



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

- | | | |
|------|--|--------------------|
| 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:

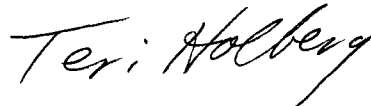
1. Fiberglass insulation became contaminated while asbestos was being removed and need to be replace.
2. The original estimate of the removal of the asbestos was exceeded by \$42,000.
3. Environmental Health and Safety recommended that additional precautions be made in areas where asbestos remained undisturbed. 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 | 1989-90 | 1989-90 | | % |
|--------------------|---------------|---------------|---------------|-----------------|------------|
| | <u>Actual</u> | <u>Budget</u> | <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 | 1989-90 | 1989-90 | | % |
|---------------|---------------|---------------|---------------|-----------------|------------|
| | <u>Actual</u> | <u>Budget</u> | <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% |
| 2,395,000 | 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% |
| ===== | | ===== | ===== | ===== | |

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

OCTOBER 31, 1989 AND JUNE 30, 1989

| | 10/31/89 | 6/30/89 | | 10/31/89 | 6/30/89 |
|---|----------------------|----------------------|---|----------------------|----------------------|
| ASSETS | | | LIABILITIES AND FUND BALANCES | | |
| 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 | | | |
| | \$89,998,340 | \$91,249,241 | TOTAL CURRENT LIABILITIES | \$45,211,491 | \$43,312,645 |
| TOTAL CURRENT ASSETS | | | | | |
| 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 | | | |
| | \$101,481,721 | \$92,706,001 | | | |
| TOTAL PROPERTY, PLANT, & EQUIPMENT | | | | | |
| 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 | | | |
| | \$180,543,683 | 182,950,697 | | | |
| TOTAL | | | | | |
| INVESTMENTS HELD BY BOND TRUSTEE | \$18,731,719 | \$18,870,093 | | | |
| OTHER ASSETS | | | | | |
| Deferred Third Party Reimbursement | \$7,515,581 | \$7,737,794 | UNRESTRICTED FUND BALANCE | \$186,684,072 | \$182,473,411 |
| Deferred Debt Expense | 1,148,124 | \$1,175,980 | | | |
| Deposits and Other | 735,043 | \$675,798 | | | |
| | \$9,398,748 | \$9,589,572 | TOTAL LIABILITIES & FUND BALANCE | \$400,154,211 | \$395,365,604 |
| TOTAL ASSETS | \$400,154,211 | \$395,365,604 | | | |
| | ===== | ===== | | | |
| RESTRICTED ASSETS | | | RESTRICTED FUND BALANCES | | |
| Cash and Investments | \$6,126,250 | \$5,450,761 | Endowment Funds | \$2,269,160 | \$2,161,348 |
| | \$6,126,250 | \$5,450,761 | Gift Funds | 3,857,090 | 3,289,413 |
| | ===== | ===== | | \$6,126,250 | \$5,450,761 |
| | ===== | ===== | | ===== | ===== |

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. Capital Expenditures | (2,217,511) | | (2,704,087) | 2,704,087 | | 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) | 0 |
| 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 | | 0 |
| 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 |

| | GIFT | ENDOWMENT | TOTAL |
|-------------------------|-------------|-------------|-------------|
| RESTRICTED FUNDS | | | |
| 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 % | | BUDGETED | ACTUAL | OVER/(UNDER) BUDGET | VARIANCE % |
|------------------|----------------|------------------|------------|-----------------------------------|---------------|---------------|---------------------|------------|
| \$8,285,367 | \$7,902,387 | (\$382,980) | -4.6% | ROUTINE | \$32,963,684 | \$31,950,393 | (\$1,013,291) | -3.1% |
| \$20,423,710 | \$19,330,620 | (\$1,093,090) | -5.4% | ANCILLARY | 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><1,619,440></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:

| | 1987-88 <u>Actual</u> | 1988-89 <u>Budget</u> | 1988-89 <u>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:

| | 1987-88 <u>Actual</u> | 1988-89 <u>Budget</u> | 1988-89 <u>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.

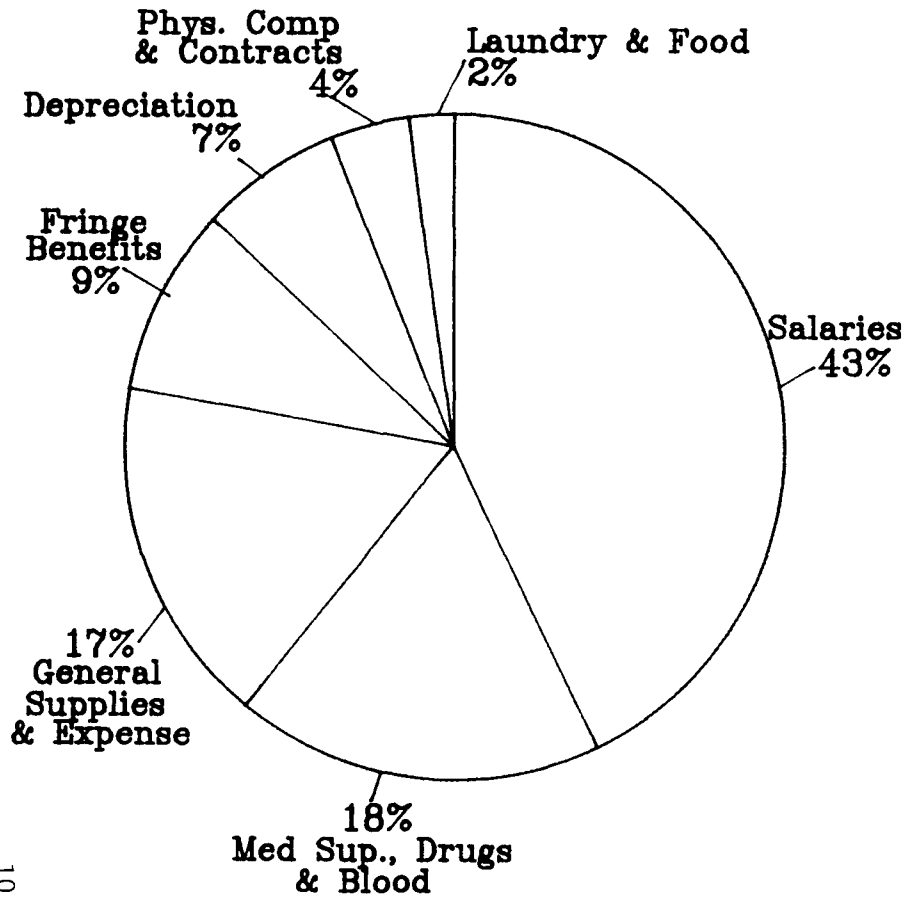
Conclusion: For the first time since fiscal year 1985-86, UMHC experienced a decline in our admission levels. At the same time, our outpatient visits increased and our average length of stay climbed, forcing up our patient days. Although the increased ALOS can be explained in part by a slightly higher 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.

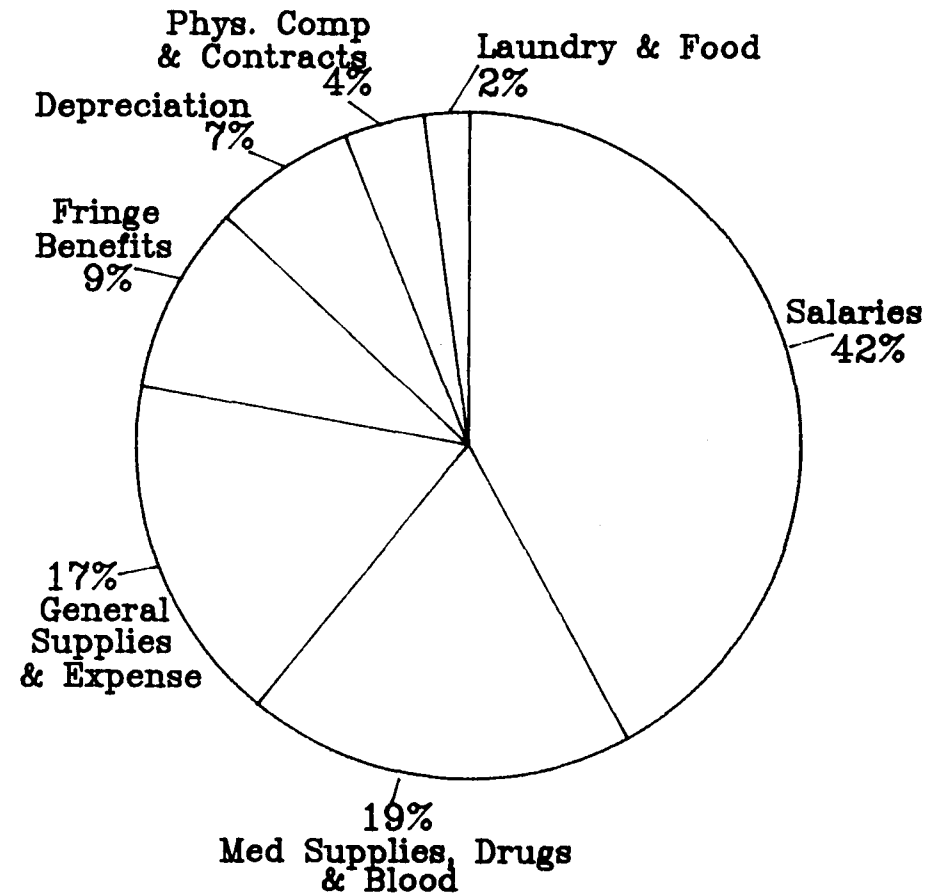
The competitive and cost conscious environment we are in will continue, and will challenge us to find new sources of revenue and ways to reduce costs. Market penetration, program diversification and expansion, program affiliation, and possible program divestiture, where appropriate, may be required for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

University of Minnesota Hospital and Clinic

87/88 Expense Summary

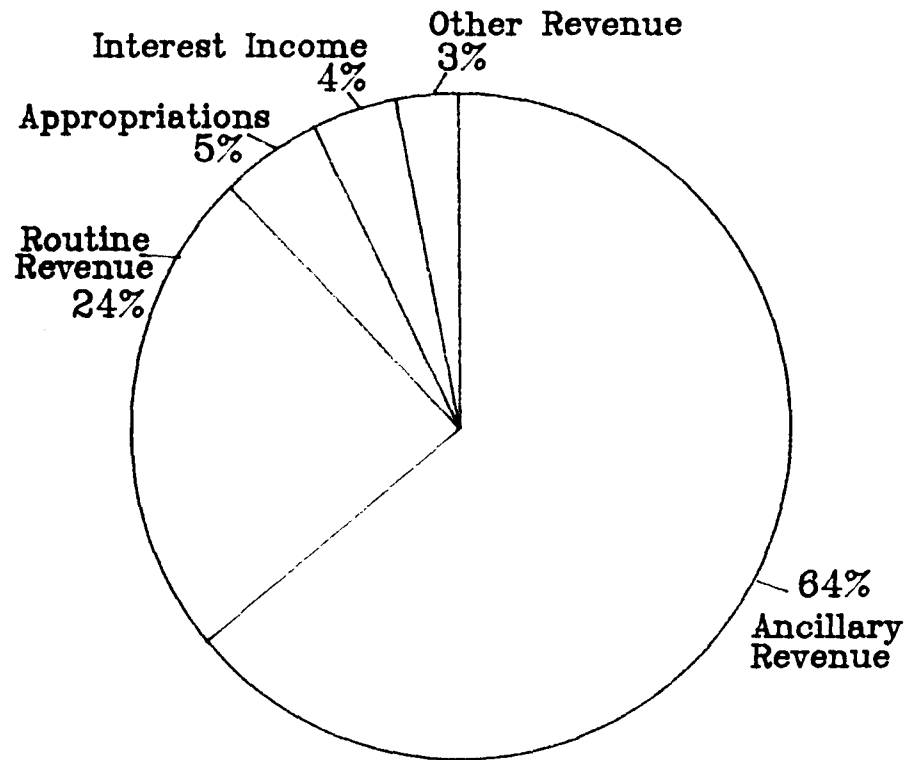


88/89 Expense Summary

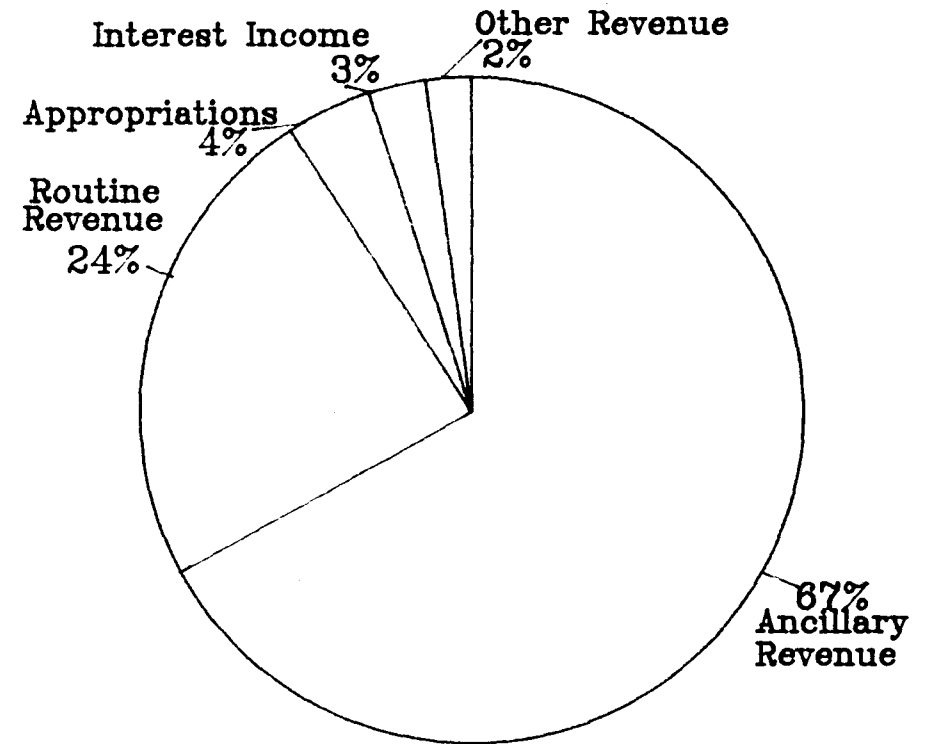


University of Minnesota Hospital and Clinic

87/88 Revenue Summary



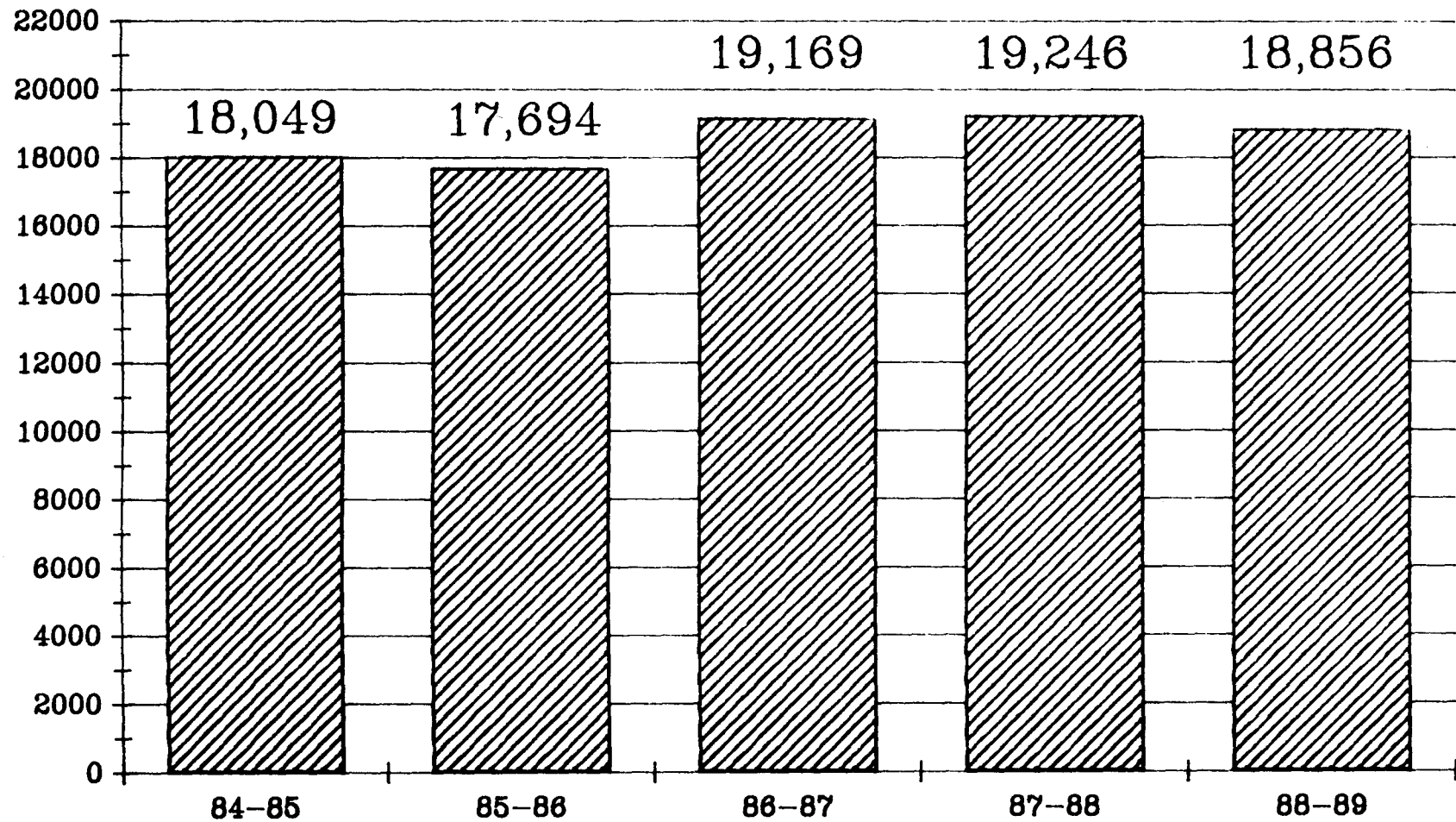
88/89 Revenue Summary



University of Minnesota Hospital and Clinic

Admissions

1984-85 through 1988-89



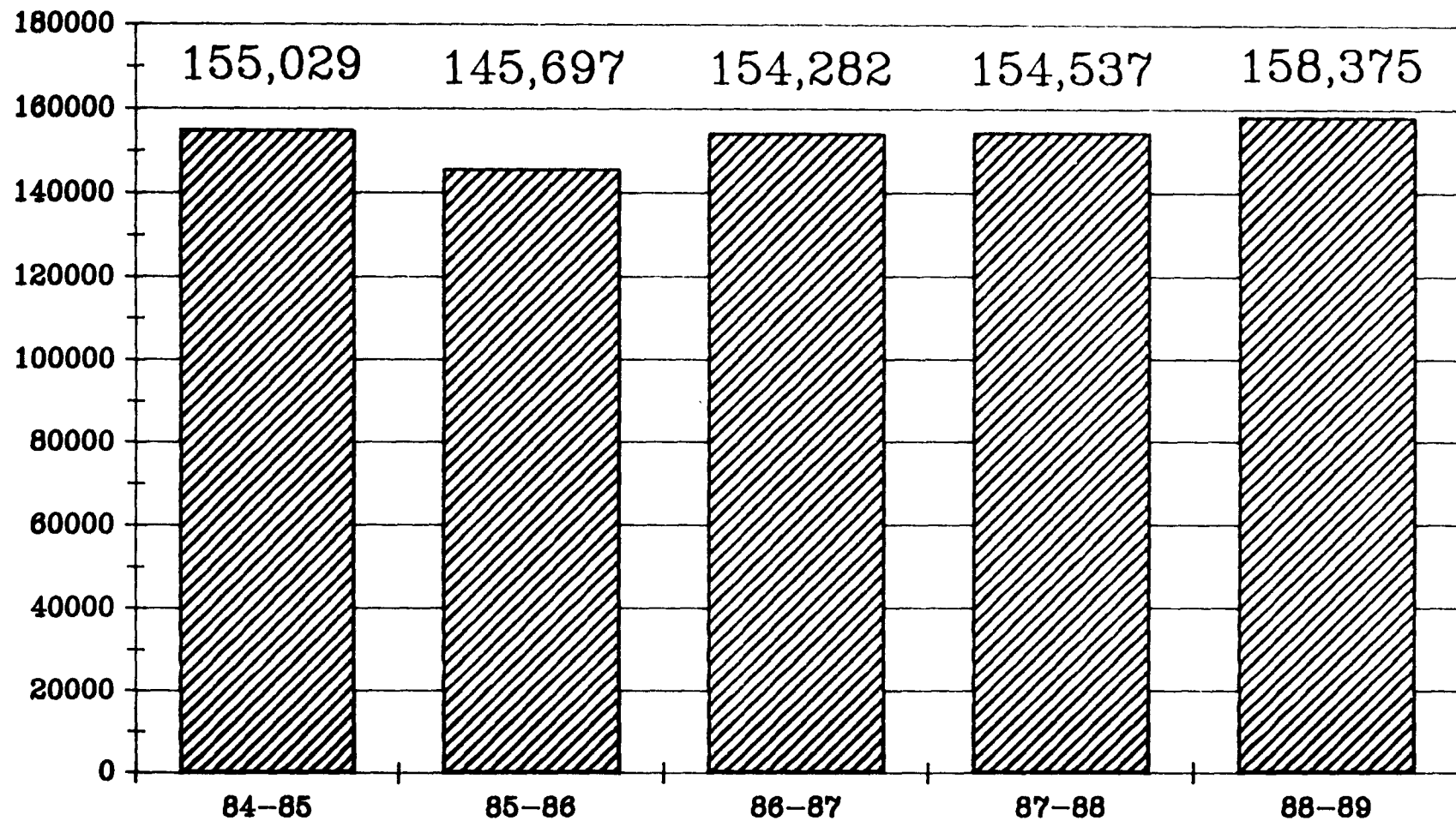
University of Minnesota Hospital & Clinic
 Inpatient Admissions by Clinical Service
 For FY 1984-85 through 1988-89

| 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

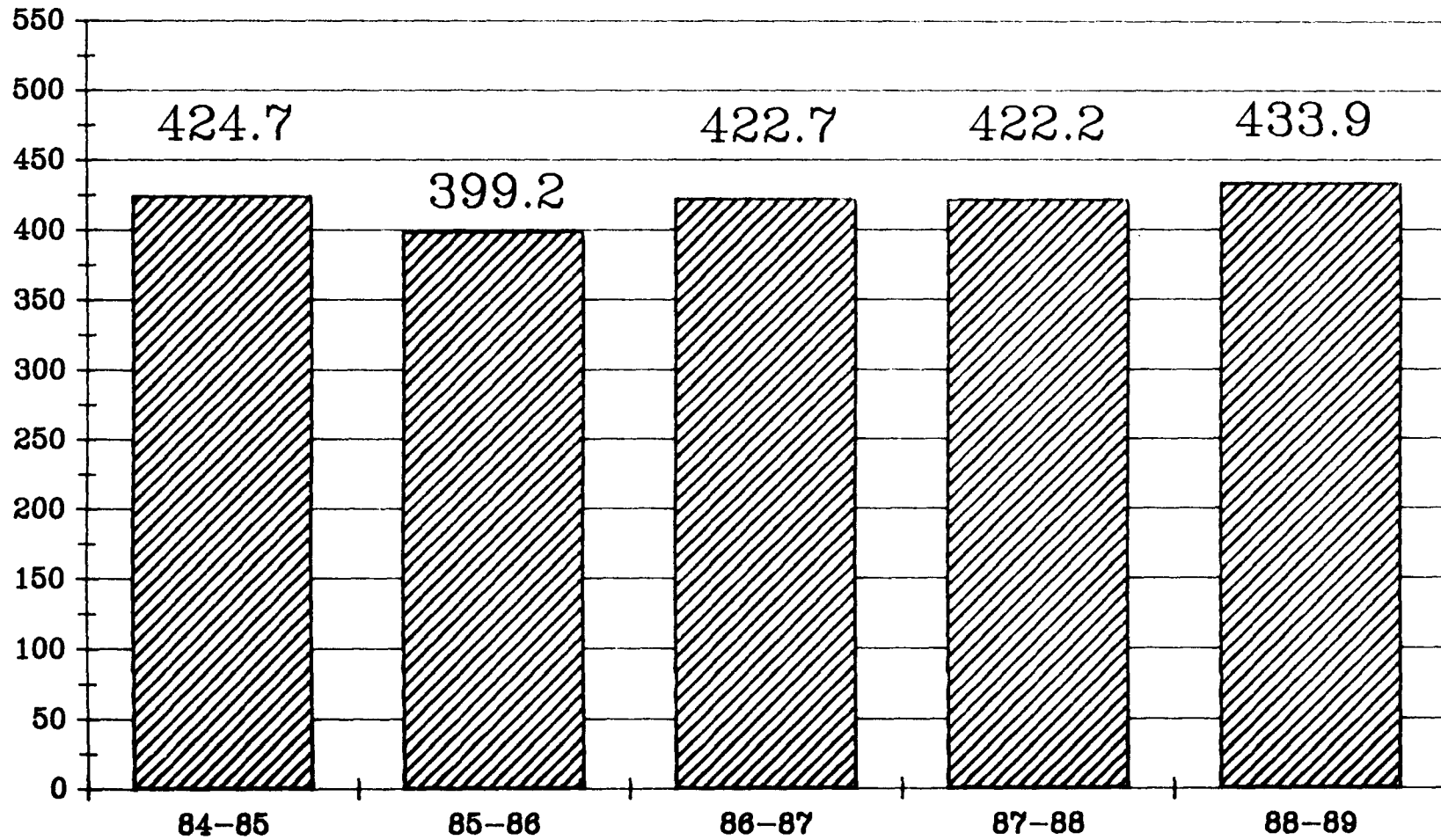
1984-85 through 1988-89



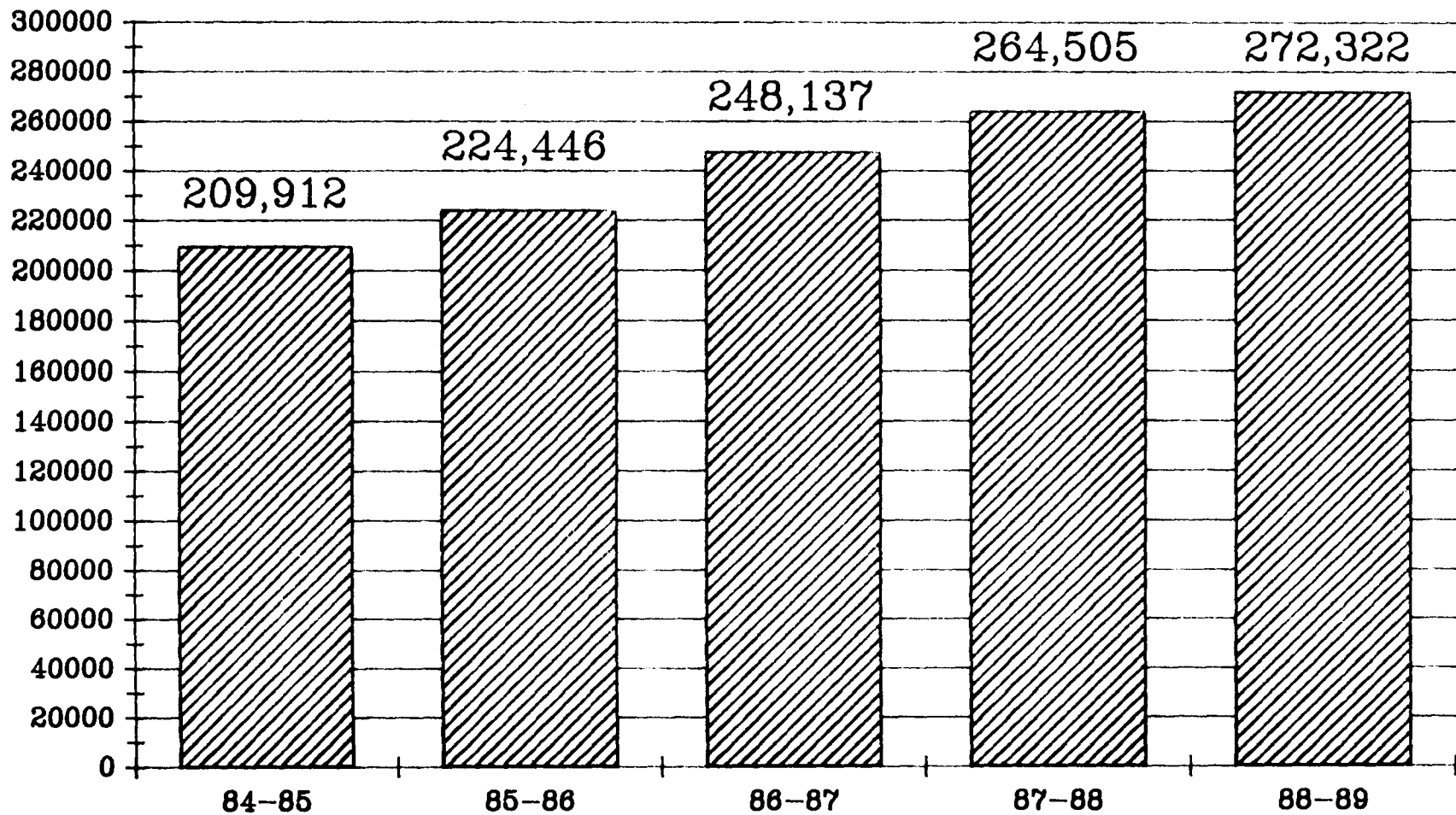
University of Minnesota Hospital and Clinic

Average Daily Census

1984-85 through 1988-89



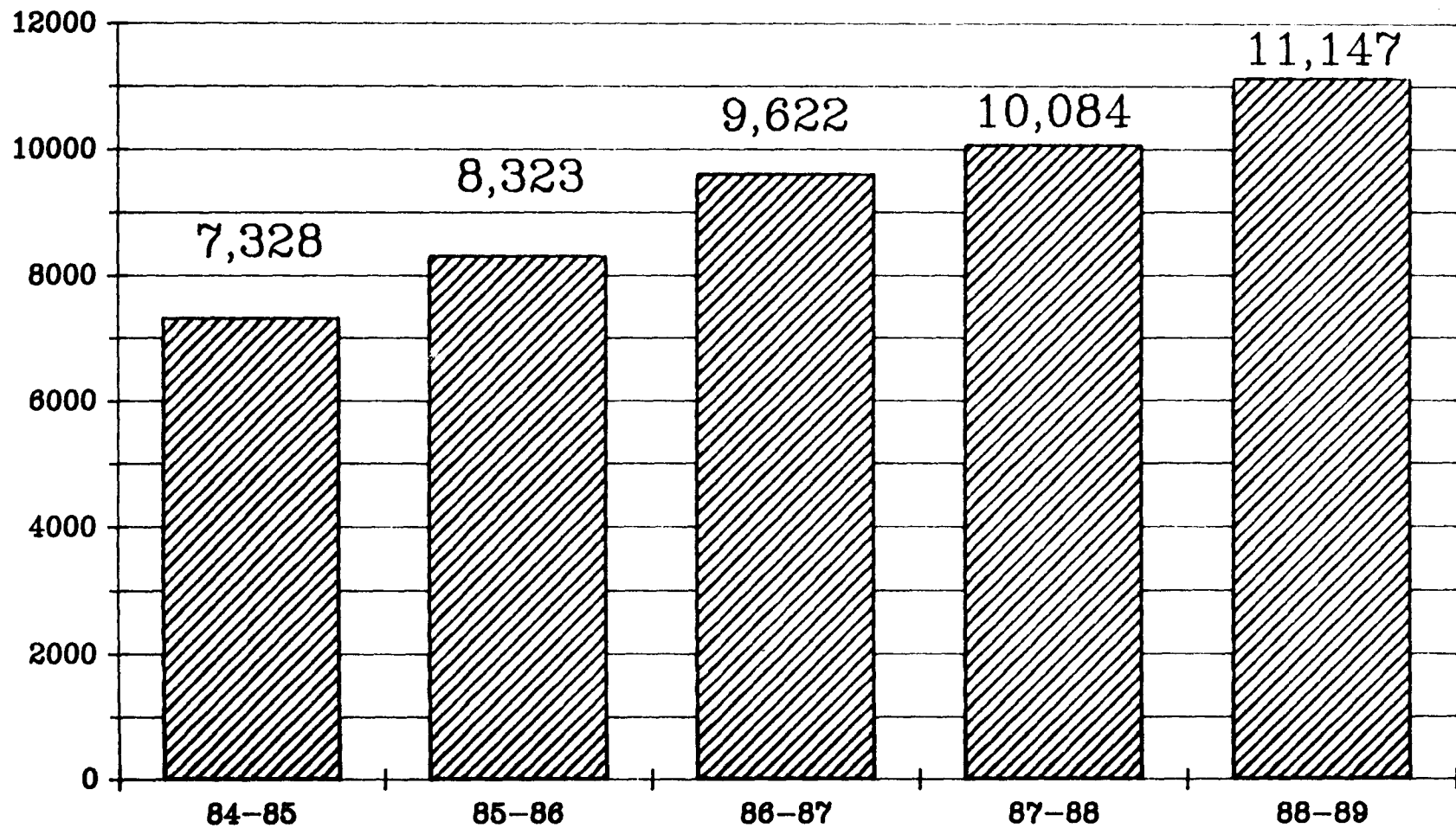
University of Minnesota Hospital and Clinic Outpatient Clinic Visits 1984-85 through 1988-89



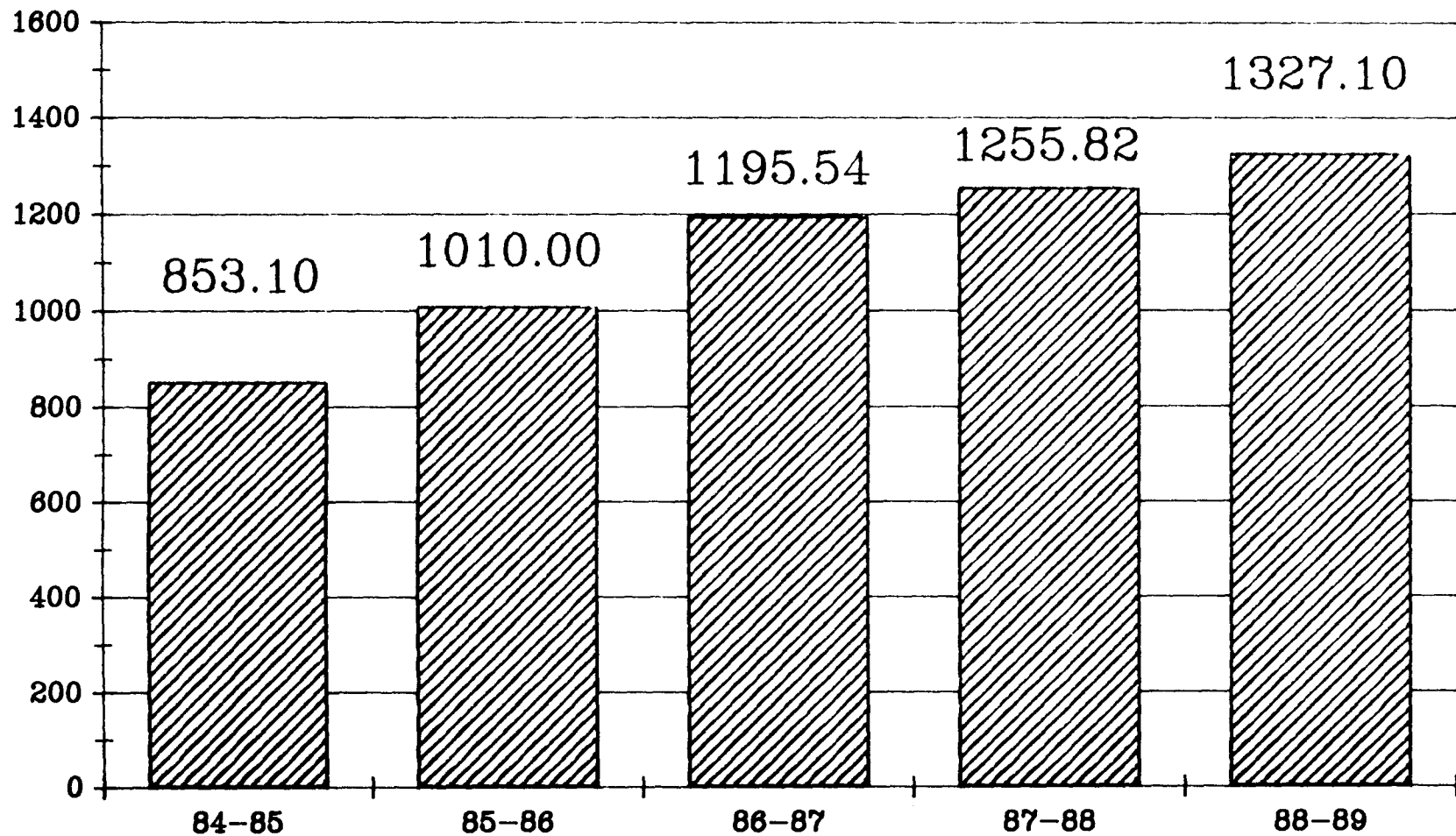
University of Minnesota Hospital & Clinic
 Outpatient Clinic Visits by Clinical Services
 For FY 1984-85 through 1988-89

| 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 |

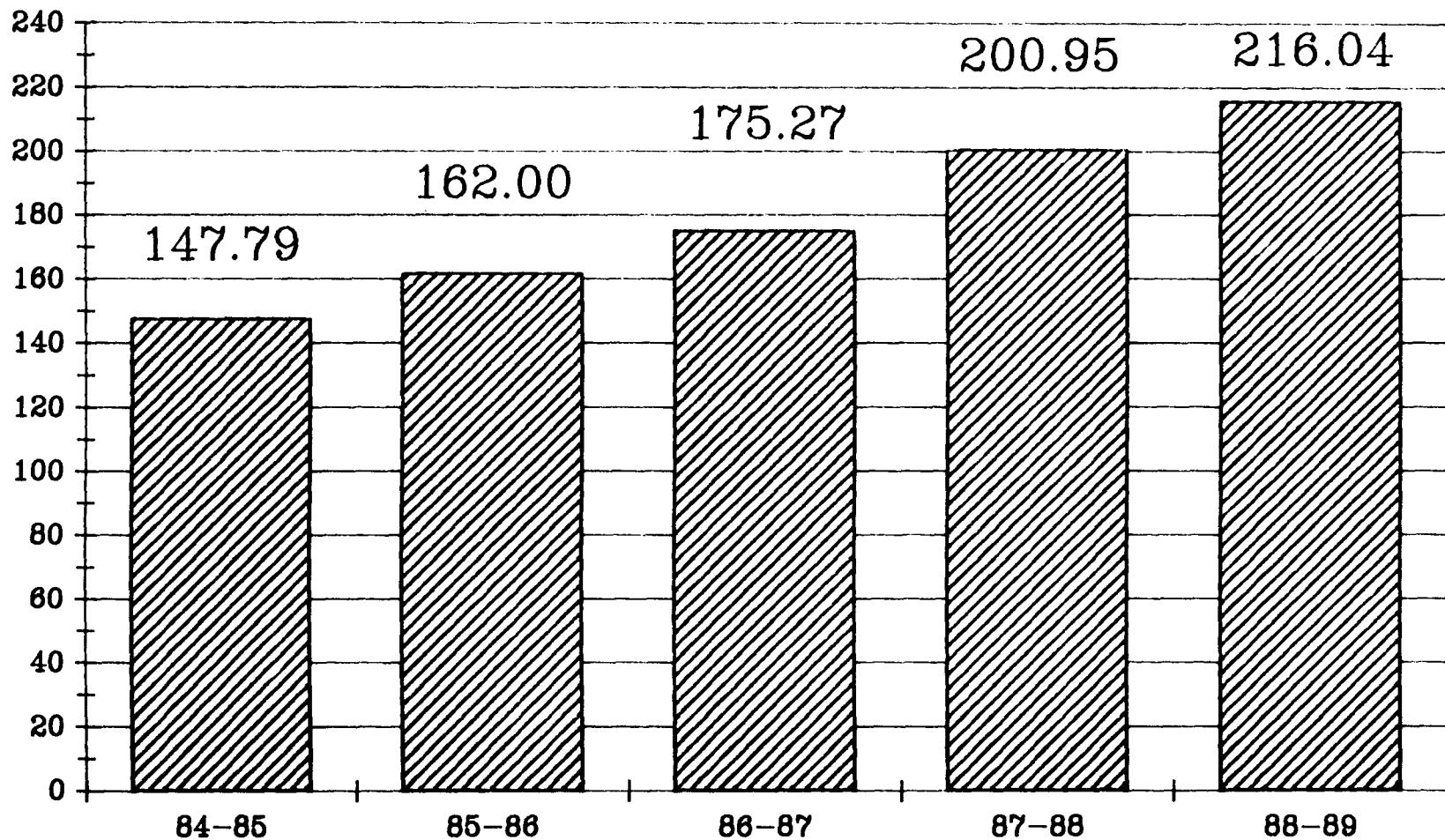
University of Minnesota Hospital and Clinic Inpatient Cost Per Admission 1984-85 through 1988-89



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



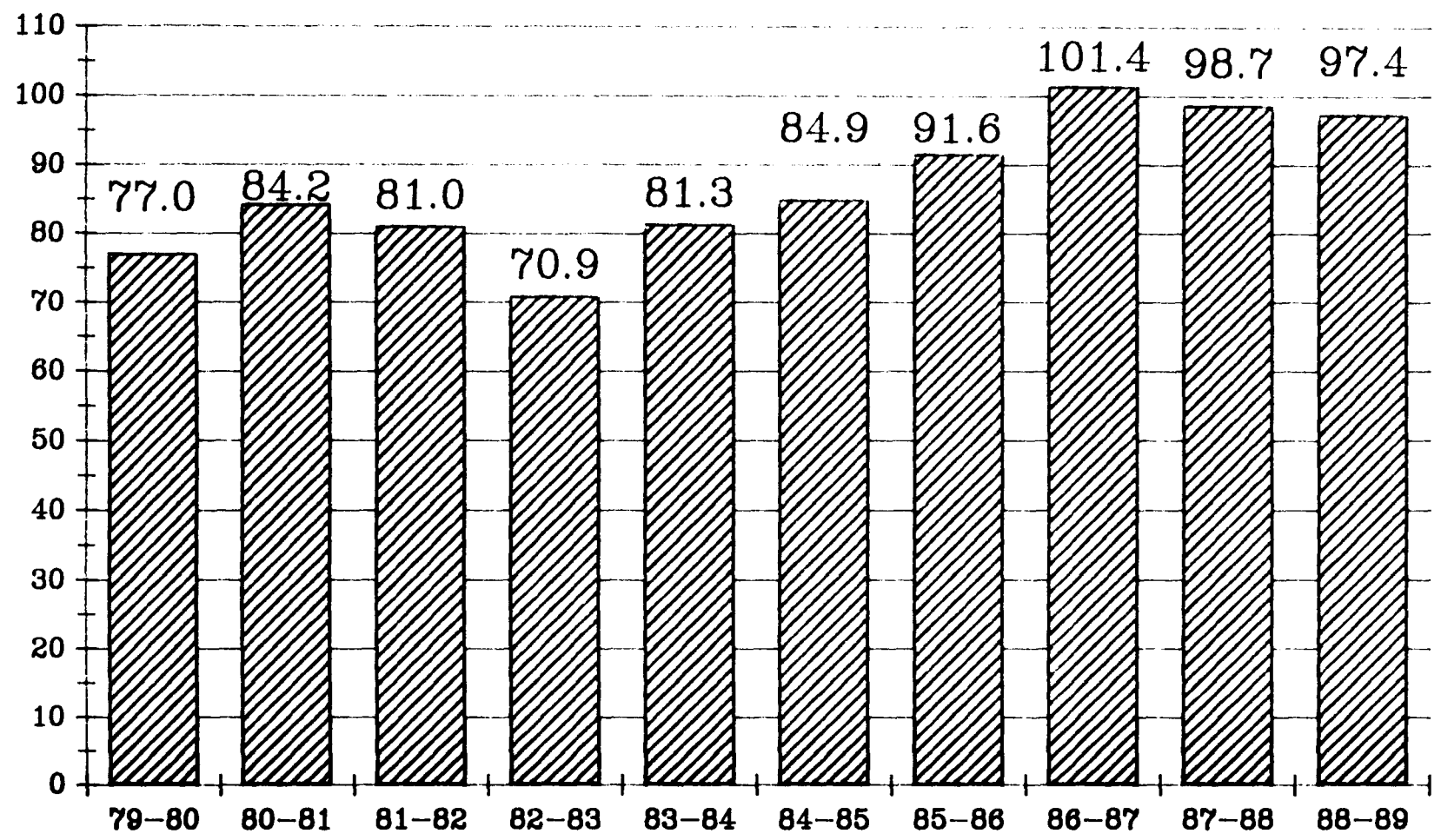
University of Minnesota Hospital and Clinic Outpatient Cost Per Visit 1984-85 through 1988-89



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 | % OF | AMT. IN | % OF | AMT. IN | % OF | AMT. IN | % OF | AMT. IN | % OF |
| | 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 ** |
| MHO | 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 MHO 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 | Variance 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 | Variance 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 | Variance 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

| ASSETS | 06/30/89 | 6/30/88 | LIABILITIES AND FUND BALANCES | 06/30/89 | 6/30/88 |
|---|----------------------|----------------------|---|----------------------|----------------------|
| CURRENT ASSETS | | | CURRENT LIABILITIES | | |
| Operating Cash | \$72,282 | \$208,805 | Accounts payable | \$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 | | | CONSTRUCTION RETAINAGES | \$215,074 | \$171,434 |
| Board Designated Assets Available for Assignment | | | | | |
| Cash & Investments | \$63,557,757 | \$66,561,487 | | | |
| 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 | | | UNRESTRICTED FUND BALANCE | \$182,473,411 | \$178,315,317 |
| Deferred Third Party Reimbursement | \$7,737,794 | \$8,520,626 | | | |
| Deferred Debt Expense | 1,175,980 | \$1,360,345 | TOTAL LIABILITIES & FUND BALANCE | \$395,365,604 | \$396,285,668 |
| Deposits and Other | 675,798 | \$585,894 | | | |
| TOTAL | \$9,589,572 | \$10,466,865 | | | |
| TOTAL ASSETS | \$395,365,604 | \$396,285,668 | RESTRICTED FUND BALANCES | | |
| | ===== | ===== | Endowment Funds | \$2,161,348 | \$1,977,422 |
| RESTRICTED ASSETS | | | Gift Funds | 3,289,413 | 3,977,762 |
| Cash and Investments | \$5,450,761 | \$5,955,184 | | \$5,450,761 | \$5,955,184 |
| | ===== | ===== | | ===== | ===== |

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

| | OPERATING FUND | CURRENT DEBT SERVICE FUND | BOARD DESIGNATED FUND | PLANT FUND | TRUSTEE FUND | TOTAL UNRESTRICTED FUNDS |
|--|-------------------|---------------------------------|-----------------------------|---------------|-----------------|--------------------------------|
| 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 |

| | GIFT | ENDOWMENT | TOTAL |
|--|-------------|-------------|-------------|
| RESTRICTED FUNDS | | | |
| 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) |
| | \$92,706,001 | \$7,006,734 | \$99,712,735 |
| 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 *RD*
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

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 ~~e~~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-e~~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 4

Parental 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 5

Sick 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 | <u>23,740.63</u> | 44 | <u>91,637.39</u> | 16 | <u>115,378.02</u> | 60 |
| Total | 54,527.98 | 123 | 201,489.95 | 33 | 256,017.93 | 156 |
| Recoveries | <u>(778.23)</u> | 4 | <u>(3,031.46)</u> | 1 | <u>(3,809.69)</u> | 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 | <u>54,210.02</u> | 249 | <u>17,422.99</u> | 7 | <u>71,633.01</u> | 256 |
| Total | 141,456.94 | 1065 | 63,446.37 | 17 | 204,903.31 | 1082 |
| Recoveries | <u>(3,823.83)</u> | 50 | <u>(2,318.79)</u> | 1 | <u>(6,142.62)</u> | 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 | <u>77,950.65</u> | 293 | <u>109,060.38</u> | 23 | <u>187,011.03</u> | 316 |
| Total | 195,984.92 | 1188 | 264,936.32 | 50 | 460,921.24 | 1238 |
| Recoveries | <u>(4,602.06)</u> | 54 | <u>(5,350.25)</u> | 2 | <u>(9,952.31)</u> | 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 | \$1,257.73 | 32 | \$34,763.86 | 79 | \$18,506.39 | 12 | \$114,726.26 | 29 | \$86,763.69 | 4 | \$256,017.93 | 156 |
| Recoveries | (\$24.00) | 3 | (\$754.23) | 1 | \$0.00 | 0 | (\$3,031.46) | 1 | \$0.00 | 0 | (\$3,809.69) | 5 |
| Net Total | \$1,233.73 | 32 * | \$34,009.63 | 79 * | \$18,506.39 | 12 * | \$111,694.80 | 29 * | \$86,763.69 | 4 * | \$252,208.24 | 156 |
| OUTPATIENT | | | | | | | | | | | | |
| Bad Debt (701) Write-Offs | \$19,162.61 | 570 | \$61,270.02 | 240 | \$6,813.49 | 6 | \$46,023.30 | 10 | \$0.00 | 0 | \$133,270.30 | 826 |
| Bad Debt (702) Charity Care | \$4,538.00 | 119 | \$36,200.35 | 120 | \$13,471.67 | 10 | \$17,422.99 | 7 | \$0.00 | 0 | \$71,633.01 | 256 |
| Total | \$23,700.61 | 689 | \$97,471.17 | 360 | \$20,285.16 | 16 | \$63,446.37 | 17 | \$0.00 | 0 | \$204,903.31 | 1082 |
| Recoveries | (\$1,132.82) | 45 | (\$613.00) | 3 | (\$2,078.01) | 2 | (\$2,318.79) | 1 | \$0.00 | 0 | (\$6,142.62) | 51 |
| Net Total | \$22,567.79 | 689 * | \$96,858.17 | 360 * | \$18,207.15 | 16 * | \$61,127.58 | 17 * | \$0.00 | 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 | \$106,208.70 | 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 | \$24,958.34 | 721 | \$132,235.03 | 439 | \$38,791.55 | 20 | \$178,172.63 | 46 | \$86,763.69 | 4 | \$460,921.24 | 1238 |
| Recoveries | (\$1,156.82) | 48 | (\$1,367.23) | 4 | (\$2,078.01) | 2 | (\$5,350.25) | 2 | \$0.00 | 0 | (\$9,952.31) | 56 |
| TOTAL NET BAD DEBT | \$23,801.52 | 721 * | \$130,867.80 | 439 * | \$36,713.54 | 20 * | \$172,822.38 | 46 * | \$86,763.69 | 4 * | \$450,968.93 | 1238 |

DOLLARS BUDGETED

\$1,061,069.00

* 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 DEBITS**

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 | 1989-90 | 1989-90 | | % |
|--------------------|---------------|---------------|---------------|-----------------|------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <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 | | % |
|---------------|---------------|---------------|---------------|-----------------|------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Var</u> |
| 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 | Variance 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 | Variance 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% |
| 2,395,000 | 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 |
| | | | 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 LIABILITIES | \$40,601,949 | \$43,312,645 |
| TOTAL CURRENT ASSETS | \$85,555,705 | \$91,249,241 | | | |
| 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 | UNRESTRICTED FUND BALANCE | \$186,278,441 | \$182,473,411 |
| Deferred Debt Expense | 1,141,160 | 1,175,980 | | | |
| Deposits and Other | 545,945 | 675,798 | TOTAL LIABILITIES & FUND BALANCE | \$395,133,563 | \$395,365,604 |
| | | | | | |
| TOTAL TOTAL ASSETS | \$9,147,133 | \$9,589,572 | | | |
| | \$395,133,563 | \$395,365,604 | | \$395,133,563 | \$395,365,604 |
| | | | | | |
| RESTRICTED ASSETS | | | RESTRICTED FUND BALANCES | | |
| | | | Endowment Funds | \$2,276,679 | \$2,161,348 |
| Cash and Investments | \$6,185,572 | \$5,450,761 | Gift Funds | 3,908,893 | 3,289,413 |
| | | | | | |
| | \$6,185,572 | \$5,450,761 | | \$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 |
| | 19,138,490 |
| Less Interest Income on Reserves and Grant | (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. Capital Expenditures | (2,618,372) | | (2,749,701) | 2,749,701 | | |
| 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 | | (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 % | | BUDGETED | ACTUAL | OVER/(UNDER) BUDGET | VARIANCE % |
|----------------------|--------------------|----------------------|---------------|-----------------------------------|---------------|---------------|------------------------|---------------|
| \$7,847,089 | \$7,767,073 | (\$80,016) | -1.0% | ROUTINE | \$40,810,773 | \$39,717,466 | (\$1,093,307) | -2.7% |
| 19,192,721 | 18,288,089 | (904,632) | -4.7% | ANCILLARY | 101,618,863 | 95,281,874 | (6,336,989) | -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 | \$844,215 | (\$66,743) | -7.3% | BILLING ADJUSTMENTS | \$4,800,728 | \$5,025,947 | \$225,219 | 4.7% |
| 1,196,728 | 834,452 | (362,276) | -30.3% | HMO/PPO DISCOUNTS | 6,306,732 | 6,923,853 | 617,121 | 9.8% |
| 3,854,685 | 4,869,868 | 1,015,183 | 26.3% | GOVERNMENTAL CONTRACTUAL ADJUST | 20,314,119 | 17,135,718 | (3,178,401) | -15.6% |
| 43,113 | 79,766 | 36,653 | 85.0% | CHARITABLE CARE | 228,404 | 321,487 | 93,083 | 40.8% |
| 331,005 | 319,446 | (11,559) | -3.5% | PROVISION FOR UNCOLLECTABLES | 1,744,389 | 1,653,681 | (90,708) | -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 | \$131,209 | \$3,021 | 2.4% | FOOD SERVICES | \$678,473 | \$651,802 | (\$26,671) | -3.9% |
| 56,254 | 75,918 | 19,664 | 35.0% | PARKING SERVICES | 297,743 | 371,080 | 73,337 | 24.6% |
| 8,535 | 15,619 | 7,084 | 83.0% | DEPARTMENT NON-PATIENT | 43,777 | 55,747 | 11,970 | 27.3% |
| 105,750 | 121,314 | 15,564 | 14.7% | GRANT INCOME | 528,750 | 589,885 | 61,135 | 11.6% |
| 154,246 | 298,349 | 144,103 | 93.4% | REFERENCE LAB INCOME | 816,680 | 923,950 | 107,270 | 13.1% |
| 163,161 | 152,812 | (10,349) | -6.3% | PRO FEES--NET REVENUE | 859,857 | 711,908 | (147,949) | -17.2% |
| 3,288 | 3,146 | (142) | -4.3% | SILVER SALVAGE | 16,767 | 20,308 | 3,541 | 21.1% |
| 179,379 | 338,636 | 159,257 | 88.8% | INCOME FROM BOND PROCEEDS | 912,912 | 1,062,481 | 149,569 | 16.4% |
| 0 | 20,500 | 20,500 | | DONATIONS | 0 | 20,500 | 20,500 | |
| \$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 | \$9,509,014 | (\$946,165) | -9.0% | SALARIES | \$51,507,185 | \$48,158,392 | (\$3,348,793) | -6.5% |
| 2,162,797 | 2,232,187 | 69,390 | 3.2% | FRINGE BENEFITS | 11,102,177 | 11,493,162 | 390,985 | 3.5% |
| 186,250 | 182,102 | (4,148) | -2.2% | ACADEMIC CONTRACTS | 931,250 | 910,513 | (20,737) | -2.2% |
| 508,552 | 550,853 | 42,301 | 8.3% | RESIDENT CONTRACTS | 2,542,760 | 2,582,231 | 39,471 | 1.6% |
| 263,917 | 252,263 | (11,654) | -4.4% | PHYSICIAN COMPENSATION | 1,319,583 | 1,308,062 | (11,521) | -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 | 164,064 | (28,368) | -14.7% | LAUNDRY & LINEN | 1,006,107 | 915,562 | (90,545) | -9.0% |
| 156,766 | 139,111 | (17,655) | -11.3% | RAW FOOD | 816,729 | 747,140 | (69,589) | -8.5% |
| 1,624,572 | 1,278,674 | (345,898) | -21.3% | DRUGS | 8,537,030 | 7,902,472 | (634,558) | -7.4% |
| 893,690 | 933,544 | 39,854 | 4.5% | BLOOD & BLOOD DERIVATIVES | 4,730,131 | 3,923,716 | (806,415) | -17.0% |
| 2,097,962 | 2,050,516 | (47,446) | -2.3% | MEDICAL SUPPLIES & SERVICES | 11,104,110 | 10,528,414 | (575,696) | -5.2% |
| 449,472 | 423,533 | (25,939) | -5.8% | UTILITIES | 2,645,139 | 2,568,886 | (76,253) | -2.9% |
| 63,833 | 62,843 | (990) | -1.6% | INSURANCE | 317,676 | 317,295 | (381) | -0.1% |
| 317,703 | 219,718 | (97,985) | -30.8% | RENTAL | 1,617,133 | 1,464,734 | (152,399) | -9.4% |
| 419,260 | 383,441 | (35,819) | -8.5% | MAINTENANCE & REPAIR | 2,138,227 | 1,856,059 | (282,168) | -13.2% |
| 1,973 | 33,239 | 31,266 | | NET LOSS ON DISPOSAL OF ASSETS | 10,060 | 60,895 | 50,835 | |
| 23,178 | 23,208 | 30 | 0.1% | CAMPUS ADMINISTRATION EXPENSE | 118,208 | 118,363 | 155 | 0.1% |
| 1,478,985 | 1,443,785 | (35,200) | -2.4% | DEPRECIATION | 7,292,467 | 7,174,551 | (117,916) | -1.6% |
| 1,089,347 | 1,035,557 | (53,790) | -4.9% | INTEREST | 5,452,001 | 5,488,719 | 36,718 | 0.7% |
| 1,572,247 | 1,882,067 | 309,820 | 19.7% | GENERAL SUPPLIES & EXPENSE | 8,018,458 | 7,498,332 | (520,126) | -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 | \$1,281,337 | (\$16,913) | -1.3% | APPROPRIATIONS & SUPPORT | \$6,491,250 | \$6,423,823 | (\$67,427) | -1.0% |
| 602,613 | 672,412 | 69,799 | 11.6% | INTEREST INCOME ON RESERVES | 3,191,152 | 3,219,597 | 28,445 | 0.9% |
| 14,877 | 17,044 | 2,167 | 14.6% | SHARED SERVICES | 75,871 | 75,916 | 45 | 0.1% |
| 125,956 | 124,478 | (1,478) | -1.2% | INVESTMENT INCOME HELD BY TRUSTEE | 630,017 | 614,308 | (15,709) | -2.5% |
| 10,685 | 14,485 | 3,800 | 35.6% | OTHER INVESTMENT INCOME | 54,493 | 83,117 | 28,624 | 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 *CFearing*

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 Support
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 | | | SEASONILIZED BUDGET | | | ACTUAL EXPENDITURES | | |
|---|-------------------------------|--|---|---------------------|------------------------|-------------|---------------------|-----------------------|-------------|
| | BUDGET | ROLL FORWARD FROM 6-30-89 | TOTAL | 3-MONTH BUDGET | 3-MONTH ROLLFORWARD | TOTAL | 89-90 ACTUAL | 88-89 ROLL FORWARD | TOTAL |
| RECURRING EQUIP & REMODEL: | | | | | | | | | |
| EQUIPMENT PURCHASES | | | | | | | | | |
| 89-90 Budget | \$6,699,010 | | \$6,699,010 | \$450,000 | | \$450,000 | \$418,942 | | \$418,942 |
| Rollforward | | \$4,418,612 | \$4,418,612 | | \$1,000,000 | \$1,000,000 | | \$763,598 | \$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 UMHC 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 *GH*
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 *RJ*

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 ² |
| 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 | <u>---</u> | <u>50,000</u> |
| Total Sources | \$1,500,000 | \$2,350,000 |