



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

January 10, 1991

TO: Planning and Development Committee Members

Leonard Bienias	Kris Johnson
Robert Dickler	Peter Lynch, M.D.
Clint Hewitt	Gerald Olson
William Jacott, M.D.	Ted Thompson, M.D.

FROM: Greg Hart

The January meeting of the Planning and Development Committee will be held:

Monday, January 14, 1991  
12:00-2:00 P.M.  
The Board Room, University Hospital

Lunch will be served at 12:00 Noon with the meeting starting at 12:30 p.m. The agenda and the background materials for the meeting are enclosed. Thank you for making time for this meeting.

cc: Fred Bertschinger  
Cliff Fearing  
Ann Frohrip  
Mark Koenig  
John LaBree, M.D.  
Shannon Lorbiecki  
Lisa McDonald

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PLANNING AND DEVELOPMENT COMMITTEE  
THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS  
Monday, January 14, 1991  
12:00 Noon - 2:00 P.M.  
The Board Room (8-106), University Hospital

AGENDA

- |      |   |             |
|------|---|-------------|
| I.   | <u>Approval of the December 6, 1990 Meeting Minutes</u>                                   | Approval    |
| II.  | <u>Special Capital Project:</u><br><u>Neuroangiography System Replacement</u><br>-Al Dees | Endorsement |
| III. | <u>Heart Cath Lab Expansion</u><br>-Greg Hart   | Information |
| IV.  | <u>Red Wing Update</u><br>-Cliff Fearing  | Information |
| V.   | <u>Other Business</u>   |             |
| VI.  | <u>Adjournment</u>  |             |

MINUTES  
Planning and Development Committee  
December 6, 1990

**CALL TO ORDER**

Chairman, Robert Latz called the December 6, 1990 meeting of the Planning and Development Committee to order at 12:30 p.m. in room 8-106 in the University Hospital.

Attendance: Present	Robert Latz, Chair Robert Dickler Clint Hewitt Geoff Kaufmann Ted Thompson, M.D.
Absent	Leonard Bienias William Jacott, M.D. B. Kristine Johnson Peter Lynch, M.D. Gerald Olson
Staff	Fred Bertschinger Al Dees Cliff Fearing Greg Hart Nancy Janda Mark Koenig Lisa McDonald Mary Ellen Wells
Guest	William Thompson, M.D.

**APPROVAL OF MINUTES**

The minutes of the October 18, 1990 meeting were accepted as distributed.

**CAPITAL PLANNING - RENEWAL PROJECT**

Mr. Dickler reported that the current plan under consideration is estimated at \$35.8 million and is within the projected budget. Feedback is being obtained from the departments involved and there are some significant issues that need to be resolved. The operating room committee requested that another alternative be considered. Dr. Fraley also has concerns about the FWB relocation because the space would be smaller than Urology's planned space and the offices would not be located adjacent to the clinic rooms. The chiefs recommended that we look at the renewal project and address the Urology, OB, Ambulatory Surgery and Operating Room issues. Dr. Thompson reported that there was a consensus among the chiefs to try to address these issues. Mr. Dickler said that the hospital may recommend a change in the budget if necessary to resolve these issues. It is still the hope of administration that a recommendation can be made to the Board at the December meeting.

### **SPECIAL CAPITAL PROJECT**

Mr. Dees presented a proposal to replace the Siemens/Fischer single plane neuroangiographic system which was purchased in 1983 with a biplane unit. The existing system is dated and has poor resolution. Neurosurgery is sending some patients to Abbott which has a more advanced unit. Neurointerventional radiology is an expanding technology used primarily for vascular problems, aneurysms, etc. The cost of the system is \$1,655,000 with installation and remodeling costs projected at \$245,000. The space will need to be remodeled to create a separate room for the peripheral racks resulting in higher installation and remodeling cost than normally incurred. The projected payback period is 3.6 years based on a conservative projection of 208 procedures annually. The equipment is included in the long range capital plan as a major equipment purchase during the 1990-91 fiscal year.

### **MAJOR CAPITAL**

#### **Community Hospital Health (CUHCC) Computer System**

Ms. Wells informed the Board of a plan to expend \$120,555 to purchase the Experior system. The system was selected because it met CUHCC's billing, scheduling and reporting needs. The system will interface with the hospital programs such as the general ledger and patient accounting systems. CUHCC will be able to increase its billing accuracy and reduce turnaround time. Funds were budgeted in the 90/91 capital budget and the system installation will coincide with the CUHCC opening. Ms. Wells reported that the census is doing well and the new facility is scheduled for completion in March 1991. The staff and the community is very excited about the new building. There will be three major events tied to the opening.

### **MAJOR CAPITAL EXPENDITURE**

#### **Laboratory Computer System Expansion**

Mr. Hart reported on the expansion of the Clinical Laboratory Information System (CLIS) with - 2 tandem VLX processors, memory and installation. The CLIS supports information processing and management related to test ordering, processing, analysis, data acquisition, verification, quality control and reports results for over 20 labs. The CLIS is being expanded to maintain adequate levels of service and laboratory productivity. Current response time is in the range of 10 seconds and will become longer when two additional clinical labs are added to the system. Two reconditioned processors have been identified at a cost of \$306,000 (including installation). The project was included in the 1990-91 capital budget.

### **DEVELOPMENT OFFICE UPDATE**

Mr. Bertschinger reported two revocable future gifts and first quarter contributions of \$146,148. Second quarter will be higher due to more events, including the transplant assistance campaign and the employee campaign.

First quarter events included: luncheons for solicitors for the CWA Local 7200/US West Transplant Assistance Fund campaign, donor recognition event sponsored by Bob and Sue Dickler, Gopher exhibition basketball game and U of M Presidents Club Dinner.

Mr. Bertschinger reported that the annual reports have been distributed to donors. and that responses have been positive. The Employee Campaign letter was sent out as scheduled. A newsletter "Gifted" from the University of Minnesota Foundation and Planned Gift Center will be sent to donors and selected individuals. Copies of the University of Minnesota Foundation annual report were distributed.

Variety Club has received contributions of \$2,800,814 toward their \$8,000,000 pledge with \$75,629 to be disbursed.

#### **QUARTERLY PURCHASING REPORT**

Mr. Koenig said that first quarter purchase order activity of \$17,936,022 is higher than last year. The increase is due large capital equipment purchases. Purchase awards to other than lower bidder (\$10,000 or more) and Sole Source awards greater than \$3,000 were summarized.

There was one vendor appeal for the Backbone Network. The top three proposals are still under evaluation and no award has been made.

It was moved and seconded to adopt the first quarter purchase report for 1990.

#### **EXTERNAL RELATIONS UPDATE**

Mr. Dickler reported that negotiations continue with the Interstate Medical Center. Legal concerns, management, governance and property acquisition alternatives are being assessed.

Discussions are also being conducted with Riverside about obstetrics and other potential relationships.

Mr. Dickler extended his thanks to Mr. Latz for his leadership on the Planning and Development Committee and Board of Governors since this was his last meeting.

Mr. Dickler also thanked Mr. Kaufmann for his work since he is leaving UMHC.

Mr. Hewitt moved for a resolution by the Committee thanking Mr. Latz for his service to The University of Minnesota Hospital and Clinic. The resolution was adopted unanimously.

#### **ADJOURNMENT**

Mr. Latz adjourned the Planning and Development Committee at 1:45 p.m.

Respectfully submitted,



Lisa McDonald  
Assistant Director  
Planning and Marketing



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

January 7, 1991

TO: Members, Planning and Development Committee  
FROM: Greg Hart *GH*  
Senior Associate Director  
SUBJECT: Heart Cath Expansion Project

In October the Board of Governors approved a \$3,000,000 expansion project for the Cardiac Cath Lab, driven by the increasing volume in the lab. At that time we indicated we would report back to the Board once final equipment bids were received and final space plans for the project were developed.

We received and evaluated those bids in December. The bids were very favorable. In fact, the environment appears to be so favorable that we decided that we should take the opportunity to evaluate an expanded project, replacing (earlier than anticipated) one of our current machines in the Heart Cath Lab, in addition to adding the fourth room. We did this evaluation in the context of the need to reduce our planned major capital expenditures by approximately \$10,000,000 over the decade, as we discussed with the Board of Governors last fall.

The outcome of that evaluation is that we can accomplish a significant reduction in our long-range capital plan by purchasing two heart cath units now, rather than one now and the other in 1991-92, as previously planned. We can purchase and install both machines within the Board approved budgets for Heart Cath projects (\$3,000,000 for Heart Cath expansion, \$110,000 for image intensifier). This is accomplishable as a result of several factors: (a) a favorable set of bids, (b) a significant reduction in the remodeling cost of the project, due largely to very helpful cooperation between Radiology and Cardiology, and (c) agreement by the cardiologists that the existing bi-plane unit in the current Heart Cath suite can be replaced with a single plane unit. The cost of the project, reconfigured to include two new machines, is \$3,100,000.

To recap the financial impact of the project as now configured:

Original Plan

Expand Room 4	\$3,000,000	(Board approved)
Upgrade Imaging Room 3	\$110,000	(Board approved)
Replace Room 3	<u>\$1,500,000</u>	(per capital plan)
Total	\$4,610,000	

Reconfigured Plan

Expand Room 4; replace Room 3	\$3,100,000
----------------------------------	-------------

The net reduction in the long-range capital plan is \$1,510,000.

Because the newly configured project is within project budgets already approved by the Board of Governors, we do not believe that any additional action by the Board is necessary.

We will be happy to answer any questions at the Planning and Development Committee meeting next week.

GH/kj





UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

January 10, 1991

TO: Planning and Development Committee  
FROM: Greg Hart  
RE: Neuroangiography System Replacement

There are currently two rooms in the Diagnostic Radiology Department equipped with neuroangiographic x-ray machines. Due to the age and technological limitations of these systems, radiology staff is not able to produce the type and quality of images required to support new, interventional radiology procedures. Attached is a proposal to replace one of these systems.

This proposal will be presented to this committee and the Board for information during the December meetings and for approval during the January meeting.

Thank you for your attention to this proposal. We look forward to answering any questions you may have.

/gs

attachments

**PROPOSAL FOR PURCHASE OF NEUROANGIOGRAPHY SYSTEM  
DIAGNOSTIC RADIOLOGY DEPARTMENT  
THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**

**INTRODUCTION**

The University of Minnesota Hospital and Clinic (UMHC) currently has two radiology procedure rooms equipped with single plane neuroangiographic systems. One system was acquired in 1980. The other was acquired in 1983 and upgraded with the addition of a digital biplane module in 1986. These systems are not capable of providing acceptable biplane imaging required for the new highly differentiated adult and pediatric neurointerventional procedures and other neuroangiographic studies which have been and are being developed.

**PROPOSAL**

Acquire a new biplane radiographic, fluoroscopic, digital neuroangiographic system to replace the Siemens/Fischer system originally installed in 1983.

**RATIONALE**

- A. A new imaging system is required to enable performance of neurointerventional procedures currently required to support the neurosurgical staff including vascular occlusion, vascular recanalization, and vascular perfusion in addition to treating aneurysms, arteriovenous malformations, arteriovenous fistulas, tumors, thrombosis, stenosis, and vasospasm. Currently, these imaging/interventional procedures cannot be performed at UMHC and are being referred to Abbott-Northwestern Hospital (see attached letter from Dr. Roberto Heros, Chief of Neurosurgery).
- B. Concern regarding the inadequacy of the existing equipment was voiced by Dr. William Thompson, Chief of Diagnostic Radiology, during his recruitment to the University of Minnesota in 1986. Replacement was postponed, however, pending selection of a new chairperson for Neurosurgery. While that postponement was appropriate, it has impeded Dr. Thompson's ability during the past three years to recruit neurointerventional radiologists.
- C. Neurointerventional radiology is an expanding technology. Dr. Heros' projection of 104 - 156 cases requiring 208 - 312 procedures annually is comparable to the growth experienced at Massachusetts General Hospital (MGH). MGH has experienced a 30% growth rate per quarter, moving from 130 procedures in 1988 to 260 in 1989.
- D. The projected pay back period is 3.6 years. This is based on 208 neurointerventional procedures annually, the low end of the projected volume, with an average procedure charge of \$2,400, coupled with the \$200,000 in charges generated annually at present and utilizing a 75% reimbursement rate.

### ESTIMATED COST

Biplane neuroangiographic system	\$1,655,000
Installation & remodeling	245,000
TOTAL	\$1,900,000

The estimated cost for the equipment is based on bids received. This cost does not include a stereotactic module which would add \$400,000. If that module is determined to be required for specific new procedures, it will be budgeted for and presented as a separate proposal in a future fiscal year.

The existing room is not large enough to accommodate all of the racks for the peripheral equipment included with this system. Consequently, it appears that x-ray equipment and a reading room located in adjacent space will need to be relocated and the space remodeled to create a separate room for the peripheral racks. Therefore, the estimated installation and remodeling cost is higher than that normally incurred for installation of new equipment.

This equipment is included in the long range capital plan as a major equipment purchase to be made during the 1990-91 fiscal year.

### FINANCING

Several financing alternatives are available. The alternative used will be the one which is determined to provide the least costly approach at the time the acquisition contracts are written.

UNIVERSITY OF MINNESOTA  
TWIN CITIES

Department of Neurosurgery  
Medical School  
Box 96 UMHC  
8590 Mayo Memorial Building  
420 Delaware Street S.E.  
Minneapolis, Minnesota 55455

(612) 624-6666  
FAX: (612) 624-0644

October 16, 1990

William Thompson, M.D.  
UMHC - Box 292

RE: Interventional Neuroradiology  
Room

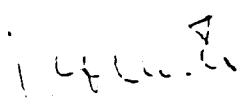
Dear Bill:

This letter is to support in the strongest possible terms your justification of need for an interventional neuroradiology room. As you know, presently our facilities for these procedures are simply inadequate and much below par. In fact the facilities are so inadequate that we are sending routinely our patients for these procedures to Abbott Hospital where they do have first-class facilities.

Currently we are sending at least one patient a week to Abbott and on the average such a patient has at least two different sessions of interventional neuroradiology. Each session may take from four to six hours. In other words, presently our patients are utilizing the facilities at Abbott Hospital for an average of eight to twelve hours a week. This utilization is increasing quite significantly and I project that within six months there will be an average of two to three patients per week at the University Hospital in need of interventional radiology. This means that a conservative projection would be that in six months we would be utilizing this facility, if it were available at the University Hospital, for an average of 12-18 hours per week.

As you well know, I think it is an embarrassment to have to refer these patients to an outside institution for lack of adequate facilities at our own. I hope that you make every effort to correct this major deficiency and I do hope that your efforts are successful. We simply cannot continue to run a first-class clinical neurosurgical service without adequate interventional neuroradiology.

Sincerely,

  
Roberto C. Heros, M.D.  
Lyle A. French Professor  
and Department Head

RCH/bm



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

March 22, 1991

**TO:** Planning and Development Committee Members

Leonard Bienias	Nellie Johnson
Robert Dickler	Peter Lynch, M.D.
Greg Hart	Trudy Ohnsorg
Clint Hewitt	Ted Thompson, M.D.
William Jacott, M.D.	

**FROM:** Robert Nickoloff

The March meeting of the Planning and Development Committee will be held:

Wednesday March 27, 1991  
2:30 - 4:00 P.M.  
The Board Room, University Hospital

The agenda and the background materials for the meeting are enclosed.

cc: Shannon Lorbiecki

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PLANNING AND DEVELOPMENT COMMITTEE  
THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS  
Wednesday, March 27, 1991  
2:30 - 4:00 P.M.  
The Board Room (8-106), University Hospital

AGENDA

- |       |   |                               |
|-------|---|-------------------------------|
| I.    | <u>Approval of the February 27, 1991 Meeting Minutes</u>  | Approval                      |
| II.   | <u>Special Event</u><br>-Barbara Lynch  | Information                   |
| III.  | <u>Development Office Update</u><br>-Fred Bertschinger  | Information                   |
| IV.   | <u>Quarterly Purchasing Report</u><br>-Mark Koenig  | Endorsement<br>Consent/Agenda |
| I.    | <u>Quarterly Capital Expenditure Report</u><br>-Greg Hart   | Information                   |
| VI.   | <u>Lithotripsy</u><br>-Greg Hart  | Information                   |
| VII.  | <u>UMCA Update</u><br>-Peter Lynch, M.D.  | Information                   |
| VIII. | <u>External Relations Update</u><br><br>Red Wing<br>-Cliff Fearing<br><br>Riverside<br>-Greg Hart | Information                   |
| IX.   | <u>Other Business</u>   |                               |
| X.    | <u>Adjournment</u>  |                               |

THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
JOINT MEETING OF THE BOARD OF GOVERNORS FINANCE AND  
PLANNING AND DEVELOPMENT COMMITTEES  
February 27, 1991

MINUTES

**ATTENDANCE:**

Present:	<u>Finance Committee</u>	<u>Planning and Development</u>
	Robert Dickler Michael Dougherty Clifford Fearing Leo Furcht, M.D. Margaret Matalamaki Jerry Meilahn Vic Vikmanis	William Jacott, M.D. Nellie Johnson Trudy Ohnsorg Theodore Thompson, M.D. Greg Hart
Not Present:	Edward Ciriacy, M.D. David Lentz Roger Paschke	Leonard Bienias Clint Hewitt Peter Lynch, M.D. Robert Nickloff
Staff:	Greg Hart Teri Holberg Nels Larson Helen Pitt	

**CALL TO ORDER:**

The joint Finance and Planning and Development Committee was called to order by Mr. Jerry Meilahn on February 27, 1991 at 10:40 A.M.

**APPROVAL OF THE MINUTES:**

The Board of Governors Finance Committee seconded and passed a motion to approve the minutes of the December 19, 1990 meeting as written.

**JULY 1, 1990 THROUGH JANUARY 31, 1991 FINANCIALS:**

Mr. Fearing reported to the Finance Committee the month of January inpatient admissions totaled 1,617, which was 125 above budget; average length of stay was 8.5 days; patient days totaled 12,604, which were 772 days above budget. The January average daily census was 407, which was above the budgeted level of 382. Clinic visits for the month of January were reported to be 10.6% over budget.



The Hospital's year-to-date Statement of Operations showed revenues over expenses by \$9,500,666 a favorable variance of \$8,949,164. Mr. Fearing stated ancillary revenue was 5.1% above budget and operating expenditures through January were reported to be 1.1% above budget.

Lastly, Mr. Fearing reported as of January 31 the balance of accounts receivable totaled \$97,079,310 and represented 98.1 days of revenue outstanding.

#### **SPECIAL CAPITAL PROJECT:**

##### Neuroangiography System Replacement

Mr. Greg Hart reported the members of the Board of Governors were reached by phone and approved the proposal to purchase a new biplane radiographic, fluoroscopic, digital neuroangiographic system at an estimated cost of \$1,900,000.

#### **HEART CATH EXPANSION PROJECT:**

Mr. Hart reported to the Committees, for information, that final bids had been received for the heart cath expansion project in December, 1990. Mr. Hart stated the bids came in significantly lower than was originally anticipated.

As a result of the favorable bids it was decided to evaluate an expanded project, replacing (earlier than anticipated) one of the current machines in the Heart Cath Lab, in addition to adding the fourth room. The reconfigured plan, purchasing two new machines, expanding room 4, and replacing room 3 would cost \$3,100,000. The total cost of the original plan, expanding room 4, upgrading imaging room 3, and replacing room 3 would be \$4,610,000. The net reduction in the long-range capital plan would be \$1,510,000 with the reconfigured plan.

The Committees decided the newly configured project was within project budgets already approved the Board of Governors, and additional action by the Board was not necessary. The heart cath expansion project will proceed with the reconfigured plan.

#### **MAJOR CAPITAL EXPENDITURES:**

##### Bone Marrow Transplantation Expansion Project

Mr. Robert Dickler reported to the Committees the expansion of the Bone Marrow Transplantation Unit by nine beds at a cost of \$217,250. Mr. Dickler stated nine standard patient care beds on 4B, which are adjacent to the BMT Unit, will be upgraded environmentally to accommodate severely immunocompromised BMT patients. The modifications include 1) upgrading the hourly air exchanges, 2) room finishes, and 3) installing equipment for ongoing monitoring and study of the room environment.

This project was presented to the Committees for information only.

## **SECOND QUARTER, 1990-91 BAD DEBTS:**

Mr. Fearing reported the bad debts for the second quarter totaled \$429,419.31 represented by 1,294 accounts. Recoveries amounted to \$1,611.42, leaving a net charge-off of \$427,807.89. This amount represented a 0.49% of gross charges and compared to a budgeted level of 0.90%.

The Finance Committee seconded and passed a motion to endorse the Second Quarter 1990-91 Bad Debt report as submitted.

## **1990 INTERNAL YEAR END REPORT:**

Mr. Fearing presented to the Finance Committee, for information, the 1990 Internal Year End Report.

## **LITHOTRIPSY PROJECT:**

Mr. Hart updated the Committees on the lithotripsy program at the University Hospital.

Mr. Hart stated in late 1989 the Hospital began leasing a second lithotripter, manufactured by Siemens, with two objectives in mind: to assess the application of ESWL to gallstones (in addition to kidney stones), and to assess the ability of "anesthesia free" lithotripsy. The range of applicability and success rates for gallstone treatment has been found to be limited. The "anesthesia free" capability with the Siemens machine has brought about good results.

Mr. Hart reported several of the Hospital's referral sources have expressed interest in purchasing mobile lithotripsy services from UMHC, which has led to discussions to assess whether the next phase of the lithotripsy program should involve mobile capability. Mr. Hart reported the Hospital is working with the Department of Urology to assess the market, machine choice, financing, pricing, and organization form for a mobile lithotripsy program. The Hospital is also discussing with the Department of Urology joint financing and ownership. If it is decided a joint venture is the preferred organization form, the creation of the venture as a separate entity would require the approval of the Board of Regents, in addition to the Board of Governors.

Mr. Hart stated it is anticipated a proposal for both capital expenditure and the creation of the joint venture will be brought before the Board of Governors in April.

## **RED WING:**

Mr. Fearing reported negotiations with Interstate Medical Center are continuing. At this time IMC has shown great interest in the proposal of UMHC purchasing the entire practice, including the real estate. A written counter proposal, in response to the Hospital's counter proposal, is expected from IMC

in the near future. Mr. Fearing will continue to keep the Committee informed of the progress.

**UNION ORGANIZING EFFORTS:**

Mr. Hart reported to the Committees the results of the University clerical unit election. It was reported that of the approximate 3000 clerical people, of which 300 are Hospital employees, approximately 1150 voted for AFSCME, 800 voted for no union representation, and 250 voted for the Teamsters. Mr. Hart stated contract negotiations with AFSCME are anticipated to begin some time in April.

**Blue Cross Blue Shield (BCBS):**

Mr. Fearing reported that the national BCBS organization has selected UMHC in addition to other institutions for BCBS National Transplant Center of Excellence. UMHC qualified for bone marrow transplantation, adult heart, and pediatric and adult liver. Negotiations will take place over the next several months regarding contracts and protocols.

**IMMUNOTOXINS:**

Mr. Fearing reported to the Committee negotiations continue with the physician in the licensing agreement for the biological product (B43-PAP), which is intended to help increase the success rate of bone marrow transplant patients. It is anticipated this will be brought before the Board for approval in the near future.

There being no further discussion, the February 27, 1991 meeting was adjourned at 12:05 P.M.

Respectfully submitted,



Teri Holberg  
Recording Secretary



UNIVERSITY OF MINNESOTA  
TWIN CITIES

Development Office  
The University of Minnesota Hospital and Clinic  
Box 612 UMHC  
Harvard Street at East River Parkway  
Minneapolis, Minnesota 55455

DATE: March 21, 1991  
TO: Planning and Development Committee  
FROM: Fred Bertschinger *F.B.*  
SUBJECT: Development Office Quarterly Report

Attached for your information are summary reports of activities and donations received during the second quarter of FY 1991 (October-December).

If you have any questions about this report, please call me at 626-6008.

/ng



UNIVERSITY OF MINNESOTA  
TWIN CITIES

Development Office  
The University of Minnesota Hospital and Clinic  
Box 612 UMHC  
Harvard Street at East River Parkway  
Minneapolis, Minnesota 55455

Activities and Events  
UMHC Development Office  
FY 1991

1990

- August 9      Begin first of six luncheons and tours for solicitors for the CWA Local 7200/U.S. West Charity Project.
- September 8      Donor recognition event hosted by Bob and Sue Dickler - tour and dinner at UMHC followed by Gopher football game.
- September 13      Kick-off for CWA Local 7200/U.S. West United Way and UMHC Transplant Assistance Fund Campaign. Goals of \$30,000 and new organ donors.
- October 17      U of M President's Club Annual Dinner Meeting.
- November 4      Gopher Exhibition Basketball Game to benefit Child/Family Life.
- November 15      Philanthropy Day recognition for Dr. Neal Gault and Genevieve Stelberg.
- November 25      Annual Report To Donors - FY 1990 mailed.
- December 3      Employee/Staff Annual Campaign solicitation mailed.
- December 6      GIFT-ED, a U of M Foundation publication, mailed to major donors, administrators, department heads, and friends.

1991

- January 16      CWA Local 7200/US West check presentation for the Transplant Assistance Fund. \$30,000, plus \$5,022 in matching gifts from the US West Foundation.
- January 21      National Association for Hospital Development Region VII meeting with national president at Fairview.
- January 28      Variety Club Childrens Hospital Pledge Advisory Committee meeting to approve 1991 allocations.

Page two

- February 4 University and related organizations Development Officers for children's programs - meeting for coordination and joint project.
- February 16 Minneapolis Commodores Chorus annual concert to benefit U of M for heart research. Expect \$6,500.

Contributions Received  
 UMHC Development Office  
 FY 1991

	I 7-9/90	II 10-12/90	III 1-3/91	IV 4-6/91	TOTALS
Patients Fund	\$1,916	\$2,044			\$3,960
Transplant Assist. Fund	\$1,830	\$3,442			\$5,272
Variety Club Pledge	\$4,460	\$20,565			\$25,025
Other Funds	\$138,148	\$119,534			\$257,682
<b>Totals to Funds</b>	<b>\$146,354</b>	<b>\$145,585</b>	<b>\$0</b>	<b>\$0</b>	<b>\$291,939</b>

Goal = \$1,050,000

Irrevocable Future Gifts	0	2
Revocable Future Gifts	2	0

University of Minnesota Hospital and Clinic  
Development Office Report  
Deferred Gifts

	1	2	3	4	5	6
Donors(s)						
Date of Birth	1923	1910	William - 1920 Mary Anne - 1937	William - 1920 Mary Anne - 1937	1904	1908
Gift Date	November 1984	July 1986	December 1989	March 1990	October 1990	December 1990
Type	Life Insurance	Unitrust	Annuity Trust	Unitrust	Commerical Annuity	Whole Life Insurance
Own/Trustee	U of M Foundation	Norwest	U of M Fdn	Norwest	U of M Foundation	U of M Foundation
Beneficiary	60% UMHC Playrooms 40% Dr. A. Leonard	U of M Fdn. 2.685% of \$485,000 for UMHC patients' families lodging	U of M Fdn for UMHC Transplant Assistance Fund	U of M Fdn 80% to UMHC for multi purposes	UMHC Child/Family Life Program	Residents in pediatrics and neurology
Endowed	Yes	Yes	Yes	Yes	Yes	Yes
Amount	\$150,000 - UMHC \$100,000 - Dr. Leonard	\$6,500	\$99,800	\$659,800 80% = 527,200	\$10,000	\$75,000 - UMHC \$25,000 - U of M Music School \$50,000 - W. Mitchell Coll. of Law



UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
DONOR PROFILE

FY	ANNUAL GIVING		PERSONAL MAJOR GIFTS		ORGANIZATION GIFTS		DEFERRED GIFTS		TOTAL GIFTS RECEIVED	
	No. Donors	\$1-\$999	No. Donors	\$1,000+	No. Donors	\$1,000+	No. Donors	Amount	No. Donors	Amount
80	766	18,788.93	2	8,024.95	3	24,796.69			771	51,610.57
81	829	16,050.14	2	6,038.58	2	4,200.00			633	26,288.72
82	719	17,352.28	7	196,988.68	1	2,600.00			727	216,940.96
83	983	31,888.42	9	30,671.00	4	11,354.50			996	73,913.92
84	1742	58,725.56	17	55,965.70	10	39,781.19			1769	154,472.45
85	1477	61,096.65	19	55,147.30	4	5,250.00			1500	121,493.95
86	1448	59,925.56	50	766,751.23	11	82,971.76			1509	909,648.55
87	1513	66,871.72	25	213,330.73	10	323,638.70			1548	603,841.15
88	1936	76,566.58	98	1,481,814.85	8	76,848.00			1982	1,635,229.43
89	1216	50,009.21	22	784,614.50	11	69,120.49	1	1,000.00	1250	904,744.20
90	1094	60,582.37	23	776,159.38	11	829,197.04	16	771,407.00	1144	2,437,345.79

**VARIETY CLUB PLEDGE  
PLEDGE REDUCTIONS AND DISBURSEMENTS**

DATE	CONTRIBUTIONS	RUBEN-BENTSON	DISBURSEMENTS	BALANCE
As Of				
09/30/90	2,402,354.56	400,000.00	2,326,725.00	75,629.56
10/31/90	8,647.61			84,277.17
11/30/90	18,536.01			102,813.18
12/31/90	12,203.86			115,017.04
01/25/91		100,000.00		115,017.04
<b>SUBTOTAL</b>	<b>\$2,441,742.04</b>	<b>\$500,000.00</b>	<b>\$2,326,725.00</b>	<b>\$115,017.04</b>

TOTAL CONTRIBUTIONS: \$2,941,742.04

TOTAL DISBURSEMENTS: \$2,826,725.00

CASH AVAILABLE FOR USE:

\$8,000,000

\$115,017.04

BALANCE TO BE RECEIVED: 5,058,257.96

Contributions from the Variety Club of the Northwest	\$1,178,225.00
Contributions to UMHC, credited against the pledge in accordance with the pledge agreement	\$1,763,517.04
Total Contributions	2,941,742.04

VARIETY CLUB ALLOCATION COMMITTEE  
Approved Allocations  
1991

Ruben-Bentson Chair	\$200,000
CUHCC	\$200,000
Variety Club Scholar	\$100,000
Laboratory Facility (5th Floor VCHRC)* 1990-1991	\$120,000
Public Relations Program (Variety Club)	\$32,000
Cardiology Nurse Support	\$25,000
Creating a Child Friendly Environment	\$11,700
Employee Nametags with VCCH logo	\$2,500
Pre-operative teaching lapbook for pediatric patients	\$2,596
	\$693,796
Restricted Gifts	
-----	
Variety at Work Projects	\$14,500
Moncrief's Summer Camp	\$2,000
NALS/PALS (equipment)	\$11,020
Cardiomyopathy	\$43,000
Sunshine Coach	\$7,400
SIDS	\$750
	\$78,670
 TOTAL	 \$772,466

Ongoing commitments: Ruben-Bentson Chair \$200,000, CUHCC \$200,000, Variety Club Scholar \$100,000 (2 scholars at \$50,000 each), Public Relations for Variety Club \$32,000

* Laboratory Facility - Schedule	1990-1991	\$120,000
	1991-1992	\$140,000
	1992-1993	\$140,000

VARIETY CLUB PLEDGE  
DISBURSEMENTS BY PURPOSE  
MARCH 1991

	VARIETY CLUB RESEARCH CENTER	RUBEN-BENTSON CHAIR	OTHER VCCH	TOTALS
	-----	-----	-----	-----
ALLOCATION OF \$8,000,000 PLEDGE	\$2,000,000	\$1,000,000	\$5,000,000	\$8,000,000
TOTAL DISBURSEMENTS	(\$770,000)	(\$600,000)	(\$2,099,191)	(\$3,469,191)
	-----	-----	-----	-----
BALANCE TO BE DISBURSED	\$1,230,000	\$400,000	\$2,900,809	\$4,530,809



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

March 21, 1991

TO: Planning and Development Committee  
FROM: Greg Hart *GH*  
RE: Quarterly Purchasing Report

Attached please find the quarterly purchasing report for the period October - December, 1990. The report will be reviewed at the March Committee meeting. Following the review we will be seeking endorsement of the report.

Please contact me if you have any questions regarding the quarterly report.

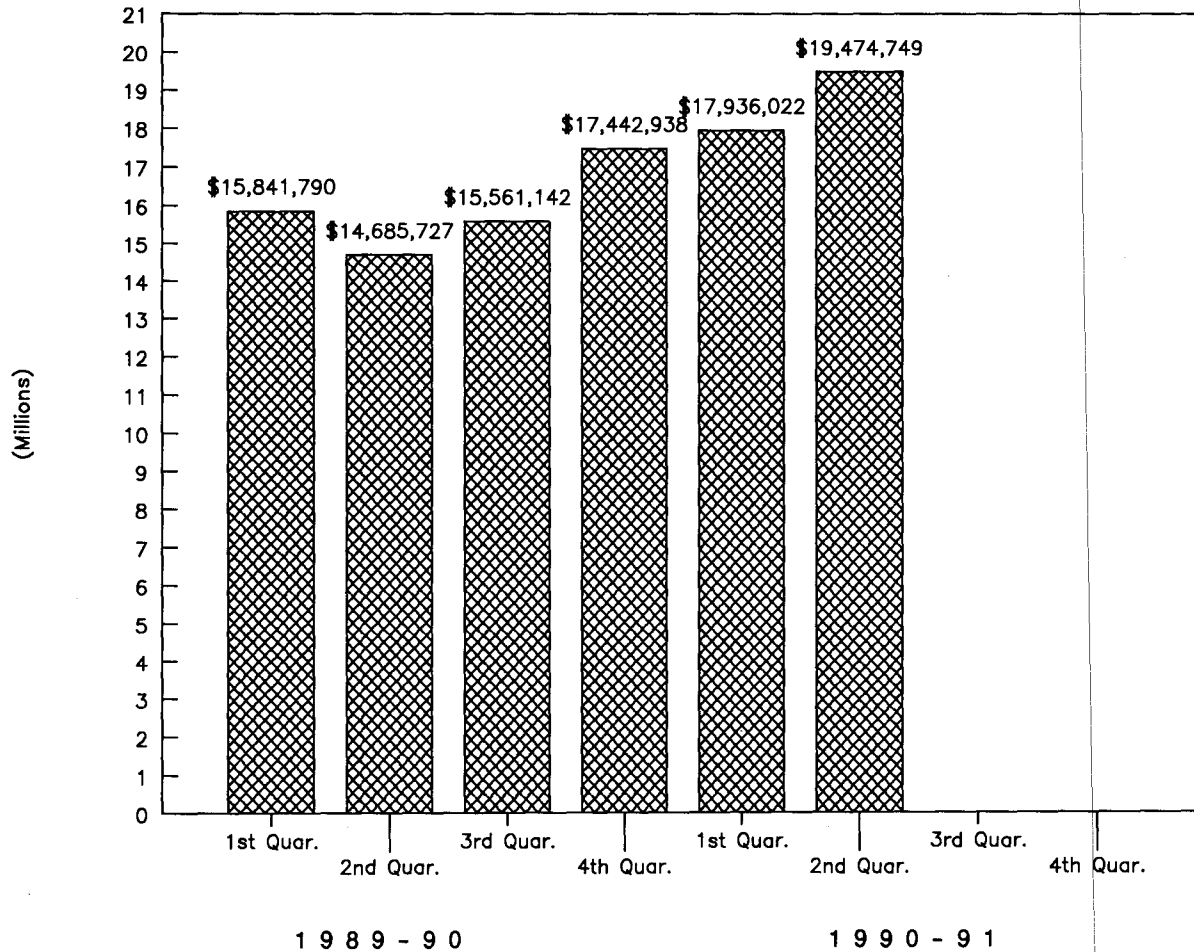
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attachments

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**ADMINISTRATIVE REPORT ON PURCHASING ACTIVITY**  
**PERIOD OF OCTOBER – DECEMBER 1990**

- I. PURCHASE ORDER ACTIVITY
- II. AWARDS TO OTHER THAN APPARENT LOW BIDDER
- III. SOLE SOURCE ACTIVITY
- IV. VENDOR APPEALS

# PURCHASE ORDER ACTIVITY



## SECOND QUARTER, FISCAL YEAR 1990-91, ACTIVITY:

	<u>NUMBER</u>	<u>VALUE</u>
PURCHASE ORDERS	8388	\$18,730,641.63
OTHER PAYMENTS	491	\$383,335.66
CONFIRMING ORDERS	<u>372</u>	<u>\$360,772.19</u>
<b>TOTAL THIS QUARTER</b>	<u><u>9,251</u></u>	<u><u>\$19,474,749.48</u></u>

**II. PURCHASE AWARDS TO OTHER THAN LOW BIDDER (\$10,000 OR MORE)**

<u>ITEM</u>	<u>UNSUCCESSFUL VENDOR/AMOUNT</u>	<u>SUCCESSFUL VENDOR/AMOUNT</u>	<u>DEPARTMENT</u>
1. Guidewires	Argon \$ 15,210.00 Bard \$ 18,369.00	Cook Inc. \$ 26,910.00	Materials
	The floppy tip of the guidewire is too stiff.		
2. Automatic Clip Applier	Weck \$ 10,800.00	U.S. Surgical \$ 20,300.40	Materials
	The shaft of the applier is too wide and the tip is not angled, obstructing the view of the vein or artery.		
	Ethicon \$ 16,189.20	U.S. Surgical \$ 20,300.40	Materials
	The shaft of the applier is too wide, obstructing the view of the vein or artery.		
3. Catheterization Tray, 15 FR., Straight	PMP \$ 23,866.92	Bard \$ 25,200.00	Materials
	Placement of the holes on the catheter does not allow for adequate drainage and there is no catheter lubricant.		
4. Laparoscopy/Lymph Node Dissection Instrument	Cabot Medical \$ 39,443.00	Richard Wolf \$ 40,577.00	O.R.
	The resolution on the monitor with camera was poor and the laparoscope was not a panoview laparoscope as specified.		



5.	Antiserum Plater	Robbins Scientific \$ 9,986.05	One Lambda \$ 11,099.00	Labs
		Equipment supplied for evaluation malfunctioned twice during trials and staff were unable to obtain usable plates.		
6.	Biopsy Needles	Medix \$ 30,534.40	Baxter \$ 36,203.00	Materials
		Projection on the cannula that locks the trocar in place can potentially catch on a glove and cause tears which can then cause contamination of the needles and put the patient at risk.		
7.	Adult Blood Lines	Medisystems \$ 14,065.00	Gambro \$ 16,005.00	Materials
		The line makes it difficult to arm the air detector, the heparin lines do not work properly, and the drip chamber clots easily.		
		National Medical Care \$ 15,035.00	Gambro \$ 16,005.00	Materials
		The line has no injection port, and micro bubbles adhere to the inner wall of the tubing.		
8.	Reusable Resuscitation	Owens & Minor \$ 14,952.00	Armstrong \$ 15,300.00	Materials
		The bags offered are not compatible with the stock of spare parts currently on hand in the Hospital and the value of the spare parts exceeds the savings that could be realized.		
9.	Bag, Infectious Waste	Brissman-Kennedy \$ 8,587.20	Viking International \$ 23,308.80	Materials
		Bag was too thin and tore easily.		
10.	Transparent Dressing, 2 x 3	Smith & Nephew (#5624) \$ 16,200.00	J & J \$ 17,863.20	Materials
		Package was difficult to open aseptically for use in the O.R. and Anesthesia.		

Transparent Dressing (cont'd)	Smith & Nephew (#4682)	J & J	Materials
	\$ 16,200.00	\$ 17,863.20	

Dressing is difficult to apply and the edges curl up.

3M	J & J	Materials
\$ 16,912.80	\$ 17,863.20	

Application of dressing is complicated and time consuming.

Colonial Hospital Supply	J & J	Materials
\$ 14,400.00	\$ 17,863.20	

Dressing is thin and flimsy, it does not adhere well, and the directions for application are poor.

11. Transparent Dressing, 4 x 5	Smith & Nephew	J & J	Materials
	\$ 25,200.00	\$ 28,008.60	

There are no directions for application, the edges of the dressing curl up and the dressing does not adhere well.

3M	J & J	Materials
\$ 26,517.60	\$ 28,008.00	

Application of dressing is complicated and time consuming.

Colonial	J & J	Materials
\$ 25,596.00	\$ 28,008.00	

Dressing is thin and flimsy, it does not adhere well, and the directions for application are poor.

12. Microscope	Leeds Precision Instruments	Zeiss	Labs
	\$ 12,048.00	\$ 12,750.75	

Microscope has a smaller field of vision, the light source is hotter and fades the fluorescence faster, and the objectives are not as flat field corrected which leads to slower slide scanning.

13. Centrifuge, Table-Top

DuPont  
\$ 10,320.00

B. Braun  
\$ 13,221.00

Labs

Deceleration time is too long and RPM'S are inadequate when using swing out rotor.

Gibbco  
\$ 3,800.00

B. Braun  
\$ 13,221.00

Labs

Cannot accommodate the number of tubes required, has poor visual display, requires brushes and you cannot see when the centrifuge has stopped.

Jouan, Inc.  
\$ 8,296.00

B. Braun  
\$ 13,221.00

Labs

Deceleration time is too long and RPM's are inadequate when using swing out rotor.

14. Micro Centrifuge

DuPont  
\$ 8,055.00

B. Braun  
\$ 9,975.00

Labs

The centrifuge has an unacceptable noise level and it does not accommodate 3 ml. tubes.

Gibbco  
\$ 5,980.00

B. Braun  
\$ 9,975.00

Labs

The centrifuge has an unacceptable noise level, it does not accommodate 3 ml. tubes and it has inadequate speed control.

Fisher  
\$ 2,697.70

B. Braun  
\$ 9,975.00

Labs

Centrifuge has inadequate speed control, limited capacity, and does not accommodate 3 ml. tubes.

Curtin Matheson  
\$ 6,975.00

B. Braun  
\$ 9,975.00

Labs

The centrifuge has an unacceptable noise level.

III. SOLE SOURCE—\$5,000 and Over

<u>VENDOR</u>	<u>CONTRACT/ P.O. #</u>	<u>VALUE</u>	<u>DEPT.</u>	<u>PRODUCT</u>
Candella Laser	90-658	\$19,900.00	Amb. Care	Dye Change Kits
American Biosystems	H112223	\$6,000.00	Cardio-Resp.	Bronchial Therapy Device Rental
Bio Instruments	H111032	\$14,270.00	Cardio-Resp.	Cardiopulmonary Bypass Support System
* D & B Software	H112244	\$143,900.00	I.S.D.	Purchasing System Software
Gen-Probe	H112944	\$15,000.00	Labs	Luminometer
Vitex	90-611	\$38,970.00	Labs	Test Kits
Ventrex	H110724	\$5,040.00	Labs	Insulin Kits
Becton Dickinson	90-25	\$10,000.00	Labs	Simultrac Assay Kits
Knowledge Data	H112945	\$25,890.00	Labs	Tandem Software
Whittaker	H110741	\$25,350.00	Labs	Monkey Kidney Cells
R.M. Cotton	H112669	\$6,774.40	M & O	Heat Exchanger
WCCO Radio	H109475	\$15,737.35	Marketing	Advertising
Dictaphone	H111049	\$17,360.00	Med. Rec.	Light Pens
CPI	H100891	\$9,500.00	O.R.	Cardioverter Defibrillator System
Karl Storz	H112087	\$11,514.00	O.R.	Laser Bronchoscope
3M	H100886	\$6,130.00	O.R.	Carpal Tunnel Release System
Scientific Spinal	90-680	OPEN	O.R.	Spinal Implants
Midas Rex	90-637	OPEN	O.R.	Dissecting Tools
Vena Tech	H420714	\$9,540.00	Radiology	Jugular & Femoral System
Vena Tech	H419816	\$9,640.00	Radiology	Jugular & Femoral System
Creative Socio-Medics	H112211	\$8,435.00	Social Work	Software System
<b>TOTAL</b>		<b><u>\$398,950.75</u></b>		

\* Over \$50,000

**IV. VENDOR APPEALS**

1. VENDOR NAME/DOLLAR AMOUNT: 3M/\$17,115.00  
NATURE OF PURCHASE: Stapler and Cartridges  
INTENDED VENDOR/DOLLAR AMOUNT: U.S. Surgical/\$24,075.89

**REASON FOR APPEAL:**

Vendor is taking exception to the results of the evaluation performed which found that the instrument was less maneuverable because of its weight distribution and that it requires a larger incision.

**STATUS:** Award is being held pending a response from the O.R.

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC

CAPITAL EXPENDITURES

7-1-90 THRU 12-31-90

	<u>ANNUAL BUDGET AND ROLLFORWARD</u>			<u>SEASONALIZED BUDGET</u>			<u>ACTUAL EXPENDITURES</u>		
	<u>BUDGET</u>	<u>ROLLFORWARD FROM 6-30-90</u>	<u>TOTAL</u>	<u>6-MONTH BUDGET</u>	<u>6-MONTH ROLLFORWARD</u>	<u>TOTAL</u>	<u>90-91 ACTUAL</u>	<u>89-90 ROLLFORWARD</u>	<u>TOTAL</u>
<u>RECURRING EQUIP &amp; REMOD EQUIPMENT PURCHASES</u>									
90-91 BUDGET	\$5,669,600		\$5,669,600	\$1,200,000		\$1,200,000	\$443,051	\$0	\$443,051
ROLLFORWARD		\$6,224,875	\$6,224,875		\$3,000,000	\$3,000,000	\$0	\$2,160,434	\$2,160,434
	<u>\$5,669,600</u>	<u>\$6,224,875</u>	<u>\$11,894,475</u>	<u>\$1,200,000</u>	<u>\$3,000,000</u>	<u>\$4,200,000</u>	<u>\$443,051</u>	<u>\$2,160,434</u>	<u>\$2,603,485</u>
 <u>REMODELING PROJECTS</u>	 <u>\$1,330,400</u>	 <u>\$6,224,875</u>	 <u>\$1,330,400</u>	 <u>\$750,000</u>	 <u>\$3,000,000</u>	 <u>\$750,000</u>	 <u>\$124,358</u>	 <u>\$349,964</u>	 <u>\$474,322</u>
	<u>\$7,000,000</u>	<u>\$6,224,875</u>	<u>\$13,224,875</u>	<u>\$1,950,000</u>	<u>\$3,000,000</u>	<u>\$4,950,000</u>	<u>\$567,409</u>	<u>\$2,510,398</u>	<u>\$3,077,807</u>
 <u>PRINCIPLE PAYMENTS</u>									
LAB CHEMICAL ANALIZERS	\$116,158					\$56,801			\$53,559
CT SCANNER	\$207,000					\$101,700			\$101,700
COMPUTER EQUIP	\$174,891					\$85,900			\$85,900
MRI 2	\$429,579					\$212,427			\$210,808
	<u>\$927,628</u>					<u>\$456,828</u>			<u>\$451,967</u>
TOTAL:	<u>\$7,927,628</u>					<u>\$5,406,828</u>			<u>\$3,529,774</u>
 BOND PAYMENTS:	\$2,345,000	(PAYMENTS DUE FEB. 1, 1991)							

<u>CAPITAL PROJECTS:</u>	<u>UMHC FUNDS FROM RESERVES</u>	<u>ADDITIONAL FUNDS FROM OTHER SOURCES</u>	<u>TOTAL AUTHORIZED BUDGET</u>	<u>1st QUARTER EXPEND. 1990-91</u>	<u>2nd QUARTER EXPEND. 1990-91</u>	<u>Y-T-D 1990-1991</u>	<u>CURRENT &amp; PRIOR YEAR EXPENDITURES</u>
(1) ARCHITECT FEES C-3					\$171,179	\$171,179	\$470,688
DERMATOLOGY	\$679,069	\$233,889	\$912,958		\$2,180	\$2,180	\$869,912
CUHCC	\$2,200,000	\$150,000	\$2,350,000	\$58,887	\$284,700	\$343,587	\$741,592
MAYO 4 SURG	\$1,029,350		\$1,029,350			\$0	\$1,036,487
MASONIC HOSP	\$835,000	\$800,000	\$1,635,000		\$29,299	\$29,299	\$1,630,789
COMPUTER UPGRADE	\$850,000		\$850,000		\$348,969	\$348,969	\$348,969
C.T. SCANNER	\$1,217,000		\$1,217,000		\$968,000	\$968,000	\$968,000
CARDIOVASCULAR RAD.	\$863,000		\$863,000		\$689,939	\$689,939	\$689,939
TOTAL	<u>\$7,673,419</u>	<u>\$1,183,889</u>	<u>\$8,857,308</u>	<u>\$58,887</u>	<u>\$2,494,266</u>	<u>\$2,553,153</u>	<u>\$6,756,376</u>

1.) THE ARCHITECT C-3 COSTS ARE BUDGETED FOR IN THE \$37.62 MILLION RENOVATION PROJECT.



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

March 21, 1991

TO: Planning and Development Committee Members

FROM: Greg Hart *GH*

SUBJECT: Lithotripsy

As we discussed in February, the hospital in conjunction with the Department of Urology continues to explore development of a mobile lithotripsy program. Enclosed is a brief analysis of the financials of the proposed joint venture. I will present a brief update on the status of the project at the Planning and Development Committee meeting on March 27, 1991.

Fixed Cost Analysis  
Lithostar Lithotripsy System  
Fee for Service

Out clause to be negotiated

450 Patients/Year

		Year 1	Years 2-5	Year 6-
		450 Patients	450 Patients	450 Patients
Patient Revenue				
Metro	300	570,000	570,000	570,000
Non-Metro	150	330,000	330,000	330,000
Total Revenue		900,000	900,000	900,000
Direct Expenses				
Procedure Fees		375,750	375,750	0
Management Contract		250,000	250,000	250,000
Equipment Depreciation		0	0	0
Interest Expense		0	0	0
Maintenance Contract machine		0	120,000	120,000
Maintenance Contract truck		25,000	25,000	25,000
Medical Supplies		10,000	10,000	10,000
Marketing		50,000		
Total Direct Expenses		710,750	780,750	405,000
Operating Margin		<u>189,250</u>	<u>119,250</u>	<u>495,000</u>
Margin per Procedure		421	265	1,100
Cumulative 5 year Margin			666,250	

600 Patients/Year

		Year 1	Years 2-3	Years 4	Year 5-
		600 Patients	600 Patients	600 Patients	600 Patients
Patient Revenue					
Metro	300	570,000	570,000	570,000	570,000
Non-Metro	300	660,000	660,000	660,000	660,000
Total Revenue		1,230,000	1,230,000	1,230,000	1,230,000
Direct Expenses					
Procedure Fees		501,000	501,000	375,750	0
Management Contract		275,000	275,000	275,000	275,000
Equipment Depreciation		0	0	0	0
Interest Expense		0	0	0	0
Maintenance Contract		0	120,000	120,000	120,000
Maintenance Contract truck		25,000	25,000	25,000	25,000
Medical Supplies		10,000	10,000	10,000	10,000
Marketing		50,000			
Total Direct Expenses		861,000	931,000	805,750	430,000
Operating Margin		<u>369,000</u>	<u>299,000</u>	<u>424,250</u>	<u>800,000</u>
Margin per Procedure		615	498	707	1,333
Cumulative 5 year Margin					2,191,250



# UNIVERSITY OF MINNESOTA

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*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

April 18, 1991

**TO:**            Planning and Development Committee Members

Leonard Bienias	Nellie Johnson
Robert Dickler	Peter Lynch, M.D.
Greg Hart	Trudy Ohnsorg
Clint Hewitt	Ted Thompson, M.D.
William Jacott, M.D.	

**FROM:**        Robert Nickoloff

The April meeting of the Planning and Development Committee will be held:

Tuesday, April 23, 1991  
12:30 - 2:30 P.M.  
The Board Room, University Hospital

Lunch will be served at 12:30 p.m. with the meeting starting at 1:00 p.m. The agenda and the background materials for the meeting are enclosed.

cc: Dan Berns  
Al Dees  
Cliff Fearing  
Nancy Janda  
Mark Koenig  
Seymour Levitt, M.D.

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PLANNING AND DEVELOPMENT COMMITTEE  
THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS  
Tuesday, April 23, 1991  
12:30 - 2:30 P.M.  
The Board Room (8-106), University Hospital

AGENDA

- |       |   |                         |
|-------|---|-------------------------|
| I.    | <u>Approval of the March 27, 1991 Meeting Minutes</u>   | Approval                |
| II.   | <u>Special Capital Project:</u><br><u>Linear Accelerator Proposal</u><br><br>-Dr. Seymour Levitt<br>-Nancy Janda                                    | Information             |
| III.  | <u>Major Capital Expenditure:</u><br><u>Color Doppler Ultrasound System</u><br><u>Diagnostic Radiology Department</u><br><br>-Al Dees               | Information/<br>Consent |
| IV.   | <u>Major Capital Expenditure:</u><br><u>Mobile Radiographic C-Arm Machine Replacement</u><br><u>Diagnostic Radiology Department</u><br><br>-Al Dees | Information/<br>Consent |
| V.    | <u>Lithotripsy</u><br><br>-Greg Hart  | Information             |
| VI.   | <u>Quarterly Capital Expenditure Report</u><br><br>-Greg Hart   | Information             |
| VII.  | <u>Quarterly Purchasing Report</u><br><br>-Mark Koenig  | Endorsement/<br>Consent |
| VIII. | <u>UMCA Update</u><br><br>-Peter Lynch, M.D.  | Information             |
| IX.   | <u>External Relations Update</u><br><br>Red Wing<br><br>-Cliff Fearing<br><br>Other   | Information             |
| X.    | <u>Other Business</u>   |                         |
| XI.   | <u>Adjournment</u>  |                         |

**MINUTES**  
**Planning and Development Committee**  
**Board of Governors**  
**March 27, 1991**

**CALL TO ORDER:**

Chairman Nickoloff called the March 27, 1991 meeting of the Planning and Development Committee to order at 2:38 P.M. in Room 8-106 in the University Hospital.

**Attendance:**

<b>Present:</b>	Robert Dickler Greg Hart Clint Hewitt Nellie Johnson Peter Lynch, M.D. Robert Nickoloff Trudy Ohnsorg Ted Thompson, M.D.
<b>Absent:</b>	Leonard Bienias William Jacott, M.D.
<b>Staff:</b>	Fred Bertschinger Mark Koenig Shannon Lorbiecki
<b>Guests:</b>	Barbara Lynch Jan Jost

**APPROVAL OF MINUTES**

The minutes of the February 27, 1991 meeting were approved as submitted.

**SPECIAL EVENT**

Ms. Barbara Lynch and Ms. Jan Jost discussed the efforts of the hospital auxiliary to assist the hospital in locating housing for patients. There is a significant need for improved access to affordable accommodations for patients and families. The auxiliary is planning a fund-raiser on October 19 at International Market Square. The event will involve prominent Minnesotans, a silent auction, dining, and dancing. The committee members were supportive of the event and were encouraged to submit names of prominent local persons who might be interested in participating.

#### **DEVELOPMENT OFFICE UPDATE**

Mr. Fred Bertschinger presented an update on activities of the Development Office. The U.S. West Transplant Assistance Fund campaign has been very successful in the past and will be conducted again in 1991. In response to a question, Mr. Bertschinger indicated that new donors are usually former patients or University employees.

#### **QUARTERLY PURCHASING REPORT**

Mr. Mark Koenig presented the quarterly purchasing report for the October through December 1990 quarter. Mr. Koenig indicated that the quarter's purchasing volume remains high despite relatively constant levels of patient activity. Three reasons for this increase have been identified:

1. Large settlements from Blue Cross and Medicare are included in these totals,
2. Purchases of capital equipment cause spikes in the purchasing volume, and
3. Cost of blood and blood products has increased.

A motion was seconded and passed to endorse the report and recommend it for the Board's consent agenda.

#### **QUARTERLY CAPITAL EXPENDITURES**

Mr. Greg Hart presented the quarterly capital expenditure report for the first six months of fiscal year 1990-1991. Actual expenditures are significantly behind budget for the six month period. This is attributed to historical patterns of capital expenditures and a policy that only emergency purchases were to be made during the first part of the year.

#### **LITHOTRIPSY PROGRAM**

Mr. Hart introduced a proposal to develop a mobile lithotripsy program. The hospital has been providing lithotripsy services since 1985. The program would be a joint venture between the hospital and the Department of Urology. Many details of the program remain to be worked out including machine choice, structure of the venture, and financial arrangements.

#### **UMCA UPDATE**

Dr. Peter Lynch informed the committee that the UMCA offices have moved off-site and Dr. Ted Thompson has been named part-time medical director of UMCA. The Group Health primary care clinic for State and University employees is in operation within the Family Practice Clinic. This is an important program for UMCA because it is viewed as a first step toward greater cooperation among the clinical departments.

**EXTERNAL RELATIONS UPDATE : RED WING**

Mr. Clifford Fearing presented an update on development of a relationship with Interstate Medical Center in Red Wing. These discussions continue and are nearing conclusion. Agreement has been reached on bylaws and articles of incorporation. Discussion continues regarding the financing arrangements.

**EXTERNAL RELATIONS UPDATE: RIVERSIDE**

Mr. Hart informed the committee that discussions continue with Riverside Medical Center to form a relationship in Obstetrics. A consultant may be hired to assist the two hospitals in developing a joint program.

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 4:10 P.M.

Respectfully Submitted:

*Shannon L. Lorbiecki*

Shannon L. Lorbiecki  
Administrative Fellow  
Secretary to the Board of Governors

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

April 17, 1991

**TO:** Members of the Planning and Development Committee

**FROM:** Dr. Seymour Levitt  
Professor and Head  
Department of Therapeutic Radiology/Radiation Oncology

Nancy Janda  
Associate Director

**RE:** Linear Accelerator Replacement

The attached proposal summarizes a recommendation to acquire a replacement linear accelerator for use in the Therapeutic Radiology Department.

The oldest of the three linear accelerators currently in use is reaching the end of its useful life. Patient volumes require operation of three accelerators.

The cost of the equipment is expected to be \$1,200,000. Renovation of the shell space earmarked for this machine is estimated at \$900,000. The funds needed for this project were included in the Hospital's 10 year capital plan and are intended as funding from reserves.

The project will be presented to the Planning and Development Committee, Finance Committee and the full Board of Governors in April. Endorsement and approval will be sought in May.

We will be available at your meeting this month and next to discuss the proposal in more detail.

SL/NJ/gs

Enclosure

# PROPOSAL FOR LINEAR ACCELERATOR REPLACEMENT

The University of Minnesota Hospital and Clinic  
Therapeutic Radiology/Radiation Oncology  
March, 1991

## I. BACKGROUND

A linear accelerator (Linac, for short) is a radiotherapy machine which produces high energy x-ray and electron beams for the treatment of different kinds of cancers. The Department of Therapeutic Radiology currently has three linear accelerators.

Manufacturer	Model	Purchased	Installation
Varian	Clinac 6/100	1983	1983-84
Varian	Clinac 2500	1983	1983-84
Phillips	SL 75/20	1979	1983-84

The average useful life of a linear accelerator is seven years according to the "Estimated Useful Life of Depreciable Hospital Assets" published by the American Hospital Association. The Phillips machine was purchased far in advance of its installation and is now 11 years old technologically. It has been used in treating patients for seven years. New accelerators have independent collimators, automatic wedges, computerized consoles, and modern blocking tray systems. These features allow greater accuracy and capability in providing treatment. The Philips lacks these features and is also time intensive in set-up and warm-up.

## II. ISSUES

### A. *The Aging Phillips*

The Philips is nearing the end of its useful life. Additionally, the Philips linear accelerator does not have the following state-of-the-art capabilities found in modern units.

1. The depth of the radiation penetration cannot be controlled as well as the new linear accelerators are capable of. As a result, normal tissue near the tumor may receive more radiation than with modern accelerators.
2. Custom blocks cannot be used on the machine. Blocks are shields placed in the path of the radiation beam to protect normal tissue around the tumor from receiving radiation. Generic blocks can be built up by hand but are often cumbersome, time consuming and less than optimal.
3. It is not capable of accurately defining the field of treatment by the radiation. This results in an overlap within the treated area when two adjacent areas are being treated.



4. Modern linear accelerators have computerized treatment consoles whereby machine performance is constantly monitored. In case of malfunction, diagnostics are instantly available which help locating the problem promptly and thus reducing the downtime of the machine.

### ***B. Equipment Utilization***

According to the Report of the Inter-Society Council for Radiation Oncology, the realistic load for a linear accelerator is approximately 6,000 standard treatments (single patient visit equivalents) per year. The current treatment load for the department is approximately 21,000 SPVE's per year. This is done utilizing three linear accelerators from 7:00-4:30 p.m. during the week as well as a number of routine patients and total body irradiations performed on the weekend.

	<u>SPVE's</u>
1986-87	19,063
1987-88	21,749
1988-89	20,180
1989-90	21,881
1990-91 (projected)	22,457

This represents a utilization level somewhat in excess of 100%. Therefore, three machines are needed at all times to accommodate the patient volume.

### ***C. Other Considerations***

In addition to the utilization factor, the Philips machine is one of two machines in the department capable of performing electron treatments. Electrons are used to boost the treatment to superficial cancers without damaging underlying tissue or organs. Approximately 40% of the patient population treated in the department undergo electron treatment. If the remaining electron capable machine were to break down, we would not be able to treat a sizable number of our patients, were we not to operate three units.

Finally, the department is now performing stereotactic radiosurgery. Stereotactic radiosurgery is used to treat inoperable intracranial disorders utilizing a precisely focused photon beam. Removal of the Philips without replacement would disrupt this service. In addition, the stereotactic procedure requires a time intensive set-up period in which the machine cannot be used for other treatments. This reduces the department's capacity to treat other patients.

**D. Acquisition Timing**

The time period from order placement to project completion for a linear accelerator is long. Acquisition, room renovation, installation, calibration time, and acceptance will take 18-24 months. In that time, the Philips unit will become more outdated. In light of this factor, replacement this year is recommended.

In summary, the department requires three operating machines at all times, two of which have electron capabilities. The stereotactic capability must also be available with minimal interruption. Given the long acquisition period for a new accelerator and the age of the Philips, acquisition of a new accelerator is recommended this fiscal year.

**III. RECOMMENDATIONS**

- A. Acquire a new linear accelerator with the features discussed in the proposal. There are three primary vendors that manufacture such machines.
- B. Renovate the 1300 square feet shell space within the department that was originally designed when the department was constructed to accommodate this accelerator.
- C. Retain the current Philips machine at least until the new machine is operational.

**IV. FINANCIAL ASPECTS OF THE LINAC ACQUISITION**

The Department of Therapeutic Radiology revenues and expenses can be summarized as follows:

	FY 1989-90	FY 1990-91 (proj)
Gross charges	3,772,418	4,416,600
Direct expenses	1,897,999	2,353,215
Gross margin	1,874,419	2,063,385

Charges associated with the machine proposed for replacement was \$1,134,460 in FY 1989-90. Although the expenses cannot be separately tracked for this machine, it is estimated to account for approximately one-third of the total expenditures for the department.

The cost of replacing the Philips accelerator includes the purchase price of the equipment as well as the renovation of the shell space.

Linear accelerator	\$1,200,000
Renovation of expansion room	<u>\$900,000</u>
	\$2,100,000

The purchase of the linear accelerator and the associated renovation were planned for FY 1990-91 as part of the Hospital's ten-year capital plan. The acquisition and facility preparation will be funded out of reserves.

From a financial perspective, the acquisition is recommended as a means to continue providing existing patient services as well as ensuring existing patient revenue.

## MAJOR CAPITAL EXPENDITURE REPORT

**EQUIPMENT:** Color Doppler Ultrasound System  
Diagnostic Radiology Department

**PURCHASE PRICE:** \$237,000

**DESCRIPTION:**

The volume of ultrasound procedures has increased significantly during the past two years: 27.3% in 1988-89 and 10.5% in 1989-90. Total volume for the first 8 months of the current fiscal year is 15.7% above the same period last year.

The increased volume coupled with a need for improved image resolution to support the types of procedures now being performed necessitate addition of a state-of-the-art ultrasound machine. The new equipment will be utilized for standard and intracavitary abdominal, peripheral and vascular imaging procedures. While this new machine was originally planned to be a replacement for a machine purchased in 1983, the existing machine is being retained and utilized for studies for which its capabilities are adequate.

With a projected net increase of \$258,000 in ultrasound revenue this year, the pay back period for the cost of the machine and the increased operating expenses will be less than two years.

Purchase of this equipment is included in the current year's capital plan utilizing funds rolled forward from last fiscal year.

Submitted By: H. Deen  
Title: Assoc. Dir.

Approved By: [Signature]  
Title: \_\_\_\_\_

## MAJOR CAPITAL EXPENDITURE REPORT

**EQUIPMENT:** Mobile Radiographic C-Arm Machine Replacement  
Diagnostic Radiology Department

**PURCHASE PRICE:** \$189,000

**DESCRIPTION:**

Wear and demand for immediate images and improved image quality from radiographic procedures performed in the Operating Room during surgical procedures necessitate replacement of Diagnostic Radiology's oldest mobile radiographic C-arm machine purchased in 1980. The new machine will be used primarily for imaging support during neurovascular, cardiovascular and cholecystectomy procedures.

The demand for imaging at a number of locations outside of the radiology department and particularly in operating rooms has grown dramatically during the past several years. Provision of this service can be done more economically through moving mobile equipment to these sites than through installing fixed equipment.

Purchase of this replacement equipment was included in the current year's capital budget.

Submitted By: *Be Dean*  
Title: *Assoe. Dir.*

Approved By: *[Signature]*  
Title: \_\_\_\_\_

# UNIVERSITY OF MINNESOTA

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*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

April 18, 1991

TO: Planning and Development Committee  
FROM: Greg Hart  
RE: Quarterly Purchasing Report

Attached please find the quarterly purchasing report for the period January - March, 1991. The report will be reviewed at the March Committee meeting. Following the review we will be seeking endorsement of the report. We would also recommend that the committee may recommend this item for the Board of Governor's consent agenda.

Please contact me if you have any questions regarding the quarterly report.

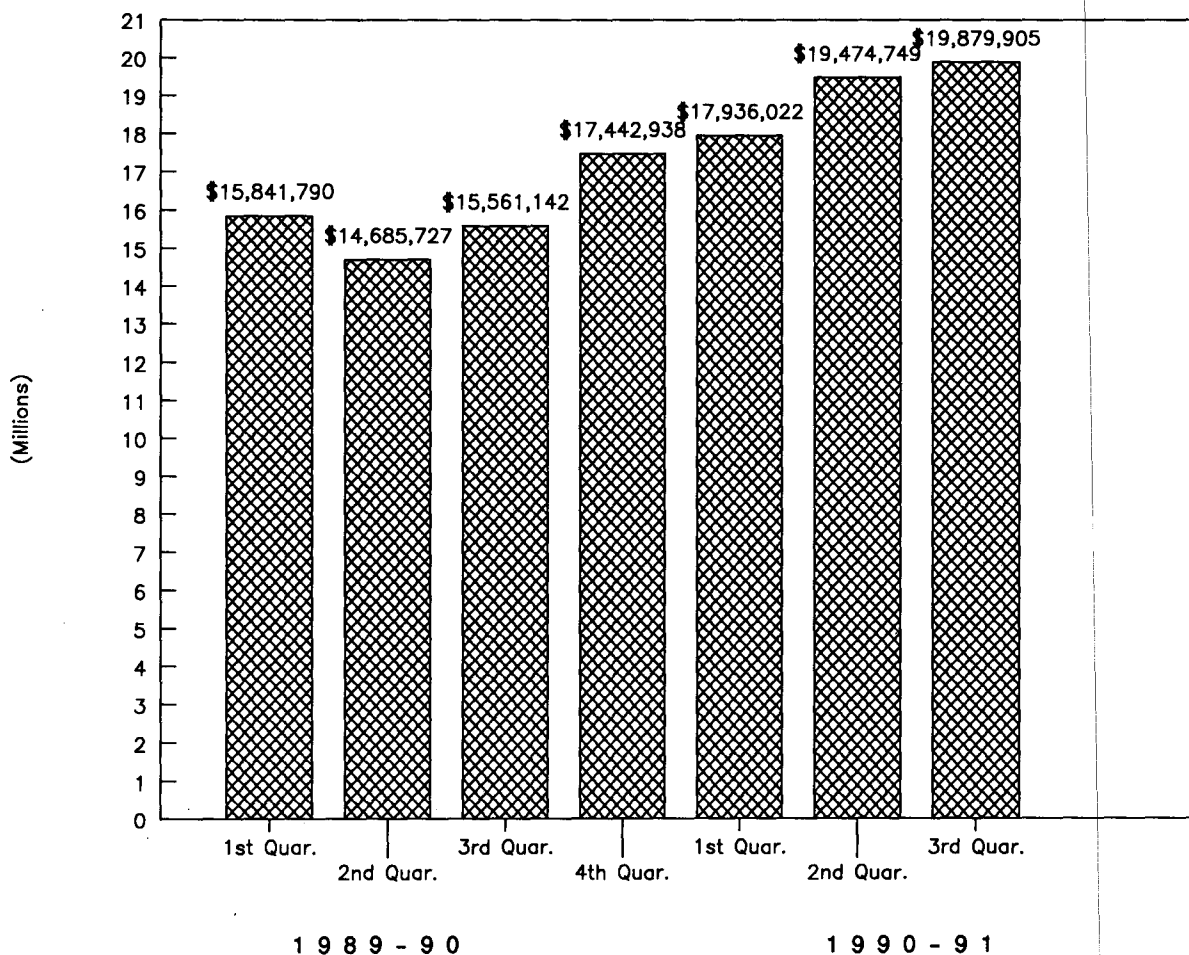
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attachments

**UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**ADMINISTRATIVE REPORT ON PURCHASING ACTIVITY**  
**PERIOD OF JANUARY - MARCH 1991**

- I. PURCHASE ORDER ACTIVITY
- II. AWARDS TO OTHER THAN APPARENT LOW BIDDER
- III. SOLE SOURCE ACTIVITY
- IV. VENDOR APPEALS

# PURCHASE ORDER ACTIVITY



## THIRD QUARTER, FISCAL YEAR 1990-91, ACTIVITY:

	<u>NUMBER</u>	<u>VALUE</u>
PURCHASE ORDERS	8574	\$18,911,247.72
OTHER PAYMENTS	553	\$537,580.46
CONFIRMING ORDERS	<u>393</u>	<u>\$431,076.96</u>
<b>TOTAL THIS QUARTER</b>	<u><u>9,520</u></u>	<u><u>\$19,879,905.14</u></u>



II. PURCHASE AWARDS TO OTHER THAN LOW BIDDER (\$10,000 OR MORE)

<u>ITEM</u>	<u>UNSUCCESSFUL VENDOR/AMOUNT</u>	<u>SUCCESSFUL VENDOR/AMOUNT</u>	<u>DEPARTMENT</u>
1. Mediastinal Drains	Medix \$ 7,705.92 Owens & Minor \$ 8,389.96	Medical Central \$ 11,970.70	Materials
	Tubing is not sufficiently pliable to conform to the steinum and the drain will not lay flat.		
2. Oxygenators	Medtronic \$120,700.00	Bard \$138,450.00	Materials
	The venous reservoir volume is not adquate for liver transplant rapid infusion, and the oxygenator does not have an integral blood sampling system.		
	Cobe \$131,350.00	Bard \$138,450.00	Materials
	The venous reservoir volume is not adquate for liver transplant rapid infusion, and the heat exchanger fins trap air.		
3. Water Pitcher & Foam Sleeve	Medix \$ 11,120.82	Baxter \$ 11,363.44	Materials
	The pitcher does not have a front hinge making it difficult to open without touching the spout.		
	Owens & Minor \$ 11,059.39	Baxter \$ 11,363.44	Materials
	The pitcher does not have a front hinge making it difficult to open without touching the spout, and the lid and spout cover fall off easily.		

4. Tissue Expander

CVI Corp.  
\$ 8,525.00

McGhan Medical  
\$ 11,730.00

O.R.

The expanders are not textured to give a more tissue-like appearance and the valve is difficult to locate and access.

5. Endotracheal Tubes

Medix  
\$ 14,324.00

Baxter  
\$ 14,419.02

Materials

Tip has sharper edges making insertion more traumatic to the tissue and the cuff is stiffer making it less desirable for patient comfort. Also, markings are not as distinctive as specified product.

III. SOLE SOURCE--\$5,000 and Over

<u>VENDOR</u>	<u>CONTRACT/ P.O. #</u>	<u>VALUE</u>	<u>DEPT.</u>	<u>PRODUCT</u>
* Curative Technologies	H110879	OPEN	Amb. Care	Wound Healing Product
Alliance Medical	H110814	\$23,640.00	Cardio.	Equipment Rental
Motorola	91-217	\$37,600.00	Comm.	Pagers
Haemonetics	H114722	\$7,500.00	Labs	Sterile Connection Device
Coulter Source	H114720	\$11,455.25	Labs	Cell Counter
Western Star	H100054	\$15,000.00	Labs	Interface with Red Cross
* Medical Graphics	H114085	\$65,000.00	Labs	Pulmonary Function Test Lab
Medical Graphics	H114085	\$39,500.00	Labs	Cardiac Exercise Test System
Sci-Med Life Systems	91-90	OPEN	Labs	Specialty Catheters
U.S. West	H114554	\$43,453.20	Marketing	Advertising
Microtek Medical	H426263	\$5,000.50	O.R.	Burs
Pilling Instruments	H428450	\$6,632.00	O.R.	T-Bar Sets
Acromed	91-87	OPEN	O.R.	Orthopedic Implants
Zimmer Page	H426264	\$9,666.60	O.R.	Burs
Alcon	91-306	OPEN	O.R.	Intraocular Lenses
DuPont	H114578	\$5,500.00	Radiology	EVP Persantine Injection Kits
Target Therapeutics	H428664	\$5,295.00	Radiology	Vascular Access Kits
Schneider	H426724	\$9,500.00	Radiology	Wallstents
Medical Advances	H114964	\$12,500.00	Radiology	Specialty Coil

TOTAL \$297,242.55

\* Over \$50,000

UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
 CAPITAL EXPENDITURES  
 7-1-90 THRU 03-31-91

	ANNUAL BUDGET AND ROLLFORWARD			SEASONALIZED BUDGET			ACTUAL EXPENDITURES		
	BUDGET	ROLLFORWARD FROM 6-30-90	TOTAL	9-MONTH BUDGET	9-MONTH ROLLFORWARD	TOTAL	90-91 ACTUAL	89-90 ROLLFORWARD	TOTAL
<b>RECURRING EQUIP &amp; REMOD EQUIPMENT PURCHASES</b>									
90-91 BUDGET	\$5,669,600		\$5,669,600	\$2,200,000		\$2,200,000	\$1,580,253	\$0	\$1,580,253
ROLLFORWARD		\$6,224,875	\$6,224,875		\$4,200,000	\$4,200,000	\$0	\$2,242,132	\$2,242,132
	<u>\$5,669,600</u>	<u>\$6,224,875</u>	<u>\$11,894,475</u>	<u>\$2,200,000</u>	<u>\$4,200,000</u>	<u>\$6,400,000</u>	<u>\$1,580,253</u>	<u>\$2,242,132</u>	<u>\$3,822,385</u>
<b>REMODELING PROJECTS</b>	\$1,330,400		\$1,330,400	\$1,000,000		\$1,000,000	\$136,278	\$549,796	\$686,074
	<u>\$7,000,000</u>	<u>\$6,224,875</u>	<u>\$13,224,875</u>	<u>\$3,200,000</u>	<u>\$4,200,000</u>	<u>\$7,400,000</u>	<u>\$1,716,531</u>	<u>\$2,791,928</u>	<u>\$4,508,459</u>
<b>PRINCIPLE PAYMENTS</b>									
LAB CHEMICAL ANALIZERS	\$116,158					\$86,153			\$82,102
CT SCANNER	\$207,000					\$153,800			\$153,900
COMPUTER EQUIP	\$174,891					\$130,001			\$144,876
MRI 2	\$429,579					\$321,717			\$319,179
	<u>\$927,628</u>					<u>\$691,671</u>			<u>\$700,057</u>
<b>TOTAL:</b>	<u>\$7,927,628</u>					<u>\$8,091,671</u>			<u>\$5,208,516</u>
<b>BOND PAYMENTS:</b>	\$2,345,000	(PAYMENTS MADE FEB. 1, 1991)							
<b>CAPITAL PROJECTS:</b>									
	UMHC FUNDS FROM RESERVES	ADDITIONAL FUNDS FROM OTHER SOURCES	TOTAL AUTHORIZED BUDGET	1st QUARTER EXPEND. 1990-91	2nd QUARTER EXPEND. 1990-91	3rd QUARTER EXPEND. 1990-91	Y-T-D 1990-1991	CURRENT & PRIOR YEAR EXPENDITURES	
(1) ARCHITECT FEES PH II					\$171,179	\$169,618	\$340,797	\$640,306	
DERMATOLOGY	\$679,069	\$233,889	\$912,958		\$2,180		\$2,180	\$869,912	
CUHCC	\$2,200,000	\$150,000	\$2,350,000	\$58,887	\$284,700	\$829,812	\$1,173,399	\$1,571,404	
MAYO 4 SURG	\$1,029,350		\$1,029,350			\$6,892	\$6,892	\$1,043,379	
MASONIC HOSP	\$835,000	\$800,000	\$1,635,000		\$29,299	\$38,778	\$68,077	\$1,669,567	
COMPUTER UPGRADE	\$850,000		\$850,000		\$348,969	\$80,816	\$429,785	\$429,785	
C.T. SCANNER	\$1,217,000		\$1,217,000		\$968,000	\$242,000	\$1,210,000	\$1,210,000	
CARDIOVASCULAR RAD.	\$863,000		\$863,000		\$689,939		\$689,939	\$689,939	
LABS COMPUTER SYST. EXP.	\$306,000		\$306,000			\$253,950	\$253,950	\$253,950	
HEART CATH ROOM	\$3,100,000		\$3,100,000			\$13,109	\$13,109	\$13,109	
<b>TOTAL</b>	<u>\$11,079,419</u>	<u>\$1,183,889</u>	<u>\$12,263,308</u>	<u>\$58,887</u>	<u>\$2,494,266</u>	<u>\$1,634,975</u>	<u>\$4,188,128</u>	<u>\$8,391,351</u>	

1.) THE ARCHITECT PHASE II COSTS ARE BUDGETED FOR IN THE \$37.62 MILLION RENOVATION PROJECT.

# UNIVERSITY OF MINNESOTA

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*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

May 8, 1991

**TO:**            Planning and Development Committee Members

Leonard Bienias	Nellie Johnson
Robert Dickler	Peter Lynch, M.D.
Greg Hart	Trudy Ohnsorg
Clint Hewitt	Ted Thompson, M.D.
William Jacott, M.D.	

**FROM:**        Robert Nickoloff

The May meeting of the Planning and Development Committee will be held:

**Monday, May 13, 1991  
12:00 - 2:00 P.M.  
The Board Room, University Hospital**

Lunch will be served at 11:30 a.m. with the meeting starting at 12:00 noon. The agenda and the background materials for the meeting are enclosed.

**cc:** Dan Berns  
Cliff Fearing  
Nancy Janda  
John LaBree, M.D.  
Seymour Levitt, M.D.

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**PLANNING AND DEVELOPMENT COMMITTEE**  
**THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC**  
**BOARD OF GOVERNORS**  
**Monday, May 13, 1991**  
**12:00 - 2:00 P.M.**  
**The Board Room (8-106), University Hospital**

**AGENDA**

- |       |  |             |
|-------|--|-------------|
| I.    | <u>Approval of the March 27, 1991 Meeting Minutes</u>  | Approval    |
| II.   | <u>Special Capital Project:</u><br><u>Linear Accelerator Proposal</u><br><br>-Dr. Seymour Levitt<br>-Nancy Janda | Endorsement |
| III.  | <u>Major Capital Expenditure:</u><br><u>Mobile Cardiac Catheterization</u><br><br>-Greg Hart                     | Endorsement |
| IV.   | <u>Cancer Center Support</u><br><br>-Robert Dickler  | Information |
| V.    | <u>Lithotripsy</u><br><br>-Greg Hart   | Information |
| VI.   | <u>UMCA Update</u><br><br>-Peter Lynch, M.D.   | Information |
| VII.  | <u>External Relations Update</u><br><br>Red Wing<br><br>-Cliff Fearing<br><br>Other                              | Information |
| VIII. | <u>Other Business</u>  |             |
| IX.   | <u>Adjournment</u>   |             |

**MINUTES**  
**Planning and Development Committee**  
**Board of Governors**  
**April 23, 1991**

**CALL TO ORDER:**

In Chairman Nickoloff's absence, Ms. Nellie Johnson called the April 23, 1991 meeting of the Planning and Development Committee to order at 1:00 p.m. in Room 8-106 in the University Hospital.

**Attendance:**

<b>Present:</b>	Leonard Bienias Robert Dickler Greg Hart William Jacott, M.D. Nellie Johnson Trudy Ohnsorg Ted Thompson, M.D.
<b>Absent:</b>	Clint Hewitt Peter Lynch, M.D. Robert Nickoloff
<b>Staff:</b>	Dan Berns Al Dees Cliff Fearing Nancy Janda Mark Koenig Seymour Levitt, M.D. Shannon Lorbiecki

**APPROVAL OF MINUTES**

The minutes of the March 27, 1991 meeting were approved as submitted.

**SPECIAL CAPITAL PROJECT: LINEAR ACCELERATOR PROPOSAL**

Ms. Nancy Janda introduced Dr. Seymour Levitt, Professor and Head, Department of Therapeutic Radiology and Mr. Dan Berns, Administrator in the Department of Therapeutic Radiology. The recommendation before the Committee and the Board of Governors is to acquire a replacement linear accelerator. The equipment would eventually replace the oldest of the three linear accelerators currently in use.

Dr. Levitt indicated that the new accelerator would improve control of depth penetration of radiation and decrease the current amount of down time. The current volume requires three machines in operation at all times. Ms. Janda presented a summary of the program's revenue and expenses. Because this linear accelerator would be a replacement purchase, no incremental revenue would be generated.



The proposal was brought to the Committee for information and will be brought to the Committee and the Board of Governors for approval in May.

#### **MAJOR CAPITAL EXPENDITURE: COLOR DOPPLER ULTRASOUND SYSTEM**

Mr. Alfred Dees presented a proposal to acquire a color doppler ultrasound system for use in diagnostic radiology. The system will be utilized for abdominal, peripheral, and vascular procedures. The new equipment will improve image resolution as well as accommodate increased demand.

A motion to include this capital expenditure on the Board's consent agenda was seconded and passed.

#### **MAJOR CAPITAL EXPENDITURE: MOBILE RADIOGRAPHIC C-ARM MACHINE**

Mr. Dees presented a proposal to purchase a portable radiographic c-arm machine to replace a machine purchased in 1980. The new equipment will improve image quality and be used primarily for neurovascular, cardiovascular and cholecystectomy procedures in the operating room.

The Committee seconded and passed a motion to recommend this information item for the Board's consent agenda.

#### **LITHOTRIPSY**

Mr. Greg Hart presented an update on a proposal to develop a mobile lithotripsy program. The program would remain within the University as a joint University Hospital and Department of Urology program. It is anticipated that the proposal will be brought to the Committee for approval at a future meeting.

#### **QUARTERLY CAPITAL EXPENDITURE REPORT**

Mr. Hart presented the capital expenditure report for the first nine months of fiscal year 1990/'91. Expenditures were higher in the January through March quarter but continue to lag behind seasonalized levels of previous years.

#### **QUARTERLY PURCHASING REPORT**

Mr. Mark Koenig presented the quarterly purchasing report for the period January - March 1991. Purchases for the quarter totaled approximately \$19.9 million. Although there appears to be an upward trend in purchases, if adjustments are made for capital expenditures and blood products, the level of purchases have remained relatively constant.

Mr. Dickler indicated that the purchase volume may be one area where the Board could develop a performance standard for Hospital management.

A motion was seconded and passed to endorse the purchasing report and recommend that the Board approve the report on its consent agenda.

#### UMCA UPDATE

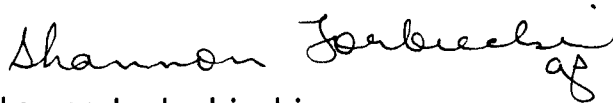
In Dr. Lynch's absence, Mr. Clifford Fearing reported that UMCA has been involved in several contract negotiations. UMCA representatives will participate in development of a health plan for University employees if the University health plans are separated from the State in 1993.

#### EXTERNAL RELATIONS UPDATE

Mr. Fearing reported that draft bylaws for a new venture between UMHC and Interstate Medical Center in Red Wing are being finalized. The proposal will be brought to the Planning and Development Committee and the Board of Governors in the near future.

There being no further business, the meeting was adjourned at 1:40 p.m.

Respectfully submitted,



Shannon L. Lorbiecki  
Administrative Fellow  
Secretary to the Board of Governors

# UNIVERSITY OF MINNESOTA

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*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

May 8, 1991

**TO:** Members, Planning and Development Committee

**FROM:** Dr. Seymour Levitt  
Professor and Head  
Department of Therapeutic Radiology/Radiation Oncology

Nancy Janda  
Associate Director

**RE:** Linear Accelerator Replacement

The attached proposal summarizes the recommendation to acquire a replacement linear accelerator for use in the Therapeutic Radiology Department. The proposal is identical to that reviewed by the Committee last month.

The oldest of the three linear accelerators currently in use is reaching the end of its useful life. Patient volumes require operation of three accelerators.

The cost of the equipment is expected to be \$1,200,000. Renovation of the shell space earmarked for this machine is estimated at \$900,000. The funds needed for this project were included in the Hospital's 10 year capital plan and are intended as funding from reserves.

The proposal is being presented for Planning and Development and Finance Committee endorsement this month and for Board of Governors approval on May 22, 1991.

We will be available at your meeting to discuss the proposal in whatever detail you desire.

SL/NJ/gs

Enclosure

# PROPOSAL FOR LINEAR ACCELERATOR REPLACEMENT

The University of Minnesota Hospital and Clinic  
Therapeutic Radiology/Radiation Oncology  
March, 1991

## I. BACKGROUND

A linear accelerator (Linac, for short) is a radiotherapy machine which produces high energy x-ray and electron beams for the treatment of different kinds of cancers. The Department of Therapeutic Radiology currently has three linear accelerators.

Manufacturer	Model	Purchased	Installation
Varian	Clinac 6/100	1983	1983-84
Varian	Clinac 2500	1983	1983-84
Phillips	SL 75/20	1979	1983-84

The average useful life of a linear accelerator is seven years according to the "Estimated Useful Life of Depreciable Hospital Assets" published by the American Hospital Association. The Phillips machine was purchased far in advance of its installation and is now 11 years old technologically. It has been used in treating patients for seven years. New accelerators have independent collimators, automatic wedges, computerized consoles, and modern blocking tray systems. These features allow greater accuracy and capability in providing treatment. The Philips lacks these features and is also time intensive in set-up and warm-up.

## II. ISSUES

### A. *The Aging Phillips*

The Philips is nearing the end of its useful life. Additionally, the Philips linear accelerator does not have the following state-of-the-art capabilities found in modern units.

1. The depth of the radiation penetration cannot be controlled as well as the new linear accelerators are capable of. As a result, normal tissue near the tumor may receive more radiation than with modern accelerators.
2. Custom blocks cannot be used on the machine. Blocks are shields placed in the path of the radiation beam to protect normal tissue around the tumor from receiving radiation. Generic blocks can be built up by hand but are often cumbersome, time consuming and less than optimal.
3. It is not capable of accurately defining the field of treatment by the radiation. This results in an overlap within the treated area when two adjacent areas are being treated.

4. Modern linear accelerators have computerized treatment consoles whereby machine performance is constantly monitored. In case of malfunction, diagnostics are instantly available which help locating the problem promptly and thus reducing the downtime of the machine.

### ***B. Equipment Utilization***

According to the Report of the Inter-Society Council for Radiation Oncology, the realistic load for a linear accelerator is approximately 6,000 standard treatments (single patient visit equivalents) per year. The current treatment load for the department is approximately 21,000 SPVE's per year. This is done utilizing three linear accelerators from 7:00-4:30 p.m. during the week as well as a number of routine patients and total body irradiations performed on the weekend.

	<u>SPVE's</u>
1986-87	19,063
1987-88	21,749
1988-89	20,180
1989-90	21,881
1990-91 (projected)	22,457

This represents a utilization level somewhat in excess of 100%. Therefore, three machines are needed at all times to accommodate the patient volume.

### ***C. Other Considerations***

In addition to the utilization factor, the Philips machine is one of two machines in the department capable of performing electron treatments. Electrons are used to boost the treatment to superficial cancers without damaging underlying tissue or organs. Approximately 40% of the patient population treated in the department undergo electron treatment. If the remaining electron capable machine were to break down, we would not be able to treat a sizable number of our patients, were we not to operate three units.

Finally, the department is now performing stereotactic radiosurgery. Stereotactic radiosurgery is used to treat inoperable intracranial disorders utilizing a precisely focused photon beam. Removal of the Philips without replacement would disrupt this service. In addition, the stereotactic procedure requires a time intensive set-up period in which the machine cannot be used for other treatments. This reduces the department's capacity to treat other patients.

#### ***D. Acquisition Timing***

The time period from order placement to project completion for a linear accelerator is long. Acquisition, room renovation, installation, calibration time, and acceptance will take 18-24 months. In that time, the Philips unit will become more outdated. In light of this factor, replacement this year is recommended.

In summary, the department requires three operating machines at all times, two of which have electron capabilities. The stereotactic capability must also be available with minimal interruption. Given the long acquisition period for a new accelerator and the age of the Philips, acquisition of a new accelerator is recommended this fiscal year.

### **III. RECOMMENDATIONS**

- A . Acquire a new linear accelerator with the features discussed in the proposal. There are three primary vendors that manufacture such machines.
- B . Renovate the 1300 square feet shell space within the department that was originally designed when the department was constructed to accommodate this accelerator.
- C . Retain the current Philips machine at least until the new machine is operational.

### **IV. FINANCIAL ASPECTS OF THE LINAC ACQUISITION**

The Department of Therapeutic Radiology revenues and expenses can be summarized as follows:

	<b>FISCAL YR 1989/90</b>	<b>FISCAL YR 1990/91 (proj)</b>
Total Patient Care Charges	3,772,418	4,416,600
Deductions from Charges	<u>779,030</u>	<u>907,117</u>
Net Patient Charges	2,993,388	3,509,483
Direct Expenses	<u>1,897,999</u>	<u>2,353,215</u>
Revenue over Expense	1,095,389	1,156,268
Indirect Expenses	<u>1,440,500</u>	<u>1,496,000</u>
Net Revenue over Expenses	\$345,111 -	\$339,732 -

#### ***Indirect Expense Components***

- Bldg Unit J Costs
- Human Resources
- OPD Employee Health
- Communications
- Radio Paging System
- Bldg 164 - Parking Ramp
- Tunnel
- Maintenance Operations
- Environmental Services
- Cafeteria

*Indirect Expense Components (cont.)*

- ISD: Computer Services
- Materials Management
- Admissions and Billing
- Interest
- Administration and General
- Miscellaneous Accruals
- Accrued Vacation
- Mechanical Transport
- Medical Information
- Laundry
- Entertainment TV
- Social Services
- Residents

Patient care charges include both inpatients and outpatients. The outpatient component of charges was 65% in FY 89-90 and 62% in FY 90/91. The deduction from charges reflects a payment-to-charge ratio of 82% for inpatients and 78% for outpatients. The indirect expense components have been identified to illustrate the other costs associated with operating the department.

Charges associated with the machine proposed for replacement were \$1,134,460 in FY 1990-91. Although the expenses cannot be separately tracked for this machine, it is estimated to account for approximately one-third of the total expenditures for the department.

The cost of replacing the Philips accelerator includes the purchase price of the equipment as well as the renovation of the shell space.

Linear accelerator	\$1,200,000
Renovation of expansion room	<u>\$900,000</u>
	\$2,100,000

The purchase of the linear accelerator and the associated renovation were planned for FY 1990-91 as part of the Hospital's ten-year capital plan. The acquisition and facility preparation will be funded out of reserves.

From a financial perspective, the acquisition is recommended as a means to continue providing existing patient services as well as ensuring existing patient revenue.

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

May 8, 1991

TO: Members, Planning and Development Committee

FROM: Greg Hart *GH*  
Senior Associate Director

SUBJECT: Mobile Cardiac Catheterization Program

In the past few months two mobile cardiac catheterization programs have been initiated in the State. The Mayo Clinic has already begun providing mobile heartcath services, and Abbott-Northwestern/Minneapolis Cardiology Associates will soon initiate its program.

These programs, especially Abbott-Northwestern's, have significant potential for disturbing our existing outreach and referral relationships relative to cardiology patients. This is particularly true in northern Minnesota, where the Abbott-Northwestern program is being heavily marketed and well received. Our affiliates in Hibbing have expressed concern about the Abbott-Northwestern program, as an appeal to Virginia and Grand Rapids is being made by Abbott-Northwestern. From Hibbing's perspective, were Virginia and Grand Rapids to have the service, and Hibbing not to have mobile cath capability, Hibbing would be placed at a significant competitive disadvantage. Hibbing looks to University Hospital, given our past relationships, to help them in this situation.

The presence of the Abbott-Northwestern program, Hibbing aside, threatens our cardiology referrals from the area. Patients from throughout the Iron Range who would receive mobile cath services are likely to receive continued care, if needed, from the cardiology group doing the patient's cardiac cath.

We are thus presented with two problems created by a competitive initiative: maintaining a broad based affiliation relationship with Hibbing, and protecting our referral interests in cardiology in northern Minnesota.

As a result, we believe we will have to initiate a mobile cardiac catheterization program of our own. We have communicated our intention to do so to the physicians and hospitals in Hibbing, Grand Rapids, and Virginia. All remain open to a proposal from the University Hospital; none have made firm commitments to the other program yet. It will be important for us to move quickly, however.



We are very actively investigating the potential of other "partners" in the program, the equipment to be used, and the financial assessment. It is unlikely that we will find enough demand for the service from our own referral sources to fully utilize the machine; thus other partners or users would help make the program more financially viable. The financial outcome for the program is highly dependent on volume, as much of the costs are fixed. It is quite possible that we will not be able to generate enough volume and revenue to offset our costs, at least at the initiation of the program.

At this point we would ask for the Committee's endorsement of this program at the conceptual level, based upon the competitive concerns referenced earlier. We would then continue with our marketing efforts, financial analysis, etc. and return for more definitive approval (hopefully) next month.

Thank you for your consideration.

GH/kj

Mobile Heart Cath Program  
Projected Summary of Operations

Assumptions:

- Lease cath unit, truck, management on a monthly basis, for 50% time

- UMHC pays for tech, nurses, catheters, etc.

- Fixed Expenses

- Lease Costs                      \$350,000

- Labor                                      60,000

- Misc., Travel                      20,000

\$430,000

- Variable Expenses (per case)              \$700

- Revenue Per Case (charged to Hospital)              \$1400

150 cases

Revenue                      210,000

Fixed Expenses              <430,000>

Variable Expenses              <105,000>

<325,000>

300 cases

Revenue                      420,000

Fixed Expenses              <430,000>

Variable Expenses              <210,000>

<220,000>

450 cases

Revenue                      630,000

Fixed Expenses              <430,000>

Variable Expenses              <315,000>

<115,000>

600 cases

Revenue                      840,000

Fixed Expenses              <430,000>

Variable Expenses              <420,000>

< 10,000>

## Lithotripsy Program Proposal

### ORGANIZATION

The program will be organized as an internal University venture. A new corporation or partnership will not be created. UMHC and the Department of Urology will share the risk/reward in the program (see below). The program will use contracted management and marketing, through Outpatient Technologies, Inc. and Medical Marketing Resources. These groups will not have "equity" in the program; their contracts will have incentives for positive performance.

### RISK/REWARD

UMHC and the Department of Urology will share equally in the financing of the program and in the net income or net loss from program operations.

The potential annual financial obligation lies primarily in the annual lease cost for the machine and van. An agreement has been negotiated with the vendor for a per case charge of \$800. A minimum of 450 cases, or \$360,000 is guaranteed by the University to the vendor. This amount decreases as annual case volume grows toward 450 cases; thus the \$360,000 is a theoretical maximum.

UMHC and the Department of Urology will share equally in this guarantee. Each will create an escrow account or establish a letter of credit in order to avoid any potential confusion or overlap as to who is responsible for the payment, if a payment becomes necessary.

The net annual operating profit or loss will also be shared equally between UMHC and the Department of Urology. Thus each party is assuming a bonafide risk, and each has a return analogous to the percentage of risk being assumed.

### VENDOR

Medstone will be the manufacturer of choice, largely for two reasons. First, they are the only vendor who has been willing to agree to a lease under terms which would allow termination of the program, if unsuccessful from a volume standpoint, after one year of operation. Second, Medstone has a very high success rate, as measured by low required retreatment rates, given the power of its machine. A low retreatment rate is desired given the large geographic area which the program will serve.

## MARKETING

To date, six external sites have signed contracts or letters of intent to purchase services from the program. These sites are in Minnesota, Iowa, and South Dakota. These sites estimate a total caseload of about 330 cases per year, although that number will only become known with experience.

Marketing to other sites continues, with several other communities expressing serious interest. It is also possible that one or two of the major HMOs in the Twin Cities will choose to contract with the program. The above figure does not include UMHC cases, which are estimated at 150-200 per year in the future.

## FINANCIAL PROJECTIONS

The pro formas for the program at two different volume levels, 400 cases and 600 cases, are attached.

Net income, for purposes of profit/loss distribution, is calculated after costs for treating UMHC patients are "paid for" as part of the operating costs for the program.

The attached figures are for the mobile program only. They do not include revenue billed by UMHC to third party payers. Average reimbursement per case is approximately \$2900 per case. This payment includes the lithotripsy procedure itself, associated ancillary procedures, and an overnight inpatient stay if needed.

The Department of Urology bills professional fees for cases done by its faculty separate and apart from the attached figures.

A three year lease/purchase agreement is being pursued, with an "out clause" at the end of the first year if certain volume levels are not reached.

## REQUIRED APPROVALS

We would request that the Board of Governors approve this program, given the dollars involved and the rather unique structure being proposed. Because a new corporation or partnership is not being formed, approval by the Board of Regents is not required.

Lithotripsy Program

Financial Summary

Lease/Purchase Terms:

- Three year lease, \$800/case
- Total minimum payments: \$1,080,000
- Annual minimum payment: \$360,000
- "Out" clause at end of first year

Annual Operations

	<u>At 400 cases</u>	<u>At 600 cases</u>
Contract Revenue	634,000	980,000
Less: Management Contract	250,000	275,000
Lease Payments	360,000	480,000
Marketing Expenses	50,000	50,000
Supplies	10,000	10,000
Contract Incentives	43,000	122,000
Plus: UMHC Cases	180,000	240,000
Net	101,000	283,000
Distribution: UMHC	50,500	141,500
Urology	50,500	141,500

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

June 7, 1991

**TO:** Planning and Development Committee Members

Leonard Bienias	Nellie Johnson
Robert Dickler	Peter Lynch, M.D.
Greg Hart	Trudy Ohnsorg
Clint Hewitt	Ted Thompson, M.D.
William Jacott, M.D.	

**FROM:** Robert Nickoloff

The June meeting of the Planning and Development Committee will be held:

Wednesday, June 12, 1991  
12:00 - 2:00 P.M.  
The Board Room, University Hospital

Lunch will be served at 11:30 a.m. with the meeting starting at 12:00 noon. The agenda and the background materials for the meeting are enclosed.

cc: Fred Bertschinger  
Keith Dunder  
Cliff Fearing  
John LaBree, M.D.  
Shannon Lorbiecki

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Red Wing.....	9
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PLANNING AND DEVELOPMENT COMMITTEE  
THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC  
BOARD OF GOVERNORS  
Wednesday, June 12, 1991  
12:00 - 2:00 P.M.  
The Board Room (8-106), University Hospital

AGENDA

- |       |  |             |
|-------|--|-------------|
| I.    | <u>Approval of the May 13, 1991 Meeting Minutes</u>              | Approval    |
| II.   | <u>Lithotripsy Program</u><br>-Robert Dickler                    | Approval    |
| III.  | <u>Cancer Center Support</u><br>-Robert Dickler                  | Approval    |
| IV.   | <u>Red Wing</u><br>-Clifford Fearing                             | Information |
| V.    | <u>Development Office Quarterly Report</u><br>-Fred Bertschinger | Information |
| VI.   | <u>UMCA Update</u><br>-Peter Lynch, M.D.                         | Information |
| VII.  | <u>Other Business</u>  |             |
| VIII. | <u>Adjournment</u>   |             |



**MINUTES**  
**Planning and Development Committee**  
**Board of Governors**  
**May 13, 1991**

**CALL TO ORDER:**

Mr. Robert Nickoloff called the May 13, 1991 meeting of the Planning and Development Committee to order at 1:00 p.m. in Room 8-106 in the University Hospital.

**Attendance:**           **Present:**   Leonard Bienias  
  Robert Dickler  
  Greg Hart  
  William Jacott, M.D.  
  Nellie Johnson  
  Peter Lynch, M.D.  
  Robert Nickoloff  
  Trudy Ohnsorg  
  Ted Thompson, M.D.

**Absent:**           Clint Hewitt

**Staff:**            Nancy Janda  
                          John LaBree, M.D.  
                          Shannon Lorbiecki

**APPROVAL OF MINUTES**

The minutes of the April 23, 1991 meeting were approved as submitted.

**SPECIAL CAPITAL PROJECT:   LINEAR ACCELERATOR PROPOSAL**

A motion was seconded and passed to endorse the proposal to acquire a replacement linear accelerator and to place the proposal on the Board of Governor's consent agenda.

**MAJOR CAPITAL EXPENDITURE:   MOBILE CARDIAC CATHETERIZATION**

Mr. Greg Hart presented a proposal to develop a mobile cardiac catheterization program. Experience across the Country has shown mobile cardiac catheterization to be safe and effective for a carefully selected segment of the population requiring catheterization. The advantage of a mobile program is allowing the patient to remain in their local community.

Although this program is not expected to have a positive financial return, hospital administration and the medical staff involved believe it is an important part of our outreach program. The Hospital is pursuing an arrangement to lease a machine on a part-time basis. At this meeting the

Committee was asked to authorize the Hospital to begin negotiations with several communities to develop a catheterization program. A more complete proposal will be brought to the committee in the future.

A motion was seconded and passed to endorse this authorization to negotiate.

#### UMCA UPDATE

Dr. Peter Lynch informed the Committee that UMCA is discussing relationships with various payers and with Boynton Health Service.

#### CANCER CENTER SUPPORT

Mr. Robert Dickler announced that a fund raising effort for the University of Minnesota Cancer Center has been initiated. The funds would be used for facilities and faculty support. The proposal before the Committee was for the Hospital to pledge about \$1 million over a period of 5 to 10 years for the facility.

This item will be brought to the Committee for endorsement in June.

#### LITHOTRIPSY

Mr. Hart informed the Committee that discussions continue with the Department of Urology to establish a joint program for mobile lithotripsy. A proposal will be brought forward for the committee's endorsement when final agreement has been reached.

#### EXTERNAL RELATIONS

Mr. Dickler indicated that all substantive issues concerning the relationship between UMHC and Interstate Medical Center in Red Wing have been resolved. Some minor details are under discussion and a proposal will come before the Committee and the Board of Governors in the near future.

#### ADJOURNMENT

There being no further business, a motion for adjournment was seconded and passed at 1:15 p.m.

Respectfully submitted,

*Shannon L. Lorbiecki*


Shannon L. Lorbiecki  
Administrative Fellow  
Secretary to the Board of Governors



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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

June 3, 1991

TO: Members, Planning and Development Committee  
FROM: Greg Hart   
SUBJECT: Lithotripsy Program

Last month the Committee and the Board of Governors discussed the attached document, outlining the proposed mobile lithotripsy program to be implemented jointly with the Department of Urology.

We would request Committee endorsement of the program this month. We have received a letter from Dr. Fraley indicating his concurrence with the proposed approach to the program. A formal internal memorandum of agreement is being developed and should be signed by Dr. Fraley by the time of the full Board of Governors meeting. The Hospital would then sign that MOA following Board of Governors' approval of the program.

The Committee may be interested in knowing that the Clinical Chiefs Capital Budget Advisory Committee endorsed this project in late May. This is pertinent in that there has been discussion about the extent to which the medical staff leadership is comfortable with the approach to risk/reward-sharing involved in this project.

Thank you for your valuable comments over the past few months as this project has been restructured, and for your consideration of this request for program approval.

GH/kj

attachment

## Lithotripsy Program

University Hospital acquired its first lithotripter in 1985. Since that time nearly 2,000 patients have come to University Hospital for lithotripsy services. The lithotripsy program has been a success, in that volume has exceeded our original expectations, the program has been profitable, and the medical staff utilizing the technology (including several from outside University Hospital) have viewed the program positively. The fact that University Hospital has had ESWL technology available has also led to referrals for other urologic procedures, especially for related methods of kidney stone treatment and other "minimally invasive" techniques.

Over the past few years there has been evolution in lithotripsy technology towards mobile capability. There is a competing venture in the Twin Cities which has mobile lithotripters, which visit sites in the Twin Cities and, increasingly, beyond. Several of our referral sources have expressed interest in purchasing mobile lithotripsy services from UMHC; this has led us to assess whether our next phase of lithotripsy program development should involve a mobile program. We now believe the market is such that a mobile program is viable and appropriate.

We have worked with the Department of Urology to assess the market, machine choice, financing, pricing, and organizational form for a mobile lithotripsy program. Those discussions have gone through several iterations; we are now prepared to recommend the following for the program:

### ORGANIZATION

The program will be organized as an internal University venture. A new corporation or partnership will not be created. UMHC and the Department of Urology will share the risk/reward in the program (see below). The program will use contracted management and marketing, through Outpatient Technologies, Inc. and Medical Marketing Resources. These groups will not have "equity" in the program; their contracts will have incentives for positive performance.

### RISK/REWARD

UMHC and the Department of Urology will share equally in the financing of the program and in the net income or net loss from program operations.

The potential annual financial obligation lies primarily in the annual lease cost for the machine and van. An agreement has been negotiated with the vendor for a per case charge of \$800. A minimum of 450 cases, or \$360,000 is guaranteed by the University to the vendor. This amount decreases as annual case volume grows toward 450 cases; thus the \$360,000 is a theoretical maximum.

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#### VENDOR

Medstone will be the manufacturer of choice, largely for two reasons. First, they are the only vendor who has been willing to agree to a lease under terms which would allow termination of the program, if unsuccessful from a volume standpoint, after one year of operation. Second, Medstone has a very high success rate, as measured by low required retreatment rates, given the power of its machine. A low retreatment rate is desired given the large geographic area which the program will serve.

#### MARKETING

To date, six external sites have signed contracts or letters of intent to purchase services from the program. These sites are in Minnesota, Iowa, and South Dakota. These sites estimate a total caseload of about 330 cases per year, although that number will only become known with experience.

Marketing to other sites continues, with several other communities expressing serious interest. It is also possible that one or two of the major HMOs in the Twin Cities will choose to contract with the program. The above figure does not include UMHC cases, which are estimated at 150-200 per year in the future.

#### FINANCIAL PROJECTIONS

The pro formas for the program at two different volume levels, 400 cases and 600 cases, are attached.

Net income, for purposes of profit/loss distribution, is calculated after costs for treating UMHC patients are "paid for" as part of the operating costs for the program.

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The Department of Urology bills professional fees for cases done by its faculty separate and apart from the attached figures.

A three year lease/purchase agreement is being pursued, with an "out clause" at the end of the first year if certain volume levels are not reached.

#### REQUIRED APPROVALS

We would request that the Board of Governors approve this program this month, given the dollars involved and the rather unique structure being proposed. Because a new corporation or partnership is not being formed, approval by the Board of Regents is not required.

Lithotripsy Program

Financial Summary

Lease/Purchase Terms:

- Three year lease, \$800/case
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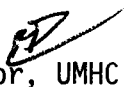
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Urology	50,500	141,500

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

*Harvard Street at East River Parkway  
Minneapolis, MN 55455*

TO: Members, Planning and Development Committee  
FROM: Robert Dickler   
General Director, UMHC  
DATE: June 5, 1991  
SUBJECT: University of Minnesota Cancer Center

As you are aware, the University of Minnesota is a major center for cancer research, education, and treatment. For a number of years the University of Minnesota Health Sciences Center have been working collectively to ascertain what changes and support is required to maintain and enhance this leadership. Some of the outcomes of these efforts have been the formulation of a Cancer Center structure, the ongoing development and enhancement of clinical programs, the recruitment of faculty in a variety of disciplines, and the expansion of research and educational activity.

Under the leadership of Dr. David Brown, the Medical School and University have also developed and implemented plans for a major Cancer Center fund-raising effort. This effort has a goal of \$30 million for facility development and endowed chairs and faculty support in cancer. To date, the preliminary fund-raising efforts have been highly successful with pledges and contributions now exceeding half of the goal. Based on this success, the Cancer Center Campaign will be formally announced in late June of this year.

The Board of Governors have discussed, on a number of occasions, the constraints imposed on faculty recruitment and retention due to inadequate laboratory space and support resources. The construction component of this campaign will add four floors to the existing Cardiovascular Research Center and Heart Lung Institute for cancer research and support. The addition of this space will be a significant step toward resolving these serious space shortages for research.

Recognizing the importance of these efforts to the success of the Hospital's tripartite mission, I am recommending to the Board that UMHC pledge \$1 million for the Cancer Center facility development. This pledge would be paid over a seven-year period which will permit us to minimize the impact on our ongoing operating and capital budgets while, at the same time, supporting a construction schedule which could be initiated by late 1991 or early 1992.

Thank you for your consideration of this recommendation. I look forward to discussing it with you.

RD/hw

# UNIVERSITY OF MINNESOTA

*The University of Minnesota Hospital and Clinic*

*Office of the Hospital Attorney*

Box 708  
Harvard Street at East River Parkway  
Minneapolis, MN 55455  
612-626-5429

June 7, 1991

## MEMORANDUM

TO: Board of Governors

FROM: Cliff Fearing, Senior Associate Director *CAF*  
Keith Dunder, UMHC General Counsel *KD*

RE: Acquisition of Interstate Medical Center

As you are aware, UMHC has been involved, for a considerable time, in negotiations regarding the potential acquisition of Interstate Medical Center (IMC) in Red Wing. Negotiations have now progressed to the point of general understanding and agreement as to the terms of acquisition. Subject to the ultimate approval by the Board of Governors, and the Board of Regents, we expect to enter into a signed letter of agreement, followed by an Asset Purchase Agreement over the course of the next sixty days. We wish to take this opportunity to provide the Board with a fuller understanding of this matter.

Interstate Medical Center is a multiple specialty clinic of twenty seven physicians and related staff which operates primarily out of a facility in Red Wing, Minnesota. IMC also owns a clinic building in Elsworth, Wisconsin, and has satellite office space in Zumbrota. IMC is the only major clinic in Red Wing, and is the major physician provider in this geographic area.

The Red Wing facility consists of two buildings, containing a total of approximately 42,000 gross square feet, and parking space for 205 cars. The main clinic building is twenty years old and consists of two floors of about 16,000 gross square feet each. The therapy building, which is about five years old, houses the Physical Medicine Clinic on it's first floor, and the second floor is used for storage. The Elsworth facility was constructed in 1984, and comprises approximately 3,000 gross square feet.

IMC is a healthy and viable clinic with a patient volume of approximately 150,000 per year. It's yearly gross revenues are approximately 14 million, and it has demonstrated a consistent pattern of growth over the last several years.



The acquisition of IMC provides a significant opportunity for the University and UMHC to geographically expand the base of medical operations, and provide greater opportunities for education, research, and service to the community of Greater Minnesota, and the Red Wing region. By this acquisition UMHC will gain a secure relationship with a viable out state provider community. We expect to very quickly expand the residency program in Pediatrics to place residents in Red Wing, and as other departments develop relationships with IMC, further residency arrangements will be instituted. We expect that the relationship with the Rural Physician Apprenticeship Program (RPAP) will be reinforced and potentially expanded. The IMC patient population will be incorporated into appropriate research activity, allowing the expansion of research protocols and the development of protocols and models related to rural health care. We expect to realize significant further opportunities for the expansion of community education and continuing medical education involving a geographic region in which this opportunity has not previously existed. While these types of changes will take place over a number of years, the existence of a secure relationship is essential in fostering these potential developments.

While the actual purchase documents are still being developed, the expected future structure of IMC has been largely worked out. A new non-profit corporation will be formed, of which the University will be the sole member. A Board of Directors will be appointed, consisting of three members chosen by the Clinic, and three by the University. A Physician's Committee, chosen from among the IMC physicians, would be set up for the day to day management of the clinic. Levels of authority are delineated to provide for appropriate level control by the Board and by the University as sole member, but avoiding undo involvement by the University in the day to day operations of the clinic. For example, the Physician's Committee will conduct the day to day operations of the clinic, but may not engage in any non-budgeted capital expenditure of more than \$50,000.00 without the specific approval of the Board of Directors, and the budget itself, together with any modification of the budget in excess of \$50,000.00 or an appropriate aggregate threshold, is subject to the express approval of the University as the sole member.

The purchase price of IMC will be approximately \$ 9.1 million. Of this amount, approximately \$4 million is directed toward the real property, which will be owned by the University, and leased back to the new corporation. Approximately \$5.1 million is directed toward the purchase of the goodwill and ongoing business value of the clinic, and will be paid out over the course of eight years.

Board of Governors

June 7, 1991

3

The general time table for the acquisition is to execute a letter of agreement before the end of June, 1991, and an Asset Purchase Agreement within thirty days thereafter. These arrangements would, of course, be subject to the approval by the Board of Governors and the Board of Regents. We anticipate this approval cycle will probably be initiated in September.

KD/CF: ht



UNIVERSITY OF MINNESOTA  
TWIN CITIES

Development Office  
The University of Minnesota Hospital and Clinic  
Box 612 UMHC  
Harvard Street at East River Parkway  
Minneapolis, Minnesota 55455

DATE: June 7, 1991  
TO: Planning and Development Committee  
FROM: Fred E. Bertschinger *FE B*  
SUBJECT: Development Office Quarterly Report

Attached for your information are summary reports of activities and donations received during the third quarter of FY 1991 (January - March).

If you have any questions about this report prior to the committee meeting, please call me at 626-6008.

FB



UNIVERSITY OF MINNESOTA  
TWIN CITIES

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Minneapolis, Minnesota 55455

Activities and Events  
UMHC Development Office  
FY 1991

1990

- August 9 Begin first of six luncheons and tours for solicitors for the CWA Local 7200/U.S. West Charity Project.
- September 8 Donor recognition event hosted by Bob and Sue Dickler - tour and dinner at UMHC followed by Gopher football game.
- September 13 Kick-off for CWA Local 7200/U.S. West United Way and UMHC Transplant Assistance Fund Campaign. Goals of \$30,000 and new organ donors.
- October 17 U of M President's Club Annual Dinner Meeting.
- November 4 Gopher Exhibition Basketball Game to benefit Child/Family Life.
- November 15 Philanthropy Day recognition for Dr. Neal Gault and Genevieve Stelberg.
- November 25 Annual Report To Donors - FY 1990 mailed.
- December 3 Employee/Staff Annual Campaign solicitation mailed.
- December 6 GIFT-ED, a U of M Foundation publication, mailed to major donors, administrators, department heads, and friends.

1991

- January 16 CWA Local 7200/US West check presentation for the Transplant Assistance Fund. \$30,000, plus \$5,022 in matching gifts from the US West Foundation.
- January 21 National Association for Hospital Development Region VII meeting with national president at Fairview.
- January 28 Variety Club Childrens Hospital Pledge Advisory Committee meeting to approve 1991 allocations.

Page two

- February 4 University and related organizations Development Officers for children's programs - meeting for coordination and joint project.
- February 16 Minneapolis Commodores Chorus annual concert to benefit U of M for heart research. Expect \$6,500.
- March 25 Begin direct mail portion of Annual Campaign solicitation of former donors. Done in conjunction with U of M Development Office-Current Giving Department. Telemarketing to begin May 20.
- April 28 Variety Club's Affair of the Heart annual benefit event.
- May 7 MN Alumni Association Annual Meeting featuring August Wilson. We hosted 16 donors and friends.

**Contributions Received  
UMHC Development Office  
FY 1991**

	I 7-9/90	II 10-12/90	III 1-3/91	IV 4-6/91	Totals
Patients Fund	\$1,916	\$2,044	\$1,807		\$5,767
Transplant Asst Fund	1,830	3,442	34,541		39,813
Variety Club Pldg	4,460	20,565	554,177		579,202
Other Funds	138,148	119,534	119,009		376,691
Totals to Funds	<u>\$146,354</u>	<u>\$145,585</u>	<u>\$709,534</u>	—————	<u>\$1,001,473</u>

Goal = \$1,050,000

Irrevocable Future Gifts	0	2	0
Revocable Future Gifts	2	0	0