



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

**MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE
Wednesday, May 23, 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.
Margaret Matalamaki
Barbara O'Grady
Vic Vikmanis

A G E N D A

- | | | |
|------|---|----------------------|
| I. | Opening of Meeting and Approval of Minutes of Finance Committee meeting held 4/25/89 (Approval) pp. 1 - 3 | Mr. Jerry Meilahn |
| II. | April 30, 1990 Financial Statements (Information) pp. 4 - 10 | Mr. Clifford Fearing |
| III. | 1990-91 Budget (Endorsement)
(Revised budget material will be distributed at the meeting) | Mr. Clifford Fearing |
| IV. | Quarterly Capital Expenditure Report (Information) pp. 11 - 12 | Mr. Greg Hart |
| V. | Other | |

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

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
April 25, 1990

MINUTES

ATTENDANCE:

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

Not Present: Barbara O'Grady
Vic Vikmanis

Staff: Al Dees
Greg Hart
Teri Holberg
Nancy Janda
Mark Koenig
Nels Larson
Barbara Tebbitt

CALL TO ORDER:

The Finance Committee was called to order by Mr. Jerry Meilahn on April 25, 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 February 28, 1990 meeting as written.

JULY 1, 1989 THROUGH MARCH 31, 1990 FINANCIALS:

Mr. Clifford Fearing reported to the Finance Committee for the month of March inpatient admissions totaled 1,496, which was 143 below budget; average length of stay was 7.8 days; patient days totaled 12,159, which were 1,658 days below budget; and the average daily census was 393, which was below the budgeted level of 431. Clinic visits for the month of March were reported to be 7.7% below budget.

Mr. Fearing stated ancillary revenue was 5.7% under budget and operating expenditures were reported to be 5.5% below budget. The Hospital's year-to-

date Statement of Operations showed revenues over expenses by \$4,861,853, a favorable variance of \$3,556,742. Mr. Fearing reported this month's statement of operations reflects a dividend distribution of \$1,965,000 from RUMINCO LTD. As of March 31 the balance of accounts receivable totaled \$86,920,980 and represented 94.6 days of revenue outstanding.

Lastly, Mr. Fearing stated if improvement does not occur in the revenue per admission on ancillary basis and average length of stay, the 1990-91 budget will be reviewed, as required by last month's action of the Board of Governors.

PEAT MARWICK MANAGEMENT LETTER:

Mr. Nels Larson presented to the Committee the Peat Marwick Management Letter for information.

Mr. Larson indicated Peat Marwick had one significant comment, which was the need for a computer disaster recovery plan. The Hospital's computer services department had initiated a written computer disaster recovery plan prior to the Management Letter. None of the recommendations made by Peat Marwick resulted in any year end audit adjustments.

1990-91 BUDGET:

Mr. Fearing presented to the Committee, for information, the 1990-91 Budget. The 1990-91 Budget will be brought before the Committee in May, 1990 for endorsement.

The 1990-91 budget presented was based on levels of operation through February 1990. Subsequent to February, there had been a down turn in volume which is being assessed to determine, if it continues, how it will change the proposed budget. This information will be available at the May Board of Governors meeting.

Mr. Fearing stated, because of the uncertainties of the Federal and State reimbursement levels, two increase levels are being proposed, a 7.5% rate increase and a 9.9% increase. The two rate increases were provided with the idea of proposing a rate increase of 9.9% with an implementation effective 7/1/90 of 7.5%. This would provide the flexibility to increase rates throughout the year up to 9.9% without the need to have the formal 60 day notice for rate review.

CARDIOVASCULAR RADIOLOGY EQUIPMENT:

Mr. Al Dees presented to the Committee, for endorsement, a proposal to acquire new cardiovascular angiographic and cine film systems for Room J2-468. The total estimated cost of the equipment would be \$863,000.

The Finance Committee passed a motion to endorse the acquisition of the new cardiovascular angiographic and cine film systems at a cost of \$863,000.

THIRD QUARTER, 1989-90 BAD DEBTS:

Mr. Fearing reported the bad debts for the third quarter totaled \$541,038.68 represented by 1,177 accounts. Recoveries amount to \$2,900.36, leaving a net charge-off of \$538,138.32. This amount represents 0.68% of gross charges and compares to a budgeted level of 1.22%.

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

RED WING UPDATE:

Mr. Fearing presented to the Committee a status report on the discussion with the physicians in Red Wing.

Mr. Fearing stated of the three options the physicians had available to them, at the present time they are inclined to sell their entire practice to UMHC. The Hospital was also told that Mayo Clinic had not as of early April submitted a bid. A six month mutually exclusive negotiating agreement is being developed between the Hospital and the physicians.

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

There being no further discussion, the April 25, 1990 meeting was adjourned at 1:20 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

May 24, 1990

TO: Board of Governors Finance Committee
FROM: Clifford P. Fearing
SUBJECT: Report of Operations for the Period
July 1, 1989 through April 30, 1990

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

INPATIENT CENSUS: For the month of April, inpatient admissions totaled 1,455 which was 122 below budgeted admissions of 1,577. Our overall average length of stay for the month was 8.4 days. Patient days for April totaled 11,952 and were 1,415 days below budget. The decrease in admission levels from budget was seen in almost all areas with the most significant ones being in Urology, Orthopedics, Obstetrics, and Neurosurgery.

To recap our year-to-date inpatient census:

	1988-89	1989-90	1989-90		%
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Var</u>
Admissions	15,643	15,577	15,300	(277)	(1.8)
Patient Days	133,172	131,590	123,591	(7,999)	(6.1)
Avg Length of Stay	8.5	8.5	8.1	(0.4)	(4.7)
Avg Daily Census	438.1	432.8	406.5	(26.3)	(6.1)
Percent Occupancy	75.3	73.9	70.0	(3.9)	(5.3)

OUTPATIENT CENSUS: Clinic visits for the month of April totaled 23,115 which was 772, or 3.2%, below budgeted visits of 23,887. Visits were significantly below budget in Adult Psych, OB/GYN, Urology, Dermatology, Dentistry, Sports Medicine and Ophthalmology. Areas that reported visits above budgeted levels were Otolaryngology, Psychology, and Emergency Room. Community University Health Care Center (CUHCC) visits for the month of April totaled 4,470 which was 563, or 14.4%, over budgeted visits of 3,907, while Home Health visits of 980 for the month were 10, or 1.0%, above budgeted visits of 970.

REPORT OF OPERATIONS
 APRIL 1990
 PAGE 2

To recap our year-to-date outpatient census:

	1988-89 <u>Actual</u>	1989-90 <u>Budget</u>	1989-90 <u>Actual</u>	<u>Variance</u>	<u>% Var</u>
Clinic Visits	223,067	228,713	222,445	(6,268)	(2.7)
CUHCC Visits	39,319	38,700	44,327	5,627	14.5
HHA Visits	10,059	9,828	9,499	(329)	(3.4)

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues over expenses by \$4,959,842, a favorable variance of \$3,680,536.

Patient care charges through April totaled \$266,403,830, which was 5.4% under budget. Routine revenue was 3.9% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was \$12,004,148 below budget (6.0%) and primarily reflected the unfavorable variance in clinic visits. Inpatient ancillary revenue averaged \$8,700 per admission compared to the budgeted average of \$8,922 per admission. Outpatient revenue per clinic visit averaged \$240 compared to the budgeted average of \$271.

Operating expenditures through April totaled \$228,828,224 and were \$13,989,758 (5.8%) below budgeted levels of \$242,817,982. 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 April 30, 1990, totaled \$86,483,060 and represented 94.0 days of revenue outstanding. The overall decrease in our patient receivables in April of .6 days occurred primarily in BCBSM Organ Transplants and Minnesota Medical Assistance.

CONCLUSION: The Hospital's overall operating position is positive and above budgeted levels for year-to-date April. 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 APRIL 30, 1990

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	\$281,532,892	\$266,403,830	(\$15,129,062)	-5.4%
Deductions from Charges	66,013,320	64,721,776	(1,291,544)	-2.0%
Other Operating Revenue	8,188,293	8,895,685	707,392	8.6%
Total Operating Revenue	223,707,865	210,577,739	(13,130,126)	-5.9%
Total Expenditures	242,817,982	228,828,224	(13,989,758)	-5.8%
Net Operating Revenue	(19,110,117)	(18,250,484)	859,633	4.5%
Non-Operating Revenue and Expenses	20,389,423	23,210,326	2,820,903	13.8%
Revenue Over/Under Expense	\$1,279,306 =====	\$4,959,842 =====	\$3,680,536 =====	

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Admissions	15,577	15,300	(277)	-1.8%
Patient Days	131,590	123,591	(7,999)	-6.1%
Average Daily Census	432.8	406.5	(26.3)	-6.1%
Average Length of Stay	8.5	8.1	(0.4)	-4.7%
Percentage Occupancy	73.9	70.0	(3.9)	-5.3%
Outpatient Clinic Visits	228,713	222,445	(6,268)	-2.7%

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1989 TO APRIL 30, 1990

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$96,834,525	ROUTINE	\$80,597,239	\$77,472,325	(\$3,124,914)	-3.9%
243,632,475	ANCILLARY	200,935,653	188,931,505	(12,004,148)	-6.0%
\$340,467,000	GROSS CHARGES	\$281,532,892	\$266,403,830	(\$15,129,062)	-5.4%
	DEDUCTIONS FROM CHARGES				
\$11,479,000	BILLING ADJUSTMENTS	\$9,489,657	\$10,070,975	\$581,318	6.1%
15,080,000	HMO/PPO DISCOUNTS	12,466,593	15,360,038	2,893,445	23.2%
48,573,000	GOVERNMENTAL CONTRACTUAL ADJUST	40,155,162	35,439,425	(4,715,737)	-11.7%
550,000	CHARITABLE CARE	453,754	589,384	135,630	29.9%
4,171,000	PROVISION FOR UNCOLLECTABLES	3,448,154	3,261,954	(186,200)	-5.4%
\$79,853,000	TOTAL DEDUCTIONS	\$66,013,320	\$64,721,776	(\$1,291,544)	-2.0%
	OTHER OPERATING REVENUE				
\$1,627,000	FOOD SERVICES	\$1,341,531	\$1,342,501	\$970	0.1%
714,000	PARKING SERVICES	588,723	758,767	170,044	28.9%
77,000	DEPARTMENT NON-PATIENT	68,734	107,861	39,127	56.9%
1,269,000	GRANT INCOME	1,057,500	1,461,137	403,637	38.2%
1,958,000	REFERENCE LAB INCOME	1,614,859	1,822,668	207,809	12.9%
2,056,000	PRO FEES--NET REVENUE	1,699,689	1,386,625	(313,064)	-18.4%
40,000	SILVER SALVAGE	33,314	27,237	(6,077)	-18.2%
2,124,684	INCOME FROM BOND PROCEEDS	1,783,943	1,968,389	184,446	10.3%
0	DONATIONS	0	20,500	20,500	
\$9,865,684	TOTAL OTHER REVENUE	\$8,188,293	\$8,895,685	\$707,392	8.6%
\$270,479,684	TOTAL REVENUE FROM OPERATIONS	\$223,707,865	\$210,577,739	(\$13,130,126)	-5.9%
	EXPENDITURES				
\$123,859,000	SALARIES	\$102,732,446	\$95,921,115	(\$6,811,331)	-6.6%
27,976,000	FRINGE BENEFITS	22,951,947	22,698,453	(253,494)	-1.1%
2,235,000	ACADEMIC CONTRACTS	1,862,500	1,821,028	(41,472)	-2.2%
6,242,000	RESIDENT CONTRACTS	5,178,400	5,264,253	85,853	1.7%
3,167,000	PHYSICIAN COMPENSATION	2,639,167	2,609,150	(30,017)	-1.1%
163,479,000	TOTAL SALARY, F.B., & FEES	135,364,460	128,313,999	(7,050,461)	-5.2%
2,395,000	LAUNDRY & LINEN	1,987,732	1,755,006	(232,726)	-11.7%
1,946,000	RAW FOOD	1,615,308	1,501,450	(113,858)	-7.0%
20,366,000	DRUGS	16,872,992	15,656,227	(1,216,765)	-7.2%
11,343,000	BLOOD & BLOOD DERIVATIVES	9,352,788	7,438,289	(1,914,499)	-20.5%
26,628,000	MEDICAL SUPPLIES & SERVICES	21,955,924	21,542,909	(413,015)	-1.9%
6,256,000	UTILITIES	5,271,554	5,133,982	(137,572)	-2.6%
992,000	INSURANCE	788,473	618,048	(170,425)	-21.6%
3,866,000	RENTAL	3,217,499	2,972,150	(245,349)	-7.6%
5,101,000	MAINTENANCE & REPAIR	4,248,504	3,765,209	(483,295)	-11.4%
24,000	NET LOSS ON DISPOSAL OF ASSETS	19,988	98,399	78,411	392.3%
282,000	CAMPUS ADMINISTRATION EXPENSE	234,871	235,181	310	0.1%
18,283,000	DEPRECIATION	15,080,611	14,699,724	(380,887)	-2.5%
13,038,000	INTEREST	10,875,179	10,558,053	(317,126)	-2.9%
19,129,000	GENERAL SUPPLIES & EXPENSE	15,932,099	14,539,598	(1,392,501)	-8.7%
\$293,128,000	TOTAL EXPENDITURES	\$242,817,982	\$228,828,224	(\$13,989,758)	-5.8%
(\$22,648,316)	NET REVENUE FROM OPERATIONS	(\$19,110,117)	(\$18,250,484)	\$859,633	4.5%
	NON-OPERATING REVENUE				
\$15,579,000	APPROPRIATIONS & SUPPORT	\$12,982,500	\$12,911,945	(\$70,555)	-0.5%
6,906,000	INTEREST INCOME ON RESERVES	5,901,648	6,939,533	1,037,885	17.6%
181,000	SHARED SERVICES	150,751	152,922	2,171	1.4%
1,484,316	INVESTMENT INCOME HELD BY TRUSTEE	1,246,250	1,181,704	(64,546)	-5.2%
130,000	OTHER INVESTMENT INCOME	108,274	59,222	(49,052)	-45.3%
0	DIVIDEND DISTRIBUTION	0	1,965,000	1,965,000	
\$24,280,316	TOTAL NON-OPERATING REVENUE	\$20,389,423	\$23,210,326	\$2,820,903	13.8%
\$1,632,000	REVENUE OVER/(UNDER) EXPENSE	\$1,279,306	\$4,959,842	\$3,680,536	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

APRIL 30, 1990 AND JUNE 30, 1989

ASSETS	04/30/90	6/30/89	LIABILITIES AND FUND BALANCES	04/30/90	6/30/89
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$72,282	Accounts Payable	\$12,356,752	\$8,926,779
Reserve Cash- Third Party Payable	13,452,656	4,994,382	Payable to Third Party Contr. Payors	8,502,656	10,071,821
Reserve Cash- Current Indebtedness	4,849,330	8,484,143	Salaries, Wages and Payroll Taxes	8,110,645	4,820,284
Reserve Cash- Fringe Benefits	0	798,151	Accrued Vacation	8,520,795	8,187,806
Accounts Receivable			Accrued Professional Fees and		
Patient Receivables	86,483,060	87,672,463	Physician Compensation	1,911,164	741,071
Other Receivables	3,335,929	1,167,188	Contracts Payable	2,063,612	40,000
Third Party Receivable	505,066	6,333,531	Construction Retainages	0	215,074
Appropriation Receivable	2,562,755	1,235,467	Interest Payable	2,970,768	5,085,186
	92,886,810	96,408,649	Current Portion of Long-Term Debt	2,601,913	2,724,624
Less Allowances for Losses in Collection	(7,540,257)	(5,933,101)	Promissory Notes Payable	1,300,000	2,500,000
Less Allowances for Discounts to Third Party Payors	(26,504,002)	(19,160,666)			
	58,842,551	71,314,882			
Inventories of Drugs & Supplies	4,564,438	4,928,266			
Prepaid Expenses	1,104,343	657,135			
TOTAL CURRENT ASSETS	\$82,885,600	\$91,249,241	TOTAL CURRENT LIABILITIES	\$48,338,305	\$43,312,645
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets Available for Assignment					
Cash & Investments	\$70,154,472	\$63,557,757			
Accrued Interest	1,261,220	148,244			
	71,415,692	63,706,001			
& Invest for Debt Service	13,000,000	13,000,000	LONG-TERM DEBT, LESS CURRENT PORTION	\$165,878,719	\$169,579,548
Cash & Invest for Working Capital	33,645,664	16,000,000			
TOTAL	\$118,061,356	\$92,706,001			
PROPERTY, PLANT, & EQUIPMENT					
Land, Buildings & Improvements	\$187,980,682	\$184,168,980			
Equipment	89,116,312	83,089,361			
	277,096,994	267,258,341			
Less Accumulated Depreciation	(113,862,174)	(100,371,670)			
Construction in Progress	163,234,820	166,886,671			
	4,887,274	9,057,292			
TOTAL PROPERTY, PLANT, & EQUIPMENT	168,122,094	175,943,963			
Assigned Cash & Investments for Construction/Equipment	6,762,974	7,006,734			
TOTAL	\$174,885,068	\$182,950,697			
INVESTMENTS HELD BY BOND TRUSTEE	\$17,490,038	\$18,870,093			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,182,263	\$7,737,794	UNRESTRICTED FUND BALANCE	\$187,917,132	\$182,473,411
Deferred Debt Expense	1,106,340	1,175,980			
Deposits and Other	523,491	675,798	TOTAL LIABILITIES & FUND BALANCE	\$402,134,156	\$395,365,604
TOTAL	\$8,812,094	\$9,589,572			
TOTAL ASSETS	\$402,134,156	\$395,365,604			
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
Endowments and Investments	\$7,152,096	\$5,450,761	Endowment Funds	\$2,372,429	\$2,161,348
	=====	=====	Gift Funds	4,779,667	3,289,413
	=====	=====		\$7,152,096	\$5,450,761

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

FOR THE PERIOD JULY 1, 1989 TO APRIL 30, 1990

Source of Funds

Beginning Operating Cash Balance		\$72,282
Net Income from Operations	(18,250,484)	
Dividend Distribution	1,965,000	
Non-Operating Revenue	21,245,326	

Excess of Revenue over Expense		4,959,842
Items not Requiring the Outlay of Cash		
Depreciation		14,699,724
University Support: G & A		235,181
Amortization of Bond Costs		185,311
Loss on Disposal of Assets		98,399
Deferred Third Party Reimbursement		555,531
Transfer from Trustee for bond int. payment		270,827
Transfer from Fringe Benefit Reserve		798,151
Increase in Accrued Expenses		10,224,530
Decrease in Accounts Receivable		10,139,895
Decrease in Third Party Receivable		5,828,465
Decrease in Inventory		363,828

Total Funds Provided from Operations		\$48,431,966

Funds Applied

Decrease in Third Party Payable	1,569,165
Increase in Prepaid Expenses	294,901
Increase in Other Receivables	2,168,741
Capital Expenditures	5,660,755
Appropriation Receivable	1,327,288
Investment Income - Trustee-held Assets	1,181,704
Transfer Third Party Reserve	6,323,274
Transfers to Reserves - Bond Retirement	1,878,334

Total Funds Applied \$20,404,162

Operating Cash Made Available from Operations \$28,027,803

Total Operating Cash Available:	28,027,803
Transfers for Bond Retirement:	1,878,334
Transfers to Plant:	5,660,755

Total Cash Generated from Operations: 35,566,893

Current Cash Summary

Operating Cash	\$28,027,803
Operating Cash to Working Capital Reserve	(21,014,682)
Reserve Cash for Liability to Third Party Payors	13,452,656
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	2,349,330

	25,315,107
Less Interest Income on Reserves and Grant	(6,940,839)

Total Current Cash	\$18,374,268
	=====

University of Minnesota Hospital & Clinic
Statement of Changes in Fund Balance
For the Period July 1, 1989 through April 30, 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	9,852,344					
Interest Income on Reserves			6,939,533			
Interest Income on Nursing Grant			1,306			
Depreciation Expense				(14,699,724)		
Loss on Disposal of Assets				(98,399)		
Interest Income on Trustee Held Fund					1,181,704	
Amortization of Deferred Bond Expense				(185,311)		
Interest Income on Bond Proceeds			1,726,101		242,288	
Total Income						4,959,842
Less Expense						
University Support: G & A	235,181					235,181
Transfers Between Funds						
Major Building Projects- Hosp. Capital Expenditures	(5,236,544)		(2,756,098)	2,756,098		
Major Equipment Requisition	(424,211)			424,211		
Adjustment to Shared Buildings				(61,322)		(61,322)
Bond Interest Payment	12,320,235	(9,914,408)			(2,405,827)	0
Bond Interest Expense Funding	(7,982,871)	9,951,260	(1,726,101)		(242,288)	(0)
Bond Principal Payment	2,215,000	(2,215,000)				
Bond Principal Funding	(1,878,335)	1,878,335				
Transfer funding of Bond Principal	2,135,000	(2,135,000)				
Decrease in Short Term Note Funding		(1,200,000)		1,200,000		
Trustee Income held by Campus			155,932		(155,932)	
Donations to Plant Fund				300,000		300,000
Res. Gift Fund Commitment to Plant Funding Working Capital	(21,014,682)		21,014,682	10,021		10,021
Ending Balance	\$33,131,916	\$4,849,330	\$118,061,356	\$14,384,492	\$17,490,038	\$187,917,132

RESTRICTED FUNDS	GIFT	ENDOWMENT	TOTAL
Beginning Balance	\$3,289,414	\$2,161,347	\$5,450,761
Income	1,582,849	211,374	1,794,223
Disbursements	(92,596)	(292)	(92,888)
Ending Balance	\$4,779,667	\$2,372,429	\$7,152,096

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1989 TO APRIL 30, 1990

APRIL BUDGETED	APRIL ACTUAL	APRIL VARIANCE	VARIANCE %	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANC %
\$8,187,566	\$7,456,850	(\$730,716)	-8.9%	ROUTINE	\$80,597,239	\$77,472,325	(\$3,124,914)	-3.9%
20,540,920	18,780,455	(1,760,465)	-8.6%	ANCILLARY	200,935,653	188,931,505	(12,004,148)	-6.0%
\$28,728,486	\$26,237,305	(\$2,491,181)	-8.7%	GROSS CHARGES	\$281,532,892	\$266,403,830	(\$15,129,062)	-5.4%
				DEDUCTIONS FROM CHARGES				
\$968,519	\$1,004,496	\$35,977	3.7%	BILLING ADJUSTMENTS	\$9,489,657	\$10,070,975	\$581,318	6.1%
1,272,347	1,848,602	576,255	45.3%	HMO/PPO DISCOUNTS	12,466,593	15,360,038	2,893,445	23.2%
4,098,256	3,196,384	(901,872)	-22.0%	GOVERNMENTAL CONTRACTUAL ADJUST	40,155,162	35,439,425	(4,715,737)	-11.7%
46,978	53,936	6,958	14.8%	CHARITABLE CARE	453,754	589,384	135,630	29.9%
351,920	320,532	(31,388)	-8.9%	PROVISION FOR UNCOLLECTABLES	3,448,154	3,261,954	(186,200)	-5.4%
\$6,738,020	\$6,423,950	(\$314,070)	-4.7%	TOTAL DEDUCTIONS	\$66,013,320	\$64,721,776	(\$1,291,544)	-2.0%
				OTHER OPERATING REVENUE				
\$136,761	\$136,383	(\$378)	-0.3%	FOOD SERVICES	\$1,341,531	\$1,342,501	\$970	0.1%
60,017	80,545	20,528	34.2%	PARKING SERVICES	588,723	758,767	170,044	28.9%
4,064	11,908	7,844	193.0%	DEPARTMENT NON-PATIENT	68,734	107,861	39,127	56.9%
105,750	248,939	143,189	135.4%	GRANT INCOME	1,057,500	1,461,137	403,637	38.2%
165,081	176,211	11,130	6.7%	REFERENCE LAB INCOME	1,614,859	1,822,668	207,809	12.9%
173,471	145,092	(28,379)	-16.4%	PRO FEES--NET REVENUE	1,699,689	1,386,625	(313,064)	-18.4%
3,288	0	(3,288)	-100.0%	SILVER SALVAGE	33,314	27,237	(6,077)	-18.2%
167,432	190,175	22,743	13.6%	INCOME FROM BOND PROCEEDS	1,783,943	1,968,389	184,446	10.3%
0	0	0		DONATIONS	0	20,500	20,500	
\$815,864	\$989,253	\$173,389	21.3%	TOTAL OTHER REVENUE	\$8,188,293	\$8,895,685	\$707,392	8.6%
\$22,806,330	\$20,802,608	(\$2,003,722)	-8.8%	TOTAL REVENUE FROM OPERATIONS	\$223,707,865	\$210,577,739	(\$13,130,126)	-5.9%
				EXPENDITURES				
\$10,435,225	\$9,290,639	(\$1,144,586)	-11.0%	SALARIES	\$102,732,446	\$95,921,115	(\$6,811,331)	-6.6%
2,447,174	2,237,164	(210,010)	-8.6%	FRINGE BENEFITS	22,951,947	22,698,453	(253,494)	-1.1%
66,250	182,103	(4,147)	-2.2%	ACADEMIC CONTRACTS	1,862,500	1,821,028	(41,472)	-2.2%
1,772	541,394	9,622	1.8%	RESIDENT CONTRACTS	5,178,400	5,264,253	85,853	1.7%
263,917	261,612	(2,305)	-0.9%	PHYSICIAN COMPENSATION	2,639,167	2,609,150	(30,017)	-1.1%
13,864,338	12,512,912	(1,351,426)	-9.7%	TOTAL SALARY, F.B., & FEES	135,364,460	128,313,999	(7,050,461)	-5.2%
202,134	151,932	(50,202)	-24.8%	LAUNDRY & LINEN	1,987,732	1,755,006	(232,726)	-11.7%
163,429	143,607	(19,822)	-12.1%	RAW FOOD	1,615,308	1,501,450	(113,858)	-7.0%
1,728,876	1,732,445	3,569	0.2%	DRUGS	16,872,992	15,656,227	(1,216,765)	-7.2%
953,457	801,769	(151,688)	-15.9%	BLOOD & BLOOD DERIVATIVES	9,352,788	7,438,289	(1,914,499)	-20.5%
2,238,266	2,012,213	(226,053)	-10.1%	MEDICAL SUPPLIES & SERVICES	21,955,924	21,542,909	(413,015)	-1.9%
503,050	506,222	3,172	0.6%	UTILITIES	5,271,554	5,133,982	(137,572)	-2.6%
101,741	61,474	(40,267)	-39.6%	INSURANCE	788,473	618,048	(170,425)	-21.6%
323,977	297,223	(26,754)	-8.3%	RENTAL	3,217,499	2,972,150	(245,349)	-7.6%
419,260	323,447	(95,813)	-22.9%	MAINTENANCE & REPAIR	4,248,504	3,765,209	(483,295)	-11.4%
1,973	23,844	21,871	1108.5%	NET LOSS ON DISPOSAL OF ASSETS	19,988	98,399	78,411	392.3%
23,178	23,209	31	0.1%	CAMPUS ADMINISTRATION EXPENSE	234,871	235,181	310	0.1%
1,600,977	1,506,312	(94,665)	-5.9%	DEPRECIATION	15,080,611	14,699,724	(380,887)	-2.5%
1,081,467	1,011,623	(69,844)	-6.5%	INTEREST	10,875,179	10,558,053	(317,126)	-2.9%
1,572,247	1,737,554	165,307	10.5%	GENERAL SUPPLIES & EXPENSE	15,932,099	14,539,598	(1,392,501)	-8.7%
\$24,778,370	\$22,845,786	(\$1,932,584)	-7.8%	TOTAL EXPENDITURES	\$242,817,982	\$228,828,224	(\$13,989,758)	-5.8%
(\$1,972,040)	(\$2,043,177)	(\$71,137)	-3.6%	NET REVENUE FROM OPERATIONS	(\$19,110,117)	(\$18,250,484)	\$859,633	4.5%
				NON-OPERATING REVENUE				
\$1,298,250	\$1,289,304	(\$8,946)	-0.7%	APPROPRIATIONS & SUPPORT	\$12,982,500	\$12,911,945	(\$70,555)	-0.5%
504,175	763,872	259,697	51.5%	INTEREST INCOME ON RESERVES	5,901,648	6,939,533	1,037,885	17.6%
14,877	17,305	2,428	16.3%	SHARED SERVICES	150,751	152,922	2,171	1.4%
118,251	101,950	(16,301)	-13.8%	INVESTMENT INCOME HELD BY TRUSTEE	1,246,250	1,181,704	(64,546)	-5.2%
10,685	(31,265)	(41,950)	-392.6%	OTHER INVESTMENT INCOME	108,274	59,222	(49,052)	-45.3%
0	0	0		DIVIDEND DISTRIBUTION	0	1,965,000	1,965,000	
\$1,946,238	\$2,141,166	\$194,928	10.0%	TOTAL NON-OPERATING REVENUE	\$20,389,423	\$23,210,326	\$2,820,903	13.8%
(\$25,802)	\$97,989	\$123,791		REVENUE OVER/(UNDER) EXPENSE	\$1,279,306	\$4,959,842	\$3,680,536	



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 17, 1990

TO: Board of Governors
Finance Committee

FROM: Greg Hart
Senior Associate Director

SUBJECT: Quarterly Capital Expenditure Report

Consistent with Board of Governors' policy, attached please find a report on capital expenditure for the July, 1989 - March, 1990 time period.

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

/th

Attachment

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
CAPITAL EXPENDITURES
7-1-89 THRU 3-31-90

	ANNUAL BUDGET AND ROLLFORWARD			SEASONILIZED BUDGET			ACTUAL EXPENDITURES		
	BUDGET	ROLL FORWARD FROM 6-30-89	TOTAL	9-MONTH BUDGET	9-MONTH ROLLFORWARD	TOTAL	89-90 ACTUAL	88-89 ROLL FORWARD	TOTAL
RECURRING EQUIP & REMODEL:									
EQUIPMENT PURCHASES									
89-90 Budget	\$6,699,010		\$6,699,010	\$3,000,000		\$3,000,000	\$2,699,002		\$2,699,002
Rollforward		\$4,418,612	\$4,418,612		\$3,400,000	\$3,400,000		\$932,971	\$932,971
	\$6,699,010	\$4,418,612	\$11,117,622	\$3,000,000	\$3,400,000	\$6,400,000	\$2,699,002	\$932,971	\$3,631,973
REMODELING PROJECTS	\$1,600,990		\$1,600,990	\$950,000		\$950,000	\$487,626	\$314,703	\$802,329
	\$8,300,000	\$4,418,612	\$12,718,612	\$3,950,000	\$3,400,000	\$7,350,000	\$3,186,628	\$1,247,674	\$4,434,302
PRINCIPLE PAYMENTS									
Lithotripter	\$304,670					\$228,900			\$229,840
CT SCANNER	\$192,600					\$143,100			\$143,100
COMPUTER EQUIP	\$8,909					\$8,909			\$8,909
	\$506,179					\$380,909			\$381,849
TOTAL:	\$8,806,179					\$7,730,909			\$4,816,151
BOND PAYMENTS:	\$2,215,000	(PAID FEB. 1, 1990)							
CAPITAL PROJECTS:	UMHC FUNDS FROM RESERVES	ADDITIONAL FUNDS FROM OTHER SOURCES	TOTAL AUTHORIZED BUDGET	1st Quarter EXPENDITURES 1989-90	2nd Quarter EXPENDITURES 1989-90	3rd Quarter EXPENDITURES 1989-90	TOTAL 1989-90	Current & Prior Year EXPENDITURES	
MRI II	\$3,600,000		\$3,600,000	\$521	\$876,983	\$11,399	\$888,903	\$3,626,628	
DERMATOLOGY	\$612,410	\$223,893	\$836,303	\$18,135	\$22,999	(\$9,637)	\$31,497	\$747,455	
MAYO 4 SURG	\$1,029,350		\$1,029,350	\$96,796	\$49,886	\$37,870	\$184,552	\$998,175	
CUHCC	\$2,200,000	\$150,000	\$2,350,000	\$4,895	\$1,280	\$14,139	\$20,314	\$352,175	
MASONIC HOSP	\$835,000	\$800,000	\$1,635,000	\$314,905	\$369,428	\$142,965	\$827,298	\$1,360,575	
COMPUTER UPGRADE	\$850,000		\$850,000	--	--	--	--	--	
NEURORADIOLOGY UPGRADE	\$909,000		\$909,000	--	--	--	--	--	
MISC. CAPITAL EXPEND.					\$24,398	\$1,295	\$25,693		
TOTAL	\$10,035,760	\$1,173,893	\$11,209,653	\$435,252	\$1,344,974	\$198,031	\$1,978,257	\$7,085,008	



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

May 23, 1990

TO: Members, Board of Governors

FROM: Robert Dickler
General Director

SUBJECT: University of Minnesota Hospital and Clinic
Operating and Capital Budgets for Fiscal Year 1990-91

At your April Board of Governors meeting we presented a 1990-91 budget proposal that requested a 9.9% rate increase of which 7.5% was to be implemented on July 1, 1990. The remaining increase was to be deferred until more specific information was available on Medicare payment levels for 1990-91 and would only be implemented with your approval. The budget proposal, as presented to you in May, was based on volume levels for the period July 1, 1990 through January 1990. As we indicated in April, these volume levels had decreased significantly during the period February through April.

Since these decreased volume levels have continued we felt it imperative to present to you a revised budget projection for 1990-91. The following paragraphs and attached schedules are a summary of the revised budget that we are presenting to you for your approval.

For the ten month period ending April 30, 1990, Hospital inpatient admissions are running 2.2% under their levels of April 30, 1989. The average length of stay in the Hospital has decreased from 8.5 days to 8.1 days over the same period. This has created an under budget position in patient days of approximately 6.1%. The outpatient census through April 30, 1990 has decreased and is .3% under the same period of last fiscal year.

The decline in census which has created the below budget levels at the end of April has occurred since February. The decline has occurred in the majority of clinical areas in the Hospital. Because this has been a recent decline, and the Hospital had a positive revenue over expense position at the end of January, the Hospital is forecasting that its net revenue over expense position for the fiscal year ending June 30, 1990 will be approximately \$4,000,000.

The financial performance of the Hospital for the first ten months of fiscal year 1989-90 is above budgeted levels. The Hospital has net revenues over expenses of \$4,960,000 as of April 30, 1990; this is \$3,700,000 above expected levels. This position is primarily a result of three factors: a) expense reductions consistent with volume reductions, b) higher than expected government payment for services, and c) a return of \$1,965,000 in RUMINCO prior year premiums.

For 1990-91 the Hospital is projecting an average length of stay of 8.0 days and a 5.8% decline in admissions, which is consistent with the current trends in length of stay and admissions. This decline in volume projected over a full year will require UMHC to make further expense reductions to offset the decline in revenues. The 1990-91 budget incorporates \$7,453,000 in expense reductions from current levels. These expense reductions will be phased in during the early part of the fiscal year and are consistent with projected volume and ongoing cost reduction initiatives. In addition to these expense reductions it is expected that the recruitment of new faculty in a variety of clinical departments and programs will improve the volume levels in these areas during 1990-91. However, due to the uncertainty of these expectations, no increase in volume has been incorporated in the 1990-91 forecasts. At the same time the Hospital and faculty continue their efforts in developing rural physician relationships including discussions regarding opportunities to develop more formal relationships with certain physician groups. Discussions with HMOs continue including the possibility of creating an HMO clinic within the Health Science Center.

Since all of these efforts will require a number of months to manifest, the Hospital is projecting that it will be necessary to reduce its planned commitment to its capital plan in 1990-91 by \$2,000,000 to \$19,108,000 to bring forth a balanced budget for 1990-91. The Hospital is also preparing a five year financial plan to determine what impact the recent declines in volumes will have in the Hospital capital plan and what adjustments to the plan will be necessary. This revised plan should be available in late June.

Included for your review of the 1990-91 budget are graphic presentations of patient activity levels for the last six years. The highlights of the operating budget are a maximum 9.9% price increase, bringing projected gross patient care charges to \$342,484,000, and cost increases of 3.9%, bringing operating costs to \$287,303,000. The Hospital intends to implement a 7.5% rate increase on July 1, 1990 and, if at all possible, to avoid using the full 9.9%. Further increases above 7.5% will be subject to your approval and will be dependent on Hospital financial performance, government payments, and finalization of other compensation factors.

The inclusion within the budget of a 9.9% potential increase but limiting the July 1 increase to a lower level (i.e. 7.5%) is identical to the methodology utilized in 1989/90. During the current year only the 7.5% increase was utilized. This approach to rate increases provides flexibility to respond to rapid changes in health care both within the University and in meeting the requirements that rate changes be submitted to the State at least 60 days prior to implementation. These price changes are consistent with price increases of other hospitals in this area. Table VI summarizes recent price increases of other hospitals in Minnesota. The following factors have been taken into account when recommending this increase: anticipated inflation, reductions in payments anticipated from Medicare and Medicaid, increases in staff salaries consistent with the community, University and with existing union contracts, significant increases in fringe benefit costs such as health insurance, volume projections based on current levels, and proposed 1990-91 capital expenditures. Each of these factors is described in more detail in the attached budget material.

Capital expenditures that will be provided from operating cash flows in 1990-91 for recurring equipment replacement and minor remodeling will be \$8,445,000. In addition, \$3,563,000 will be spent for debt service on equipment and the bonds, and parking ramp amortization.

In addition to those capital expenditures provided from operating cash flow, we are projecting that we will spend \$11,544,000 from Hospital reserves. Within this total is \$2,244,000 for the completion of projects that have received your approval (CUHCC, Neuroradiology Upgrade and the Digital Acquisition/Processing System), \$9,300,000 for renovation/equipment projects that have yet to be brought to you for approval (Neuroradiology upgrade expansion, computer upgrade, Linear Accelerator replacement, and Heart Cath remodeling and equipment upgrade). Finally, we are planning on spending \$13,626,000 from the reserves for the Remodeling Project II. This total includes construction costs of \$6,904,000, costs related to Mayo of \$2,938,000, and non-building costs, such as architectural fees, of \$3,784,000. All of these projected expenditures are subject to modification based upon the capital reassessment noted earlier.

Hospital reserves are expected to be \$119,045,000 as of June 30, 1990. Of this amount approximately \$4,503,000 will be dedicated to various approved capital projects, such as the Neuroradiology Upgrade and the Community University Health Care Clinic, and \$29,000,000 will represent cash assigned to our internal debt reserve and our working capital reserve. If the major facilities renovation plans are approved and initiated in 1990-91, total Hospital reserves are projected to be approximately \$105,636,000 by June 30, 1991. Schedule XI summarizes the Hospital reserves for fiscal years 1989-90 and 1990-91.

Board of Governors
May 23, 1990
Page four

Assuming a 7.5% rate increase July 1, 1990, total uncommitted cash generated from operations in 1990-91, following deductions for capital obligations, is projected to be \$948,000. This modest level of uncommitted cash provides some further flexibility to respond to unforeseen changes and to provide resources for new initiatives directed toward developing new inpatient and outpatient activities. In addition to this \$948,000, the Hospital has dedicated interest income on its reserves of \$6,800,000 and an additional \$300,000 of cash from operations toward its major capital facilities projects, bringing total net cash generated from Hospital operations to \$8,048,000.

The 1990-91 Hospital budget incorporates volume forecast based on current activity levels and provides for the Hospital operating and recurring capital requirements for 1990-91. The Hospital believes this budget is consistent with its financial objectives for 1990-91, and we are requesting your endorsement of the budget so it may be forwarded to the Board of Regents for information in June and approval in July.

Enclosures

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BUDGET LETTER
1990-91 BUDGET**

The 1990-91 Budget has been developed with the following set of assumptions:

1989-90 Budget Base

In projecting the 1990-91 fiscal year budget elements, the current experience in each category was used as the starting point to determine expected 1990-91 results. As described below and shown in the attached schedules, forecast admissions, patient days, clinic visits, expenses, revenues, and revenue deductions have been based on current year experience. Current year experience has then been adjusted for changes in projected volume, mix, and intensity of services, and new and pending reimbursement regulations. The following are general descriptions of how the major elements in the 1990-91 budget were projected:

*** Demand Analysis:**

For the 1989-90 fiscal year we had developed a budget of 18,860 admissions and 158,100 patient days. Using our actual experience through March, 1990, we are projecting 18,419 admissions and 147,464 patient days. The decrease in admission levels occurred in more than two thirds of the clinical service areas, with the most significant decreases occurring in Medicine, Urology, and Neurology. Several areas experienced increases in admissions, including Pediatrics, Gynecology, and Otolaryngology. The 6.7% decrease in patient days also reflects our decline in the overall average length of stay from 8.4 days to 8.0.

The 1990-91 census projections reflect an overall decreased level of demand but with additional declines in specific services, such as Ophthalmology, Urology, Obstetrics, and Medicine. These declines reflect changes in clinical staff or programs. They are slightly offset by expected increases in Neurosurgery and Orthopedics. Inpatient census for 1990-91 has been budgeted at 17,350 admissions and 137,800 patient days.

Schedules I, II, and III summarize the demand forecasts for 1989-90 and 1990-91.

*** Ancillary Service Utilization**

The 1990-91 budget for ancillary service revenue reflects the projected lower level of inpatient admissions with a slight upward shift in case-mix. In the 1990-91 budget year we anticipate continued growth in a few programs and services, including Bone Marrow Transplants and Cardiovascular Surgery. In addition, we expect continued expansion in several new programs in the outpatient clinics, specifically, Cutaneous Surgery, Low Back Functional Restoration, and Eating Disorders.

*** Deductions from Charges**

Schedule IV is a summary of the expected deductions from revenue for fiscal years 1989-90 and 1990-91. The fiscal 1990-91 projection is based on current experience as well as pending legislative and regulatory changes relating to the Medicare and Medicaid Programs.

o **Medicare Prospective Payment System (PPS)**

Assumptions affecting UMHC payments include the following:

- 1) A 4.1% payment rate increase (5.6% market basket less 1.5%) on the DRG rate, effective October 1, 1990.
- 2) A reduction in the indirect medical education factor from 7.7% to 6.0%, effective October 1, 1990.
- 3) Capital costs are reduced from a 15% reduction to a 20% reduction effective October 1, 1990.

These assumptions are, of course, subject to change and will be monitored closely.

o **Medical Assistance (Medicaid) and General Assistance Medical Care (GAMC)**

Payments will continue to be based on the 39 diagnostic categories set up by the State Department of Human Services (DHS). We are assuming a continued distinction in payment rates between AFDC and non-AFDC patients, with a 5.0% increase in those rates effective July 1, 1990. In addition, we are projecting a decrease in inpatient reimbursement (approximately \$450,000) as a result of anticipated legislative changes currently being discussed in the Health and Human Services Joint Conference Committee.

o **HMO/PPO Discounts**

The major contracts with HMO's and PPO's include the Blue Cross and Blue Shield AWARE and Blue Plus contracts, Group Health, Med Centers, Share, and Physicians Health Plan (PHP). For the budget year we are assuming that our payment to charge ratios will worsen slightly as the expected increases in our payment levels (4.0% - 5.0%) fall behind our required overall rate increase of 7.5%.

o **Provision for Uncollectables**

The budgeted provision for uncollectables reflects the current year's experience for bad debts, which is significantly lower than UMHC has recognized in the past. This can be partly attributed to a change in payor mix and partly to more aggressive collections efforts by UMHC.

* **Other Operating Revenue**

Schedule V is a summary of projected operating revenues from sources other than patient care. The increase in other operating revenue projected for the 1989-90 fiscal year is primarily due to increases in the reference lab and grant revenues over the original 1989-90 budget levels. The only major change expected in the 1990-91 budget year is a decrease in the interest income earned on the bond proceeds as we spenddown the principal balance during the Renewal Project II. This accounts for a \$665,000 decrease in revenue.

* **Expenditure Summary**

Schedule VI is a comparative summary of expenditures projected for 1989-90 and budgeted for 1990-91. The expenditure levels have been determined using January, 1990, year-to-date

actual experience as a basis for projection. Although all pay plans for employees have not been finalized, we have incorporated salary and wage increases that appear consistent with those in the community and the University pay plans. The following inflationary assumptions were used in budgeting 1990-91:

Salaries:

This budget incorporates a planned 7% increase for nursing classes, consistent with community increases. We are in the second year of existing union contract settlements, which have a base increase of 5%. Other employee classes are budgeted with a 5% base increase. Also included in the salary projection are adjustments for step increases, pay equity, and marketplace range moves. Specific pay plans have not yet been determined; these will be presented to the Board in May or June.

Other Expenses:

Inflationary increases for supplies and expenses are expected to average 6.5% in the budget year.

* **Non-Operating Revenue**

Schedule VIII is a summary of expected appropriations and other non-patient revenues for fiscal years 1989-90 and 1990-91. The increase in non-operating revenue projected for the 1989-90 fiscal year is primarily due to an increase in interest income on reserves over the original 1989-90 budget levels and the receipt of a dividend distribution from RUMINCO LTD, in the amount of \$1,965,000. In the budget year 1990-91 we are expecting an overall decrease of \$1,530,000. Although we're assuming a net increase in appropriations of 3.1%, we're budgeting reductions in the interest earned on our reserves and the second annual dividend distributed by RUMINCO LTD.

Fiscal Year 1990-91 Price and Revenue Increases

The price increase proposed for 1990-91 is 9.9% and results in an increase in patient charges of approximately \$30,852,000. It brings total patient charges to \$342,484,000. However, since many of the specific federal payment levels will not be known for some time and not effective until October 1, 1990, we are intending to increase rates 7.5% effective July 1, 1990, and 2.4% later in the year if necessary. The Comparative Statement of Operations and Operating Cash Flow on Schedule IX summarizes our projected position for the 1990-91 fiscal year.

Capital Expenditures

Capital expenditures that will be provided from operating cash flows in 1990-91 for recurring equipment replacement and minor remodeling will be \$8,445,000. In addition, \$3,563,000 will be spent for debt service on equipment and the bonds, capital lease payments, and parking ramp amortization.

In addition to those capital expenditures provided from operating cash flow, we are projecting that we will spend \$11,544,000 from Hospital reserves. Within this total is \$2,244,000 for the completion of projects that have received Board of Governors approval (CUHCC, Neuroradiology upgrade, and the Digital Acquisition/Processing System), and \$9,300,000 for renovation/equipment projects that have yet to be brought to the Board for approval (Neuroradiology upgrade expansion, computer upgrade, Linear Accelerator replacement, and Heart Cath remodeling and equipment upgrade). Schedule X is a summary of these expected capital outlays.

Schedule XI summarizes the Board-Designated Fund Activity for the current year 1989-90 and the budget year 1990-91. The specified activity includes the capital expenditures mentioned above, and transfers of income and other funds. As the schedule indicates, the balance at July 1, 1990, is projected to be \$119,045,000; we are projecting a balance of \$105,636,000 at June 30, 1991.

Finally, we are planning on spending \$13,626,000 from the Construction Fund for the Remodeling Project II. This total includes construction costs of \$6,904,000, costs related to Mayo of \$2,938,000, and non-building costs, such as architectural fees, of \$3,784,000.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
 FOR FISCAL YEARS 1989/90 AND 1990/91
 COMPARATIVE DEMAND ANALYSIS
 INPATIENT ADMISSIONS

SCHEDULE I

	1989/90 PLANNED <u>ADMITS</u>	1989/90 PROJECTED <u>ADMITS</u>	1990/91 BUDGET <u>ADMITS</u>
ANESTHESIOLOGY	0	3	2
CLINICAL RESEARCH	439	414	384
DENTISTRY	43	38	44
DERMATOLOGY	70	28	20
FAMILY PRACTICE	34	15	22
GYNECOLOGY	1,267	1,482	1,359
MEDICINE	4,594	4,203	3,929
NEWBORN	357	344	306
NEUROLOGY	401	298	296
NEUROSURGERY	926	954	1,060
OBSTETRICS	614	555	472
OPHTHALMOLOGY	543	453	283
ORTHOPEDICS	1,282	1,149	1,178
OTOLARYNGOLOGY	275	382	386
PEDIATRICS	3,083	3,359	3,107
PM&R	209	186	170
PSYCHIATRY-ADULT	856	821	754
PSYCHIATRY-CHILD	109	69	57
RADIATION THERAPY	4	0	0
RADIOLOGY	10	19	30
SURGERY	2,872	2,967	2,902
UROLOGY	872	680	589
TOTAL HOSPITAL	<u>18,860</u>	<u>18,419</u>	<u>17,350</u>

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
 FOR FISCAL YEARS 1989/90 AND 1990/91
 COMPARATIVE DEMAND ANALYSIS
 PATIENT DAYS

SCHEDULE II

	<u>1989/90 PLANNED DAYS</u>	<u>1989/90 PROJECTED DAYS</u>	<u>1990/91 BUDGET DAYS</u>
ANESTHESIOLOGY	0	10	7
CLINICAL RESEARCH	1,759	1,405	1,287
DENTISTRY	94	101	77
DERMATOLOGY	674	151	122
FAMILY PRACTICE	217	49	60
GYNECOLOGY	7,025	8,497	7,961
MEDICINE	35,366	30,016	26,902
NEWBORN	1,144	996	854
NEUROLOGY	2,978	1,944	1,906
NEUROSURGERY	6,459	6,459	6,735
OBSTETRICS	2,323	2,009	1,812
OPHTHALMOLOGY	1,660	1,266	863
ORTHOPEDICS	7,294	6,497	6,833
OTOLARYNGOLOGY	995	1,740	2,080
PEDIATRICS	33,351	33,093	30,921
PM&R	4,404	3,479	3,382
PSYCHIATRY-ADULT	15,624	14,038	12,801
PSYCHIATRY-CHILD	3,186	2,288	2,017
RADIATION THERAPY	8	0	0
RADIOLOGY	42	22	35
SURGERY	30,191	30,474	28,958
UROLOGY	<u>3,306</u>	<u>2,930</u>	<u>2,187</u>
TOTAL HOSPITAL	<u>158,100</u>	<u>147,464</u>	<u>137,800</u>

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
 FOR FISCAL YEARS 1989/90 AND 1990/91
 COMPARATIVE DEMAND ANALYSIS
 CLINIC VISITS**

SCHEDULE III

	1989/90 PLANNED VISITS	1989/90 PROJECTED VISITS	1990/91 BUDGET VISITS
CLINIC VISITS	240,360	225,604	221,205
EMERGENCY ROOM VISITS	17,457	19,114	18,779
RADIATION THERAPY VISITS	16,803	18,823	19,573
AMBULATORY SURGERY VISITS	<u>3,580</u>	<u>3,471</u>	<u>3,443</u>
TOTAL	<u>278,200</u>	<u>267,012</u>	<u>263,000</u>
COMMUNITY UNIVERSITY HEALTH CARE CENTER	46,700	45,448	45,448
HEALTH ETC	0	7,666	7,666
HOME HEALTH	11,800	11,222	11,222

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
 DEDUCTIONS FROM CHARGES
 FOR FISCAL YEARS 1989/90 AND 1990/91

SCHEDULE IV

	1989/90 PLANNED BUDGET	1989/90 PROJECTED	1990/91 BUDGET @ 7.5%	1990/91 BUDGET @ 9.9%
BILLING ADJUSTMENTS (a)	\$11,479,000	\$11,798,000	\$12,454,000	\$12,731,000
HMO/PPO DISCOUNTS (b)	15,080,000	17,897,000	19,890,000	21,005,000
GOVERNMENT CONTRACTUAL ADJUSTMENTS (c)	48,573,000	42,678,000	47,539,000	50,188,000
CHARITABLE CARE	550,000	600,000	600,000	600,000
PROVISION FOR UNCOLLECTABLES	4,171,000	3,026,000	3,015,000	3,082,000
TOTAL	\$79,853,000	\$75,999,000	\$83,498,000	\$87,606,000

a) Includes Outreach Lab billings, and other miscellaneous billing adjustments.

b) Includes HMO's and BCBSM.

c) Includes Medicare, Medical Assistance, GAMC, and other government program writeoffs.

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
OTHER OPERATING REVENUE SUMMARY
FOR FISCAL YEARS 1989/90 AND 1990/91**

SCHEDULE V

	<u>1989/90</u> <u>BUDGET</u>	<u>1989/90</u> <u>PROJECTED</u>	<u>1990/91</u> <u>BUDGET</u>
Food Services	\$1,627,000	\$1,566,000	\$1,477,000
Parking Services	714,000	884,000	838,000
Grant Revenue	1,269,000	1,607,000	1,664,000
Reference Lab Income	1,958,000	2,297,000	2,393,000
Pro Fees -- Net Revenue	2,056,000	1,744,000	1,715,000
Interest Income on Remaining Construction Fund Bond Proceeds	2,125,000	2,290,000	1,625,000
Other	<u>117,000</u>	<u>219,000</u>	<u>115,000</u>
TOTAL	<u>\$9,866,000</u>	<u>\$10,607,000</u>	<u>\$9,827,000</u>

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 EXPENDITURE SUMMARY: 1989/90 PROJECTION VS 1990/91 BUDGET
 FOR FISCAL YEARS 1989/90 AND 1990/91

SCHEDULE VI

	1989/90 PLANNED BUDGET	1989/90 PROJECTION	VARIANCE	PERCENT VARIANCE	1990/91 BUDGET	INCREASE/ DECREASE	PERCENT CHANGE
EXPENDITURES:							
SALARIES	\$123,859,000	\$116,351,000	(\$7,508,000)	-6.1%	\$118,374,000	\$2,023,000	1.7%
FRINGE BENEFITS	27,976,000	27,440,000	(536,000)	-1.9%	28,671,000	1,231,000	4.5%
ACADEMIC CONTRACTS	2,235,000	2,185,000	(50,000)	-2.2%	2,269,000	84,000	3.8%
RESIDENT CONTRACTS	6,242,000	6,345,000	103,000	1.7%	6,953,000	608,000	9.6%
PHYSICIAN COMPENSATION	3,167,000	3,015,000	(152,000)	-4.8%	3,279,000	264,000	8.8%
TOTAL SALARIES, FRINGES & FEES	\$163,479,000	\$155,336,000	(\$8,143,000)	-5.0%	\$159,546,000	\$4,210,000	2.7%
LAUNDRY AND LINEN	2,395,000	2,159,000	(236,000)	-9.9%	2,139,000	(20,000)	-0.9%
RAW FOOD	1,946,000	1,791,000	(155,000)	-8.0%	1,822,000	31,000	1.7%
DRUGS	20,366,000	18,781,000	(1,585,000)	-7.8%	19,914,000	1,133,000	6.0%
BLOOD AND BLOOD DERIVATIVES	11,343,000	8,855,000	(2,488,000)	-21.9%	10,090,000	1,235,000	13.9%
MEDICAL SUPPLIES AND SERVICES	26,628,000	25,760,000	(868,000)	-3.3%	26,024,000	264,000	1.0%
UTILITIES	6,256,000	6,055,000	(201,000)	-3.2%	6,148,000	93,000	1.5%
INSURANCE	992,000	748,000	(244,000)	-24.6%	771,000	23,000	3.1%
RENTAL	3,866,000	3,624,000	(242,000)	-6.3%	3,052,000	(572,000)	-15.8%
MAINTENANCE AND REPAIR	5,101,000	4,687,000	(414,000)	-8.1%	5,022,000	335,000	7.1%
NET LOSS ON DISPOSAL OF ASSETS	24,000	84,000	60,000	250.0%	48,000	(36,000)	-42.9%
CAMPUS ADMINISTRATIVE EXPENSES	282,000	282,000	0	0.0%	296,000	14,000	5.0%
DEPRECIATION	18,283,000	17,546,000	(737,000)	-4.0%	19,497,000	1,951,000	11.1%
INTEREST	13,038,000	12,898,000	(140,000)	-1.1%	12,690,000	(208,000)	-1.6%
GENERAL SUPPLIES AND EXPENSES	19,129,000	17,804,000	(1,325,000)	-6.9%	20,244,000	2,440,000	13.7%
TOTAL SUPPLIES AND EXPENSES	\$129,649,000	\$121,074,000	(\$8,575,000)	-6.6%	\$127,757,000	\$6,683,000	5.5%
TOTAL EXPENDITURES	\$293,128,000	\$276,410,000	(\$16,718,000)	-5.70%	\$287,303,000	\$10,893,000	3.9%

**UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
EXPLANATION OF VARIANCES AND BUDGET INCREASES
FOR FISCAL YEARS 1989-90 AND 1990-91**

SCHEDULE VII

1. **RESIDENT CONTRACTS**
Budget year, 1990-91, increase is due to: (a) inflation increase of \$358,000, and (b) increased funding of \$250,000.
2. **PHYSICIAN COMPENSATION**
Variance in the current year is due to the actual contract being less than assumed. The increase in current year is due to an anticipated increase in the contract.
3. **LAUNDRY AND LINEN**
Variance in current year is due to: (a) implementing new procedures relating to linen changes (\$150,000), and (b) more favorable pricing of (\$120,000).
4. **RAW FOOD**
Current year variance is due to new programs having less than expected volume. Budget year increase is due to inflation.
5. **DRUGS**
Variance in the current year is due to: (a) a decrease in anticipated usage because of reduced volume, (b) not being billed for investigative drugs which have not been approved by the FDA, and (c) more efficient drug usage. The budget year increase is due to: (a) inflation increase of \$1,130,000, (b) \$400,000 for new drugs, (c) BMT and Oncology service charge of \$270,000, and (d) (\$670,000) reduction in expenses due to decreased census.
6. **BLOOD & BLOOD DERIVATIVES**
Variance in the current year is due to: (a) reduced usage caused by less than anticipated transplants, (b) new and more effective method of usage, and (c) more favorable unit cost for blood derivatives. The increase in budget year is due to: (a) inflation of \$800,000, (b) increase in blood usage of \$600,000, (c) \$310,000 due to additional BMT beds, and (d) (\$510,000) reduction of expenses due to decreased census.
7. **MEDICAL SUPPLIES & SERVICES**
Favorable variance in the current year is due to a hospital wide effort to reduce expenses. The increase in budget year is due to: (a) new BMT beds and transplant contracts of \$310,000, (b) increased ancillary activity \$170,000, (c) savings found through employee cost saving programs of (\$100,000), (d) inflation increase of \$1,020,000, and (e) (\$1,130,000) reduction of expenses due to decreased census.
8. **UTILITIES**
Variance in current year is due to more favorable rates than anticipated.

9. **MAINTENANCE & REPAIRS**
Variance in the current year is due to the redefinition of capital guidelines. Budget year increase is due to: (a) increase in remodeling projects \$104,000, and (b) inflation increase \$231,000.
10. **DEPRECIATION**
Variance in the current year is due to the delayed receipt of equipment, (MRI, hypothermia machine). Budget year increase is due to: (a) new acquisition of \$1,350,000, and (b) one full year of depreciation on equipment received late in the current year of \$600,000.
11. **INSURANCE**
Variance in the current year is due to a decrease in the liability premium.
12. **INTEREST**
Variance in current year is due to more favorable rates. Decrease in budget year is the result of principal payments being made.
13. **GENERAL SUPPLIES & EXPENSES**
Variance in the current year is due to: (a) \$467,000 increased office supplies, (b) \$775,000 unanticipated payment to Champ partners and consulting fees to McFaul/Lyons, which were partially offset by less usage of nursing temps than anticipated and (c) (\$2,179,000) programs not implemented, such as physician recruitment support and the Low Back Functional Restoration program, (d) (\$539,000) due to lower volume in transportation, travel and communication, (e) (\$336,000) patient transportation services not being utilized as planned, and (f) \$500,000 unanticipated relocation expenses. Increase in budget year is due to : (a) \$2,000,000 for relocation and rental expenses related to proposed major building project, (b) \$460,000 increase in physician recruitment support, (c) (\$1,110,000) decrease in contract services and office supplies, and (d) \$1,092,000 inflation increase.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
 NON-OPERATING REVENUE SUMMARY
 FOR FISCAL YEARS 1988/89 AND 1990/91

SCHEDULE VIII

	1989/90 PLANNED BUDGET	1989/90 PROJECTED	1990/91 BUDGET
	-----	-----	-----
APPROPRIATIONS & SUPPORT	\$15,579,000	\$15,491,000	\$15,976,000
INTEREST INCOME ON RESERVES	6,906,000	8,341,000	7,686,000
SHARED SERVICES	181,000	179,000	179,000
INVESTMENT INCOME HELD BY TRUSTEE	1,484,000	1,446,000	1,400,000
OTHER INVESTMENT INCOME	130,000	175,000	171,000
DIVIDEND DISTRIBUTION	0	1,965,000	655,000
	-----	-----	-----
TOTAL	\$24,280,000	\$27,597,000	\$26,067,000
	=====	=====	=====

University of Minnesota Hospital and Clinic
 Summary Statement of Operations and Operating Cash Flow
 For Fiscal Years 1989/90 and 1990/91

SCHEDULE IX

	1989/90 BOG	1989/90 Projection	1990/91 Budget @ 7.5%	1990/91 Budget @ 9.9%
Gross Patient Charges	\$340,467,000	\$318,203,000	\$335,005,000	\$342,484,000
Deductions from Charges	79,853,000	75,999,000	83,498,000	87,606,000
Other Operating Revenue	9,866,000	10,607,000	9,827,000	9,827,000
Total Revenue from Operations	\$270,480,000	\$252,811,000	\$261,334,000	\$264,705,000
Non-Operating Revenue	24,280,000	27,597,000	26,067,000	26,067,000
Total Revenue	\$294,760,000	\$280,408,000	\$287,401,000	\$290,772,000
Total Expenditures	293,128,000	276,410,000	287,303,000	287,303,000
Revenue Over/(Under) Expenses	\$1,632,000	\$3,998,000	\$98,000	\$3,469,000
Add Non-Cash Outlays:				
Depreciation	18,283,000	17,546,000	19,497,000	19,497,000
Campus G & A	182,000	182,000	196,000	196,000
Net Increase to Working Capital	2,539,000	1,065,000	1,957,000	1,957,000
Total Funds Provided	\$22,636,000	\$22,791,000	\$21,748,000	\$25,119,000
Funds Applied				
Increase in Accounts Receivable	3,051,000	(7,953,000)	1,692,000	3,032,000
Capital Obligations:				
Principal Payment on Fixed-Rate Bonds	2,215,000	2,215,000	2,345,000	2,345,000
Principal Payment on Equipment	840,000	579,000	1,142,000	1,142,000
Recurring Equipment and Renovation	7,876,000	8,200,000	8,445,000	8,445,000
Parking Ramp Sinking Fund	76,000	76,000	76,000	76,000
Total Funds Applied	\$14,058,000	\$3,117,000	\$13,700,000	\$15,040,000
Total Cash Available from Operations	\$8,578,000	\$19,674,000	\$8,048,000	\$10,079,000
Cash Required for Capital Plan	5,550,000	5,550,000	6,800,000	6,800,000 a
Operations Cash Funding for Capital Plan	2,069,000	2,069,000	300,000	300,000 b
Capital Plan Excess/(Shortfall)	\$959,000	\$12,055,000	\$948,000	\$2,979,000

NOTES TO CASH FLOW

- a. **Cash Required for Capital Plan is composed of \$6,800,000 of Investment Income earned on our Board Designated Reserves for Capital Expenditures. This money is being set aside as part of the Long Range Capital Facilities Plan. These funds will be dedicated toward capital expenditures and will not be used to offset operating costs.**
- b. **\$300,000 of our Operating Cash is being set aside for funding of the Unit J Expansion Project.**

**University of Minnesota Hospital and Clinic
1990-91 Capital Budget**

Schedule X

I. Annual Equipment and Remodeling Requirements	\$8,550,000
II. Approved Projects	
Neuroradiology Upgrade	909,000
CUHCC	1,000,000
Digital Acquisition/Processing System	335,000
III. Anticipated Major Capital Expenditures (funded from reserves/borrowings)	
Linear Accelerator Replacement	1,700,000
Computer Upgrades	2,000,000
Neuroradiology Upgrade	900,000
Heart Cath/CV Radiology	4,700,000
IV. Principal payments on Unit J debt, and equipment lease principal payments	3,563,000
Subtotal	----- \$23,657,000
V. Renewal Project II design and construction	13,626,000 *
Total	----- \$37,283,000 =====

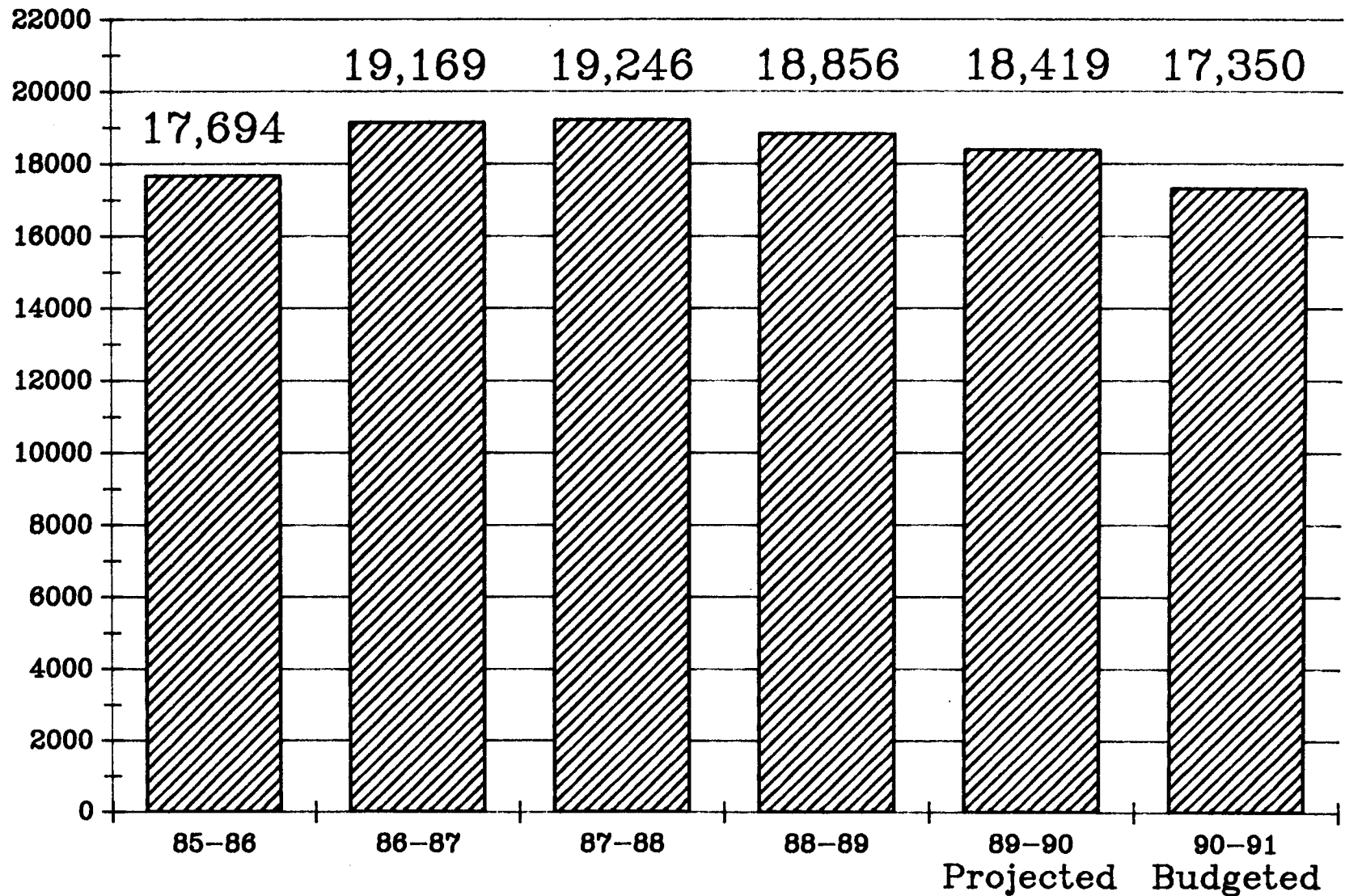
*Timing of projected expenditures for Renewal Project II are preliminary estimates, and are subject to appropriate approvals.

**University of Minnesota Hospital and Clinic
 Summary of Hospital Reserves
 1989-90 through 1990-91**

Schedule XI

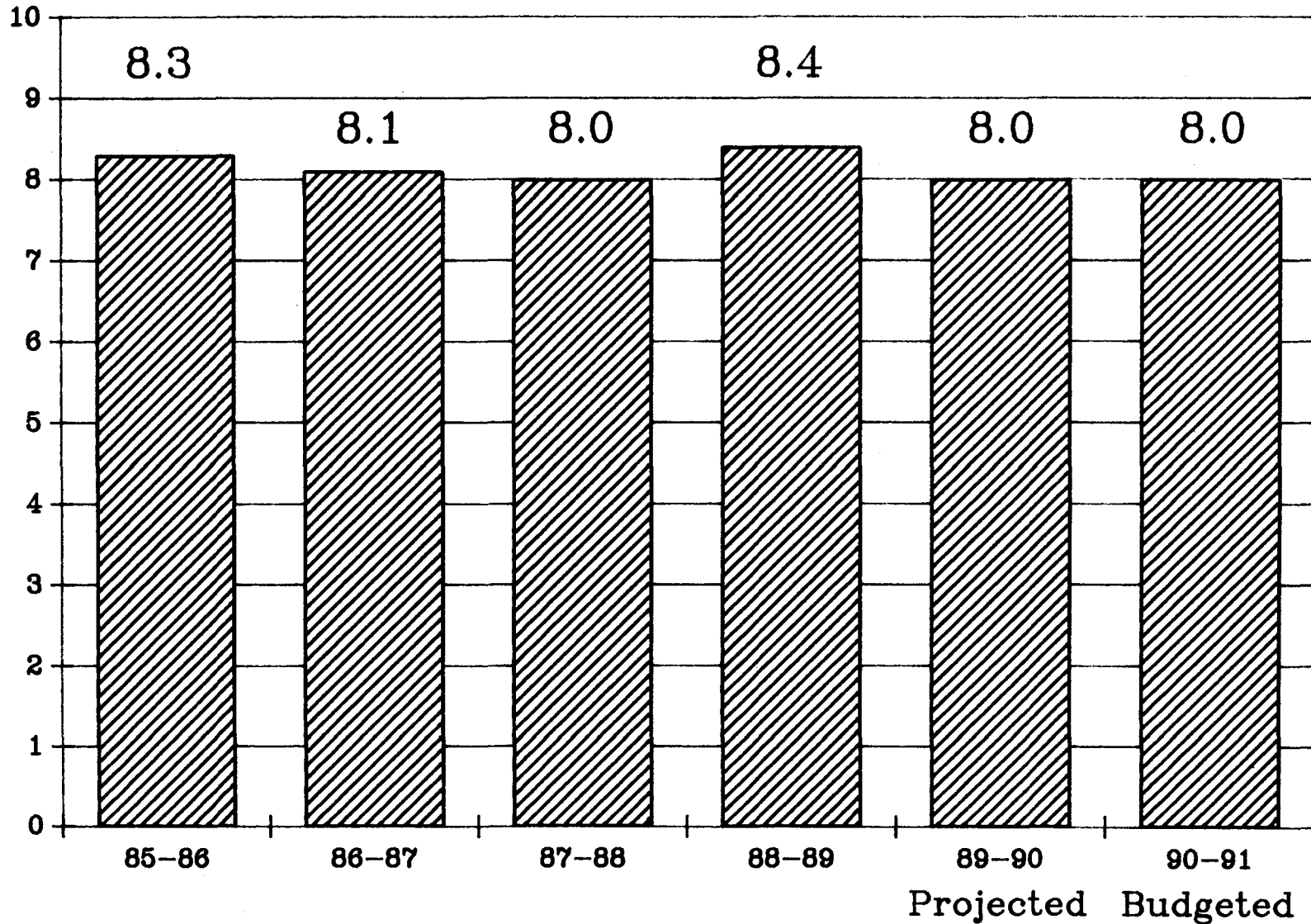
	<u>1989-90</u>	<u>1990-91</u>
Cash Assigned to Approved Construction Projects	\$4,503,000	\$985,000
Cash Assigned to Internal Debt Service Reserve	13,000,000	13,000,000
Cash Assigned to Working Capital Reserve	16,000,000	16,000,000
Cash Assigned to Renewal Project Phase II and Long Range Capital Plan	85,542,000	75,651,000
 Total	 ----- \$119,045,000 =====	 ----- \$105,636,000 =====

University of Minnesota Hospital and Clinic Admissions 1985-86 through 1990-91



University of Minnesota Hospital and Clinic

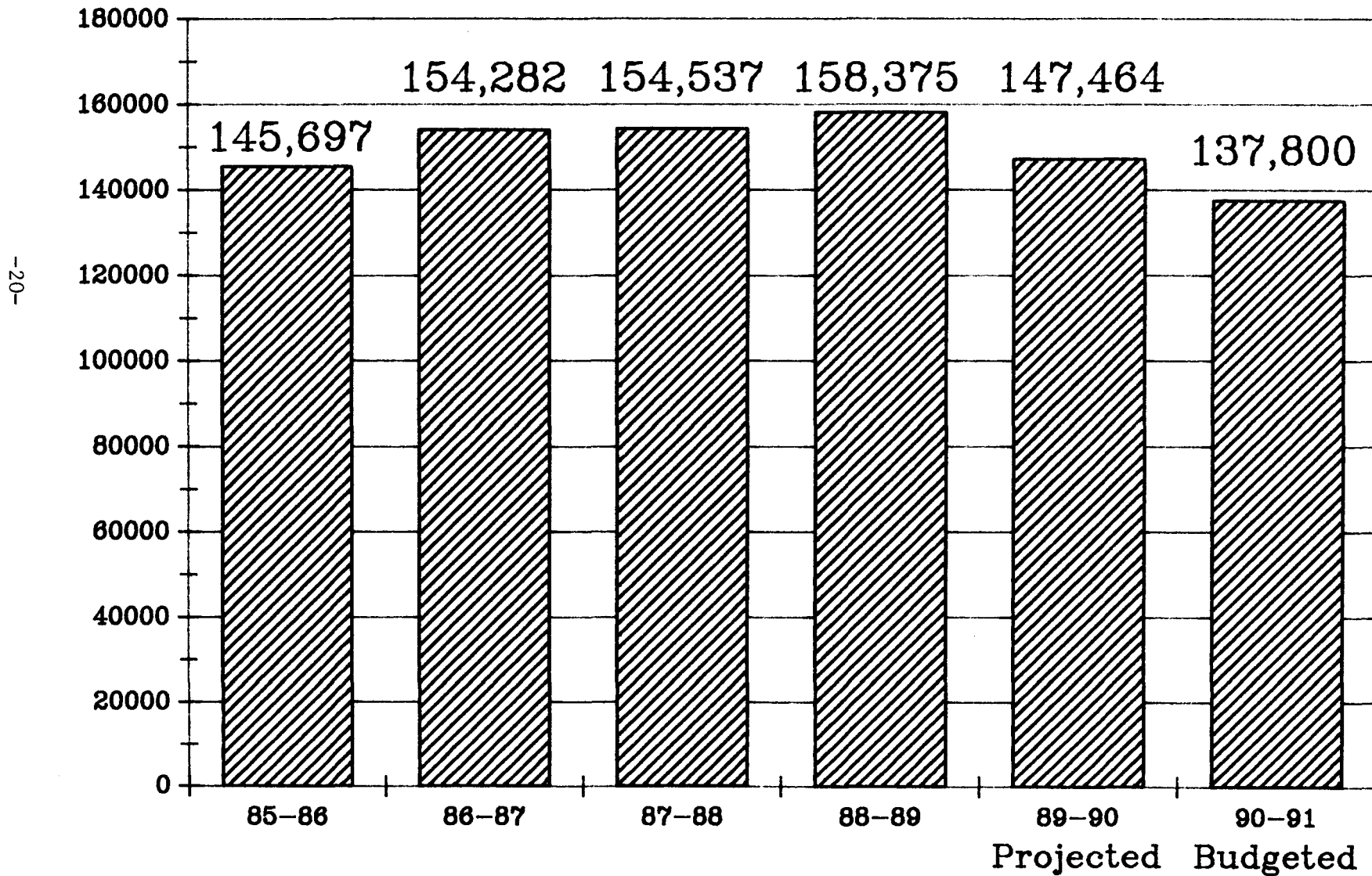
Average Length of Stay 1985-86 through 1990-91



University of Minnesota Hospital and Clinic

Patient Days

1985-86 through 1990-91

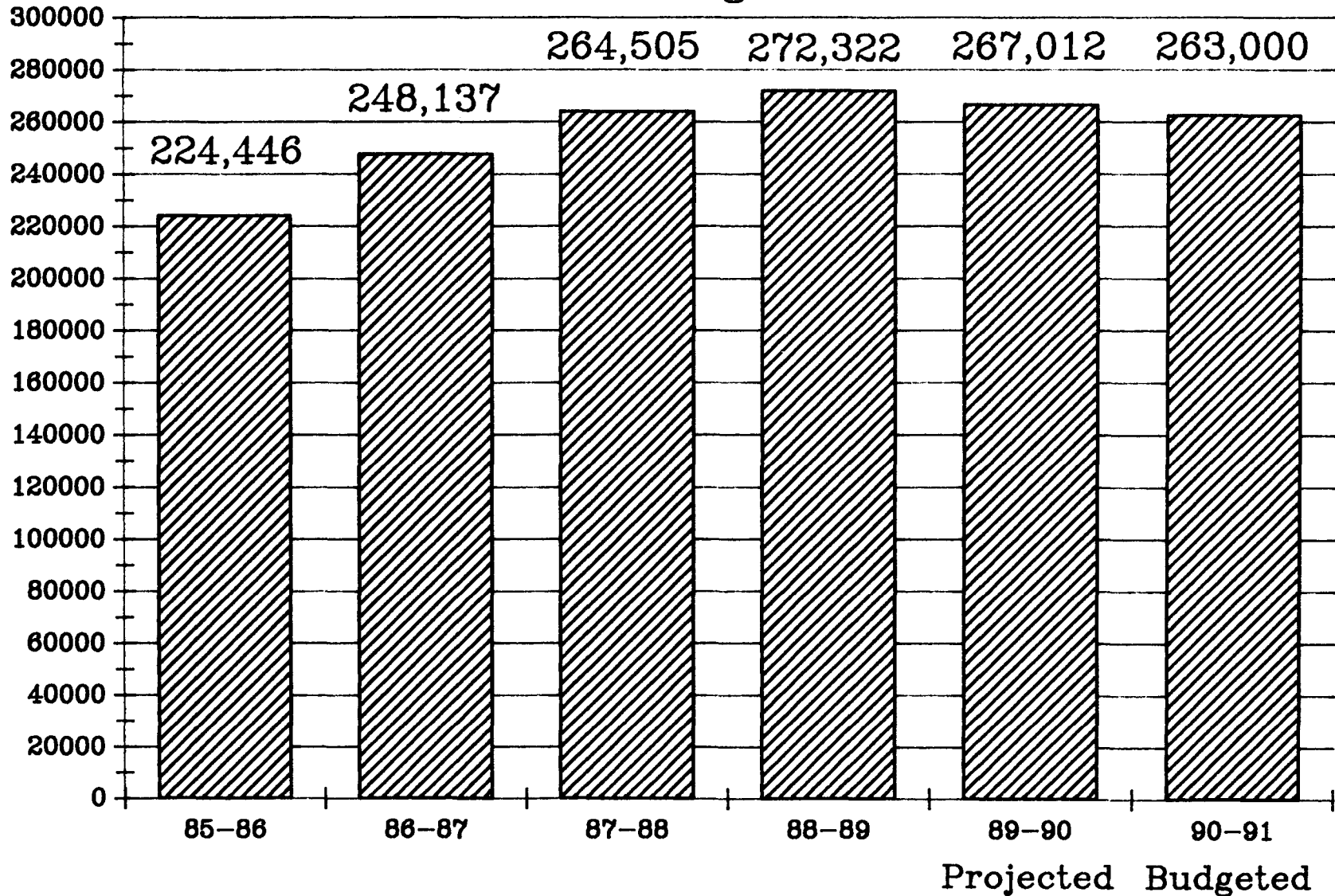


University of Minnesota Hospital and Clinic

Patient Origin – Inpatient Admissions

Service Area	1985–86	1986–87	1987–88	1988–89	April YTD 1989–90
Metro	44%	45%	44%	44%	43%
Non–Metro	33%	32%	33%	34%	34%
Out–of–State	23%	23%	23%	22%	23%

University of Minnesota Hospital and Clinic Outpatient Clinic Visits 1985-86 through 1990-91



RECENT COMMUNITY RATE INCREASES*

	<u>HOSPITAL</u>	<u>1989</u>	<u>1990</u>	<u>CUMULATIVE</u>
1)	Abbott-Northwestern	8.0%	8.0%	16.0%
2)	Fairview Southdale	15.0%	15.0%	30.0%
3)	Hennepin County Medical Center	15.0%	13.0%	28.0%
4)	Metropolitan Medical Center	19.0%	22.0%	41.0%
5)	Midway Hospital	27.8%	12.0%	39.8%
6)	North Memorial Medical Center	5.0%	9.0%	14.0%
7)	Rochester Methodist	6.8%	8.5%	15.3%
8)	St. Mary's, Rochester	7.2%	10.6%	17.8%
9)	St. Paul Ramsey Medical Center	8.0%	14.0%	22.0%
10)	St. Paul United Hospital	15.7%	16.5%	32.2%
11)	University of Minnesota Hospital and Clinic	7.5%	7.5%	15.0%

* All rate increases are effective on January 1 of each year with the exception of Midway, whose rate increases are implemented September 1, and UMHC, whose rates go into effect July 1. A second rate increase of 2.4% may be implemented at UMHC depending on the outcomes of federal regulations regarding Medicare reimbursement. Included in the rates cited above are interim rate increases for the following hospitals:

Hennepin County Medical Center	1.0%	October 1989
Metropolitan Medical Center	6.0%	February 1988
	5.0%	October 1988
	5.0%	July 1989
	10.0%	November 1989
St. Paul United Hospital	3.0%	July 1988
	5.0%	September 1989

All information has been provided UMHC by the Minnesota Rate Review Program.

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
SUMMARY STATEMENT OF OPERATIONS AND DETAILED OPERATING CASH FLOW
1989/90 BUDGET, 1989/90 CURRENT YEAR PROJECTIONS, ORIGINAL 1990/91 BUDGET, AND REVISED 1990/91 BUDGET

	1989/90 ANNUAL BUDGET	1989/90 CURRENT YEAR PROJECTION	1990/91 ORIGINAL BUDGET @ 1.075	1990/91 REVISED BUDGET @ 1.075
Gross Patient Charges	\$340,467,000	\$318,203,000	\$348,641,000	\$335,005,000
Deductions from Charges	79,853,000	75,999,000	87,984,000	83,498,000
Other Operating Revenue	9,866,000	10,607,000	9,982,000	9,827,000
Total Operating Revenue	\$270,480,000	\$252,811,000	\$270,639,000	\$261,334,000
Expenditures				
Salaries	\$123,859,000	\$116,351,000	\$121,372,000	\$118,374,000
Fringe Benefits	27,976,000	27,440,000	29,401,000	28,671,000
Contract Compensation	11,644,000	11,545,000	12,730,000	12,501,000
Medical Supplies, Drugs, Blood	58,337,000	53,396,000	58,879,000	56,028,000
Campus Administration Expense	282,000	282,000	296,000	296,000
Depreciation	18,283,000	17,546,000	19,497,000	19,497,000
General Supplies & Expense	52,747,000	49,850,000	52,601,000	51,936,000
Total Expenditures	\$293,128,000	\$276,410,000	\$294,776,000	\$287,303,000
Net Revenue from Operations	(\$22,648,000)	(\$23,599,000)	(\$24,137,000)	(\$25,969,000)
Total Non-Operating Revenue				
Appropriations	\$15,579,000	\$15,491,000	\$16,122,000	\$15,976,000
Interest Income on Reserves	6,906,000	8,341,000	7,193,000	7,686,000
Shared Services	181,000	179,000	179,000	179,000
Investment Income on Trustee Held Assets	1,484,000	1,446,000	1,400,000	1,400,000
Other Investment Income	130,000	175,000	171,000	171,000
Dividend Distribution	0	1,965,000	655,000	655,000
Total Non-Operating Revenues	\$24,280,000	\$27,597,000	\$25,720,000	\$26,067,000
Revenue Over/-Under Expenses	\$1,632,000	\$3,998,000	\$1,583,000	\$98,000
Add Non-Cash Outlays:				
Depreciation	18,283,000	17,546,000	19,497,000	19,497,000
Campus Administration Expense	182,000	182,000	196,000	196,000
Loss on Disposal of Assets	24,000	84,000	48,000	48,000
Increase in Accrued Interest	94,000	35,000	(70,000)	(70,000)
Increase in Accrued Expense	2,310,000	615,000	2,183,000	1,676,000
Decrease in Other Receivables	719,000	113,000	825,000	825,000
Total Funds Provided	23,244,000	22,573,000	24,262,000	22,270,000
Funds Applied				
Increase in Accounts Receivable	3,051,000	(7,953,000)	4,175,000	1,692,000
Increase in Prepaid Expense	82,000	98,000	54,000	54,000
Increase in Inventories	396,000	(491,000)	466,000	297,000
Increase in Investments	130,000	175,000	171,000	171,000
Capital Obligations:				
Principal Payment on Fixed-Rate Bonds	2,215,000	2,215,000	2,345,000	2,345,000
Principal Payment on Equipment	840,000	579,000	1,142,000	1,142,000
Recurring Equipment and Renovation	7,876,000	8,200,000	8,445,000	8,445,000
Parking Ramp Sinking Fund	76,000	76,000	76,000	76,000
Interest Income Committed to Capital Plan	5,550,000	5,550,000	6,800,000	6,800,000
Operations Cash Funding for Capital Plan	2,069,000	2,069,000	2,300,000	300,000
Total Funds Applied	22,285,000	10,518,000	25,974,000	21,322,000
Total Cash Available from Operations	\$959,000	\$12,055,000	(\$1,712,000)	\$948,000

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
 ASSUMPTIONS INFORMATION
 1989/90 BUDGET, 1989/90 CURRENT YEAR PROJECTIONS, ORIGINAL 1990/91 BUDGET, AND REVISED 1990/91 BUDGET

	1989/90 ANNUAL BUDGET	1989/90 CURRENT YEAR PROJECTION	1990/91 ORIGINAL BUDGET @ 1.075	1990/91 REVISED BUDGET @ 1.075
	-----	-----	-----	-----
ASSUMPTIONS:				
Admissions	18,860	18,419	18,414	17,350
Average Length of Stay	8.4	8.0	8.0	8.0
Patient Days	158,100	147,464	147,580	137,800
Average Daily Census	433.2	404.0	404.0	377.5
Clinic Visits	278,200	267,012	266,094	263,000
FTE'S	4,089	3,858	3,742	3,644
Days in Accounts Receivable	97	95	95	95



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

**MEETING OF THE
BOARD OF GOVERNORS FINANCE COMMITTEE
Wednesday, June 27, 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.
Margaret Matalamaki
Barbara O'Grady
Vic Vikmanis

A G E N D A

- | | | |
|------|---|----------------------|
| I. | Opening of Meeting and Approval of Minutes of Finance Committee meeting held 5/23/90 (Approval) pp. 1 - 2 | Mr. Jerry Meilahn |
| II. | May 31, 1990 Financial Statements (Information) pp. 3 - 9 | Mr. Clifford Fearing |
| III. | Remodeling of Obstetric Unit (Endorsement) pp. 10 - 12 | Mr. Robert Dickler |
| IV. | Personnel Policy Changes (Endorsement) pp. 13 - 21 | Mr. Greg Hart |
| V. | Long Range Capital Plan (Information) (To be distributed at meeting) | Mr. Clifford Fearing |
| VI. | Finance Committee Schedule (Discussion) pp. 22 - 26 | Mr. Clifford Fearing |
| VII. | 1990-91 Capital Budget (Information) | Mr. Greg Hart |

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
BOARD OF GOVERNORS FINANCE COMMITTEE
May 23, 1990

MINUTES

ATTENDANCE:

Present: Carol Campbell
Edward Ciriacy, M.D.
Robert Dickler
Clifford Fearing
Elwin Fraley, M.D.
Barbara O'Grady
Margaret Matalamaki
Jerry Meilahn
Vic Vikmanis

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

CALL TO ORDER:

The Finance Committee was called to order by Ms. Margaret Matalamaki on May 23, 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 April 25, 1990 meeting as written.

JULY 1, 1989 THROUGH APRIL 30, 1990 FINANCIALS:

Mr. Clifford Fearing reported to the Finance Committee the month of April inpatient admissions totaled 1,455, which was 122 below budget; average length of stay was 8.4 days; patient days totaled 11,952, which were 1,415 days below budget. The April average daily census was 398, which was below the budgeted level of 446. Clinic visits for the month of April were reported to be 3.2% below budget.

The Hospital's year-to-date Statement of Operations showed revenues over expenses by \$4,959,842, a favorable variance of \$3,680,536. Mr. Fearing stated ancillary revenue was 6.0% under budget and operating expenditures were reported to be 5.8% below budget. Mr. Fearing reported this month's statement of operations reflects a dividend distribution of \$1,965,000 from RUMINCO LTD.

Lastly, Mr. Fearing reported as of April 30 the balance of accounts receivable totaled \$86,483,060 and represented 94.0 days of revenue outstanding.

1990-91 BUDGET:

Mr. Robert Dickler presented to the Committee, for endorsement, the 1990-91 Budget.

The budget brought before the Committee in April had not reflected the volume changes the Hospital had been experiencing since February, therefore a revised 1990-91 budget was presented in May. It was also stated that because of the volume changes the 5 and 10 year capital financing projections will be reevaluated. The revised 5 and 10 year capital financing projections will be brought before the Committee in June.

The 1990-91 Budget would have a rate increase of 9.9% with an implementation of 7.5% on July 1, 1990. After it becomes known how changes in Federal and State reimbursement levels will impact the budget and if it is believed necessary, with prior Board approval the remaining 2.4% would be implemented. The 1990-91 Budget will go before the Board of Regents at their June meeting for information and to be presented to their July meeting for action.

The Board of Governors Finance Committee second and passed the motion to approve the 1990-91 Operating Budget.

QUARTER CAPITAL EXPENDITURE REPORT:

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

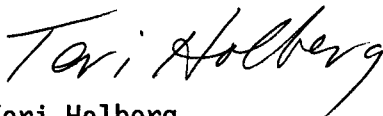
Mr. Hart reported the actual capital expenditures year-to-date was \$3,186,628. Comparing that amount to the seasonized budget, the Hospital had underspent the capital budget by \$763,372.

RED WING UPDATE:

Mr. Dickler stated a letter of agreement with Red Wing for exclusive negotiation for the next six to nine months will be developed prior to the next Board meeting. Board members will be notified of the signing of the agreement. Mr. Dickler stressed there will not be a commitment of ownership of the facility in the document.

There being no further discussion, the May 23, 1990 meeting was adjourned at 1:05 P.M.

Respectfully submitted,



Teri Holberg
Recording Secretary



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

June 27, 1990

TO: Board of Governors Finance Committee
FROM: Clifford P. Fearing
SUBJECT: Report of Operations for the Period
July 1, 1989 through May 31, 1990

The Hospital's operations for the month of May reflect inpatient admissions, and patient days activity below budget. Clinic visits were above budgeted levels for the month. Both ancillary revenue and routine revenue are below budgeted levels for the month.

INPATIENT CENSUS: For the month of May, inpatient admissions totaled 1,523 which was 114 below budgeted admissions of 1,637. Our overall average length of stay for the month was 7.9 days. Patient days for May totaled 12,119 and were 1,388 days below budget. The decrease in admission levels from budget was seen in almost all areas with the most significant ones being in Urology, Orthopedics, Medicine, Ophthalmology and Surgery.

To recap our year-to-date inpatient census:

	1988-89 <u>Actual</u>	1989-90 <u>Budget</u>	1989-90 <u>Actual</u>	<u>Variance</u>	% <u>Var</u>
Admissions	17,262	17,214	16,823	(391)	(2.3)
Patient Days	146,080	145,097	135,710	(9,387)	(6.5)
Avg Length of Stay	8.4	8.4	8.1	(0.3)	(3.6)
Avg Daily Census	436.1	433.1	405.1	(28.0)	(6.5)
Percent Occupancy	74.9	73.9	69.8	(4.1)	(5.6)

OUTPATIENT CENSUS: Clinic visits for the month of May totaled 24,604 which was 266, or 1.1%, more than budgeted visits of 24,338. Visits were significantly below budget in OB/GYN, Urology, Dermatology, and Sports Medicine. Areas that reported visits above budgeted levels were Otolaryngology, Medicine, Psychology, and Emergency Room. Community University Health Care Center (CUHCC) visits for the month of May totaled 4,518 which was 425, or 10.4%, over budgeted visits of 4,093, while Home Health visits of 985 for the month were 17, or 1.7%, below budgeted visits of 1,002.

**REPORT OF OPERATIONS
MAY 1990
PAGE 2**

To recap our year-to-date outpatient census:

	<u>1988-89</u> <u>Actual</u>	<u>1989-90</u> <u>Budget</u>	<u>1989-90</u> <u>Actual</u>	<u>Variance</u>	<u>%</u> <u>Var</u>
Clinic Visits	247,750	253,051	247,049	(6,002)	(2.4)
CUHCC Visits	43,850	42,793	48,845	6,052	14.1
HHA Visits	11,156	10,830	10,484	(346)	(3.2)

FINANCIAL OPERATIONS: The Hospital's Statement of Operations shows revenues over expenses by \$4,918,930, a favorable variance of \$3,646,032.

Patient care charges through May totaled \$293,314,249, which was 5.7% under budget. Routine revenue was 4.3% under budget and reflects our unfavorable inpatient census variance.

Ancillary revenue was \$13,863,571 below budget (6.2%) and reflected the unfavorable variance in both inpatient and outpatient census and the unfavorable variance in the average revenue per clinic visit. Inpatient ancillary revenue averaged \$8,871 per admission compared to the budgeted average of \$8,922 per admission. Outpatient revenue per clinic visit averaged \$239 compared to the budgeted average of \$271.

Operating expenditures through May totaled \$251,803,645 and were \$16,371,183 (6.1%) below budgeted levels of \$268,174,828. 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 May 31, 1990, totaled \$85,483,434 and represented 93.5 days of revenue outstanding. The overall decrease in our patient receivables in May of .5 days occurred primarily in Blue Cross and Blue Shield of Minnesota.

CONCLUSION: The Hospital's overall operating position is positive and above budgeted levels for year-to-date May. 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 MAY 31, 1990

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Patient Care Charges	\$311,004,153	\$293,314,249	(\$17,689,904)	-5.7%
Deductions from Charges	72,929,113	71,807,072	(1,122,041)	-1.5%
Other Operating Revenue	9,026,978	9,781,942	754,964	8.4%
Total Operating Revenue	247,102,018	231,289,119	(15,812,899)	-6.4%
Total Expenditures	268,174,828	251,803,645	(16,371,183)	-6.1%
Net Operating Revenue	(21,072,810)	(20,514,526)	558,284	2.6%
Non-Operating Revenue and Expenses	22,345,708	25,433,456	3,087,748	13.8%
Revenue Over/Under Expense	\$1,272,898 =====	\$4,918,930 =====	\$3,646,032 =====	

	1989-90 Budgeted	1989-90 Actual	Variance Over/-Under Budget	Variance %
Admissions	17,214	16,823	(391)	-2.3%
Patient Days	145,097	135,710	(9,387)	-6.5%
Average Daily Census	433.1	405.1	(28.0)	-6.5%
Average Length of Stay	8.4	8.1	(0.3)	-3.6%
Percentage Occupancy	73.9	69.8	(4.1)	-5.6%
Outpatient Clinic Visits	253,051	247,049	(6,002)	-2.4%

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

ANNUAL BUDGET	PATIENT CARE CHARGES	BUDGETED	ACTUAL	OVER/(UNDER) BUDGET	VARIANCE %
\$96,834,525	ROUTINE	\$88,870,092	\$85,043,759	(\$3,826,333)	-4.3%
243,632,475	ANCILLARY	222,134,061	208,270,490	(13,863,571)	-6.2%
\$340,467,000	GROSS CHARGES	\$311,004,153	\$293,314,249	(\$17,689,904)	-5.7%
	DEDUCTIONS FROM CHARGES				
\$11,479,000	BILLING ADJUSTMENTS	\$10,483,784	\$10,997,866	\$514,082	4.9%
15,080,000	HMO/PPO DISCOUNTS	13,772,581	16,890,414	3,117,833	22.6%
48,573,000	GOVERNMENTAL CONTRACTUAL ADJUST	44,361,777	39,685,970	(4,675,807)	-10.5%
550,000	CHARITABLE CARE	501,591	640,577	138,986	27.7%
4,171,000	PROVISION FOR UNCOLLECTABLES	3,809,380	3,592,245	(217,135)	-5.7%
\$79,853,000	TOTAL DEDUCTIONS	\$72,929,113	\$71,807,072	(\$1,122,041)	-1.5%
	OTHER OPERATING REVENUE				
\$1,627,000	FOOD SERVICES	\$1,483,177	\$1,474,586	(\$8,591)	-0.6%
714,000	PARKING SERVICES	650,883	838,122	187,239	28.8%
77,000	DEPARTMENT NON-PATIENT	72,934	131,373	58,439	80.1%
1,269,000	GRANT INCOME	1,163,250	1,616,362	453,112	39.0%
1,958,000	REFERENCE LAB INCOME	1,785,224	2,002,864	217,640	12.2%
2,056,000	PRO FEES--NET REVENUE	1,877,747	1,509,951	(367,796)	-19.6%
40,000	SILVER SALVAGE	36,711	29,792	(6,919)	-18.8%
2,124,684	INCOME FROM BOND PROCEEDS	1,957,052	2,158,392	201,340	10.3%
0	DONATIONS	0	20,500	20,500	
\$9,865,684	TOTAL OTHER REVENUE	\$9,026,978	\$9,781,942	\$754,964	8.4%
\$270,479,684	TOTAL REVENUE FROM OPERATIONS	\$247,102,018	\$231,289,119	(\$15,812,899)	-6.4%
	EXPENDITURES				
\$123,859,000	SALARIES	\$113,481,544	\$105,514,562	(\$7,966,982)	-7.0%
27,976,000	FRINGE BENEFITS	25,505,915	24,980,621	(525,294)	-2.1%
2,235,000	ACADEMIC CONTRACTS	2,048,750	2,003,130	(45,620)	-2.2%
6,242,000	RESIDENT CONTRACTS	5,710,172	5,805,646	95,474	1.7%
3,167,000	PHYSICIAN COMPENSATION	2,903,083	2,870,762	(32,321)	-1.1%
163,479,000	TOTAL SALARY, F.B., & FEES	149,649,464	141,174,721	(8,474,743)	-5.7%
2,395,000	LAUNDRY & LINEN	2,193,531	1,972,225	(221,306)	-10.1%
1,946,000	RAW FOOD	1,782,346	1,650,543	(131,803)	-7.4%
20,366,000	DRUGS	18,628,743	17,365,915	(1,262,828)	-6.8%
11,343,000	BLOOD & BLOOD DERIVATIVES	10,340,302	8,382,178	(1,958,124)	-18.9%
26,628,000	MEDICAL SUPPLIES & SERVICES	24,274,139	23,636,003	(638,136)	-2.6%
6,256,000	UTILITIES	5,715,104	5,604,537	(110,567)	-1.9%
992,000	INSURANCE	890,018	679,529	(210,489)	-23.6%
3,866,000	RENTAL	3,543,600	3,276,532	(267,068)	-7.5%
5,101,000	MAINTENANCE & REPAIR	4,681,740	4,211,509	(470,231)	-10.0%
24,000	NET LOSS ON DISPOSAL OF ASSETS	22,026	98,399	76,373	
282,000	CAMPUS ADMINISTRATION EXPENSE	258,822	259,163	341	0.1%
18,283,000	DEPRECIATION	16,681,588	16,197,496	(484,092)	-2.9%
13,038,000	INTEREST	11,956,651	11,611,247	(345,404)	-2.9%
19,129,000	GENERAL SUPPLIES & EXPENSE	17,556,754	15,683,648	(1,873,106)	-10.7%
\$293,128,000	TOTAL EXPENDITURES	\$268,174,828	\$251,803,645	(\$16,371,183)	-6.1%
(\$22,648,316)	NET REVENUE FROM OPERATIONS	(\$21,072,810)	(\$20,514,526)	\$558,284	2.6%
	NON-OPERATING REVENUE				
\$15,579,000	APPROPRIATIONS & SUPPORT	\$14,280,750	\$14,201,249	(\$79,501)	-0.6%
6,906,000	INTEREST INCOME ON RESERVES	6,413,423	7,739,397	1,325,974	20.7%
181,000	SHARED SERVICES	166,123	166,769	646	0.4%
1,484,316	INVESTMENT INCOME HELD BY TRUSTEE	1,366,097	1,284,082	(82,015)	-6.0%
130,000	OTHER INVESTMENT INCOME	119,315	76,959	(42,356)	-35.5%
0	DIVIDEND DISTRIBUTION	0	1,965,000	1,965,000	
\$24,280,316	TOTAL NON-OPERATING REVENUE	\$22,345,708	\$25,433,456	\$3,087,748	13.8%
\$1,632,000	REVENUE OVER/(UNDER) EXPENSE	\$1,272,898	\$4,918,930	\$3,646,032	

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
BALANCE SHEETS

MAY 31, 1990 AND JUNE 30, 1989

ASSETS	05/31/90	6/30/89	LIABILITIES AND FUND BALANCES	05/31/90	6/30/89
CURRENT ASSETS			CURRENT LIABILITIES		
Operating Cash	\$72,282	\$72,282	Accounts Payable	\$12,122,349	\$8,926,779
Reserve Cash- Third Party Payable	13,086,903	4,994,382	Payable to Third Party Contr. Payors	8,136,903	10,071,821
Reserve Cash- Current Indebtedness	6,049,573	8,484,143	Salaries, Wages and Payroll Taxes	4,133,488	4,820,284
Reserve Cash- Fringe Benefits	0	798,151	Accrued Vacation	8,588,604	8,187,806
Accounts Receivable			Accrued Professional Fees and Physician Compensation	1,936,130	741,071
Patient Receivables	85,483,434	87,672,463	Contracts Payable	768,904	40,000
Other Receivables	3,542,271	1,167,188	Construction Retainages	0	215,074
Third Party Receivable	505,066	6,333,531	Interest Payable	3,975,609	5,085,186
Appropriation Receivable	1,281,378	1,235,467	Current Portion of Long-Term Debt	2,577,022	2,724,624
	90,812,149	96,408,649	Promissory Notes Payable	1,300,000	2,500,000
Less Allowances for Losses in Collection	(7,776,550)	(5,933,101)			
Less Allowances for Discounts to Third Party Payors	(27,758,026)	(19,160,666)			
	55,277,573	71,314,882			
Inventories of Drugs & Supplies	4,537,244	4,928,266			
Prepaid Expenses	628,875	657,135			
	\$79,652,450	\$91,249,241	TOTAL CURRENT LIABILITIES	\$43,539,009	\$43,312,645
TOTAL CURRENT ASSETS					
ASSETS WHOSE USE IS LIMITED					
Board Designated Assets Available for Assignment					
Cash & Investments	\$70,526,316	\$63,557,757			
Accrued Interest	1,633,096	148,244			
	72,159,412	63,706,001			
Cash & Invest for Debt Service	13,000,000	13,000,000			
Cash & Invest for Working Capital	32,159,736	16,000,000	LONG-TERM DEBT, LESS CURRENT PORTION	\$165,872,451	\$169,579,548
	\$117,319,148	\$92,706,001			
TOTAL PROPERTY, PLANT, & EQUIPMENT					
Land, Buildings & Improvements	\$188,404,603	\$184,168,980			
Equipment	89,641,146	83,089,361			
	278,045,749	267,258,341			
Less Accumulated Depreciation	(115,359,946)	(100,371,670)			
	162,685,803	166,886,671			
Construction in Progress	4,639,553	9,057,292			
	167,325,356	175,943,963			
TOTAL PROPERTY, PLANT, & EQUIPMENT					
Assigned Cash & Investments for Construction/Equipment	6,607,925	7,006,734			
	\$173,933,281	\$182,950,697			
TOTAL					
INVESTMENTS HELD BY BOND TRUSTEE	\$17,592,416	\$18,870,093			
OTHER ASSETS					
Deferred Third Party Reimbursement	\$7,126,710	\$7,737,794			
Deferred Debt Expense	1,099,376	1,175,980			
Deposits and Other	541,228	675,798			
	\$8,767,314	\$9,589,572	UNRESTRICTED FUND BALANCE	\$187,853,149	\$182,473,411
TOTAL ASSETS	\$397,264,609	\$395,365,604	TOTAL LIABILITIES & FUND BALANCE	\$397,264,609	\$395,365,604
RESTRICTED ASSETS			RESTRICTED FUND BALANCES		
Cash and Investments	\$6,690,464	\$5,450,761	Endowment Funds	\$2,379,979	\$2,161,348
	\$6,690,464	\$5,450,761	Gift Funds	4,310,485	3,289,413
				\$6,690,464	\$5,450,761

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC

OPERATING CASH FLOW

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

Source of Funds

Beginning Operating Cash Balance		\$72,282
Net Income from Operations	(20,514,526)	
Dividend Distribution	1,965,000	
Non-Operating Revenue	23,468,456	

Excess of Revenue over Expense		4,918,930
Items not Requiring the Outlay of Cash		
Depreciation		16,197,496
University Support: G & A		259,163
Transfer from Trustee for Bond Int. Payment		270,827
Amortization of Bond Costs		203,707
Loss on Disposal of Assets		98,399
Deferred Third Party Reimbursement		611,084
Transfer from Fringe Benefit Reserve		798,151
Increase in Accrued Expenses		4,817,280
Decrease on Prepaid Expenses		162,830
Decrease in Accounts Receivable		12,629,838
Decrease in Third Party Receivable		5,828,465
Decrease in Inventory		391,022

Total Funds Provided from Operations		\$47,259,474

Funds Applied

Decrease in Third Party Payable	1,934,918
Increase in Other Receivables	2,431,123
Capital Expenditures	6,294,674
Appropriation Receivable	45,911
Investment Income - Trustee-held Assets	1,284,082
Transfer Third Party Reserve	5,957,521
Transfers to Reserves - Bond Retirement	2,073,751

Total Funds Applied \$20,021,981

Operating Cash Made Available from Operations \$27,237,493

Total Operating Cash Available:	27,237,493
Transfers for Bond Retirement:	2,073,751
Transfers to Plant:	6,294,674

Total Cash Generated from Operations: 35,605,919

Current Cash Summary

Operating Cash	\$27,237,493
Operating Cash to Working Capital Reserve	(19,424,421)
Reserve Cash for Liability to Third Party Payors	13,086,903
Reserve Cash for Short Term Debt Retirement	2,500,000
Reserve Cash for Bond Principal & Interest Payment	3,549,573

	26,949,548
Less Interest Income on Reserves and Grant	(7,740,790)

Total Current Cash	\$19,208,758
	=====

University of Minnesota Hospital & Clinic
Statement of Changes in Fund Balance
For the Period July 1, 1989 through May 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	10,235,268					
Interest Income on Reserves			7,739,397			
Interest Income on Nursing Grant			1,393			
Depreciation Expense				(16,197,496)		
Loss on Disposal of Assets				(98,399)		
Interest Income on Trustee Held Fund					1,284,082	
Amortization of Deferred Bond Expense				(203,707)		
Interest Income on Bond Proceeds			1,895,331		263,061	
Total Income						4,918,930
Less Expense						
University Support: G & A	259,163					259,163
Transfers Between Funds						
Major Building Projects- Hosp. Capital Expenditures	(5,827,872)		(2,657,996)	2,657,996		
Major Equipment Requisition	(466,802)			466,802		
Adjustment to Shared Buildings				(60,903)		(60,903)
Bond Interest Payment	12,320,235	(9,914,408)			(2,405,827)	
Bond Interest Expense Funding	(8,797,694)	10,956,086	(1,895,331)		(263,061)	
Bond Principal Payment	2,215,000	(2,215,000)				
Bond Principal Funding	(2,073,752)	2,073,752				
Transfer funding of Bond Principal	2,135,000	(2,135,000)				
Decrease in Short Term Note Funding		(1,200,000)		1,200,000		
Trustee Income held by Campus			155,932		(155,932)	
Transfer to Microbiology/Public Health			(50,000)			(50,000)
Donations to Plant Fund				300,000		300,000
Res. Gift Fund Commitment to Plant				12,548		12,548
Funding Working Capital	(19,424,421)		19,424,421			
Ending Balance	\$33,484,924	\$6,049,573	\$117,319,148	\$13,407,088	\$17,592,416	\$187,853,149

	GIFT	ENDOWMENT	TOTAL
RESTRICTED FUNDS			
Beginning Balance	\$3,289,414	\$2,161,347	\$5,450,761
Income	1,622,566	218,925	1,841,491
Disbursements	(601,495)	(293)	(601,788)
Ending Balance	\$4,310,485	\$2,379,979	\$6,690,464

UNIVERSITY OF MINNESOTA HOSPITAL & CLINIC
STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JULY 1, 1989 TO MAY 31, 19

DAC

MAY BUDGETED	MAY ACTUAL	MAY VARIANCE	VARIANCE %	PATIENT CARE CHARGES	BUDGETED				
\$8,272,853	\$7,571,434	(\$701,419)	-8.5%	ROUTINE	\$88,870,092				-4.5%
21,198,409	19,338,985	(1,859,424)	-8.8%	ANCILLARY	222,134,061	208,270,490	(13,863,571)		-6.2%
\$29,471,262	\$26,910,419	(\$2,560,843)	-8.7%	GROSS CHARGES	\$311,004,153	\$293,314,249	(\$17,689,904)		-5.7%
				DEDUCTIONS FROM CHARGES					
\$994,127	\$926,891	(\$67,236)	-6.8%	BILLING ADJUSTMENTS	\$10,483,784	\$10,997,866	\$514,082		4.9%
1,305,988	1,530,376	224,388	17.2%	HMO/PPO DISCOUNTS	13,772,581	16,890,414	3,117,833		22.6%
4,206,615	4,246,545	39,930	0.9%	GOVERNMENTAL CONTRACTUAL ADJUST	44,361,777	39,685,970	(4,675,807)		-10.5%
47,837	51,193	3,356	7.0%	CHARITABLE CARE	501,591	640,577	138,986		27.7%
361,225	330,291	(30,934)	-8.6%	PROVISION FOR UNCOLLECTABLES	3,809,380	3,592,245	(217,135)		-5.7%
\$6,915,792	\$7,085,296	\$169,504	2.5%	TOTAL DEDUCTIONS	\$72,929,113	\$71,807,072	(\$1,122,041)		-1.5%
				OTHER OPERATING REVENUE					
\$141,646	\$132,085	(\$9,561)	-6.7%	FOOD SERVICES	\$1,483,177	\$1,474,586	(\$8,591)		-0.6%
62,160	\$79,355	17,195	27.7%	PARKING SERVICES	650,883	838,122	187,239		28.8%
4,200	23,512	19,312	459.8%	DEPARTMENT NON-PATIENT	72,934	131,373	58,439		80.1%
105,750	155,225	49,475	46.8%	GRANT INCOME	1,163,250	1,616,362	453,112		39.0%
170,365	180,196	9,831	5.8%	REFERENCE LAB INCOME	1,785,224	2,002,864	217,640		12.2%
178,058	123,326	(54,732)	-30.7%	PRO FEES--NET REVENUE	1,877,747	1,509,951	(367,796)		-19.6%
3,397	2,555	(842)	-24.8%	SILVER SALVAGE	36,711	29,792	(6,919)		-18.8%
173,108	190,003	16,895	9.8%	INCOME FROM BOND PROCEEDS	1,957,052	2,158,392	201,340		10.3%
0	0	0		DONATIONS	0	20,500	20,500		
\$838,684	\$886,257	\$47,573	5.7%	TOTAL OTHER REVENUE	\$9,026,978	\$9,781,942	\$754,964		8.4%
\$23,394,154	\$20,711,380	(\$2,682,774)	-11.5%	TOTAL REVENUE FROM OPERATIONS	\$247,102,018	\$231,289,119	(\$15,812,899)		-6.4%
				EXPENDITURES					
\$10,749,098	\$9,593,447	(\$1,155,651)	-10.8%	SALARIES	\$113,481,544	\$105,514,562	(\$7,966,982)		-7.0%
553,968	2,282,168	(271,800)	-10.6%	FRINGE BENEFITS	25,505,915	24,980,621	(525,294)		-2.1%
186,250	182,102	(4,148)	-2.2%	ACADEMIC CONTRACTS	2,048,750	2,003,130	(45,620)		-2.2%
531,772	541,393	9,621	1.8%	RESIDENT CONTRACTS	5,710,172	5,805,646	95,474		1.7%
263,917	261,612	(2,305)	-0.9%	PHYSICIAN COMPENSATION	2,903,083	2,870,762	(32,321)		-1.1%
14,285,005	12,860,722	(1,424,283)	-10.0%	TOTAL SALARY, F.B., & FEES	149,649,464	141,174,721	(8,474,743)		-5.7%
205,800	217,219	11,419	5.5%	LAUNDRY & LINEN	2,193,531	1,972,225	(221,306)		-10.1%
167,038	149,093	(17,945)	-10.7%	RAW FOOD	1,782,346	1,650,543	(131,803)		-7.4%
1,755,751	1,709,688	(46,063)	-2.6%	DRUGS	18,628,743	17,365,915	(1,262,828)		-6.8%
987,514	943,889	(43,625)	-4.4%	BLOOD & BLOOD DERIVATIVES	10,340,302	8,382,178	(1,958,124)		-18.9%
2,318,216	2,093,094	(225,122)	-9.7%	MEDICAL SUPPLIES & SERVICES	24,274,139	23,636,003	(638,136)		-2.6%
443,550	470,555	27,005	6.1%	UTILITIES	5,715,104	5,604,537	(110,567)		-1.9%
101,545	61,481	(40,064)	-39.5%	INSURANCE	890,018	679,529	(210,489)		-23.6%
326,101	304,382	(21,719)	-6.7%	RENTAL	3,543,600	3,276,532	(267,068)		-7.5%
433,236	446,300	13,064	3.0%	MAINTENANCE & REPAIR	4,681,740	4,211,509	(470,231)		-10.0%
2,038	0	(2,038)		NET LOSS ON DISPOSAL OF ASSETS	22,026	98,399	76,373		
23,951	23,982	31	0.1%	CAMPUS ADMINISTRATION EXPENSE	258,822	259,163	341		0.1%
1,600,977	1,497,772	(103,205)	-6.4%	DEPRECIATION	16,681,588	16,197,496	(484,092)		-2.9%
1,081,472	1,053,194	(28,278)	-2.6%	INTEREST	11,956,651	11,611,247	(345,404)		-2.9%
1,624,654	1,144,050	(480,604)	-29.6%	GENERAL SUPPLIES & EXPENSE	17,556,754	15,683,648	(1,873,106)		-10.7%
\$25,356,848	\$22,975,421	(\$2,381,427)	-9.4%	TOTAL EXPENDITURES	\$268,174,828	\$251,803,645	(\$16,371,183)		-6.1%
(\$1,962,694)	(\$2,264,041)	(\$301,347)	-15.4%	NET REVENUE FROM OPERATIONS	(\$21,072,810)	(\$20,514,526)	\$558,284		2.6%
				NON-OPERATING REVENUE					
\$1,298,250	\$1,289,304	(\$8,946)	-0.7%	APPROPRIATIONS & SUPPORT	\$14,280,750	\$14,201,249	(\$79,501)		-0.6%
511,775	799,864	288,089	56.3%	INTEREST INCOME ON RESERVES	6,413,423	7,739,397	1,325,974		20.7%
15,373	13,847	(1,526)	-9.9%	SHARED SERVICES	166,123	166,769	646		0.4%
119,847	102,378	(17,469)	-14.6%	INVESTMENT INCOME HELD BY TRUSTEE	1,366,097	1,284,082	(82,015)		-6.0%
11,041	17,737	6,696	60.6%	OTHER INVESTMENT INCOME	119,315	76,959	(42,356)		-35.5%
0	0	0		DIVIDEND DISTRIBUTION	0	1,965,000	1,965,000		
\$1,956,286	\$2,223,130	\$266,844	13.6%	TOTAL NON-OPERATING REVENUE	\$22,345,708	\$25,433,456	\$3,087,748		13.8%
(\$6,408)	(\$40,911)	(\$34,503)		REVENUE OVER/(UNDER) EXPENSE	\$1,272,898	\$4,918,930	\$3,646,032		



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

Date: June 21, 1990
To: Board of Governors Finance Committee
From: Bob Dickler
Subject: **FUTURE OBSTETRICAL SERVICE RECOMMENDATIONS AND PLANS**

The viability of the obstetrical service at UMHC has been a subject of debate for the past 20 years. Since 1980 the planning for an obstetrical unit has ranged from being a component of the Unit J building, remaining in the Mayo building and subsequently in the Renewal Project Phase II.

There continues to be ongoing concerns about the viability of an obstetrical service at its current levels of activity. Since it is projected that it will be a minimum of three years before a new unit is available through the Renewal Project Phase II, the Department of Ob/Gyn and the hospital have looked at interim steps to maintain and enhance the program's short- and long-term viability.

Extended discussions with the department of Ob/Gyn have resulted in agreement on an appropriate course of actions which provides for limited investment in current facilities in Mayo and the completion of new facilities contingent on a number of changes in the scope and volume of deliveries during the time frame between a remodeled facility and the creation of a new unit.

The following sections of this memo include the agreed-upon stipulations between the department of Ob/Gyn and UMHC with regard to the remodeling of existing facilities and the creation of new facilities, the proposed program changes and the cost estimates associated with the remodeling plan.

We are asking that the Planning and Development Committee endorse this plan and the proposed stipulations so that planning may proceed on the remodeling of the current obstetrical unit.

Stipulations

UMHC will remodel the current obstetrical facilities in the magnitude of approximately \$350,000 with the following stipulations:

- A. That the Department of Ob/Gyn recruit at least one perinatologist to the Department by July 1, 1991. The individual(s) recruited should be employed in an ongoing position and be active in the Department's programs.

- B. That the Department - both through existing faculty and new recruitments - maintain and enhance its outreach efforts within Minnesota and the surrounding region.
- C. That these, and other efforts, result in an increase of 125 births on an annual basis compared with the 1989/'90 base year. This rate of increase must occur by January 1, 1993 and be evidenced either by an absolute increase or by evidence based upon growth patterns, registrations, and other definitive factors that such an increase will occur on an annualized basis. Furthermore, 100 of these increased births should occur above and beyond those attributable to other programs or activities such as Family Medicine, (including U-Care) where the Department has little or no involvement and reflect a payor mix which maintains or improves the Program's financial performance.
- D. That if these changes do not occur by September 1, 1991 the completion of the space currently designated for OB in Renewal Phase II facility will need to be delayed if the current project schedule is maintained. If this increase is not achieved by January 1993 or 24 months after the completion of remodeling, the Department, Medical School and Hospital will initiate a process to transfer our obstetrical activity to another institution.
- E. To both support our efforts to increase census, and assure an orderly transition if our joint expectations cannot be achieved, we also believe that the Department should continue its current commitment to explore options with other community facilities to jointly develop and foster obstetrical program activity. These discussions should also include the potential transfer of our programs to those facilities if our internal efforts are not successful.

Program Changes

The redesign of the current OB space would provide the following new features:

- A. Six rooms on Unit 59 would be converted to an Labor, Delivery, Recovery, Post Partum (LDRP) function for single room maternity care.
- B. The nursery would be relocated to a central site adjacent to an upgraded main desk area. Direct observation and access would exist between the desk and nursery, increasing efficiency and visibility of newborns.
- C. Current nursery space would be dedicated to patient/family activities. Rooms would be converted to patient/family dining, education, and conference functions.
- D. The patient shower room would be renovated to provide privacy when utilized by several patients and showering methods/equipment that are up-to-date and meet patient preferences.

Board of Governors Finance Committee
July 21, 1990

- E. An aesthetic upgrade of Unit 59 would increase patient and staff satisfaction.
- F. All functions of the OB program would be accomplished on Unit 59 except obstetrical/surgical procedures including C-sections and IVF surgical procedures.
- G. A room on Unit 68 would be designated for post-op IVF patients to increase the privacy of infertility patients from OB patients.
- H. Additional space on Unit 68 would be dedicated to the IVF Program to support their laboratory functions.

Remodeling Plan

Project Remodeling Costs (including 10% Contingency)	\$173,778
<u>Equipment</u> (Transferable to C3 OB Unit)	<u>165,642</u>
Total Costs	\$339,420

Remodeling Timetable

<u>Activity</u>	<u>Timeframe</u>
Design	6 weeks
Bid Process	3 weeks
Construction	<u>12-16 weeks</u>
	5-6 months

6/15/90(30); 6/18/90; 6/19/90



UNIVERSITY OF MINNESOTA
TWIN CITIES

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

June 21, 1990

TO: Members, Finance Committee
FROM: Robert Dickler
Hospital Director
SUBJECT: Personnel Policy Changes

The Hospital Personnel Policies require that changes in those policies or major changes in personnel procedures require the approval of the Board of Governors. We are recommending changes in three policies/procedures, as attached.

These recommendations originate primarily from our Employee Advisory Committee, who periodically review the content and language in our Hospital Personnel Policies. The recommendations for changes in policies #4 and #5 are intended largely to clarify intent and/or to have the procedures more accurately reflect current practice. While we typically would not bring such detailed procedural changes to the Board of Governors, in these cases the actual policy statement is also being changed. Because the policy statement is being changed, Board approval is required, even though the changes are not significant in content.

We also wanted to bring to the Board's attention the change in approval process for leaves of absence, in Policy 12, Section 8. With this change, the approval of the Hospital Director is explicitly required before "exceptional" leaves of absence are granted.

We will be happy to respond to any questions you may have on Wednesday.

/kj

attachments

PERSONNEL

SUBJECT: RECRUITMENT AND EMPLOYMENT

POLICY NO. 4

SOURCE: Board of Governors

POLICY

The University of Minnesota Hospital and Clinic will provide ~~and administer a system to post and fill vacancies.~~ Employment opportunities will be provided without regard to race, religion, color, sex, national origin, handicap, age, veteran status, sexual orientation, marital status, status with regard to public assistance, political opinions, or union or other organizational affiliations.

More than one member of a family may work for The University of Minnesota Hospital and Clinic, provided that there will be no immediate supervisory or substantive administrative relationships among relatives family members. "Members of a family" shall be interpreted in this policy as including:

1. by blood or adoptive relationships: parents, grandparents, children, grandchildren, brothers, sisters;
2. by marriage relationships: husband, wife, brother(sister)-in-law, father(mother)-in-law, son(daughter)-in-law, stepparent, stepchild.

PROCEDURE

Section 1

Request to Fill New Position or Vacancy

When a new position or vacancy in an old position is to be filled, the department head shall submit a personnel requisition to the Human Resources Department on the form prescribed. Upon receipt of a requisition, the Human Resources Department shall have the classification of the position reviewed and shall either approve the requested classification or recommend reclassifying it, as appropriate.

Section 2

Announcement of Employment Opportunities

Announcements (postings) of all vacancies in continuing positions shall be posted on the official bulletin boards of the Human Resources Department.

Personnel Policy No. 4

An announcement concerning a vacancy in a continuing position shall remain posted for a minimum of five (5) work days. A hiring decision may be made at the end of the posting period.

Temporary positions of less than six (6) months duration need not be posted, but the department must submit a requisition to the Human Resources Department before the position is filled.

Section 3Hiring and Certification

The Human Resources Department will screen applicants for minimum qualifications and refer qualified applicants to the hiring supervisor.

Applicants who have applied for a specific vacancy and who have been certified as meeting the minimum qualifications of that vacancy shall normally be given consideration for employment in the following order:

1. the incumbent of a position which has been reclassified;
2. former employees whose names appear on the layoff list, under Seniority, Layoff, and Resignation policy;
3. current University Hospital and Clinic employees;
4. current University employees;
5. all other applicants.

The order of preference may be changed under special circumstances by the University Equal Opportunity Officer in accordance with Affirmative Action policies of the Board of Regents. Employment Hiring decisions will be made by supervisors and managers from the list of qualified applicants referred by the Human Resources Department. All appointments shall be subject to approval by the Human Resources Director and the Affirmative Action officer.

No appointment shall be submitted by a department head without prior certification by the Human Resources Department that the candidate is qualified. ~~All appointments shall be subject to approval by the Human Resources Director and the Affirmative Action officer.~~

Personnel Policy No. 4

Section 4

Employment of Family Members

If a nepotism situation an immediate supervisory or substantive administrative relationship exists among members of a family, a reasonable effort will be made to transfer one of the employees to another position.

Any employee who has passed an initial probationary period and who is required to resign from a position in order to comply with ~~the nepotism policy~~ this procedure shall have rights to the layoff list as though he/she had been laid off.

Section 5

Employment Procedure and Files

Applications for all University of Minnesota Hospital and Clinic employment shall be made on forms and in such manner as prescribed by the Human Resources Director, and upon submission to the Human Resources Department, become the property of The University of Minnesota Hospital and Clinic.

Each employee shall have a right upon request to see his or her personnel file ~~upon request~~ in the Human Resources Department in the presence of the Human Resources Director or designated member of his/her staff. The official personnel file for each department is the one maintained by the Human Resources Department.

Section 6

Types of Appointment

Trainee appointments may be made when the Human Resources Director approves trainee programs to qualify persons for a particular work classification. An employee hired as a trainee shall be hired at a rate below the salary range for the class and may be granted incentive increases as he/she progresses through an organized training program until successfully completing the program and reaching minimum salary of the range for the class. He/she shall then be required to successfully complete the probationary period assigned to the class before receiving a continuing appointment. Successful completion of a training program or probation period is determined by the department head or other appropriate administrator.

Continuing appointments shall be made to any position in which the assigned work time is at least 50 percent of full time and of a continuing nature, when the employee has successfully completed the probationary period for the class of work.

Personnel Policy No. 4

Temporary appointments (which have a beginning and ending date) may be made to any position. Employees on a temporary appointment, which may be part time or full time, shall not serve a probationary period and shall not have the same rights which accrue to an employee on a continuing appointment. Temporary employees reserve the right to grieve a situation thought to be discriminatory. Employees on a temporary appointment shall be notified, in writing, of the temporary nature of their appointment and the ending date of the appointment, and shall be given to the employee by the supervisor and to the Human Resources Department at the time of hiring.

Part-time appointments may be made to any position in which the assigned work time is less than 75% time. Such an appointment may be temporary or continuing.

PERSONNEL

SUBJECT: PROBATIONARY PERIOD AND ORIENTATION

POLICY NUMBER: 5

SOURCE: Board of Governors

POLICY

The probationary period shall be regarded as an integral part of the selection process for appointment to any position of a continuing nature and shall be used by the supervisor for observing the employee's work, for helping the new employee adjust to the position, and for discontinuing the appointment of any employee whose performance does not meet required standards. Supervisors are required to help probationary employees understand their job responsibilities and duties. Successful completion of probation is determined by the supervisor, department head and/or other appropriate ~~administrator~~ manager.

PROCEDURE

Section 1

Application of Probationary Period

~~A probationary period of employment shall be designated for each classification and shall be served by every employee hired in a continuing position regardless of whether such employment occurs as an original appointment, as a promotion, transfer, or demotion, and shall be successfully completed before the employee can be given a continuing appointment to the position.~~

~~No probationary period shall be required of an employee who is an incumbent in a reclassified position, who is assigned to a different position in the same job class in the same department, or who is re-employed in the same class and department following layoff or reinstatement after resignation unless probation is requested in writing by the appointing authority and approved by the Human Resources Director.~~

~~No probationary period shall be required of an employee who bumps back into any position in a classification in which he/she has previously passed probation.~~

A probationary period of employment shall be designated for each classification and shall be served by every employee hired in a continuing position, regardless of whether such employment occurs as a:

1. new appointment
2. promotion
3. transfer
4. demotion

The probationary period must be successfully completed before the employee can be given a continuing appointment to the position.

A probationary period is not required for the following conditions unless requested in writing by the department head and approved by the Human Resources Director:

1. reclassification of an employee
2. different position, same job class and department
3. re-employed in the same class and department following
 - a. layoff
 - b. reinstatement after resignation (see Policy #15, Section 3)

A probationary period is not required if an employee "bumps back" into a position in a classification in which s/he has already passed probation.

The Human Resources Director shall determine and publish the length of the probationary period for each classification in which University Hospital is predominant. This period may be not less than three (3) months or more than one year. Employees appointed less than 75 percent time will have probationary periods based on calendar months. The number of months shall be comparable equal to the number of months served by a full-time employee.

The probationary period shall be automatically extended by adding to it the number of work days the employee has been absent without pay.

Section 2

Orientation

Each supervisor shall develop an orientation plan and shall be responsible for the orientation of each employee. The Human Resources Director will develop a plan by which required information will be communicated to new employees.

Section 3

Probationary Rating

Each employee will receive a mid-term probationary evaluation, to be completed by the supervisor and discussed with the employee by the mid-point of the probationary period. At least ten (10) work days before the expiration of the probationary period the department head, supervisor, or other appropriate manager shall report, by submitting at least one written service rating to the Human Resources Department, his/her judgment of the quality and quantity of work of the employee. Failure by a department head, supervisor, or other appropriate manager to complete the written service rating will be

construed as an automatic passing of probation. Employees will be provided with progress reports throughout their probationary period.

Section 4

Discontinuance of Employment During Probationary Period

If the ~~department head~~ supervisor and his/her supervisor determines at any time during the probationary period that the employee's performance does not meet required standards, he/she may discontinue the appointment. Such discontinuance is not grievable except under the discrimination policy. Discrimination grievances will not be subject to arbitration.

The ~~department head~~ supervisor and his/her supervisor shall normally give an employee who fails to pass his/her probation period at least ten (10) work days notice before termination, and shall normally attempt to help the employee correct deficiencies before giving termination notice unless unusual circumstances indicate immediate termination.

An employee who is being terminated for substandard performance during the probationary period shall have the right to return to his/her most recent, former position (or if that position no longer exists, to the layoff list) within ten (10) days of notifying the former supervisor, provided he/she:

- has successfully completed the probationary period from the former position; and
- was promoted or transferred from the former position, and notifies the former supervisor of the intent to return on or prior to the termination day.

~~An employee who is terminated from a position for disciplinary reasons while on probation and who has previously passed probation in another job classification shall be able to return to the previous job classification if a vacancy exists; the employee will again be considered to be in a probationary period, consistent with the usual period for that job classification.~~

An employee who is being terminated during the probationary period for substandard performance, and who chooses not to exercise the option to "bump" another employee from a previously held continuing position, has the option of going on the layoff list.

An employee who is terminated for disciplinary reasons for misconduct who is on probation may not access a previous position.

SECTION:	PERSONNEL
POLICY NUMBER:	12
SUBJECT:	Authorized Leaves of Absence

Sick leave is accumulated during a military leave of absence without pay for all military services in time of war or declared emergency, be it with a reserve component or regular armed service component and during a reservist's initial period of active duty for training (boot camp) of not less than three consecutive months. Contact the Human Resources Department for the complete policy on military leave.

Section 8

Leaves of Absence With Pay

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

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

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

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

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

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

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

Paid leaves of absence not specifically authorized by these policies require the approval of the Hospital Director.

Board of Governors
Finance Committee
Recurring Responsibility List

Annual Operating Budget	April, May
Annual Capital Budget	May, June
Annual Compensation Plan	June
Year End Financial Statements	July
External Audit Report	December
Projected Year End Financial Statement	December
Quarterly Bad Debt Report	January, April, July, October
Audit Management Letter and Response	January
Quarterly Capital Expenditure Report	January, April, July, October
Audited Financial Statements	October
Monthly Financial Statements	Monthly
Major Capital Expenditures	As Needed

MINUTES
Ad Hoc Committee on Board of Governors Process
Board of Governors
May 7, 1990

CALL TO ORDER:

Chairman Heenan called the May 7, 1990 meeting of the Ad Hoc Committee on Board of Governors Process to order at 9:00 A.M. in Room 8-106 in the University Hospital.

Attendance: **Present:** Leonard Bienias
 Robert Dickler
 George Heenan, Chair
 Margaret Matalamaki

Staff: Nancy Janda
 Shannon Lorbiecki

BACKGROUND DISCUSSION:

BOARD OF GOVERNORS ATTENDANCE, MEETING FREQUENCY, AND AGENDA CONTENT

From time to time, attendance at Board meetings has been problematic. Board members have commented, informally and formally, through the self-evaluation survey, that Board of Governors responsibilities could potentially be met with fewer meetings. Board members have suggested that a two month committee and a two month Board cycle may not be necessary for some routine business items. If meetings were structured to allow for more active discussion and participation by the members, there would be an increased perception that they are making a worthwhile contribution.

A desire for focused meetings in addition to the yearly retreat has also been expressed. The Committee discussed structuring future Board of Governors agendas so that priority issues are more thoroughly discussed and routine or repeat agenda items are de-emphasized. The basis for the annual operating budget and associated resource allocation decisions were cited as one topic the Governors wish to discuss in more depth. Routine Credentials Committee reports, purchasing reports, and capital equipment expenditures were cited as topics that could be de-emphasized at the Board level, presuming prior Committee endorsement.

BACKGROUND DISCUSSION:

COMMITTEE ATTENDANCE, MEETING FREQUENCY, AND AGENDA CONTENT

In discussing Board Committee attendance and meeting frequency, the Committee on Process did acknowledge some difficulties. The Joint Conference Committee has adhered to a regular meeting schedule but has some difficulty in

maintaining attendance for the duration of their meetings. The Planning and Development Committee has been difficult to schedule and has difficulty agreeing upon a regular schedule. The Finance Committee routinely meets just prior to the Board of Governors meeting, but includes out of town Board members, who's attendance depends on travelling a distance.

The Committee on Process recognized the Board of Governors Committee forum as being appropriate for in-depth detailed review of agenda items. Further, the Committee on Process felt each Board Committee most qualified to recommend the management of their agenda items at the full Board; whether a one or two month review cycle is necessary and whether the agenda items require a substantive or a non-substantive review.

RECOMMENDATIONS

1. The Committee on Process seconded and passed a motion directing staff to develop a list of major Board of Governors agenda items. The list will be reviewed in an effort to establish a Board of Governors meeting schedule. This calendar should include a combination of short business meetings and some longer meetings designed to focus on such topics as the operating budget or the year end financials.

RATIONALE:

The specific agenda items which need to be covered should drive the frequency and duration of meetings.

2. The Committee seconded and passed a motion recommending the establishment of a consent agenda for use by the Board of Governors. A consent agenda would include any item recommended for non-substantive review. Items would be placed on the consent agenda by the Committee conducting the substantive review. Any Board member desiring more detailed discussion of an item on the consent agenda could request a more detailed review.

RATIONALE:

Development of a "consent agenda" would enable the Board of Governors to focus attention on the most substantive items and more efficiently manage items not requiring an in-depth or substantive review by the full Board.

3. The Committee on Process seconded and passed a motion recommending that Committees take a more active role in determining the review process for their agenda items. Beyond recommending items for the consent agenda, Committees would govern the purpose for which and the timing in which agenda items are brought to the Board of Governors. Solutions to the attendance and meeting frequency difficulties are best found by the Committees themselves.

RATIONALE:

At the conclusion of the substantive review, the Committee is best equipped to evaluate the level of review necessary by the Board of Governors.

4. The Committee recommended no change to the current practice of inviting enrichment speakers to the monthly Board meetings.

RATIONALE:

Enrichment speakers at the Board meetings are viewed as very educational in furthering the members' knowledge of the Hospital. The presentations also increase visibility of the Board with the medical staff.

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:45 A.M.

Respectfully Submitted:

Shannon L. Lorbiecki

Shannon L. Lorbiecki
Administrative Fellow

SL

**BOARD OF GOVERNORS
RECURRING RESPONSIBILITY LIST
BY MONTH
PROPOSED**

January

Annual Meeting * Quarterly Financials (2) * Quarterly Bad Debt Report (2) * Quarterly Development Report (2) * Quarterly Purchasing Report (1) * Quarterly Capital Expenditure Report (1) * End Stage Renal Disease Policies

FEBRUARY

Mid Year Retreat

March

No Meeting

April

Operating Budget * Rate Increase Approval * Capital Budget * Quarterly Financials (3) * Home Health Program Policies * Quarterly Bad Debt Report (3) * Quarterly Development Report (3) * Quarterly Purchasing Report (2) * Quarterly Capital Expenditure Report (2)

May

Operating Budget * Capital Budget

June

Compensation Plan * Biennial Credentials * MSHC Chair Appointments * Clinical Chief Appointments

July

Year End Financials * Quarterly Bad Debt Report (4) * Quarterly Development Report (4) * Quarterly Purchasing Report (3) * Quarterly Capital Expenditure Report (3)

August

No meeting

SEPTEMBER

Annual Retreat

October

Quarterly Financials (1) * Quarterly Bad Debt Report (1) * Quarterly Development Report (1) * Quarterly Purchasing Report (4) * Quarterly Capital Expenditure Report (4)

November

No meeting

December

External Audit * Officer Elections

(#) = Quarter of the Fiscal Year



June 21, 1990

TO: Members, Finance Committee

FROM: Robert Dickler
Hospital Director

SUBJECT: 1990-91 Employee Compensation Plan

The Board of Governors is asked to approve recommendations for annual pay plans for certain groups of Hospital employees each June. Recommendations for the 1990-91 pay plan follow.

First, by way of background, the Board of Governors' approval of employee compensation relates to "Hospital-dominated classes" (primarily health professional, technical and supervisory classifications), while the compensation plans for Hospital employees in "University-dominated classes" (e.g. secretarial staff, data processing staff) are determined by the University-wide Civil Service pay plan. Compensation for employees in bargaining units represented by Unions are determined through the collective bargaining process; we are entering the second year of an existing two year contract agreement with the units represented by AFSCME and the Teamsters.

With the above as background, the following recommendations for the 1990-91 compensation plan for non-student, non-unionized employees in Hospital-dominated classes are presented, with an effective date of July 1, 1990:

1. A 4% general increase, consisting of a 2% change in salary ranges and a 2% progression increase, i.e., movement through the salary range. For employee classes whose progression increases have traditionally been on a "step" basis to match the community (e.g. radiologic technologists), the "step" plan will continue to be used, rather than the 2% progression increase. The total cost of these increases is \$1,044,000.
2. Pay equity increases for classes eligible for such adjustments, continuing the previously approved plan. The cost of these adjustments is \$161,000 for staff in Hospital-dominated classes. University-dominated classes with pay equity increases get \$291,000 in pay equity adjustments. This is the final year of the six-year pay equity plan.
3. Increases for registered nurse related classes consistent with the existing community nursing contract. The total cost of these increases is \$4,018,000, representing an appropriate 9.4% cost increase, including range changes, step increases, and other additions.

4. Additional marketplace increases, where marketplace data or recruitment/retention issues evidence the need for such adjustments. The Hospital's financial position during the year, as well as market conditions, will be a consideration relative to actual implementation of these increases.

All of the above pay plan elements can be implemented within the salary expense parameters built into the 1990-91 budget.

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

/kj

**UNIVERSITY OF MINNESOTA
HOSPITAL AND CLINIC**

FINANCIAL AND CAPITAL ANALYSIS

June 26 & 27, 1990

Kaufman, Hall & Associates

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
Summary of Projected Capital Expenditures
(in thousands of dollars)

Fiscal Year	Projected Capital Expenditures
1991	\$ 40,761
1992	42,790
1993	36,728
1994	25,915
1995	23,598
1996	16,481
1997	17,281
1998	<u>18,231</u>
	<u>\$221,785</u>

Note: All Numbers in Thousands

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

Calculation of 1990 Debt Capacity

Excess of Revenue over Expenses	\$ 3,998
Add Back: Depreciation	17,546
Interest	<u>12,898</u>
Cash Available for Debt Service	34,442
Target Debt Service Coverage	<u>2.5</u>
MAXIMUM DEBT SERVICE	<u>\$ 13,777</u>
Assumed Interest Rate	8.0%
Assumed Loan Term (years)	30
TOTAL DEBT CAPACITY	<u>\$155,096</u>

Note: All Numbers in Thousands

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
Capital Position Summary
1991-1998

USES:

Projected Capital Expenditures 1991-1998	\$221,785
Projected Principal Payments 1991-1998	<u>33,016</u>
TOTAL CAPITAL REQUIREMENTS 1991-1998	<u>\$254,801</u>

SOURCES:

Unrestricted Cash (6/30/90)	\$137,575
Total Debt Capacity	\$155,096
Less: Outstanding Debt	(169,278)
Non-Project Proceeds	<u>- 0 -</u>
Net Available Debt Capacity	<u>0</u>
TOTAL EXISTING SOURCES AVAILABLE 1991-1998	<u>\$137,575</u>
ESTIMATED CASH REQUIRED FROM OPERATIONS FOR CAPITAL PLAN 1991-1998	<u>\$117,226</u>

TOTAL CASH REQUIREMENTS

1991 - 1998

Estimated Cash Required from Operations for Capital Plan 1991-1998		\$117,226
CASH TO DEBT SERVICE REQUIREMENTS		
(A) Total Debt Capacity	\$155,096	
(B) Debt Outstanding	169,278	
Estimated Debt Capacity Greater of A or B	<u>\$169,278</u>	
Maximum Debt Service based on Estimated Debt Capacity at 8% and 30 years on \$169,278	\$ 15,037	
Cash Cushion Target (Cash to Debt Service)	4 times	
Cash to Debt Service Requirement		<u>60,146</u>
Total 1991-1998 Cash Requirement from Operations		<u>\$177,372</u>

Note: All Numbers in Thousands

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
Comparison of Methodology
To Calculate Minimum Cash Balance Requirements

University of Minnesota	
<u>1990</u>	
Third Party Reserve Cash	\$15,000
Trusteed Cash	18,870
Minimum Operating Cash Reserves	<u>30,000</u>
	<u>\$63,870</u>

KHA Methodology	
<u>1990</u>	
Long-Term Debt	\$169,278
Debt Service at 30 years & 8%	\$ 15,037
4x Debt Service	<u>\$ 60,146</u>

Note: All Numbers in Thousands

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
Annual Cash Surplus or Shortfall
Sensitivity Analysis: Higher Volume Assumptions

	1991	1992	1993	1994	1995	1996	1997	1998
SOURCES OF CASH								
Net Cash Provided	24,783	25,751	23,343	22,257	22,384	22,192	21,870	21,244
LESS USES OF CASH								
Total Uses of Cash	43,009	53,835	42,322	31,984	30,154	24,185	25,395	26,791
Annual Cash Shortfall	<18,226>	<28,084>	<18,979>	<9,726>	<7,770>	<1,993>	<3,524>	<5,547>
Estimated Total Cash Balance at End of Fiscal Year	\$138,220	\$110,136	\$ 91,157	\$ 81,431	\$ 73,661	\$ 71,668	\$ 68,143	\$ 62,597
Cushion Required (4x Debt Service)	\$ 58,897	\$ 57,652	\$ 56,349	\$ 55,002	\$ 53,855	\$ 52,030	\$ 50,116	\$ 48,102
Additional Cash Required to Maintain Cushion (Cumulative)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Total Estimated Cash Shortfall	\$<18,226>	\$<28,084>	\$<18,979>	\$<9,726>	\$<7,770>	\$<1,993>	\$<3,524>	\$<5,547>

Note: All Numbers in Thousands

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC
Annual Cash Surplus or Shortfall

Baseline Scenario

	1991	1992	1993	1994	1995	1996	1997	1998
SOURCES OF CASH								
Net Cash Provided	20,345	21,678	18,905	17,236	16,734	15,853	14,779	13,333
LESS USES OF CASH								
Total Uses	45,146	49,386	42,156	31,806	29,965	23,983	25,178	26,560
Annual Cash Shortfall	<24,801>	<27,707>	<23,252>	<14,569>	<13,231>	<8,130>	<10,400>	<13,227>
Estimated Total Cash Balance at End of Fiscal Year	\$131,645	\$103,937	\$ 80,685	\$ 66,116	\$ 52,885	\$ 44,755	\$ 34,355	\$ 21,128
Cushion Required (4x Debt Service)	\$ 58,897	\$ 57,652	\$ 56,349	\$ 55,002	\$ 53,855	\$ 52,030	\$ 50,116	\$ 48,102
Additional Cash Required to Maintain Cushion (Cumulative)	- 0 -	- 0 -	- 0 -	- 0 -	\$ (970)	\$ (7,275)	\$ (15,761)	\$ (26,978)
Total Estimated Cash Shortfall	\$<24,801>	\$<27,707>	\$<23,252>	\$<14,569>	\$<14,201>	\$<15,405>	\$<26,161>	\$<40,205>

Note: All Numbers in Thousands

University of Minnesota Hospital and Clinic
1991-1998 Capital Plan
Summary Projected Cash Shortfall

Kaufman, Hall & Associates	
Minimum Cash Balance 1998	\$48,102,000
Trusteed Restricted Cash	<u>18,870,000</u>
Minimum Cash Requirement 1998	\$66,972,000
Cash Available 1998	<u>21,128,000</u>
Projected Cash Shortfall 1998	\$45,844,000