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, January 24, 1990
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 12/20/89 (Approval)** pp. 1 - 3	Mr. Jerry Meilahn
II.	**December 31, 1989 Financial Statements (Information)** pp. 4 - 10	Mr. Cliff Fearing
III.	**Hospital Admissions Policies (Information)** pp. 11 - 14	Mr. Cliff Fearing
IV.	**CUHCC (Endorsement)** pp. 15 - 20	Ms. Mary Ellen Wells
V.	**CT Scanner (Information)** pp. 21 - 23	Mr. Al Dees
VI.	**ICU Information System (Information)** (Separate attachment)	Ms. Helen Pitt
VII.	**CHC Waste Disposal Project (Information)** pp. 24 - 30	Mr. Robert Dickler/ Mr. Mark Koenig

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
December 20, 1989

MINUTES

ATTENDANCE:

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

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on December 20, 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 November 15, 1989 meeting as written.

JULY 1, 1989 THROUGH NOVEMBER 30, 1989 FINANCIALS:

Mr. Clifford P. Fearing reported to the Finance Committee for the month of November inpatient admissions totaled 1,493, which was 3 below budget; average length of stay was 8.5 days; patient days totaled 12,465, which were 346 days below budget; and the average daily census was 415. The first fourteen days of December were reported to have an average daily census of 431. Ancillary revenue was reported to be 6.2% under budget and operating expenditures were reported to 5.1% below budget. Mr. Fearing stated the Hospital's year-to-date Statement of Operations showed revenues over expenses by $3,745,578, a favorable variance of $1,319,003. The month of November had expenses in excess of revenues of $425,045.

Lastly, Mr. Fearing stated as of November 30 the balance of accounts receivable totaled $85,877,722 and represented 96.5 days of revenue outstanding.

YEAR END PROJECTIONS:

Mr. Nels Larson reported to the Committee, for information, the first quarter year end projections. These projections were developed from data taken through November, 1989.

Mr. Larson stated admissions will be .3% under budget, clinic visits will be approximately 2% under budget, and average length of stay will be reduced to 8.0 days, which will result in a decrease in patient days by approximately 4%. Total operating revenue is now projected to be 5.7% under budget, and total expenditures 5.6% under budget. These reductions would result in the net revenue from operations to be 4.1% under budget. In non-operating revenue Mr. Larson stated there will be 12.3% more in interest income on reserves than what was budgeted due to delays in renewal project expenditures and other capital equipment purchases.

Lastly, Mr. Larson noted the total revenue over expense is now projected to be $3,105,636, which is $1,473,636 more than what was originally budgeted.

UMCA 1989-90 SUPPORT:

Mr. Fearing presented to the Finance Committee, for approval, the request for continued support to the University of Minnesota Clinical Associates (UMCA). The Hospital's support to UMCA for the period December 1, 1989 to November 30, 1990 would be $136,152. Mr. Fearing reported the support would be used for UMCA Officers, Executive Director, Medical Director, data processing costs, case management services, and space related costs.

The Finance Committee passed a motion to approve Hospital support to UMCA of $136,152 for the period December 1, 1989 to November 30, 1990.

QUARTERLY CAPITAL BUDGET REPORT:

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

Mr. Hart reported the actual capital expenditures year-to-date was $512,199. Comparing that amount to the seasonilized budget, the Hospital had underspent the capital budget by $112,801. Mr. Hart stated for the first quarter of the fiscal year funds were distributed only on exceptional basis. Mr. Hart also stated for the rest of the fiscal year only one third of the capital budget will be released at each quarter.

RENEWAL PROJECT II UPDATE:

Mr. Hart presented to the Committee a status report on the Renewal Project II. Mr. Hart stated an alternative proposal is now being considered which would consist of the demolition of part of the existing Mayo complex and the construction of a new facility "wing" on the southeast corner of Mayo. With this proposal the two floors to Unit J would not be added and a smaller amount of renovation would be done in the Mayo building. Mr. Hart stated the objectives of the original project would not change with the new proposal. New facilities would still be developed for the four clinical departments, psychiatry, obstetrics, physical medicine and rehabilitation, and urology, the alternative proposal would also stay within the Board approved budget of $62,000,000 and would be financed entirely from University Hospital reserves and operating cash flows.

Mr. Hart stated one of the primary reasons to consider this proposal would be that more money is being invested in new facilities rather than remodeling and upgrading systems in older facilities. The major disadvantage would be that it would take 12-18 months longer to place the major clinical programs in their new locations with the new plan compared to the original.

Mr. Hart concluded by stating it was anticipated that a more specific proposal to this alternative project would be presented to the Board of Governors for information in January or February, and requesting approval in February or March.

CUHCC:

Ms. Mary Ellen Wells presented to the Committee, for information, a status report on the Community University Health Care Center (CUHCC) project. Ms. Wells informed the Committee the new CUHCC facility will now cost $2,350,000 rather than the $1,500,000 that was approved by the Board in February, 1988. Ms. Wells stated the reasons for the $850,000 underestimation were:

1. General, mechanical and electrical requirements were miscalculated because many University requirements were not included in the architect's estimate,

2. A neighboring grocery store would have to be demolished because the City would not allow one of the alleys to be vacated for parking purposes,

3. Non-building estimates, ex: telephones, furniture, were greater than originally anticipated,

4. A 5% increase was included for inflation,

5. Non-building estimates are determined as a percentage of the building estimate, those costs have increased proportionately.

Ms. Wells stated many options were considered, for example staying within the budgeted amount of $1,500,000, or reducing the building size by 2,000 square feet, but it was decided to continue with the original plan and pursue outside sources for the additional funding. Ms. Wells reported funds totalling $850,000 have been identified and opportunities continue to be pursued.

It was reported the Variety Club of the Northwest will contribute $800,000 over a four year period, the Honeywell Foundation will contribute $50,000, $25,000 in cash and the remaining in building systems, and CUHCC has been designated by the University Foundation as the University's project that can apply for a Kresge Challenge Grant.

Ms. Wells concluded by stating 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.

There being no further discussion, the December 20, 1989 meeting was adjourned at 1:45 P.M.

Respectfully submitted,

Teri Holberg

Teri Holberg
Recording Secretary

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 24, 1990

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing

SUBJECT: Report of Operations for the Period **July 1, 1989 through December 31, 1989**

The Hospital's operations for the month of December reflect inpatient admissions, patient days and outpatient visit activity below budgeted levels. Ancillary revenue is below budgeted levels for the month, while routine revenue showed a slight increase over budgeted levels.

INPATIENT CENSUS: For the month of December, inpatient admissions totaled 1,434, which was 27 below budgeted admissions of 1,461. Our overall average length of stay for the month was 7.6 days. Patient days for December totaled 11,982 and were 243 days below budget. The decrease in admission levels from budget was primarily in the areas of Medicine, Clinical Research, Ophthalmology, and Urology. The decreases were partially offset by increases in Surgery, Otolaryngology, and Neurosurgery.

To recap our year-to-date inpatient census:

	1988-89 Actual	1989-90 Budget	1989-90 Actual	Variance	% Var
Admissions	9,552	9,342	9,334	(8)	(0.1)
Patient Days	79,968	78,854	75,797	(3,057)	(3.9)
Avg Length of Stay	8.3	8.4	8.0	(0.4)	(4.8)
Avg Daily Census	434.6	428.6	411.9	(16.7)	(3.9)
Percent Occupancy	74.5	73.1	71.0	(2.1)	(2.9)

OUTPATIENT CENSUS: Clinic visits for the month of December totaled 19,646 which was 1,932, or 9.0%, below budgeted visits of 21,578. Visits were significantly below budget in Adult Psych, Dermatology, Urology, Ophthalmology, OB/GYN, and Dentistry. Areas that reported visits considerably above budgeted levels were Radiation Therapy and Otolaryngology. Community University Health Care Center (CUHCC) visits for the month of December totaled 3,980 which was 445, or 12.6%, over budgeted visits of 3,535, while Home Health visits of 975 for the month were 27, or 2.7%, below budgeted visits of 1,002.

To recap our year-to-date outpatient census:

	1988-89 Actual	1989-90 Budget	1989-90 Actual	Variance	% Var
Clinic Visits	134,391	137,137	134,123	(3,014)	(2.2)
CUHCC Visits	23,081	23,071	26,050	2,979	12.9
HHA Visits	5,942	5,948	5,609	(339)	(5.7)

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues over expenses by $3,209,290, a favorable variance of $1,154,619.

Patient care charges through December totaled $160,694,993, which was 4.8% under budget. Routine revenue was 2.2% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was $7,039,788 below budget (5.8%) and primarily reflected the unfavorable variance in clinic visits. Inpatient ancillary revenue averaged $8,761 per admission compared to the budgeted average of $8,922 per admission. Outpatient revenue per clinic visit averaged $236 compared to the budgeted average of $271.

Operating expenditures through December totaled $137,831,799 and were $6,758,824 (4.7%) below budgeted levels of $144,590,623. 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 December 31, 1989, totaled $87,042,644 and represented 97.3 days of revenue outstanding. The overall increase in our patient receivables in December of .8 days occurred primarily in Blue Cross/Out-of-State, Commercial Insurance, and Medical Assistance - South Dakota.

CONCLUSION: The Hospital's overall operating position is positive and above budgeted levels for year-to-date December. 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 DECEMBER 31, 1989

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	$168,796,269	$160,694,993	($8,101,276)	-4.8%
Deductions from Charges	39,578,332	37,411,280	(2,167,052)	-5.5%
Other Operating Revenue	4,950,740	5,214,066	263,326	5.3%
Total Operating Revenue	134,168,677	128,497,779	(5,670,898)	-4.2%
Total Expenditures	144,590,623	137,831,799	(6,758,824)	-4.7%
Net Operating Revenue	(10,421,946)	(9,334,020)	1,087,926	10.4%
Non-Operating Revenue and Expenses	12,476,617	12,543,310	66,693	0.5%
Revenue Over/Under Expense	$2,054,671	$3,209,290	$1,154,619	

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Admissions	9,342	9,334	(8)	-0.1%
Patient Days	78,854	75,797	(3,057)	-3.9%
Average Daily Census	428.6	411.9	(16.7)	-3.9%
Average Length of Stay	8.4	8.0	(0.4)	-4.8%
Percentage Occupancy	73.1	71.0	(2.1)	-2.9%
Outpatient Clinic Visits	137,137	134,123	(3,014)	-2.2%

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

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
$96,834,525	ROUTINE	$48,296,948	$47,235,460	($1,061,488)	-2.2%
243,632,475	ANCILLARY	120,499,321	113,459,533	(7,039,788)	-5.8%
$340,467,000	GROSS CHARGES	$168,796,269	$160,694,993	($8,101,276)	-4.8%
	DEDUCTIONS FROM CHARGES				
$11,479,000	BILLING ADJUSTMENTS	$5,689,749	$5,940,542	$250,793	4.4%
15,080,000	HMO/PPO DISCOUNTS	7,474,642	8,340,083	865,441	11.6%
48,573,000	GOVERNMENTAL CONTRACTUAL ADJUST	24,075,982	20,789,929	(3,286,053)	-13.6%
550,000	CHARITABLE CARE	270,536	372,540	102,004	37.7%
4,171,000	PROVISION FOR UNCOLLECTABLES	2,067,423	1,968,186	(99,237)	-4.8%
$79,853,000	TOTAL DEDUCTIONS	$39,578,332	$37,411,280	($2,167,052)	-5.5%
	OTHER OPERATING REVENUE				
$1,627,000	FOOD SERVICES	$804,563	$785,421	($19,142)	-2.4%
714,000	PARKING SERVICES	353,077	442,054	88,977	25.2%
77,000	DEPARTMENT NON-PATIENT	52,476	63,107	10,631	20.3%
1,269,000	GRANT INCOME	634,500	704,016	69,516	11.0%
1,958,000	REFERENCE LAB INCOME	968,416	1,107,619	139,203	14.4%
2,056,000	PRO FEES--NET REVENUE	1,019,089	835,834	(183,255)	-18.0%
40,000	SILVER SALVAGE	20,164	21,743	1,579	7.8%
2,124,684	INCOME FROM BOND PROCEEDS	1,098,455	1,233,772	135,317	12.3%
0	DONATIONS	0	20,500	20,500	
$9,865,684	TOTAL OTHER REVENUE	$4,950,740	$5,214,066	$263,326	5.3%
$270,479,684	TOTAL REVENUE FROM OPERATIONS	$134,168,677	$128,497,779	($5,670,898)	-4.2%
	EXPENDITURES				
$123,859,000	SALARIES	$61,415,267	$57,987,031	($3,428,236)	-5.6%
27,976,000	FRINGE BENEFITS	13,205,246	13,742,694	537,448	4.1%
2,235,000	ACADEMIC CONTRACTS	1,117,500	1,092,616	(24,884)	-2.2%
6,242,000	RESIDENT CONTRACTS	3,051,312	3,098,677	47,365	1.6%
3,167,000	PHYSICIAN COMPENSATION	1,583,500	1,569,675	(13,825)	-0.9%
163,479,000	TOTAL SALARY, F.B., & FEES	80,372,825	77,490,693	(2,882,132)	-3.6%
2,395,000	LAUNDRY & LINEN	1,191,426	1,100,995	(90,431)	-7.6%
1,946,000	RAW FOOD	969,927	909,103	(60,824)	-6.3%
20,366,000	DRUGS	10,113,628	9,532,517	(581,111)	-5.7%
11,343,000	BLOOD & BLOOD DERIVATIVES	5,609,193	4,611,837	(997,356)	-17.8%
26,628,000	MEDICAL SUPPLIES & SERVICES	13,167,732	12,923,329	(244,403)	-1.9%
6,256,000	UTILITIES	3,173,164	3,072,188	(100,976)	-3.2%
992,000	INSURANCE	381,509	377,923	(3,586)	-0.9%
3,866,000	RENTAL	1,929,608	1,843,499	(86,109)	-4.5%
5,101,000	MAINTENANCE & REPAIR	2,571,463	2,291,114	(280,349)	-10.9%
24,000	NET LOSS ON DISPOSAL OF ASSETS	12,098	63,170	51,072	422.2%
282,000	CAMPUS ADMINISTRATION EXPENSE	142,159	142,346	187	0.1%
18,283,000	DEPRECIATION	8,771,452	8,622,798	(148,654)	-1.7%
13,038,000	INTEREST	6,541,327	6,552,230	10,903	0.2%
19,129,000	GENERAL SUPPLIES & EXPENSE	9,643,112	8,298,057	(1,345,055)	-13.9%
$293,128,000	TOTAL EXPENDITURES	$144,590,623	$137,831,799	($6,758,824)	-4.7%
($22,648,316)	NET REVENUE FROM OPERATIONS	($10,421,946)	($9,334,020)	$1,087,926	10.4%
	NON-OPERATING REVENUE				
$15,579,000	APPROPRIATIONS & SUPPORT	$7,789,500	$7,705,200	($84,300)	-1.1%
6,906,000	INTEREST INCOME ON RESERVES	3,774,287	3,913,327	139,040	3.7%
181,000	SHARED SERVICES	91,244	93,200	1,956	2.1%
1,484,316	INVESTMENT INCOME HELD BY TRUSTEE	756,052	736,466	(19,586)	-2.6%
130,000	OTHER INVESTMENT INCOME	65,534	95,117	29,583	45.1%
$24,280,316	TOTAL NON-OPERATING REVENUE	$12,476,617	$12,543,310	$66,693	0.5%
$1,632,000	REVENUE OVER/(UNDER) EXPENSE	$2,054,671	$3,209,290	$1,154,619	56.2%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

DECEMBER 31, 1989 AND JUNE 30, 1989

ASSETS	12/31/89	6/30/89
CURRENT ASSETS		
Operating Cash	$72,282	$72,282
Reserve Cash- Third Party Payable	9,372,936	4,994,382
Reserve Cash- Current Indebtedness	8,532,734	8,484,143
Reserve Cash- Fringe Benefits	0	798,151
Accounts Receivable		
Patient Receivables	87,042,644	87,672,463
Other Receivables	2,260,625	1,167,188
Third Party Receivable	671,236	6,333,531
Appropriation Receivable	2,562,755	1,235,467
	92,537,260	96,408,649
Less Allowances for Losses in Collection	(6,926,382)	(5,933,101)
Less Allowances for Discounts to Third Party Payors	(22,794,307)	(19,160,666)
	62,816,571	71,314,882
Inventories of Drugs & Supplies	4,615,860	4,928,266
Prepaid Expenses	1,306,980	657,135
TOTAL CURRENT ASSETS	$86,717,363	$91,249,241
ASSETS WHOSE USE IS LIMITED		
Board Designated Assets		
Available for Assignment		
Cash & Investments	$67,493,333	$63,557,757
Accrued Interest	1,877,265	148,244
	69,370,598	63,706,001
Cash & Invest for Debt Service	13,000,000	13,000,000
Cash & Invest for Working Capital	21,058,695	16,000,000
TOTAL	$103,429,293	$92,706,001
PROPERTY, PLANT, & EQUIPMENT		
Land, Buildings & Improvements	$183,761,583	$184,168,980
Equipment	84,782,149	83,089,361
	268,543,732	267,258,341
Less Accumulated Depreciation	(108,055,464)	(100,371,670)
	160,488,268	166,886,671
Construction in Progress	10,907,565	9,057,292
TOTAL PROPERTY, PLANT, & EQUIPMENT	171,395,833	175,943,963
Assigned Cash & Investments for Construction/Equipment	7,063,066	7,006,734
TOTAL	$178,458,899	$182,950,697
INVESTMENTS HELD BY BOND TRUSTEE	$18,512,749	$18,870,093
OTHER ASSETS		
Deferred Third Party Reimbursement	$7,404,475	$7,737,794
Deferred Debt Expense	1,134,196	1,175,980
Deposits and Other	559,380	675,798
TOTAL	$9,098,051	$9,589,572
TOTAL ASSETS	$396,216,355	$395,365,604
RESTRICTED ASSETS		
Cash and Investments	$6,585,040	$5,450,761

LIABILITIES AND FUND BALANCES	12/31/89	6/30/89
CURRENT LIABILITIES		
Accounts Payable	$10,391,670	$8,926,779
Payable to Third Party Contr. Payors	6,557,936	10,071,821
Salaries, Wages and Payroll Taxes	4,937,515	4,820,284
Accrued Vacation	8,066,150	8,187,806
Accrued Professional Fees and Physician Compensation	1,769,324	741,071
Contracts Payable	1,400,794	40,000
Construction Retainages	0	215,074
Interest Payable	5,211,541	5,085,186
Current Portion of Long-Term Debt	2,570,187	2,724,624
Promissory Notes Payable	1,300,000	2,500,000
TOTAL CURRENT LIABILITIES	$42,205,117	$43,312,645
LONG-TERM DEBT, LESS CURRENT PORTION	$168,247,598	$169,579,548
UNRESTRICTED FUND BALANCE	$185,763,640	$182,473,411
TOTAL LIABILITIES & FUND BALANCE	$396,216,355	$395,365,604
RESTRICTED FUND BALANCES		
Endowment Funds	$2,276,679	$2,161,348
Gift Funds	4,308,361	3,289,413
	$6,585,040	$5,450,761

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance		$72,282
Net Income from Operations	(9,334,020)	
Non-Operating Revenue	12,543,310	
Excess of Revenue over Expense		3,209,290
Items not Requiring the Outlay of Cash		
Depreciation		8,622,798
University Support: G & A		142,346
Loss on Disposal of Assets		63,170
Deferred Third Party Reimbursement		333,319
Renewal Project Interest Expense		5,208,680
Increase in Accrued Expenses		3,834,777
Transfer from Fringe Benefit Reserve		798,151
Decrease in Accounts Receivable		5,283,494
Decrease in Third Party Receivable		5,662,295
Decrease in Inventory		312,406
Total Funds Provided from Operations		$33,543,008

Funds Applied

Transfer Third Party Reserve	4,378,554
Decrease in Third Party Payable	3,513,885
Increase in Prepaid Expenses	533,427
Increase in Other Receivables	1,093,437
Capital Expenditures	2,912,348
Appropriation Receivable	1,327,288
Investment Income - Trustee-held Assets	736,466
Transfers to Reserves - Bond Retirement	6,204,646
Total Funds Applied	$20,700,051
Operating Cash Made Available from Operations	$12,842,957

Total Operating Cash Available of $12,842,957 plus Transfers for Bond Retirement of $6,204,646; plus Transfers to Plant of $2,912,348 equals Cash Generated from Operations of $21,959,951.

Current Cash Summary

Operating Cash	$12,842,957
Operating Cash to Working Capital Reserve	(8,856,577)
Reserve Cash for Liability to Third Party Payors	9,372,936
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	6,032,734
	21,892,050
Less Interest Income on Reserves and Grant	(3,914,098)
Total Current Cash	$17,977,952

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

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

	OPERATING	CURRENT DEBT SERVICE	BOARD DESIGNATED	PLANT	TRUSTEE	TOTAL UNRESTRICTED
	FUND	FUND	FUND	FUND	FUND	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	6,122,456					
Interest Income on Reserves			3,913,327			
Interest Income on Nursing Grant			771			
Depreciation Expense				(8,622,798)		
Loss on Disposal of Assets				(63,170)		
Interest Income on Trustee Held Fund					736,466	
Amortization of Deferred Bond Expense				(111,534)		
Interest Income on Bond Proceeds					1,233,772	
Total Income						3,209,290
Less Expense						
University Support: G & A	142,346					142,346
Transfers Between Funds						
Major Building Projects- Hosp.			(3,141,193)	3,141,193		
Capital Expenditures	(2,656,211)			2,656,211		
Major Equipment Requisition	(256,137)			256,137		
Adjustment to Shared Buildings				(61,407)		(61,407)
Bond Interest Payment	6,189,827	(5,919,000)			(270,827)	
Bond Interest Expense Funding	(5,097,146)	6,060,091			(962,945)	
Bond Principal Funding	(1,107,500)	1,107,500				
Decrease in Short Term Note Funding		(1,200,000)		1,200,000		
Trustee Income held by Campus			1,093,810		(1,093,810)	
Funding Working Capital	(8,856,577)		8,856,577			
Ending Balance	$37,391,858	$8,532,734	$103,429,293	$17,897,006	$18,512,749	$185,763,640

RESTRICTED FUNDS	GIFT	ENDOWMENT	TOTAL
Beginning Balance	$3,289,413	$2,161,348	$5,450,761
Income	1,049,537	115,624	1,165,161
Disbursements	(30,589)	(293)	(30,882)
Ending Balance	$4,308,361	$2,276,679	$6,585,040

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

ECEMBER BUDGETED	DECEMBER ACTUAL	DECEMBER VARIANCE	VARIANCE %	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
$7,486,175	$7,517,994	$31,819	0.4%	ROUTINE	$48,296,948	$47,235,460	($1,061,488)	-2.2%
18,880,459	18,177,659	(702,800)	-3.7%	ANCILLARY	120,499,321	113,459,533	(7,039,788)	-5.8%
$26,366,634	$25,695,653	($670,981)	-2.5%	GROSS CHARGES	$168,796,269	$160,694,993	($8,101,276)	-4.8%
				DEDUCTIONS FROM CHARGES				
$889,021	$914,595	$25,574	2.9%	BILLING ADJUSTMENTS	$5,689,749	$5,940,542	$250,793	4.4%
1,167,910	1,416,230	248,320	21.3%	HMO/PPO DISCOUNTS	7,474,642	8,340,083	865,441	11.6%
3,761,863	3,654,211	(107,652)	-2.9%	GOVERNMENTAL CONTRACTUAL ADJUST	24,075,982	20,789,929	(3,286,053)	-13.6%
42,132	51,053	8,921	21.2%	CHARITABLE CARE	270,536	372,540	102,004	37.7%
323,034	314,505	(8,529)	-2.6%	PROVISION FOR UNCOLLECTABLES	2,067,423	1,968,186	(99,237)	-4.8%
$6,183,960	$6,350,594	$166,634	2.7%	TOTAL DEDUCTIONS	$39,578,332	$37,411,280	($2,167,052)	-5.5%
				OTHER OPERATING REVENUE				
$126,090	$133,619	$7,529	6.0%	FOOD SERVICES	$804,563	$785,421	($19,142)	-2.4%
55,334	70,974	15,640	28.3%	PARKING SERVICES	353,077	442,054	88,977	25.2%
8,699	7,360	(1,339)	-15.4%	DEPARTMENT NON-PATIENT	52,476	63,107	10,631	20.3%
105,750	114,131	8,381	7.9%	GRANT INCOME	634,500	704,016	69,516	11.0%
151,736	183,669	31,933	21.0%	REFERENCE LAB INCOME	968,416	1,107,619	139,203	14.4%
159,232	123,926	(35,306)	-22.2%	PRO FEES--NET REVENUE	1,019,089	835,834	(183,255)	-18.0%
3,397	1,435	(1,962)	-57.8%	SILVER SALVAGE	20,164	21,743	1,579	7.8%
185,543	171,291	(14,252)	-7.7%	INCOME FROM BOND PROCEEDS	1,098,455	1,233,772	135,317	12.3%
0	0	0		DONATIONS	0	20,500	20,500	
$795,781	$806,405	$10,624	1.3%	TOTAL OTHER REVENUE	$4,950,740	$5,214,066	$263,326	5.3%
$20,978,455	$20,151,464	($826,991)	-3.9%	TOTAL REVENUE FROM OPERATIONS	$134,168,677	$128,497,779	($5,670,898)	-4.2%
				EXPENDITURES				
$9,908,082	$9,828,639	($79,443)	-0.8%	SALARIES	$61,415,267	$57,987,031	($3,428,236)	-5.6%
2,103,069	2,249,532	146,463	7.0%	FRINGE BENEFITS	13,205,246	13,742,694	537,448	4.1%
186,250	182,103	(4,147)	-2.2%	ACADEMIC CONTRACTS	1,117,500	1,092,616	(24,884)	-2.2%
508,552	516,446	7,894	1.6%	RESIDENT CONTRACTS	3,051,312	3,098,677	47,365	1.6%
263,917	261,613	(2,304)	-0.9%	PHYSICIAN COMPENSATION	1,583,500	1,569,675	(13,825)	-0.9%
12,969,870	13,038,333	68,463	0.5%	TOTAL SALARY, F.B., & FEES	80,372,825	77,490,693	(2,882,132)	-3.6%
185,319	185,433	114	0.1%	LAUNDRY & LINEN	1,191,426	1,100,995	(90,431)	-7.6%
153,198	161,963	8,765	5.7%	RAW FOOD	969,927	909,103	(60,824)	-6.3%
1,576,598	1,630,045	53,447	3.4%	DRUGS	10,113,628	9,532,517	(581,111)	-5.7%
879,062	688,121	(190,941)	-21.7%	BLOOD & BLOOD DERIVATIVES	5,609,193	4,611,837	(997,356)	-17.8%
2,063,622	2,394,915	331,293	16.1%	MEDICAL SUPPLIES & SERVICES	13,167,732	12,923,329	(244,403)	-1.9%
528,025	503,302	(24,723)	-4.7%	UTILITIES	3,173,164	3,072,188	(100,976)	-3.2%
63,833	60,628	(3,205)	-5.0%	INSURANCE	381,509	377,923	(3,586)	-0.9%
312,475	378,765	66,290	21.2%	RENTAL	1,929,608	1,843,499	(86,109)	-4.5%
433,236	435,055	1,819	0.4%	MAINTENANCE & REPAIR	2,571,463	2,291,114	(280,349)	-10.9%
2,038	2,275	237	11.6%	NET LOSS ON DISPOSAL OF ASSETS	12,098	63,170	51,072	
23,951	23,983	32	0.1%	CAMPUS ADMINISTRATION EXPENSE	142,159	142,346	187	0.1%
1,478,985	1,448,247	(30,738)	-2.1%	DEPRECIATION	8,771,452	8,622,798	(148,654)	-1.7%
1,089,326	1,063,511	(25,815)	-2.4%	INTEREST	6,541,327	6,552,230	10,903	0.2%
1,624,655	799,725	(824,930)	-50.8%	GENERAL SUPPLIES & EXPENSE	9,643,112	8,298,057	(1,345,055)	-13.9%
$23,384,193	$22,814,301	($569,892)	-2.4%	TOTAL EXPENDITURES	$144,590,623	$137,831,799	($6,758,824)	-4.7%
($2,405,738)	($2,662,837)	($257,099)	-10.7%	NET REVENUE FROM OPERATIONS	($10,421,946)	($9,334,020)	$1,087,926	10.4%
				NON-OPERATING REVENUE				
$1,298,250	$1,281,377	($16,873)	-1.3%	APPROPRIATIONS & SUPPORT	$7,789,500	$7,705,200	($84,300)	-1.1%
583,135	693,730	110,595	19.0%	INTEREST INCOME ON RESERVES	3,774,287	3,913,327	139,040	3.7%
15,373	17,284	1,911	12.4%	SHARED SERVICES	91,244	93,200	1,956	2.1%
126,035	122,158	(3,877)	-3.1%	INVESTMENT INCOME HELD BY TRUSTEE	756,052	736,466	(19,586)	-2.6%
11,041	12,000	959	8.7%	OTHER INVESTMENT INCOME	65,534	95,117	29,583	45.1%
$2,033,834	$2,126,549	$92,715	4.6%	TOTAL NON-OPERATING REVENUE	$12,476,617	$12,543,310	$66,693	0.5%
($371,904)	($536,288)	($164,384)		REVENUE OVER/(UNDER) EXPENSE	$2,054,671	$3,209,290	$1,154,619	

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 16, 1990

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing

SUBJECT: Hospital Admissions Policies

Attached is a copy of the Hospital Admissions Policy which has been approved by the Medical Staff-Hospital Council and Council of Clinical Chiefs. Subsequent to their approval Mr. Robert Latz reviewed the policy and suggested changes in item 8. The changes consisted of the elimination of "acknowledges that it has an obligation to assist" and replaced it with "will assist" (see attached).

This policy is presented to you this month for your information.

/th

Attachment

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

BACKGROUND

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

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

POLICY

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

PROCEDURE

1. Under Section 124.603 of Subpart G (42CRF Part 124), UMHC must make emergency services available to all persons residing within our service area, the state of Minnesota. Therefore, all such persons shall be permitted access to the hospital's Emergency Department for **emergency services.** Subpart G does not change other legal or ethical requirements related to the rendering of **emergency services.**

2. Acceptance of such patients for **emergency services** does not require UMHC to render non-emergency services once the patient is stabilized. However, UMHC must accept Minnesota residents who are covered under Medicare or Medicaid/Medical Assistance Programs for all necessary services per the rules and regulations governing these programs.

3. Signs indicating UMHC's obligations under Subpart G shall be posted in the Emergency Department, Admissions Department, and Registration Office/Cashiers area. The wording and placement of these signs shall be the responsibility of the Director of Admissions in consultation with appropriate administration staff in the Emergency Department and the Finance Division.

4. All UMHC departments involved with the rendering of care shall coordinate with the Associate Director of Finance responsible for Hill-Burton obligations to ensure that all reporting required under Subpart G is completed. These departments shall include but not be limited to Admissions, Emergency, Outpatient Clinics, Patient Relations, and Social Work.

5. Any questions regarding the eligibility for admission of a patient for emergency and/or elective services shall be referred to the Director of Admissions or her/his designee.

6. Section G does not require UMHC to accept patients not physically present at UMHC for emergent or elective services. All such requests for services (usually occurring via phone or in writing) shall be referred to the Director of Admissions or her/his designee.

7. **Emergency Services** are defined as the reasonable diagnosis and treatment services necessary to eliminate any immediate threat to a patient's life or well-being and the referral or transfer to the appropriate facility for follow-up or ongoing care.

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

8. Non-Emergency Health Care Services

   UMHC recognizes that in order to continue to support its tripartite mission of patient care, education, and research, proper business practices must be used to ensure the financial support of UMHC. Concurrently UMHC ~~acknowledges that it has an obligation to assist~~ will assist its patients to secure coverage whenever possible. To this end UMHC will work with the patient or patient guarantor to obtain any and all financial support that may be available. To accomplish these objectives UMHC requests the medical staff notify Hospital Admissions or Registration five (5) working days prior to any pending admission or clinic visit to allow for a pre-admission or outpatient visit financial screening. UMHC shall provide non-emergency care to patients who meet the following financial criteria.

   Admission Requirements (non-emergency):

   1. All non United States citizens must have made a deposit, verified a credit line or have insurance coverage equal to the estimated procedure expense, and such deposits credit lines or insurance must be accepted and/or confirmed prior to the day of admission in writing.

   2.a. All out-of-state patients except Medicare patients must make a deposit, verify a credit line and/or have written confirmation of insurance or public assistance coverage equivalent to at least 85% of the estimated procedure expense prior to admission. The remaining 15% must be paid under a payment plan established prior to admission. If a contract or agreement exists between UMHC and the patient's third party payor that prohibits this practice, this provision will not be required.

2.b. The University of Minnesota Hospital and Clinic will accept Medicare coverage as meeting the financial requirements in 2.a.

2.c. For elective admissions The University of Minnesota Hospital and Clinic will not accept Medical Assistance as adequate coverage from states whose medical assistance program do not meet the expected payment levels established from time to time by UMHC. (At the present time UMHC financial criteria is a minimum of 85% of charges.) UMHC will accept emergency out-of-state Medical Assistance patients without regard to coverage limits. However, UMHC will not be responsible for any transportation services for these patients.

3.a All State of Minnesota patients will be provided care without regard to their ability to pay for their care. However, every Minnesota resident will be expected to contribute to the cost of their care at levels consistent with their ability to pay. Deposit requests will be based on ability to pay but not mandatory before admission is approved.

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

3.b. Prior to a non-emergency admission of any Minnesota resident eligible for Medical Assistance, General Assistance Medical Care, Services for Children with Handicaps, or other public assistance programs, the patient must be certified by the county as eligible and all necessary actions associated with eligibility must be completed. Admissions will be deferred until such certifications and/or agreements are completed.

4. The Hospital Director, Senior Associate Directors, Associate Directors, the Director of Admissions, or the administrator on call shall have the authority to waive any or all of the above requirements and will work with the medical staff in making exception decisions.

5. All exceptions or lack of proper procedure will be reported to the Board of Governors when a bad debt does occur.

To facilitate the implementation of these policies, the admissions and registration departments will work with the clinical departments to review coverage and secure deposits where appropriate and defer elective admissions until appropriate coverage has been secured. It will be the responsibility of the clinical department to notify admissions and registration of the pending admission or clinic visit, and all non-emergency or non-urgent admissions or clinic visits should not be scheduled for at least five (5) working days.

It will be the responsibility of admissions and registration to perform the financial review and to defer the admission or clinic visit when appropriate.

A physician who believes an immediate admission or clinic visit is imperative due to the medical condition of the patient may admit the patient or schedule the clinic visit without regard to the financial condition of the patient.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 17, 1990

TO: Members, Board of Governors Finance Committee

FROM: Robert Dickler

REGARDING: Community University Health Care Center (CUHCC)

Last month we presented information to you regarding the CUHCC facility project. We are now requesting your endorsement of the changes in this project.

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.

Since the December Board of Governors meeting, we have contacted Health One, the owners of Mt. Sinai, to discuss the possibility of moving CUHCC there. They are still negotiating with the Minneapolis Public Schools and are uncertain whether space will be available. We will continue to explore this option with Health One, but do not want to delay the current plans only to find Mt. Sinai not feasible in a few months. Therefore, if approved, we will continue to design the new facility, but will not sign any contracts without further evaluation of the Mt. Sinai option.

We recommend your endorsement of the project increase to $2,350,000. This will also be presented to the Finance Committee and the Board of Governors later this month. Since the recommendation involves an increase in the budget in excess of the Regents' threshhold, it will also be presented to the Board of Regents for their approval.

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 reasonalbe 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 currently negotiating with the Minneapolis Public Schools and is not prepared to discuss the possibilities yet. We will continue to pursue this option as we plan the new facility so we do not delay the project any further. 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 are being explored.

Attachment II
CUHCC Facility Project
Sources of Funding

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

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 11, 1990

MEMO

TO: Members, Finance Committee

FROM: Greg Hart
Senior Associate Director

RE: CT Scanner Replacement

UMHC acquired the oldest of its three CT Scanners in 1984. To enable the Diagnostic Radiology Department to continue to provide state-of-the-art CT imaging services and to handle the volume of procedures ordered on a timely basis, we are proposing to replace this scanner.

The proposal will be presented to the Planning and Development Committee, the Finance Committee and the Board for information during the January meetings and for approval during February.

GH/ad

attachment

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 19, 1990

TO: Finance Committee

FROM: Helen Pitt
Associate Director for
Nursing Operations

SUBJECT: Critical Care Clinical Information Management System

For a number of years the hospital has had an overall goal to develop a patient care information system. Concurrently, Frank Cerra, MD, Director of the Surgical Intensive Care Unit and Carter McComb, Director of Surgical Clinical Services Administration, have been pursuing the development of an ICU data management system. Then early last year the efforts of nursing, medicine, and patient monitoring were brought together to mutually evaluate and plan for a suitable solution for the ICU patient data needs.

The outcome of this collaboration is the recommendation to proceed with the EMTEK Critical Care Clinical Information Management System. The enclosed materials outline both the details of the product and provide a summary of the financial expenditures associated with implementation of this system on the 24 bed surgical intensive care unit. The capital expenditure associated with this project is $718,000.

At this time we are presenting this proposal for information. We will be requesting endorsement of our intention to fully commit to this project at your February meeting.

We will be discussing this proposal in greater detail at your meeting. Please feel free to call me prior to that time if you have questions. (626-5300)

/pd

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OVERVIEW OF CRITICAL CARE CLINICAL INFORMATION MANAGEMENT SYSTEM PURCHASE REQUEST

What do we want to purchase?

The product we propose to purchase is a Clinical Information Management System which automates all record keeping functions from Physician Order Entry, to Kardex, to Nurse Care Plans, to Flowsheet. The system communicates on-line to bedside monitoring instruments for automatically acquiring data on vital signs as well as the hospital's laboratory system.

This system developed for use in the ICU will be a building block for a hospital-wide patient care information system. Its purpose is in accord with the Hospital's goals for productivity, quality, financial decision making, regulation and competition. Additionally, this system provides a Research Data Management System which will meet the data needs of medical and nursing research, as well as a quality assurance program.

How would we proceed?

We would propose to begin with 4D, the surgical ICU, early in 1990. Therefore our request for funding covers this part of the plan. However, if the criteria for evaluation are met and additional funding approved, we will expand to 4C, medical ICU, and 4E, pediatric ICU, some time in 1990-1991.

The network technology that EMTEK provides is compatible with our hospital's direction of network development with intelligent work station components. Ultimately, this approach decreases the demand for ever larger mainframe computers and dependence on the mainframe for being "up" to keep work going. This approach facilitates the linking together of many networks throughout the hospital.

What will it do for us?

This critical care system will provide benefits in three areas, i.e., costs, quality and management. While we anticipate both "hard" and "soft" savings in the three categories (see benefits section in attached report), the acquisition of this system will be a first step in building a hospital patient information system to support and improve patient care. Data management is an essential component of quality care in the critical care units, where there is a plethora of data produced over the course of a day. While we are currently producing reams of data, having that data readily available for decision making in a manageable format will only be achieved through a system such as EMTEK. This decision support will benefit the care of individual patients as well as provide a data base for quality assurance and research purposes to identify the most effective programs, care modalities, services, etc.

Finally, our interdisciplinary approach to system selection and implementation has been noted by the vendors as unique, and has kept our focus on the patient, and an integrated approach to patient care issues. Ultimately, improvements in decision making through the availability of timely, organized data will facilitate more efficient utilization of costly critical care beds, so that the average length of stay in the critical care unit can be decreased.

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DETAIL FOR FINANCIAL SUMMARY

COSTS

1. Hardware and Software

The EMTEK proposal outlines in detail the hardware and software costs. The 4D North and South proposal includes one workstation at each bedside, and one at each desk in each resident's room. The proposal also includes a workstation for training and for the Research subsystem. The patient care unit 4D requires 29 workstations. The hardware and software total is $718,070.

The cost proposal for 4D also includes several one-time costs associated with this project. One-time costs include:

- Interface to Labs Tandem computer, Unisys, and IBM; connectivity to Space Labs Monitors and other instruments; and the research database and query language.

The total of the one-time costs quoted is $132,867.

4D/North and South	Average Daily Census 83% Occupancy	Total Patient Days Over Five Years	Hardware and Software Costs (29 Workstations)
24 Beds	20	36,500	$718,070 ($19.67/occupied bed)

2. Installation

Installation costs are estimated at $300 per workstation. This includes $250 for cable pulling and $50 for the wall mount per workstation ($300).

$300 X 29 = $8700

3. Implementation Staff

The project will have a Steering Committee, a project leader, and implementation support associated with the PCU. As implementation progresses, involvement from hospital departments is anticipated (e.g., forms review, medical records, pharmacy). Operational details will be addressed at the user and operational support level (e.g., flowsheet design). Initial support will be needed from Labs and Technical Services.

The implementation support will be provided from Nursing, Information Systems, and Cardio-Respiratory Services. The anticipated support is expected to be as follows, with support from Cardio-Respiratory Services reassigned from the Dasicup project.

Implementation Staff continued:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Salary (incl. fringe)	Total
ISD Prog. Effort	1.0 45,000	.5 22,500	0	0	0	1.5	45,000 (21.55/hr)	67,500
Implem. Leader	.5 20,000	.5 20,000	0	0	0	1.0	40,000 (19.15/hr)	40,000
Systems Adm. (Conf. Screens	.5 20,000	.5 20,000	.5 20,000	.5 20,000	.5 20,000	2.5	40,000 (19.15/hr)	100,000
GRAND TOTAL						5.0		$207,000

4. Service and Maintenance

We have received a comprehensive maintenance proposal. Selecting the service best suited to UMH, the expenses are as follows: Year 1 - Level I (Standard Service) Plan A and Years 2, 3, 4, 5 - Level I Plan B (Standard Service).

	Year 1	Year 2	Year 3	Year 4	Year 5
4D N-S	56,483	64,014	64,014	64,014	64,014
Interface Subsystem	6,248	7,081	7,081	7,081	7,081
Research Mgmt System	4,033	4,571	4,571	4,571	4,571
Instrument Interface	2,400	2,720	2,720	2,720	2,720
Computer Interface	5,625	6,375	6,375	6,375	6,375
TOTAL	74,709	84,761	84,761	84,761	84,761

SAVINGS

1. Reduced Operational Costs

The projected operational cost reductions are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Savings Per Patient Day	0	$10	$20	$20	$20	
Patient Days	7,300	7,300	7,300	7,300	7,300	
TOTAL	$0	$73,000	$146,000	$146,000	$146,000	$511,000

Reduced Operational Costs continued:

Based on the literature and experience in other settings, this estimate is based on anticipated savings at UMH in the following areas:

1) Expensive tests that are repeated
2) Duplicate orders
3) Medication waste
4) Transcription repeated or errors
5) Form cost.

2. Nursing FTE Savings

The Nursing manpower savings achievable in the Critical Care setting with this system are projected to be 1+ FTE for every 12 beds. The studies reported to date by other institutions in the literature and our consideration of the impact of this system in the 4D nursing environment supports these projections.

	Year 1	Year 2	Year 3	Year 4	Year 5
Nursing FTE Savings	0	1 FTE	2 FTE	2.5 FTE	2.5 FTE
	0	$40,000	$80,000	$100,000	$100,000

The EMTEK system has these benefits for Nursing that supports the FTE savings:

1) Data is entered once and automatically moved throughout the system. Multiple transcription steps are eliminated. Data entry can be set for entry efficiency and review convenience accommodated - trends and graphics.
2) Data acquired directly from monitors, labs eliminating transcription to flowsheet.
3) Up-to-date list of active orders and nursing activities is available.
4) Calculations are automated.

Examples of the Nursing activities that will have time savings and their frequency are listed.

Activity	Frequency
Vital signs/hemodynamic	Hourly
Plotting trends	1 per shift
I and O calculations	Hourly
Lab results - communication, transcription	2 per shift
Progress Notes/Assessment	2 per shift
Kardex/work list	2 per shift
Orders - communication, transcription	2 per shift
Report - shift to shift	1 per shift
Admission/transfer summary	
Care plan	1 per shift
Medication	Hourly

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Nursing FTE Savings continued:

The UMH nursing staffing and patient assignments and workflow will be affected in increments. The FTE projections are a conservative projection of the summary of these incremental savings.

Critical care staffing is a key target area due to the shortage and extensive skill level requirement.

3. Other Benefits

Other benefits that will be achieved include:
- Productivity gains within other departments.
- Reimbursement audits and charge capture.
- Improved decision support for management.
- Research and quality assurance support.

Soft benefits will be:
- Positive affect on recruitment and retention of staff.
- Staff satisfaction.
- Marketing advantage.

GENERAL INFORMATION

- Dunn and Bradstreet report is very favorable; company is well financed, research and development is very strong, excellent financial backing from parent company, Motorola, Inc.
- Contract will include phased payment schedule.
- Negotiations reflect reduction for development and alpha-beta partnership agreement.
- Benefit study is to be done.

FINANCIAL SUMMARY - EMTEK PROPOSAL

COSTS

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Hardware and Software	$143,614	143,614	143,614	143,614	143,614	718,070
Installation	$ 8,700					8,700
Implementation Staff	$ 85,000	62,500	20,000	20,000	20,000	207,500
Service and Maintenance	$ 74,709	84,761	84,761	84,761	84,761	413,753
TOTAL	$312,023	290,875	248,375	248,375	248,375	1,348,023

SAVINGS

Reduced Operational Costs	$ 0	73,000	146,000	146,000	146,000	511,000
Nursing FTE Savings	$ 0	40,000	80,000	100,000	100,000	320,000
TOTAL	$ 0	113,000	226,000	246,000	246,000	831,000
DIFFERENCE (Savings - Cost)	$-312,023	-177,875	-22,375	- 2,375	- 2,375	-517,023

Benefits in Addition to Savings Noted:

- Productivity gain within other departments.
- Reimbursement audits and charge capture.
- Improved decision support for management.
- Research and quality assurance support.

General Information:

- Dunn and Bradstreet report is very favorable; company is well financed, research and development is very strong, excellent financial backing from parent company, Motorola, Inc.
- Negotiations reflect reduction for development and alpha-beta partnership agreement.
- Benefit study is to be done.

Note: Opportunity cost will be calculated.
Note: Above dollar figures are not adjusted for inflation.

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UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 17, 1990

TO: Members, Board of Governors Finance Committee

FROM: Robert Dickler

SUBJECT: Council of Hospital Corporations Medical Waste Incinerator Project

In the last few months the Hospital has been investigating the advisability of a Council of Hospital Corporations (CHC) proposal to build and operate a medical waste incinerator. The proposal calls for the formation of a corporation consisting of interested CHC hospitals for the purpose of jointly researching, planning, constructing and operating a medical waste incinerator in or near the Minneapolis/St. Paul metro area.

CHC has retained a consulting firm to research the feasibility of the concept and prepare a business entry plan. The attached Executive Summary broadly outlines the findings to date. If successful, the Hospital would be sharing the expense, commitment, and benefits of this project with the entire University.

At this time we are presenting this proposal to the Committee for information. We will be requesting endorsement of our intention to fully commit to this project at our February meeting.

Regents approval is also required for this project. Attached for your information is notification to CHC of our intent to seek Regents approval. The Hospital/University commitment of funds at this time is limited to 150% of $71,611 or $107,416. Based on CHC's preliminary estimates the anticipated aggregate capital commitment for the University, if the project were to be brought to fruition, is anticipated to be in the range of $600,000 - $625,000.

We will be discussing this issue in greater detail at our meeting. Please feel free to call me prior to that time if you have questions.

/th

Attachment

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 18, 1989

Allan N. Johnson, Ph.D., President
Council of Hospital Corporations
Suite 221 North
2550 University Avenue West
St. Paul, Minnesota 55114

Re: Medical Waste Incineration Project

Dear Mr. Johnson:

In accordance with the Infectious Waste Disposal Business Entry Plan, November 1989 and the November 20, 1989 Council of Hospital Corporations Board discussion, the University of Minnesota hereby signifies its intention to request approval from the Board of Regents for authority to participate in the medical waste incineration project. To signify our intention to seek Board authority to participate, the University of Minnesota hereby agrees to a cash assessment not to exceed 150 percent of $71,611.21, the exact cash assessment being dependent upon the percentage of hospitals participating in the project. Pursuant to the representations of the Council of Hospital Corporations, the cash assessment will be refunded unless hospitals representing more than 75 percent of the biological waste volume agree to participate.

The University of Minnesota is governed by the Data Practices Act, Minnesota Statutes Sec. 13.01 et. seq. and its treatment of data related to the medical waste incineration project will be governed by that statute.

The University of Minnesota agrees that it will not make any new commitments to biological waste disposal entities other than this project until a final decision is made with respect to the feasibility of the project and final decisions regarding operational permits.

bcc: Clifford Fearing
Jan Halverson, Esq.
Gregory Hart
Mark Koenig

Sincerely,

Gordon Donhowe
Vice President
Finance and Operations
University of Minnesota

GD/hg

I. EXECUTIVE SUMMARY

A. Project Incentive

General Management Services (GMS) and the associated firm of Richard, Crisman & Cpitz, Inc., as part of their consulting work, have been following the developing legislation and regulations pertaining to the handling and disposal of infectious wastes for over two years. It was thus possible to forecast that the financial impact of complying to the pending regulations would force hospitals to shut down their existing on-site incinerators.

Commercial infectious waste disposal capacity is not available to absorb the infectious waste volumes disposed at on-site hospital incinerators, which is the largest portion of the infectious waste being generated.

It was also evident that a commercial infectious waste disposal organization would be able to, and as is indeed occurring currently, charge disposal costs significantly above those previously paid by hospitals.

The cost of obtaining permitting is sufficiently high to discourage others seeking entry into the infectious waste incineration business once the first party has received a permit. Thus future commercial infectious waste disposal pricing would also be affected only nominally by competition.

B. Project Purpose

In view of the above, the Council of Hospital Corporations contracted with GMS to develop a business entry (action) plan having the following objectives:

1. To maintain hospital control of the costs associated with medical waste disposal.

2. To collectively address this pressing environmental, political and public relations problems in the most effective, efficient and publicly safe manner.

3. To retain the flexibility to respond to the disposal needs of physicians on hospital medical staffs, clinics or other hospitals.

C. GOVERNANCE

A review and evaluation of alternatives with the law firm of Dorsey & Whitney led to the conclusion that a separate Board be formed for this subsidiary consisting of 3 members of the CHC Board, three outside board members and the President of the CHC serving as board chairman. The subsidiary board would need to have decisions affecting hospitals not represented on the board ratified by the CHC board.

The Executive Director of the subsidiary would report to the subsidiary board.

D. CORPORATE STRUCTURE

A for-profit CHC subsidiary was determined to be the structure most suited to meet the project goals after evaluation of several alternatives. Among its advantages is that it is simple to create and is flexible as far as the entities which may use the subsidiaries services.

E. INFECTIOUS WASTE VOLUMES GENERATED

The economics are fairly sensitive to the waste volume to be incinerated. Thus, the amount of infectious waste (as defined at the time) generated by each of the 24 participating hospitals was either weighed or was determined from invoiced received from the commercial disposal company. The resulting amount, annualized for 1989 (8,141,200 pounds) was then adjusted to obtain the equivalent volume after all of the participating hospitals have adopted the new definition for infectious waste legislated in Minnesota on July 1, 1989. The resulting "base" volume of 5,814,800 pounds was used for 1989.

The throughput capacity of the plant and its operating costs are based on this base volume for the 24 participating hospitals only, increasing at 3%/year compounded. The maximum capacity of the plant is 11,800,000 pounds/year. This leaves more than adequate capacity for disposal of the infectious wastes for generators other than the participating 24 hospitals before additional capacity, for which space has been provided, needs to be added.

F. CURRENT DISPOSAL COSTS

The actual current infectious waste disposal costs at each hospital, including packaging and sharps disposal costs were extracted from hospital cost accounting records. This inclusive cost average for the 24 participating hospitals is $0.378/pound.

G. COST IMPACT OF REGULATIONS

Disposal cost increases from $37,800/ year to $264,100/year and added capital investments from $297,000 to $712,000 accompanied by a significant public relations burden are projected for 1990/91 depending on the volumes generated, the current disposal method and when existing disposal contracts expire.

H. PLANT INVESTMENT

The investment required for an infectious waste incineration plant sized for a maximum throughput of 11,000,000 pounds /year was estimated from quotations received for the major equipment incorporating the latest (8/25/98) proposed permanent standards

to become effective on January 1, 1992 for infectious waste incinerators. Rosewood Construction provided the estimate for the site preparation and building costs.

The total financing required is estimated to be as follows:

Capital investment	$3,007,800
Working capital	598,000
Start-up costs	441,000
Total	$4,047,200

I. OPERATING COSTS AND PRO FORMAS

The final income statement, cash flow and balance sheet pro formas prepared by Arthur Andersen Company are in Appendix I-1, pages 61-69. The assumptions are in Appendix H-5 & 6, pages 57-59.

The disposal price which the subsidiary charges to its participating hospitals would be set by the Board of the subsidiary. The price which would generate an annual profit of about $100,000 for the operation is $0.31/pound and if the steam generated is sold, which appears to be a good possibility, the price would be $0.29/pound. This is the total disposal price which includes packaging supplies including sharps packaging, transportation and disposal costs. This compares directly to the average cost of $0.378 paid by the 24 participating hospitals, prior to further cost increases.

This price assumes that 6,376,000 pounds of infectious waste would be incinerated for the 24 hospitals in 1992. If only 5.4 million pounds are incinerated the price without steam credit is $0.35/pound and at 4.4 million pounds it is $0.40/pound without steam credit.

This scenario assumes that all of the investment except that for land and building needs to be replaced in years 7 & 8 at current cost inflating at 5%/year compounded ($3,362,645). It is possible that new technology may generate more regulations following those to be effective in 1992 which could require some additional investment. If the investment required exceeds the cash flow generated, some additional borrowing, backed by price increases, may be needed. It is difficult to visualize that such potential regulations would cause such a catastrophic result.

All other costs in the operating statement and pro formas are at constant dollars.

J. SITING, PERMITTING AND ASH DISPOSAL

An initial survey identified 35 potential sites in Minnesota for the disposal operation all but one of which is within a 60 mile radius of the Twin Cities,

K. INCINERATION TECHNOLOGY

Controlled air, two stage incineration in a fixed hearth incinerator followed by a heat recovery unit to produce steam and a wet scrubber to meet and exceed the proposed permanent standards for infectious waste incinerators published on August 25, 1989 will be used. These formed the basis of the quotation received for the incineration equipment and monitoring devices.

The technology is not new, the controls and monitoring devices and operating conditions all having been commercially available and used for many years. The newness is that infectious waste incinerators installed heretofore have never had to use these more sophisticated process, pollution control and monitoring devices to meet prior, uninforced and less comprehensive standards.

Other technologies for decontamination of infectious wastes exist and all have their niche application. Some, such as autoclaving may in future years capture a small portion of the market created by new generators of infectious waste. It is generally agreed, however, that incineration will continue to be the dominant method used to dispose of infectious waste.

L. FINANCING

Outside financing of the entire $4,047,200 is planned. This financing would be backed by a contract from each participating hospital to commit their infectious waste volume to the CHC subsidiary. In addition, each participating hospital would provide a letter of credit for their portion of the loan, based on volume. The loan would be obtained by the CHC subsidiary. No financing would be sought from the local community nor from any other public agency.

The financing would be obtained in two steps. The initial amount to be financed would be the $565,000 required to obtain the permit. Aportion would be financed via letter of credit, the balance using a line of credit. Financing of the remaining $3,482,200 would take place after the permit has been issued.

M. CHECK POINTS

Three check point have been built in as the project develops.

1. After all hospital contracts and their letters of credit have been received. This is anticipated to occur on or before the end of 1989.

2. During the fifth month after project initiation, using quotations and preliminary approvals received to confirm that the project goals and objectives contained in this report are still on track. This could occur during May, 1990.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

January 12, 1990

TO: Members, Board of Governors Finance Committee

FROM: Clifford P. Fearing
Senior Associate Director, UMHC

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

The total amount recommended for bad debt for Hospital and Clinic accounts receivable during the second quarter of 1989-90 is $546,932.58 represented by 1612 accounts. Bad debt recoveries during the period amounted to $22,995.87 (37 accounts) leaving a net charge-off of $523,936.71.

The net bad debts of $523,936.71 for the quarter were 0.66% of gross charges. This compares to a budgeted level of bad debts of 1.22% ($1,005,553).

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 second quarter.

Total fiscal year bad debts have amounted to $1,007,853.82 represented by 2,850 accounts. Recoveries during the fiscal year amounted to $32,948.18 (93 accounts), leaving a net charge-off of $974,905.64.

The net bad debts of $974,905.64 for the fiscal year were 0.61% of gross charges. This compares to a budgeted level of bad debts of 1.22% ($2,067,423).

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

UMHC Hospital Billing Department

Bad Debt Statistics: October 1989 through December 1989
In two ranges of account size

	Under $2000	# of Accounts		Over $2000	# of Accounts		Total Amount	Total # of Accounts	
Inpatient									
Bad Debt (701) Write-Offs	$36,587.45	96		$226,060.22	20		$262,647.67	116	
Bad Debt (702) Charity Care	$24,416.70	49		$48,312.61	9		$72,729.31	58	
Total	$61,004.15	145		$274,372.83	29		$335,376.98	174	
Recoveries	($1,178.53)	6		$0.00	0		($1,178.53)	6	
Net Total	$59,825.62	145	*	$274,372.83	29	*	$334,198.45	174	*
Outpatient									
Bad Debt (701) Write-Offs	$134,702.90	1242		$29,093.32	6		$163,796.22	1248	
Bad Debt (702) Write-Offs	$28,896.01	185		$18,863.37	5		$47,759.38	190	
Total	$163,598.91	1427		$47,956.69	11		$211,555.60	1438	
Recoveries	($2,755.80)	30		($19,061.54)	1		($21,817.34)	31	
Net Total	$160,843.11	1427	*	$28,895.15	11	*	$189,738.26	1438	*
Total IP and OP Bad Debt									
Bad Debt (701) Write-offs	$171,290.35	1338		$255,153.54	26		$426,443.89	1364	
Bad Debt (702) Charity Care	$53,312.71	234		$67,175.98	14		$120,488.69	248	
Total	$224,603.06	1572		$322,329.52	40		$546,932.58	1612	
Recoveries	($3,934.33)	36		($19,061.54)	1		($22,995.87)	37	
Total Net Bad Debt	$220,668.73	1572	*	$303,267.98	40	*	$523,936.71	1612	*
Dollars Budgeted							$1,005,553.00		

NOTE: More than $2,000 amount includes legal settlements totaling $19595.49

* Net total of accounts does not include recoveries.

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UMHC Hospital Billing Department

Bad Debt Statistics: October 1989 through December 1989
In five ranges of account size

	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	$981.11	31	$24,835.66	57	$10,770.68	8	$69,734.35	14	$156,325.87	6	$262,647.67	116
Bad Debt (702) Charity Care	$434.77	10	$15,079.22	33	$8,902.71	6	$22,572.68	7	$25,739.93	2	$72,729.31	58
Total	$1,415.88	41	$39,914.88	90	$19,673.39	14	$92,307.03	21	$182,065.80	8	$335,376.98	174
Recoveries	($74.44)	3	($1,104.09)	3							($1,178.53)	6
Net Total	$1,341.44	41 *	$38,810.79	90 *	$19,673.39	14 *	$92,307.03	21 *	$182,065.80	8 *	$334,198.45	174 *
Outpatient												
Bad Debt (701) Write-Offs	$29,875.62	880	$94,156.05	354	$10,671.23	8	$29,093.32	6	$0.00	0	$163,796.22	1248
Bad Debt (702) Write-Offs	$4,747.36	109	$19,384.88	73	$4,763.77	3	$18,863.37	5	$0.00	0	$47,759.38	190
Total	$34,622.98	989	$113,540.93	427	$15,435.00	11	$47,956.69	11	$0.00	0	$211,555.60	1438
Recoveries	($410.37)	21	($2,345.43)	9					($19,061.54)	1	($21,817.34)	31
Net Total	$34,212.61	989 *	$111,195.50	427 *	$15,435.00	11 *	$47,956.69	11 *	($19,061.54)	0 *	$189,738.26	1438 *
Total IP and OP Bad Debt												
Bad Debt (701) Write-offs	$30,856.73	911	$118,991.71	411	$21,441.91	16	$98,827.67	20	$156,325.87	6	$426,443.89	1364
Bad Debt (702) Charity Care	$5,182.13	119	$34,464.10	106	$13,666.48	9	$41,436.05	12	$25,739.93	2	$120,488.69	248
Total	$36,038.86	1030	$153,455.81	517	$35,108.39	25	$140,263.72	32	$182,065.80	8	$546,932.58	1612
Recoveries	($484.81)	24	($3,449.52)	12	$0.00	0	$0.00	0	($19,061.54)	1	($22,995.87)	37
Total Net Bad Debt	$35,554.05	1030 *	$150,006.29	517 *	$35,108.39	25 *	$140,263.72	32 *	$163,004.26	8 *	$523,936.71	1612 *
Dollars Budgeted											$1,005,553.00	

* Net total of accounts does not include recoveries.

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UMHC Hospital Billing Department

Bad Debt Statistics: July 1989 through December 1989
In two ranges of account size

	Under $2000	# of Accounts	Over $2000	# of Accounts	Total Amount	Total # of Accounts
Inpatient						
Bad Debt (701) Write-Offs	$67,374.80	175	$335,912.78	37	$403,287.58	212
Bad Debt (702) Charity Care	$48,157.33	93	$139,950.00	25	$188,107.33	118
Total	$115,532.13	268	$475,862.78	62	$591,394.91	330
Recoveries	($1,956.76)	10	($3,031.46)	1	($4,988.22)	11
Net Total	$113,575.37	268 *	$472,831.32	62 *	$586,406.69	330 *
Outpatient						
Bad Debt (701) Write-Offs	$221,949.82	2058	$75,116.70	16	$297,066.52	2074
Bad Debt (702) Write-Offs	$83,106.03	434	$36,286.36	12	$119,392.39	446
Total	$305,055.85	2492	$111,403.06	28	$416,458.91	2520
Recoveries	($6,579.63)	80	($21,380.33)	2	($27,959.96)	82
Net Total	$298,476.22	2492 *	$90,022.73	28 *	$388,498.95	2520 *
Total IP and OP Bad Debt						
Bad Debt (701) Write-offs	$289,324.62	2233	$411,029.48	53	$700,354.10	2286
Bad Debt (702) Charity Care	$131,263.36	527	$176,236.36	37	$307,499.72	564
Total	$420,587.98	2760	$587,265.84	90	$1,007,853.82	2850
Recoveries	($8,536.39)	90	($24,411.79)	3	($32,948.18)	93
Total Net Bad Debt	$412,051.59	2760 *	$562,854.05	90 *	$974,905.64	2850 *
Dollars Budgeted					$2,067,422.00	

NOTE: More than $2,000 amount includes legal settlements totaling $33208.29

* Net total of accounts does not include recoveries.

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UMHC Hospital Billing Department

Bad Debt Statistics: July 1989 through December 1989
In five ranges of account size

	Less Than $100	# of Accounts	$100 - $999	# of Accounts	$1000 - $1999	# of Accounts	$2000 - $9,999	# of Accounts	$10,000 +	# of Accounts	Total Amount	Total # of Accounts
Inpatient												
Bad Debt (701) Write-Offs	$1,614.43	50	$48,506.59	113	$17,253.78	12	$129,919.67	28	$205,993.11	9	$403,287.58	212
Bad Debt (702) Charity Care	$1,059.18	23	$26,172.15	56	$20,926.00	14	$77,113.62	22	$62,836.38	3	$188,107.33	118
Total	$2,673.61	73	$74,678.74	169	$38,179.78	26	$207,033.29	50	$268,829.49	12	$591,394.91	330
Recoveries	($98.44)	6	($1,858.32)	4	$0.00	0	($3,031.46)	1	$0.00	0	($4,988.22)	11
Net Total	$2,575.17	73 *	$72,820.42	169 *	$38,179.78	26 *	$204,001.83	50 *	$268,829.49	12 *	$586,406.69	330 *
Outpatient												
Bad Debt (701) Write-Offs	$49,038.23	1450	$155,426.87	594	$17,484.72	14	$75,116.70	16	$0.00	0	$297,066.52	2074
Bad Debt (702) Write-Offs	$9,285.36	228	$55,585.23	193	$18,235.44	13	$36,286.36	12	$0.00	0	$119,392.39	446
Total	$58,323.59	1678	$211,012.10	787	$35,720.16	27	$111,403.06	28	$0.00	0	$416,458.91	2520
Recoveries	($1,543.19)	66	($2,958.43)	12	($2,078.01)	2	($2,318.79)	1	($19,061.54)	1	($27,959.96)	82
Net Total	$56,780.40	1678 *	$208,053.67	787 *	$33,642.15	27 *	$109,084.27	28 *	($19,061.54)	0 *	$388,498.95	2520 *
Total IP and OP Bad Debt												
Bad Debt (701) Write-offs	$50,652.66	1500	$203,933.46	707	$34,738.50	26	$205,036.37	44	$205,993.11	9	$700,354.10	2286
Bad Debt (702) Charity Care	$10,344.54	251	$81,757.38	249	$39,161.44	27	$113,399.98	34	$62,836.38	3	$307,499.72	564
Total	$60,997.20	1751	$285,690.84	956	$73,899.94	53	$318,436.35	78	$268,829.49	12	$1,007,853.82	2850
Recoveries	($1,641.63)	72	($4,816.75)	16	($2,078.01)	2	($5,350.25)	2	($19,061.54)	1	($32,948.18)	93
Total Net Bad Debt	$59,355.57	1751 *	$280,874.09	956 *	$71,821.93	53 *	$313,086.10	78 *	$249,767.95	12 *	$974,905.64	2850 *
Dollars Budgeted											$2,067,422.00	

* Net total of accounts does not include recoveries.

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UMHC Hospital Billing Department

Bad Debt Statistics: Second Quarter and Year-to-Date, Fiscal Year 1990
By Service

Admitting Service	Second Quarter Amount	# of Accounts	Y-T-D Total Amount	Total # of Accounts
Anesthesiology				
Clinical Research	154.34	1	171.32	2
Dentistry				
Dermatology				
Family Practice				
OB	13.50	1	13.50	1
NB				
GYN	2,152.34	3	6,108.18	6
GYN-Oncology	36,049.17	16	36,544.95	20
Lab Medicine & Pathology				
Medicine-Blue	701.38	2	6,840.02	7
Green	10,573.72	4	13,456.95	10
Masonic (Onc)	1,416.34	5	16,141.10	17
Purple	63,884.95	3	63,884.95	3
Red A	30,032.99	4	36,558.17	10
Red B			3,964.15	2
Rose A	5,268.86	2	5,566.08	3
Rose B			672.70	2
White A	3,375.25	9	10,189.34	15
White B	1,513.35	4	10,235.55	10
Yellow A	728.67	4	5,609.63	6
Yellow B	9,201.92	4	11,309.14	9
Neurology	428.47	2	7,830.90	11
Neuro-epilepsy				
Neurosurgery	30,531.53	10	34,495.11	14
New Born-General	1,663.88	4	4,202.75	5
Obstetrics-General	18,517.41	6	34,114.53	8
-Midwife	751.71	1	751.71	1
Opthamology	2,832.28	4	6,563.44	7
Orthopaedic Surgery	9,992.93	11	11,579.64	14
Otolaryngology	3,362.04	4	4,227.18	6
Pediatrics-General	48,782.03	21	53,449.95	35
Dermatology				
Neurology	1,787.80	2	44,793.63	6
Neurosurgery				
Opthalmology	2,771.36	1	10,220.30	4

UMHC Hospital Billing Department

Bad Debt Statistics: Second Quarter and Year-to-Date, Fiscal Year 1990
By Service

Admitting Service	Second Quarter Amount	# of Accounts	Y-T-D Total Amount	Total # of Accounts
Orthopaedics			360.00	1
Otolaryngology			343.02	1
Surgery Green	2,138.85	1	6,905.67	5
Surgery Orange				
Surg. Transplant	333.34	1	333.34	1
Urology				
Physical Med. & Rehab.	1,469.96	4	1,469.96	4
Psychiatry-Child	777.13	2	1,523.88	3
-Adult	8,488.06	11	41,347.99	28
Radiology				
Surgery-Blue	4,002.79	7	15,909.69	17
Orange	2,226.52	4	7,799.64	11
Purple	2,467.48	6	11,556.63	12
Red	15,039.61	4	21,276.51	7
White	6,189.66	6	9,390.47	10
Therapeutic Radiology				
Urology	6,978.78	7	28,813.62	13
Unknown	18,258.64	2	32,111.68	7
Outpatient	187,013.16	1,453	380,644.33	2,596
Total	541,872.20	1,636	999,281.30	2,950
Medicare Bad Debt*	(20,998.07)	(32)	(42,237.40)	(117)
Legal Settlements	19,595.49	3	33,208.29	6
Bad Debt Agcy Und $50	58.63	2	285.91	5
Bad Debt - Med NC Chgs	6,404.33	3	17,315.72	6
Grand Total	546,932.58	1,612	1,007,853.82	2,850
Recoveries	(22,995.87)	37	(32,948.18)	93
Net Total	523,936.71	1,612	974,905.64	2,850

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

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UMHC Hospital Billing Department

Bad Debt Statistics: Second Quarter and Year-to-Date, Fiscal Year 1990
By State

State	Second Quarter Amount	# of Accounts	Y-T-D Total Amount	Total # of Accounts
Alabama			643.13	1
Alaska			48.96	1
Arizona	778.11	5	1,318.17	6
Arkansas				
California	298.50	4	5,179.01	32
Colorado	3,410.02	38	4,161.55	47
Connecticut	172.50	2	172.50	2
Delaware				
Dist. of Colombia			74.00	1
Florida	1,592.67	8	1,592.67	8
Georgia			40.60	3
Hawaii				
Idaho	25.66	1	25.66	1
Illinois	2,385.85	33	8,320.06	52
Indiana	1,668.73	14	1,669.17	15
Iowa	6,970.32	11	8,110.14	18
Kansas			156.82	2
Kentucky	2,138.85	1	2,138.85	1
Louisiana			20.00	1
Maine				
Maryland				
Massachusetts	25.00	1	25.00	1
Michigan	509.23	3	1,622.59	12
Minnesota	416,223.95	1,362	725,988.11	2,469
Mississippi				
Missouri	9,479.35	5	9,479.35	5
Montana				
Nebraska				
Nevada	605.13	12	605.13	12
New Hampshire				
New Jersey	475.33	1	475.33	1
New Mexico				
New York	268.36	4	5,991.86	17
North Carolina			340.52	1
North Dakota	39,401.97	34	44,461.21	49
Ohio	898.72	3	1,074.16	5

UMHC Hospital Billing Department

Bad Debt Statistics: Second Quarter and Year-to-Date, Fiscal Year 1990
By State

State	Second Quarter Amount	# of Accounts	Y-T-D Total Amount	Total # of Accounts
Oklahoma	2,652.42	3	7,423.34	4
Oregon	116.30	1	116.30	1
Pennsylvania			4,903.96	3
Puerto Rico	68.30	1	68.30	1
Rhode Island	4.50	1	4.50	1
South Carolina				
South Dakota	14,431.00	28	77,171.57	58
Tennessee	54.00	1	54.00	1
Texas	583.17	7	14,023.41	15
Utah				
Vermont				
Virginia			23.30	1
Washington				
West Virginia				
Wisconsin	22,181.90	51	57,305.71	101
Wyoming				
Out-of-Country	14,452.36	1	14,452.36	1
Total	541,872.20	1,636	999,281.30	2,950
Medicare Bad Debt*	(20,998.07)	(32)	(42,237.40)	(117)
Legal Settlements	19,595.49	3	33,208.29	6
Bad Debt Agcy Und $50	58.63	2	285.91	5
Bad Debt - Med NC Chgs	6,404.33	3	17,315.72	6
Grand Total	546,932.58	1,612	1,007,853.82	2,850
Recoveries	(22,995.87)	37	(32,948.18)	93
Net Total	523,936.71	1,612	974,905.64	2,850

* 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

January 18, 1990

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing

SUBJECT: Finance Committee Work Plan for 1990

One of the major outcomes of the 1989 Board of Governors retreat was the identification of various issues that the Board of Governors should begin to address in 1990. These issues were essentially assigned to either the Board of Governors Committees or to newly created task forces to address specific issues. The issues assigned directly to the Board of Governors Finance Committee were:

Financial and Capital Planning

Financial Policies and Guidelines
Capital Planning and Financing
Support of Research and Education
Development and Acquisition of New Technology
Foundation and Development Activities
Level of State Appropriation

Manpower and Personnel Considerations

Manpower Trends and Issues
Personnel Policies and Delegation
Affirmative Action, Equal Opportunity, and Managing a Diverse Workforce
Child Care

In addition to the above the Finance Committee will no doubt be involved to some degree with other issues identified at the retreat. These include but are not limited to, ambulatory care/financing system and network development and physician recruitment and retention.

Our agenda for the 1990 calendar year will be structured around the issues outlined above and our ongoing efforts to monitor UMHC's financial position.

This month's agenda includes new admission policies for information with action contemplated in February.

We look forward to seeing you on January 24, 1990, in the interim if you have any questions please contact me at (612)626-0966.

CPF:th

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

MEETING OF THE BOARD OF GOVERNORS FINANCE COMMITTEE

Wednesday, February 28, 1990
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.
Barbara O'Grady
Vic Vikmanis

A G E N D A

I.	**Opening of Meeting and Approval of Minutes of Finance Committee meeting held 1/24/89 (Approval)** pp. 1 - 4	Mr. Jerry Meilahn
II.	**January 31, 1990 Financial Statements (Information)** pp. 5 - 11	Mr. Cliff Fearing
III.	**Hospital Admissions Policies (Endorsement)** pp. 12 -15	Mr. Cliff Fearing
IV.	**CT Scanner (Endorsement)** pp. 16 - 18	Mr. Al Dees
V.	**Major Capital Expenditures:** **Frontal Plane Image Chain Upgrade** **Heart Cath Remodeling** **(Information)** pp. 19 - 21	Mr. Al Dees Mr. Greg Hart
VI.	**ICU Information System (Endorsement)** pp. 22 - 27	Ms. Helen Pitt
VII.	**CHC Waste Disposal Project (Endorsement)** pp. 28 - 34	Mr. Robert Dickler

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
January 24, 1990

MINUTES

ATTENDANCE:

Present:	Carol Campbell
	Edward Ciriacy, M.D.
	Robert Dickler
	Clifford Fearing
	Jerry Meilahn
Not Present:	Elwin Fraley, M.D.
	Barbara O'Grady
	Vic Vikmanis
Staff:	Al Dees
	Greg Hart
	Teri Holberg
	Nancy Janda
	Geoff Kaufmann
	Nels Larson
	Shannon Lorbiecki
	Barbara Tebbitt
	Mary Ellen Wells

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on January 24, 1990 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 December 20, 1989 meeting as written.

JULY 1, 1989 THROUGH DECEMBER 31, 1989 FINANCIALS:

Mr. Clifford P. Fearing reported to the Finance Committee for the month of December inpatient admissions totaled 1,434, which was 27 below budget; average length of stay was 7.6 days; patient days totaled 11,982, which were 243 days below budget; and the average daily census was 386. The first three weeks of January were reported to have an average daily census of 400 and admissions were 2% over budget. Ancillary revenue was reported to be 5.8% under budget and operating expenditures were reported to 4.7% below budget. Mr. Fearing stated the Hospital's year-to-date Statement of Operations showed revenues over expenses by $3,209,290, a favorable variance of $1,154,619.

Lastly, Mr. Fearing stated as of December 31 the balance of accounts receivable totaled $87,042,644 and represented 97.3 days of revenue outstanding.

HOSPITAL ADMISSIONS POLICIES:

Mr. Fearing brought before the Committee, for information, the Hospital admissions policy that has been approved by the Medical Staff-Hospital Council and Council of Clinical Chiefs. Mr. Fearing reviewed the policy, which had been presented to the Finance Committee on August 23, 1989, and reported one change that had been suggested by Mr. Robert Latz.

In item 8 of the policy, Mr. Latz suggested the sentence reading "Concurrently UMHC acknowledges that it has an obligation to assist its patients to secure coverage whenever possible." should read "Concurrently UMHC will assist its patients to secure coverage whenever possible."

Mr. Fearing stated the policy will be brought before Finance Committee and the Board of Governors for approval at the February 28, 1990 meeting.

CUHCC:

Ms. Mary Ellen Wells presented a proposal to the Committee, for endorsement, to increase the CUHCC project from the originally endorsed amount of $1,500,000 to $2,350,000. This proposal had been presented to the Finance Committee at the December 20, 1989 meeting for information.

Ms. Wells stated the additional $850,000 will come from the Variety Club of the Northwest, which will contribute $800,000 over a four year period, and the Honeywell Foundation, which will contribute $50,000, $25,000 in cash and the remaining in building systems.

The Finance Committee seconded and passed a motion to endorse the CUHCC project increase to $2,350,000.

CT SCANNER:

Mr. Al Dees presented a proposal to the Finance Committee, for information, to acquire a new CT scanner.

The new CT scanner will replace a CT scanner that had been acquired in 1984 with an operating lease which will expire on April 30, 1990. The new scanner will provide to the Diagnostic Radiology Department state-of-the-art CT imaging services, that the older scanner is not able to provide.

Mr. Dees stated the total estimated cost of the CT scanner and installation would be $1,217,000. This item was included in the capital budget which had been approved by the Board last spring.

This proposal will be brought before the Committee for endorsement at the February meeting.

ICU INFORMATION SYSTEM:

Ms. Helen Pitt presented to the Committee, for information, a proposal to acquire the EMTECK Critical Care Clinical Information Management System at a cost of $718,000. This cost includes hardware, software, installation, implementation staff, as well as service and maintenance over a five year period.

The EMTECK Critical Care Clinical Information Management System is specially designed for critical care environment. Ms. Pitt stated this is a bedside computer system that will automatically record nursing data, medical data, laboratory data, pharmacy data and patient monitoring equipment. Once this proposal is approved, the system will first be installed in 4D, the surgical ICU, in early 1990 with one workstation at each bedside, a total of 24 workstations.

Ms. Pitt stated the proposal will be presented to the Committee for endorsement at the February meeting.

CHC WASTE DISPOSAL PROJECT:

Mr. Dickler brought before the committee, for information, a proposal by CHC to build and operate a medical waste incinerator. The proposal calls for the formation of a corporation consisting of interested Council of Hospital Corporation hospitals for the purpose of jointly researching, planning, constructing and operating a medical waste incinerator in or near the Mpls/St. Paul metro area. At the present time there is only one commercial vendor, BFI, that provides a source for disposing of infectious waste.

Mr. Dickler reported the Hospital/University commitment of funds for Phase I at this time is limited to 150% of $71,611 or $107,416. This amount will be refunded unless hospitals representing more than 75% of the biological waste volume agree to participate in the initial phase; permits, environmental studies, determination of the site, etc., as well as offer a line of credit for the actual capital development of the project. Since a commitment has been made from 82% of the hospitals that produce biological waste, UMHC is committed to its portion of the funding for Phase I. Based on CHC's preliminary estimates the anticipated aggregate capital commitment of the University, if the project were to be brought to fruition, is anticipated to be in the range of $600,000-$625,000.

This proposal will require Regents approval and will be sought after it is presented to the Board of Governors for endorsement. Board of Governors approval is anticipated to occur at the February meeting.

SECOND QUARTER, 1989-90 BAD DEBTS:

Mr. Fearing reported the bad debts for the second quarter totaled $546.932.58, representing 1,612 accounts. Recoveries amounted to $22,995.87, leaving a net charge-off of $523,935.71. This amount represents .66% of gross charges and compares to a budgeted level of bad debts of 1.22%.

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

1990-91 COMMITTEE WORK PLAN:

Mr. Fearing highlighted the Finance Committee work plan for 1990 which was developed at the 1989 Board of Governors retreat.

Financial and Capital Planning; Financial Policies and Guidelines, Capital Planning and Financing, Support of Research and Education, Development and Acquisition of New Technology, Foundation and Development Activities, Level of State Appropriation.

Manpower and Personnel Considerations; Manpower Trends and Issues, Personnel Policies and Delegation, Affirmative Action, Equal Opportunity, and Managing a Diverse Workforce, Child Care.

Red Wing

Mr. Fearing reported to the Committee Dr. Ted Thompson, Dr. John LaBree, and Geoff Kaufmann have been conducting discussions with physicians in Red Wing in order to develop a joint venture corporation between them and UMHC. This would be a first step in developing a long term referral network for UMHC. Mr. Geoff Kaufmann stated one of the main reasons these physicians would want to make this type of arrangement is that the affiliation would enhance their practice by giving them direct access to the specialized areas that UMHC has to offer.

Three proposals are being developed to present to the physicians. 1) UMHC would purchase the physicians medical office building and lease it back to the practice on a 10 year lease basis. The cost to UMHC would be approximately $3,000,000; 2) UMHC would purchase the physician's medical office building with a sell back to them of approximately 30% of the equity of the building. This would be at a cost of approximately $2,000,000 to the Hospital. 2) UMHC would purchase the entire practice at a cost of approximately $6-7 million.

Mr. Fearing stated he will continue to keep the Committee informed on the progress of this project.

There being no further discussion, the January 24, 1990 meeting was adjourned at 1:40 P.M.

Respectfully submitted,

Teri Holberg

Teri Holberg
Recording Secretary

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 28, 1990

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing

SUBJECT: Report of Operations for the Period **July 1, 1989 through January 31, 1990**

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

INPATIENT CENSUS: For the month of January, inpatient admissions totaled 1,626, which was 57 above budgeted admissions of 1,569. Our overall average length of stay for the month was 8.3 days. Patient days for January totaled 12,503 and were 836 days below budget. The increase in admission levels from budget was primarily in the areas of Pediatrics, Gynecology, Surgery, Otolaryngology, and Adult Psych. The increases were partially offset by decreases in Urology, Medicine, and Obstetrics.

To recap our year-to-date inpatient census:

	1988-89 Actual	1989-90 Budget	1989-90 Actual	Variance	% Var
Admissions	11,125	10,911	10,960	49	0.4
Patient Days	93,727	92,193	88,300	(3,893)	(4.2)
Avg Length of Stay	8.4	8.4	8.1	(0.3)	(3.6)
Avg Daily Census	435.9	428.8	410.7	(18.1)	(4.2)
Percent Occupancy	74.8	73.2	70.8	(2.4)	(3.3)

OUTPATIENT CENSUS: Clinic visits for the month of January totaled 22,516 which was 614, or 2.8%, above budgeted visits of 21,902. Visits were significantly above budget in Radiation Therapy, Emergency Room, Medicine, and Otolaryngology. Areas that reported visits considerably below budgeted levels were Adult Psych, Dermatology, Urology, Dentistry, Sports Medicine and OB/GYN. Community University Health Care Center (CUHCC) visits for the month of January totaled 4,516 which was 609, or 15.6%, over budgeted visits of 3,907, while Home Health visits of 846 for the month were 156, or 15.6%, below budgeted visits of 1,002.

To recap our year-to-date outpatient census:

	1988-89 Actual	1989-90 Budget	1989-90 Actual	Variance	% Var
Clinic Visits	156,660	159,039	156,639	(2,400)	(1.5)
CUHCC Visits	26,846	26,978	30,566	3,588	13.3
HHA Visits	6,973	6,951	6,455	(496)	(7.1)

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues over expenses by $5,393,456, a favorable variance of $4,104,602. Reflected in this months Statement of Operations is a dividend distribution from RUMINCO LTD, to the Hospital, in the amount of $1,965,000. The dividends being returned by RUMINCO LTD are to those who had contributed premium and expenses to RUMINCO LTD since inception (August 1, 1977) to December 31, 1986. As a part of this declaration of dividends by RUMINCO LTD, the Hospital will receive an additional $655,000 on December 31, 1990.

Patient care charges through January totaled $187,770,051, which was 4.6% under budget. Routine revenue was 2.6% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was $7,661,875 below budget (5.5%) and primarily reflected the unfavorable variance in clinic visits. Inpatient ancillary revenue averaged $8,627 per admission compared to the budgeted average of $8,922 per admission. Outpatient revenue per clinic visit averaged $244 compared to the budgeted average of $271.

Operating expenditures through January totaled $161,290,379 and were $8,445,784 (5.0%) below budgeted levels of $169,736,163. 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 January 31, 1990, totaled $86,131,643 and represented 96.7 days of revenue outstanding. The overall decrease in our patient receivables in January of .6 days occurred primarily in Minnesota Medical Assistance and SCH-Other States.

CONCLUSION: The Hospital's overall operating position is positive and above budgeted levels for the month and year-to-date January. While we have seen 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 JANUARY 31, 1990

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	$196,897,955	$187,770,051	($9,127,904)	-4.6%
Deductions from Charges	46,163,384	44,087,160	(2,076,224)	-4.5%
Other Operating Revenue	5,775,026	6,236,914	461,888	8.0%
Total Operating Revenue	156,509,597	149,919,805	(6,589,792)	-4.2%
Total Expenditures	169,736,163	161,290,379	(8,445,784)	-5.0%
Net Operating Revenue	(13,226,566)	(11,370,574)	1,855,992	14.0%
Non-Operating Revenue and Expenses	14,515,420	16,764,030	2,248,610	15.5%
Revenue Over/Under Expense	$1,288,854	$5,393,456	$4,104,602	

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Admissions	10,911	10,960	49	0.4%
Patient Days	92,193	88,300	(3,893)	-4.2%
Average Daily Census	428.8	410.7	(18.1)	-4.2%
Average Length of Stay	8.4	8.1	(0.3)	-3.6%
Percentage Occupancy	73.2	70.8	(2.4)	-3.3%
Outpatient Clinic Visits	159,039	156,639	(2,400)	-1.5%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1989 TO JANUARY 31, 1990

ANNUAL BUDGET		BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
$96,834,525	ROUTINE	$56,466,846	$55,000,817	($1,466,029)	-2.6%
243,632,475	ANCILLARY	140,431,109	132,769,234	(7,661,875)	-5.5%
$340,467,000	GROSS CHARGES	$196,897,955	$187,770,051	($9,127,904)	-4.6%
	DEDUCTIONS FROM CHARGES				
$11,479,000	BILLING ADJUSTMENTS	$6,636,415	$6,873,528	$237,113	3.6%
15,080,000	HMO/PPO DISCOUNTS	8,718,280	10,227,871	1,509,591	17.3%
48,573,000	GOVERNMENTAL CONTRACTUAL ADJUST	28,081,766	24,263,074	(3,818,692)	-13.6%
550,000	CHARITABLE CARE	315,521	422,210	106,689	33.8%
4,171,000	PROVISION FOR UNCOLLECTABLES	2,411,402	2,300,477	(110,925)	-4.6%
$79,853,000	TOTAL DEDUCTIONS	$46,163,384	$44,087,160	($2,076,224)	-4.5%
	OTHER OPERATING REVENUE				
$1,627,000	FOOD SERVICES	$938,106	$927,981	($10,125)	-1.1%
714,000	PARKING SERVICES	411,682	526,235	114,553	27.8%
77,000	DEPARTMENT NON-PATIENT	56,676	76,809	20,133	35.5%
1,269,000	GRANT INCOME	740,250	979,956	239,706	32.4%
1,958,000	REFERENCE LAB INCOME	1,128,602	1,281,678	153,076	13.6%
2,056,000	PRO FEES--NET REVENUE	1,188,646	979,495	(209,151)	-17.6%
40,000	SILVER SALVAGE	23,561	21,980	(1,581)	-6.7%
2,124,684	INCOME FROM BOND PROCEEDS	1,287,503	1,422,280	134,777	10.5%
0	DONATIONS	0	20,500	20,500	
$9,865,684	TOTAL OTHER REVENUE	$5,775,026	$6,236,914	$461,888	8.0%
$270,479,684	TOTAL REVENUE FROM OPERATIONS	$156,509,597	$149,919,805	($6,589,792)	-4.2%
	EXPENDITURES				
$123,859,000	SALARIES	$72,155,930	$68,256,769	($3,899,161)	-5.4%
27,976,000	FRINGE BENEFITS	15,712,562	16,123,828	411,266	2.6%
2,235,000	ACADEMIC CONTRACTS	1,303,750	1,274,719	(29,031)	-2.2%
6,242,000	RESIDENT CONTRACTS	3,583,084	3,640,071	56,987	1.6%
3,167,000	PHYSICIAN COMPENSATION	1,847,417	1,831,288	(16,129)	-0.9%
163,479,000	TOTAL SALARY, F.B., & FEES	94,602,743	91,126,675	(3,476,068)	-3.7%
2,395,000	LAUNDRY & LINEN	1,391,821	1,290,014	(101,807)	-7.3%
1,946,000	RAW FOOD	1,132,956	1,063,778	(69,178)	-6.1%
20,366,000	DRUGS	11,792,900	11,034,193	(758,707)	-6.4%
11,343,000	BLOOD & BLOOD DERIVATIVES	6,540,218	5,157,187	(1,383,031)	-21.1%
26,628,000	MEDICAL SUPPLIES & SERVICES	15,353,340	15,025,681	(327,659)	-2.1%
6,256,000	UTILITIES	3,762,112	3,637,421	(124,691)	-3.3%
992,000	INSURANCE	483,250	477,677	(5,573)	-1.2%
3,866,000	RENTAL	2,252,713	2,129,515	(123,198)	-5.5%
5,101,000	MAINTENANCE & REPAIR	3,004,699	2,643,852	(360,847)	-12.0%
24,000	NET LOSS ON DISPOSAL OF ASSETS	14,136	68,502	54,366	
282,000	CAMPUS ADMINISTRATION EXPENSE	166,110	166,328	218	0.1%
18,283,000	DEPRECIATION	10,340,846	10,192,983	(147,863)	-1.4%
13,038,000	INTEREST	7,630,552	7,609,243	(21,309)	-0.3%
19,129,000	GENERAL SUPPLIES & EXPENSE	11,267,767	9,667,330	(1,600,437)	-14.2%
$293,128,000	TOTAL EXPENDITURES	$169,736,163	$161,290,379	($8,445,784)	-5.0%
($22,648,316)	NET REVENUE FROM OPERATIONS	($13,226,566)	($11,370,574)	$1,855,992	14.0%
	NON-OPERATING REVENUE				
$15,579,000	APPROPRIATIONS & SUPPORT	$9,087,750	$8,988,548	($99,202)	-1.1%
6,906,000	INTEREST INCOME ON RESERVES	4,362,392	4,777,082	414,690	9.5%
181,000	SHARED SERVICES	106,616	105,343	(1,273)	-1.2%
1,484,316	INVESTMENT INCOME HELD BY TRUSTEE	882,087	861,841	(20,246)	-2.3%
130,000	OTHER INVESTMENT INCOME	76,575	66,216	(10,359)	-13.5%
0	DIVIDEND DISTRIBUTION	0	1,965,000	1,965,000	
$24,280,316	TOTAL NON-OPERATING REVENUE	$14,515,420	$16,764,030	$2,248,610	15.5%
$1,632,000	REVENUE OVER/(UNDER) EXPENSE	$1,288,854	$5,393,456	$4,104,602	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

JANUARY 31, 1990 AND JUNE 30, 1989

ASSETS	01/31/90	6/30/89
CURRENT ASSETS		
Operating Cash	$72,282	$72,282
Reserve Cash- Third Party Payable	10,872,936	4,994,382
Reserve Cash- Current Indebtedness	9,730,855	8,484,143
Reserve Cash- Fringe Benefits	0	798,151
Accounts Receivable		
Patient Receivables	86,131,643	87,672,463
Other Receivables	2,434,896	1,167,188
Third Party Receivable	665,742	6,333,531
Appropriation Receivable	1,281,378	1,235,467
	90,513,659	96,408,649
Less Allowances for Losses in Collection	(7,061,313)	(5,933,101)
Less Allowances for Discounts to Third Party Payors	(22,478,872)	(19,160,666)
	60,973,474	71,314,882
Inventories of Drugs & Supplies	4,596,461	4,928,266
Prepaid Expenses	961,085	657,135
TOTAL CURRENT ASSETS	$87,207,093	$91,249,241
ASSETS WHOSE USE IS LIMITED		
Board Designated Assets		
Available for Assignment		
Cash & Investments	$69,526,918	$63,557,757
Accrued Interest	872,498	148,244
	70,399,416	63,706,001
Cash & Invest for Debt Service	13,000,000	13,000,000
Cash & Invest for Working Capital	27,114,007	16,000,000
TOTAL	$110,513,423	$92,706,001
PROPERTY, PLANT, & EQUIPMENT		
Land, Buildings & Improvements	$183,795,261	$184,168,980
Equipment	84,921,706	83,089,361
	268,716,967	267,258,341
Less Accumulated Depreciation	(109,451,503)	(100,371,670)
	159,265,464	166,886,671
Construction in Progress	11,347,624	9,057,292
TOTAL PROPERTY, PLANT, & EQUIPMENT	170,613,088	175,943,963
Assigned Cash & Investments for Construction/Equipment	6,807,810	7,006,734
TOTAL	$177,420,898	$182,950,697
INVESTMENTS HELD BY BOND TRUSTEE	$18,473,242	$18,870,093
OTHER ASSETS		
Deferred Third Party Reimbursement	$7,348,922	$7,737,794
Deferred Debt Expense	1,127,232	1,175,980
Deposits and Other	530,485	675,798
TOTAL	$9,006,639	$9,589,572
TOTAL ASSETS	$402,621,295	$395,365,604
RESTRICTED ASSETS		
Cash and Investments	$6,772,245	$5,450,761

LIABILITIES AND FUND BALANCES	01/31/90	6/30/89
CURRENT LIABILITIES		
Accounts Payable	$10,208,314	$8,926,779
Payable to Third Party Contr. Payors	8,057,936	10,071,821
Salaries, Wages and Payroll Taxes	6,468,278	4,820,284
Accrued Vacation	8,319,319	8,187,806
Accrued Professional Fees and Physician Compensation	1,953,491	741,071
Contracts Payable	1,329,688	40,000
Construction Retainages	0	215,074
Interest Payable	6,224,747	5,085,186
Current Portion of Long-Term Debt	2,545,811	2,724,624
Promissory Notes Payable	1,300,000	2,500,000
TOTAL CURRENT LIABILITIES	$46,407,584	$43,312,645
LONG-TERM DEBT, LESS CURRENT PORTION	$168,241,923	$169,579,548
UNRESTRICTED FUND BALANCE	$187,971,788	$182,473,411
TOTAL LIABILITIES & FUND BALANCE	$402,621,295	$395,365,604
RESTRICTED FUND BALANCES		
Endowment Funds	$2,321,460	$2,161,348
Gift Funds	4,450,785	3,289,413
	$6,772,245	$5,450,761

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1989 TO JANUARY 31, 1990

Source of Funds

Beginning Operating Cash Balance		$72,282
Net Income from Operations	(11,370,574)	
Dividend Distribution	1,965,000	
Non-Operating Revenue	14,799,030	
Excess of Revenue over Expense		5,393,456
Items not Requiring the Outlay of Cash		
Depreciation		10,192,983
University Support: G & A		166,328
Loss on Disposal of Assets		68,502
Deferred Third Party Reimbursement		388,872
Renewal Project Interest Expense		6,052,299
Increase in Accrued Expenses		5,548,082
Transfer from Fringe Benefit Reserve		798,151
Decrease in Accounts Receivable		6,023,904
Decrease in Third Party Receivable		5,667,789
Decrease in Inventory		331,805
Total Funds Provided from Operations		$40,704,453

Funds Applied

Transfer Third Party Reserve	5,878,554
Decrease in Third Party Payable	2,013,885
Increase in Prepaid Expenses	158,637
Increase in Other Receivables	1,267,708
Capital Expenditures	3,633,008
Appropriation Receivable	45,911
Investment Income - Trustee-held Assets	861,841
Transfers to Reserves - Bond Retirement	7,214,259
Total Funds Applied	$21,073,803
Operating Cash Made Available from Operations	$19,630,650

Total Operating Cash Available of $19,630,650 plus Transfers for Bond Retirement of $7,214,259; plus Transfers to Plant of $3,633,008 equals Cash Generated from Operations of $30,477,917.

Current Cash Summary

Operating Cash	$19,630,650
Operating Cash to Working Capital Reserve	(14,780,335)
Reserve Cash for Liability to Third Party Payors	10,872,936
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	7,230,855
	25,454,106
Less Interest Income on Reserves and Grant	(4,778,033)
Total Current Cash	$20,676,073

University of Minnesota Hospital & Clinic

Statement of Changes in Fund Balance

For the Period July 1, 1989 through January 31, 1990

	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	8,722,910					
Interest Income on Reserves			4,777,082			
Interest Income on Nursing Grant			951			
Depreciation Expense				(10,192,983)		
Loss on Disposal of Assets				(68,502)		
Interest Income on Trustee Held Fund					861,841	
Amortization of Deferred Bond Expense				(130,123)		
Interest Income on Bond Proceeds					1,422,280	
Total Income						5,393,456
Less Expense						
University Support: G & A	166,328					166,328
Transfers Between Funds						
Major Building Projects- Hosp.			(3,009,638)	3,009,638		
Capital Expenditures	(3,335,195)			3,335,195		
Major Equipment Requisition	(297,813)			297,813		
Adjustment to Shared Buildings				(61,407)		(61,407)
Bond Interest Payment	6,189,827	(5,919,000)			(270,827)	
Bond Interest Expense Funding	(5,922,176)	7,073,629			(1,151,453)	
Bond Principal Funding	(1,292,083)	1,292,083				
Decrease in Short Term Note Funding		(1,200,000)		1,200,000		
Trustee Income held by Campus			1,258,692		(1,258,692)	
Funding Working Capital	(14,780,335)		14,780,335			
Ending Balance	$32,362,263	$9,730,855	$110,513,423	$16,892,005	$18,473,242	$187,971,788

	GIFT	ENDOWMENT	TOTAL
RESTRICTED FUNDS			
Beginning Balance	$3,289,413	$2,161,348	$5,450,761
Income	1,195,436	160,405	1,355,841
Disbursements	(34,064)	(293)	(34,357)
Ending Balance	$4,450,785	$2,321,460	$6,772,245

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1989 TO JANUARY 31, 1990

JANUARY BUDGETED	JANUARY ACTUAL	JANUARY VARIANCE	VARIANCE %		BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
$8,169,898	$7,765,357	($404,541)	-5.0%	ROUTINE	$56,466,846	$55,000,817	($1,466,029)	-2.6%
19,931,788	19,309,701	(622,087)	-3.1%	ANCILLARY	140,431,109	132,769,234	(7,661,875)	-5.5%
$28,101,686	$27,075,058	($1,026,628)	-3.7%	GROSS CHARGES	$196,897,955	$187,770,051	($9,127,904)	-4.6%
				DEDUCTIONS FROM CHARGES				
$946,666	$932,986	($13,680)	-1.4%	BILLING ADJUSTMENTS	$6,636,415	$6,873,528	$237,113	3.6%
1,243,638	1,887,788	644,150	51.8%	HMO/PPO DISCOUNTS	8,718,280	10,227,871	1,509,591	17.3%
4,005,784	3,473,145	(532,639)	-13.3%	GOVERNMENTAL CONTRACTUAL ADJUST	28,081,766	24,263,074	(3,818,692)	-13.6%
44,985	49,670	4,685	10.4%	CHARITABLE CARE	315,521	422,210	106,689	33.8%
343,980	332,291	(11,689)	-3.4%	PROVISION FOR UNCOLLECTABLES	2,411,402	2,300,477	(110,925)	-4.6%
$6,585,053	$6,675,880	$90,827	1.4%	TOTAL DEDUCTIONS	$46,163,384	$44,087,160	($2,076,224)	-4.5%
				OTHER OPERATING REVENUE				
$133,543	$142,560	$9,017	6.8%	FOOD SERVICES	$938,106	$927,981	($10,125)	-1.1%
58,605	84,181	25,576	43.6%	PARKING SERVICES	411,682	526,235	114,553	27.8%
4,200	13,702	9,502	226.2%	DEPARTMENT NON-PATIENT	56,676	76,809	20,133	35.5%
105,750	275,940	170,190	160.9%	GRANT INCOME	740,250	979,956	239,706	32.4%
160,186	174,059	13,873	8.7%	REFERENCE LAB INCOME	1,128,602	1,281,678	153,076	13.6%
169,557	143,661	(25,896)	-15.3%	PRO FEES--NET REVENUE	1,188,646	979,495	(209,151)	-17.6%
3,397	237	(3,160)	-93.0%	SILVER SALVAGE	23,561	21,980	(1,581)	-6.7%
189,048	188,508	(540)	-0.3%	INCOME FROM BOND PROCEEDS	1,287,503	1,422,280	134,777	10.5%
0	0	0		DONATIONS	0	20,500	20,500	
$824,286	$1,022,848	$198,562	24.1%	TOTAL OTHER REVENUE	$5,775,026	$6,236,914	$461,888	8.0%
$22,340,919	$21,422,026	($918,893)	-4.1%	TOTAL REVENUE FROM OPERATIONS	$156,509,597	$149,919,805	($6,589,792)	-4.2%
				EXPENDITURES				
$10,740,662	$10,269,738	($470,924)	-4.4%	SALARIES	$72,155,930	$68,256,769	($3,899,161)	-5.4%
2,507,316	2,381,134	(126,182)	-5.0%	FRINGE BENEFITS	15,712,562	16,123,828	411,266	2.6%
186,250	182,103	(4,147)	-2.2%	ACADEMIC CONTRACTS	1,303,750	1,274,719	(29,031)	-2.2%
531,772	541,394	9,622	1.8%	RESIDENT CONTRACTS	3,583,084	3,640,071	56,987	1.6%
263,917	261,613	(2,304)	-0.9%	PHYSICIAN COMPENSATION	1,847,417	1,831,288	(16,129)	-0.9%
14,229,917	13,635,982	(593,935)	-4.2%	TOTAL SALARY, F.B., & FEES	94,602,743	91,126,675	(3,476,068)	-3.7%
200,395	189,019	(11,376)	-5.7%	LAUNDRY & LINEN	1,391,821	1,290,014	(101,807)	-7.3%
163,029	154,675	(8,354)	-5.1%	RAW FOOD	1,132,956	1,063,778	(69,178)	-6.1%
1,679,272	1,501,676	(177,596)	-10.6%	DRUGS	11,792,900	11,034,193	(758,707)	-6.4%
931,026	545,350	(385,676)	-41.4%	BLOOD & BLOOD DERIVATIVES	6,540,218	5,157,187	(1,383,031)	-21.1%
2,185,608	2,102,352	(83,256)	-3.8%	MEDICAL SUPPLIES & SERVICES	15,353,340	15,025,681	(327,659)	-2.1%
588,948	565,233	(23,715)	-4.0%	UTILITIES	3,762,112	3,637,421	(124,691)	-3.3%
101,741	99,754	(1,987)	-2.0%	INSURANCE	483,250	477,677	(5,573)	-1.2%
323,105	286,016	(37,089)	-11.5%	RENTAL	2,252,713	2,129,515	(123,198)	-5.5%
433,236	352,738	(80,498)	-18.6%	MAINTENANCE & REPAIR	3,004,699	2,643,852	(360,847)	-12.0%
2,038	5,332	3,294		NET LOSS ON DISPOSAL OF ASSETS	14,136	68,502	54,366	
23,951	23,982	31	0.1%	CAMPUS ADMINISTRATION EXPENSE	166,110	166,328	218	0.1%
1,569,394	1,480,185	(89,209)	-5.7%	DEPRECIATION	10,340,846	10,192,983	(147,863)	-1.4%
1,089,225	1,057,013	(32,212)	-3.0%	INTEREST	7,630,552	7,609,243	(21,309)	-0.3%
1,624,655	1,369,273	(255,382)	-15.7%	GENERAL SUPPLIES & EXPENSE	11,267,767	9,667,330	(1,600,437)	-14.2%
$25,145,540	$23,368,580	($1,776,960)	-7.1%	TOTAL EXPENDITURES	$169,736,163	$161,290,379	($8,445,784)	-5.0%
($2,804,621)	($1,946,554)	$858,067	30.6%	NET REVENUE FROM OPERATIONS	($13,226,566)	($11,370,574)	$1,855,992	14.0%
				NON-OPERATING REVENUE				
$1,298,250	$1,283,348	($14,902)	-1.1%	APPROPRIATIONS & SUPPORT	$9,087,750	$8,988,548	($99,202)	-1.1%
588,105	863,755	275,650	46.9%	INTEREST INCOME ON RESERVES	4,362,392	4,777,082	414,690	9.5%
15,373	12,143	(3,230)	-21.0%	SHARED SERVICES	106,616	105,343	(1,273)	-1.2%
126,035	125,375	(660)	-0.5%	INVESTMENT INCOME HELD BY TRUSTEE	882,087	861,841	(20,246)	-2.3%
11,041	(28,901)	(39,942)	-361.8%	OTHER INVESTMENT INCOME	76,575	66,216	(10,359)	-13.5%
0	1,965,000	1,965,000		DIVIDEND DISTRIBUTION	0	1,965,000	1,965,000	
$2,038,804	$4,220,720	$2,181,916	107.0%	TOTAL NON-OPERATING REVENUE	$14,515,420	$16,764,030	$2,248,610	15.5%
($765,817)	$2,274,166	$3,039,983		REVENUE OVER/(UNDER) EXPENSE	$1,288,854	$5,393,456	$4,104,602	

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 21, 1990

TO: Board of Governors Finance Committee

FROM: Clifford P. Fearing

SUBJECT: Hospital Admissions Policies

Attached is a copy of the Hospital Admissions Policy which has been approved by the Medical Staff-Hospital Council and Council of Clinical Chiefs.

This policy is presented to you this month for your endorsement.

/th

Attachment

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

BACKGROUND

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

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

POLICY

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

PROCEDURE

1. Under Section 124.603 of Subpart G (42CRF Part 124), UMHC must make emergency services available to all persons residing within our service area, the state of Minnesota. Therefore, all such persons shall be permitted access to the hospital's Emergency Department for **emergency services**. Subpart G does not change other legal or ethical requirements related to the rendering of **emergency services**.

2. Acceptance of such patients for **emergency services** does not require UMHC to render non-emergency services once the patient is stabilized. However, UMHC must accept Minnesota residents who are covered under Medicare or Medicaid/Medical Assistance Programs for all necessary services per the rules and regulations governing these programs.

3. Signs indicating UMHC's obligations under Subpart G shall be posted in the Emergency Department, Admissions Department, and Registration Office/Cashiers area. The wording and placement of these signs shall be the responsibility of the Director of Admissions in consultation with appropriate administration staff in the Emergency Department and the Finance Division.

4. All UMHC departments involved with the rendering of care shall coordinate with the Associate Director of Finance responsible for Hill-Burton obligations to ensure that all reporting required under Subpart G is completed. These departments shall include but not be limited to Admissions, Emergency, Outpatient Clinics, Patient Relations, and Social Work.

5. Any questions regarding the eligibility for admission of a patient for emergency and/or elective services shall be referred to the Director of Admissions or her/his designee.

6. Section G does not require UMHC to accept patients not physically present at UMHC for emergent or elective services. All such requests for services (usually occurring via phone or in writing) shall be referred to the Director of Admissions or her/his designee.

7. **Emergency Services** are defined as the reasonable diagnosis and treatment services necessary to eliminate any immediate threat to a patient's life or well-being and the referral or transfer to the appropriate facility for follow-up or ongoing care.

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

8. Non-Emergency Health Care Services

   UMHC recognizes that in order to continue to support its tripartite mission of patient care, education, and research, proper business practices must be used to ensure the financial support of UMHC. Concurrently UMHC will assist its patients to secure coverage whenever possible. To this end UMHC will work with the patient or patient guarantor to obtain any and all financial support that may be available. To accomplish these objectives UMHC requests the medical staff notify Hospital Admissions or Registration five (5) working days prior to any pending admission or clinic visit to allow for a pre-admission or outpatient visit financial screening. UMHC shall provide non-emergency care to patients who meet the following financial criteria.

   Admission Requirements (non-emergency):

   1. All non United States citizens must have made a deposit, verified a credit line or have insurance coverage equal to the estimated procedure expense, and such deposits credit lines or insurance must be accepted and/or confirmed prior to the day of admission in writing.

   2.a. All out-of-state patients except Medicare patients must make a deposit, verify a credit line and/or have written confirmation of insurance or public assistance coverage equivalent to at least 85% of the estimated procedure expense prior to admission. The remaining 15% must be paid under a payment plan established prior to admission. If a contract or agreement exists between UMHC and the patient's third party payor that prohibits this practice, this provision will not be required.

2.b. The University of Minnesota Hospital and Clinic will accept Medicare coverage as meeting the financial requirements in 2.a.

2.c. For elective admissions The University of Minnesota Hospital and Clinic will not accept Medical Assistance as adequate coverage from states whose medical assistance program do not meet the expected payment levels established from time to time by UMHC. (At the present time UMHC financial criteria is a minimum of 85% of charges.) UMHC will accept emergency out-of-state Medical Assistance patients without regard to coverage limits. However, UMHC will not be responsible for any transportation services for these patients.

3.a All State of Minnesota patients will be provided care without regard to their ability to pay for their care. However, every Minnesota resident will be expected to contribute to the cost of their care at levels consistent with their ability to pay. Deposit requests will be based on ability to pay but not mandatory before admission is approved.

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

3.b. Prior to a non-emergency admission of any Minnesota resident eligible for Medical Assistance, General Assistance Medical Care, Services for Children with Handicaps, or other public assistance programs, the patient must be certified by the county as eligible and all necessary actions associated with eligibility must be completed. Admissions will be deferred until such certifications and/or agreements are completed.

4. The Hospital Director, Senior Associate Directors, Associate Directors, the Director of Admissions, or the administrator on call shall have the authority to waive any or all of the above requirements and will work with the medical staff in making exception decisions.

5. All exceptions or lack of proper procedure will be reported to the Board of Governors when a bad debt does occur.

To facilitate the implementation of these policies, the admissions and registration departments will work with the clinical departments to review coverage and secure deposits where appropriate and defer elective admissions until appropriate coverage has been secured. It will be the responsibility of the clinical department to notify admissions and registration of the pending admission or clinic visit, and all non-emergency or non-urgent admissions or clinic visits should not be scheduled for at least five (5) working days.

It will be the responsibility of admissions and registration to perform the financial review and to defer the admission or clinic visit when appropriate.

A physician who believes an immediate admission or clinic visit is imperative due to the medical condition of the patient may admit the patient or schedule the clinic visit without regard to the financial condition of the patient.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 21, 1990

TO: Members, Board of Governors Finance Committee

FROM: Greg Hart
Senior Associate Director

SUBJECT: CT Scanner Replacement

UMHC acquired the oldest of its three CT Scanners in 1984. To enable the Diagnostic Radiology Department to continue to provide state-of-the-art CT imagining services and to handle the volume of procedures ordered on a timely basis, we are proposing to replace this scanner.

The proposal was presented to the Planning and Development Committee, the Finance Committee and the Board of Governors for information during the January meetings. It is being presented in February for approval.

GH:th

Attachment

PROPOSAL FOR CT SCANNER REPLACEMENT
UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

INTRODUCTION

The University of Minnesota Hospital and Clinic (UMHC) installed the oldest of its three CT scanners in 1984. Based on the results of an analysis of financing alternatives completed at that time, the unit was acquired through a five year, operating lease. In April 1989, the decision was made to extend the lease for an additional one year period. The lease will now expire on April 30, 1990.

PROPOSAL

Acquire a new CT scanner to replace the Siemens DR3 scanner originally leased and installed in 1984.

RATIONALE

A. Providing timely service for the volume of CT scans being ordered requires operation of three, state-of-the-art scanners.

Annual increases in the total volume of CT scans performed have continued during the past three fiscal years:

	NO. PROCEDURES	% CHANGE
1985-86	8783	--
1986-87	9728	10.8%
1987-88	10008	2.9%
1988-89	10435	4.3%

Annualization of the volume from the first five months of the current fiscal year indicates that the total for the year may fall back to the 1987-88 level. If this occurs, it will be the first year since CT was introduced at UMHC that an increase over the prior year is not experienced.

The increased availability and usage of Magnetic Resonance Imaging (MRI) has had a negative impact on the volume of head and spine scans ordered. The volume fell from a peak of 5220 in 1986-87 to 4507 in 1988-89. However, the increase in body CT scans, from 4300 in 1986-87 to 5657 in 1989-90, has more than offset the head and spine decline. In addition, Roberto Heros, M.D. and Richard Price, M.D., chairpersons of Neurosurgery and Neurology, project that the demand for head and spine scans will plateau or increase again during the next several years as they work to increase the caseloads in their departments and as the relative strengths of CT versus MRI scans for certain types of imaging become better defined.

The trends in CT usage at UMHC are similar to those being experienced elsewhere. In August 1988, the journal Diagnostic Imaging contained a

report on the survey of ten community hospitals of 300 to 600 beds and six university hospitals. All reported increases ranging from 3 to 25% from the prior year.

B. The Siemens DR3 scanner does not have the following state-of-the-art features and capabilities:

1. Bore size large enough to enable utilization for interventional procedures such as biopsies or drainage procedures.

2. High and low contrast spatial resolution factors which produce higher quality images and enable detection of smaller lesions.

3. High scanning and image reconstruction speeds which decrease procedure times and provide capability for scanning more patients. UMHC is currently not able to fulfill all demands for same day scanning of clinic patients who live outside the metropolitan area.

4. 3D image reconstruction to enable usage for measuring volumes of tumor masses.

5. Very high speed scanning enabling capture of multiple images while the patient holds his/her breath which improves the accuracy of volume measurements of tumor masses.

ESTIMATED COST

CT Scanner	$1,200,000
Installation and Control Room Remodeling	17,000
TOTAL	$1,217,000

FINANCING

Several financing alternatives are available: lease through the vendor or a third party, borrow from the University's equipment loan fund or a commercial vendor, or purchase with UMHC reserve funds. The alternative used will be the one which is determined to be the least costly at the time the acquisition contracts are written.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 21, 1990

TO: Members, Board of Governors Finance Committee

FROM: Greg Hart GH
Senior Associate Director

SUBJECT: Major Capital Expenditures

Attached are two major capital expenditure reports for items whose acquisition costs fall in the $100,000 - $600,000 range required for Board reporting. This is presented for information consistent with Board of Governors' policy.

We look forward to discussing these items with you at the Board of Governors Finance Committee meeting on February 28, 1990.

GH:th

Attachment

THE UNIVERSITY OF MINNESOTA
HOSPITAL AND CLINIC
BOARD OF GOVERNORS

Planning & Dev. Committee Review:	2/5/90
Finance Committee Review:	2/28/90
Board of Governors Review:	2/28/90

MAJOR CAPITAL EXPENDITURE REPORT

EQUIPMENT: Frontal Plane Image Chain Upgrade
Heart Cath Lab: Room 2

PURCHASE PRICE: $120,000

DESCRIPTION:

The University of Minnesota Hospital and Clinic (UMHC) purchased the fluoroscopic x-ray equipment for Rooms 2 and 3 in the Heart Cath Lab from CGR Corporation during fiscal year 1985-86. The quality of the fluoroscopic images produced was deemed to be acceptable for the types of procedures being performed in the lab at that time by the Cardiology and Radiology staff involved in reviewing and recommending the equipment to be purchased.

Subsequent to the selection and purchase of this equipment, recruitment of Carl White, M.D., and Robert Wilson, M.D., resulted in the use of the rooms and the equipment for high volumes of coronary angioplasty procedures. For these procedures the fluoroscopic image quality achievable on the video monitors with this equipment is very marginal. The resolution is inadequate to enable accurate visualization of the fine guidewires (0.014 inch diameter) utilized during angioplasty. Frequently, the procedure must be interrupted for 15-30 minutes while film is developed to provide adequate images for decision making. This results in prolongation of the procedure, increased patient discomfort and increased risk of complications.

Approximately one year ago, CGR was purchased by General Electric (GE). GE has now developed an upgraded camera, image intensifier, and TV monitor to improve the fluoroscopic image quality for the CGR equipment. Based on observation of this upgrade at the GE factory, it appears they have been successful. Therefore, UMHC is planning to purchase the Image Chain Upgrade for one plane of the biplane system in Room 2. If this upgrade proves successful, a similar upgrade will be planned for purchase for Room 3 during the 1990-91 fiscal year.

Submitted By: Al Dees
Title: Associate Director

Approved By: [signature]
Title:

THE UNIVERSITY OF MINNESOTA
HOSPITAL AND CLINIC
BOARD OF GOVERNORS

Planning & Dev. Committee Review:	2/5/90
Finance Committee Review:	2/28/90
Board of Governors Review:	2/28/90

MAJOR CAPITAL EXPENDITURE REPORT

EQUIPMENT:
Four bed holding area and related equipment - Heart Cath Lab

PURCHASE PRICE:
Remodeling $98,000
Equipment $68,471

DESCRIPTION:

The four bed holding area will be used by Cardiac Catheterization Laboratory and Cardiovascular Radiology for:

- Patient reception and preparation. This will improve efficiency and reduce the time conflicts between Patient Care Units and the Laboratory. Currently, the patients frequently have to wait in the hall before a procedure room is available.

- Care after catheterization, including removal of intravascular cannulae. This will reduce turnover time between cases, reduce the ICU use by providing a site for brief monitoring, provide smooth transfer to ICU and Patient Care Units and provide better observation of arteriotomy sites.

- Reception and post-catheterization monitoring (up to 8 hours) for outpatient cardiac catheterization.

The Cardiac Catheterization Laboratory's activity has increased by 240% in the past three years. It is important that an appropriate holding area is provided for the patients in this very busy clinical facility in order to accommodate current volume levels and increase the throughput capability of the lab to accommodate future growth in volume.

Submitted By: Greg Hart
Title: Senior Associate Director

Approved By:
Title:

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 22, 1990

TO: Finance Committee Members

FROM: Helen Pitt
Associate Director for
Nursing Operations

SUBJECT: Critical Care Clinical Information Management System

For a number of years the hospital has had an overall goal to develop a patient care information system. During this time, Frank Cerra, MD, Director of the Surgical Intensive Care Unit and Carter McComb, Director of Surgical Clinical Services Administration, have been pursuing the development of an ICU data management system. Then early last year the efforts of nursing, medicine, and patient monitoring were brought together to mutually evaluate and plan for a suitable solution for the ICU patient data needs.

The outcome of this collaboration is the recommendation to proceed with the EMTEK Critical Care Clinical Information Management System. The enclosed materials provide a summary of the financial expenditures associated with implementation of this system on the 24 bed surgical intensive care unit. The capital expenditure associated with this project is $718,000.

The project was presented for information at the last Finance Committee meeting. At this time we are presenting this proposal for your endorsement.

I will be available to respond to any further questions at your meeting. Please feel free to call me prior to that time if you have questions. (626-5300)

/pd

HEALTH SCIENCES

hp>hp0131901pd

FINANCIAL SUMMARY - EMTEK PROPOSAL

COSTS

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Hardware and Software	$143,614	143,614	143,614	143,614	143,614	718,070
Installation	$ 8,700					8,700
Implementation Staff	$ 85,000	62,500	20,000	20,000	20,000	207,500
Service and Maintenance	$ 74,709	84,761	84,761	84,761	84,761	413,753
TOTAL	$312,023	290,875	248,375	248,375	248,375	1,348,023

SAVINGS

Reduced Operational Costs	$ 0	73,000	146,000	146,000	146,000	511,000
Nursing FTE Savings	$ 0	40,000	80,000	100,000	100,000	320,000
TOTAL	$ 0	113,000	226,000	246,000	246,000	831,000
DIFFERENCE (Savings - Cost)	$-312,023	-177,875	-22,375	- 2,375	- 2,375	-517,023

Benefits in Addition to Savings Noted:

- Productivity gain within other departments.
- Reimbursement audits and charge capture.
- Improved decision support for management.
- Research and quality assurance support.

General Information:

- Dunn and Bradstreet report is very favorable; company is well financed, research and development is very strong, excellent financial backing from parent company, Motorola, Inc.
- Negotiations reflect reduction for development and alpha-beta partnership agreement.
- Benefit study is to be done.

Note: Opportunity cost will be calculated.
Note: Above dollar figures are not adjusted for inflation.

DETAIL FOR FINANCIAL SUMMARY

COSTS

1. Hardware and Software

The EMTEK proposal outlines in detail the hardware and software costs. The 4D North and South proposal includes one workstation at each bedside, and one at each desk in each resident's room. The proposal also includes a workstation for training and for the Research subsystem. The patient care unit 4D requires 29 workstations. The hardware and software total is $718,070.

The cost proposal for 4D also includes several one-time costs associated with this project. One-time costs include:

- Interface to Labs Tandem computer, Unisys, and IBM; connectivity to Space Labs Monitors and other instruments; and the research database and query language.

The total of the one-time costs quoted is $132,867.

4D/North and South	Average Daily Census 83% Occupancy	Total Patient Days Over Five Years	Hardware and Software Costs (29 Workstations)
24 Beds	20	36,500	$718,070 ($19.67/occupied bed)

2. Installation

Installation costs are estimated at $300 per workstation. This includes $250 for cable pulling and $50 for the wall mount per workstation ($300).

$300 X 29 = $8700

3. Implementation Staff

The project will have a Steering Committee, a project leader, and implementation support associated with the PCU. As implementation progresses, involvement from hospital departments is anticipated (e.g., forms review, medical records, pharmacy). Operational details will be addressed at the user and operational support level (e.g., flowsheet design). Initial support will be needed from Labs and Technical Services.

The implementation support will be provided from Nursing, Information Systems, and Cardio-Respiratory Services. The anticipated support is expected to be as follows, with support from Cardio-Respiratory Services reassigned from the Dasicup project.

Implementation Staff continued:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Salary (incl. fringe)	Total
ISD Prog. Effort	1.0 45,000	.5 22,500	0	0	0	1.5	45,000 (21.55/hr)	67,500
Implem. Leader	.5 20,000	.5 20,000	0	0	0	1.0	40,000 (19.15/hr)	40,000
Systems Adm. (Conf. Screens	.5 20,000	.5 20,000	.5 20,000	.5 20,000	.5 20,000	2.5	40,000 (19.15/hr)	100,000
GRAND TOTAL						5.0		$207,000

4. Service and Maintenance

We have received a comprehensive maintenance proposal. Selecting the service best suited to UMH, the expenses are as follows: Year 1 - Level I (Standard Service) Plan A and Years 2, 3, 4, 5 - Level I Plan B (Standard Service).

	Year 1	Year 2	Year 3	Year 4	Year 5
4D N-S	56,483	64,014	64,014	64,014	64,014
Interface Subsystem	6,248	7,081	7,081	7,081	7,081
Research Mgmt System	4,033	4,571	4,571	4,571	4,571
Instrument Interface	2,400	2,720	2,720	2,720	2,720
Computer Interface	5,625	6,375	6,375	6,375	6,375
TOTAL	74,709	84,761	84,761	84,761	84,761

SAVINGS

1. Reduced Operational Costs

The projected operational cost reductions are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Savings Per Patient Day	0	$10	$20	$20	$20	
Patient Days	7,300	7,300	7,300	7,300	7,300	
TOTAL	$0	$73,000	$146,000	$146,000	$146,000	$511,000

Reduced Operational Costs continued:

Based on the literature and experience in other settings, this estimate is based on anticipated savings at UMH in the following areas:

1) Expensive tests that are repeated
2) Duplicate orders
3) Medication waste
4) Transcription repeated or errors
5) Form cost.

2. Nursing FTE Savings

The Nursing manpower savings achievable in the Critical Care setting with this system are projected to be 1+ FTE for every 12 beds. The studies reported to date by other institutions in the literature and our consideration of the impact of this system in the 4D nursing environment supports these projections.

	Year 1	Year 2	Year 3	Year 4	Year 5
Nursing FTE Savings	0	1 FTE	2 FTE	2.5 FTE	2.5 FTE
	0	$40,000	$80,000	$100,000	$100,000

The EMTEK system has these benefits for Nursing that supports the FTE savings:

1) Data is entered once and automatically moved throughout the system. Multiple transcription steps are eliminated. Data entry can be set for entry efficiency and review convenience accommodated - trends and graphics.
2) Data acquired directly from monitors, labs eliminating transcription to flowsheet.
3) Up-to-date list of active orders and nursing activities is available.
4) Calculations are automated.

Examples of the Nursing activities that will have time savings and their frequency are listed.

Activity	Frequency
Vital signs/hemodynamic	Hourly
Plotting trends	1 per shift
I and O calculations	Hourly
Lab results - communication, transcription	2 per shift
Progress Notes/Assessment	2 per shift
Kardex/work list	2 per shift
Orders - communication, transcription	2 per shift
Report - shift to shift	1 per shift
Admission/transfer summary	
Care plan	1 per shift
Medication	Hourly

Nursing FTE Savings continued:

The UMH nursing staffing and patient assignments and workflow will be affected in increments. The FTE projections are a conservative projection of the summary of these incremental savings.

Critical care staffing is a key target area due to the shortage and extensive skill level requirement.

3. Other Benefits

Other benefits that will be achieved include:
- Productivity gains within other departments.
- Reimbursement audits and charge capture.
- Improved decision support for management.
- Research and quality assurance support.

Soft benefits will be:
- Positive affect on recruitment and retention of staff.
- Staff satisfaction.
- Marketing advantage.

GENERAL INFORMATION

- Dunn and Bradstreet report is very favorable; company is well financed, research and development is very strong, excellent financial backing from parent company, Motorola, Inc.
- Contract will include phased payment schedule.
- Negotiations reflect reduction for development and alpha-beta partnership agreement.
- Benefit study is to be done.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 21, 1990

TO: Members, Board of Governors Finance Committee

FROM: Robert Dickler
Hospital Director

SUBJECT: CHC Medical Waste Incinerator Project

Attached is Council of Hospital Corporations proposal to build and operate a medical waste incinerator facility.

As discussed at our last meeting, the University and Hospital have concluded that it is beneficial to participate in this venture.

We are seeking endorsement for hospital participation in this venture including participation in the corporation outlined in the attached proposal, a near-term commitment of up to $107,000, and a total financial commitment (probably in the form of a loan guarantee) of the Hospital/University of up to $625,000.

Board of Regents approval will be sought on this project following Board of Governors endorsement.

/th

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

December 18, 1989

Allan N. Johnson, Ph.D., President
Council of Hospital Corporations
Suite 221 North
2550 University Avenue West
St. Paul, Minnesota 55114

Re: Medical Waste Incineration Project

Dear Mr. Johnson:

In accordance with the Infectious Waste Disposal Business Entry Plan, November 1989 and the November 20, 1989 Council of Hospital Corporations Board discussion, the University of Minnesota hereby signifies its intention to request approval from the Board of Regents for authority to participate in the medical waste incineration project. To signify our intention to seek Board authority to participate, the University of Minnesota hereby agrees to a cash assessment not to exceed 150 percent of $71,611.21, the exact cash assessment being dependent upon the percentage of hospitals participating in the project. Pursuant to the representations of the Council of Hospital Corporations, the cash assessment will be refunded unless hospitals representing more than 75 percent of the biological waste volume agree to participate.

The University of Minnesota is governed by the Data Practices Act, Minnesota Statutes Sec. 13.01 et. seq. and its treatment of data related to the medical waste incineration project will be governed by that statute.

The University of Minnesota agrees that it will not make any new commitments to biological waste disposal entities other than this project until a final decision is made with respect to the feasibility of the project and final decisions regarding operational permits.

bcc: Clifford Fearing
Jan Halverson, Esq.
Gregory Hart
Mark Koenig

Sincerely,

Gordon Donhowe
Vice President
Finance and Operations
University of Minnesota

GD/hg

I. EXECUTIVE SUMMARY

A. Project Incentive

General Management Services (GMS) and the associated firm of Richard, Crisman & Cpitz, Inc., as part of their consulting work, have been following the developing legislation and regulations pertaining to the handling and disposal of infectious wastes for over two years. It was thus possible to forecast that the financial impact of complying to the pending regulations would force hospitals to shut down their existing on-site incinerators.

Commercial infectious waste disposal capacity is not available to absorb the infectious waste volumes disposed at on-site hospital incinerators, which is the largest portion of the infectious waste being generated.

It was also evident that a commercial infectious waste disposal organization would be able to, and as is indeed occurring currently, charge disposal costs significantly above those previously paid by hospitals.

The cost of obtaining permitting is sufficiently high to discourage others seeking entry into the infectious waste incineration business once the first party has received a permit. Thus future commercial infectious waste disposal pricing would also be affected only nominally by competition.

B. Project Purpose

In view of the above, the Council of Hospital Corporations contracted with GMS to develop a business entry (action) plan having the following objectives:

1. To maintain hospital control of the costs associated with medical waste disposal.

2. To collectively address this pressing environmental, political and public relations problems in the most effective, efficient and publicly safe manner.

3. To retain the flexibility to respond to the disposal needs of physicians on hospital medical staffs, clinics or other hospitals.

C. GOVERNANCE

A review and evaluation of alternatives with the law firm of Dorsey & Whitney led to the conclusion that a separate Board be formed for this subsidiary consisting of 3 members of the CHC Board, three outside board members and the President of the CHC serving as board chairman. The subsidiary board would need to have decisions affecting hospitals not represented on the board ratified by the CHC board.

The Executive Director of the subsidiary would report to the subsidiary board.

D. CORPORATE STRUCTURE

A for-profit CHC subsidiary was determined to be the structure most suited to meet the project goals after evaluation of several alternatives. Among its advantages is that it is simple to create and is flexible as far as the entities which may use the subsidiaries services.

E. INFECTIOUS WASTE VOLUMES GENERATED

The economics are fairly sensitive to the waste volume to be incinerated. Thus, the amount of infectious waste (as defined at the time) generated by each of the 24 participating hospitals was either weighed or was determined from invoiced received from the commercial disposal company. The resulting amount, annualized for 1989 (8,141,200 pounds) was then adjusted to obtain the equivalent volume after all of the participating hospitals have adopted the new definition for infectious waste legislated in Minnesota on July 1, 1989. The resulting "base" volume of 5,814,800 pounds was used for 1989.

The throughput capacity of the plant and its operating costs are based on this base volume for the 24 participating hospitals only, increasing at 3%/year compounded. The maximum capacity of the plant is 11,800,000 pounds/year. This leaves more than adequate capacity for disposal of the infectious wastes for generators other than the participating 24 hospitals before additional capacity, for which space has been provided, needs to be added.

F. CURRENT DISPOSAL COSTS

The actual current infectious waste disposal costs at each hospital, including packaging and sharps disposal costs were extracted from hospital cost accounting records. This inclusive cost average for the 24 participating hospitals is $0.378/pound.

G. COST IMPACT OF REGULATIONS

Disposal cost increases from $37,800/ year to $264,100/year and added capital investments from $297,000 to $712,000 accompanied by a significant public relations burden are projected for 1990/91 depending on the volumes generated, the current disposal method and when existing disposal contracts expire.

H. PLANT INVESTMENT

The investment required for an infectious waste incineration plant sized for a maximum throughput of 11,000,000 pounds /year was estimated from quotations received for the major equipment incorporating the latest (8/25/98) proposed permanent standards

to become effective on January 1, 1992 for infectious waste incinerators. Rosewood Construction provided the estimate for the site preparation and building costs.

The total financing required is estimated to be as follows:

Capital investment	$3,007,800
Working capital	598,000
Start-up costs	441,000
Total	$4,047,200

I. OPERATING COSTS AND PRO FORMAS

The final income statement, cash flow and balance sheet pro formas prepared by Arthur Andersen Company are in Appendix I-1, pages 61-69. The assumptions are in Appendix H-5 & 6, pages 57-59.

The disposal price which the subsidiary charges to its participating hospitals would be set by the Board of the subsidiary. The price which would generate an annual profit of about $100,000 for the operation is $0.31/pound and if the steam generated is sold, which appears to be a good possibility, the price would be $0.29/pound. This is the total disposal price which includes packaging supplies including sharps packaging, transportation and disposal costs. This compares directly to the average cost of $0.378 paid by the 24 participating hospitals, prior to further cost increases.

This price assumes that 6,376,000 pounds of infectious waste would be incinerated for the 24 hospitals in 1992. If only 5.4 million pounds are incinerated the price without steam credit is $0.35/pound and at 4.4 million pounds it is $0.40/pound without steam credit.

This scenario assumes that all of the investment except that for land and building needs to be replaced in years 7 & 8 at current cost inflating at 5%/year compounded ($3,362,645). It is possible that new technology may generate more regulations following those to be effective in 1992 which could require some additional investment. If the investment required exceeds the cash flow generated, some additional borrowing, backed by price increases, may be needed. It is difficult to visualize that such potential regulations would cause such a catastrophic result.

All other costs in the operating statement and pro formas are at constant dollars.

J. SITING, PERMITTING AND ASH DISPOSAL

An initial survey identified 35 potential sites in Minnesota for the disposal operation all but one of which is within a 60 mile radius of the Twin Cities,

K. INCINERATION TECHNOLOGY

Controlled air, two stage incineration in a fixed hearth incinerator followed by a heat recovery unit to produce steam and a wet scrubber to meet and exceed the proposed permanent standards for infectious waste incinerators published on August 25, 1989 will be used. These formed the basis of the quotation received for the incineration equipment and monitoring devices.

The technology is not new, the controls and monitoring devices and operating conditions all having been commercially available and used for many years. The newness is that infectious waste incinerators installed heretofore have never had to use these more sophisticated process, pollution control and monitoring devices to meet prior, uninforced and less comprehensive standards.

Other technologies for decontamination of infectious wastes exist and all have their niche application. Some, such as autoclaving may in future years capture a small portion of the market created by new generators of infectious waste. It is generally agreed, however, that incineration will continue to be the dominant method used to dispose of infectious waste.

L. FINANCING

Outside financing of the entire $4,047,200 is planned. This financing would be backed by a contract from each participating hospital to commit their infectious waste volume to the CHC subsidiary. In addition, each participating hospital would provide a letter of credit for their portion of the loan, based on volume. The loan would be obtained by the CHC subsidiary. No financing would be sought from the local community nor from any other public agency.

The financing would be obtained in two steps. The initial amount to be financed would be the $565,000 required to obtain the permit. Aportion would be financed via letter of credit, the balance using a line of credit. Financing of the remaining $3,482,200 would take place after the permit has been issued.

M. CHECK POINTS

Three check point have been built in as the project develops.

1. After all hospital contracts and their letters of credit have been received. This is anticipated to occur on or before the end of 1989.

2. During the fifth month after project initiation, using quotations and preliminary approvals received to confirm that the project goals and objectives contained in this report are still on track. This could occur during May, 1990.

UNIVERSITY OF MINNESOTA
TWIN CITIES

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

February 21, 1990

TO: Members, Board of Governors Finance Committee

FROM: Greg Hart
Senior Associate Director

SUBJECT: Renewal Project II

A discussion of Renewal Project II is planned for the Finance Committee meeting on February 28, 1990. This item is not being presented for committee action at this meeting; we will request endorsement of a recommendation in March.

Attached is a set of documents on three alternative facility approaches to Renewal Project II. We will discuss the three options and their pros and cons at the meeting on Wednesday.

We look forward to your questions and comments.

GH:th

Attachment

RENEWAL PROJECT PHASE II
DISCRIPTION OF OPTIONS

Option A2

This is the original Phase II renovation proposal. Unit J expands by two floors, one for Inpatient Psychiatry and one left unfinished. The Mayo Building (floors 1-7) undergoes a major mechanical system upgrade and is renovated to varying degrees throughout. OB and Cysto/Urology relocate to remodeled Mayo 4. Rehab inpatient and therapies relocate to remodeled Mayo 7 and/or 5. Psychiatry outpatient, Day Hospital and offices are remodeled on Mayo 6. Specified faculty office renovation occurs as planned.

Option A2 Modified

In this option Unit J expansion occurs as in Option A2 to accommodate Psychiatry inpatient. All inpatient beds and high tech activity is excluded from the southeast wing of Mayo Building to facilitate future development of a new facility on this site. These changes cause Rehab to remodel in place (or on Rehab 5) and OB to relocate to a modified Unit J med/surg unit (7D). Cysto renovation on Mayo 4 and Rehab therapies on Mayo 5-7 occur as in A2. Building upgrade and non-clinical remodeling are reduced approximately 30%. Psychiatry outpatient, Day Hospital and offices occur as in A2. Faculty office renovation as planned.

Option C3

In lieu of major Mayo renovation, the southeast wing of Mayo is demolished to allow construction of a nine story building accommodating all clinical programs and shell space as follows:

Floor 9	Shell floor
Floors 6-8	Psychiatry Inpatient/Outpatient/Day Hospital
Floor 5	ICU/Bone Marrow Shell
Floor 4	OB/Cysto-Urology
Floor 3	Rehab Inpatient/Therapies
Floor 2	Rehab Therapies/Shell
Floor 1	Pharmacy

The Mayo Building upgrade is reduced approximately 40% (from A2) and non-clinical remodeling is reduced by approximately 30% (from A2). Faculty office renovation cccurs as planned.

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RENEWAL PROJECT PHASE II
MASTER PLANNING OPTIONS

COMPONENT	**OPTION A2**
PROGRAM LOC/COMPLETE	
OB	MAYO 4/JAN '92
UROLOGY CLINIC/CYSTO	MAYO 4/JAN '92
REHAB NSG	MAYO 5/JAN '93
REHAB THERAPY	MAYO 5-7/JAN '93
PSYCH INPT	UNIT J 10/JULY '92
PSYCH OP/DAY HOSP	MAYO 6/ UNK
ADD'TL MED/SURG UNIT	7D/NOW
DAY HOSP RELOCATE	N/A
FACULTY OFFICE RENOVATION	INCLUDED AT $1.5M
SHELL SPACE AVAIL	32,000 NSF
UNASSIGNED MAYO AVAILABLE	0 NSF
MAYO BLDG UPGRADE SCOPE	$12.3M
MISC. MAYO RENO SCOPE	$ 9.5M
PROJECT COST	$58.2M
SPECIAL RELOCATION ISSUES	-
SPECIAL RELOCATION COST	-
RELOCATION/RENTAL COST	$ 2.5M
TOTAL COST	$60.7M
FUTURE NEEDS	
BONE MARROW EXPANSION	$ 3.3M/ 1/2 UNIT J 9
ICU EXPANSION/REMODEL	$ 2.5M/ UNIT J 4A
HEART CATH EXPANSION	$ 1.9M/ UNIT J 9
CARDIAC CLINIC	$ .7M/ ?
RADIOLOGY EXPANSION	$ 1.2M/ UNIT J 2

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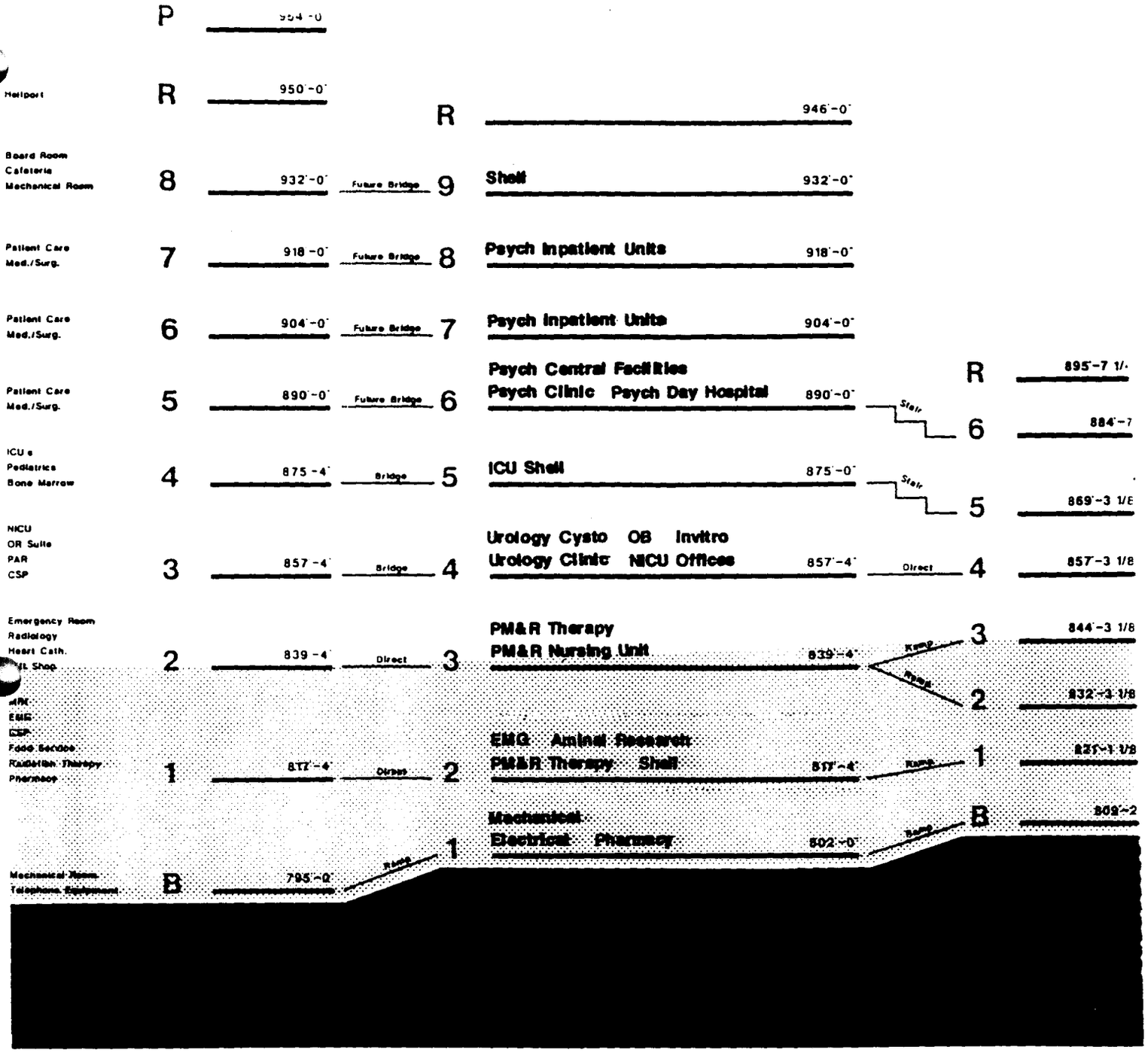
RENEWAL PROJECT PHASE II
MASTER PLANNING OPTIONS

COMPONENT	**OPTION C3**
PROGRAM LOC/COMPLETE	
OB	NEW BLDG/ MAR '93
UROLOGY CLINIC/CYSTO	NEW BLDG/ MAR '93
REHAB NSG	NEW BLDG/ MAR '93
REHAB THERAPY	NEW BLDG/ MAR '93
PSYCH INPT	NEW BLDG/ MAR '93
PSYCH OP/DAY HOSP	NEW BLDG/ MAR '93
ADD'TL MED/SURG UNIT	7D/ NOW
DAY HOSP RELOCATE	N/A
FACULTY OFFICE RENOVATION	INCLUDED AT 1.5M
SHELL SPACE AVAIL	36,000 NSF
UNASSIGNED MAYO AVAILABLE	30,000 NSF
MAYO BLDG UPGRADE SCOPE	$ 7.4M
MISC. MAYO RENO SCOPE	$ 6.7M
PROJECT COST	$61.4M
SPECIAL RELOCATION ISSUES	AUTOPSY, STA.60-61 PHARMACY, DIALYSIS TODD
SPECIAL RELOCATION COST	$ 1.1M
RELOCATION/RENTAL COST	$ 2.7M
TOTAL COST	$65.2M
FUTURE NEEDS	
BONE MARROW EXPANSION	$ 3.3M/ NEW BLDG 5
ICU EXPANSION/REMODEL	$ 2.5M/ UNIT J 4A
HEART CATH EXPANSION	$ 1.9M/ NEW BLDG 2
CARDIAC CLINIC	$ .7M/ MAY04
RADIOLOGY EXPANSION	$ 1.2M/ UNIT J 2



Unit J

Option C

Mayo
Elliott

Proposed Functional Zoning
Proposed Floor To Floor Elevations • Option X

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RENEWAL PROJECT PHASE II
MASTER PLANNING OPTIONS

COMPONENT	**OPTION A2 MODIFIED**
PROGRAM LOC/COMPLETE	
OB	7-D/DEC. '91
UROLOGY CLINIC/CYSTO	MAYO 4/SEPT '91
REHAB NSG	REHAB 4-5/DEC '91
REHAB THERAPY	MAYO 5-7/JAN '92
PSYCH INPT	UNIT J 10/JULY '92
PSYCH OP/DAY HOSP	MAYO 6/ UNK
ADD'TL MED/SURG UNIT	MAS I/ FEB '91
DAY HOSP RELOCATE	MAYO 3/ MAY'90
FACULTY OFFICE RENOVATION	INCLUDED AT 1.5M
SHELL SPACE AVAIL	32,000 NSF
UNASSIGNED MAYO AVAILABLE	0 NSF
MAYO BLDG UPGRADE SCOPE	$ 8.4M
MISC. MAYO RENO SCOPE	$ 6.7M
PROJECT COST	$51.7M
SPECIAL RELOCATION ISSUES	DAY HOSPITAL
SPECIAL RELOCATION COST	INCL ABOVE
RELOCATION/RENTAL COST	$ 1.1M
TOTAL COST	$52.8M
FUTURE NEEDS	
BONE MARROW EXPANSION	$ 3.3M/ 1/2 UNIT J 9
ICU EXPANSION/REMODEL	$ 2.5M/ UNIT J 4A
HEART CATH EXPANSION	$ 1.9M/ UNIT J 9
CARDIAC CLINIC	$ .7M/ MAYO 4
RADIOLOGY EXPANSION	$ 1.2M/ UNIT J 2

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RENEWAL PROJECT PHASE II
MASTER PLANNING OPTIONS

COMPONENT	OPTION A2	OPTION A2 MODIFIED	OPTION C3
PROGRAM LOC/COMPLETE			
OB	MAYO 4/JAN '92	7-D/DEC. '91	NEW BLDG/ MAR '93
UROLOGY CLINIC/CYSTO	MAYO 4/JAN '92	MAYO 4/SEPT '91	NEW BLDG/ MAR '93
REHAB NSG	MAYO 5/JAN '93	REHAB 4-5/DEC '91	NEW BLDG/ MAR '93
REHAB THERAPY	MAYO 5-7/JAN '93	MAYO 5-7/JAN '92	NEW BLDG/ MAR '93
PSYCH INPT	UNIT J 10/JULY '92	UNIT J 10/JULY '92	NEW BLDG/ MAR '93
PSYCH OP/DAY HOSP	MAYO 6/ UNK	MAYO 6/ UNK	NEW BLDG/ MAR '93
ADD'TL MED/SURG UNIT	7D/NOW	MAS I/ FEB '91	7D/ NOW
DAY HOSP RELOCATE	N/A	MAYO 3/ MAY'90	N/A
FACULTY OFFICE RENOVATION	INCLUDED AT $1.5M	INCLUDED AT 1.5M	INCLUDED AT 1.5M
SHELL SPACE AVAIL	32,000 NSF	32,000 NSF	36,000 NSF
UNASSIGNED MAYO AVAILABLE	0 NSF	0 NSF	30,000 NSF
MAYO BLDG UPGRADE SCOPE	$12.3M	$ 8.4M	$ 7.4M
MISC. MAYO RENO SCOPE	$ 9.5M	$ 6.7M	$ 6.7M
PROJECT COST	$58.2M	$51.7M	$61.4M
SPECIAL RELOCATION ISSUES	-	DAY HOSPITAL	AUTOPSY, STA.60-61 PHARMACY, DIALYSIS TODD
SPECIAL RELOCATION COST	-	INCL ABOVE	$ 1.1M
RELOCATION/RENTAL COST	$ 2.5M	$ 1.1M	$ 2.7M
TOTAL COST	$60.7M	$52.8M	$65.2M
FUTURE NEEDS			
BONE MARROW EXPANSION	$ 3.3M/ 1/2 UNIT J 9	$ 3.3M/ 1/2 UNIT J 9	$ 3.3M/ NEW BLDG 5
ICU EXPANSION/REMODEL	$ 2.5M/ UNIT J 4A	$ 2.5M/ UNIT J 4A	$ 2.5M/ UNIT J 4A
HEART CATH EXPANSION	$ 1.9M/ UNIT J 9	$ 1.9M/ UNIT J 9	$ 1.9M/ NEW BLDG 2
CARDIAC CLINIC	$ .7M/ ?	$ .7M/ MAYO 4	$ .7M/ MAYO4
RADIOLOGY EXPANSION	$ 1.2M/ UNIT J 2	$ 1.2M/ UNIT J 2	$ 1.2M/ UNIT J 2

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QUALITATIVE COMPARISON

	OPTION A2	A2 MODIFIED	OPTION C3
REHAB INPATIENT IMPROVEMENTS	REMODELED	UPGRADED	NEW
REHAB THERAPIES IMPROVEMENTS	REMODELED	REMODELED	NEW
OB IMPROVEMENTS	REMODELED	UNIT J	NEW
CYSTO/UROLOGY IMPROVEMENTS	REMODELED	REMODELED	NEW
PSYCHIATRY INPATIENT IMPRVMTS	NEW	NEW	NEW
PSYCH OP/DAY HOSP IMPRVMTS	REMODELED	REMODELED	NEW
INPATIENT PROGRAMS COMPLETE	SOONER	SOONER	LATER
PSYCH OP/DAY HOSP COMPLETE	LATER	LATER	SOONER
PSYCH INPT/OP RELATIONSHIP	SEPARATE	SEPARATE	CONTIGUOUS
PROJECT COST	AT BUDGET	SAVE $8-12M	AT BUDGET
RELOCATION COSTS	MODERATE	LOW	HIGH
IMPACT ON DAY HOSPITAL	NONE	MAJOR	NONE
RELOCATION PROBLEMS	MODERATE	MODERATE	MAJOR
CONSTRUCTION DISRUPTION	MAJOR	MAJOR	MAJOR
UNIT J EXPANSION PRESERVED	NO	NO	YES
S.E. MAYO EXPANSION PRESERVED	YES	YES	NO
PROJECT SEGMENTATION ABILITY	GOOD	VERY GOOD	POOR
BMT/ICU EXPANSION	AVAIL 7/92	AVAIL 7/92	AVAIL 3/93
HT CATH EXPAN. (QUAL/TIME)	NEW/SOON	NEW/SOON	NEW/LATE
INVESTMENT IN NEW SPACE	SOME	SOME	MOST
30,000 NSF MAYO AVAILABLE	NO	NO	YES
SHELL SPACE AVAILABLE/TIME	32K, 7/92	32K, 7/92	21-36K, 3/93
BED ALLOCATION COMPLEXITY	NEUTRAL	NEGATIVE	NEUTRAL
REGULATORY CONSIDERATIONS	NEUTRAL	NEUTRAL	UNKNOWN