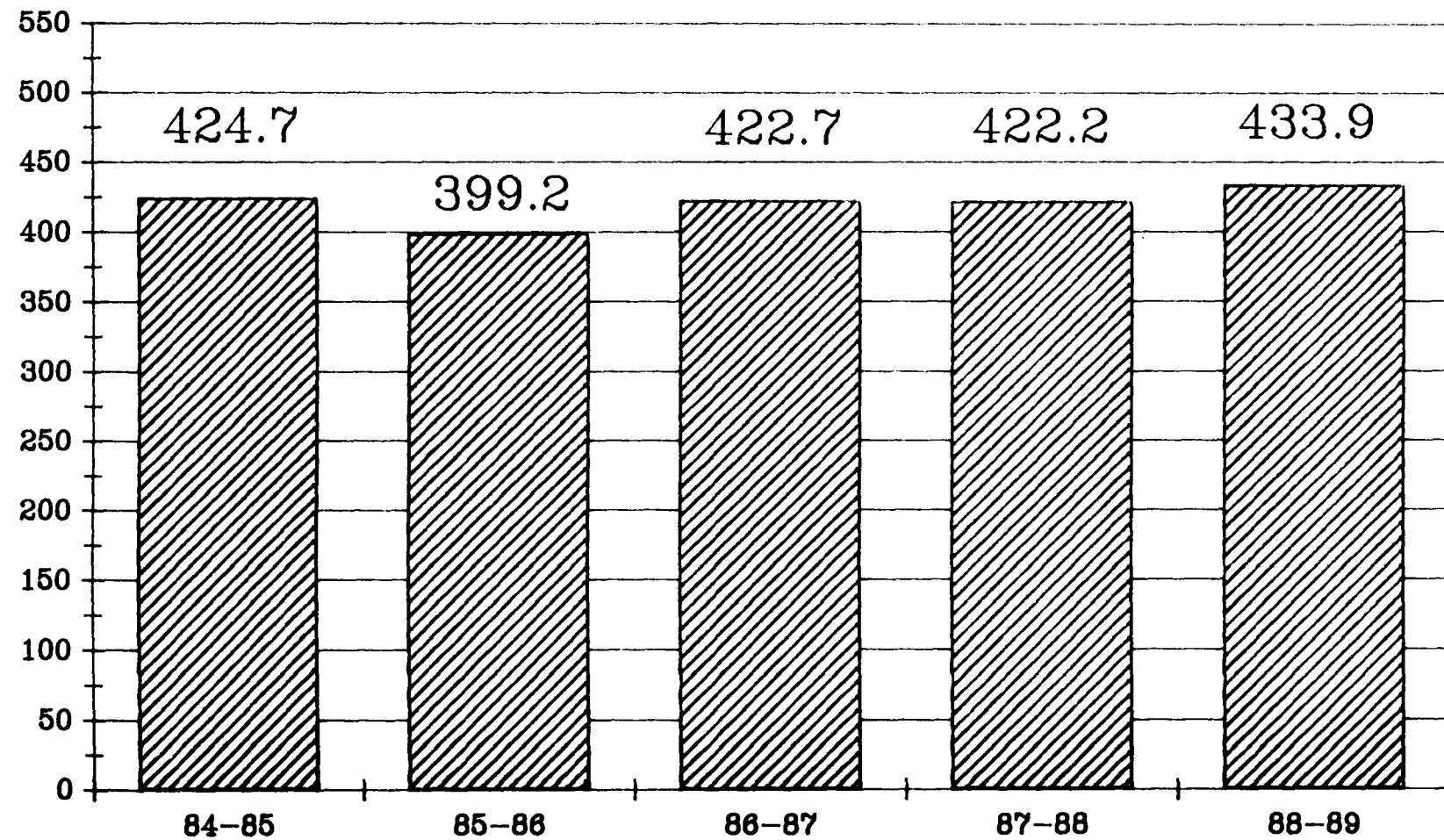
University of Minnesota Hospital & Clinic
 Inpatient Admissions by Clinical Service
 For FY 1984-85 through 1988-89

Admissions	1984-85	1985-86	1986-87	1987-88	1988-89
Clinical Research	370	359	482	434	416
Dentistry	97	74	70	56	47
Dermatology	52	30	23	24	32
Family Practice	49	33	27	27	24
Gynecology	1,390	1,325	1,476	1,336	1,249
Medicine	3,473	3,297	3,981	4,354	4,660
Neurology	627	634	431	367	357
Neurosurgery	996	919	878	898	937
Newborn	453	318	346	345	354
Obstetrics	654	508	594	575	586
Ophthalmology	1,015	994	990	968	574
Orthopedics	1,057	979	1,020	1,193	1,205
Otolaryngology	569	502	459	447	415
Pediatrics	3,075	3,097	3,322	3,080	3,024
PM & R	300	197	163	173	206
Psychiatry - Adult	619	728	783	827	854
Psychiatry - Child	91	83	90	95	91
Surgery	2,456	2,678	2,931	3,093	2,960
Urology	697	933	1,099	943	839
Other	9	6	4	11	26
Total	18,049	17,694	19,169	19,246	18,856

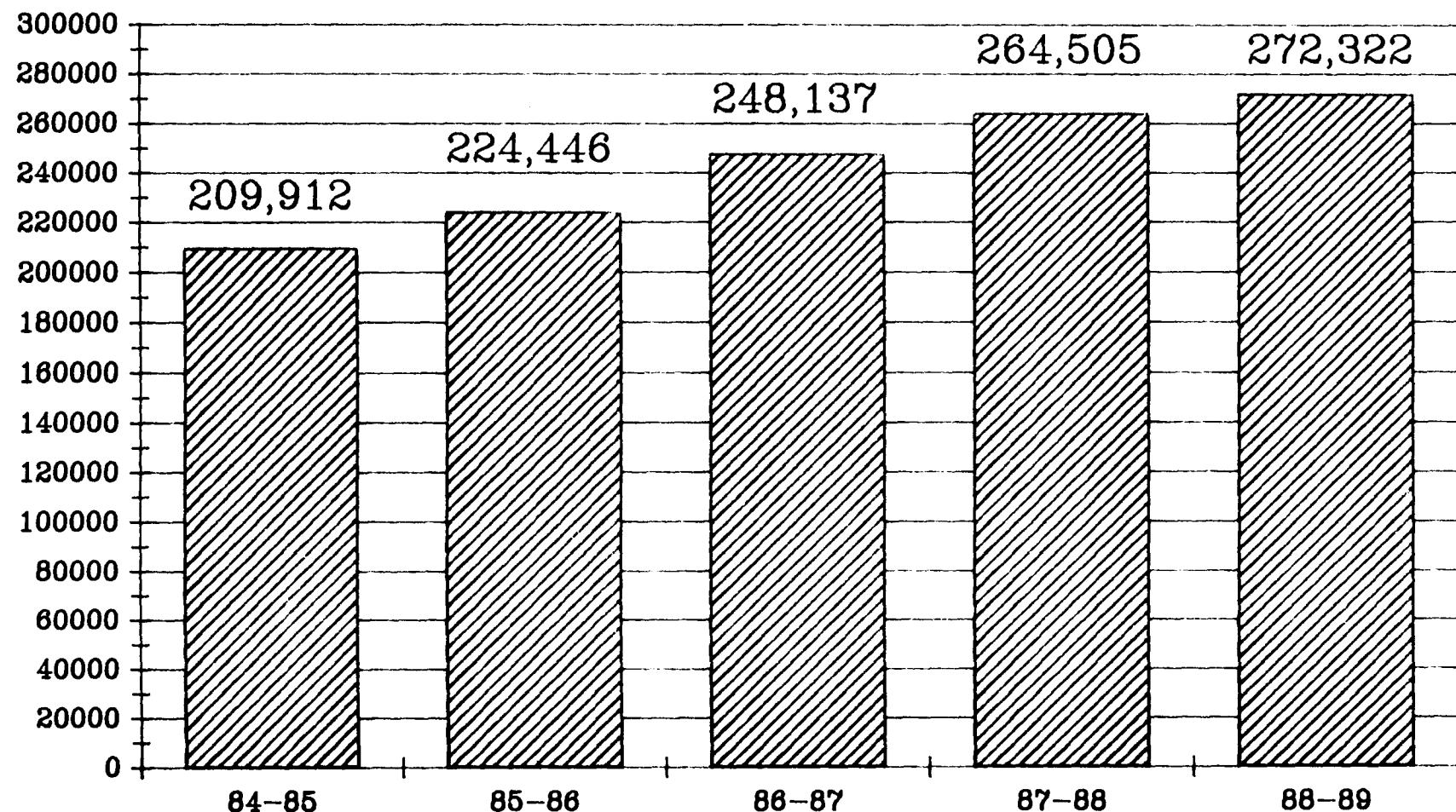
University of Minnesota Hospital and Clinic
Patient Days
1984-85 through 1988-89



University of Minnesota Hospital and Clinic
Average Daily Census
1984-85 through 1988-89



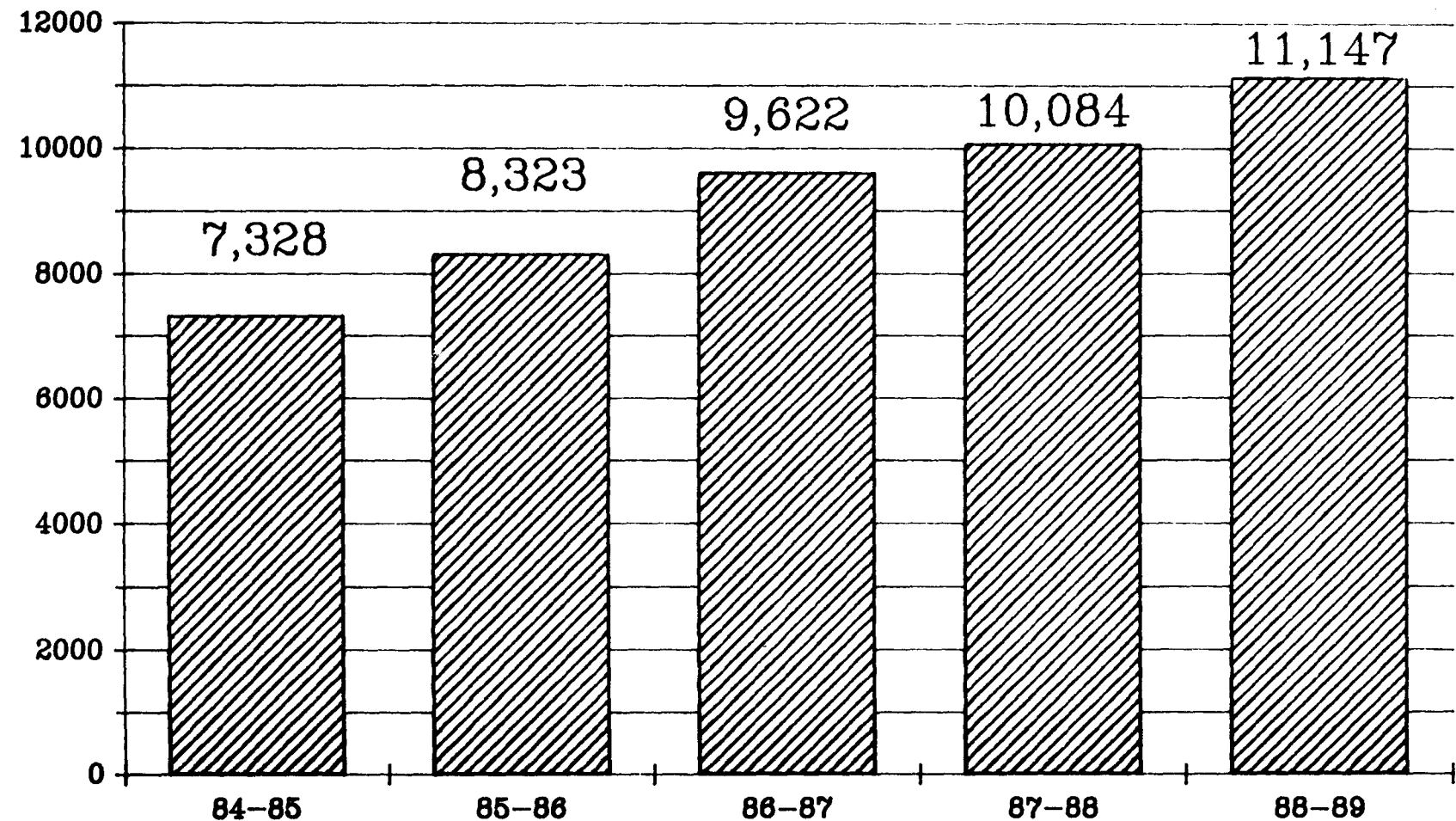
University of Minnesota Hospital and Clinic
Outpatient Clinic Visits
1984-85 through 1988-89



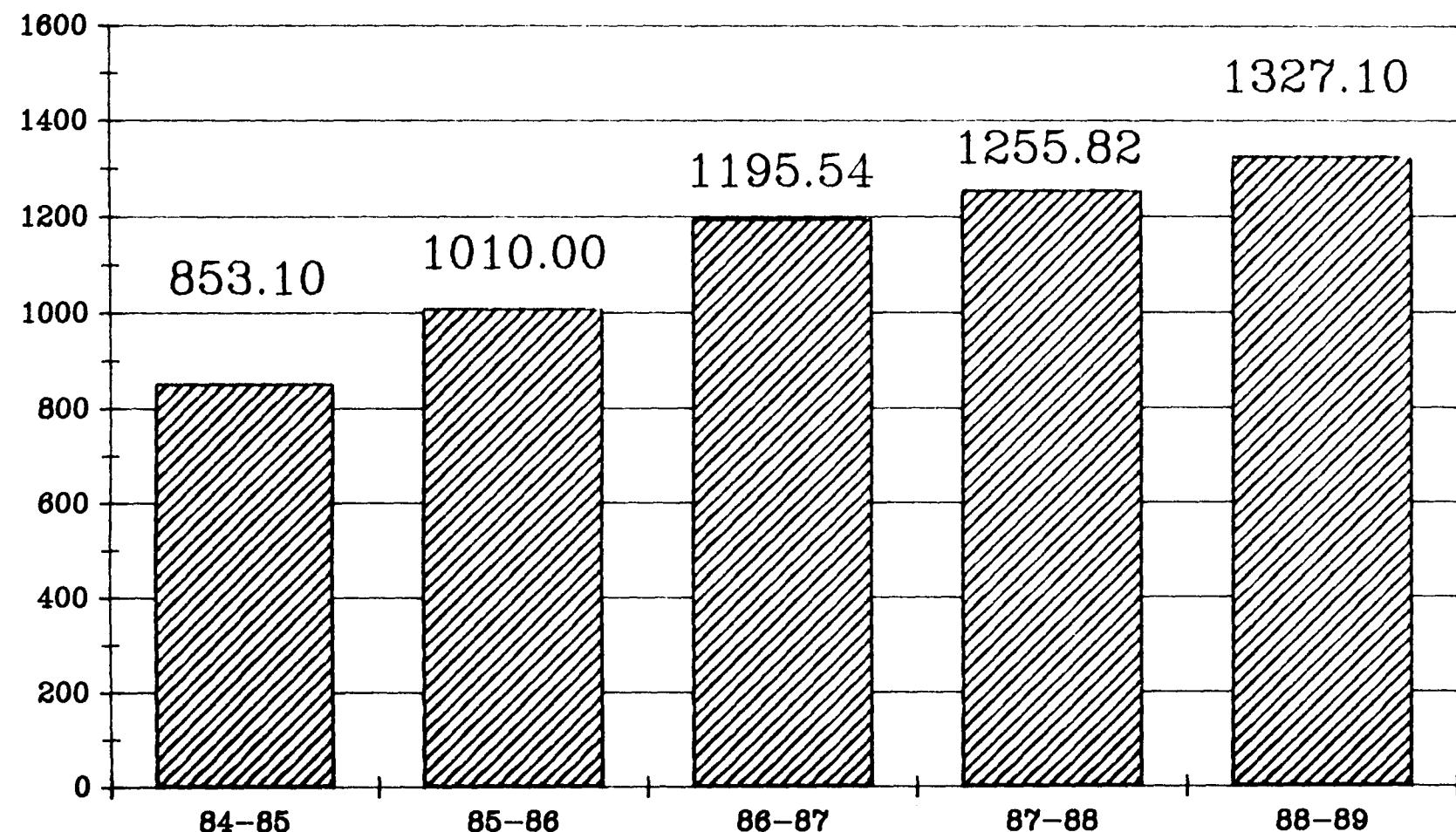
University of Minnesota Hospital & Clinic
 Outpatient Clinic Visits by Clinical Services
 For FY 1984-85 through 1988-89

Clinic Visits	1984-85	1985-86	1986-87	1987-88	1988-89
Ambulatory Surgery	3,136	3,725	3,750	3,631	3,030
Dentistry	4,096	3,941	4,102	5,270	5,524
Dermatology	11,742	11,922	13,517	13,854	16,313
Emergency Room	13,396	14,551	16,119	15,401	16,938
Family Practice	8,737	8,779	8,970	9,882	11,646
Gynecology	17,284	16,713	17,328	17,886	15,127
Medicine	25,988	28,923	38,623	45,400	49,859
Neurology	4,848	4,833	4,667	4,595	4,569
Neurosurgery	3,283	3,425	3,373	3,982	3,991
Obstetrics	2,681	2,316	2,303	2,595	2,429
Ophthalmology	23,340	23,950	25,526	26,905	23,576
Orthopedics	10,983	14,597	15,187	16,640	19,337
Otolaryngology	11,984	10,296	10,651	9,985	9,758
Pediatrics	13,732	13,863	14,593	14,600	15,547
PM & R	1,505	1,459	1,512	2,039	2,102
Psychiatry	20,107	22,715	24,793	24,405	26,368
Clinical Psych	1,822	2,609	3,173	4,215	4,182
Radiation Therapy	16,345	17,031	16,728	18,953	17,487
Surgery	10,285	12,465	14,041	14,731	15,458
Urology	4,618	6,333	9,181	9,536	9,081
Total	209,912	224,446	248,137	264,505	272,322

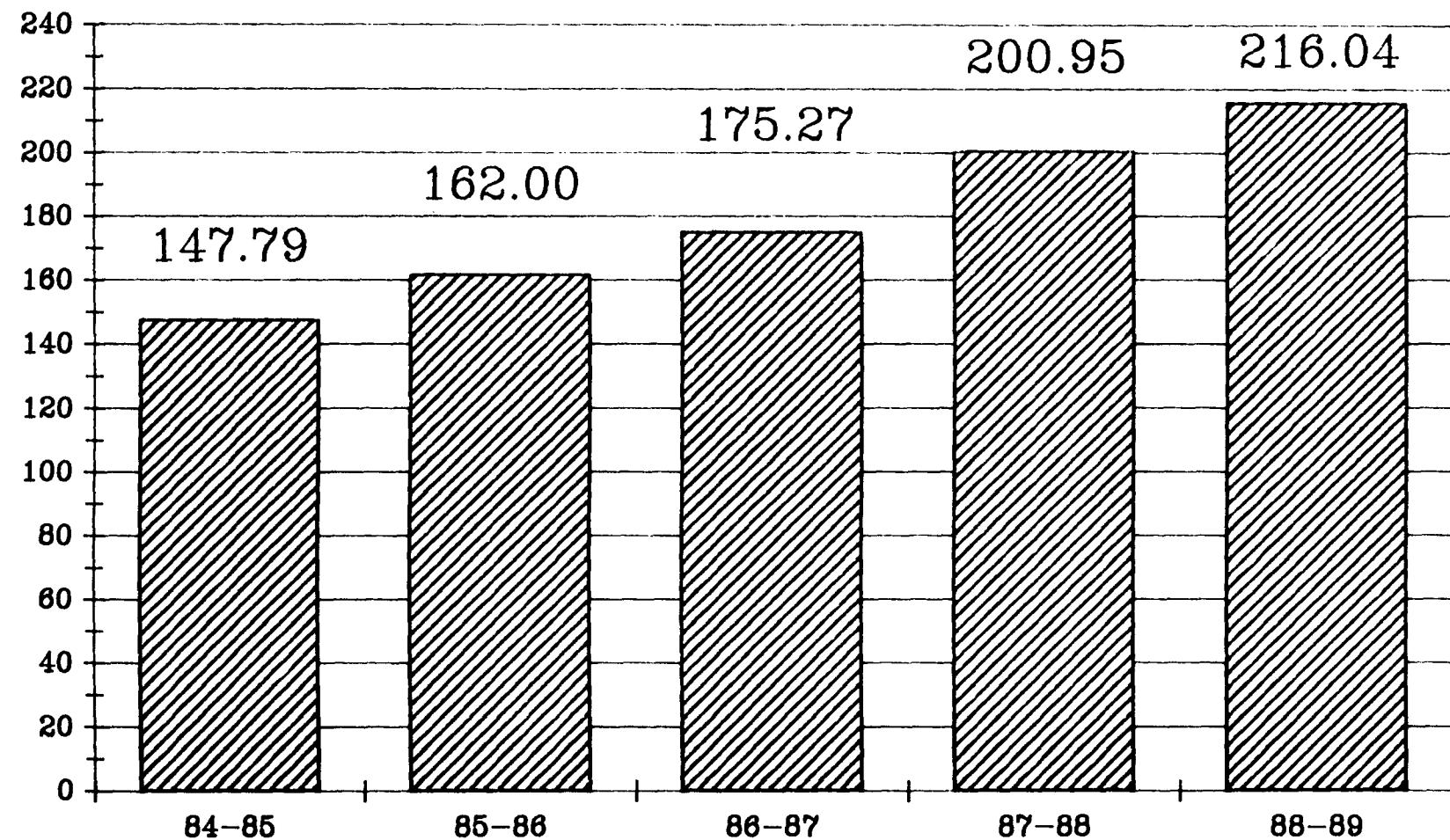
University of Minnesota Hospital and Clinic
Inpatient Cost Per Admission
1984-85 through 1988-89



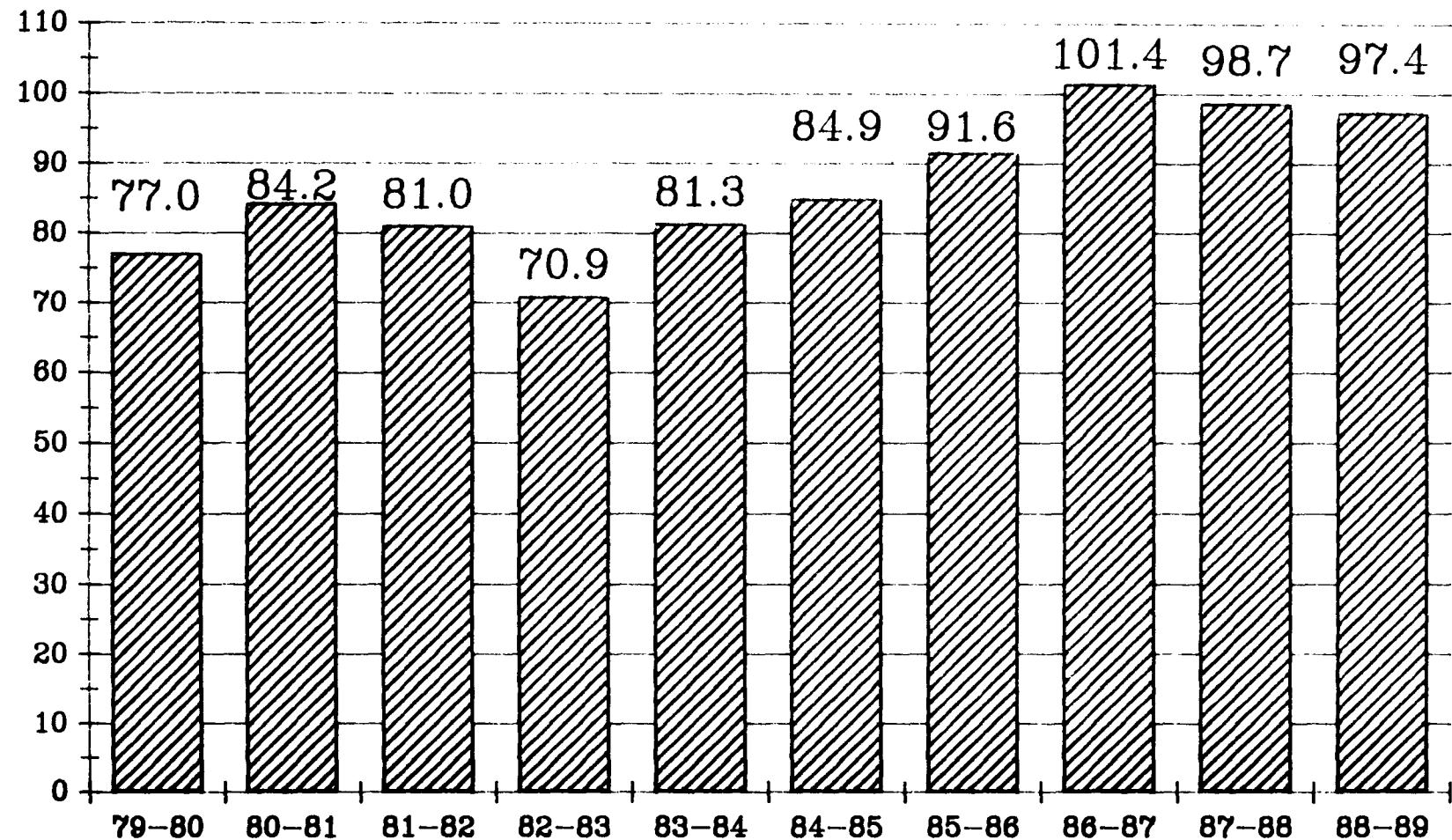
University of Minnesota Hospital and Clinic
Inpatient Cost Per Patient Day
1984-85 through 1988-89



University of Minnesota Hospital and Clinic
Outpatient Cost Per Visit
1984-85 through 1988-89



University of Minnesota Hospital and Clinic
Revenue Days in Accounts Receivable
1979-80 through 1988-89



UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

SOURCE OF RECEIPTS

1985 TO 1989

	1985		1986		1987		1988		1989	
	AMT.	IN	AMT.	IN	AMT.	IN	AMT.	IN	AMT.	IN
	1,000'S	TOTAL	1,000'S	TOTAL	1,000'S	TOTAL	1,000'S	TOTAL	1,000'S	TOTAL
MEDICARE	\$39,556	20.7	\$39,984	20.5	\$44,949	19.7	\$47,513	18.5	\$48,456	17.2
MEDICAL ASSISTANCE & FEDERAL CRIPPLED CHILDREN	12,983	6.8	12,181	6.2	19,526	8.6	26,883	10.5 *	27,333	9.7 *
BLUE CROSS	20,203	10.6	18,185	9.3	28,578	12.5	28,385	11.0	25,153	9.0
OTHER COMMERCIAL INSURANCE	71,879	37.5	78,602	40.1	89,312	39.2	93,167	36.2	102,214	36.3 **
HMO	N/A	N/A	N/A	N/A	N/A	N/A	12,556	4.9 **	18,606	6.6
PATIENT LIABILITY	9,567	5.0	9,288	4.8	9,817	4.3	8,657	3.4	11,229	4.0
MISC. AGENCY ACCOUNTS	12,383	6.5	10,144	5.2	9,182	4.0	11,488	4.5	15,552	5.5
COUNTY	994	0.5	1,318	0.7	825	0.4	735	0.3	961	0.4
STUDENT HEALTH SERVICE	36	0.0	12	0.0	N/A	N/A	N/A	N/A	N/A	N/A
COLLECTION AGENCIES	687	0.4	729	0.4	811	0.4	776	0.3	628	0.2
OTHER	1,040	0.5	261	0.1	810	0.4	885	0.3	3,301	1.2
REFUNDS	(3,948)	(2.1)	(3,340)	(1.7)	(4,860)	(2.1)	(4,925)	(1.9)	(5,651)	(2.0)
SUBTOTAL: PATIENT CARE RECEIPTS	\$165,380	86.4	\$167,364	85.6	\$198,950	87.4	\$226,120	88.0	247,782	88.1
APPROPRIATIONS/SUPPORT	12,939	6.7	13,106	6.7	13,860	6.1	14,409	5.6	14,877	5.3
INVESTMENT INCOME	8,580	4.5	9,756	5.0	8,771	3.8	9,861	3.8	8,532	3.0
OTHER INCOME	4,549	2.4	5,201	2.7	6,145	2.7	6,788	2.6	10,115	3.6
TOTAL	\$191,448	100.0	\$195,427	100.0	\$227,726	100.0	\$257,178	100.0	281,306	100.0

* Starting in 1987-88, Crippled Children receipts were recorded in the Misc. Agency Accounts.

** Starting in 1987-88, the HMO receipts were removed from Commercial Insurance and Blue Cross into a separate category.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

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

	1987-88 Actual	1988-89 Budgeted	1988-89 Actual	Over/-Under Budget	Variance %
Patient Care Charges	\$260,613,482	\$281,419,000	\$309,737,139	\$28,318,139	10.1%
Deductions from Charges	40,431,567	48,671,000	71,760,252	23,089,252	47.4%
Other Operating Revenue	8,596,071	8,684,000	9,944,090	1,260,090	14.5%
Total Operating Revenue	228,777,986	241,432,000	247,920,977	6,488,977	2.7%
Total Expenditures	247,223,855	258,476,000	269,013,277	10,537,277	4.1%
Net Operating Revenue	(18,445,869)	(17,044,000)	(21,092,300)	(4,048,300)	-23.8%
Non-Operating Revenue and Expenses	26,158,550	21,178,000	23,580,540	2,402,540	11.3%
Revenue Over/Under Expense	\$7,712,681	\$4,134,000	\$2,488,240	(\$1,645,760)	

	1987-88 Actual	1988-89 Budgeted	1988-89 Actual	Over/-Under Budget	Variance %
Admissions	19,246	18,700	18,856	156	0.8%
Patient Days	154,537	143,700	158,375	14,675	10.2%
Average Daily Census	422.2	393.7	433.9	40.2	10.2%
Average Length of Stay	8.0	7.7	8.4	0.7	9.1%
Percentage Occupancy	72.9	68.2	74.5	6.3	9.2%
Outpatient Clinic Visits	264,505	266,100	272,322	6,222	2.3%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

STATEMENT OF OPERATIONS

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

	1987-88 Actual	1988-89 Budgeted	1988-89 Actual	Over-/Under Budget	Variance %
Gross Patient Charges	\$260,613,482	\$281,419,000	\$309,737,139	\$28,318,139	10.1%
Deductions from Charges	40,431,567	48,671,000	71,760,252	23,089,252	47.4%
Other Operating Revenue	8,596,071	8,684,000	9,944,090	1,260,090	14.5%
Total Operating Revenue	\$228,777,986	\$241,432,000	\$247,920,977	\$6,488,977	2.7%
Expenditures					
Salaries	\$105,504,269	\$106,821,000	\$113,744,422	\$6,923,422	6.5%
Fringe Benefits	21,320,749	24,605,000	23,111,468	(1,493,532)	-6.1%
Contract Compensation	10,499,113	11,092,000	10,697,981	(394,019)	-3.6%
Medical Supplies, Drugs, Blood	45,134,368	47,713,000	52,478,620	4,765,620	10.0%
Campus Administration Expense	256,121	256,000	268,927	12,927	5.0%
Depreciation and Amortization	17,332,299	17,918,000	17,546,527	(371,473)	-2.1%
General Supplies & Expense	47,176,936	50,071,000	51,165,332	1,094,332	2.2%
Total Expenditures	\$247,223,855	\$258,476,000	\$269,013,277	\$10,537,277	4.1%
Net Revenue from Operations	(\$18,445,869)	(\$17,044,000)	(\$21,092,300)	(\$4,048,300)	-23.8%
Non-Operating Revenue and Expenses					
Appropriations	\$14,409,152	\$14,725,000	\$14,876,957	\$151,957	1.0%
Interest on Appropriations	324,019	0	99,895	99,895	
Interest Income on Reserves	6,797,363	5,258,000	7,272,043	2,014,043	38.3%
Shared Services	374,979	101,000	170,814	69,814	69.1%
Investment Inc. on Trustee Assets	2,674,850	1,094,000	1,017,062	(76,938)	-7.0%
Extraordinary Income	1,513,125	0	0	0	
Other Investments	65,062	0	143,769	143,769	
Total Non-Operating Revenues and Expenses	\$26,158,550	\$21,178,000	\$23,580,540	\$2,402,540	11.3%
Revenue Over Expense	\$7,712,681	\$4,134,000	\$2,488,240	(\$1,645,760)	

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

	1987-88 Actual	1988-89 Budgeted	1988-89 Actual	OVER/(UNDER) BUDGET	VARIANCE %
PATIENT CARE CHARGES					
ROUTINE	\$70,192,099	\$72,149,000	\$81,851,063	\$9,702,063	13.4%
ANCILLARY	190,421,383	209,270,000	227,886,076	\$18,616,076	8.9%
GROSS CHARGES	\$260,613,482	\$281,419,000	\$309,737,139	\$28,318,139	10.1%
DEDUCTIONS FROM CHARGES					
BILLING ADJUSTMENTS	8,004,470	\$8,692,000	\$12,262,187	\$3,570,187	41.1%
HMO/PPO DISCOUNTS	9,181,379	7,346,000	13,347,626	\$6,001,626	81.7%
GOVERNMENTAL CONTRACTUAL ADJUST	19,145,881	29,116,000	42,180,514	\$13,064,514	44.9%
CHARITABLE CARE	608,930	550,000	539,180	(\$10,820)	-2.0%
PROVISION FOR UNCOLLECTABLES	3,490,907	2,967,000	3,430,745	\$463,745	15.6%
TOTAL DEDUCTIONS	\$40,431,567	\$48,671,000	\$71,760,252	\$23,089,252	47.4%
OTHER OPERATING REVENUE					
FOOD SERVICES	1,479,398	\$1,528,000	\$1,551,150	\$23,150	1.5%
PARKING SERVICES	628,679	576,000	774,963	\$198,963	34.5%
DEPARTMENT NON-PATIENT	18,896	48,000	157,314	\$109,314	227.7%
CUHCC GRANTS	1,091,904	1,106,000	1,190,839	\$84,839	7.7%
REFERENCE LAB INCOME	1,459,628	1,487,000	2,269,513	\$782,513	52.6%
PRO FEES--NET REVENUE	1,472,219	1,533,000	1,664,367	\$131,367	8.6%
SILVER SALVAGE	262,643	0	(53,821)	(\$53,821)	
INCOME FROM BOND PROCEEDS	2,182,704	2,406,000	2,389,765	(\$16,235)	-0.7%
TOTAL OTHER REVENUE	\$8,596,071	\$8,684,000	\$9,944,090	\$1,260,090	14.5%
TOTAL REVENUE FROM OPERATIONS	\$228,777,986	\$241,432,000	\$247,920,977	\$6,488,977	2.7%
EXPENDITURES					
SALARIES	105,504,269	\$106,821,000	\$113,744,422	\$6,923,422	6.5%
FRINGE BENEFITS	21,320,749	24,605,000	23,111,468	(\$1,493,532)	-6.1%
ACADEMIC CONTRACTS	2,041,424	2,129,000	2,114,947	(\$14,053)	-0.7%
RESIDENT CONTRACTS	5,533,847	5,907,000	5,692,794	(\$214,206)	-3.6%
PHYSICIAN COMPENSATION	2,923,842	3,056,000	2,890,240	(\$165,760)	-5.4%
TOTAL SALARY, F.B., & FEES	\$137,324,131	\$142,518,000	\$147,553,871	\$5,035,871	3.5%
LAUNDRY & LINEN	2,192,920	2,418,000	2,285,407	(\$132,593)	-5.5%
RAW FOOD	1,654,789	1,760,000	1,793,814	\$33,814	1.9%
DRUGS	16,630,241	18,139,000	17,111,174	(\$1,027,826)	-5.7%
BLOOD & BLOOD DERIVATIVES	7,430,189	8,255,000	10,189,772	\$1,934,772	23.4%
MEDICAL SUPPLIES & SERVICES	21,990,073	21,318,000	25,177,674	\$3,859,674	18.1%
UTILITIES	5,554,625	5,923,000	5,786,226	(\$136,774)	-2.3%
INSURANCE	1,198,726	1,383,000	1,104,582	(\$278,418)	-20.1%
RENTAL	3,637,509	3,700,000	3,988,665	\$288,665	7.8%
MAINTENANCE & REPAIR	4,477,498	4,475,000	4,637,798	\$162,798	3.6%
NET LOSS ON DISPOSAL OF ASSETS	(3,661)	0	64,448	\$64,448	
CAMPUS ADMINISTRATION EXPENSE	256,121	256,000	268,927	\$12,927	5.0%
DEPRECIATION	17,332,298	17,918,000	17,546,527	(\$371,473)	-2.1%
INTEREST	12,414,209	12,005,000	12,953,503	\$948,503	7.9%
GENERAL SUPPLIES & EXPENSE	15,134,187	18,408,000	18,550,889	\$142,889	0.8%
TOTAL EXPENDITURES	\$247,223,855	\$258,476,000	\$269,013,277	\$10,537,277	4.1%
NET REVENUE FROM OPERATIONS	(18,445,869)	(17,044,000)	(21,092,300)	(\$4,048,300)	-23.8%
NON-OPERATING REVENUE					
APPROPRIATIONS & SUPPORT	14,409,152	\$14,725,000	\$14,876,957	\$151,957	1.0%
INTEREST ON APPROPRIATIONS	324,019	0	99,895	\$99,895	
INTEREST INCOME ON RESERVES	6,797,363	5,258,000	7,272,043	\$2,014,043	38.3%
SHARED SERVICES	374,979	101,000	170,814	\$69,814	69.1%
INVESTMENT INCOME HELD BY TRUSTEE	2,674,850	1,094,000	1,017,062	(\$76,938)	-7.0%
OTHER INVESTMENT INCOME	65,062	0	143,769	\$143,769	
EXTRAORDINARY INCOME	1,513,125	0	0	0	
TOTAL NON-OPERATING REVENUE	\$26,158,550	\$21,178,000	\$23,580,540	\$2,402,540	11.3%
REVENUE OVER/(UNDER) EXPENSE	\$7,712,681	\$4,134,000	\$2,488,240	(\$1,645,760)	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance	\$208,805
Net Income from Operations	(21,092,300)
Non-Operating Revenue	23,580,540
	=====
Excess of Revenue over Expense	2,488,240
Items not Requiring the Outlay of Cash	
Depreciation	17,546,527
University Support: G & A	168,927
Loss on Disposal of Assets	64,448
Deferred Third Party Reimbursement	782,832
Renewal Project Interest Expense	10,170,053
Increase in Accrued Expenses	987,752
Decrease in Prepaid Expenses	319,985
Transfer Third Party Reserve	4,929,495
Increase in Third Party Payable	394,078
Increase in Other Receivables	1,000,704
	=====
Total Funds Provided from Operations	\$39,061,845

Funds Applied

Capital Expenditures	7,641,089
Appropriation Receivable	1,235,467
Third Party Receivable	6,333,531
Increase in Accounts Receivable	3,717,485
Investment Income - Trustee-held Assets	1,017,062
Increase in Inventory	268,470
Transfer to Reserves - Fringe Benefits	798,151
Transfers to Reserves - Bond Retirement	12,415,638
	=====
Total Funds Applied	\$33,426,893
Operating Cash Made Available from Operations	\$5,634,952
	=====

Total Operating Cash Available:	5,634,952
Transfers for Bond Retirement:	12,415,638
Transfers to Plant:	7,641,089
	=====

Total Cash generated from Operations: 25,691,679

Current Cash Summary

Operating Cash	\$5,634,952
Operating Cash: year-end closing	1,809,268
Reserve Cash for Liability to Third Party Payors	4,994,383
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	5,984,143
Reserve Cash for Fringe Benefit Recovery	798,151
	=====
	21,720,897
Less Interest Income on Reserves	(7,371,938)
	=====
Total Current Cash	\$14,348,959
	=====

**UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS**

JUNE 30, 1989 AND JUNE 30, 1988

		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	\$8,966,779	\$8,469,423
Reserve Cash- Third Party Payable		4,994,383	8,918,146	Payable to Third Party Contr. Payors	10,071,821	10,160,430
Reserve Cash- Current Indebtedness		8,484,143	8,563,351	Salaries, Wages and Payroll Taxes	4,820,284	4,550,262
Reserve Cash-Fringe Benefits		798,151		Accrued Vacation	8,187,806	7,359,638
A/R Patient Receivables		87,672,795	80,235,210	Accrued Professional Fees and Physician Compensation	741,071	1,335,462
Other Receivables		1,167,188	1,946,003	Interest Payable	5,085,186	4,927,542
Third Party Receivable		6,333,531	482,687	Current Portion of Long-Term Debt	2,724,624	3,826,673
Appropriation Receivable		1,235,467	0	Promissory Notes Payable	2,500,000	2,500,000
		96,408,981	82,663,900			
Less Allowances for Losses in Collection		(5,933,100)	(5,609,000)			
Less Allowances for Discounts to Third Party Payors		(19,161,000)	(15,765,000)			
		71,314,881	61,289,900			
Inventories of Drugs & Supplies		4,928,266	4,749,699			
Prepaid Expenses		657,135	977,120			
TOTAL CURRENT ASSETS		\$91,249,241	\$84,707,021	TOTAL CURRENT LIABILITIES	\$43,097,571	\$43,129,430
ASSETS WHOSE USE IS LIMITED						
Board Designated Assets Available for Assignment						
Cash & Investments		\$63,557,757	\$66,561,487	CONSTRUCTION RETAINAGES	\$215,074	\$171,434
Accrued Interest		148,244	148,240			
		63,706,001	66,709,727			
Cash & Invest for Debt Service		13,000,000		LONG-TERM DEBT, LESS CURRENT PORTION	\$169,579,548	\$174,669,487
Cash & Invest for Working Capital		16,000,000				
TOTAL		\$92,706,001	\$66,709,727			
Land, Buildings & Improvements		\$184,168,980	\$183,083,996			
Equipment		83,089,361	77,311,403			
		267,258,341	260,395,399			
Less Accumulated Depreciation		(100,371,670)	(83,775,058)			
		166,886,671	176,620,341			
Construction in Progress		9,057,292	5,249,789			
TOTAL PROPERTY, PLANT, & EQUIPMENT		175,943,963	\$181,870,130			
Assigned Cash & Investments for Construction/Equipment		7,006,734	10,098,464			
TOTAL		\$182,950,697	191,968,594			
INVESTMENTS HELD BY BOND TRUSTEE		\$18,870,093	\$42,433,461			
OTHER ASSETS						
Deferred Third Party Reimbursement		\$7,737,794	\$8,520,626			
Deferred Debt Expense		1,175,980	\$1,360,345			
Deposits and Other		675,798	\$585,894			
TOTAL		\$9,589,572	\$10,466,865	UNRESTRICTED FUND BALANCE	\$182,473,411	\$178,315,317
TOTAL ASSETS		\$395,365,604	\$396,285,668	TOTAL LIABILITIES & FUND BALANCE	\$395,365,604	\$396,285,668
RESTRICTED ASSETS				RESTRICTED FUND BALANCES		
Ch and Investments		\$5,450,761	\$5,955,184	Endowment Funds	\$2,161,348	\$1,977,422
		=====	=====	Gift Funds	3,289,413	3,977,762
		=====	=====		=====	=====
		=====	=====		=====	=====
		=====	=====		=====	=====

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

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

	CURRENT OPERATING FUND	DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS						
Beginning Balance	\$35,774,484	\$8,563,351	\$66,709,727	\$24,834,294	\$42,433,461	\$178,315,317
Net Income						
Excess of Revenue over Expense	9,639,509					
Interest Income on Reserves			7,272,043			
Accrued Interest on Appropriations			99,895			
Depreciation Expense			(17,546,527)			
Gain on Disposal of Assets			(64,448)			
Interest Income on Trustee Held Fund					1,017,062	
Amortization of Deferred Bond Expense			(319,059)			
Interest income on Bond Proceeds		758,300				1,631,465
Total Income						2,488,240
Less Expense						
University Support: G & A		168,927				168,927
Transfers Between Funds						
Major Building Projects- Hosp.			(3,141,094)	3,141,094		0
Capital Expenditures	(6,629,406)			6,629,406		0
Adjustment to Shared Buildings				16,049		16,049
Major Equipment Requisition	(1,011,682)			1,011,682		0
Bond Interest Payment	12,069,611	(10,811,156)		(1,258,455)		0
Bond Interest Expense Funding	(9,850,640)	10,981,950	(758,300)	(373,010)		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
Hospital Restrict Fd commitment to Plant				16,772		16,772
Hospital Restrict Fd transf for Masonic Project				1,100,000		1,100,000
Hospital & Non-Hosp. Restrict. Funding for CUHCC				368,106		368,106
Ending Balance	\$42,910,805	\$8,484,143	\$92,706,001	\$19,502,369	\$18,870,093	\$182,473,411
RESTRICTED FUNDS						
	GIFT		ENDOWMENT		TOTAL	
Beginning Balance	3,977,762		1,977,422		5,955,184	
Income	1,282,536		184,413		1,466,949	
Transfer to Hospital & Non-Hospital other operating revenue	(806,613)		(487)		(807,100)	
Transfer to Hospital for financing of property, plant and equipment		(1,164,272)			(1,164,272)	
Ending Balance	\$3,289,413		\$2,161,348		\$5,450,761	

UMHC Board Designated Fund Activity
7-1-88 Through 06-30-89

	Unspecified	Specified	Totals
Balance at 7-1-88	\$66,709,728	\$10,098,464	\$76,808,192
Interest Income on Reserves and Appropriations	7,371,939	-0-	7,371,939
Net Transfers from Trustee to U of M Bursar's Office	21,765,430	-0-	21,765,430
Transfer from Restricted Funds	-0-	1,368,106	1,368,106
Transfer from Grant	-0-	100,000	100,000
Transfer of Cash for Abandonment Cost Note Payable	-0-	(2,500,000)	(2,500,000)
Transfers for:			
Dermatology Clinic	(245,226)	245,226	-0-
Mayo Master Zoning	(140,000)	140,000	-0-
Surgical Pathology	(1,029,350)	1,029,350	-0-
Computer Upgrade	(850,000)	850,000	-0-
Neuroradiology Upgrade	(909,000)	909,000	-0-
Closed Plant Funds	29,865	(29,865)	-0-
Transfer from Operations for Equipment Reserve	(2,214,597)	2,214,597	-0-
Expenditures Against Equipment Roll Forward Reserve	2,239,010	(2,239,010)	-0-
Expenditures Against Plant Funds	(21,798)	(5,179,134)	(5,200,932)
Balances at 6-30-89	\$92,706,001	\$7,006,734	\$99,712,735



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

October 19, 1989

TO: Finance Committee
FROM: Robert Dickler *PD*
General Director
SUBJECT: Personnel Policy Change

The Hospital's personnel policies indicate that changes in personnel policy or major personnel procedures require the approval of the Board of Governors. We are recommending that the Board approve the changes noted in the attached version of Personnel Policy #12, Authorized Leaves of Absence.

There are numerous minor changes to the policy, generally adding clarification or simplification. There is one significant change. The addition of the section on "parental leave" (page 6) represents an increase in benefits for our employees. We are recommending this change to bring the Hospital's policies and procedures in line with changes made earlier in University Civil Service Rules and union contracts.

The changes presented have been reviewed by the Hospital's Employee Advisory Committee. In fact, the Employee Advisory Committee has, at their own initiative, spent a great deal of time on this policy, and should receive credit for the helpful clarifications made throughout the policy. The Employee Advisory Committee did make an additional recommendation that we are not bringing forward to you. It was the Committee's feeling that leave benefits should be expanded by broadening the definition of "immediate family". Because we believe the leave benefits provided to our employees are already quite generous, we do not believe this expanded definition of "immediate family" is necessary.

We will be happy to answer any questions you may have at next week's meetings.

/kj

attachment

. PERSONNEL

SUBJECT: Authorized Leaves of Absence

POLICY NUMBER: 12

POLICY

Leaves of absences from the work site shall be authorized for purposes of vacation, military leave, maternity/paternity leave, jury duty, appearance before a court, educational leave and sick leave. Sick leave is provided to protect employees against loss of income as a result of illness or injury. It is not an extension of vacation. Abuse of sick leave shall be just cause for disciplinary action. Approved sick leave allowance may be used by employees who are unable to perform their duties because of illness or injury, who would expose fellow employees, patients, or the public to contagious or infectious disease, who must keep medical or dental appointments, or who need to provide or arrange for care for a member of the employee's immediate family who is ill. Immediate family as used in this portion of the policy shall mean spouse, dependent children, or parents of the employee living in the same household.

PROCEDURE

Section 1

General Regulations Governing Leaves of Absences

Leaves of absence may be granted only when employees submit requests within a reasonable time in advance of the desired leave, or in the case of sick leave or emergencies, as soon after the illness or emergency arises as it is possible to communicate with the supervisor or department head.

Department heads or supervisors may grant sick leave. Department heads or supervisors may grant leaves of absence without pay. Department heads or supervisors shall grant vacation leave and leave for use of accumulated overtime, with discretion as to dates of leave.

Use of vacation leave, sick leave, accumulated overtime (time back), and holiday leave shall be charged in units rounded to the nearest tenth (1/10) of an hour.

An employee shall earn vacation and sick leave during a paid leave of absence.

Section 2

Vacation

General Provisions for Vacation Leave. Eligible employees shall earn vacation with pay at the following rates: The base rate, 0-10,440 hours (approximately 0-5 years), for vacation leave accumulation is 3 minutes for each hour worked (to a maximum of 80 hours per pay period). Increments for longevity are added to the base rate as follows:

3-minutes-of-vacation-leave-accumulation-for-each-straight-time-paid work-hour-(13.05-days-per-year)-during-the-first-10,440-hours-of continuous-service-(the-equivalent-of-5-years-of-full-time employment);

3.75-minutes-of-vacation-leave-accumulation-for-each-straight-time-paid work-hour-(16.31-days-per-year)-for-10,441-hours-through-16,704 hours-of-continuous-service-(the-equivalent-of-6-through-8-years of-full-time-employment);

5.25-minutes-of-vacation-leave-accumulation-for-each-straight-time-paid work-hour-(22.84-days-per-year)-for-16,705-hours-through-25,056 hours-of-continuous-service-(the-equivalent-of-9-through-12-years of-full-time-employment);

5.625-minutes-of-vacation-leave-accumulation-for-each-straight-time-paid work-hour-(24.47-days-per-year)-for-25,057-hours-through-41,760

hours-of-continuous-service-(the-equivalent-of-13-through-20-years
of-full-time-employment);

6.00 minutes of vacation leave accumulation for each straight-time-paid
work-hour-(26.10-days-per-year)-for-41,761-through-52,200-hours-of
continuous-service-(the-equivalent-of-21-through-25-years-or-more
of-full-time-employment);

6.375 minutes of vacation leave accumulation for each straight-time-paid
work-hour-(27.73-days-per-year)-for-52,201-through-62,640-hours-of
continuous-service-(the-equivalent-of-26-through-30-years-of-full-
time-employment);

6.75 minutes of vacation leave accumulation for each straight-time-paid
work-hour-(29.36-days-per-year)-for-over-62,641-hours-of
continuous-service-(the-equivalent-of-31-years-of-full-time
service);

Base + .75 minutes/hour for 10,441-16,704 hours of University service
(approximately 6-8 years full time);

Base + 2.25 minutes/hour for 16,705-25,056 hours of University service
(approximately 9-12 years full time);

Base + 2.625 minutes/hour for 25,057-41,760 hours of University service
(approximately 13-20 years full time);

Base + 3.00 minutes/hour for 41,761-52,200 hours of University service
(approximately 21-25 years full time);

Base + 3.375 minutes/hour for 52,201-62,640 hours of University service
(approximately 26-30 years full time);

Base + 3.75 minutes/hour for over 62,641 hours of University service
(approximately 31 years full time).

The Hospital Director shall designate positions which shall accrue vacation benefits in addition to the above. Vacation accrual rates shall be considered part of the Compensation Plan and shall be processed according to the Compensation System Policy (Policy No. 8).

Vacation leave accumulated for any one pay period is not available for use until the following pay period.

When any leave accumulation rate period of service ends within a pay period, the new vacation accrual rate starts the following pay period.

~~Employees regularly working a five-and-one-half-or-six-day week, at the request of The University Hospital and Clinic, shall earn an extra .75 minutes per hour for each straight-time paid work hour of service.~~

Subject to the staffing needs of the department concerned, vacations shall be granted at such times as desired by the employee. Within a department, choice of available vacation time shall be determined by seniority with the exception of ~~last-minute requests~~. requests entered less than 30 days prior to the requested time.

~~The Hospital Director shall designate positions which shall accrue additional vacation benefits. Vacation accrual rates shall be considered part of the Compensation Plan and shall be processed according to the Compensation System Policy (Policy No. 8).~~

The maximum amount of accumulated vacation time may not exceed the amount of vacation time that may be earned within a two-year period of work.

Full-time Employees: Eligibility. Eligible employees (including those on temporary appointments) who are employed on a pre-arranged and assigned

schedule of 75 percent time or more shall accrue vacation leave from their date of eligibility appointment. However, it shall not be available for use until the pay period following the completion of six months of total University employment (appointed at 50 percent time or more) and 1,044 straight time paid work hours or proportional part thereof.

Part-time-Employees---Eligible--Employees (excluding those on temporary appointments) who are employed on a pre-arranged and assigned schedule of 50-to--74 percent time shall accrue vacation leave beginning with the pay period following three consecutive years of total University employment at 50% time or more.

Employees who are employed on a pre-arranged and assigned schedule of less than 50% are not eligible for vacation benefits.

Employees who change from one eligible status as defined above to a non-eligible status will have their accrued vacation time paid out. If such an employee continues to be employed and later returns to an eligible status, the hours spent in a non-eligible status will be counted in determining the vacation accrual rate of the employee.

Section 3

Pay for Vacation Leave

An employee with vacation available for use shall be entitled to be paid for any unused portion of vacation leave whenever the employee is separated from University employment or who changes to a work schedule of less than 75 percent time unless the employee continues at 50 percent to 74 percent time and has met the three-year requirement. Accrued vacation shall be lost if the employee has not met the six month eligibility requirement (1,044 straight time paid work hours or proportional part thereof).

Section 4Parental Leave

A two-week paid parental leave of absence shall be granted to male and female employees who are biological or adoptive parents, when requested in conjunction with the birth or adoption of their child. Eligible employees must have completed nine (9) consecutive months of employment and at an average of twenty (20) hours or more paid work time per week.

This parental leave shall not be charged against the employee's accumulated vacation or sick leave. The parental leave shall begin at a time requested by the employee, at least four (4) weeks in advance, except under unusual circumstances, although the leave may not begin more than six weeks after the birth or adoption.

A female biological parent may also use up to 20 days of accumulated sick leave immediately following the parental leave. When a woman is unable to perform the duties of her job due to pregnancy, additional accumulated sick leave may be used with physician's verification.

An unpaid leave of absence for maternity, paternity, or adoption shall be granted to an employee for a period of up to six months, when requested in conjunction with the birth or adoption of the employee's child. This leave of absence without pay may be extended up to an additional six months upon the employee's request and with supervisor's approval.

Section 5Sick Leave

Full-time employees (including those on temporary appointments) who are employed on a pre-arranged and assigned schedule of 75 percent time or more shall accumulate sick leave with pay at the rate of three minutes per basic straight time paid work hour.

Part-time employees on continuing appointments who are employed on a pre-arranged and assigned schedule of 50-to-74 percent time shall earn sick leave at the same rate, after three years of continuous University employment at 50 percent time or more.

Employees who are employed on a pre-arranged and assigned schedule of less than 50% are not eligible for sick leave benefits.

Sick leave accumulated during any pay period is not available for use until the following pay period.

An employee with sick leave available for use who terminates from University employment or who changes to a work schedule of less than 75 percent time, shall lose unused sick leave unless the employee continues at 50 percent to 74 percent time and has met the initial three-year requirement. Reinstatement of sick leave balance is in accordance with the layoff policy.

When a sick/leave accumulation of 400 hours has been reached, one-quarter of any sick/leave accumulated thereafter (.75 minutes per hour) may be credited to the employee's vacation accumulation as long as the employee maintains his/her sick leave accumulation at 400 or more hours, and three-quarters of such sick leave accumulated thereafter may continue to be credited to sick leave. Sick leave accumulated prior to July 1, 1970, cannot be transferred to vacation under the provisions of this paragraph.

When sick/leave accumulation of 800 hours has been reached, one-half of any sick leave accumulated thereafter (1.5 minutes per hour) may be credited to the employee's vacation accumulation as long as the employee maintains his/her sick/leave accumulation at 800 or more hours, and one-half of such sick leave accumulated thereafter may continue to be credited to sick leave.

Employees must request the use of sick leave as soon after the onset of illness as it is possible to communicate with the supervisor or department head, utilizing the mechanism and time frames established in the employee's department. Supervisors or department heads who have reason to believe that a grant of sick leave is not warranted may require a statement from a medical practitioner before approving use of accumulated sick leave. In the case of extended illness, the supervisor or department head may require repeated proof of illness, including statements from a physician or dentist, before granting sick leave.

Sick leave for more than five consecutive work days shall not be granted to an employee for illness without satisfactory proof of illness or injury as evidenced by a statement of the attending physician or by other proof satisfactory to the supervisor or department head. Satisfactory proof of good health may also be required after an employee misses five consecutive work days.

A supervisor may require an employee to return home-or, to see a physician, or-both; and/or to go to Employee Health if the employee is unable to perform his/her duties due to an apparent health condition and such time shall be charged against sick leave if available.

Accumulated sick leave may be used to supplement Worker's Compensation benefits during periods of lost work time due to on-the-job accidents.

If sick leave is exhausted, an employee may use vacation leave, compensatory time, or holiday leave subject to the conditions of the Hours of Work Attendance and Holiday Policies.

The amount of sick leave approved for use is dependent on the cause. Normally, sick leave granted for medical and dental appointments is limited to the appointment and travel time. Sick leave granted for providing care or making arrangements for care for members of the immediate family will be for a period of not more than three days.

Sick leave usage (not related to parental leave) of more than 30 consecutive days shall require a physician's verification. ~~Accumulated sick leave usage of up to 30 consecutive days shall be granted during maternity leave. --More than 30 days sick leave may be used during maternity leave if the employee is unable to perform job duties as identified by physician verification.~~ See Section 4 for sick leave usage during parental leave.

Sick leave may be granted when a death occurs in the employee's family. The time shall be limited to what is reasonably necessary to make funeral arrangements and/or to attend funeral services. Employee's family in this instance shall mean spouse or co-habitor; parents of spouse; and the parents, grandparents, guardian, children, brothers, sisters, or wards of the employee. Additionally, sick leave may be granted for serving as pallbearer at a funeral.

If an employee becomes ill while on properly approved vacation leave and can present satisfactory proof of illness or injury, the supervisor or department head may approve the use of sick leave for those days for which the evidence establishes sound proof of serious illness.

Section-5 6Sick Leave Without Pay

Upon application, a leave of absence without pay may be granted by a department head for the entire period of disability due to sickness, injury or pregnancy. The duration of such leave shall be subject to the recommendation of the department head.

Sick leave without pay may be granted to employees who are considered permanently and totally disabled according to any disability insurance program the University participates in. Should employees on such leave recover to the point where they are employable, they shall be treated as if they were laid off and be eligible to compete for vacancies in accordance with the policies and regulations covering laid-off employees. An employee on this type of leave will not be allowed to replace or "bump" an incumbent in his/her most recently held position unless approved by the hiring authority.

The supervisor or department head or the Human Resources Director may from time to time require that the employee submit a certificate from the attending physician or from a designated physician. In the event of failure or refusal to supply such certificate, or if the certificate does not clearly show sufficient disability to prevent the employee from performing his/her duties, the supervisor or department head, with the approval of the Human Resources Director, may cancel such leave and require the employee to report for work on a specified date.

Section-6 7Other Leaves Without Pay

An employee may be sent from work without pay on the basis of application for leave without pay submitted in advance, approved by the supervisor or department head. Seniority and vacation and sick leave are not earned during unpaid leave.

Employees who are drafted shall be entitled to military leave of absence without pay, not to exceed four years of service in the Armed Forces of the United States or of the State of Minnesota. Employees shall accumulate seniority during periods of military service.

For determining vacation accumulation rate, military leave without pay shall be counted the same as normal straight hours that would have been worked. Vacation leave is accumulated during a military leave of absence without pay for all military service in time of war or declared emergency, be it with a reserve component or regular armed service component. Additionally, vacation leave is accumulated during a reservist's initial period of active duty for training (boot camp) of not less than three consecutive months and during all active duty and inactive duty for training in the military forces. Sick leave is accumulated during a military leave of absence without pay for all military services in time of war or declared emergency, be it with a reserve component or regular armed service component and during a reservist's initial period of active duty for training (boot camp) of not less than three consecutive months. Contact the Human Resources Department for the complete policy on military leave.

~~A-maternity/paternity-or-adoption-unpaid-leave-of-absence-shall-be
granted-to-a-Hospital-and-Clinic-staff-birth-parent-or-adoptive-parent-for-a~~

~~period-not-to-exceed-six-months,-when-requested-in-conjunction-with-the-birth
or-adoption-of-a-child.~~

Section-7 8

Leaves of Absence With Pay

Upon approval by his/her department head, an employee shall be granted a leave of absence with pay for:

-- Service on a jury, provided he/she is regularly employed at a designated percentage of time of 50 percent or more. An employee serving on a jury is expected to report for work during any work hours when the jury is recessed. He/she may be requested to render some additional services to the department in order to minimize the interruption of service caused by his/her absence, but is not to be paid overtime or be otherwise compensated in addition to regular pay for such services.

-- Appearance before court, legislative committee, or other judicial or quasi-judicial body as a witness in action involving the federal government, the State of Minnesota, a political subdivision thereof, or the University, in response to a subpoena or other direction by proper authority.

-- Attendance in court in connection with an employee's official duty. Such attendance shall include the time required in going to the court and returning to the employee's headquarters. Any absence, whether voluntary or in response to a legal order to appear and testify in private litigation, not as an officer or employee of the University, but as an individual, shall be taken as vacation leave, or as leave of absence without pay, or as deduction from authorized accumulated overtime.

-- Tour of duty in the reserve armed forces of the United States or National Guard, not to exceed 15 work days per Military Year (October 1-September 30).

-- Attendance at professional and scientific meetings and other approved educational activities.

-- Educational leave may be granted for not more than four hours per week (or more if make-up schedule for additional time is approved by supervisor); to be used for such purposes as attending class on a Regents' scholarship.

Section-8 9

Reinstatement From Leave of Absence

Except as otherwise provided by these policies, an employee granted a leave of absence must be returned to his/her employment in the same classification, percentage of appointment and department at the expiration of the leave. Such employee may return to employment before the leave expires upon approval of the supervisor or department head.

An employee who is laid off before his/her leave expires because his/her position has been abolished shall be entitled to re-employment consideration in accordance with these policies.



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

October 17, 1989

TO: UMHC Board of Governors

FROM: Clifford P. Fearing
Senior Associate Director, UMHC

SUBJECT: Bad Debts - First Quarter
Fiscal Year 1989-90

The total amount recommended for bad debt for Hospital and Clinic accounts receivable during the first quarter of 1989-90 is \$460,921.24 represented by 1238 accounts. Bad debt recoveries during the period amounted to \$9,952.31 leaving a net charge-off of \$450,968.93.

The net bad debts of \$450,968.93 for the quarter were 0.55% of gross charges. This compares to a budgeted level of bad debts of 1.23% (\$1,061,870.00)

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 first quarter.

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:slw

Attachments

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1989 THROUGH SEPTEMBER 1989

	Less Than \$2000	# of Accounts	More Than \$2000	# of Accounts	TOTAL AMOUNT	TOTAL # of ACCOUNTS
INPATIENT						
Bad Debt (701) Write-Offs	30,787.35	79	109,852.56	17	140,639.91	96
Bad Debt (702) Charity Care	23,740.63	44	91,637.39	16	115,378.02	60
Total	54,527.98	123	201,489.95	33	256,017.93	156
Recoveries	(778.23)	4	(3,031.46)	1	(3,809.69)	5
Net Total	<u>\$ 53,749.75</u>	123*	<u>\$ 198,458.49</u>	33*	<u>\$ 252,208.24</u>	156*
OUTPATIENT						
Bad Debt (701) Write-Offs	87,246.92	816	46,023.38	10	133,270.30	826
Bad Debt (702) Charity Care	54,210.02	249	17,422.99	7	71,633.01	256
Total	141,456.94	1065	63,446.37	17	204,903.31	1082
Recoveries	(3,823.83)	50	(2,318.79)	1	(6,142.62)	51
Net Total	<u>\$ 137,633.11</u>	1065*	<u>\$ 61,127.58</u>	17*	<u>\$ 198,760.69</u>	1082*
INPATIENT AND OUTPATIENT						
TOTAL	<u>\$ 191,382.86</u>	1188*	<u>\$ 259,586.07</u>	50*	<u>\$ 450,968.93</u>	1238*
TOTAL BAD DEBTS						
Bad Debt (701) Write-offs	\$ 118,034.27	895	\$ 155,875.94	27	\$ 273,910.21	922
Bad Debt (702) Charity Care	77,950.65	293	109,060.38	23	187,011.03	316
Total	195,984.92	1188	264,936.32	50	460,921.24	1238
Recoveries	(4,602.06)	54	(5,350.25)	2	(9,952.31)	56
TOTAL NET BAD DEBT	<u>\$ 191,382.86</u>	1188*	<u>\$ 259,586.07</u>	50*	<u>\$ 450,968.93</u>	1238*

NOTE: More than \$2,000 amount includes legal settlements totaling \$13,612.80

DOLLARS BUDGETED **\$1,061,869.00**

*Net total of accounts do not include recoveries.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

BAD DEBT STATISTICS

JULY 1989 THROUGH SEPTEMBER 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	\$633.32	19	\$23,670.93	56	\$6,483.10	4	\$60,185.32	14	\$49,667.24	3	\$140,639.91	96
Bad Debt (702) Charity Care	\$624.41	13	\$11,092.93	23	\$12,023.29	8	\$54,540.94	15	\$37,096.45	1	\$115,378.02	60
Total Recoveries	\$1,257.73	32	\$34,763.86	79	\$18,586.39	12	\$114,726.26	29	\$86,763.69	4	\$256,917.93	156
(Net Total)	(\$24.00)	3	(\$754.23)	1	\$8.00	0	(\$3,031.46)	1	\$8.00	0	(\$3,889.69)	5
Net Total	\$1,233.73	32 *	\$34,009.63	79 *	\$18,586.39	12 *	\$111,694.88	29 *	\$86,763.69	4 *	\$252,208.24	156
OUTPATIENT												
Bad Debt (701) Write-Offs	\$19,162.61	570	\$61,270.82	240	\$6,813.49	6	\$46,023.38	10	\$8.00	0	\$133,270.30	826
Bad Debt (702) Charity Care	\$4,538.08	119	\$36,200.35	120	\$13,471.67	10	\$17,422.99	7	\$8.00	0	\$71,633.01	256
Total Recoveries	\$23,700.61	689	\$97,471.17	360	\$20,285.16	16	\$63,446.37	17	\$8.00	0	\$204,903.31	1082
(Net Total)	(\$1,132.82)	45	(\$613.00)	3	(\$2,078.01)	2	(\$2,318.79)	1	\$8.00	0	(\$6,142.62)	51
Net Total	\$22,567.79	689 *	\$96,858.17	360 *	\$18,207.15	16 *	\$61,127.58	17 *	\$8.00	0 *	\$198,760.69	1082
TOTAL IP AND OP BAD DEBT												
Bad Debt (701) Write-offs	\$19,795.93	589	\$84,941.75	296	\$13,296.59	10	\$105,208.70	24	\$49,667.24	3	\$273,910.21	922
Bad Debt (702) Charity Care	\$5,162.41	132	\$47,293.28	143	\$25,494.96	10	\$71,963.93	22	\$37,096.45	1	\$187,011.03	316
Total Recoveries	\$24,958.34	721	\$132,235.03	439	\$38,791.55	28	\$178,172.63	46	\$86,763.69	4	\$468,921.24	1238
(Net Total)	(\$1,156.82)	48	(\$1,367.23)	4	(\$2,078.01)	2	(\$5,350.25)	2	\$8.00	0	(\$9,952.31)	56
TOTAL NET BAD DEBT	\$23,801.52	721 *	\$130,867.00	439 *	\$36,713.54	28 *	\$172,822.38	46 *	\$86,763.69	4 *	\$458,968.93	1238

DOLLARS BUDGETED

\$1,061,859.00

* Net total of accounts do not include recoveries.

FIRST QUARTER FISCAL YEAR - 1990
and YEAR-TO-DATE BAD DEBTS

BY SERVICE/Page Two

ADMITTING SERVICE	FIRST QUARTER NUMBER	FIRST QUARTER AMOUNT	TOTAL FSY 90 NUMBER	TOTAL FSY 90 AMOUNT
Surgery-Blue	10	11,906.90	10	11,906.90
Orange	7	5,573.12	7	5,573.12
Purple	6	9,089.15	6	9,089.15
Red	3	6,236.90	3	6,236.90
White	4	3,200.81	4	3,200.81
Therapeutic Radiology				
Urology	6	21,834.84	6	21,834.84
Unknown	5	13,853.04	5	13,853.04
Outpatient	1143	193,631.17	1143	193,631.17
Total	1314	457,409.10	1314	457,409.10
Medicare Bad Debt*	-85	-21,239.33	-85	-21,239.33
Legal Settlements	3	13,612.80	3	13,612.80
Bad Debt Agcy Und \$50	3	227.28	3	227.28
Bad Debt - Med NC Chgs	3	10,911.39	3	10,911.39
GRAND TOTAL	1238	460,921.24	1238	460,921.24
RECOVERIES	56	-9,952.31	56	-9,952.31
NET TOTAL	1238	450,968.93	1238	450,968.93

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

FIRST QUARTER FISCAL YEAR - 1990
and YEAR-TO-DATE BAD DEBTS

BY STATE

STATE	FIRST QUARTER NUMBER	FIRST QUARTER AMOUNT	TOTAL FSY 90 NUMBER	TOTAL FSY 90 AMOUNT
Alabama	1	643.13	1	643.13
Alaska	1	48.96	1	48.96
Arizona	1	540.06	1	540.06
Arkansas				
California	28	4,880.51	28	4,880.51
Colorado	9	751.53	9	751.53
Connecticut				
Delaware				
Dist. of Columbia	1	74.00	1	74.00
Florida				
Georgia	3	40.60	3	40.60
Hawaii				
Idaho				
Illinois	19	5,934.21	19	5,934.21
Indiana	1	.44	1	.44
Iowa	7	1,139.82	7	1,139.82
Kansas	2	156.82	2	156.82
Kentucky				
Louisiana	1	20.00	1	20.00
Maine				
Maryland				
Massachusetts				
Michigan	9	1,113.36	9	1,113.36
Minnesota	1107	309,764.16	1107	309,764.16
Mississippi				
Missouri				
Montana				
Nebraska				
Nevada				
New Hampshire				
New Jersey				
New Mexico				
New York	13	5,723.50	13	5,723.50
North Carolina	1	340.52	1	340.52
North Dakota	15	5,059.24	15	5,059.24
Ohio	2	175.44	2	175.44
Oklahoma	1	4,770.92	1	4,770.92
Oregon				
Pennsylvania	3	4,903.96	3	4,903.96
Puerto Rico				

continued on next page

**FIRST QUARTER FISCAL YEAR - 1990
and YEAR-TO-DATE BAD DEBTS**

BY STATE/Page Two

STATE	FIRST QUARTER NUMBER	FIRST QUARTER AMOUNT	TOTAL FSY 90 NUMBER	TOTAL FSY 90 AMOUNT
Rhode Island				
South Carolina				
South Dakota	30	62,740.57	30	62,740.57
Tennessee				
Texas	8	13,440.24	8	13,440.24
Utah				
Vermont				
Virginia	1	23.30	1	23.30
Washington				
West Virginia				
Wisconsin	50	35,123.81	50	35,123.81
Wyoming				
Out-of-Country				
TOTAL	1314	457,409.10	1314	457,409.10
Medicare Bad Debt*	-85	-21,239.33	-85	-21,239.33
Legal Settlements	3	13,612.80	3	13,612.80
Bad Debt Agcy Und \$50	3	227.28	3	227.28
Bad Debt - Med NC Chgs	3	10,911.39	3	10,911.39
GRAND TOTAL	1238	460,921.24	1238	460,921.24
RECOVERIES	56	-9,952.31	56	-9,952.31
NET TOTAL	1238	450,968.93	1238	450,968.93

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

MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE
Wednesday, December 20, 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 11/15/89
(Approval) pp. 1 - 4 | Mr. Jerry Meilahn |
| II. | November 30, 1989 Financial Statements
(Information) pp. 5 - 11 | Mr. Cliff Fearing |
| III. | Year End Projections
(Information)
(To be distributed at the meeting) | Mr. Cliff Fearing |
| IV. | UMCA 1989-90 Support
(Endorsement) pp. 12 - 13 | Mr. Cliff Fearing |
| V. | Quarterly Capital Budget Report
(Information) pp. 14 - 15 | Mr. Greg Hart |
| VI. | Renewal Project II Update
(Information) pp. 16 - 17 | Mr. Greg Hart |
| VII. | CUHCC
(Information) pp. 18 - 23 | Ms. Mary Ellen Wells |
| VIII. | Other | |

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

HEALTH SCIENCES

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
November 15, 1989

MINUTES

ATTENDANCE:

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

Not Present: Barbara O'Grady

Staff: Greg Hart
 Teri Holberg
 Nancy Janda
 Nels Larson
 Shannon Lorbiecki
 Barbara Tebbitt

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on November 15, 1989 at 12:05 P.M.

APPROVAL OF THE MINUTES:

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the August 23, 1989 meeting as written.

JULY 1, 1988 THROUGH OCTOBER 31, 1989 FINANCIALS:

Mr. Clifford P. Fearing reported to the Finance Committee the Hospital's statement of operations for the first four months of the 1989-90 fiscal year showed revenue over expenses by \$4,170,623, a favorable variance of \$1,340,436. In the month of October inpatient admissions totaled 1,627, which was 4.3% over budget; patient days totaled 12,873, which were 653 days below budget, and the average daily census for October was 415. Mr. Fearing

reported the first 14 days of the month of November showed an average daily census of 435 and admissions were 6% over budget. Clinic census continued to be under budget with clinic visits totalling 23,741 which was 1.5% below budget. Ancillary revenue was also reported to be under budget by 6.6%. Mr. Fearing stated the operating expenses were under budget for the four months ending October 31, 1989 by \$5,030,500.

Lastly, Mr. Fearing stated as of October 31 the balance of accounts receivable totaled \$83,039,052 and there were 89.7 days of revenue outstanding.

1988-89 YEAR-END FINANCIAL STATEMENTS:

Mr. Fearing reported to the Committee the 1988-89 year-end financial statement that was prepared by the auditors Peat Marwick. Mr. Fearing stated that a preliminary 1988-89 statement of operations was given to the Board in July which showed a net revenue over expense of a negative \$345,823. Since the preliminary statement was presented, various adjustments were made to change the net revenue over expense to \$2,488,240. Mr. Fearing stated the adjustments were: 1) the auditors agreed with the prior year BC/BS adjustment of \$1,619,440; 2) subsequent to the issuance of the preliminary financial statements, UMHC was able to favorably close two prior year Blue Cross settlements increasing UMHC revenues by \$773,176; and 3) at the time the preliminary financial statements were issued the University of Minnesota had not completed its year-end closing. After the University completed its closing it was found the Hospital had underestimated the revenue from investment income by \$140,551, and there was a \$300,896 decrease of operations expenses.

Mr. Fearing reported the independent auditors did not make any adjustments to the Hospital's books, and he does not expect any significant issues or policies to be brought up in the auditors' management letter.

Mr. Fearing informed the Committee this was the last year Peat Marwick will audit the Hospital. Next year's auditors will be from the firm Coopers and Lybrand.

Mr. Fearing presented the Hospital's analysis of the 1988-89 fiscal year. Mr. Fearing stated there were four significant components that effected the financial statements. Those were 1) a significant increase in the average length of stay, 2) a significant increase in ancillary utilization, 3) staffing and operating expenses were greater than originally expected, which was a result of the increase average length of stay and ancillary utilization, and 4) there was a significant decrease in deductions from revenue due to the increase in charges and the increase in number of fixed payment payor patients.

UMCA UPDATE:

Mr. Edward Ciriacy present a status report of the University of Minnesota Clinical Associates (UMCA) to the Finance Committee. Dr. Ciriacy reported that in the fall of 1988 the financial condition of UMCA was such that the

physicians were seriously considering abandoning the organization, but with the financial assistance of UMHC, UMCA was able to avoid that and reorganize. Deloitte Haskins & Sells was hired as consultant in the reorganization. Dr. Ciriacy reported that as a result of the reorganization the cost of operations has been reduced considerably, departmental membership dues have been instituted, and all HMO/PPO contracts are presently being reviewed to ascertain if they meet UMCA's objectives. Dr. Ciriacy also stated UMCA is currently seeking a chief operating officer and a halftime medical director, and UMCA will be working with the computer firm IDX in obtaining a more sophisticated management information system which will be used to bill physician services.

Dr. Ciriacy reported as of August 30, 1989 UMCA's net profit was \$11,000, cash on hand was \$2,000, operating costs have decreased by 49%, and during the last year HMO/PPO charges have increased from \$2.7 million to \$4.2 million.

Dr. Ciriacy stated there were a number of issues that UMCA needs to address in the future. Some of these issues are; a) developing a long range business plan, b) working more closely with individual departments, c) developing policies that address the issue of pursuing contracts which might be highly desirable by some departments and less desirable by others. Dr. Ciriacy feels there is a need to develop some protocol on how to manage that group activity, d) examining why the organization appears to be more beneficial to some departments than others, e) examining the part UMCA could play in the organization and operation of the ambulatory care system, f) developing a primary care referral base, and g) examining the loss of clinical expertise in the institution and how it impacts the referrals to the Hospital.

PERSONNEL POLICY AMENDMENT:

Mr. Greg Hart brought before the Finance Committee, for endorsement, changes in Personnel Policy #12, Authorized Leaves of Absence. Mr. Hart stated the most significant change to the policy would be the granting of a two week paid parental leave of absence to male and female employees who are biological or adoptive parents.

Mr. Hart informed the Committee the Employee Advisory Committee (EAC) recommended the changes be endorsed. He also stated the EAC recommended that in Personnel Policy #12, the definition of immediate family should also include, for example, parents living outside the household and significant others. Hospital Management did not agree with this recommendation and, therefore, it was not included in the revised policy.

The Finance Committee seconded and passed a motion to endorse the changes in Personnel Policy #12, Authorized Leaves of Absence as submitted.

FIRST QUARTER, 1989-90 BAD DEBTS:

Mr. Fearing reported the bad debts for the first quarter totaled \$460,921.24, representing 1,238 accounts. Recoveries amounted to \$9,952.31, leaving a net charge-off of \$450,968.93. This amount represents 0.55% of gross charges and compares to a budgeted level of bad debts of 1.23%.

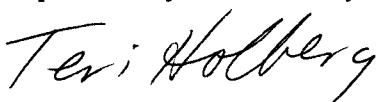
The Finance Committee seconded and passed a motion to endorse the First Quarter 1989-90 Bad Debt report as submitted.

Admissions Policies - Update

Mr. Fearing reported the new admissions policies were presented to the Medical Staff Hospital Council on November 18, 1989. Mr. Fearing stated there was significant discussion and concern by the physicians on the changes. As a result of the discussion, further changes will be made to the policy to make the admission process clearer and more precise. Mr. Fearing will continue to keep the Committee informed of the progress of the admissions policies.

There being no further discussion, the November 15, 1989 meeting was adjourned at 1:10 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

December 20, 1989

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

The Hospital's operations for the month of November reflect inpatient admissions and patient days below budgeted levels but outpatient visit activity above budgeted levels. Both routine and ancillary revenue are below budgeted levels for the month.

INPATIENT CENSUS: For the month of November, inpatient admissions totaled 1,493, which was 3 below budgeted admissions of 1,496. Our overall average length of stay for the month was 8.5 days. Patient days for November totaled 12,465 and were 346 days below budget. The decrease in admission levels from budget was primarily in the areas of Medicine, Ophthalmology, and Urology. The decreases were partially offset by increases in Neurosurgery, Pediatrics, and Surgery.

To recap our year-to-date inpatient census:

	1988-89 <u>Actual</u>	1989-90 <u>Budget</u>	1989-90 <u>Actual</u>	Variance	% <u>Var</u>
Admissions	8,030	7,881	7,900	19	0.2
Patient Days	67,392	66,629	63,815	(2,814)	(4.2)
Avg Length of Stay	8.4	8.4	8.1	(0.3)	(3.6)
Avg Daily Census	440.5	435.5	417.1	(18.4)	(4.2)
Percent Occupancy	75.4	74.3	71.8	(2.5)	(3.4)

OUTPATIENT CENSUS: Clinic visits for the month of November totaled 21,746 which was 168, or 0.8%, above budgeted visits of 21,578. Visits were significantly above budget in Otolaryngology, Neurology, Pediatrics, Medicine, Radiation Therapy, and Emergency Room. Areas that reported visits considerably below budgeted levels were Dentistry, Sports Medicine, and Adult Psych. Community University Health Care Center (CUHCC) visits for the month of November totaled 4,507 which was 786, or 21.1%, over budgeted visits of 3,721, while Home Health visits of 914 for the month were 56, or 5.8%, below budgeted visits of 970.

**REPORT OF OPERATIONS
NOVEMBER 1989
PAGE 2**

To recap our year-to-date outpatient census:

	1988-89	1989-90	1989-90		%
	Actual	Budget	Actual	Variance	Var
Clinic Visits	113,909	115,559	114,477	(1,082)	(0.9)
CUHCC Visits	19,122	19,536	22,070	2,534	13.0
HHA Visits	4,800	4,946	4,634	(312)	(6.3)

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues over expenses by \$3,745,578, a favorable variance of \$1,319,003.

Patient care charges through November totaled \$134,999,340, which was 5.2% under budget. Routine revenue was 2.7% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was \$6,336,989 below budget (6.2%) and primarily reflected the unfavorable variance in clinic visits. Inpatient ancillary revenue averaged \$8,686 per admission compared to the budgeted average of \$8,922 per admission. Outpatient revenue per clinic visit averaged \$233 compared to the budgeted average of \$271.

Operating expenditures through November totaled \$115,017,498 and were \$6,188,393 (5.1%) below budgeted levels of \$121,206,431. 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 November 30, 1989, totaled \$85,877,722 and represented 96.5 days of revenue outstanding. The overall increase in our patient receivables in November of 6.8 days occurred primarily in Medicare, Transplant Contracts, Commercial Insurance, and MN Medical Assistance.

CONCLUSION: The Hospital's overall operating position is positive and above budgeted levels for year-to-date November. 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

EXECUTIVE SUMMARY OF FINANCIAL ACTIVITY

FOR THE PERIOD JULY 1, 1989 TO NOVEMBER 30, 1989

	1989-90 Budgeted	1989-90 Actual	Over/-Under Budget	Variance %
Patient Care Charges	\$142,429,636	\$134,999,340	(\$7,430,296)	-5.2%
Deductions from Charges	33,394,372	31,060,686	(2,333,686)	-7.0%
Other Operating Revenue	4,154,959	4,407,661	252,702	6.1%
Total Operating Revenue	113,190,223	108,346,315	(4,843,908)	-4.3%
Total Expenditures	121,206,431	115,017,498	(6,188,933)	-5.1%
Net Operating Revenue	(8,016,208)	(6,671,183)	1,345,025	16.8%
Non-Operating Revenue and Expenses	10,442,783	10,416,761	(26,022)	-0.2%
Revenue Over/Under Expense	\$2,426,575	\$3,745,578	\$1,319,003	

	1989-90 Budgeted	1989-90 Actual	Over/-Under Budget	Variance %
Admissions	7,881	7,900	19	0.2%
Patient Days	66,629	63,815	(2,814)	-4.2%
Average Daily Census	435.5	417.1	(18.4)	-4.2%
Average Length of Stay	8.4	8.1	(0.3)	-3.6%
Percentage Occupancy	74.3	71.8	(2.5)	-3.4%
Outpatient Clinic Visits	115,559	114,477	(1,082)	-0.9%

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

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$87,616,000	ROUTINE	\$40,810,773	\$39,717,466	(\$1,093,307)	-2.7%
252,851,000	ANCILLARY	101,618,863	95,281,874	(6,336,989)	-6.2%
\$340,467,000	GROSS CHARGES	\$142,429,636	\$134,999,340	(\$7,430,296)	-5.2%
	DEDUCTIONS FROM CHARGES				
\$11,479,000	BILLING ADJUSTMENTS	\$4,800,728	\$5,025,947	\$225,219	4.7%
15,080,000	HMO/PPO DISCOUNTS	6,306,732	6,923,853	617,121	9.8%
48,573,000	GOVERNMENTAL CONTRACTUAL ADJUST	20,314,119	17,135,718	(3,178,401)	-15.6%
550,000	CHARITABLE CARE	228,404	321,487	93,083	40.8%
4,171,000	PROVISION FOR UNCOLLECTABLES	1,744,389	1,653,681	(90,708)	-5.2%
\$79,853,000	TOTAL DEDUCTIONS	\$33,394,372	\$31,060,686	(\$2,333,686)	-7.0%
	OTHER OPERATING REVENUE				
\$1,627,000	FOOD SERVICES	\$678,473	\$651,802	(\$26,671)	-3.9%
714,000	PARKING SERVICES	297,743	371,080	73,337	24.6%
77,000	DEPARTMENT NON-PATIENT	43,777	55,747	11,970	27.3%
1,269,000	GRANT INCOME	528,750	589,885	61,135	11.6%
1,958,000	REFERENCE LAB INCOME	816,680	923,950	107,270	13.1%
2,056,000	PRO FEES--NET REVENUE	859,857	711,908	(147,949)	-17.2%
40,000	SILVER SALVAGE	16,767	20,308	3,541	21.1%
2,124,684	INCOME FROM BOND PROCEEDS	912,912	1,062,481	149,569	16.4%
0	DONATIONS	0	20,500	20,500	
\$9,865,684	TOTAL OTHER REVENUE	\$4,154,959	\$4,407,661	\$252,702	6.1%
\$270,479,684	TOTAL REVENUE FROM OPERATIONS	\$113,190,223	\$108,346,315	(\$4,843,908)	-4.3%
	EXPENDITURES				
\$123,859,000	SALARIES	\$51,507,185	\$48,158,392	(\$3,348,793)	-6.5%
27,976,000	FRINGE BENEFITS	11,102,177	11,493,162	390,985	3.5%
2,235,000	ACADEMIC CONTRACTS	931,250	910,513	(20,737)	-2.2%
6,242,000	RESIDENT CONTRACTS	2,542,760	2,582,231	39,471	1.6%
3,167,000	PHYSICIAN COMPENSATION	1,319,583	1,308,062	(11,521)	-0.9%
163,479,000	TOTAL SALARY, F.B., & FEES	67,402,955	64,452,360	(\$2,950,595)	-4.4%
	LAUNDRY & LINEN	1,006,107	915,562	(90,545)	-9.0%
1,946,000	RAW FOOD	816,729	747,140	(69,589)	-8.5%
20,366,000	DRUGS	8,537,030	7,902,472	(634,558)	-7.4%
11,343,000	BLOOD & BLOOD DERIVATIVES	4,730,131	3,923,716	(806,415)	-17.0%
26,628,000	MEDICAL SUPPLIES & SERVICES	11,104,110	10,528,414	(575,696)	-5.2%
6,256,000	UTILITIES	2,645,139	2,568,886	(76,253)	-2.9%
992,000	INSURANCE	317,676	317,295	(381)	-0.1%
3,866,000	RENTAL	1,617,133	1,464,734	(152,399)	-9.4%
5,101,000	MAINTENANCE & REPAIR	2,138,227	1,856,059	(282,168)	-13.2%
24,000	NET LOSS ON DISPOSAL OF ASSETS	10,060	60,895	50,835	
282,000	CAMPUS ADMINISTRATION EXPENSE	118,208	118,363	155	0.1%
18,283,000	DEPRECIATION	7,292,467	7,174,551	(117,916)	-1.6%
13,038,000	INTEREST	5,452,001	5,488,719	36,718	0.7%
19,129,000	GENERAL SUPPLIES & EXPENSE	8,018,458	7,498,332	(520,126)	-6.5%
\$293,128,000	TOTAL EXPENDITURES	\$121,206,431	\$115,017,498	(\$6,188,933)	-5.1%
(\$22,648,316)	NET REVENUE FROM OPERATIONS	(\$8,016,208)	(\$6,671,183)	\$1,345,025	-16.8%
	NON-OPERATING REVENUE				
\$15,579,000	APPROPRIATIONS & SUPPORT	\$6,491,250	\$6,423,823	(\$67,427)	-1.0%
6,906,000	INTEREST INCOME ON RESERVES	3,191,152	3,219,597	28,445	0.9%
181,000	SHARED SERVICES	75,871	75,916	45	0.1%
1,484,316	INVESTMENT INCOME HELD BY TRUSTEE	630,017	614,308	(15,709)	-2.5%
130,000	OTHER INVESTMENT INCOME	54,493	83,117	28,624	52.5%
\$24,280,316	TOTAL NON-OPERATING REVENUE	\$10,442,783	\$10,416,761	(\$26,022)	-0.2%
\$1,632,000	REVENUE OVER/(UNDER) EXPENSE	\$2,426,575	\$3,745,578	\$1,319,003	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

NOVEMBER 30, 1989 AND JUNE 30, 1989



ASSETS

	11/30/89	6/30/89	LIABILITIES AND FUND BALANCES	11/30/89	6/30/89
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$72,282	Accounts Payable	\$9,889,142	\$8,926,779
Reserve Cash- Third Party Payable	8,515,156	4,994,382	Payable to Third Party Contr. Payors	5,700,156	10,071,821
Reserve Cash- Current Indebtedness	7,330,870	8,484,143	Salaries, Wages and Payroll Taxes	4,268,971	4,820,284
Reserve Cash- Fringe Benefits	0	798,151	Accrued Vacation	7,844,207	8,187,806
Accounts Receivable			Accrued Professional Fees and Physician Compensation	2,171,472	741,071
Patient Receivables	85,877,722	87,672,463	Contracts Payable	2,638,897	40,000
Other Receivables	2,091,013	1,167,188	Construction Retainages	0	215,074
Third Party Receivable	1,933,128	6,333,531	Interest Payable	4,194,668	5,085,186
Appropriation Receivable	2,562,755	1,235,467	Current Portion of Long-Term Debt	2,594,436	2,724,624
	92,464,618	96,408,649	Promissory Notes Payable	1,300,000	2,500,000
Less Allowances for Losses in Collection	(6,745,356)	(5,933,101)			
Less Allowances for Discounts to Third Party Payors	(22,130,109)	(19,160,666)			
	63,589,153	71,314,882			
Inventories of Drugs & Supplies	4,698,118	4,928,266			
Prepaid Expenses	1,350,126	657,135			
TOTAL CURRENT ASSETS	\$85,555,705	\$91,249,241	TOTAL CURRENT LIABILITIES	\$40,601,949	\$43,312,645
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets Available for Assignment					
Cash & Investments	\$66,791,282	\$63,557,757			
Accrued Interest	1,774,508	148,244			
	68,565,790	63,706,001			
Cash & Invest for Debt Service	13,000,000	13,000,000	LONG-TERM DEBT, LESS CURRENT PORTION	\$168,253,173	\$169,579,548
Cash & Invest for Working Capital	20,804,112	16,000,000			
TOTAL PROPERTY, PLANT, & EQUIPMENT	\$102,369,902	\$92,706,001			
Land, Buildings & Improvements	\$183,761,583	\$184,168,980			
Equipment	84,575,210	83,089,361			
	268,336,793	267,258,341			
Less Accumulated Depreciation	(106,654,778)	(100,371,670)			
Construction in Progress	161,682,015	166,886,671			
	10,160,287	9,057,292			
TOTAL PROPERTY, PLANT, & EQUIPMENT	171,842,302	175,943,963			
Assigned Cash & Investments for Construction/Equipment	7,667,037	7,006,734			
TOTAL	\$179,509,339	\$182,950,697			
INVESTMENTS HELD BY BOND TRUSTEE	\$18,551,484	\$18,870,093			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,460,028	\$7,737,794			
Deferred Debt Expense	1,141,160	1,175,980			
Deposits and Other	545,945	675,798			
TOTAL	\$9,147,133	\$9,589,572	UNRESTRICTED FUND BALANCE	\$186,278,441	\$182,473,411
TOTAL ASSETS	\$395,133,563	\$395,365,604	TOTAL LIABILITIES & FUND BALANCE	\$395,133,563	\$395,365,604
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
Ch and Investments	\$6,185,572	\$5,450,761	Endowment Funds	\$2,276,679	\$2,161,348
	=====	=====	Gift Funds	3,908,893	3,289,413
	=====	=====		\$6,185,572	\$5,450,761
	=====	=====		=====	=====

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1989 TO NOVEMBER 30, 1989

Source of Funds

Beginning Operating Cash Balance	\$72,282
Net Income from Operations	(6,671,183)
Non-Operating Revenue	10,416,761
Excess of Revenue over Expense	3,745,578
Items not Requiring the Outlay of Cash	
Depreciation	7,174,551
University Support: G & A	118,363
Loss on Disposal of Assets	60,895
Deferred Third Party Reimbursement	277,766
Renewal Project Interest Expense	4,344,101
Increase in Accrued Expenses	4,082,421
Transfer from Fringe Benefit Reserve	798,151
Decrease in Accounts Receivable	5,576,439
Decrease in Third Party Receivable	4,400,403
Decrease in Inventory	230,148
Total Funds Provided from Operations	\$30,881,098

Funds Applied

Transfer Third Party Reserve	3,520,774
Decrease in Third Party Payable	4,371,665
Increase in Prepaid Expenses	563,138
Increase in Other Receivables	923,825
Capital Expenditures	2,833,060
Appropriation Receivable	1,327,288
Investment Income - Trustee-held Assets	614,308
Transfers to Reserves - Bond Retirement	5,174,073
Total Funds Applied	\$19,328,131
Operating Cash Made Available from Operations	\$11,552,967

Total Operating Cash Available of \$11,552,967 plus Transfers for Bond Retirement of \$5,174,073; plus Transfers to Plant of \$2,833,060 equals Cash Generated from Operations of \$19,560,100.

Current Cash Summary

Operating Cash	\$11,552,967
Operating Cash to Working Capital Reserve	(8,260,503)
Reserve Cash for Liability to Third Party Payors	8,515,156
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	4,830,870

Less Interest Income on Reserves and Grant	19,138,490
	(3,220,182)
Total Current Cash	\$15,918,308

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

For the Period July 1, 1989 through November 30, 1989

	OPERATING FUND	CURRENT DEBT SERVICE FUND	BOARD DESIGNATED FUND	PLANT FUND	TRUSTEE FUND	TOTAL UNRESTRICTED FUNDS
UNRESTRICTED FUNDS						
Beginning Balance	\$42,910,800	\$8,484,143	\$92,706,001	\$19,502,374	\$18,870,093	\$182,473,411
Net Income						
Excess of Revenue over Expense	6,176,998					
Interest Income on Reserves		3,219,597				
Interest Income on Nursing Grant		585				
Depreciation Expense			(7,174,551)			
Loss on Disposal of Assets			(60,895)			
Interest Income on Trustee Held Fund				614,308		
Amortization of Deferred Bond Expense			(92,945)			
Interest Income on Bond Proceeds					1,062,481	
Total Income						3,745,578
Less Expense						
University Support: G & A	118,363					118,363
Transfers Between Funds						
Major Building Projects- Hosp.			(2,749,701)	2,749,701		
Capital Expenditures	(2,618,372)			2,618,372		
Major Equipment Requisition	(214,688)			214,688		
Adjustment to Shared Buildings				(58,911)		(58,911)
Bond Interest Payment	6,189,827	(5,919,000)			(270,827)	
Bond Interest Expense Funding	(4,251,156)	5,042,810			(791,654)	
Bond Principal Funding	(922,917)	922,917				
Decrease in Short Term Note Funding		(1,200,000)		1,200,000		
Trsf Trustee Funds to Campus			932,917			
Funding Working Capital	(8,260,503)		8,260,503			
Ending Balance	\$39,128,352	\$7,330,870	\$102,369,902	\$18,897,833	\$18,551,484	\$186,278,441
RESTRICTED FUNDS						
	GIFT		ENDOWMENT		TOTAL	
Beginning Balance	\$3,289,413		\$2,161,348		\$5,450,761	
Income	645,788		115,624		761,412	
Disbursements	(26,308)		(293)		(26,601)	
Ending Balance	\$3,908,893		\$2,276,679		\$6,185,572	

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

NOVEMBER BUDGETED	NOVEMBER ACTUAL	NOVEMBER VARIANCE	VARIANCE %	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$7,847,089 19,192,721	\$7,767,073 18,288,089	(\$80,016) (904,632)	-1.0% -4.7%	ROUTINE ANCILLARY	\$40,810,773 101,618,863	\$39,717,466 95,281,874	(\$1,093,307) (6,336,989)	-2.7% -6.2%
\$27,039,810	\$26,055,162	(\$984,648)	-3.6%	GROSS CHARGES	\$142,429,636	\$134,999,340	(\$7,430,296)	-5.2%
				DEDUCTIONS FROM CHARGES				
\$910,958 1,196,728 3,854,685 43,113 331,005	\$844,215 834,452 4,869,868 79,766 319,446	(\$66,743) (362,276) 1,015,183 36,653 (11,559)	-7.3% -30.3% 26.3% 85.0% -3.5%	BILLING ADJUSTMENTS HMO/PPO DISCOUNTS GOVERNMENTAL CONTRACTUAL ADJUST CHARITABLE CARE PROVISION FOR UNCOLLECTABLES	\$4,800,728 6,306,732 20,314,119 228,404 1,744,389	\$5,025,947 6,923,853 17,135,718 321,487 1,653,681	\$225,219 617,121 (3,178,401) 93,083 (90,708)	4.7% 9.8% -15.6% 40.8% -5.2%
\$6,336,489	\$6,947,747	\$611,258	9.6%	TOTAL DEDUCTIONS	\$33,394,372	\$31,060,686	(\$2,333,686)	-7.0%
				OTHER OPERATING REVENUE				
\$128,188 56,254 8,535 105,750 154,246 163,161 3,288 179,379 0	\$131,209 75,918 15,619 121,314 298,349 152,812 3,146 338,636 20,500	\$3,021 19,664 7,084 15,564 144,103 (10,349) (142) 159,257 20,500	2.4% 35.0% 83.0% 14.7% 93.4% -6.3% -4.3% 88.8%	FOOD SERVICES PARKING SERVICES DEPARTMENT NON-PATIENT GRANT INCOME REFERENCE LAB INCOME PRO FEES--NET REVENUE SILVER SALVAGE INCOME FROM BOND PROCEEDS DONATIONS	\$678,473 297,743 43,777 528,750 816,680 859,857 16,767 912,912 0	\$651,802 371,080 55,747 589,885 923,950 711,908 20,308 1,062,481 20,500	(\$26,671) 73,337 11,970 61,135 107,270 (147,949) 3,541 149,569 20,500	-3.9% 24.6% 27.3% 11.6% 13.1% -17.2% 21.1% 16.4%
\$798,801	\$1,157,503	\$358,702	44.9%	TOTAL OTHER REVENUE	\$4,154,959	\$4,407,661	\$252,702	6.1%
\$21,502,122	\$20,264,918	(\$1,237,204)	-5.8%	TOTAL REVENUE FROM OPERATIONS	\$113,190,223	\$108,346,315	(\$4,843,908)	-4.3%
				EXPENDITURES				
\$10,455,179 2,162,797 186,250 508,552 263,917	\$9,509,014 2,232,187 182,102 550,853 252,263	(\$946,165) 69,390 (4,148) 42,301 (11,654)	-9.0% 3.2% -2.2% 8.3% -4.4%	SALARIES FRINGE BENEFITS ACADEMIC CONTRACTS RESIDENT CONTRACTS PHYSICIAN COMPENSATION	\$51,507,185 11,102,177 931,250 2,542,760 1,319,583	\$48,158,392 11,493,162 910,513 2,582,231 1,308,062	(\$3,348,793) 390,985 (20,737) 39,471 (11,521)	-6.5% 3.5% -2.2% 1.6% -0.9%
13,576,695	12,726,419	(850,276)	-6.3%	TOTAL SALARY, F.B., & FEES	67,402,955	64,452,360	(2,950,595)	-4.4%
192,432 156,766 1,624,572 893,690 2,097,962	164,064 139,111 1,278,674 933,544 2,050,516	(28,368) (17,655) (345,898) 39,854 (47,446)	-14.7% -11.3% -21.3% 4.5% -2.3%	LAUNDRY & LINEN RAW FOOD DRUGS BLOOD & BLOOD DERIVATIVES MEDICAL SUPPLIES & SERVICES	1,006,107 816,729 8,537,030 4,730,131 11,104,110	915,562 747,140 7,902,472 3,923,716 10,528,414	(90,545) (69,589) (634,558) (806,415) (575,696)	-9.0% -8.5% -7.4% -17.0% -5.2%
449,472 63,833 317,703 419,260 1,973	423,533 (990) 219,718 383,441 33,239	(25,939) (990) (97,985) (35,819) 31,266	-5.8% -1.6% -30.8% -8.5% 0.1%	UTILITIES INSURANCE RENTAL MAINTENANCE & REPAIR NET LOSS ON DISPOSAL OF ASSETS	2,645,139 317,676 1,617,133 2,138,227 10,060	2,568,886 317,295 1,464,734 1,856,059 60,895	(76,253) (381) (152,399) (282,168) 50,835	-2.9% -0.1% -9.4% -13.2% 0.1%
23,178 1,478,985 1,089,347 1,572,247	23,208 1,443,785 1,035,557 1,882,067	30 (35,200) (53,790) 309,820	0.1% -2.4% -4.9% 19.7%	CAMPUS ADMINISTRATION EXPENSE DEPRECIATION INTEREST GENERAL SUPPLIES & EXPENSE	118,208 7,292,467 5,452,001 8,018,458	118,363 7,174,551 5,488,719 7,498,332	155 (117,916) 36,718 (520,126)	0.1% -1.6% 0.7% -6.5%
\$23,958,115	\$22,799,719	(\$1,158,396)	-4.8%	TOTAL EXPENDITURES	\$121,206,431	\$115,017,498	(\$6,188,933)	-5.1%
(\$2,455,993)	(\$2,534,801)	(\$78,808)	3.2%	NET REVENUE FROM OPERATIONS	(\$8,016,208)	(\$6,671,183)	\$1,345,025	-16.8%
				NON-OPERATING REVENUE				
\$1,298,250 602,613 14,877 125,956 10,685	\$1,281,337 672,412 17,044 124,478 14,485	(\$16,913) 69,799 2,167 (1,478) 3,800	-1.3% 11.6% 14.6% -1.2% 35.6%	APPROPRIATIONS & SUPPORT INTEREST INCOME ON RESERVES SHARED SERVICES INVESTMENT INCOME HELD BY TRUSTEE OTHER INVESTMENT INCOME	\$6,491,250 3,191,152 75,871 630,017 54,493	\$6,423,823 3,219,597 75,916 614,308 83,117	(\$67,427) 28,445 45 (15,709) 28,624	-1.0% 0.9% 0.1% -2.5% 52.5%
\$2,052,381	\$2,109,756	\$57,375	2.8%	TOTAL NON-OPERATING REVENUE	\$10,442,783	\$10,416,761	(\$26,022)	-0.2%
(\$403,612)	(\$425,045)	(\$21,433)		REVENUE OVER/(UNDER) EXPENSE	\$2,426,575	\$3,745,578	\$1,319,003	



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 14, 1989

TO: Board of Governors Finance Committee
FROM: Clifford P. Fearing *cpharinc*
SUBJECT: 1989-90 UMHC Support for University of Minnesota Clinical
Associates

At the December Board of Governors Finance Committee we will be requesting your approval to continue our support to the University of Minnesota Clinical Associates (UMCA). As you know the Board of Governors approved support to UMCA for fiscal years 1986-87 through November 30, 1989 based on a review performed by Deloitte Haskins & Sells of work effort and benefits provided by UMCA to UMHC. UMHC support to UMCA for the period December 1, 1988 to November 30, 1989 was \$136,152.

UMCA has proposed that UMHC continue its support at the same level adjusted for position vacancies for the 1989-90 UMCA fiscal year. We will be recommending that this level of support be approved.

In addition, in compliance with your request for recommendations on future legal and organizational relationships between UMHC and UMCA that you requested in your October 26, 1988 resolution approving our support of UMCA, we will be providing you with a report from Deloitte Touche which addresses these issues. The finalized report will not be available until December 18, 1989, so we will provide it to you at the December meeting. The attached schedule outlines the areas of support requested for 1989-90.

If you have any questions or concerns, please contact me at 626-0966.

CPF:th

Attachment

**Summary of Proposed UMHC Suppport
for University of Minnesota Clinical Associates**

December 1, 1989 - November 30, 1990

UMCA Officer Support	\$ 35,000
Executive Director Support	\$ 22,400
Medical Director Support	\$ 25,000
Data Processing Costs	\$ 27,160
Case Management Services	\$ 18,900
Space Related Costs	<u>\$ 7,692</u>
 TOTAL	 \$136,152

Deloitte & Touche



4300 Norwest Center
90 South Seventh Street
Minneapolis, Minnesota 55402-4150
Telephone: (612) 344-0200

Facsimile: (612) 339-6202

Mr. Clifford Fearing
Senior Associate Director
University of Minnesota Hospital
and Clinic
Harvard Street at East River Road
Minneapolis, Minnesota 55455

December 20, 1989

Dear Cliff:

This correspondence is in response to your letter of November 22, 1989 and our recent telephone conversation regarding the University of Minnesota Clinical Associates. The purpose of this letter is to specifically respond to the questions which you articulated in your November 22nd letter. Our response corresponds to the number of each of your questions:

1. Our initial review was conducted during September 1988. From this review we learned that UMCA was experiencing very significant financial difficulties as evidenced by:

- . An additional withhold of up to 14% per case had been implemented to meet cash flow needs. This withhold was added to the 13% standard withhold already in place.
- . Of an \$800,000 original budget, UMCA management projected a \$400,000 loss.
- . Over 70% of expenses were slightly variable or fixed.
- . 35% of the total budget was for the CEO and COO salaries.

As of November 30, 1989 UMCA had a \$40,000 net income with a positive cash position in excess of \$35,000. This turn around in financial position was a direct result of:

- . Reducing rent expense by relocating to the Boyton overpass
- . Reducing supply expense by evaluating supply quantities and vendors
- . Eliminating unnecessary travel and entertainment expenses
- . Reducing COO and CEO salaries and consolidating two positions into one
- . Transplant patients under contract significantly increased

- . Total revenues increased because UMCA began to provide better service to various departments
- . Financial support from the Hospital for contracting and marketing was obtained
- . CHAMP equity payout of \$30,000 was received

It should also be pointed out that this improved economic performance occurred while the per case withhold was also reduced to 8%.

In developing the budget for fiscal year 1989-90, UMCA revenues are projected to further increase due to two new contracts: the State Health Plan and Indian Health Services. Fixed expenses will not be added until payment charge volumes warrant increased staff.

2. Since the inception of UMCA, UMHC representatives have been non-voting members of the UMCA Board. This representation facilitated communication of Board level issues and decisions, but did not foster any significant level of working together toward common goals. Interviews with UMCA and UMHC members in our September 1988 initial review found a suspicious, competitive relationship between the two organizations.

When DH&S was subsequently engaged as interim managers, we insisted on a working committee, meeting weekly, to give direction and make policy decisions. We strongly recommended inclusion of Hospital management on the working committee. The working committee has met weekly for over a year and has presented a forum for UMCA and UMHC to discuss and plan. We believe the working committee has been key in fostering an improved understanding of each other's business and concerns. The most recent example of this joint concept has been the negotiations with PHP in which both sides stressed the concerns of the other entity.

As a result of these working committee meetings, staff relationships between UMCA and UMHC have improved considerably in the past year. For example, claims processing personnel in both organizations have established open relations to enhance their ability to get claims paid. Documentation and information is shared and often one side agrees to represent both sides in individual claim disputes.

3. To the extent that UMCA can represent the articulated interests of the clinical chiefs, and because UMCA has become an open arena for discussing clinical issues, we believe UMCA should have a significant role in strategic planning for patient care. Strategic issues which have already been discussed within the UMCA working committee structure include:

- . Managed care/H.M.O. relationships
- . Decreasing clinic volumes
- . Clinic management
- . Clinic quality assurance and utilization review
- . Relationships between UMCA and community physicians
- . Accepting Medicare assignment
- . Decentralized versus individual practice plans
- . Other vehicles for increasing clinic volumes

4. Although the working committee was originally formed to support interim management, the committee has become a non-threatening, open arena for discussing many UMCA/UMHC issues. This informal setting fosters a relationship of trust, it also provides 90 minutes per week to efficiently and effectively resolve joint issues. We believe this working committee should continue to meet weekly.

UMHC representatives should also continue to attend the Board meetings. Because UMHC provides economic and facilities support to UMCA, we would recommend that serious consideration be given to giving the Hospital one vote on the UMCA Board.

5. UMHC has financially supported UMCA for the past two years and the UMHC Board is currently considering continuing support at the same level for the 1989-90 fiscal year. UMHC has received substantial goodwill and a number of direct benefits from this financial support. An example of benefits UMHC has received for their support include, but are not limited to:

- . UMCA members recently met with UMHC admissions to streamline the HMO pre-authorization process. The results of these meetings will result in increased activities completed by UMCA and a decrease in activities for UMHC.
- . UMCA staff met with a clinic nurse manager to explain the HMO process. This resulted in her ability to help two patients that same day in resolving the patient concerns.
- . UMCA will provide required medical director support for the State Health Plan.

- . UMCA has provided contract and other information to Department Administrators. By attending the Department Administrators monthly meeting, UMCA representatives have addressed questions about implementation of the contracts and subsequent procedures.

While there are no "standards" by which to compare the value of these types of benefits to UMHC, the current level of support seems very reasonable for the benefits obtained.

During our telephone discussion on December 13th, you also asked us to address four additional questions which to some degree overlap issues in your November 22nd letter. To the extent that our responses above do not specifically address these questions, we would respond as follows:

Question: At this point-in-time, what is the best organization structure for UMCA?

Answer: We continue to believe that UMCA should continue to exist as it does today. We strongly recommend UMCA be lead by an effective manager who can continue to improve current services and develop new market services which bring closer together clinical departments and UMHC. As a longer range goal, we believe it would be highly beneficial and generate economies of scale to merge daily clinical section management functions with services now provided by Hospital personnel in clinic settings.

Question: Is Hospital participation in Board/Executive efforts an adequate way for further improved operating relationships?

Answer: Within the framework suggested above, we believe the current arrangements to be adequate.

Question: How should personnel participate in the selection of key UMCA personnel?

Answer: We believe that the current working committee involvement has incorporated senior Hospital personnel in the review of key personnel in an appropriate way. In addition, we would continue to recommend the current informal practice of a direct interview by a member of senior Hospital management as well UMCA Board members.

Question: How should UMCA representatives provide monthly reports to UMHC?

Mr. Clifford Fearing

December 20, 1989

5

Answer: We believe the current set of working relationships incorporated with the set of recommendations identified above are adequate to keep Hospital management informed on all UMCA issues.

It is a pleasure to be of continued service to the UMCA organization. I encourage you to call me at 344-0450 should you have any further questions regarding these matters.

Sincerely,
Deloitte & Touche



Robert McDonald
Principal

cc: Dr. Ed Ciriacy



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 14, 1989

TO: Board of Governors
 Finance Committee

FROM: Greg Hart
 Senior Associate Director

SUBJECT: Quarterly Capital Expenditure Report

Consistent with Board of Governors' policy, attached please find a report on capital expenditure for the July, 1989 - September, 1989 time period.

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

/th

Attachment

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
CAPITAL EXPENDITURES
7-1-89 THRU 9-30-89

ANNUAL BUDGET AND ROLLFORWARD				SEASONALIZED BUDGET			ACTUAL	EXPENDITURES	
RECURRING EQUIP & REMODEL:	BUDGET	ROLL FORWARD FROM 6-30-89	TOTAL	3-MONTH BUDGET	3-MONTH ROLLFORWARD	TOTAL	89-90 ACTUAL	88-89 ROLL FORWARD	TOTAL
EQUIPMENT PURCHASES									
89-90 Budget Rollforward	\$6,699,010	\$4,418,612	\$6,699,010 \$4,418,612	\$450,000	\$1,000,000	\$450,000 \$1,000,000	\$418,942	\$763,598	\$418,942 \$763,598
	\$6,699,010	\$4,418,612	\$11,117,622	\$450,000	\$1,000,000	\$1,450,000	\$418,942	\$763,598	\$1,182,540
REMODELING PROJECTS									
	\$1,600,990		\$1,600,990	\$175,000		\$175,000	\$93,257		\$93,257
	\$8,300,000	\$4,418,612	\$12,718,612	\$625,000	\$1,000,000	\$1,625,000	\$512,199	\$763,598	\$1,275,797
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Purchases to be reimbursed by Plant Funds:							\$82,342		\$82,342
PRINCIPLE PAYMENTS									
Lithotripter	\$304,670					\$76,761			\$76,761
CT SCANNER	\$192,600					\$46,800			\$46,800
COMPUTER EQUIP	\$8,909					\$6,658			\$6,658
	\$201,509					\$130,219			\$130,219
TOTAL:	\$8,501,509					\$1,755,219			\$1,488,358
BOND PAYMENTS:	\$2,215,000	(DUE FEB. 1,1990)							
CAPITAL PROJECTS:									
	AUTHORIZED BUDGET	1st Quarter EXPENDITURES 1989-90	Current & Prior Year EXPENDITURES						
MRI II	\$3,600,000	\$521	\$2,738,246						
DERMATOLOGY	\$612,410	\$18,135	\$734,093						
MAYO 4 SURG	\$1,029,350	\$96,796	\$910,419						
CUHCC	\$1,350,000	\$4,895	\$350,895						
MASONIC HOSP	\$835,000	\$314,905	\$848,182 **						
COMPUTER UPGRADE	\$850,000	--							
NEURORADIOLOGY UPGRADE	\$909,000	--							
TOTAL	\$9,185,760	\$435,252	\$5,581,835						
	=====	=====	=====	=====	=====	=====	=====	=====	=====

** Total Project Budget is \$1,335,000. This is being financed with \$835,000 from UMH and \$500,000 from the Masonic Memorial Hospital Fund, Inc.



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 14, 1989

TO: Members, Finance Committee
FROM: Greg Hart *CJ*
Senior Associate Director
SUBJECT: Renewal Project II

Over the past two months we have introduced the Planning and Development Committee to a potential change in building concept for Renewal Project II. This topic will be presented to the Board of Governors at the December 20 meeting of the Finance Committee and Board.

In late 1988 the Board of Governors approved a \$62 million construction/renovation project for University Hospital, referred to as Renewal Project II. The primary objective of the project is to provide new and renovated facilities for various University Hospital departments that were not incorporated in the "new" University Hospital building completed in 1986. The principal clinical programs included in Renewal Project II are patient care units for Psychiatry, Obstetrics, Urology, and Physical Medicine and Rehabilitation. Numerous other Hospital support departments are also part of Renewal Project II.

The physical facility components of the project as proposed include a two story addition to Unit J (with one floor for Psychiatry, and a "shelled" floor), and major renovation of the Mayo building complex. The project will be financed entirely from University Hospital reserves and operating cash flow; no other University or State funding is envisioned, nor is any additional debt financing planned.

Over the past several months, as more detailed planning has evolved, a reconfiguration of the physical facility components of the project has been proposed by the project planning team. This reconfiguration generally retains the same programmatic objectives, budgeted expenditure levels, and financing plan, but modifies the construction/remodeling concept.

The alternative proposal involves demolition of part of the existing Mayo complex and construction of a new facility "wing", which would house the major clinical program elements of the project. This construction would be in lieu of the vertical expansion of Unit J and result in less renovation of the remaining Mayo complex.

The principle advantages to the new approach, compared to the original plan, include:

- A larger portion of the funds are invested in new facilities rather than remodeling and upgrading systems in older facilities, thereby creating greater "life cycle" value
- Patient care programs are located in new construction rather than remodeled facilities
- New space can be constructed to meet functional needs rather than "retrofitting" into existing areas
- Improved linkages and traffic flow among buildings is created
- There will be fewer "hidden conditions" (such as asbestos) with new construction
- Greater energy efficiency and lower maintenance costs result with new construction

The primary disadvantage of the new approach is that of time - it will likely take 12-18 months longer to place the major clinical programs in their new locations with the new plan compared to the original plan. In addition, some significant impacts on ongoing operations would have to be addressed during the construction process.

This new approach will be presented at the conceptual level to the Board of Governors on December 20. Remaining questions will be investigated and a more specific proposal will be developed over the next several weeks. At this point we anticipate presenting that proposal to the Board of Governors for information in January or February, and requesting your approval in February or March.

We look forward to discussing the project with you on December 20.

GH/kj



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 13, 1989

TO: Members, Finance Committee

FROM: Robert Dickler *(initials)*

REGARDING: Community University Health Care Center (CUHCC)

In February 1988 the Board of Governors approved the continuation of the CUHCC program and the purchase of land and a building project for the replacement of the CUHCC facility. The project was approved at a cost not to exceed \$1,500,000, with \$1,350,000 of hospital reserve funds committed. The remaining balance of \$150,000 was to be funded by the City of Minneapolis.

During the facility design process, it became apparent that the amount budgeted was substantially underestimated. As a result, we have spent the past year carefully scrutinizing the budget and exploring alternatives to minimize any further capital commitment for the Hospital. We have concluded that the project should continue and we have identified a number of sources for the additional funds that would be needed to complete the project. These include using some of the proceeds of the pledge from the Variety Club.

Attached is a summary of the budget dilemma, alternatives that were explored, and the financing plan that we have developed. We look forward to discussing this with you next week. Thank you.

Attachment

Community University Health Care Center Facility Replacement Project

Project Background

The Community University Health Care Center (CUHCC) is UMHC's neighborhood-based clinic located on 16th Avenue near Franklin in south Minneapolis. It began in 1966 as a five year demonstration project to provide multi-disciplinary pediatric health care to children of low-income families and expanded over the years to include adult medical care and dental and mental health services. Through the unique prepaid program, CUHCC, the Hospital, and the medical staff contribute over \$500,000 each year in charity care.

In February, 1988, recognizing the need for a new, larger facility, the UMHC Board of Governors endorsed the purchase of land and the construction of a new facility for CUHCC at a cost of \$1,500,000. The City of Minneapolis committed \$150,000 to support the project, and the Hospital committed up to \$1,350,000 from its reserve funds.

Upon approval, the land at Franklin and Bloomington was purchased, an architect was chosen, and preliminary plans were developed. Based on these plans, a revised construction budget was completed in December 1988. This budget identifies a much larger project cost now totaling \$2,350,000, which is \$850,000 greater than the approved budget.

Following is an explanation of the original inaccurate estimate, information on the current estimate, alternatives that were explored, potential sources for the funding the outstanding balance, and a recommended plan of action.

Original Project Estimate

The original project estimate for the land and a building located adjacent to the current CUHCC facility was \$1,500,000. This estimate was based on information obtained from a consulting architect and later supported by the architect who was chosen to complete the project. However, as the project progressed, a number of unanticipated items surfaced:

- 1) Many University construction requirements were not included in the architect's estimate so the general, mechanical and electrical requirements were miscalculated. These requirements were examined to see if any reductions could be achieved, and it was determined that they were appropriate. The University has set standards for energy conservation and building life expectancy that are above community standards, yet reasonable when considering the ongoing maintenance and operational efficiencies that are achieved. Examples include using dual light switches that allow half of a room's lights to be turned off; roofing material and HVAC equipment that will last 20-25 years instead of 10 years; and wiring cable trays rather than just laying the wires in the ceiling so that future electrical work can be done more efficiently.

- 2) The City would not allow one of the alleys to be vacated. As a result, the neighboring grocery store would have to be demolished to meet parking requirements.
- 3) Since many non-building estimates are determined as a percentage of the building estimate, these costs have increased proportionately.
- 4) Non-building estimates such as telephones, furniture and moveable equipment, and contingencies were greater than originally anticipated.
- 5) A 5% increase has been included for inflation for the total project.

As the above factors indicate, programmatic changes are not the cause of the higher project cost. The only programmatic change involves a \$30,000 patient/staff/community education room.

Attachment I provides a detailed breakdown of the cost implication of these changes through a comparison between the original and revised estimates.

Revised Estimate

When it became apparent that there were discrepancies in the budget, the Hospital asked two independent contractors who have worked with the University in the past to provide nonbinding estimates for the project. They worked closely with the architect and with the Hospital Facilities Office to develop their recommendations. The conclusion, after careful study, was that the project would cost \$2,350,000.

Alternatives

During the past 10 months, Hospital Administration has explored a number of alternatives to solve the budget dilemma. The first option was to stay within the budgeted amount of \$1,500,000. If this option is chosen, the building would need to be scaled down to approximately 9,000 square feet. This is 40-45% less than what the space consultants indicated would be needed to minimally meet program requirements. By comparison, the current CUHCC facility is approximately 10,000 square feet, and space is extremely limited. Therefore, activity levels would need to be reduced by approximately 30% if a building is constructed within the approved budget.

The building size could be reduced by 2,000 square feet and still meet the program's basic, immediate needs. The community room (1,000 s.f.) could be eliminated and an additional 1,000 square feet could be removed by eliminating some office space, a dental operatory, two exam rooms, and waiting areas. This would reduce the project costs by approximately \$150,000, however, this would eliminate any potential program development and growth.

Since Mt. Sinai recently closed, and there appears to be space available there, this option was again explored. Health One, the owner of Mt. Sinai, is not prepared to discuss this option and would not be ready to discuss it for a number of months. Also, City officials were contacted, and they are unwilling to make any further commitments.

The preferred alternative, therefore, is to continue with the project, recognizing the increased capital expense, and identify potential alternative funding options so that any additional use of Hospital reserves beyond the \$1,350,000 would not be necessary.

Financial Plan

Based on the assumption that the project would need to have full funding identified before the Board of Governors could act favorably on the increased costs, Hospital Administration explored a number of alternatives during the past few months. As a result, a number of sources have been identified, and additional funds totaling \$850,000 have been identified and other opportunities continue to be pursued.

The Variety Club of the Northwest has become an enthusiastic supporter of CUHCC over the past two years. They have made a number of contributions toward clinic operations, and the Variety Club Advisory Committee will soon receive a proposal to commit \$800,000 (over a four year period) of their overall pledge to the University toward the increased costs of the CUHCC facility. This commitment should be finalized by the end of the year. Additionally, the Honeywell Foundation has committed \$50,000.

CUHCC has been designated by the University Foundation as the University's project that can apply for a Kresge Challenge Grant. A recent meeting with Kresge officials was held and their initial reaction to the program is positive. A proposal to Kresge will be submitted with a target goal that will be determined during the next month. Additional contributions are also being sought. Attachment II summarizes the sources of funds available.

Recommendation

Given the Board of Governors' support for CUHCC and its special mission and that funding is in hand to cover the overage, the Hospital should continue the CUHCC facility project at the revised figure of \$2,350,000. Further sources of funding will be pursued, and if funds are raised in excess of the identified shortfall, or if the project is completed under the revised budget, the Hospital's use of reserve funds of \$1,350,000 would be reduced accordingly.

Attachment I
CUHCC Facility Project Costs
Original vs Revised Estimates

Item	Original Estimate	Revised Estimate
Land Acquisition	\$300,000	\$300,000
Building Costs		
General	592,184	751,800
Mechanical	166,140	331,800
Electrical	79,740	120,750
Demolition of CUHCC	40,000	40,000
Misc and Contingencies	99,157	145,200
Sub-Total	977,221	1,389,550
Non-Building Costs		
Sitework	40,300 ¹	95,000 ²
Furnishings & Equipment	15,000 ¹	179,470
Consultant's Fee	74,978	104,300
Demolition of Grocery Store	0	35,000
Contingencies	28,117	80,200 ³
Telephone System	8,000	100,000 ³
Miscellaneous	56,384	66,480
Sub-Total	222,779	660,450
Total Project Cost	\$1,500,000	\$2,350,000

- 1) This assumed the use of \$60,000 in funds made available from the sale of the Grocery store equipment. However, the equipment has not been sold to date.
- 2) This includes \$30,000 for medical record files and \$38,000 for 3 dental operatories that were not originally anticipated.
- 3) It is anticipated that this figure will be reduced. Alternative telephone systems will be explored during the next month.

Attachment II
CUHCC Facility Project
Sources of Funding

Sources	Original Estimate	Revised Estimate
Hospital Reserves	\$1,350,000	\$1,350,000
City of Minneapolis	150,000	150,000
Variety Club Pledge	---	800,000
Honeywell Foundation	---	50,000
Total Sources	\$1,500,000	\$2,350,000